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GENERAL FUND REVENUES FOR JANUARY...
AND REVENUE FORECAST FOR FY...

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STATE OF SOUTH CAROLINA
BOARD OF ECONOMIC ADVISORS

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To: South Carolina Budget and Control Board

Subject: General Fund Revenues for January 1991 and Revenue
Forecast for FY 1991-92, February 15, 1991

The Board of Economic Advisors is required by Section 11-9-880 of the 1976 Code of Laws to make a final forecast for the next fiscal year on February 15. Revenue collections to date and the anticipated paths of the U.S. and South Carolina economies provide the basis for this forecast. While the collections to date have shown relative strength through December 1990, the January figures necessitate a re-evaluation.

The January figures indicate weaknesses in Sales Tax, Individual Income Tax and Corporate Income Tax that were not apparent earlier. The Sales Tax was down \$11.7 million from January of the previous year while Corporate and Individual Income Taxes combined were down \$38.1 million for the same period. The Sales Tax declined by 10.5%, Corporate Income Tax by 250.5% and Individual Income Tax by 13.2% from January a year ago. There were improvements in revenues from Miscellaneous Sources by 31.6% while the All Other category rose 13.4% from January 1990.

For the cumulative period, July through January, revenues were 5.3% over the same period of last fiscal year. The Sales Tax rose

4.1% and the Individual Income Tax was 6.3% above the same months of FY 1989-90. The Corporation Income Tax increased 7.5% over the July-January period last year and the All Other category rose 4.1%. Miscellaneous Sources were 15.1% above revenues in the same period of last fiscal year to date.

This rather substantial drop in current year performance has forced a re-evaluation of both Fiscal Year 1990-91 and Fiscal Year 1991-92 expectations. After careful study of both the actual performance to date and the anticipated background factors in both the national and State economies, the Board of Economic Advisors has revised its Fiscal Year 1990-91 estimate downward from \$3510.3 million to \$3460 million, a total reduction of \$132.6 million from the Fiscal Year 1990-91 Appropriation Act. This reduction in the base economic expectation leads the Board of Economic Advisors to revise the Fiscal Year 1991-92 forecast from \$3654 million to \$3624 million, a reduction of \$30 million from the November 1, 1990 first official estimate.

Board of Economic Advisors

W.R.P.

February 15, 1991

TABLE 1

State of South Carolina
 Budgetary General Fund Revenue
 Fiscal Year 1990-91
 Dollar Amounts and Percent Changes

January 1991

	Millions of Dollars		Percent Change	
	Month of January	July through January	January FY 1990 to January FY 1991	July-Jan. FY 1990 to July-Jan. FY 1991
SALES TAX - TOTAL 1/	\$ 99.5	\$ 696.6	-10.5%	4.1%
INCOME TAX - TOTAL	169.3	1080.9	-18.4	6.3
INDIVIDUAL	176.1	1009.8	-13.2	6.3
CORPORATION	-6.8	71.2	-250.5	7.5
ALL OTHER	47.6	301.1	13.4	4.1
REGULAR SOURCES - TOTAL	316.4	2078.7	-12.3	5.3
MISCELLANEOUS SOURCES - TOTAL	3.5	17.2	31.6	15.1
TOTAL GENERAL FUND REVENUES	319.9	2095.9	-11.9	5.3

1/: Excludes the one percent for the Education Improvement Fund and two percent Accommodations Tax.

Board of Economic Advisors
 2/15/91

MONTHLY
GENERAL FUND REVENUE COMPARATIVE SUMMARY
FISCAL YEARS 1990-91 AND 1989-90
(DOLLARS)

TABLE 2

REGULAR SOURCES	JANUARY FY 1990-91	JANUARY FY 1989-90	DOLLAR CHANGE	(%) PERCENT CHANGE
RETAIL SALES TAX (TOTAL) 1/	99,515,714	111,247,105	(11,731,391)	(10.5)
RETAIL SALES	99,012,945	110,796,328	(11,783,383)	(10.6)
EXCISE TAX, CASUAL SALES	502,769	450,777	51,992	11.5
INCOME TAX (TOTAL)	169,267,511	207,404,710	(38,137,199)	(18.4)
INDIVIDUAL	176,059,227	202,893,178	(26,833,951)	(13.2)
CORPORATION	(6,791,716)	4,511,532	(11,303,248)	(250.5)
 TOTAL, INCOME & SALES TAX	 268,783,225	 318,651,815	 (49,868,590)	 (15.6)
 ALL OTHER REVENUE				
ADMISSIONS TAX	258,136	732,535	(474,399)	(64.8)
AIRCRAFT TAX	2,136,299	2,004,308	131,991	6.6
ALCOHOLIC LIQUOR TAX	5,968,554	6,038,869	(70,315)	(1.2)
BANK TAX	(175,934)	41,666	(217,600)	(522.2)
BEER AND WINE TAX	6,096,439	5,760,265	336,174	5.8
BUSINESS LICENSE TAX	2,056,217	2,605,896	(549,679)	(21.1)
COIN-OPERATED DEVICE TAX	106,747	177,955	(71,208)	(40.0)
COMMERCL. NUCLEAR WASTE TAX	1,523,364	2,037,052	(513,688)	(25.2)
CONTRACTORS LICENSE TAX	367,111	508,586	(141,475)	(27.8)
CORPORATION LICENSE TAX	1,433,462	809,051	624,411	77.2
DEPARTMENT OF AGRICULTURE	501,297	741,459	(240,162)	(32.4)
DEPARTMENTAL REVENUE	8,186,878	2,916,006	5,270,872	180.8
DOCUMENTARY TAX	878,414	1,276,465	(398,051)	(31.2)
EARNED ON INVESTMENTS *	3,683,953	4,103,814	(419,861)	(10.2)
ELECTRIC POWER TAX	1,281,086	1,403,935	(122,849)	(8.8)
ESTATE TAX	2,452,968	2,698,385	(245,417)	(9.1)
FERTILIZER INSPECTION TAX	12,060	5,089	6,971	137.0
GASOLINE TAX-COUNTIES	1,414,799	1,600,211	(185,412)	(11.6)
GIFT TAX	204,236	127,266	76,970	60.5
INSURANCE TAX	811,965	314,630	497,335	158.1
MOTOR TRANSPORT FEES	286,757	345,261	(58,504)	(16.9)
PRIVATE CAR LINES TAX	924,751	446,067	478,684	107.3
PUBLIC SERVICE ASSESSMENT	13,279	1,483	11,796	795.4
PUBLIC SERVICE AUTHORITY	2,820,165	2,814,100	6,065	0.2
RADIOACTIVE WASTE SURCHARGE	2,595,024	746,861	1,848,163	247.5
RETAILERS LICENSE TAX	87,262	85,859	1,403	1.6
SAVINGS AND LOAN ASSOC. TAX	(5,685)	(5,167)	(518)	10.0 #
SOFT DRINKS TAX	1,866,688	1,613,230	253,458	15.7
WORKERS COMP. INSURANCE TAX	(197,113)	5,024	(202,137)	(4,023.4)
 TOTAL, ALL OTHER REVENUE	 47,589,179	 41,956,161	 5,633,018	 13.4
 TOTAL, REGULAR SOURCES	 316,372,404	 360,607,976	 (44,235,572)	 (12.3)
 MISCELLANEOUS SOURCES				
CIRCUIT/FAMILY COURT FINES	300,296	190,983	109,313	57.2
DEBT SERVICE TRANSFERS	39,594	731,028	(691,434)	(94.6)
HOUSING AUTHORITY REIMB.	0	0	0	0.0
INDIRECT COST RECOVERIES	2,739,122	1,320,793	1,418,329	107.4
MENTAL HEALTH FEES	0	0	0	0.0
NONRECURRING REVENUE	0	0	0	0.0
PAROLE & PROBATION FEES	238,538	242,080	(3,542)	(1.5)
UNCLAIMED PROPERTY FUND	13,637	40,461	(26,824)	(66.3)
WASTE TREATMENT LOAN REPAY.	198,943	156,944	41,999	26.8
 TOTAL, MISCELLANEOUS SOURCES	 3,530,130	 2,682,289	 847,841	 31.6
 TOTAL, GENERAL FUND REVENUE	 319,902,534	 363,290,265	 (43,387,731)	 (11.9)

1/: Excludes (1%) Education Improvement Act and (2%) Accommodations Taxes.

#: Sign change.

*: Month-to-month variations in Investment Earnings can occur as a result of maturity differentials.

** : Greater than +/- 9,999.

Source: S. C. Board of Economic Advisors/2/15/91

CUMULATIVE
GENERAL FUND REVENUE COMPARATIVE SUMMARY
FISCAL YEARS 1990-91 AND 1989-90
(DOLLARS)

TABLE 3

REGULAR SOURCES	JULY-JANUARY FY 1990-91	JULY-JANUARY FY 1989-90	DOLLAR CHANGE	(%) PERCENT CHANGE
SALES TAX (TOTAL) 1/	696,622,858	668,965,163	27,657,695	4.1
RETAIL SALES TAX	692,818,689	665,241,127	27,577,562	4.1
EXCISE, CASUAL SALES	3,804,169	3,724,036	80,133	2.2
INCOME TAX (TOTAL)	1,080,935,691	1,016,560,689	64,375,002	6.3
INDIVIDUAL	1,009,775,181	950,344,675	59,430,506	6.3
CORPORATION	71,160,510	66,216,014	4,944,496	7.5
TOTAL, INCOME & SALES	1,777,558,549	1,685,525,852	92,032,697	5.5
ALL OTHER REVENUE				
ADMISSIONS TAX	5,204,021	5,441,330	(237,309)	(4.4)
AIRCRAFT TAX	2,136,299	2,261,915	(125,616)	(5.6)
ALCOHOLIC LIQUOR TAX	26,369,878	24,523,775	1,846,103	7.5
BANK TAX	3,084,650	3,869,864	(785,214)	(20.3)
BEER AND WINE TAX	37,994,771	36,373,784	1,620,987	4.5
BUSINESS LICENSE TAX	17,295,628	16,926,176	369,452	2.2
COIN-OPERATED DEVICES	1,212,146	960,963	251,183	26.1
COMMRCL NUCLEAR WASTE	3,878,736	5,246,991	(1,368,255)	(26.1)
CONTRACTORS LIC. TAX	1,217,193	1,235,287	(18,094)	(1.5)
CORPORATION LIC. TAX	11,436,460	6,540,505	4,895,955	74.9
DEPT. OF AGRICULTURE	3,664,567	3,765,783	(101,216)	(2.7)
DEPARTMENTAL REVENUE	28,981,494	18,221,348	10,760,146	59.1
DOCUMENTARY TAX	6,226,969	6,620,942	(393,973)	(6.0)
EARNED ON INVESTMENTS *	33,542,148	40,897,325	(7,355,177)	(18.0)
ELECTRIC POWER TAX	10,245,768	9,687,034	558,734	5.8
ESTATE TAX	20,612,264	16,527,764	4,084,500	24.7
FERTILIZER INSP. TAX	72,444	82,189	(9,745)	(11.9)
GASOLINE TAX-COUNTIES	10,607,744	10,554,566	53,178	0.5
GIFT TAX	631,556	300,205	331,351	110.4
INSURANCE TAX	38,452,781	43,092,786	(4,640,005)	(10.8)
MOTOR TRANSPORT FEES	3,424,657	3,484,732	(60,075)	(1.7)
PRIVATE CAR LINES TAX	1,184,493	1,258,267	(73,774)	(5.9)
PUBLIC SERVICE ASSESS.	4,220,572	3,819,815	400,757	10.5
PUBLIC SERV. AUTHORITY	2,821,699	2,816,251	5,448	0.2
RADIOACTIVE WST. SURCH.	6,315,208	4,473,781	1,841,427	41.2
RETAILERS LICENSE TAX	560,492	498,363	62,129	12.5
SAVINGS & LOAN TAX	547,126	55,684	491,442	882.6
SOFT DRINKS TAX	13,301,879	13,058,216	243,663	1.9
WORKERS CMP. INSURANCE	5,878,229	6,779,597	(901,368)	(13.3)
TOTAL, ALL OTHER REV.	301,121,872	289,375,238	11,746,634	4.1
TOTAL, REGULAR SOURCES	2,078,680,421	1,974,901,090	103,779,331	5.3
MISCELLANEOUS SOURCES				
CIRCT/FAMILY COURT FN	2,195,987	1,457,671	738,316	50.7
DEBT SERV. TRANSFERS	4,325,501	3,783,858	541,643	14.3
HOUSING AUTHRTY. REIMB.	0	0	0	0.0
INDIRECT COST RECOVERY.	6,863,040	6,090,709	772,331	12.7
MENTAL HEALTH FEES	0	0	0	0.0
NONRECURRING REVENUE	0	0	0	0.0
PAROLE/PROBATION FEES	1,832,733	1,778,152	54,581	3.1
UNCLAIMED PROPRTY FND.	1,649,666	1,545,224	104,442	6.8
WASTE TREATMENT REPAY.	333,066	286,409	46,657	16.3
TOTAL, MISC. SOURCES	17,199,993	14,942,023	2,257,970	15.1
TOTAL, GENERAL FUND REV.	2,095,880,414	1,989,843,113	106,037,301	5.3

1/: Excludes (1%) Education Improvement Act and (2%) Accommodations Taxes.

*: Month-to-month variations in Investment Earnings can occur as the result of maturity differentials.

**: Greater than +/- 9,999.

Source: S. C. Board of Economic Advisors/2/15/91

ECONOMIC CONDITIONS DIGEST
January 1991

Indications of the slowdown in the national economy continued as the seasonally adjusted unemployment rate for January rose to 6.2% from 6.1% in December. Total seasonally adjusted nonagricultural employment in the United States decreased by 232,000 persons in January, bringing total employment to 109,785,000. Ninety-seven percent of the total net December decrease occurred primarily in losses of 155,000 persons in construction and 69,000 persons in manufacturing.

The U.S. Index of Leading Economic Indicators rose 0.1% in December after a revised decline of 1.1% in November, ending a string of five consecutive months of decline. Six of the eleven indicators contributed to the increase including increases in stock prices, a lengthening of the average workweek, and increased orders for plant and equipment. The main negative factors were declines in building permits and manufacturer's orders for consumer goods, demonstrating that consumers are still cautious about future economic activity until resolution of the Gulf crisis. The Index of Coincident Indicators was down 0.1% in December, following declines of 1.2% in November and 0.1% in October.

Housing starts in the nation declined to an annual rate of 0.987 million in December from 1.127 million in November. New home sales fell to a seasonally adjusted rate of 463,000 in December from a revised 496,000 in November, the lowest monthly sales since the 1982 recession. Single-family home sales fell 17.5% from an annual average of 650,000 in 1989, for the second consecutive yearly decline. Despite falling interest rates and declining home sale prices during 1990, weak consumer confidence was the largest contributor to the annual decline. Building permits declined to 846,000 annually in December following a level of 906,000 in November.

As the length of the average workweek in the U.S. increased, Personal Income rose 0.7% in December for an annual rate of 8.9%. The income gain in December came despite rising unemployment and was the biggest monthly increase since last March. The Consumer Price Index (CPI) remained steady in December. Real Gross National Product (GNP) increased 1.4% at an annual rate in the third quarter of 1990, but declined to an annual rate of 2.1% in the fourth quarter, the weakest quarter since a 3.2% decline in the third quarter of 1982. Nearly all the decline was accounted for by decreased production of autos and trucks along with reduced business and residential construction activity. On a brighter note, exports grew by 7.8% in the fourth quarter, and business inventories shrank, indicating that businesses will not have to make further production cuts to keep inventories under control. For all of 1990, after adjusting for inflation, GNP increased 0.9% from 1989, the second lowest full-year showing since the decline of 2.5% in 1982.

The South Carolina economy continues to outperform that of the nation, but some mixed signals of the national slowdown are beginning to be seen in South Carolina data for December, primarily in the unemployment rate. The seasonally adjusted unemployment rate increased in December to 5.9% from 5.7% in November. The manufacturing sector continues to feel the brunt of the economic slowdown as production declines at the national level have affected the component-part industry in the State. Manufacturing lost 3,300 persons in December, with textile mill products and apparel accounting for a combined loss of 1,700 jobs. The trade sector experienced a decline of 2,400 persons as decreased demand for goods at the wholesale and retail level reflected sagging consumer confidence during the holiday season. On a positive note, construction employment remained steady as the mild winter forestalled layoffs and sustained on-going building activity. Finance, Insurance and Real Estate also posted a modest gain as businesses added year-end accounting personnel and prepared for the upcoming tax season. Overall, seasonally adjusted nonagricultural employment in December in South Carolina decreased by 5,000 persons to 1,569,300. Despite the recent employment losses, total nonagricultural employment at the end of the year was above the level of a year ago.

The South Carolina Index of Coincident Economic Indicators reflect the sluggishness of the pace of economic activity in the State, as consumers and businesses feel uncertain about the course of future economic and political events. Among coincident indicators in the State, nonresidential construction permits adjusted for seasonal factors totaled 1,000,000 square feet in November, one half the October level of 2,033,000. New car registrations equaled 73,608 annually in December, down from a level of 103,632 in November, for an annual total of 112,225 in 1990, nearly 4000 cars less than in 1989. Among leading economic indicators in South Carolina, seasonally adjusted residential construction fell in November to 1,144 units from 1,379 units in October, following the national slowdown in the housing industry. The lone positive signal among leading indicators in South Carolina was new business incorporations at 11,196 at an annual rate in December from 5,364 in November.

SELECTED SOUTH CAROLINA ECONOMIC INDICATORS

	1988	1989	89:III	89:IV	90:I	90:II	90:III	90:IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Personal Income (Mil. \$, S.A.A.R.)	44,717	47,881	45,636	49,686	51,283	52,369	53,269							
NonAg. Employment (000 S.A.)	1,449	1,505	1,513	1,522	1,542	1,543	1,555	1,568	1,552.1	1,563.1	1,571.6	1,569.3	1,564.3	
Avg. Weekly Earnings, Manufacturing	341.13	351.46	355.83	359.20	357.28	356.00	362.59	366.80	363.04	365.57	363.78	366.79	369.82	
Unemployment Rate (S.A.)	4.6	4.7	5.1	5.0	4.3	4.3	5.2	5.6	5.1	5.2	5.2	5.7	5.9	
New Car Registrations (A.R.)	135,536	116,120	122,412	96,224	115,196	123,552	116,048	94,104	121,128	100,392	105,072	103,632	73,608	
New Business Incorporations (A.R.)	6,239	6,863	6,368	6,544	7,556	6,924	6,048	7,672	6,648	5,004	6,456	5,364	11,196	

SOUTH CAROLINA - ANNUAL RATES OF CHANGE (%)

Personal Income (Mil. \$, S.A.A.R.)	8.1	7.1	(20.6)	40.5	13.5	8.7	7.1							
NonAg. Employment (000 S.A.)	4.1	3.9	5.2	2.4	5.4	0.4	2.9	3.4	3.0	8.8	6.7	(1.7)	(3.8)	
Avg. Weekly Earnings, Manufacturing	1.0	3.0	2.2	3.8	(2.1)	(1.4)	7.6	4.7	13.8	8.7	(5.7)	10.4	10.4	
New Car Registrations (A.R.)	3.3	(14.3)	(24.2)	(61.8)	105.4	32.3	(22.2)	(56.8)	(41.3)	(89.5)	72.8	(15.3)	(98.4)	
New Business Incorporations (A.R.)	(0.8)	10.0	(56.3)	11.5	77.7	(29.5)	(41.8)	158.9	33.0	(96.7)	****	(89.2)	****	

SELECTED U.S. ECONOMIC INDICATORS

Gross National Product (Bil. \$, S.A.A.R.)	4,873.7	5,200.8	5,238.6	5,289.3	5,375.4	5,443.3	5,514.6	5,518.9						
Gross National Product (Bil. 82\$, S.A.A.R.)	4,016.9	4,117.7	4,129.7	4,133.2	4,150.6	4,155.1	4,170.0	4,147.6						
Personal Income (Bil. \$, S.A.A.R.)	4,070.8	4,384.3	4,385.3	4,452.9	4,562.8	4,622.2	4,678.9	4,719.0	4,675.0	4,697.8	4,696.1	4,713.7	4,747.3	
NonAg. Employment (000 S.A.)	105,536	108,413	108,662	109,203	109,911	110,541	110,655	110,205	110,613	110,612	110,432	110,165	110,017	109,785
Unemployment Rate (S.A.)	5.5	5.3	5.2	5.3	5.2	5.3	5.6	5.9	5.6	5.7	5.7	5.9	6.1	6.2
Consumer Price Index	118.3	124.0	124.7	125.9	128.0	129.3	131.6	133.7	131.6	132.7	133.5	133.8	133.8	

SELECTED U.S. ECONOMIC INDICATORS - ANNUAL RATES OF CHANGE (%)

Gross National Product (Bil. \$, S.A.A.R.)	7.9	6.7	5.1	3.9	6.7	5.1	5.3	0.3						
Gross National Product (Bil. 82\$, S.A.A.R.)	4.5	2.5	1.7	0.3	1.7	0.4	1.4	(2.1)						
Personal Income (Bil. \$, S.A.A.R.)	8.1	7.7	3.6	6.3	10.2	5.3	5.0	3.5	3.2	6.0	(0.4)	4.6	8.9	
NonAg. Employment (000 S.A.)	3.3	2.7	1.9	2.0	2.6	2.3	0.4	(1.6)	(1.4)	(0.0)	(1.9)	(2.9)	(1.6)	(2.5)
Consumer Price Index	4.1	4.8	3.3	3.9	6.8	4.2	7.1	6.6	11.6	10.5	7.5	2.7	0.0	

TABLE I
GENERAL FUND REVENUES
FORECAST FISCAL YEARS 1990-91 AND 1991-92
(In Millions of Dollars)

	ACTUAL FY 1989-90	BEA REVISED ESTIMATE FY 1990-91	BEA REVISED ESTIMATE FY 1991-92
TOTAL GENERAL FUND (1)	3294.8	3460.0	3624.0
Total Regular Sources (1)	3252.8	3417.0	3577.5
Sales Tax (1)	1155.8	1198.0	1261.5
Individual Income Tax	1380.2	1477.0	1578.5
Corporation Income Tax	140.9	152.0	147.5
All Other	575.9	590.0	590.0
Miscellaneous Sources	42.0	43.0	46.5
Education Improvement Fund	301.362	299.500 *	315.375 *
Interest on Education Improvement Fund	2.110	1.900	1.900
TOTAL	303.472	301.400	317.275
		<u>RATES OF CHANGE**</u>	
TOTAL GENERAL FUND		5.0 %	4.7 %
Total Regular Sources		5.0	4.7
Sales Tax		3.7	5.3
Individual Income Tax		7.0	6.9
Corporation Income Tax		7.9	-3.0
All Other		2.4	0.0
Miscellaneous Sources		2.5	8.1
Education Improvement Fund		-0.6	5.3
Interest on Education Improvement Fund		-10.0	0.0
TOTAL		-0.7	5.3

(1) Net of Education Improvement Fund.

* One-fifth of total sales tax.

** Percent change based on unrounded figures.

Board of Economic Advisors
February 15, 1991

TABLE II

STATE OF SOUTH CAROLINA
 TOTAL BUDGETARY GENERAL FUND
 QUARTERLY ESTIMATES
 Fiscal Years 1990-91 and 1991-92
 (In Millions of Dollars)

	FY 1990-91 -----	FY 1991-92 -----
FIRST QUARTER	866.2 *	906.2
SECOND QUARTER	1776.0 *	1829.0
THIRD QUARTER	2561.7	2669.7
FOURTH QUARTER	3460.0	3624.0

PERCENT OF TOTAL REVENUES
 COLLECTION BY QUARTER

	FY 1990-91 -----	FY 1991-92 -----
FIRST QUARTER	25.0	25.1
SECOND QUARTER	26.3	25.4
THIRD QUARTER	22.7	23.2
FOURTH QUARTER	26.0	26.3

*: Actual.

Board of Economic Advisors
 February 15, 1991

REVENUE FORECASTING PROCEDURES
BOARD OF ECONOMIC ADVISORS
FISCAL YEARS 1991 and 1992

The procedures and methodology of the Board of Economic Advisors in the preparation of the revenue forecast for Fiscal Year 1991-92 as of February 15, 1991 involved three major stages: 1) providing the economic background and setting at the national and State levels for the revenue forecasts; 2) interpreting recent and historical revenue relationships; and 3) interacting with officials of other states with responsibility for revenue forecasting.

The Board members consulted as in the past with business and financial experts and professional economists for economic intelligence gathering. This included a meeting held on October 26, 1990 in Columbia with the National Advisory Council to the Board of Economic Advisors. Present at the meeting were: J. Alfred Broaddus, Jr., Ph.D., Senior Vice President and Director of Research, Federal Reserve Bank of Richmond; James A. Morris, Ph.D., Distinguished Professor of Economics Emeritus, University of South Carolina; Ronald P. Wilder, Ph.D., Chairman, Department of Economics, University of South Carolina; David A. Wyss, Ph.D., Senior Vice President and Research Director, Data Resources, Inc.; and Bruce Yandle, Jr., Ph.D., Alumni Professor of Economics, Clemson University. The Board met on February 7 and February 13, 1991 in preparation for this Report.

The resources of the national forecasting groups by which the SCOPE model and other forecasts are driven, Data Resources, Inc., Evans Economics, Inc., and WEFA, Inc., were available weekly and monthly to Board members and staff. Materials from a variety of sources--international, national and State publications--were also made available to Board members and staff. In addition, there was Board interaction by the Executive Director with numerous outstanding national economists at the 32nd Annual Meeting of the National Association of Business Economists held September 23-27, 1990 in Washington, D.C. and by the Chairman and Executive Director at the November 15, 1990 Economic Forecasting Conference at the Economic Forecasting Center of Georgia State University, Atlanta, Georgia. Further, there was BEA staff representation at the 45th Annual FTA Conference on Revenue Estimating and Tax Research held September 20-October 3, 1990 in San Francisco, California, and at the Economic Outlook Conference, Strom Thurmond Institute, Clemson University, October 18, 1990 and at the 1990 Fall Economic Outlook Conference, Daniel Management Center, University of South Carolina, November 20, 1990. On February 14 the Chairman and Executive Director met with economists from Data Resources, Inc. in New York City at the DRI 1991 U.S. Business Advisory Conference. Board members and staff continued discussions with leading economists and business and financial leaders prior to the release of this Report.

Board of Economic Advisors
February 15, 1991

BRIEF OVERVIEW OF THE SCOPE MODEL

The SCOPE (South Carolina Operations Planning and Evaluation) Model was initiated in 1972 in the Office of Chief Economist (originally in the Governor's office). It was designed and operated as a policy and forecasting tool for top level executive, legislative and management decision making. SCOPE is an econometric model designed to reflect the South Carolina economy and to forecast the performance of major economic variables in the State, particularly tax revenues, employment and income. The model is based on a framework of economic activity in the State relative to national economic activity with approximately 85 exogenous national variables provided by leading national forecasting services such as Data Resources, Inc., the WEFA Group, and Evans Economics, Inc.

The SCOPE core economic model consists of 51 equations, of which 37 are stochastic* and 14 are identities. SCOPE attempts to reflect the diversity of the South Carolina economy by including 19 industrial sectors of manufacturing and nonmanufacturing employment, and a series of equations for wages, personal income and unemployment.

Durable Manufacturing Employment

The durable manufacturing employment block consists of ten stochastic equations for the major industries in the State as reported by the South Carolina Employment Security Commission. The employment equations for each separate industry are expressed as a function of a national consumption expenditure index appropriate for that particular industry, a national industrial production index corresponding to that industry and the national level of employment in that industry. The durable employment forecasts include the following industries: Lumber and Wood Products, Stone, Clay and Glass, Primary and Fabricated Metal Products, Electrical and Nonelectrical Machinery and Other Durables which includes Furniture and Fixtures, Transportation, Instruments and Related Products.

Nondurable Manufacturing Employment

The nondurable manufacturing employment block consists of seven stochastic equations for the major nondurable industries in the State. Like the durable block, the employment equation for each industry is expressed as a function of a national consumption index appropriate for that particular industry, a national industrial production index for that particular industry and the national level of employment in that industry. Employment forecasts are available for each of the following nondurable industries: Food and Kindred Products, Textile Mill Products, Apparel, Paper, Printing and Publishing, Chemicals and Other Nondurables, such as Rubber and Miscellaneous Plastics Products.

* Stochastic is defined as a type of modeling for time series analysis explaining future probability from historical experience.

Nonmanufacturing Employment

The nonmanufacturing employment block is disaggregated into eight stochastic equations: Mining, Construction, Transportation and Public Utilities, Services, Trade, Finance-Insurance-Real Estate, State and Local Government and Federal Government. Employment growth in these industries is specified as functions of State population, national employment in these industries and national consumption indices.

Personal Income

The personal income block is composed of 12 equations, one equation for the unemployment rate, one equation to adjust for nonresidents, and ten additional equations for each of the ten major components of personal income as published by the Bureau of Economic Analysis, Department of Commerce. These equations are specified as functions of their respective national and State income and employment variables. In addition, equations are estimated for wage and salary disbursements for all major industries and are specified as functions of national wage trends and State employment levels.

Revenues

The revenue section of the model is being structured to emphasize four major stochastic Regular Revenue Sources equations: 1) South Carolina corporate income tax, 2) South Carolina individual income taxes, 3) South Carolina retail sales tax, and 4) all other taxes. These equations are individually specified as functions of aggregate employment and income with their respective coefficients and constants. In addition, there are two stochastic equations for taxable sales and refunds.

The core economic model is completed and operative. The equations are currently being respecified to account for major revisions in historical data from the U.S. Department of Commerce. Reformulation and respecification of the revenue model is in progress.

SCOPE MODEL

SOUTH CAROLINA OPERATIONS, PLANNING & EVALUATION MODEL

