

South Carolina General Fund Revenue Forecast FY 2022-23 and FY 2023-24

February 15, 2023



FY 2022-23 General Fund Revenue Updates

FY 2022-23 Results through January 2023

- Revenue growth since the November forecast has been better than expected
- Total General Fund revenue is \$424.5 million above the estimate
 - Corporate Income tax is growing 40.3% and is \$213 million above the estimate, accounting for more than half of the total surplus
 - Sales tax growth fell to 4.9% for January; year-to-date growth totaled 7.3%, and collections are \$72 million above the estimate
 - Individual Withholdings is growing 6.5% above last fiscal year, below the high of 11.7% as of October
 - Non-Withholdings fell short of January expectations by 35.3 million

January Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - JANUARY FY 2022-23

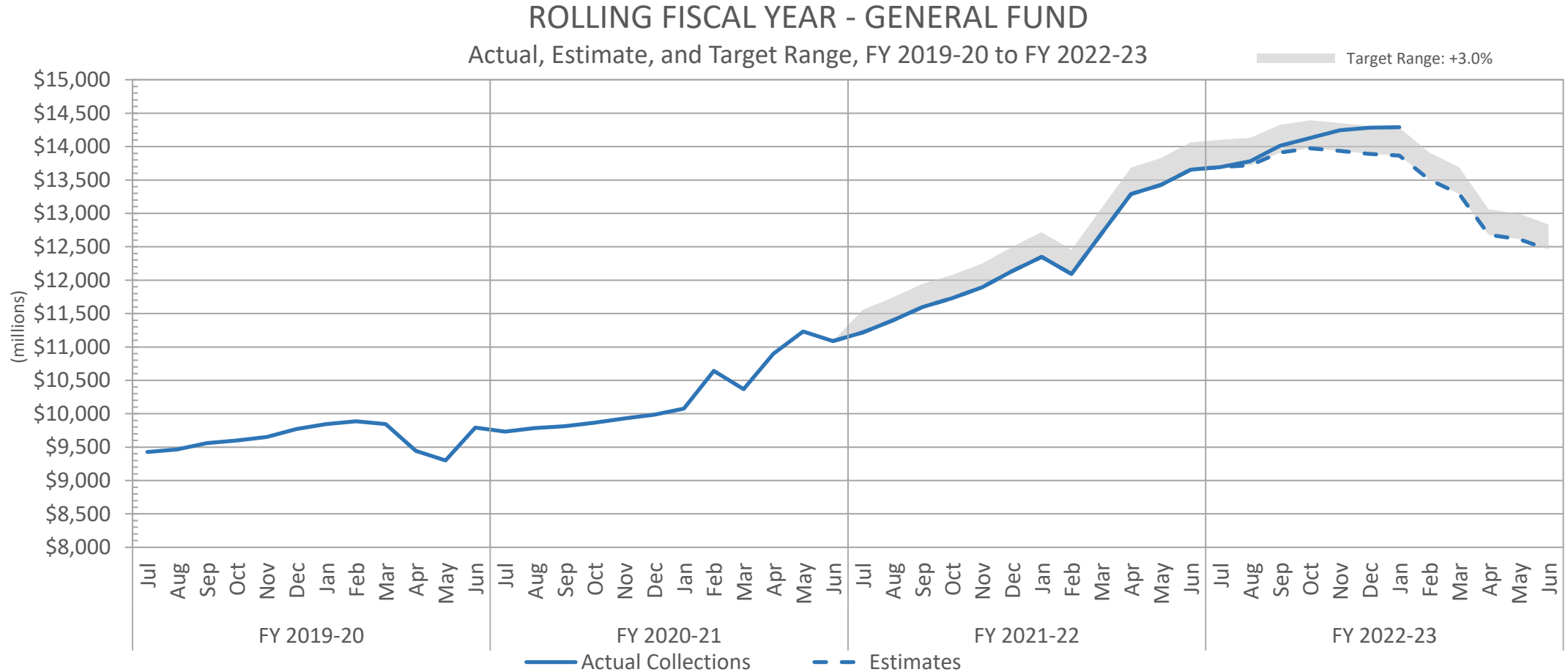
(\$ in Millions)

	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	\$8,163.3	\$7,738.8	\$424.5	2.8%	8.4%	(8.7%)	Other Revenue Items, Sub-Total	\$579.0	\$512.5	\$66.6	(4.6%)	7.8%	(7.3%)
Sales Tax	2,349.5	2,277.5	72.0	4.1%	7.3%	2.2%	Admissions Tax	14.9	13.2	1.6	(25.6%)	(16.4%)	(10.4%)
Individual Income Tax	4,550.2	4,475.5	74.7	3.9%	5.6%	(13.2%)	Alcoholic Liquors Tax	58.9	54.1	4.9	(2.9%)	5.8%	2.0%
Withholdings	4,199.3	4,109.9	89.4	4.2%	6.5%	1.7%	Bank Tax	30.8	25.1	5.7	(1.4%)	21.0%	(10.3%)
Nonwithholdings	773.7	751.9	21.7	6.2%	9.2%	(17.8%)	Beer and Wine Tax	57.9	58.8	(0.9)	(2.9%)	(4.4%)	(0.8%)
Refunds	422.8	386.3	36.5	12.4%	23.0%	31.3%	Corporate License Tax	142.0	122.2	19.8	(9.8%)	4.8%	(9.8%)
Corporate Income Tax	495.6	282.6	213.0	(20.0%)	40.3%	(33.5%)	Deed Rec. (Doc. Tax)	64.2	62.7	1.5	(23.2%)	(21.3%)	(20.8%)
Insurance Tax	189.0	190.7	(1.7)	36.4%	35.1%	22.0%	Earned on Investments	93.2	68.9	24.3	69.7%	129.6%	86.6%
Other Revenue Items, Sub-Total	579.0	512.5	66.6	(4.6%)	7.8%	(7.3%)	Residual Revenue	117.2	107.5	9.6	(10.4%)	(2.3%)	(27.1%)

Based on BEA Forecast as of November 15, 2022

General Fund – Actuals vs. Estimates

Revenues continue to grow faster than expected and are \$424.5 million above the estimate year-to-date



Review of FY 2022-23 and FY 2023-24 Forecasts and Assumptions

Forecast Considerations

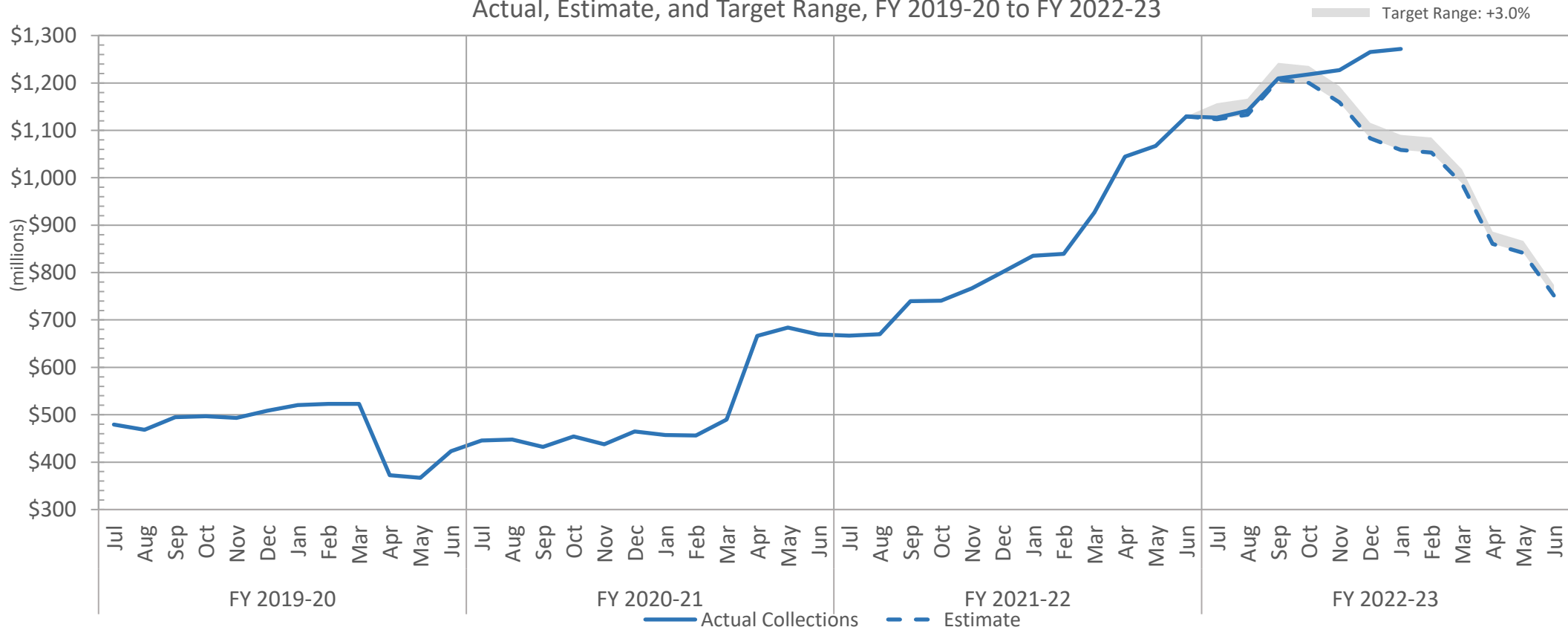
- Since the November forecast, revenues have performed better than expected but most categories are within the target range
- Recent short-term concerns – such as continued supply-chain issues, the fuel crisis in Europe, and the war in Ukraine – did not have as large of an impact as expected in the fall, but long-term concerns about slowing growth remain
- Sales tax and Withholdings are ahead of expectations, but growth has started to slow down as anticipated
- The full impact of income tax reform and tax filing season remains to be seen; the most volatile categories, Individual Non-Withholdings and Corporate, see most of their activity at this time
- Future Federal Reserve interest rate decisions and the impact on the economy are undetermined
- Monetary tightening affects consumption, investment, employment, and inflation on a lag; despite some promising recent economic data, the full impact of rate hikes is yet to come

Corporate Income Tax – Actual vs. Estimate

Collections are above the estimate by \$213.0 million year-to-date; concerns about potential results during tax filing season remain

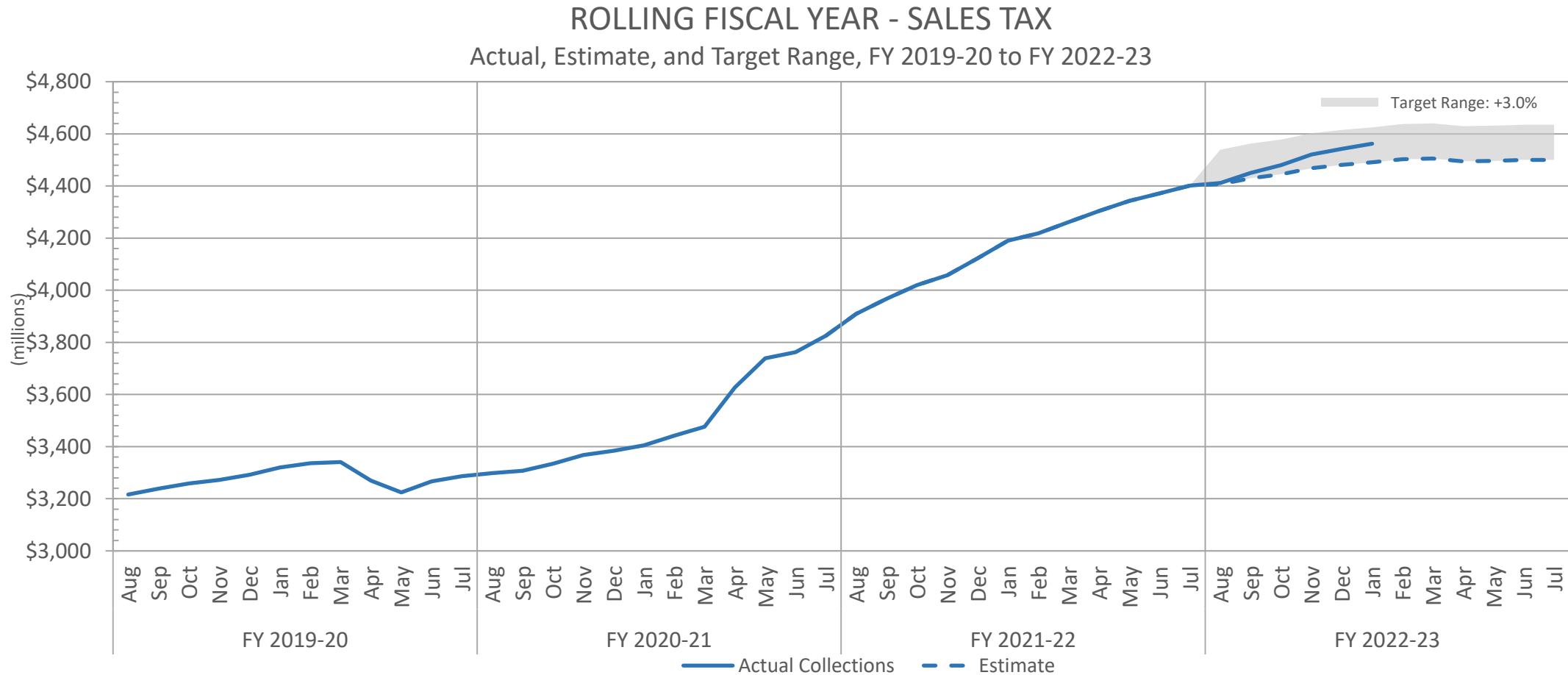
ROLLING FISCAL YEAR - CORPORATE INCOME TAX

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



Sales Tax - Actual vs. Estimate

Collections are \$72.0 million above the estimate but within target range

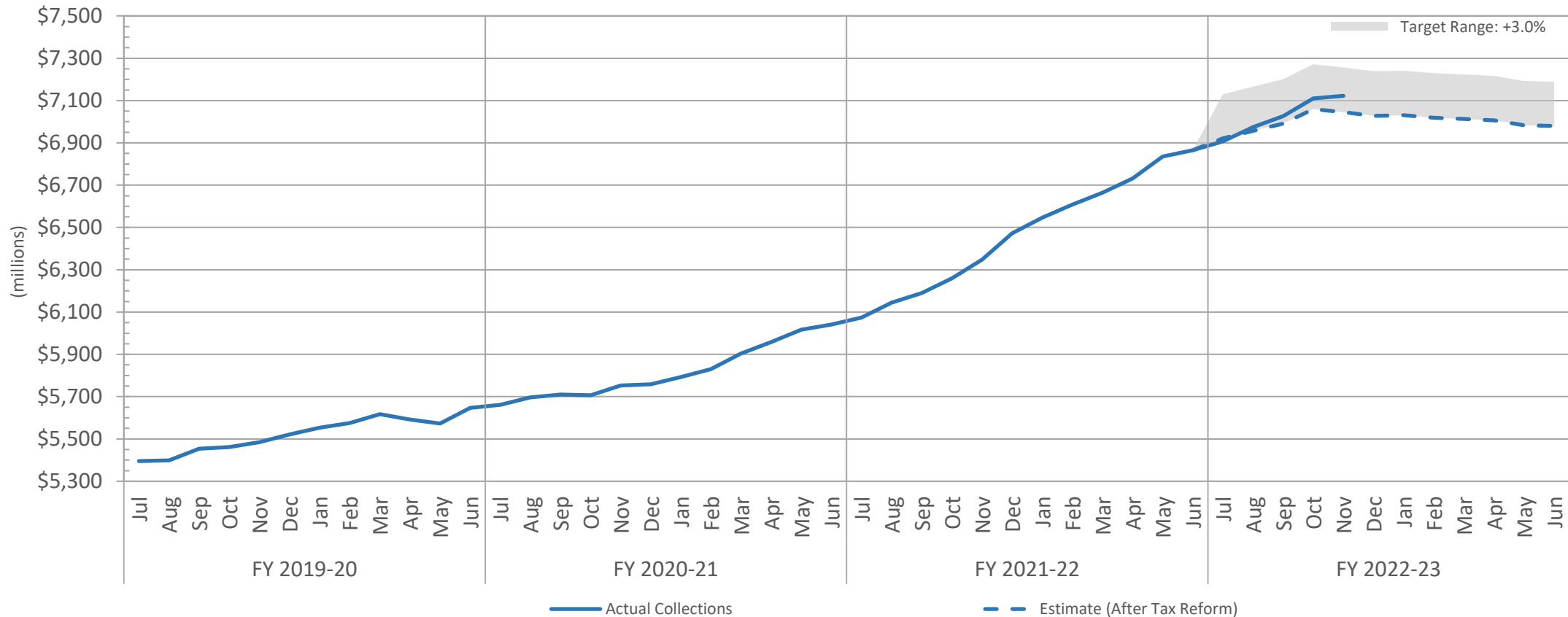


Withholdings - Actual vs. Estimate

Withholdings are running \$89.4 million above the estimate; cumulative growth fell from 11.7% through October to 6.5% through January

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

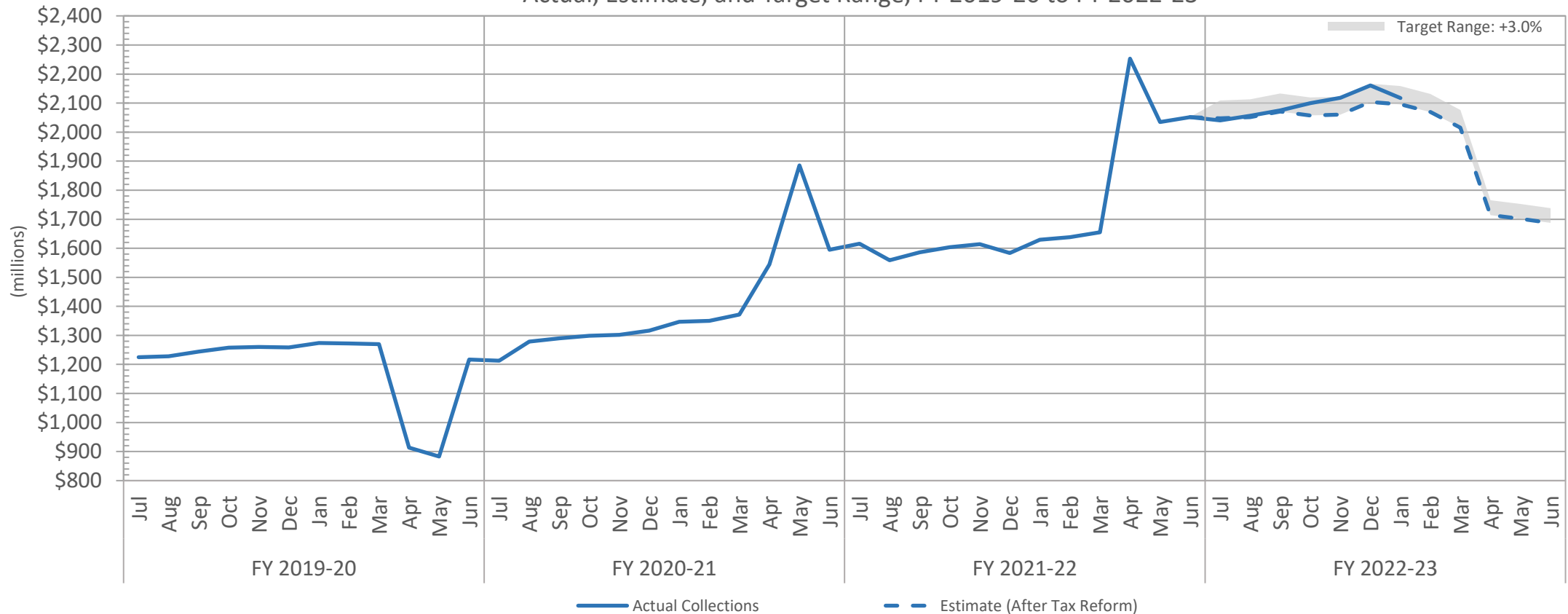
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Non-Withholdings - Actual vs. Estimate

Collections are \$21.7 million above the estimate year-to-date

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

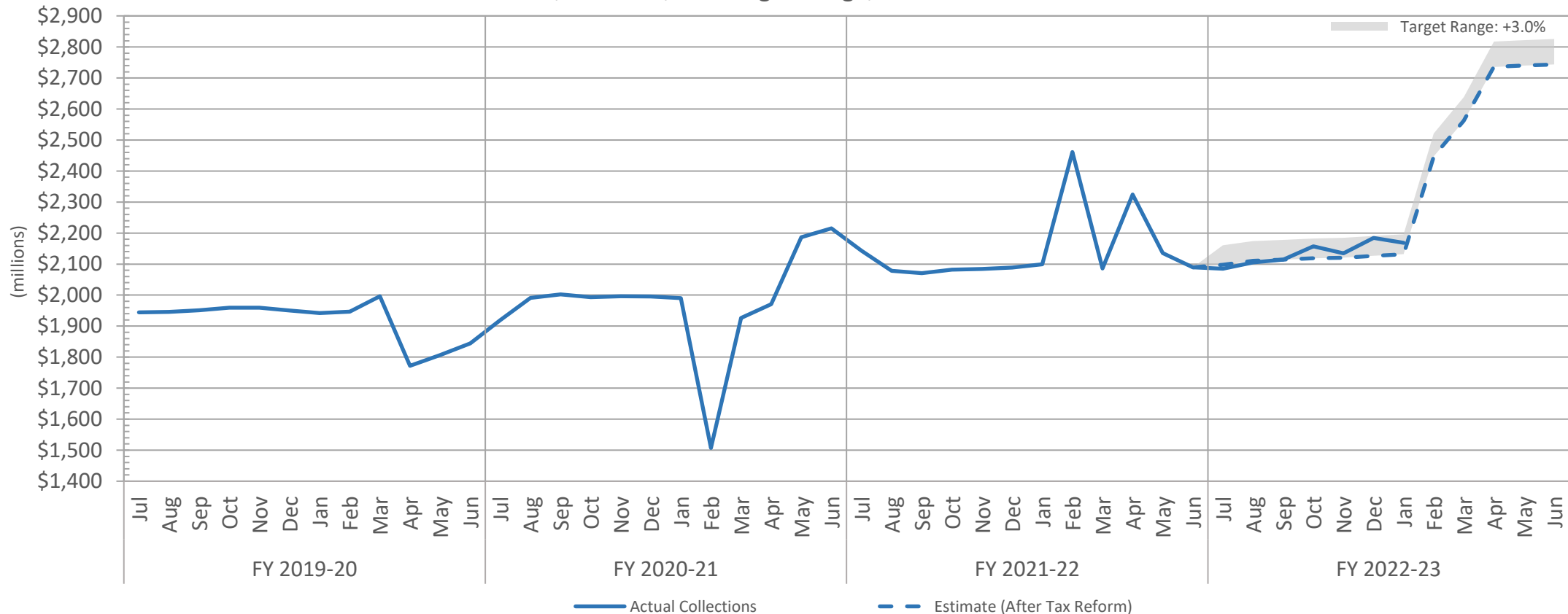


Refunds - Actual vs. Estimate

Refunds are \$36.5 million above the estimate, but 85% of expected refunds for the year occur in the spring

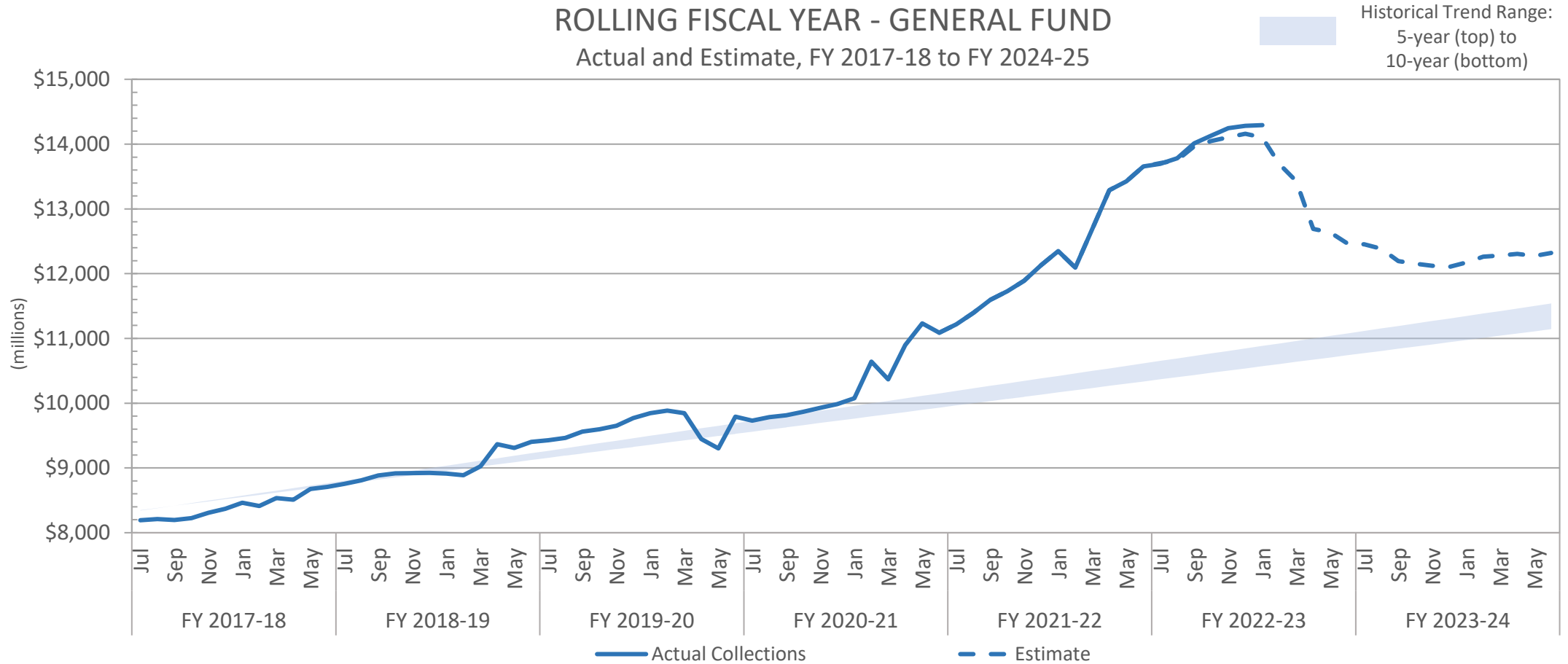
ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

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



General Fund

Estimates for FY 2022-23 and FY 2023-24 remain above the historical trend



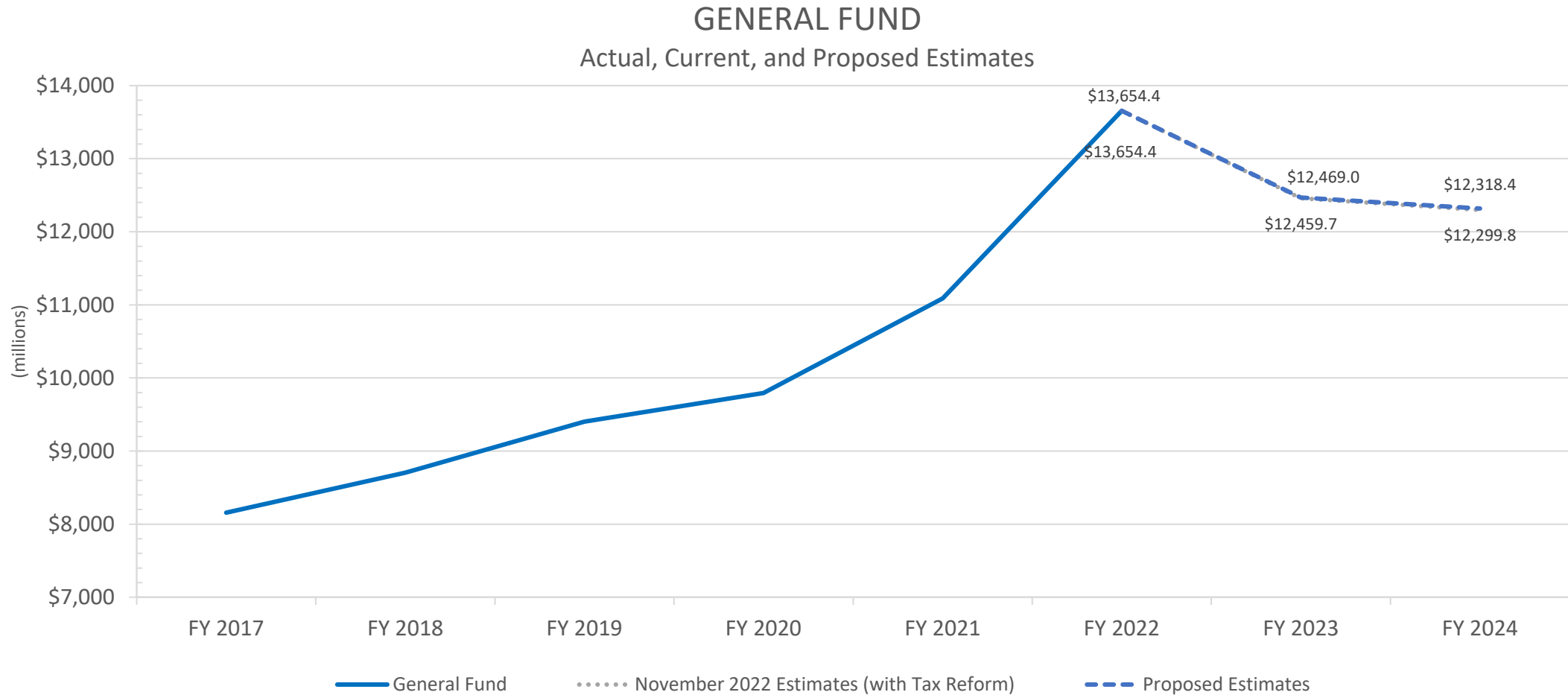
Forecast Recommendations

- No change to Sales or Corporate Income tax
- Small adjustments to several categories:
 - Increases in interest earnings projections for General Fund, EIA, and Homestead Exemption
 - Changes to Individual Income tax to reflect updated tax reform estimates* and for higher year-to-date wage growth and refunds processed prior to January
 - Other adjustments to smaller categories to reflect performance
 - Changes to Lottery for FY 2022-23 based on year-to-date collections with large jackpot runs

**Tax reform estimates increased from \$612 million to \$692 million for rate change*

General Fund

Increase FY 2022-23: \$9.3 million; FY 2023-24: \$18.6 million



Discussion and Consideration of Updates to Forecast



General Fund Revenue Forecast - Proposed



GENERAL FUND REVENUE FORECAST AS OF FEBRUARY 15, 2023

Personal Income Growth
FY23: 5.98%; FY24: 4.93%

Revenue Category	Final FY 2021-22	11/16/2022 Estimate FY 2022-23	2/15/2023 Estimate FY 2022-23	11/16 vs 2/15 Estimate Change	11/16/2022 Estimate FY 2023-24	2/15/2023 Estimate FY 2023-24	11/16 vs 2/15 Estimate Change	Pct. Chg. FY 2021-22	11/16/2022 Pct. Chg. FY 2022-23	2/15/2023 Pct. Chg. FY 2022-23	11/16/2022 Pct. Chg. FY 2023-24	2/15/2023 Pct. Chg. FY 2023-24
Sales and Use Tax	\$4,401,993,179	\$4,500,469,000	\$4,500,469,000	\$0	\$4,432,962,000	\$4,432,962,000	\$0	15.1	2.2	2.2	(1.5)	(1.5)
Individual Income Tax	6,827,560,100	5,923,746,000	5,887,946,000	(35,800,000)	5,969,316,000	5,905,147,000	(64,169,000)	25.9	(13.2)	(13.8)	0.8	0.3
Withholdings	6,864,765,402	6,979,664,000	7,060,690,000	81,026,000	6,854,512,000	6,876,620,000	22,108,000	13.6	1.7	2.9	(1.8)	(2.6)
Non-Withholdings	2,051,932,498	1,687,528,000	1,739,180,000	51,652,000	1,558,987,000	1,631,187,000	72,200,000	28.7	(17.8)	(15.2)	(7.6)	(6.2)
Refunds	2,089,137,801	2,743,446,000	2,911,924,000	168,478,000	2,444,183,000	2,602,660,000	158,477,000	(5.7)	31.3	39.4	(10.9)	(10.6)
Corporation Income Tax	1,129,375,124	751,436,000	751,436,000	0	626,057,000	626,057,000	0	68.8	(33.5)	(33.5)	(16.7)	(16.7)
Insurance Taxes	283,503,195	345,761,000	345,761,000	0	338,773,000	338,773,000	0	(3.3)	22.0	22.0	(2.0)	(2.0)
Admissions Tax	45,742,736	40,988,000	40,988,000	0	41,587,000	41,587,000	0	54.9	(10.4)	(10.4)	1.5	1.5
Aircraft Tax	1,250,000	0	0	0	0	0	0	(56.6)	--	--	--	--
Alcoholic Liquor Tax	112,482,415	114,732,000	114,732,000	0	110,143,000	110,143,000	0	10.7	2.0	2.0	(4.0)	(4.0)
Bank Tax	72,352,457	64,868,000	64,868,000	0	60,844,000	63,187,000	2,343,000	3.6	(10.3)	(10.3)	(6.2)	(2.6)
Beer and Wine Tax	116,942,161	116,020,000	116,020,000	0	117,630,000	117,630,000	0	0.1	(0.8)	(0.8)	1.4	1.4
Business Filing Fees	12,616,189	12,053,000	12,053,000	0	12,315,000	12,315,000	0	(1.2)	(4.5)	(4.5)	2.2	2.2
Circuit/Family Court Fines	6,089,254	5,226,000	5,963,000	737,000	4,992,000	4,992,000	0	13.5	(14.2)	(2.1)	(4.5)	(16.3)
Corporation License Tax	163,071,712	147,080,000	161,567,000	14,487,000	134,198,000	170,453,000	36,255,000	10.1	(9.8)	(0.9)	(8.8)	5.5
Deed Recording Fees	156,850,909	124,255,000	120,871,000	(3,384,000)	118,042,000	118,042,000	0	31.9	(20.8)	(22.9)	(5.0)	(2.3)
Earned on Investments	69,656,950	130,000,000	170,000,000	40,000,000	150,000,000	\$200,000,000	50,000,000	(4.1)	86.6	144.1	15.4	17.6
Indirect Cost Recoveries	22,097,929	28,474,000	23,166,000	(5,308,000)	25,627,000	20,212,000	(5,415,000)	(5.0)	28.9	4.8	(10.0)	(12.8)
Motor Vehicle Licenses	11,178,619	12,027,000	11,581,000	(446,000)	12,074,000	11,836,000	(238,000)	(7.8)	7.6	3.6	0.4	2.2
Nursing Home Fees	3,230,655	3,174,000	3,160,000	(14,000)	3,149,000	3,092,000	(57,000)	(3.7)	(1.8)	(2.2)	(0.8)	(2.2)
Parole and Probation Fees	3,392,808	3,393,000	3,393,000	0	3,393,000	3,393,000	0	0.0	0.0	0.0	0.0	0.0
Private Car Lines Tax	6,878,649	8,472,000	8,472,000	0	8,968,000	8,968,000	0	3.1	23.2	23.2	5.9	5.9
Public Service Authority	17,675,000	17,489,000	17,866,000	377,000	17,489,000	18,059,000	570,000	3.2	(1.1)	1.1	0.0	1.1
Purchasing Card Rebates	3,541,021	3,689,000	3,845,000	156,000	3,842,000	3,940,000	98,000	14.6	4.2	8.6	4.1	2.5
Record Search Fees	4,461,000	4,461,000	4,461,000	0	4,461,000	4,461,000	0	0.0	0.0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	2,448,449	1,102,000	92,000	(1,010,000)	1,463,000	1,223,000	(240,000)	113.4	(55.0)	(96.2)	32.8	1229.3
Security Dealer Fees	31,897,230	31,385,000	32,022,000	637,000	31,738,000	32,382,000	644,000	9.3	(1.6)	0.4	1.1	1.1
Tobacco Tax	28,935,834	28,204,000	28,204,000	0	29,261,000	29,070,000	(191,000)	0.5	(2.5)	(2.5)	3.7	3.1
Unclaimed Property Fund	15,000,000	15,000,000	15,000,000	0	15,000,000	15,000,000	0	0.0	0.0	0.0	0.0	0.0
Workers' Comp. Insurance Tax	9,795,065	9,845,000	9,644,000	(201,000)	10,429,000	10,138,000	(291,000)	(21.7)	0.5	(1.5)	5.9	5.1
Other Source Revenues	94,396,685	16,306,000	15,423,000	(883,000)	16,088,000	15,383,000	(705,000)	131.0	(82.7)	(83.7)	(1.3)	(0.3)
Gross General Fund Revenue	\$13,654,415,325	\$12,459,655,000	\$12,469,003,000	\$9,348,000	\$12,299,841,000	\$12,318,445,000	\$18,604,000	23.1	(8.7)	(8.7)	(1.3)	(1.2)



General Fund Revenue Forecast (continued)– Proposed



GENERAL FUND REVENUE FORECAST AS OF FEBRUARY 15, 2023

Revenue Category	Final FY 2021-22	11/16/2022 Estimate FY 2022-23	2/15/2023 Estimate FY 2022-23	Change	11/16/2022 Estimate FY 2023-24	2/15/2023 Estimate FY 2023-24	Change	Pct. Chg. FY 2021-22	11/16/2022 Pct. Chg. FY 2022-23	2/15/2023 Pct. Chg. FY 2022-23	11/16/2022 Pct. Chg. FY 2023-24	2/15/2023 Pct. Chg. FY 2023-24
Gross General Fund Revenue	\$13,654,415,325	\$12,459,655,000	\$12,469,003,000	\$9,348,000	\$12,299,841,000	\$12,318,445,000	\$18,604,000	23.1	(8.7)	(8.7)	(1.3)	(1.2)
Less: Tax Relief Trust Fund (Act)	650,023,221	768,072,631	768,072,631	0	795,942,732	795,942,732	0	3.3	18.2	18.2	3.6	3.6
Net General Fund Revenue	\$13,004,392,104	\$11,691,582,369	\$11,700,930,369	\$9,348,000	\$11,503,898,268	\$11,522,502,268	\$18,604,000	24.3	(10.1)	(10.0)	(1.6)	(1.5)
Education Improvement Act (EIA)	1,138,972,300	1,170,338,000	1,174,338,000	4,000,000	1,153,395,000	1,159,395,000	6,000,000	14.3	2.8	3.1	(1.4)	(1.3)
EIA Fund	1,138,342,432	1,164,338,000	1,164,338,000	0	1,147,395,000	1,147,395,000	0	14.2	2.3	2.3	(1.5)	(1.5)
EIA Interest	629,868	6,000,000	10,000,000	4,000,000	6,000,000	12,000,000	6,000,000	643.6	852.6	1487.6	0.0	20.0
S.C. Education Lottery Fund	568,684,685	542,600,000	572,300,000	29,700,000	532,500,000	533,000,000	500,000	(7.1)	(4.6)	0.6	(1.9)	(6.9)
Lottery Proceeds	533,500,000	517,300,000	547,200,000	29,900,000	507,200,000	507,200,000	0	(7.3)	(3.0)	2.6	(2.0)	(7.3)
Unclaimed Prizes	30,501,385	20,000,000	20,000,000	0	20,000,000	20,000,000	0	(5.1)	(34.4)	(34.4)	0.0	0.0
Lottery Interest	4,683,300	5,300,000	5,100,000	(200,000)	5,300,000	5,800,000	500,000	5.8	13.2	8.9	0.0	13.7
Homestead Exemption Fund (HEX)	1,033,264,216	1,059,670,000	1,060,070,000	400,000	1,044,223,000	1,045,423,000	1,200,000	14.4	2.6	2.6	(1.5)	(1.4)
HEX Revenue	1,029,360,778	1,053,870,000	1,053,870,000	0	1,038,423,000	1,038,423,000	0	14.3	2.4	2.4	(1.5)	(1.5)
HEX Interest	3,903,438	5,800,000	6,200,000	400,000	5,800,000	7,000,000	1,200,000	24.8	48.6	58.8	0.0	12.9
Expenditure Estimate	860,983,490	912,890,744	912,890,744	0	948,386,760	1,004,624,152	56,237,392	3.8	6.0	6.0	3.9	10.0
HEX Fund Excess/(Shortfall)	172,280,726	146,779,256	147,179,256	400,000	95,836,240	40,798,848	(55,037,392)	131.4	(14.8)	(14.6)	(34.7)	(72.3)
Tax Relief Trust Fund (Act)	650,023,221	768,072,631	768,072,631	0	795,942,732	795,942,732	0	3.3	18.2	18.2	3.6	3.6
Revised Estimate/ Actual	643,954,085	772,671,553	772,671,553	0	795,942,732	795,942,732	0	2.9	20.0	20.0	3.0	3.0
Excess/(Shortfall) (Excl. Fund Balance)	6,069,136	(4,598,922)	(4,598,922)	0	0	0	0	80.6	n/a	n/a	n/a	n/a
Budgetary Estimates												
Gross Appropriation Act Revenue	9,925,428,000	11,270,143,415	11,270,143,415	0	12,299,841,000	12,318,445,000	18,604,000	4.5	13.5	13.5	9.1	9.3
Less: Tax Relief Trust Fund (Act)	650,023,221	768,072,631	768,072,631	0	795,942,732	795,942,732	0	3.3	18.2	18.2	3.6	3.6
Appropriation Act Excluding Trust Fund	9,275,404,779	10,502,070,784	10,502,070,784	0	11,503,898,268	11,522,502,268	18,604,000	4.6	13.2	13.2	9.5	9.7
Capital Reserve Fund	183,584,490	209,194,431	209,194,431	0	390,131,763	390,131,763	0	4.3	13.9	13.9	86.5	86.5
General Reserve Fund	458,961,225	575,284,684	575,284,684	0	715,241,566	715,241,566	0	4.3	25.3	25.3	24.3	24.3
Total Reserve Funds	642,545,715	784,479,115	784,479,115	0	1,105,373,329	1,105,373,329	0	4.3	22.1	22.1	40.9	40.9

Budget Outlook for FY 2023-24

FY 2023-24 Budget Outlook – Recurring General Fund

(Dollars in Millions)

BEA Revenue Estimate (2/15/2023)	\$12,318.4
FY 2022-23 Appropriation Act Revenue	(\$10,341.3)
Tax Relief Trust Fund	(\$795.9)
Incremental Income Tax Rate Reduction (updated est.)	<u>(\$96.2)</u>
Estimated “New” General Fund Revenue	\$1,084.9
Reserve Fund Contributions	
Incremental General Reserve Fund (5.5%)	(\$140.0)
Incremental Capital Reserve Fund (3%)	<u>(\$180.9)</u>
Estimated “New” General Fund Revenue Available for Appropriation (less Reserve Fund Contributions)	\$764.0

FY 2023-24 Budget Outlook

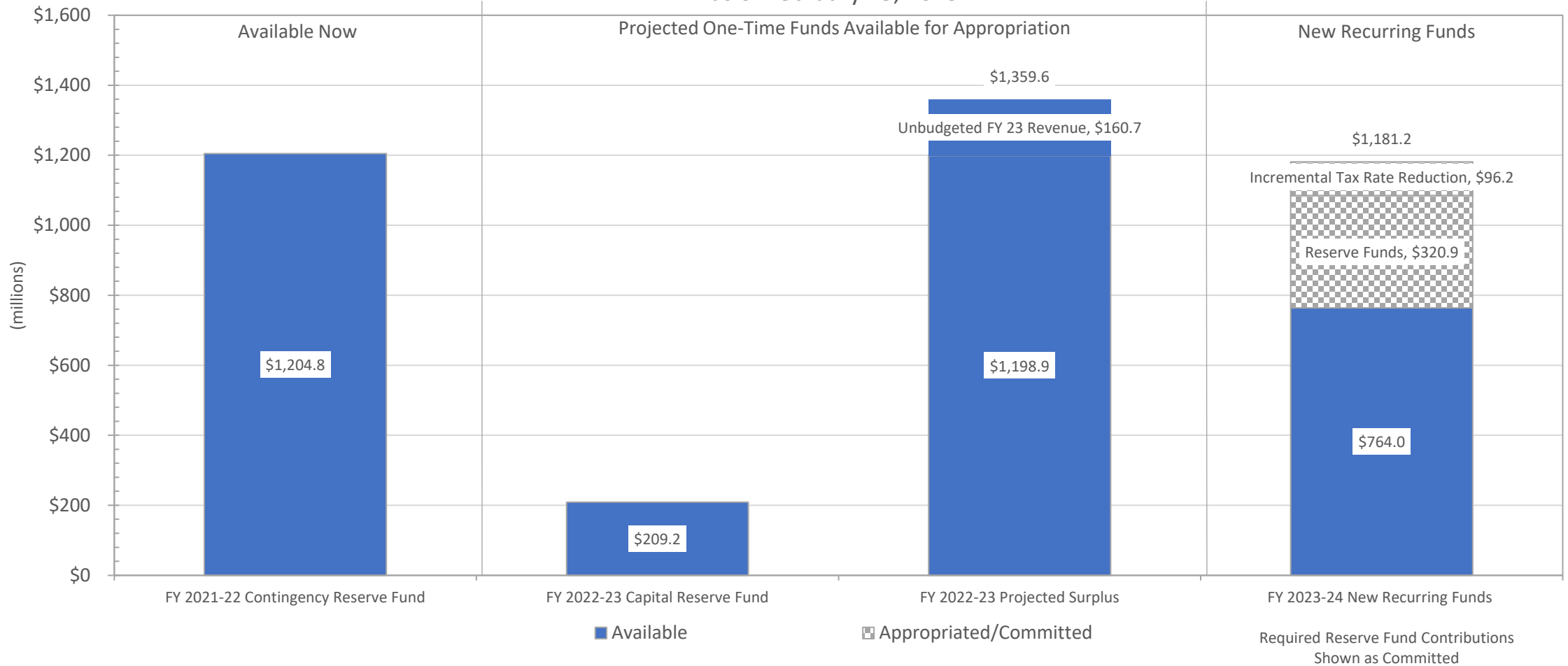
Nonrecurring Revenue

(Dollars in Millions)

Projected FY 2022-23 General Fund Surplus (2/15/2023)	\$1,359.6
FY 2022-23 Capital Reserve Fund	\$209.2
FY 2021-22 Contingency Reserve Fund	<u>\$1,204.8</u>
Total Non-Recurring Revenue	\$2,773.6
Other Non-Recurring Revenue	
Litigation Recovery (preliminary)	\$72.8

FY 2023-24 Available Funds

AVAILABLE FUNDS - FY 2023-24 BUDGET PROCESS
as of February 15, 2023



Source: S.C. Revenue and Fiscal Affairs 297/RFA/02/15/2023

Reports from Working Group Members

Other Items for Discussion

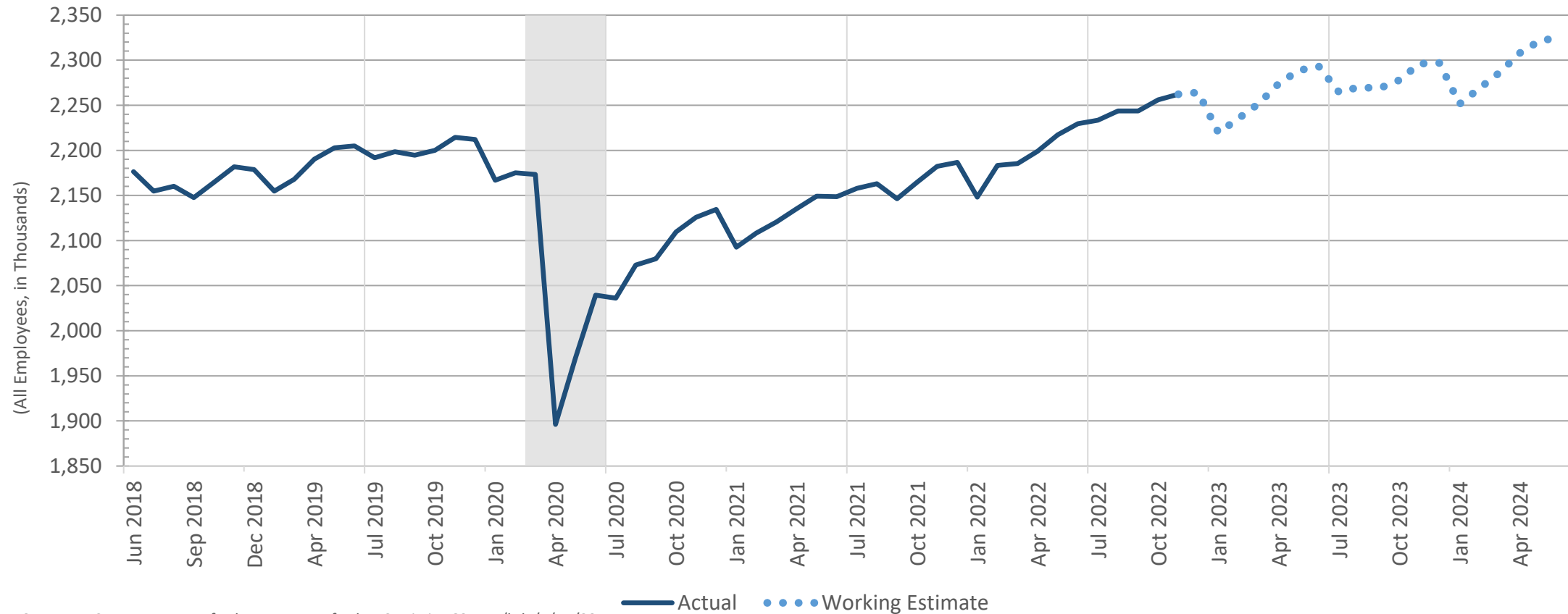


Appendix

SC Employment - Proposal

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

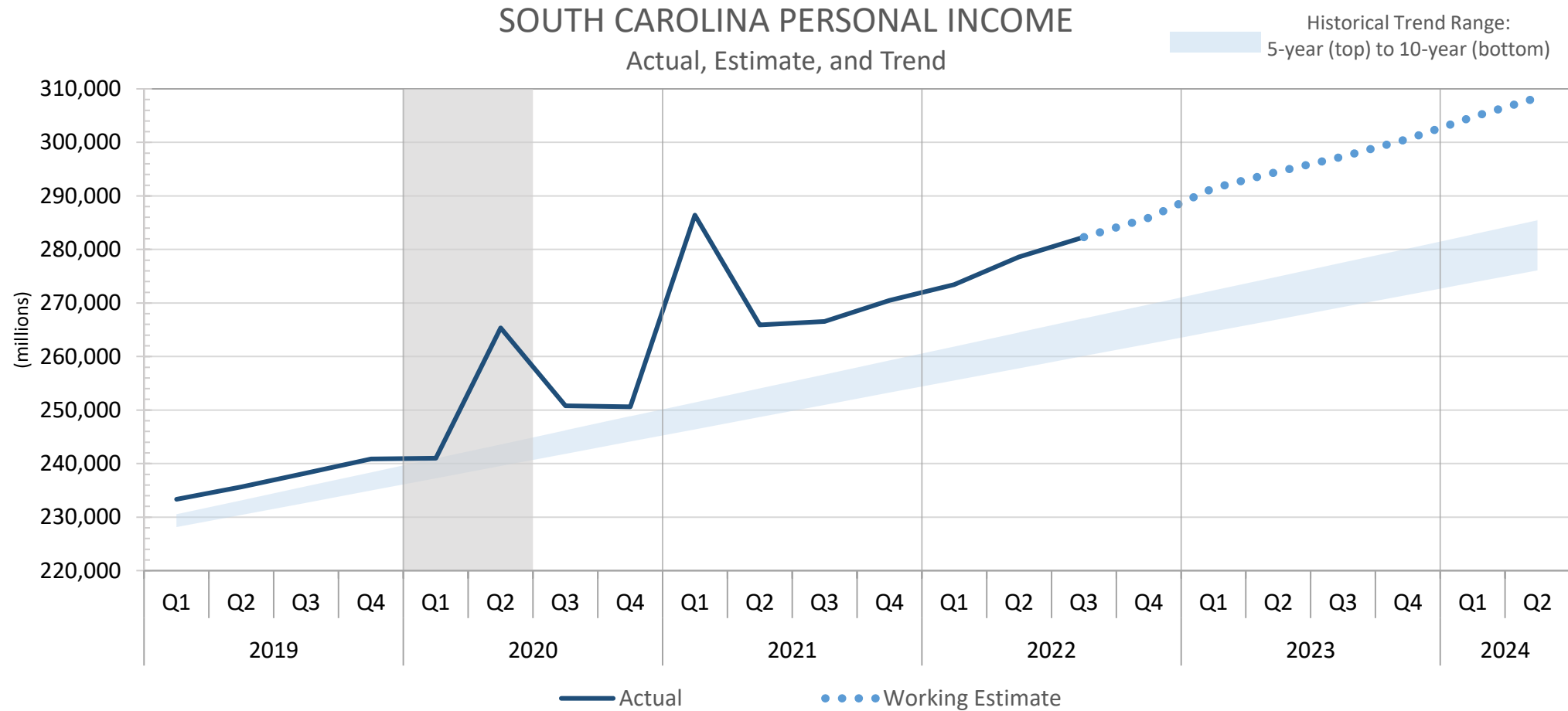
TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



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 February Recommended

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