

SOUTH CAROLINA GENERAL FUND REVENUE

Quarterly Review July to September FY 2024-25 & Regional Advisory Meeting



October 14, 2024

General Fund Revenue – September



REVENUES V. BEA MONTHLY ESTIMATES

SEPTEMBER

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth ^{/1}	Actual Growth ^{/2}		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth ^{/1}	Actual Growth ^{/2}
Total General Fund Revenue	\$1,418.5	\$1,591.7	\$173.2	1.5%	13.9%	Other Revenue Items, Sub-Total	\$95.6	\$118.3	\$22.7	(2.0%)	21.2%
Sales Tax	400.2	405.2	5.0	1.0%	2.3%	Admissions Tax	5.3	5.3	(0.0)	(9.0%)	(9.7%)
Individual Income Tax	648.1	706.4	58.4	6.5%	16.1%	Alcoholic Liquors Tax	9.6	8.5	(1.1)	3.2%	(8.4%)
Withholdings	536.8	580.8	44.0	6.0%	14.6%	Bank Tax	16.4	19.5	3.1	(5.5%)	12.2%
Non-withholdings	149.6	171.5	21.9	3.0%	18.0%	Beer and Wine Tax	10.2	9.5	(0.6)	0.7%	(5.3%)
Refunds	38.3	45.9	7.5	(11.9%)	5.4%	Corporate License Tax	10.2	6.6	(3.6)	2.3%	(34.1%)
Corporate Income Tax	152.6	250.3	97.7	(29.4%)	15.7%	Deed Rec. (Doc. Tax)	9.3	11.3	2.1	(13.4%)	5.9%
Insurance Tax	122.1	111.4	(10.6)	54.5%	41.1%	Earned on Investments	21.9	46.0	24.0	2.4%	114.6%
Other Revenue Items, Sub-Total	95.6	118.3	22.7	(2.0%)	21.2%	Residual Revenue	12.6	11.5	(1.1)	(1.6%)	(10.2%)

Based on BEA Forecast as of May 20, 2024

/1 Expected growth reflects expected growth in collections for the month over same month prior fiscal based on anticipated monthly collection patterns.

/2 Actual growth reflects actual growth in collections for the month over same month prior fiscal year collections.



General Fund Revenue – July to September



REVENUES V. BEA MONTHLY ESTIMATES

JULY - SEPTEMBER

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD / ¹	Actual YTD / ²	Estimate Full FY / ³		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD / ¹	Actual YTD / ²	Estimate Full FY / ³
Total General Fund Revenue	\$3,078.4	\$3,400.0	\$321.5	1.9%	12.6%	(4.3%)	Other Revenue Items, Sub-Total	\$187.1	\$256.9	\$69.9	(4.7%)	30.9%	(7.7%)
Sales Tax	824.3	831.0	6.7	1.4%	2.3%	1.1%	Admissions Tax	0.1	(1.4)	(1.4)	N/A	N/A	(12.1%)
Individual Income Tax	1,741.5	1,857.8	116.3	5.2%	12.3%	(3.3%)	Alcoholic Liquors Tax	21.1	20.3	(0.7)	5.3%	1.7%	3.5%
Withholdings	1,635.9	1,714.6	78.7	4.0%	9.0%	3.3%	Bank Tax	16.7	20.3	3.6	(14.5%)	4.0%	0.2%
Non-withholdings	251.1	285.3	34.2	4.8%	19.1%	(3.9%)	Beer and Wine Tax	20.8	20.7	(0.1)	2.6%	2.0%	2.0%
Refunds	145.4	142.1	(3.3)	(8.0%)	(10.1%)	15.9%	Corporate License Tax	20.3	16.0	(4.3)	(11.9%)	(30.5%)	(0.0%)
Corporate Income Tax	199.7	339.6	139.9	(25.9%)	25.9%	(30.1%)	Deed Rec. (Doc. Tax)	17.6	23.1	5.5	(13.8%)	13.2%	(7.4%)
Insurance Tax	125.8	114.6	(11.2)	44.2%	31.3%	12.3%	Earned on Investments	56.6	120.7	64.1	(3.4%)	105.8%	(22.6%)
Other Revenue Items, Sub-Total	187.1	256.9	69.9	(4.7%)	30.9%	(7.7%)	Residual Revenue	33.9	37.2	3.2	(2.6%)	6.7%	(4.2%)

Based on BEA Forecast as of May 20, 2024

/1 Estimate year-to-date reflects expected growth in collections fiscal year-to-date over prior fiscal year-to-date based on anticipated monthly collection patterns.

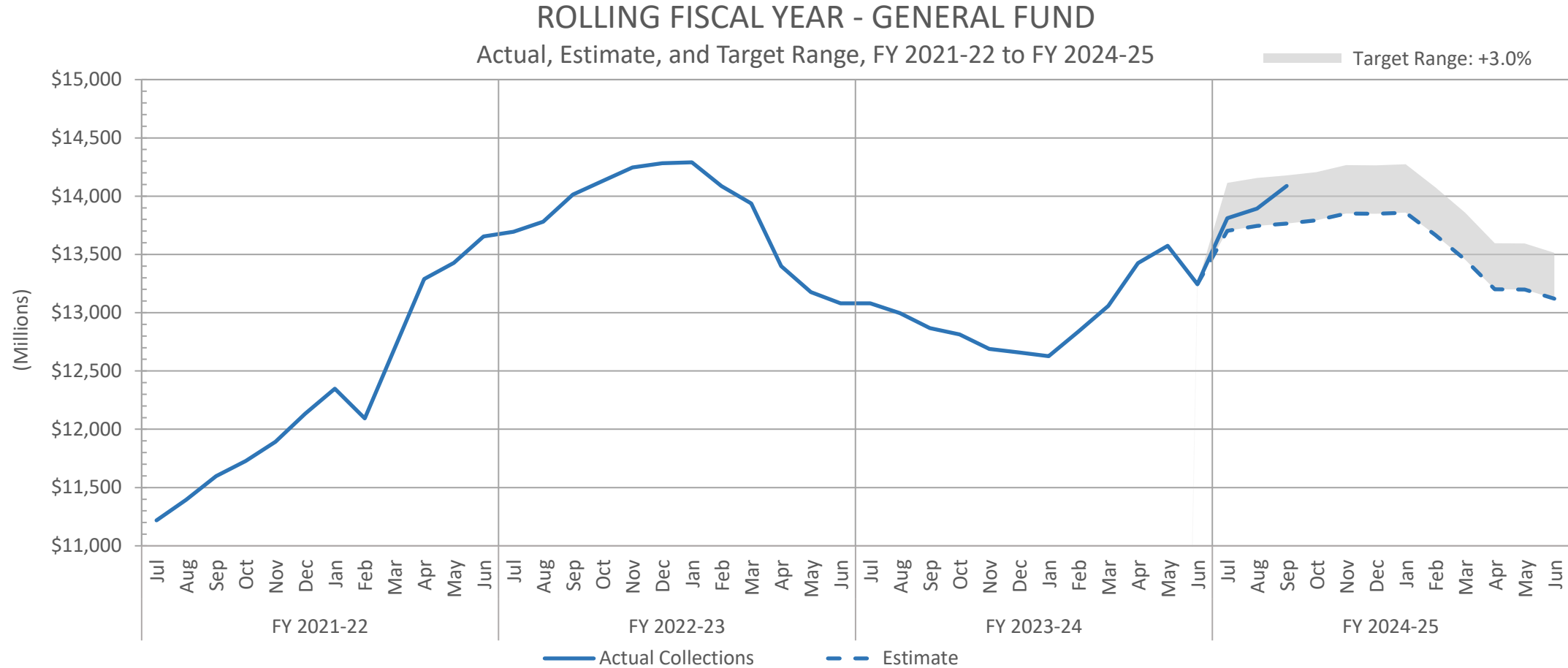
/2 Actual year-to-date reflects actual fiscal year-to-date growth in collections over prior fiscal year-to-date collections.

/3 Estimate full fiscal year reflects projected growth for the full fiscal year over the prior fiscal year.



Total General Fund - Actual vs. Estimate

Collections are running \$321.5m ahead of expectations through September



General Fund FY 2024-25 First Quarter Summary

- Total General Fund revenue for FY 25 is \$321.5m ahead of expectations through the first quarter
- Sales tax has grown 2.3% fiscal year-to-date and is running \$6.7m ahead of estimates
- Individual Income tax is \$116.3m ahead of estimates in total due to stronger than estimated Withholdings (\$78.7m) and Non-withholdings (\$34.2m), and lower Refunds (\$3.3m)
- Corporate Income tax is \$139.9m ahead of estimates
- Insurance tax is running behind expectations by \$11.2m
- Bank tax revenue and Earnings on Investments are exceeding estimates by \$3.6m and \$64.1m, respectively

Other Considerations for FY 2024-25

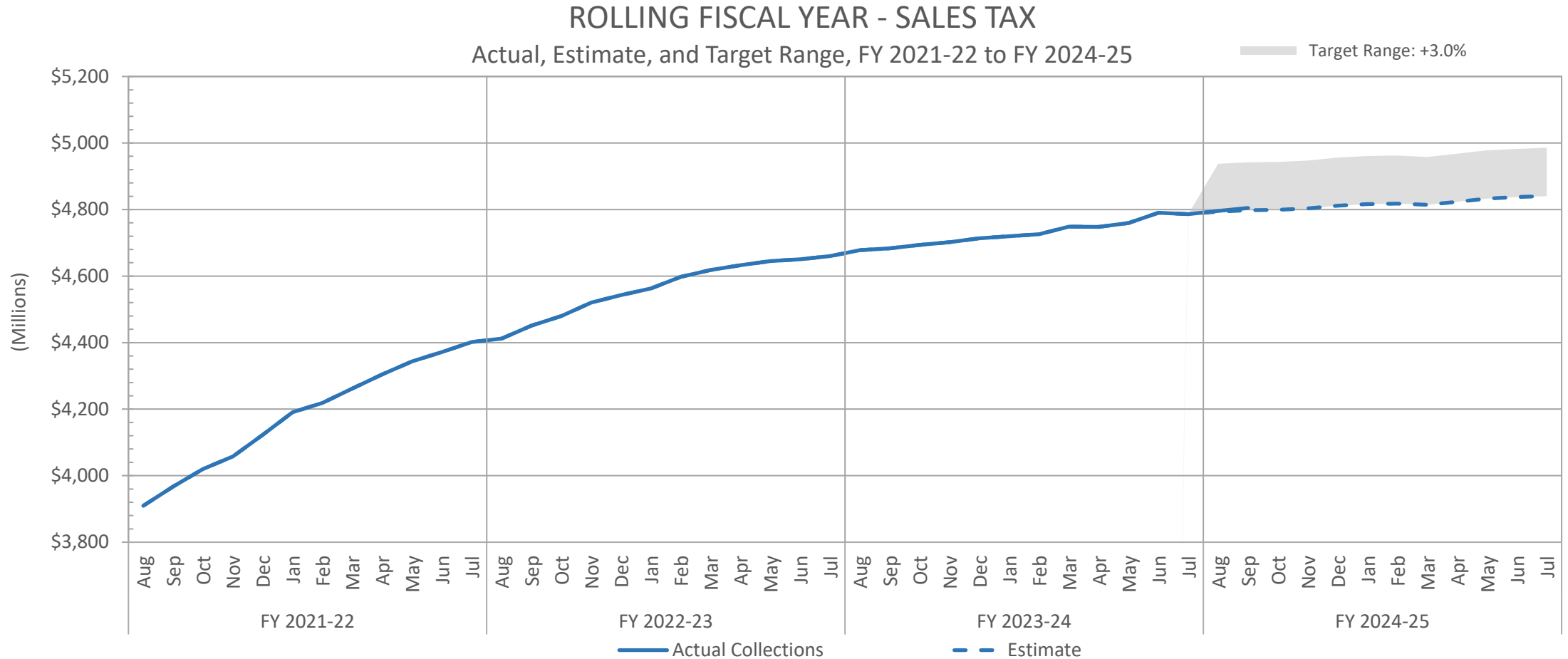
- The Dept. of Revenue announced tax relief due to Hurricane Helene in keeping with the IRS's decision to extend certain deadlines
- Many returns and payments are now due May 1, 2025
 - 2023 income tax returns from individuals, businesses, and tax-exempt organizations who had a valid extension to file their returns
 - 2024 income tax returns including business income returns originally due March 15, 2025, and returns originally due April 15, 2025
 - Quarterly estimated income tax payments originally due December, January and April
 - Quarterly withholding tax returns originally due October, January, and April
- Affects timing of tax collections during FY 2024-25

Full details: <https://dor.sc.gov/resources-site/media-site/Pages/SCDOR-issues-tax-relief-due-to-Hurricane-Helene.aspx>

General Fund Revenue Consumption Taxes

Sales Tax - Actual vs. Estimate

September collections grew by 2.3% over last year; cumulatively, fiscal year-to-date collections are growing 2.3% also and are \$6.7m above the estimate



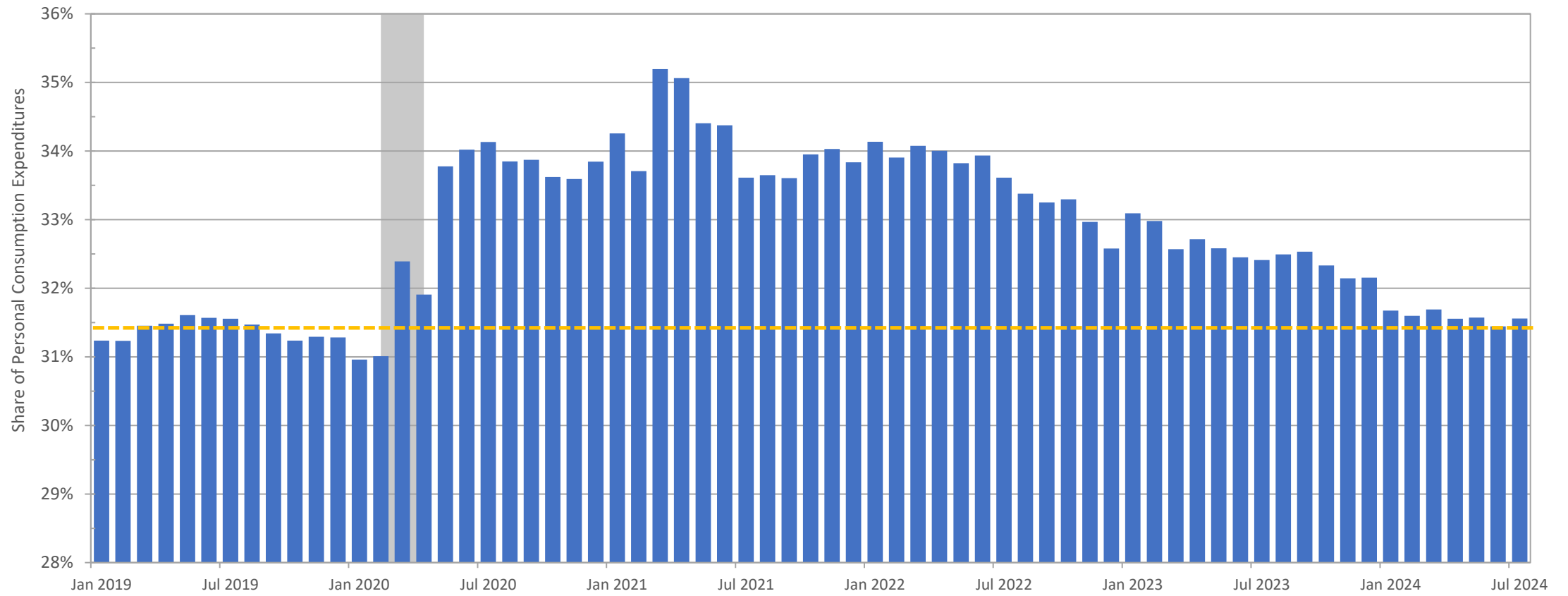
Sales Tax Forecast Considerations

- Level of consumer purchases of goods
- Prices of goods and consumer reactions to changes in price
- The amount of disposable income that consumers are spending
 - Can spending be sustained?

Change in Consumer Behavior

Spending shifted from services to goods during the pandemic; in 2024, the share of consumer spending on goods versus services has shifted back to pre-pandemic levels

U.S. SHARE OF EXPENDITURES ON GOODS

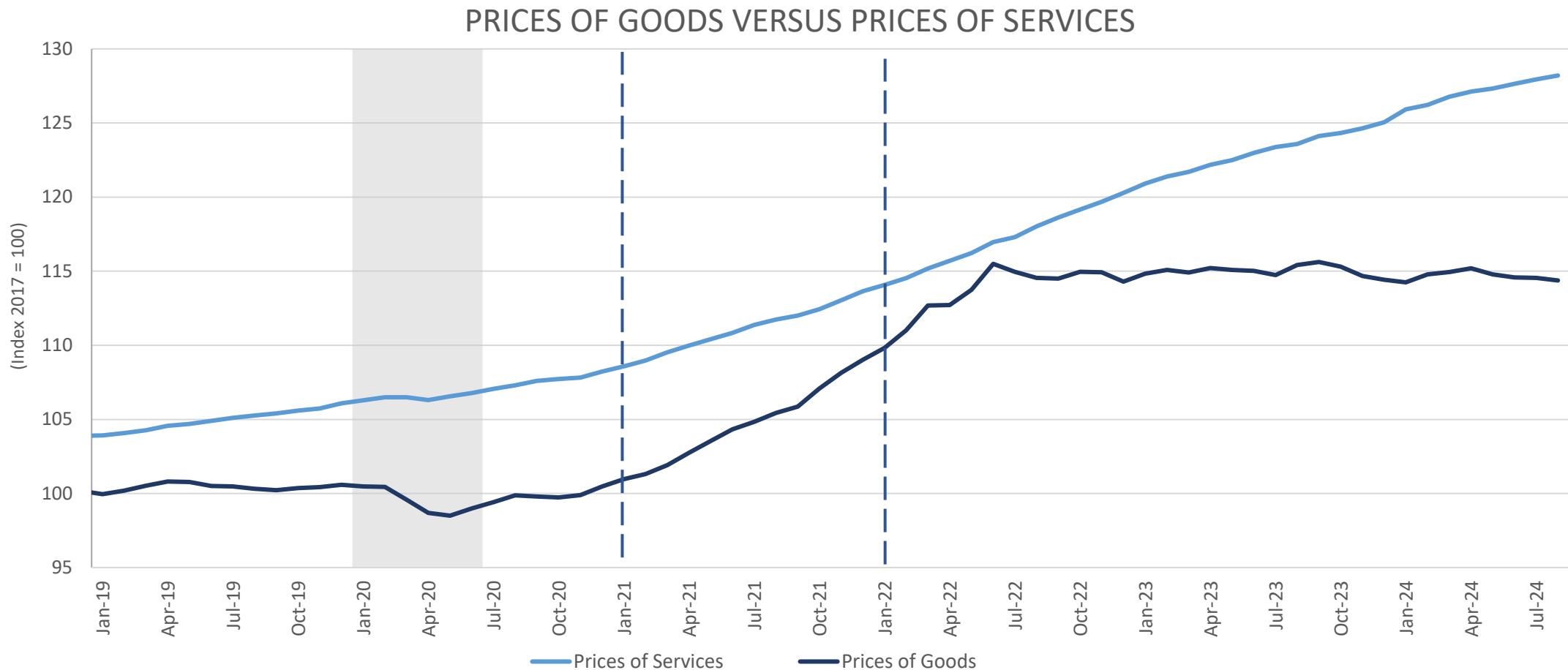


Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/mad/10/07/2024



Prices of Goods and Services

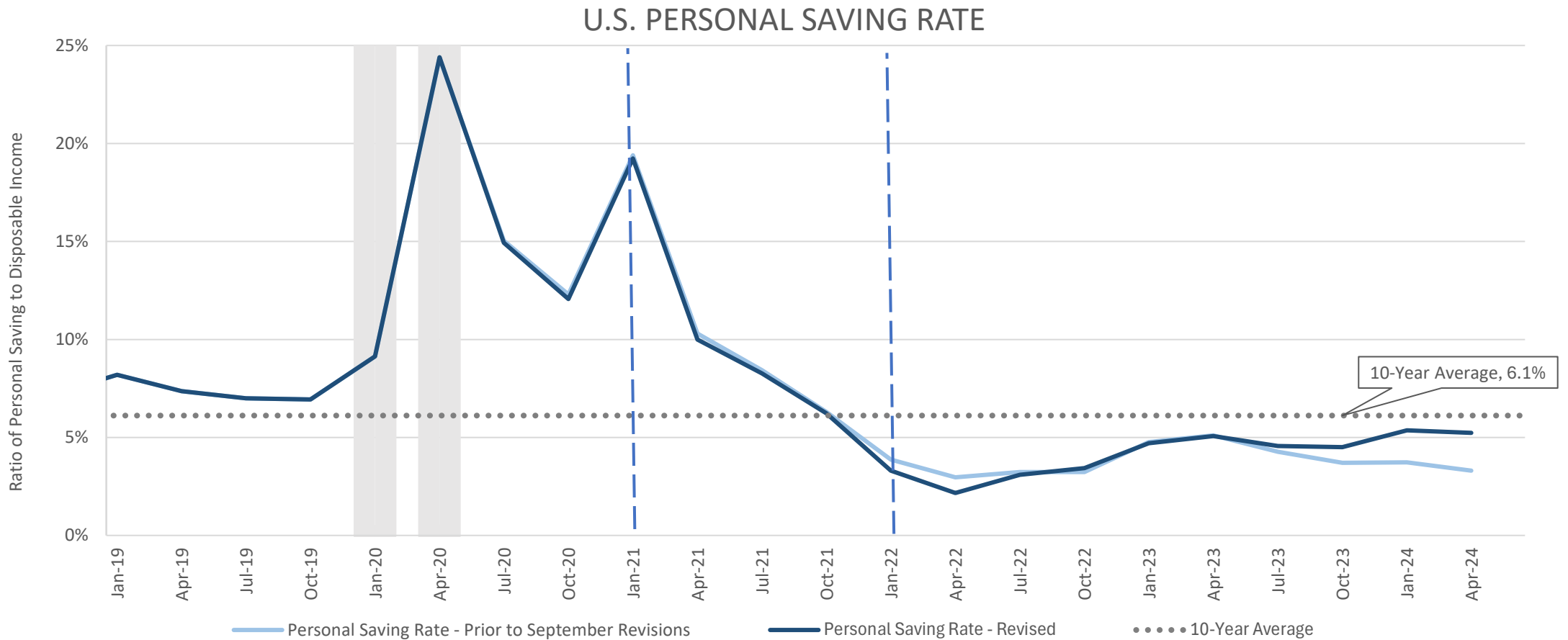
The prices of goods have flattened out and have begun dropping slightly after a large increase following the pandemic



Source: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Services (chain-type price index) & Personal Consumption Expenditures: Goods (chain-type price index) retrieved from FRED, Federal Reserve Bank of St. Louis; 353-RFA/mad/10/8/24

U.S. Personal Saving Rate

Data revisions in September revealed that consumers have been able to save more than previously estimated; the rate is approaching the long-term average

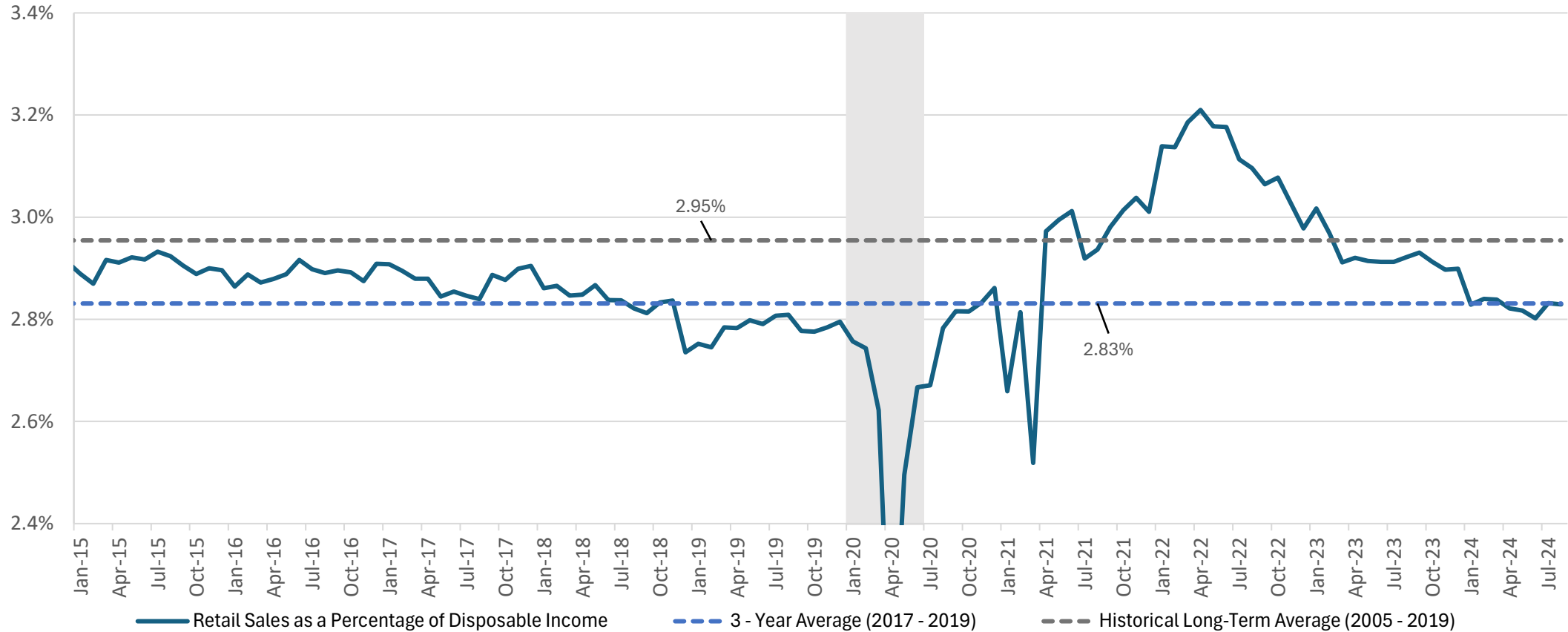


Source: U.S. Bureau of Economic Analysis, Personal Saving Rate [PSAVERT], retrieved from FRED, Federal Reserve Bank of St. Louis; RFA-mad/10/8/24

Retail Sales and Disposable Income

The proportion of disposable income spent on retail in the U.S. has shifted back to historical ranges

U.S. RETAIL SALES AS A PERCENTAGE OF DISPOSABLE INCOME

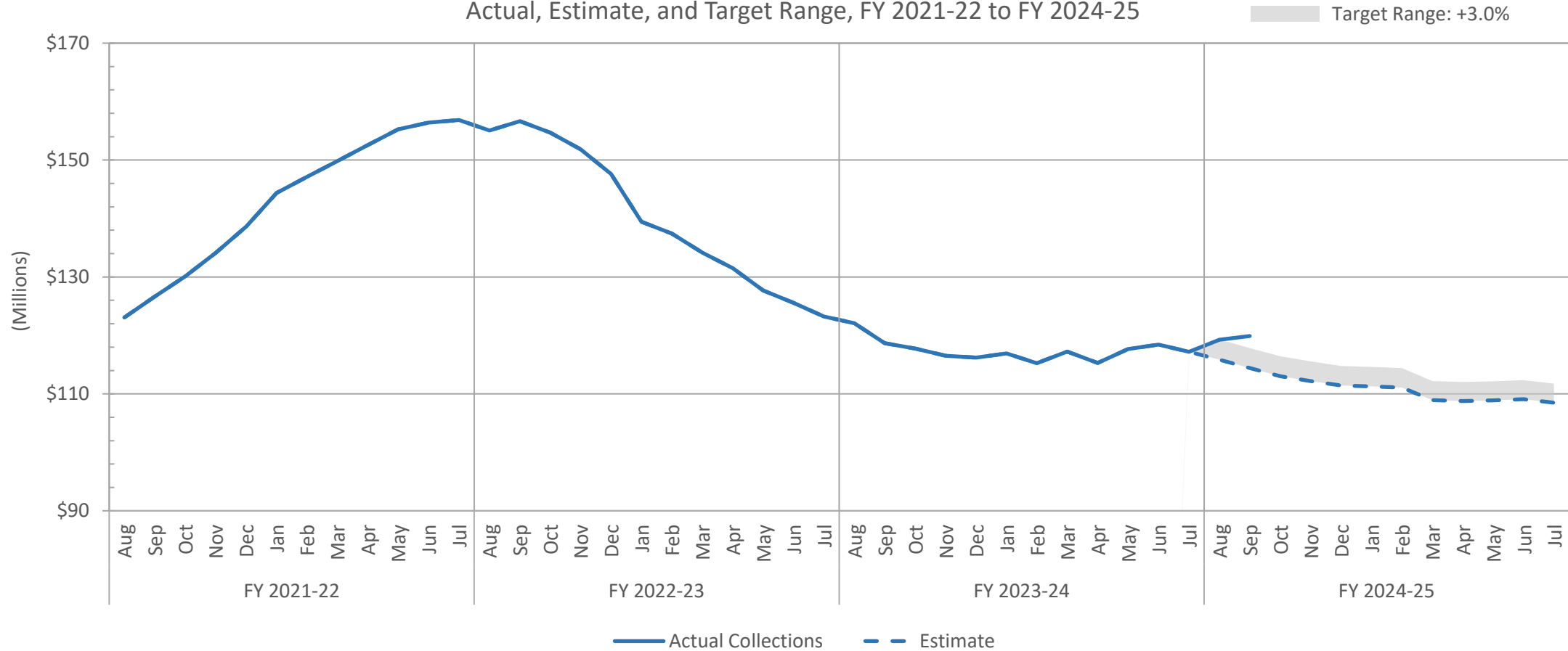


Source: U.S. Census Bureau, Advance Retail Sales: Retail Trade [RSXFS] & U.S. Bureau of Economic Analysis, Disposable Personal Income [DSP], retrieved from FRED, Federal Reserve Bank of St. Louis; 354-mad/10/8/24

Deed Recording Fees – Actual vs. Estimate

Fiscal year-to-date Deed Recording Fees are \$5.5m above expectations; with the reduction in interest rates, deed recording fees may fare better than previously expected

ROLLING FISCAL YEAR - DEED RECORDING FEES
Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



Other Consumption Taxes

- Alcoholic Liquor collections are running behind expectations by \$700,000; fiscal year-to-date collections are growing by 1.7% versus 5.3% estimated year-to-date
- Beer and Wine collections are \$100,000 below estimates; fiscal year-to-date collections are growing by 2.0%, tracking very closely to expectations

General Fund Revenue

Individual Income Tax Components

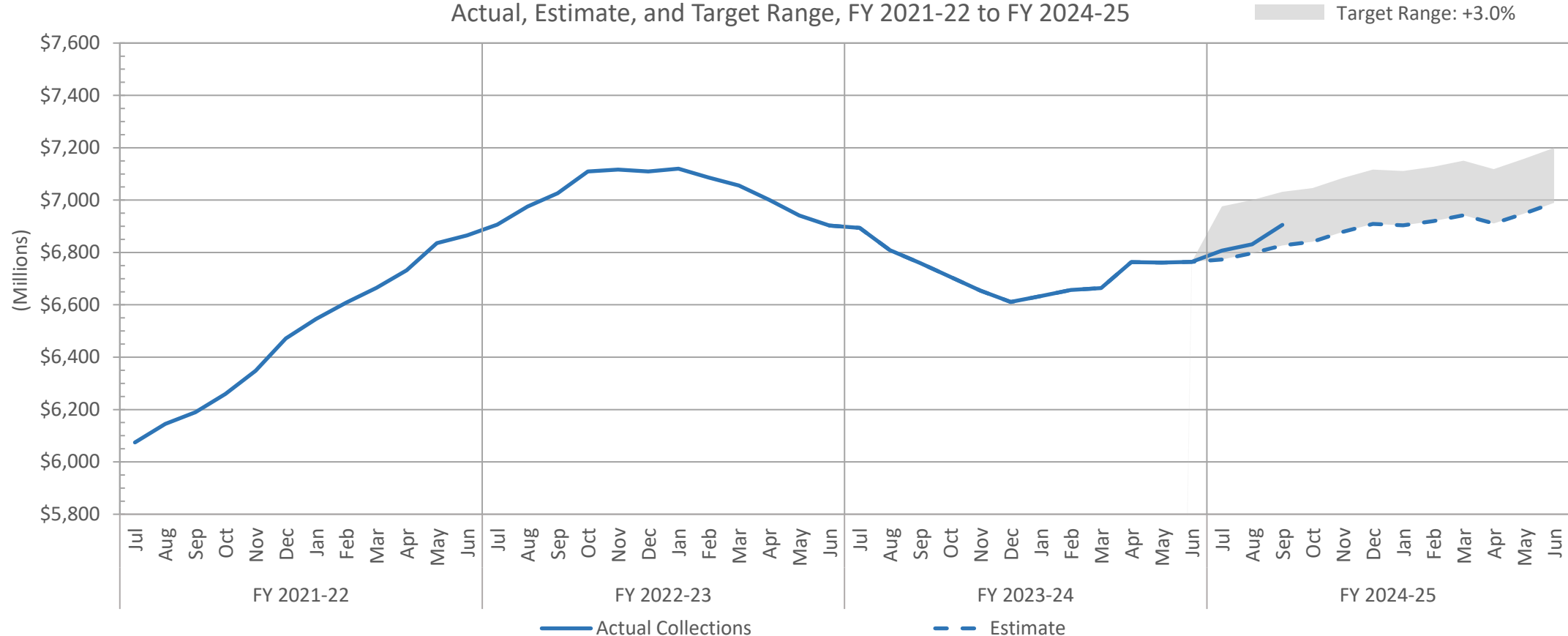


Withholdings - Actual vs. Estimate

Withholdings are running ahead of expectations by \$78.7m, growing 9.0%; September collections came in particularly strong and were 14.6% higher than the same month in the prior year

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

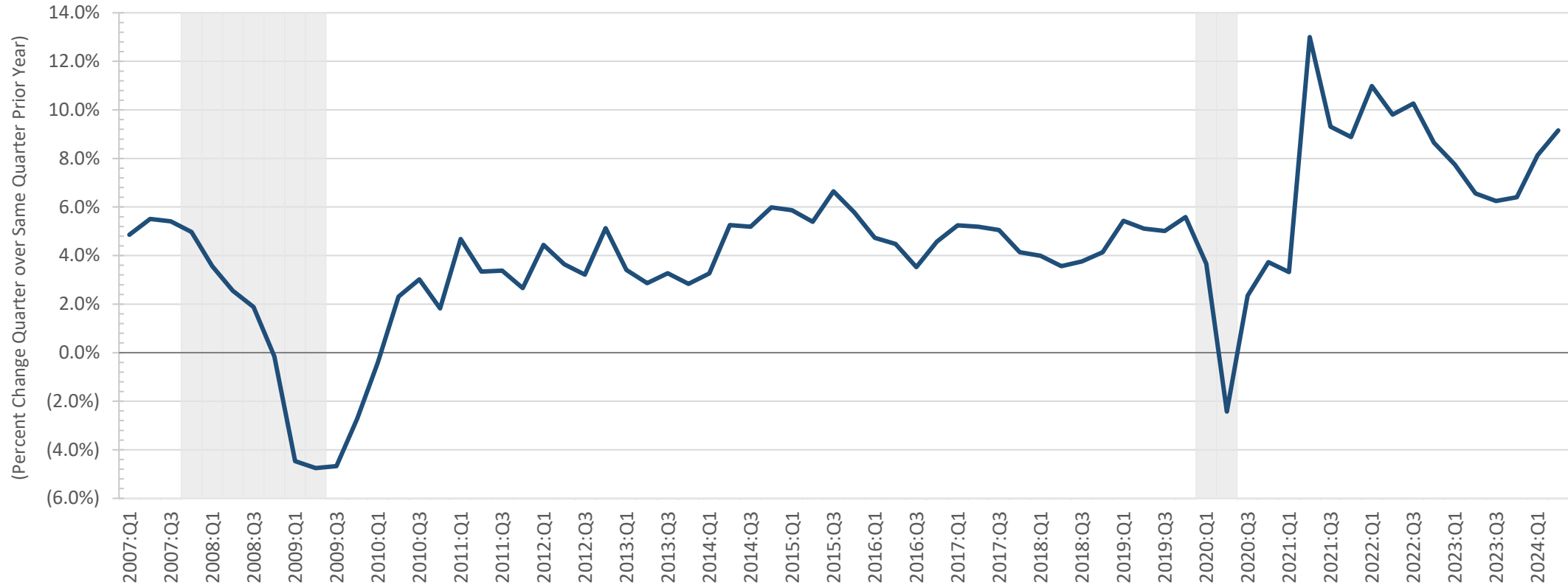
Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



Growth in SC Wages and Salaries

Growth in wages and salaries rebounded strongly at the beginning of 2024 and accelerated to approximately 9% in Q2 2024, significantly above the 4%–6% pre-pandemic range

ANNUAL GROWTH RATE OF WAGES AND SALARIES IN SC



Source: U.S. Department of Commerce, Bureau of Economic Analysis; 334 - RFA/mam/10/08/2024

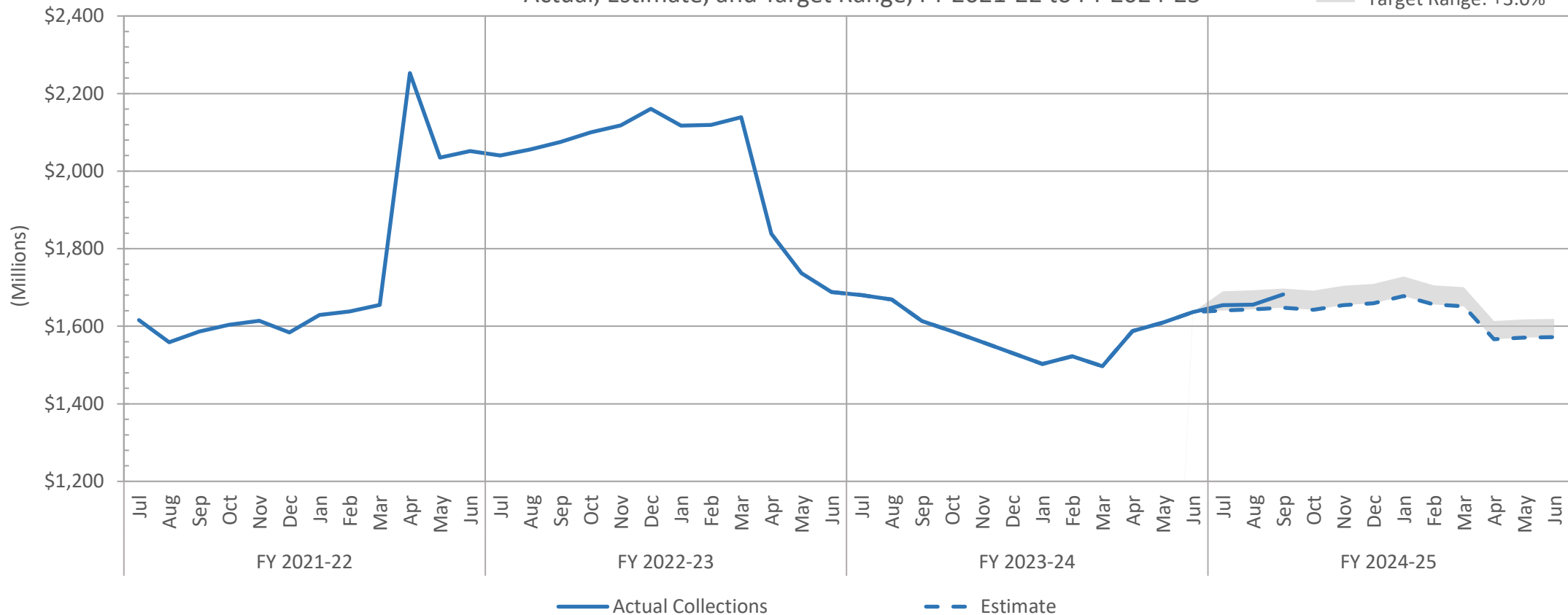
Non-Withholdings - Actual vs. Estimate

Collections are exceeding expectations by \$34.2m after a strong September when Non-Withholdings grew 18% compared to the same month in the prior year

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

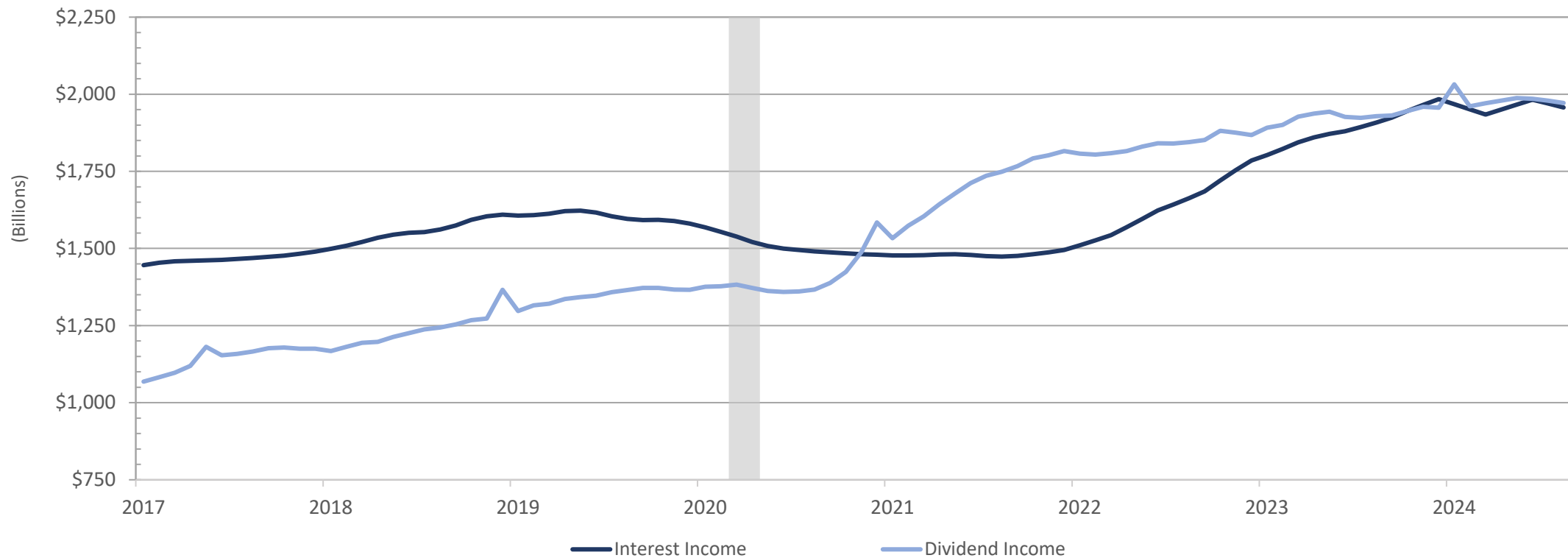
Target Range: +3.0%



US Personal Income, Select Components

Interest and dividend income are exceeding pre-pandemic levels, but growth has moderated in 2024; interest income is expected to start declining in 2025 as the Federal Reserve continues its expansionary policy

US PERSONAL INTEREST AND DIVIDEND INCOME

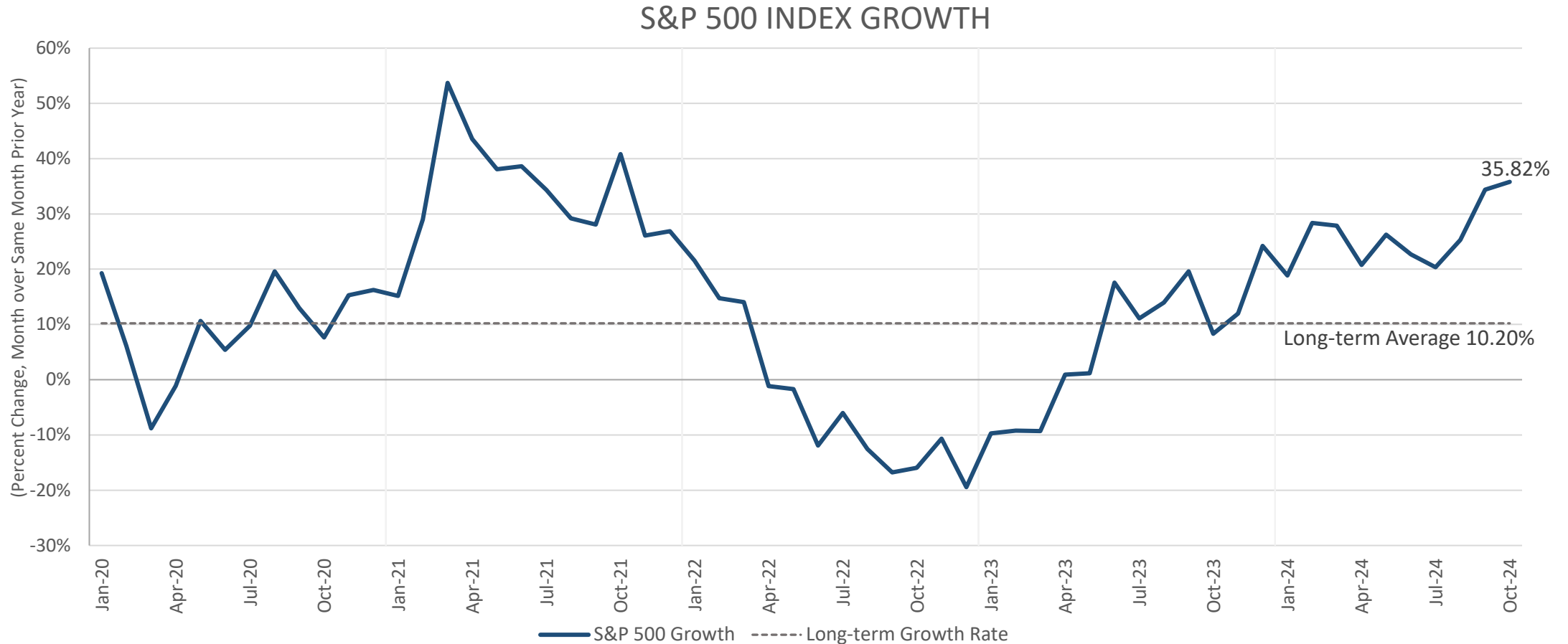


Source: U.S. Bureau of Economic Analysis, Personal Income and Outlays - 311C RFA/mam/10/08/2024



US Stock Market

US stock market performance has been considerably stronger in 2024 than in 2023; so far in October, the S&P 500 index grew 35.8% over the same period last year, which may translate into considerable capital gains for investors



Source: Yahoo Finance, S&P 500 Index - 337B RFA/mam/10/08/2024

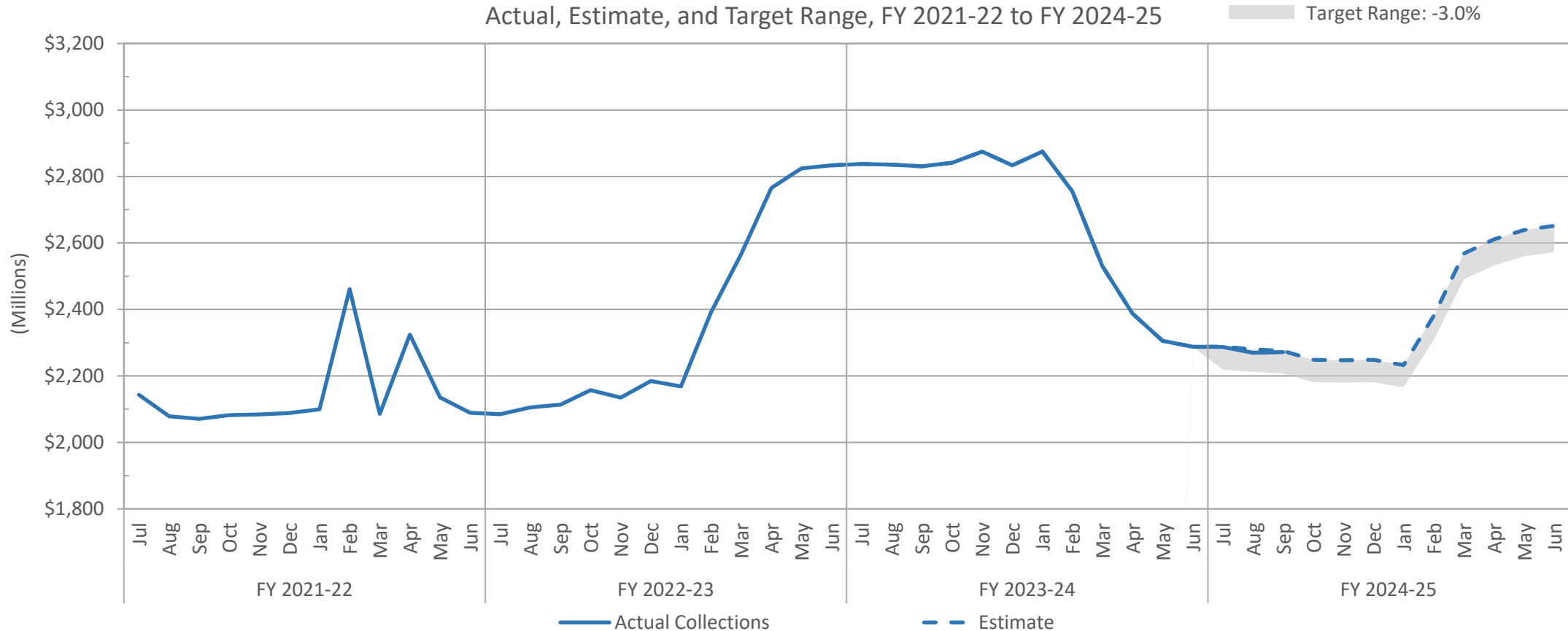


Refunds - Actual vs. Estimate

Refunds are tracking very closely to expectations and are 2.2% behind the estimate; however, Refunds are expected to grow by 16% in FY 25 due to stronger-than-expected Withholdings in FY 24 as well as the marginal tax rate reduction

ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

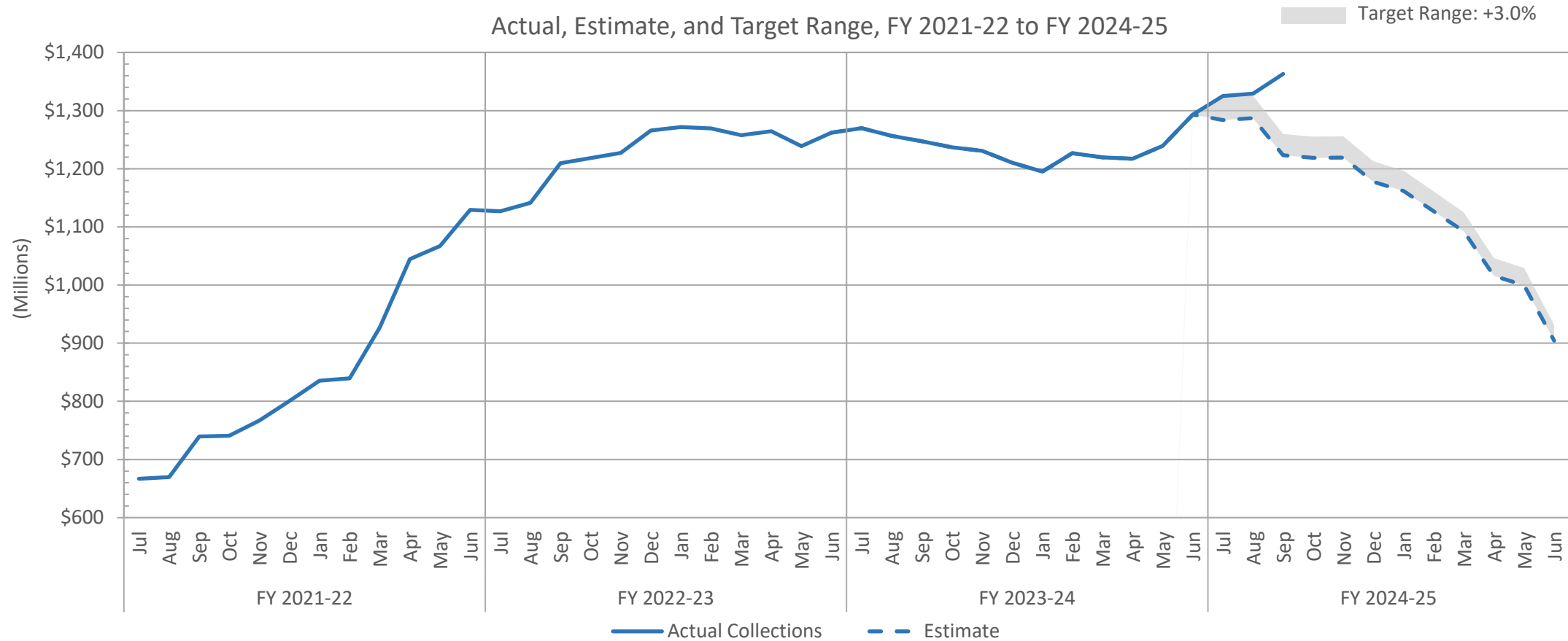


General Fund Revenue Business Taxes

Corporate Income Tax – Actual vs. Estimate

First quarter collections are \$139.9m above expectations following the largest September ever at \$250.3m for the month

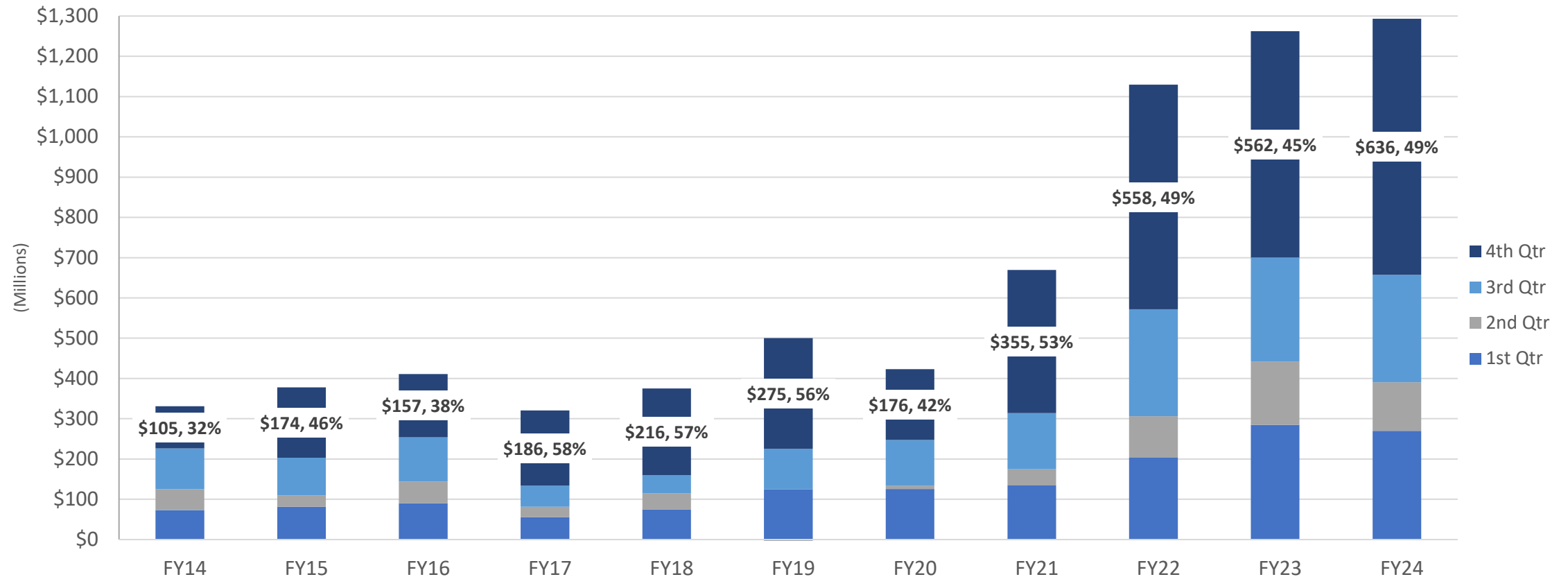
ROLLING FISCAL YEAR - CORPORATE INCOME TAX
Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



Corporate Income Tax Collections – History

Corporate Income tax collections in the last quarter of the fiscal year are typically close to half of the fiscal year total, demonstrating the importance of tax filing and final payments in Corporate Income tax revenue

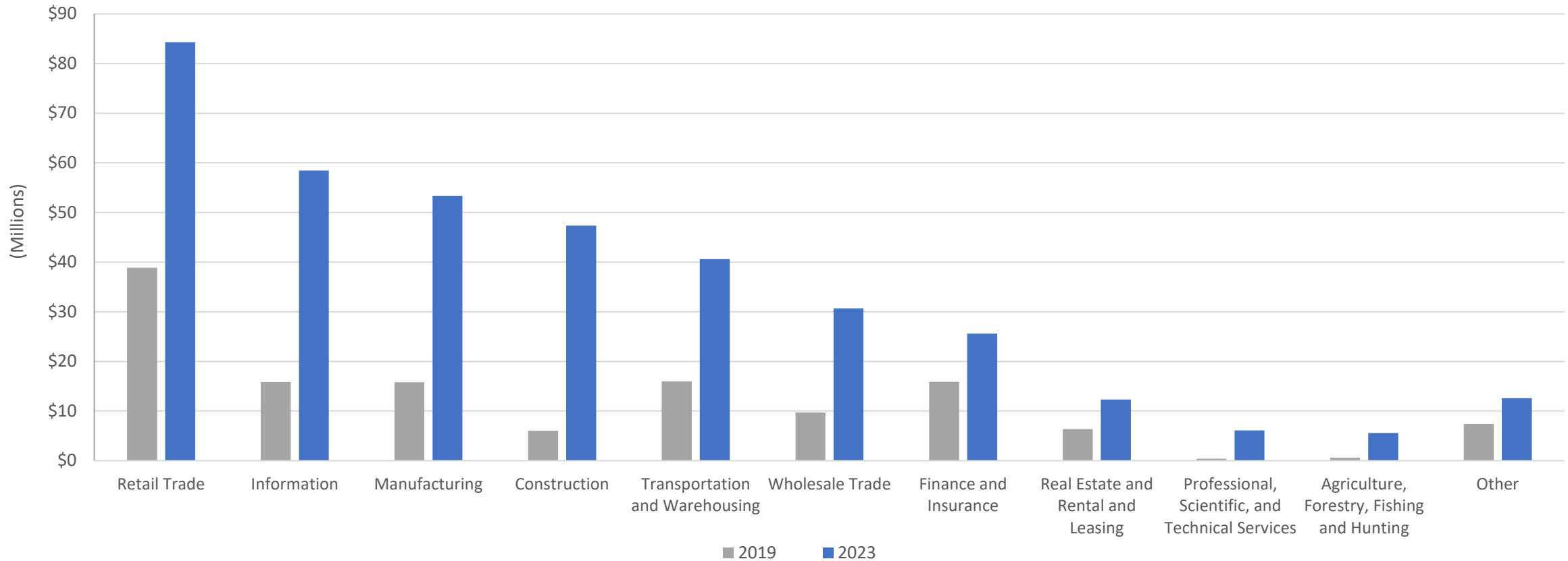
CORPORATE INCOME TAX COLLECTIONS BY FISCAL YEAR QUARTER



Corporate Income Tax Revenue – Top 100 Taxpayers

The increase in Corporate Income tax liability for the top 100 taxpayers grew across industries between 2019 and 2023

CORPORATE INCOME TAX DUE BY INDUSTRY - TOP 100 TAXPAYERS
2019 VERSUS 2023

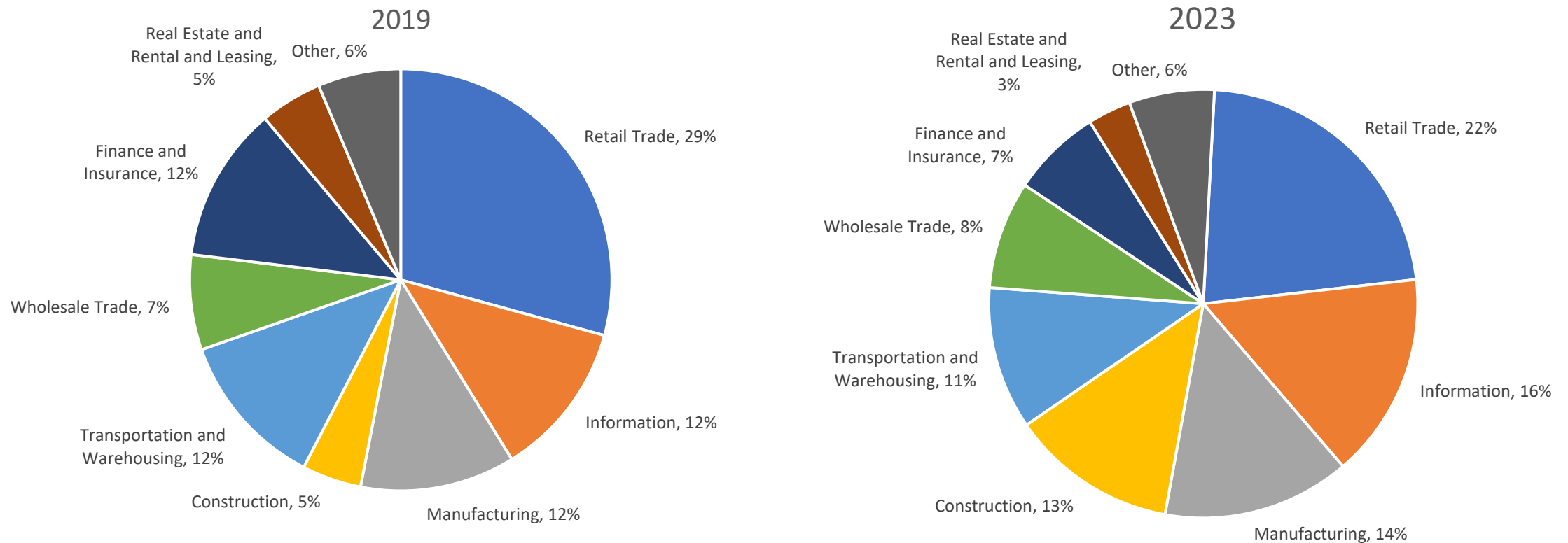


Other includes Accommodation and Food Services, Administrative and Support and Waste Management and Remediation Services, Other Services (except Public Administration), Health Care and Social Assistance, & Mining, Quarrying, and Oil and Gas Extraction
Source: SC Dept. of Revenue corporate tax return sample; analysis by SC Revenue and Fiscal Affairs

Corporate Income Tax Industry Make-up – Top 100 Taxpayers

The share of corporate income tax from the top 100 corporate taxpayers is diversified but shifted between industries some from 2019 to 2023, with retail and finance & insurance shrinking versus construction and manufacturing growing

INDUSTRY SHARE OF CORPORATE INCOME TAX COLLECTIONS FROM TOP 100 TAXPAYERS



Source: SC Dept. of Revenue corporate tax return sample; analysis by SC Revenue and Fiscal Affairs

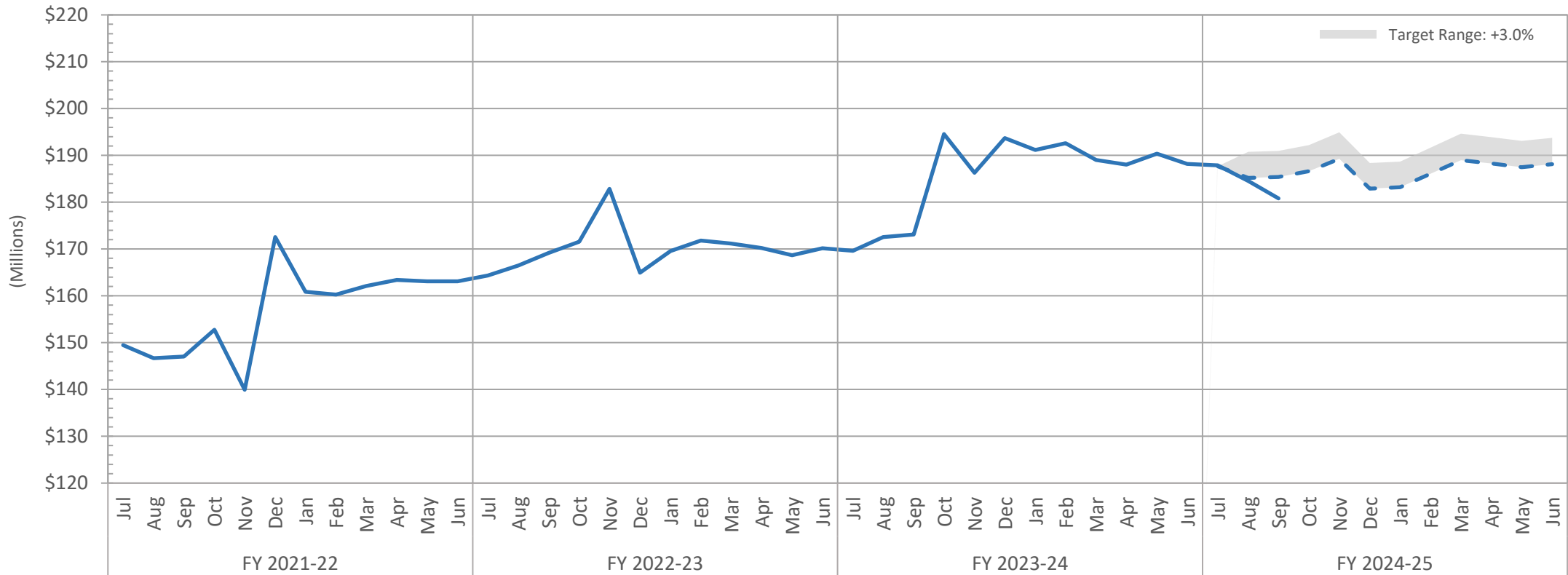
Other includes Professional, Scientific, and Technical Services, Agriculture, Forestry, Fishing and Hunting, Accommodation and Food Services, Administrative and Support and Waste Management and Remediation Services, Other Services (except Public Administration), & Health Care and Social Assistance

Corporate License Tax – Actual vs. Estimate

Collections are \$4.3m below expectations through September; however, over half of the annual collections are typically received in the next two months

ROLLING FISCAL YEAR - CORPORATE LICENSE TAX

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

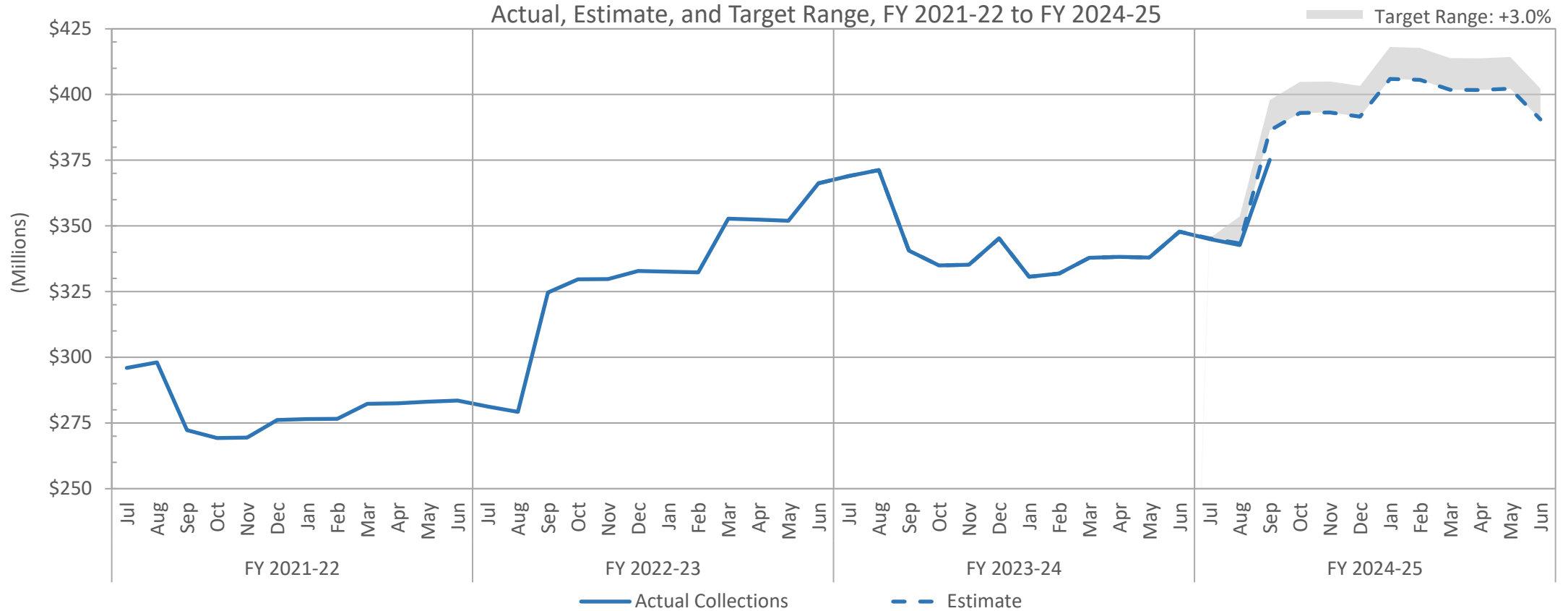


Insurance Tax – Actual vs. Estimate

Collections are currently \$11.2m below expectations for the first fiscal quarter due to lower license taxes than expected; premiums growth is up 2.3% year-to-date

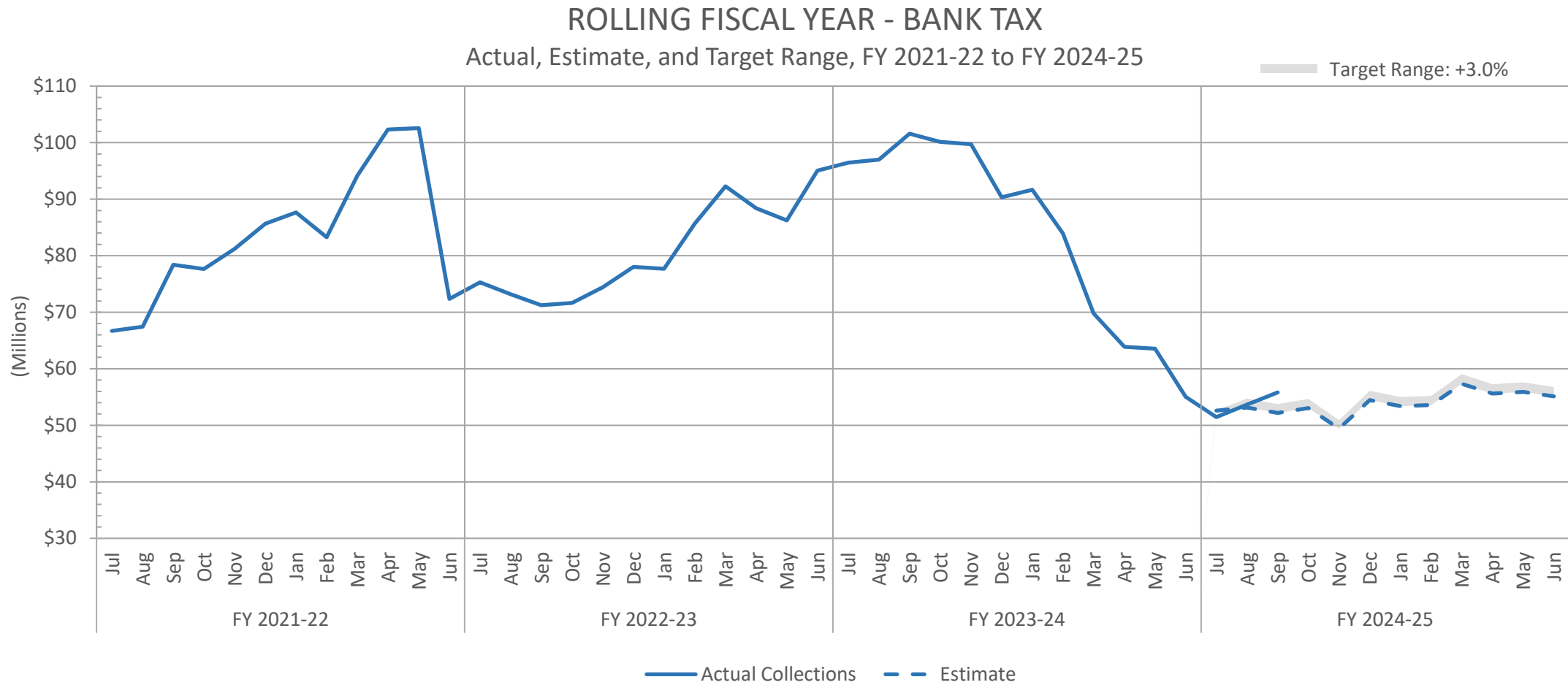
ROLLING FISCAL YEAR - INSURANCE TAX

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



Bank Tax – Actual vs. Estimate

Bank tax revenue for September fell below expectations by \$1.9m; however quarterly revenue is \$3.6m ahead of estimates overall due to a \$5.0m audit payment



South Carolina Economic Indicators



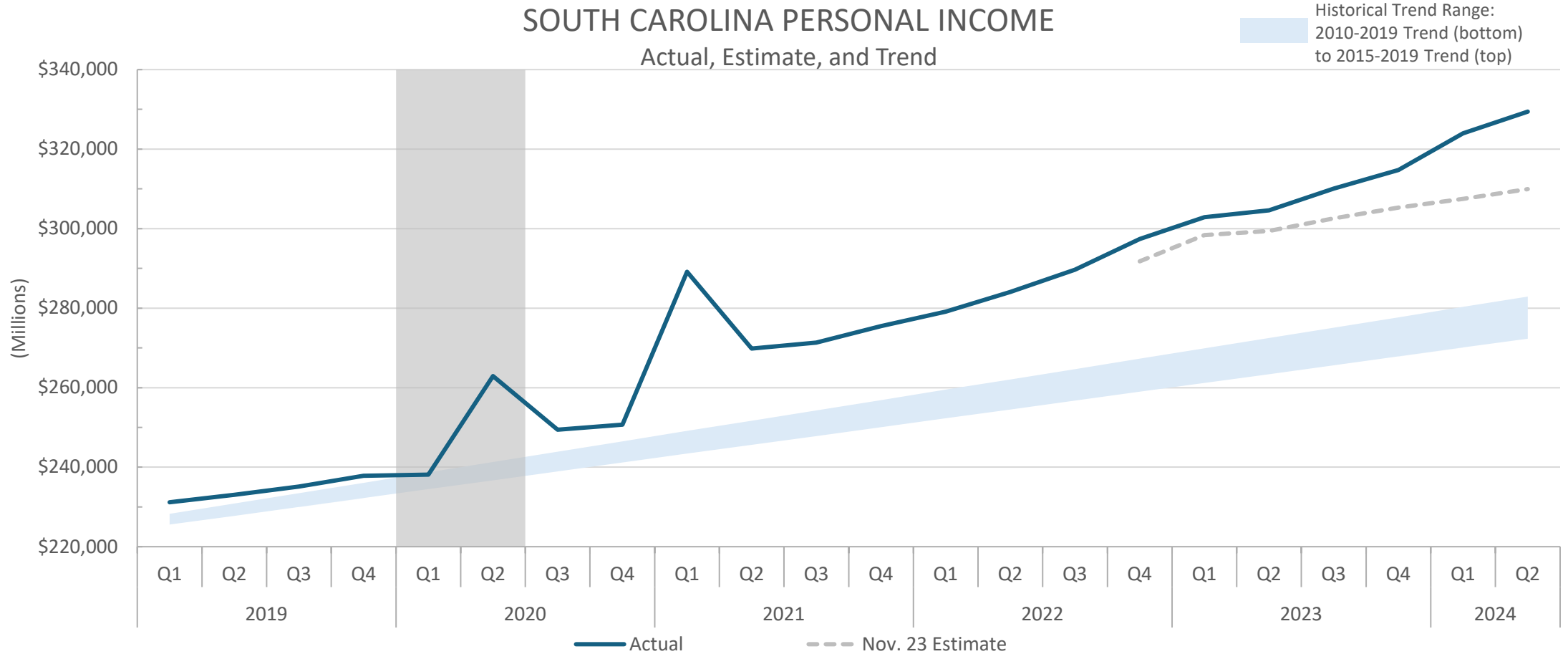
Key Assumptions for FY 2024-25 and FY 2025-26

Working Estimates

- Personal Income
 - Both the Wages & Salaries component and the Interest & Dividends component of Personal Income are expected to slow down closer to historic trends in response to:
 - Inflation
 - Interest Rates
 - Labor market dynamics
 - Global geopolitical issues
- Employment
 - Migration and economic development are expected to keep employment growth higher in SC than the nation as a whole
 - However, lower employment growth is expected over the next two fiscal years compared to last fiscal year as labor demand slows

Personal Income - Actual versus Nov. 2023 Estimate

Income grew 7.0% in FY 24 compared to our estimate of 4.3%, largely due to wages and salaries growth of 7.5% and dividends, interest, and rent growth of 8.1%



Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/lhj/10/1/2024

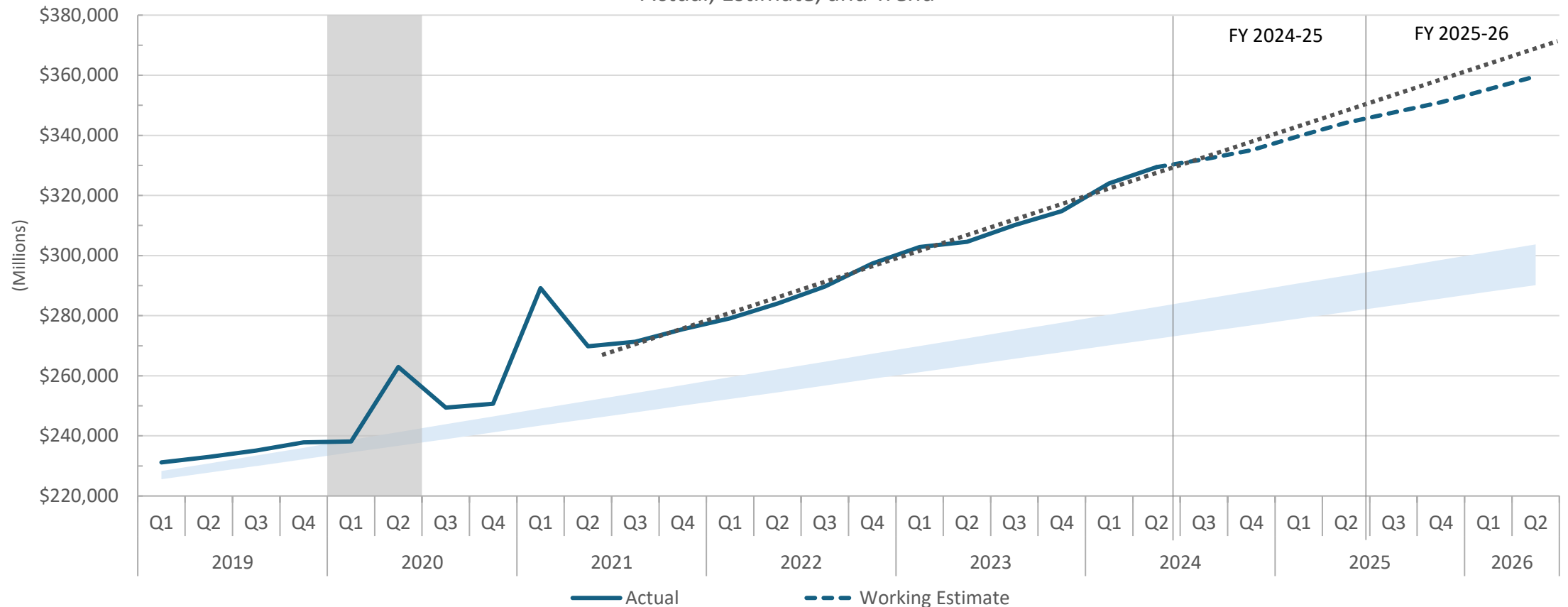
Personal Income - Working Estimates

Growth in personal income is expected to be slower over the next two fiscal years than the last three fiscal years (FY 25: 5.7%; FY 26: 4.6%)

SOUTH CAROLINA PERSONAL INCOME

Actual, Estimate, and Trend

Historical Trend Range:
2010-2019 Trend (bottom)
to 2015-2019 Trend (top)



Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/lhj/10/1/2024

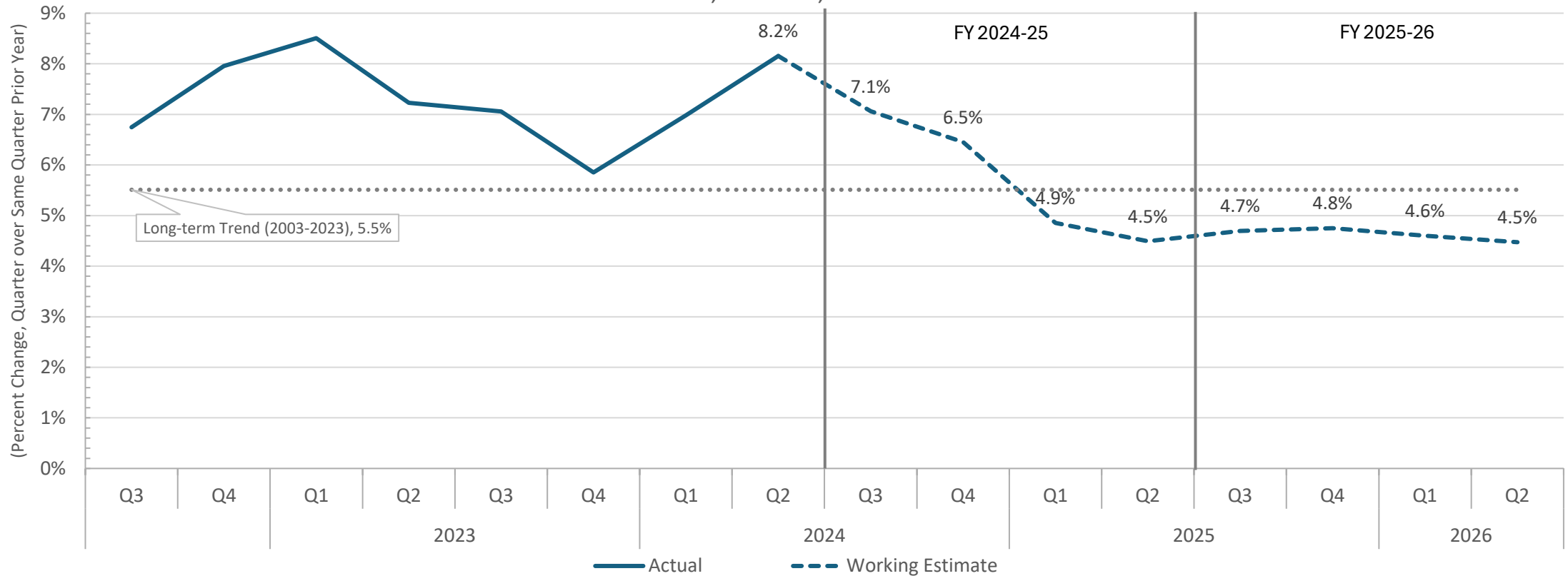
Personal Income Quarterly Growth – Working Estimates

The growth rate is expected to decline from the FY 24 rates

FY 25: 5.7% ; FY 26: 4.6% (long-term trend: 5.5%)

SOUTH CAROLINA PERSONAL INCOME GROWTH

Actual, Estimate, and Trend

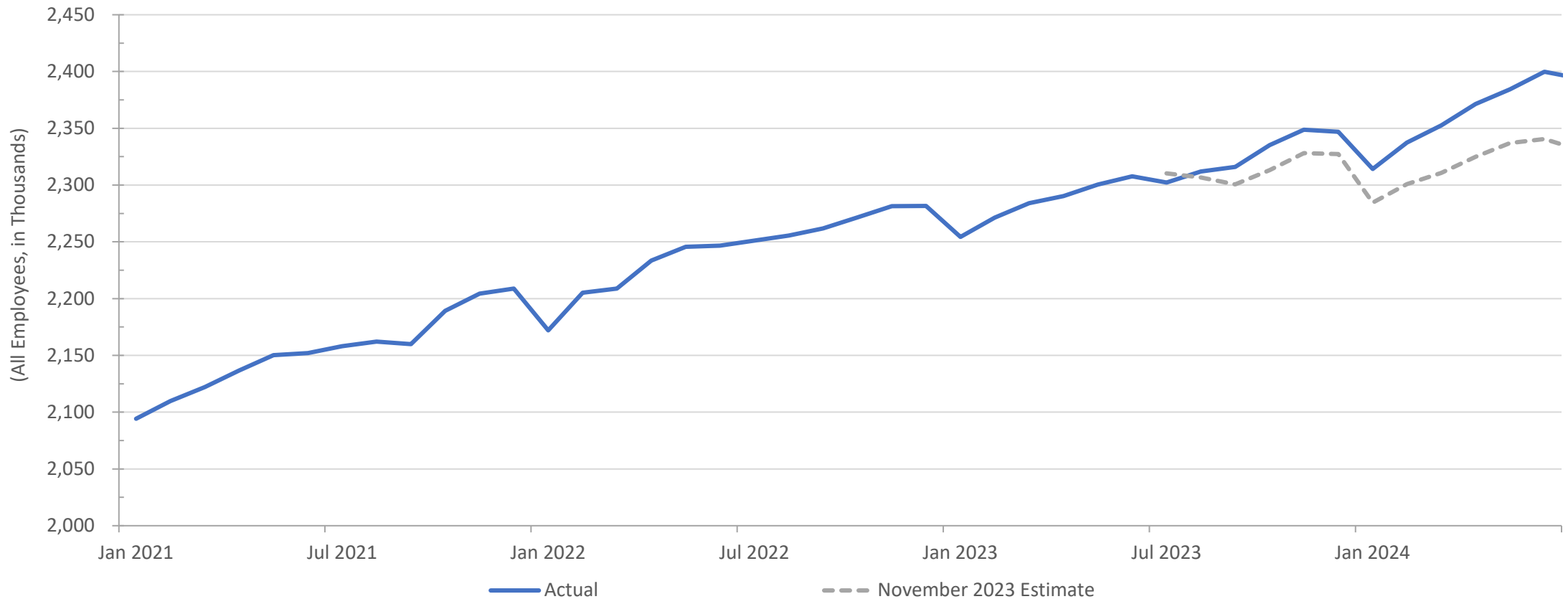


Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/lhj/10/1/2024

Employment – Actual versus Nov. 2023 Estimate

Employment growth in FY 24 was stronger than anticipated in our November estimate (Actual: 3.0%, Nov. Estimate: 1.8%)

SOUTH CAROLINA TOTAL NONFARM EMPLOYMENT



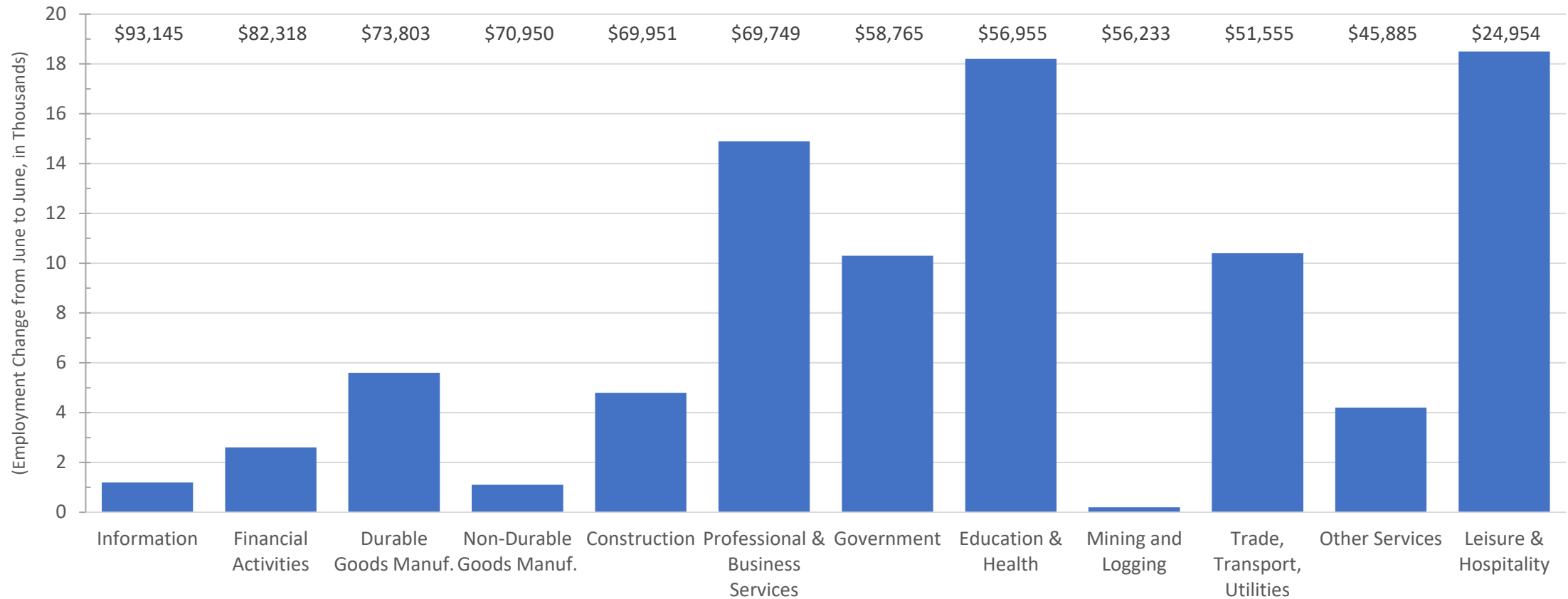
Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kav/09/20/2024



Employment by Sector

While total employment increased 92,000 jobs in FY 24, over half of that growth came from industries with wages below the statewide average of \$57,690

SOUTH CAROLINA EMPLOYMENT GROWTH BY SECTOR VERSUS ANNUAL PAY, FY 2023-24



Source: U.S. Department of Labor, Bureau of Labor Statistics; 325/RFA/lhj/10/3/2024

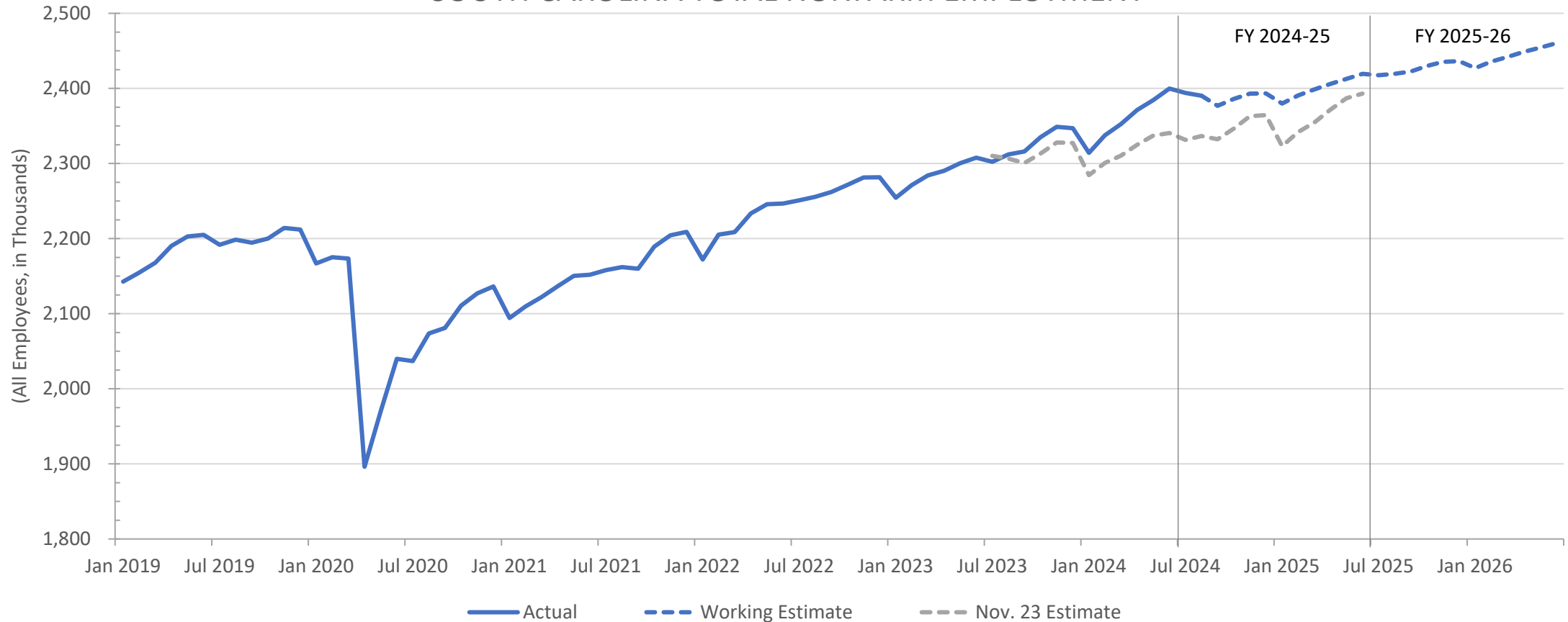
*Government Annual Pay is estimated based on shares of federal, state, and local employment

Employment - Working Estimates

Estimates assume a return to long-term trends, slowing down from the current pace of employment growth

FY 25: 2.2%; FY 26: 1.7% (Long-term Trend: 2.4%)

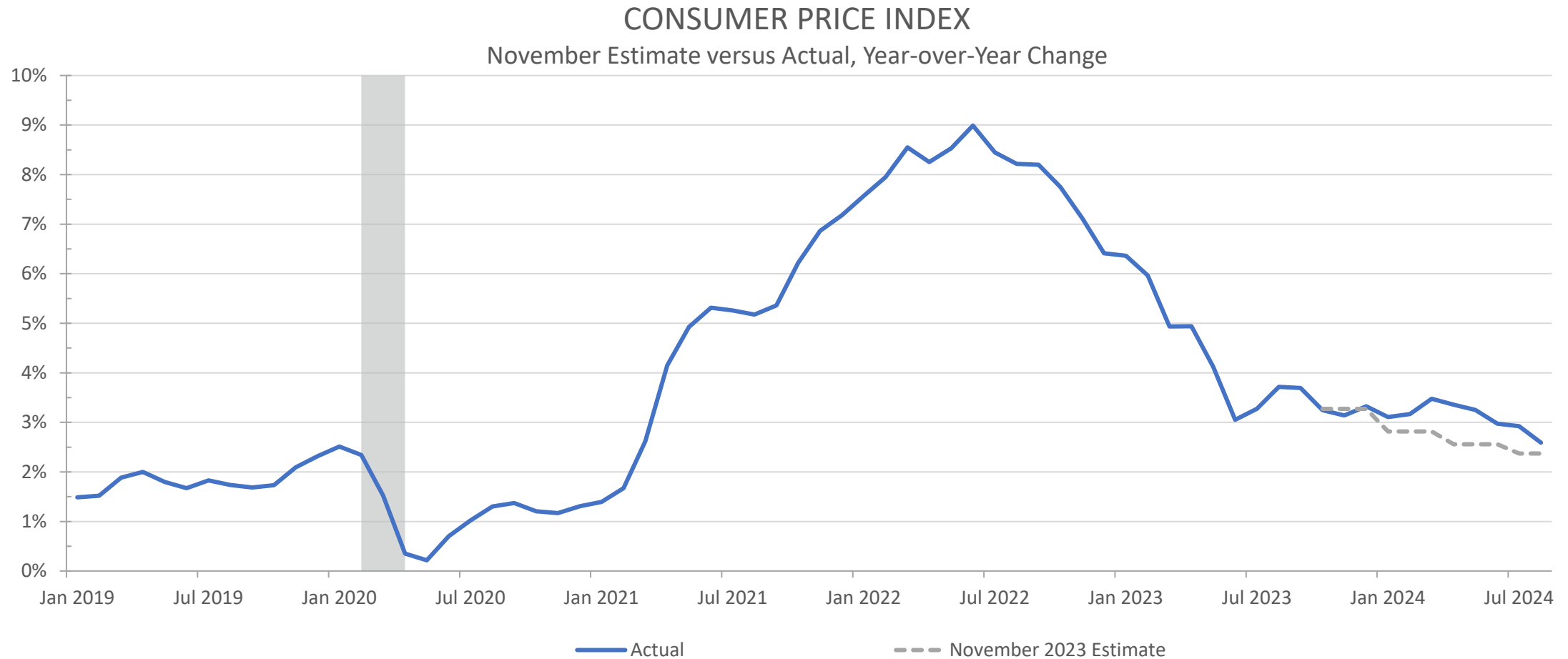
SOUTH CAROLINA TOTAL NONFARM EMPLOYMENT



Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kav/09/27/2024

Inflation – Consumer Price Index

Inflation slowed less than expected in FY 24 largely due to housing costs
(Actual: 3.3%, Nov. Estimate: 3.0%)



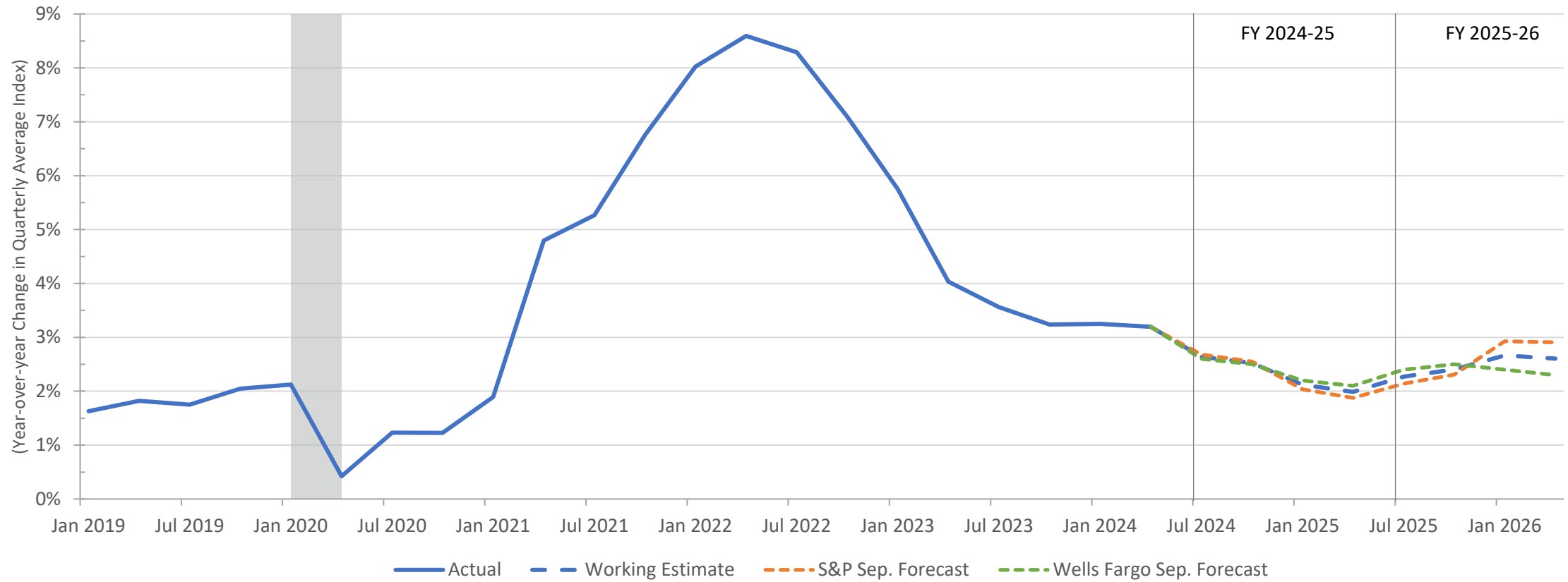
Source: Bureau of Labor Statistics, U.S. Department of Labor; RFA/kav/09/20/2024

Inflation – Working Estimates

FY 25: 2.4%; FY 26: 2.5%

(Comparison forecasts: S&P: 2.3%, 2.6%; Wells Fargo: 2.3%, 2.4%)

CONSUMER PRICE INDEX



Source: Bureau of Labor Statistics, U.S. Department of Labor; S&P Global; Wells Fargo Economics RFA/kav/09/19/2024



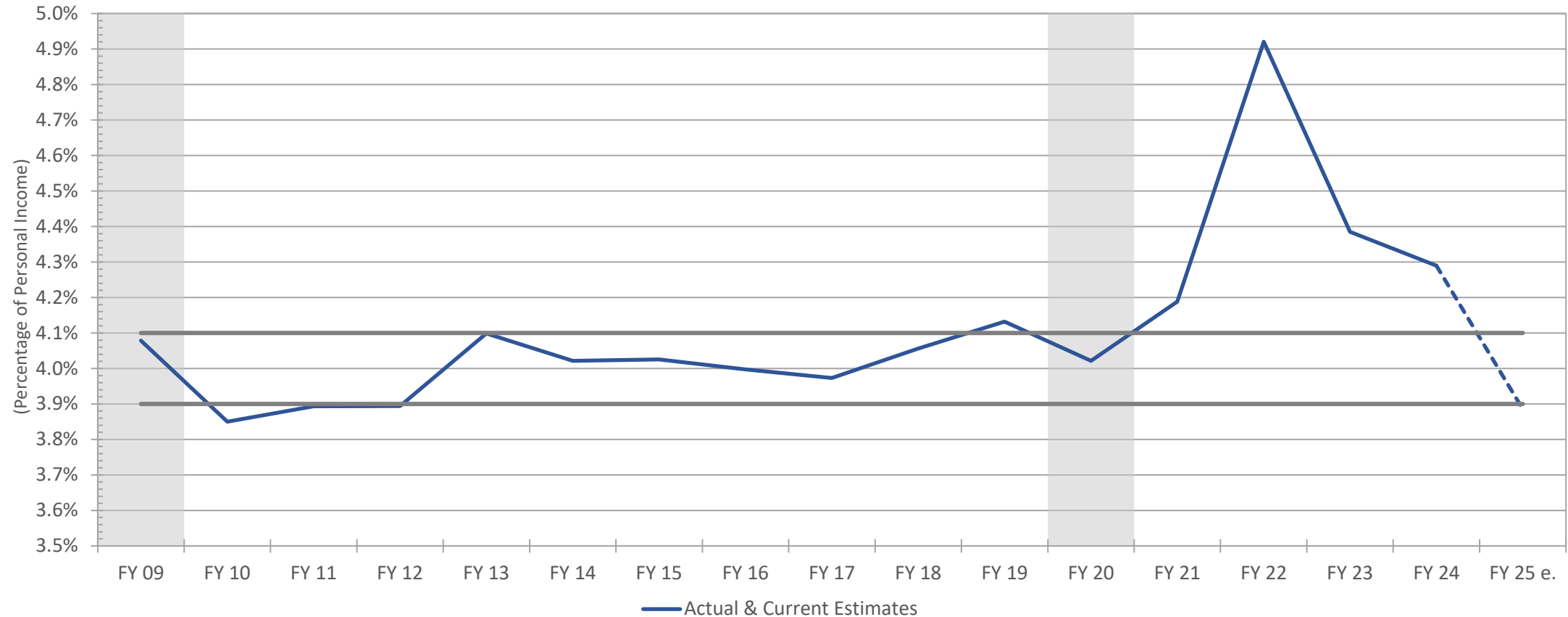
Summary – Working Estimates

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2024-25	5.7%	2.2%	2.4%
2025-26	4.6%	1.7%	2.5%

General Fund as a Percentage of Personal Income

Working Estimate for Personal Income

SOUTH CAROLINA GENERAL FUND REVENUE
as a Percentage of Total Personal Income

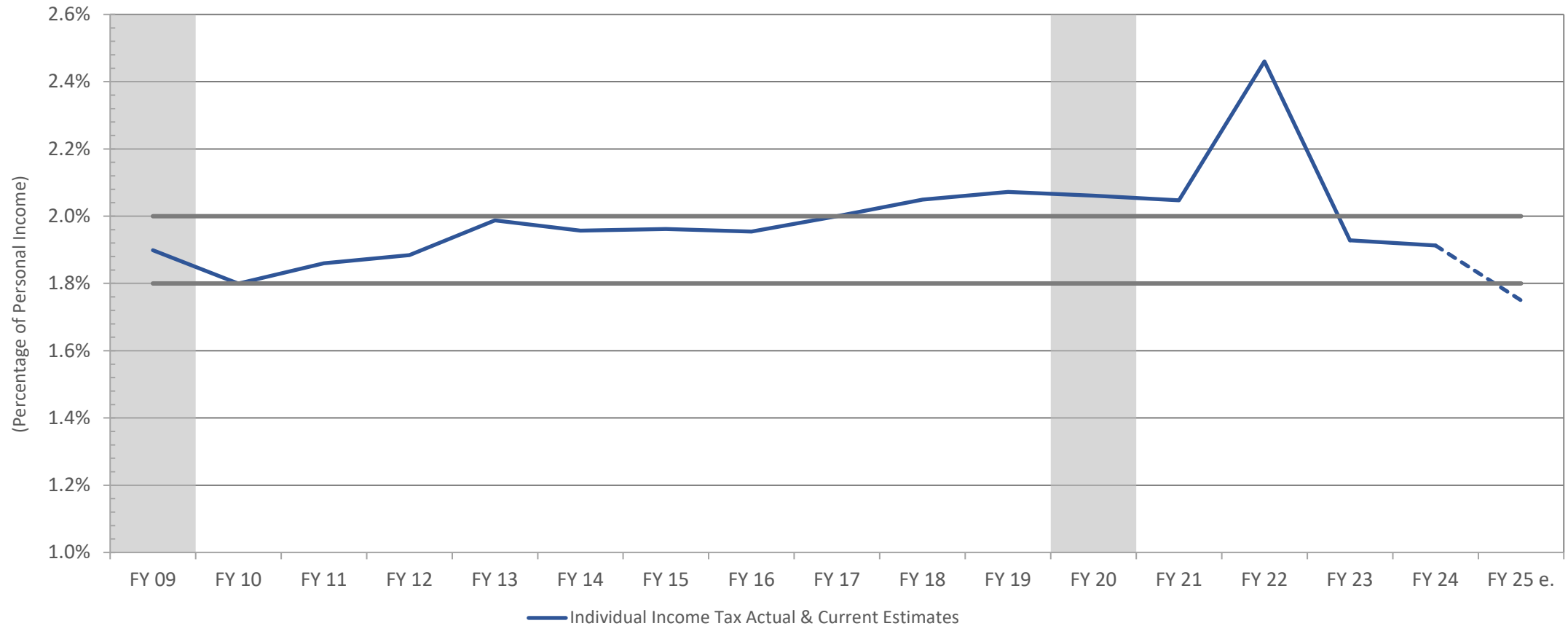


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34F-lhj/10/9/2024

Individual Income Tax as Percentage of Personal Income

Working Estimate for Personal Income

SOUTH CAROLINA INCOME TAX COLLECTIONS
as a Percentage of Total Personal Income

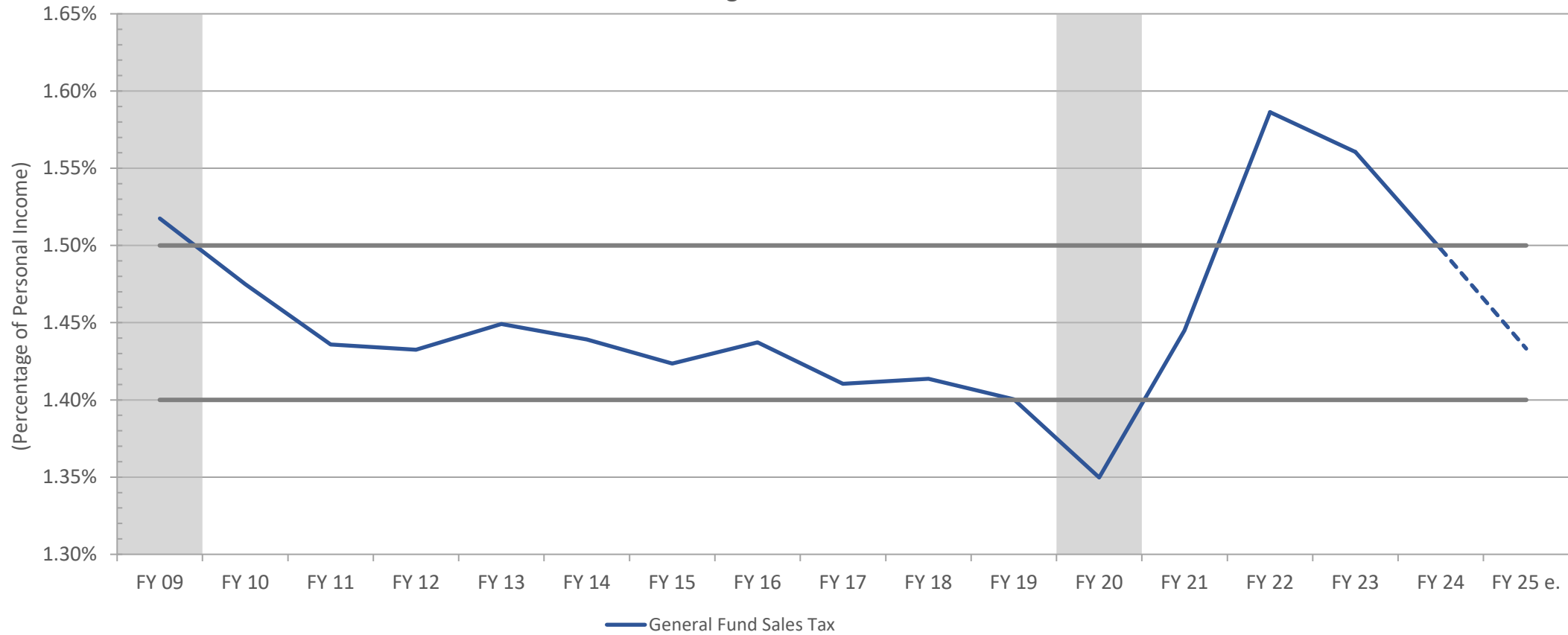


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34-lhj/10/9/2024

Sales Tax as a Percentage of Personal Income

Working Estimates for Personal Income

SOUTH CAROLINA GENERAL FUND SALES TAX COLLECTIONS
as a Percentage of Total Personal Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 32-lhj/10/9/2024

Forecast Outlook for FY 2024-25 and FY 2025-26

Key Questions for FY 2024-25 and FY 2025-26

- Personal Income and Economy
 - Will wage growth change?
 - Will the US achieve a soft-landing or enter a recession?
 - How quickly will the Federal Reserve adjust interest rates?
- Consumer Spending
 - How does consumer spending change?
- Policy Issues
 - How will global economic issues affect SC's economy?
 - Are your expectations dependent on election outcomes in the Executive or Legislative branches?

Break for Lunch

Key Assumptions for FY 2024-25 and FY 2025-26

Working Estimates

- Personal Income
 - Both the Wages & Salaries component and the Interest & Dividends component of Personal Income are expected to slow down closer to historic trends in response to:
 - Inflation
 - Interest Rates
 - Labor market dynamics
 - Global geopolitical issues
- Employment
 - Migration and economic development are expected to keep employment growth higher in SC than the nation as a whole
 - However, lower employment growth is expected over the next two fiscal years compared to last fiscal year as labor demand slows

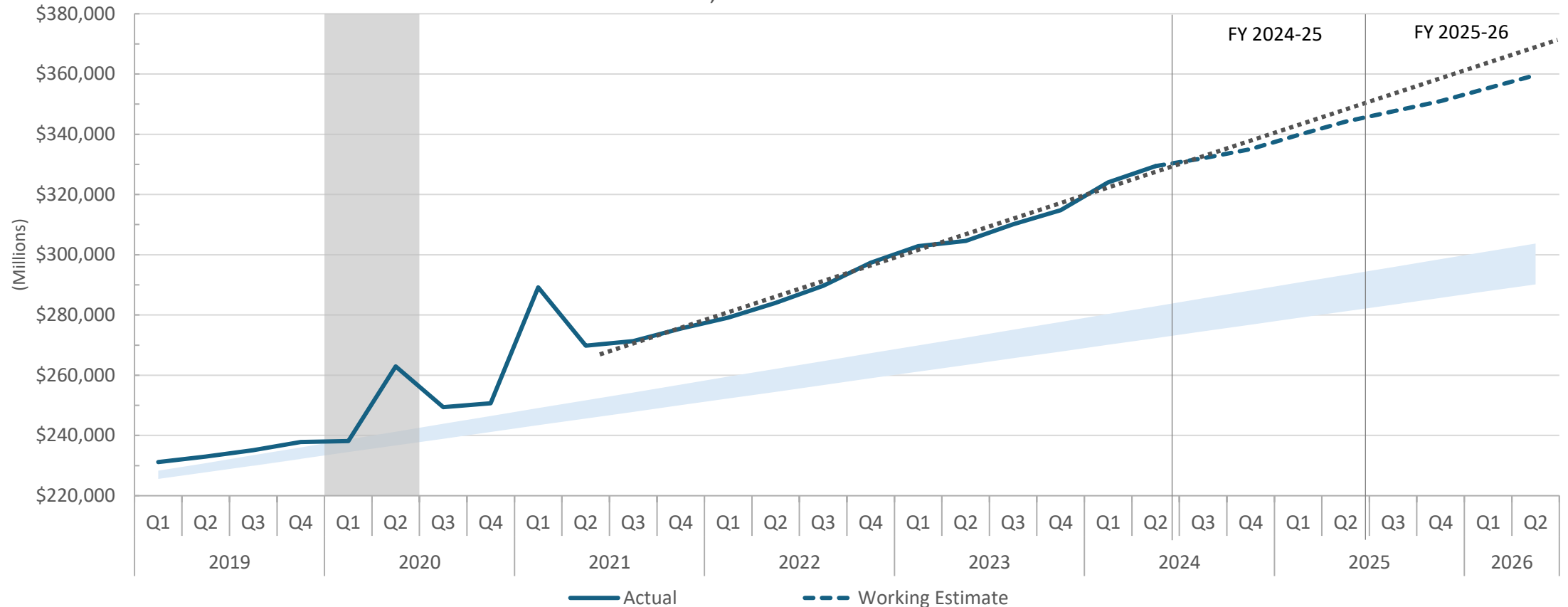
Personal Income - Working Estimates

Growth in personal income is expected to be slower over the next two fiscal years than the last three fiscal years (FY 25: 5.7%; FY 26: 4.6%)

SOUTH CAROLINA PERSONAL INCOME

Actual, Estimate and Trend

Historical Trend Range:
2010-2019 Trend (bottom)

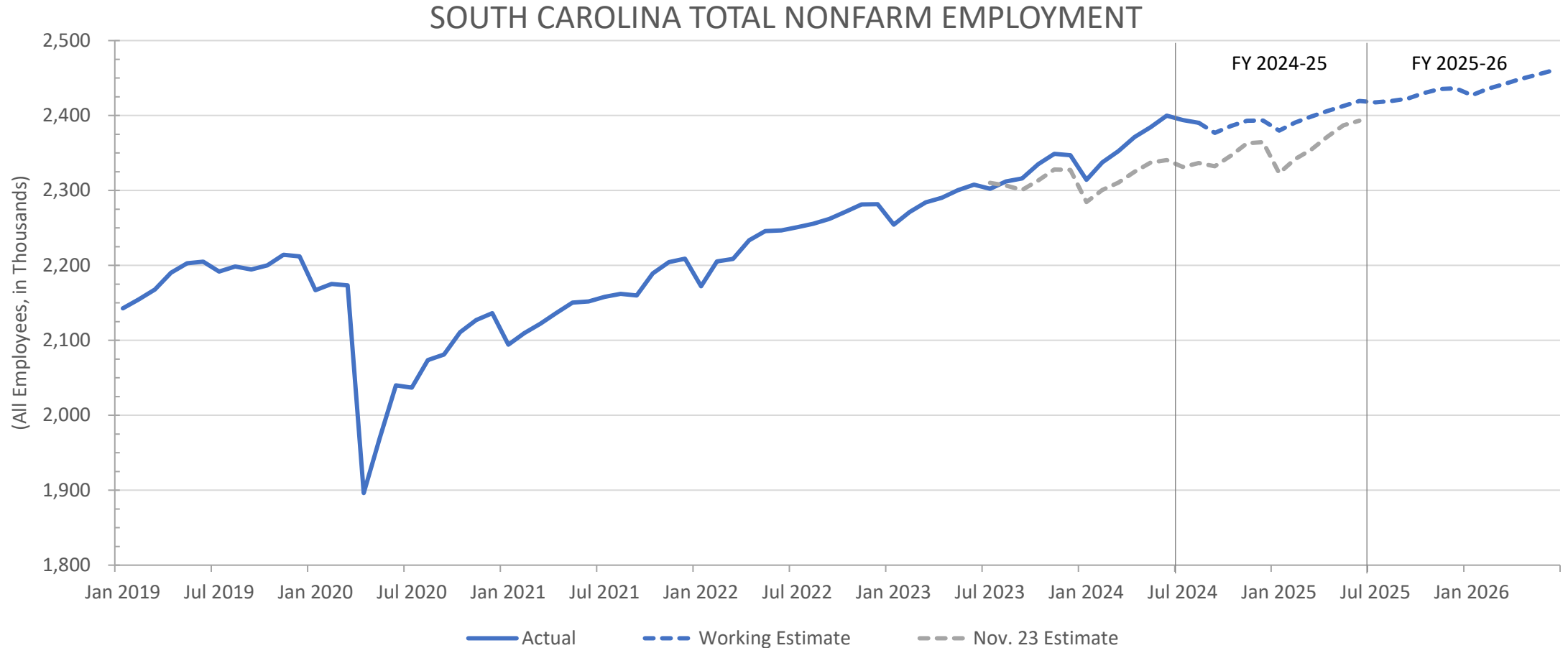


Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/lhj/10/1/2024

Employment - Working Estimates

Estimates assume a return to long-term trends, slowing down from the current pace of employment growth

FY 25: 2.2%; FY 26: 1.7% (Long-term Trend: 2.4%)

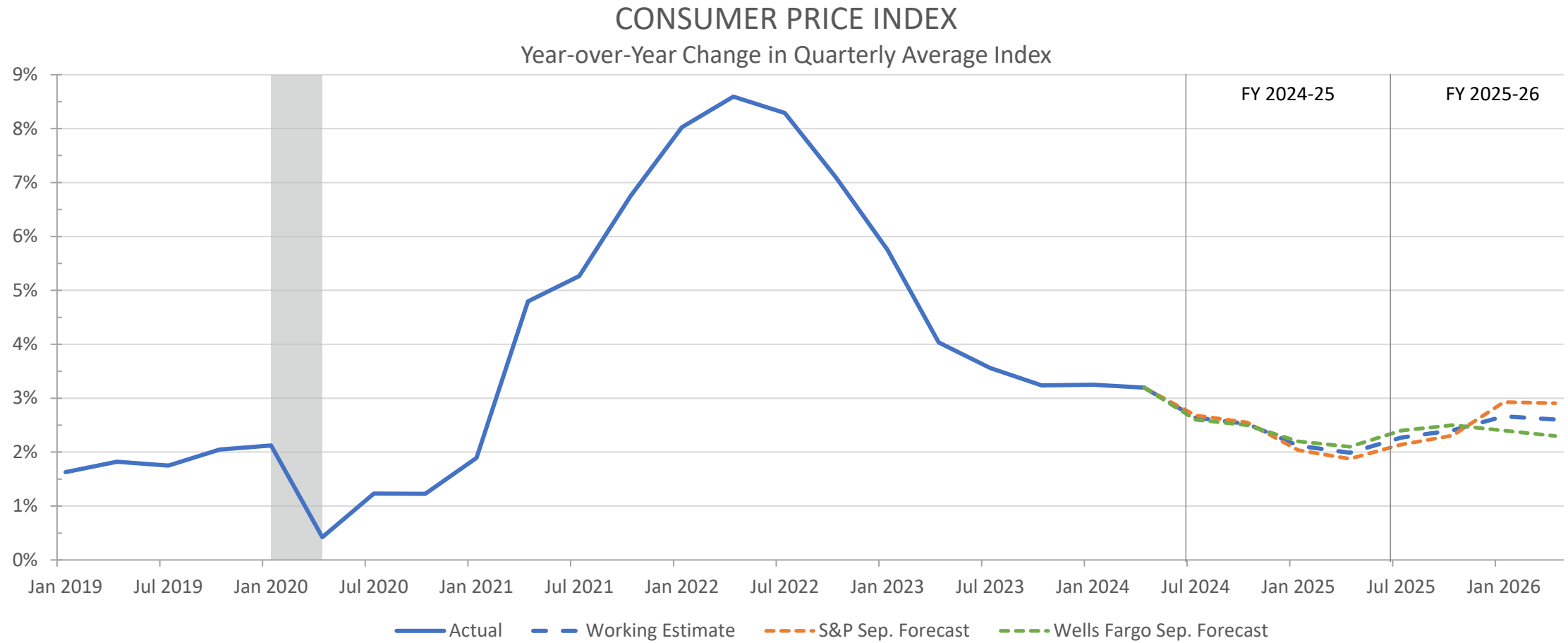


Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kav/09/27/2024

Inflation – Working Estimates

FY 25: 2.4%; FY 26: 2.5%

(Comparison forecasts: S&P: 2.3%, 2.6%; Wells Fargo: 2.3%, 2.4%)



Source: Bureau of Labor Statistics, U.S. Department of Labor; S&P Global; Wells Fargo Economics RFA/kav/09/19/2024

Summary – Working Estimates

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2024-25	5.7%	2.2%	2.4%
2025-26	4.6%	1.7%	2.5%

Key Questions for FY 2024-25 and FY 2025-26

- Personal Income and Economy
 - Will wage growth change?
 - Will the US achieve a soft-landing or enter a recession?
 - How quickly will the Federal Reserve adjust interest rates?
- Consumer Spending
 - How does consumer spending change?
- Policy Issues
 - How will global economic issues affect SC's economy?
 - Are your expectations dependent on election outcomes in the Executive or Legislative branches?

Regional Advisory Committee Members

- Ms. Jackie Benson, Vice President and Economist, Wells Fargo Corporate & Investment Banking
- Dr. Robert Carey, Senior Lecturer, Department of Political Science, Clemson University
- Dr. Frank Hefner, Professor of Economics, College of Charleston
- Dr. Russell S. Sobel, Professor of Economics and Entrepreneurship, Baker School of Business, The Citadel
- Dr. Laura Dawson Ullrich, Regional Economist, Federal Reserve Bank of Richmond, Charlotte Branch
- Dr. Joseph Von Nessen, Research Economist, Darla Moore School of Business, University of South Carolina

APPENDIX



Quarterly Review Requirements

- SC Code of Laws §11-9-1130 requires a review of revenue collections relative to the estimates
- If any quarter shows a shortfall over 1.5 percent of projected collections a synopsis must be prepared indicating the factors contributing to the shortfall; and is similarly required for a shortfall of 1.5 percent in sales, individual income tax, corporate income tax, insurance tax, and earnings on investments.
- SC Code of Laws §11-9-1140 requires a quarterly review of estimated and actual revenues
- If, at the end of the first (Jul – Sep), second (Oct – Dec), or third (Jan – Mar) quarter, the BEA reduces the estimate by
 - 3.0 percent or less, the Director of the Executive Budget Office must reduce appropriations
 - More than 3.0 percent, the General Assembly may take action; otherwise, the Director of the Executive Budget Office must reduce appropriations

Quarterly Review - Insurance Tax

- Insurance tax revenue is running behind expectations due to insurance license tax collections
- The Department of Insurance is investigating this issue and will update as more information becomes available
- Insurance premiums taxes are running close to expectations