

MEMORANDUM FOR THE RECORD

DATE: August 24, 2020
SCETV Studios/ Attendees via teleconference
1:00pm

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members* –Edward Grimball-*Chairman*, Alan Clemmons, Emerson Gower, Hartley Powell; Frank Rainwater, *Executive Director*; *Staff* – Lisa Jolliff, Sandra Kelly, Robert Martin, Karen Rhinehart, Paul Athey, Debbie Glenn; *ETV* – David Beverley; *Special Speakers* – Dudley Jackson (PRT), Justin Hancock (PRT), Dr. Brannon Traxler (DHEC), Robert Hitt (Commerce), Ted Pitts (SC Chamber of Commerce), Dan Ellzey (DEW); *Guests:* *Due to COVID-19 policies all guests participated via GoToMeeting and 138 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. Meeting documents were posted 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 1:00pm. Chairman Grimball presented the meeting minutes for July 23, 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)*
- **Frank Rainwater presented an overview of July 2020 General Fund Revenues.** *(See Attached)*
 - The Comptroller General is still working on the final FY 2019-20 information and revenue is still being totaled. That information will be reviewed and presented to the Board.
 - A decision will need to be made concerning whether the economy will grow.

- **Robert Martin shared information on the recent key economic activity. His major comments were:** (*See Attached*)
 - Every sector related to the Gross Domestic Product has suffered during the pandemic.
 - Businesses are starting to slowly open and feel more confident.
 - Retail sales and the food service industry is recovering as people buy online and have items delivered to their home.
 - Light vehicle sales were affected dramatically. Some vehicle manufacturers switched some production to making medical products.
 - Savings has greatly increased during the pandemic.
 - Employment growth is beginning.
 - Residential building permits are up in some measure due to low interest rates.
 - Airlines suffered greatly due to the pandemic.
 - Businesses and other countries are slowly opening up. A vaccine will affect this growth.
 - *Mr. Gower asked how the stimulus package has affected the economy. Mr. Martin replied that the economy is slowly recovering but folks are still out of work and may leave the workforce. Restaurants are still struggling and closing-the State and the nation suffered a real slow-down the second quarter of 2020. Chairman Grimball asked if the most of the motels and restaurants that have closed are small businesses or chains. Mr. Martin replied that some large chain businesses have closed, but most are small businesses.*
 - *Mr. Powell mentioned that July was the first month since the pandemic began that there was positive growth, and that growth was attributable to remote sellers such as Amazon.*
 - *Mr. Clemmons mentioned that he is concerned about the small businesses closing because that affects the owners, the employees, and the landlords. These businesses are also the backbone of the community. The owners depend on the revenue in the busy times to see them through the slow times.*

A break was taken between 2:10-2:20pm

- **Insights and Perspectives for FY 2020-21**
 - **Dr. Brannon Traxler, Physician Consultant, SC Department of Health and Environmental Control**

- The understanding of this new disease and the situation continues to evolve rapidly.
- This disease did not exit in humans until last fall.
- Dr. Traxler shared monitoring and testing information, cases, and deaths per week from March to August 15th. The CDC would like the number of positive tests to be below 5%.
- Dr. Traxler also shared projection information for the progression of the disease.
- There is positive information regarding vaccine development. There are 130 vaccines being developed world-wide but there are three main vaccine being looked at. Diverse groups of people are looked at for testing. Some vaccines are already being mass-produced due to the confidence in their ability to succeed. Most vaccines take years to develop, the COVID vaccine is predicted to be ready in months.
- She encouraged wearing masks and social distancing.
 - *Mr. Hitt asked if the weather has an effect on the virus. Dr. Traxler says that the flu mimics COVID which could overload hospitals.*
 - *Frank Rainwater asked if the incident rate is low enough for school to begin? Dr. Traxler replied that the models for incidents are only for forecasting by the IHME for disease activity.*
- **Mr. Robert M. Hitt, Secretary of Commerce, SC Department of Commerce**
 - The Department of Commerce sees a favorable change as it relates to the state's business activity as it related to recruiting business.
 - Manufacturing is going well. For example, BMW are producing at the same level as pre-COVID which helps with exports. Large projects are steady. July saw the largest intake of new projects in three years.
 - There has been a flattening of Foreign Direct Investments over the last two years.
 - Business is adapting and continuing in spite of COVID. Eighty companies changed to manufacturing PPE products.

- The Department of Commerce is still engaged in overseas activity on a daily basis. Continuing business via virtual presentations.
- 2019 was 10th record year for exports.
 - *Chairman Grimball asked if the conversion of the labor force would apply to hospitality industry employees that will need to find other types of jobs. Mr. Hitt felt that it would apply to them since this is one of the largest groups to lose employment during COVID.*
- **Mr. Justin Hancock, Director - Research, Grants, and Policy, SC Department of Parks Recreation, and Tourism; Mr. Dudley Jackson, Director of Research, SC Department of Parks, Recreation, and Tourism**
 - SC has a broad range of tourist places so that is helpful for our state.
 - Business travel has been impacted due to social distancing with COVID.
 - SC Hotels are doing well; restaurants are getting about 85% of the customers that they did in March.
 - *Mr. Gower asked if tourism will stay flat, will come back slow or quickly. Mr. Hancock responded that it will stay flat for now but hopefully will bounce back in the spring.*
 - A small travel campaign brochure has been done to encourage safe travel. Wanting people to feel safe to travel.
 - *Mr. Clemmons asked when PRT plans to engage a vibrant tourism program and if PRT is heavy on in-state marketing. Mr. Hancock stated that they are beginning to move forward in how and where to market tourism and they are focusing on in-state and a 350-mile radius.*
 - *Chairman Grimball asked, of the \$300 million less in sales and use tax that SC has not received in FY 2019-20, how much was in the second quarter of 2020? Mr. Jackson said he would research and provide information for that.*
- **Mr. Ted Pitts, President, SC Chamber of Commerce**
 - Survey of small businesses was done in May and small businesses were struggling. Close to half had furloughed workers and over half had applied for federal assistance.

- Another survey was done in July and there was more optimism. 86% of businesses had fully or partially reopened and there is expectation of increased revenue next year. Concern still exists over a possible need to close again and the length of time it will take to fully recover. There is concern over the lack of guidance for reopening businesses.
- The Chamber of Commerce is not scheduling conferences at this time due to COVID concerns.
- Workforce concerns now are employees with children in different school districts with different policies which affects work schedules. Some companies hire a teacher for the children of employees.
- A change is obvious in the way companies view working from home. In the beginning of the shutdown, companies felt that telecommuting was the way to go; now companies feel that employees need to be in the office for better collaboration and to be more efficient.
 - *Chairman Grimball asked Mr. Pitts if he believes that these education and child care changes are permanent. Mr. Pitts replied that many child care businesses are having to close so this is a problem that will need to be addressed.*
 - *Mr. Gower mentioned that some information suggests that some businesses are operating normally and that there is a shortage of building materials, are backlogged and appliances are difficult to find. He asked Mr. Pitts if he believes this will be on-going based on information he has gathered from businesses. Mr. Pitts replied that he feels that this is a temporary situation, especially for the housing industry. He feels the issue with the shortage of lumber will resolve with time and that South Carolina will come out of this issue stronger in 2021 due to the fact that many people may want to leave more expensive locations with mass transit and come to a less expensive location with a better quality of life, such as South Carolina.*
 - *Chairman Grimball asked if the tariffs were an issue. Mr. Pitts replied that they are and gave a boat manufacturer as an example that stated that they are unable to sell boats in Europe due to the tariffs.*
- **Mr. Dan Ellzey, Executive Director, SC Department of Employment and Workforce**

- In March of this year, unemployment claims increased from 2,000 per week to 88,000 per week. Claims have decreased to around 6,000 or 7,000 per week.
- The \$600 per week benefit caused issues in that some folks were bringing in more income with this check than if they were working. As a result, some folks did not want to look for employment. Since that benefit ceased in July, folks are more inclined to look for work.
- The leisure and hospitality industry lost the most jobs.
- Approximately \$555.5 million needed to rebuild the economy after the pandemic. This amount is above and beyond what is already paid by businesses in taxes.
 - *Chairman Grimball asked if the tax rate in SC needed to rebuild the economy will be a deterrent to businesses. Mr. Ellzey replied that we are competitive with other states.*
 - *Chairman expressed his thanks for all of the research and helpful information presented by the speakers.*
 - *Mr. Gower mentioned that there is a lot of risk at this time. He recommended that the Board continue to be cautious.*
 - *Mr. Clemmons agreed with Mr. Gower. The information received was very good and the Board need to remain cautious.*
 - *Mr. Powell agreed that caution is needed.*
 - *Mr. Rainwater stated that after final numbers are received from the Comptroller General he would contact the Board for discussion.*
- **Frank Rainwater presented Key Issues for FY 2019-20 and Questions for FY 2020-21. (See Attached)**
 - Are final FY 2019-20 revenues the correct base for forecasting FY 2020-21 revenues
 - Surplus to be determined
 - Federal Stimulus
 - Non-accrual of tax refunds
 - Did the economy and revenue collections bottom-out in the second quarter (April – June) of 2020? Have revenues stabilized, will they drop again, or will they increase?
 - How much longer will social distancing continue to affect the economy?
 - Impact on economic activity
 - Impact on employment
 - Consumer behavior (travel, dining out, Christmas)
 - New Federal Stimulus Actions

- Unemployment
- Payroll Protection Program (ends October 1)
- Tax Year 2020 (April 2021) v Tax Year 2019
 - Loss of business income
 - Unemployment compensation taxable
- **Other Matters for Consideration**
 - Mr. Rainwater presented a resolution for the 16 years of service to the Board by Howell Clyborne. This resolution was signed by the Board Members and will be sent to Mr. Clyborne.
 - Mr. Rainwater presented Mr. Robert Martin with a resolution which was signed by the Board Members for his 30 years of service to the Board of Economic Advisors and the State. Mr. Martin is retiring. A motion was made by Mr. Gower to adopt these resolutions and Mr. Clemmons seconded the motion; all voted aye. A photograph was also taken with Mr. Martin, Mr. Rainwater and the Board Members.
- **Reports from Working Group Members**

Mr. Gower motioned to adjourn the meeting and Mr. Clemmons seconded the motion. All voted aye, and the meeting adjourned at 4:32pm.

The next scheduled BEA Meeting is Thursday, August 31, 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 11/10/20.



Karen Rhinehart