

SOUTH CAROLINA GENERAL FUND REVENUE

Quarterly Review October to December, FY 2022-23

January 19, 2023



General Fund FY 2022-23 Second Quarter Summary (§11-9-1130)

- General Fund Revenues are \$391.0 million, or 6.1%, above year-to-date estimates
- Sales tax accounted for \$61.5 million and is 3.3% above estimates
- Individual Withholdings are \$81.9 million, or 2.3%, ahead of expectations
- Corporate Income tax is \$182.1 million, or 70.0%, ahead of the estimate and represents nearly half of the excess
- Insurance tax is \$1.2 million, or 0.6%, below the estimate
- Earnings on Investment are \$19.9 million ahead of the estimate

General Fund Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - DECEMBER FY 2022-23

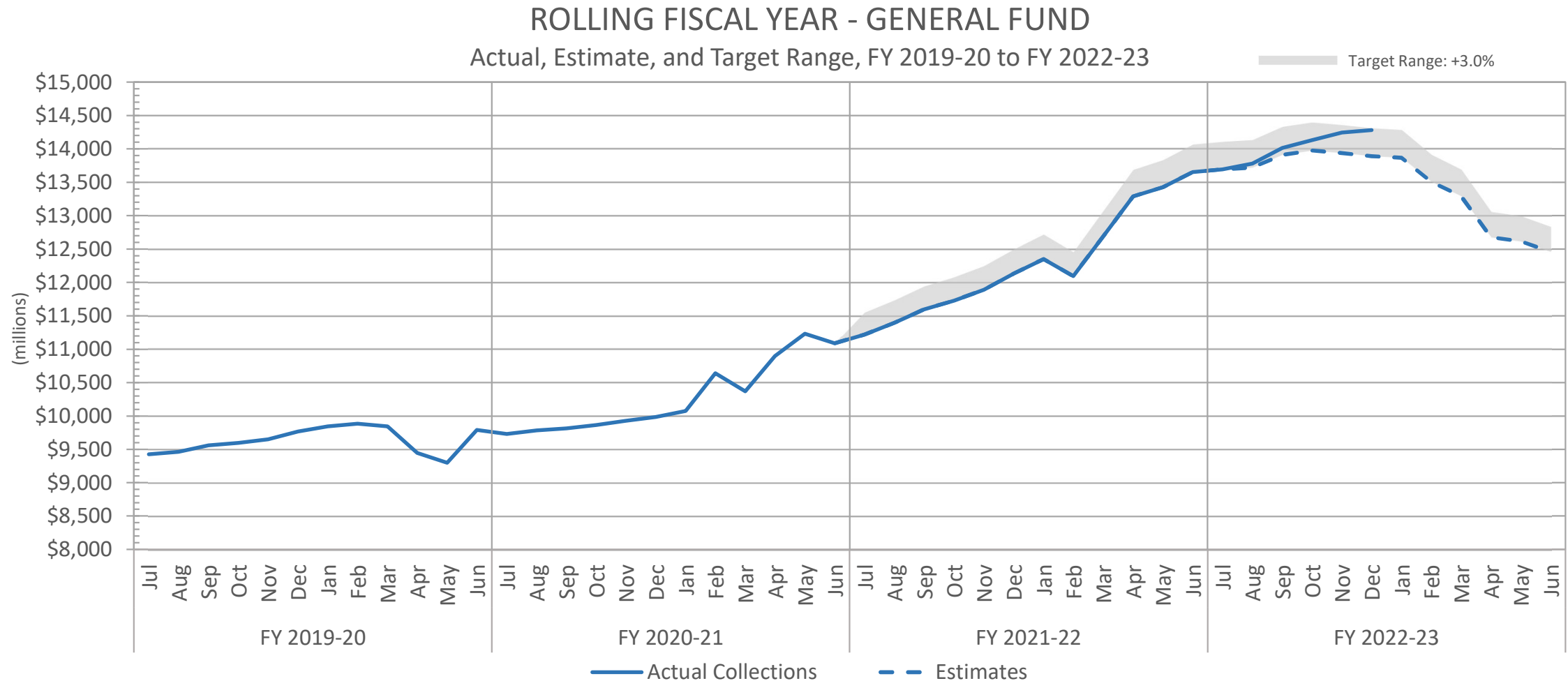
(\$ in Millions)

	Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate YTD	Actual YTD	Estimate Full Yr.		Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate YTD	Actual YTD	Estimate Full Yr.
Total General Fund Revenue	\$6,845.2	\$6,454.2	\$391.0	3.8%	10.1%	(8.7%)	Other Revenue Items, Sub-Total	\$507.7	\$440.2	\$67.5	(5.4%)	9.1%	(7.3%)
Sales Tax	1,922.1	1,860.6	61.5	4.4%	7.9%	2.2%	Admissions Tax	11.4	9.9	1.4	(29.6%)	(19.4%)	(10.4%)
Individual Income Tax	3,785.5	3,704.3	81.1	5.0%	7.3%	(13.2%)	Alcoholic Liquors Tax	47.6	44.4	3.2	(0.7%)	6.5%	2.0%
Withholdings	3,591.8	3,509.9	81.9	4.9%	7.3%	1.7%	Bank Tax	30.1	24.7	5.4	1.1%	23.2%	(10.3%)
Nonwithholdings	597.1	540.0	57.0	10.6%	22.3%	(17.8%)	Beer and Wine Tax	48.7	49.2	(0.5)	(2.0%)	(2.9%)	(0.8%)
Refunds	403.4	345.6	57.8	12.2%	30.9%	31.3%	Corporate License Tax	132.3	117.6	14.6	(9.8%)	1.4%	(9.8%)
Corporate Income Tax	442.3	260.3	182.1	(15.0%)	44.5%	(33.5%)	Deed Rec. (Doc. Tax)	55.8	50.9	4.9	(21.7%)	(14.2%)	(20.8%)
Insurance Tax	187.7	188.8	(1.2)	36.5%	35.6%	22.0%	Earned on Investments	82.2	62.3	19.9	69.3%	123.2%	86.6%
Other Revenue Items, Sub-Total	507.7	440.2	67.5	(5.4%)	9.1%	(7.3%)	Residual Revenue	99.7	81.2	18.5	(18.4%)	0.2%	(27.1%)

Based on BEA Forecast as of November 16, 2022

General Fund Revenue – Actual vs. November Estimate

Collections are **10.1%** above last year and **\$391.0 million** ahead of the estimate

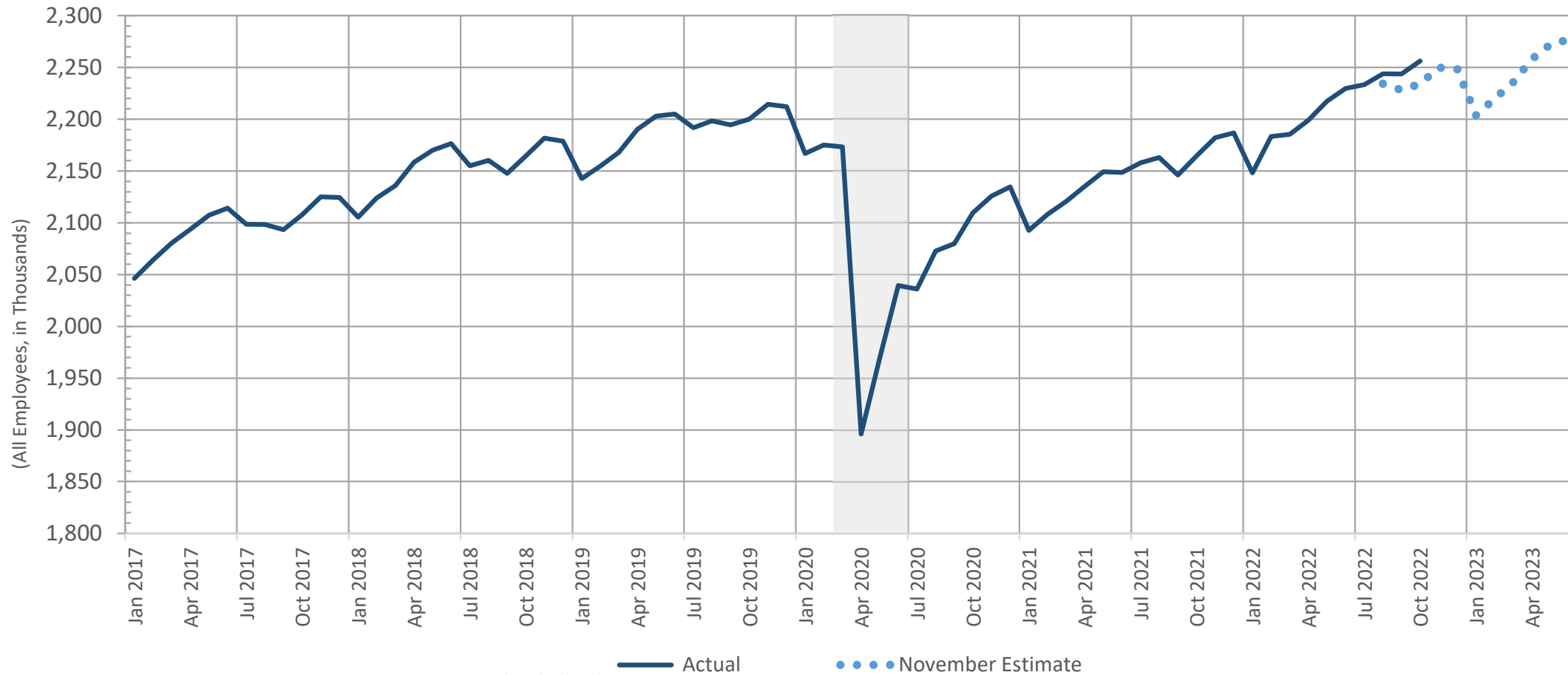


Economic Indicators

SC Employment

Employment is above the forecast of 2.8% and grew 3.7% in November over last year

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



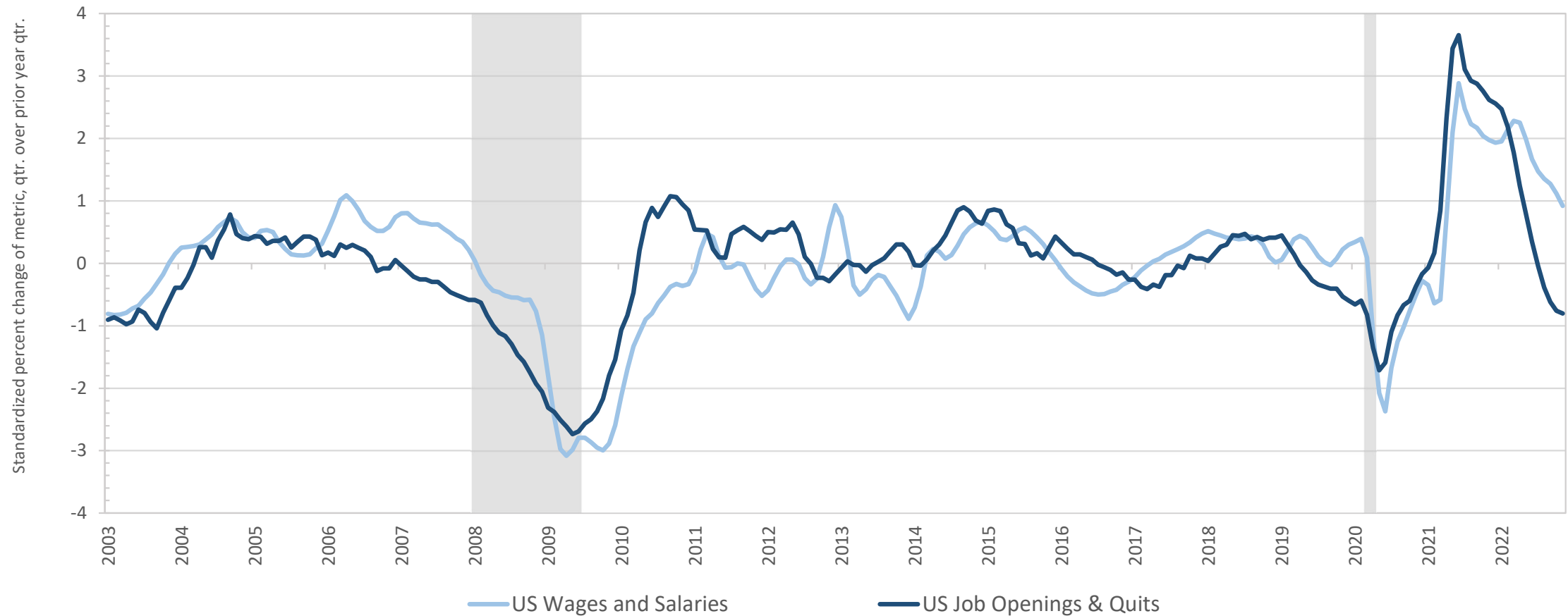
Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/bdc/01/10/2023



Wages and the Labor Market

Wage growth and labor market tightness remain above historical levels but continue to slow

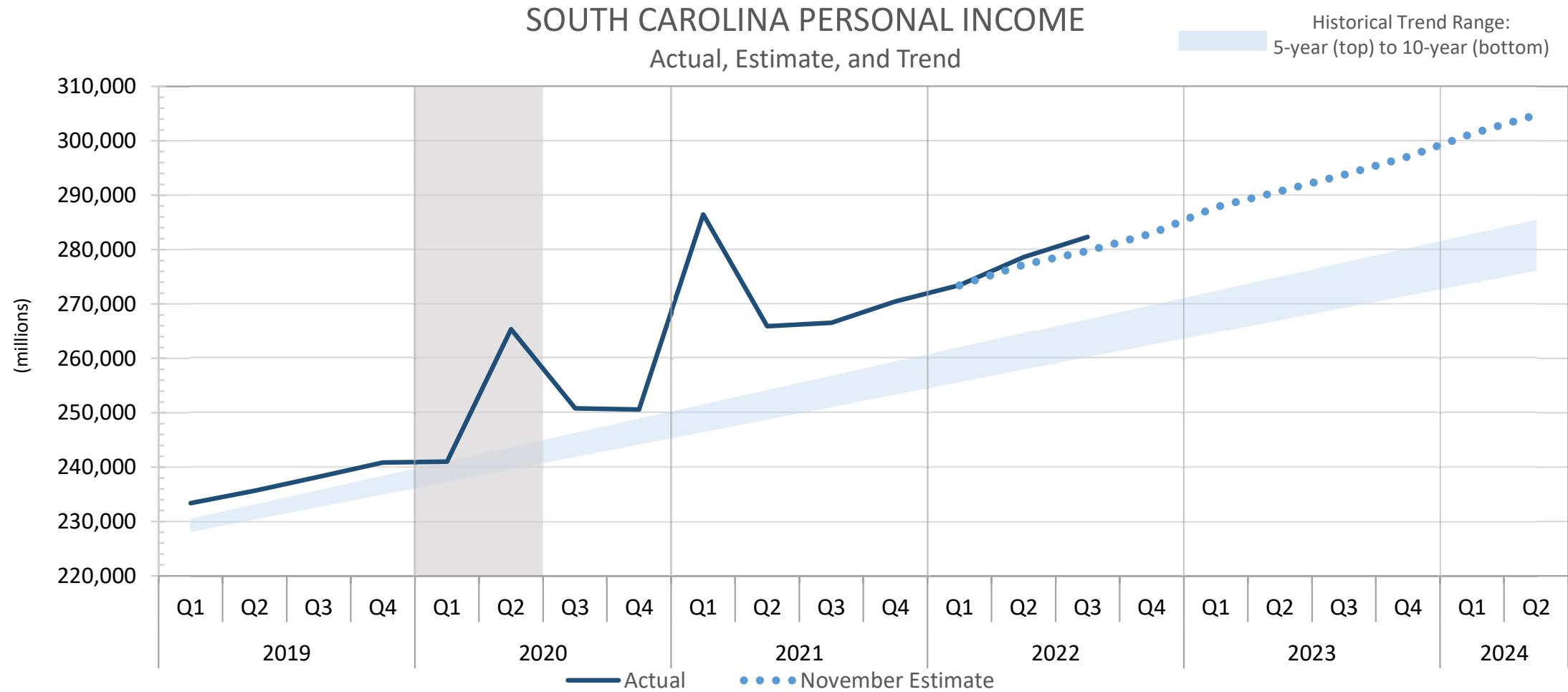
US JOB OPENINGS & QUILTS VS. WAGE GROWTH



Source: U.S. Bureau of Economic Analysis, Compensation of Employees, Received; U.S. Bureau of Labor Statistics, JOLTS; 309A - RFA/bdc/12/8/2022

SC Personal Income

Actual 2022 Q3 personal income was slightly above estimated, driven by higher-than-expected wage growth (9.1% forecasted, 10.4% actual)

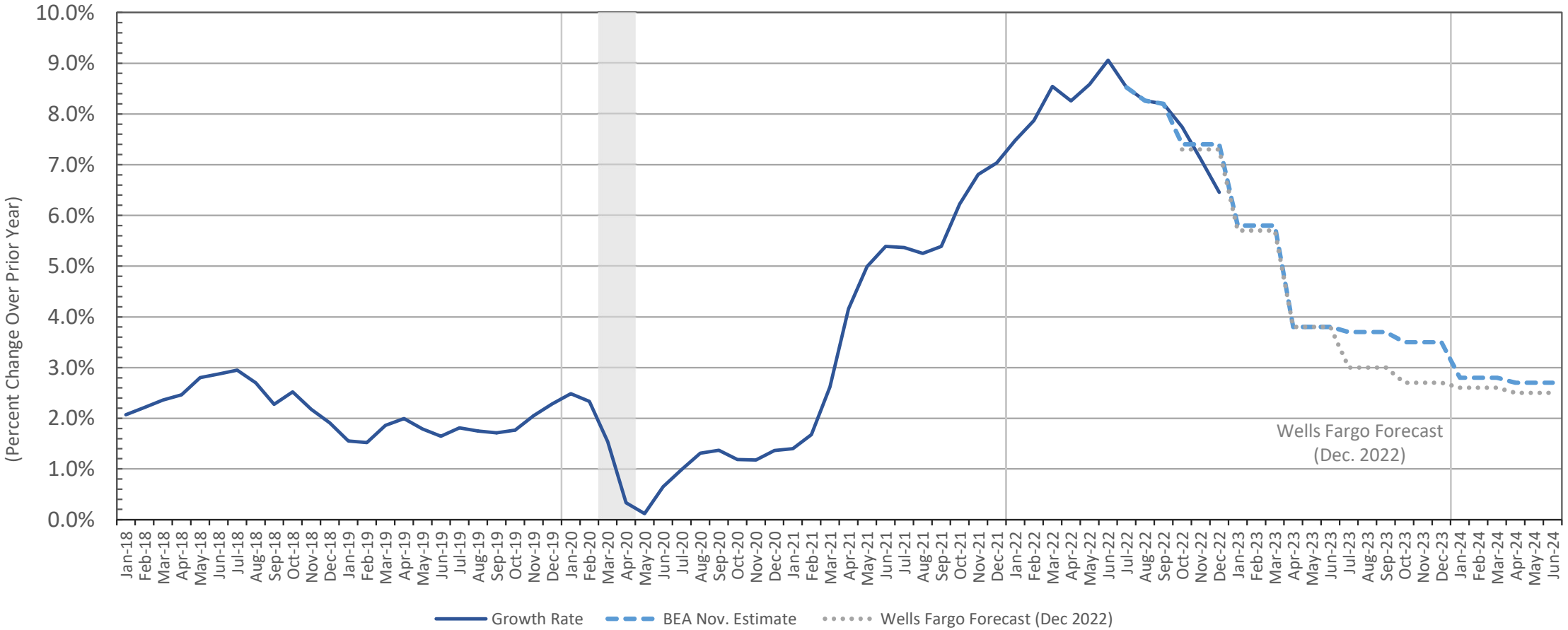


Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/bdc/12/30/2022

Consumer Price Index

Inflation remains elevated but is trending down and is slightly below expectations

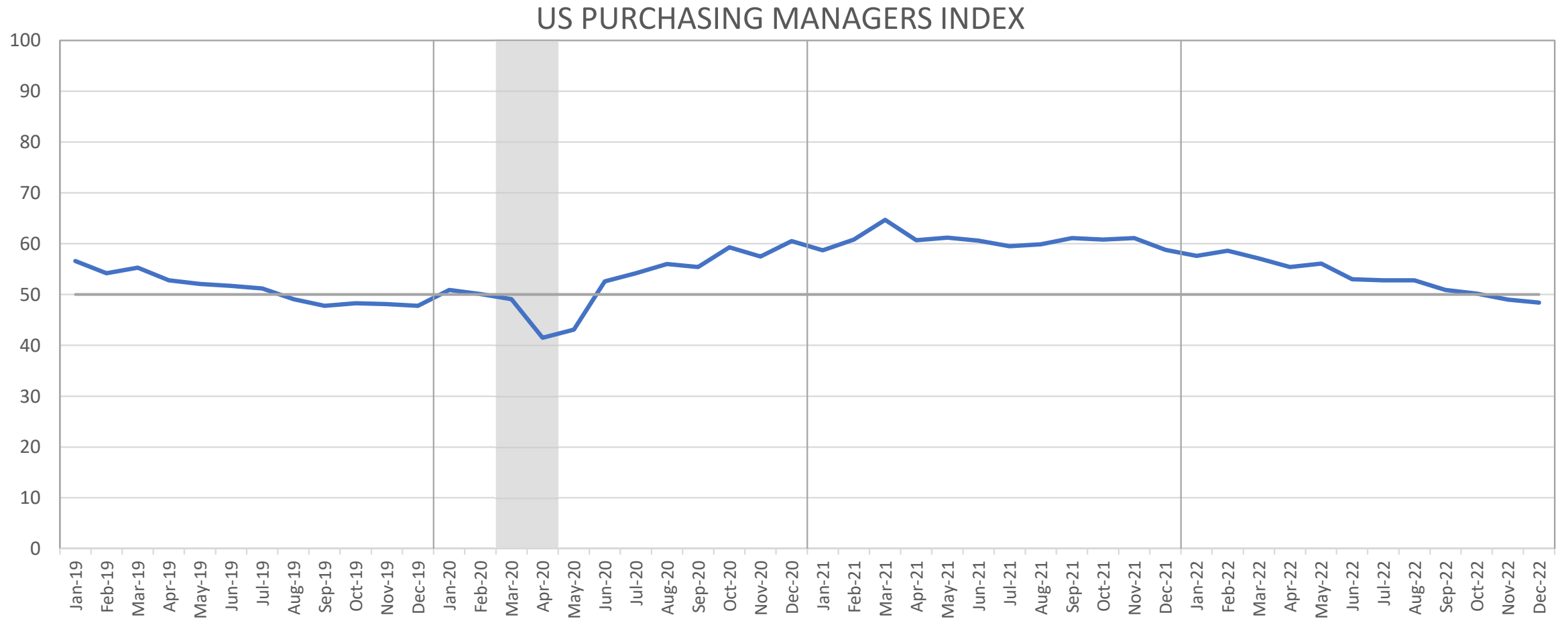
CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS



Source: U.S. Department of Labor, Bureau of Labor Statistics; Wells Fargo US Economic Outlook 216 - RFA/lhj/01/12/2023

US Purchasing Managers Index

Nationwide expectations for the manufacturing industry remain more pessimistic than optimistic as measured by the index, which fell below 50 in November



Source: US Institute for Supply Management 324/lhj/01/12/2023



Fiscal Survey Of States – NASBO FY 2021-22 Update

- Updates for all state budgets in the aggregate for FY 2021-22
 - Total General Fund revenue grew 14.5% over FY 21, which itself saw a 16.6% increase over FY 20
 - 49 states saw actual collections exceed enacted budget forecasts – by 20.5% over original forecasts
 - FY 23 revenue projections in enacted budgets are 3.1% below actual collections for FY 22; however, 33 states report collections are exceeding budget forecasts to start the year

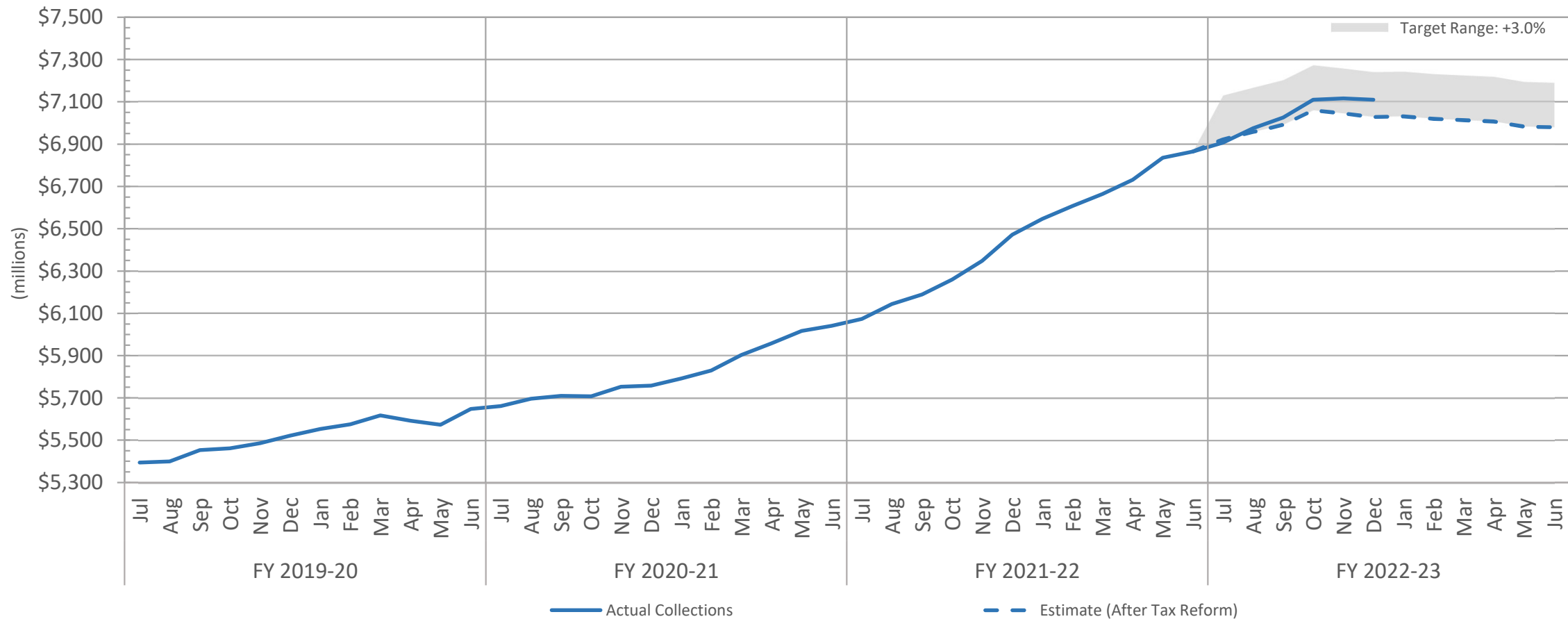
General Fund Revenue Individual Income Tax Components



Withholdings - Actual vs. Estimate

As expected, growth in Withholdings has started to slow but not as quickly as predicted; collections remain \$81.9 million above estimates

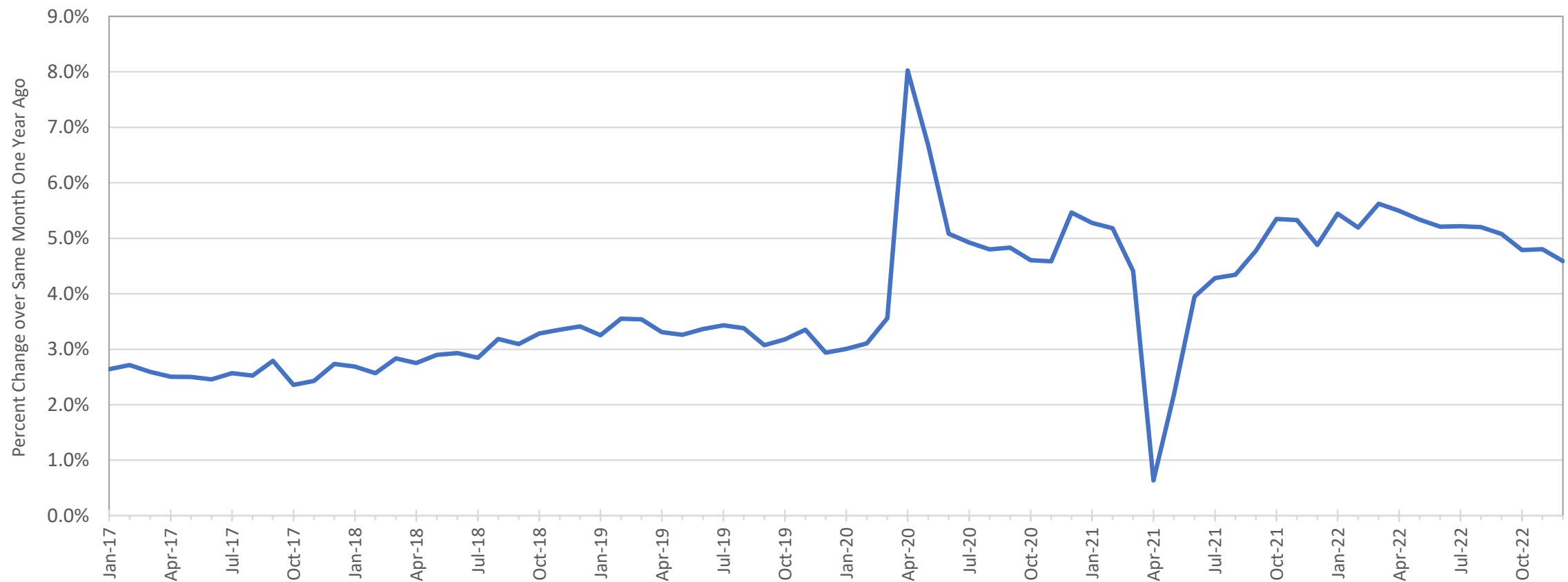
ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



US Wage Growth – Percent Change

Wage growth continues to slow, declining to 4.6% in December 2022 but remains above historical levels

US AVERAGE HOURLY EARNINGS OF ALL EMPLOYEES, TOTAL PRIVATE
Percent Change

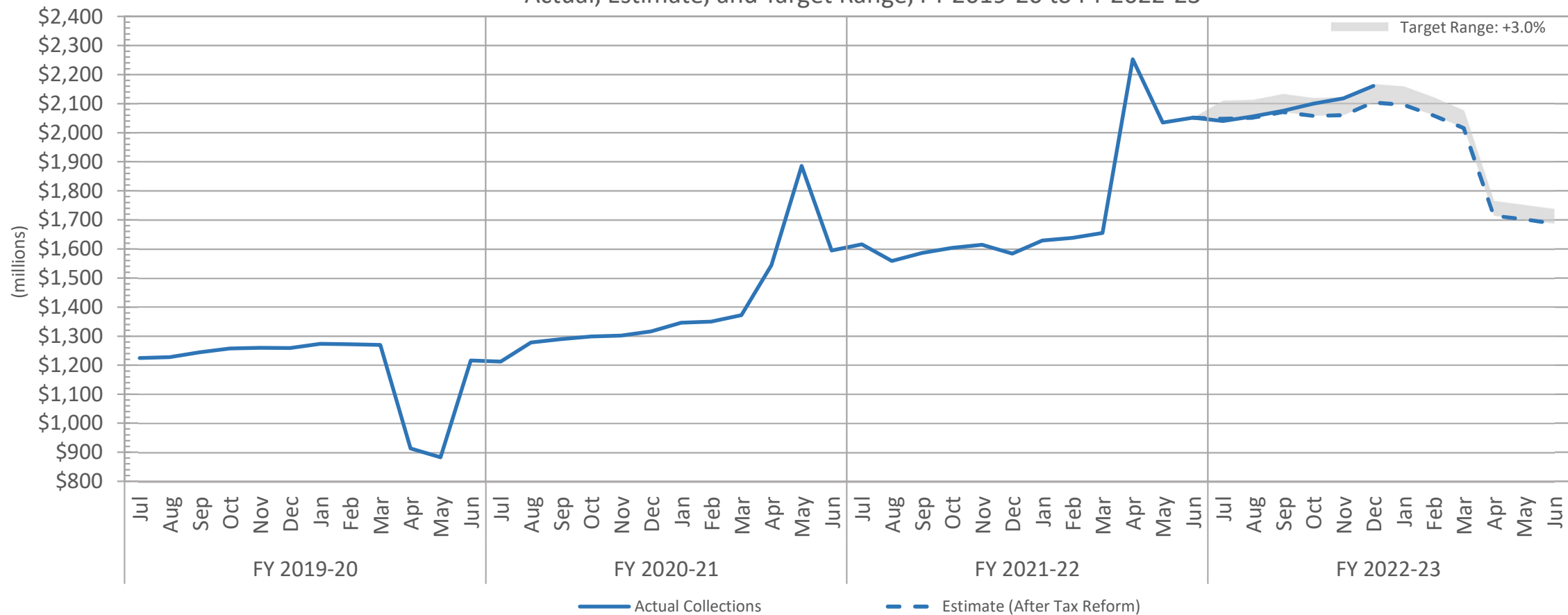


Source: U.S. Bureau of Labor Statistics, Average Hourly Earnings of All Employees, retrieved from FRED 309D - RFA/lhj/01/11/2023

Non-Withholdings - Actual vs. Estimate

Collections are \$57 million ahead of the estimate, but tax season is expected to have a significant effect this year

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



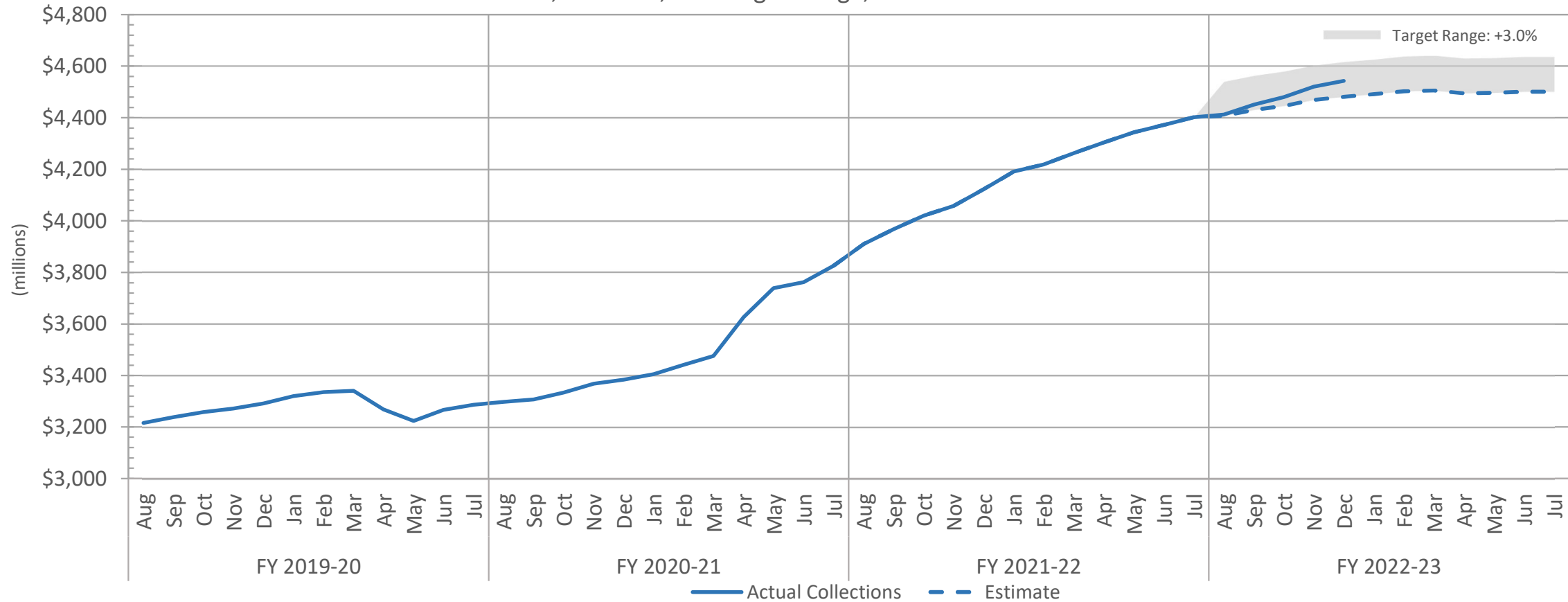
General Fund Revenue Consumption Taxes

Sales Tax - Actual vs. Estimate

Collections are \$61.5 million above the estimate fiscal year-to-date; growth slowed to 6.3 percent for December

ROLLING FISCAL YEAR - SALES TAX

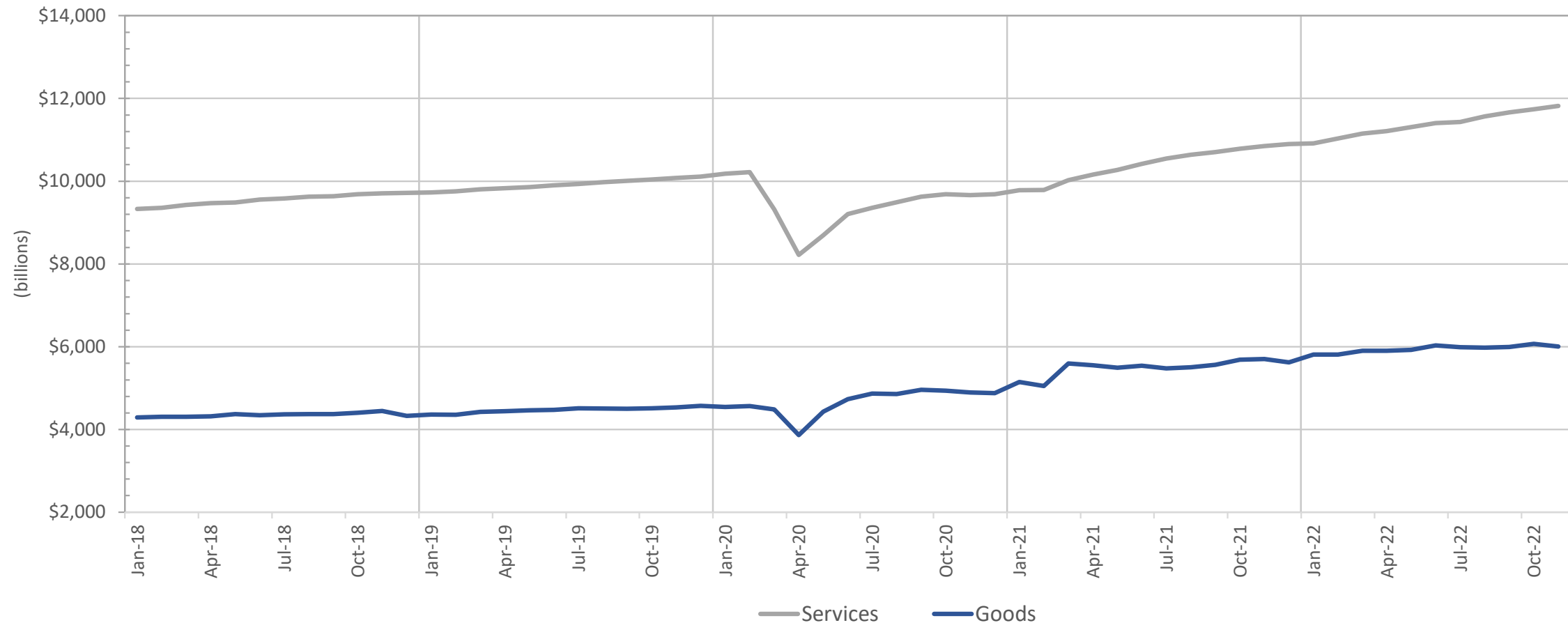
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



U.S. Consumer Spending

Consumers are spending more on services while purchases of goods have flattened out

US PERSONAL CONSUMPTION EXPENDITURES

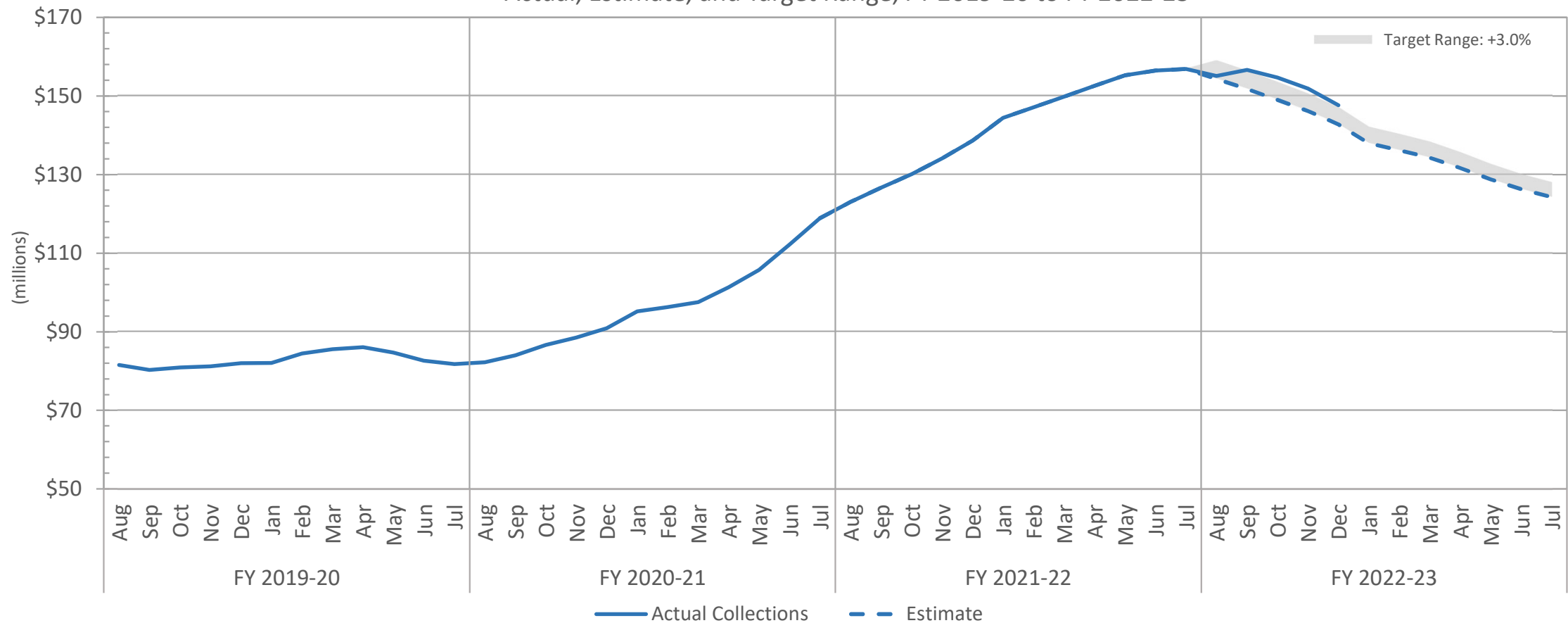


Source: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Goods [DGDSRC1], retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/lhj/1/11/2023

Deed Recording Fees

As expected, collections have slowed significantly since the start of the fiscal year; revenue remains \$4.9 million ahead of expectations

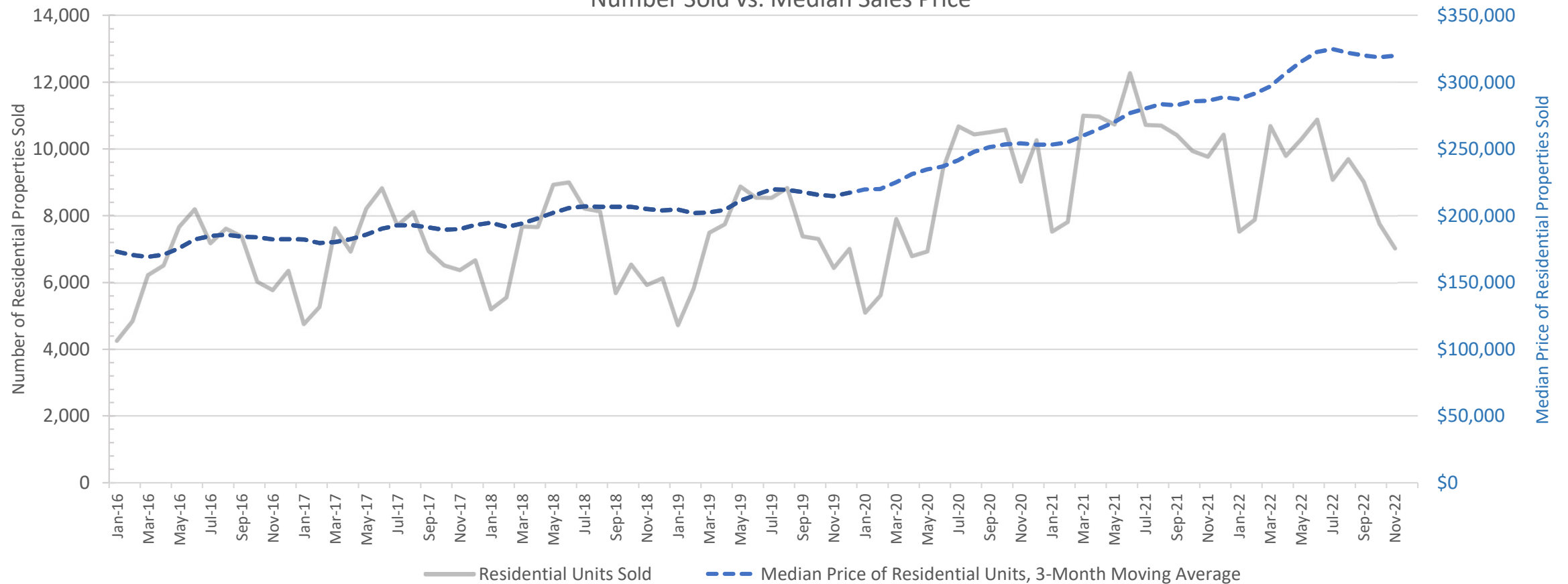
ROLLING FISCAL YEAR - DEED RECORDING FEES
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



South Carolina Residential Real Estate

Total residential home sales have declined while price growth has flattened

SOUTH CAROLINA RESIDENTIAL SALES
Number Sold vs. Median Sales Price



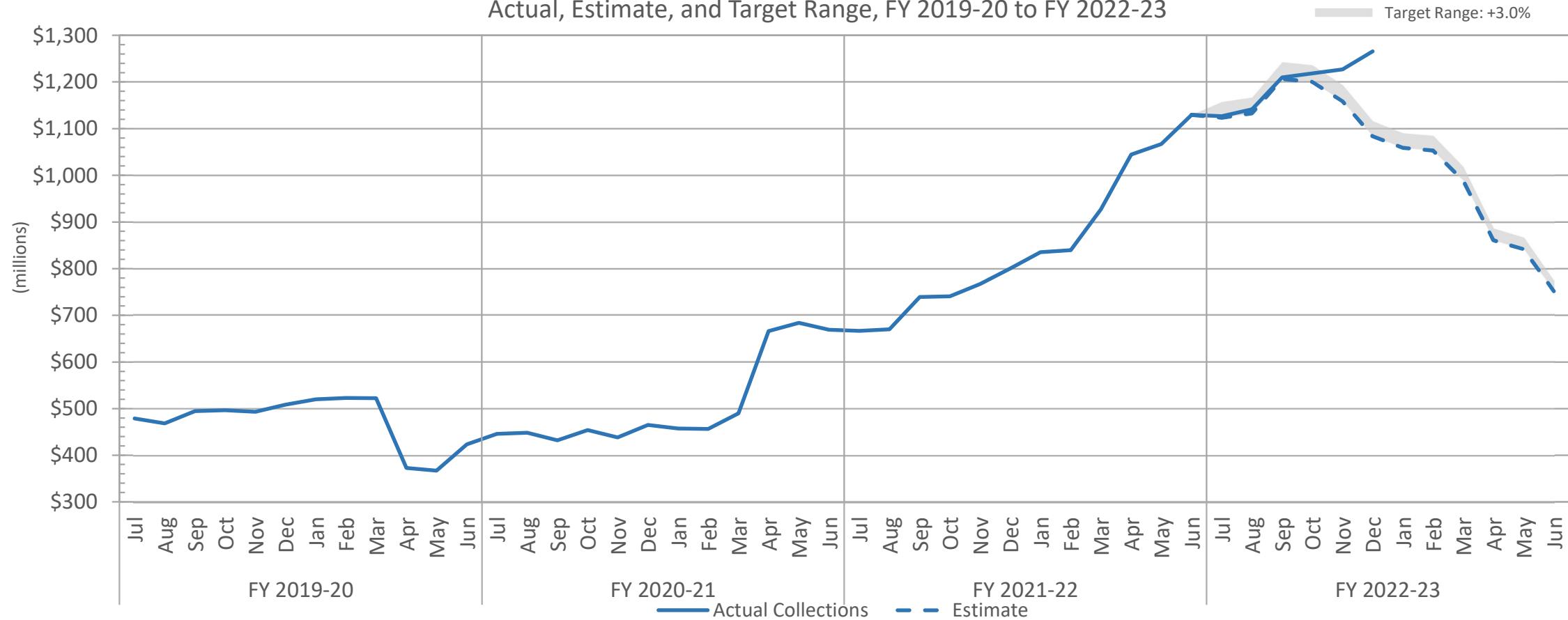
Source: S.C. Realtors. Market Activity for South Carolina 276-RFA/Ihi/1/11/2023

General Fund Revenue Business Taxes

Corporate Income Tax – Actual vs. Estimate

Corporate Income is above the November estimate by \$182.1 million year-to-date following strong collections in December

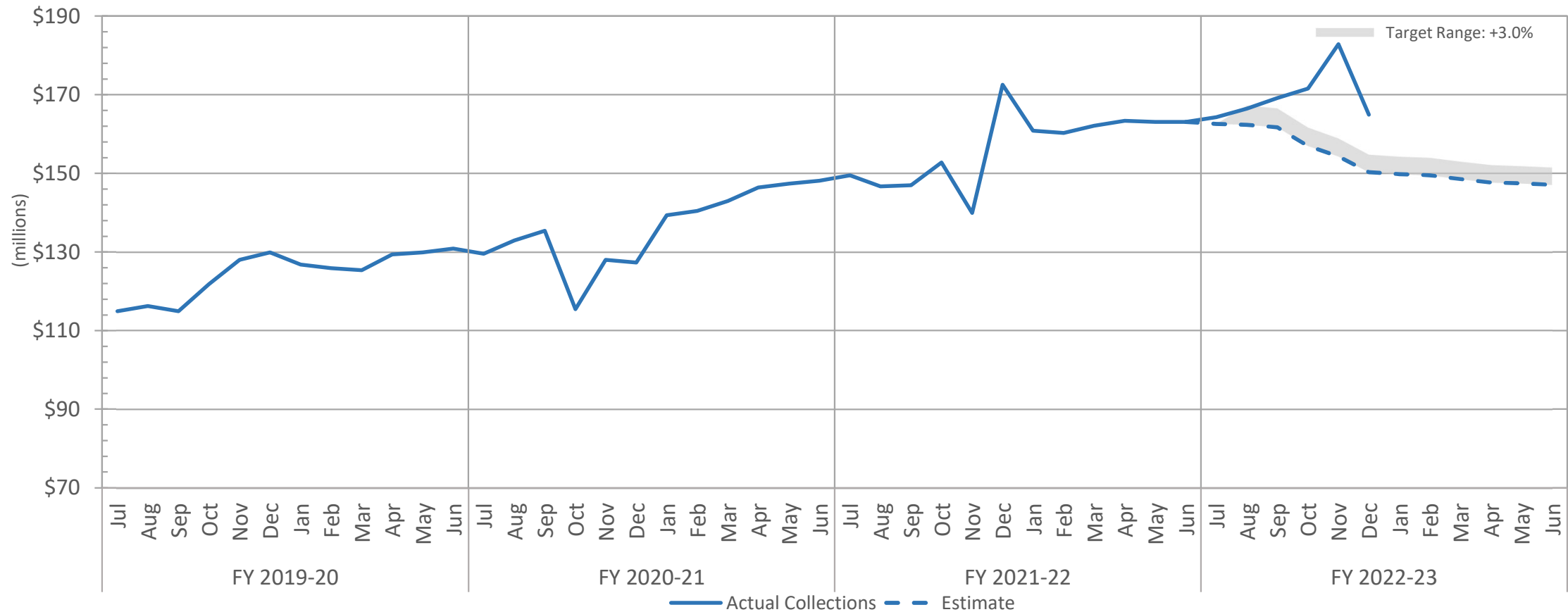
ROLLING FISCAL YEAR - CORPORATE INCOME TAX
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Corporate License Tax – Actual vs. Estimate

License tax is \$14.6 million above the November estimate year-to-date and has not declined as anticipated

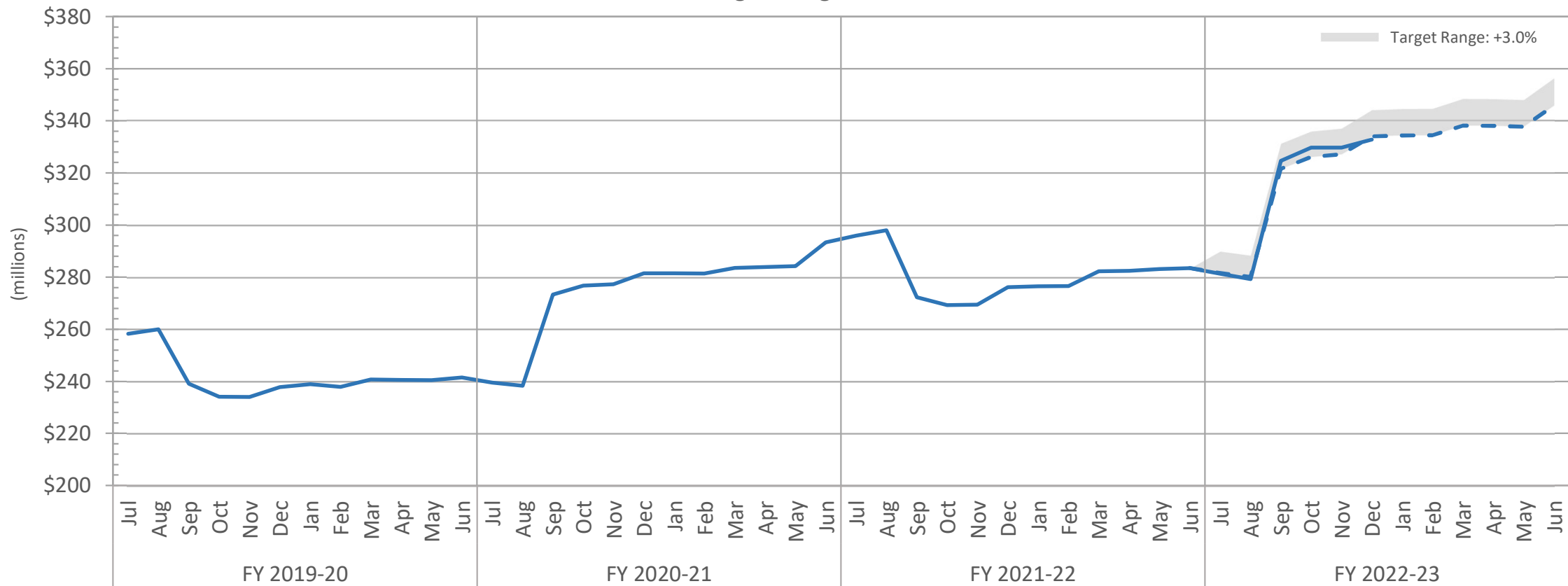
ROLLING FISCAL YEAR - CORPORATE LICENSE TAX
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Insurance Tax – Actual vs. Estimate

Insurance tax is \$1.2 million below of the November estimate due to slightly lower than anticipated premium taxes in December

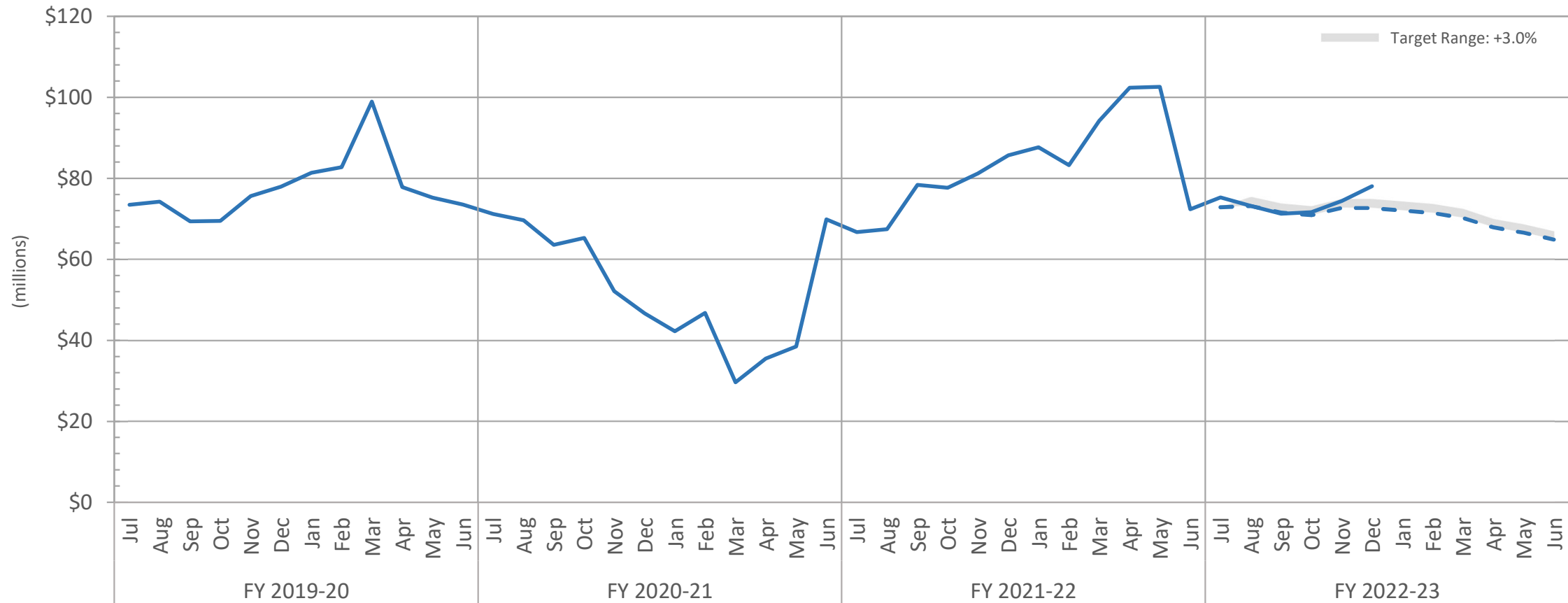
ROLLING FISCAL YEAR - INSURANCE TAX
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Bank Tax – Actual vs. Estimate

Collections are above the forecast by \$5.4 million due to a strong December

ROLLING FISCAL YEAR - BANK TAX
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Issues and Assumptions for February Forecast

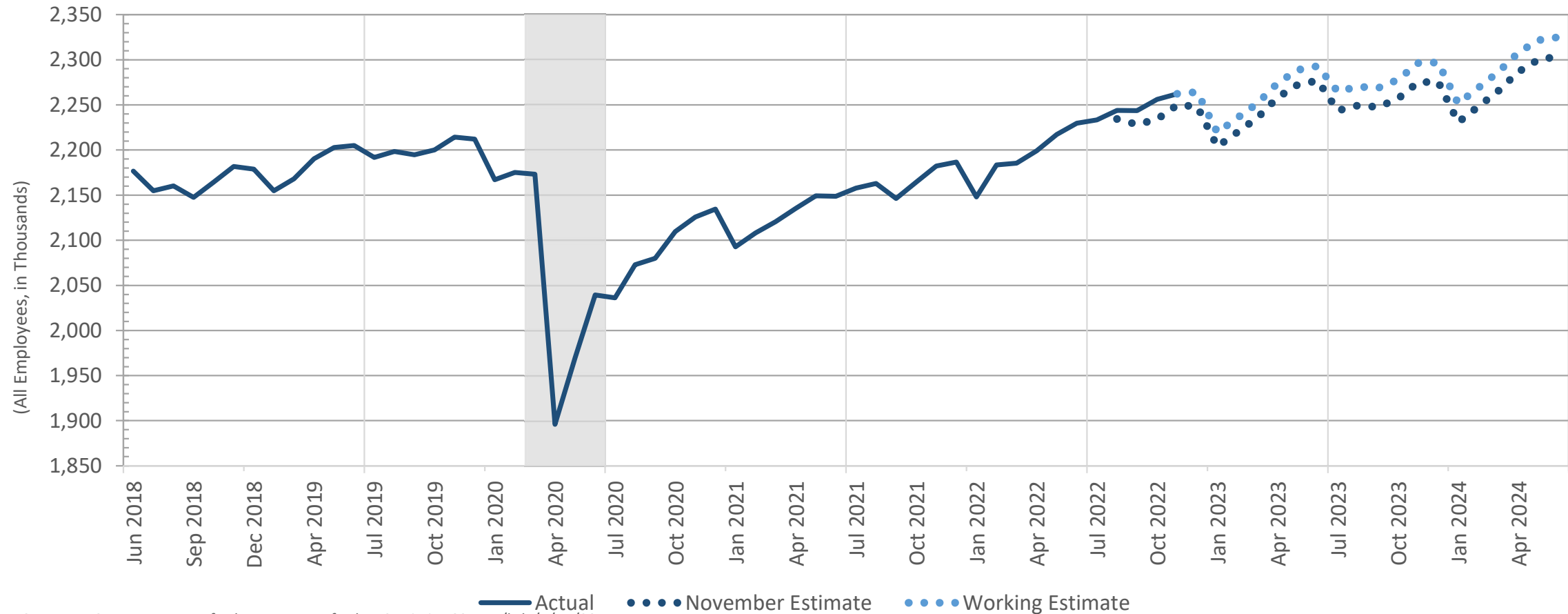
Comments from Advisory Panel – January 2023

- Generally, assumptions are still valid
- Wage growth is still expected to slow in early 2023
- Compared to November's assumptions, personal income may be higher this year and lower next

SC Employment - Proposal

Proposed increases in FY 2022-23 and FY 2023-24 incorporate faster than expected employment growth

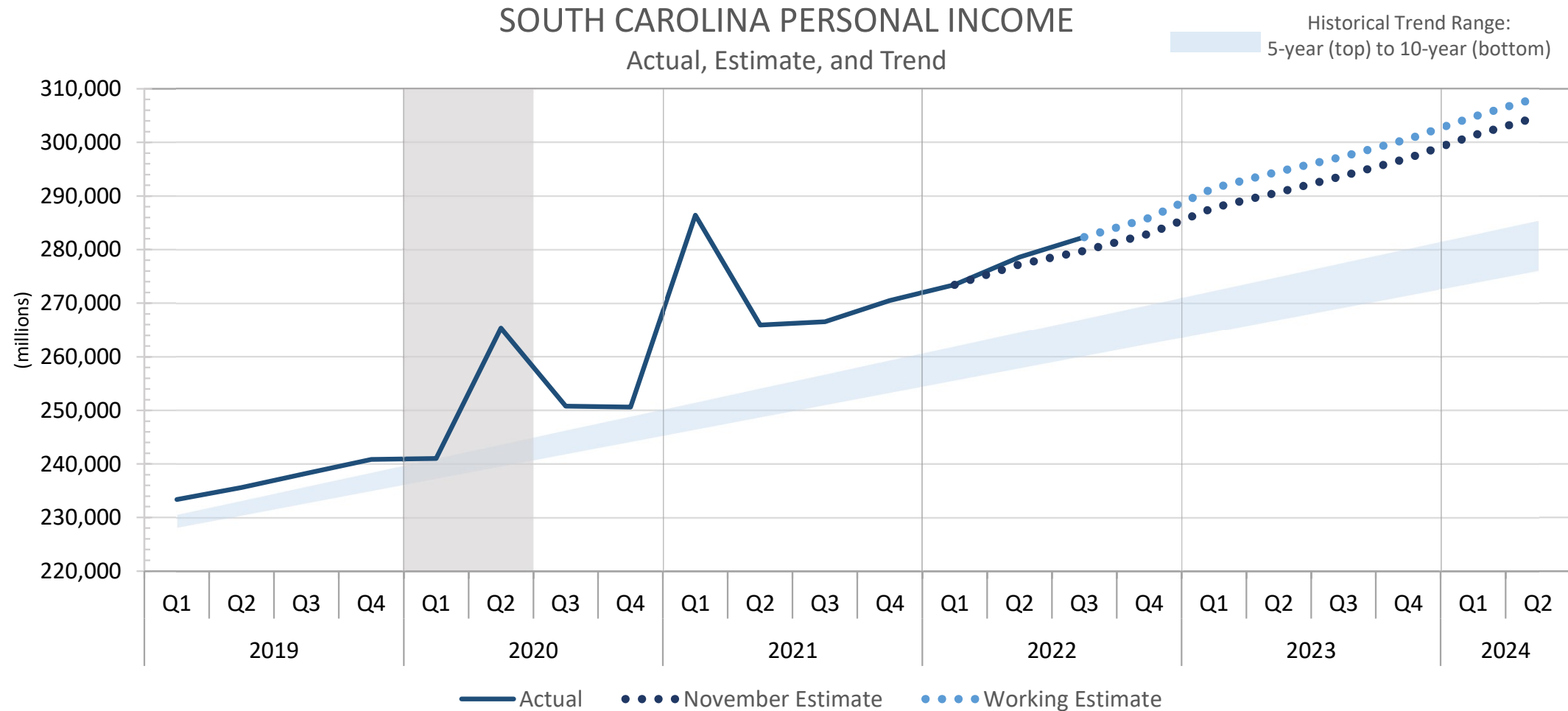
TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/bdc/1/11/23

SC Personal Income - Proposal

Proposed increases in the FY 2022-23 and FY 2023-24 personal income estimates take into account higher than anticipated wage growth year-to-date



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/bdc/1/3/2023

Summary

Fiscal Year Growth Rates

FISCAL YEAR GROWTH RATES November Estimates and Recommended Changes

Fiscal Year	Personal Income	Employment	Inflation
2022-23	4.92% 5.98%	2.8% 3.4%	6.3%
2023-24	4.88% 4.93%	1.1% 1.4%	3.2%

Forecast Considerations

- Key economic factors have performed slightly better than expected, and FY 2022-23 revenues through December are above estimates
- The anticipated slow-down in growth rates appears to be happening, but growth for the second half of FY 2022-23 will likely be higher than previously estimated for some categories
- While collections for FY 2022-23 may be higher than forecasted, concerns about revenue performance for FY 2023-24 remain:
 - Will wage growth return to historical trends?
 - Will Sales tax growth fall back to historical patterns? If so, when?
 - How long will corporate profits remain elevated?

Reports from Working Group Members

Other Business

Appendix

Quarterly Review Requirements

- SC Code of Laws §11-9-1130 requires a review of revenue collections relative to the estimates
- If any quarter shows a shortfall over 1.5 percent of projected collections a synopsis must be prepared indicating the factors contributing to the shortfall; and is similarly required for a shortfall of 1.5 percent in sales, individual income tax, corporate income tax, insurance tax, and earnings on investments
- SC Code of Laws §11-9-1140 requires a quarterly review of estimated and actual revenues
- If, at the end of the first (Jul – Sep), second (Oct – Dec), or third (Jan – Mar) quarter, the BEA reduces the estimate by
 - 3.0 percent or less, the Director of the Executive Budget Office must reduce appropriations
 - More than 3.0 percent, the General Assembly may take action; otherwise, the Director of the Executive Budget Office must reduce appropriations