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GENERAL REVENUE FUNDS FOR JANUARY...
AND REVENUE FORECAST FOR YEAR...



STATE OF SOUTH CAROLINA
BOARD OF ECONOMIC ADVISORS

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To: South Carolina Budget and Control Board

From: Harry W. Miley, Jr.

Subject: General Fund Revenues for January 1992 and Revenue
Forecast for FY 1992-93, February 10, 1992

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 performance of the U.S. and South Carolina economies provide the basis for this forecast. With more weakness in the first six months of this fiscal year in the economy and in collections to date than had been anticipated and only moderate growth in January collections, the Board of Economic Advisors revised the FY 1991-92 estimate downward by \$55 million and the FY 1992-93 estimate downward by \$70 million.

January revenues turned positive compared with January a year ago for the first time on a comparable basis since September, but with less vigor than had been anticipated. The Sales Tax increased \$3.9 million or 3.9% and the Individual Income Tax rose \$6.3 million or 3.6% from January a year earlier. Collections for the Corporation Income Tax were a negative \$0.9 million in January 1992 compared to a negative \$6.8 million in January 1991. The All Other category rose 4.9% and Miscellaneous Sources increased 11.7% from

January 1991. Total General Fund Revenues in January were 5.9% above January a year ago.

For the cumulative period, July through January, only the Individual Income Tax with a 2.0% increase and Miscellaneous Sources with a 28.7% rise were above levels a year ago. The Sales Tax was off 2.1% and the Corporation Income Tax was 14.7% below the July-January period last year. The All Other category was 2.1% less than in the same months of Fiscal Year 1990-91. Total General Fund Revenues were 0.3% below the July-January level of Fiscal Year 1990-91.

In order to meet the earlier estimate of \$3440 million for this fiscal year, collections for the February to June period would have to increase 11% over the same period last year. This level of growth was not felt to be attainable. Of particular concern were the less than substantial rebound in the current month's increase of 5.9% and year-to-date revenues at 0.3% below those of last fiscal year. This forced a reexamination of Fiscal Year 1991-92 and Fiscal Year 1992-93. After a detailed review of actual performance to date in conjunction with reduced expectations in both the national and State economies, the Board of Economic Advisors has revised its Fiscal Year 1991-92 estimate downward from \$3440 million to \$3385 million, a total reduction of \$203.3 million from the Fiscal Year 1991-92 Appropriation Act estimate of \$3588.3 million.

The downward adjustment for Fiscal Year 1991-92 and lower expectations at the national and State levels for the upcoming year have caused the Board of Economic Advisors to revise the Fiscal Year 1992-93 forecast from \$3625 million to \$3555 million, a reduction of \$70 million from the October 15, 1991 first official estimate.

TABLE 1

State of South Carolina
 Budgetary General Fund Revenue
 Fiscal Year 1991-92
 Dollar Amounts and Percent Changes

January 1991

	Millions of Dollars		Percent Change	
	Month of January	July through January	January FY 1991 to January FY 1992	July-Jan. FY 1991 to July-Jan. FY 1992
SALES TAX - TOTAL 1/	\$ 103.4	\$ 682.3 2/	3.9%	-2.1%
INCOME TAX - TOTAL	181.5	1090.9	7.2	0.9
INDIVIDUAL	182.3	1030.2	3.6	2.0
CORPORATION	-0.9	60.7	87.5	-14.7
ALL OTHER	49.9	294.7	4.9	-2.1
REGULAR SOURCES - TOTAL	334.8	2067.9	5.8	-0.5
MISCELLANEOUS SOURCES - TOTAL	3.9	22.1	11.7	28.7
TOTAL GENERAL FUND REVENUES	338.7	2090.0	5.9	-0.3

1/: Excludes (1%) Education Improvement Fund and (2%) Accommodations taxes.

2/: The \$77,941,278 July 20, 1991 Sales Tax accrual, has been added to FY 1991-92 General Fund Sales Tax Revenues to facilitate comparison with prior years. A July 20, 1992 Sales Tax adjustment will be made effective June 30, 1992 for FY 1991-92.

Note: Detail may not add to total due to rounding; percentages based on unrounded data.

MONTHLY
GENERAL FUND REVENUE COMPARATIVE SUMMARY
FISCAL YEARS 1991-92 AND 1990-91
(DOLLARS)

TABLE 2

REGULAR SOURCES	JANUARY FY 1991-92	JANUARY FY 1990-91	DOLLAR CHANGE	(%) PERCENT CHANGE
RETAIL SALES TAX (TOTAL) 1/	103,368,222	99,515,714	3,852,508	3.9
RETAIL SALES	103,037,174	99,012,945	4,024,229	4.1
EXCISE TAX, CASUAL SALES	331,048	502,769	(171,721)	(34.2)
INCOME TAX (TOTAL)	181,481,302	169,267,511	12,213,791	7.2
INDIVIDUAL	182,331,495	176,059,227	6,272,268	3.6
CORPORATION	(850,193)	(6,791,716)	5,941,523	87.5
TOTAL, INCOME & SALES TAX	284,849,524	268,783,225	16,066,299	6.0
ALL OTHER REVENUE				
ADMISSIONS TAX	245,259	258,136	(12,877)	(5.0)
AIRCRAFT TAX	1,351,925	2,136,299	(784,374)	(36.7)
ALCOHOLIC LIQUOR TAX	4,862,240	5,968,554	(1,106,314)	(18.5)
BANK TAX	25,765	(175,934)	201,699	114.6
BEER AND WINE TAX	5,790,625	6,096,439	(305,814)	(5.0)
BUSINESS LICENSE TAX	2,297,881	2,056,217	241,664	11.8
COIN-OPERATED DEVICE TAX	172,134	106,747	65,387	61.3
COMMERCL. NUCLEAR WASTE TAX	1,746,412	1,523,364	223,048	14.6
CONTRACTORS LICENSE TAX	364,727	367,111	(2,384)	(0.6)
CORPORATION LICENSE TAX	1,832,986	1,433,462	399,524	27.9
DEPARTMENT OF AGRICULTURE	551,500	501,297	50,203	10.0
DEPARTMENTAL REVENUE	10,436,502	8,186,878	2,249,624	27.5
DOCUMENTARY TAX	1,075,631	878,414	197,217	22.5
EARNED ON INVESTMENTS *	1,846,731	3,683,953	(1,837,222)	(49.9)
ELECTRIC POWER TAX	1,408,232	1,281,086	127,146	9.9
ESTATE TAX	4,536,784	2,452,968	2,083,816	85.0
FERTILIZER INSPECTION TAX	6,221	12,060	(5,839)	(48.4)
GASOLINE TAX-COUNTIES	1,512,072	1,414,799	97,273	6.9
GIFT TAX	49,234	204,236	(155,002)	(75.9)
INSURANCE TAX	649,283	811,965	(162,682)	(20.0)
MOTOR TRANSPORT FEES	347,944	286,757	61,187	21.3
PRIVATE CAR LINES TAX	554,888	924,751	(369,863)	(40.0)
PUBLIC SERVICE ASSESSMENT	2,819	13,279	(10,460)	(78.8)
PUBLIC SERVICE AUTHORITY	2,908,076	2,820,165	87,911	3.1
RADIOACTIVE WASTE SURCHARGE	3,004,990	2,595,024	409,966	15.8
RETAILERS LICENSE TAX	306,753	87,262	219,491	251.5
SAVINGS AND LOAN ASSOC. TAX	148,248	(5,685)	153,933	2,707.7
SOFT DRINKS TAX	2,036,173	1,866,688	169,485	9.1
WORKERS COMP. INSURANCE TAX	(134,209)	(197,113)	62,904	31.9
TOTAL, ALL OTHER REVENUE	49,937,826	47,589,179	2,348,647	4.9
TOTAL, REGULAR SOURCES	334,787,350	316,372,404	18,414,946	5.8
MISCELLANEOUS SOURCES				
CIRCUIT/FAMILY COURT FINES	360,990	300,296	60,694	20.2
DEBT SERVICE TRANSFERS	42,209	39,594	2,615	6.6
HOUSING AUTHORITY REIMB.	0	0	0	0.0
INDIRECT COST RECOVERIES	3,000,570	2,739,122	261,448	9.5
MENTAL HEALTH FEES	0	0	0	0.0
NONRECURRING REVENUE	160,000	0	160,000	---
PAROLE & PROBATION FEES	331,100	238,538	92,562	38.8
UNCLAIMED PROPERTY FUND	0	13,637	(13,637)	(100.0)
WASTE TREATMENT LOAN REPAY.	50,018	198,943	(148,925)	(74.9)
TOTAL, MISCELLANEOUS SOURCES	3,944,887	3,530,130	414,757	11.7
TOTAL, GENERAL FUND REVENUE	338,732,237	319,902,534	18,829,703	5.9

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

*: 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/2/12/92

CUMULATIVE
GENERAL FUND REVENUE COMPARATIVE SUMMARY
FISCAL YEARS 1991-92 AND 1990-91
(DOLLARS)

TABLE 3

REGULAR SOURCES	JULY-JANUARY FY 1991-92	JULY-JANUARY FY 1990-91	DOLLAR CHANGE	(%) PERCENT CHANGE
SALES TAX (TOTAL) 1/	682,257,403	696,622,858	(14,365,455)	(2.1)
RETAIL SALES TAX	678,941,533	692,818,689	(13,877,156)	(2.0)
EXCISE, CASUAL SALES	3,315,870	3,804,169	(488,299)	(12.8)
INCOME TAX (TOTAL)	1,090,885,119	1,080,935,691	9,949,428	0.9
INDIVIDUAL	1,030,218,966	1,009,775,181	20,443,785	2.0
CORPORATION	60,666,153	71,160,510	(10,494,357)	(14.7)
TOTAL, INCOME & SALES	1,773,142,522	1,777,558,549	(4,416,027)	(0.2)
ALL OTHER REVENUE				
ADMISSIONS TAX	6,053,683	5,204,021	849,662	16.3
AIRCRAFT TAX	3,945,800	2,136,299	1,809,501	84.7
ALCOHOLIC LIQUOR TAX	23,445,821	26,369,878	(2,924,057)	(11.1)
BANK TAX	3,019,385	3,084,650	(65,265)	(2.1)
BEER AND WINE TAX	36,033,532	37,994,771	(1,961,239)	(5.2)
BUSINESS LICENSE TAX	16,404,228	17,295,628	(891,400)	(5.2)
COIN-OPERATED DEVICES	2,824,191	1,212,146	1,612,045	133.0
COMMRL NUCLEAR WASTE	2,694,069	3,878,736	(1,184,667)	(30.5)
CONTRACTORS LIC. TAX	1,230,267	1,217,193	13,074	1.1
CORPORATION LIC. TAX	7,506,741	11,436,460	(3,929,719)	(34.4)
DEPT. OF AGRICULTURE	3,782,949	3,664,567	118,382	3.2
DEPARTMENTAL REVENUE	36,713,640	28,981,494	7,732,146	26.7
DOCUMENTARY TAX	5,765,983	6,226,969	(460,986)	(7.4)
EARNED ON INVESTMENTS *	24,057,427	33,542,148	(9,484,721)	(28.3)
ELECTRIC POWER TAX	10,904,177	10,245,768	658,409	6.4
ESTATE TAX	16,824,667	20,612,264	(3,787,597)	(18.4)
FERTILIZER INSP. TAX	77,231	72,444	4,787	6.6
GASOLINE TAX-COUNTIES	10,755,491	10,607,744	147,747	1.4
GIFT TAX	597,987	631,556	(33,569)	(5.3)
INSURANCE TAX	38,035,628	38,452,781	(417,153)	(1.1)
MOTOR TRANSPORT FEES	4,904,986	3,424,657	1,480,329	43.2
PRIVATE CAR LINES TAX	1,680,639	1,184,493	496,146	41.9
PUBLIC SERVICE ASSESS.	4,652,642	4,220,572	432,070	10.2
PUBLIC SERV. AUTHORITY	2,912,562	2,821,699	90,863	3.2
RADIOACTIVE WST. SURCH.	7,318,995	6,315,208	1,003,787	15.9
RETAILERS LICENSE TAX	734,351	560,492	173,859	31.0
SAVINGS & LOAN TAX	940,671	547,126	393,545	71.9
SOFT DRINKS TAX	13,538,989	13,301,879	237,110	1.8
WORKERS CMP. INSURANCE	7,371,520	5,878,229	1,493,291	25.4
TOTAL, ALL OTHER REV.	294,728,252	301,121,872	(6,393,620)	(2.1)
TOTAL, REGULAR SOURCES	2,067,870,774	2,078,680,421	(10,809,647)	(0.5)
MISCELLANEOUS SOURCES				
CIRCT/FAMILY COURT FN	2,652,148	2,195,987	456,161	20.8
DEBT SERV. TRANSFERS	4,850,897	4,325,501	525,396	12.1
HOUSING AUTHRTY. REIMB.	0	0	0	0.0
INDIRECT COST RECOVERY.	6,896,431	6,863,040	33,391	0.5
MENTAL HEALTH FEES	0	0	0	0.0
NONRECURRING REVENUE	2,707,810	0	2,707,810	---
PAROLE/PROBATION FEES	1,915,400	1,832,733	82,667	4.5
UNCLAIMED PROPRTY FND.	2,830,192	1,649,666	1,180,526	71.6
WASTE TREATMENT REPAY.	286,141	333,066	(46,925)	(14.1)
TOTAL, MISC. SOURCES	22,139,019	17,199,993	4,939,026	28.7
TOTAL, GENERAL FUND REV.	2,090,009,793	2,095,880,414	(5,870,621)	(0.3)

1/: Excludes (1%) Education Improvement Act and (2%) Accommodations Taxes. The \$77,941,278 July 20, 1991 Sales Tax accrual, per Budget and Control Board resolution of 7/30/91, has been added to FY 1991-92 Sales Tax revenues to facilitate comparison with prior years. A July 20, 1992 Sales Tax adjustment will be made effective June 30, 1992 for FY 1991-92.

*: 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/2/12/92

ECONOMIC CONDITIONS DIGEST
January 1992

The data released in January confirm an economy that is struggling to find areas of forward thrust. Continued employment declines and the second consecutive monthly decrease in the Index of Leading Economic Indicators (LEI) have caused continued concern over the path of the economy. On a positive note, the December rebound in the housing industry and the lowest inflation rate in five years are encouraging signals.

The Bureau of Labor Statistics reported that total seasonally adjusted non-agricultural employment in January in the United States decreased by 91,000 persons following a revised increase of 3,000 persons in December, bringing total employment to 108,755,000. Manufacturing and Retail trade lost a combined 103,000 workers in January. The seasonally adjusted unemployment rate remained at 7.1% in January for the second consecutive month.

The LEI fell 0.3% in December after decreasing 0.3% in November and increasing 0.1% in October. Six of the eleven components declined while four increased and one remained unchanged. Sixty-seven percent of the net monthly decline in the LEI was accounted for by decreases in orders for new plant and equipment by businesses, and fewer new orders for manufactured consumer goods. The largest positive contributors were a yearend surge in building permits and a decline in sensitive materials prices.

Housing starts sank to a 46-year low during 1991, but signs of improvement in the housing industry were evident in December. Data released by the Bureau of the Census show housing starts rose 2.6% in the U.S. to 1,103,000 at an annual rate in December from 1,075,000 in November. The lowest mortgage rates in eighteen years and President Bush's proposed tax break for first-time home buyers may serve to revitalize the housing sector. Applications for building permits increased 5.8% to 1,051,000 on an annual basis in December following a revised level of 993,000 in November.

The U.S. Department of Labor Consumer Price Index (CPI) increased 0.3% in December, after increasing 0.4% in November and 0.1% in October. The monthly rise in the CPI brought the annual inflation rate for 1991 to 3.1%, nearly half the rate for 1990. Although inflation increased at a moderate pace in 1991, the cost of medical care was more than two and one-half times the rate of inflation on all goods and services. Excluding the volatile food and energy sectors, the core rate of inflation rose 0.3% in December matching the November monthly increase, for a 4.4% annual gain in the core rate.

The economy of South Carolina is also operating in an environment of slow growth, but pockets of encouragement can be seen. Positive economic forces include reductions in the total amount of Unemployment Benefits Paid and fewer Unemployment Claims filed. On a negative note, the beleaguered construction industry continues as a drag on the State's economy. Ten of the sixteen components of the South Carolina Economic Indicators in November advanced and six declined. The South Carolina Leading Economic Indicators continued a string of monthly advances started in June 1991. Advances outpaced declines five to three. Initial Claims for Unemployment Insurance fell nearly 8% and total Unemployment Insurance Benefits fell to the lowest level since December 1990. A 25% drop in the number of residential units constructed and weak new business incorporations restrained the South Carolina Leading Index.

The South Carolina Coincident Indicators fell 0.4% in November after posting a one-month rebound. Of the eight indicators monitored, five advanced and three declined. On the positive side, modest monthly employment gains and increased manhours helped increase Real Weekly Earnings each month since June. Real Retail Sales increased in October, the latest month of available data, offsetting losses incurred in September. Constraining the index was a 35% decline in Nonresidential Construction Permits as high vacancy rates and stricter bank regulations continue to limit business investment. New car registrations fell in both November and December for a 59% fourth quarter reduction in registrations at an annual rate, the first quarterly decline since the beginning of 1991. The recent decline in new car registrations expressed the cautious attitudes of consumers worried about job security.

Seasonally adjusted nonagricultural employment in December in South Carolina decreased by 400 persons to 1,559,200. The trade sector lost 3,100 workers, construction reduced its workforce by 700, and transportation/public utilities lost 500 persons. Partially offsetting the employment loss was the addition of 1,600 positions in service industries, 1,100 in government, 900 in manufacturing establishments and another 300 in the financial sector. The seasonally adjusted unemployment rate in December rose to 6.6% from 6.0% in November, the largest monthly rise since a seventh-tenths percent monthly increase in July 1990. Despite the rise to 6.6%, the unemployment rate in December in South Carolina is still below the national rate for December of 7.1%.

SELECTED SOUTH CAROLINA ECONOMIC INDICATORS

	1989	1990	90:III	90:IV	91:I	91:II	91:III	91:IV	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Personal Income (Mil. \$, S.A.A.R.)	48,344	53,006	53,566	53,863	54,434	54,695	55,111							
NonAg. Employment (000 S.A.)	1,500	1,549	1,554	1,561	1,558	1,551	1,556	1,559	1,555.6	1,555.9	1,558.3	1,559.6	1,559.2	
Avg. Weekly Earnings, Manufacturing	352.70	362.78	364.92	368.32	369.40	369.03	376.59	392.43	376.89	379.96	388.96	392.60	395.74	
Unemployment Rate (S.A.)	4.7	4.7	5.2	5.6	6.0	6.2	5.9	6.1	6.1	5.5	5.7	6.0	6.6	
New Car Registrations (A.R.)	116,120	112,225	116,048	94,104	79,256	102,844	107,632	86,140	114,120	97,992	100,584	80,004	77,832	
New Business Incorporations (A.R.)	6,863	7,050	6,048	7,672	6,624	6,260	5,860	5,272	5,628	5,352	6,024	4,836	4,956	

SOUTH CAROLINA - ANNUAL RATES OF CHANGE (%)

Personal Income (Mil. \$, S.A.A.R.)	7.1	9.6	5.8	2.2	4.3	1.9	3.1							
NonAg. Employment (000 S.A.)	3.5	3.2	2.1	1.8	(0.8)	(1.7)	1.1	0.9	0.5	0.2	1.9	1.0	(0.3)	
Avg. Weekly Earnings, Manufacturing	3.4	2.9	6.8	3.8	1.2	(0.4)	8.4	17.9	13.6	10.2	32.4	11.8	10.0	
New Car Registrations (A.R.)	(14.3)	(3.4)	(22.2)	(56.8)	(49.7)	183.5	20.0	(59.0)	42.8	(83.9)	36.8	(93.6)	(28.1)	
New Business Incorporations (A.R.)	10.0	2.7	(41.8)	158.9	(44.4)	(20.2)	(23.2)	(34.5)	(85.2)	(45.3)	313.5	(92.8)	34.2	

SELECTED U.S. ECONOMIC INDICATORS

Gross Domestic Product (Bil. \$, S.A.A.R.)	5,244.0	5,513.8	5,570.5	5,557.5	5,589.0	5,652.6	5,709.2	5,736.6						
Gross Domestic Product (Bil. 87\$, S.A.A.R.)	4,836.9	4,884.9	4,903.3	4,855.1	4,824.0	4,840.7	4,862.7	4,866.3						
Personal Income (Bil. \$, S.A.A.R.)	4,380.2	4,679.8	4,719.3	4,764.7	4,768.0	4,821.1	4,854.0	4,893.0	4,854.2	4,872.8	4,881.7	4,874.1	4,923.3	
NonAg. Employment (000 S.A.)	108,329	109,971	110,181	109,788	109,160	108,836	108,965	108,921	108,971	109,066	109,073	108,843	108,846	108,755
Unemployment Rate (S.A.)	5.3	5.5	5.6	5.9	6.5	6.8	6.8	7.0	6.8	6.8	6.9	6.9	7.1	7.1
Consumer Price Index	124.0	130.7	131.6	133.7	134.8	135.6	136.7	137.7	136.6	137.2	137.4	137.8	137.9	

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

Gross Domestic Product (Bil. \$, S.A.A.R.)	7.0	5.1	4.9	(0.9)	2.3	4.6	4.1	1.9						
Gross Domestic Product (Bil. 87\$, S.A.A.R.)	2.5	1.0	0.2	(3.9)	(2.5)	1.4	1.8	0.3						
Personal Income (Bil. \$, S.A.A.R.)	7.5	6.8	5.7	3.9	0.3	4.5	2.8	3.3	5.4	4.7	2.2	(1.9)	12.8	
NonAg. Employment (000 S.A.)	2.6	1.5	(0.2)	(1.4)	(2.3)	(1.2)	0.5	(0.2)	1.2	1.1	0.1	(2.5)	0.0	(1.0)
Consumer Price Index	4.8	5.4	7.3	6.5	3.3	2.4	3.3	3.0	3.6	5.4	1.8	3.5	0.9	

TABLE I
GENERAL FUND REVENUES
FISCAL YEAR 1991-92 AND 1992-93
(In Millions of Dollars)

	ACTUAL FY1990-91	BEA 2/10/92 REVISED ESTIMATE FY1991-92	BEA 2/10/92 REVISED ESTIMATE FY1992-93
TOTAL GENERAL FUND (1)	3305.4	3385.0	3555.0
Total Regular Sources (1)	3258.1	3321.5	3510.0
Sales Tax (1)	1155.4	1176.5	1238.0
Individual Income Tax	1386.6	1439.0	1558.5
Corporation Income Tax	142.7	139.0	146.0
All Other	573.4	567.0	567.5
Miscellaneous Sources	47.2	63.5	45.0
Education Improvement Fund	290.519	294.125 *	309.500 *
Interest on E.I.F.	1.988	1.100	1.000
Total	292.507	295.225	310.500
		RATES OF CHANGE **	
TOTAL GENERAL FUND		2.4 %	5.0 %
Total Regular Sources		1.9	5.7
Sales Tax		1.8	5.2
Individual Income Tax		3.8	8.3
Corporation Income Tax		-2.6	5.0
All Other		-1.1	0.1
Miscellaneous Sources		34.5	-29.1
Education Improvement Fund		1.2	5.2
Interest on E.I.F.		-44.7	-9.1
Total		0.9	5.2

(1) Net of Education Improvement Fund.

* One-fifth of total sales tax.

** Percent change based on unrounded figures.

TABLE II
 STATE OF SOUTH CAROLINA
 TOTAL BUDGETARY GENERAL FUND
 QUARTERLY ESTIMATES
 Fiscal Years 1991-92 and 1992-93
 (In Millions of Dollars)

	FY 1991-92 -----	FY 1992-93 -----
FIRST QUARTER	790.2 *	824.7
SECOND QUARTER	1673.3 *	1720.6
THIRD QUARTER	2440.7	2552.5
FOURTH QUARTER	3385.0	3555.0

PERCENT OF TOTAL REVENUES
 COLLECTION BY QUARTER

	FY 1991-92 -----	FY 1992-93 -----
FIRST QUARTER	23.3 **	23.2
SECOND QUARTER	26.1 **	25.2
THIRD QUARTER	22.7	23.4
FOURTH QUARTER	27.9	28.2

*: Actual.

** : Actual quarterly data as percent of total estimate.

Note: Tax collections for June sales accrue in the month of June.

Board of Economic Advisors
 February 10, 1992

REVENUE FORECASTING PROCEDURES
BOARD OF ECONOMIC ADVISORS
FISCAL YEARS 1992 AND 1993

The procedures and methodology of the Board of Economic Advisors in the preparation of the revenue forecast for Fiscal Years 1991-92 and 1992-93 as of February 10, 1992 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 9, 1991 in Columbia with the National Advisory Council to the Board of Economic Advisors. Present at the meeting were: J. Alfred Broadus, Jr., Ph.D., Senior Vice President and Director of Research, Federal Reserve Bank of Richmond; Ben E. Laden, Ph.D., Director of Financial Institutions Regulations Staff, Department of Housing and Urban Development; 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 and Executive Director of the Strom Thurmond Institute, Clemson University.

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 with numerous national and regional economists. Further, there was BEA staff representation at the 1991 Fall Economic Outlook Conference, Daniel Management Center, University of South Carolina, November 26, 1991. Board members and staff continued discussions with leading economists and business and financial leaders prior to the release of this Report as well as with forecasters from South Carolina universities before and at the Board's February 10, 1992 meeting in Columbia.

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 econometric 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, U.S. 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

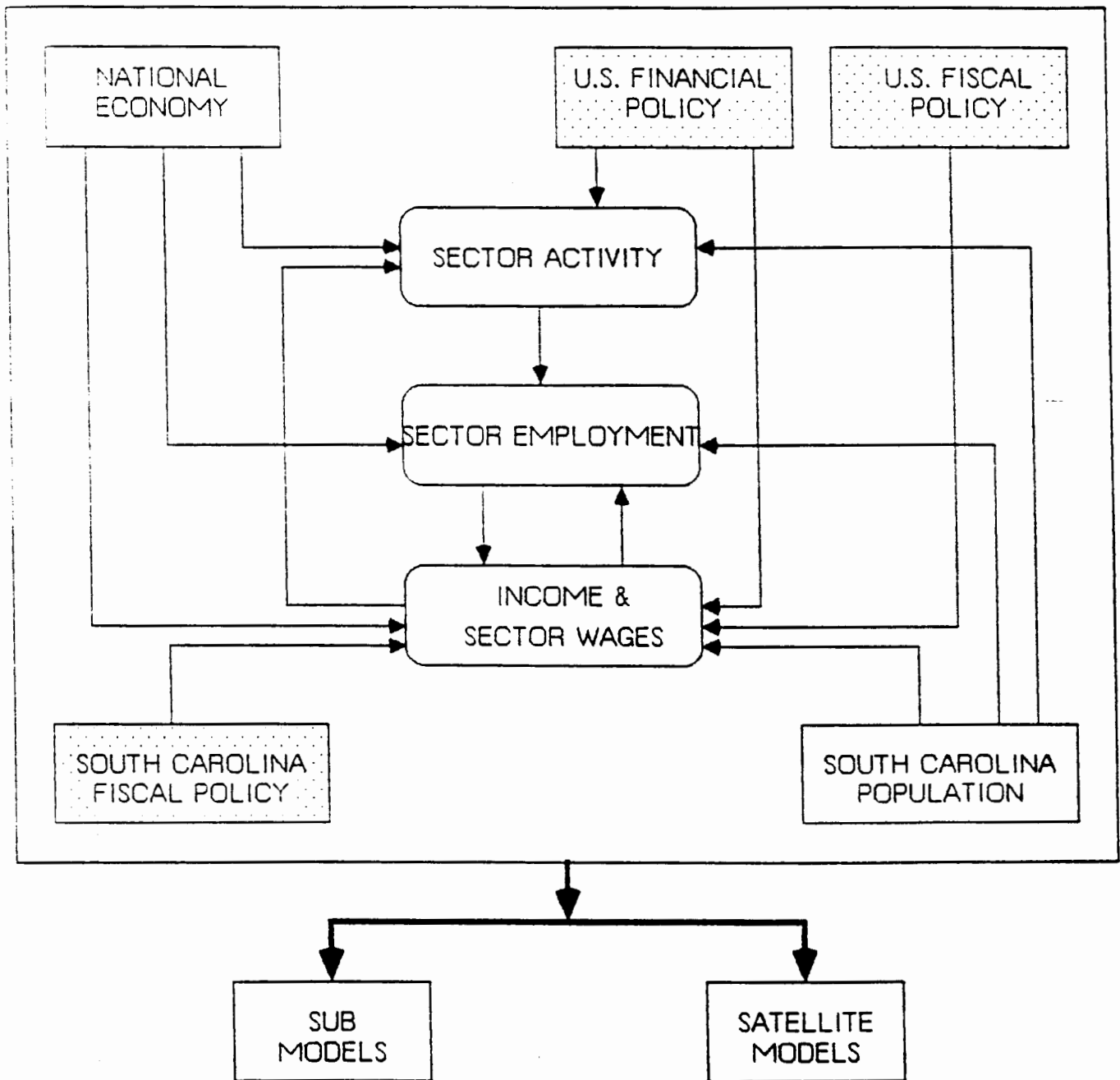
The revenue section of the model is being structured to emphasize four major stochastic Regular Revenue Sources equations: 1) South Carolina corporate income tax, 2) South Carolina individual income taxes, 3) South Carolina retail sales tax, and 4) all other taxes. These equations are individually specified 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.




Equations of the model are continuously respecified to account for revisions in historical data. Reformulation and respecification of the model continue as an ongoing process. Forecasts from the SCOPE core and revenue models were made available for deliberations in the first official estimate of FY 1992-93 by the Board of Economic Advisors on October 10, 1991, and for the February 15 revisions of FY 1991-92 and FY 1992-93 made at the Board of Economic Advisors meeting on February 10, 1992.

Board of Economic Advisors
February 12, 1992

SCOPE MODEL

SOUTH CAROLINA OPERATIONS, PLANNING & EVALUATION MODEL



-  Exogenous Variables
-  Exogenous Policy Variables
-  Endogenous Variables