

South Carolina General Fund Revenue Forecast FY 2021-22 and FY 2022-23

February 15, 2022



FY 2021-22 General Fund Revenue Updates



FY 2021-22 Results through January 2022

- Total General Fund revenue is \$853.0 million above the estimate
- Sales tax is growing 20.0% and is \$230.1 million above the estimate
- Individual Withholdings is growing 14.7% above last fiscal year
- Corporate Income tax is growing 88.9% and is \$154.3 million above the estimate
- Insurance tax is within \$10 million of the estimate

January Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - JANUARY FY 2021-22

(\$ in Millions)

	Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate Full Yr.	Actual YTD		Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate Full Yr.	Actual YTD
Total General Fund Revenue	\$7,527.4	\$6,674.3	\$853.0	(1.7%)	20.1%	Other Revenue Items, Sub-Total	\$537.1	\$462.7	\$74.4	(0.9%)	20.2%
Sales Tax	2,188.7	1,958.6	230.1	(1.8%)	20.0%	Admissions Tax	17.8	10.8	7.0	13.2%	95.8%
Individual Income Tax	4,308.6	3,923.7	384.9	(0.4%)	17.9%	Alcoholic Liquors Tax	55.7	48.4	7.3	(3.4%)	16.6%
Withholdings	3,944.0	3,610.2	333.9	2.3%	14.7%	Bank Tax	25.4	16.4	9.0	(46.5%)	232.6%
Nonwithholdings	708.2	667.5	40.7	(8.7%)	5.1%	Beer and Wine Tax	60.5	58.5	2.1	(1.2%)	1.6%
Refunds	343.7	354.0	(10.3)	0.9%	(25.1%)	Corporate License Tax	135.5	131.0	4.5	6.8%	10.4%
Corporate Income Tax	353.1	198.8	154.3	(1.8%)	88.9%	Deed Rec. (Doc. Tax)	81.6	54.2	27.4	(15.8%)	45.4%
Insurance Tax	139.8	130.5	9.3	(7.0%)	(10.7%)	Earnings on Investments	40.6	37.3	3.3	3.3%	12.5%
Other Revenue Items, Sub-Total	537.1	462.7	74.4	(0.9%)	20.2%	Residual Revenue	119.9	106.1	13.9	(11.0%)	11.2%

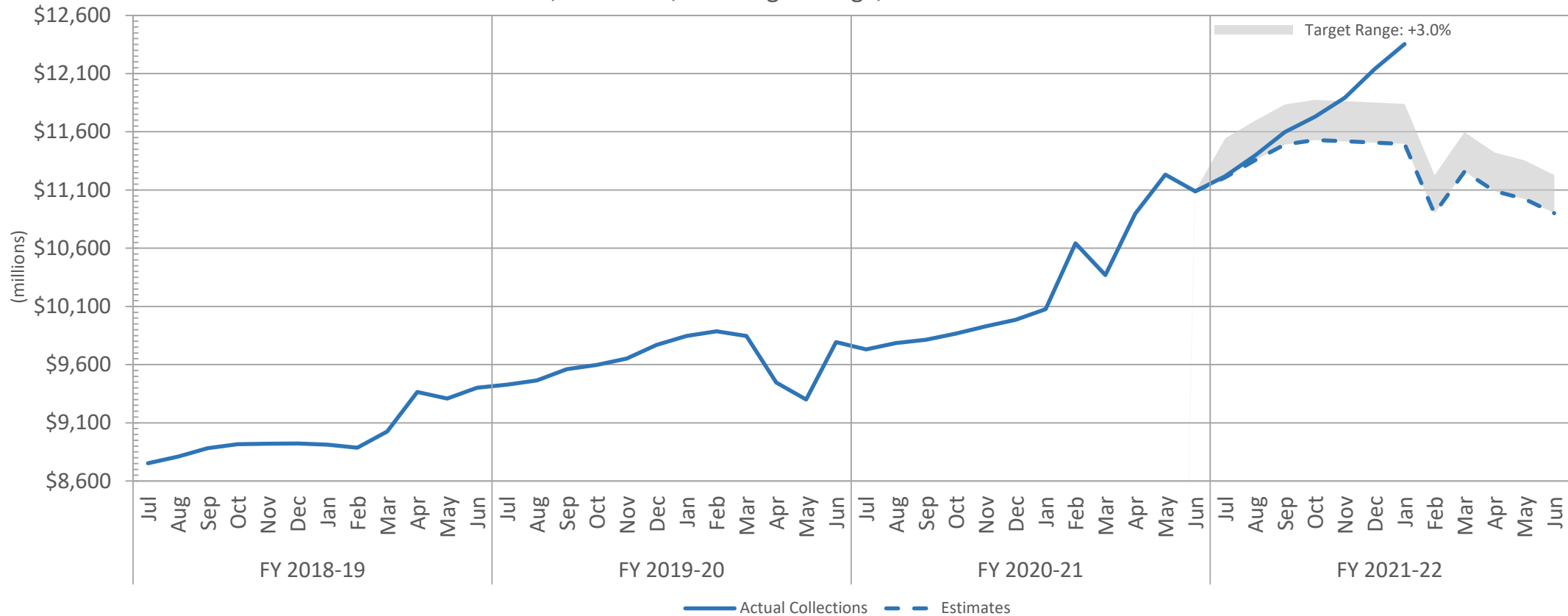
Based on BEA Forecast as of November 10, 2021



General Fund – Actuals vs. Estimates

Revenues continue to grow faster than expected and are \$853.0 million above the estimate year-to-date

ROLLING FISCAL YEAR - GENERAL FUND
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Review of FY 2021-22 and FY 2022-23 Forecasts and Assumptions



Economic Assumptions

Employment

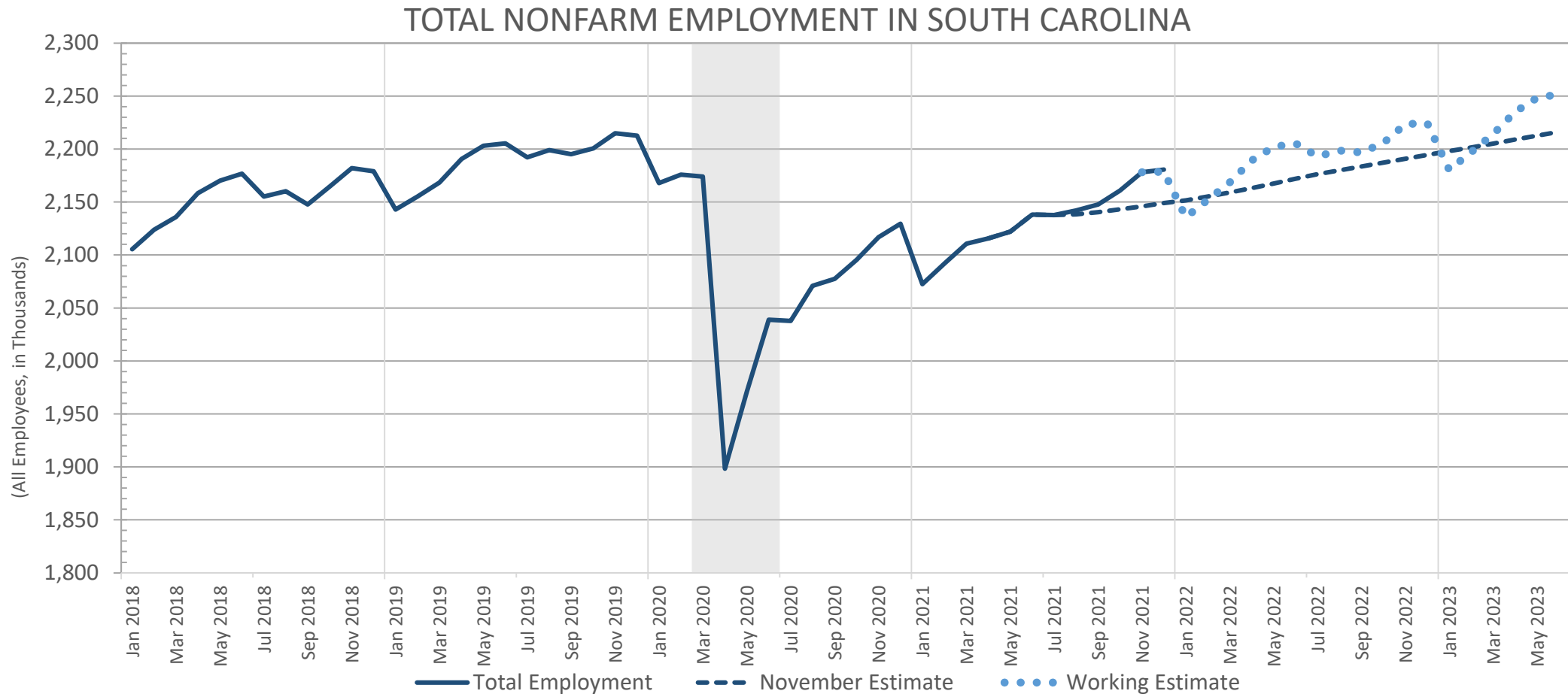
- Year-over-year employment growth higher than expected (0.9% forecasted, 2.4% actual)
- Note: BLS publishes comprehensive data revisions in March 2022

Personal Income

- Income growth higher in calendar year Q3 than anticipated (8.6% forecasted wage growth, 10.3% actual)

Employment – Working Estimate

Working estimate in FY 2021-22 and FY 2022-23 considers faster than expected employment growth



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/nmg/2/7/2022

Employment Estimates

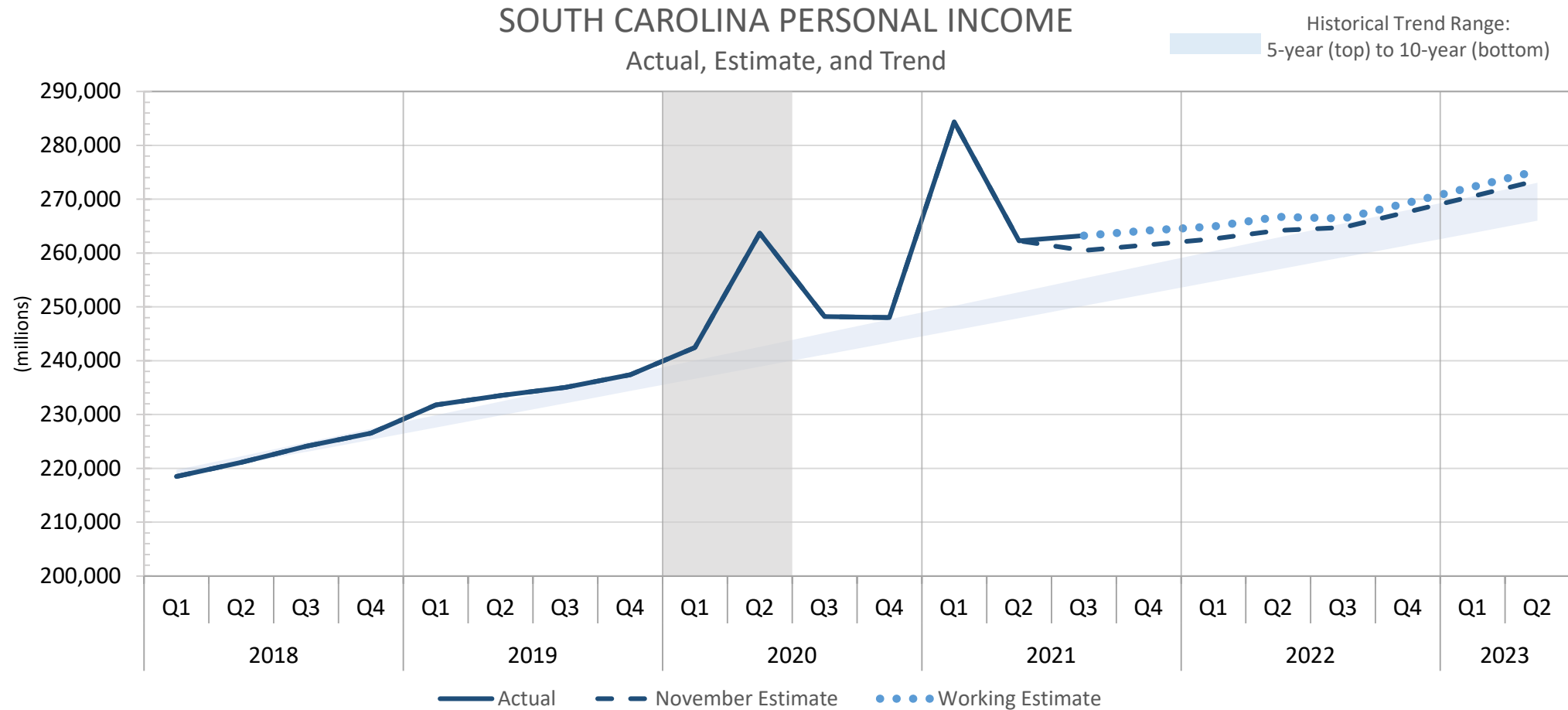
Working estimate reflects higher actual growth in FY 2021-22

EMPLOYMENT ESTIMATES: FISCAL YEAR GROWTH RATES

Fiscal Year	November 2021 Estimate	Working Estimate
2021-22	2.6%	3.3% (higher growth to reflect current employment data)
2022-23	2.1%	2.2%

SC Personal Income

Working estimate in FY 2021-22 and FY 2022-23 considers higher than anticipated wage growth in Q3 (8.6% forecasted wage growth, 10.3% actual)



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors

Personal Income Estimates

Working estimate reflects actual growth, recent stimulus, and return to long-term trend

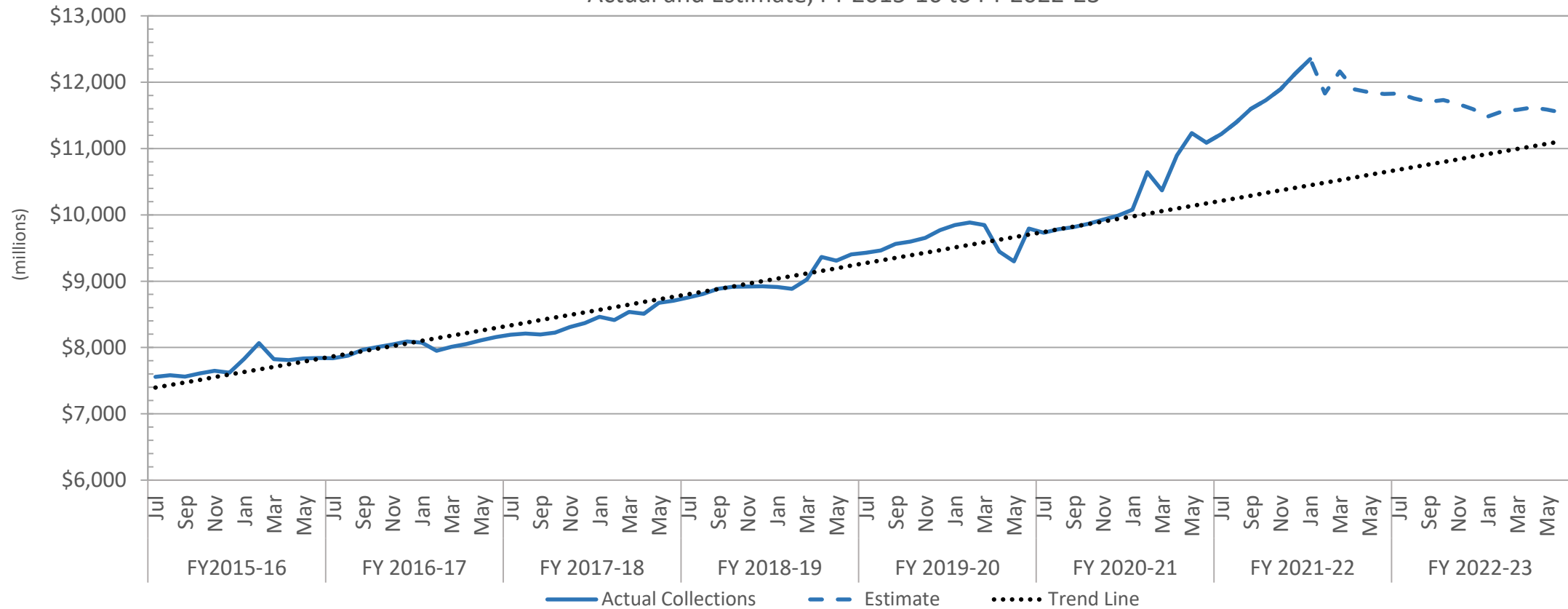
PERSONAL INCOME ESTIMATES: FISCAL YEAR GROWTH RATES

Fiscal Year	November 2021 Estimate	Working Estimate
2021-22	0.6%	1.6% (reflects higher wage growth)
2022-23	2.6%	2.3% (reflects higher base)

General Fund

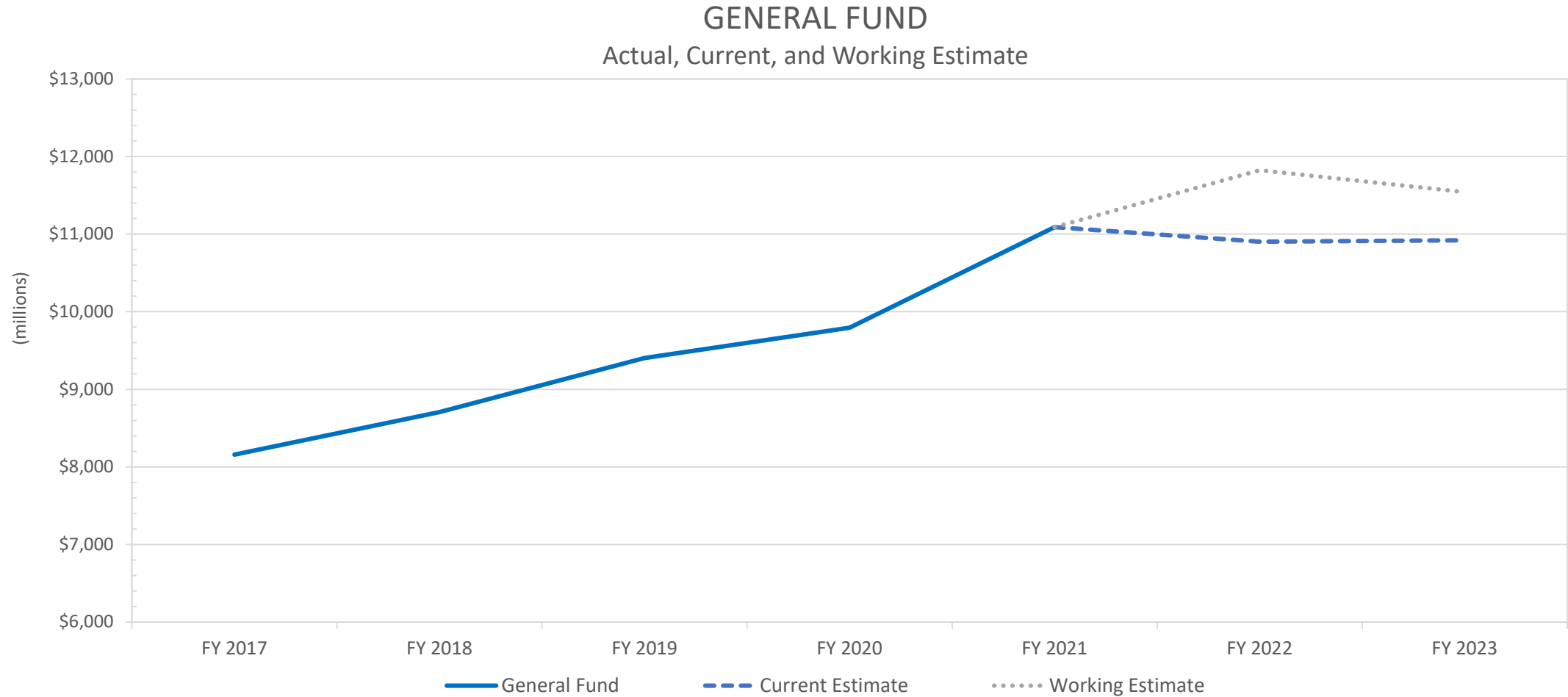
Working estimates for FY 2021-22 and FY 2022-23 remain above the historical trend

ROLLING FISCAL YEAR - GENERAL FUND
Actual and Estimate, FY 2015-16 to FY 2022-23



General Fund

Working estimate accounts for temporary higher growth in FY 2021-22 and a return to more normal activity in Sales and Corporate in FY 2022-23



Revenue Impact of Working Estimates

PROPOSED CHANGES TO ESTIMATES						
	FY 2021-22			FY 2022-23		
Revenue Category	Gross Estimate	Dollar Change from Current Estimate	Percent Change from FY 2020-21	Gross Estimate	Dollar Change from Current Estimate	Percent Change from FY 2021-22
Sales and Use Tax	\$4,047,332,000	\$290,661,000	5.8%	\$3,852,456,000	\$143,762,000	(4.8%)
Individual Income Tax	\$5,796,456,000	\$397,155,000	6.9%	\$5,915,612,000	\$384,484,000	2.1%
Corporate Income Tax	\$807,582,000	\$150,100,000	20.7%	\$560,448,000	\$32,356,000	(30.6%)
Insurance Tax	\$282,735,000	\$10,157,000	(3.6%)	\$345,761,000	\$15,381,000	22.3%
Earned on Investments	\$76,000,000	\$1,000,000	4.6%	\$85,000,000	\$10,000,000	11.8%
Bank Tax	\$58,110,000	\$20,770,000	(16.8%)	\$59,092,000	\$16,912,000	1.7%
Other Revenues	\$754,017,000	\$51,164,000	2.3%	\$722,858,000	\$18,558,000	(4.1%)
General Fund Revenue	\$11,822,232,000	\$921,007,000	6.6%	\$11,541,227,000	\$621,453,000	(2.4%)

Sales Tax

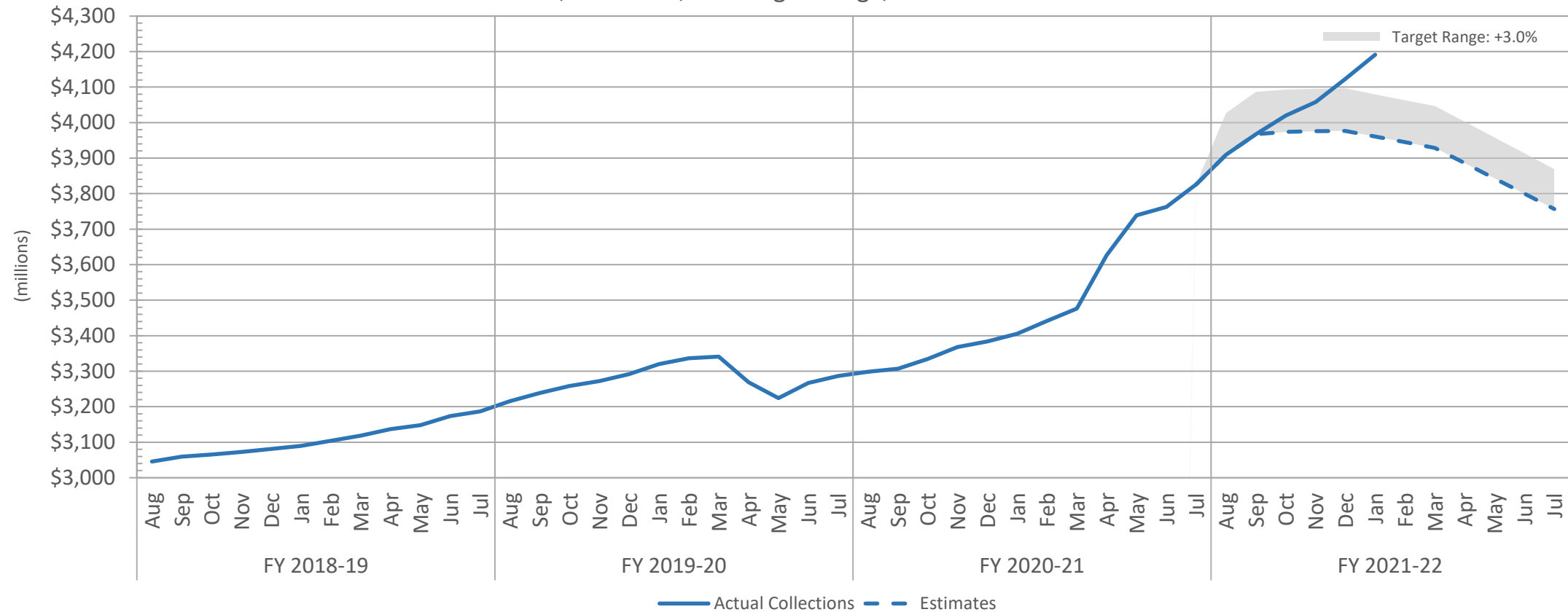
Key Considerations

- Federal stimulus from 2020 and 2021 continues to allow for increased consumer spending due to excess savings, driving up Sales tax growth
- Historically, Sales tax grows close to 4.5% in a fiscal year
- FY 2020-21 observed growth of 16.4%, with growth in Q4 alone reaching 32.0%
- FY 2021-22 Q1 and Q2 growth continued to be elevated, reaching a cumulative 20.0%
- The FY 2021-22 working forecast accounts for the high growth observed year-to-date while anticipating a return to slightly elevated historical growth the second half of 2022 and in FY 2022-23

Sales Tax - Actual vs. Estimate

Collections are \$230.1 million above the estimate

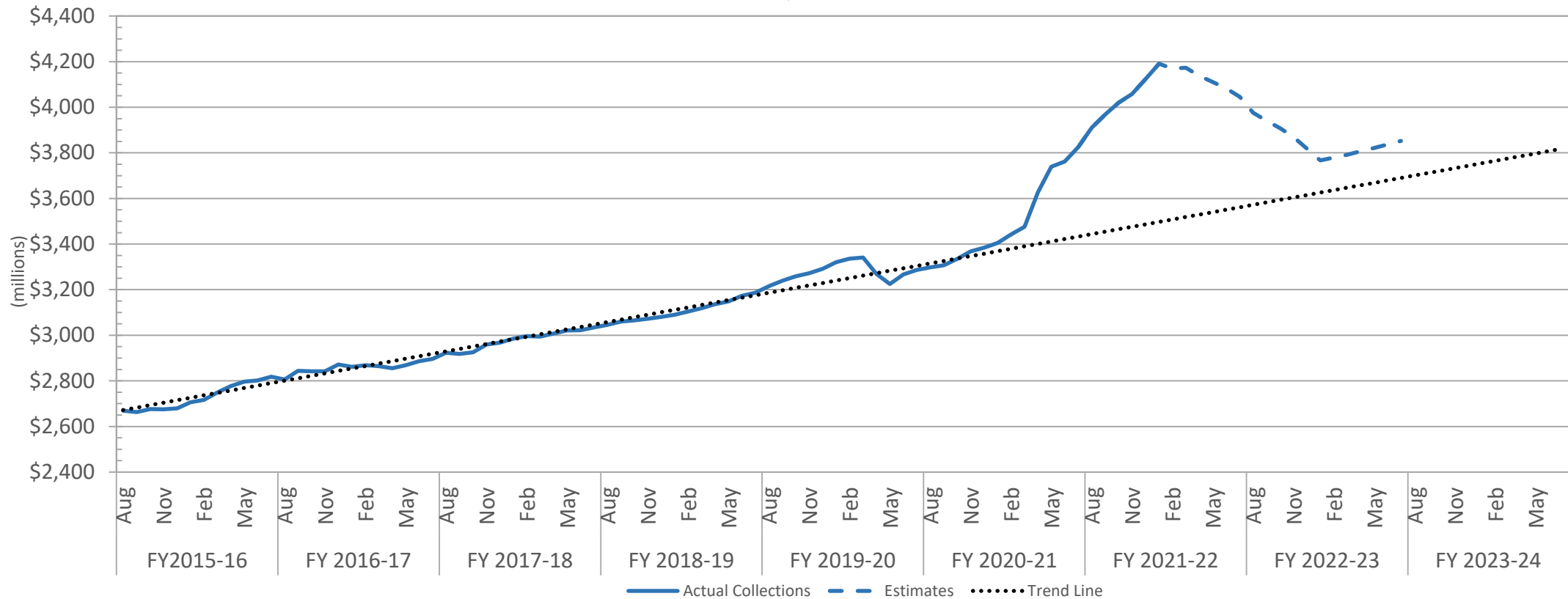
ROLLING FISCAL YEAR - SALES TAX
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Sales Tax - Actual vs. Working Estimate

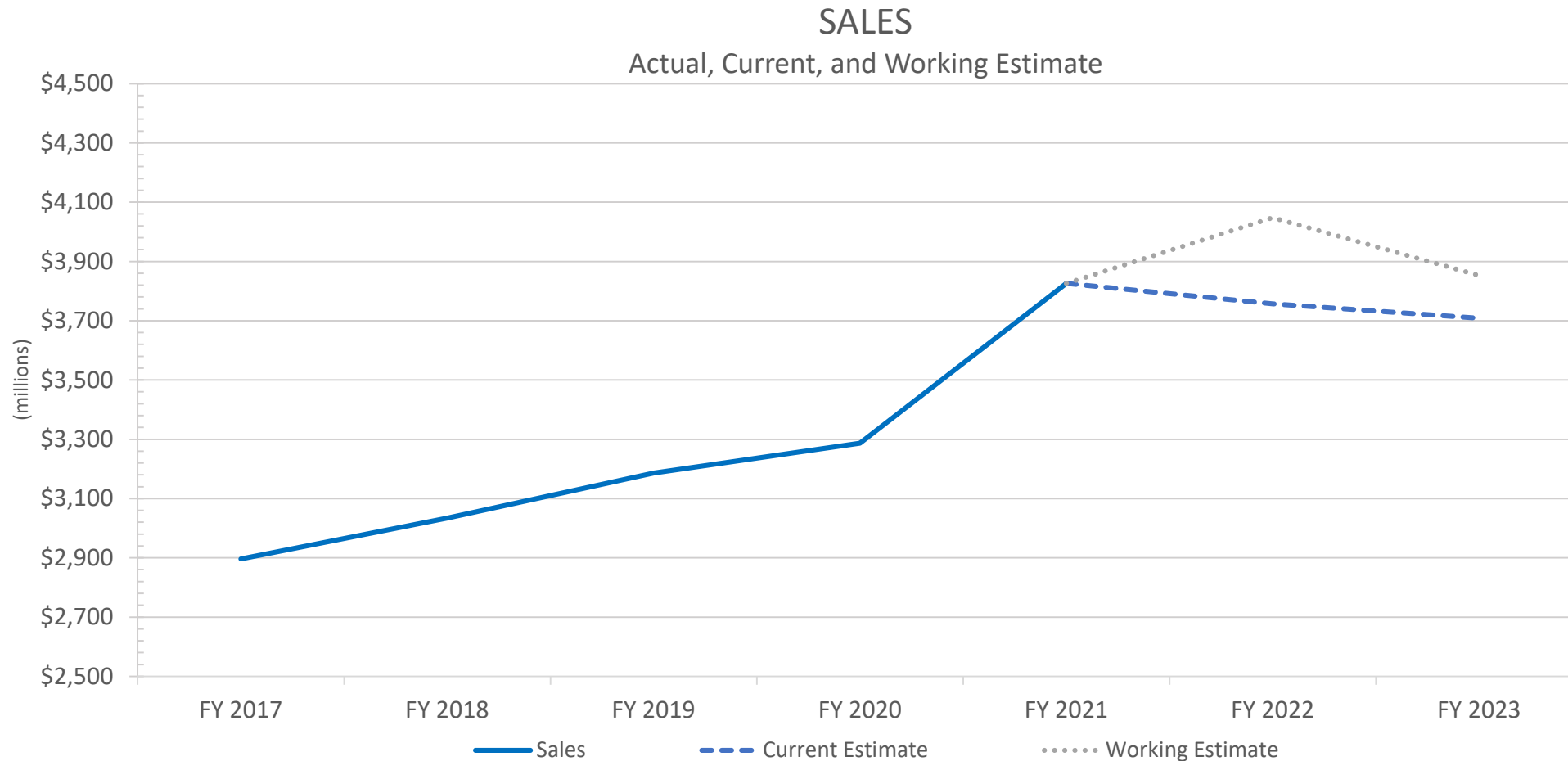
Working estimate projects a tapering in collections from the elevated levels in 2021

ROLLING FISCAL YEAR - SALES TAX
Actuals and Estimates, FY 2015-16 to FY 2023-24



Sales Tax

The working estimate increases the current forecast by \$290.7 million in FY 2021-22 and \$143.8 million in FY 2022-23



Individual Income Tax

Key Considerations

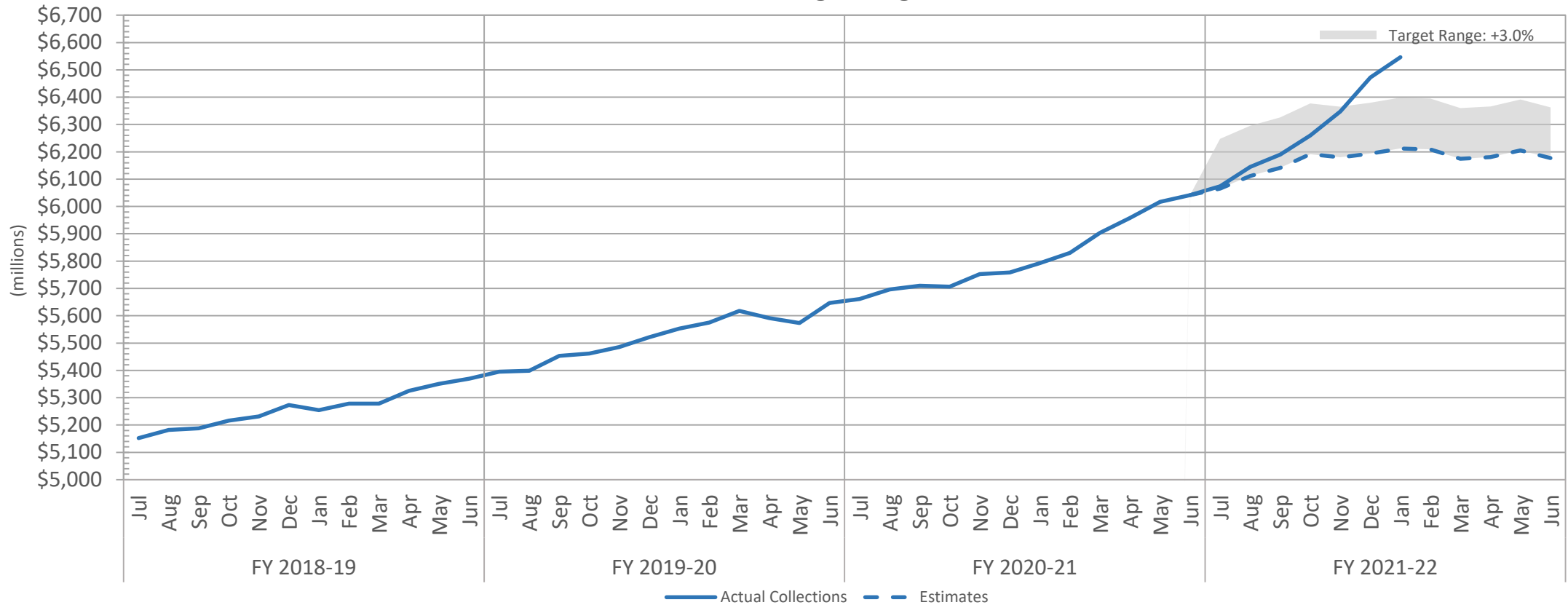
- The working estimate for Withholdings accounts for elevated wage growth and a new base for FY 2022-23
- Non-Withholdings are slightly elevated, but underlying trends appear to have stalled, and tax season uncertainty remains
- The working estimate for Non-Withholdings remains unchanged as a result
- Refunds are slightly below the estimate, but the vast majority will not be processed until tax filing season
- The working estimate anticipates a slight decline for Refunds in FY 2021-22 and a slight increase in FY 2022-23 to account for economic trends
- In total, the combined working estimate for Individual Income tax increases the FY 2021-22 estimate by \$397.2 million and the FY 2022-23 estimate by \$384.5 million; adjustments to Withholdings are the main driver
- The working estimate incorporates legislative adjustments

Withholdings - Actual vs. Estimate

After a record December, Withholdings are up **14.7%** over last year and are running **\$333.9 million** above the estimate

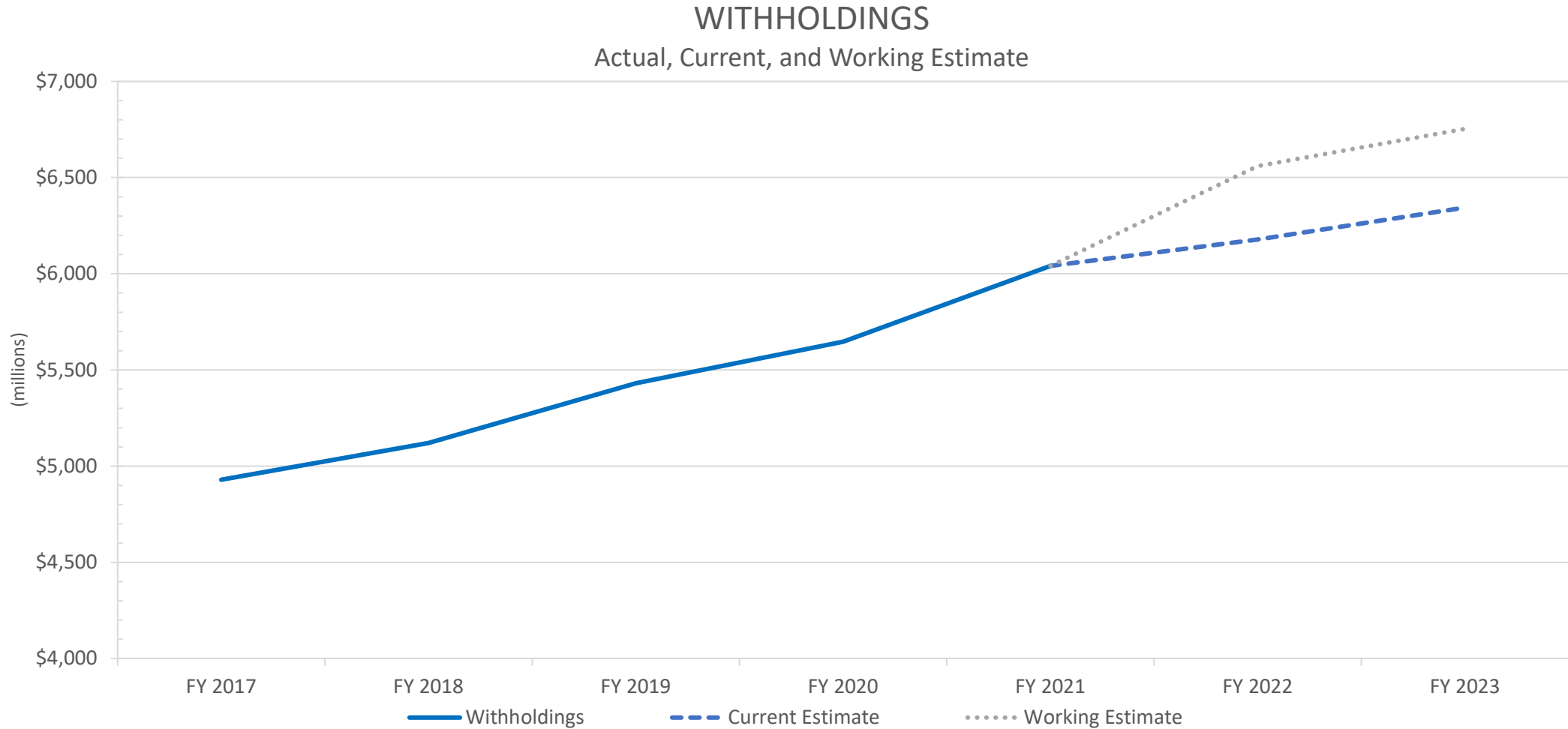
ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Individual Income Withholdings

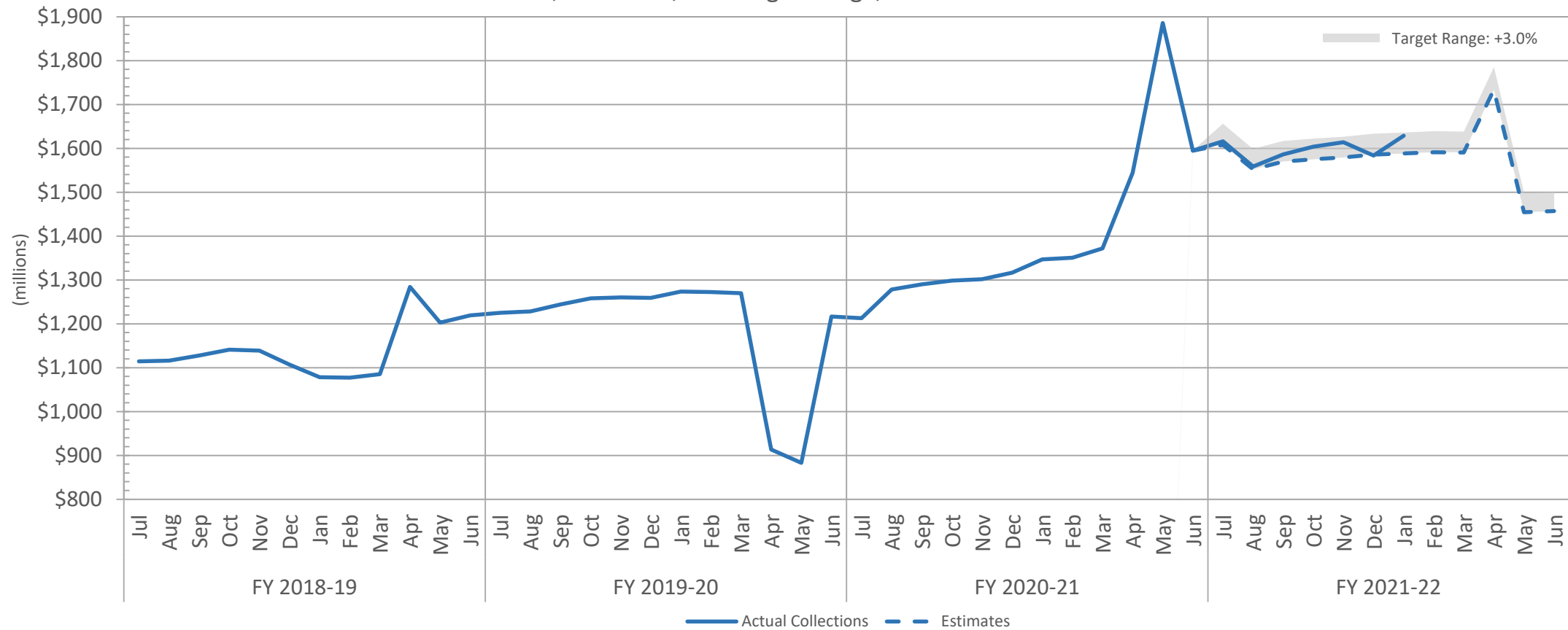
Working estimate accounts for higher than expected wage growth



Non-Withholdings - Actual vs. Estimate

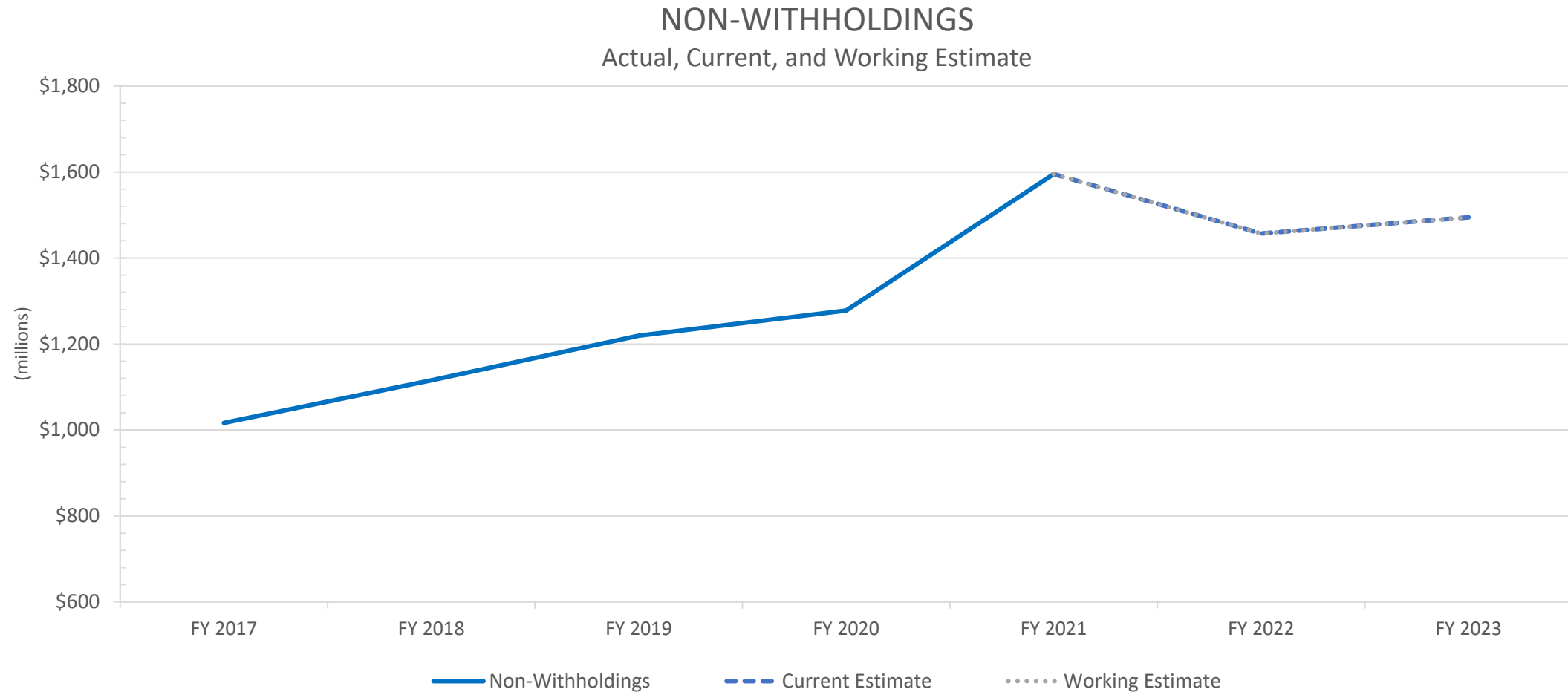
Collections are \$40.7 million above the estimate year-to-date

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Non-Withholdings (No Change to Estimate)

Working estimate remains unchanged due to shifting trends and the uncertainty of tax season

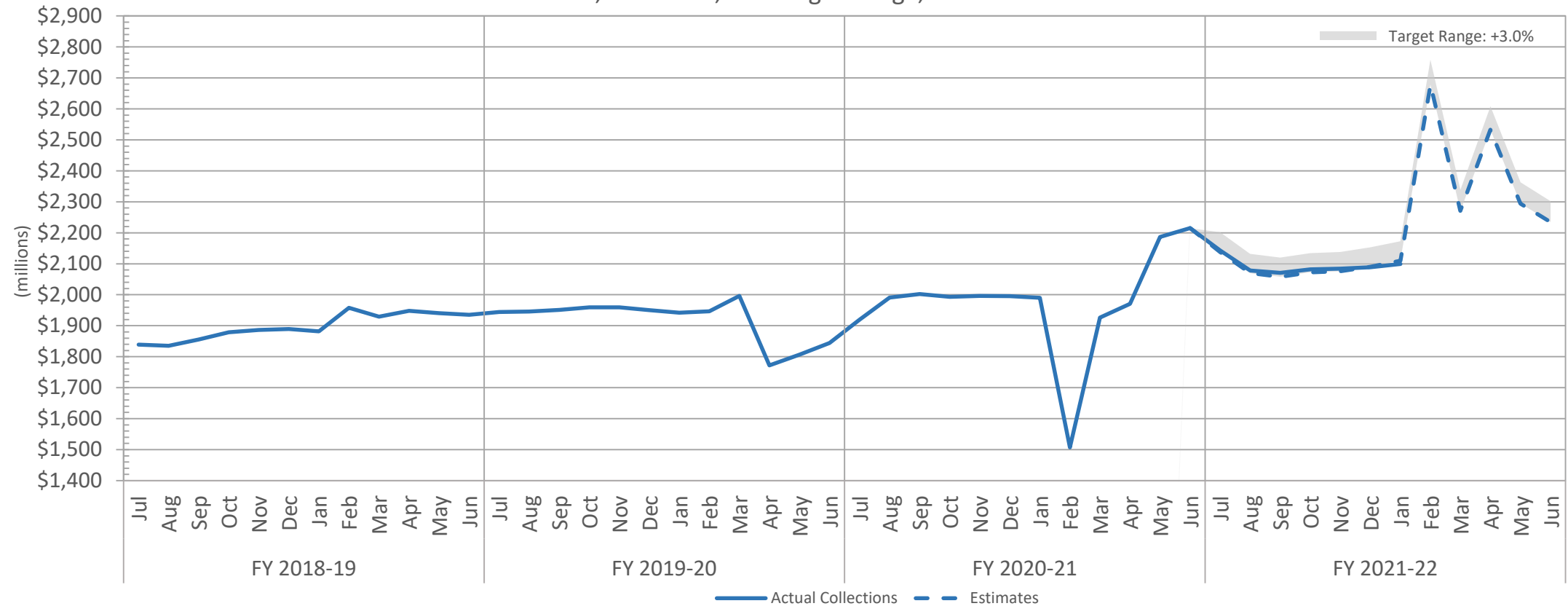


Refunds - Actual vs. Estimate

Refunds are \$10.3 million below the estimate, but more than 80% of expected refunds remain

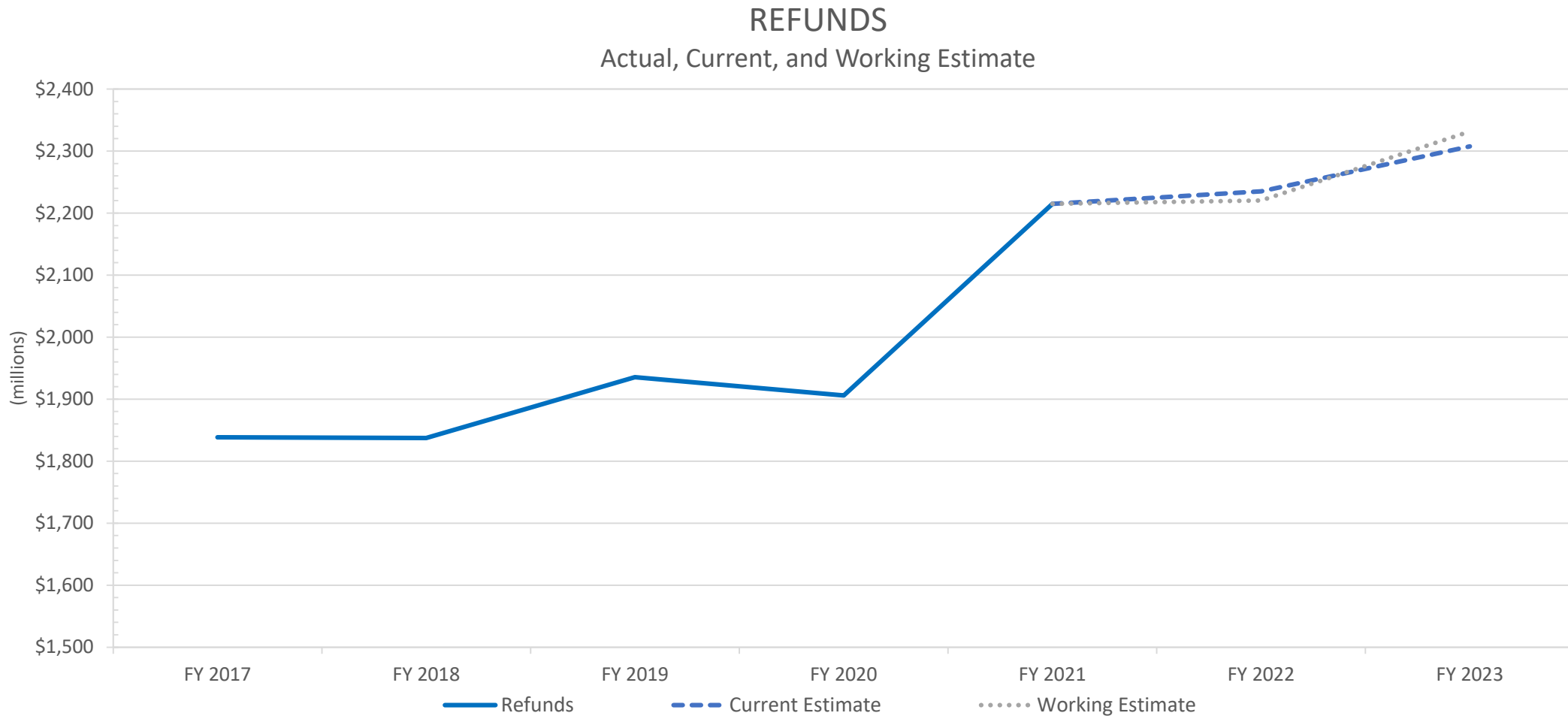
ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Refunds

Working estimate includes small changes to account for legislative adjustments, inflation adjustments, and wage growth



Corporate Income Tax

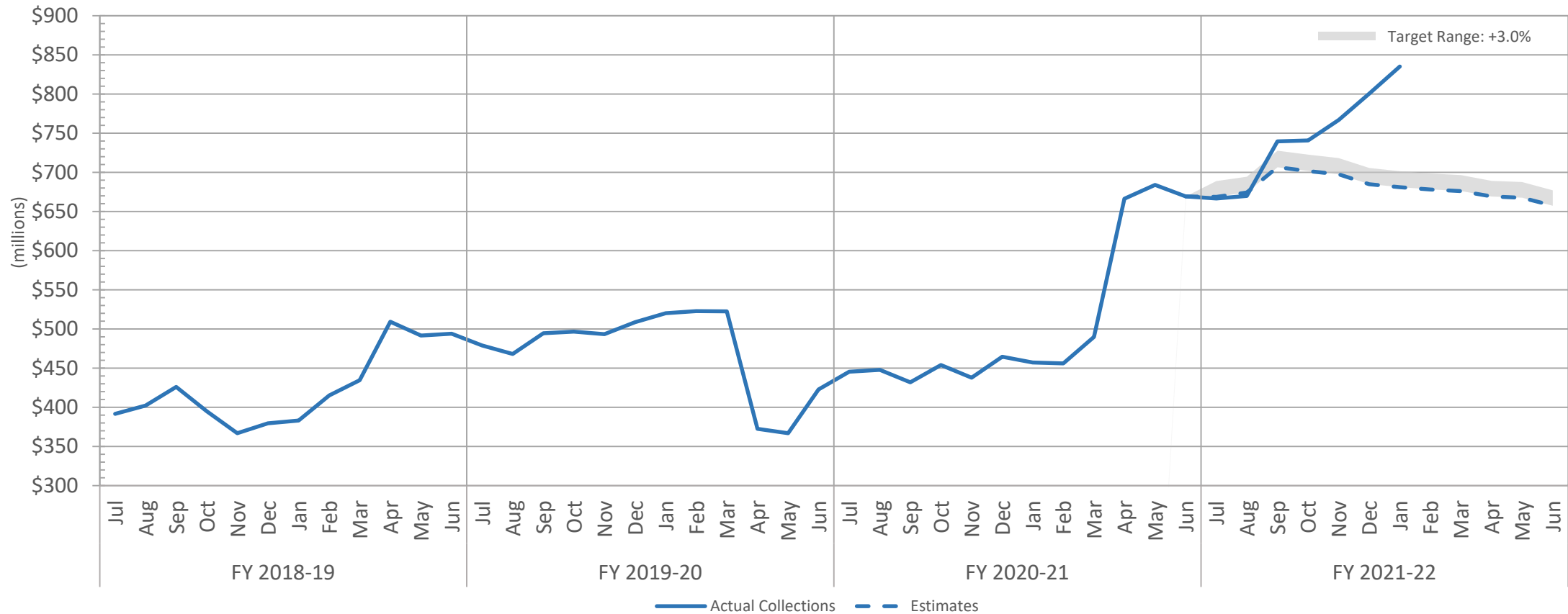
Key Considerations

- Corporate Income tax is the most volatile of the major tax categories
- Elevated retail sales growth is translating into increased Corporate Income tax collections this year
- FY 2021-22 is \$154.3 million above the current forecast of \$657.5 million; if this growth trend continues, collections could reach well over \$900 million
- Next year, retail trade and Sales tax are expected to trend back to historical levels, which would lower Corporate Income tax collections
- Given the volatility, tax season, and potential for lower growth in the spring relative to last year, the working estimate increases the FY 2021-22 estimate by \$150.1 million to \$807.6 million based upon estimated surplus
- The working estimate increases FY 2022-23 estimate by \$32.4 million to \$560.4 million, and the decline from FY 2021-22 is largely due to expected slower retail trade and Sales tax

Corporate Income Tax – Actual vs. Estimate

Collections are above estimate by \$154.3 million year-to-date

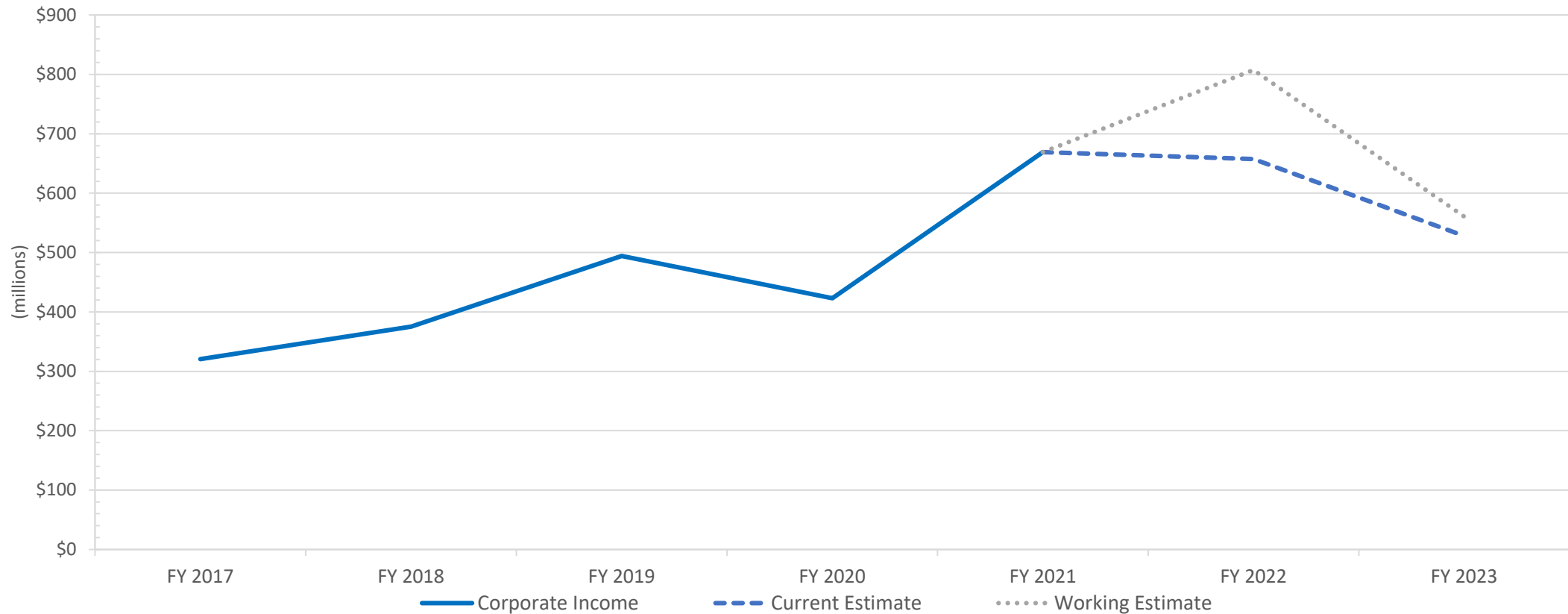
ROLLING FISCAL YEAR - CORPORATE INCOME TAX
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Corporate Income Tax

Working estimate recognizes estimated surplus for FY 2021-22 with an increase of \$150.1 million; increases FY 2022-23 by \$32.4 million

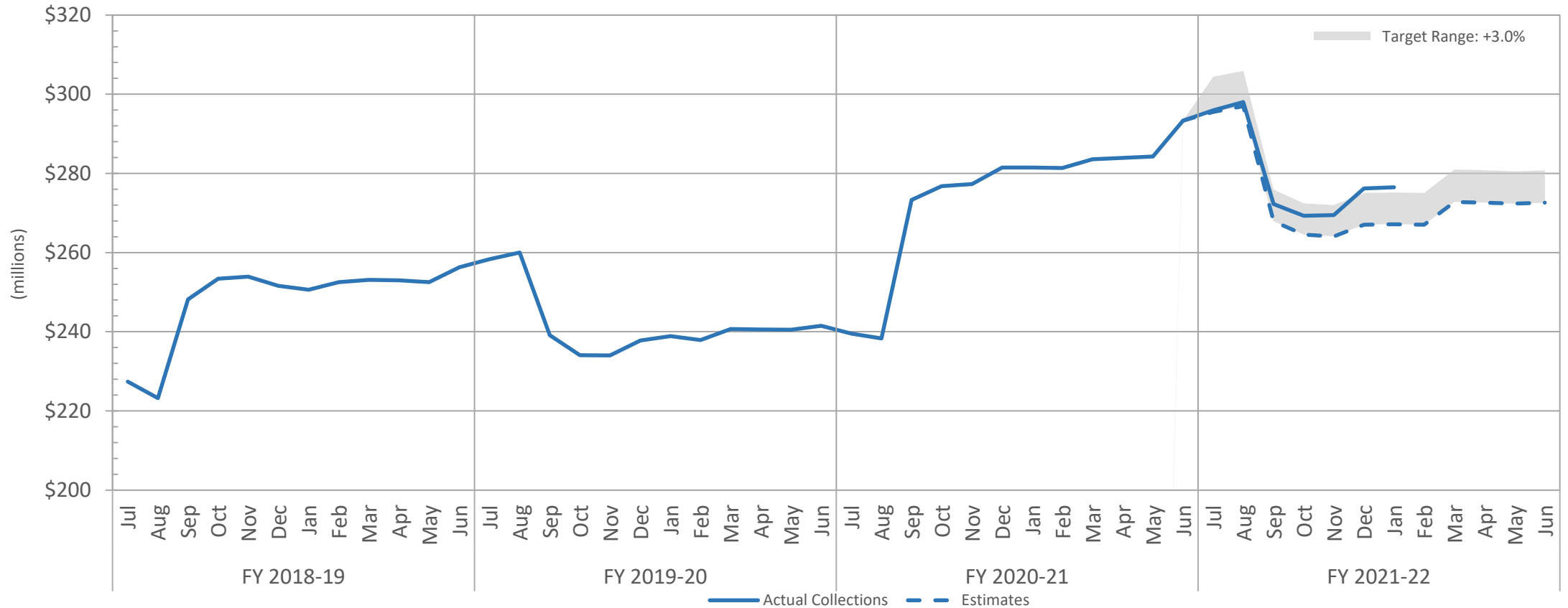
CORPORATE INCOME
Actual, Current, and Working Estimate



Insurance Tax – Actual vs. Estimate

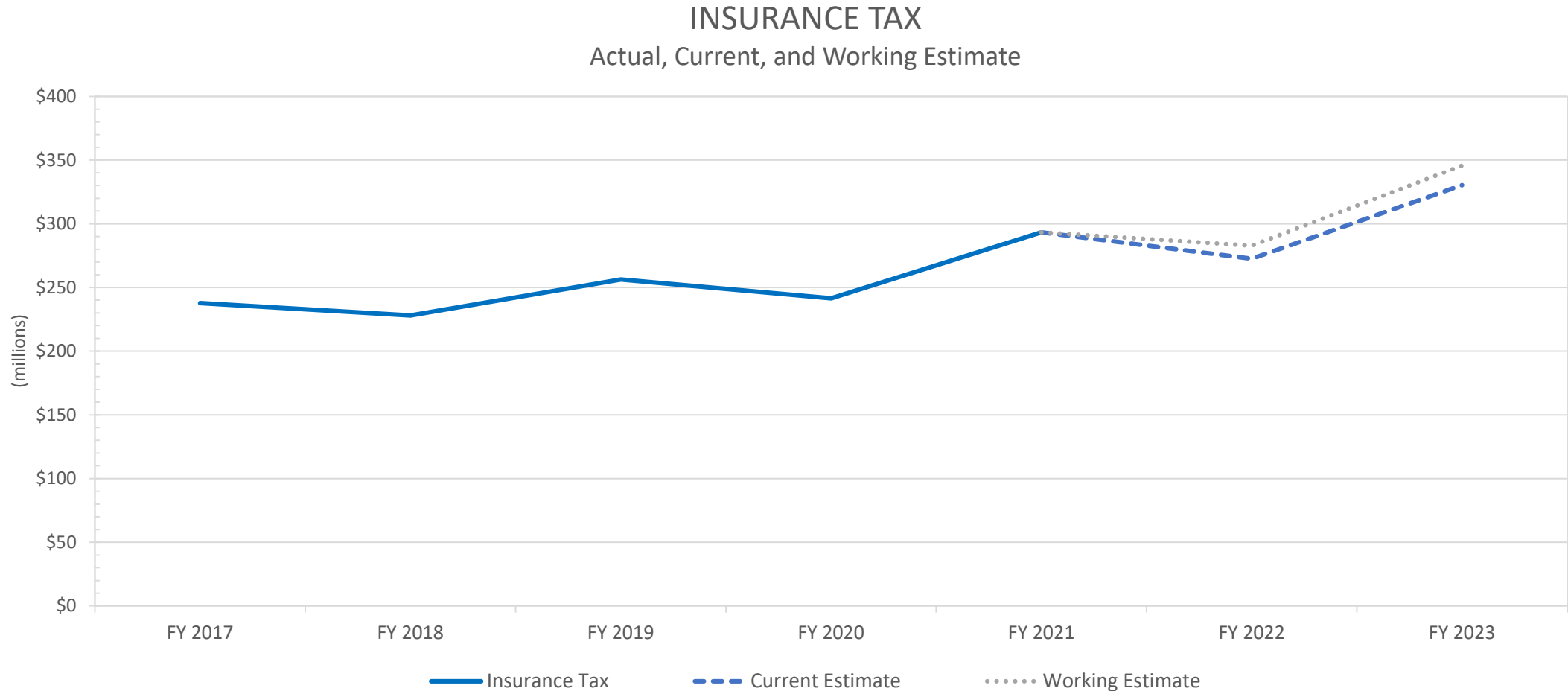
Insurance tax is tracking above estimate by \$9.3 million

ROLLING FISCAL YEAR - INSURANCE TAX
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Insurance Tax – Estimate Update

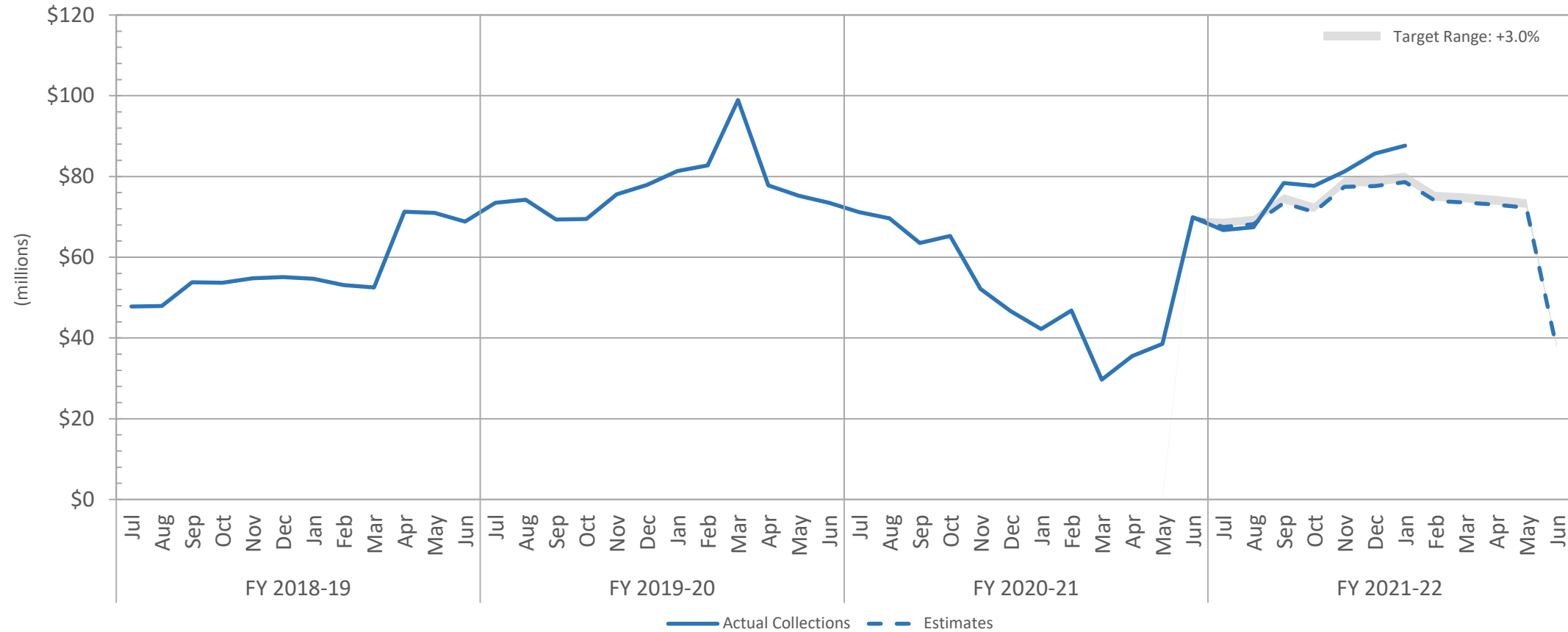
Working estimate recognizes faster than expected premiums growth for FY 2021-22 and incorporates that higher base into FY 2022-23



Bank Tax – Actual vs. Estimate

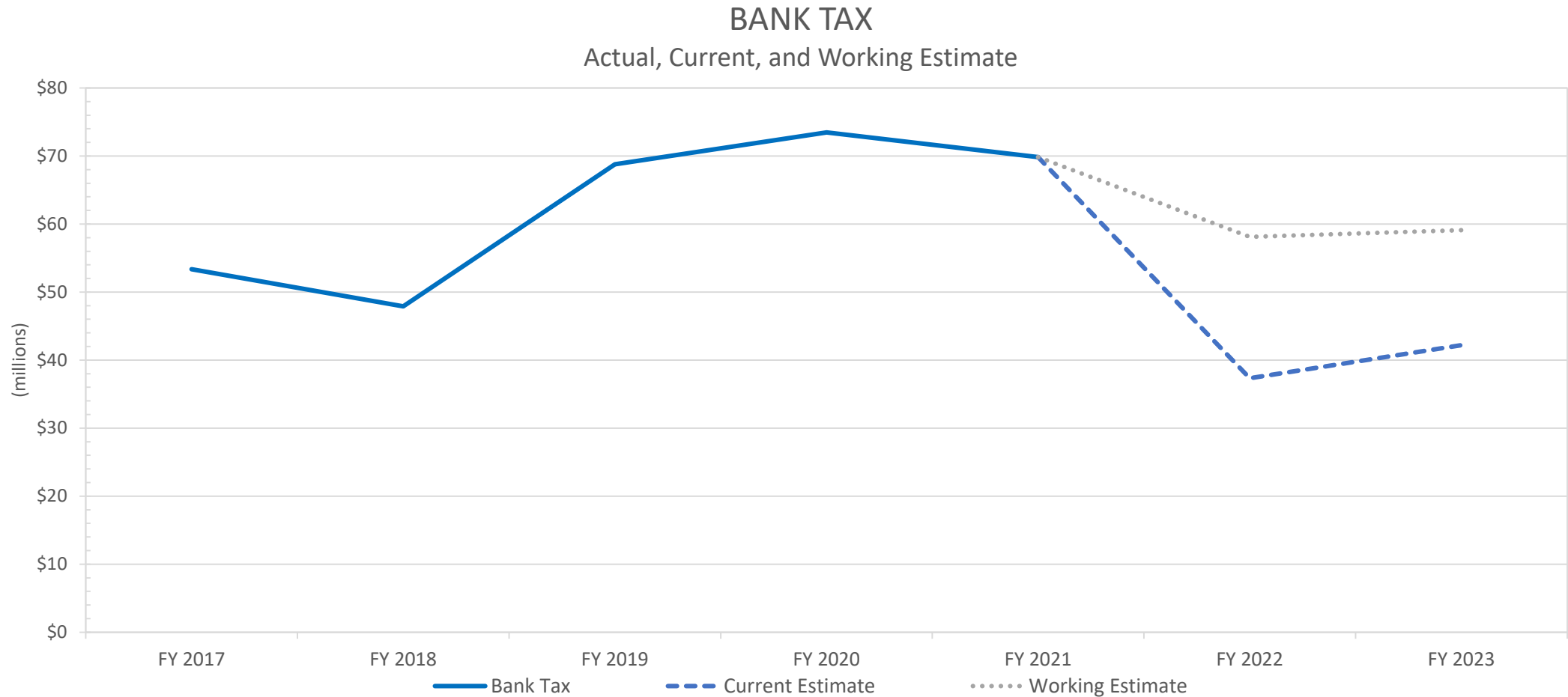
Bank tax is tracking ahead of estimate by \$9.0 million

ROLLING FISCAL YEAR - BANK TAX
Actuals, Estimates, and Target Range, FY 2018-19 to FY 2021-22



Bank Tax

Working estimate recognizes faster than expected growth for FY 2021-22 and incorporates that higher base into FY 2022-23



Summary of Proposed Forecast Changes – FY 2021-22

- Working estimates for FY 2021-22 result in a total increase of \$921.0 million over the November 2021 estimate
- Sales, Individual Income, and Corporate Income are adjusted upward by \$837.9 million
- Bank, Insurance, and Deed Recording Fees are adjusted up by \$63.8 million - mainly accounting for YTD growth
- Other revenues are adjusted upward by \$19.3 million, including \$6.5 million in Indirect Cost Recoveries

Summary of Proposed Forecast Changes – FY 2022-23

- Working estimates for FY 2022-23 result in a total increase of \$621.5 million over the November 2021 estimate
- Sales estimate for FY 2022-23 is revised upward by \$143.8 million
- Individual and Corporate Income are revised upward by \$384.5 million and \$32.4 million, respectively
- Bank and Insurance are revised up by \$16.9 million and \$15.4 million, respectively
- Other revenues are adjusted upward by \$28.6 million, including \$10.0 million in Earned on Investments and \$9.4 million in Indirect Cost Recoveries
- Decrease in revenue is due to Sales and Corporate returning to more normal levels from pandemic/stimulus highs

General Fund Revenue Forecast - Proposed

Revenue Category	Final FY 2019-20	Final FY 2020-21	11/10/2021 Estimate FY 2021-22	2/15/2022 Estimate FY 2021-22	Change	11/10/2021 Estimate FY 2022-23	2/15/2022 Estimate FY 2022-23	Change
Sales and Use Tax	\$3,286,771,744	\$3,825,920,335	\$3,756,671,000	\$4,047,332,000	\$290,661,000	\$3,708,694,000	\$3,852,456,000	\$143,762,000
Individual Income Tax	5,019,420,030	5,421,280,543	5,399,301,000	5,796,456,000	\$397,155,000	5,531,128,000	5,915,612,000	\$384,484,000
Corporation Income Tax	423,052,193	669,221,114	657,482,000	807,582,000	\$150,100,000	528,092,000	560,448,000	\$32,356,000
Insurance Taxes	241,496,468	293,235,485	272,578,000	282,735,000	\$10,157,000	330,380,000	345,761,000	\$15,381,000
Admissions Tax	24,858,654	29,531,233	33,426,000	37,367,000	\$3,941,000	33,927,000	37,741,000	\$3,814,000
Aircraft Tax	2,621,301	2,877,150	1,250,000	1,250,000	\$0	0	0	\$0
Alcoholic Liquor Tax	81,089,410	101,569,635	98,093,000	104,492,000	\$6,399,000	97,061,000	97,061,000	\$0
Bank Tax	73,484,038	69,828,425	37,340,000	58,110,000	\$20,770,000	42,180,000	59,092,000	\$16,912,000
Beer and Wine Tax	112,351,535	116,859,053	115,434,000	115,434,000	\$0	116,461,000	116,461,000	\$0
Business Filing Fees	7,979,168	12,763,604	10,187,000	12,201,000	\$2,014,000	9,773,000	10,839,000	\$1,066,000
Circuit/Family Court Fines	5,731,715	5,366,354	5,906,000	5,906,000	\$0	5,670,000	5,670,000	\$0
Corporation License Tax	130,867,571	148,136,873	158,137,000	158,137,000	\$0	167,072,000	167,072,000	\$0
Deed Recording Fees	81,757,989	118,902,924	100,113,000	132,986,000	\$32,873,000	98,339,000	102,878,000	\$4,539,000
Earned on Investments	130,855,337	72,623,590	75,000,000	76,000,000	\$1,000,000	75,000,000	85,000,000	\$10,000,000
Indirect Cost Recoveries	15,269,683	23,269,863	22,158,000	28,640,000	\$6,482,000	19,222,000	28,640,000	\$9,418,000
Motor Vehicle Licenses	10,977,190	12,128,159	11,846,000	10,182,000	(\$1,664,000)	12,303,000	11,150,000	(\$1,153,000)
Nursing Home Fees	3,480,988	3,355,741	3,500,000	3,242,000	(\$258,000)	3,500,000	3,174,000	(\$326,000)
Parole and Probation Fees	3,392,808	3,392,808	3,393,000	3,393,000	\$0	3,393,000	3,393,000	\$0
Private Car Lines Tax	6,351,887	6,673,116	6,930,000	6,850,000	(\$80,000)	7,187,000	7,032,000	(\$155,000)
Public Service Authority	17,479,000	17,135,000	17,135,000	16,700,000	(\$435,000)	17,135,000	16,700,000	(\$435,000)
Purchasing Card Rebates	3,226,732	3,088,613	3,217,000	3,541,000	\$324,000	3,352,000	3,689,000	\$337,000
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	\$0	4,461,000	4,461,000	\$0
Savings and Loan Assoc. Tax	8,489,236	1,147,447	1,100,000	2,340,000	\$1,240,000	1,100,000	2,340,000	\$1,240,000
Security Dealer Fees	27,533,590	29,188,874	31,702,000	31,702,000	\$0	32,336,000	32,336,000	\$0
Tobacco Tax	27,009,655	28,786,137	30,757,000	30,757,000	\$0	27,693,000	27,693,000	\$0
Unclaimed Property Fund	15,000,000	15,000,000	15,000,000	15,000,000	\$0	15,000,000	15,000,000	\$0
Workers' Comp. Insurance Tax	13,142,342	12,516,852	12,979,000	12,710,000	(\$269,000)	12,950,000	12,807,000	(\$143,000)
Other Source Revenues	15,126,230	40,866,612	16,129,000	16,726,000	\$597,000	16,365,000	16,721,000	\$356,000
Gross General Fund Revenue	\$9,793,277,494	\$11,089,126,540	\$10,901,225,000	\$11,822,232,000	\$921,007,000	\$10,919,774,000	\$11,541,227,000	\$621,453,000



General Fund Revenue Forecast (continued)– Proposed

Revenue Category	Final FY 2019-20	Final FY 2020-21	11/10/2021 Estimate FY 2021-22	2/15/2022 Estimate FY 2021-22	Change	11/10/2021 Estimate FY 2022-23	2/15/2022 Estimate FY 2022-23	Change
Gross General Fund Revenue	\$9,793,277,494	\$11,089,126,540	\$10,901,225,000	\$11,822,232,000	\$921,007,000	\$10,919,774,000	\$11,541,227,000	\$621,453,000
Less: Tax Relief Trust Fund (Act)	614,053,000	629,405,136	650,023,221	650,023,221	0	661,952,631	661,952,631	0
Net General Fund Revenue	\$9,179,224,494	\$10,459,721,404	\$10,251,201,779	\$11,172,208,779	921,007,000	\$10,257,821,369	\$10,879,274,369	621,453,000
Education Improvement Act (EIA)	863,037,030	996,833,645	983,501,000	1,050,336,000	66,835,000	990,684,000	1,004,596,000	13,912,000
EIA Fund	861,357,054	996,748,940	983,411,000	1,050,246,000	66,835,000	990,594,000	1,004,491,000	13,897,000
EIA Interest	1,679,976	84,705	90,000	90,000	0	90,000	105,000	15,000
S.C. Education Lottery Fund	496,599,922	612,069,873	544,600,000	544,600,000	0	544,600,000	545,300,000	700,000
Lottery Proceeds	471,400,000	575,500,000	520,100,000	520,100,000	0	520,100,000	520,100,000	0
Unclaimed Prizes	21,401,503	32,141,376	20,000,000	20,000,000	0	20,000,000	20,000,000	0
Lottery Interest	3,798,419	4,428,497	4,500,000	4,500,000	0	4,500,000	5,200,000	700,000
Homestead Exemption Fund (HEX)	784,804,568	903,551,465	889,623,000	966,666,000	77,043,000	901,810,000	917,165,000	15,355,000
HEX Revenue	782,037,516	900,423,624	886,448,000	963,491,000	77,043,000	898,635,000	913,465,000	14,830,000
HEX Interest	2,767,052	3,127,841	3,175,000	3,175,000	0	3,175,000	3,700,000	525,000
Expenditure Estimate	798,756,235	829,100,858	860,950,738	860,950,738	0	908,614,546	912,852,708	4,238,162
HEX Fund Excess/(Shortfall)	(13,951,667)	74,450,607	28,672,262	105,715,262	77,043,000	(6,804,546)	4,312,292	11,116,838
Tax Relief Trust Fund (Act)	614,053,000	629,405,136	650,023,221	650,023,221	0	661,952,631	661,952,631	0
Revised Estimate/ Actual	613,787,410	626,043,899	643,954,085	643,954,085	0	661,952,631	661,952,631	0
Excess/(Shortfall) (Excl. Fund Balance)	265,590	3,361,237	6,069,136	6,069,136	0	0	0	0
Budgetary Estimates								
Gross Appropriation Act Revenue	9,330,662,000	9,500,103,000	9,921,260,199	9,921,260,199	0	10,919,774,000	11,541,227,000	621,453,000
Less: Tax Relief Trust Fund (Act)	614,053,000	629,405,136	650,023,221	650,023,221	0	661,952,631	661,952,631	0
Appropriation Act Excluding Trust Fund	8,716,609,000	8,870,697,864	9,271,236,978	9,271,236,978	0	10,257,821,369	10,879,274,369	621,453,000
Gross General Fund Revenue								
Excess/(Shortfall) from Act	462,615,494	1,589,023,540	979,964,801	1,900,971,801	921,007,000	0	0	0
Capital Reserve Fund (2%) - Beg. Bal.	162,485,305	176,095,044	183,584,490	183,584,490	0	209,194,431	209,194,431	0
General Reserve Fund (5%) - Beg. Bal.	406,213,261	440,237,611	458,961,225	458,961,225	0	522,986,077	522,986,077	0
Total Reserve Funds	568,698,566	616,332,655	642,545,715	642,545,715	0	732,180,508	732,180,508	0

Tax Relief Trust Fund for FY 2021-22 adjusted to reflect Act 39 of 2021



Discussion and Consideration of Updates to Forecast



Budget Outlook for FY 2022-23



FY 2022-23 Budget Outlook – Recurring General Fund

(Estimates as of 2/15/2022)

(Dollars in Millions)

BEA Revenue Estimate	\$11,541.2
Tax Relief Trust Fund (Act)	(\$662.0)
FY 2021-22 Appropriations	<u>(\$9,270.6)</u>
Estimated “New” General Fund Revenue	\$1,608.7
Reserve Fund Contributions	
Incremental General Reserve Fund (5%)	(\$64.0)
Incremental Capital Reserve Fund (2%)	<u>(\$25.6)</u>
Estimated “New” General Fund Revenue Available for Appropriation (less Reserve Fund Contributions)	\$1,519.0

Figures may not add to totals due to rounding

FY 2021-22 Budget Outlook

Nonrecurring General Fund and Select Other Funds

(Estimates as of 2/15/2022)

(Dollars in Millions)

Projected FY 2021-22 General Fund Surplus	\$1,901.6
FY 2021-22 Capital Reserve Fund	\$183.6
FY 2020-21 Contingency Reserve Fund	<u>\$1,023.8</u>
Total Non-Recurring Revenue	\$3,109.0
Other Non-Recurring Revenue	
Litigation Recovery*	\$52.6

Figures may not add to totals due to rounding

*Excluding DOE settlement of \$525 million

FY 2022-23 Budget Outlook

Select Other Funds

(Estimates as of 2/15/2022)

(Dollars in Millions)

FY 2021-22 HEX Fund Surplus/(Shortfall)
(Net \$18.6m Appropriations)

\$124.4

FY 2022-23 HEX Fund Surplus/(Shortfall)
(Net \$18.6m Appropriations)

\$23.0

FY 2021-22 EIA Surplus/(Shortfall)

\$155.9

FY 2022-23 “New” EIA Revenue

\$110.2

FY 2021-22 Lottery Revenue

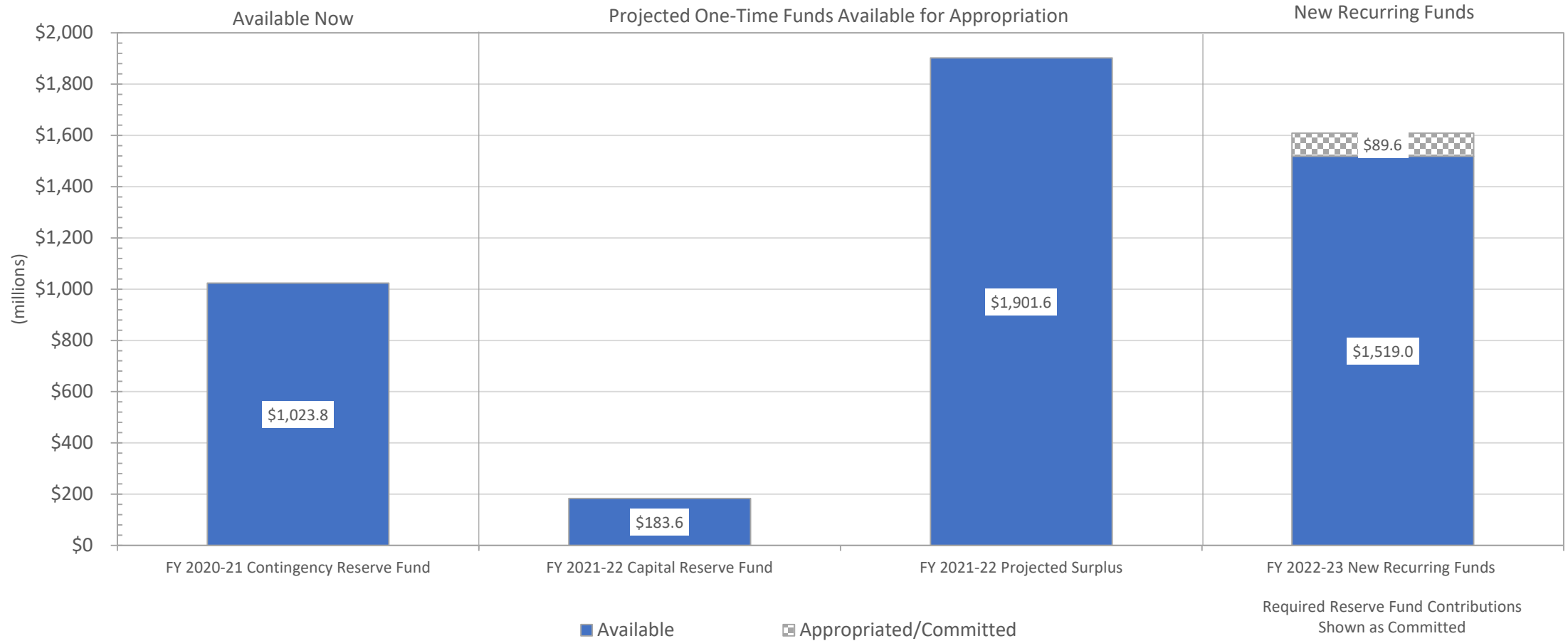
\$544.6

FY 2022-23 Lottery Revenue

\$545.3

Available Funds – FY 2022-23 Budget Process

AVAILABLE FUNDS - FY 2022-23 BUDGET PROCESS
as of February 15, 2022



Source: S.C. Revenue and Fiscal Affairs 297/RFA/02/15/2022

Reports from Working Group Members

Other Items for Discussion

