



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

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For Immediate Release

February 15, 2023

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The BEA Revises FY 2022-23 and FY 2023-24 Forecasts *Caution Continues to Outweigh Optimism*

The South Carolina Board of Economic Advisors (BEA) issued updated revenue forecasts for FY 2022-23 and FY 2023-24 at its meeting Wednesday, February 15, 2023.

In adopting the forecast, the BEA acknowledged the strong growth of General Fund revenues through the first seven months of the fiscal year but struck a note of caution as the full effects of the Federal Reserve's interest rate hikes, tax filing season, and the income tax reduction adopted by the General Assembly have yet to be realized.

While some recent economic data releases, such as those involving personal income and the labor market, are cause for optimism, other items, such as persistent services price inflation and declining retail sales, portend a period of slowing economic growth. In weighing these conflicting developments with the forward guidance of the Federal Reserve, the BEA determined that continued caution is warranted in guarding the state's financial future against a possible downturn above and beyond current expectations.

The BEA raised its current FY 23 estimate by \$9.3 million, increasing the General Fund forecast from \$12.460 billion to \$12.469 billion. This change reflects adjustments to several revenue categories in the face of strong collections year-to-date as well as updated estimates of the impacts of the individual income tax rate reduction adopted last year. Revenues are expected to decline 8.7 percent in FY 23, in large part due to the impact of tax reform.

For FY 24, the BEA raised its current estimate by \$18.6 million, increasing the General Fund forecast from \$12.300 billion to \$12.318 billion. This equates to a decrease of 1.2 percent from the updated forecast for FY 22. Though forecasted growth is negative for FY 23 and FY 24, total estimated revenue remains above the long-term trend prior to start of the pandemic, and the budget outlook for FY 24 remains positive.

With these revised forecasts and budgetary adjustments, lawmakers will have \$764.0 million in additional new recurring revenue for the FY 24 budget process and forecasted surpluses totaling \$2,773.6 billion from last fiscal year and this year, for a total of \$3,537.6 billion in additional revenue available to appropriate.

FY 2023-24 Budget Outlook
(Millions of Dollars)

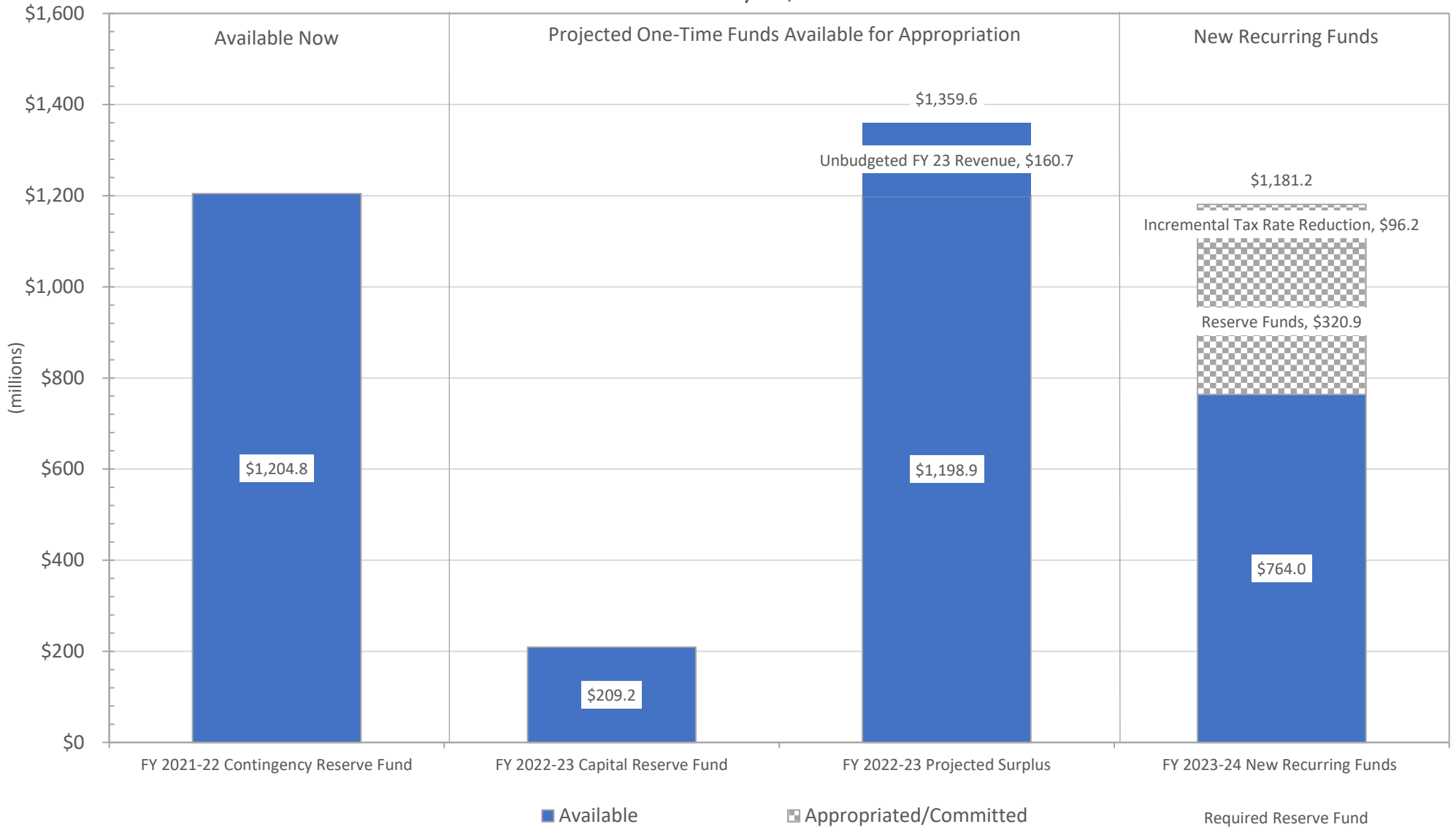
Net New Recurring General Fund Revenue <i>(less Tax Relief Trust Fund and Reserve Fund Contributions)</i>	\$764.0
Non-recurring Revenue	
FY 2021-22 Contingency Reserve Fund <i>(Prior year surplus)</i>	\$1,204.8
FY 2022-23 Capital Reserve Fund	\$209.2
Projected FY 2022-23 General Fund Surplus	\$1,359.6
Total Non-recurring Revenue	\$2,773.6
Estimated Additional Revenue for Appropriation	\$3,537.6

(Figures may not add to totals due to rounding)

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Attachment

AVAILABLE FUNDS - FY 2023-24 BUDGET PROCESS as of February 15, 2023



Source: S.C. Revenue and Fiscal Affairs 297/RFA/02/15/2023