

MEMORANDUM FOR THE RECORD

DATE: April 9, 2020
Room 417, Rembert Dennis Building
1:30pm

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members –Edward Grimbball-Chairman (via GoToMeeting), Howell Clyborne (via GoToMeeting), Emerson Gower (via GoToMeeting), Hartley Powell (via GoToMeeting); Executive Director, Frank Rainwater; Staff – Robert Martin, Karen Rhinehart. Guests: Due to COVID-19 policies all guests participated via GoToMeeting and 147 individuals called-in. An email invitation was sent to the usual BEA Distribution (121 contacts) list and Working Group (10 contacts) list members. Meeting information and call-in instructions were provided in the email and posted online. Byron Kirby posted meeting documents online 15 minutes prior to the start of the meeting. Guests were asked to direct any questions to Frank Rainwater after the meeting had concluded via email or phone.*

- Chairman Grimbball welcomed everyone to the meeting at 1:30pm. and shared some opening remarks, which included:
 - Today's meeting, data decisions, and forecast are based on considerable study by BEA staff, conversations individual Board members had with staff over the past several weeks, and communication with other economists around this state and nation. The staff has been diligent in their modeling and analysis and the information focuses on financial expectations for South Carolina for the foreseeable future.
 - These assumptions and expectations have been constantly changing. Ultimately, our Board and able economists considered the issues and facts as available up to the present and settled on one set of assumptions which will be presented next by Frank Rainwater and Robert Martin.
 - The severity of this healthcare situation should not be underestimated, and the responses required to combat COVID-19 are a necessary, although not currently measurable, restraint on the economy.
 - If there is a positive to be found in this situation, it is that South Carolina is in a strong financial position to withstand this disruption. Revenues for the current fiscal year ending June 30, 2020 were running above an already projected surplus, last fiscal year ended with a notable revenue surplus, and the state's revenue funds are fully intact.

- We also appreciate the General Assembly's interest in adopting a Continuing Resolution for FY 2020-21 to allow state government to continue operating after July 1, and then return to Session in September to update the budget that would have been completed in May if not for Coronavirus interruption.
- **Frank Rainwater presented an overview of third quarter results per §11-9-1140 - FY 2019-20 July - March. His major comments were: (See Attached)**
 - 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.
- **Frank Rainwater presented an overview of issues and assumptions as related to FY 2019-20 and FY 2020-21 revenue estimates per §11-9-1130. His major comments were: (See Attached)**
 - 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.
 - The 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.
- **Robert Martin presented a review of the forecast and economic assumptions as related to FY 2019-20 and FY 2020-21 revenue estimates per §11-9-1130. His major comments were: (See Attached)**
 - Assume a 20 percent decline in National GDP for 2020 2Q (Apr - Jun) and pro-rate the assumption to SC revenue collections.
 - Adjust the potential loss in revenue for the federal stimulus (reduce potential loss by 36.4 percent).
 - 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.
 - The revised forecast included:
 - The forecast for FY 2019-20 assumed a potential revenue loss in the second quarter of 2020 of \$924 million, of which \$127 million would be accounted for by the revenue surplus through March, \$290 million would be offset by the federal stimulus packages, which results in a net reduction of \$507 million from the February forecast.

- The revised forecast for FY 2019-20 totals \$9,391.2 million, which represents a 0.1 percent decline or \$10.9 million from final revenues in FY 2018-19. The revised forecast for FY 2020-21 is \$9,610.6 million which is \$643.5 million below the previous forecast but 2.3 percent higher or \$219.4 million above the revised FY 2019-20 forecast.
 - ❖ *Following the presentation by Mr. Martin, Mr. Rainwater and Chairman Grimball asked if the Members had any questions or comments and asked them to vote on the revised BEA forecast. Mr. Gower motioned to adopt the forecast and Mr. Clyborne seconded and all voted aye to accept the revised forecast. Mr. Clyborne and Mr. Gower complimented staff for an excellent, thorough presentation on the impact of COVID-19 and thanked them for their hard work compiling this information.*
- **Frank Rainwater presented information on the impact of the new forecast as compared to the budget. (See Attached)**
 - The revised forecast for FY 2019-20 still anticipates a budget surplus of \$40.1 million and a budget growth of \$244.2 million for FY 2020-21. Mr. Rainwater noted, however, that certain revenues in the Other Funds categories may be affected differently and agencies which rely on some of those revenue sources may have budget issues.

○ **Other Business**

There was no further business or comments from the Members.

Mr. Gower motioned to adjourn the meeting and Mr. Clyborne seconded the motion. All voted aye and the meeting adjourned at 2:09pm.

The next scheduled BEA Meeting is Thursday, May 14, 2020 at 1:30pm.

Attachments: Agenda, Meeting Materials. Public Notice of this meeting was posted at <http://www.rfa.sc.gov/calendar> and at the Rembert Dennis Building.

These minutes were approved on 5/8/20.



Karen Rhinehart