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**MEMORANDUM FOR THE RECORD**

**Date:** October 16, 2023, 10:30 a.m.  
S.C. Association of Counties/ Zoom

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

**Participants:** *Board Members* – Edward Grimball-Chairman, Curtis Hutto, and Dr. Michael Mikota. Frank Rainwater, Executive Director, Morgan Daigle, Lisa Jolliff, Dr. Marian Manic, and Karl Vesely; *Guest Speakers* – Jackie Benson (Wells Fargo Securities), Dr. Frank Hefner (College of Charleston), Dr. Russell Sobel (The Citadel), and Dr. Laura Ullrich (Federal Reserve Bank of Richmond); *RFA Staff and Other Attendees* – Paul Athey, Kathryn Kelley, Sandra Kelly, and Emily Prosser; Kevin Ethridge (Executive Budget Office), Grant Gibson (Senate Finance Committee), Tim Derrick (Dept. of Revenue), Bryan Grady (Dept. of Employment and Workforce), Faith Kithome (Dept. of Employment and Workforce), Brandon Wilkerson (Dept. of Employment and Workforce), Abby Berquist (House Ways & Means), Marc Truesdale (House Ways & Means), Daniel Boan (House Ways & Means), Brian Ford (SC Lottery), Hogan Brown (SC Lottery), Anne Huffman (SC Lottery), Dolly Garfield (SC Lottery), Jessica Wigington (Senate Finance Committee); *Forty additional participants via Zoom.*

Note: Guests were invited to attend virtually. An email invitation was sent to the 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.

- I. Chairman Grimball welcomed everyone to the meeting at 10:30 a.m.
- II. Chairman Grimball presented the September 21, 2023, 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. Revenue and Economic Update ([See materials](#))

Mr. Rainwater began the presentation by discussing the General Fund Revenue FY 2023-24 results through the first quarter. He highlighted the following points:

- Total General Fund revenue for FY 24 is \$341.2 million ahead of expectations for the first quarter.
- There is a disconnect between the economy and revenue growth. The economy has performed well, but revenue growth has declined due to tax cuts and changes in consumer behavior.

*Mr. Rainwater noted that as part of the development of the forecast, discussions today would center around dissecting the issues affecting each revenue item.*

Staff presented on the main components of General Fund revenue.

Dr. Manic discussed Withholdings and SC wages and salaries growth. His key points included:

- Withholdings are running ahead of the September forecast by \$126.1 million, or 8.7%; September Withholdings are 8.8% lower than a year ago due to the tax tables change.
- Wages and salaries have maintained strong growth of 9% for the first half of 2023, significantly above the 4-6% pre-pandemic range.
- Non-Withholdings collections are below the estimate of \$37.9 million for the first quarter.

*Chairman Grimball asked about the investment components of personal income, to which the staff responded with a more in-depth explanation.*

Ms. Daigle discussed Sales tax and other consumption taxes. Her key points included:

- September collections grew by 1.5% over last year, slowing down from 4.5% growth in August; fiscal year-to-date collections are \$51.7 million above the estimate.
- Consumer spending shifted from services to goods during the pandemic and has not yet returned to normal.

*Board members emphasized the importance of the trend in consumer behavior of spending shifting from services to goods.*

Ms. Jolliff presented Corporate Income tax and Corporate License tax. Her key points included:

- First quarter Corporate Income tax collections are a total of \$107.6 million above the forecast; collections are running behind last year, but still well above estimates.
- Corporate License tax collections are \$3 million above the current forecast; however, over half of collections will be received in the next two months.

*Ms. Jolliff noted that corporate income is correlated with sales; therefore, there is a cause for concern if sales decline.*

Mr. Vesely discussed Insurance tax and Bank tax. His key points included:

- Insurance tax collections are currently \$1.6 million (1.8%) above the estimate for the first fiscal quarter; although the biennial licensing “off-year” means a drop in revenue, this is partially offset by growing premiums.
- Quarterly Bank tax revenue is up \$10.1 million over estimates, nearly double the end of quarter expected collections.

*Members of the Board asked several technical questions about the estimation process, to which staff explained how the estimates were reached.*

Mr. Rainwater then discussed the key assumptions and working estimates for FY 2023-24 and FY 2024-25 that will be considered later in the day. He explained the charts and graphs in the presentation, and his highlights included:

- Personal income:
  - High interest rates and slower spending are expected to slow the overall economy and lower wage growth nationwide as compared to recent trends.
  - SC wage growth is expected to return to normal levels in FY 24 and slightly below normal in FY 25.
- Employment:
  - Employment growth slows to the long-term trend over FY 24 and FY 25.
  - Economic development and migration continue to contribute to job growth.

*Mr. Rainwater noted that S&P Global is now an economic consultant to the Revenue and Fiscal Affairs Office.*

Mr. Rainwater then reviewed the key questions the advisors would be commenting on for FY 2023-24 and FY 2024-25:

- What is your general economic expectation for the US?
- Is your outlook for South Carolina personal income and employment more optimistic or more pessimistic than the current working estimates?
- Is a national slowdown going to happen and if so, when?
- What are the potential risks to your outlook?

***At the conclusion of Mr. Rainwater's presentation, Chairman Grimball called a recess of the meeting at 11:18 am for lunch.***

***Chairman Grimball called the afternoon session of the meeting to order at 12:25 pm.***

#### IV. Economic Outlook for FY 2023-24 and FY 2024-25

Chairman Grimball welcomed everyone to the meeting, with a special welcome to the panel of economists.

Mr. Rainwater began by reviewing the working assumptions and data for the panelists, and he provided a brief introduction on the Economic Outlook for FY 2023-24 and FY 2024-25.

He then summarized Dr. Joseph Von Nessen's presentation since Dr. Von Nessen could not be in attendance, to which there were several comments and observations made by the panel.

The remaining panelists Dr. Laura Ullrich, Ms. Jackie Benson, Dr. Russell Sobel, and Dr. Frank Hefner then shared their economic presentations:

- Dr. Laura Ullrich – [National and Regional Economic Update](#)
- Ms. Jackie Benson – [The Economic Outlook](#)
- Dr. Russell Sobel – [BEA Regional Advisory Committee](#)
- Dr. Frank Hefner – [SC BEA Regional Advisory Committee Economic Update](#)
- Dr. Joseph Von Nessen (Contributor) – [The South Carolina Economic Outlook](#)

The information shared by the panelists generated questions and further discussion between the speakers, Board members, and staff.

After the presentations, panelists provided their opinions on working assumptions provided by staff (Dr. Von Nessen’s ratings were provided after the meeting, but are included in the following):

WORKING ESTIMATES - FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2023-24	4.7%	2.0%	2.8%
2024-25	4.0%	1.8%	2.3%
-Growth Should be lower = Approximately Right + Growth should be higher			
--Growth should be significantly lower ++ Growth should be significantly higher			
2023-24	Personal Income	Employment	Inflation
Dr. Laura Dawson Ullrich	-	-	+
Ms. Jackie Benson	=	=	+
Dr. Russell S. Sobel	-	-	+
Dr. Frank Hefner	++	+	+
Dr. Joseph Von Nessen	=	-	+
2024-25	Personal Income	Employment	Inflation
Dr. Laura Dawson Ullrich	=	=	+
Ms. Jackie Benson	-	-	+
Dr. Russell S. Sobel	=	-	+
Dr. Frank Hefner	++	+	+
Dr. Joseph Von Nessen	=	=	+

At the conclusion of the meeting, Mr. Rainwater advised that staff would begin working with the estimates and considering the information shared by the panelists for the Board to review.

- V. Reports from Working Group Members  
*No Working Group members offered comments.*
- VI. Other Items for Discussion  
*No items for discussion.*
- VII. The next scheduled meeting is on Thursday, November 16, 2023, beginning at 1:00 p.m.
- VIII. Dr. Mikota motioned to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 3:02 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 11/16/2023

Emily Prosser *Emily Prosser*