



## **Item: Resolution- Opposing Modifications to the County Property Tax Authority**

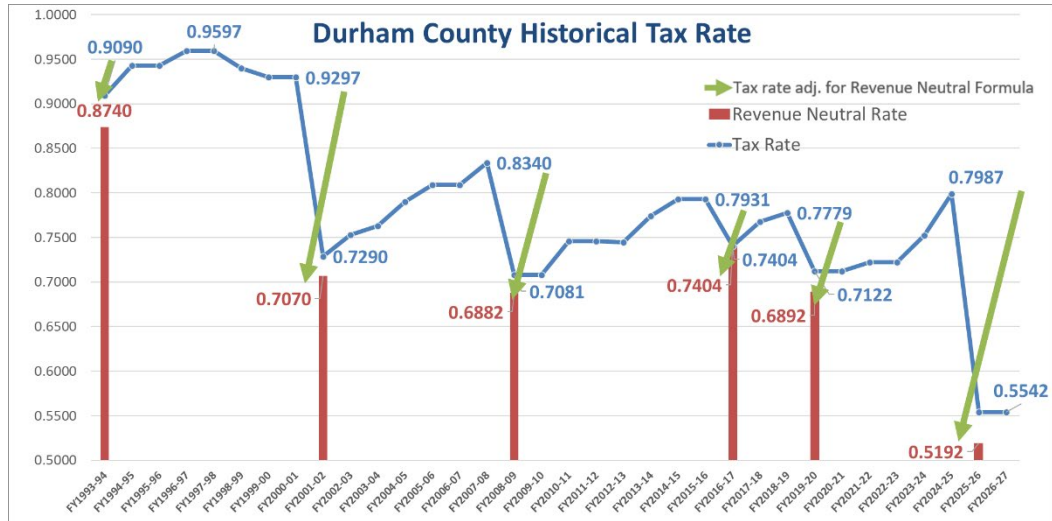
### **Background/Justification**

The Board of County Commissioners is requested to approve a resolution opposing the North Carolina General Assembly's proposed modifications to the County Property Tax Authority. Property taxes are the financial backbone of local government in North Carolina. For Durham County, they fund the services residents rely on every day, such as public safety, emergency response, schools, public health programs, and social services. Unlike other revenue sources that fluctuate with economic conditions, property tax revenue is stable and predictable, enabling the County to plan responsibly, meet its obligations, and make long-term investments in infrastructure.

The attached resolution affirms the need for local governments to retain flexibility to respond to circumstances that cannot always be anticipated, including population growth, state or federal mandates, natural disasters, and public health emergencies, while maintaining the transparent processes through which tax rates are set and budgets are developed to meet both mandated requirements and community priorities. When local revenue is constrained, local governments are forced into difficult choices: cutting services, deferring infrastructure maintenance, raising fees, or relying on less stable funding sources.

### **Durham County Historical Tax Rate Highlights**

The table below reflects 34 years of Durham County Tax rates (blue line) and revaluation revenue-neutral tax rates (red bars). Any change in the blue line is a property tax rate increase or decrease.



- Revenue-neutral tax rates have to be calculated using a specific formula designated by NC state law. Also, those revenue-neutral tax rates have to be made public by state law. The Board of County Commissioners can decide whether to raise or lower the property tax rate after a revenue-neutral tax rate has been established.
- In tracking 55 years of Durham County property tax rates, the current tax rate for FY 2025-26 is the lowest, by far, on record.
  - However, property valuation has increased significantly over that time period.
- Property tax = 59.3% of total General Fund revenue
- Property tax = 51.3% of capital financing revenue
- 13.7% of the total property tax rate (55.42 cents) is dedicated to capital financing and related debt service
  - DPS buildings, DTCC buildings, regional Library system, EMS stations, Main Library renovations, Animal Shelter, Durham County courthouse, NCMLS infrastructure, open space land purchases, affordable housing, County capital infrastructure



- Durham County has had the highest bond rating available as allotted by loan rating agencies for decades. Largely because the County has the ability to raise the property tax rate necessary to ensure long-term debt payoff. A high bond rating generally means lower interest rates on bonds sold by the County, which in turn means savings of millions of dollars over the lifespan of the debt.
- One cent of property tax brings in \$8.5 million in the General Fund
- Sales tax in the General Fund, the County's second biggest revenue source, would have to increase 11% in one year to equal an additional \$8.5 million
- Intergovernmental revenue would have to increase almost 14% in one year to equal an additional \$8.5 million
- County fees would have to increase 26% in one year to equal an additional \$8.5 million

### **Recommendation**

The Board is requested to adopt the resolution and to transmit a copy to General Assembly leadership, including North Carolina Senate President Pro Tempore Phil Berger, North Carolina House Speaker Destin Hall, members of the Durham County Legislative Delegation, and the North Carolina Association of County Commissioners.