

SOUTH CAROLINA GENERAL FUND REVENUE

Quarterly Review July to September FY 2023-24 & Regional Advisory Meeting



October 16, 2023

General Fund Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - SEPTEMBER FY 2023-24

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD ^{/1}	Actual YTD ^{/2}	Estimate Full Yr. ^{/3}		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD ^{/1}	Actual YTD ^{/2}	Estimate Full Yr. ^{/3}
Total General Fund Revenue	\$2,679.6	\$3,020.8	\$341.2	(17.2%)	(6.6%)	(4.9%)	Other Revenue Items, Sub-Total	\$167.5	\$196.2	\$28.8	(5.7%)	10.5%	(5.2%)
Sales Tax	761.0	812.6	51.7	(3.6%)	3.0%	(3.3%)	Admissions Tax	(1.3)	(0.4)	0.8	N/A	N/A	(14.7%)
Individual Income Tax	1,503.3	1,654.9	151.6	(19.6%)	(11.5%)	1.2%	Alcoholic Liquors Tax	18.4	20.0	1.6	(6.2%)	1.8%	(6.7%)
Withholdings	1,447.3	1,573.4	126.1	(15.7%)	(8.3%)	(10.5%)	Bank Tax	9.4	19.5	10.1	(27.2%)	50.8%	(33.5%)
Nonwithholdings	277.4	239.5	(37.9)	(11.7%)	(23.8%)	(0.2%)	Beer and Wine Tax	21.4	20.3	(1.1)	2.7%	(2.5%)	3.8%
Refunds	221.4	158.0	(63.4)	37.7%	(1.7%)	(28.1%)	Corporate License Tax	20.4	23.0	2.6	1.7%	14.6%	1.7%
Corporate Income Tax	162.1	269.7	107.6	(43.1%)	(5.3%)	(38.0%)	Deed Rec. (Doc. Tax)	24.1	20.4	(3.7)	(3.6%)	(18.2%)	(4.2%)
Insurance Tax	85.7	87.3	1.6	(24.1%)	(22.7%)	(3.8%)	Earned on Investments	47.2	58.6	11.4	4.9%	30.2%	(0.3%)
Other Revenue Items, Sub-Total	167.5	196.2	28.8	(5.7%)	10.5%	(5.2%)	Residual Revenue	27.8	34.8	7.0	(22.7%)	(3.2%)	(4.7%)

Based on BEA Forecast as of September 21, 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.

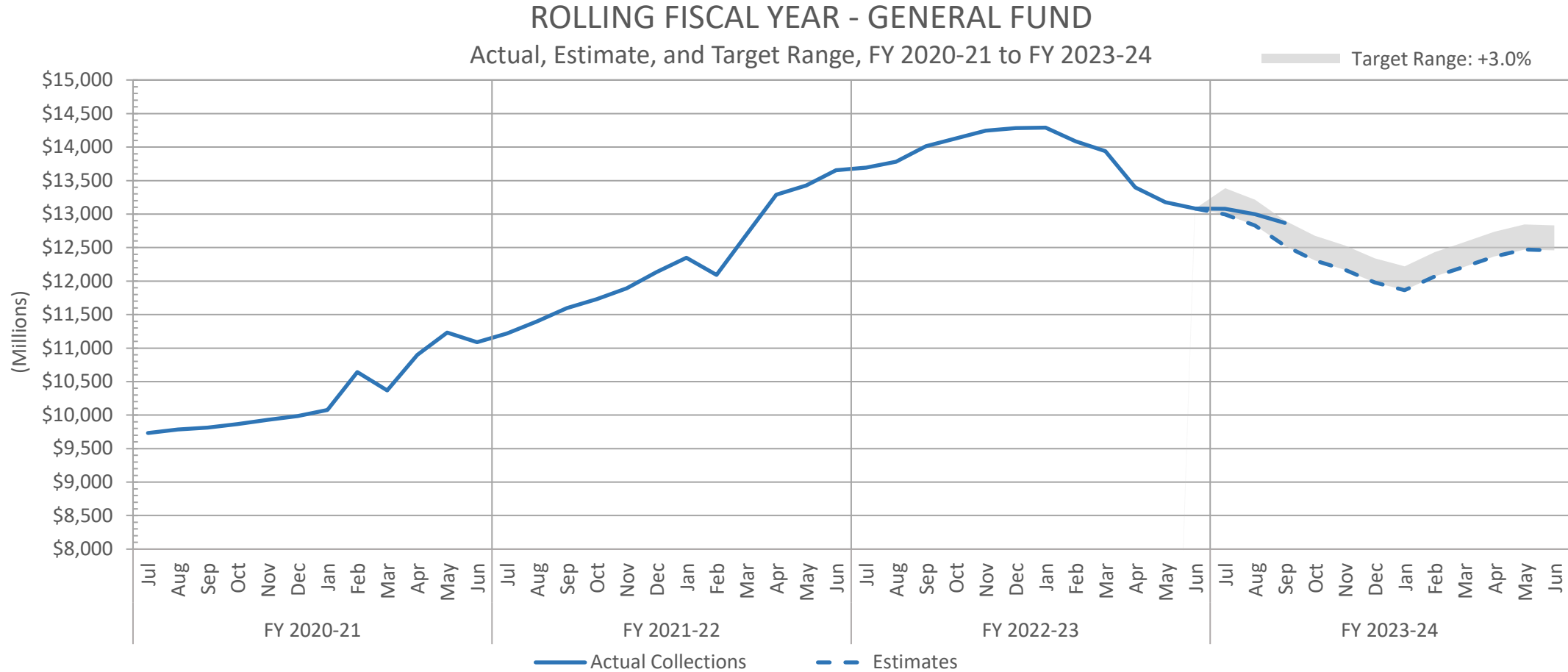
^{/2} Actual year-to-date reflects actual fiscal year-to-date growth in collections over prior fiscal year-to-date collections.

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



Total General Fund - Actual vs. Estimate

Collections are running \$341.2m ahead of the forecast



General Fund FY 2023-24 First Quarter Summary

- Total General Fund revenue for FY 24 is \$341.2m ahead of expectations through the first quarter (§11-9-1130)
- Sales tax has grown 3.0% fiscal year-to-date and is running \$51.7m ahead estimates
- Individual Income tax is \$151.6m ahead of estimates in total due to stronger than estimated Withholdings (\$126.1m) and lower Refunds (\$63.4m); Non-withholdings, however, is below expectations by \$37.9m
- Corporate Income tax is \$107.6m ahead of the estimate
- Bank tax revenue and Earnings on Investments are exceeding estimates by \$10.1m and \$11.4m, respectively

General Fund Revenue

Individual Income Tax Components

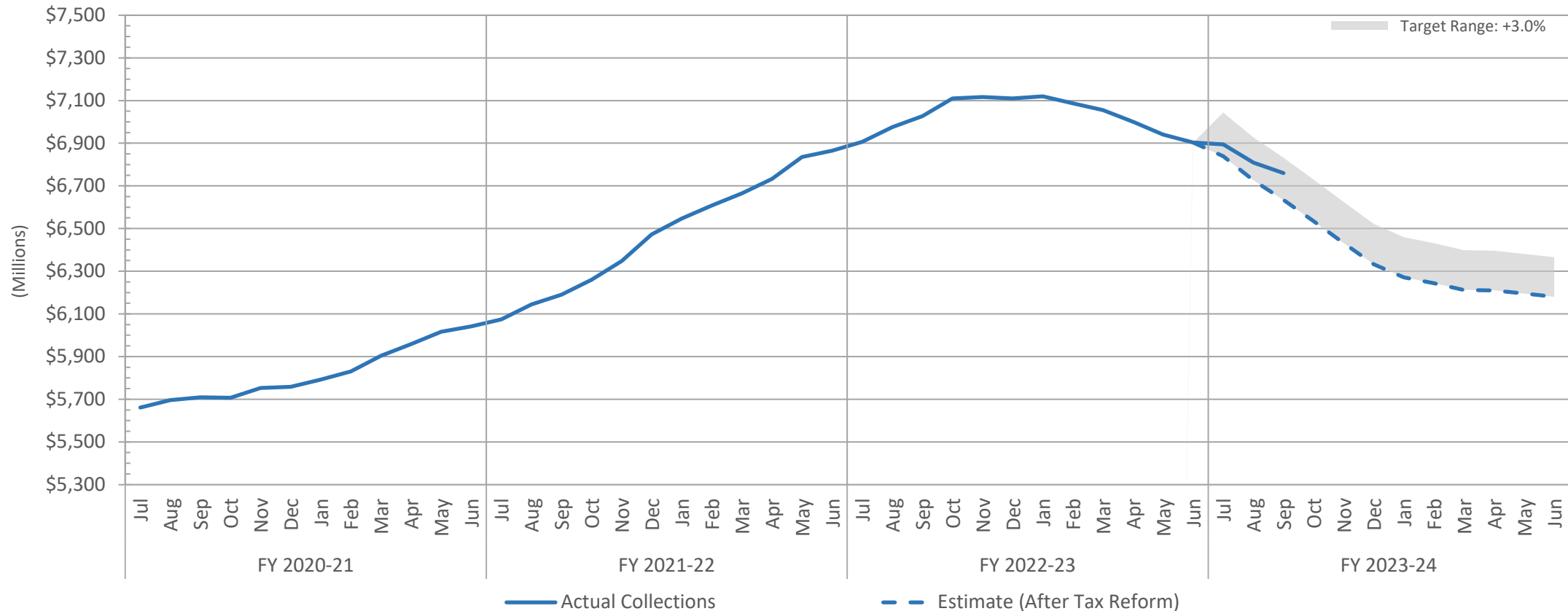


Withholdings - Actual vs. Estimate

Withholdings are running ahead of the September forecast by \$126.1m, or 8.7%;
 September Withholdings are 8.8% lower on an annual basis due to the tax tables change

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

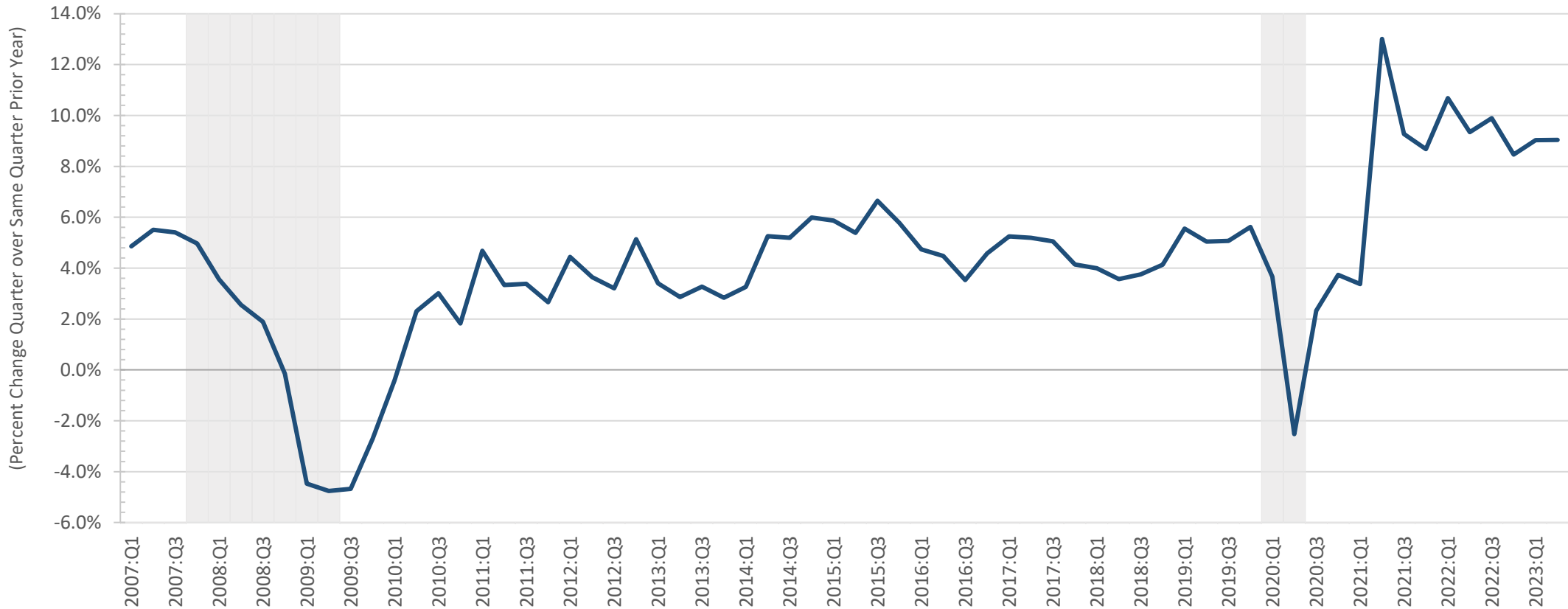
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



Growth in SC Wages and Salaries

Wages and salaries have maintained strong growth of 9% for the first half of 2023, significantly above the 4–6% pre-pandemic range

ANNUAL GROWTH RATE OF WAGES AND SALARIES IN SC



Source: U.S. Department of Commerce, Bureau of Economic Analysis; 334A - RFA/mam/10/12/2023

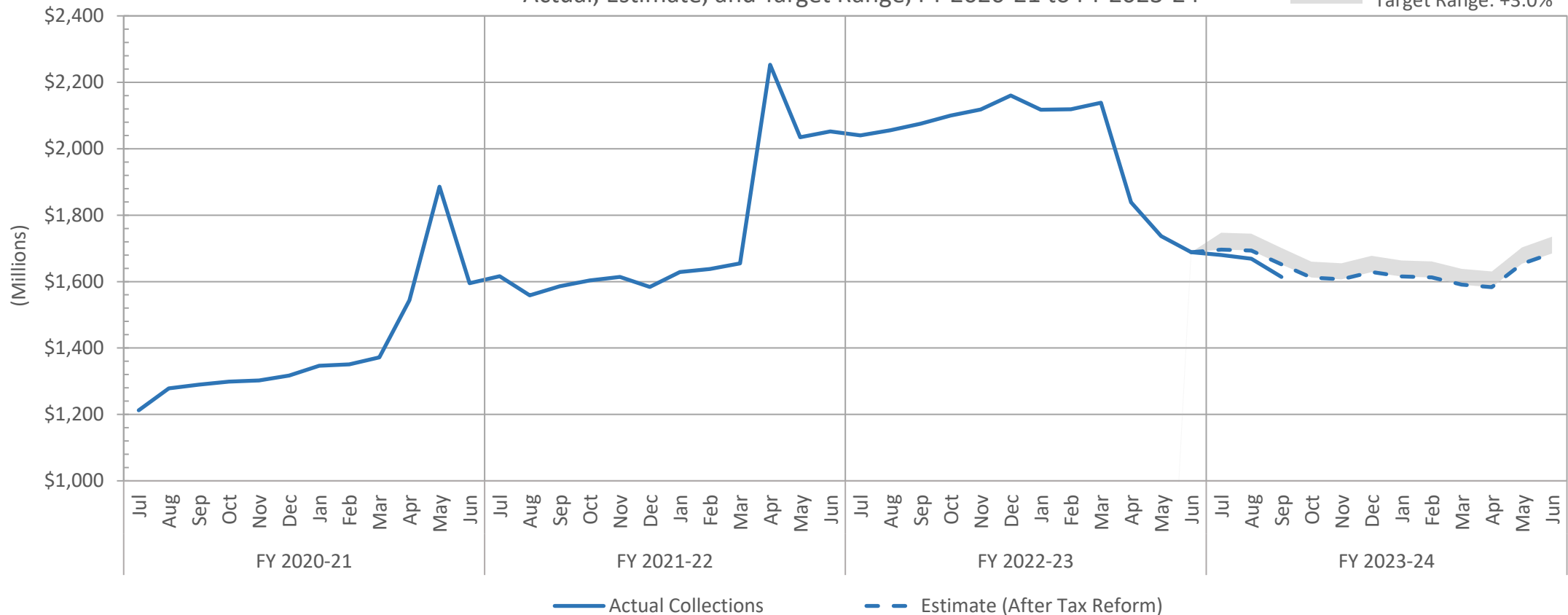
Non-Withholdings - Actual vs. Estimate

Collections are currently below the estimate by \$37.9m after the first quarter

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24

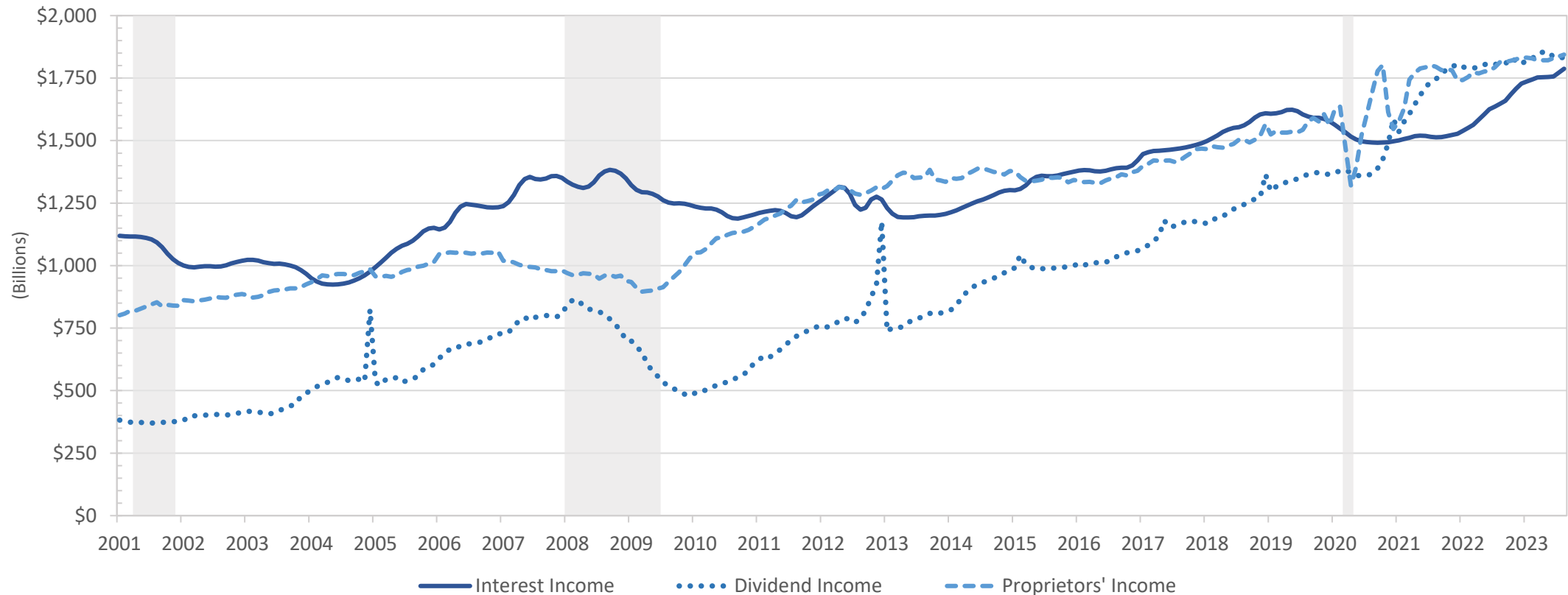
Target Range: +3.0%



US Personal Income, Select Components

Interest, dividend, and proprietors' income are exceeding pre-pandemic levels; these components are similar in size and drive Non-withholdings collections

US PERSONAL INVESTMENT INCOME



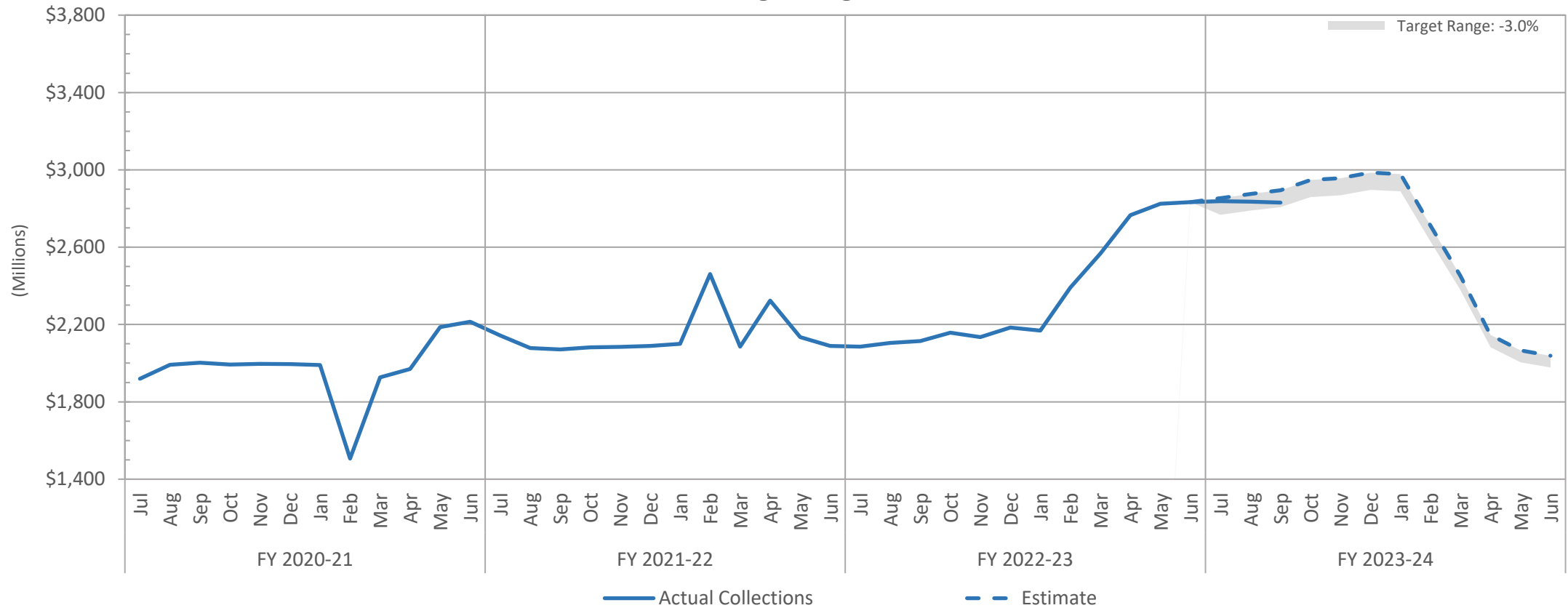
Source: U.S. Bureau of Economic Analysis, Personal Income and Outlays; Treasury Department, Congressional Budget Office, Tax Foundation - 311F RFA/lhj/10/12/2023

Refunds - Actual vs. Estimate

Refunds are lower than anticipated by \$63.4m after the first quarter

ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

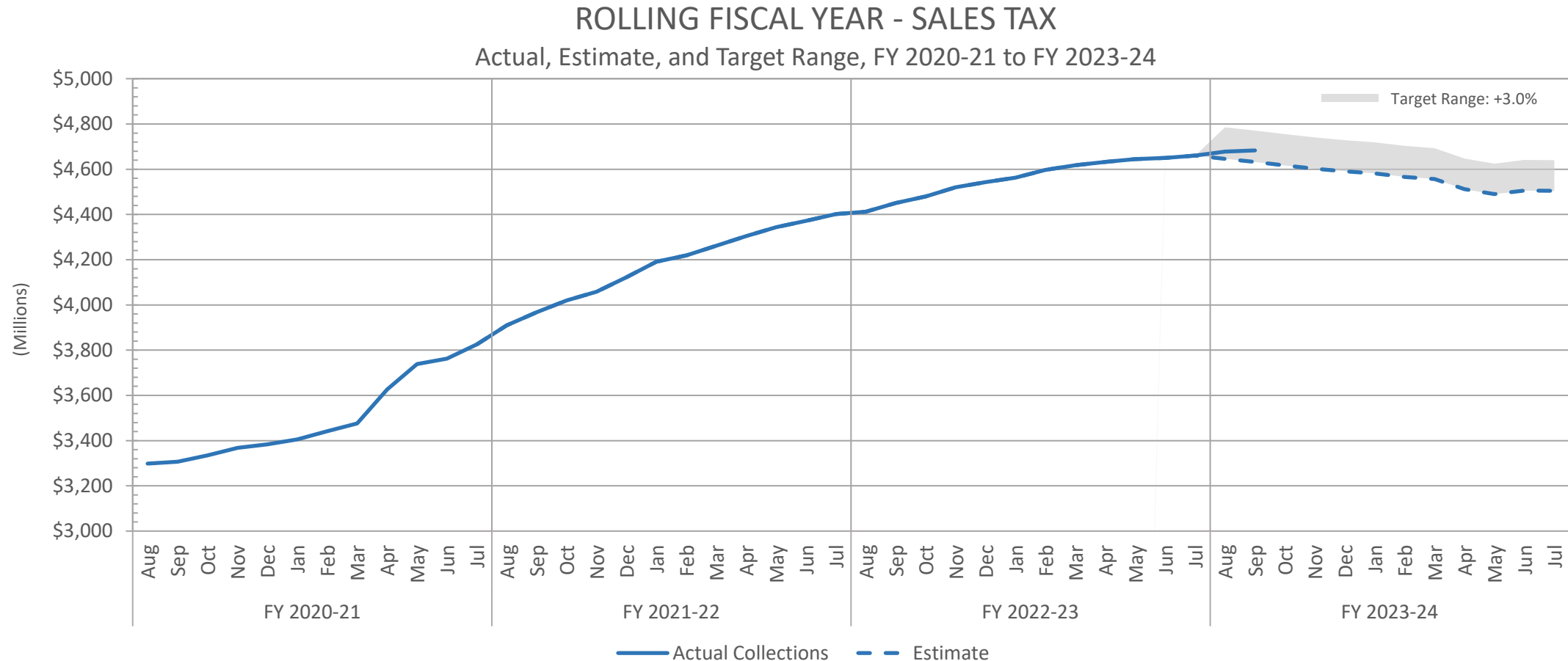
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



General Fund Revenue Consumption Taxes

Sales Tax - Actual vs. Estimate

September collections grew by 1.5% over last year, slowing down from 4.5% growth in August; fiscal year-to-date collections are \$51.7m above the estimate

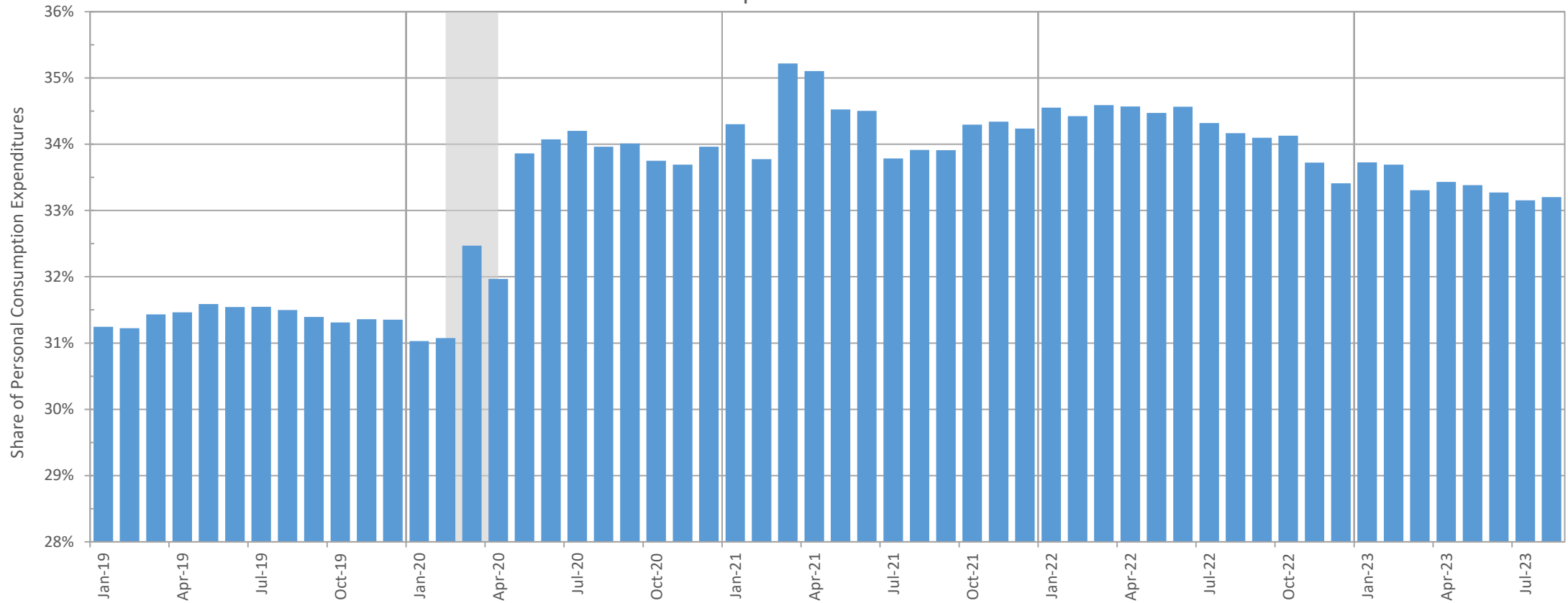


Change in Consumer Behavior

Spending shifted from services to goods during the pandemic and has not yet returned to normal

NATIONAL PERSONAL CONSUMPTION EXPENDITURES

Share of Expenditures on Goods



Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/kav/09/29/2023



Other Consumption Taxes

- Deed Recording fees are currently behind expectations by \$3.7m in total following two months of lower-than-expected collections this fiscal year
- Alcoholic Liquor collections are running ahead of the estimate by \$1.6m
- Beer and Wine collections are \$1.1m below the estimate

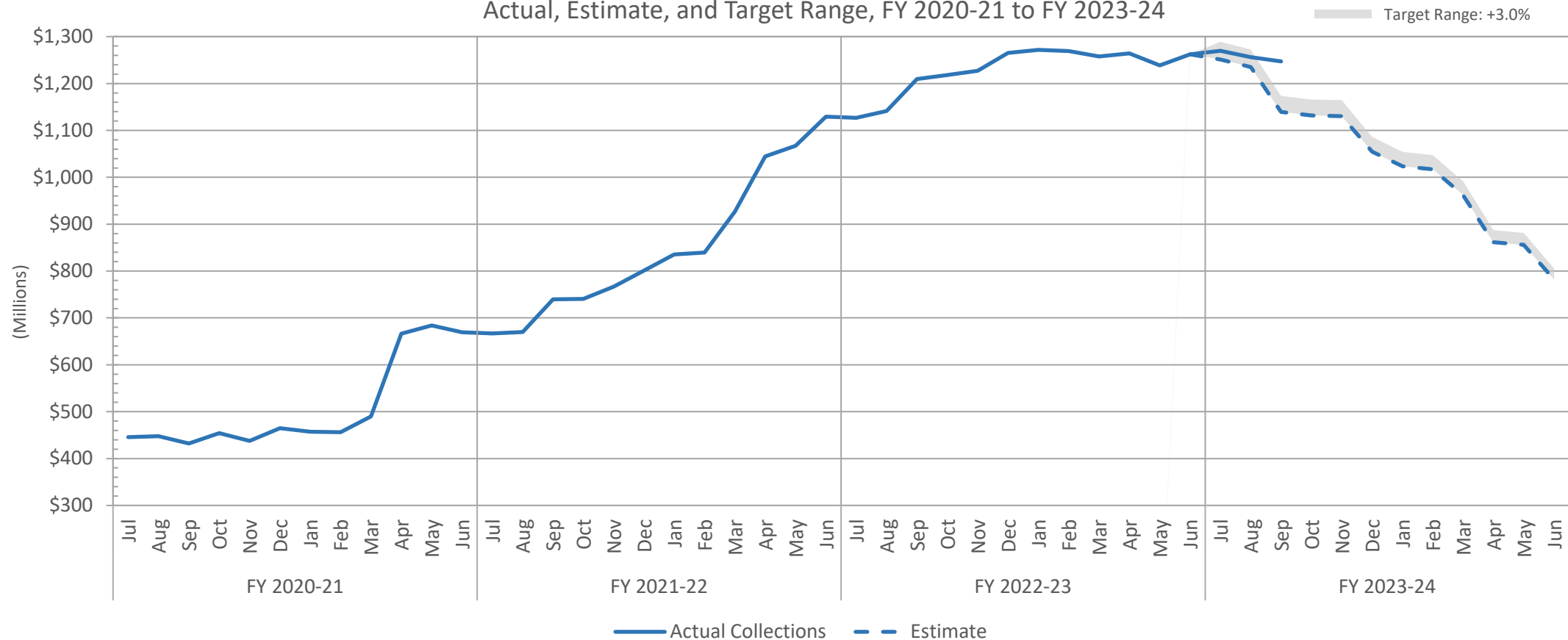
General Fund Revenue Business Taxes



Corporate Income Tax – Actual vs. Estimate

First quarter collections are a total of \$107.6m above the forecast; collections are running behind last year but still well above estimates

ROLLING FISCAL YEAR - CORPORATE INCOME TAX
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24

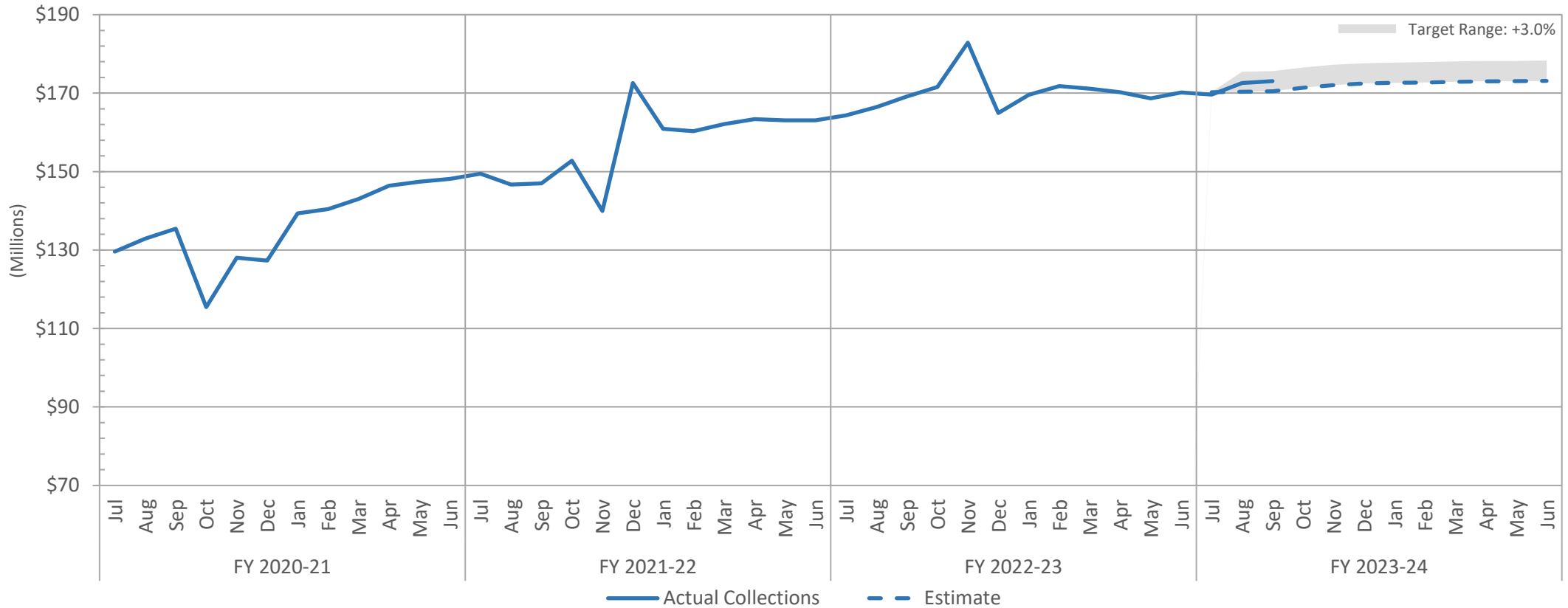


Corporate License Tax – Actual vs. Estimate

Collections are \$3m above the current forecast; over half of collections will be received in the next two months

ROLLING FISCAL YEAR - CORPORATE LICENSE TAX

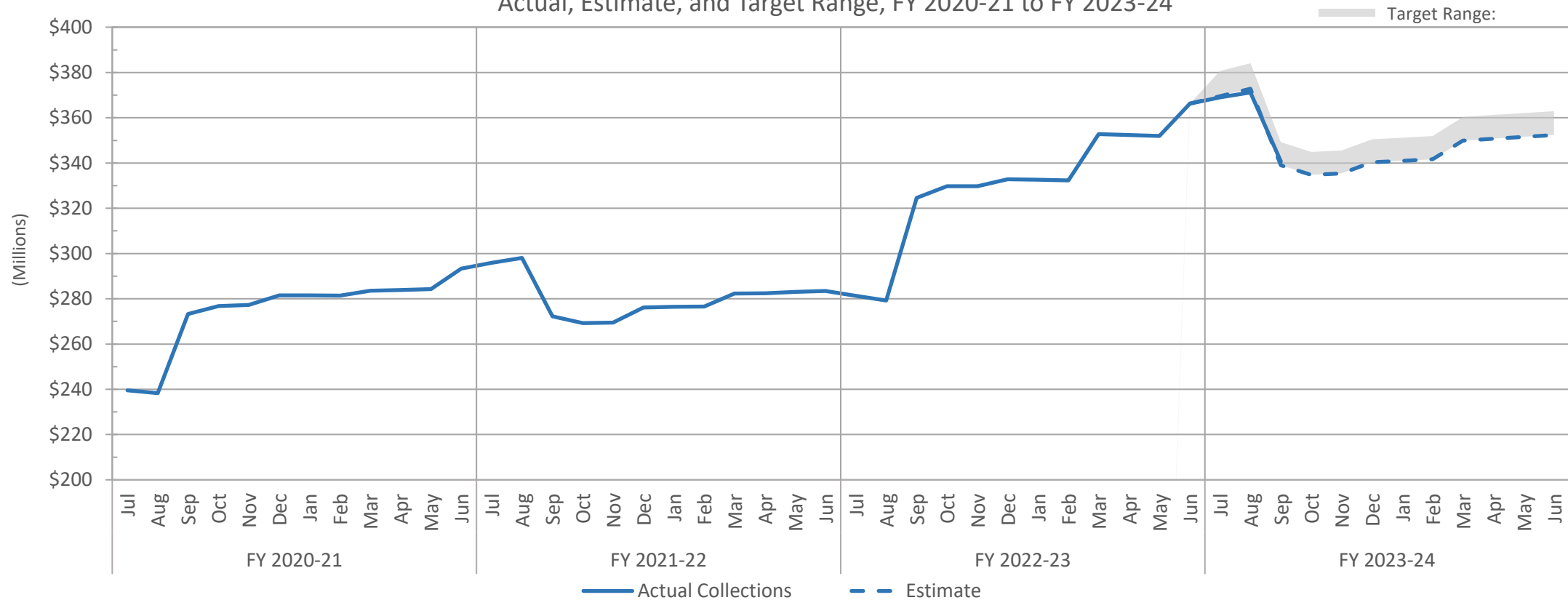
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



Insurance Tax – Actual vs. Estimate

Collections are currently \$1.6m (1.8%) above the estimate for the first fiscal quarter; although the biennial licensing “off-year” means a drop in revenue, this is partially offset by growing premiums

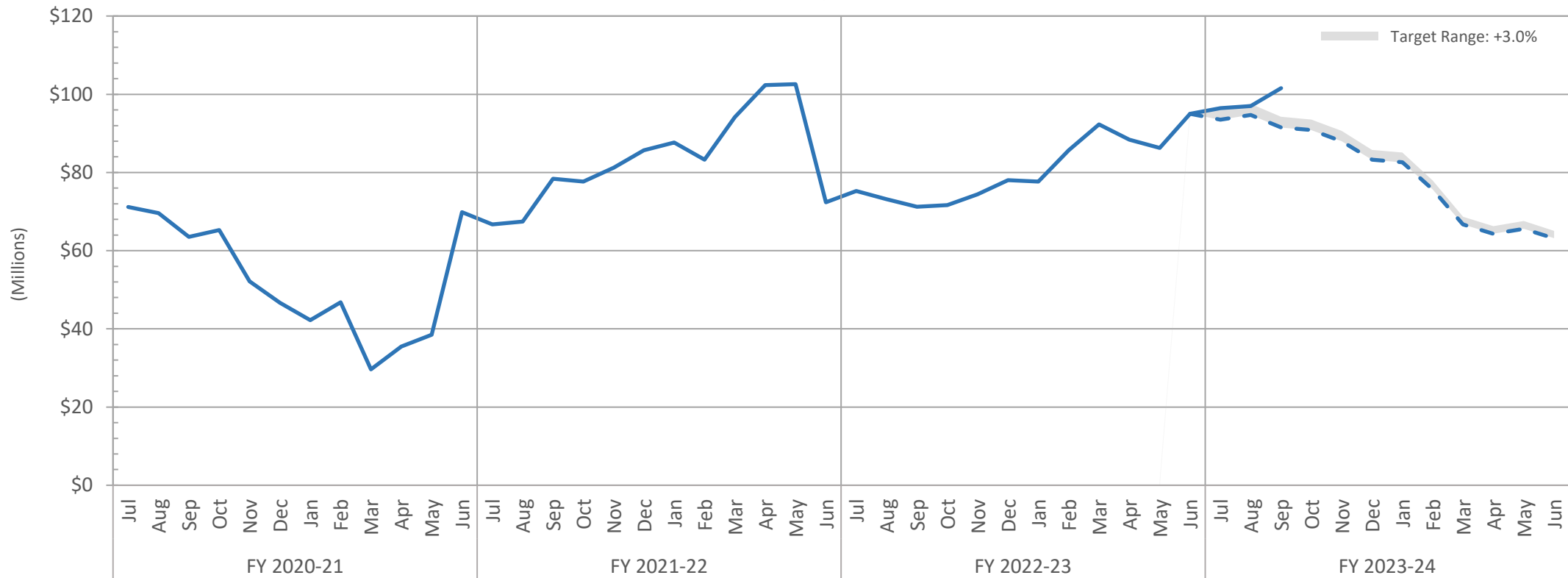
ROLLING FISCAL YEAR - INSURANCE TAX
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



Bank Tax – Actual vs. Estimate

Quarterly revenue is up \$10.1m over estimates, nearly double the end of quarter expected collections

ROLLING FISCAL YEAR - BANK TAX
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



South Carolina Economic Indicators



Key Assumptions for FY 2023-24 and FY 2024-25

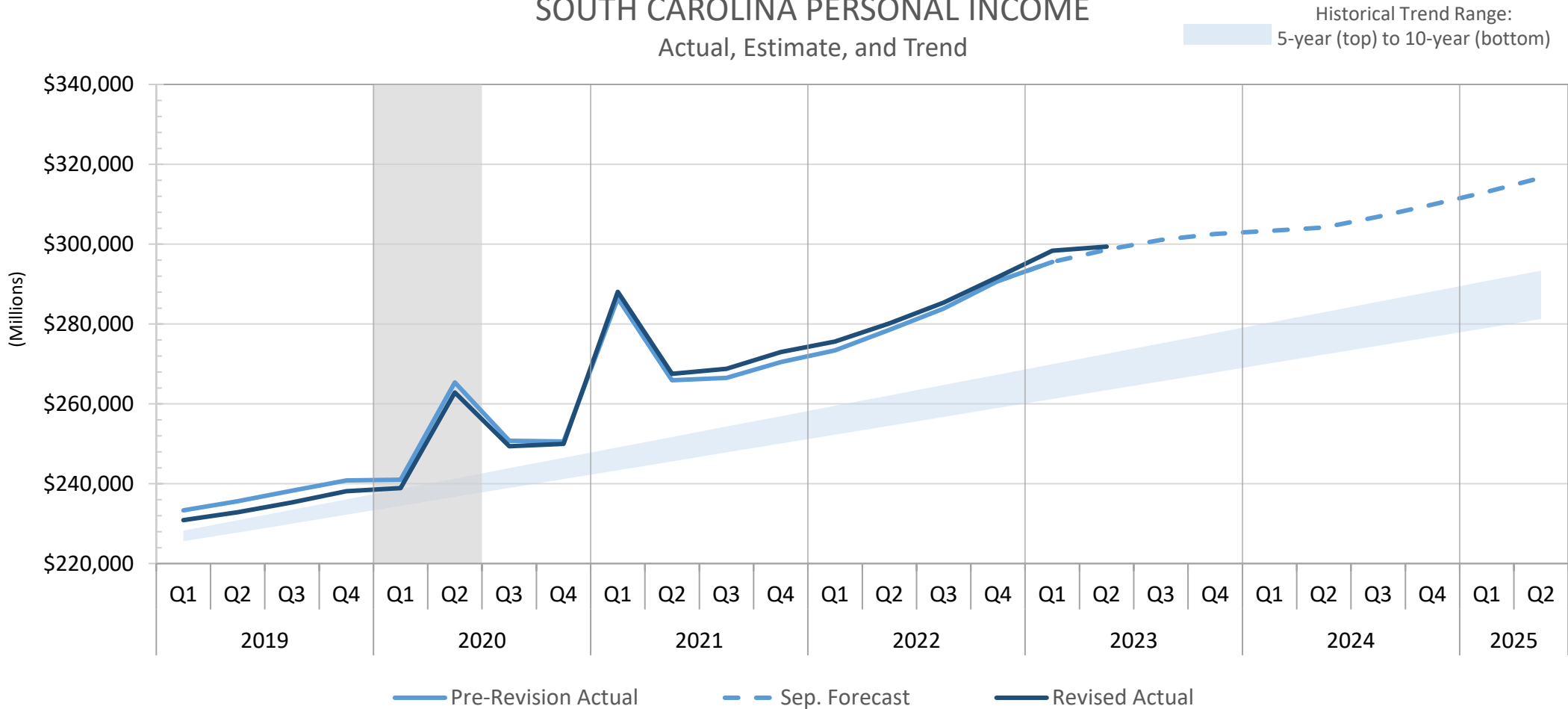
Working Estimates

- Personal Income
 - High interest rates and slower spending are expected to slow the overall economy and lower wage growth nationwide compared to recent trends
 - SC wage growth is expected to slow down back to normal levels in FY 24 and slightly below normal in FY 25
- Employment
 - Employment growth slows down to the long-term trend over FY 24 and FY 25
 - Economic development and migration continue to contribute to job growth

Personal Income - Revised Data

Updated personal income figures show faster growth starting in 2021 than previous releases

SOUTH CAROLINA PERSONAL INCOME
Actual, Estimate, and Trend



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/lhj/09/29/2023

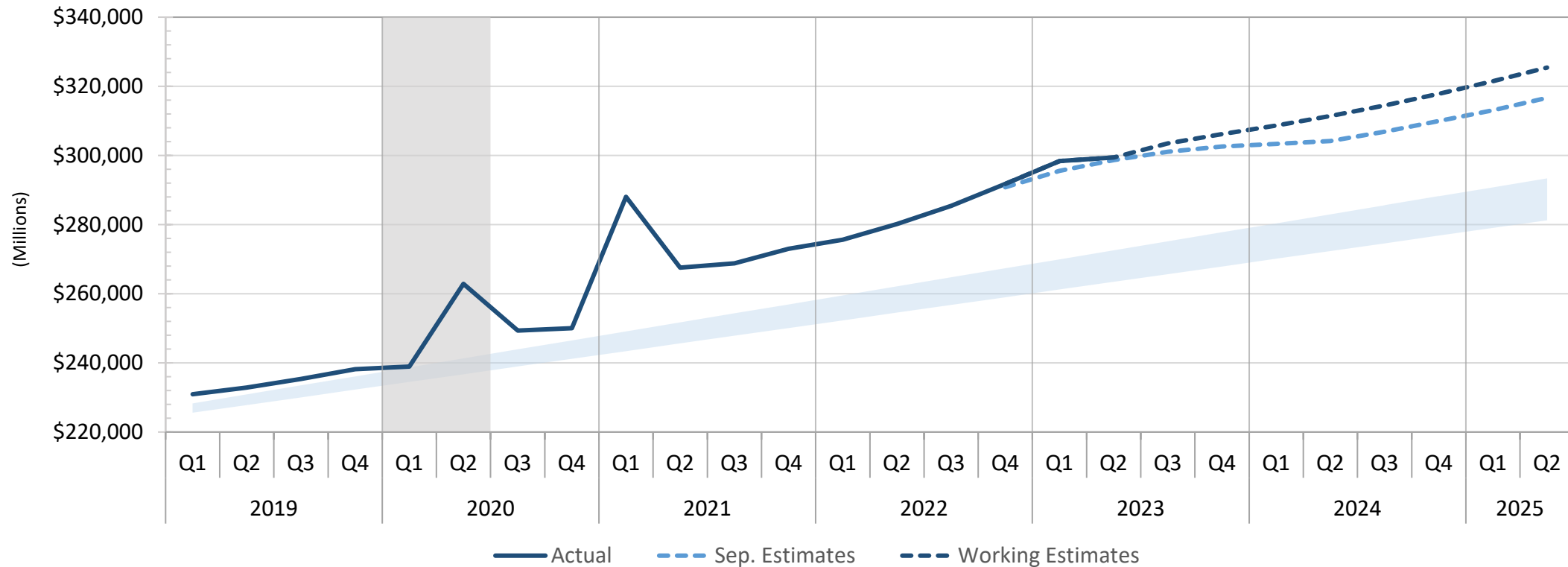
Personal Income - Working Estimates

Working estimates reflect faster growth and less of a slowdown than estimated in September forecast

FY 24: 4.7%; FY 25: 4.0%

SOUTH CAROLINA PERSONAL INCOME
Actual, Estimate, and Trend

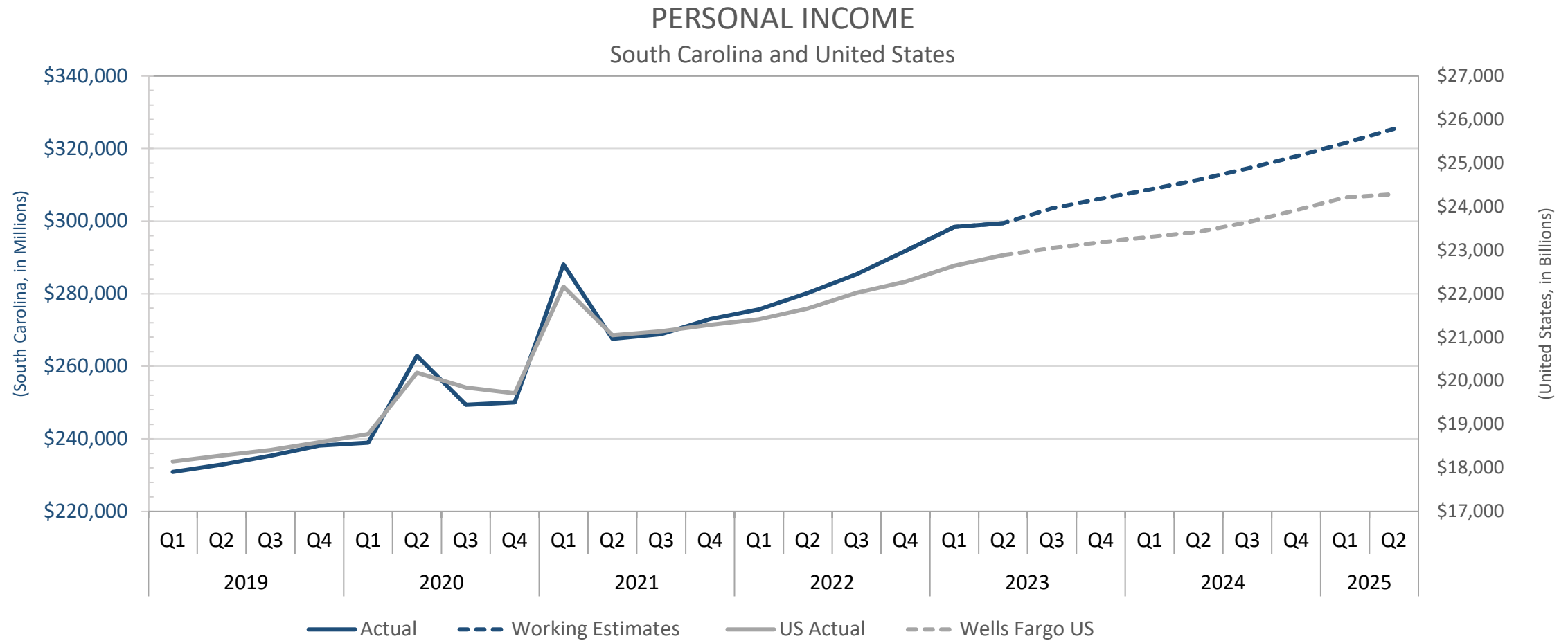
Historical Trend Range:
5-year (top) to 10-year (bottom)



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/lhj/10/03/2023

SC and US Personal Income Comparison

Working estimates for SC personal income growth are faster than estimates for the nation by Wells Fargo in September (4.7% and 4.0% vs 3.3% and 3.5%)



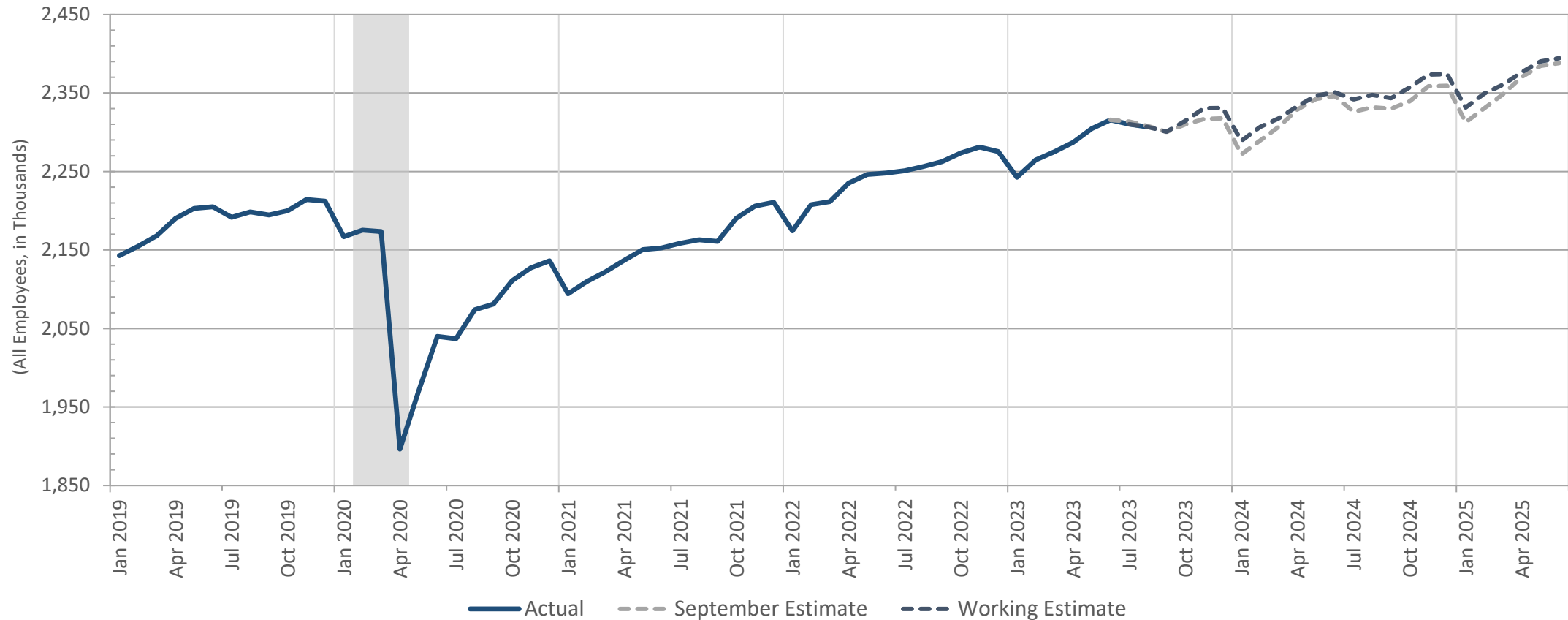
Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/lhj/10/03/2023

Employment - Working Estimates

Working estimates assume a return to long-term growth trends

FY 24: 2.0% ; FY 25: 1.8%

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor. Bureau of Labor Statistics 60-RFA/kav/09/29/2023



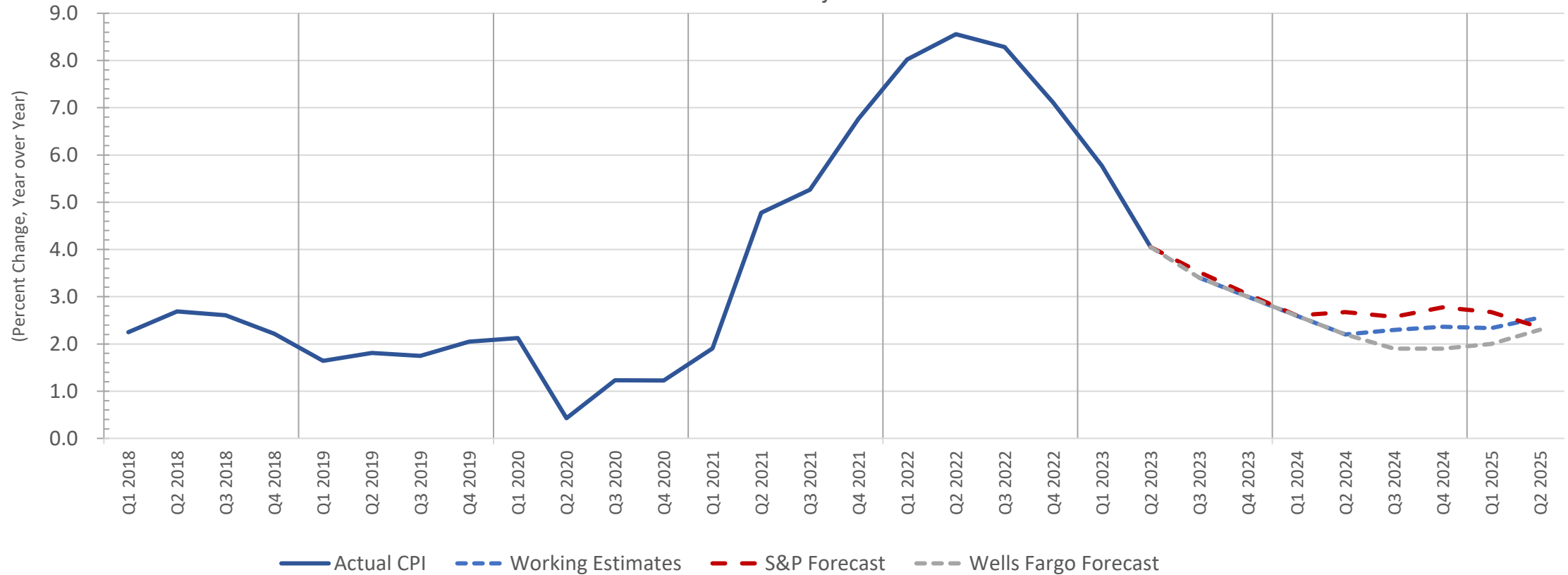
Inflation – Working Estimates

FY 24: 2.8%; FY 25: 2.3%

(Comparison September forecasts - S&P: 3.0%, 2.6%; Wells Fargo: 2.8%, 2.0%)

CONSUMER PRICE INDEX

Actual and Projected



Source: US Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers; S&P Global, IHSMarkit US Monitor as of September 2023; Wells Fargo U.S. Economic Outlook as of September 2023 216-RFA/lhj/10/4/2023

Summary – Working Estimates

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2023-24	4.7%	2.0%	2.8%
2024-25	4.0%	1.8%	2.3%

Forecast Outlook for FY 2023-24 and FY 2024-25



Key Questions for FY 2023-24 and FY 2024-25

- What is your general economic expectation for the US, including:
 - GDP and global economy
 - Interest rates and inflation
 - Labor market conditions and wages
 - Consumer expenditures
 - Housing market
- Is your outlook for South Carolina personal income and employment more optimistic or more pessimistic than the current working estimates?
 - What are the structural drivers behind your outlook?
- Is a national slowdown going to happen and if so, when?
 - Will SC be affected to the same degree as the US overall?
- What are the potential risks to your outlook?

Break for Lunch

Key Assumptions for FY 2023-24 and FY 2024-25

Working Estimates

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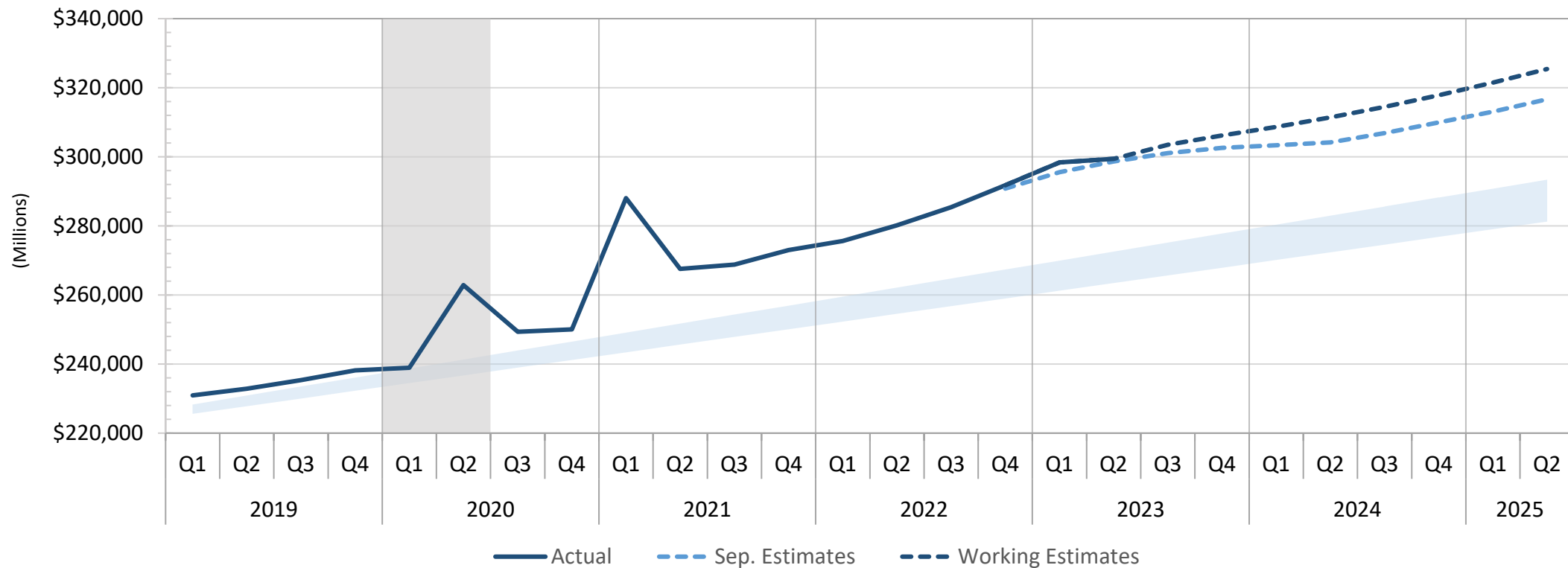
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Historical Trend Range:
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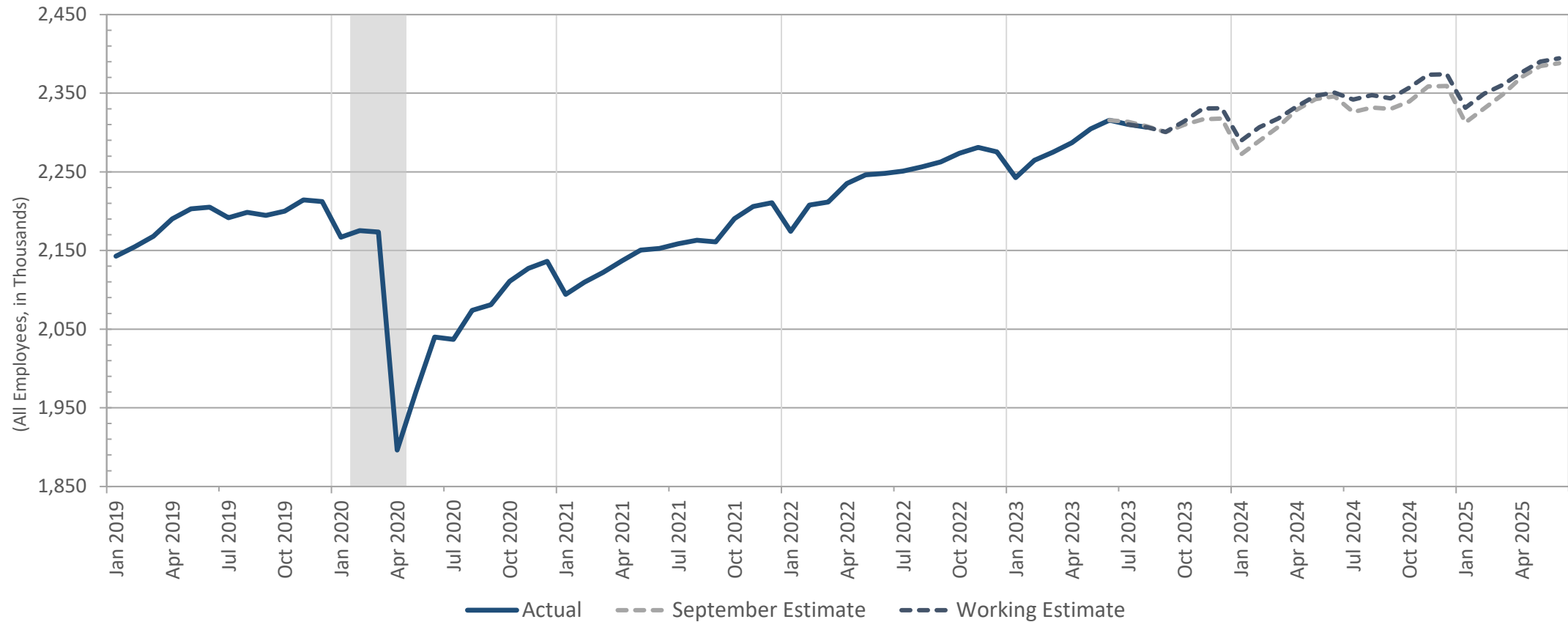
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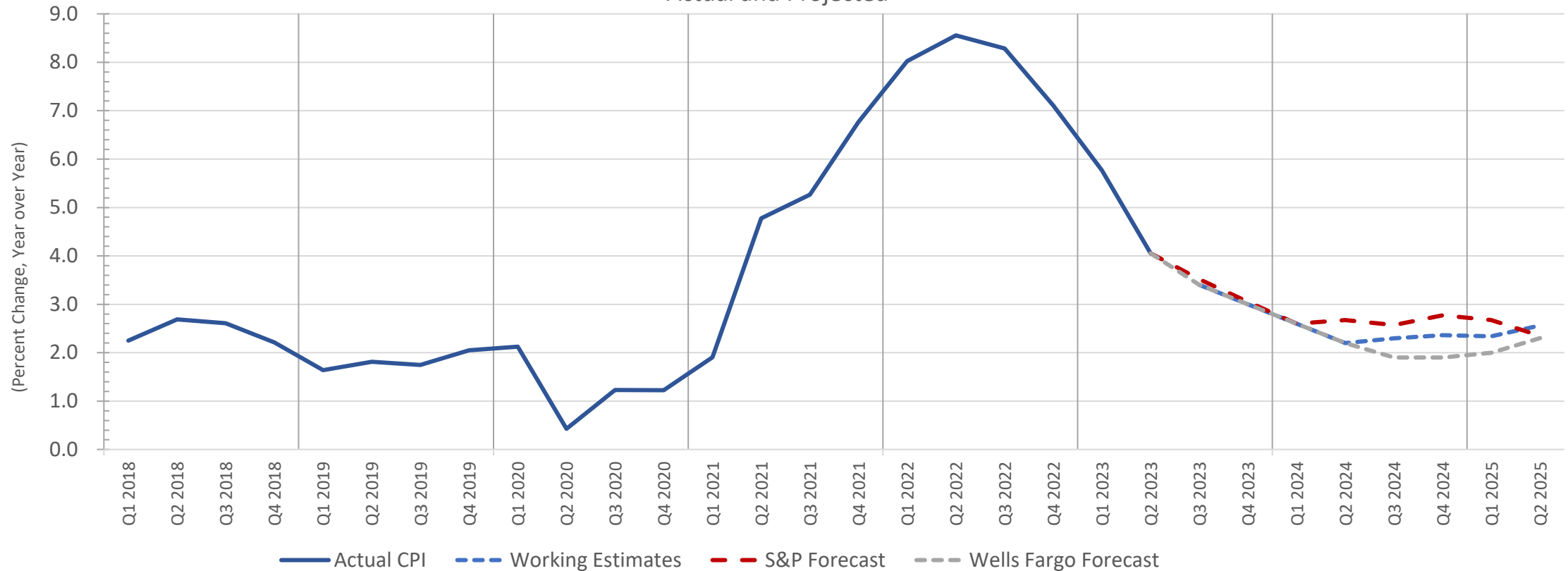
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(Comparison Sep. forecasts: S&P: 3.0%, 2.6%; Wells Fargo: 2.8%, 2.0%)

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Regional Advisory Committee Members

- Ms. Jackie Benson, Vice President and Economist, Wells Fargo Corporate & Investment Banking
- Dr. Frank Hefner, Professor of Economics, College of Charleston
- Dr. Russell S. Sobel, Professor of Economics and Entrepreneurship, Baker School of Business, The Citadel
- Dr. Laura Dawson Ullrich, Regional Economist, Federal Reserve Bank of Richmond, Charlotte Branch
- Dr. Joseph Von Nessen, Research Economist, Darla Moore School of Business, University of South Carolina (comments submitted)

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