



**SOUTH CAROLINA  
REVENUE AND FISCAL AFFAIRS OFFICE**

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**MEMORANDUM FOR THE RECORD**

**Date:** January 25, 2024, 1:00 p.m.  
**Location:** Revenue and Fiscal Affairs Office, Conference Room 417 / Zoom  
**Subject:** Minutes of Board of Economic Advisors Meeting

**Participants:** *Board Members* – Edward Grimball- Chairman (*via Zoom*), Curtis Hutto, Dr. Michael Mikota, and Hartley Powell. Frank Rainwater- Executive Director, *Staff* - Morgan Daigle, Lisa Jolliff, Dr. Marian Manic, and Karl Vesely.

**Attendees:** *RFA* – Paul Athey, Carrie Bundrick, Chris Finney, Elizabeth Hall, Ashley Johnson, Kathryn Kelley, Sandra Kelly, Dr. David Patterson, Emily Prosser, and Michael Reynolds; *Guests* – Meredith Cleland (Department of Revenue). *Fifty-nine additional participants via Zoom.*

Note: Guests were invited to attend in-person or 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 1:00 p.m. He expressed his regrets for not being able to attend in-person.
- II. Chairman Grimball presented the November 16, 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. General Fund Revenue Forecast ([See materials](#))

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

- General Fund revenues are \$328.5 million, or 5.4 percent, above the year-to-date expectations.
- Almost half, \$155.8 million, is due to Corporate Income tax; however, tax filing season remains a concern.
- Other revenue categories are performing closer to expectations.
- Personal income and employment are both running close to estimates.

Ms. Jolliff then gave an overview of General Fund revenues and provided a summary of the revenue excess by major category.

*Mr. Hutto asked if the non-withholdings decline is related to the delay in estimated payments. Ms. Jolliff replied that yes, the decline could be related to the delay in estimated payments, but it could also be the timing and fluctuations in payments due to the new tax tables.*

Dr. Manic gave an overview of key economic indicators. His points included:

- SC Employment in November 2023 showed a 2.6 percent growth above November 2022 compared to an estimate of 1.8 percent growth for the FY 2023-24.
- 2023 Third Quarter (Jul – Sep) personal income data and revisions reflected a slight decrease in personal income from previous data releases, but it remains on track for the forecasted 4.3 percent growth over FY 2023-24.

Dr. Manic then continued with Individual Income tax categories. His key points included:

- Withholdings have continued to decline as expected due to the tax tables change, but at a slower rate than originally forecasted.
- Wage growth continues to slow; however, SC growth remains above the national level.
- Non-withholdings collections are \$33.8 million below the forecast despite a relatively stronger performance of financial markets throughout 2023.

*Dr. Mikota asked if there were certain sectors driving wage growth, to which Ms. Jolliff answered that the personal income data is only provided in the aggregate and not divided into sectors, but that employment growth was higher in sectors like Professional Services that have higher average salaries and are likely contributing to wage growth.*

*Chairman noted that December was a very robust month for the economy, which should be remembered when drawing conclusions for the upcoming forecast.*

Ms. Daigle discussed consumption taxes. Her key points included:

- Through December, Sales tax and Deed Recording fee collections are close to the estimate.
- Fiscal year-to-date Sales tax revenues are up 2.8 percent and \$27.3 million above the estimate; growth is expected to slow to 1.1 percent over the fiscal year.
- Consumers continue to shift spending behaviors, goods vs. services, back to the 10-year trend.

*Chairman Grimball stated that the chart showing the shift in spending behavior validates what has been expected since the pandemic ended.*

Ms. Jolliff then presented on Corporate tax. Her key points included:

- Corporate Income tax collections are \$155.8 million above the estimate and account for almost half of the total excess; however, most of the change in Corporate Income tax is expected at tax filing season, so it is necessary to remain cautious until that time.

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

- Insurance tax, as reported, is above the November estimate; however, refunds were accounted for differently this year, which means Insurance taxes are

actually below estimates. Once the accounts are reclassified, Insurance tax will reflect the actual balances.

- Bank tax collections remain above the forecast by \$4.8 million, but a weak December reduced excess revenue considerably.

Mr. Rainwater concluded the presentation with a discussion of issues and assumptions for the upcoming February forecast. His key points included:

FY 2023-24 Forecast Considerations:

- Key economic factors are tracking closely to estimates.
- The anticipated slow-down in growth rates appears to be happening.
- Most of the excess revenue is in Corporate Income tax, which could be affected by tax filing season.
- Some smaller revenue categories are performing better than expected but do not have a significant impact on the overall forecast.
- With the changes to tax rates and withholdings tables, tax filing season remains the biggest factor that is likely to impact collections this year; growth in investment income may result in an upside at tax filing, but this remains to be seen.

FY 2024-25 Forecast Considerations:

- National economic expectations are slightly better than in October.
  - Recession concerns have lessened.
  - The Fed may begin lowering interest rates.
- With the expectation of Corporate Income tax, FY 2023-24 collections are close to expectations in the major categories.
- The revenue outlook for FY 2024-25 is largely unchanged from November.
  - Wage growth is expected to be below historical levels.
  - Sales tax growth will remain below historical levels as well.
  - How long corporate profits will remain elevated remains a concern.

*Mr. Hutto asked if the February forecast is required statutorily, and Mr. Rainwater affirmed that it is (see §11-9-1130). He added that the February forecast begins the legislative process for the General Assembly to begin the budget debate.*

*Dr. Mikota stated that he is looking forward to receiving more information for the February forecast.*

*Chairman Grimball thanked everyone who prepared the forecast, particularly for their wisdom, analysis, and financial insights and conclusions.*

- IV. Reports from Working Group Members  
*No Working Group members offered comments.*
- V. Other Items for Discussion  
*No items for discussion.*
- VI. The next scheduled meeting, if necessary, is February 15, 2024.

VII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 1:43 p.m.

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

These minutes were approved on 2/15/2024

Emily Prosser *Emily Prosser*