



EDWARD B. GRIMBALL, Chairman  
HOWELL CLYBORNE, JR.  
EMERSON F. GOWER, JR.

## SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER  
Executive Director

### BOARD OF ECONOMIC ADVISORS AND WORKING GROUP MEETING AGENDA January 17, 2019, 1:30 P.M. Bowers Conference Room Room 417, Rembert C. Dennis Building Members attending via *GoToMeeting*

- I. Welcome
- II. Adoption of Meeting Minutes for November 8, 2018
- III. Review of Revenues and Economic Conditions
  - A. Report for December 2018 (F. Rainwater, R. Martin)
  - B. Discussions Regarding February Forecast Meeting (F. Rainwater, R. Martin)
- IV. Other Business
  - A. 2019 Statement of Economic Interest Report – due March 30
- V. Reports from Working Group Members
  - A. Governor's Office
  - B. Senate Finance Committee
  - C. Ways & Means Committee
  - D. Treasurer's Office
  - E. Comptroller General's Office
  - F. Executive Budget Office
- VI. Future Meeting Schedule
  - A. February 14, 2019, 1:30pm – Forecast (Due February 15<sup>th</sup>)
  - B. March 21, 2019, 1:30pm - **If necessary**, *GoToMeeting* for Members
  - C. April 8, 2019, 1:30 – Quarterly Review, **Final Forecast (April 10)**
  - D. 2019 Calendar at <http://rfa.sc.gov/meetings?y=2019>
- VII. Adjournment

**Please note that the Agenda is subject to change.**

For further information, please contact Karen Rhinehart at (803) 734-2265,  
or visit the RFA webpage at [www.rfa.sc.gov](http://www.rfa.sc.gov)



*South Carolina Revenue and Fiscal Affairs Office*

# OVERVIEW



# Overview January 2019

- As required by §11-9-1140, General Fund Revenues through the second quarter of FY 2018-19 totaled \$4,614.6 million and exceeded the quarterly estimate of \$4,575.8 million by \$38.7 million.
- Withholdings, the largest revenue item, is \$54.4 million above estimate and is growing at a rate of 6.1 percent compared to an estimated growth of 3.9 percent.
- Sales tax is \$5.4 million below estimates, despite receiving \$2.7 million from new retailers who registered in compliance with the Wayfair Decision.
- No revenue adjustment is warranted at this time. The BEA, however, will review the FY 2018-19 and FY 2019-20 estimates at its next meeting on February 14, 2019.





Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 11/8/18 BEA Revenue Estimate of \$9,056.2 Million in FY 2018-19 1/

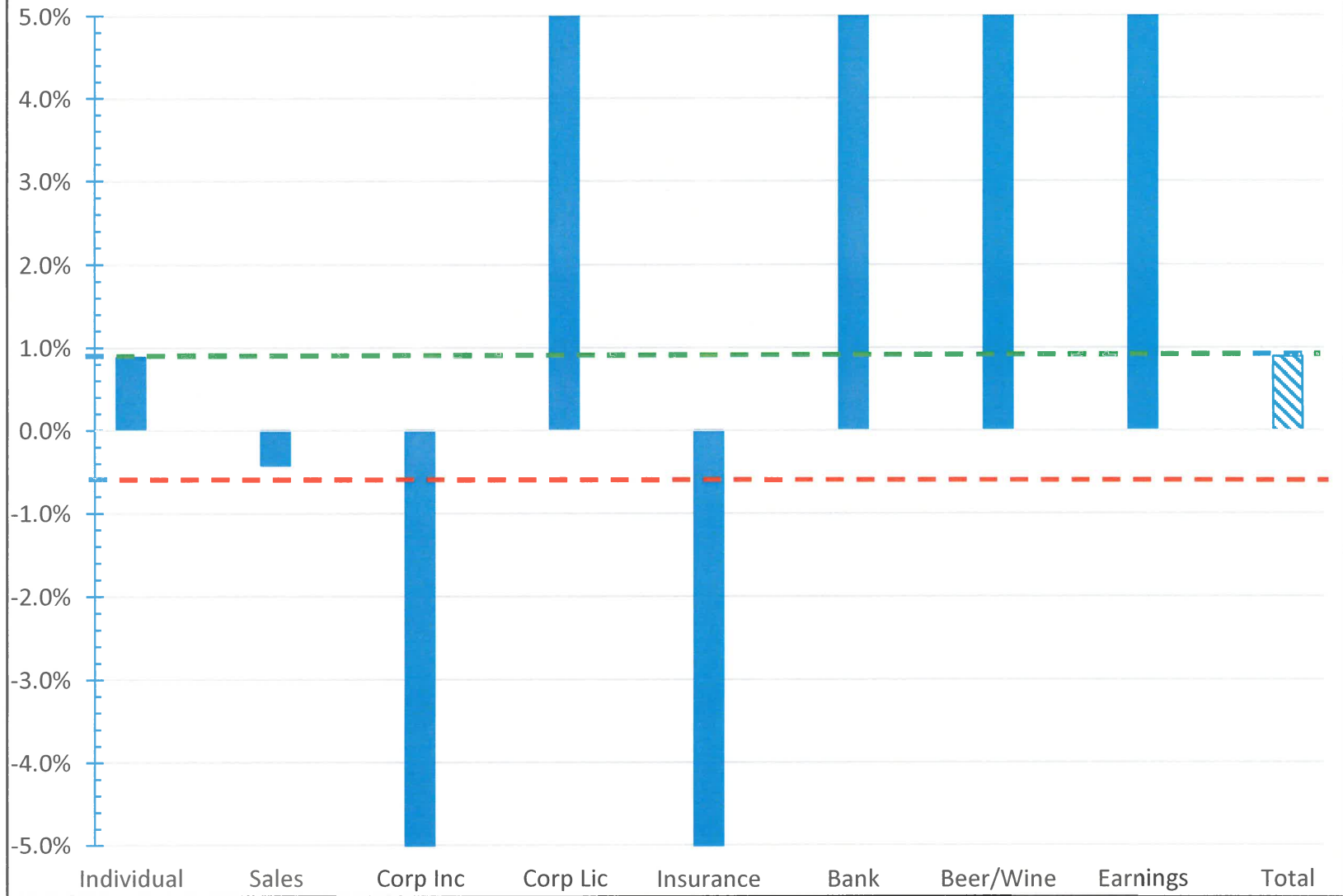
	JULY - DECEMBER FY 2018-19			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
<b>Total General Fund Revenue</b>	<b>4,614.6</b>	<b>4,575.8</b>	<b>38.7</b>	<b>4.0</b>	<b>4.9</b>
Sales Tax	1,282.2	1,287.6	(5.4)	4.2	3.8
Individual Income Tax	2,744.8	2,720.6	24.2	3.0	3.5
Corporate Income Tax	118.7	134.1	(15.5)	8.0	3.8
Other Revenue Sources	468.9	433.4	35.4	6.8	18.7
<b>Select Tax Revenues, Sub-Total</b>	<b>423.5</b>	<b>368.0</b>	<b>55.4</b>	<b>8.8</b>	<b>29.4</b>
Admissions Tax - Total	7.7	7.5	0.2	2.7	5.1
Alcoholic Liquors Tax	32.5	32.7	(0.2)	4.1	3.5
Bank Tax	26.3	20.5	5.8	7.0	37.4
Beer and Wine Tax	47.7	37.4	10.3	1.4	5.2
Corporation License Tax	91.7	57.1	34.6	(7.4)	48.7
Documentary Tax	34.5	34.3	0.2	5.8	6.5
Earnings on Investments	37.3	12.0	25.4	49.6	367.1
Insurance Tax	134.0	146.6	(12.5)	18.6	21.5
Tobacco Tax	11.7	10.8	0.8	(5.9)	1.3
<b>Residual Revenue, Sub-Total 2/</b>	<b>45.4</b>	<b>65.4</b>	<b>(20.0)</b>	<b>(3.4)</b>	<b>(33.0)</b>

1/: BEA format - includes certified adjustments and excludes non-recurring cash transfers and certain "other source" revenues, where applicable.

2/: Refer to "Residual Revenue" on page 15 for a list of components in this subcategory.

Note: Detail may not sum to total due to independent rounding of individual revenue categories.

### FORECAST ACCURACY - FY 2018-19 2Q



Source: Revenue and Fiscal Affairs Office/240/FAR/1/11/19



**December 2018**

## **Presentation Agenda**

- **Review of General Fund Revenues**
- **Contingencies and Other Items of Concern**



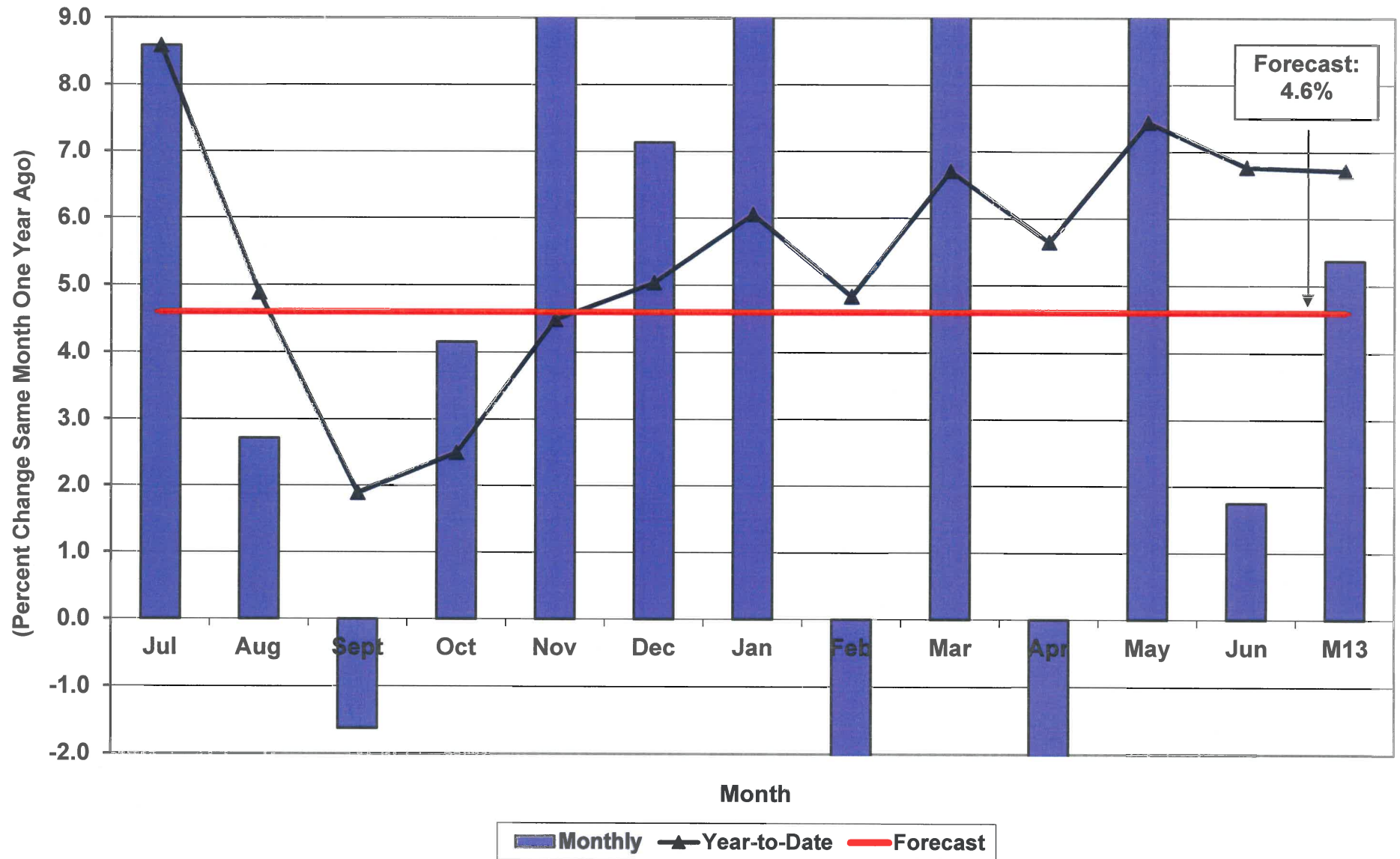
December 2018

## Total General Fund Revenue

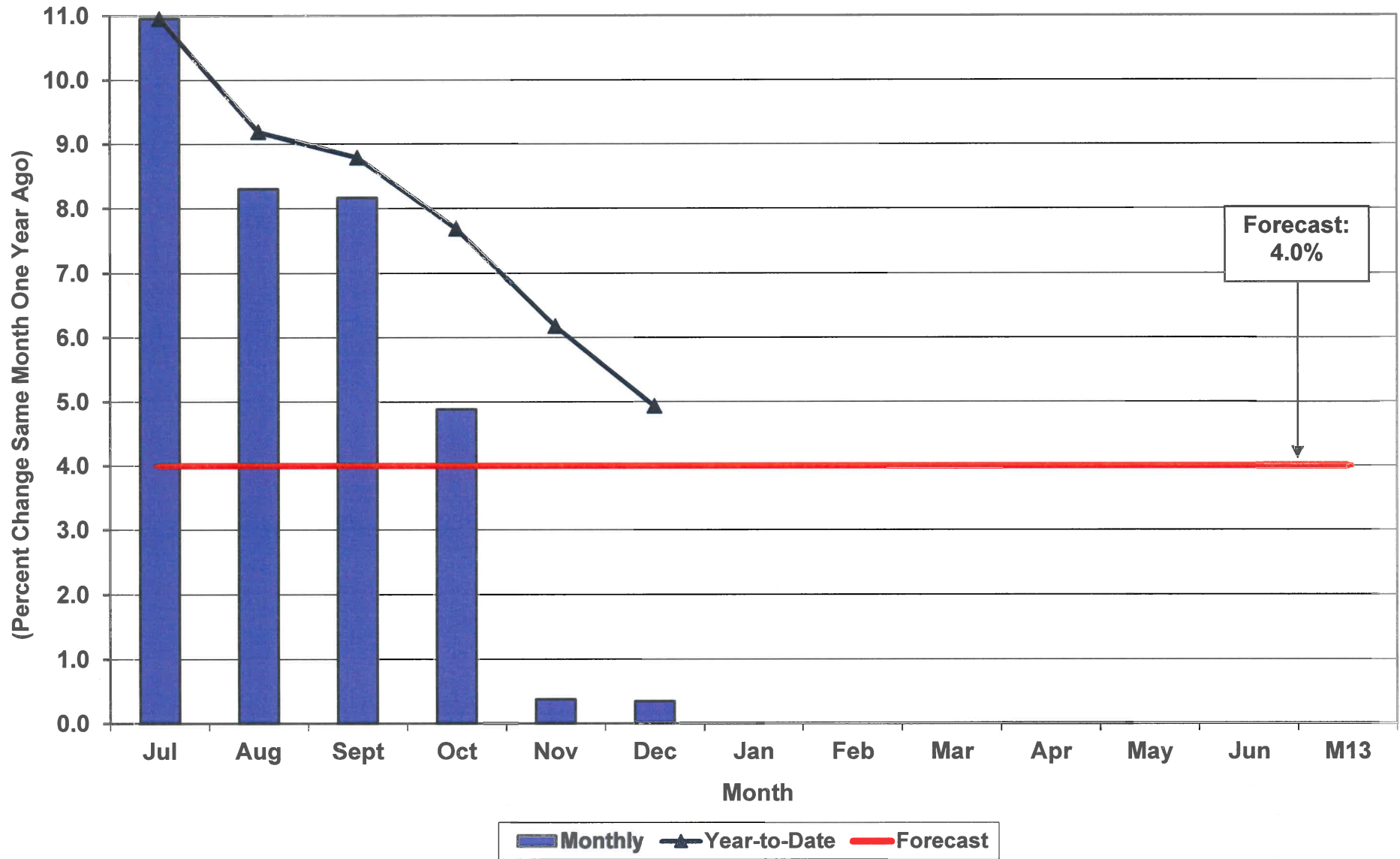
- General Fund revenue increased 0.3 percent during the month of December 2018 from December 2017
  - positively affected by Individual Income tax withholdings
  - a large increase in Corporation Income tax declarations
  - negatively affected by Corporate License tax
  - timing disruptions in wide variety of Other Revenues
- Revenues have grown 4.9 percent year-to-date



## Growth in Total General Fund Revenue Collections FY2018 Monthly and Year-to-Date



## Growth in Total General Fund Revenue Collections FY2019 Monthly and Year-to-Date



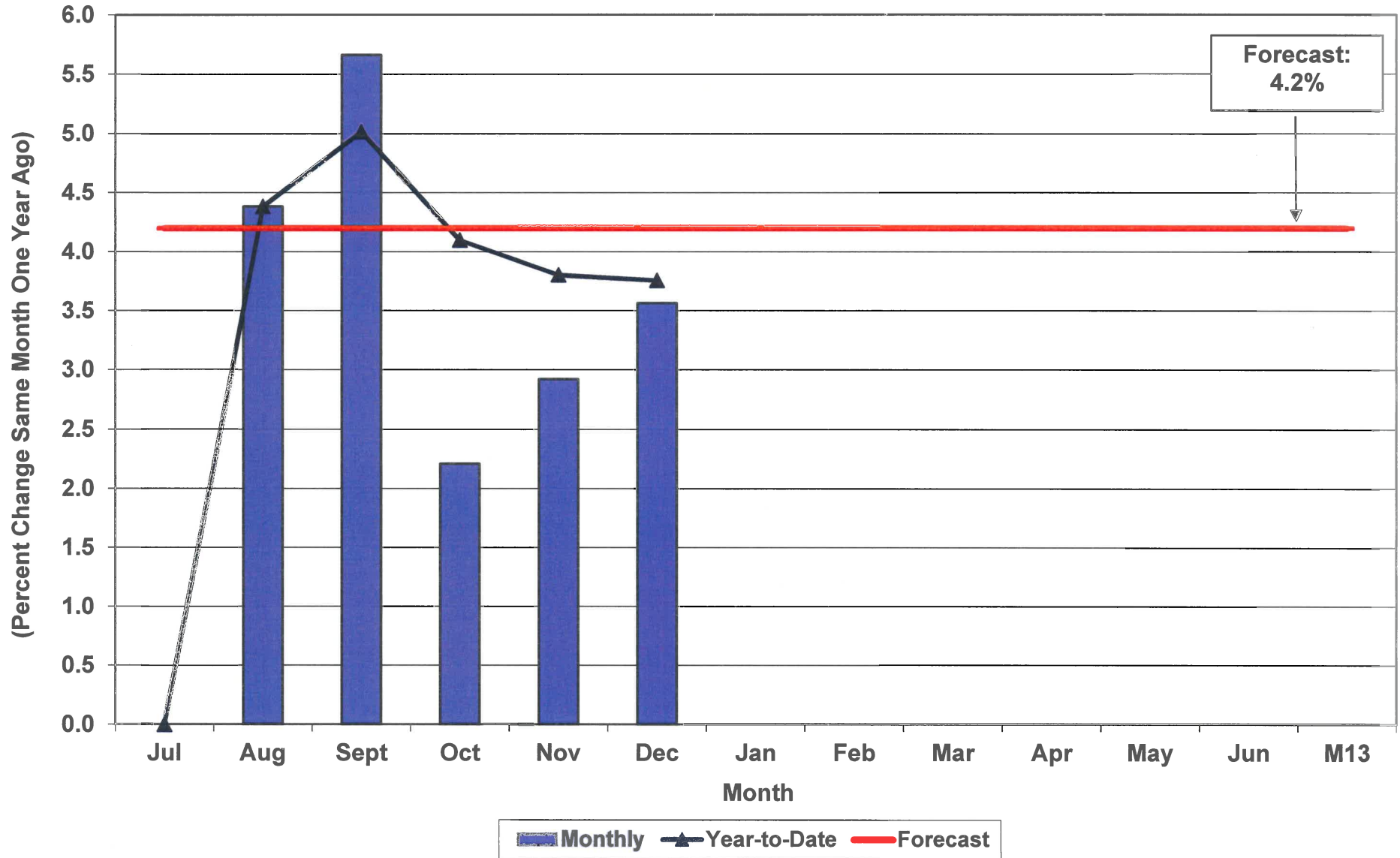


December 2018

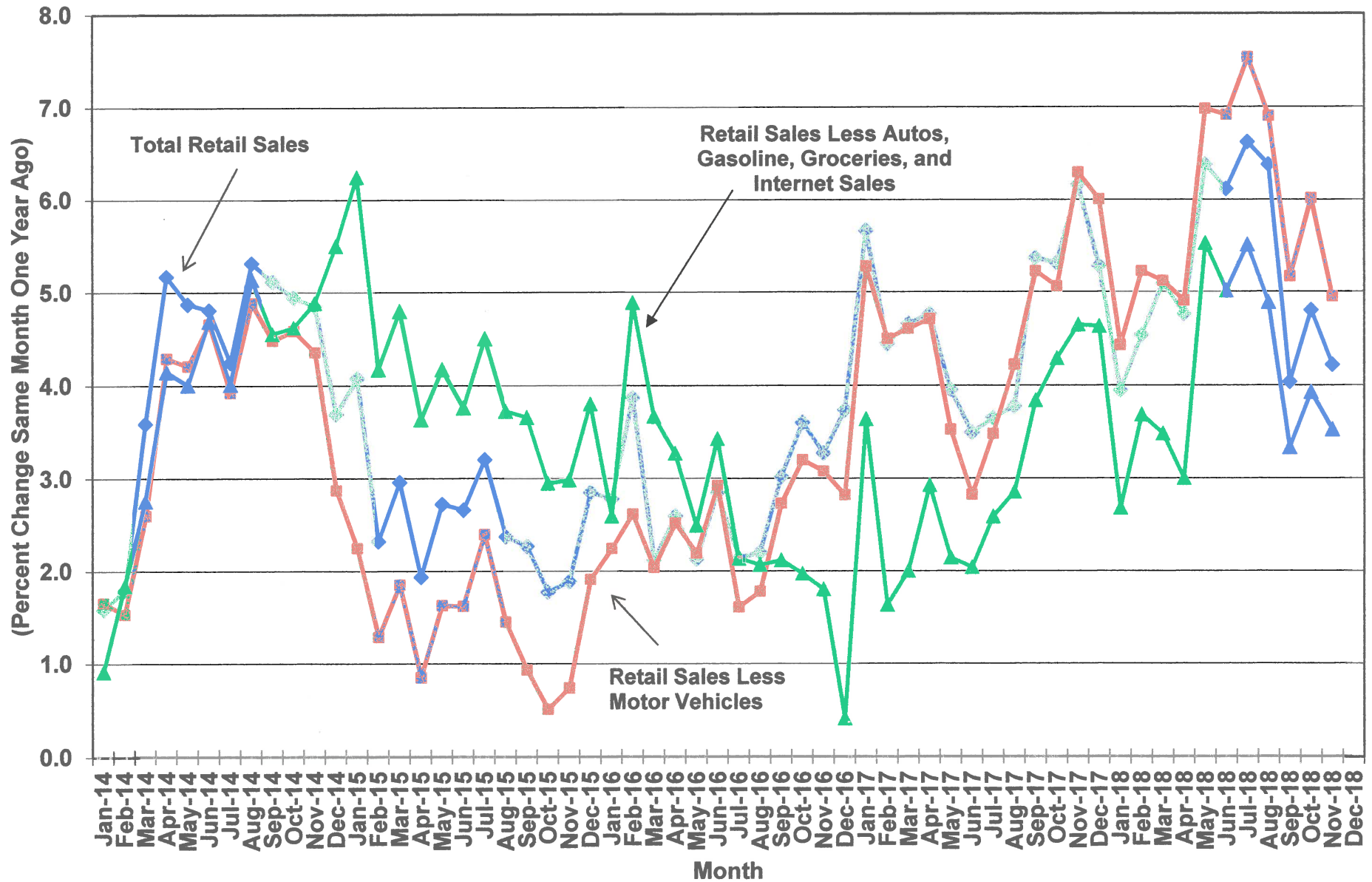
## Sales Tax Revenue

- Sales and Use tax revenue increased 3.6 percent for the month of December resulting in year-to-date growth of 3.8 percent.
- The cumulative Sales and Use tax revenue growth through December 2018 is running slightly below the 4.2 percent revenue forecast for FY2018-19.

## Growth in Total Sales & Use Tax Revenue Collections FY2019 Monthly and Year-to-Date



# U.S. Retail & Food Service Sales



Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.



December 2018

## Individual Income Tax Revenue

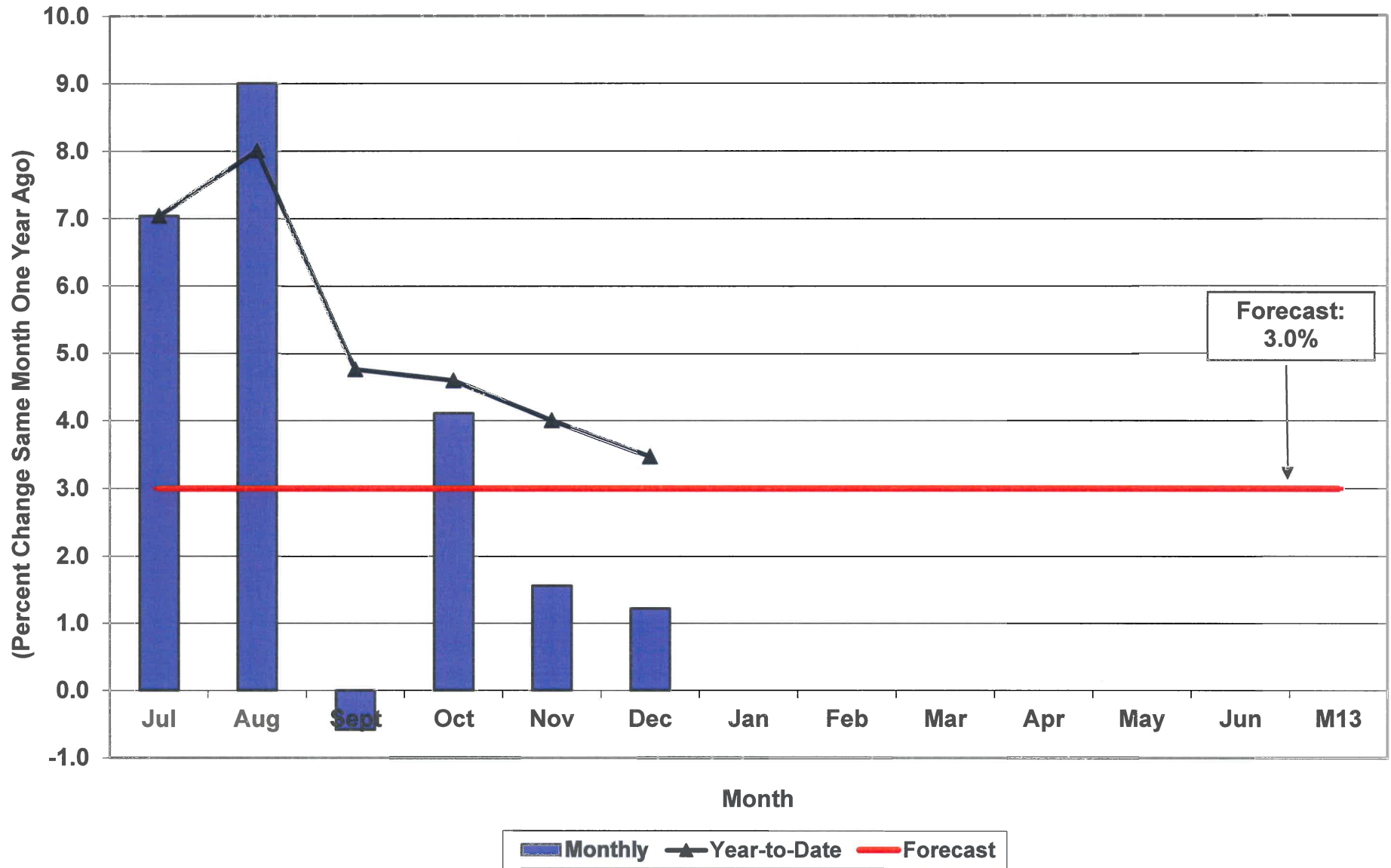
- The Individual Income tax revenue increased 1.2 percent during the month of December
- Individual Income tax withholdings added an additional \$41.2 million above collections in December 2017
- Continued employment growth and the addition of temporary workers during the holidays added to the withholdings revenue growth



## December 2018

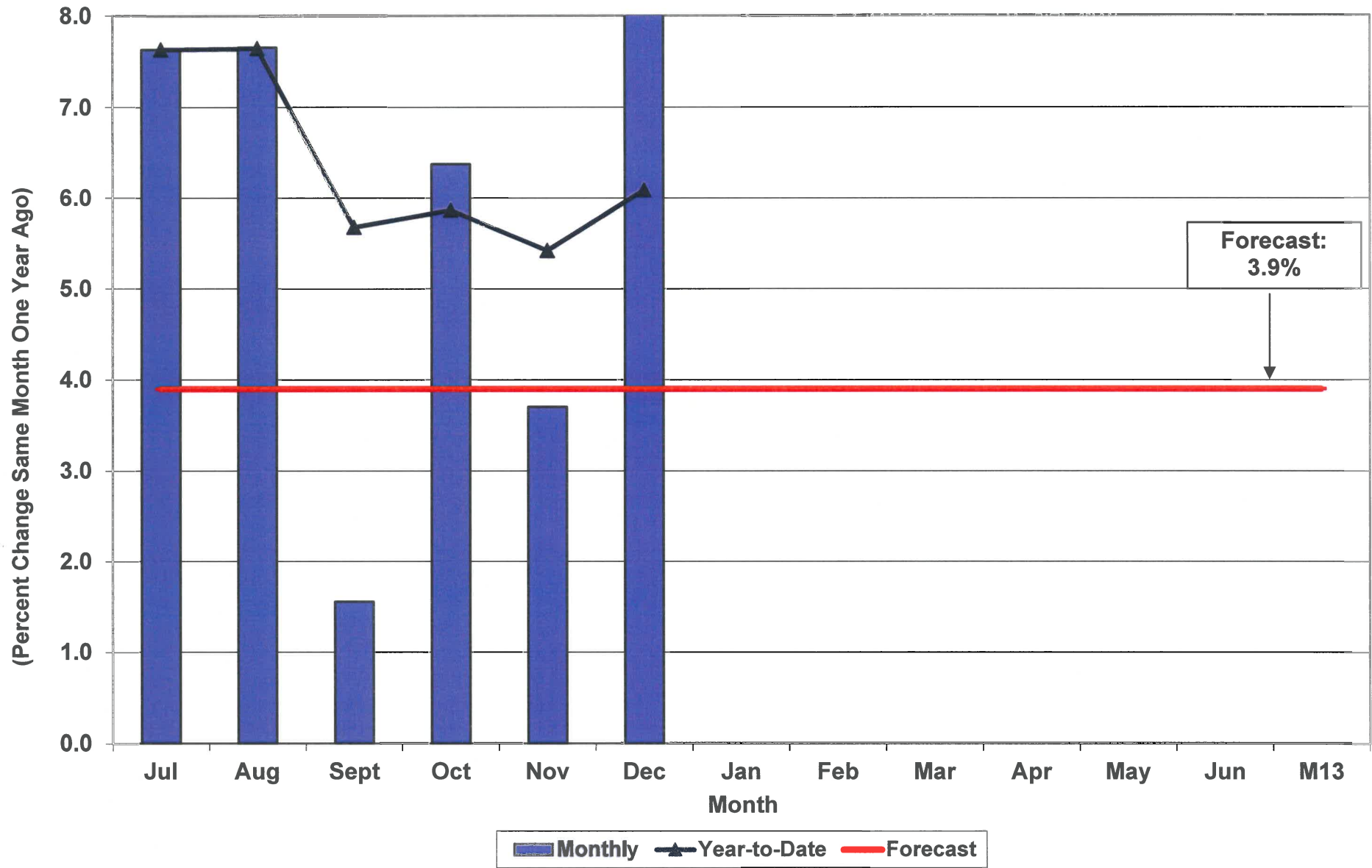
- Total Individual Income tax revenue growth is 3.5 percent year-to-date through December 2018 and is above the 3.0 percent revenue forecast for FY2018-19

## Growth in Total Individual Income Tax Revenue Collections FY2019 Monthly and Year-to-Date





## Growth in Individual Income Tax Withholding Revenue FY2019 Monthly and Year-to-Date





December 2018

## Corporate Income Tax Revenue

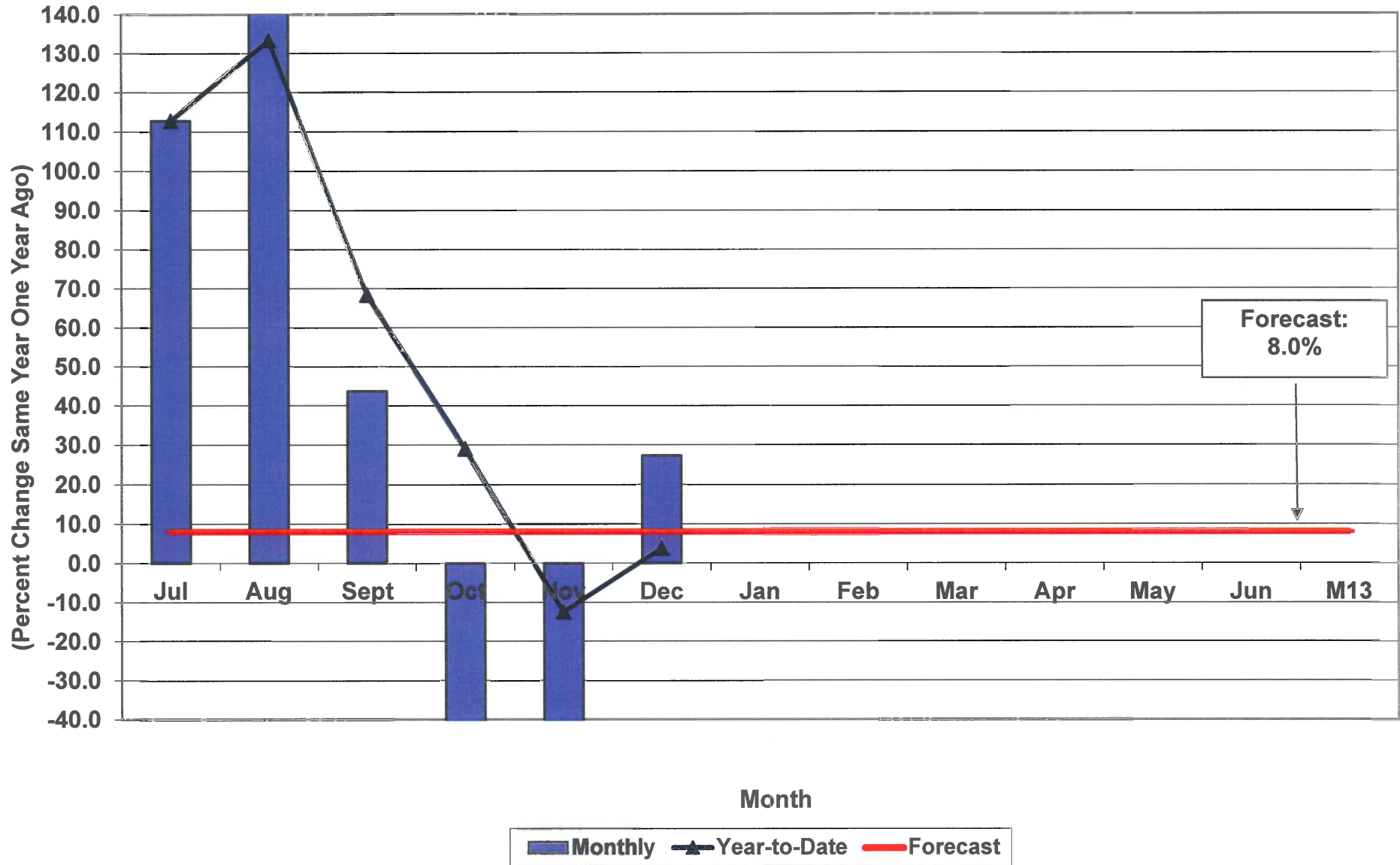
- The Corporation Income tax, the most volatile of the largest revenue categories, increased 27.3 percent in December 2018 compared to the same month one year ago
- Strong Corporation Income quarterly tax declarations generated an additional \$18.0 million above collections in December 2017
- Companies are prepaying corporate taxes in anticipation of increased tax liability in the future from healthy corporate earnings



## December 2018

- Corporations transferred less out of the Corporate Income tax and into the Corporation License tax in December
- This resulted in the Corporate License tax decreasing 46.1 percent in December, yet well above the revenue forecast estimate
- The Corporate Income tax has increased 3.8 percent year-to-date through December 2018 and is running below the 8.0 percent revenue forecast for FY 2018-19

## Growth in Total Corporation Income Tax Revenue Collections FY2019 Monthly and Year-to-Date





December 2018

## Other Revenue

- Other Revenues decreased 15.4 percent in December 2018 from one year ago and have increased 13.2 percent year-to-date from a variety of sources and timing of receipts
- Other Revenues have benefitted from strong monthly increases in the Insurance Tax, the Bank Tax, and the Documentary stamp tax (real estate deed tax)
- Other Revenues have also benefitted from continued strong Interest Earnings on state General Fund investments of nearly \$6 million in December



December 2018

## Summary

- Through the first six months of FY2018-19, General Fund revenues have increased 4.9 percent and are trending above current forecast projections by an estimated \$38.7 million
- Based upon current revenue trends, we expect the year-to-date revenue growth to converge toward the forecast growth rate of 4.0 percent for FY2018-19
- Pursuant to Section 11-9-890, total General Fund revenue collections through the second quarter of FY2018-19 have exceeded the quarterly revenue estimate. At this time, no adjustments are warranted



December 2018

## Contingencies and Other Items of Concern

**“It’s uncertainty on top of uncertainty”**

### South Carolina

- No lottery winner – may take \$61.5 million off the table
- State Personal Income revised lower
- Full employment – businesses want to expand, but can’t find enough qualified workers



December 2018

## United States

- Federal gov't shutdown – may affect IIT refunds and spending
- Lagged effects of monetary tightening
  - Federal Reserve – raised interest rates in December
  - number of rate increases reduced from three to two in 2019
  - unwinding of the Fed balance sheet
  - flattening of the yield curve spread

## International and Global

- Global economic growth is slowing – China and Europe
  - Declining PMI in China (main manufacturing gauge)
  - Tariffs (China retaliation and trade negotiations)





## December 2018

- Brexit ( PM May survives vote of no confidence)
- Decline in the price of oil – Saudi Arabia and Russia to reduce output
  - Countries leaving OPEC
  - In 2019, many European countries considering anti-cartel legislation

# OTHER ITEMS



# REPORTS FROM WORKING GROUP

*January 17, 2019*



*South Carolina Revenue and Fiscal Affairs Office*

# FUTURE MEETING SCHEDULE

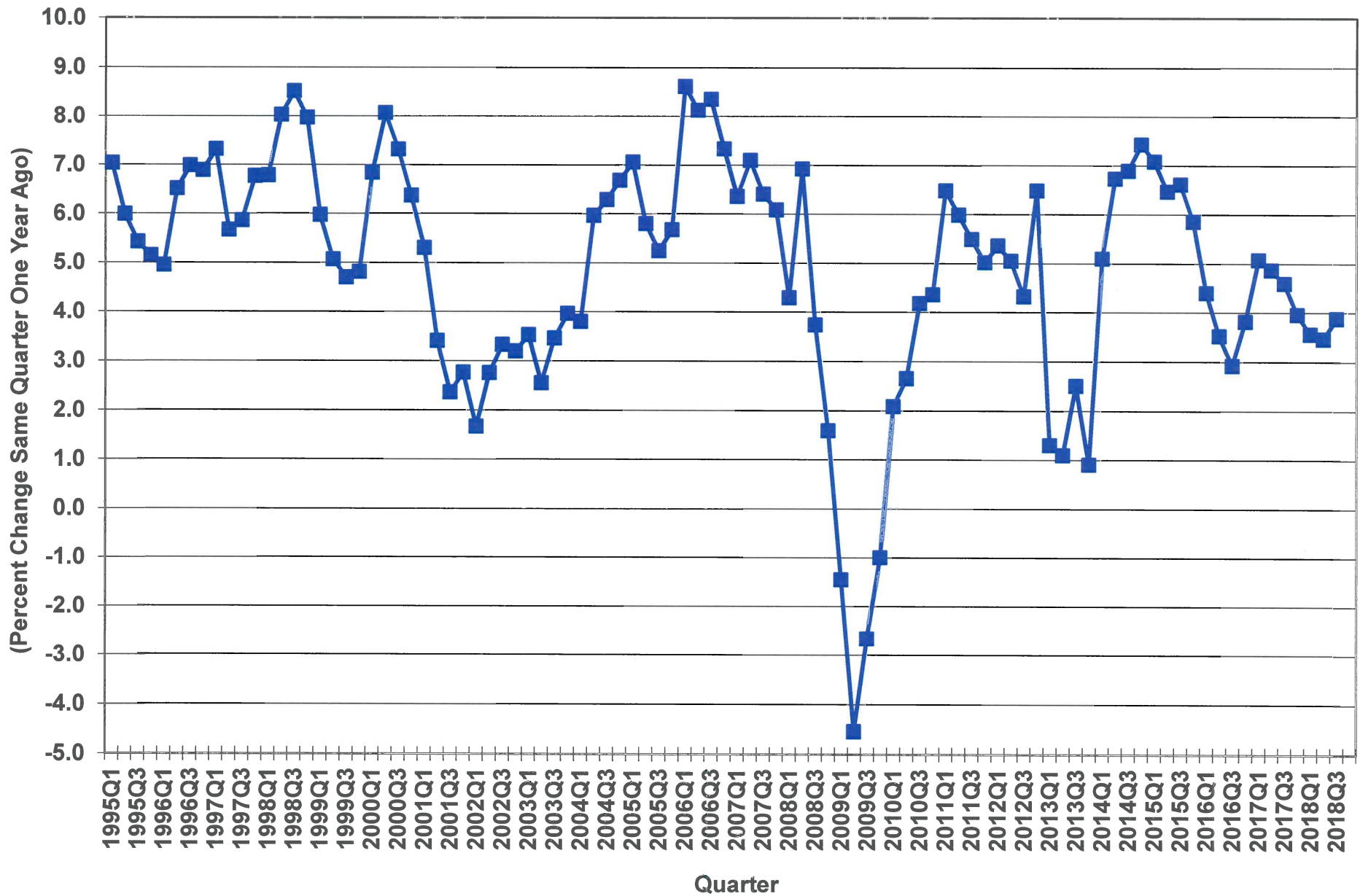
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# APPENDIX

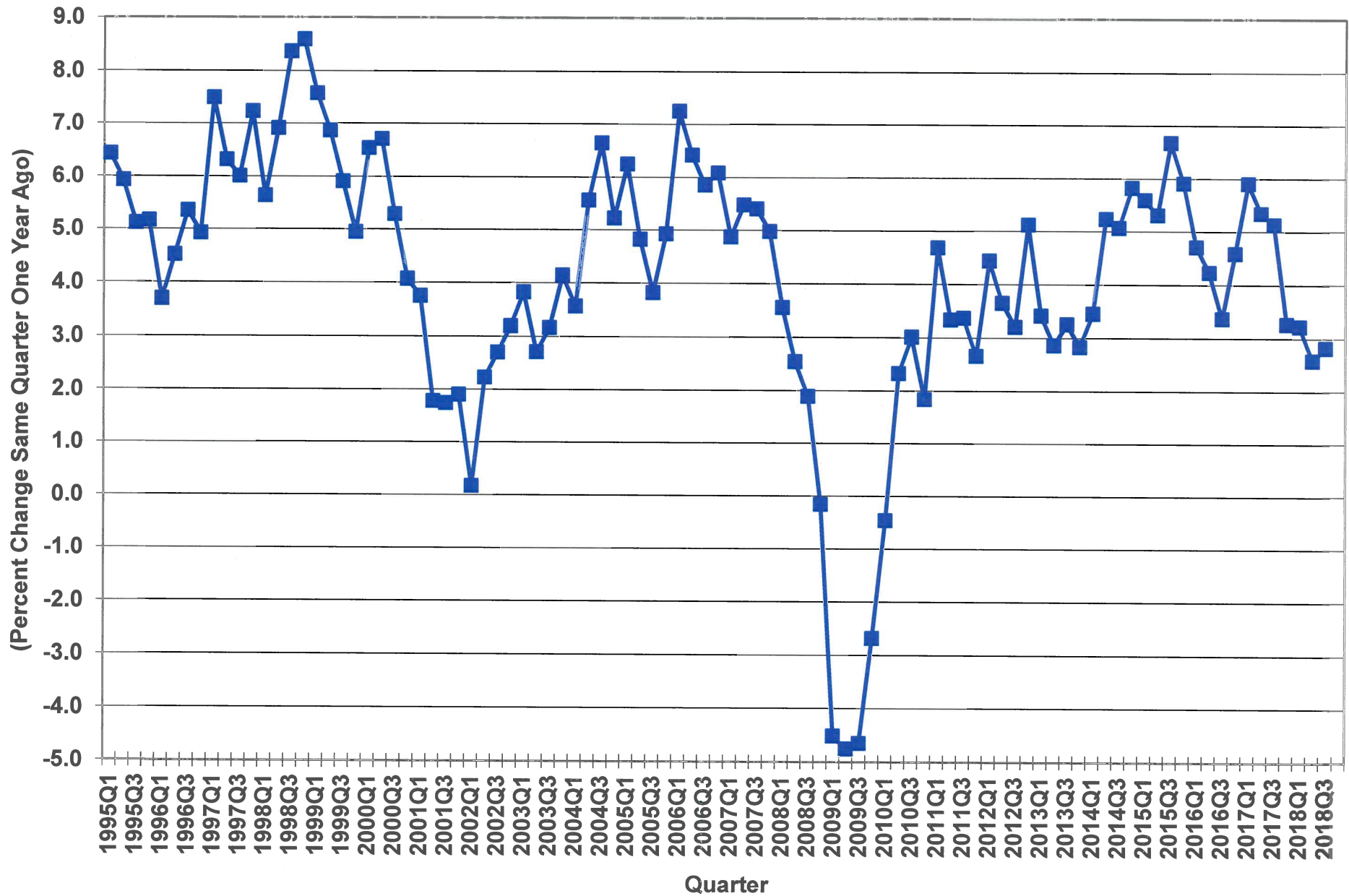


# Growth in Personal Income in South Carolina



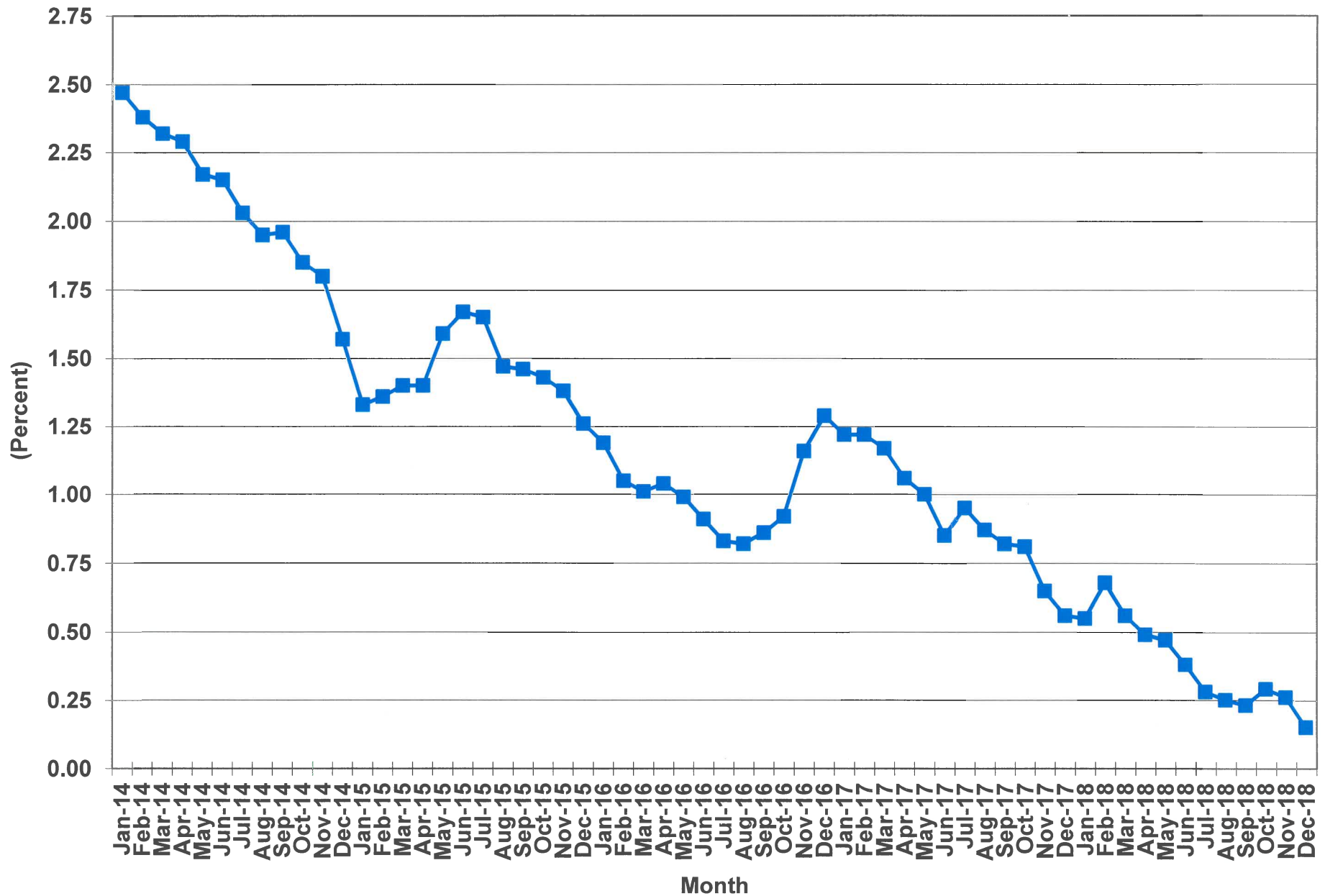
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

# Growth in Wages and Salaries in South Carolina



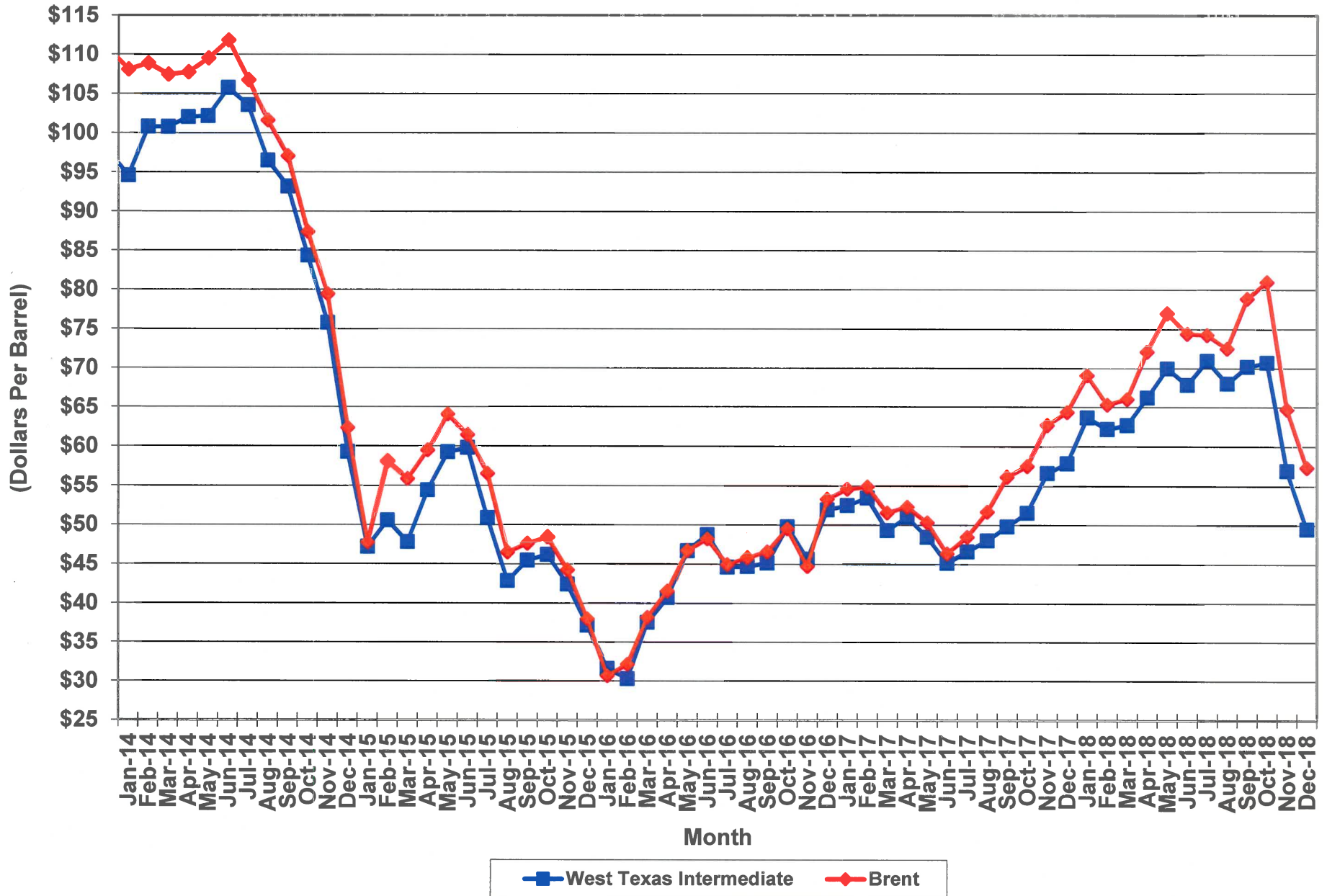
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

## Interest Rate Spread Between 10-Year Bond & 2-Year Bond





# Spot Crude Oil Prices



# Dow Jones Industrial Average

