

## MEMORANDUM FOR THE RECORD

**Date:** January 19, 2023, 1:00 p.m.  
Revenue and Fiscal Affairs Office/ Zoom

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

**Attendees:** *Board Members* – Edward Grimball-Chairman, Hartley Powell, Dr. Michael Mikota, and Curtis Hutto. Frank Rainwater, Executive Director; *Staff* – Paul Athey, Carrie Bundrick, Lisa Jolliff, Kathryn Kelley, Sandra Kelly, Emily Prosser; *Working Group* – Bryan Grady (DEW), Erica Von Nessen (DEW), Brad Wilson (State Treasurer's Office). *Thirty-eight additional participants via Zoom (see attached).*

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 1:00 p.m. and introduced the new board member, Dr. Michael Mikota, recently appointed by the Chairman of the Senate Finance Committee.
- II. Chairman Grimball presented the November 16, 2022, 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. Quarterly Review of General Fund Revenues and Economic Conditions ([See materials](#)):

Mr. Rainwater and Lisa Jolliff presented information regarding the General Fund Revenue, Quarterly Review October - December 2022. The main points included:

- General Fund FY 2022-23 Second Quarter Summary (§11-9-1130)
  - General Fund Revenues are \$391.0 million, or 6.1%, above year-to-date estimates.
- Economic Indicators:
  - SC Employment is above the forecast of 2.8% and grew 3.7% in November over last year.
  - Wage growth and labor market tightness remain above historical levels but continue to slow.
  - South Carolina actual 2022 Q3 personal income was slightly above estimate, driven by higher-than-expected wage growth (9.1% forecasted, 10.4% actual).

*Chairman Grimball and Mr. Hutto asked questions for clarity regarding these employment statistics. Ms. Jolliff explained wage growth is the driver behind personal income growth and SC wage growth is well above the national average. Chairman Grimball asked what the fourth quarter snapshot of SC's wage growth will be, to which Ms. Jolliff answered that we do not have state level data yet, only national.*

- Consumer Price Index: Inflation remains elevated but is trending down and is slightly below expectations.
- US Purchasing Managers Index: Nationwide expectations for the manufacturing industry remain more pessimistic than optimistic as measured by the index, which fell below 50 in November.
- Fiscal Survey of States – National Association of State Budget Officers (NASBO) FY 2021-22 Update:
  - Updates for all state budgets in the aggregate for FY 2021-22:
    - Total General Fund revenue grew 14.5% over FY 21, which itself saw a 16.6% increase over FY 20.
    - 49 states saw actual collections exceed enacted budget forecasts by a total of 20.5% over original forecasts.
    - FY 23 revenue projections in enacted budgets are 3.1% below actual collections for FY 22; however, 33 states report collections are exceeding budget forecasts to start the year.
- General Fund Revenue – Individual Income Tax Components:
  - As expected, growth in Withholdings has started to slow but not as quickly as predicted; collections remain \$81.9 million above estimates.
  - US wage growth continues to slow, declining to 4.6% in December 2022 but remains above historical levels.

*Mr. Hutto asked if we had SC employment figures through December, to which Mr. Rainwater answered that there is a month lag with that data. Dr. Bryan Grady with SC Department of Employment and Workforce (DEW) was in attendance and asked to comment. He answered that those figures would be available on Tuesday (January 24, 2023). Mr. Rainwater added DEW will perform an annual revision of 2022 data around March of 2023.*

- Non-withholding collections are \$57 million ahead of the estimate, but tax season is expected to have a significant effect this year.
- General Fund Revenue – Consumption Taxes:
  - Sales tax collections are \$61.5 million above the estimate fiscal year-to-date; growth slowed to 6.3 percent for December.

*Chairman Grimball asked, of the growth for the last 2 fiscal years (40%), how much is contributed to incentive payments, etc. Mr. Rainwater answered that we have not pinpointed the cause, but the following slides provide more insight.*

- U.S. Consumer Spending: Consumers are spending more on services while purchases of goods have flattened out.
- Deed Recording Fees: As expected, collections have slowed significantly since the start of the fiscal year; revenue remains \$4.9 million ahead of expectations.
- SC Residential Real Estate: Total residential home sales have declined while price growth has flattened.
- General Fund Revenue – Business Taxes:
  - Corporate Income Tax is above the November estimate by \$182.1 million year-to-date following strong collections in December.

*Dr. Mikota commented on the correlation between retail sales and corporate income tax, which generated discussion between members and staff. Ms. Jolliff stated there is a very strong correlation between corporate income tax and retail sales. Mr. Powell commented on the number of people moving into SC, resulting in a growth in consumers, which drives sales. Chairman Grimball commented that one year ago, SC was number three or four in growth in the country for residents moving into the state, driving income into the state.*

- Corporate license tax is \$14.6 million above the November estimate year-to-date and has not declined as anticipated.
- Insurance tax is \$1.2 million below the November estimate due to slightly lower than anticipated premium taxes in December.
- Bank tax collections are above the forecast by \$5.4 million due to a strong December.
- Issues and Assumptions for February Forecast:
  - Comments from Advisory Panel – January 2023:
    - Generally, assumptions are still valid.
    - Wage growth is still expected to slow in early 2023.
    - Compared to November’s assumptions, personal income may be higher this year and lower next year.
  - SC Employment - Estimate Proposal: Proposed increases in FY 2022-23 and FY 2023-24 estimates incorporate faster than expected employment growth.
  - SC Personal Income – Estimate Proposal: Proposed increases in the FY 2022-23 and FY 2023-24 personal income estimates take into account higher than anticipated wage growth year-to-date.

Mr. Rainwater then presented November estimates and recommended changes to Fiscal Year Growth Rates.

- Recommendations for FY 2022-23:
  - Personal Income growth of 5.98%, up from 4.92%,
  - Employment growth of 3.4%, up from 2.8%, and an
  - No changes to the inflation growth of 6.3%.
- Recommendations for FY 2023-24:

- Personal Income growth of 4.93%, up from 4.88%
  - Employment growth of 1.4%, up from 1.1%
  - No changes to the inflation growth of 3.2%.
- Forecast Considerations:
    - Key economic factors have performed slightly better than expected, and FY 2022-23 revenues through December are above estimates.
    - The anticipated slow-down in growth rates appears to be happening, but growth for the second half of FY 2022-23 will likely be higher than previously estimated for some categories.
    - While collections for FY 2022-23 may be higher than forecasted, concerns about revenue performance for FY 2023-24 remain:
      - Will wage growth return to historical trends?
      - Will sales tax growth fall back to historical patterns? If so, when?
      - How long will corporate profits remain elevated?

*For clarification on February revisions, Mr. Hutto asked that since almost half of the overage on the estimate is corporate income tax, will we continue to forecast a significant decrease in that category, but shift it out? Mr. Rainwater answered yes, but the question is how far out the shift will go.*

IV. Reports from Working Group Members  
*No Working Group members offered comments.*

V. Other Items for Discussion

- Chairman Grimball presented the Board with a resolution honoring former Board Member, Emerson Gower, for his distinguished service to the Board.

*Chairman Grimball read the resolution to the group. Dr. Mikota motioned to approve the resolution honoring Mr. Gower. Mr. Hutto seconded the motion, and all voted aye.*

VI. The next scheduled meeting, if necessary, is on Thursday, February 15, 2023, beginning at 9:00 a.m.

VII. Dr. Mikota motioned to adjourn the meeting and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 1:55 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 2/15/2023  
Emily Prosser *Emily Prosser*

## BEA Zoom Webinar Attendee Report

### *Staff:*

Stephen Gardner  
Aujour Washington  
Emillie Boggs  
Ragan Griffith  
Mary Katherine Miller  
William Tipton  
Lisa Wren  
Byron Kirby  
Shannon Fields  
David Morrison  
Elizabeth Hall  
Rachel Passer  
Geoff Johnson  
Jason Bagwell

### *Guests:*

1 Unidentified Guest  
B. Bundrick  
Billy Routh  
EC  
Ashton Talbert  
Amelia Wilks  
Jackie Hipes  
donhottel  
hinsons  
Angie Graham  
Shelly Kelly  
Mary Greene  
Kathy Johnson  
Kevin Etheridge  
Morgan O.

Citizen  
MMils  
dsigler  
Jennifer Patterson  
Mike Addy  
Hobbie  
mmoore  
Richard Hutto  
Robert Macdonald  
Katie Turner  
Brian Gaines  
Brice Wilson  
TD  
Tom Watson