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## SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

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### **Fiscal Forecast FY 2017-18 & FY 2018-19 Continued Economic and Revenue Growth in South Carolina**

The S.C. Board of Economic Advisors (BEA) met today to review its economic and revenue forecasts for FY 2017-18 and to adopt a preliminary forecast for FY 2018-19.

For the current fiscal year, FY 2017-18, the forecast calls for continued economic growth in the state, but the BEA also acknowledged the potential of a revenue shortfall for FY 2017-18 of approximately \$45.8 million. Overall, the key economic indicators, personal income and employment, are projected to grow 4.25 and 1.8 percent, respectively. The primary reasons for a potential shortfall are the \$27.5 million revenue shortfall in the prior year, FY 2016-17, which created a lower base, and slightly lower income growth than previously projected, 4.25 versus 4.75 percent.

The BEA, however, did not officially adopt a lower estimate for FY 2017-18 at this time. After conversations with the Governor's Office and budget committees of the House and Senate, the consensus opinion was that a possible shortfall could be handled better during the legislative session as the General Assembly has more flexibility and options to consider. Had the BEA officially lowered the revenue estimate, that action would have triggered an immediate across-the-board cut of approximately 0.6 percent to state agencies. The BEA will continue to monitor the revenue growth and revisit the forecast on February 15, 2018.

For the upcoming fiscal year, FY 2018-19, the BEA expects continued growth, and the key indicators of personal income and employment are expected to grow at a similar pace of 4.25 percent and 1.8 percent. Some important factors contributing to this expectation are growing national and world economies, a favorable business climate, and continued consumer spending. The revenue forecast for FY 2018-19 estimates general fund revenue at \$8,838.4 million, which represents growth of 4.1 percent.

For the FY 2018-19 budget process, the General Fund forecasts translate to available new general funds of \$292.3 million after adjusting for growth in the tax relief trust fund.

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