
**MANAGEMENT'S DISCUSSION
AND ANALYSIS—
Required Supplementary Information
(Unaudited)**

Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2025. Please read it in conjunction with the Comptroller's *Letter of Transmittal* at the front of this report and the financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis provides an introduction to the State of South Carolina's basic financial statements, which include the following parts: (1) *government-wide financial statements*, (2) *fund financial statements*, (3) *major discretely presented component unit financial statements*, and (4) *notes to the financial statements*. This annual report also contains certain *required supplementary information* and other *supplementary information* to aid in understanding the operations of the State.

Government-wide Financial Statements

The government-wide statements present a long-term view of the State's finances *as a whole*, using *accrual-basis accounting*—the same accounting basis that most businesses use. The basic government-wide financial statements are presented on pages 40 through 43 of this report.

There are two government-wide financial statements:

Statement of net position: This statement presents information on *all* of the State's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the State's overall financial health, other factors need to be considered, including the State's economy and the condition of its *capital assets* such as its buildings and infrastructure (roads and bridges).

Statement of activities: This statement presents information showing how the State's overall net position changed during the year. The State reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the State to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The net revenues (expenses) column on the far right of this statement on page 42 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

The government-wide statements present three different kinds of *activities*:

Governmental activities: Most of the State's basic services are included here, such as general government, education, health, social services, administration of justice, and transportation. Taxes (primarily income and sales taxes) and federal grants provide resources to support most of these services.

Business-type activities: These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Unemployment Compensation Benefits Fund and Second Injury Fund have been the most significant of South Carolina's business-type activities.

Component units: Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the State Housing Authority, the State Lottery Commission, Clemson University, the Medical University of South Carolina, and the University of South Carolina are the State's major component units. Some financial information for these component units is included in this report. Complete financial statements for these component units can also be obtained from their respective administrative offices (included in Note 1a of the notes to the financial statements on page 74).

Fund Financial Statements

The fund financial statements on pages 44 through 61 of this report provide detailed information about the State's most significant funds—not the State as a whole. Funds are accounting designations that the State uses to track specific funding sources and spending for particular purposes. South Carolina, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The State reports three types of *funds*:

Governmental funds: The State reports most of its basic services in governmental funds. Governmental funds account for activities that the State reports as *governmental activities* in its government-wide statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the State's near-term funding decisions is available.

The basic governmental fund statements are on pages 44 through 51 of this report.

Proprietary funds: Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (*enterprise funds*) or other State agencies and other governments (*internal service funds*). Proprietary funds use the *accrual basis of accounting* like businesses use. The State reports all of its enterprise funds as *business-type activities* in the government-wide statements. However, because the internal service fund operations primarily benefit other State agencies or other governments, these proprietary funds are included as *governmental activities* in the government-wide financial statements.

The basic proprietary fund statements are on pages 52 through 58 of this report.

Fiduciary funds: The State is the trustee, or *fiduciary*, for its employees' retirement and other post-employment benefit plans. The State also is responsible for other assets that, because of a trust-like arrangement, it is to use only for trust beneficiaries such as an investment pool operated on behalf of local governments. These activities are *excluded* from the State's government-wide financial statements because the State is not to use these assets to benefit its operations. The State has an obligation to ensure that the net position it reports in fiduciary funds are used for the intended purposes.

The basic fiduciary fund statements are on pages 60 and 61 of this report.

Component Unit Financial Statements

The *Government-wide Financial Statements* section on the preceding page identifies the State's major component units under the *Component units* subheading. More detailed financial statements which include these component units are on pages 62 through 65 of this report.

Notes to the Financial Statements

Immediately following the financial statements are notes that provide additional and pertinent information to the financial statement amounts. The notes on pages 66 through 190 are necessary to fully understand the financial statements.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. On page 200, Note 5 to the required supplementary information is a reconciliation that provides and explains differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. Additionally, the required supplementary information section includes information on the State's five pension programs: The South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Retirement System, as well as on the Retiree Health Insurance Trust Fund and the Long-Term Disability Insurance Trust Fund. This required supplementary information is on pages 192 through 225 of this report.

Supplementary Information

Nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units are presented immediately following the required supplementary information. Combining and individual fund statements and a schedule of General Reserve Activity are found on pages 227 through 275 of this report.

Government-wide Financial Analysis

Exhibits 1 and 2 summarize the overall financial position and results of operations of the primary government for the past two years based on information included in the government-wide financial statements.

Exhibit 1
Government-wide Net Position
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change
	2025	2024 as Restated	2025	2024	2025	2024 as Restated	2025-2024
Assets							
Current and other assets	\$ 27,711,309	\$ 28,955,991	\$ 2,443,196	\$ 2,278,554	\$ 30,154,505	\$ 31,234,545	(3.5%)
Capital and lease assets	23,929,376	22,177,321	341,390	295,719	24,270,766	22,473,040	8.0%
Total assets	51,640,685	51,133,312	2,784,586	2,574,273	54,425,271	53,707,585	1.3%
Deferred Outflows of Resources	2,328,379	1,682,387	12,307	10,409	2,340,686	1,692,796	38.3%
Liabilities							
Long-term liabilities	10,844,126	9,639,835	220,163	238,461	11,064,289	9,878,296	12.0%
Other liabilities	8,515,568	9,860,554	265,590	192,667	8,781,158	10,053,221	(12.7%)
Total liabilities	19,359,694	19,500,389	485,753	431,128	19,845,447	19,931,517	(0.4%)
Deferred Inflows of Resources	1,884,204	2,066,902	12,115	14,429	1,896,319	2,081,331	(8.9%)
Net Position							
Net investment in capital assets	22,168,854	20,459,092	328,385	284,321	22,497,239	20,743,413	8.5%
Restricted	7,215,716	8,222,878	1,963,697	1,861,416	9,179,413	10,084,294	(9.0%)
Unrestricted	3,340,596	2,566,438	6,943	(6,612)	3,347,539	2,559,826	30.8%
Total net position	\$ 32,725,166	\$ 31,248,408	\$ 2,299,025	\$ 2,139,125	\$ 35,024,191	\$ 33,387,533	4.9%

Net Position

The largest portion of the State’s *net position reflects its net investment in capital assets* (for example, buildings, roads, and bridges) less any related debt used to acquire those assets that is still outstanding. The State uses capital assets to provide services to citizens; consequently, they are *not* available for future spending. Further, the State cannot sell the capital assets to repay the related debt because it needs the assets for its operations, so it must find other resources to repay the debt.

Restricted net position generally is available for future spending but is subject to external restrictions, such as bond covenants, federal government grant restrictions, or restrictions imposed by enabling State legislation or through State constitutional provisions. The State’s largest restricted balances include Transportation, General Government, and Education.

Unrestricted net position—resources normally available for future spending without restrictions—reported a balance of \$3.348 billion at June 30, 2025. This represents an increase of net position of \$787.713 million over the prior year. Most of this increase resulted from a \$889.757 million, or 10.4%, increase in retail sales and use tax revenues. The increase in retail sales and use tax revenue collections can be attributed to a strong State economy with a growing population.

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The State's business-type activities reported a balance of \$6.943 million in unrestricted net position. This represents an increase of \$13.555 million over the previous fiscal year. This resulted mostly from the Unemployment Compensation Fund's increasing revenues offset by unemployment compensation expenses which are now below pre-pandemic levels and follow the overall low unemployment levels in South Carolina. The Unemployment Compensation Fund's increasing revenues were mostly fueled by increased interest earnings. The increased earnings were caused by increased interest rates within the current fiscal year and more cash on hand to invest.

Exhibit 2
Government-wide Changes in Net Position
For the Fiscal Years Ended June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change 2025-2024
	2025	2024 as Restated	2025	2024	2025	2024 as Restated	
	Revenues						
Program revenues:							
Charges for services	\$ 6,585,501	\$ 4,895,909	\$ 271,394	\$ 310,673	\$ 6,856,895	\$ 5,206,582	31.7%
Operating grants and contributions	14,047,040	13,734,062	—	2	14,047,040	13,734,064	2.3%
Capital grants and contributions	1,259,664	1,285,601	37,671	8,371	1,297,335	1,293,972	0.3%
General revenues:							
Individual income tax	6,697,254	5,925,530	—	—	6,697,254	5,925,530	13.0%
Retail sales and use tax	9,413,123	8,523,366	—	—	9,413,123	8,523,366	10.4%
Other taxes	5,197,715	4,840,246	—	—	5,197,715	4,840,246	7.4%
Unrestricted grants and contributions	39	306	—	—	39	306	(87.3)%
Unrestricted investment income	1,236,950	1,126,039	77,596	63,735	1,314,546	1,189,774	10.5%
Tobacco legal settlement	64,333	67,953	—	—	64,333	67,953	(5.3)%
Opioid legal settlement	23,228	4,399	—	—	23,228	4,399	428.0%
Other	877,248	935,111	1,053	1,368	878,301	936,479	(6.2)%
Total revenues	45,402,095	41,338,522	387,714	384,149	45,789,809	41,722,671	9.7%
Expenses							
Governmental activities:							
General government	11,488,739	11,018,645	—	—	11,488,739	11,018,645	4.3%
Education	9,174,964	8,676,056	—	—	9,174,964	8,676,056	5.8%
Health	13,419,601	12,959,759	—	—	13,419,601	12,959,759	3.5%
Social services	2,921,449	2,651,952	—	—	2,921,449	2,651,952	10.2%
Administration of justice	1,817,651	1,504,038	—	—	1,817,651	1,504,038	20.9%
Resources, environment, and economic development	2,182,278	1,946,306	—	—	2,182,278	1,946,306	12.1%
Transportation	2,918,439	1,705,635	—	—	2,918,439	1,705,635	71.1%
Other	6,625	7,421	—	—	6,625	7,421	(10.7)%
Business-type activities:							
Unemployment compensation benefits	—	—	164,934	157,722	164,934	157,722	4.6%
Second Injury Fund	—	—	2,977	71	2,977	71	4093.0%
Other	—	—	55,494	139,495	55,494	139,495	(60.2)%
Total expenses	43,929,746	40,469,812	223,405	297,288	44,153,151	40,767,100	8.3%
Excess (deficiency) before transfers	1,472,349	868,710	164,309	86,861	1,636,658	955,571	71.3%
Net transfers	4,409	5,440	(4,409)	(5,440)	—	—	—%
Change in net position	1,476,758	874,150	159,900	81,421	1,636,658	955,571	71.3%
Net position at beginning of year, as restated	31,248,408	30,374,258	2,139,125	2,057,704	33,387,533	32,431,962	2.9%
Net position, end of year	\$32,725,166	\$31,248,408	\$ 2,299,025	\$ 2,139,125	\$35,024,191	\$33,387,533	4.9%

Changes in Net Position

The State's total net position of its governmental activities and its business-type activities increased by \$1.637 billion, or 4.9%, over the prior year. This overall improvement in the financial position of the State was experienced primarily through increased tax revenues within the State's governmental activities.

Governmental Activities

The net position of the State's governmental activities increased by \$1.477 billion, or 4.7%. Revenue increased from last year by \$4.064 billion, or 9.8%, which was mostly comprised of an increase of \$1.976 billion, or 9.9%, in program revenue and an increase of \$2.087 billion, or 9.7%, in general revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. Exhibit 3 illustrates the sources of revenues that support governmental activities.

Expenses associated with governmental activities increased by \$3.460 billion, or 8.5%, for the fiscal year ended June 30, 2025. These expenses were mostly associated with services provided for transportation. Exhibit 4 compares the cost of these services with their program revenues— revenues derived directly from the program itself or from parties outside the State's taxpayers or citizenry. The difference between the two represents the net cost of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2025, the State used \$22.038 billion in tax and other general revenues to offset the net cost of all services that the State's governmental activities provided. Business-type activities transferred \$4.409 million to the State's governmental activities.

The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2025 fiscal year:

- Individual income tax revenues increased by \$771.724 million, or 13.0%, retail sales and use tax revenues increased by \$889.757 million, or 10.4%, and other taxes revenues increased by \$357.469 million, or 7.4%. Overall tax collections increased by \$2.019 billion, or 10.5%, during fiscal year 2025 as the State continued to experience economic growth. Additionally, individual income tax collections increased even with lower tax rates being enacted again within the 2025 fiscal year.
- Operating grants and contributions increased by \$312.978 million, or 2.3%, over the prior year. This was primarily due to an increase in federal grant monies from federal economic stimulus funding and general federal grants.
- Unrestricted investment income increased by \$110.911 million, or 9.8%, from the previous fiscal year. This increase was attributed to more investable cash on hand during the current fiscal year versus the prior fiscal year and an aggressive investment strategy within State laws.
- General government expenses increased by \$470.094 million, or 4.3% over the prior year. The increase in general government expenses was mostly attributable to a larger fiscal year 2025 budget versus the State's 2024 budget. This increase included a larger subsidy for State employee healthcare cost increases and increases in health insurance claims.
- Education expenses increased by \$498.908 million, or 5.8% over the prior fiscal year. The increase in education expenses was primarily due to additional State appropriations made in the previous fiscal year to school districts for teacher salary and per student funding increases.
- Health expenses increased by \$459.842 million, or 3.5% over the previous fiscal year. These increases are attributed to increases in Medicaid and public assistance food payments over the previous year.
- Social services expenses increased by \$269.497 million, or 10.2%, due to the increase in demand for services as the nation's overall economy began to see slowing growth.
- Transportation expenses increased by \$1.212 billion, or 71.0%. The increase in spending was primarily a result of making up for the prior year where expenditures for permanent improvements and maintenance that were federally funded were lower than planned due to the delayed execution of projects and weather-related delays.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2025

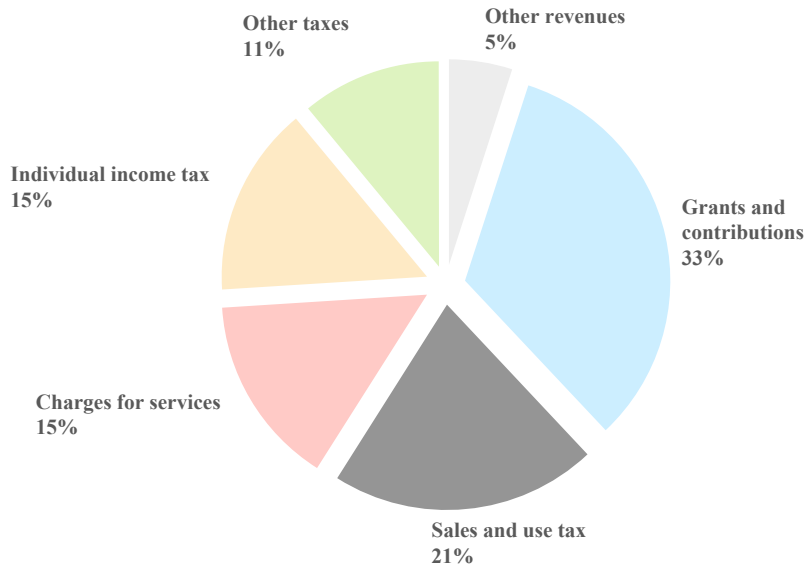
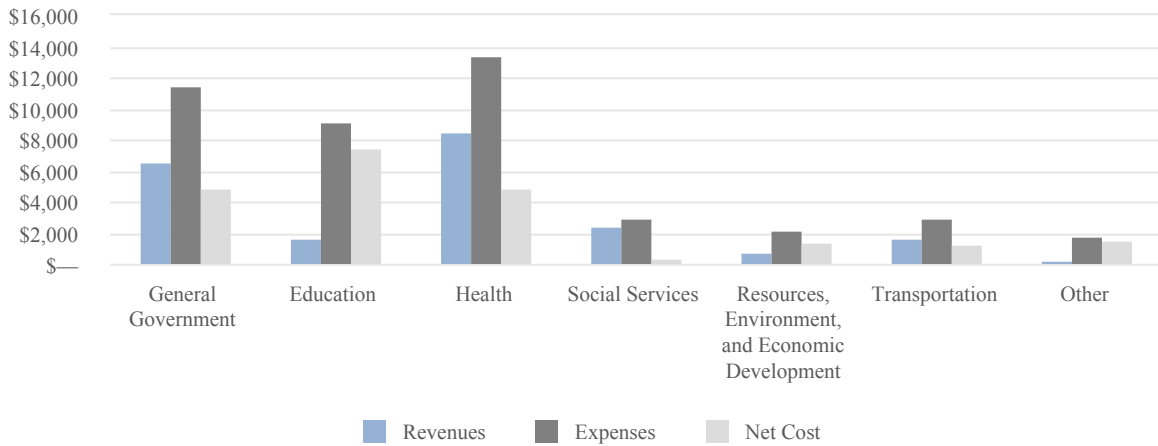


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2025
(In Millions)



	General Government	Education	Health	Social Services	Resources, Environment, and Economic Development	Transportation	Other
Revenues	\$6,591	\$1,639	\$8,554	\$2,479	\$756	\$1,654	\$220
Expenses	\$11,489	\$9,175	\$13,420	\$2,921	\$2,182	\$2,918	\$1,824
Net Cost	\$4,898	\$7,536	\$4,866	\$442	\$1,426	\$1,264	\$1,604

Business-type Activities

The net position of the State's business-type activities increased by \$159.900 million, or 7.5%.

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Most business-type activities are intended to be self-supporting. The Unemployment Compensation Fund accounts for the State’s unemployment compensation benefits in which federal grants and assessments on employers are obtained to pay for the services that the Unemployment Compensation Fund provides. The Unemployment Compensation Fund’s net position as of June 30, 2025 was \$1.915 billion, which was an increase of \$95.457 million, or 5.2%, from last year. The Second Injury Fund serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The Second Injury Fund’s net position as of June 30, 2025 was \$48.434 million, which was an increase of \$6.824 million, or 16.4%, from last year.

Operating revenues of the Unemployment Compensation Fund decreased by \$37.802 million, or 15.6%, and operating expenses for the payment of unemployment compensation benefits increased by \$7.212 million, or 4.6%, during the 2025 fiscal year. The decreases in operating revenues resulted from increases for allowances for uncollectible receivables and the increase in operating expenses relate to the nationwide unemployment rate increasing during the 2025 fiscal year. The overall increase in the Unemployment Compensation Fund’s net position occurred because of an increase in interest income of \$12.211 million, or 28.2% due to more investable cash on hand during the current fiscal year versus the prior fiscal year and an aggressive investment strategy within State laws. Also, net transfers out of the Unemployment Compensation Fund decreased by \$58 thousand, or 22.5%. Additionally, operating expenses for the Second Injury Fund have increased by \$2.906 million, or 4093.0%, and operating revenues for the payment of Second Injury Fund claims remained at a low level during the 2025 fiscal year due to the Second Injury Fund’s closure plan that took effect in fiscal year 2019. The Second Injury Fund’s operating expenses also increased because of increases for allowances for uncollectible receivables. The operating expenses of the Second Injury Fund increased due to a new and revised actuarial report on its claims. However, the Second Injury Fund’s net position also increased during the 2025 fiscal year because of its strong interest earnings.

Financial Analysis of the State’s Funds

The State of South Carolina uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. Within the fund financial statements, the focus is on reporting major funds.

Governmental Funds

Exhibit 5 shows the components of fund balance for the State’s various governmental funds as of June 30, 2025.

Exhibit 5
Governmental Fund Balances
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 67,378	\$ 22,037	\$ —	\$ 10,359	\$ 11,643	\$ 111,417
Restricted	1,284,909	505,159	2,674,150	1,781,088	923,775	7,169,081
Committed	1,117,281	51,844	135,906	486,528	206,177	1,997,736
Assigned	3,018,180	474,813	—	563,110	534,825	4,590,928
Unassigned	3,466,215	(77,716)	—	—	—	3,388,499
Totals	\$ 8,953,963	\$ 976,137	\$ 2,810,056	\$ 2,841,085	\$ 1,676,420	\$ 17,257,661
Change from prior year	\$ (441,992)	\$ 47,242	\$ 217,097	\$ 215,789	\$ (30,411)	\$ 7,725
Percentage change	(4.7)%	5.1%	8.4%	8.2%	(1.8)%	—%

At June 30, 2025, total ending fund balance for the State’s governmental funds was \$17.258 billion, which represents an increase of \$7.725 million, or 0.04%, from the prior year. This total contains an unassigned fund balance of \$3.388 billion. The total also includes \$3.466 billion reported by the General Fund as *unassigned* and available with no constraints for spending in the coming year. In addition, governmental funds that are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision constitute 41.5% of the total fund balance. The remaining fund balance is *nonspendable*, *committed*, or *assigned* and is not available for future appropriation because it is not in a spendable form or is accessible only for specific purposes.

The *General Fund* is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. Increases in the current fiscal year were experienced in individual income tax of \$772.830 million, or 13.1%, retail sales and use tax of \$843.373 million, or 12.3%; and other taxes of \$72.369 million, or 8.9%, were experienced from the prior year. These revenues grew due to a relatively strong consumer sentiment that existed within the State during the 2025 fiscal year. Additionally, the State lowered its individual income tax rates in the current fiscal year. This change coupled with an increasing population and a growth in nationwide wages caused individual income taxes to grow in the 2025 fiscal year. General Fund expenditures, increased by \$1.753 billion, or 9.4%. General Fund expenditures increased mostly within its education expenditures, resources, environment, and economic development expenditures, and transportation expenditures. General Fund education expenditures increased by \$448.255 million, or 42.1%, resources, environment, and economic development expenditures increased by \$409.898 million, or 81.3%, and transportation expenditures increased by \$423.170 million, or 296.9%. Education expenditures increased due to pay raises for teachers, aid to classrooms, tuition freezes, and monies appropriated for more school resource police officers. Resources, environment, and economic development expenditures saw increases due to the splitting up of the Department of Health and Environmental Control, which was all previously classified as health expenditures, to the Department of Public Health (considered health expenditures) and the Department of Environmental Services (classified as resources, environment, and economic development expenditures). Lastly, transportation expenditures increased due to \$500.000 million allocated to the State's bridges for emergency replacements and repairs.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens, thus expanding services when possible. During the 2025 fiscal year, the total fund balance increased by \$47.242 million, or 5.1%, from the prior year. The increase in fund balance was primarily the result of an increase in federal grant funding of \$251.784 million, or 1.9% over the previous fiscal year. The increase in federal grant funding was related to various federal economic stimulus programs. The federal funding is mostly grants that are primarily reimbursement-based.

The *Local Government Infrastructure Fund* accounts for grants, loans, and other financial assistance to local governments for infrastructure projects. Certain motor fuel taxes, federal funds, and bond proceeds are the fund's primary resources. The fund balance increased by \$217.097 million, or 8.4%, during the 2025 fiscal year, leaving a balance of \$2.810 billion at the end of the fiscal year. The increase was due to several infrastructure projects not reaching construction stage during the fiscal year, while total revenues remained steady in the current fiscal year versus the prior fiscal year. Also, interest income increased by \$24.850 million, or 26.5%, during the fiscal year.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance increased by \$215.789 million, or 8.2%, during the 2025 fiscal year, leaving a balance of \$2.841 billion at the end of the fiscal year. The increase in fund balance was primarily the result of previous gas tax increases for road projects and maintenance. DOT is in the process of undertaking many road projects, which as stated above, some have been delayed.

Nonmajor Governmental Funds are used to account for funds that are restricted for specific purposes, including education, healthcare, and local governments. The \$30.411 million, or 1.8%, decrease in fund balance during the 2025 fiscal year was primarily the result of the \$467.774 million, or 388.8%, increase in capital outlay expenditures partially offset by an increase in sales and use tax revenues of \$44.368 million, or 2.7%. The increases in capital outlay correspond to the increase in capital assets detailed on page 34.

Proprietary Funds

Exhibit 6 shows the components of the net position for the State’s various proprietary funds at June 30, 2025.

Exhibit 6
Proprietary Fund Net Position
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Fund Net Position	Enterprise Funds				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
Net investment in capital assets	\$ —	\$ —	\$ 328,385	\$ 328,385	\$ 100,018
Restricted, expendable	1,915,263	48,434	—	1,963,697	—
Unrestricted	—	—	6,943	6,943	799,728
Totals	\$ 1,915,263	\$ 48,434	\$ 335,328	\$ 2,299,025	\$ 899,746
Change from prior year	\$ 95,457	\$ 6,824	\$ 57,619	\$ 159,900	\$ 39,899
Percentage change	5.2%	16.4%	20.7%	7.5%	4.6%

The State has two kinds of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are reported as business-type activities in the government-wide financial statements. Enterprise funds sell goods or services primarily to parties outside of State government.

The net position of the *Unemployment Compensation Benefits Fund*, a major enterprise fund, increased by \$95.457 million, or 5.2%, over the prior year. As stated on page 31, the reasons for this slower net position growth were mostly due to the Unemployment Compensation Fund benefits and claims expenses increasing by \$7.212 million as a result of the nationwide unemployment rate rising during the 2025 fiscal year, while its operating revenues decreased by \$37.802 million because of increases for allowances for uncollectible receivables.

The net position of the *Second Injury Fund*, a major enterprise fund, increased by \$6.824 million, or 16.4%, over the prior year. As stated on page 31, the Second Injury Fund’s closure plan started to take effect in fiscal year 2019. The last assessment for this plan was made in fiscal year 2018.

The net position of the State’s *nonmajor enterprise funds* increased by \$57.619 million, or 20.7%, over the prior year. The increase in the State’s *nonmajor enterprise funds’* net position was primarily due to Palmetto Railways’ recognition of \$37.671 million in capital contributions relating to its Camp Hall project.

South Carolina’s *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) to other State funds but sometimes to local governments as well. Internal Service Funds experienced an increase to their net position of \$39.899 million, or 4.6%, in the 2025 fiscal year. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds benefit primarily State government, South Carolina reports them as governmental activities in the government-wide financial statements. \$16.048 million, or 40.2%, of the increase in the State’s internal service funds’ net position can be attributed to the State Employee Insurance Fund. While the State Employee Insurance Fund’s operating revenues and operating expenses approximately net to \$0, the fund’s interest earnings of \$23.085 million led to the increase in net position.

Budgetary General Fund Highlights

Estimated revenues for the 2025 fiscal year were \$12.321 billion. Actual revenues at June 30, 2025, were \$1.737 billion, or 14.1%, over the estimated revenue used in the fiscal year 2025 budget appropriations act. This also represented an increase in collections over the prior year of \$1.146 billion, or 8.9%. Individual income and sales tax collections are the fund’s major revenue sources. Individual income tax collections ended the year over the adjusted estimate by \$818.985 million and sales tax collections ended the year over the adjusted estimate by \$185.859 million.

State of South Carolina

Actual expenditures were \$226.955 million less than actual revenues. Also, expenditures were kept \$3.445 billion under fiscal year 2025 adjusted appropriations. In addition, \$19.283 million of unbudgeted spending occurred through “open-ended” appropriations. Actual expenditures were kept under budgeted expenditures due to conservative budgeting practices by the State.

Based on the above results of operations, fiscal year 2025 ended with a budgetary surplus, which resulted in a budgetary General Fund balance after reservation of \$6.604 billion.

See the *Required Supplementary Information* section on pages 192 through 200 of this report for a detailed budgetary comparison schedule.

Capital Assets, Lease Assets, and Debt Administration

Capital Assets

At the end of the 2025 fiscal year, the State had \$24.271 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of \$1.798 billion, or 8.0%, over the previous fiscal year (*see Exhibit 7-1*).

Exhibit 7-1
Capital Assets, Net of Depreciation
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change
	2025	2024	2025	2024	2025	2024	2025-2024
Land and improvements	\$ 2,770,473	\$ 2,608,642	\$ 229,229	\$ 229,537	\$ 2,999,702	\$ 2,838,179	5.7%
Infrastructure	12,429,759	11,604,415	—	—	12,429,759	11,604,415	7.1%
Buildings and improvements	919,893	923,935	9,348	9,875	929,241	933,810	(0.5)%
Vehicles	465,381	382,635	—	17	465,381	382,652	21.6%
Machinery and equipment	272,629	247,200	4,838	4,231	277,467	251,431	10.4%
Works of art and historical treasures	1,328	1,388	—	—	1,328	1,388	(4.3)%
Construction in progress	6,612,119	6,117,346	97,975	52,059	6,710,094	6,169,405	8.8%
Intangible assets	4,822	1,161	—	—	4,822	1,161	315.3%
Lease assets	400,900	227,600	—	—	400,900	227,600	76.1%
Subscription assets	52,072	62,999	—	—	52,072	62,999	(17.3)%
Total	\$ 23,929,376	\$ 22,177,321	\$ 341,390	\$ 295,719	\$ 24,270,766	\$ 22,473,040	8.0%

Growth in capital asset investment occurred mostly in infrastructure. The Department of Transportation transferred \$1.070 billion from construction in progress to infrastructure in fiscal year 2025 and added an additional \$1.502 billion to its infrastructure construction in progress. These additions are part of new and on-going infrastructure projects within the Department of Transportation Special Revenue Fund and are funded by federal grants and the 2-cent per year gas tax increase for road projects and maintenance.

See Note 6 in the notes to the financial statements starting on page 112 of this report for additional information on the State’s capital assets.

Debt Outstanding

At June 30, 2025, the State had \$1.787 billion in bonds and notes outstanding - an increase of \$51.978 million, or 3.0%, from the previous year (see *Exhibit 8*).

Exhibit 8
Outstanding Debt
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change
	2025	2024	2025	2024	2025	2024	
General obligation bonds	\$ 37,636	\$ 78,435	\$ —	\$ —	\$ 37,636	\$ 78,435	(52.0)%
Revenue bonds and notes	78,083	60,250	10,610	10,845	88,693	71,095	24.8%
Infrastructure Bank bonds	1,216,257	1,311,793	—	—	1,216,257	1,311,793	(7.3)%
Leases payable	394,230	213,914	—	—	394,230	213,914	84.3%
Subscriptions payable	50,406	60,007	—	—	50,406	60,007	(16.0)%
Total	\$ 1,776,612	\$ 1,724,399	\$ 10,610	\$ 10,845	\$ 1,787,222	\$ 1,735,244	3.0%

The issuances of debt slightly exceeded the repayment of principal on outstanding debt, resulting in an increase in debt outstanding for governmental activities of \$52.213 million, or 3.0%. The majority of the increase relates to the issuance of a net \$170.715 million in new leases and subscriptions payable, while the total balance of notes and bonds decreased by a net \$118.502 million.

Three bond rating services assign ratings to bonds backed by the State with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as “AAA” and Moody’s Investors Service rated them as “Aaa” during the fiscal year ended June 30, 2025, the highest rating that these services assign. The State’s bond rating from Standard & Poor’s was “AA+” during the same period, its second highest rating.

The State limits the amount of annual payments for principal and interest (or annual debt service) on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2025, the State had the legal capacity to issue additional bonds as long as the new debt would not increase annual principal and interest payments by more than the following amounts: \$134.987 million for highway bonds, \$764.918 million for general obligation bonds (excluding institution and highway bonds), \$60.271 million for economic development bonds, and \$63.138 million for research university infrastructure bonds.

See Note 12 in the notes to the financial statements starting on page 145 of this report for additional information about the State’s long-term debt.

Economic Factors and Next Year’s Budget

The “Rainy Day Account”

The State’s General Reserve Fund, also called the rainy day account, had a \$739.568 million balance at June 30, 2025, which was \$24.326 million greater than the balance a year earlier. Funding for this reserve is mandated by State law and by the State Constitution. If the State withdraws funds from the General Reserve Fund to cover a year-end deficit, it must replace the funds within five years. The State Constitution also requires that at least one percent of the Budgetary General Fund revenue of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved. In any year withdrawals are made that reduce the account below its predetermined full-funding level, the State Constitution requires that full-funding of the General Reserve Fund be restored within three fiscal years. State law currently defines full funding as 6.0% of the Budgetary General Fund’s revenues of the prior fiscal year. In 2022, voters decided to increase the full funding threshold of the Budgetary General Fund to 7.0% by 0.5% increments starting in fiscal year 2024.

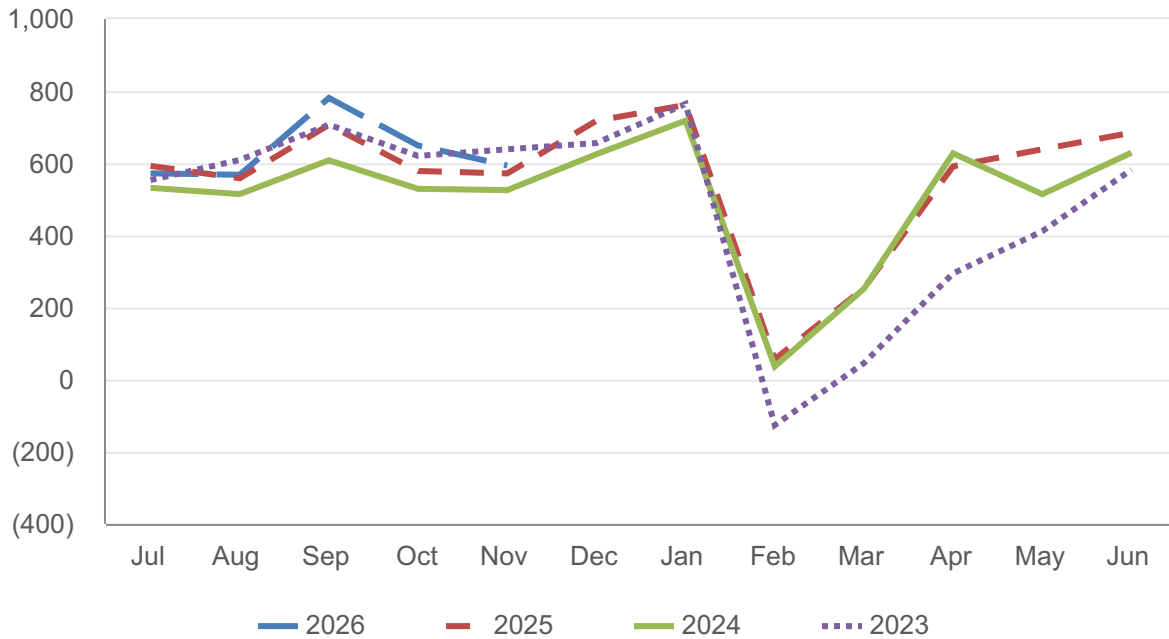
Forecasted Budgetary General Fund Revenues for Fiscal Year 2026

In May 2025, the State Board of Economic Advisors (BEA) forecast that there would be \$14.492 billion of budgetary General Fund revenues for fiscal year 2026, which was \$434.186 million, or 3.1%, more than actual corresponding revenues collected in fiscal year 2025. In November 2025, the BEA increased its 2026 fiscal year forecast another \$189.480 million. As a result, forecasted Budgetary General Fund revenues for fiscal year 2026 are currently \$623.666 million, or 4.4%, above actual revenue collections in fiscal year 2025.

Economic Conditions

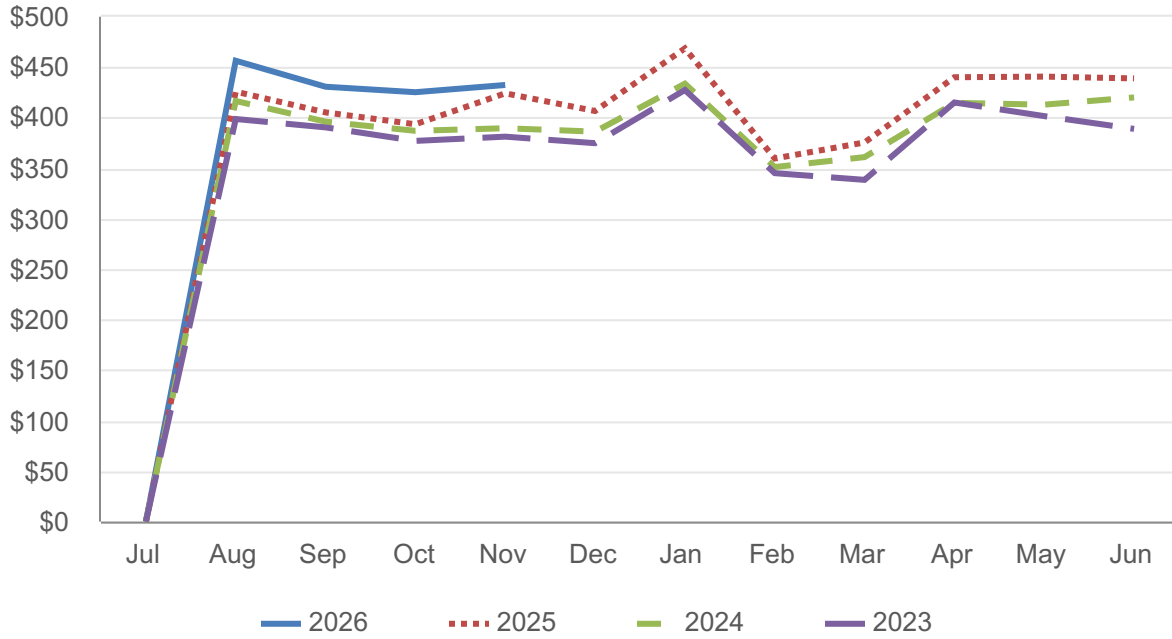
Budgetary General Fund revenues for the first five months of fiscal year 2026 were \$5.843 billion, which was an increase of \$208.423 million, or 3.7%, compared to the same period for fiscal year 2025. Total individual income taxes collected have increased by \$156.319 million, or 5.2%, compared to the same period in the prior year. Sales taxes have increased by \$96.072 million, or 5.8%, over the first five months of fiscal year 2025.

Individual Income Taxes
(Expressed in Millions)



Sales Tax

(Expressed in Millions)



Requests for Information

The primary purpose of this financial report is to provide South Carolina’s citizens, taxpayers, customers, investors, and creditors with a general overview of the State’s finances and to demonstrate the State’s accountability for the money it receives. Please address any questions concerning information in this report to:

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