



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

EDWARD B. GRIMBALL, Chairman
EMERSON F. GOWER, JR.
C. CURTIS HUTTO

FRANK A. RAINWATER
Executive Director

For Immediate Release

November 16, 2022

For further information, please contact Frank Rainwater at (803)734-3786.

FY 2022-23 Revised and FY 2023-24 Preliminary General Fund Revenue Forecast *Caution Outweighs Optimism*

The South Carolina Board of Economic Advisors (BEA) issued its statutorily required preliminary forecast for FY 2023-24 and updated the revenue forecast for the current fiscal year, FY 2022-23, at its meeting Wednesday, November 16, 2022.

In adopting the forecast, the BEA noted that General Fund revenues through the first four months of the fiscal year continued to grow much stronger than expected. The anticipated slowdown from the exceptional growth experienced following the federal stimulus programs has not yet occurred. Employment in South Carolina is above its pre-pandemic levels and growing more quickly than expected. Additionally, personal income appears to have settled above its pre-pandemic trend and continues to grow, largely due to increases in wages stemming from the labor shortage.

But since the May 2022 forecast was adopted, new events have heightened concerns about a recession, the most prominent of these being the Federal Reserve's goal of reducing inflation by raising interest rates to slow the economy. These new concerns are significant and are the predominant factor influencing the revenue forecast at this time.

Based on analysis by staff and perspectives shared by the BEA's panel of economists, South Carolina's economy is expected to grow over the next two years and will likely fare better than the nation should a recession occur. Despite continued strong growth and relative optimism, the uncertainty about the timing and degree of a potential recession resulting from the Federal Reserve's actions and other global events poses a significant risk. In weighing these conflicting factors, the BEA determined that caution is warranted in guarding the state's financial future against a possible downturn above and beyond current expectations.

For FY 2022-23, the BEA estimated revenues at \$12.46 billion. This figure represents a decline of 8.7 percent from the prior fiscal year's actual revenue and includes the impact of the income tax reduction adopted by the General Assembly. The estimate, however,

still represents an increase over the May 2022 estimate by \$1.39 billion due to higher-than-expected revenues in FY 2021-22 and growth in early FY 2022-23.

For FY 2023-24, the BEA issued an initial forecast of \$12.30 billion, a decrease of 1.3 percent from the updated forecast for FY 2022-23. Even with this decrease, the FY 2023-24 forecast is above the long-term revenue trends observed prior to the pandemic.

Despite adopting a guarded forecast, the budget outlook for next session remains positive. Final revenues for FY 2021-22 exceeded expectations at year-end, and the state has a cash surplus of \$1.20 billion available to spend. The revised estimate for FY 2022-23 means the state is expecting a similar surplus of \$1.35 billion for this fiscal year. With the FY 2022-23 Capital Reserve of \$209.2 million still intact, the General Assembly has \$2.76 billion in one-time funds available to appropriate for non-recurring purposes.

Given the cautious approach and prudent budget practices by the General Assembly during the pandemic, the recurring base budget continues to be well below revenue trends. As such, while the FY 2023-24 revenue estimate provides a cautious outlook over the forecast term, it results in an increase of \$754.1 million in new recurring revenue.

In determining the amount of new recurring funds, the calculations include adjustments for the recently passed constitutional amendments increasing the General Reserve and Capital Reserve Funds.

FY 2023-24 Budget Outlook
(Millions of Dollars)

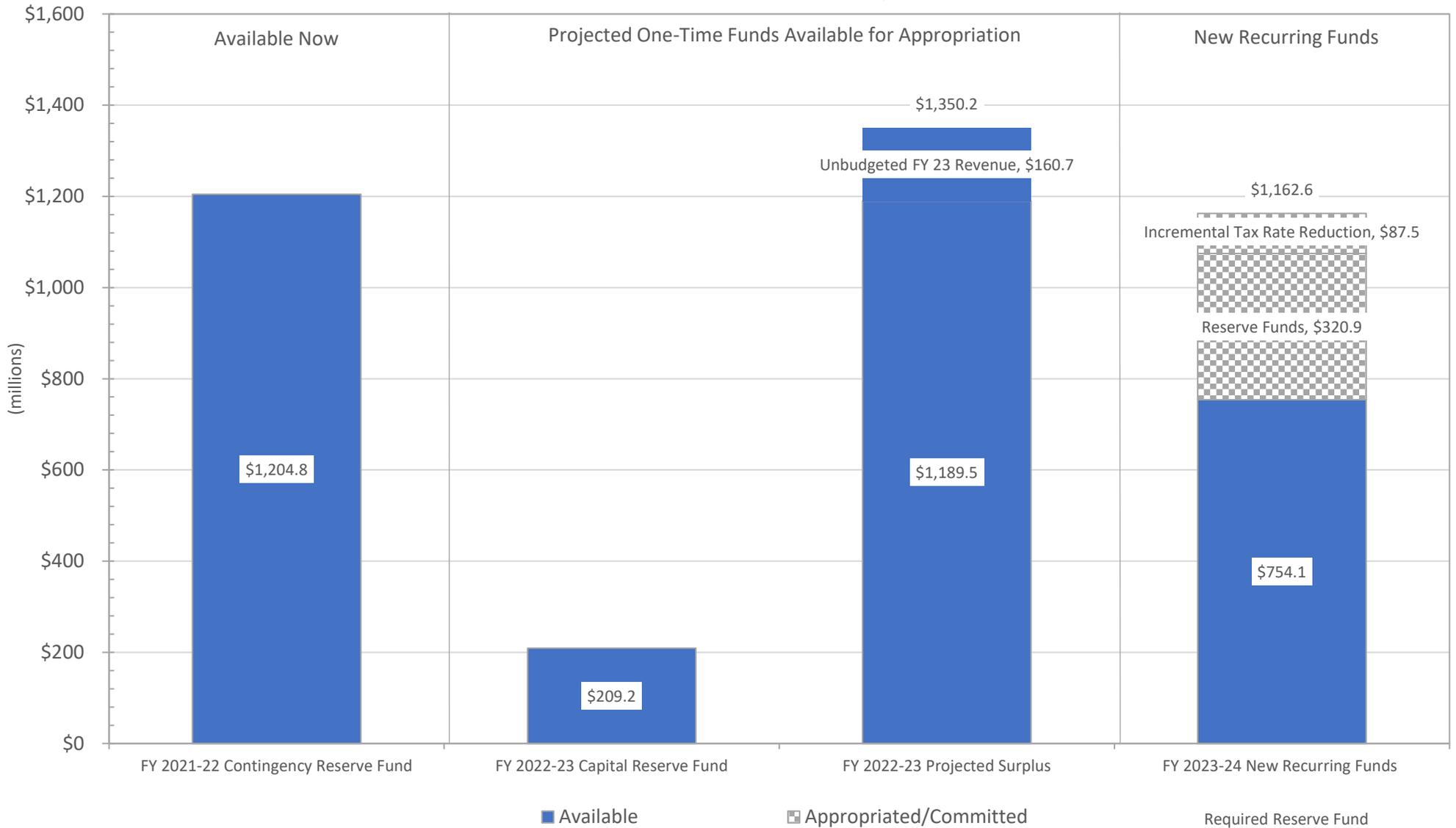
Net New Recurring General Fund Revenue - FY 2023-24 <i>(Less Tax Relief Trust Fund, General Reserve Fund Capital Reserve Fund Contributions)</i>	\$754.1
Non-recurring Revenue	
FY 2021-22 Contingency Reserve Fund <i>(Prior year surplus)</i>	\$1,204.8
FY 2022-23 Capital Reserve Fund	\$209.2
Projected FY 2022-23 General Fund Surplus	\$1,350.2
Total Non-recurring Revenue	\$2,764.3
Estimated Additional Revenue for Appropriation	\$3,518.4

(Figures may not add to totals due to rounding)

###

Attachment

AVAILABLE FUNDS - FY 2023-24 BUDGET PROCESS as of November 16, 2022



Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/16/2022