



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 November 8, 2019, 1:30 P.M. Bowers Conference Room Room 417, Rembert C. Dennis Building

- I. Welcome
- II. Adoption of BEA and Annual Regional Advisory Committee Meeting Minutes for October 17, 2019
- III. Review of October 2019 Revenues (F. Rainwater, R. Martin)
- IV. Consideration of Revenue Estimates (F. Rainwater, R. Martin)
 - A. Review of Economic Assumptions
 - B. Consideration of Revenue Forecasts for FY 2019-20 and FY 2020-21
 - C. Guidelines for Long-Range Estimate
- V. Other Items for Discussion
 - A. FY 2020-21 General Fund Budget Outlook (L. Jolliff)
 - B. 2020 BEA Meeting Calendar
- 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. November 8, 2019, 1:30pm - Preliminary Estimate
 - B. December 12, 2019, 1:30pm - **If necessary**, *GoToMeeting* for Members
 - C. 2019 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

OCTOBER REVENUES

November 8, 2019



South Carolina Revenue and Fiscal Affairs Office

FY 2019-20 General Fund Revenues Through October

- General Fund Revenues in October grew 4.8 percent
- For the fiscal year-to-date, revenues have grown 6.6 percent.
 - Sales tax grew 9.3 percent
 - Individual Income tax grew 5.9 percent
 - Corporate Income and License tax grew 8.3 percent



Table 1

October

General Fund Revenue	FY 2018-19	FY 2019-20	\$ Change	% Change
Sales and Use Tax	\$248,613,183	\$268,325,262	\$19,712,079	7.9
Individual Income Tax	450,771,596	463,954,612	13,183,016	2.9
Corporation Income Tax	(37,860,906)	(35,748,188)	2,112,718	5.6
Insurance Taxes	6,997,243	1,972,686	(5,024,557)	(71.8)
Admissions Tax	3,103,008	3,387,513	284,505	9.2
Aircraft Tax	1,551,269	2,500,000	948,731	61.2
Alcoholic Liquor Tax	5,561,732	6,601,065	1,039,333	18.7
Bank Tax	732,555	833,195	100,640	13.7
Beer and Wine Tax	8,446,117	9,080,234	634,117	7.5
Bingo Tax	64,265	15,765	(48,500)	(75.5)
Business Filing Fees	542,545	623,748	81,203	15.0
Circuit/Family Court Fines	598,289	510,492	(87,797)	(14.7)
Corporation License Tax	55,743,621	62,574,749	6,831,128	12.3
Documentary Tax	6,134,990	6,829,355	694,365	11.3
Earned on Investments	8,046,082	6,064,789	(1,981,293)	(24.6)
Indirect Cost Recoveries	2,005,255	2,706,164	700,909	35.0
Motor Vehicle Licenses	1,242,980	308,499	(934,481)	(75.2)
Nursing Home Fees	0	879,019	879,019	---
Parole and Probation Fees	282,734	268,474	(14,260)	(5.0)
Private Car Lines Tax	1,206,474	547,404	(659,070)	(54.6)
Public Service Authority	0	0	0	---
Purchasing Card Rebates	3,171,665	3,226,732	55,067	1.7
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	(11,121)	1,067,049	1,078,170	9,694.9
Security Dealer Fees	1,078,169	711,609	(366,560)	(34.0)
Surcharge on Vehicle Rentals	2,204,444	2,407,551	203,107	9.2
Tobacco Tax	2,163,027	2,217,550	54,523	2.5
Uncashed Checks	3,585,622	(702)	(3,586,324)	(100.0)
Unclaimed Property Fund	0	0	0	---
Workers' Comp. Insurance Tax	(999,475)	(399,075)	600,400	60.1
Other Source Revenues	397,681	1,258,612	860,931	216.5
Gross General Fund Revenue	\$775,373,043	\$812,724,165	\$37,351,122	4.8

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.



Table 2

July - October

General Fund Revenue	FY 2018-19	FY 2019-20	\$ Change	% Change
Sales and Use Tax	\$774,256,913	\$846,483,732	\$72,226,819	9.3
Individual Income Tax	1,806,152,374	1,912,645,397	106,493,023	5.9
Corporation Income Tax	86,944,994	89,639,063	2,694,069	3.1
Insurance Taxes	85,197,124	62,964,911	(22,232,213)	(26.1)
Admissions Tax	2,394,737	2,609,590	214,853	9.0
Aircraft Tax	1,552,462	2,500,000	947,538	61.0
Alcoholic Liquor Tax	18,399,438	19,197,519	798,081	4.3
Bank Tax	15,616,814	16,291,272	674,458	4.3
Beer and Wine Tax	29,085,147	29,881,936	796,789	2.7
Bingo Tax	(146,589)	9,913	156,502	106.8
Business Filing Fees	1,846,924	2,032,073	185,149	10.0
Circuit/Family Court Fines	2,166,750	1,982,951	(183,799)	(8.5)
Corporation License Tax	63,410,291	73,207,372	9,797,081	15.5
Documentary Tax	21,471,249	21,984,297	513,048	2.4
Earned on Investments	22,834,448	38,278,815	15,444,367	67.6
Indirect Cost Recoveries	2,545,399	3,591,129	1,045,730	41.1
Motor Vehicle Licenses	3,113,228	2,061,284	(1,051,944)	(33.8)
Nursing Home Fees	0	879,019	879,019	---
Parole and Probation Fees	1,130,936	1,116,676	(14,260)	(1.3)
Private Car Lines Tax	1,237,889	542,259	(695,630)	(56.2)
Public Service Authority	0	0	0	---
Purchasing Card Rebates	3,171,665	3,226,732	55,067	1.7
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	83,046	5,255,614	5,172,568	6,228.6
Security Dealer Fees	1,584,281	1,517,834	(66,447)	(4.2)
Surcharge on Vehicle Rentals	1,396,369	1,628,872	232,503	16.7
Tobacco Tax	7,039,545	6,498,026	(541,519)	(7.7)
Uncashed Checks	3,163,240	3,736,287	573,047	18.1
Unclaimed Property Fund	3,750,000	3,750,000	0	0.0
Workers' Comp. Insurance Tax	919,895	474,407	(445,488)	(48.4)
Other Source Revenues	3,514,644	5,953,976	2,439,332	69.4
Gross General Fund Revenue	\$2,963,833,212	\$3,159,940,958	\$196,107,746	6.6

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.



October 2019

Presentation Agenda

Preliminary General Fund Revenue Forecast for FY2020-21

- Review of General Fund Revenue – October 2019
- Regional Advisory Committee Summary
- Base Economic Assumptions for FY2019-20 and FY2020-21
- Forecast Proposal



October 2019

Sales Tax Revenue

- Sales and Use tax revenue grew 7.9 percent in October 2019 and has grown 9.3 percent for FY2019-20
- Actual Sales and Use tax revenues totaled \$46.0 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 \$3.5 million from newly registered remote sellers (Wayfair), and \$4.2 million from new accounts specifically registered as marketplace facilitators (third-party sellers) in October



October 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



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

Month	Actual					2/ Guide	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	FY 19-20			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	284.6	270.3	14.3	34.7	8.9	10.0
October	237.9	235.9	243.2	248.6	268.3	257.0	11.3	46.0	7.9	9.3
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.



October 2019

Individual Income Tax Withholding

- Individual Income tax withholding revenue, the largest single source of tax revenue, grew by 1.8 percent in October 2019 and has grown 5.3 percent for FY2019-20
- Actual Individual Income tax withholding revenue totaled \$65.5 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)

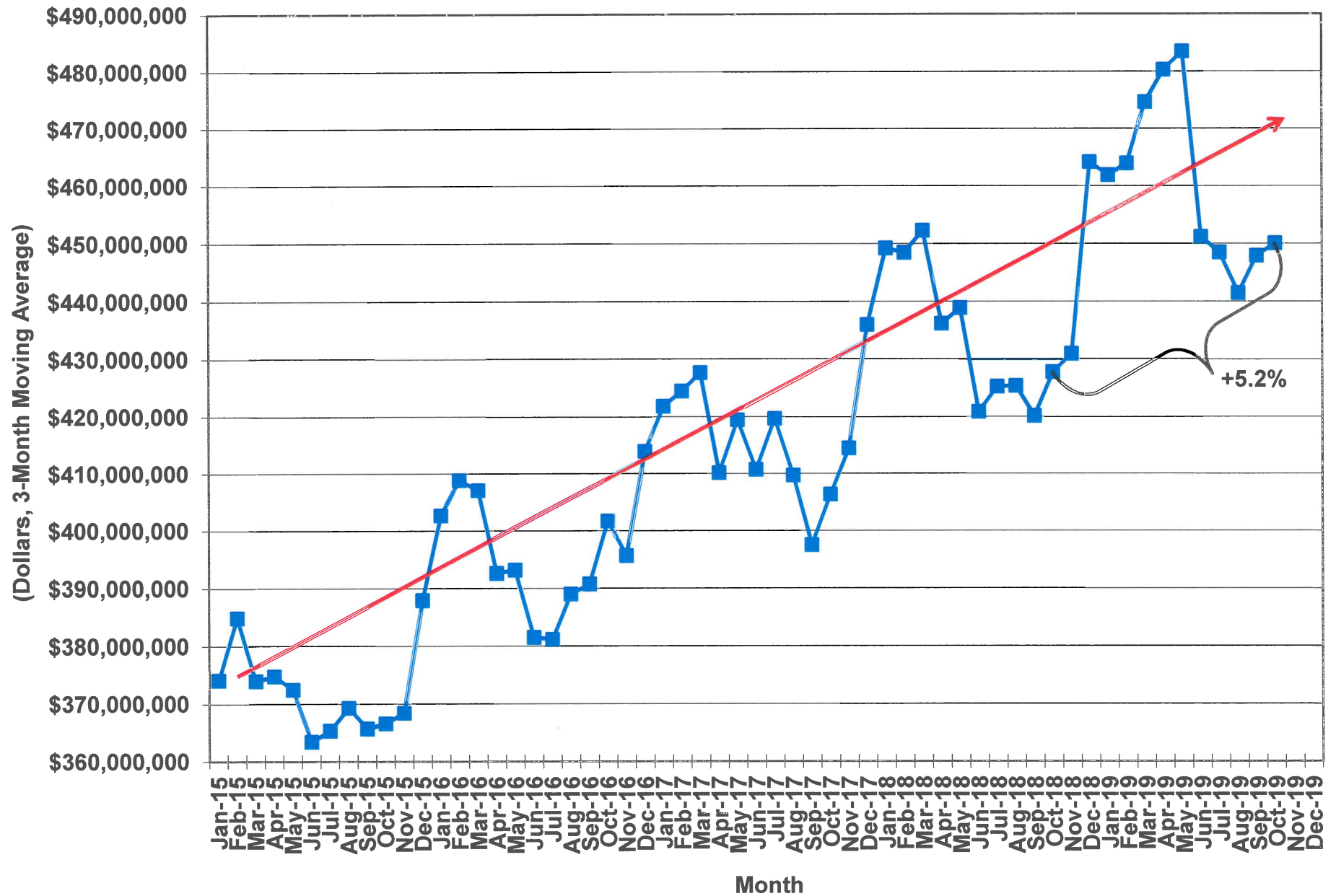
Month	Actual					1/ Guide FY 19-20	Excess Revenue +/- Est.	Cumulative Revenue +/- Est.	Percent Changes Actual FY 18-19 to Actual FY 19-20	
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20				Monthly	Cumulative
July	376.6	378.8	409.6	440.8	465.8	447.6	18.2	18.2	5.7	5.7
August	354.2	410.0	397.8	428.2	432.3	434.8	(2.5)	15.7	1.0	3.3
September	360.0	383.5	385.4	391.4	445.9	397.4	48.5	64.2	13.9	6.6
October	379.3	411.5	436.1	463.9	472.3	471.0	1.3	65.5	1.8	5.3
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.

South Carolina Income Tax Withholdings



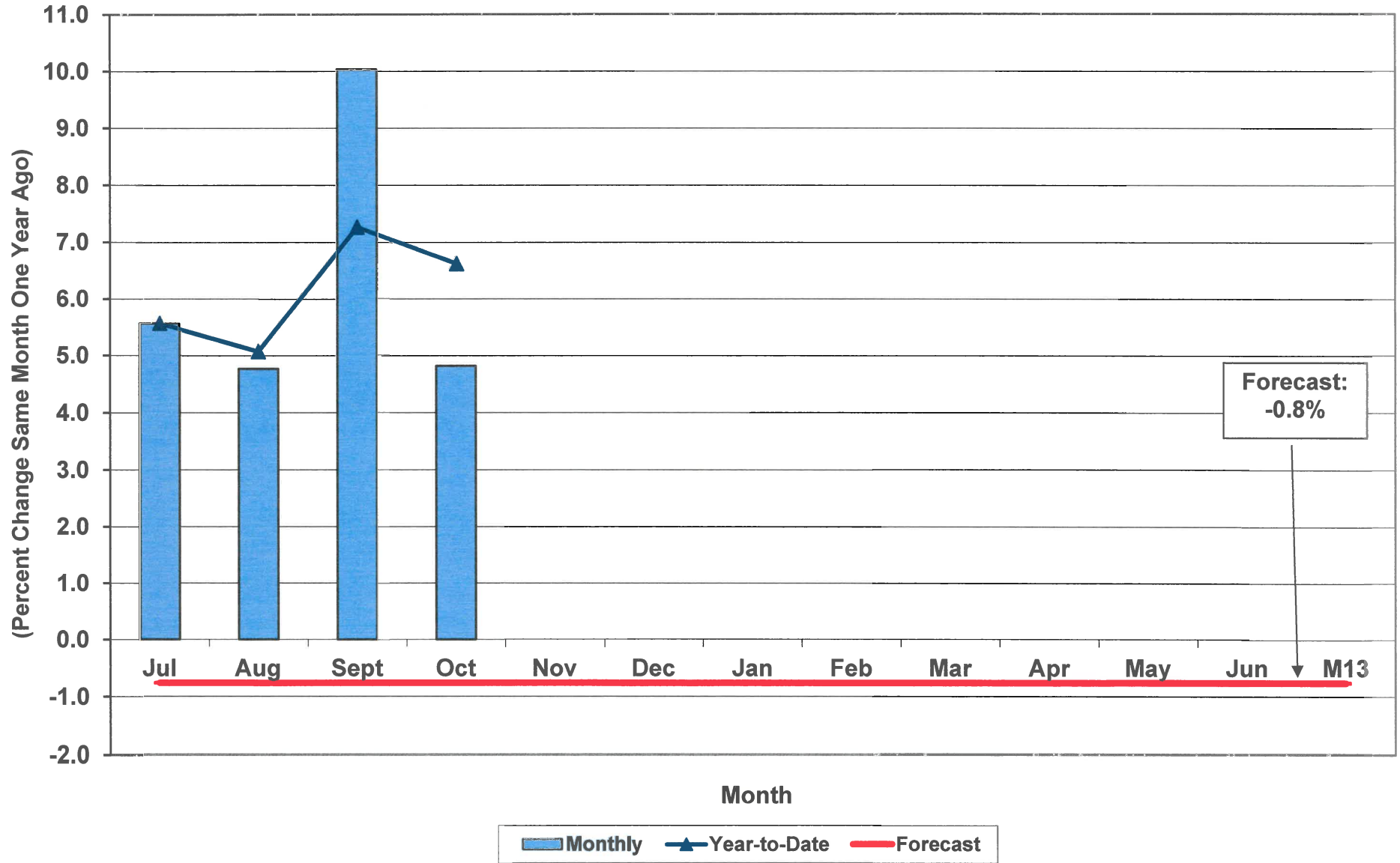


October 2019

Summary

- General Fund revenue collections through October 2019 amounted to \$3,159.9 million in FY2019-20, or 6.6 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)

Growth in Total General Fund Revenue Collections FY2020 Monthly and Year-to-Date





October 2019

South Carolina Board of Economic Advisors Survey Results of Regional Advisory Committee Summary of Economic Forecast Assumptions

Variable	Actual FY2018-19	Most Recent	Current 1/ Forecast Rates FY2019-20	Regional Advisory Committee Forecast Rates Forecast for FY2019-20					Simple Average	Olympic Scoring	MEMO BEA
				Hefner	Sauer	Sobel	Vitner	von Nessen			
S.C. Personal Income	5.40%	5.78%	4.25%	5.60%	4.00%	4.20%	4.80%	3.90%	4.50%	4.33%	5.25%
S.C. Employment	1.9%	1.4%	1.8%	1.50%	1.70%	1.53%	1.60%	1.50%	1.57%	1.54%	1.50%
Inflation Rate (CPI-U)	2.1%	1.7%	2.0%	1.80%	2.00%	2.00%	2.00%	1.90%	1.94%	1.97%	2.00%
Sales Tax	5.0%	10.0%	4.2%	4.00%	4.00%	3.00%	N/A	N/A	3.67%	4.00%	5.20%
Individual Income Tax 1/	7.2%	6.9%	4.5%	4.50%	4.00%	2.80%	N/A	N/A	3.77%	4.00%	5.20%

Variable	Actual FY2018-19	Most Recent	Current Forecast Rates FY2020-21	Regional Advisory Committee Forecast Rates Forecast for FY2020-21					Simple Average	Olympic Scoring	MEMO BEA
				Hefner	Sauer	Sobel	Vitner	von Nessen			
S.C. Personal Income 1/	5.40%	5.78%	N/A	5.70%	3.50%	4.03%	4.80%	N/A	4.51%	4.42%	4.75%
S.C. Employment	1.9%	1.4%	N/A	1.50%	1.50%	1.30%	1.40%	N/A	1.43%	1.45%	1.40%
Inflation Rate (CPI-U)	2.1%	1.7%	N/A	2.00%	2.00%	2.15%	2.20%	N/A	2.09%	2.08%	2.00%
Sales Tax	5.0%	10.0%	N/A	4.50%	3.50%	2.90%	N/A	N/A	3.63%	3.50%	4.70%
Individual Income Tax 1/	7.2%	6.9%	N/A	4.70%	3.50%	2.50%	N/A	N/A	3.57%	3.50%	4.60%

Notes: 1/ Current forecast rates as of February 14, 2019 (the last official BEA forecast estimate).
2/ Growth rate as of the most recent time period, e.g., month, quarter.
N/A - Not Available.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.
U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
S.C. Board of Economic Advisors, Columbia, S.C.

BEA/RWM/10/17/19



October 2019

Current Base Economic Assumptions Fiscal Year 2019-20

Variable	Nov. 8, 2019 Estimate	Actual FY2018-19	Latest Figures
Personal Income	4.25%	5.40%	5.78%
Employment	1.80%	1.90%	2.00%

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.
U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
S.C. Board of Economic Advisors, Columbia, S.C.



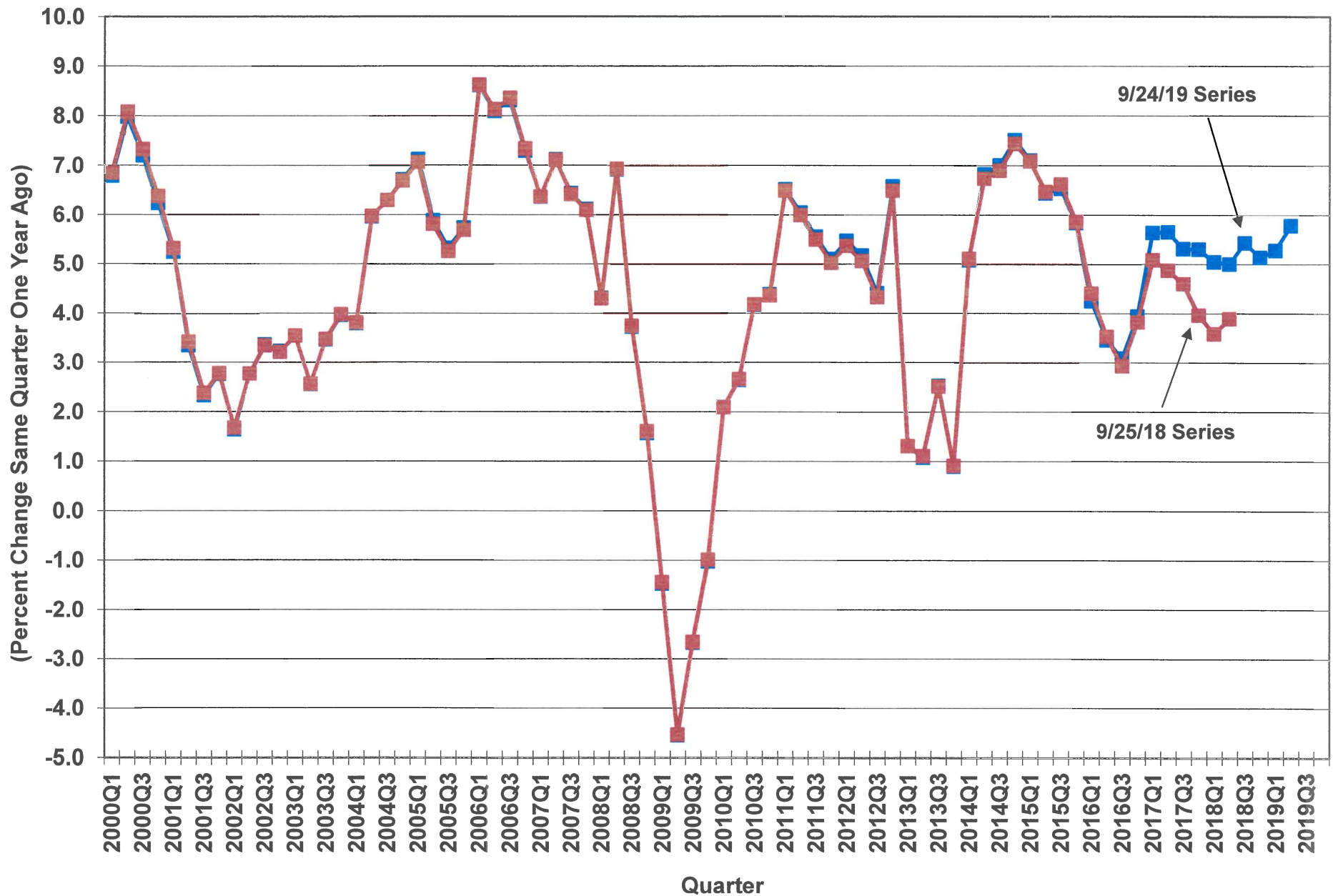
October 2019

**Base Economic Assumptions Scenarios
South Carolina Total Personal Income
Fiscal Years 2019-20 and 2020-21**

	FY2019-20	FY2020-21
Regional Advisors	4.50%	4.50%
BEA Staff	5.25%	4.75%
Proposal	5.25%	4.50%

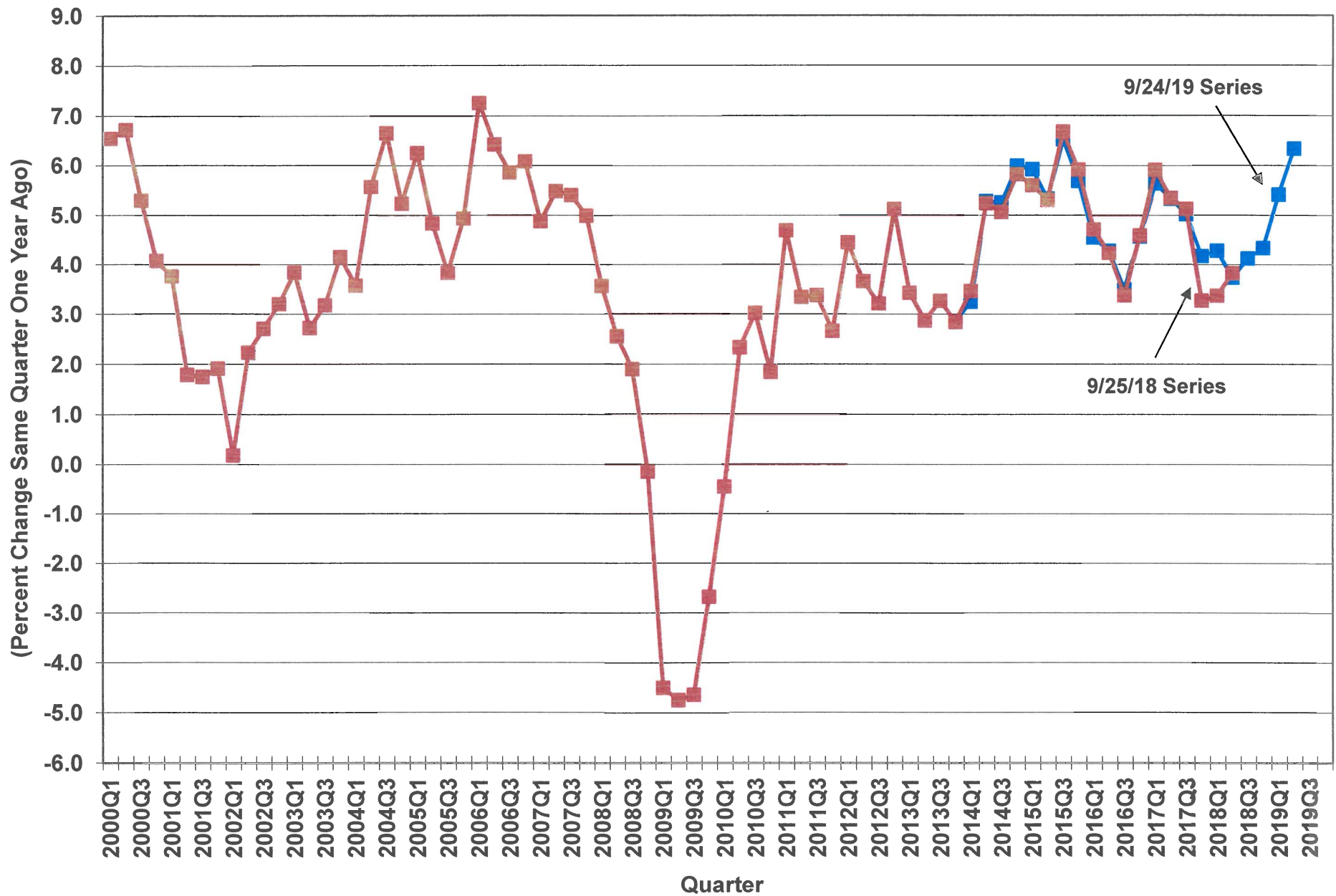
Sources: S.C. Board of Economic Advisors, Regional Advisory Committee, Columbia, S.C.

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





**CONSIDERATION OF
FY2019-20 AND FY2020-21
REVENUE ESTIMATES**



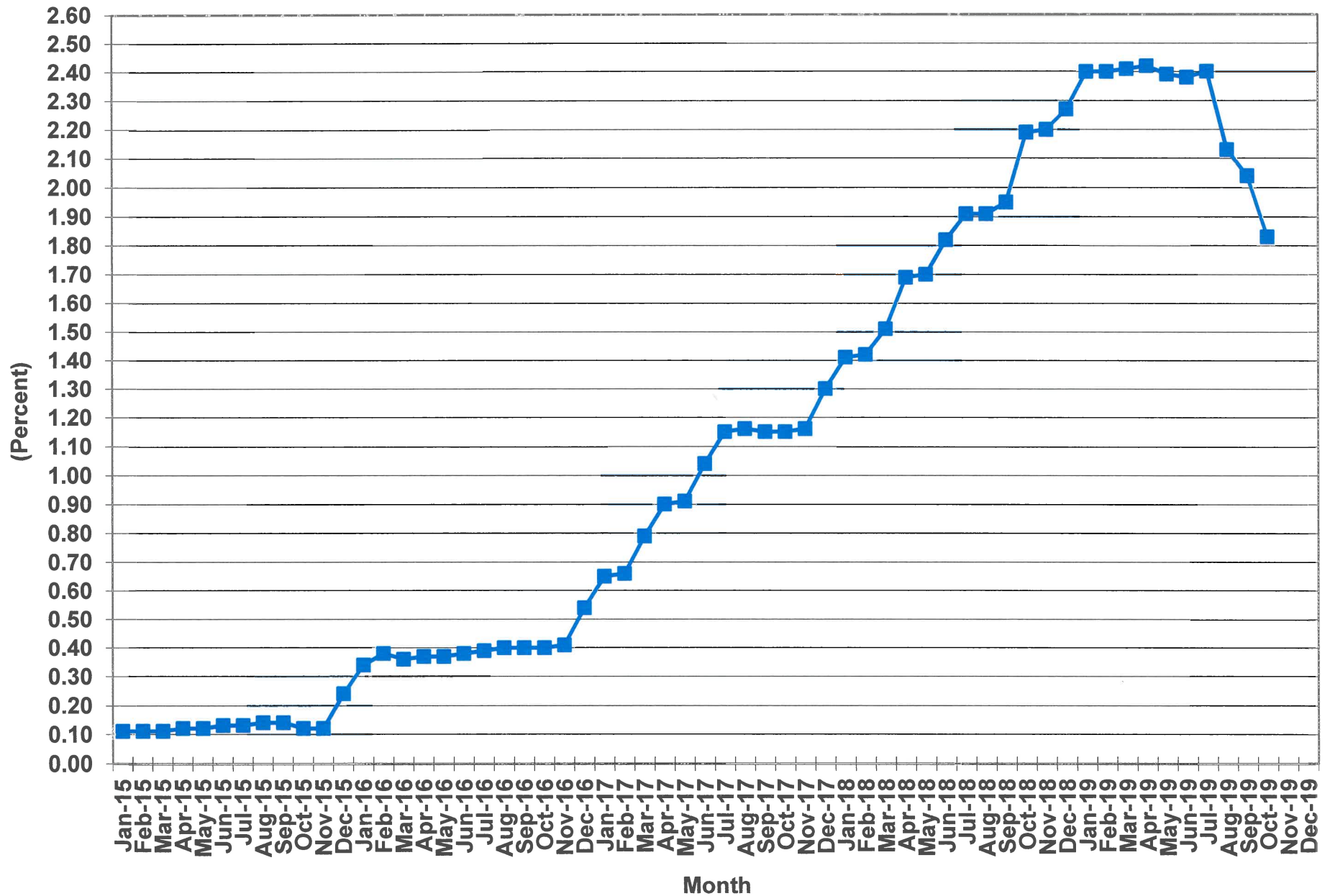
October 2019

Forecast Proposal

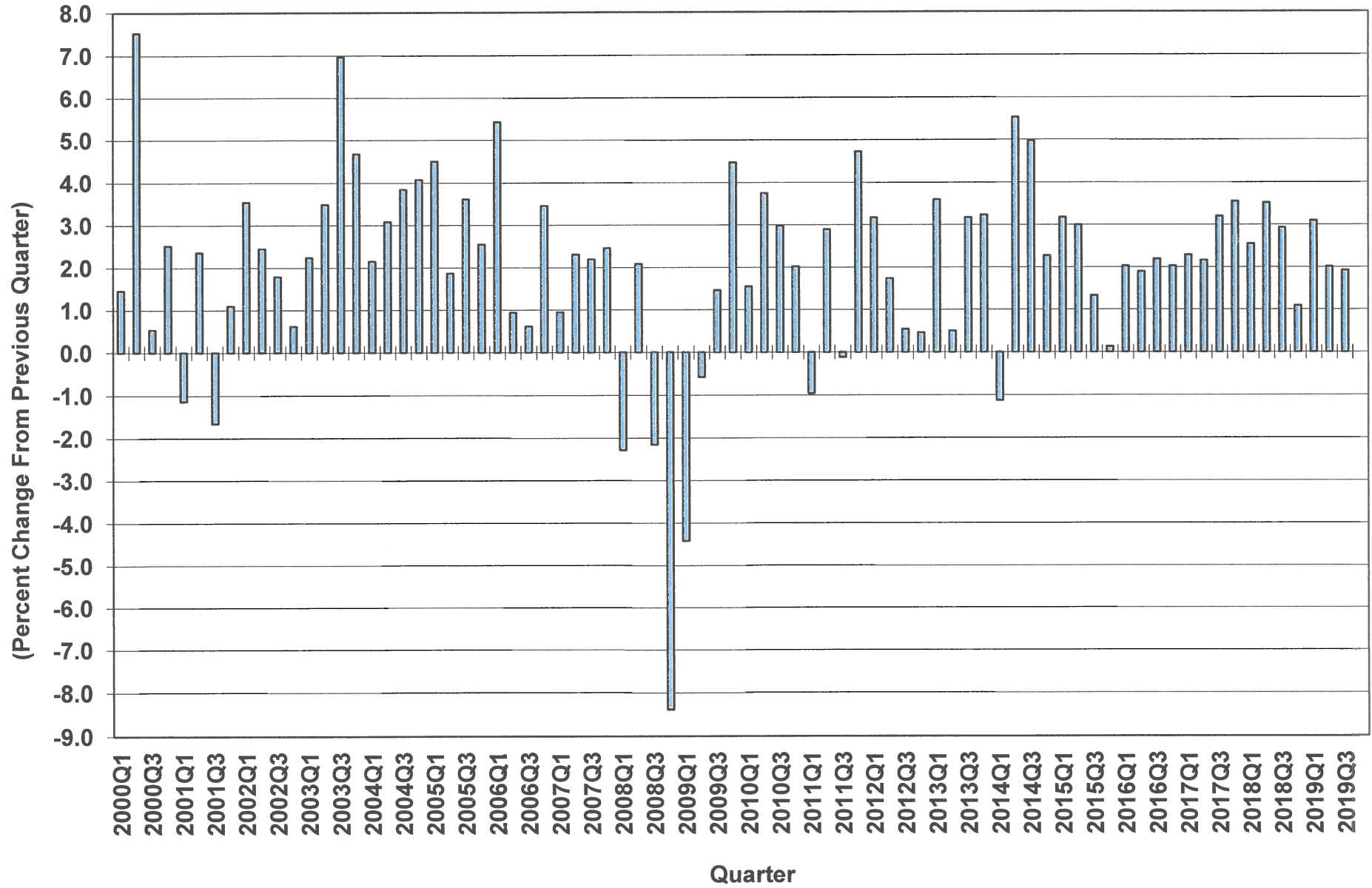
What's Changed Since the October Meeting?

- **Federal Reserve cut interest rates by 25 bps**
- **Third Quarter GDP (1.9%)**
- **NAPM shows improvement**
- **Yield curve spread has widened**
- **Increase in SC employment**
- **Positive holiday spending forecast**

Federal Funds Rate

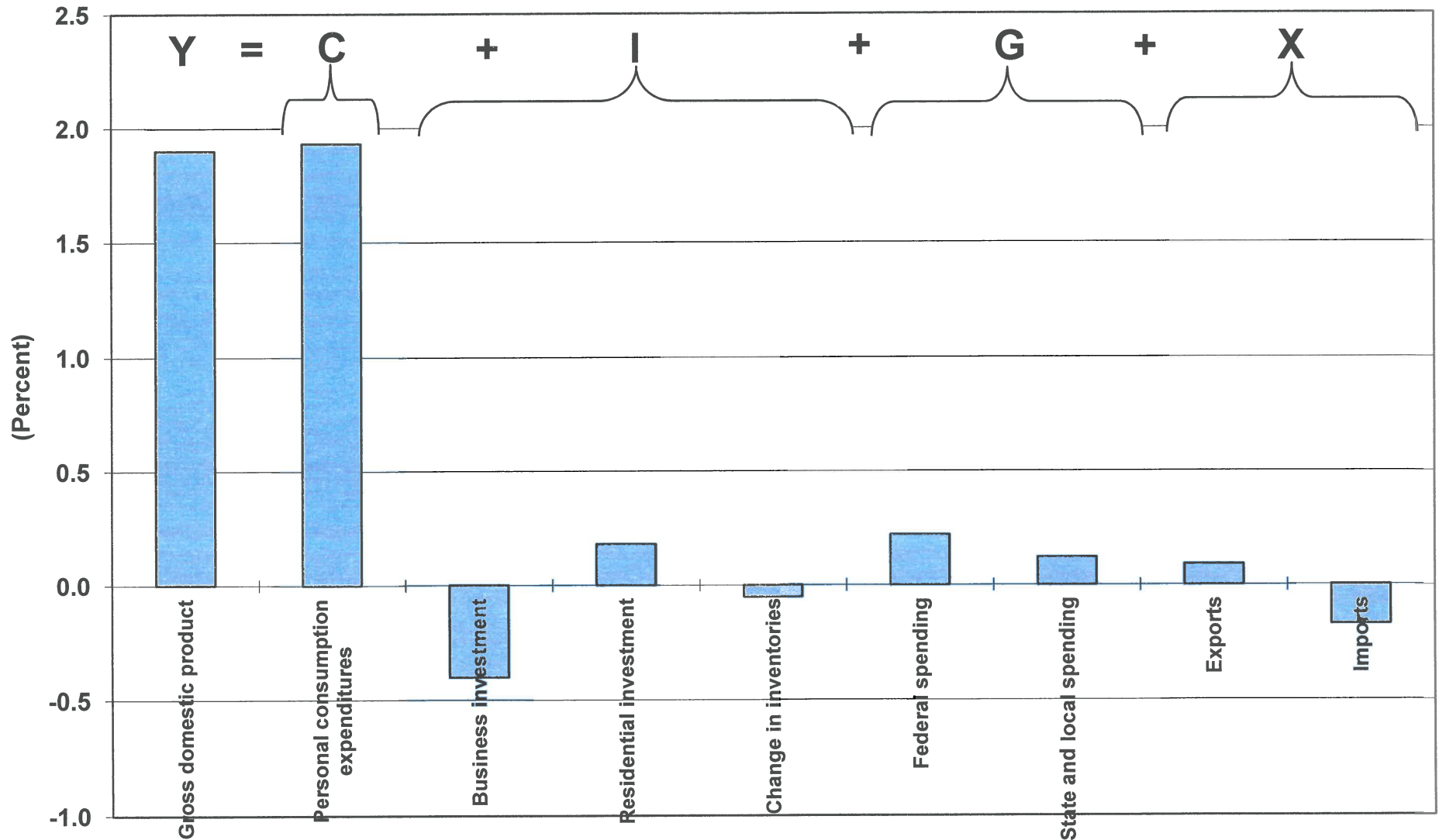


Real Gross Domestic Product in the U.S. (2012 = 100.0)

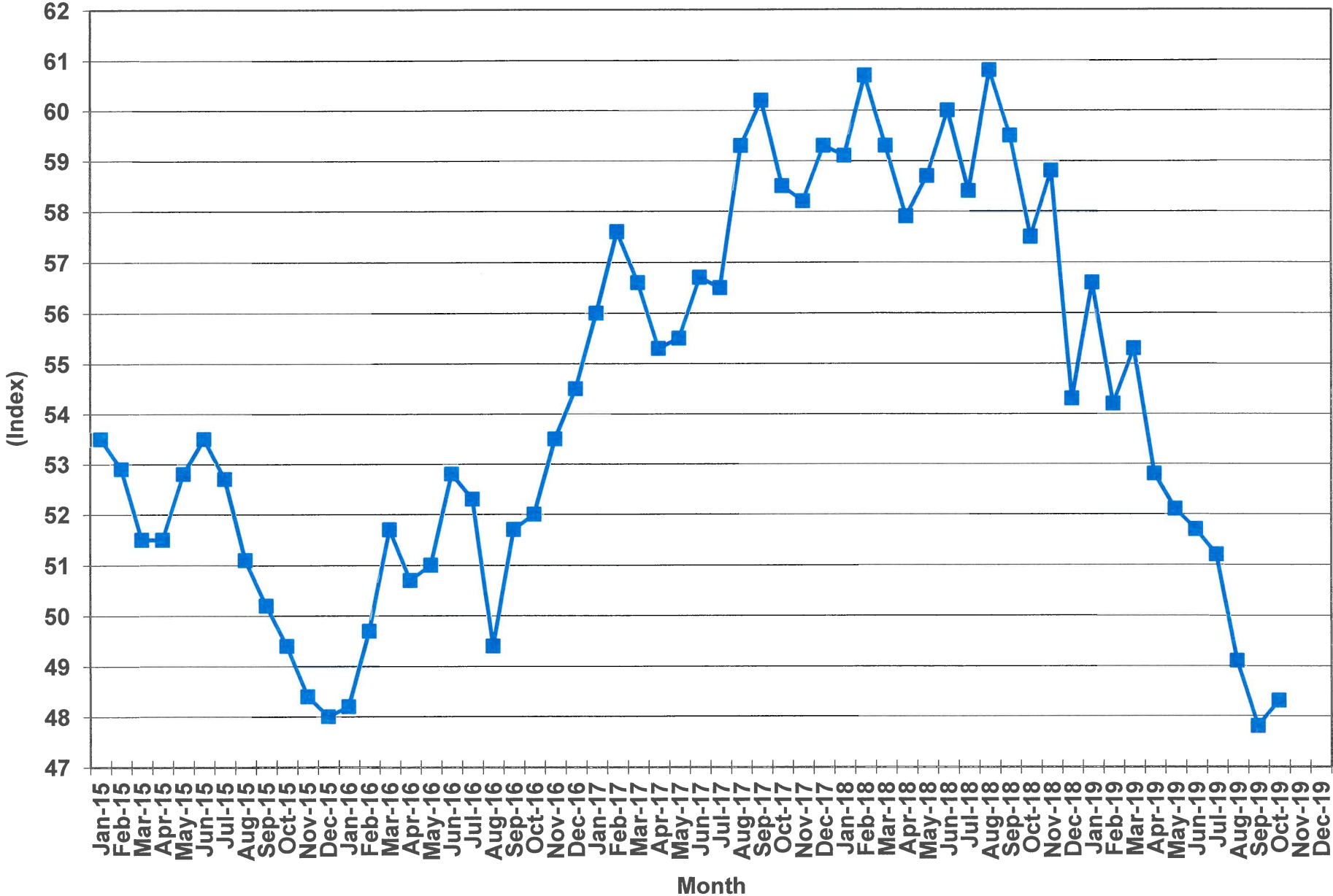


Source: U.S. Department of Commerce, Bureau of Economic Analysis

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

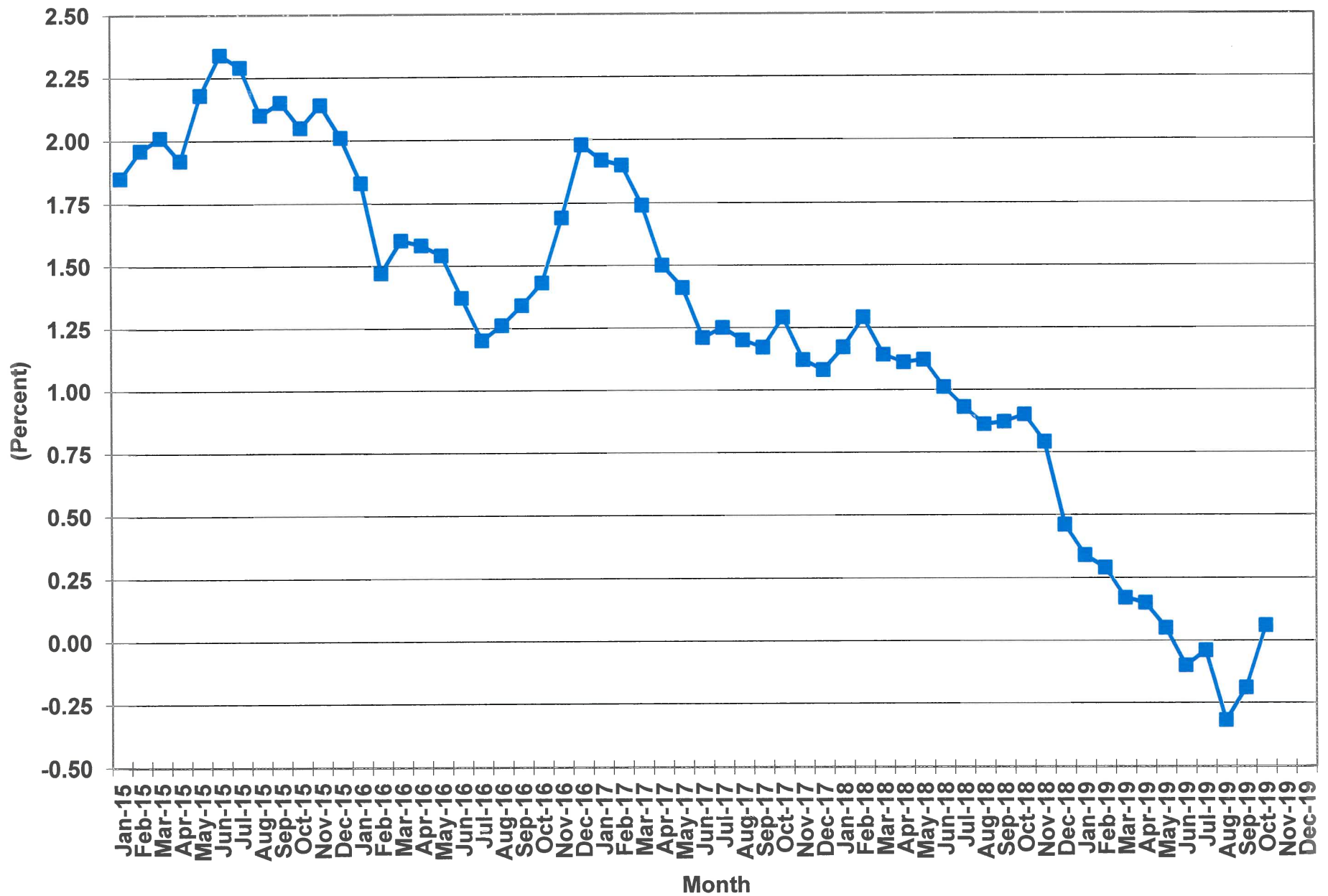


National Association of Purchasing Manager's Index

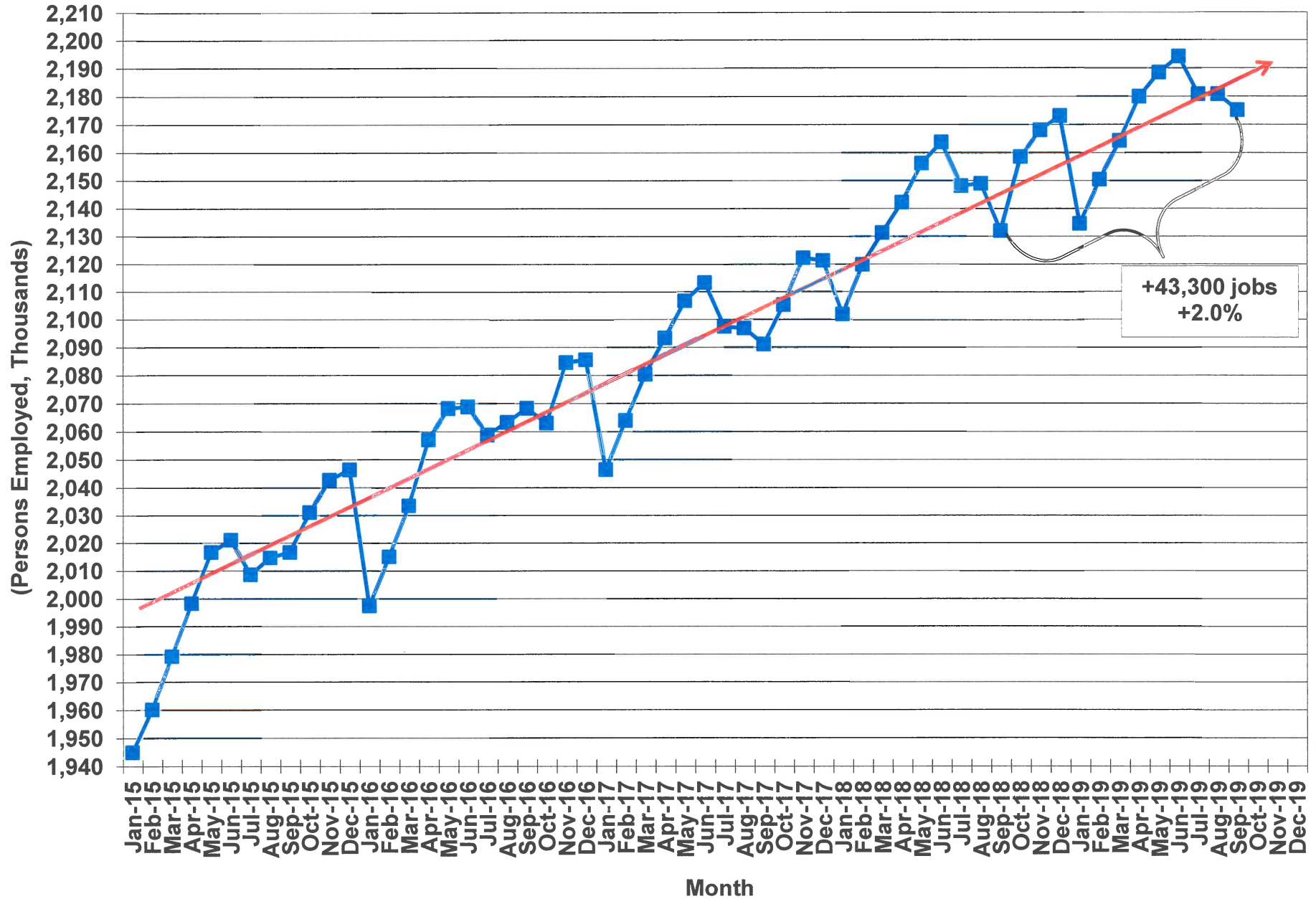


Source: The Institute for Supply Management

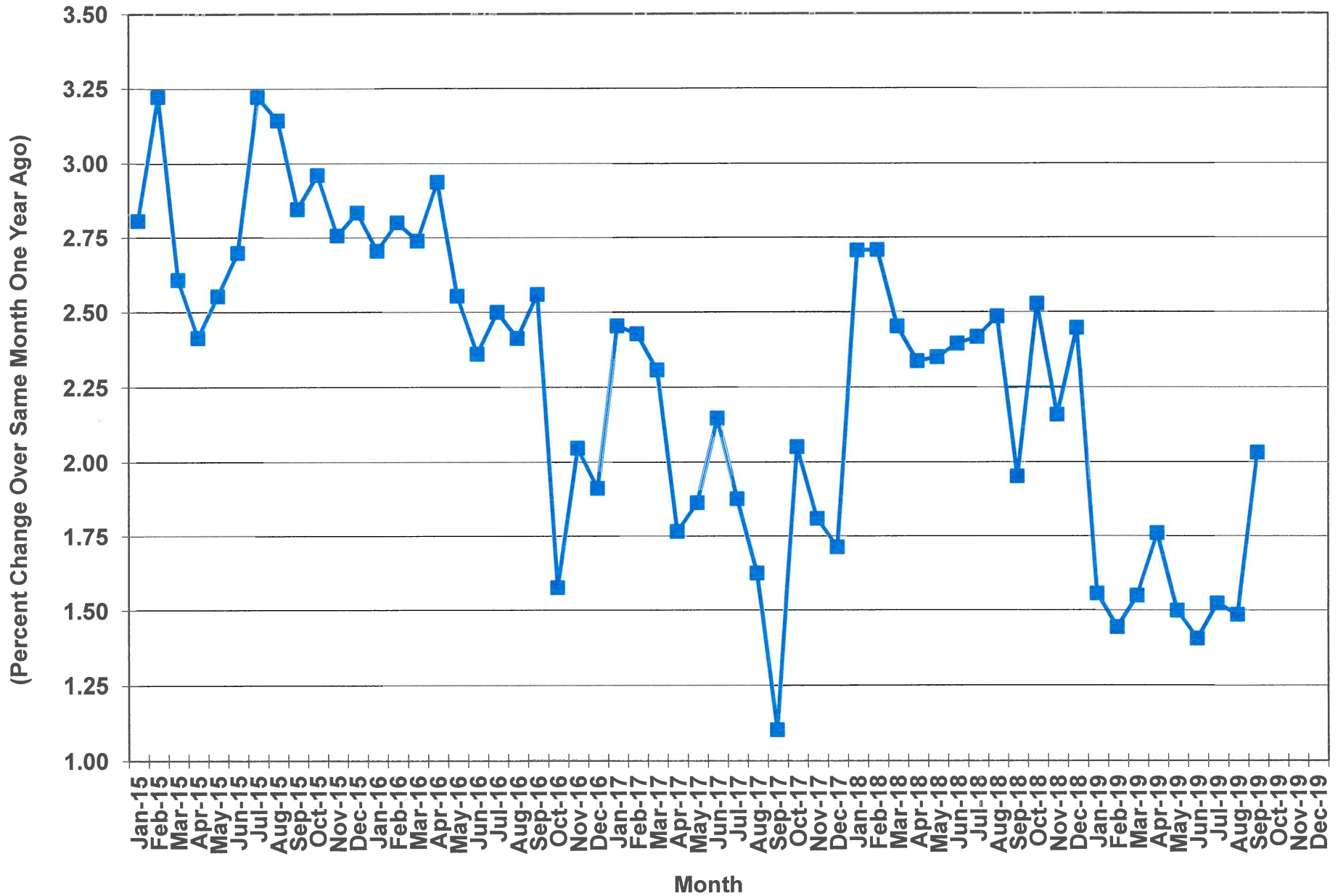
Interest Rate Spread Between 10-Year Bond & 3-Month Bill



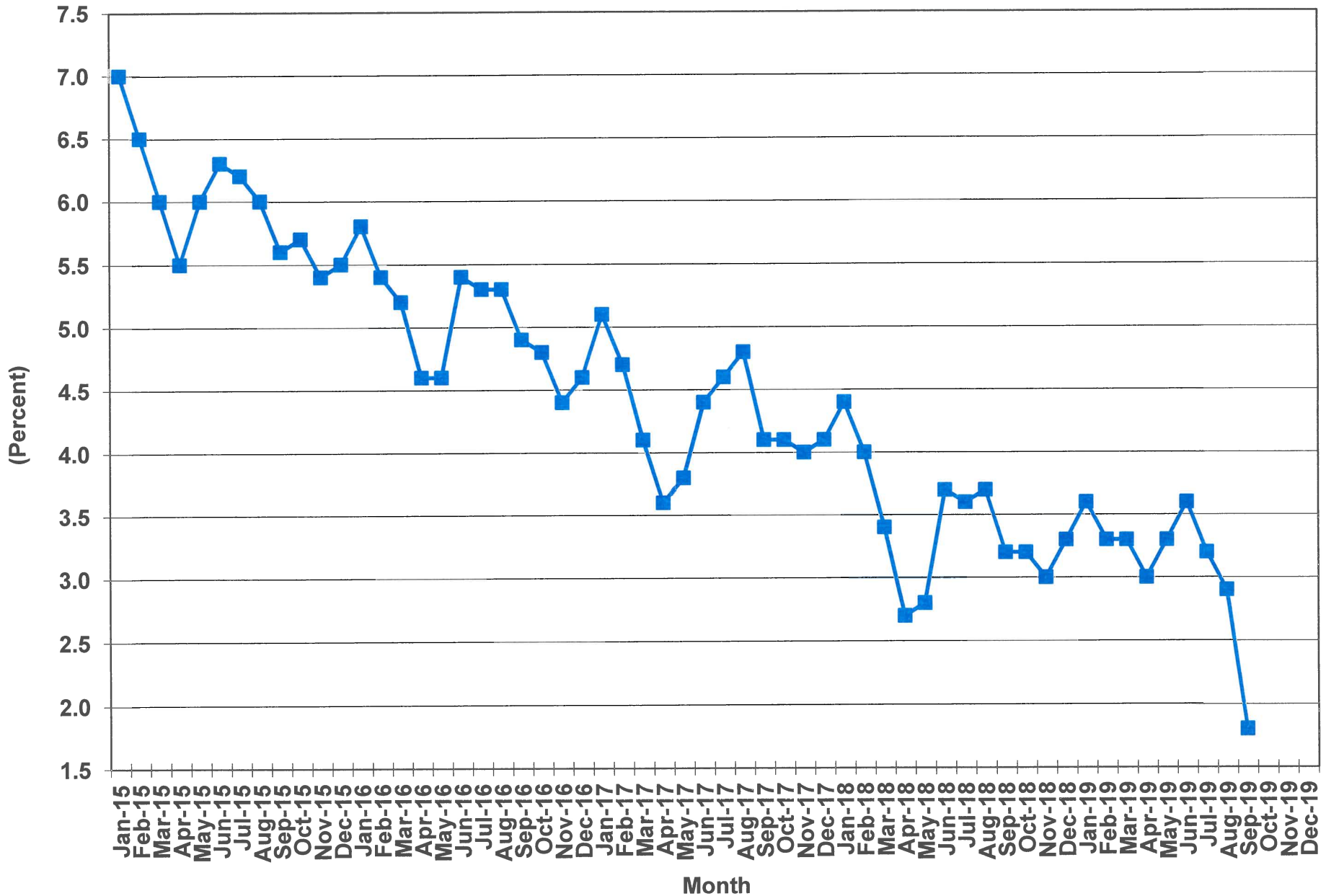
Total Nonfarm Employment in South Carolina



Total Nonfarm Employment Growth in South Carolina



Unemployment Rate in South Carolina





October 2019

Forecast adjustments

- **Removes the one-time lottery withholding payment of \$61.4 million from the FY2018-19 base**
- **Includes an estimate for Wayfair and Marketplace Facilitators (+\$65 million)**
- **All State Treasurer's, Comptroller General's, and Lottery estimates incorporated**
- **Separate legislation passed by General Assembly**

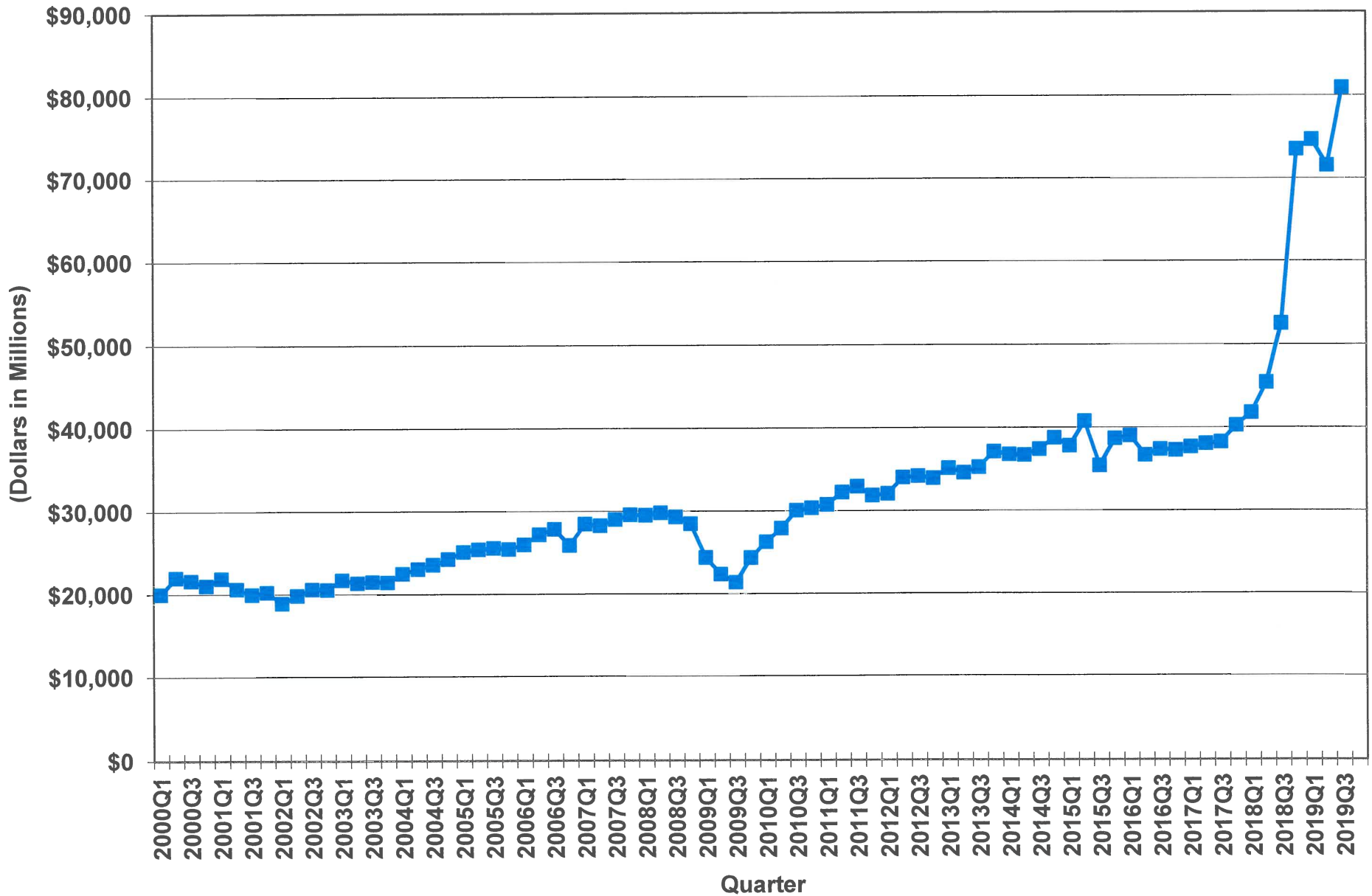


October 2019

Contingencies and Other Items of Concern

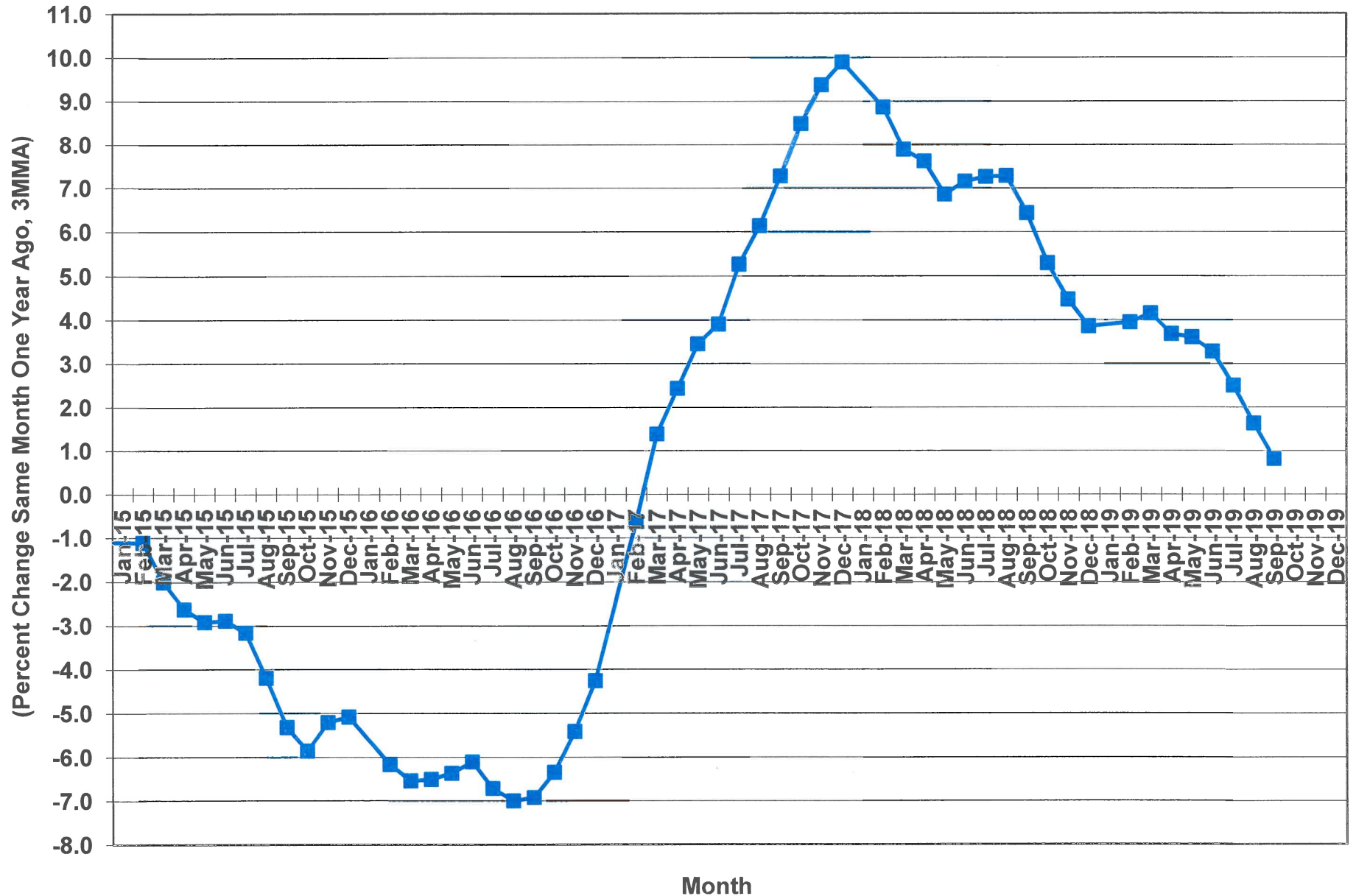
- **Tariffs and trade tensions with China and Europe**
 - Manufacturing slowdown
 - Corporate earnings to slow
- **Trump impeachment inquiry**
- **Brexit**
- **Energy-related supply shock**

Customs Duties / Tariffs Revenue in the United States

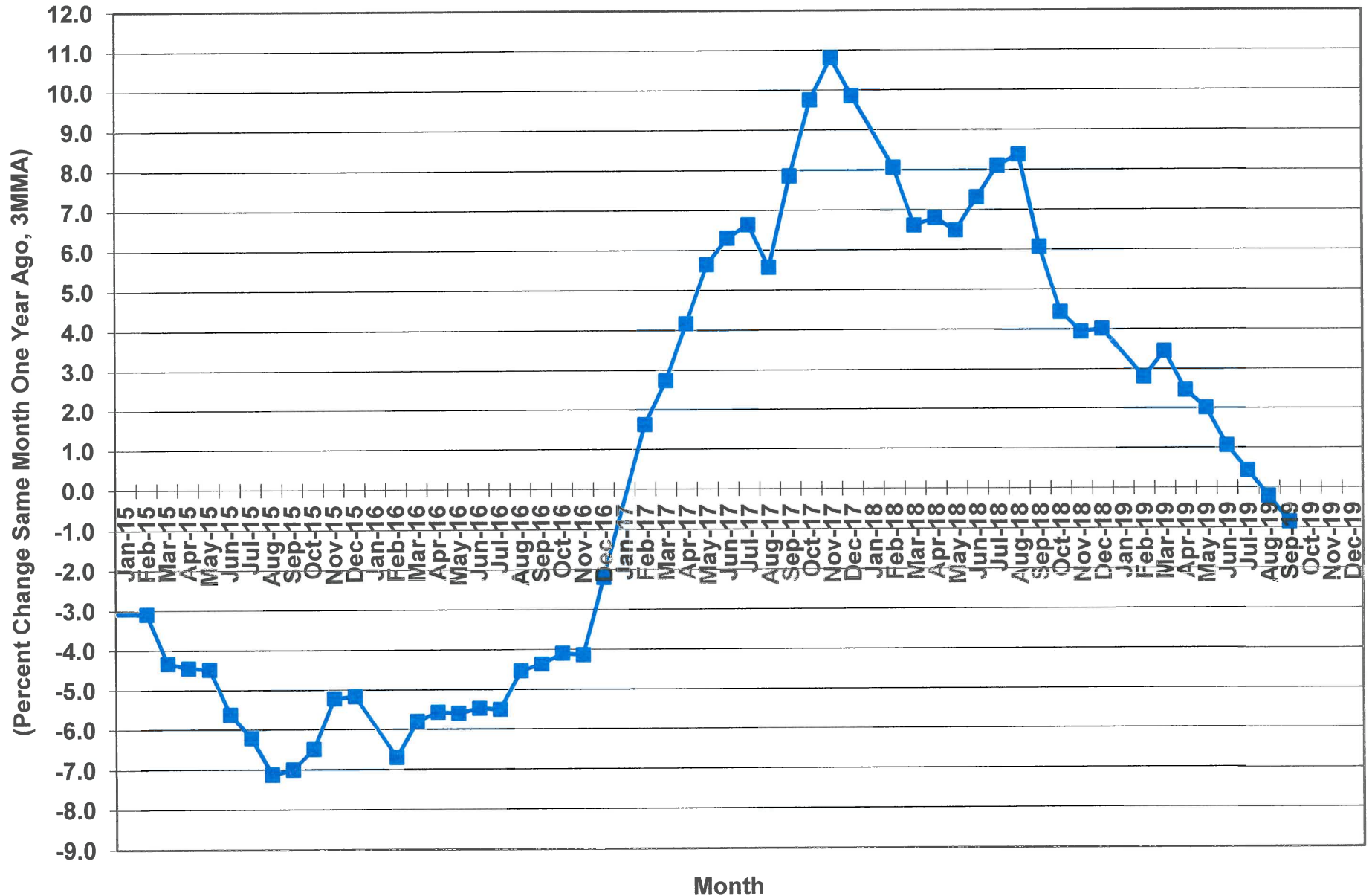


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

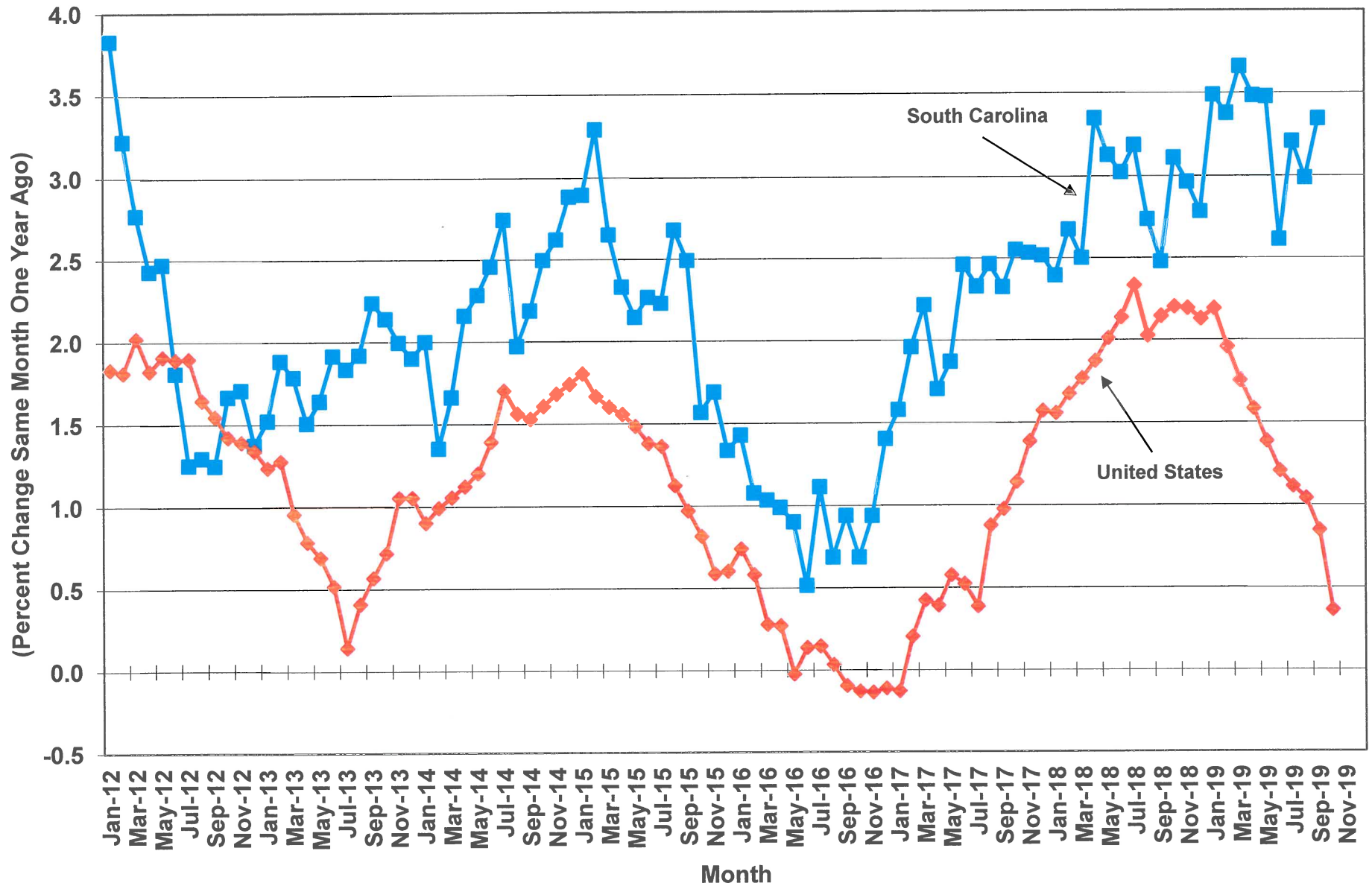
Growth in Total Manufacturer's Shipments of Nondefense Capital Goods Excluding Aircraft in the U.S.



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



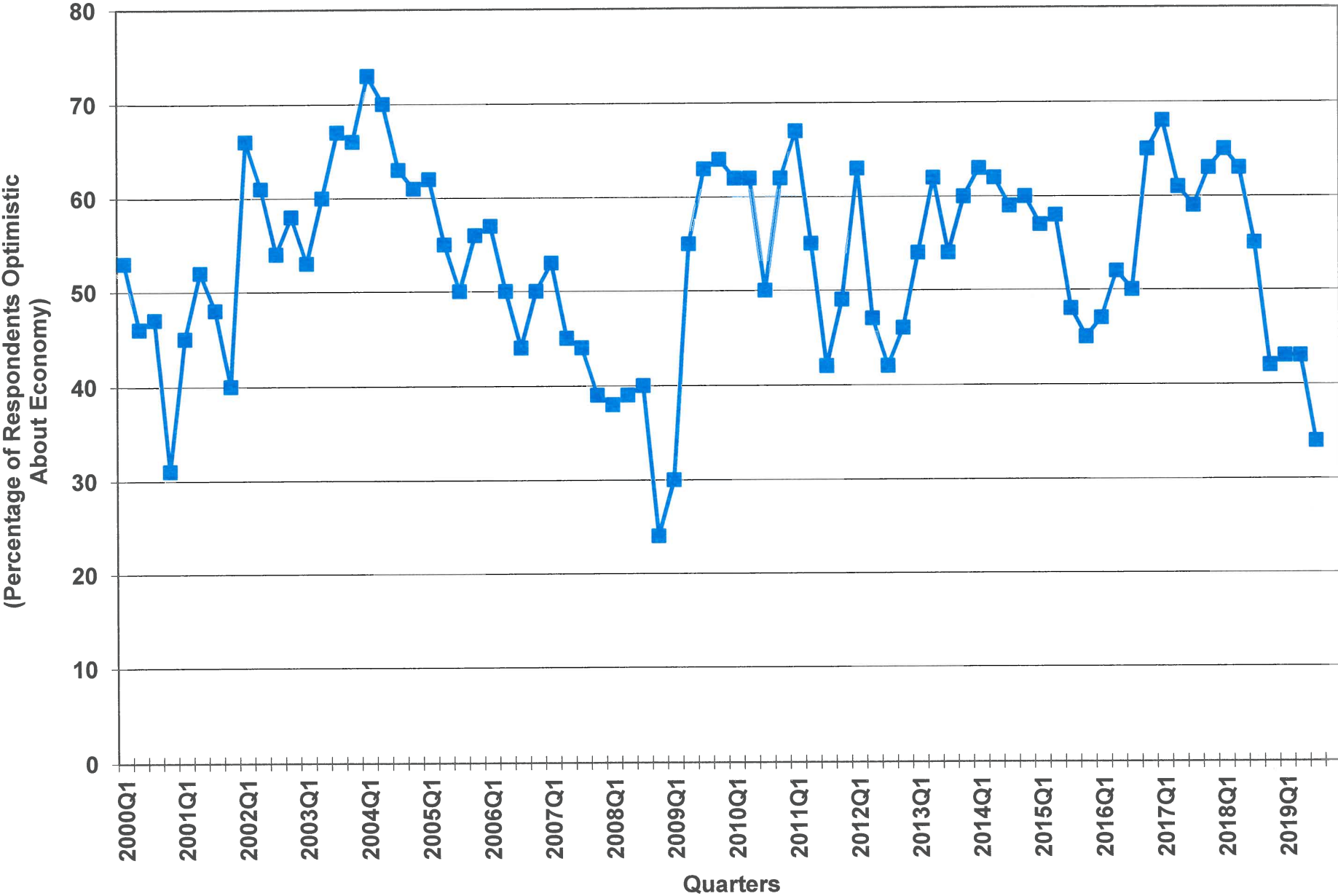
Growth in Manufacturing Employment in SC and US



Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
BEA/RWM/11/01/19

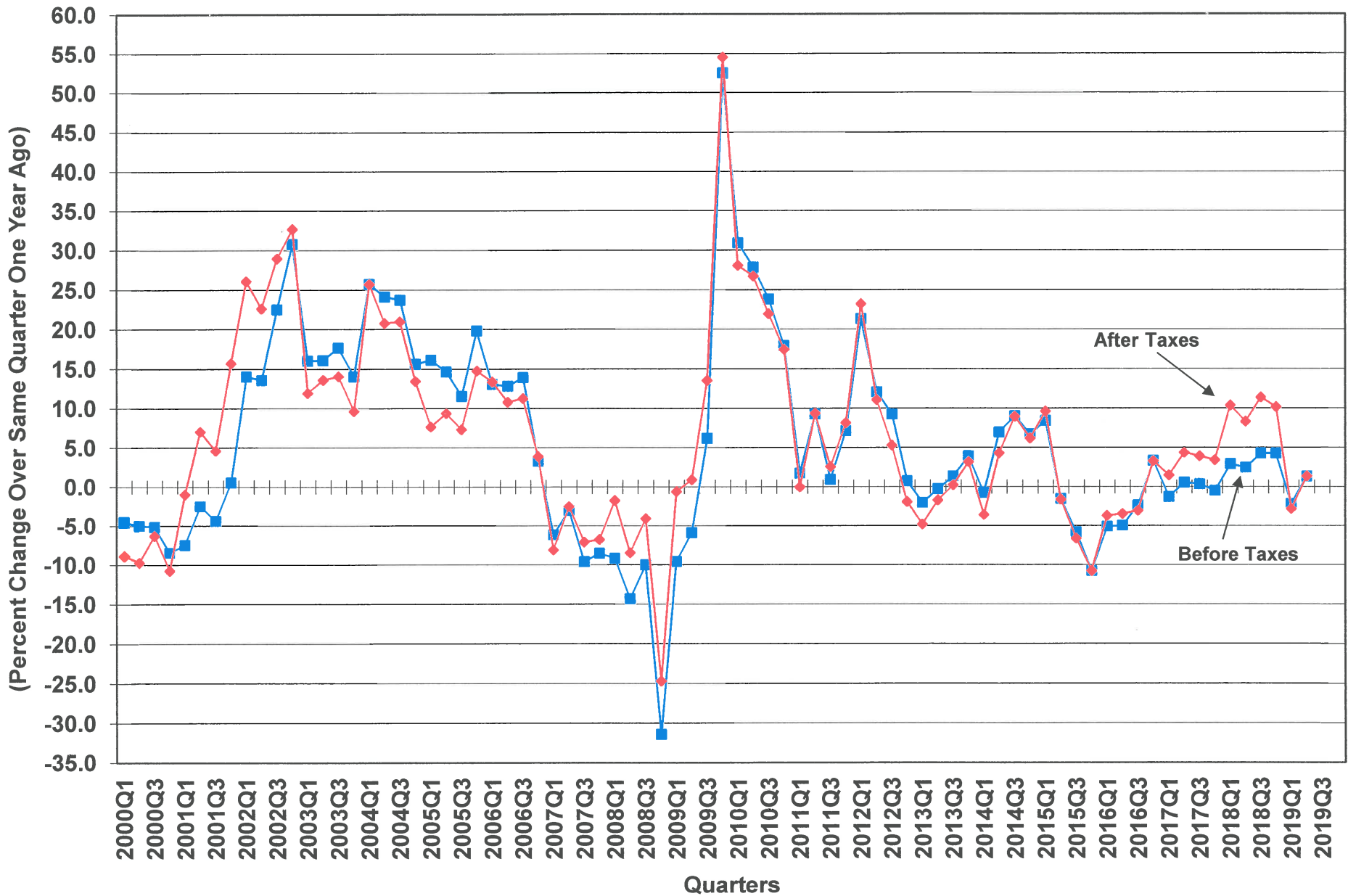
Source: Board of Economic Advisors

Survey of CEO Confidence



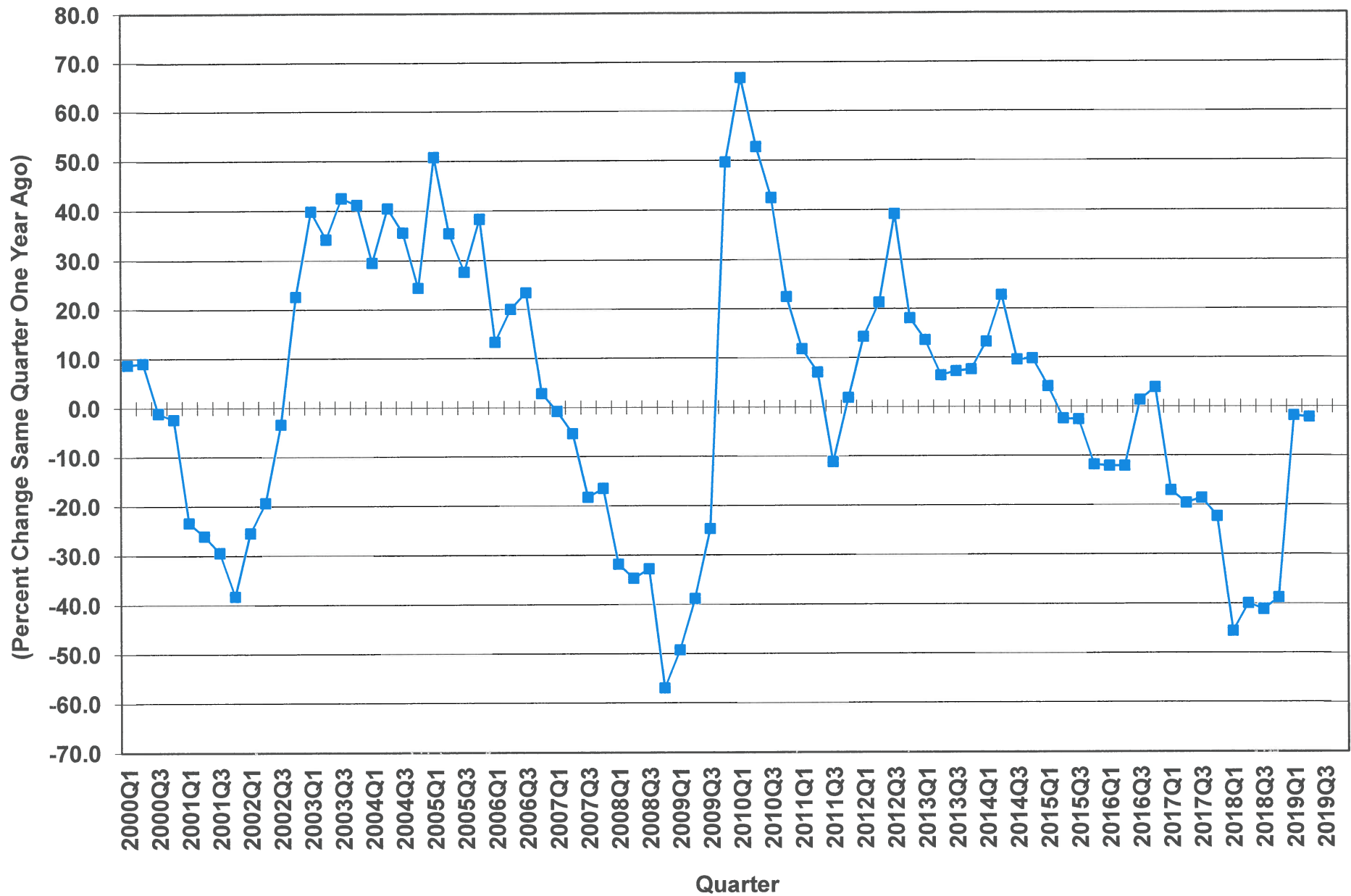
Source: The Conference Board

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.



FORECAST

FY 2019-20

FY 2020-21



Personal Income Growth
FY20 - 5.25%; FY21 - 4.50%

General Fund Revenue Forecast
Fiscal Years 2017-18 to 2020-21
(Dollars)

Revenue Category	Final FY 2017-18	Final FY 2018-19	11/8/2019 Estimate FY 2019-20	11/8/2019 Estimate FY 2020-21	Percent Change FY 2017-18	Percent Change FY 2018-19	Percent Change FY 2019-20	Percent Change FY 2020-21
Sales and Use Tax	\$3,034,415,169	\$3,186,425,454	\$3,418,401,000	\$3,572,229,000	4.8	5.0	7.3	4.5
Individual Income Tax	4,398,423,661	4,714,998,174	4,921,301,000	5,136,732,000	7.1	7.2	4.4	4.4
Corporation Income Tax	375,189,587	494,214,442	474,214,000	444,214,000	17.1	31.7	(4.0)	(6.3)
Insurance Taxes	227,931,949	256,207,957	246,832,000	288,995,000	(4.1)	12.4	(3.7)	17.1
Admissions Tax	30,746,293	32,571,884	33,451,000	34,354,000	1.0	5.9	2.7	2.7
Aircraft Tax	2,500,000	2,500,000	2,500,000	2,500,000	0.0	0.0	0.0	0.0
Alcoholic Liquor Tax	79,285,307	83,877,459	87,820,000	91,948,000	3.3	5.8	4.7	4.7
Bank Tax	47,909,447	68,798,957	75,197,000	82,190,000	(10.2)	43.6	9.3	9.3
Beer and Wine Tax	107,727,311	110,391,069	112,047,000	113,728,000	(1.7)	2.5	1.5	1.5
Bingo Tax	358,256	111,602	112,000	113,000	(47.2)	(68.8)	0.4	0.9
Business Filing Fees	7,038,361	7,424,879	7,830,000	8,200,000	12.1	5.5	5.5	4.7
Circuit/Family Court Fines	7,351,527	6,745,763	6,476,000	6,217,000	(6.8)	(8.2)	(4.0)	(4.0)
Corporation License Tax	110,199,187	112,007,772	115,480,000	119,060,000	61.6	1.6	3.1	3.1
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Indirect Cost Recoveries	16,755,476	15,938,594	15,500,000	15,500,000	14.0	(4.9)	(2.8)	0.0
Motor Vehicle Licenses	11,030,604	12,079,044	12,478,000	12,890,000	(0.2)	9.5	3.3	3.3
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Savings and Loan Assoc. Tax	949,371	1,254,252	1,141,000	1,038,000	(49.5)	32.1	(9.0)	(9.0)
Security Dealer Fees	26,385,770	27,178,783	27,700,000	28,100,000	2.9	3.0	1.9	1.4
Surcharge on Vehicle Rentals	946,113	(295,401)	175,000	175,000	(63.3)	(131.2)	159.2	0.0
Tobacco Tax	27,209,363	28,372,637	28,068,000	28,657,000	3.1	4.3	(1.1)	2.1
Uncashed Checks	2,927,135	1,027,801	1,000,000	1,000,000	(17.1)	(64.9)	(2.7)	0.0
Unclaimed Property Fund	15,000,000	12,600,000	15,000,000	15,000,000	0.0	(16.0)	19.0	0.0
Workers' Comp. Insurance Tax	9,836,976	9,382,100	9,101,000	8,828,000	9.2	(4.6)	(3.0)	(3.0)
Other Source Revenues	12,346,921	12,116,456	11,899,000	11,931,000	12.2	(1.9)	(1.8)	0.3
Gross General Fund Revenue	\$8,706,017,446	\$9,402,126,809	\$9,838,175,000	\$10,229,087,000	6.7	8.0	4.6	4.0

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/RWM/11/08/19



Personal Income Growth
FY20 - 5.25%; FY21 - 4.50%

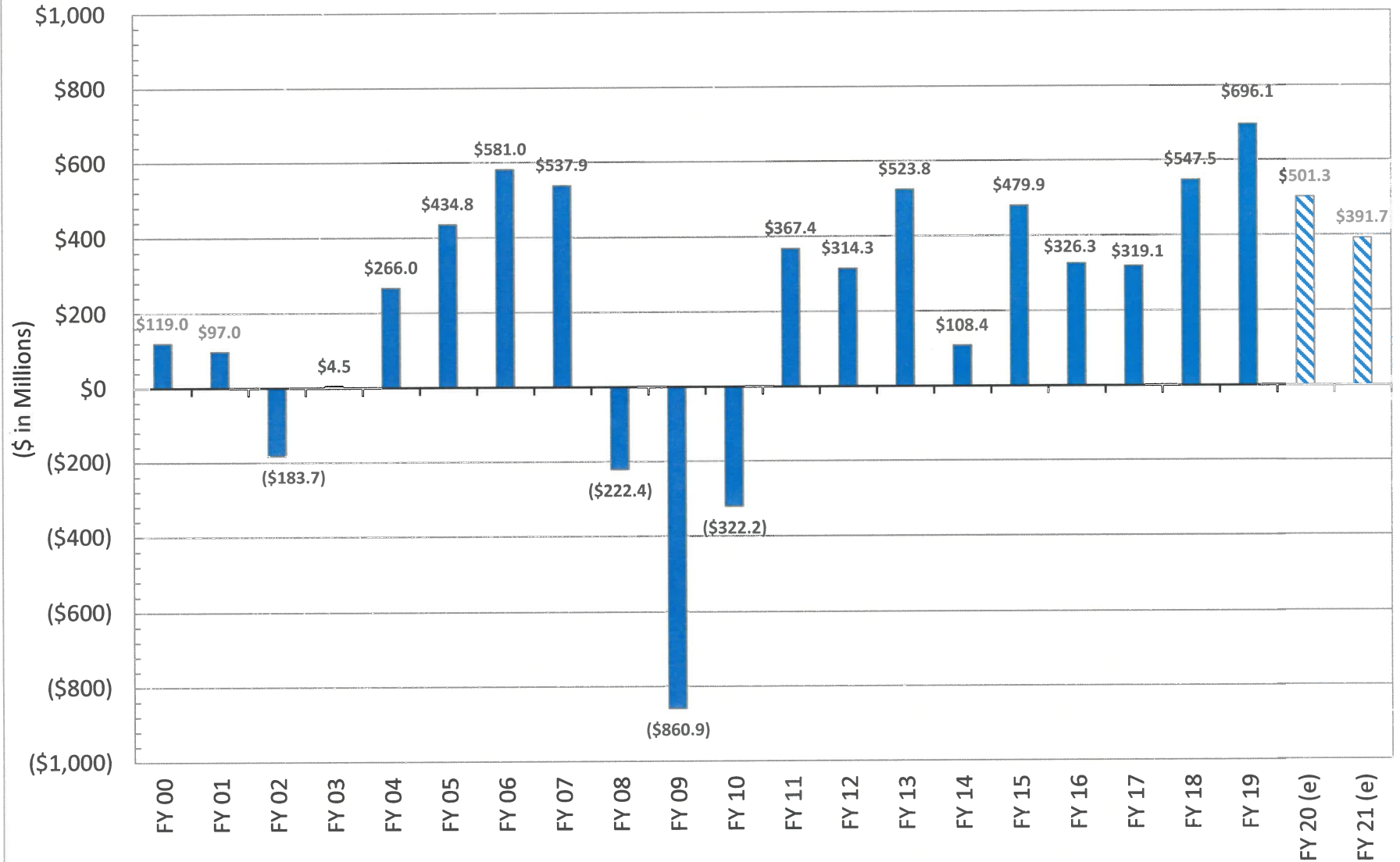
General Fund Revenue Forecast
Fiscal Years 2017-18 to 2020-21
(Dollars)

Revenue Category	Final FY 2017-18	Final FY 2018-19	11/8/2019 Estimate FY 2019-20	11/8/2019 Estimate FY 2020-21	Percent Change FY 2017-18	Percent Change FY 2018-19	Percent Change FY 2019-20	Percent Change FY 2020-21
Gross General Fund Revenue	\$8,706,017,448	\$9,402,126,809	\$9,838,175,000	\$10,229,087,000	6.7	8.0	4.6	4.0
Appropriation Act Revenue	8,534,363,000	8,836,042,000	9,330,662,000	10,229,087,000	4.6	3.5	5.6	9.6
Less: Tax Relief Trust Fund	(582,033,401)	(599,876,083)	(614,052,999)	(629,405,136)	(1.2)	(3.1)	(2.4)	(2.5)
Plus: Tax Relief Trust Fund Carryforward	0	0	0	0				
Appropriation Act Excluding Trust Fund	7,952,329,599	8,236,165,917	8,716,609,001	9,599,681,864	4.9	3.6	5.8	10.1
Capital Reserve Fund (2%) - Beg. Bal.	145,420,836	151,649,393	162,485,305	176,095,044	4.5	4.3	7.1	8.4
General Reserve Fund (5%) - Beg. Bal.	363,552,089	379,123,483	406,213,261	440,237,611	4.5	4.3	7.1	8.4
Total Reserve Funds	508,972,925	530,772,876	568,698,566	616,332,655	4.5	4.3	7.1	8.4
Revenue Excess/Shortage From Act	171,654,446	566,084,809	507,528,000	0				
Education Improvement Act (EIA)	792,172,686	840,103,875	892,482,200	930,273,000	3.7	6.1	6.2	4.2
EIA Fund	790,719,514	837,529,968	890,482,200	928,773,000	3.7	5.9	6.3	4.3
EIA Interest	1,453,172	2,573,907	2,000,000	1,500,000	(2.6)	77.1	(22.3)	(25.0)
S.C. Education Lottery Fund (Net)	436,528,584	490,656,044	470,300,000	469,800,000	8.6	12.4	(4.1)	(0.1)
Homestead Exemption Fund								
Total Revenue Available	717,410,352	756,112,890	806,281,000	840,237,000	4.7	5.4	6.6	4.2
Less: Homestead Exemption Fund Shortfall	(32,557,000)	(17,322,000)	7,525,000	17,107,000	32.2	46.8	143.4	127.3

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/RWM/11/08/19

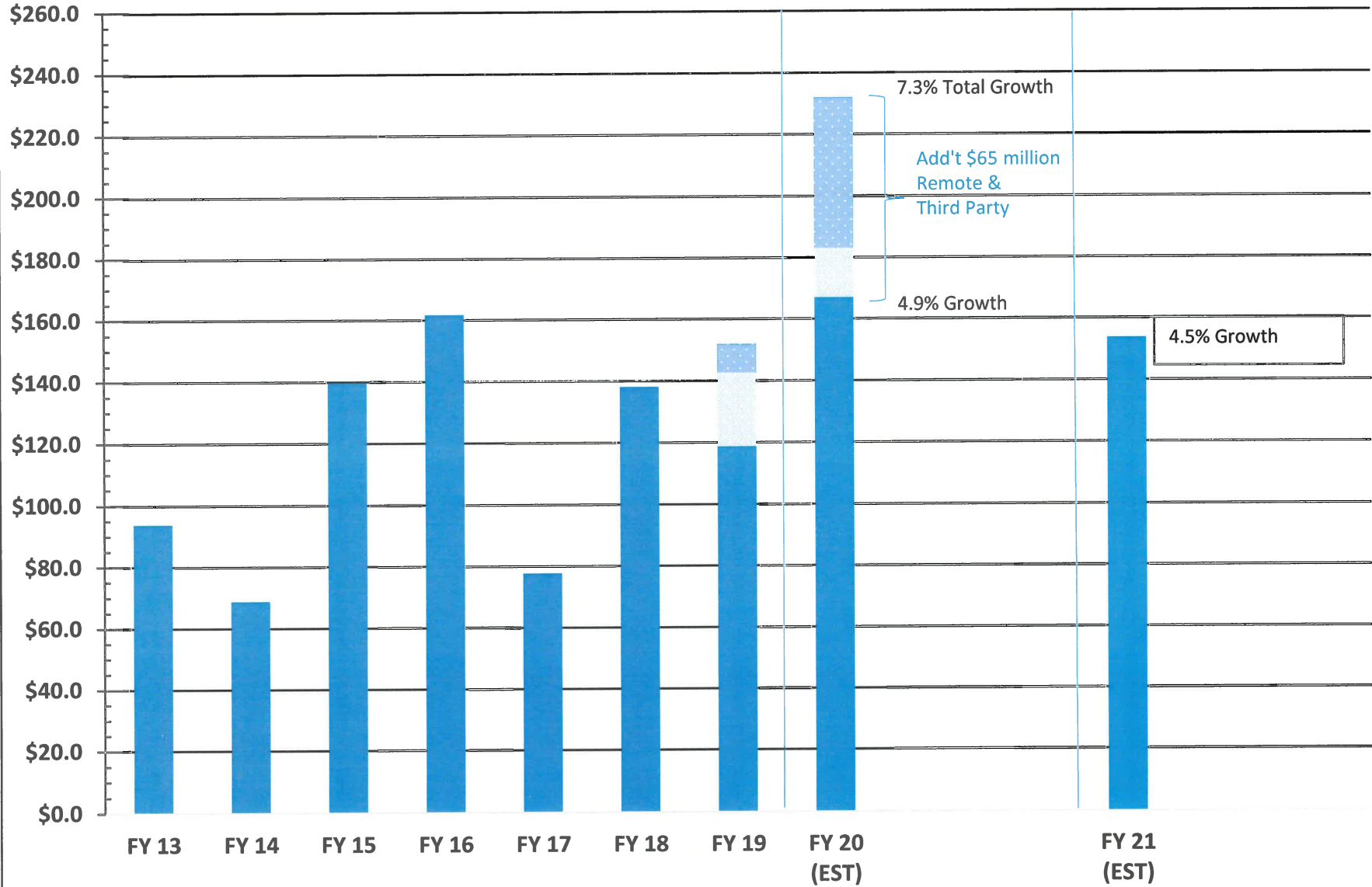
ANNUAL GROWTH IN GENERAL FUND REVENUE



Source: Revenue and Fiscal Affairs - 169A/LHI/08/19/19

ANNUAL GROWTH - SALES TAX

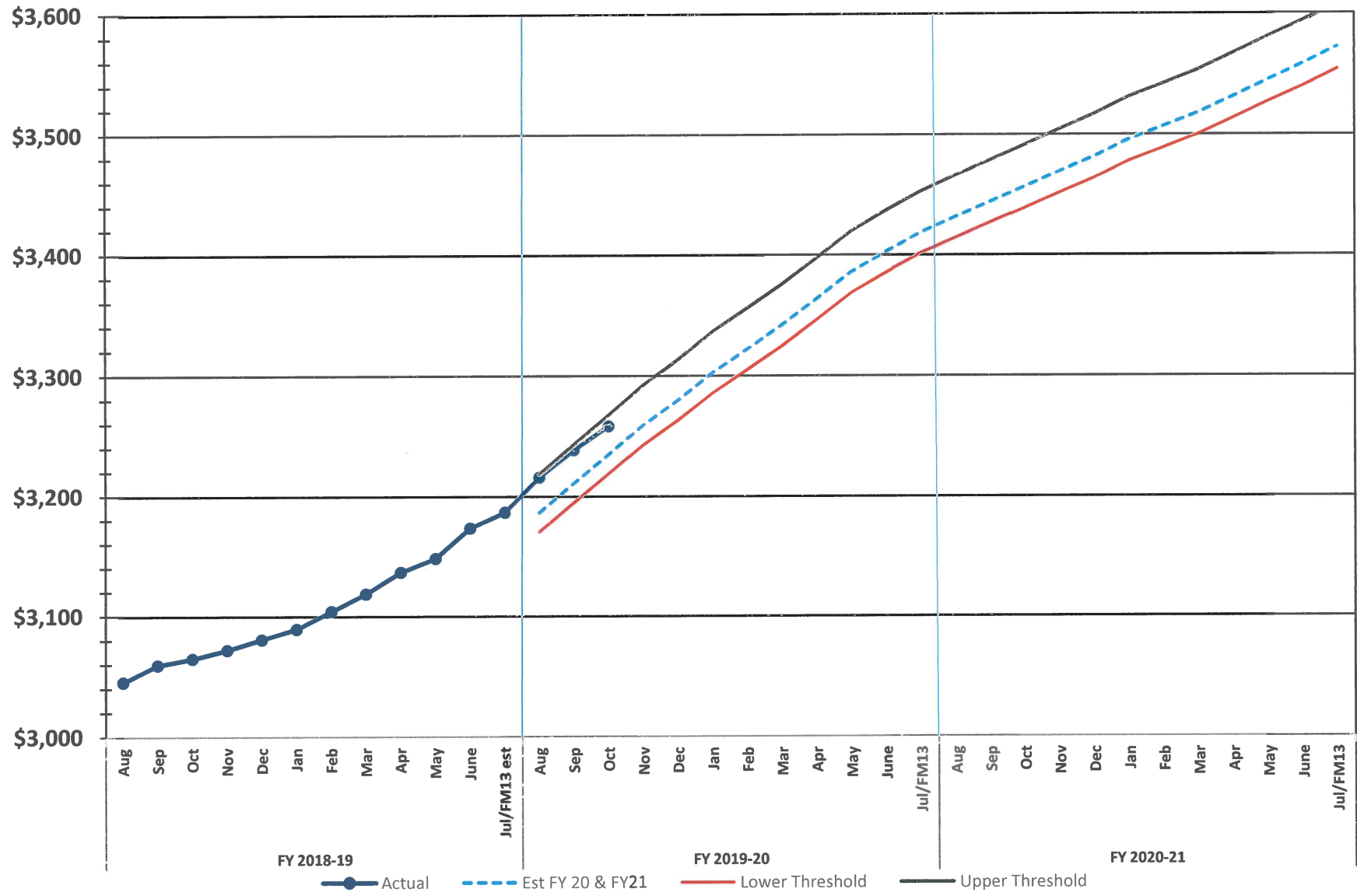
Actuals, Estimates, and Other



Source: Revenue and Fiscal Affairs/FAR/11-6-19

ROLLING FISCAL YEAR - SALES & USE TAX

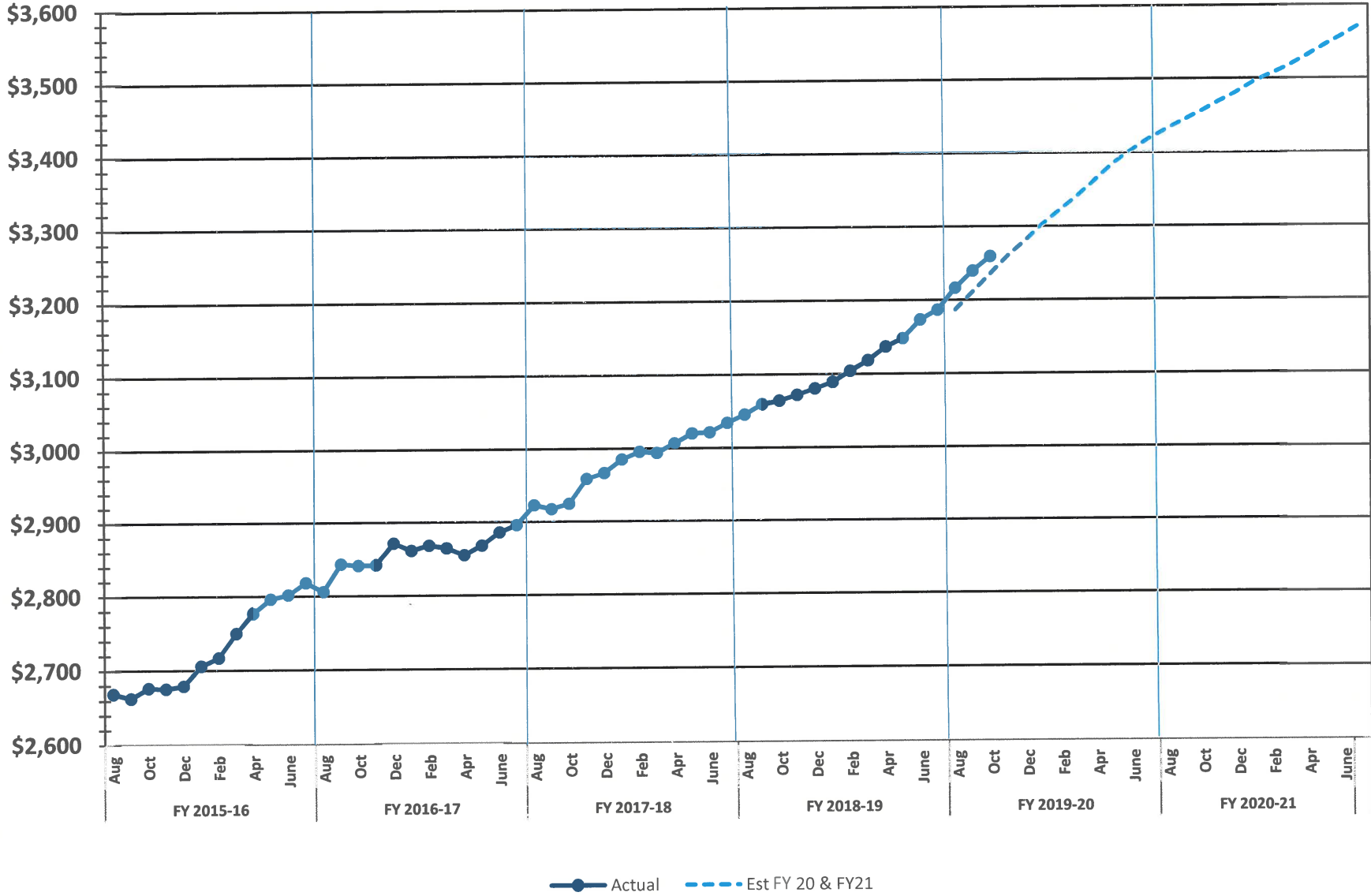
Actuals, Estimates, and Thresholds FY 2018-19 to FY 2020-21



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

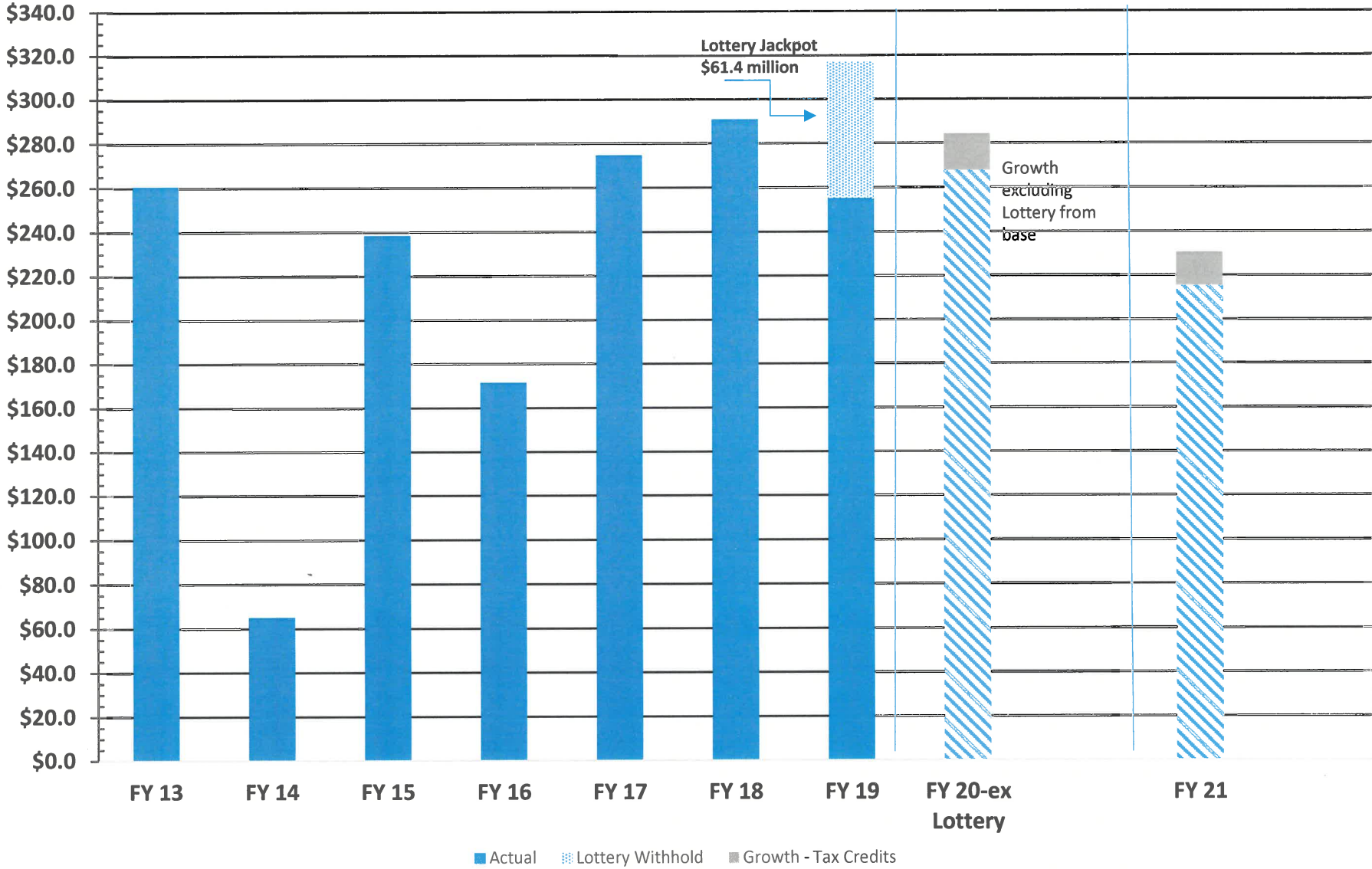
TOTAL SALES & USE TAX

Rolling Fiscal Year Totals FY 2015-16 to FY 2020-21



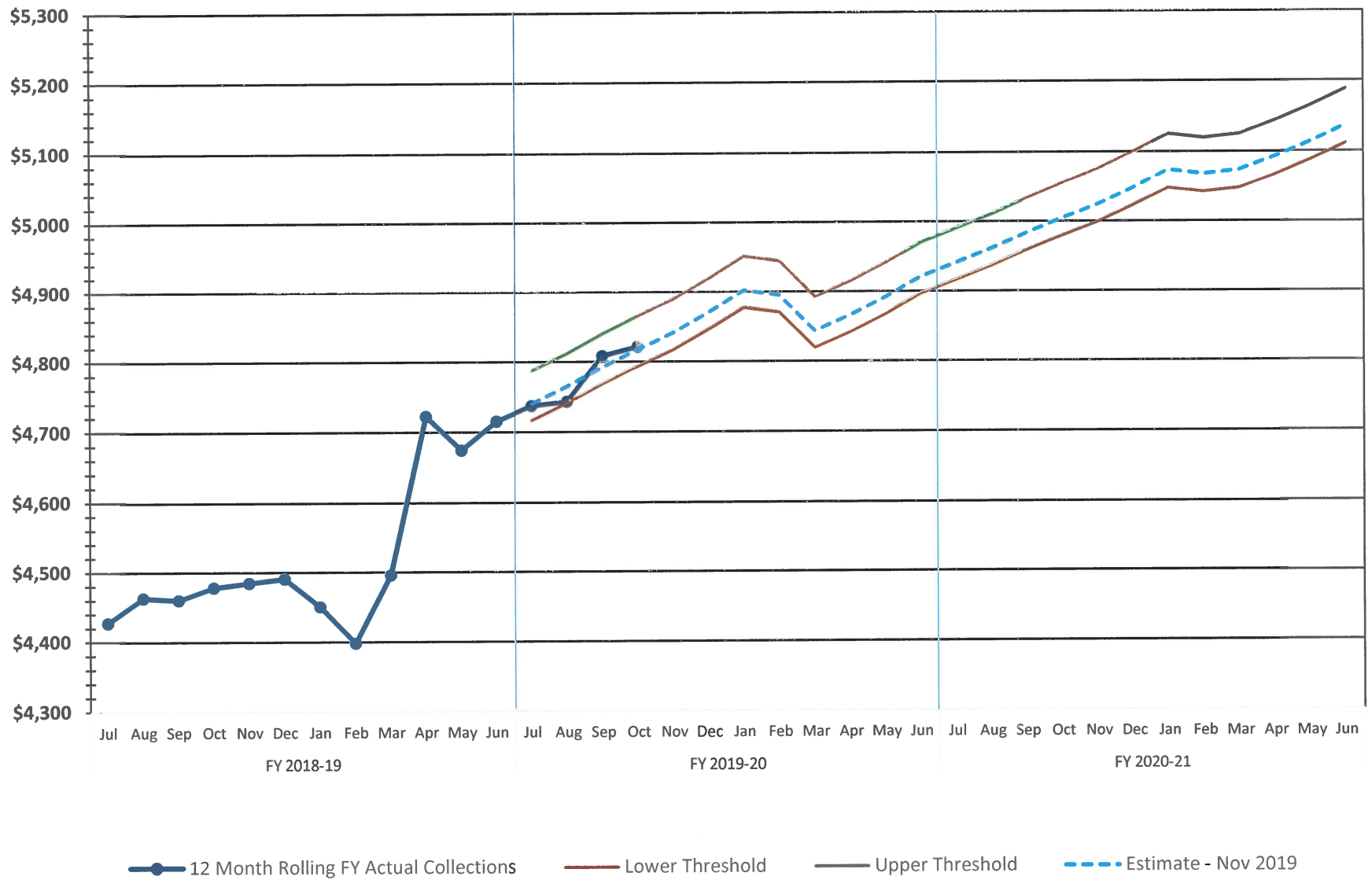
INDIVIDUAL INCOME TAX GROWTH

Actual, Estimates, and Other



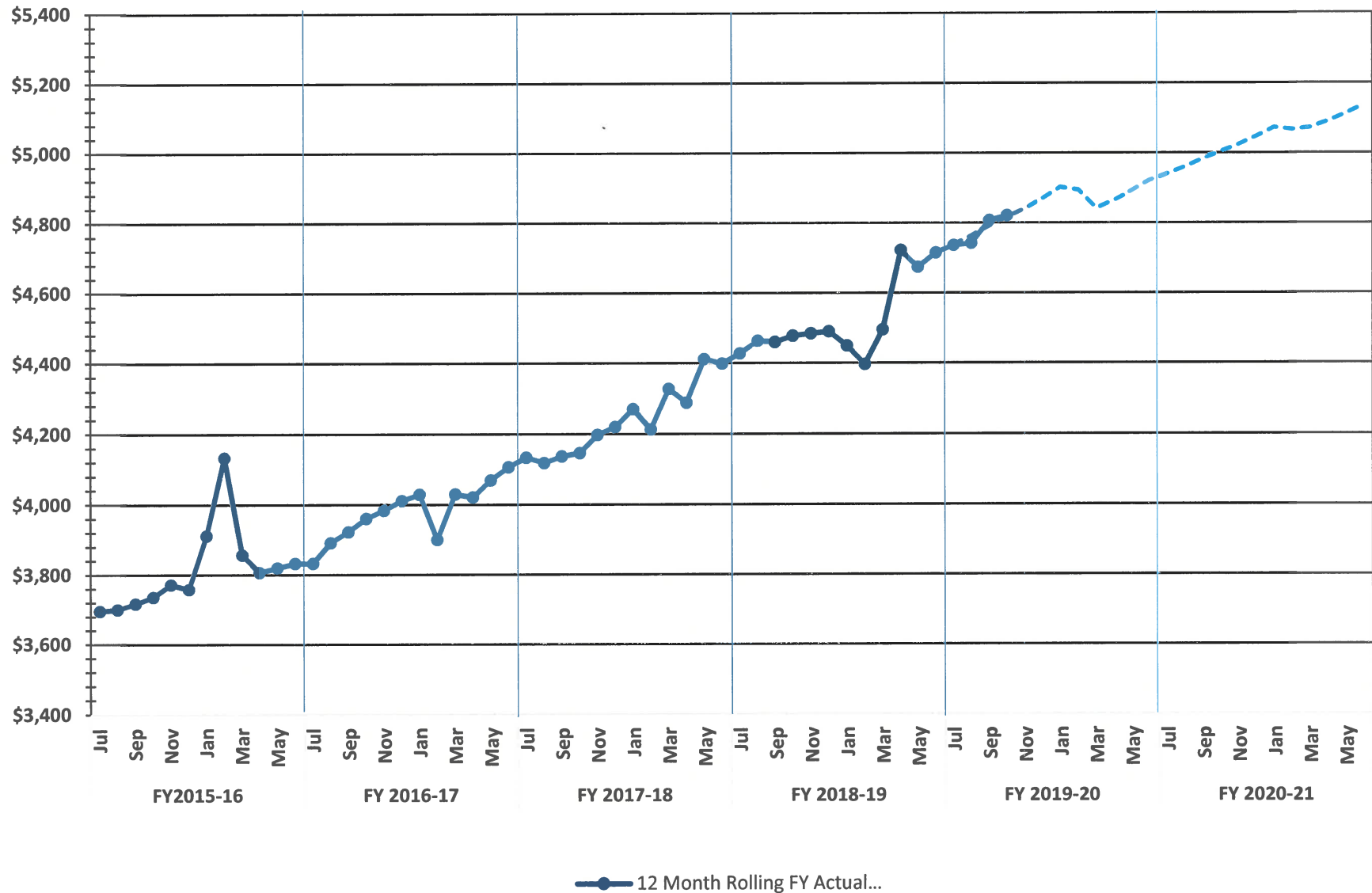
Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

ROLLING FISCAL YEAR - INDIVIDUAL INCOME TAX Actual, Estimates, and Thresholds

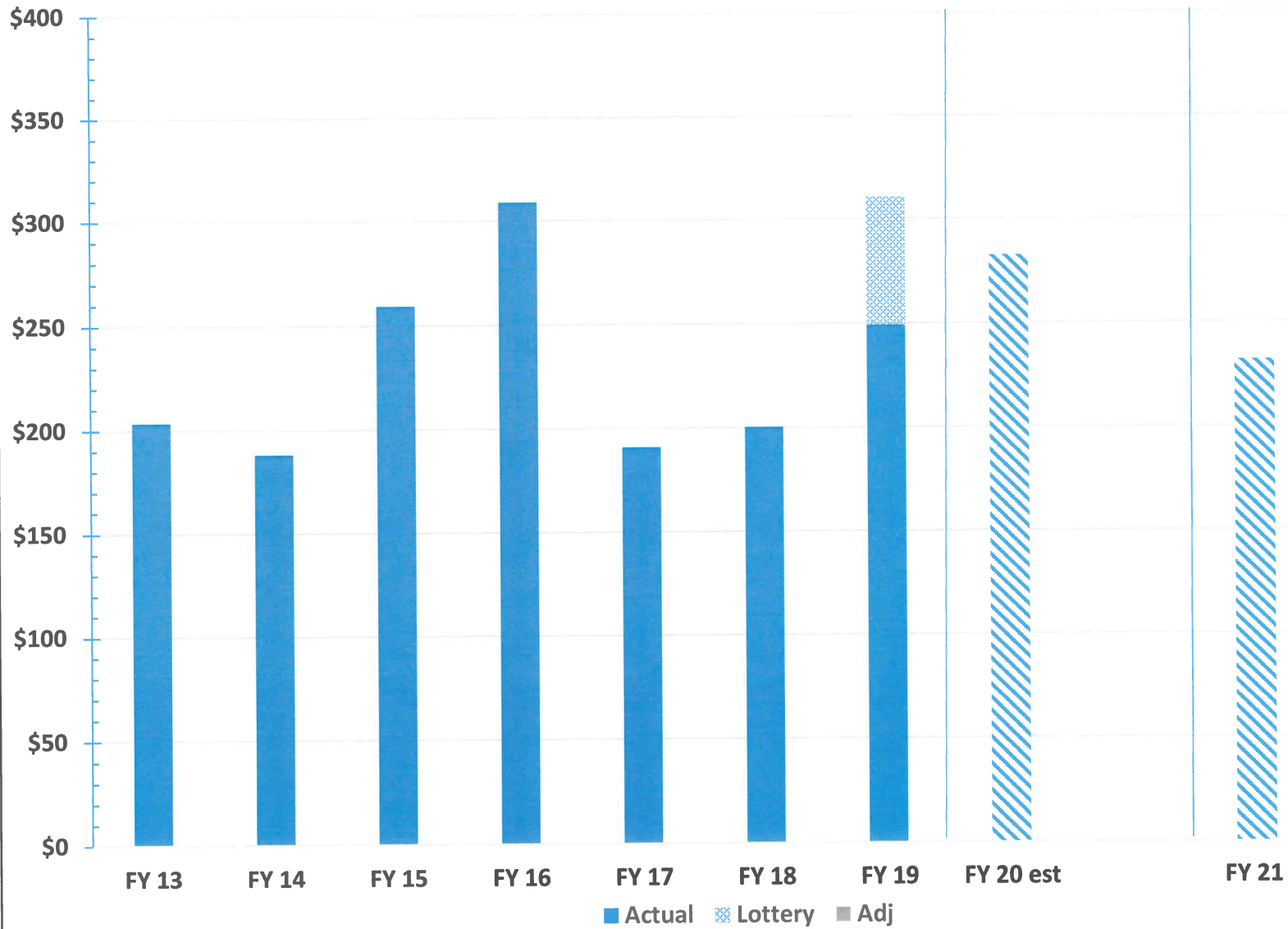


Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

ROLLING FISCAL YEAR - INDIVIDUAL INCOME TAX Actuals and Estimates, FY 2015-16 to FY 2020-21



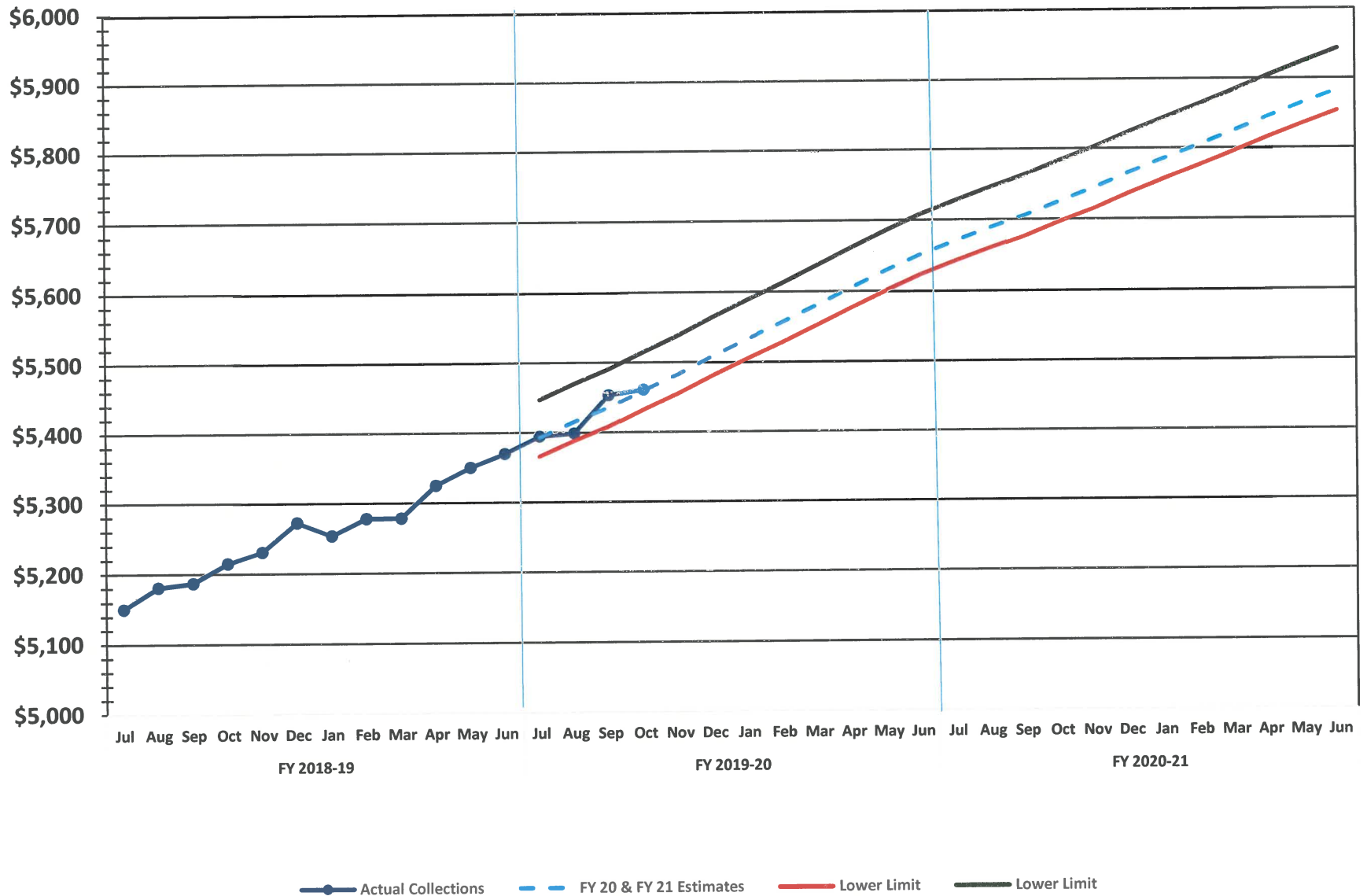
INDIVIDUAL WITHHOLDING TAX GROWTH Actual, Estimates, and Other



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS TAX

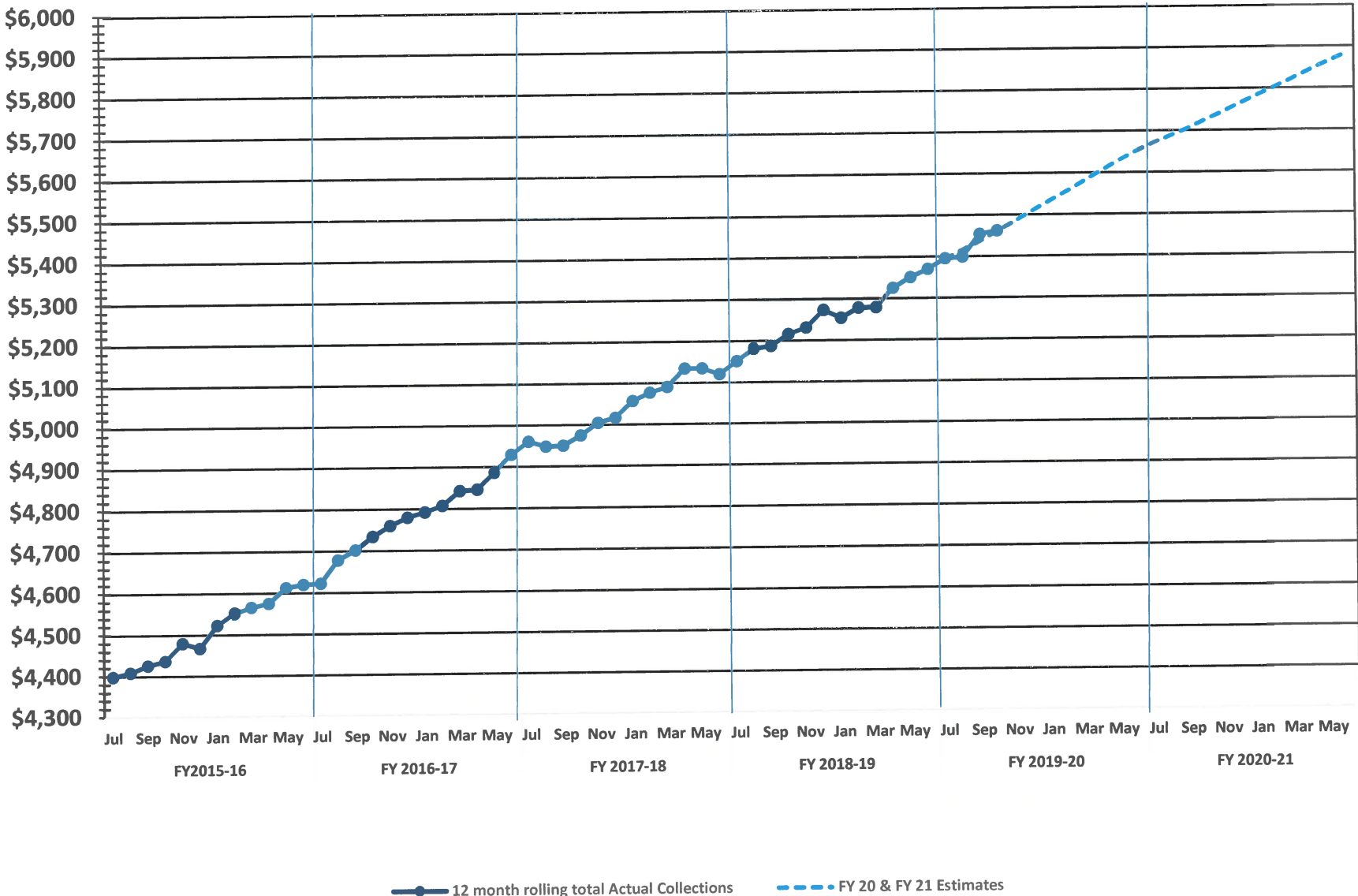
Actuals, Estimates, and Limits - FY 2018-19 to FY 2020-21 (Ex. Lottery)



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

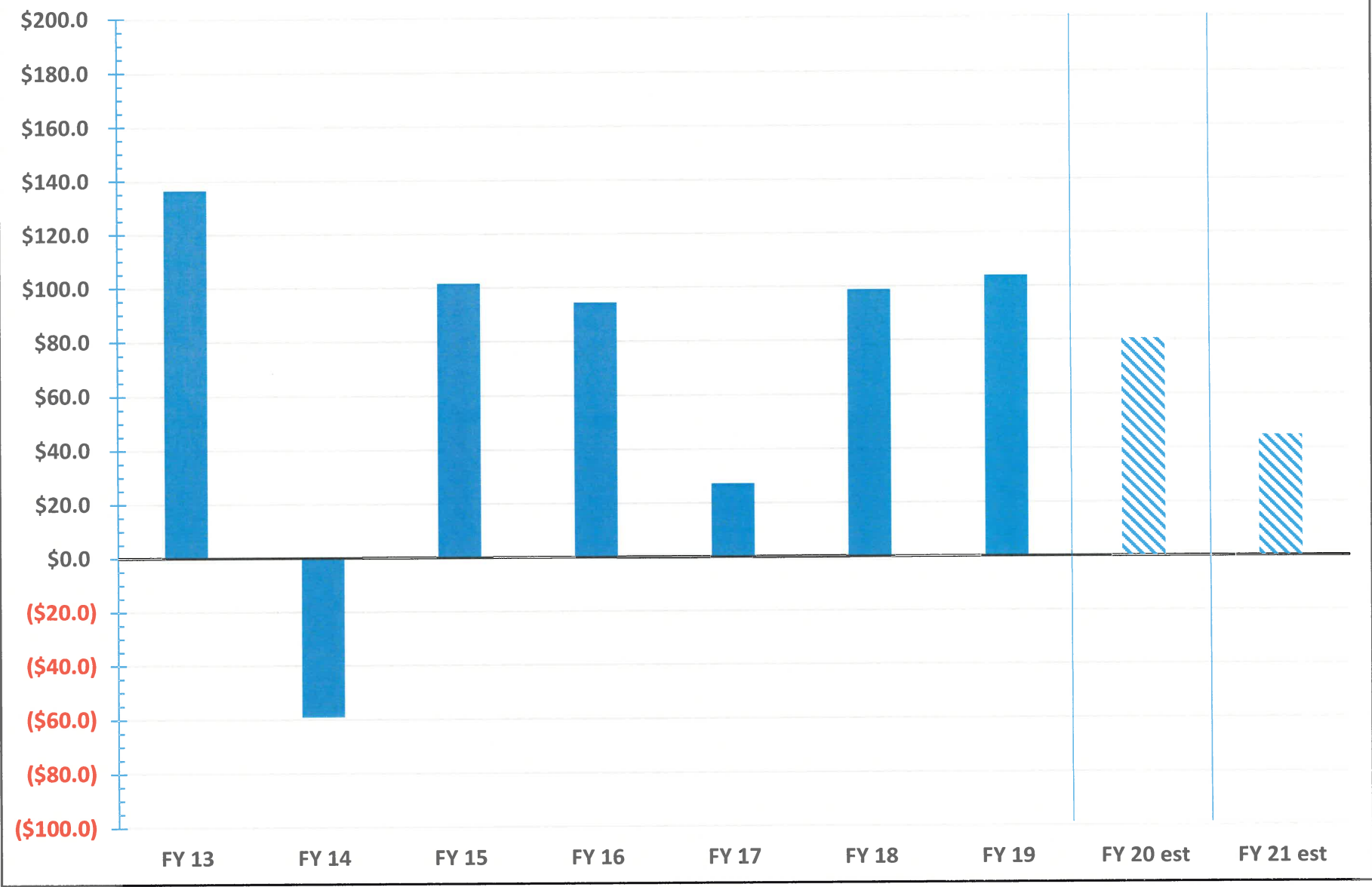
INDIVIDUAL INCOME - WITHHOLDINGS TAX

Rolling Fiscal Year Totals - FY 2015-16 to FY 2020-21 (Ex. Lottery)



INDIVIDUAL INCOME - NONWITHHOLDING TAXES GROWTH

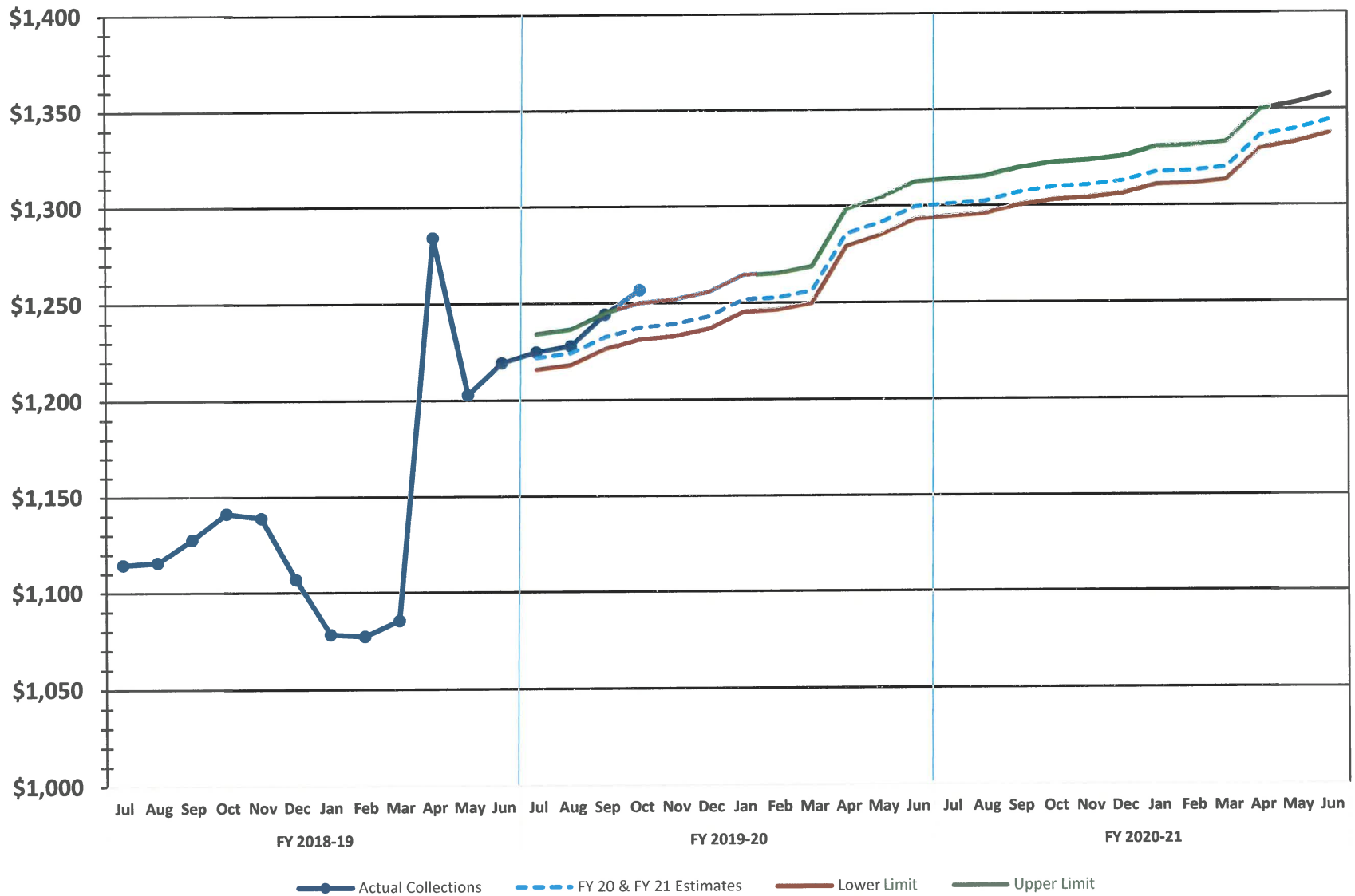
Actuals, Estimates, and Other



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NONWITHHOLDING TAXES

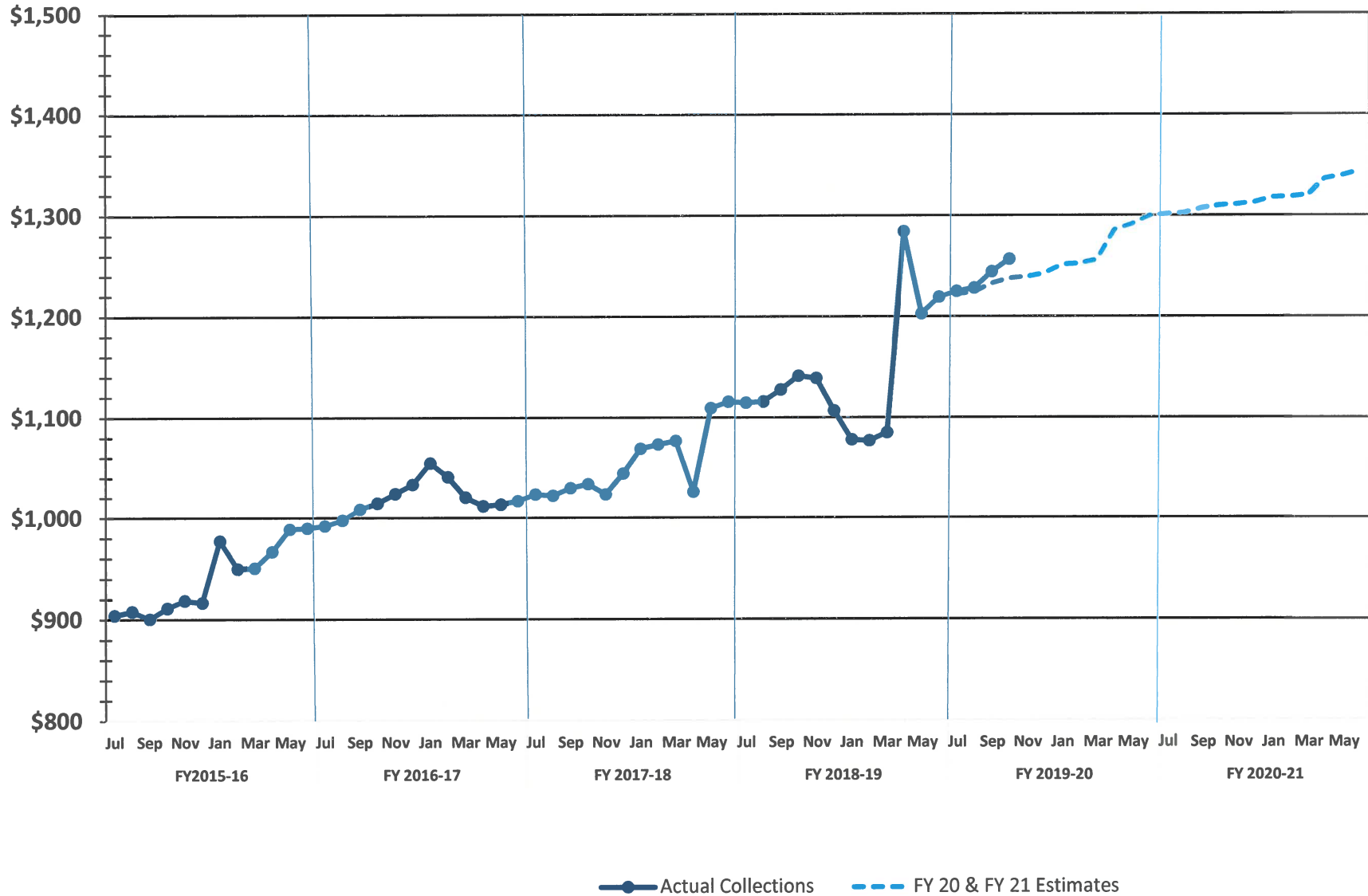
Actuals, Estimates, and Limits - FY 2018-19 to FY 2020-21



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

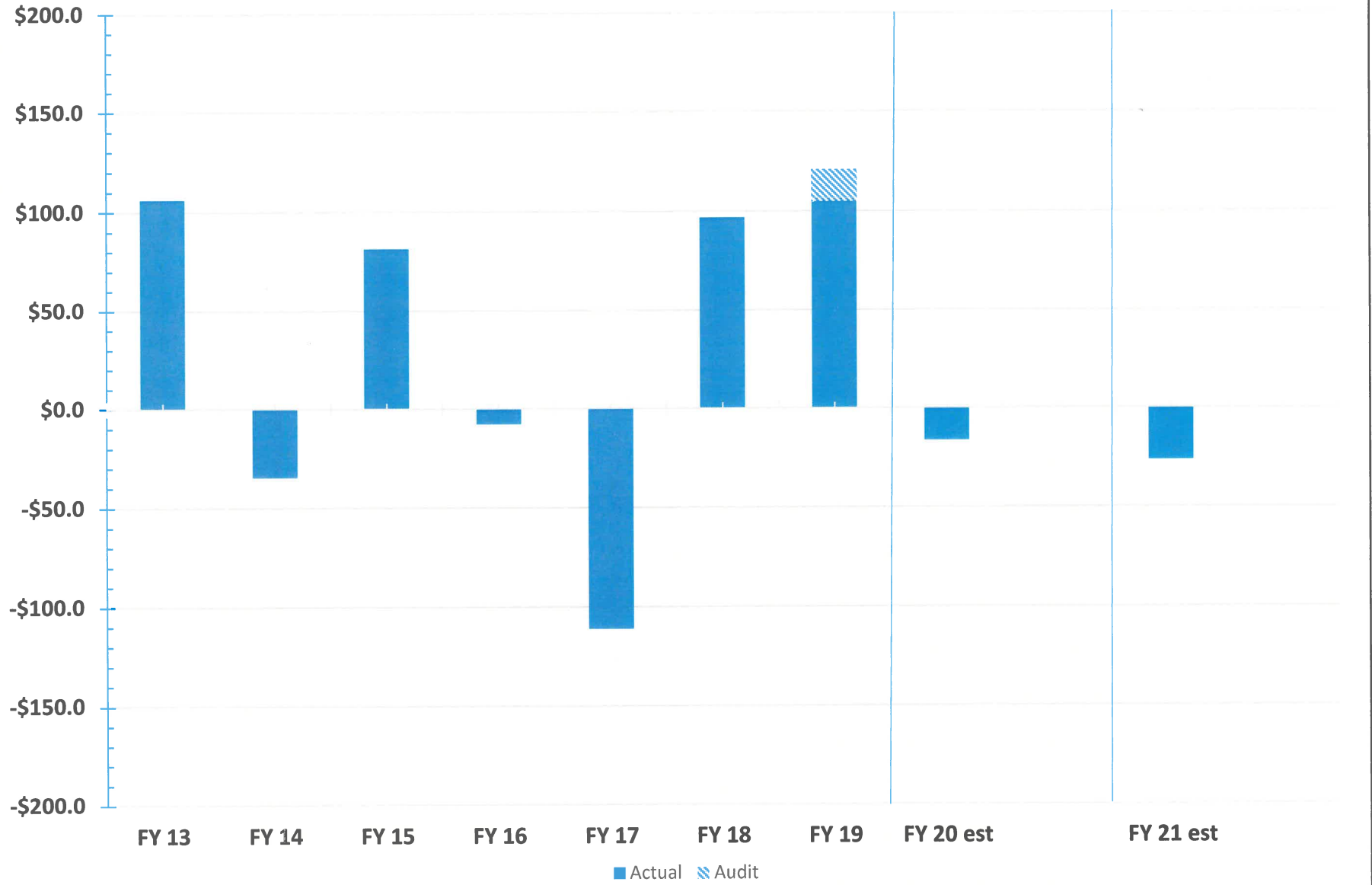
INDIVIDUAL INCOME - NONWITHHOLDING TAXES

Rolling Fiscal Year Totals - FY 2015-16 to FY 2020-21



ANNUAL GROWTH - CORPORATE INCOME AND LICENSE TAXES

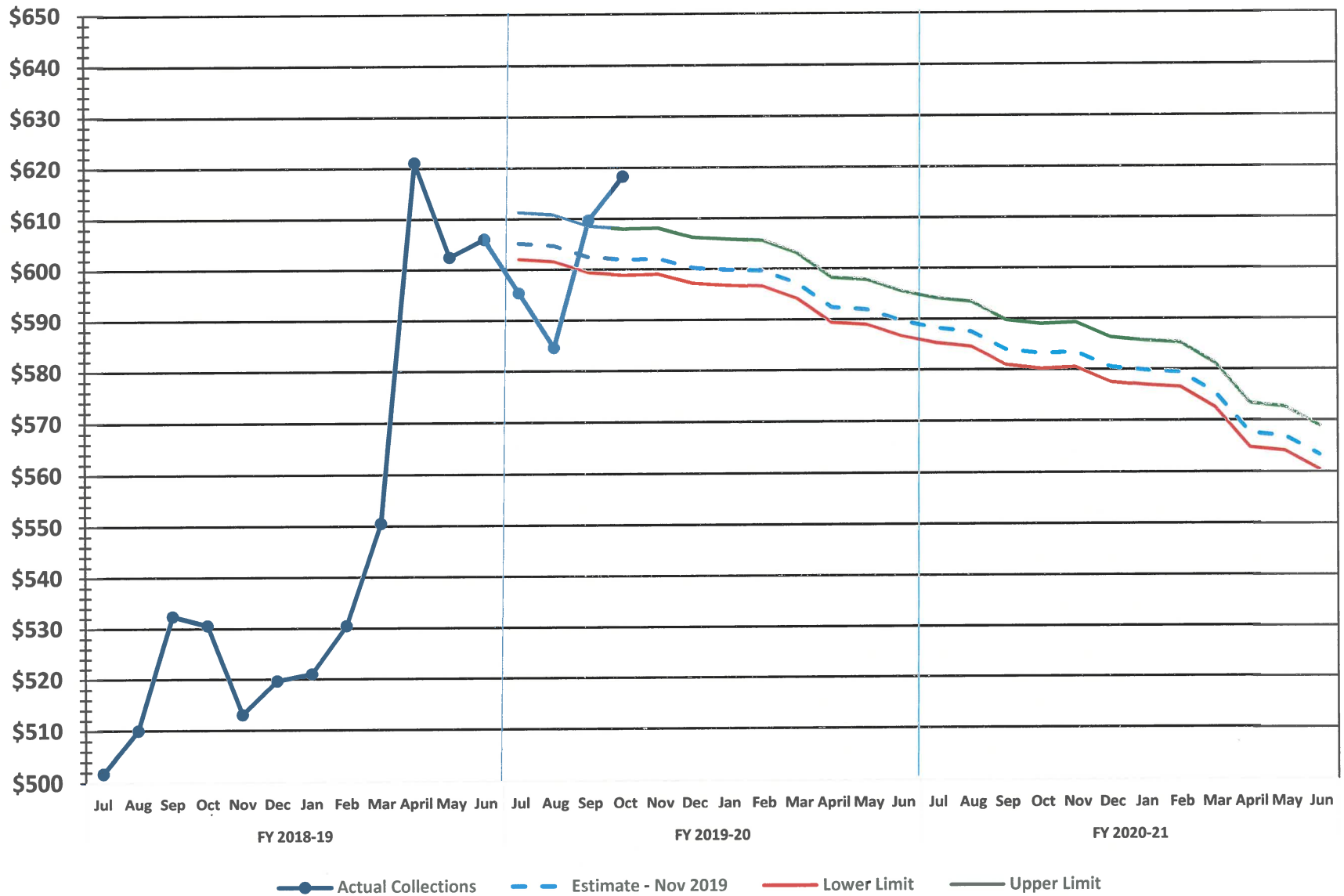
Actuals, Estimates, and Other



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

ROLLING FISCAL YEAR - CORPORATE INCOME & LICENSE TAXES

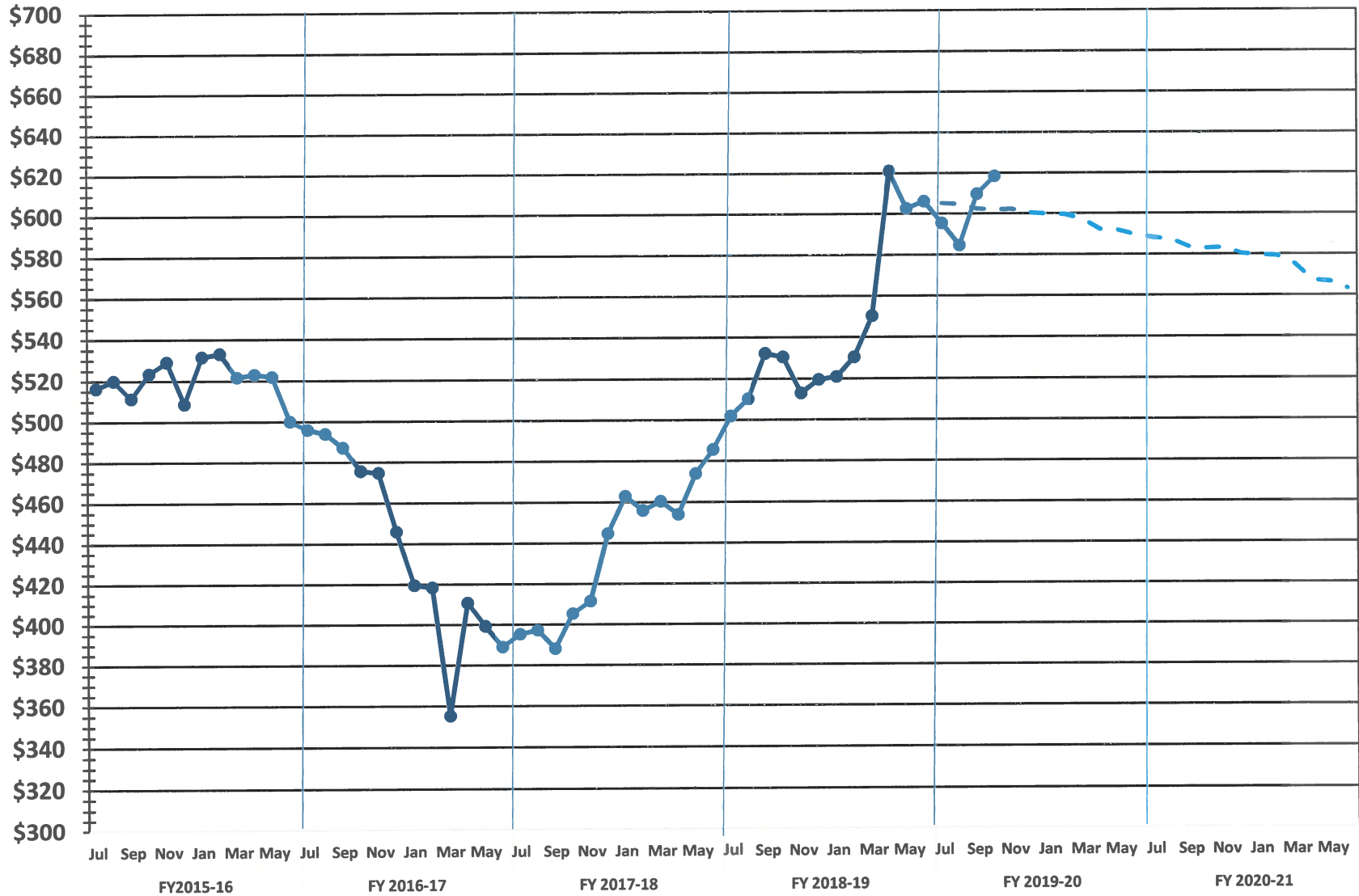
Actuals, Estimates, and Limits - FY 2018-19 to FY 2020-21



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

ROLLING FISCAL YEAR - CORPORATE INCOME & LICENSE TAXES

Actuals and Estimates



Other Forecast Items

- Bank Tax
- Earnings on Investments
- Insurance



Summary of Forecast Recommendation

- Higher FY 2018-19 Base
- Slowing economic growth from recent trends
 - South Carolina Personal Income 5.25% for FY 2020; 4.75% for FY 2021
 - Employment growth steady but slow at 1.4%
- Adoption of Estimate
 - FY 2019-20
 - FY 2020-21

Key Factors in Revising FY 2019-20 Forecast

- FY 2018-19 Revenue surplus of \$350 million
- Revised data on South Carolina Personal Income
- Full year impact from Wayfair decision and Marketplace Fairness Act



Challenges to FY 2019-20 Forecast

- No boost from Lottery winner income tax withholding
- Record high corporate tax collections in FY 2019
- Tariffs and other uncertainties



Long-Range Forecast

Staff will develop a long-range forecast pursuant to §11-11-350 based on economic assumptions and trends for FY 2020-21 and will release subject to the approval by the Chairman.

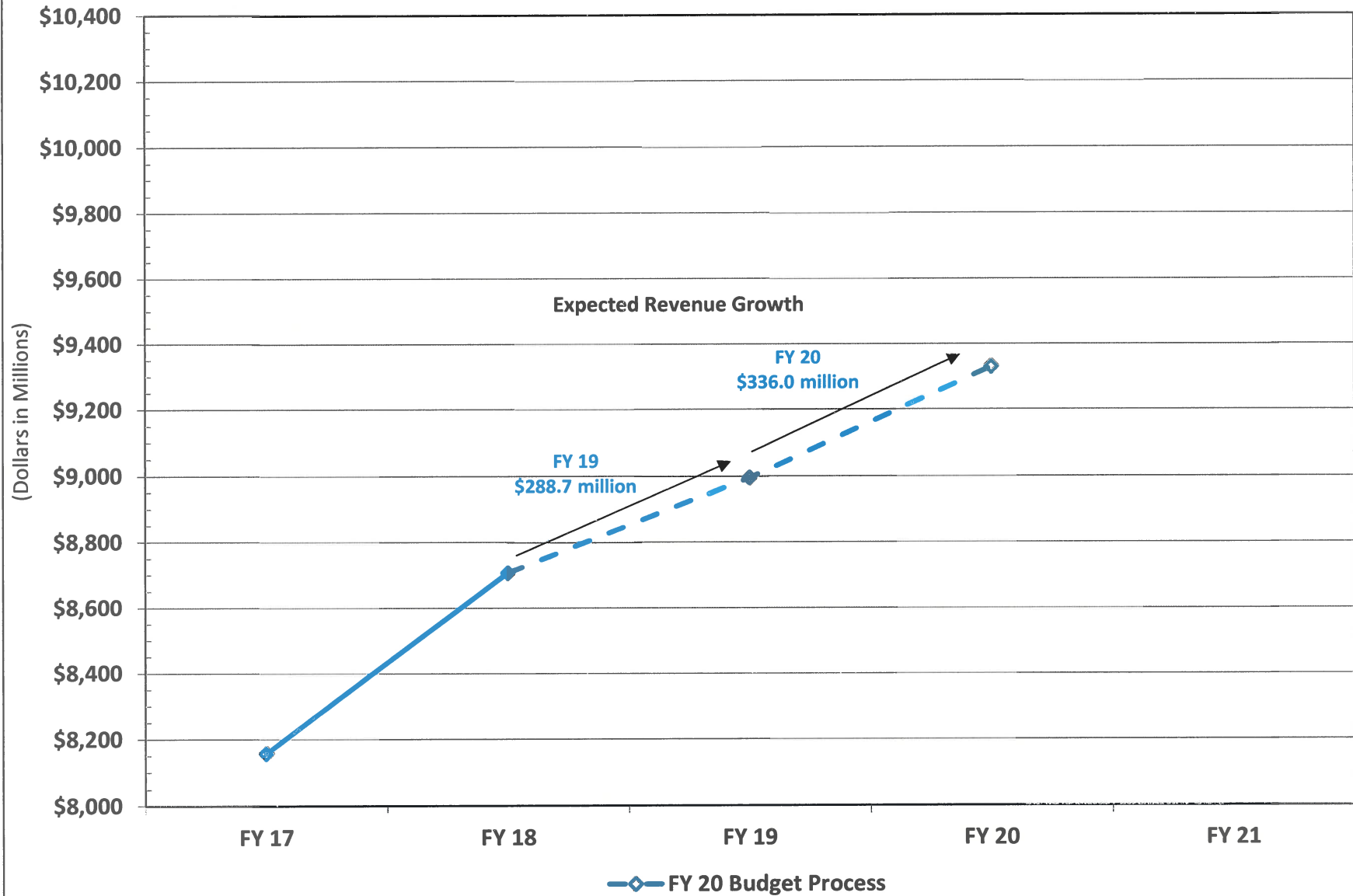
BUDGET

November 8, 2019



South Carolina Revenue and Fiscal Affairs Office

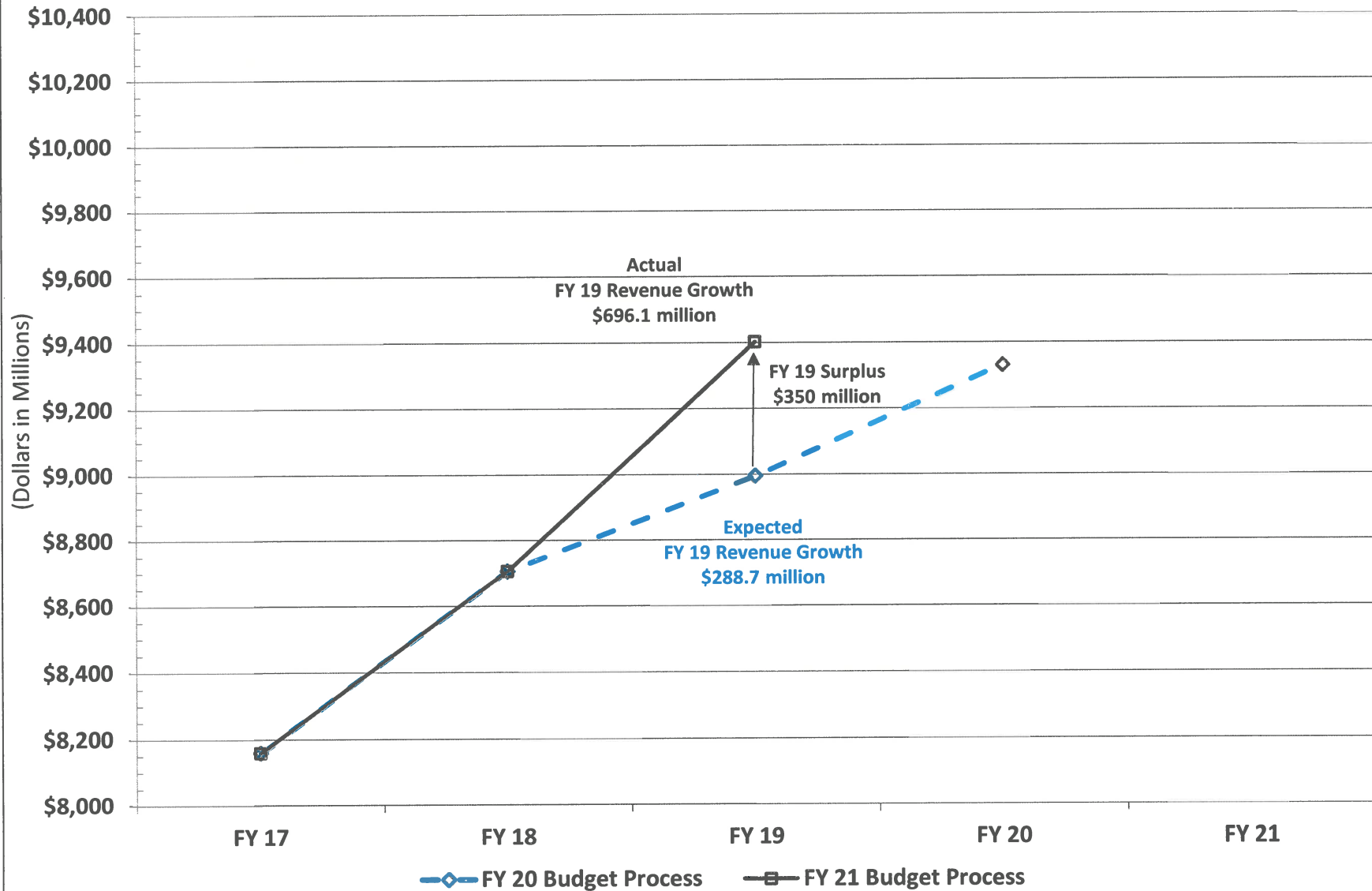
FY 2019-20 APPROPRIATIONS ACT EXPECTATIONS



Source: Revenue and Fiscal Affairs/FAR/11-6-19

FY 2019-20 and FY 2020-21 BUDGET "CATCH-UP"

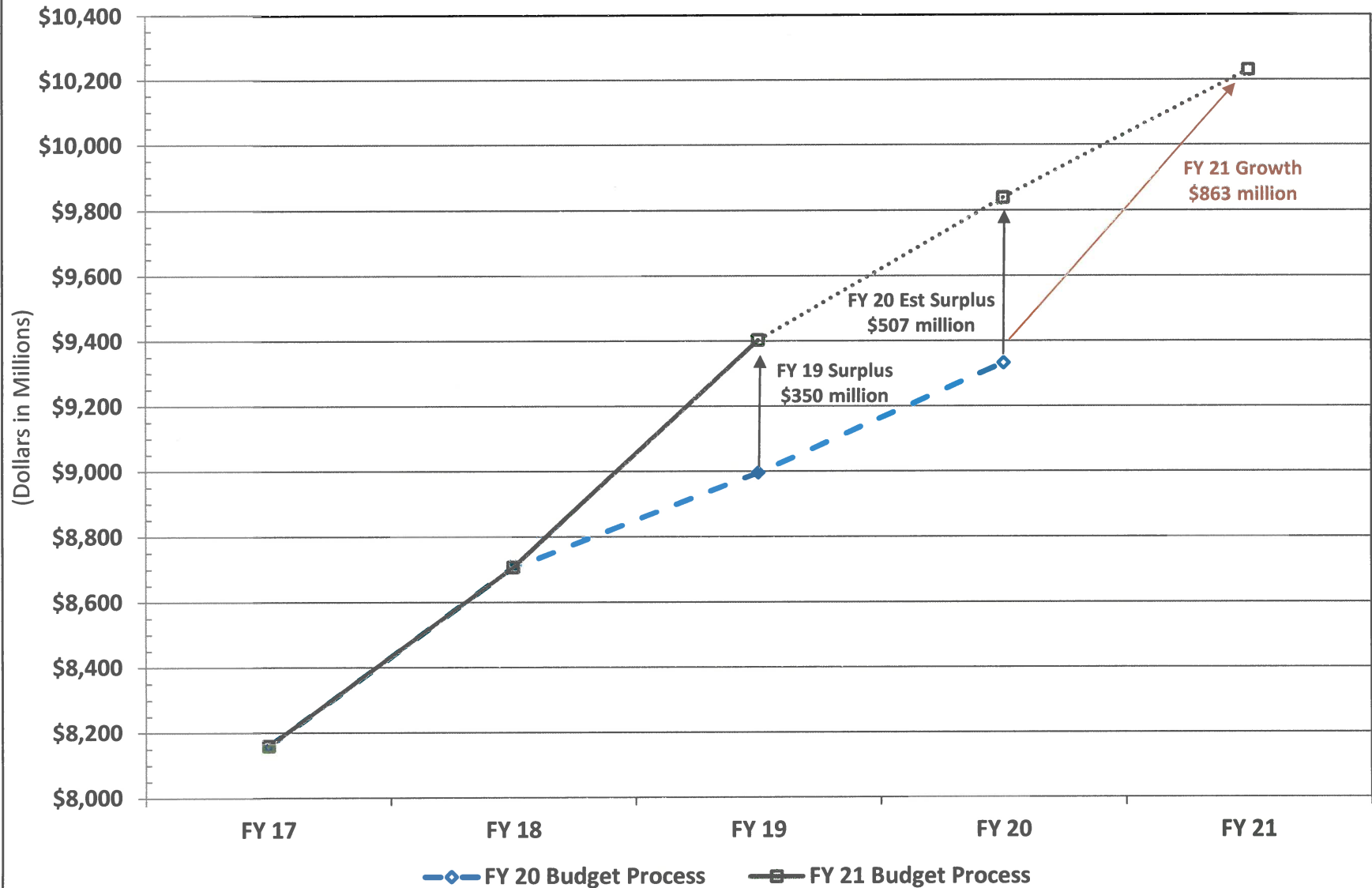
Compounding Effect of FY 2018-19 Revenue Surplus on FY 2020-21 Appropriation Process



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

FY 2019-20 and FY 2020-21 BUDGET "CATCH-UP"

Compounding Effect of FY 2018-19 Revenue Surplus on FY 2020-21 Appropriation Process



Source: Revenue and Fiscal Affairs Office/FAR/11-6-19

FY 2020-21 General Fund Outlook

(PRELIMINARY- Dollars in Millions)

BEA Revenue Estimate (11/8/2019)	\$10,229
- Tax Relief Trust Fund	(\$629)
- FY 19-20 Appropriation Act	<u>(\$8,737)</u>
Estimated "New" General Fund Revenue	\$863
Reserve Fund Contributions	
- Incremental General Reserve Fund (5%)	(\$34)
- Incremental Capital Reserve Fund (2%)	(\$14)
Estimated "New" General Fund Revenue Available for Appropriation (less Reserve Fund Contributions)	\$815



FY 2020-21 Budget Outlook

(PRELIMINARY- Dollars in Millions)

	<u>Recurring</u>	<u>Non-Recurring</u>
FY 2019-20 Capital Reserve Fund		\$162
FY 2018-19 Contingency Reserve Fund		\$350
Projected FY 2019-20 Surplus (11/8/2019)		<u>\$507</u>
	Total	\$1,019
FY 2019-20 HEX Fund Surplus/(Shortfall)		\$8
FY 2020-21 HEX Fund Surplus/(Shortfall)	\$17	
FY 2019-20 EIA Surplus/(Shortfall)		\$31
FY 2020-21 "New" EIA Revenue	\$69	
FY 2019-20 Lottery Surplus		\$7
FY 2020-21 "New" Lottery Revenue	\$7	

¹ FY 2019-20 surplus lottery revenues are first appropriated to cover any shortfalls in LIFE, HOPE, and Palmetto Fellows Scholarships, so this surplus may not be available for appropriation.

² Lottery revenue is appropriated by proviso on a non-recurring basis. It is listed as recurring to show the net year to year increase in the estimate, excluding surpluses.



OTHER BUSINESS



REPORTS FROM WORKING GROUP

November 8, 2019



South Carolina Revenue and Fiscal Affairs Office

FUTURE MEETING SCHEDULE

- A. November 8, 2019, 1:30 – Preliminary Forecast
- B. December 12, 2019, 1:30 – **If necessary, GoToMeeting** for Members
- C. January 16, 2020, 1:30 - *GoToMeeting* for Members, Quarterly Review
- D. February 13, 2020, 1:30 – Forecast
- E. March 19, 2020, 1:30 - **If necessary, GoToMeeting** for Members
- F. 2019 Calendar at <http://rfa.sc.gov/meetings?y=2019>

APPENDIX





October 2019

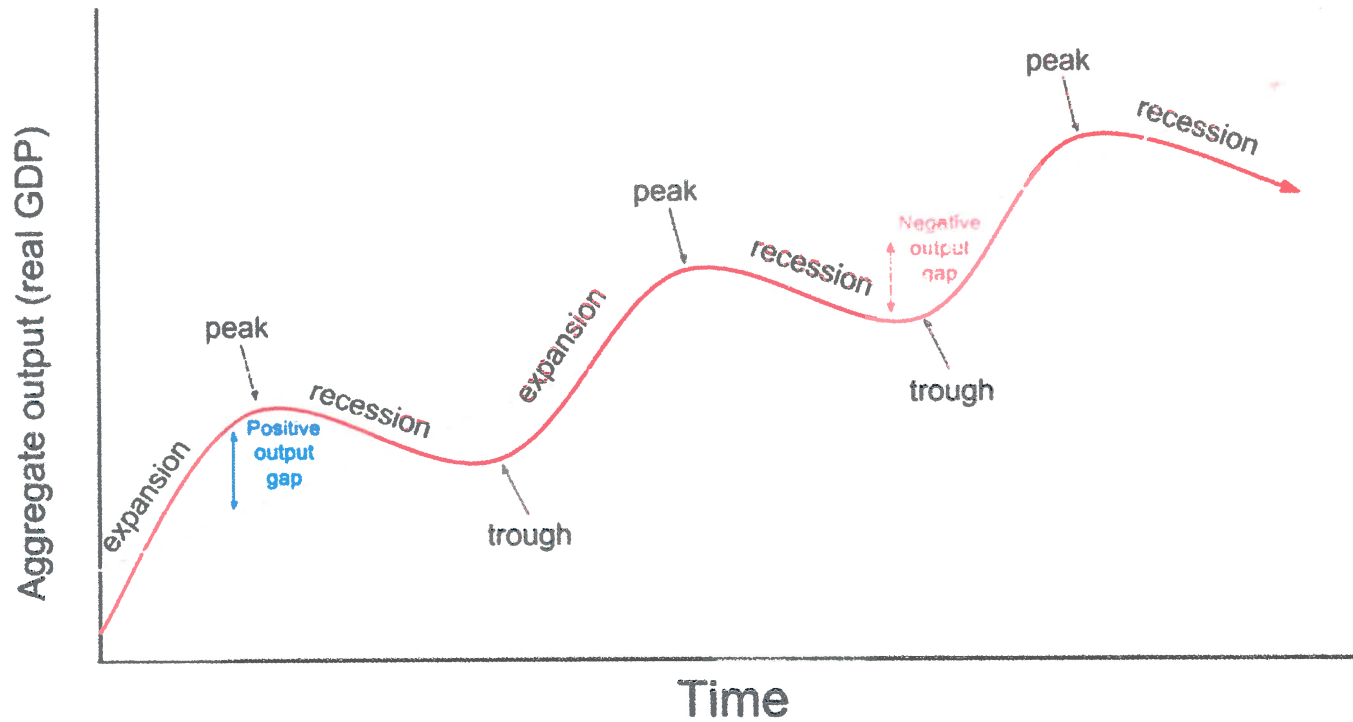


Figure 1. Business Cycle Diagram

FEDERAL RESERVE press release



For release at 2 p.m. EDT

October 30, 2019

Information received since the Federal Open Market Committee met in September indicates that the labor market remains strong and that economic activity has been rising at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Although household spending has been rising at a strong pace, business fixed investment and exports remain weak. On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2 percent. Market-based measures of inflation compensation remain low; survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate to 1-1/2 to 1-3/4 percent. This action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective are the most likely outcomes, but uncertainties about this outlook remain. The Committee will continue to monitor the implications of incoming information for the economic outlook as it assesses the appropriate path of the target range for the federal funds rate.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

(more)

- 2 -

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michelle W. Bowman; Lael Brainard; James Bullard; Richard H. Clarida; Charles L. Evans; and Randal K. Quarles. Voting against this action were: Esther L. George and Eric S. Rosengren, who preferred at this meeting to maintain the target range at 1-3/4 percent to 2 percent.

- 0 -



November 6, 2019,

Frank Rainwater
Executive Director
SC Revenue and Fiscal Affairs Office
1000 Assembly Street, Suite 402
Columbia, SC 29201

Subject: Revision of the Lottery Commission's FY 19-20 and Preliminary FY 20-21 estimates

Dear Mr. Rainwater:

In accordance with your recent request, please accept this letter as a revision of the Lottery Commission's estimates of proceeds for FY 19-20 and its preliminary estimates of proceeds for FY 20-21. The amounts shown under the caption "Previous Estimate" reflect the revision we communicated to you by letter on February 6, 2019. Please note that our estimates, as set forth below, include approximately \$1,300,000 associated with Election Day Sales. Our revised estimates are as follows:

	FY 2019-20	FY 2020-21
Previous Estimate		
"General" Transfers	\$ 442,700,000	N/A
Unclaimed Prizes	19,000,000	N/A
	<u>\$ 461,700,000</u>	<u>N/A</u>
Revised or Current Estimate		
"General" Transfers	\$ 448,300,000	\$ 448,300,000
Unclaimed Prizes	19,000,000	19,000,000
	<u>\$ 467,300,000</u>	<u>\$ 467,300,000</u>

As I am sure you are aware, we have not started our FY 20-21 planning process at this point. Our Financial Plan will be developed next spring and our "formal" FY 20-21 Transfer Estimate will require the approval of our Board of Commissioners. Accordingly, our FY 20-21 preliminary estimate will likely change based on the formulation of our formal Financial Plan.

Please be advised that certain other factors beyond our control may affect our future sales and transfers. Whereas, we believe we have developed reasonable estimates, it is possible adverse or unfavorable trends could develop which could preclude us from achieving our estimates.

Please do not hesitate to let me know if I can be of further assistance.

Very truly yours,

A handwritten signature in black ink that reads "JA Boyle". The signature is written in a cursive style with a large, looping initial "J" and "A".

Joseph A. Boyle, CPA
Chief Financial Officer



Personal Income Growth
FY20 - 5.25%; FY21 - 4.50%

General Fund Revenue Forecast
Fiscal Years 2017-18 to 2020-21
(Dollars)

Revenue Category	Final FY 2017-18	Final FY 2018-19	11/8/2019 Estimate FY 2019-20	11/8/2019 Estimate FY 2020-21	Percent Change FY 2017-18	Percent Change FY 2018-19	Percent Change FY 2019-20	Percent Change FY 2020-21
Sales and Use Tax	\$3,034,415,169	\$3,186,425,454	\$3,418,401,000	\$3,572,229,000	4.8	5.0	7.3	4.5
Individual Income Tax	4,398,423,661	4,714,998,174	4,921,301,000	5,136,732,000	7.1	7.2	4.4	4.4
Corporation Income Tax	375,189,587	494,214,442	474,214,000	444,214,000	17.1	31.7	(4.0)	(6.3)
Insurance Taxes	227,931,949	256,207,957	246,832,000	288,995,000	(4.1)	12.4	(3.7)	17.1
Admissions Tax	30,746,293	32,571,884	33,451,000	34,354,000	1.0	5.9	2.7	2.7
Aircraft Tax	2,500,000	2,500,000	2,500,000	2,500,000	0.0	0.0	0.0	0.0
Alcoholic Liquor Tax	79,285,307	83,877,459	87,820,000	91,948,000	3.3	5.8	4.7	4.7
Bank Tax	47,909,447	68,798,957	75,197,000	82,190,000	(10.2)	43.6	9.3	9.3
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Business Filing Fees	7,038,361	7,424,879	7,830,000	8,200,000	12.1	5.5	5.5	4.7
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Indirect Cost Recoveries	16,755,476	15,938,594	15,500,000	15,500,000	14.0	(4.9)	(2.8)	0.0
Motor Vehicle Licenses	11,030,604	12,079,044	12,478,000	12,890,000	(0.2)	9.5	3.3	3.3
Nursing Home Fees	3,572,661	3,547,314	3,600,000	3,600,000	0.2	(0.7)	1.5	0.0
Parole and Probation Fees	3,392,808	3,392,808	3,393,000	3,393,000	0.0	0.0	0.0	0.0
Private Car Lines Tax	5,960,493	6,215,080	6,495,000	6,787,000	8.4	4.3	4.5	4.5
Public Service Authority	17,397,000	17,496,000	17,600,000	17,700,000	(2.0)	0.6	0.6	0.6
Purchasing Card Rebates	3,034,527	3,171,665	3,330,000	3,497,000	4.4	4.5	5.0	5.0
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	0.0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	949,371	1,254,252	1,141,000	1,038,000	(49.5)	32.1	(9.0)	(9.0)
Security Dealer Fees	26,385,770	27,178,783	27,700,000	28,100,000	2.9	3.0	1.9	1.4
Surcharge on Vehicle Rentals	946,113	(295,401)	175,000	175,000	(63.3)	(131.2)	159.2	0.0
Tobacco Tax	27,209,363	28,372,637	28,068,000	28,657,000	3.1	4.3	(1.1)	2.1
Uncashed Checks	2,927,135	1,027,801	1,000,000	1,000,000	(17.1)	(64.9)	(2.7)	0.0
Unclaimed Property Fund	15,000,000	12,600,000	15,000,000	15,000,000	0.0	(16.0)	19.0	0.0
Workers' Comp. Insurance Tax	9,836,976	9,382,100	9,101,000	8,828,000	9.2	(4.6)	(3.0)	(3.0)
Other Source Revenues	12,346,921	12,116,456	11,899,000	11,931,000	12.2	(1.9)	(1.8)	0.3
Gross General Fund Revenue	\$8,706,017,446	\$9,402,126,809	\$9,838,175,000	\$10,229,087,000	6.7	8.0	4.6	4.0

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/RWM/11/08/19



Personal Income Growth
FY20 - 5.25%; FY21 - 4.50%

General Fund Revenue Forecast
Fiscal Years 2017-18 to 2020-21
(Dollars)

Revenue Category	Final FY 2017-18	Final FY 2018-19	11/8/2019 Estimate FY 2019-20	11/8/2019 Estimate FY 2020-21	Percent Change FY 2017-18	Percent Change FY 2018-19	Percent Change FY 2019-20	Percent Change FY 2020-21
Gross General Fund Revenue	\$8,706,017,448	\$9,402,126,809	\$9,838,175,000	\$10,229,087,000	6.7	8.0	4.6	4.0
Appropriation Act Revenue	8,534,363,000	8,836,042,000	9,330,662,000	10,229,087,000	4.6	3.5	5.6	9.6
Less: Tax Relief Trust Fund	(582,033,401)	(599,876,083)	(614,052,999)	(629,405,136)	(1.2)	(3.1)	(2.4)	(2.5)
Plus: Tax Relief Trust Fund Carryforward	0	0	0	0				
Appropriation Act Excluding Trust Fund	7,952,329,599	8,236,165,917	8,716,609,001	9,599,681,864	4.9	3.6	5.8	10.1
Capital Reserve Fund (2%) - Beg. Bal.	145,420,836	151,649,393	162,485,305	176,095,044	4.5	4.3	7.1	8.4
General Reserve Fund (5%) - Beg. Bal.	363,552,089	379,123,483	406,213,261	440,237,611	4.5	4.3	7.1	8.4
Total Reserve Funds	508,972,925	530,772,876	568,698,566	616,332,655	4.5	4.3	7.1	8.4
Revenue Excess/Shortage From Act	171,654,446	566,084,809	507,528,000	0				
Education Improvement Act (EIA)	792,172,686	840,103,875	892,482,200	930,273,000	3.7	6.1	6.2	4.2
EIA Fund	790,719,514	837,529,968	890,482,200	928,773,000	3.7	5.9	6.3	4.3
EIA Interest	1,453,172	2,573,907	2,000,000	1,500,000	(2.6)	77.1	(22.3)	(25.0)
S.C. Education Lottery Fund (Net)	436,528,584	490,656,044	470,300,000	469,800,000	8.6	12.4	(4.1)	(0.1)
Homestead Exemption Fund								
Total Revenue Available	717,410,352	756,112,890	806,281,000	840,237,000	4.7	5.4	6.6	4.2
Less: Homestead Exemption Fund Shortfall	(32,557,000)	(17,322,000)	7,525,000	17,107,000	32.2	46.8	143.4	127.3

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/RWM/11/08/19