

REVENUE AND ECONOMIC UPDATE FY 2023-24 AND FY 2024-25



Presented to
South Carolina Senate Finance Committee

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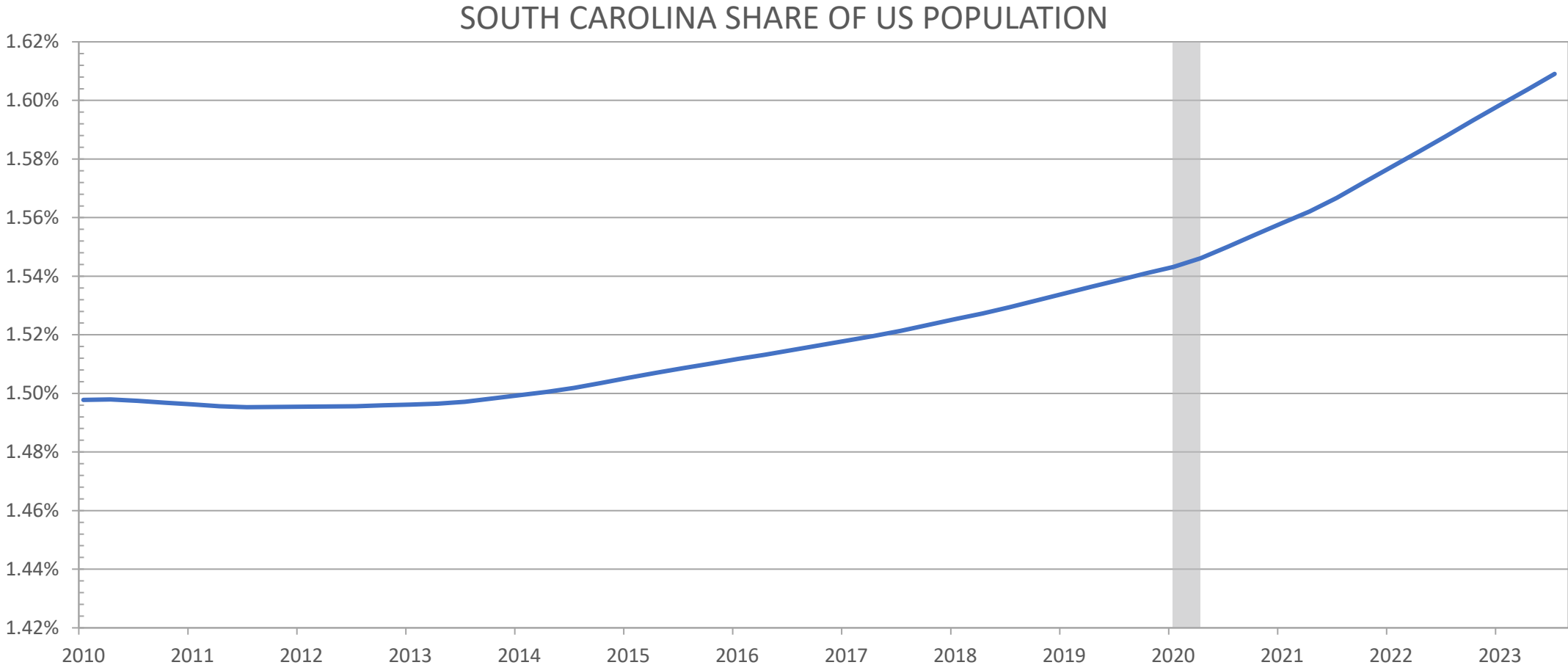


National Trends and Comparisons



SC vs. US – Share of Population

South Carolina’s share of the national population has grown over time (33,525 for each 0.01%)



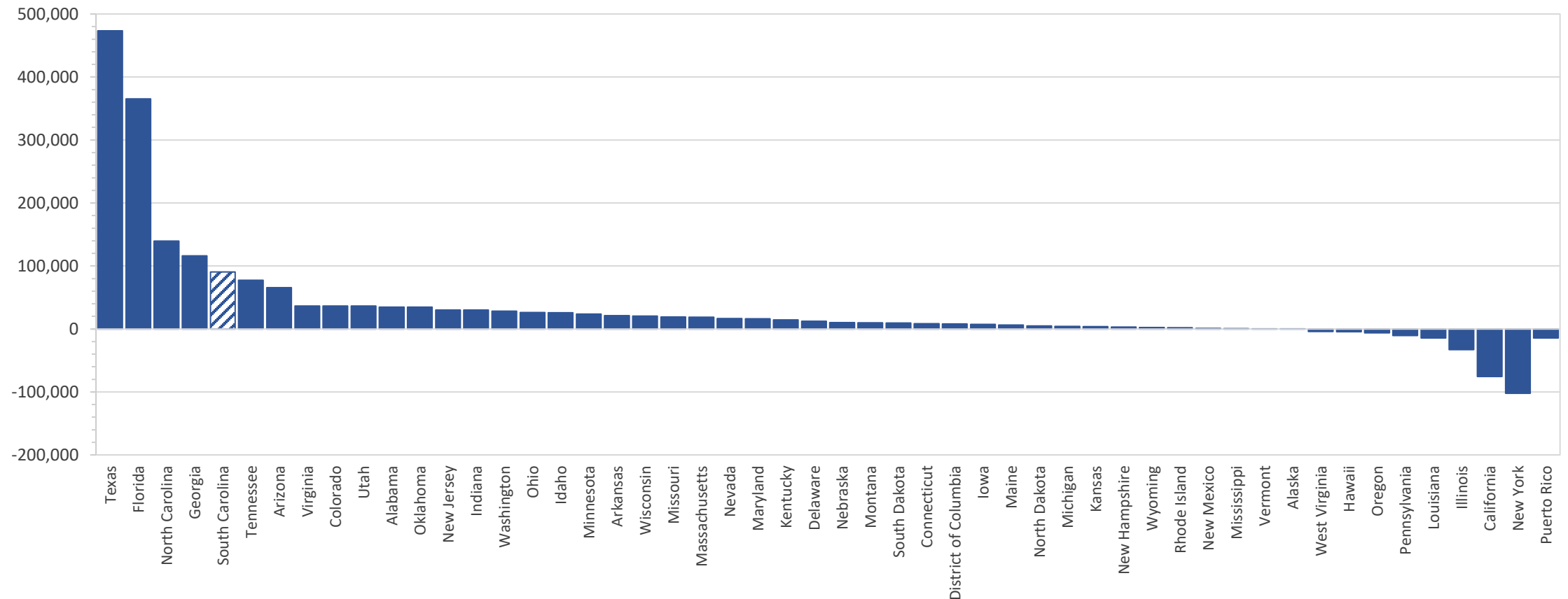
Source: U.S. Department of Commerce, Bureau of Economic Analysis; RFA/kav/03/12/2024

South Carolina Had the 5th Largest Population Increase in the US

Population increased by 90,600 (1.7%*) from 2022 to 2023

*Highest percentage growth in the US

STATE RANKINGS BY TOTAL POPULATION CHANGE 2022 - 2023

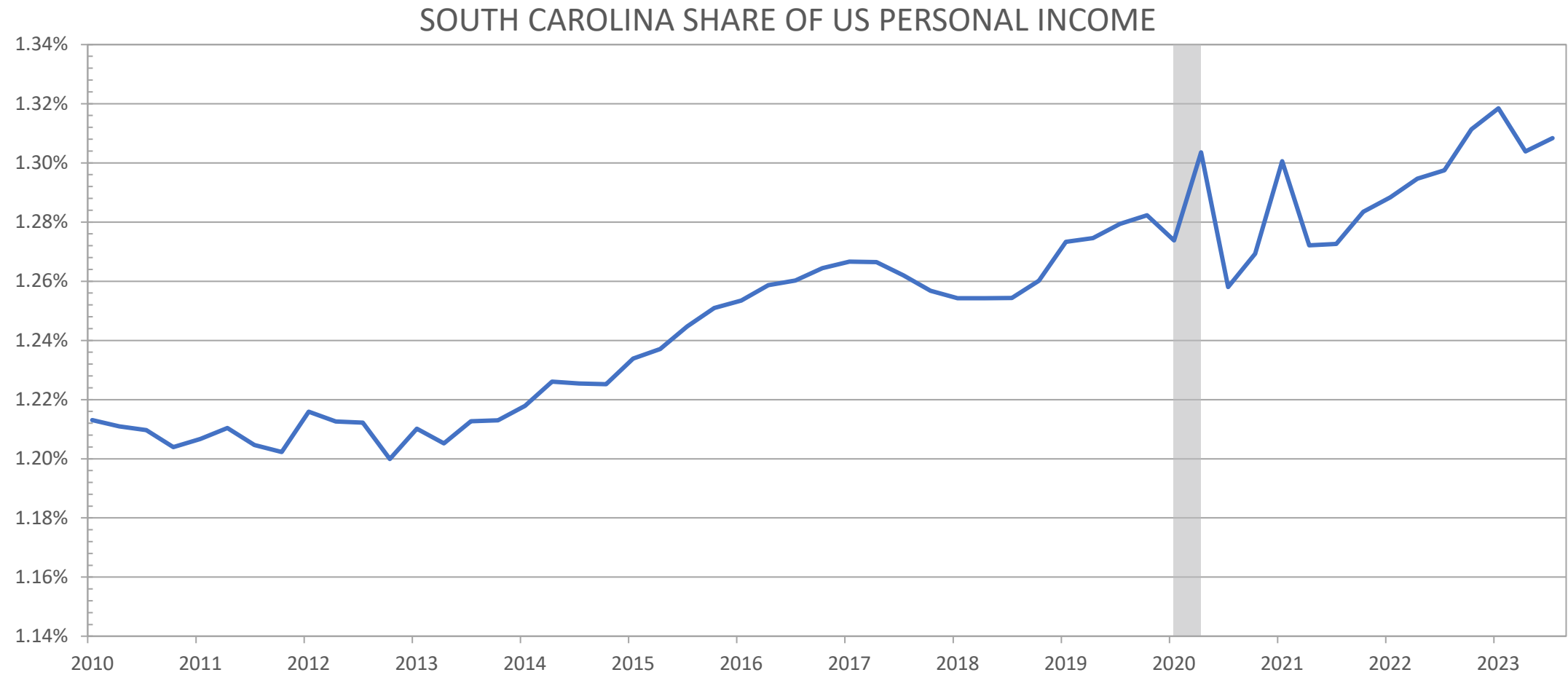


Source: Population Estimates Program Vintage 2023 estimates. File Name: Annual Estimates of Resident Population Change: April 1, 2020 to July 1, 2023



SC vs. US – Share of Personal Income

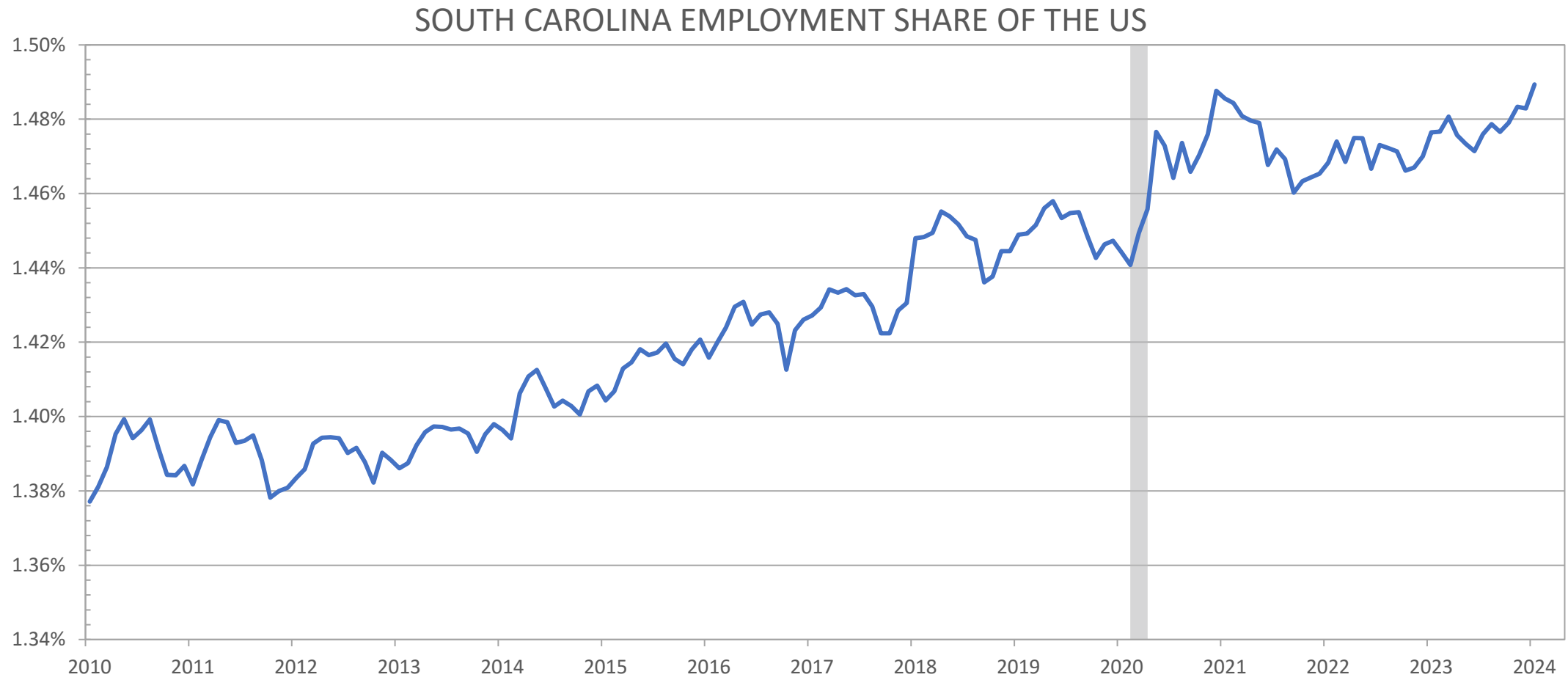
South Carolina's share of US personal income has also risen (\$2.3B per 0.01%)



Source: U.S. Department of Commerce, Bureau of Economic Analysis; 344- RFA/kav/03/12/2024

SC vs. US – Share of Employment

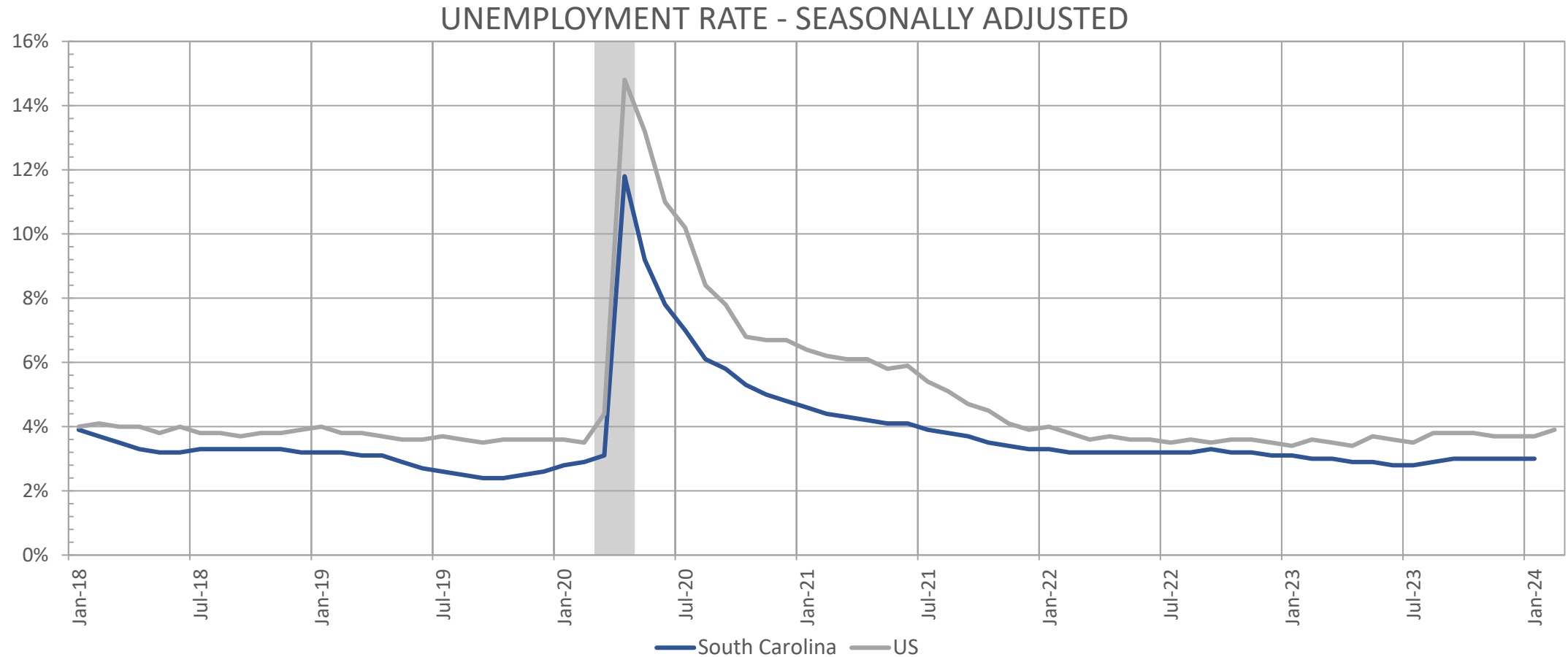
South Carolina's share of national employment has also grown (15,500 jobs for each 0.01%)



Source: U.S. Department of Commerce, Bureau of Economic Analysis; RFA/kav/03/12/2024

SC vs. US - Unemployment Rate

SC's unemployment rate continues to be below the US (3.0% vs. 3.9%)

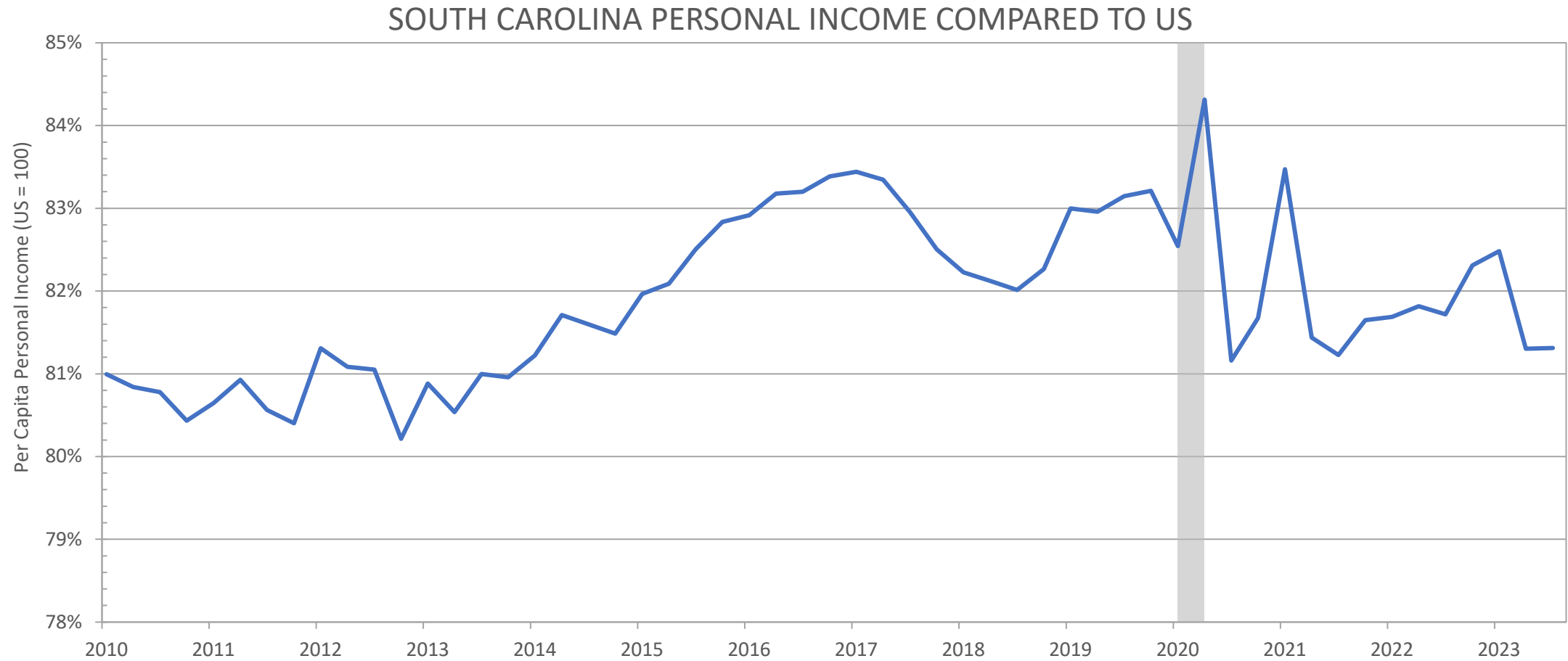


Source: U.S. Department of Commerce, Bureau of Labor Statistics, Seasonally Adjusted 129--RFA/kav/03/12/2024



SC vs. US – Ratio of Per Capita Income

Per capita personal income in South Carolina has hovered around 81% of the US as a whole



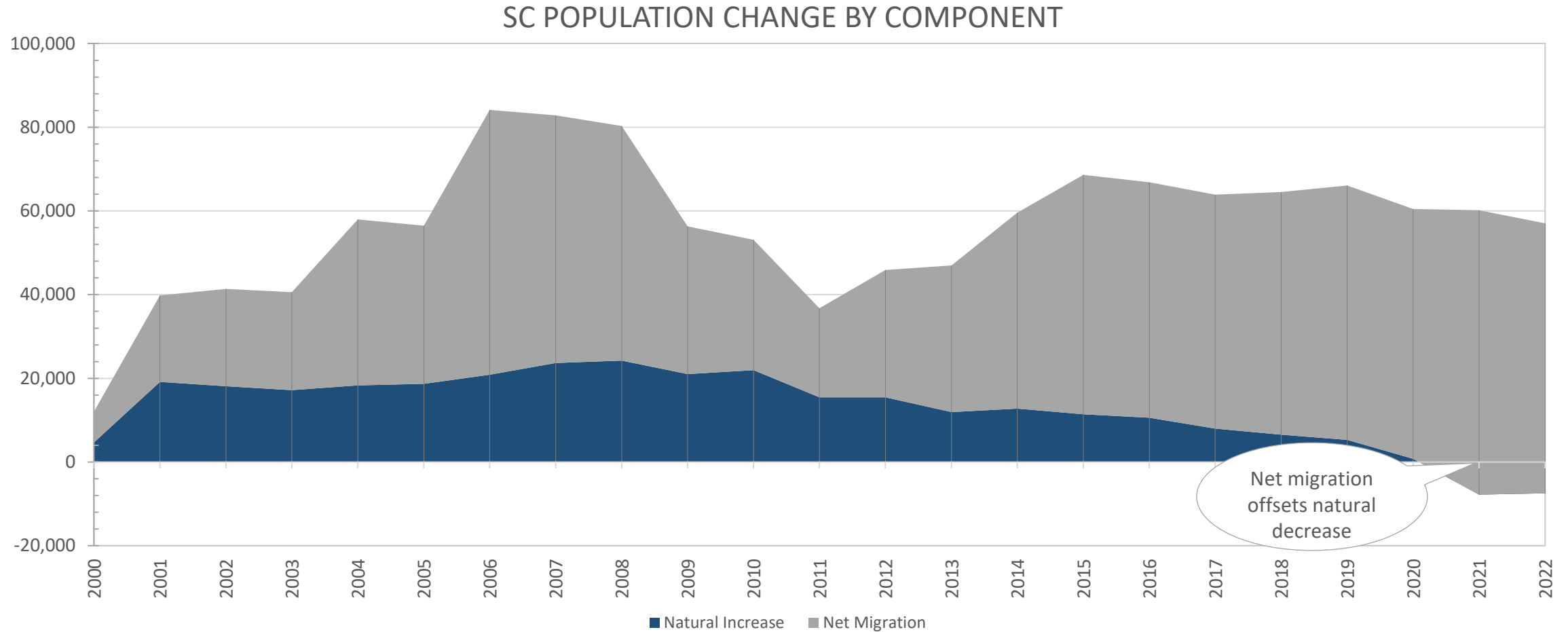
Source: U.S. Department of Commerce, Bureau of Economic Analysis; 344-RFA/kav/03/12/2024

State Trends



Components of SC Population Change

Migration is driving population growth as deaths have started to exceed births

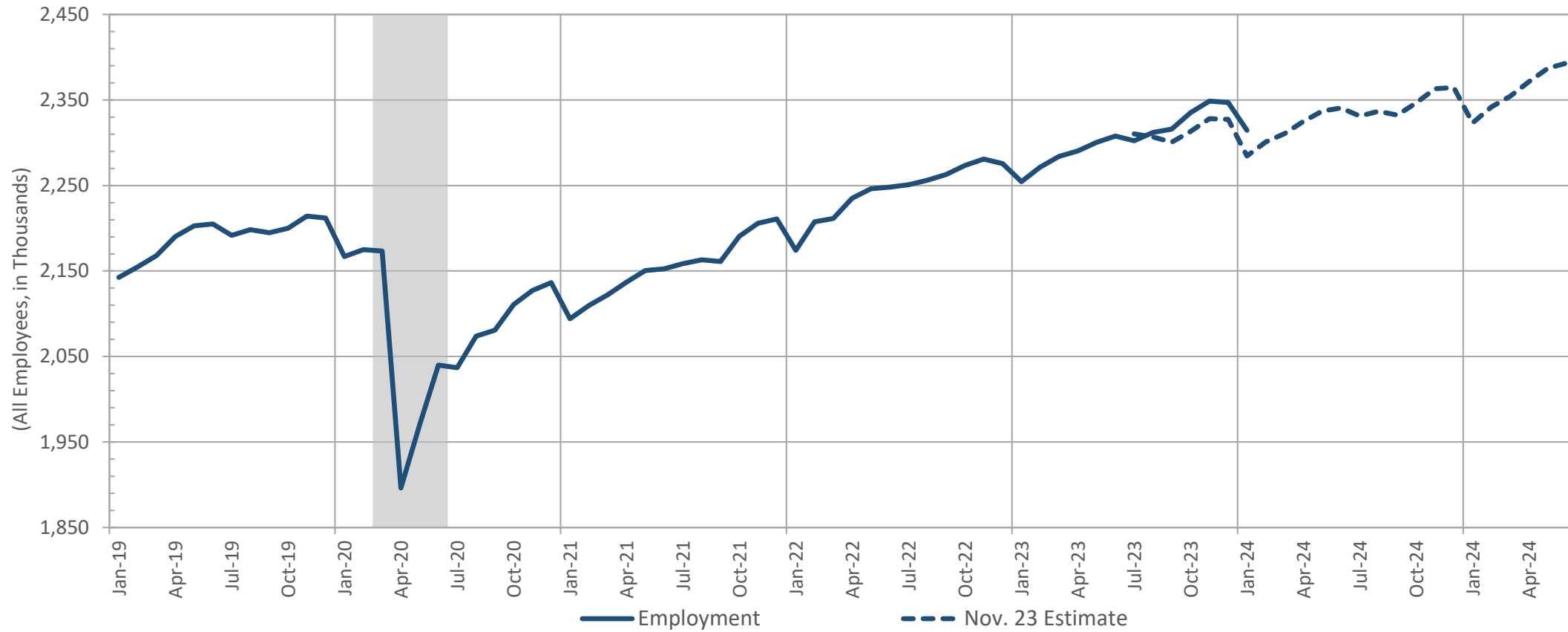


Source: US Census Bureau Population Estimates 321-RFA/9/12/2023

SC Employment

Revisions have brought total employment above our November 2023 estimate; January 2024 employment is up 2.7% from last January

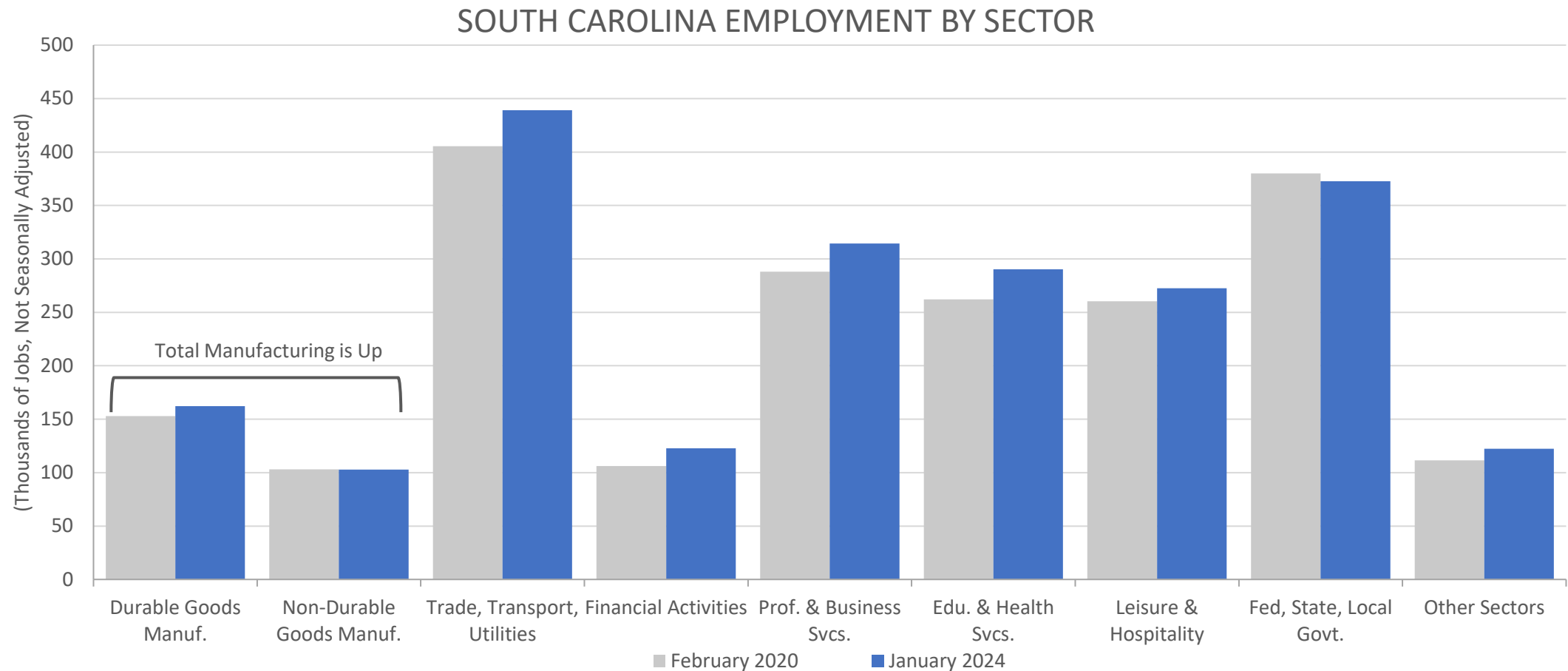
TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/01/23/2024

SC Employment by Industry

All major private sector industries are above their pre-COVID level; public sector employment finally recovered in the fall



Source: Bureau of Labor Statistics, U.S. Department of Labor 325-RFA/kav/03/12/2024

Long-term Challenges

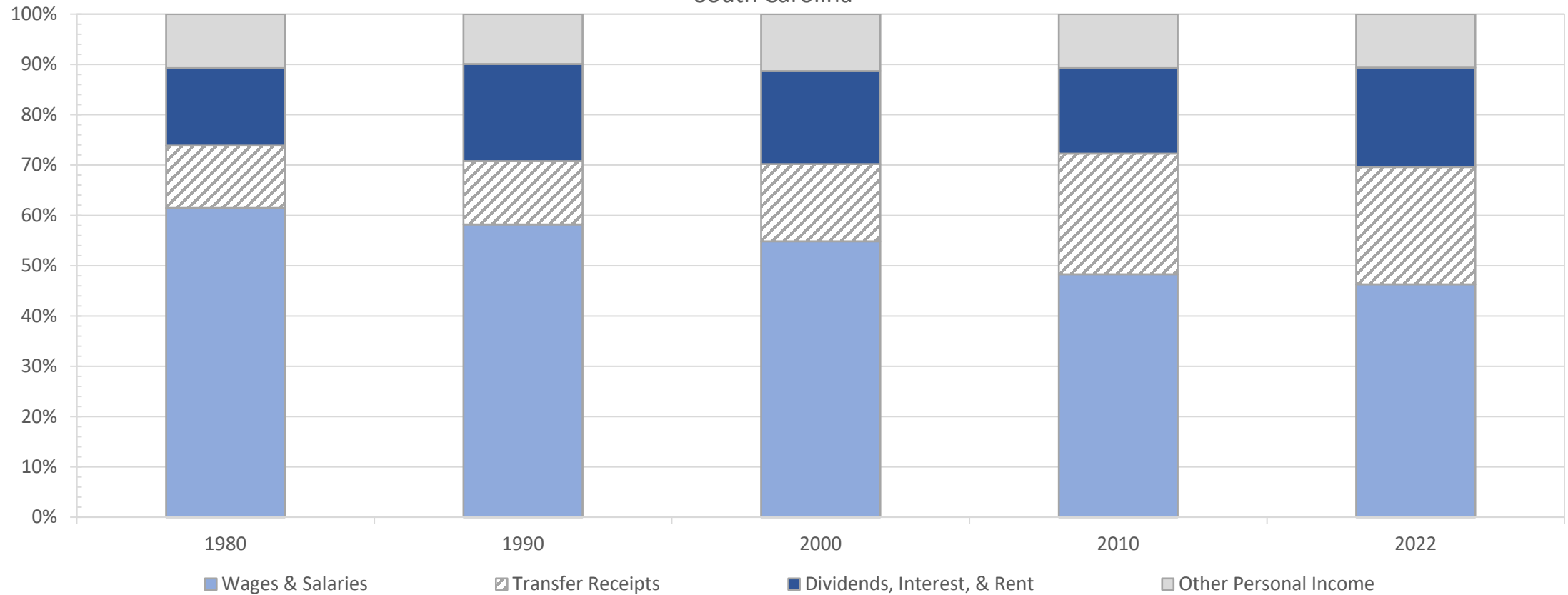


Personal Income – Components

The make-up of personal income has shifted over time; wages and salaries are a smaller percentage, while a larger percentage of income is from transfers (Social Security, government assistance)

SHARES OF PERSONAL INCOME COMPONENTS

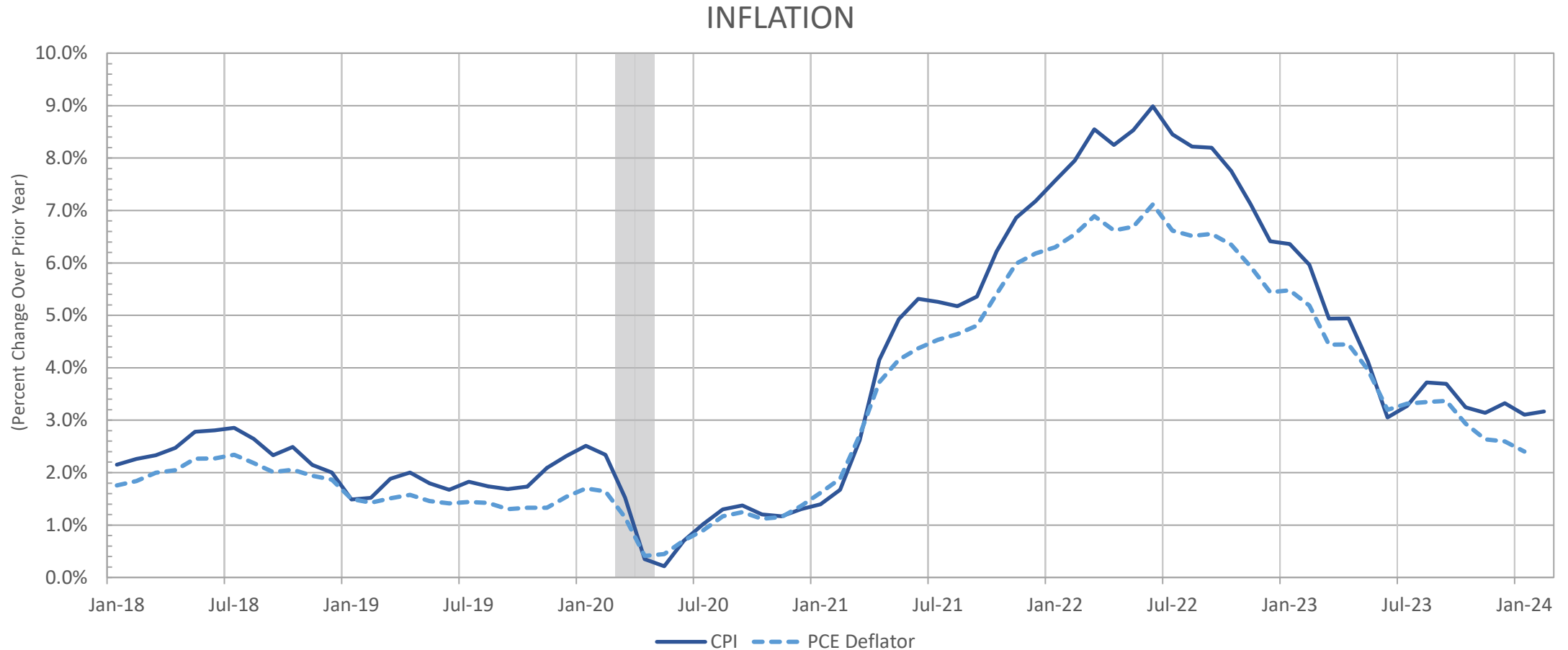
South Carolina



Source: U.S. Department of Commerce, Bureau of Economic Analysis 222-RFA/lhj/1/26/2024

US Inflation

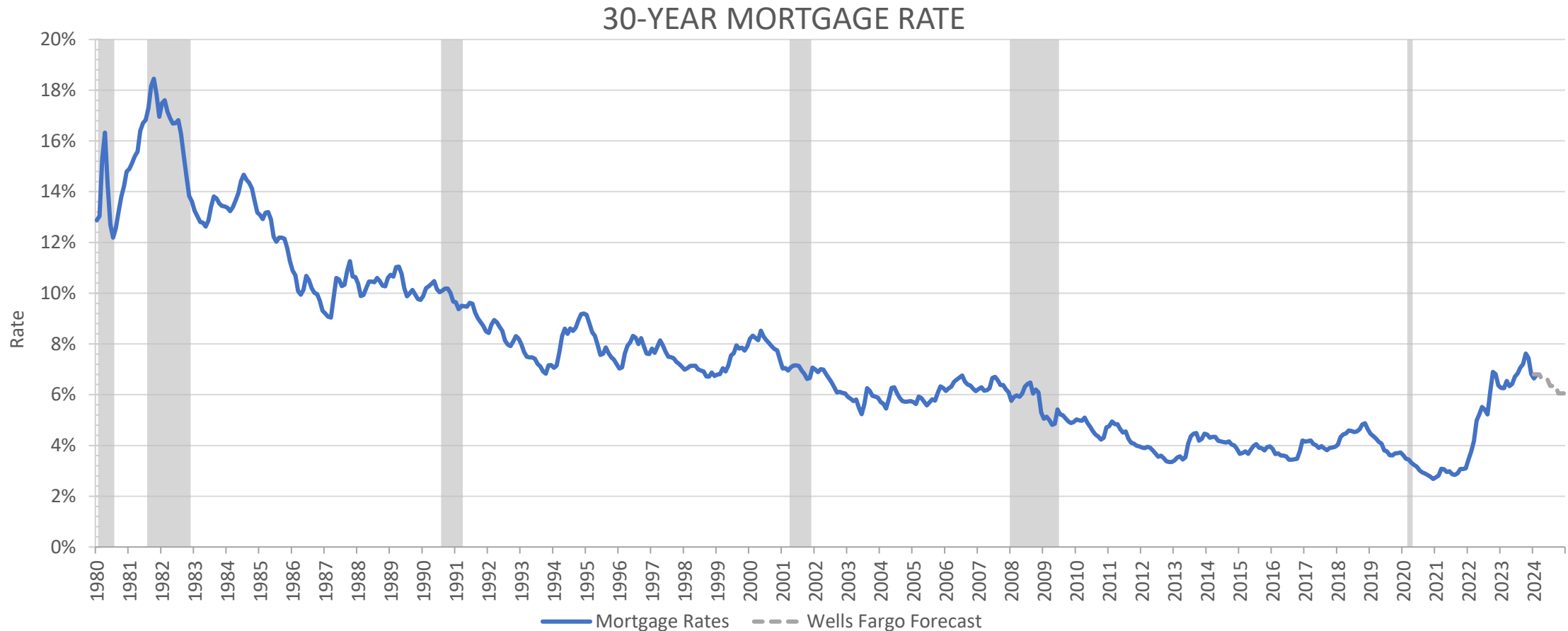
After peaking in 2022, inflation has slowly fallen; neither CPI nor PCE indicators have reached the Fed's 2% target yet



Source: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of Commerce, Bureau of Economic Analysis 216- RFA/kav/03/12/2024

Mortgage Interest Rates

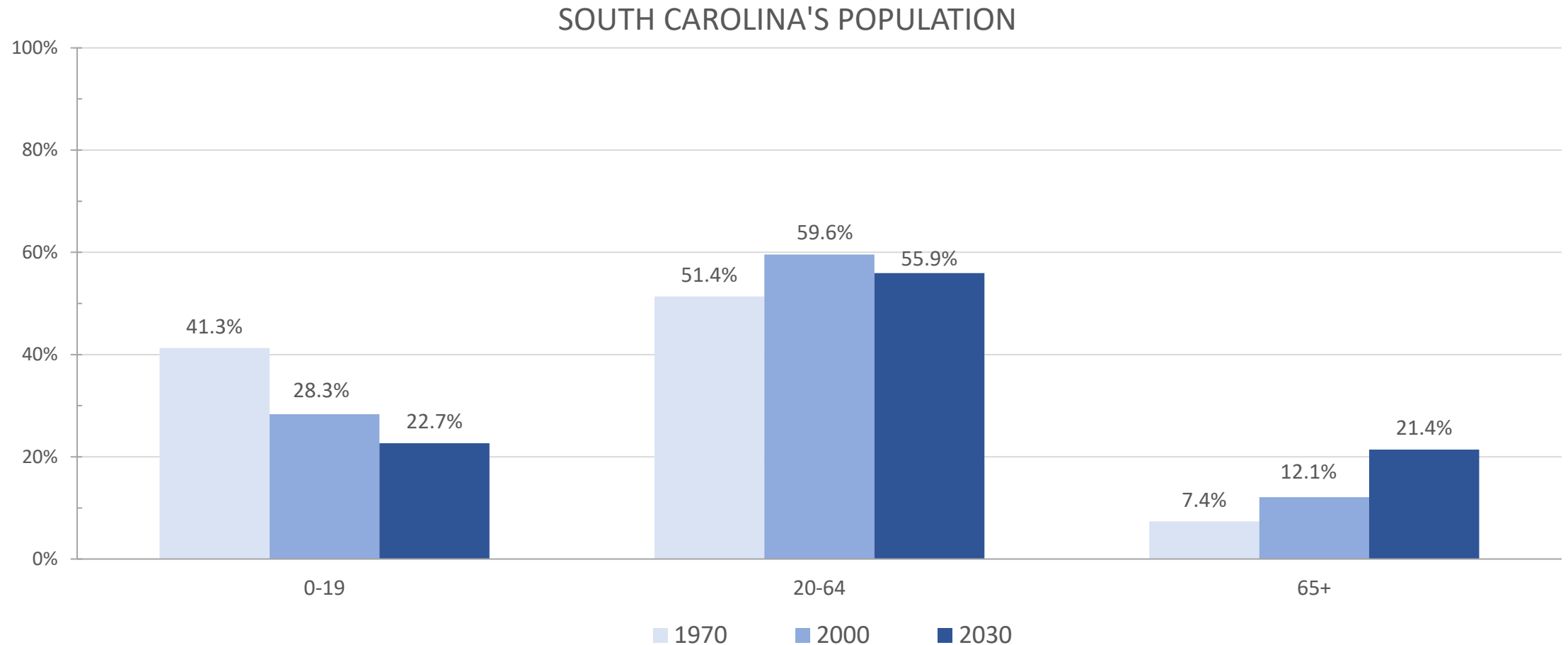
Conventional mortgage rates have begun to decline following the run-up to 7.62% in October 2023; Wells Fargo is forecasting rates to remain above 6% through 2024



Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis; "U.S. Economic Outlook: February 2024", Wells Fargo. 340-RFA/kav/03/12/2024

Working Age Population Is Not Growing as Fast as Total

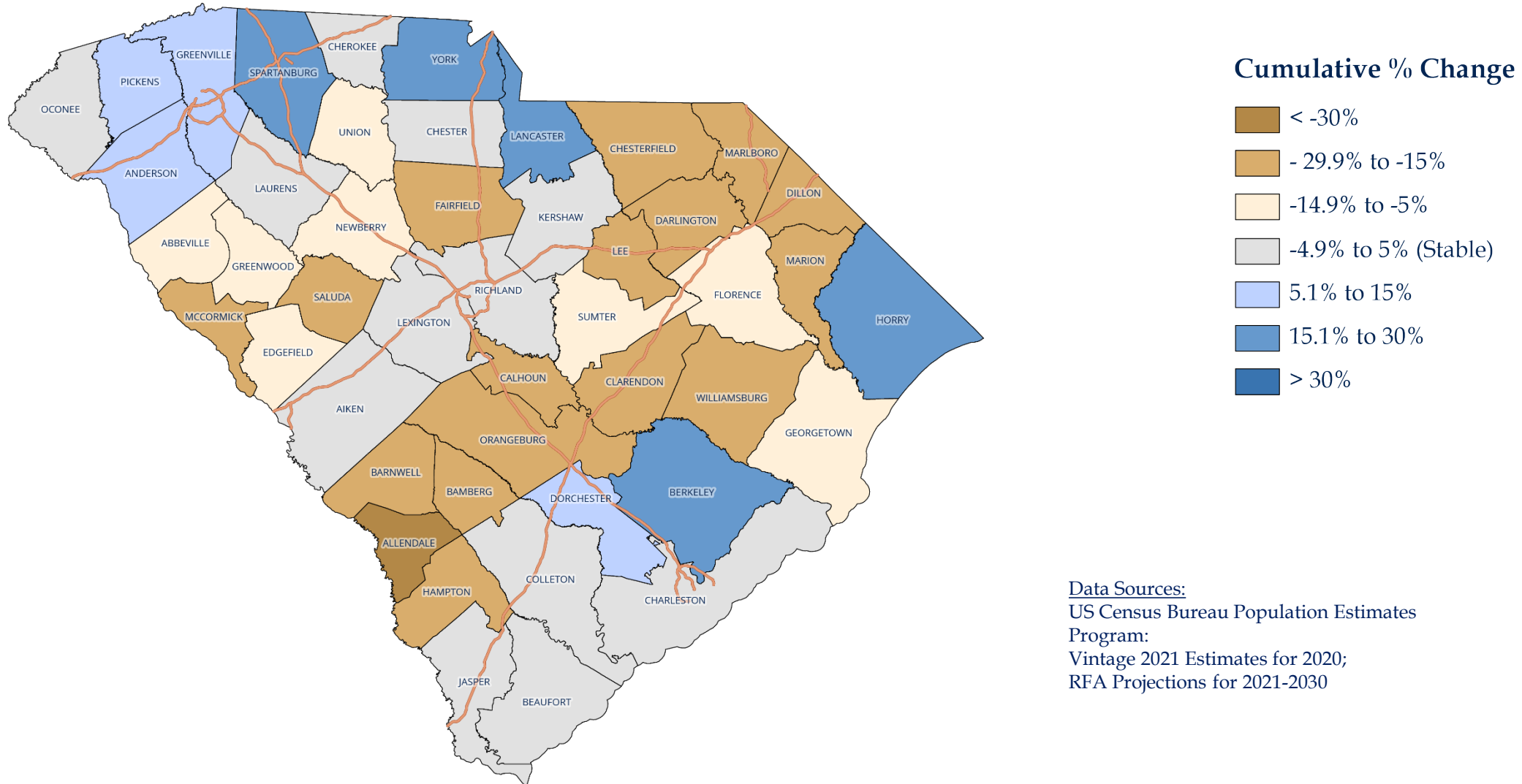
The percentage of the population of workforce age is projected to decrease



Source: United States Census Bureau population estimates; South Carolina Revenue and Fiscal Affairs population projections

Projected Workforce Age (18 – 64) Population, 2020 – 2030

Some counties will be more challenged than others in finding workers



Data Sources:
US Census Bureau Population Estimates
Program:
Vintage 2021 Estimates for 2020;
RFA Projections for 2021-2030

SC v US - Unemployed Persons Per Job Opening

There are currently more job openings than unemployed persons

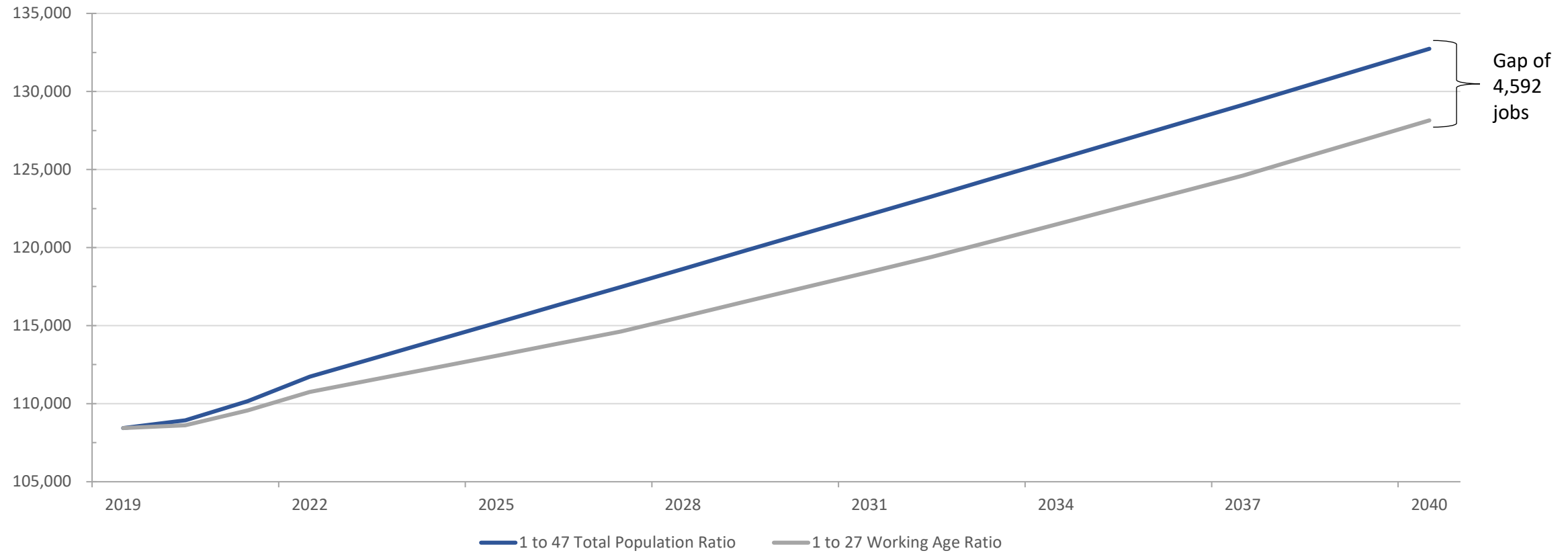


Source: U.S. Bureau of Labor Statistics, CPS and JOLTS; seasonally adjusted 259A2 - RFA/kav/03/12/2024

SC State Gov't Employment – Demand vs. Supply Projections

The changing population demographics will make it difficult for state government to find workers

TOTAL STATE EMPLOYEE PROJECTIONS

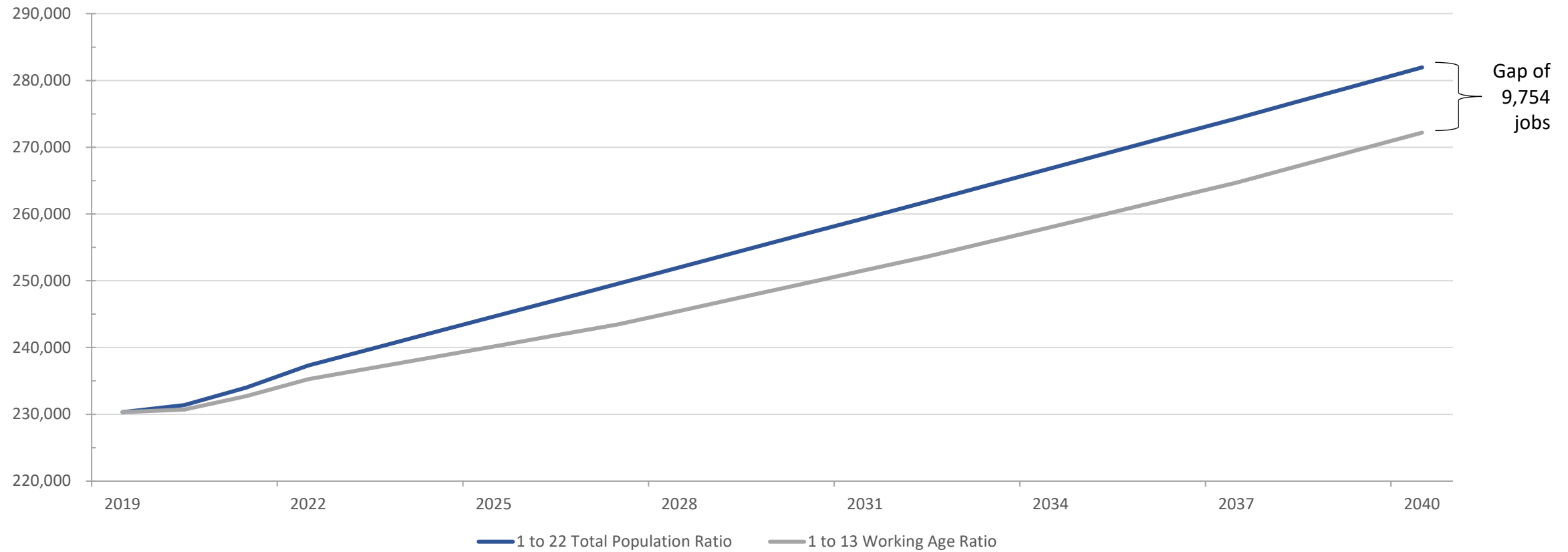


Source: Bureau of Labor Statistics, U.S. Department of Labor; S.C. Revenue and Fiscal Affairs population projections

SC Local Gov't Employment – Demand vs. Supply Projections

The changing population demographics will make it difficult for local governments to find workers

TOTAL LOCAL GOVERNMENT EMPLOYMENT PROJECTIONS

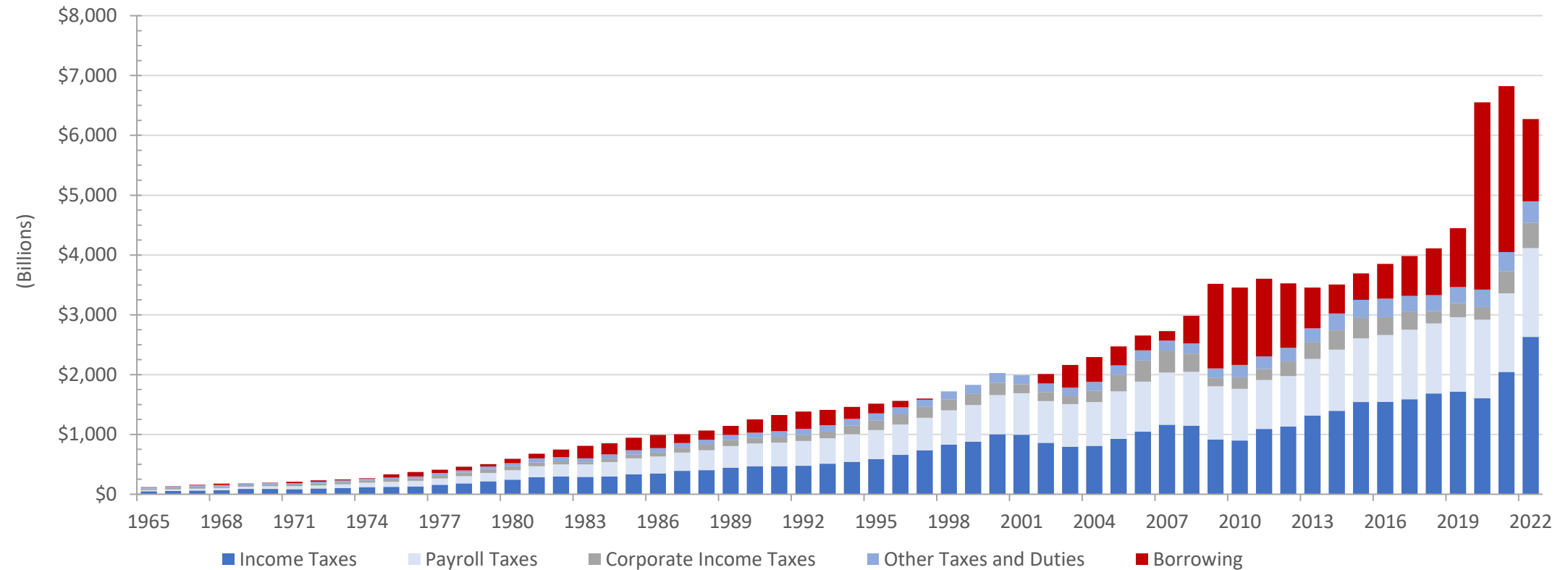


Source: Bureau of Labor Statistics, U.S. Department of Labor; S.C. Revenue and Fiscal Affairs population projections

Federal Revenues

Revenue isn't enough; borrowing continues to grow at an extraordinary pace

HOW DOES THE FEDERAL GOVERNMENT MEET ITS NEEDS?



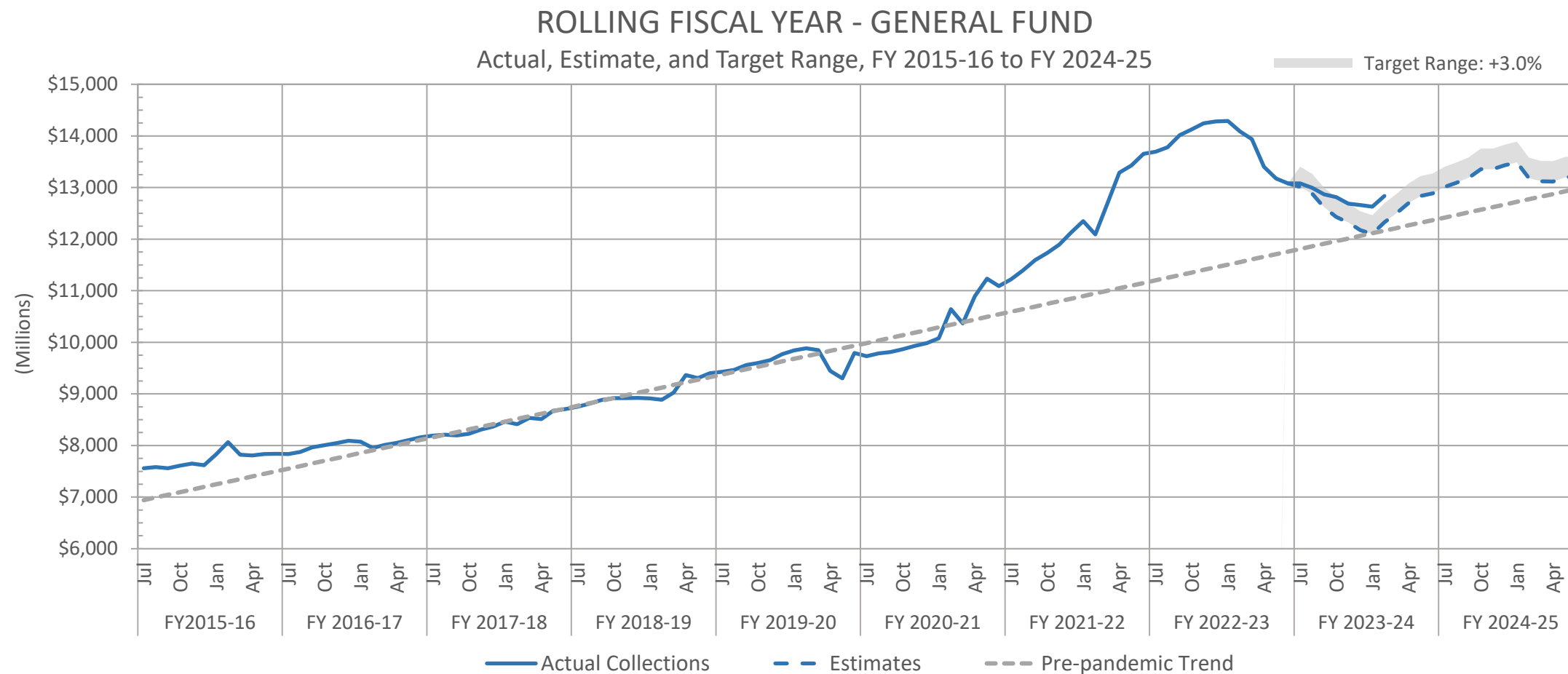
Source: "The Budget and Economic Outlook" Congressional Budget Office, February 15, 2023

Fiscal Update



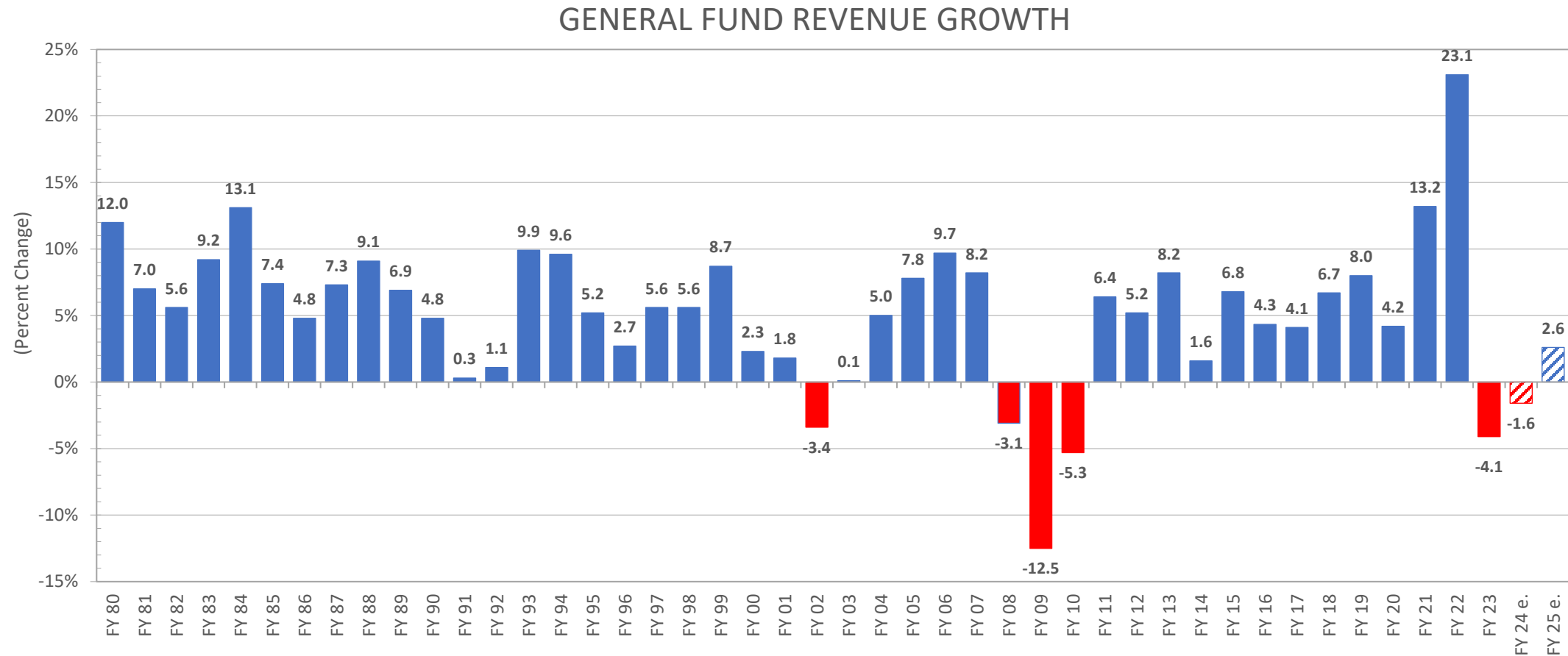
General Fund Long-term Trend

After two years of massive growth in revenue, revenues are returning close to our pre-pandemic trend, partly due to tax cuts



General Fund Revenue Growth

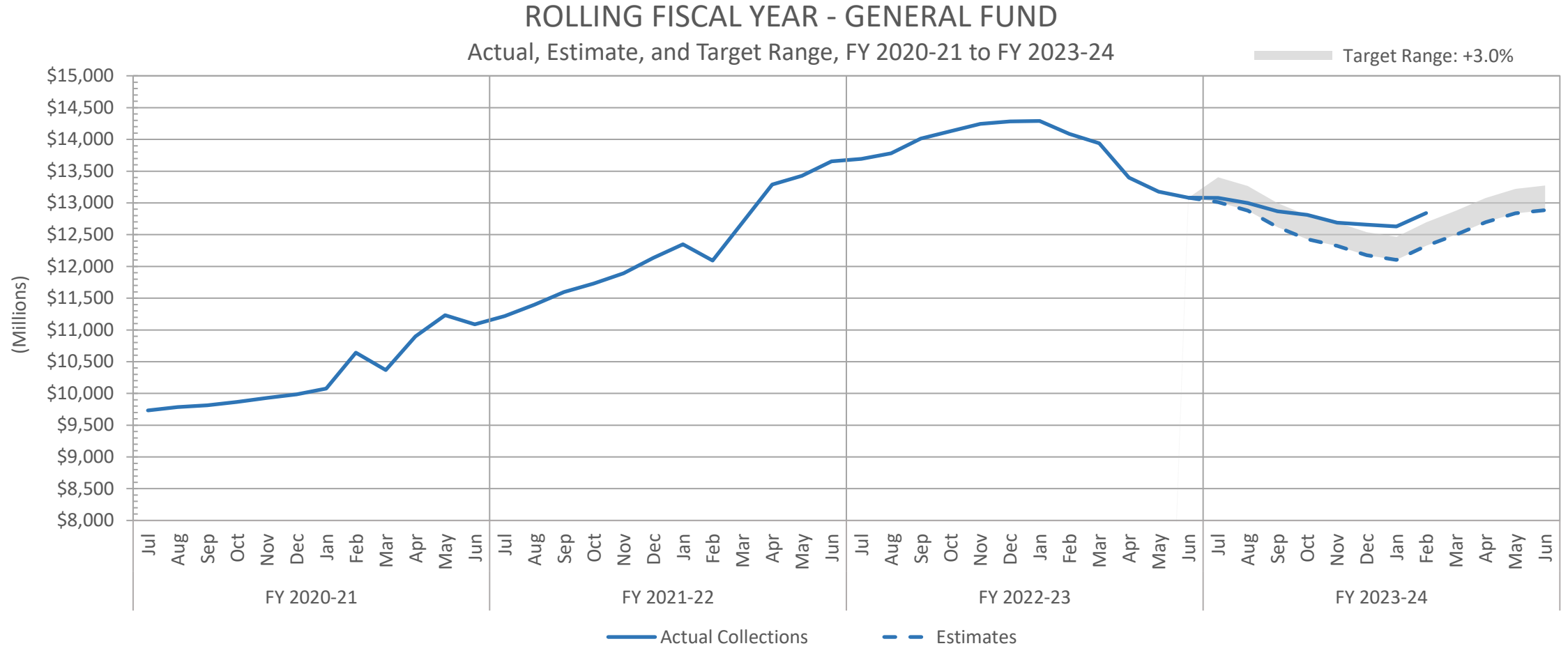
FY 23 fell 4.1% after two years of double-digit growth (tax cuts); another decline is anticipated in FY 24 with growth returning in FY 25



Source: S.C. Revenue and Fiscal Affairs Office 28-lhj/01/19/24

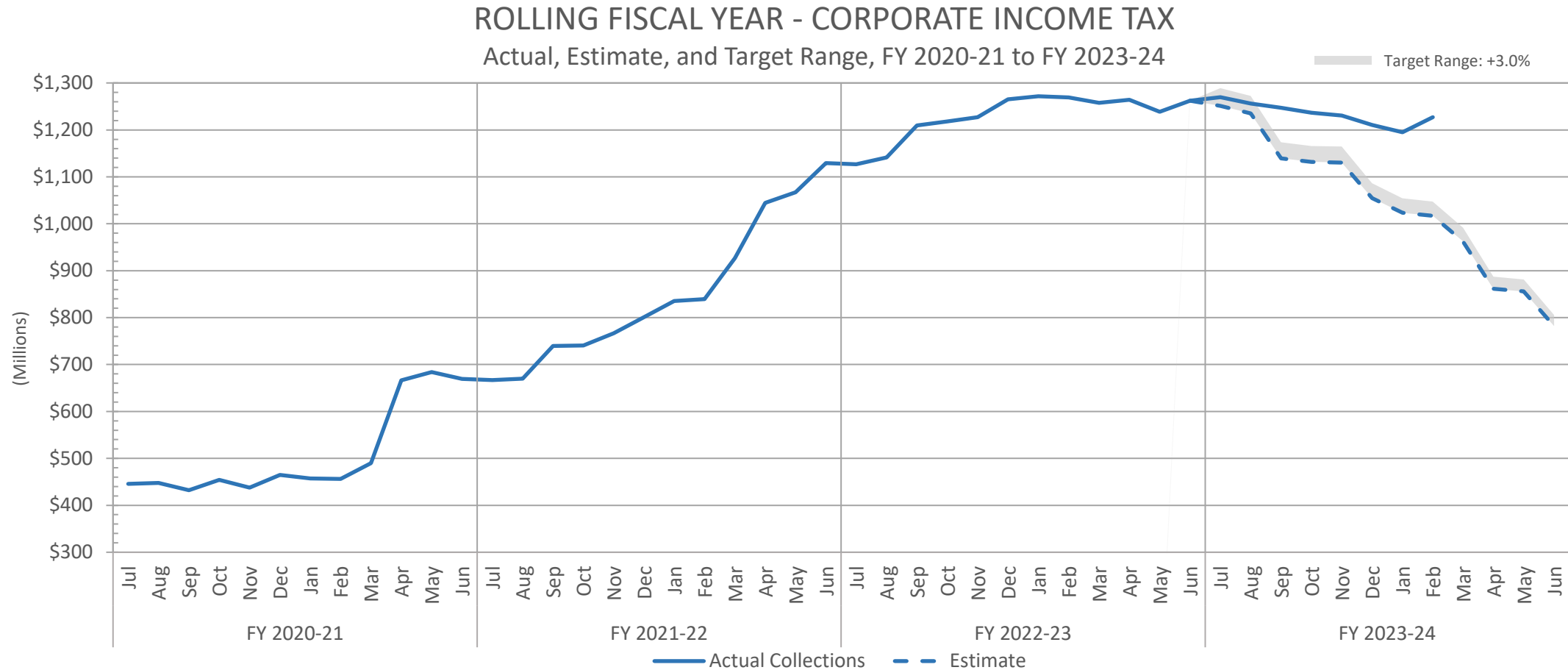
General Fund – Actuals vs. Estimates

Revenues are \$383.3 million above the estimate through February 2024, but more than 60% of this excess is due to the corporate income tax, a highly volatile source of revenue



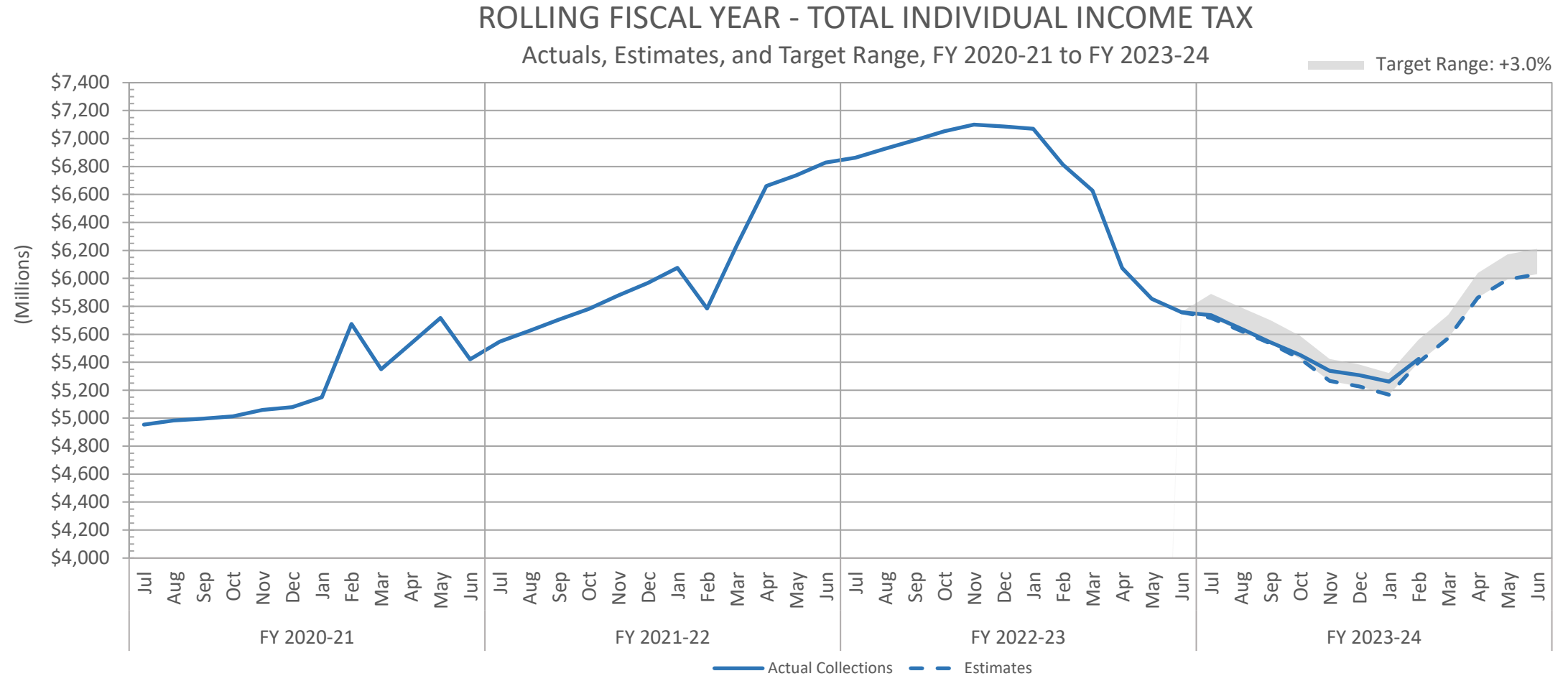
Corporate Income Tax - Actual vs. Estimate

Corporate income tax revenue remains high but is very volatile



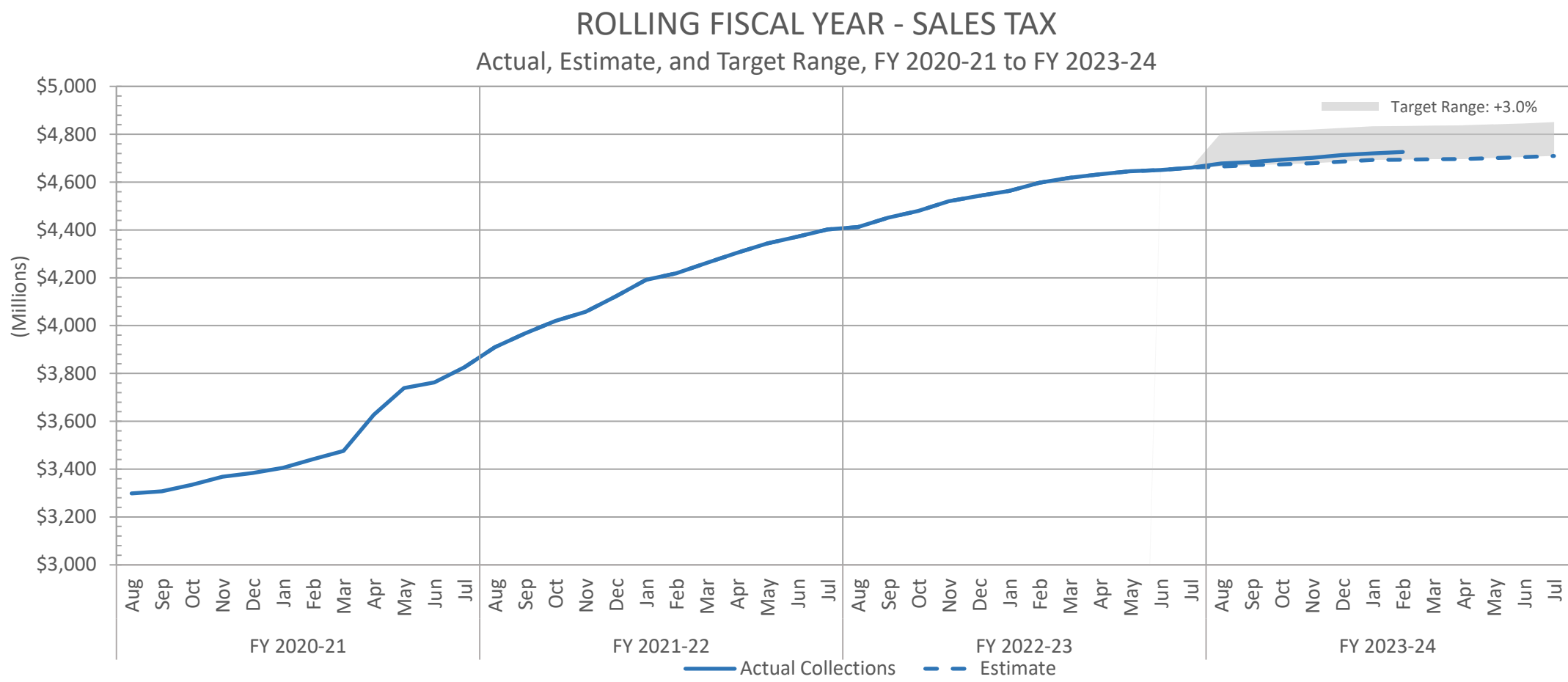
Individual Income Tax - Actual vs. Estimate

Income tax revenue declined as expected due to tax cuts



Sales Tax - Actual vs. Estimate

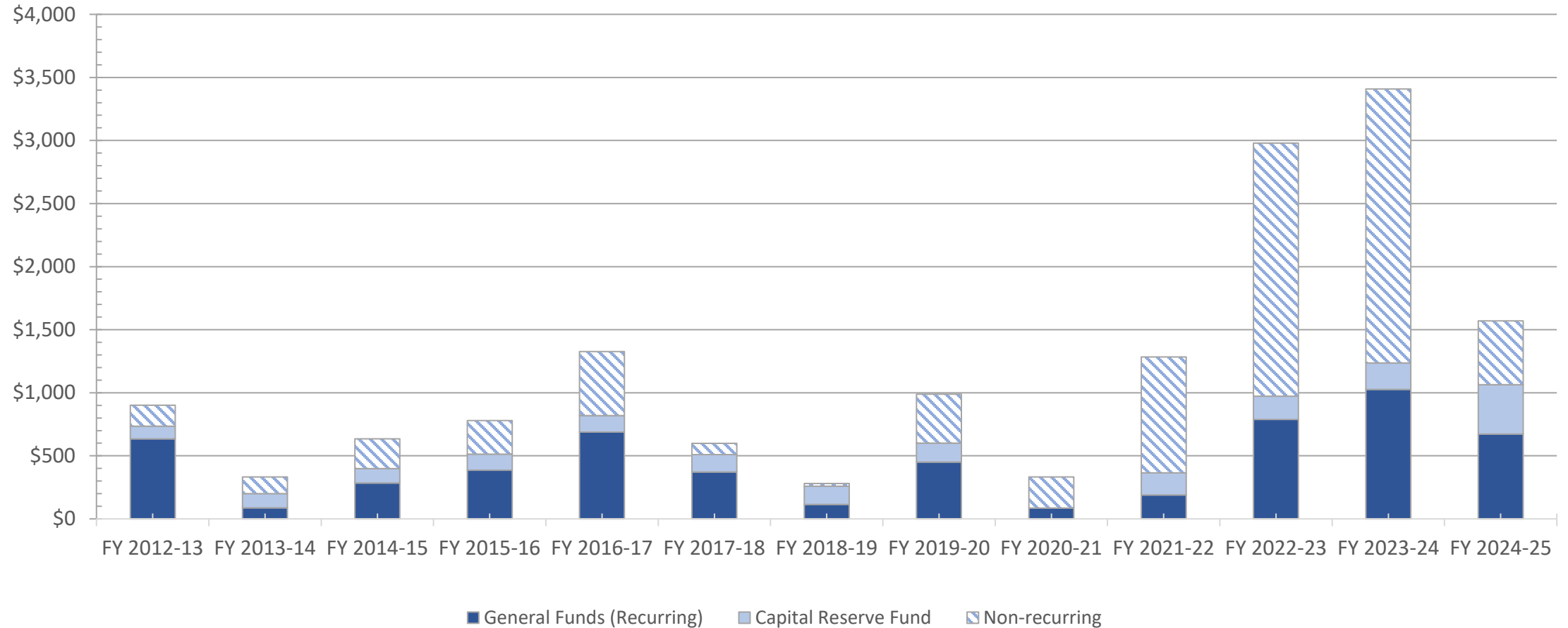
Sales tax growth is flattening



"New" Funds by Fiscal Year by Type

FY 23 & FY 24 were exceptions

"NEW" FUNDS BY BUDGET YEAR

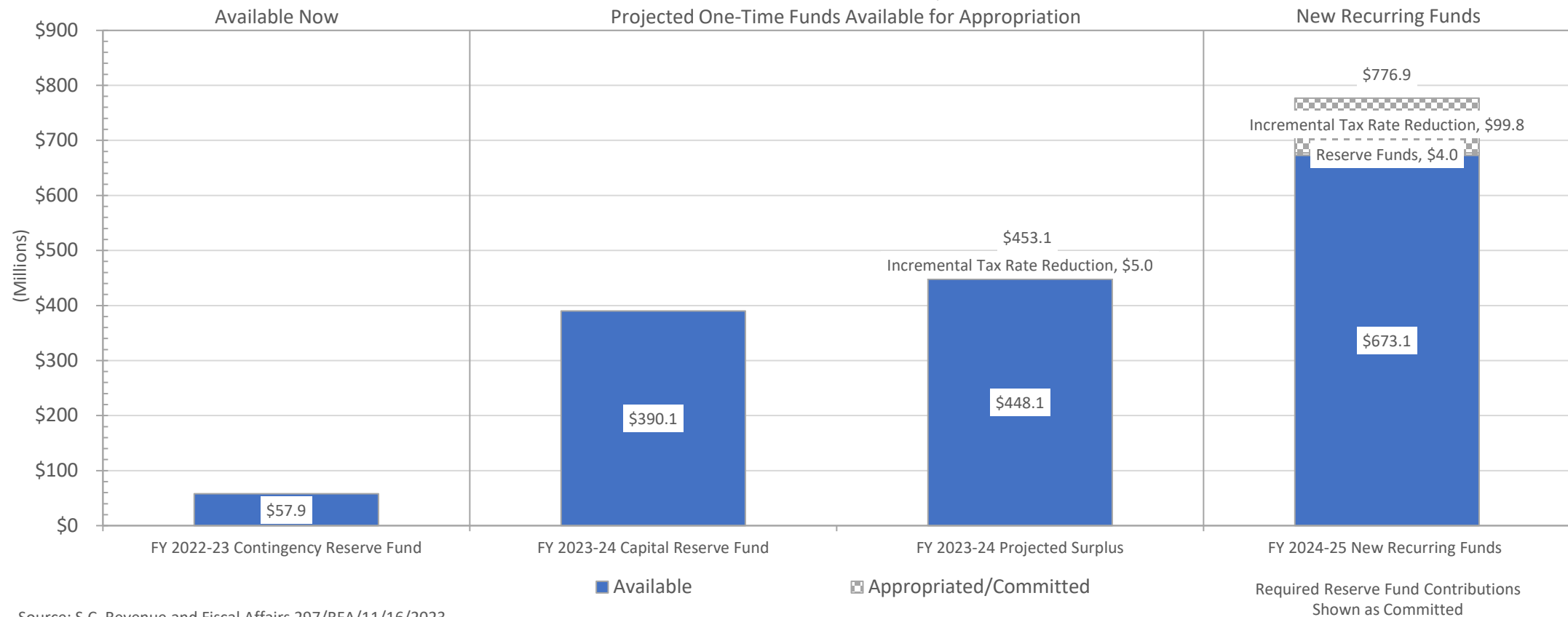


FY 2024-25 Budget Process

Nonrecurring funds total \$896.1 million; recurring funds total \$776.9 million

AVAILABLE FUNDS - FY 2024-25 BUDGET PROCESS

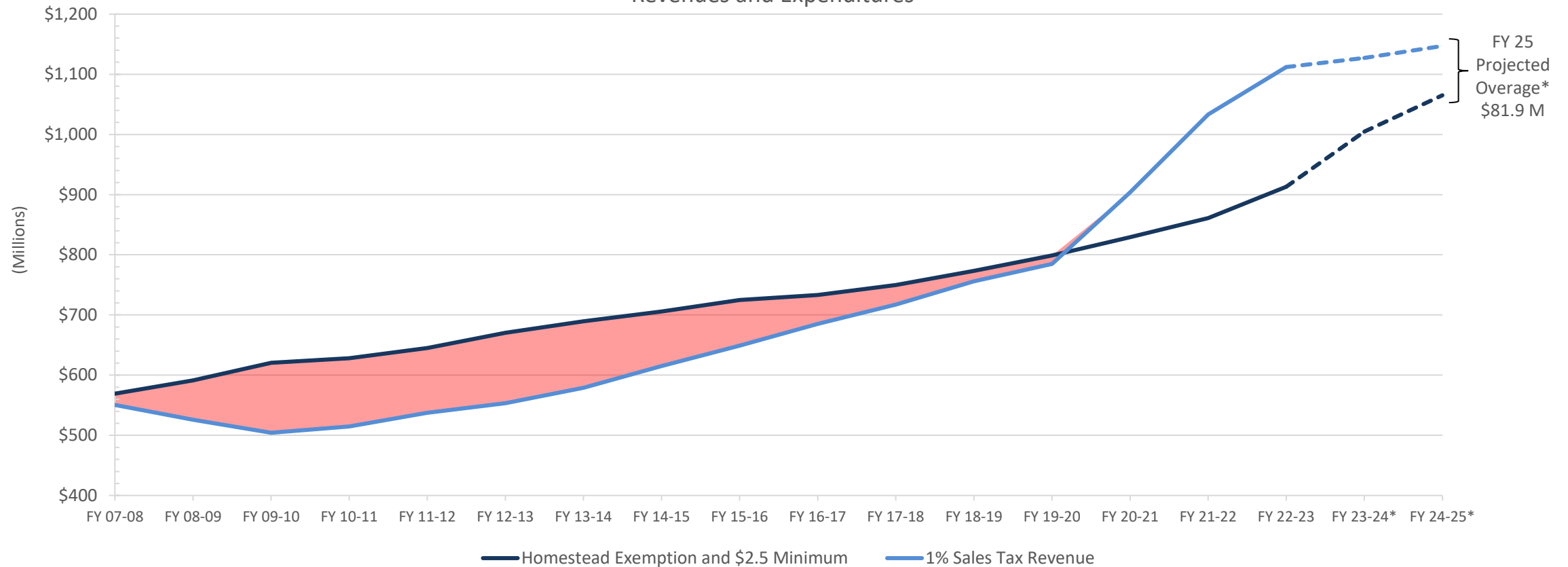
as of November 16, 2023



Homestead Exemption Fund – 1% Sales Tax

General Fund supplemented \$927.4 million for shortfalls; estimated FY 24 fund balance of \$634.9 million

HOMESTEAD EXEMPTION FUND (TIER III)
Revenues and Expenditures



*Does not include fund balance or appropriations.

Note: Tier III Expenditure includes \$2.5M minimum disbursements and lease purchase lawsuit revisions. Revenue and expenditure projection as of 11/16/2023 BEA forecast.

Source: SC Revenue and Fiscal Affairs Office MKM-40- 11/16/2023

Questions?

