



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 September 16, 2019, 1:30 P.M. Bowers Conference Room Room 417, Rembert C. Dennis Building

- I. Welcome
- II. Adoption of Meeting Minutes for August 26, 2019
- III. Presentation by Robert M. Hitt, Secretary of Commerce
- IV. Review of August 2019
 - A. Summary and Overview (F. Rainwater)
 - B. Economic and Revenue Update (R. Martin)
 - C. Economic Issues for Regional Advisory Committee Meeting
- V. Other Items for Discussion
- VI. 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
- VII. Future Meeting Schedule
 - A. October 17, 2019, 10:30am, Room 112 Blatt Building – RFA followed by BEA - Quarterly Review
 - B. October 17, 2019, 12:45 – 3:30, Room 112 Blatt Building – Annual Regional Advisory Committee Meeting
 - C. November 8, 2019, 1:30pm – Preliminary Estimate
 - D. December 12, 2019, 1:30pm – **If necessary**, *GoToMeeting* for Members
 - E. 2018 Calendar at <http://rfa.sc.gov/calendar>
- VIII. 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



South Carolina Revenue and Fiscal Affairs Office

OVERVIEW

September 16, 2019



South Carolina Revenue and Fiscal Affairs Office

OVERVIEW

- Through August, General Fund Revenues grew 5.1 percent or \$62.0 million.
- Because FY 2018-19 revenues grew much faster than estimated, final collections exceeded the forecast for FY 2019-20 by \$71.4 million.
- After adjusting FY 2018-19 revenues for several one-time payments, very little growth over FY 19 would be needed to meet the estimate.
- Consequently, any revenue growth approximates a surplus.



August 2019

Presentation Agenda

- **Review of General Fund Revenues**
 - Sales & Use Tax
 - Individual Income Tax Withholdings
- **Contingencies and Other Items of Concern**



August 2019

Summary

- General Fund revenue collections through August 2019 amounted to \$1,283.5 million in FY2019-20, or 5.1 percent higher than in FY2018-19
- This year-to-date revenue growth rate exceeds the -0.8 percent growth rate needed to meet the BEA General Fund revenue growth rate for FY2019-20 (based on February 14, 2019 BEA estimate)



August 2019

Sales Tax Revenue

- Sales and Use tax revenue grew 11.1 percent in August 2019 and has grown 11.1 percent for FY2019-20
- Actual Sales and Use tax revenues totaled \$20.4 million more than the 3.4 percent growth required to meet the FY2019-20 revenue estimate (based on February 14, 2019 BEA estimate)
- The Department of Revenue collected \$3.4 million from newly registered remote sellers (Wayfair)



August 2019

- The BEA did not include an estimate for the amount of revenue that could be received from remote internet sellers in the Sales and Use tax revenue estimate for FY2019-20
- Also, the Marketplace Facilitator Act was enacted during May 2019.
- This act requires third-party sellers to remit sales and use tax based upon where the retail sale occurred
- The Department of Revenue collected \$4.9 million from new accounts specifically registered as marketplace facilitators (third-party sellers)



Total Sales and Use Tax 1/
(\$ in Millions)

Month	Actual					2/ Guide	Excess Revenue	Cumulative Revenue	Percent Changes Actual FY 18-19 to Actual FY 19-20	
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 19-20	+/- Est.	+/- Est.	Monthly	Cumulative
July	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	---	---
August	238.3	226.0	253.1	264.2	293.6	273.2	20.4	20.4	11.1	11.1
September	215.9	253.1	247.4	261.4		270.3				
October	237.9	235.9	243.2	248.6		257.0				
November	213.9	214.7	248.5	255.8		264.5				
December	206.4	235.6	243.5	252.2		260.7				
January	272.6	262.4	280.9	289.5		299.3				
February	197.4	204.6	215.2	229.9		237.7				
March	226.9	222.9	221.0	235.3		243.2				
April	257.7	248.2	261.4	279.4		288.9				
May	244.9	258.0	271.3	283.0		292.6				
June	244.8	262.6	263.9	289.1		298.9				
<u>Mth13 Close</u>	<u>261.9</u>	<u>272.2</u>	<u>284.9</u>	<u>298.1</u>		<u>308.2</u>				
Fiscal Year	2,818.6	2,896.3	3,034.4	3,186.4		3,294.4				

1/ Growth rate needed to meet the BEA estimate = 3.4%

Includes Casual Sales Excise Tax and Retail Sales and Use taxes at yield of 4% to General Fund. Excludes 1% tax for the Education Improvement Fund, 1% Homestead Exemption Fund, 2% Accommodations Tax, and local option taxes. For General Fund only, accounting basis changed from cash to modified accrual of June revenue beginning in FY 1990-91.

N.A.: Not available.



August 2019

Individual Income Tax Withholding

- Individual Income tax withholding revenue, the largest single source of tax revenue, grew by 1.0 percent in August 2019 and has grown 3.3 percent for FY2019-20
- Actual Individual Income tax withholding revenue totaled \$15.7 million more than the 1.5 percent growth required to meet the FY2019-20 revenue estimate (based on February 14, 2019 BEA estimate)
- Reflects the continued strong employment growth in the State



Individual Withholdings

(\$ in Millions)

Month	Actual					1/ Guide FY 19-20	Excess Revenue +/- Est.	Cumulative Revenue +/- Est.	Percent Changes Actual FY 18-19 to Actual FY 19-20	
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20				Monthly	Cumulative
July	376.6	378.8	409.6	440.8	465.8	447.6	18.2	18.2	5.7	5.7
August	354.2	410.0	397.8	428.2	432.3	434.8	(2.5)	15.7	1.0	3.3
September	360.0	383.5	385.4	391.4		397.4				
October	379.3	411.5	436.1	463.9		471.0				
November	366.1	391.9	422.0	437.7		444.4				
December	418.6	438.4	450.0	491.2		498.7				
January	423.2	435.3	475.9	457.1		464.1				
February	384.8	399.9	419.7	443.7		450.6				
March	413.3	448.0	461.5	523.3		531.3				
April	379.9	382.8	427.5	473.9		481.2				
May	386.4	427.7	428.0	453.4		460.3				
June	378.5	421.9	407.1	426.5		433.1				
<u>Mth13 Close</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		<u>0.0</u>				
Fiscal Year	4,620.9	4,929.7	5,120.5	5,431.0		5,514.4				

1/ Growth rate needed to meet the BEA estimate = 1.5%

Note: Withholdings are net of Tax Credits for Job Development and Job Retraining Fees, Transfers of Redevelopment Authority, Refunds of Rural Infrastructure Fund, and Motion Picture Incentives.

N.A.: Not available.



August 2019

Contingencies and Other Items of Concern

- The “R” word
 - Business cycle contractions and expansions
- Inverted yield curve
 - Will rate cuts keep U.S. economy moving forward?
 - Federal Reserve stops tightening earlier than scheduled
- Tariffs and trade tensions with China and Europe
- Europe heading into recession
 - Negative bond rates

U.S. Business Cycle Expansions and Contractions

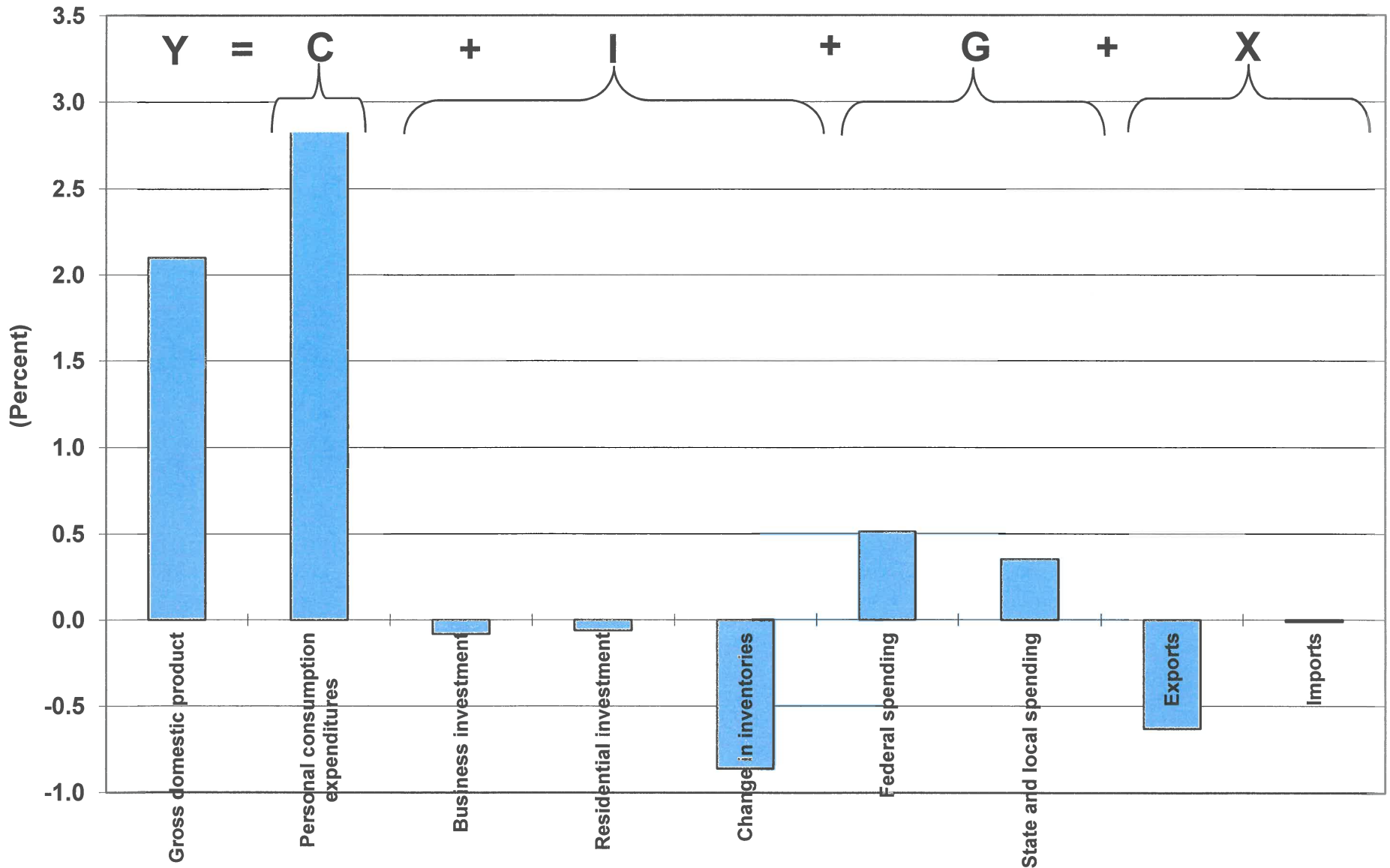
Dates of Recession		Duration in Months		Reason(s) for Recession
Peak	Trough	Contraction 1/	Expansion 2/	
November 1973(IV)	March 1975(I)	16	36	OPEC oil embargo; wage-price controls; off gold standard
January 1980(I)	July 1980(III)	6	58	Federal Reserve raised interest rates; Iranian oil embargo
July 1981(III)	November 1982(IV)	16	12	
July 1990(III)	March 1991(I)	8	92	The 1989 savings & loan crisis
March 2001(I)	November 2001(IV)	8	120	Boom-to-Bust in dot-com businesses; Y2K; 9/11 attack
December 2007(IV)	June 2009(II)	18	73	The Great Recession; sub-prime mortgage crisis; bank credit crisis

Notes: 1/ A contraction (recession) starts at the peak of a business cycle and ends at the trough.
 2/ An expansion (recovery) starts at the trough of a business cycle and ends at the next peak.
 Quarterly dates are in parentheses.

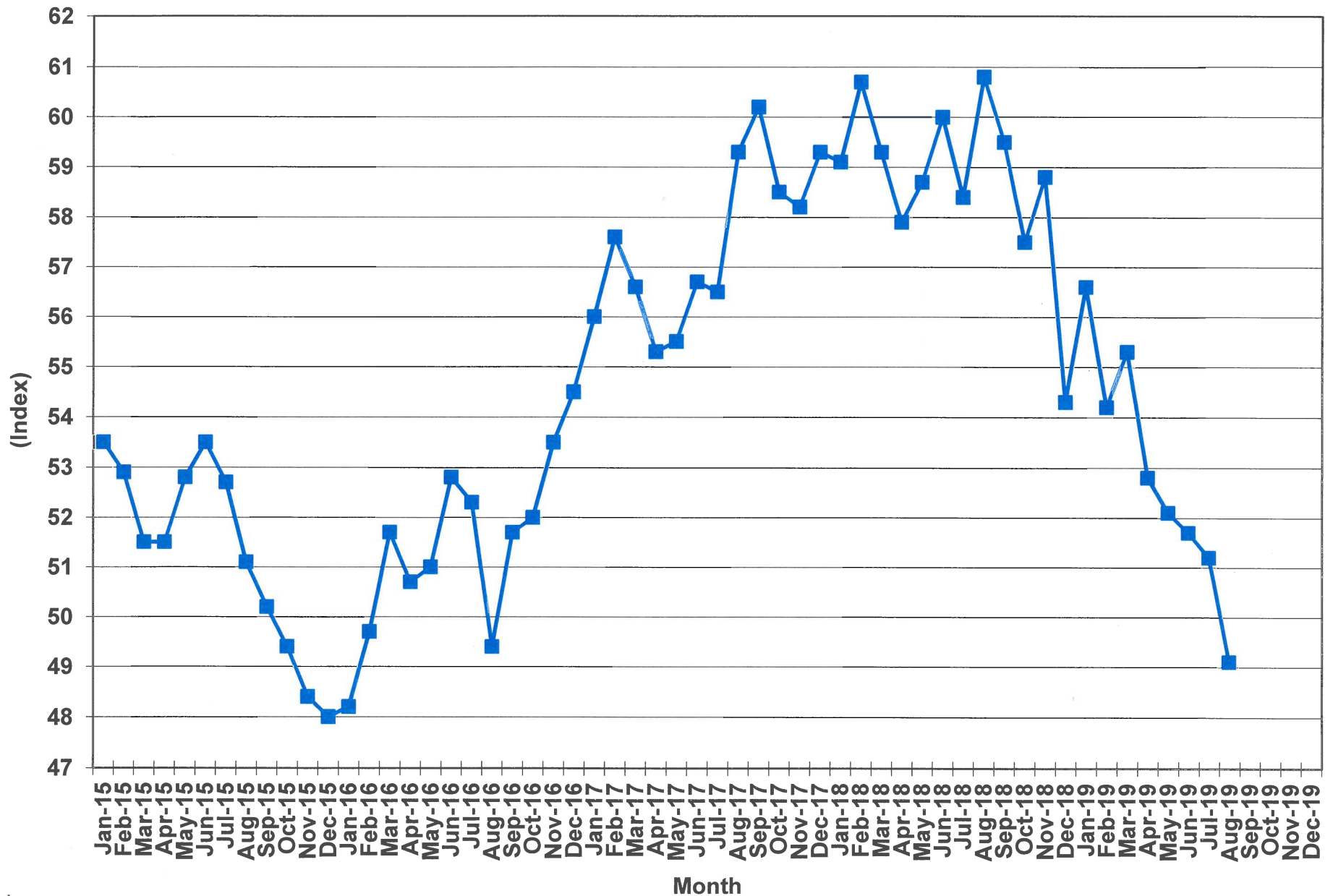
Source: SC Board of Economic Advisors from data from the National Bureau of Economic Research, Cambridge, MA

BEA/RWM/09/11/19

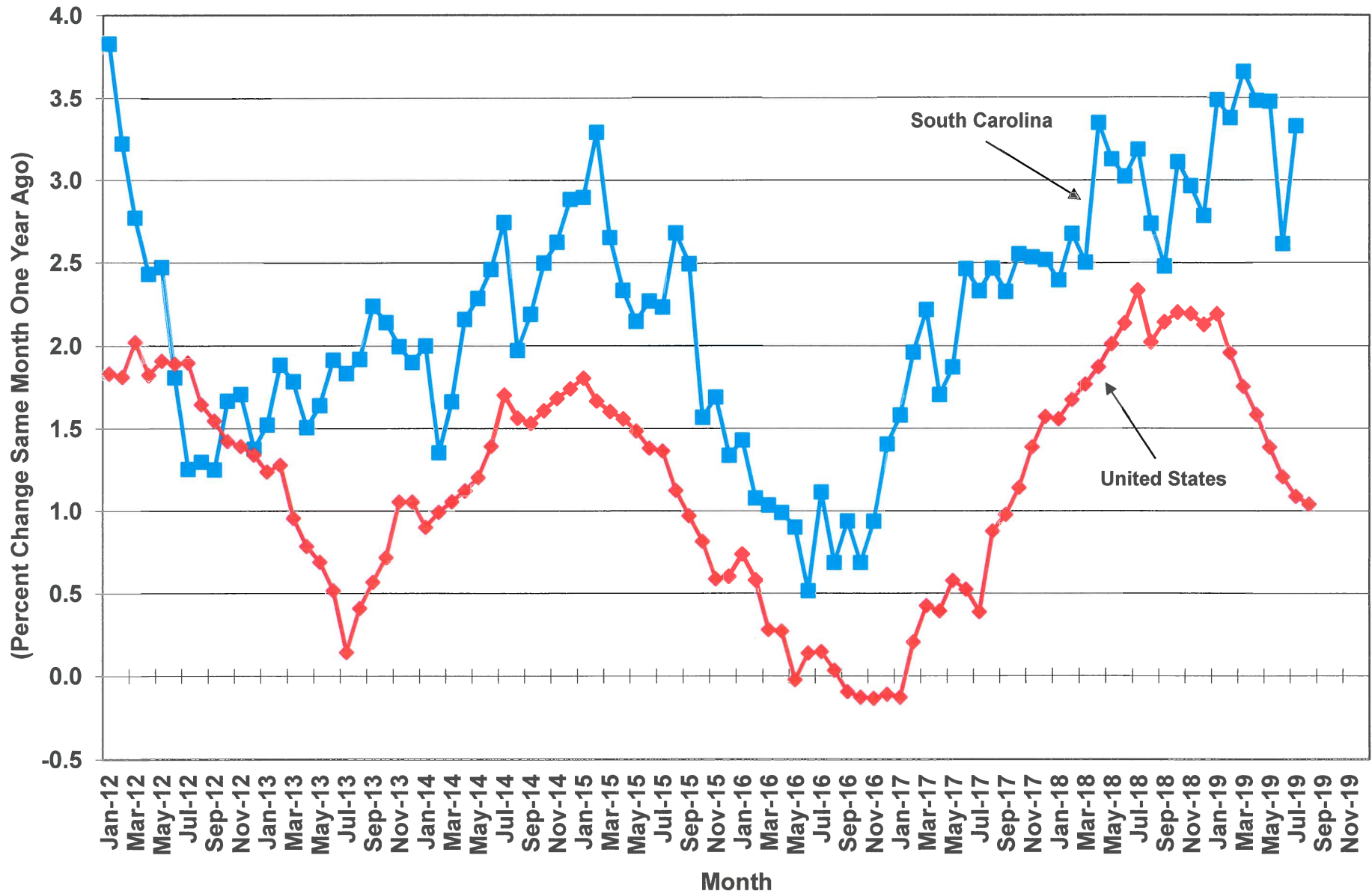
Contributions to Real Gross Domestic Product in the U.S. 2019, Second Quarter, (Advance Estimate)



National Association of Purchasing Manager's Index



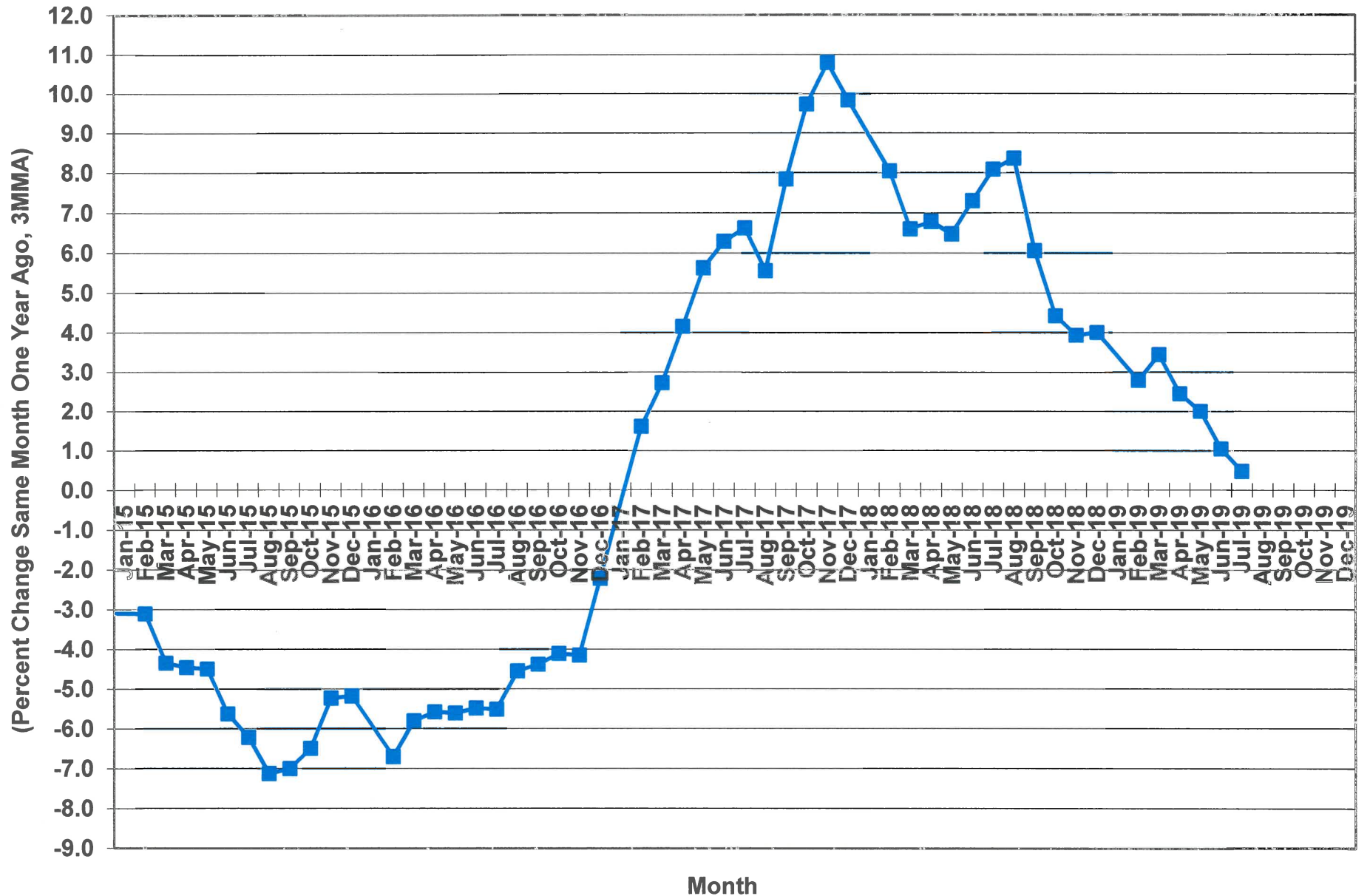
Growth in Manufacturing Employment in SC and US



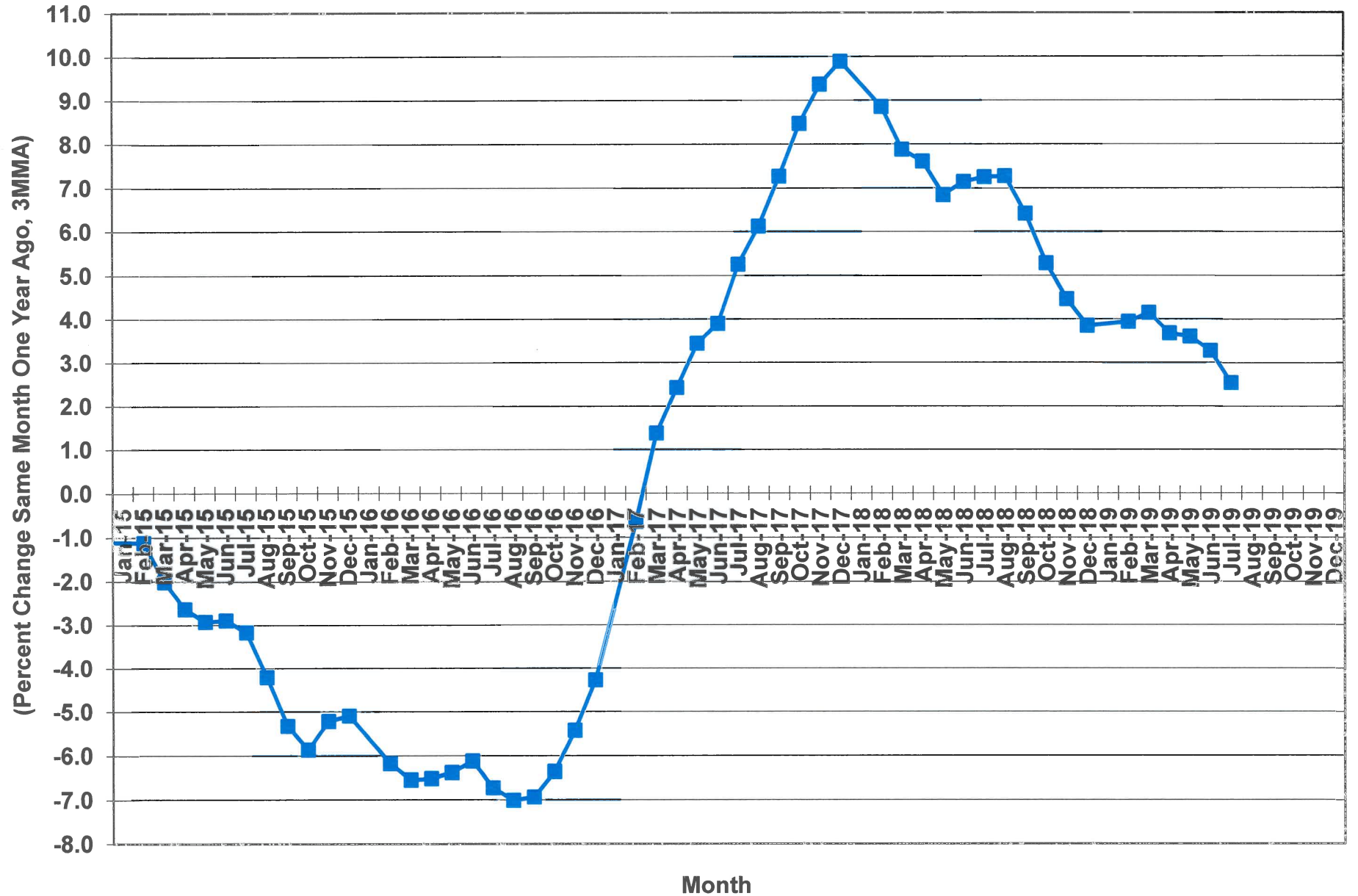
Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
BEA/RWM/09/16/19

Source: Board of Economic Advisors

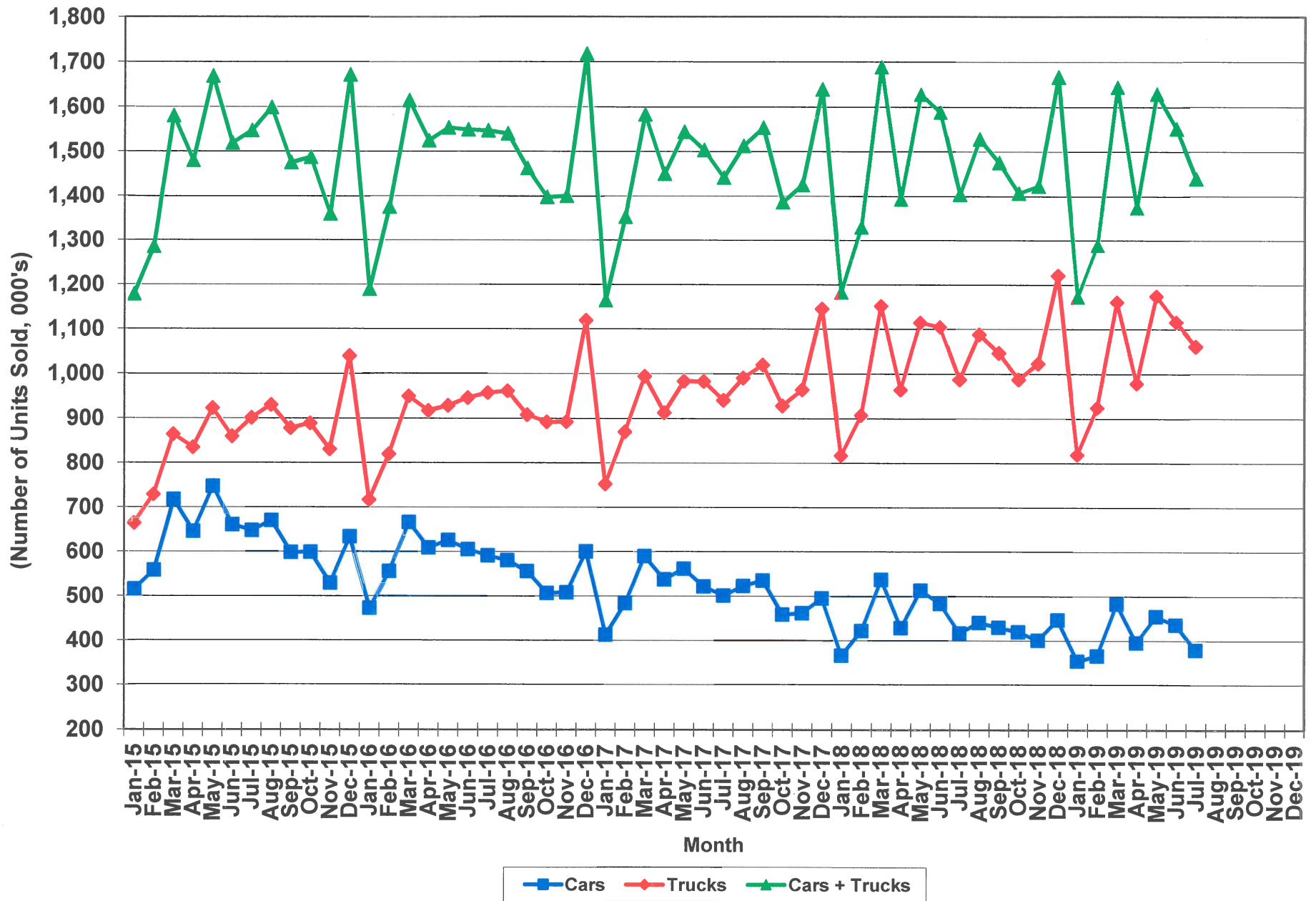
Growth in Total Manufacturer's New Orders of Nondefense Capital Goods Excluding Aircraft in the U.S.



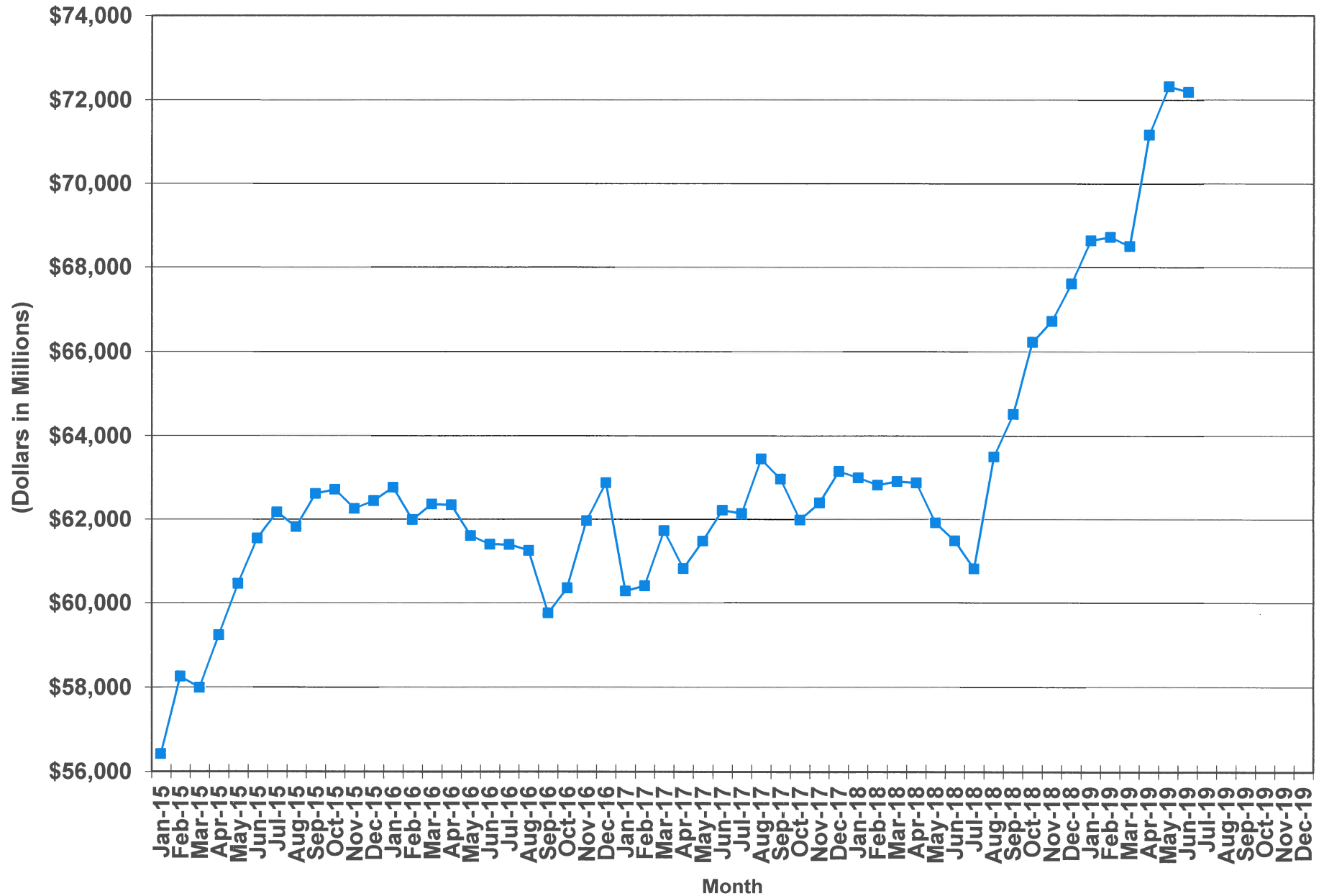
Growth in Total Manufacturer's Shipments of Nondefense Capital Goods Excluding Aircraft in the U.S.



Total New Car and Light Truck Sales in the U.S.

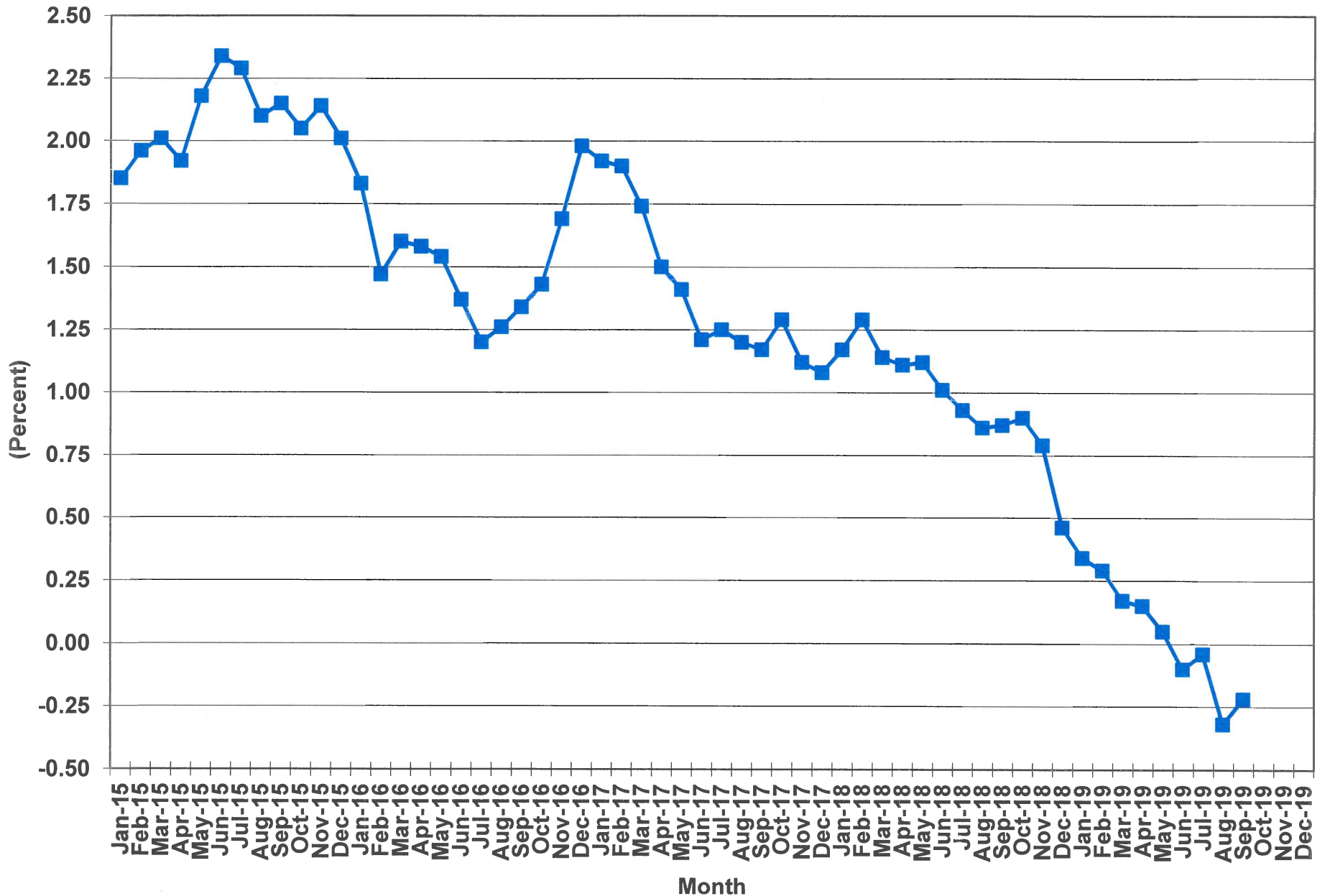


Automotive Inventories in the United States

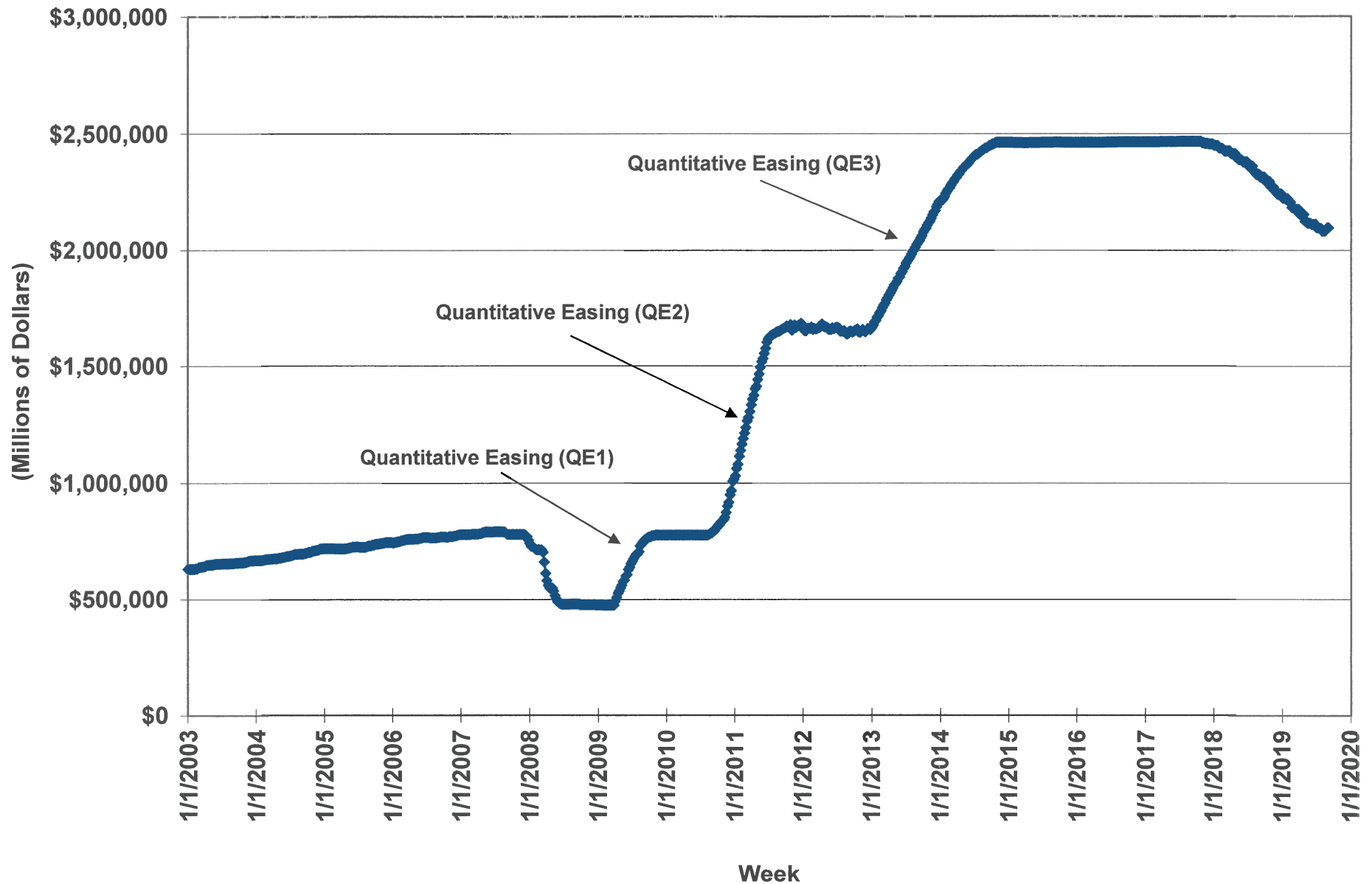


Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

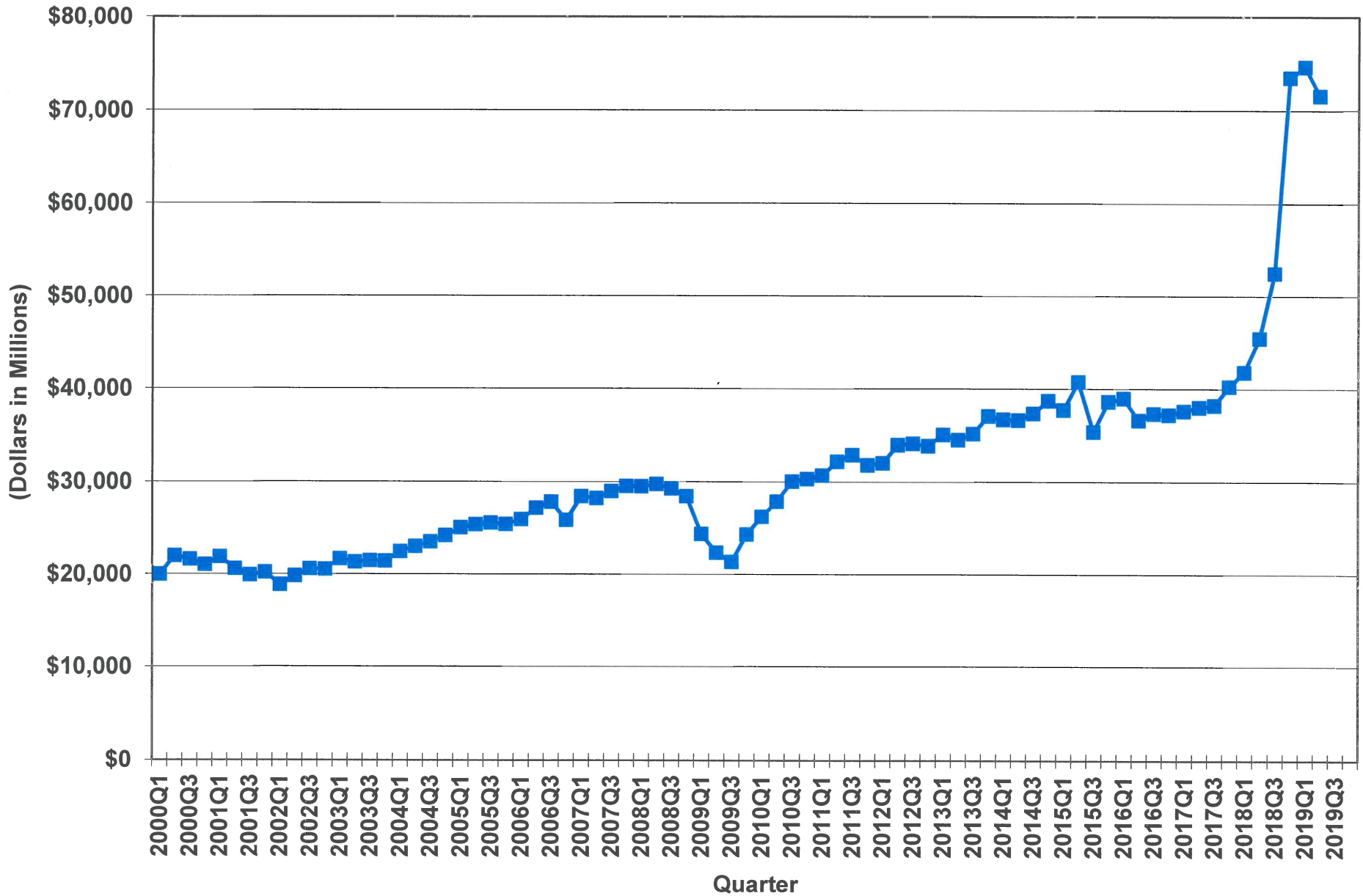
Interest Rate Spread Between 10-Year Bond & 3-Month Bill



U.S. Treasury Securities Held by the Federal Reserve (All Maturities)

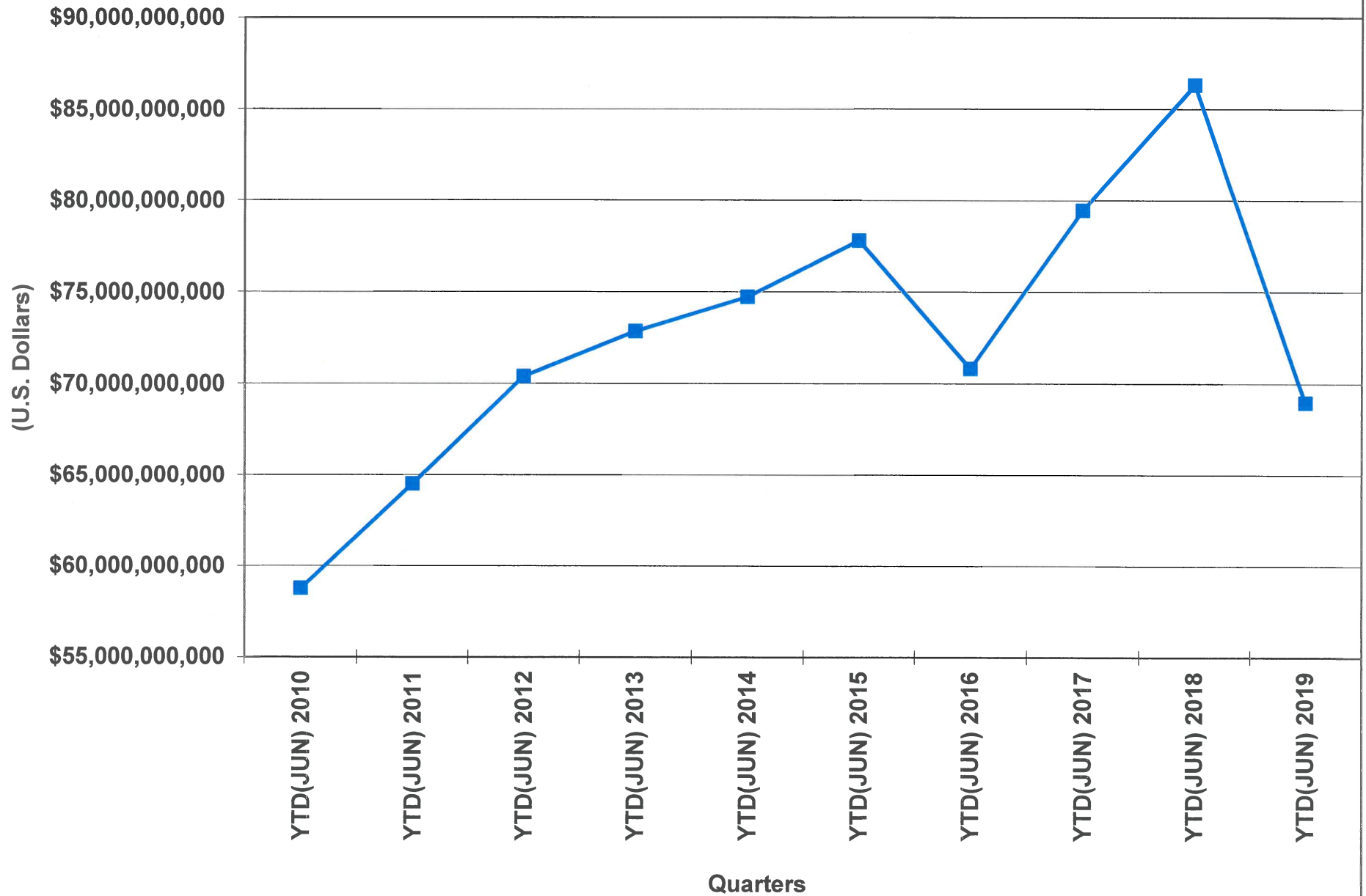


Customs Duties / Tariffs Revenue in the United States

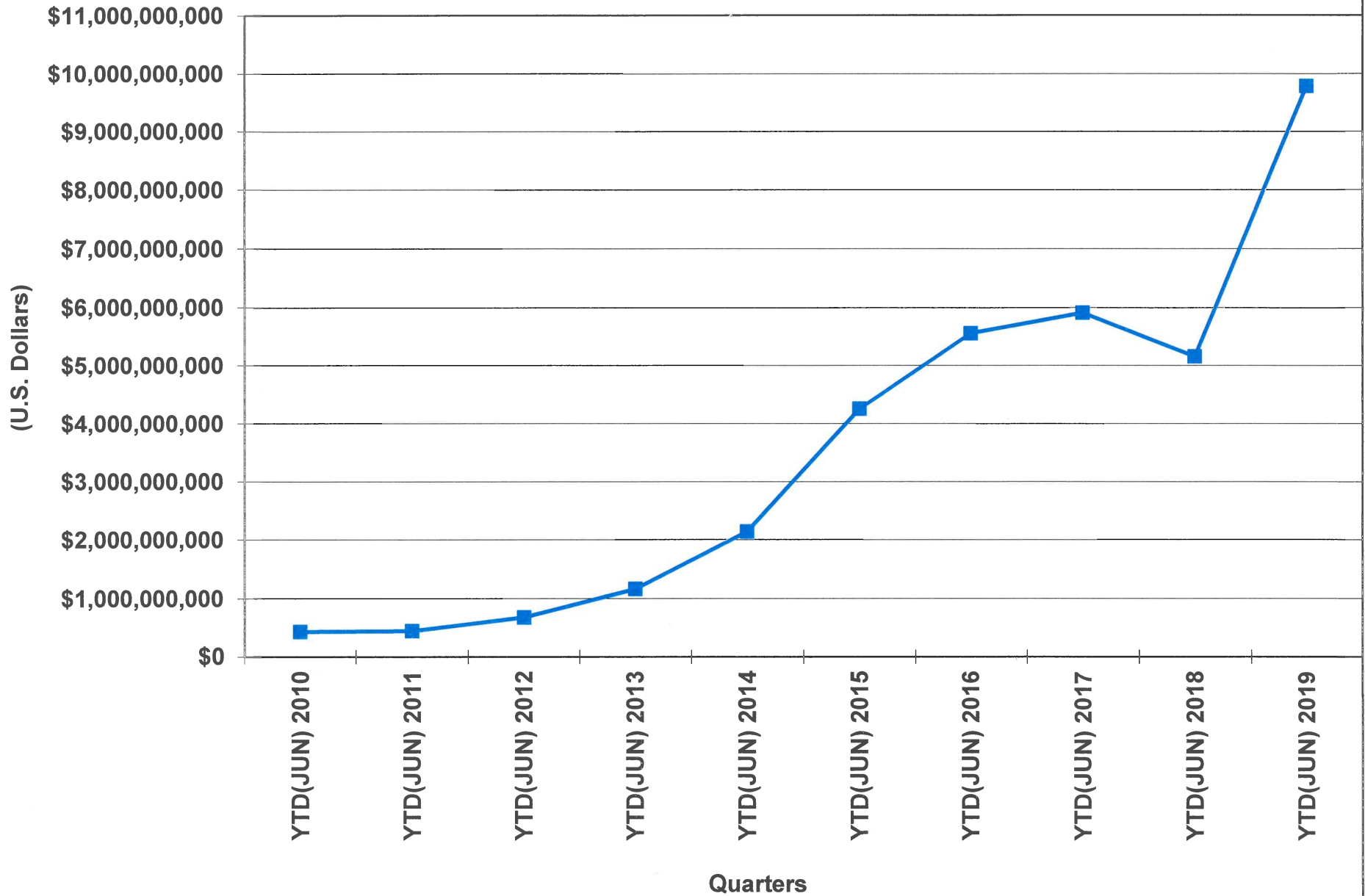


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

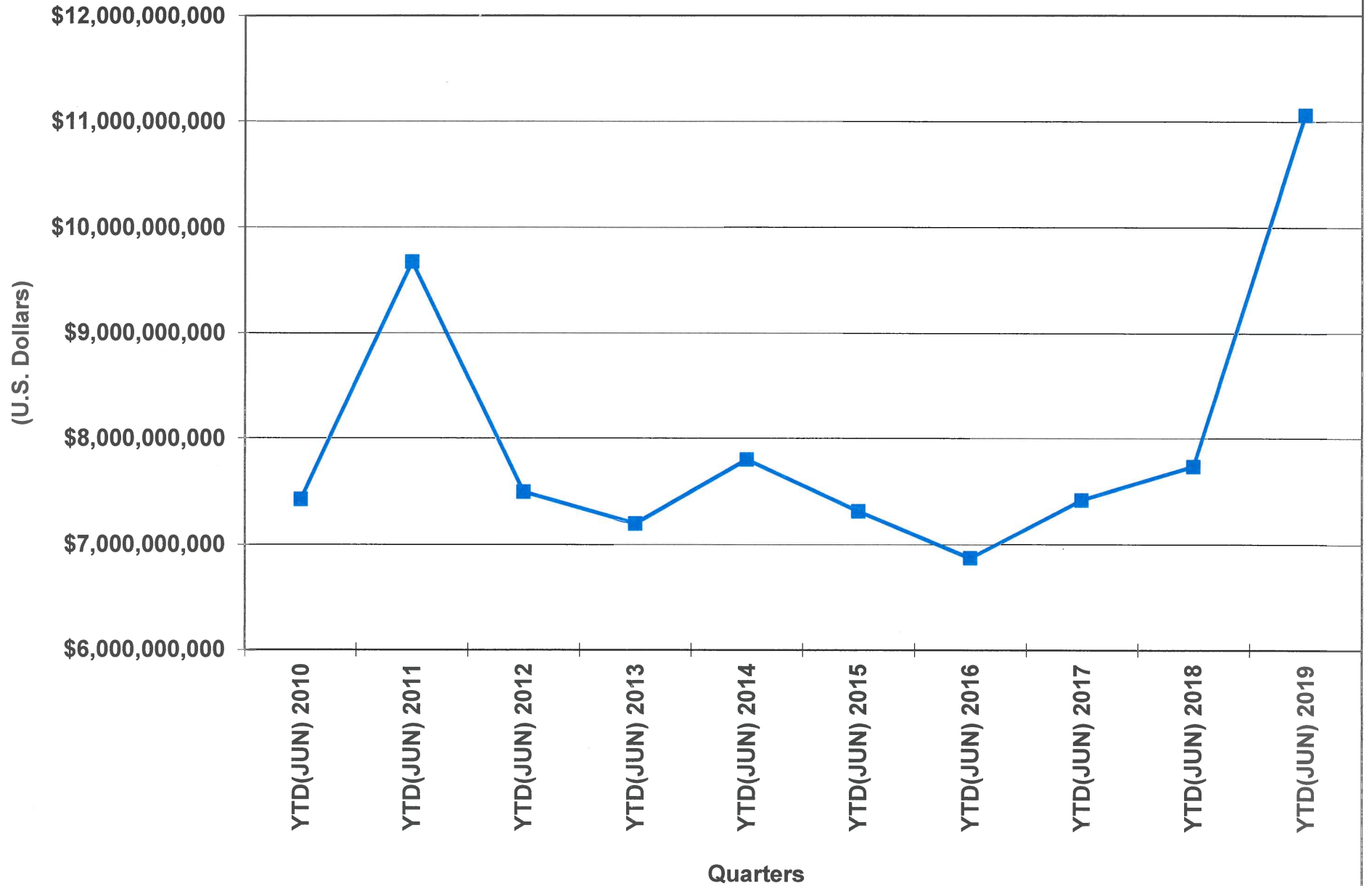
US Imports From China - Computer & Electronic Products



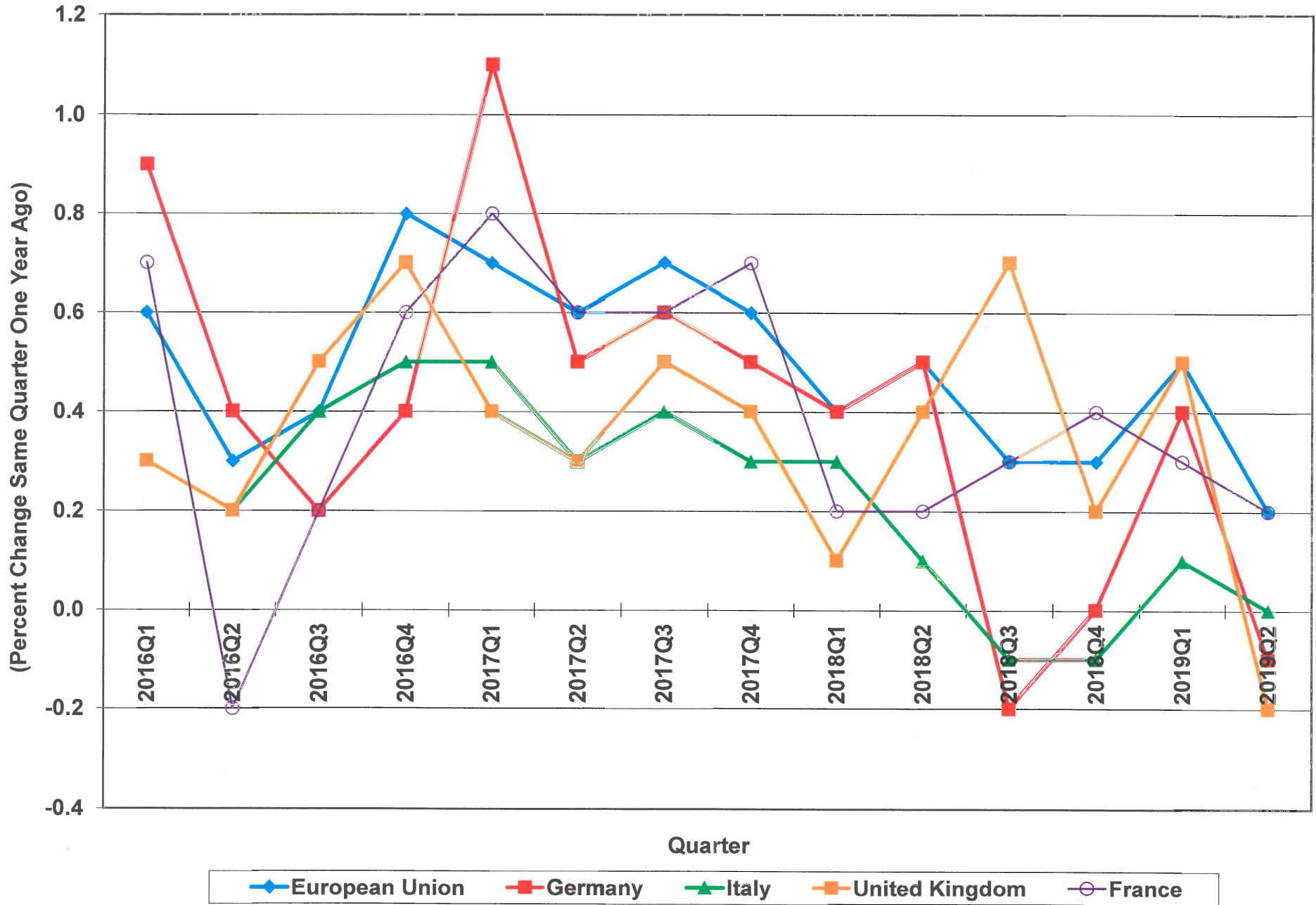
US Imports From Viet Nam - Computer & Electronic Products



US Imports From Taiwan - Computer & Electronic Products

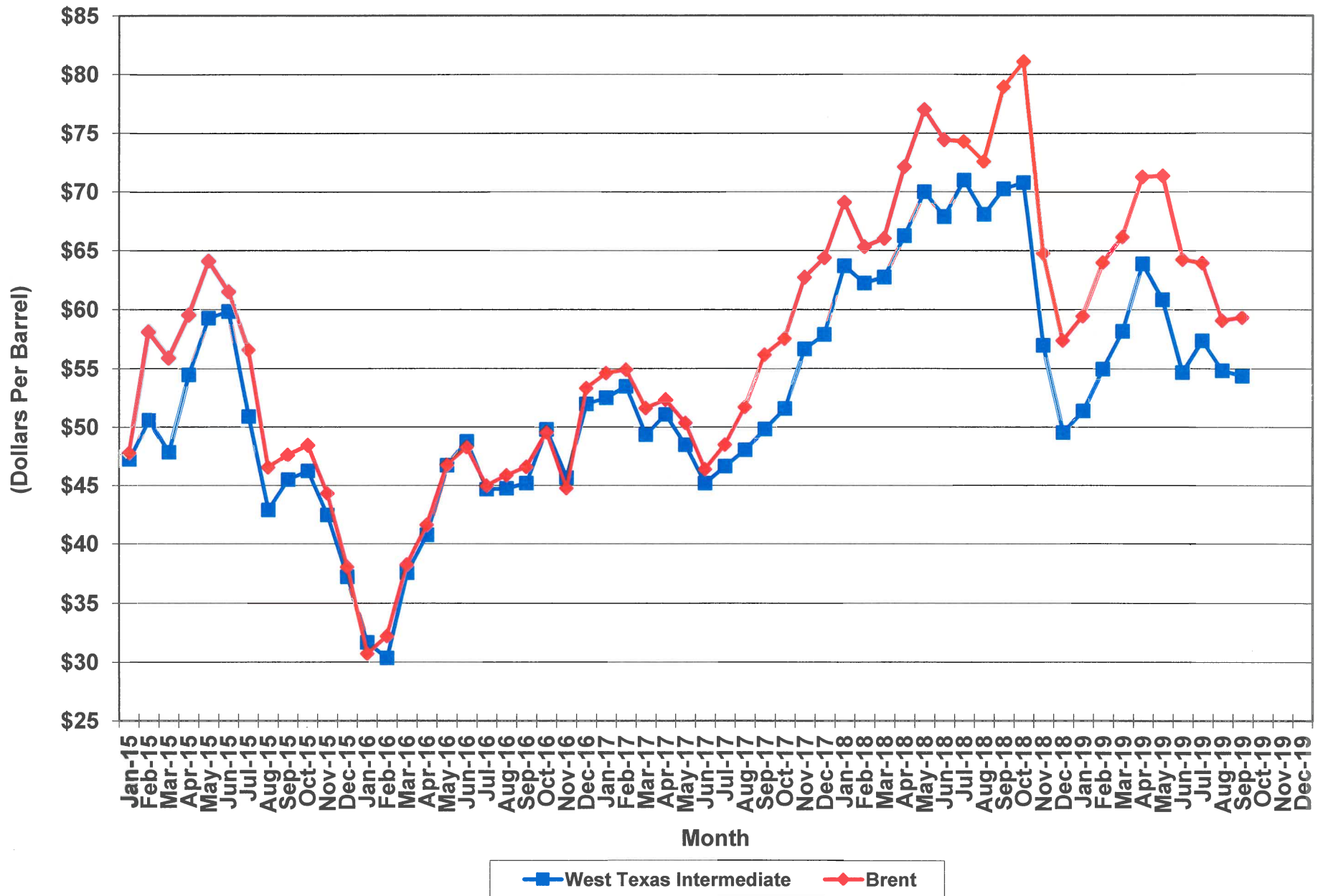


Growth in Real Gross Domestic Product in Europe

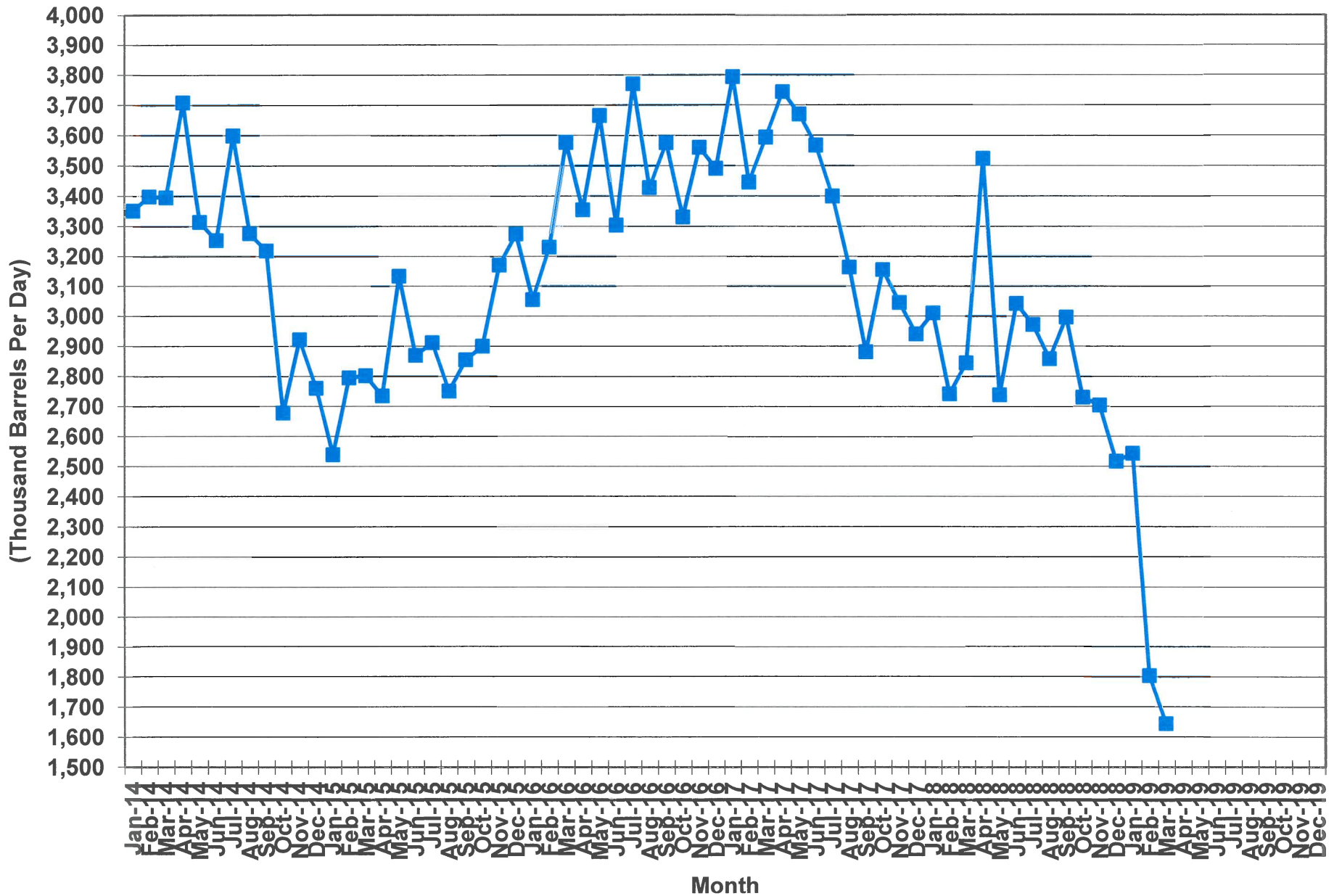


APPENDIX

Spot Crude Oil Prices

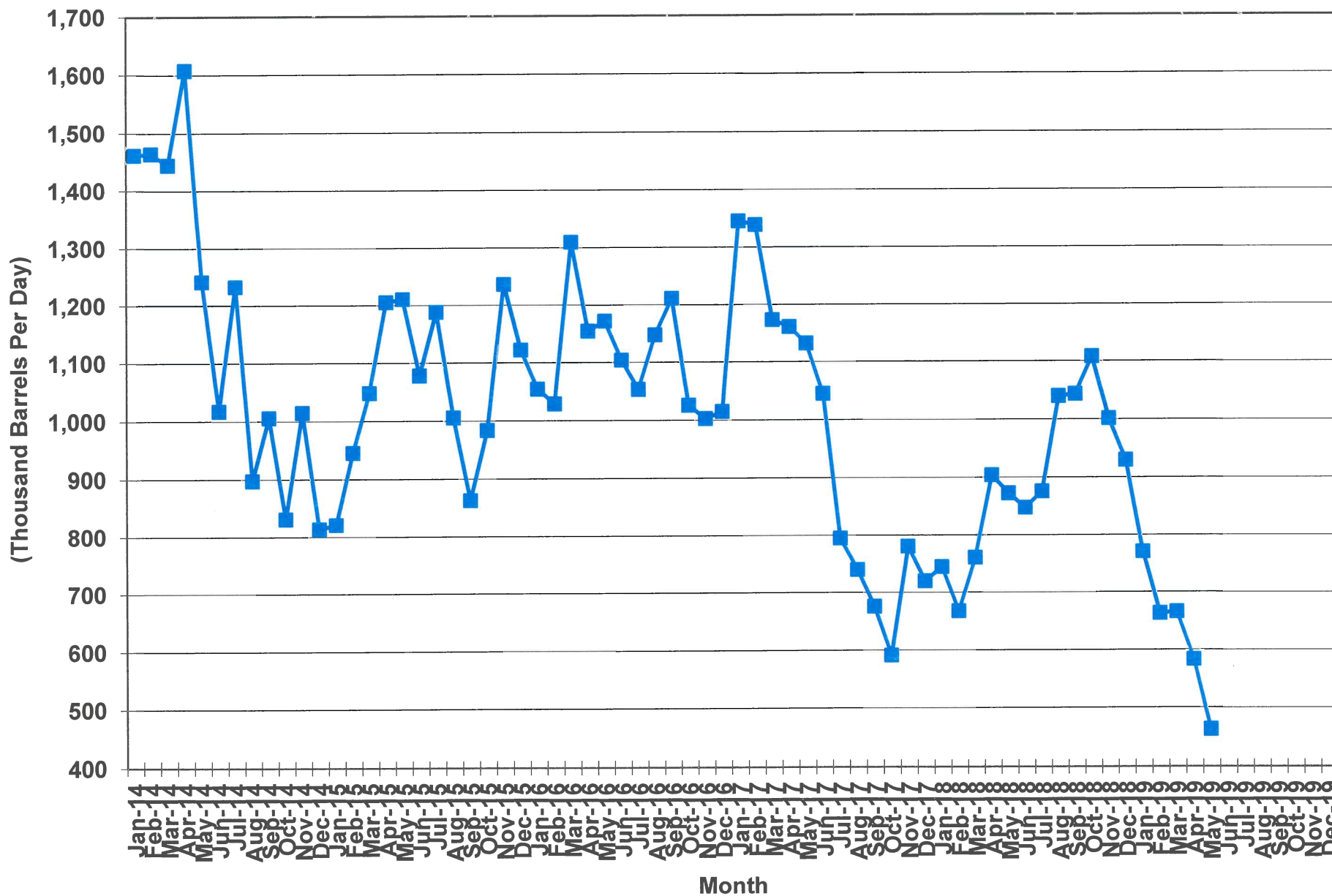


U.S. Crude Oil Imports From OPEC



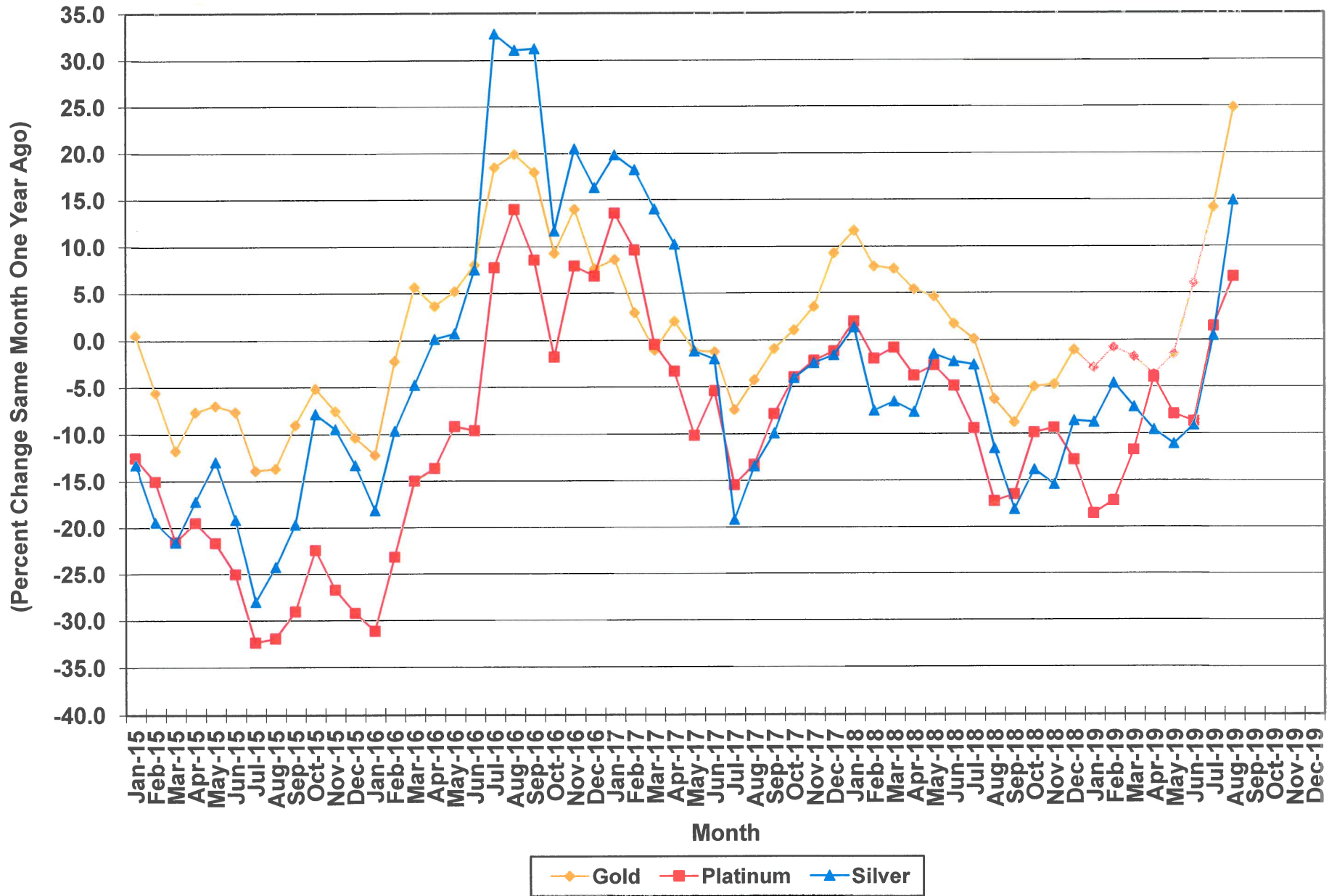
Source: U.S. Department of Energy, Energy Information Administration, Washington, D.C.

U.S. Crude Oil Imports From Saudi Arabia

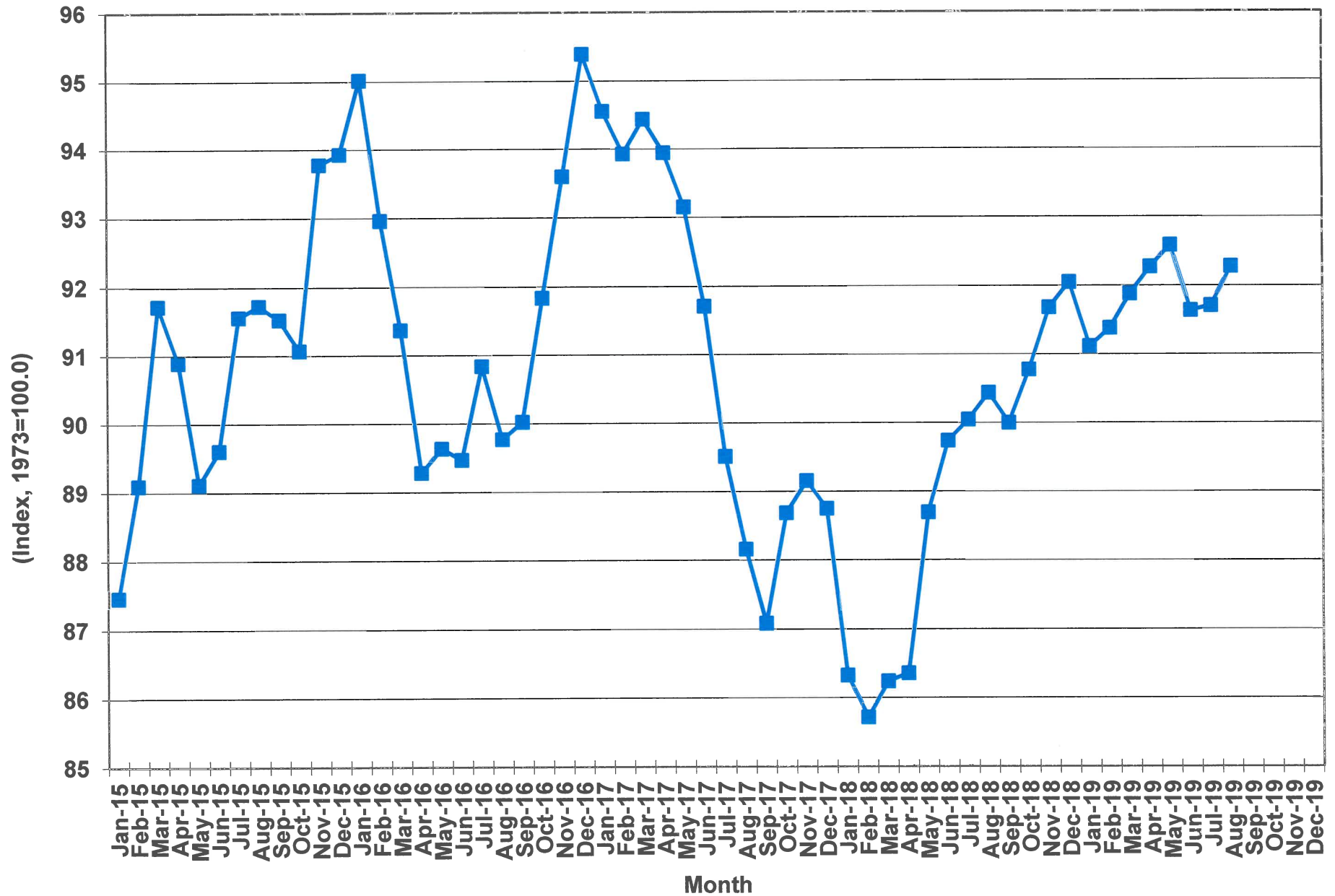


Source: U.S. Department of Energy, Energy Information Administration, Washington, D.C.

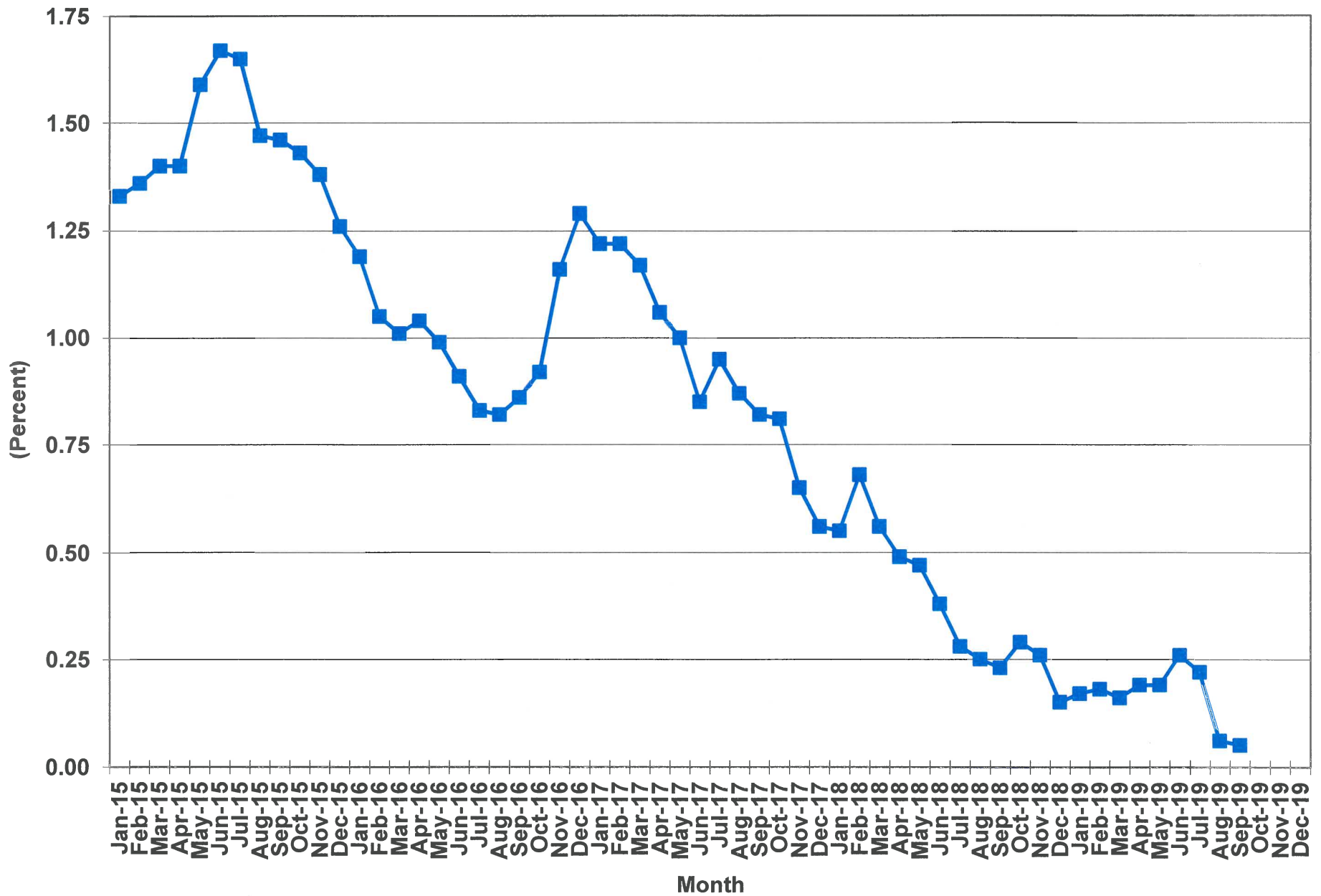
Growth in Precious Metals Prices



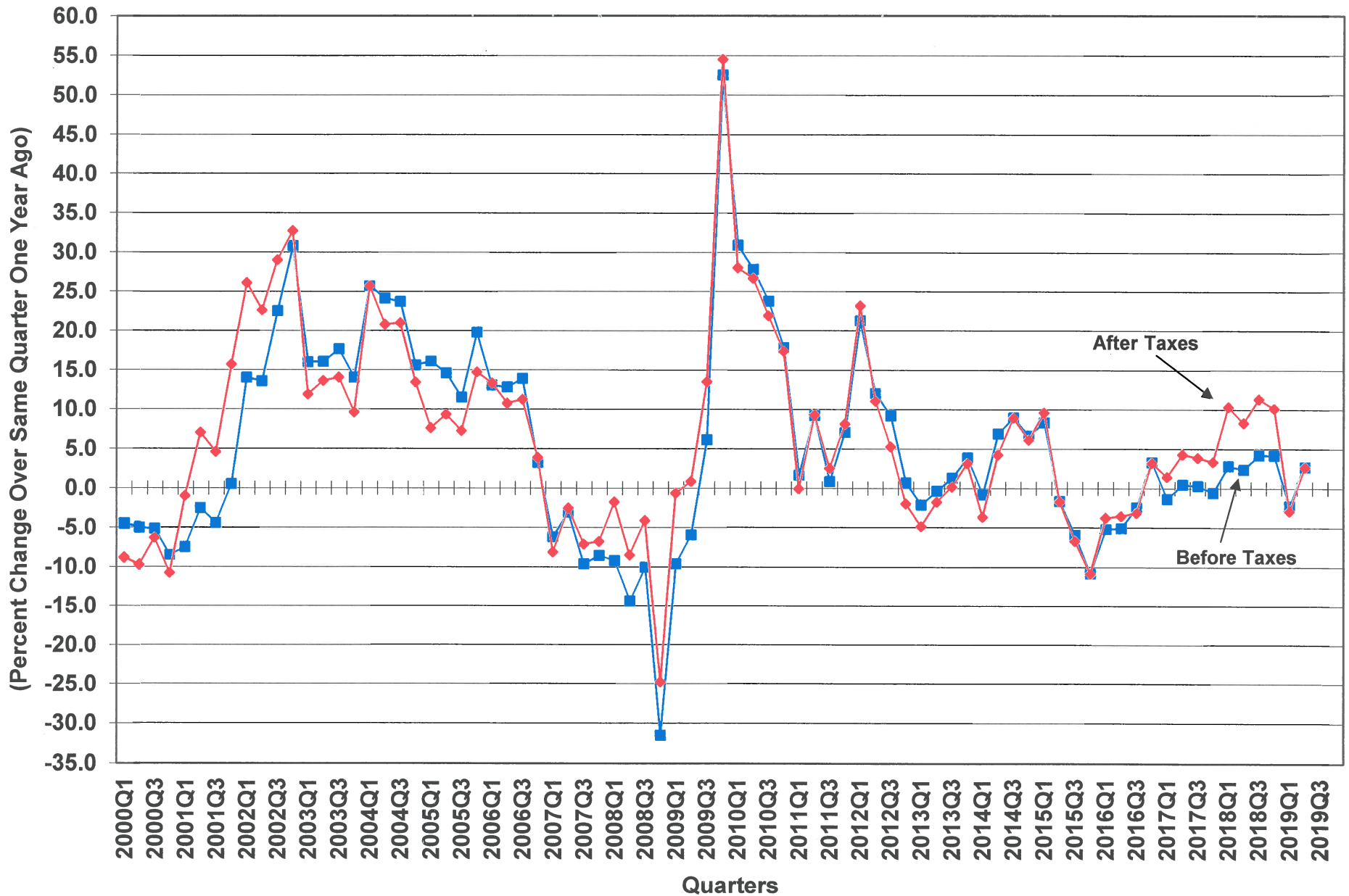
U.S. Trade-Weighted Exchange Rate Index of U.S. Dollar



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

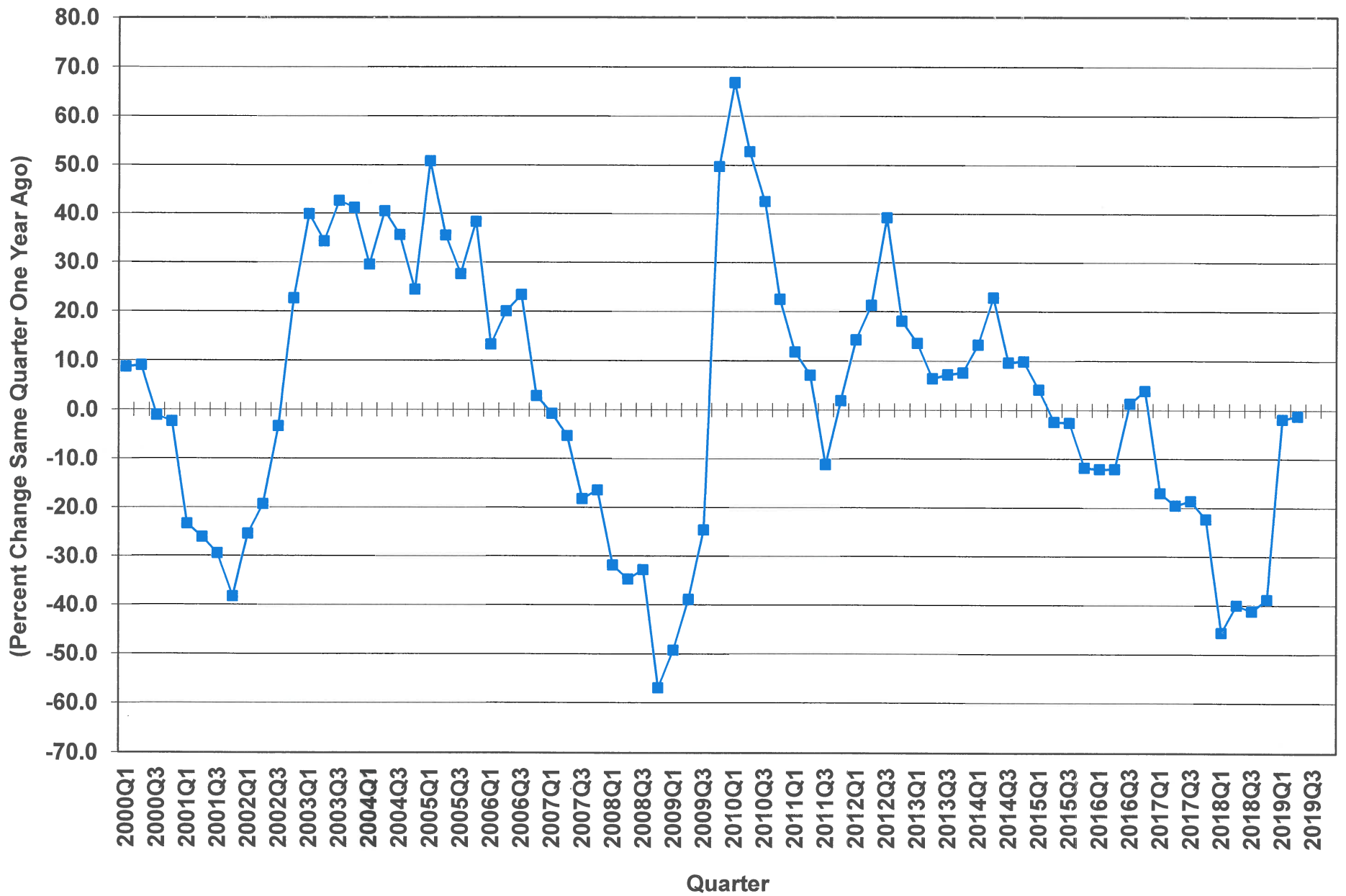


U.S. Corporate Profits Before and After Taxes

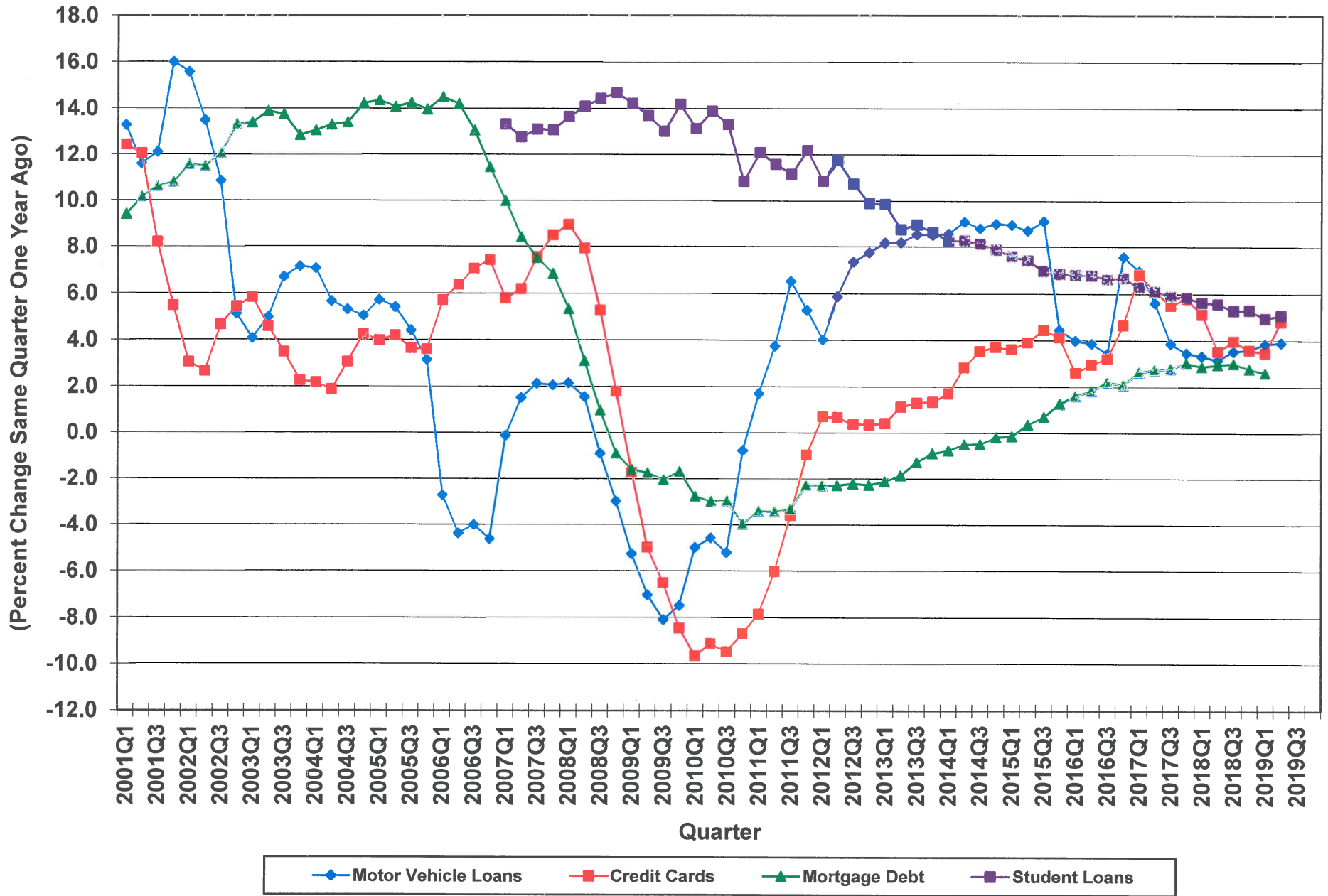


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Growth in Corporation Income Taxes in the U.S.



Growth in Major Types of Household Debt

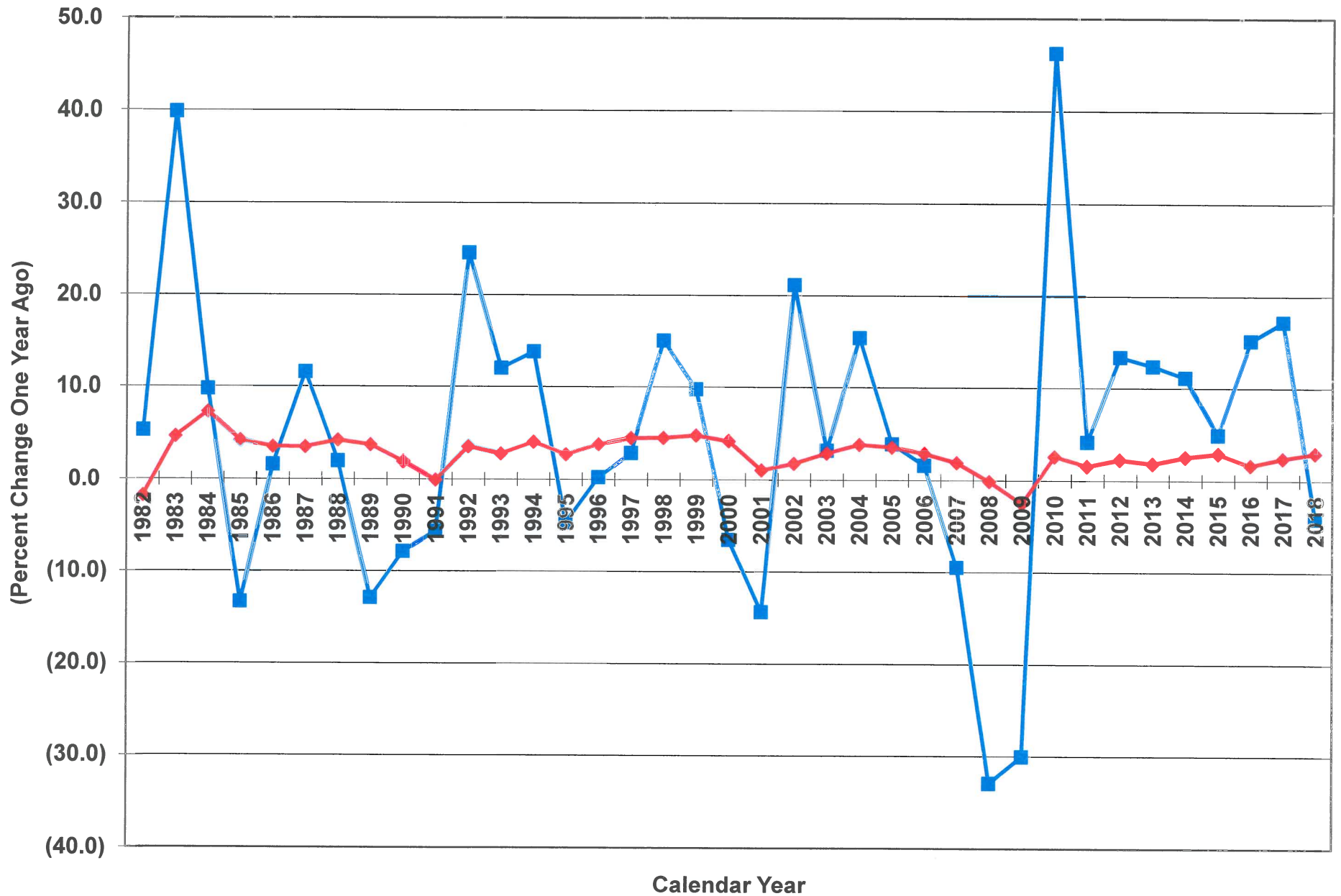


Source: U.S. Department of Labor, Bureau of Labor Statistics

Growth in Homes Sold in Selected Housing Markets in South Carolina



Growth in RV Shipments & Real GDP in the U.S.



OTHER BUSINESS

September 16, 2019



South Carolina Revenue and Fiscal Affairs Office

REPORTS FROM WORKING GROUP

September 16, 2019

 *South Carolina Revenue and Fiscal Affairs Office*

FUTURE MEETING SCHEDULE

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- B. November 8, 2019, 1:30 – Preliminary Forecast
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