

South Carolina General Fund Revenue Forecast FY 2020-21 and FY 2021-22



February 12, 2021

FY 2020-21 General Fund Revenue Updates



January Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - JANUARY FY 2020-21

(\$ in Millions)

	Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate Full Yr.	Actual YTD		Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate Full Yr.	Actual YTD
Total General Fund Revenue	\$6,268.4	\$5,828.1	\$440.2	(3.5%)	4.7%	Other Revenue Items, Sub-Total	\$446.9	\$419.0	\$28.0	(11.0%)	(7.9%)
Sales Tax	1,823.8	1,685.1	138.7	2.6%	6.9%	Admissions Tax	9.1	8.7	0.4	(2.0%)	(27.0%)
Individual Income Tax	3,654.0	3,432.0	222.0	(6.5%)	3.7%	Alcoholic Liquors Tax	47.7	43.1	4.6	2.5%	13.5%
Withholdings	3,439.0	3,337.6	101.4	1.3%	4.4%	Bank Tax	7.6	25.0	(17.4)	(31.3%)	(80.4%)
Nonwithholdings	674.1	587.1	87.1	(6.1%)	11.3%	Beer and Wine Tax	59.6	57.6	1.9	1.2%	4.3%
Refunds	459.1	492.7	(33.5)	16.8%	22.5%	Corporate License Tax	122.7	93.6	29.1	(18.1%)	7.3%
Corporate Income Tax	186.9	139.9	47.0	(12.4%)	22.4%	Doc. Tax (Deed Rec.)	56.2	47.6	8.6	11.4%	31.5%
Insurance Tax	156.7	152.1	4.6	16.0%	34.3%	Earnings on Investments	36.1	44.2	(8.1)	(35.0%)	(46.9%)
Other Revenue Items, Sub-Total	446.9	419.0	28.0	(11.0%)	(7.9%)	Residual Revenue	107.9	99.0	8.9	(5.2%)	(1.6%)

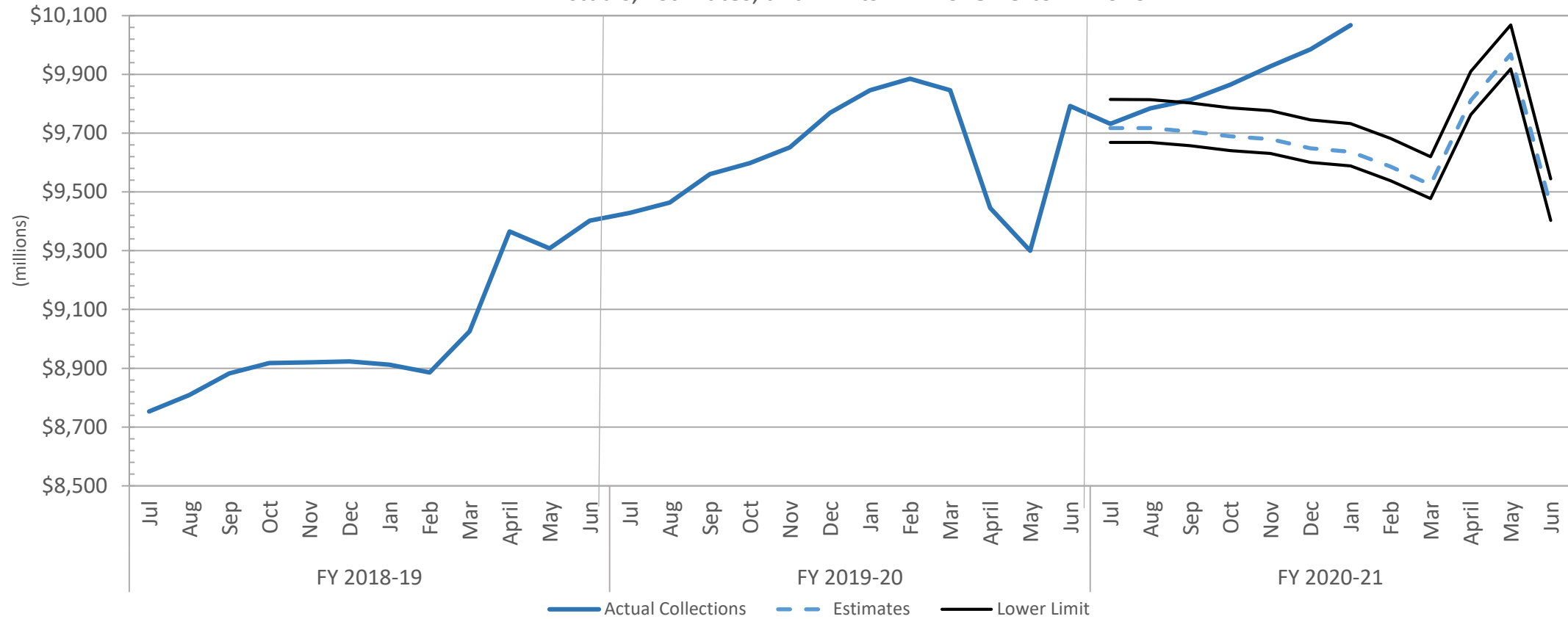
Based on BEA Forecast as of November 10, 2020

General Fund – Actuals vs. Estimates

Revenues are growing faster than expected and are \$440.2 million above the estimate

ROLLING FISCAL YEAR - TOTAL GENERAL FUND REVENUE

Actuals, Estimates, and Limits - FY 2018-19 to FY 2020-21

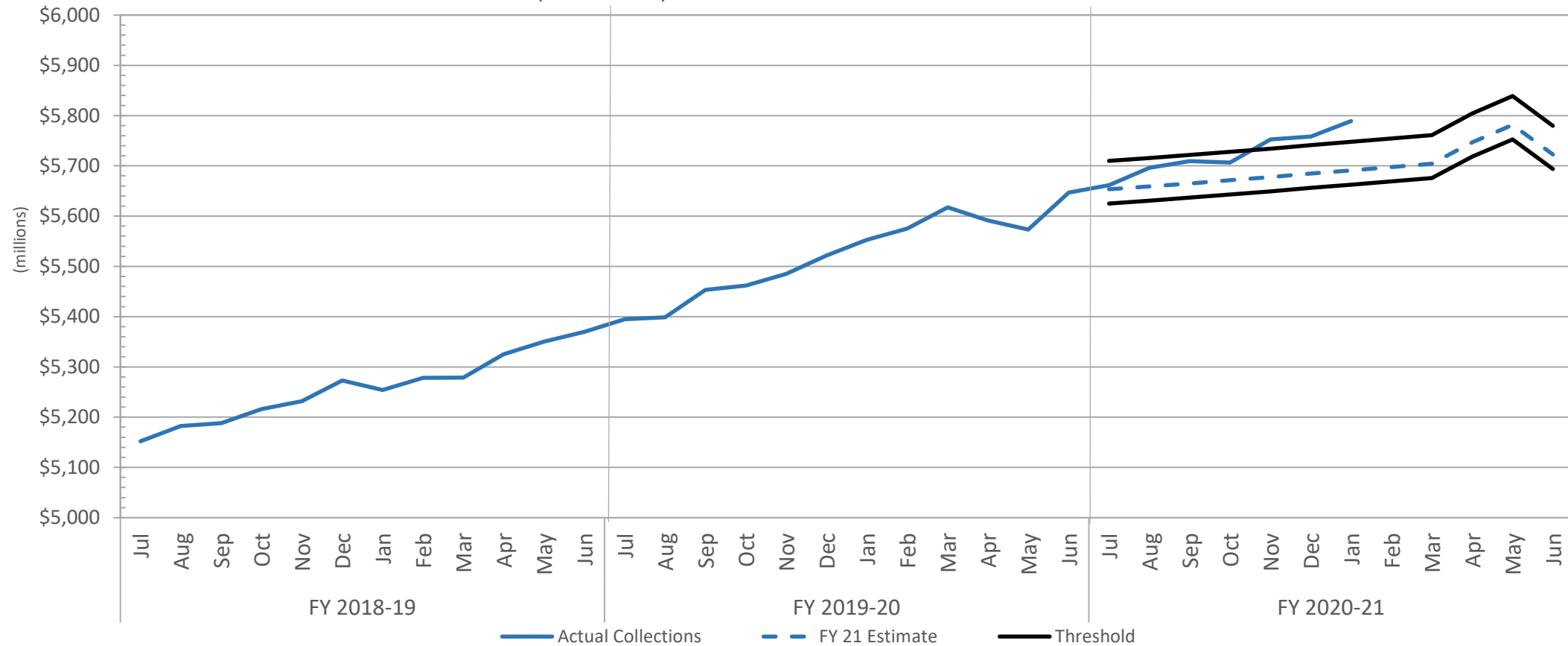


Individual Income Tax – Withholdings

Withholdings collections are 3.0% above the estimate as of January 2020

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

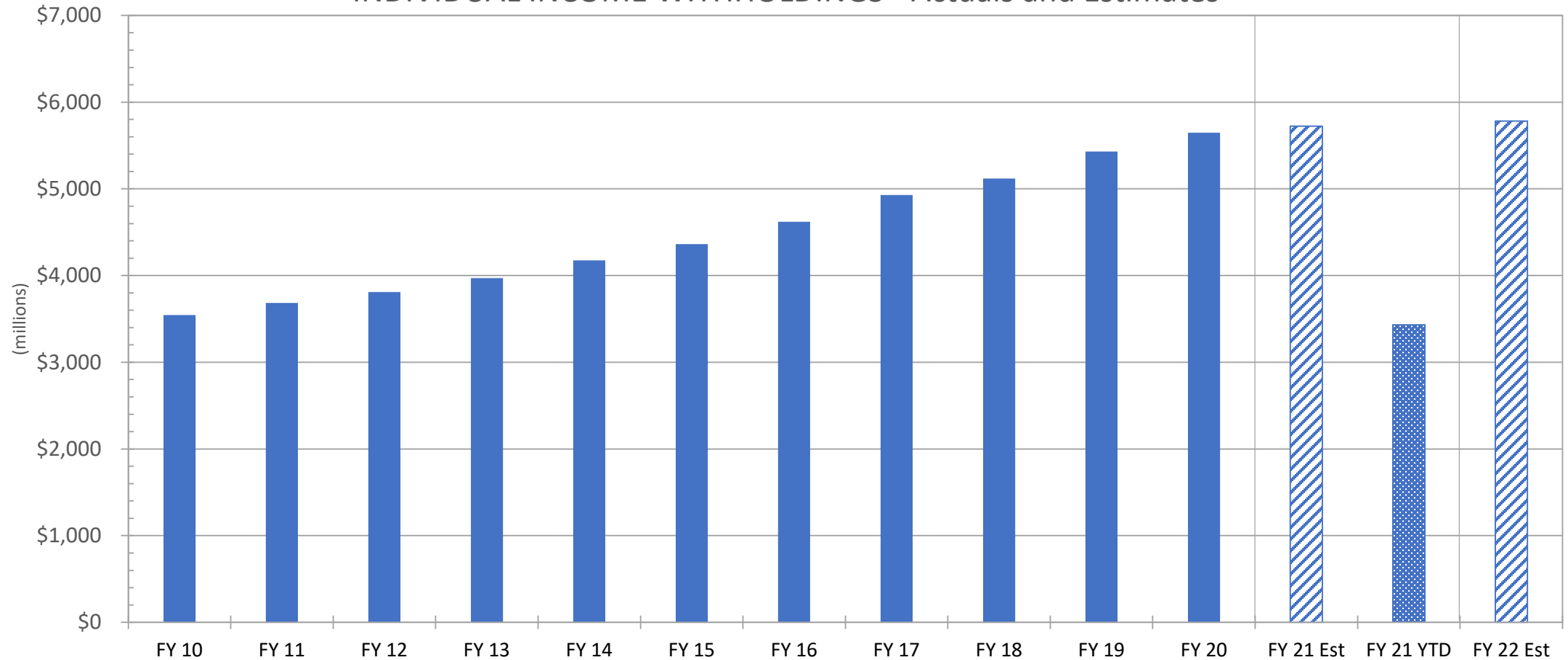
Actuals, Estimates, and Thresholds - FY 2018-19 to FY 2020-21



Individual Income Tax Withholdings – YTD vs. Annual Estimates

60.1% of total anticipated revenue has been collected

INDIVIDUAL INCOME WITHHOLDINGS - Actuals and Estimates

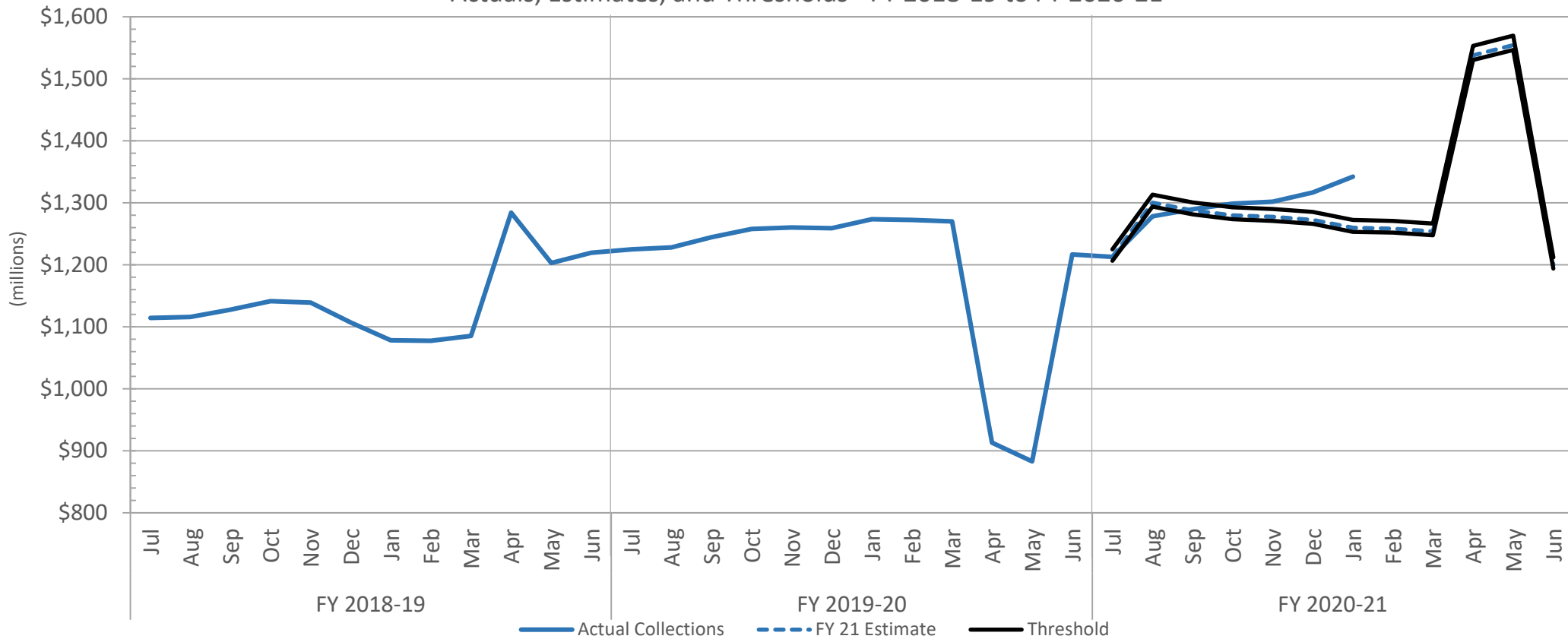


Non-Withholdings - Actual vs. Estimate

Collections YTD are **11.3%** above last year and **14.8%** above the estimate

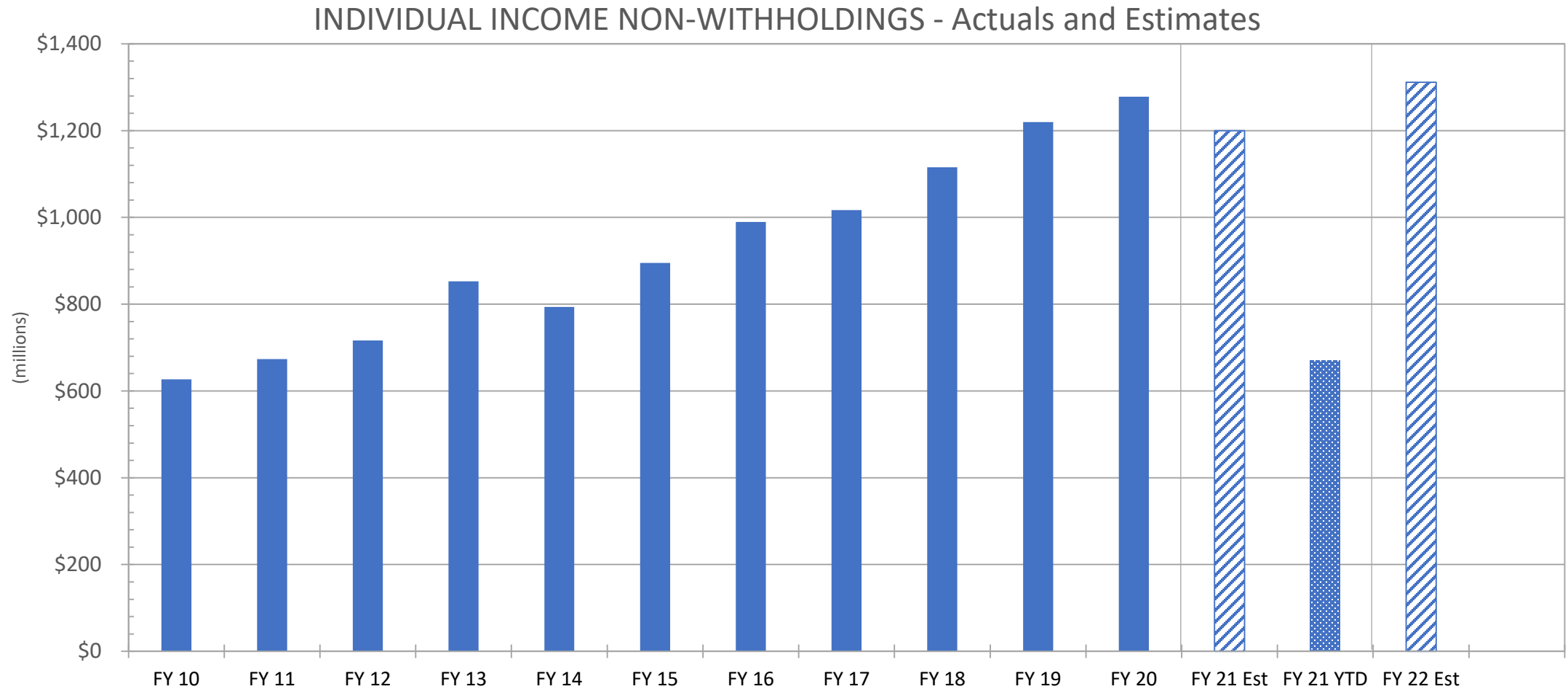
ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actuals, Estimates, and Thresholds - FY 2018-19 to FY 2020-21



Total Non-Withholdings – Actuals and Estimates

56.2% of expected revenues have been collected

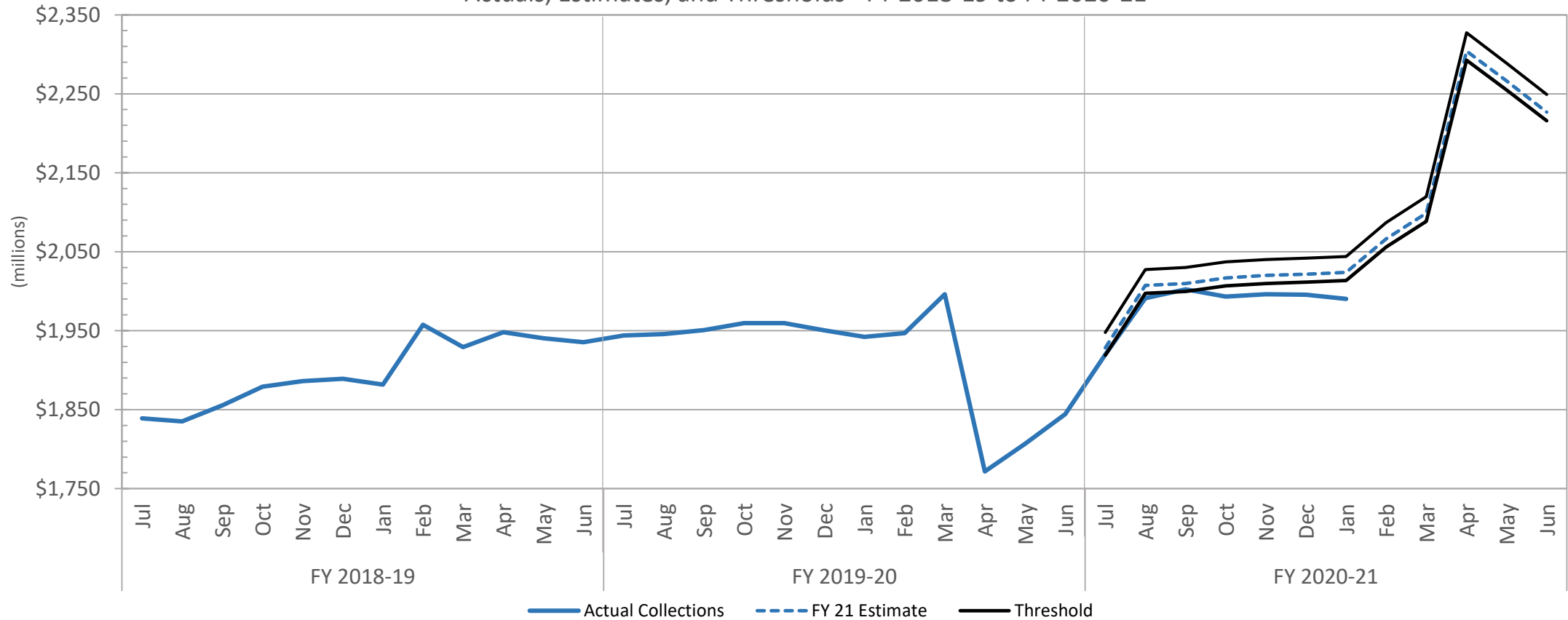


Refunds - Actual vs. Estimate

Processed refunds are \$33.5m under the estimate but majority yet to come

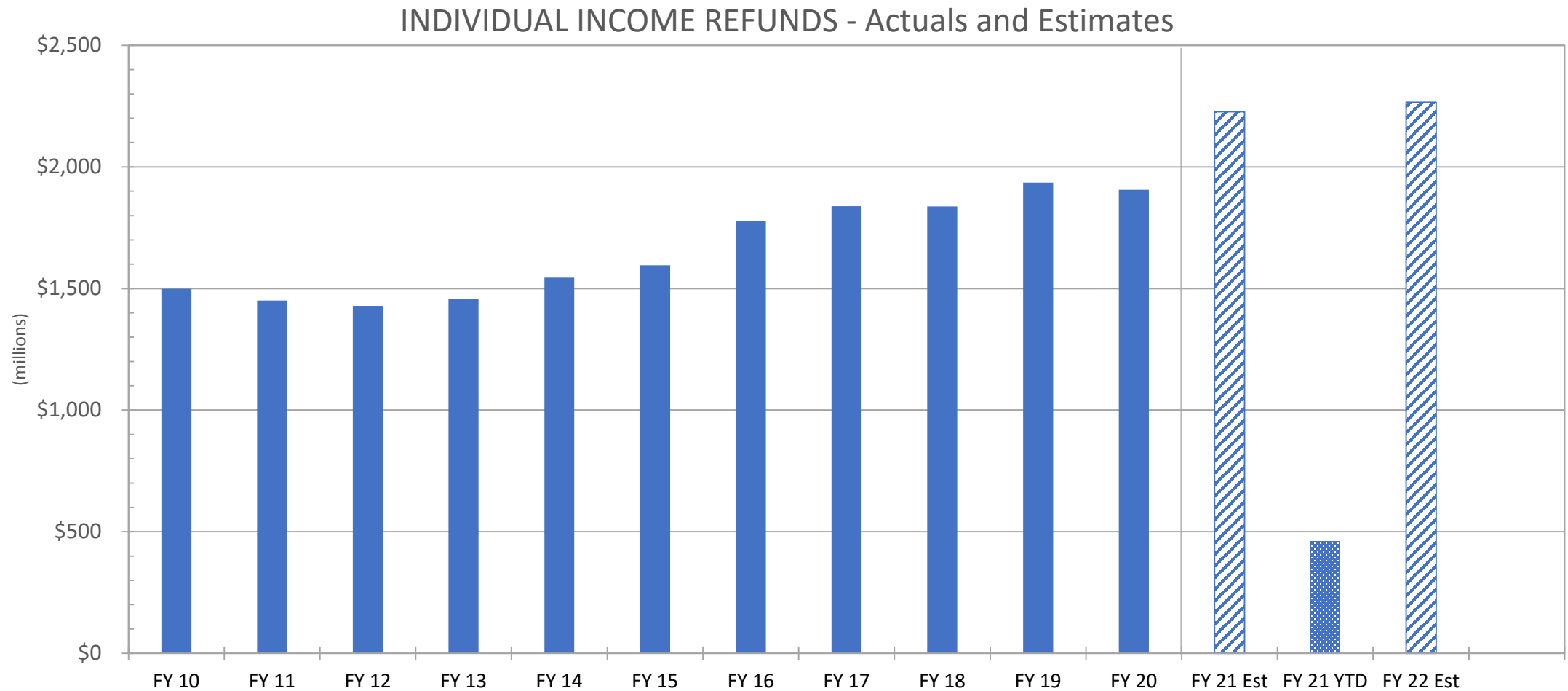
ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

Actuals, Estimates, and Thresholds - FY 2018-19 to FY 2020-21



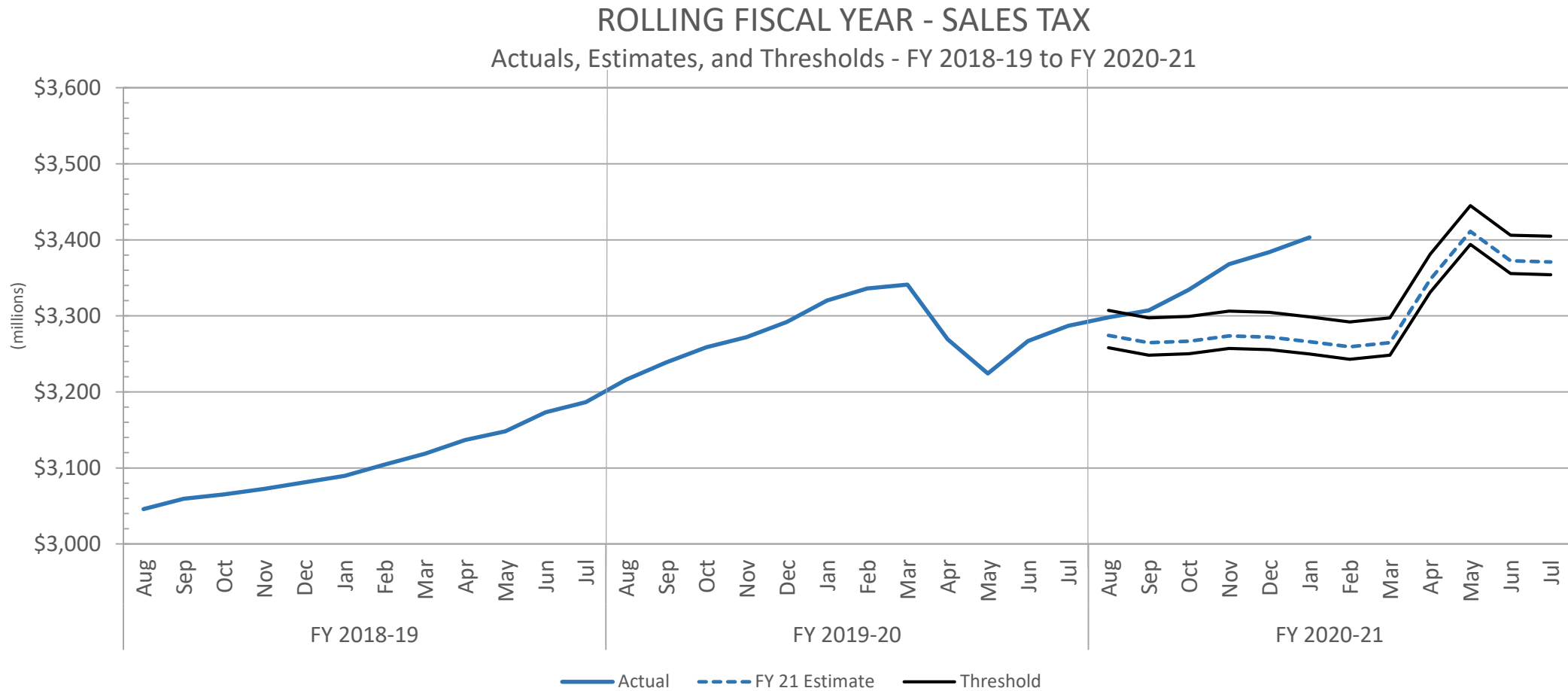
Total Refunds – Actuals and Estimates

20.6% of expected refunds have been processed, but this mirrors a normal year after accounting for delayed refunds from the previous fiscal year



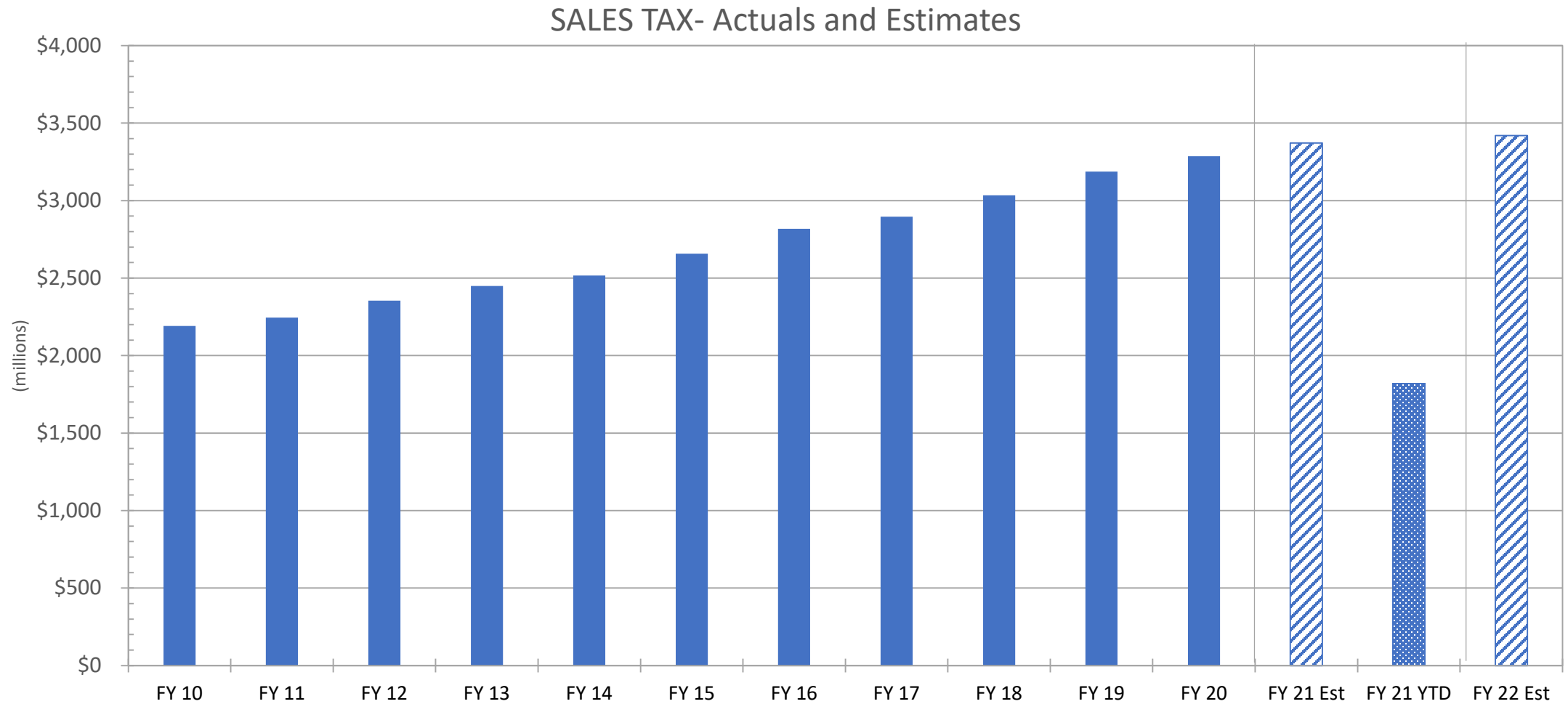
Sales Tax – Actuals vs. Estimates

Strong sales continued into January, bringing revenue \$138.7m above the estimate YTD



Sales Tax Revenue – YTD vs. Annual Estimates

As of January, 54.1% of total anticipated revenues for FY 2020-21 have been collected

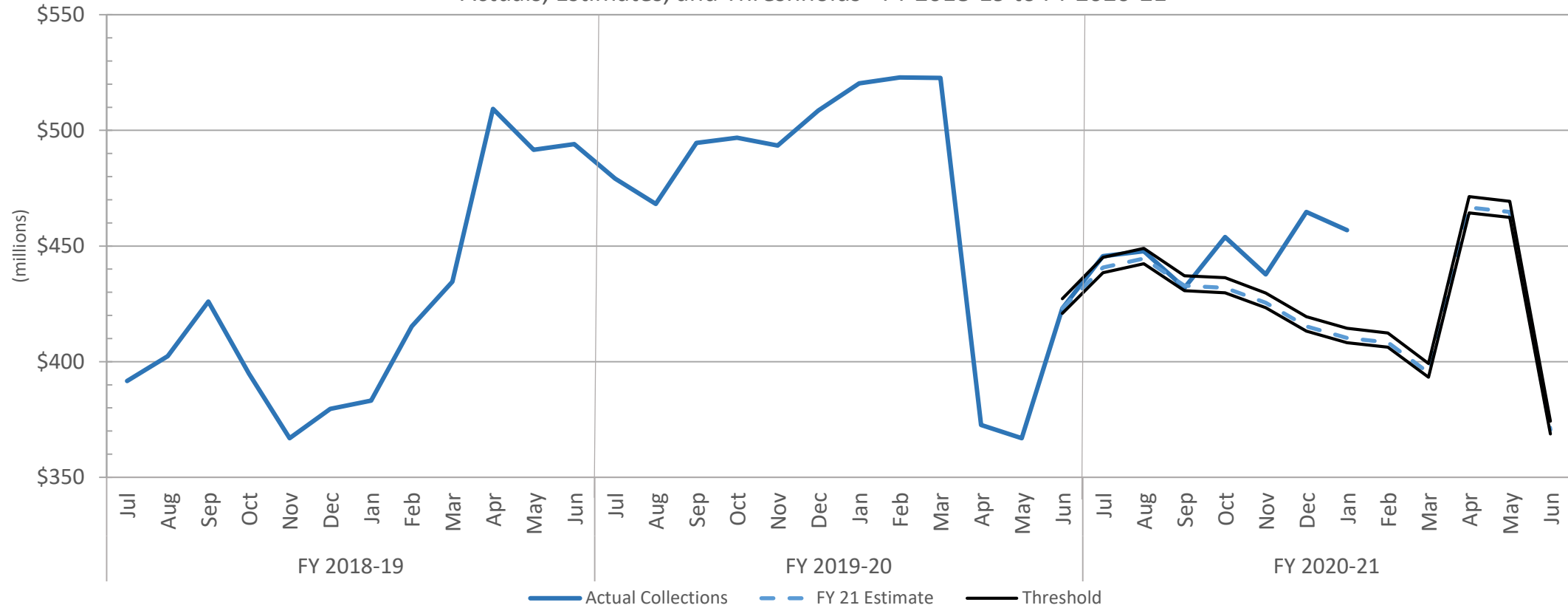


Corporate Income Tax - Actuals vs. Estimates

Despite slower than expected collections in January, CIT remains \$47.0m ahead of estimates

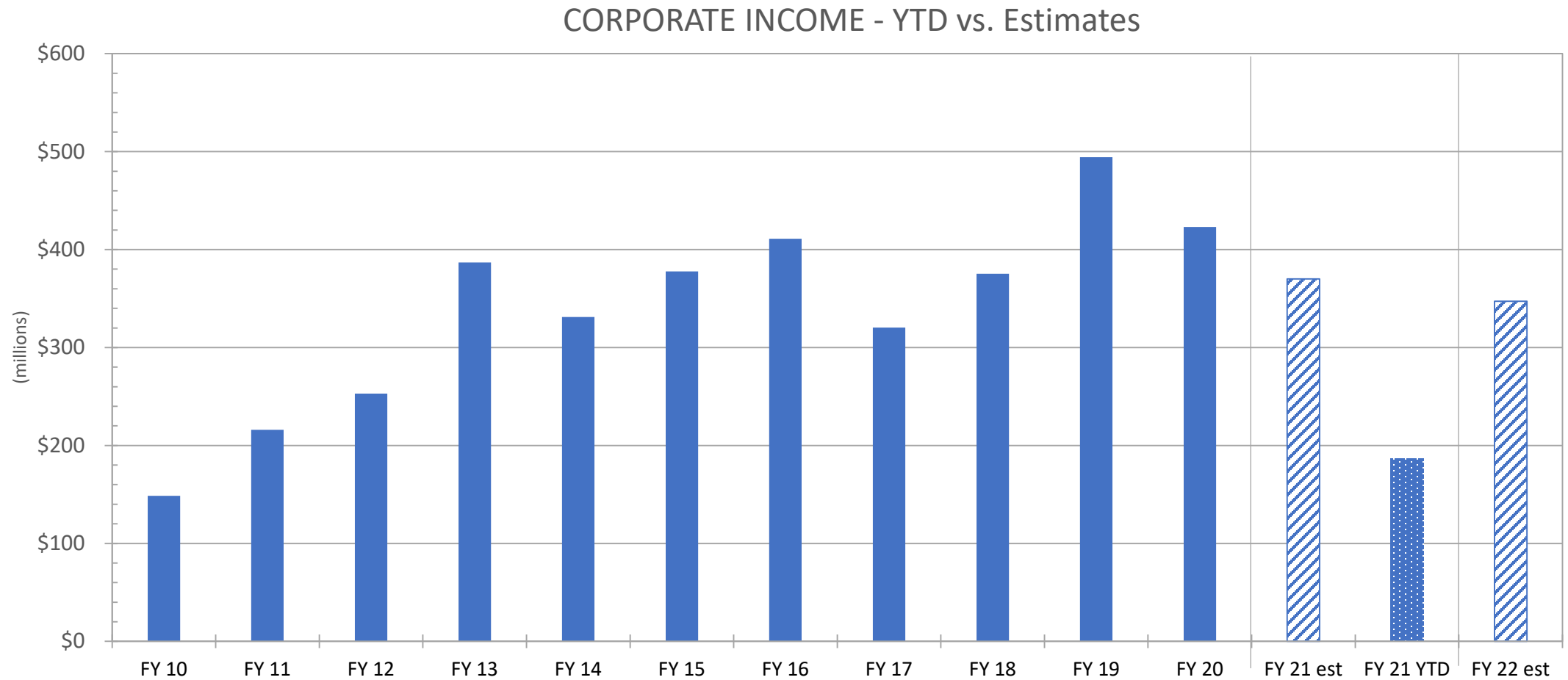
ROLLING FISCAL YEAR - CORPORATE INCOME TAX

Actuals, Estimates, and Thresholds - FY 2018-19 to FY 2020-21



Corporate Income Tax – YTD vs Estimates

50.4% of total anticipated revenue has been collected



Review of Economic Assumptions



Forecast Assumptions – November 2020

Personal Income

- Lower than normal wage growth
- No additional stimulus post-November 2020

Employment

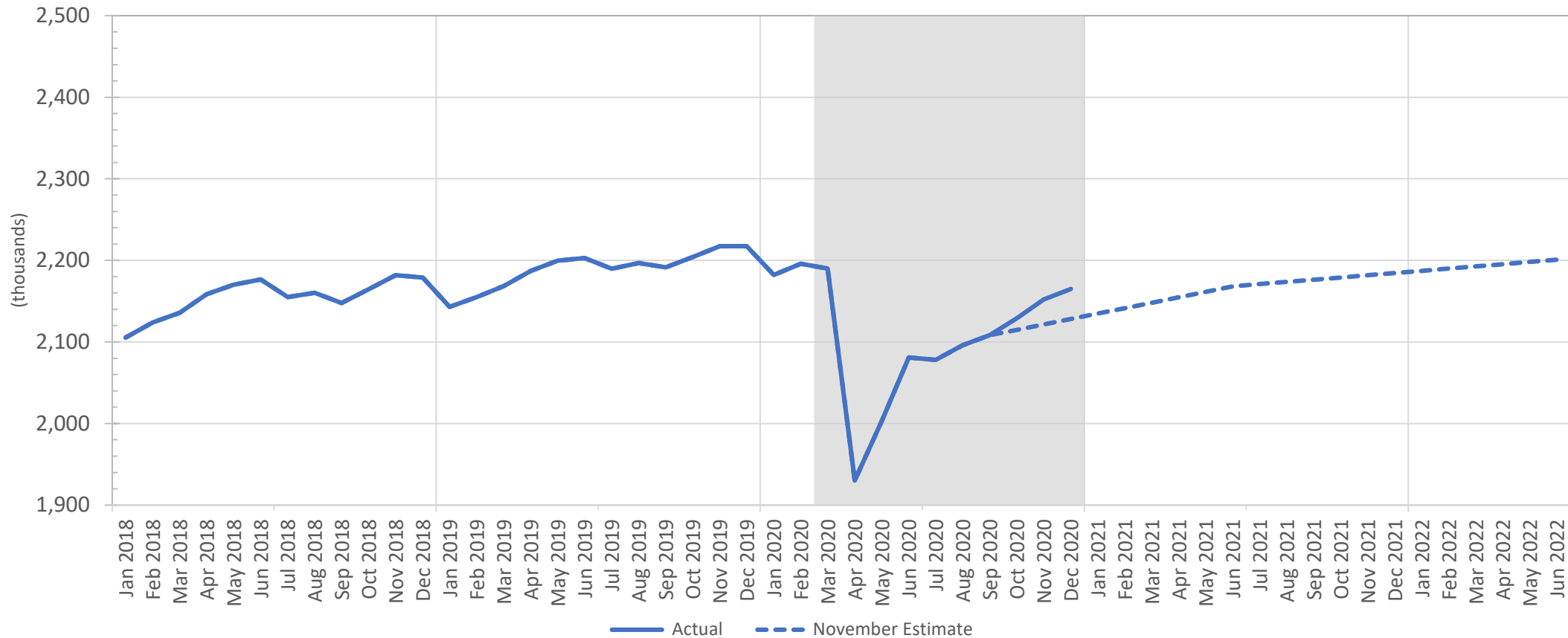
- Return to February 2020 employment in February 2022

S.C. Employment

As of December 2020, 88% of jobs lost have been recovered; current growth is exceeding the estimate

SOUTH CAROLINA EMPLOYMENT

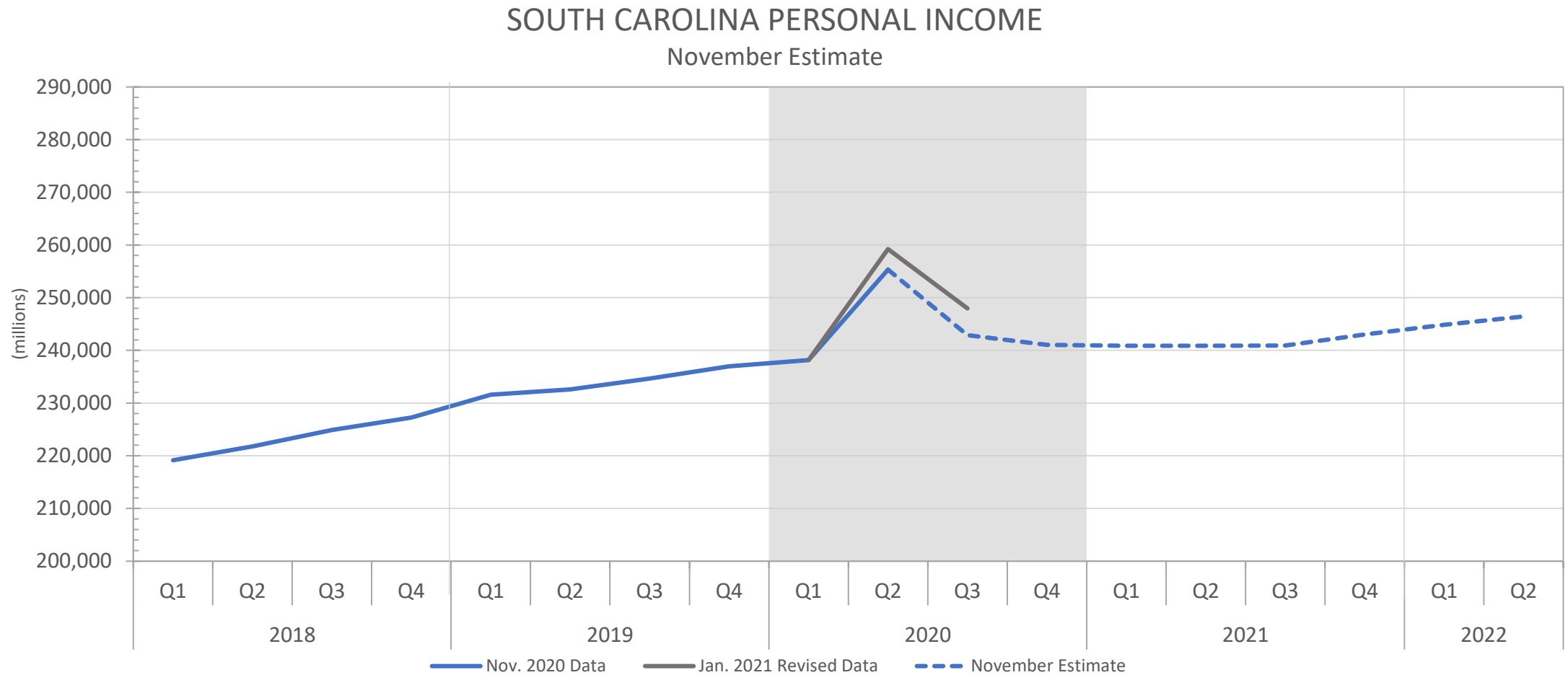
November Estimate



S.C. Personal Income

Stimulus funds boosted personal income above normal growth levels

Estimate anticipates personal income will fall as stimulus fades

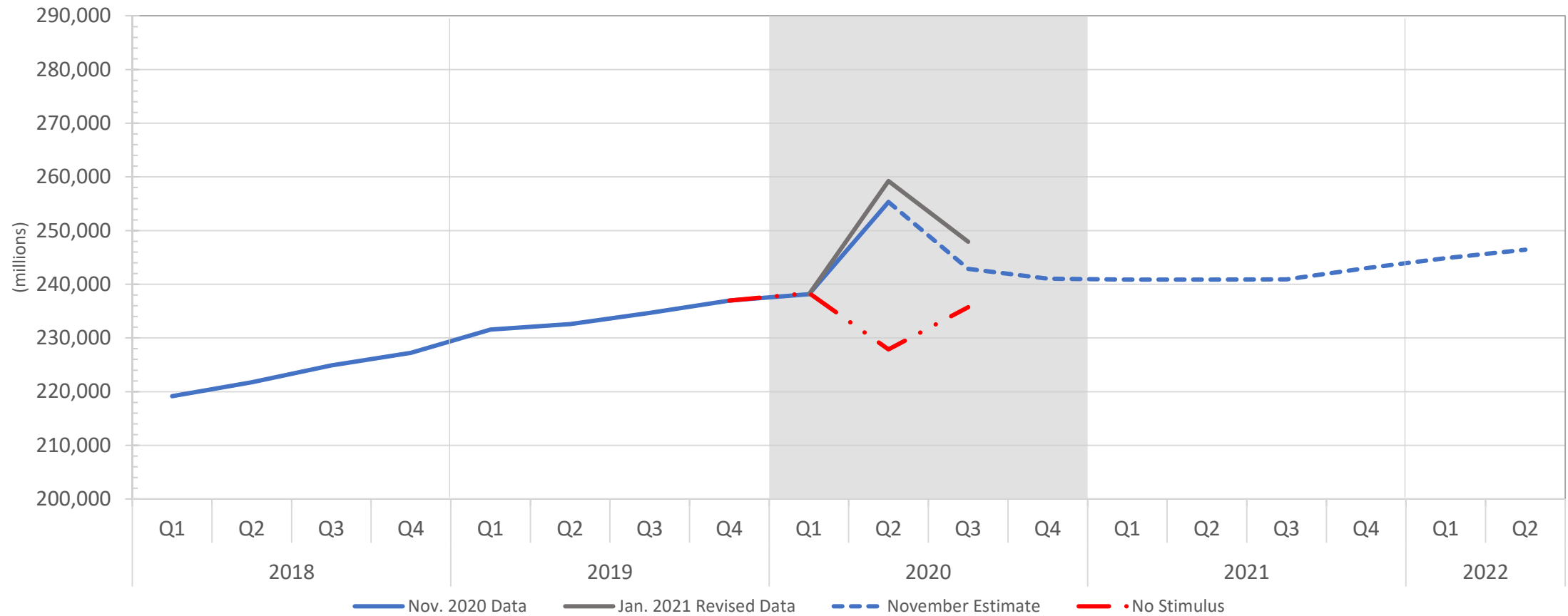


S.C. Personal Income

Without federal stimulus, personal income would have fallen sharply

SOUTH CAROLINA PERSONAL INCOME

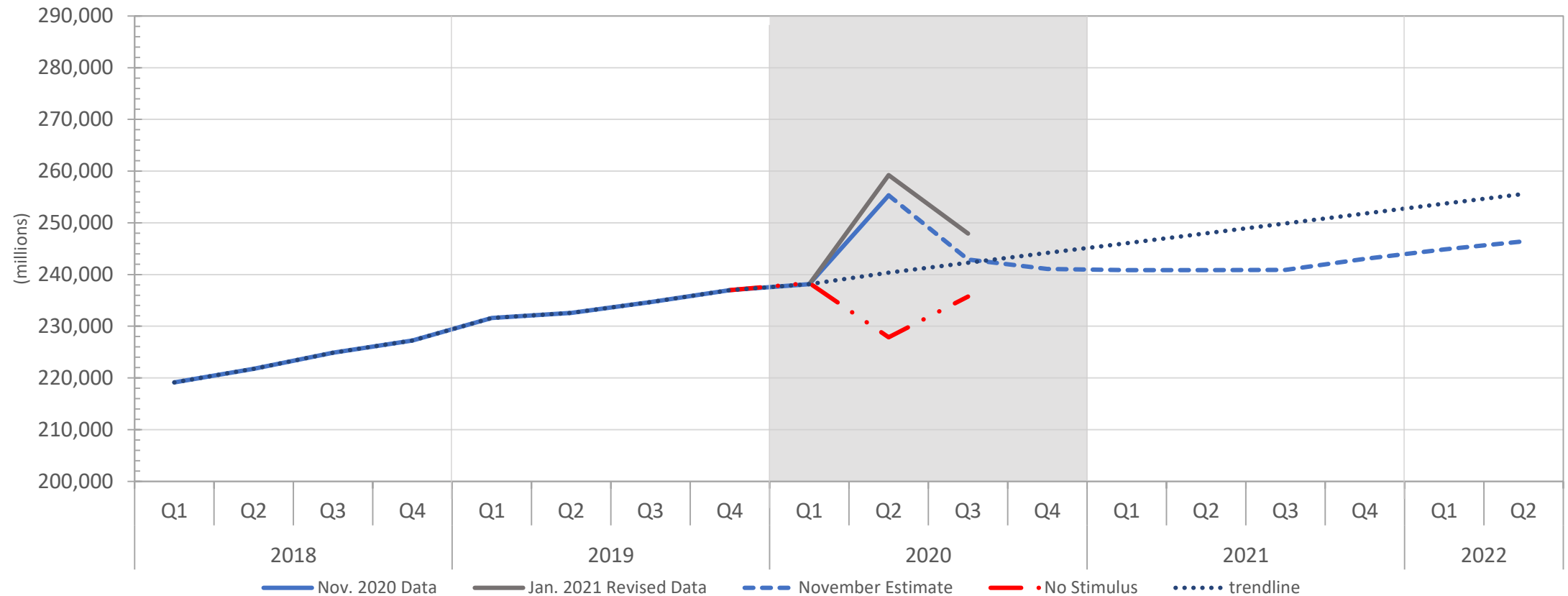
November Estimate



S.C. Personal Income Estimates

Current expectations are that personal income will remain below the recent historical trend in the forecast period

SOUTH CAROLINA PERSONAL INCOME
November Estimate



Updates since November 2020 Forecast

Personal Income

- Q2 2020 revision increased personal income base
- Income recovery quicker than anticipated
- Second round of stimulus in December 2020
- Stimulus not only replaced lost income but also provided significant boost (temporary)

Employment

- Currently running 6 months ahead of estimate for observed employment growth

Forecast Uncertainties

FY 2020-21

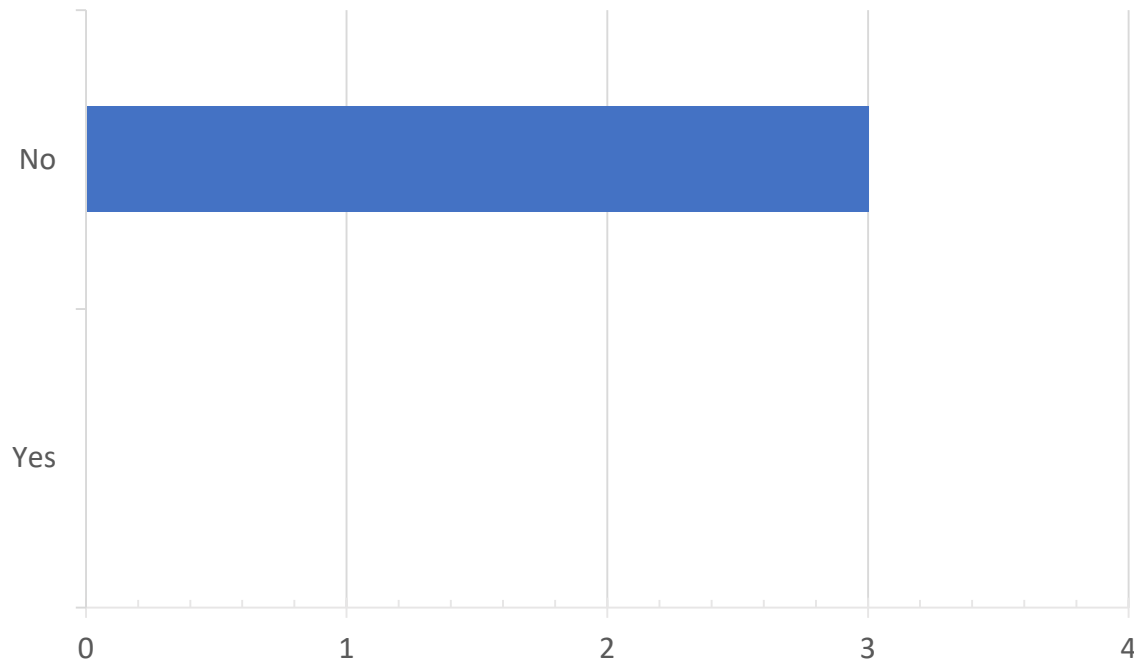
- Tax filing season, April and May 2021
- Revised employment data, March 2021
- Stimulus, December 2020 and potential third round
- Vaccine distribution

FY 2021-22

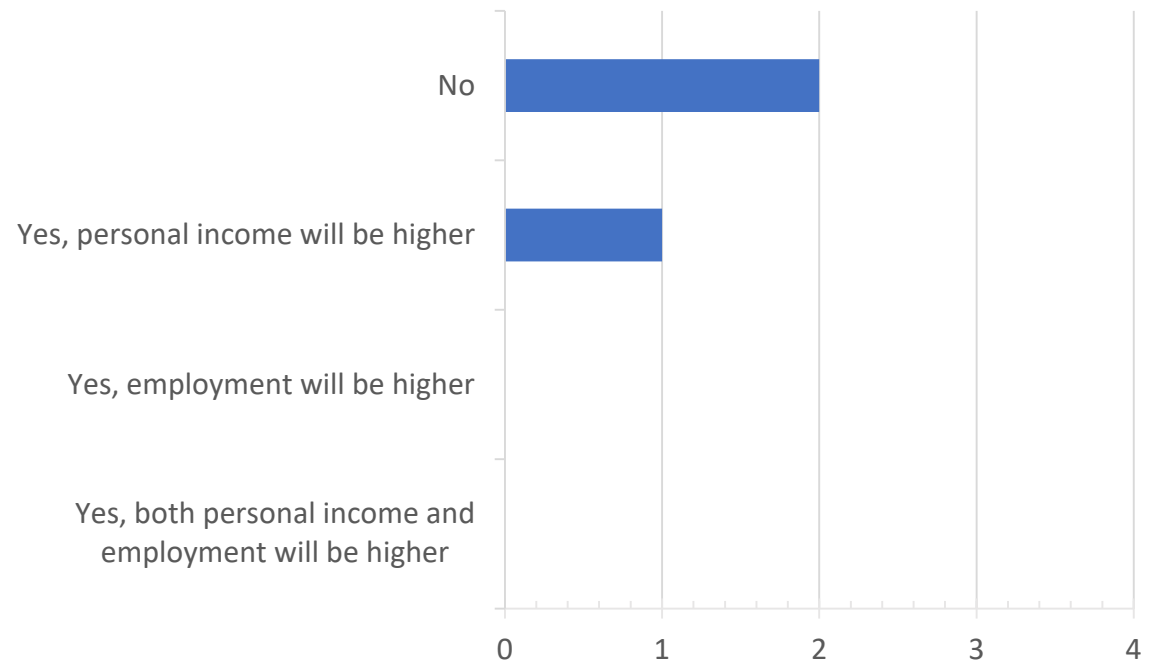
- Personal income growth post-stimulus
- Rate of employment growth
- Continued COVID-19 concerns
- Consumer behavior

Comments by Regional Economists

Can We Project Future Growth in Personal Income and Employment From Recent Trends?



Have Your Expectations Changed Since the October Outlook For FY 2021-22?



Comments by Regional Economists

Expectations

- High degree of uncertainty in forecasts
- Zero-sum effect: faster growth now, but slower growth later

Risk Factors

- Future stimulus
- Efficacy and reach of vaccine rollout
- Future of work-from-home policies and migration trends
- Uncertainty about future labor force participation rate
- Nationwide COVID-19 shut downs or additional mandates

U.S. Forecasts – Congressional Budget Office

- As of Feb. 1, 2021, CBO expects U.S. GDP to reach pre-pandemic peak by mid-2021
- Expect the \$900 billion relief bill passed in Dec. 2020 will add about 1.5% to GDP in 2021 and 2022
- Based on a burst of activity followed by a long, slow recovery
- However, the number of people employed won't return to the level seen before the pandemic until 2024
- Modestly higher inflation and higher interest rates over the coming years than anticipated in July

Summary

- Expect a see-saw pattern in the economy and revenue
- No change in personal income or employment assumptions at this time
 - FY 21 is performing better than expected, but no clear indication of better performance in FY 22 as stimulus and/or COVID-19 fade
- FY 21 revenues are ahead of estimates, but tax filing season is still an unknown
- No clear indication that FY 22 will be better than estimated
- Earnings on Investments and Bank Tax are lower than forecasted
 - State Treasurer recommends lowering the Earnings on Investment estimate

Consideration of FY 2020-21 and FY 2021-22 Forecasts

Recommendations

- No change in FY 2020-21 or FY 2021-22 General Fund Revenue estimates at this time
- Continue to monitor and reconsider estimates in April
 - Delay detailed adjustments to forecast
- Adopt revised Lottery Estimates provided by Lottery Commission

Education Lottery Estimates – February 12, 2021

	November Estimate	Change	February Estimate
FY 2020-21 Total	\$523,000,000	\$39,500,000	\$562,500,000
Proceeds	\$500,000,000	\$39,500,000	\$539,500,000
Unclaimed Prizes	\$20,000,000	\$0	\$20,000,000
Interest	\$3,000,000	\$0	\$3,000,000
FY 2021-22 Total	\$523,250,000	\$0	\$523,250,000
Proceeds	\$500,000,000	\$0	\$500,000,000
Unclaimed Prizes	\$20,000,000	\$0	\$20,000,000
Interest	\$3,250,000	\$0	\$3,250,000

Discussion of Recommendations

Reports from Working Group Members

Other Items for Discussion

