

MEMORANDUM FOR THE RECORD

DATE: November 8, 2018
Room 417, Rembert Dennis Building
2:00pm

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members* –Edward Grimball-Chairman, Howell Clyborne, Emerson Gower; *Executive Director*, Frank Rainwater; *Staff* – Robert Martin, Karen Rhinehart, Lisa Jolliff, Allyn Powell, Gordon O. Shuford, Kenneth Harris, Sidra Nelson, Sandra Kelly, David Patterson, Paul Athey, Carrie Bundrick, Debbie Cooper. *Guests* – Richard Eckstrom, John Barfield, Michael Moore (Comptroller General’s Office); Katie Turner, Blythe Littlefield (Ways and Means); Don Hottel (House Research); Kate Wink (Senate Finance Committee); David Seigler, Kevin Ethridge, Brian Gaines (EBO); Joe Boyle, Hogan Brown (SC Lottery Commission); Craig Parks (USC); Clare Luther, Emily Heatwole (SC Department of Education); Susan Turkopuls (SC Association of Counties); Ben Johnson (SC Department of Commerce).

Press:

- I. Chairman Grimball welcomed everyone to the meeting at 2:02pm.
- II. Chairman Grimball presented the meeting minutes for October 18, 2018 which had previously been shared with the Members and asked if any Member had additions or corrections. There were no comments from the Members and Chairman Grimball declared the minutes approved as presented. *(See attached)*
- III. Frank Rainwater presented an overview of October 2018 and the forecast summary. **His major comments were:** *(See Attached)*
 - **October revenues increased 4.7 percent.**
 - **For the fiscal year-to-date, revenues have increased 7.7 percent.**
 - **Details will be released soon.**
 - **The FY 2017-18 revenue surplus of \$171.6 million created a need to adjust the FY 2018-19 estimates due to a higher base.**
 - **Better than expected revenue growth creates a need to examine forecasted growth rates for FY 2018-19.**
 - **Basic assumption for FY 2019-20 is for continued growth, but at a slightly lower rate.**

- Net growth rates will be affected by several adjustments for one-time events, legislative enactments, and other timing issues.

IV. Robert Martin shared October 2018 revenue information. His major comments were: *(See Attached)*

Preliminary General Fund Revenue Forecast for FY 2019-20

- Review of General Fund Revenues – October 2018
- Regional Advisory Committee – Summary Forecasts
- Review of Current Base Economic Assumptions for FY 2018-19
- Economic Assumptions for Revised General Fund Revenue Forecast for FY 2018-19
- Economic Assumptions for Preliminary General Fund Revenue Forecast for FY 2019-20
- Forecast Proposal
- Forecast adjustments
 - Legislation passed by the General Assembly
 - Capital Gains Offset (\$76.0) mil.
 - Lottery Income Tax Withholding Offset +\$61.5 mil.
 - Corporate Audit Offset +\$9.7 mil.
- No estimate for Wayfair included
- All Treasurer’s, Comptroller General’s, and Lottery estimates incorporated
- Contingencies

Revenue Forecast FY 2018-19 and FY 2019-20

- Adjust FY 2018-19 estimate by \$217.7 million.
- Expected growth in FY 2018-19 over final FY 2017-18 is \$350.2 million or 4.0 percent.
- Expected growth in FY 2019-20 is 3.0 percent or \$274.5 million.
 - *Mr. Martin presented the proposed revenue estimate which Mr. Rainwater explained had been reviewed line by line and each line was forecast individually.*

October 2018 – Contingencies and Other Items of Concern

- Legal Decision
 - Tax conformity
 - Wayfair decision (internet sales)
 - Sports betting (no legislation has been filed)
- Revenue and Economic Issues of Concern

- **Midterm elections**
- **Capital gains and the stock market**
- **Effect of Trump tax change (Tax Cut and Jobs Act)**
- **Oil prices and OPEC**
- **Tariffs (China retaliation; doubling tariffs for Turkey)**
- **European debt crisis**
- **Value of the U.S. dollar against major currencies**
- **Retail sales**
- **Housing market**
- **Flattening of the yield curve spread**
- **Disaster tax relief for Hurricanes Florence and Michael**
 - *Mr. Rainwater summed up the forecast commenting that there would be continuing growth with a slow-down in 2020. Growth will continue through Christmas.*
 - *Chairman Grimball proposed to the Board that they approve the forecast for the remainder of FY 2018-19 of 4.0 percent and for FY 2019-20 growth of 3.0 percent. Mr. Gower motioned to accept the forecast; Mr. Clyborne seconded the motion, and all voted aye. All of the Board Members expressed thanks to those who prepared the forecast.*
 - *The long-range forecast also required approval by the Board. Mr. Gower motioned and Mr. Clyborne seconded the motion. All voted aye to accept the long-range forecast.*
 - *Comptroller General Eckstrom commented that he was glad to see the cautious approach that was taken concerning the revenue forecast. He feels that the economy is not overly robust at this time and agrees with the forecast presented.*

V. Other Business

- Lisa Jolliff shared information concerning the preliminary FY 2019-20 General Fund Outlook and the preliminary FY 2019-20 Budget Outlook.

There was no further business or comments from the Working Group Members.

The next scheduled BEA Meeting is Thursday, December 13, 2018 at 2:00pm.

Attachments: Agenda, Meeting Materials

Public Notice of this meeting was posted at <http://www.rfa.sc.gov/calendar>

These minutes were approved on _____.

Karen Rhinehart