

South Carolina General Fund Revenue Forecast FY 2023-24 and FY 2024-25



February 15, 2024

FY 2023-24 General Fund Results through January 2024

- Revenue growth is better than expected; -5.5% actual vs. -10.3% expected
- Total General Fund revenue is \$391.5 million above expectations
- Corporate Income tax is \$171.4 million ahead of estimates, almost half of the total excess
- Sales tax growth fell to 1.6% for January; year-to-date growth totaled 2.6%, and collections are \$27.3 million above the estimate
- Withholdings year-to-date have declined from last year as anticipated but not by as much; revenues through January are \$153.0 million ahead of expectations
- Non-withholdings fell short of January expectations by \$30.1 million and are behind \$64.0 million for the fiscal year

* All figures are as of February 8, 2024, and are subject to change with final month-end adjustments.

General Fund Revenue - January 2024



REVENUES V. BEA MONTHLY ESTIMATES

JULY - JANUARY 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	\$7,322.1	\$7,713.6	\$391.5	(10.3%)	(5.5%)	(1.6%)	Other Revenue Items, Sub-Total	\$563.2	\$669.1	\$105.9	(2.7%)	15.5%	(3.0%)
Sales Tax	2,382.1	2,409.5	27.3	1.4%	2.6%	1.1%	Admissions Tax	14.6	15.2	0.5	2.0%	2.0%	(6.1%)
Individual Income Tax	3,959.5	4,053.3	93.8	(13.0%)	(10.9%)	4.7%	Alcoholic Liquors Tax	59.3	61.0	1.7	0.6%	3.6%	2.2%
Withholdings	3,776.9	3,929.9	153.0	(10.1%)	(6.4%)	(6.1%)	Bank Tax	22.9	27.4	4.5	(25.6%)	(10.9%)	(17.0%)
Non-withholdings	651.9	588.0	(64.0)	(15.7%)	(24.0%)	(6.1%)	Beer and Wine Tax	57.1	57.6	0.5	(1.4%)	(0.5%)	(0.6%)
Refunds	469.3	464.5	(4.8)	11.0%	9.9%	(28.2%)	Corporate License Tax	146.1	163.0	16.8	2.9%	14.8%	2.9%
Corporate Income Tax	256.9	428.3	171.4	(48.2%)	(13.6%)	(38.0%)	Deed Rec. (Doc. Tax)	53.9	60.7	6.8	(16.1%)	(5.5%)	(16.9%)
Insurance Tax	160.3	153.4	(6.9)	(15.2%)	(18.8%)	(4.8%)	Earned on Investments	100.0	165.6	65.5	7.3%	77.5%	5.2%
Other Revenue Items, Sub-Total	563.2	669.1	105.9	(2.7%)	15.5%	(3.0%)	Residual Revenue	109.2	118.7	9.4	(6.8%)	1.3%	(4.2%)

Based on BEA Forecast as of November 16, 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.

Figures are as of February 8, 2024, and are subject to change with final month-end adjustments.

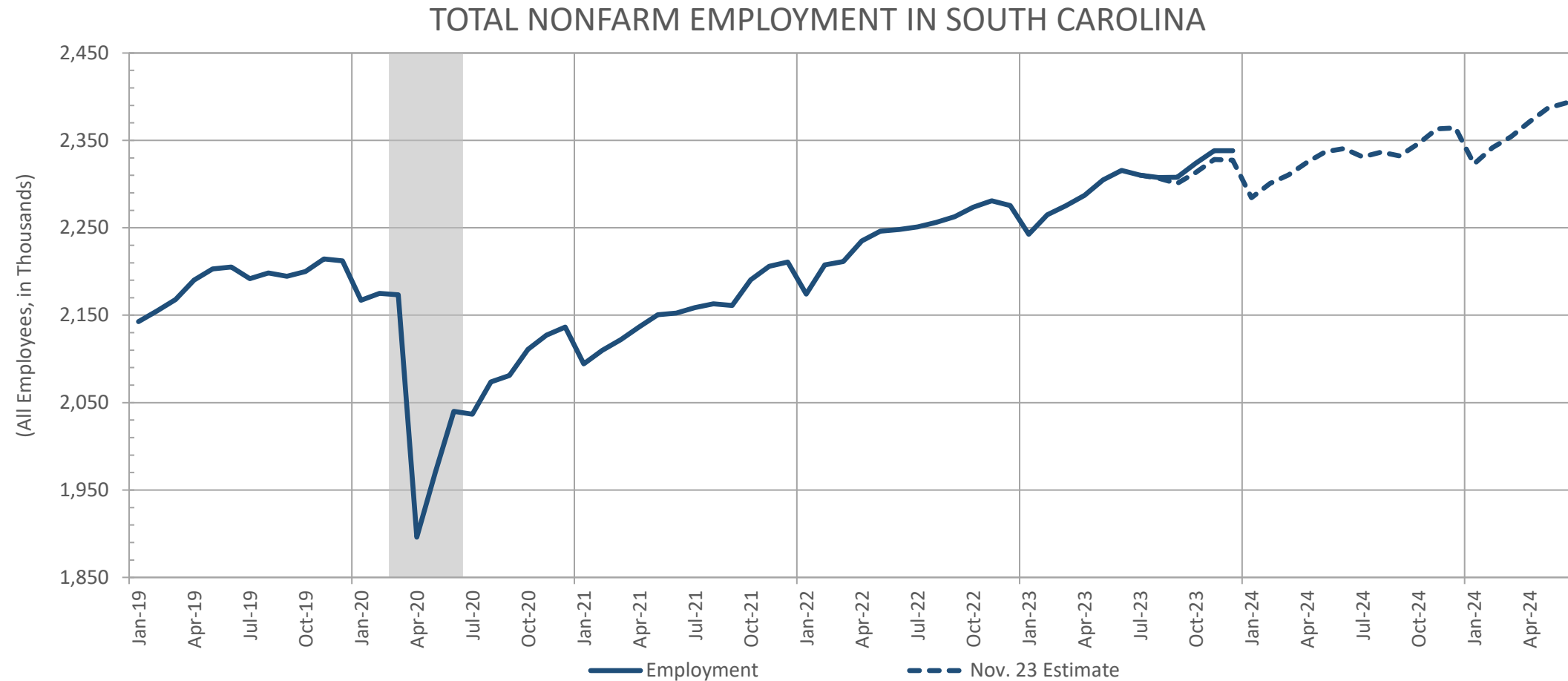


Economic Updates

- Economic conditions and expectations for the FY 24 and FY 25 forecast period have not significantly changed since November
- Personal income remains on track with estimates; no change to personal income data since January review
- Employment growth is running close to estimates through December 2023

SC Employment

Employment in December 2023 was 2.8% above the December 2022 level and above our FY 24 estimate of 1.8% growth



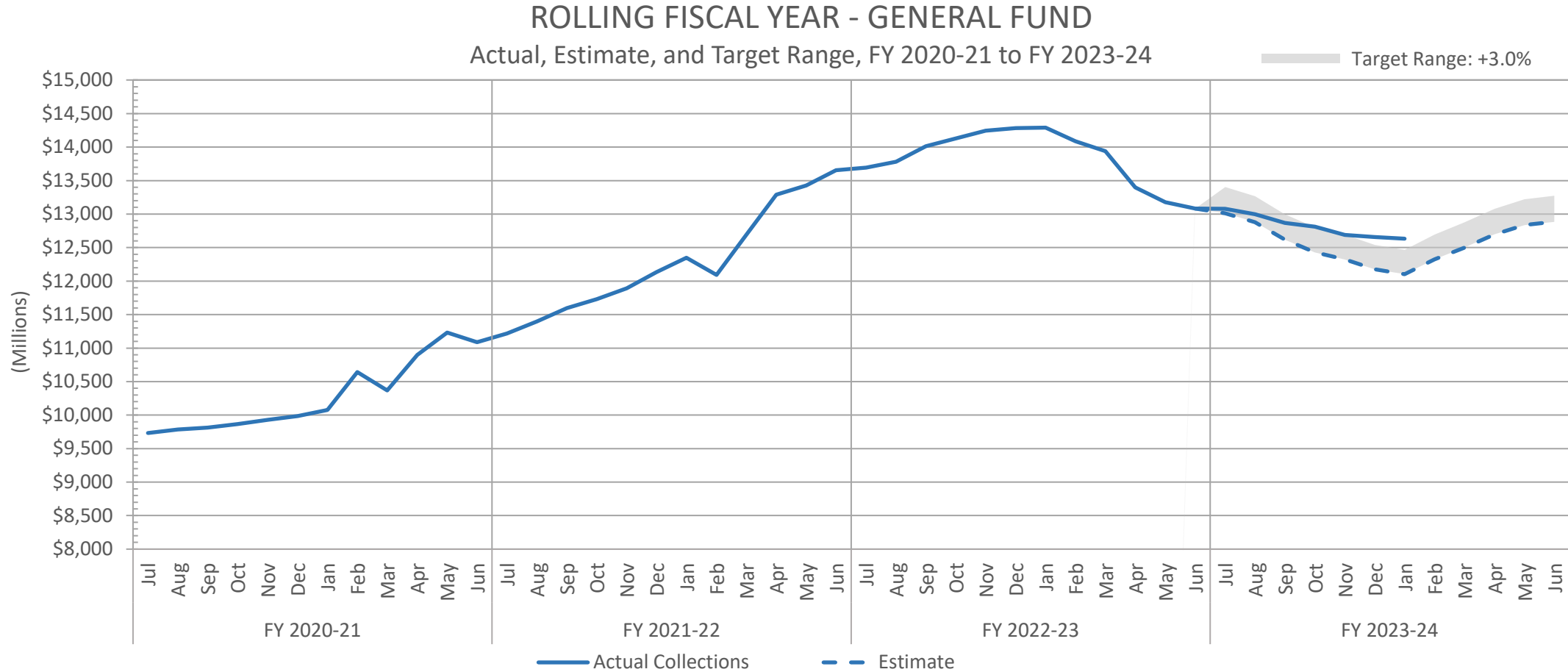
Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/02/08/2024

FY 2023-24 General Fund Revenue Updates



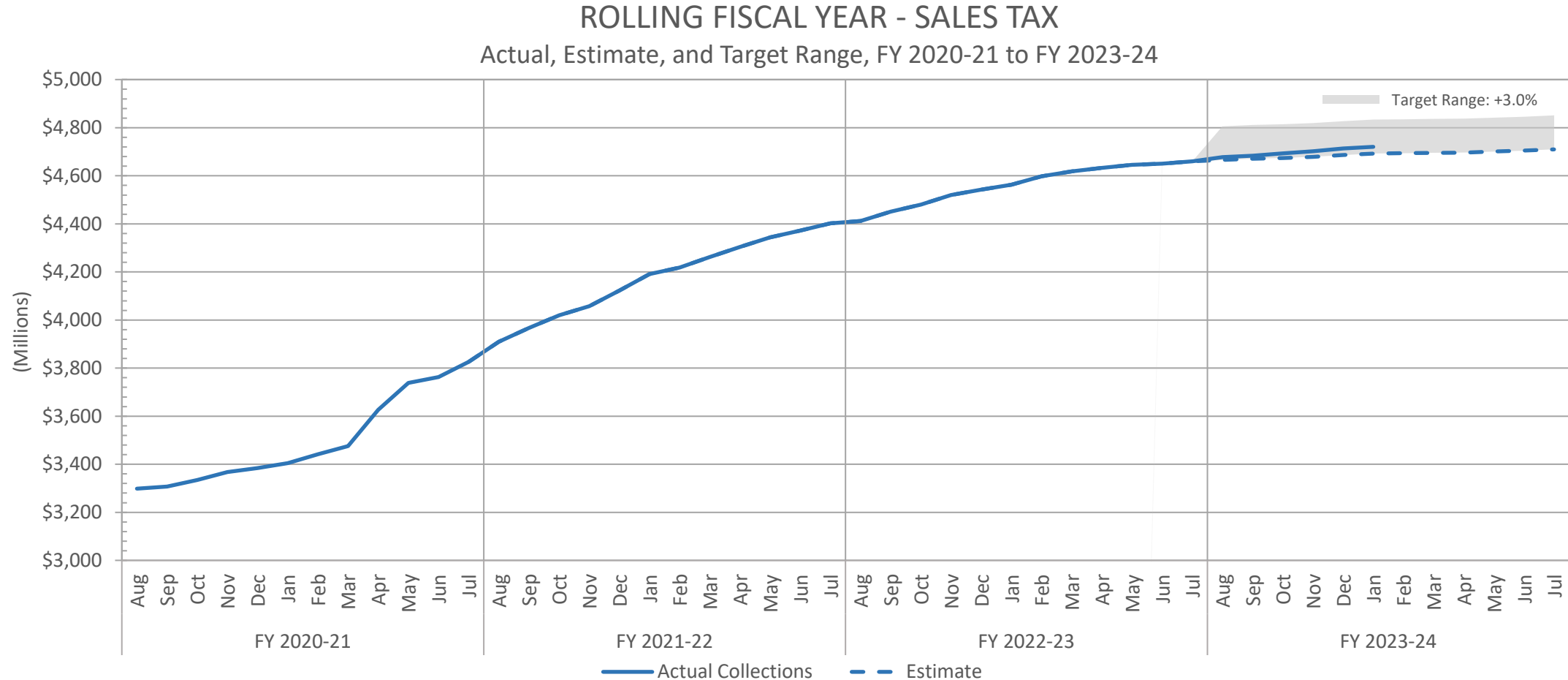
General Fund – Actuals vs. Estimates

Revenues continue to grow faster than expected and are \$391.5 million above expectations year-to-date



Sales Tax - Actual vs. Estimate

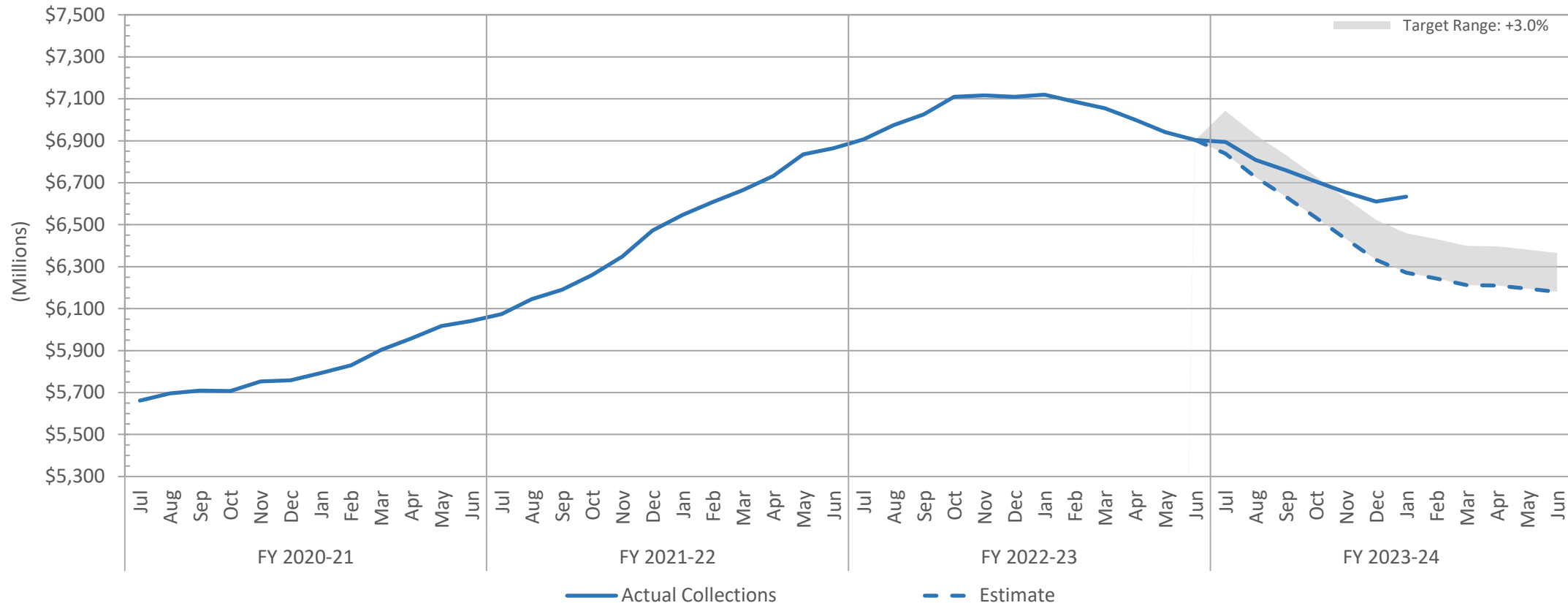
Collections are \$27.3 million above estimates through January but within target range



Withholdings - Actual vs. Estimate

Withholdings are running \$153.0 million above expectations; January collections grew 3.8% compared to last year, marking the first month of year-over-year growth since the change to the tax tables

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



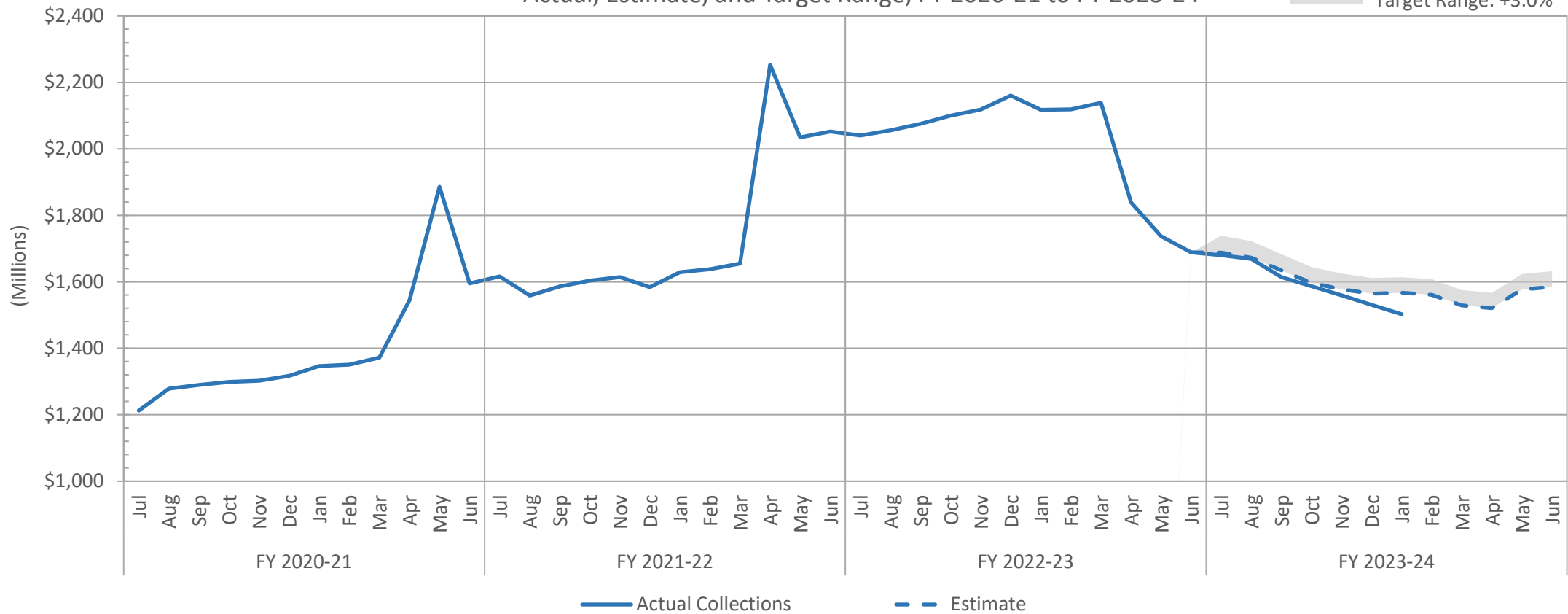
Non-withholdings - Actual vs. Estimate

Collections are \$64.0 million below expectations year-to-date following a weak January

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

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

Target Range: +3.0%

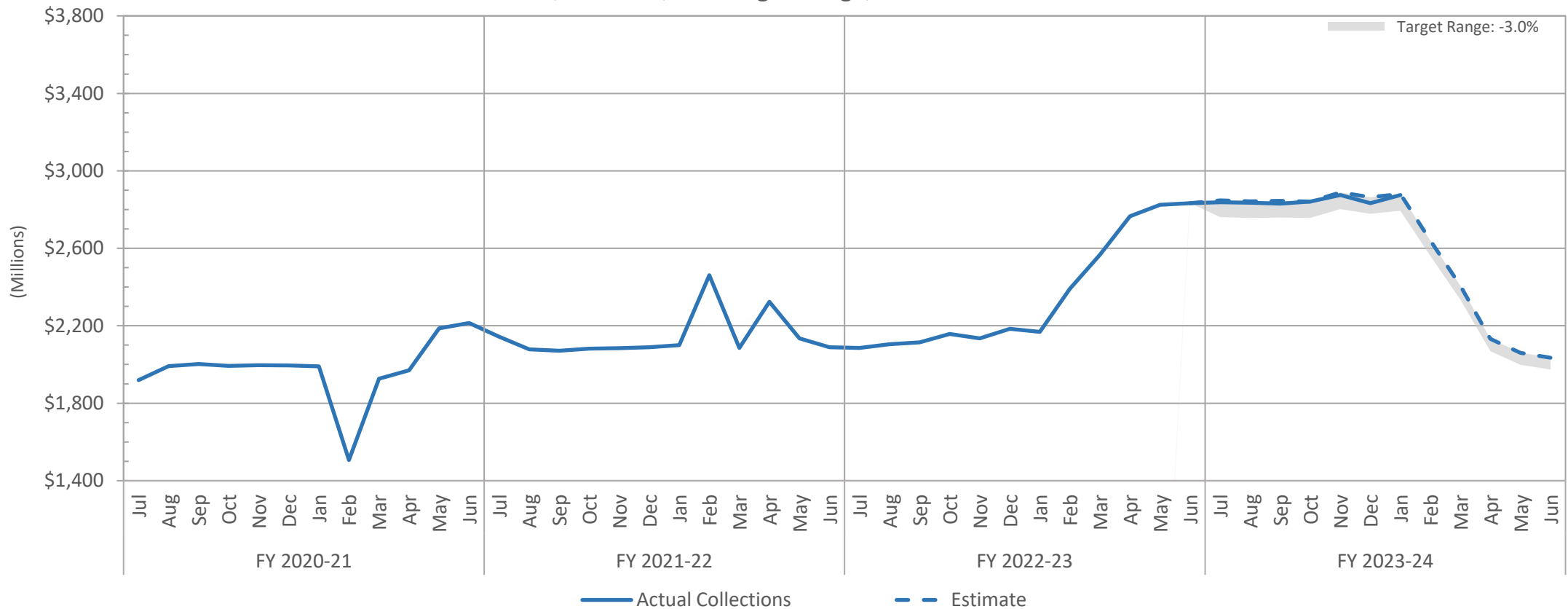


Refunds - Actual vs. Estimate

Refunds are \$4.8 million below monthly estimates through January, but 77% of expected refunds for the year occur in the spring

ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

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

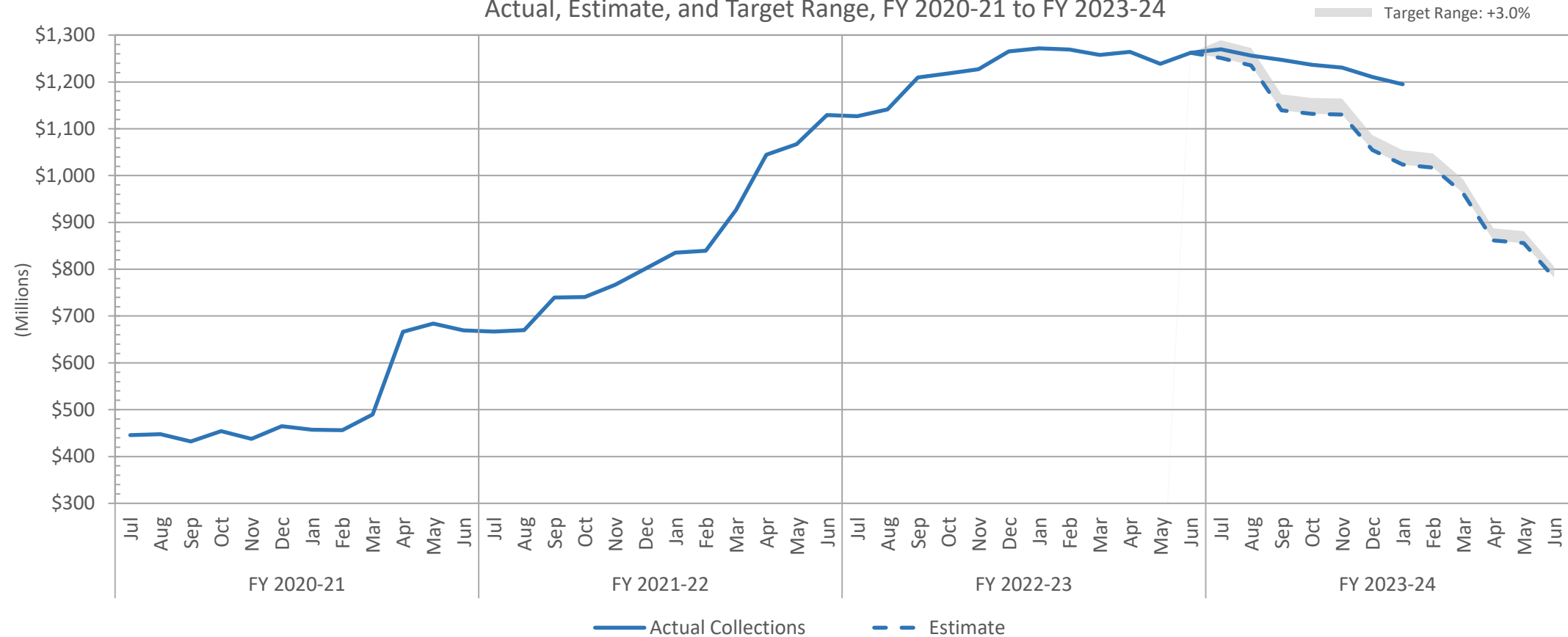


Corporate Income Tax – Actual vs. Estimate

Revenues are above expectations by \$171.4 million year-to-date but trending down

ROLLING FISCAL YEAR - CORPORATE INCOME TAX

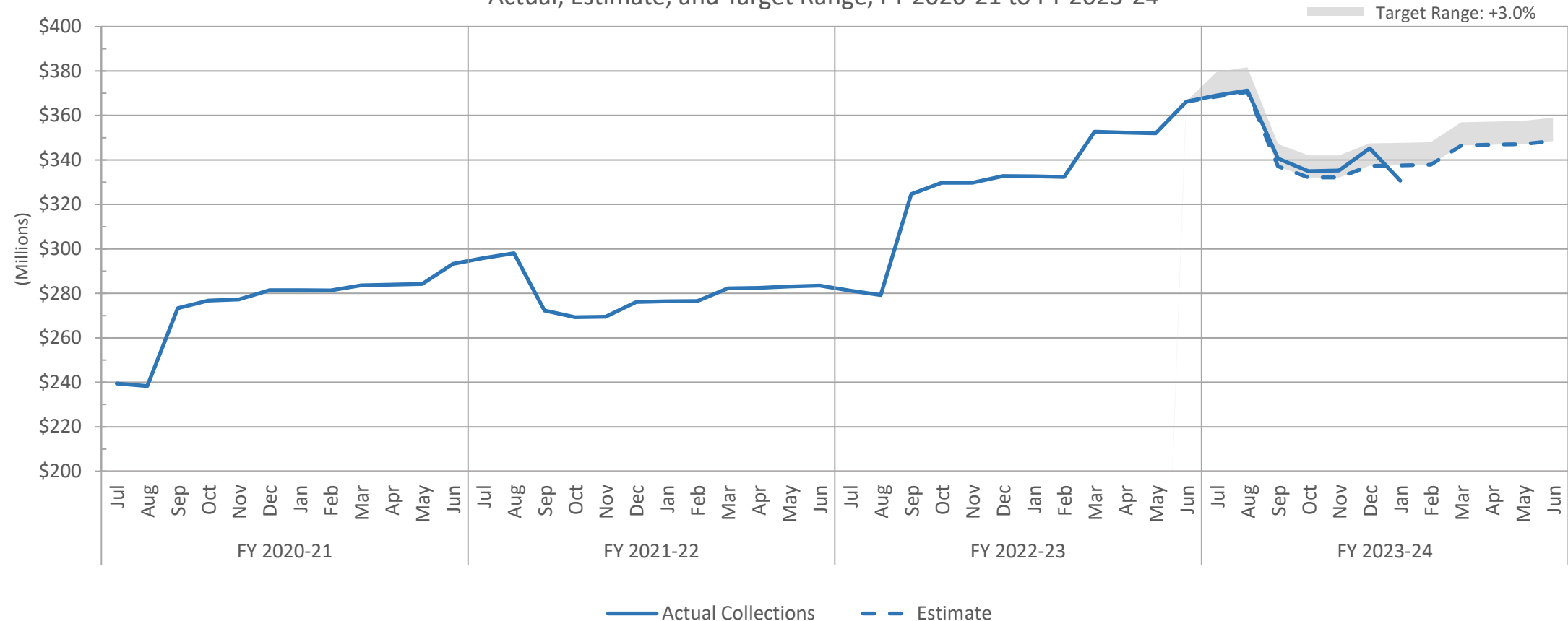
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



Insurance Tax – Actual vs. Estimate

Insurance tax is now \$6.9 million below expectations as refunds were reclassified from other revenue to Insurance tax in January

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



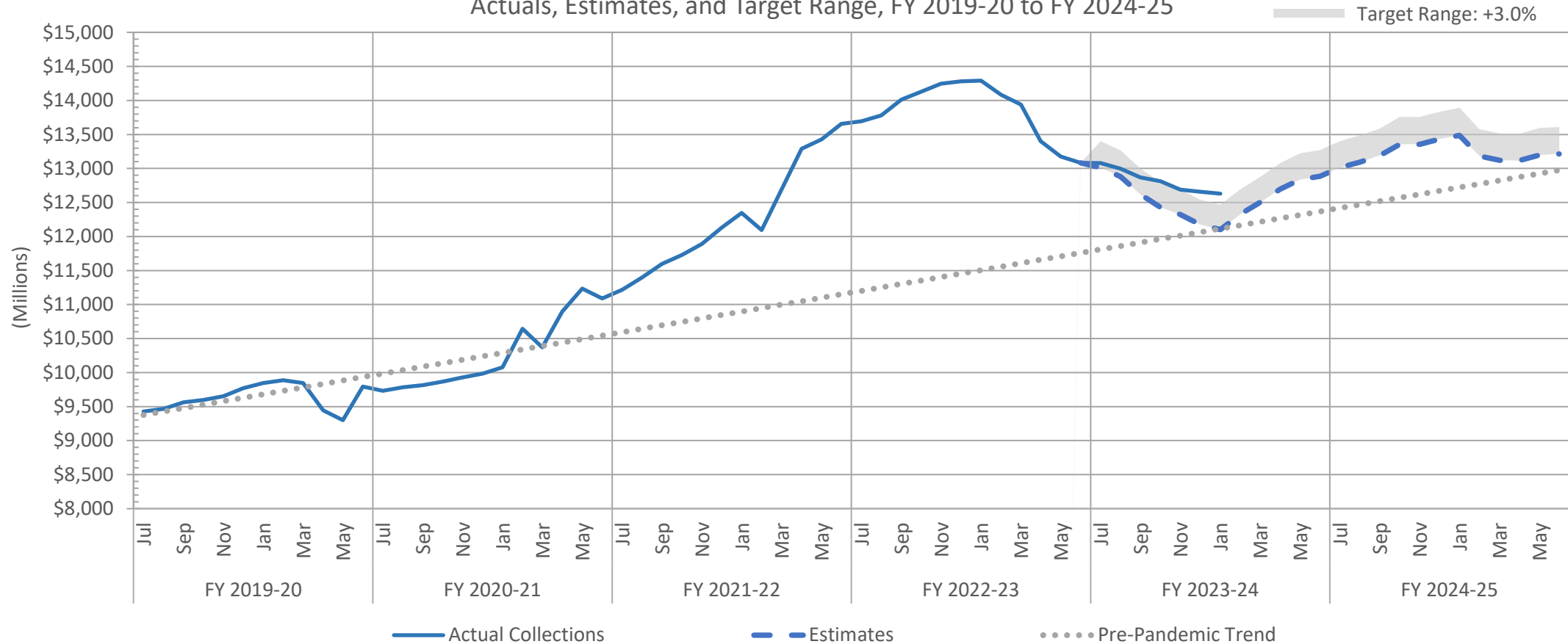
Review of FY 2023-24 and FY 2024-25 Forecasts and Assumptions



General Fund - FY 24 & FY 25

Actual revenues through January 2024 have declined but not as much as anticipated; growth is now expected through the end of FY 24

ROLLING FISCAL YEAR - GENERAL FUND
Actuals, Estimates, and Target Range, FY 2019-20 to FY 2024-25



Forecast Recommendations

- While some categories are running ahead, others are behind expectations
- Sales and Individual Income tax are running ahead but within a 3 percent margin for this fiscal year
- The categories that are most likely to be impacted by tax season, Non-withholdings and Corporate Income tax, are still a possible concern; however, these may finish better than forecasted
- Refund processing has just begun so little information is yet available
- No change is recommended at this time
- Tax season will give a better indication of how Individual Income tax changes have impacted revenue and are critical to determining any adjustments

Discussion and Consideration of Updates to Forecast



Reports from Working Group Members

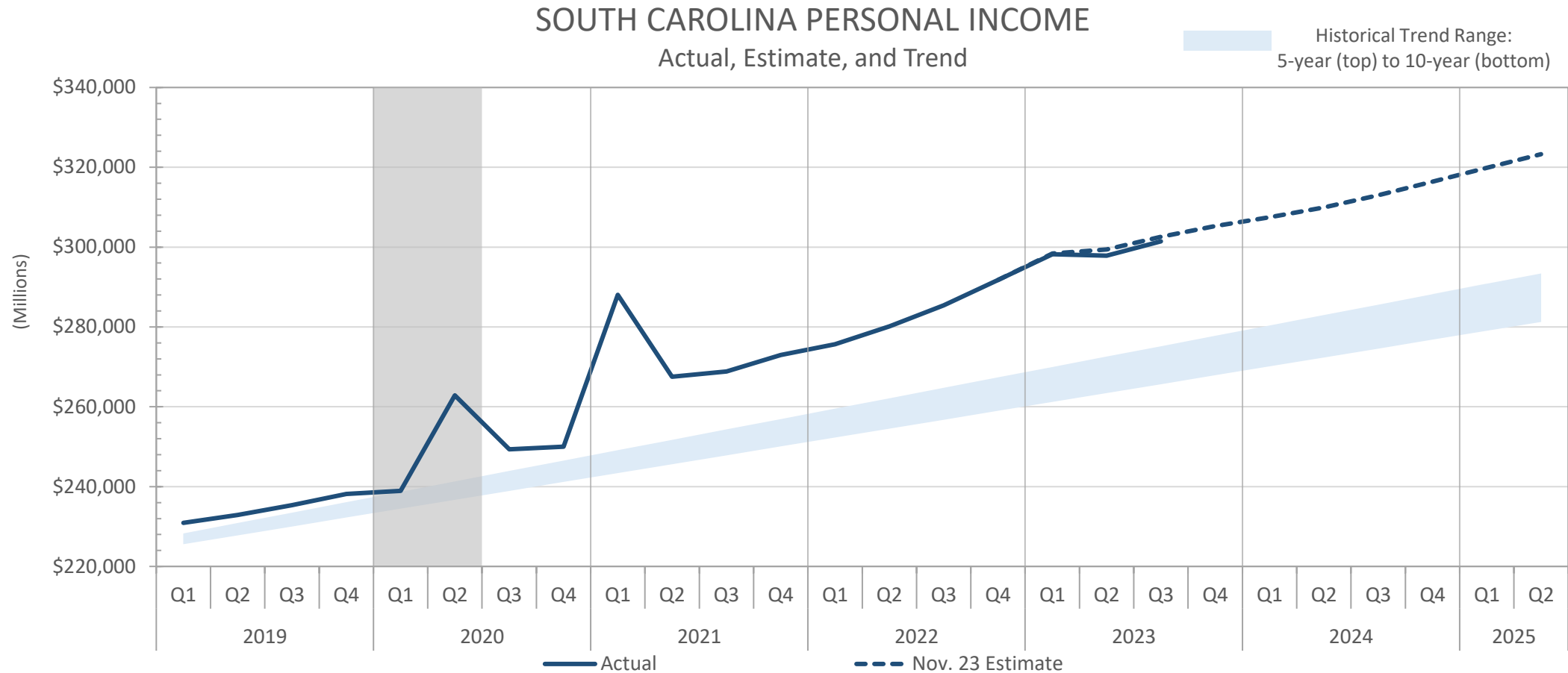
Other Items for Discussion



Appendix

SC Personal Income

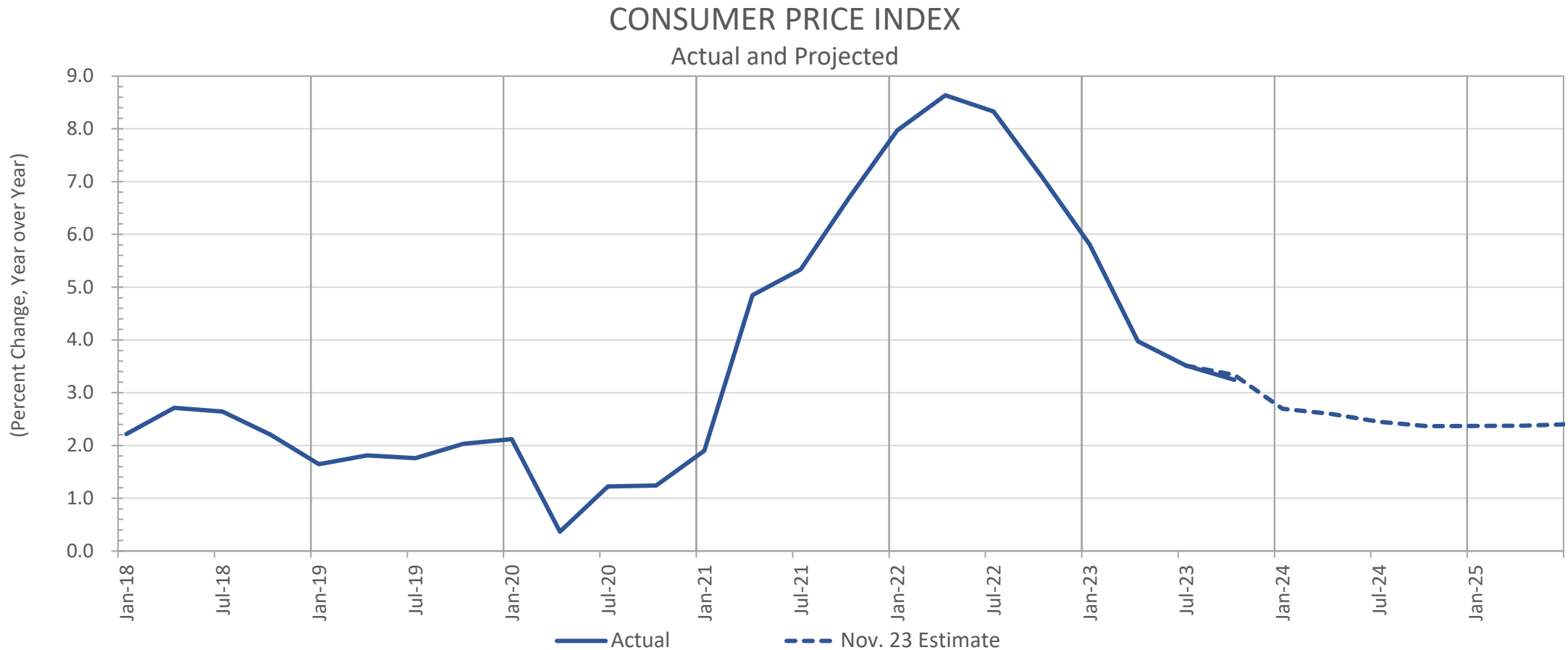
Q3 2023 personal income data and revisions dropped personal income slightly, but it remains on track for the forecasted 4.3% growth over FY 24



Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/kav/1/2/2024

Consumer Price Index

Inflation has come down considerably, but is expected to remain above 2.0% on an annual basis over our forecast horizon



Source: US Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers 216-RFA/kav/01/22/2024

Summary of Economic Assumptions – November 2023

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2023-24	4.3%	1.8%	3.0%
2024-25	3.8%	1.7%	2.4%