



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 16, 2020, 1:30 P.M.
Bowers Conference Room
Room 417, Rembert C. Dennis Building
Members attending via *GoToMeeting*

- I. Welcome
- II. Review Revenues and Economic Conditions (F. Rainwater, R. Martin)
 - A. Report for December 2019
 - B. Discussion regarding February Forecast Meeting
- III. Other Items for Discussion
 - A. Statement of Economic Interests - due March 30
- IV. 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
- V. Future Meeting Schedule
 - A. February 13, 2020, 1:30pm - Forecast (February 15)
 - B. March 19, 2020, 1:30pm - **If necessary**, *GoToMeeting* for Members
 - C. April 9, 2020, 1:30pm - Quarterly Review; Final Forecast (April 10)
 - D. May 14, 2020, 1:30pm - **If necessary**, *GoToMeeting* for Members
 - E. June 11, 2020, 1:30pm - Economic and Revenue Update
 - F. 2020 Calendar at <http://rfa.sc.gov/meetings>
- VI. 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

QUARTERLY REVIEW

As Required by §11-9-1140

January 16, 2020



South Carolina Revenue and Fiscal Affairs Office

FY 2019-20 General Fund Revenues Through December 2019

- General Fund Revenues through the second quarter of FY 2019-20 totaled \$4,981.8 million and exceeded the estimate of \$4,828.9 million by \$152.9 million.
- The bulk of the excess is attributable to Individual Income tax (\$49.3 million), Corporate Income and License Taxes (\$33.2 million), and Earned on Investment (\$22.8 million).
- Timing of receipts also contributed to the excess.

FY 2019-20 General Fund Revenues Through December 2019

- Revised Personal Income data for South Carolina showed slower growth, but still close to assumptions.
- Employment growth is 1.5 percent and slightly below our assumption of 1.6 percent.



Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 11/08/19 BEA Revenue Estimate of \$9,838.2 Million in FY 2019-20 1/

	JULY - DECEMBER FY 2019-20			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
Total General Fund Revenue	4,981.8	4,828.9	152.9	4.6	8.0
Sales Tax	1,387.8	1,375.6	12.2	7.3	8.2
Individual Income Tax	2,921.2	2,872.0	49.3	4.4	6.4
Corporate Income Tax	133.2	115.1	18.1	(4.0)	12.2
Other Revenue Sources	539.6	466.2	73.4	1.8	15.1
Select Tax Revenues, Sub-Total	460.4	419.8	40.6	1.7	8.7
Admissions Tax - Total	9.4	7.9	1.5	2.7	21.9
Alcoholic Liquors Tax	34.4	34.0	0.4	4.7	5.9
Bank Tax	35.5	28.8	6.7	9.3	34.6
Beer and Wine Tax	47.8	48.4	(0.6)	1.5	0.2
Corporation License Tax	109.6	94.5	15.1	3.1	19.5
Documentary Tax	36.1	36.7	(0.6)	6.4	4.6
Earnings on Investments	61.2	38.4	22.8	2.9	63.9
Insurance Tax	115.4	117.2	(1.7)	(3.7)	(13.9)
Tobacco Tax	10.9	11.6	(0.6)	(1.1)	(6.5)
Residual Revenue, Sub-Total 2/	79.3	46.4	32.8	2.4	74.7

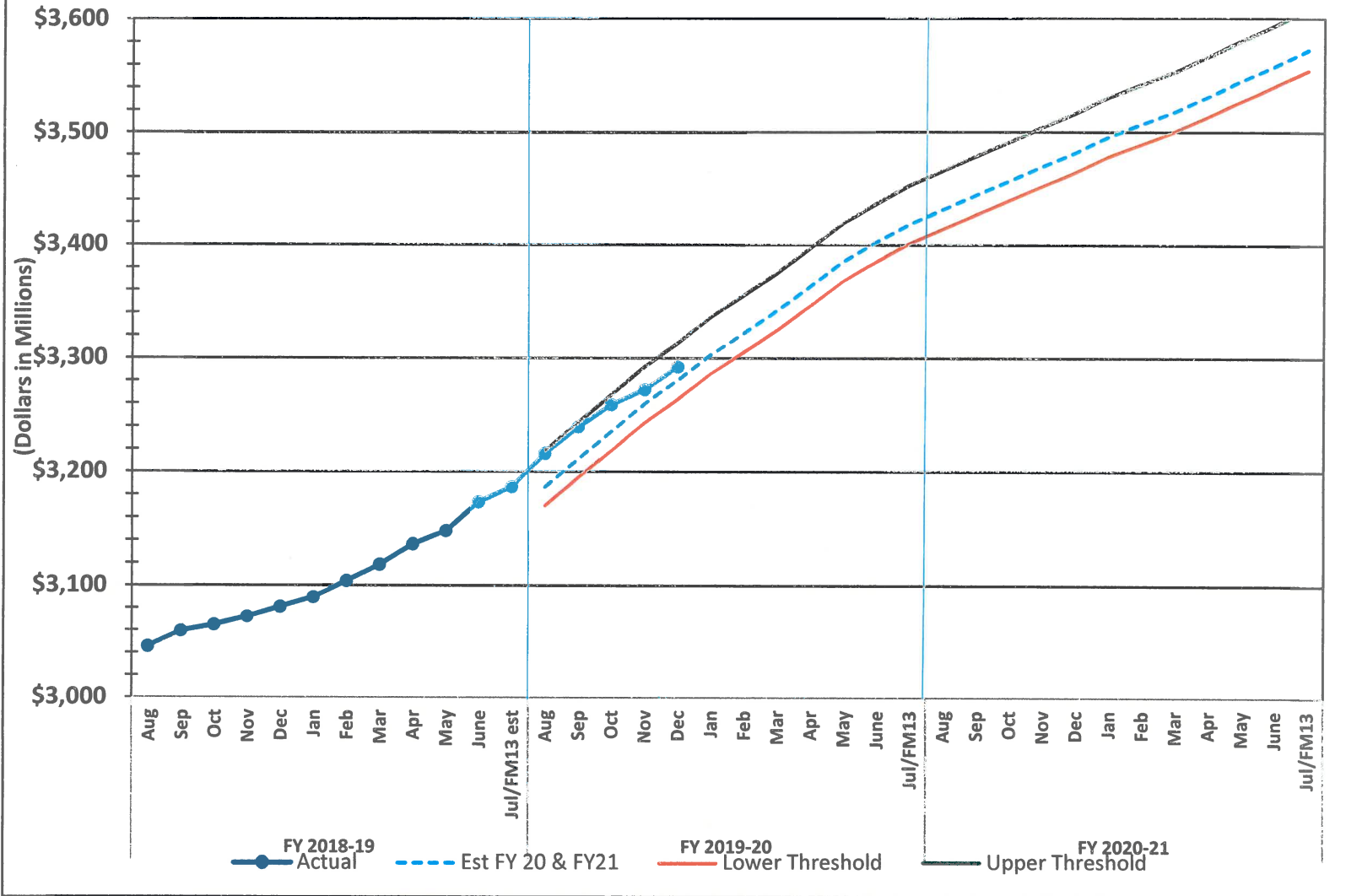
1/: BEA format - includes certified adjustments and excludes non-recurring cash transfers and certain "other source" revenues, where applicable.

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.

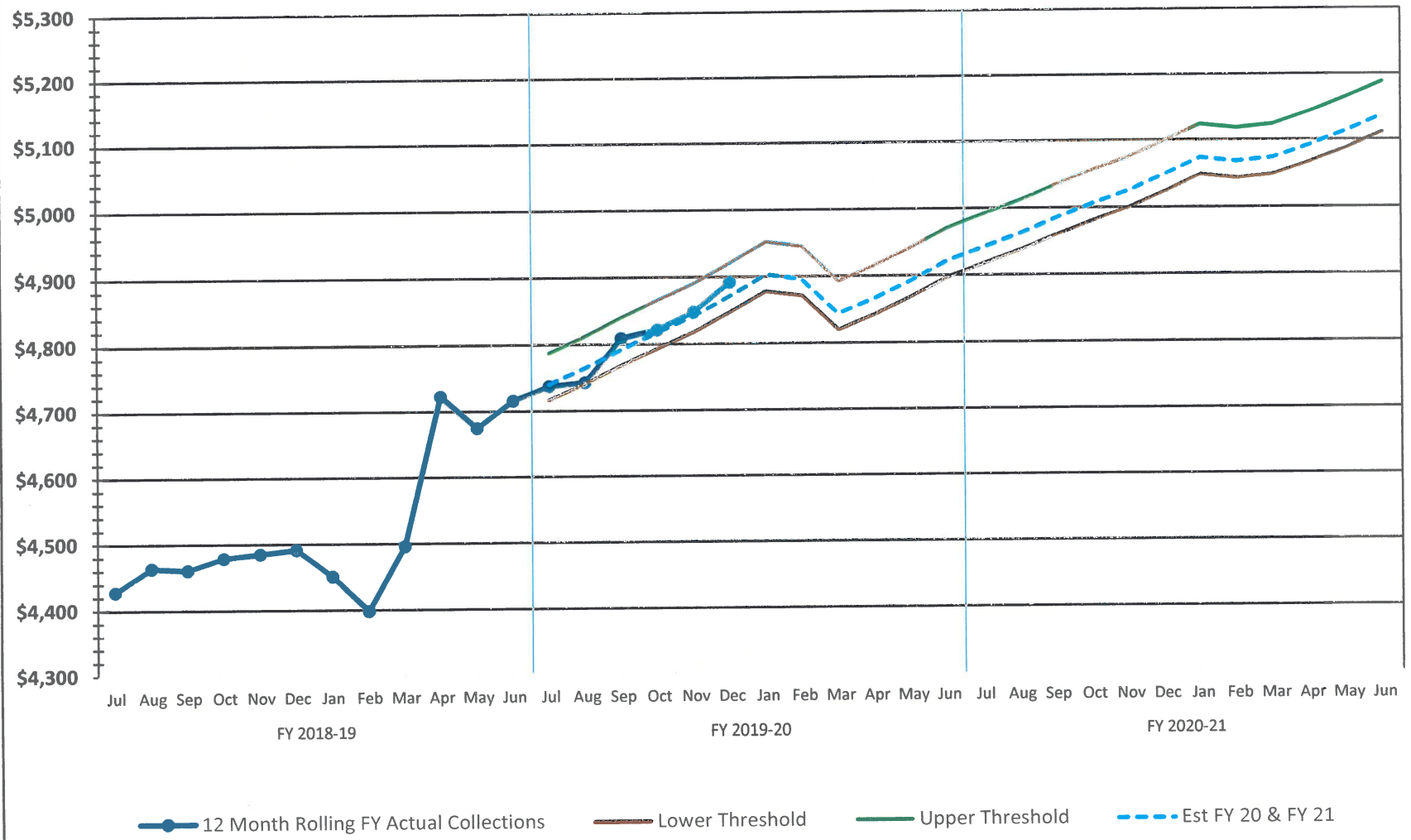
ROLLING FISCAL YEAR - SALES & USE TAX

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



Source: Revenue and Fiscal Affairs/FAR/1-9-20

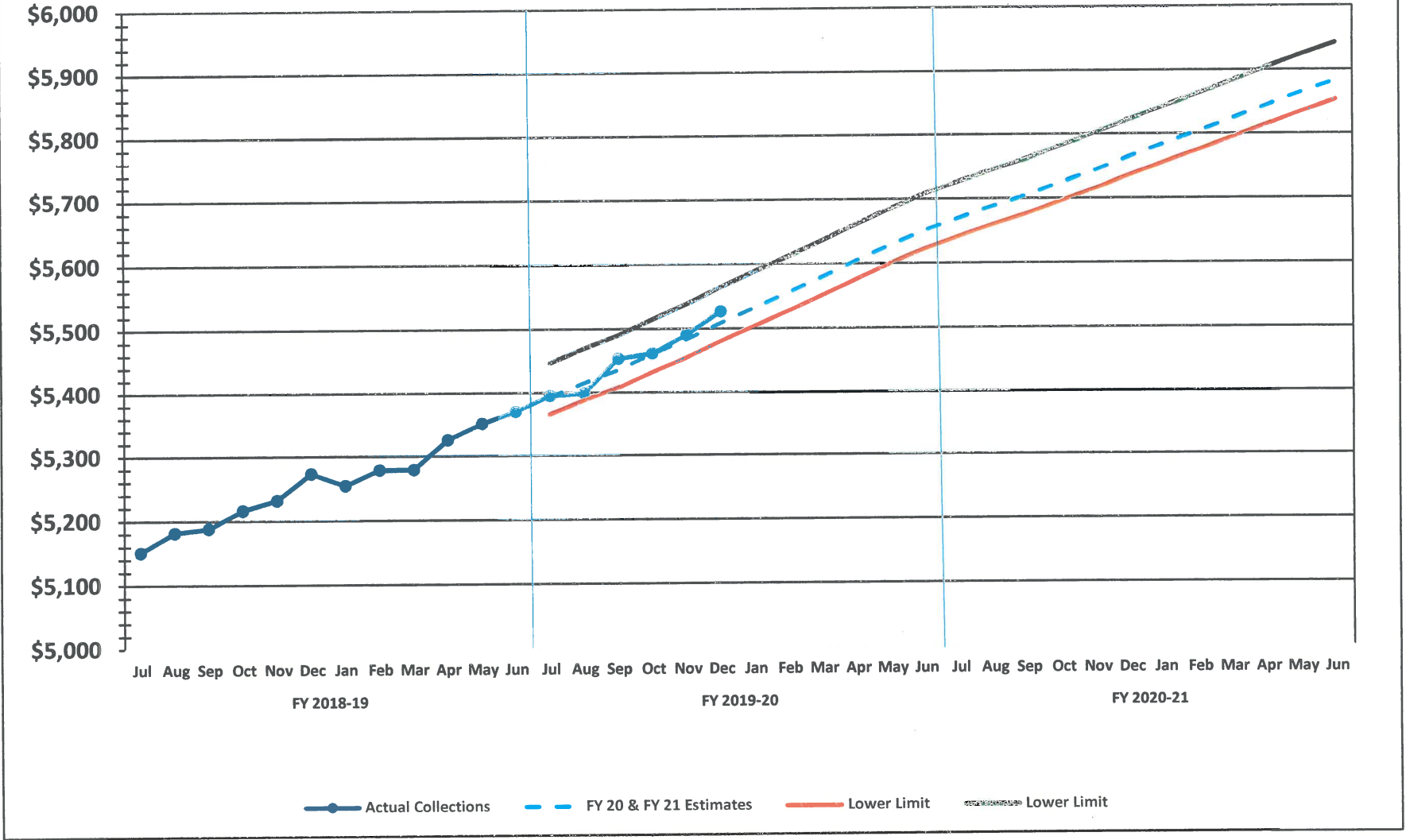
ROLLING FISCAL YEAR - INDIVIDUAL INCOME TAX Actual, Estimates, and Thresholds



Source: Revenue and Fiscal Affairs/FAR/1-9-20

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS TAX

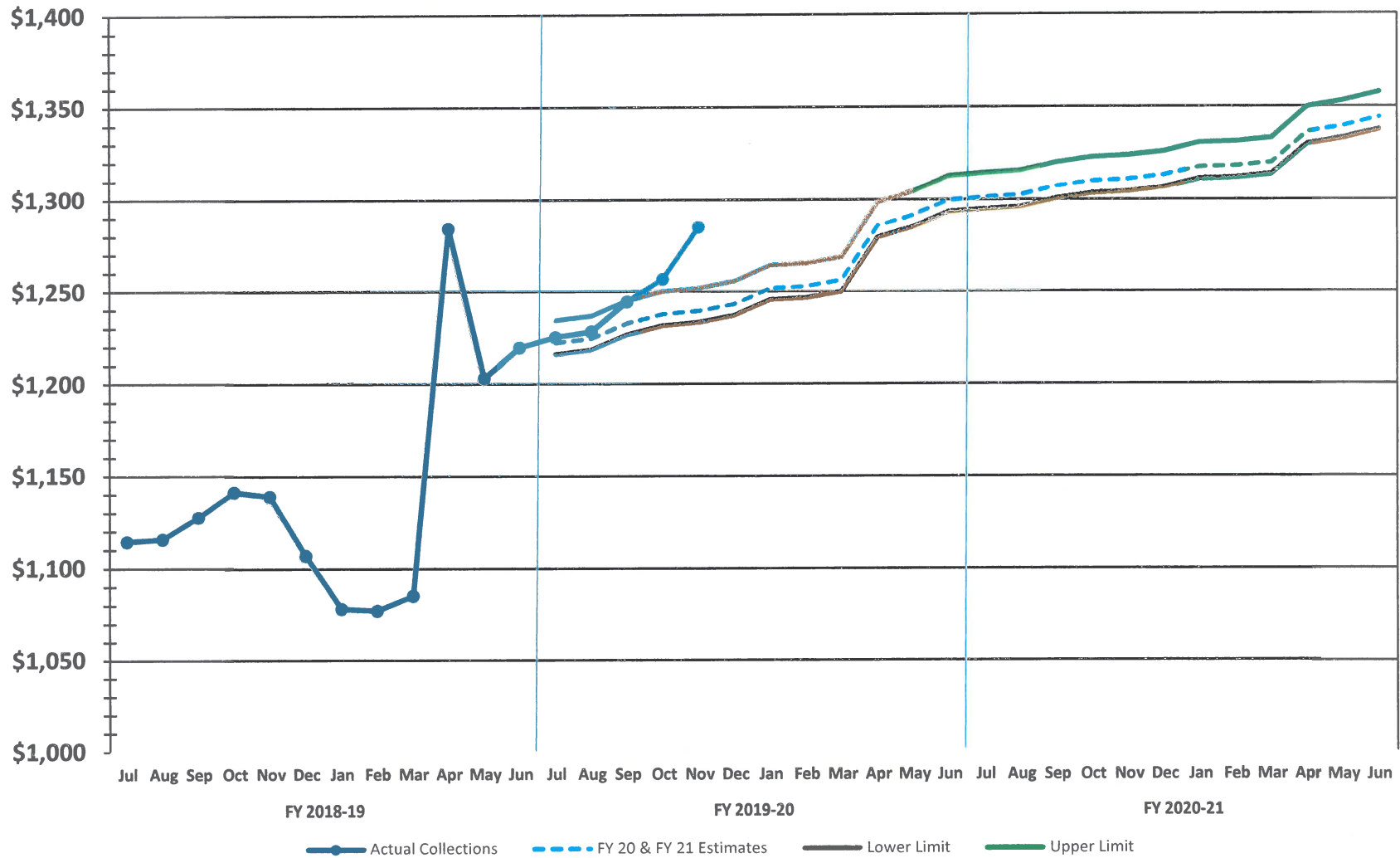
Actuals, Estimates, and Limits - FY 2018-19 to FY 2020-21 (Ex. Lottery)



Source: Revenue and Fiscal Affairs/FAR/1-9-20

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NONWITHOLDING TAXES

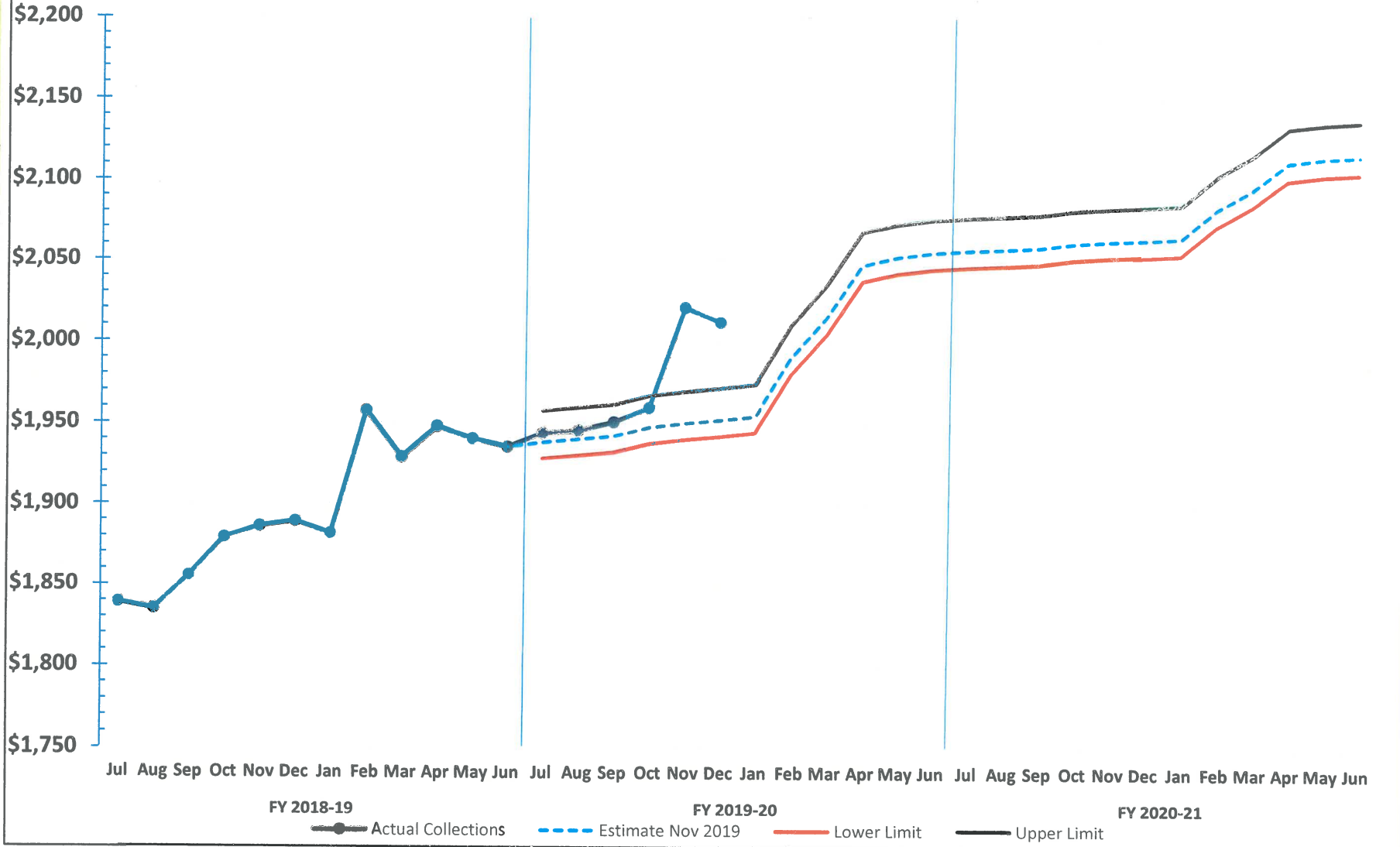
Actuals, Estimates, and Limits - FY 2018-19 to FY 2020-21



Source: Revenue and Fiscal Affairs/FAR/1-9-20

ROLLING FISCAL YEAR - INDIVIDUAL INCOME TAX REFUNDS

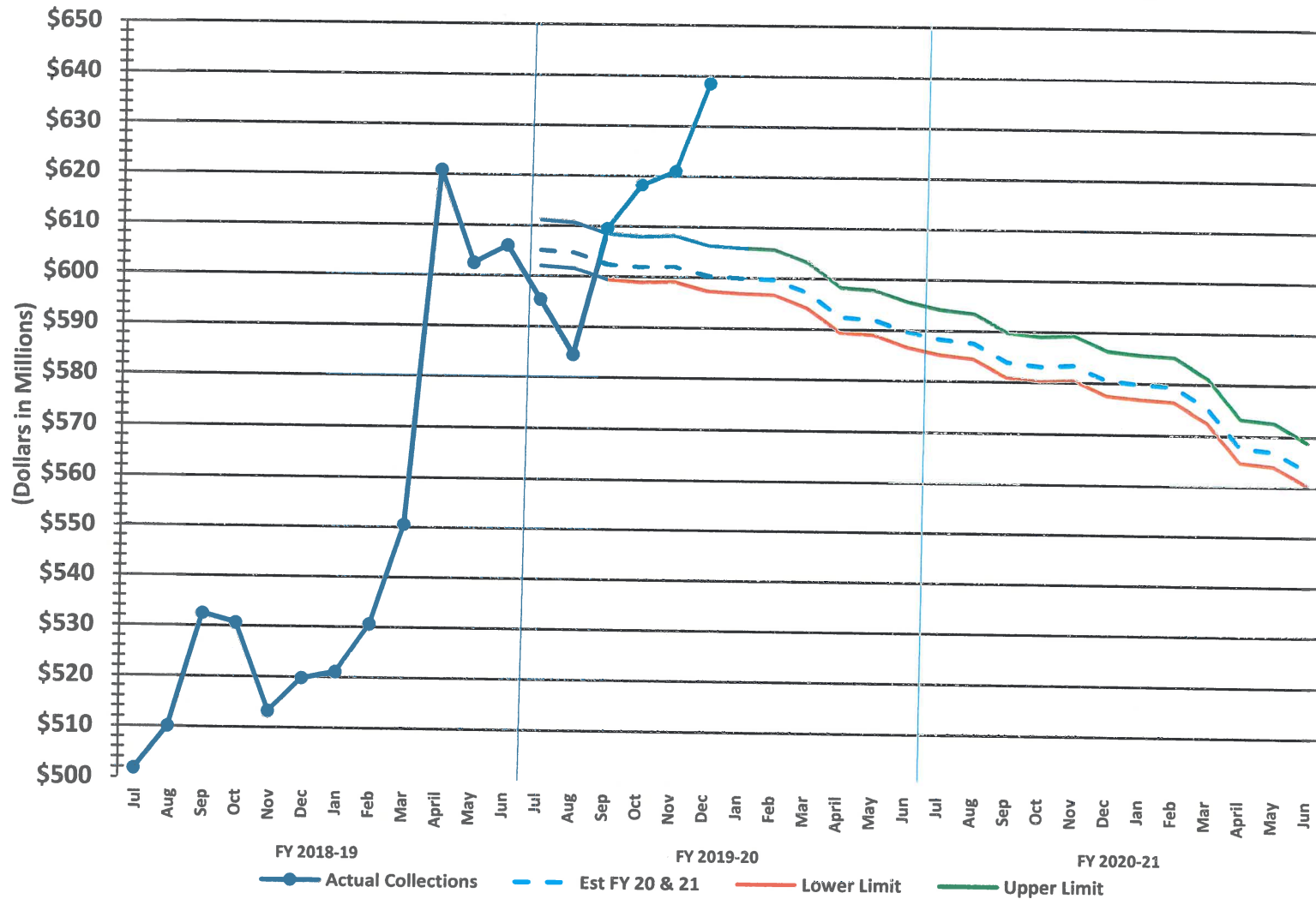
Actuals, Estimates, and Thresholds - FY 2018-19 to FY 2020-21



Source: Revenue and Fiscal Affairs/FAR/1-9-20

ROLLING FISCAL YEAR - CORPORATE INCOME & LICENSE TAXES

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



Source: Revenue and Fiscal Affairs/FAR/1-9-20

CONSIDERATIONS FOR FEBRUARY FORECAST REVIEW

REVENUES

- Growth has exceeded forecast but timing issues in several categories need to be considered.
- Question remains if pace of excess will continue for the next 18 months
- Economy is still growing

ASSUMPTIONS

- Personal Income and Employment growth are close to assumptions.
- Concerns about world and national economies have lessened.



December 2019

Presentation Agenda

- **Base Economic Assumptions for FY2019-20 and FY2020-21**
- **Review of General Fund Revenue – December 2019**
- **Review of Recent Economic Events**



December 2019

Base Economic Assumptions for FY2019-20 and FY2020-21

Current Base Economic Assumptions Fiscal Years 2019-20 and 2020-21

Variable	FY2019-20	FY2020-21	Latest Figures
Personal Income	5.25%	4.50%	4.85%
Employment	1.60%	1.60%	1.50%

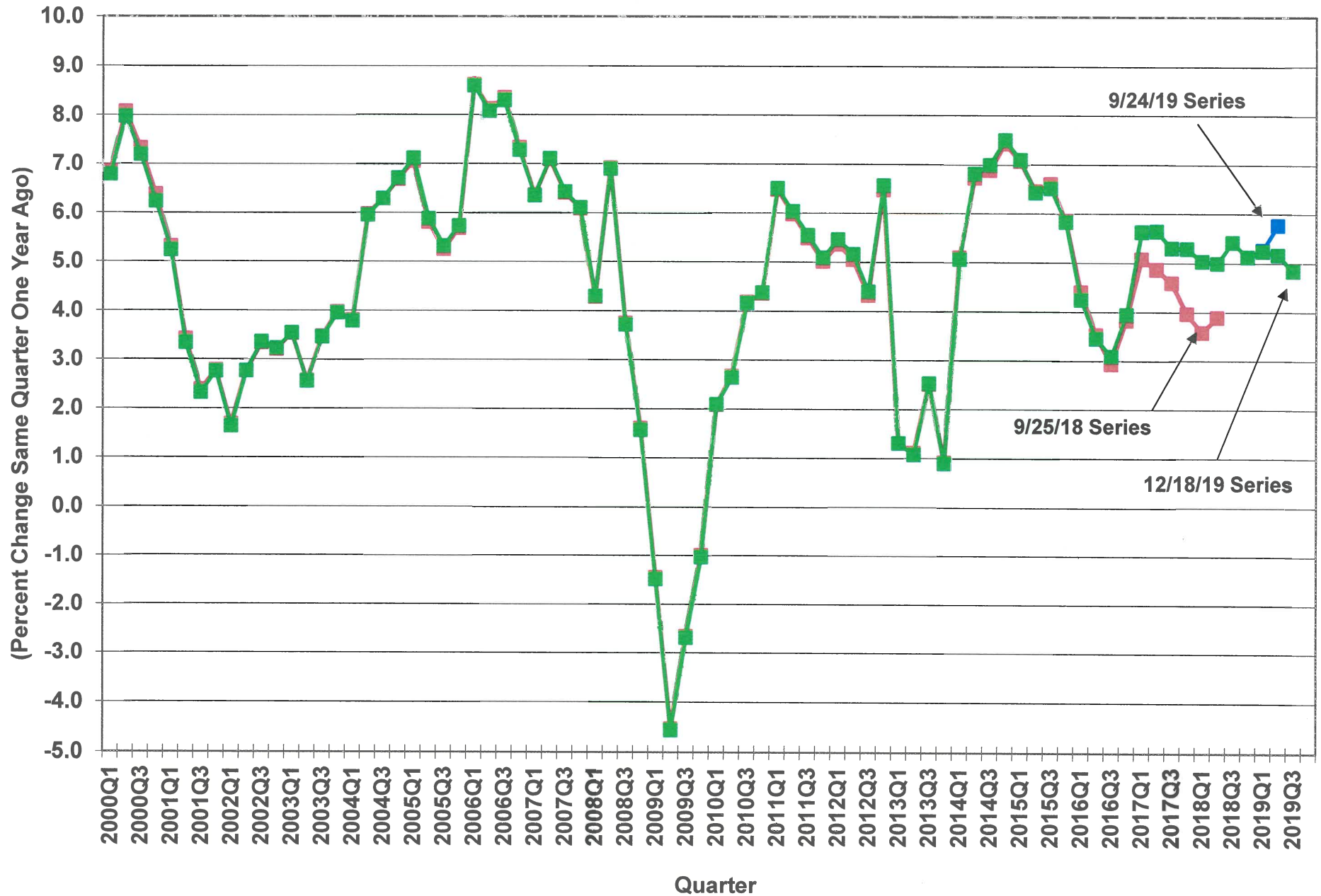
Note: Based on the BEA General Fund revenue estimate made on November 8, 2019.

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.

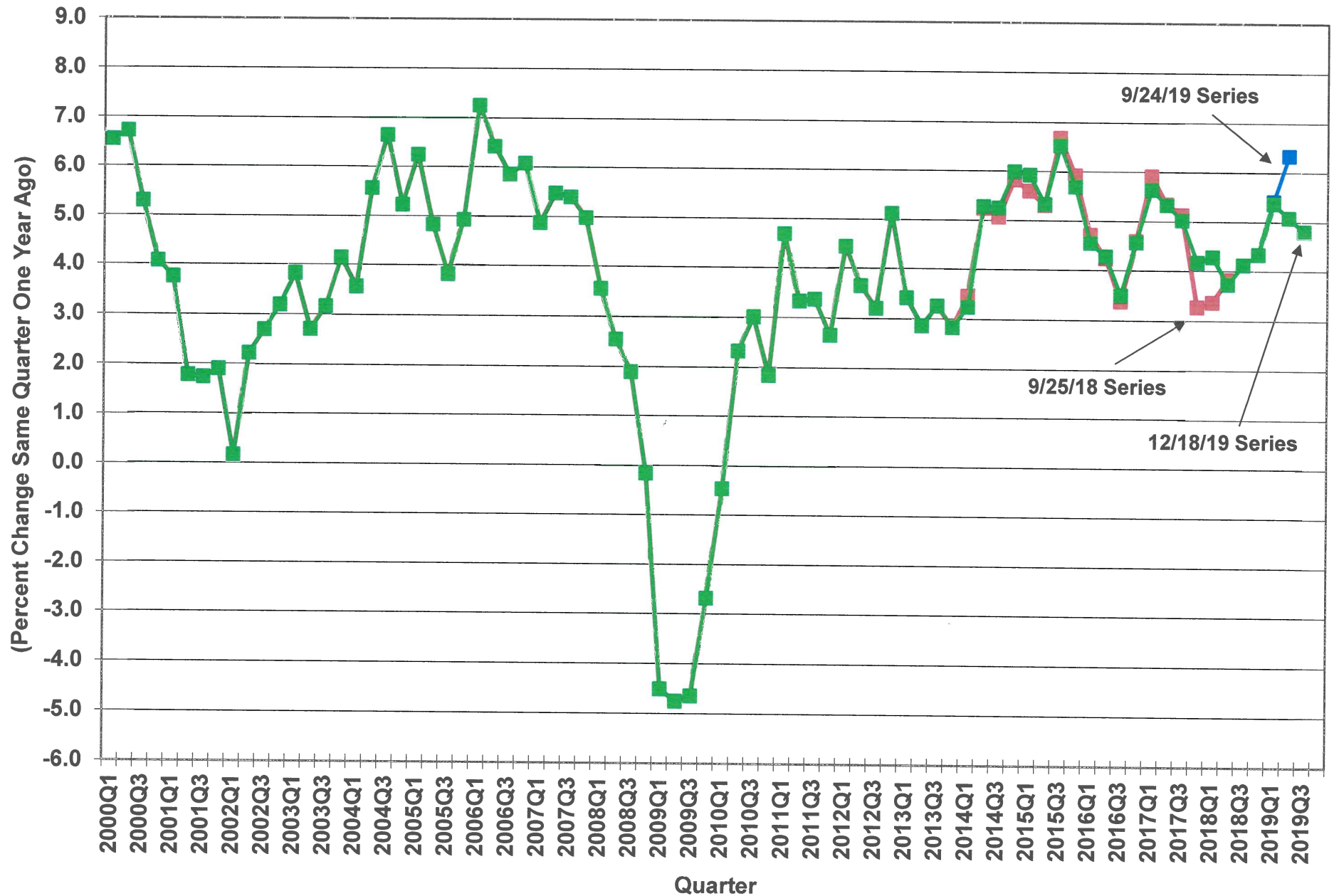
S.C. Board of Economic Advisors, Columbia, S.C.

Growth in Personal Income in South Carolina



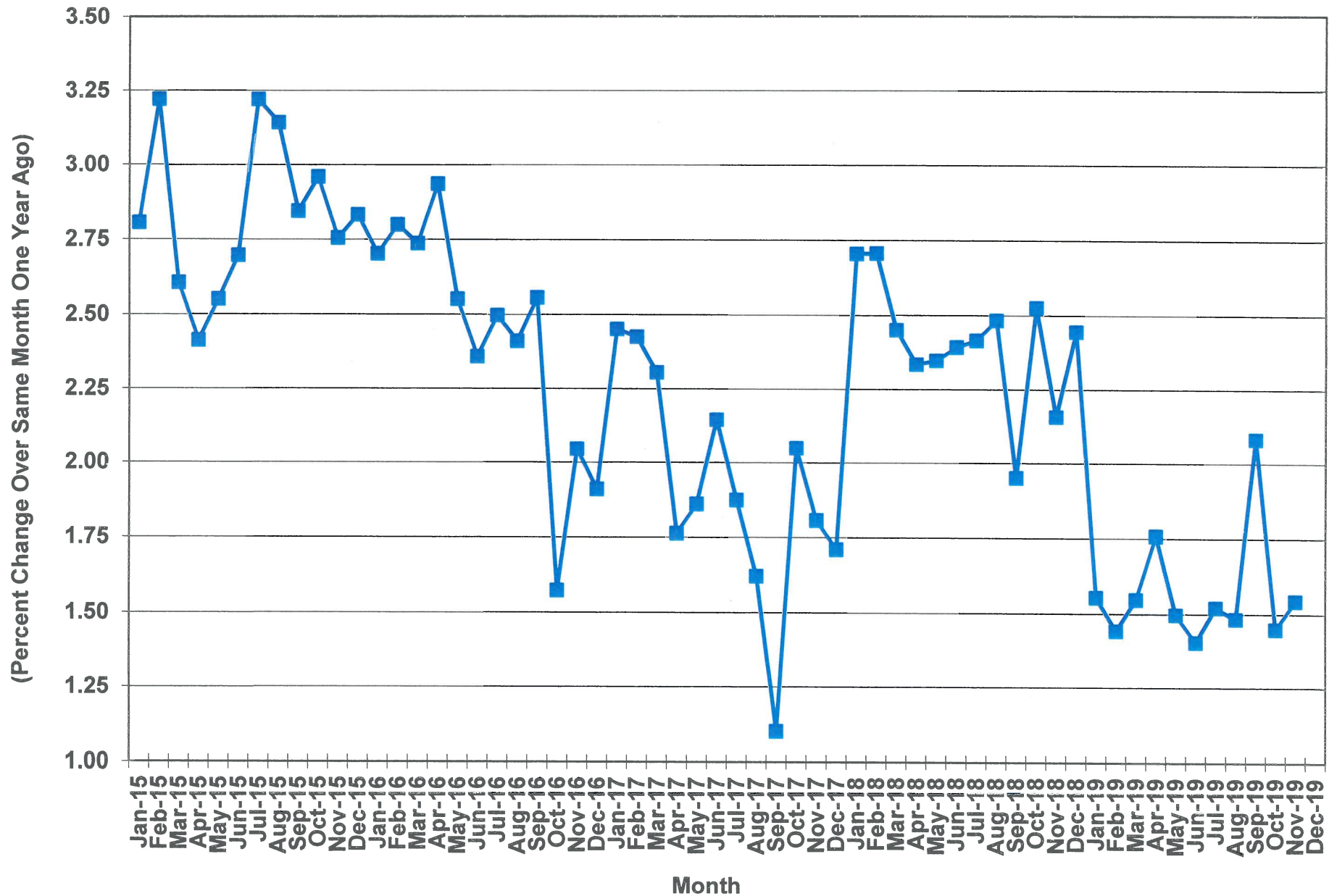
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Growth in Wages and Salaries in South Carolina

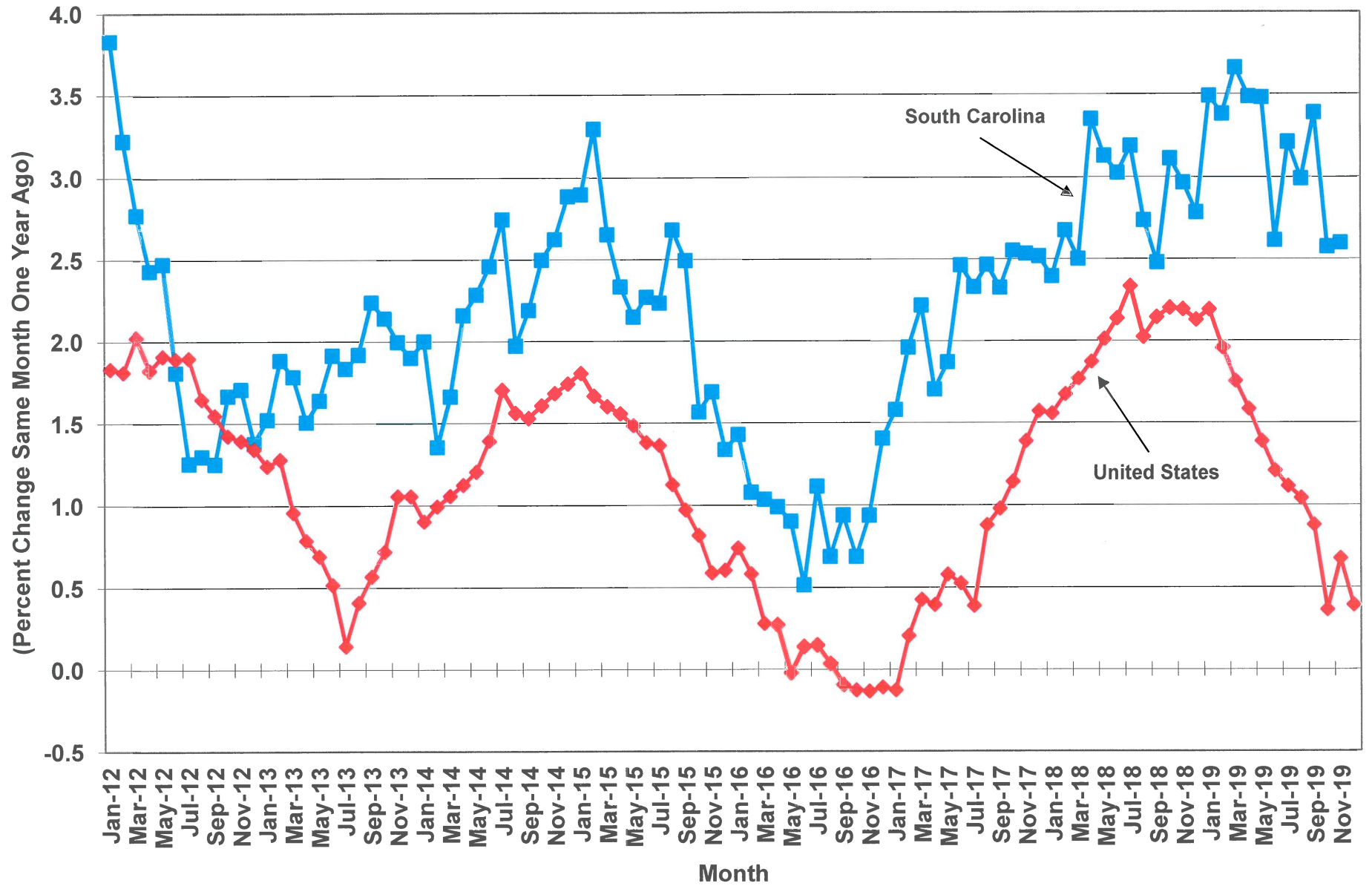


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Total Nonfarm Employment Growth in South Carolina



Growth in Manufacturing Employment in SC and US



Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
BEA/RWM/01/10/20

Source: Board of Economic Advisors



December 2019

Review of General Fund Revenue – December 2019

Sales Tax Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$1,387.8	\$1,375.6	\$12.2	7.3	8.3

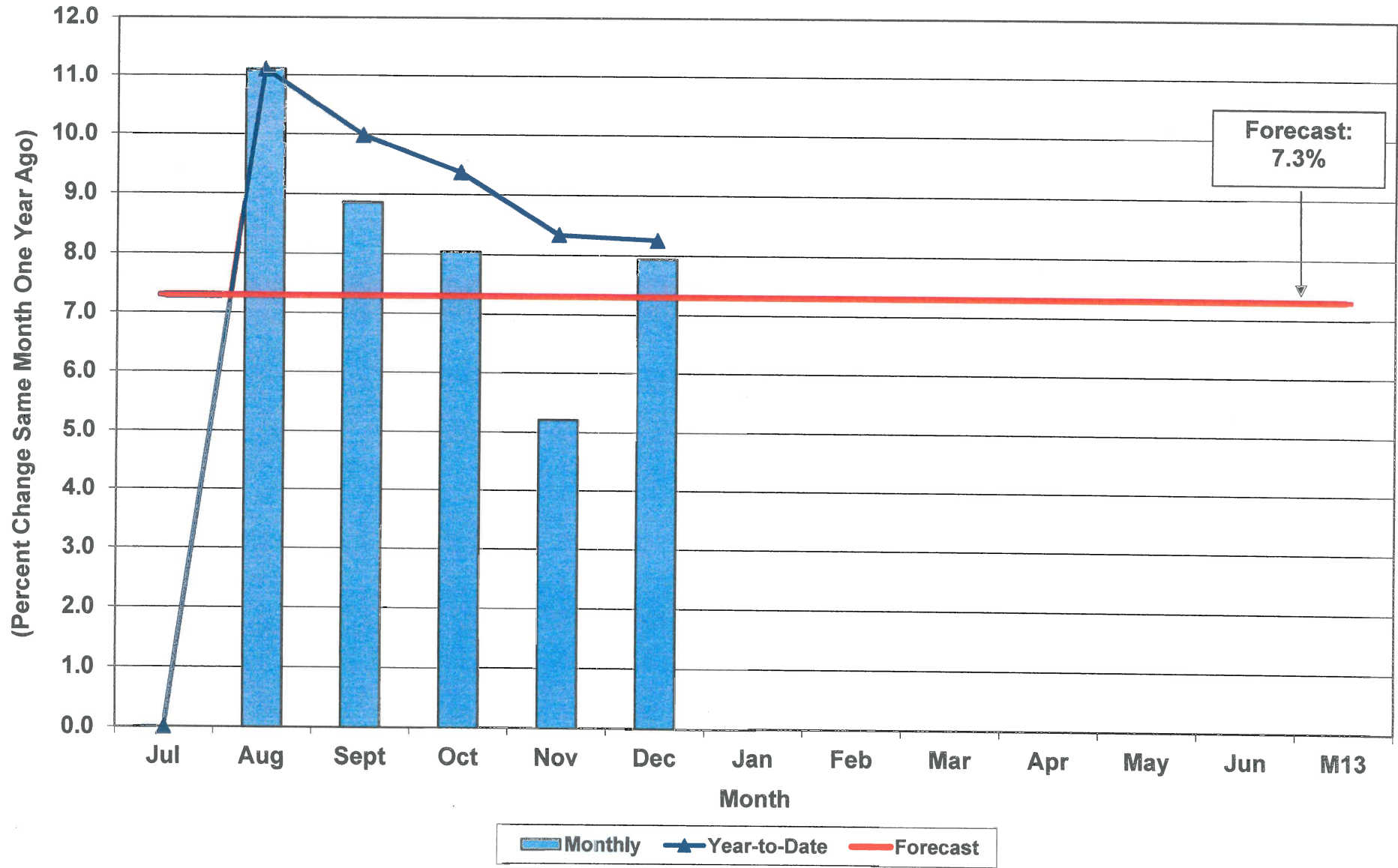
- The Sales and Use tax increased 7.9 percent in December 2019 resulting in fiscal year-to-date growth of 8.3 percent
- The inclusion of \$6.7 million in third-party sales taxes this fiscal year has positively impacted Sales and Use tax revenue as these revenues were not received during this time a year ago



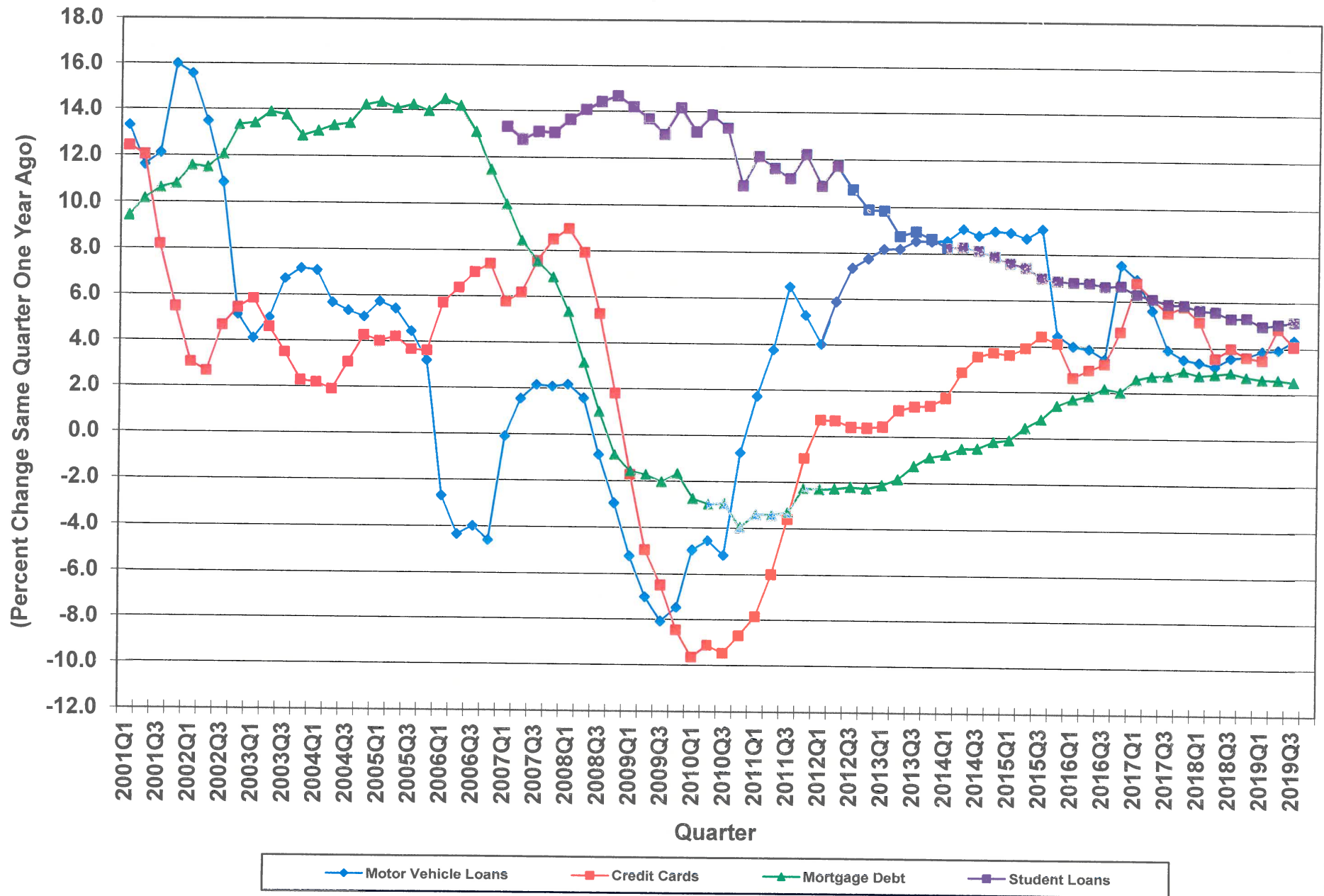
December 2019

- Through the first half of FY2020, remote internet sales and third-party sales taxes have amounted to \$46.6 million, or 47.1 percent of the \$98.8 million estimated for all of FY2020
- The monthly figures suggest a strong start to the holiday season with strong Black Friday sales and Cyber-Monday internet retail sales

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



Growth in Major Types of Household Debt





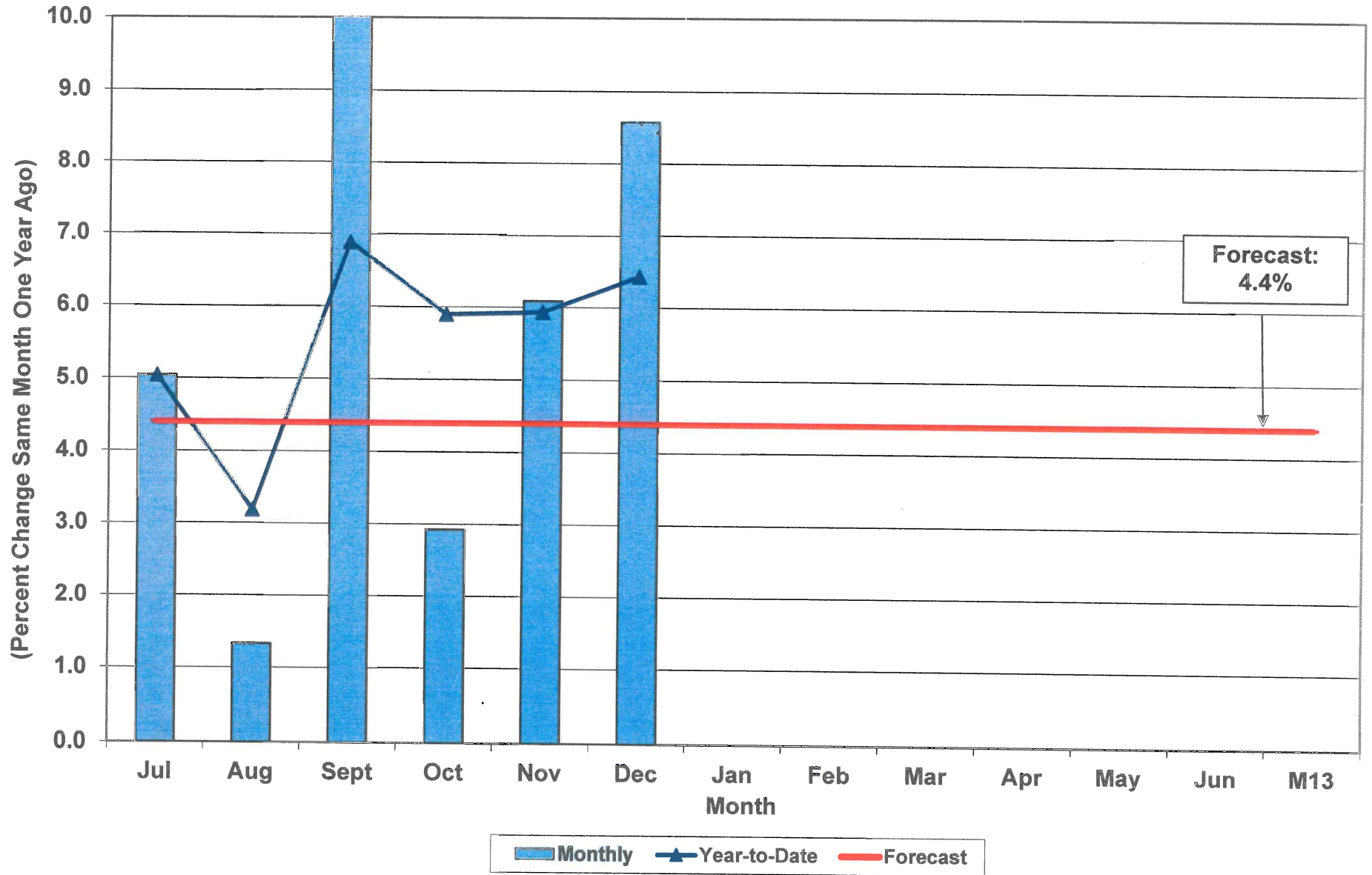
December 2019

Individual Income Tax Revenue

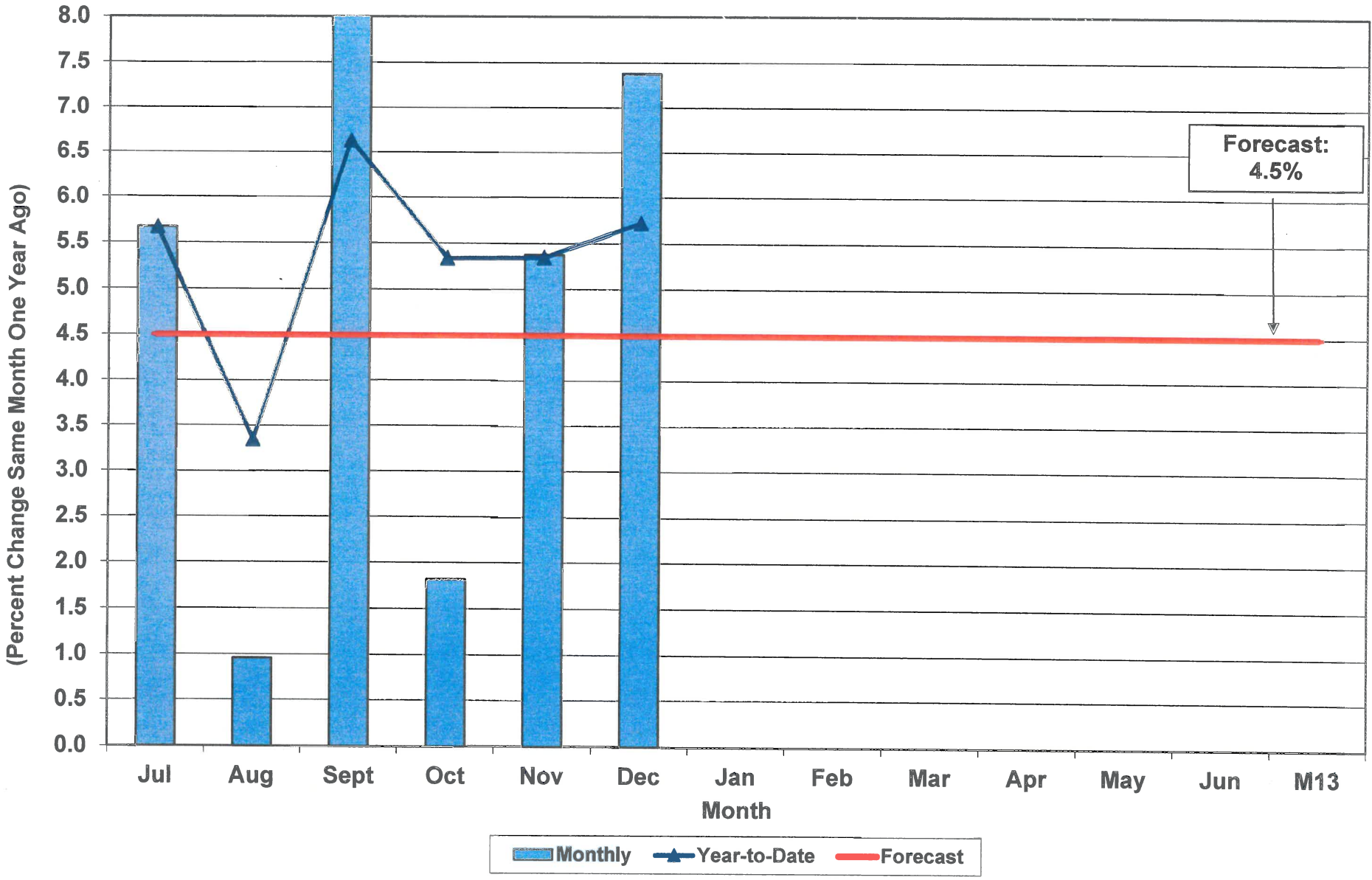
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Individual Income Tax	\$2,921.2	\$2,872.0	\$49.3	4.4	6.4

- Individual Income tax withholding increased \$36.2 million, or 7.4 percent, in December 2019 from December 2018, and has increased 5.7 percent through the first half of FY2020, reflecting the continued employment growth in the state

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



Growth in Individual Income Tax Withholding Revenue FY2020 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/01/16/20



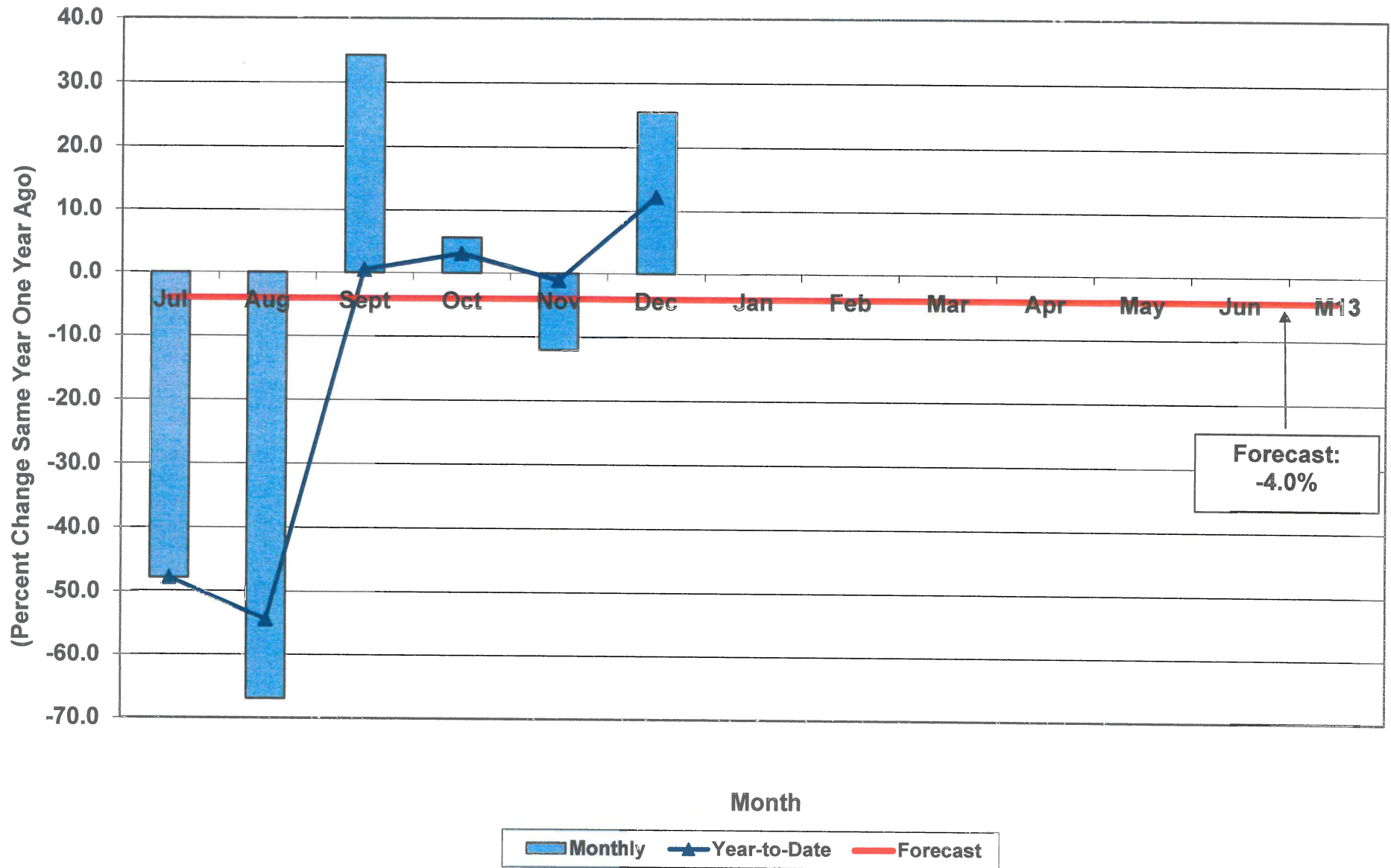
December 2019

Corporate Income Tax Revenue

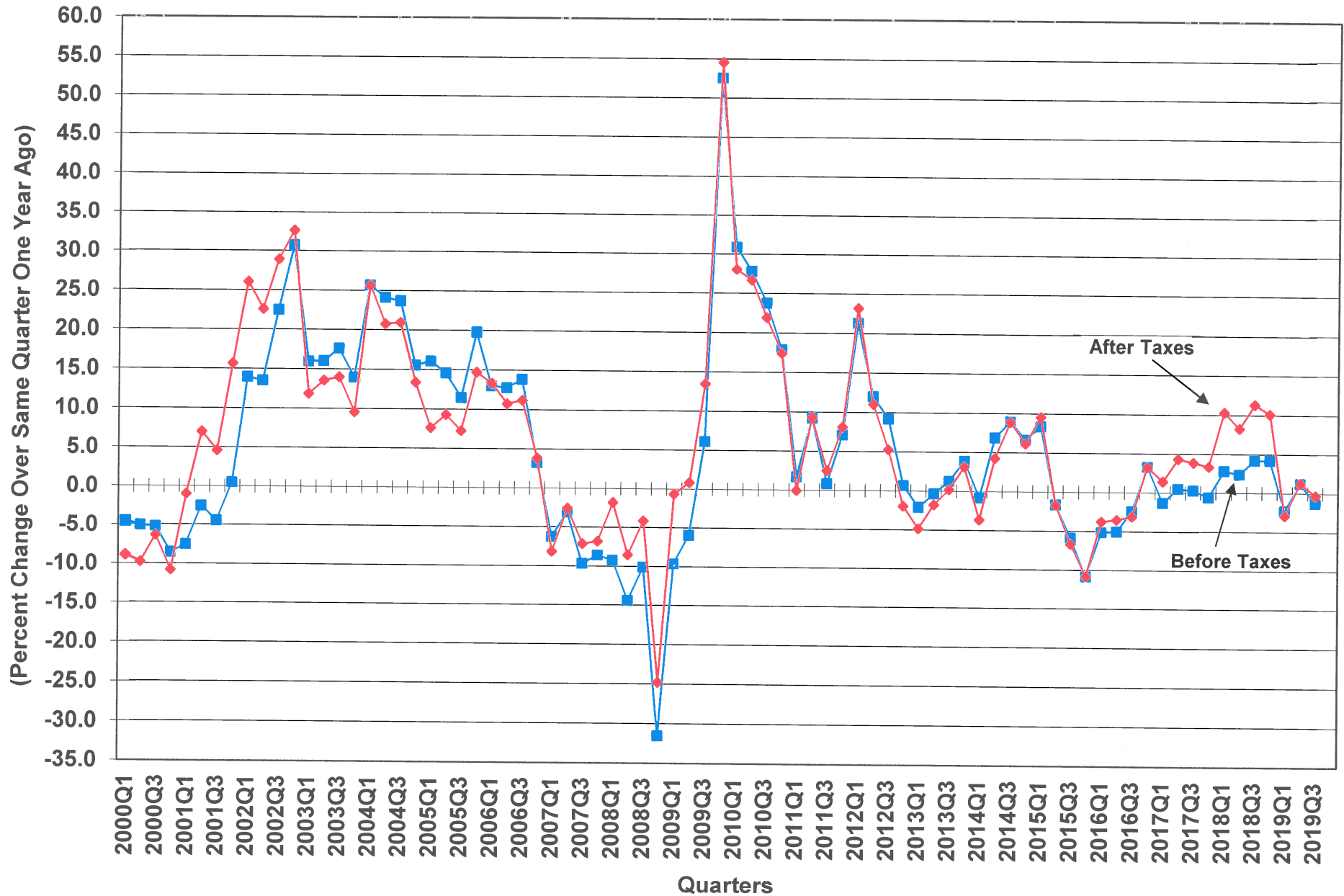
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Corporation Income Tax	\$133.2	\$115.1	\$18.1	(4.0)	12.2

- The Corporate Income tax increased 25.5 percent in December 2019 and has increased 12.2 percent through the first six months in FY2019-20
- The Corporate License tax added \$1.7 million to the overall revenue excess of \$15.1 million in FY2020 in December 2019
- Total revenues for these two categories are \$33.1 million above expectations

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



U.S. Corporate Profits Before and After Taxes



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



December 2019

Other Tax Revenues

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$539.6	\$466.2	\$73.4	1.8	15.1

- Other revenues were largely affected by the timing of revenue receipts
- Security Dealer Fees were booked one month earlier than last fiscal year resulting in nearly \$21.0 million overstating the bottom line



December 2019

- Also, Interest Earnings on state investments posted \$14.4 million in December 2019, or \$8.7 million more than in December 2018
- Other revenues have increased 14.0 percent through the first one-half of FY2020



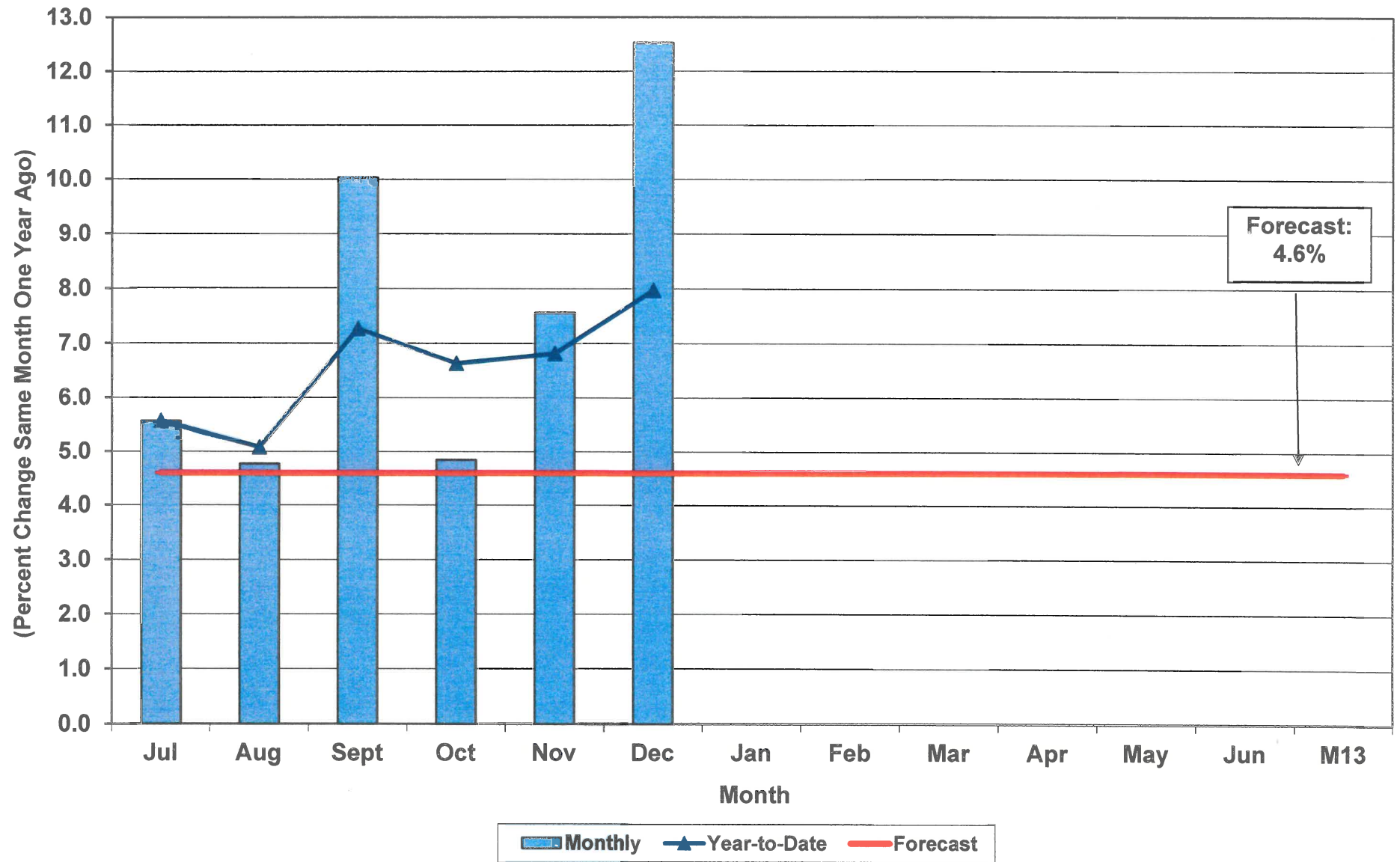
December 2019

Total General Fund Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Total General Fund	\$4,981.8	\$4,828.9	\$152.9	4.6	8.0

- General Fund revenue increased 12.5 percent, or \$117.3 million, during the month of December 2019 from December 2018
- Revenues through December 2019 have grown 8.0 percent, or \$367.5 million year-to-date

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





December 2019

Summary

- General Fund revenue collections through December 2019 amounted to \$4,982.1 million in FY2019-20, or 8.0 percent higher than in FY2018-19
- This year-to-date revenue growth rate exceeds the 4.6 percent growth rate needed to meet the BEA General Fund revenue growth rate for FY2019-20 by \$152.9 million



December 2019

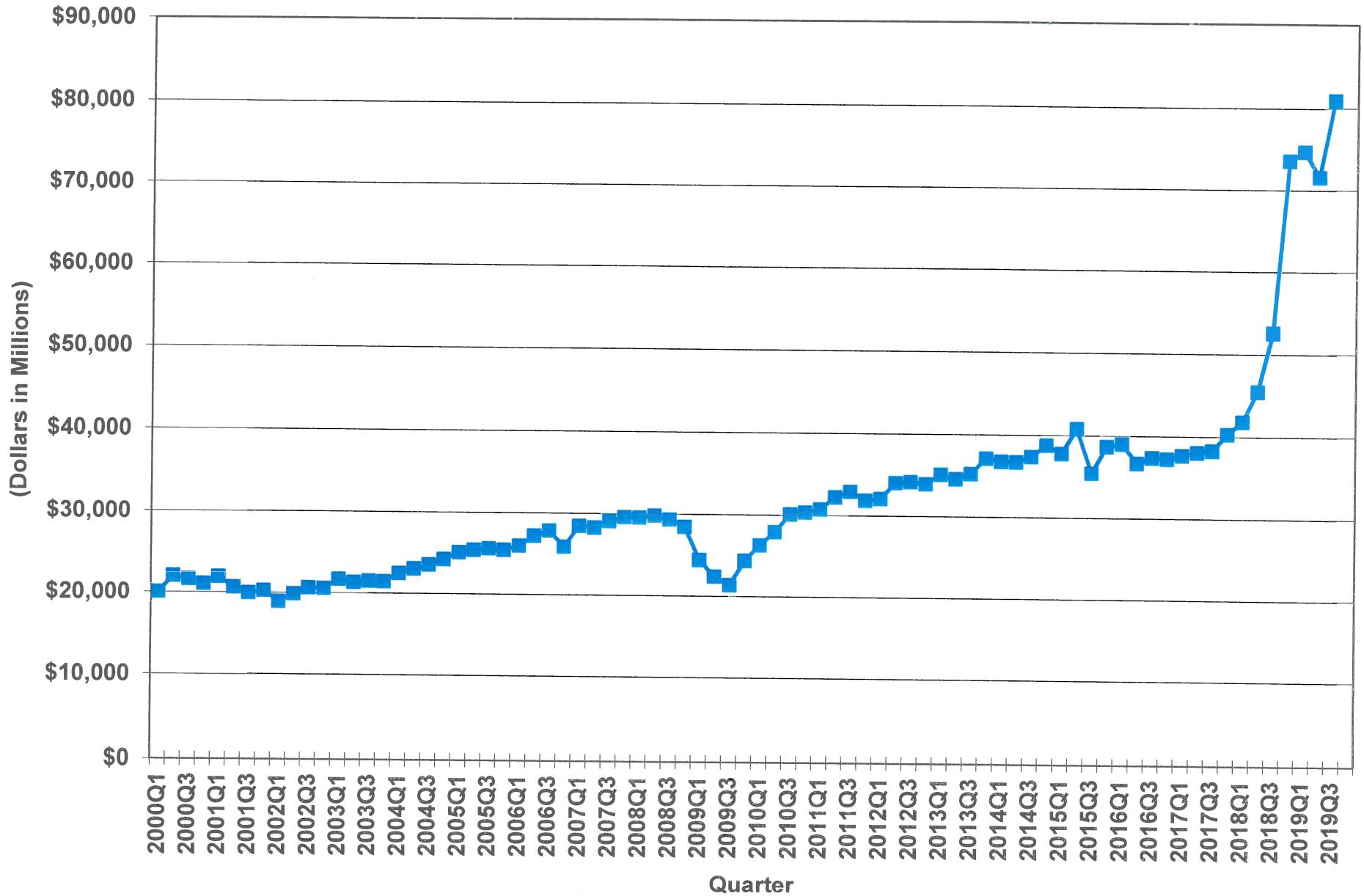
Review of Recent Economic Events

- **China / Tariffs**
 - Growing trade deficit
 - Theft of intellectual property
 - Forced transfer of American technology
 - Phase I to be signed on January 15, 2020

- **Federal Reserve Policy**
 - Interest rates
 - Yield curve spread

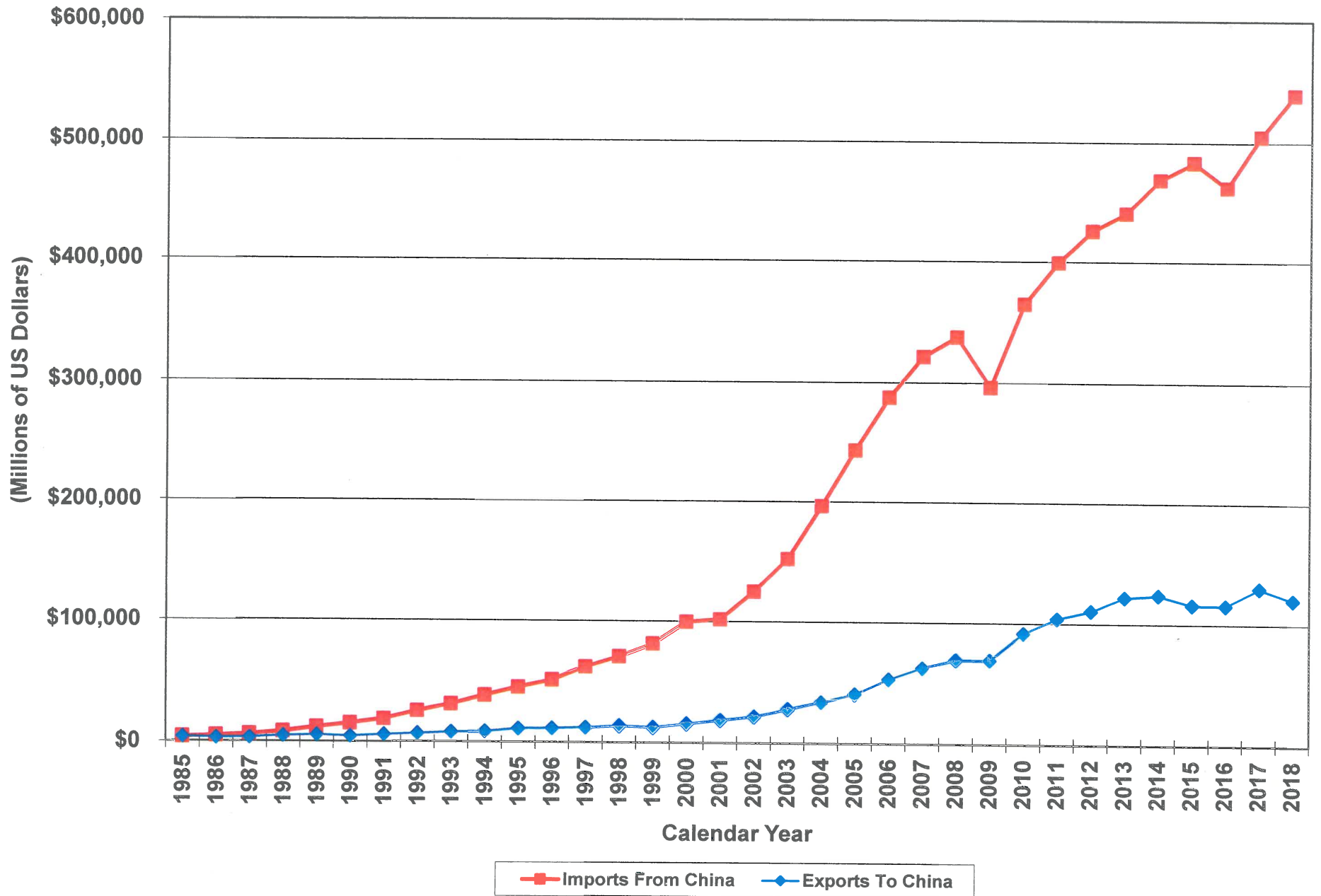
- **Foreign Conflict**
 - Impact on Energy Prices
 - Impact on Commodity Prices

Customs Duties / Tariffs Revenue in the United States



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

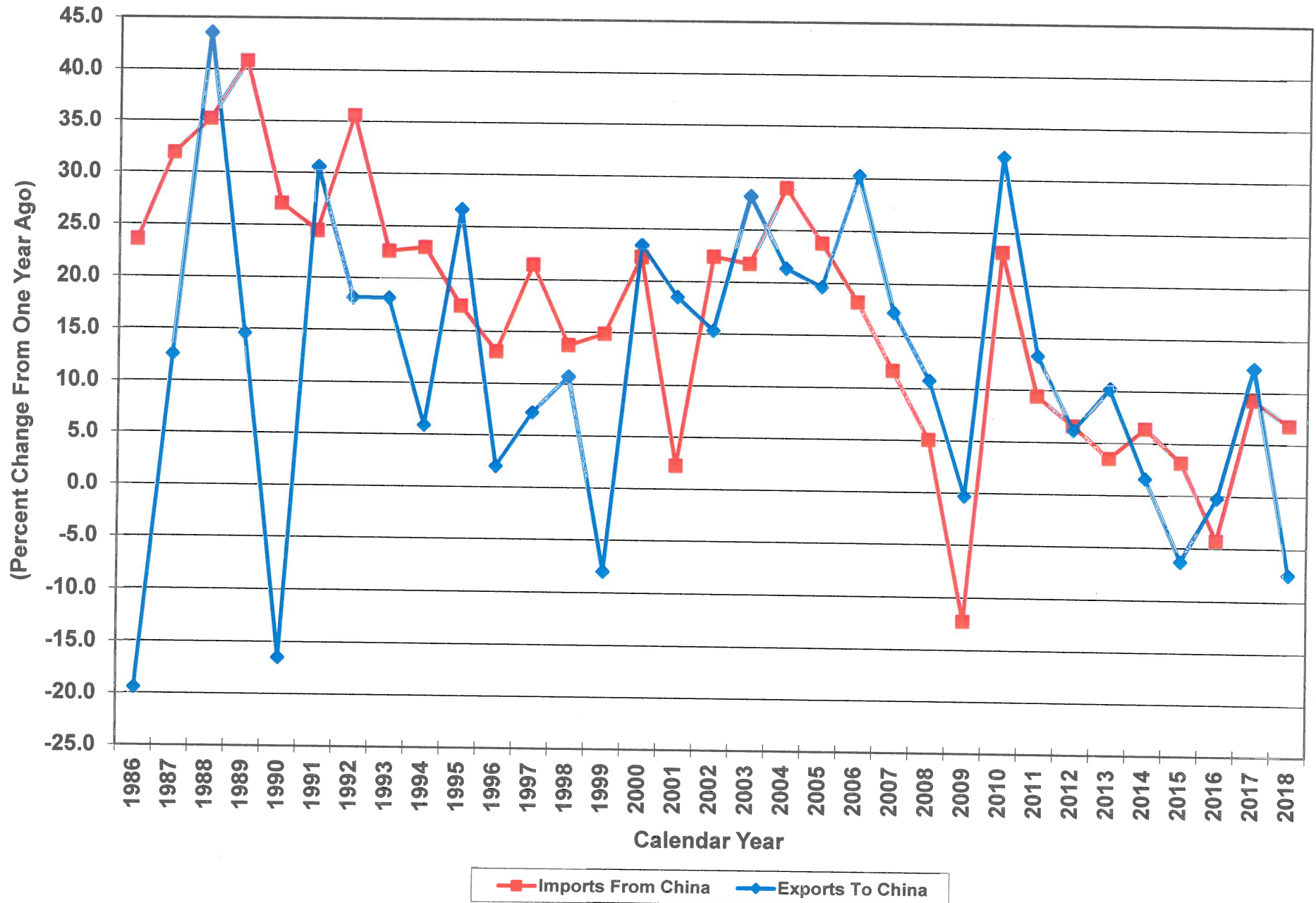
U.S. Trade in Goods with China



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

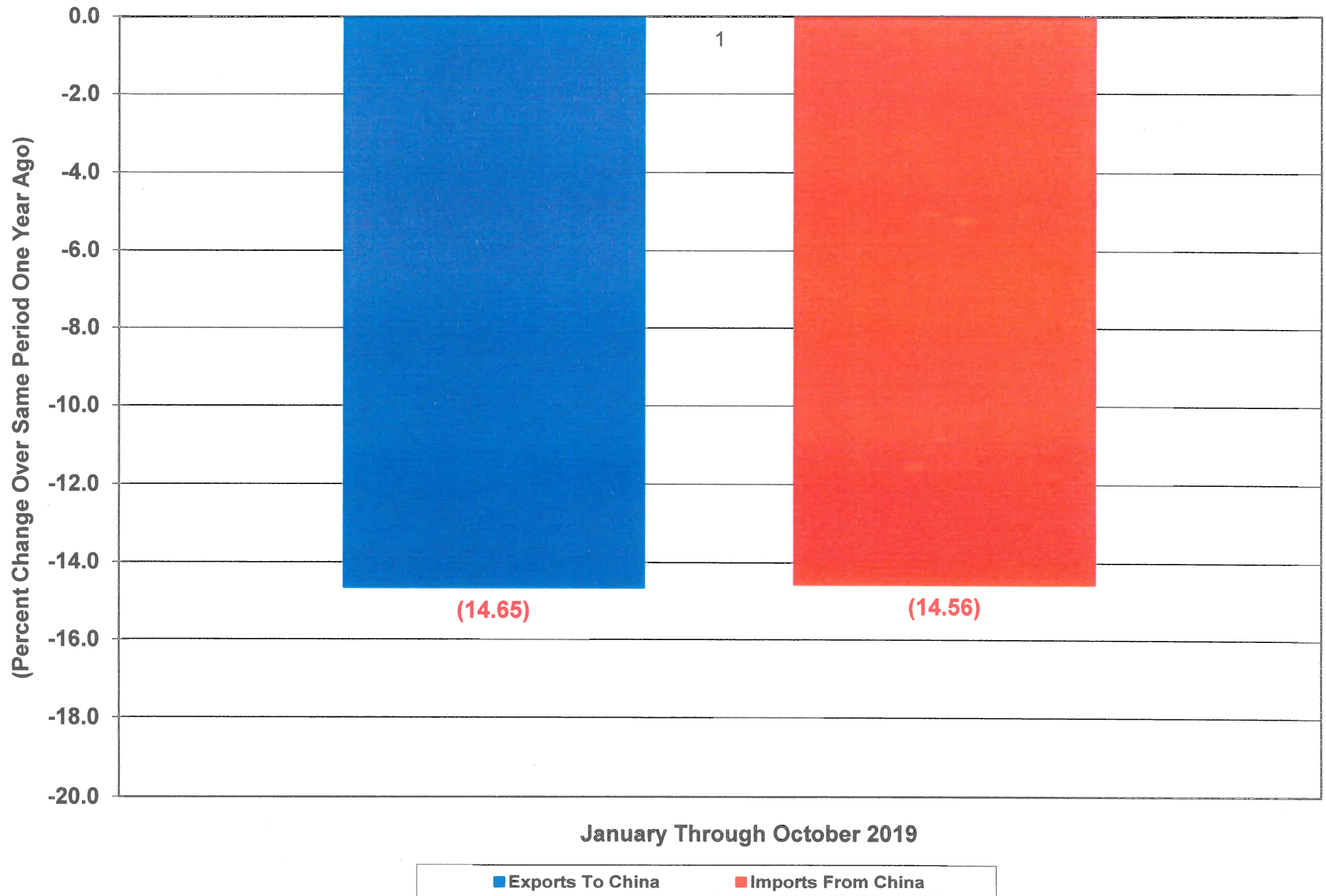
S.C. Board of Economic Advisors

Growth in U.S. Trade with China

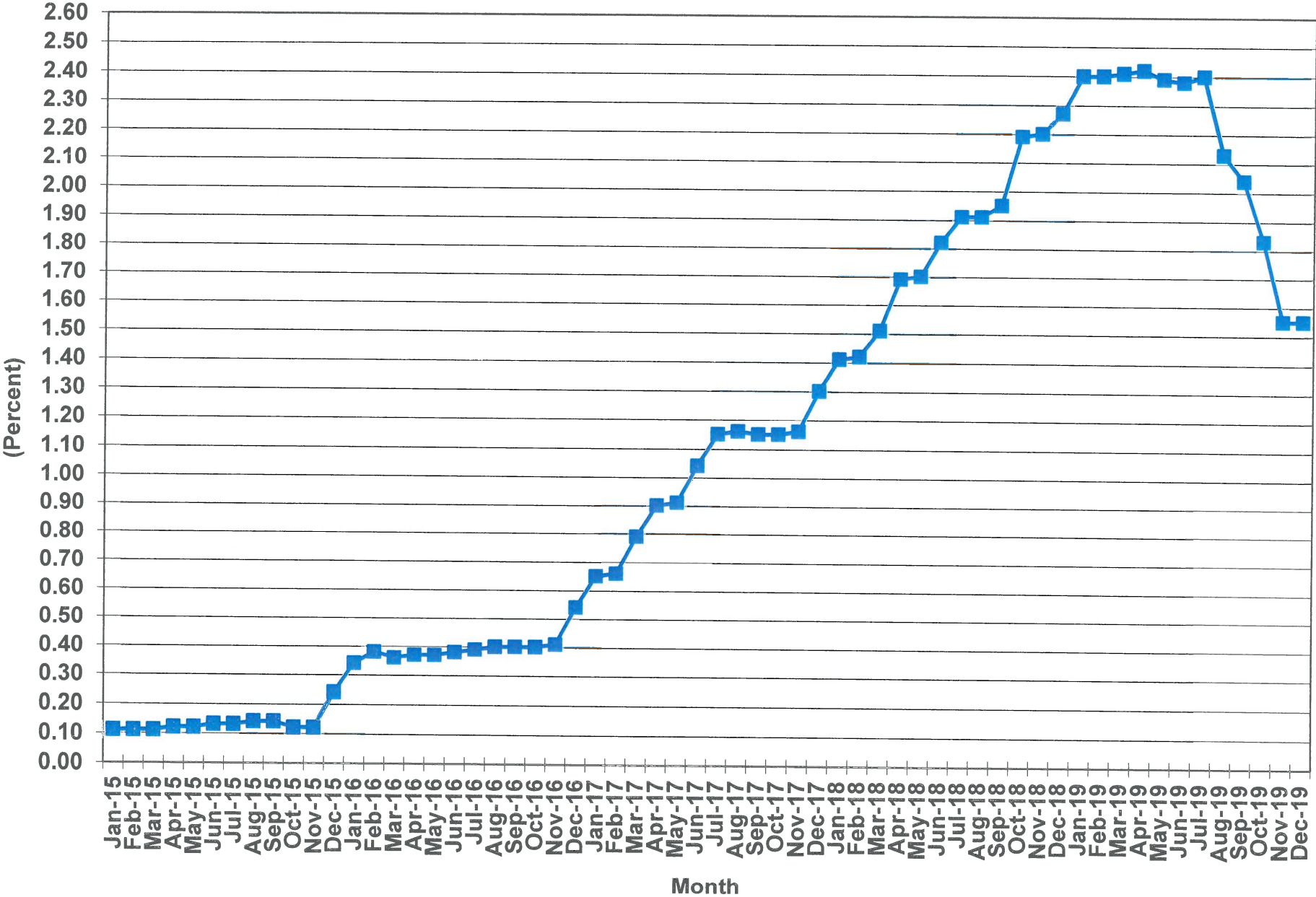


Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

Growth in U.S. Trade with China

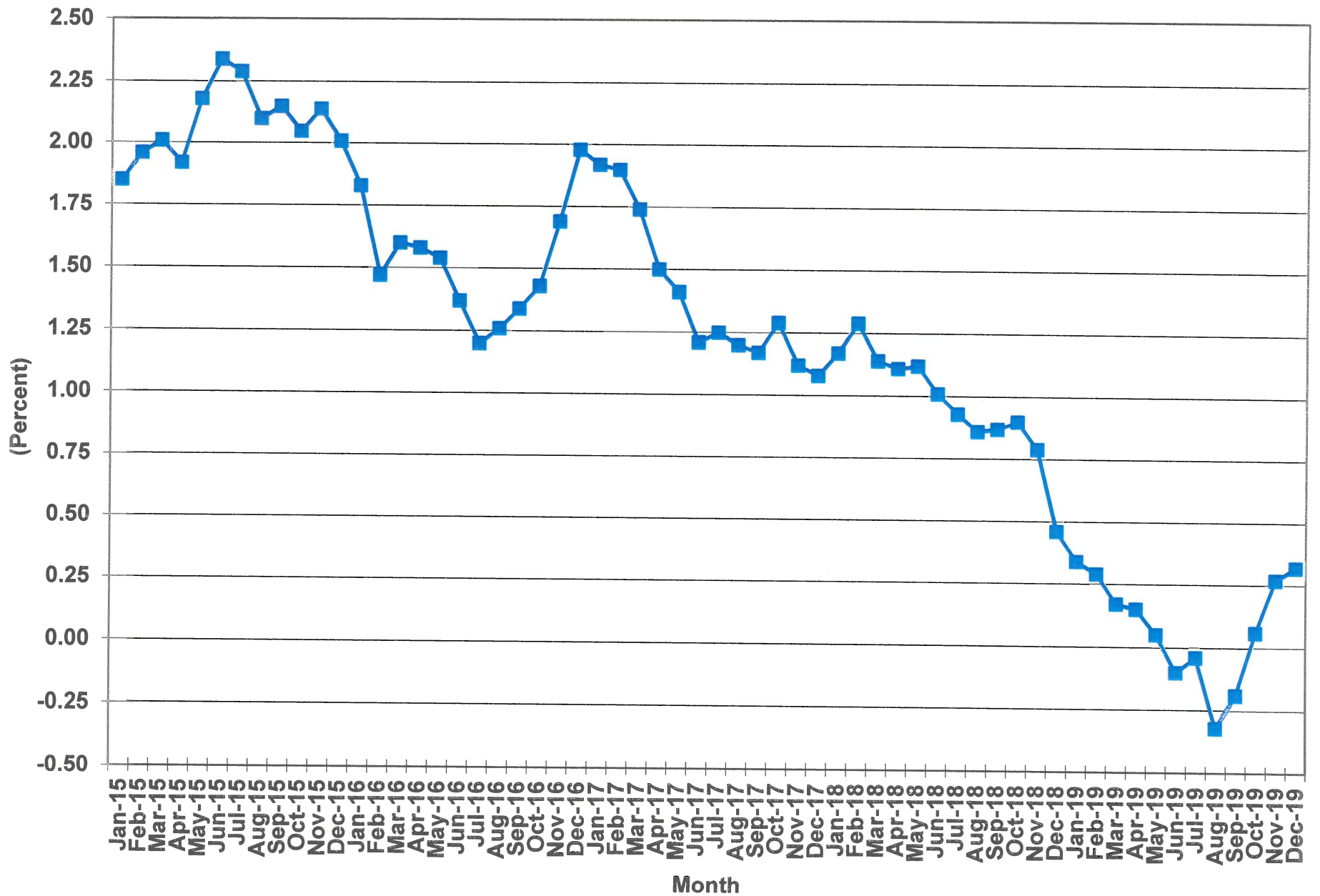


Federal Funds Rate

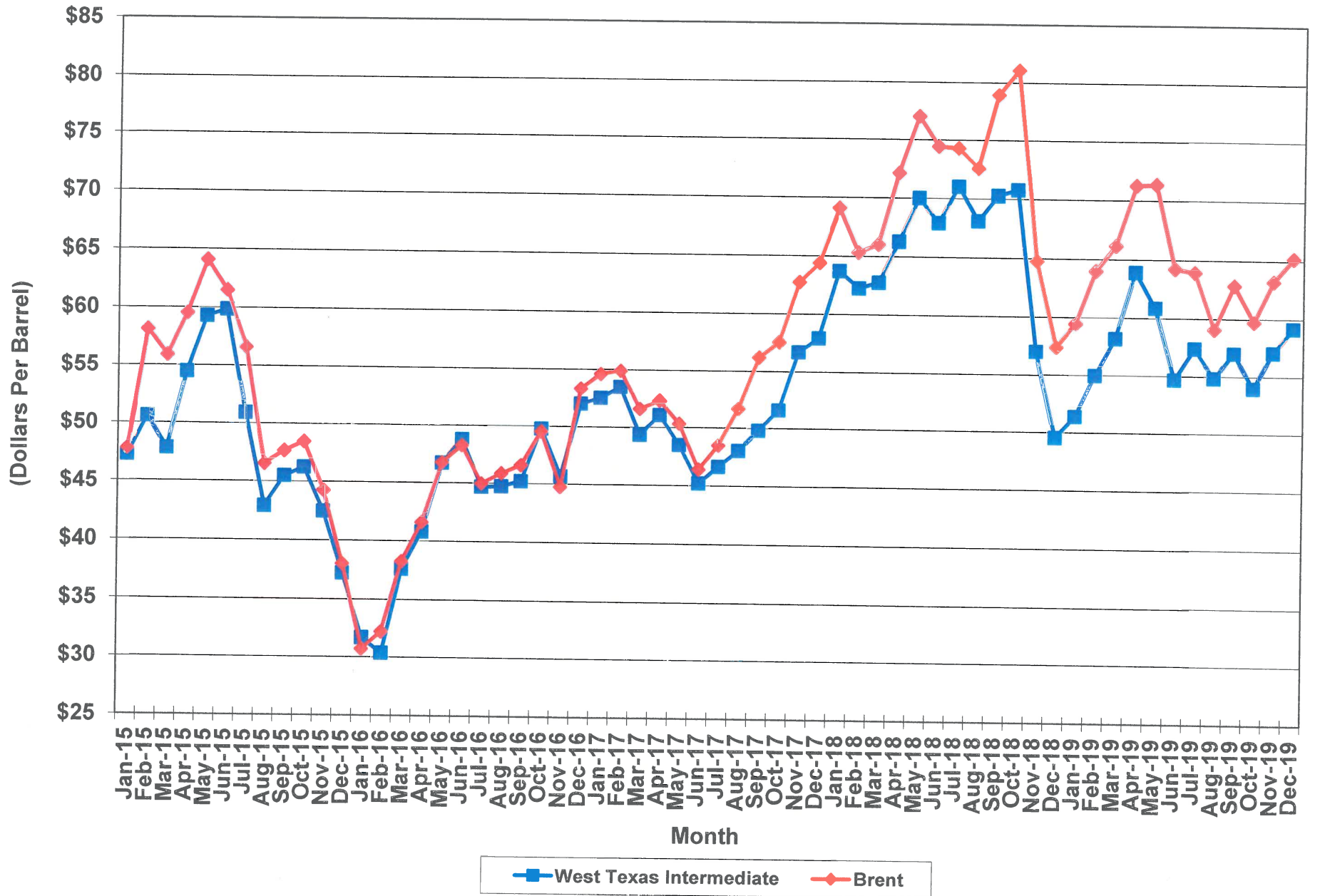


Source: The Board of Governors of the Federal Reserve System

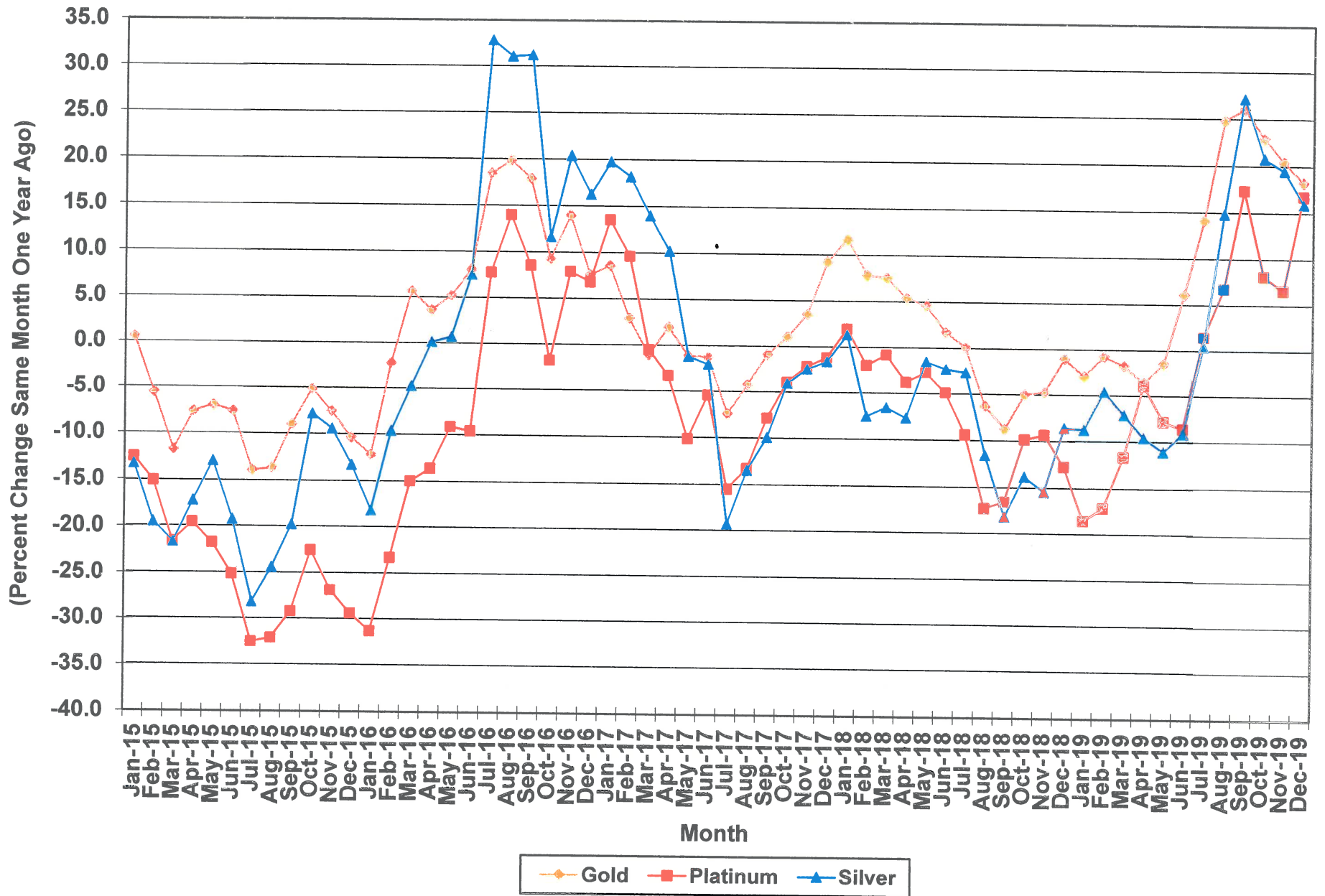
Interest Rate Spread Between 10-Year Bond & 3-Month Bill



Spot Crude Oil Prices

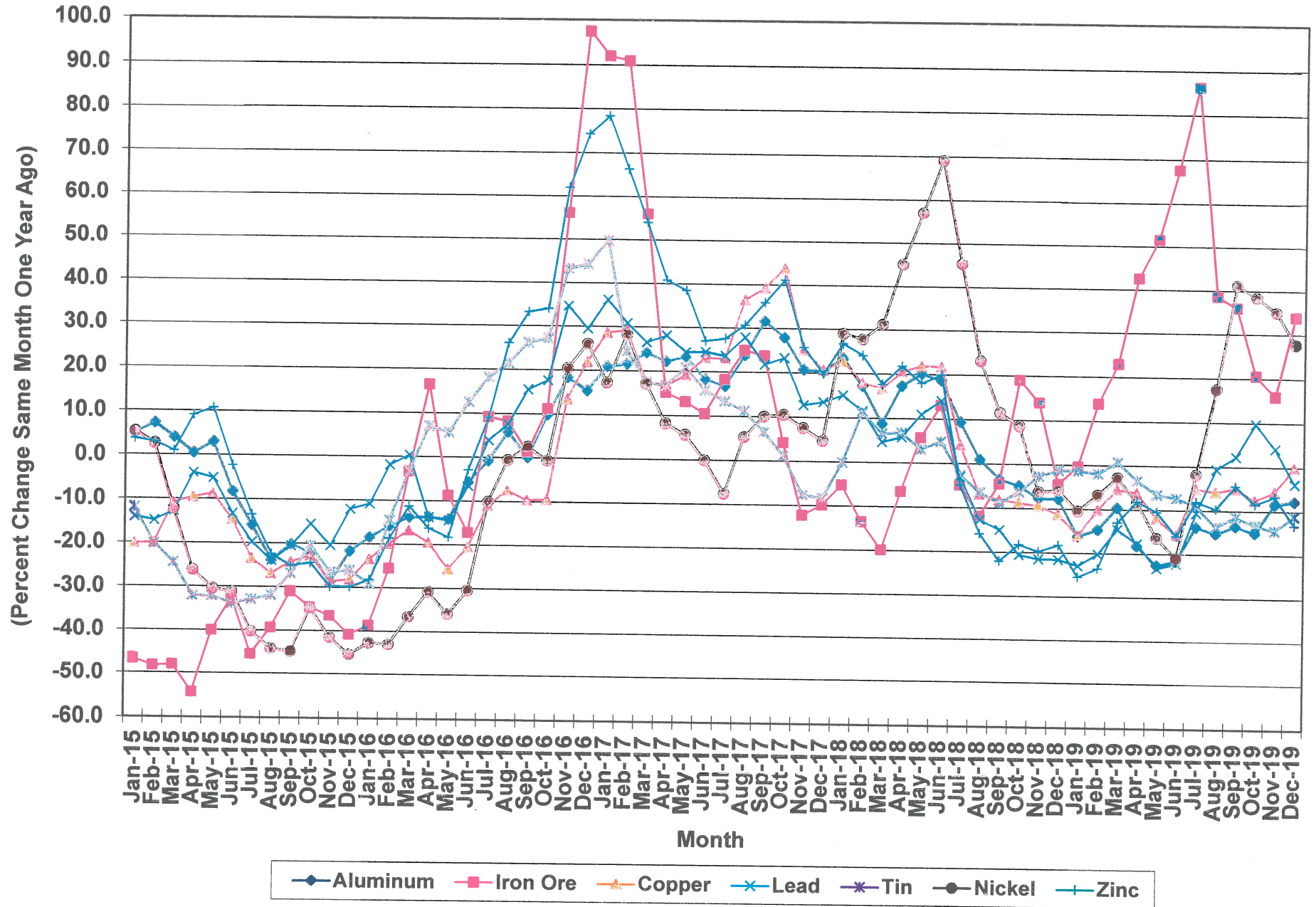


Growth in Precious Metals Prices



Source: The Chicago Mercantile Exchange

Growth in Industrial Metals Prices

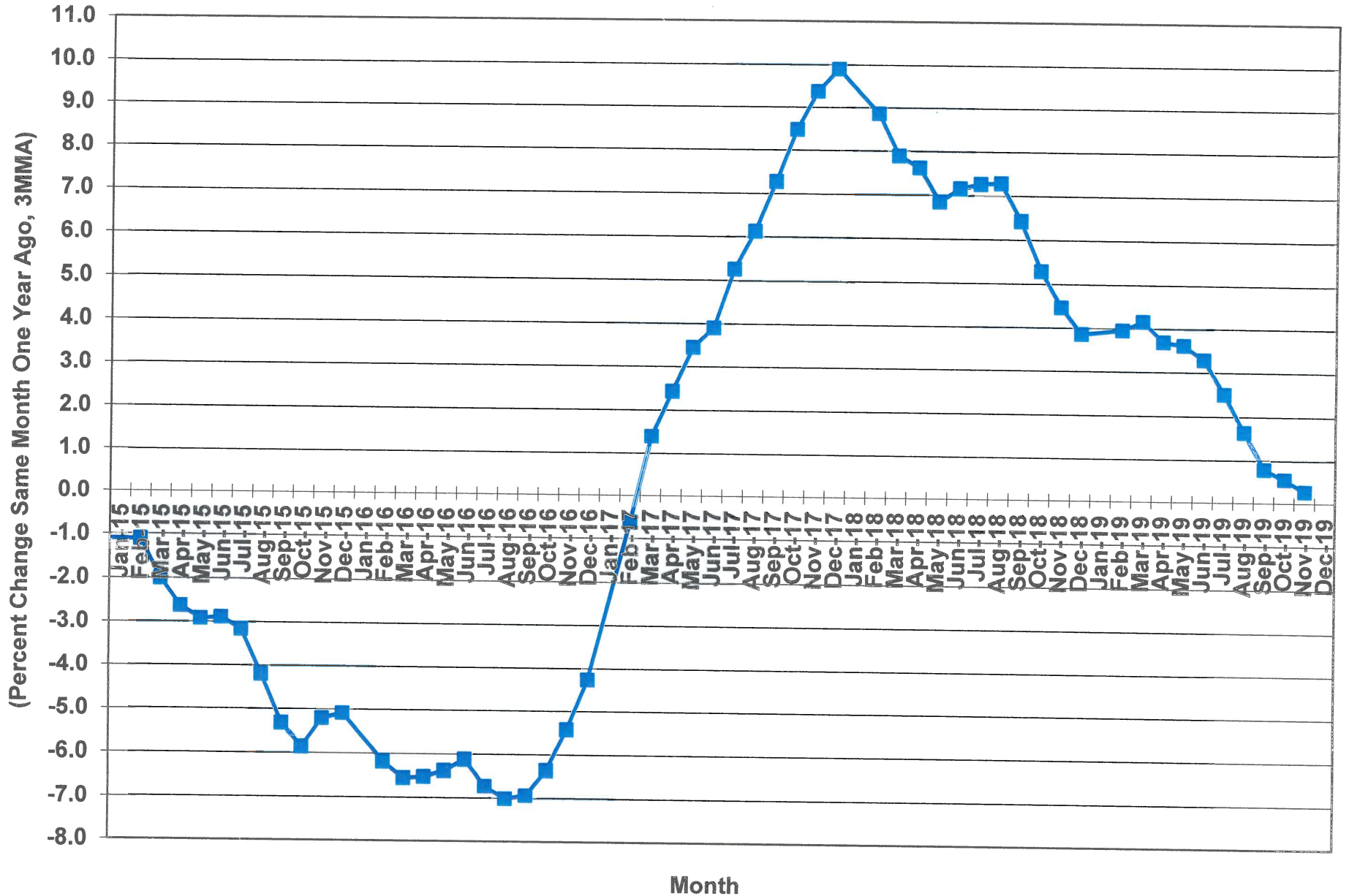


Source: The Chicago Mercantile Exchange

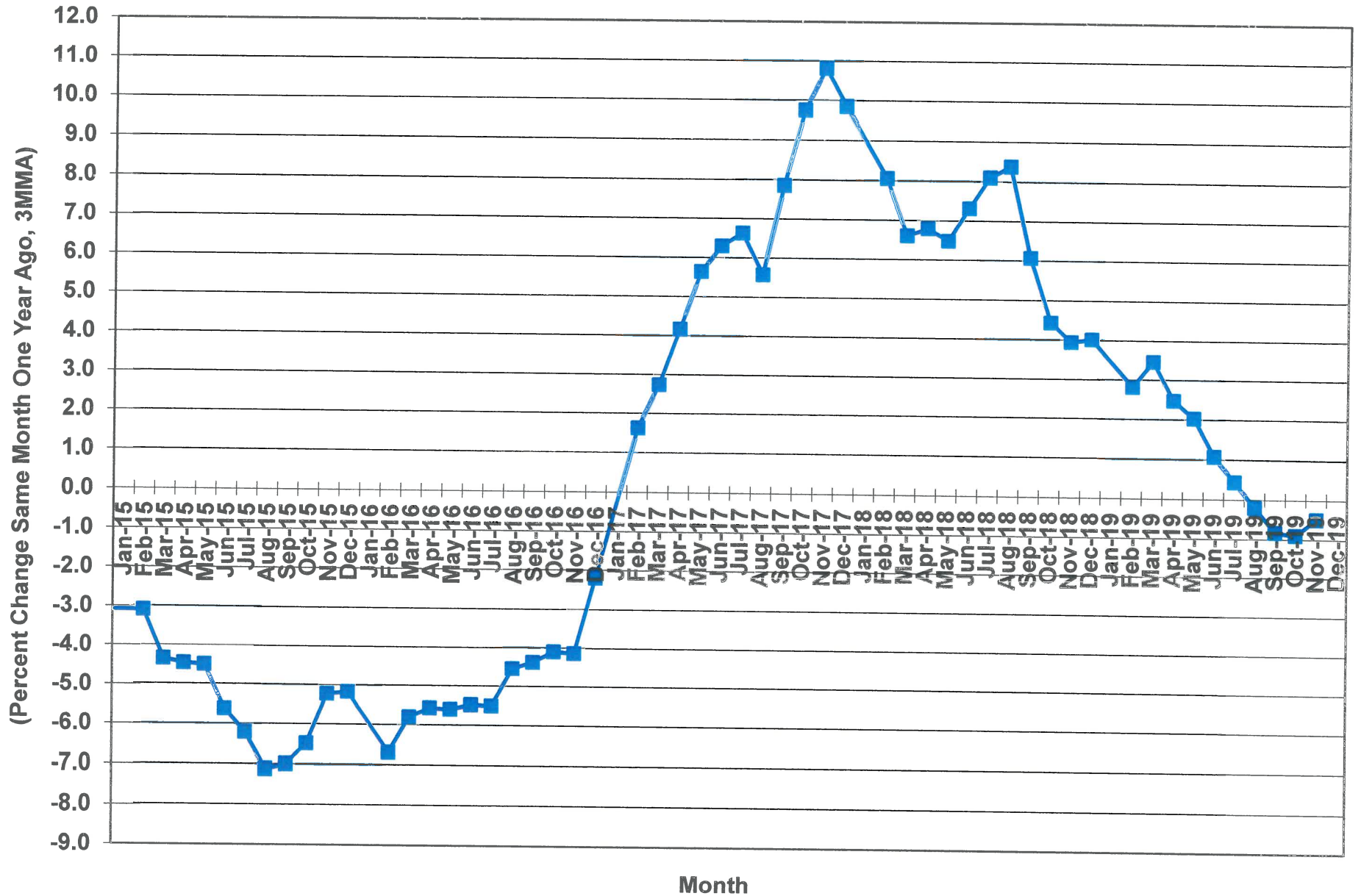
APPENDIX



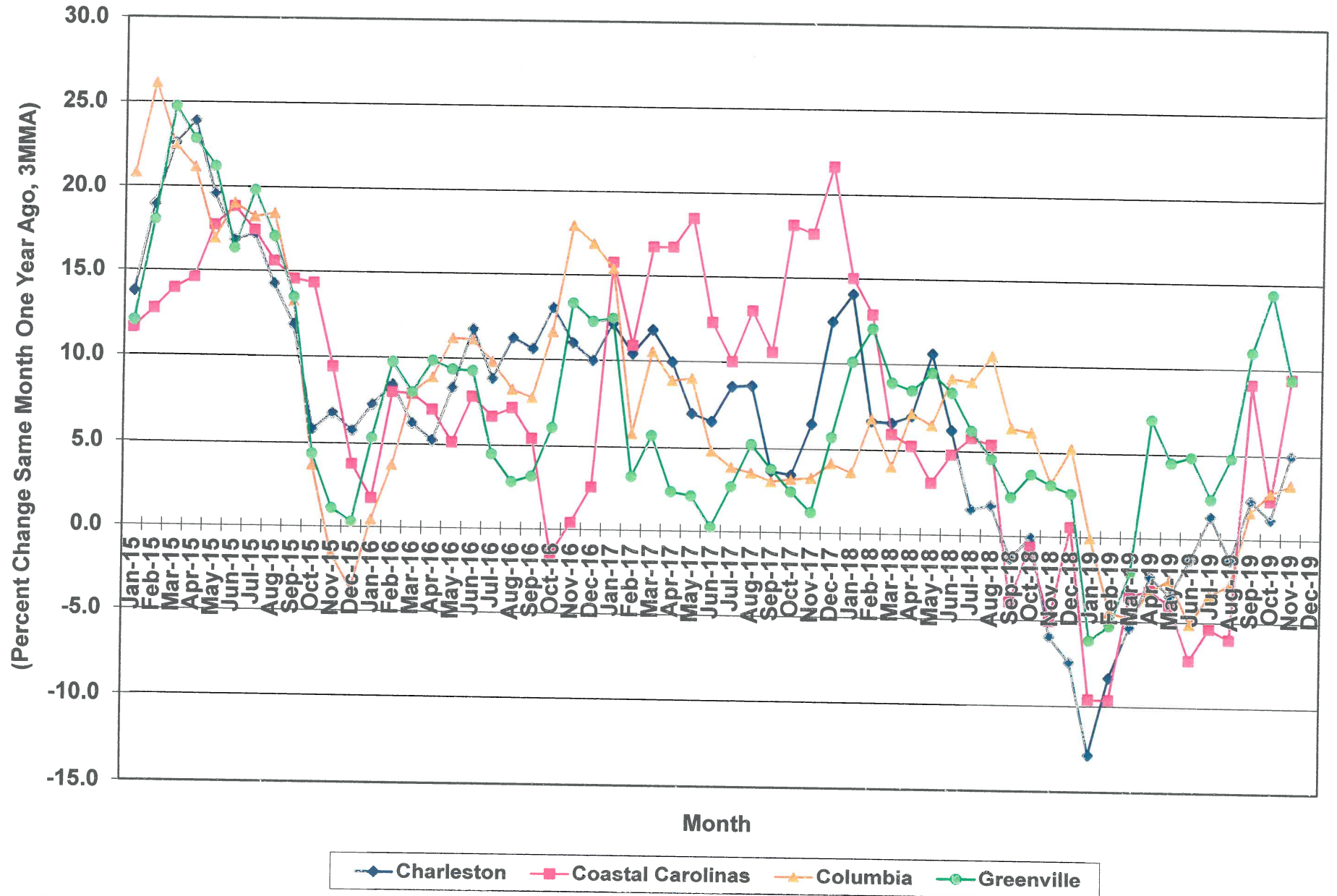
Growth in Total Manufacturer's Shipments of Nondefense Capital Goods Excluding Aircraft in the U.S.



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

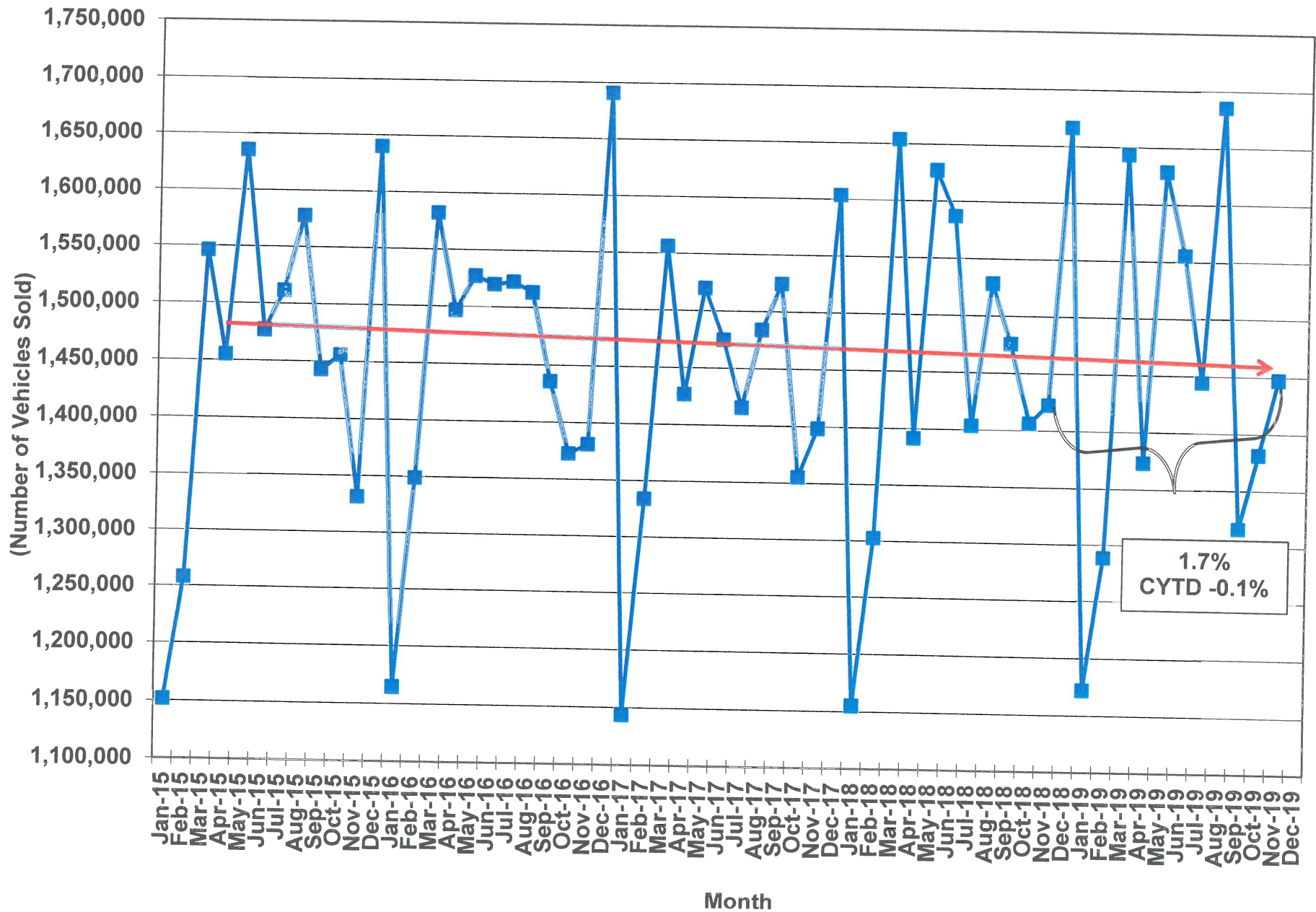


Growth in Homes Sold in Selected Housing Markets in South Carolina



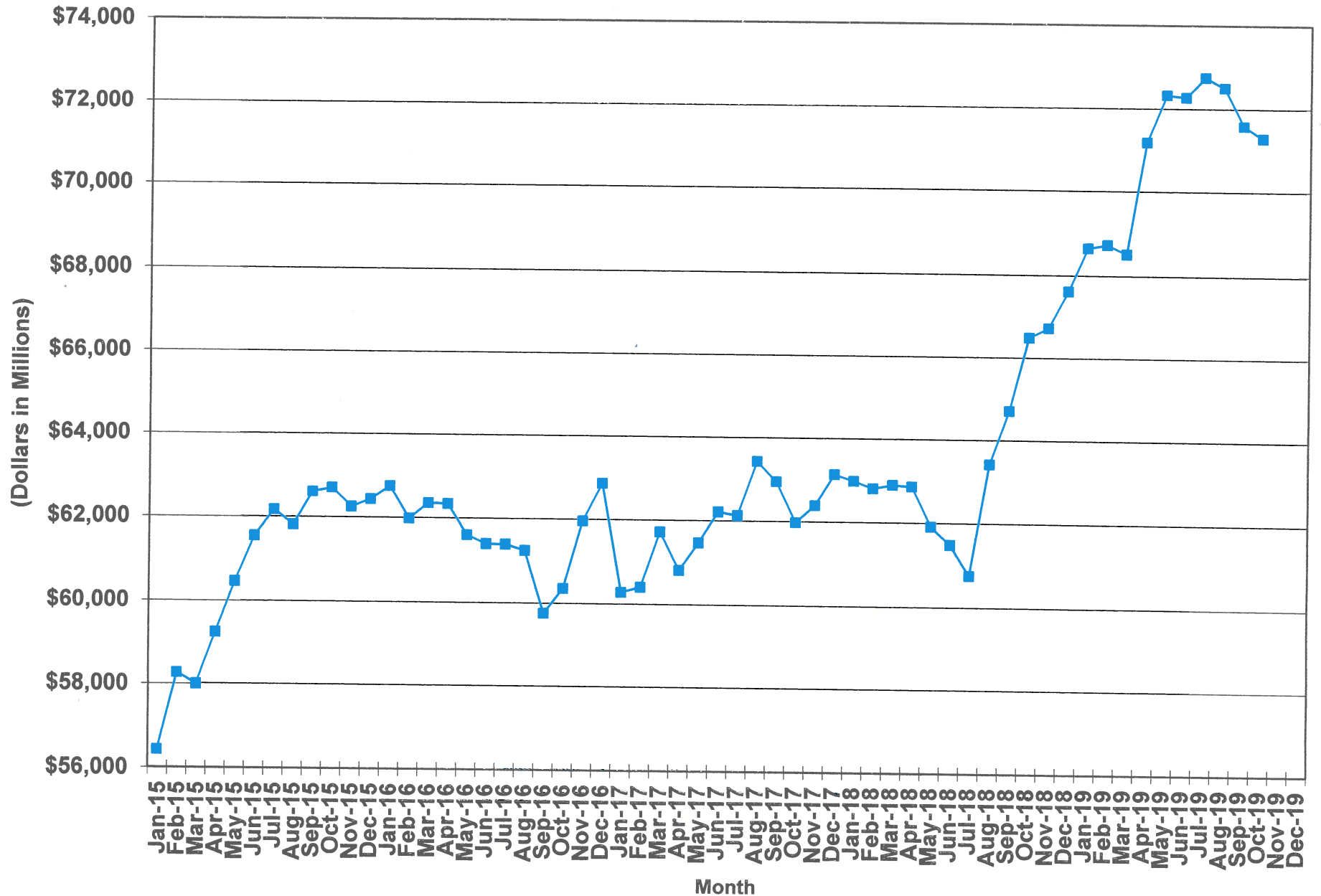
Source: S.C. Association of Realtors, Columbia, SC

Total Light Vehicle Sales in the United States



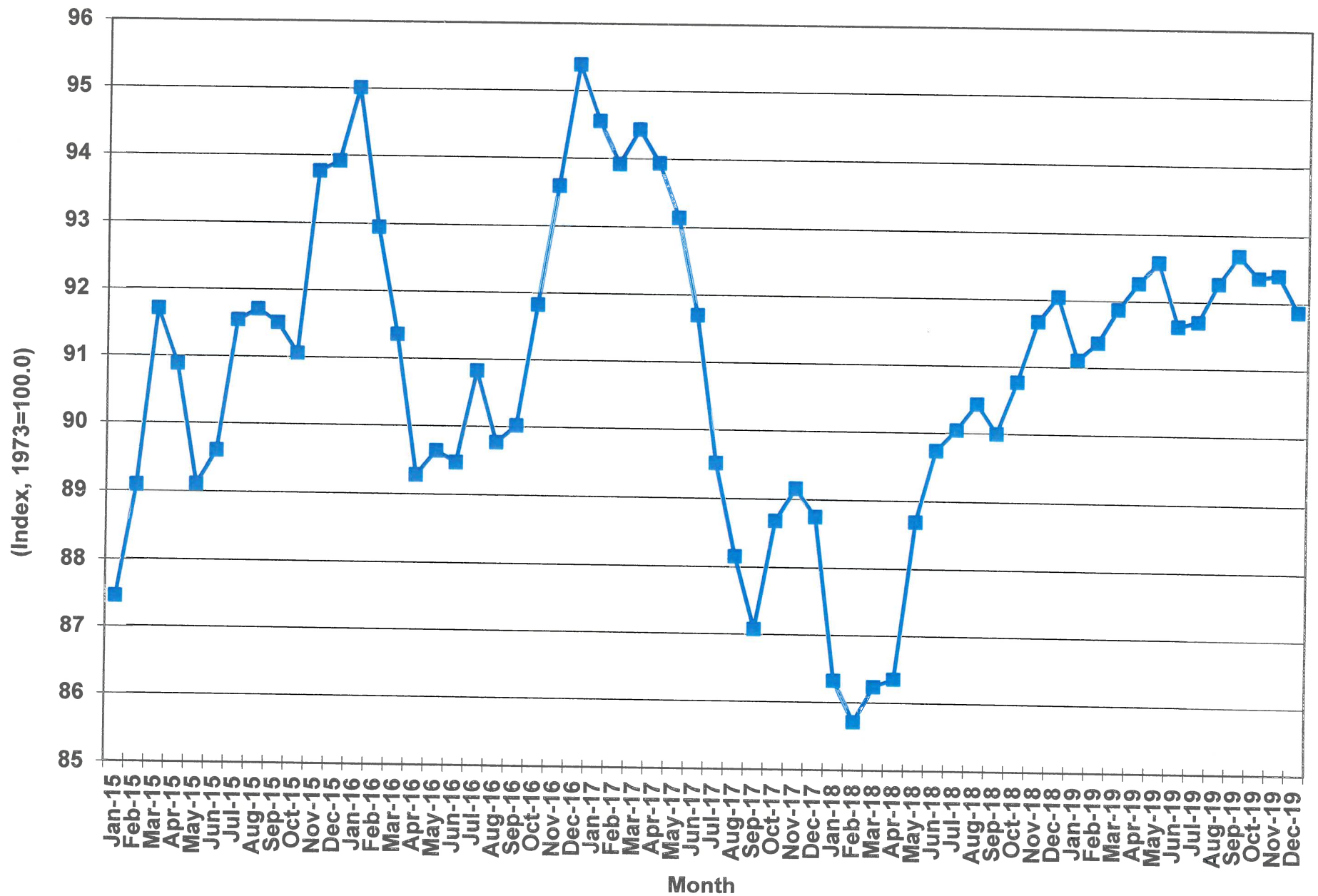
Source: U.S. Department of Labor, Bureau of Labor Statistics

Automotive Inventories in the United States



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

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



OTHER BUSINESS



REPORTS FROM WORKING GROUP

January 16, 2020



South Carolina Revenue and Fiscal Affairs Office

FUTURE MEETING SCHEDULE

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- F. 2020 Calendar at <http://rfa.sc.gov/meetings?y=2020>