

SOUTH CAROLINA GENERAL FUND REVENUE

FY 2022-23 Revenues

June 22, 2023



General Fund FY 2022-23 – June 2023 Update

- General Fund revenue is \$85.9 million ahead of the revised forecast through May, down from \$207.6 million through April
- Sales tax collections are \$27.1 million ahead of the forecast
- Total Individual Income tax is \$16.6 million below the forecast
- Withholdings is \$45.2 million ahead of the forecast
- Individual Income tax payments were lower than anticipated and Refunds were higher for final tax processing in May
- Corporate Income tax is ahead of expectations by \$20.9 million

General Fund Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - MAY 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	\$11,259.7	\$11,173.8	\$85.9	(4.7%)	(4.0%)	(4.6%)	Other Revenue Items, Sub-Total	\$892.2	\$842.6	\$49.6	4.4%	10.6%	(2.4%)
Sales Tax	3,849.7	3,822.6	27.1	6.0%	6.7%	5.6%	Admissions Tax	33.3	29.8	3.5	(12.9%)	(2.5%)	(10.4%)
Individual Income Tax	5,176.1	5,192.7	(16.6)	(15.6%)	(15.8%)	(15.1%)	Alcoholic Liquors Tax	96.5	92.4	4.1	0.3%	4.7%	2.0%
Withholdings	6,386.8	6,341.6	45.2	0.5%	1.2%	(0.2%)	Bank Tax	76.8	57.0	19.7	(9.3%)	22.1%	(10.3%)
Nonwithholdings	1,551.0	1,596.7	(45.7)	(14.4%)	(16.9%)	(13.8%)	Beer and Wine Tax	92.9	94.6	(1.7)	(1.6%)	(3.4%)	(0.8%)
Refunds	2,761.8	2,745.6	16.2	35.5%	36.3%	35.0%	Corporate License Tax	165.1	164.4	0.6	3.1%	3.5%	3.0%
Corporate Income Tax	1,052.9	1,032.1	20.9	9.4%	11.6%	9.5%	Deed Rec. (Doc. Tax)	99.9	99.2	0.7	(23.2%)	(22.6%)	(22.9%)
Insurance Tax	288.9	283.9	5.0	28.8%	31.0%	28.0%	Earned on Investments	158.3	155.8	2.5	142.6%	146.6%	144.1%
Other Revenue Items, Sub-Total	892.2	842.6	49.6	4.4%	10.6%	(2.4%)	Residual Revenue	169.4	149.4	20.0	(11.4%)	0.4%	(30.0%)

Based on BEA Forecast as of May 09, 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 - Monthly Collections and Estimates



GENERAL FUND REVENUE

(\$ in Millions)

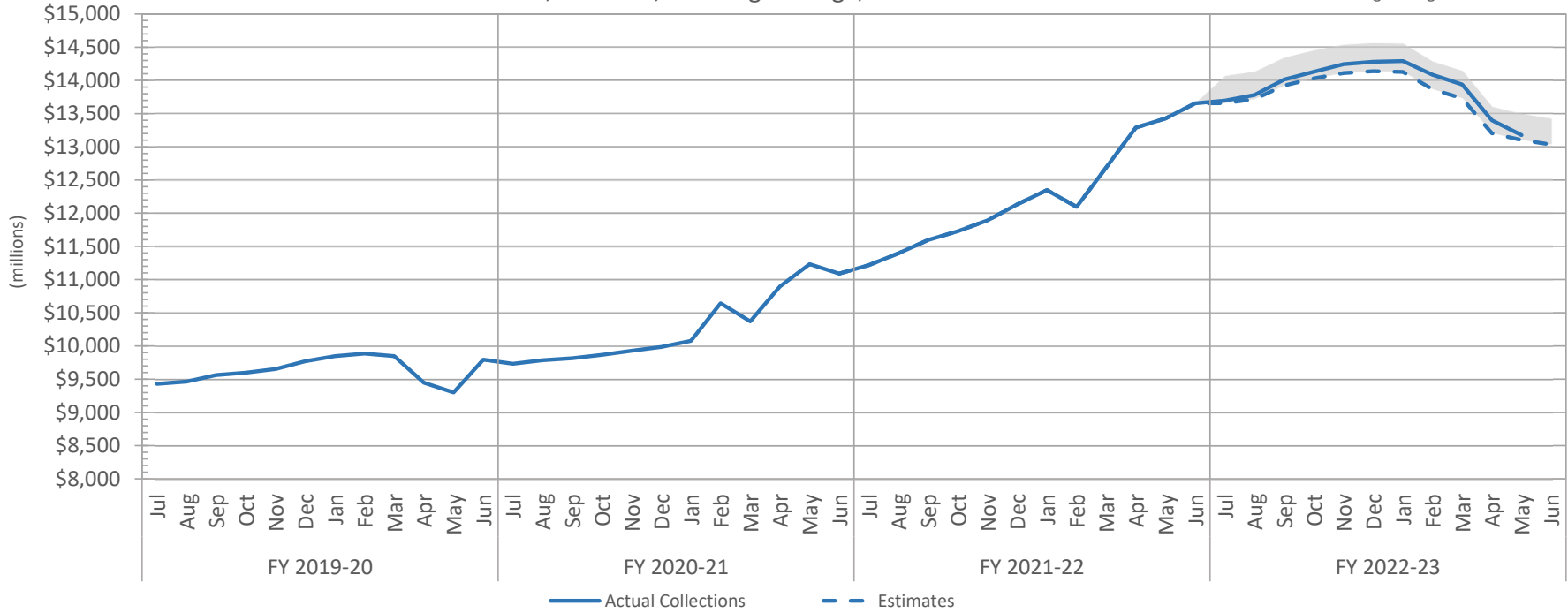
Month	Actual					Estimate FY 22-23	FY 23 Excess Revenue Actual v. Estimate		Percent Change Actual FY 22 to FY 23	
	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23		Monthly	Cumulative	Monthly	Cumulative
July	475.9	502.4	441.1	570.3	610.4	573.0	37.5	37.5	7.0%	7.0%
August	744.8	780.4	833.1	1,010.5	1,097.5	1,072.2	25.3	62.8	8.6%	8.0%
September	967.7	1,064.5	1,093.7	1,295.3	1,526.6	1,498.9	27.7	90.5	17.9%	12.5%
October	775.4	812.9	864.5	996.0	1,112.9	1,103.4	9.5	99.9	11.7%	12.3%
November	714.5	768.5	830.9	993.8	1,109.9	1,074.4	35.5	135.4	11.7%	12.2%
December	936.2	1,053.7	1,110.7	1,352.1	1,387.9	1,378.3	9.6	145.0	2.6%	10.1%
January	926.4	1,002.9	1,094.4	1,309.4	1,318.1	1,301.1	16.9	161.9	0.7%	8.4%
February	157.1	196.7	762.4	507.8	303.3	245.1	58.3	220.1	(40.3%)	5.4%
March	619.6	580.3	307.1	904.7	756.3	767.7	(11.3)	208.8	(16.4%)	3.2%
April	933.1	532.8	1,060.5	1,658.3	1,131.8	1,133.1	(1.3)	207.6	(31.7%)	(2.3%)
May	800.5	654.8	990.8	1,129.0	904.9	1,026.6	(121.7)	85.9	(19.8%)	(4.0%)
June	1,013.1	1,018.1	1,268.6	1,466.5		1,385.1				
Mth13 Close	337.4	825.6	431.4	460.8		474.1				
Fiscal Year	\$9,401.8	\$9,793.5	\$11,089.1	\$13,654.4	\$11,259.7	\$13,033.0				
Growth Rate	8.0%	4.2%	13.2%	23.1%		(4.6%)				

Forecast as of May 09, 2023

General Fund Revenue – Actual vs. May Estimate

Revenues are \$85.9 million above the estimate through May, reducing the projected surplus from the revised May estimate due to lower than anticipated Individual Income tax payments and higher Refunds in final tax processing

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

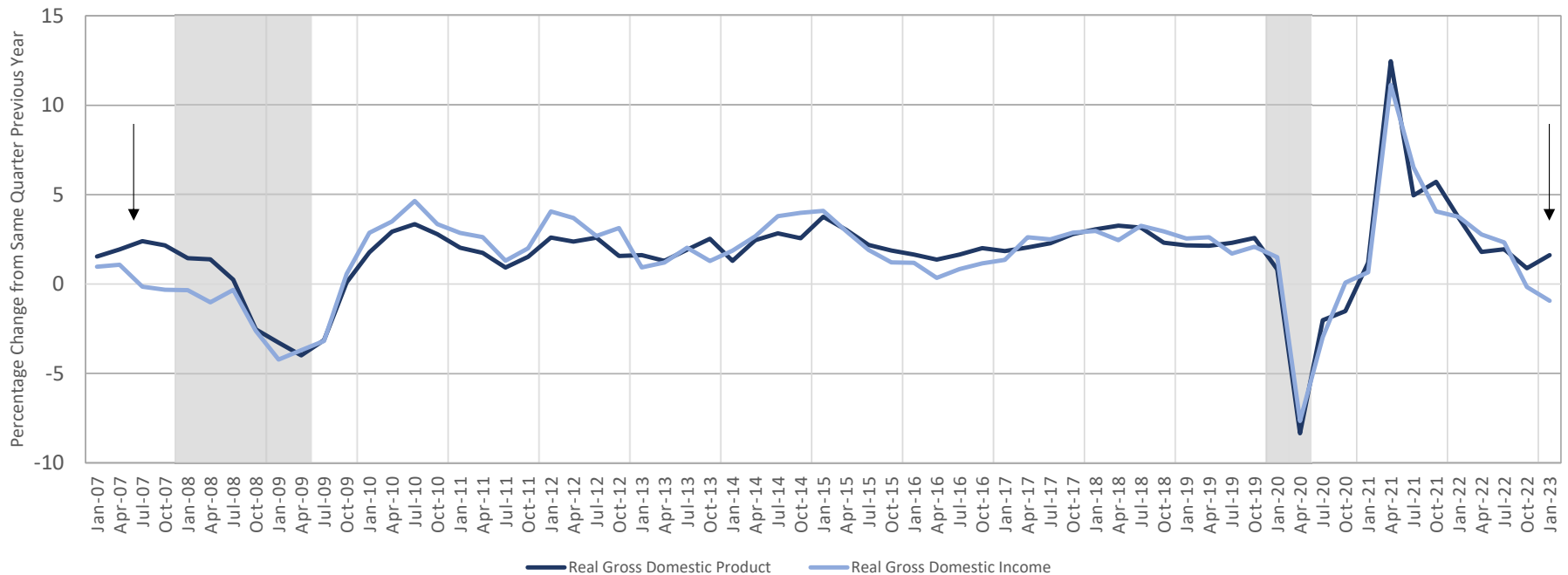


Economic Updates

US Real GDP and Real GDI

While GDP and GDI should move generally in the same direction, they began to diverge in Q1 of 2023, which may indicate a stronger potential for a recession; the last significant divergence was in 2007 prior to the Great Recession

U.S. REAL GROSS DOMESTIC PRODUCT AND REAL GROSS DOMESTIC INCOME



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis 266-RFA/mad/266/06/09/2023

SC Employment

Employment for April is tracking slightly below the May estimate by about 5,700 jobs

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA

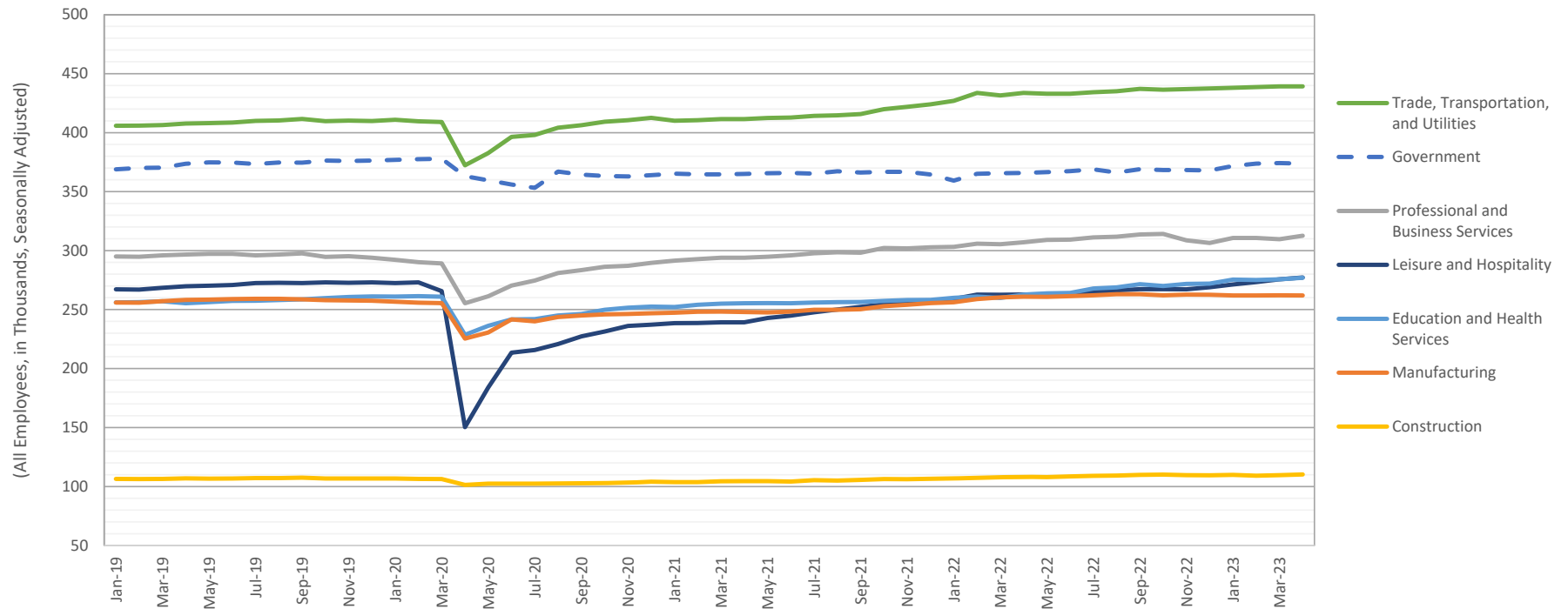


Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/lhj/6/15/23

SC Employment by Industry

While most sectors recovered by 2022, the Leisure and Hospitality sector just recently reached pre-pandemic employment; government employment is still below pre-pandemic levels due to declines in local government

SOUTH CAROLINA EMPLOYMENT BY INDUSTRY SECTOR



Source: U.S. Bureau of Labor Statistics 325-RFA/lhj/6/1/2023

Review of FY 2022-23 Revenue Details

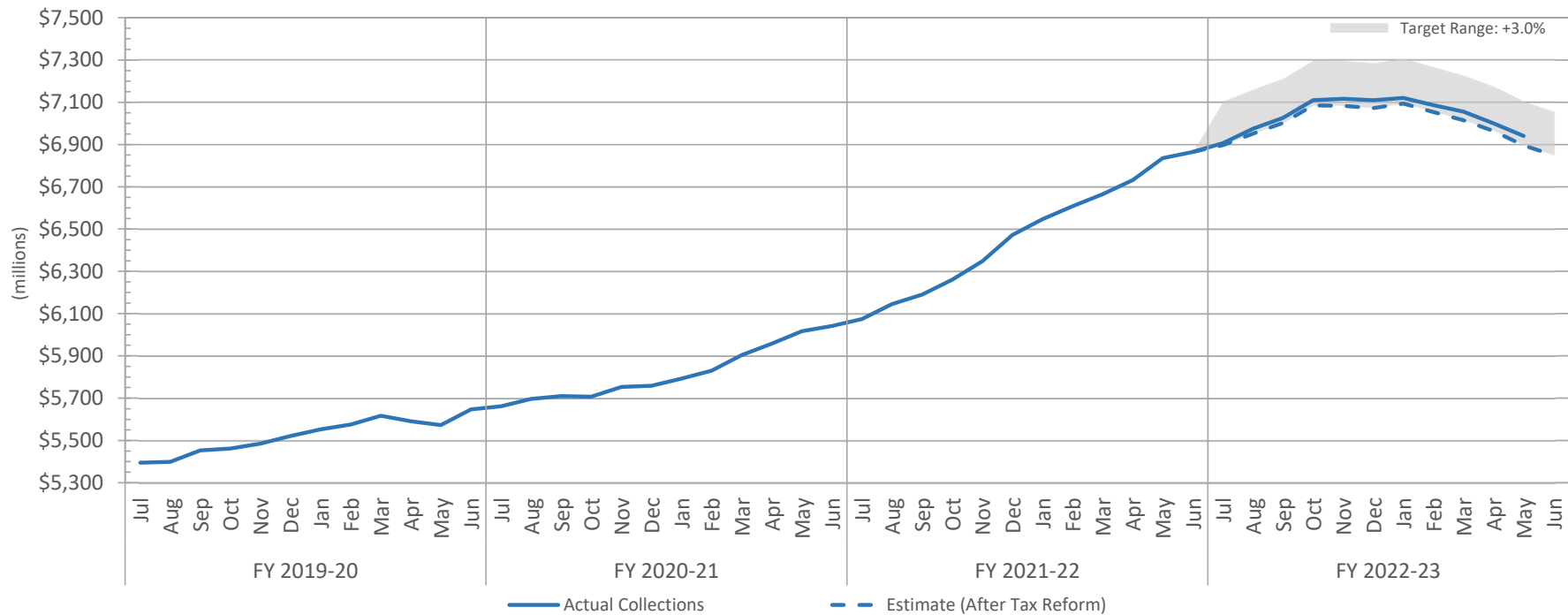


Withholdings - Actual vs. Estimate

Withholdings are \$45.2 million ahead of the forecast; May collections were just above the monthly estimate

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

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

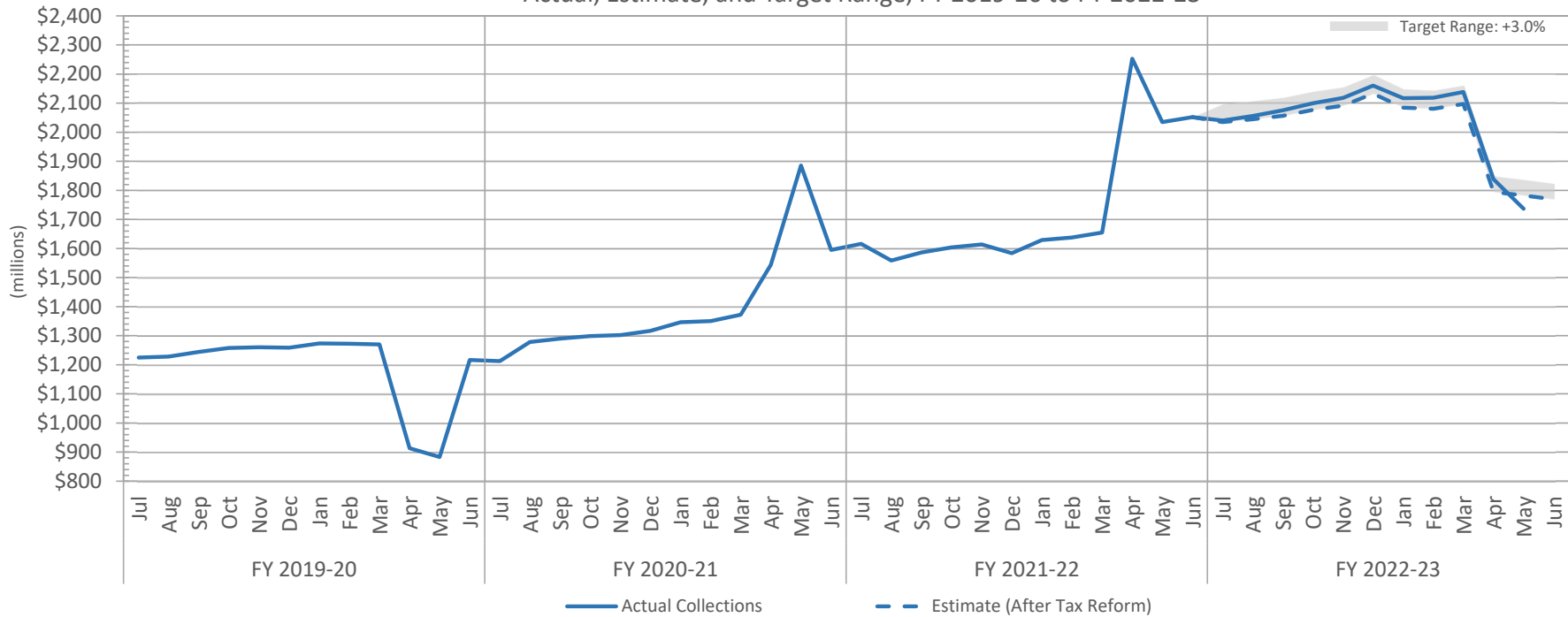


Non-Withholdings - Actual vs. Estimate

Collections are \$45.8 million below the year-to-date estimate in May; final tax season payments were less than expected

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

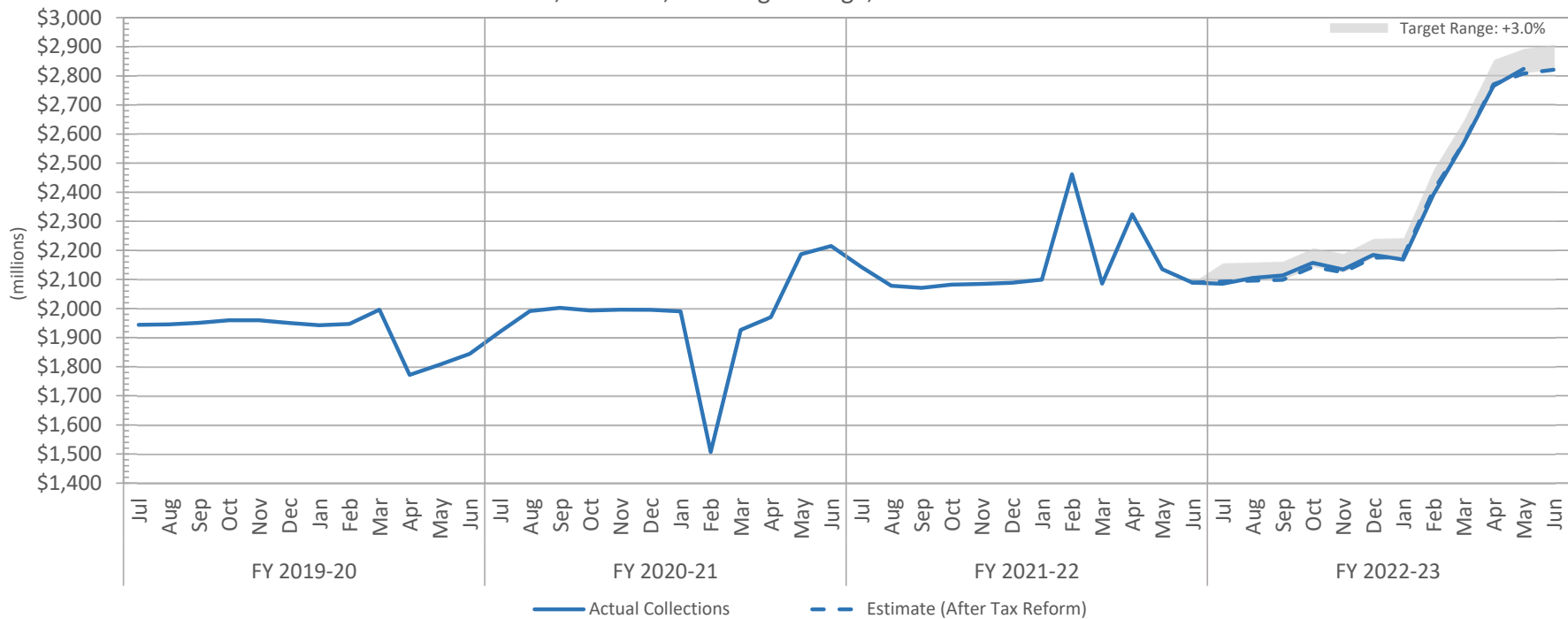
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Refunds - Actual vs. Estimate

Refunds are \$16.2 million above the estimate due to larger than anticipated final Refund processing in the month of May

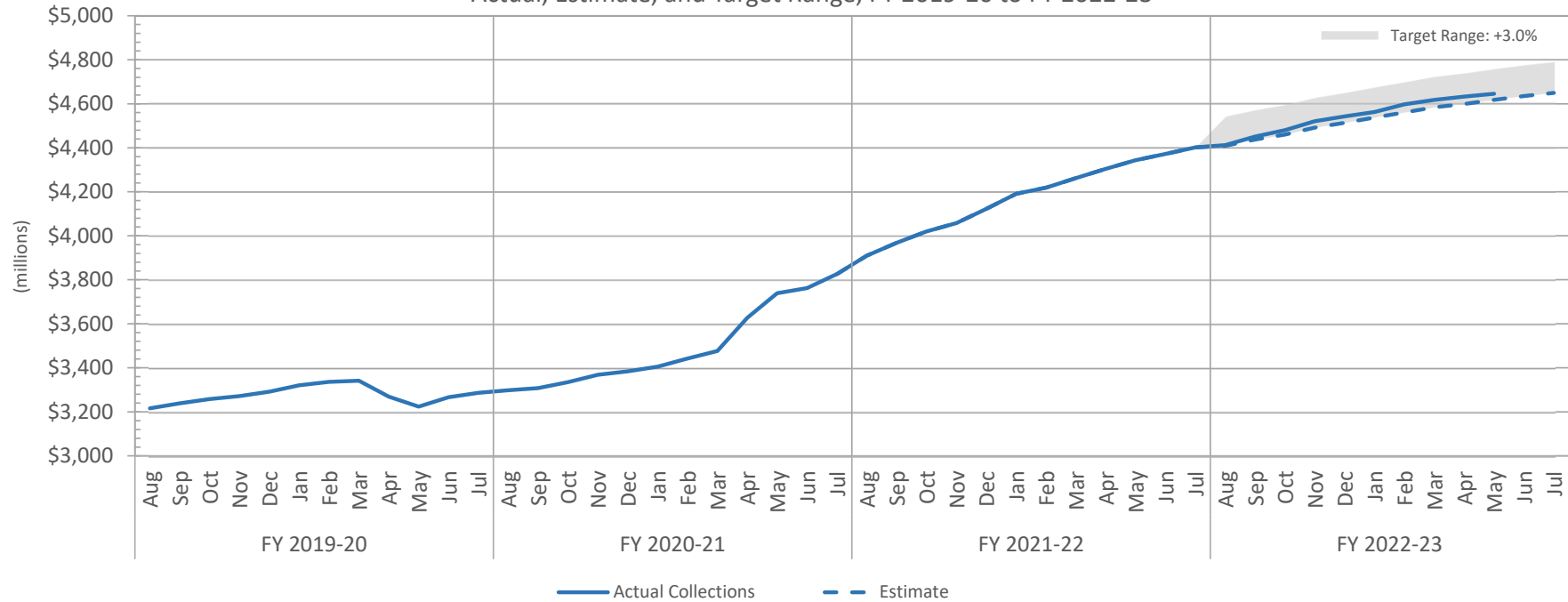
ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Sales Tax - Actual vs. Estimate

Sales tax growth slowed further in May from 7.2% to 6.8% for the year; fiscal year-to-date collections are \$27.4 million ahead of the May forecast

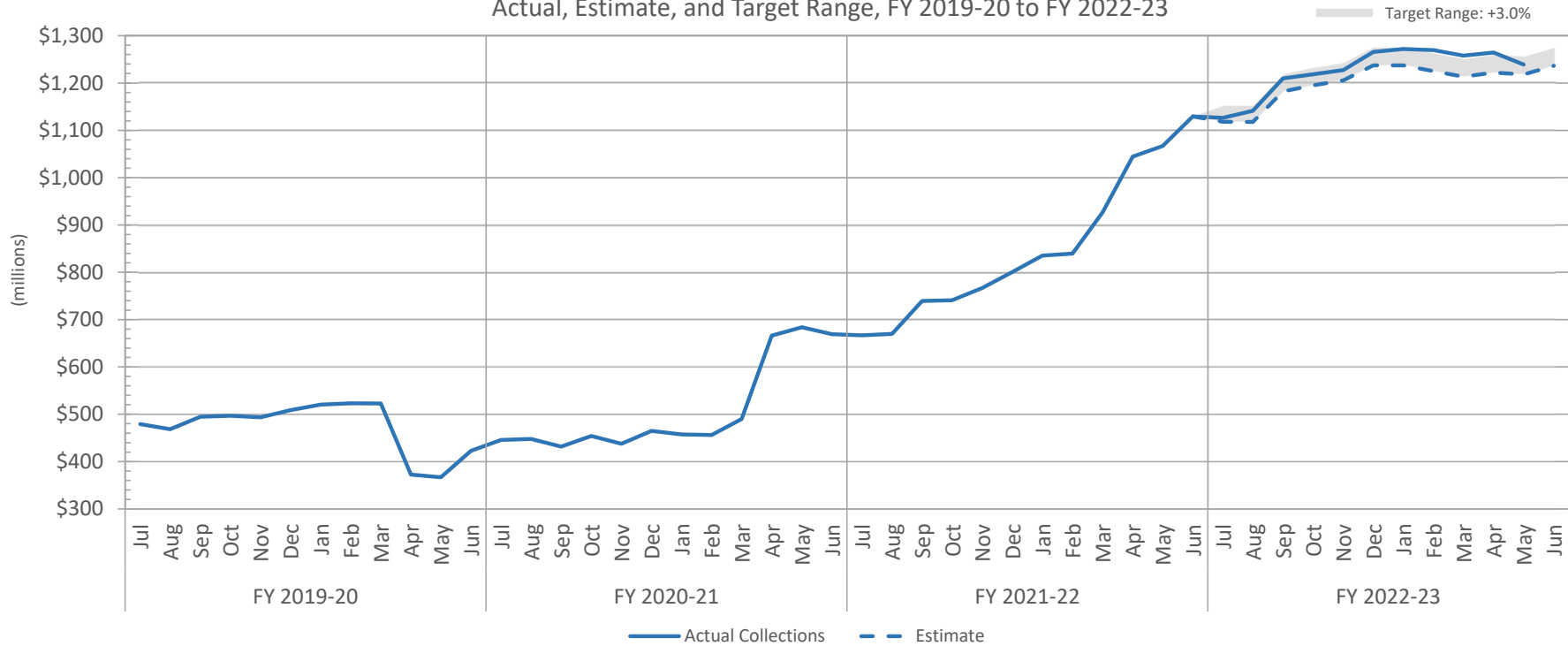
ROLLING FISCAL YEAR - SALES TAX
Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23



Corporate Income Tax - Actual vs. Estimate

Corporate Income tax is \$20.9 million ahead of the May forecast

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



FY 2022-23 Revenue Summary

- May revenues in the major categories came in lower than anticipated and reduced the excess compared to the revised May forecast
- Sales tax growth has slowed from an average of 7.7% through March to 3.4% for the last two months; collections need to average 3.9% for June and July to meet the revised forecast
- Withholdings are in line with expectations for lower collections with the tax table adjustments
- The lower than anticipated Individual Income tax collections in May are the result of final tax processing and not expected to impact Individual and Corporate Income tax declarations for June

FY 2023-24 Recession Considerations

- Economic recessions are generally characterized as 2 consecutive periods of declining GDP
- While GDP has experienced an increase for 2023 Q1, Gross Domestic Income (GDI), an equivalent indicator of recession, has experienced a decline; GDI could be explaining something that GDP is not, or the difference could be evidence of statistical/accounting discrepancies between the two indicators
- Inflation reports show lower total inflation, falling from 4.9% in April to 4% in May, but core inflation remains over 5%
- The Fed continues to weigh the need to raise interest rates to control inflation against the potential negative impact of higher interest rates, particularly on the banking industry that jeopardize the asset-liability balance for banks

FY 2023-24 Recession Considerations - Continued

- Potential for a recession may be pushed further out again
 - The latest report from Wells Fargo has pushed their expectations for a slow down out from late 2023 to early 2024 based on recent continued momentum in the labor market and consumer spending
 - Goldman Sachs lowered its odds of a U.S. recession in the next year to 25% from an already below consensus 35%, given easing banking sector stress and the debt ceiling deal
- A thriving labor market, increasing real personal income, positive business investments, and increased consumer expenditures, among other factors, contradict the potential for a looming recession

FY 2024-25 Preliminary Budget Outlook

- Revenues for FY 2022-23 are running close to estimates
- Depending on how the year finishes, the surplus in the Contingency Reserve Fund will likely be much smaller than in recent years when the surpluses were over \$1 billion (currently estimated to be \$85.9 million)
- Unlike in the last two fiscal years when the revenue forecast was increased repeatedly to catch up to base revenue growth, the revenue base is likely to finish close to estimates for FY 2022-23, and any potential surplus for FY 2023-24 and budget growth for FY 2024-25 may be much lower than in recent years

Reports from Working Group Members

Other Business