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SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER
Executive Director

SUMMARY OF MEETING AND REVISED REVENUE FORECAST S.C. BOARD OF ECONOMIC ADVISORS April 9, 2020

The South Carolina Board of Economic Advisors (BEA) met today as required by S.C. Code of Laws §11-9-1130 to update the General Fund Revenue forecast for FY 2019-20 and FY 2020-21. The BEA met previously on February 13, 2020, to update its November 2019 forecast for the start of the legislative budget process.

In February, the BEA adopted a revised estimate for FY 2019-20 of \$9,898.2 million, which reflected revenue growth of \$496.0 million or 5.3 percent over FY 2018-19. For next fiscal year, FY 2020-21, revenues were expected to grow by an additional \$355.9 million, or 3.6 percent, for a total of \$10,254.1 million. These estimates were based on final revenue collections for FY 2018-19 that exceeded estimates by \$350 million. South Carolina Personal Income, a key factor driving the forecast, was forecasted to grow 5.25 percent in FY 2019-20 and slow to a growth of 4.5 percent in FY 2020-21.

At the start of the legislative process, the better than expected growth meant that the legislature would have available revenue of \$886.8 million in recurring funds above the base budget and \$1,079 million in one-time, or non-recurring, funds.

The February forecast, however, was also based on continued growth in the economy, which has been forestalled by COVID-19. Through March, General Fund revenues were \$127.1 million above the current year's forecast, but health safety measures to combat COVID-19 will impact economic growth and revenues collections.

At today's meeting, the BEA updated its forecast in light of the impact of COVID-19. Given the lack of data at this time, the adjustment to the forecast was based on assumptions more than usual.

The BEA reduced the FY 2019-20 estimate by \$507 million to \$9,391.2 million, which translates to a revenue decline of 0.1 percent from the prior fiscal year. In essence, the impact of COVID-19 in the last quarter of the fiscal year is expected to eliminate almost all of the revenue surplus previously anticipated for the fiscal year. Fortunately, the state budget for the current fiscal year was adopted before last year's revenue surplus

was known and the revised estimate of \$9,391.2 is still above the state's budget by approximately \$40 million.

Similarly, the BEA reduced the estimate for FY 2020-21 by \$643.5 million to \$9,610.6 million. Revenue growth for next fiscal year is now estimated at a much lower 2.3 percent. Pending another update by the BEA, lawmakers now have available recurring funds of \$244.2 million and one-time, non-recurring funds of \$507.6 million. At this time, revenues are not expected to decline to a level that would require cuts to the base budget.

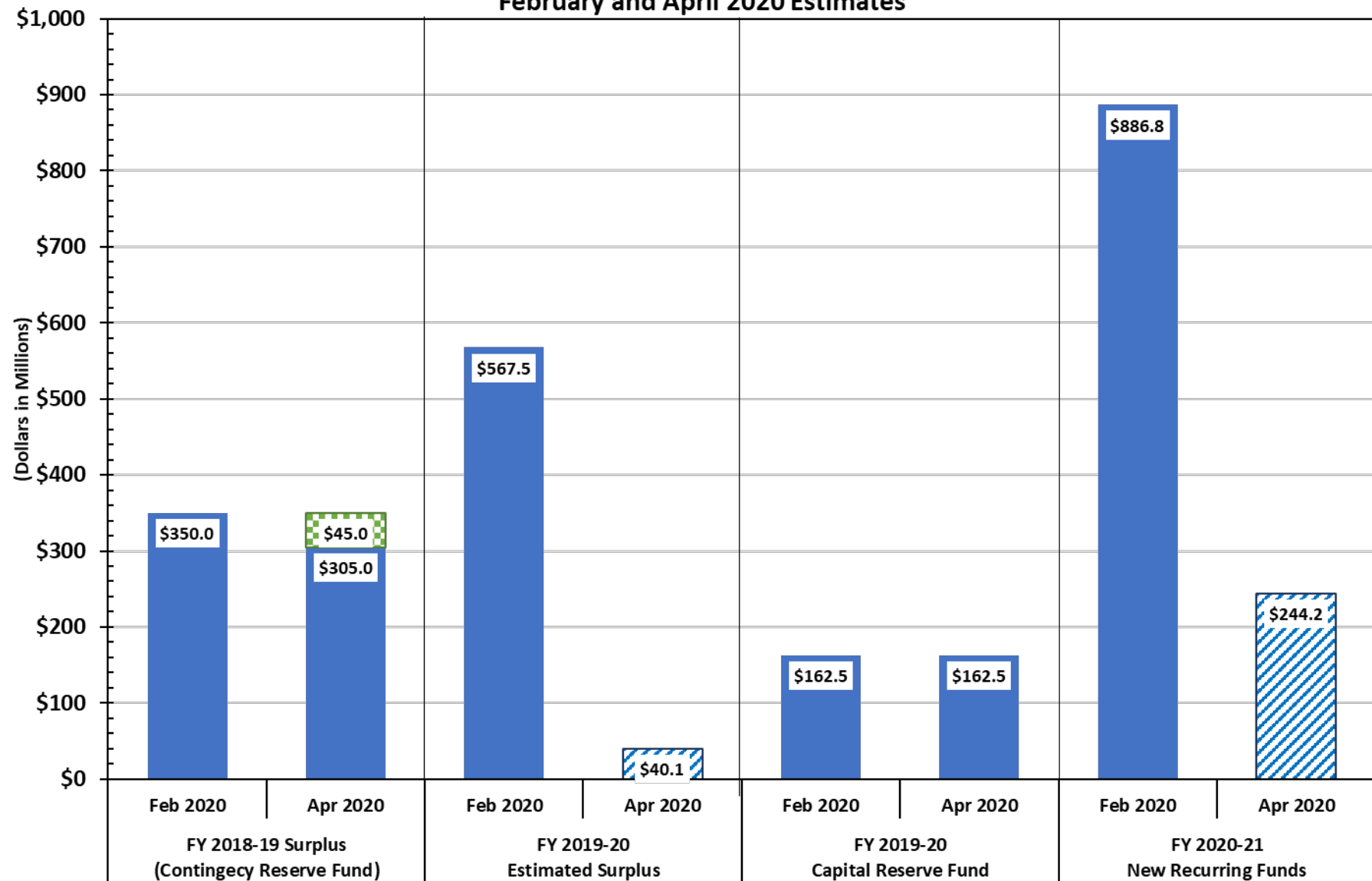
The assumptions for the revised forecast include an estimated 20 percent decline in national Gross Domestic Product for April through June 2020, and a corresponding impact on South Carolina, but with a partial offset due the federal stimulus funds. Revenue growth for the first six months of next fiscal year is expected to be zero percent with a return to normal growth starting in January 2021. Notably, the estimate is also contingent upon economic and social restrictions being removed around June 1.

The BEA will continue to monitor this evolving situation and will meet again on May 14, 2020.

For further information, please contact Frank Rainwater, Executive Director, at frank.rainwater@rfa.sc.gov or 803-734-3786.

AVAILABLE FUNDS - FY 2020-21 BUDGET PROCESS

February and April 2020 Estimates



Source: S.C. Revenue and Fiscal Affairs

■ Available ■ Appropriated ■ Revised



Personal Income Growth
FY21 - 2.50%

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

Revenue Category	Final FY 2017-18	Final FY 2018-19	04/09/2020 Estimate FY 2019-20	04/09/2020 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	\$3,317,001,000	\$3,399,926,025	4.8	5.0	4.1	2.5
Individual Income Tax	4,398,423,661	4,714,998,174	4,581,913,000	\$4,707,915,608	7.1	7.2	(2.8)	2.8
Corporation Income Tax	375,189,587	494,214,442	468,864,000	\$421,977,600	17.1	31.7	(5.1)	(10.0)
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	25,088,000	34,354,000	1.0	5.9	(23.0)	36.9
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	85,197,000	87,190,000	(10.2)	43.6	23.8	2.3
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	84,000	113,000	(47.2)	(68.8)	(24.7)	34.5
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	4,857,000	6,217,000	(6.8)	(8.2)	(28.0)	28.0
Corporation License Tax	110,199,187	112,007,772	109,706,000	119,060,000	61.6	1.6	(2.1)	8.5
Documentary Tax	75,624,914	80,425,985	81,294,000	91,050,000	46.3	6.3	1.1	12.0
Earned on Investments	40,110,261	87,487,280	100,000,000	75,000,000	30.2	118.1	14.3	(25.0)
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	11,854,000	12,890,000	(0.2)	9.5	(1.9)	8.7
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)	0	0	(63.3)	(131.2)	100.0	-----
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	\$9,391,175,000	\$9,610,556,232	6.7	8.0	(0.1)	2.3

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/04/09/20



**Personal Income Growth
FY21 - 2.50%**

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

Revenue Category	Final FY 2017-18	Final FY 2018-19	04/09/2020 Estimate FY 2019-20	04/09/2020 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	\$9,391,175,000	\$9,610,556,232	6.7	8.0	(0.1)	2.3
Appropriation Act Revenue	8,534,363,000	8,836,042,000	9,330,662,000	9,610,556,232	4.6	3.5	5.6	3.0
Less: Tax Relief Trust Fund	(582,033,401)	(599,876,083)	(614,209,000)	(629,405,000)	(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	8,716,453,000	8,981,151,232	4.9	3.6	5.8	3.0
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	60,513,000	0				
Education Improvement Act (EIA)	792,172,686	840,103,875	867,132,200	887,198,000	3.7	6.1	3.2	2.3
EIA Fund	790,719,514	837,529,968	865,132,200	885,698,000	3.7	5.9	3.3	2.4
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	782,199,000	799,316,000	4.7	5.4	3.5	2.2
Less: Homestead Exemption Fund Shortfall	(32,557,000)	(17,322,000)	(16,557,000)	(23,814,000)	32.2	46.8	4.4	(43.8)

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/04/09/20