



## SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

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### **FY 2023-24 and FY 2024-25 Revised General Fund Revenue Forecasts** *Positive Trends in Economic Growth Prompt Upward Revisions*

COLUMBIA – The South Carolina Board of Economic Advisors (BEA) issued updated forecasts for the current fiscal year, FY 2023-24 (FY 24), and following year, FY 2024-25 (FY 25), at its meeting Thursday, November 16, 2023.

During the meeting, the BEA noted that General Fund revenues continue to exceed expectations in many categories as the South Carolina economy continues to perform well despite facing some challenges. Growth in personal income has remained elevated longer than previously expected. Wages increased more than 9 percent in the first six months of 2023, almost double the historical average. Low unemployment and the tight labor market have boosted wage growth, and consumer spending has continued to increase instead of contracting.

These dynamics, however, are likely unsustainable. Although concerns about a possible recession have lessened since the forecast was developed for the FY 24 budget, anticipated reductions in consumer spending and continued high interest rates are expected to slow economic and wage growth during the next two fiscal years.

Based on analysis by staff and perspectives shared by the BEA's panel of economists, South Carolina's economy is expected to grow through the current fiscal year and into the next, although at a slower rate than in recent years. Employment and income growth are expected to be positive, but both are likely to be below historical averages. Additionally, South Carolina is anticipated to fare better than the nation as a whole. Given these improved economic expectations, the BEA recognized that revenue growth for many categories is likely to be better than earlier forecasts suggested, though it may not reach pre-pandemic historical averages.

For FY 24, the BEA increased its estimate by \$426.8 million to \$12.89 billion. The new forecast represents a decline of 1.6 percent from the prior fiscal year's actual revenue largely due to the rate reductions to individual income tax and withholdings. Despite the declining growth, however, the forecast is an improvement from the previously

projected decrease of 4.9 percent as the outlook for sales tax and individual income tax withholdings is better. Positive growth in sales tax revenue is now expected, which previously had been forecasted to decline. Improved sales tax expectations combined with stronger projected income growth contributed to the majority of the increase from the prior forecast.

For FY 25, the BEA increased its forecast to \$13.21 billion, reflecting expected growth of 2.6 percent, or \$328.7 million, over the revised FY 24 forecast. Growth in the major revenue categories is expected to remain below historical averages. In addition to challenges from higher borrowing costs and changing consumer behavior, concerns about the global economy with wars in Ukraine and the Middle East are a significant factor in the expectations for a slowdown in economic growth.

With these updated estimates, the budget outlook for next session remains positive, though surpluses will be substantially less than in recent years. Final revenues for FY 2022-23 finished close to expectations, and the state has a cash surplus of \$57.9 million available to spend. The revised estimate for FY 24 results in an expected budgetary surplus of \$448.1 million for this fiscal year. With the FY 24 Capital Reserve of \$390.1 million available currently, the General Assembly has \$896.1 million in one-time funds available to appropriate for non-recurring purposes.

Growth in the FY 25 revenue forecast over the budget base is sufficient to trigger the next individual income tax rate reduction from 6.4 to 6.3 percent for tax year 2024. After accounting for contributions to the Tax Relief Trust Fund and General Reserve and Capital Reserve Funds, new recurring funding of \$673.1 million will be available to appropriate during the upcoming FY 25 budget process. Additional explanation can be found in the BEA’s meeting materials, which are posted on the agency’s website.

**FY 2024-25 Budget Outlook**  
(Millions of Dollars)

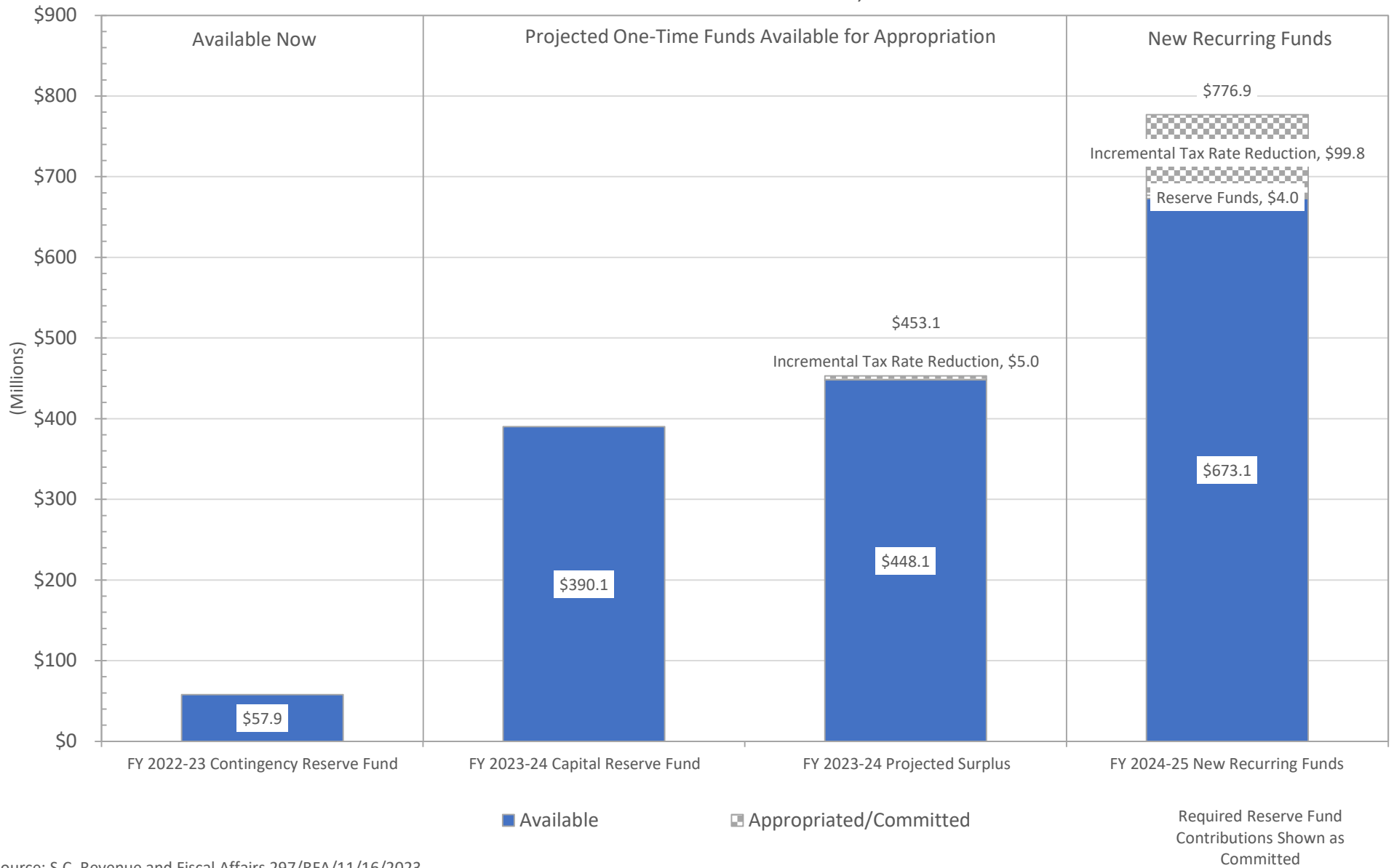
<b>Net New Recurring General Fund Revenue - FY 2024-25</b> <i>(Less Tax Relief Trust Fund, General Reserve Fund, and Capital Reserve Fund contributions and incremental income tax rate reduction)</i>	<b>\$673.1</b>
<b>Non-Recurring Revenue</b>	
FY 2022-23 Contingency Reserve Fund <i>(prior year surplus)</i>	\$57.9
FY 2023-24 Capital Reserve Fund	\$390.1
Projected FY 2023-24 General Fund Surplus	\$448.1
<b>Total Non-Recurring Revenue</b>	<b>\$896.1</b>
<b>Estimated Additional Revenue for Appropriation</b>	<b>\$1,569.2</b>

*(Figures may not add to totals due to rounding)*

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Attachment

## AVAILABLE FUNDS - FY 2024-25 BUDGET PROCESS as of November 16, 2023



Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/16/2023