

MEMORANDUM FOR THE RECORD

DATE: September 16, 2019
Room 417, Rembert Dennis Building
1:30pm

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members* –Edward Grimball-Chairman, Howell Clyborne, Emerson Gower. *Executive Director*, Frank Rainwater; *Staff* – Paul Athey, Kenneth Harris, Lisa Jolliff, Sandra Kelly, Amanda Martin, Robert Martin, Mary K. Miller, Sidra Nelson, David Patterson, Allyn Powell, Karen Rhinehart, Gordon Shuford, Lisa Wren. *Guests* – Robert Hitt, Michael McInerney, Karen Manning, Alex Clark, Ben Johnson; Bonnie Ward (Education Oversight Committee); John Barfield (Comptroller General’s Office); Kevin Ethridge, Brian Gaines (EBO); Kevin Kibler (State Treasurer’s Office); Ryan Burnaugh (KMSO), Tina Thompson (Prosecution Coordination Commission).

***Hartley Powell (DOR) was unable to attend.*

- Chairman Grimball welcomed everyone to the meeting at 1:28pm.
- Chairman Grimball presented the meeting minutes for August 26, 2019 which had previously been shared with the Members and asked if any Member had additions or corrections. There were no comments from the Members and Chairman Grimball declared the minutes approved as presented and written. *(See attached)*
- **Mr. Rainwater introduced Commerce Secretary, Robert Hitt. Secretary Hitt presented information concerning business investment in South Carolina. His major comments were:**
 - Since 2001 more than 1,200 economic development projects have been recruited to South Carolina with more than 135,000 new jobs. The capital investment for that time period is \$37.9 billion. In 2018, \$4.1 billion in investments were recruited with 14,000 jobs and recruitment was diverse. Twenty-eight percent of those projects were offices and headquarters.
 - Toyota was the last major company to look at South Carolina for a plant location. Most car plants are in the central time zone. South Carolina is the only eastern time zone state to have three car plants.

- Activity is consistent with previous years, but the size of projects, both in capital investment and jobs, is down.
- Twenty-five or thirty years ago, South Carolina was a “3-T” state: textile, tobacco, and tourism. In addition to those, we now have aerospace, automotive, and big pharma.
- Sixty-one percent of the capital investment in 2018 was from new projects. Foreign investment was twenty-seven percent. South Carolina is internationally aggressive and will continue to be aggressive.
- Labor and our ability adapt to different cultures is South Carolina’s expertise. Parts for vehicles and tires come from all around the world and South Carolina workers assemble those items.
- Some projects have dissipated due to the tariffs.
- The entire southeast is at full employment.
- South Carolina is the 9th fastest growing state and adds 60,000 people to the population each year. About half of those people are “workforce ready”.
- Business is on a plateau and will be on a plateau for some time unless there is an outside influence. Businesses are expanding to stay competitive, but long-term investments are on hold because of the political and economic uncertainty. However, there is still growth.
 - ❖ *Mr. Clyborne asked if South Carolina’s colleges and universities are current with the trend toward more automated technology in business. Secretary Hitt replied that schools have transitioned from rural to high-skill positions and students are encouraged to pursue these positions, especially engineering. Students are also aware of technology and where and how to pursue jobs following graduation.*
 - ❖ *Chairman Grimball mentioned that the Board’s focus for the rest of the fiscal year would be on the forecast and asked if there is a recession ahead. Secretary Hitt replied that economists are sharing that South Carolina is at full employment and should retain a good cash flow even though the economy is on a plateau. He also mentioned that growth would not include high peaks, but be steady.*
 - ❖ *Mr. Rainwater asked Secretary Hitt if there are any variables that are concerns. Secretary Hitt replied that he doesn’t see anything at the moment.*

- **Frank Rainwater presented a review of the August 2019 General Fund Revenues. His major comments were:** *(See Attached)*
 - 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 FY 20 estimate.
 - Consequently, any revenue growth approximates a surplus.
- **Robert Martin presented an economic and revenue update and economic issues for the Regional Advisory Committee Meeting. His major comments were:** *(See Attached)*

Summary

- General Fund revenue collections through August 2019 amounted to \$1,283.5 million in FY 2019-20, or 5.1 percent higher than in FY 2018-19.
- 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 FY 2019-20 (based on February 14, 2019 BEA estimate).

Sales Tax Revenue

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

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 FY 2019-20.
- Actual Individual Income tax withholding revenue totaled \$15.7 million more than the 1.5 percent growth required to meet the FY 2019-20 revenue estimate (based on February 14, 2019 BEA estimate).
- Reflects the continues strong employment growth in the State.

Contingencies and Other Items of Concern

- The "R" word (Recession possibilities)
 - Business Cycle contractions and expansions
- Inverted yield curve
 - Will rate cuts keep US economy moving forward?
 - Federal Reserve stops the tightening earlier than scheduled
- Tariffs and trade tensions with China and Europe
- Europe heading into recession
 - Negative bond rates

Working Group Comments

No comments.

- **Other Business**

There was no further business or comments from the Working Group Members or audience.

Mr. Clyborne motioned to adjourn the meeting and Mr. Gower seconded the motion. All voted aye and the meeting adjourned at 3:14pm.

The next scheduled BEA Meeting is Thursday, October 17, 2019 at 10:30am. Attachments: Agenda, Meeting Materials. Public Notice of this meeting was posted at <http://www.rfa.sc.gov/calendar> and at the Rembert Dennis Building.

These minutes were approved on 10/17/19.



Karen Rhinehart