



November 8, 2018

South Carolina Long Range General Fund Revenue Forecast

Fiscal Years 2018-19 to 2021-22



**South Carolina Board of Economic Advisors
Long Range General Fund Revenue Forecast
Fiscal Years 2018-19 to 2021-22**

Methodology and Historical Economic Growth Rates

The Board of Economic Advisors (BEA) provides a long range forecast for General Fund Revenues each year based on its November estimate of revenues for the upcoming fiscal year. The current long range forecast was adopted on November 8, 2018 and is based on the BEA estimate of General Fund Revenues for FY 2019-20. The plan is built upon an assumed growth rate in personal income, historical elasticities for the major revenue components (sales and individual income taxes), and historical growth rates or patterns in the remaining revenue sources.

The assumptions and methodologies for this long range forecast include:

- an annual personal income growth rate of 4.25 percent;
- a sales tax growth rate of 4.25 percent based on a historical elasticity of 1.0;
- an individual income tax growth rate of 4.675 percent based on a historical elasticity of 1.1;
- corporate income decreasing throughout the forecast period;
- historical trends and patterns and other legislative factors affecting the remaining revenues.

The annual General Fund growth rates for FY 19, FY 20, FY 21, and FY22 are 4.0%, 3.0%, 3.6%, and 3.3%, respectfully.

Other items in the forecast include:

- the Property Tax Relief Fund which is funded by a transfer of revenue from the Individual Income and Corporate Income Taxes. The Fund is designed to reimburse local governments for various property tax exemptions.
- the Homestead Exemption Fund which is funded by an additional 1 percent sales tax, but expenditure growth is based on a formula of inflation and population growth. Any shortfall of revenue under expenses is transferred out of the General Fund.

Source: Board of Economic Advisors' Preliminary FY 2019-20 General Fund Revenue Forecast adopted November 8, 2018.

BEA – December 11, 2018



Personal Income Growth
 FY19 - 4.25%
 FY20 - 4.25%
 Forecast Period - 4.25%

Long Range General Fund Revenue Forecast
 Fiscal Years 2016-17 to 2021-22
 (Dollars)

Revenue Category	Final FY 2016-17	Final FY 2017-18	11/8/2018 Estimate FY 2018-19	11/8/2018 Estimate FY 2019-20	Working Estimate FY 2020-21	Working Estimate FY 2021-22
Sales and Use Tax	\$2,896,271,260	\$3,034,415,169	\$3,161,721,000	\$3,294,414,000	\$3,432,962,000	\$3,577,423,000
Individual Income Tax	4,107,647,011	4,398,423,661	4,530,647,000	4,676,029,000	4,813,453,000	4,975,205,000
Corporation Income Tax	320,415,504	375,189,587	405,150,000	400,997,000	396,887,000	392,819,000
Insurance Taxes	237,673,156	227,931,949	270,299,000	266,000,000	314,251,000	310,160,000
Admissions Tax	30,443,571	30,746,293	31,576,000	32,429,000	33,305,000	34,204,000
Aircraft Tax	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Alcoholic Liquor Tax	76,736,505	79,285,307	82,536,000	85,920,000	89,443,000	93,110,000
Bank Tax	53,357,725	47,909,447	51,263,000	54,851,000	58,691,000	62,799,000
Beer and Wine Tax	109,577,012	107,727,311	109,235,000	110,764,000	112,315,000	113,887,000
Bingo Tax	678,360	358,256	360,000	362,000	364,000	365,000
Business Filing Fees	6,279,551	7,038,361	7,550,000	7,750,000	7,900,000	7,900,000
Circuit/Family Court Fines	7,888,118	7,351,527	7,131,000	6,917,000	6,709,000	6,508,000
Corporation License Tax	68,181,266	110,199,187	102,000,000	105,162,000	108,422,000	111,783,000
Documentary Tax	51,691,987	75,624,914	80,011,000	84,652,000	89,562,000	94,757,000
Earned on Investments	30,804,764	40,110,261	60,000,000	45,000,000	45,000,000	45,000,000
Indirect Cost Recoveries	14,702,994	16,755,476	16,500,000	16,500,000	16,500,000	16,500,000
Motor Vehicle Licenses	11,050,294	11,030,604	11,251,000	11,476,000	11,706,000	11,940,000
Nursing Home Fees	3,565,104	3,572,661	3,600,000	3,600,000	3,600,000	3,600,000
Parole and Probation Fees	3,392,808	3,392,808	3,393,000	3,393,000	3,393,000	3,393,000
Private Car Lines Tax	5,499,151	5,960,493	6,270,000	6,596,000	6,939,000	7,300,000
Public Service Authority	17,751,000	17,397,000	17,000,000	17,000,000	17,000,000	17,000,000
Purchasing Card Rebates	2,907,963	3,034,527	3,147,000	3,147,000	3,200,000	3,200,000
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	4,461,000	4,461,000
Savings and Loan Assoc. Tax	1,881,527	949,371	873,000	803,000	739,000	680,000
Security Dealer Fees	25,648,556	26,385,770	27,000,000	27,300,000	27,600,000	27,900,000
Surcharge on Vehicle Rentals	2,579,640	946,113	850,000	870,000	890,000	910,000
Tobacco Tax	26,382,940	27,209,363	25,595,000	23,142,000	22,841,000	22,544,000
Uncashed Checks	3,530,329	2,927,135	2,000,000	2,000,000	2,000,000	2,000,000
Unclaimed Property Fund	15,000,000	15,000,000	11,000,000	15,000,000	15,000,000	15,000,000
Workers' Comp. Insurance Tax	9,004,832	9,836,976	10,467,000	11,137,000	11,850,000	12,608,000
Other Source Revenues	11,005,610	12,346,921	10,806,000	10,502,000	10,481,000	9,658,000
Gross General Fund Revenue	\$8,158,509,537	\$8,706,017,446	\$9,056,192,000	\$9,330,674,000	9,669,964,000	9,987,114,000
Appropriation Act Revenue	8,157,517,892	\$8,534,363,000	8,836,042,000	9,330,674,000	\$9,669,964,000	\$9,987,114,000
Less: Tax Relief Trust Fund	(575,273,126)	(582,033,401)	(599,438,000)	(614,053,000)	(629,162,000)	(644,520,000)
Appropriation Act Excluding Trust Fund	7,582,244,766	7,952,329,599	8,236,604,000	8,716,621,000	9,040,802,000	9,342,594,000
Capital Reserve Fund (2%) - Beg. Bal.	139,207,789	145,420,836	151,649,393	162,485,305	169,135,080	174,332,420
General Reserve Fund (5%) - Beg. Bal.	348,019,473	363,552,089	379,123,483	406,213,261	422,837,700	435,831,050
Total Reserve Funds	487,227,262	508,972,925	530,772,876	568,698,566	591,972,780	610,163,470
Revenue Excess/Shortage From Act	991,645	171,654,446	220,150,000	0	0	0
Education Improvement Act (EIA)	764,078,707	792,172,686	828,448,000	861,238,000	895,929,000	932,050,000
EIA Fund	762,586,079	790,719,514	827,348,000	860,138,000	894,829,000	930,950,000
EIA Interest	1,492,628	1,453,172	1,100,000	1,100,000	1,100,000	1,100,000
S.C. Education Lottery Fund (Net)	401,958,373	436,528,584	436,300,000	436,300,000	436,300,000	436,300,000
Homestead Exemption Fund						
Total Revenue Available	685,115,809	717,410,352	747,763,000	776,434,000	806,743,000	838,184,000
Less: Homestead Exemption Fund Shortfall	(47,986,000)	(32,557,000)	(25,656,000)	(22,680,000)	(19,060,000)	(15,532,000)

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/RWM/11/28/18



Personal Income Growth
 FY19 - 4.25%; FY20 - 4.25%
 Forecast Period - 4.25%

Long Range General Fund Revenue Forecast
 Fiscal Years 2016-17 to 2021-22
 (Percent Change)

Revenue Category	Percent Change FY 2016-17	Percent Change FY 2017-18	Percent Change FY 2018-19	Percent Change FY 2019-20	Percent Change FY 2020-21	Percent Change FY 2021-22
Sales and Use Tax	2.8	4.8	4.2	4.2	4.2	4.2
Individual Income Tax	7.2	7.1	3.0	3.2	2.9	3.4
Corporation Income Tax	(22.1)	17.1	8.0	(1.0)	(1.0)	(1.0)
Insurance Taxes	12.0	(4.1)	18.6	(1.6)	18.1	(1.3)
Admissions Tax	8.7	1.0	2.7	2.7	2.7	2.7
Aircraft Tax	(39.4)	0.0	0.0	0.0	0.0	0.0
Alcoholic Liquor Tax	4.3	3.3	4.1	4.1	4.1	4.1
Bank Tax	81.3	(10.2)	7.0	7.0	7.0	7.0
Beer and Wine Tax	2.2	(1.7)	1.4	1.4	1.4	1.4
Bingo Tax	(76.1)	(47.2)	0.5	0.6	0.6	0.3
Business Filing Fees	14.8	12.1	7.3	2.6	1.9	0.0
Circuit/Family Court Fines	(2.5)	(6.8)	(3.0)	(3.0)	(3.0)	(3.0)
Corporation License Tax	(23.1)	61.6	(7.4)	3.1	3.1	3.1
Documentary Tax	12.0	46.3	5.8	5.8	5.8	5.8
Earned on Investments	22.3	30.2	49.6	(25.0)	0.0	0.0
Indirect Cost Recoveries	26.9	14.0	(1.5)	0.0	0.0	0.0
Motor Vehicle Licenses	3.5	(0.2)	2.0	2.0	2.0	2.0
Nursing Home Fees	(0.9)	0.2	0.8	0.0	0.0	0.0
Parole and Probation Fees	0.0	0.0	0.0	0.0	0.0	0.0
Private Car Lines Tax	26.8	8.4	5.2	5.2	5.2	5.2
Public Service Authority	(7.5)	(2.0)	(2.3)	0.0	0.0	0.0
Purchasing Card Rebates	6.1	4.4	3.7	0.0	1.7	0.0
Record Search Fees	0.0	0.0	0.0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	2333.1	(49.5)	(8.0)	(8.0)	(8.0)	(8.0)
Security Dealer Fees	1.8	2.9	2.3	1.1	1.1	1.1
Surcharge on Vehicle Rentals	(18.1)	(63.3)	(10.2)	2.4	2.3	2.2
Tobacco Tax	(6.2)	3.1	(5.9)	(9.6)	(1.3)	(1.3)
Uncashed Checks	2.8	(17.1)	(31.7)	0.0	0.0	0.0
Unclaimed Property Fund	160.9	0.0	(26.7)	36.4	0.0	0.0
Workers' Comp. Insurance Tax	(6.9)	9.2	6.4	6.4	6.4	6.4
Other Source Revenues	4.4	12.2	(12.5)	(2.8)	(0.2)	(7.9)
Gross General Fund Revenue	4.1	6.7	4.0	3.0	3.6	3.3
Appropriation Act Revenue	6.4	4.6	3.5	5.6	3.6	3.3
Less: Tax Relief Trust Fund	(1.2)	(1.2)	(3.0)	(2.4)	(2.5)	(2.4)
Appropriation Act Excluding Trust Fund	4.3	4.9	3.6	5.8	3.7	3.3
Capital Reserve Fund (2%) - Beg. Bal.	6.2	4.5	4.3	7.1	4.1	3.1
General Reserve Fund (5%) - Beg. Bal.	6.2	4.5	4.3	7.1	4.1	3.1
Total Reserve Funds	6.2	4.5	4.3	7.1	4.1	3.1
Revenue Excess/Shortage From Act						
Education Improvement Act (EIA)	6.1	3.7	4.6	4.0	4.0	4.0
EIA Fund	6.0	3.7	4.6	4.0	4.0	4.0
EIA Interest	257.0	(2.6)	(24.3)	0.0	0.0	0.0
S.C. Education Lottery Fund (Net)	1.4	8.6	(0.1)	0.0	0.0	0.0
Homestead Exemption Fund						
Total Revenue Available	5.5	4.7	4.2	3.8	3.9	3.9
Less: Homestead Exemption Fund Shortfall	36.7	32.2	21.2	11.6	16.0	18.5

Note: Gross General Fund Revenue includes Individual Income
 Source: South Carolina Board of Economic Advisors/BEA/RW