SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

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FY 2025-26 and FY 2026-27 General Fund Revenue Forecasts

Stronger than Average Growth and Prudent Budgeting results in Positive Budget Outlook

COLUMBIA – The South Carolina Board of Economic Advisors (BEA) issued an updated forecast for the current fiscal year, FY 2025-26 (FY 26), and an initial forecast for the following year, FY 2026-27 (FY 27), at its meeting Tuesday, November 18, 2025. The BEA noted that General Fund revenues for last fiscal year finished $410.7 million above expectations, which resulted in a higher base for estimating FY 26 and FY 27 revenues, and the growth underlying the extra revenue has continued through the first quarter of this fiscal year. These factors combined with unappropriated funds in FY 2024-25 (FY 25) and FY 26 from the BEA's May 2025 estimate greatly impacted today's forecast and the budgetary outlook.

According to economic data released since the May forecast, personal income, the primary driver of revenue collections, has continued to grow faster than expected. Based on analysis by staff and perspectives shared by the BEA's panel of economists, South Carolina's personal income and employment are expected to grow through the current fiscal year and into the next, although growth is expected to slow from the above-average rates experienced in recent fiscal years. However, this continued income growth has not translated into the expected performance in all revenue categories. While consumer spending seems to be continuing to exceed expectations, collections for individual income tax withholdings have not kept pace with income growth and have fallen behind monthly estimates.

For FY 26, the BEA increased its previous estimate by a net total of $189.5 million to $14.68 billion after considering a higher starting point from final FY 25 collections, revised growth estimates, and tax cuts enacted by the General Assembly. Overall, the revised forecast represents an increase of 1.3 percent over the May forecast but is a slight decline of 1.2 percent from last fiscal year largely due to income tax cuts. The main upward revisions to the forecast occurred in sales tax and earnings on investments. Conversely, unexpectedly slow income tax withholdings to start the fiscal year prompted a reduction to that particular estimate, but income tax payments (non-withholdings) are trending better than anticipated. The total individual income tax estimate reflects the tax rate reduction from 6.2 percent to 6.0 percent for tax year 2025, achieving the marginal tax rate goal enacted in 2022 two years earlier than originally anticipated.

For FY 27, the BEA adopted a forecast of $15.01 billion, reflecting expected growth of 2.2 percent, or $328.5 million, over the revised FY 26 forecast. Personal income growth is expected to slow slightly from 4.6 percent in FY 26 to 4.4 percent in FY 27, which is slightly below the historical pre-pandemic average of 4.9 percent from 2010 to 2019. Growth in the major revenue categories is expected to be slightly below historical averages as a result. Further, the board continues to be mindful of potential challenges to the economy and will continue monitoring economic conditions that may impact the forecast.

With these new estimates, the budget outlook for the next legislative session remains positive. The revised revenue estimate for FY 26 combined with the unappropriated funds in the current budget result in an expected budgetary surplus of $600.8 million for FY 26.[1] This projected surplus combined with the FY 25 surplus of $725.9 million in the Contingency Reserve Fund and the FY 26 Capital Reserve Fund of $387.4 million result in a total of $1.71 billion in one-time funds available to appropriate for non-recurring purposes. However, the Aid to Fire Districts distribution has exceeded the appropriation in recent years, reducing the year-end surplus, and this year, the available budgetary revenue figure also recognizes the anticipated year-end shortfall in the Aid to Fire Districts appropriation in advance.

After accounting for required trust fund contributions and open-ended appropriations, new recurring funding of $733.9 million will be available to appropriate during the upcoming FY 27 budget process. Additional explanation can be found in the BEA's meeting materials, which are posted on the agency's website at www.rfa.sc.gov .

FY 2026-27 Budget Outlook
(Millions)

Net New Recurring General Fund Revenue – FY 2026-27 *(Less Tax Relief Trust Fund, General Reserve and Capital Reserve Fund contributions, and Aid to Fire Districts projected year-end shortfall)*	**$733.9**
Non-Recurring Revenue	
FY 2024-25 Contingency Reserve Fund *(prior year surplus)*	$725.9
FY 2025-26 Capital Reserve Fund	$387.4
Projected FY 2025-26 General Fund Surplus	$600.8
Total Non-Recurring Revenue	**$1,714.0**
Estimated Additional Revenue for Appropriation	**$2,447.9**

(Figures may not add to totals due to rounding)

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[1] In the FY 26 budget process, the General Assembly did not appropriate $225 million of the projected FY 25 revenue and $249 million of the projected FY 26 revenue.