

# 2019 Catawba Regional Elected Officials Forum

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THURSDAY, JANUARY 3RD, 2019

THE GATEWAY CENTER, RICHBURG, SC

SENATE FINANCE COMMITTEE, HUGH K. LEATHERMAN, SR., CHAIRMAN

MIKE SHEALY (MIKESHEALY@SCSENATE.GOV)

# Board of Economic Advisors Report Fiscal Year 2017-18 Close-Out

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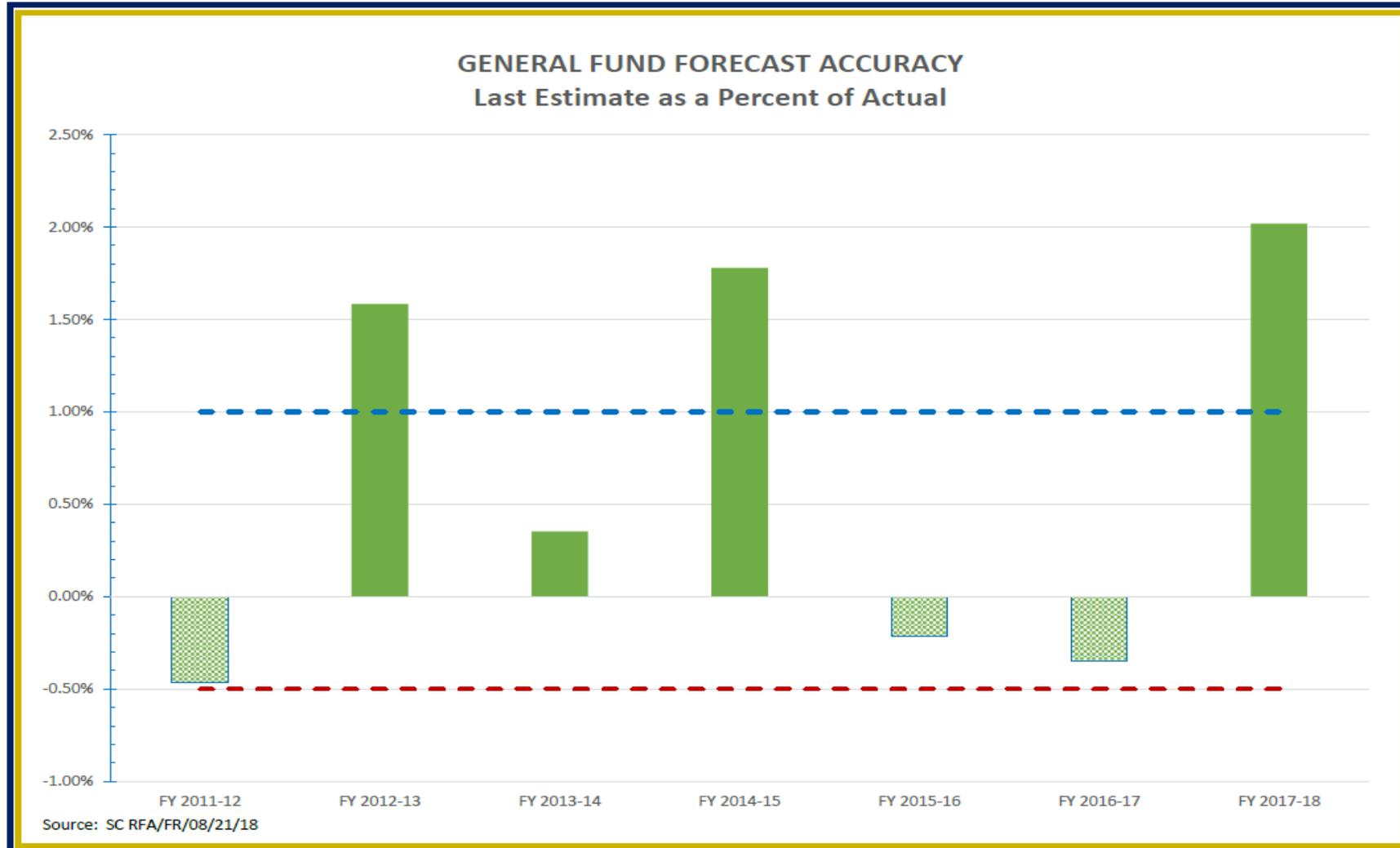
## Overview Final FY 2017-18

Revenue Surplus of \$172.2 million; 2 percent excess outside of target range

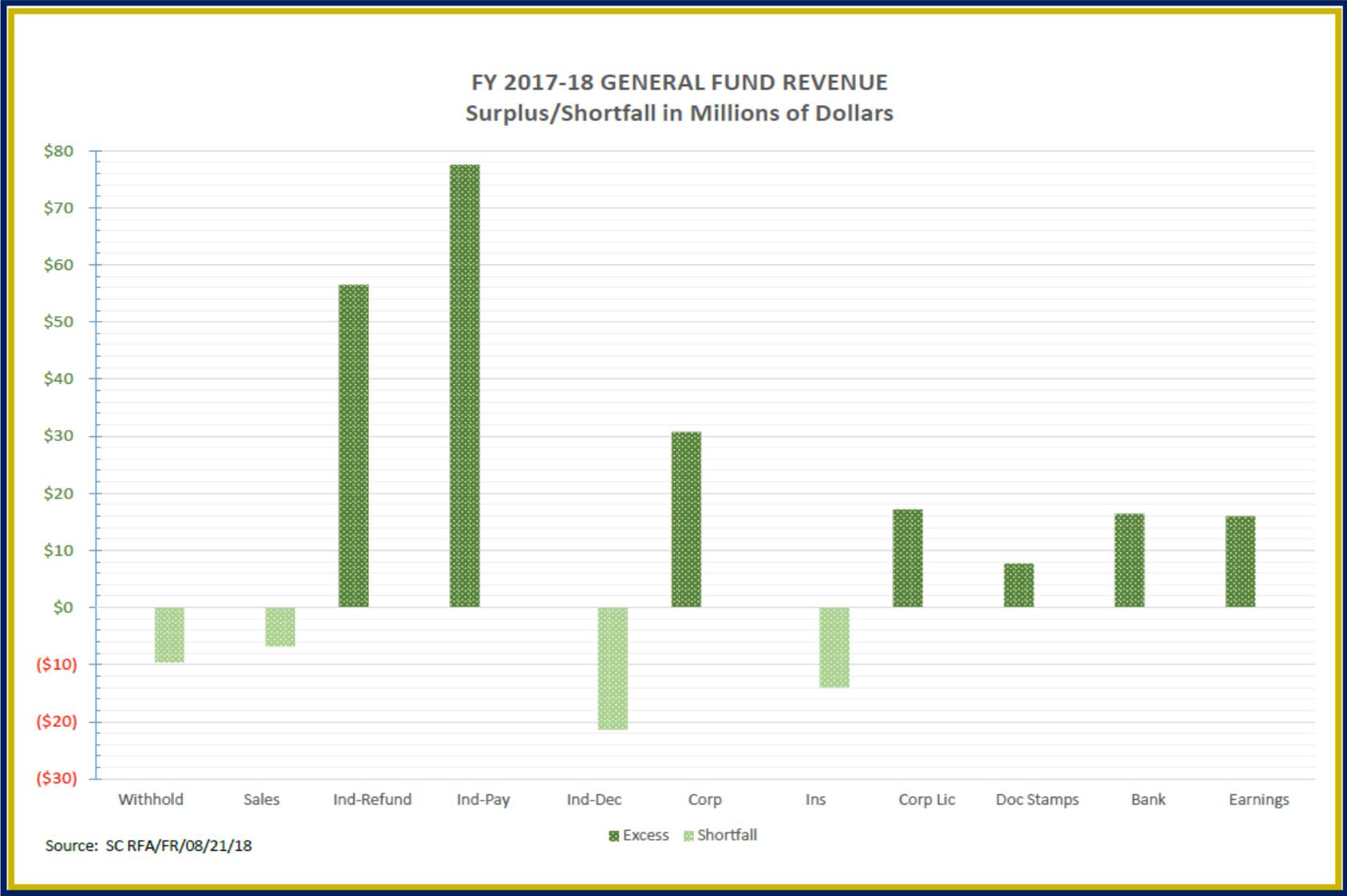
- Higher than expected Individual Income Tax payments and lower than expected Refunds accounted for most of the surplus
- Stock Market rally in December 2017 contributed to surplus (NASBO – May 2018)

Other Budget items added \$4.9 million which resulted in a total budget surplus of \$177.1 million

## BEA Forecast Accuracy – February 15<sup>th</sup> Forecast versus Actual Final Revenue Collections Fiscal Year 2011-12 through Fiscal Year 2017-18

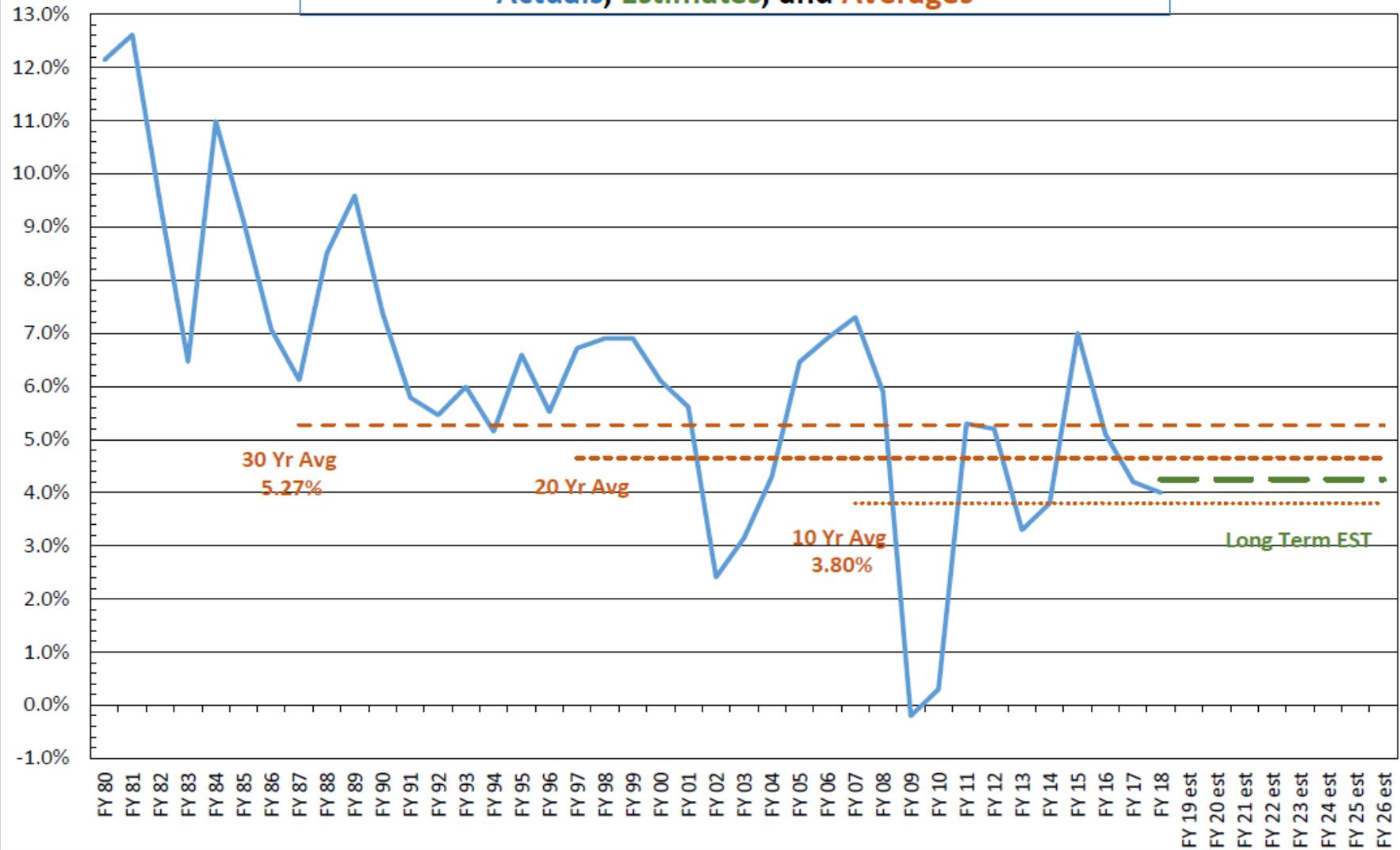


# Category Sources of Excess Revenues Compared to the BEA Revenue Forecast



## SC PERSONAL INCOME FISCAL YEAR GROWTH RATES

Actuals, Estimates, and Averages



Source: US Department of Commerce, Bureau of Economic Analysis RFA-173 LJ/10/05/17

# Core Growth in General Fund Revenues

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Actions by the Board of Economic Advisors on 11/8/18.

- FY17-18 Revenue Base adjusted upward by \$171.6 Million.
- FY18-19 Revenue Base adjusted upward by \$217.7 Million.
- Comparison of growth from FY17-18 to FY18-19 is \$350.2 Million or 4.0%.
  
- FY19-20, expected revenue growth is \$274.5 Million above the Board of Economic Advisor's Revenue Base for FY18-19, or a growth rate of 3.0%.

NOTE: The BEA forecast for the State's Total Personal Income is 4.25% for both FY18-19 and FY19-20.

# FY 2019-20 General Fund Recurring Revenue Growth

	<b>Recurring Funds</b>
BEA Revenue Estimate 11-8-2018	9,330,674,000
-Tax Relief Trust Fund	(614,053,000)
-FY 18-19 Appropriation Act (SCD Total)	(8,221,032,289)
<b>Projected FY 19-20 “New” General Fund Revenue</b>	<b>495,588,711</b>
+FY 2019-20 Vetoes (Part 1A Recurring)	2,208,596
<b>“New” Revenue Available for Appropriation</b>	<b>497,797,307</b>

Note: The new revenue is a growth rate of 6.0% above the Appropriation Base.

# Non-Recurring Revenue Sources

FY 2017-18 Contingency Reserve Fund	177,146,326
Projected FY 2018-19 Capital Reserve Fund	151,649,393
Projected FY 2018-19 General Fund Surplus	217,734,000
<b>Subtotal</b>	<hr/> <b>546,529,719</b>

# Revenues Available for Expenditure in Fiscal Year 2019-20

Recurring	497,797,307
Non-Recurring	546,529,719
<b>Total</b>	<b>1,044,327,026</b>

# BASELINE APPROPRIATIONS FY19-20

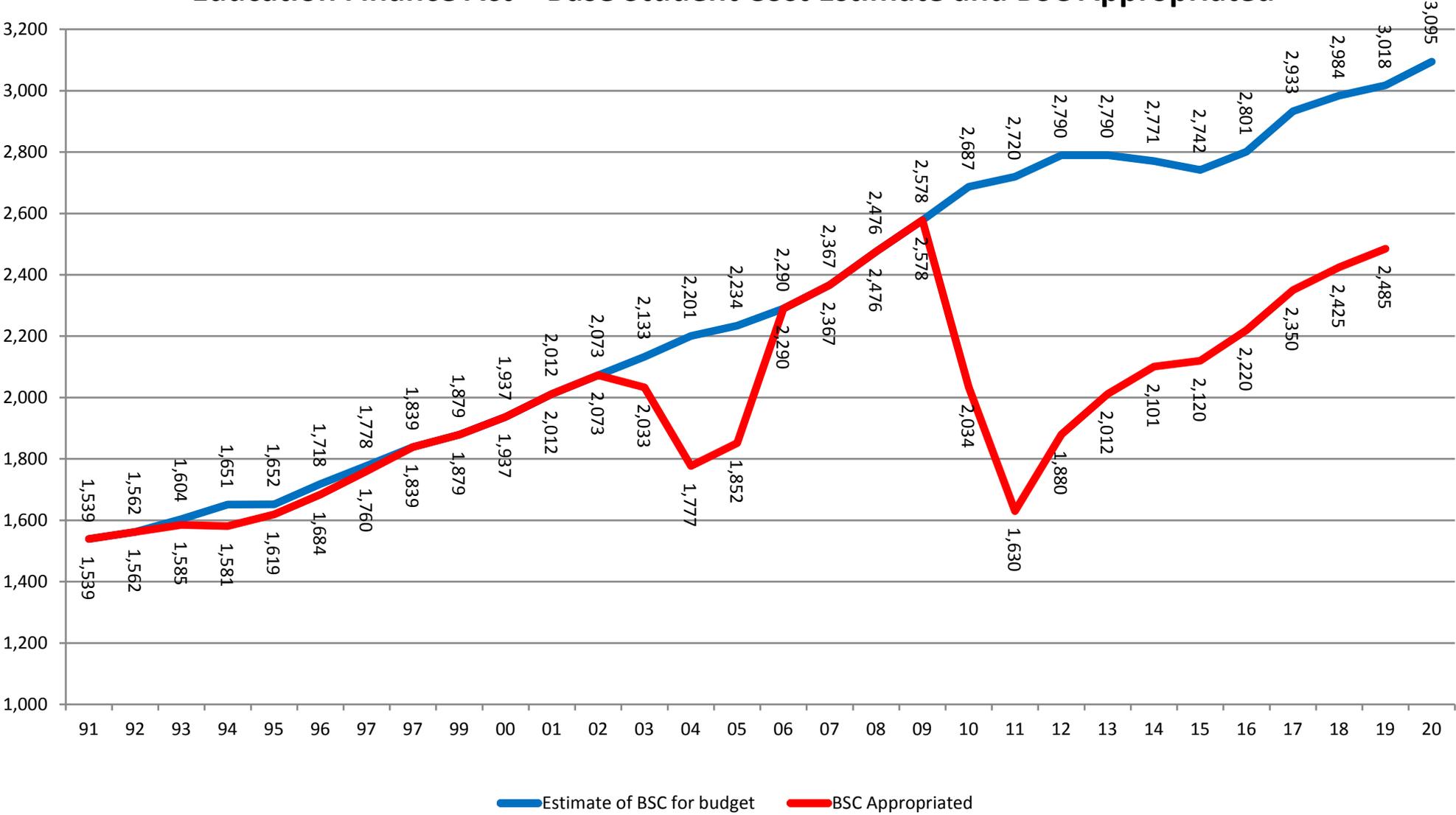
## Issue

Employee Health Insurance	49,708,000
State Employee Pay Plan 1%	20,700,000
Retirement Employer Contribution Increase	36,600,000
School Resource Officers	20,600,000
Move Teacher Pay 1%	32,000,000
Bus Replacement Cycle	34,000,000
Scholarships	13,000,000
Base General Fund Budget Increase	6,135,000
ReadySC	7,604,400
Child Support Enforcement	28,600,000
Federal Consent Agreement	45,000,000
Medicaid Match Fund	70,200,000
VA Nursing Homes	37,100,000
Elections Commission	60,000,000
FEMA Hurricane Match	33,700,000

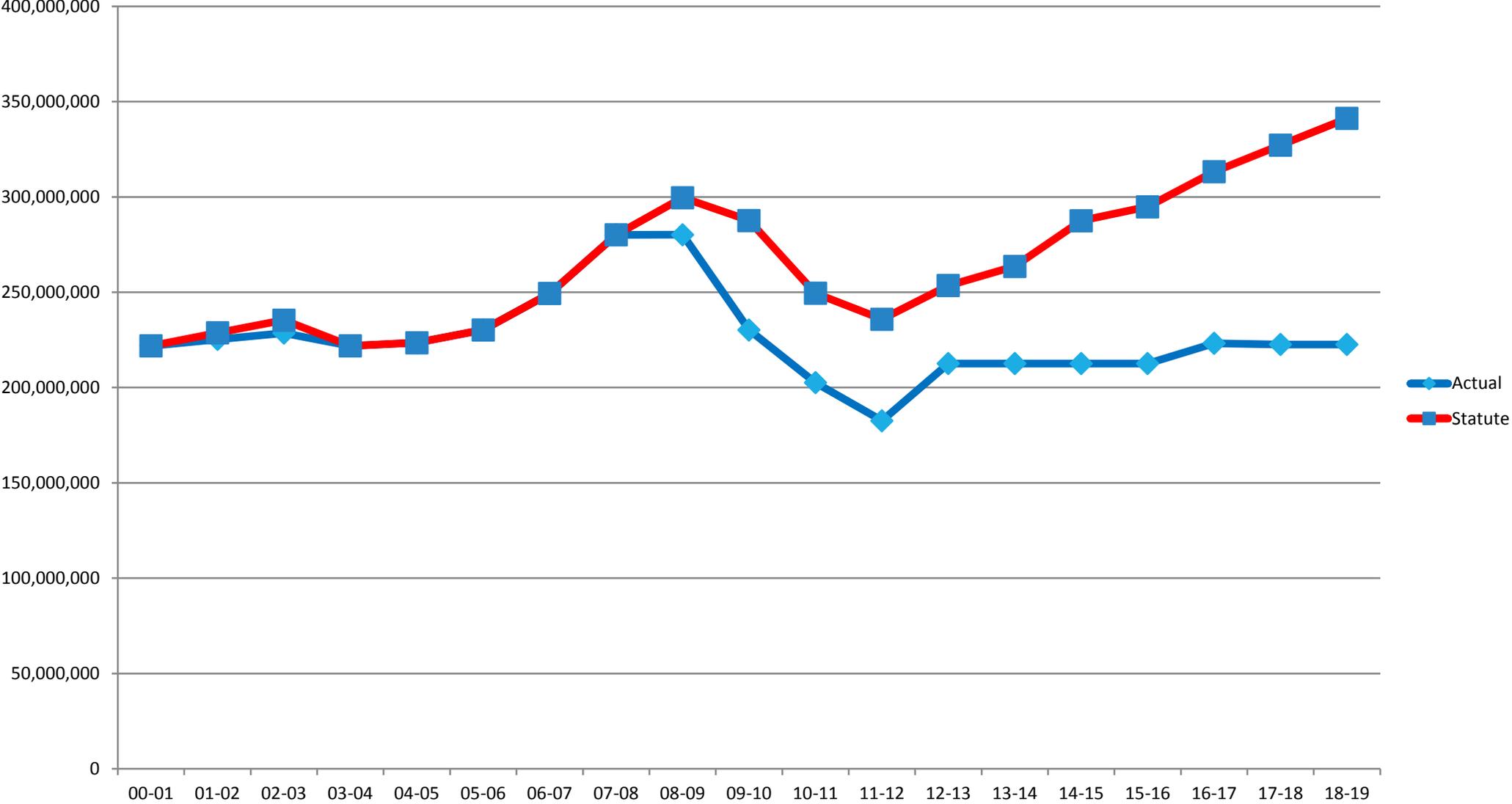
Subtotal \$494,947,400

*\*EFA and Local Government Funding not included above*

# Education Finance Act – Base Student Cost Estimate and BSC Appropriated



# Local Government Fund



# Economic Data

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SOUTH CAROLINA IS CHANGING.

# ECONOMIC DASHBOARD

	Population (2017)	Population % change (2010-2017)	Population per square mile, 2010
<b>United States</b>	325,719,178	5.5%	87.4
<b>South Carolina</b>	5,024,369	8.6%	153.9
<b>York County</b>	266,439	17.9%	332.2
<b>Lancaster County</b>	92,550	20.7%	139.6
<b>Chester County</b>	32,301	-2.5%	57.1
<b>Union County</b>	27,537	-4.9%	56.3

# ECONOMIC DASHBOARD

	Total employment, 2016	In civilian labor force, total, % of pop. age 16+
United States	126,752,238	63.1%
South Carolina	1,716,496	60.0%
York County	77,441	66.4%
Lancaster County	19,564	56.1%
Chester County	7,000	54.5%
Union County	7,012	55.7%

# ECONOMIC DASHBOARD

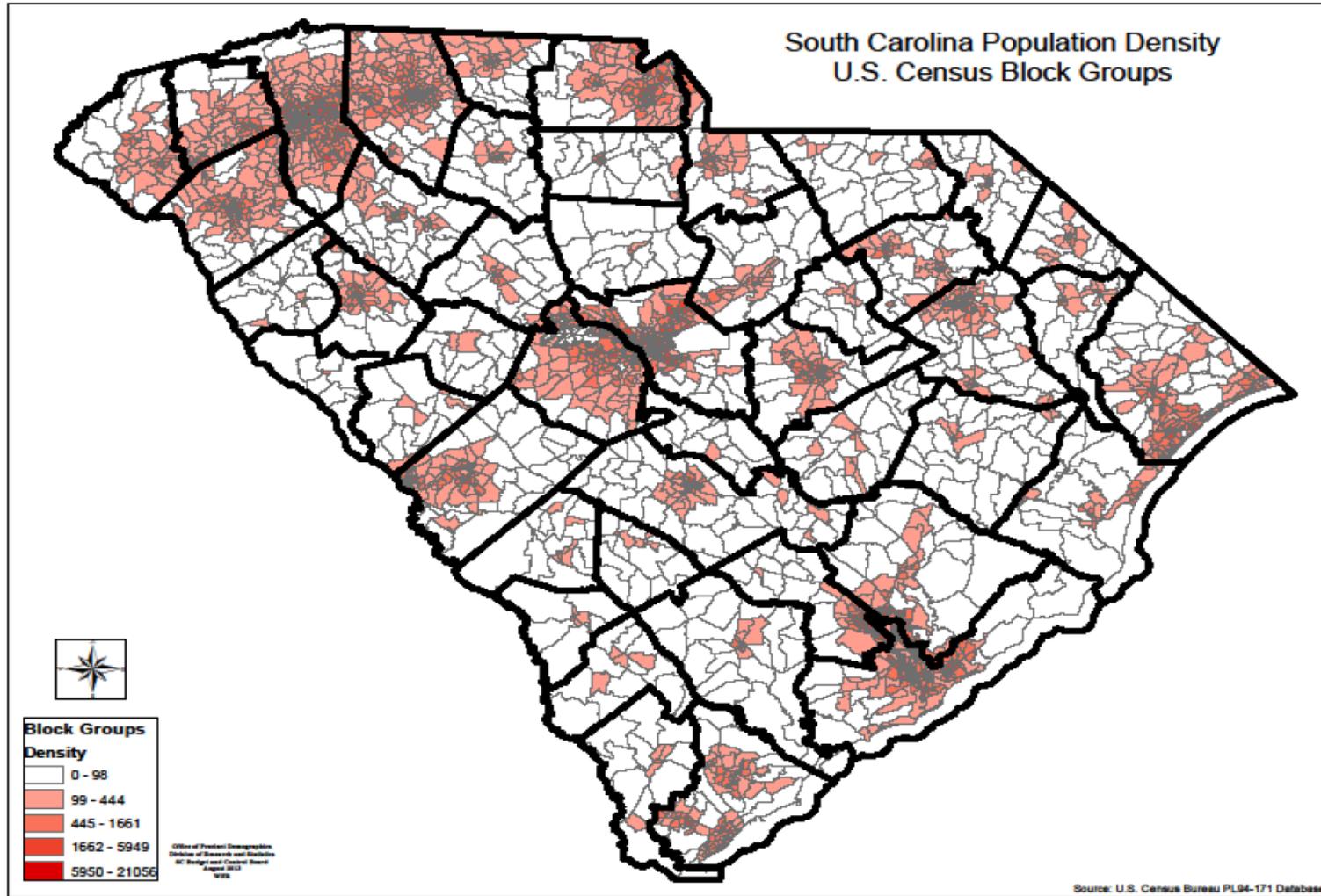
	Median household income (in 2016 dollars)	Persons in poverty, %
United States	\$55,322	12.7%
South Carolina	\$46,898	15.3%
York County	\$56,483	10.7%
Lancaster County	\$50,557	13.6%
Chester County	\$37,421	19.3%
Union County	\$37,493	18.0%

# Population Data

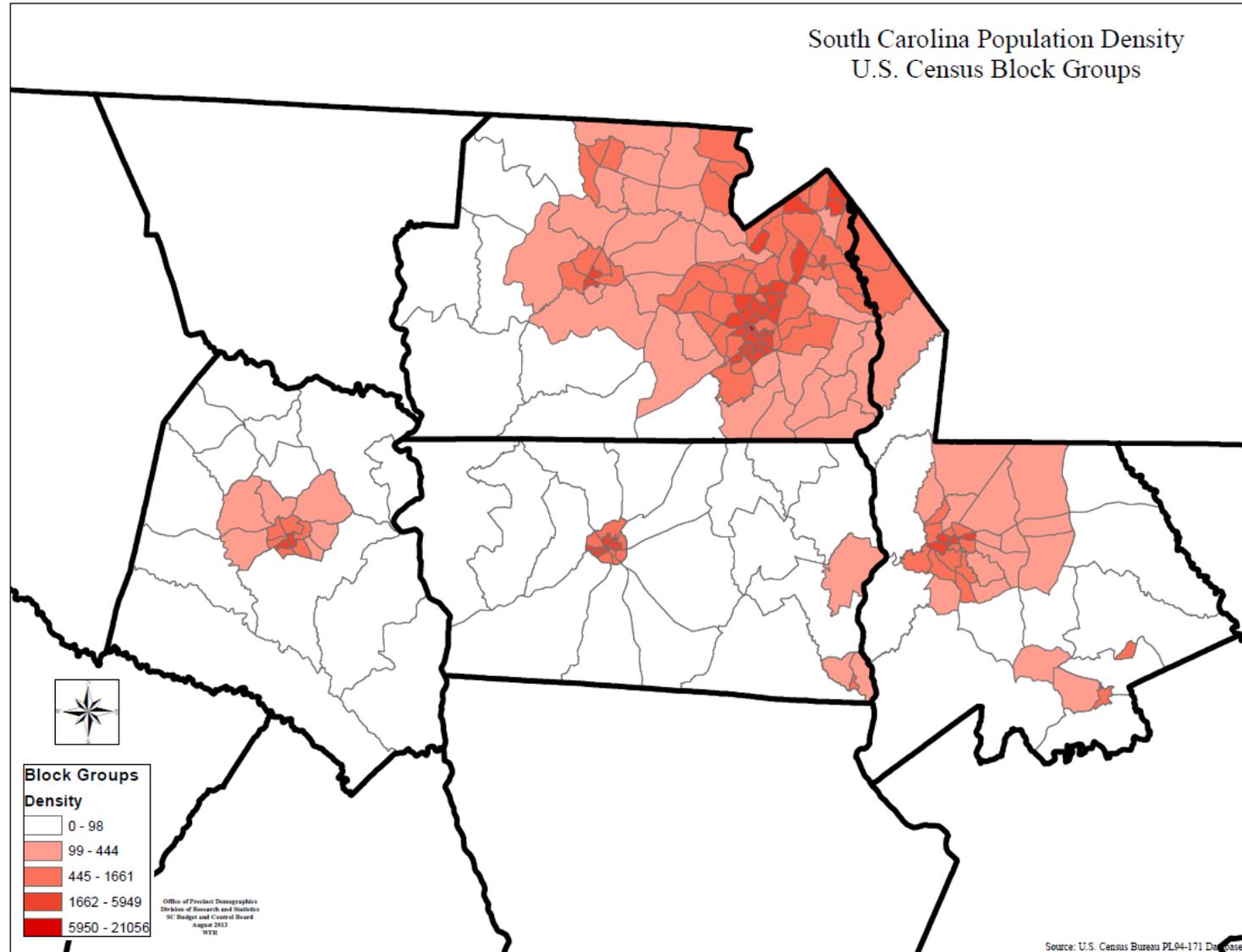
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SOUTH CAROLINA IS GROWING. THE CATAWBA REGION IS GROWING. BUT THE GROWTH IS UNEVEN AND OCCURRING IN DENSELY POPULATED AREAS.

# The Population Centers of South Carolina



# Catawba Region Population Density



# South Carolina Population: 2010 Diennial Census 4,625,364

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## 50% OF POPULATION BY COUNTIES

First Quartile: Greenville, Richland, Charleston (3)

Second Quartile: Spartanburg, Horry, Lexington, **York**, Anderson (5)

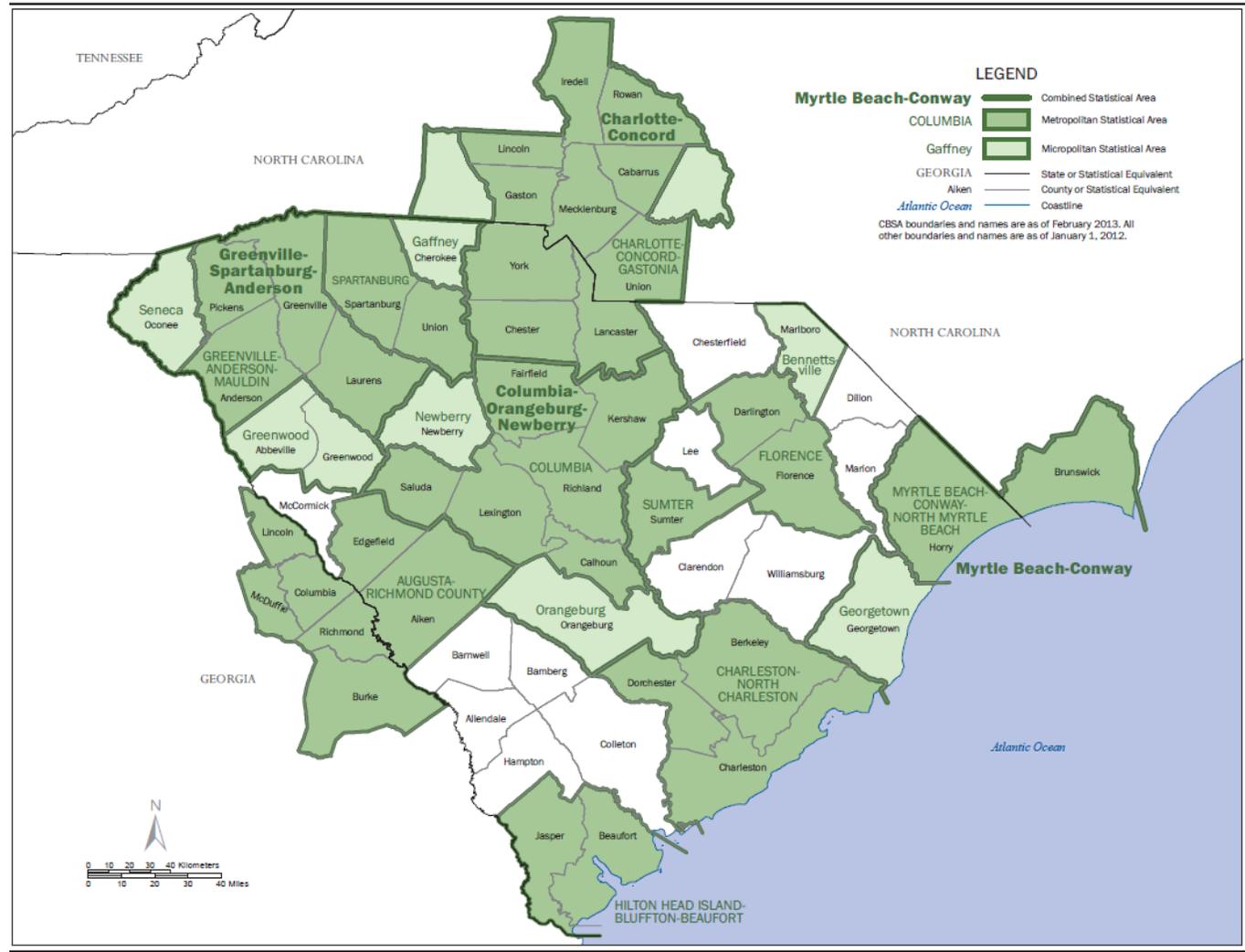
## 50% OF POPULATION BY COUNTIES

Third Quartile: Berkeley, Beaufort, Aiken, Florence, Dorchester, Pickens, Sumter, Orangeburg (8)

Fourth Quartile: **Lancaster**, Oconee, Greenwood, Darlington, Laurens, Kershaw, Georgetown, Cherokee, Chesterfield, Colleton, Newberry, Clarendon, Williamsburg, **Chester**, Marion, Dillon, **Union**, Marlboro, Edgefield, Abbeville, Jasper, Fairfield, Barnwell, Hampton, Saluda, Lee, Bamberg, Calhoun, Allendale, McCormick (30)

# Metropolitan Statistical Areas

South Carolina is 40<sup>th</sup> in land mass size, 25<sup>th</sup> in population and 22<sup>nd</sup> in population density.



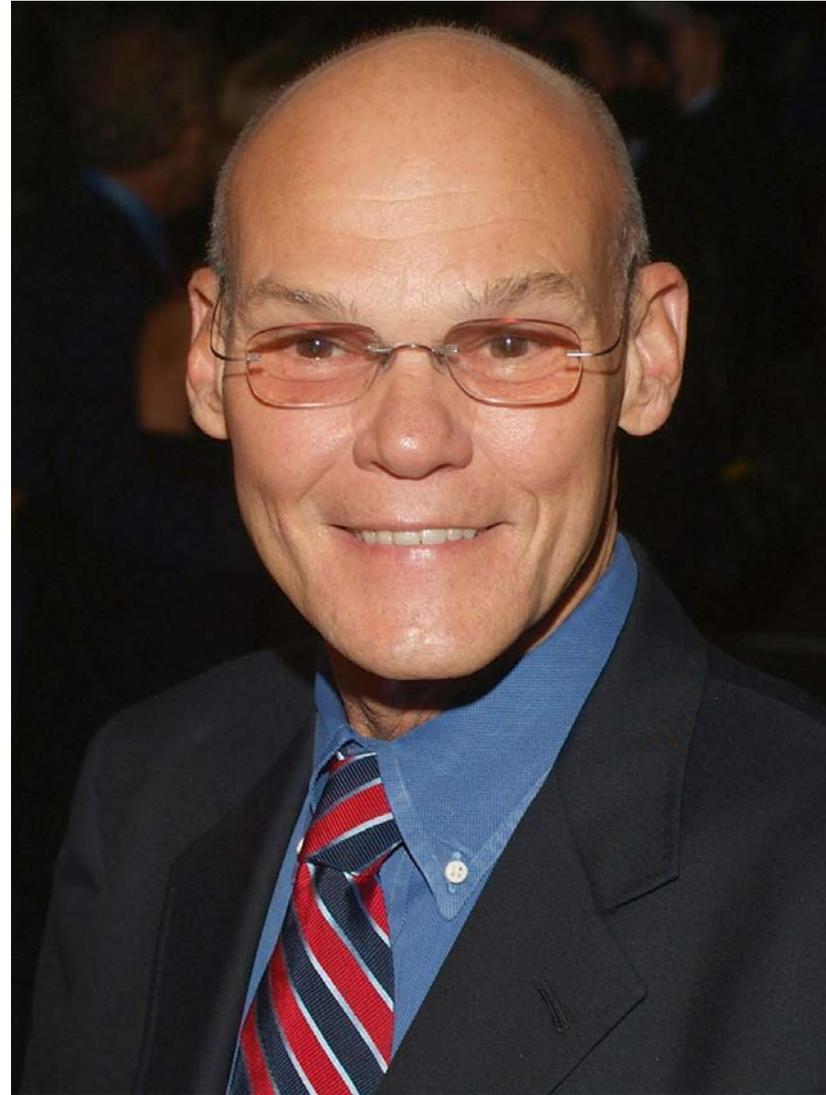
Source: U.S. Department of Commerce

# Why is this concentration of population accelerating?

Chester James Carville, Jr.:

“It’s the economy, stupid,” was the mantra of the Clinton presidential campaign in 1992.

Economic forces are important in the concentration of population worldwide, in the US and an SC.



by Richard  
Florida and Ian  
Hathaway

Harvard  
Business  
Review

November 27,  
2018

“How the  
Geography of  
Startups and  
Innovation is  
Changing”

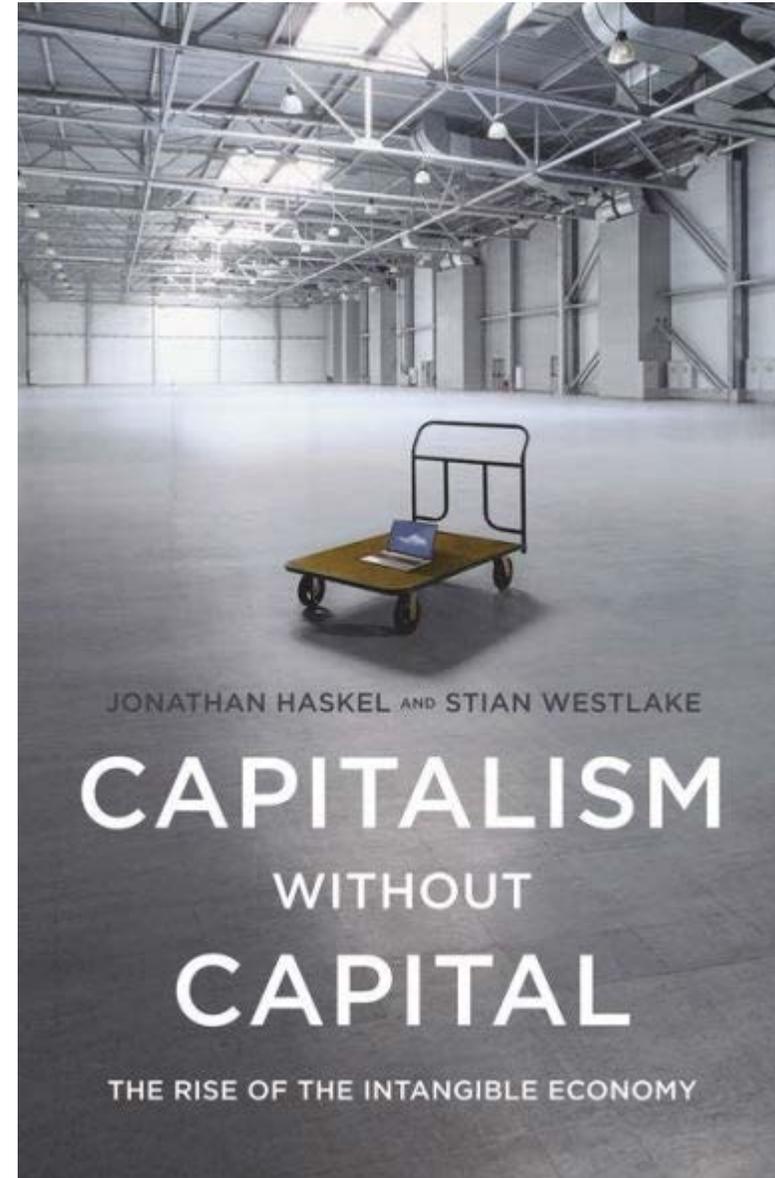
# Four Transformative Shifts in Startups and Venture Capital

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- 1) The Great Expansion (a large increase in volume of venture deals and capital invested).
- 2) Globalization (growth in startups and venture capital across the world).
- 3) **Urbanization (the concentration of startups and venture capital investment in cities).**
- 4) Winner – Take – All Pattern (with leading cities pulling away from the rest).

# A Bigger Picture

Capitalism  
Without Capital:  
The Rise of the  
Intangible  
Economy  
by Jonathan  
Haskel and Stian  
Westlake



# Capitalism Without Capital The Rise of the Intangible Economy

by Jonathan Haskel and Stian Westlake

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“Our central argument in this book is that there is something fundamentally different about **intangible investment**, and that understanding a steady move to intangible investment helps us understand some key issues facing us today: innovation and growth, inequality, the role of management, and financial and policy reform.”

# Examples of Tangible and Intangible Business Investments

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## TANGIBLE INVESTMENTS

Buildings

IT Equipment

Machinery

Vehicles

## INTANGIBLE INVESTMENTS

Software

Databases

Research and Development

Creating entertainment, literary or artistic originals

Design

Training

Market Research and Branding

Business Process reengineering

# What is Different About Intangible Investment?

## Four properties of Intangible Investments:

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1) Scalability

2) Sunkness

3) Spillovers

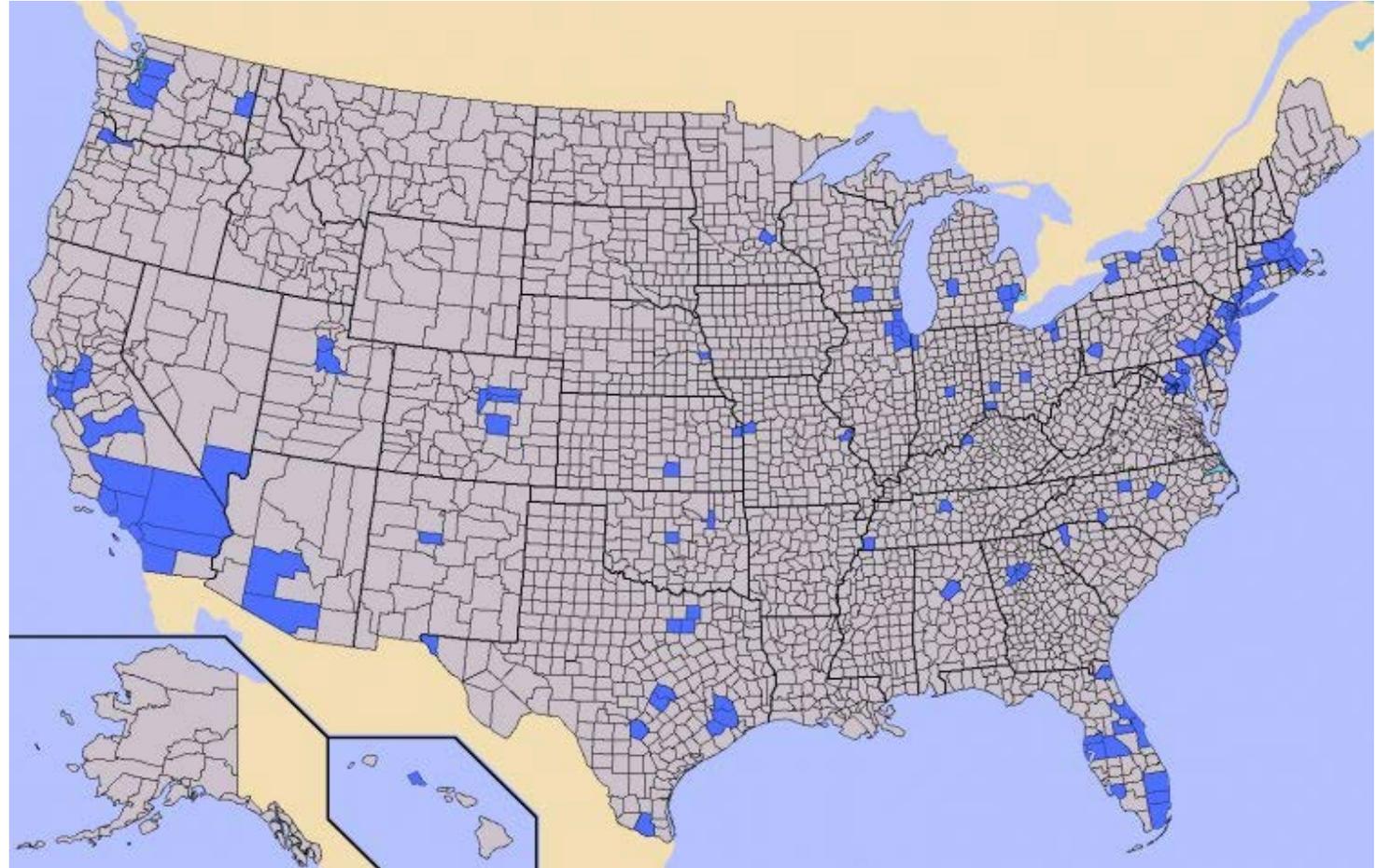
4) Synergies

**Spillovers:** Businesses with large intangible investments tend to gather in cities where interactions and collaborations are plentiful. In certain cases, they locate near academic institutions performing applied research.

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Of the over 3000 counties in the US, half (in blue) live in the 146 most populated counties.

Source: Business Insider



# “Silicon Harbor has become a tech landing spot for some weary city dwellers,” USA Today, July 29, 2017

It may be 2,740 miles away, as the crow flies, but Charleston seems like a million miles away from the hustle, bustle and stress of Silicon Valley.

An idyllic beachfront on the Carolina coast, drawing 7 million tourists annually. Horse-drawn carriages and pastel antebellum houses with roots to the American Revolution. Fort Sumter in the distance, a reminder of where the first shots were fired in the Civil War.

And yet the economic formula is decidedly 21st Century after decades of relying extensively on the military, automotive and textile industries. The focus today is on high-wage jobs in an affordable, lifestyle-friendly setting.

Welcome to Silicon Harbor: Home to more than 250 tech companies employing 11,000. This port city has quietly become the No. 1 mid-sized U.S. metro area (500,000 to 1 million) for IT job growth, adding 4,000 jobs the past five years, according to the U.S. Bureau of Labor Statistics.



# Clemson University's International Center for Automotive Research (CU-ICAR)

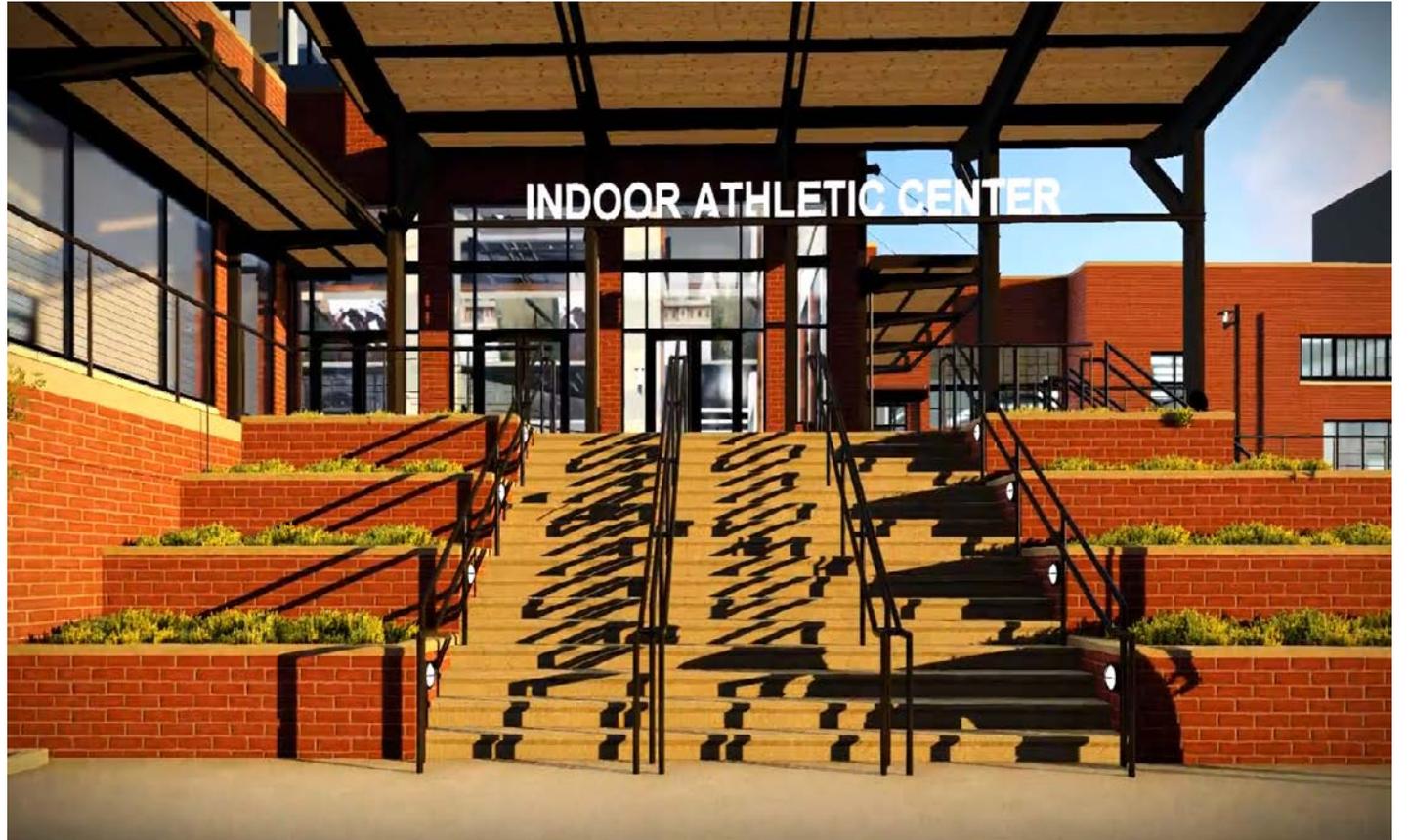
## 7 Strategic Research Areas:

- *Advanced Powertrain Systems*
- *Automotive Systems Integration*
- *Human Factors/HMI*
- *Manufacturing and Materials*
- *Vehicle Performance*
- *Vehicle-to-Vehicle Connectivity and Vehicle-Infrastructure Integration*
- *Vehicular Electronics*



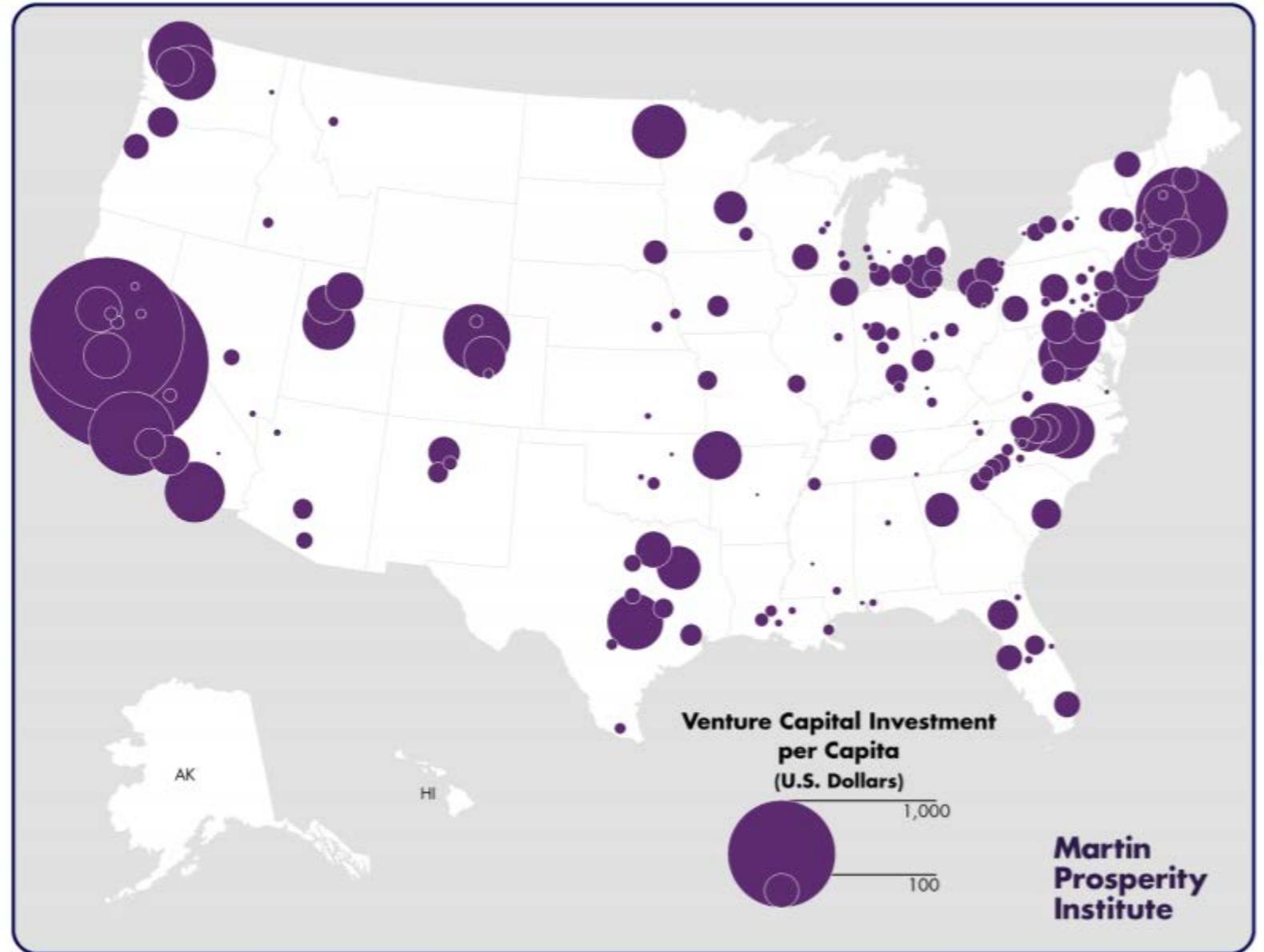
Places where  
people can come  
together to  
interact.

Rock Hill  
Sports and  
Events Center  
at the  
Knowledge  
Park Corridor.



# The Geography of Venture Capital Investment in the US, 2010

Source: Spiky Venture  
Capital: The Geography of  
Venture Capital Investment  
by Metro and Zip Code,  
Martin Prosperity Institute  
By Richard Florida and  
Karen M. King



# The Takeaway

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- 1) Intangible investments are increasingly more prevalent in international commerce due in part to the technology age.
- 2) Because of the characteristics of these types of investments, the economy pushes the locations of these jobs to cities.
- 3) This trend is now evident in South Carolina's population growth as larger cities continue to expand while rural counties continue to lose population.

# Why is this important to the Catawba Region and the State of South Carolina?

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- 1) The national and world economies have transitioned to a more intangible form of investment. The pace of change will likely accelerate.
- 2) Agriculture and manufacturing will continue to be productive. But, with the application of technology, fewer people are needed in these industries compared to our economic history. So, the organizing force will be the city.
- 3) As a result, cities will become more populated and rural areas less populated. This has direct implications for your local tax revenues, infrastructure, planning and zoning, housing, recreation, economic development.

“Growth is never by mere chance; it is the result of forces working together.”

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JAMES CASH PENNEY