FY 25-26 Budget Briefing

SC House of Representatives

General Appropriations Bill (H. 4025) Capital Reserve Fund (H. 4026)



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Major Budget Priorities



Meaningful Tax Cuts



Smart Investments



Responsible Budgeting

H. 4216 – Historic Tax Reform



House passed historic tax reform on May 7 and sent it to the Senate



Lowered the top marginal rate to 5.39% with triggers to flatten to the lower rate of 1.99%



Ultimate goal is to continue to trigger down to elimination of the income tax based on growth



Maintains all current state exemptions and deductions



Fiscal impact of \$400 million



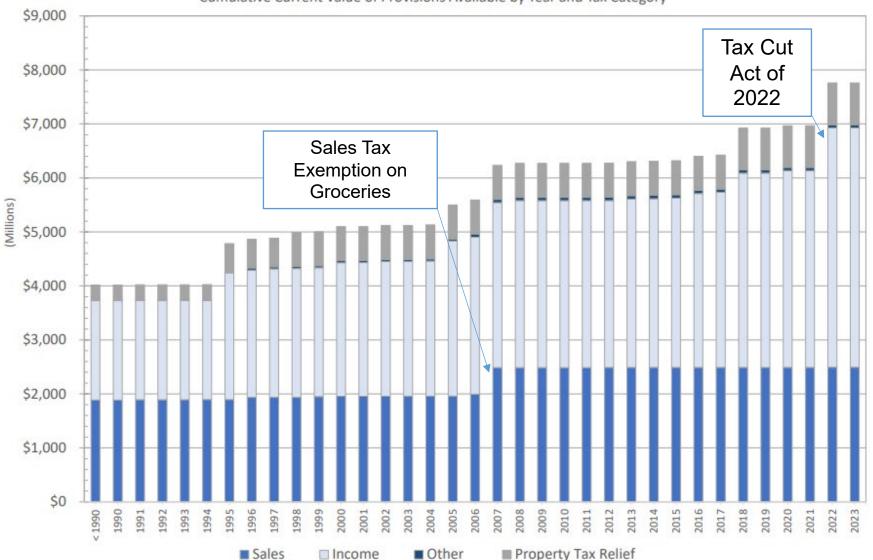
Streamlines the tax system, setting up a path to a fairer flat tax requiring more filers to have "skin in the game" while providing much needed relief to those bearing the majority of the burden now



Sets a goal of eventual elimination of the income tax

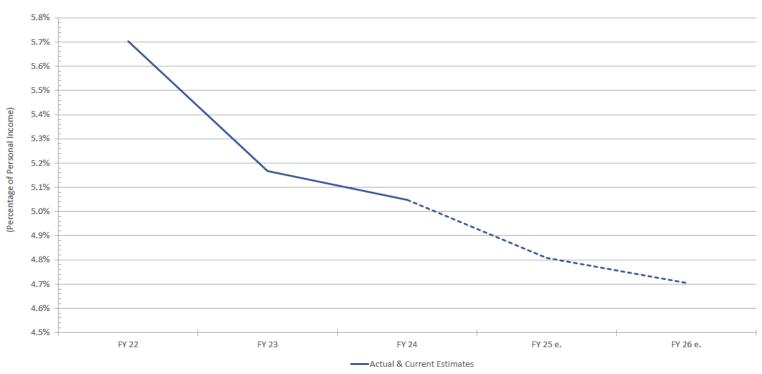
ESTIMATED FY 2023-24 VALUE OF LEGISLATIVE ENACTMENTS AFFECTING GENERAL FUND REVENUE - "TAX SAVINGS"

Cumulative Current Value of Provisions Available by Year and Tax Category



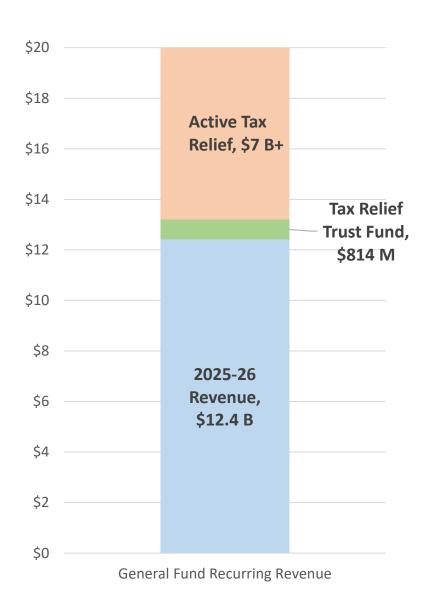
SOUTH CAROLINA GENERAL FUND, EIA, HEX REVENUE

as a Percentage of Total Personal Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34-kv/2/18/2025

Lowering Taxes



Total Direct Tax Relief \$1 Billion+ in this budget alone

- \$300m in new *income tax relief*.
- \$814m from the *Tax Relief Trust Fund* for property tax reimbursements.

Ongoing Tax Relief

- Over \$50 billion in tax cuts passed by the General Assembly in the last 30 years.
 - This includes individual income tax cuts, small business tax cuts, corporate income tax cuts, many sales tax exemptions, and other income tax deductions and exemptions.

South Carolina's Population & Economy Are Booming!





Greenville News

GREENVILLE

SC tops Texas as U-Haul's leading growth state of 2024: What to know about migration trends

Nina Tran Greenville News
Published 12:09 p.m. ET Jan. 3, 2025

From 2021-23, Texas reigned supreme as U-Haul's No. 1 growth state.

In 2024, a new state changed that, climbing up three spots.

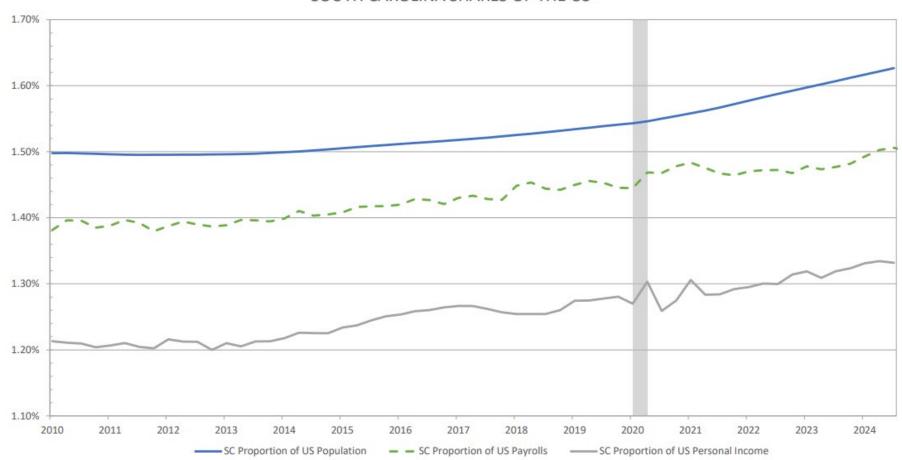
U-Haul customers moving to South Carolina accounted for 51.7% of all one-way traffic in and out of the state (48.3% departures) last year, according to the company's latest migration trends data on growth states today. It is the first time the state has been U-Haul's leading growth state.

"South Carolina's low cost of living is 7% below the national average, making it affordable without sacrificing amenities. The state's mild climate offers year-round outdoor activities, from golfing to hiking the Blue Ridge Mountains to relaxing on its pristine beaches," said Jason Hardin, U-Haul Area District Vice President.

Business is also booming in the Palmetto State, with a manufacturing sector led by Boeing, BMW, and Volvo. Tech and health care sectors continue to expand rapidly, contributing to a 7% increase in employment over the past five years.

SC Outpacing the Nation in Population & Income

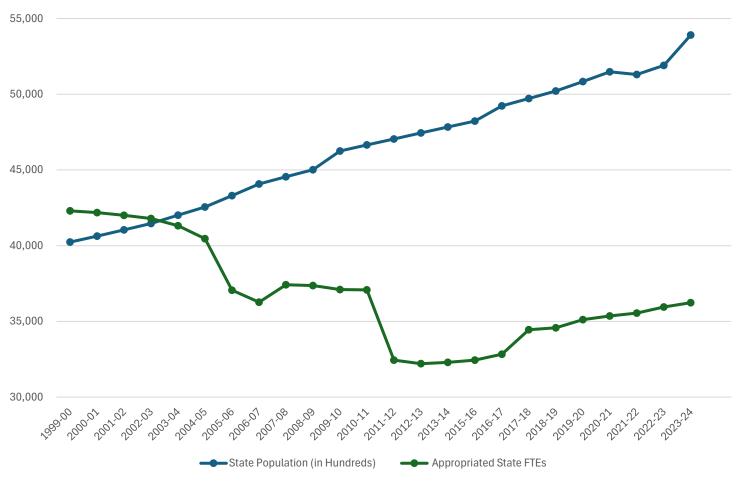
SOUTH CAROLINA SHARES OF THE US



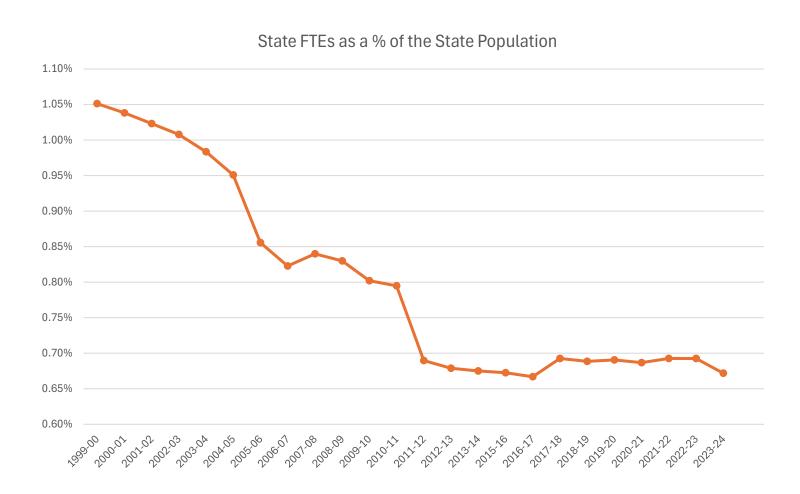
Source: U.S. Department of Commerce, Bureau of Economic Analysis; 344- RFA/kav/2/6/2025

Running State Government More Efficiently





Running State Government More Efficiently



Looking for More Efficiency



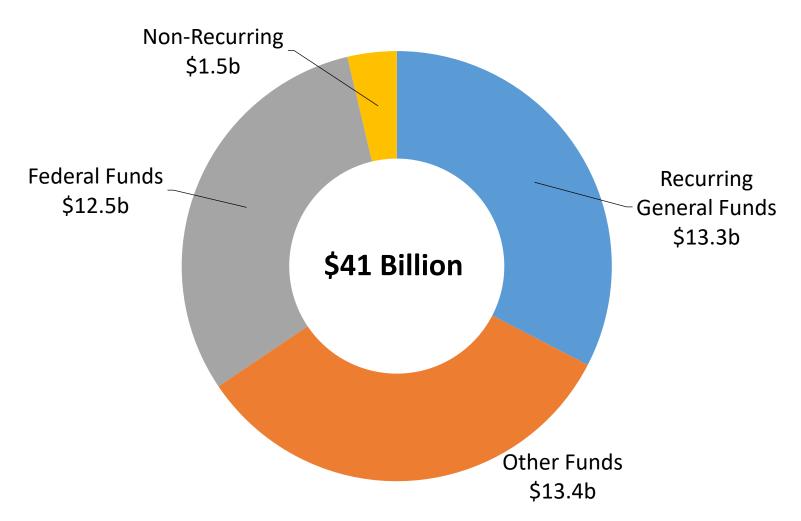
- Proviso 91.27 allows Legislative Audit Council to hire an independent third-party reviewer to evaluate at least two state agencies with the goal of improving efficiency, reducing waste, and ensuring responsible use of taxpayer dollars.
- Proviso 117.191 requires all state agencies that issue benefit checks to develop and implement measures to detect and stop fraud.
- Proviso 117.193 directs the State Division of Human Resources and EBO to cut vacant FTEs by 25% for each agency.

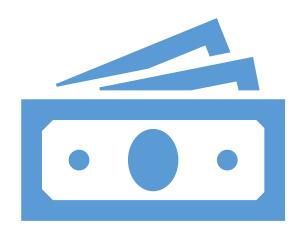
BEA General Fund Revenue Forecast

RECURRING	
GF Revenue Estimate	\$14.5 billion
FY 2024-25 Appropriations	(\$12.4 billion)
Tax Relief Trust Fund	(\$814 million)
Projected Recurring Revenue	\$1.2 billion

NON-RECURRING	(in millions)
Projected FY 2024-25 Surplus	\$1,226.5
FY 24-25 Capital Reserve Fund	\$369.8
Contingency Reserve Fund	\$332.3
Projected Non-Recurring Revenue	\$1.71 billion
Total Nonrecurring Requested	\$3.4 billion

FY 2025-26 Budget – Total Funds





Budget Subcommittee Recommendations

Public Education



K-12 Public Education Key Priorities

SUPPORTING TEACHERS
PRIORITIZING STUDENTS
SAFETY

Supporting Teachers



\$1,500 salary increase <u>across all 4 lanes</u>

Bachelors, Masters, Masters +30, Doctorate Average salary now exceeds the SE average



New minimum starting salary \$48,500

Minimum starting salary up 74% since FY-15/16 SC Minimum now exceeds both Georgia & NC!

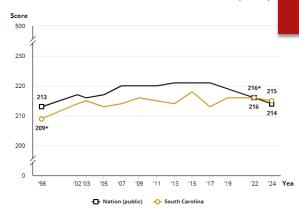
Turning the Tide

- TURNING THE TIDE ON THE TEACHER SHORTAGE FOR FIRST TIME SINCE THE PANDEMIC.
 - ▶35% Drop in the Vacancy Rate.
 - ▶13% Decrease in Teacher Departures.
- ▶GRADUATION RATE IN UP 2.8% SINCE THE 2018-19 SCHOOL YEAR.
- ▶SOUTH CAROLINA 4TH GRADERS ARE OUTPACING THEIR NATIONAL PEERS IN BOTH MATH AND READING ON NAEP TESTING.

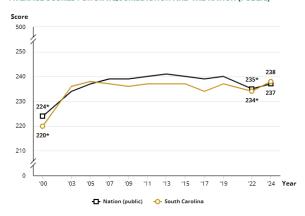
HTTPS://WWW.CERRA.ORG/PAGE/SUPPLY-AND-DEMAND

HTTPS://ED.SC.GOV/NEWSROOM/NEWS-RELEASES/SC-STUDENTS-OUTPERFORM-NATIONAL-TRENDS-IN-LATEST-NAEP-RESULTS/

AVERAGE SCORES FOR STATE/JURISDICTION AND THE NATION (PUBLIC)



AVERAGE SCORES FOR STATE/JURISDICTION AND THE NATION (PUBLIC)



Prioritizing Students

- ▶\$3 MILLION TO INCREASE 4K FUNDING
- ▶\$30.5 MILLION TO STRENGTHEN LITERACY BY EXPANDING SUMMER READING CAMPS
- ▶\$75 MILLION FOR HIGH-QUALITY INSTRUCTIONAL MATERIALS IN OUR PUBLIC SCHOOLS
- ▶\$65 MILLION IN NEW FUNDING FOR THE EDUCATION SCHOLARSHIP TRUST FUND

Safety & Transportation



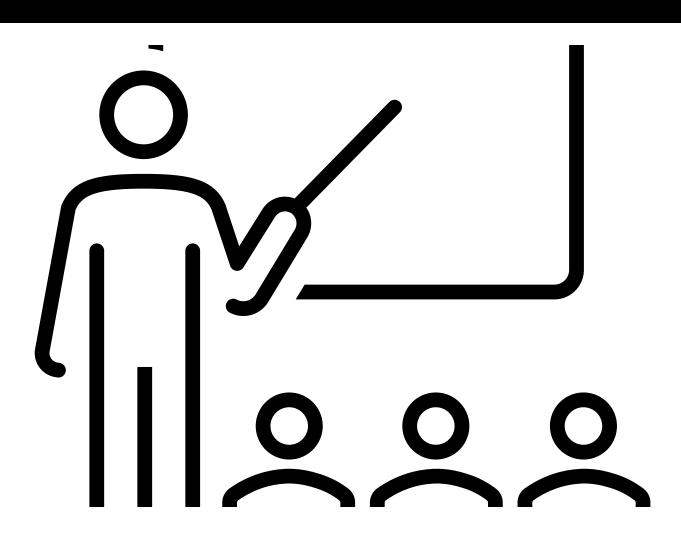
\$30m for School Facility Safety

- Updated Door Locks
- Secure Entry Points and Access
- Perimeter Fencing

School Buses

•\$38 million for School Buses

HIGHER EDUCATION



Returns on Investment



Overall increase in degrees awarded at public institutions between 2013-2014 and 2022-2023:

Research Institutions +36.3%

Comprehensive +6.9%

Two-Year Campuses +8.8%

Technical Colleges +24.5%



With over 95,173 individuals trained in the last twenty years, readySC promotes economic development by providing training and recruitment services to companies entering South Carolina's market.



The SC Technical College
System educates approximately 25,000 individuals, per semester, through SC WINS funding.

Priorities for FY 2025-2026

- Continued investment in increasing access to higher education for South Carolina residents.
- A more sustainable approach to keeping tuition affordable.
- Prioritizing maintenance and functionality of facilities.

Increasing the Accessibility of Higher Education and Job Training

Lottery Scholarships (LIFE, HOPE, Palmetto Fellows)-\$289.8M

Need-Based Grants-\$80M

readySC-\$5M

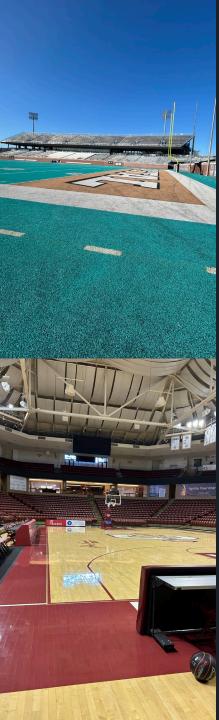
Tuition Grants-\$20M National Guard Repayment Program-\$6.2M Lottery Tuition Assistance Program (LTAP)- \$52.9M

SC WINS-\$91.4M



The Future of Tuition Mitigation

- \$71.3M investment.
- Proviso 11.23 tasks the Commission on Higher Education (CHE) to review the calculation of tuition mitigation. CHE will collaborate with the state's institutions to provide future recommendations, with the hopes of developing a more sustainable calculation model.
- In the upcoming fiscal year, <u>tuition will remain frozen for in-state</u> <u>students attending public institutions of higher education</u>.



Maintenance and Functionality of SC Higher Education Facilities

- Over \$300M appropriated for maintenance and renovation, and the building of new structures including:
 - Deas Hall Renovation
 - (The Citadel-\$7M)
 - NextGen Computing Complex
 - (Clemson University- \$40M)
 - Neurological Critical Care and Rehab Center
 - (HHS-\$150M)
 - Capital Investment & Maintenance, Renovation, and Replacement at Individual Technical Colleges
 - (SC Tech System- \$150M)







Healthcare Subcommittee





Care for Infants & Adolescents

\$25 M will support the safety and well-being of infants and children through:

- Mobile maternity care;
- Hospital care for children who are critically ill;
- Childcare services for working parents;
- Prevention of child mistreatment; and
- Promotion of foster and kinship placements, when needed.

General & Behavioral Health Care

- \$55 M will allow the state to maintain current reimbursement rates and service levels for Medicaid while covering Medicare premium increases.
- \$50 M will ensure we have in-patient, residential, and community treatment options available to those affected by serious mental illness and substance abuse, as well as increase rates paid to behavioral healthcare providers.
- \$5 M will support the Department of Public Health in clearing its backlog of facility inspections and support diagnostic services, treatment, and compliance related to the trending increase in infectious diseases.
- \$16 M will address workforce shortages through Graduate Medical Education and a focus on the paraprofessional workforce.





 \$21 M will provide additional residential services at DDSN and reduce waiting lists for home and community-based services.

 \$14 M will continue critical supports that allow seniors to remain comfortable and safe in their homes.

Image generated by craiyon.com

IT & Advancements in Care

- \$28 M will reduce security vulnerabilities and other risks associated with outdated information technology systems.
- \$165 M will advance healthcare through:
 - Genomic testing technology for the prevention and treatment of intellectual disabilities;
 - Medical University of South Carolina's partnership with the University of Florida System to build a cutting-edge clinical network in healthcare using artificial intelligence;
 - Designation as a Comprehensive Cancer Center, being only one of 72 in the nation; and
 - Brain health research into pediatrics and a Neurological Center of Excellence for critical care and rehabilitation that will utilize advanced technologies like robotics, AI, and telemedicine.





Criminal Justice

Criminal Justice Priorities



Investing in Law Enforcement



Preserving Justice and Order



Disrupting Illegal Phone Activities in Prison



Restoring High Hazard Dams and Spillways



Boosting State Law Enforcement

- State Law Enforcement Salaries are Above Market
- · Funding for step increases across state law enforcement
- Funding to assist with recruiting and retention for Highway Patrol Troopers
- By fully funding the \$60m total requested by the Department of Public Safety, this budget **FULLY FUNDS** an SRO in every South Carolina public school.

Judicial System Improvements

The Commission on Prosecution Coordination and Commission on Indigent Defense continue progress to work through the court backlog from the COVID-19 Pandemic.

- Increased funding to the Office of Circuit Public Defender; Defense of Indigents/Per Capita
- Increased funding to South Carolina Commission on Prosecution Coordination for Judicial Circuits State Support

Attorney Generals Office

- Critical funding allocated to Internet Crimes Against Children Task Force, which saw a 143% increase in FY23 for pending cases brought to the Attorney General's Office
- \$19.4 million towards the Crime Victim Assistance SAVS Program





Correctional System

In July 2023, South Carolina Department of Corrections became the first correctional agency in the nation to utilize an FCC-Certified Contraband Interdiction System at Lee Correctional Institution with the primary goal to intercept and prevent cell phones from entering SCDC prisons.

 In FY24/25, \$10.9 million was allocated for these initiatives, and an additional \$7.5 million was designated this year to expand the Cell Phone Interdiction Program across all 21 institutions.

Conservation & Natural Resources

Conservation Efforts:

- \$30.5 million for competitive grants to acquire land interests
- \$10 million towards Working Ag Land Grants to incentivize farmland preservation
- \$20 million towards land acquisitions for state agencies

Natural Resources:

- \$13.3 million to the Department of Natural Resources for the FMA Swift Grant Program, securing a \$40 million FEMA disaster grant to assist citizens and communities affected by Hurricane Debby and Helene
- \$27.7 million to DNR for repairing Lake Paul Wallace in Marlboro County, Mountain Lakes 1 & 2 in Chester County, and Lake Brown in Barnwell County



Lake Paul Wallace, Marlboro County

"We are sorry for those who have been negatively affected in any way by this unfortunate event. This is an opportunity to restore and enhance Lake Paul Wallace for the citizens of Bennettsville, Marlboro County, northeast South Carolina and all of South Carolina." – Former Director Robert Boyles

Economic Development



Investing in Proven Pillars of SC's Economy

Empowering local communities and strengthening our state's economy by:

- Creating jobs and strengthening the tax base
- Improving water and sewer infrastructure
- Building upon agribusiness
- Protecting citizens with disaster relief
- Driving economic growth through strategic tourism investments

Creating Jobs and Strengthening the Tax Base

Over the last twenty years:

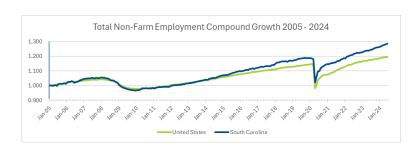
- South Carolina has experienced employment growth of 28.6%, nearly 10% higher than the national employment growth.
- Average wages have increased 83.7%.

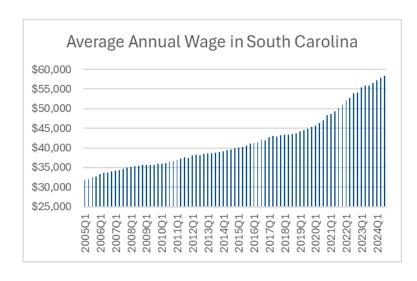
Over the last ten years:

- South Carolina has seen \$52.8 billion in capital investment and 121,300 jobs created.
- Business filings with the Secretary of State have increased from fewer than 45,000 annually to over 100,000 annually.

To equip county economic development offices with additional resources to proactively prepare sites to recruit and retain businesses statewide, \$80 million nonrecurring and \$1 million recurring is committed to LocateSC.

- Since the program's inception in 2015, all 46 counties have received grants.
- Neighboring states in the Southeast have made similar allocations, making the availability of shovelready sites critical to remain competitive.







Improving
Water &
Sewer
Infrastructure

- Since 2013, the Rural Infrastructure Authority (RIA) has administered \$1.7 billion in grants and over \$1 billion in loans, with funding impacts touching every county in South Carolina.
- RIA grants have gone to 278 different utilities/local governments and served over 3 million households and businesses.
- This budget allocates \$27 million to RIA to further water and sewer grant opportunities, dollars which support critical services for both businesses and community function.

Building Upon Agribusiness



The SC Forestry Commission, the SC Department of Agriculture, Clemson University PSA, and SC State University PSA all serve citizens by protecting our forests, foods, farms, and farmers, which collectively make up the \$51.8 billion agribusiness industry in South Carolina.



With agribusiness as the state's largest industry sector, over \$20.3 million is allocated this year to advance food processing, livestock and produce, wood, paper, and forestry-related efforts across the state.

Disaster Relief

- The South Carolina Office of Resilience (SCOR) is used as a national example by the United States Department of Housing and Urban Development, highlighting the efficacy of SCOR's efforts to support citizens through effective grant management after disasters.
- Following Hurricane Helene, SCOR deployed local Disaster Case Managers who have made over 2,600 contacts to assist citizens with relief resources applications. The agency is now coordinating housing recovery efforts. Readily available funds in the Disaster Relief and Resilience Reserve Fund have allowed for rapid response, demonstrating the importance of maintaining dollars on hand for immediate disaster relief.
- This budget replenishes the Disaster Relief and Resilience Reserve Fund and invests in further collaboration to ensure that when disaster strikes, South Carolina has the resources, partnerships, and data readily available to support citizens and rebuild swiftly.



Economic Growth through Tourism Investments

- Tourism is a fundamental driver of SC's economy, contributing \$28 billion annually.
 To support this thriving sector, this budget makes an \$80 million investment in commercial airport enhancements, ensuring safe, efficient travel for both residents and visitors.
 - Enhancements will mitigate the effects of power interruptions, repair deteriorated runways, and increase gating capacity to meet passenger demand.
- Additional Investments in Tourism:
 - \$3.1 million recurring to ensure all Parks, Recreation and Tourism employees, who directly impact visitor experience, earn at least \$35,000
 - \$9 million for various high-impact events and attractions, which increase
 the state's cultural appeal and tax revenue, meanwhile creating
 sustainable jobs
 - \$14.85 million for marketing South Carolina's destinations and attractions, further driving the \$2.3 billion generated in state and local taxes from tourism last year

Investing for Residents and Revenue

- This budget prioritizes <u>proven pillars</u> of South Carolina's economy **to support** residents and revenue alike.
- The State of South Carolina is:
 - Looking ahead to transformative capital investments, a secure economic future, workforce development, and reliable industry in local communities
 - Supporting a safe food supply and an agribusiness sector that continues to grow with the State
 - Dedicated to local communities by administering grants for water, sewer, and site development and preparing for and responding to disasters
 - Committed to tourism and the revenue, jobs, and experiences gleaned from the industry

Together, these initiatives will build a **stronger**, **more resilient South Carolina**, empowering our communities, fostering job creation, and ensuring the State's economic future remains bright.



Transportation and Regulatory Subcommittee Priorities



Continued Funding for Our Aging Bridges



Education and Workforce Development



Commercial Airport Infrastructure and Safety Enhancements



Hurricane Helene Disaster Relief

Return on Investment

Interstate Pavement Conditions

• 2016: 65% good

• 2023: 77% good

+12%

Major Road Pavement Conditions

• 2016: 19% good

• 2023: 41% good

+22%

Rural Road Safety Project

• 20% reduction in fatal and serious injury accidents on completed projects

Infrastructure and Disaster Relief



Appropriated the second round of **\$200m** for Bridge Maintenance and Repair. This investment is the second of a five-year, \$1b commitment that aims to address the aging infrastructure, as approximately 30% of South Carolina's 8,400 bridges are at least 60 years old.



\$35m nonrecurring to the Department of Transportation for unreimbursed funds for Hurricane Helene damages. DOT has removed over 4 million cubic yards of debris and have all affected roads and bridges under contract for emergency repair.

Education and Workforce Portal

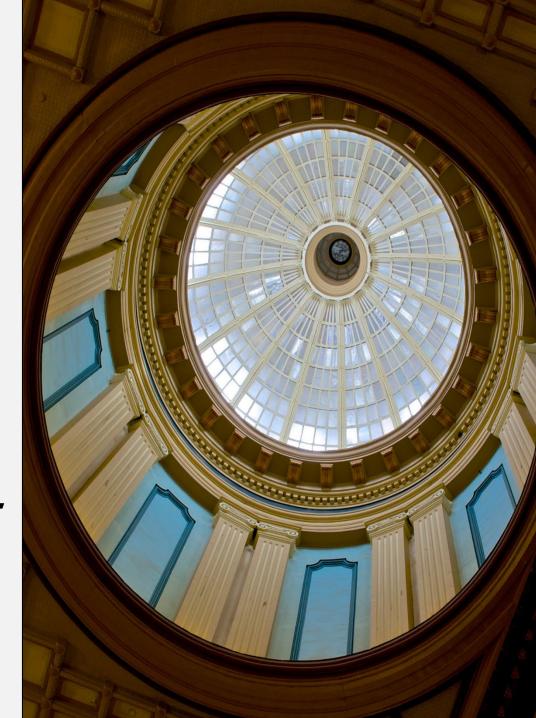
• Education and Workforce Portal— \$2.8m R and \$10.3m NR for the Education & Workforce Portal. This will serve as the state's central access point for education and workforce information to users as their opportunities and pathways change throughout their life. The portal will be a desktop and mobile browser friendly online resource that will provide users with tailored resources relating to workforce opportunities.



AIRPORT INFRASTRUCTURE AND SAFETY ENHANCEMENTS

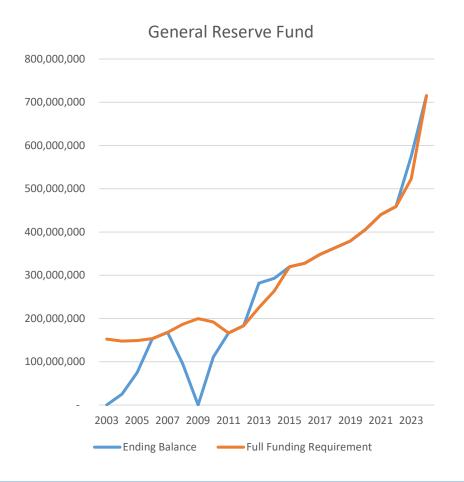
Airports are essential to South Carolina's transportation and infrastructure, providing critical connectivity for passengers and cargo, supporting commerce, and enhancing mobility across the state. In addition to the airport funding through the Department of Commerce, we funded \$5.3m recurring and \$5m nonrecurring for Commercial Airport Enhancements.

CONSTITUTIONAL & STATEWIDE



Constitutional Reserves





- General Reserve Fund was increased by \$99,695,200 bringing it's total to \$839,262,964.
 - This is now 6.5% of the previous year's revenue.
- Capital Reserve Fund was increased by \$17,568,255 bringing it's total to \$387,352,137.
 - This is 3% of last year's revenue.

Both "rainy day" funds equal more than \$1.2B in reserves.

The Local Government Fund was fully funded as statutorily required.

Both budget stabilization funds are required by the SC Constitution and must be used in the event of a deficit. In 2022, over 60% of voters chose to amend the state Constitution and require a higher levels of funding.



This budget allocates \$105M towards the State Health Plan. Employee premiums will be covered once again making this the 13th year in a row that state employees have not experienced a premium increase.

2025 Composite monthly premiums ¹	Employee
State Health Plan	\$196.07
South ²	\$209.95

Survey uses most prevalent plan among state employee options for analysis.

²South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the 2025 PEBA 50-State Survey of State Employee Health Plans

Retirees



Will also not have a premium increase.

¹Composite monthly premiums: Weighted average of all PEBA health subscribers enrolled in each coverage level

State Employee - Base Pay Increase



\$66M is being appropriated in this budget towards -

- Implementation of a new pay band and classification system for state employees.
 - A Compensation Study determined that the current pay band system is not tied to the labor market.
- Bringing any State Funded FTE below the new pay band minimum for their job classification up to the new minimum of their pay band.
- Providing employees already over their new pay band minimum, or otherwise unclassified, a 2% pay raise.

Employees will receive whichever is greater, so those few just below the new minimums will receive the 2% increase.

Effect of 2% BPI or New Pay Band Minimum

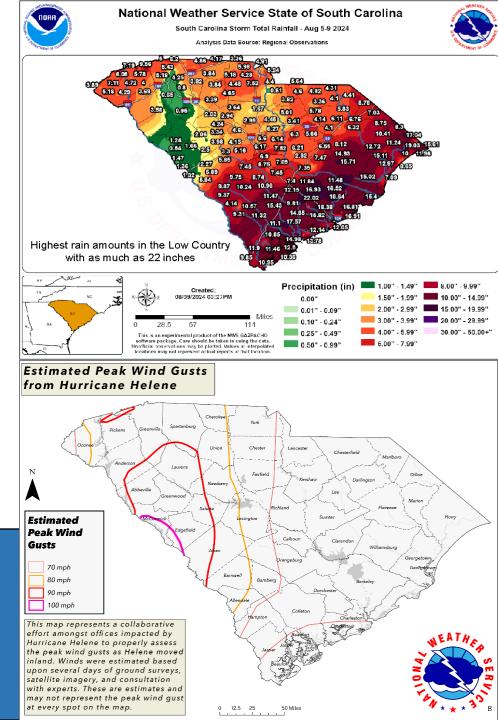
	Average Salary	Average %
Pay Band	Increase	Increase
1	\$3,186	17.27%
2	\$1,143	3.96%
3	\$1,220	4.29%
4	\$1,229	3.51%
5	\$1,566	3.43%
6	\$1,601	2.92%
7	\$1,836	2.68%
8	\$2,144	2.16%
9	\$2,492	2.08%
10	\$3,309	2.25%
Grand		
Total	\$1,521	3.32%

^{*}Table shows classified, State-funded FTEs at agencies under the current pay band structure.

Disaster Relief

- Since August 2024, SC has experienced several significant weather events:
 - Tropical Storm Debby
 - The Edisto Flooding event; and,
 - Hurricane Helene
 - Over 1.3M power outages,
 - 912 road and bridge closures, and
 - 49 deaths.







Technology Investments

Funding to modernize and leverage emerging technology was a consistently requested item and all three branches of government were appropriated funds for this effort.

The Dept. Of Administration received appropriations for:

- · Cyber Security,
- Asset Tracking, and
- To standard new technologies like Artificial Intelligence <u>across state agencies.</u>

The Judicial Branch received \$25M towards a new Circuit Court Case Management System.

The Legislative Services Agency received funds to continue modernizing the legislative drafting process.

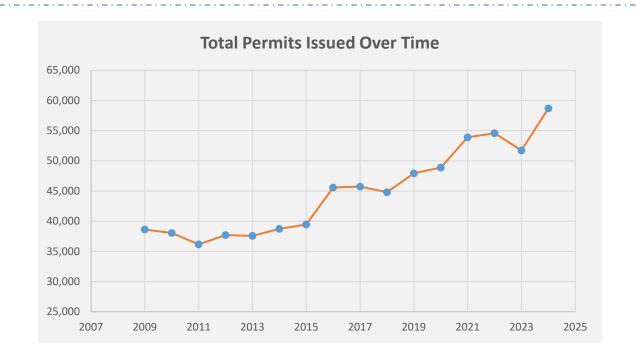
Permitting Timeframes

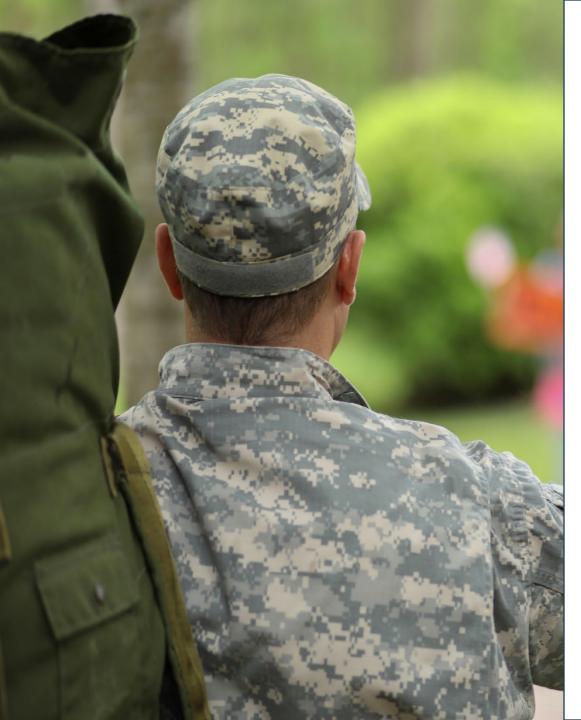
- The Dept. of Environmental Services is appropriated \$14.5M in this budget to improve permitting timeframes.
- A proviso is also included which stipulates
 a 90-day deadline for issuing a permit
 decision.

Results - Septic Tanks



Permit times reduced 75%





Supporting the Military Community

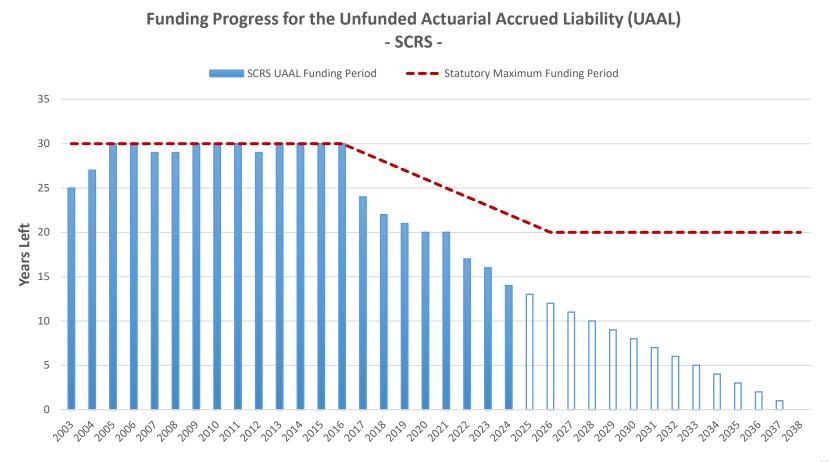
Funds were provided for a multitude of items such as:

- Armory Revitalizations;
- SC Military Museum;
- Veteran Homes;
- The Military Enhancement Grant Program; and,
- The Military Child Education Coalition.



Health of the Retirement Systems

Both PORS and SCRS are ahead of the statutory funding schedule by 10 and 9 years, respectively. This is due to the 2017 Retirement System Reform, successful investments, and continued support to maintain policies.



House Ways and Means Committee

803-734-3144

For more information, please call the Ways and Means office or visit our website at www.scstatehouse.gov

