

South Carolina General Fund Revenue Forecast FY 2024-25 and FY 2025-26



November 19, 2024

General Fund Revenues – October



REVENUES V. BEA MONTHLY ESTIMATES

OCTOBER

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth ^{/1}	Actual Growth ^{/2}		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth ^{/1}	Actual Growth ^{/2}
Total General Fund Revenue	\$1,086.4	\$1,116.8	\$30.3	2.6%	5.5%	Other Revenue Items, Sub-Total	\$144.3	\$160.2	\$15.9	(6.9%)	3.4%
Sales Tax	388.0	393.5	5.5	0.3%	1.7%	Admissions Tax	4.4	4.4	(0.0)	(9.2%)	(9.3%)
Individual Income Tax	564.2	578.6	14.5	6.6%	9.3%	Alcoholic Liquors Tax	11.5	10.7	(0.8)	4.3%	(2.8%)
Withholdings	583.5	585.5	2.0	2.4%	2.8%	Bank Tax	1.6	2.1	0.5	115.1%	182.9%
Non-withholdings	107.5	94.8	(12.7)	(4.9%)	(16.1%)	Beer and Wine Tax	9.7	9.2	(0.5)	2.8%	(2.6%)
Refunds	126.8	101.6	(25.2)	(17.4%)	(33.8%)	Corporate License Tax	73.4	74.5	1.1	1.7%	3.2%
Corporate Income Tax	(18.7)	(31.6)	(12.9)	N/A	N/A	Deed Rec. (Doc. Tax)	8.7	8.6	(0.1)	(13.5%)	(14.1%)
Insurance Tax	8.6	16.0	7.4	349.3%	734.6%	Earned on Investments	26.0	43.1	17.1	(29.7%)	16.7%
Other Revenue Items, Sub-Total	144.3	160.2	15.9	(6.9%)	3.4%	Residual Revenue	9.0	7.5	(1.5)	(7.6%)	(22.6%)

Based on BEA Forecast as of May 20, 2024

^{/1} Expected growth reflects expected growth in collections for the month over same month prior fiscal based on anticipated monthly collection patterns.

^{/2} Actual growth reflects actual growth in collections for the month over same month prior fiscal year collections.

General Fund Revenues – Fiscal Year-to-date



REVENUES V. BEA MONTHLY ESTIMATES

JULY - OCTOBER

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD ^{/1}	Actual YTD ^{/2}	Estimate Full FY ^{/3}		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD ^{/1}	Actual YTD ^{/2}	Estimate Full FY ^{/3}
Total General Fund Revenue	\$4,164.9	\$4,517.2	\$352.3	2.1%	10.7%	(4.3%)	Other Revenue Items, Sub-Total	\$331.4	\$417.6	\$86.3	(5.7%)	18.9%	(7.7%)
Sales Tax	1,212.3	1,224.5	12.2	1.1%	2.1%	1.1%	Admissions Tax	4.4	3.0	(1.4)	1.0%	(31.5%)	(12.1%)
Individual Income Tax	2,305.7	2,436.4	130.7	5.6%	11.5%	(3.3%)	Alcoholic Liquors Tax	32.6	31.0	(1.5)	5.0%	0.1%	3.5%
Withholdings	2,219.4	2,300.1	80.7	3.6%	7.3%	3.3%	Bank Tax	18.3	22.4	4.1	(9.7%)	10.7%	0.2%
Non-withholdings	358.5	380.0	21.5	1.7%	7.8%	(3.9%)	Beer and Wine Tax	30.5	29.9	(0.6)	2.7%	0.5%	2.0%
Refunds	272.2	243.7	(28.5)	(12.6%)	(21.8%)	15.9%	Corporate License Tax	93.7	90.5	(3.2)	(1.6%)	(5.0%)	(0.0%)
Corporate Income Tax	181.0	308.1	127.0	(29.1%)	20.6%	(30.1%)	Deed Rec. (Doc. Tax)	26.3	31.7	5.5	(13.7%)	4.2%	(7.4%)
Insurance Tax	134.4	130.6	(3.8)	50.7%	46.4%	12.3%	Earned on Investments	82.6	163.8	81.2	(13.6%)	71.3%	(22.6%)
Other Revenue Items, Sub-Total	331.4	417.6	86.3	(5.7%)	18.9%	(7.7%)	Residual Revenue	43.0	45.2	2.2	(3.7%)	1.3%	(4.2%)

Based on BEA Forecast as of May 20, 2024

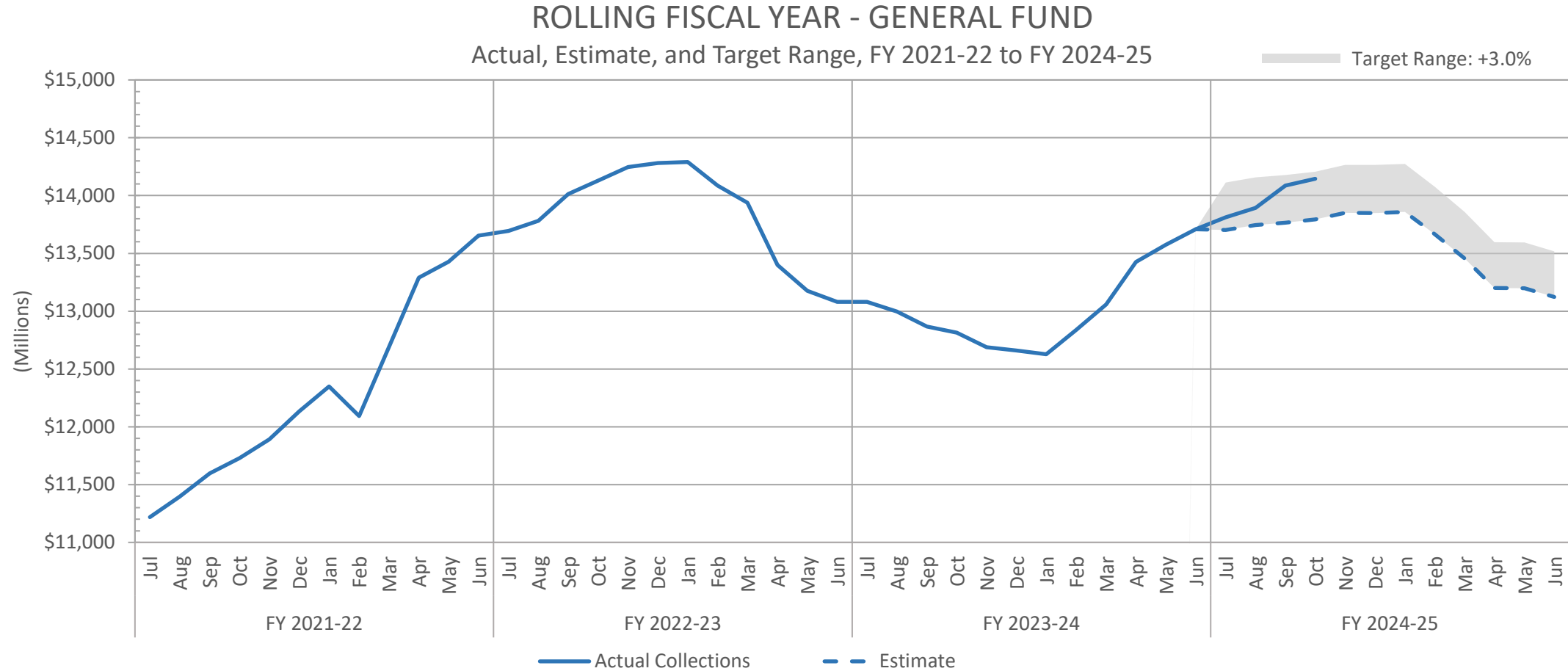
^{/1} Estimate year-to-date reflects expected growth in collections fiscal year-to-date over prior fiscal year-to-date based on anticipated monthly collection patterns.

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

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

General Fund Revenue – May 2024 Estimate

Collections are \$352.3m ahead of the current forecast; revenues have grown more than expected in some categories



Review of Revenue Estimates and Assumptions for FY 2024-25 and FY 2025-26

Key Assumptions for FY 2024-25 and FY 2025-26

Working Estimates

- Personal Income
 - Both the Wages & Salaries component and the Interest & Dividends component of Personal Income are expected to slow down closer to historic trends in response to:
 - Inflation
 - Interest Rates
 - Labor market dynamics
 - Global geopolitical issues
- Employment
 - Migration and economic development are expected to keep employment growth higher in SC than the nation as a whole
 - However, lower employment growth is expected over the next two fiscal years compared to last fiscal year as labor demand slows

Key Economic Assumptions for FY 2024-25 and FY 2025-26

Working Estimates (Continued)

- Based on comments from the panel, most of the assumptions were consistent with the panel's general expectations on personal income and employment
- The working estimate for inflation for FY 25 is increased from 2.4% to 2.6% to reflect the panel's comments

Summary – Working Estimates (Revised)

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2024-25	5.7%	2.2%	2.4% 2.6%
2025-26	4.6%	1.7%	2.5%

Risks and Considerations for FY 2024-25 and FY 2025-26

- Recent trends in labor market dynamics indicate wage growth, a key component of personal income, will grow more slowly in FY 25 and FY 26 than in recent years, as the total labor force is growing faster than total employment
- Growth in the major revenue categories is expected to be slightly below historical averages as a result
- Continuing to monitor for potential challenges to the economy due to national and international economic conditions

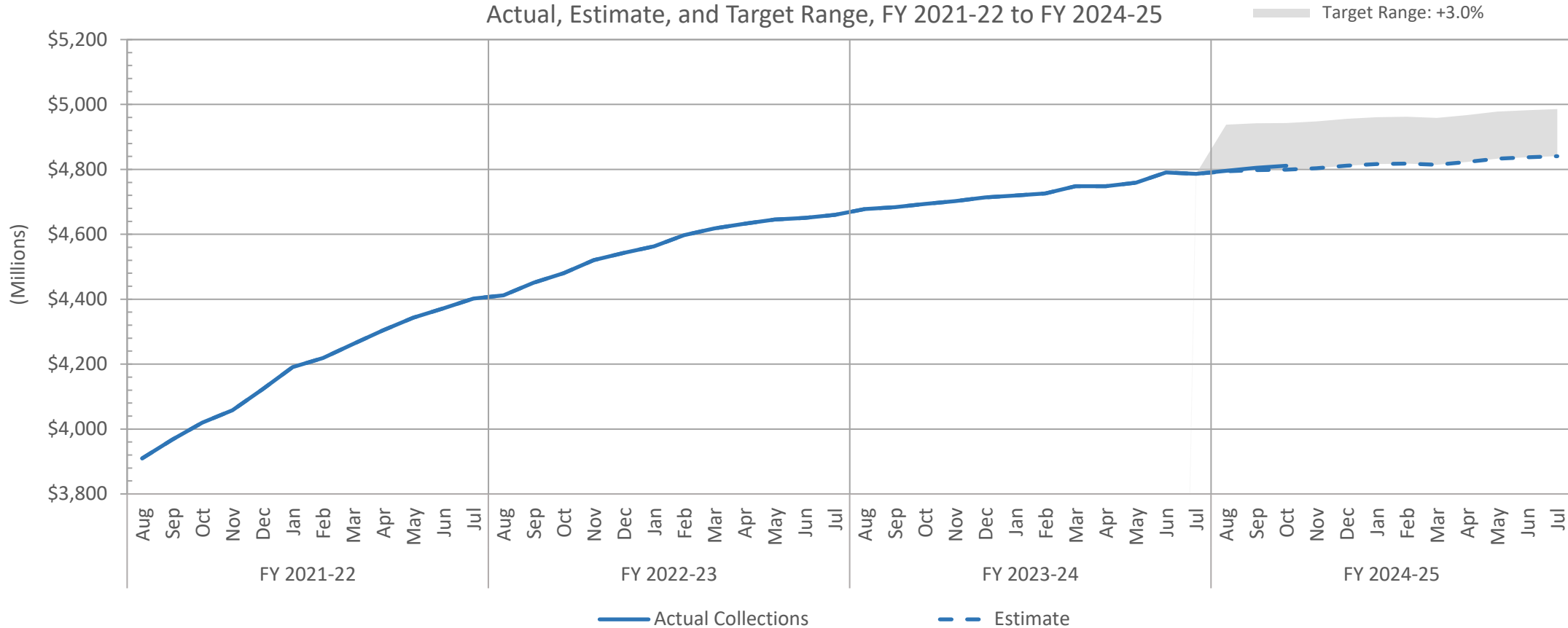
Consumption Taxes



Sales Tax - Actual vs. Estimate

October collections grew by 1.7% over last year; cumulatively, fiscal year-to-date collections are growing 2.1% and are \$12.2m above the estimate

ROLLING FISCAL YEAR - SALES TAX
Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

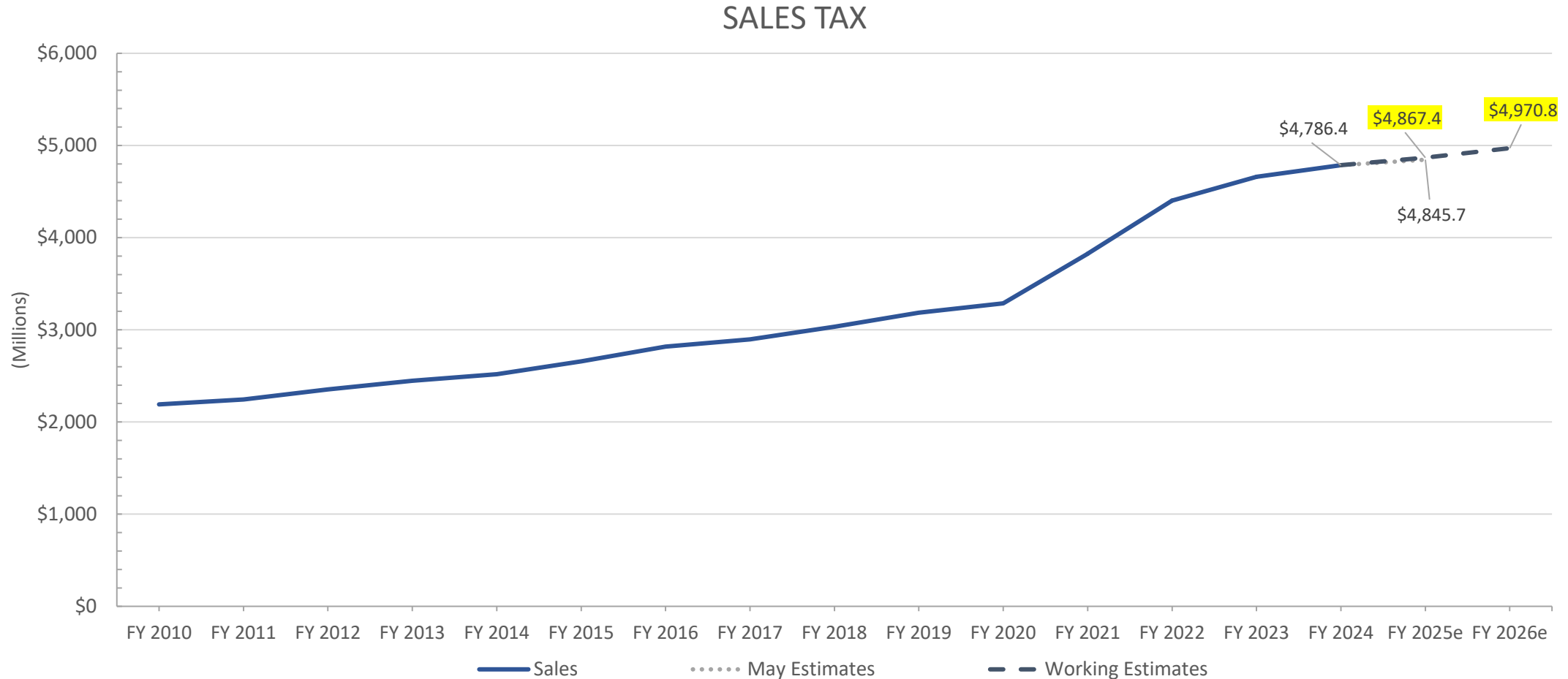


Sales Tax Forecast Assumptions

- Working estimates reflect a slight increase above the May estimate as collections are running ahead of expectations, but growth expectations for both FY 25 and FY 26 remain below historical trends
- Consumers have returned to pre-pandemic spending patterns based on the proportion of goods purchased relative to total consumption, but growth in spending on goods remains below historical levels, possibly due to pricing dynamics of goods and services and increases in personal savings
- Growth in FY 26 is anticipated to increase compared to FY 25 expectations, but still remain below historical levels

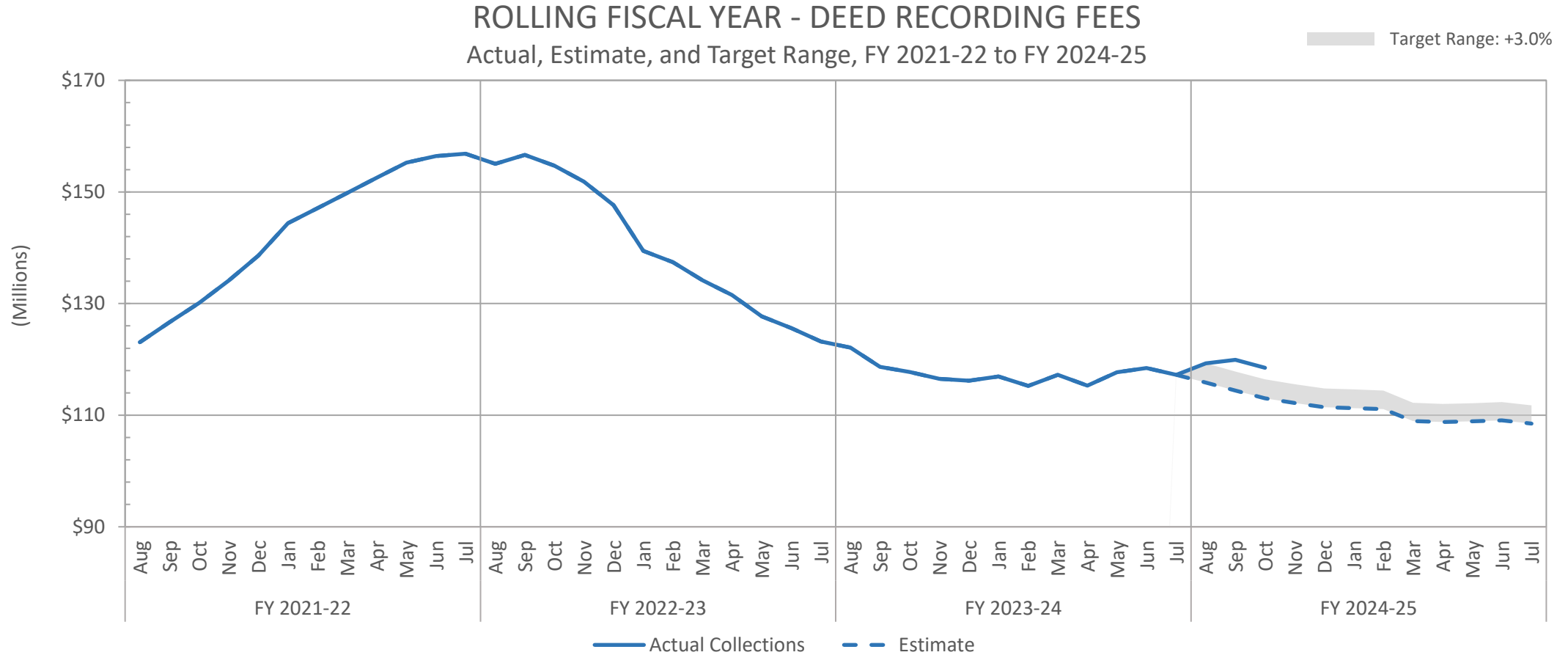
Sales Tax – Working Estimates

Collections continue to grow at a pace below historical trends but are running slightly ahead of the May estimate; revenue in FY 25 is now expected to grow by 1.7% compared to the 1.2% May estimate, and 2.1% in FY 26



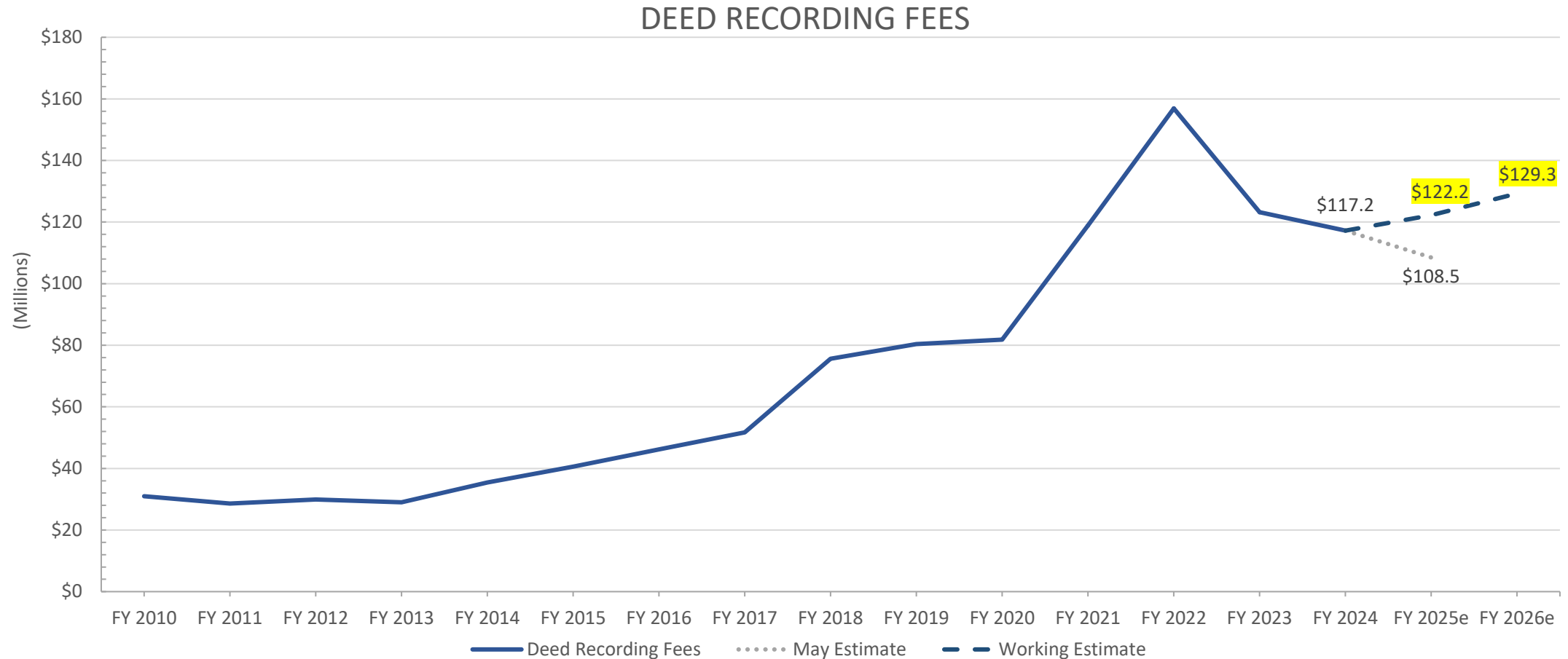
Deed Recording Fees – Actual vs. Estimate

Cumulatively, fiscal year-to-date collections are growing by 4.2% and are \$5.5m above the May estimate



Deed Recording Fees – Working Estimates

Working estimates reflect growth in FY 25 (4.3%) and FY 26 (5.8%) as fiscal year-to-date collections are better than expected following two years of decline



Individual Income Tax

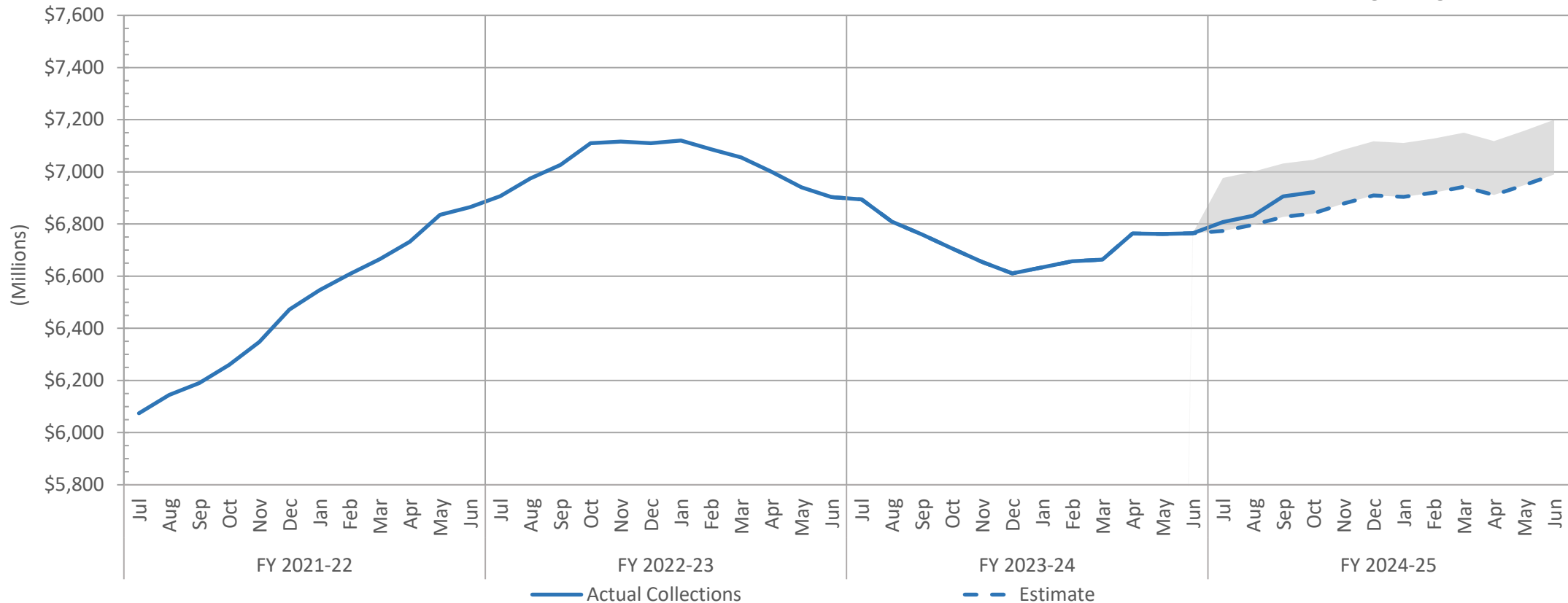
Withholdings - Actual vs. Current Estimate

Withholdings are running ahead of expectations by \$80.7m, growing 7.3%; October collections are in line with our expectations and reflect growth of 2.8% compared with the same month in the prior year

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

Target Range: +3.0%



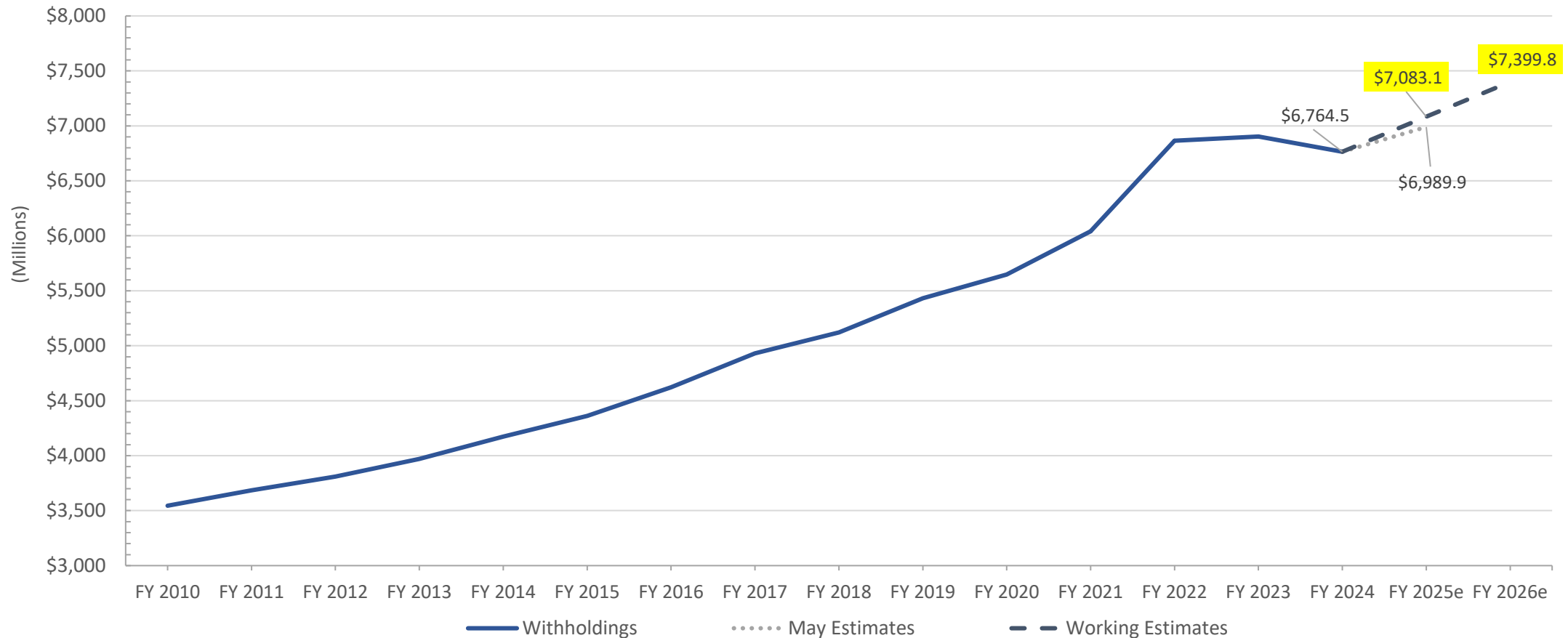
Individual Income Withholdings Tax Forecast

- Working estimates reflect an increase in collections in FY 25 due to stronger expected wage growth than in our May forecast
- The strong growth in wages and salaries (between 8% and 9% during the first two calendar quarters of 2024) has been driving the higher-than-expected collections level, which we expect to continue into FY 25
- Collections have been stronger than estimated to start the year, growing 7.3% in the first four months of the fiscal year (more than double the expected 3.6% growth)
- As inflation comes closer to the Fed's target and the labor market is cooling off, coupled with the Fed's cautious expansionary monetary policy, we expect wage growth to gradually slow down over the course of FY 25 and stabilize at its normal level in FY 26, leading to above-average growth in collections in FY 25 but closer to normal growth in FY 26

Individual Income Withholdings – Working Estimates

Growth in collections increased after the effect of tax table changes culminated at the end of Q2 of FY 24; in FY 25, collections are expected to grow faster than the May estimate (4.7% vs. 3.3%), with a slight moderation in growth to 4.5% in FY 26

INDIVIDUAL INCOME TAX - WITHHOLDINGS



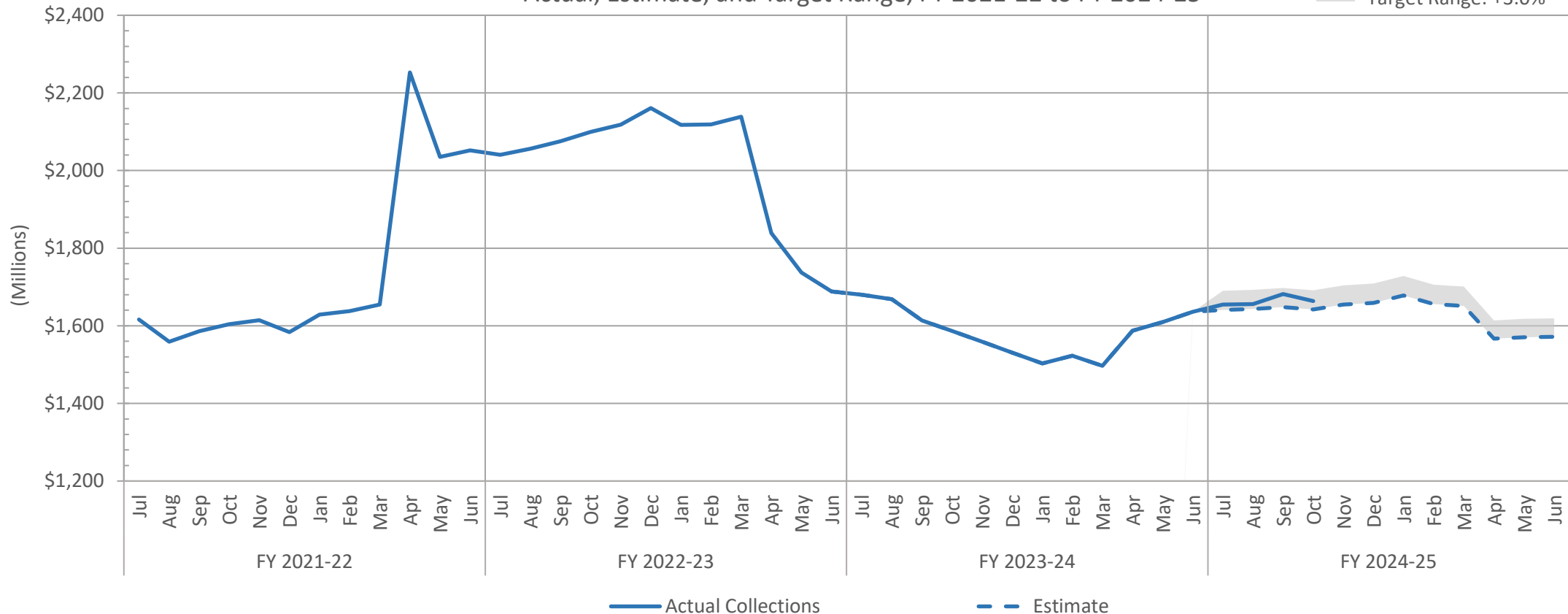
Non-Withholdings - Actual vs. Estimate

Collections are exceeding expectations by \$21.5m; October collections decreased 16.1% compared with the same month last year, likely because of the return filing extensions due to Hurricane Helene

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

Target Range: +3.0%



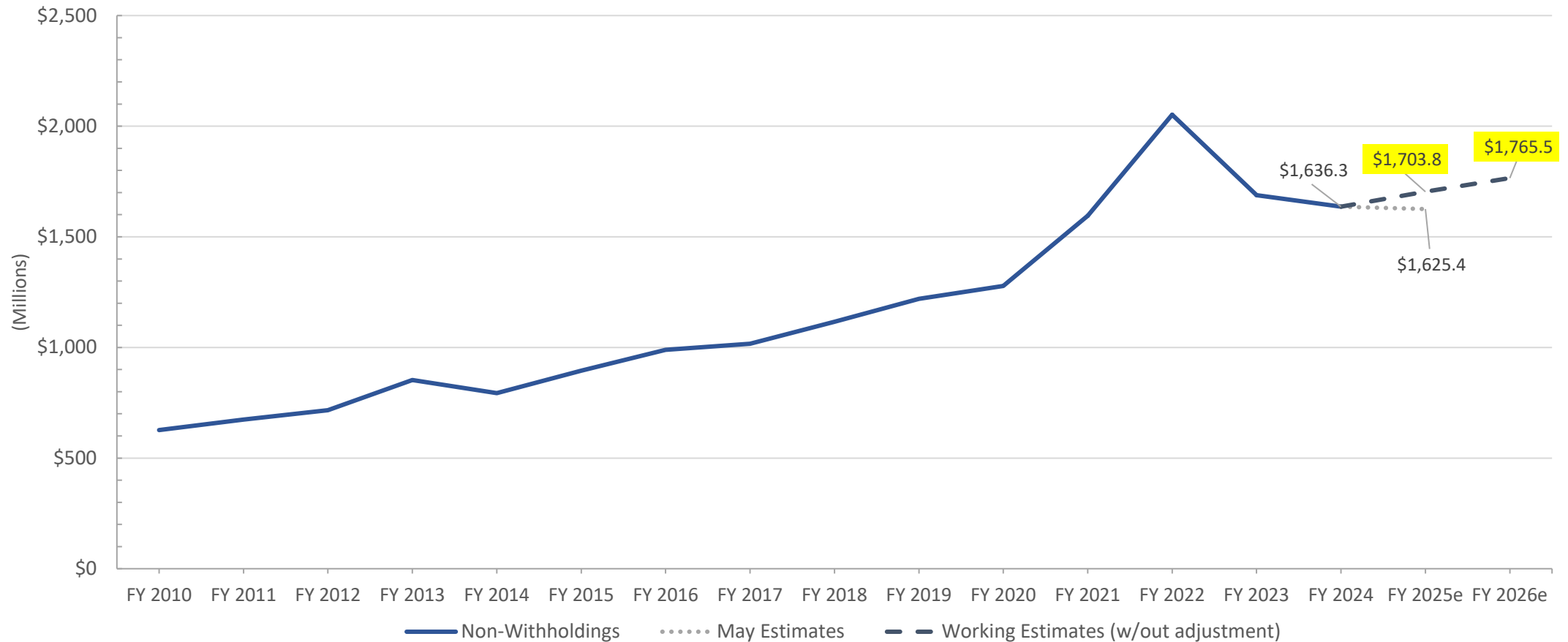
Individual Income Non-Withholdings Forecast

- Working estimates anticipate higher collections than the May estimate as Non-withholdings are running ahead of expectations
- Financial markets have shown stronger performance so far in 2024; however, there is uncertainty related to the outcome of elections, the worsening global geopolitical environment, and the slowdown that is expected with a soft landing as the Fed cautiously decreases interest rates
- Due to interest rate cuts that started in September and are expected to continue in FY 25, interest income is expected to decrease; however, dividend income and proprietors' income are expected to exhibit slow growth
- The marginal tax rate decrease and the filing extension by DOR due to Hurricane Helene may lead to changes in taxpayer behavior and timing issues in collections; although FY 25 collections currently are 7.8% higher than in the same 4-month period of FY 24, the effects of the extension and the marginal tax rate cut are expected to materialize by the end of the fiscal year

Non-Withholdings – Working Estimates (Before Tax Cuts)

Based on current economic conditions, collections are expected to grow at a slower-than-normal rate of approximately 4.1% in FY 25 and further slow down to 3.6% growth in FY 26

INDIVIDUAL INCOME TAX - NON-WITHHOLDINGS

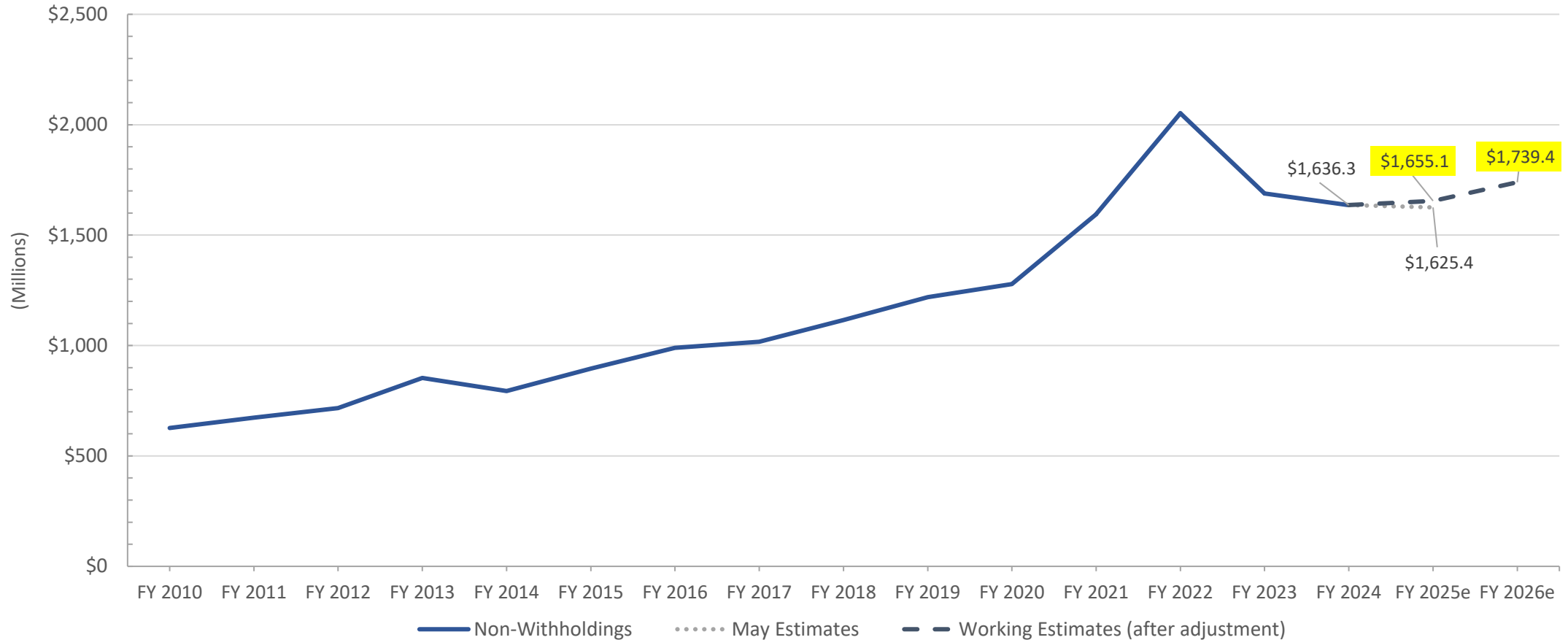


Non-Withholdings – Working Estimates (After Tax Cuts)

Accounting for the marginal tax rate cut, collections are expected to grow only 1.2% in FY 25 and slightly above normal at 5.1% in FY 26

(The current tax rate change is from 6.4% in 2023 to 6.2% in 2024 and 6.3% in 2025)

INDIVIDUAL INCOME TAX - NON-WITHHOLDINGS

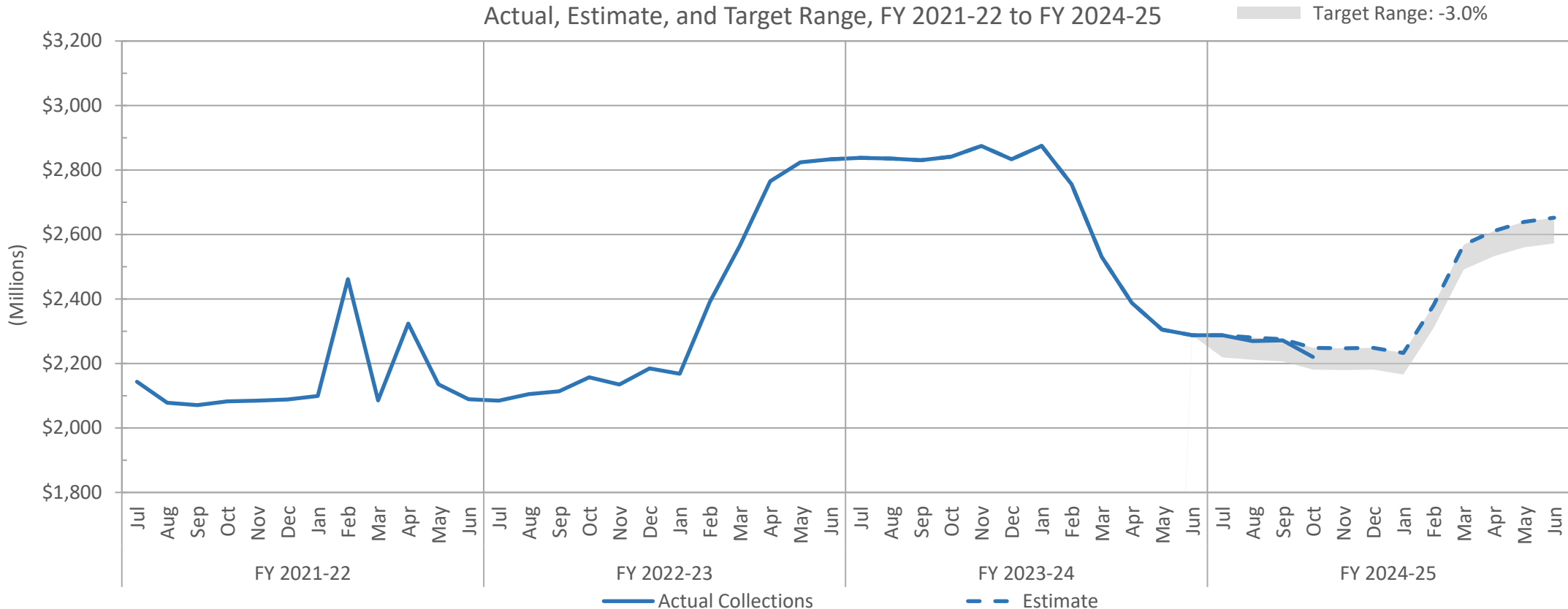


Refunds - Actual vs. Estimate

Refunds tracked very closely to expectations during the first three months but fell significantly behind in October with a decline of 33.8% relative to the same month of prior year; Refunds are expected to grow significantly in FY 25 due to stronger-than-expected Withholdings in FY 24 as well as the marginal tax rate reduction

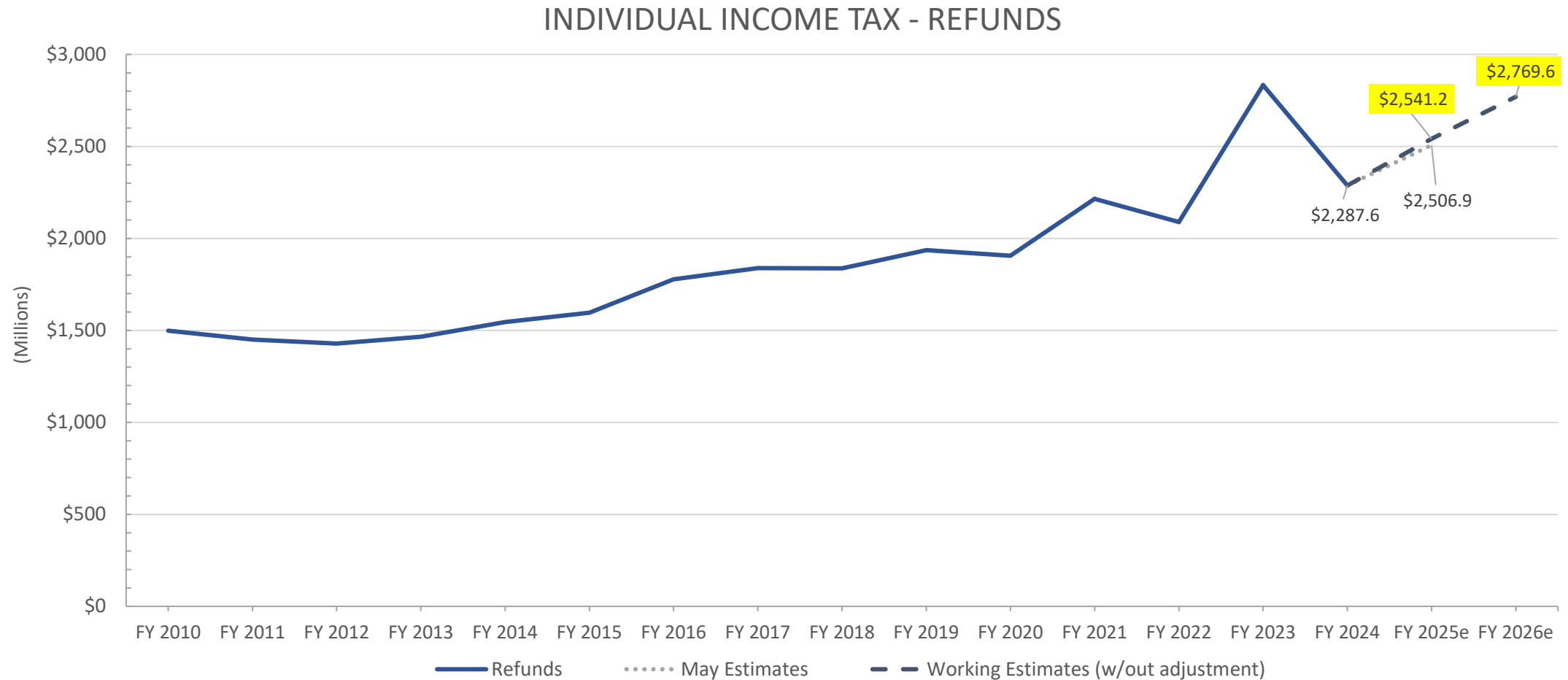
ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



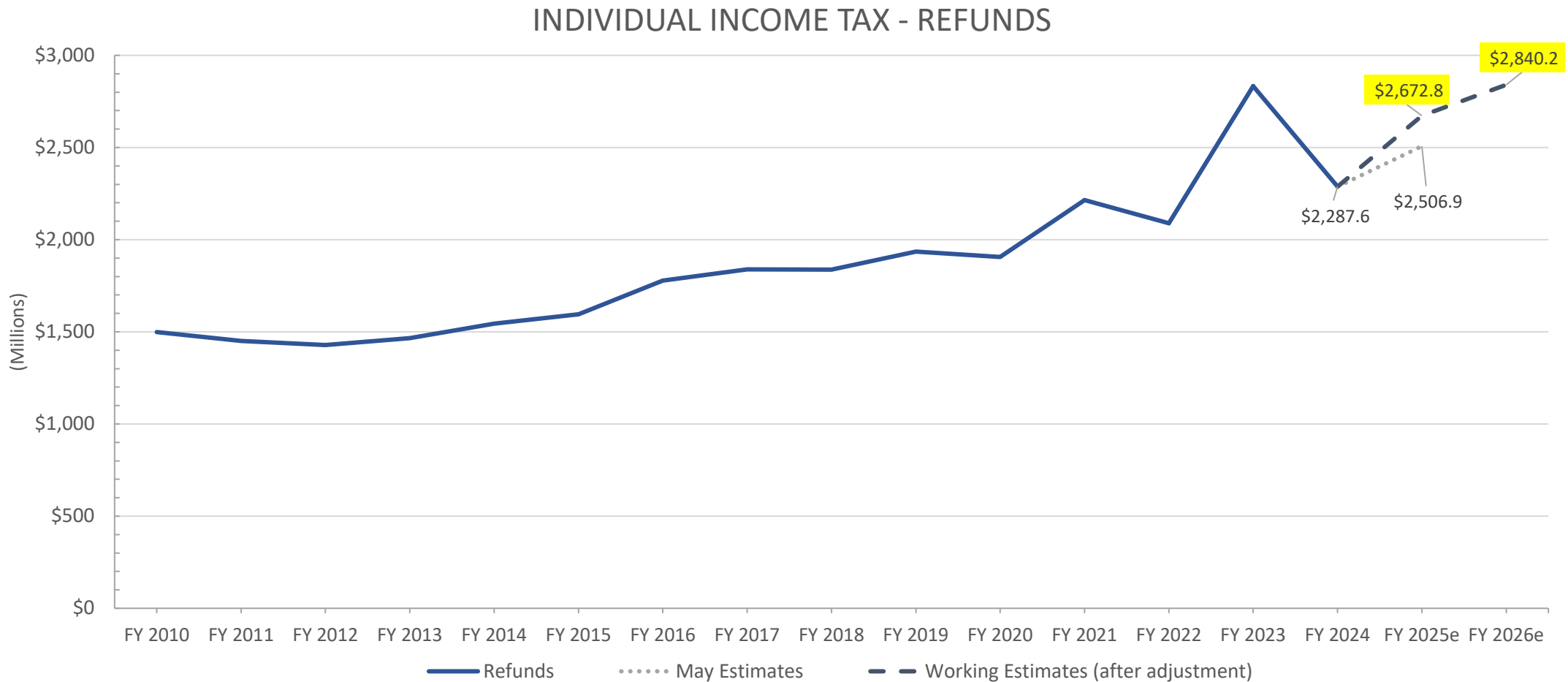
Refunds – Working Estimates (Before Tax Cuts)

Without taking into account the effect of the marginal tax rate cut, Refunds are expected to grow **11.1%** in FY 25 and slow to **9%** growth in FY 26



Refunds – Working Estimates (After Tax Cuts)

After adjusting for the effect of the marginal tax rate decrease, Refunds are expected to grow 16.8% in FY 25 followed by growth of 6.3% in FY 26



Corporate Income Tax

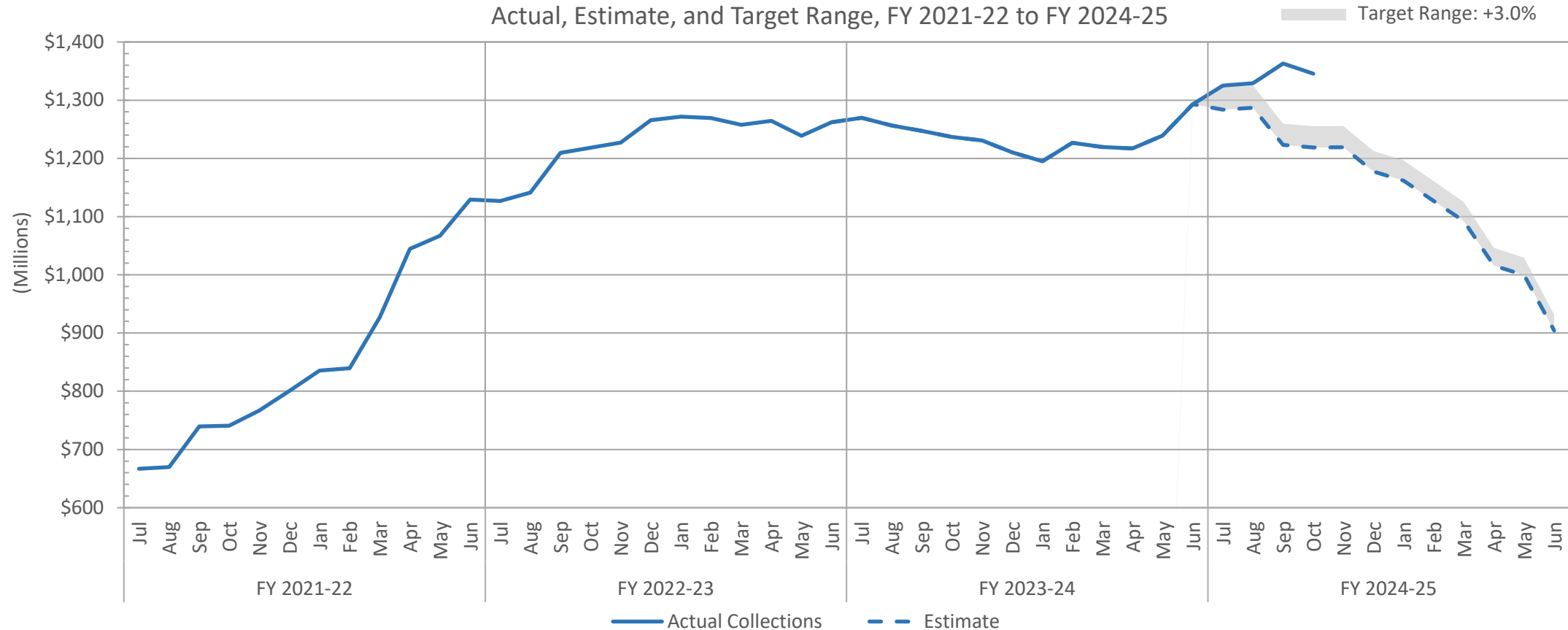


Corporate Income Tax – Actual vs. Estimate

October collections were \$12.9m below expectations, bringing the current excess down to \$127.0m; this may be a timing change due to the Hurricane Helene tax relief provisions

ROLLING FISCAL YEAR - CORPORATE INCOME TAX

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



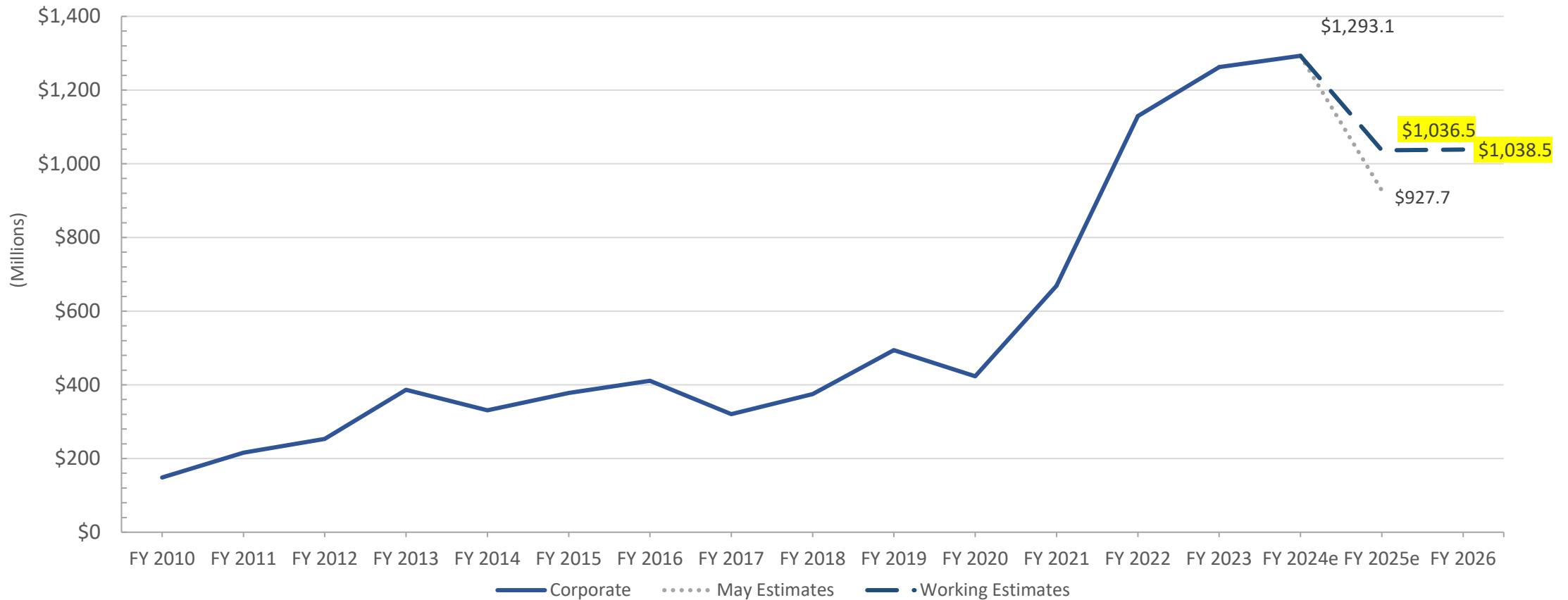
Corporate Income Tax Forecast

- Corporate Income tax is the most volatile of the major tax categories, and therefore, the most difficult to estimate
- The economic modeling captures most of the historical variation but with a considerable error margin in some years (+/- 15%)
- Modeling indicates FY 25 and FY 26 will be below the \$1.29 billion in FY 24 (approximately \$1.15 billion in FY 25 and \$1.19 billion in FY 26)
- Retail sales growth and increases in profits have translated into increased Corporate Income tax collections in recent years, but expectations for a decline in retail growth and increased business costs from higher wages and interest rates may decrease profit margins
- Any change in profitability may not be observed until tax filing
- Based on these concerns, staff would recommend a more cautious approach

Corporate Income Tax – Working Estimates

Collections are expected to be better than previously anticipated but decrease from last year due to slower retail sales growth and lower profit margins

CORPORATE INCOME TAX



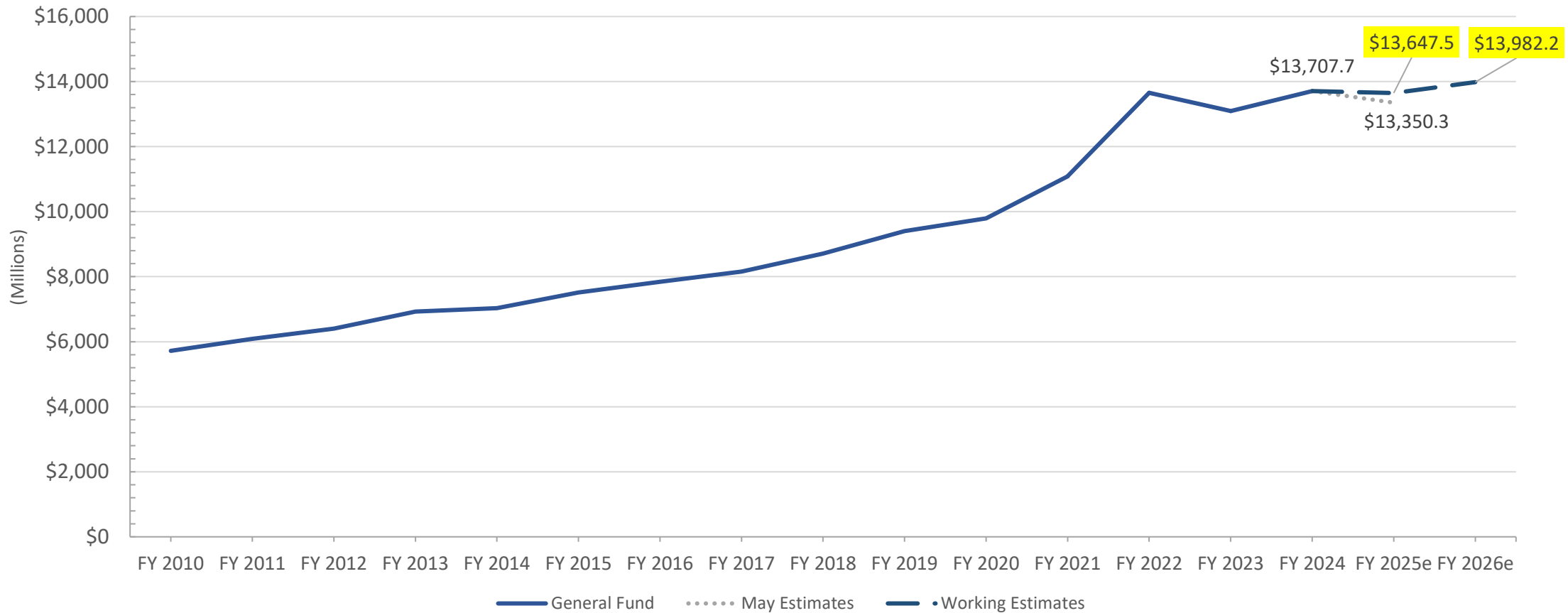
Consideration of Revenue Forecasts for FY 2024-25 and FY 2025-26



General Fund Revenue - Working Estimates

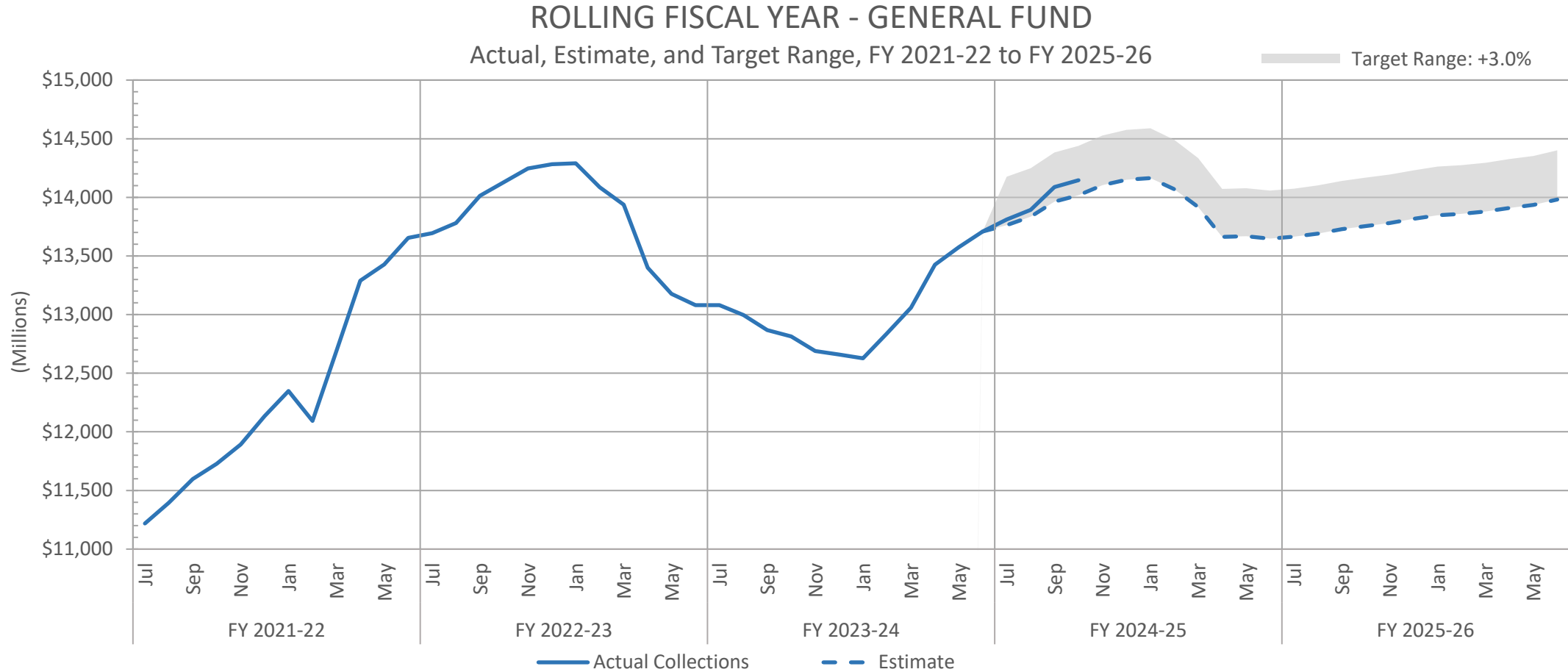
FY 25: +\$297.2m FY 26: +\$334.7m

TOTAL GENERAL FUND REVENUE



General Fund Revenue - Working Estimate

Estimates reflect shift to below normal growth in FY 25 and FY 26



General Fund Revenue Forecast – Working Estimates

Revenue Category	Final FY 2023-24	5/20/2024 Estimate FY 2024-25	11/19/2024 Estimate FY 2024-25	5/20 vs 11/19 Estimate Change	FY 24 to FY 25 Change	11/19/2024 Estimate FY 2025-26	FY 25 to FY 26 Change	Pct. Chg. FY 2023-24	5/20/2024 Pct. Chg. FY 2024-25	11/19/2024 Pct. Chg. FY 2024-25	11/19/2024 Pct. Chg. FY 2025-26
1	2	3	4	5	6	7	8	9	10	11	12
Sales and Use Tax	\$4,786,379,944	\$4,845,676,000	\$4,867,414,000	\$21,738,000	\$81,034,056	\$4,970,806,000	\$103,392,000	2.7	1.2	1.7	2.1
Individual Income Tax	6,113,184,871	6,108,481,000	6,065,423,000	(43,058,000)	(47,761,871)	6,298,900,000	233,477,000	6.2	(0.1)	(0.8)	3.8
<i>Withholdings</i>	6,764,522,327	6,989,915,000	7,083,130,000	93,215,000	318,607,673	7,399,750,000	316,620,000	(2.0)	3.3	4.7	4.5
<i>Non-Withholdings</i>	1,636,252,564	1,625,432,000	1,655,083,000	29,651,000	18,830,436	1,739,358,000	84,275,000	(3.1)	(0.7)	1.2	5.1
<i>Refunds</i>	2,287,590,020	2,506,866,000	2,672,790,000	165,924,000	385,199,980	2,840,208,000	167,418,000	(19.3)	9.6	16.8	6.3
Corporation Income Tax	1,293,063,734	927,680,000	1,036,489,000	108,809,000	(256,574,734)	1,038,482,000	1,993,000	2.4	(28.3)	(19.8)	0.2
Insurance Taxes	347,790,248	390,484,000	389,626,000	(858,000)	41,835,752	362,995,000	(26,631,000)	(5.0)	12.3	12.0	(6.8)
Admissions Tax	47,019,723	44,315,000	44,979,000	664,000	(2,040,723)	46,632,000	1,653,000	3.6	(5.8)	(4.3)	3.7
Alcoholic Liquor Tax	119,042,816	123,253,000	121,480,000	(1,773,000)	2,437,184	123,052,000	1,572,000	0.8	3.5	2.0	1.3
Bank Tax	55,024,068	55,126,000	53,572,000	(1,554,000)	(1,452,068)	54,911,000	1,339,000	(42.1)	0.2	(2.6)	2.5
Beer and Wine Tax	111,485,612	113,739,000	112,133,000	(1,606,000)	647,388	112,737,000	604,000	(1.7)	2.0	0.6	0.5
Business Filing Fees	12,052,409	12,203,000	11,826,000	(377,000)	(226,409)	11,604,000	(222,000)	(4.4)	1.2	(1.9)	(1.9)
Circuit/Family Court Fines	6,743,555	6,004,000	6,422,000	418,000	(321,555)	6,013,000	(409,000)	5.8	(11.0)	(4.8)	(6.4)
Corporation License Tax	188,147,592	188,108,000	188,108,000	0	(39,592)	196,255,000	8,147,000	10.6	(0.0)	(0.0)	4.3
Deed Recording Fees	117,212,465	108,493,000	122,218,000	13,725,000	5,005,535	129,264,000	7,046,000	(4.9)	(7.4)	4.3	5.8
Earned on Investments	322,890,729	250,000,000	450,000,000	200,000,000	127,109,271	450,000,000	0	78.9	(22.6)	39.4	0.0
Indirect Cost Recoveries	17,263,306	16,121,000	16,110,000	(11,000)	(1,153,306)	16,542,000	432,000	(6.7)	(6.6)	(6.7)	2.7
Motor Vehicle Licenses	11,694,640	11,472,000	11,897,000	425,000	202,360	12,010,000	113,000	6.8	(1.9)	1.7	0.9
Nursing Home Fees	3,057,068	2,968,000	2,968,000	0	(89,068)	2,923,000	(45,000)	(2.3)	(2.9)	(2.9)	(1.5)
Parole and Probation Fees	3,392,808	3,393,000	3,393,000	0	192	3,393,000	0	0.0	0.0	0.0	0.0
Private Car Lines Tax	6,435,646	6,576,000	7,082,000	506,000	646,354	7,280,000	198,000	(2.8)	2.2	10.0	2.8
Public Service Authority	19,420,000	19,028,000	19,674,000	646,000	254,000	19,985,000	311,000	2.4	(2.0)	1.3	1.6
Purchasing Card Rebates	4,169,474	4,170,000	4,367,000	197,000	197,526	4,411,000	44,000	8.4	0.0	4.7	1.0
Record Search Fees	4,461,000	4,461,000	4,461,000	0	0	4,461,000	0	0.0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	3,073,094	1,215,000	980,000	(235,000)	(2,093,094)	1,005,000	25,000	--	(60.5)	(68.1)	2.6
Security Dealer Fees	34,446,267	37,904,000	35,312,000	(2,592,000)	865,733	36,684,000	1,372,000	0.9	10.0	2.5	3.9
Tobacco Tax	27,642,434	27,477,000	27,219,000	(258,000)	(423,434)	27,055,000	(164,000)	(0.4)	(0.6)	(1.5)	(0.6)
Unclaimed Property Fund	15,000,000	15,000,000	15,000,000	0	0	15,000,000	0	0.0	0.0	0.0	0.0
Workers' Comp. Insurance Tax	12,207,910	11,057,000	13,430,000	2,373,000	1,222,090	13,698,000	268,000	14.8	(9.4)	10.0	2.0
Other Source Revenues	25,379,221	15,943,000	15,919,000	(24,000)	(9,460,221)	16,057,000	138,000	(1.1)	(37.2)	(37.3)	0.9
Gross General Fund Revenue	\$13,707,680,634	\$13,350,347,000	\$13,647,502,000	\$297,155,000	(\$60,178,634)	\$13,982,155,000	\$334,653,000	4.7	(2.6)	(0.4)	2.5

General Fund Revenue Forecast – Working Estimates (Continued)

Revenue Category	Final FY 2023-24	5/20/2024 Estimate FY 2024-25	11/19/2024 Estimate FY 2024-25	5/20 vs 11/19 Estimate Change	FY 24 to FY 25 Change	11/19/2024 Estimate FY 2025-26	FY 25 to FY 26 Change	Pct. Chg. FY 2023-24	5/20/2024 Pct. Chg. FY 2024-25	11/19/2024 Pct. Chg. FY 2024-25	11/19/2024 Pct. Chg. FY 2025-26
1	2	3	4	5	6	7	8	9	10	11	12
Gross General Fund Revenue	\$13,707,680,634	\$13,350,347,000	\$13,647,502,000	\$297,155,000	(\$60,178,634)	\$13,982,155,000	\$334,653,000	4.7	(2.6)	(0.4)	2.5
Less: Tax Relief Trust Fund (Act)	795,942,732	800,815,175	800,815,175	0	4,872,443	814,021,523	13,206,348	3.6	0.6	0.6	1.6
Net General Fund Revenue	\$12,911,737,902	\$12,549,531,825	\$12,846,686,825	\$297,155,000	(\$65,051,077)	\$13,168,133,477	\$321,446,652	4.8	(2.8)	(0.5)	2.5
Education Improvement Act (EIA)	1,268,470,095	1,259,581,000	1,277,962,000	18,381,000	9,491,905	1,304,219,000	26,257,000	3.7	(0.7)	0.7	2.1
EIA Fund	1,240,755,453	1,250,981,000	1,260,962,000	9,981,000	20,206,547	1,287,219,000	26,257,000	2.8	0.8	1.6	2.1
EIA Interest	27,714,643	8,600,000	17,000,000	8,400,000	(10,714,643)	17,000,000	0	77.2	(69.0)	(38.7)	0.0
S.C. Education Lottery Fund	602,655,309	531,100,000	538,200,000	7,100,000	(64,455,309)	502,700,000	(35,500,000)	(0.5)	(11.9)	(10.7)	(6.6)
Lottery Proceeds	556,500,000	507,200,000	501,200,000	(6,000,000)	(55,300,000)	468,200,000	(33,000,000)	(1.2)	(8.9)	(9.9)	(6.6)
Unclaimed Prizes	35,541,424	20,000,000	26,000,000	6,000,000	(9,541,424)	23,500,000	(2,500,000)	2.3	(43.7)	(26.8)	(9.6)
Lottery Interest	10,613,885	3,900,000	11,000,000	7,100,000	386,115	11,000,000	0	48.1	(63.3)	3.6	0.0
Homestead Exemption Fund (HEX)	1,155,656,286	1,156,470,000	1,172,905,000	16,435,000	17,248,714	1,197,878,000	24,973,000	3.9	0.1	1.5	2.1
HEX Revenue	1,137,040,264	1,151,070,000	1,152,905,000	1,835,000	15,864,736	1,177,878,000	24,973,000	3.2	1.2	1.4	2.2
HEX Interest	18,616,022	5,400,000	20,000,000	14,600,000	1,383,978	20,000,000	0	88.9	(71.0)	7.4	0.0
Expenditure Estimate	1,004,627,422	1,066,155,639	1,066,155,639	0	61,549,152	1,114,061,993	47,906,354	10.0	6.1	6.1	4.5
HEX Fund Excess/(Shortfall)	151,049,799	90,314,361	106,749,361	16,435,000	(44,300,438)	83,816,007	(22,933,354)	(24.2)	(40.2)	(29.3)	(21.5)
Tax Relief Trust Fund (Act)	795,942,732	800,815,175	800,815,175	0	4,872,443	814,021,523	13,206,348	3.6	0.6	0.6	1.6
Revised Estimate/ Actual	772,102,288	800,815,175	805,634,504	4,819,329	33,532,216	814,021,523	8,387,019	2.8	3.7	4.3	1.0
Excess/(Shortfall) (Excl. Fund Balance)	23,840,444	0	(4,819,329)	(4,819,329)	(28,659,773)	0	4,819,329	42.2	n/a	n/a	n/a
Budgetary Estimates											
Gross Appropriation Act Revenue	12,458,688,000	13,350,347,000	13,647,502,000	297,155,000	1,188,814,000	13,982,155,000	334,653,000	10.5	7.2	9.5	2.5
Less: Tax Relief Trust Fund (Act)	795,942,732	800,815,175	800,815,175	0	4,872,443	814,021,523	13,206,348	3.6	0.6	0.6	1.6
Appropriation Act Excluding Trust Fund	11,662,745,268	12,549,531,825	12,846,686,825	297,155,000	1,183,941,557	13,168,133,477	321,446,652	11.1	7.6	10.2	2.5
Capital Reserve Fund	390,131,763	369,783,882	369,783,882	0	(20,347,881)	387,352,137	17,568,255	86.5	(5.2)	(5.2)	4.8
General Reserve Fund	715,241,566	739,567,764	739,567,764	0	24,326,198	839,262,964	99,695,200	24.3	3.4	3.4	13.5
Total Reserve Funds	1,105,373,329	1,109,351,646	1,109,351,646	0	3,978,317	1,226,615,101	117,263,455	40.9	0.4	0.4	10.6

Budget Outlook

FY 2025-26 Budget Outlook

- The revised FY 25 forecast and initial FY 26 forecast will provide additional revenue for the upcoming budget process
- The growth in the FY 26 revenue estimate over the base budget is sufficient to enact the next reduction in the top marginal individual income tax rate for tax year 2025
- The rate was lowered an additional 0.1% to 6.2% for one year in the FY 25 budget ahead of the statutory schedule but reverted to 6.3% for tax year 2025
- This rate reduction for FY 26 (tax year 2025) will maintain the tax rate at the 6.2% rate currently in effect

FY 2025-26 Budget Outlook

Recurring General Fund Revenue

(Dollars in Millions)

FY 2025-26 Revenue Estimate (11/19/24)	\$13,982.2
FY 2024-25 General Fund Appropriations	(\$12,420.4)
FY 2025-26 Tax Relief Trust Fund	(\$814.0)
Incremental Income Tax Rate Reduction	<u>(\$97.0)</u>
Estimated “New” General Fund Revenue	\$650.7
Reserve Fund Contributions	
Incremental General Reserve Fund	(\$99.7)
Incremental Capital Reserve Fund	<u>(\$17.6)</u>
Estimated “New” General Fund Revenue Available for Appropriation (after Reserve Fund Contributions)	\$533.5

FY 2025-26 Budget Outlook

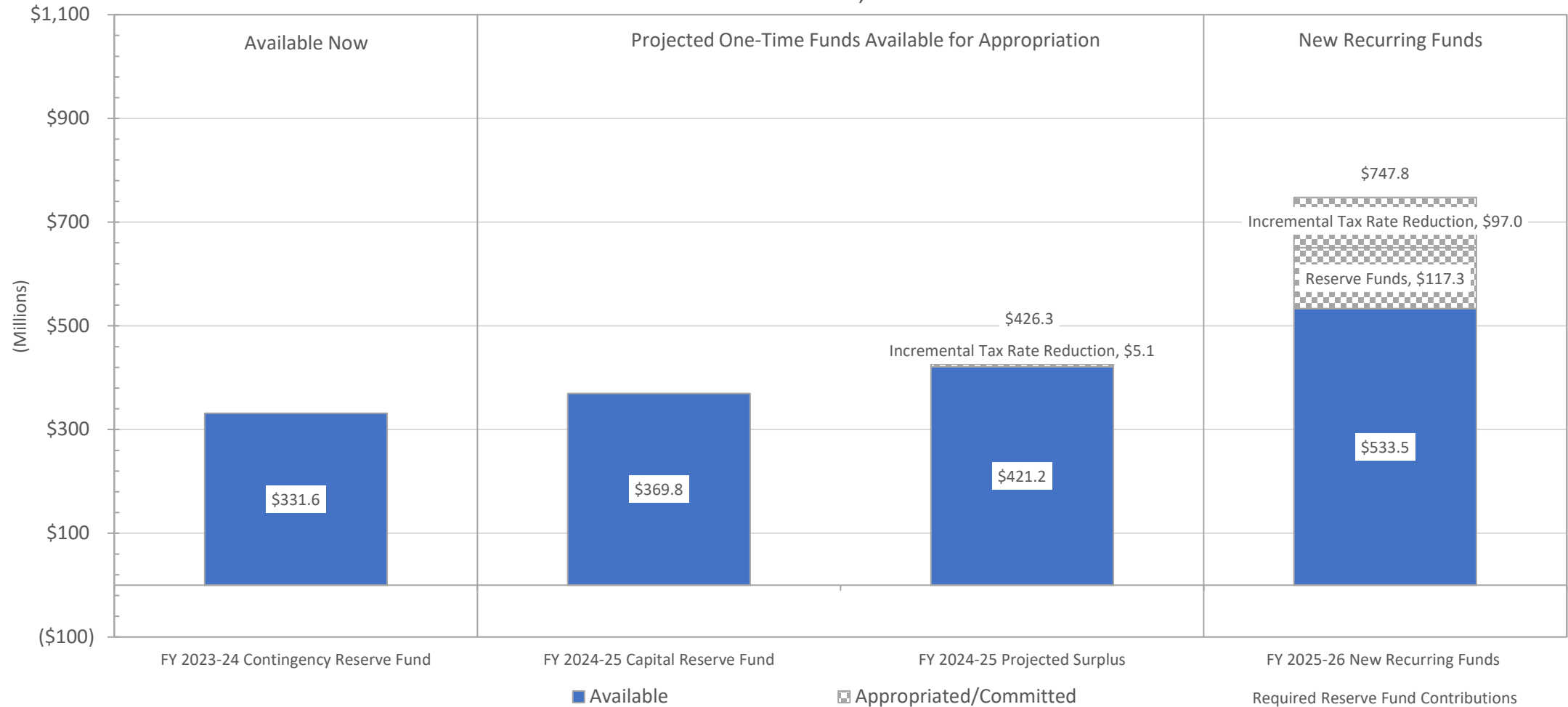
Non-recurring Revenue

(Dollars in Millions)

FY 2024-25 Revised Revenue Estimate (11/19/24)	\$13,647.5
FY 2024-25 General Fund Appropriations	(\$12,420.4)
FY 2024-25 Tax Relief Trust Fund (Act)	(\$800.8)
Incremental Income Tax Rate Reduction	<u>(\$5.1)</u>
Total FY 2024-25 Projected Surplus	\$421.2
FY 2024-25 Capital Reserve Fund	\$369.8
FY 2023-24 Contingency Reserve Fund	<u>\$331.6</u>
Total Non-recurring Revenue	\$1,122.6
Other Non-recurring Revenue	
Litigation Recovery (preliminary)	\$27.3

FY 2025-26 Available Funds

AVAILABLE FUNDS - FY 2025-26 BUDGET PROCESS
as of November 19, 2024



Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/19/2024

Other Budget Issues

- Tax Relief Trust Fund
 - Fund balance is currently projected to be \$92.7 million at the end of FY 25
 - Manufacturer's Value Exemption is projected to reach the \$170 million cap in FY 26
- Homestead Exemption Fund
 - Fund balance is currently projected to be \$157.9 million at the end of FY 25

Adoption of Long-Range Forecast (Pursuant to §11-11-350)



Long-Range General Fund Working Estimates

Revenue Category	Long-Range Estimates						Long-Range Estimates				
	Final FY 2023-24	11/19/2024 Estimate FY 2023-25	11/19/2024 Estimate FY 2025-26	11/19/2024 Estimate FY 2026-27	11/19/2024 Estimate FY 2027-28	Pct. Chg. FY 2023-24	11/19/2024 Pct. Chg. FY 2024-25	11/19/2024 Pct. Chg. FY 2025-26	11/19/2024 Pct. Chg. FY 2026-27	11/19/2024 Pct. Chg. FY 2027-28	
	1	2	3	4	5	6	7	8	9	10	11
Sales and Use Tax	\$4,786,379,944	\$4,867,414,000	\$4,970,806,000	\$5,168,001,000	\$5,373,020,000	2.7	1.7	2.1	4.0	4.0	4.0
Individual Income Tax	6,113,184,871	6,065,423,000	6,298,900,000	6,666,200,000	6,948,140,000	6.2	(0.8)	3.8	5.8	4.2	4.2
<i>Withholdings</i>	6,764,522,327	7,083,130,000	7,399,750,000	7,721,510,000	8,057,270,000	(2.0)	4.7	4.5	4.3	4.3	4.3
<i>Non-Withholdings</i>	1,636,252,564	1,655,083,000	1,739,358,000	1,852,120,000	1,943,010,000	(3.1)	1.2	5.1	6.5	4.9	4.9
<i>Refunds</i>	2,287,590,020	2,672,790,000	2,840,208,000	2,907,430,000	3,052,140,000	(19.3)	16.8	6.3	2.4	5.0	5.0
Corporation Income Tax	1,293,063,734	1,036,489,000	1,038,482,000	1,046,840,000	1,055,265,000	2.4	(19.8)	0.2	0.8	0.8	0.8
Insurance Taxes	347,790,248	389,626,000	362,995,000	417,489,000	392,566,000	(5.0)	12.0	(6.8)	15.0	(6.0)	(6.0)
Admissions Tax	47,019,723	44,979,000	46,632,000	48,268,000	49,982,000	3.6	(4.3)	3.7	3.5	3.6	3.6
Alcoholic Liquor Tax	119,042,816	121,480,000	123,052,000	126,876,000	128,576,000	0.8	2.0	1.3	3.1	1.3	1.3
Bank Tax	55,024,068	53,572,000	54,911,000	56,284,000	57,691,000	(42.1)	(2.6)	2.5	2.5	2.5	2.5
Beer and Wine Tax	111,485,612	112,133,000	112,737,000	113,278,000	113,767,000	(1.7)	0.6	0.5	0.5	0.4	0.4
Business Filing Fees	12,052,409	11,826,000	11,604,000	11,471,000	11,339,000	(4.4)	(1.9)	(1.9)	(1.1)	(1.2)	(1.2)
Circuit/Family Court Fines	6,743,555	6,422,000	6,013,000	6,010,000	6,008,000	5.8	(4.8)	(6.4)	(0.0)	(0.0)	(0.0)
Corporation License Tax	188,147,592	188,108,000	196,255,000	204,857,000	213,820,000	10.6	(0.0)	4.3	4.4	4.4	4.4
Deed Recording Fees	117,212,465	122,218,000	129,264,000	142,426,000	156,928,000	(4.9)	4.3	5.8	10.2	10.2	10.2
Earned on Investments	322,890,729	450,000,000	450,000,000	225,000,000	225,000,000	78.9	39.4	0.0	(50.0)	0.0	0.0
Indirect Cost Recoveries	17,263,306	16,110,000	16,542,000	16,986,000	17,442,000	(6.7)	(6.7)	2.7	2.7	2.7	2.7
Motor Vehicle Licenses	11,694,640	11,897,000	12,010,000	12,174,000	12,340,000	6.8	1.7	0.9	1.4	1.4	1.4
Nursing Home Fees	3,057,068	2,968,000	2,923,000	2,885,000	2,847,000	(2.3)	(2.9)	(1.5)	(1.3)	(1.3)	(1.3)
Parole and Probation Fees	3,392,808	3,393,000	3,393,000	3,393,000	3,393,000	0.0	0.0	0.0	0.0	0.0	0.0
Private Car Lines Tax	6,435,646	7,082,000	7,280,000	7,359,000	7,503,000	(2.8)	10.0	2.8	1.1	2.0	2.0
Public Service Authority	19,420,000	19,674,000	19,985,000	20,343,000	20,874,000	2.4	1.3	1.6	1.8	2.6	2.6
Purchasing Card Rebates	4,169,474	4,367,000	4,411,000	4,455,000	4,500,000	8.4	4.7	1.0	1.0	1.0	1.0
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	4,461,000	0.0	0.0	0.0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	3,073,094	980,000	1,005,000	1,030,000	1,056,000	--	(68.1)	2.6	2.5	2.5	2.5
Security Dealer Fees	34,446,267	35,312,000	36,684,000	38,198,000	39,774,000	0.9	2.5	3.9	4.1	4.1	4.1
Tobacco Tax	27,642,434	27,219,000	27,055,000	26,880,000	26,713,000	(0.4)	(1.5)	(0.6)	(0.6)	(0.6)	(0.6)
Unclaimed Property Fund	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	0.0	0.0	0.0	0.0	0.0	0.0
Workers' Comp. Insurance Tax	12,207,910	13,430,000	13,698,000	13,972,000	14,251,000	14.8	10.0	2.0	2.0	2.0	2.0
Other Source Revenues	25,379,221	15,919,000	16,057,000	16,057,000	16,057,000	(1.1)	(37.3)	0.9	0.0	0.0	0.0
Gross General Fund Revenue	\$13,707,680,634	\$13,647,502,000	\$13,982,155,000	\$14,416,193,000	\$14,918,313,000	4.7	(0.4)	2.5	3.1	3.5	3.5



Long-Range General Fund Working Estimates (Continued)

Revenue Category	Long-Range Estimates						Long-Range Estimates				
	Final FY 2023-24	11/19/2024 Estimate FY 2024-25	11/19/2024 Estimate FY 2025-26	11/19/2024 Estimate FY 2026-27	11/19/2024 Estimate FY 2027-28	Pct. Chg. FY 2023-24	11/19/2024 Pct. Chg. FY 2024-25	11/19/2024 Pct. Chg. FY 2025-26	11/19/2024 Pct. Chg. FY 2026-27	11/19/2024 Pct. Chg. FY 2027-28	
1	2	3	4	5	6	7	8	9	10	11	
Gross General Fund Revenue	\$13,707,680,634	\$13,647,502,000	\$13,982,155,000	\$14,416,193,000	\$14,918,313,000	4.7	(0.4)	2.5	3.1	3.5	
Less: Tax Relief Trust Fund (Act)	795,942,732	800,815,175	814,021,523	823,845,232	834,027,825	3.6	0.6	1.6	1.2	1.2	
Net General Fund Revenue	\$12,911,737,902	\$12,846,686,825	\$13,168,133,477	\$13,592,347,768	\$14,084,285,175	4.8	(0.5)	2.5	3.2	3.6	
Education Improvement Act (EIA)	1,268,470,095	1,277,962,000	1,304,219,000	1,345,796,000	1,397,860,000	3.7	0.7	2.1	3.2	3.9	
EIA Fund	1,240,755,453	1,260,962,000	1,287,219,000	1,337,296,000	1,389,360,000	2.8	1.6	2.1	3.9	3.9	
EIA Interest	27,714,643	17,000,000	17,000,000	8,500,000	8,500,000	77.2	(38.7)	0.0	(50.0)	0.0	
S.C. Education Lottery Fund	602,655,309	538,200,000	502,700,000	497,200,000	497,200,000	(0.5)	(10.7)	(6.6)	(1.1)	0.0	
Lottery Proceeds	556,500,000	501,200,000	468,200,000	468,200,000	468,200,000	(1.2)	(9.9)	(6.6)	0.0	0.0	
Unclaimed Prizes	35,541,424	26,000,000	23,500,000	23,500,000	23,500,000	2.3	(26.8)	(9.6)	0.0	0.0	
Lottery Interest	10,613,885	11,000,000	11,000,000	5,500,000	5,500,000	48.1	3.6	0.0	(50.0)	0.0	
Homestead Exemption Fund (HEX)	1,155,656,286	1,172,905,000	1,197,878,000	1,232,508,000	1,282,027,000	3.9	1.5	2.1	2.9	4.0	
HEX Revenue	1,137,040,264	1,152,905,000	1,177,878,000	1,225,508,000	1,275,027,000	3.2	1.4	2.2	4.0	4.0	
HEX Interest	18,616,022	20,000,000	20,000,000	7,000,000	7,000,000	88.9	7.4	0.0	(65.0)	0.0	
Expenditure Estimate	1,004,627,422	1,066,155,639	1,114,061,993	1,158,093,724	1,203,965,535	10.0	6.1	4.5	4.0	4.0	
HEX Fund Excess/(Shortfall)	151,028,864	106,749,361	83,816,007	74,414,276	78,061,465	(24.2)	(29.3)	(21.5)	(11.2)	4.9	
Tax Relief Trust Fund (Act)	795,942,732	800,815,175	814,021,523	823,845,232	834,027,825	3.6	0.6	1.6	1.2	1.2	
Revised Estimate/ Actual	772,102,288	805,634,504	814,021,523	823,845,232	834,027,825	2.8	4.3	1.0	1.2	1.2	
Excess/(Shortfall) (Excl. Fund Balance)	23,840,444	(4,819,329)	0	0	0	42.2	n/a	n/a	n/a	n/a	
Budgetary Estimates											
Gross Appropriation Act Revenue	12,458,688,000	13,647,502,000	13,982,155,000	14,416,193,000	14,918,313,000	10.5	9.5	2.5	3.1	3.5	
Less: Tax Relief Trust Fund (Act)	795,942,732	800,815,175	814,021,523	823,845,232	834,027,825	3.6	0.6	1.6	1.2	1.2	
Appropriation Act Excluding Trust Fund	11,662,745,268	12,846,686,825	13,168,133,477	13,592,347,768	14,084,285,175	11.1	10.2	2.5	3.2	3.6	
Capital Reserve Fund	390,131,763	369,783,882	387,352,137	385,400,605	395,044,004	86.5	(5.2)	4.8	(0.5)	2.5	
General Reserve Fund	715,241,566	739,567,764	839,262,964	899,268,078	921,769,343	24.3	3.4	13.5	7.1	2.5	
Total Reserve Funds	1,105,373,329	1,109,351,646	1,226,615,101	1,284,668,683	1,316,813,348	40.9	0.4	10.6	4.7	2.5	

Reports from Working Group Members

Other Items for Discussion



Appendix

Trust Fund for Property Tax Relief

		\$100,000 Residential Property Tax Exemption (Tier I)	Homestead Exemption County/City (Tier II part1)	School Operations (Tier II part 2)	65 and Over \$50,000 Homestead Exemption (Total Tier II)	Manufacturer's Depreciation Reimbursement from 20% to 10%	Manufacturer's Percentage Exemption of Assessed Value */**	Merchants Inventory Tax Exemption (originally passed 1984)	Total
		1	2	3	4	5	6	7	8
DOLLARS									
FY 2017	(TY 2016)	\$249,069,750	\$131,346,479	\$80,892,729	\$212,239,208	\$73,406,912	n/a	\$40,557,257	\$575,273,126
FY 2018	(TY 2017)	\$249,069,750	\$136,140,414	\$80,892,729	\$217,033,143	\$75,373,252	n/a	\$40,557,257	\$582,033,401
FY 2019	(TY 2018)	\$249,069,750	\$140,693,810	\$80,892,729	\$221,586,539	\$83,927,859	\$6,476,615	\$40,557,257	\$601,618,020
FY 2020	(TY 2019)	\$249,069,750	\$147,955,837	\$80,892,729	\$228,848,565	\$82,342,990	\$12,968,848	\$40,557,257	\$613,787,410
FY 2021	(TY 2020)	\$249,069,750	\$147,917,877	\$80,892,729	\$228,810,606	\$86,281,708	\$21,324,579	\$40,557,257	\$626,043,899
FY 2022	(TY 2021)	\$249,069,750	\$151,808,797	\$80,892,729	\$232,701,526	\$89,085,272	\$51,815,376	\$40,557,257	\$663,229,181
FY 2023	(TY 2022)	\$249,069,750	\$154,950,039	\$80,892,729	\$235,842,768	\$93,101,759	\$132,595,071	\$40,557,257	\$751,166,605
FY 2024	(TY 2023)	\$249,069,750	\$161,123,677	\$80,892,729	\$242,016,406	\$97,414,977	\$143,043,898	\$40,557,257	\$772,102,288
FY 2024	Appropriation Act Est.	\$249,069,750	\$160,860,102	\$80,892,729	\$241,752,831	\$96,257,259	\$168,305,635	\$40,557,257	\$795,942,732
FY 2024	Surplus/(Shortfall)	\$0	(\$263,575)	\$0	(\$263,575)	(\$1,157,718)	\$25,261,737	\$0	\$23,840,444
GROWTH RATES									
FY 2015	(TY 2014)	0.00%	3.98%	0.00%	2.35%	5.03%	n/a	0.00%	1.43%
FY 2016	(TY 2015)	0.00%	4.39%	0.00%	2.64%	3.89%	n/a	0.00%	1.43%
FY 2017	(TY 2016)	0.00%	3.17%	0.00%	1.94%	4.15%	n/a	0.00%	1.22%
FY 2018	(TY 2017)	0.00%	3.65%	0.00%	2.26%	2.68%	n/a	0.00%	1.18%
FY 2019	(TY 2018)	0.00%	3.34%	0.00%	2.10%	11.35%	n/a	0.00%	3.36%
FY 2020	(TY 2019)	0.00%	5.16%	0.00%	3.28%	-1.89%	100.24%	0.00%	2.02%
FY 2021	(TY 2020)	0.00%	-0.03%	0.00%	-0.02%	4.78%	64.43%	0.00%	2.00%
FY 2022	(TY 2021)	0.00%	2.63%	0.00%	1.70%	3.25%	142.98%	0.00%	5.94%
FY 2023	(TY 2022)	0.00%	2.07%	0.00%	1.35%	4.51%	155.90%	0.00%	13.26%
FY 2024	(TY 2023)	0.00%	3.98%	0.00%	2.62%	4.63%	7.88%	0.00%	2.79%
	10 Year Growth Rate	0.00%	3.23%	0.00%	2.02%	4.19%	n/a	0.00%	3.40%
	5 Year Growth Rate	0.00%	2.75%	0.00%	1.78%	3.03%	n/a	0.00%	5.12%
	3 Year Growth Rate	0.00%	2.89%	0.00%	1.89%	4.13%	n/a	0.00%	7.24%
PROJECTIONS									
FY25 & FY26	Applied Growth Rates	0.00%	2.75%	0.00%	n/a	3.03%	n/a	0.00%	n/a
FY 2025	Appropriation Act Est.	\$249,069,750	\$163,182,484	\$80,892,729	\$244,075,213	\$101,310,426	\$165,802,529	\$40,557,257	\$800,815,175
FY 2025 (e)	Revised Estimate	\$249,069,750	\$165,552,689	\$80,892,729	\$246,445,418	\$100,362,079	\$169,200,000	\$40,557,257	\$805,634,504
FY 2025 (e)	Projected Surplus/(Shortfall)	\$0	(\$2,370,205)	\$0	(\$2,370,205)	\$948,347	(\$3,397,471)	\$0	(\$4,819,329)
FY 2026 (e)	Projection	\$249,069,750	\$170,103,447	\$80,892,729	\$250,996,176	\$103,398,340	\$170,000,000	\$40,557,257	\$814,021,523

*In FY 2022 the Manufacturers' Exemption reimbursements includes \$21,529,244 for the utilities settlement for TYs 2018, 2019, and 2020; Act 39 of 2021 transferred \$67,055,000 from the Contingency Reserve Fund to the Trust Fund for Tax Relief to cover the utilities settlements.

**Beginning in FY 2023 (TY 2022) the Manufacturers' Exemption reimbursement percentage is 42.8571 percent. This reimbursement is capped at \$170,000,000. The FY 2023 Appropriations Act estimate for the Manufacturers' Exemption reimbursement reflects this increased percentage. The estimate includes the \$40,815,261 initial exemption and an additional \$106,120,000 that was reflected as a reduction from gross individual income tax revenue in the Statement of Revenues.

Economic Indicators

Fiscal Year Growth Rates

Fiscal Year	South Carolina Employment	South Carolina Personal Income	U.S. Inflation	U.S. Employment	U.S. Personal Income
FY 2010-11	1.19%	5.24%	1.98%	0.61%	5.84%
FY 2011-12	1.36%	5.14%	2.94%	1.59%	5.04%
FY 2012-13	1.76%	2.79%	1.69%	1.60%	2.97%
FY 2013-14	2.43%	3.53%	1.56%	1.74%	2.58%
FY 2014-15	2.69%	6.71%	0.72%	2.09%	5.60%
FY 2015-16	2.82%	5.08%	0.67%	1.91%	3.24%
FY 2016-17	2.17%	4.71%	1.86%	1.68%	3.66%
FY 2017-18	2.36%	4.53%	2.25%	1.53%	5.22%
FY 2018-19	2.09%	6.01%	2.07%	1.48%	5.23%
FY 2019-20	(1.61%)	7.02%	1.59%	(1.90%)	5.60%
FY 2020-21	(1.18%)	8.73%	2.29%	(2.77%)	8.97%
FY 2021-22	4.20%	4.81%	7.16%	4.75%	3.29%
FY 2022-23	3.47%	7.61%	6.29%	3.17%	5.04%
FY 2023-24	2.96%	7.02%	3.31%	1.87%	4.51%
FY 2024-25 Est.	2.21%	5.69%	2.61%		
FY 2025-26 Est.	1.69%	4.63%	2.47%		
Avg. 2010-2019	2.10%	4.86%	1.75%	1.58%	4.38%
Avg. 2015-2019	2.36%	5.08%	1.71%	1.65%	4.34%

1. Employment is calculated as the change in nonseasonally adjusted nonfarm payrolls average over the fiscal year from the average over the prior fiscal year.

2. Personal income is calculated as the average over the fiscal year over the average of the prior fiscal year.

3. Inflation is calculated as the average of the year-over-year rate of CPI inflation over the fiscal year.



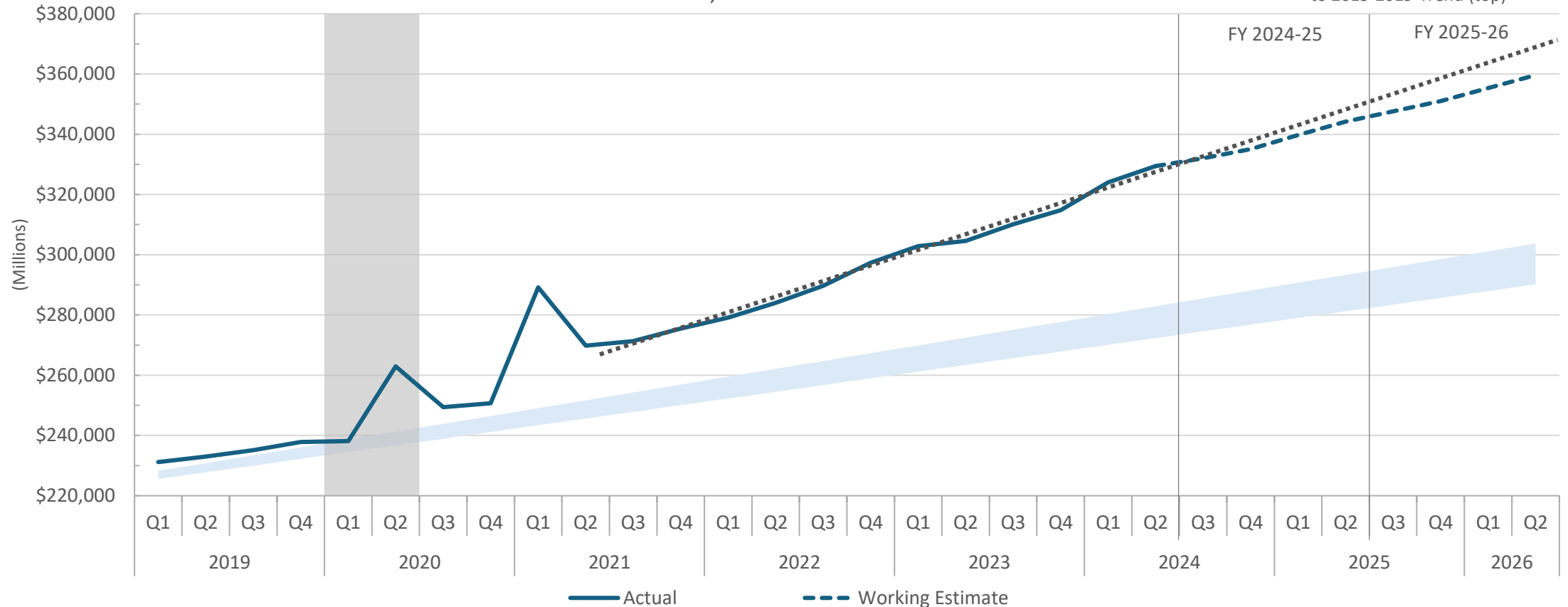
Personal Income - Working Estimates (No Change)

Growth in personal income is expected to be slower over the next two fiscal years than the last three fiscal years (FY 25: 5.7%; FY 26: 4.6%)

SOUTH CAROLINA PERSONAL INCOME

Actual, Estimate and Trend

Historical Trend Range:
2010-2019 Trend (bottom)
to 2015-2019 Trend (top)



Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/lhj/10/1/2024

Employment - Working Estimates (No Change)

Estimates assume a return to long-term trends, slowing down from the current pace of employment growth

FY 25: 2.2%; FY 26: 1.7% (long-term trend: 2.4%)

SOUTH CAROLINA TOTAL NONFARM EMPLOYMENT



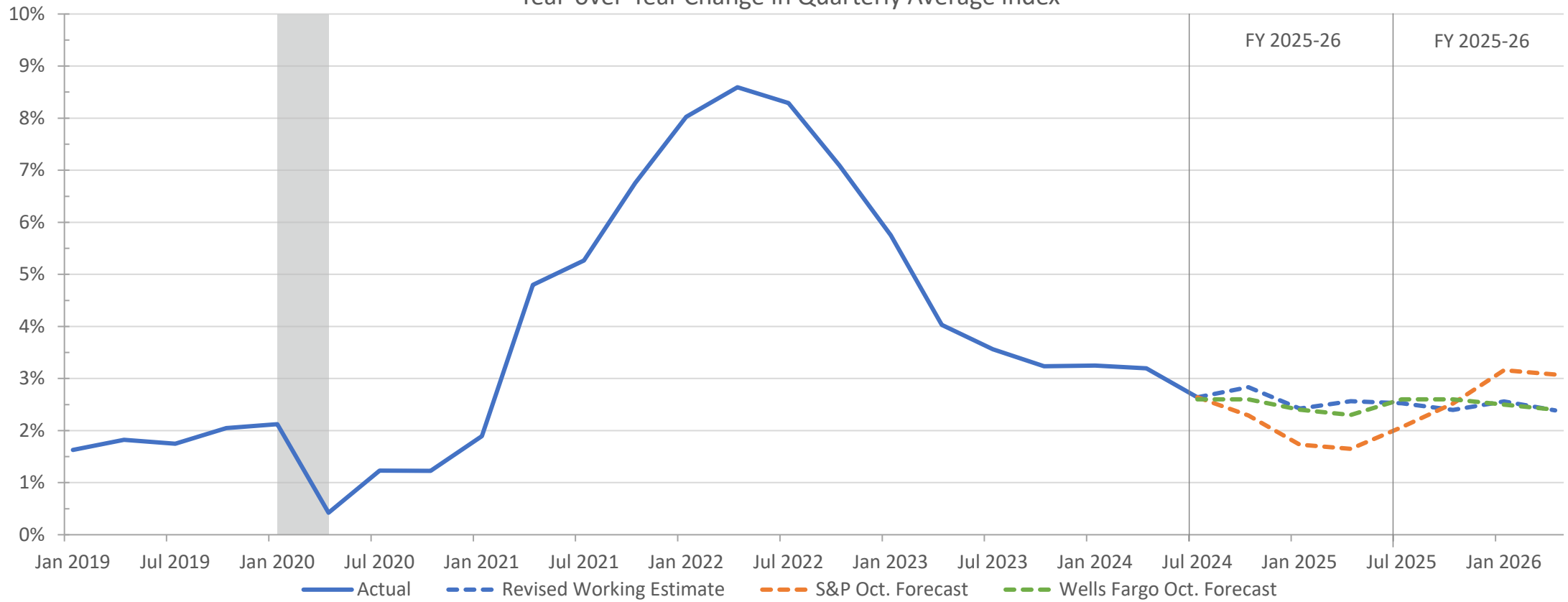
Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kav/10/16/2024

Inflation – Working Estimates (Revised)

FY 25: ~~2.4%~~; 2.6% FY 26: 2.5%

(Updated comparison forecasts: S&P: 2.1%, 2.7%; Wells Fargo: 2.5%, 2.5%)

CONSUMER PRICE INDEX
Year-over-Year Change in Quarterly Average Index

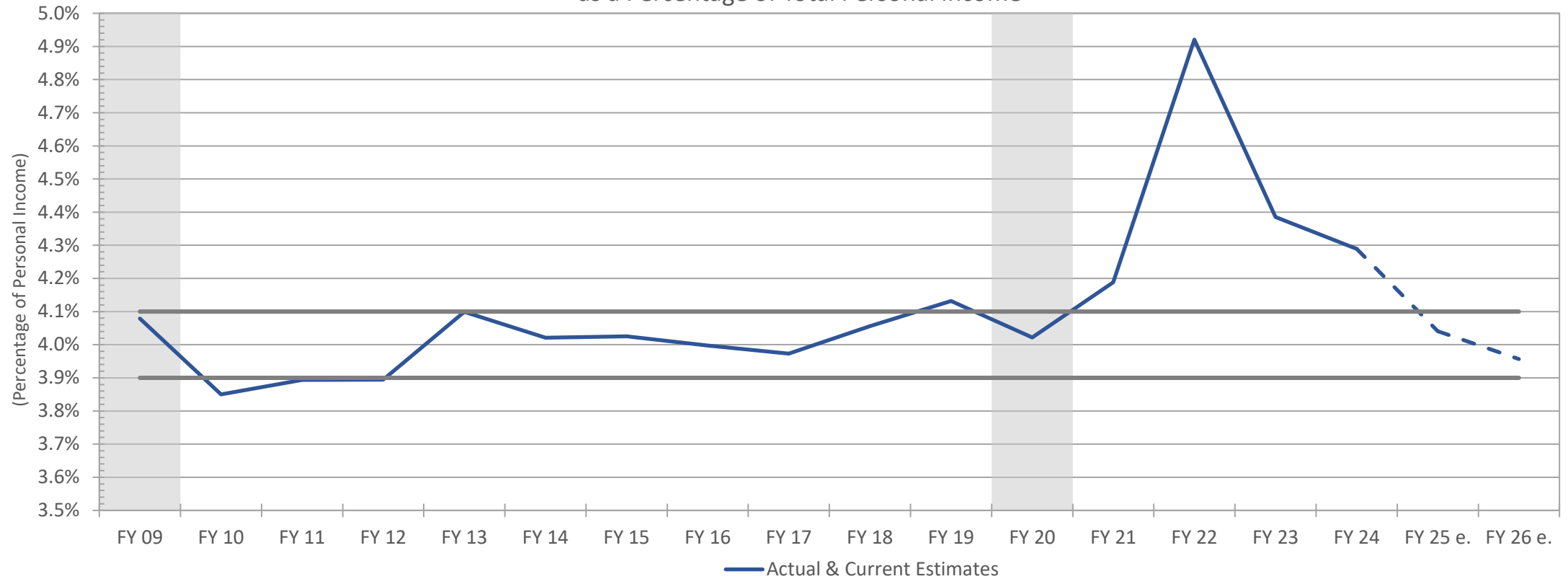


Source: Bureau of Labor Statistics, U.S. Department of Labor; S&P Global; Wells Fargo Economics RFA/kav/10/30/2024

General Fund as a Percentage of Personal Income

Relationship moves within historical range in FY 25 and FY 26

SOUTH CAROLINA GENERAL FUND REVENUE
as a Percentage of Total Personal Income

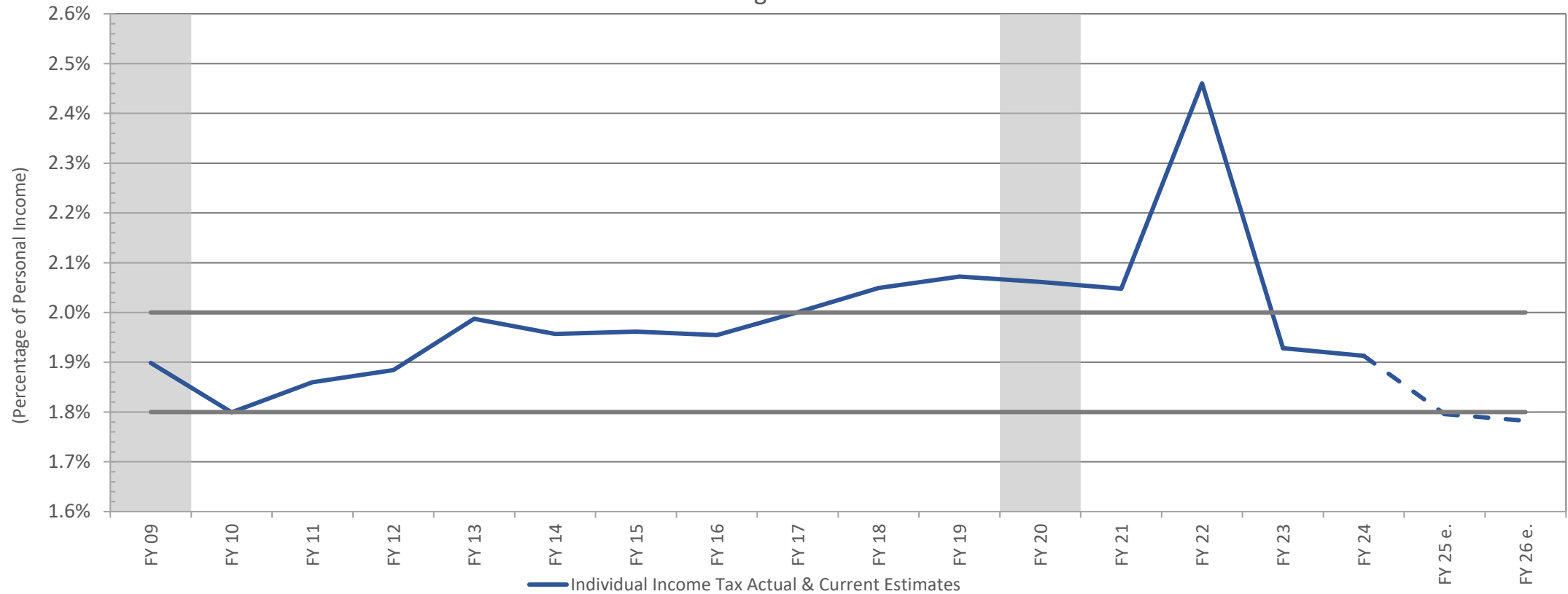


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34F-lhj/11/19/2024

Individual Income Tax as a Percentage of Personal Income

Relationship dips below the historical range of 1.8% to 2%, partially due to tax cuts

SOUTH CAROLINA INCOME TAX COLLECTIONS
as a Percentage of Total Personal Income

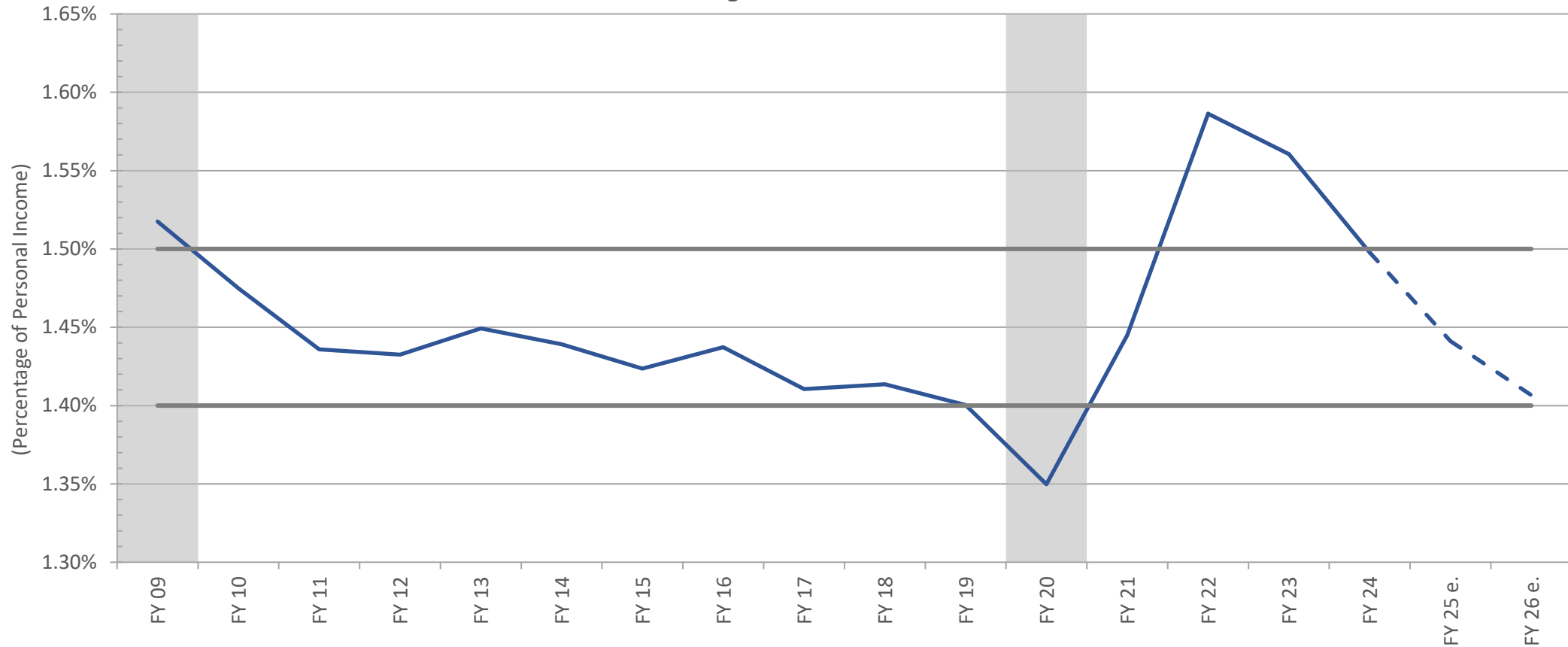


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34-lhj/11/19/2024

Sales Tax as a Percentage of Personal Income

Relationship moves into historical range of 1.4% to 1.5%

SOUTH CAROLINA GENERAL FUND SALES TAX COLLECTIONS
as a Percentage of Total Personal Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 32-lhj/11/19/2024