

SOUTH CAROLINA ECONOMIC OUTLOOK FY 2020-21 AND BEYOND

Presented to
Piedmont Chapter



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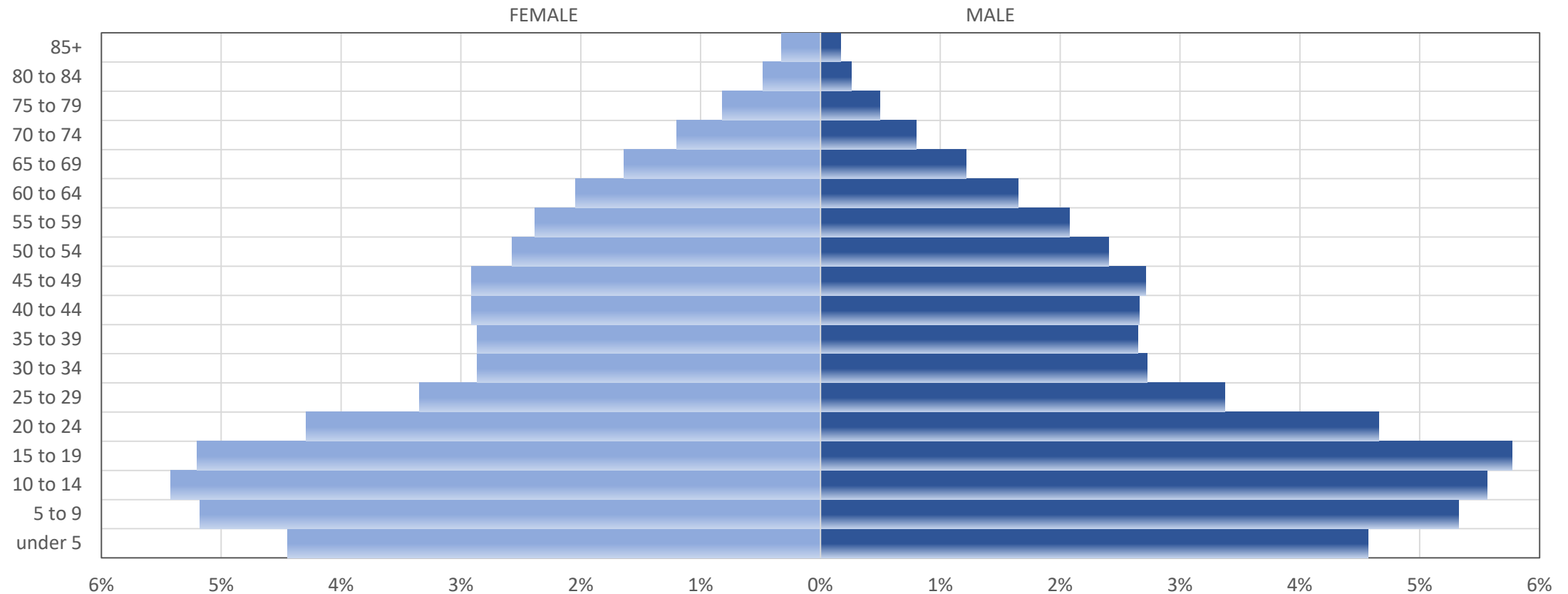
Demographics

How is SC Changing?

SC Population Pyramid – 1970

41.5% of population under age 20; 7.4% age 65 and over

SOUTH CAROLINA POPULATION PYRAMID - 1970

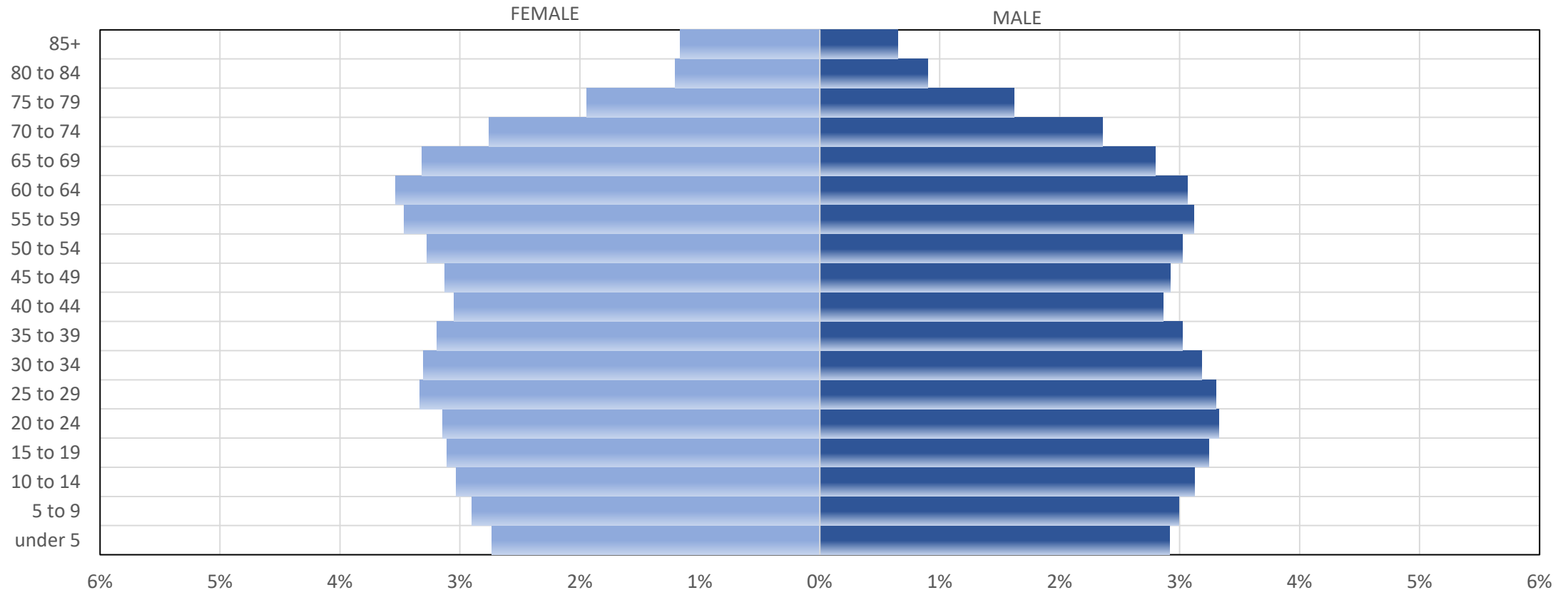


Source: S.C. Revenue and Fiscal Affairs Office: 290/lhj/11/16/2020

SC Population Pyramid - 2020 Estimates

24.0% of population under age 20; 18.7% age 65 and older

SOUTH CAROLINA POPULATION PYRAMID - 2020 Projection

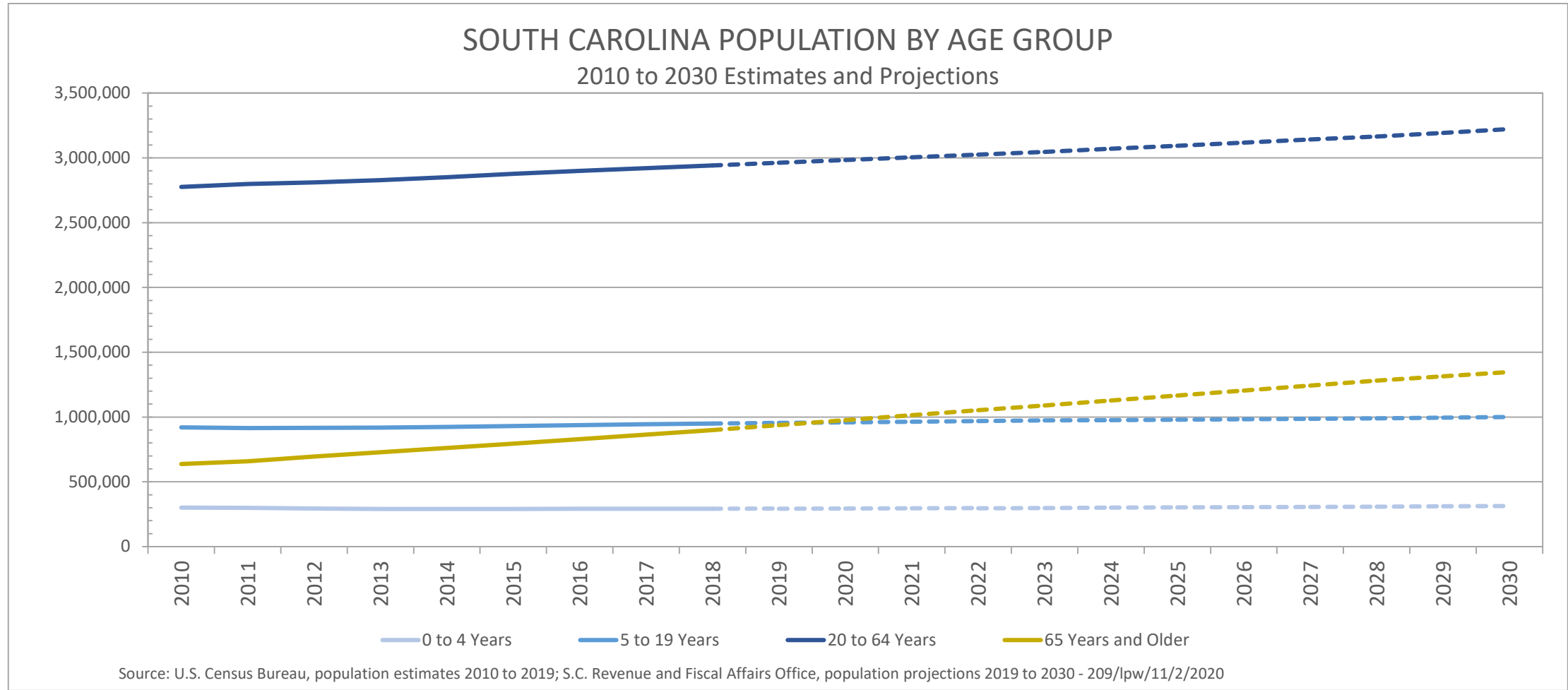


Source: S.C. Revenue and Fiscal Affairs Office: 290/lhj/11/16/2020



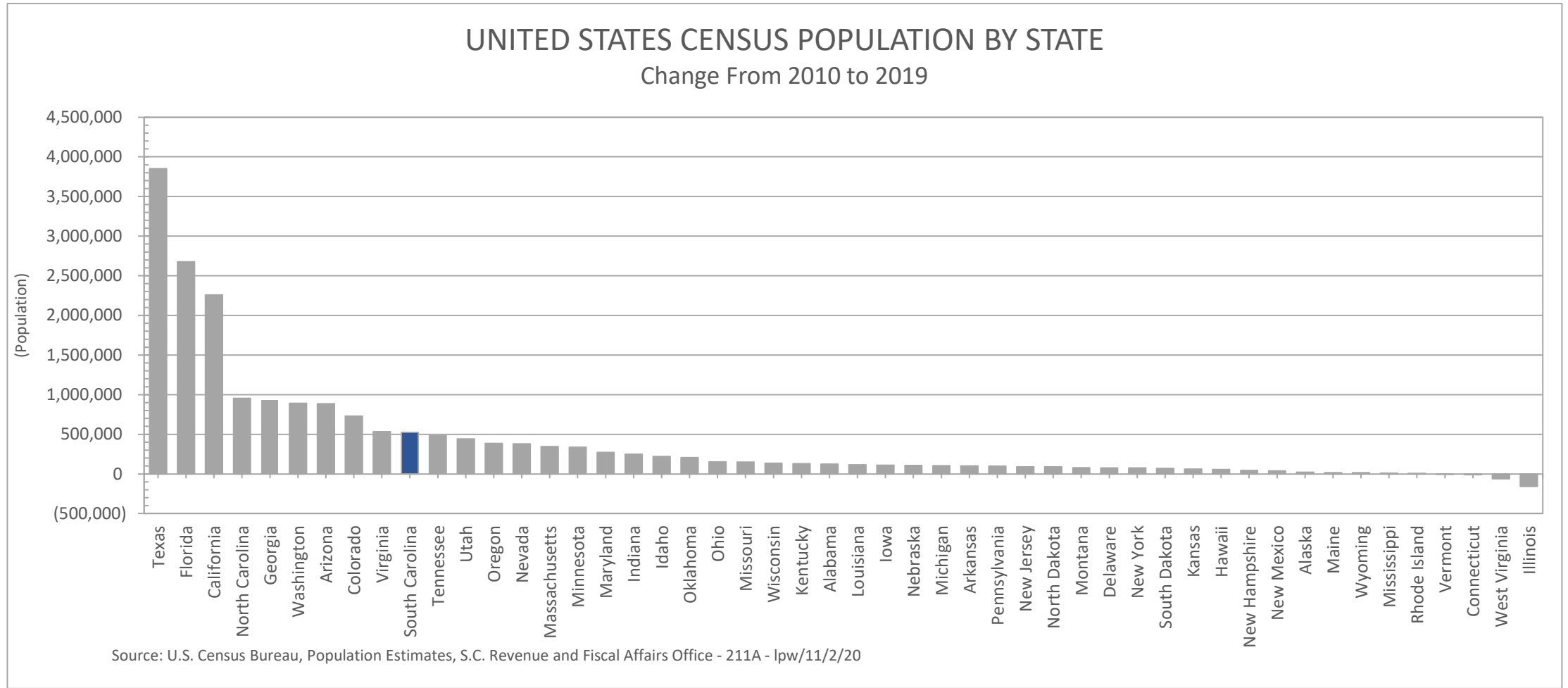
SC Population by Age Group

Fastest growth in the 65 and older range



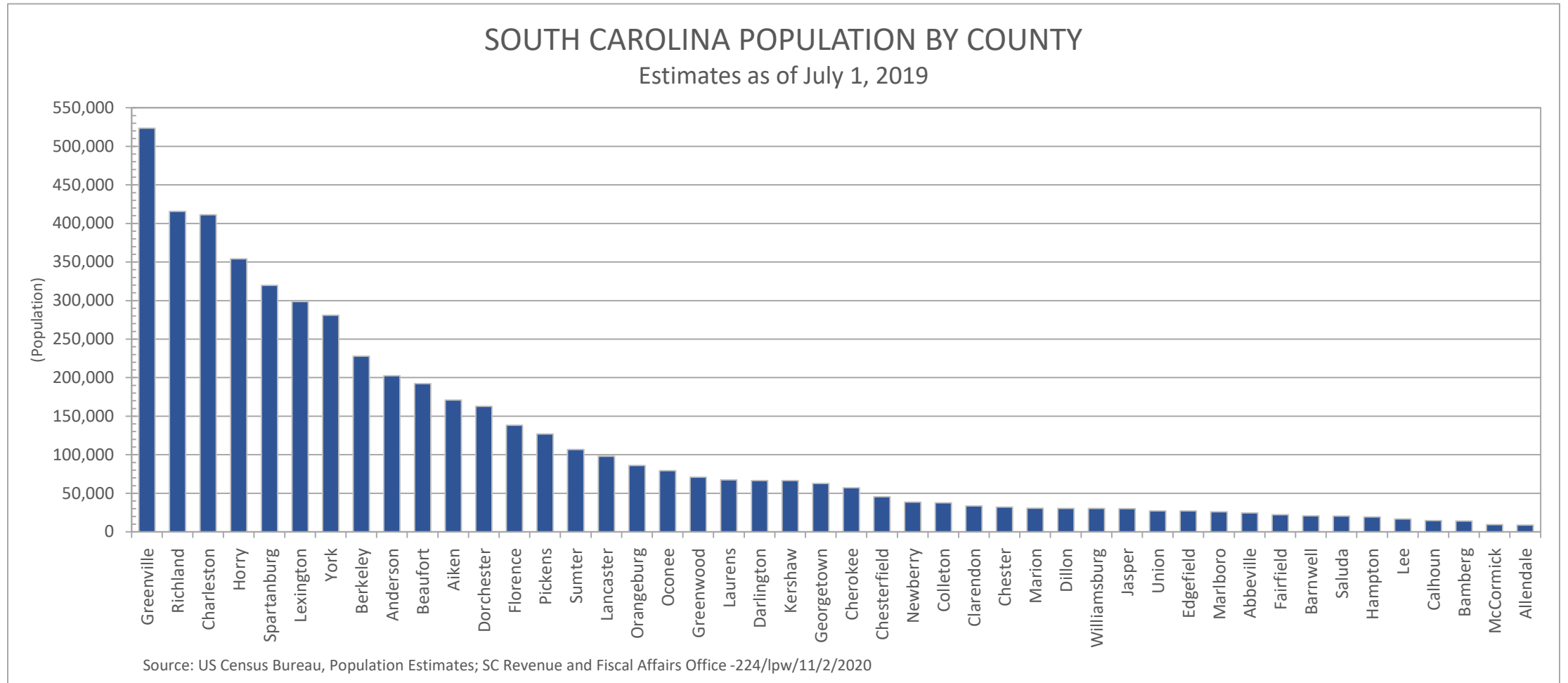
U.S. Population Change By State

South Carolina has 10th highest total population growth since last Census



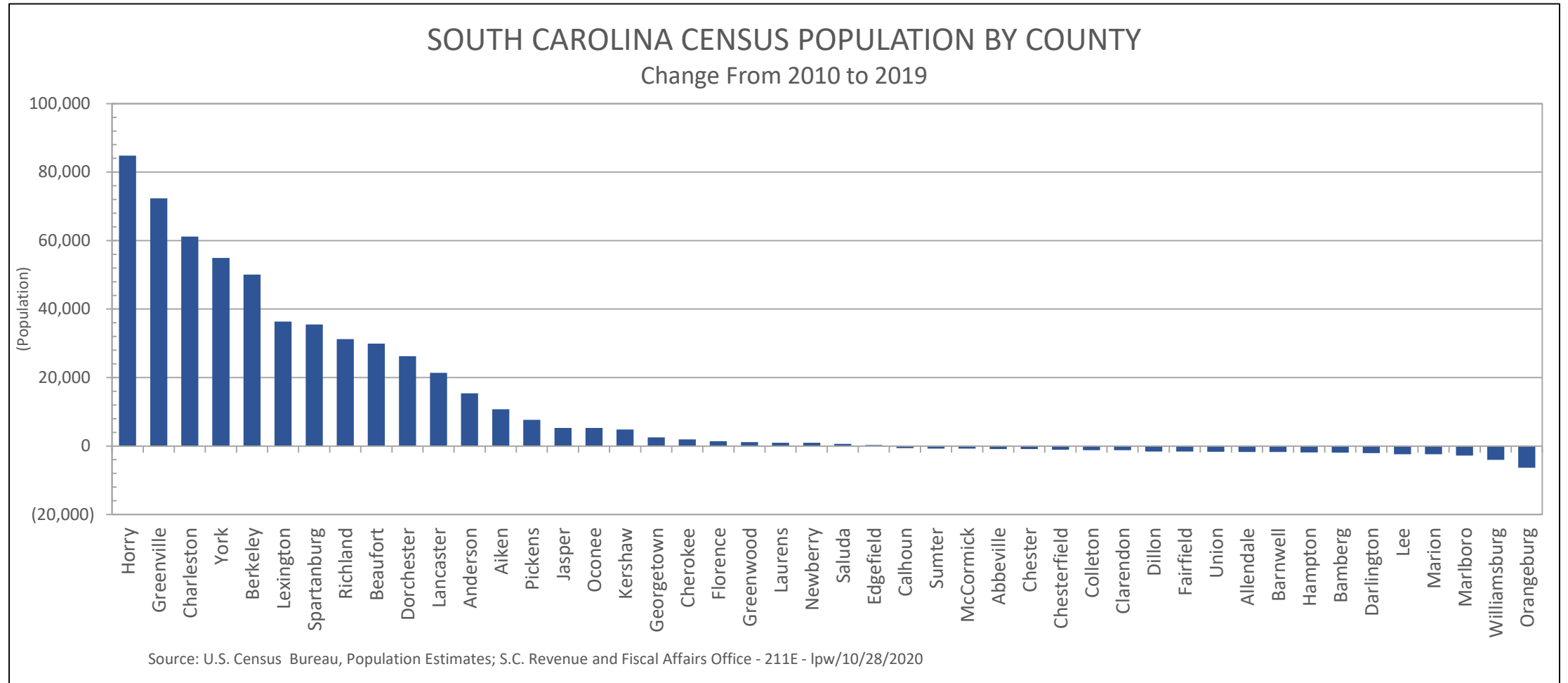
South Carolina County Population

Top 7 Counties contain 51% of total population

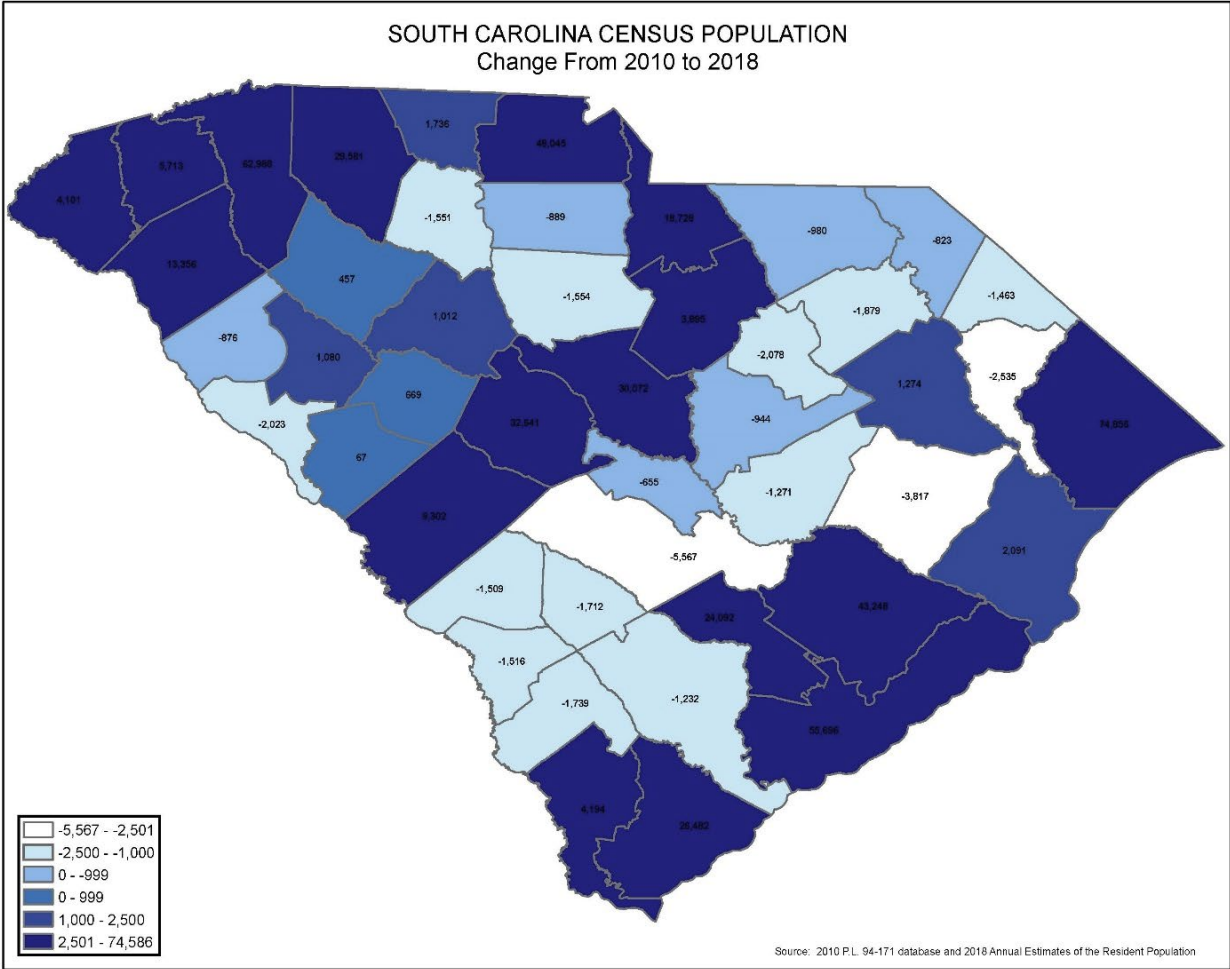


South Carolina Population – Change from 2010 to 2019

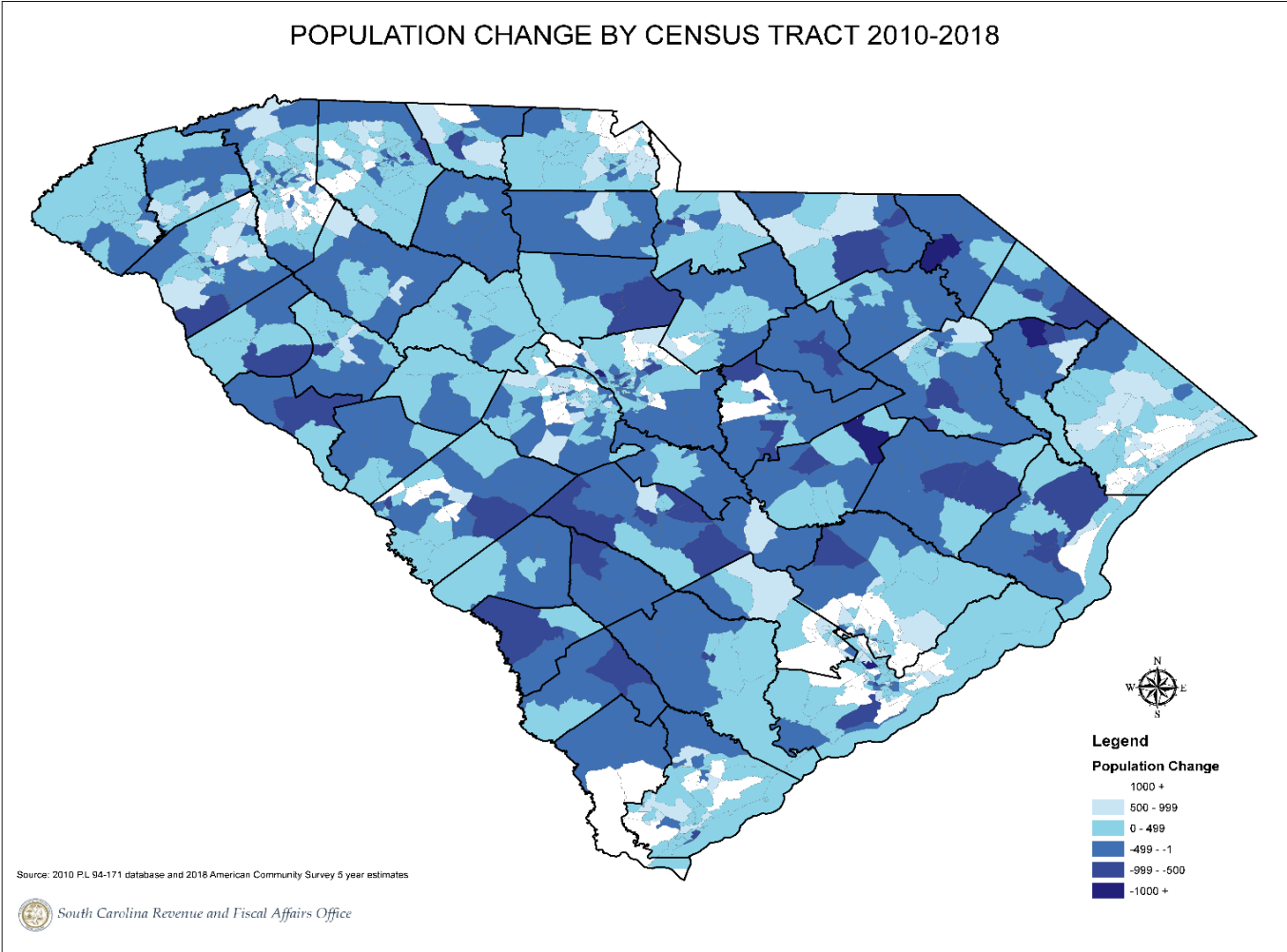
Top 5 Counties account for 62% of the total change



South Carolina Population Change – County Level



South Carolina Population Change – Census Tract Level



Population change and Redistricting (2021-22)

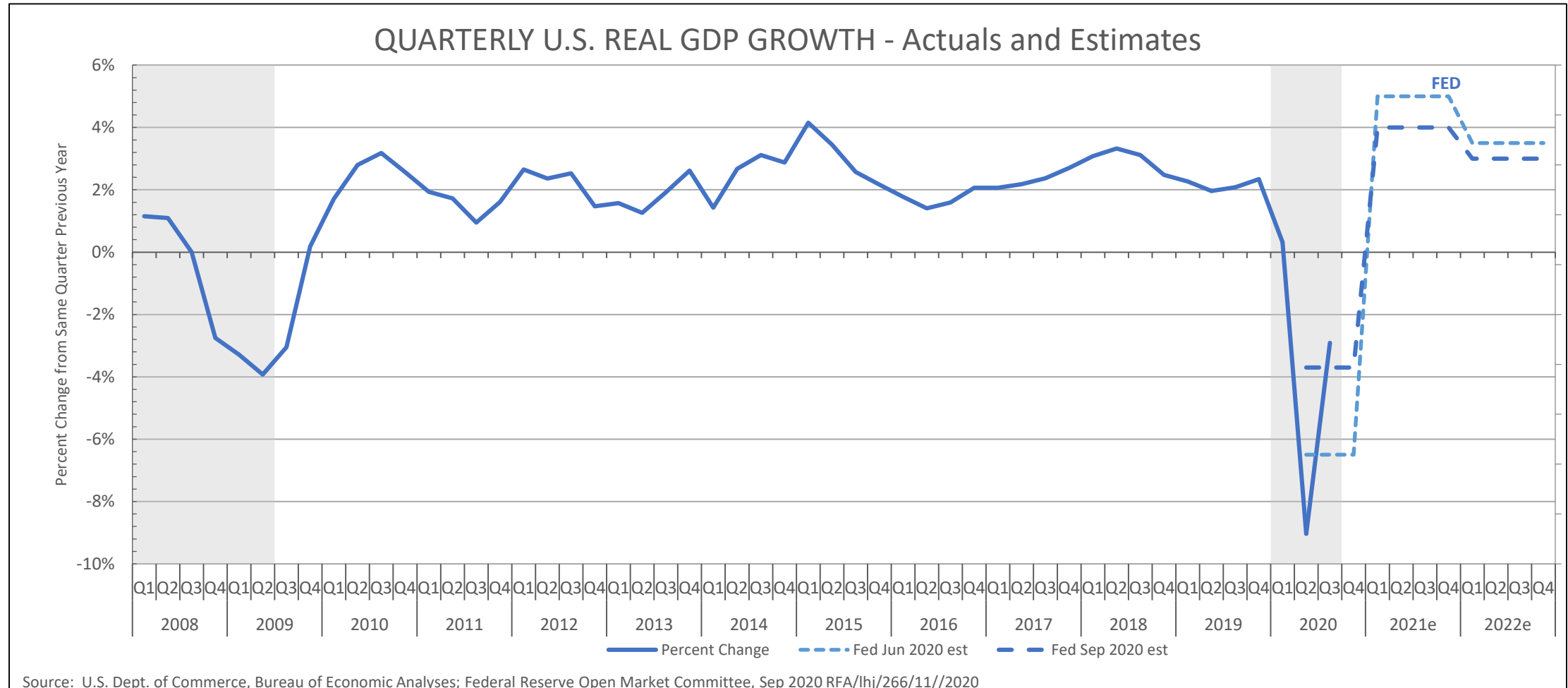
- One person, one vote
 - Equal voice in matters
- Congress, State Legislatures, County, City, School Board, Special Purpose District

Economics



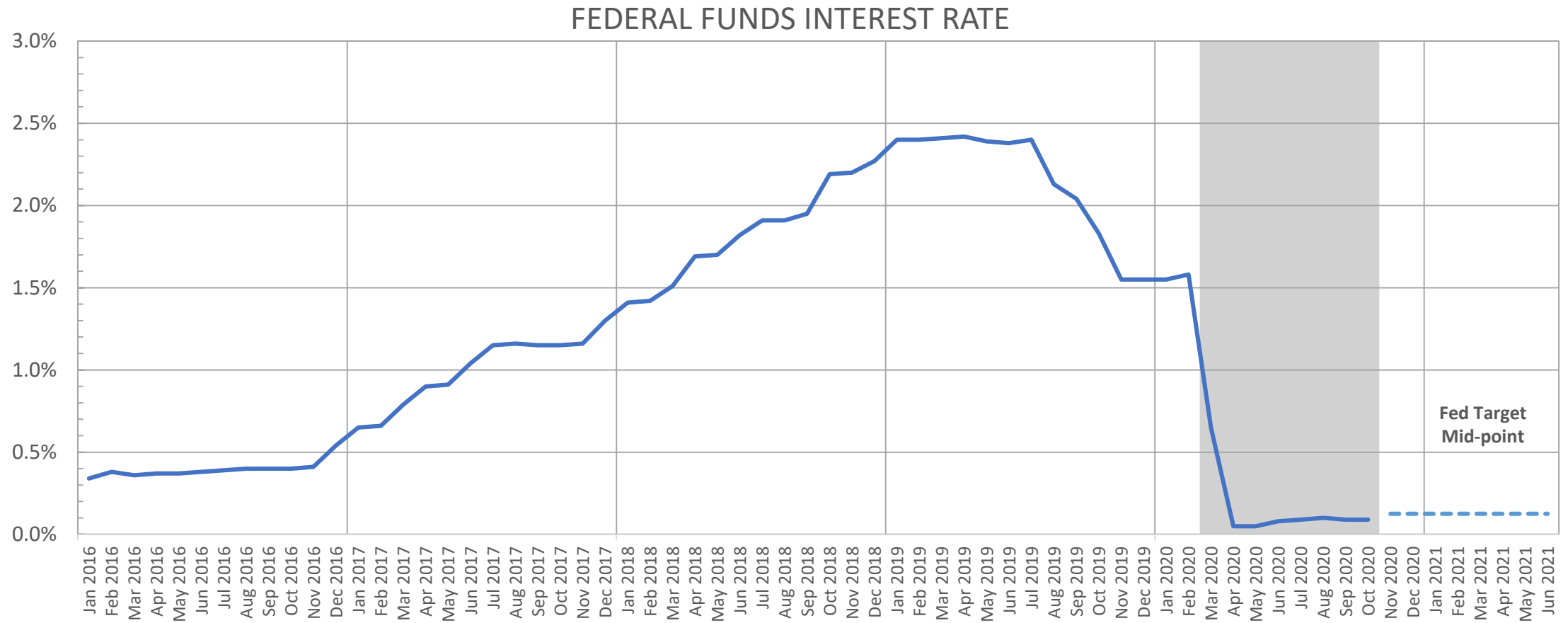
Real GDP Growth

Fed revised estimate up from -6.5% to -3.7% for Q4 2020; revised down Q4 2021 from 5% to 4%; anticipating less of a decline but slower recovery



Interest Rates

Fed target range is 0% to 0.25% through 2022

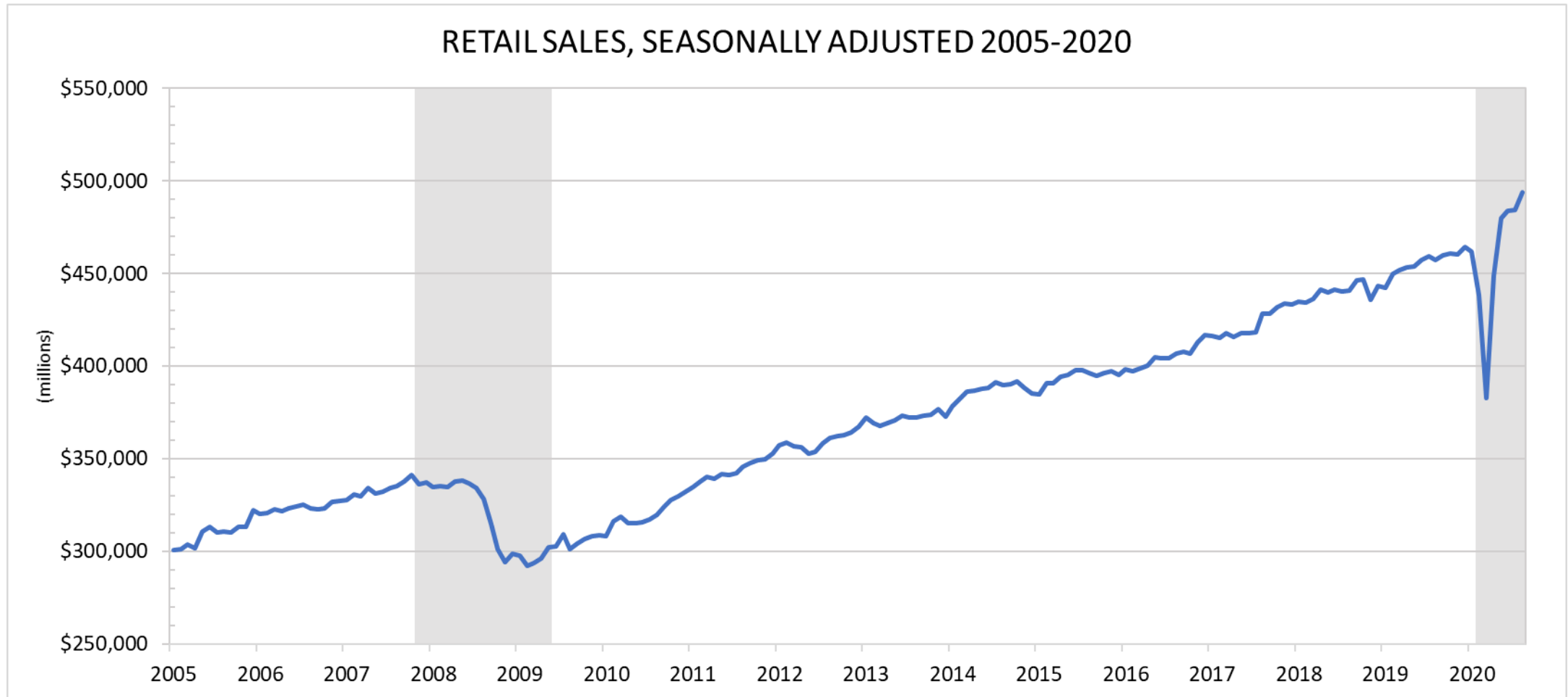


Source: Board of Governors of the Federal Reserve System via FRED Economic Data 277-RFA/lhj/11/16/20



U.S. Retail Sales

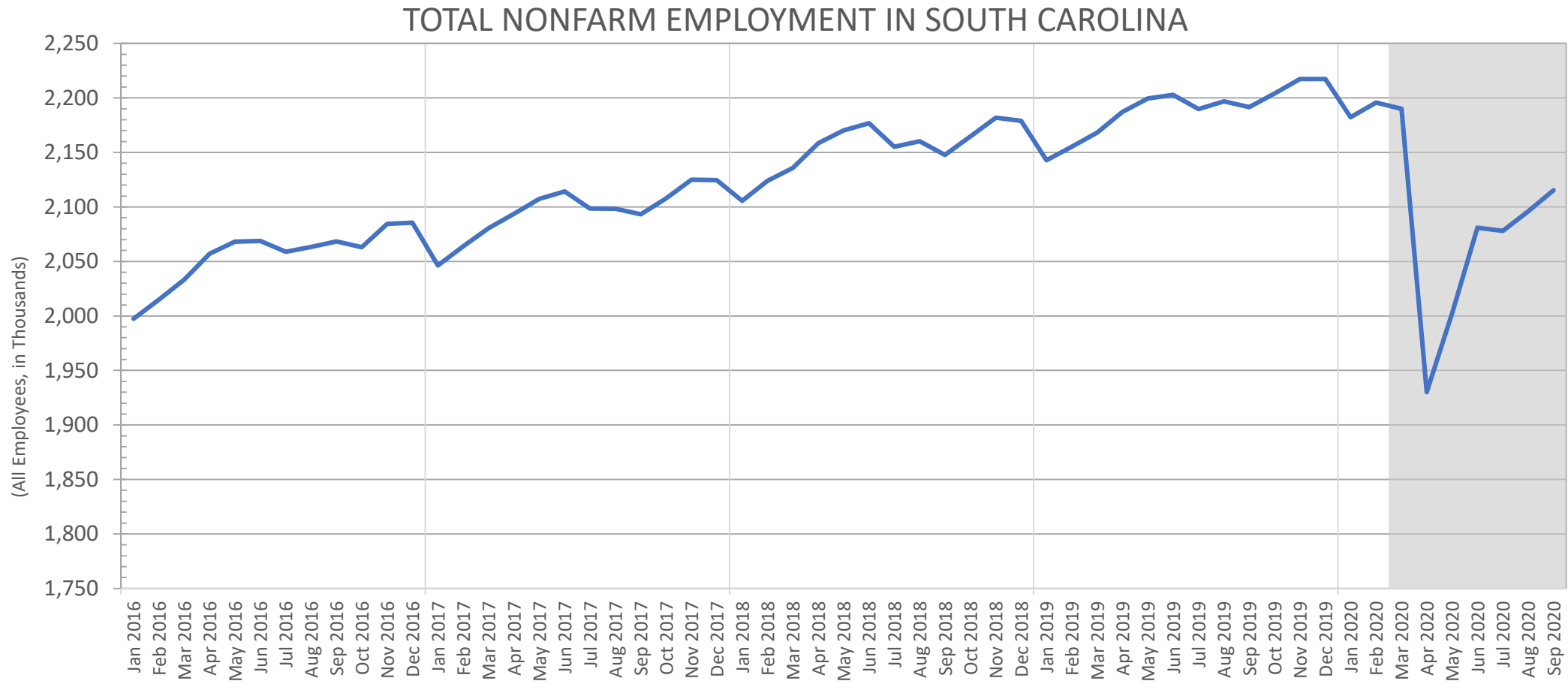
Fourth straight month of year-over-year growth in September, monthly growth increased in September after slowing since May



Source: U.S. Census Bureau, Advance Monthly Sales for Retail and Food Services, data through September 2020, 283-6 RFA/nmg/11/03/2020

S.C. Employment – Total Jobs

Sep. 2020 employment has recovered 70% of jobs lost from Feb. to Apr. 2020



Source: U.S. Department of Labor. Bureau of Labor Statistics 60-RFA/lhi/11/02/2020

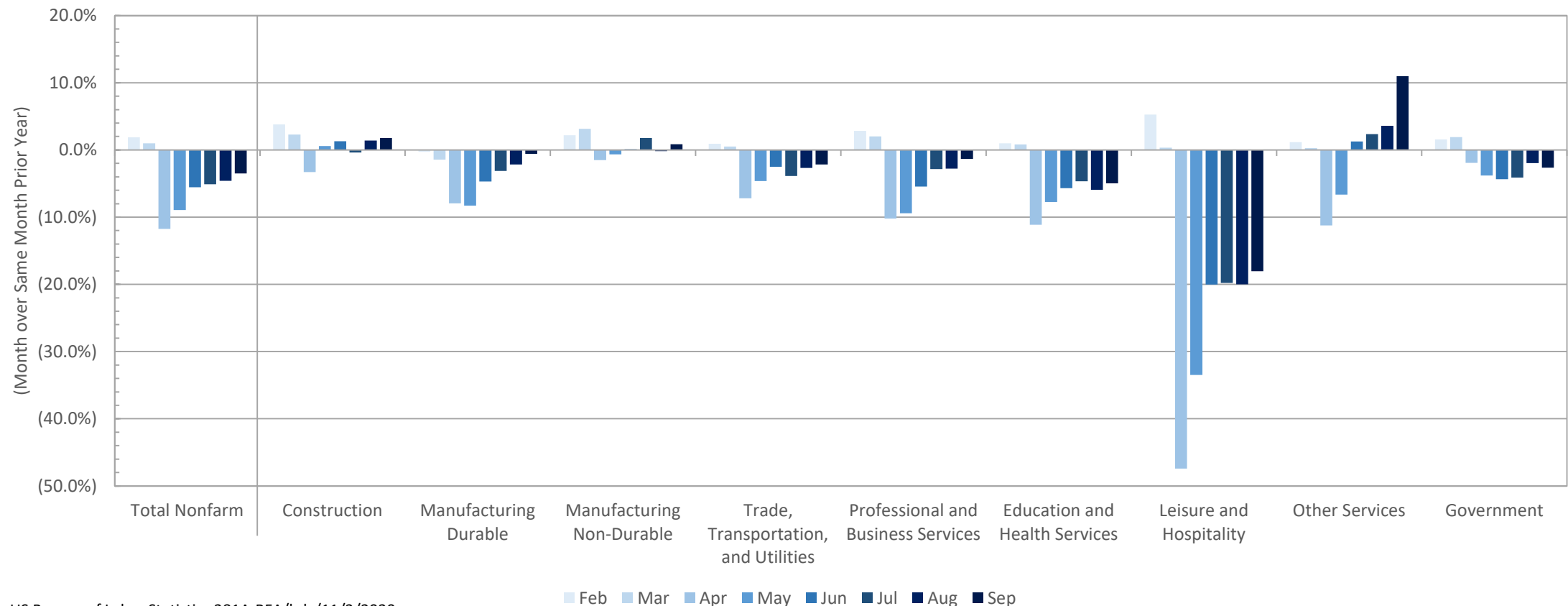


S.C. Employment by Sector

Most sectors trending well; Leisure & Hospitality still significantly lagging

2020 EMPLOYMENT BY INDUSTRY

March through September



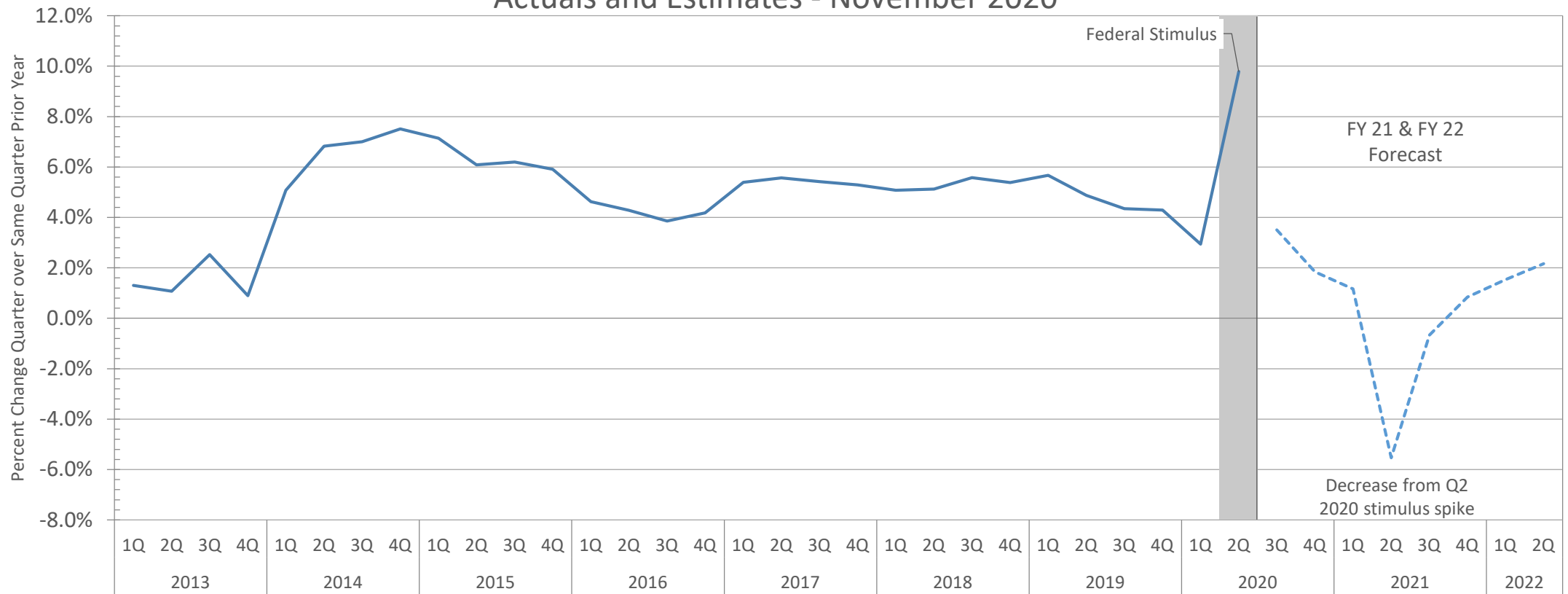
Source: US Bureau of Labor Statistics 281A-RFA/bdc/11/3/2020



SC Personal Income Growth

Q2 2020 grew 9.8%, buoyed by federal stimulus

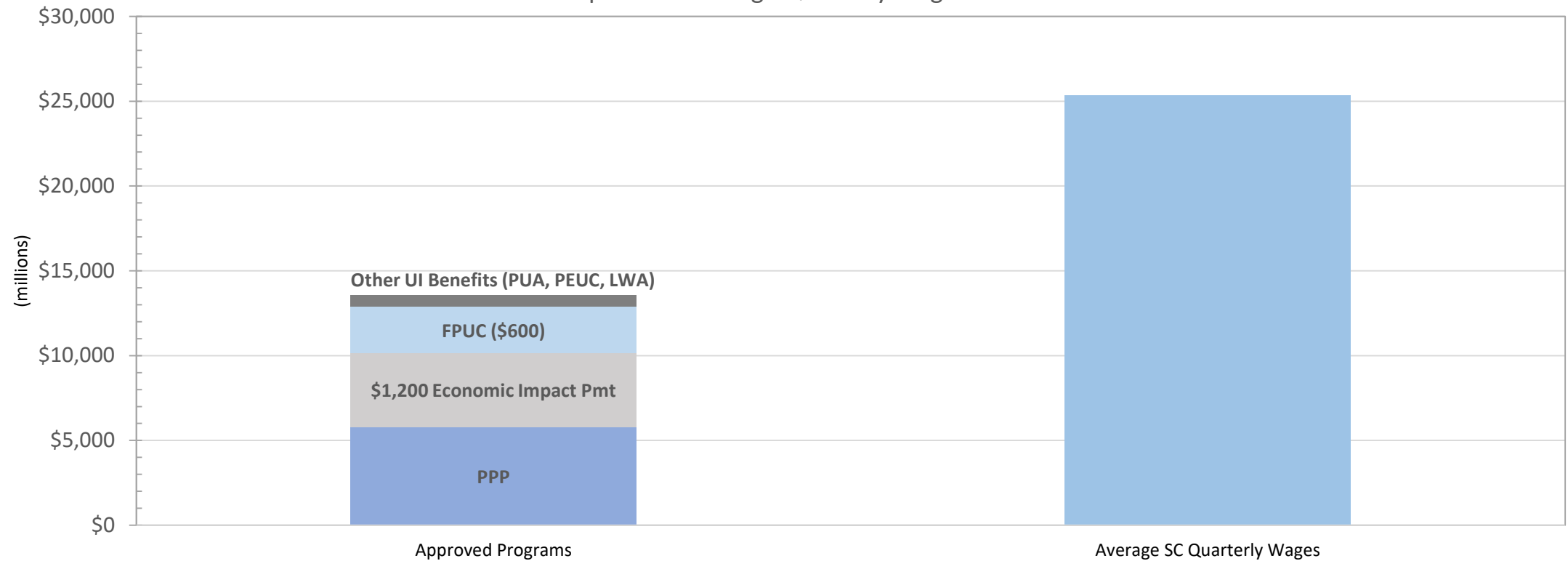
SC PERSONAL INCOME GROWTH RATES
Actuals and Estimates - November 2020



Source: US Department of Commerce, Bureau of Economic Analysis RFA-173 lhj/11/16/20

Federal Stimulus Payments for March through September

S.C. FEDERAL STIMULUS FUNDING
Compared to Average Quarterly Wages



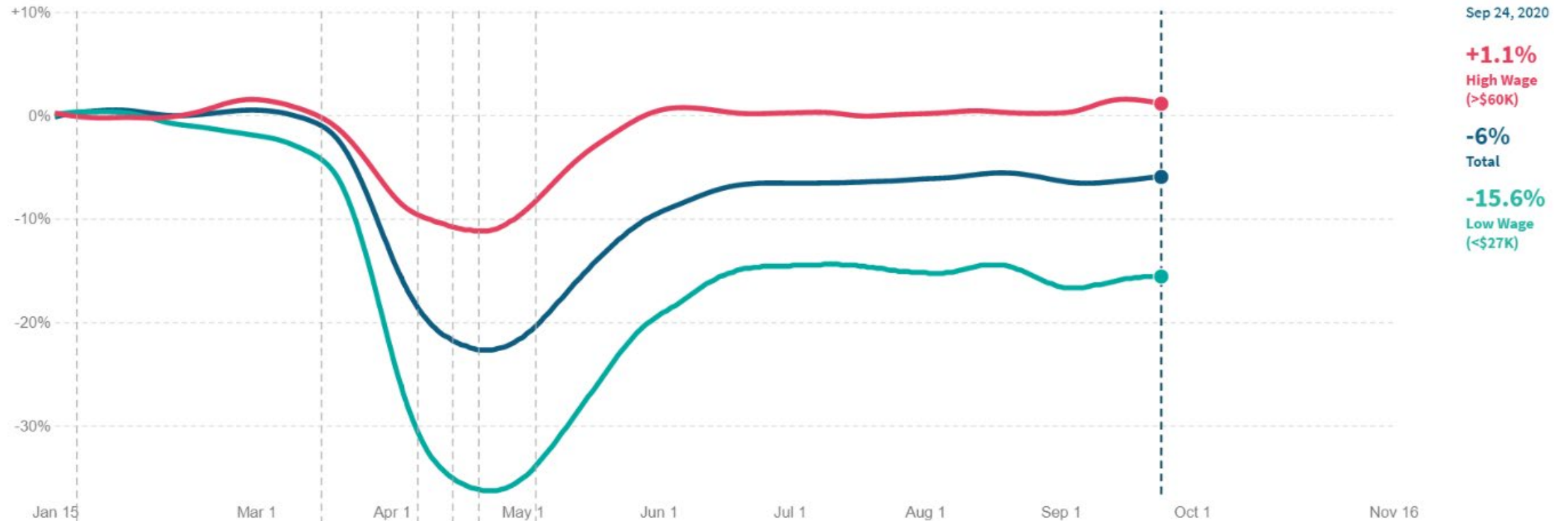
Source: U.S. Small Business Administration; Internal Revenue Service; S.C. Department of Employment and Workforce 278-RFA/ZP/09/25/20

S.C. Employment Change by Wage Level

Employment losses are in low wage jobs; high wage jobs have seen a 1.1% employment increase

Percent Change in Employment*

In South Carolina, as of September 24, 2020, employment rates **decreased** by 6% compared to January 2020 (not seasonally adjusted).



Source: Opportunity Insights Economic Tracker tracktherecovery.org, Retrieved November 16, 2020

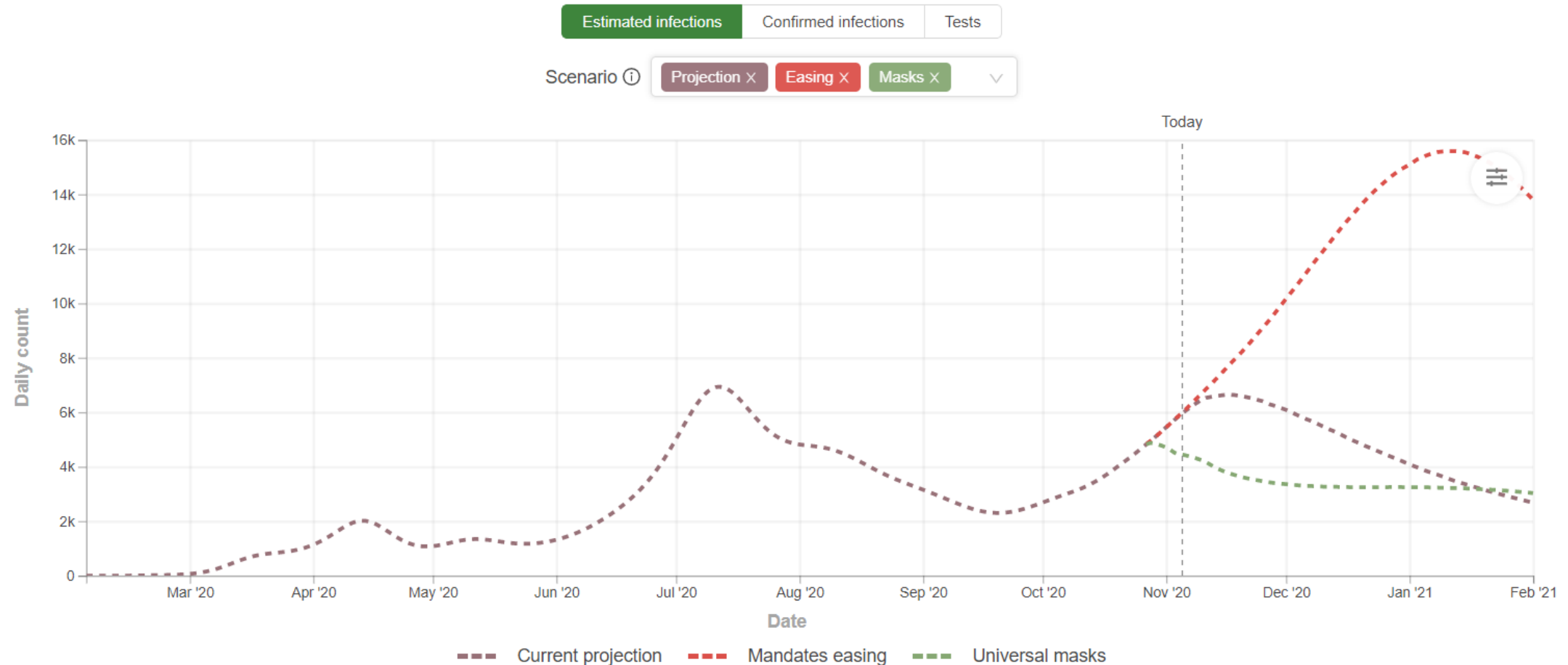
Economy & COVID-19



COVID-19 INFECTION PROJECTIONS – SC

IHME Estimates of total infections including those not tested

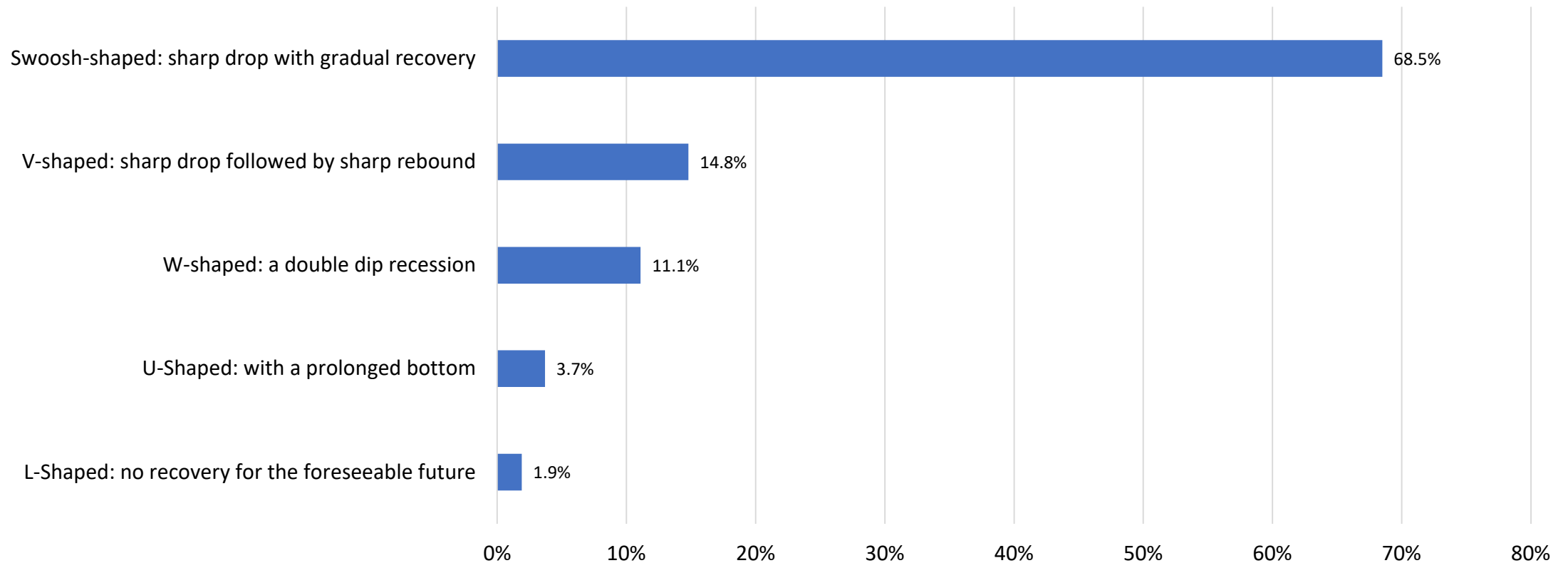
Estimated infections are the number of people we estimate are infected with COVID-19 each day, including those not tested.



Source: <http://www.healthdata.org/> Institute for Health Metrics and Evaluation at University of Washington, as of November 5, 2020

What will an economic recovery look like?

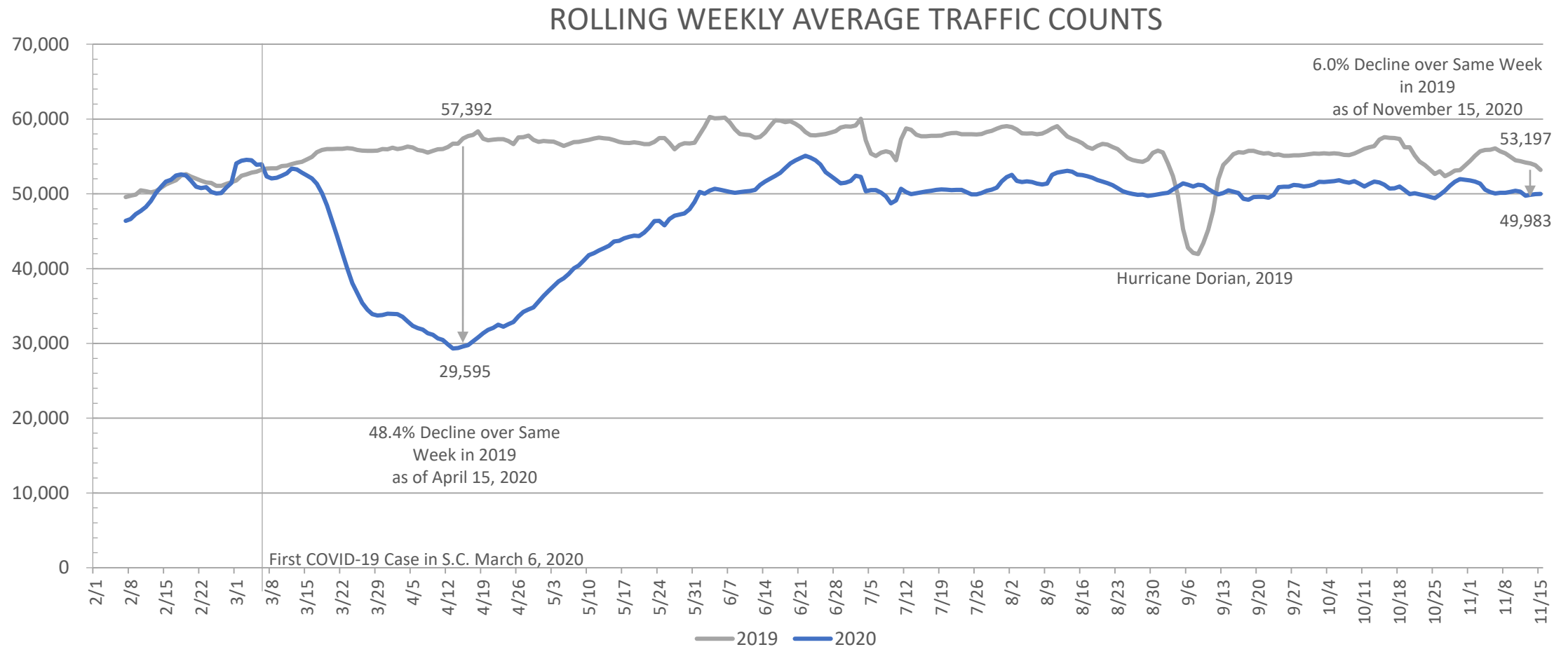
WALL STREET JOURNAL ECONOMIC FORECASTING SURVEY RESPONSES September 2020



Source: Wall Street Journal, Economic Forecasting Survey, 283-1 RFA/nmg/10/07/2020

SC Weekly Traffic Counts

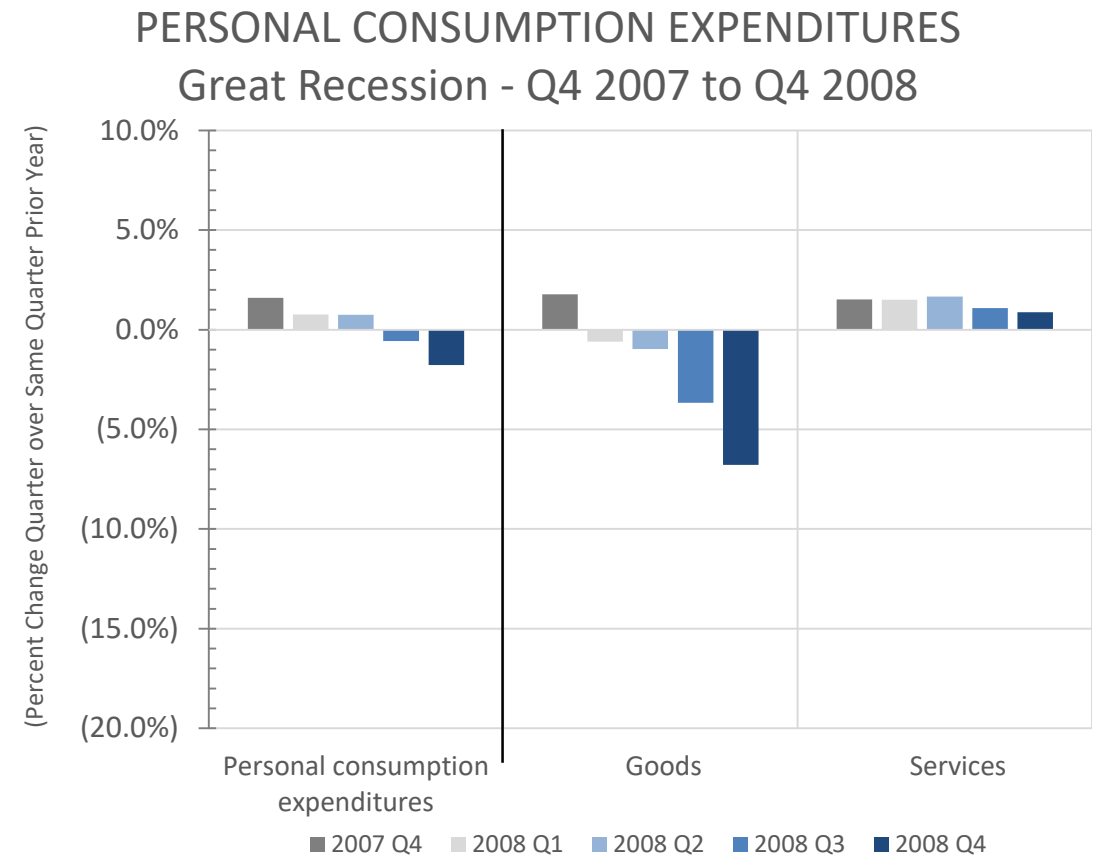
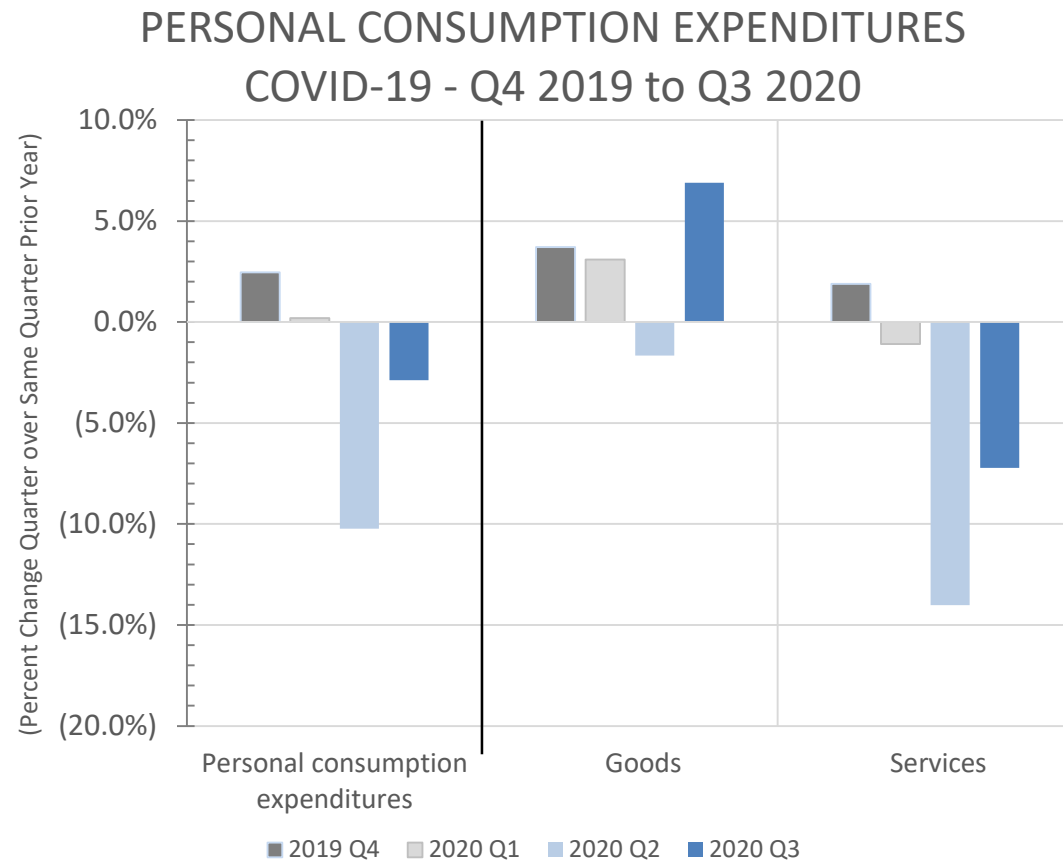
Traffic levels have almost recovered and stabilized 5% to 10% below 2019



Data Source: SC Dept. of Transportation, 11/16/2020

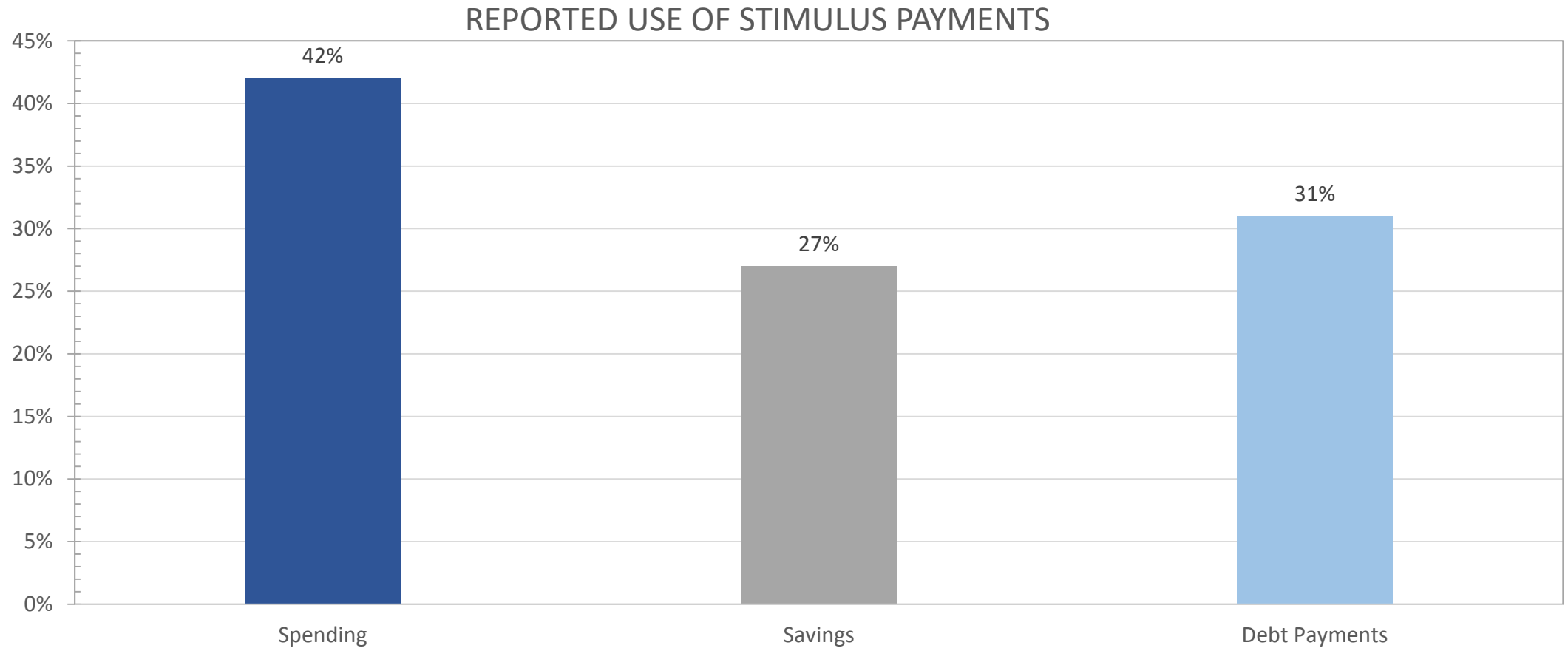
Real GDP - Personal Consumption of Goods and Services

Consumption of services was down substantially more than goods in Q2 and Q3 2020; Great recession saw greater decline in goods than services



Spending of Federal \$1,200 Stimulus Payments

Recipients spent 42% of stimulus, saved 27%, and used remaining 31% to pay down debt



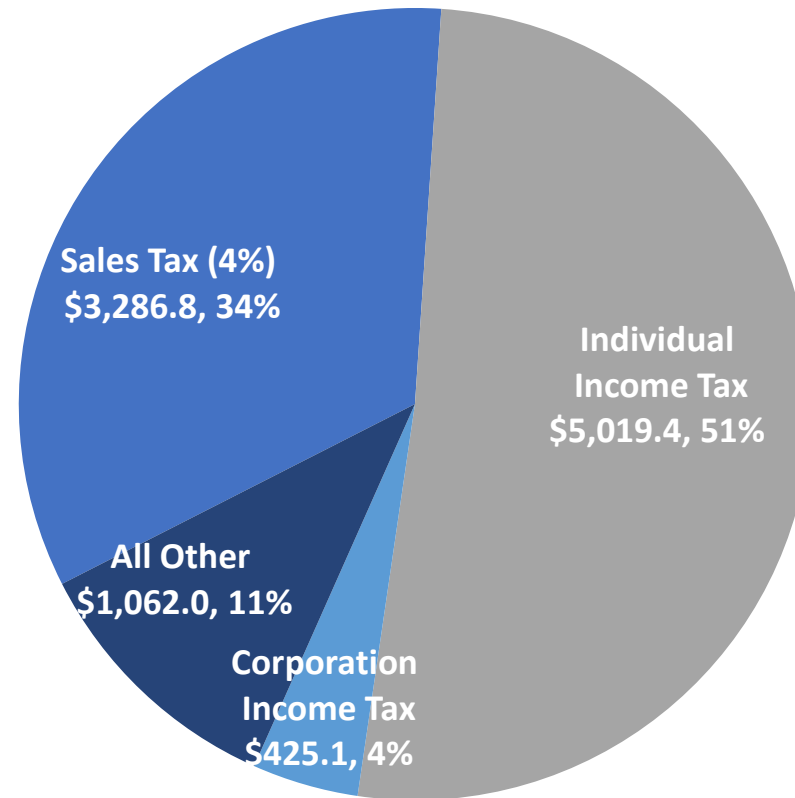
Source: National Bureau of Economic Research; calculations from the Nielsen Homescan Panel

State Finances



General Fund Revenue by Source – 89% from top 3 items

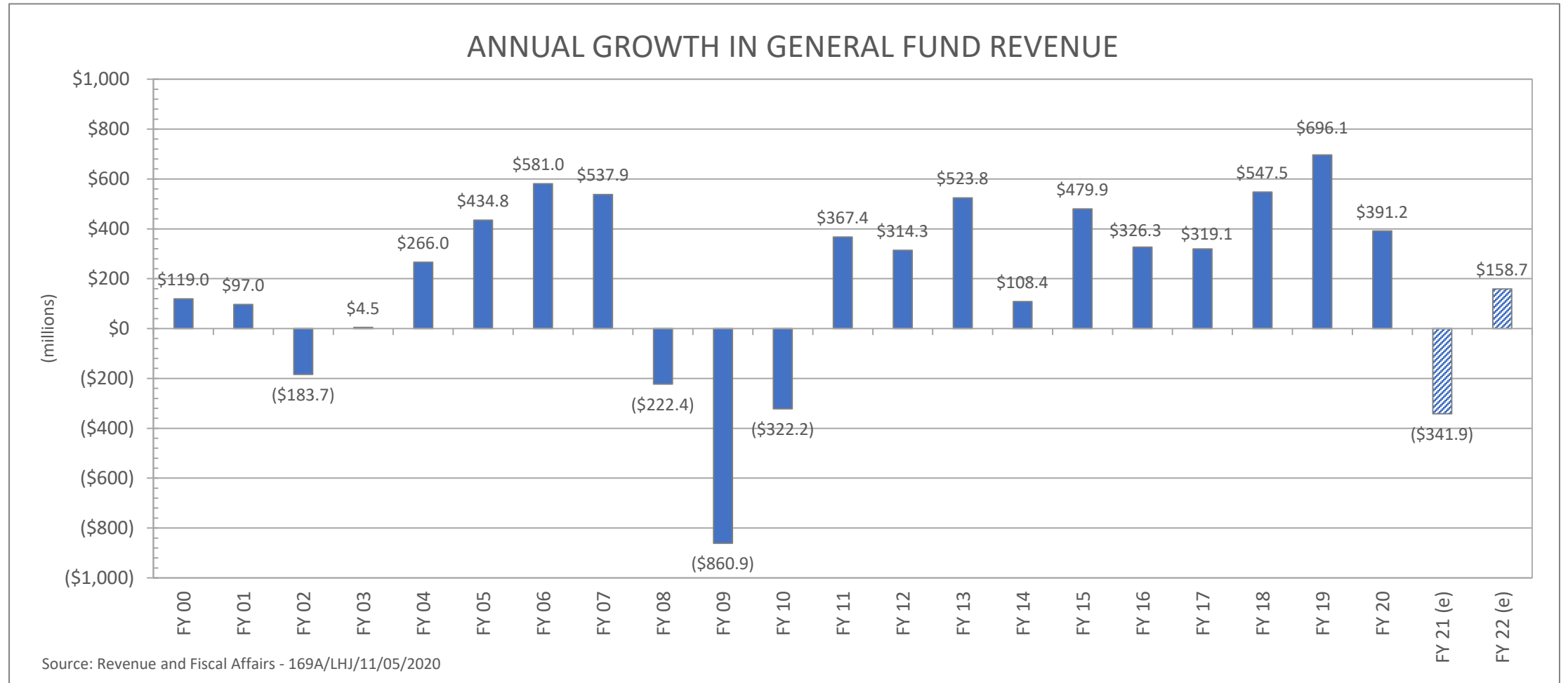
FY 2019-20 GENERAL FUND REVENUE
Percentage Distribution By Revenue Type (\$ in millions)



Source: S.C. Revenue and Fiscal Affairs 30 - lhj/11/16/2020

General Fund Revenue Growth

FY 21 collections are expected to be \$341 m lower than FY 20

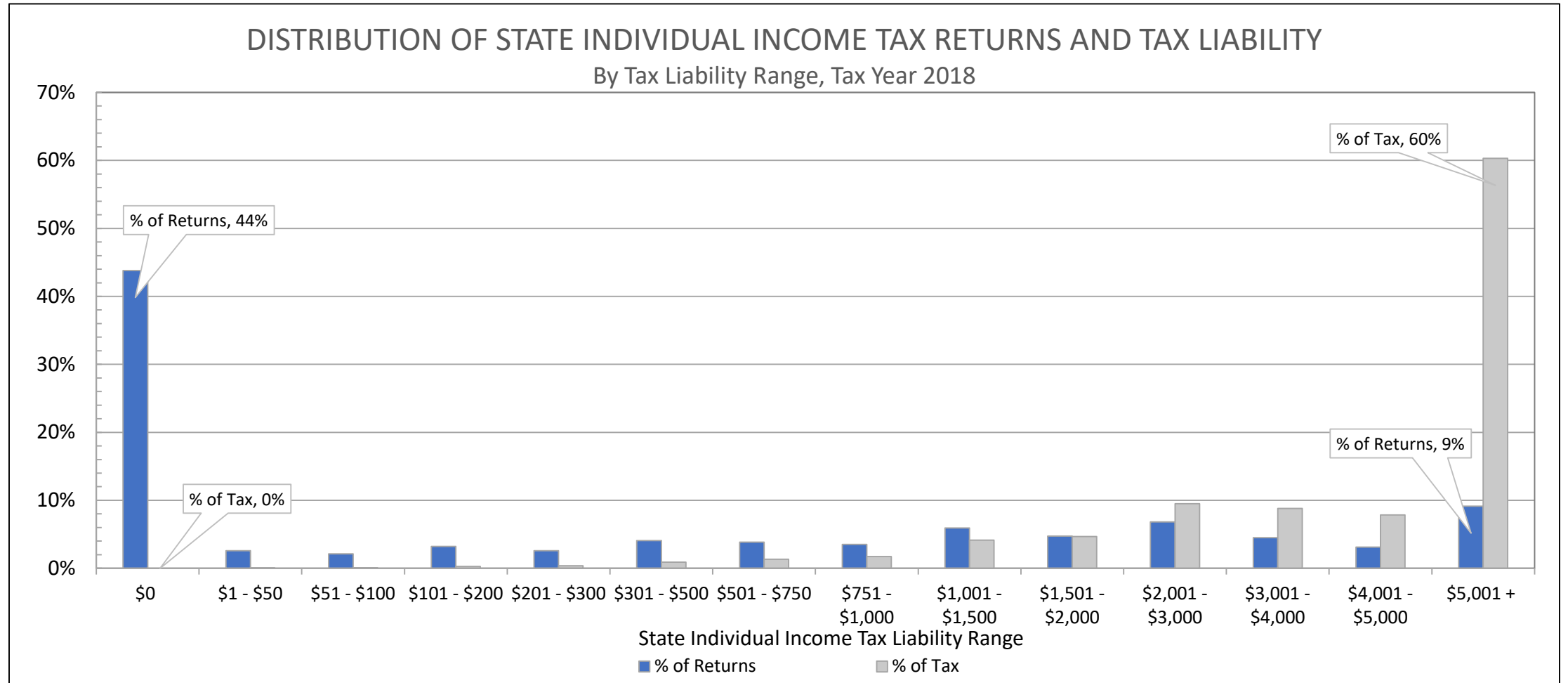


Tax Base and Estimates



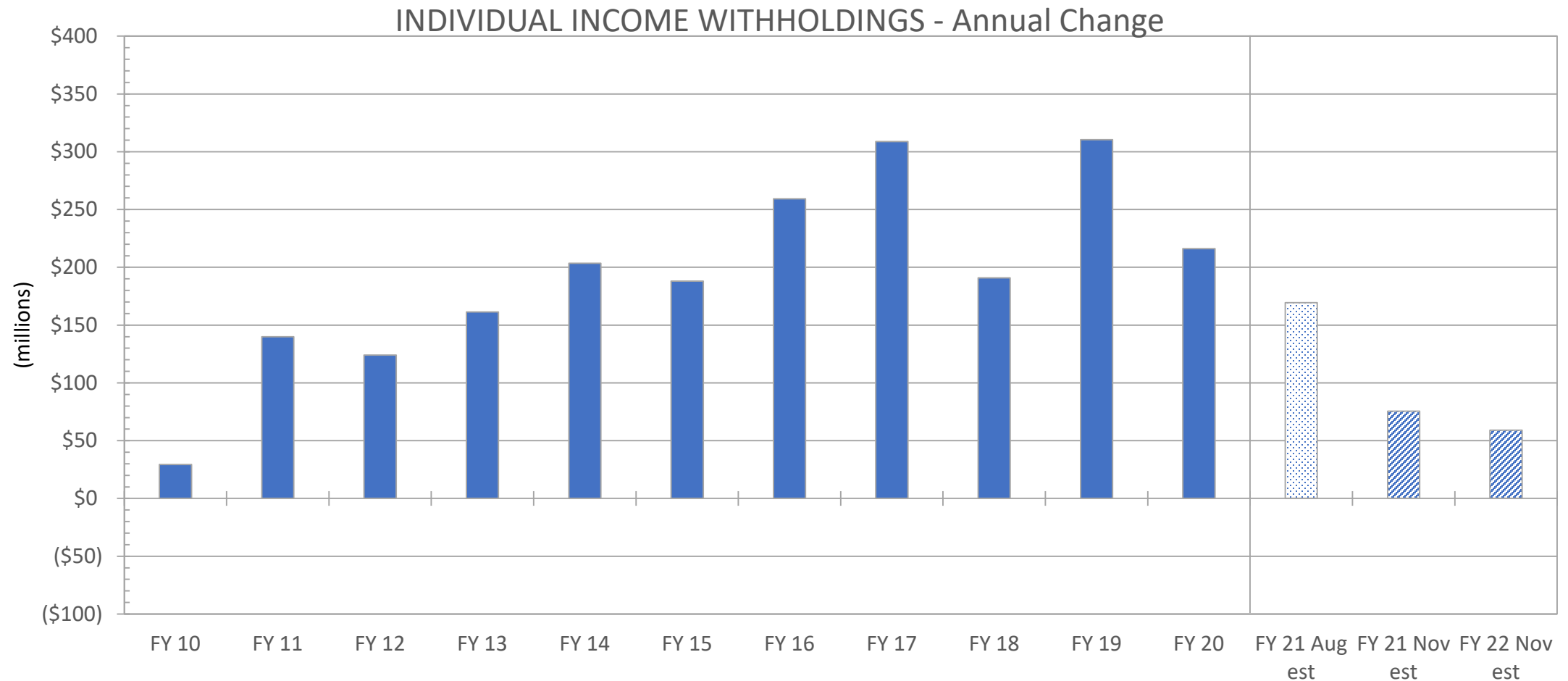
SC Individual Income Tax by Amount Paid

44% of returns pay 0% of total taxes; 9% of returns pay 60% of total taxes



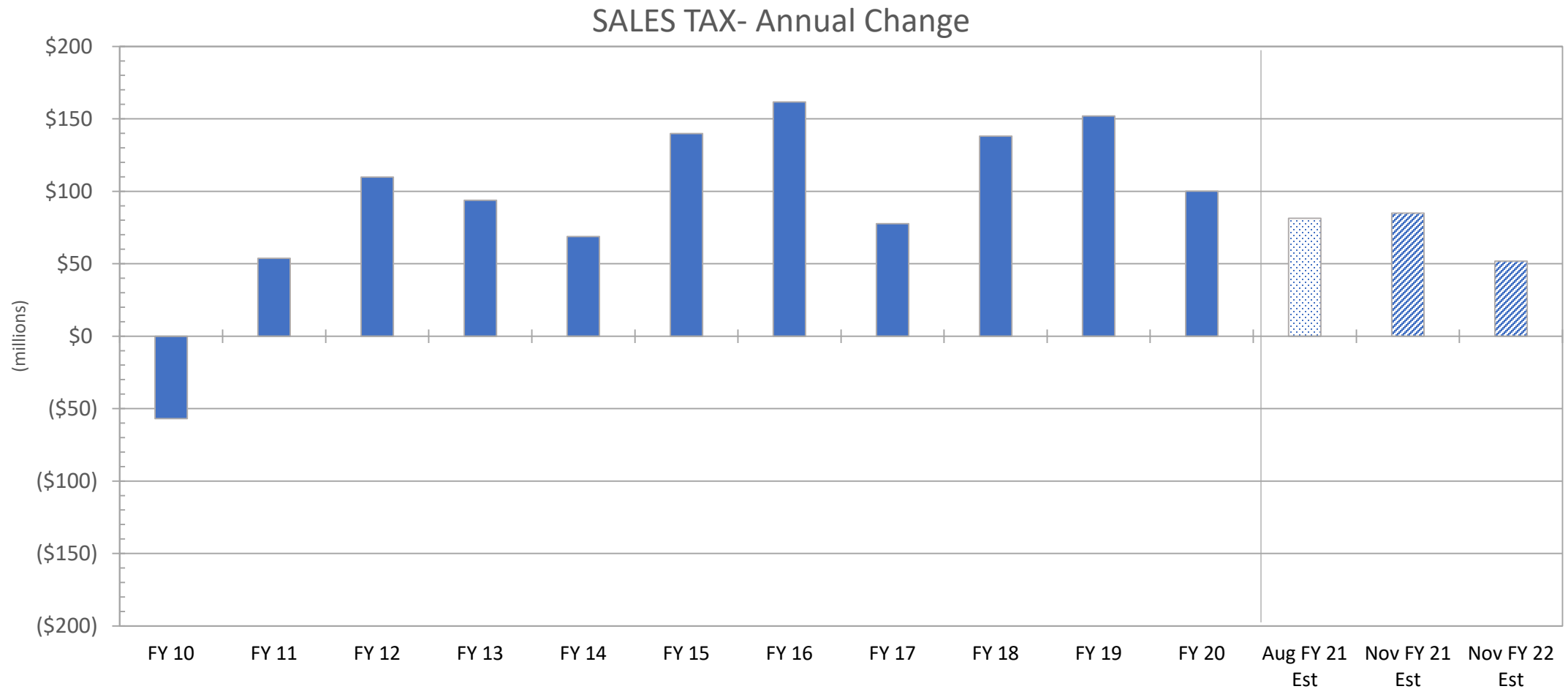
Individual Income Tax Withholdings – Revenue History

Collections are strong, but expected to slow



Sales – Revenue History

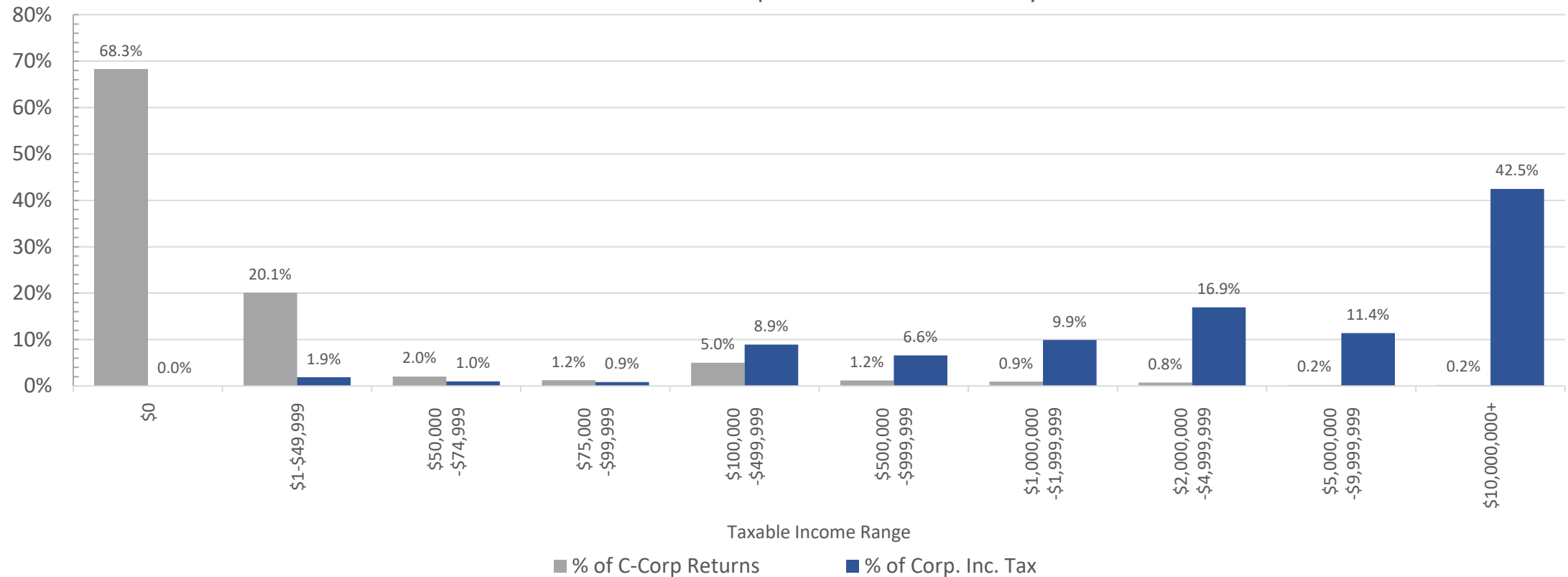
Sales tax revenue is expected to experience slower growth in the next two fiscal years as it returns to a pre-pandemic trend line



Corporate Income Tax - Returns and Tax Liability

68.3% of Returns pay \$0; 0.2% of Returns pay 42.5% of tax

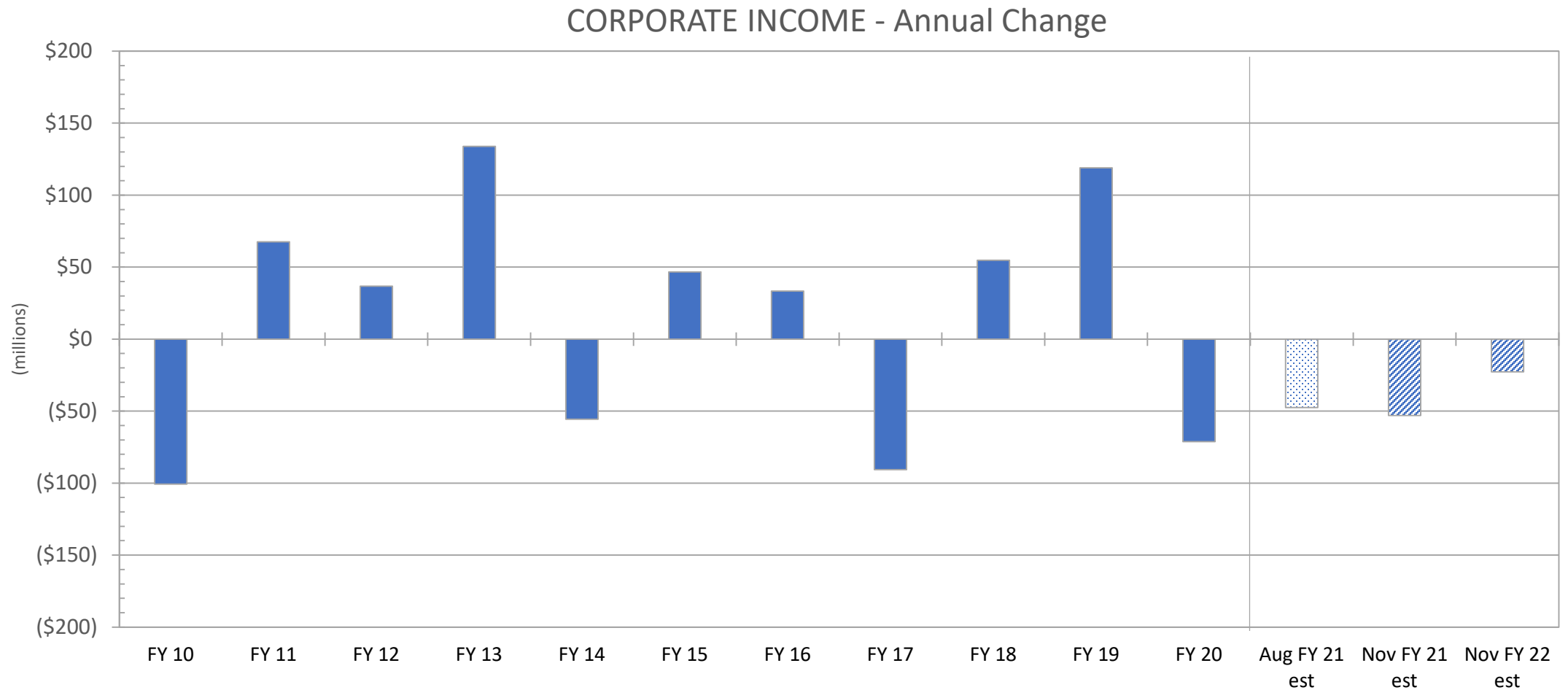
CORPORATE INCOME TAX
Tax Year 2017 C-Corp Returns and Tax Liability



Source: S.C. Dept. of Revenue C-Corp Returns; Compiled by RFA; 9/1/2020

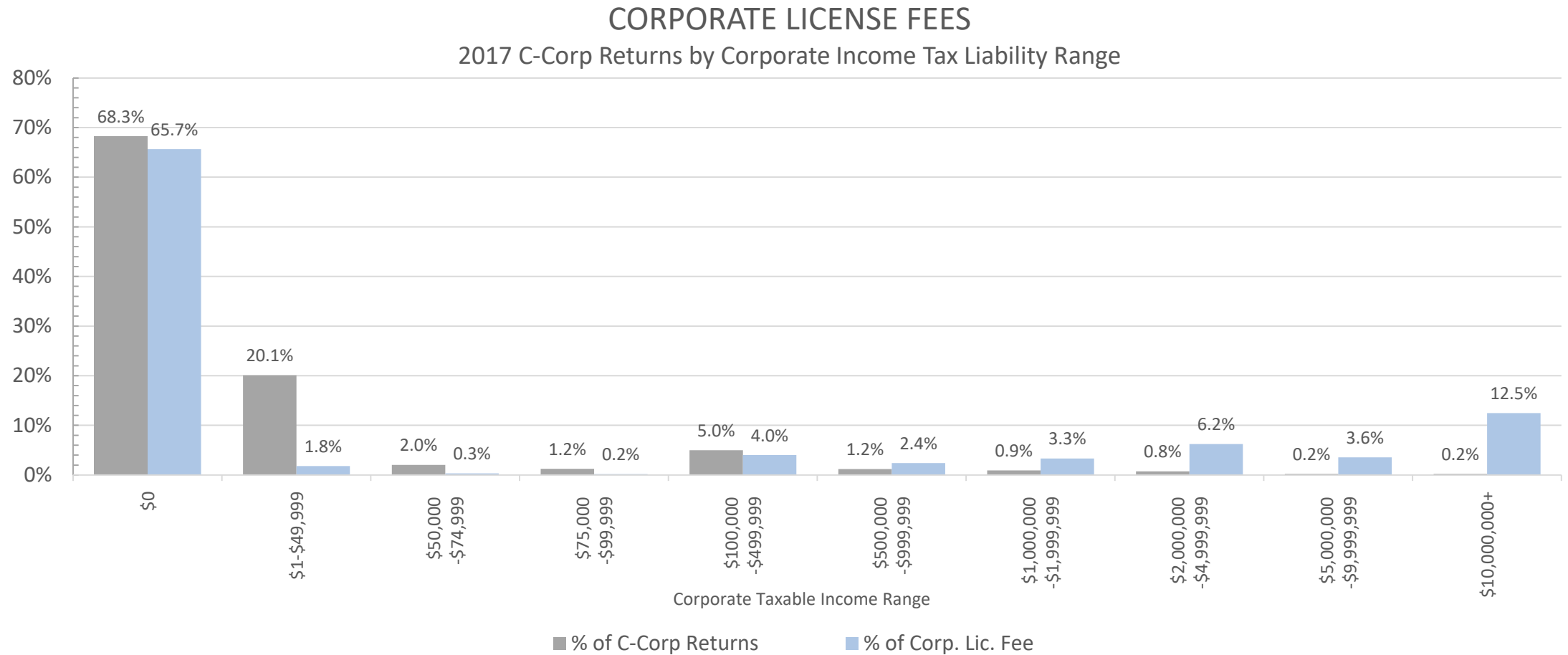
Corporate Income – Revenue History

Projected decline of \$53m in FY 21 and \$23m in FY 22



Corporate License Fees by Corp. Income Tax Liability Range

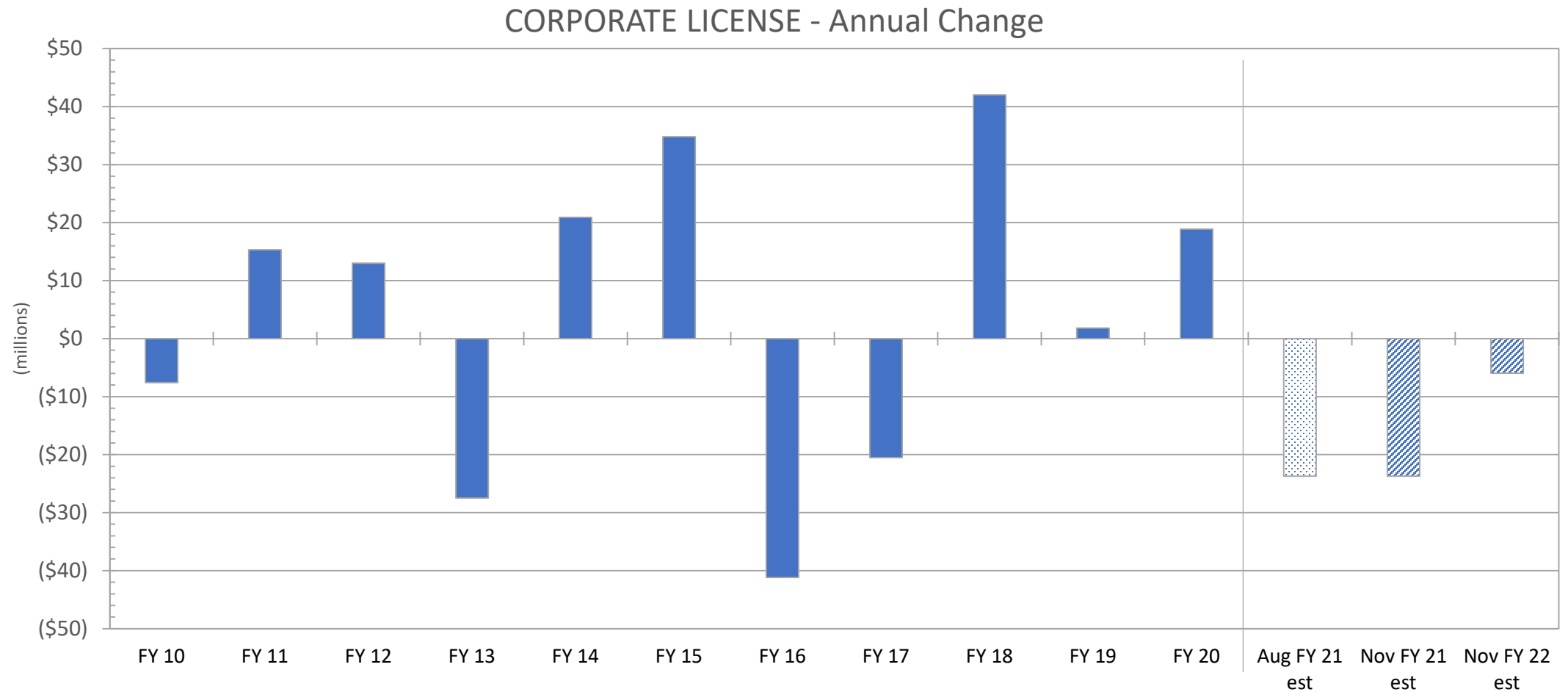
Bulk of license fees paid by corporations with \$0 income tax liability



Source: S.C. Dept. of Revenue C-Corp Returns; Compiled by RFA; 9/1/2020

Corporate License – Revenue History

Projected decline in FY 21 and small additional decline in FY 22



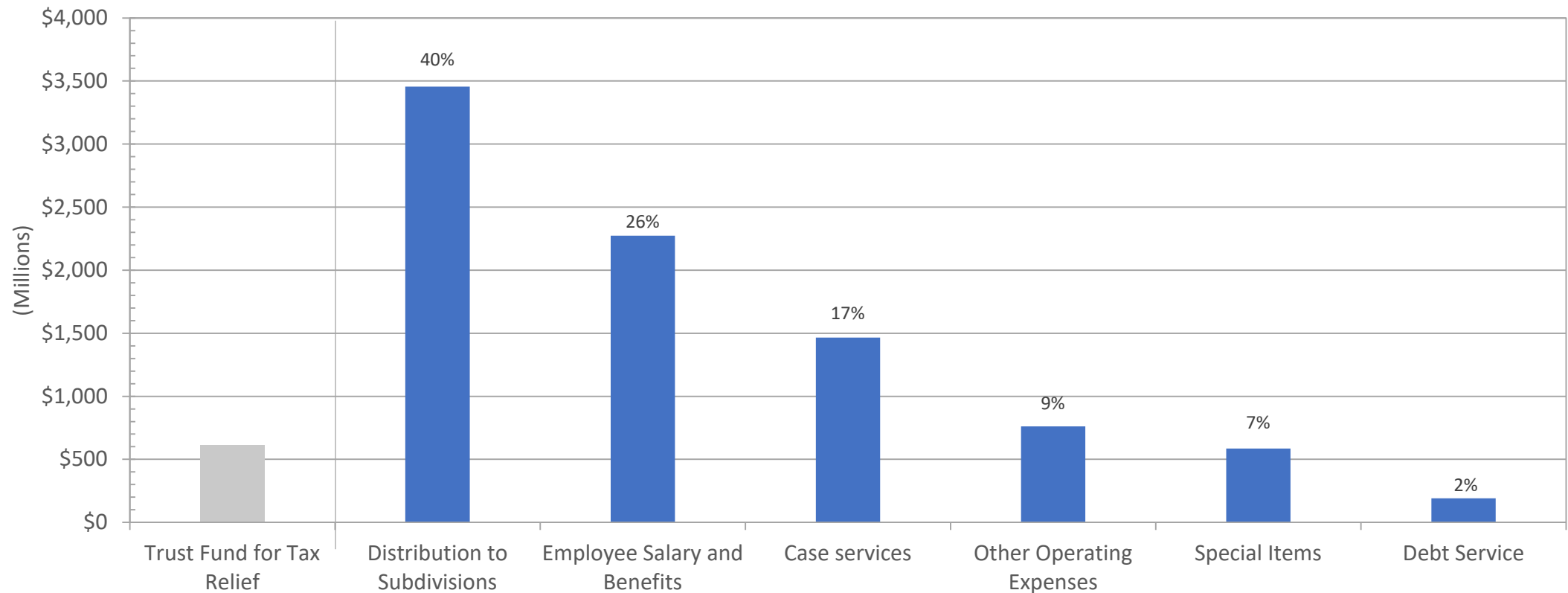
Budget Issues



General Fund Expenditures by Type

Bulk of expenses impact local communities

GENERAL FUND APPROPRIATIONS BY MAJOR BUDGET CATEGORY
FY 2019-20

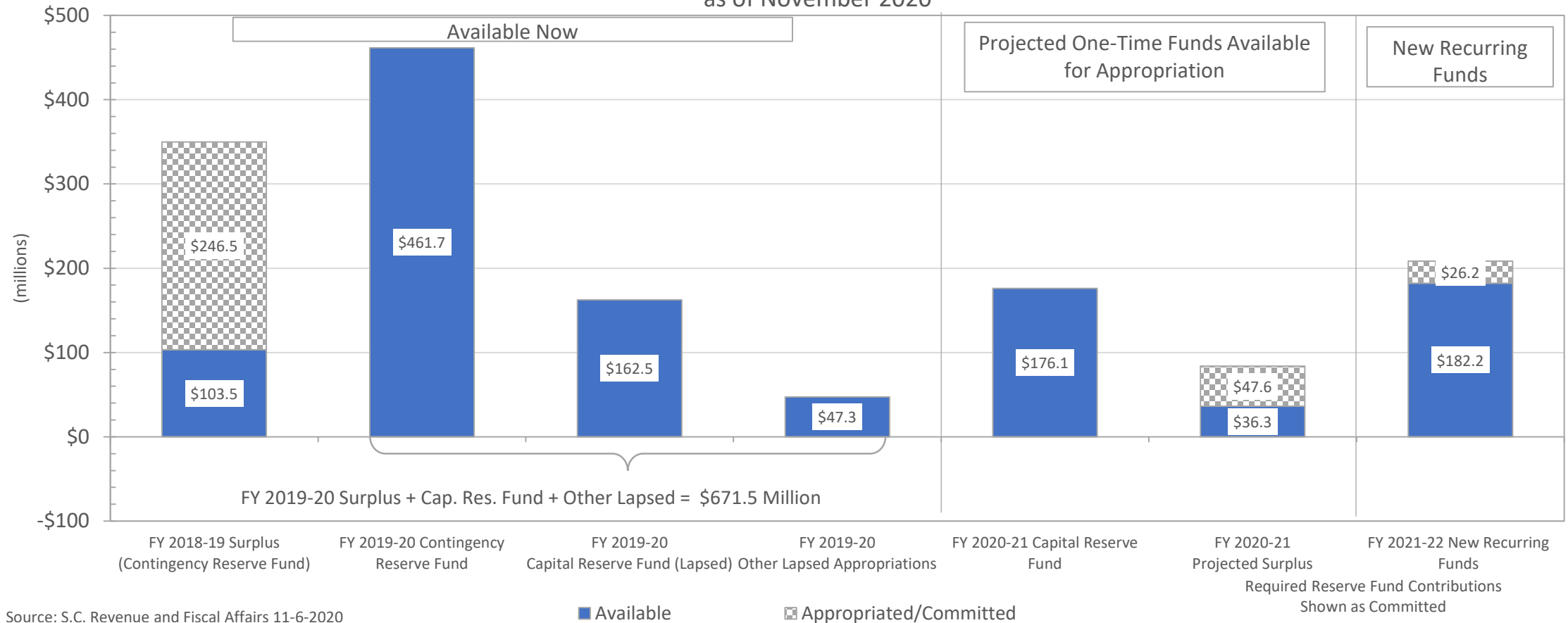


Source: S.C. Revenue and Fiscal Affairs, 195 AM/08/27/2020

FY 2021-22 Available Funds

\$987.4m in one-time funds; \$182.2m new recurring money

AVAILABLE FUNDS - FY 2021-22 BUDGET PROCESS
as of November 2020



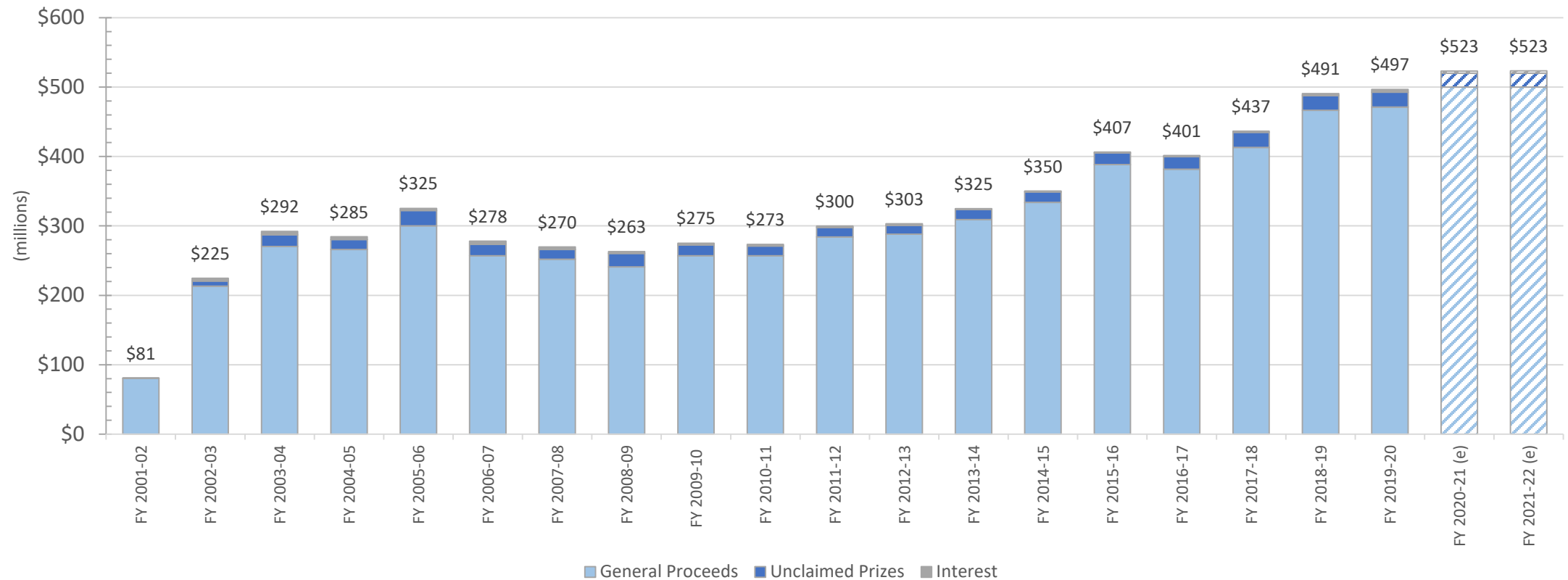
Source: S.C. Revenue and Fiscal Affairs 11-6-2020

SC Education Lottery

Forecasted growth driven by federal stimulus and lack of alternative entertainment options

TRANSFERS TO SC EDUCATION LOTTERY ACCOUNTS

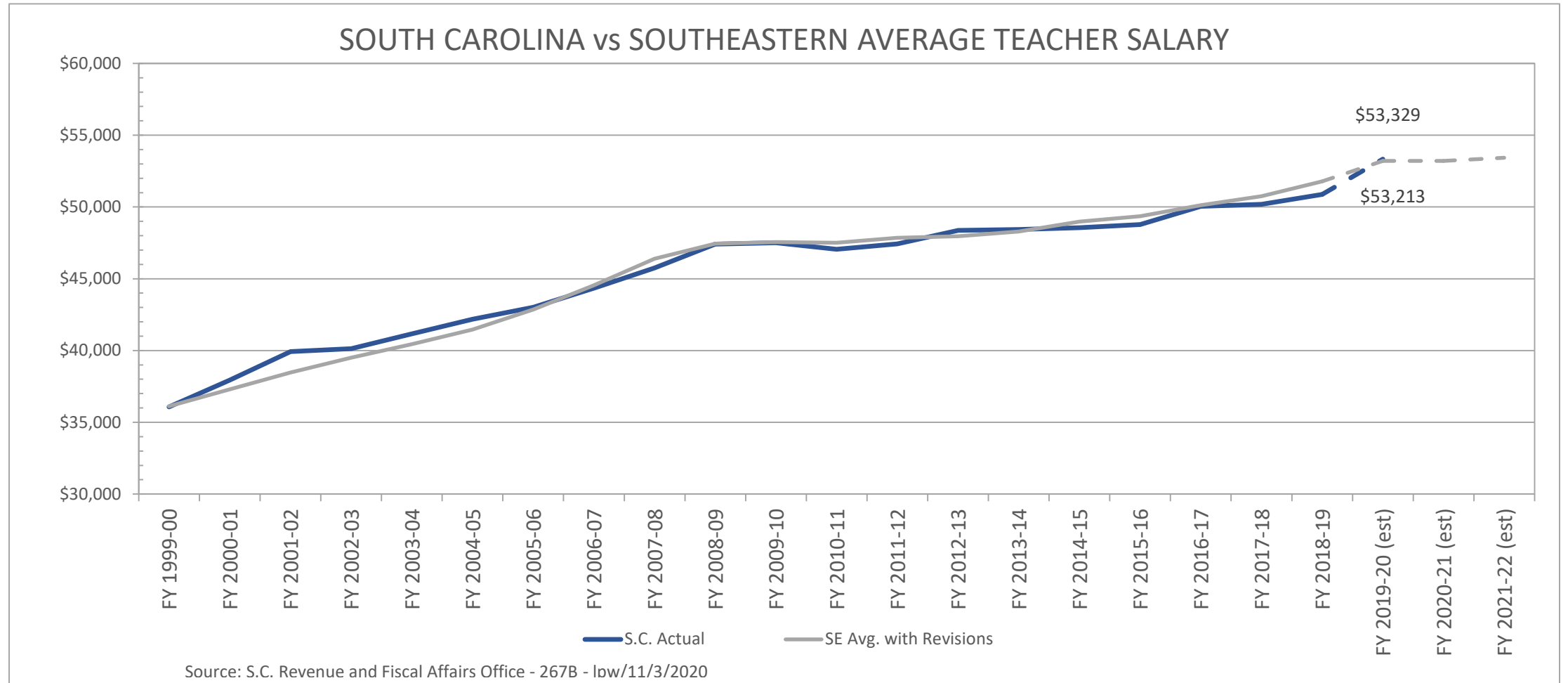
Inception to FY 2021-22 Estimate



Source: South Carolina Revenue and Fiscal Affairs Office RFA/265/lhj/11/16/2020

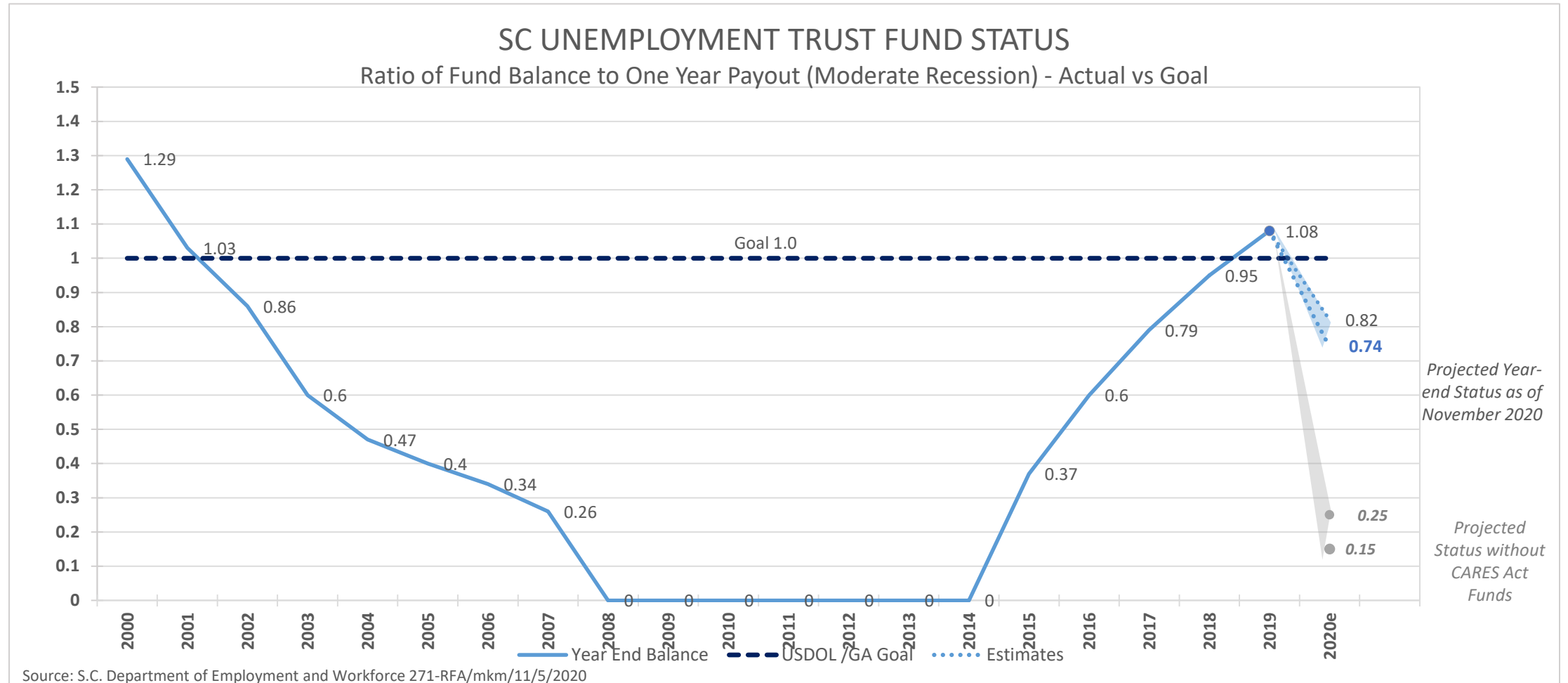
S.C. and Southeastern Teacher Salary

S.C. Teacher Salary projected to be \$116 above SE average in FY 2019-20



Unemployment Trust Fund

Ratio of Fund Balance is projected to be 0.74 to 0.82 at year-end of 2020



Local Government Topics

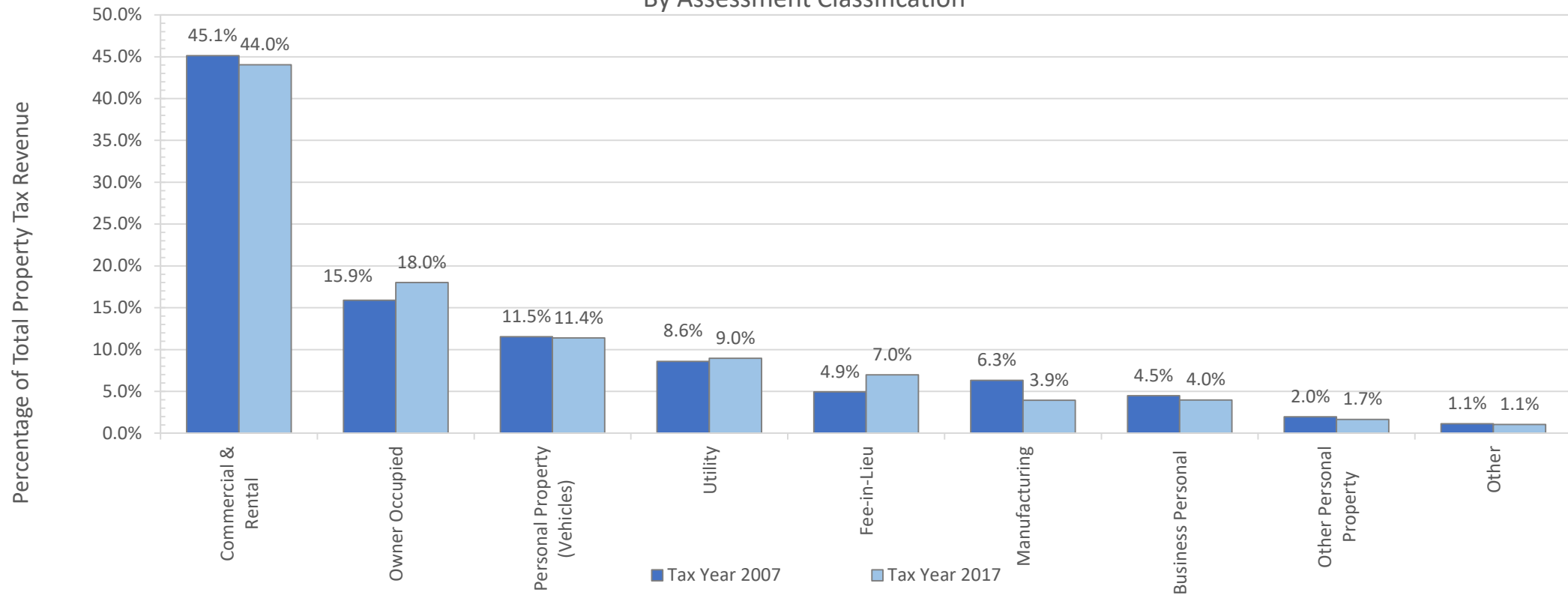


Property Tax Revenue - Percentage by Assessment Class

Faster Real property growth in owner-occupied homes vs. commercial/rental;
shift from manufacturing to fee-in-lieu

ESTIMATED PERCENTAGE OF TOTAL PROPERTY TAX REVENUE

By Assessment Classification



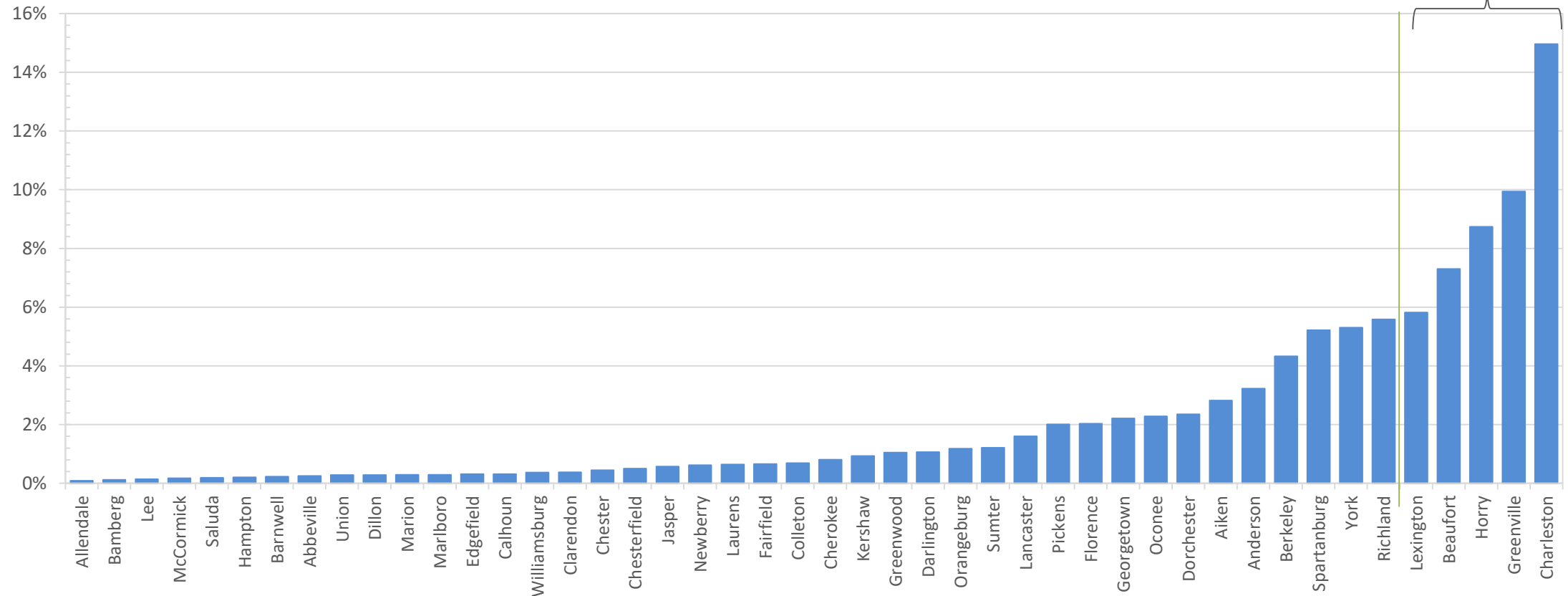
Other: Motor Carrier, Agricultural Real Property (corporate and private)

Source: S.C. Revenue and Fiscal Affairs; Local Government Finance Report; S.C. Department of Revenue, Index of Taxpaying Ability and Local Government Report 288-RFA/mkm/12/20/19

Assessed Value By County

Top 5 counties represent 53% of state property value

ASSESSED VALUE BY COUNTY
As a percent of State Total - Tax Year 2018

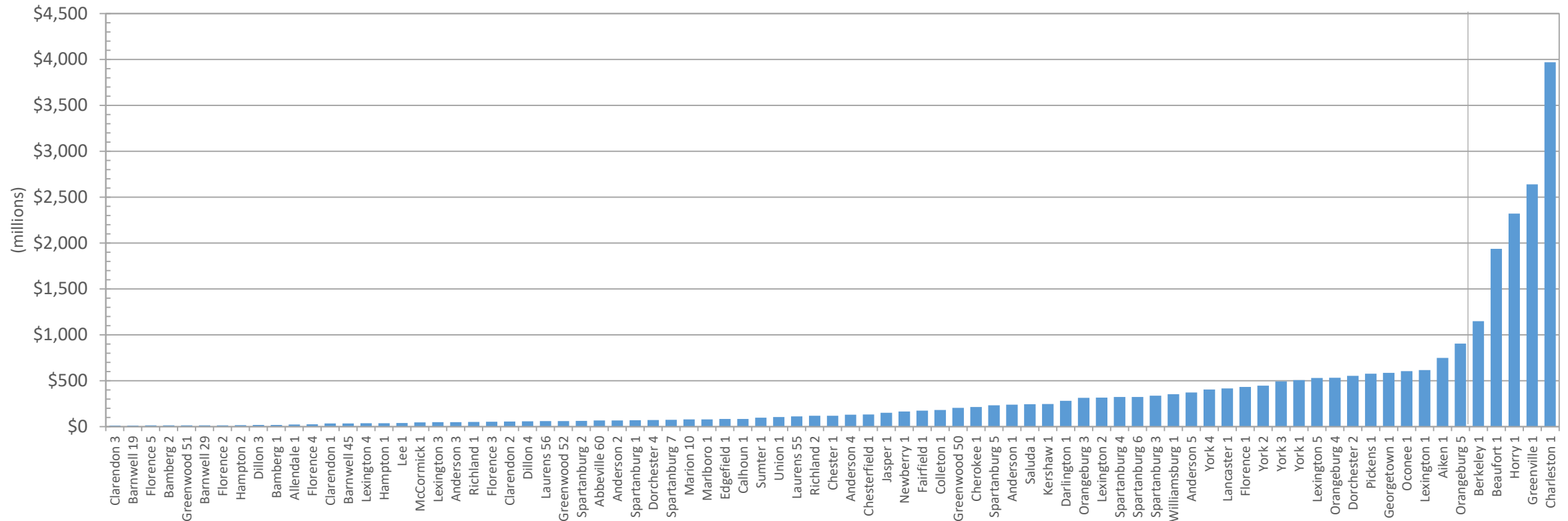


Source: DOR Index of Taxpaying Ability 234-RFA/mkm/02/07/2020

Assessed Value by School District

Top 5 districts represent 43.8% of total property value

TOTAL ASSESSED VALUE BY SCHOOL DISTRICT- TY 2018
Including Owner Occupied



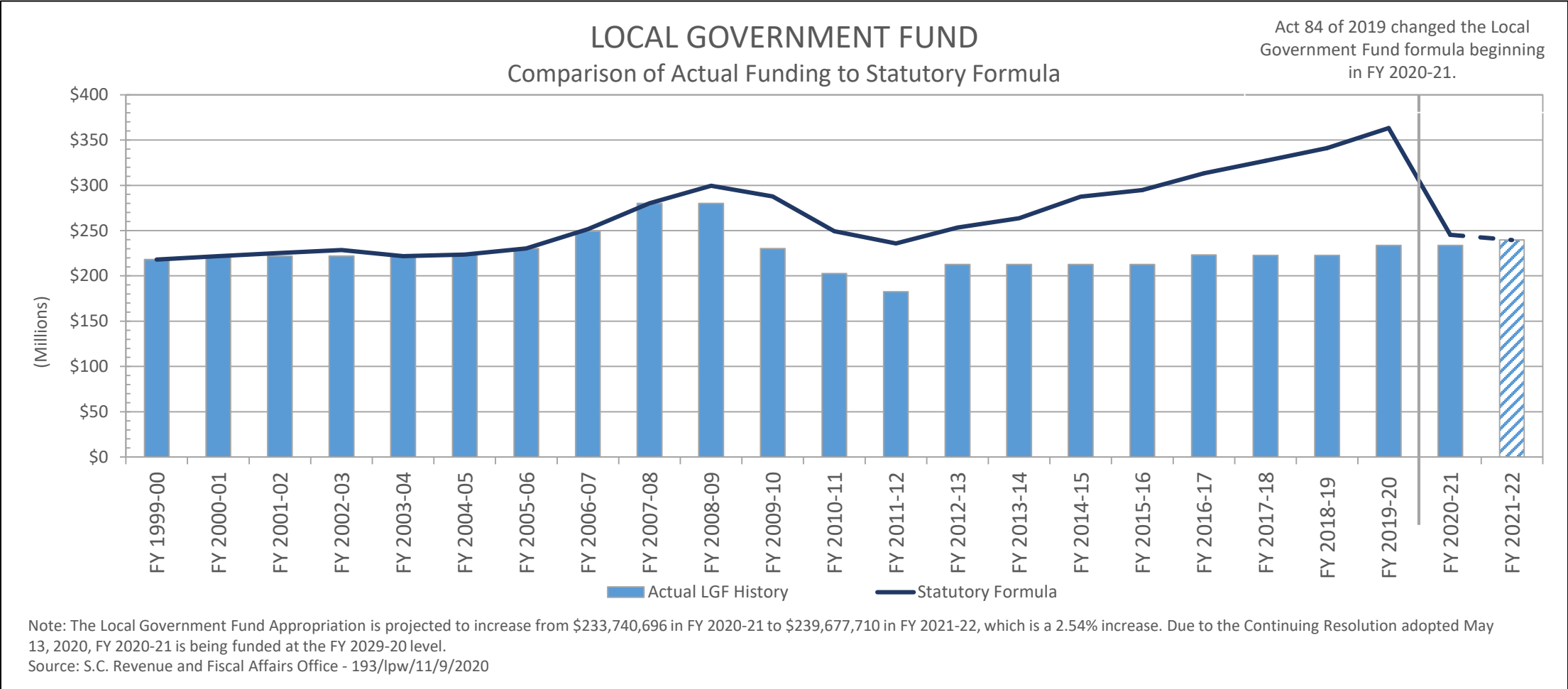
Note: Includes Fee-in Lieu

Source: Department of Revenue Index of Taxpaying Ability 2019 245/lhj/11/19/2020



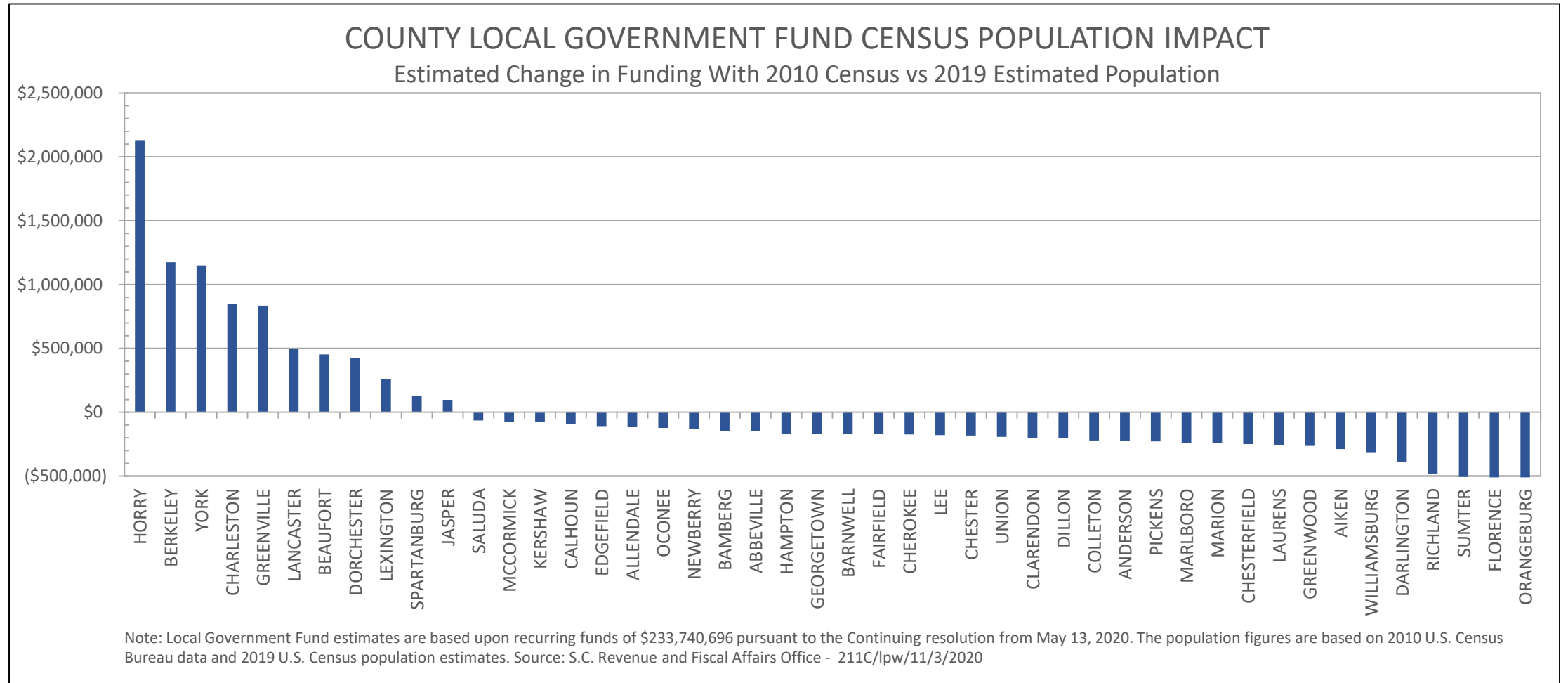
Local Government Fund

New formula increases funding at growth in the General Fund over the budget base



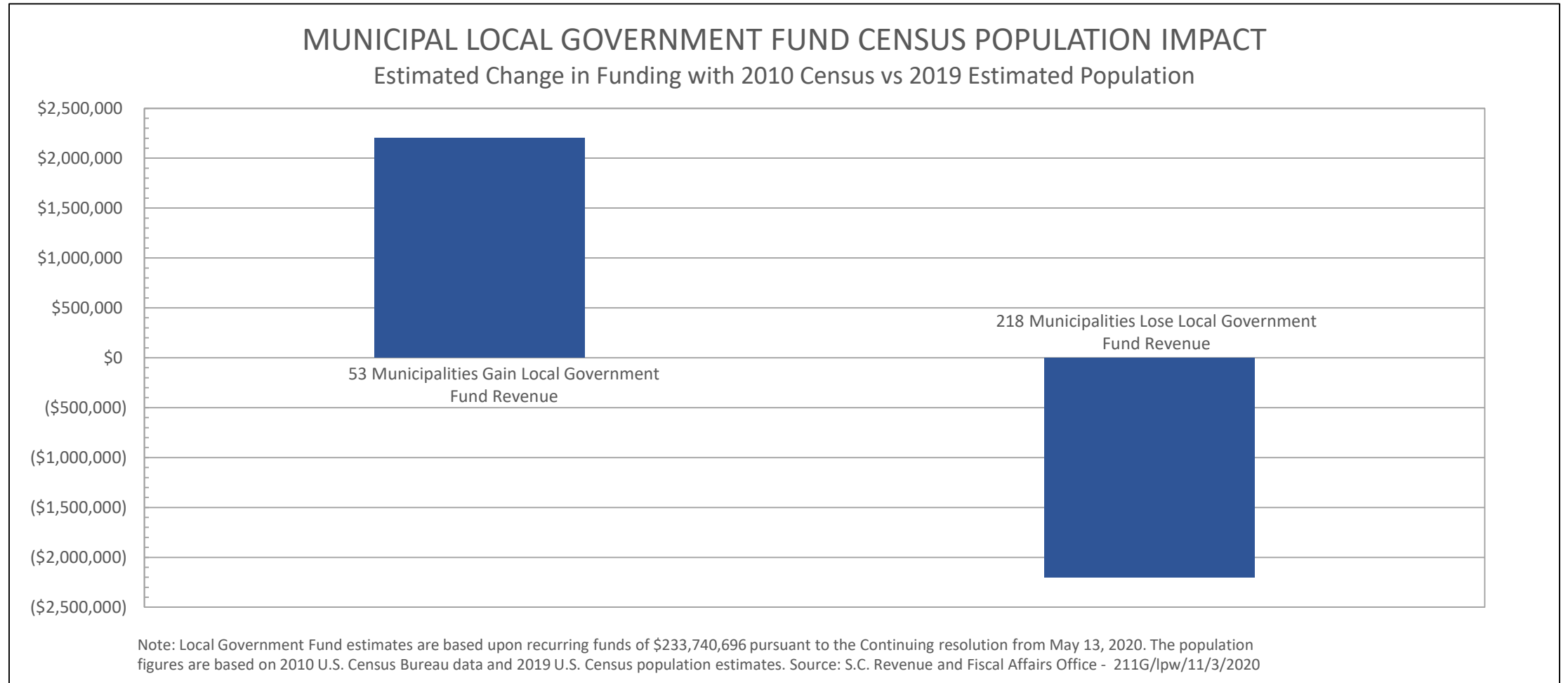
County Local Government Fund Impact

Estimated Change in Local Government Fund Due to Census Population Revision



Municipal Local Government Fund Impact

Estimated Change in Local Government Fund Due to Census Population Revision



Limitations On Increases in Property Tax Millage Rates

§6-1-320

- Inflation
 - 1.81%
- Population Change
 - Ranges from (2.69%) to 3.18%
 - If population declines, then deemed 0%: 18 counties
 - Note – Annexation is not population growth
- Total limit ranges from 0% to 4.99%

(all figures for FY 2020-21)

Other Issues in Local Government Finances

- Business License Fee Portal §§6-1-400 & 420
 - Act 176 of 2020
 - Requires RFA to manage and host portal for local Business License Taxes (2022)

Other Tax Issues



RFA – Tax and Other Fiscal Calculations

- Volunteer Deductions §12-6-1140(10)
 - Max \$3,000 not to exceed \$3,100,000 in total deductions
- Statewide Average Millage Rates §§12-37-2150, 2450, & 2850
 - Applies to private car lines, aircraft, and motor carriers
 - Fiscal Year 2018-19: 338.5
 - Fiscal Year 2019-20: 342.4
 - Fiscal Year 2020-21: 346.8

RFA – Tax and Other Fiscal Calculations (Continued)

- Motor Fuel User Fee Credit §12-6-3780
 - Total credits subject to annual limitation
 - Tax Year 2018: 3 cents per gallon (63.4% proration)
 - Tax Year 2019: 5 cents per gallon (78.6% proration)
 - Tax Year 2020: 7 cents per gallon (100% proration)

Job Tax Credit - Final Tier Rankings

Credit amount ranges from \$25,000 per job to \$1,500 per job

Tier IV (formerly "Distressed")	Tier III (formerly "Under Developed")	Tier II (formerly "Moderately Developed")	Tier I (formerly "Developed")
Allendale	Abbeville	Aiken	Anderson
Bamberg	Calhoun	Edgefield	Beaufort
Barnwell	Cherokee	Florence	Berkeley
Chester	Chesterfield	Georgetown	Charleston
Clarendon	Colleton	Greenwood	Dorchester
Dillon	Darlington	Kershaw	Greenville
Lee	Fairfield	Lancaster	Lexington
Marion	Hampton	Newberry	Richland
Marlboro	Horry	Oconee	Spartanburg
Orangeburg	Jasper	Pickens	York
Union	Laurens	Saluda	
Williamsburg	McCormick	Sumter	
Tax Credit Amount Per Job			
Tier IV (formerly "Distressed")	Tier III (formerly "Under Developed")	Tier II (formerly "Moderately Developed")	Tier I (formerly "Developed")
\$25,000	\$20,250	\$2,750	\$1,500

Job Tax Credit Calculations

Counties ranked by 3-year average unemployment rate and per capita income

County	Avg. Unemployment Rate (Oct 2016-Sept 2019)	Ranking
Bamberg	6.81%	1
Allendale	6.24%	2
Orangeburg	6.23%	3
Fairfield	6.19%	4
Marion	6.16%	5
Marlboro	5.79%	6
Williamsburg	5.66%	7
Barnwell	5.25%	8
Chester	5.22%	9
Dillon	5.09%	10
Clarendon	5.07%	11
Lee	5.07%	12
Georgetown	4.82%	13
Calhoun	4.58%	14
Darlington	4.52%	15
Union	4.51%	16
Horry	4.44%	17

County	Income Per Capita 2015	Income Per Capita 2016	Income Per Capita 2017	2015-2017 PCI Average	Rank
Dillon	\$25,265	\$26,350	\$27,111	\$26,242	1
Jasper	\$26,474	\$27,181	\$27,762	\$27,139	2
Chesterfield	\$27,703	\$28,410	\$29,559	\$28,557	4
Marlboro	\$27,272	\$28,669	\$29,861	\$28,601	3
Marion	\$28,397	\$28,969	\$30,157	\$29,174	6
Allendale	\$27,732	\$29,505	\$30,946	\$29,394	5
Hampton	\$28,413	\$29,657	\$30,861	\$29,644	8
Lee	\$27,796	\$30,192	\$31,616	\$29,868	7
Williamsburg	\$28,937	\$30,242	\$31,735	\$30,305	9
Cherokee	\$29,973	\$30,346	\$31,313	\$30,544	10
Union	\$30,442	\$30,614	\$31,858	\$30,971	11
Clarendon	\$30,172	\$30,919	\$32,037	\$31,043	12
Bamberg	\$30,295	\$31,292	\$31,881	\$31,156	13
Barnwell	\$30,750	\$31,418	\$32,428	\$31,532	16
Orangeburg	\$30,733	\$31,657	\$32,668	\$31,686	15
Chester	\$30,945	\$31,451	\$32,667	\$31,688	14
Abbeville	\$30,928	\$31,785	\$33,044	\$31,919	17

Job Tax Credit Calculations (Continued)

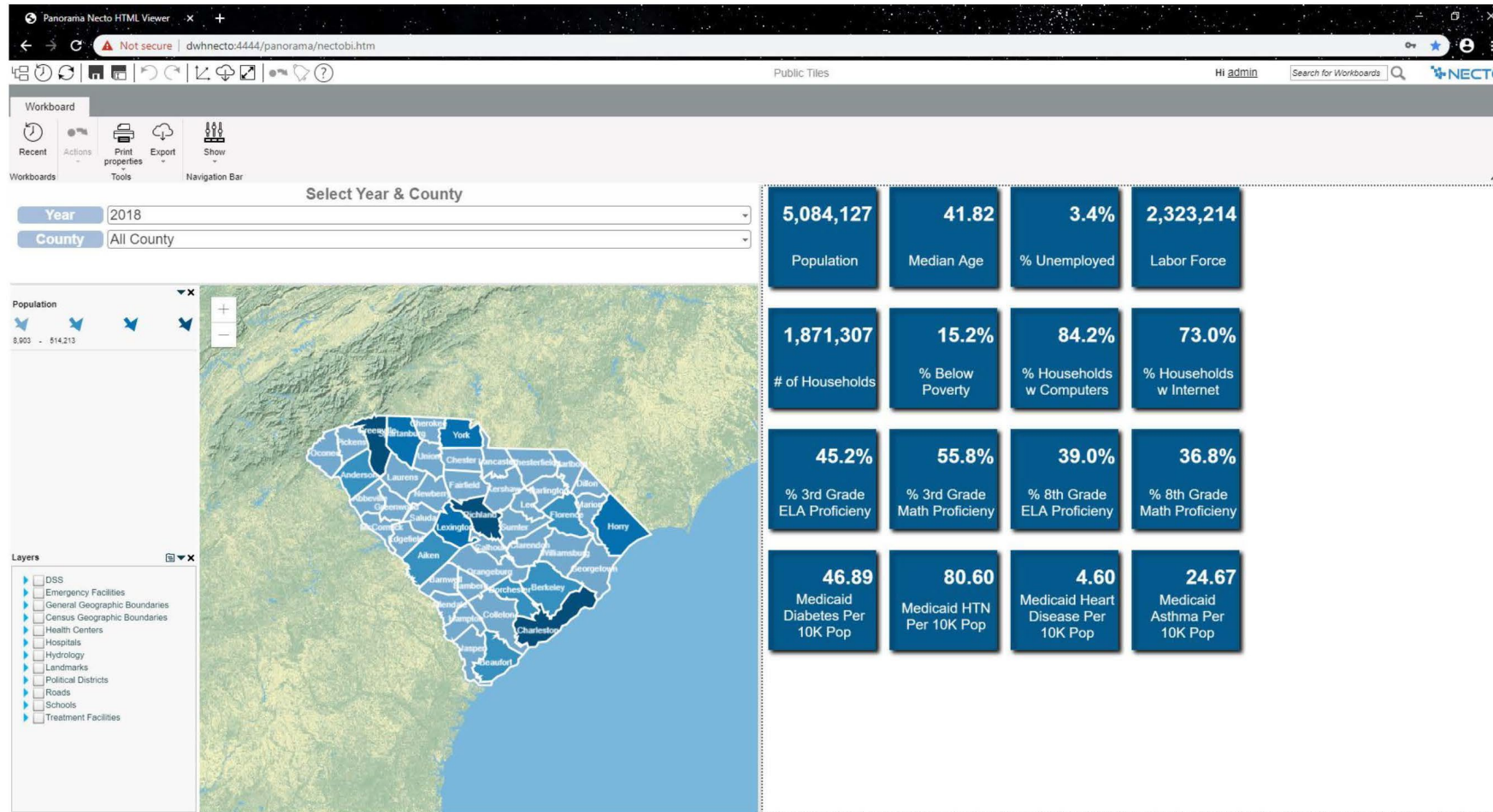
Overall Rankings Determine Tier Level

County	Avg. Unemployment Rate 2016-2019	Rank	Avg. Per Capita Income 2015-2017	Rank	Avg. Rank	Overall Rank	Tier
Allendale	6.24%	2	\$29,394	5	3.5	1	IV
Marlboro	5.79%	6	\$28,601	3	4.5	2	IV
Dillon	5.09%	10	\$26,242	1	5.5	3	IV
Marion	6.16%	5	\$29,174	6	5.5	3	IV
Bamberg	6.81%	1	\$31,156	13	7	5	IV
Williamsburg	5.66%	7	\$30,305	9	8	6	IV
Orangeburg	6.23%	3	\$31,686	15	9	7	IV
Lee	5.07%	12	\$29,868	7	9.5	8	IV
Chester	5.22%	9	\$31,688	14	11.5	9	IV
Clarendon	5.07%	11	\$31,043	12	11.5	9	IV
Barnwell	5.25%	8	\$31,532	16	12	11	IV
Union	4.51%	16	\$30,971	11	13.5	12	IV

Auditing Topics

- 9-1-1 Audits §23-47-50(E)
 - Requires the “emergency telephone system” fund be included in the audit of the local governments
 - RFA must regularly review audits and report any findings or concerns to the board
 - Funds may be withheld if audits are not submitted or findings are not corrected
- Local Government Financial Report §6-1-50
 - Reports Due by March 15
 - Potential penalty of withholding 10 percent of state funding

Under Development – RFA online data tool



ANY
QUESTIONS
?