

SOUTH CAROLINA GENERAL FUND REVENUE UPDATE

**Presented to
Tax Committee**



May 6, 2021

Frank A. Rainwater
Executive Director

South Carolina Revenue and Fiscal Affairs Office
1000 Assembly Street
Rembert Dennis Building, Suite 421
Columbia, SC 29201
(803) 734-2265
www.rfa.sc.gov



Introduction

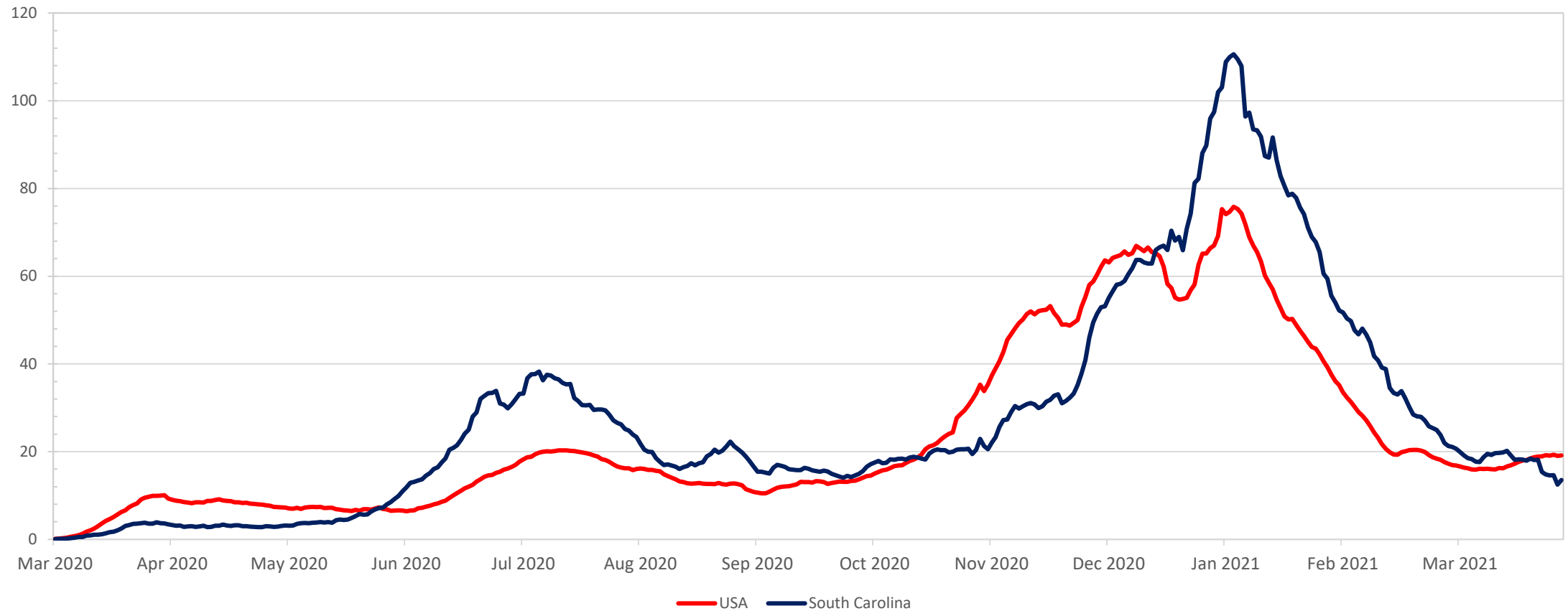
Economics is extremely useful as a form of employment for economists

- John Kenneth Galbraith

COVID-19 Case Rate

Rates in South Carolina and the nation have declined from the winter peak

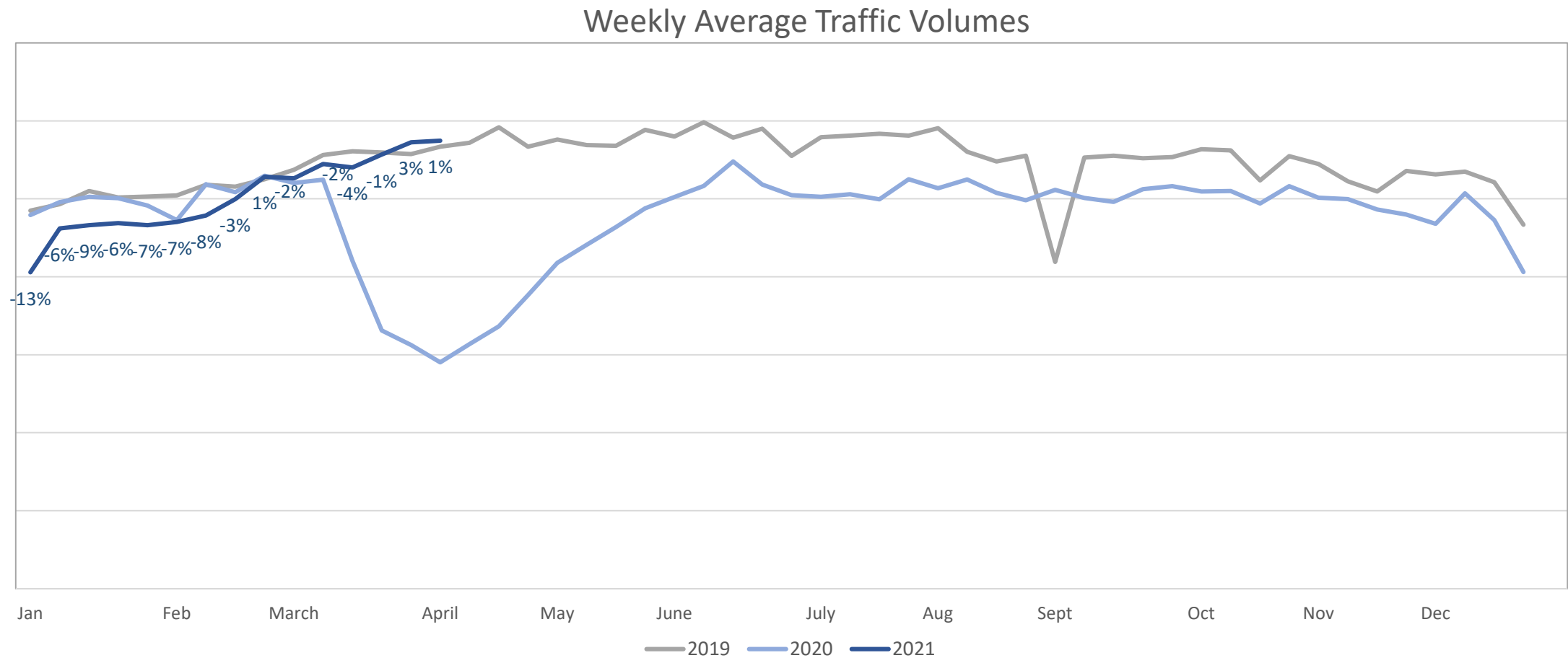
7-DAY AVERAGE NEW CASES PER 100K



Source: Centers for Disease Control and Prevention COVID Data Tracker 294 - RFA/bdc/04/06/2021

SC Weekly Traffic Counts

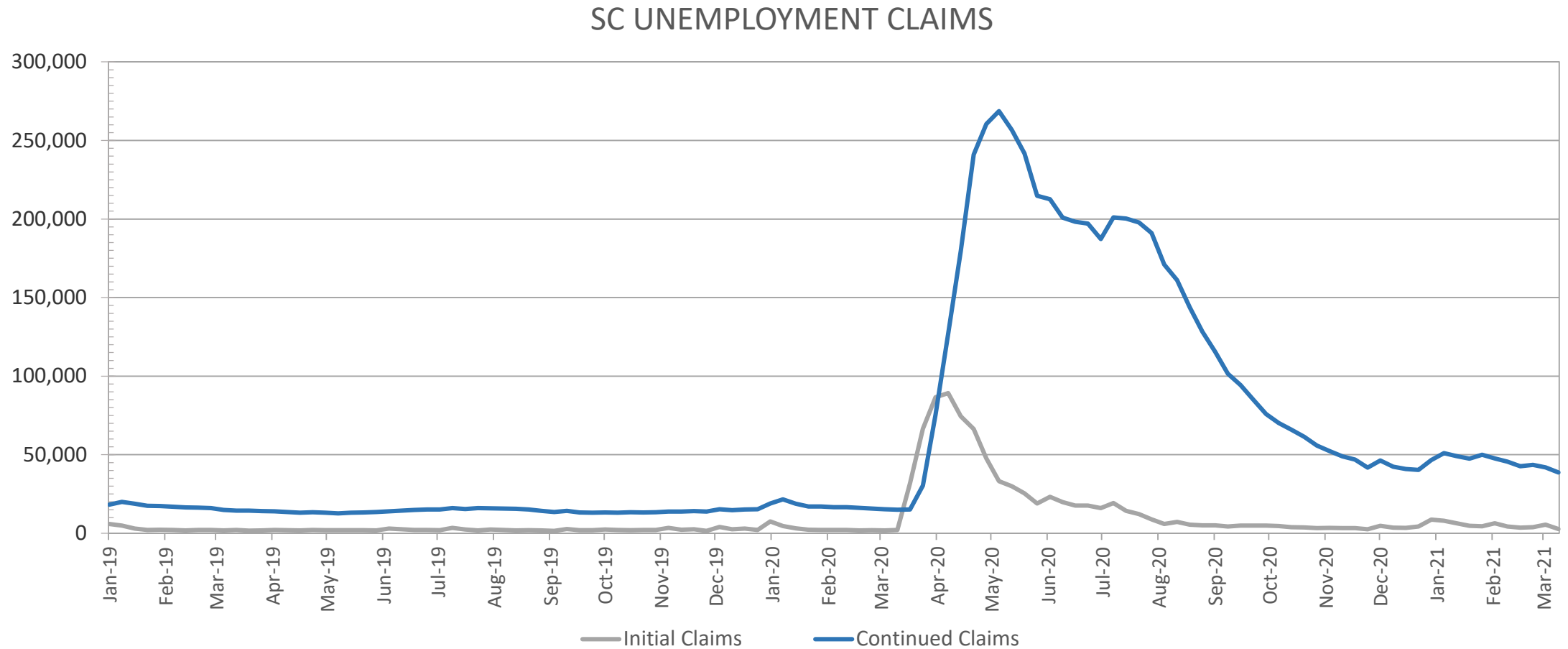
After declining in 2020, traffic levels have recently exceeded 2019 levels



Source: S.C. Department of Transportation, 296-RFA/lhj/4/16/2021

SC Unemployment Claims

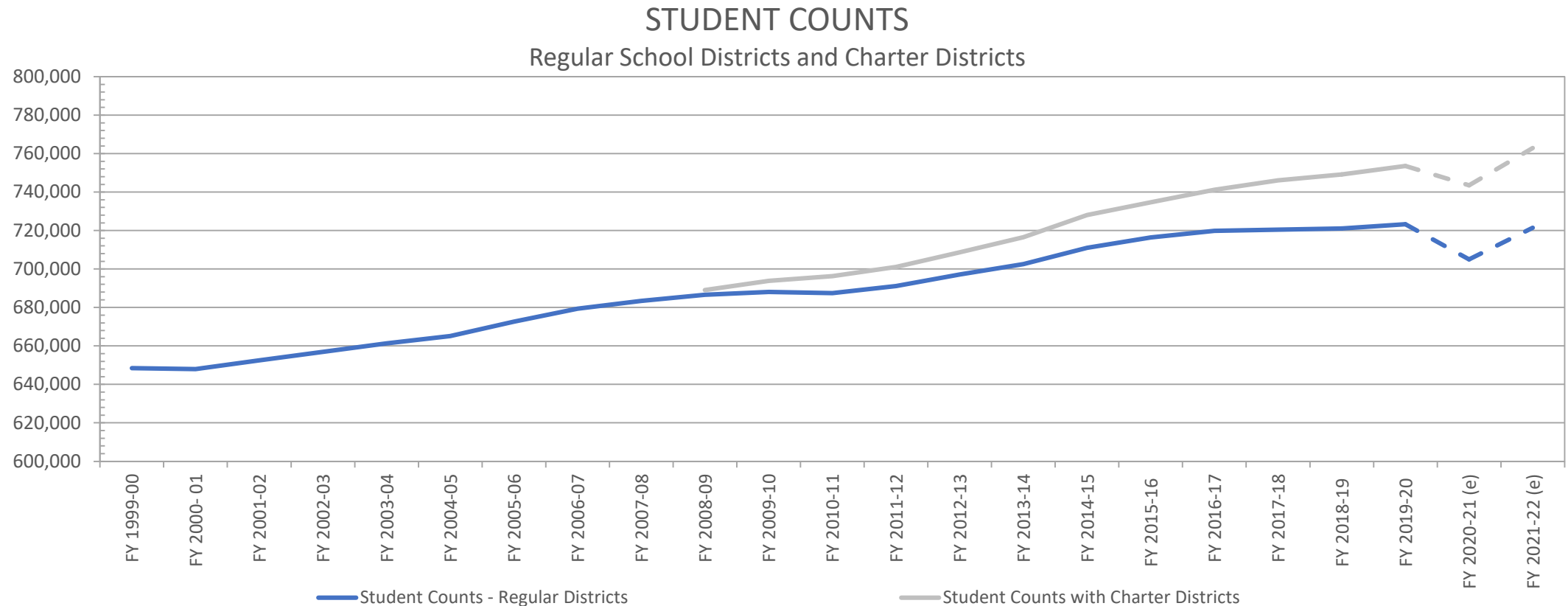
Spike in claims; gradual return to normal levels



Source: U.S. Department of Labor; 287-RFA/lhj/03/29/2021

Shift in SC Public School Enrollment

Regular public school enrollment dropped by 18,217 students, but statewide charter district enrollment grew 8,190 students in FY 21



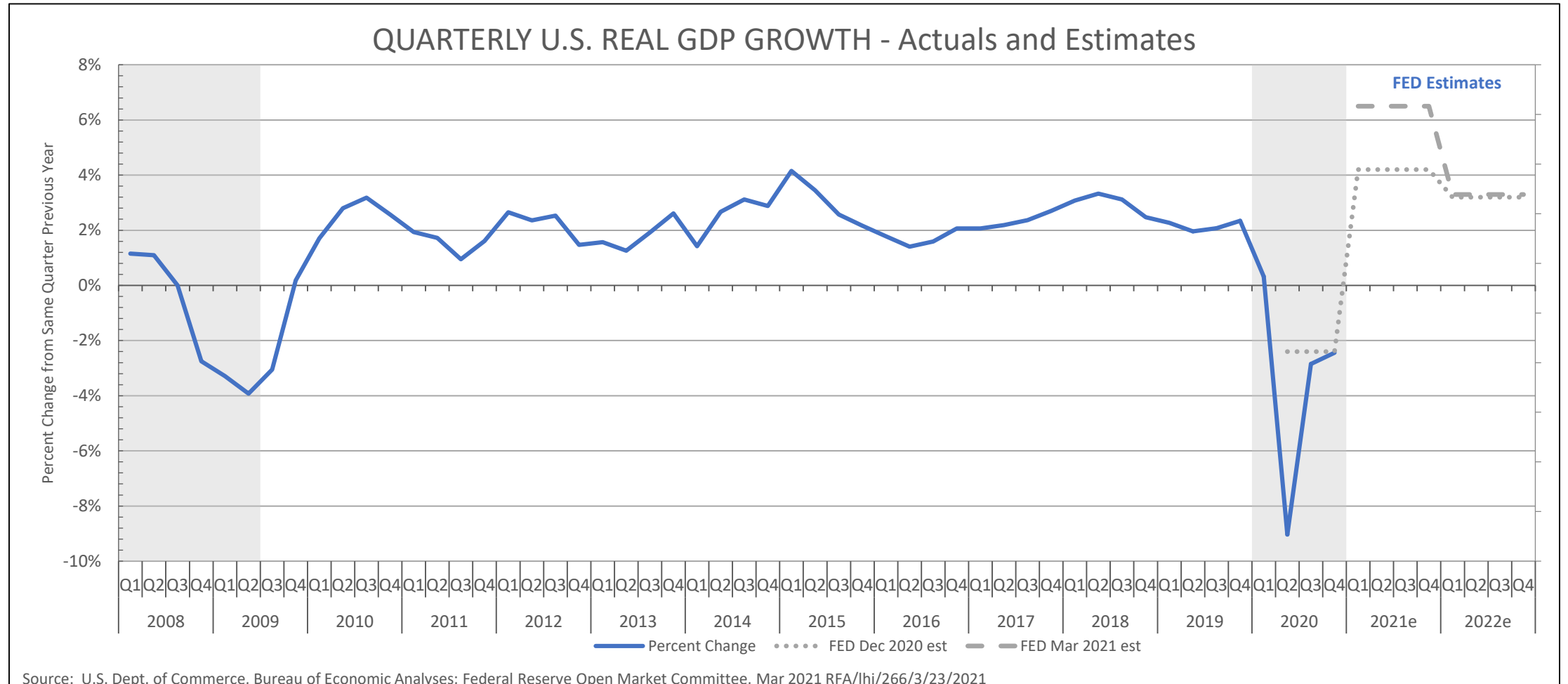
Note: Charter districts include the S.C. Public Charter School District and the Charter Institute at Erskine.

Data Source: S.C. Department of Education, 135-day ADM counts; S.C. RFA FY 2020-21 and FY 2021-22 estimates.

Source: S.C. Revenue and Fiscal Affairs Office - 301 - 4/16/2021

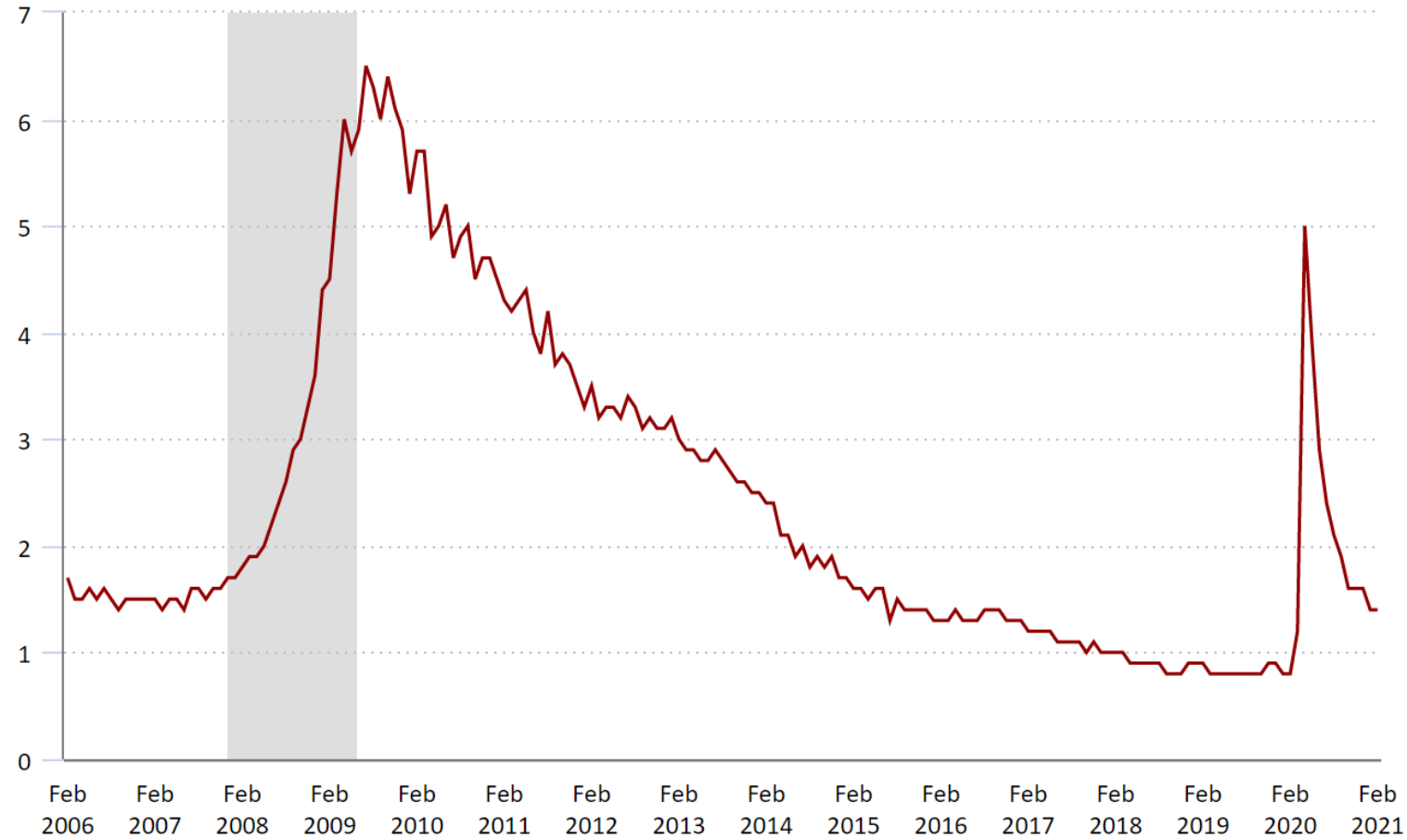
Real GDP Growth

Expectations for 2021 improved since Dec 2020; Fed revised Q4 2021 estimate up from 4.2% to 6.5%; stimulus boosting GDP growth above pre-pandemic rates



Unemployed vs Job Openings

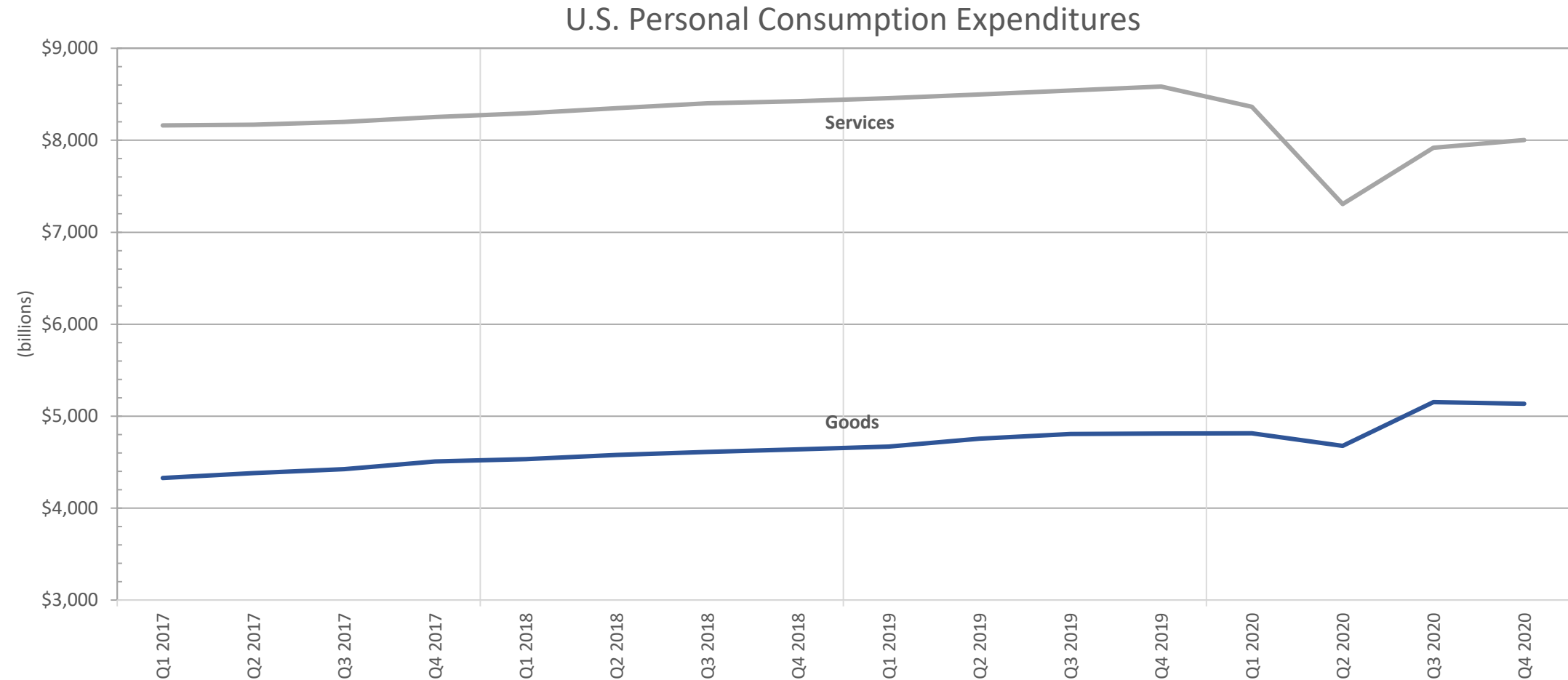
Number of unemployed persons per job opening, seasonally adjusted



Source: U.S. Bureau of Labor Statistics; retrieved 4/16/2021
<https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm>

U.S. Consumer Spending

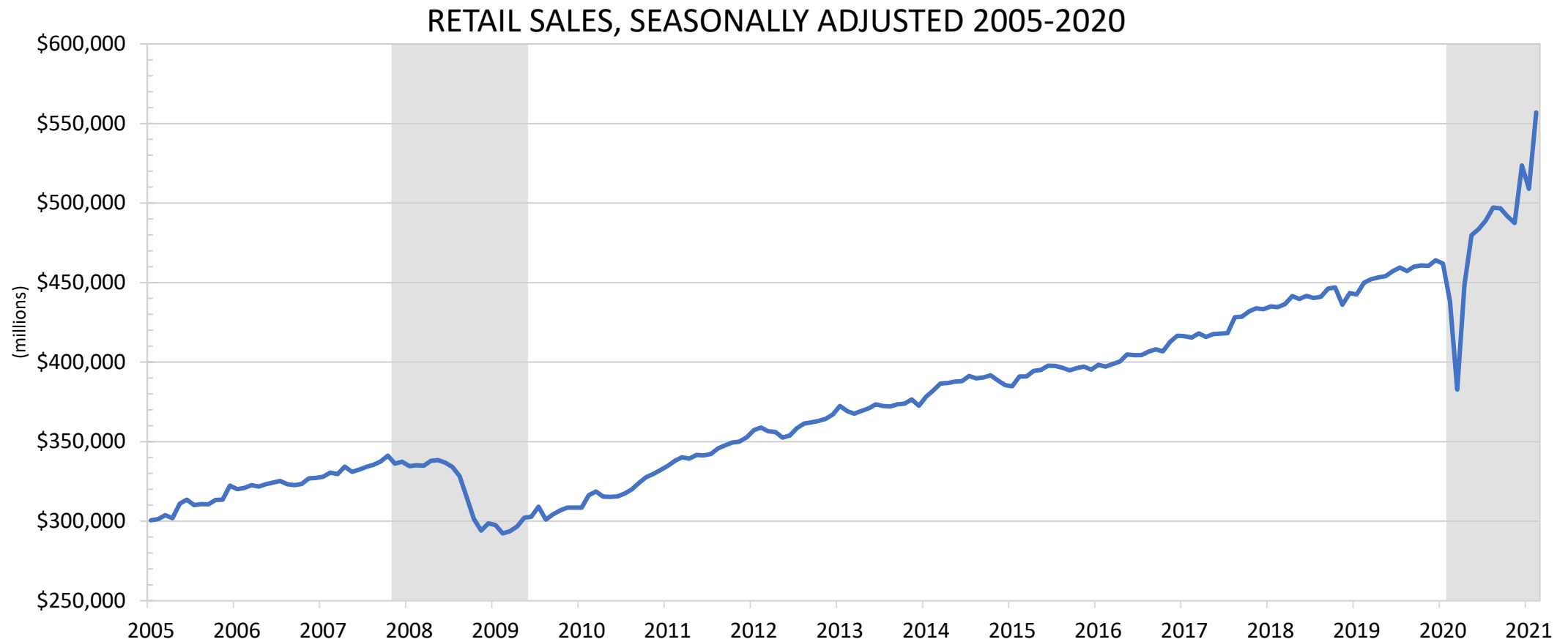
Consumption of goods is above historical trends while spending on services is well below normal



Source: U.S. Bureau of Economic Analysis; 299-RFA/lhj/03/29/2021

U.S. Retail Sales

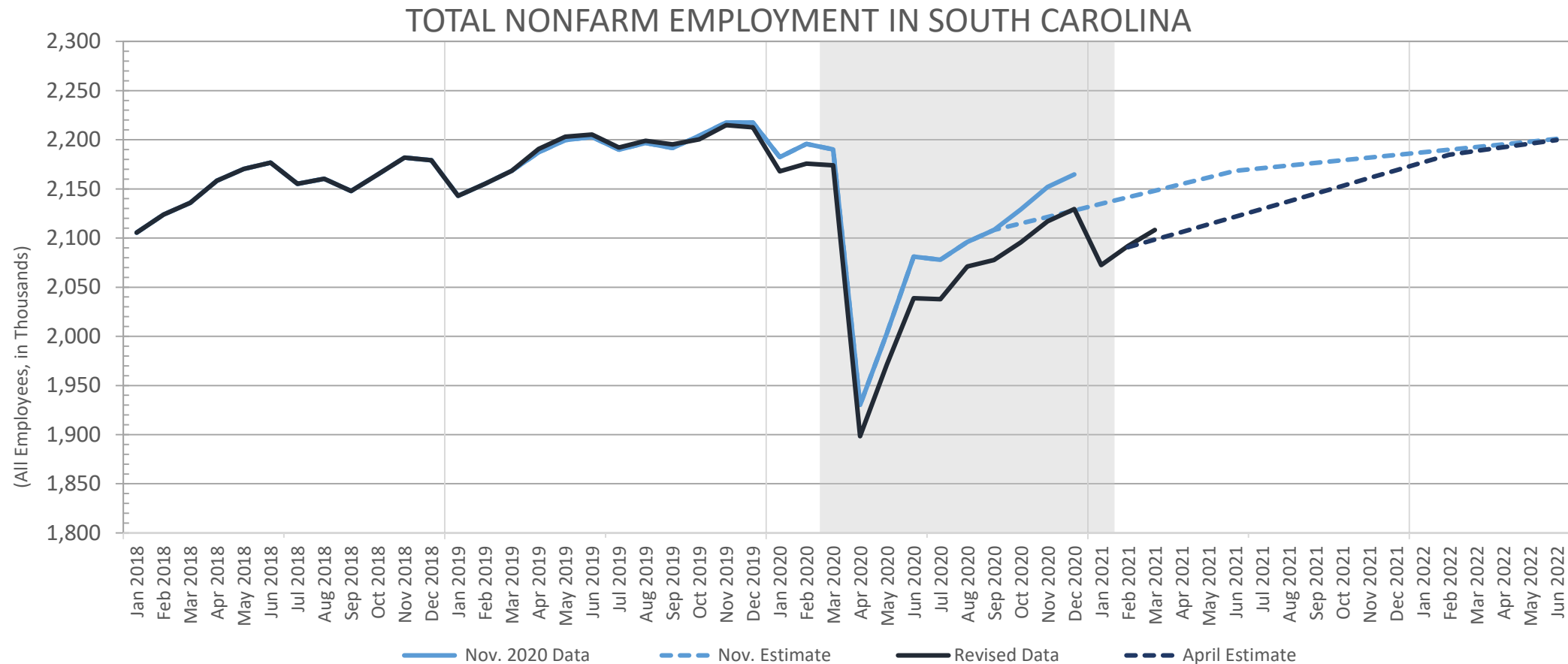
Fourth straight month of year-over-year growth in September, monthly growth increased in September after slowing since May



Source: U.S. Census Bureau, Advance Monthly Sales for Retail and Food Services, data through December 2020, 283-6 RFA/nmg/01/05/2020

Employment – Previous and Current Actuals and Estimates

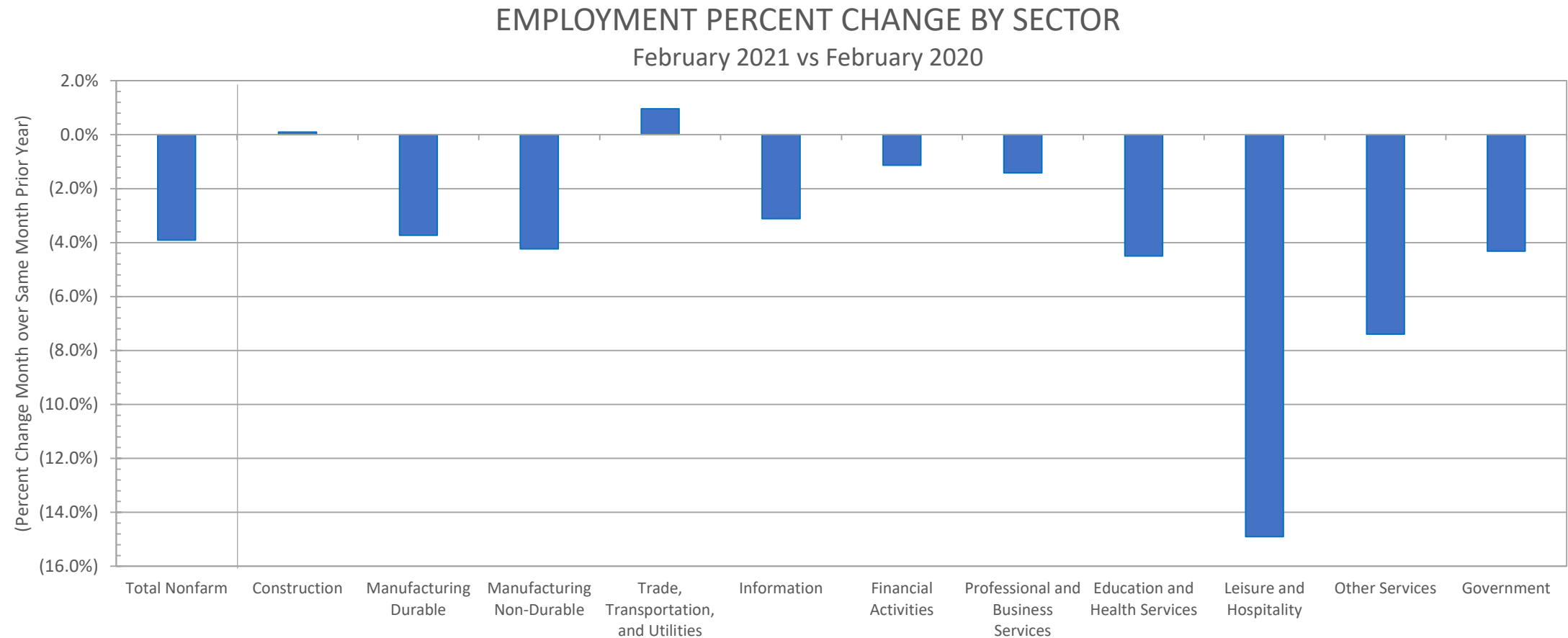
Revisions result in lower forecasted employment growth in FY 21; estimate for FY 22 still assumes reaching pre-pandemic employment in Feb. 2022



Source: U.S. Department of Labor, Bureau of Labor Statistics RFA/4/19/2021

South Carolina Employment by Sector

February employment levels settle below prior year after revisions and seasonal losses



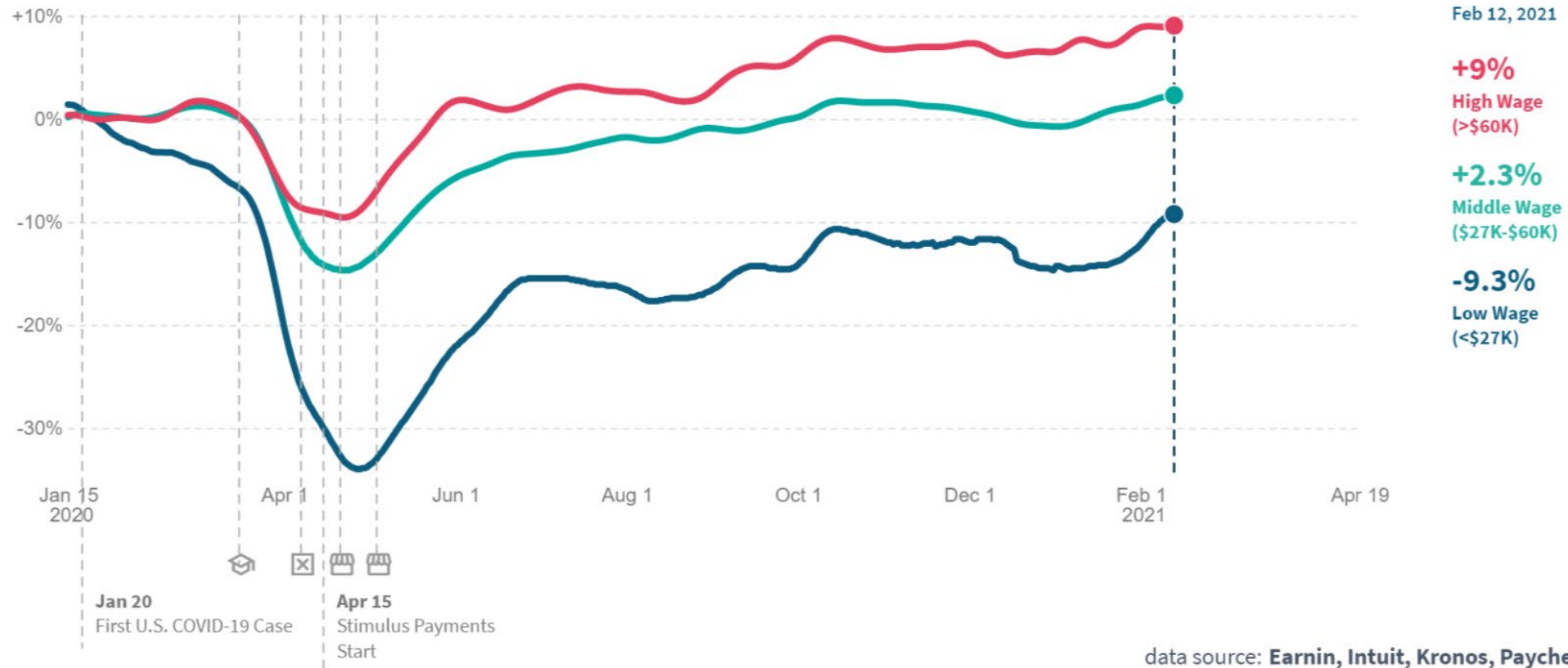
Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Federal Reserve Bank of St. Louis, FRED 281a--RFA/bdc/3/26/2021

SC Employment Change by Wage Level

Employment losses are in low wage jobs; high wage jobs are up

Percent Change in Employment*

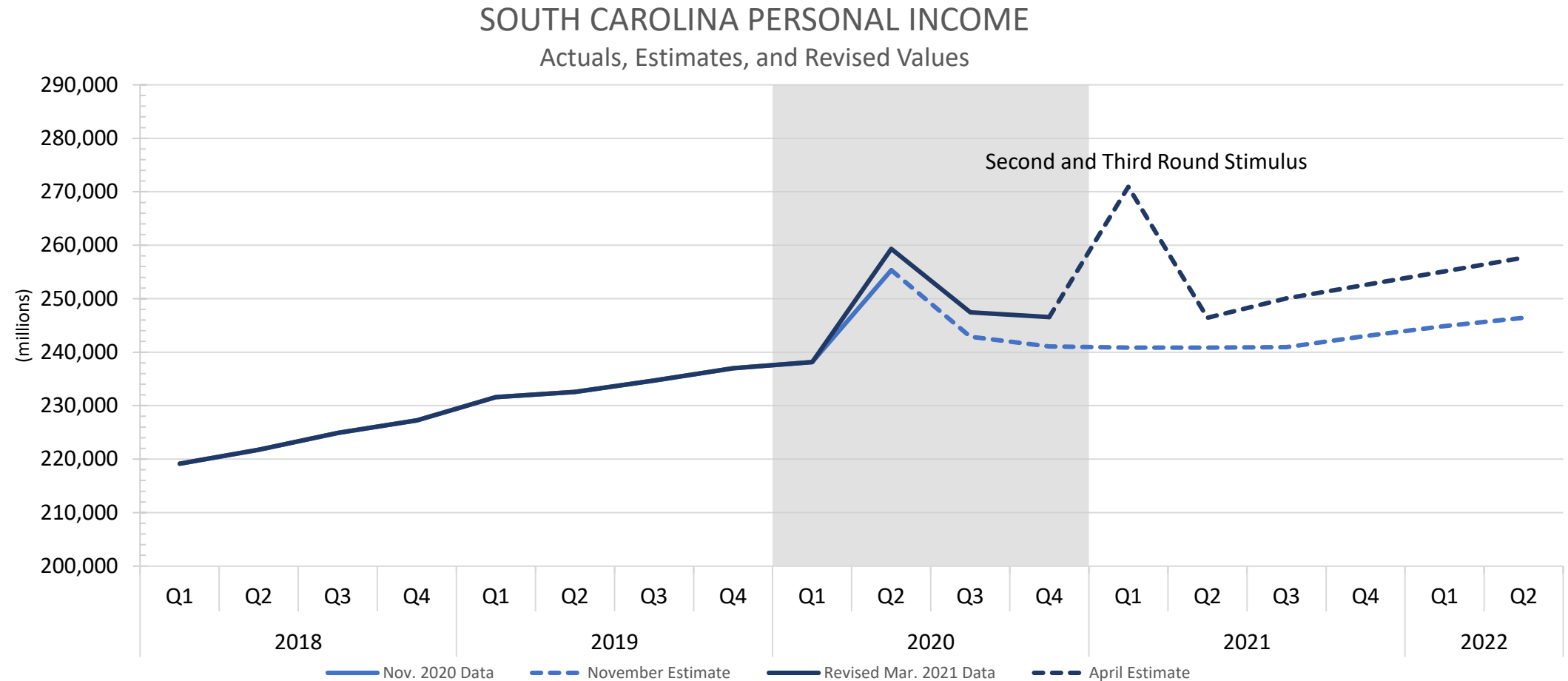
In **South Carolina**, as of **February 12, 2021**, employment rates among workers in the bottom wage quartile **decreased** by **9.3%** compared to January 2020 (not seasonally adjusted).



Source: Opportunity Insights Economic Tracker tracktherecovery.org, retrieved April 19, 2021; Data as of February 12, 2021

Personal Income – Actuals and Estimates

FY 21 growth boosted by federal stimulus; FY 22 anticipates no stimulus and lower than normal growth in the wage base



Federal Fiscal Policy - Stimulus Payments to SC

Direct to SC Residents and Businesses

- Federal Stimulus Checks (\$1,200) - \$4.32 billion ¹
- Federal Stimulus Checks (\$600/\$1,400) – TBD
- PPP Loans - \$7.85 billion²
- Federal Unemployment Compensation - \$4.49 billion³
- Child Tax Credits – advance payments beginning July 1, 2021

Direct to State Government for Appropriation

- CARES Act Funds - \$1.90 billion
- American Rescue Plan Act Funds - \$2.095 billion (preliminary)⁴
- For comparison – total payroll in the state budget is approximately \$3.4 billion

1 – I.R.S. Statement on Economic Impact Payments by State as of June 26, 2020

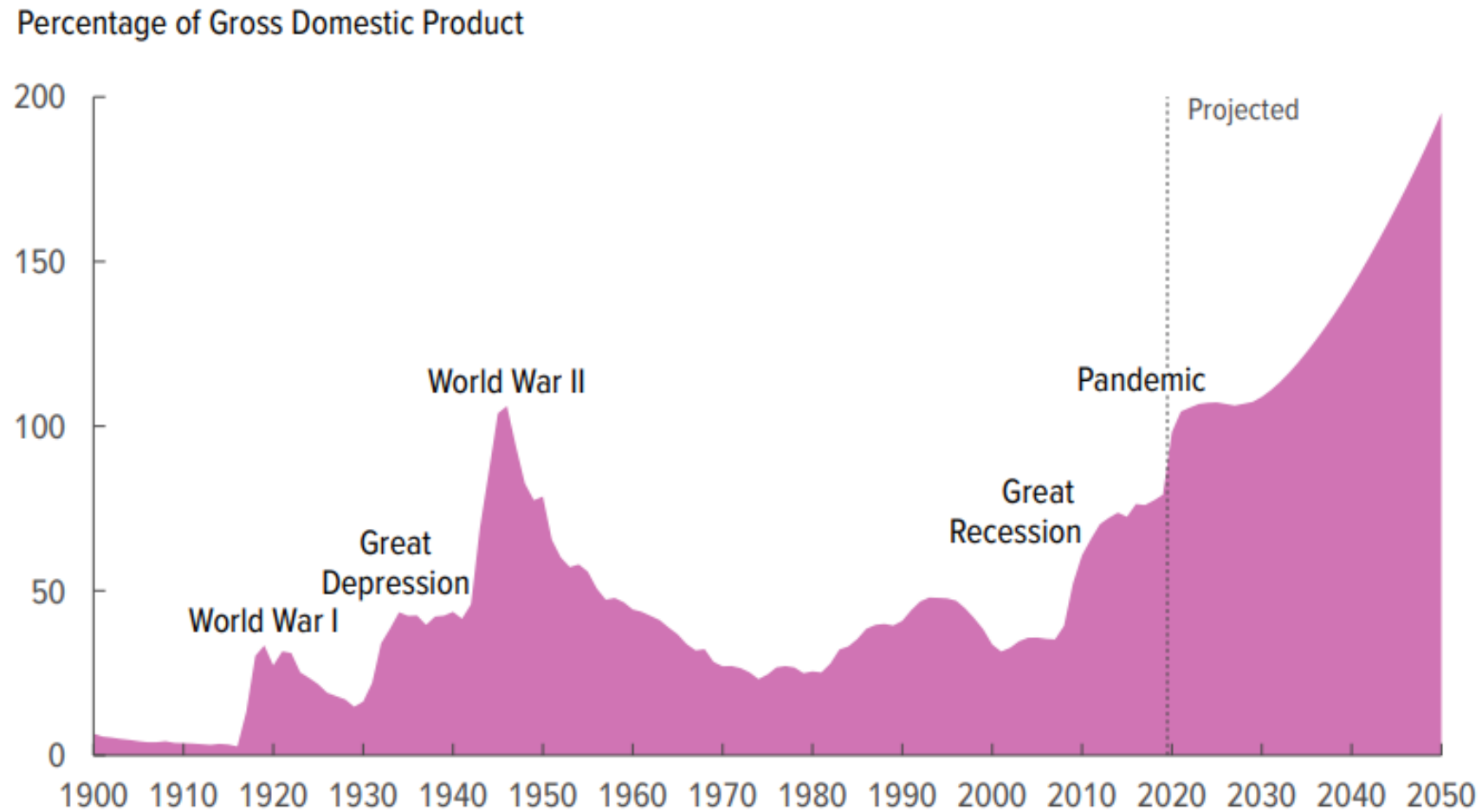
2 – Small Business Administration; [sba.gov](https://www.sba.gov); 1st and 2nd round approvals through March 28, 2021

3 – SC Department of Employment and Workforce; dew.sc.gov; as of March 22, 2021

4 – NCLS.org estimates for Rescue Plan funds as of March 8, 2021; Total state and local funding of \$3.869 billion

US National Debt

Federal debt held by the public is projected to equal **195%** of GDP in 2050



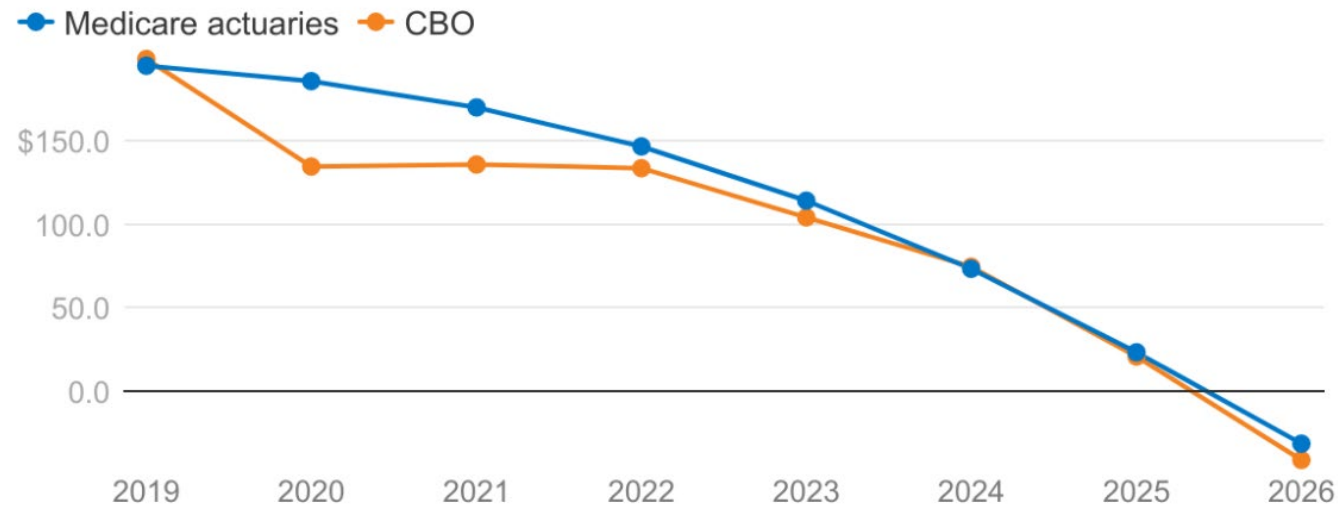
Source: Congressional Budget Office, The 2020 Long-Term Budget Outlook, September 2020, ng/4/19/2020

Medicare's Financial Outlook

Trust fund reserves estimated to be depleted in 2026

Both the Medicare Actuaries and the Congressional Budget Office Project Depletion of the Medicare Hospital Insurance Trust Fund in 2026

Balance in the HI trust fund at the end of the year (in billions)



NOTE: HI is Hospital Insurance. Medicare actuaries: actual data for 2019 and projected data for 2020-2026. CBO: actual data for 2019-2020 and projected data for 2021-2026.

SOURCE: KFF analysis of data from the 2020 Annual Report of the Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Trust Funds, April 2020, and the Congressional Budget Office (CBO), 10-year Trust Fund Projections, February 2021.

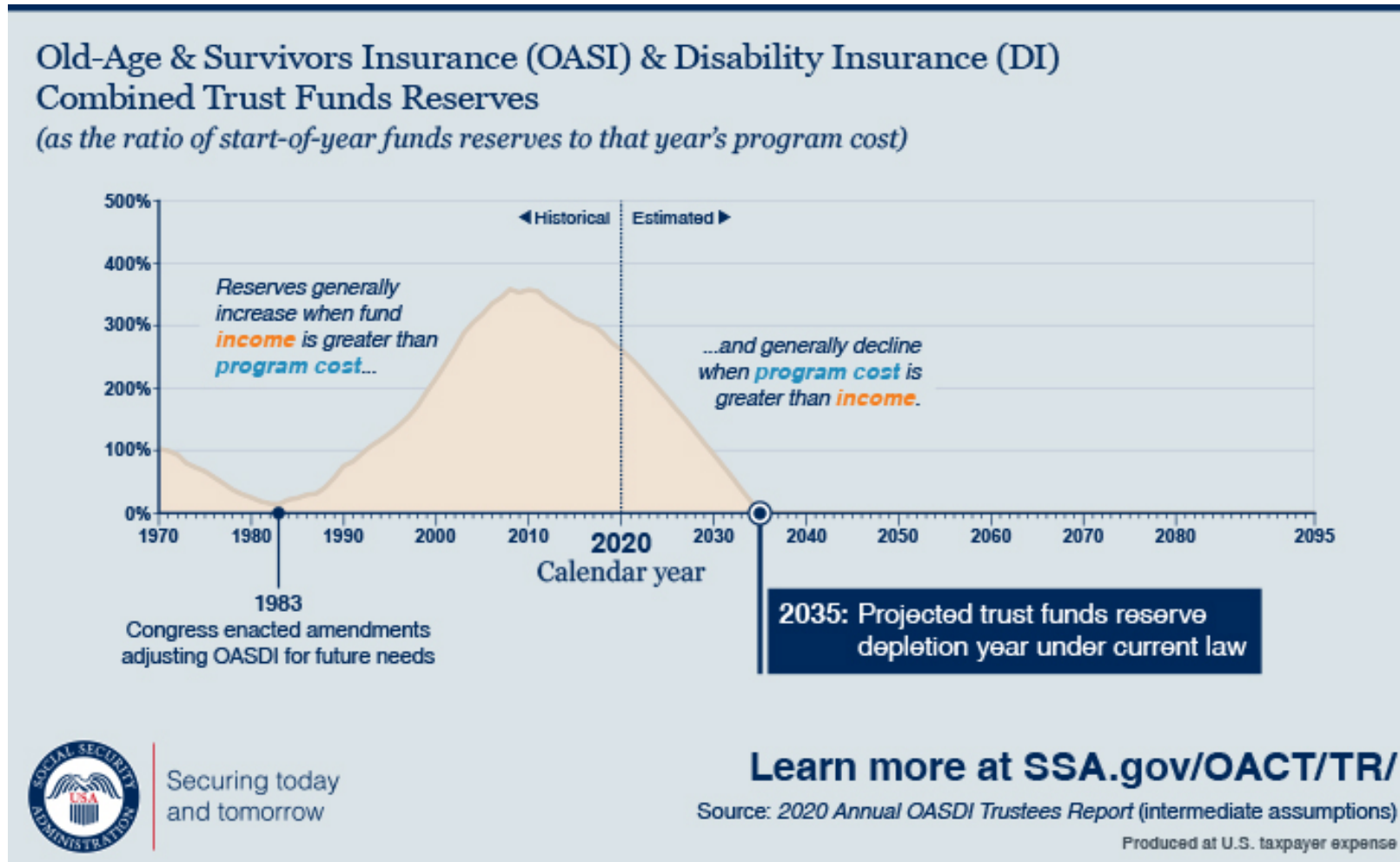


Source: Kaiser Family Foundation, FAQs on Medicare Financing and Trust Fund Solvency, March 16, 2021, ng/4/19/2020



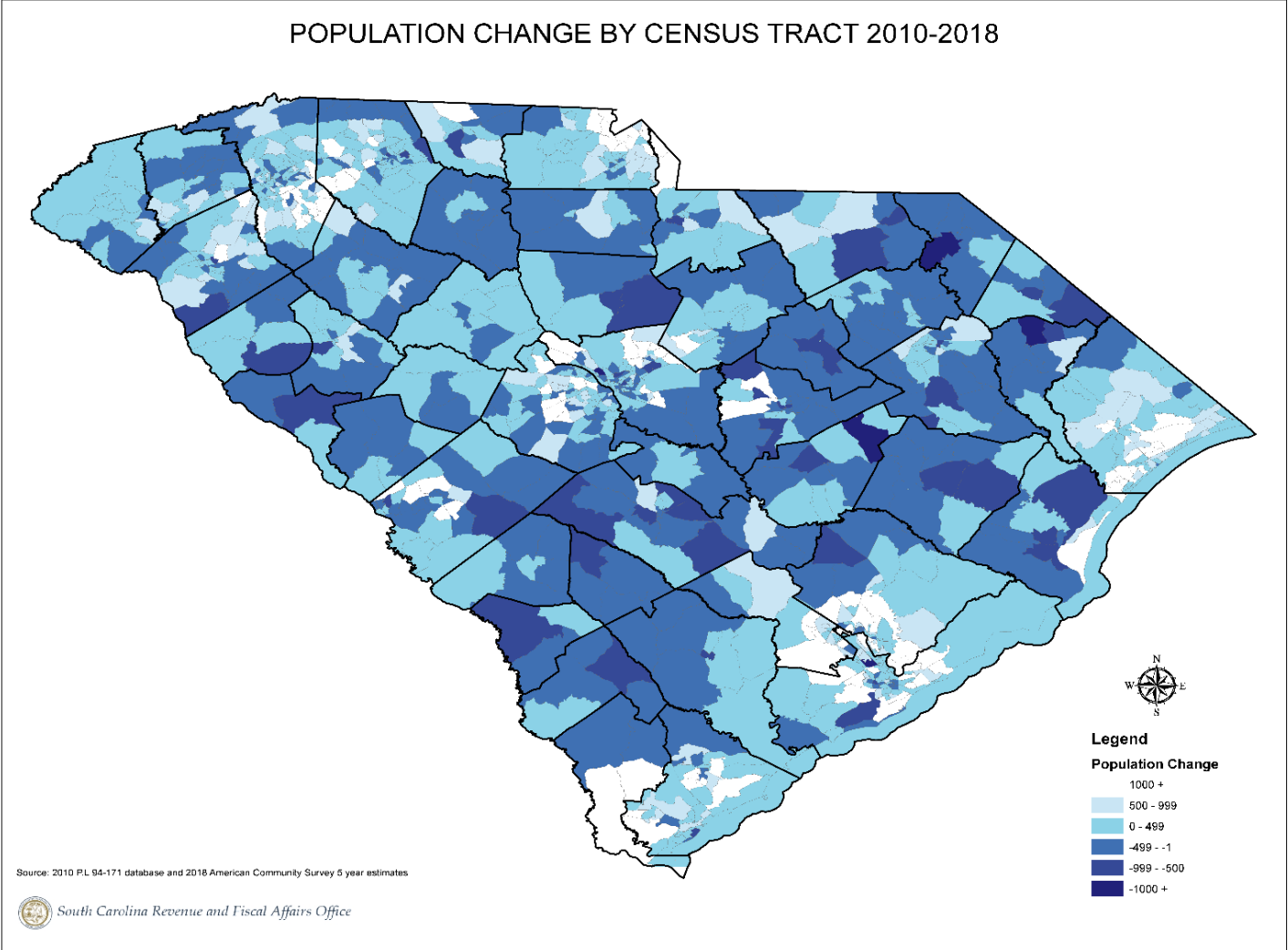
Social Security's Long Term Financial Outlook

Trust fund reserves estimated to be exhausted by 2035



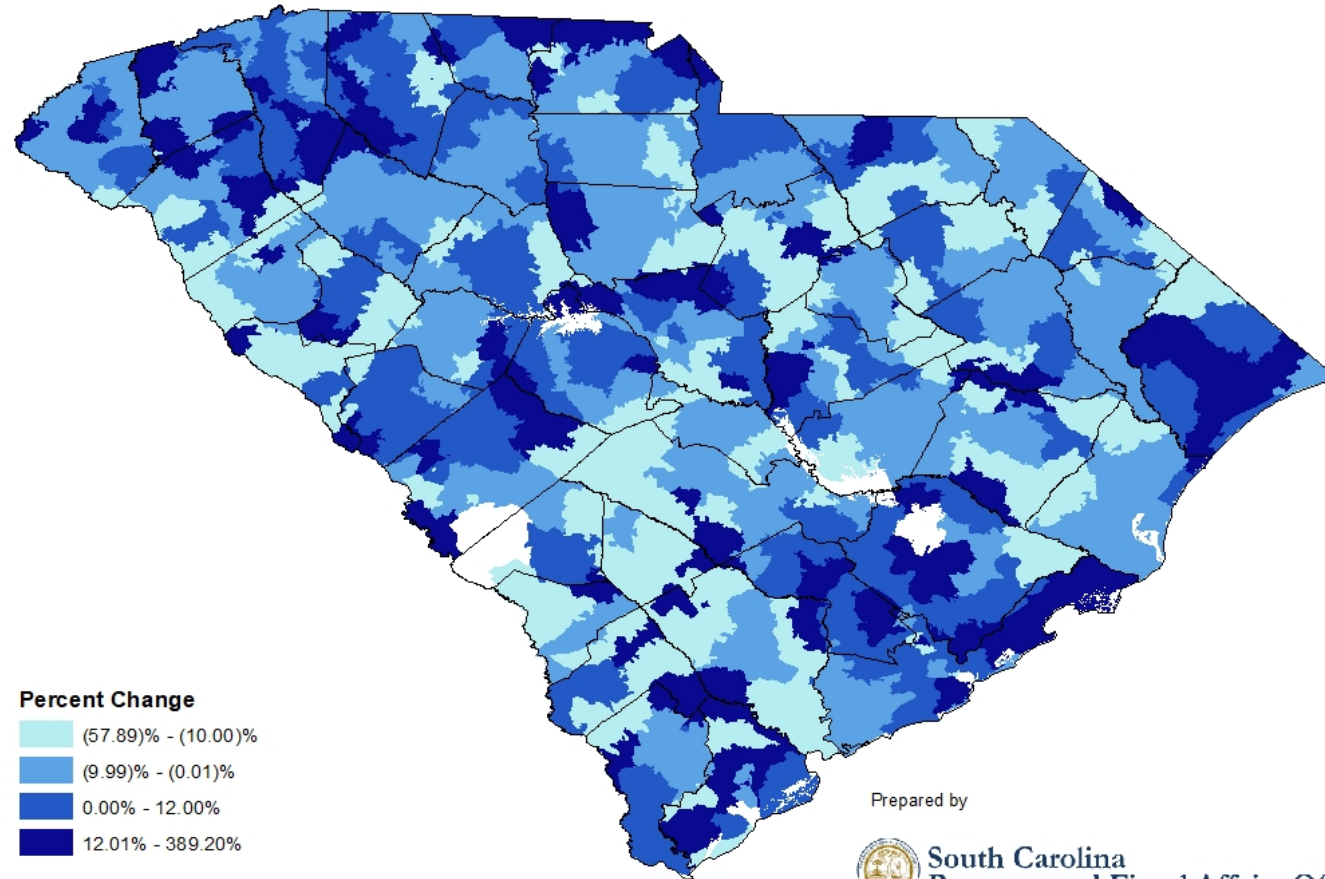
Source: Social Security Administration, 2020 Annual OASDI Trustee Report (intermediate assumptions), April 2020, ng/4/19/2020

South Carolina Population Change – Census Tract Level



South Carolina Population Change – Working Age

5 Year Percent Change in Working Age Population
2014 - 2019



Sources Census ACS ZCTA Population Estimates

Prepared by

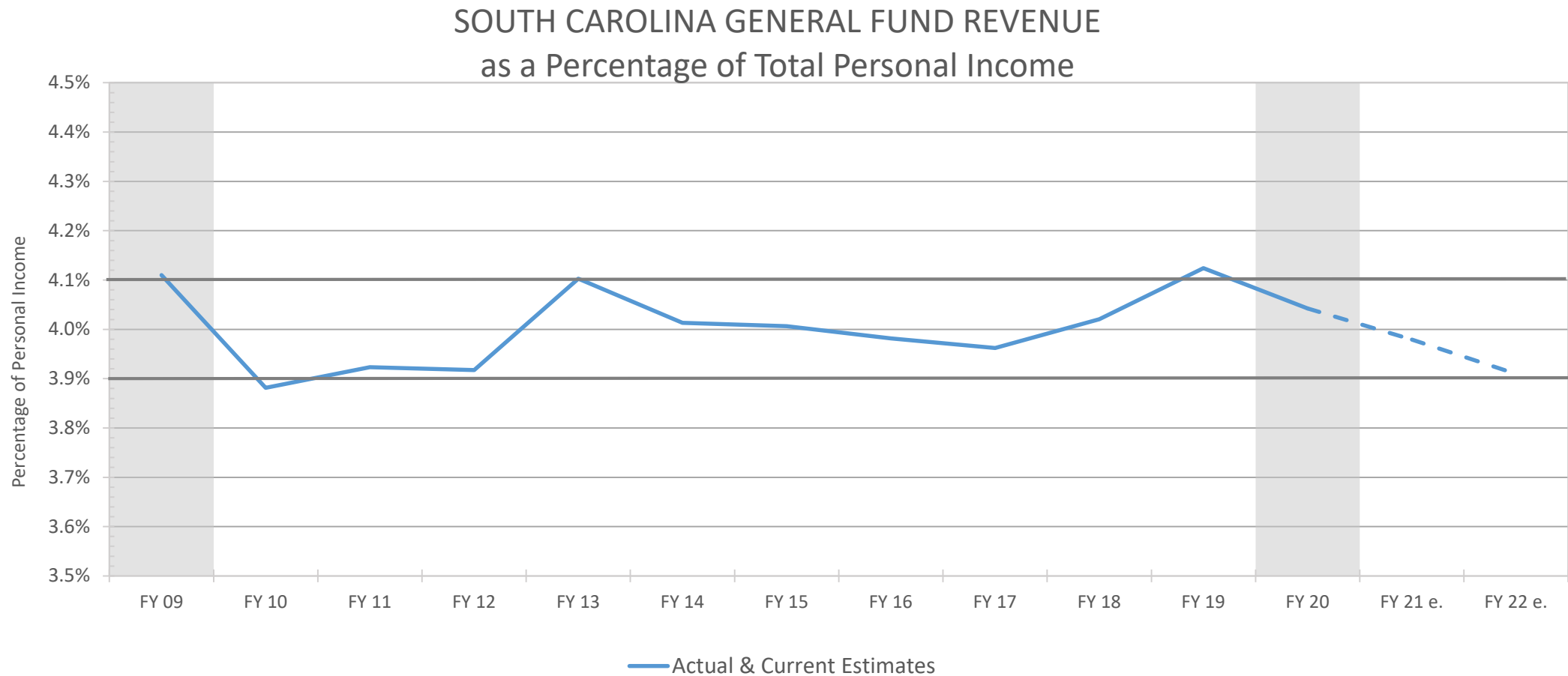


South Carolina
Revenue and Fiscal Affairs Office



General Fund Revenue as a Percentage of Personal Income

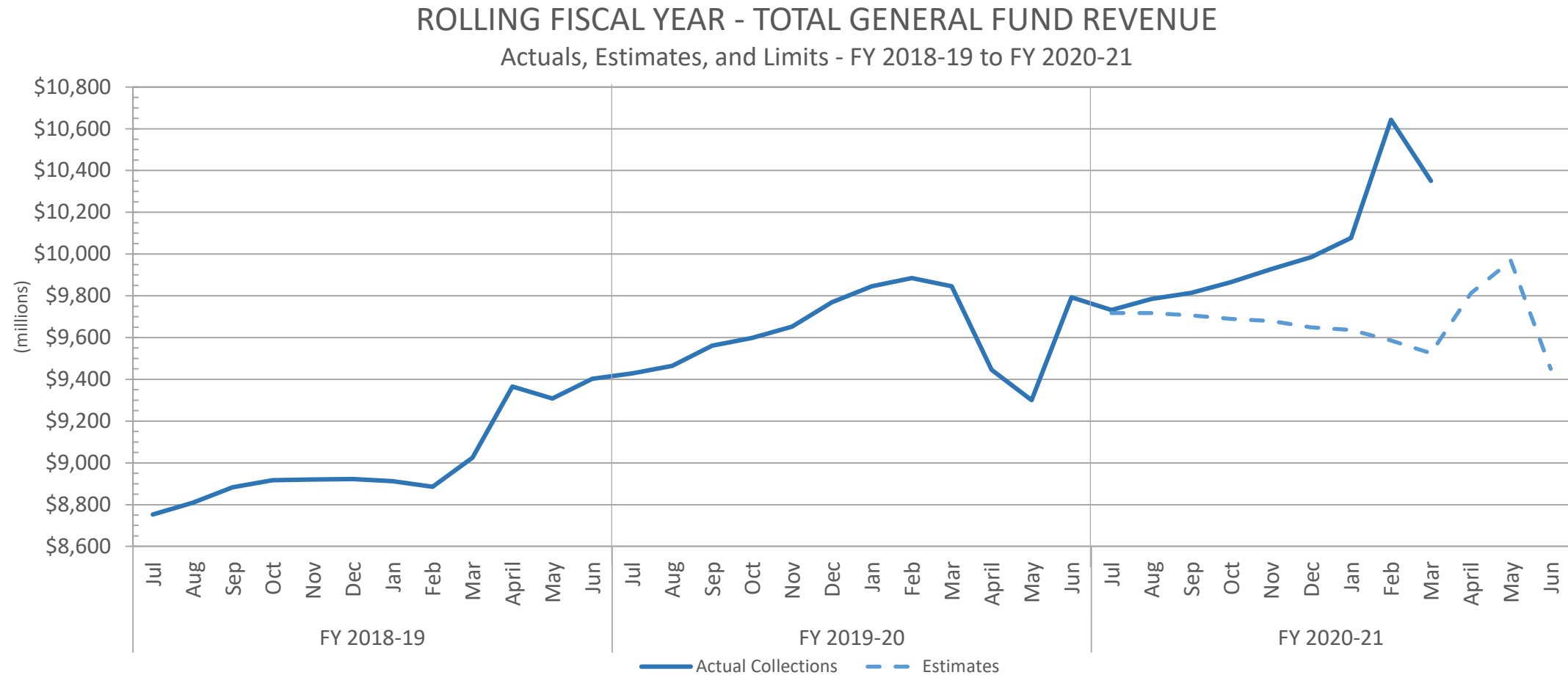
Apr. 2021 estimates reflect recent patterns



Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34F-

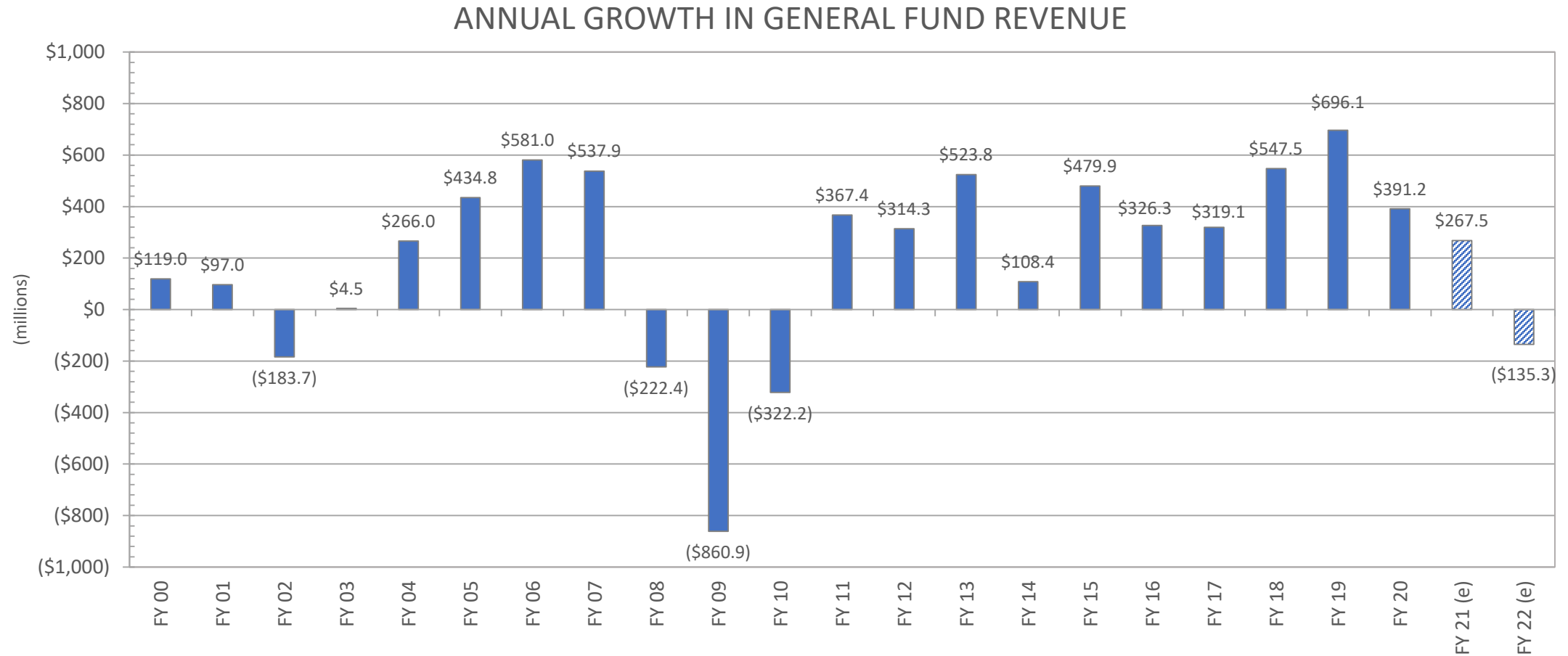
General Fund Revenues – Actual vs. Estimate

Revenues are growing faster than expected in November 2020 Estimate



General Fund Revenue Growth

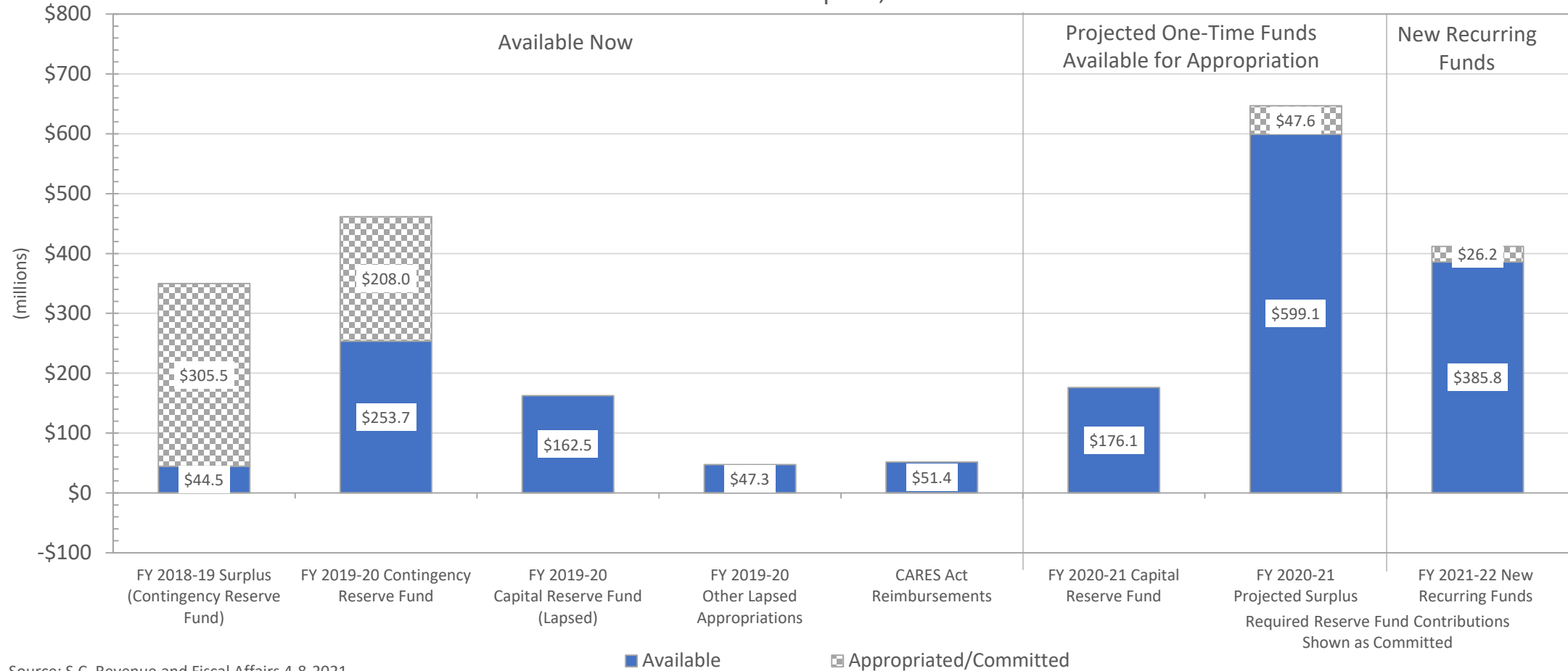
Despite pandemic FY 21 collections are expected to be \$267.5m above FY 20 but drop by \$135m in FY 22 with the end of federal stimulus



Source: Revenue and Fiscal Affairs - 169A/I H/04/19/2021

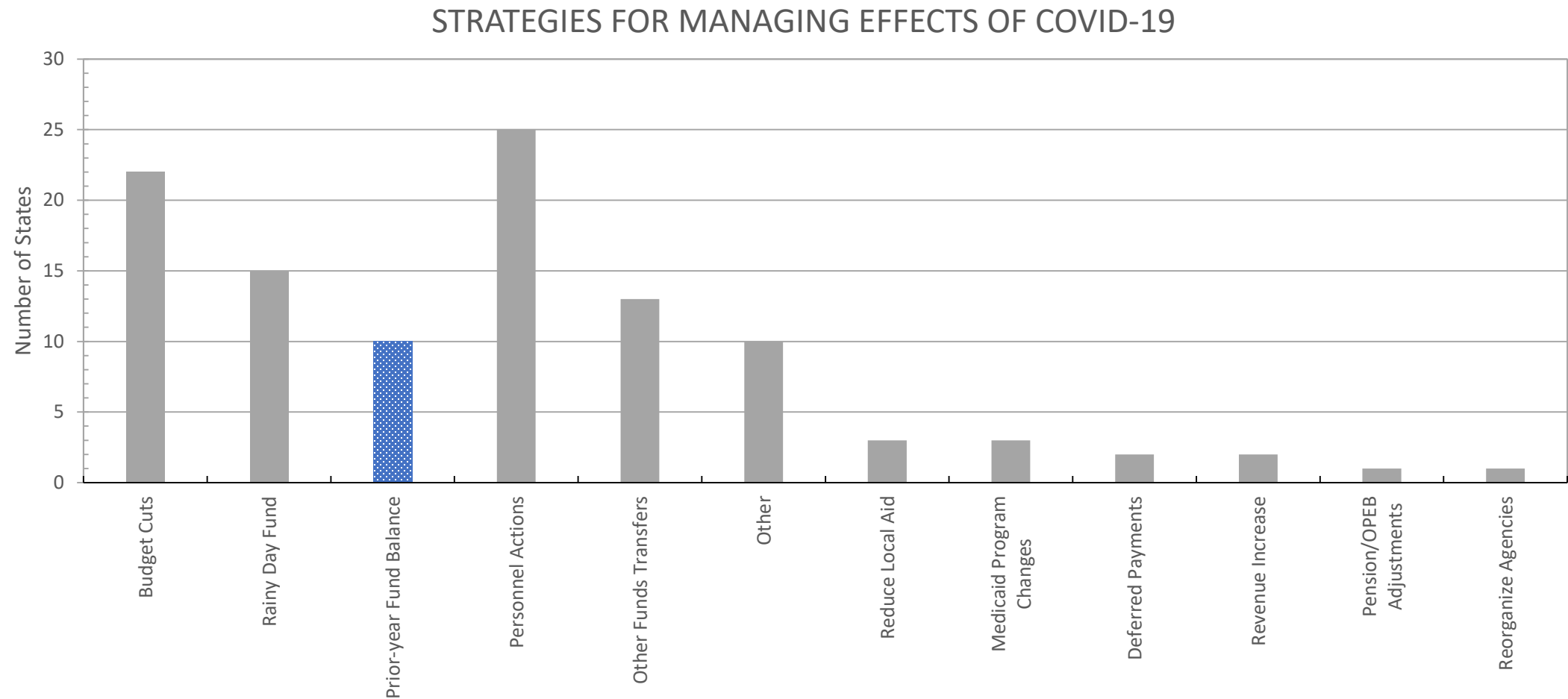
Available Funds – FY 2021-22 Budget Process

AVAILABLE FUNDS - FY 2021-22 BUDGET PROCESS
as of April 8, 2021



How States Managed Budgets in 2020

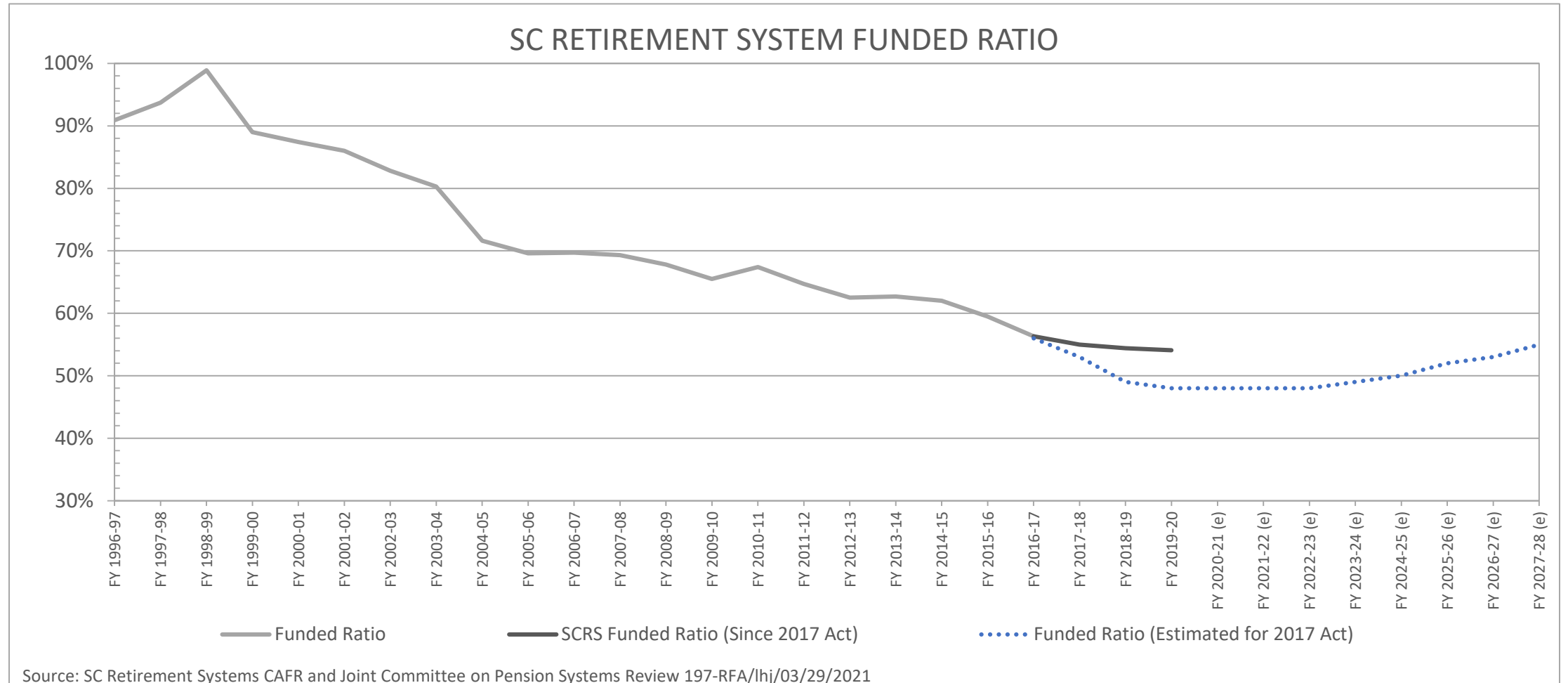
SC avoided most of the options adopted in other states; used fund balance for pandemic related expenses



Source: National Association of State Budget Officers, Fiscal Survey of States, Fall 2020

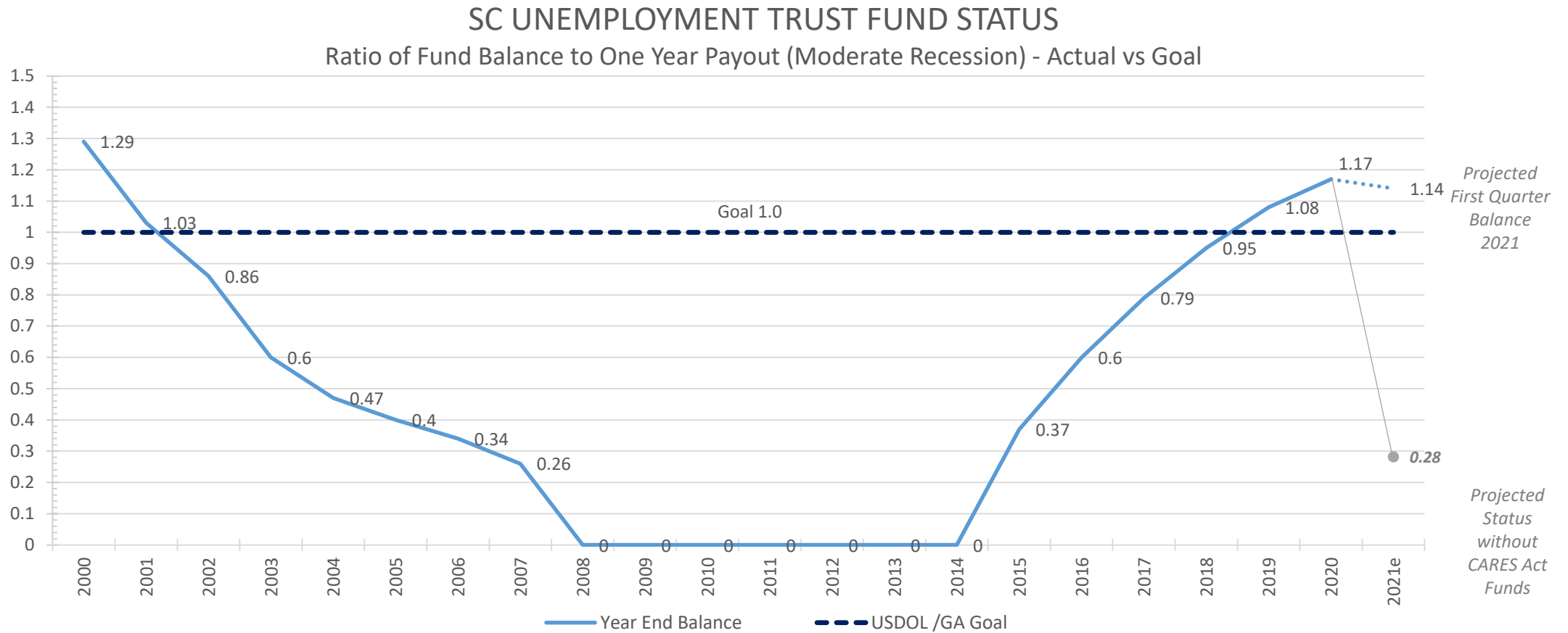
Retirement System Funding Progress

Funded ratio remains above the original projections in reform bill



SC Unemployment Trust Fund

CARES Act funding of \$847 million¹ helped maintain funded ratio



Source: S.C. Department of Employment and Workforce 271-RFA/mkm/03/29/2021

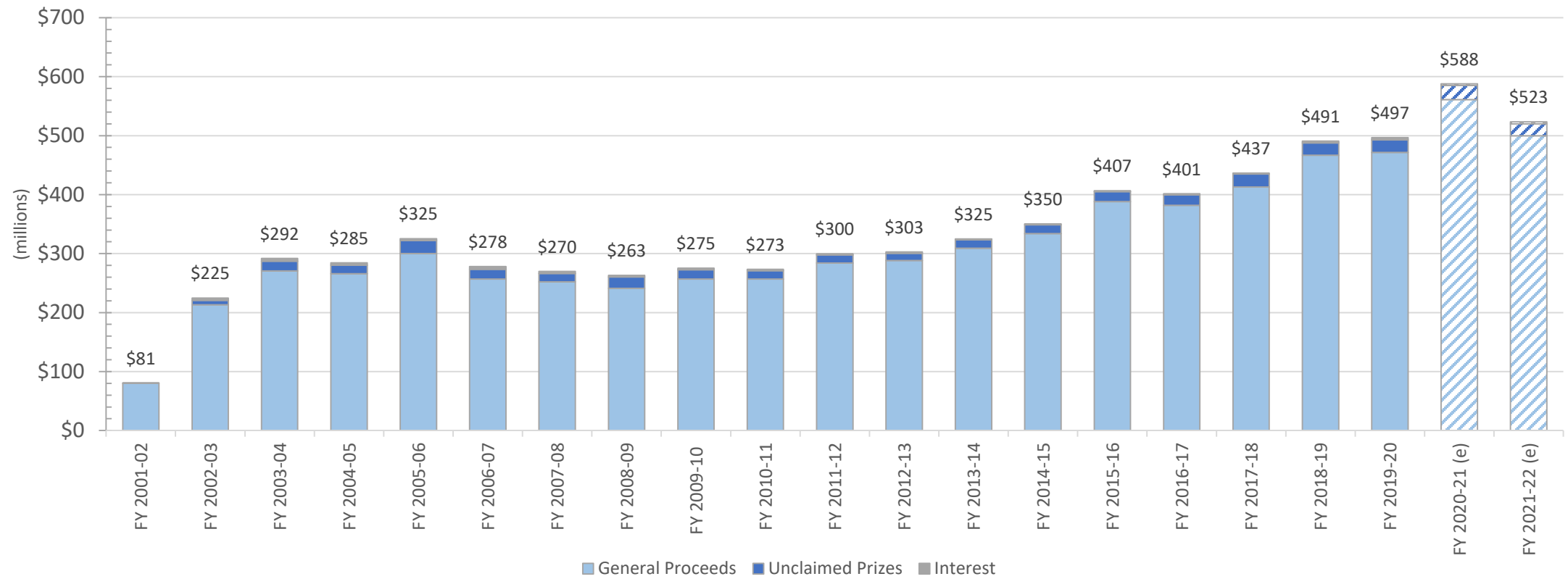
1- Total appropriations of \$920 million

SC Education Lottery

FY 21 growth driven by federal stimulus, one huge jackpot, and lack of alternative entertainment options; FY 22 expected to return to normal levels

TRANSFERS TO SC EDUCATION LOTTERY ACCOUNTS

Inception to FY 2021-22 Estimate



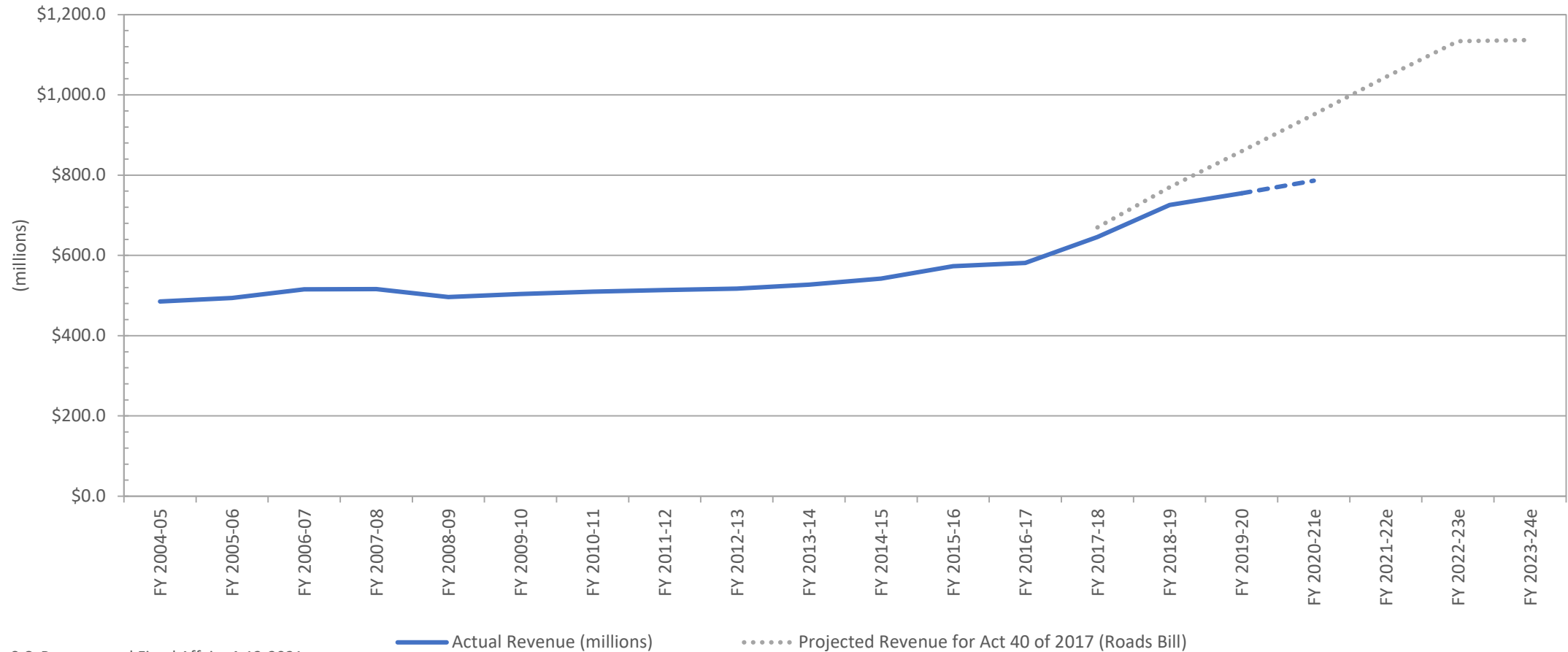
Source: South Carolina Revenue and Fiscal Affairs Office RFA/265/lhj/04/14/2021

Motor Fuel User Fees

Pandemic has resulted in motor fuel revenues falling below expectations

SOUTH CAROLINA MOTOR FUEL USER FEE REVENUE

Actual vs Estimated



S.C. Revenue and Fiscal Affairs 4-12-2021

History of FY 2020-21 Forecast Changes

Latest forecast within \$193 million (98%) of pre-pandemic expectations

| Revenue Category | 2/13/2020 Estimate FY 2020-21 | 4/9/2020 Estimate FY 2020-21 | 5/8/2020 Estimate FY 2020-21 | 08/31/2020 Estimate FY 2020-21 | 11/10/2020 Estimate FY 2020-21 | 4/8/2021 Estimate FY 2020-21 | Total Change Since 2/13/2020 |
|-----------------------------------|-------------------------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Sales and Use Tax | \$3,572,229,000 | \$3,399,926,024 | \$3,399,926,000 | \$3,367,926,000 | \$3,371,458,000 | \$3,630,230,000 | \$58,001,000 |
| Individual Income Tax | 5,156,732,000 | 4,707,915,608 | 4,707,916,000 | 4,707,916,000 | 4,695,664,000 | \$4,948,250,000 | (208,482,000) |
| Corporation Income Tax | 444,214,000 | 421,977,600 | 375,560,000 | 375,560,000 | 370,590,000 | \$465,900,000 | 21,686,000 |
| Insurance Taxes | 288,995,000 | 288,995,000 | 288,995,000 | 288,995,000 | 280,155,000 | \$280,155,000 | (8,840,000) |
| Admissions Tax | 34,354,000 | 34,354,000 | 34,354,000 | 24,354,000 | 24,354,000 | \$26,175,000 | (8,179,000) |
| Aircraft Tax | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | \$2,500,000 | 0 |
| Alcoholic Liquor Tax | 91,948,000 | 91,948,000 | 91,948,000 | 83,148,000 | 83,148,000 | \$85,996,000 | (5,952,000) |
| Bank Tax | 87,190,000 | 87,190,000 | 87,190,000 | 87,190,000 | 50,500,000 | \$23,150,000 | (64,040,000) |
| Beer and Wine Tax | 113,728,000 | 113,728,000 | 113,728,000 | 113,728,000 | 113,728,000 | \$113,728,000 | 0 |
| Bingo Tax | 113,000 | 113,000 | 113,000 | (500,000) | 0 | \$0 | (113,000) |
| Business Filing Fees | 8,200,000 | 8,200,000 | 8,200,000 | 8,200,000 | 8,820,000 | \$10,760,000 | 2,560,000 |
| Circuit/Family Court Fines | 6,217,000 | 6,217,000 | 6,217,000 | 5,500,000 | 5,308,000 | \$5,308,000 | (909,000) |
| Corporation License Tax | 119,060,000 | 119,060,000 | 107,154,000 | 107,154,000 | 107,154,000 | \$137,900,000 | 18,840,000 |
| Documentary Tax | 91,050,000 | 91,050,000 | 91,050,000 | 91,050,000 | 91,050,000 | \$94,680,000 | 3,630,000 |
| Earned on Investments | 75,000,000 | 75,000,000 | 75,000,000 | 75,000,000 | 85,000,000 | \$75,000,000 | 0 |
| Indirect Cost Recoveries | 15,500,000 | 15,500,000 | 15,500,000 | 15,500,000 | 15,500,000 | \$16,535,000 | 1,035,000 |
| Motor Vehicle Licenses | 12,890,000 | 12,890,000 | 12,890,000 | 12,890,000 | 11,775,000 | \$10,674,000 | (2,216,000) |
| Nursing Home Fees | 3,600,000 | 3,600,000 | 3,600,000 | 3,600,000 | 3,600,000 | \$3,600,000 | 0 |
| Parole and Probation Fees | 3,393,000 | 3,393,000 | 3,393,000 | 3,393,000 | 3,393,000 | \$3,393,000 | 0 |
| Private Car Lines Tax | 6,787,000 | 6,787,000 | 6,787,000 | 6,787,000 | 6,492,000 | \$6,733,000 | (54,000) |
| Public Service Authority | 17,700,000 | 17,700,000 | 17,700,000 | 17,700,000 | 17,450,000 | \$17,450,000 | (250,000) |
| Purchasing Card Rebates | 3,497,000 | 3,497,000 | 3,497,000 | 3,497,000 | 3,497,000 | \$3,089,000 | (408,000) |
| Record Search Fees | 4,461,000 | 4,461,000 | 4,461,000 | 4,461,000 | 4,461,000 | \$4,461,000 | 0 |
| Savings and Loan Assoc. Tax | 1,038,000 | 1,038,000 | 1,038,000 | 1,038,000 | 3,048,000 | \$1,273,000 | 235,000 |
| Security Dealer Fees | 28,100,000 | 28,100,000 | 28,100,000 | 28,100,000 | 28,100,000 | \$29,119,000 | 1,019,000 |
| Surcharge on Vehicle Rentals | 175,000 | 0 | 0 | 0 | 0 | \$0 | (175,000) |
| Tobacco Tax | 28,657,000 | 28,657,000 | 28,657,000 | 28,657,000 | 28,657,000 | \$28,657,000 | 0 |
| Uncashed Checks | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 0 | \$0 | (1,000,000) |
| Unclaimed Property Fund | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | \$15,000,000 | 0 |
| Workers' Comp. Insurance Tax | 8,828,000 | 8,828,000 | 8,828,000 | 8,828,000 | 7,057,000 | \$9,200,000 | 372,000 |
| Other Source Revenues | 11,931,000 | 11,931,000 | 11,931,000 | 11,931,000 | 12,904,000 | \$11,849,000 | (82,000) |
| | | | | | | | 0 |
| Gross General Fund Revenue | \$10,254,087,000 | \$9,610,556,232 | \$9,552,233,000 | \$9,500,103,000 | \$9,450,363,000 | \$10,060,765,000 | (\$193,322,000) |



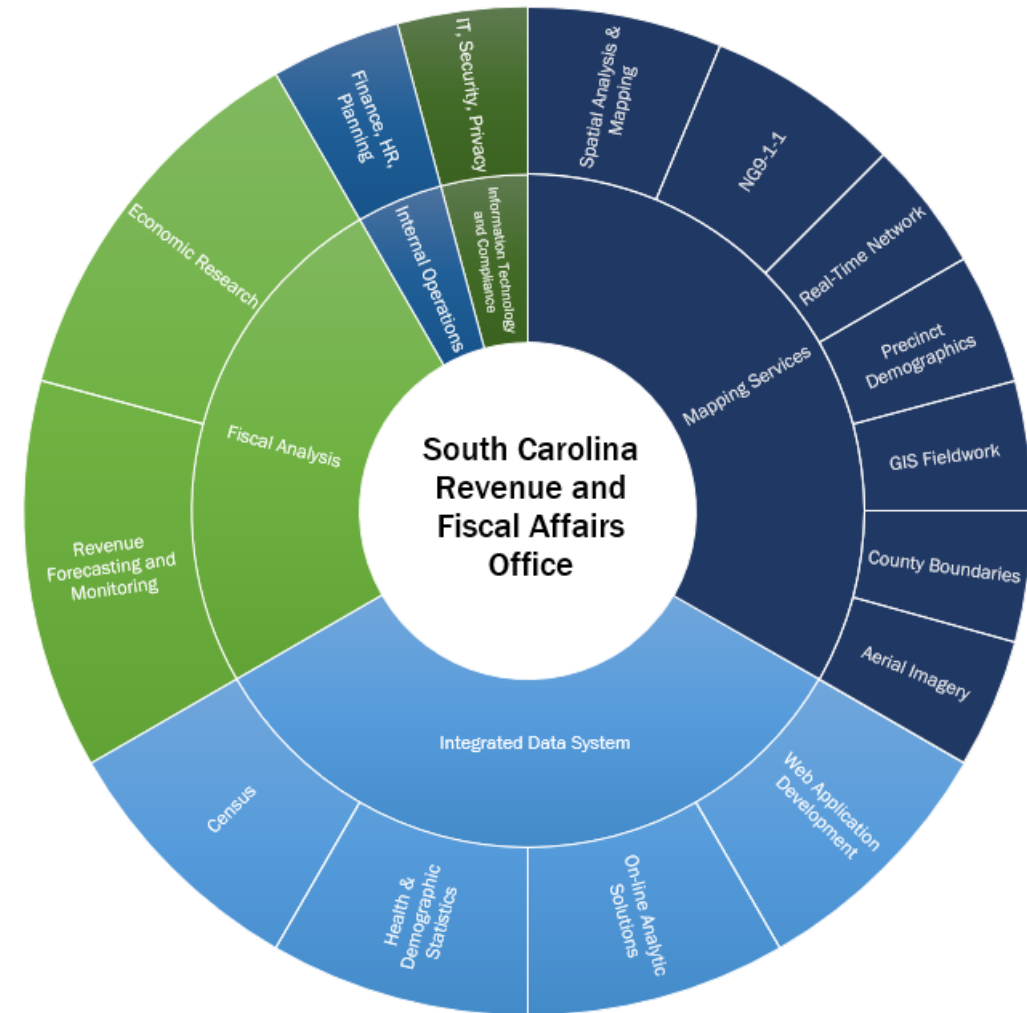
SC Business License Tax Portal (§6-1-400 et. seq)

- Host and manage portal
- Approve Standard Business License Tax Application
- Approve Standardized Business License Class Schedule
 - Reasonable approach (S.C. Supreme Court decisions)
 - Three-year average profitability rankings
 - Used actual IRS data as best available
- Contact RFA for official letter and details

Revenue and Fiscal Affairs Office

RFA is responsible for providing diverse sets of fiscal and statistical analyses, reports, and other services to the Governor, General Assembly, state and local government entities, the private sector, and the citizens of the state.

The agency has a staff of approximately seventy-five comprised of analysts, statisticians, epidemiologists, database administrators, web developers, GIS analysts, economists, surveyors, and project and program managers.



Conclusion & Questions

“Well, my friends, the time has come
To raise the roof and have some fun
Throw away the work to be done ...”

- Lionel Richie, “All Night Long”