

FY 2012-13 REVENUE BRIEFING

PRESENTED TO
FULL WAYS & MEANS COMMITTEE

January 19, 2012

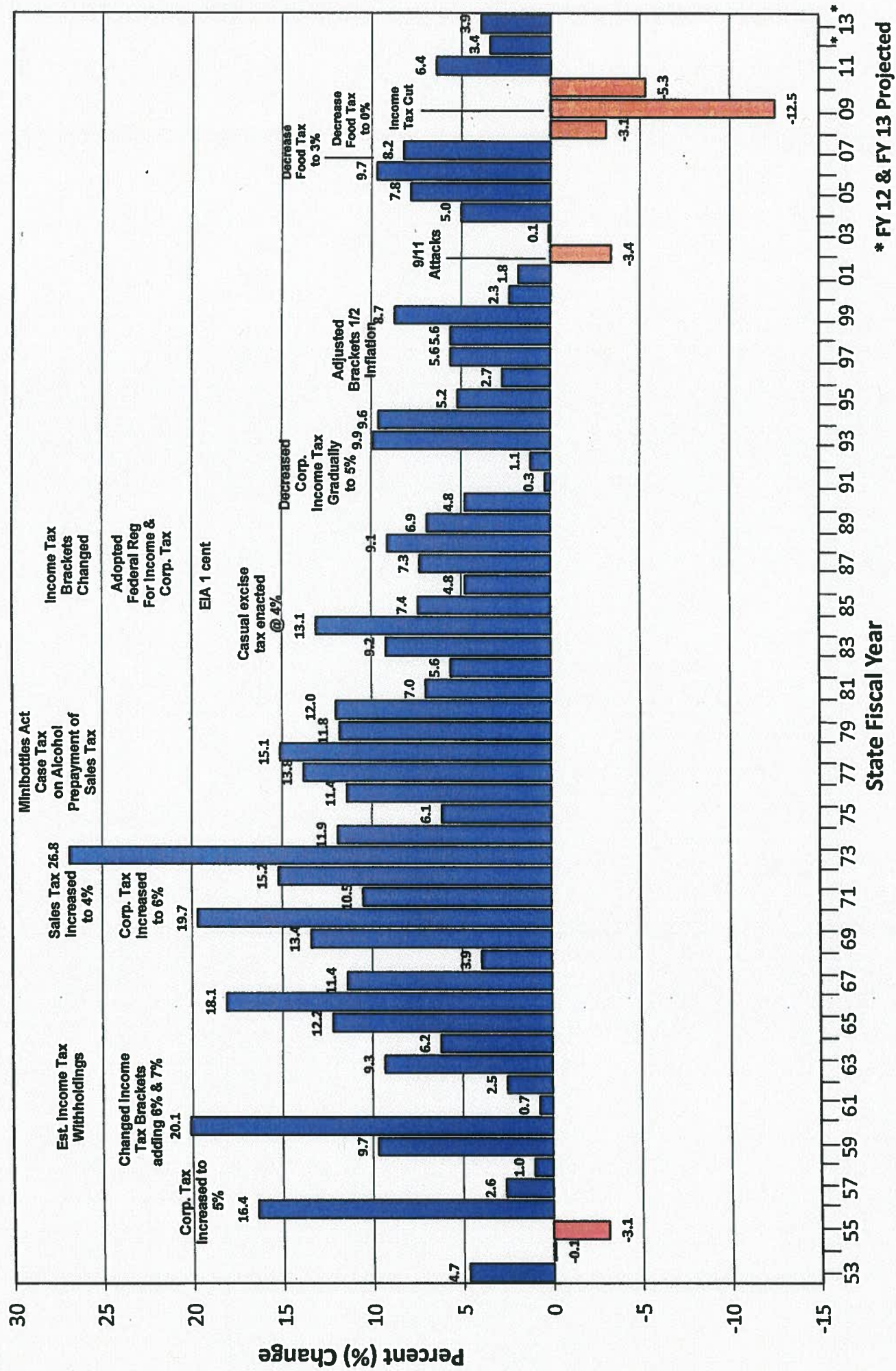
BY
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S.C. BUDGET & CONTROL BOARD
BOARD OF ECONOMIC ADVISORS/OFFICE OF RESEARCH & STATISTICS
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REVIEW

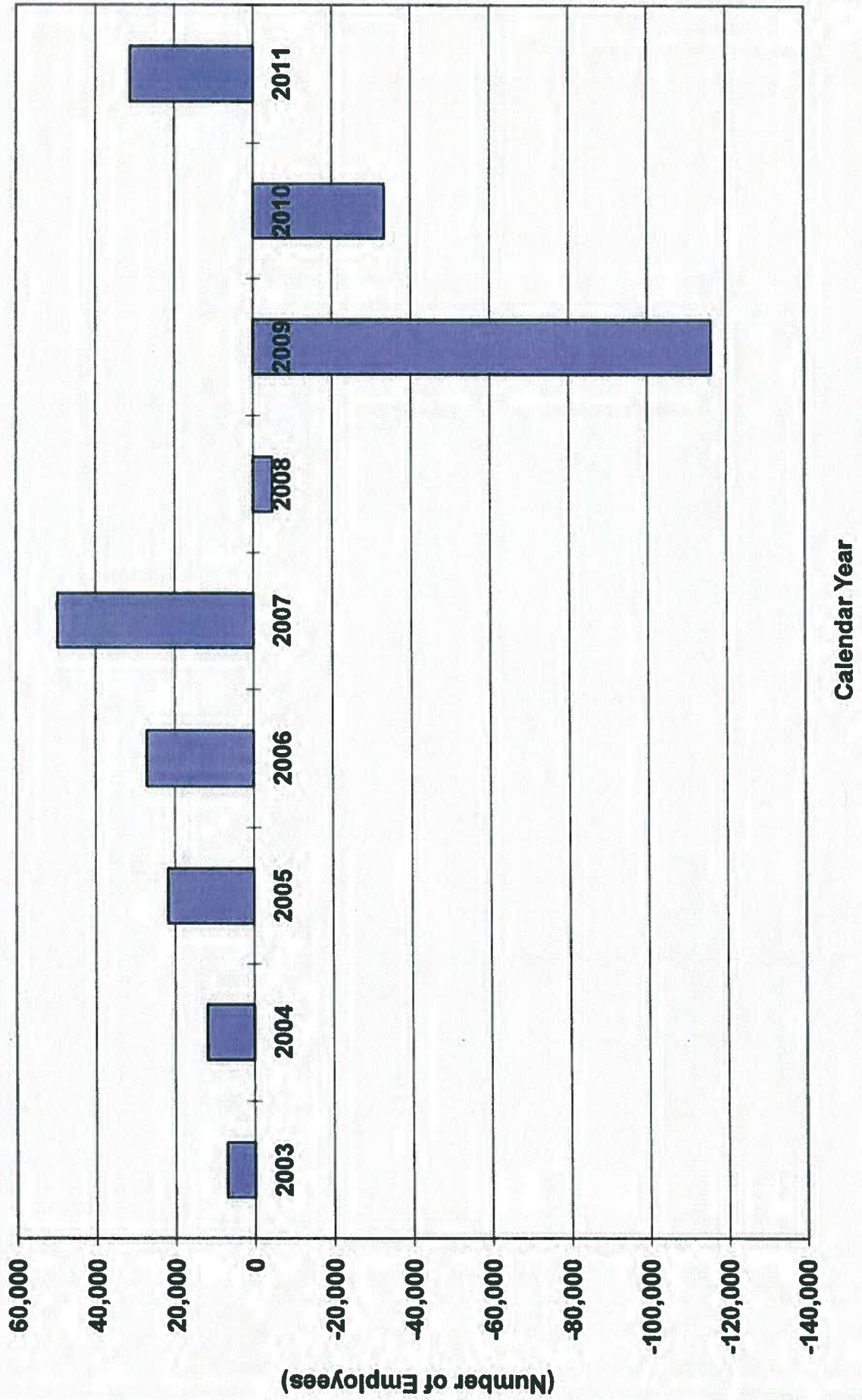
FY 2011

Percent Change in S.C. General Fund Revenue

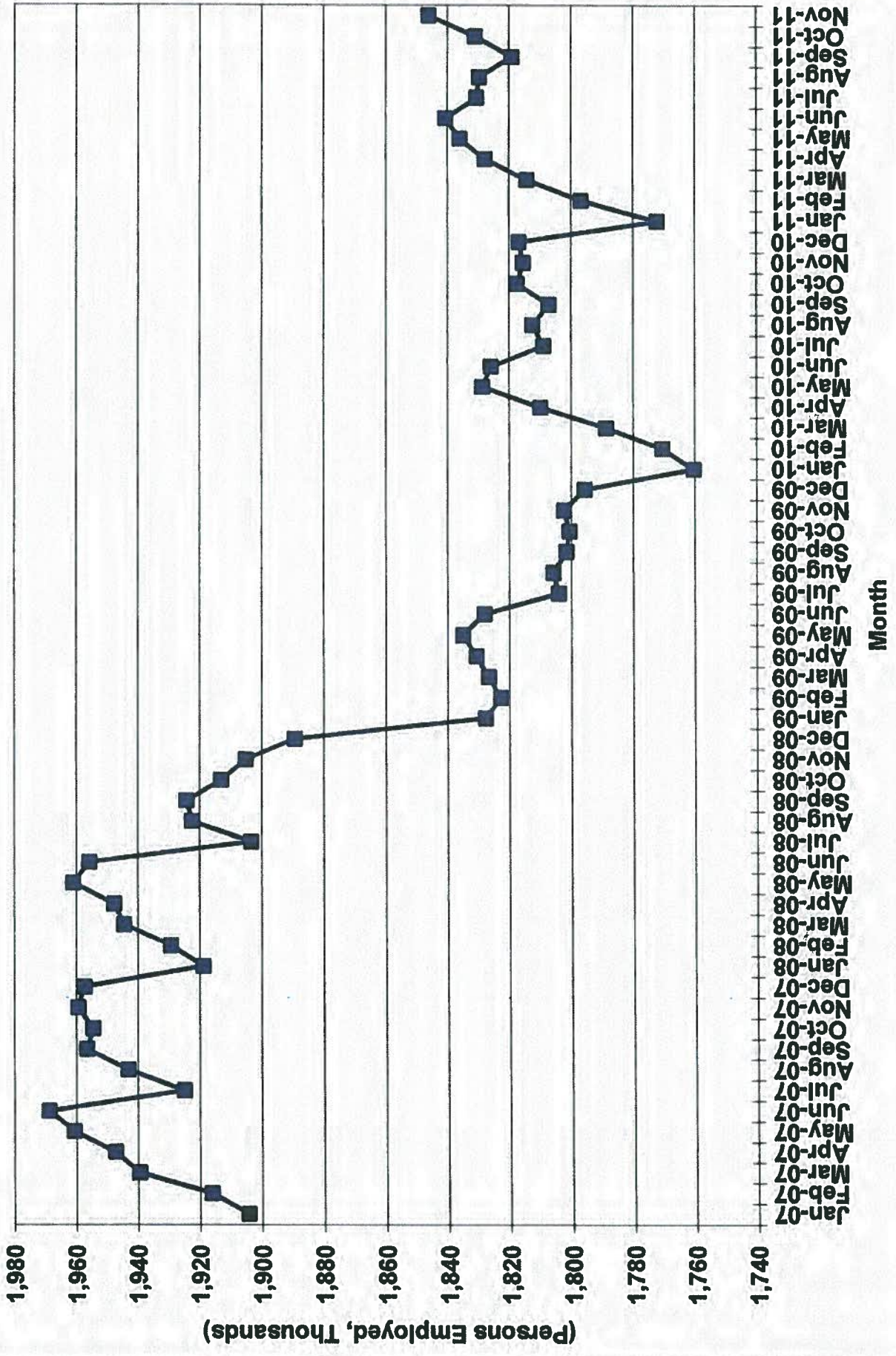


* FY 12 & FY 13 Projected

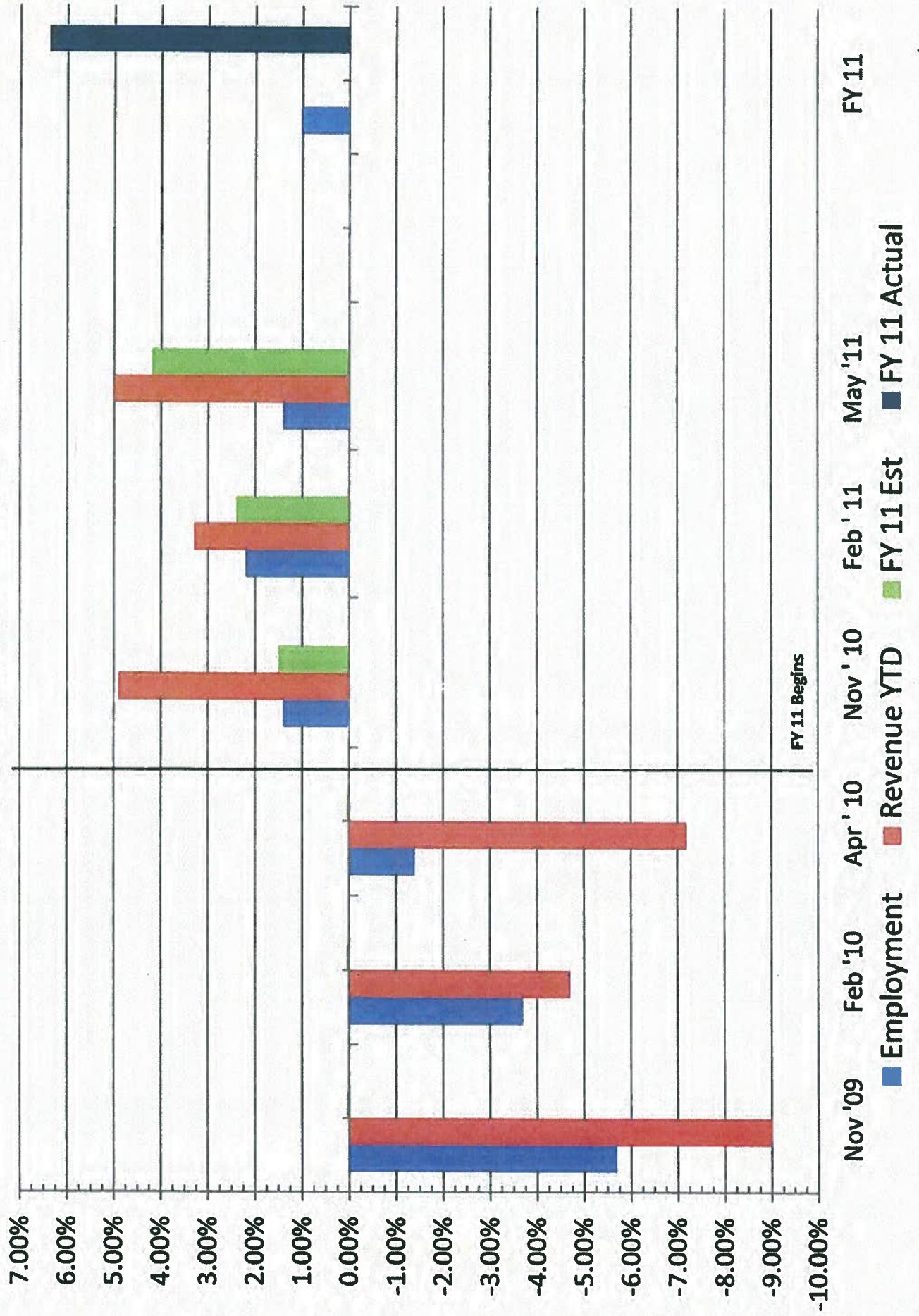
Net Job Growth in South Carolina Employment All Establishment Sizes



Total Employment in South Carolina

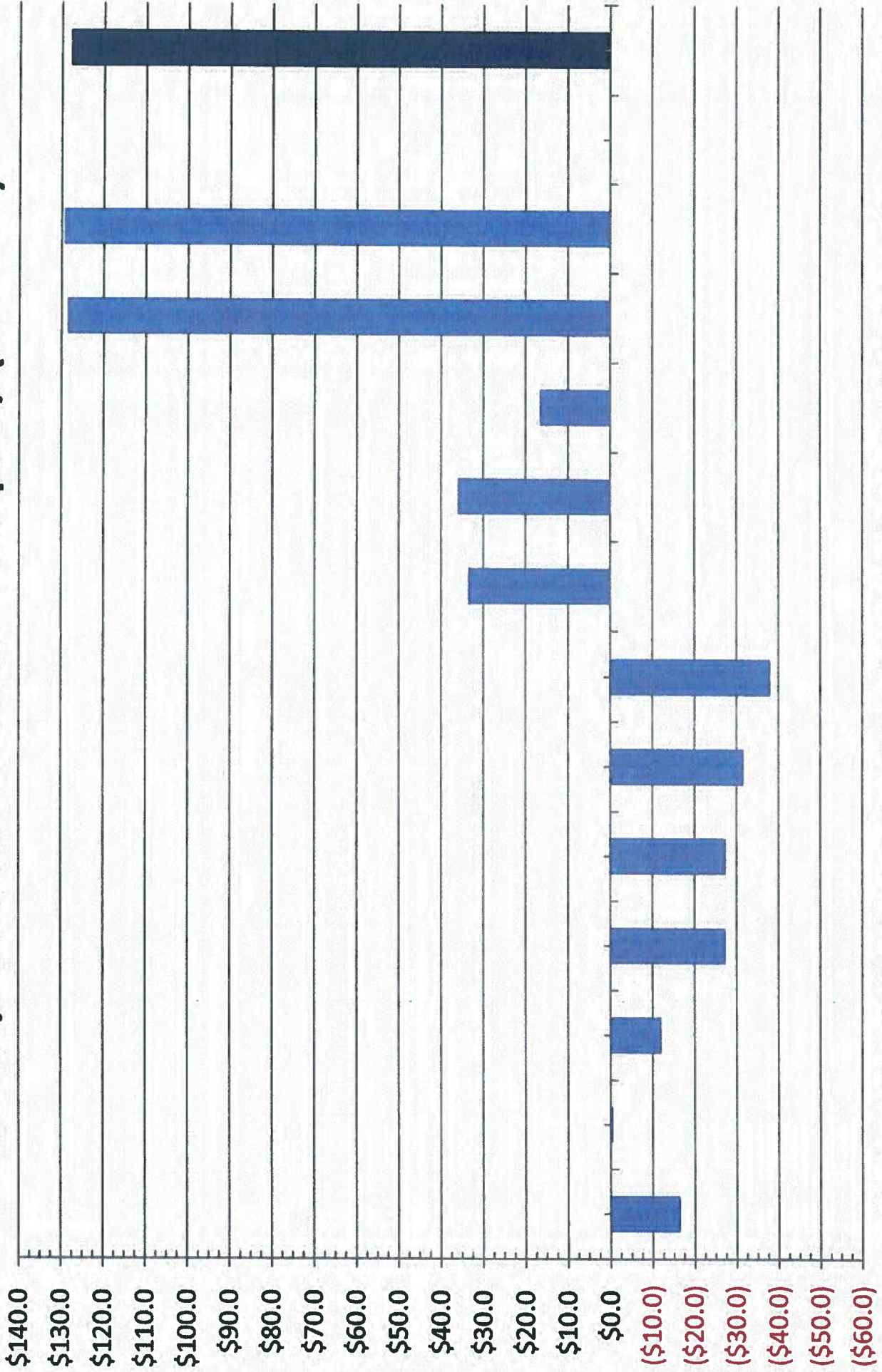


FY 2010-11 Growth Rates At Forecast Intervals



FY 2010-11 Revised Estimate

Monthly Pattern of Cumulative Surplus / (Shortfall)

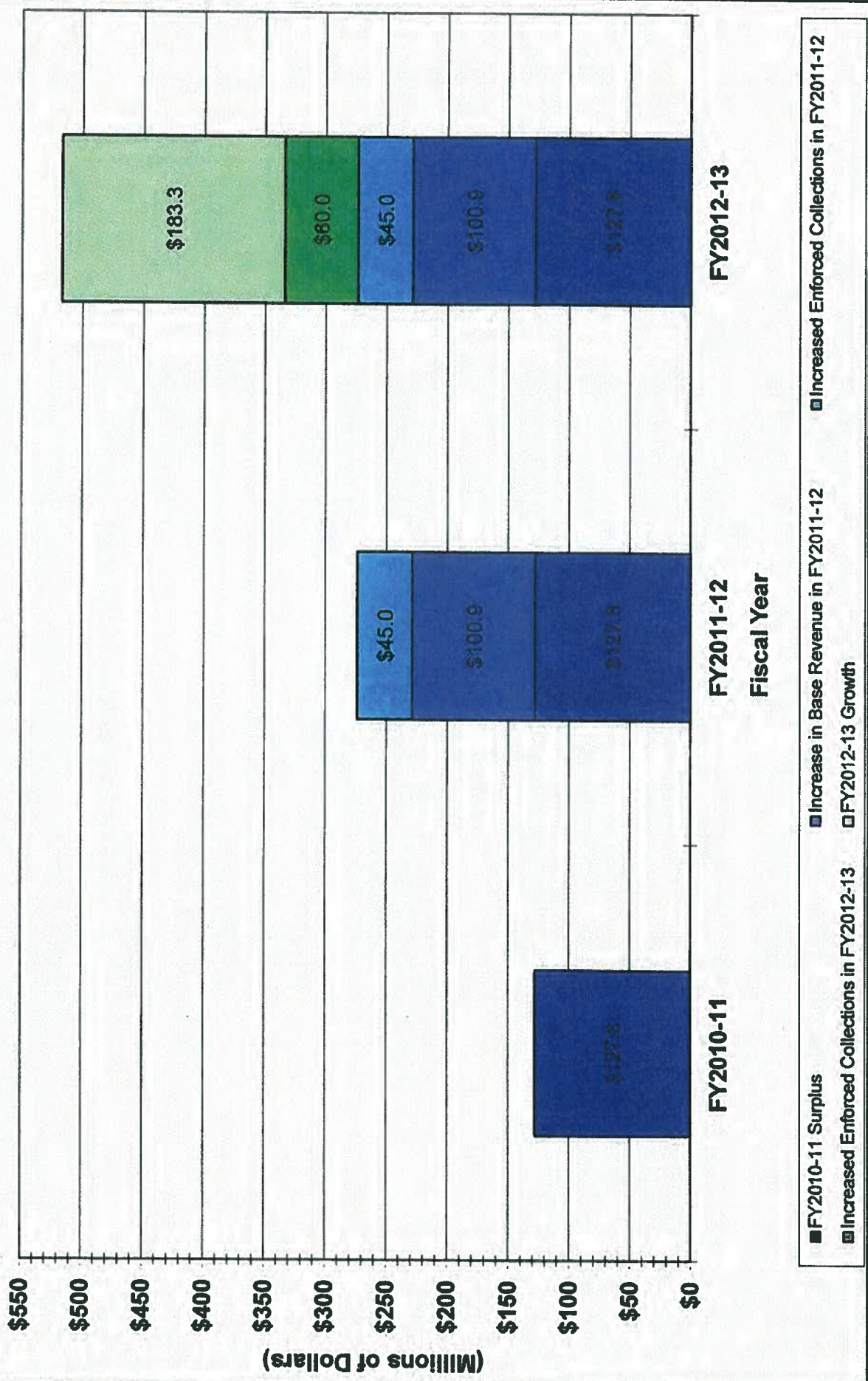


Jul '10 Aug '10 Sep '10 Oct '10 Nov '10 Dec '10 Jan '11 Feb '11 Mar '11 Apr '11 May '11 Jun '11 FY 11

UPDATE

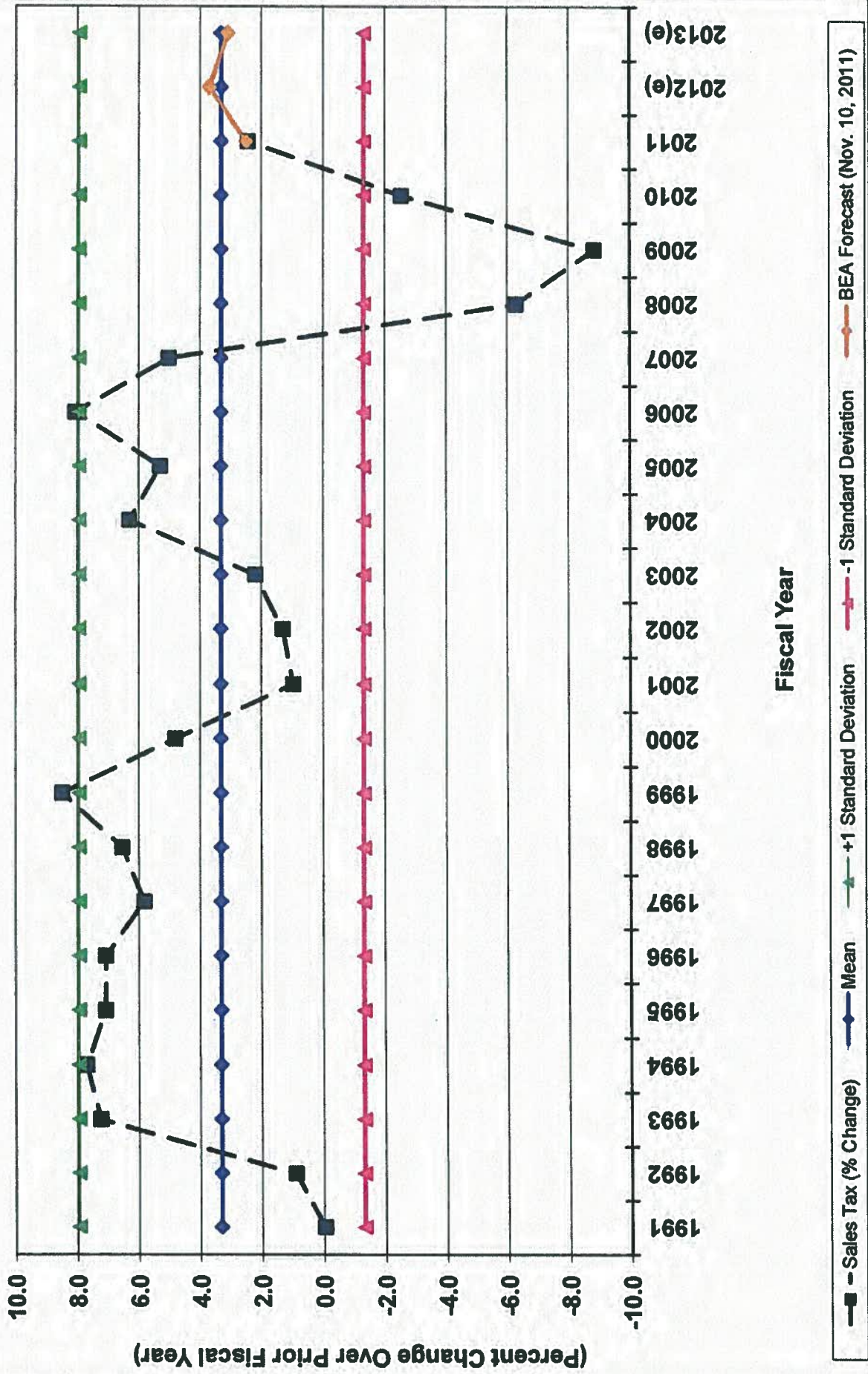
FY 2012 & 2013

Sources of Increase in Base General Fund Revenue and Projected Revenue Growth



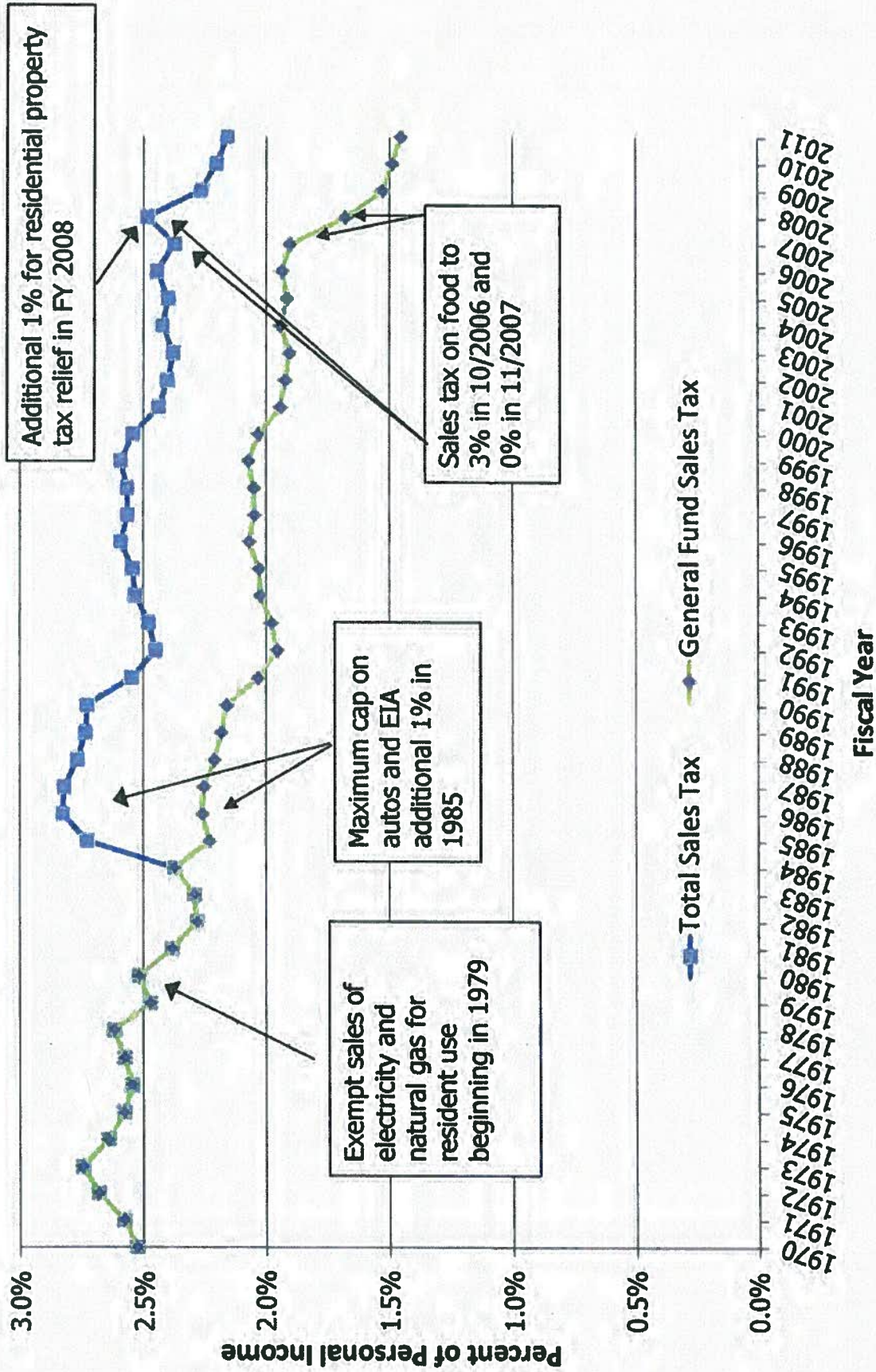
Note: Based on personal income growth rate - FY12, 4.0%; FY13, 3.5%.
 Source: Board of Economic Advisors, November 10, 2011.

General Fund Sales Tax Revenue Growth in South Carolina



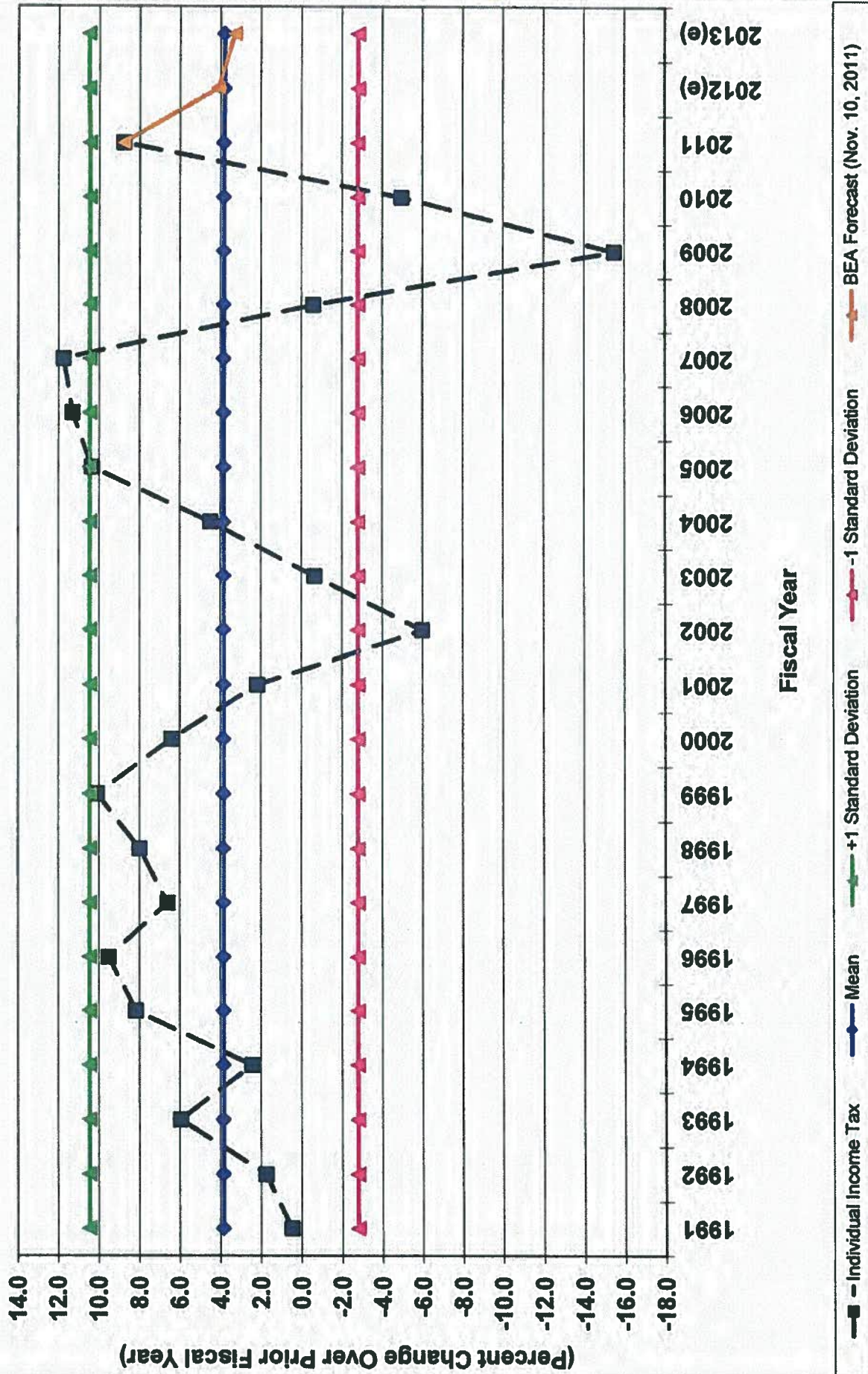
Source: Board of Economic Advisors

South Carolina Total and General Fund Sales Tax Collections as a Percentage of Total Personal Income

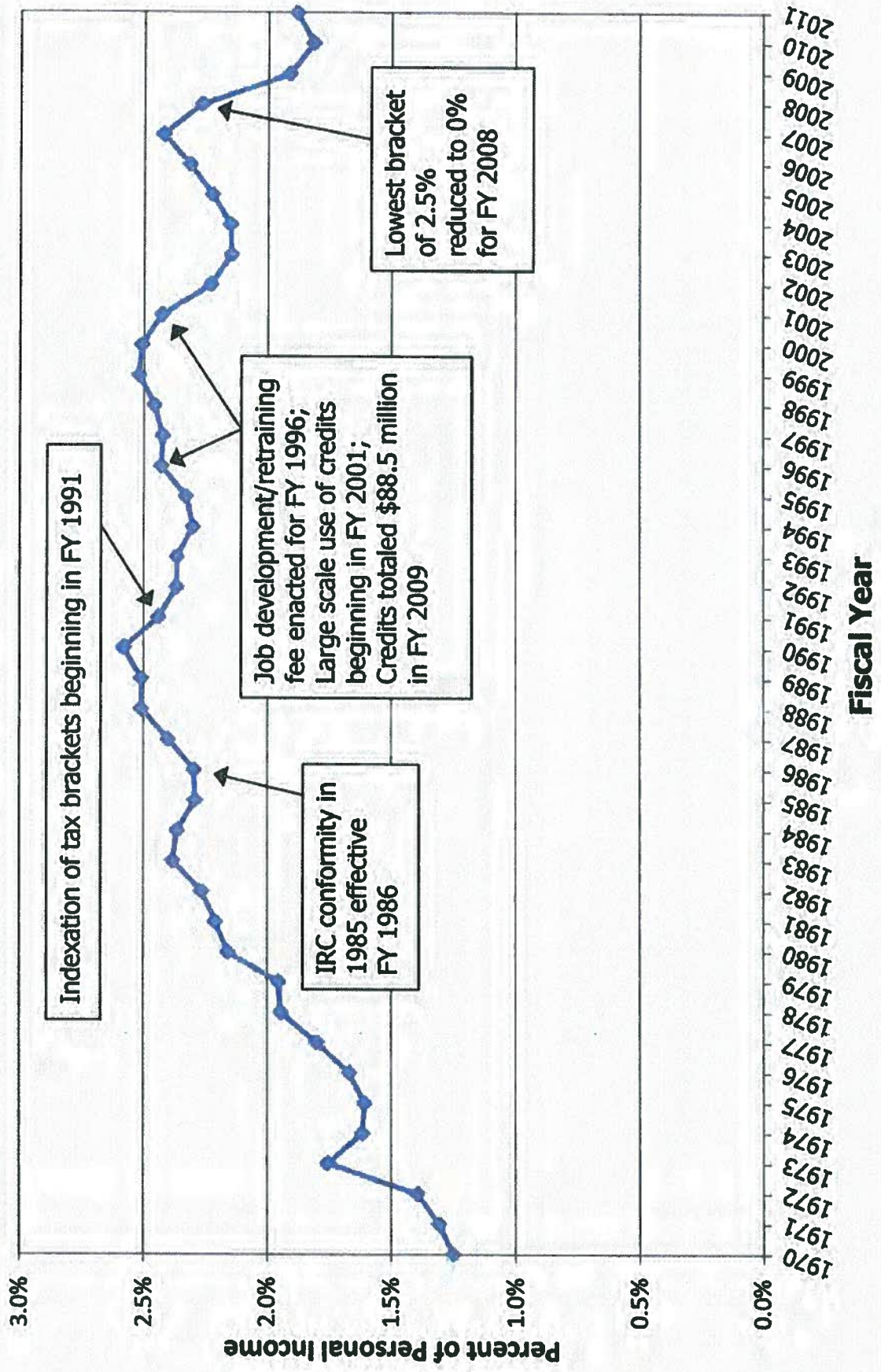


Source: SC sales tax collections and U.S. Department of Commerce, Bureau of Economic Analysis

General Fund Individual Income Tax Revenue Growth in South Carolina



South Carolina Income Tax Collections as a Percentage of Total Personal Income



Source: SC General Fund individual income tax collections and U.S. Department of Commerce, Bureau of Economic Analysis

APPENDIX

PERSONAL INCOME GROWTH ESTIMATES
 FY2011-12: 4.13%; FY2012-13: 3.5%
 FORECAST PERIOD: 3.5%

LONG RANGE GENERAL FUND REVENUE FORECAST
 FISCAL YEARS FY2009-10 TO FY2014-15
 (DOLLARS)

| REVENUE CATEGORIES | FINAL FY 2009-10 | FINAL FY 2010-11 | 11/10/11 ESTIMATE FY 2011-12 | 11/10/11 ESTIMATE FY 2012-13 | WORKING ESTIMATE FY 2013-14 | WORKING ESTIMATE FY 2014-15 |
|---|----------------------|----------------------|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| RETAIL SALES TAX 1/ | 2,173,354,091 | 2,225,996,744 | 2,308,377,788 | 2,406,414,558 | 2,482,216,817 | 2,560,408,440 |
| EXCISE, CASUAL SALES TAX | 17,822,038 | 18,708,889 | 19,404,804 | 20,018,055 | 20,848,561 | 21,296,927 |
| INDIVIDUAL INCOME TAX | 2,673,010,771 | 2,907,731,224 | 3,028,210,997 | 3,160,699,014 | 3,265,792,259 | 3,374,379,848 |
| CORPORATION INCOME TAX | 148,524,509 | 216,081,851 | 242,000,000 | 221,300,000 | 218,900,000 | 218,900,000 |
| SALES AND INCOME TAXES | 5,012,511,407 | 5,388,518,708 | 5,697,993,589 | 5,808,429,627 | 5,987,655,433 | 6,174,983,218 |
| ADMISSIONS/BINGO TAX | 32,339,842 | 32,910,988 | 33,608,274 | 34,439,107 | 35,293,203 | 36,171,213 |
| ADMISS. TAX TRANSFER TO COMMERCE | (8,175,897) | (8,022,004) | (8,366,715) | (8,521,383) | (8,680,382) | (8,843,632) |
| AIRCRAFT TAX | 5,356,653 | 3,813,487 | 3,912,648 | 4,014,377 | 4,116,751 | 4,225,838 |
| ALCOHOLIC LIQUOR TAX | 57,483,218 | 59,144,433 | 60,823,044 | 62,138,620 | 63,692,085 | 65,284,388 |
| BANK TAX | 15,672,134 | 24,451,372 | 26,920,961 | 29,639,978 | 32,633,615 | 35,929,610 |
| BEER AND WINE TAX | 99,229,717 | 101,449,245 | 103,478,230 | 105,547,794 | 107,668,750 | 109,811,925 |
| BUSINESS LICENSE TAX | 35,257,195 | 24,692,298 | 24,247,837 | 23,811,376 | 23,382,771 | 22,961,881 |
| COIN-OPERATED DEVICES | 1,723,124 | 1,558,975 | 1,636,988 | 1,746,052 | 1,555,119 | 1,655,578 |
| CORPORATION LICENSE TAX | 73,412,951 | 88,714,001 | 91,551,374 | 94,479,543 | 97,501,413 | 100,619,984 |
| DEPARTMENTAL REVENUE 3/ | 63,901,643 | 43,441,574 | 36,650,068 | 36,650,058 | 36,650,058 | 36,650,058 |
| DOCUMENTARY TAX | 33,210,359 | 28,589,611 | 29,332,841 | 30,095,597 | 30,878,083 | 31,690,913 |
| LESS: CONSERVATION BANK TRUST FUND EARNED ON INVESTMENTS | (2,207,050) | 0 | 0 | (7,523,699) | (7,719,521) | (7,920,228) |
| ELECTRIC POWER TAX | 41,706,507 | 33,433,569 | 29,000,000 | 29,000,000 | 29,000,000 | 29,000,000 |
| LESS: TRANSFER TO COMMERCE/SIB | (28,219,032) | (28,395,473) | (29,358,375) | (30,358,680) | (31,368,683) | (32,455,898) |
| ESTATE AND GIFT TAXES | 72,908 | 6,219 | 5,000 | 5,000 | 5,000 | 5,000 |
| LESS: FEDERAL CHANGE TO ESTATE TAX | 0 | 0 | 0 | 0 | 0 | 0 |
| INSURANCE PREMIUM TAX | 155,131,900 | 158,828,101 | 167,404,816 | 176,444,679 | 185,972,691 | 196,015,217 |
| INSURANCE LICENSE TAX | 13,177,609 | 21,070,742 | 15,535,371 | 34,954,685 | 17,477,292 | 39,323,908 |
| INSURANCE RETALIATORY & OTHER TAX | 8,675,146 | 4,542,270 | 4,200,000 | 4,200,000 | 4,200,000 | 4,200,000 |
| LESS: INSURANCE CREDITS | (15,337,355) | (7,475,333) | (18,600,000) | (18,600,000) | (18,600,000) | (18,600,000) |
| MOTOR TRANSPORT FEES | 878 | 0 | 3,500 | 5,000 | 3,500 | 5,000 |
| MOTOR VEHICLE LICENSES | 12,362,258 | 15,359,562 | 15,666,753 | 15,980,088 | 16,299,690 | 16,625,684 |
| PETROLEUM INSPECTION TAX | 7,817,194 | 7,925,129 | 8,038,081 | 8,148,388 | 8,262,686 | 8,378,343 |
| LESS: TRANSFER TO NON-FED HWY FUND | (7,817,194) | (7,925,129) | (8,038,081) | (8,148,388) | (8,262,686) | (8,378,343) |
| PRIVATE CAR LINES TAX | 3,957,024 | 3,925,706 | 4,008,146 | 4,092,317 | 4,178,256 | 4,266,999 |
| PUBLIC SERVICE AUTHORITY | 18,514,000 | 18,656,000 | 19,215,680 | 19,792,150 | 20,385,915 | 20,997,492 |
| RETAILERS LICENSE TAX | 799,438 | 878,578 | 920,408 | 968,428 | 1,014,750 | 1,065,487 |
| SAVINGS & LOAN TAX | 3,421,883 | 1,707,359 | 1,758,590 | 1,811,348 | 1,865,688 | 1,921,659 |
| WORKERS COMP. INSURANCE | 12,944,957 | 11,423,978 | 11,721,001 | 12,025,746 | 12,336,416 | 12,659,215 |
| CIRCUIT/FAMILY COURT FINES | 9,724,492 | 8,584,970 | 8,756,269 | 9,851,395 | 10,150,423 | 10,353,431 |
| DEBT SERVICE TRANSFERS | 535,600 | 582,397 | 134,953 | 112,780 | 112,780 | 112,780 |
| INDIRECT COST RECOVERIES | 16,085,383 | 11,161,935 | 11,061,222 | 11,061,222 | 11,061,222 | 11,061,222 |
| MENTAL HEALTH FEES | 3,400,000 | 3,400,000 | 0 | 0 | 0 | 0 |
| PAROLE / PROBATION FEES | 3,392,808 | 3,392,808 | 3,392,808 | 3,392,808 | 3,392,808 | 3,392,808 |
| UNCLAIMED PROPERTY FUND | 12,000,600 | 15,000,000 | 15,000,000 | 15,000,000 | 16,000,000 | 16,000,000 |
| OTHER BASE SOURCES | 706,749,500 | 718,182,839 | 695,780,137 | 729,712,764 | 732,822,375 | 777,932,228 |
| TOTAL GENERAL FUND REVENUE | 5,719,260,907 | 6,086,701,547 | 6,293,773,726 | 6,537,142,391 | 6,720,377,808 | 6,952,915,444 |
| APPROPRIATION ACT REVENUE | 8,079,156,397 | 5,574,943,066 | 6,020,099,711 | 6,537,142,391 | 6,720,377,808 | 6,952,915,444 |
| LESS: TAX RELIEF TRUST FUND | (526,844,826) | (534,664,696) | (541,759,481) | (549,161,002) | (559,574,876) | (564,088,434) |
| PLUS: TAX RELIEF FUND CARRYFORWARD | 1,451,372 | 0 | 0 | 0 | 0 | 0 |
| EXCLUDING TRUST FUNDS | 5,551,864,943 | 5,039,678,400 | 5,478,340,230 | 5,987,981,389 | 6,160,803,133 | 6,388,827,010 |
| CAPITAL RESERVE FUND (2%) - BEG. BAL. | 0 | 110,883,455 | 104,837,915 | 112,884,612 | 115,040,285 | 119,759,628 |
| GENERAL RESERVE FUND (3%) - BEG. BAL. | 0 | 168,325,183 | 183,468,352 | 225,529,224 | 258,540,842 | 289,399,069 |
| TOTAL RESERVES | 0 | 277,208,638 | 288,306,267 | 337,993,836 | 373,580,927 | 419,159,697 |
| REVENUE EXCESS / SHORTAGE FROM ACT | (359,897,480) | 512,358,451 | 273,874,015 | 0 | 0 | 0 |
| EDUCATION IMPROVEMENT ACT 2/ EIA FUND | 551,368,000 | 587,644,720 | 582,020,848 | 606,787,853 | 625,905,794 | 645,615,942 |
| EIA HOLD HARMLESS | 551,283,727 | 587,538,356 | 581,945,648 | 606,607,653 | 625,715,794 | 645,425,842 |
| EIA INTEREST | 74,273 | 106,361 | 75,000 | 190,000 | 190,000 | 190,000 |
| S.C. EDUCATION LOTTERY FUND (NET) | 272,427,898 | 271,131,847 | 253,133,000 | 252,400,000 | 252,400,000 | 252,400,000 |
| HOMESTEAD EXEMPTION FUND TOTAL REVENUE AVAILABLE | 496,940,585 | 517,600,000 | 529,610,425 | 551,877,433 | 568,810,175 | 586,253,729 |
| LESS: HOMESTEAD EXEMPT. FUND SHORTFALL | (123,710,828) | (110,379,407) | (115,348,842) | (118,923,228) | (129,484,654) | (141,215,982) |

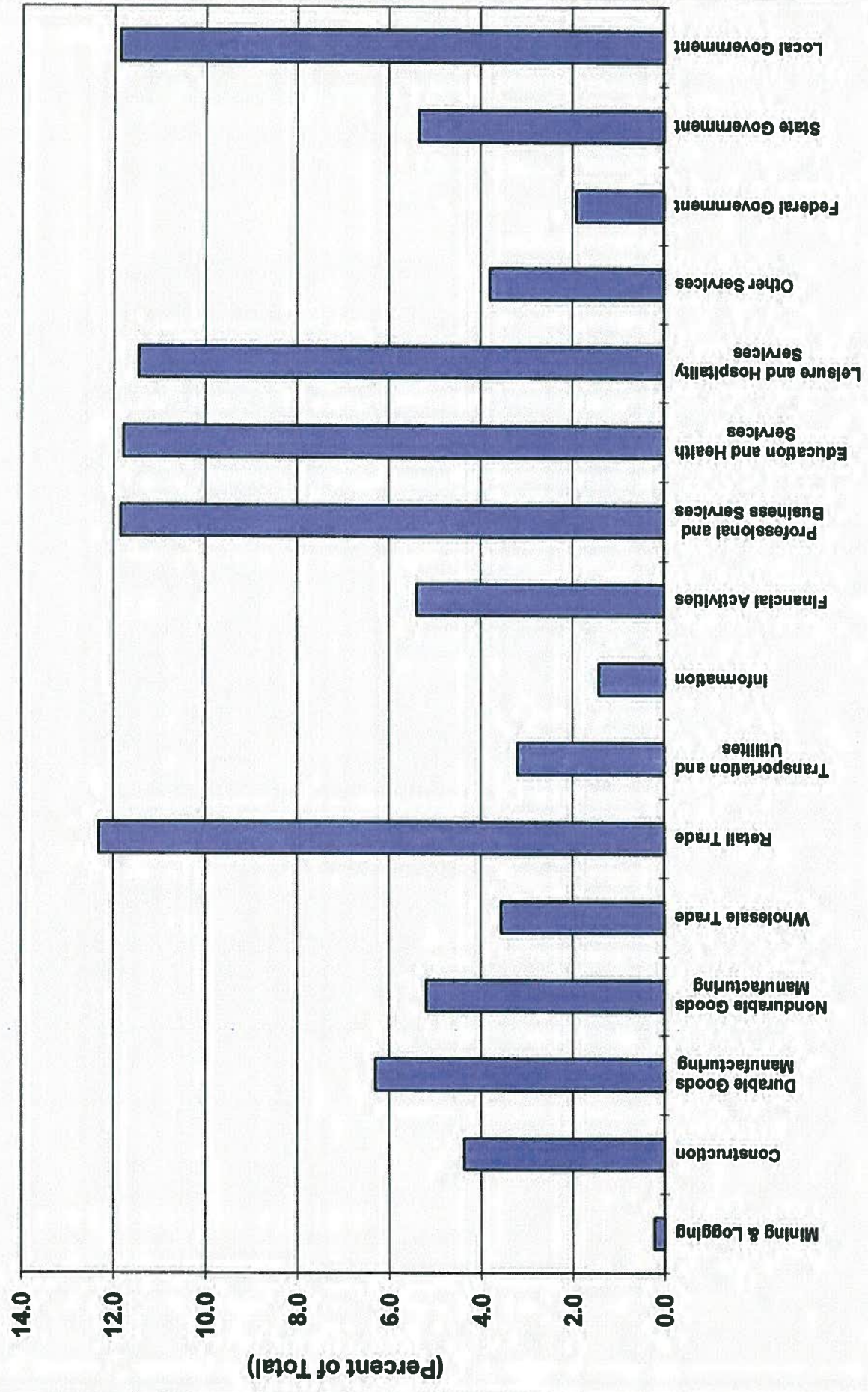
1/ Excludes (1%) Education Improvement Act and (2%) Accommodations Taxes.

2/ Includes interest earnings.

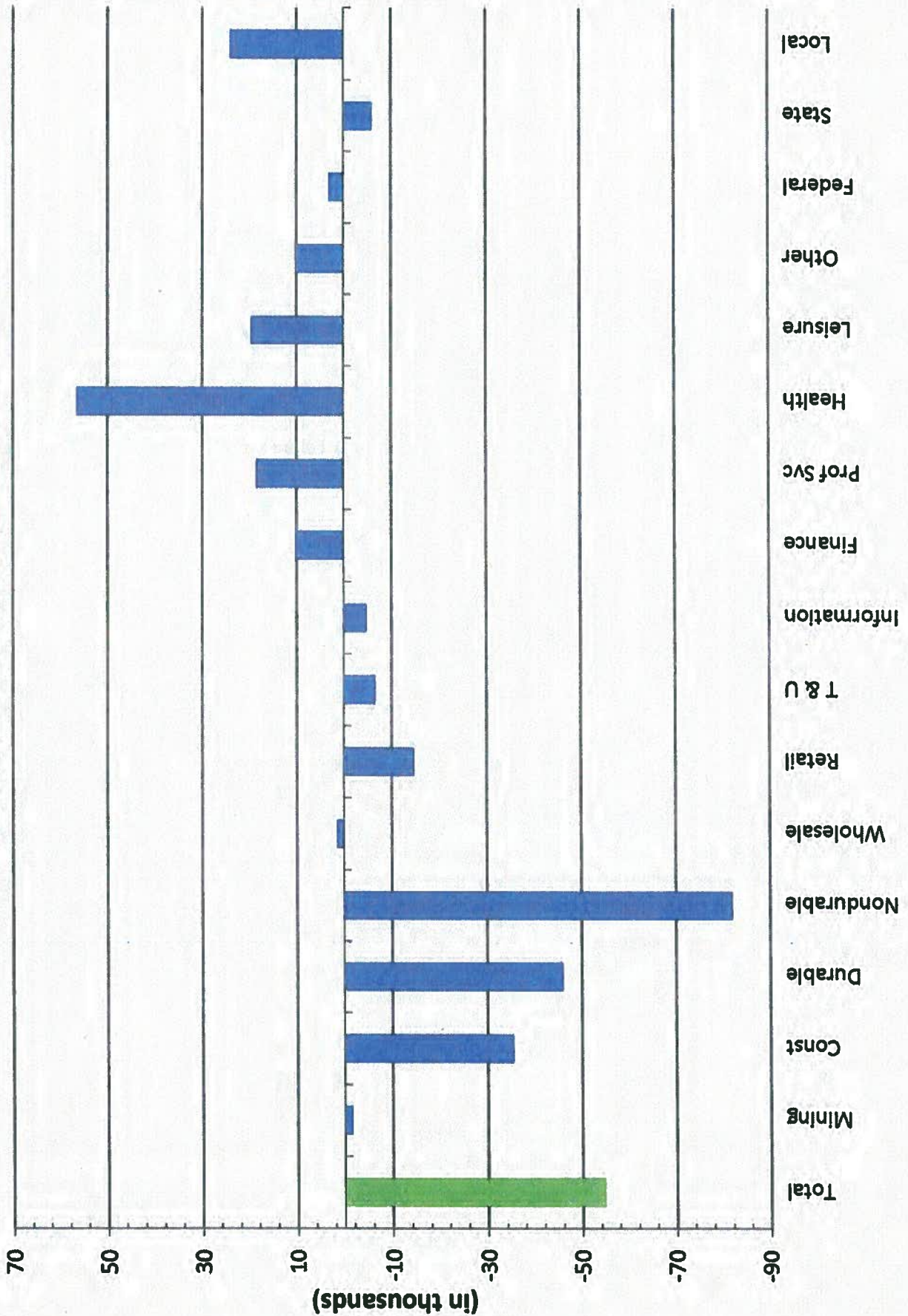
3/ Includes former Dept. of Agriculture agency revenue other than the Petroleum Inspection Tax now shown separately.

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

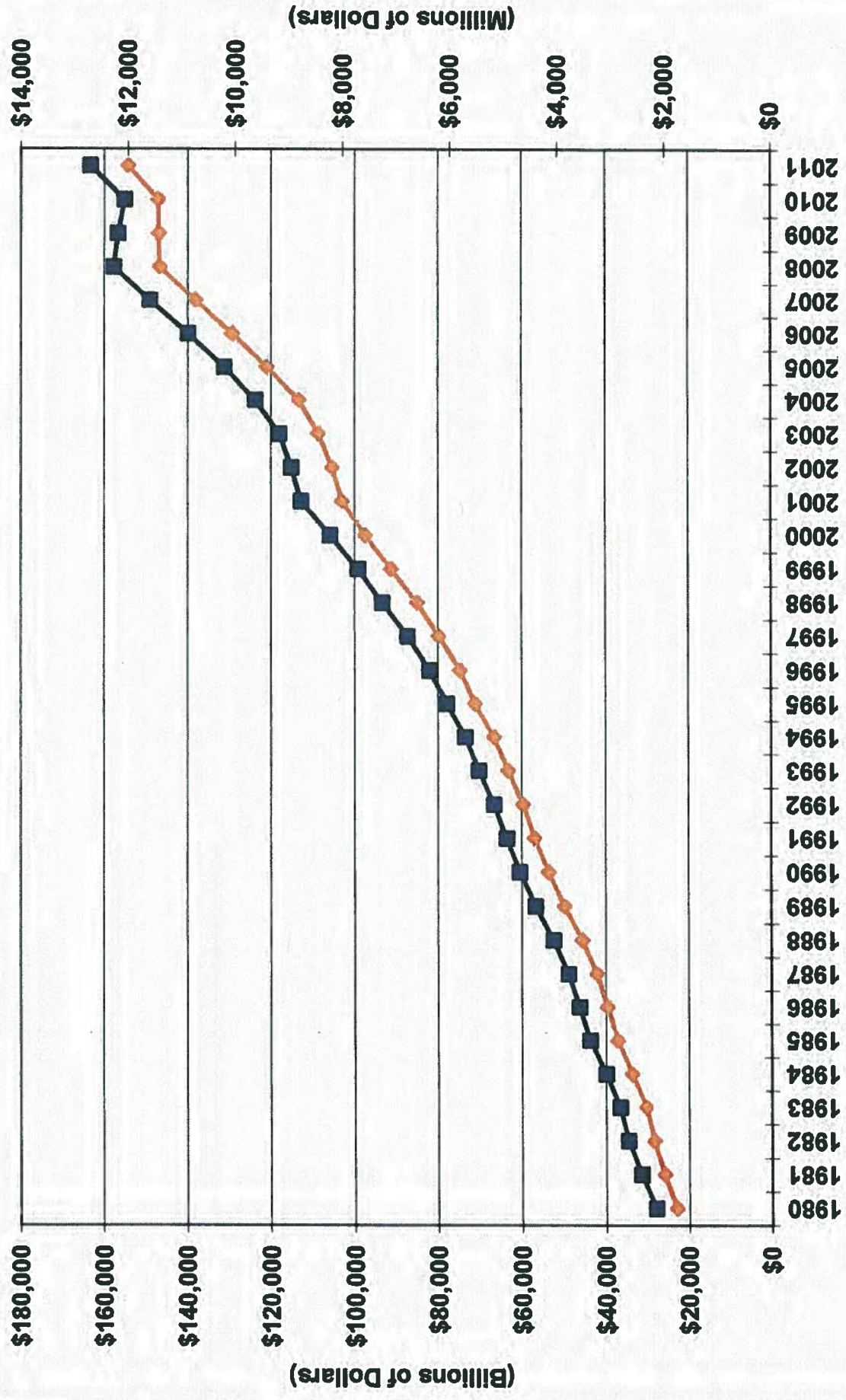
Share of South Carolina Nonfarm Employment By Sector Calendar Year 2010



SC Employment Growth by Sector 2000-2010 Number of Jobs

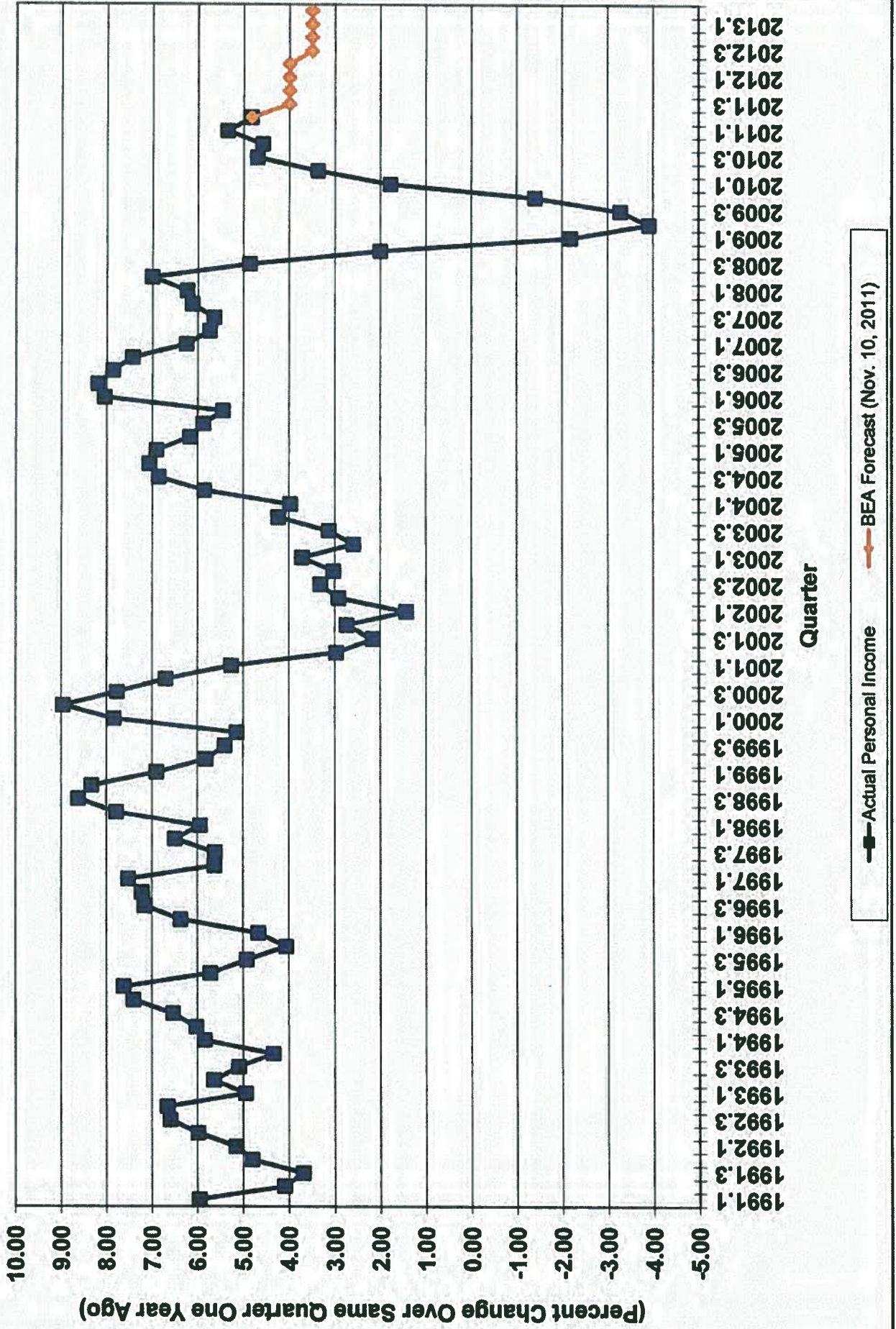


Personal Income in the United States and South Carolina

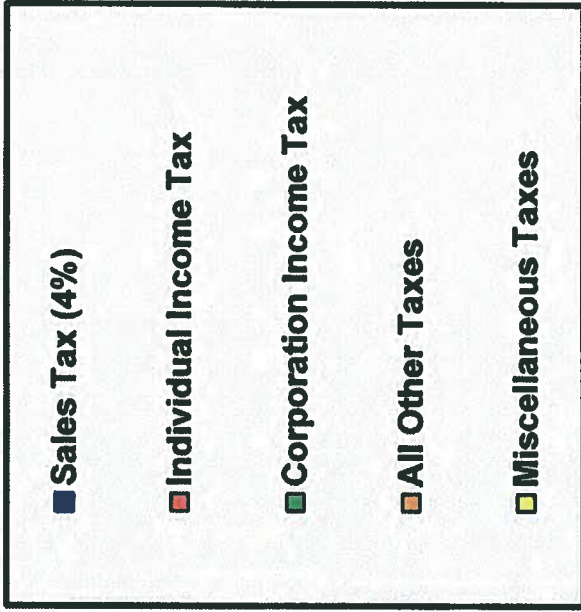
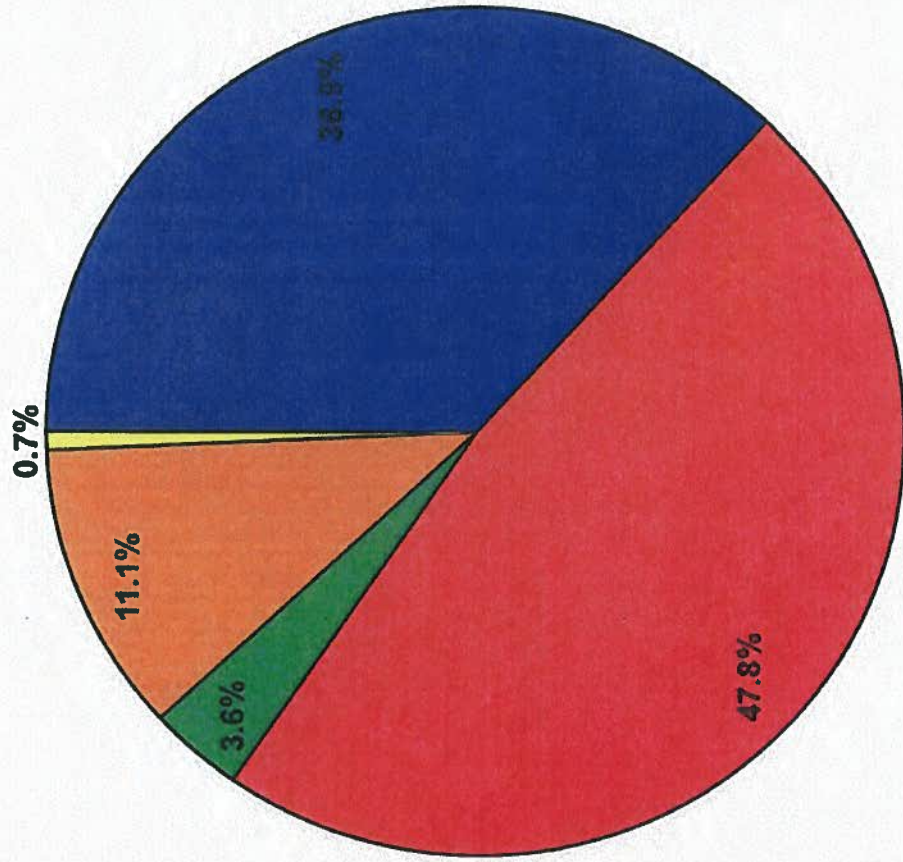


Source: U.S. Department of Commerce, Bureau of Economic Analysis

Total Personal Income Growth in South Carolina

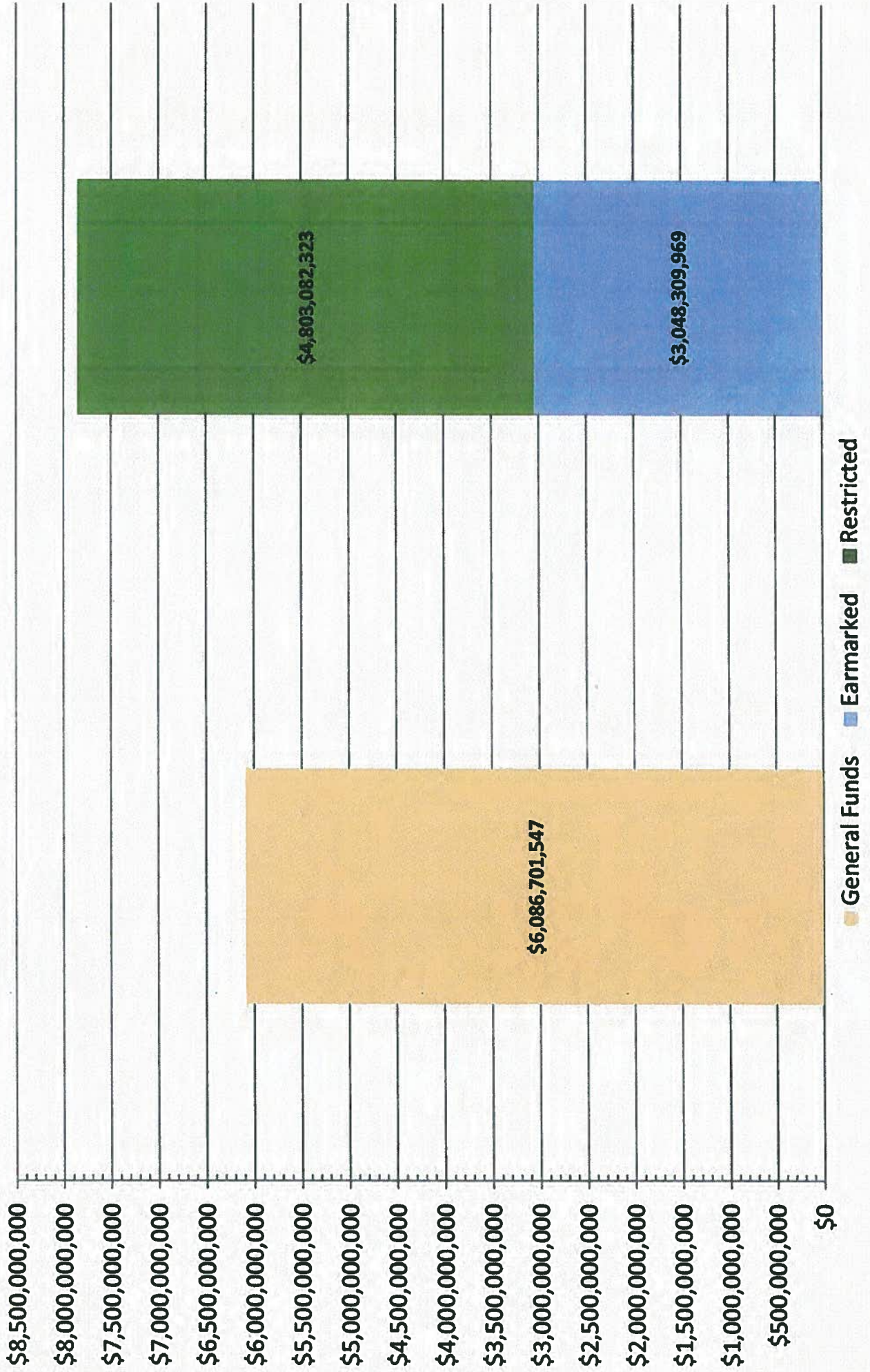


Shares of South Carolina General Fund Revenue Fiscal Year 2010-11



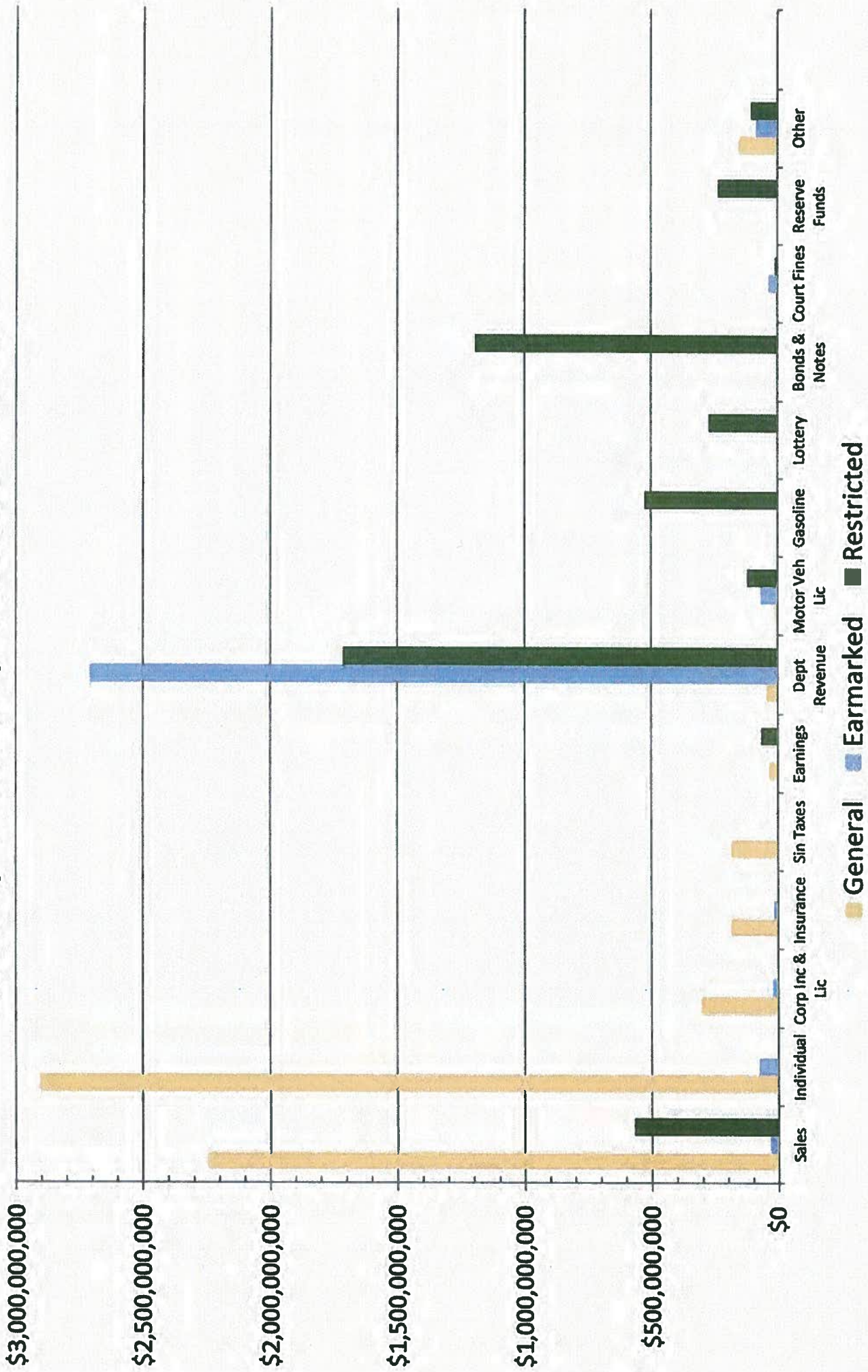
FY 2010-11 REVENUES

General and Other Funds



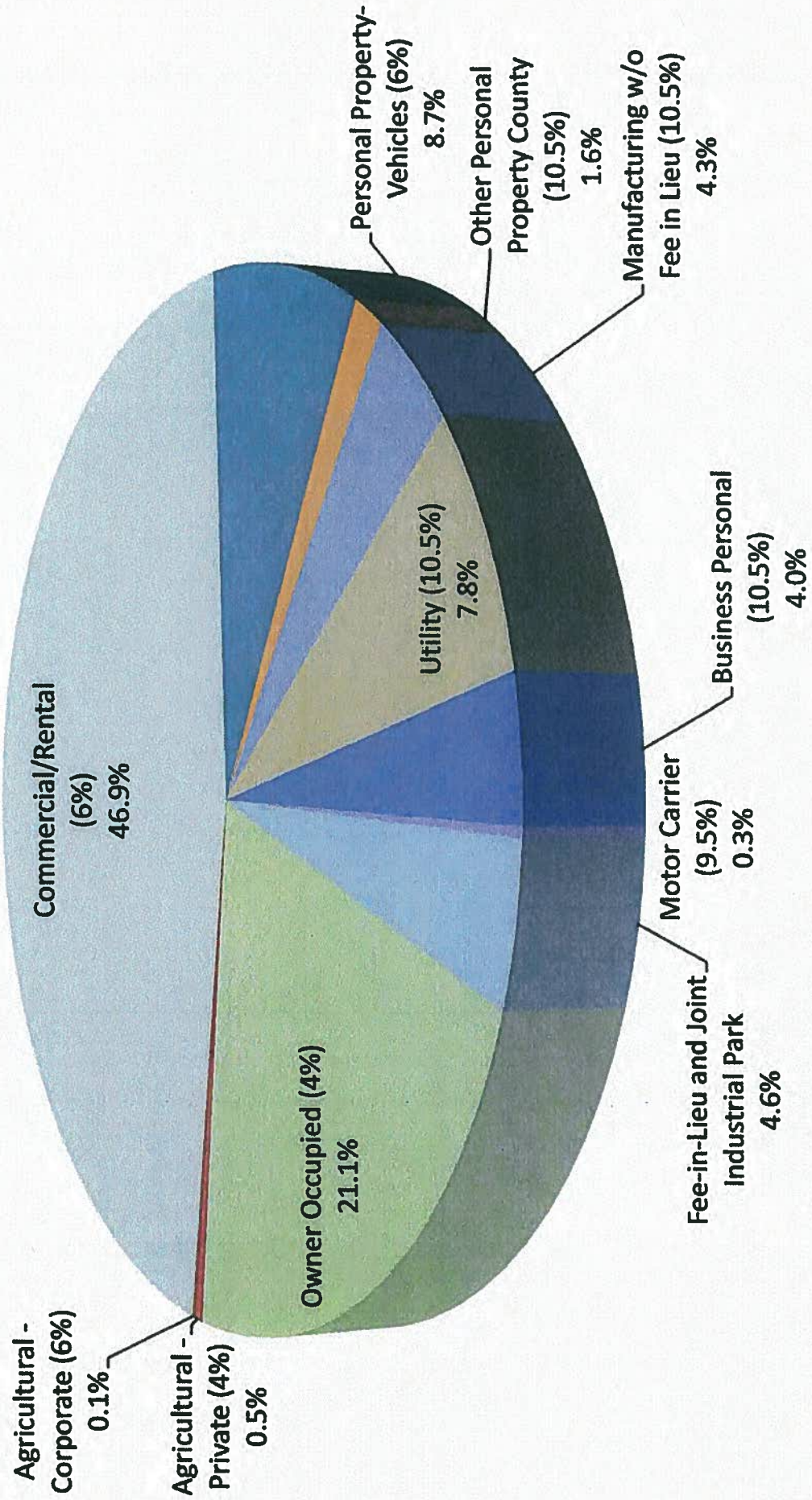
FY 2010-11 REVENUES BY CATEGORY

General, Earmarked, & Restricted Funds



Projected Property Taxes Paid by Taxpayers in FY 2012-13

(Does Not Include the Estimated \$1,198,421,862 in Property Tax Relief Reimbursed by the State)



Note: Assessment Ratio in Parentheses

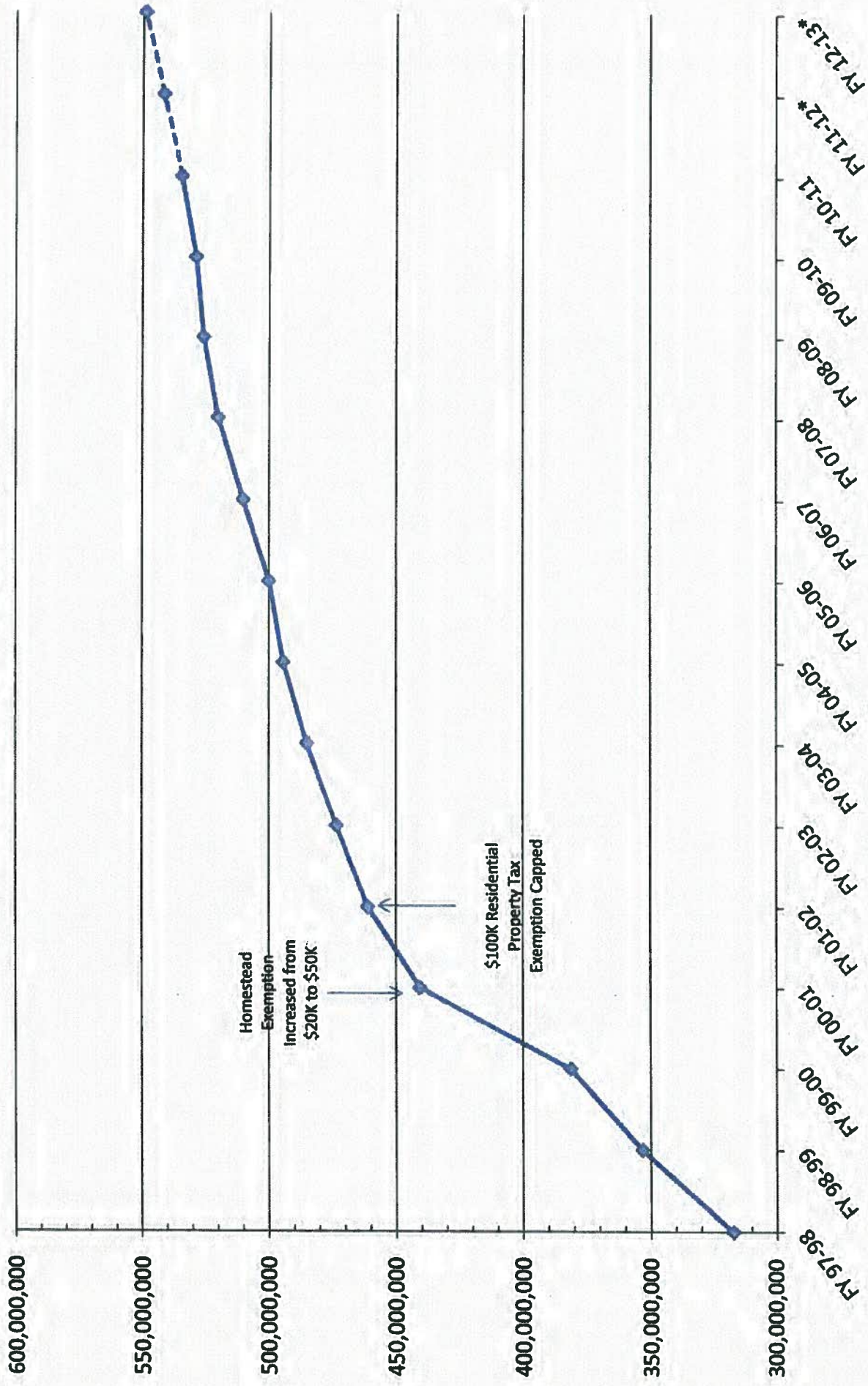
Source: Office of Research and Statistics, SC Budget and Control Board
 Z:\PropTaxData\FY 13 Preliminary Estimate of All Property Taxes- Charts.xlsx

Projected Property Tax Paid by Taxpayers and Reimbursements Paid by the State for FY 2012-13

| Property Tax Categories (Assessment Ratio) | Property Tax Revenue from Taxpayers | Percent of Total Tax |
|---|-------------------------------------|----------------------|
| Owner Occupied (4%) | 1,326,233,734 | 21.1% |
| Agricultural - Private (4%) | 34,187,721 | 0.5% |
| Agricultural - Corporate (6%) | 5,185,736 | 0.1% |
| Commercial/Rental (6%) | 2,945,925,683 | 46.9% |
| Personal Property-Vehicles (6%) | 545,454,356 | 8.7% |
| Other Personal Property County (10.5%) | 103,388,565 | 1.6% |
| Manufacturing w/o Fee in Lieu Values (10.5%) | 270,542,028 | 4.3% |
| Utility (10.5%) | 487,926,091 | 7.8% |
| Business Personal (10.5%) | 251,713,427 | 4.0% |
| Motor Carrier (9.5%) | 18,838,370 | 0.3% |
| Fee-in-Lieu and Joint Industrial Park | 289,855,628 | 4.6% |
| Total Property Taxes Paid by Taxpayers | 6,279,251,339 | 100% |

| Property Tax Reimbursements by the State | FY 2012-13 |
|--|----------------------|
| Tier I Reimbursement | 249,069,750 |
| Homestead Exemption | 203,155,867 |
| Tier III Reimbursement | 643,932,860 |
| Manufacturer's Depreciation Reimbursement | 61,706,127 |
| Merchant's Inventory Tax | 40,557,257 |
| Total Reimbursements for FY 2012-13 | 1,198,421,862 |

Trust Fund for Property Tax Relief



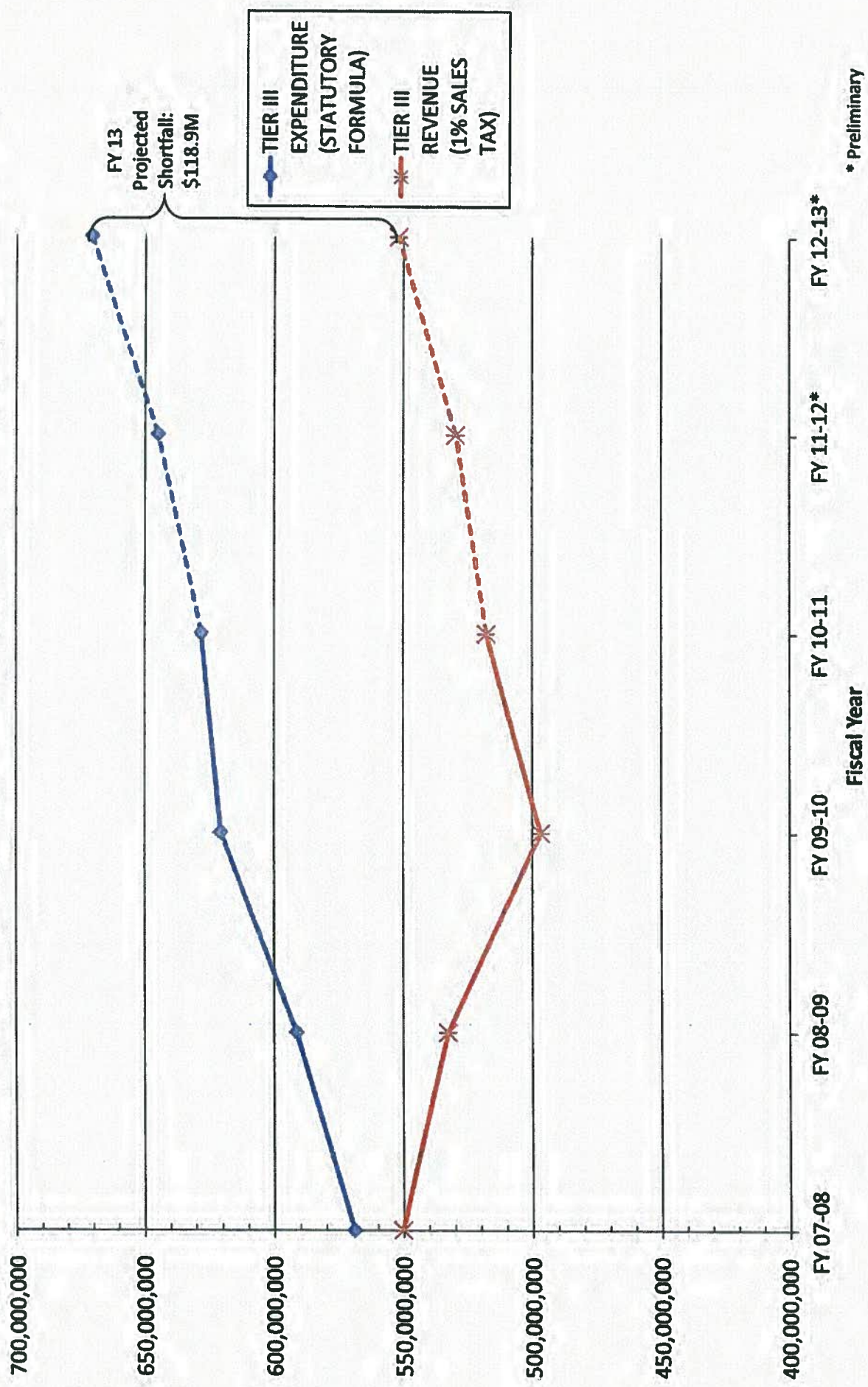
Note: Beginning in FY 1998-99, property tax relief appropriations were moved off-budget and associated revenue was transferred to the Trust Fund for Property Tax Relief.

* Preliminary

Trust Fund for Property Tax Relief

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---------------------------------------|---|--|------------------------------------|--|---|---|---------------|
| | \$100,000 Residential Property Tax Exemption (Tier I) | Homestead Exemption County/City (Tier II part 1) | School Operations (Tier II part 2) | 65 and Over \$50,000 Homestead Exemption (Total Tier II) | Manufacturer's Depreciation Reimbursement from 20% to 10% | Merchant's Inventory Tax Exemption (originally passed 1984) | Total |
| DOLLARS | | | | | | | |
| FY 2000 (TY 1999) | \$251,576,947 | | | \$53,579,824 | \$35,729,165 | \$40,557,257 | \$381,443,193 |
| FY 2001 (TY 2000) | \$241,614,944 | | | \$119,783,281 | \$38,746,703 | \$40,557,257 | \$440,702,185 |
| FY 2002 (TY 2001) | \$249,069,750 | | | \$127,749,042 | \$43,773,787 | \$40,557,257 | \$461,149,836 |
| FY 2003 (TY 2002) | \$249,069,750 | | | \$138,220,677 | \$45,624,171 | \$40,557,257 | \$473,471,855 |
| FY 2004 (TY 2003) | \$249,069,750 | | | \$147,839,923 | \$47,597,238 | \$40,557,257 | \$485,064,168 |
| FY 2005 (TY 2004) | \$249,069,750 | | | \$154,873,301 | \$49,906,439 | \$40,557,257 | \$494,406,747 |
| FY 2006 (TY 2005) | \$249,069,750 | | | \$157,864,439 | \$52,581,627 | \$40,557,257 | \$500,073,073 |
| FY 2007 (TY 2006) | \$249,069,750 | | | \$166,047,316 | \$54,562,649 | \$40,557,257 | \$510,236,972 |
| FY 2008 (TY 2007) | \$249,069,750 | \$92,073,054 | \$80,892,728 | \$172,965,782 | \$57,582,305 | \$40,557,257 | \$520,175,094 |
| FY 2009 (TY 2008) | \$249,069,750 | \$97,469,317 | \$80,892,728 | \$178,362,045 | \$57,996,007 | \$40,557,257 | \$525,985,059 |
| FY 2010 (TY 2009) | \$249,069,750 | \$101,442,286 | \$80,892,728 | \$182,335,014 | \$56,982,806 | \$40,557,257 | \$528,944,826 |
| FY 2011 (TY 2010) | \$249,069,750 | \$104,339,347 | \$80,892,728 | \$185,232,075 | \$59,805,615 | \$40,557,257 | \$534,664,696 |
| FY 2011 Appropriation Act Est. | \$249,069,750 | \$112,631,996 | \$80,892,728 | \$193,524,724 | \$62,728,481 | \$40,557,257 | \$545,880,212 |
| FY 2011 Surplus/(Shortfall) | \$0 | \$8,292,649 | \$0 | \$8,292,649 | \$2,922,867 | \$0 | \$11,215,516 |
| GROWTH RATES | | | | | | | |
| FY 2000 (TY 1999) | 5.77% | | | 4.38% | 51.30% | 0.00% | 7.95% |
| FY 2001 (TY 2000) | -3.96% | | | -123.56% | 8.45% | 0.00% | 15.54% |
| FY 2002 (TY 2001) | 3.09% | | | 6.65% | 12.97% | 0.00% | 4.64% |
| FY 2003 (TY 2002) | 0.00% | | | 8.20% | 4.23% | 0.00% | 2.67% |
| FY 2004 (TY 2003) | 0.00% | | | 6.96% | 4.32% | 0.00% | 2.45% |
| FY 2005 (TY 2004) | 0.00% | | | 4.76% | 4.85% | 0.00% | 1.93% |
| FY 2006 (TY 2005) | 0.00% | | | 1.93% | 5.36% | 0.00% | 1.15% |
| FY 2007 (TY 2006) | 0.00% | | | 5.18% | 3.77% | 0.00% | 2.03% |
| FY 2008 (TY 2007) | 0.00% | | | 4.17% | 5.53% | 0.00% | 1.95% |
| FY 2009 (TY 2008) | 0.00% | 5.86% | 0.00% | 3.12% | 0.72% | 0.00% | 1.12% |
| FY 2010 (TY 2009) | 0.00% | 4.08% | 0.00% | 2.23% | -1.75% | 0.00% | 0.56% |
| FY 2011 (TY 2010) | 0.00% | 2.86% | 0.00% | 1.59% | 4.95% | 0.00% | 1.08% |
| 5 Year Growth Rate | 0.00% | n/a | n/a | 3.25% | 2.61% | 0.00% | 1.35% |
| 4 Year Growth Rate | 0.00% | n/a | n/a | 2.77% | 2.32% | 0.00% | 1.18% |
| 3 Year Growth Rate | 0.00% | 4.26% | 0.00% | 2.31% | 1.27% | 0.00% | 0.92% |
| PROJECTIONS | | | | | | | |
| FY 12 & FY 13 Applied Growth Rates | 0.00% | 4.26% | 0.00% | n/a | 4.44% | 0.00% | n/a |
| FY 2012 Appropriation Act Est. | \$249,069,750 | \$115,071,261 | \$80,892,728 | \$195,963,989 | \$60,089,714 | \$40,557,257 | \$545,680,709 |
| FY 2012 Revised Estimate (Nov 11) | \$249,069,750 | \$108,781,064 | \$80,892,728 | \$189,673,792 | \$62,458,662 | \$40,557,257 | \$541,759,461 |
| FY 2012 Projected Surplus/(Shortfall) | \$0 | \$6,290,197 | \$0 | \$6,290,197 | (\$2,368,948) | \$0 | \$3,921,249 |
| FY 2013 Projection (Nov 11) | \$249,069,750 | \$113,411,865 | \$80,892,728 | \$194,304,593 | \$65,229,402 | \$40,557,257 | \$549,161,002 |

Homestead Exemption Fund (Tier III) Revenues and Expenditures



Note: Tier III Expenditure includes \$2.5M minimum disbursements. Revenue projection based upon 11/10/11 BEA forecast.

Source: Budget Control Board, Office of Research and Statistics; SC Board of Economic Advisors

Transfers to South Carolina Education Lottery Accounts

