

SOUTH CAROLINA GENERAL FUND REVENUE

Quarterly Review October to December, FY 2023-24

January 25, 2024



General Fund FY 2023-24 Q2 Summary (§11-9-1140)

- General Fund revenues are \$328.5 million, or 5.4%, above the year-to-date expectations
- Almost half, \$155.8 million, is due to Corporate Income tax; however, tax filing season remains a concern
- Other revenue categories are performing closer to expectations
- Personal income and employment are both running close to estimates

General Fund Revenues



REVENUES V. BEA MONTHLY ESTIMATES

JULY - DECEMBER FY 2023-24

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD / ¹	Actual YTD / ²	Estimate Full Yr. / ³		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD / ¹	Actual YTD / ²	Estimate Full Yr. / ³
Total General Fund Revenue	\$6,094.8	\$6,423.3	\$328.5	(11.0%)	(6.2%)	(1.6%)	Other Revenue Items, Sub-Total	\$498.3	\$555.5	\$57.2	(1.9%)	9.4%	(3.0%)
Sales Tax	1,948.1	1,975.4	27.3	1.4%	2.8%	1.1%	Admissions Tax	11.3	12.5	1.3	10.5%	10.5%	(6.1%)
Individual Income Tax	3,254.8	3,335.1	80.3	(14.0%)	(11.9%)	4.7%	Alcoholic Liquors Tax	48.4	49.6	1.2	1.7%	4.1%	2.2%
Withholdings	3,216.0	3,299.4	83.4	(10.5%)	(8.1%)	(6.1%)	Bank Tax	22.9	25.4	2.5	(24.0%)	(15.6%)	(17.0%)
Non-withholdings	473.2	439.4	(33.8)	(20.7%)	(26.4%)	(6.1%)	Beer and Wine Tax	47.8	48.3	0.5	(1.9%)	(0.8%)	(0.6%)
Refunds	434.4	403.7	(30.7)	7.7%	0.1%	(28.2%)	Corporate License Tax	136.1	155.8	19.7	2.9%	17.8%	2.9%
Corporate Income Tax	234.8	390.7	155.8	(46.9%)	(11.7%)	(38.0%)	Deed Rec. (Doc. Tax)	46.0	48.7	2.7	(17.4%)	(12.6%)	(16.9%)
Insurance Tax	158.8	166.7	7.9	(15.4%)	(11.2%)	(4.8%)	Earned on Investments	89.4	131.4	42.0	8.8%	60.0%	5.2%
Other Revenue Items, Sub-Total	498.3	555.5	57.2	(1.9%)	9.4%	(3.0%)	Residual Revenue	96.4	83.8	(12.6)	(3.4%)	(16.0%)	(4.2%)

Based on BEA Forecast as of November 16, 2023

/1 Estimate year-to-date reflects expected growth in collections fiscal year-to-date over prior fiscal year-to-date based on anticipated monthly collection patterns.

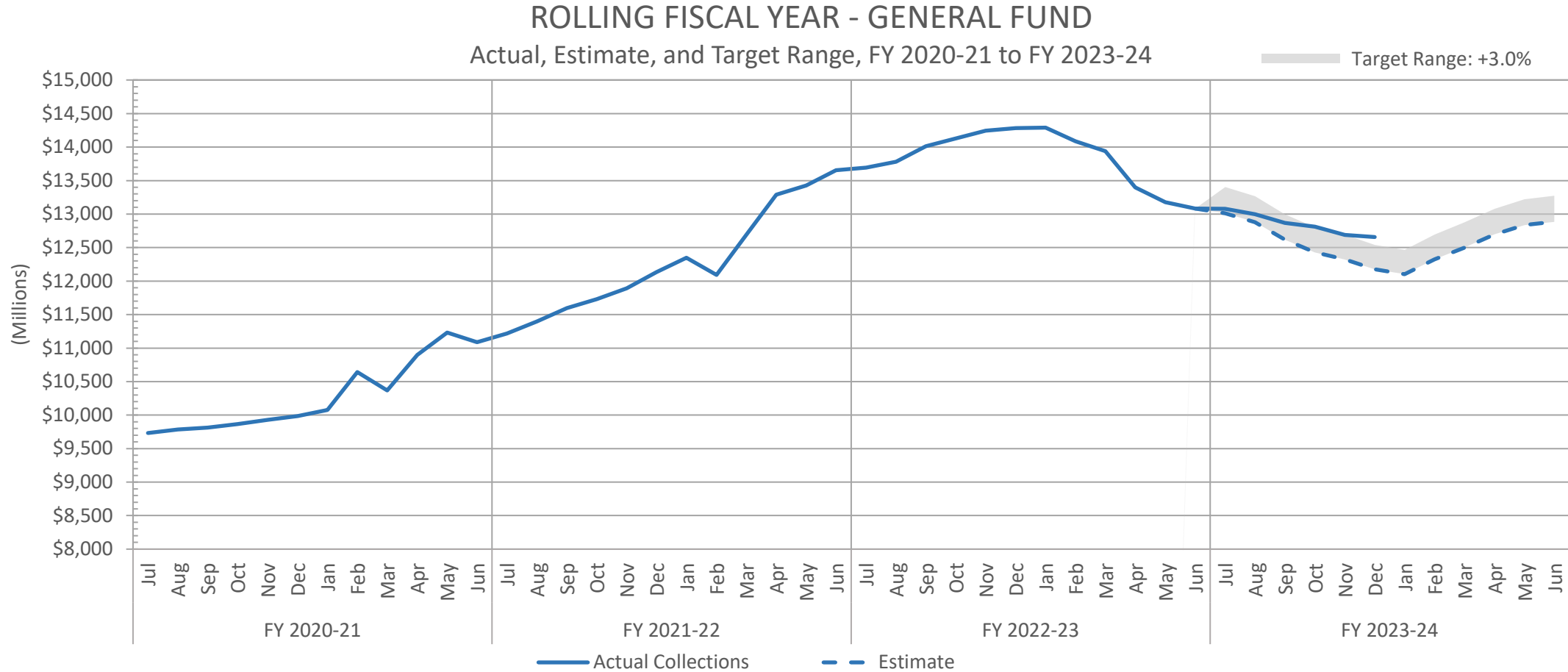
/2 Actual year-to-date reflects actual fiscal year-to-date growth in collections over prior fiscal year-to-date collections.

/3 Estimate full year reflects projected growth for the full fiscal year over the prior year.



General Fund Revenue – Actual vs. November Estimate

Collections are 6.2% below last year but \$328.5 million ahead of the estimate



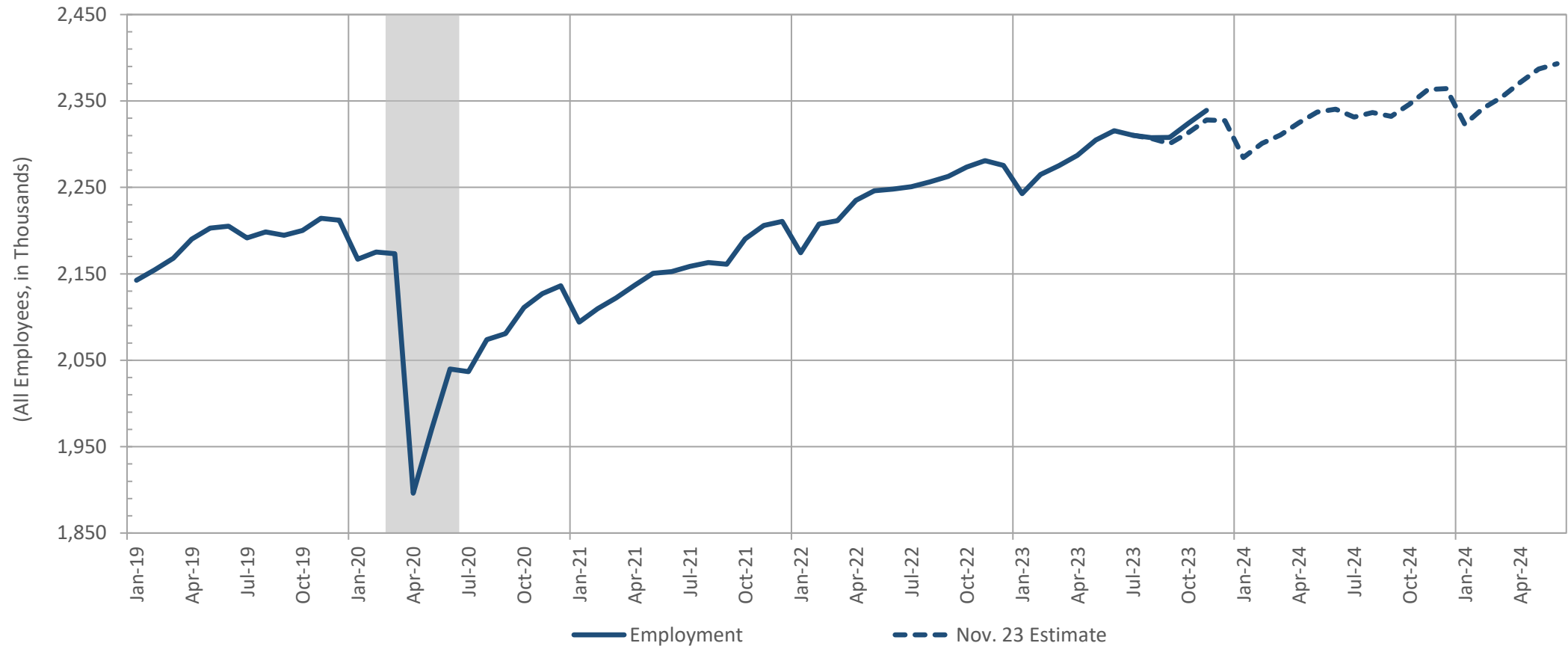
Economic Indicators



SC Employment

Employment in November 2023 was 2.6% above the November 2022 level, above our FY 24 estimate of 1.8% growth

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA

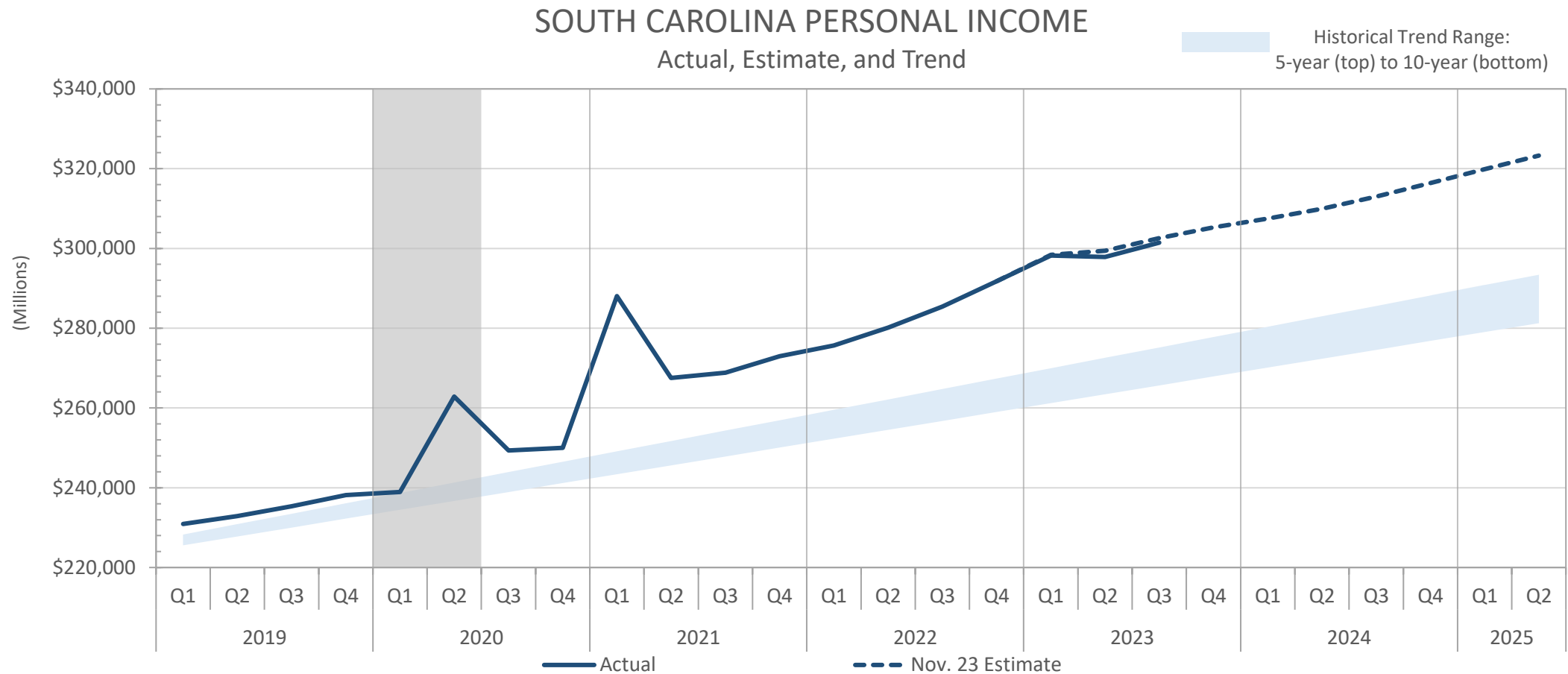


Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/1/2/2024



SC Personal Income

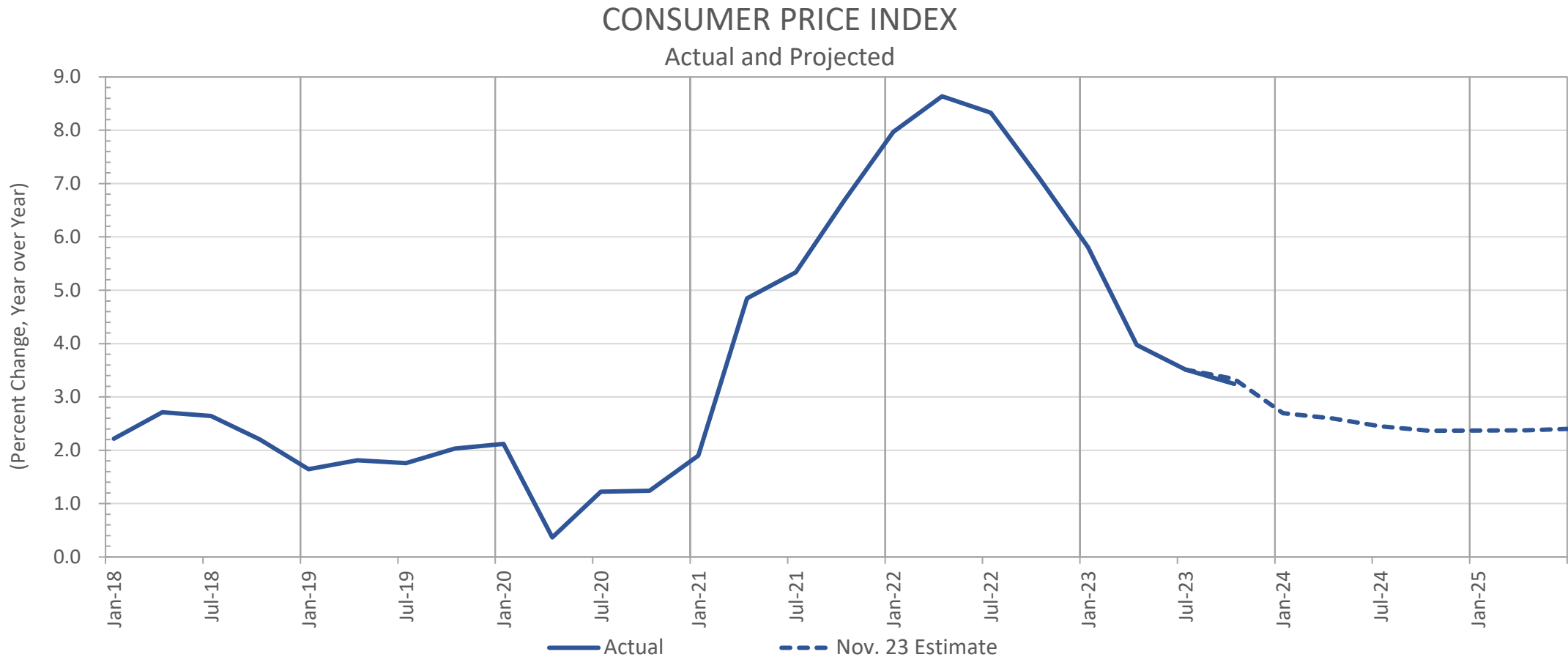
Q3 2023 personal income data and revisions dropped personal income slightly, but it remains on track for the forecasted 4.3% growth over FY 24



Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/kav/1/2/2024

Consumer Price Index

Inflation has come down considerably, but is expected to remain above 2.0% on an annual basis over our forecast horizon



Source: US Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers; "CPI Non-Seasonally Adjusted Forecast" Wells Fargo Economics. January 12, 2024. 216-RFA/kav/01/22/2024

General Fund Revenue Individual Income Tax Components

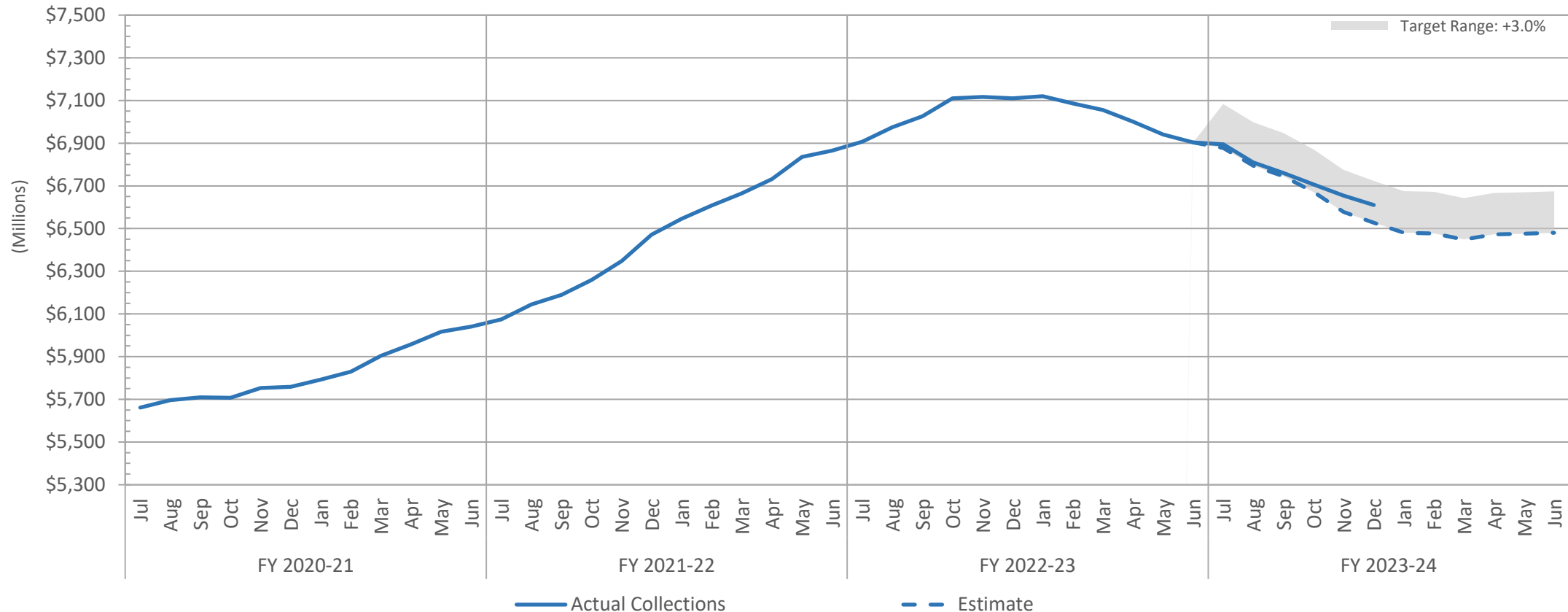


Withholdings - Actual vs. Estimate

Withholdings have been declining as expected due to the tax tables change, however at a slower rate than originally forecasted; collections are \$83.4 million above the estimate

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

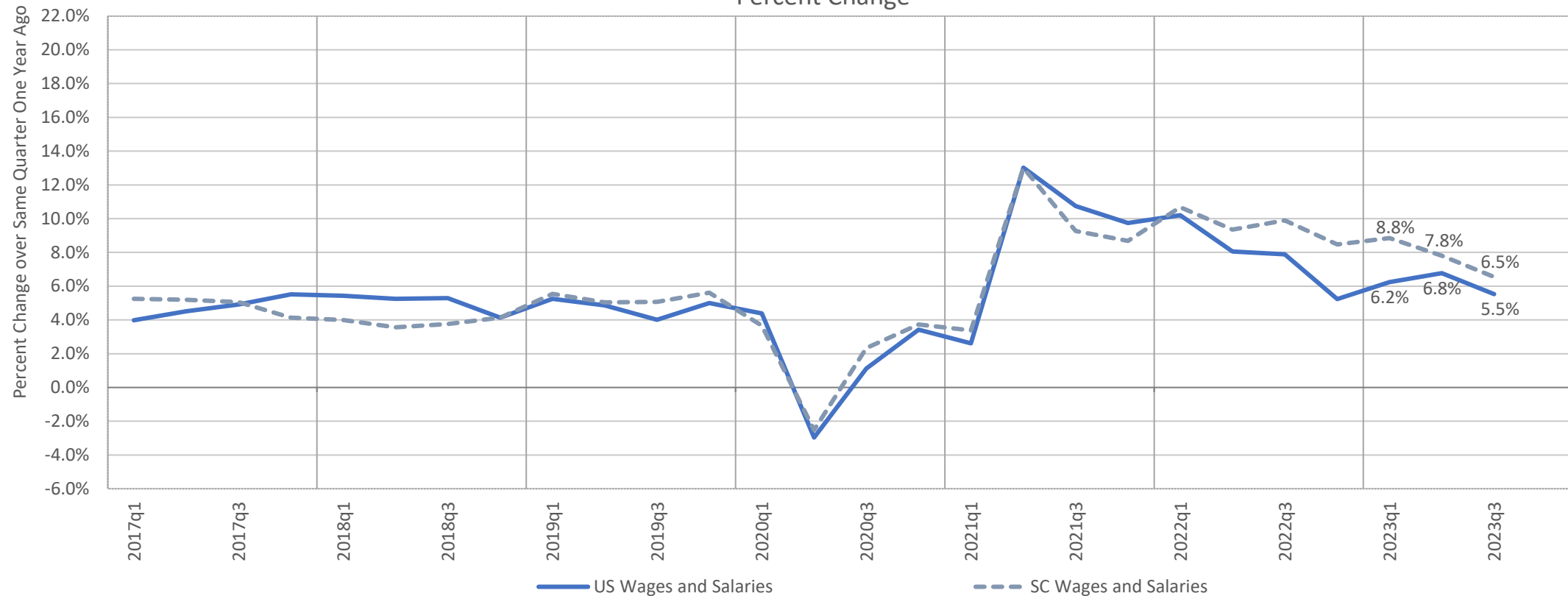
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



US vs. SC Wage Growth – Percent Change

Wage growth continues to slow; US wage growth declined to 5.5% in Q3 of 2023; SC wage growth declined from 8.8% in Q1 to 6.5% in Q3 of 2023, but is still above US levels

NATIONAL AND SC EARNINGS GROWTH
Percent Change



Source: U.S. Bureau of Economic Analysis 309E - RFA/mam/01/11/2024

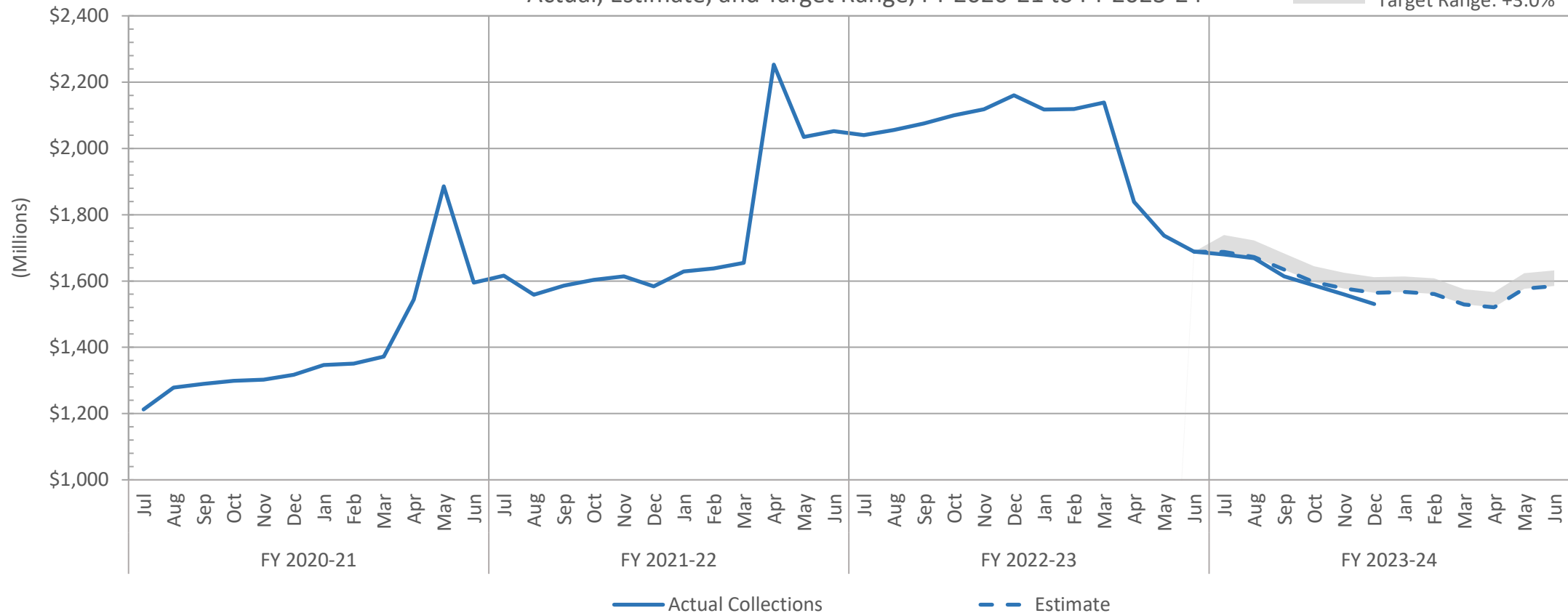
Non-Withholdings - Actual vs. Estimate

Collections are \$33.8 million below forecast despite relatively stronger performance of financial markets throughout 2023

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24

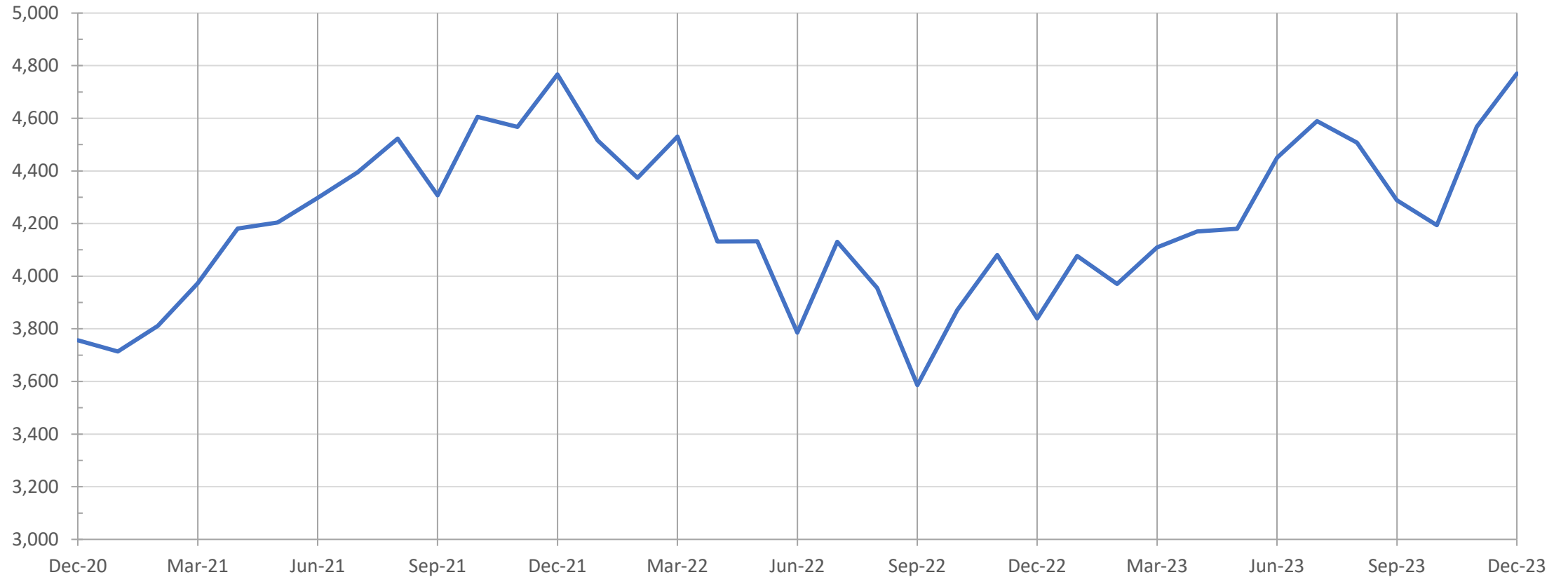
Target Range: +3.0%



US Stock Market

Financial markets performed better in 2023 relative to 2022

S&P 500 INDEX VALUE



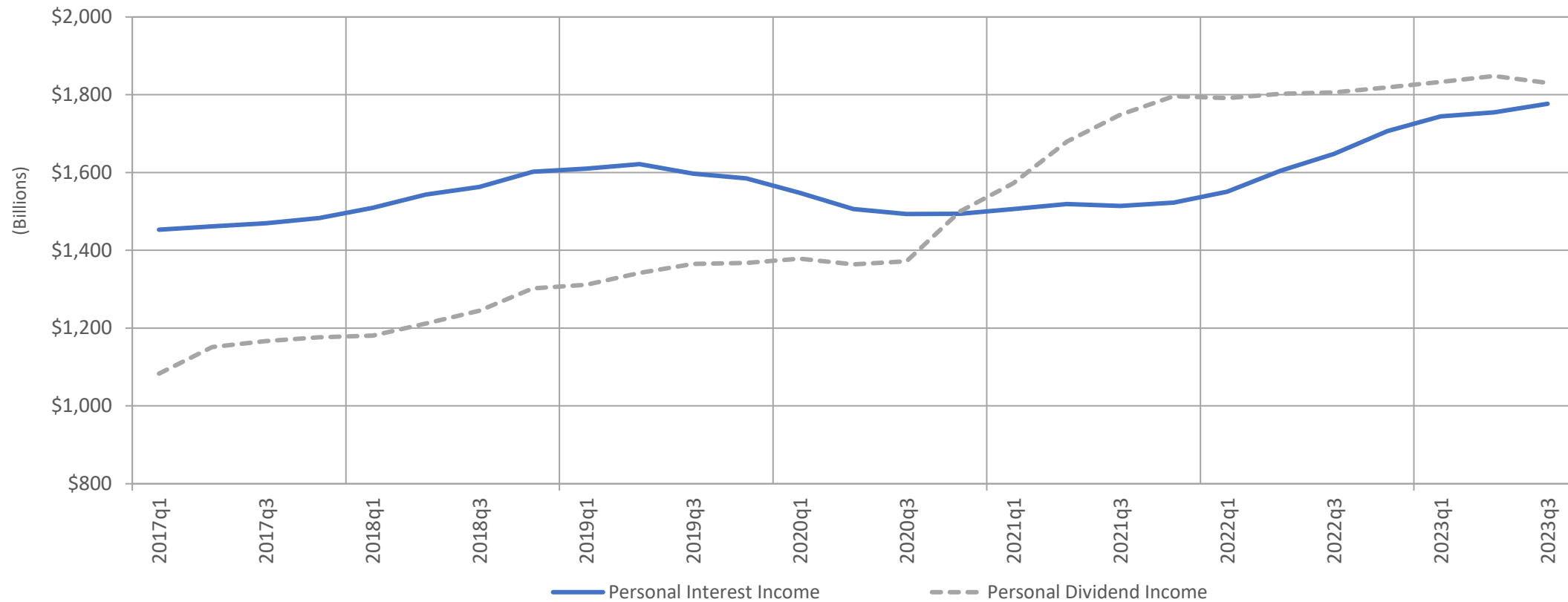
Source: Yahoo Finance 337 - RFA/mam/01/16/2024



US Personal Interest and Dividend Income

Dividend income dominated personal income receipts on assets during 2021 through Q3 of 2023; interest income has been catching up quickly after the increase in interest rates that started in 2022; both income sources registered increases throughout 2023

US PERSONAL INTEREST AND DIVIDEND INCOME



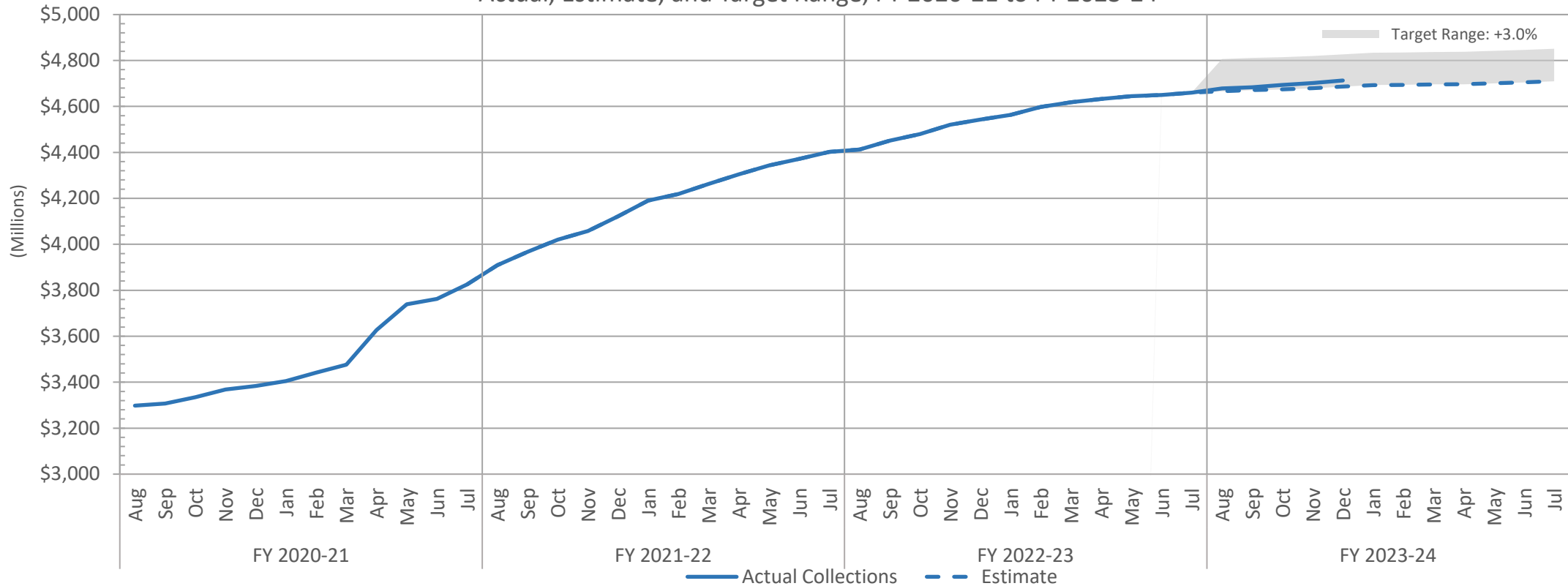
Source: U.S. Bureau of Economic Analysis (retrieved from FRED) 338 - RFA/mam/01/16/2024

General Fund Revenue Consumption Taxes

Sales Tax - Actual vs. Estimate

December collections are \$4.3 million above the estimate; fiscal year-to-date revenues are up 2.8% and \$27.3 million above the estimate; we expect growth to continue to slow to 1.1% over the fiscal year

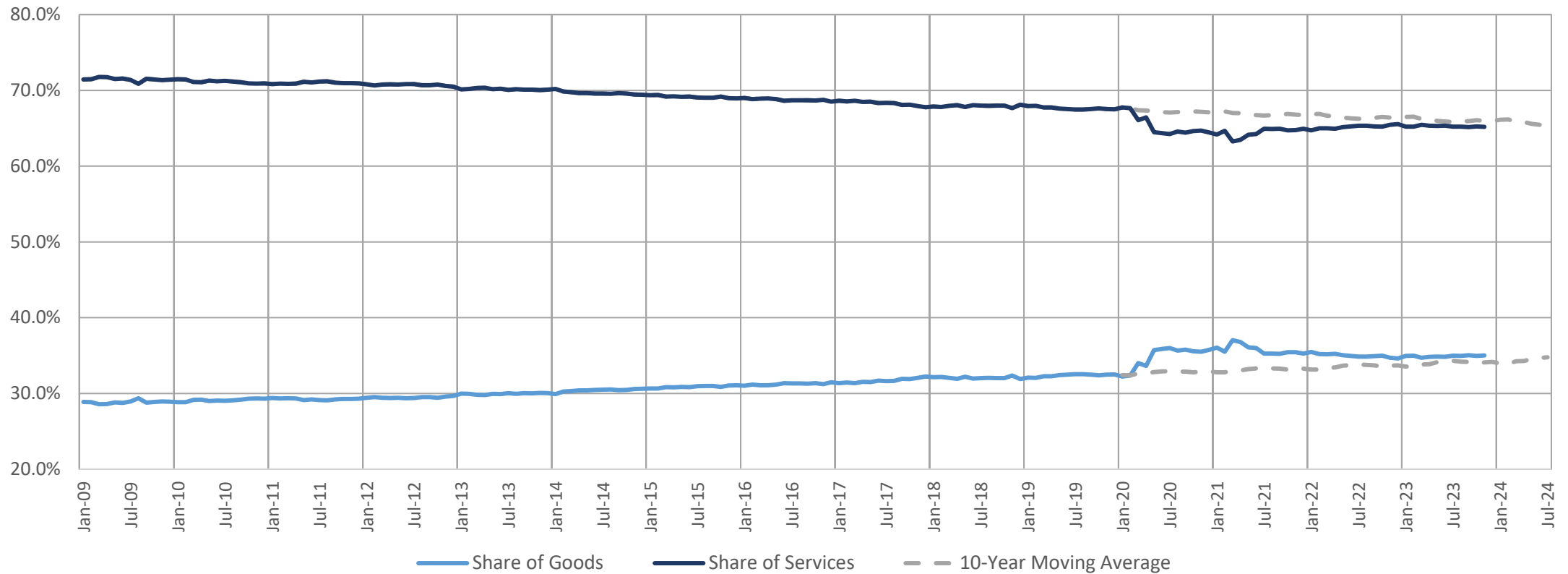
ROLLING FISCAL YEAR - SALES TAX
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



U.S. Consumer Spending

Consumers continue to shift real spending behaviors back towards the 10-year trend

US REAL PERSONAL CONSUMPTION EXPENDITURES

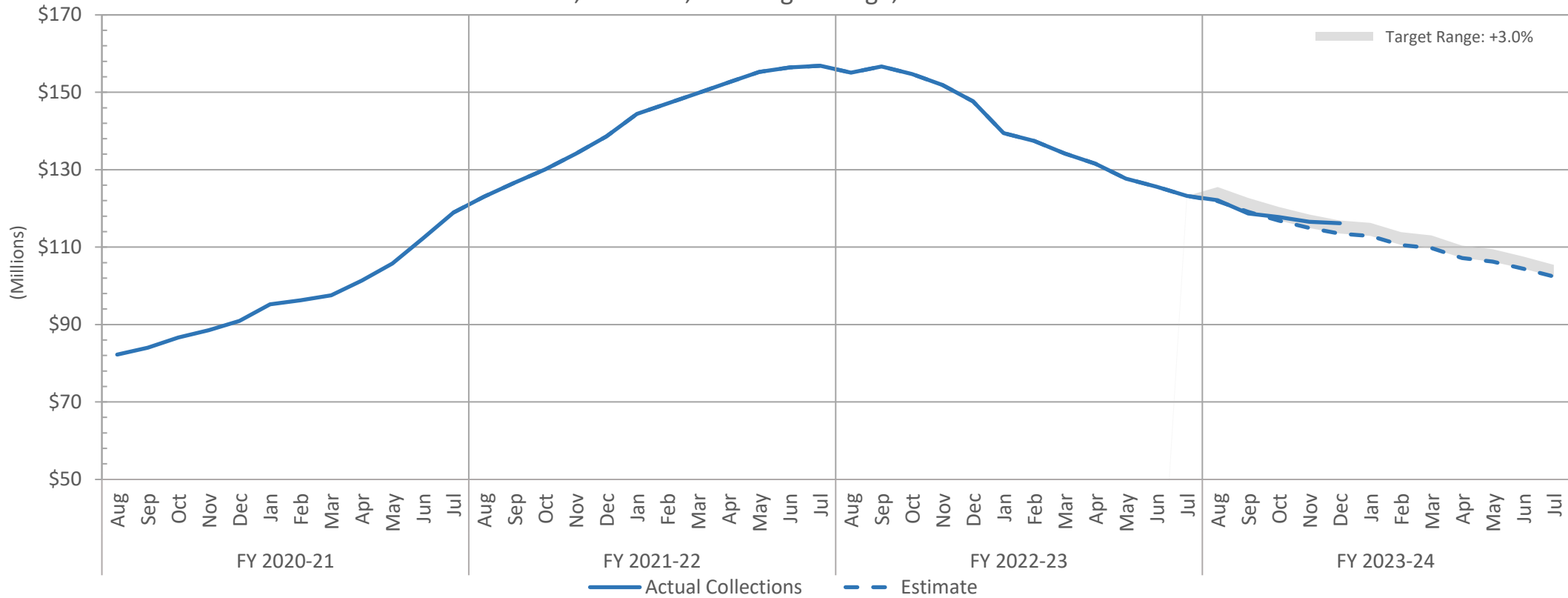


Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/mad/1/16/2024

Deed Recording Fees - Actual vs. Estimate

December collections are \$1.1 million above the estimate; fiscal year-to-date collections are down 12.6% from last year, better than our expectation of a 17.4% decline

ROLLING FISCAL YEAR - DEED RECORDING FEES
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



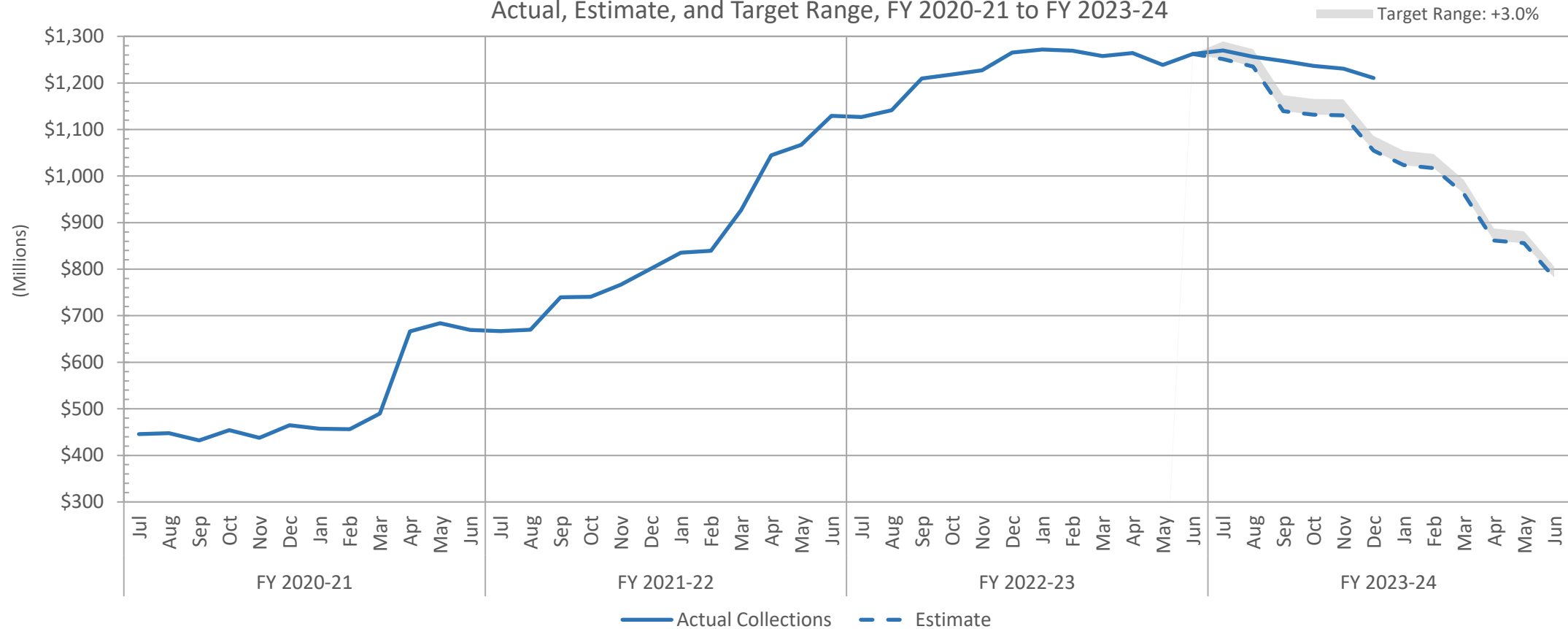
General Fund Revenue Business Taxes

Corporate Income Tax – Actual vs. Estimate

Collections are above the November estimate by \$155.8 million year-to-date following strong collections in December

ROLLING FISCAL YEAR - CORPORATE INCOME TAX

Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24

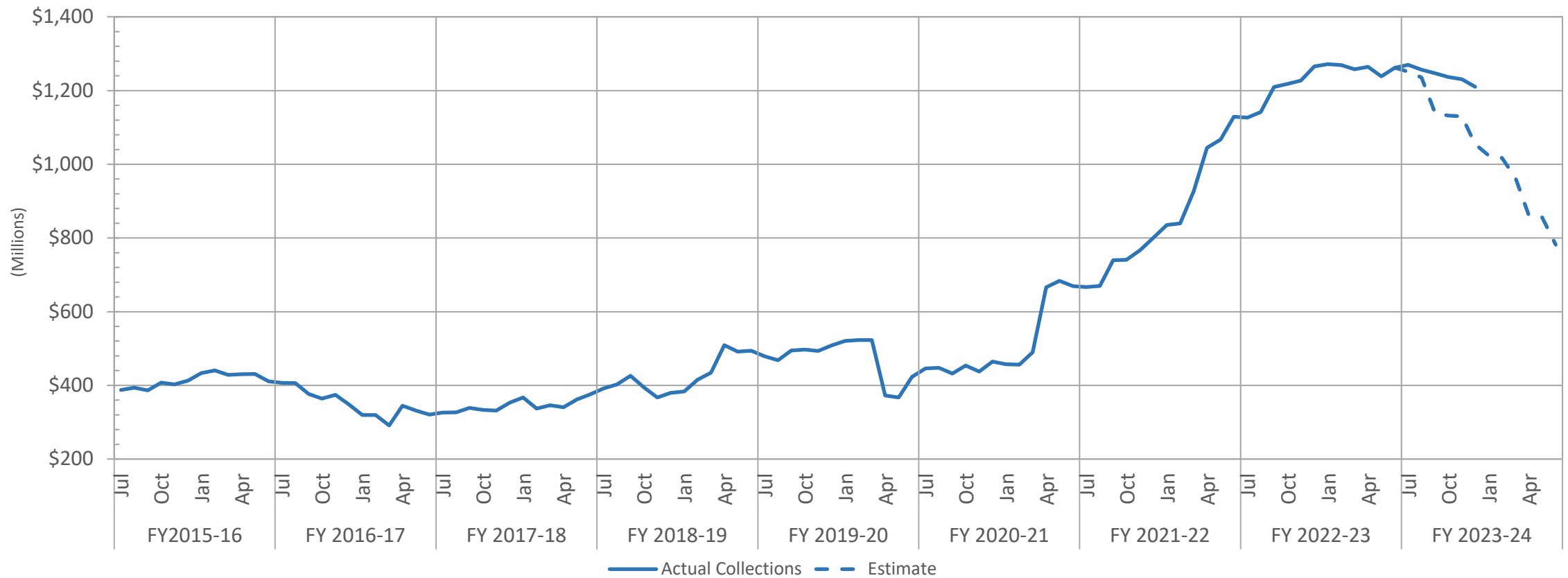


Corporate Income Tax – Long-term History

Collections are currently well above historical levels, raising concerns that a decline to historical levels may yet occur

ROLLING FISCAL YEAR - CORPORATE INCOME TAX

Actuals and Estimate, FY 2015-16 to FY 2023-24

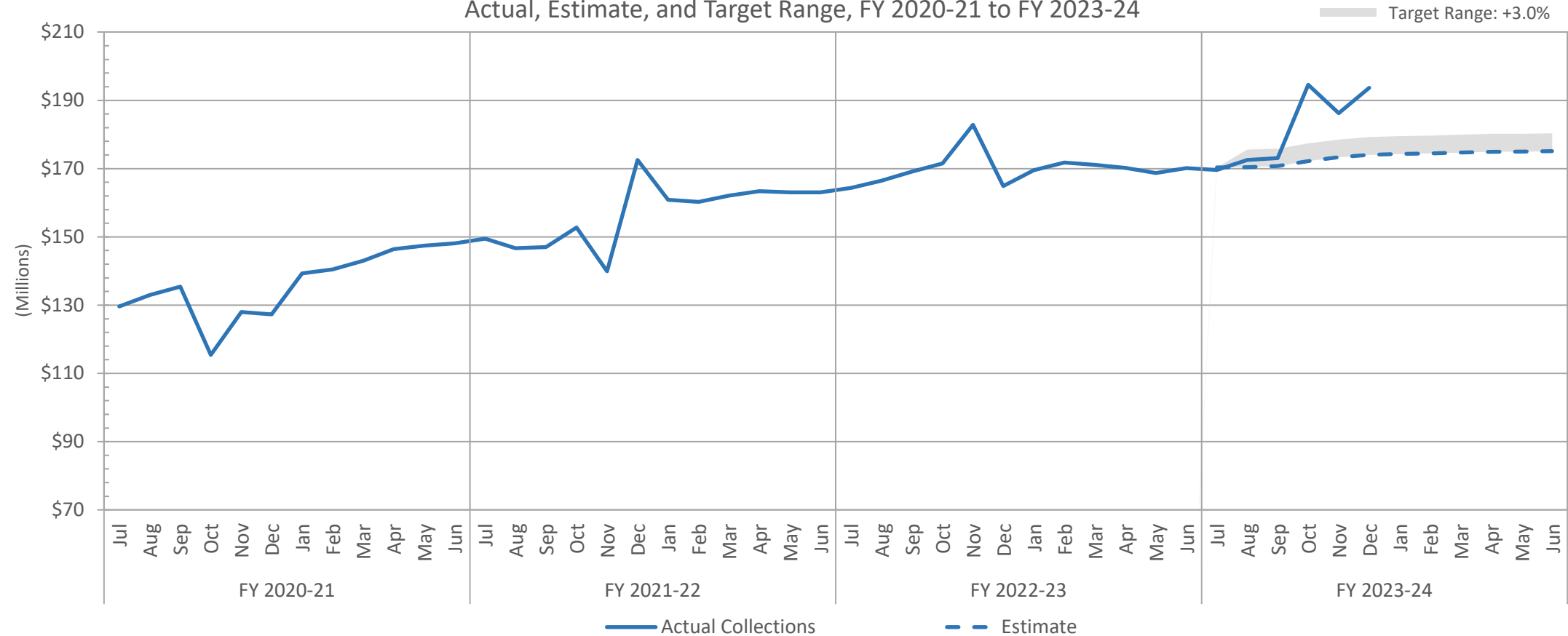


Corporate License Tax – Actual vs. Estimate

License tax is \$19.7 million above the November estimate year-to-date

ROLLING FISCAL YEAR - CORPORATE LICENSE TAX

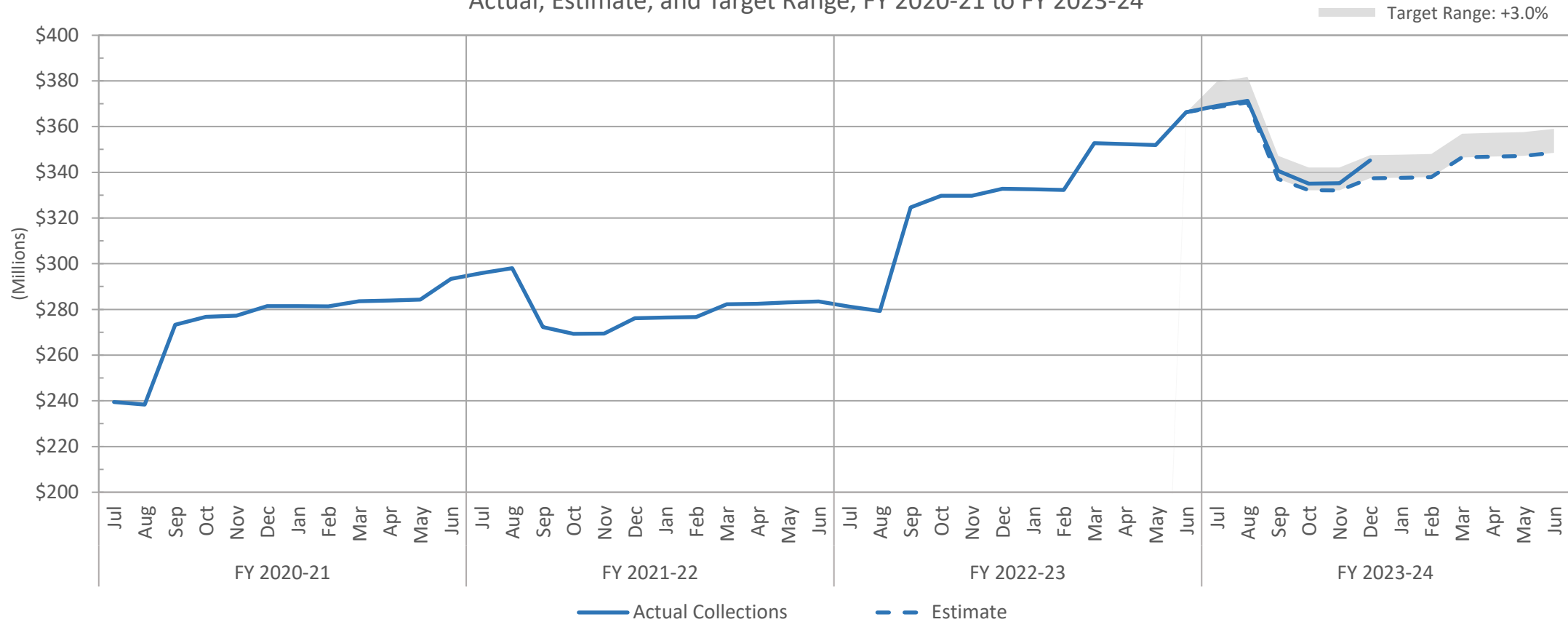
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



Insurance Tax – Actual vs. Estimate

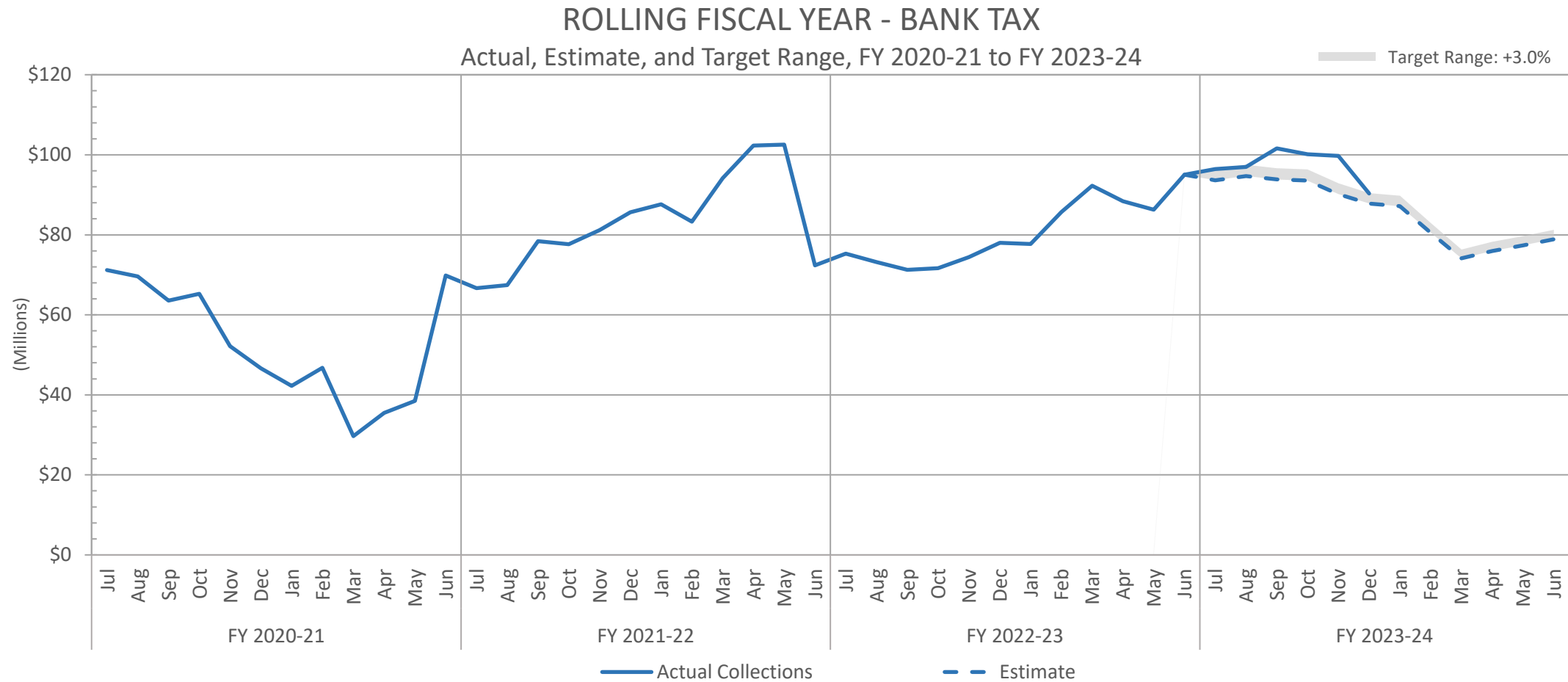
Insurance tax is \$7.9 million above the November estimate; however, refunds were accounted for differently this year

ROLLING FISCAL YEAR - INSURANCE TAX
Actual, Estimate, and Target Range, FY 2020-21 to FY 2023-24



Bank Tax – Actual vs. Estimate

Collections remain above the forecast by \$4.8 million but a weak December reduced excess revenue considerably



Issues and Assumptions for February Forecast



FY 2023-24 Forecast Considerations

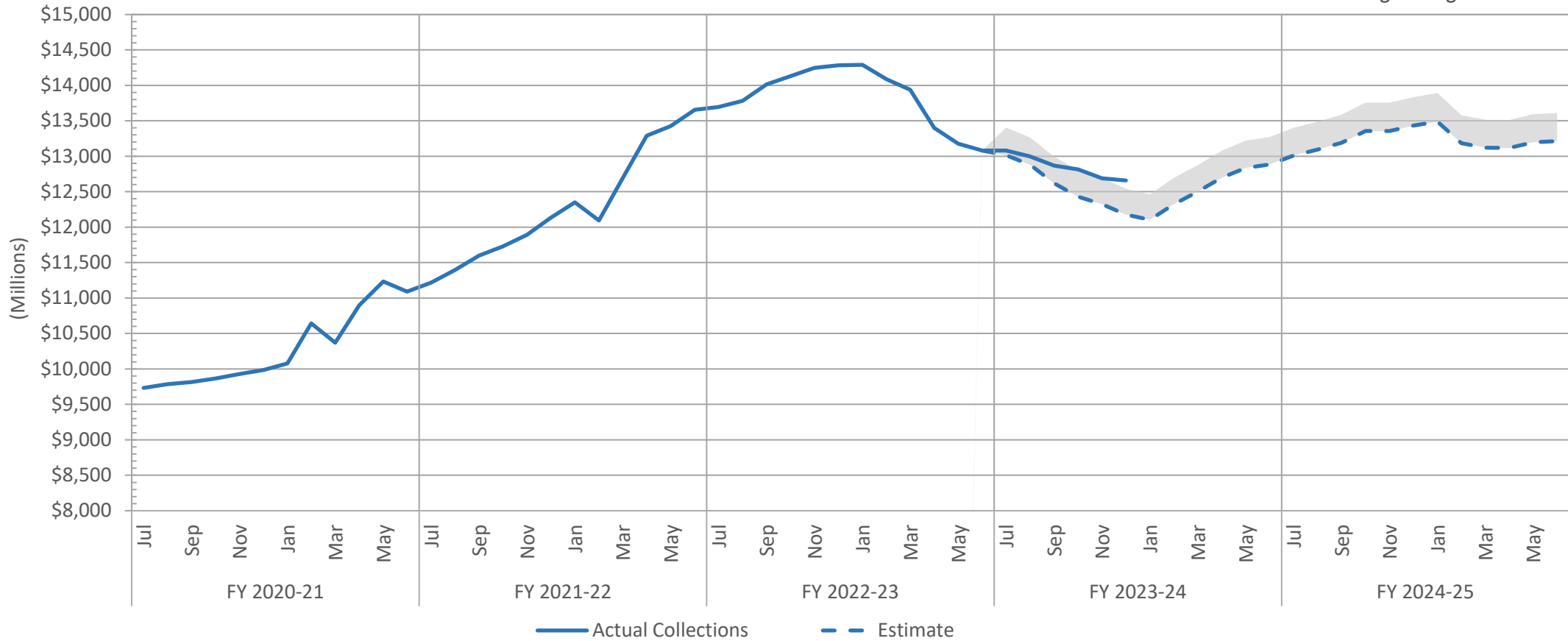
- Key economic factors are tracking closely to estimates
 - We are surveying the regional panel and will share their responses
- The anticipated slow-down in growth rates appears to be happening
- Most of the excess revenue is in Corporate Income tax, which is not likely to be resolved until tax filing
- Some smaller revenue categories are performing better than expected but do not have a significant impact on the overall forecast
- With the changes to tax rates and withholdings tables, tax filing season remains the biggest factor that is likely to impact collections this year; growth in investment income may result in an upside at tax filing, but this remains to be seen

FY 2024-25 Forecast Considerations

- National economic expectations are slightly better than in October
 - Recession concerns have lessened
 - The Fed may begin lowering interest rates
- With the exception of Corporate Income tax, FY 2023-24 collections are close to expectations in the major categories
- The revenue outlook for FY 2024-25 is largely unchanged from November
 - Wage growth is expected to be below historical levels
 - Sales tax growth will remain below historical levels as well
 - How long corporate profits will remain elevated remains a concern

General Fund – November 2023 Estimate

ROLLING FISCAL YEAR - GENERAL FUND
Actual, Estimate, and Target Range, FY 2020-21 to FY 2024-25



Reports from Working Group Members

Other Business



Appendix

Quarterly Review Requirements

- SC Code of Laws §11-9-1130 requires a review of revenue collections relative to the estimates
- If any quarter shows a shortfall over 1.5 percent of projected collections a synopsis must be prepared indicating the factors contributing to the shortfall; and is similarly required for a shortfall of 1.5 percent in sales, individual income tax, corporate income tax, insurance tax, and earnings on investments
- SC Code of Laws §11-9-1140 requires a quarterly review of estimated and actual revenues
- If, at the end of the first (Jul – Sep), second (Oct – Dec), or third (Jan – Mar) quarter, the BEA reduces the estimate by
 - 3.0 percent or less, the Director of the Executive Budget Office must reduce appropriations
 - More than 3.0 percent, the General Assembly may take action; otherwise, the Director of the Executive Budget Office must reduce appropriations