

# South Carolina General Fund Revenue Forecast FY 2021-22 and FY 2022-23



May 24, 2022

# General Fund Revenue Updates



# April Revenue



## REVENUES V. BEA MONTHLY ESTIMATES

JULY - APRIL FY 2021-22

(\$ 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
<b>Total General Fund Revenue</b>	<b>\$10,598.0</b>	<b>\$9,391.7</b>	<b>\$1,206.3</b>	<b>6.6%</b>	<b>26.2%</b>	Other Revenue Items, Sub-Total	\$749.9	\$698.4	\$51.5	8.0%	18.5%
Sales Tax	3,217.2	3,108.6	108.6	5.8%	17.5%	Admissions Tax	27.6	21.6	6.0	26.5%	75.7%
Individual Income Tax	5,517.8	4,690.2	827.6	6.9%	29.0%	Alcoholic Liquors Tax	81.7	76.3	5.4	2.9%	15.0%
Withholdings	5,713.3	5,525.3	188.0	8.6%	13.8%	Bank Tax	61.5	45.7	15.8	(16.8%)	112.1%
Nonwithholdings	1,684.9	1,180.6	504.3	(8.7%)	64.1%	Beer and Wine Tax	86.4	83.9	2.5	(1.2%)	1.7%
Refunds	1,880.3	2,015.7	(135.4)	0.3%	6.2%	Corporate License Tax	156.8	151.1	5.7	6.8%	10.8%
Corporate Income Tax	894.6	677.0	217.6	20.7%	72.3%	Deed Rec. (Doc. Tax)	116.4	106.5	9.8	11.8%	40.7%
Insurance Tax	218.4	217.5	1.0	(3.6%)	(4.7%)	Earned on Investments	60.0	64.0	(4.0)	4.6%	0.7%
Other Revenue Items, Sub-Total	749.9	698.4	51.5	8.0%	18.5%	Residual Revenue	159.5	149.2	10.2	(7.4%)	7.6%

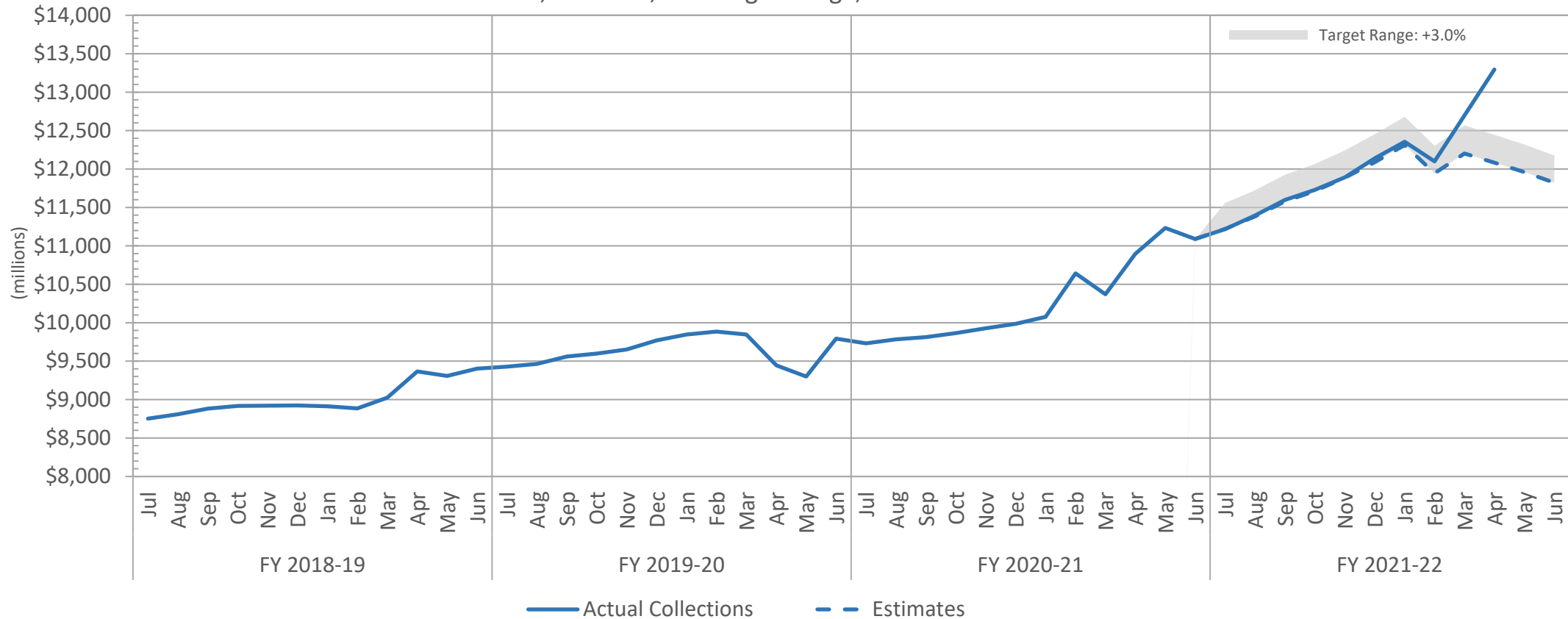
Based on BEA Forecast as of February 15, 2022



# General Fund – Actuals vs. Estimates

Revenues are growing faster than expected and are **\$1,206.3 million** above the estimate year-to-date

ROLLING FISCAL YEAR - GENERAL FUND  
Actual, Estimate, and Target Range, FY 2018-19 to FY 2021-22



# Forecast Considerations



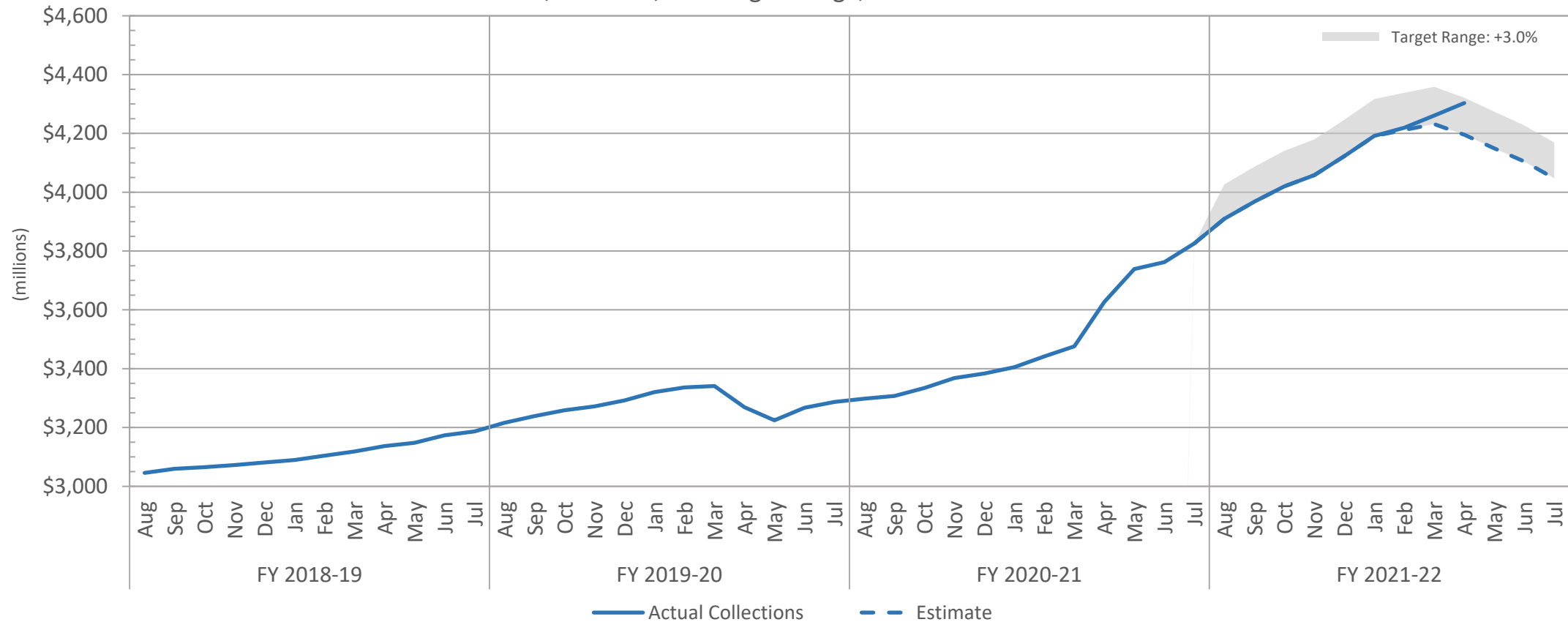
## Forecast Issues and Risks

- Current forecast anticipates revenues will peak in FY 2021-22 and decline in FY 2022-23 closer to historical levels
- FY 2021-22 revenues have grown significantly more than anticipated
- The working estimates for FY 2021-22 recognize strong year-to-date growth
- Withholdings working estimate for FY 2022-23 reflects FY 2021-22 base and potential additional wage growth
- Uncertainty remains for most categories in FY 2022-23 due to concerns regarding inflation, anticipated Federal Reserve actions, and increased concerns about a recession

# Sales Tax - Actual vs. Estimate

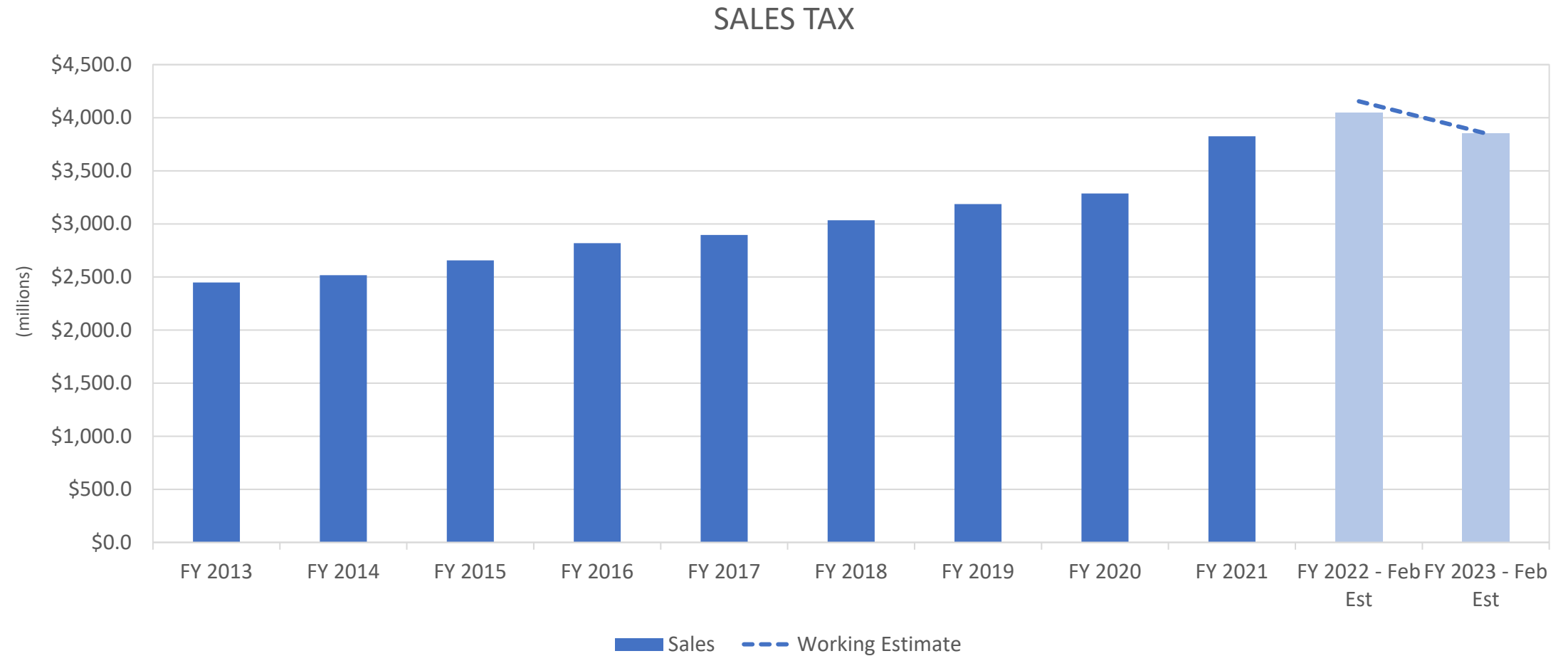
## Collections are \$108.6 million above the estimate

ROLLING FISCAL YEAR - SALES TAX  
Actual, Estimate, and Target Range, FY 2018-19 to FY 2021-22



# Sales Tax

Working estimates reflect higher growth in FY 2021-22 and no change to FY 2022-23



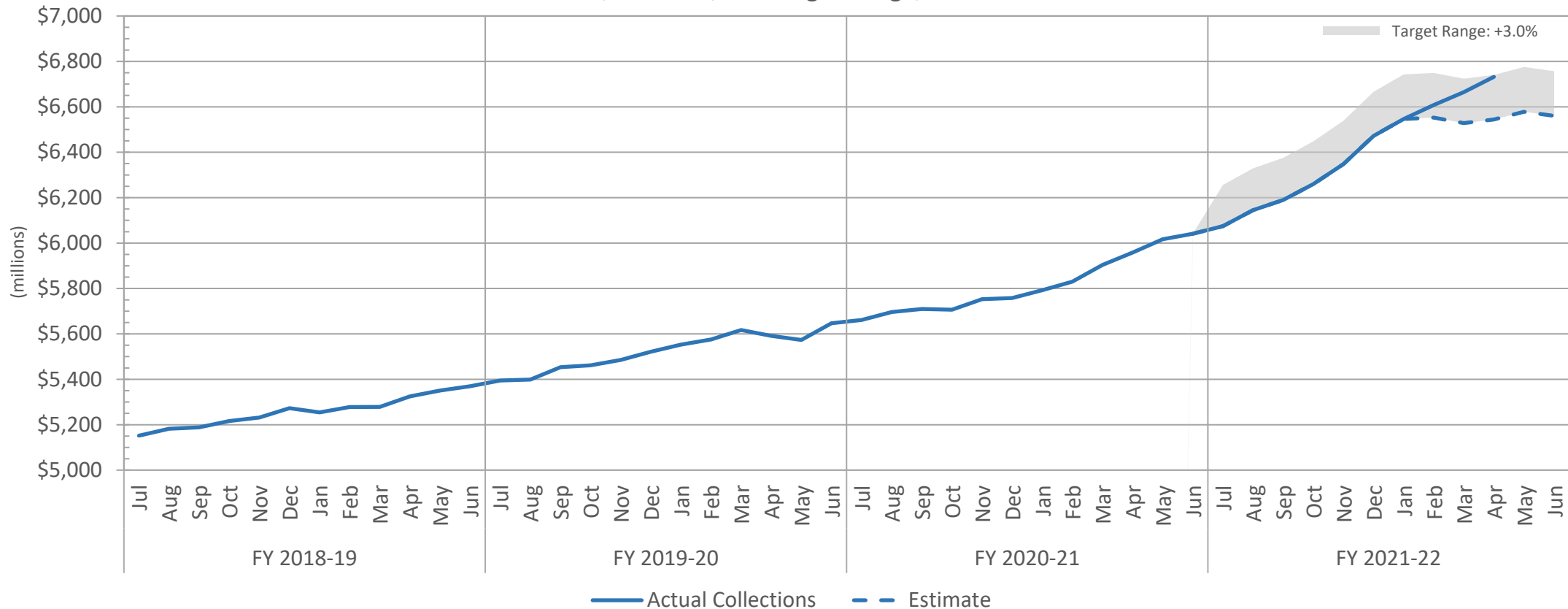


# Withholdings - Actual vs. Estimate

Withholding are \$188.0 million above expectations; year-to-date growth of 13.8% exceeds the current estimate of 8.6% as high wage growth continues

## ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

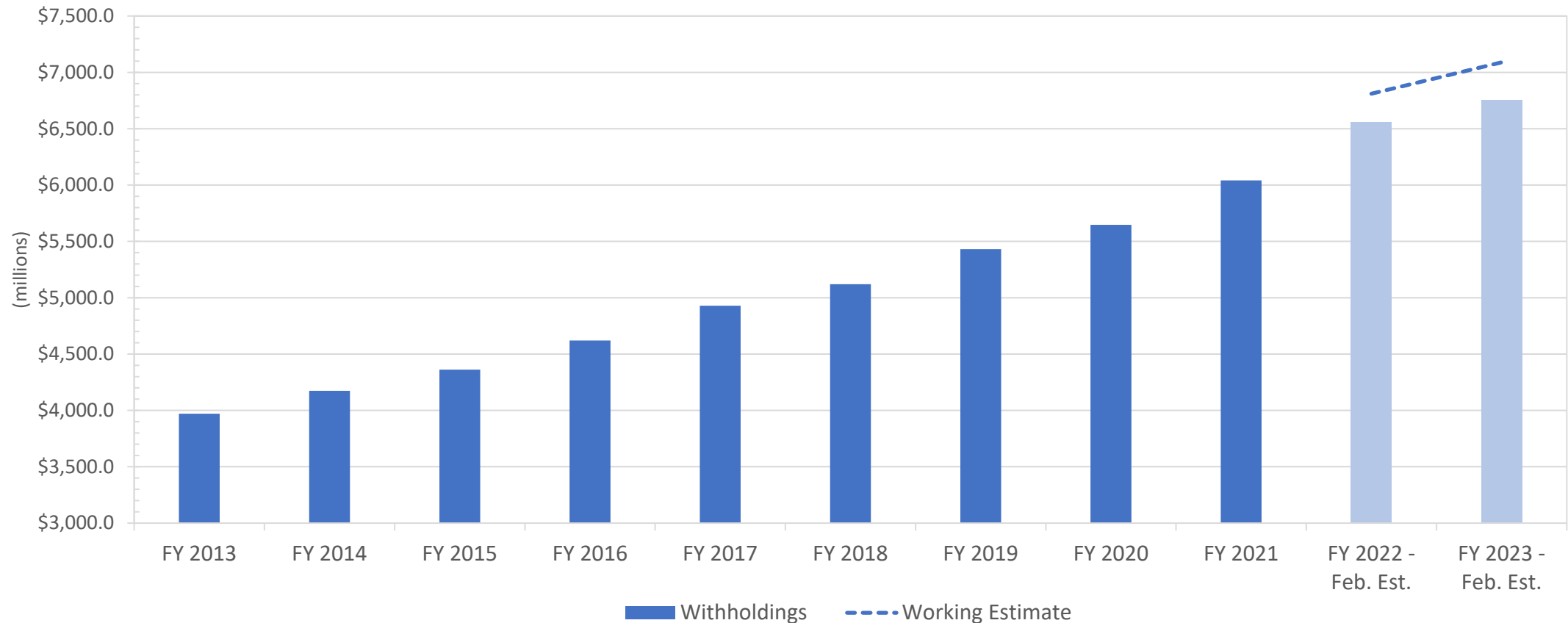
Actual, Estimate, and Target Range, FY 2018-19 to FY 2021-22



# Individual Income Tax - Withholdings

Working estimates reflect higher wage growth; 12.7% forecasted growth in FY 2021-22 and 4.1% in FY 2022-23

## WITHHOLDINGS

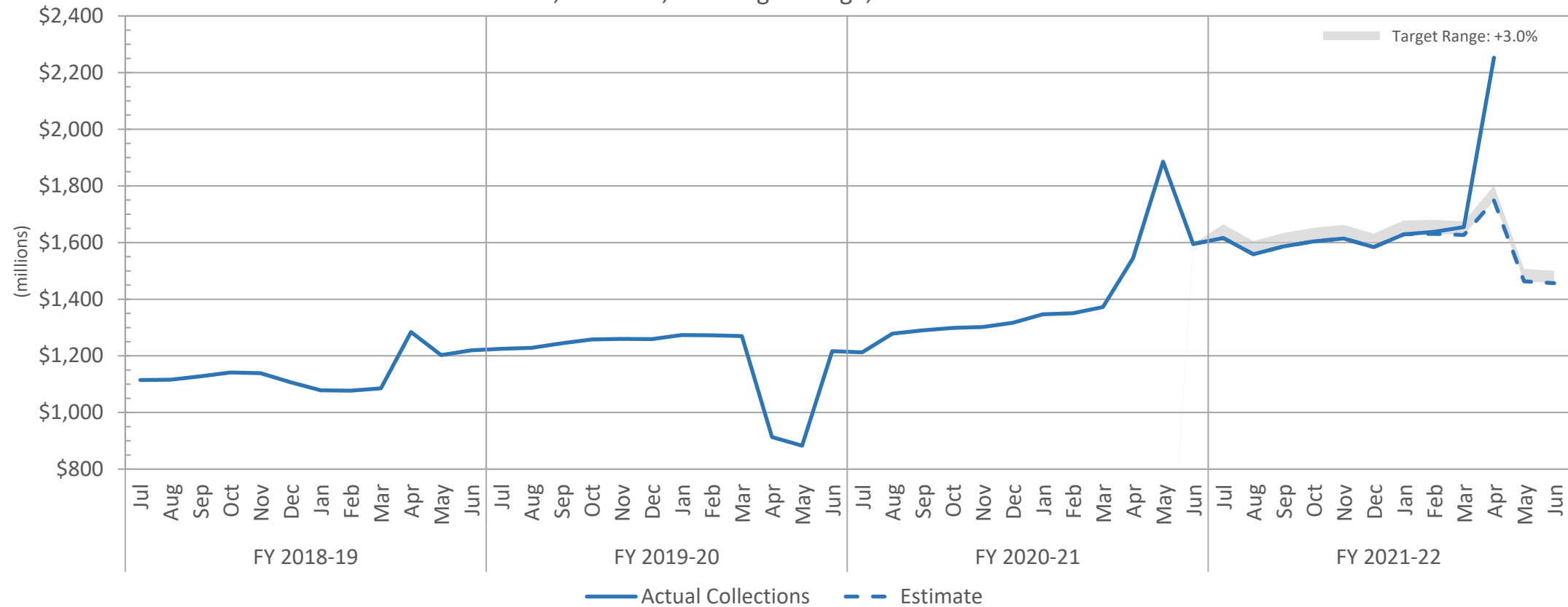


# Non-Withholdings - Actual vs. Estimate

Collections are 64.1% above last year, partially due to timing changes in tax filing season

## ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

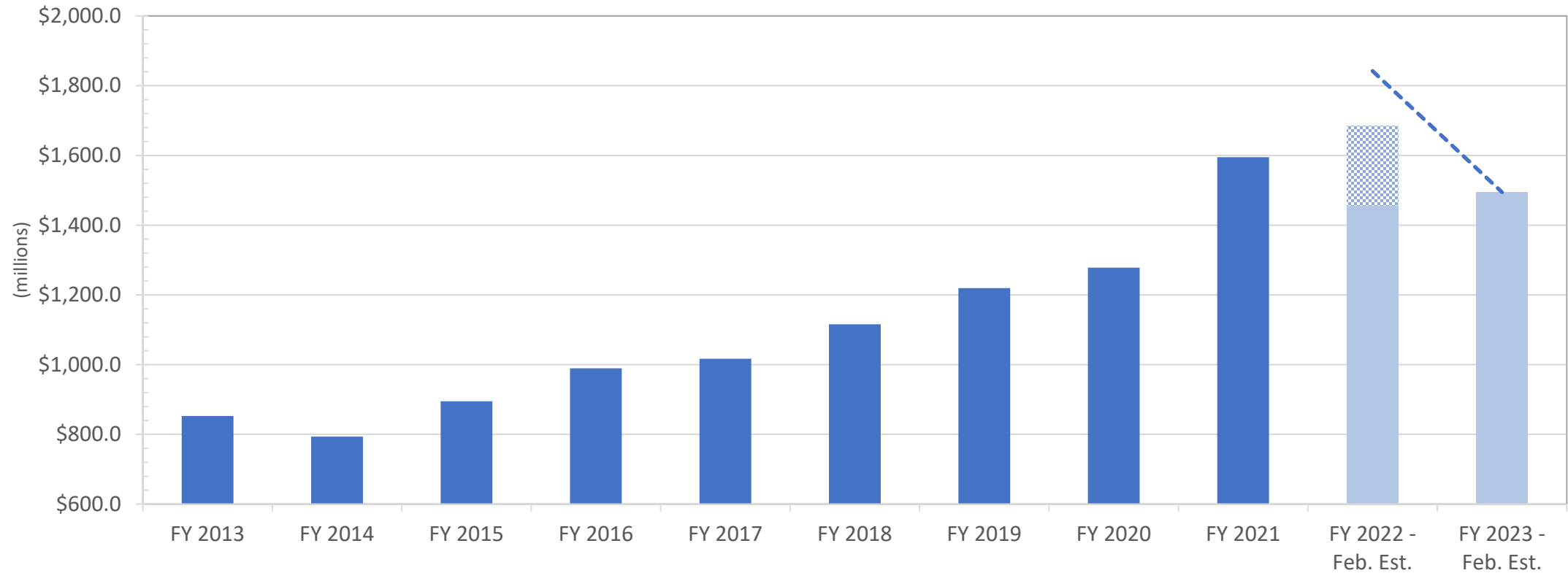
Actual, Estimate, and Target Range, FY 2018-19 to FY 2021-22



# Individual Income Tax – Non-Withholdings

Working estimate for FY 2021-22 is increased to reflect year-to-date collections with an adjustment for timing; no change to FY 2022-23 due to potential uncertainty regarding market performance

## NON-WITHHOLDINGS



Note: FY 2022 and FY 2023 include \$24.3m and \$83.8m, respectively, in reductions from legislative adjustments

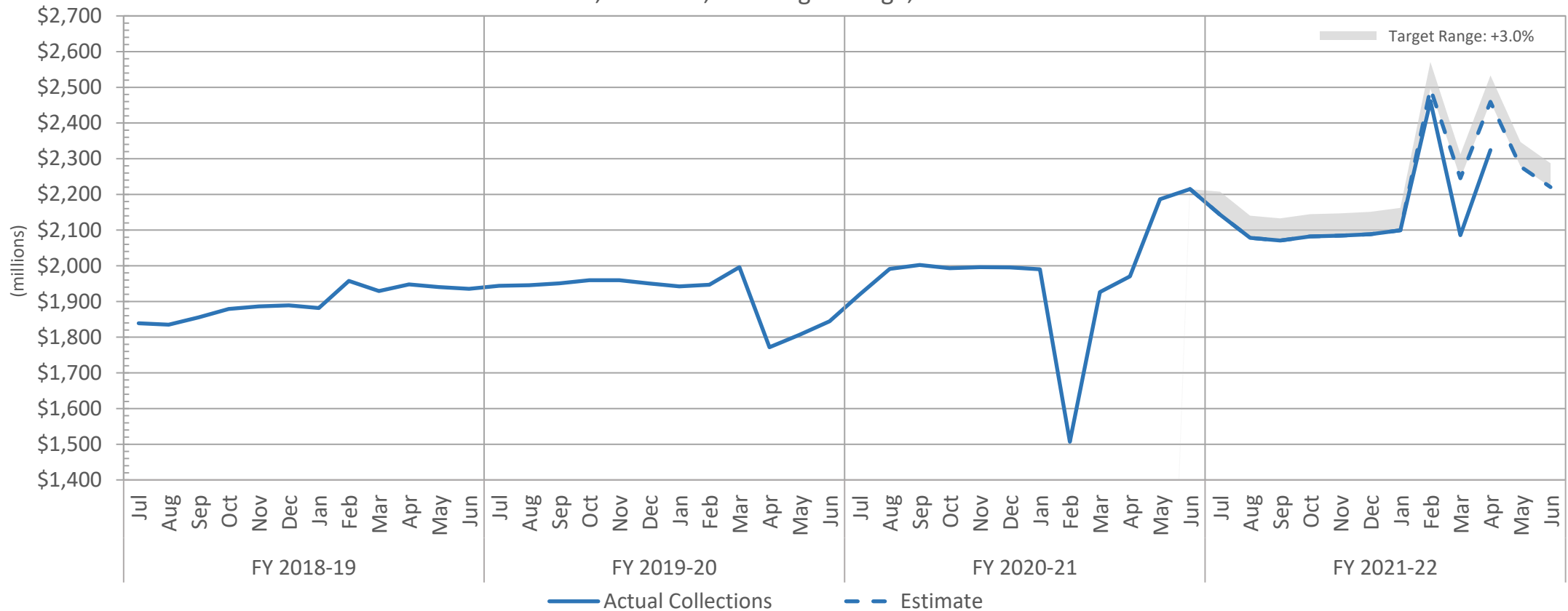
■ Non-Withholdings    ▨ Current Collections    - - - Working Estimate

# Refunds - Actual vs. Estimate

Refunds are \$135.4 million below the estimate

## ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

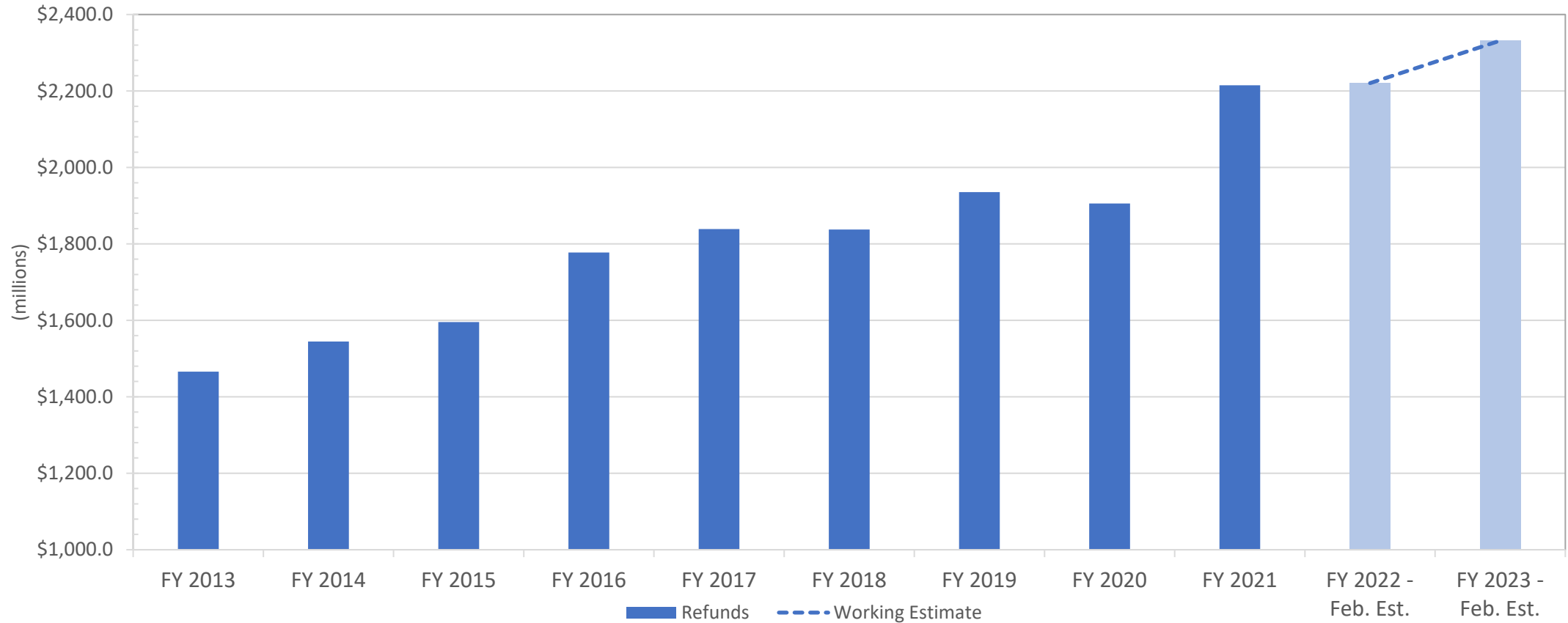
Actual, Estimate, and Target Range, FY 2018-19 to FY 2021-22



# Individual Income Tax - Refunds

No change to current estimates

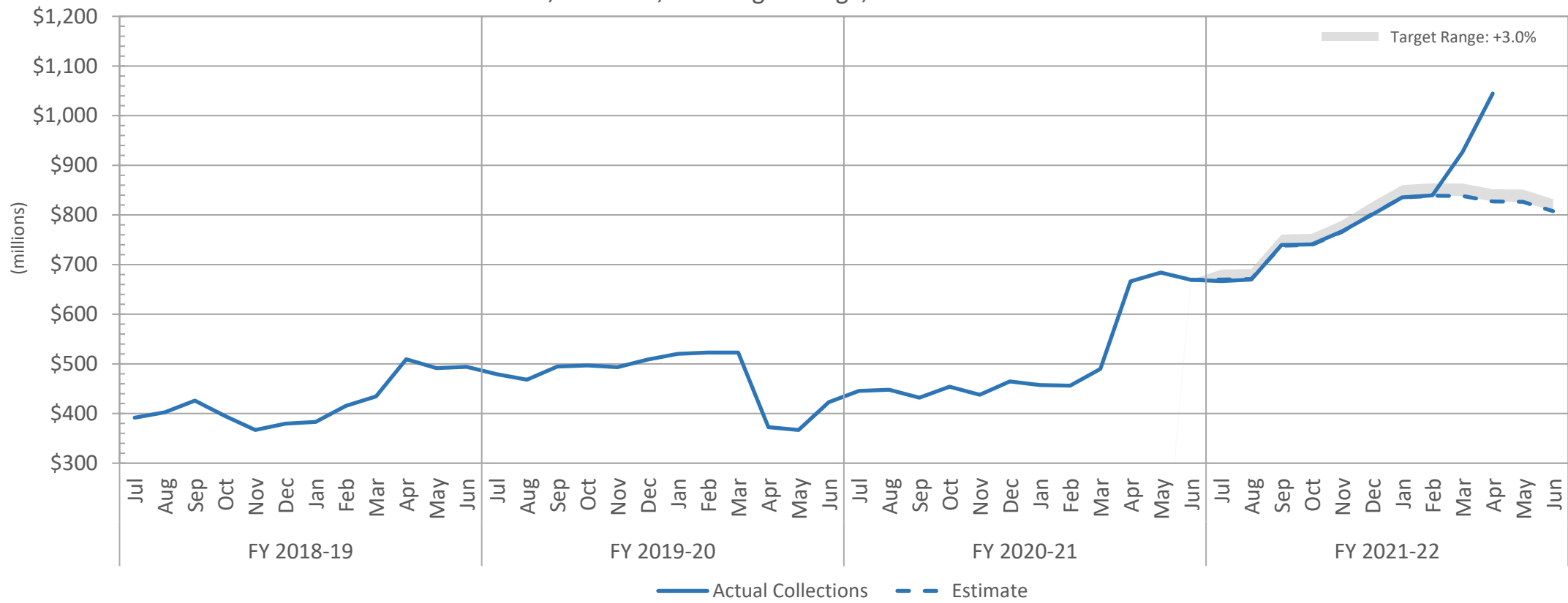
## REFUNDS



# Corporate Income Tax – Actual vs. Estimate

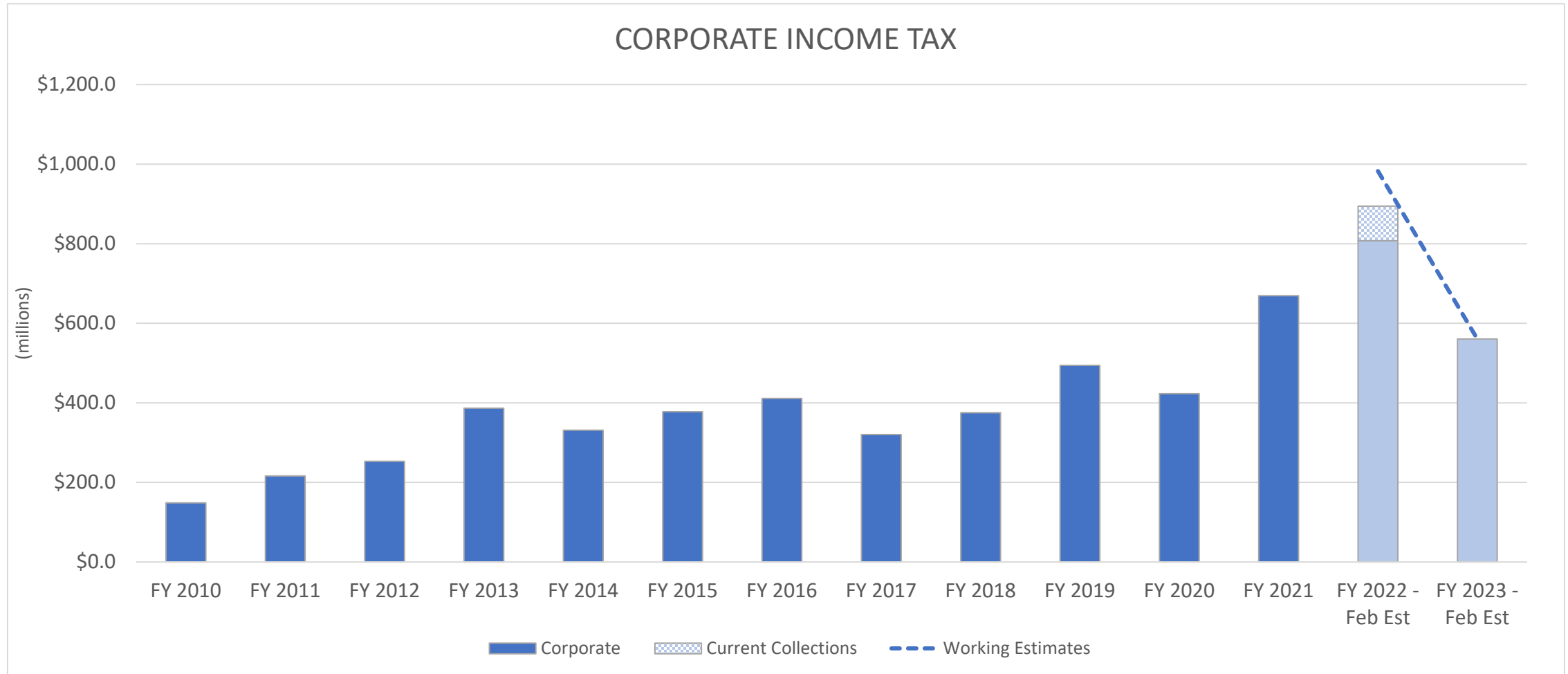
## Collections are above estimate by \$217.6 million year-to-date

ROLLING FISCAL YEAR - CORPORATE INCOME TAX  
Actual, Estimate, and Target Range, FY 2018-19 to FY 2021-22



# Corporate Income Tax

Working estimates recommend increase for FY 2021-22 and no change to FY 2022-23 due to potential for volatility





## Summary of Forecast Changes – FY 2021-22

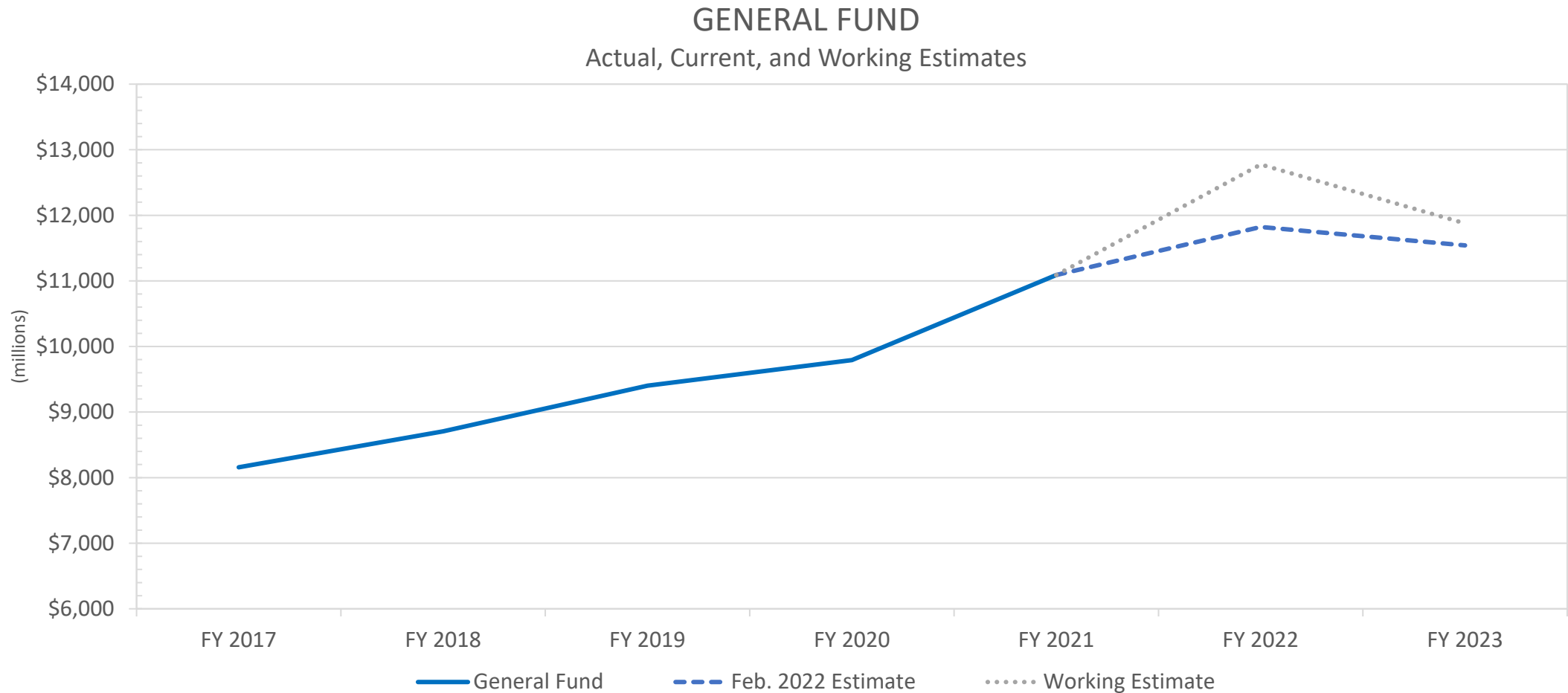
- Working estimates for FY 2021-22 result in a total General Fund revenue increase of \$952.1 million over the February 2022 estimates
- Sales, Individual Income, and Corporate Income tax are adjusted upward by \$918.3 million
- Bank tax and Deed Recording Fees are adjusted upward by \$25.8 million, mainly accounting for year-to-date growth
- Earnings on Investments is adjusted down by \$6.0 million
- Other categories account for residual adjustments totaling approximately \$14.0 million

## Summary of Forecast Changes – FY 2022-23

- Working estimates for FY 2022-23 result in a total General Fund revenue increase of \$335.7 million over the February 2022 estimates
- Withholdings is increased by \$336.7 million
- Earnings on Investments is decreased by \$1.0 million

# General Fund – Proposed Changes

Working estimates account for higher growth in FY 2021-22 and a decline in FY 2022-23 towards a more historical trend



# Consideration of Forecast



# General Fund Revenue Forecast - Proposed

Revenue Category	Final FY 2019-20	Final FY 2020-21	2/15/2022	5/24/2022	Change	2/15/2022	5/24/2022	Change	Percent	5/24/2022	5/24/2022
			Estimate FY 2021-22	Estimate FY 2021-22		Estimate FY 2022-23	Estimate FY 2022-23		Change FY 2020-21	Percent Change FY 2021-22	Percent Change FY 2022-23
Sales and Use Tax	\$3,286,771,744	\$3,825,920,335	\$4,047,332,000	\$4,155,332,000	\$108,000,000	\$3,852,456,000	\$3,852,456,000	\$0	16.4	8.6	(7.3)
Individual Income Tax	5,019,420,030	5,421,280,543	5,796,456,000	6,431,778,000	\$635,322,000	5,915,612,000	6,252,262,415	\$336,650,415	8.0	18.6	(2.8)
Corporation Income Tax	423,052,193	669,221,114	807,582,000	982,582,000	\$175,000,000	560,448,000	560,448,000	\$0	58.2	46.8	(43.0)
Insurance Taxes	241,496,468	293,235,485	282,735,000	282,735,000	\$0	345,761,000	345,761,000	\$0	21.4	(3.6)	22.3
Admissions Tax	24,858,654	29,531,233	37,367,000	43,367,000	\$6,000,000	37,741,000	37,741,000	\$0	18.8	46.9	(13.0)
Aircraft Tax	2,621,301	2,877,150	1,250,000	1,250,000	\$0	0	0	\$0	9.8	(56.6)	--
Alcoholic Liquor Tax	81,089,410	101,569,635	104,492,000	109,892,000	\$5,400,000	97,061,000	97,061,000	\$0	25.3	8.2	(11.7)
Bank Tax	73,484,038	69,828,425	58,110,000	74,110,000	\$16,000,000	59,092,000	59,092,000	\$0	(5.0)	6.1	(20.3)
Beer and Wine Tax	112,351,535	116,859,053	115,434,000	117,928,000	\$2,494,000	116,461,000	116,461,000	\$0	4.0	0.9	(1.2)
Business Filing Fees	7,979,168	12,763,604	12,201,000	12,201,000	\$0	10,839,000	10,839,000	\$0	60.0	(4.4)	(11.2)
Circuit/Family Court Fines	5,731,715	5,366,354	5,906,000	5,906,000	\$0	5,670,000	5,670,000	\$0	(6.4)	10.1	(4.0)
Corporation License Tax	130,867,571	148,136,873	158,137,000	158,137,000	\$0	167,072,000	167,072,000	\$0	13.2	6.8	5.7
Deed Recording Fees	81,757,989	118,902,924	132,986,000	142,827,000	\$9,841,000	102,878,000	102,878,000	\$0	45.4	20.1	(28.0)
Earned on Investments	130,855,337	72,623,590	76,000,000	70,000,000	(\$6,000,000)	85,000,000	84,000,000	(\$1,000,000)	(44.5)	(3.6)	20.0
Indirect Cost Recoveries	15,269,683	23,269,863	28,640,000	28,640,000	\$0	28,640,000	28,640,000	\$0	52.4	23.1	0.0
Motor Vehicle Licenses	10,977,190	12,128,159	10,182,000	10,182,000	\$0	11,150,000	11,150,000	\$0	10.5	(16.0)	9.5
Nursing Home Fees	3,480,988	3,355,741	3,242,000	3,242,000	\$0	3,174,000	3,174,000	\$0	(3.6)	(3.4)	(2.1)
Parole and Probation Fees	3,392,808	3,392,808	3,393,000	3,393,000	\$0	3,393,000	3,393,000	\$0	0.0	0.0	0.0
Private Car Lines Tax	6,351,887	6,673,116	6,850,000	6,850,000	\$0	7,032,000	7,032,000	\$0	5.1	2.7	2.7
Public Service Authority	17,479,000	17,135,000	16,700,000	16,700,000	\$0	16,700,000	16,700,000	\$0	(2.0)	(2.5)	0.0
Purchasing Card Rebates	3,226,732	3,088,613	3,541,000	3,541,000	\$0	3,689,000	3,689,000	\$0	(4.3)	14.6	4.2
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	\$0	4,461,000	4,461,000	\$0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	8,489,236	1,147,447	2,340,000	2,340,000	\$0	2,340,000	2,340,000	\$0	(86.5)	103.9	0.0
Security Dealer Fees	27,533,590	29,188,874	31,702,000	31,702,000	\$0	32,336,000	32,336,000	\$0	6.0	8.6	2.0
Tobacco Tax	27,009,655	28,786,137	30,757,000	30,757,000	\$0	27,693,000	27,693,000	\$0	6.6	6.8	(10.0)
Unclaimed Property Fund	15,000,000	15,000,000	15,000,000	15,000,000	\$0	15,000,000	15,000,000	\$0	0.0	0.0	0.0
Workers' Comp. Insurance Tax	13,142,342	12,516,852	12,710,000	12,710,000	\$0	12,807,000	12,807,000	\$0	(4.8)	1.5	0.8
Other Source Revenues	15,126,230	40,866,612	16,726,000	16,726,000	\$0	16,721,000	16,721,000	\$0	170.2	(59.1)	(0.0)
<b>Gross General Fund Revenue</b>	<b>\$9,793,277,494</b>	<b>\$11,089,126,540</b>	<b>\$11,822,232,000</b>	<b>\$12,774,289,000</b>	<b>\$952,057,000</b>	<b>\$11,541,227,000</b>	<b>\$11,876,877,415</b>	<b>\$335,650,415</b>	<b>13.2</b>	<b>15.2</b>	<b>(7.0)</b>

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/05/24/2022



# General Fund Revenue Forecast (continued)– Proposed

Revenue Category	Final FY 2019-20	Final FY 2020-21	2/15/2022 Estimate FY 2021-22	5/24/2022 Estimate FY 2021-22	Change	2/15/2022 Estimate FY 2022-23	5/24/2022 Estimate FY 2022-23	Change	Percent Change FY 2020-21	5/24/2022 Percent Change FY 2021-22	5/24/2022 Percent Change FY 2022-23
<b>Gross General Fund Revenue</b>	\$9,793,277,494	\$11,089,126,540	\$11,822,232,000	\$12,774,289,000	\$952,057,000	\$11,541,227,000	\$11,876,877,415	\$335,650,415	13.2	15.2	(7.0)
Less: Tax Relief Trust Fund (Act)	614,053,000	629,405,136	650,023,221	650,023,221	0	661,952,631	661,952,631	0	2.5	3.3	1.8
<b>Net General Fund Revenue</b>	\$9,179,224,494	\$10,459,721,404	\$11,172,208,779	\$12,124,265,779	952,057,000	\$10,879,274,369	\$11,214,924,784	335,650,415	13.9	15.9	(7.5)
<b>Education Improvement Act (EIA)</b>	863,037,030	996,833,645	1,050,336,000	1,079,920,000	29,584,000	1,004,596,000	1,004,596,000	0	15.5	8.3	(7.0)
EIA Fund	861,357,054	996,748,940	1,050,246,000	1,079,830,000	29,584,000	1,004,491,000	1,004,491,000	0	15.7	8.3	(7.0)
EIA Interest	1,679,976	84,705	90,000	90,000	0	105,000	105,000	0	(95.0)	6.3	16.7
<b>S.C. Education Lottery Fund</b>	496,599,922	612,069,873	544,600,000	544,600,000	0	545,300,000	522,800,000	(22,500,000)	23.3	(11.0)	(4.0)
Lottery Proceeds	471,400,000	575,500,000	520,100,000	520,100,000	0	520,100,000	497,600,000	(22,500,000)	22.1	(9.6)	(4.3)
Unclaimed Prizes	21,401,503	32,141,376	20,000,000	20,000,000	0	20,000,000	20,000,000	0	50.2	(37.8)	0.0
Lottery Interest	3,798,419	4,428,497	4,500,000	4,500,000	0	5,200,000	5,200,000	0	16.6	1.6	15.6
<b>Homestead Exemption Fund (HEX)</b>	784,804,568	903,551,465	966,666,000	989,219,000	22,553,000	917,165,000	917,165,000	0	15.1	9.5	(7.3)
HEX Revenue	782,037,516	900,423,624	963,491,000	986,044,000	22,553,000	913,465,000	913,465,000	0	15.1	9.5	(7.4)
HEX Interest	2,767,052	3,127,841	3,175,000	3,175,000	0	3,700,000	3,700,000	0	13.0	1.5	16.5
Expenditure Estimate	798,756,235	829,100,858	860,950,738	860,950,738	0	912,852,708	912,852,708	0	3.8	3.8	6.0
HEX Fund Excess/(Shortfall)	(13,951,667)	74,450,607	105,715,262	128,268,262	22,553,000	4,312,292	4,312,292	0	633.6	72.3	(96.6)
<b>Tax Relief Trust Fund (Act)</b>	614,053,000	629,405,136	650,023,221	650,023,221	0	661,952,631	661,952,631	0	2.5	3.3	1.8
Revised Estimate/ Actual	613,787,410	626,043,899	643,954,085	643,954,085	0	661,952,631	661,952,631	0	2.0	2.9	2.8
Excess/(Shortfall) (Excl. Fund Balance)	265,590	3,361,237	6,069,136	6,069,136	0	0	0	0	1165.6	80.6	n/a
<b>Budgetary Estimates</b>											
Gross Appropriation Act Revenue	9,330,662,000	9,500,103,000	9,921,260,199	9,921,260,199	0	11,541,227,000	11,876,877,415	335,650,415	1.8	4.4	19.7
Less: Tax Relief Trust Fund (Act)	614,053,000	629,405,136	650,023,221	650,023,221	0	661,952,631	661,952,631	0	2.5	3.3	1.8
Appropriation Act Excluding Trust Fund	8,716,609,000	8,870,697,864	9,271,236,978	9,271,236,978	0	10,879,274,369	11,214,924,784	335,650,415	1.8	4.5	21.0
<b>Gross General Fund Revenue Excess/(Shortfall) from Act</b>	462,615,494	1,589,023,540	1,900,971,801	2,853,028,801	952,057,000	0	0	0	243.5	79.5	n/a
Capital Reserve Fund (2%) - Beg. Bal.	162,485,305	176,095,044	183,584,490	183,584,490	0	209,194,431	209,194,431	0	8.4	4.3	13.9
General Reserve Fund (5%) - Beg. Bal.	406,213,261	440,237,611	458,961,225	458,961,225	0	522,986,077	522,986,077	0	8.4	4.3	13.9
<b>Total Reserve Funds</b>	568,698,566	616,332,655	642,545,715	642,545,715	0	732,180,508	732,180,508	0	8.4	4.3	13.9

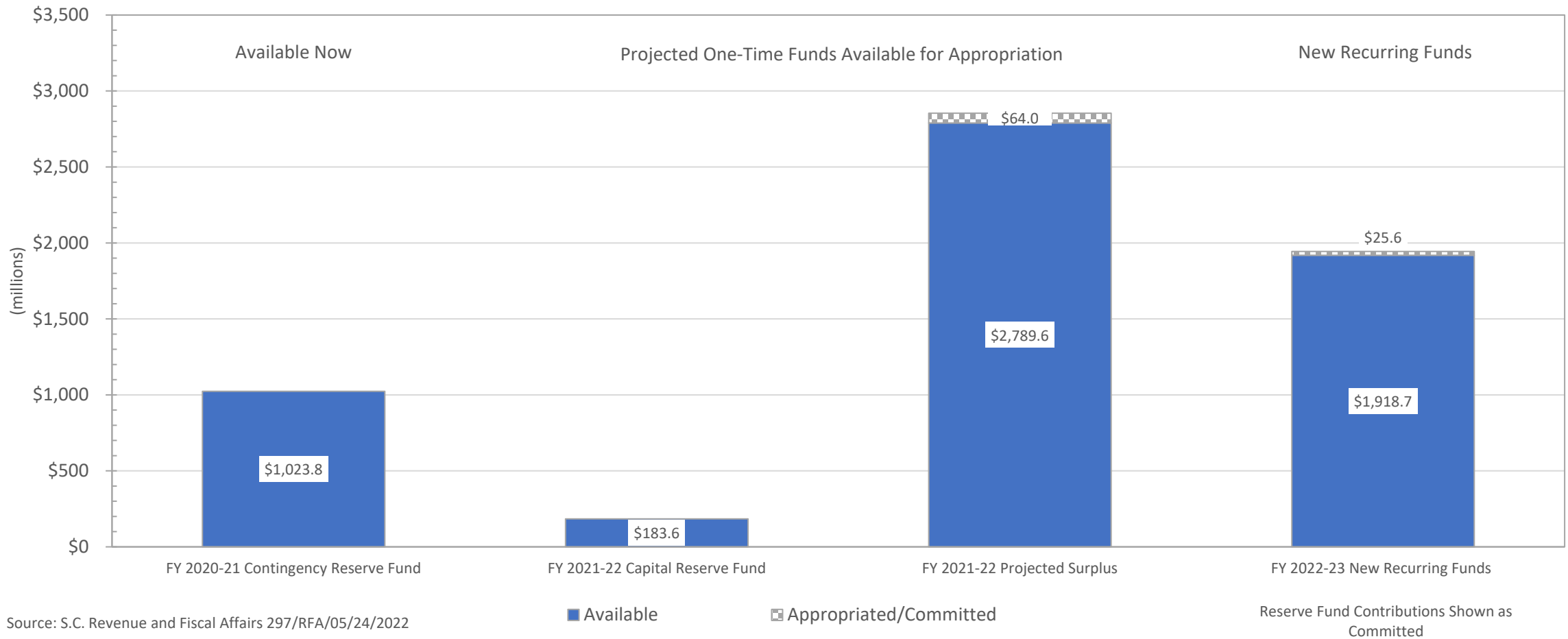
Tax Relief Trust Fund for FY 2021-22 adjusted to reflect Act 39 of 2021  
Source: South Carolina Board of Economic Advisors/BEA/05/24/2022

# Revised Budget Outlook FY 2022-23



# Available Funds – FY 2022-23 Budget Process

AVAILABLE FUNDS - FY 2022-23 BUDGET PROCESS  
as of May 24, 2022





# Reports from Working Group Members

# Other Items for Discussion



# Appendix

# Updates since February 2022 Forecast

## Personal Income

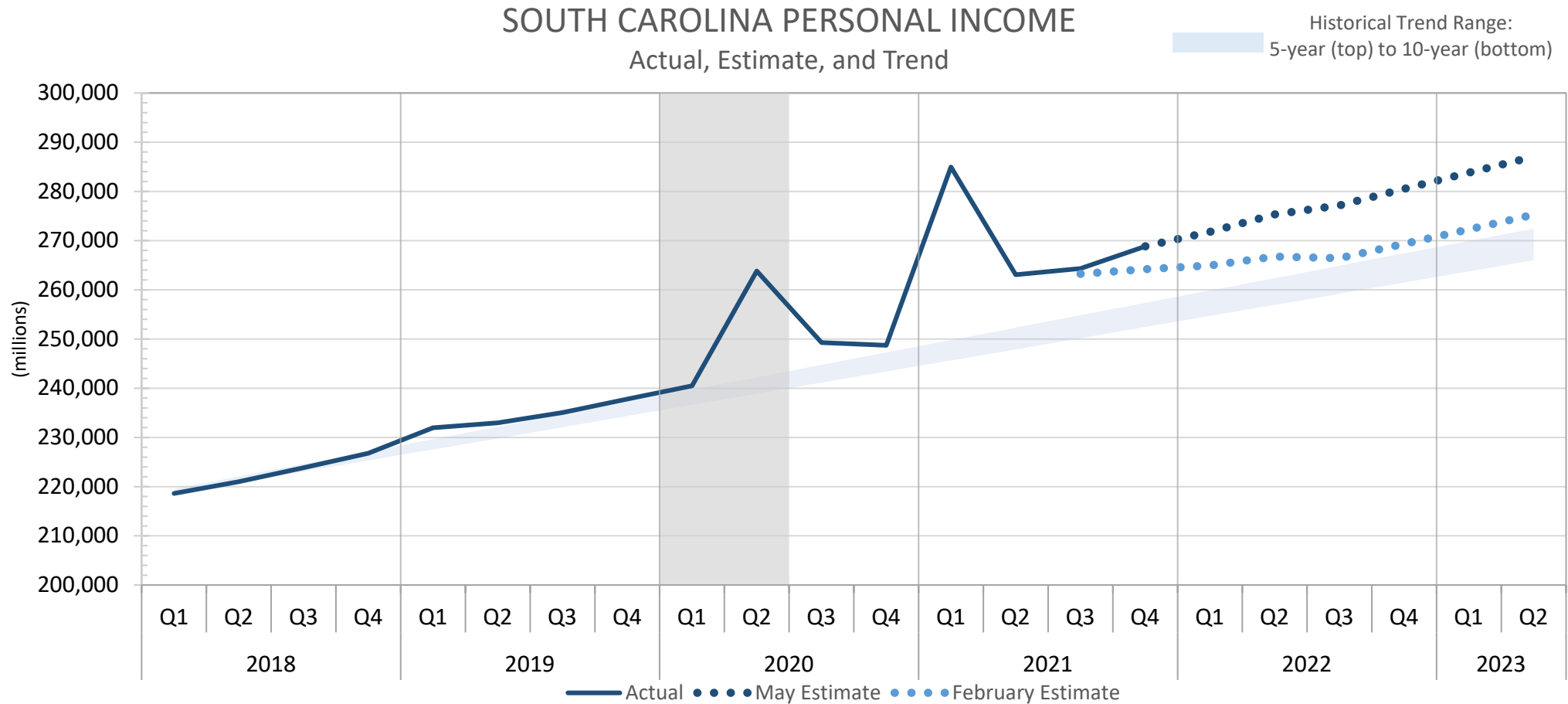
- Income growth through the end of 2021 is higher than anticipated (7.9% forecasted wage growth, 9.4% actual)
- Updated wage growth assumption is 9.9% for FY 2021-22 and 5.7% for FY 2022-23
- National wage growth year-over-year was 11.7% in March 2022

## Employment

- Largely in line with the current estimate – no change to current assumptions
- BLS published comprehensive data revisions in March 2022

# SC Personal Income

## Persistent wage growth will keep personal income above trend through the forecast period



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors

# Personal Income Forecasts

Working estimate considers higher and more persistent wage growth

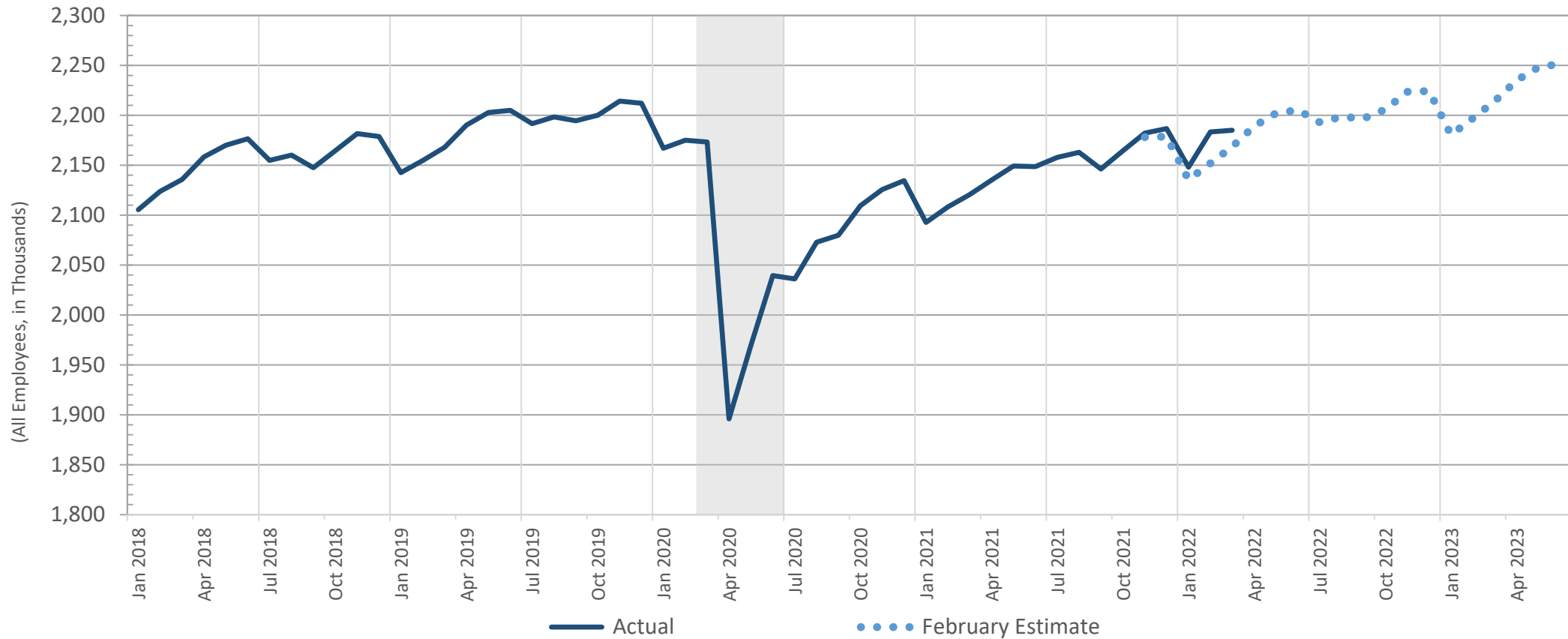
## PERSONAL INCOME FORECASTS: FISCAL YEAR GROWTH RATES

Fiscal Year	February 2022 Estimate	Working Estimate
2021-22	1.6%	3.3%
2022-23	2.3%	4.5%

# Employment – Feb 2022 Estimate

## Employment is largely in line with the February estimate

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/bdc/4/20/2022

# Employment Forecasts

The employment forecast is unchanged from the February 2022 estimate as employment is in line with current estimate

## EMPLOYMENT FORECASTS: FISCAL YEAR GROWTH RATES

Fiscal Year	February 2022 Estimate	May 2022 Estimate
2021-22	3.7%	3.7%
2022-23	2.0%	2.0%



# FY 2022-23 Budget Outlook – Recurring General Fund

*(Estimates as of 5/24/2022)*

*(Dollars in Millions)*

BEA Revenue Estimate	\$11,876.9
Tax Relief Trust Fund (Act)	(\$662.0)
FY 2021-22 Appropriations	<u>(\$9,270.6)</u>
Estimated “New” General Fund Revenue	\$1,944.3
Incremental Capital Reserve Fund (2%)	<u>(\$25.6)</u>
<b>Estimated “New” General Fund Revenue Available for Appropriation (less Capital Reserve Fund Contribution)</b>	<b>\$1,918.7</b>

*Figures may not add to totals due to rounding; \$64.0 million incremental General Reserve Fund (5%) funded with non-recurring funds*

# FY 2022-23 Budget Outlook

## Nonrecurring General Fund and Select Other Funds

*(Estimates as of 5/24/2022)*

*(Dollars in Millions)*

Projected FY 2021-22 General Fund Surplus	\$2,853.6
FY 2021-22 Capital Reserve Fund	\$183.6
FY 2020-21 Contingency Reserve Fund	<u>\$1,023.8</u>
<b>Total Non-Recurring Revenue</b>	<b>\$4,061.0</b>
Incremental General Reserve Fund (5%)	<u>(\$64.0)</u>
<b>Available Non-Recurring Revenue</b> <i>(net of Reserve Fund Contribution)</i>	<b>\$3,997.0</b>
Litigation Recovery*	\$53.9

\*Excluding DOE settlement of \$525 million. Figures may not add to totals due to rounding.

# FY 2022-23 Budget Outlook

## Select Other Funds

*(Estimates as of 5/24/2022)*

*(Dollars in Millions)*

FY 2021-22 HEX Fund Surplus/(Shortfall)  
(Net of \$18.6m Appropriation)

\$146.9

FY 2022-23 HEX Fund Surplus/(Shortfall)  
(Before Appropriation)

\$4.3

FY 2021-22 EIA Surplus/(Shortfall)

\$185.5

FY 2022-23 “New” EIA Revenue

\$110.2

FY 2021-22 Lottery Revenue

\$544.6

FY 2022-23 Lottery Revenue

\$522.8