

SOUTH CAROLINA GENERAL FUND REVENUE

FY 2022-23 Revenues and Forecast Review

April 5, 2023



General Fund FY 2022-23 – February 2023 Update

- General Fund revenue is \$535.7 million ahead of the forecast through February
- Timing of income tax refund and payment activity remain a factor as we approach April filing deadlines
- Individual Income tax is currently \$175.3 million ahead of expectations through February, largely due to Refunds, which were \$154.2 million behind projections for February
- Corporate Income tax is ahead of expectations by \$216.1 million
- Sales tax collections are \$94.8 million ahead of the forecast

General Fund Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - FEBRUARY FY 2022-23

(\$ in Millions)

| | Actual Revenues | Expected Revenues | Over/ (Under) Expected | Estimate YTD ^{/1} | Actual YTD ^{/2} | Estimate Full Yr. ^{/3} | | Actual Revenues | Expected Revenues | Over/ (Under) Expected | Estimate YTD ^{/1} | Actual YTD ^{/2} | Estimate Full Yr. ^{/3} |
|-----------------------------------|------------------|-------------------|------------------------|----------------------------|--------------------------|---------------------------------|---------------------------------------|-----------------|-------------------|------------------------|----------------------------|--------------------------|---------------------------------|
| Total General Fund Revenue | \$8,466.6 | \$7,930.8 | \$535.7 | (1.3%) | 5.4% | (8.7%) | Other Revenue Items, Sub-Total | \$652.0 | \$600.3 | \$51.6 | 1.6% | 10.3% | (2.8%) |
| Sales Tax | 2,694.6 | 2,599.7 | 94.8 | 4.0% | 7.8% | 2.2% | Admissions Tax | 18.0 | 15.8 | 2.2 | (22.6%) | (12.1%) | (10.4%) |
| Individual Income Tax | 4,424.0 | 4,248.7 | 175.3 | (4.3%) | (0.3%) | (13.8%) | Alcoholic Liquors Tax | 66.5 | 63.0 | 3.5 | (0.6%) | 4.9% | 2.0% |
| Withholdings | 4,731.0 | 4,717.2 | 13.8 | 4.6% | 4.9% | 2.9% | Bank Tax | 39.0 | 24.7 | 14.3 | (3.6%) | 52.0% | (10.3%) |
| Nonwithholdings | 802.0 | 754.1 | 47.8 | 2.6% | 9.1% | (15.2%) | Beer and Wine Tax | 65.6 | 67.0 | (1.4) | (2.3%) | (4.3%) | (0.8%) |
| Refunds | 1,109.0 | 1,222.6 | (113.7) | 51.6% | 37.5% | 39.4% | Corporate License Tax | 147.3 | 138.2 | 9.2 | (0.3%) | 6.3% | (0.9%) |
| Corporate Income Tax | 504.5 | 288.4 | 216.1 | (20.9%) | 38.4% | (33.5%) | Deed Rec. (Doc. Tax) | 73.4 | 72.4 | 1.0 | (22.0%) | (20.9%) | (22.9%) |
| Insurance Tax | 191.5 | 193.6 | (2.2) | 35.7% | 34.2% | 22.0% | Earned on Investments | 108.4 | 104.2 | 4.2 | 103.3% | 111.5% | 144.1% |
| Other Revenue Items, Sub-Total | 652.0 | 600.3 | 51.6 | 1.6% | 10.3% | (2.8%) | Residual Revenue | 133.7 | 115.1 | 18.7 | (11.7%) | 2.7% | (29.3%) |

Based on BEA Forecast as of February 15, 2023

/1 Estimate year-to-date reflects expected growth in collections fiscal year-to-date over prior fiscal year-to-date based on anticipated monthly collection patterns.

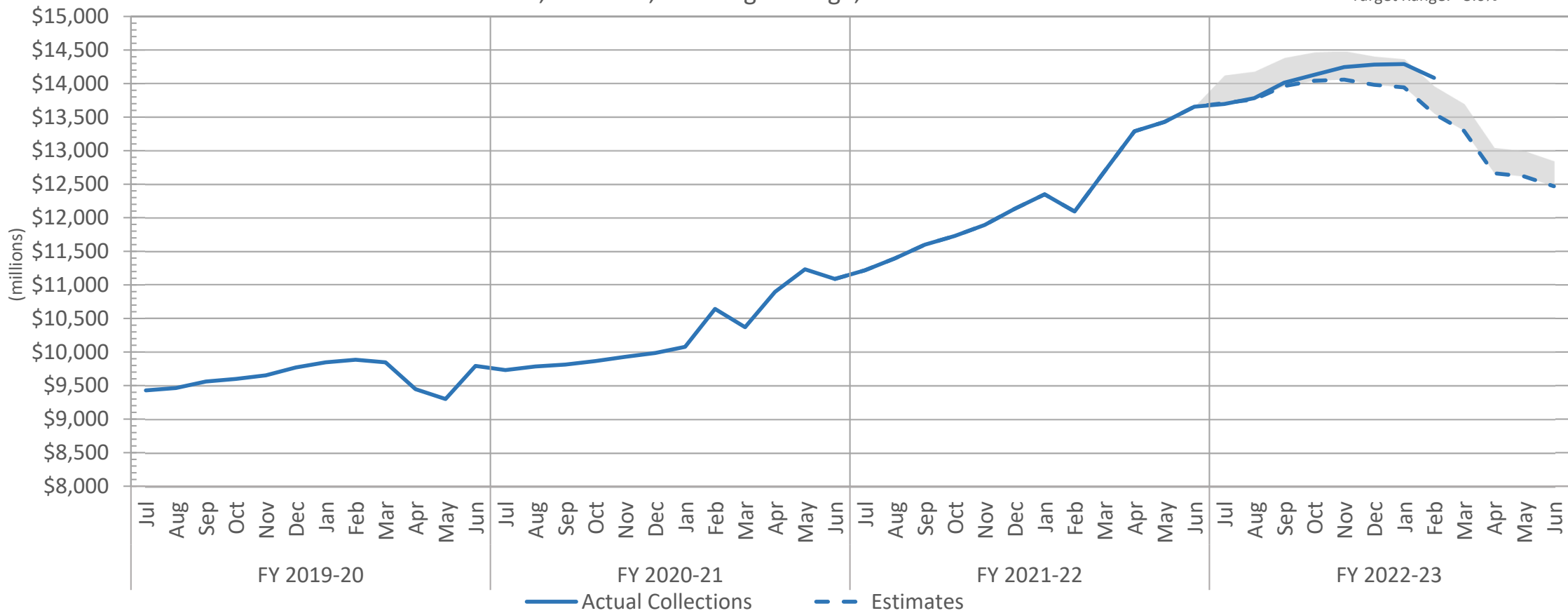
/2 Actual year-to-date reflects actual fiscal year-to-date growth in collections over prior fiscal year-to-date collections.

/3 Estimate full year reflects projected growth for the full fiscal year over the prior year.

General Fund Revenue – Actual vs. February Estimate

Revenues are running 5.4% over last year, with February bringing year-to-date collections \$535.7 million above the estimate; expected impact of tax reform is now being realized

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



FY 2022-23 Third Quarter Results - §11-9-1140

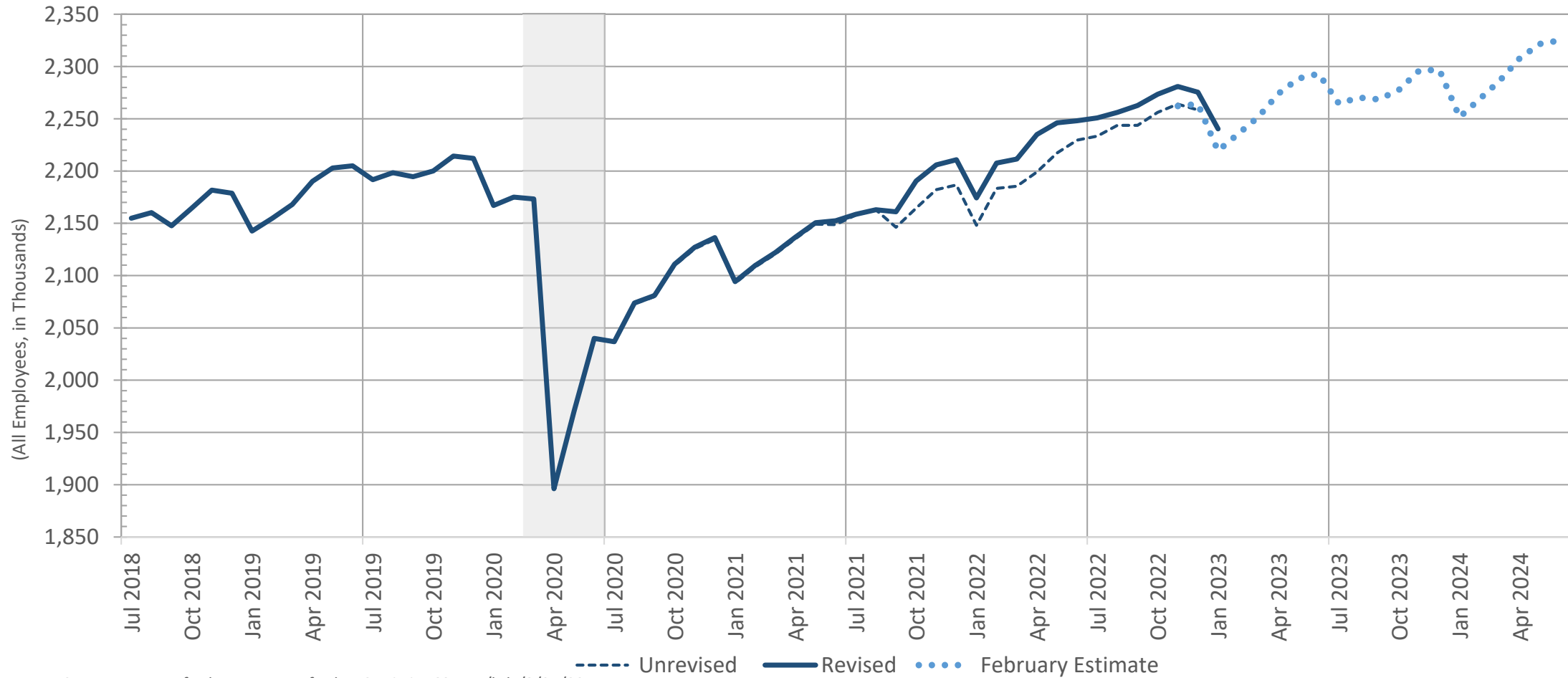
- Preliminary March 2023 revenues remain above expectations
- Revenues through the third quarter of FY 2022-23 are well ahead of the forecast

Economic Updates

SC Employment

BLS revised employment data upward by an average of approximately 20,000 in late March

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/bdc/3/24/23

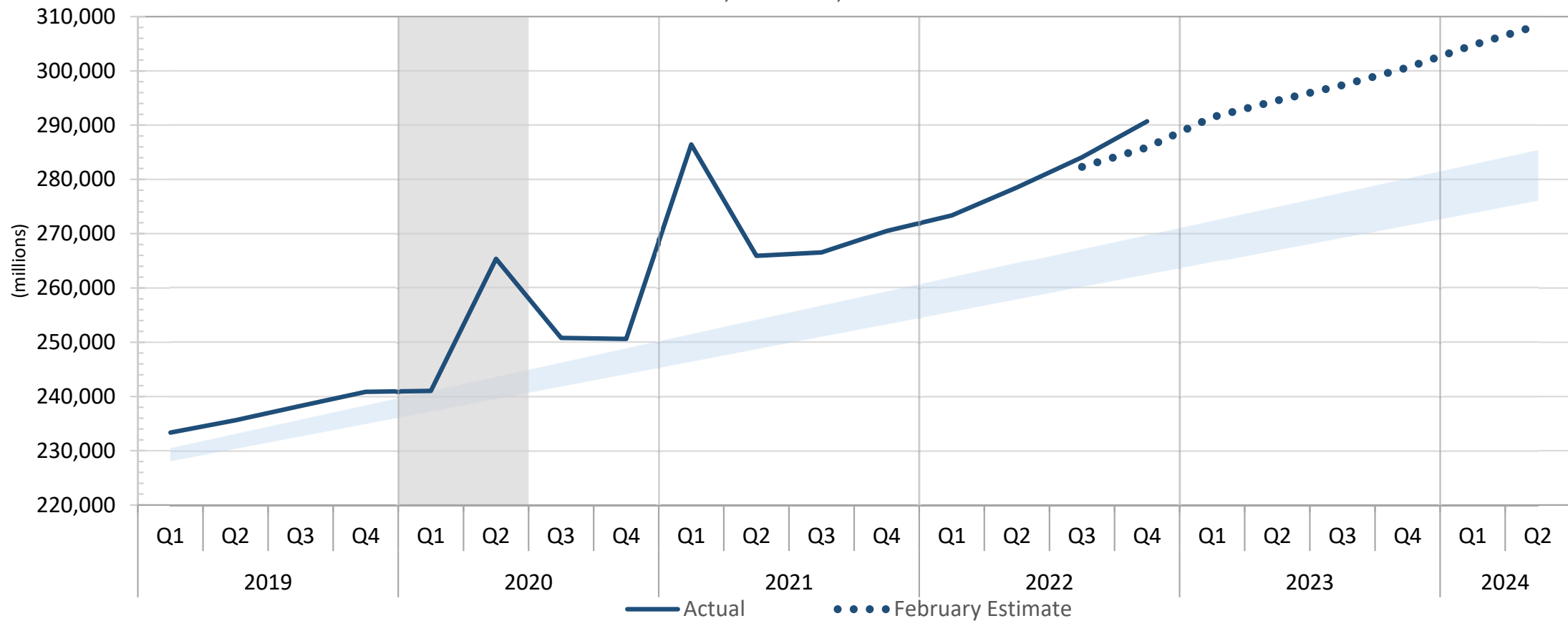


Personal Income

Q4 2022 Personal Income grew 7.5% over Q4 2021 compared to forecasted growth of 5.7%, mainly due to higher wage growth (8.7% vs 10.4%); Q3 2022 wage growth was also revised up from 10.4% to 11.9%

SOUTH CAROLINA PERSONAL INCOME
Actual, Estimate, and Trend

Historical Trend Range:
5-year (top) to 10-year (bottom)

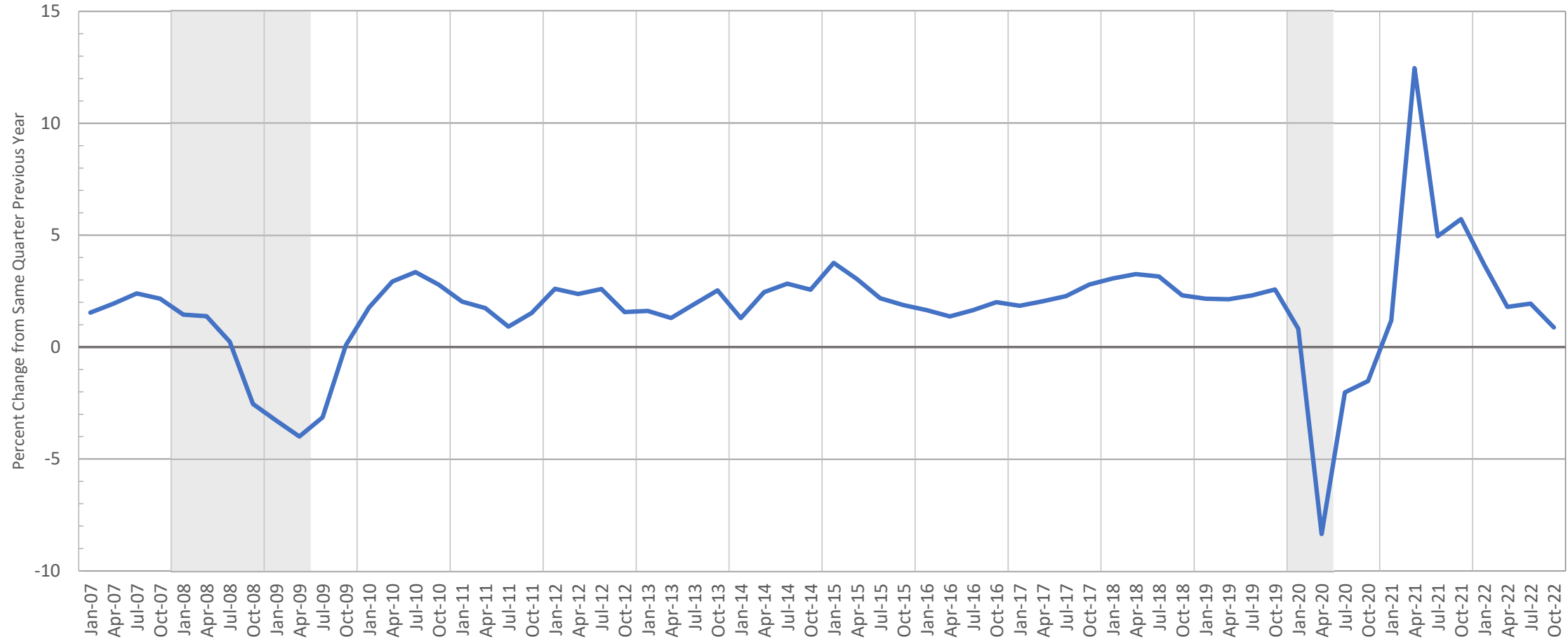


Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/lhj/03/31/2023

US Real GDP

Q4 2022 GDP growth slowed to 0.9% over Q4 2021

US REAL GROSS DOMESTIC PRODUCT GROWTH



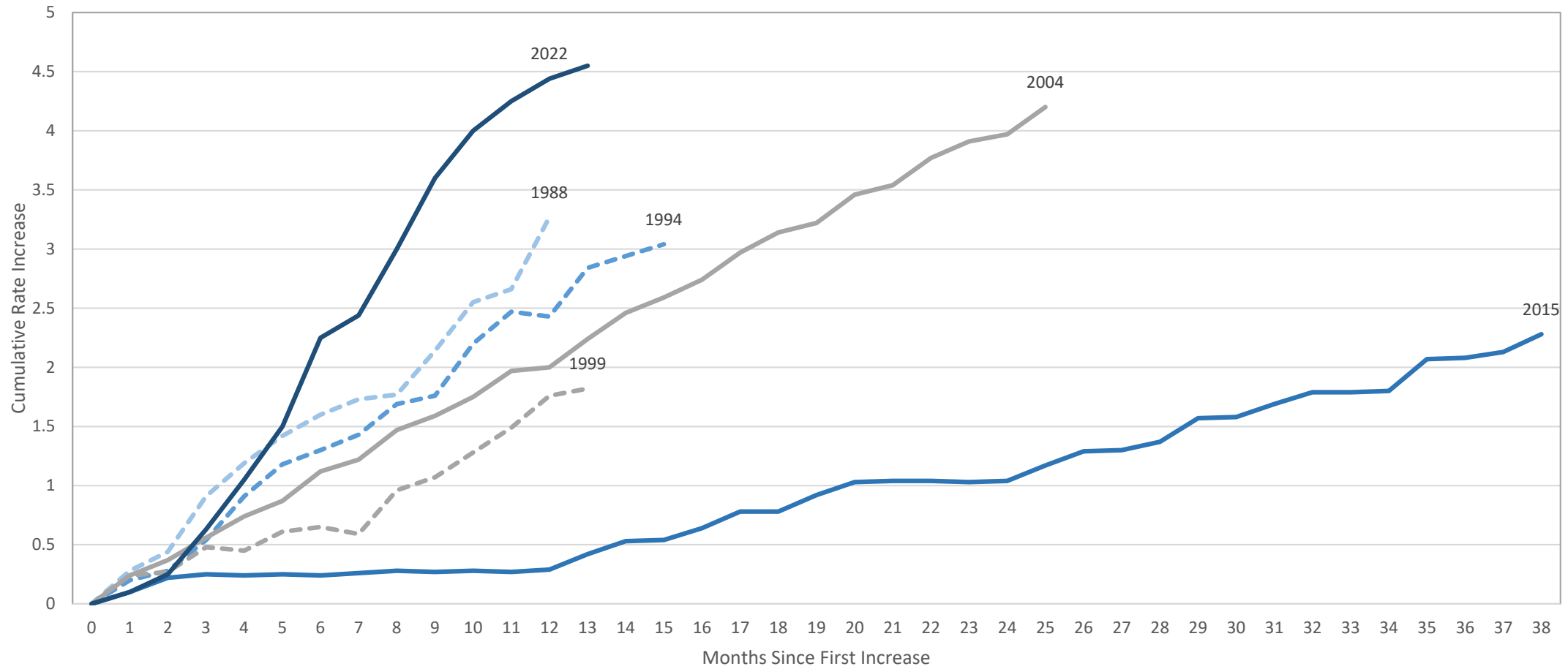
Source: U.S. Dept. of Commerce, Bureau of Economic Analyses RFA/bdc/266/03/30/2023



Federal Funds Interest Rate Changes – History

The current increases in the federal funds rate are faster than other periods in the last 30+ years

CUMULATIVE CHANGE IN FEDERAL-FUNDS RATE SINCE START OF RATE INCREASE



Final Effective Rate
 1988: 9.8%
 1994: 6.0%
 1999: 6.5%
 2004: 5.25%
 2015: 2.5%
 2022: 4.63%*
 *As of 4/3/2023

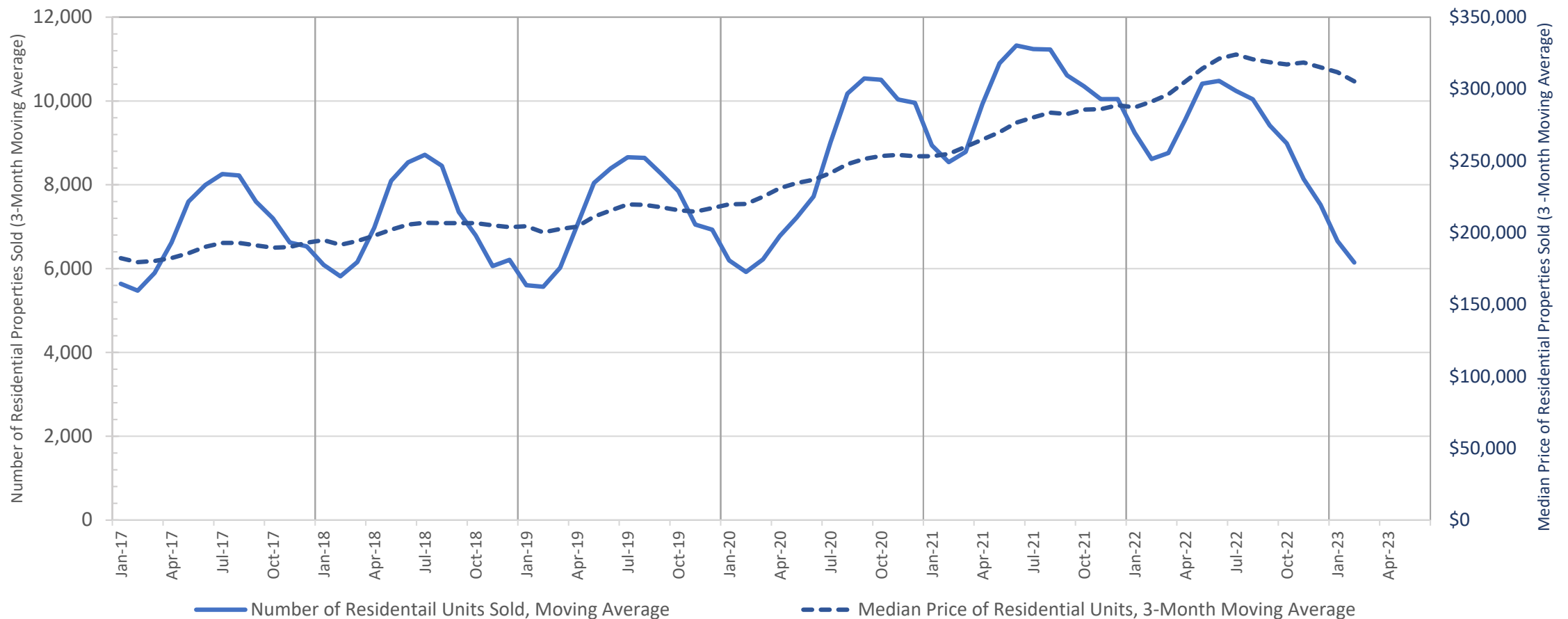
Source: Board of Governors of the Federal Reserve System via Wall Street Journal and FRED Economic Data 277C -RFA/lhj/4/03/2023

SC Housing Market

Total home sales have declined since the start of interest rate increases; prices are now starting to fall as well

SOUTH CAROLINA RESIDENTIAL HOME SALES

Number Sold vs. Median Sales Price



Source: S.C. Realtors, Market Activity for South Carolina 276-RFA/lhi/3/22/2023

Review of FY 2022-23 Revenue Details

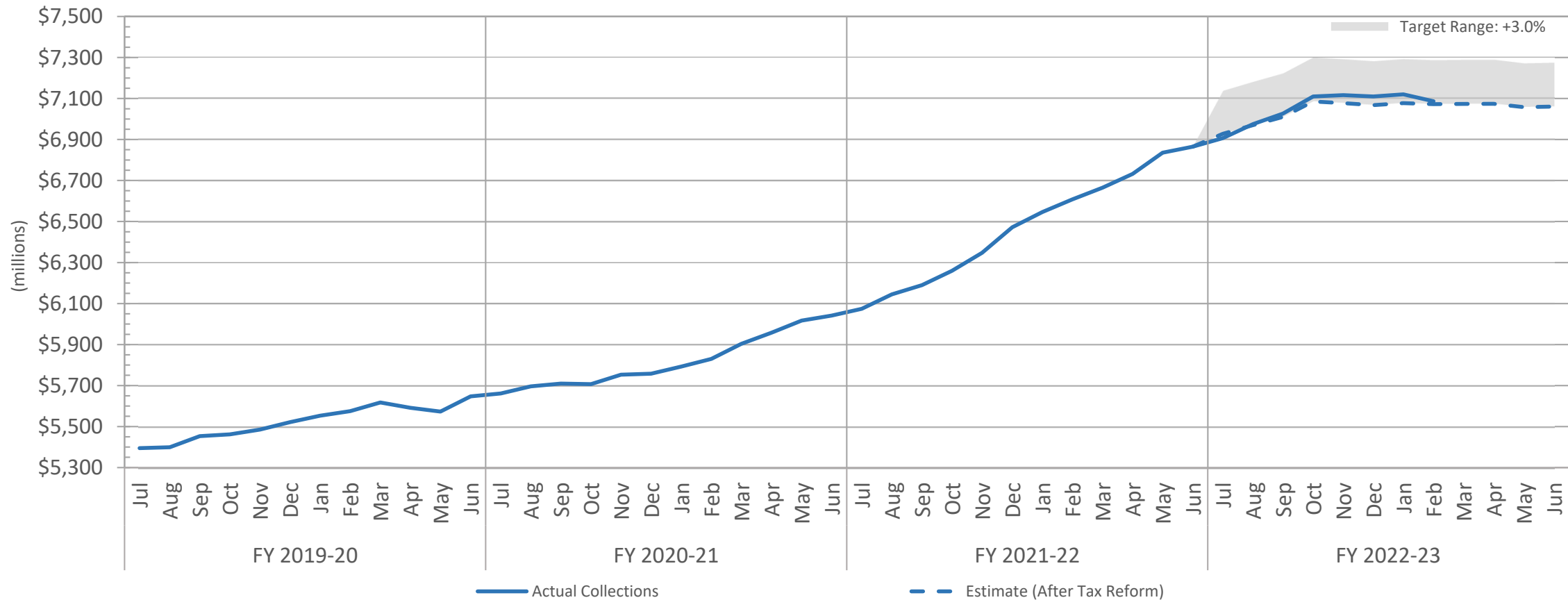


Withholdings - Actual vs. Estimate

Withholdings are \$13.8 million ahead of the forecast following a decline of 28.8% in February due to the Withholdings table adjustments for tax reform; collections are tracking closely with the February forecast

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

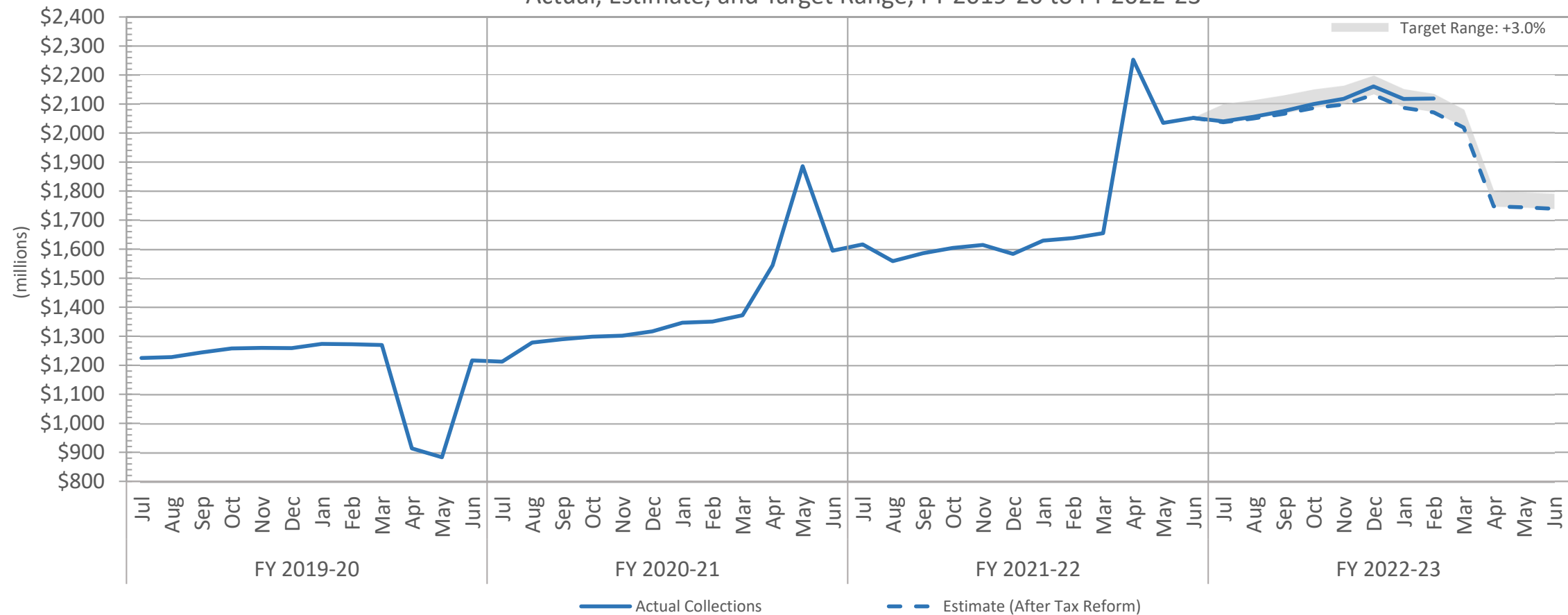
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Non-Withholdings - Actual vs. Estimate

Collections are \$47.8 million above the estimate, but more than 56% of expected collections remain; net impact of economic growth and tax reform is yet to be seen

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

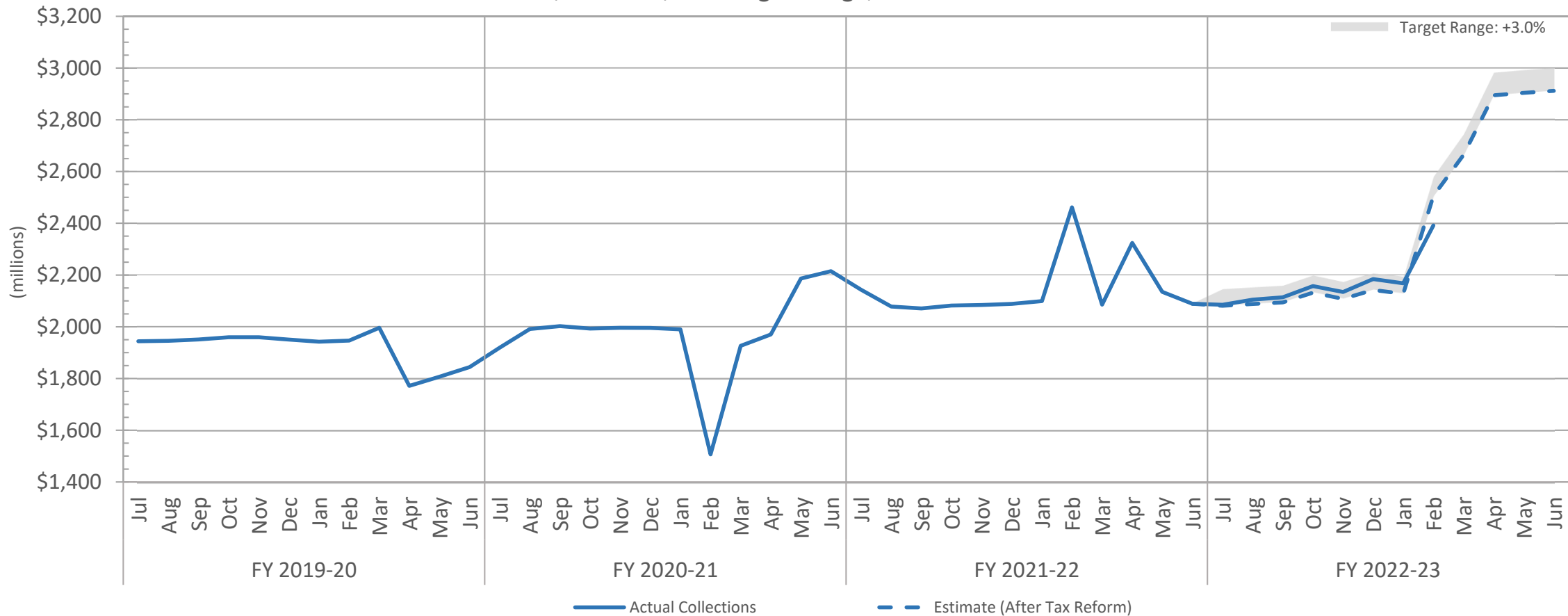


Refunds - Actual vs. Estimate

Refunds are \$113.7 million below the estimate; this is forecasted to even out during tax filing season

ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

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

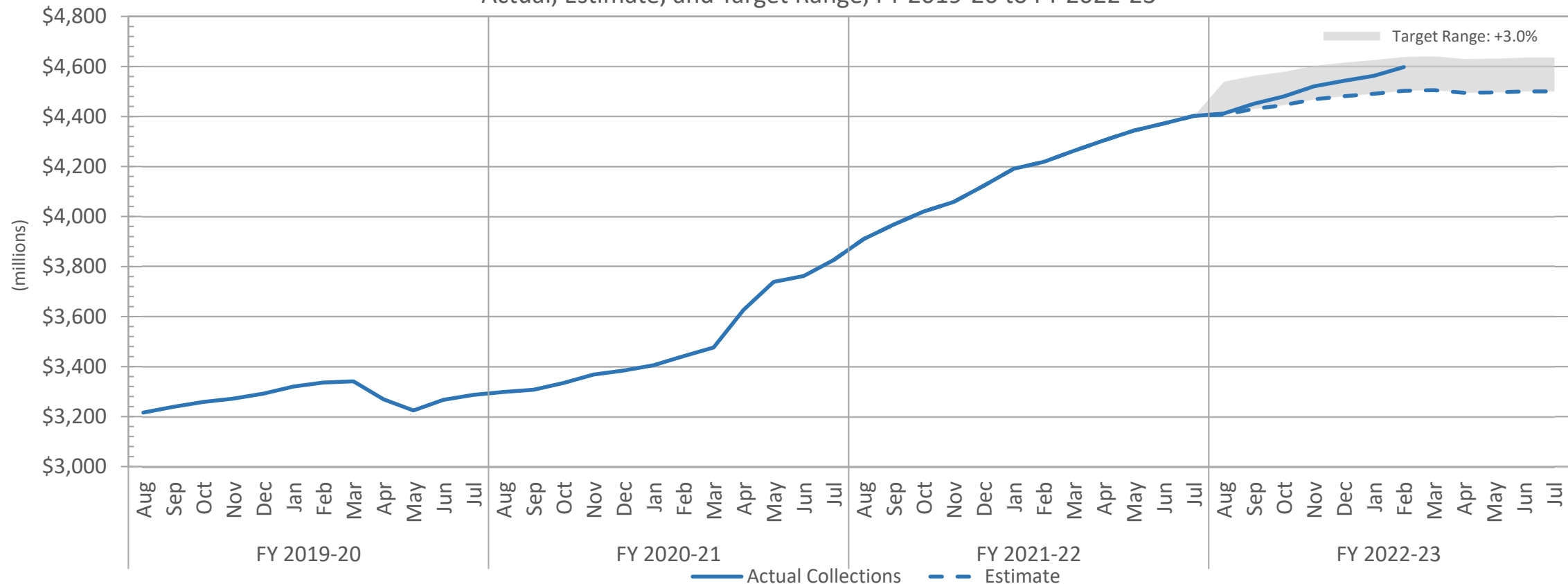


Sales Tax - Actual vs. Estimate

Sales tax showed strong growth in February of **11.2%**, reversing the previous 2-month trend of slowing growth; total collections for the fiscal year are **\$94.8 million** ahead of the forecast

ROLLING FISCAL YEAR - SALES TAX

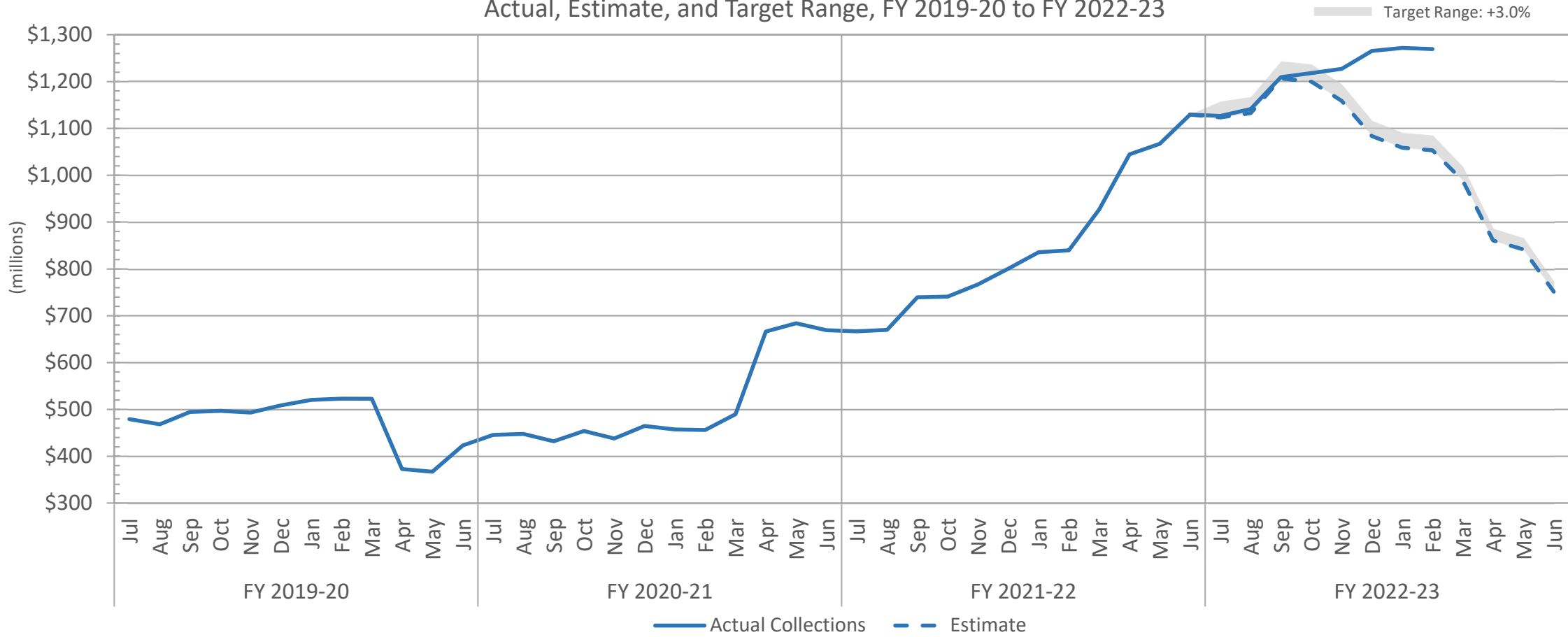
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Corporate Income Tax - Actual vs. Estimate

Corporate Income tax reflects the largest variance from estimates at \$216.1 million ahead of the forecast with tax season yet unfinished; long-term performance remains a concern

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

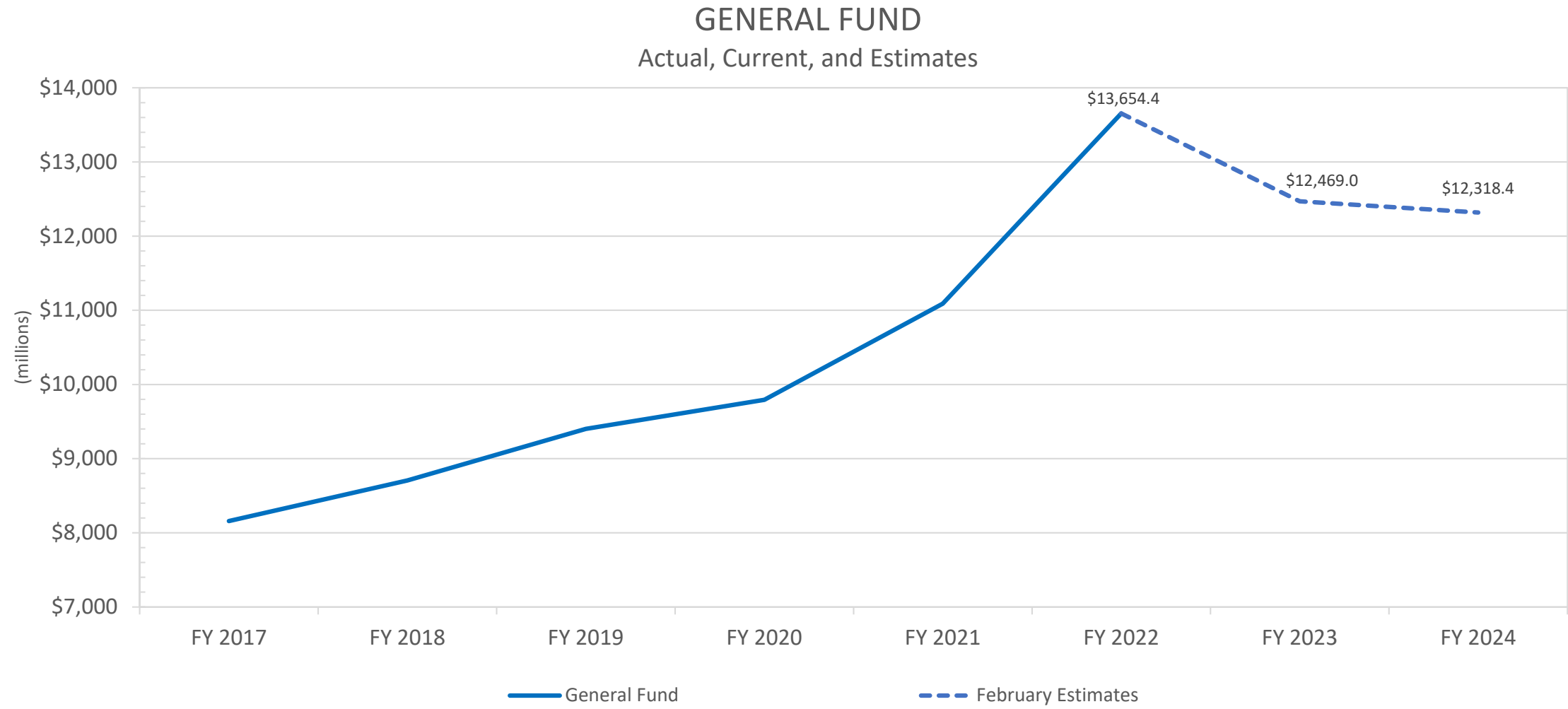


Review of FY 2022-23 and FY 2023-24 Forecasts



General Fund – February Forecast

FY 2022-23 and FY 2023-24



Consideration of the Revenue Estimates

Pursuant to §11-9-1130 (April 10)

- Despite excess revenues through February, recommend no change to the February 15, 2023 forecasts for FY 2022-23 and FY 2023-24 at this time
- Waiting for additional reactions to issues in the banking sector
- Tax season is not complete and could have a significant impact

Considerations for May Meeting – FY 2022-23 Forecast

Economic

- Underlying economic assumptions remain valid for FY 2022-23
- Unless there is a shock to the economy, no significant deviation from the current trend is expected in the last few months of the fiscal year

Revenues

- Withholdings revenue is tracking closely to the February forecast
- Preliminary tax season performance will be available in early May and may give a stronger indication of final FY 2022-23 expectations for Refunds, Non-withholdings, and Corporate Income tax
- Sales tax is currently trending ahead of expectations

Considerations for May meeting – FY 2023-24 Forecast

Economy

- Economic assumptions currently remain valid, but the banking crisis has renewed discussions of the potential for and depth of a recession over the longer-term
- Determining when and to what extent the Federal Reserve's actions will impact the economy is still a key factor

Revenues

- Strong FY 2022-23 collections may not translate into a stronger revenue base for FY 2023-24 due to these issues
- Long-term performance remains a concern for Corporate Income tax; a sudden return to historical trends could outweigh growth in Sales or Individual Income tax
- Individual Income tax from small businesses and Sales tax categories are more susceptible to economic uncertainties

Reports from Working Group Members

Other Business

Appendix

Quarterly Review and April 10th Forecast Requirements

- SC Code of Laws §11-9-1130 requires a review of revenue collections relative to the estimates, with a final forecast for the next fiscal year to be made by April 10th
- 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

General Fund Revenue Forecast – February 15, 2023

| Revenue Category | Final FY 2020-21 | Final FY 2021-22 | 2/15/2023 Estimate FY 2022-23 | 2/15/2023 Estimate FY 2023-24 | Pct. Chg. FY 2020-21 | Pct. Chg. FY 2021-22 | 2/15/2023 Pct. Chg. FY 2022-23 | 2/15/2023 Pct. Chg. FY 2023-24 |
|-----------------------------------|-------------------------|-------------------------|-------------------------------------|-------------------------------------|-------------------------|-------------------------|--------------------------------------|--------------------------------------|
| Sales and Use Tax | \$3,825,920,335 | \$4,401,993,179 | \$4,500,469,000 | \$4,432,962,000 | 16.4 | 15.1 | 2.2 | (1.5) |
| Individual Income Tax | 5,421,280,543 | 6,827,560,100 | 5,887,946,000 | 5,905,147,000 | 8.0 | 25.9 | (13.8) | 0.3 |
| <i>Withholdings</i> | 6,041,174,737 | 6,864,765,402 | 7,060,690,000 | 6,876,620,000 | 7.0 | 13.6 | 2.9 | (2.6) |
| <i>Non-Withholdings</i> | 1,594,942,966 | 2,051,932,498 | 1,739,180,000 | 1,631,187,000 | 24.8 | 28.7 | (15.2) | (6.2) |
| <i>Refunds</i> | 2,214,837,159 | 2,089,137,801 | 2,911,924,000 | 2,602,660,000 | 16.2 | (5.7) | 39.4 | (10.6) |
| Corporation Income Tax | 669,221,114 | 1,129,375,124 | 751,436,000 | 626,057,000 | 58.2 | 68.8 | (33.5) | (16.7) |
| Insurance Taxes | 293,235,485 | 283,503,195 | 345,761,000 | 338,773,000 | 21.4 | (3.3) | 22.0 | (2.0) |
| Admissions Tax | 29,531,233 | 45,742,736 | 40,988,000 | 41,587,000 | 18.8 | 54.9 | (10.4) | 1.5 |
| Aircraft Tax | 2,877,150 | 1,250,000 | 0 | 0 | 9.8 | (56.6) | – | – |
| Alcoholic Liquor Tax | 101,569,635 | 112,482,415 | 114,732,000 | 110,143,000 | 25.3 | 10.7 | 2.0 | (4.0) |
| Bank Tax | 69,828,425 | 72,352,457 | 64,868,000 | 63,187,000 | (5.0) | 3.6 | (10.3) | (2.6) |
| Beer and Wine Tax | 116,859,053 | 116,942,161 | 116,020,000 | 117,630,000 | 4.0 | 0.1 | (0.8) | 1.4 |
| Business Filing Fees | 12,763,604 | 12,616,189 | 12,053,000 | 12,315,000 | 60.0 | (1.2) | (4.5) | 2.2 |
| Circuit/Family Court Fines | 5,366,354 | 6,089,254 | 5,963,000 | 4,992,000 | (6.4) | 13.5 | (2.1) | (16.3) |
| Corporation License Tax | 148,136,873 | 163,071,712 | 161,567,000 | 170,453,000 | 13.2 | 10.1 | (0.9) | 5.5 |
| Deed Recording Fees | 118,902,924 | 156,850,909 | 120,871,000 | 118,042,000 | 45.4 | 31.9 | (22.9) | (2.3) |
| Earned on Investments | 72,623,590 | 69,656,950 | 170,000,000 | 200,000,000 | (44.5) | (4.1) | 144.1 | 17.6 |
| Indirect Cost Recoveries | 23,269,863 | 22,097,929 | 23,166,000 | 20,212,000 | 52.4 | (5.0) | 4.8 | (12.8) |
| Motor Vehicle Licenses | 12,128,159 | 11,178,619 | 11,581,000 | 11,836,000 | 10.5 | (7.8) | 3.6 | 2.2 |
| Nursing Home Fees | 3,355,741 | 3,230,655 | 3,160,000 | 3,092,000 | (3.6) | (3.7) | (2.2) | (2.2) |
| Parole and Probation Fees | 3,392,808 | 3,392,808 | 3,393,000 | 3,393,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| Private Car Lines Tax | 6,673,116 | 6,878,649 | 8,472,000 | 8,968,000 | 5.1 | 3.1 | 23.2 | 5.9 |
| Public Service Authority | 17,135,000 | 17,675,000 | 17,866,000 | 18,059,000 | (2.0) | 3.2 | 1.1 | 1.1 |
| Purchasing Card Rebates | 3,088,613 | 3,541,021 | 3,845,000 | 3,940,000 | (4.3) | 14.6 | 8.6 | 2.5 |
| Record Search Fees | 4,461,000 | 4,461,000 | 4,461,000 | 4,461,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| Savings and Loan Assoc. Tax | 1,147,447 | 2,448,449 | 92,000 | 1,223,000 | (86.5) | 113.4 | (96.2) | 1229.3 |
| Security Dealer Fees | 29,188,874 | 31,897,230 | 32,022,000 | 32,382,000 | 6.0 | 9.3 | 0.4 | 1.1 |
| Tobacco Tax | 28,786,137 | 28,935,834 | 28,204,000 | 29,070,000 | 6.6 | 0.5 | (2.5) | 3.1 |
| Unclaimed Property Fund | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| Workers' Comp. Insurance Tax | 12,516,852 | 9,795,065 | 9,644,000 | 10,138,000 | (4.8) | (21.7) | (1.5) | 5.1 |
| Other Source Revenues | 40,866,612 | 94,396,685 | 15,423,000 | 15,383,000 | 170.2 | 131.0 | (83.7) | (0.3) |
| Gross General Fund Revenue | \$11,089,126,541 | \$13,654,415,325 | \$12,469,003,000 | \$12,318,445,000 | 13.2 | 23.1 | (8.7) | (1.2) |

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/2/15/2023

General Fund Revenue Forecast – February 15, 2023 (continued)

| Revenue Category | Final FY 2020-21 | Final FY 2021-22 | 2/15/2023 Estimate FY 2022-23 | 2/15/2023 Estimate FY 2023-24 | Pct. Chg. FY 2020-21 | Pct. Chg. FY 2021-22 | 2/15/2023 Pct. Chg. FY 2022-23 | 2/15/2023 Pct. Chg. FY 2023-24 |
|---|---------------------|---------------------|-------------------------------------|-------------------------------------|-------------------------|-------------------------|--------------------------------------|--------------------------------------|
| Gross General Fund Revenue | \$11,089,126,541 | \$13,654,415,325 | \$12,469,003,000 | \$12,318,445,000 | 13.2 | 23.1 | (8.7) | (1.2) |
| Less: Tax Relief Trust Fund (Act) | 629,405,136 | 650,023,221 | 768,072,631 | 795,942,732 | 2.5 | 3.3 | 18.2 | 3.6 |
| Net General Fund Revenue | \$10,459,721,405 | \$13,004,392,104 | \$11,700,930,369 | \$11,522,502,268 | 13.9 | 24.3 | (10.0) | (1.5) |
| Education Improvement Act (EIA) | 996,833,645 | 1,138,972,300 | 1,174,338,000 | 1,159,395,000 | 15.5 | 14.3 | 3.1 | (1.3) |
| EIA Fund | 996,748,940 | 1,138,342,432 | 1,164,338,000 | 1,147,395,000 | 15.7 | 14.2 | 2.3 | (1.5) |
| EIA Interest | 84,705 | 629,868 | 10,000,000 | 12,000,000 | (95.0) | 643.6 | 1487.6 | 20.0 |
| S.C. Education Lottery Fund | 612,069,873 | 568,684,685 | 572,300,000 | 533,000,000 | 23.3 | (7.1) | 0.6 | (6.9) |
| Lottery Proceeds | 575,500,000 | 533,500,000 | 547,200,000 | 507,200,000 | 22.1 | (7.3) | 2.6 | (7.3) |
| Unclaimed Prizes | 32,141,376 | 30,501,385 | 20,000,000 | 20,000,000 | 50.2 | (5.1) | (34.4) | 0.0 |
| Lottery Interest | 4,428,497 | 4,683,300 | 5,100,000 | 5,800,000 | 16.6 | 5.8 | 8.9 | 13.7 |
| Homestead Exemption Fund (HEX) | 903,551,465 | 1,033,264,216 | 1,060,070,000 | 1,045,423,000 | 15.1 | 14.4 | 2.6 | (1.4) |
| HEX Revenue | 900,423,624 | 1,029,360,778 | 1,053,870,000 | 1,038,423,000 | 15.1 | 14.3 | 2.4 | (1.5) |
| HEX Interest | 3,127,841 | 3,903,438 | 6,200,000 | 7,000,000 | 13.0 | 24.8 | 58.8 | 12.9 |
| Expenditure Estimate | 829,100,858 | 860,983,490 | 912,890,744 | 1,004,624,152 | 3.8 | 3.8 | 6.0 | 10.0 |
| HEX Fund Excess/(Shortfall) | 74,450,607 | 172,280,726 | 147,179,256 | 40,798,848 | 633.6 | 131.4 | (14.6) | (72.3) |
| Tax Relief Trust Fund (Act) | 629,405,136 | 650,023,221 | 768,072,631 | 795,942,732 | 2.5 | 3.3 | 18.2 | 3.6 |
| Revised Estimate/Actual | 626,043,899 | 643,954,085 | 772,671,553 | 795,942,732 | 2.0 | 2.9 | 20.0 | 3.0 |
| Excess/(Shortfall) (Excl. Fund Balance) | 3,361,237 | 6,069,136 | (4,598,922) | 0 | 1165.6 | 80.6 | n/a | n/a |
| Budgetary Estimates | | | | | | | | |
| Gross Appropriation Act Revenue | 9,500,103,000 | 9,925,428,000 | 11,270,143,415 | 12,318,445,000 | 1.8 | 4.5 | 13.5 | 9.3 |
| Less: Tax Relief Trust Fund (Act) | 629,405,136 | 650,023,221 | 768,072,631 | 795,942,732 | 2.5 | 3.3 | 18.2 | 3.6 |
| Appropriation Act Excluding Trust Fund | 8,870,697,864 | 9,275,404,779 | 10,502,070,784 | 11,522,502,268 | 1.8 | 4.6 | 13.2 | 9.7 |
| Capital Reserve Fund | 176,095,044 | 183,584,490 | 209,194,431 | 390,131,763 | 8.4 | 4.3 | 13.9 | 86.5 |
| General Reserve Fund | 440,237,611 | 458,961,225 | 575,284,684 | 715,241,566 | 8.4 | 4.3 | 25.3 | 24.3 |
| Total Reserve Funds | 616,332,655 | 642,545,715 | 784,479,115 | 1,105,373,329 | 8.4 | 4.3 | 22.1 | 40.9 |

Note: General Reserve Fund for FY 2022-23 includes additional funding of \$52.3 million; FY 2022-23 Trust Fund for Tax Relief revised to reflect Act 228 of 2022.

Source: South Carolina Board of Economic Advisors/BEA/2/15/2023