

County Council Coalition Fall Meeting

Thursday, October 24th

Embassy Suites Hotel, Columbia S.C.

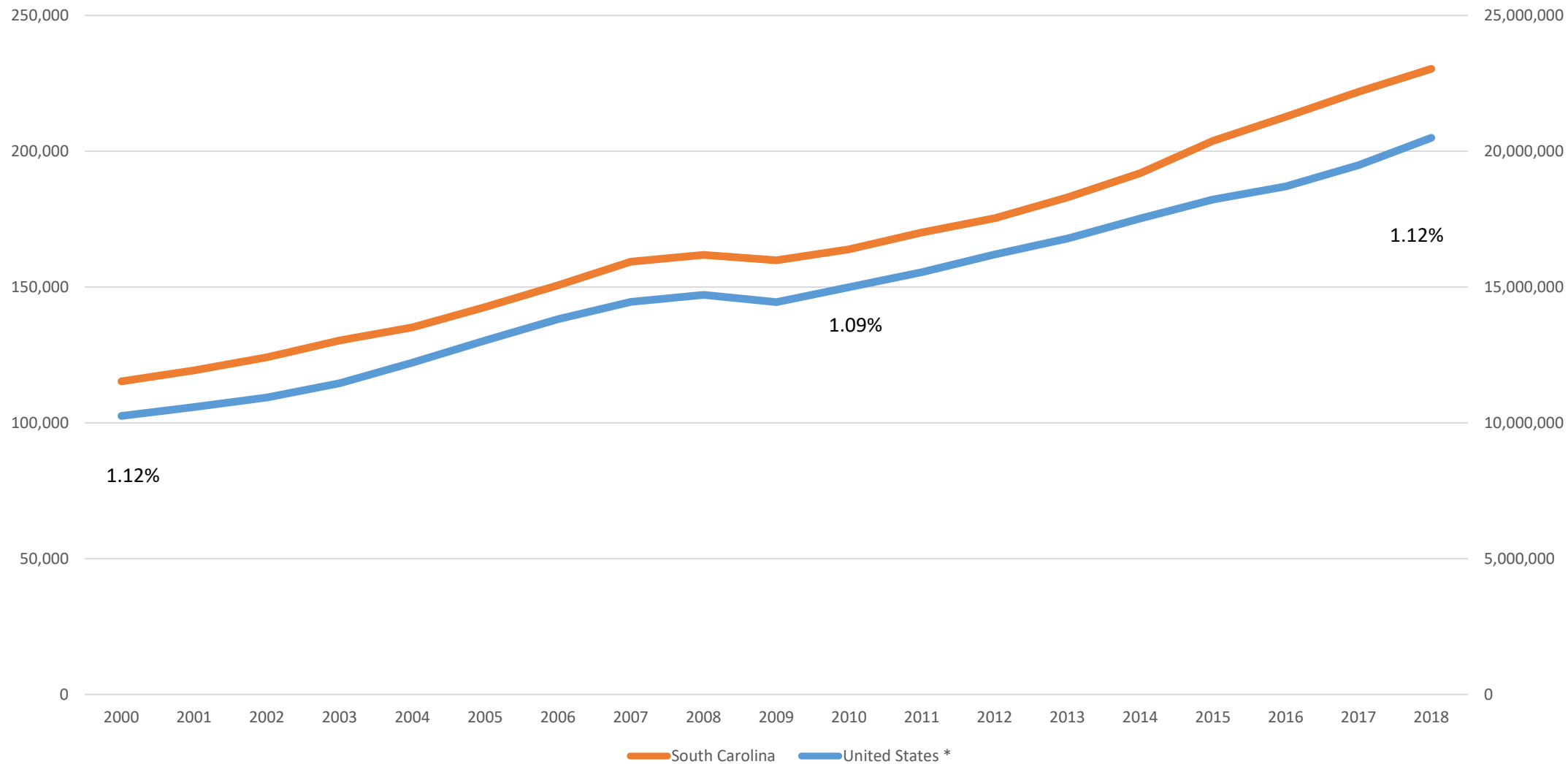
Daniel Boan, Chief of Staff and Legal Counsel,
House Ways and Means Committee.

Mike Shealy,
Senate Staff.

Economic Indicators

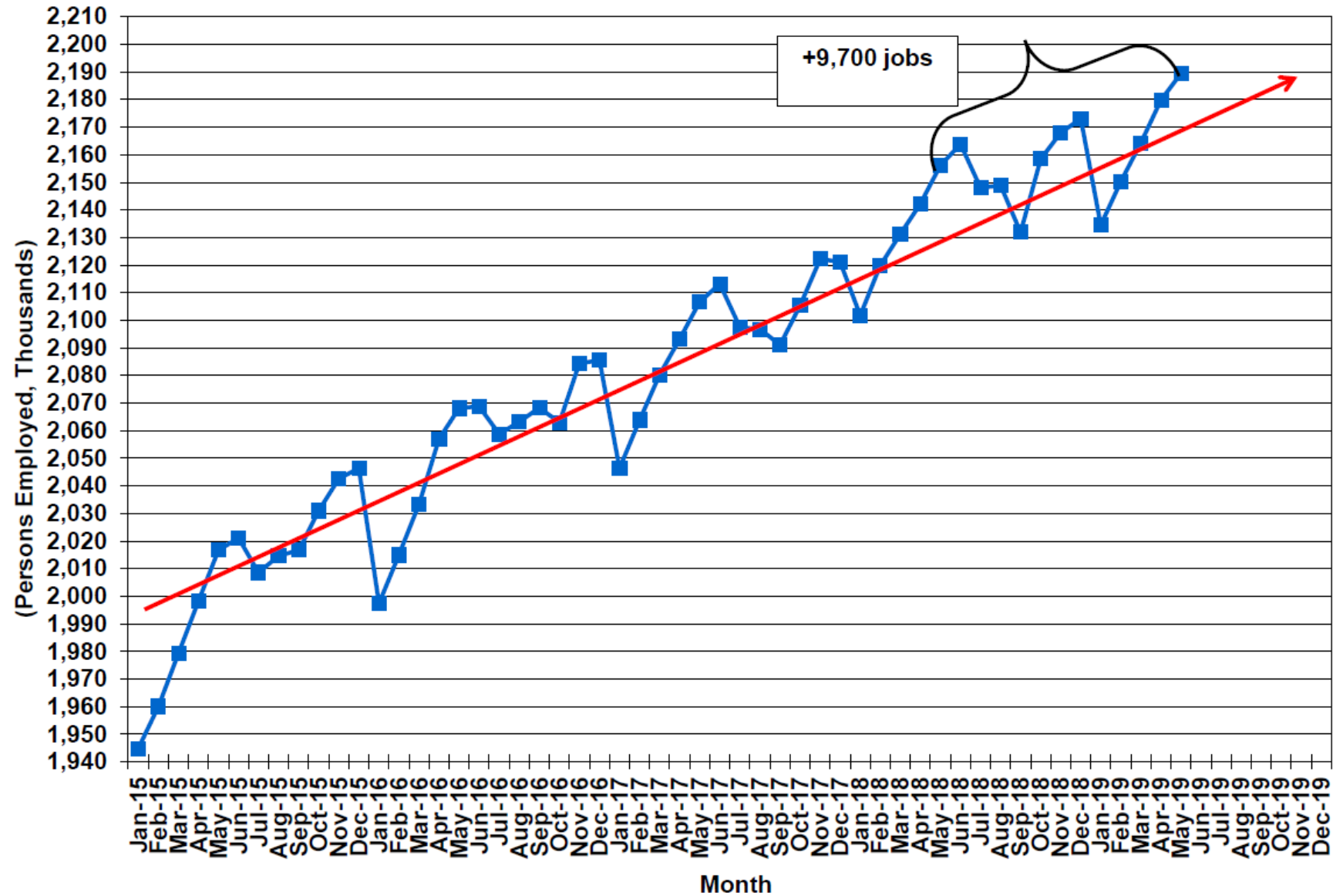


Gross Domestic Product in the United States and South Carolina (Dollars in Millions)

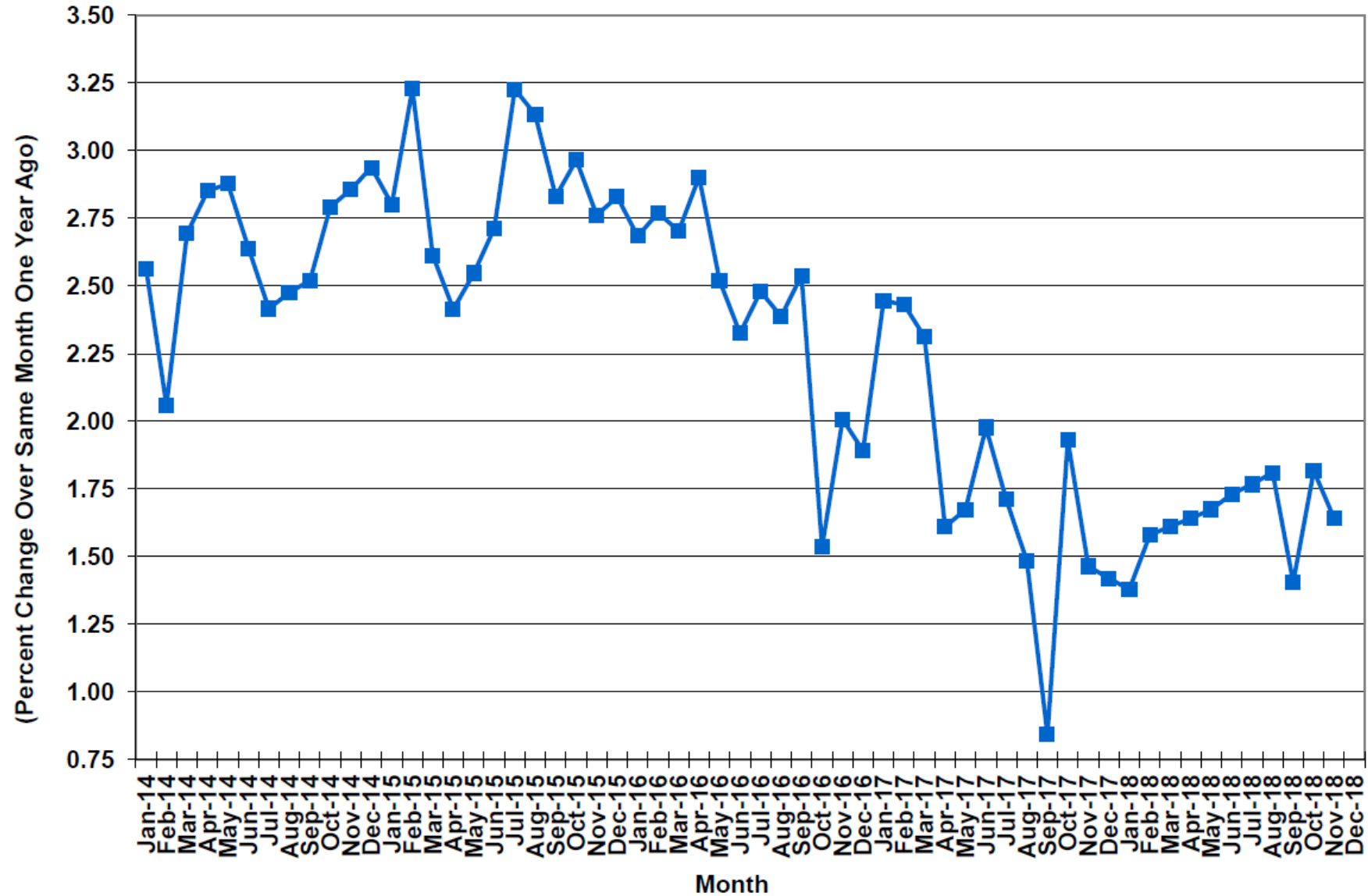


Source: US Department of Commerce, Bureau of Economic Analysis

Total Nonfarm Employment in South Carolina



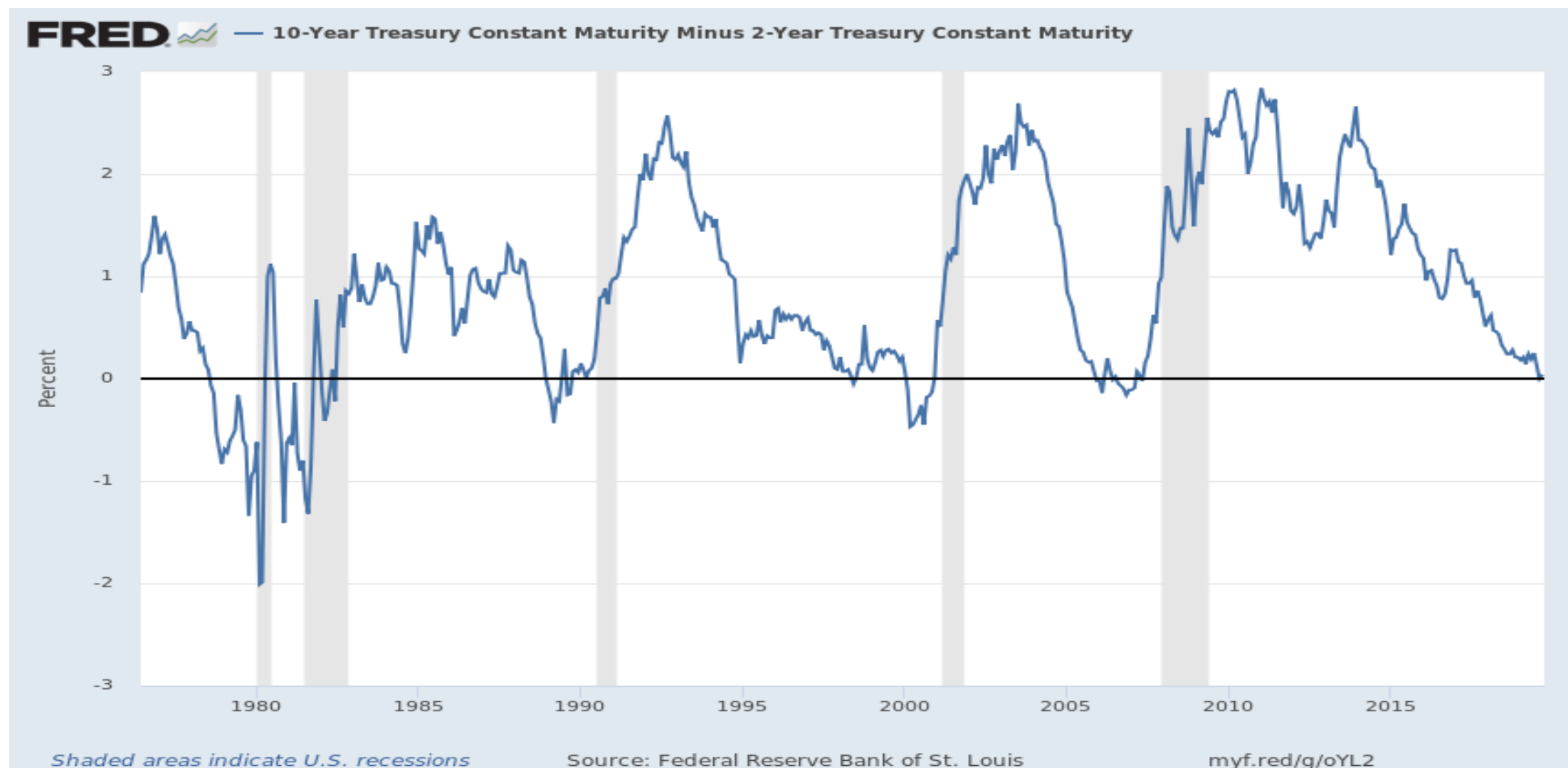
Total Nonfarm Employment Growth in South Carolina



Population Growth by State Since 2010

	State	Growth Since 2010	2019 Population
1	Utah	16.08	3,221,610
2	Texas	15.23	29,087,070
3	Florida	14.86	21,646,155
4	Colorado	14.31	5,770,545
5	Nevada	14.23	3,087,025
6	Idaho	13.97	1,790,182
7	Washington	13.7	7,666,343
8	Arizona	13.54	7,275,070
9	North Dakota	12.77	760,900
10	South Carolina	11.03	5,147,111
11	Oregon	10.64	4,245,901
12	North Carolina	9.65	10,497,741
13	Georgia	9.43	10,627,767
14	South Dakota	9.37	892,631
15	Montana	8.46	1,074,532

The Inverted Yield Curve

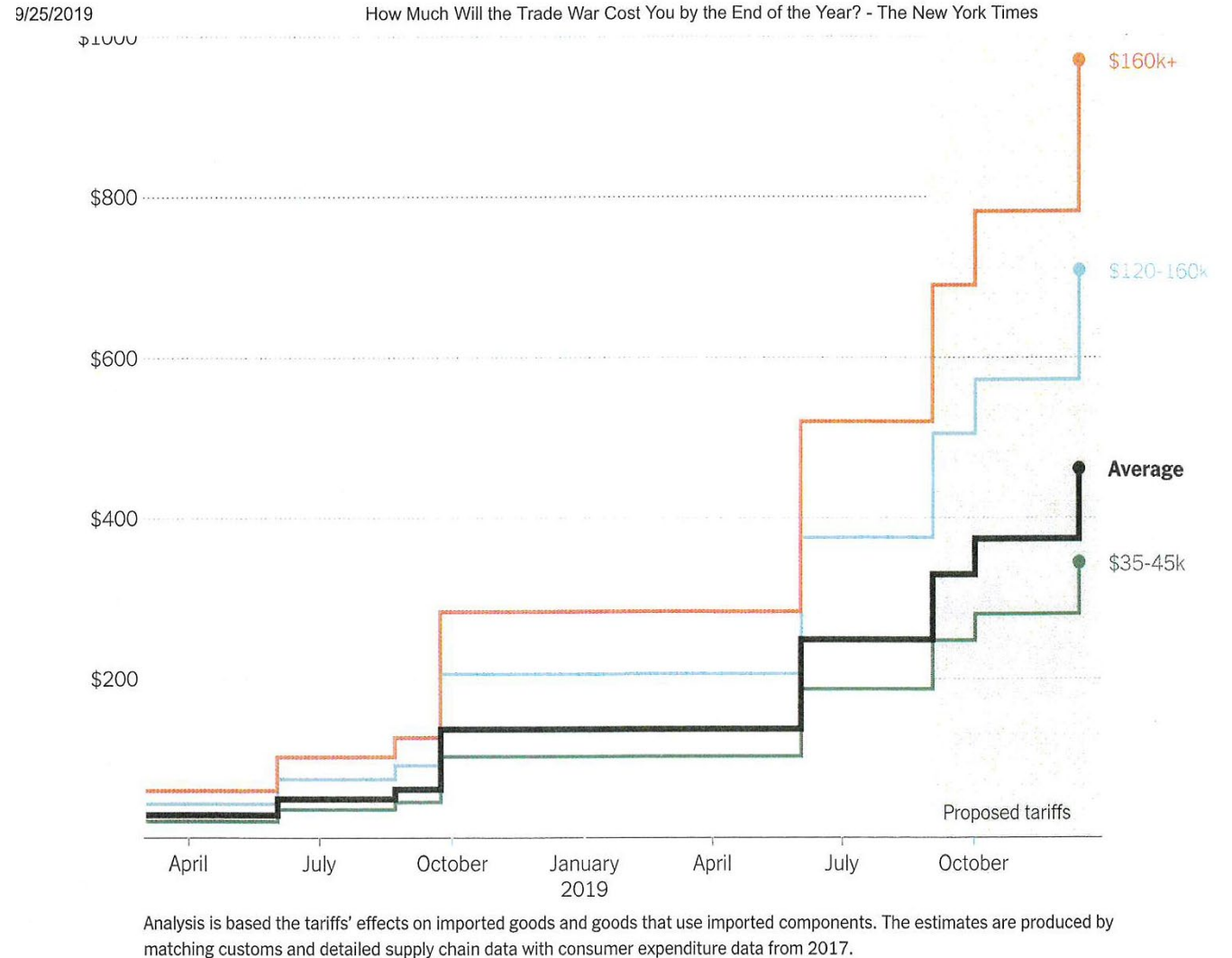


New York Times

How Much Will the
Trade War Cost You by
the End of the Year?

By Quoctrung Bui and
Karl Russell

September 1, 2019



SC Personal Income Annual Percent Growth

Dec 2018 Series v. Sep 2019 Revised



The State Budget

A short overview



SUMMARY

FY 2018-19 GENERAL FUND REVENUE

Revenues

- General Fund Revenues in FY 2018-19 grew \$696.1 million, or 8.0 percent, which was the largest dollar increase in history.
- This revenue growth exceeded the previous largest increase, \$581 million in FY 2005-06 (pre-recession), by \$115 million.
- The increase was due to stable growth in Sales and Individual Income taxes, continued strong growth in the Corporate tax sector, and \$124.8 million from new or one-time events.

Economy

- SC Personal Income growth remains steady.
- SC Employment growth is low but steady and levels are at a record high while unemployment rates are at historic lows.
- SC Population growth continues to be among the nation's fastest due to in-migration.

FY 2018-19 Budget Surplus

(\$ Millions)		
General Fund Revenue		Net
Revenue Surplus (BEA)		\$407.4
Taxpayer Rebate (Proviso 118.15)	(\$61.4)	
Net Impact of Budgetary Adjustments (Vetoed, Lapses, Open-ended Appropriations, Transfers)	\$3.9	
Funds Available for Contingency Reserve Fund		\$350.0
Other Surpluses		
EIA Revenue over Act		\$3.1
Lottery Revenue over Act*		\$0
<i>*FY 2018-19 Excess appropriated</i>		
Homestead Exemption Revenue over Act**		(\$1.9)
<i>**Shortfall Funded with Prior Year Fund Balance</i>		

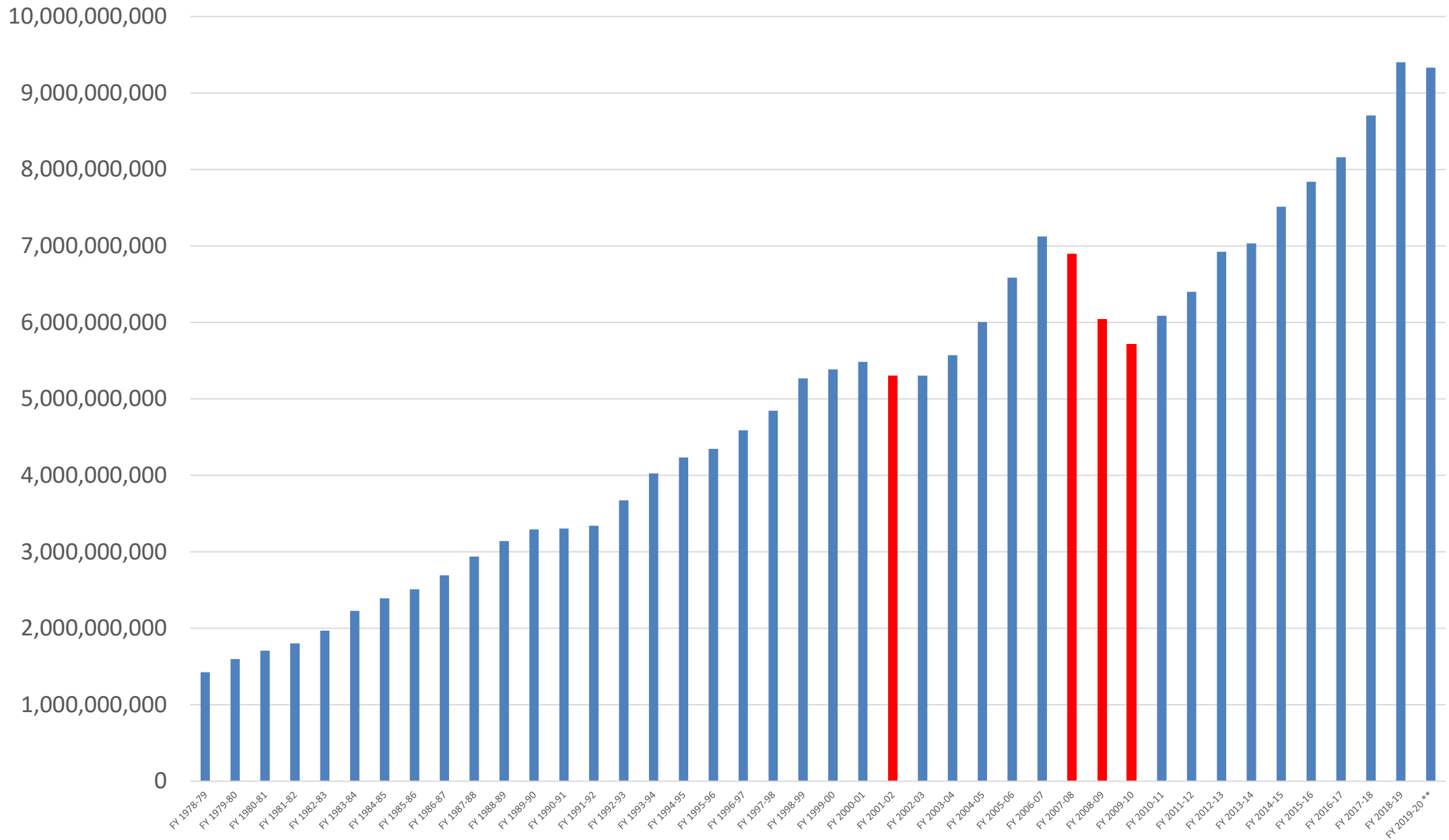
FY 2019-20

Gross General Fund Revenue*

• Sales Tax	\$3,294,402,000
• Individual Income Tax	\$4,661,029,000
• Corporation Income Tax	\$ 400,997,000
• Other Sources	<u>\$ 974,234,000</u>
TOTAL	\$9,330,662,000*

*Includes \$614,053,000 required by law to be transferred to the State's "Tax Relief Trust Fund" and thus not available for state operations.

Total General Fund Revenue



FY 2019-20

Appropriations

• General Fund	\$ 8,737,012,313*
• Federal Funds	\$ 8,856,439,244
• Other Funds	<u>\$11,943,487,871*</u>
Total	\$29,536,939,428**

*Net of \$614 Million required transfer to the State's "Tax Relief Trust Fund"; amount included in "Other Funds" above.

**SC Total Personal Income in 2018 is \$217.3 Billion. So, the State Budget represents about 13.6% of economic activity in SC.

Top 10 Statewide Federal Revenue Sources Fiscal Year 1994-95 and 2017-18

Description	FY94-95	FY17-18	\$ Change
DHHS Medicaid (MAP) Assistance Payments	\$1,443,188,191	\$4,228,782,557	\$2,785,594,366
DSS Food Stamp Coupons	\$301,893,005	\$981,021,091	\$679,128,086
DOT Federal Grants	\$245,045,118	\$988,314,643	\$743,269,525
Universities Federal Grants and Indirect Cost Recovery	\$206,374,744	\$656,412,307	\$450,037,563
DHHS Disproportionate Share (DISH)	\$93,746,470	\$401,835,174	\$308,088,704
SDE School Food Services - District	\$93,806,685	\$308,469,892	\$214,663,207
SDE Chapter I - Low Income	\$87,104,395	\$229,549,850	\$142,445,455
SDE Title IV Part B Handicapped	\$29,305,979	\$205,423,745	\$176,117,766
State Housing Authority - Contract Administration		\$132,331,404	\$132,331,404
DSS Temporary Assistance to Needy Families	\$0	\$110,877,307	\$110,877,307
Totals	\$2,500,464,587	\$8,243,017,970	\$5,742,553,383

Top 10 Statewide Other Revenue Sources Fiscal Years 1994-95 and 2017-18

Description	FY94-95	FY17-18	\$ Change
University Fees	\$428,475,336	\$ 3,694,552,973	\$3,266,077,637
Sales Tax - EIA	\$366,650,309	\$ 792,172,686	\$425,522,377
Homestead Exemption		\$ 717,410,352	\$717,410,352
Medicare and Medicaid Reimbursements	\$375,563,268	\$ 518,551,660	\$142,988,392
Gasoline Tax	\$214,376,940	\$ 512,105,455	\$297,728,515
Lottery Proceeds		\$ 436,528,584	\$436,528,584
Hospital Tax (Medicaid)	\$93,746,470	\$ 260,724,495	\$166,978,025
Motor Vehicle Licenses & Fees		\$ 497,774,008	\$497,774,008
Cigarette Surcharge & Tobacco Master Settlement Agreement		\$ 206,804,834	\$206,804,834
Medicaid CPE		\$ 153,428,309	\$153,428,309
Totals (Top 10)	\$1,478,812,323	\$ 7,790,053,356	\$ 6,311,241,033

The Fiscal Year 2019-20 Appropriations Act Process.

Recurring Items

Revenue: Appropriations Base	\$497 million
<i>Item</i>	<i>Funding (in millions)</i>
Teacher Salaries	\$159
EFA Increase	\$15
State Health Insurance Plan Increase	\$50
Medicaid Maintenance of Effort	\$50
Higher Education Tuition Freeze	\$44
2% State Employee Pay Raise	\$41
Pension Reform Contribution Increase	\$32
Capital Reserve Fund Contribution	\$11
Local Government Fund Increase	\$11
Judicial Salary Increase	\$11
Corrections Hepatitis C Treatment	\$10
DDSN Direct Care Worker Increase	\$10
Residual Balance	\$53 million

Non-recurring Items

Revenue: Contingency, Capital Reserve Surplus Funds	\$495 million
<i>Item</i>	<i>Funding (in millions)</i>
Higher Education Capital Needs	112
State-Owned Building Maintenance	28
New Statewide Voting System	40
VA Nursing Home State Match	37
Taxpayer Rebate	6
DSS Child Support Enforcement System	29
General Reserve Fund	27
FEMA Hurricane Florence State Match	22
Judicial Case Management System	11
Corrections Prison Safety Upgrades	10
Farmers Flood Relief	25
Residual Balance	\$148 million

Non-recurring Items, continued

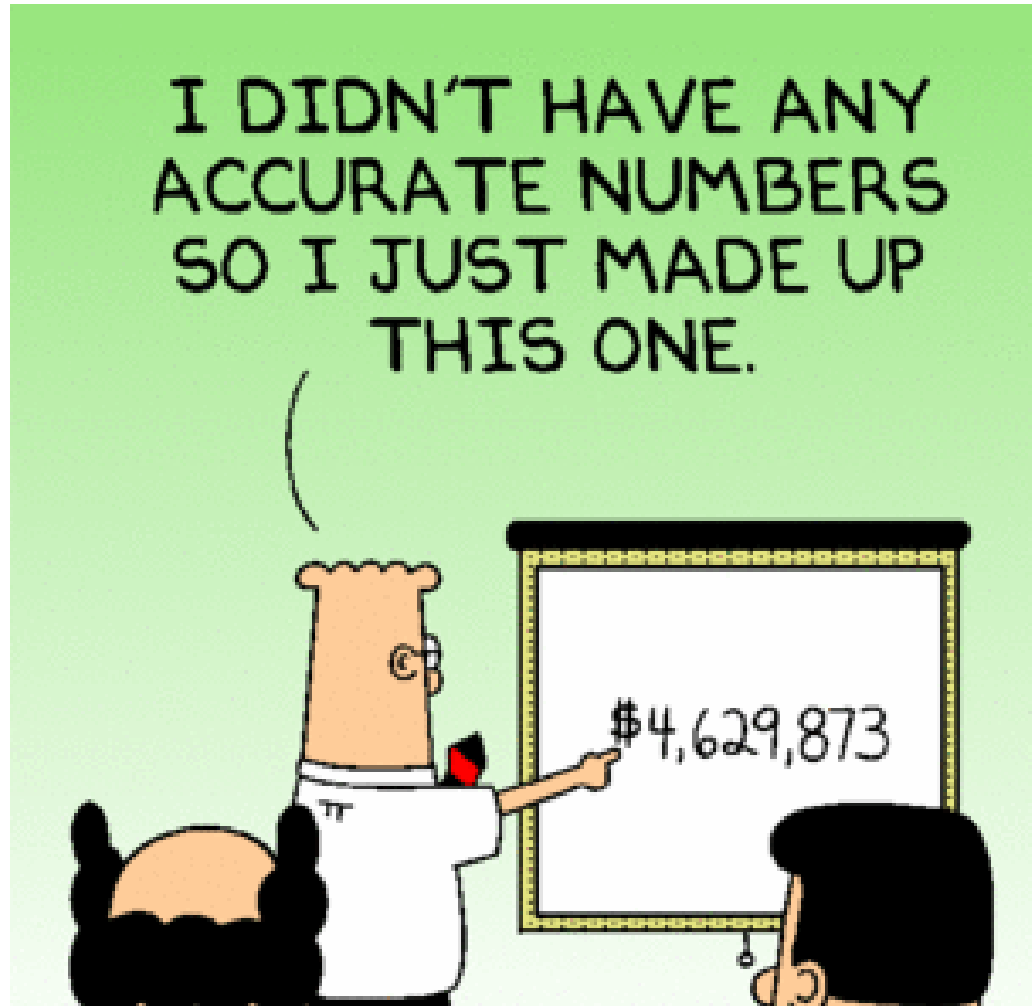
Proviso 112.1

Item	Funding (in millions)
Commerce	65
State Department of Education	50
Bonus for State Employees	20

Proviso 118.15

Item	Funding (in millions)
Rebate	61.4

What do we expect Next Year?????



General Fund Outlook FY 2020-21

Base appropriation of \$8,737,012,313

Recurring Funds		Non-Recurring Funds	
Normal Growth	\$350M	FY18-19 Surplus	\$350M
Adjusted Base	\$100M	FY19-20 Capital Reserve	<u>\$170M</u>
TOTAL	\$450M	TOTAL	\$520M

Other Important Issues:

Education Reform

Teachers Flex their Political Muscle.

West Virginia

Oklahoma

Kentucky

Arizona

Colorado

North Carolina

South Carolina

Los Angeles

Oakland

Denver

#SCforEd is a closed Facebook group with 29K members. They have been in existence for 1 year.



May 1, 2019 - An estimated 10,000 attended the Rally organized by #SCforEd.

SC for Ed Agenda:

- Pay Increase.
- Eliminate unnecessary testing.
- Teacher Bill of Rights.
- Fix Act 388.



Revenue and Fiscal Affairs Office

The Office received a letter of request from Governor McMaster, Senate President Peeler and House Speaker Lucas on January 19th.

The request is for the Office to develop a new funding model to improve scholastic outcomes, ensure an equitable distribution and offer more spending flexibility.

The letter lists 11 specific deliverables being requested of the Office.

Education Funding Model Formula, Assumptions, and Funding Options October 3, 2019 (Updated)

*Presented to The Honorable Henry McMaster,
Governor The Honorable Harvey Peeler,
President of the Senate The Honorable Jay
Lucas, Speaker of the House of Representatives*

Specific Deliverables from January Letter

- A) A review of current state, federal, and local appropriations, revenues, and expenditures for the operation of public schools in the state and other documents that support the options or recommendations in its report
- B) Options or recommendations for simplifying and streamlining state appropriations for public education
- C) Recommendations for consolidating existing current line item appropriations into fewer line items by major education programs
- D) Options for improving the alignment of appropriations and revenues with local school district expenditures by major education programs
- E) Options for standards or measures of fiscal accountability for funding categories as recommended by the South Carolina Department of Education and options for standards or measures of student performance accountability as recommended by the South Carolina Education Oversight Committee

Specific Deliverables from January Letter, continued

- F) Examples of reports that improve simplicity and transparency in reviewing and monitoring state and local funding and revenues, local school district expenditures, and accountability measures at the state and local level
- G) Methods to simplify estimating or projecting future educational funding needs
- H) A recommendation to create and maintain a competitive work force of teachers by examining the teacher salary structure and providing options to increase the minimum teacher salary to \$35,000 or more
- I) Options or incentives for encouraging consolidation or shared services among local school districts
- J) Options to phase-in a higher percentage of state funding than is outlined in the Education Finance Act
- K) Recommendations to phase in any funding changes over time and to estimate the cost to hold harmless local school districts during a transition to a new funding method

Other Important Issues:

Santee Cooper

H4287 – Competitive Bidding Process for the Sale of Santee Cooper

- Analysis conducted by the Department of Administration through the use of experts hired on a contractual basis.
- The Department will entertain bids for partial or total sale, management agreements with Santee Cooper and a proposal from Santee Cooper for reform.
- By January 15th, the Department will present the single best sale offer, the single best management agreement offer and Santee Cooper's reform plan to the Senate Finance Committee and the House Ways and Means Committee.
- Within 30 days of receipt, each Committee will make a recommendation to its body as to a preference in the form of a Resolution.

H4287 – Competitive Bidding Process for the Sale of Santee Cooper

- Should the Utility be sold, the transaction will likely exceed \$9 Billion.
- The issue is among the most complex addressed by the General Assembly in recent years.

The Take Away

- Indicators suggest a very strong year for revenue growth, but a significant portion of this growth is prompted by non-economic factors.
- Most experts predict an economic slow-down within the next year.
- Decisions on the allocation of budget growth could resemble the decisions of Fiscal Year 2019-20.
- In addition to the annual budget process, the House Ways and Means Committee and the Senate Finance Committee are faced with two very complicated issues, public education funding reform and the potential sale of Santee Cooper.

Thank You