

# Brighter days forecast for state

Economic board says  
tax revenue rising

By Gina Smith

The State

A double-dip recession is increasingly unlikely for the South Carolina economy, state economic forecasters said Wednesday, citing higher tax collections that continue to exceed expectations.

"The revenue picture continues to brighten and things seem to be stabilizing," said Chad Walldorf, chairman of the state Board of Economic Advisors, which prepares economic forecasts used by the governor and lawmakers to write the state budget.

The board had projected the state would collect 1 percent fewer tax dollars this year than it did last year. But the board learned Wednesday that collections are running nearly \$71 million, or almost 6 percent ahead of those projections.

That is important because the higher tax collections — from increased sales tax revenues and higher individual and corporate income tax payments — are reflections of the state of the state's economy.

The higher revenues indicate increased economic activity. They also suggest the velocity of recovery by the state's economy, depressed by the Great Recession, is picking up. While state tax collections for July and August also beat revenue estimates, they were up by only 4 percent.

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Walldorf said he expects the Economic Advisors will vote in November to increase the state's revenue projections for the remainder of the fiscal year that started July 1.

That could clear the way for lawmakers to spend more money on state services and operations when they meet in January. It also could set off a political tug-of-war between legislators and Gov. Nikki Haley, who has said that higher-than-expected revenues should be used to pay down state debt or returned to taxpayers.

For the first quarter that ended in September:

» Sales tax collections were up 3.8 percent, or \$13.7 million.

» Individual income tax collections were up 6.6 percent, or \$58.6 million.

» Corporate income tax collections are up 19.7 percent, or \$6.7 million.

"I see slow, steady growth," said Board of Economic Advisors member

Don Herriott.

One of the most "bullish" indicators is income tax collections, up 10 percent for September compared to September 2010, Walldorf said. "It indicates there are more people working and working for overall higher wages."

The state's unemployment rate dipped slightly to 11 percent in September but only because about 25,000 people left the state's labor force, said Economic Advisors staffers. Those people may have returned to school, moved out-of-state or given up.

But staffers also pointed to gains in manufacturing employment, which has increased nearly 5 percent over the last 12 months. About 4 percent of that gain came in the textile industry.

With Bridgestone Americas and Continental Tire expanding their operations in Aiken and Sumter counties, respectively, textiles could be in for more of a jump, staffers said, noting some of the materials used in tire manufacturing are produced by the textile sector.