



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

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The BEA Provides Preliminary Forecast for FY 2021-22, Adjusts FY 2020-21 Revenue Estimate

Modest Economic and Revenue Growth Expected Amid COVID-19 Crisis

COLUMBIA – The S.C. Board of Economic Advisors (BEA) forecast Tuesday a modest revenue increase for next fiscal year as it recognized the COVID-19 pandemic has increased economic uncertainty and will continue to constrain the state's growth.

Proceeding cautiously and conservatively, the BEA projected recurring general fund revenue will increase 1.7 percent in Fiscal Year (FY) 2021-22. The anticipated growth rate is about half of the historical level for a typical fiscal year and less than a quarter of the 8 percent growth reported for FY 2018-19. When compared to the base budget, the revenue estimate results in \$182.2 million of "new" or unobligated funds.

For the FY 2021-22 budget process, the general fund also will have available a significant amount of one-time money. These non-recurring funds include surpluses from two previous budget cycles and a projected surplus for the current fiscal year and total \$987.4 million.

The BEA, which met to review its economic and revenue forecasts as required by law, also reduced its revenue estimate for the current fiscal year by an additional \$49.7 million by making targeted adjustments in selected categories based on fiscal year-to-date expectations and assumptions for the rest of the fiscal year. The adjustments reduce the projected surplus for FY 2020-21 to \$36.3 million.

With today's adjustments, the BEA has reduced the revenue estimate for FY 2020-21 by a total of \$803.7 million since February due to the impact of COVID-19 and the resulting recession. The BEA advised it anticipates tax collections for the current fiscal year will decline 3.5 percent below the amount of general fund revenue received in FY 2019-20.

With the forecast, revenue collections through October for the current fiscal year are running approximately \$176.4 million above expectations. But, the BEA cautioned the current trend is not likely to continue. The BEA advised the uncertainty about COVID-

19, the diminishing impact of previous federal stimulus funds, a slowing of the economy, and a poor tax filing season anticipated in April are significant concerns for the rest of the fiscal year.

The BEA noted the resiliency of the state's economy and observed that South Carolina is positioned to recover quicker from the effects of the COVID-19 pandemic than the rest of the nation. To date, South Carolina has recovered 70 percent of its COVID-19-related job losses, but the remaining jobs are expected to return slowly.

For its forecast, the BEA anticipates a return to February 2020 pre-pandemic employment in February 2022 and assumes slower than historical growth through the remainder of FY 2021-22. The BEA also expects wages and proprietor's income to grow, but at slower than historical rates. In addition, the BEA does not anticipate any new federal stimulus.

The forecast is based upon estimates for employment and personal income, key economic factors that affect sales and income tax revenues, which account for 85 percent of general fund revenue. In developing its forecast, the BEA met last month with regional economists to discuss the key factors expected to influence South Carolina's economy.

The BEA will continue to monitor monthly activity and revisit the forecast in February 2021.

FY 2021-22 Budget Outlook

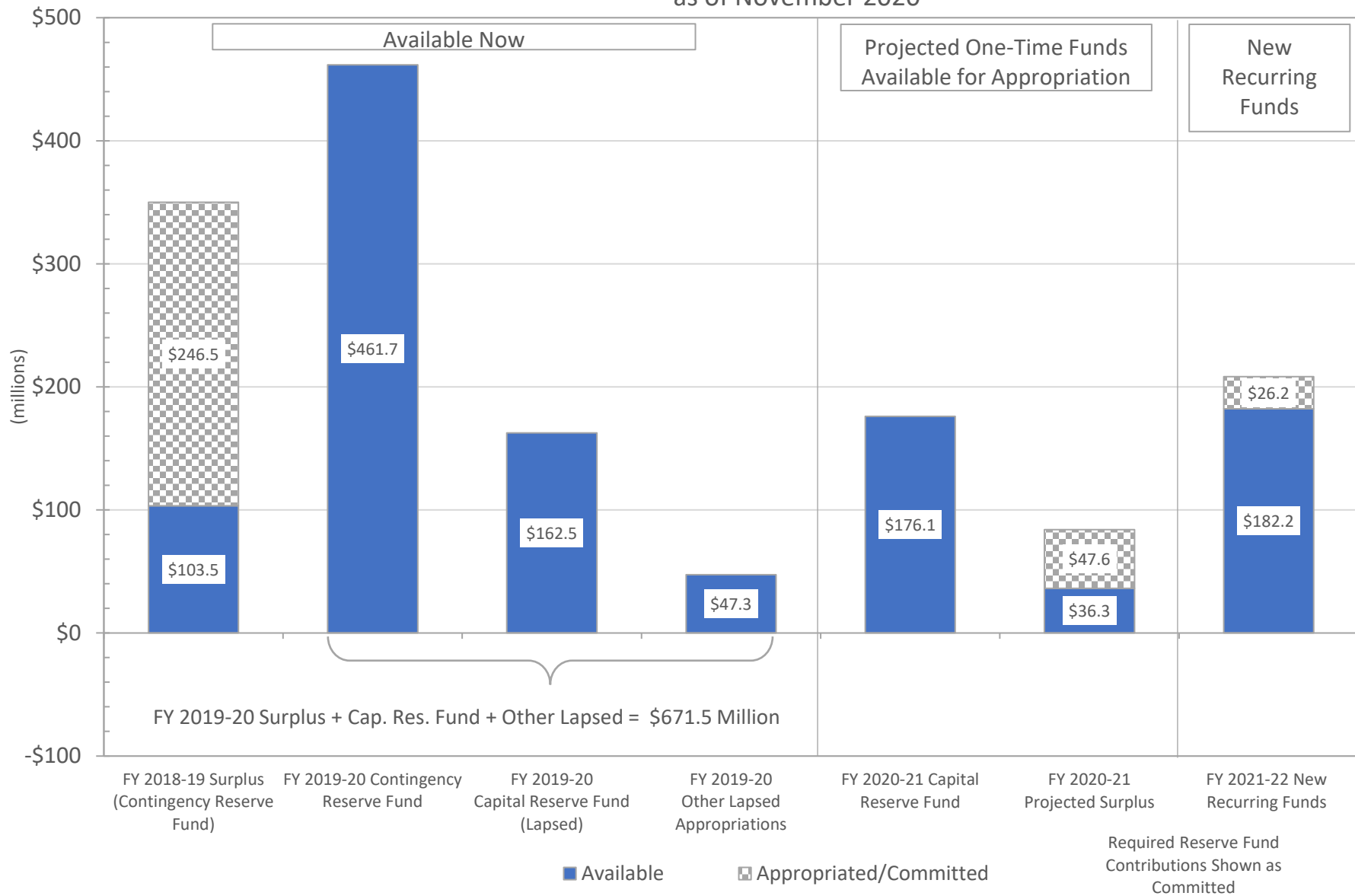
Net New Recurring General Fund Revenue <i>(less tax relief trust fund)</i>	\$182.2 million
Non-recurring Revenue	
FY 2018-19 Contingency Reserve Fund	\$103.5 million
FY 2019-20 Contingency Reserve Fund	\$671.5 million
FY 2020-21 Capital Reserve Fund	\$176.1 million
Projected FY 2020-21 General Fund Surplus	<u>\$36.3 million</u>
Total Non-recurring Revenue	\$987.4 million
Total Estimated New General Fund Revenue for Appropriation	\$1,169.6 million

Non-recurring Revenue estimates do not include anticipated funds from the Department of Energy settlement and other pending litigation.

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Attachment

AVAILABLE FUNDS - FY 2021-22 BUDGET PROCESS as of November 2020



Source: S.C. Revenue and Fiscal Affairs 11-10-2020