



**Board of Economic Advisors
Working Group Meeting
September 24, 2014**



South Carolina Revenue and Fiscal Affairs Office

OVERVIEW: JULY – AUGUST 2014

- **For the first two months of the fiscal year, revenues were slightly above the fiscal year-to-date estimate**
- **In reviewing recent trends, the expectation at this time is that FY 2015 revenues will exceed estimate**
- **Expect continued steady, slow growth**



GENERAL FUND REVENUE JULY – AUGUST FY 2014-15

- **General Fund Revenues increased 2.4% over the same period in FY 2014**
- **Due to timing differences from FY 2014, the estimated FYTD growth was 2.2% as compared to the full FY estimated growth of 2.4%**
- **Consequently, revenue was \$1.4 million above the estimate**



CORPORATE INCOME AND LICENSE

- **Corporate Income Tax was \$13.7 million below estimate**
- **Corporate License Tax was \$2.4 million above estimate**

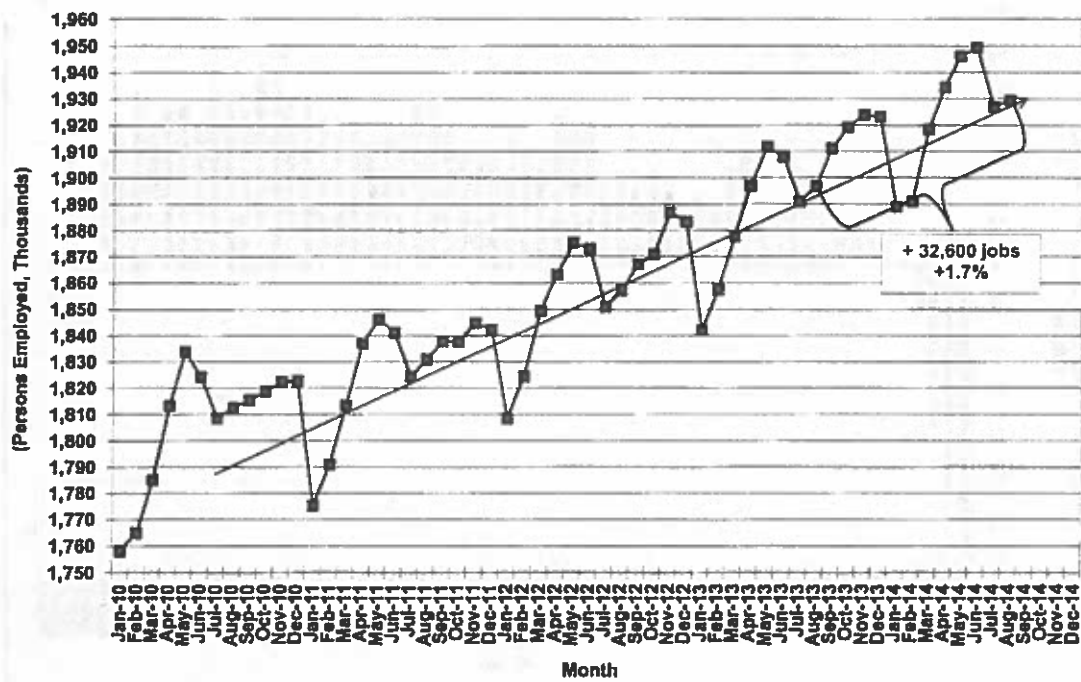


OTHER REVENUE

- **Insurance and Workers Compensation were behind FYTD estimates by \$3.5 million**
- **Other consumption taxes were \$3.4 million above estimate**



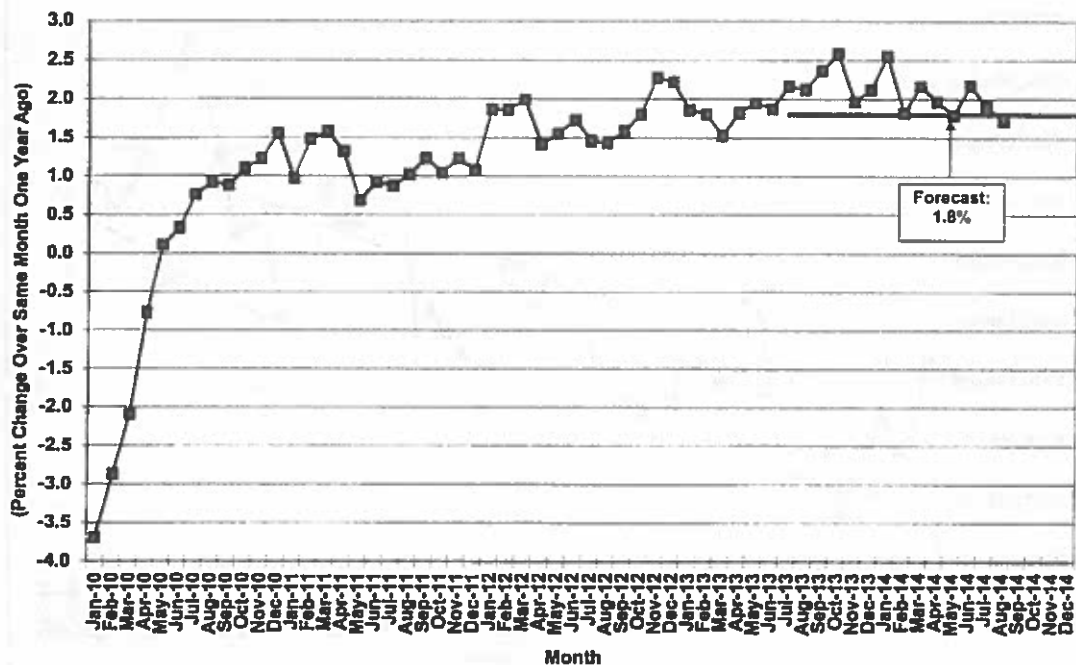
Total Nonfarm Employment in South Carolina



Source: South Carolina Department of Employment and Workforce
SCBEA/RWM/09/24/14

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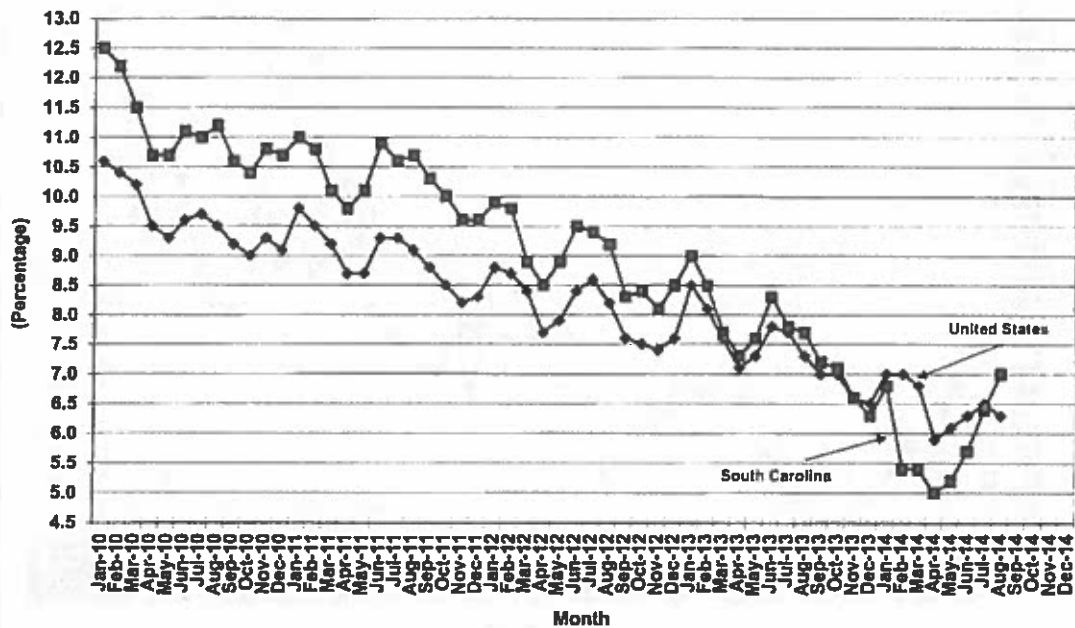
Total Nonfarm Employment Growth in South Carolina



Source: South Carolina Department of Employment and Workforce
SCBEA/RWM/09/24/14

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Unemployment Rate in South Carolina (Unadjusted)



Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/09/24/14

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HOUSING & CONSTRUCTION

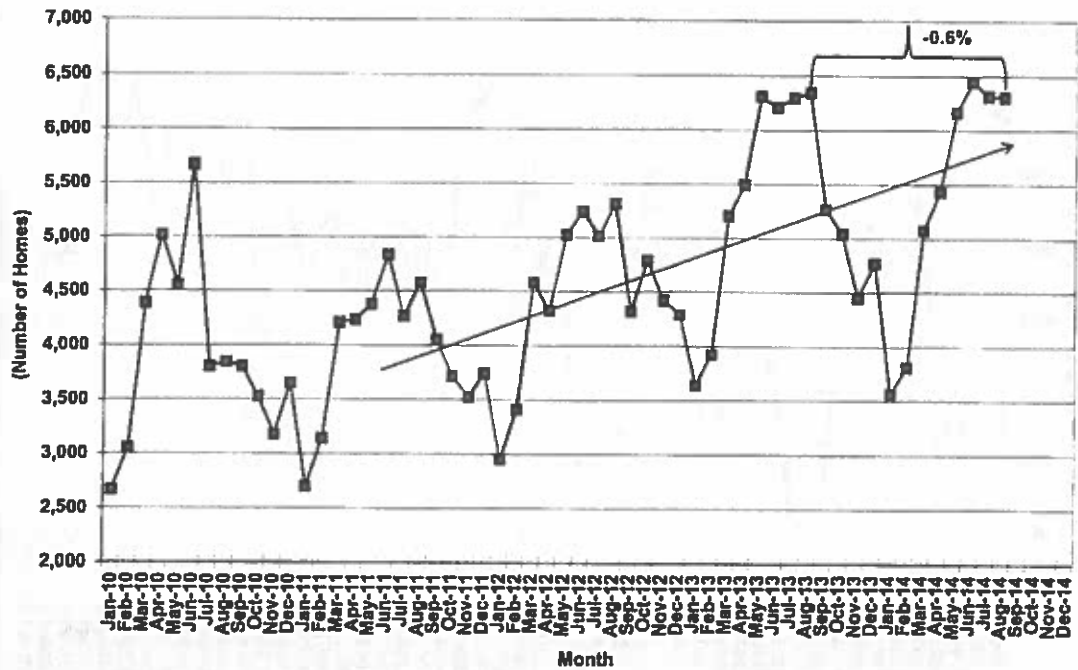
- Building permits surged 59% in July boosted by increased apartment building
- Mortgage rates have retreated in recent months fueling a rise in mortgage applications
- Homeownership rates are falling (78% to 72%)

Concerns

- Number of homes sold has flattened out
- Homeownership rates have plummeted for first-time homebuyers



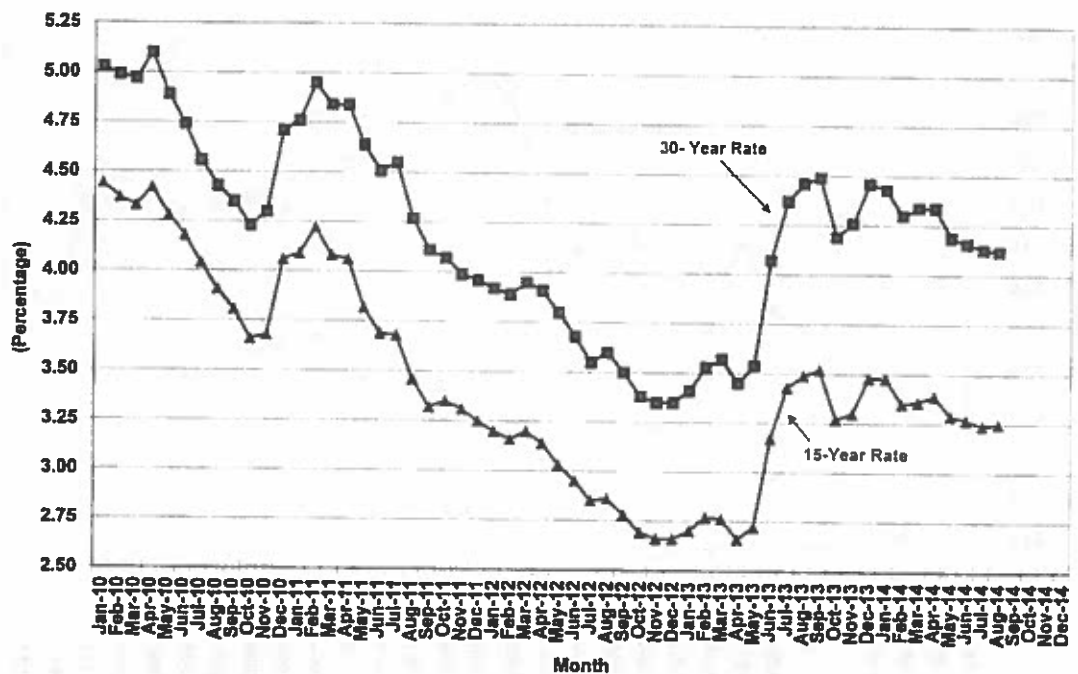
Number of Homes Sold in South Carolina



Source: South Carolina Association of Realtors
SCBEA/RWM/09/24/14

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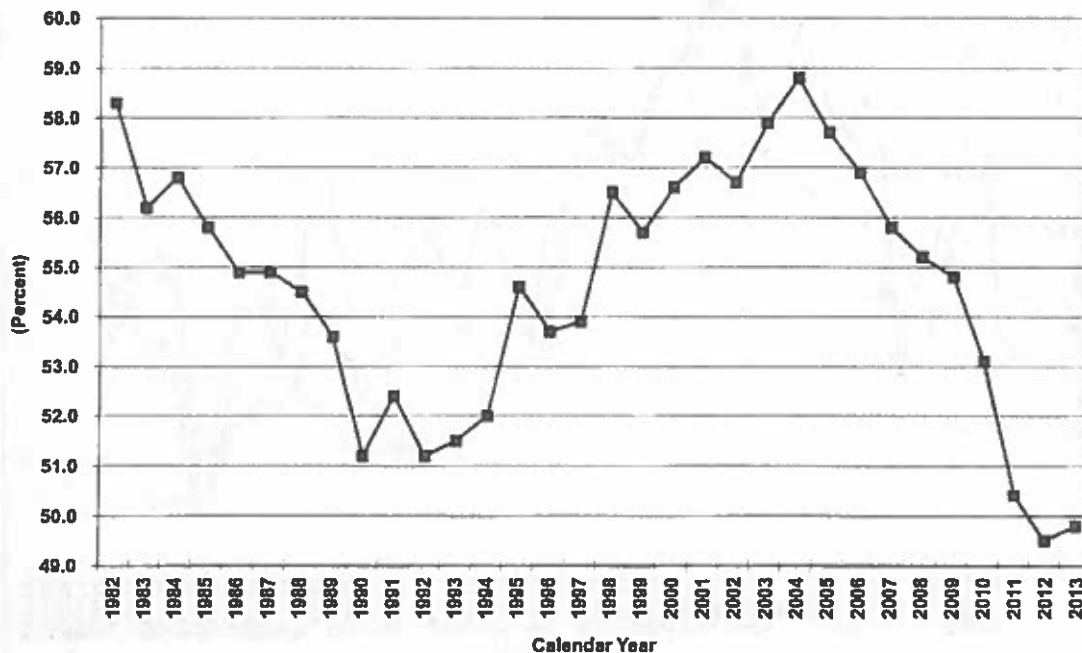
Mortgage Rates



Source: The Board of Governors of the Federal Reserve System
SCBEA/RWM/09/24/14

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Homeownership Rates in the South First Time Homeowners Age 30 to 34 Years



Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

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CONSUMER CONSUMPTION

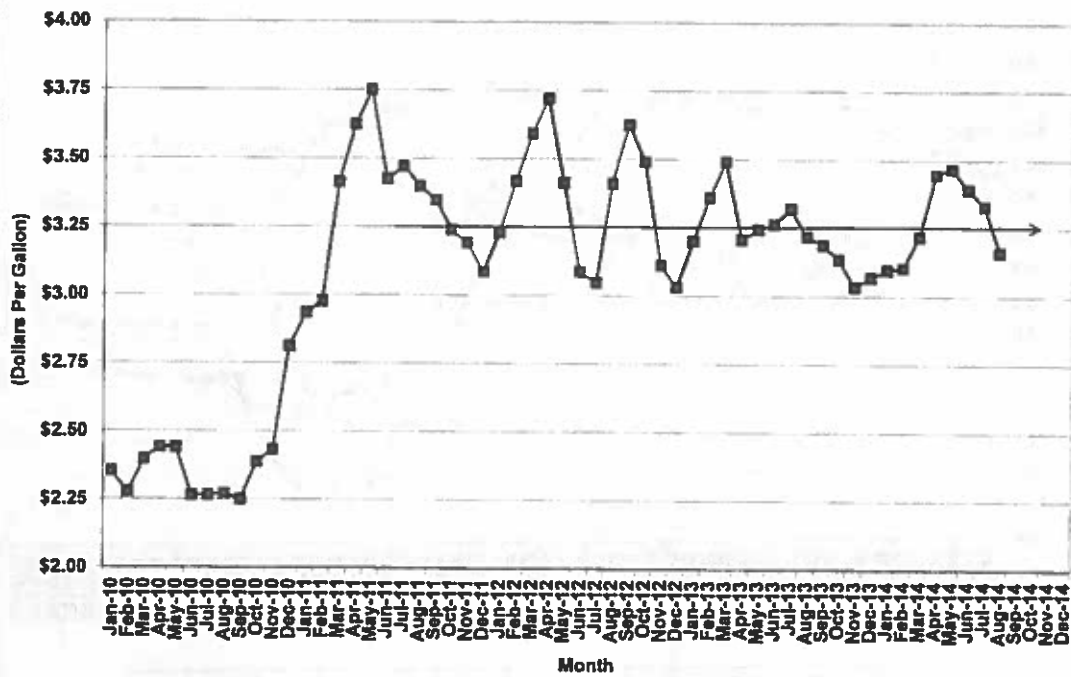
- Retail sales, excluding autos, increased 4.0% in August
- Auto sales increasing, but the rate is slowing
- Falling gas prices helping to bring tourists to the state
- Accommodations Tax is showing strong vacation sales
- Household debt is rapidly increasing led by auto loans while credit card usage is at the highest pace in six (6) years

Concern

- Future Fed tightening of interest rates may slow spending and investing



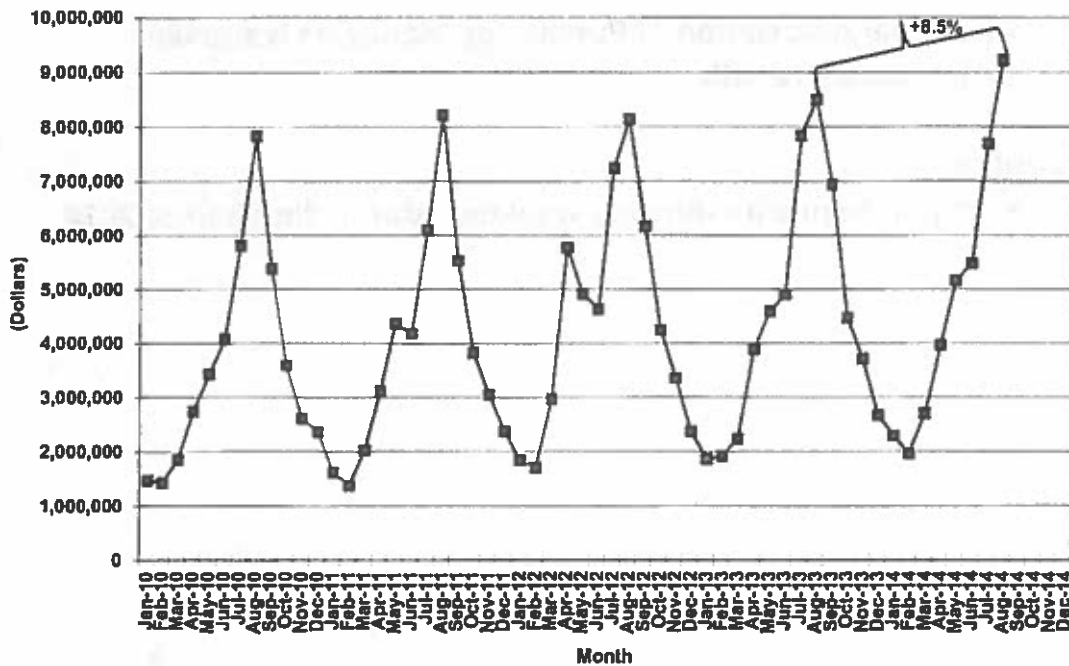
Gasoline Prices in South Carolina



Source: AAA of the Carolinas's
SCBEA/RWM/09/24/14

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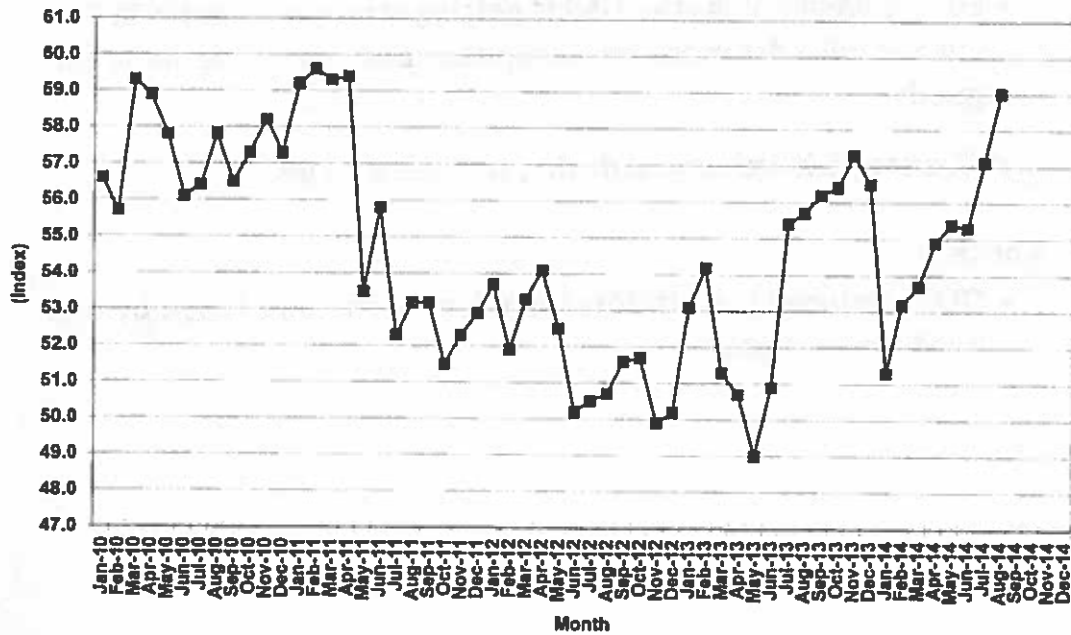
State (2%) Accommodations Tax in South Carolina



Source: South Carolina Department of Revenue
SCBEA/RWM/09/24/14

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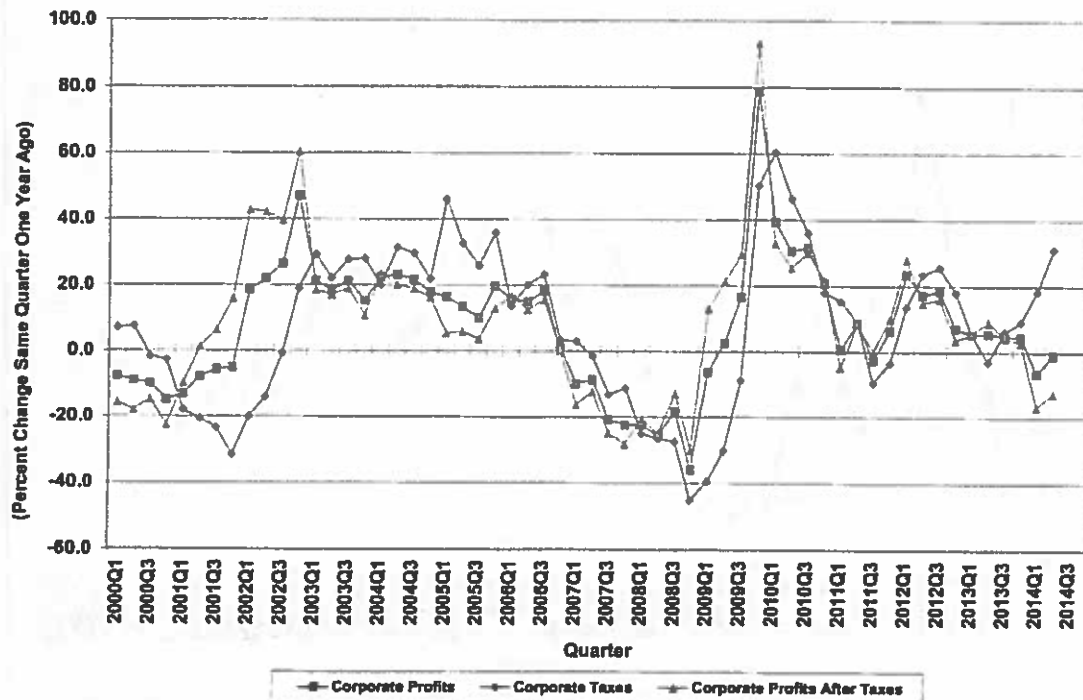
Index of Manufacturing Purchasing Managers Index (NAPM)



Source: The Institute for Supply Management
SCBEARWM09/24/14

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Corporate Profits of Domestic Industries in the U.S.

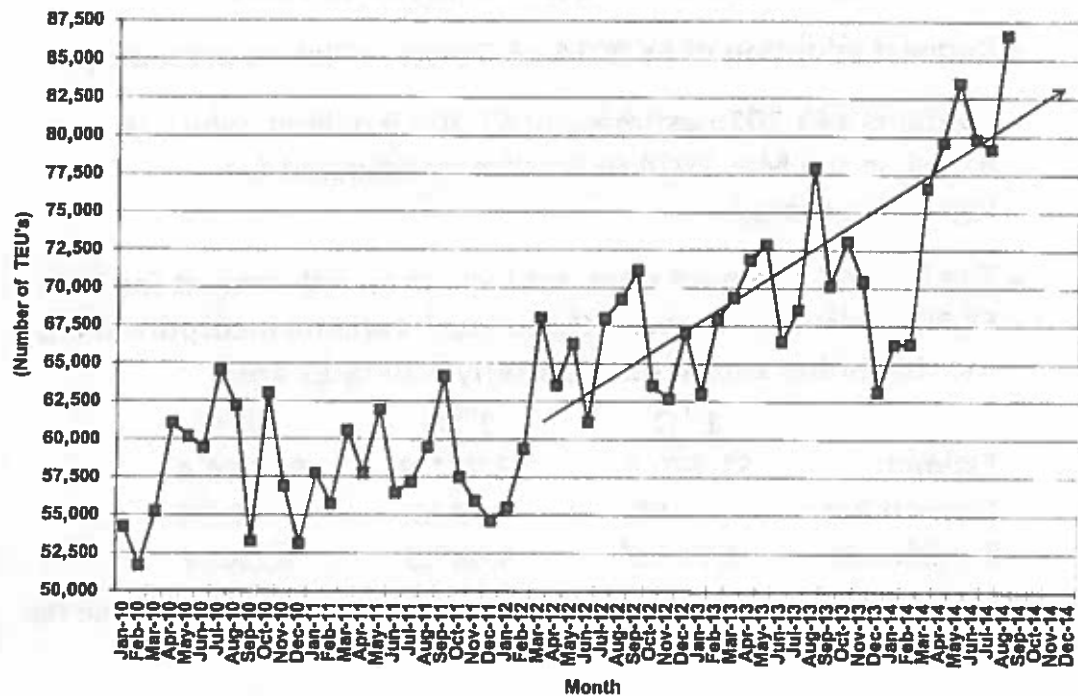


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

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Exports from South Carolina



Source: South Carolina State Ports Authority

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OUTSIDE RISKS TO THE FORECAST

- Natural disaster - hurricane
- Global economic malaise and international strife
- Economy in Europe – recession (BOE cut rates), high debt
- Severe interruptions in exports and/or higher energy prices
 - Russia's territorial dispute with Ukraine – disrupt energy supply to Europe
 - Middle East tensions



REGIONAL ADVISORS MEETING – OCTOBER

- **BEA Monthly Meeting 10:45**
- **Luncheon 11:45**
- **Presentation 12:45**

Staff Presentation

- **Review of FY 2014 Assumptions and Results**
- **Review of FY 2015 Assumptions**

Panel Presentation

- **Economic Outlook**

Range of Key Economic Assumptions

- **SC Personal Income Growth**
- **SC Employment Growth**
- **Risks**



REGIONAL ADVISORS

Michael Brown

Rick Kaglic

Russ Sobel

Joey Von Nessen

Mark Witte

Wells Fargo

Federal Reserve Bank of Richmond

The Citadel

University of South Carolina

College of Charleston



Appendix



September 24, 2014

**State of South Carolina
Revenue and Fiscal Affairs Office
Board of Economic Advisors
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Columbia, SC 29201
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SOUTH CAROLINA GENERAL FUND REVENUE

**JULY
--- AND ---
AUGUST
FISCAL YEAR
2014-15**

SEPTEMBER 24, 2014



South Carolina Revenue and Fiscal Affairs Office

'BIG 3' TAXES BY COMPONENTS: JULY OF FY 2014-15, AND FINAL FY 2013-14

Note: General Fund Revenue collections, only.

TABLE 1 A

SALES, USE & EXCISE TAX COMPONENTS 1/	July of FY2013-14	July of FY2014-15	% CHANGE Month / Month	FINAL FY2012-13	FINAL FY2013-14	% CHANGE FY'13 - FY'14
GENERAL RETAIL USE TAX	(13.5) +	(14.5)	(7.6) %	2,297.5	2,360.1	2.7 %
	13.5	14.4	6.1	131.5	144.8	10.1
RETAIL SALES / USE TAXES	0.1 +	(0.1)	(242.9)	2,429.0	2,504.9	3.1
CASUAL SALES - EXCISE	0.0	0.0	---	19.4	12.2	(37.2)
TOTAL SALES TAXES	0.1 +	(0.1)	(242.9) %	2,448.3	2,517.1	2.8 %

TABLE 1 B

INDIVIDUAL INCOME TAX COMPONENTS 2/	July of FY2013-14	July of FY2014-15	% CHANGE Month / Month	FINAL FY2012-13	FINAL FY2013-14	% CHANGE FY'13 - FY'14
TOTAL WITHHOLDINGS	348.1 +	346.6	(0.4) %	3,970.3	4,173.7	5.1 %
TOTAL DECLARATIONS	6.2	6.5	5.7	368.9	361.0	(2.2)
TOTAL PAID W/RETURNS	18.1 +	17.3	(4.7)	483.9	439.6	(9.2)
GROSS INDIVIDUAL INCOME	372.5 +	370.4	(0.5)	4,823.1	4,974.2	3.1
REFUNDS	(27.5)	(24.6)	(10.7)	(1,465.6)	(1,551.6)	5.9
NET INDIVIDUAL INCOME	344.9 +	345.8	0.3 %	3,357.5	3,422.6	1.9 %

TABLE 1 C

CORPORATION INCOME TAX COMPONENTS 2/	July of FY2013-14	July of FY2014-15	% CHANGE Month / Month	FINAL FY2012-13	FINAL FY2013-14	% CHANGE FY'13 - FY'14
TOTAL WITHHOLDINGS	0.2	0.5	168.9 %	33.7	37.4	11.1 %
TOTAL DECLARATIONS	8.5	5.9	(30.3)	238.5	231.6	(2.9)
TOTAL PAID W/RETURNS	1.8	1.7	(8.1)	159.8	96.4	(39.7)
GROSS CORPORATE INCOME	10.5	8.1	(23.2)	431.9	365.3	(15.4)
REFUNDS	(2.9)	(4.3)	50.9	(45.3)	(34.2)	(24.5)
NET CORPORATE INCOME	7.6	3.7	(51.1) %	386.7	331.1	(14.4) %

Note: Detail may not add to total due to rounding. *: Less than 0.5. **: Sign Change. R: Revised. NA: Not Applicable.

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%), and any Local Option taxes.

2/: Includes gross revenue allocated to Property Tax Relief funds.

+: As restated.

Source: S. C. Board of Economic Advisors (BEA) 09/24/14/mgd

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'BIG 3' TAXES BY COMPONENTS: MONTHLY AND CUMULATIVE RESULTS, AUGUST 2014 (\$ in Millions)

Note: General Fund Revenue collections, only.

TABLE 3A						
SALES, USE & EXCISE TAX COMPONENTS 1/	August of FY2013-14	August of FY2014-15	% CHANGE Month / Month	JULY - AUG. FY2013-14	JULY - AUG. FY2014-15	% CHANGE FY'14 - FY'15
GENERAL RETAIL	205.9	214.2	4.0 %	192.4	199.7	3.8 %
USE TAX	10.2	11.5	13.5	23.7	25.9	9.2
RETAIL SALES / USE TAXES	216.1	225.7	4.5	216.1	225.6	4.4
CASUAL SALES - EXCISE	1.8	1.3	(31.8)	1.8	1.3	(31.8)
TOTAL SALES TAXES	217.9	226.9	4.2 %	218.0	226.8	4.1 %

TABLE 3B						
INDIVIDUAL INCOME TAX COMPONENTS 2/	August of FY2013-14	August of FY2014-15	% CHANGE Month / Month	JULY - AUG. FY2013-14	JULY - AUG. FY2014-15	% CHANGE FY'14 - FY'15
TOTAL WITHHOLDINGS	319.7	344.2	7.7 %	667.8	690.8	3.4 %
TOTAL DECLARATIONS	5.9	11.0	87.1	12.1	17.5	45.4
TOTAL PAID W/RETURNS	21.0	16.1	(23.6)	39.2	33.4	(14.9)
GROSS INDIVIDUAL INCOME	346.6	371.3	7.1	719.0	741.7	3.2
REFUNDS	(24.2)	(22.5)	(6.9)	(51.7)	(47.1)	(8.9)
NET INDIVIDUAL INCOME	322.4	348.7	8.2 %	667.3	694.6	4.1 %

TABLE 3C						
CORPORATION INCOME TAX COMPONENTS 2/	August of FY2013-14	August of FY2014-15	% CHANGE Month / Month	JULY - AUG. FY2013-14	JULY - AUG. FY2014-15	% CHANGE FY'14 - FY'15
TOTAL WITHHOLDINGS	0.4	0.6	34.7 %	0.6	1.1	73.5 %
TOTAL DECLARATIONS	2.7	2.5	(7.0)	11.2	8.4	(24.7)
TOTAL PAID W/RETURNS	1.5	(1.2)	(177.8)	3.3	0.5	(86.2)
GROSS CORPORATE INCOME	4.6	1.9	(59.3)	15.1	9.9	(34.3)
REFUNDS	(1.0)	(2.6)	167.0	(3.8)	(6.9)	80.2
NET CORPORATE INCOME	3.7	(0.7)	(118.9) %	11.3	3.0	(73.2) %

Note: Detail may not add to total due to rounding. *: Less than 0.5. **: Sign Change. R: Revised. NA: Not Applicable.

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%), and any Local Option taxes.

2/: Includes gross revenue allocated to Property Tax Relief funds.

Source: S. C. Board of Economic Advisors (BEA) 09/24/14/mgd

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Summary of General Fund Revenue Collections: July - August of FY 2014-15

Revenue Category	Year-to-Date Change		\$ Excess / (Shortfall)
	\$ Amount	(%) Percent	
Total General Fund	22.1	2.4	1.4
Sales / Use / Excise - Total	8.8	4.1	7.7
Individual Income	27.3	4.1	6.1
Corporation Income	(8.3)	(73.2)	(13.7)
Departmental Revenue	(2.5)	(71.2)	(1.3)
Insurance / Workers Comp.	(3.6)	(92.6)	(3.5)
Parole & Probation Fees	(2.8)	(83.3)	(0.3)
Residual Revenue	3.2	10.1	6.5

Source: S.C. Board of Economic Advisors (BEA) /MGD/09/24/14