

# SOUTH CAROLINA ECONOMIC AND BUDGET UPDATE

## *“The Good, the Bad, and the Ugly ... Economically Speaking”*

Presented to

South Carolina City and County  
Management Association

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# The Good, The Bad, and The Ugly - 1966

Clint Eastwood, Lee Van Cleef, Eli Wallach



# 1966 – Economic Exuberance and Good Health vs Serious Excesses and Imbalances

- Full Employment, Boom Expected to Continue (The Good)
  - Unemployment rate of 4 percent
  - Capacity utilization at 90 percent, exceptionally large backlog of orders
- Fiscal and Monetary Policy (The Bad)
  - Increased federal spending (Vietnam War, Great Society)
  - Tighter credit, rapidly rising interest rates
- Market Crash (The Ugly)
  - Rising inflation
  - Concern about a global recession

# The Good



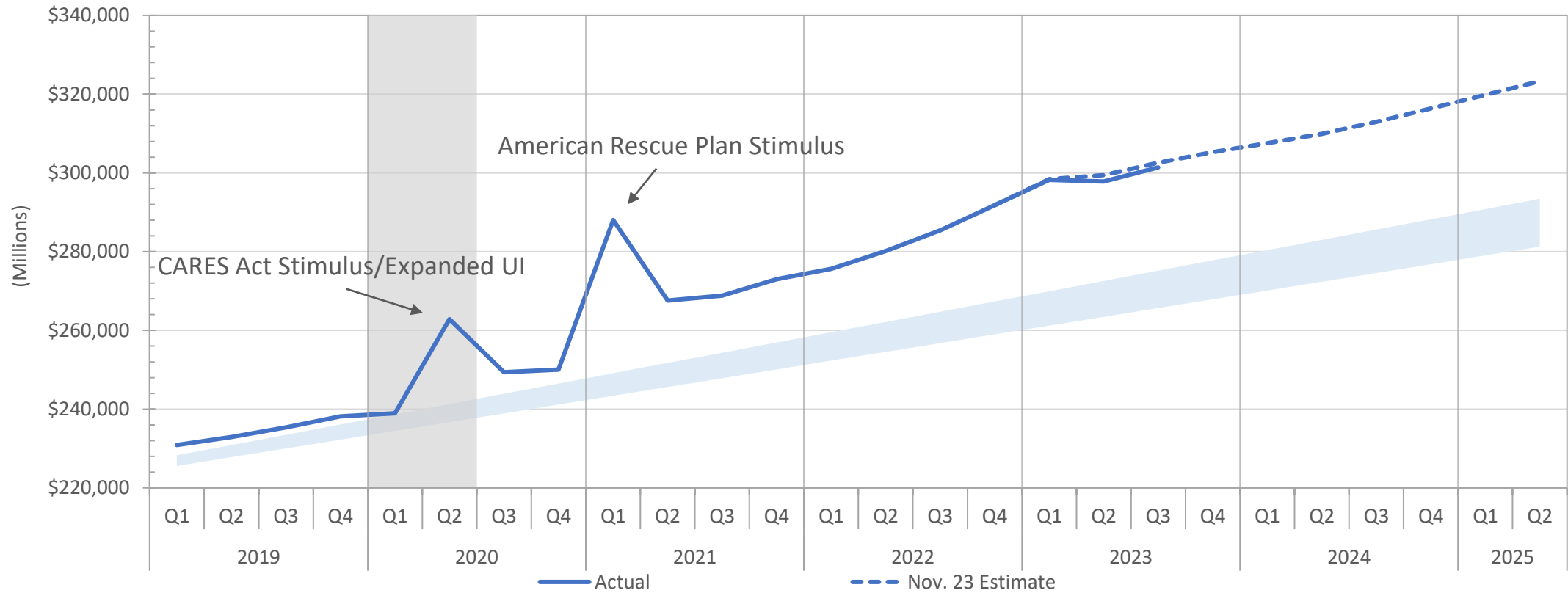
*"Two Hundred Thousand Dollars Is A Lot of Money.  
We're Gonna Have To Earn It."*

# Personal Income Forecast

Growth estimates over Fiscal Year - FY 24: 4.3%; FY 25: 3.8%

SOUTH CAROLINA PERSONAL INCOME  
Actual, Estimate, and Trend

Historical Trend Range:  
5-year (top) to 10-year (bottom)

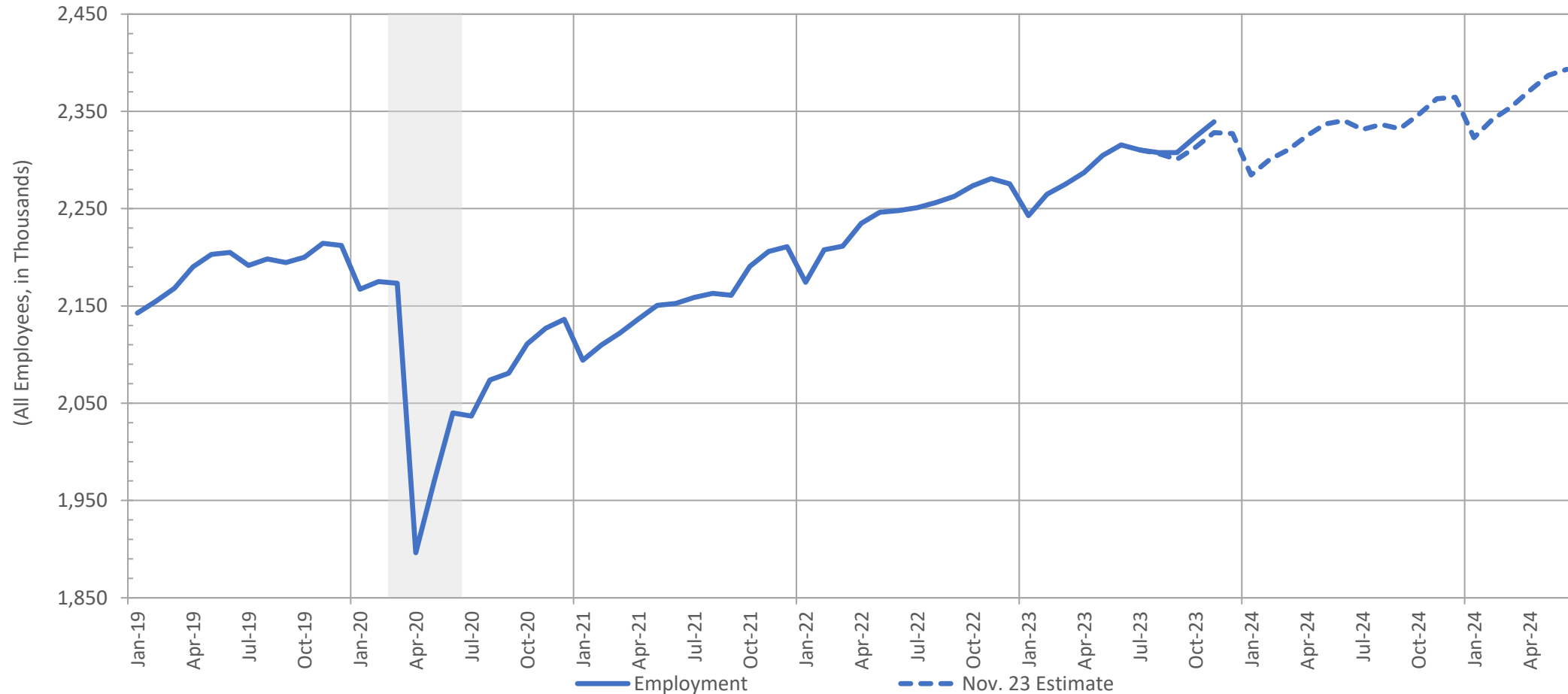


Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors-RFA/kav/1/2/2024

# SC Employment Forecast

## Employment is expected to continue to grow

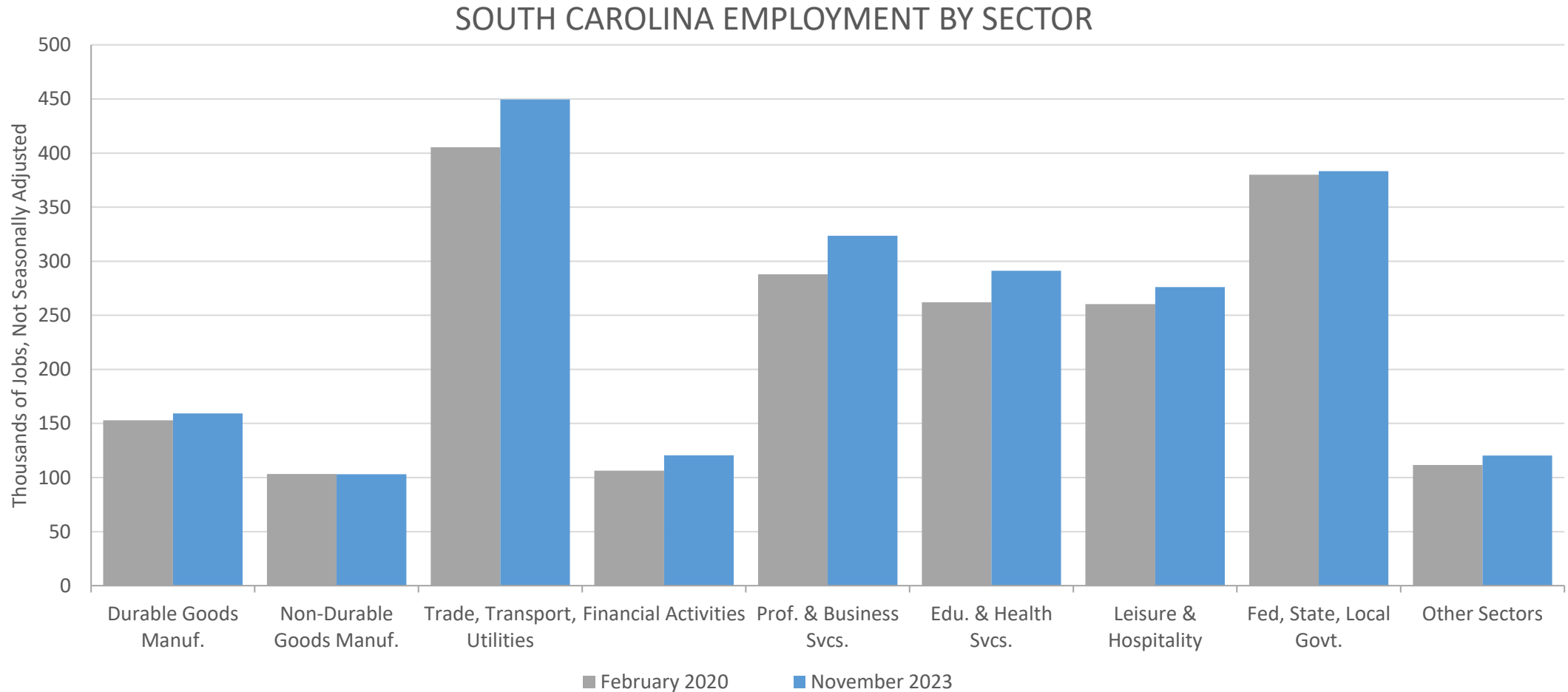
TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/1/2/2024

# SC Employment by Industry

All sectors have recovered and even gained jobs since early 2020; government employment was the last to recover in October 2023

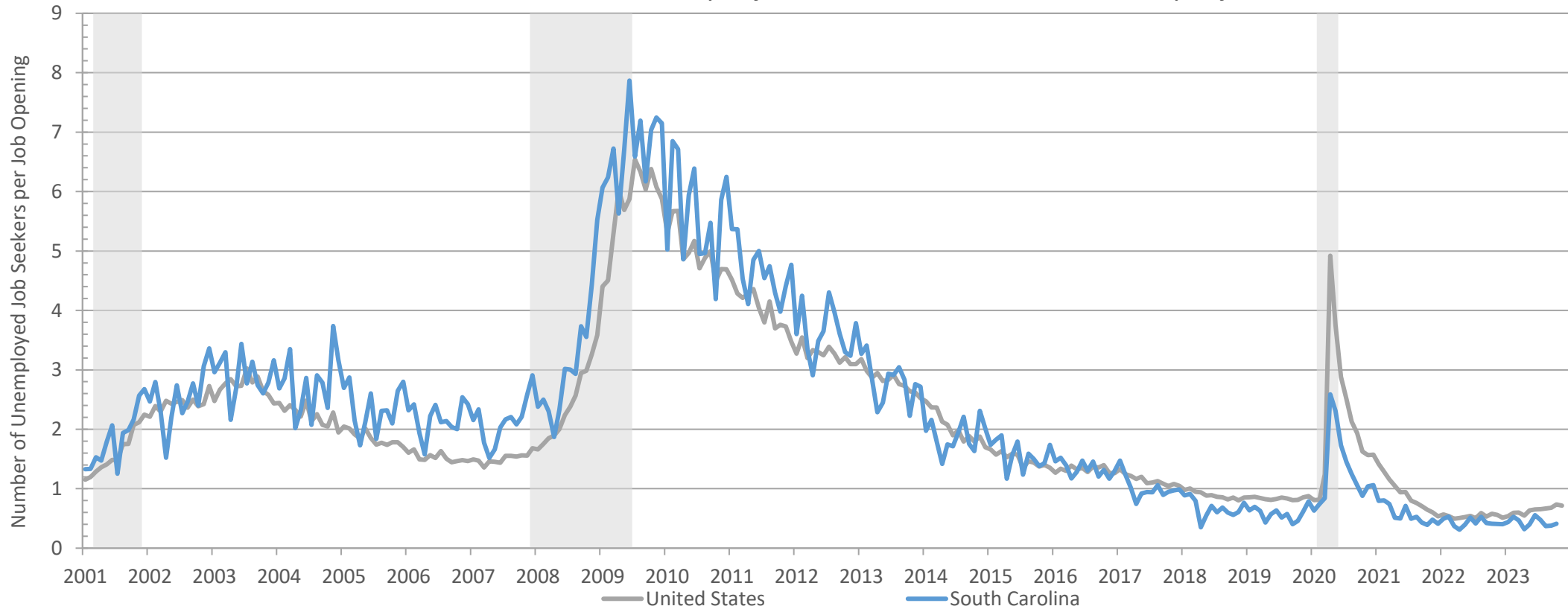


Source: Bureau of Labor Statistics, U.S. Department of Labor 325-rfa/kav/01/12/2024

# Unemployed Persons Per Job Opening

The labor market remains at historic levels of tightness as employers compete over a relatively small pool of potential workers

UNEMPLOYED PERSONS PER JOB OPENING  
United States Seasonally Adjusted; South Carolina Non-Seasonally Adjusted



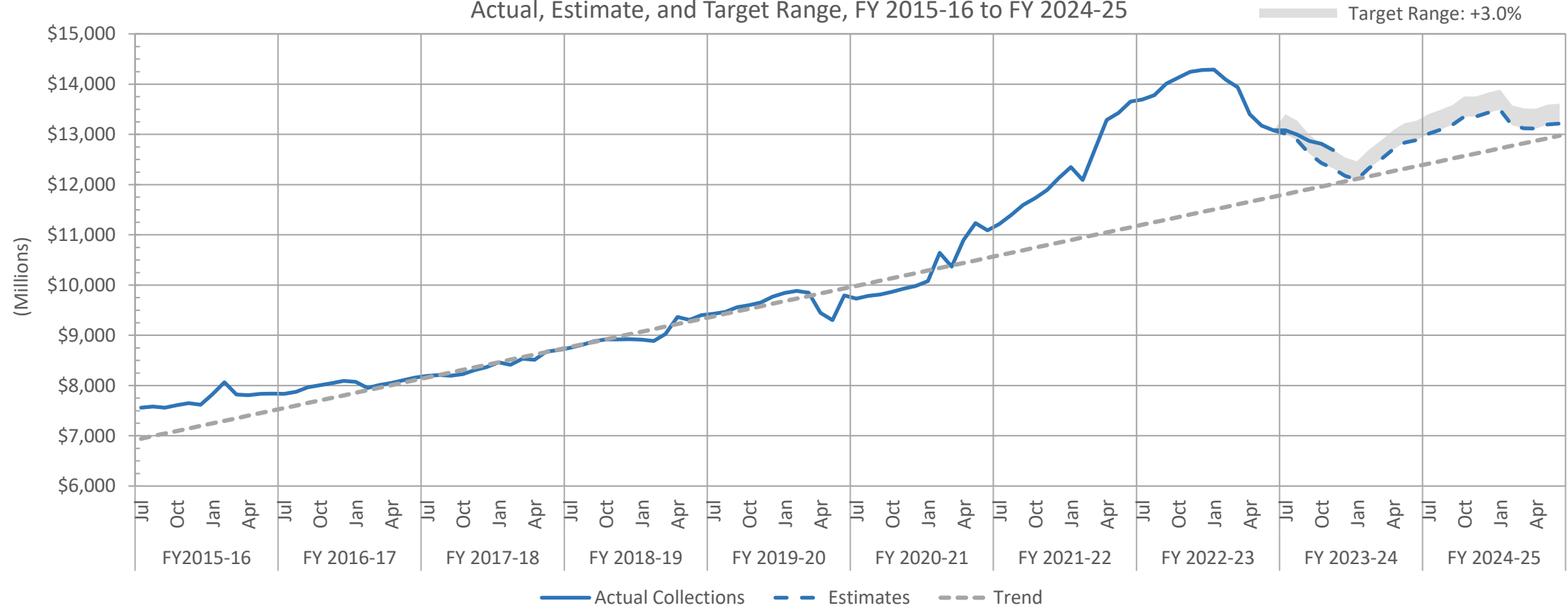
Source: U.S. Bureau of Labor Statistics, CPS and JOLTS; 259A - RFA/kav/1/4/2024





# General Fund Revenue Long-term Trend

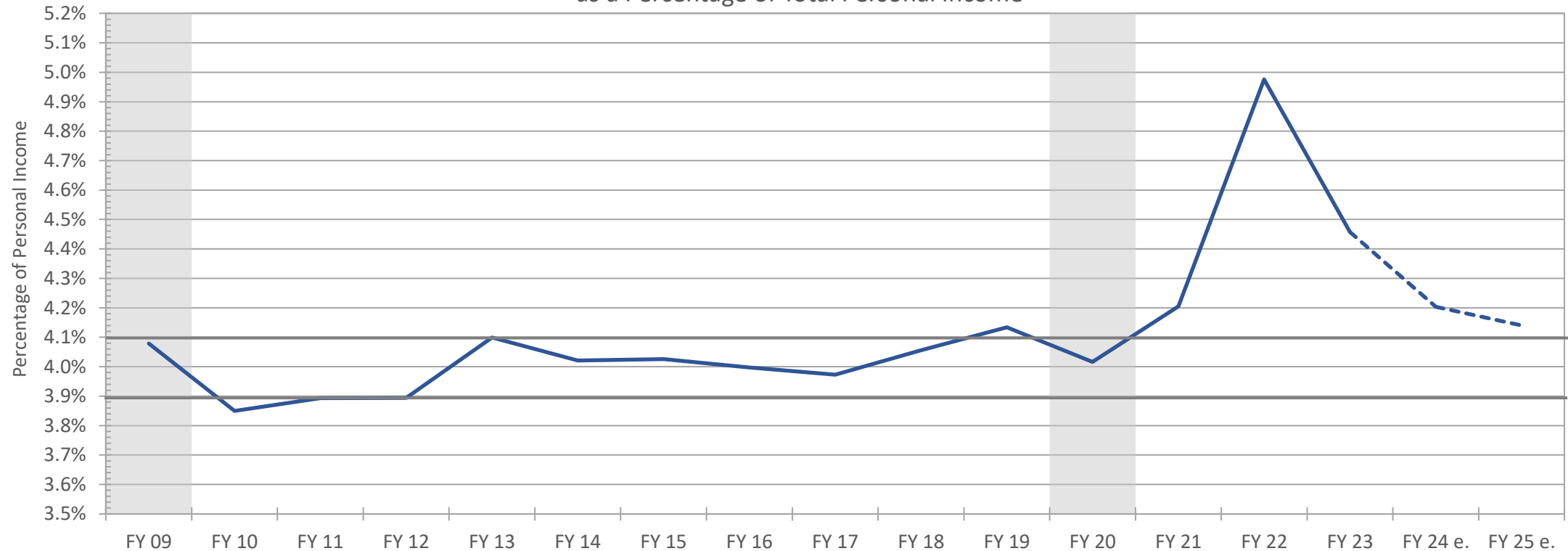
ROLLING FISCAL YEAR - GENERAL FUND  
Actual, Estimate, and Target Range, FY 2015-16 to FY 2024-25



# General Fund Revenue as a Percentage of Personal Income

## Relationship is set to move closer to historical range in FY 24 and FY25

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



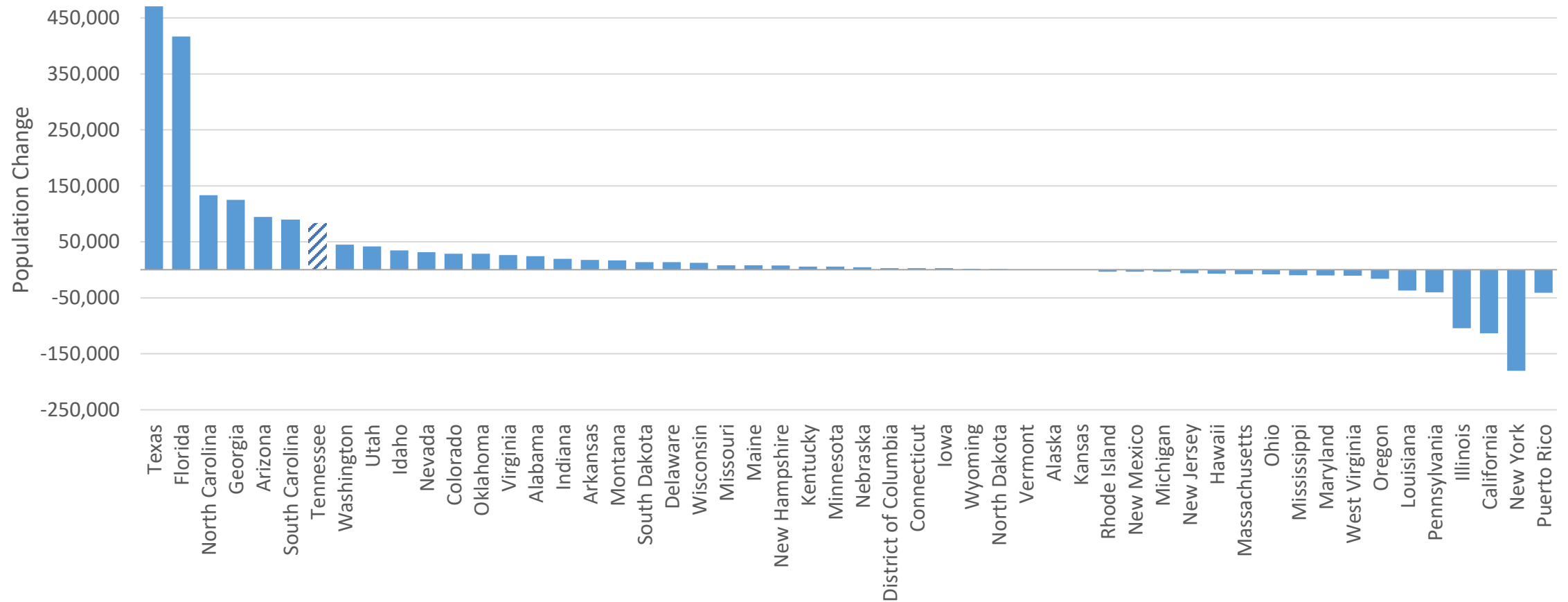
Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34F-kav/11/16/2023



# South Carolina had the 6<sup>th</sup> Largest Population Increase in the US

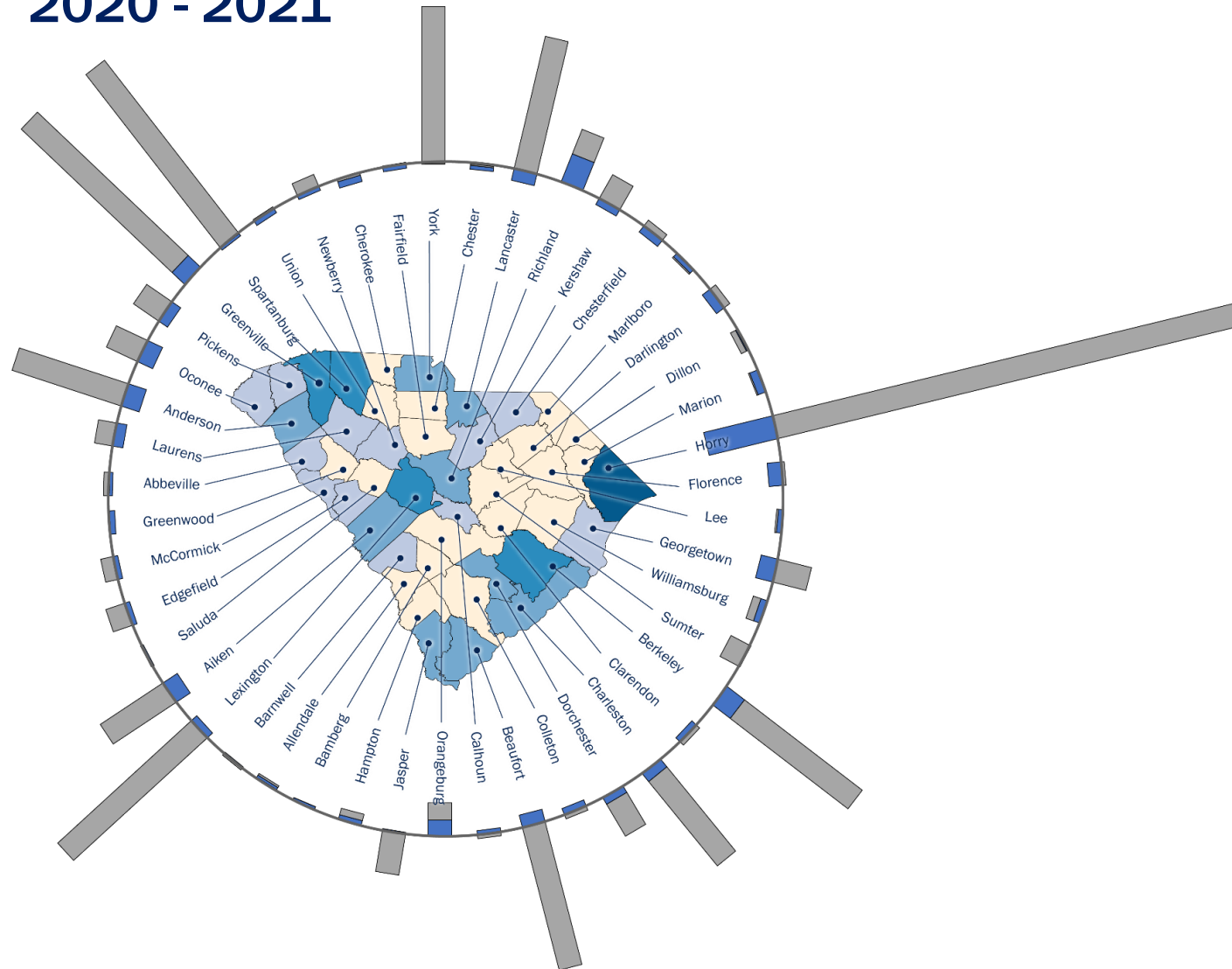
## Population increased by 89,368 from 2021 to 2022

STATE RANKING BY TOTAL POPULATION CHANGE 2021 - 2022

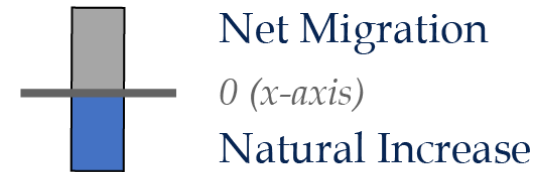


Source: US Census Bureau, Population Estimates Program Vintage 2020 estimates. File Name: Annual Estimates of Resident Population Change for the United States, States, District of Columbia, Puerto Rico, and State Rankings: April 1, 2020 to July 1, 2022 Release Date: 12/2022

# South Carolina's Components of Population Change by County 2020 - 2021



## Ring Key



*Note: Net Migration and Natural Increase values can be negative and positive.*

Data Sources:  
US Census Bureau Population Estimates  
Program: Vintage 2021 Postcensal Estimates.  
File Name: Annual and Cumulative Estimates  
of the Components of Resident Population  
Change for Counties in the United States:  
April 1, 2020 to July 1, 2021 (CO-EST2021-  
COMP)

# The Bad

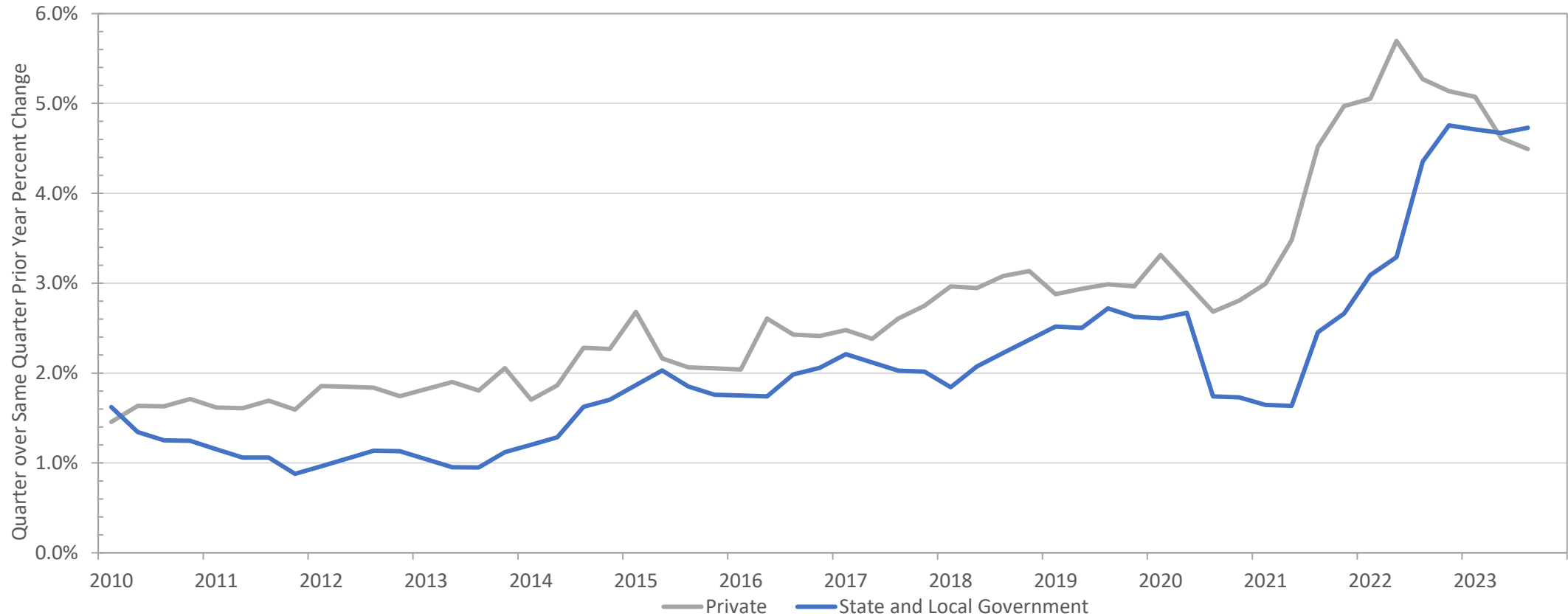


*“But you know the pity is when I’m paid, I always follow my job through.”*

# US Wage and Salary Growth

State and local government wage growth has outpaced private sector wage growth for the first time since 2010

US WAGE AND SALARY GROWTH



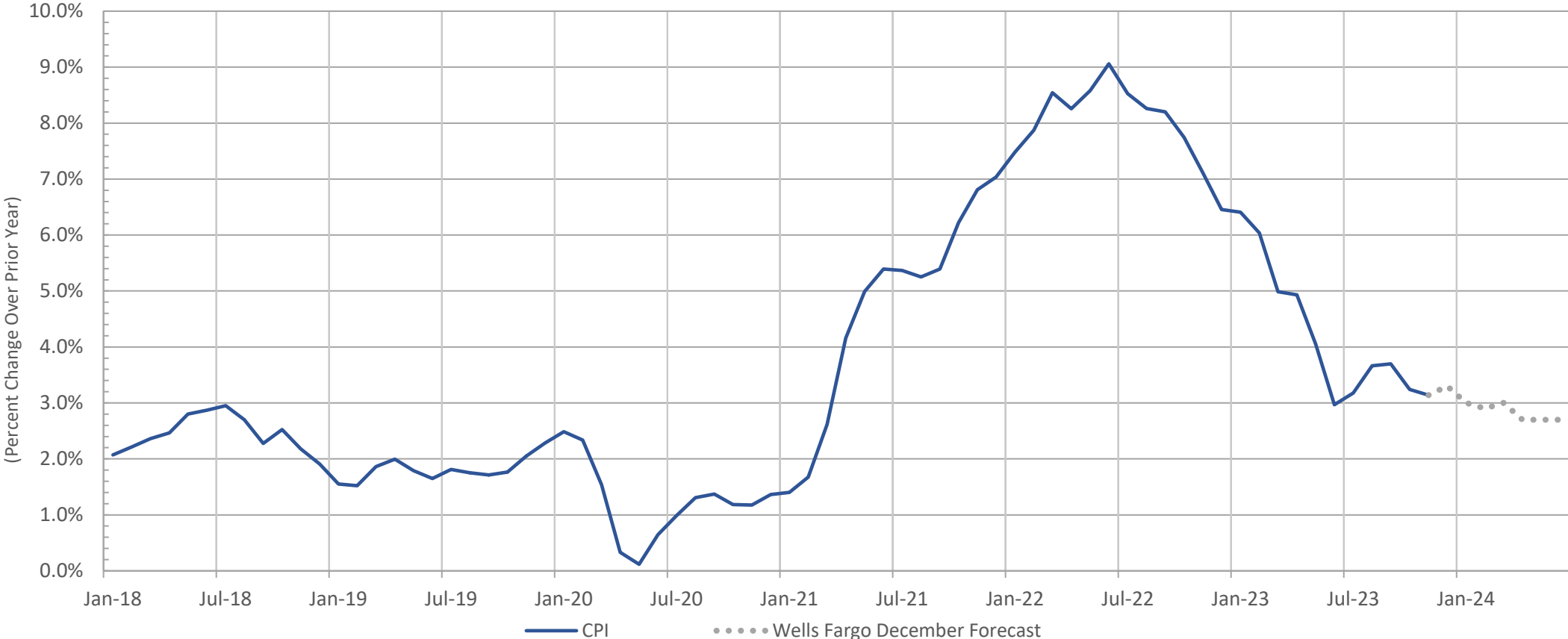
Source: U.S. Bureau of Labor Statistics, Employment Cost Index: Wages and Salaries: Private Industry Workers, Government Workers 318-RFA/kav/1/2/2024



# Consumer Price Index

## Inflation remains elevated but remains trending down

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS

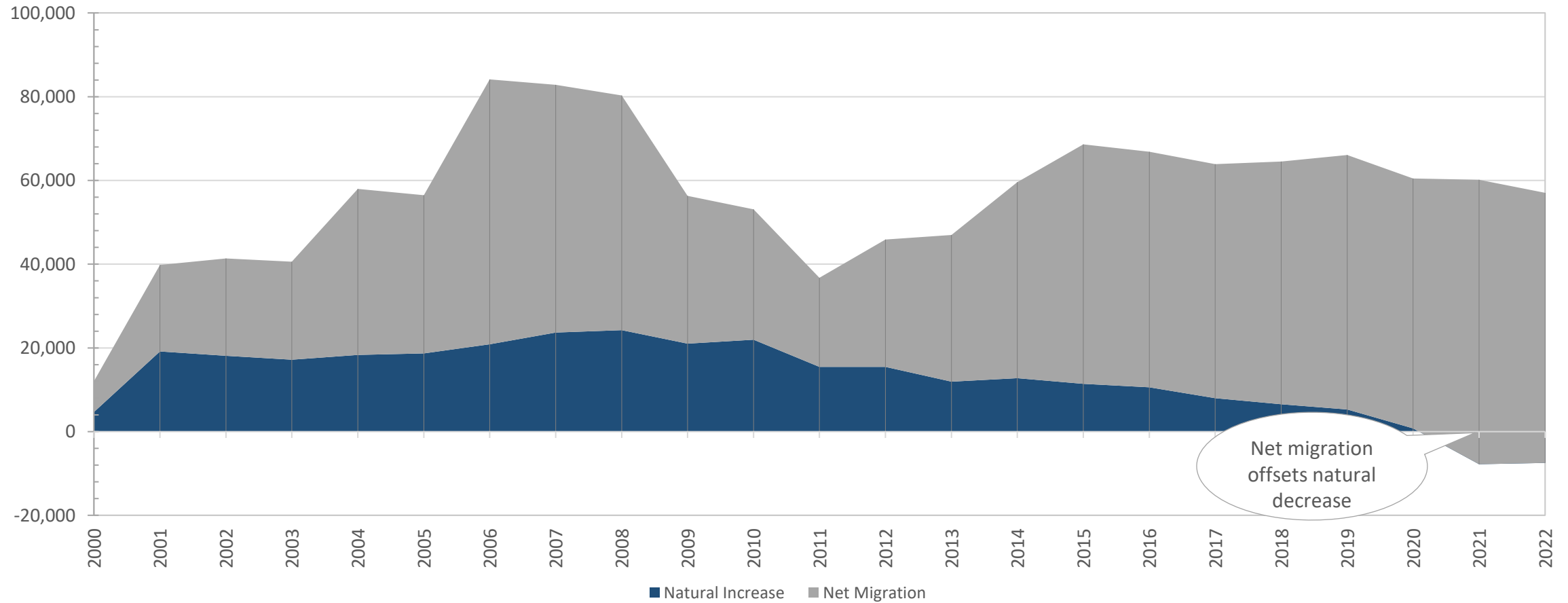


Source: U.S. Department of Labor, Bureau of Labor Statistics; Wells Fargo US Economic Outlook 216 - RFA/kav/1/2/2024

# Components of SC Population Change

## Migration is driving population growth as deaths have started to exceed births

SC POPULATION CHANGE BY COMPONENT



Net migration offsets natural decrease

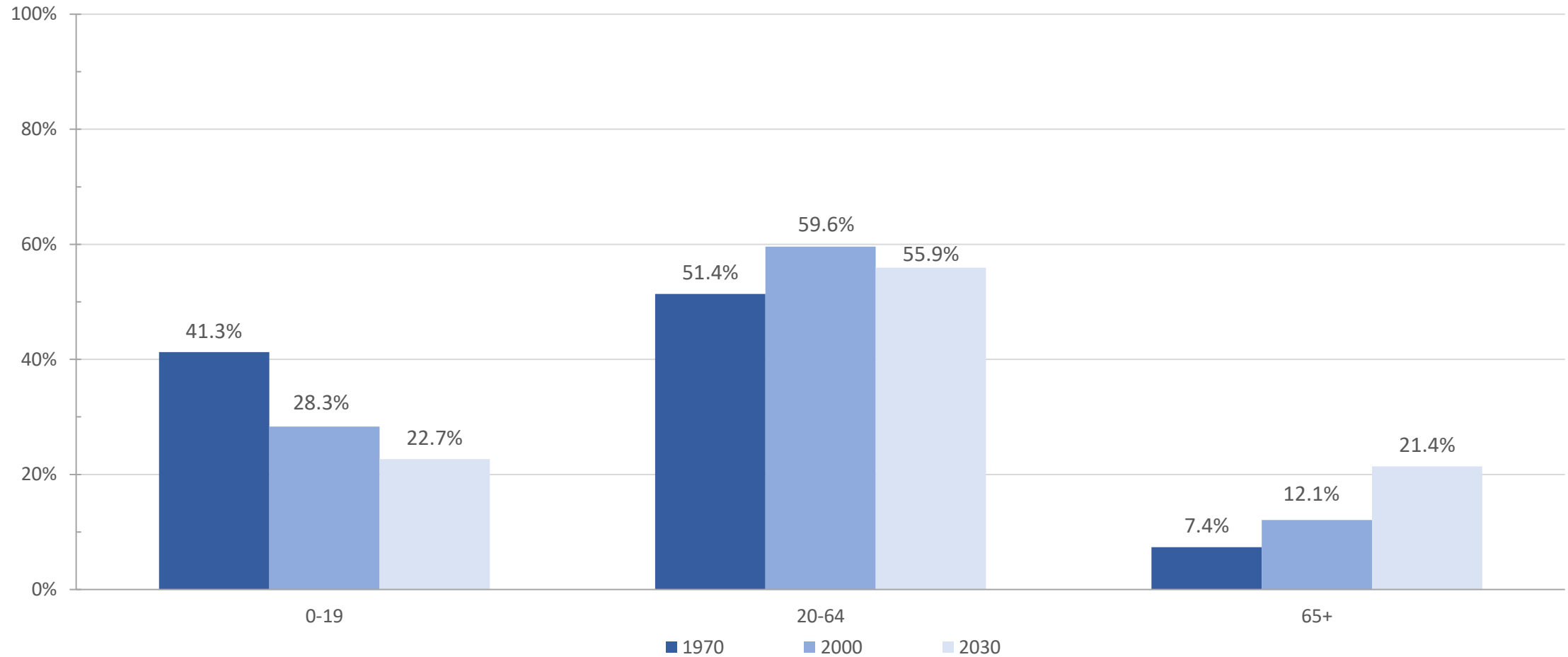
Source: US Census Bureau Population Estimates 321-RFA/9/12/2023



# SC Population Projections

By 2030 there will be almost as many people over 65+ people as under 20

SOUTH CAROLINA'S POPULATION

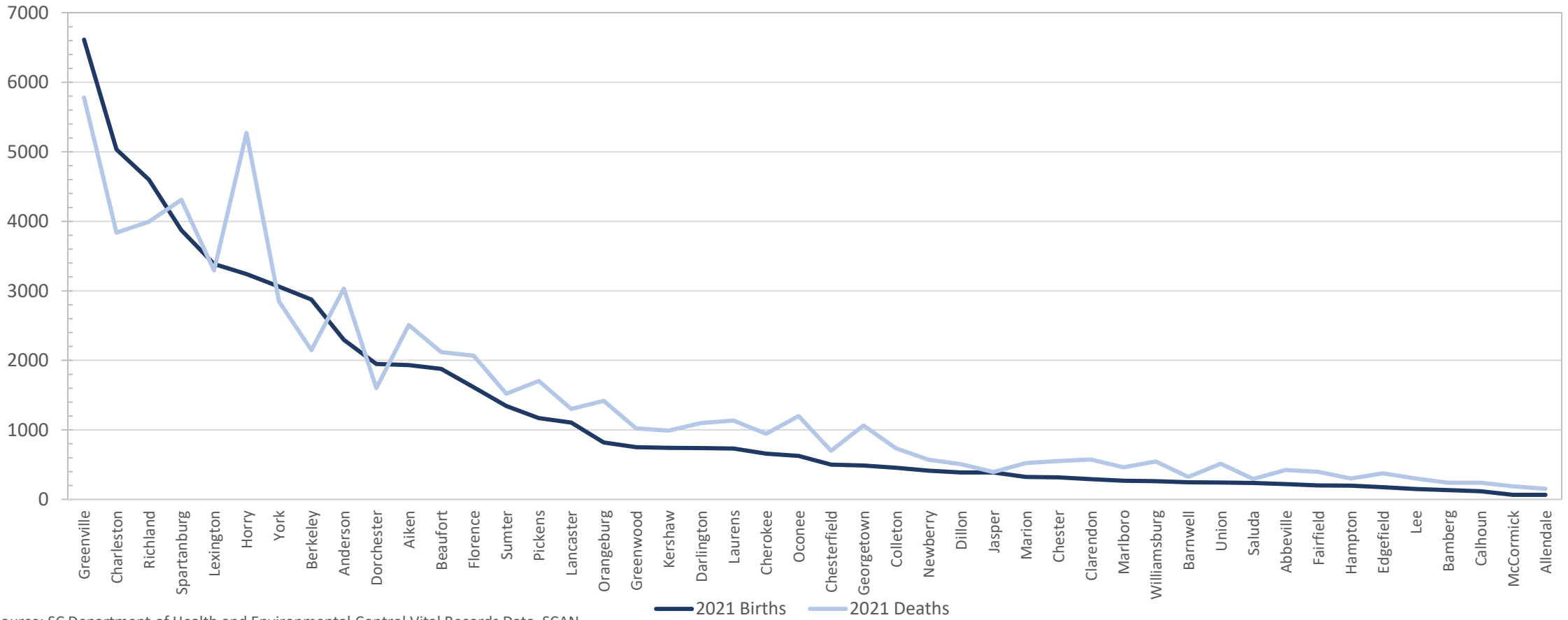


Source: United States Census Bureau population estimates; South Carolina Revenue and Fiscal Affairs population projections

# South Carolina Births and Deaths by County, 2021

Seven counties had more births than deaths in 2021, compared to fourteen in 2019; deaths exceeded births by 15% in 2021

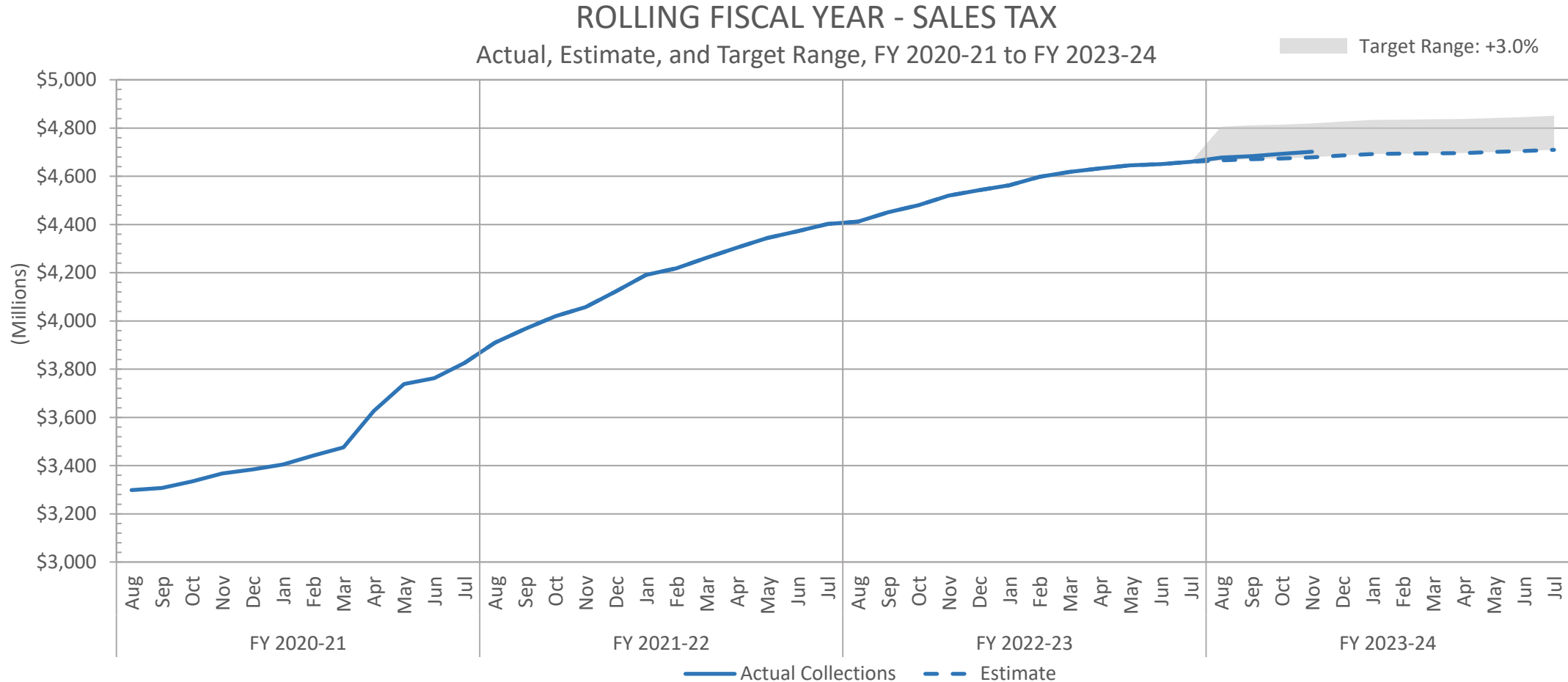
SC BIRTHS AND DEATHS, 2021



Source: SC Department of Health and Environmental Control Vital Records Data, SCAN

# Sales Tax - Actual vs. Estimate

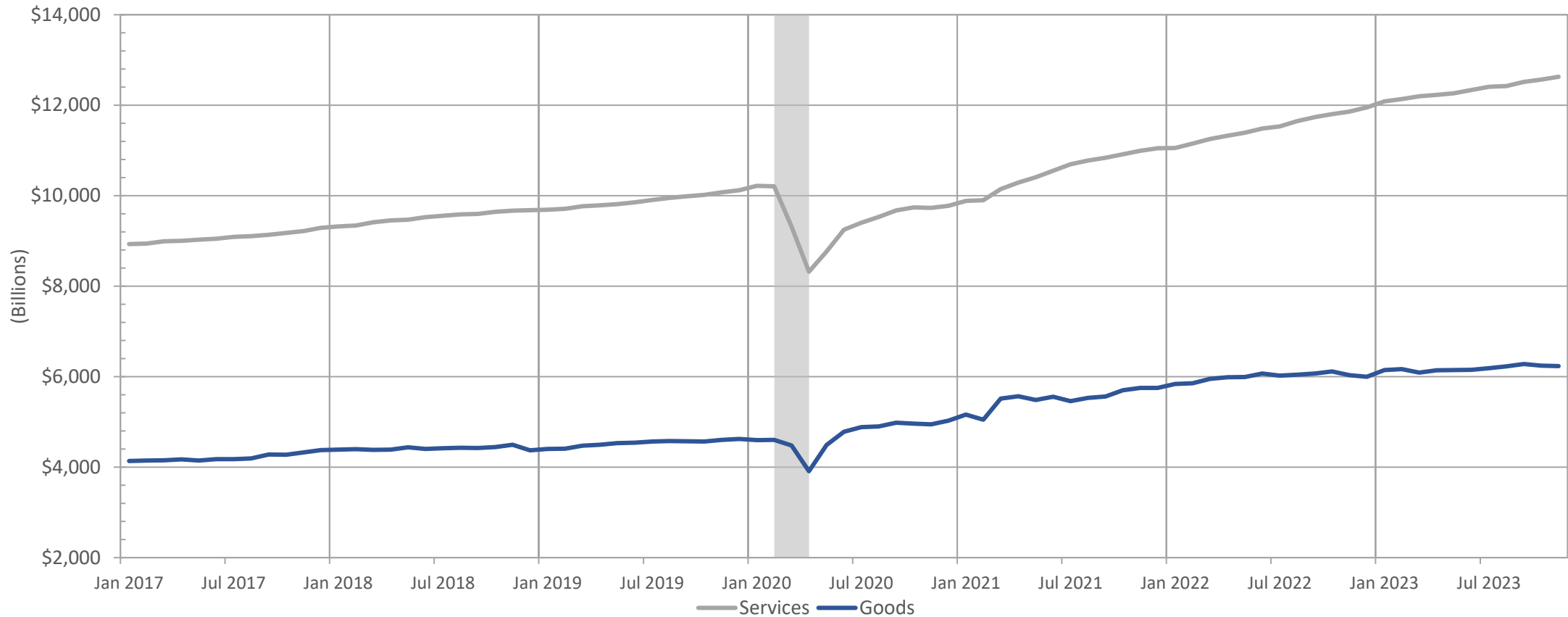
Collections are \$23 million above the estimate fiscal year-to-date; growth remains 2.7% above last fiscal year-to-date



# U.S. Consumer Spending

Consumers are spending more on services while purchases of goods have flattened out

U.S. PERSONAL CONSUMPTION EXPENDITURES

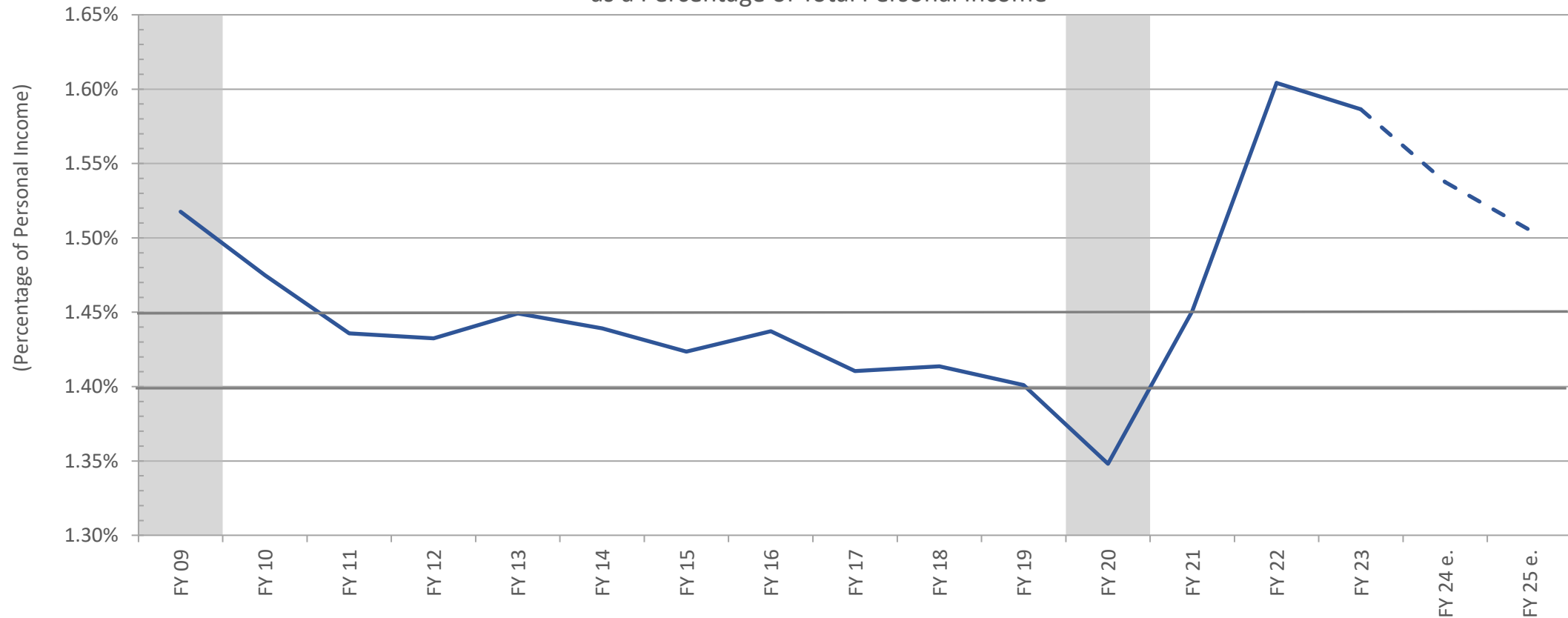


Source: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Goods [DGDSRC1], retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/kav/1/2/2024

# Sales Tax as a Percentage of Personal Income

Relationship remains well above normal range of about 1.40% - 1.45% but is trending down

SOUTH CAROLINA GENERAL FUND SALES TAX COLLECTIONS  
as a Percentage of Total Personal Income

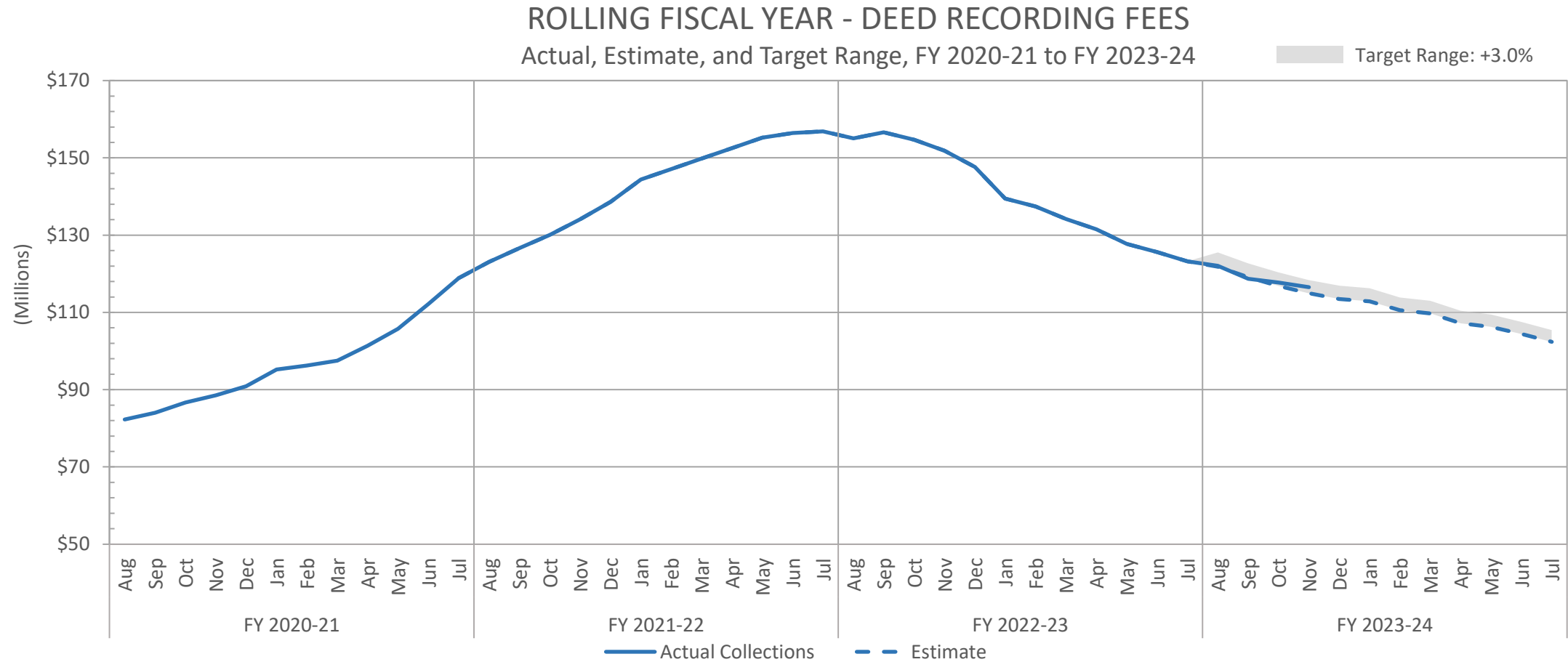


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 32-kav/11/16/2023



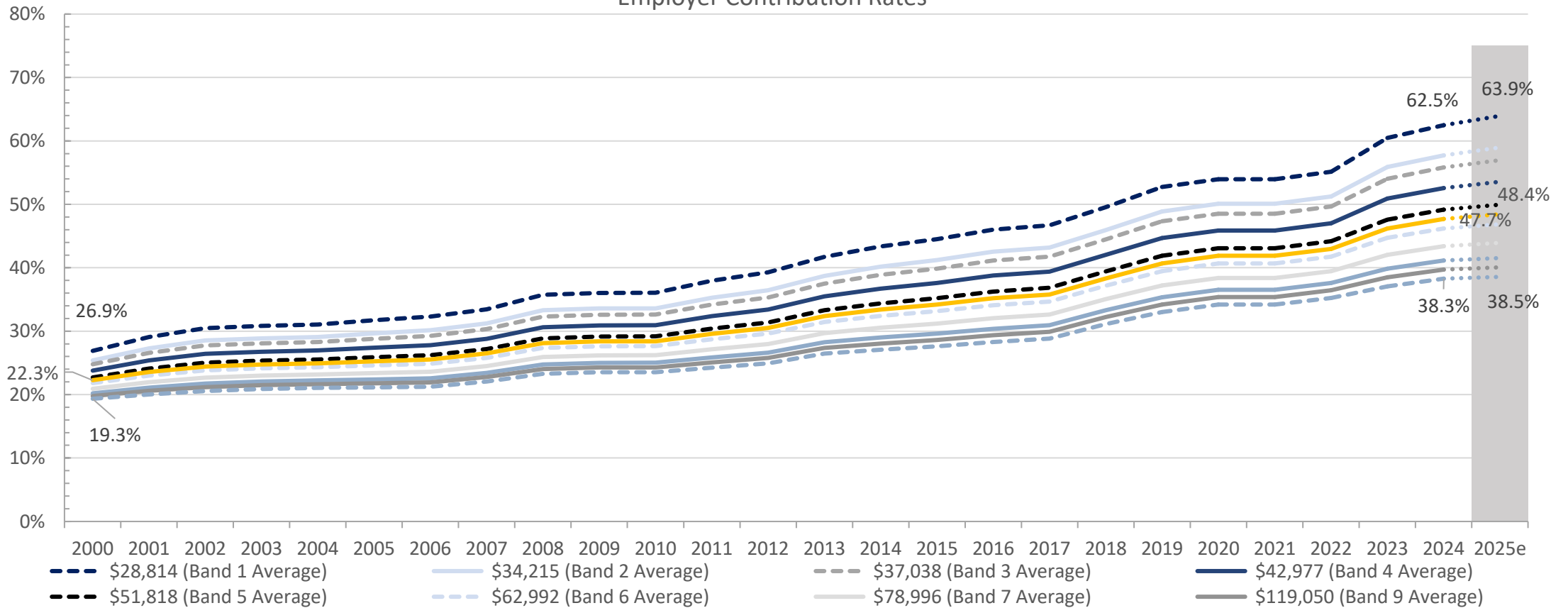
# Deed Recording Fees

As expected, collections have slowed significantly in the face of high mortgage rates; but revenue remains \$1.6 million ahead of expectations



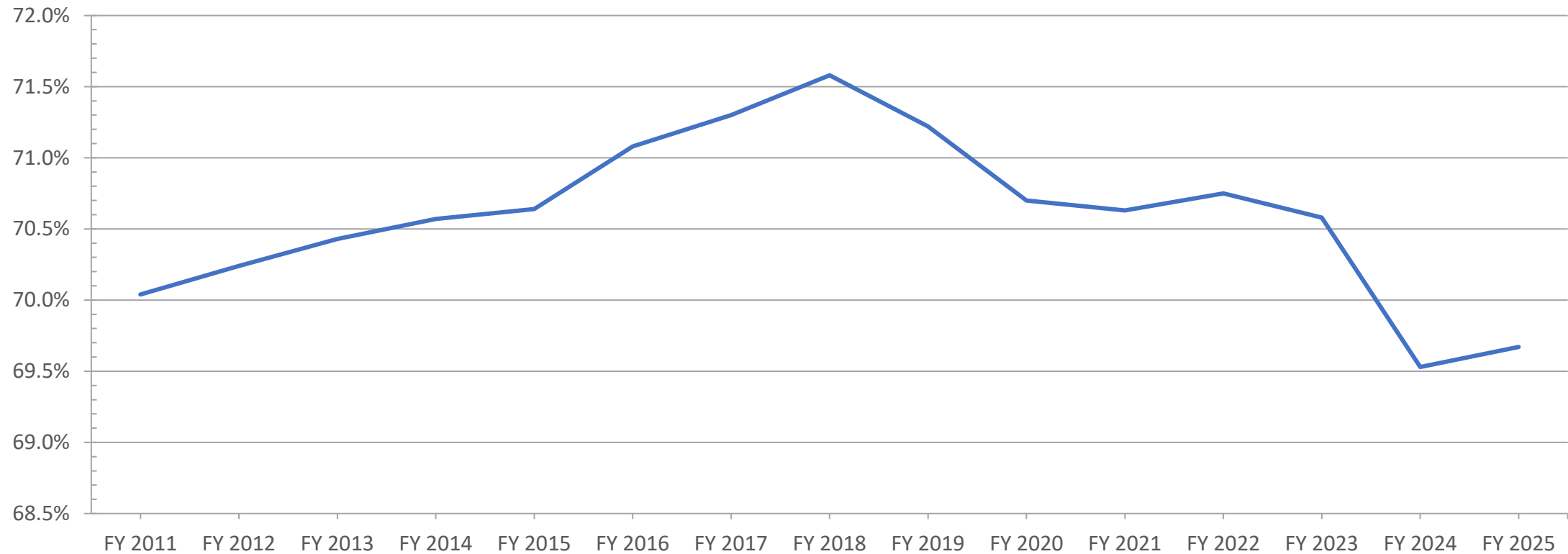
# Employer Contribution Costs Represent A Significant Share of Salary (38.5% to 63.9%)

HEALTH AND DENTAL, RETIREMENT AND SOCIAL SECURITY  
Employer Contribution Rates



# Better Than Average Economic Growth Results In A Decrease The State's Medicaid Match Rate

FMAP HISTORY



Note: Enhanced FMAP as a result of the Families First Coronavirus Response Act of 2020 and the Consolidated Appropriations Act of 2023 are not included.



# The Ugly

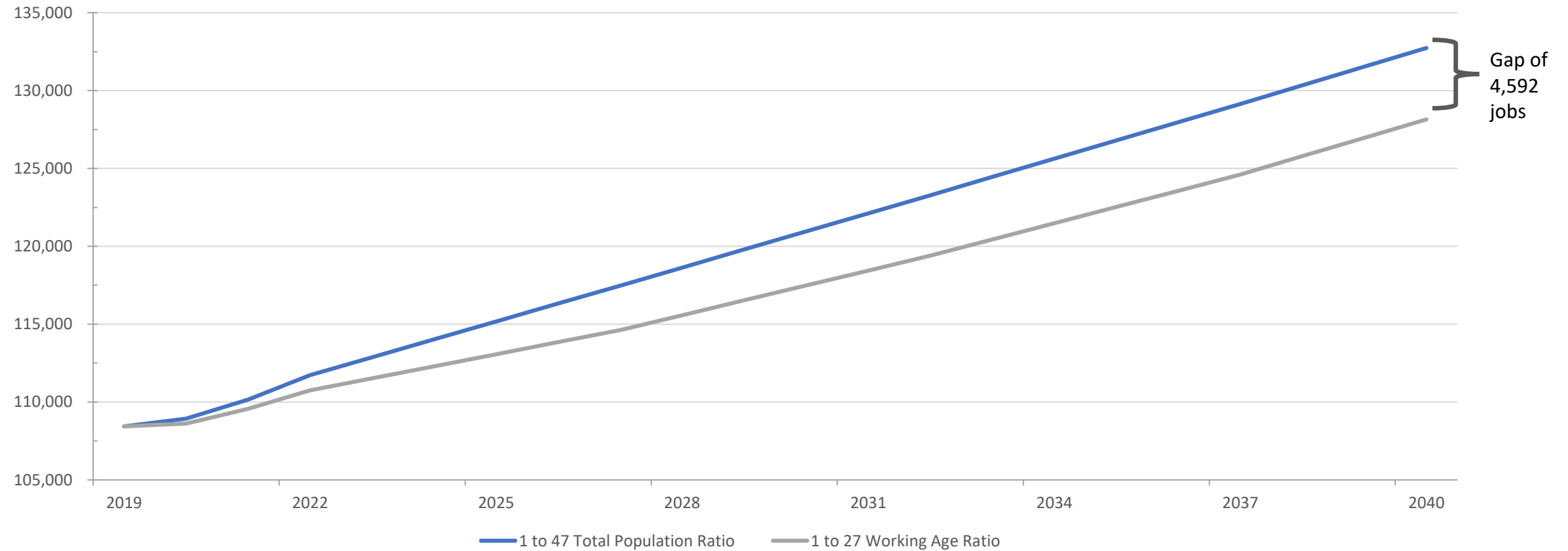


*"If You Work For A Living, Why Do You Kill Yourself Working?"*

# SC State Gov't Employment – Demand vs Supply Projections

The changing population demographics will make it difficult for state government to find workers

TOTAL STATE EMPLOYEE PROJECTIONS

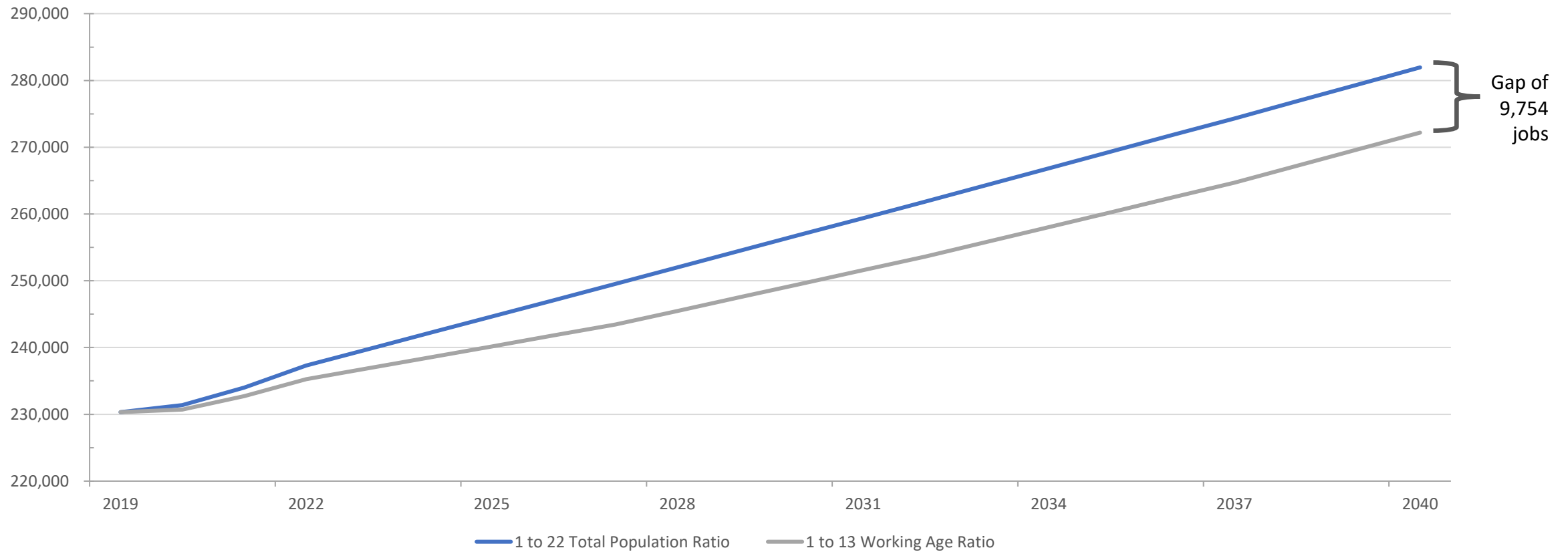


Source: Bureau of Labor Statistics, U.S. Department of Labor; S.C. Revenue and Fiscal Affairs population projections

# SC Local Gov't Employment – Demand v Supply Projections

The changing population demographics will make it difficult for local governments to find workers

TOTAL LOCAL GOVERNMENT EMPLOYMENT PROJECTIONS

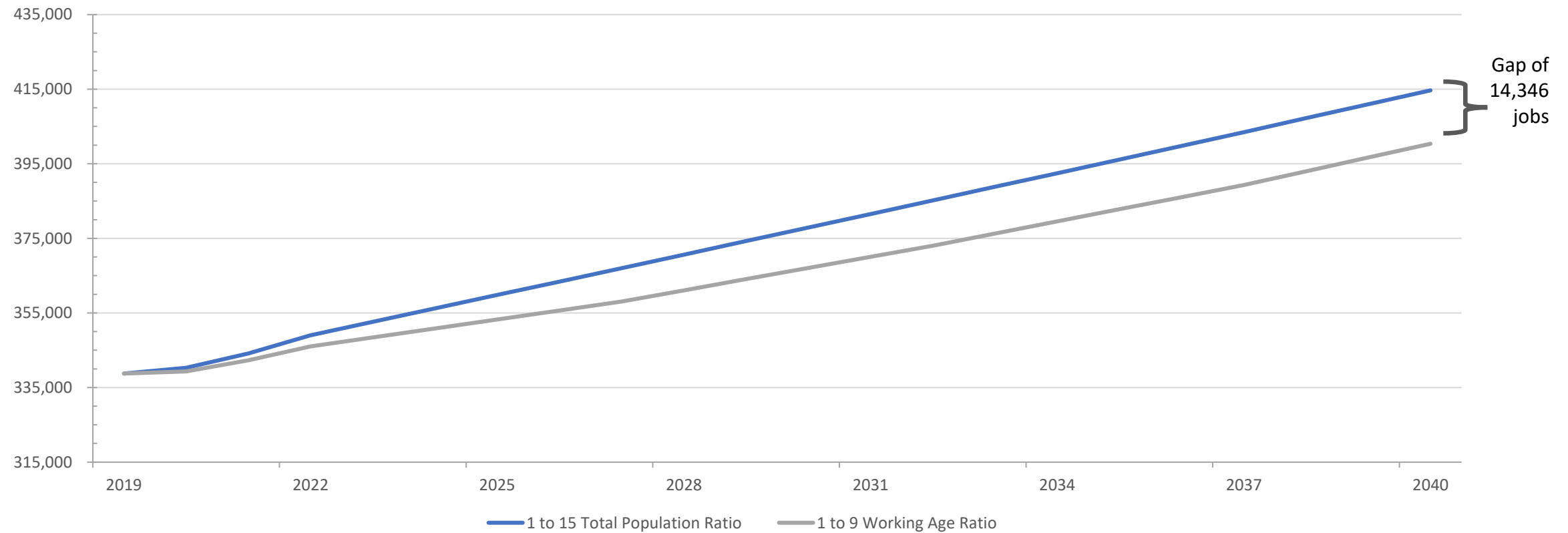


Source: Bureau of Labor Statistics, U.S. Department of Labor; S.C. Revenue and Fiscal Affairs population projections

# SC State & Local Gov't Emp. – Demand v Supply Projections

The changing population demographics will make it difficult for state and local governments to find workers

TOTAL STATE AND LOCAL EMPLOYMENT PROJECTIONS

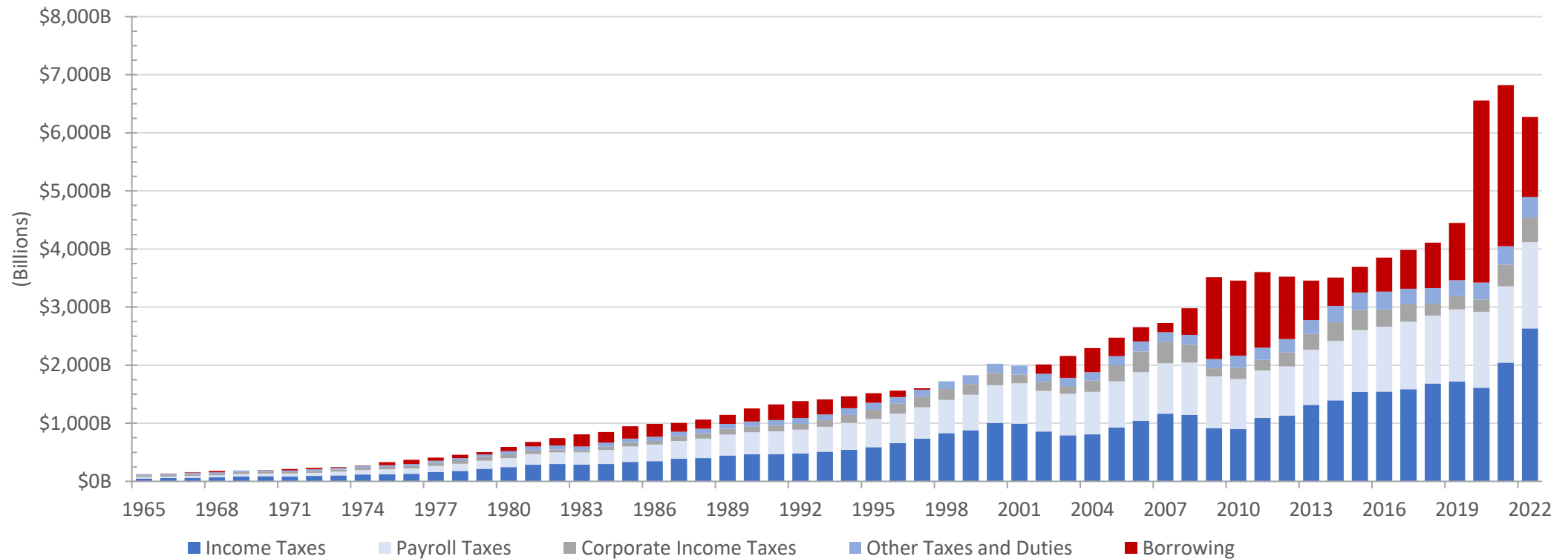


Source: Bureau of Labor Statistics, U.S. Department of Labor; S.C. Revenue and Fiscal Affairs population projections

# Federal Revenues

## Revenue isn't enough; borrowing continues to grow at an extraordinary pace

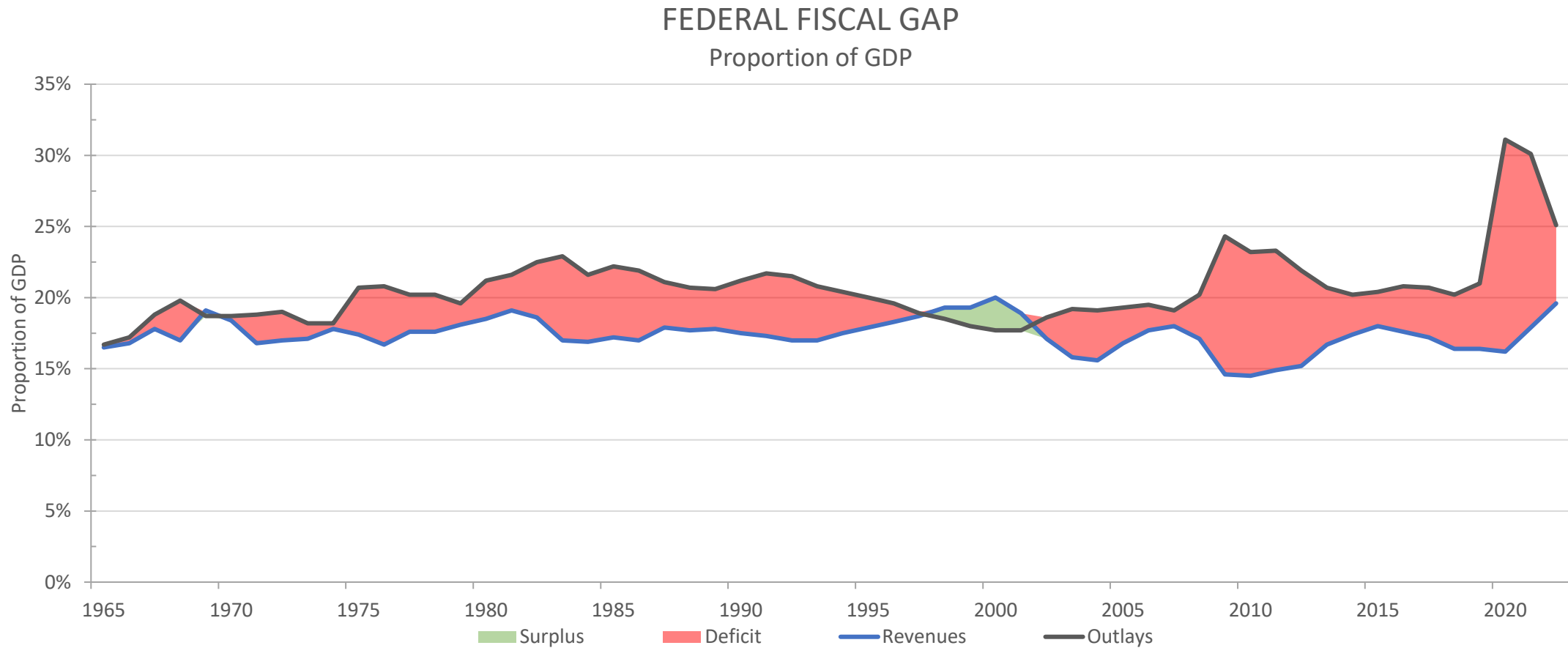
### HOW DOES THE FEDERAL GOVERNMENT MEET ITS NEEDS?



Source: "The Budget and Economic Outlook" Congressional Budget Office, February 15, 2023

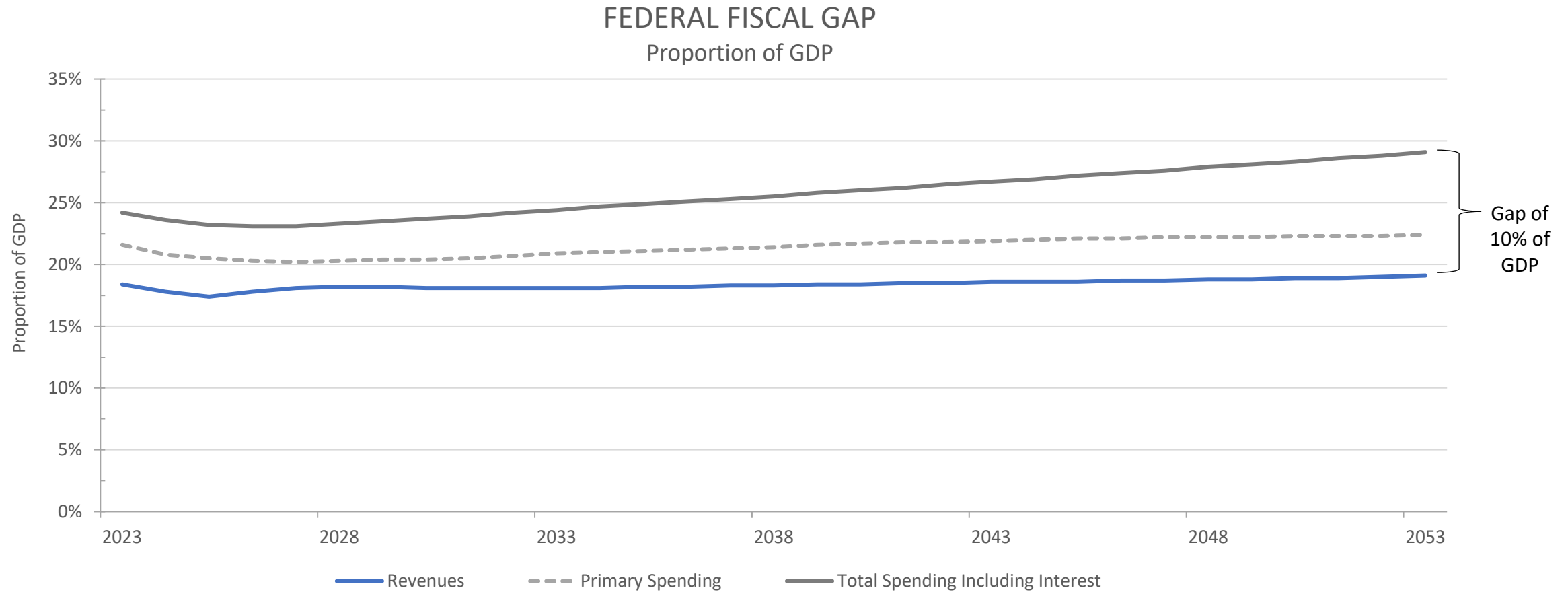
# Federal Fiscal Gap

The annual deficit was 0.5% of GDP in 1966; today it is more than 5% of GDP



# Federal Fiscal Gap

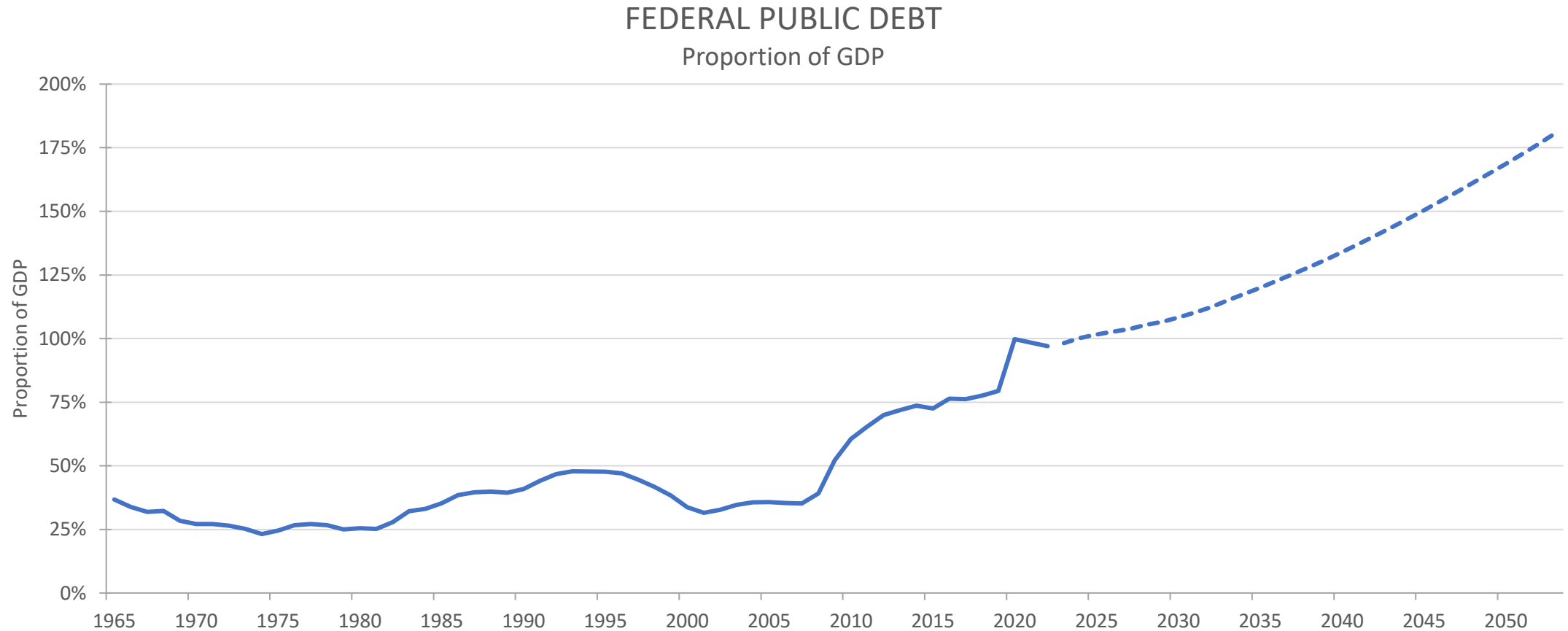
Future deficits are going to grow larger primarily from growing interest expense



Source: "The 2023 Long-Term Budget Outlook" Congressional Budget Office. June 28, 2023

# Federal Debt as a Share of GDP

CBO projections show debt as a share of GDP growing to 180.6% of GDP in 2053; projection is based on current law and does not factor in potential extensions of tax cuts or the scheduled cut to Social Security when the trust funds run out



Source: "The Budget and Economic Outlook" February 15, 2023; "The 2023 Long-Term Budget Outlook" June 28, 2023; Congressional Budget Office





# How Does the Rising Federal Debt Impact Us?

State & local governments will need to consider the actions the federal government takes to address the debt and deficit

## Reducing Spending

- Federal spending caps on Medicaid/reducing federal matching rates – states would have to pick up the tab
- Modify Social Security/SSDI – state & local gov'ts may need to help more with lower income seniors/disabled people

## Increasing Revenues

- Increase existing taxes – people feel squeezed by taxes and pressure state & local gov'ts, slower economic growth
- Raise new taxes – may cut into state & local taxes (property taxes, vehicle taxes, etc.), slower economic growth

Source: "Options for Reducing the Deficit, 2023 to 2032" Congressional Budget Office. December, 2022

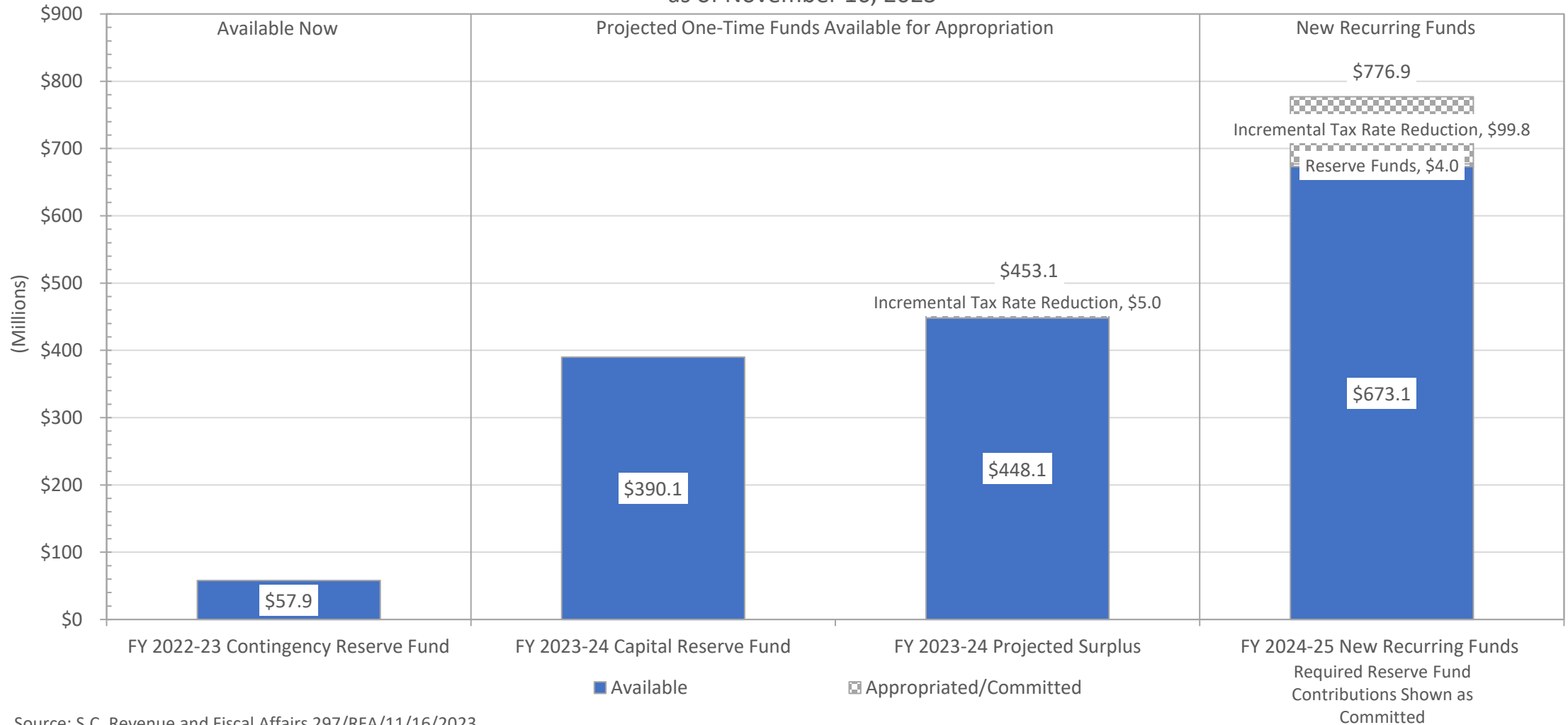


# South Carolina Budget Outlook FY 24 & FY 25



# FY 2024-25 Available Funds

AVAILABLE FUNDS - FY 2024-25 BUDGET PROCESS  
as of November 16, 2023

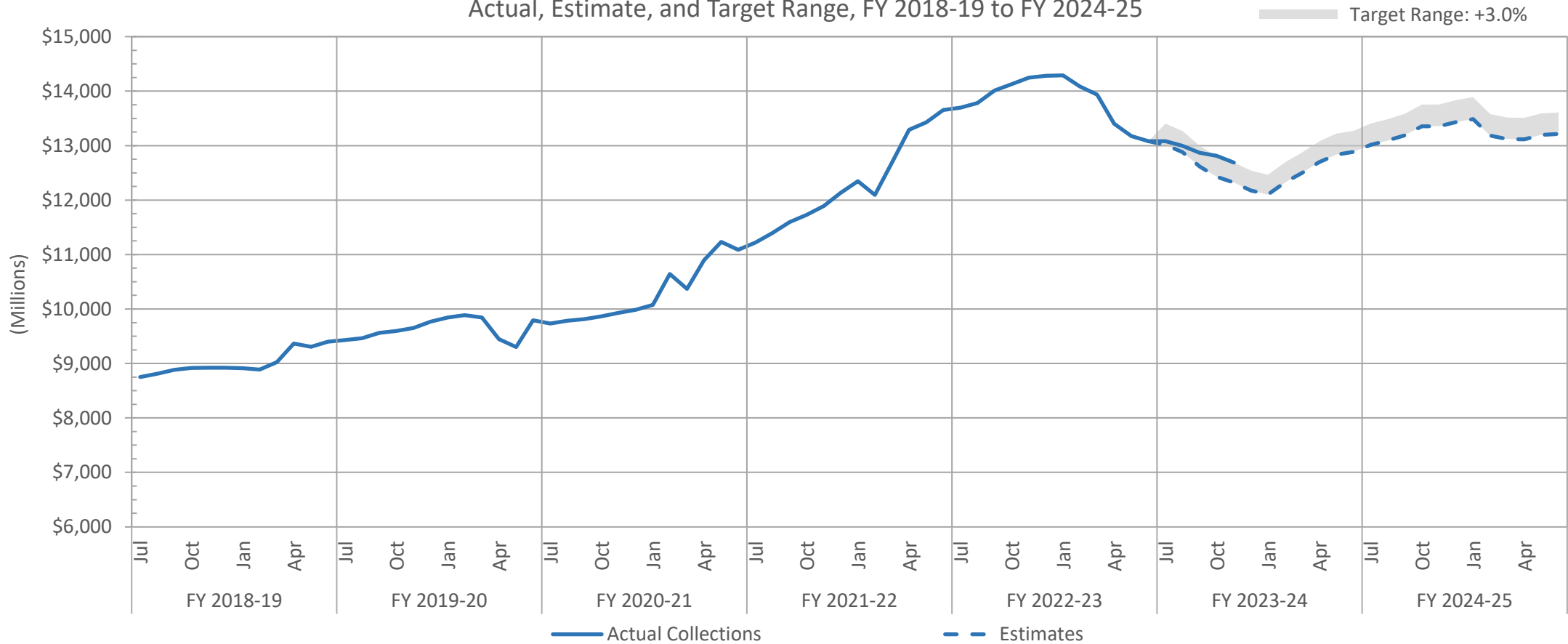


Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/16/2023

# General Fund Revenue – Actual vs. November Estimate

Collections are 7.2% below where they were this time last year, but revenue is currently \$259.2 million ahead of the November estimate

ROLLING FISCAL YEAR - GENERAL FUND  
Actual, Estimate, and Target Range, FY 2018-19 to FY 2024-25



# The Good, the Bad, and the Ugly 2024 - 2030

## Who Wins or Who Loses ?





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