

## MEMORANDUM FOR THE RECORD

**DATE:** June 11, 2020  
Room 417, Rembert Dennis Building  
1:30pm

**SUBJECT:** Minutes of Board of Economic Advisors Meeting

**ATTENDEES:** *Board Members –Edward Grimball-Chairman (via GoToMeeting), Howell Clyborne (via GoToMeeting), Emerson Gower (via GoToMeeting), Hartley Powell (via GoToMeeting); Executive Director, Frank Rainwater; Staff – Lisa Jolliff, Robert Martin, Karen Rhinehart. Guests: Due to COVID-19 policies all guests participated via GoToMeeting and 95 individuals called-in. An email invitation was sent to the usual BEA Distribution (121 contacts) list and Working Group (10 contacts) list members and the meeting notification was posted on the RFA website and in the Rembert Dennis Building. 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 Grimball welcomed everyone to the meeting at 1:30pm.
- Chairman Grimball presented the meeting minutes for May 8, 2020 which had previously been shared with the Members and provided summary information regarding the April 2020 and May 2020 meetings. His comments included:
  - The May 2020 meeting included comments on the South Carolina economy - past, present, and future - and a summary of the South Carolina General Fund through April 2020.
  - The Board's action at the May 2020 meeting in response to COVID-19 impact was to reduce the FY 2021 forecast by \$58.3 million in Corporate Income and License tax. This action followed the April 2020 decrease revenues from the updated February forecast of \$507.0 million for FY 2020 and \$644.0 million for FY 2021.
  - The reductions at the April 2020 meeting covered several categories of revenue, but mainly Individual Income tax and Corporate tax as well as Sales and Use tax.

- Reductions from the confirmed February 2020 forecast amounted to a little more than 5 percent of the current FY, which ends June 30<sup>th</sup>, and 6.8 percent of FY 2021, which ends June 30<sup>th</sup> of 2021.

Chairman Grimball further added that today's meeting is informational, and there will be no Board action at this time.

Chairman Grimball then asked if any Member had additions or corrections to the meeting minutes. There were no comments from the Members, and Chairman Grimball declared the minutes approved as presented and written. *(See attached)*

- **Frank Rainwater presented an overview of May 2020 revenues and assumptions. His major comments were:** *(See Attached)*
  - General Fund revenues in May 2020 declined \$145.9 million or 18.2 percent compared to May 2019.
  - The monthly decline was due to both reduced economic activities resulting from COVID-19 health safety measures and delayed revenue with the extension of tax filings.
  - In April, the BEA reduced the February revenue forecast for FY 2019-20 by \$507.0 million. Through May, revenues are \$521.0 below the February forecast and \$14.0 million below the revised forecast.
  - Part of the revenue shortfall through May will be offset by revenue from the extended filing deadlines.
    - DOR reports that tax collections for the extended returns, as of June 5<sup>th</sup>, total approximately \$58.0 million.
    - Estimates of the delayed income tax revenue for the July 15<sup>th</sup> extension are approximately \$250.0 million.
  - For the final month of June and the July accrual period:
    - The re-opening of the economy is expected to improve upon the recent declines in tax revenues.

#### **Expectations for FY 2019-20 Year End**

- For final revenues to meet the revised May forecast, revenues in the final month and accrual period need to total \$1,441.8 million, which represents growth of \$90.0 million or 6.7 percent.
  - Delayed payments are anticipated to be approximately \$308 million.
  - Revenue from current economic activity, therefore, needs to account for \$1,133.8 million, which represents a decline of 16.1 percent from last year.
  - Corporate Income tax is a major wildcard.

- As a reminder, the revised forecast is \$40.1 million above the budget.

### Expectations for Other Items

- EIA revenues through May are \$35.3 million below the February estimate.
  - The February estimate was \$31.3 million above the current year budget for EIA.
  - EIA should also benefit from the receipt of delayed tax filings.
- Lottery Revenues through April are \$10.1 million above expectations and likely to meet or exceed annual estimates.
- **Robert Martin shared information on the recent key economic activity. His major comments were:** *(See Attached)*
  - Based on negative GDP for the first and upcoming end of the second quarter, the country is in a recession. Mr. Martin stated that he felt we are on the way to a slow recovery.
  - All components of real GDP are negative with the exception of residential investment. The housing market was doing well prior to the virus, and is being helped by lower mortgage rates.
  - Corporate profits have posted negative rates of return, and are forecast to be negative for the remainder of calendar year 2020. Corporate profits are expected to be positive in calendar year 2021.
  - The initial claims for unemployment insurance in South Carolina have peaked and are slowly improving.
  - The continued unemployment insurance claims in South Carolina peaked in May. Claims are decreasing as people return to work.
    - ❖ *Chairman Grimball asked if there was any indication as to when the State would return to the normal 30,000 to 40,000 continuing claims. Mr. Martin replied that the most recent Congressional Budget Office report stated that claims may return to normal by the end of next year. Mr. Martin feels there will be a slow, but steady rebound.*
- **Other Matters for Consideration**

There were no further matters for consideration or comments from the Members.
- **Reports from Working Group Members**

There were no comments from the Working Group.

Mr. Gower motioned to adjourn the meeting and Chairman Grimball seconded the motion. All voted aye, and the meeting adjourned at 1:59pm.

The next scheduled BEA Meeting is Thursday, July 23, 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 7/23/20.



Karen Rhinehart