



**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE**

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**The BEA Provides Preliminary Forecast for FY 2020-21,
Adjusts FY 2019-20 Revenue Estimate**
Continued Economic and Revenue Growth Expected in South Carolina

COLUMBIA – The S.C. Board of Economic Advisors (BEA) anticipates state lawmakers will have an additional nearly \$2 billion to appropriate next fiscal year as increased tax collections from a growing economy and large surpluses provide legislators with a record amount of new income.

Amid concerns over economic uncertainties, the BEA cautioned against viewing the record amount of new revenue as reflective of South Carolina’s anticipated economic performance. The amount of new revenue represents not only current year growth, but also corrections to base economic assumptions from prior years.

The BEA adopted a preliminary forecast for Fiscal Year 2020-21 today when the four-member panel met to review its economic and revenue forecasts. Having reached a consensus on South Carolina’s outlook, the BEA advised it anticipates continued economic growth for the current fiscal year and next fiscal year, but projects the rate of expansion will level off and slow slightly for FY 2020-21.

The BEA also increased its revenue estimate for Fiscal Year 2019-20 and forecasted tax collections should exceed present budget requirements, resulting in a projected surplus for the current fiscal year of \$507 million. Based on the BEA forecast, South Carolina is on pace to end its third consecutive budget cycle with a surplus in excess of \$150 million.

The projected 4 percent growth in revenue for FY 2020-21 over the revised estimate for the current fiscal year reflects, in part, the cumulative effect of a previously unrecognized and larger-than-anticipated sustained increase in personal income and its effect on prior BEA forecasts.

Over the past 2 ½ years, according to recently revised information from the U.S. Department of Commerce's Bureau of Economic Analysis, South Carolina's growth in personal income has averaged 5.3 percent and grew 5.8 percent in the most recently completed quarter alone. By comparison, the BEA's prior forecasts were based on the federal government's previously published personal income growth rates which reflected growth of around 4 percent.

The BEA projects personal income – a key economic factor that affects sales and income tax revenues, which account for 85 percent of General Fund revenue – to grow 5.25 percent for the current fiscal year then slowing to 4.5 percent for FY 2020-21. The BEA also anticipates employment to grow at 1.4 percent this fiscal year and for FY 2020-21.

Last fiscal year, FY 2018-19, faster-than-anticipated growth produced a record growth in revenue of \$696.1 million and resulted in a \$350 million budget surplus, which was set aside in a reserve account for lawmakers to appropriate for FY 2020-21. The growth also raised the starting point, or revenue base, to calculate the increase in tax collections to fund government operations for the current fiscal year.

The higher-than-anticipated revenue base means tax collections – even with no growth – would exceed current budget requirements and result in a surplus of approximately \$71.5 million at the end of the fiscal year.

Having accounted for the effects of the increased personal income growth in the current fiscal year and FY 2020-21 estimates, the BEA anticipates revenue collections will stabilize and return to normal growth rates in the future.

Contributing to the rise in General Fund revenue is the increase in sales tax collections from online retailers. In a June 2018 decision, the U.S. Supreme Court ruled states are allowed to collect sales and use taxes from online retailers even if the companies do not have a physical presence in the state.

And, earlier this year, the General Assembly passed legislation requiring internet retailers that facilitate retail sales on their platforms to collect sales and use taxes. Retailers began complying with these requirements after the start of last fiscal year. But, a full year of compliance with the court decision and the new legislation is expected to generate an additional \$65 million in sales tax revenue above the amount the state collected last fiscal year.

For the FY 2020-21 budget process, the General Fund forecast results in more than \$1.8 billion in available new funds. The total new revenue is comprised of: \$815 million in new recurring funds and \$1.019 billion in non-recurring funding.

More than half of the new revenue is non-recurring funds, or money, such as a surplus, the state gets in one budget cycle, but cannot expect to collect each year with any degree of predictability.

The amount of non-recurring funds available for appropriation next budget cycle is more than the total, including recurring and non-recurring, new revenue lawmakers appropriated for the current fiscal year.

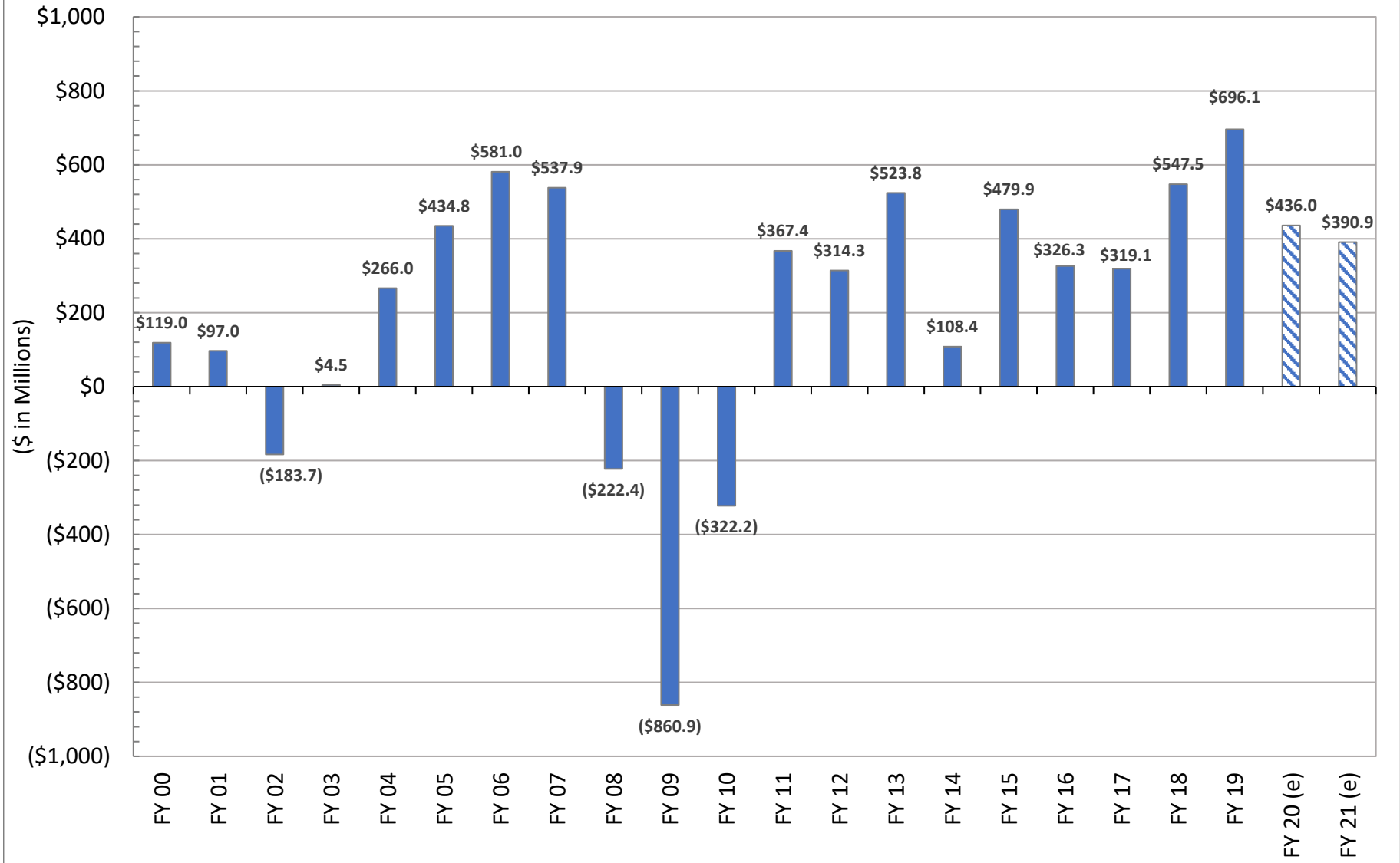
FY 2020-21 Budget Outlook

Net New Recurring General Fund Revenue <i>(less tax relief trust fund)</i>	\$815 million
Non-recurring Revenue	
FY 2018-19 Contingency Reserve Fund <i>(less open-ended appropriations)</i>	\$350 million
FY 2019-20 Capital Reserve Fund	\$162 million
Projected FY 2019-20 General Fund Surplus	<u>\$507 million</u>
Total Non-recurring Revenue	\$1.019 billion
Total Estimated New General Fund Revenue for Appropriation	\$1.834 billion

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Attachment

ANNUAL GROWTH IN GENERAL FUND REVENUE





Personal Income Growth
FY20 - 5.25%; FY21 - 4.50%

General Fund Revenue Forecast
Fiscal Years 2017-18 to 2020-21
(Dollars)

Revenue Category	Final FY 2017-18	Final FY 2018-19	11/8/2019 Estimate FY 2019-20	11/8/2019 Estimate FY 2020-21	Percent Change FY 2017-18	Percent Change FY 2018-19	Percent Change FY 2019-20	Percent Change FY 2020-21
Sales and Use Tax	\$3,034,415,169	\$3,186,425,454	\$3,418,401,000	\$3,572,229,000	4.8	5.0	7.3	4.5
Individual Income Tax	4,398,423,661	4,714,998,174	4,921,301,000	5,136,732,000	7.1	7.2	4.4	4.4
Corporation Income Tax	375,189,587	494,214,442	474,214,000	444,214,000	17.1	31.7	(4.0)	(6.3)
Insurance Taxes	227,931,949	256,207,957	246,832,000	288,995,000	(4.1)	12.4	(3.7)	17.1
Admissions Tax	30,746,293	32,571,884	33,451,000	34,354,000	1.0	5.9	2.7	2.7
Aircraft Tax	2,500,000	2,500,000	2,500,000	2,500,000	0.0	0.0	0.0	0.0
Alcoholic Liquor Tax	79,285,307	83,877,459	87,820,000	91,948,000	3.3	5.8	4.7	4.7
Bank Tax	47,909,447	68,798,957	75,197,000	82,190,000	(10.2)	43.6	9.3	9.3
Beer and Wine Tax	107,727,311	110,391,069	112,047,000	113,728,000	(1.7)	2.5	1.5	1.5
Bingo Tax	358,256	111,602	112,000	113,000	(47.2)	(68.8)	0.4	0.9
Business Filing Fees	7,038,361	7,424,879	7,830,000	8,200,000	12.1	5.5	5.5	4.7
Circuit/Family Court Fines	7,351,527	6,745,763	6,476,000	6,217,000	(6.8)	(8.2)	(4.0)	(4.0)
Corporation License Tax	110,199,187	112,007,772	115,480,000	119,060,000	61.6	1.6	3.1	3.1
Documentary Tax	75,624,914	80,425,985	85,573,000	91,050,000	46.3	6.3	6.4	6.4
Earned on Investments	40,110,261	87,487,280	90,000,000	75,000,000	30.2	118.1	2.9	(16.7)
Indirect Cost Recoveries	16,755,476	15,938,594	15,500,000	15,500,000	14.0	(4.9)	(2.8)	0.0
Motor Vehicle Licenses	11,030,604	12,079,044	12,478,000	12,890,000	(0.2)	9.5	3.3	3.3
Nursing Home Fees	3,572,661	3,547,314	3,600,000	3,600,000	0.2	(0.7)	1.5	0.0
Parole and Probation Fees	3,392,808	3,392,808	3,393,000	3,393,000	0.0	0.0	0.0	0.0
Private Car Lines Tax	5,960,493	6,215,080	6,495,000	6,787,000	8.4	4.3	4.5	4.5
Public Service Authority	17,397,000	17,496,000	17,600,000	17,700,000	(2.0)	0.6	0.6	0.6
Purchasing Card Rebates	3,034,527	3,171,665	3,330,000	3,497,000	4.4	4.5	5.0	5.0
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	0.0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	949,371	1,254,252	1,141,000	1,038,000	(49.5)	32.1	(9.0)	(9.0)
Security Dealer Fees	26,385,770	27,178,783	27,700,000	28,100,000	2.9	3.0	1.9	1.4
Surcharge on Vehicle Rentals	946,113	(295,401)	175,000	175,000	(63.3)	(131.2)	159.2	0.0
Tobacco Tax	27,209,363	28,372,637	28,068,000	28,657,000	3.1	4.3	(1.1)	2.1
Uncashed Checks	2,927,135	1,027,801	1,000,000	1,000,000	(17.1)	(64.9)	(2.7)	0.0
Unclaimed Property Fund	15,000,000	12,600,000	15,000,000	15,000,000	0.0	(16.0)	19.0	0.0
Workers' Comp. Insurance Tax	9,836,976	9,382,100	9,101,000	8,828,000	9.2	(4.6)	(3.0)	(3.0)
Other Source Revenues	12,346,921	12,116,456	11,899,000	11,931,000	12.2	(1.9)	(1.8)	0.3
Gross General Fund Revenue	\$8,706,017,446	\$9,402,126,809	\$9,838,175,000	\$10,229,087,000	6.7	8.0	4.6	4.0

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/11/08/19



Personal Income Growth
 FY20 - 5.25%; FY21 - 4.50%

General Fund Revenue Forecast
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 (Dollars)

Revenue Category	Final FY 2017-18	Final FY 2018-19	11/8/2019 Estimate FY 2019-20	11/8/2019 Estimate FY 2020-21	Percent Change FY 2017-18	Percent Change FY 2018-19	Percent Change FY 2019-20	Percent Change FY 2020-21
Gross General Fund Revenue	\$8,706,017,448	\$9,402,126,809	\$9,838,175,000	\$10,229,087,000	6.7	8.0	4.6	4.0
Appropriation Act Revenue	8,534,363,000	8,836,042,000	9,330,662,000	10,229,087,000	4.6	3.5	5.6	9.6
Less: Tax Relief Trust Fund	(582,033,401)	(599,876,083)	(614,052,999)	(629,405,136)	(1.2)	(3.1)	(2.4)	(2.5)
Plus: Tax Relief Trust Fund Carryforward	0	0	0	0				
Appropriation Act Excluding Trust Fund	7,952,329,599	8,236,165,917	8,716,609,001	9,599,681,864	4.9	3.6	5.8	10.1
Capital Reserve Fund (2%) - Beg. Bal.	145,420,836	151,649,393	162,485,305	176,095,044	4.5	4.3	7.1	8.4
General Reserve Fund (5%) - Beg. Bal.	363,552,089	379,123,483	406,213,261	440,237,611	4.5	4.3	7.1	8.4
Total Reserve Funds	508,972,925	530,772,876	568,698,566	616,332,655	4.5	4.3	7.1	8.4
Revenue Excess/Shortage From Act	171,654,446	566,084,809	507,528,000	0				
Education Improvement Act (EIA)	792,172,686	840,103,875	892,482,200	930,273,000	3.7	6.1	6.2	4.2
EIA Fund	790,719,514	837,529,968	890,482,200	928,773,000	3.7	5.9	6.3	4.3
EIA Interest	1,453,172	2,573,907	2,000,000	1,500,000	(2.6)	77.1	(22.3)	(25.0)
S.C. Education Lottery Fund (Net)	436,528,584	490,656,044	470,300,000	469,800,000	8.6	12.4	(4.1)	(0.1)
Homestead Exemption Fund								
Total Revenue Available	717,410,352	756,112,890	806,281,000	840,237,000	4.7	5.4	6.6	4.2
Less: Homestead Exemption Fund Shortfall	(32,557,000)	(17,322,000)	7,525,000	17,107,000	32.2	46.8	143.4	127.3

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/11/08/19