



MEMORANDUM FOR THE RECORD

Date: September 25, 2025, 9:00 a.m.

Location: Revenue and Fiscal Affairs Office, Conference Room 417/Web Conference

Subject: Minutes of Board of Economic Advisors Meeting

Participants: *Board Members* – Edward Grimball - Chairman, Curtis Hutto, Dr. Michael Mikota, and Hartley Powell (*via web conference*). Frank Rainwater – Executive Director, *Staff* – Lisa Jolliff, Morgan Daigle, Dr. Marian Manic, and Karl Vesely; *Guest Speaker* – Nick Clerkin (Fiscal Research Division, North Carolina General Assembly); **Attendees:** RFA – Chris Finney, Kathryn Kelley, and Emily Prosser; Snigdha Das (Fiscal Research Division, North Carolina General Assembly), Alannah Shute (Fiscal Research Division, North Carolina General Assembly); *Forty-three additional participants via web conference.*

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 web conference.

I. Chairman Grimball welcomed everyone to the meeting at 9:00 a.m.

Chairman Grimball welcomed the guest speaker, Mr. Nick Clerkin, and his accompanying team members and thanked him for taking the time to participate in the meeting and share his insights.

II. Chairman Grimball presented the August 28, 2025, 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. FY 2025-26 (FY 26) Update through August and Outlook ([See materials](#))

Mr. Rainwater began the presentation by noting that this meeting marks the second phase of the process in preparation for the November estimate and will focus on current economic and revenue trends in FY 26.

Mr. Rainwater presented FY 26 General Fund revenues through August. His key points were:

- The 0.3 percent estimated growth in May for the FY 26 General Fund revenue is reduced to negative 4.5 percent due to the final FY 2024-25 (FY 25) collections being above expectations and legislative tax adjustments.
- Through August, General Fund revenues were close to expectations. Revenue growth over the same period last fiscal year was essentially flat, compared to an expected decline of 0.4 percent, and were \$7.4 million above expectations.
- Most of the expected 4.5 percent decline is not expected until tax filing season next spring due to Income tax law changes.

Mr. Vesely reviewed data on employment and inflation for South Carolina (S.C.) and the United States (U.S.). His key points included:

Employment:

- August 2025 employment is up 3.2 percent from August 2024.
- Preliminary benchmarking from the U.S. Bureau of Labor Statistics indicates that both nationally and in S.C., there may be downward revisions to employment data in early 2026.
- Nationally, there are more unemployed people than job openings for the first time since 2020. South Carolina is close to that level.

Inflation:

- The Consumer Price Index was up 2.9 percent on a year-over-year basis, and the Personal Consumption Expenditures price index was up 2.6 percent on a year-over-year basis.

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

Sales Tax:

- August collections grew by 7.2 percent over last year and were \$24.9 million above expectations, continuing the strong growth exhibited over the last several months.
- In May, the FY 26 estimate reflected a growth rate of 2.5 percent; however, because FY 25 collections ended above expectations, the May estimate now requires a growth rate of about 1.2 percent.
- According to Wells Fargo's latest retail sales forecast, retail sales growth is expected to slow down from the current average growth rate in 2025. However, expectations on the timing of when this slowdown might occur vary across different external sources.

Retail Sales:

- So far in 2025, Sales tax collections have been growing at a faster rate than U.S. retail sales.
- From FY 24 to FY 25, the share of taxable sales from retail, the largest single industry contributing to taxable sales in S.C., and food services declined slightly, from approximately 66.4 percent to 65.9 percent.
- This small decline in the share of taxable sales from retail, along with the stronger growth in Sales tax collections compared to retail sales growth, could suggest that other industries may be playing a larger role in driving tax revenue growth.
- However, it is also possible that reported retail activity is understating actual economic performance in S.C.

Dr. Manic next discussed Individual Income tax categories. His key points included:

Withholdings:

- Total collections through August are approximately \$1.13 billion, which is \$41.3 million below the May estimate. Collections were particularly weak in July and decreased by 3.7 percent over the same period in FY 25.

- Cumulatively, total collections are 0.5 percent lower than last year so far, and the estimated growth for FY 26 is 3.1 percent.

Personal Income Growth:

- Both the national and S.C. personal income growth rates are converging toward the pre-pandemic average of about 5 percent, and the growth rate in S.C. is more than a whole percentage point higher than the national rate of 4.5 percent as of the first quarter of 2025.
- The overall trend is pointing toward a moderation of growth in personal income, and a smaller growth in wages and salaries is expected, which is one of the main factors affecting Withholdings.

Non-withholdings:

- Fiscal year-to-date total collections are \$149 million, which is \$37.4 million above the estimate. This is mainly due to July collections, which grew by more than 50 percent over the same month in FY 25.
- Collections are expected to decrease by 10.1 percent in FY 26 as a result of the marginal tax rate decrease from 6.2 to 6.0 percent, as well as an expected cooldown in investment income.

S&P 500 Year-to-date Growth:

- The S&P 500 stock market index has been considerably more unstable in 2025 when comparing to the previous couple of years. The year-to-date rate of return of the index was only 6.5 percent at the end of August, which was almost three times lower than the growth rates for the same period in both 2024 and 2023.
- Given the overall year-to-date stock market underperformance and the expected decrease of the federal funds rate by about 75 basis points by the end of this year, we may see a reduction in investment income and Non-withholdings collections during the rest of FY 26.

Refunds:

- Total Refunds during the first two months of FY 26 are \$16.2 million higher than the estimate. Both July and August Refunds have exhibited strong growth of 52.4 percent and 26.7 percent, respectively.
- Overall, Refunds are expected to grow by 23.5 percent in FY 26 because of the stronger-than-expected Withholdings in FY 25, as well as the marginal income tax rate reduction.

Ms. Jolliff discussed Corporate Income tax. Her main points were:

Corporate Income tax:

- Corporate Income tax collections totaled \$62.4 million through August and are \$6.2 million ahead of expectations.
- Next month's quarterly payments will be the first significant measure of performance for FY 26 following a slowdown in the last quarter of FY 25.

Mr. Rainwater concluded the presentation by noting key issues and questions that will be discussed in the October meeting with the panel of guest economists, including:

- Reviewing revenue trends for the first quarter of FY 26.
- Personal Income and Spending:
 - Will the U.S. enter a recession or a significant slowdown, and what level of impact will we see?
 - What will monetary and tariff policies look like over the next two years?
 - How will global economic issues affect SC's economy?
 - How will income and wage growth change?
- Employment:
 - How will the labor market change?
 - How is SC going to change as compared to the US as a whole?
- How will the next 12 and 24 months compare to the last year?

Members asked questions throughout the presentation, which generated further discussions between Members and staff.

IV. Insights and Perspectives from North Carolina

With no further questions, Mr. Rainwater then introduced Mr. Nick Clerkin and his staff from the Fiscal Research Division of the North Carolina General Assembly to share insights on the economy over the next two years.

- Nick Clerkin – [North Carolina General Fund Revenue and Outlook](#)

The information shared by Mr. Clerkin generated questions and further discussion between the speaker, Members, and staff.

Chairman Grimball commended Mr. Clerkin on the insights and presentation given.

V. Reports from Working Group Members

No Working Group members offered comments.

VI. Other Items for Discussion

VII. The next scheduled meeting is October 14, 2025.

VIII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 10:07 a.m.

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

These minutes were approved on 10/14/2025

Emily Prosser 