

WAKE COUNTY

# Recommended Budget

David Ellis, County Manager

FY 2027

# U.S. economy is volatile

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## Conflict in Iran

- 20% of world's oil supply is stuck
- Gas prices around \$4 per gallon
- Costs the county more to fill up the tanks of inspectors and social workers



# Inflation reached 3.3% in March

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Must factor  
rising prices into  
our budget

## Increased the cost of:



Construction  
materials



Health care coverage  
for employees



Contracts for security  
at our facilities

# Inflation's impact on consumers



# 47.6%

Consumer sentiment  
drops to a record low

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Lower than any rate seen in the  
post-World War 2 era, including:

- The Great Recession
- COVID-19 pandemic

# More people need Wake County's help

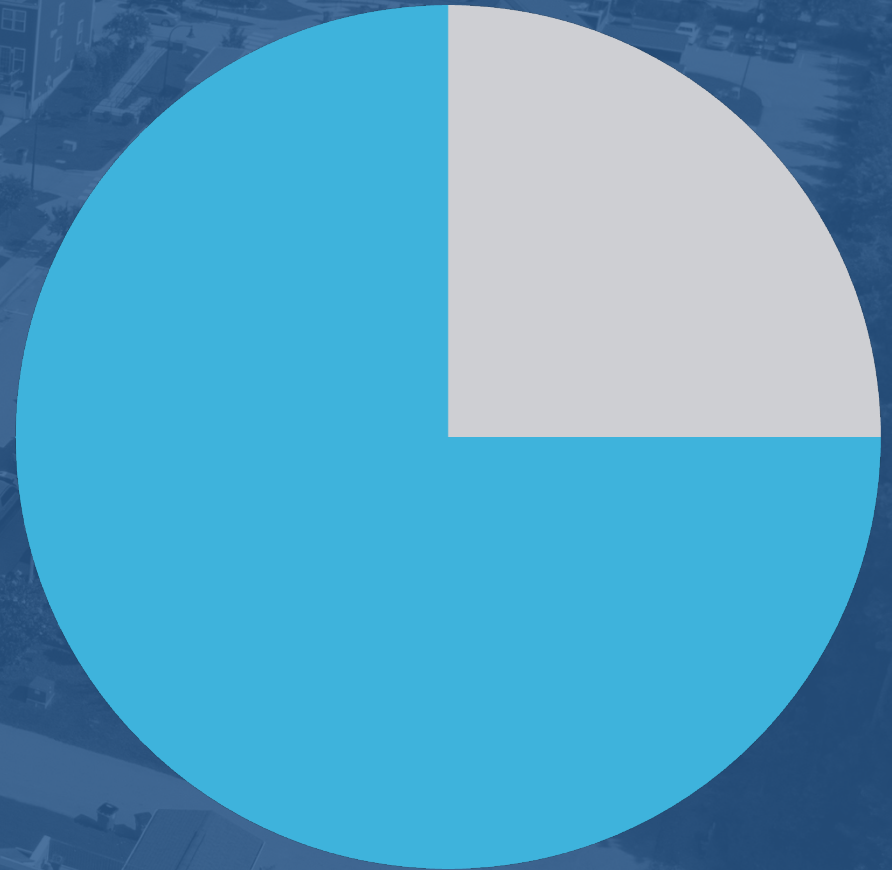
- Can't pay rent
- Can't afford the basics

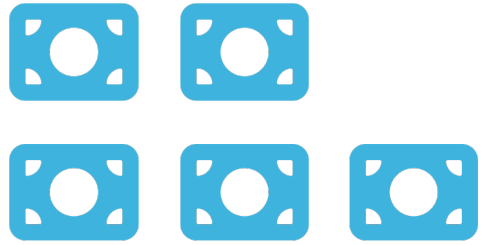
## **OUR REALITY:**

The more support we offer,  
the more it costs us.



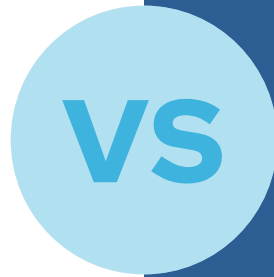
**The property  
tax is our main  
revenue source,  
comprising 75% of our  
annual funding**





**\$40–50  
million**

Amount of new revenue  
we expect property tax  
to generate each year



**\$8  
million**

Amount of new revenue  
property tax is projected  
to generate in FY2027



# Property tax appeals to Wake County

**Owners have the right to appeal our appraisal of their property during revaluation.**

In the 2024 cycle:

- 2% appealed to our Board of Equalization and Review
- Low rate
- Still totals **8,900** appeals

# Property tax appeals to the state



**1,500**

property owners appealed to the  
NC Property Tax Commission

**Highest  
number  
ever**

# State appeals process is lengthy

Very formal  
Requires lots of  
staff time  
Involves many meetings



**Results in a  
slow pace**

**We have no control over the process.**



# 750

appeals still open  
with the NC Property  
Tax Commission

Will take months to resolve,  
leaving millions of county  
property tax dollars  
hanging in the balance





**\$18 million**

Wake County's estimated cumulative  
**revenue loss** in FY2027 from appeals

# Property tax exemptions

## NONPROFITS:

- Are exempt from paying property taxes if they house residents with low or moderate incomes
- Help connect people in need with housing

## STATE LAW:

- Vague
- Can create issues when it's not used as it was likely intended

# Mitchell County v. Blue Ridge Housing

## THE ISSUE:

The ownership structure of an apartment complex that housed low-income residents

99.9%

owned by a for-profit investor, Blue Ridge Housing

0.1%

owned by a nonprofit

# Mitchell County v. Blue Ridge Housing



Mitchell County **denied** the application for exemption



Blue Ridge Housing took Mitchell County to **court**



The court did a **balancing test**, which looked at:

- Control of operations
- Status as trustee of property
- Possibility of future increased ownership
- Intent of participating parties

# The court's ruling



Blue Ridge Housing and the nonprofit should be **exempt** from paying property taxes in Mitchell County

The nonprofit's 0.1% ownership **did not** influence the decision.

## IMPORTANT NOTE:

- The court did not define what the statute means when it says "low" and "moderate income" residents
- Created a **loophole**

# Exemptions have skyrocketed

<b>Tax Year</b>	<b>Properties Qualified</b>	<b>Exempted Value</b>
2020	66	\$223,089,037 *
2021	69	\$289,993,674
2022	76	\$368,306,829
2023	73	\$388,014,684
<b>2024</b>	<b>97</b>	<b>\$1,428,371,902 *</b>
<b>2025</b>	<b>137</b>	<b>\$2,204,668,044</b>

\* Revaluation



# \$12.3 million

Wake County's estimated **revenue loss**  
in FY2027 from the loophole

# Most are not traditional affordable housing

They are:

- Older apartments
- Fully taxable for decades

Rent is:

- Already less than 80% of the Area Median Income
- **Not** decreasing to reflect the property tax exemption



# Example of loophole's impact

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Existing apartment complex  
in Raleigh

**2024**

0% exempt

**\$104.2** million  
in taxable value

**2025**

70% exempt

**\$31.3** million  
in taxable value





# The trend continues in FY2027

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## --- Applications received to date

Each envelope represents an apartment owner requesting a property tax exemption

“ The growing number  
of exemptions is the

**biggest threat**

to the county's revenues  
that I could ever imagine. ”

– Wake County Tax Administrator Marcus Kinrade

# Housing Select Committee on Property Tax Reduction and Reform

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## Blue Ridge Housing loophole

- Committee recommends clarifying the statute and closing the loophole



If the loophole isn't closed, we will face **significant financial impacts** in FY2028.

Would put county programs, services and education funding at risk

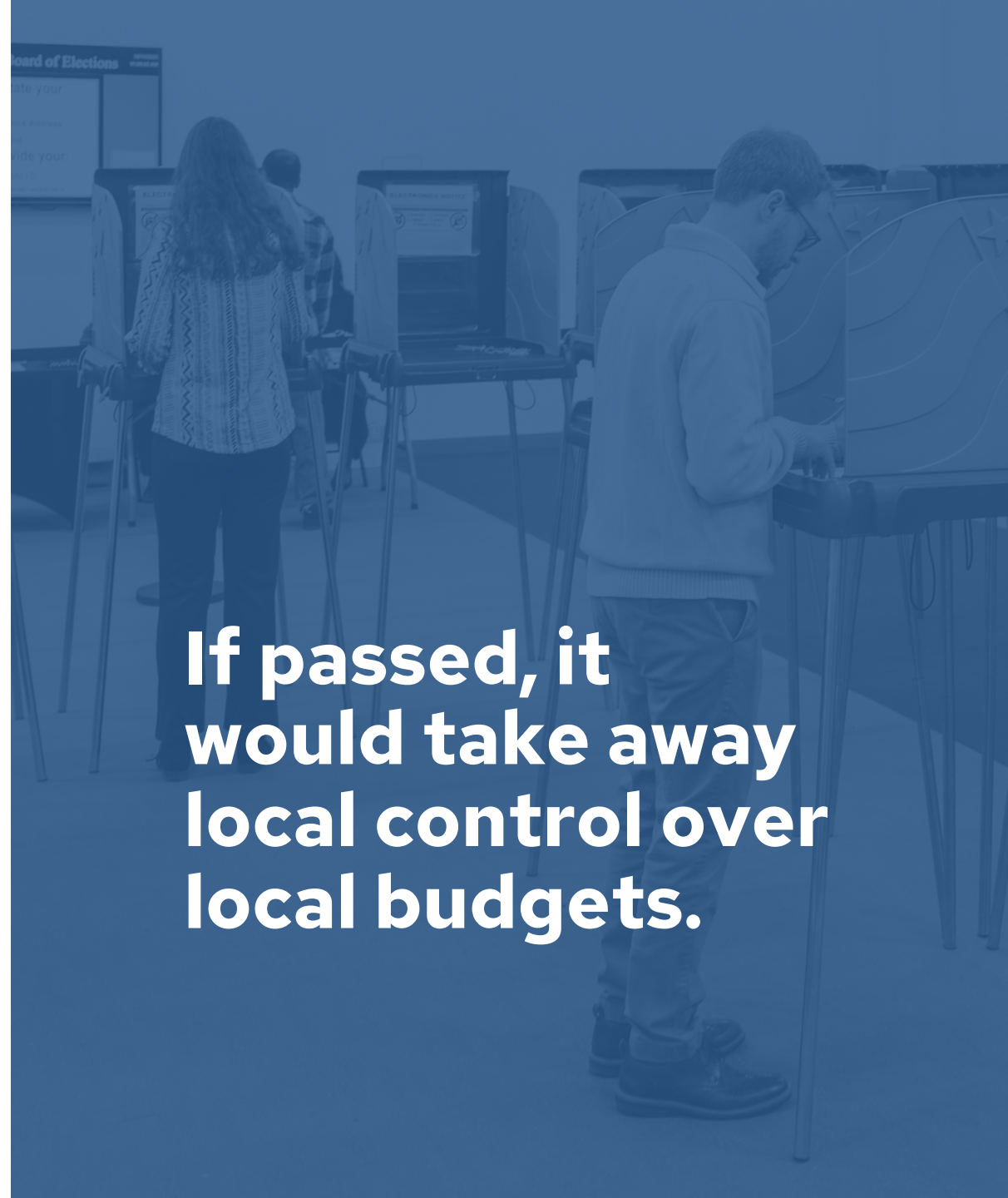
# House Committee recommends a property tax cap

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Wants to add a question on the November ballot to limit property tax increases

**If passed, it would take away local control over local budgets.**



# Property tax

**Largest** and **only** revenue source that counties, cities and towns have authority and discretion over

## Limits would:

- Remove the flexibility we need to plan for the future
- Reduce our ability to address the unexpected
- Hinder our response to the demands of growth
- Impact the high quality of life residents enjoy

# A better way to keep the property tax low

The state must increase investments in chronically underfunded areas:



**Education**



**Public  
Safety**



**Foster  
Care**

**Then, county governments wouldn't have to fill the gap.**



# Financial support for WCPSS

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The superintendent and Board of Education rely on Wake County to fund:

- Sustainable wages
- Student support services
- School nurses



# Financial support for WCPSS

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Education is a local priority,  
because it is:

- Vital to the success of our youth
- Good for the economy
- Attractive to businesses looking to relocate or expand here



## The county must fund:

- School construction
- School maintenance

VS



## The state must fund:

- School operations \*

**\* They're not doing it.**

# Per pupil expenditures: 2024–2025



## State of NC

**\$7,466**

invested per  
Wake County student

**110 of 116**

WCPSS rank out of  
NC school districts

**VS**



## Wake County

**\$4,310**

invested per  
Wake County student


**15 of 116**

WCPSS rank out of  
NC school districts

# Our investments in WCPSS operations

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FY2022: **+ \$16.3 million**  
FY2023: **+ \$50 million**  
FY2024: **+ \$50 million**  
FY2025: **+ \$58.3 million**  
FY2026: **+ \$40.3 million**

**\$528**   
**million**

invested in school  
operations in FY2026






This expense **could have been avoided** if the state fully funded K-12 operations.

# Our investments in Wake Tech operations

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County tax dollars pay for operational expenses such as:

-  Increased instructor pay
-  New classroom technology
-  More IT staff

**\$8**   
**million**  
allocated every year



This expense **could be avoided** if the state fully funded community college operations.

# Our investments in jail operations

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Wake County Detention Center

- Currently houses **100+ inmates** who should be in state custody

State prisons are **too understaffed** to house them

**\$3**   
**million**

allocated every year



This expense **could be avoided** if the state fully staffed its prisons.

# Our investments in foster care

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Not enough foster families and treatment providers

- State offers **no** housing support

We're buying a facility to house foster youth

\$9   
million

to purchase, upfit  
and staff the space



This expense **could be avoided** if the state fully funded and resourced foster care.

# Wake County is a donor county

**\$8-9 million**

The amount of sales tax revenue we're  
required to give up every year

*The funds are redistributed to other counties in NC*



# \$600 million

The total cost of every budgetary hole that Wake County filled for the state in FY2026

**Standing in  
the gap for  
the state  
comes with  
a cost**



**19 cents**

The amount we could've **reduced** the property tax rate by in FY2026



**\$900**

The amount the owner of a \$450,000 home would've saved

**Dependence on county  
support is only going to get**

**worse.**

# One Big Beautiful Bill impacts

Will cut funds to administer SNAP in FY2027

Today, we're reimbursed about:

**\$9 million**

**50%**  
of the cost

On Oct. 1, we'll be reimbursed about:

**\$6 million**

**25%**  
of the cost

# One Big Beautiful Bill impacts

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Will impose stricter requirements on Medicaid participants, starting in January

- More recertifications
- More work requirement checks

Adding **25 new positions** to process all the additional paperwork on time



## THE RESULT:

Wake County will **spend more** to provide the same benefits to the same 220,000 people



# The state is putting a financial burden on our residents

The General Assembly can reduce that burden by passing a budget that fully funds:



**Education**



**Public Safety**



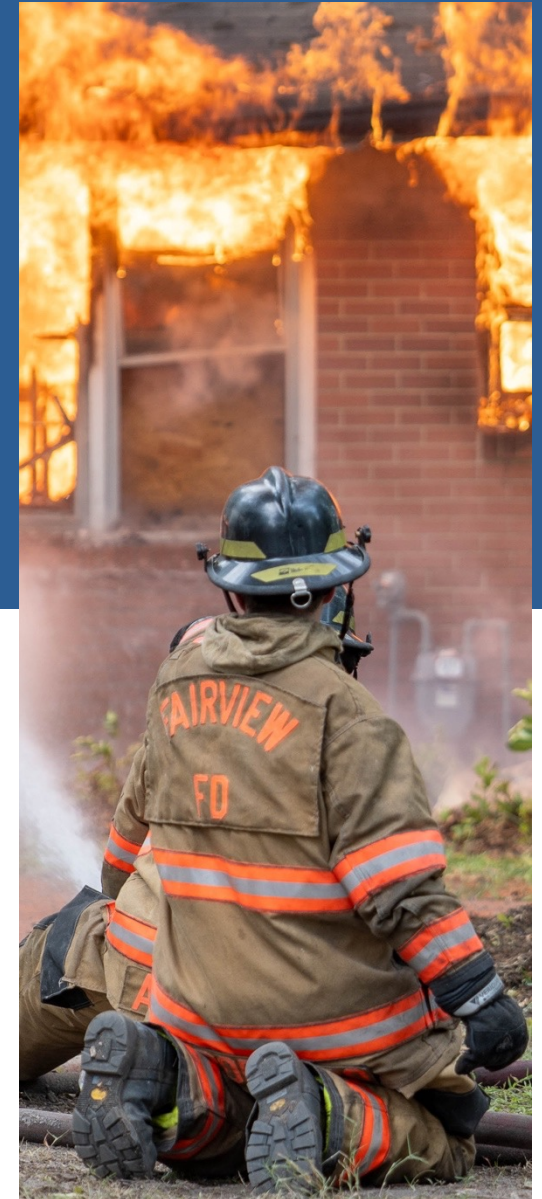
**Social Services**

**Will keep county property taxes low**



# We can't wait for the legislature to do the right thing

Recommend investing all  
\$8 million in new property  
tax revenue in public  
safety in FY2027



# Investing in public safety

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## Emergency Medical Services

- Recommend adding **16 EMTs** to meet the growing demand for service

In 2025, calls to 911 for emergency medical care increased by **4%**



# Investing in public safety

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## Fire Services

- Propose continuing to fund our **Fire Services Training Manager** position

Oversees our successful Career in a Year program

- **53 graduates** now work in Wake County as firefighters



# Investing in public safety

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**Wake County Detention Center** is housing more inmates for longer periods of time

## Causes:

- Population growth
- State prison staffing shortages
- More serious crimes being committed
- Iryna's Law
- Lack of state funding for court system

# Investing in public safety

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## Reopening the jail annex

- Will add 240 beds
- Addresses need for greater capacity

Must hire staff to operate it safely

- Adding **92 detention positions**
- Salary and benefits will cost **\$7 million**



# Education

# Wake County Public Schools

**\$25.3 million**

Additional funds requested for operating expenses in FY2027

**+ \$742.9 million**

Funds Wake County provided for operating expenses in FY2026

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**\$768.2 million**



**Wake  
Technical  
Community  
College**

**\$1.8 million**

Additional funds requested for operating expenses in FY2027

**+ \$42.6 million**

Funds Wake County provided for operating expenses in FY2026

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**\$44.4 million**

# Wake County Smart Start

**\$2 million**

Additional funds requested for operating expenses in FY2027

**+ \$8 million**

Funds Wake County provided for operating expenses in FY2026

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**\$10 million**

+ 50  
seats

to Wake ThreeSchool



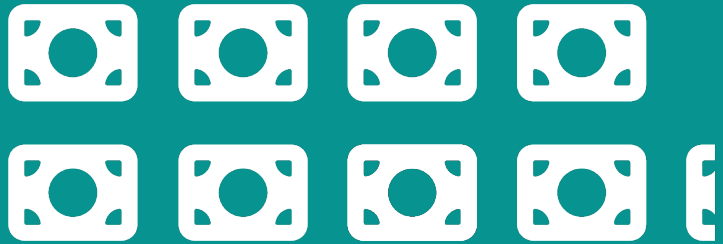
# Wake County Smart Start

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**2,046 children**  
currently enrolled in Wake  
ThreeSchool and NC Pre-K

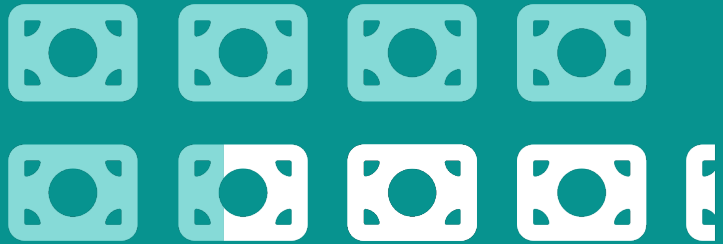
**905 children**  
are on the waiting list  
for these programs





**\$822.6 million**

Total recommended investment  
in education for operating  
expenses in FY2027



# \$822.6 million

Total recommended investment  
in education for operating  
expenses in FY2027

Of that,  
**about 65%**  
is directly due to a  
**lack of financial  
support** from  
the state.

# Looking ahead

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- Consider referenda on the November ballot
- \$830 million in bonds to support WCPSS and Wake Tech
- Would fund building construction, facility maintenance and IT infrastructure



# Recruiting and retaining talent

**Team Wake  
is 5,000+  
employees  
strong**



# Investing in our employees

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Must continue to pay competitive wages

Recommend providing:

- Market range adjustment
- **1-3% raise** for strong performers
- **Up to 4.5% raise** for outstanding performers



# Finding additional funds for new investments

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Steps we took:

- Scrubbed our ledgers
- Delayed projects
- Said “no” to **37** budget expansion requests



# The “no” list totals \$10.5 million

Declined requests include:



More food  
and lodging  
inspectors



More  
customer service  
representatives



More  
environmental  
consultants



Continuing  
food security  
pilot programs

**100,000+**  
residents in  
Wake County  
fall below  
the federal  
poverty line



# An unprecedented use of one-time funds

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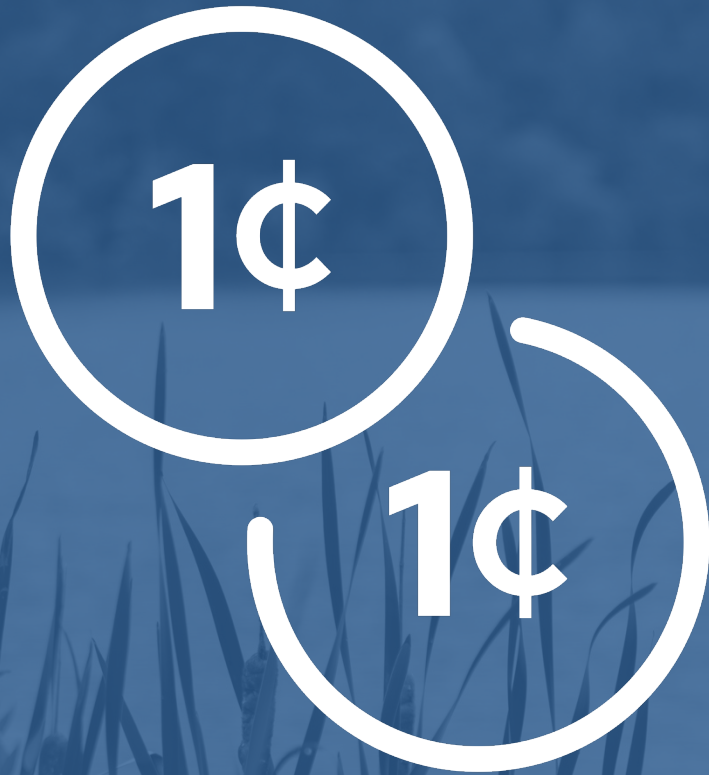
Recommend moving

**\$35 million**

from our reserves to the  
**General Fund** in FY2027



Hope the General Assembly will fix the Blue Ridge loophole to avoid repeating this unsustainable approach



# Property tax increase needed

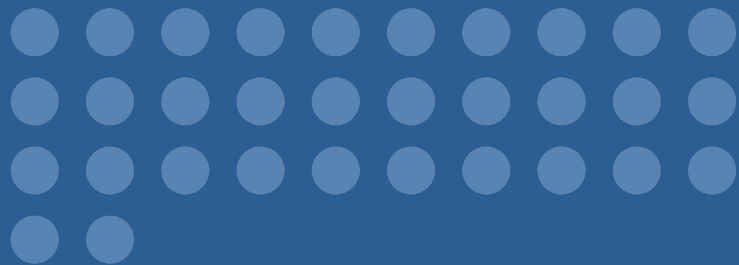
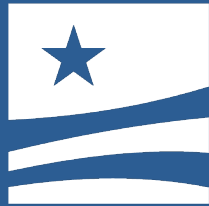
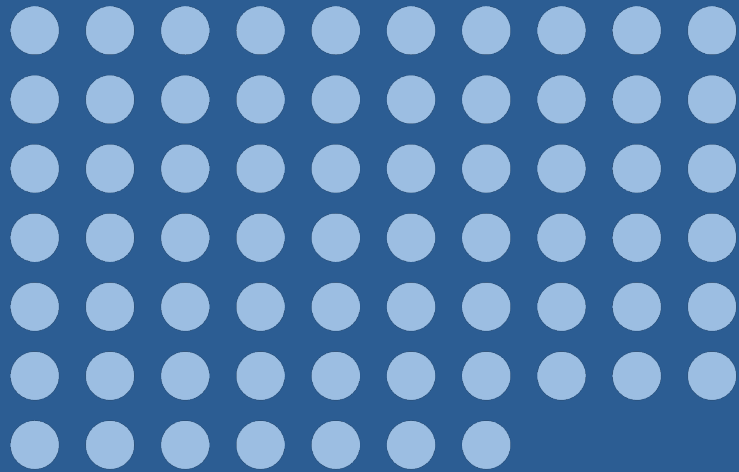
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## Propose a 2-cent increase

It will:

- Raise the property tax rate to 53.71 cents
- Generate an additional **\$62.15 million**

The owner of a \$450,000 home would see a \$90 increase in their tax bill.



67 of 100  
counties had  
**higher**  
property tax  
rates than  
Wake County  
in FY2026

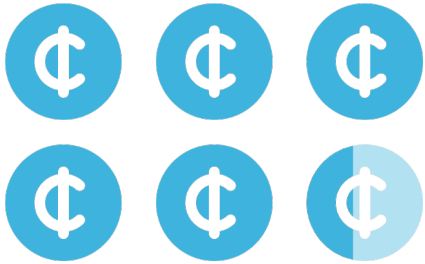


**FY2027 Recommended Budget**

**\$2,282,021,000**

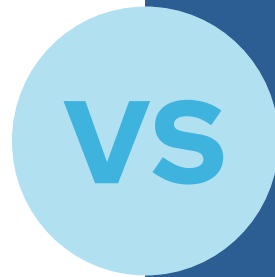
# FY2027 Recommended Budget

- ✓ Accounts for rising costs stemming from federal decisions
- ✓ Subsidizes areas where the state falls short
- ✓ Supports the growing needs of WCPSS, Wake Tech and Smart Start
- ✓ Meets the housing needs of foster youth and jail inmates



**53.71  
cents**

Proposed FY2027  
property tax rate



**30  
cents**

What our property tax rate  
**would be** if the state fully  
funded its responsibilities

# Board has advocated for expanding property tax relief



**The FY2027 Recommended  
Budget commits to**

**sustain our programs  
and services**

**within financial constraints.**

# Looking ahead to the FY2028 budget

## If the state:

- **Does not** close the Blue Ridge loophole
- **Does** cap property tax increases

## Then, Wake County may have to cut:

- Operating hours
- Program investments
- Funding for education

# Next steps

We're now accepting comments about  
the proposed budget on our website,  
**wake.gov/budget**

FY **2027**

# FY2027 Recommended Budget schedule

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**MAY  
11**

**First  
board work  
session on  
budget**

**MAY  
11**



**Budget public  
hearings**

**MAY  
18**

**MAY  
20**

**Last day  
to submit  
comments**

**MAY  
21**

**Second  
board work  
session on  
budget**

**JUNE  
1**

**Board  
votes on  
proposed  
budget**

For more information on the  
FY2027 Recommended Budget, visit  
**[wake.gov/budget](https://wake.gov/budget)**

FY **2027**