



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

April 9, 2020, 1:30 P.M.

**Via Teleconference - GoToMeeting**

**Dial in using your phone.**

United States: [+1 \(872\) 240-3212](tel:+18722403212)

**Access Code:** 956-179-349

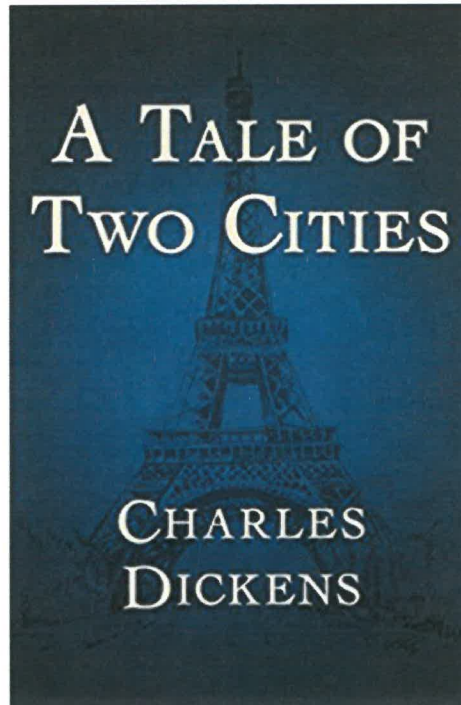
- I. Welcome
- II. Review of Revenues and Budget Status
  - A. Review of Third Quarter Revenue Results §11-9-1140 and Budget Status (F. Rainwater)
- III. Consideration of FY 2019-20 and FY 2020-21 Revenue Estimates §11-9-1130
  - A. Overview of Issues and Assumptions (F. Rainwater)
  - B. Review of Forecast and Adjustments (R. Martin)
  - C. Discussion and Adoption of FY 2019-20 and FY 2020-21 Estimates (F. Rainwater, R. Martin)
  - D. Impact on Budget and Other Funds (F. Rainwater)
- IV. Other Matters for Consideration
- V. Future Meeting Schedule
  - A. May 14, 2020, 1:30pm
  - B. June 11, 2020, 1:30pm – Economic and Revenue Update
  - C. July 23, 2020, 1:30pm - **If necessary**, *GoToMeeting* for Members
  - D. 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](http://www.rfa.sc.gov)



*South Carolina Revenue and Fiscal Affairs Office*



“It was the best of times, it was the worst of times, ...”

# REVIEW OF REVENUES AND BUDGET STATUS

*April 9, 2020*



*South Carolina Revenue and Fiscal Affairs Office*

# Review of Third Quarter Results (§11-9-1140)

## FY 2019-20 July - March

Revenues through the third quarter of FY 2019-20 totaled \$6,761.4 million and *exceeded* the quarterly estimate of \$6,634.3 million by \$127.1 million.

Although current collections for General Fund Revenue are above the February forecast, and the forecast is \$567 million above the General Fund Budget, the impact of COVID-19 will reduce the estimated surplus for FY 2019-20 and the revenue growth for FY 2020-21.



Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 2/13/20 BEA Revenue Estimate of \$9,898.2 Million in FY 2019-20 1/

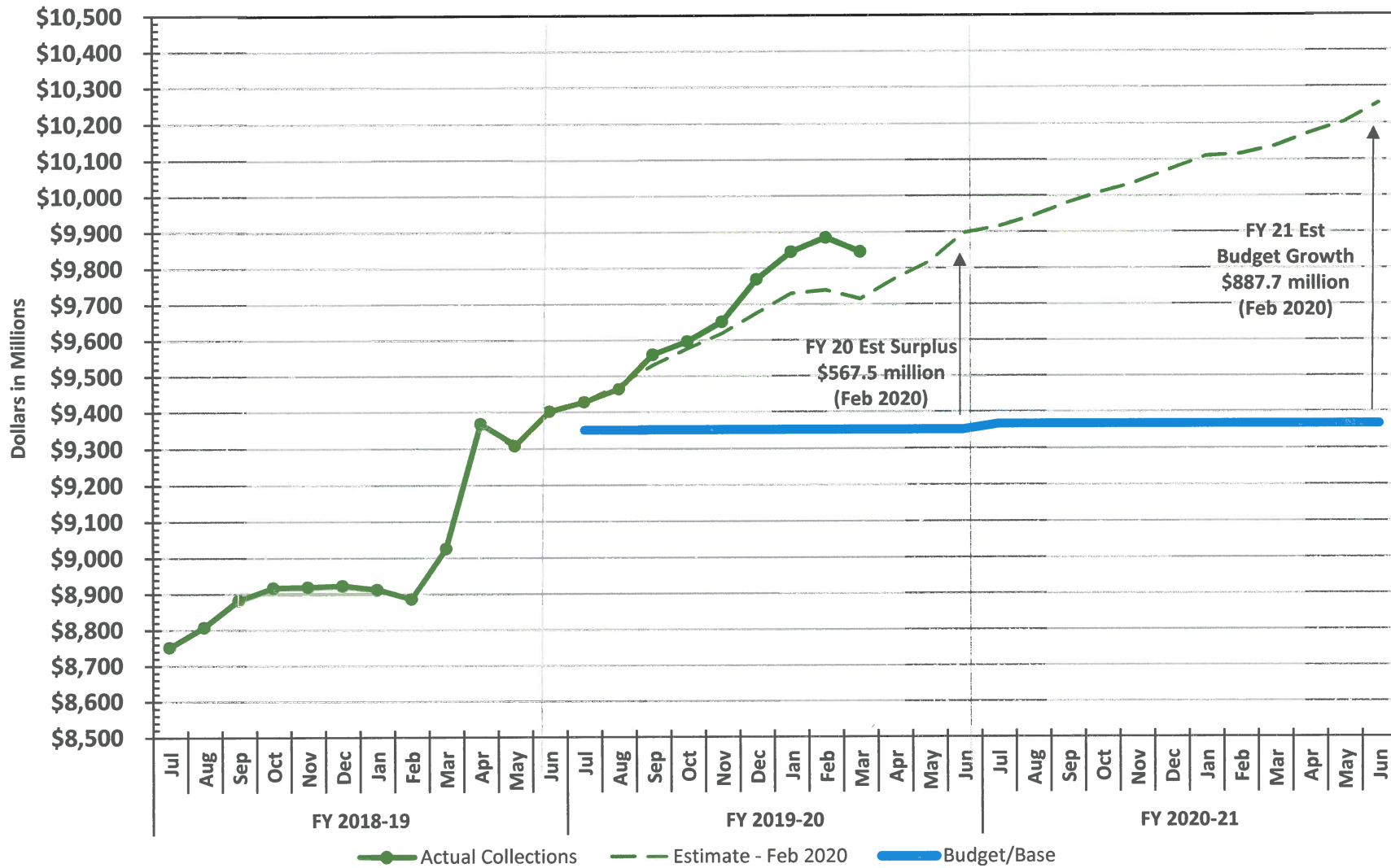
|                                       | JULY - MARCH FY 2019-20 |                      |                         | Revenue Growth Rates (%)    |                       |
|---------------------------------------|-------------------------|----------------------|-------------------------|-----------------------------|-----------------------|
|                                       | (\$ in Millions)        |                      |                         | Estimate<br>Full Fiscal Yr. | Actual<br>Yr. to Date |
|                                       | Actual<br>Revenues      | Expected<br>Revenues | Excess /<br>(Shortfall) |                             |                       |
| <b>Total General Fund Revenue</b>     | <b>6,761.4</b>          | <b>6,634.3</b>       | <b>127.1</b>            | <b>5.3</b>                  | <b>7.0</b>            |
| Sales Tax                             | 2,191.4                 | 2,185.1              | 6.2                     | 7.3                         | 7.6                   |
| Individual Income Tax                 | 3,527.3                 | 3,502.1              | 25.2                    | 4.8                         | 5.3                   |
| Corporate Income Tax                  | 247.4                   | 218.5                | 28.9                    | (0.0)                       | 13.0                  |
| Other Revenue Sources                 | 795.2                   | 728.5                | 66.8                    | 3.8                         | 11.9                  |
| <b>Select Tax Revenues, Sub-Total</b> | <b>677.3</b>            | <b>624.2</b>         | <b>53.1</b>             | <b>4.0</b>                  | <b>11.2</b>           |
| Admissions Tax - Total                | 17.0                    | 15.3                 | 1.8                     | 2.7                         | 14.6                  |
| Alcoholic Liquors Tax                 | 53.6                    | 54.7                 | (1.1)                   | 4.7                         | 2.6                   |
| Bank Tax                              | 57.8                    | 34.2                 | 23.6                    | 23.8                        | 109.1                 |
| Beer and Wine Tax                     | 73.3                    | 72.7                 | 0.5                     | 1.5                         | 2.3                   |
| Corporation License Tax               | 122.4                   | 112.2                | 10.1                    | 3.1                         | 12.4                  |
| Documentary Tax                       | 55.9                    | 54.1                 | 1.9                     | 6.4                         | 10.0                  |
| Earnings on Investments               | 93.8                    | 71.5                 | 22.3                    | 14.3                        | 49.9                  |
| Insurance Tax                         | 185.7                   | 189.9                | (4.2)                   | (3.7)                       | (7.8)                 |
| Tobacco Tax                           | 17.7                    | 18.7                 | (1.1)                   | (1.1)                       | (6.7)                 |
| <b>Residual Revenue, Sub-Total 2/</b> | <b>118.0</b>            | <b>104.3</b>         | <b>13.7</b>             | <b>2.4</b>                  | <b>15.8</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.

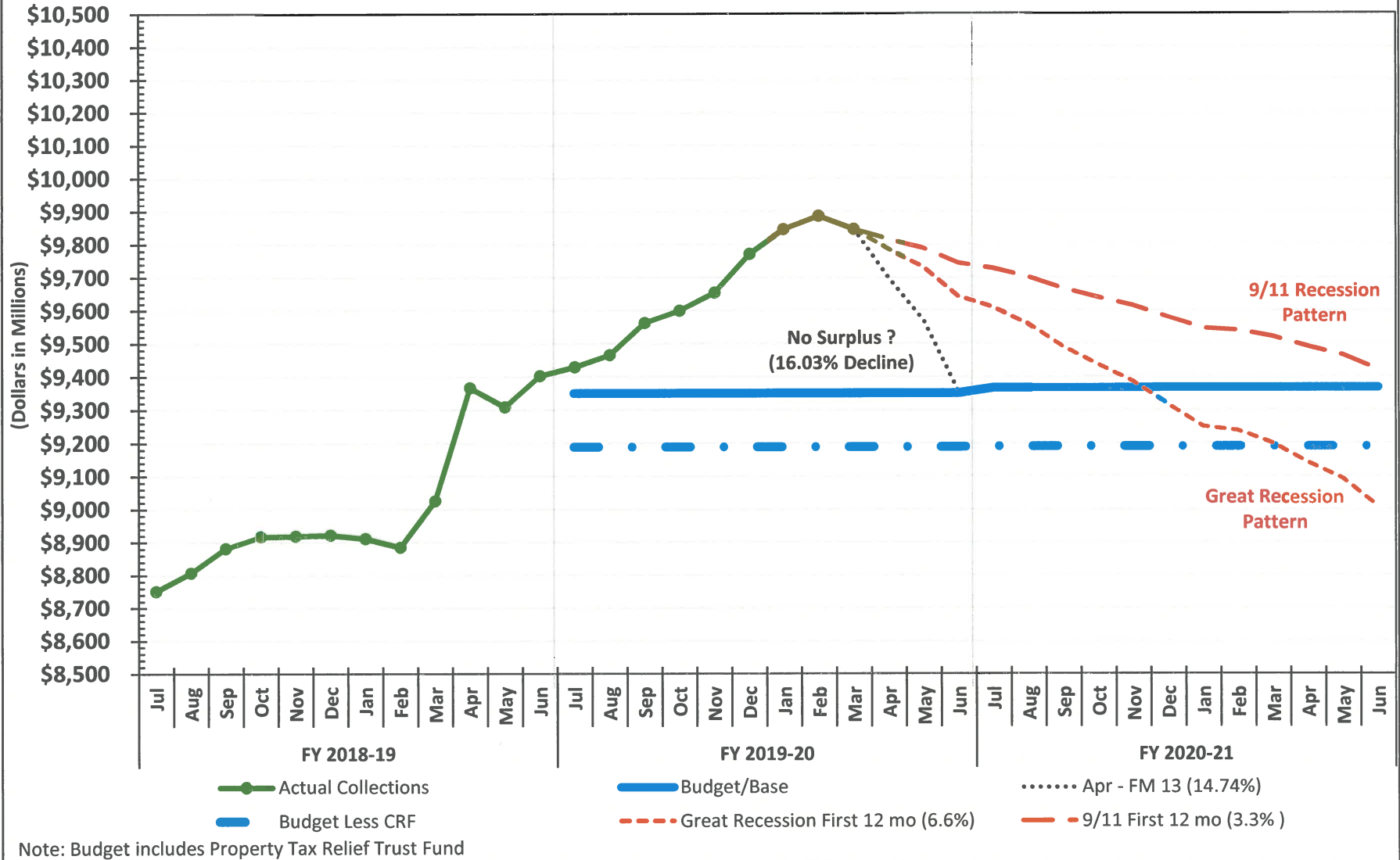
Note: Detail may not sum to total due to independent rounding of individual revenue categories.

## ROLLING FISCAL YEAR ACTUAL AND ESTIMATED GENERAL FUND REVENUE VS FY 20 BUDGET/FY 21 BASE BUDGET



Note: Budget includes Property Tax Relief Trust Fund

## ROLLING FISCAL YEAR ACTUAL AND ESTIMATED GENERAL FUND REVENUE VS FY 20 BUDGET/FY 21 BASE BUDGET AND EXAMPLES OF REVENUE DECLINE





# CONSIDERATION OF FY 2019-20 AND FY 2020-21 REVENUE ESTIMATES

*April 9, 2020*

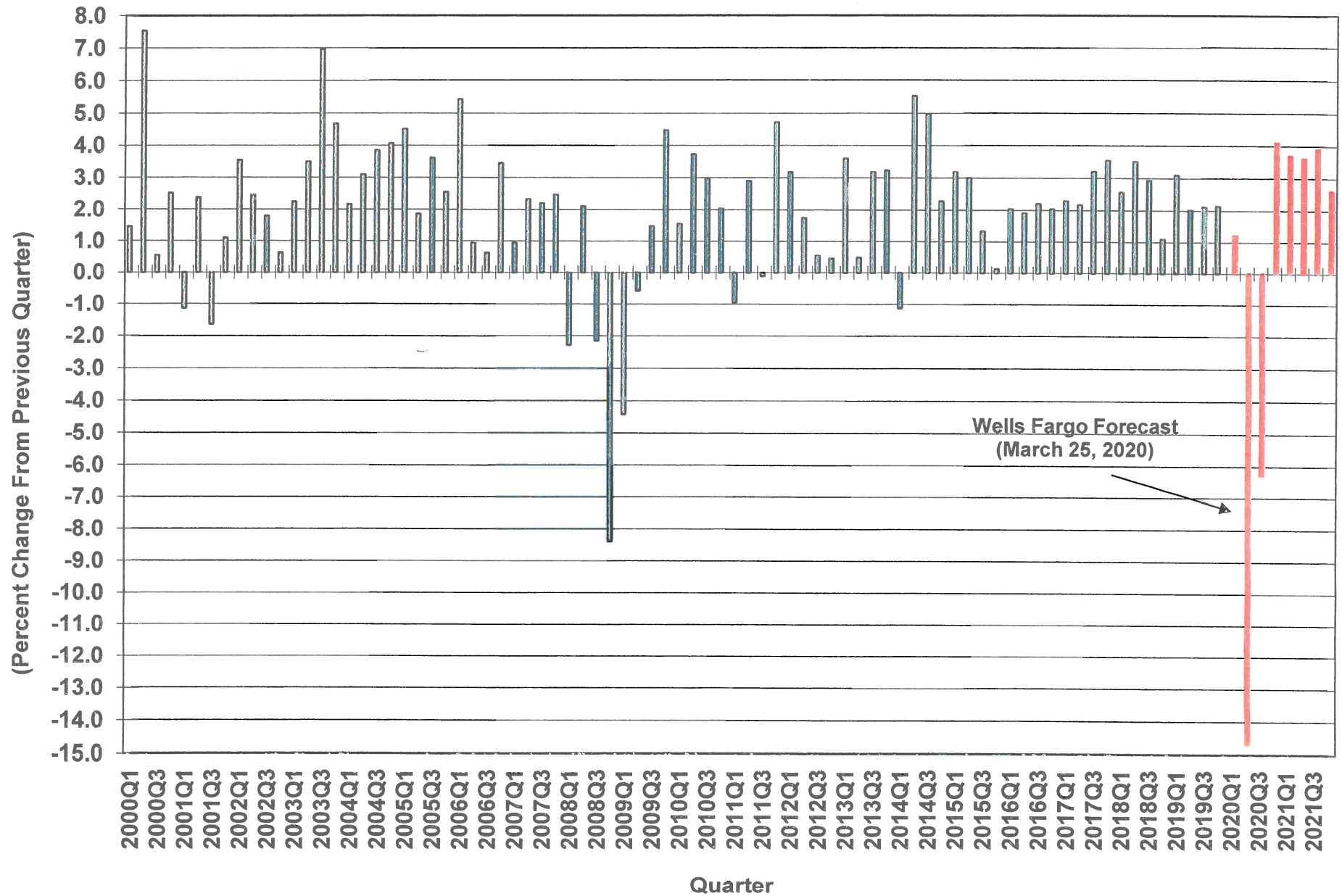
# Overview of Issues

- The fiscal impact of responses to COVID-19 has not appeared in revenue collections through March and only partially in economic data.
- The April 2020 forecast will rely on more assumptions than usual. There are many significant variables for which real data is not available at this time.
- Forecast assumes any timing issues with revenue collections due to the extended filing deadlines will be addressed by accruing revenue to the appropriate fiscal year.

# Economic Assumptions

- Assume 20 percent decline in National GDP for 2020 2Q (Apr – Jun). Pro-rate the assumption to SC revenue collections.
- Adjust the potential loss in revenue for the federal stimulus.
- Assume SC Personal Income will grow 2.5 percent for FY 2020-21, but will vary greatly by quarter (previous estimate was 4.5 percent growth).
- Assume restrictions on economic and social activity are removed by early June.

# Real Gross Domestic Product in the U.S.



**Potential Loss From Coronavirus Outbreak in FY2019-20  
Three-Month Quarantine Scenario**

|                   |   |
|-------------------|---|
|                   | \$22,000.0 Estimated U.S. Nominal GDP (\$ Bil.)                                   |
| <b>Assumption</b> | (0.20) Reduction in U.S. Nominal GDP Forecast (%)                                 |
|                   | (\$4,400.0) Estimated Reduction in U.S. Nominal GDP Forecast (\$ Bil.)            |
|                   | 0.0112 Percentage That South Carolina is of The U.S. Economy (%)                  |
|                   | (\$49.3) Estimated Loss in S.C. Nominal GDP (\$ Bil.)                             |
|                   | 0.075 Each \$1 of Income Yields 7.5 Cents of State Tax Revenue in S.C. (%)        |
|                   | (\$3.696) Estimated Loss in S.C. General Fund Revenue for a Full Year (\$ Bil.)   |
|                   | 0.25 Only Affects the Last Quarter of FY2020 (%)                                  |
|                   | (\$0.924) Estimated Loss in General Fund Revenue Due to Virus in FY2020 (\$ Mil.) |
|                   | \$0.127 Estimated General Fund Revenue Surplus Through March 2020 (\$ Mil.)       |
|                   | (\$0.797) Adjustment to General Fund Revenue Estimate for FY2020 (\$ Mil.)        |
|                   | 0.6363636 Adjustment Factor for Federal Stimulus Programs (%)                     |
| <b>Result</b>     | (\$0.507) Net Adjustment to General Fund Revenue Estimate for FY2020 (\$ Mil.)    |

Source: South Carolina Board of Economic Advisors, Columbia, SC

BEA/RWM/04/06/20



**Personal Income Growth  
FY21 - 2.50%**

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

|                                   | (1)                    | (2)                    | (3)                                  | (4)                                     | (5)   | (6)                             | (7)                                  | (8)   | (9)                                     | (10)                            |
|-----------------------------------|------------------------|------------------------|--------------------------------------|---|---|---------------------------------|--------------------------------------|---|---|---------------------------------|
| Revenue Category                  | Final<br>FY 2017-18    | Final<br>FY 2018-19    | 02/13/2020<br>Estimate<br>FY 2019-20 | Adjustment to<br>Estimate<br>FY 2019-20 | 04/09/2020<br>Revised<br>Estimate<br>FY 2019-20 | Percent<br>Change<br>FY 2019-20 | 02/13/2020<br>Estimate<br>FY 2020-21 | 04/09/2020<br>Revised<br>Estimate<br>FY 2020-21 | Adjustment to<br>Estimate<br>FY 2020-21 | Percent<br>Change<br>FY 2020-21 |
| Sales and Use Tax                 | \$3,034,415,169        | \$3,186,425,454        | \$3,418,401,000                      | (\$101,400,000)                         | \$3,317,001,000                                 | 4.1                             | \$3,572,229,000                      | \$3,399,926,025                                 | (\$172,303,000)                         | 2.5                             |
| Individual Income Tax             | 4,398,423,661          | 4,714,998,174          | 4,941,301,000                        | (359,388,000)                           | 4,581,913,000                                   | (2.8)                           | 5,156,732,000                        | \$4,707,915,608                                 | (448,816,000)                           | 2.8                             |
| Corporation Income Tax            | 375,189,587            | 494,214,442            | 494,214,000                          | (25,350,000)                            | 468,864,000                                     | (5.1)                           | 444,214,000                          | \$421,977,600                                   | (22,236,000)                            | (10.0)                          |
| Insurance Taxes                   | 227,931,949            | 256,207,957            | 246,832,000                          |   | 246,832,000                                     | (3.7)                           | 288,995,000                          | 288,995,000                                     | 0                                       | 17.1                            |
| Admissions Tax                    | 30,746,293             | 32,571,884             | 33,451,000                           | (8,363,000)                             | 25,088,000                                      | (23.0)                          | 34,354,000                           | 34,354,000                                      | 0                                       | 36.9                            |
| Aircraft Tax                      | 2,500,000              | 2,500,000              | 2,500,000                            |   | 2,500,000                                       | 0.0                             | 2,500,000                            | 2,500,000                                       | 0                                       | 0.0                             |
| Alcoholic Liquor Tax              | 79,285,307             | 83,877,459             | 87,820,000                           |   | 87,820,000                                      | 4.7                             | 91,948,000                           | 91,948,000                                      | 0                                       | 4.7                             |
| Bank Tax                          | 47,909,447             | 68,798,957             | 85,197,000                           |   | 85,197,000                                      | 23.8                            | 87,190,000                           | 87,190,000                                      | 0                                       | 2.3                             |
| Beer and Wine Tax                 | 107,727,311            | 110,391,069            | 112,047,000                          |   | 112,047,000                                     | 1.5                             | 113,728,000                          | 113,728,000                                     | 0                                       | 1.5                             |
| Bingo Tax                         | 358,256                | 111,602                | 112,000                              | (28,000)                                | 84,000  | (24.7)                          | 113,000                              | 113,000   | 0                                       | 34.5                            |
| Business Filing Fees              | 7,038,361              | 7,424,879              | 7,830,000                            |   | 7,830,000                                       | 5.5                             | 8,200,000                            | 8,200,000                                       | 0                                       | 4.7                             |
| Circuit/Family Court Fines        | 7,351,527              | 6,745,763              | 6,476,000                            | (1,619,000)                             | 4,857,000                                       | (28.0)                          | 6,217,000                            | 6,217,000                                       | 0                                       | 28.0                            |
| Corporation License Tax           | 110,199,187            | 112,007,772            | 115,480,000                          | (5,774,000)                             | 109,706,000                                     | (2.1)                           | 119,060,000                          | 119,060,000                                     | 0                                       | 8.5                             |
| Documentary Tax                   | 75,624,914             | 80,425,985             | 85,573,000                           | (4,279,000)                             | 81,294,000                                      | 1.1                             | 91,050,000                           | 91,050,000                                      | 0                                       | 12.0                            |
| Earned on Investments             | 40,110,261             | 87,487,280             | 100,000,000                          |   | 100,000,000                                     | 14.3                            | 75,000,000                           | 75,000,000                                      | 0                                       | (25.0)                          |
| Indirect Cost Recoveries          | 16,755,476             | 15,938,594             | 15,500,000                           |   | 15,500,000                                      | (2.8)                           | 15,500,000                           | 15,500,000                                      | 0                                       | 0.0                             |
| Motor Vehicle Licenses            | 11,030,604             | 12,079,044             | 12,478,000                           | (624,000)                               | 11,854,000                                      | (1.9)                           | 12,890,000                           | 12,890,000                                      | 0                                       | 8.7                             |
| Nursing Home Fees                 | 3,572,661              | 3,547,314              | 3,600,000                            |   | 3,600,000                                       | 1.5                             | 3,600,000                            | 3,600,000                                       | 0                                       | 0.0                             |
| Parole and Probation Fees         | 3,392,808              | 3,392,808              | 3,393,000                            |   | 3,393,000                                       | 0.0                             | 3,393,000                            | 3,393,000                                       | 0                                       | 0.0                             |
| Private Car Lines Tax             | 5,960,493              | 6,215,080              | 6,495,000                            |   | 6,495,000                                       | 4.5                             | 6,787,000                            | 6,787,000                                       | 0                                       | 4.5                             |
| Public Service Authority          | 17,397,000             | 17,496,000             | 17,600,000                           |   | 17,600,000                                      | 0.6                             | 17,700,000                           | 17,700,000                                      | 0                                       | 0.6                             |
| Purchasing Card Rebates           | 3,034,527              | 3,171,665              | 3,330,000                            |   | 3,330,000                                       | 5.0                             | 3,497,000                            | 3,497,000                                       | 0                                       | 5.0                             |
| Record Search Fees                | 4,461,000              | 4,461,000              | 4,461,000                            |   | 4,461,000                                       | 0.0                             | 4,461,000                            | 4,461,000                                       | 0                                       | 0.0                             |
| Savings and Loan Assoc. Tax       | 949,371                | 1,254,252              | 1,141,000                            |   | 1,141,000                                       | (9.0)                           | 1,038,000                            | 1,038,000                                       | 0                                       | (9.0)                           |
| Security Dealer Fees              | 26,385,770             | 27,178,783             | 27,700,000                           |   | 27,700,000                                      | 1.9                             | 28,100,000                           | 28,100,000                                      | 0                                       | 1.4                             |
| Surcharge on Vehicle Rentals      | 946,113                | (295,401)              | 175,000                              | (175,000)                               | 0   | 100.0                           | 175,000                              | 0   | (175,000)                               | ----                            |
| Tobacco Tax                       | 27,209,363             | 28,372,637             | 28,068,000                           |   | 28,068,000                                      | (1.1)                           | 28,657,000                           | 28,657,000                                      | 0                                       | 2.1                             |
| Uncashed Checks                   | 2,927,135              | 1,027,801              | 1,000,000                            |   | 1,000,000                                       | (2.7)                           | 1,000,000                            | 1,000,000                                       | 0                                       | 0.0                             |
| Unclaimed Property Fund           | 15,000,000             | 12,600,000             | 15,000,000                           |   | 15,000,000                                      | 19.0                            | 15,000,000                           | 15,000,000                                      | 0                                       | 0.0                             |
| Workers' Comp. Insurance Tax      | 9,836,976              | 9,382,100              | 9,101,000                            |   | 9,101,000                                       | (3.0)                           | 8,828,000                            | 8,828,000                                       | 0                                       | (3.0)                           |
| Other Source Revenues             | 12,346,921             | 12,116,456             | 11,899,000                           |   | 11,899,000                                      | (1.8)                           | 11,931,000                           | 11,931,000                                      | 0                                       | 0.3                             |
| <b>Gross General Fund Revenue</b> | <b>\$8,706,017,446</b> | <b>\$9,402,126,809</b> | <b>\$9,898,175,000</b>               | <b>(\$507,000,000)</b>                  | <b>\$9,391,175,000</b>                          | <b>(0.1)</b>                    | <b>\$10,254,087,000</b>              | <b>\$9,610,556,233</b>                          | <b>(\$643,531,000)</b>                  | <b>2.3</b>                      |

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/04/06/20



**Personal Income Growth**  
**FY21 - 2.50%**

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

| Revenue Category                         | Final<br>FY 2017-18    | Final<br>FY 2018-19    | 04/09/2020<br>Estimate<br>FY 2019-20 | 04/09/2020<br>Estimate<br>FY 2020-21 | Percent<br>Change<br>FY 2017-18 | Percent<br>Change<br>FY 2018-19 | Percent<br>Change<br>FY 2019-20 | Percent<br>Change<br>FY 2020-21 |
|--|------------------------|------------------------|--------------------------------------|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Gross General Fund Revenue</b>        | <b>\$8,706,017,448</b> | <b>\$9,402,126,809</b> | <b>\$9,391,175,000</b>               | <b>\$9,610,556,233</b>               | 6.7                             | 8.0                             | (0.1)                           | 2.3                             |
| 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)          | (614,209,000)                        | (629,405,000)                        | (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          | 8,716,453,000                        | 9,599,682,000                        | 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            | 60,513,000                           | 0                                    |                                 |                                 |                                 |                                 |
| Education Improvement Act (EIA)          | 792,172,686            | 840,103,875            | 867,132,200                          | 887,198,000                          | 3.7                             | 6.1                             | 3.2                             | 2.3                             |
| EIA Fund                                 | 790,719,514            | 837,529,968            | 865,132,200                          | 885,698,000                          | 3.7                             | 5.9                             | 3.3                             | 2.4                             |
| 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            | 782,199,000                          | 799,316,000                          | 4.7                             | 5.4                             | 3.5                             | 2.2                             |
| Less: Homestead Exemption Fund Shortfall | (32,557,000)           | (17,322,000)           | (16,557,000)                         | (23,814,000)                         | 32.2                            | 46.8                            | 4.4                             | (43.8)                          |

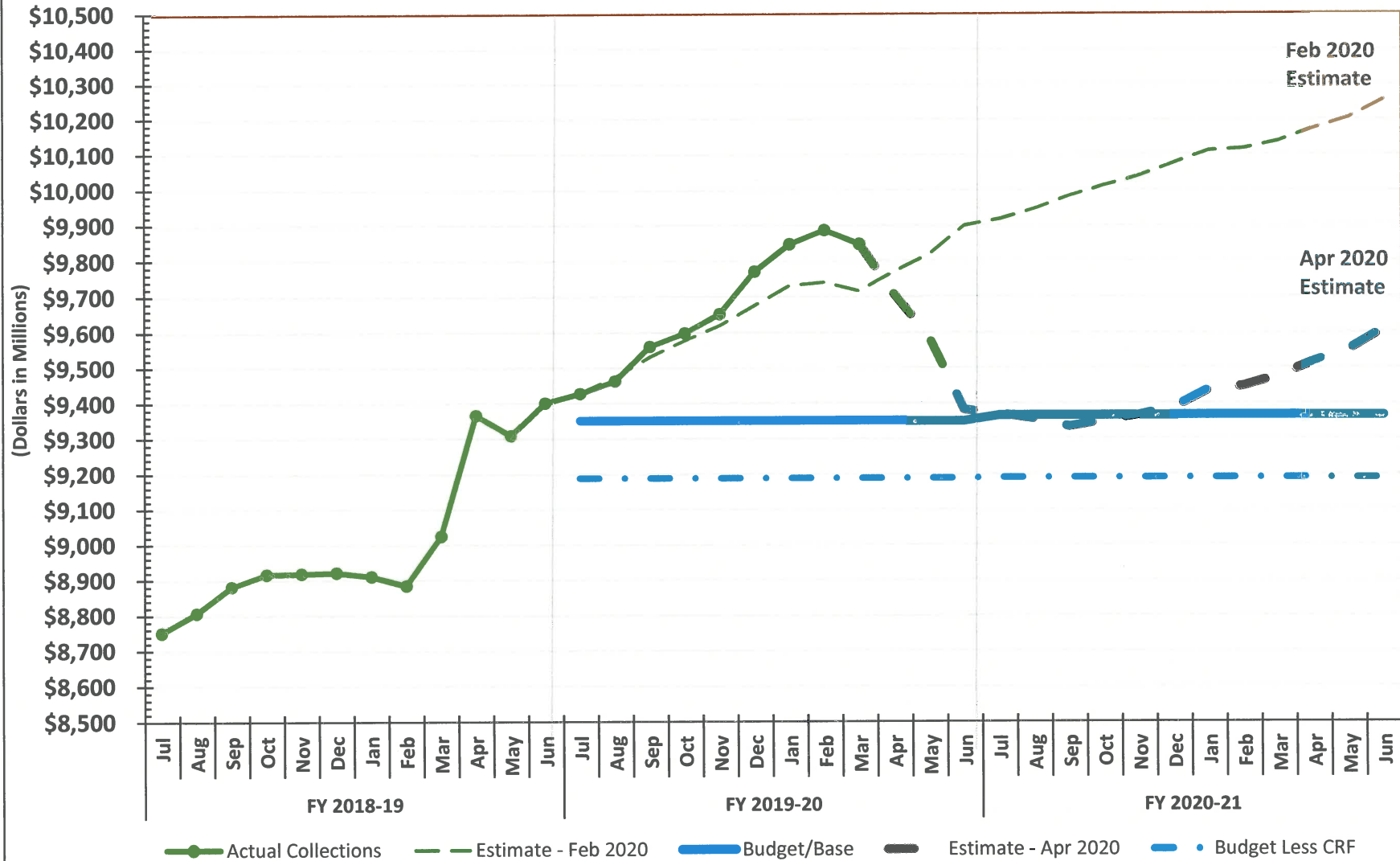
Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/RWM/04/06/20

# IMPACT ON BUDGET AND OTHER FUNDS



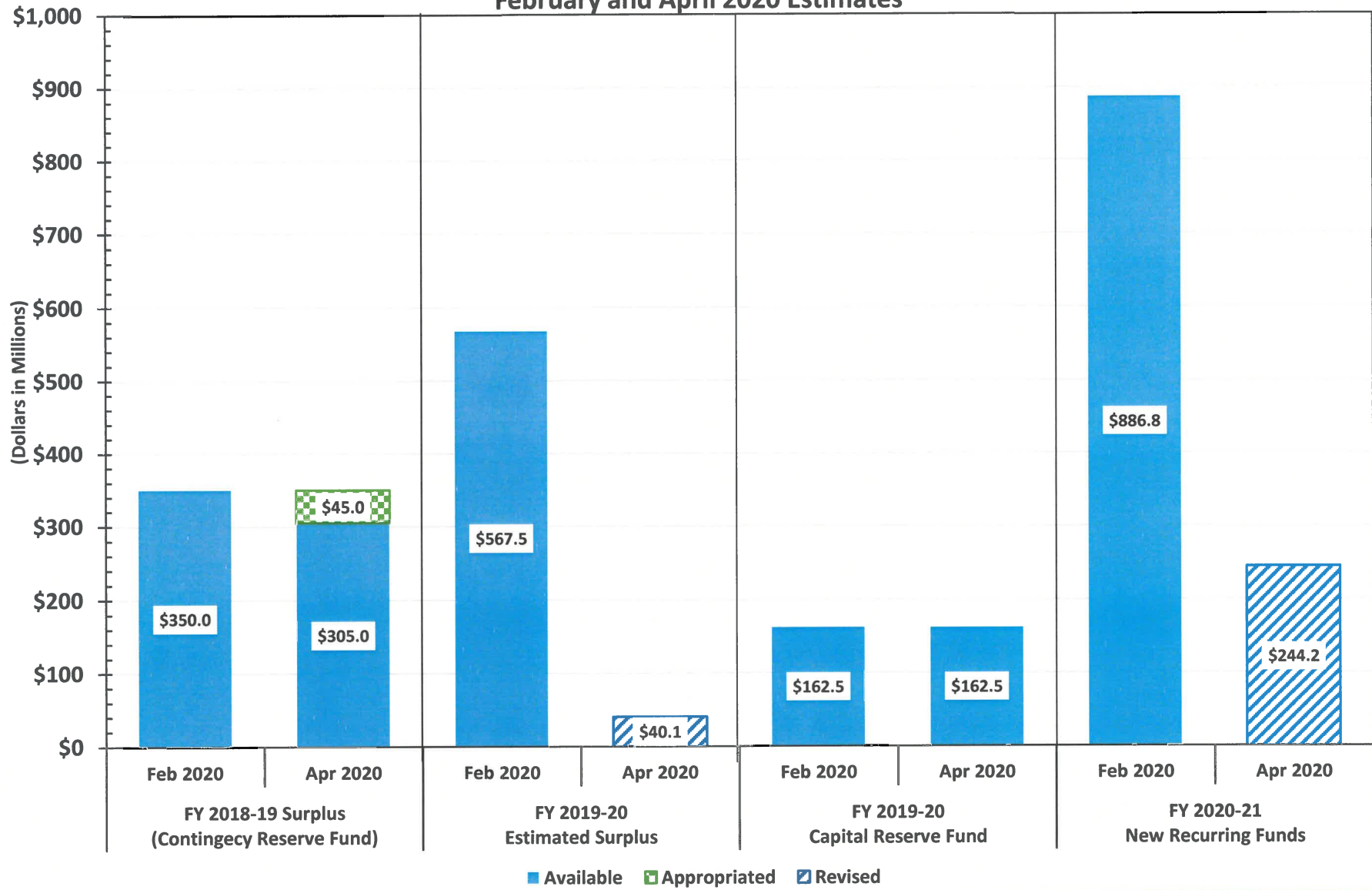
## ROLLING FISCAL YEAR ACTUAL GENERAL FUND REVENUE AND BEA ESTIMATES OF FEBRUARY AND APRIL 2020



Note: Budget includes Property Tax Relief Trust Fund

# AVAILABLE FUNDS - FY 2020-21 BUDGET PROCESS

February and April 2020 Estimates



# Other Items – FY 2019-20

| Revenue Source     | FY 20 Budget | FY 20 Feb. Estimate |    | FY 20 Apr. Estimate | FY 21 Apr. Estimate | Agencies Affected   |
|--------------------|--------------|---------------------|----|---------------------|---------------------|---|
| EIA                | \$861.2      | \$892.5             |    | \$867.1             | \$887.2             | School Districts, SDE   |
| Homestead Ex.      | \$798.8      | \$806.3             |    | \$782.2             | \$799.3             | School Districts  |
| Lottery            | \$463.2      | \$470.3             |    | \$470.3 (?)         | \$469.8             | Scholarships, CHE, SDE, and others                            |
| Admissions Tax     | \$32.4       | \$33.5              | /1 | \$25.1              | \$34.4              | GF, PRT, DNR, Local Governments                               |
| Documentary Stamps | \$84.7       | \$85.5              | /1 | \$81.3              | \$91.1              | GF, Conservation Bank, Housing, Heritage Land Trust, Counties |

/1 General Fund estimate

# Other Items - FY 2019-20

| Revenue Source                                  | FY 20 Budget | FY 20 Feb. Estimate | FY 20 Apr. Estimate | FY 21 Apr. Estimate | Agencies Affected                |
|---|--------------|---------------------|---------------------|---------------------|----------------------------------|
| Motor Fuel (16c)                                | N/A          | \$587.6             | TBD                 | TBD                 | SCDOT & Others                   |
| Infrastructure Maintenance Fund Motor Fuel (6c) | N/A          | \$162.3             | TBD                 | TBD                 | SCDOT                            |
| Motor Vehicle Licenses & Registrations          | N/A          | \$161.3 /1          | TBD                 | TBD                 | GF, SCDOT                        |
| Infrastructure Maintenance Fee (Car Sales Tax)  | N/A          | \$261.83 /1         | TBD                 | TBD                 | SCDOT                            |
| Accommodations Tax                              | N/A          | \$79.9              | TBD                 | TBD                 | Local Government                 |
| Court Fines and Fees                            | N/A          | \$78.1 /1           | TBD                 | TBD                 | Various State and Local Agencies |
| Property Tax                                    | N/A          | \$7,573.0           | TBD                 | TBD                 | Local Government                 |

/1 No Estimate -FY 2018-19 reported

# OTHER MATTERS FOR CONSIDERATION



# FUTURE MEETING SCHEDULE

- A. May 14, 2020, 1:30 – Economic, Revenue, and Forecast Update
- B. June 11, 2020, 1:30 – Economic and Revenue Update
- C. July 23, 2020, 1:30 - **If necessary, GoToMeeting** for Members
- D. 2020 Calendar at <http://rfa.sc.gov/meetings?y=2020>

\* Adjustments to the schedule may be needed to accommodate the Sine Die and Continuing Resolution provisions regarding the budget process.