

Three-Year General Fund Financial Outlook

FY 2026-27 to FY 2028-29

Prepared Pursuant to SC Code of Laws §11-11-350

South Carolina Revenue and Fiscal Affairs Office
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Introduction

The Three-Year General Fund Financial Outlook is prepared by the South Carolina Revenue and Fiscal Affairs Office (RFA) in accordance with §11-11-350 of the S.C. Code of Laws, 1976. The Outlook is prepared based upon three-year expenditure reports provided by agencies that receive at least 1 percent of the General Fund budget and revenue assumptions by the S.C. Board of Economic Advisors (BEA).

This report is intended to be used for illustrative purposes only. The Outlook should not be viewed as required funding, nor should it be viewed as an agency's future budget requests. The report does not attempt to capture every agency's needs or budget requests. The document contains the information available at the time of publication and is subject to revision.

Key Points

- South Carolina's fiscal outlook remains positive, as the state's population growth is among the nation's highest due to net in-migration, especially with retirees.
- Economic development is also contributing to the state's growth in population and employment.
- Employment and personal income are expected to grow over the forecast period resulting in growth in General Fund revenues each year from FY 2026-27 to FY 2028-29. Although income and employment are expected to grow at below average rates during FY 2025-26 and FY 2026-27, growth is expected to return to long-term averages experienced prior to the pandemic thereafter.
- The State continues to increase its reserves to safeguard against an unexpected downturn in the economy. Beginning in FY 2026-27, reserve funds will total approximately 10 percent of expenditures.
- In FY 2028-29, expected budgetary revenues are \$1.86 billion (or 14.1 percent) above the FY 2025-26 base expenditures.

Table 1 – Three-Year General Fund Financial Outlook

<i>(Dollars in Millions)</i>	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Resources:	"Base Year"			
Revenue	14,681.4	15,009.9	15,330.4	15,976.0
Tax Relief Trust Fund Transfer	(814.0)	(824.6)	(834.4)	(844.6)
General Reserve Fund Transfer	(99.7)	(144.8)	13.3	(22.2)
Total Budgetary Revenue/Resources	\$13,767.7	\$14,040.5	\$14,509.2	\$15,109.1
Recurring Expenditures (Incremental Change):				
Constitutional/Statutory Items:				
Capital Reserve		34.4	(5.7)	9.5
Local Government Fund		15.3	7.0	14.4
Debt Service		21.2	23.1	23.1
Statewide Items:				
State Employee Health Plan (Retiree Growth + Rate Increase)		36.7	59.1	119.7
State Employee Compensation Changes (2% per year)		69.3	72.2	75.2
Agency Projected Expenditures*:				
<i>(One-Percent Agencies - Statutory or Mandated Expenses only)</i>				
Recurring Agency Expenses		292.4	79.8	96.7
Nonrecurring Agency Expenses		25.1	0.0	0.0
Annual Expenditures		\$494.4	\$235.5	\$338.7
Cumulative Increase over Base Year *		\$494.4	\$704.8	\$1,043.5
Total Cumulative Expenditures	\$13,246.2	\$13,740.6	\$13,951.0	\$14,289.7
Recurring Balance for Other Appropriations		\$299.9	\$558.2	\$819.5
Projected Reserve Funds		\$1,405.8	\$1,386.7	\$1,418.5
Capital Reserve		\$421.7	\$416.0	\$425.6
General Reserve		\$984.0	\$970.7	\$993.0

Based on enacted FY 2025-26 Budget and Long-Range Revenue Forecast as of November 18, 2025

The Notes and Assumptions are an integral part of this Financial Outlook.

*Recurring expenses are on-going increases to the cumulative total; non-recurring expenditures are one year only.

Table 2 – One Percent Agencies

Agency	FY 2025-26 General Fund Appropriations	Percent of FY 2025-26 General Fund Budget
SC Dept. of Education (SCDE)	\$4,393,428,827	33%
SC Dept. of Health and Human Services (HHS)	\$2,271,102,188	17%
SC Dept. of Corrections (SCDC)	\$615,361,272	5%
Dept. of Behavioral Health and Developmental Disabilities (BHDD)	\$495,864,448	4%
Dept. of Social Services (DSS)	\$338,625,452	3%
Univ. of South Carolina (USC)	\$325,886,983	2%
SC Comprehensive Technical Education Board (Tech Board)	\$262,395,759	2%
Clemson Univ. (Clemson)	\$219,327,137	2%
Dept. of Public Safety (DPS)	\$217,320,999	2%
Medical Univ. of SC (MUSC)	\$176,290,820	1%
Dept. of Juvenile Justice (DJJ)	\$171,732,162	1%
Dept. of Public Health (DPH)	\$137,232,538	1%
Dept. of Administration (Admin)	\$129,159,118	1%
Total One-Percent Agencies	\$9,753,727,703	75%

Table 3 - Total One Percent Agencies' Projected General Fund Expenditures

Annual Incremental Changes (Dollars in Millions)

Agency	FY 2026-27			FY 2027-28			FY 2028-29		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
SCDE	\$296.4	\$0.0	\$296.4	\$150.9	\$0.0	\$150.9	\$155.1	\$0.0	\$155.1
HHS	\$203.0	\$0.0	\$203.0	\$70.2	\$0.0	\$70.2	\$87.1	\$0.0	\$87.1
SCDC	\$72.4	\$0.0	\$72.4	\$8.1	\$0.0	\$8.1	(\$1.2)	\$0.0	(\$1.2)
BHDD	\$6.8	\$0	\$6.8	\$7.1	\$0	\$7.1	\$7.4	\$0	\$7.4
DSS	\$97.5	\$36.9	\$134.4	\$17.7	\$0.0	\$17.7	\$17.1	\$0.0	\$17.1
USC	\$102.9	\$134.1	\$237.1	\$102.9	\$134.1	\$237.1	\$102.9	\$134.1	\$237.1
Tech Board	\$0.7	\$0.0	\$0.7	\$0.7	\$0.0	\$0.7	\$0.8	\$0.0	\$0.8
Clemson	\$5.8	\$0.0	\$5.8	\$5.8	\$0.0	\$5.8	\$5.8	\$0.0	\$5.8
DPS	\$7.0	\$0.0	\$7.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
MUSC	\$0.5	\$0.0	\$0.5	\$0.5	\$0.0	\$0.5	\$0.5	\$0.0	\$0.5
DJJ	\$8.6	\$25.5	\$34.1	\$3.8	\$25.5	\$29.4	\$4.5	\$23.0	\$27.5
DPH	\$24.4	\$18.8	\$43.3	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1
Admin	\$10.2	\$13.7	\$23.9	\$2.2	\$4.0	\$6.2	\$0.0	\$0.0	\$0.0
Total - Incremental	\$836.2	\$229.1	\$1,065.3	\$370.0	\$163.7	\$533.6	\$380.1	\$157.1	\$537.2
Total - Cumulative*	\$836.2	\$229.1	\$1,065.3	\$1,206.2	\$163.7	\$1,369.8	\$1,586.2	\$157.1	\$1,743.4

*Recurring expenses are on-going increases to the cumulative total; non-recurring expenditures are one year only.

Table 4 – One Percent Agencies’ Projected Statutory or Mandated General Fund Expenditures

These expenses are those identified by RFA as items required by statute or federal mandate only.

(Dollars in Millions)

Notes	Agency	FY 2025-26	FY 2026-27	FY 2027-28
	<u>Recurring* (Incremental Changes)</u>			
1	SCDE	\$61.4	\$0.0	\$0.0
2	HHS	\$203.0	\$70.3	\$87.2
3	DSS	\$28.0	\$9.5	\$9.5
	Total - Recurring (Incremental)	\$292.4	\$79.8	\$96.7
	<u>Non-Recurring*</u>			
4	DSS	\$25.1	\$0.0	\$0.0
	Total - Non-Recurring	\$25.1	\$0.0	\$0.0
	Grand Total (Incremental)	\$317.5	\$79.8	\$96.7
	Grand Total (Cumulative*)	\$317.5	\$397.3	\$494.0

**Recurring expenses are on-going increases to the cumulative total; non-recurring expenditures are one year only.*

Notes:

- 1 *Education Scholarship Trust Fund*
- 2 *Medicaid Assistance and Health Programs*
- 3 *Food Stamp Program*
- 4 *Food Stamp Program - non-recurring*

Assumptions About Resources and Revenues

Economic Forecast

The economic forecast is based on the BEA long-range General Fund revenue forecast as of November 18, 2025, which provides revenue estimates through FY 2028-29. While the state's economy and revenues are expected to continue to perform better than the nation, we anticipate growth will be below historical averages over the next two fiscal years, FY 2025-26 and FY 2026-27. However, expectations for FY 2027-28 and FY 2028-29 reflect a return to pre-pandemic average growth rates.

The forecasts for FY 2025-26 and FY 2026-27 include the following assumptions:

- Personal income will grow 4.6 percent for FY 2025-26 and 4.4 percent for FY 2026-27.
- The long-range forecast assumes a return to historical average growth in personal income and historical growth rates or patterns in revenue sources. Over the years from 2010 to 2019 following the great recession, personal income and employment grew an average of 4.9 and 2.1 percent each year, respectively.
- Gross General Fund revenue is expected to increase in FY 2027-28 and FY 2028-29 at rates of 2.1 and 4.2 percent, respectively. A return to historical rates of growth is anticipated in sales tax and individual income tax. Individual income tax withholdings are expected to grow by 4.4 percent each year, compared to 4.9 percent historically from FY 2010-11 to FY 2018-19. Sales tax is expected to grow 4.0 percent each year, compared to 4.3 percent historically.

Income Tax Rate Reduction

Act 228 of 2022 lowered the individual income tax marginal rate from the previous 4 percent, 5 percent, and 6 percent brackets to 3 percent and lowered the previous 7 percent bracket to 6.5 percent in tax year 2022. Further, based on General Fund revenue growth, the 6.5 percent rate will be reduced by an additional 0.1 percent per year beginning in tax year 2023 until the rate is lowered to 6 percent.

The top marginal tax rate for 2025 was lowered from 6.2 percent (for tax year 2024) to 6.0 percent (for tax year 2025) in the FY 2025-26 budget, achieving the rate goal two years earlier than originally anticipated. Therefore, there is no additional statutory rate change required in FY 2026-27 (for tax year 2026).

Income Tax Top Marginal Rate

Tax Year	Fiscal Year	Top Marginal Tax Rate
2022	FY 2022-23	6.5%
2023	FY 2023-24	6.4%
2024	FY 2024-25	6.2%
2025	FY 2025-26	6.0%

Distribution of Recurring Appropriations

After allocations for insurance, employer contributions for retirement systems, and base pay increases, 13 agencies received 1 percent or more of the General Fund recurring appropriations for FY 2025-26. Appropriations for these agencies totaled \$9.8 billion, or 75.0 percent of all General Fund recurring appropriations. Other appropriations greater than 1 percent went to Aid to Subdivisions, the Capital Reserve Fund, and Debt Service, which accounted for 2.6, 2.9, and 1.2 percent, respectively. The remaining 18.3 percent, or \$2.4 billion, was distributed among other agencies.

Reserve Funds

The State maintains two main reserve funds, the General Reserve Fund and the Capital Reserve Fund, to safeguard against unexpected budget shortfalls. The balances required for these two funds are determined by statute and are dependent upon the actual General Fund budgetary revenue collected during the previously completed fiscal year. Should revenue performance differ significantly from current projections, the contribution requirements to the reserve funds will change.

General Reserve Fund

The General Reserve Fund serves as a savings account that may only be used to cover operating deficits of state government. With the passage of Act 238 of 2022, the General Assembly voted to increase the funding requirement to 7 percent (phased in over four years), which was later approved by public referendum. The applicable rate increased to 5.5 percent for FY 2023-24 and will increase one-half of 1 percent until the rate reaches 7 percent in FY 2026-27. This analysis assumes that the General Reserve Fund will not be needed to cover any year-end deficit during the forecast period. The following table displays the estimated funding obligation for the next three fiscal years.

Projected General Reserve Fund

	FY 2026-27	FY 2027-28	FY 2028-29
Percent of Revenue	7%	7%	7%
General Reserve Fund	\$984,042,046	\$970,717,193	\$992,966,591

(Note: Amounts subject to change depending on actual revenues.)

Capital Reserve Fund

The Capital Reserve Fund (CRF) is a budgetary account used to offset budget deficits and to replenish, when needed, the required amount in the General Reserve Fund. If not used for either purpose, the CRF may be appropriated for the following: (1) to finance in cash previously authorized capital improvement bond projects, (2) to retire the interest or principal on bonds previously issued, or (3) for capital improvements or other non-recurring purposes. Act 238 of 2022 also increased the funding requirement for the CRF from 2 percent to 3 percent of budgetary revenue beginning FY 2023-24. The following table displays the projected Capital Reserve Fund requirements for the next three fiscal years.

Projected Capital Reserve Fund			
	FY 2026-27	FY 2027-28	FY 2028-29
Percent of Revenue	3%	3%	3%
Capital Reserve Fund	\$421,732,306	\$416,021,654	\$425,557,111

(Note: Amounts subject to change depending on actual revenues.)

Statewide Expenditures

Local Government Fund

The Local Government Fund (LGF) is a statutorily defined appropriation of funds to counties and municipalities from the General Fund. The annual appropriation is determined by the growth in the BEA General Fund revenue projection for the planning year over the current fiscal year's appropriation base. The current LGF is to be increased by the same growth rate, up to a maximum of 5 percent.

The LGF is distributed to counties and municipalities based on decennial Census population. Counties receive 83.278 percent of the fund, and municipalities receive the remaining 16.722 percent. Fifty cents per capita is withheld from the portion of the LGF allotted to counties per S.C. Code of Laws §44-6-146 for Medicaid services.

The growth rate for revenues over appropriations for FY 2026-27 is 7.09 percent; therefore, the increase to the LGF is capped at 5 percent. Based on current revenue forecasts, the increase to the LGF is projected to be 2.2 percent for FY 2027-28 and 4.4 percent for FY 2028-29. Annual increases for FY 2026-27, FY 2027-28, and FY 2028-29 are \$15.3 million, \$7.0 million, and \$14.4 million, respectively, based on revenue growth alone. However, the actual increases will depend on annual growth in revenue over the base budget expenditures.

Projected Local Government Fund Formula Funding

	FY 2026-27	FY 2027-28	FY 2028-29
Estimated Growth	5.0%	2.2%	4.4%
Local Government Fund	\$321,191,054	\$328,225,839	\$342,614,560

Debt Service

Future debt service needs are estimated by the State Treasurer’s Office for planning purposes. This analysis assumes that debt service will continue to be funded at the current level of \$153.9 million in the appropriations act. In FY 2025-26, \$111,396,618 of the excess debt service appropriation was used to fund non-recurring items. Annual funding requirements for FY 2026-27, FY 2027-28, and FY 2028-29 are \$21.2 million, \$23.1 million, and \$23.1 million, respectively. However, the actual amounts may vary.

Projected Debt Service

	FY 2026-27	FY 2027-28	2028-29
Debt Service	\$21,230,571	\$23,102,421	\$23,101,371

Trust Fund for Tax Relief

The Trust Fund for Tax Relief provides for reimbursements to local governments for various local property tax exemptions. S.C. Code of Laws §11-11-150 requires RFA to deduct an amount sufficient from state individual income and corporate income tax revenue to pay these reimbursements. As of the November 18, 2025, BEA forecast, the projected reimbursements for FYs 2026-27, 2027-28, and 2028-29 are \$824,641,979, \$834,444,321, and \$844,591,907 respectively.

Homestead Exemption Fund

The Property Tax Reform Act, Act 388 of 2006, eliminated the remaining school operating taxes on owner-occupied homes not previously exempted and implemented a one-cent state sales tax to replace the reduced property tax revenue. The new revenue from the one-cent sales tax is earmarked for the Homestead Exemption Fund, which is used to reimburse school districts for the property tax revenue reduction. The amount distributed to school districts is increased annually by formula based on inflation plus a population growth factor. The Act provides that, should there be a shortfall of revenue in the Homestead Exemption Fund, the deficit will be funded using General Fund revenue.

Currently, the Homestead Exemption Fund is forecasted to be fully funded from the one-cent sales tax revenue. However, if the state experiences an economic downturn, it may become necessary to appropriate General Funds.

Statewide Employee Benefits

The Public Employee Benefits Administration (PEBA) operates the State Health Plan and provided the estimated General Fund amounts needed for retiree growth and health plan increases. The following table displays these estimates.

State Health Plan Projected General Fund Expenditures			
	FY 2026-27	FY 2027-28	FY 2028-29
Annualization of Previous Calendar Year Rate Increase (July-December)	\$34,524,766	\$0	\$56,417,470
Upcoming Year Employer Rate Increase (January-June)	\$0	\$56,417,470	\$60,420,811
Fiscal Year Retiree Enrollment Growth (July-June)	\$2,169,100	\$2,684,934	\$2,887,244
Total	\$36,693,866	\$59,102,404	\$119,725,525

PEBA provided the following information associated with the projections:

- Retiree Growth and Rate Increase:
 - Calendar Year 2026 employer base (State funds only) is \$1,569,544,101;
 - Annualization involves funding final six months (July-December) of increase effective the prior January;
 - Employer rate increase involves funding first six months (January-June) of increase effective January of the fiscal year; and
 - Projected annual premium growth rate effective each year equals 0 percent in January 2027; 7.0 percent in January 2028, and 7.0 percent in January 2029.
- The projection assumes the employer pays the same proportion that is in place in January 2026 for 2027, 2028, and 2029.
- Retiree growth for FY 2026-27 is estimated at 0.3 percent, and for FY 2027-28 and FY 2028-29 retiree growth is estimated at 0.5 percent per year net growth.

Statewide Employee Salaries

The Department of Administration (Admin) provided the total General Fund salaries for all state employees for FY 2023-24, which totaled \$2,095,778,707. Admin specified the FY 2023-24 total does not include data for SC State University or the Jobs Economic Development Authority (JEDA), as both entities did not have salary information within SCEIS. In FY 2024-25, the General Assembly funded a base pay increase of \$1,123 for employees earning up to \$50,000 and a 2.25 percent increase for employees earning over \$50,000. In FY 2025-26, the General Assembly funded a base pay increase to raise all FTEs to the new minimum pay band salary or a 2 percent increase. These funded increases were used to estimate the total change in salaries from FY 2023-24 to FY 2025-26. Assuming an average fringe and benefits package of 48 percent and a growth rate of 4 percent annually beginning in FY 2026-27, the following table displays the anticipated increases in employee salaries for FY 2026-27 through FY 2028-29.

Projected Statewide Employee Salaries General Fund Increase

FY 2024-25	\$61,570,000
FY 2025-26	\$66,550,000
FY 2026-27 (e)	\$69,325,000
FY 2027-28 (e)	\$72,216,000
FY 2028-29 (e)	\$75,228,000

One Percent Agencies' Projected General Fund Expenditures

The following section provides summaries of the three-year General Fund expenditure expectations submitted to RFA by those agencies that received 1 percent or more of the General Fund appropriations for FY 2025-26, pursuant to S.C. Code of Laws §11-11-350.

South Carolina Department of Education (SCDE)

SCDE was appropriated \$4,393,428,827 in General Funds, which represents 33 percent of the total General Funds appropriated. The following table includes SCDE's anticipated increases in General Fund expenditures.

SCDE Projected General Fund Increase in Recurring Expenditures				
		FY 2026-27	FY 2027-28	FY 2028-29
1	Bus Purchases	\$40,000,000	\$0	\$0
2	Instructional Support for Districts	\$8,205,249	\$0	\$0
3	Summer Reading Camps	\$30,000,000	\$0	\$0
4	Instructional Material	\$20,000,000	\$10,000,000	\$10,000,000
5	Education Scholarship Trust Fund	\$61,421,250	\$0	\$0
6	State Aid to Classrooms	\$136,749,000	\$140,851,470	\$145,077,015
	Total	\$296,375,499	\$150,851,470	\$155,077,015

SCDE provided the following information on the driving factors for each of these increased expenses:

1. The agency is required to replace one-fifteenth of the bus fleet every year under Act 79 of 2007. The increase will allow the agency to maintain that replacement requirement.
2. Additional instructional support funding will be used to minimize district costs associated with maintaining a digital classroom.
3. Recurring funding for Summer Reading camps will support those required under the amended Act 114 of 2024, the Read to Succeed Act. This funding will cover the costs associated with providing targeted, evidence-based reading interventions for all eligible students.

4. The marketplace for instructional materials continues to shift away from the traditional textbook and move toward digital resources. The additional spending will coincide with the agency's goal to ensure every student has access to high quality instructional materials.
5. Annual increase required to fully fund the Education Scholarship Trust per S.C. Code of Laws §59-8-120. Due to additional demand, recurring funding will support 20,000 students instead of the original 15,000 specified by law.
6. SCDE indicates that the most impactful in-school factor affecting student success is the effectiveness of the classroom teacher. The additional State Aid to Classrooms funding will be used to boost starting pay for teachers and allow South Carolina to compete for the best educators within the southeast. SCDE did not provide an anticipated salary.

SCDE did not report any one-time projected General Fund expenditures for the next three years.

Department of Health and Human Services (HHS)

HHS was appropriated \$2,271,102,188 in General Funds, which represents 17 percent of the total General Funds appropriated. The following table includes HHS's anticipated increases in General Fund expenditures.

HHS Projected General Fund Increase in Recurring Expenditures

		FY 2026-27	FY 2027-28	FY 2028-29
Major HHS Programs	Coordinated Care		\$36,451,522	\$11,383,675
	Hospital	\$34,931,785	(\$5,227,641)	\$0
	Pharmaceutical Services	\$15,765,797	(\$6,617,800)	\$2,893,609
	Physician Services	\$1,954,810	(\$6,550,164)	\$0
	Dental Services	\$1,057,370	\$1,796,838	\$1,687,394
	Clinical Services	\$0	(\$6,362,274)	\$444,111
	Medical Professional Services	\$2,986,488	(\$1,116,998)	\$539,091
	Transportation Services	\$98,105	\$1,192,599	\$1,228,377
	Durable Medical Equipment	\$9,068,768	(\$2,678,895)	\$0
	Lab & X-ray Services	\$655,618	(\$278,222)	\$190,413
	PACE	\$1,034,660	\$270,343	\$314,688
	EPSDT Services	\$154,909	\$31,178	\$42,183
	Premiums Matched	\$17,363,311	\$11,958,814	\$14,048,948
	MMA Phased Down Contributions	\$31,659,342	\$18,169,428	\$17,026,007
	Premiums 100% State	\$4,065,887	\$2,546,000	\$3,040,950
	Behavioral Health Services	\$0	\$0	\$0
	Nursing Home Services	\$17,868,767	\$19,145,092	\$14,632,321
	Hospice	\$1,083,054	\$183,244	\$273,645
	Home Health Services	\$168,217	(\$2,076,728)	\$153,749
	Optional State Supplement	(\$2,773,348)	\$0	\$0
	OSCAP	(\$1,706,835)	\$0	\$0
	CLTC-Community Long Term Care	\$8,457,104	\$1,710,296	\$8,464,257
	Children's Community Care	\$11,995,904	\$1,074,310	\$1,804,841
Disproportionate Share	\$0	\$0	\$0	
Babynet	\$8,293,833	\$1,744,552	\$1,831,780	
Health Programs	State Agencies and Other Entities	\$38,816,624	\$4,930,339	\$5,733,280
	Returning Medical Contracts	\$0	\$0	\$1,430,857
Operating Expense	Other Operating Expense	\$0	(\$67,554)	(\$67,385)
Total		\$203,000,170	\$70,228,279	\$87,096,791

HHS listed four main cost drivers related to Medicaid services:

- Enrollment,
- Utilization,
- Reimbursement, and
- Service Package Array.

Based on these drivers, the agency reviewed population growth and realignment, provider billing behavior, provider rates, federal regulations, and financial participation annually to determine future costs. HHS noted that it contracts with an actuarial firm for technical health care expertise to develop sound assumptions for the extended projections. The agency also commented that if there is a change in the underlying assumptions, the projections will change. Specifically, these projections anticipate the Federal Medical Assistance Percentages (FMAP) will remain flat throughout the forecasted period. If FMAP rates change drastically, the outcome of the projections will be materially impacted.

HHS also provided specific major planning assumptions as follows:

FY 2026-27

- Full benefit eligibility growth in the South Carolina Healthy Connections Medicaid program is assumed to increase at an annual rate of approximately 1 percent.
- Assumes a significant enrollment and per member per month (PM/PM) increase in Children's Community Care within the Medically Complex Children's Waiver due to self-directed attendant care.
- Assumes funding for submitted decision packages in budget request for rate increases and cost-of-living adjustments in order to maintain access to care for several key provider groups.
- Accounts for continued growth in the Home and Community-Based Services waiver programs.
- Accounts for continued growth in Medicare premiums based upon information provided in the FY2025 Medicare Trustees Report.

FY 2027-28 and FY 2028-29

- The Department assumes a general increase of approximately 1 percent in overall enrollment per year.
- Assumes successful carve-ins of certain fee-for-service populations into managed care.

- Assumes a significant enrollment and PM/PM increase in Children's Community Care within the Medically Complex Children's Waiver due to self-directed attendant care.
- Increases to Pharmaceutical Services, Community Long Term Care, and the Office of Intellectual and Developmental Disabilities assume long-term growth trends continue through the time period.
- Assumes no additional rate increases or new initiatives outside those specified in the FY 2026-27 budget request, with the exception of annually scheduled cost-of-living adjustment.
- Accounts for programmatic enrollment methodology changes in the Home and Community Based Services waiver programs.
- Accounts for continued growth in Medicare premiums based upon information provided in the FY 2024-25 Medicare Trustees Report.

HHS did not report any one-time projected General Fund expenditures for the next three years.

Department of Corrections (SCDC)

SCDC was appropriated \$615,361,272 in General Funds, which represents 5 percent of the total General Funds appropriated. The following table includes SCDC's anticipated increases in General Fund expenditures.

SCDC Projected General Fund Increase in Recurring Expenditures

	FY 2026-27	FY 2027-28	FY 2028-29
Contracts	\$1,231,122	\$1,268,055	\$1,306,097
Supplies	\$1,883,098	\$1,939,591	\$1,997,778
Fixed Expenses	\$260,445	\$268,258	\$276,306
Equipment	\$18,330	\$18,880	\$19,446
Travel	\$4,713	\$4,854	\$5,000
Electricity/Utilities	\$657,317	\$677,036	\$697,348
Capital Projects	\$66,809,803	\$2,380,197	(\$7,140,000)
Case Services (Medical)	\$1,529,530	\$1,575,416	\$1,622,678
Total	\$72,394,357	\$8,132,288	(\$1,215,347)

SCDC applied a 3 percent annual inflation factor to contracts, supplies, fixed expenses, equipment, travel, electricity/utilities, and case services. Capital projects increases are per the comprehensive permanent improvement plan submitted in FY 2024-25.

SCDC did not report any one-time projected General Fund expenditures for the next three years.

Department of Behavioral Health and Developmental Disabilities (BHDD)

BHDD was appropriated \$495,864,448 in General Funds, which represents 4 percent of the total General Funds appropriated. The following table includes BHDD’s anticipated increases in General Fund expenditures.

BHDD Projected General Fund Increase in Recurring Expenditures

	FY 2026-27	FY 2027-28	FY 2028-29
Contractual Services	\$2,151,637	\$2,259,219	\$2,372,180
Supplies and Materials	\$472,093	\$393,914	\$413,610
Fixed Charges	\$574,092	\$602,796	\$632,936
Travel	\$5,845	\$3,574	\$3,753
Depreciation	\$282,228	\$296,339	\$311,156
Case Services	\$2,477,275	\$2,601,139	\$2,731,196
Utilities	\$9,700	\$5,246	\$5,272
State Aid Allocations	\$870,833	\$914,675	\$960,395
Total	\$6,843,703	\$7,076,903	\$7,430,499

BHDD applied a 5 percent annual inflation factor to contractual services, supplies and materials, fixed charges, travel, depreciation, case services, and State Aid Allocations. The agency applied a 0.5 percent annual inflation factor to utilities.

BHDD did not report any one-time projected General Fund expenditures for the next three years.

Department of Social Services (DSS)

DSS was appropriated \$338,625,452 in General Funds, which represents 3 percent of the total General Funds appropriated. The following table includes DSS’s anticipated increases in General Fund expenditures.

DSS Projected General Fund Increase in Recurring Expenditures

	FY 2026-27	FY 2027-28	FY 2028-29
Agency Administration	\$110,233	\$0	\$0
Information Resource Management	\$2,436,722	\$0	\$0
County Office Administration	(\$19,495)	\$0	\$0
Program Management - Children's Services	\$334,157	\$0	\$0
Program Management - Adult Services	\$0	\$0	\$0
Economic Services	\$0	\$0	\$0
Food Service	\$0	\$0	\$0
Child Protective Services	\$1,695,466	\$0	\$0
Foster Care	\$34,424,889	\$5,233,681	\$4,672,913
Adoptions	\$6,386,457	\$0	\$0
Adult Protective Services	\$0	\$0	\$0
Employment and Training Services	\$4,025,903	\$0	\$0
Child Support Enforcement	\$0	\$0	\$0
TNAP/Food Stamp Assistance Program	\$27,979,583	\$9,450,000	\$9,450,000
Family Preservation	(\$24,936)	\$0	\$0
Battered Spouse	\$0	\$0	\$0
Pregnancy Prevention	\$0	\$0	\$0
Child Care	\$20,000,000	\$0	\$0
Kinship	\$0	\$0	\$0
Prevention Services	\$143,721	\$3,000,000	\$3,000,000
Total	\$ 97,492,700	\$17,683,681	\$17,122,913

The agency provided the following information on cost drivers and federal mandates that were considered when estimating projected expenditures:

- **Federal Funding for Benefits:** On July 4, 2025, H.R.1, the One Big Beautiful Bill Act (OBBBA), was signed into law and included changes to the Supplemental Nutrition Assistance Program (SNAP). States will now be required to pay a portion of the federal SNAP benefits if their federally computed payment error rates (PER) are 6 percent or higher. SNAP benefits are currently 100 percent federally funded and not included in the state's budget. It is estimated that unless South Carolina achieves and maintains a PER of less than 6 percent, a minimum of \$70 million per year in state funds will be needed to meet the new state matching requirement beginning October 1, 2027. All program eligibility requirements are set by the USDA. This potential increase in state funding needed has not been included in the estimates above. In addition to the OBBBA

changes to SNAP benefit payments, the state share of costs to administer the program has been increased from 50 percent to 75 percent. All states will now be required to pay 75 percent of all SNAP administrative costs instead of the previous 50 percent state funding portion. This portion of the federal impact has been included in the SNAP Case Management & Food Stamp Assistance funded program in FY 2026-27 above.

- **Foster Care and Other Rate Adjustments:** DSS intends to continue to support foster and kinship families as they provide stable homes to South Carolina foster children, which requires rate increases to meet the USDA guidelines for the cost of raising a child in the southeast region. Child placing agencies (CPAs) also provide regular foster care services and support, and the costs for these services continue to rise each year. Increased funds support the recruitment and retention of foster parents, address the increasing complex mental health needs of children in foster care, and pay for the required staffing to support the work of foster care.
- **Federal Medical Assistance Percentage (FMAP) Adjustment:** For Title IV-E eligible foster care placements, the FMAP rate is used to compute the amount of uncapped federal IV-E dollars that can be drawn down for foster care maintenance and is adjusted by the federal government annually. This rate increased minimally in Federal Fiscal Year (FFY) 2024-25 by 0.09 percent, however, it has since decreased again for FFY 2025-26, by 0.20 percent. Changes in the FMAP will impact available funds for DSS.
- **Economic Service System Application Modernization:** The current SNAP and TANF System is a 37-year-old legacy mainframe system, responsible for determining eligibility and issuing benefit payments to nearly 300,000 households and over 580,000 individuals, receiving nearly \$1.4 billion in annual benefit payments. Due to the age of the system, the agency no longer has the ability to make system changes and provide appropriate enhancements to improve client experience, benefit timeliness, or program integrity and operational efficiency or effectiveness, posing major risks to the State.

DSS also estimated that the Food Stamp Assistance Program and Food Service will require an additional non-recurring expenditure of \$36,889,871 in FY 2026-27.

University of South Carolina (USC)

USC was appropriated \$325,886,983 in General Funds, which represents 2 percent of the total General Funds appropriated. The following table includes USC's anticipated increases in General Fund expenditures.

USC Projected General Fund Increase in Recurring Expenditures

FY 2026-27	FY 2027-28	FY 2028-29
\$102,932,000	\$102,932,000	\$102,932,000

USC indicates that beginning in FY 2026-27, the university anticipates expenditure increases for tuition mitigation and new programming. Tuition mitigation is based on current year expenditure projections with a Higher Education Price Index (HEPI) multiplier accounting for estimated inflation.

The USC System also anticipates non-recurring expenditures for various institutional support needs as well as capital requests. USC states these increases reflect the typical increase the university experiences in order to continue to meet the needs of the state. USC anticipates a non-recurring expenditure of \$134,120,000 each fiscal year for the next three years for maintenance, renovations, and other such items. However, these projections may change depending upon FY 2026-27 funding decisions and any changes to current market conditions.

State Board for Technical and Comprehensive Education

The State Tech Board, which operates the SC Technical College System, was appropriated \$262,395,759 in General Funds, which represents 2 percent of the total General Funds appropriated. The following table includes the Tech Board’s anticipated increases in General Fund.

State Tech Board Projected General Fund Increase in Recurring Expenditures

FY 2026-27	FY 2027-28	FY 2028-29
\$701,573	\$725,426	\$750,090

The Tech Board made the following assumptions for its projections:

- FY 2024-25 serves as the base year for the state funding support level: State appropriations are approximately 7.19 percent of funding needed to support operations for the sixteen technical colleges and the system office.
- Anticipation that tuition revenue will continue to provide the remainder of support for other expense increases: Due to increased enrollment by 3.81 percent from Spring 2024 to Spring 2025, tuition revenue increased systemwide. Headcount increased from 71,959 to 74,774.
- Lottery funding for student aid: Technical colleges rely on lottery funds. Projections assume that lottery funds will remain the same for all financial aid sources.

- Assumes state funds will remain constant through FY 2028-29: Even though this may not be the case, the agency has no basis for reductions at this time. Further maintenance of effort funds will be needed should state funds decline.
- Unemployment has always been a key driver for technical college enrollment: The unemployment rate for August 2025 was 4.3 percent, which reflects no change from the previous year. Normally, when unemployment rates are high, enrollment increases. However, due to the increase in scholarships offered throughout the technical college system and dual enrollment, enrollment has increased.

Clemson University

Clemson was appropriated \$219,327,137 in General Funds, which represents 2 percent of the total General Funds appropriated. The following table displays Clemson’s projected General Fund expenditures for the next three years.

Clemson Projected General Fund Increase in Recurring Expenditures

FY 2026-27	FY 2027-28	FY 2028-29
\$5,800,000	\$5,800,000	\$5,800,000

Clemson’s projected increase in expenditures is based upon the total education and general operating costs multiplied by the Higher Education Price Index forecast, then multiplied by the percentage of in-state undergraduate students versus total undergraduate students. The estimate does not include capital or non-recurring expenses or new programs. Also not included are any mandated cost-of-living adjustments and bonuses.

Clemson also anticipates that continued growth in enrollment will result in the need for more staff and workforce, which will require more funding to maintain the same service level.

Department of Public Safety (DPS)

DPS was appropriated \$217,320,999 in General Funds, which represents 2 percent of the total General Funds appropriated. DPS anticipates an increase in General Funds expenditures totaling \$6,988,355 beginning in FY 2026-27. This includes projected incremental general fund increases in recurring expenditures for the Highway Patrol totaling \$4,323,355 and for the State Transport Police totaling \$2,665,000. The agency indicates all other expenses are expected to remain the same over the next three fiscal years.

Medical University of South Carolina (MUSC)

MUSC was appropriated \$176,290,820 in General Funds, which represents 1 percent of the total General Funds appropriated. The following table displays MUSC’s projected General Fund expenditures for the next three years.

MUSC Projected General Fund Increase in Recurring Expenditures

FY 2026-27	FY 2027-28	FY 2028-29
\$452,662	\$454,020	\$455,382

MUSC based its projections on an anticipated 0.3 percent increase in tuition revenue from increased enrollment and the assumption that General Fund expenditures will continue to fund 27.83 percent of the total expenses for MUSC.

Department of Juvenile Justice (DJJ)

DJJ was appropriated \$171,732,162 in General Funds, which represents 1 percent of the total General Funds appropriated. The following table displays DJJ’s projected General Fund expenditures for the next three years.

DJJ Projected General Fund Increase in Recurring Expenditures

	FY 2026-27	FY 2027-28	FY 2028-29
Current Programs/Services			
Community	\$66,892	\$69,567	\$72,350
Treatment	\$1,583,532	\$1,146,874	\$1,192,749
Physical Plant Management	\$159,061	\$165,423	\$172,040
Finance	\$114,103	\$118,668	\$123,414
Workers Comp	\$699,343	\$769,276	\$846,205
Support Service	\$125,592	\$130,615	\$135,840
Legal	\$9,961	\$10,359	\$10,773
PM	\$338	\$352	\$366
Chief of Staff	\$271,323	\$282,176	\$293,463
HR	\$43,243	\$44,972	\$46,772
Professional Standards	\$7,621	\$7,925	\$8,243
Education	\$18,680	\$19,427	\$20,204
Public Safety	\$16,920	\$17,597	\$18,300
Security	\$593,529	\$641,011	\$692,293
Programs	\$255,915	\$16,152	\$16,798
Health	\$225,712	\$234,741	\$244,131
Facility Clinical	\$4,412	\$4,588	\$4,772
IT	\$1,289,188	\$140,756	\$146,385
Parole	\$1,824	\$1,898	\$1,973
New Programs/Expenses			
Day Treatment Pilot Program	\$1,500,000	\$0	\$0
JJMS Event Reporting System, Electronic Record Health System, Power DMS	\$0	\$0	\$500,000
Teen After School Center	\$630,000	\$0	\$0
Youth Arbitration Programs	\$960,000	\$0	\$0
Total	\$ 8,577,189	\$3,822,377	\$4,547,071

DJJ anticipates an increase of 4 percent in costs to current programs and services due to inflation with the exception of expenses related to security that are projected to increase by 8 percent. DJJ also anticipates increases in recurring expenditures associated with new programs including the Day Treatment Pilot Program, IT modernization initiatives, the Teen After School Center, and the Youth Arbitration Programs beginning in FY 2026-27.

DJJ also estimated an increase in non-recurring expenses for Physical Plant Management, IT, the Day Treatment Pilot Program, and IT modernization initiatives. The following table displays DJJ's projected non-recurring expenses for the next three years.

DJJ Projected General Fund Increase in Non-Recurring Expenditures

FY 2026-27	FY 2027-28	FY 2028-29
\$25,500,000	\$25,530,000	\$23,000,000

Department of Public Health (DPH)

DPH was appropriated \$137,232,538 in General Funds, which represents 1 percent of the total General Funds appropriated. The following table includes DPH’s anticipated increases in General Fund expenditures.

DPH Projected General Fund Increase in Recurring Expenditures

			FY 2026-27	FY 2027-28	FY 2028-29
Current Programs/ Services	1	Inflation Increase (General Operating)	\$1,519,514	\$45,586	\$46,953
	2	Inflation Increase (Case Services)	\$201,973	\$8,079	\$8,402
	3	Market-Aligned Pay	\$10,782,519	\$0	\$0
	4	Bright Beginnings (Maternal & Child Health)	\$5,003,231	\$0	\$0
	5	Critical Public Health Services	\$2,619,385	\$0	\$0
	6	Health Systems Modernization	\$2,975,433	\$0	\$0
New Programs/ Expenses	7	Community Living Integration (Olmstead Act)	\$399,135	\$0	\$0
	8	Microsoft Copilot	\$943,492		
TOTAL			\$24,444,683	\$53,665	\$55,355

The agency provided the following information on cost drivers and issues that were considered when estimating projected expenditures above:

- 1-2: The change reflects increases in expenditures due to inflation. The increase is estimated at 3 percent for general operating expenses including contracts, supplies, and travel and 4 percent for case (medical) services.
- 3: The agency has experienced high turnover rates in key positions. The increased General Fund expenditures reflect a realignment of salaries with statewide market rates.

- 4: The agency anticipates this increase will allow expansion of programs like birth defects detection to improve maternal and infant health outcomes.
- 5: This increase represents funding needed to hire additional frontline staff to restore 24-hour response capacity to speed the completion of investigations and address the spread of disease.
- 6: This increase represents an effort to modernize existing records and document systems to improve client experience, security, and expedience of care provided by the agency.
- 7: The agency anticipates this increase is necessary to fund positions and programs necessary to meet legislative mandates and deliver required progress on community-based care.
- 8: This increase would allow implementation of Microsoft Copilot to reduce time spent on repetitive tasks thereby improving the agency’s efficiency and allowing staff to focus on core responsibilities.

Additionally, DPH anticipates one-time General Fund expenditures in FY 2026-27 as follows.

DPH Projected General Fund Non-Recurring Expenditures

Current Programs/ Services	1	Bright Beginnings (Maternal & Child Health)	\$2,536,890
	2	Health Systems Modernization	\$5,065,830
New Programs/ Expenses	3	Community Living Integration (Olmstead Act)	\$577,157
	4	Medical Emergency Shelter Readiness	\$10,142,000
	5	Microsoft Copilot	\$500,000
TOTAL			\$18,821,877

DPH provided explanations of the non-recurring expenditures listed. Explanations for items 1, 2, 3, and 5 mirrored those for their corresponding recurring expenditures. The request for Medical Emergency Shelter Readiness would allow for the establishment of medically supported housing during disasters for medically fragile residents. The agency anticipates such shelters would reduce strain on hospitals during emergencies. DPH did not identify any anticipated non-recurring expenditures for FY 2027-28 or FY 2028-29.

Department of Administration (Admin)

Admin was appropriated \$129,159,118 in General Funds, which represents 1 percent of the total General Funds appropriated. The following table displays Admin’s projected General Fund expenditures for the next three years.

		FY 2026 - 27	FY 2027-28	FY 2028-29
1	Information Security	\$6,859,342		
2	App Development	\$2,000,000	\$1,607,180	
3	New FTE's	\$1,350,000	\$600,000	
Total		\$10,209,342	\$2,207,180	\$0

The agency provided the following information on cost drivers and issues that were considered when estimating projected expenditures above:

1. The agency anticipates this expenditure is necessary to enhance monitoring and protection tools and agency information.
2. This increase would support statewide IT initiatives with primary goal of improving the management, transparency, and utilization of state data.
3. This increase represents additional Executive Budget Office analysts and staff for the proposed Office of Statewide Data.

Additionally, Admin anticipates one-time General Fund expenditures in the next three fiscal years. The following table displays Admin’s projected General Fund non-recurring expenditures for the next three years.

		FY 2026 - 27	FY 2027-28	FY 2028-29
1	General Fund Transfer	\$2,929,318		
2	Professional Services	\$1,800,000		
3	App Development	\$9,000,000	\$4,000,000	
Total		\$13,729,318	\$4,000,000	\$0

Admin provided the following explanations of the non-recurring expenditures listed:

1. This increase would allow for statewide facilities repairs and maintenance.
2. The agency anticipates this expenditure is necessary to implement new accounting processes.

3. This increase would support statewide IT initiatives with primary goal of improving the management, transparency and utilization of state data.

One Percent Agencies' Projected Statutory or Mandated Expenses

All agency appropriations and expenditures are determined at the discretion of the General Assembly annually during the appropriations process. However, RFA has identified the following funding needs that are specified by state or federal mandates to provide a “minimum” or base-level of expenditures for planning purposes as outlined in Table 4. These expenditures are detailed by agency above as part of total expenditures.

- SCDE – Education Scholarship Trust Fund
- DHHS – Medicaid and Health Programs
- DSS – Food Stamp Program (recurring and non-recurring)

Other Considerations

Tobacco Master Settlement Agreement

The state’s “tobacco bonds,” securitized by its Tobacco Master Settlement Agreement (MSA) payments, were retired June 1, 2012. By statute, future MSA receipts are available for appropriation. Historically, these funds have been appropriated in their entirety per proviso and are not counted with General Fund revenue. While current statute earmarks these funds primarily for healthcare programs¹, specific program appropriations are at the discretion of the General Assembly. For the last several years, a specified amount has been appropriated for the diligent enforcement of the tobacco MSA, with the remainder used for Medicaid. According to the National Association of Attorney Generals, as of April 29, 2025, South Carolina received \$66,833,057 in 2025.

¹ Section 11-11-170 of the S. C. Code of Laws, 1976, outlines allowable uses for Tobacco MSA funds.

APPENDIX

Long-Range General Fund Revenue Forecast – November 18, 2025

(Detailed forecast published here:

<https://rfa.sc.gov/data-research/state-finances/general-fund-forecast>)

General Fund Revenue Estimate				
Revenue Category (\$ Millions)	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Sales and Use Tax	5,229.2	5,408.1	5,626.6	5,853.9
Individual Income Tax	6,482.6	6,638.2	6,922.2	7,218.4
Corporation Income Tax	1,204.4	1,204.4	1,121.0	1,136.2
Other GF Revenue Sources	1,765.2	1,759.2	1,660.6	1,767.5
Gross General Fund Revenue	14,681.4	15,009.9	15,330.4	15,976.0

Percent Change in Revenue				
Sales and Use Tax	4.0%	3.4%	4.0%	4.0%
Individual Income Tax	(3.6%)	2.4%	4.3%	4.3%
Corporation Income Tax	(8.9%)	0.0%	(6.9%)	1.4%
Other GF Revenue Sources	(1.2%)	(0.3%)	(5.6%)	6.4%
Gross General Fund Revenue	(1.2%)	2.2%	2.1%	4.2%

Numbers may not add to totals due to rounding. Figures are gross revenue before the required transfer to the Tax Relief Trust Fund for property tax reimbursements pursuant to §11-11-150.