



## SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

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*For Immediate Release*

*November 10, 2021*

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### **The BEA Adopts Preliminary FY 2022-23 Forecast, Revises FY 2021-22 Estimate Upward** *Continued Economic and Revenue Growth Expected in South Carolina*

COLUMBIA - The South Carolina Board of Economic Advisors (BEA) anticipates revenue collections this year will exceed previous expectations, continuing the recent trends from last fiscal year that ended June 30, 2021.

At today's meeting, the BEA raised its April 2021 estimate for FY 2021-22 (FY 22) by \$975.8 million, increasing the General Fund forecast from \$9.925 billion to \$10.901 billion. This change reflects a stronger economy and consistently higher revenue trends.

In addition, the BEA adopted a preliminary estimate for FY 2022-23 (FY 23) of \$10.919 billion, reflecting growth of \$18.5 million, or 0.2 percent, over the revised FY 22 estimate. The low growth rate for FY 23 is attributable to timing and legislative adjustments as revenues for this year continue to be elevated from sustained federal stimulus effects, although economic growth is expected to continue along historical rates.

As a result of federal stimulus efforts and continued behavioral shifts stemming from the COVID-19 pandemic, the State ended FY 2020-21 (FY 21) with an unprecedented \$11.089 billion in gross General Fund revenue. Final FY 21 collections exceeded the previous estimate by \$1.028 billion, which provided a higher base for updating the FY 22 estimate.

In addition to the higher base, continued strong spending on taxable goods and high wage growth through the first quarter of the fiscal year have furthered raised expectations for FY 22.

Expectations underlying the FY 22 estimate are that the rate of growth in collections will moderate later in the fiscal year as the economy moves past the effects of federal stimulus programs, which are expected to boost collections through calendar year 2021. Subsequently, revenues are expected to return to a more normal level of growth moving into next fiscal year.

The largest risk to the forecast is determining the timing and magnitude of the potential drop in revenues as the effects of federal stimulus programs subside. The forecast reflects a more cautious approach, and if actual results prove stronger than anticipated, revenues could easily exceed the current estimate.

For the first four months of the current fiscal year, General Fund revenues grew 19.8 percent, well above expectations. Although total nonfarm employment has not fully returned to pre-pandemic levels, personal income in South Carolina has grown well above historical trends, a product of federal stimulus payments, wage growth, and strong small business and investment income all driving up revenue collections.

Prior to making these estimates, the BEA had two meetings with industry and business leaders as well as its advisory panel of economists to gain their insights and perspectives on the economic outlook over the next twenty months. The BEA noted that the strong job market and a shortage of workers are contributing to high wage growth and driving up withholdings. The Board is also monitoring inflation expectations and supply chain issues that have put upward pressure on prices and current sales tax revenues.

With these revised forecasts and budgetary adjustments, lawmakers will have \$897.6 million in additional new revenue for the FY 23 budget process and forecasted surpluses totaling \$2.194 billion from last fiscal year and this year, for \$3.092 billion in additional revenue available to appropriate.

**FY 2022-23 Budget Outlook**  
(Millions of Dollars)

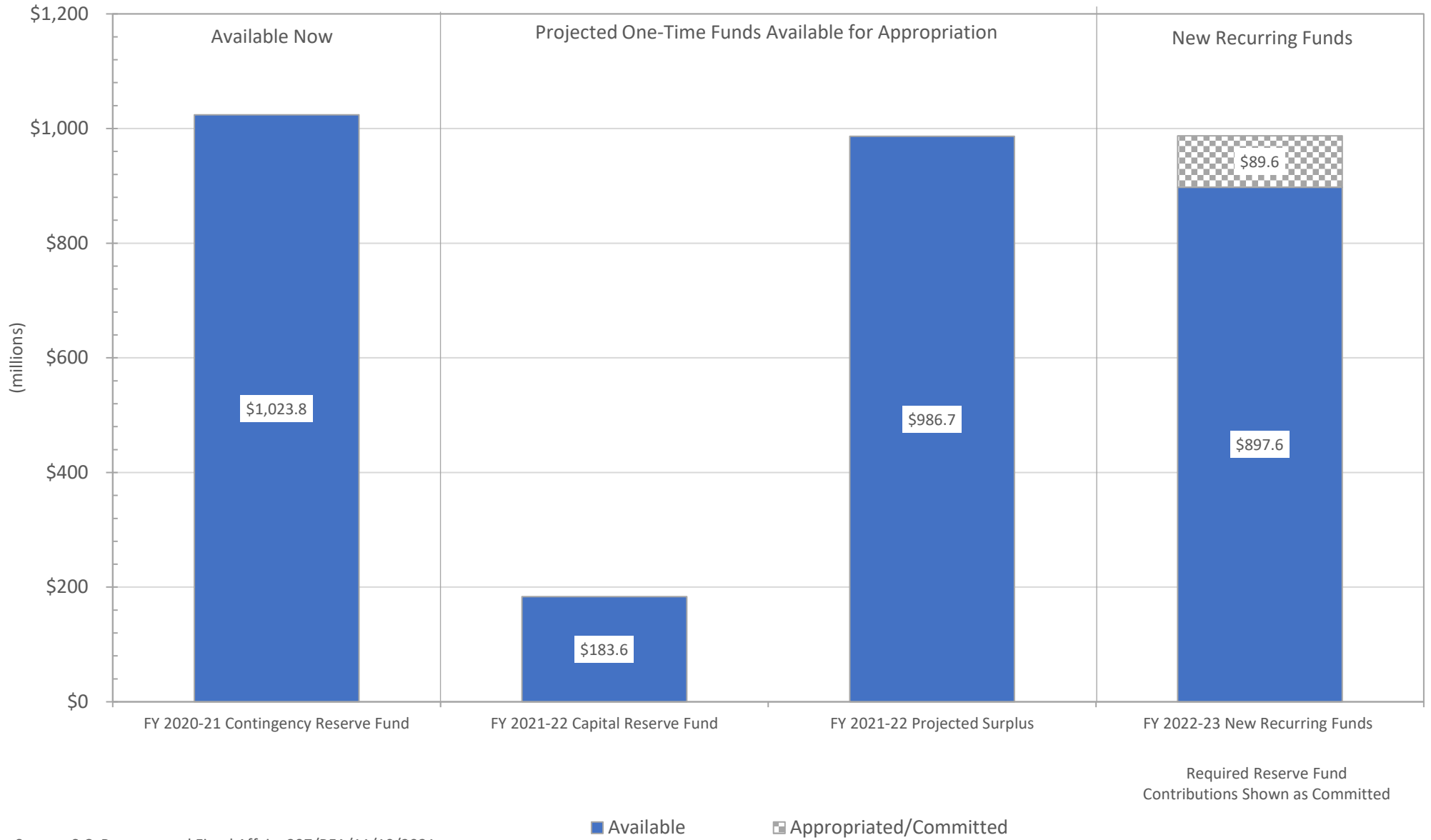
<b>Net New Recurring General Fund Revenue</b> <i>(less Tax Relief Trust Fund and Reserve Fund Contributions)</i>	<b>\$897.6</b>
<b>Non-recurring Revenue</b>	
FY 2020-21 Contingency Reserve Fund <i>(Prior year surplus)</i>	\$1,023.8
FY 2021-22 Capital Reserve Fund	\$183.6
Projected FY 2021-22 General Fund Surplus	\$986.7
<b>Total Non-recurring Revenue</b>	<b>\$2,194.0</b>
<b>Estimated Additional Revenue for Appropriation</b>	<b>\$3,091.6</b>

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

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Attachment

## AVAILABLE FUNDS - FY 2022-23 BUDGET PROCESS as of November 10, 2021



Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/10/2021