

## MEMORANDUM FOR THE RECORD

**Date:** February 12, 2021, 1:00 p.m.  
Rembert Dennis Building, Room 417/Attendees via Zoom

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

**Attendees:** Board Members –Edward Grimball (*via Zoom*)-Chairman, Alan Clemmons (*via Zoom*), Emerson Gower (*via Zoom*), Hartley Powell (*via Zoom*); Frank Rainwater, Executive Director; Staff – Paul Athey, Ben Coomer, Natalie Gallagher, Lisa Jolliff, Sandra Kelly, Karen Rhinehart. 72 additional participants *via Zoom*

Note: Due to COVID-19 policies all Guests participated via Zoom. An email invitation was sent to the BEA Distribution list and Working Group list members and the meeting notification was posted on the RFA website, and in the Rembert Dennis Building. Meeting information and log-in instructions were posted online. Meeting materials were posted online 15 minutes prior to the start of the meeting and the documents were also shared via Zoom. Guests were asked to direct any questions to Frank Rainwater after the meeting had concluded via email.

- I. Chairman Grimball welcomed everyone to the meeting at 1:00pm.
- II. Chairman Grimball presented the November 10, 2020 meeting minutes which previously had been shared with the Members and asked if any Member had edits or questions. Hearing no amendments or objections, Chairman Grimball declared the minutes approved as written. (*See minutes*)
- III. Frank Rainwater presented information regarding the FY 2020-21 General Fund Revenue. His comments included:
  - Revenues continued to grow faster than expected and are \$440.2 million above the estimate
    - Individual income tax withholdings collections are 3.0% above the estimate as of January 2021; 60.1% of total anticipated has been collected
    - Individual income non-withholdings collections year-to-date are 11.3% above last year and 14.8% above the estimate; 56.2% of total expected revenue has been collected
    - Processed refunds are \$33.5 million under the estimate but the majority are yet to come; 20.6% of expected refunds have been processed which mirrors a normal year after accounting for the delayed refunds from previous year
    - Sales tax revenue is \$138.7 million above the estimate year-to-date; 54.1% of the total anticipated revenue has been collected
    - Corporate income tax remains \$47.0 million ahead of estimates; 50.4% of anticipated revenue has been collected

*Chairman Grimball asked if there was any indication that the IRS plans to extend the income tax filing deadline as they did in 2020. Neither Mr. Powell nor Mr. Rainwater had heard any information that the deadline would be extended.*

- IV. Mr. Rainwater presented a review of economic assumptions and information regarding the FY 2020-21 and FY 2021-22 Forecasts. His comments included:
- Review of Economic Assumptions
    - Forecast Assumptions, November 2020
      - Personal income
        - lower than normal wage growth
        - no additional stimulus post-November 2020
      - Employment
        - return to February 2020 employment in February 2022
    - Updates since November 2020 Forecast
      - Personal Income
        - Q2 2020 revision increased personal income base
        - Income recovery quicker than anticipated
        - Second round of stimulus in December 2020
        - Stimulus not only replaced lost income but provided a significant temporary boost
      - Employment
        - Currently running six months ahead of estimate for observed employment growth
    - Forecast Uncertainties
      - FY 2020-21
        - Tax filing season, April and May 2021
        - Revised employment data, March 2021
        - Stimulus, December 2020 and potential third round
        - Vaccine distribution
      - FY 2021-22
        - Personal income growth post-stimulus
        - Rate of employment growth
        - Continued COVID-19 concerns
        - Consumer behavior
    - Comments from Regional Economists
      - Expectations
        - High degree of uncertainty in forecasts
        - Zero-sum effect: faster growth now, but slower growth later
      - Risk Factors
        - Future stimulus
        - Efficacy and reach of vaccine rollout
        - Future of work-from-home policies and migration trends
        - Uncertainty about future labor force participation rate
        - Nationwide COVID-19 shut downs or additional mandates

- U.S. Forecasts – Congressional Budget Office
  - As of February 1, 2021, CBO expects U.S. GDP to reach pre-pandemic peak by mid-2021
  - Expect the \$900 billion relief bill passed in December 2020 will add about 1.5% to GDP in 2021 and 2022
  - Based on a burst of activity followed by a long, slow recovery
  - However, the number of people employed won't return to the level seen before the pandemic until 2024
  - Modestly higher inflation and higher interest rates over the coming years than anticipated in July
- Summary
  - Expect a see-saw pattern in the economy and revenue
  - No change in personal income or employment assumptions at this time
    - FY 21 is performing better than expected, but no clear indication of better performance in FY 22 as stimulus and/or COVID-19 fade
  - FY 21 revenues are ahead of estimates, but tax filing season is still an unknown.
  - No clear indication that FY 22 will be better than estimated
  - Earnings on Investments and Bank Tax are lower than forecasted
    - State Treasurer recommends lowering the Earnings on Investment estimate
- Mr. Rainwater presented the recommendations regarding the FY 2020-21 and FY 2021-22 Forecasts
  - No change in FY 2020-21 or FY 2021-22 General Fund Revenue estimates at this time
  - Continue to monitor and reconsider estimates in April; delay detailed adjustments to forecast
  - Adopt revised Lottery Estimates provided by Lottery Commission (increase the FY 2020-21 Education Lottery Estimate by \$39,500,000)

*Chairman Grimball concurred with the information presented and reiterated there are many unknowns to consider, one of which is the increase in the minimum wage. He stated that momentum is building overall, but may not continue. He indicated the Board strives to make the best possible forecast, but that it is prudent to be cautious.*

*Mr. Rainwater stated there are many moving factors and agreed for the need to proceed with caution.*

*Mr. Gower stated the presentation was crisp and clear. He motioned to accept the recommendations (no change in the FY 2020-21 or the FY 2021-22 General Fund Revenue estimate and also accept the revised lottery of \$562,500,000). Mr. Clemmons seconded the motion. All voted aye and the recommendations were passed.*

- V. Reports from Working Group Members  
*Chairman Grimbball asked if there were any comments from the Working Group Members; there were not.*
- VI. Other Matters for Consideration  
*Mr. Rainwater reminded the Members that their Statements of Economic Interests are due March 30<sup>th</sup>.*

Mr. Clemmons motioned to adjourn the meeting and Mr. Gower seconded the motion. All voted aye, and the meeting adjourned at 1:36pm.

The next scheduled BEA Meeting is Thursday, March 18, 2021 at 1:00 p.m.

Public Notice of this meeting was posted at <http://rfa.sc.gov> and at the Rembert Dennis Building.

These minutes were approved on 4/8/2021.

  
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