

**Three-Year General Fund Financial Outlook**  
**FY 2011-12 to FY 2013-14**

Prepared Pursuant to Act 156 of 2005

§11-11-350

State Budget and Control Board

Office of State Budget

December 2010

**Three-Year General Fund Financial Outlook**  
**FY 2011-12 to FY 2013-14**  
**Based on Enacted FY 2010-11 Budget**  
(Dollars in Millions)

|  | FY 2010-11<br>"Base Year" | Projections      |                    |                    |
|--|---------------------------|------------------|--------------------|--------------------|
|  |                           | FY 2011-12       | FY 2012-13         | FY 2013-14         |
| <b>Resources:</b>  |                           |                  |                    |                    |
| Beginning Balance  | \$ 71.0                   | \$82.3           |                    |                    |
| Adjustments  | 31.5                      |                  |                    |                    |
| Revenue (BEA Long Range Revenue Forecast, 11/10/2010)              | 5,803.9                   | 5,863.9          | 5,983.6            | 6,074.1            |
| Tax Relief Trust Fund Transfers                                    | (545.9)                   | (545.7)          | (565.3)            | (585.7)            |
| General Reserve Fund Transfer                                      | (55.4)                    | (17.1)           | (26.9)             | (29.0)             |
| ARRA-State Fiscal Stabilization Fund                               | 346.1                     |                  |                    |                    |
| ARRA- Federal Medicaid Assistance Percentage (FMAP) Increase       | <u>491.0</u>              |                  |                    |                    |
| <b>Total Revenue/Resources</b>                                     | <b>\$6,142.2</b>          | <b>\$5,383.4</b> | <b>\$5,391.4</b>   | <b>\$5,459.4</b>   |
| <b>Expenditures and Reserve Fund Contributions:</b>                |                           |                  |                    |                    |
| <b>Baseline (Adjusted FY 10-11 Recurring Budget)</b>               | <b>\$5,080.4</b>          | <b>\$5,080.4</b> | <b>\$5,080.4</b>   | <b>\$5,080.4</b>   |
| ARRA-State Fiscal Stabilization Fund--Education and Gov Services   | 346.1                     |                  |                    |                    |
| ARRA-Medicaid and other Health Agencies                            | 371.0                     |                  |                    |                    |
| <b>Constitutional/ Statutory Items:</b>                            |                           |                  |                    |                    |
| Reserve Funds: Capital Reserve (CRF)                               |                           | (6.1)            | (5.7)              | (4.5)              |
| Local Government Fund  |                           | 33.3             | 34.0               | 36.7               |
| Debt Service   |                           | (11.0)           | (12.7)             | (19.9)             |
| Homestead Exemption Fund Shortfall (Act 388 of 2006)               |                           | (17.9)           | 27.2               | 40.1               |
| FY 2010-11 Agency Deficits: HHS, DSS, Dept. of Corrections         | 262.4                     | 262.4            | 262.4              | 262.4              |
| <b>Major Expenditure Categories:</b>                               |                           |                  |                    |                    |
| K-12 Education   |                           | 28.1             | 53.8               | 80.1               |
| K-12 Education Replace ARRA Expenditures                           |                           | 174.4            | 174.4              | 174.4              |
| Higher Ed and other Government Services-Replace ARRA Expenditures  |                           | 171.7            | 171.7              | 171.7              |
| Medicaid and other Health Agencies- Replace ARRA FMAP Expenditures |                           | 371.0            | 371.0              | 371.0              |
| Medicaid (net of earmarked cigarette tax revenue)                  |                           | 15.1             | 165.3              | 442.3              |
| Social Services and Correctional Agencies                          |                           | 39.3             | 39.3               | 39.3               |
| Higher Education Scholarship Growth (LIFE & Palmetto Fellows)      |                           | 15.4             | 25.3               | 35.6               |
| State Employee Health Plan-retiree growth + rate increase          |                           | 66.7             | 122.5              | 201.5              |
| Budget and Control Board and SCEIS Implementation                  |                           | 37.4             | 34.1               | 34.1               |
| <b>Total Expenditures</b>  | <b>\$6,059.9</b>          | <b>\$6,260.2</b> | <b>\$6,543.0</b>   | <b>\$6,945.2</b>   |
| <b>Ending Balance (Deficit Indicates Potential Budget Gaps)</b>    | <b>\$82.3</b>             | <b>(\$876.8)</b> | <b>(\$1,151.6)</b> | <b>(\$1,485.8)</b> |
| Projected CRF Funds Available for Nonrecurring Expenditures        |                           | \$110.9          | \$104.8            | \$105.2            |
| Projected General Reserve Fund Balance                             | \$166.3                   | \$183.4          | \$210.3            | \$239.3            |

**The Notes and Assumptions are an integral part of this Financial Outlook.**

## Notes

The three-year General Fund Outlook is prepared by the Office of State Budget in consultation with the Board of Economic Advisors in accordance with Section 11-11-350 of the S. C. Code of Laws, 1976. The Outlook is a three-year revenue and spending projection based on the enacted FY 2010-11 General Fund operating budget. The spending projections are cumulative for the three year forecast period.

The American Recovery and Reinvestment Act of 2009 (ARRA) included two programs that significantly impacted state operating budgets: the State Fiscal Stabilization Fund and the enhanced Federal Medicaid Assistance Percentage (FMAP) for Medicaid. The Stabilization Fund provided federal funds as a ‘bridge’ to offset state revenue shortfalls targeted primarily for K-12 and Higher Education with a small percentage allocated for other government services. South Carolina has appropriated its federal allocation over two fiscal years; FY 2009-10 and FY 2010-11. Likewise the enhanced FMAP freed up state dollars that would be required to maintain the Medicaid program at service levels prior to the dramatic decrease in state revenue collections. The state has budgeted these funds over two fiscal years FY 2009-10 and FY 2010-11. The impact of ARRA on the current budget and the loss of these funds beginning in FY 2011-12 are shown on separate lines on Page 1 to highlight the impact of the ARRA legislation on the state’s operating budget.

The budget gaps on the previous page reflect a structural imbalance between projected revenue growth and expenditure increases based on the FY 2010-11 adjusted enacted budget. The budget gap is primarily the result of the continued sluggishness of South Carolina’s economic growth which mirrors the national economy highlighted by the state’s high unemployment and the loss of ARRA revenue used to “bridge the gap” of state revenue shortfalls in FY 2009-10 and FY 2010-11. South Carolina’s constitutional requirement that the state have a process to produce a balanced state budget will require the General Assembly to eliminate this gap by making revenue enhancements and/or expenditure adjustments in the upcoming FY 2011-12 general fund budget.

This document is intended to be used for planning purposes only and should not be viewed as requiring that the major expenditure items listed must be funded by the General Assembly. The Outlook does not attempt to capture every agency's needs or budget requests.

### **Resource/Revenue Assumptions**

- ❖ The beginning balance for each fiscal year equals the ending balance of the prior fiscal year (difference between Revenue and Expenditures). If the balance for the prior fiscal year is less than zero, the beginning balance for the next fiscal year is assumed to be zero.
- ❖ The adjustments of \$31.5 million in FY 2010-11 reflect the nonrecurring revenue sources included in the enacted budget.
- ❖ The Board of Economic Advisors (BEA) long-range general fund revenue forecast is based upon the November 10, 2010 forecast for FY 2011-12 adopted by the BEA. The FY 2011-12 revenue estimate serves as the base for the long-range forecast. The forecast projects growth for sales tax, individual income tax, and the corporate income tax at 1.5% adjusted for elasticity in each category for FY 2012-13 and FY 20113-14. The forecast projects the remaining revenue sources for FY 2012-13 and FY 2013-14 at its latest completed 10-year compound average growth. The long-range forecast methodology is summarized as follows:
  - The growth rate for sales tax is 1.50%.
  - The growth rate for the individual income tax is 1.65%.
  - The first year that school districts received reimbursement from the Homestead Exemption Fund was FY 2007-08. The estimate for reimbursements for FY 2008-09 was the actual reimbursements to the school

districts for FY 2007-08 increased by the 10-year average growth rates of inflation and population. The sales tax projection for the Homestead Exemption Fund equals the estimates of sales tax collections adopted by the BEA for FY 2011-12 and increased by 1.5% for FY 2012-13 and FY 2013-14. The estimate of reimbursements to the school districts equals the FY 2011-12 estimate by the Office of Research and Statistics increased by the sum of the 10-year growth rate in the Consumer Price Index (CPI) and the 10-year growth rate in population. The detailed three year general fund revenue forecast by revenue category is included on page 10.

### Reserve Funds

- ❖ **General Reserve Fund** – On November 2, 2010, a constitutional amendment was adopted (pending ratification) increasing the General Reserve Fund from three percent to five percent by adding a cumulative one-half percent each year beginning in FY 2011-12 until the fund reaches five percent.

The General Reserve Fund is fully funded at 3% in FY 2010-11 at \$166.3 million. Annual increases for FY 2011-12 through FY 2013-14 are \$17.1 million, \$26.9 million, and \$29.0 million, respectively.

- ❖ **Capital Reserve Fund** – The Capital Reserve Fund (CRF) is used to offset year end deficits and to replenish, when needed, the required amount in the General Reserve Fund. If not needed to offset a year end deficit or to replenish the General Reserve Fund, the CRF may be appropriated for the following purposes: (1) to finance in cash previously authorized capital improvement bond projects, (2) to retire the interest or principal on bonds previously issued, or (3) for capital improvements or other nonrecurring purposes.

## **Expenditure Assumptions**

### **FY 2010-11 AGENCY DEFICITS**

- ❖ The following agencies have reported projected FY 2010-11 operating deficits to the Office of State Budget: Department of Health and Human Services Medicaid Program \$227.8 million, Department of Social Services \$27.2 million, Department of Corrections \$7.4 million. These projected deficits are shown as a separate line on Page 1, as an adjustment to the FY 2010-11 recurring base. However, please note that these deficits have not been officially recognized by the State Budget and Control Board.

### **HOMESTEAD EXEMPTION FUND**

- ❖ The Property Tax Reform Act, Act No. 388 of 2006, eliminated all school operating taxes on owner-occupied homes and increased the state sales tax by one cent to replace the reduced property tax revenue stream. The new revenue from the one-cent sales tax increase is earmarked for the Homestead Exemption Fund, which replaces lost property taxes as of FY 2007-08. Funding to school districts in the first year was based on what would have been collected under the old system. For subsequent years, the school district funding requirement is based on inflation plus population growth factors. The Act provides that, should there be a shortfall of revenue in the Homestead Exemption Fund the general fund will pay the difference.
- ❖ The three-year revenue forecast for the Homestead Exemption Fund projects a \$105.7 million impact on the General Fund in FY 2011-12 due to revenue shortfalls. The FY 2010-11 base budget includes \$90.6 million dedicated to offset this shortfall. The inflation and population growth rate forecast for school reimbursement is 3.4% in FY 2011-12 through FY 2013-14.

## K-12 EDUCATION

- ❖ **Education Finance Act (EFA)** – The FY 2010-11 Base Student Cost is \$1,630 (not including \$300 added to the base student cost by ARRA funding). The Base Student Cost is estimated to be \$1,653 in FY 2011-12, \$1,686 in FY 2012-13, and \$1,719 in FY 2013-14. The corresponding inflation factors are 1.38% for FY 2011-12 and 2.0% for FY 2012-13 and FY 2013-14. The Weighted Pupil Units estimate for FY 2011-12 is 873,427 and remains constant in FY 2012-13 and FY 2013-14. The estimated incremental costs are: \$16.2 million for FY 2011-12, \$23.8 million for FY 2012-13, and \$24.3 million for FY 2013-14.

The replacement of ARRA funding is \$174.4 million in FY 2011-12 and is reflected on a separate line on Page 1. Restoring EFA funding to the formula levels that existed prior to the revenue reductions in FY 2008-09 and FY 2009-10 would require an additional \$581.0 million.

- ❖ **School Bus Maintenance** – Estimate based on the FY 2010-11 appropriation of nonrecurring revenue used for ongoing operations. Estimates are for operating expenses and fuel costs at \$3.00/gallon, plus all other operating costs at FY 2010-11 levels. The volatility of fuel costs has a major impact on the estimates for school bus maintenance. Every increase or decrease of eight cents per gallon results in a \$1 million change in the estimate. Future years include a 5% inflation rate for fuel only. With that, the estimated incremental costs are: \$11.9 million for FY 2011-12, \$1.9 million for FY 2012-13, and \$2.0 million for FY 2013-14.

## MEDICAID

- ❖ **Medicaid Program** – In 2010, the General Assembly increased the state's cigarette tax by fifty cents. The annual revenue of \$118.7 million resulting from the increase is dedicated to the Medicaid program. The Medicaid expenditure estimates on Page 1 are adjusted to reflect this dedicated source of revenue. The Medicaid estimate assumes 10% growth in FY 2011-12, FY 2012-13, and FY 2013-14, with a .3124 State match rate. The estimated incremental cost for Maintenance of Effort on the adjusted Medicaid base is: \$15.1 million for FY 2011-12, \$150.2

million for FY 2012-13 and \$277.0 million for FY 2013-14. The FY 2013-14 estimate includes an additional \$111.8 million of additional state funding required for the federal Affordable Care Act.

The replacement of ARRA FMAP funding is \$297.0 million for Medicaid and \$74.0 million for the other health agencies and is reflected on a separate line on Page 1.

### **SOCIAL SERVICES AND CORRECTIONAL AGENCIES**

- ❖ **Department of Social Services Child Support Enforcement - Child Support Enforcement Statewide Automated System Development** - Funding is required to develop and implement a federally mandated statewide automated system for Child Support Enforcement as well as to pay for penalties currently imposed on the state by the federal government. Estimated recurring incremental cost for FY 2011-12 through FY 2013-14 is \$28.8 million.
  
- ❖ **Departments of Corrections and Juvenile Justice** – Estimate based on the FY 2010-11 appropriation of \$10.5 million in nonrecurring revenue for ongoing operations. The estimated incremental costs are: \$10.5 million in FY 2011-12 and \$0 in FY 2012-13 and FY 2013-14. The replacement of \$45.5 million from the ARRA Stabilization fund in FY 2011-12 is noted on a separate line on page 1.

### **HIGHER EDUCATION SCHOLARSHIP GROWTH**

- ❖ **LIFE & Palmetto Fellows Scholarships** – The estimate for FY 2011-12 assumes 4.0% and 12% growth rates over FY 2010-11 for LIFE and Palmetto Fellows scholarships, respectively. Estimates for FY 2012-13 and FY 2013-14 reflect a 4% and 5% increase for LIFE and Palmetto Fellows, respectively, over the previous year's estimates. Estimated incremental costs are: \$15.4 million in FY 2011-12, \$9.9 million in FY 2012-13, and \$10.3 million in FY 2013-14.

## **STATE EMPLOYEE COMPENSATION**

- ❖ Due to the dire economic climate and state revenue shortfalls, no projections are made in the base year for State employee compensation increases. However, the cost for a 1% increase equals \$18.3 million.

## **STATE EMPLOYEE HEALTH PLAN**

- ❖ Retiree Growth and Rate Increase – The Employee Insurance Program estimates that the general fund amounts needed for the operation of the State Health Plan for retiree growth and health plan increases as follows:

### 1. Retiree Growth and Rate Increase

- a. Calendar Year 2011 employer base (State funds only) is \$633,649,638.
- b. Annualization involves funding the final six months (Jul-Dec) of an increase that is effective the prior January.
- c. The employer rate increase involves funding the first six months (Jan-Jun) of an increase that is effective January of the fiscal year. The projection assumes the employer pays in the same proportion that is in place in January 2011 for 2012, 2013, and 2014
- d. The projected annual premium growth rate effective each year equals 5.2% in 1/2012; 8.0% in 1/2013 and 9.5% in 1/2014
- e. Retiree growth for FY 2011-12, FY 2012-13, and FY 2013-14 is estimated at 5.0% per year net growth.

2. The estimated amount of general fund dollars for the State Health Plan is \$66.7 million in FY 2011-12; \$55.8 million in FY 2012-13 and \$79.0 million in FY 2013-14.

### **BUDGET AND CONTROL BOARD AND SCEIS**

- ❖ In FY 2010-11 the Budget and Control Board's recurring budget was vetoed and funding was directed from non-recurring cash reserves. The estimated recurring appropriation is \$25.2 million in FY 2011-12. The incremental cost for the continued implementation of the South Carolina Enterprise Information System (SCEIS) is \$12.2 million in FY 2011-12; however, this decreases to \$10.4 million in FY 2012-13 and FY 2013.14.

### **OTHER POST EMPLOYMENT BENEFITS (OPEB)**

- ❖ Beginning with the FY 2007-08 Comprehensive Annual Financial Report (CAFR), the State will implement the reporting requirements of the Government Accounting Standards Board (GASB) Statement #45 pertaining to other post-employment benefits (OPEB). GASB does not require funding an entity's OPEB obligations only to calculate and report these obligations. Currently, the health insurance benefit for retirees is provided on a pay-as-you-go basis with this cost included in the FY 2010-11 "base" operating budget.
- ❖ The state's unfunded liability with regard to OPEB is estimated at \$9.2 billion. Act 195 of 2008 created the South Carolina Retiree Health Insurance Trust Fund to accumulate sufficient funds to provide post-employment health insurance benefits for retired state and school district employees. The General Assembly placed \$312 million in the Trust Fund in 2008 as the first installment payment towards the State's current unfunded liability. The three-year General Fund Financial Outlook does not include funding projections beyond the pay-as-you go basis included in the FY 2010-11 operating budget.

PERSONAL INCOME GROWTH  
 FY2010-11: 1.5%; FY2011-12: 1.0%  
 FORECAST PERIOD: 1.5%

LONG RANGE GENERAL FUND REVENUE FORECAST  
 FISCAL YEARS FY2008-09 TO FY2013-14  
 (DOLLARS)

| REVENUE CATEGORIES                     | FINAL<br>FY 2008-09  | FINAL<br>FY 2009-10  | 11/10/10<br>ESTIMATE<br>FY 2010-11 | 11/10/10<br>ESTIMATE<br>FY 2011-12 | WORKING<br>ESTIMATE<br>FY 2012-13 | WORKING<br>ESTIMATE<br>FY 2013-14 |
|--|----------------------|----------------------|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| RETAIL SALES TAX 1/                    | 2,230,817,103        | 2,173,354,091        | 2,205,634,402                      | 2,227,530,746                      | 2,260,943,708                     | 2,294,857,863                     |
| EXCISE, CASUAL SALES TAX               | 17,058,926           | 17,622,036           | 17,886,367                         | 18,065,230                         | 18,336,209                        | 18,611,252                        |
| INDIVIDUAL INCOME TAX                  | 2,812,344,948        | 2,673,010,771        | 2,717,115,449                      | 2,747,003,719                      | 2,792,329,280                     | 2,838,402,713                     |
| CORPORATION INCOME TAX                 | 249,241,783          | 148,524,509          | 154,465,489                        | 157,554,799                        | 160,705,895                       | 163,920,013                       |
| <b>SALES AND INCOME TAXES</b>          | <b>5,309,462,760</b> | <b>5,012,511,407</b> | <b>5,095,101,707</b>               | <b>5,150,154,494</b>               | <b>5,232,315,091</b>              | <b>5,315,791,841</b>              |
| ADMISSIONS/BINGO TAX                   | 33,566,855           | 32,186,049           | 33,795,351                         | 35,485,119                         | 37,259,375                        | 39,122,344                        |
| ADMISS. TAX TRANSFER TO COMMERCE       | (6,435,117)          | (6,022,004)          | (6,323,105)                        | (6,639,260)                        | (6,971,223)                       | (7,319,784)                       |
| AIRCRAFT TAX                           | 6,260,566            | 5,356,653            | 5,495,926                          | 5,638,820                          | 5,785,429                         | 5,935,851                         |
| ALCOHOLIC LIQUOR TAX                   | 57,460,841           | 57,463,218           | 58,037,850                         | 58,618,229                         | 59,204,411                        | 59,796,455                        |
| BANK TAX                               | 8,493,851            | 15,672,134           | 16,142,298                         | 16,626,567                         | 17,125,364                        | 17,639,125                        |
| BEER AND WINE TAX                      | 101,356,299          | 99,229,717           | 101,710,460                        | 104,253,221                        | 106,859,552                       | 109,531,041                       |
| BUSINESS LICENSE TAX                   | 30,572,978           | 35,257,195           | 32,084,047                         | 31,763,207                         | 31,445,575                        | 31,131,119                        |
| COIN-OPERATED DEVICES                  | 2,134,238            | 1,723,124            | 2,240,061                          | 1,636,968                          | 2,508,869                         | 1,555,119                         |
| CORPORATION LICENSE TAX                | 80,987,747           | 73,412,951           | 78,405,032                         | 83,736,574                         | 89,430,661                        | 95,511,946                        |
| DEPARTMENTAL REVENUE 3/                | 37,651,066           | 63,901,643           | 40,065,056                         | 40,065,056                         | 40,065,056                        | 40,065,056                        |
| DOCUMENTARY TAX                        | 32,991,962           | 33,210,359           | 31,549,841                         | 31,549,841                         | 31,549,841                        | 33,127,333                        |
| LESS: CONSERVATION BANK TRUST FUND     | (8,585,569)          | (2,207,050)          | (7,887,460)                        | (7,887,460)                        | (7,887,460)                       | (8,281,833)                       |
| EARNED ON INVESTMENTS                  | 79,559,729           | 41,706,507           | 35,000,000                         | 36,000,000                         | 36,000,000                        | 36,000,000                        |
| ELECTRIC POWER TAX                     | 27,664,576           | 28,219,032           | 28,642,317                         | 29,358,375                         | 30,092,335                        | 30,844,643                        |
| LESS: TRANSFER TO COMMERCE/SIB         | (27,664,576)         | (28,219,032)         | (28,219,032)                       | (29,358,375)                       | (30,092,335)                      | (30,844,643)                      |
| ESTATE AND GIFT TAXES                  | 152,850              | 72,908               | 50,000                             | 50,000                             | 50,000                            | 50,000                            |
| LESS: FEDERAL CHANGE TO ESTATE TAX     | 0                    | 0                    | 0                                  | 0                                  | 0                                 | 0                                 |
| INSURANCE PREMIUM TAX                  | 158,546,951          | 155,131,900          | 163,664,155                        | 172,665,683                        | 182,162,296                       | 192,181,222                       |
| INSURANCE LICENSE TAX                  | 29,686,647           | 13,177,609           | 32,944,023                         | 16,472,011                         | 32,944,023                        | 16,472,011                        |
| INSURANCE RETALIATORY & OTHER TAX      | 5,761,616            | 5,675,146            | 5,800,000                          | 5,800,000                          | 5,800,000                         | 5,800,000                         |
| LESS: INSURANCE CREDITS                | (21,112,575)         | (15,337,355)         | (17,000,000)                       | (17,000,000)                       | (19,000,000)                      | (19,000,000)                      |
| MOTOR TRANSPORT FEES                   | 6,899                | 875                  | 3,500                              | 3,500                              | 3,500                             | 3,500                             |
| MOTOR VEHICLE LICENSES                 | 15,113,183           | 12,362,258           | 12,609,503                         | 12,861,693                         | 13,118,927                        | 13,381,306                        |
| PETROLEUM INSPECTION TAX               | 7,730,378            | 7,817,194            | 7,895,366                          | 7,974,320                          | 8,085,960                         | 8,199,164                         |
| LESS: TRANSFER TO NON-FED HGWY FUND    | (7,730,378)          | (7,817,194)          | (7,895,366)                        | (7,974,320)                        | (8,085,960)                       | (8,199,164)                       |
| PRIVATE CAR LINES TAX                  | 3,733,905            | 3,957,024            | 4,111,348                          | 4,271,691                          | 4,438,286                         | 4,611,380                         |
| PUBLIC SERVICE AUTHORITY               | 20,511,000           | 18,514,000           | 19,865,522                         | 21,315,705                         | 22,381,490                        | 23,500,565                        |
| RETAILERS LICENSE TAX                  | 788,790              | 799,436              | 811,428                            | 827,656                            | 844,209                           | 861,093                           |
| SAVINGS & LOAN TAX                     | 3,815,836            | 3,421,963            | 3,524,622                          | 3,630,361                          | 3,739,271                         | 3,851,450                         |
| WORKERS COMP. INSURANCE                | 12,779,422           | 12,944,957           | 13,139,131                         | 13,401,914                         | 13,669,952                        | 13,943,351                        |
| CIRCUIT/FAMILY COURT FINES             | 10,162,045           | 9,724,492            | 9,821,737                          | 9,919,954                          | 10,019,154                        | 10,119,345                        |
| DEBT SERVICE TRANSFERS                 | 1,144,988            | 535,600              | 188,108                            | 188,108                            | 188,108                           | 188,108                           |
| INDIRECT COST RECOVERIES               | 16,101,492           | 16,085,383           | 16,731,391                         | 16,731,391                         | 16,731,391                        | 16,731,391                        |
| MENTAL HEALTH FEES                     | 3,400,000            | 3,400,000            | 3,400,000                          | 3,400,000                          | 3,400,000                         | 3,400,000                         |
| PAROLE / PROBATION FEES                | 3,392,808            | 3,392,808            | 3,392,808                          | 3,392,808                          | 3,392,808                         | 3,392,808                         |
| UNCLAIMED PROPERTY FUND                | 12,000,000           | 12,000,000           | 15,000,000                         | 15,000,000                         | 15,000,000                        | 15,000,000                        |
| <b>OTHER BASE SOURCES</b>              | <b>732,001,333</b>   | <b>706,749,500</b>   | <b>708,795,918</b>                 | <b>713,779,357</b>                 | <b>751,258,865</b>                | <b>758,301,301</b>                |
| <b>TOTAL GENERAL FUND REVENUE</b>      | <b>6,041,464,093</b> | <b>5,719,260,907</b> | <b>5,803,897,625</b>               | <b>5,863,933,851</b>               | <b>5,983,573,957</b>              | <b>6,074,093,142</b>              |
| APPROPRIATION ACT REVENUE              | 7,246,362,115        | 6,079,158,397        | 5,574,343,096                      | 5,863,933,851                      | 5,983,573,957                     | 6,074,093,142                     |
| LESS: TAX RELIEF TRUST FUND            | (525,988,231)        | (528,944,826)        | (545,880,212)                      | (545,680,709)                      | (565,325,215)                     | (585,676,922)                     |
| PLUS: TAX RELIEF FUND CARRYFORWARD     | 5,145,216            | 1,451,372            | 0                                  | 0                                  | 0                                 | 0                                 |
| EXCLUDING TRUST FUNDS                  | 6,725,519,100        | 5,551,664,943        | 5,028,462,884                      | 5,318,253,142                      | 5,418,248,742                     | 5,488,416,220                     |
| CAPITAL RESERVE FUND (2%) - BEG. BAL.  | 0                    | 0                    | 110,883,455                        | 104,837,916                        | 105,160,348                       | 106,365,063                       |
| GENERAL RESERVE FUND (3%) - BEG. BAL.  | 95,122,617           | 0                    | 166,325,183                        | 183,466,352                        | 210,320,697                       | 239,321,391                       |
| TOTAL RESERVES                         | 95,122,617           | 0                    | 277,208,638                        | 288,304,268                        | 315,481,045                       | 345,686,454                       |
| REVENUE EXCESS / SHORTAGE FROM ACT     | (1,204,898,022)      | (359,897,490)        | 229,554,529                        | 0                                  | 0                                 | 0                                 |
| EDUCATION IMPROVEMENT ACT 2/           | 561,072,910          | 551,358,000          | 556,050,192                        | 563,498,994                        | 571,919,979                       | 580,467,279                       |
| EIA FUND                               | 560,649,108          | 551,283,727          | 555,880,192                        | 561,398,994                        | 569,819,979                       | 578,367,279                       |
| EIA HOLD HARMLESS                      |                      |                      |                                    |                                    |                                   |                                   |
| EIA INTEREST                           | 423,802              | 74,273               | 170,000                            | 2,100,000                          | 2,100,000                         | 2,100,000                         |
| S.C. EDUCATION LOTTERY FUND (NET)      | 260,437,827          | 272,427,686          | 252,400,000                        | 252,400,000                        | 252,400,000                       | 252,400,000                       |
| HOMESTEAD EXEMPTION FUND               |                      |                      |                                    |                                    |                                   |                                   |
| TOTAL REVENUE AVAILABLE                | 532,647,527          | 496,940,585          | 534,969,257                        | 539,421,601                        | 546,721,739                       | 554,091,028                       |
| LESS: HOMESTEAD EXEMPT. FUND SHORTFALL | (58,810,827)         | (123,710,826)        | (93,185,792)                       | (105,749,090)                      | (117,854,383)                     | (130,778,043)                     |

1/: Excludes (1%) Education Improvement Act and (2%) Accommodations Taxes.

2/: Includes interest earnings.

3/: Includes former Dept. of Agriculture agency revenue other than the Petroleum Inspection Tax now shown separately.

Source: S. C. Board of Economic Advisors/11/10/10

PERSONAL INCOME GROWTH  
 FY2010-11: 1.5%; FY2011-12: 1.0%  
 FORECAST PERIOD: 1.5%

LONG RANGE GENERAL FUND REVENUE FORECAST  
 FISCAL YEARS FY2008-09 TO FY2013-14  
 (PERCENTAGE CHANGE OVER PREVIOUS FISCAL YEAR)

| REVENUE CATEGORIES                     | PERCENT<br>CHANGE<br>FY08/FY09 | PERCENT<br>CHANGE<br>FY09/FY10 | PERCENT<br>CHANGE<br>FY10/FY11 | PERCENT<br>CHANGE<br>FY11/FY12 | PERCENT<br>CHANGE<br>FY12/FY13 | PERCENT<br>CHANGE<br>FY13/FY14 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| RETAIL SALES TAX 1/                    | -8.7                           | -2.6                           | 1.5                            | 1.0                            | 1.5                            | 1.5                            |
| EXCISE, CASUAL SALES TAX               | -20.2                          | 3.3                            | 1.5                            | 1.0                            | 1.5                            | 1.5                            |
| INDIVIDUAL INCOME TAX                  | -15.5                          | -5.0                           | 1.6                            | 1.1                            | 1.6                            | 1.6                            |
| CORPORATION INCOME TAX                 | -20.3                          | -40.4                          | 4.0                            | 2.0                            | 2.0                            | 2.0                            |
| SALES AND INCOME TAXES                 | -13.0                          | -5.6                           | 1.6                            | 1.1                            | 1.6                            | 1.6                            |
| ADMISSIONS/BINGO TAX                   | -1.5                           | -4.1                           | 5.0                            | 5.0                            | 5.0                            | 5.0                            |
| ADMISS. TAX TRANSFER TO COMMERCE       |                                |                                |                                |                                |                                |                                |
| AIRCRAFT TAX                           | 1.9                            | -14.4                          | 2.6                            | 2.6                            | 2.6                            | 2.6                            |
| ALCOHOLIC LIQUOR TAX                   | 1.4                            | 0.0                            | 1.0                            | 1.0                            | 1.0                            | 1.0                            |
| BANK TAX                               | -56.0                          | 84.5                           | 3.0                            | 3.0                            | 3.0                            | 3.0                            |
| BEER AND WINE TAX                      | 0.7                            | -2.1                           | 2.5                            | 2.5                            | 2.5                            | 2.5                            |
| BUSINESS LICENSE TAX                   | -1.6                           | 15.3                           | -9.0                           | -1.0                           | -1.0                           | -1.0                           |
| COIN-OPERATED DEVICES                  | 33.6                           | -19.3                          | 30.0                           | -26.9                          | 53.3                           | -38.0                          |
| CORPORATION LICENSE TAX                | 8.8                            | -9.4                           | 6.8                            | 6.8                            | 6.8                            | 6.8                            |
| DEPARTMENTAL REVENUE 3/                | -14.3                          | 69.7                           | -37.3                          | 0.0                            | 0.0                            | 0.0                            |
| DOCUMENTARY TAX                        | -43.1                          | 0.7                            | -5.0                           | 0.0                            | 0.0                            | 5.0                            |
| LESS: CONSERVATION BANK TRUST FUND     |                                |                                |                                |                                |                                |                                |
| EARNED ON INVESTMENTS                  | -35.6                          | -47.6                          | -16.1                          | 2.9                            | 0.0                            | 0.0                            |
| ELECTRIC POWER TAX                     | -0.8                           | 2.0                            | 1.5                            | 2.5                            | 2.5                            | 2.5                            |
| LESS: TRANSFER TO COMMERCE/SIB         |                                |                                |                                |                                |                                |                                |
| ESTATE AND GIFT TAXES                  | -55.5                          | -52.3                          | -31.4                          | 0.0                            | 0.0                            | 0.0                            |
| LESS: FEDERAL CHANGE TO ESTATE TAX     |                                |                                |                                |                                |                                |                                |
| INSURANCE PREMIUM TAX                  | -1.6                           | -2.2                           | 5.5                            | 5.5                            | 5.5                            | 5.5                            |
| INSURANCE LICENSE TAX                  | 148.8                          | -55.6                          | 150.0                          | -50.0                          | 100.0                          | -50.0                          |
| INSURANCE RETALIATORY & OTHER TAX      | -14.7                          | -1.5                           | 2.2                            | 0.0                            | 0.0                            | 0.0                            |
| LESS: INSURANCE CREDITS                | 4.6                            | -27.4                          | 10.8                           | 0.0                            | 11.8                           | 0.0                            |
| MOTOR TRANSPORT FEES                   | 78.0                           | -87.3                          | 300.0                          | 0.0                            | 0.0                            | 0.0                            |
| MOTOR VEHICLE LICENSES                 | -37.8                          | -18.2                          | 2.0                            | 2.0                            | 2.0                            | 2.0                            |
| PETROLEUM INSPECTION TAX               | -5.4                           | 1.1                            | 1.0                            | 1.0                            | 1.4                            | 1.4                            |
| LESS: TRANSFER TO NON-FED HGWY FUND    |                                |                                |                                |                                |                                |                                |
| PRIVATE CAR LINES TAX                  | 3.9                            | 6.0                            | 3.9                            | 3.9                            | 3.9                            | 3.9                            |
| PUBLIC SERVICE AUTHORITY               | 30.5                           | -9.7                           | 7.3                            | 7.3                            | 5.0                            | 5.0                            |
| RETAILERS LICENSE TAX                  | -6.9                           | 1.3                            | 1.5                            | 2.0                            | 2.0                            | 2.0                            |
| SAVINGS & LOAN TAX                     | 13.7                           | -10.3                          | 3.0                            | 3.0                            | 3.0                            | 3.0                            |
| WORKERS COMP. INSURANCE                | -5.7                           | 1.3                            | 1.5                            | 2.0                            | 2.0                            | 2.0                            |
| CIRCUIT/FAMILY COURT FINES             | -4.5                           | -4.3                           | 1.0                            | 1.0                            | 1.0                            | 1.0                            |
| DEBT SERVICE TRANSFERS                 | -33.5                          | -53.2                          | -64.9                          | 0.0                            | 0.0                            | 0.0                            |
| INDIRECT COST RECOVERIES               | 1.7                            | -0.1                           | 4.0                            | 0.0                            | 0.0                            | 0.0                            |
| MENTAL HEALTH FEES                     | 0.0                            | 0.0                            | 0.0                            | 0.0                            | 0.0                            | 0.0                            |
| PAROLE / PROBATION FEES                | 0.0                            | 0.0                            | 0.0                            | 0.0                            | 0.0                            | 0.0                            |
| UNCLAIMED PROPERTY FUND                | 0.0                            | 0.0                            | 25.0                           | 0.0                            | 0.0                            | 0.0                            |
| OTHER BASE SOURCES                     | -8.1                           | -3.4                           | 0.3                            | 0.7                            | 5.3                            | 0.9                            |
| TOTAL GENERAL FUND REVENUE             | -12.5                          | -5.3                           | 1.5                            | 1.0                            | 2.0                            | 1.5                            |
| APPROPRIATION ACT REVENUE              | 1.9                            | -16.1                          | -8.3                           | 5.2                            | 2.0                            | 1.5                            |
| LESS: TAX RELIEF TRUST FUND            | 1.1                            | 0.6                            | 3.2                            | -0.0                           | 3.6                            | 3.6                            |
| PLUS: TAX RELIEF FUND CARRYFORWARD     |                                |                                |                                |                                |                                |                                |
| EXCLUDING TRUST FUNDS                  | 1.9                            | -17.5                          | -9.4                           | 5.8                            | 1.9                            | 1.3                            |
| CAPITAL RESERVE FUND (2%) - BEG. BAL.  | -100.0                         |                                |                                | -5.5                           | 0.3                            | 1.1                            |
| GENERAL RESERVE FUND (3%) - BEG. BAL.  | -49.1                          | -100.0                         |                                | 10.3                           | 14.6                           | 13.8                           |
| TOTAL RESERVES                         | -69.4                          | -100.0                         |                                | 4.0                            | 9.4                            | 9.6                            |
| REVENUE EXCESS / SHORTAGE FROM ACT     |                                |                                |                                |                                |                                |                                |
| EDUCATION IMPROVEMENT ACT 2/           | -11.7                          | -1.7                           | 0.9                            | 1.3                            | 1.5                            | 1.5                            |
| EIA FUND                               | -7.7                           | -1.7                           | 0.8                            | 1.0                            | 1.5                            | 1.5                            |
| EIA HOLD HARMLESS                      |                                |                                |                                |                                |                                |                                |
| EIA INTEREST                           | -79.4                          | -82.5                          | 128.9                          | 1135.3                         | 0.0                            | 0.0                            |
| S.C. EDUCATION LOTTERY FUND (NET)      | -2.1                           | 4.6                            | -7.4                           | 0.0                            | 0.0                            | 0.0                            |
| HOMESTEAD EXEMPTION FUND               |                                |                                |                                |                                |                                |                                |
| TOTAL REVENUE AVAILABLE                |                                |                                |                                |                                |                                |                                |
| LESS: HOMESTEAD EXEMPT. FUND SHORTFALL |                                |                                |                                |                                |                                |                                |

1/ Excludes (1%) Education Improvement Act and (2%)

2/ Includes interest earnings.

3/ Includes former Dept. of Agriculture agency revenue

Source: S. C. Board of Economic Advisors/11/10/10