

South Carolina Updates

Presented to

**SOUTH CAROLINA ASSOCIATION OF AUDITORS, TREASURERS,
AND TAX COLLECTORS**



February 11, 2022

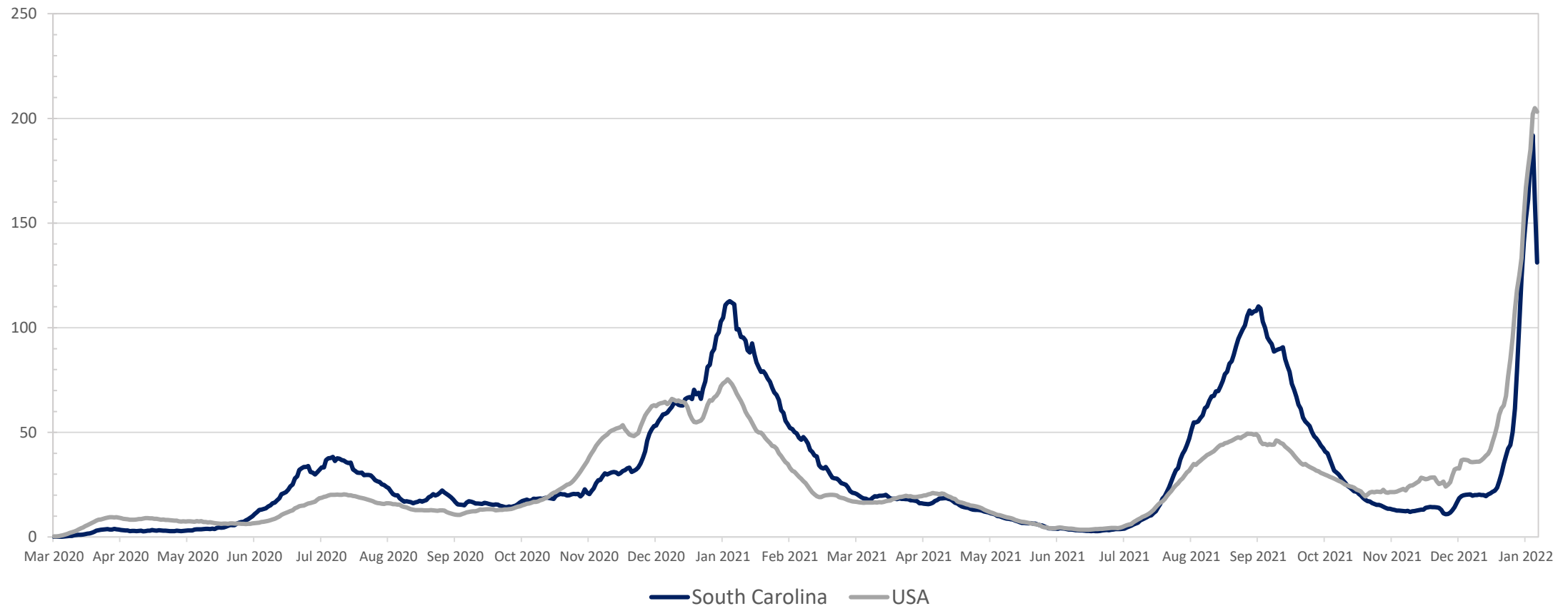


*South Carolina Revenue and Fiscal Affairs Office
1000 Assembly Street
Rembert Dennis Building, Suite 421
Columbia, SC 29201
(803) 734-3793
rfa.sc.gov*

COVID-19 Case Rate

Infections have reached new highs in South Carolina and across the US

7-DAY AVERAGE NEW CASES PER 100K



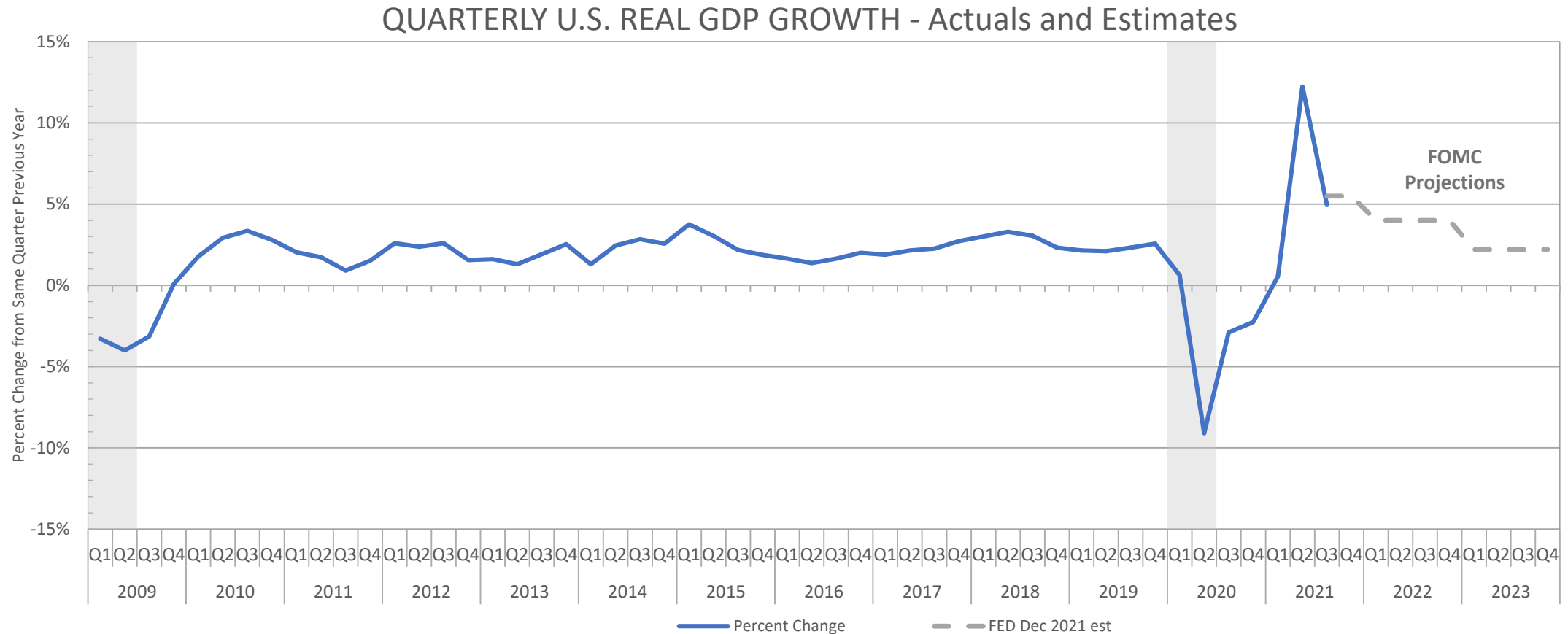
Source: Centers for Disease Control and Prevention COVID Data Tracker 294 - RFA/bdc/01/11/2022

National Economic Indicators



Real GDP Growth

Fed revised estimate for 2021 Q4 down from 5.9% to 5.5% and revised 2022 Q4 up from 3.8% to 4.0%; adjustment reflects timing shift but expectations remain positive

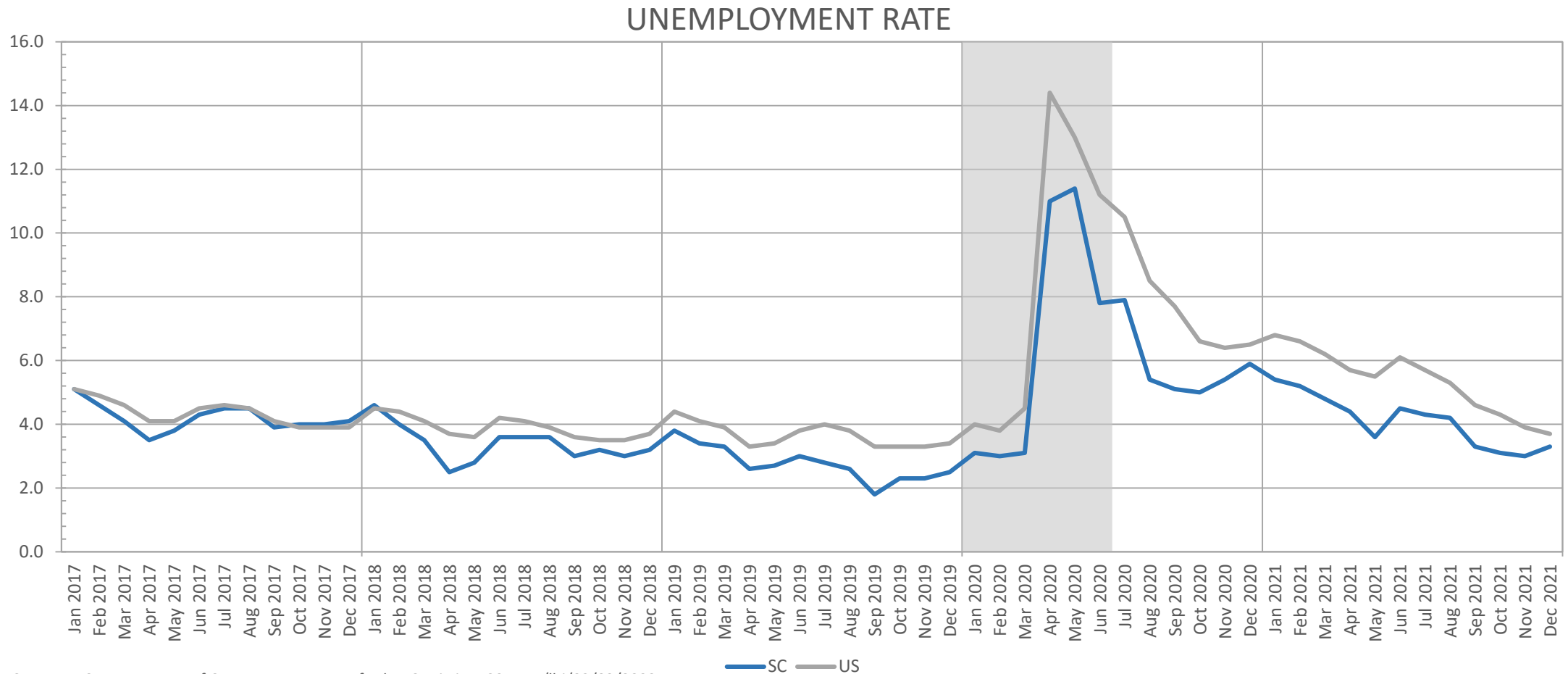


Source: U.S. Dept. of Commerce, Bureau of Economic Analyses; Federal Reserve Open Market Committee, Dec 2021 RFA/nmg/266/01/16/2022



Unemployment Rate

SC unemployment rate back to pre-pandemic levels as of December 2021 and remains below the US rate

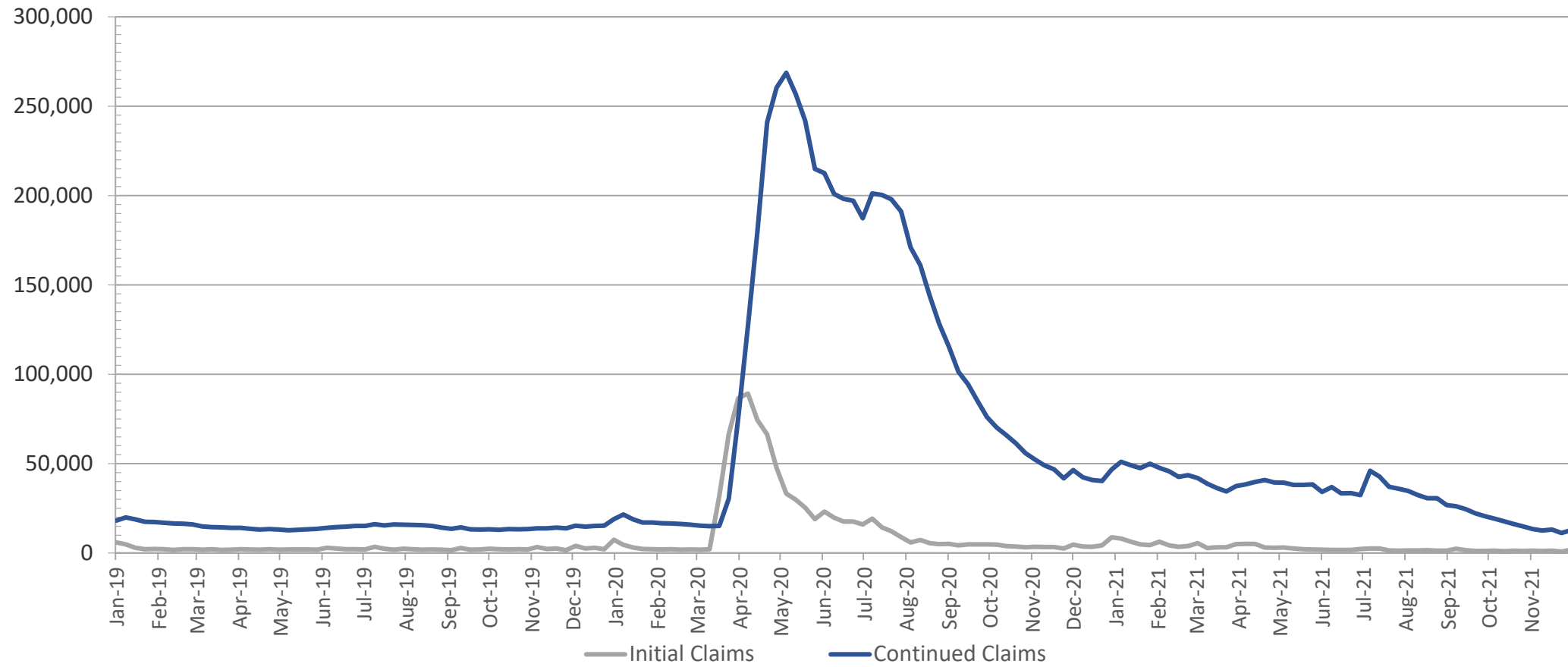


Source: U.S. Department of Commerce, Bureau of Labor Statistics 129--RFA/lhj/02/03/2022
Source: Bureau of Labor Statistics 129--RFA/nmg/1/10/2021

Unemployment Claims

Initial and continued unemployment claims in South Carolina have steadily fallen and are back in line with pre-pandemic levels

SC UNEMPLOYMENT CLAIMS

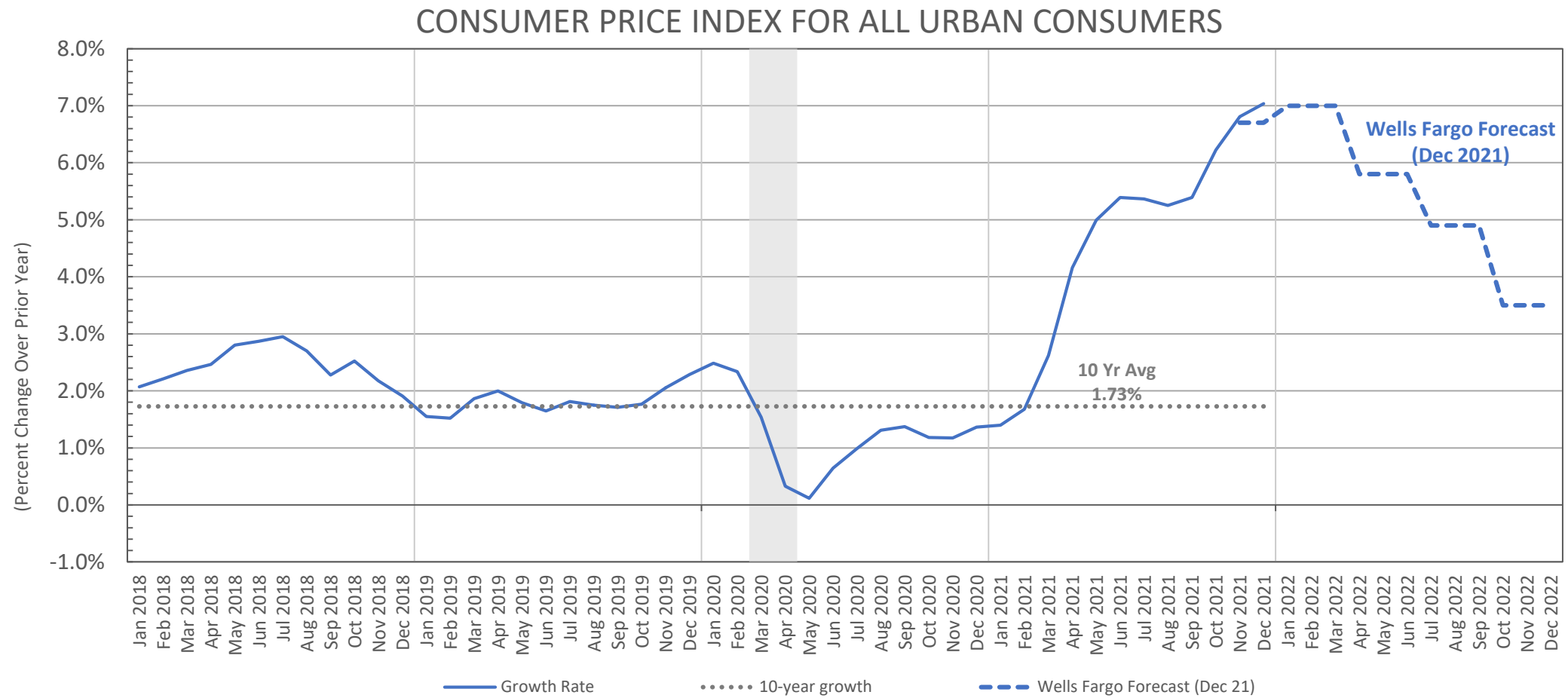


Source: U.S. Department of Labor; 287-RFA/nmg/12/15/2021



Consumer Price Index

Current and forecasted inflation continues to be well ahead of 10-year average driven by a handful of categories

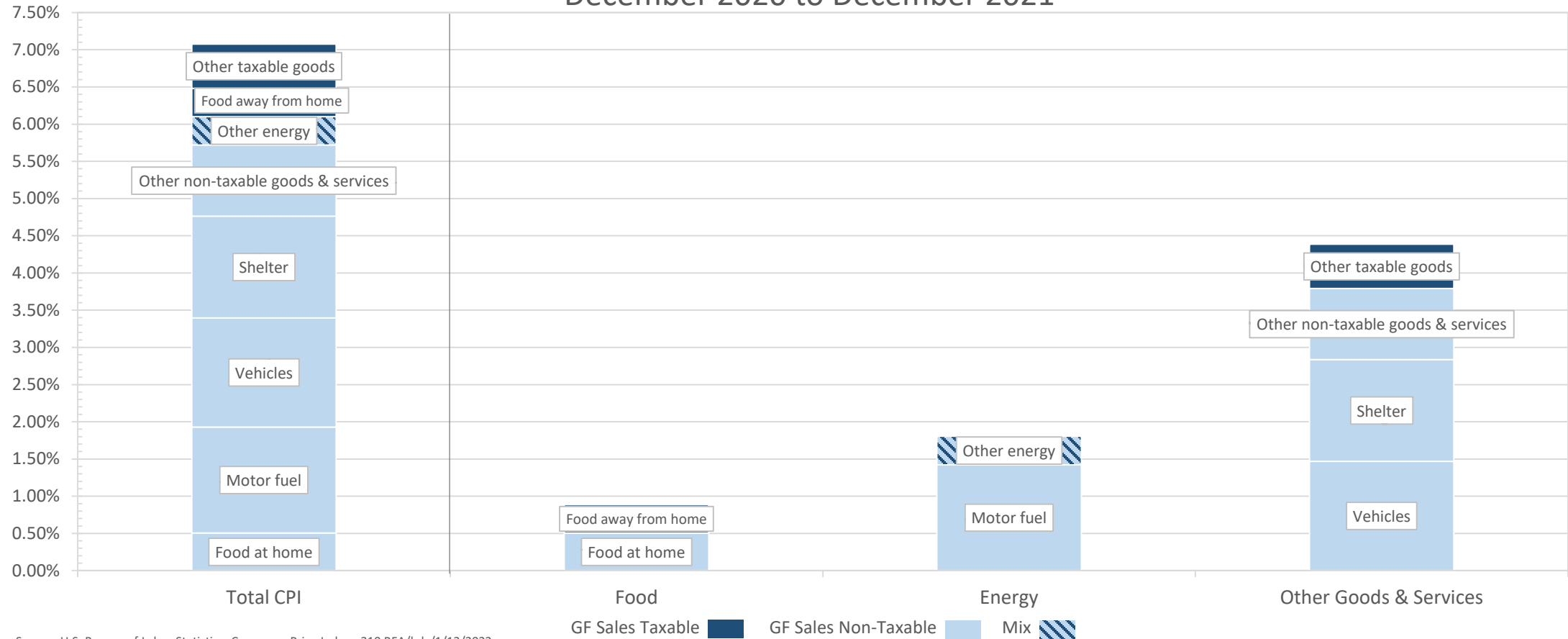


Source: U.S. Department of Labor, Bureau of Labor Statistics; Wells Fargo Securities 216 - RFA/bdc/1/12/2021

Consumer Price Index

Inflation is congregated in areas that are not impacting General Fund sales tax collections

CPI - PERCENTAGE POINT CONTRIBUTION TO TOTAL CHANGE BY SUBCOMPONENT
December 2020 to December 2021

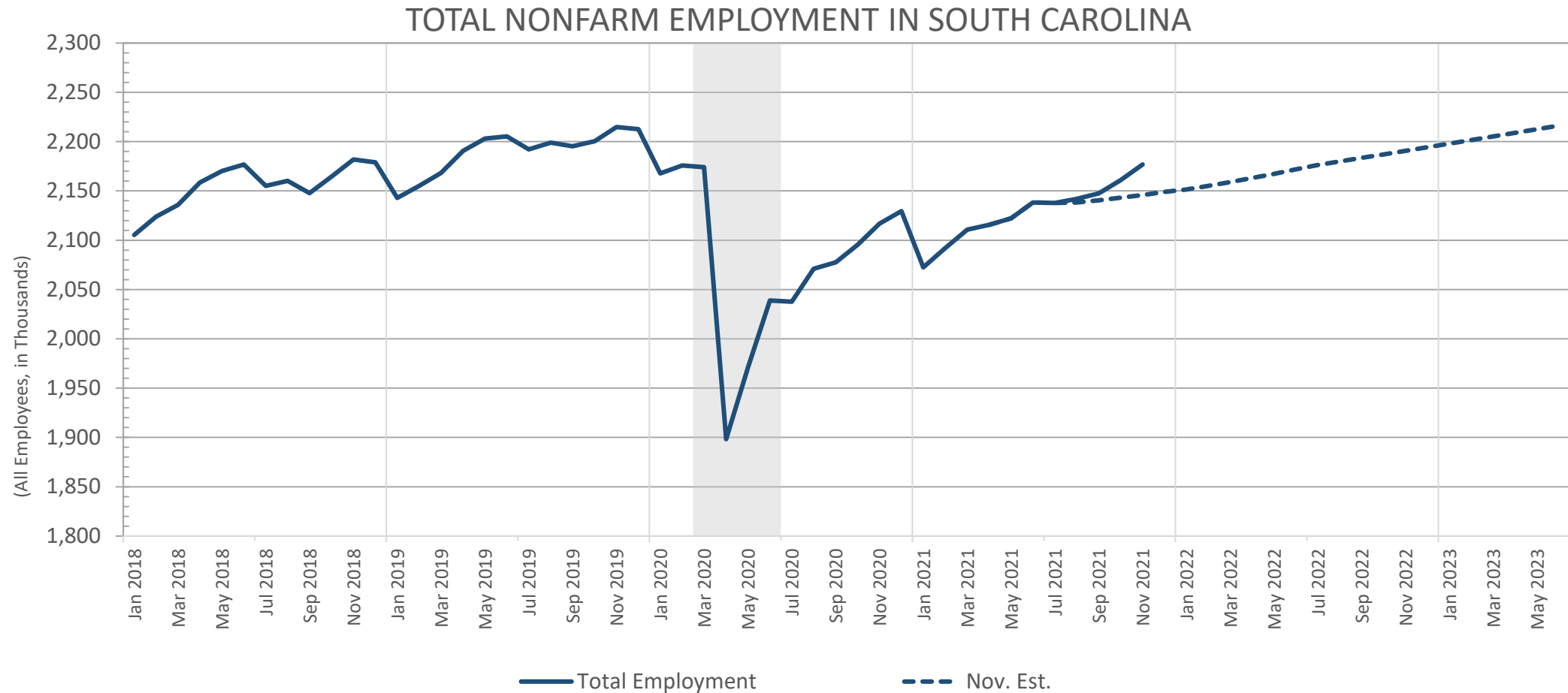


South Carolina Economic Indicators



SC Employment

Employment is above the forecast for the fourth straight month, partially due to data revisions



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/nmv/1/10/2022

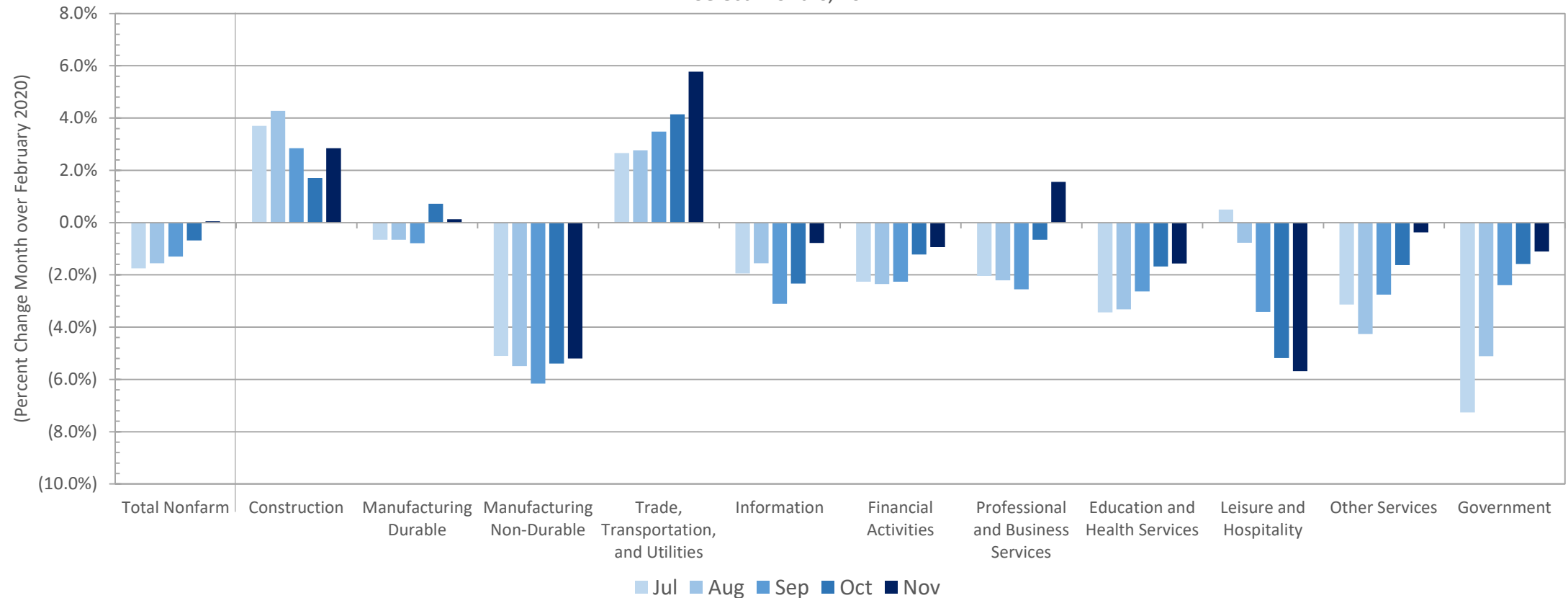


S.C. Employment by Sector

Many sectors trending well; Leisure & Hospitality still significantly lagging

SC EMPLOYMENT BY INDUSTRY PERCENT CHANGE FROM FEBRUARY 2020

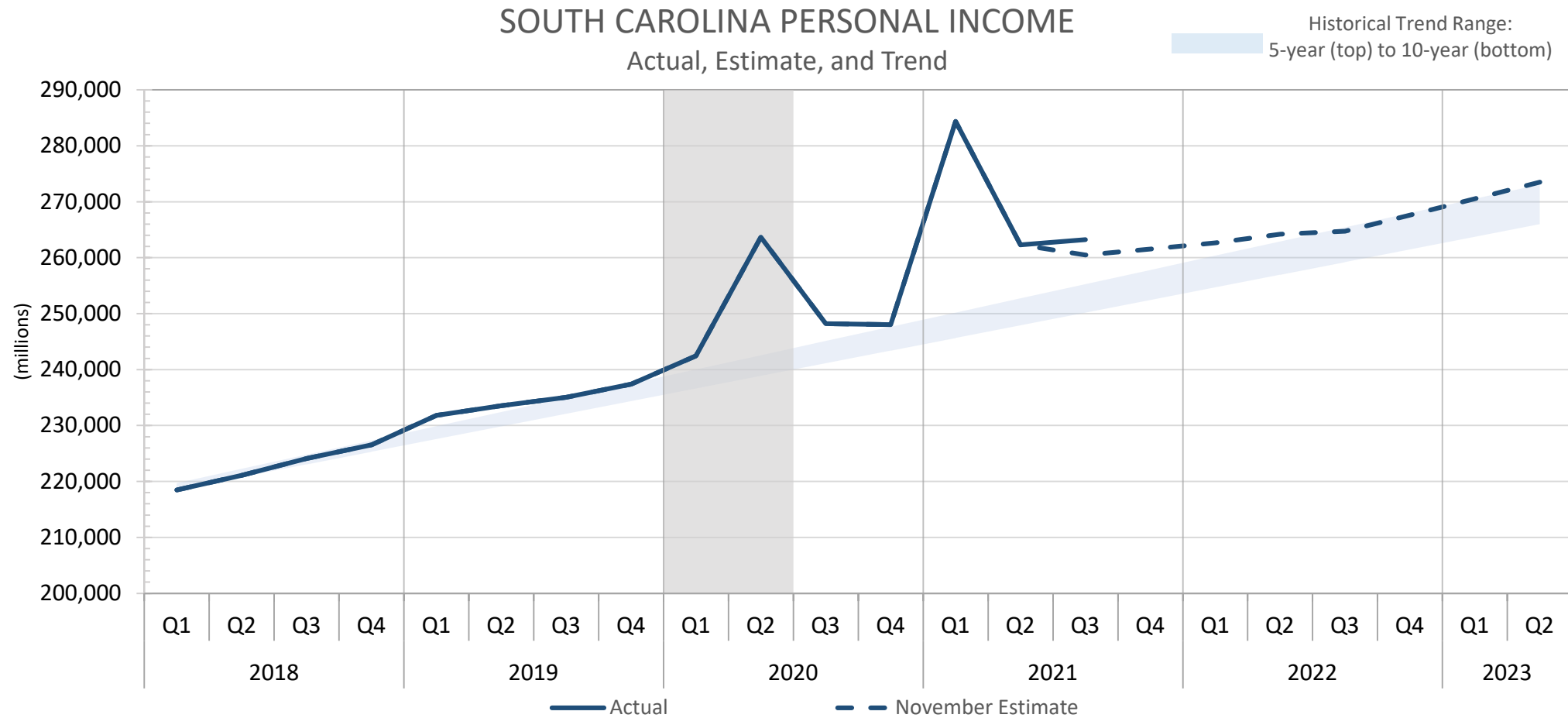
Select Months, 2021



Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Federal Reserve Bank of St. Louis, FRED 281a--RFA/bdc/1/5/2022

SC Personal Income

Actual Q3 2021 personal income was slightly above estimate, driven by higher than expected wage growth (8.6% forecasted, 10.3% actual)



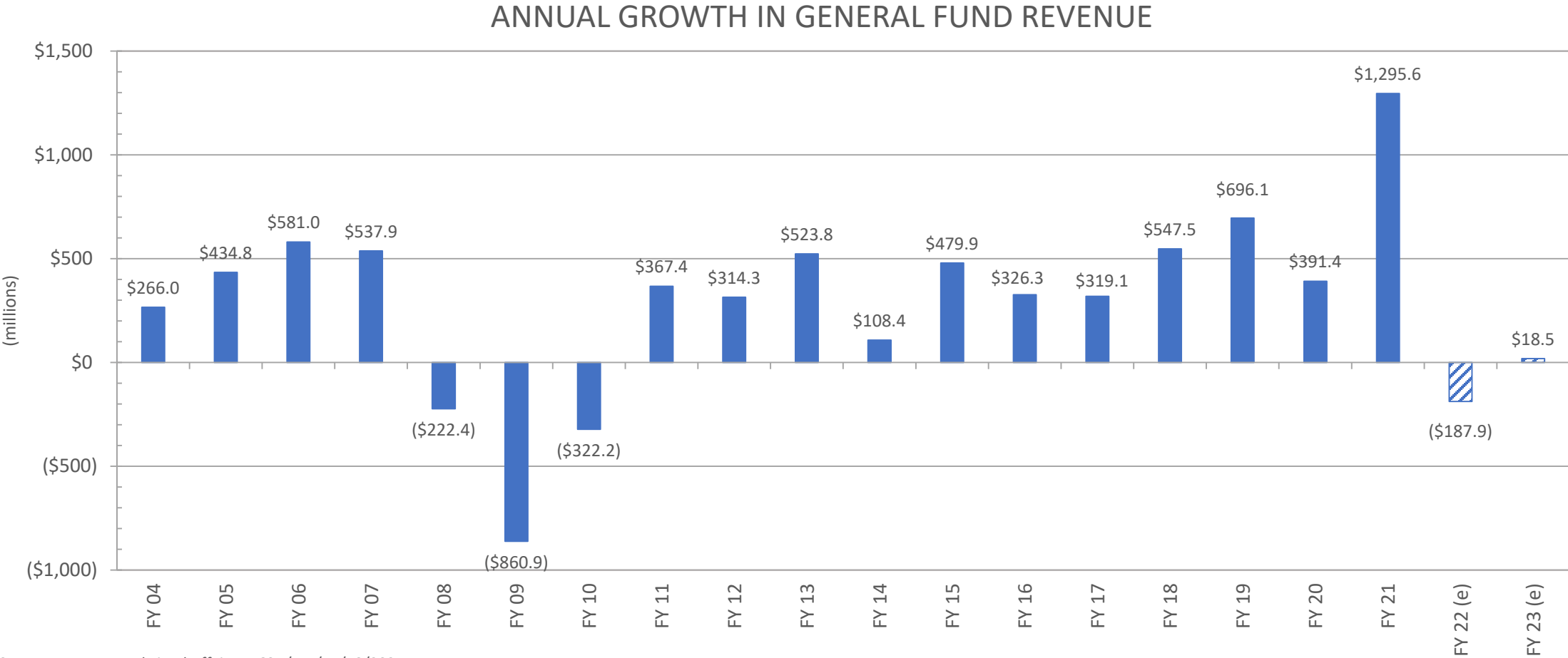
Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors, nmg/1/10/2022

State Revenues



Annual General Fund Revenue Growth

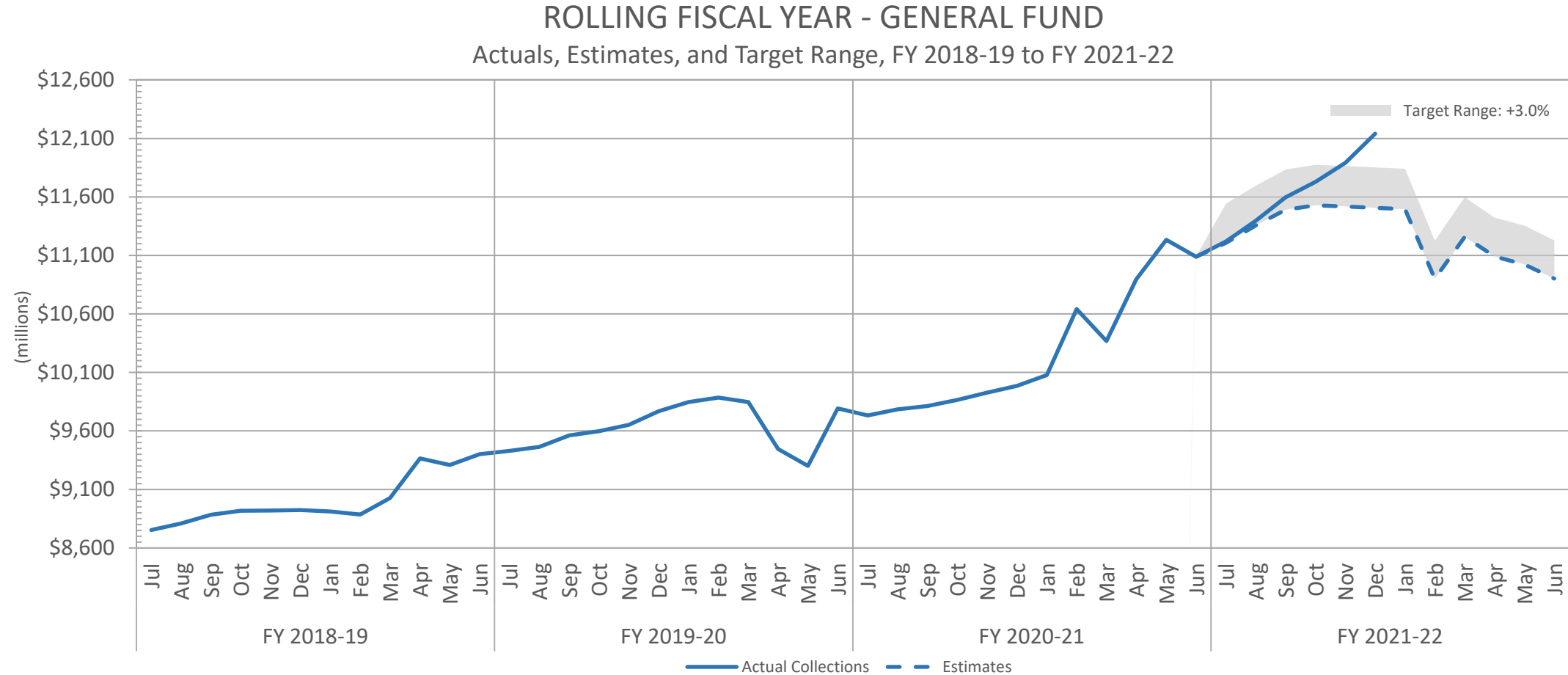
FY 21 revenue grew \$1.295 billion over FY 20, or 13.2%



Source: Revenue and Fiscal Affairs - 169A/LHJ/11/10/2021

General Fund Revenue – Actual vs. November Estimate

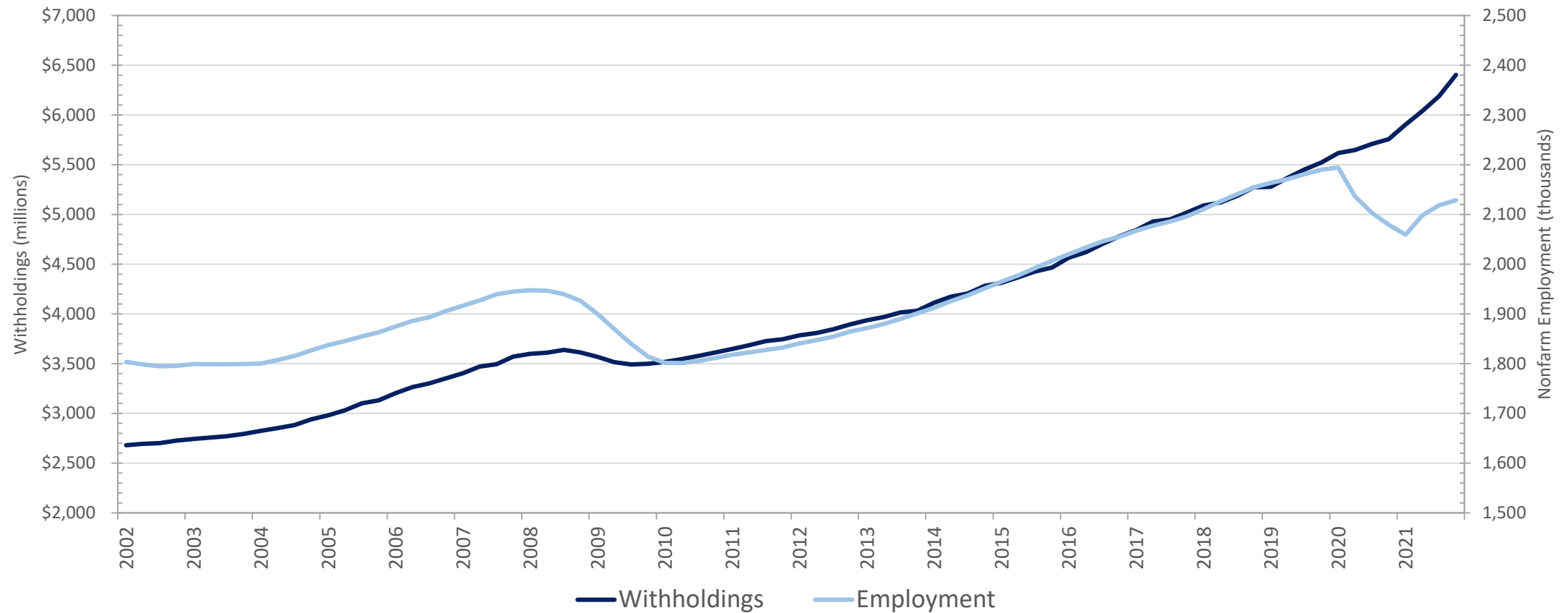
Collections are up 20.2% over last year and \$626.7 million ahead of the estimate; expected flattening following stimulus has not yet occurred



SC Employment and Withholdings

FY 2020-21 withholdings grew despite employment decline due to disproportionate losses in low-wage jobs

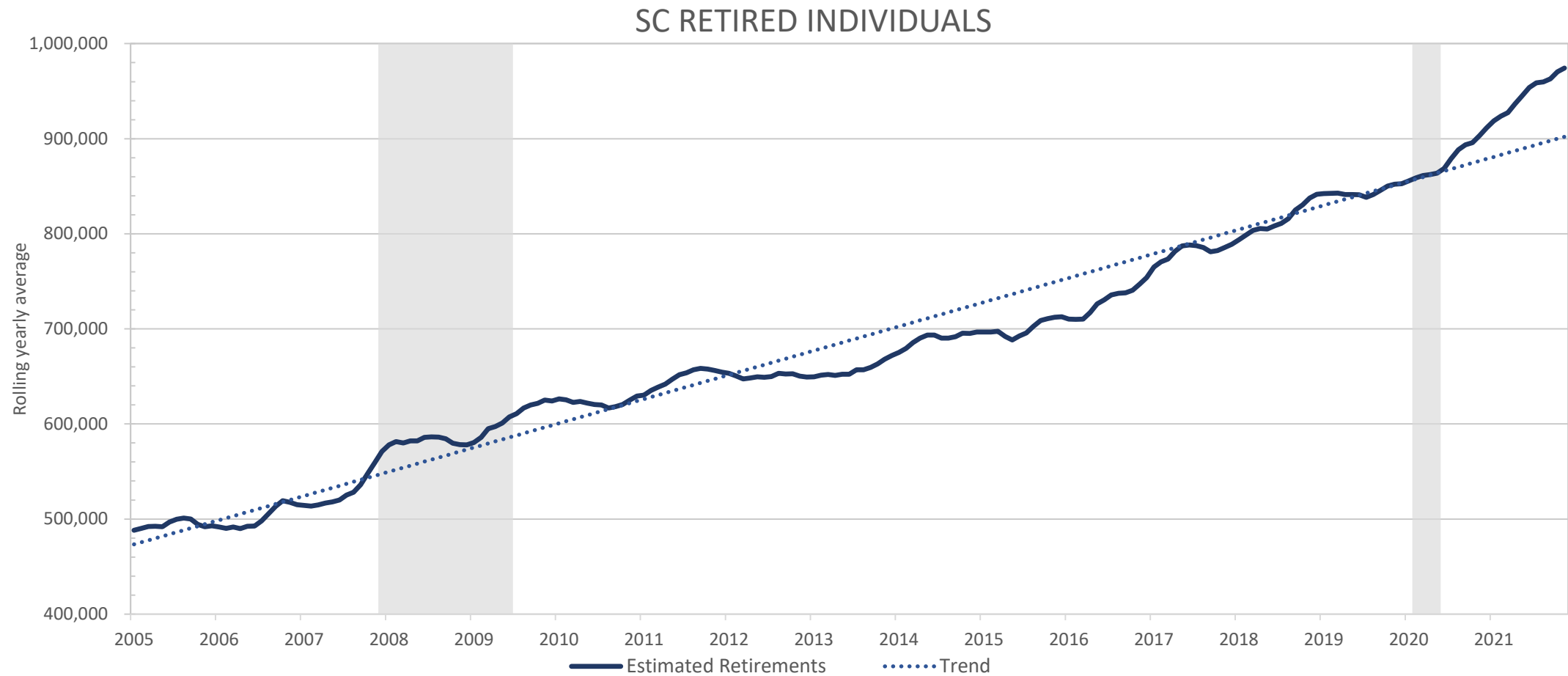
SOUTH CAROLINA WITHHOLDINGS VS. EMPLOYMENT



Source: U.S. Department of Labor, Bureau of Labor Statistics; Revenue and Fiscal Affairs 308-RFA/bdc/1/5/2022

SC Retired Population

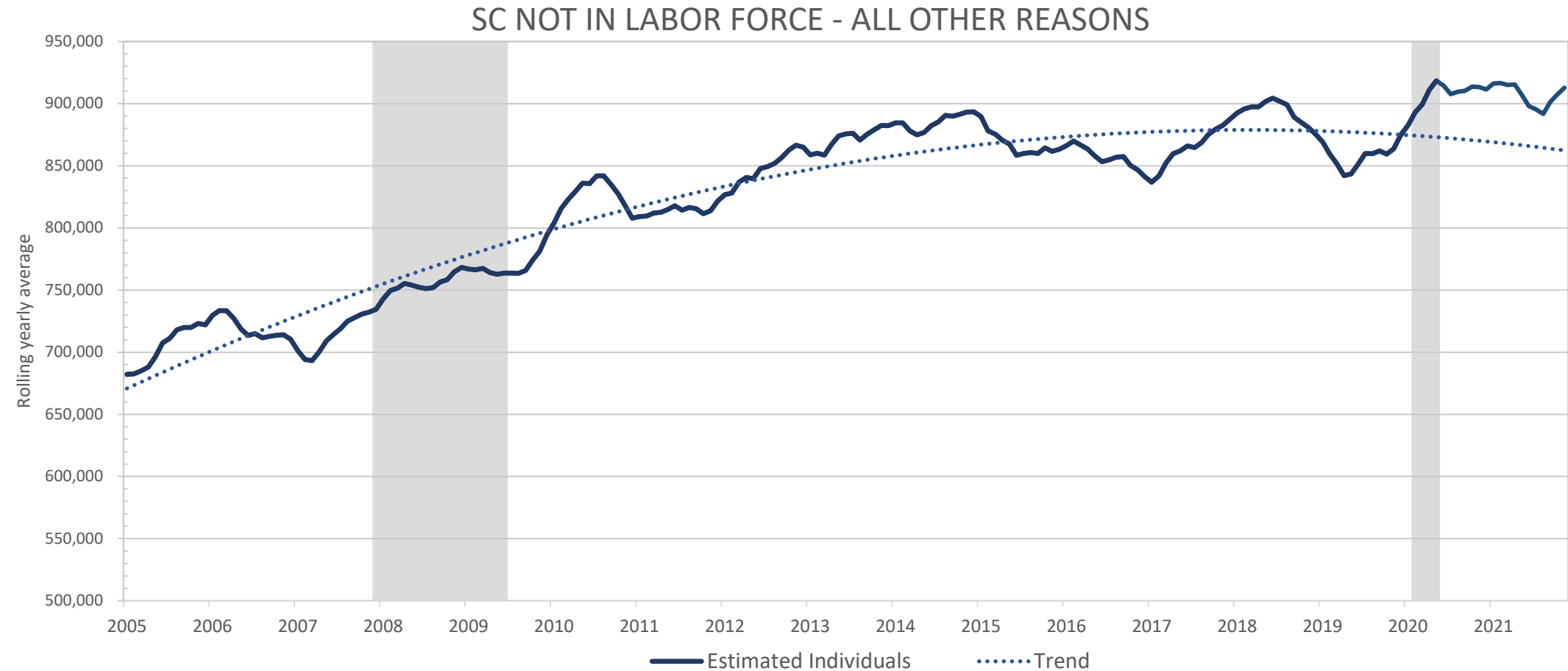
South Carolina retirement levels jumped in the past year and have continued to rise



Integrated Public Use Microdata Series, Current Population Survey: Version 9.0: IPUMS, 2021; 309B - RFA/bdc/1/6//2021

SC Individuals Not in Labor Force - All Other Reasons

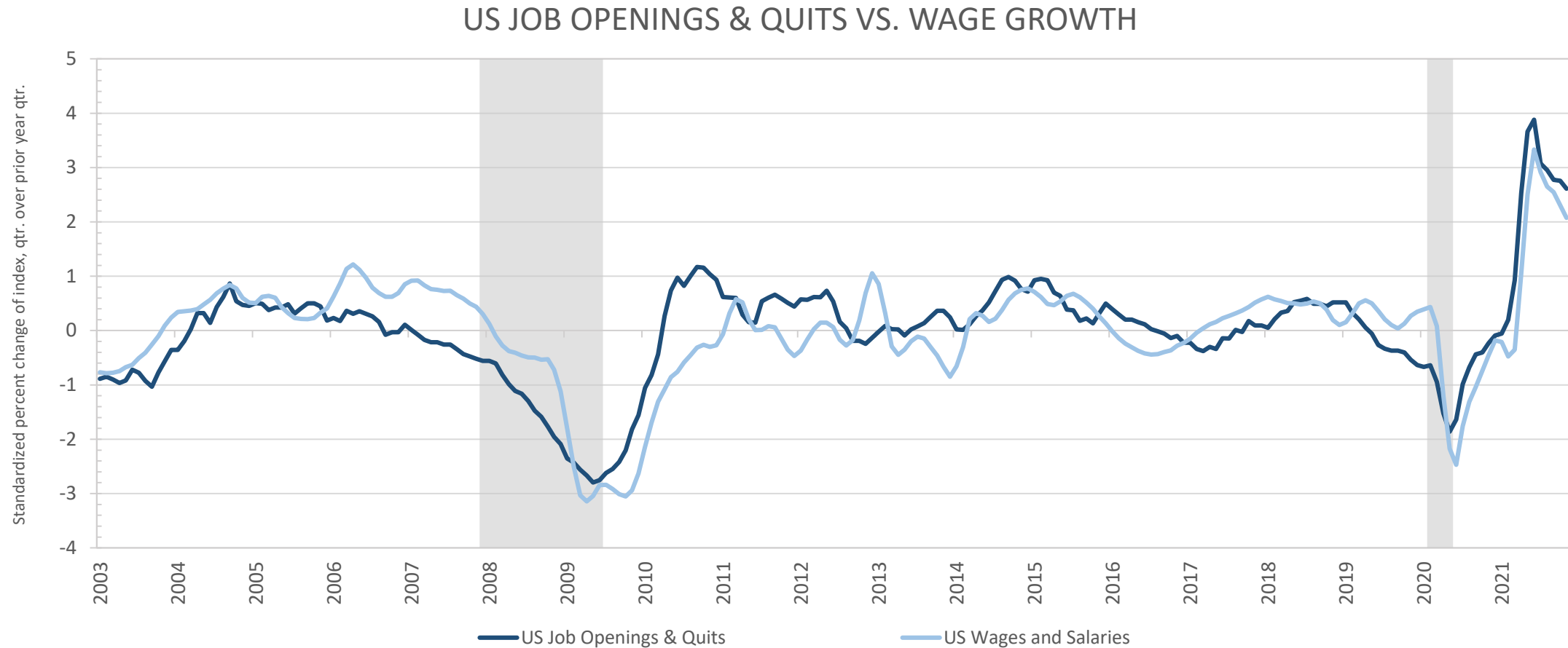
Individuals exited the labor force during the pandemic for other reasons; these levels remain elevated above the trend



Integrated Public Use Microdata Series, Current Population Survey: Version 9.0: IPUMS, 2021. 309C - RFA/bdc/1/7/2021

Wages and the Labor Market

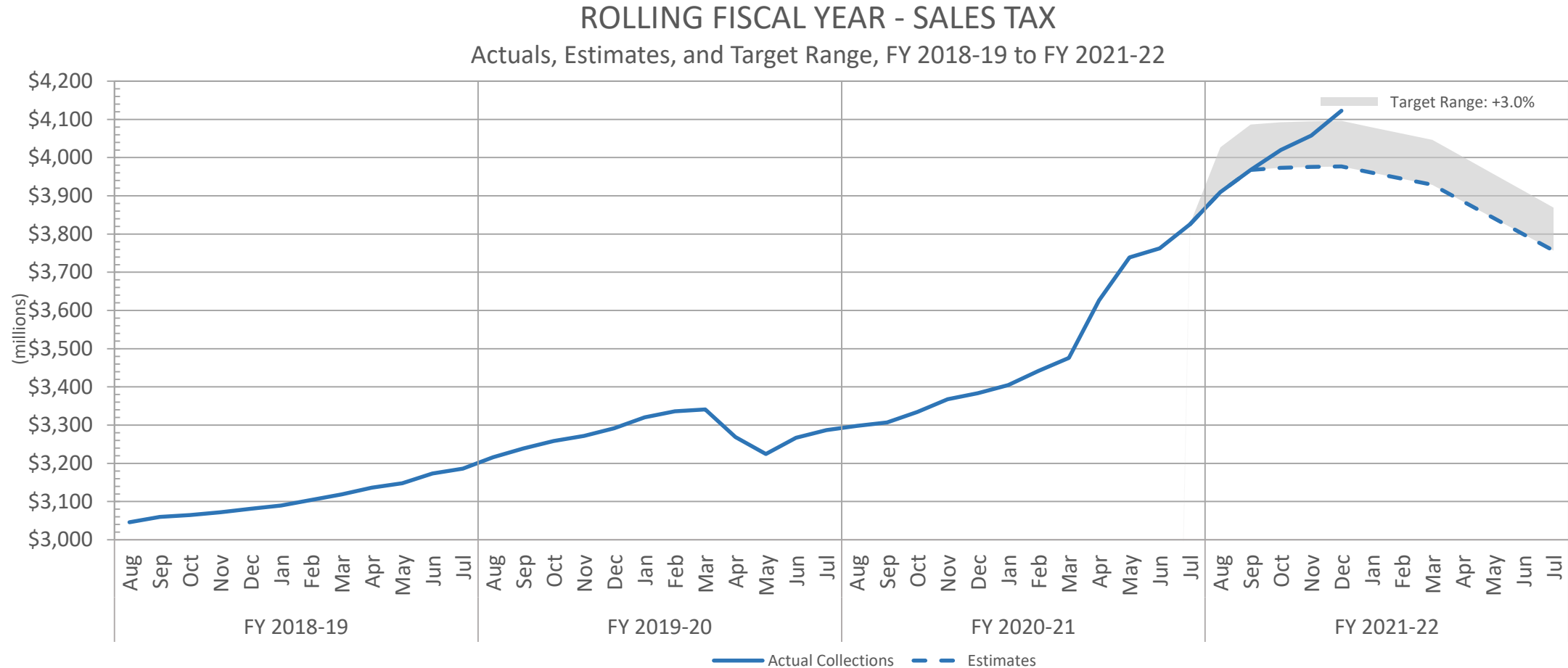
Job openings and quits are up, indicative of a labor shortage; wage growth continues to be highly elevated as a result



Source: U.S. Bureau of Economic Analysis, Compensation of Employees, Received; U.S. Bureau of Labor Statistics, JOLTS; 309A - RFA/bdc/1/10/2022

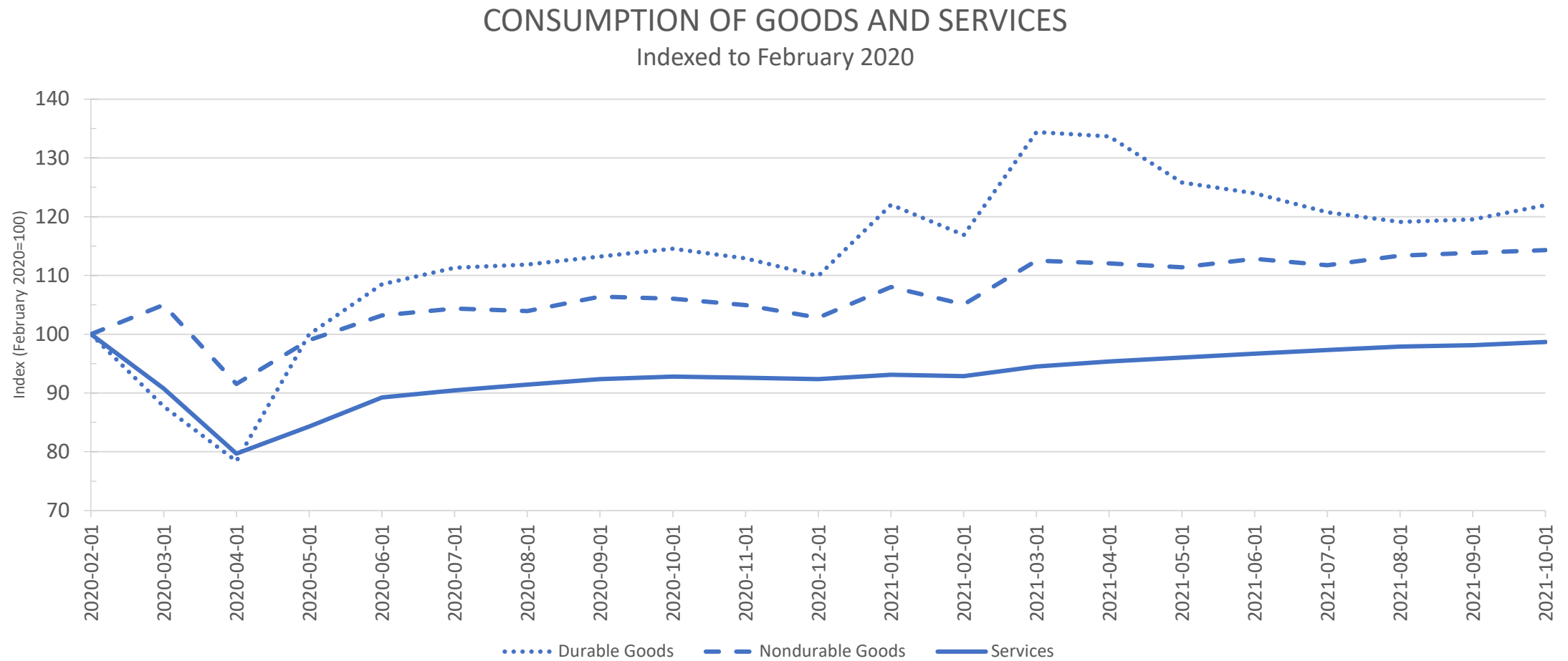
Sales Tax - Actual vs. Estimate

Collections are \$145.9 million above the estimate fiscal year-to-date



Consumer Spending – Goods and Services

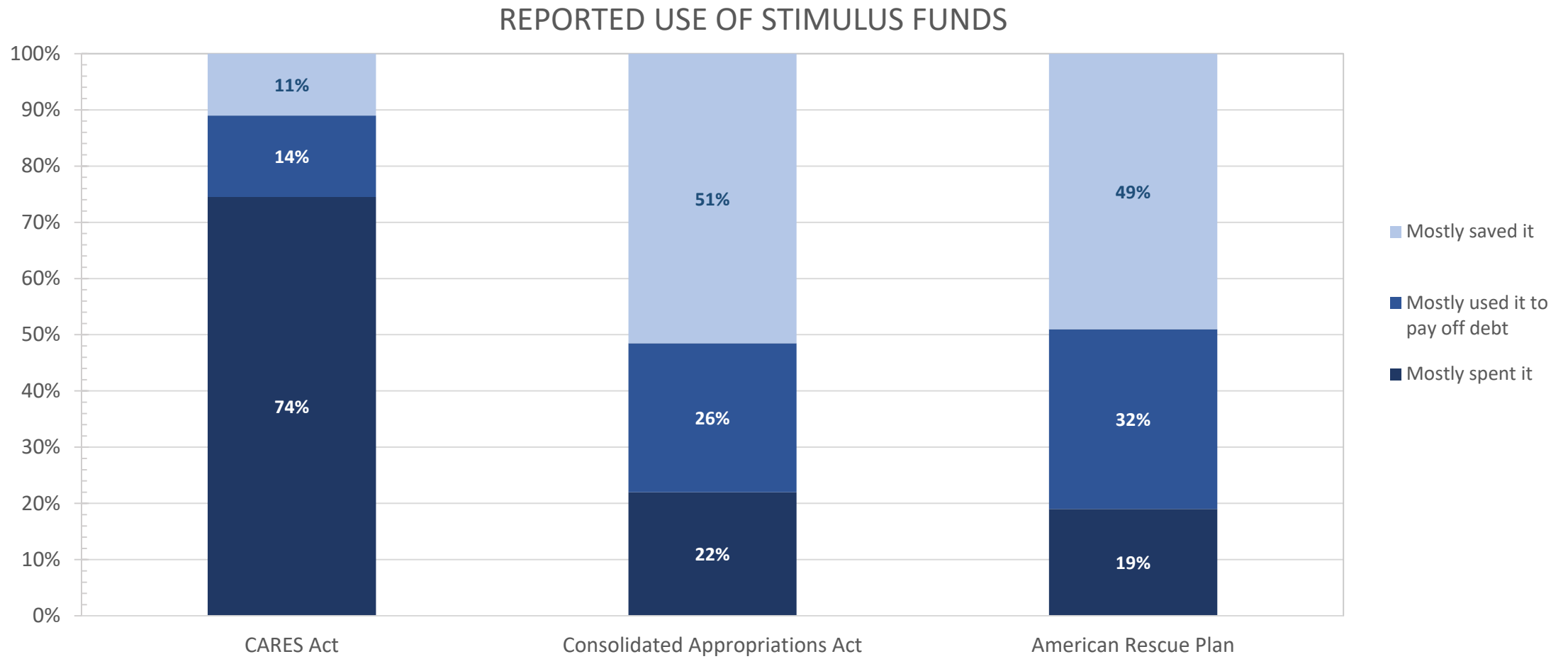
Compared to the start of the pandemic, durable and nondurable goods purchases have increased



U.S. Bureau of Economic Analysis, Real Personal Consumption Expenditures, RFA/nmg/12/15/2021

Stimulus Payments

Households were more likely to spend their first federal stimulus check and save or pay off debt with second and third payments

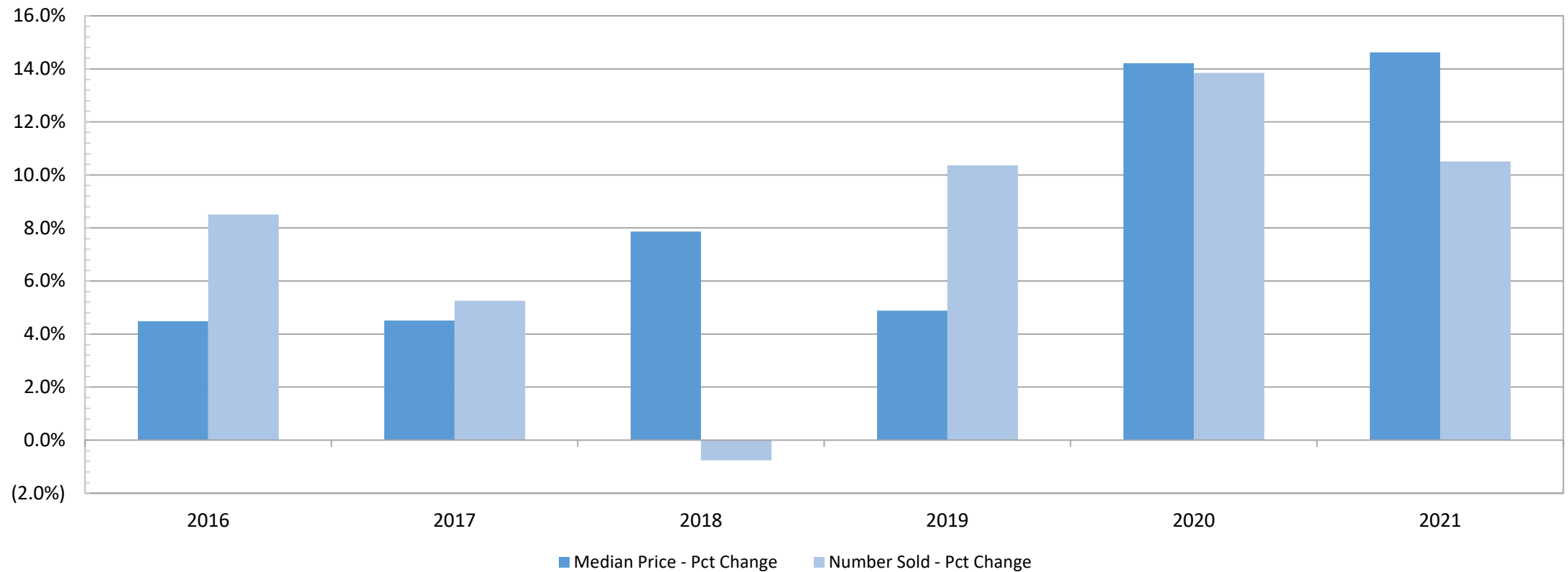


Source: United States Census Bureau, Household Pulse Survey, RFA/nmg/10/06/2021

South Carolina Home Sales and Prices

We have continued to see growth over an extremely high base FYTD, resulting in higher than anticipated revenue collections

SOUTH CAROLINA HOME SALES
Median Price and Number Sold - Percent Change

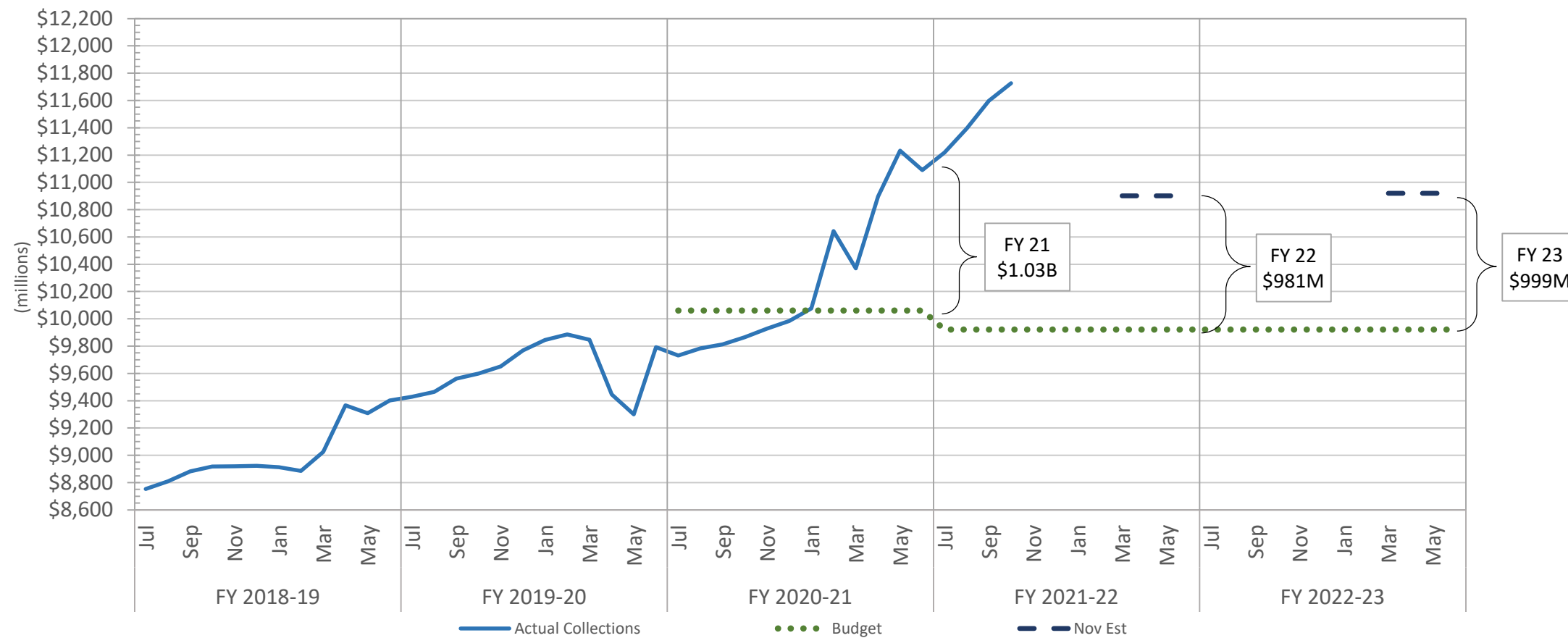


S.C. Realtors, Market Reports: Regional Data, RFA/nmg/1/12/2021

General Fund Revenue – Budget

Gross revenue relative to total budgetary revenue

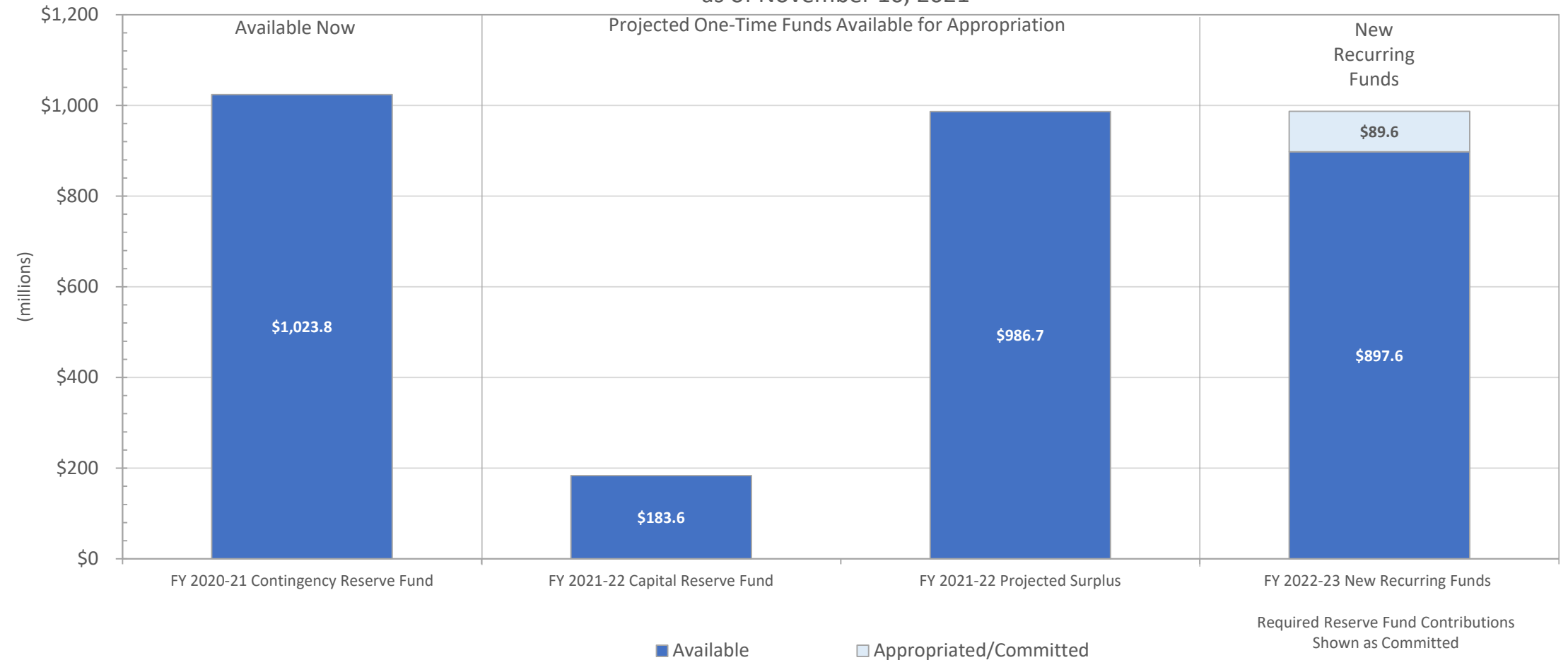
ROLLING FISCAL YEAR - GENERAL FUND
Actuals, Estimates, and Budget, FY 2018-19 to FY 2022-23



*Budget figures are gross revenue before Tax Relief Trust Fund and Reserve Funds

FY 2022-23 Available Funds

AVAILABLE FUNDS - FY 2022-23 BUDGET PROCESS as of November 10, 2021



Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/10/2021

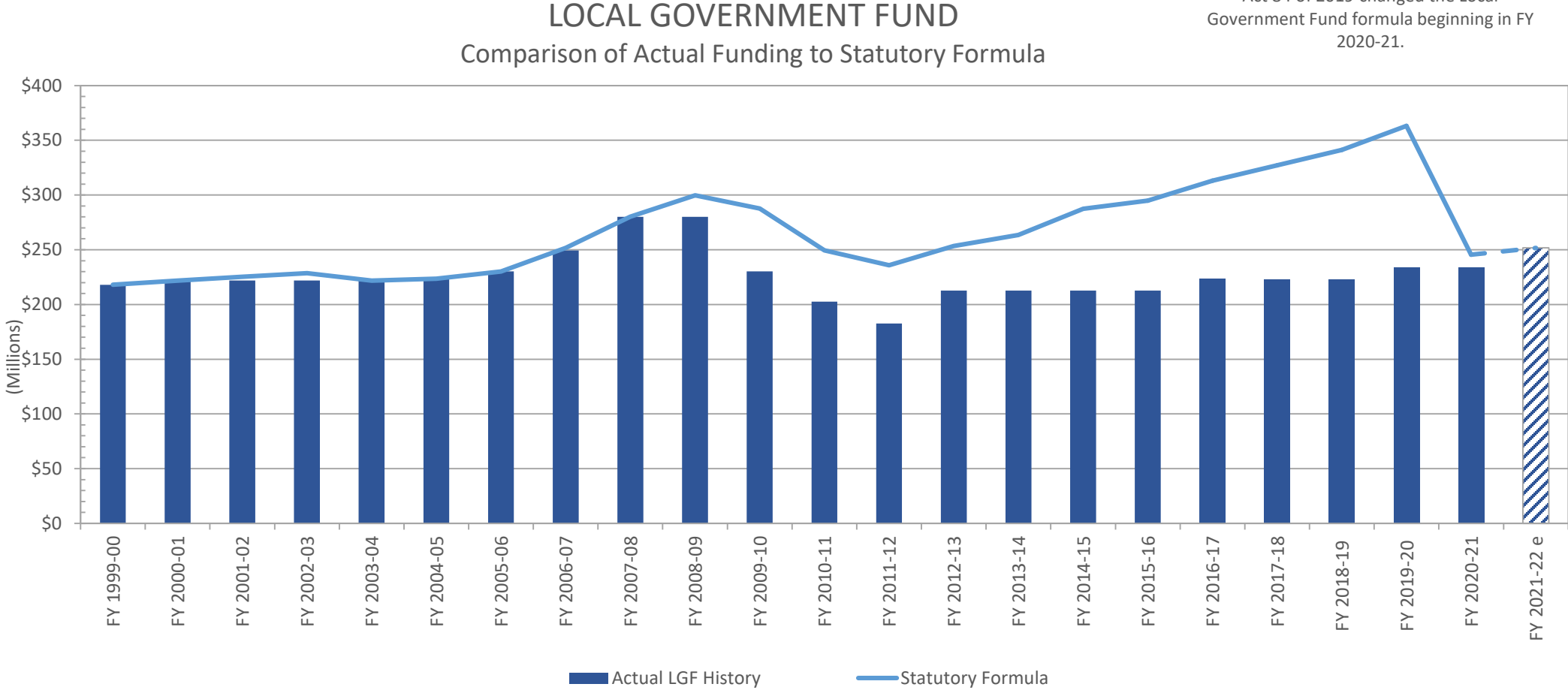
Local Government Fund and Rural Stabilization Fund



Local Government Fund

New formula increases funding at growth in the General Fund over the budget base

Act 84 of 2019 changed the Local Government Fund formula beginning in FY 2020-21.



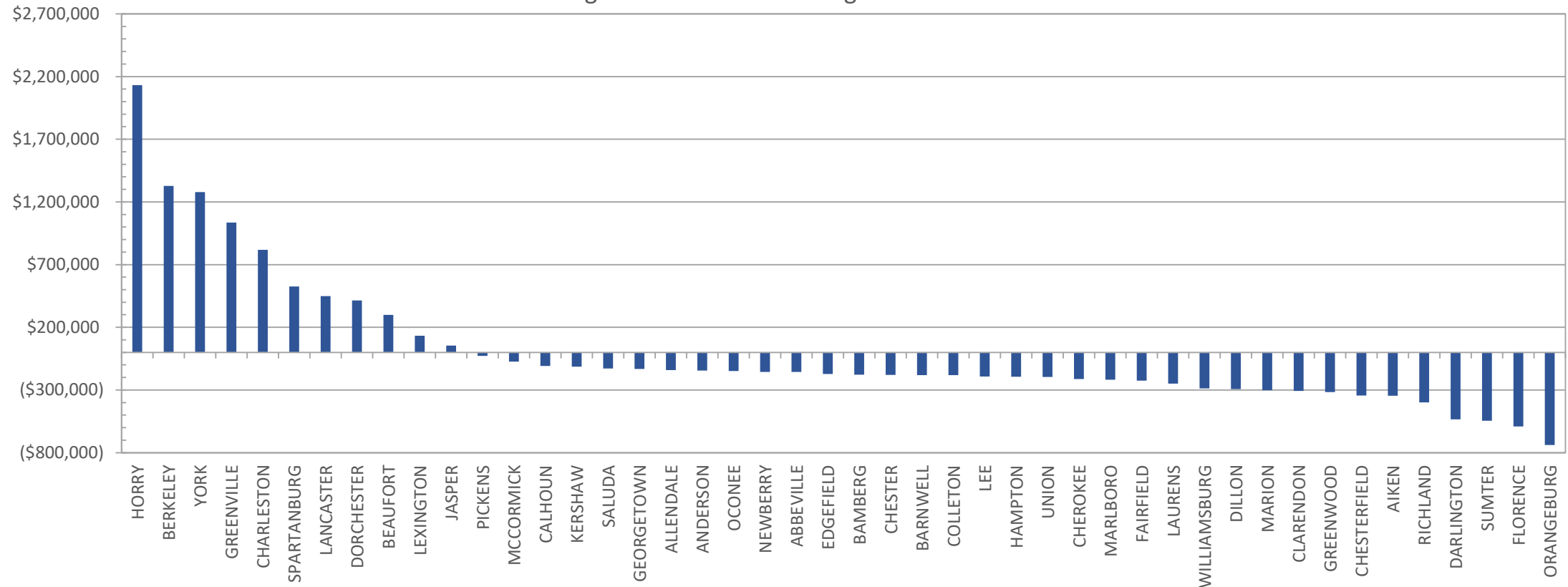
Note: FY 2020-21 was funded at the FY 2019-20 level due to the continuing resolution adopted by the General Assembly on May 13, 2020. The FY 2021-22 statutory formula includes a catch up amount for FY 2020-21, and the General Assembly appropriated \$251,661,595 on June 21, 2021.
Source: S.C. Revenue and Fiscal Affairs Office - 193/lpw/9/14/21

County Local Government Fund Impact

Estimated change in Local Government Fund due to Census population revision

COUNTY LOCAL GOVERNMENT FUND CENSUS POPULATION IMPACT

Estimated Change in FY 2021-22 Funding With 2010 Census vs 2020 Census



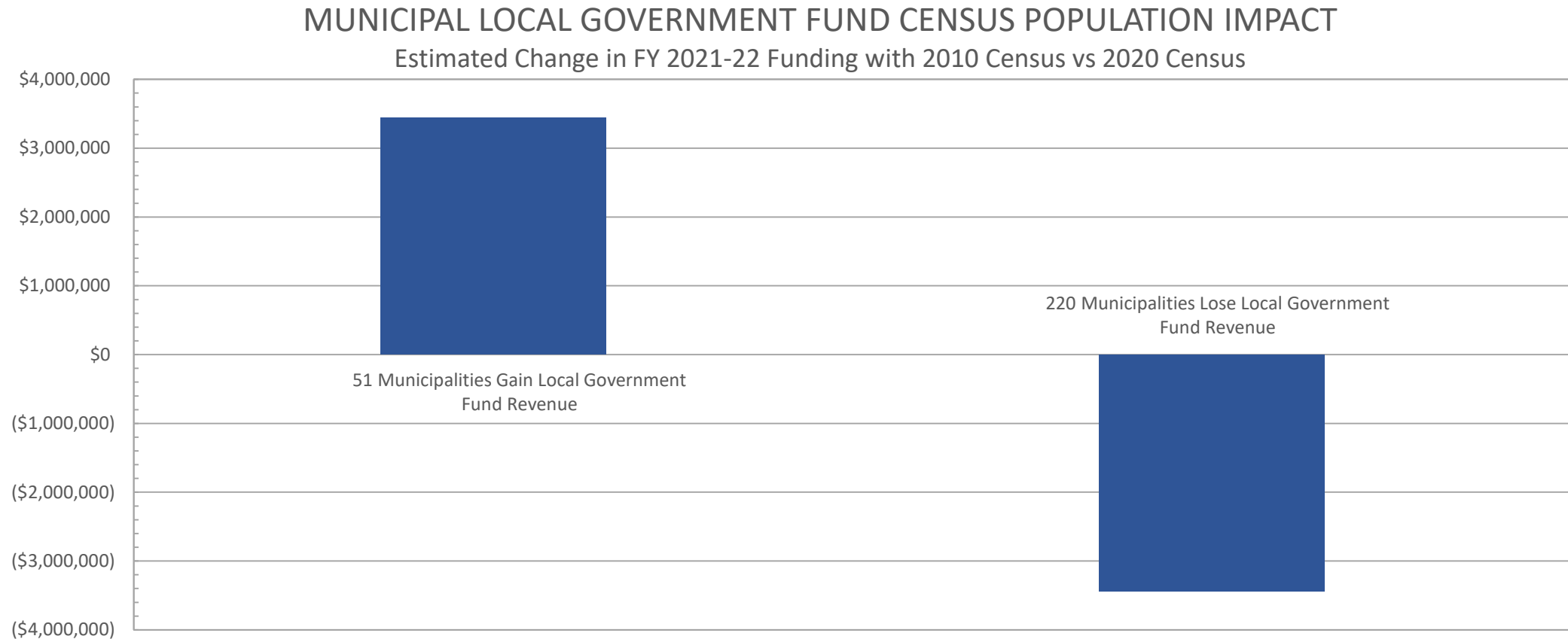
Note: Local Government Fund estimates are based upon recurring funds of \$251,661,595. The population figures are based on 2010 and 2020 U.S. Census Bureau data.

Source: S.C. Revenue and Fiscal Affairs Office - 211C/lpw/12/16/2021



Municipal Local Government Fund Impact

Estimated change in Local Government Fund due to Census population



Note: Local Government Fund estimates are based upon recurring funds of \$251,661,595 . The population figures are based on 2010 and 2020 U.S. Census Bureau data.
Source: S.C. Revenue and Fiscal Affairs Office - 211G/lpw/12/16/2021

Rural County Stabilization Fund

- Created pursuant to Proviso 113.11 of the FY 2021-22 Appropriations Act
- Allocates \$10 million to counties that have population growth less than 5.35% since the 2010 Census as follows:
 - A baseline of \$300,000 to each eligible county;
 - An additional \$100,000 to eligible counties with a population between 50,000 and 99,999; and
 - An additional \$200,000 to eligible counties with a population of more than 100,000
 - After disbursement of funds, any monies remaining are distributed to each eligible county on a pro rata basis.
- 28 counties were deemed eligible

Note: Local Government Fund estimates are based upon recurring funds of \$251,661,595. The population figures are based on 2010 and 2020 U.S. Census Bureau data.
Source: S.C. Revenue and Fiscal Affairs Office - 211G/lpw/12/16/2021



Property Tax Issues



Millage Rate Increase Limitation

Inflation component

- The inflation component for the millage rate increase limitation for FY 2022-23 is 4.70 percent
- Census Bureau Population Release Dates:
 - Counties and School Districts– March 2022
 - Incorporated Places (Municipalities) – May 2022

Homestead Exemption

Excess revenue in the Homestead Exemption Fund

- Section 11-11-156(C) - Any excess revenue in the Homestead Exemption Fund after fully funding the Tier III reimbursements will be remitted to the counties in the following year to be used as a uniform credit for all owner-occupied properties
- The distribution will be on a pro-rata basis for each county's population relative to statewide population

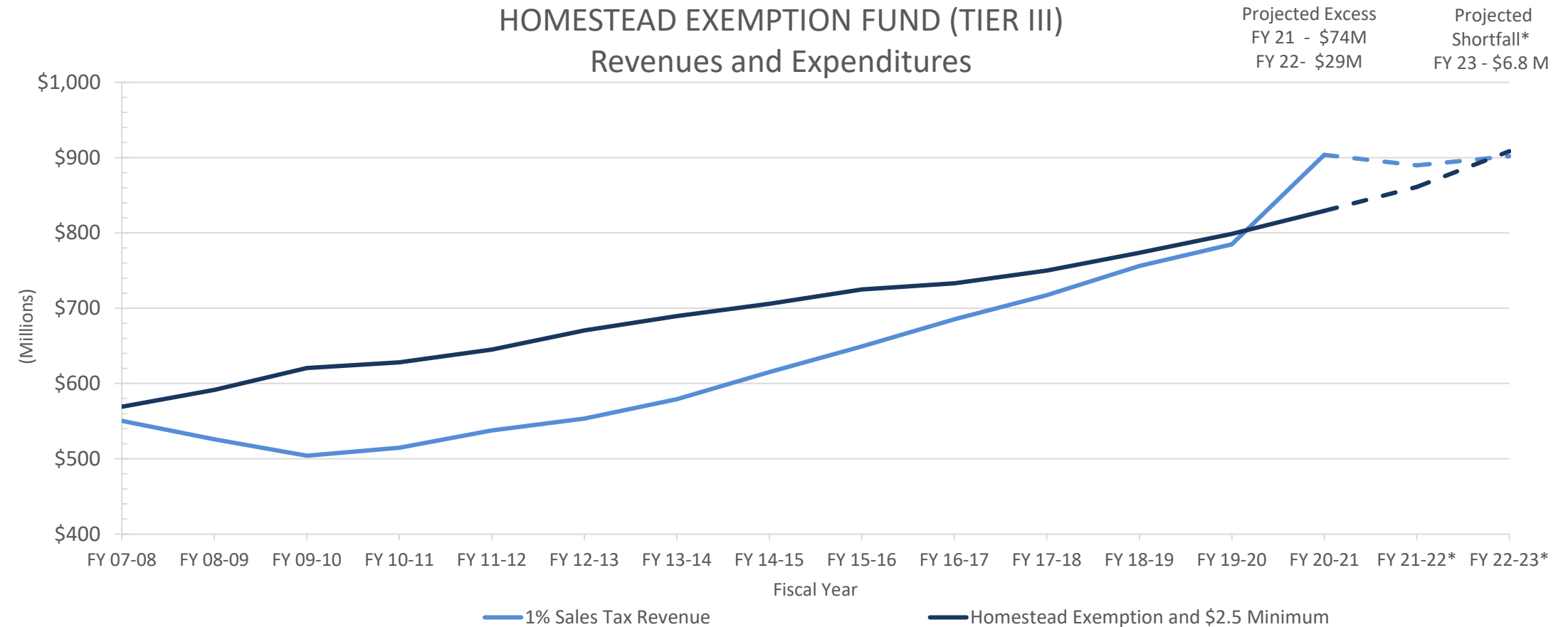
Homestead Exemption

Calculating the credit

- Section 11-11-156(C) - The credit is an amount determined by dividing the total estimated revenues credited to the county during the applicable fiscal year by the number of parcels in the county eligible for the credit. Credit that exceeds the tax due on a parcel must be reallocated in a uniform amount to remaining parcels with a property tax liability for county operations....
- This is the current guidance on how to calculate the credit

Homestead Exemption

From excess back to a shortfall



Shortfall does not include fund balance or appropriations.

Note: Tier III Expenditure includes \$2.5M minimum disbursements and lease purchase lawsuit revisions. Revenue projection as of 11/10/21 BEA forecast. Expenditure projection as of 11/10/2021.

Source: SC Revenue and Fiscal Affairs Office MKM-40- 11/10/2021

Homestead Exemption

Excess revenue in the Homestead Exemption Fund

- The distribution would be inconsistently applied over the next few years if revenues do not remain above expenditures

Estimated County Tier III Revenue Distribution			
	Total Statewide Remittance	County Remittance Range (based on population)	Owner Occupied Property Tax Credit Range
FY 2021-22	\$74,450,607	\$119,000 -\$7,597,000	\$42 - \$73
FY 2022-23	\$28,672,262	\$46,000 - \$2,926,000	\$16 - \$28
FY 2023-24	N/A	N/A	N/A
Based on 2020 Census Bureau Population Estimates Tier III Revenue Estimate as of November 11, 2021 BEA forecast			

Homestead Exemption

Revenue remittance suspension

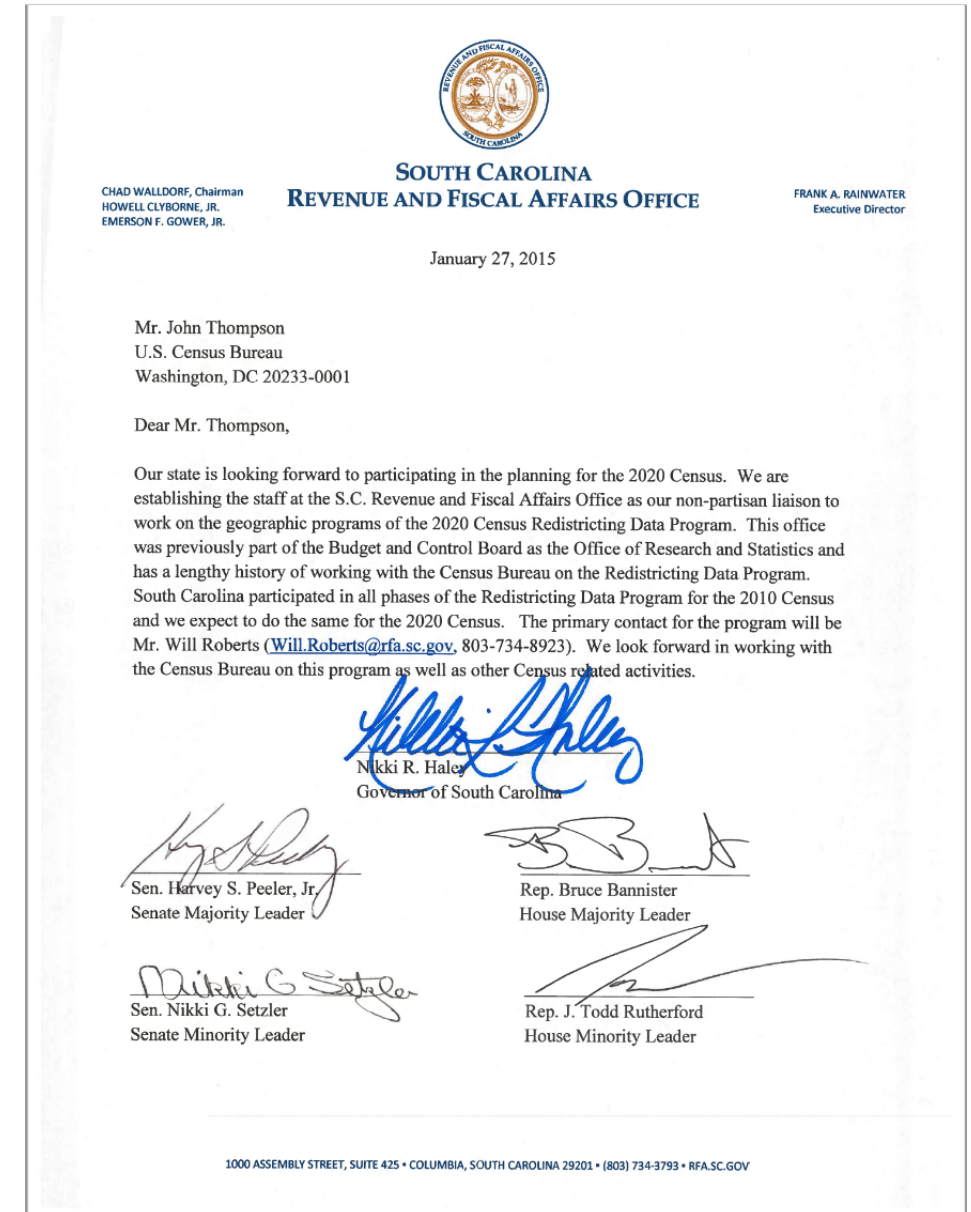
- Proviso 117.186 for FY 2021-22 suspends Section 11-11-156(C)
- This effectively allows the excess revenue to remain in the Homestead Exemption Fund
- Counties will not have to implement the owner occupied property tax credit so long as the proviso remains in the budget

Demographics and Redistricting



SC Revenue and Fiscal Affairs Office

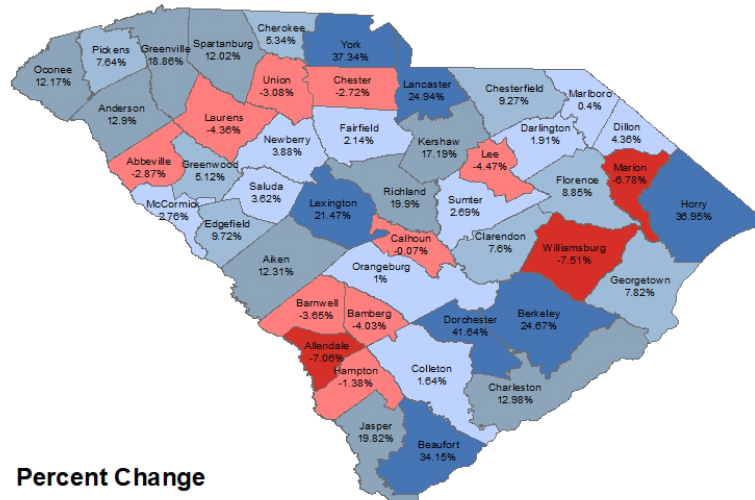
- Official State Contact with Census
- Maintain official precinct maps (SC Code of Laws §7-7-30 et seq; 11-9-850)
- Coordination with other mapping programs
 - Jury Areas (SC Code of Laws §22-2-30)
 - Transportation Network Company (SC Code of Laws §58-23-1610) – Municipalities required to notify RFA of annexations within 30 days
 - Incorporation criteria (SC Code of Regs 113-200(A))
- Census Prep Work
 - Local Update of Census Addresses (LUCA)
 - Boundary and Annexation Program
- Served as technical advisors to the Federal Courts
- **Redistricting Services (No statutory mandate)**
 - *Provide redistricting services in accordance with redistricting law and principles*
 - *RFA is not providing legal advice*



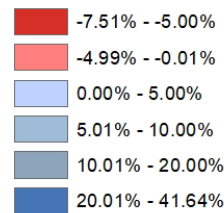
SC Population Change by Census Tract

Percent Change in Census Population

2000 to 2010

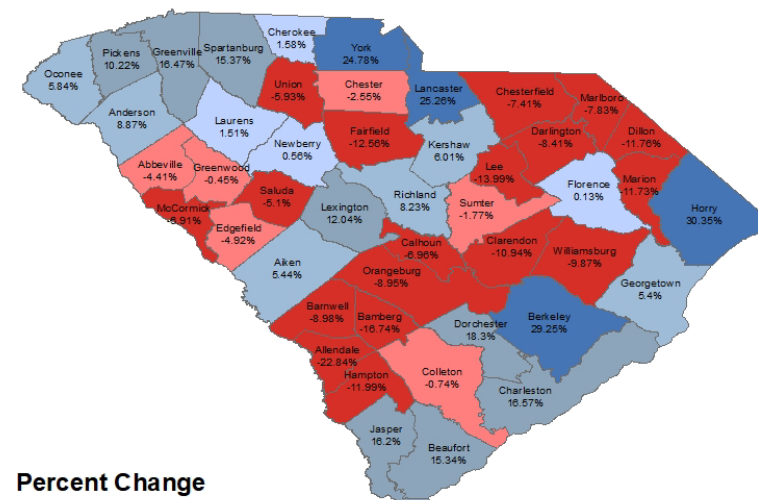


Percent Change

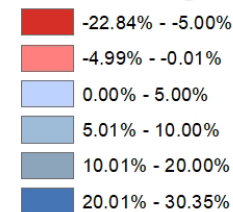


Source: US Census Bureau Decennial Census Data

2010 to 2020



Percent Change



South Carolina
Revenue and Fiscal Affairs Office



Effect of Population Change from 2010 to 2020

	2010	2020	Change
-SC Population	4,625,364	5,118,425	10.66%
-White, Non-Hispanic	2,962,740	3,178,552	7.28%
-Percent of Total	64.05%	62.10%	
-Black, Non-Hispanic	1,279,998	1,269,031	-0.86%
-Percent of Total	27.67%	24.79%	
-Multi-race, Other	382,626	670,852	75.33%
-Percent of Total	8.27%	13.11%	
-Ideal Senate District	100,551	111,270	
-Ideal House District	37,301	41,278	
-Ideal Congressional District	660,766	731,204	

Traditional Redistricting Principles

- **Contiguousness** – All parts of the districts must be touching. Point contiguity is acceptable.
- **Compactness** – Districts should be able to pass an “eye” test as well as can be measured by statistical models.
- **Constituent Consistency** – Preserving the core of existing districts and respecting incumbents is acceptable.
- **Communities of Interest** – Preserving areas where residents have common interests (ex - social, economic, neighborhoods, school zones).
- **Voting Precincts** – Avoid splitting precincts (as much as practical).

Other Redistricting Factors

Key Principles

- **14th Amendment Equal Protection** – one person, one vote
 - Local redistricting allows for a 10 percent deviation range
- **Voting Rights Act – Section 2**
 - Protects the interest of the racial minority population.
- **Gerrymandering** – manipulating boundaries
 - racial, prison, and political

Questions

