

Recommended Budget

July 1, 2026 –
June 30, 2027



FY **2027**

Introduction

Good evening, Commissioners. I stand before you tonight to present my recommended budget for Fiscal Year 2027, which starts on July 1.

This is the ninth budget I've presented to the Wake County Board of Commissioners, since I became county manager. I'll be honest – it's been the most challenging one yet.

Our revenue is well below projections, and we've had to make tough decisions on what we can afford to fund without overburdening our residents – especially those on fixed incomes.

My message to you today is different than in years past. It doesn't include many areas where I propose making strategic investments. Instead, it will explain the many constraints on our funding for FY2027 and show you why a fiscally cautious approach is necessary.

Volatile Economy

The U.S. economy is volatile. One of the main reasons why is the conflict with Iran. A ceasefire is in place, but it's tenuous. The Strait of Hormuz is still not fully open, so about 20% of the world's oil supply is stuck.

That's driving up prices at the pump here in Wake County. I don't know about you, but the last time I filled up, it cost me about \$4 per gallon. Our inspectors and social workers drive a lot, and the additional cost to fill up their county vehicles adds up quickly. We must account for the rising cost of gasoline in this budget.

War, tariffs and other decisions made at the federal level are driving up inflation. In March, inflation hit 3.3%. That's up threefold from February, the largest such increase in nearly four years.

As inflation rises, so do the prices of everyday items and services for all of us. The county feels the pinch each time we buy construction materials for our facilities, pay for healthcare coverage for our employees, and finalize contracts for security to keep our staff and residents safe. There's only so much cost escalation we can absorb, which is why we have to factor these increases into the FY2027 budget.

Inflation is also impacting consumers' behavior. A survey by the University of Michigan found that consumer sentiment has dropped to a record low of 47.6%. That's lower than any rate seen in the post-World War II era, including during the Great Recession, the pandemic and the historic inflation surge afterward. Fears of stagflation or another recession are growing.

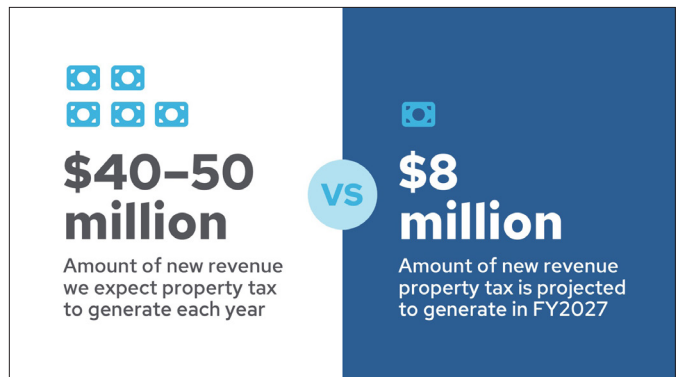
We're seeing the ripple effects. More people are coming to Wake County Government for help. Some can no longer afford their rent and can't afford the basics. As public servants, we're dedicated to helping residents who can't meet their basic needs in this volatile economy. But the reality is the more support we offer, the more it costs us.

Property Tax Problems

Perhaps, in a typical year, these increased costs wouldn't be such a budgetary challenge. Unfortunately, 2026 is anything but typical.

As you know, the property tax is our main revenue source. It comprises about 75% of our funding each year.

We've come to expect the property tax to generate \$40 million–\$50 million in new revenue annually from growth in the tax base. That's not the case for FY2027. We're looking at only \$8 million in new revenue.



Let me say that again. The property tax usually generates \$40 million–\$50 million. In FY2027, it's only \$8 million. That's a *significant* difference.

There are two main reasons why we're seeing this revenue shortfall.

Property Tax Appeals

The first one is appeals. Each time we complete a revaluation cycle, folks can question the new value we place on their property. Overall, about 2% of property owners appealed to the county's Board of Equalization and Review. That is very low and reinforces how accurate our appraisals are, but 2% is still about 8,900 appeals.

Property owners who didn't receive the ruling they wanted from our Board of E&R filed more than 1,500 appeals with the North Carolina Property Tax Commission. It's the highest number we have ever seen at that level. Most of the tax value is in commercial properties, which have trended down in value.

For context, appealing to the state is a lengthy process. It's very formal and involves a lot of staff time and meetings. So, the pace of this process is not swift, and counties have no control over any of it.

As of May, there are still more than 750 open appeals, leaving a large amount of our tax base undetermined. It will take months for the remaining appeals to be processed. Millions more property tax dollars are still hanging in the balance. That "unknown" creates a lot of risk for the county.

Overall, staff estimate a revenue loss of \$18 million in FY2027 from appeals.

↓ \$18 million
Wake County's estimated cumulative revenue loss in FY2027 from appeals

Affordable Housing Loophole

The other major factor influencing our property tax revenue shortfall is exemptions.

Currently, state law allows nonprofits that provide housing to residents with low or moderate incomes to be exempt from paying property taxes. This is a good thing for our nonprofit partners who help connect people with affordable housing. But the law is vague, which can create issues when it's not used as it was likely intended.

A great example is a N.C. Court of Appeals case involving Mitchell County, N.C. and Blue Ridge Housing of Bakersville, LLC. The issue centered on the ownership structure of an apartment complex that housed low-income folks. Roughly 99.9% of the apartment complex was owned by a for-profit investor, Blue Ridge Housing. The remaining 0.1% was owned by a nonprofit.

The owners applied for a property tax exemption from Mitchell County, and the county said no. So, Blue Ridge Housing took the county to court. The court did a balancing test, weighing factors like control of operations and intent of the participating parties.

Ultimately, the court decided that Blue Ridge Housing and the nonprofit should be exempt from paying property taxes in Mitchell County, even though the nonprofit had less than 0.1% ownership. The court also did not define what the law means when it says "low" and "moderate" income residents.

The law's ambiguity has created a loophole, and it has significant implications for our revenues. You can see that over the past two years the number of exemptions has skyrocketed.

Exemptions have skyrocketed

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

* Revaluation

Overall, in FY2027, we expect to lose \$12.3 million to this loophole.

Just to be clear – most of these are not what we would call traditional affordable housing.

They're older apartment buildings that have been fully taxable for decades. The rents they charge their tenants are already less than 80% of the Area Median Income. We've seen no sign that the apartment owners are passing the savings they receive on to their renters.

Here's a good example. This local apartment complex is 40 years old. In 2024, it was not exempt. Therefore, it represented more than \$100 million in property value to our tax base. In 2025, it's a different story. This apartment complex reconfigured its ownership and qualified for a 70% exemption, leaving us with just a little over \$31 million in taxable value.

This trend doesn't seem to be going away. Here's a picture of the applications for exemptions we've received in the mail for FY2027. Each envelope represents an apartment complex that the owners believe should not be taxed.

The trend continues in FY2027

--- Applications received to date

Each envelope represents an apartment owner requesting a property tax exemption

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In our tax administrator's opinion, the growing number of exemptions is the biggest threat to the county's revenues that he could ever imagine.

General Assembly's Impact

The North Carolina General Assembly formed a House committee to discuss the Blue Ridge Housing loophole and other property tax issues. Some members have publicly said they're committed to closing the loophole, which is great. We support their efforts to clarify the statute, so it can be applied as originally intended – on true affordable housing projects.

However, if nothing changes and the loophole remains the same, then our largest revenue stream will remain a trickle in FY2028. We could face *significant* financial impacts that will put our existing programs and services, as well as education funding, at risk.

I'm not saying this to be alarmist. It's my duty as county manager to share the realities of our budget situation with you, so as elected leaders, you can make informed decisions.

A few weeks ago, the House committee also recommended a cap on future property tax increases. They want to put a question on the November ballot, asking voters statewide if they want to change the North Carolina Constitution to limit how much local governments can increase the property tax each year. If it passed, it would take away local control over local budgets.

The property tax is the only tax that counties, cities and towns have authority and discretion over. And it's our largest funding source. Putting limits on it would take away the flexibility we need to plan for the future, as the third fastest growing county of our size in the nation. We don't have a crystal ball. We can't always see what's around the corner. For example, no one predicted a global pandemic in 2020!

Maintaining control over our top revenue source gives us options when the unexpected happens. It also allows us to prepare for the demands of growth and build a multi-year budget forecast that supports our residents and sustains the high quality of life they enjoy.

Covering the State's Expenses

A better way to keep the property tax low is for the state to increase its investments in areas like education, public safety and foster care that are chronically underfunded. Then, county governments wouldn't have to fill the financial gap.

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.

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The Wake County Public School System superintendent and the school board come to us, asking for financial support, because they have nowhere else to turn. Without our help, they can't pay staff sustainable wages or provide student support services. They also won't have one nurse for every two schools, which our public health department staffs at a cost of \$15 million annually.

Our board believes that a top-notch education is vital to the success of Wake County's youth. Strong schools are also good for the local economy. Businesses want to expand in communities with a vibrant school system. That's why education is a local priority. We can't let our schools falter.

But it's not statutorily our role. We're required to fund school construction – which comes out of our capital program – and facility maintenance – which comes out of our annual school appropriation. We're not required to fund employee pay

increases, student support services or anything else that improves school performance. That's the state's job. But they're not doing it. And we've got the receipts.

Look at the latest per-pupil data. It shows the state invested only \$7,400 in each Wake County student, ranking the school district 110 out of 116. Compare that to *our* per-pupil investment in WCPSS during that same period. It was more than \$4,300, the fifteenth highest in North Carolina. The difference is striking.

Year after year, our investment in Wake County Public Schools grows, because the state hasn't stepped up and fully funded K-12 education.



In the FY2026 budget alone, we could've saved nearly \$530 million and avoided a property tax increase, if the state had fulfilled its obligations and provided the school system with the funding it needed.

The same goes for Wake Tech. We routinely invest county tax dollars in Wake Tech operations for increased instructor pay, new classroom technology, and more IT staff to oversee network infrastructure and security. Again, this goes beyond what general statute requires. But, without it, the largest community college in the state and its students will not be as successful.

That's not what we want for Wake Tech, which trains the workforces of the global life sciences companies across our region. If the state filled the gap instead of the county, it would save us about \$8 million annually.

Another place where we're spending county dollars on state responsibilities is in our jail. It currently houses more than 100 inmates who should be in state custody. Due to staffing shortages, the state prisons can't house them, so they remain in county custody. If these inmates could go directly to a state prison, we would save \$3 million a year, reducing jail operational costs and lowering demand for additional beds.

The state also doesn't provide enough funding or resources to support foster youth. Their needs are complex, and there aren't enough foster families and treatment providers who have the skills to care for them. Because the state is not providing adequate placement for youth in need of treatment, Wake County is buying and renovating a facility where they can be safely housed.


It will have more appropriate amenities that mirror the feel of a home, and it will be a much better solution than an office building. We've committed \$6.5 million to buy and upfit the building, and \$2.5 million to staff and operate it. That's \$9 million we wouldn't have to spend if the state better supported these youth in need.


When it comes to sales tax, the state isn't doing us any favors. State law dictates that Wake County is a donor county. That means we're required to give up \$8 million-\$9 million in sales tax revenue every year, so the state can redistribute it to other counties.

We added up all the areas where the county steps up and fills the budgetary holes left by the state. They total \$600 million just for FY2026. If we didn't have to stand in the gap, we could have lowered the property tax rate by 19 cents.

Let me repeat that. If the state did its part, we could've lowered the property tax rate by 19 cents. That would have saved the owner of a \$450,000 home almost \$900!

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

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This dependence on county support is only going to get worse.

The One Big Beautiful Bill is cutting federal funding to administer SNAP – a vital food assistance program – by 25% and pushing the responsibility for funding the remaining 75% down to North Carolina counties, starting in FY2027. We'll lose about \$3 million in reimbursements annually.

The bill will also impose stricter requirements on Medicaid participants. Starting in January, they'll have to go through more recertifications and more work requirement checks to get benefits. The paperwork strain on counties will be tremendous. We plan to add 25 new positions in FY2027 to our Social Services Department just to review and process that information on time. We'll have to spend more money to provide the same benefits to the 220,000 people enrolled in Medicaid in Wake County.

We're taking on all this additional burden, because we can't let local residents and families in need go unserved. But it's another example of the state legislature and Congress falling short of their fiscal responsibilities and passing the buck to us.

County taxpayers should be aware of the financial burden the state is placing on them. The General Assembly can reduce

that burden by passing a budget that fully funds education, public safety and social services. It would help us keep the property tax low while ensuring our residents are healthy, safe and supported.

Funding Public Safety Expansions

Unfortunately, we can't wait for the legislature to do the right thing. We have to make decisions based on current conditions. Therefore, I recommend investing the nearly \$8 million we have in new property tax revenue in public safety in FY2027.

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

I propose creating 16 new EMT positions for Wake County EMS to meet the growing demand for service. As our population increases and ages, 911 calls for emergency medical care are on the rise. Last year alone, they jumped by 4%. These new positions will ensure that every resident continues to get the help they need.

I also recommend continuing to fund our Fire Services training manager position, which leads recruitment and training of new firefighters. We've funded this important role using American Recovery Plan Act, or ARPA, dollars, but since they're going away in December, we're shifting to county dollars to cover the cost. The highly successful "Career in a Year" program launched in October of 2022. Fifty-three graduates of the program continue to work in Wake County, keeping our community safe.

Our largest public safety investment in FY2027 will be expanding Wake County's detention services. The jail population has increased steadily over the past few years. Some of that is simply due to the growth of our community. More people, more crime. But, as I previously mentioned, we're also routinely housing more than 100 inmates who should be in state prisons – not the county jail.

Another issue is offenders are remaining in our custody for longer periods of time. The types of crimes they're committing are more serious, and magistrates and judges are less likely to release them while they await trial. Iryna's Law, which went into effect in December, restricts bail for violent crimes and increases the length of stay for offenders. A lack of state funding and staffing shortages in the court system also slow down the speed of justice.

All these factors increase the need for more beds. That's why we're reopening the jail annex. It will add 240 beds to expand capacity. While we've already appropriated funding to renovate the annex before we open it, we will have new costs associated with operating the facility.

In consultation with Sheriff Rowe, we're adding 92 new detention positions to staff the annex and ensure safety. With salary and benefits, that will cost about \$7 million in FY2027. It's a significant investment, but one state law requires the county to accommodate.

Education

To recap, all of the county's \$8 million in new property tax revenue is going to public safety needs. Funding additional investments – like education – will require a property tax increase.

The biggest request for financial support came from the Wake County Public School System. Superintendent Taylor is asking for \$25.3 million in additional funding for FY2027. That's on top of the \$743 million we provided them in FY2026 for facility maintenance and operating expenses.



Although \$768 million is a lot of money, it's necessary. Without it, the school district would have to make significant cuts that would impact students' ability to learn and achieve academically. Sadly, even though WCPSS is North Carolina's largest school district, it remains at the bottom of the state's list for per-pupil funding from the General Assembly.

No one wants to risk our children's success. Since the state has not fulfilled its responsibility to fully fund our schools, I recommend that we step in, once again, so the school district can continue to give students the excellent education they deserve.

Wake Tech has also asked us for more funding in the FY2027 budget. Dr. Ralls and his team need \$1.8 million more to continue to support facility maintenance, pay IT and administrative staff, and cover rising utility costs. I propose providing these additional funds on top of the \$42 million we gave them in FY2026. That brings our total FY2027 investment in Wake Tech's operating expenses to \$44 million.

Smart Start is the final education provider that requested additional funding in the FY2027 budget. I recommend investing \$2 million more in this organization to support Wake ThreeSchool for 3-year-olds and Pre-K for 4-year-olds who meet income requirements. These new dollars would be on top of the \$8 million we invested in Smart Start in FY2026.

This \$10 million investment would fill funding gaps left by the state and add 50 new seats to Wake ThreeSchool.

Currently, more than 2,000 children are enrolled in these programs, and 900 others are on the waiting list. If we don't step in and help, we risk our youngest and most vulnerable residents falling behind before they even get to kindergarten.

In all, my budget recommendation would invest \$823 million in education for operating expenses. About 65% of that is directly due to a lack of financial support from the state.



Looking ahead, county staff will ask the Board to continue meeting its statutory responsibilities by placing referenda on the November ballot for the school system and Wake Tech. Totaling \$830 million, the bonds would fund much-needed building construction, IT infrastructure and facility maintenance.

Recruiting and Retaining Talent

Just like our education partners are concerned about attracting and retaining top teachers, I'm also focused on recruiting the best employees and keeping them at Wake County. I can't do that if I don't provide competitive pay.

Team Wake is more than 5,000 employees strong. Our staff is smart, skilled and passionate about serving our 1.2 million residents every day. Our employees are essential to achieving the county's mission, meeting the goals in your strategic plan and providing excellent customer service. Without them, we can't make progress in critical spaces like affordable housing, public safety, social services and public health.

I want to remain competitive in how we pay our staff. Not only is it the right thing to do, but as the county grows by 66 people a day, we can't afford to lose team members to another employer who pays better.

That's why I recommend, in the FY2027 budget, a market range adjustment and pay increase for Team Wake.

Well-performing staff members would receive a 1%-3% raise, while outstanding performers would get a pay increase of up to 4.5%.

Property Tax Increase

These new investments in education and county staff come with a cost. To find the additional funds, we scrubbed our ledgers and delayed some projects like opening Kellam-Wyatt County Park. We also said “no” to nearly 40 budget expansion requests this year totaling \$10.5 million.

Finding additional funds for new investments

Steps we took:

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



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Items we’re not funding include:

- Food and lodging inspectors to conduct more timely inspections of restaurants, hotels and childcare facilities
- Customer service representatives in Social Services to support rising call volumes
- Environmental consultants to meet the increasing demand for septic system inspections in our fast-growing community
- The food security pilot programs we launched during the pandemic with federal ARPA funds. They served more than 3,400 people annually.

While Wake County is an urban area that some consider “affluent,” more than 100,000 residents fall below the federal poverty line.

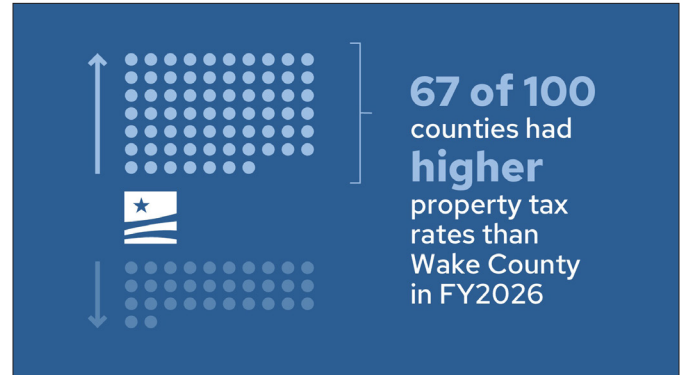
I’ll say that again. More than 100,000 of our residents fall below the federal poverty line. We need every dollar to help support education, public health, affordable housing and public safety.

In 8 years as county manager, I’ve never proposed using one-time funds to cover ongoing operating costs, because it’s not sustainable. But we’re facing a unique property tax base challenge. I’m hopeful the state legislature will do the right thing and fix the Blue Ridge loophole and other state funding gaps. That’s why I recommend using \$35 million from our reserves to plug the hole in our General Fund, so we can continue county operations.

Even with that one-time investment, we still need to increase the property tax rate in the FY2027 budget by 2 cents to meet the needs of our growing community. That would raise the

property tax rate to 53.71 cents and generate an additional \$62 million. The owner of a \$450,000 home would see a \$90 increase in their tax bill.

Out of all 100 counties in North Carolina, 67 of them had a higher tax rate than Wake County did in FY2026. Even with my proposed tax increase, estimates show we’ll be still in the bottom third in FY2027.



FY2027 Budget Picture

My proposed FY2027 budget totals \$2,282,021,000. It accounts for rising costs that stem from federal decisions, including the conflict in Iran and tariffs on foreign goods.

This recommended budget also subsidizes areas where state funding continues to fall short. It will support the growing needs of the Wake County Public School System, Wake Tech and Smart Start, and it will ensure the housing needs of foster youth and offenders in our jail are met.

As a reminder, if state leaders fully funded these areas and others under their purview, our property tax rate would be around 30 cents.

I’ll say that again. Our tax rate would drop to 30 cents if the state did its part. But, by pushing financial responsibility to the counties, they are forcing our hand and causing us to raise your taxes.



I also want to point out that, for at least three years, this Board has advocated to expand property tax relief for low-income residents, veterans and the elderly. The state has been unresponsive.

We invest in these important areas and many more, because it's the right thing to do, *and* because it takes funding to move the needle on the goals and initiatives in your strategic plan. With this budget, we also commit to doing all we can to sustain our programs and services within our current fiscal constraints.

Before I close out this presentation, I want to offer some words of warning about the FY2028 budget. If the state doesn't close the Blue Ridge loophole and if the state caps the property tax, we will have to make cuts. That could look like reducing operating hours, scaling back program investments and cutting funding for education.

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

These are not steps I want to take. I know they're not steps you want to take, either. The good news is there is still enough time to prevent them from happening if the state acts accordingly.

I want to take a brief moment to thank the Budget and Management Services Department for their hard work on this budget proposal. I also want to applaud the staff in the County Manager's Office for their leadership and support in the decision-making process. Your time, energy and thoughtfulness resulted in the data-driven recommendation I've presented today.

Next Steps

Now, let's talk about the next steps in the budget development process. We hope residents are watching the livestream and following our social media, because their thoughts and feedback on this recommendation are important.

Starting tonight, they can submit comments on our website, wake.gov/budget.

FY2027 Recommended Budget schedule

MAY 11	MAY 11	MAY 18	MAY 20	MAY 21	JUNE 1
First board work session on budget	Budget public hearings		Last day to submit comments	Second board work session on budget	Board votes on proposed budget

Next Steps
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On May 11, we'll hold a Board work session dedicated to the proposed budget at 2 p.m. at the Wake County Justice Center. Later that evening, we'll hold our first budget public hearing at 7 p.m. at the Wake County Commons Building. Our second budget public hearing will take place on May 18 during the Board's regular 2 p.m. meeting.

The public can submit online comments through May 20. We'll provide every comment we receive to the commissioners for review. On May 21, the Board will hold a second budget work session to consider public feedback and identify any changes to the recommended budget for consideration on June 1. That's the day I will bring the proposed budget to you for a vote during the regularly scheduled 5 p.m. Board meeting.

As always, the materials that explain what's in the FY2027 Recommended Budget are on our website, wake.gov/budget. We encourage you to read through them to learn how our funding allocations will move your strategic plan forward. You'll see why — as our vision statement says — we're passionate about these proactive and purposeful investments in our community.

Thank you for your time and consideration.

Sincerely,




wake.gov/budget