

“A TALE OF TWO ECONOMIES”

SC ECONOMIC AND FISCAL OUTLOOK

FY 2020-21 AND FY 2021-22



Presented to
South Carolina Senate Finance Committee

March 30, 2021

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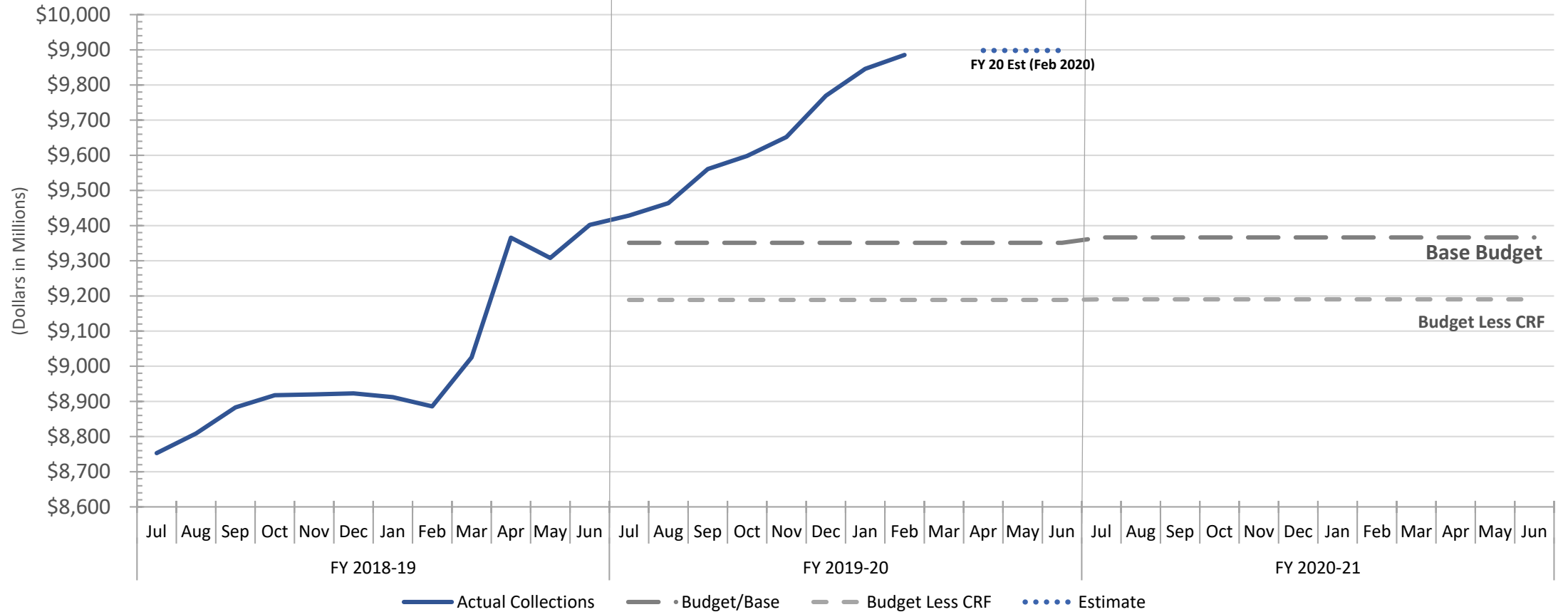
“It was the best of times, it was the worst of times...”
- Charles Dickens, *A Tale of Two Cities* (1859)

One year ago ... “SC is in good shape to withstand ...”

February 4, 2020 – SC Senate Finance Committee

ROLLING FISCAL YEAR - GENERAL FUND REVENUE

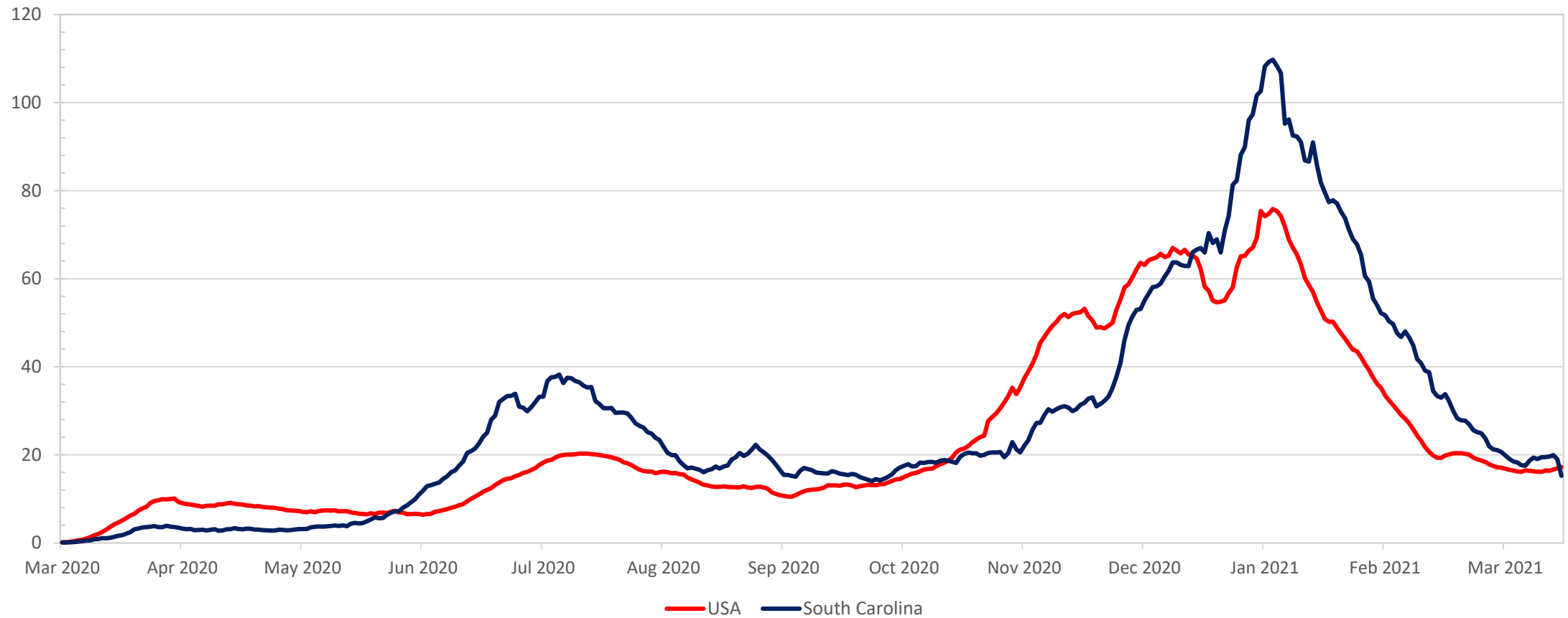
Actual, Estimates, and Base Budget Amount for FY 2019-20 and FY 2020-21 as of February 2020



Trend in US and SC COVID-19 Infections

Rollercoaster results added uncertainty to the economy

7-DAY AVERAGE NEW CASES PER 100,000 PEOPLE



Source: Centers for Disease Control and Prevention COVID Data Tracker 294 - RFA/bdc/03/26/2021

Real GDP Growth

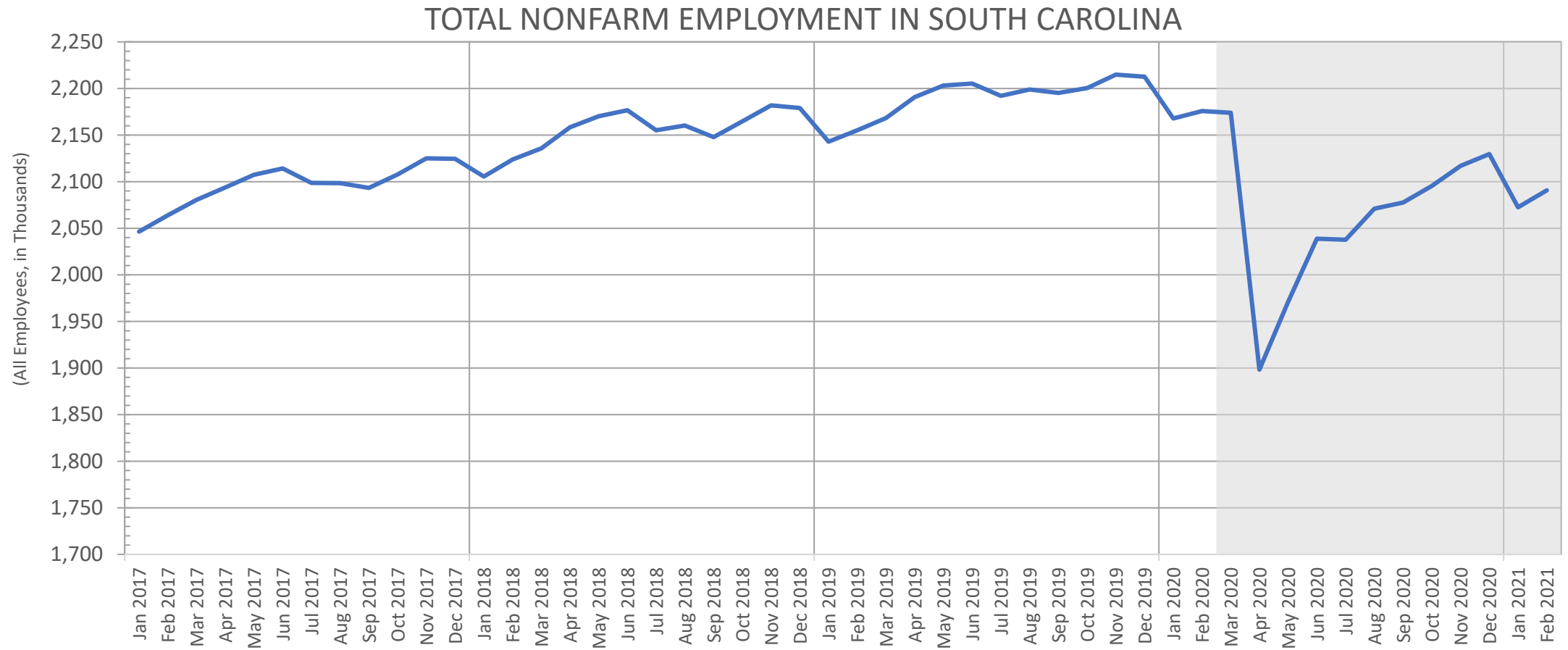
Recession (negative growth) started in early 2020



Source: U.S. Dept. of Commerce, Bureau of Economic Analyses; Federal Reserve Open Market Committee, Mar 2021 RFA/lhj/266/3/26/2021

SC Employment – Steep Drop; Quick But Partial Recovery

Lost over 277,000 jobs; recovered 69% of jobs lost



Source: U.S. Department of Labor. Bureau of Labor Statistics 60-RFA/lhi/3/26/2021

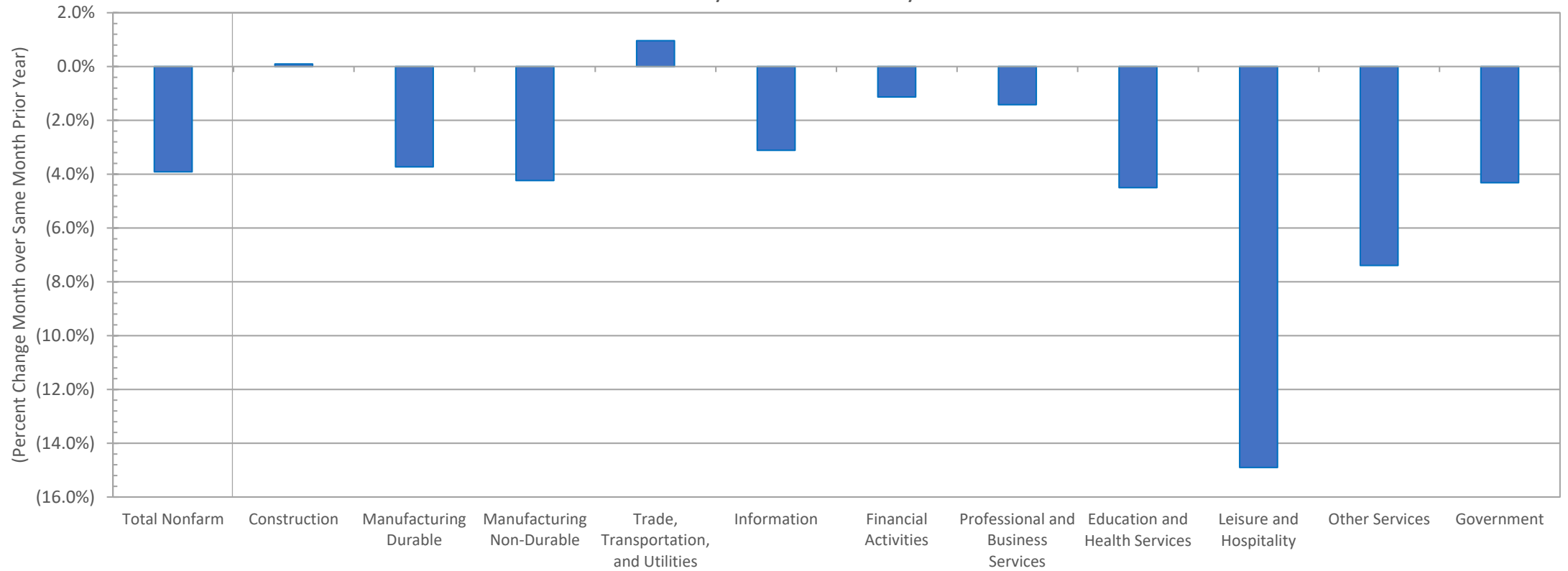


South Carolina Employment

Job losses over the past year vary by sector

EMPLOYMENT PERCENT CHANGE BY SECTOR

February 2021 vs February 2020



Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Federal Reserve Bank of St. Louis, FRED 281a--RFA/bdc/3/26/2021

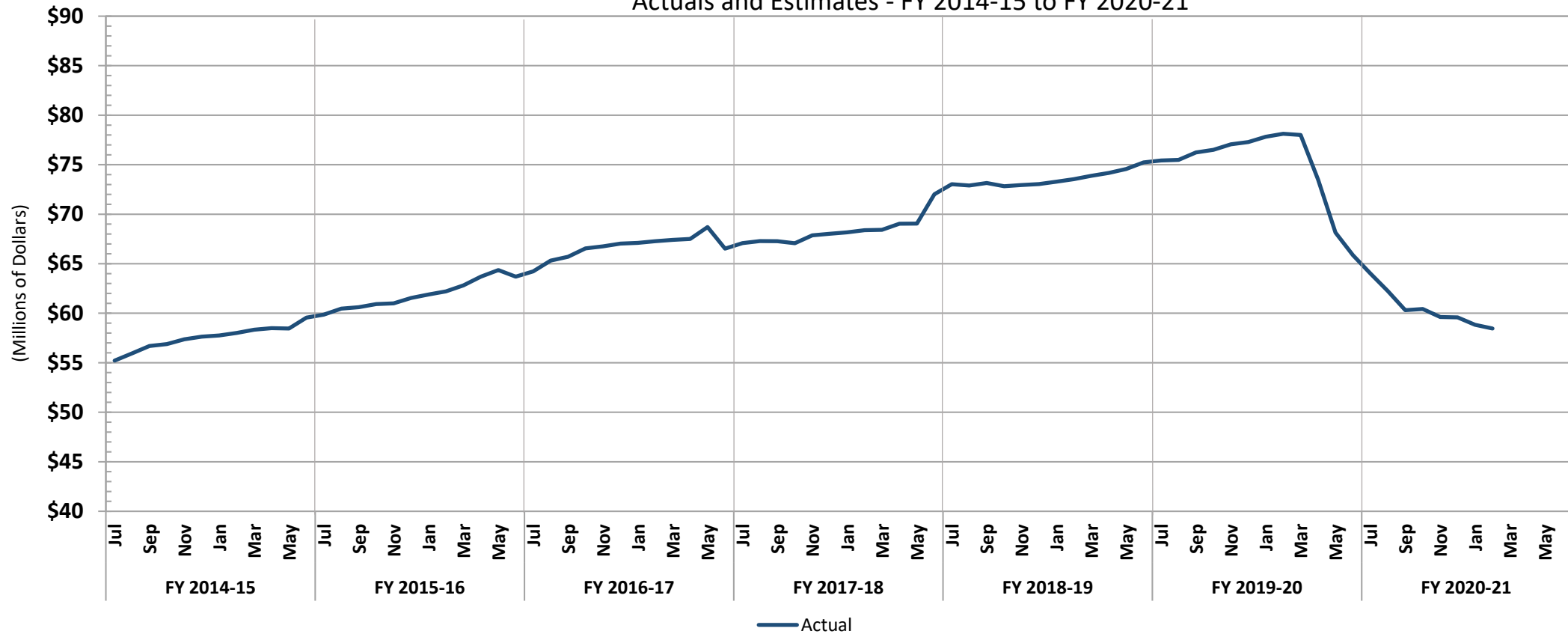


SC Accommodations Tax (Two Percent)

COVID-19 significantly impacted Hospitality Sector

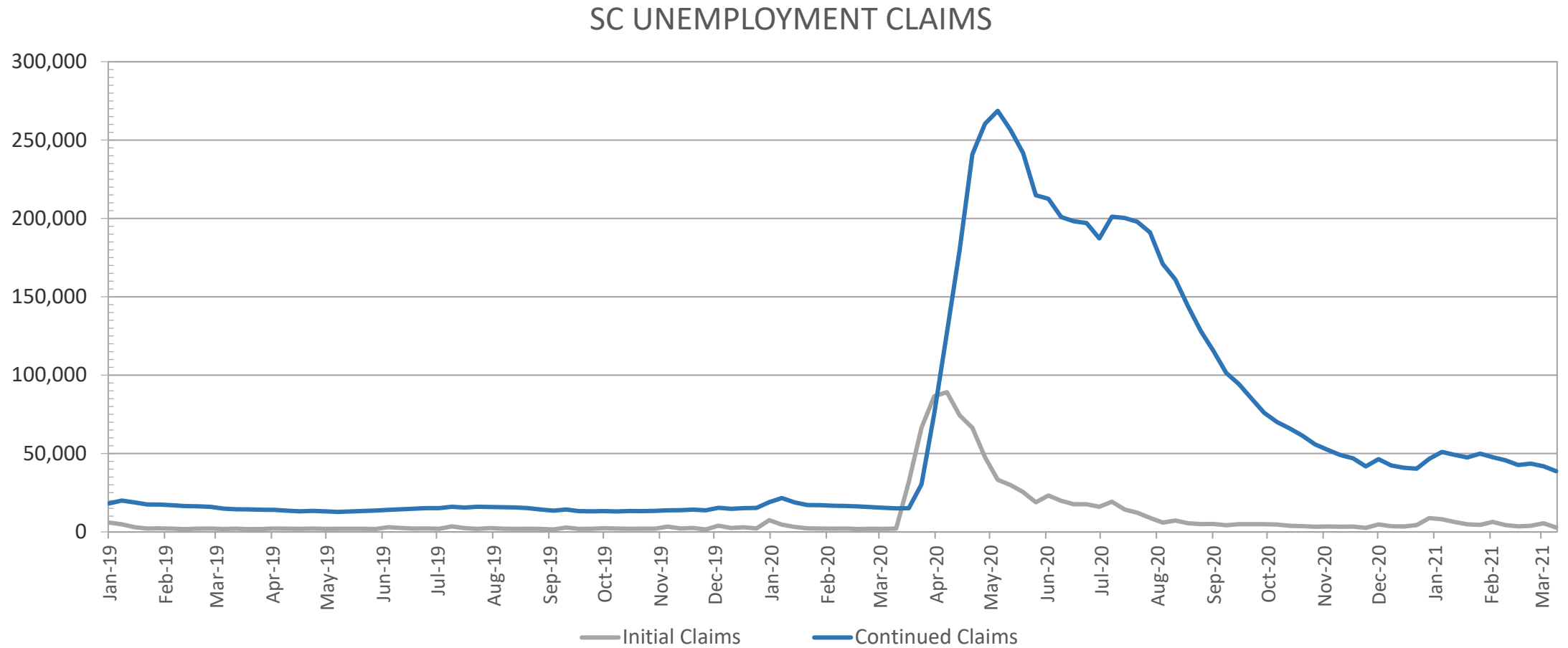
ROLLING FISCAL YEAR - ACCOMMODATIONS TAX

Actuals and Estimates - FY 2014-15 to FY 2020-21



SC Unemployment Claims

Spike in claims; gradual return to normal levels

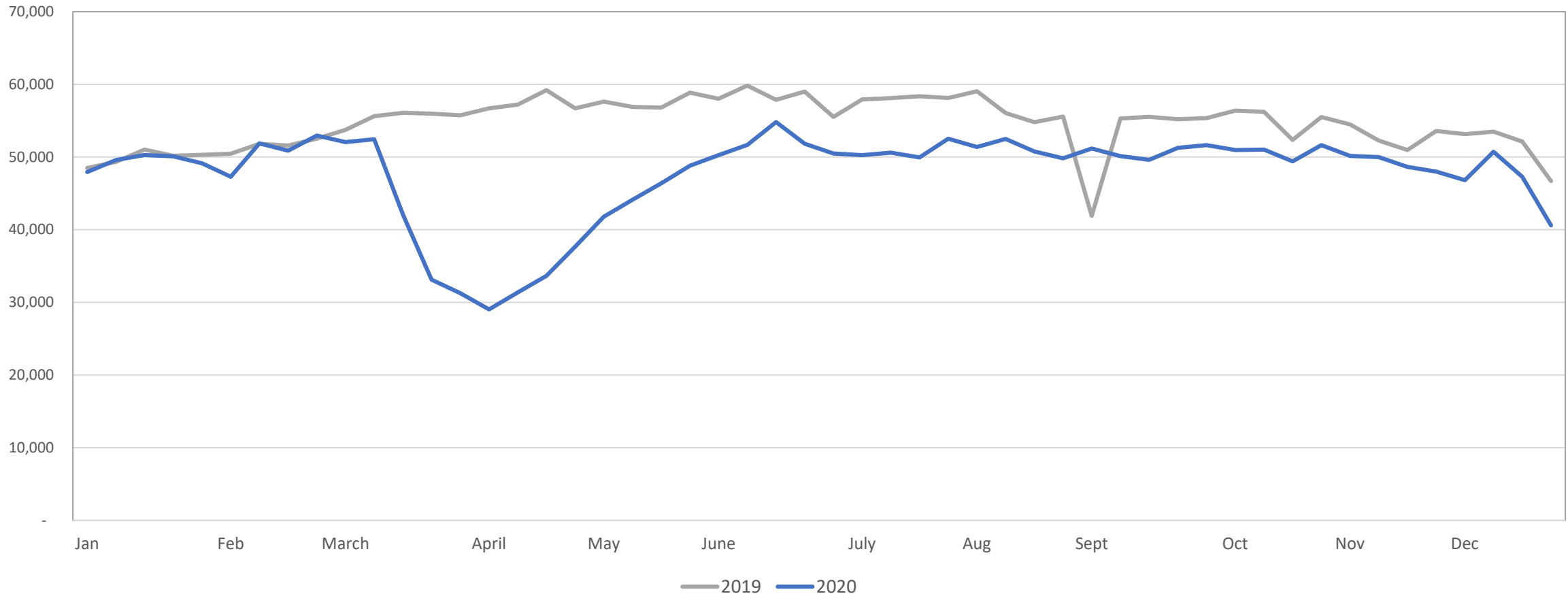


Source: U.S. Department of Labor; 287-RFA/lhj/03/29/2021

SCDOT Weekly Traffic Volumes

2020 traffic volumes below 2019 levels

S.C. WEEKLY AVERAGE TRAFFIC VOLUME



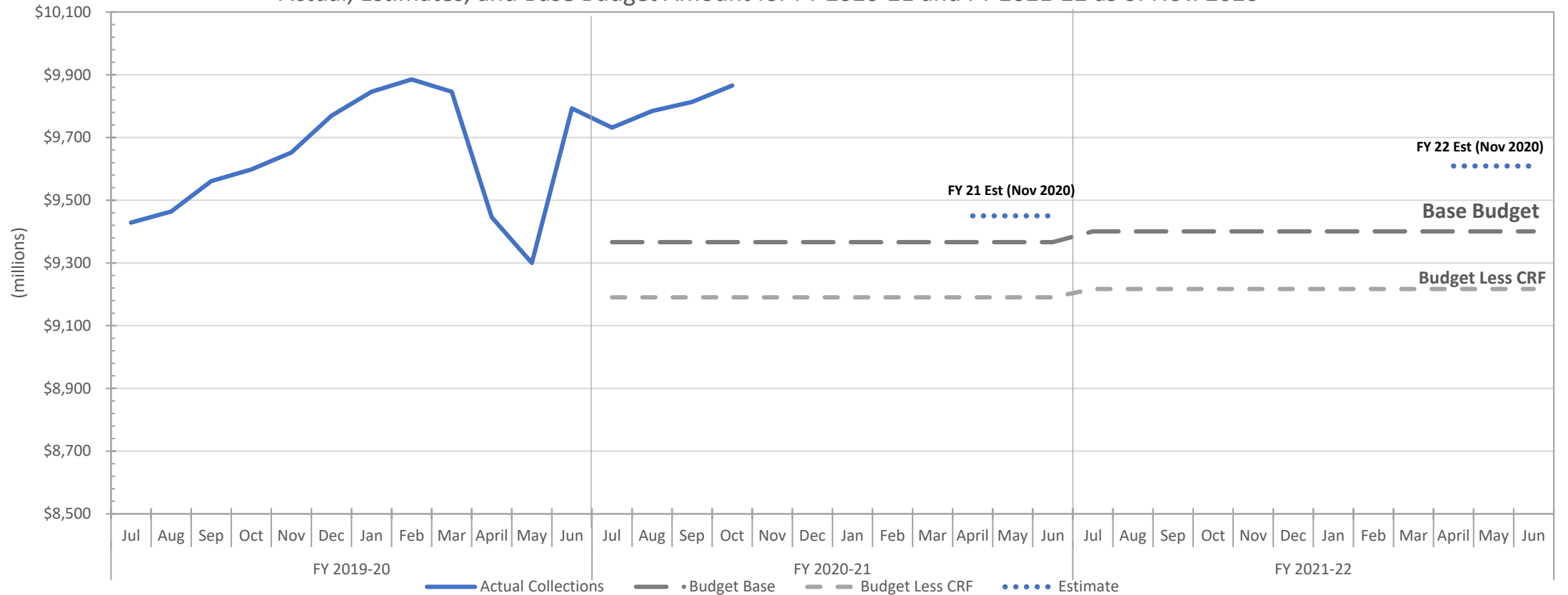
Source: SC Department of Transportation, 3/23/2021

Revenue Forecast Adjusted Down – November 2020

Based on impact of declining economy and employment

ROLLING FISCAL YEAR - GENERAL FUND REVENUE

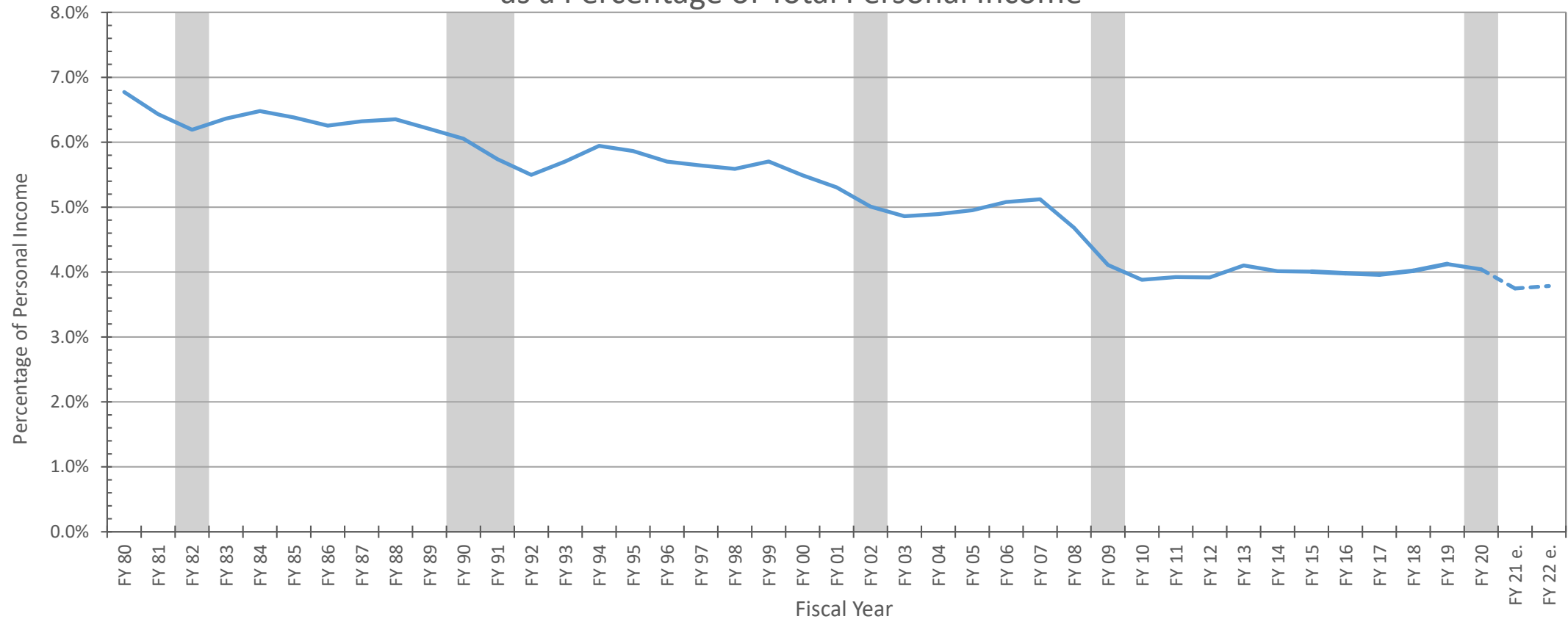
Actual, Estimates, and Base Budget Amount for FY 2020-21 and FY 2021-22 as of Nov. 2020



Importance of Personal Income

Historical relationship between Personal Income and General Fund Revenue

SOUTH CAROLINA GENERAL FUND REVENUE
as a Percentage of Total Personal Income

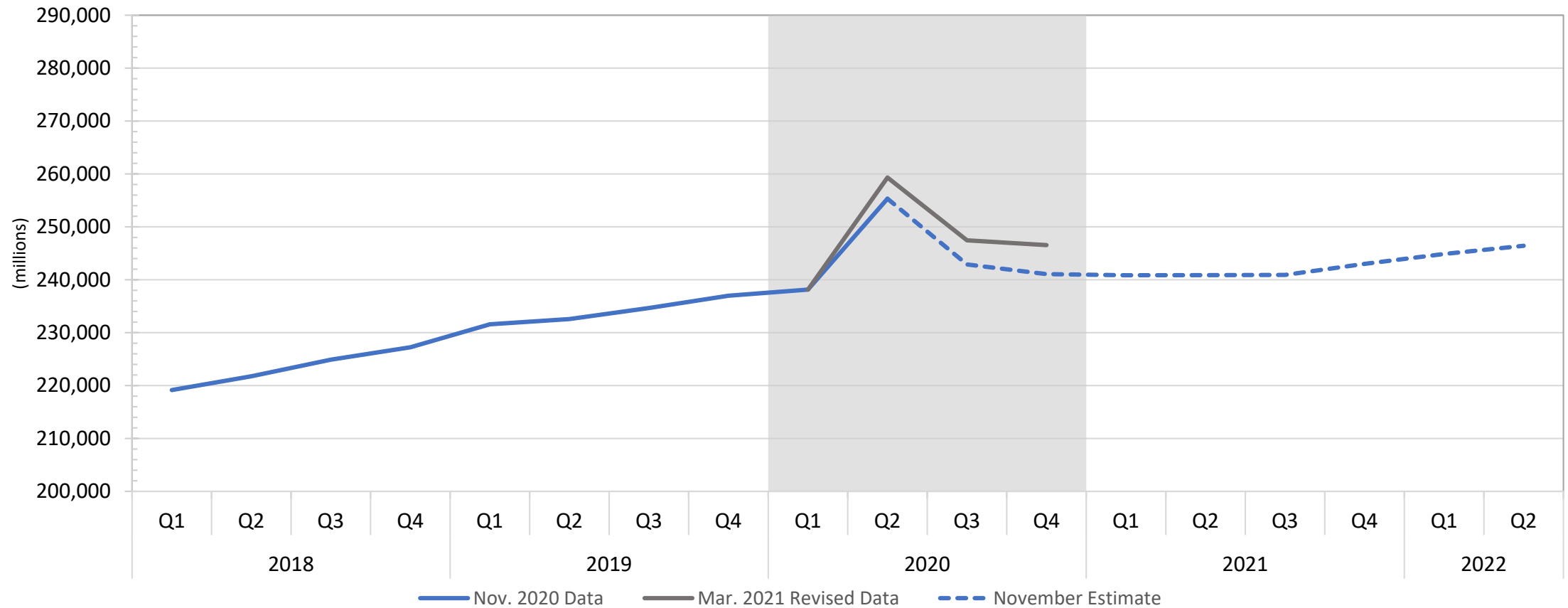


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34F-LHJ/03/24/21

SC Personal Income

Stimulus boosted income despite employment losses; expect return to normal level, but latest stimulus funds are not included yet

SOUTH CAROLINA PERSONAL INCOME
Actual vs. November Estimate



Federal Fiscal Policy - Stimulus Payments to SC

Direct to SC Residents and Businesses

- Federal Stimulus Checks (\$1,200) - \$4.32 billion¹
- Federal Stimulus Checks (\$600/\$1,400) – TBD
- PPP Loans - \$7.85 billion²
- Federal Unemployment Compensation - \$4.49 billion³

Direct to State Government for Appropriation

- CARES Act funds - \$1.90 billion
- American Rescue Plan Act funds - \$2.095 billion (preliminary)⁴

1 – I.R.S. Statement on Economic Impact Payments by State as of June 26, 2020

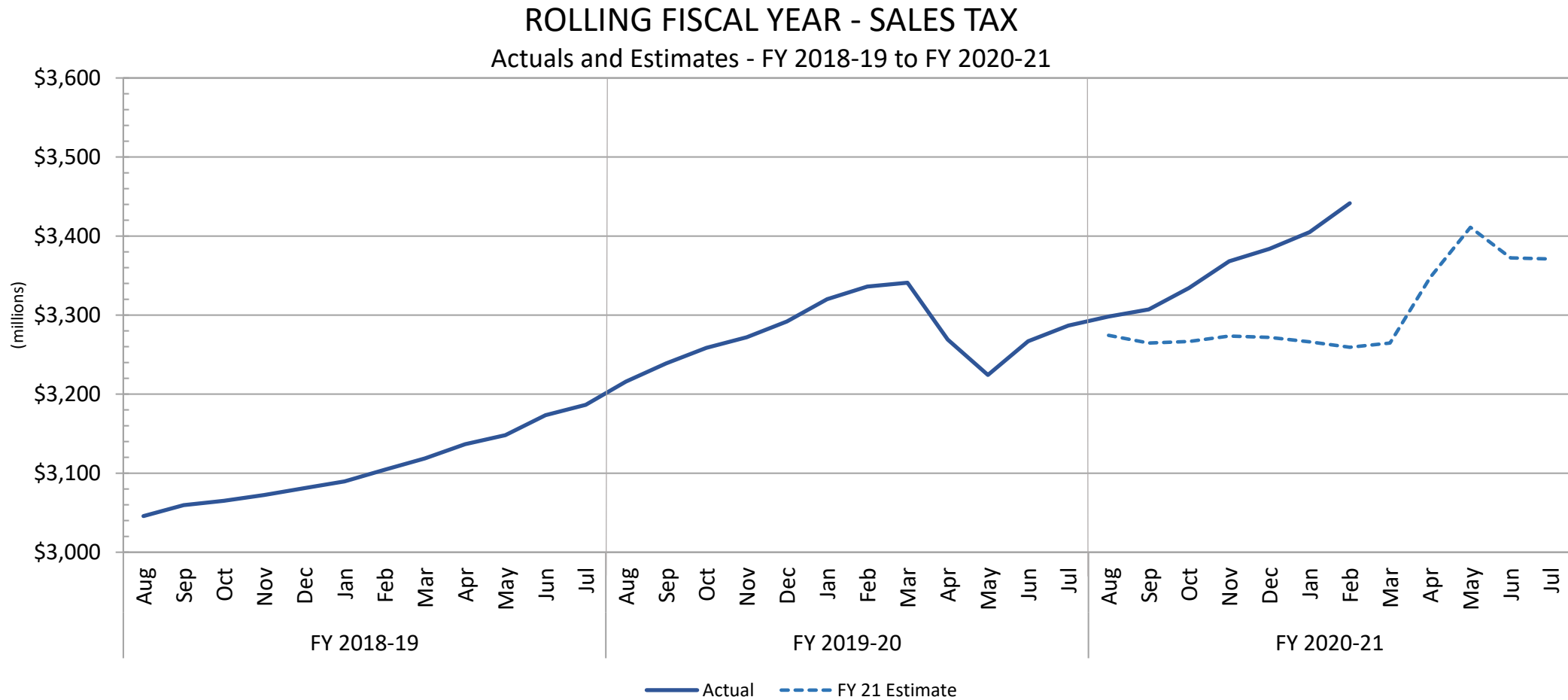
2 – Small Business Administration; sba.gov; 1st and 2nd round approvals through March 28, 2021

3 – SC Department of Employment and Workforce; dew.sc.gov; as of March 22, 2021

4 – NCLS.org estimates for Rescue Plan funds as of March 8, 2021; Total state and local funding of \$3.869 billion

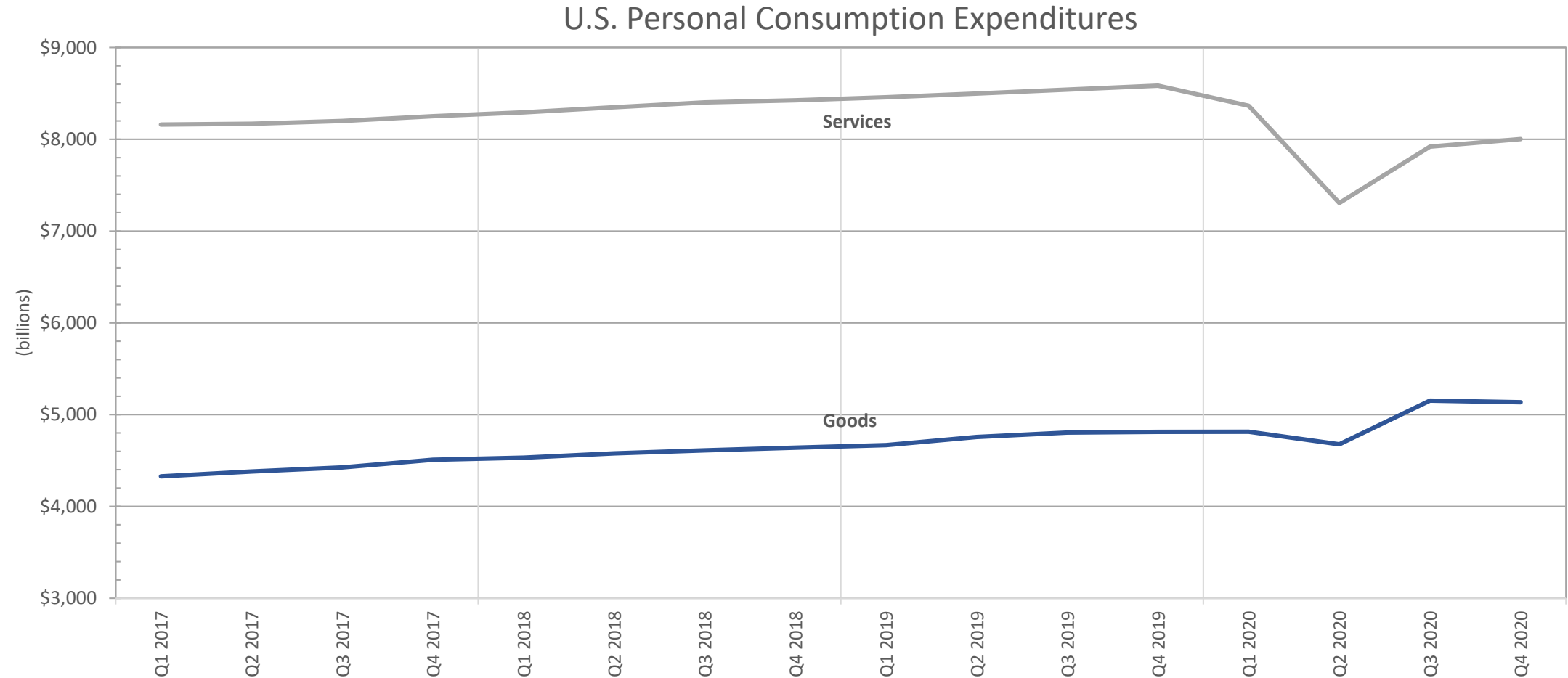
SC Sales Tax Revenue

Sales Tax Revenue grew with stimulus, changing habits



U.S. Consumer Spending

Consumption of goods is above historical trends while spending on services is well below normal



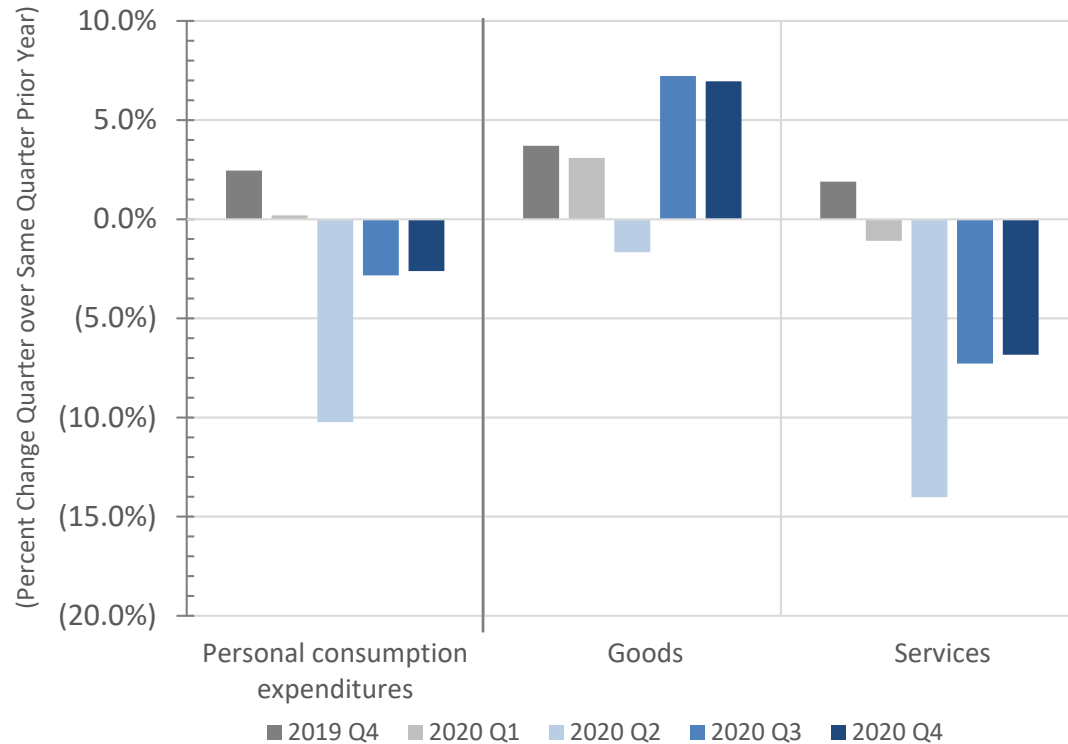
Source: U.S. Bureau of Economic Analysis; 299-RFA/lhj/03/29/2021



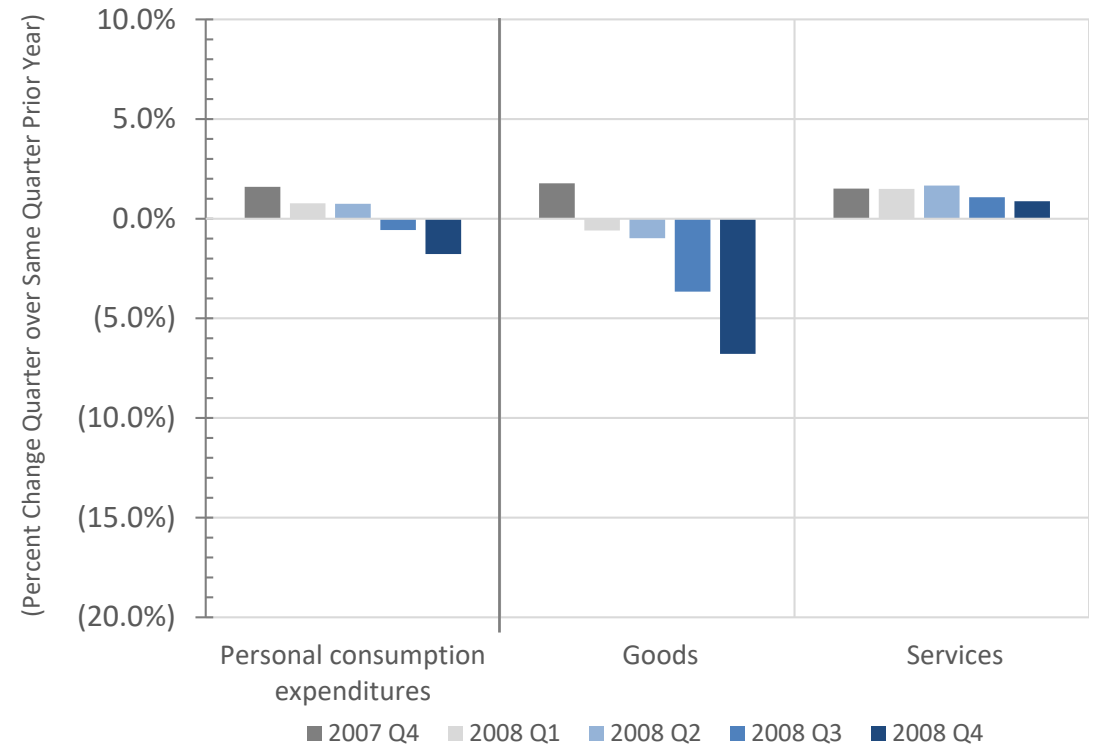
Personal Consumption of Goods and Services

Great recession saw greater decline in goods than services

PERSONAL CONSUMPTION EXPENDITURES
COVID-19 - Q4 2019 to Q4 2020



PERSONAL CONSUMPTION EXPENDITURES
Great Recession - Q4 2007 to Q4 2008



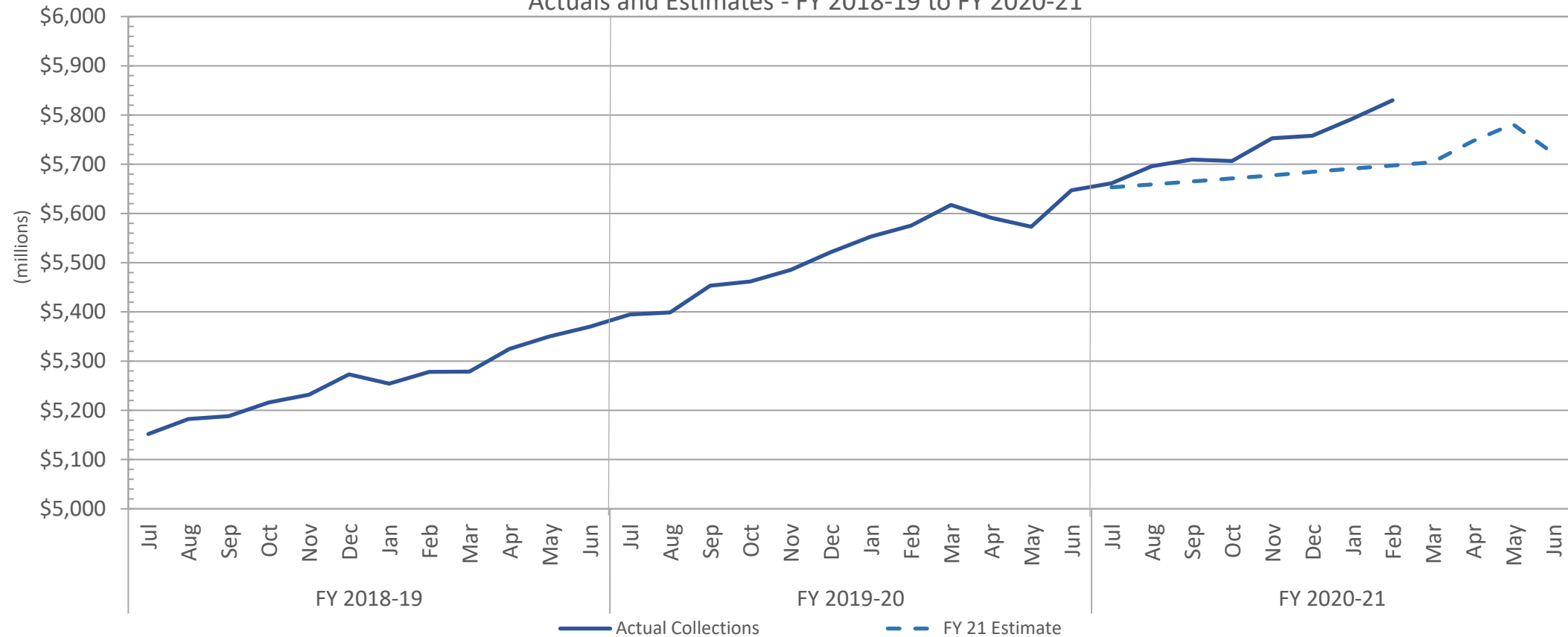
Source: Bureau of Economic Analyses 292B RFA/lhj/03/29/2021

SC Individual Withholdings Tax

Growth continues to grow despite lower employment

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

Actuals and Estimates - FY 2018-19 to FY 2020-21

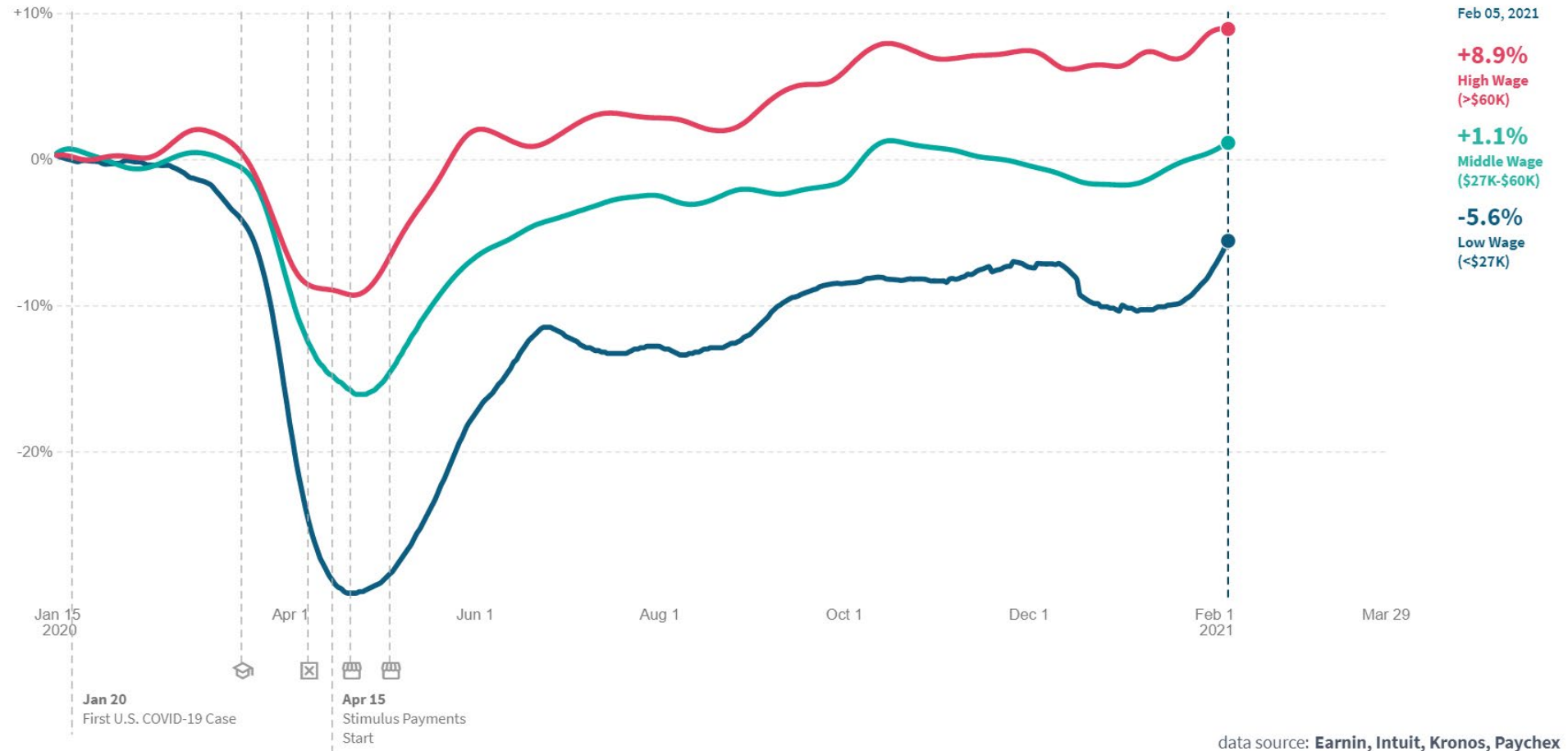


SC Employment Change by Wage Level

Employment losses are in low wage jobs; high wage jobs are up

Percent Change in Employment*

In South Carolina, as of February 05 2021, employment rates among workers in the bottom wage quartile **decreased** by 5.6% compared to January 2020 (not seasonally adjusted).



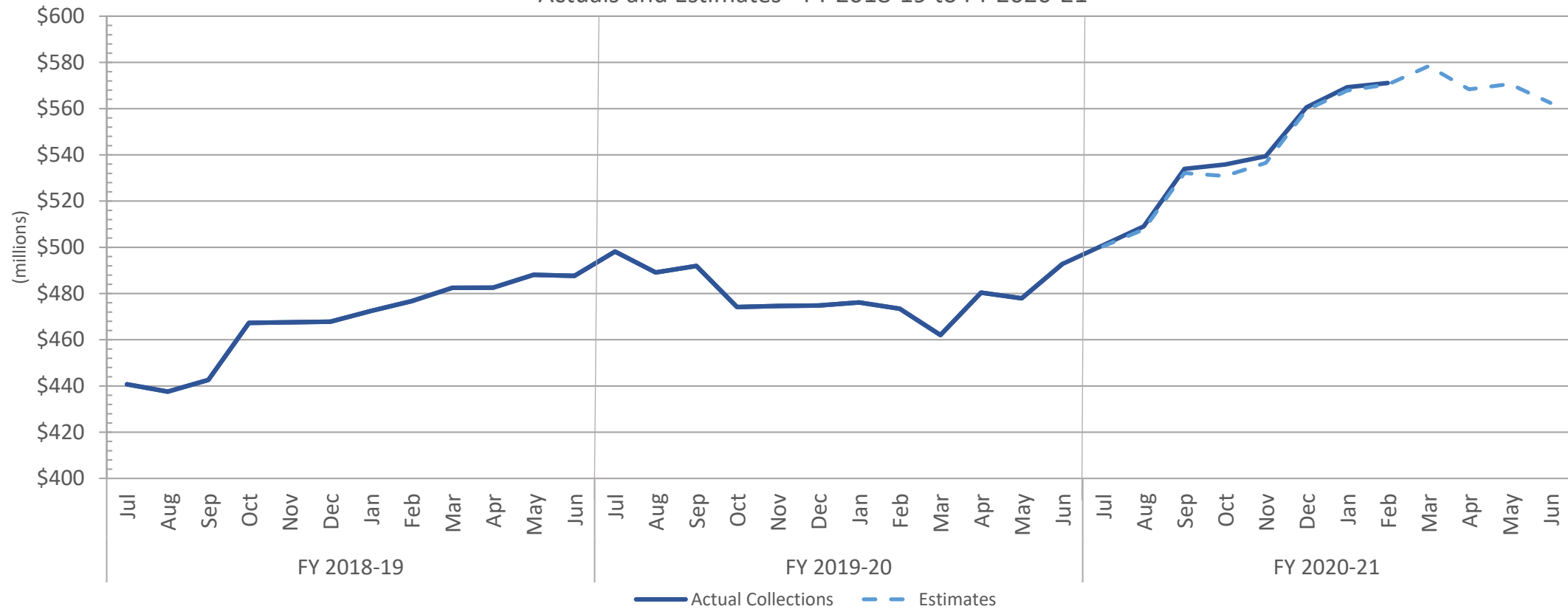
Source: Opportunity Insights Economic Tracker tracktherecovery.org, retrieved March 29, 2021; Data as of February 5, 2021

Lottery Revenues also Boosted by Stimulus Funds

But FY 22 revenues expected to drop from FY 21 high

ROLLING FISCAL YEAR - TOTAL LOTTERY REVENUE

Actuals and Estimates - FY 2018-19 to FY 2020-21



SC CURRENT FISCAL STATUS AND NATIONAL PERSPECTIVES

SC FY 2019-20 Results Compared to Other States

Across the Nation

- **Thirty-five states reported GF revenues for FY20 came in below their budget projections.**
- **General Fund revenues declined by 1.6 percent in FY20 compared to FY19.**

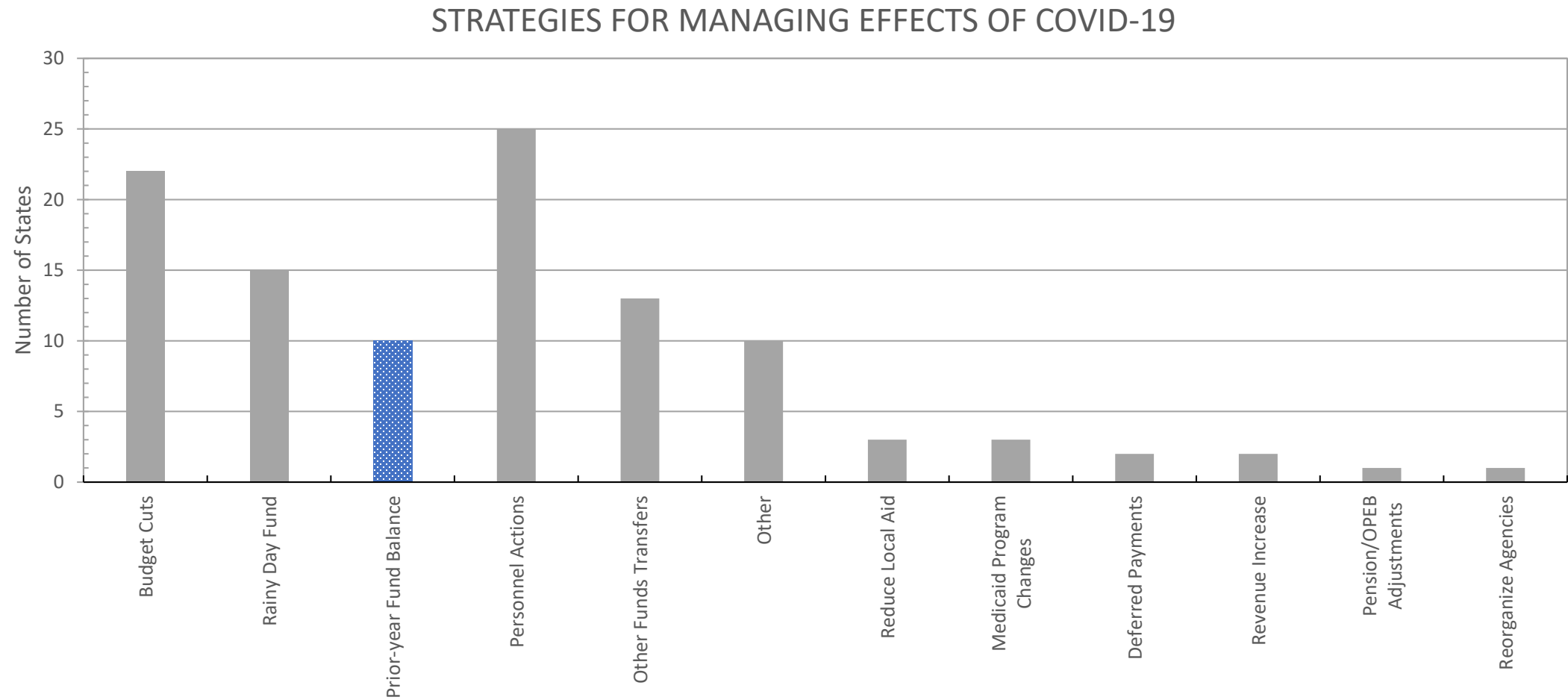
South Carolina

- **General Fund revenues for FY20 were \$462.6M above the February 2019 estimate.**
- **FY20 General Fund revenue increased 4.2 percent over FY19.**

Source: National Association of State Budget Officers, Fiscal Survey of States, Fall 2020

How States Managed Budgets in 2020

SC avoided most of the options adopted in other states; did use fund balance

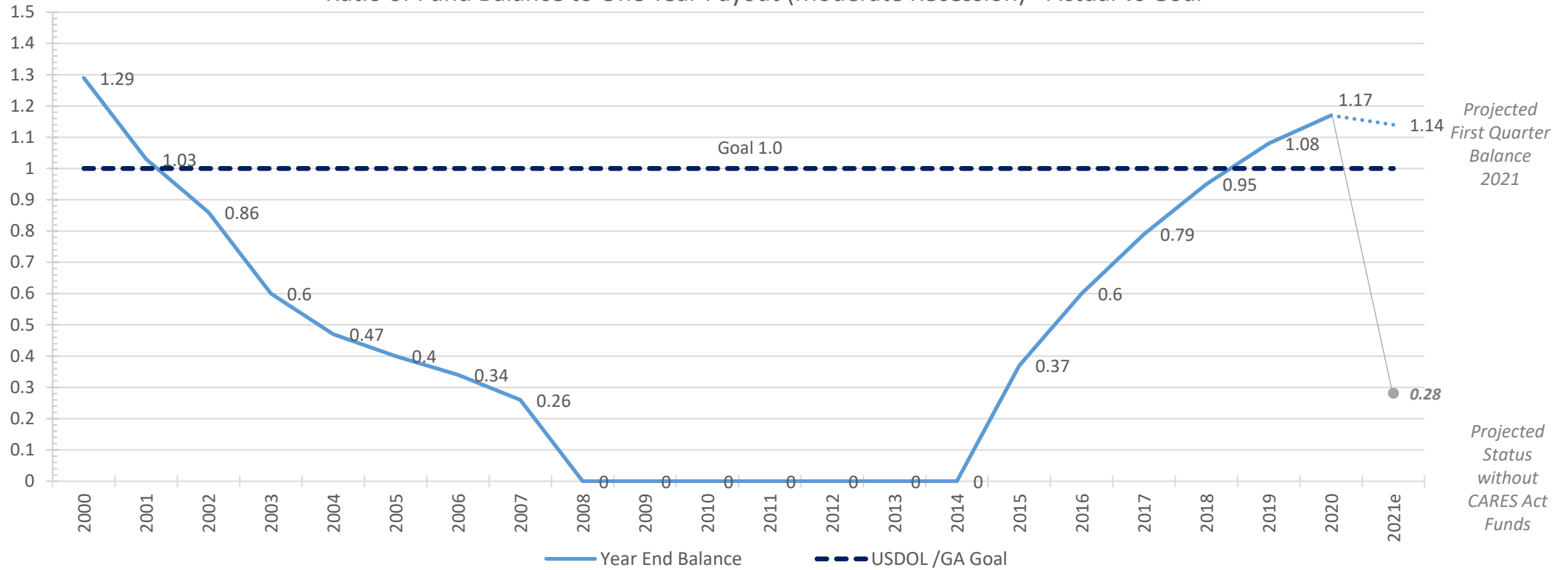


Source: National Association of State Budget Officers, Fiscal Survey of States, Fall 2020

SC Unemployment Trust Fund

CARES Act funding of \$847 million¹ helped maintain funded ratio

SC UNEMPLOYMENT TRUST FUND STATUS
Ratio of Fund Balance to One Year Payout (Moderate Recession) - Actual vs Goal

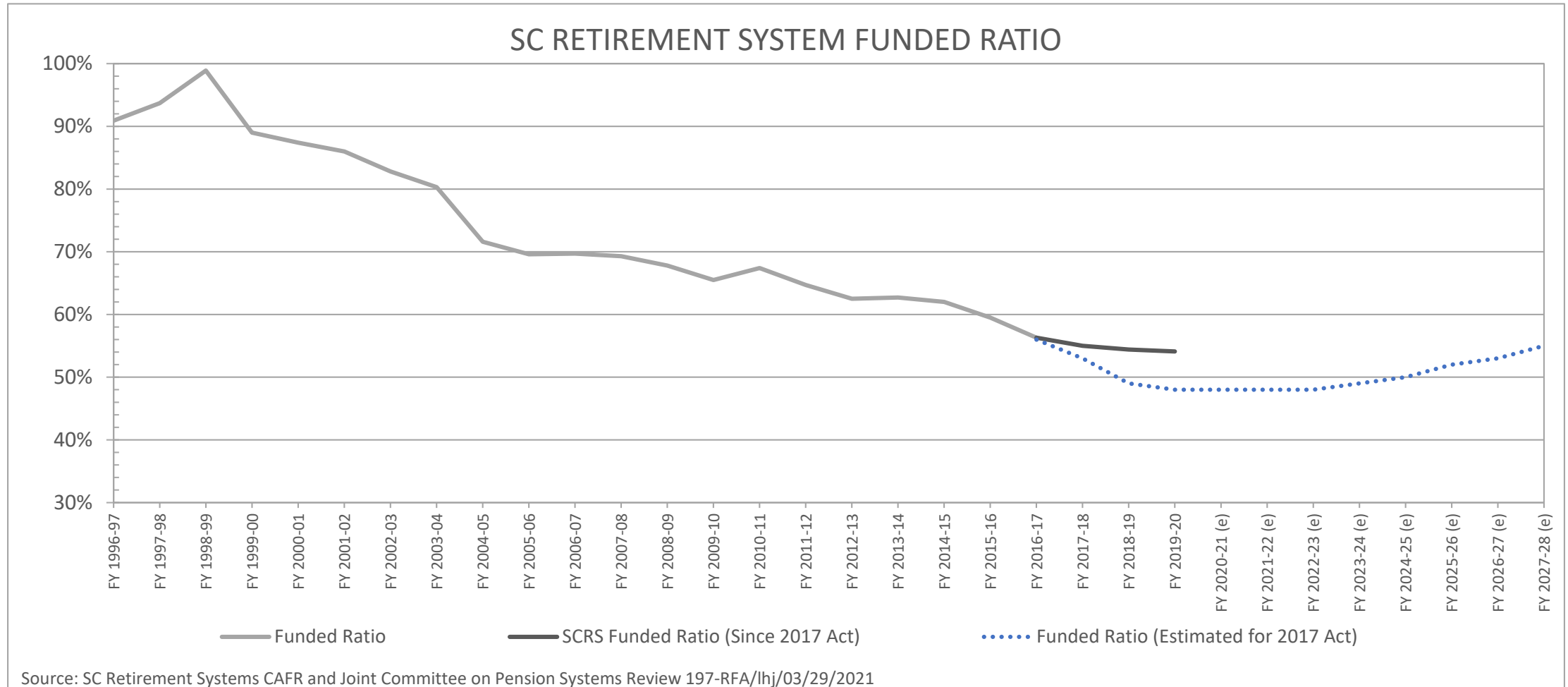


Source: S.C. Department of Employment and Workforce 271-RFA/mkm/03/29/2021

1- Total appropriations of \$920 million

Retirement System Funding Progress

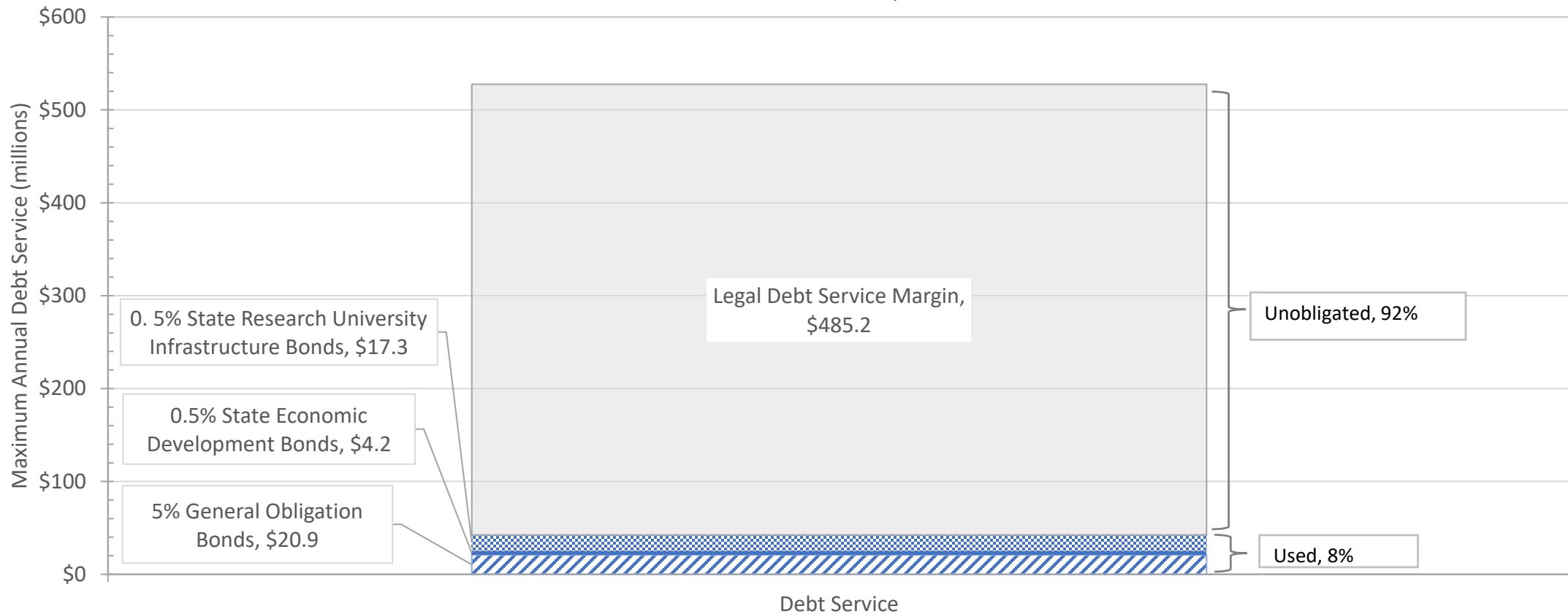
Funded ratio remains above the original projections in reform bill



Debt Service

Appropriations well below constitutional limit

Annual General Obligation Debt Service Utilization
as of June 30, 2020

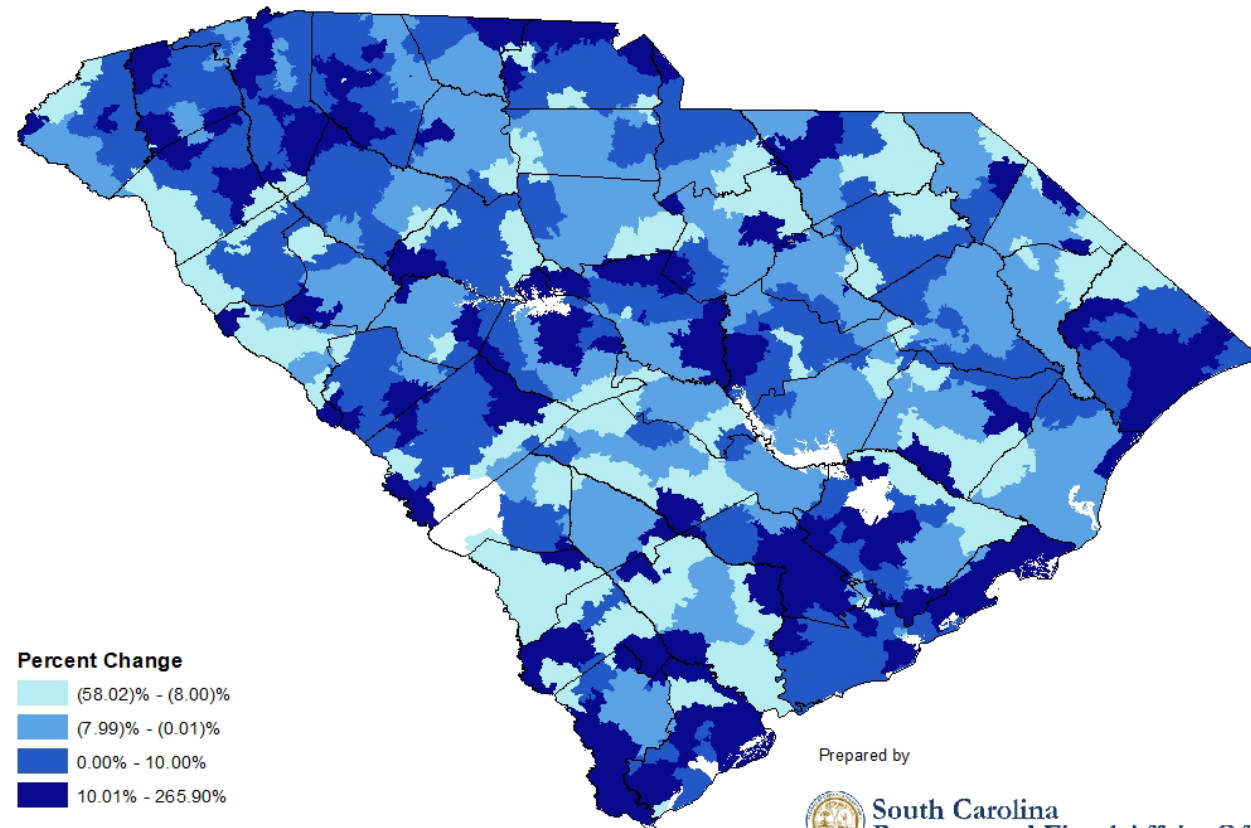


Source: S.C. Revenue and Fiscal Affairs 300-RFA/3/29/2021; data from South Carolina Annual State Debt Report

SC Population

SC continues to grow faster than U.S., but a wide range of differences exists

5 Year Percent Change in Total Population
2014 - 2019



Sources Census ACS ZCTA Population Estimates

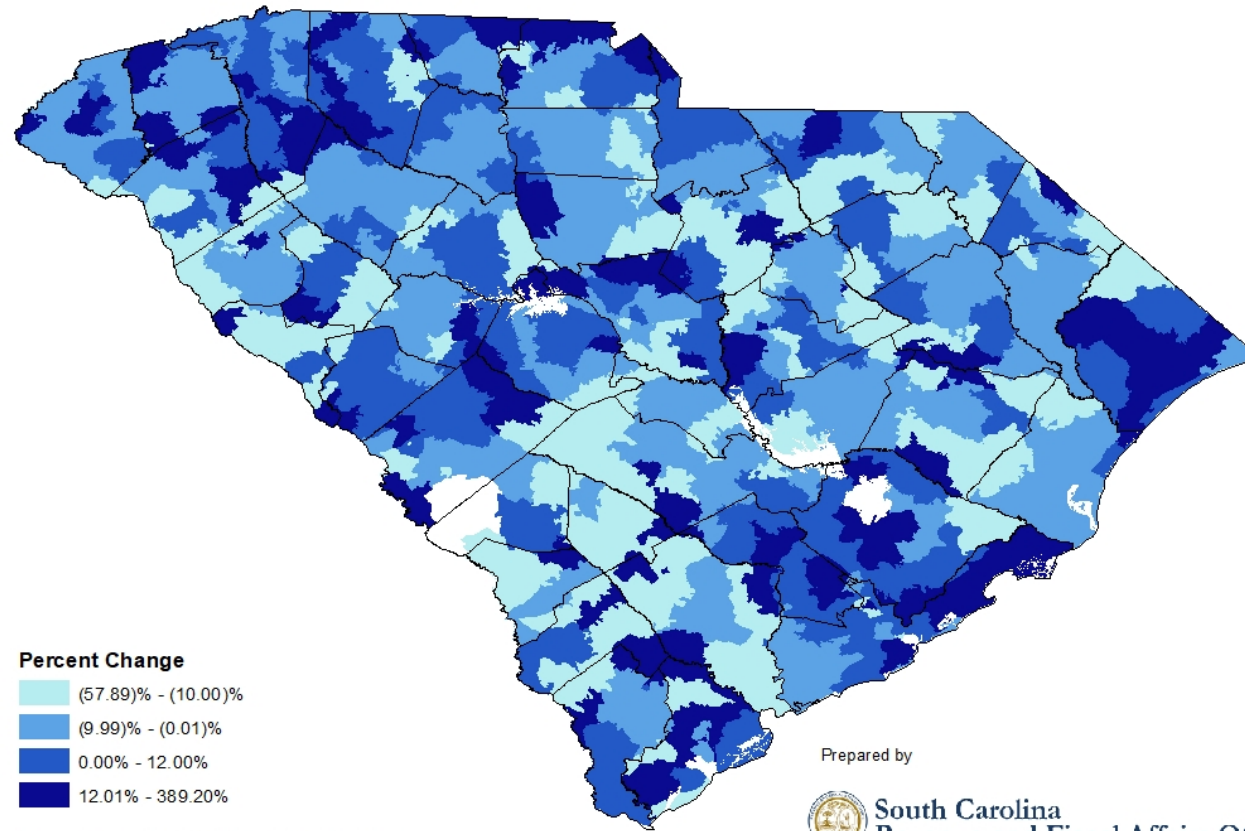
Prepared by

 South Carolina
Revenue and Fiscal Affairs Office

SC Working Age Population

Overall increase, but wide differences exist within the state

5 Year Percent Change in Working Age Population
2014 - 2019



Sources Census ACS ZCTA Population Estimates

Prepared by



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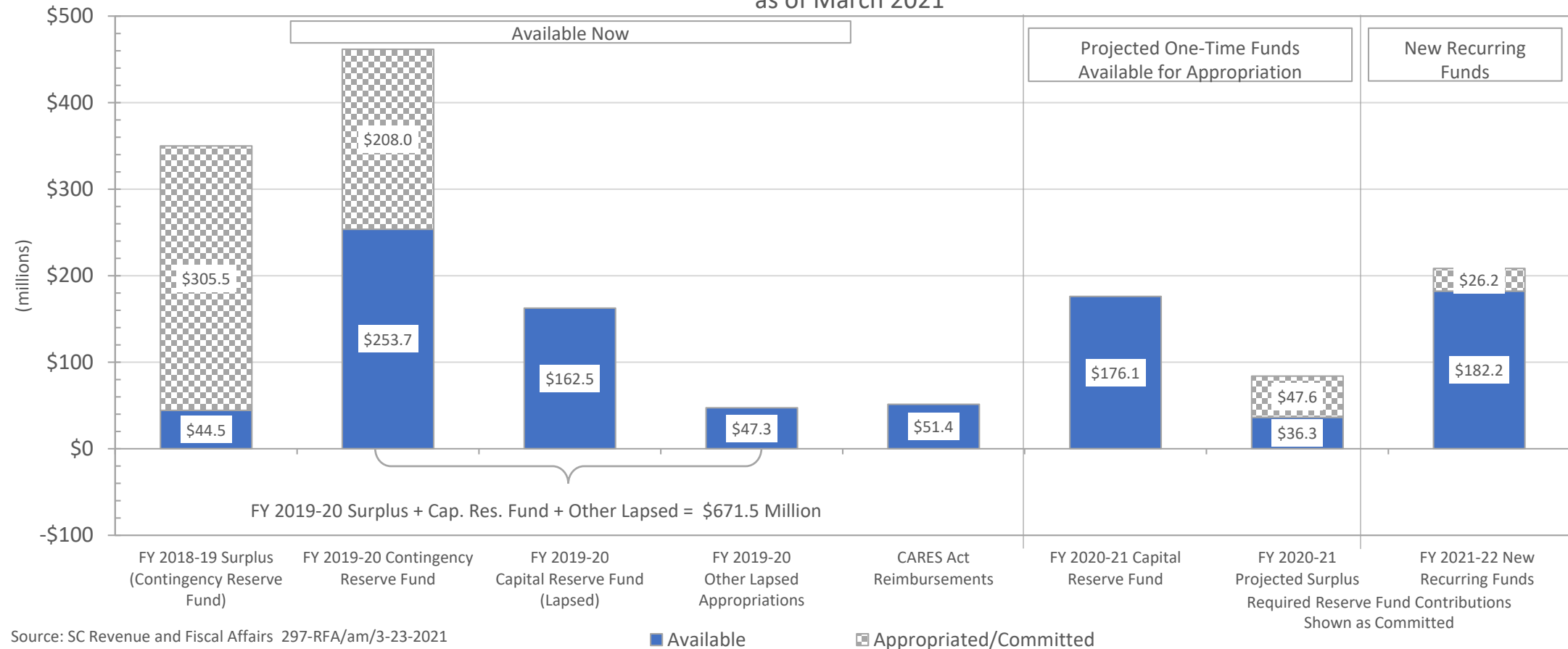


FY 2021-22 OUTLOOK

FY 2021-22 Available Funds

\$771.8m in one-time funds and \$182.2m new recurring money; more to come

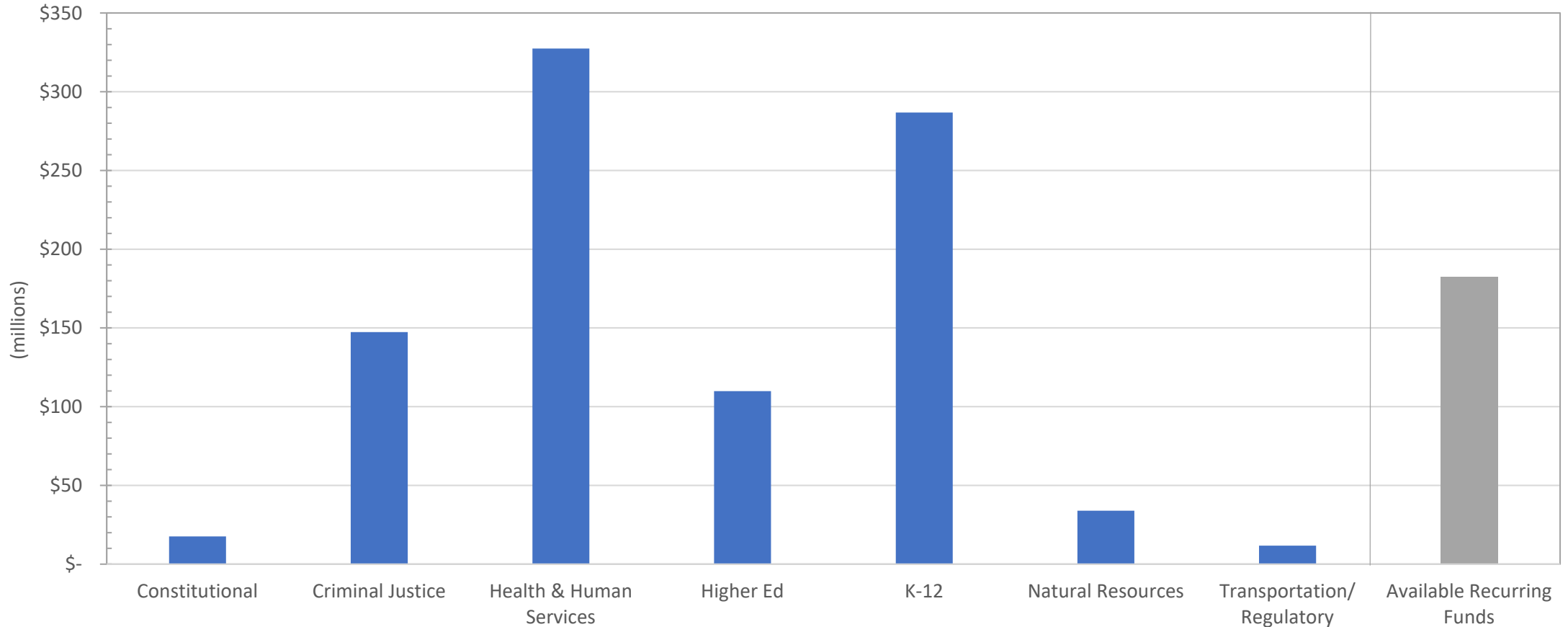
AVAILABLE FUNDS - FY 2021-22 BUDGET PROCESS
as of March 2021



SC Major Budget Areas/Requests

\$182.2 million in unobligated recurring funds

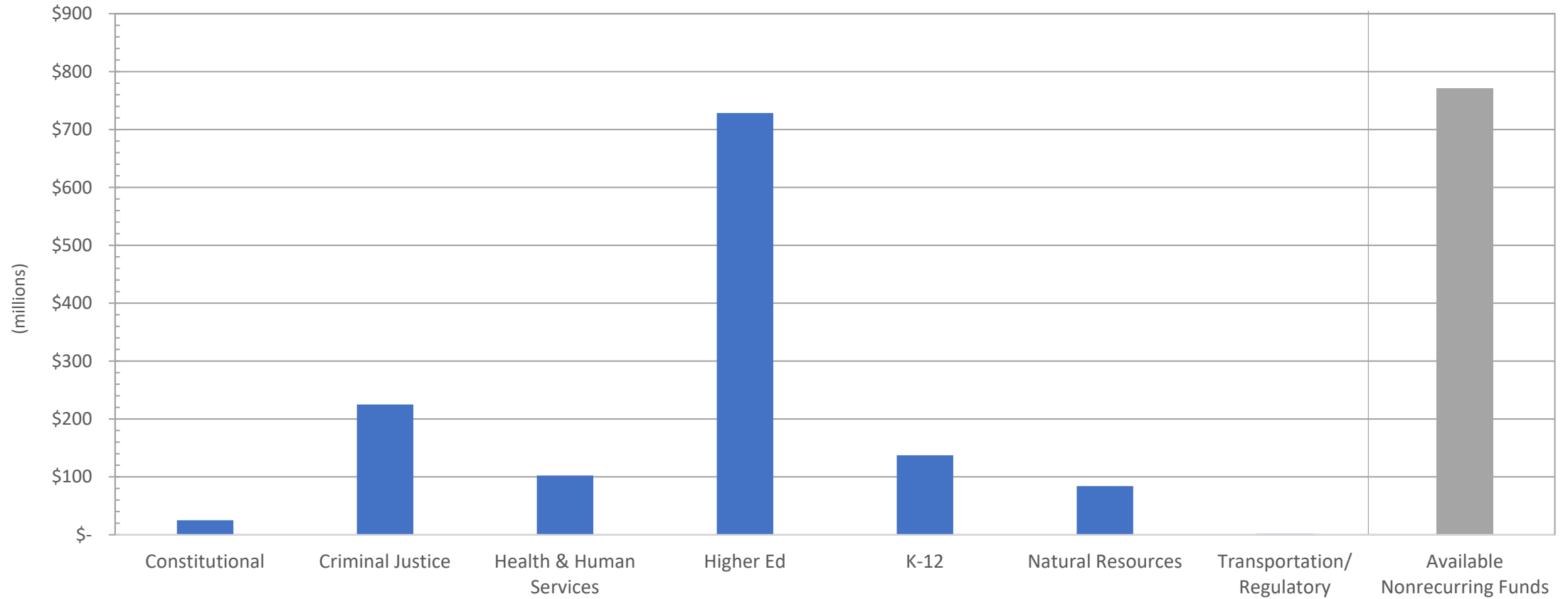
GENERAL FUND RECURRING BUDGET REQUESTS BY FUNCTIONAL GROUP



SC Major Budget Areas/Requests

\$771.8 million in unobligated non-recurring funds

GENERAL FUND NON-RECURRING BUDGET REQUESTS



CONCLUSION

- SC has fared better than expected during this pandemic
 - Most of the negative impact has been in one sector (Hospitality)
 - Federal stimulus funds have more than offset the loss in total income
 - SC avoided many of the fiscal problems experienced in other states
- FY 2021-22 budget outlook cautiously improving
 - FY 21 revenues are not declining but growing; an additional surplus is likely
 - FY 22 in a better starting place but determining where the economy settles in a post-pandemic and post-stimulus environment is still unclear
 - Additional Funds from DOE Settlement and American Rescue Plan Act

Questions?

Thank you!

For Further Information

www.rfa.sc.gov

