

MEMORANDUM FOR THE RECORD

DATE: July 23, 2020

Room 417, Rembert Dennis Building/ Attendees via teleconference
1:30pm

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members –Edward Grimball-Chairman (via GoToMeeting), Alan Clemmons (via GoToMeeting), Emerson Gower (via GoToMeeting), Hartley Powell (via GoToMeeting); Executive Director, Frank Rainwater; Staff – Elizabeth Hall, Lisa Jolliff, Sandra Kelly, Robert Martin, Karen Rhinehart. Guests: Due to COVID-19 policies all guests participated via GoToMeeting and 60 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 and the documents were also shared via GoToMeeting. 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 1:33pm. He then introduced and welcomed the new Ways and Means appointed Board Member, Alan Clemmons.

Chairman Grimball presented the meeting minutes for June 11, 2020 which had previously been shared with the Members. He 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)*

- Prior to Mr. Rainwater presenting an overview of June 2020 revenues, Chairman Grimball shared that due to the impact of COVID-19 the Board had to reduce the FY20 estimate by \$500 million and the FY21 estimate by around \$700 million. He presented this information as a backdrop for the information that Mr. Rainwater was planning to share.
- **Following Chairman Grimball's comments, Frank Rainwater presented the overview of June 2020 revenues and expectations for FY 2019-20 year end.** *(See Attached)*

- Mr. Rainwater began by reviewing the June 11, 2020 BEA meeting 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 \$90.9 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.

- **He then moved to the expectations as of July 23, 2020:**
 - For final revenues to meet the revised May forecast, revenues in the accrual period need to total \$427.4 million, which represents growth of \$89.7 million but will include new accruals.
 - Revenue from current economic activity, therefore, needs to account for \$303.9 million, which represents a decline of 10 percent from last year.
 - Delayed payments from Individual and Corporate Income tax only need to be approximately \$123.5 million.
 - *Mr. Rainwater asked Mr. Powell to share information regarding income tax information. Mr. Powell explained that this year there is a new, one-time income tax revenue accrual as a result of the continuing resolution that was passed by the legislature in May. Due to COVID-19, the income tax submission date was extended to July 15th. As a result of the continuing resolution, the amount of income tax accrual has been calculated back to FY20. This amount is approximately \$308 million (\$200 million is individual, \$100 million is corporate, and \$8 million is fiduciary and bank tax) which covers the period 7/1/20 – 7/15/20. This amount includes income taxes eligible for COVID-19 tax relief. This information has been passed to the Comptroller General’s office for review. Sales*

tax information was not due until July 20th and is still being calculated. It should be available the first or second week of August.


- Corporate Income tax is a major wildcard.
- As a reminder, the revised forecast is \$40.1 million above the budget.
- EIA revenues through June are \$33.6 million below the February estimate. The revenue estimate was reduced in May by \$25.4 million.
 - With only FM13 remaining, EIA revenues would need total \$108.5 million in the last month to meet the February estimate and \$83.1 million to meet the FY20 budget (the February estimate has anticipated a revenue surplus of \$31.3 million).
 - Last year, EIA revenues in FM13 totaled \$70.4 million, and if no growth is seen in FM13 this year, EIA revenues could be below budget expectations by \$12.7 million.
- Lottery revenues through June totaled \$492.8 million, which exceeded the estimate by \$25.5 million.
- Motor Fuel revenue totaled \$565.3 million which was \$22.3 million below the February estimate.
- **Robert Martin shared information on the recent key economic activity. His major comments were: (See Attached)**
 - The more significant economic indicator for the last couple of weeks is Personal Income for the first quarter of 2020. Personal Income growth dropped from 5 percent to under 4 percent. The drop was more than what was expected at the time the forecast was revised in February.
 - *Mr. Gower asked Mr. Martin to review the housing market during this slow rebound as it has been growing rapidly. Chairman Grimball asked for information concerning the low mortgage rates and if that is contributing to the housing boom.*
 - Wage income dropped from 5 ½ percent growth to less than 3 percent due to layoffs in March. Some of the wage decrease will be offset by unemployment benefits but that information will not be available until next quarter.

- GDP information will be release soon for the second quarter and going back for five years. The GDP figures were used when calculating the estimate in May.
 - There are discussions at the Federal level about possibly extending the stimulus and unemployment benefits.
- **Other Matters for Consideration**
 - *Mr. Gower welcomed Mr. Clemmons to the Board to which the other Members also acknowledged.*
 - *Chairman Grimball asked Mr. Rainwater to share information concerning the August 24th meeting. Mr. Rainwater shared that this meeting would be held at the ETV studios with either streaming or videoconferencing and that it will be a limited in-person meeting (with social distancing) to allow for in-person discussion about the current economic situation. There will also be limited seating for the Working Group. On August 31st, the forecast for FY21 will be presented to the public via teleconference. The forecast information will also be given to the General Assembly so that they have adequate time to review before returning to the State House on September 15th.*
- **Reports from Working Group Members**
 - *Chairman Eckstrom mentioned that the Comptroller General's Office had received the necessary year-end data, but the analysis was incomplete. He felt that it would be another three weeks before the final data would be available, especially in the Sales tax category. During his interaction with contacts in other states, many of those individuals expressed a desire to be in the economic situation that South Carolina is in. He commended the Board and staff for their work during this difficult time.*

Mr. Gower motioned to adjourn the meeting and Mr. Clemmons seconded the motion. All voted aye, and the meeting adjourned at 2:00pm.

The next scheduled BEA Meeting is Thursday, August 24, 2020 at 1:00pm.
 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 8/24/20.



 Karen Rhinehart