



DURHAM COUNTY BUDGET UPDATE

OCTOBER 6, 2025



DISCUSSION TOPICS

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FY 2024-25 Preliminary Actual Highlights

02

FY 2025-26 Budget Management

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Capital Improvement Plan Update

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Discussion



01

FY 2024-25 Preliminary Actuals



FY 2024-25 PRELIMINARY ACTUALS

The FY 2024-25 annual financial report is currently underway, with completion targeted for December 2025.

Expenditure rates remained consistent with historical trends, with overall spending reaching approximately 91% of the budget.

Property tax revenues performed close to projections; however, sales tax revenues fell short of budgeted estimates.

Overall revenue and expenditure execution reached 91% of the adopted budget.

Preliminary Actual Highlights

● Revenues

- Property tax collection near budget
- Significant overcollection of investment and state hold harmless revenues
- Sales tax collection at 91.6% of the budget, a \$11 million shortfall
- Increased reliance on Fund Balance. FY26 budgeted a lower fund balance level.

● Expenditures

- Lower personnel costs are largest share of decreased costs. Operating costs at 91%, includes mid-year vacant position freezes.
- Increased inflationary costs for certain goods such as gas, utilities, paced higher than previous years

02

FY 2025-26 Budget Management

- **Federal and State Policy Shifts**
- **Revenue and Expenditure Highlights**
- **Continued Base budget review**
 - Performance Measure reviews
 - Operational Assessments



FY 2025-26 Budget Management

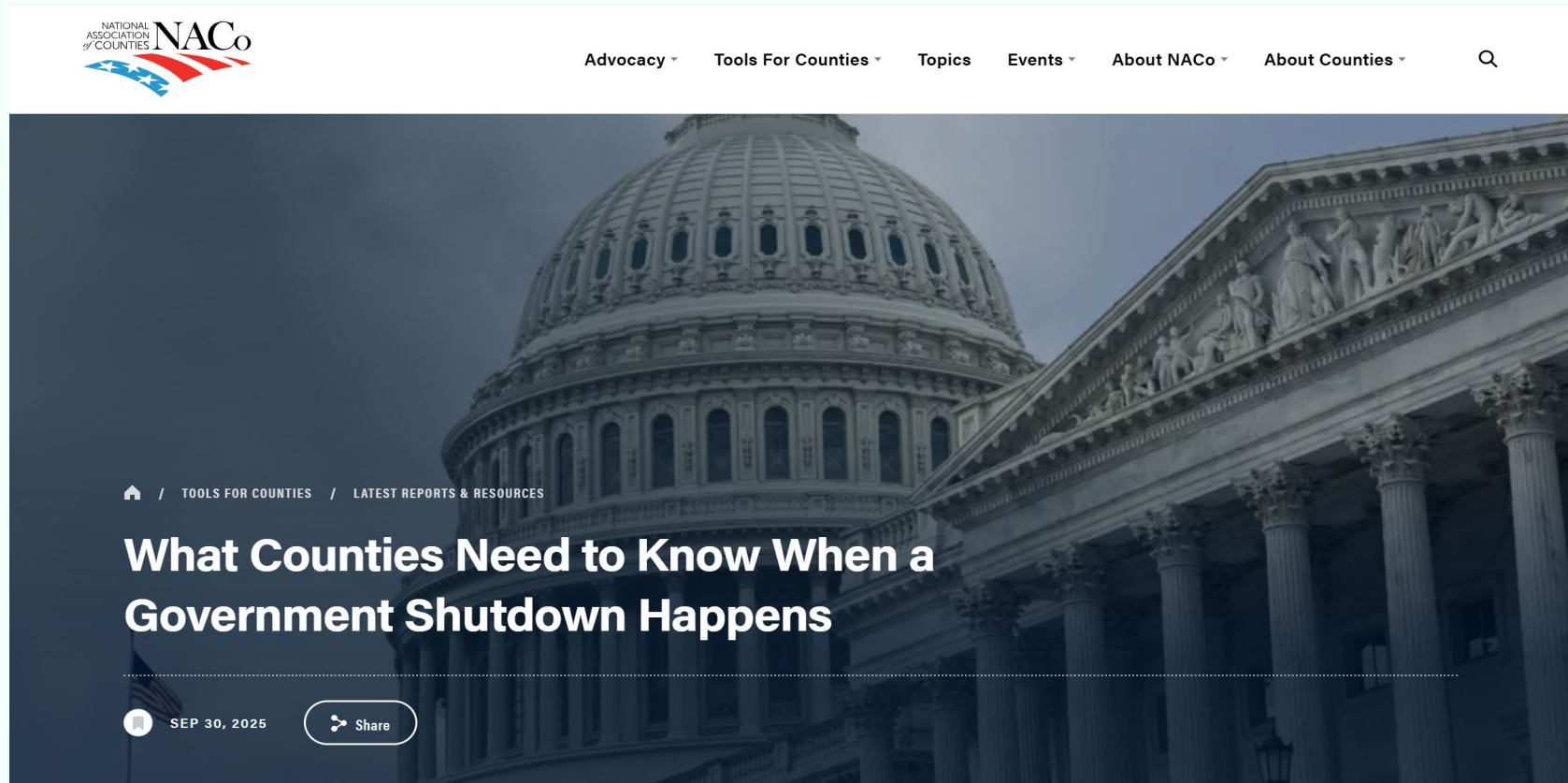
- *Federal government shutdown will result in some suspended services.*
- *Potential federal and state policy changes pose risks to both revenue streams and expenditure requirements. Revenue loss in SNAP affected the long-standing DINE nutrition program. Local funds were used to offset federal funding loss.*
- *To proactively address potential fiscal impacts of state and revenue policy shifts, preliminary base budget assessments commenced in July. These assessments are evaluating funding allocations by category in light of revenue shifts and federal policy changes on fund use. This work builds upon contract review initiatives initiated during FY 2025.*

National Association of Counties

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Source: [What Counties Need to Know When a Government Shutdown Happens](#) | National Association of Counties

National Association of Counties



Source: [What Counties Need to Know When a Government Shutdown Happens](#) | National Association of Counties

FY 2025-26 Budget Management- Public Health

- **DINE Program Reduction.** Durham's Innovative Nutrition Education (DINE), a school and community-based nutrition education program, faces significant federal reductions. The **reductions** totaled **\$1 million** and were effective September 30, 2025. Local funds have been allocated through June 30, 2026, to provide temporary support during this transition period.
- **Preliminary Medicaid Revenue Impact.** Federal Medicaid cuts implemented on October 1, 2025, are projected to **decrease** departmental revenue by **\$75,228**.
- **Title X Family Planning - Funding on Hold.** On September 25, 2025, the Department received a **stop-work order** for Title X Family Planning funds (Account Area 151). NC DHHS is reassessing the impact of a retroactive federal funding cut from the most recent partial award. Durham County's exposure is **\$87,553**. The Department is awaiting further guidance from NC DHHS.
- **Additional Programs Under Review.** The Department is awaiting clarity from the state regarding potential impacts to other program areas, including WIC funding.

FY 2025-26 Budget Management- DSS

- NC Department of Health and Human Services (NCDHHS) continues to work with state and federal partners on strategies to lessen potential repercussions and strains on federally funded state services in North Carolina during the federal government shutdown.
- For each program potentially impacted by the shutdown, the federal government is deciding which would be “exempt” from a shutdown. NCDHHS has frequent communications with local DSS entities as they navigate this period.

[FY 2026 HHS Contingency Staffing Plan | HHS.gov](#)

FY 2025-26 Budget Management- DSS

- NC MEDICAID - NCDHHS has received notice from the Centers for Medicare & Medicaid Services (CMS) that they will continue operations during a lapse in appropriations. Other non-discretionary activities, including Health Care Fraud and Abuse Control and Center (HCFAC) for Medicare & Medicaid Innovation (CMMI) activities, will also continue.
- CMS will have sufficient funding for Medicaid to fund the first quarter of FY 2026, based on the advance appropriation provided for in the Full-Year Continuing Appropriations and Extensions Act, 2025. CMS will also continue Federal Marketplace activities, such as eligibility verification, using the Federal Marketplace user fee carryover. NCDHHS will continue to monitor impacts on Medicaid, including systems and processes that may be needed to administer the program.

FY 2025-26 Budget Management - Overall Budget

Revenues

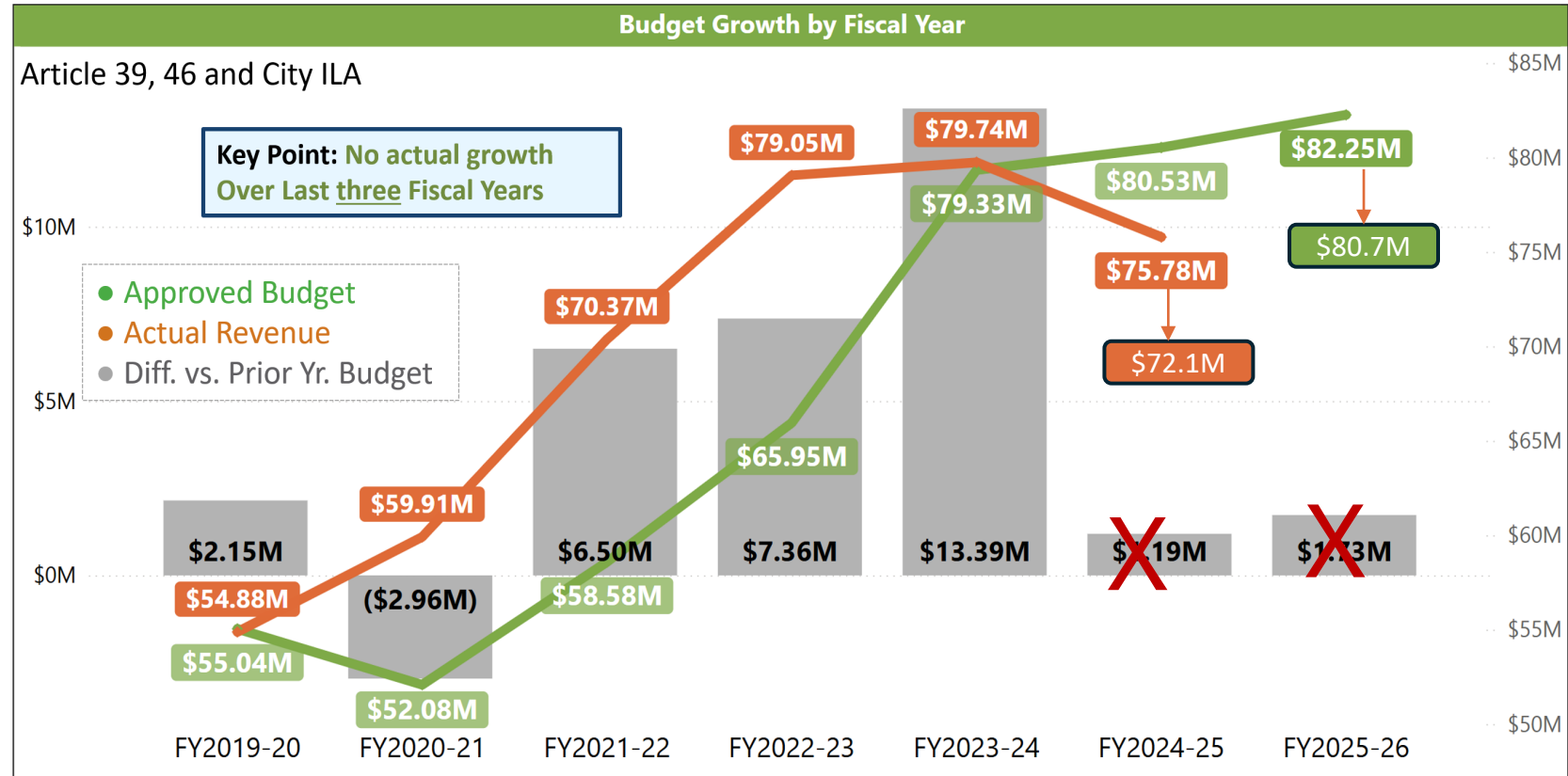
- No major revenue collected yet
- FY26 budgeted a lower fund balance level
- Economic indicators suggest downward pressure on revenue
 - Loss of one-time funds (ARPA, transfers)
 - Sales tax stagnation
 - *State Hold Harmless volatility*
- Property tax may overperform due to conservative holdback

Expenditures

- Departments urged to control spending and maximize revenue
- Position freezes non-mandated services. Public Safety, select DSS, and Public Health positions are exempt from the freeze. Compliance-related positions are exempt from the freeze.
- Employee benefits costs continue rising at elevated rates; further analysis in progress
- Inflation is driving increased baseline expenditures for utilities, fuel, and other essential costs

Sales Tax Pressures

- FY 2024-25 Sales Tax Collections ~\$11 million under budget
- FY 2025-26 may be overestimated
- Additional concerns for FY 2026-27 due to economic outlook



Durham County Gross Sales Tax Collection - Annual

Gross Collections by FY



Durham County Gross Sales Tax Collection - Quarterly

Gross Collections by FY and Fiscal Quarter



03 FY 2026-27 Budget Development



FY 2026-27 Budget Development

- All County-funded entities receiving recurring dollars will undergo base budget evaluations during the budget development process. This review will continue through the FY 2026-27 budget year.
- Allocations will be evaluated for alignment with general statute requirements, local mandates, and BOCC priorities.
- Operational assessments and benchmark service costs will occur. Benchmarks will occur with peer jurisdictions when appropriate.
- Contingency strategies will be developed to plan for potential shifts in federal, state, or local revenue streams.
- Departments will refine key performance indicators

General Fund Expenses (FY 2025-26) – Highest-Level

General Fund FY 2025-26	Approved Budget	% Appr. Budget
Education (<i>DPS, DTCC, Pre-K, NCMLS</i>)	\$248.5 million	36.04%
Personnel required to support County services. <i>The amount includes Health Benefits.</i>	\$261.6 million	37.94%
Debt Service Payments	\$58.9 million	8.53%
Elections, Security, Utilities, IEP, Risk Management, Alliance, Vehicles	\$29.9 million	4.33%
6 Largest Department <u>Operating</u> (<i>DSS, PH, Sheriff, Office Emergency Services, General Services, IS&T</i>)	\$61.6 million	8.90%
All Other Departments <u>Operating</u>	\$29.3 million	4.26%
Total General Fund Budget	\$689,707,784	

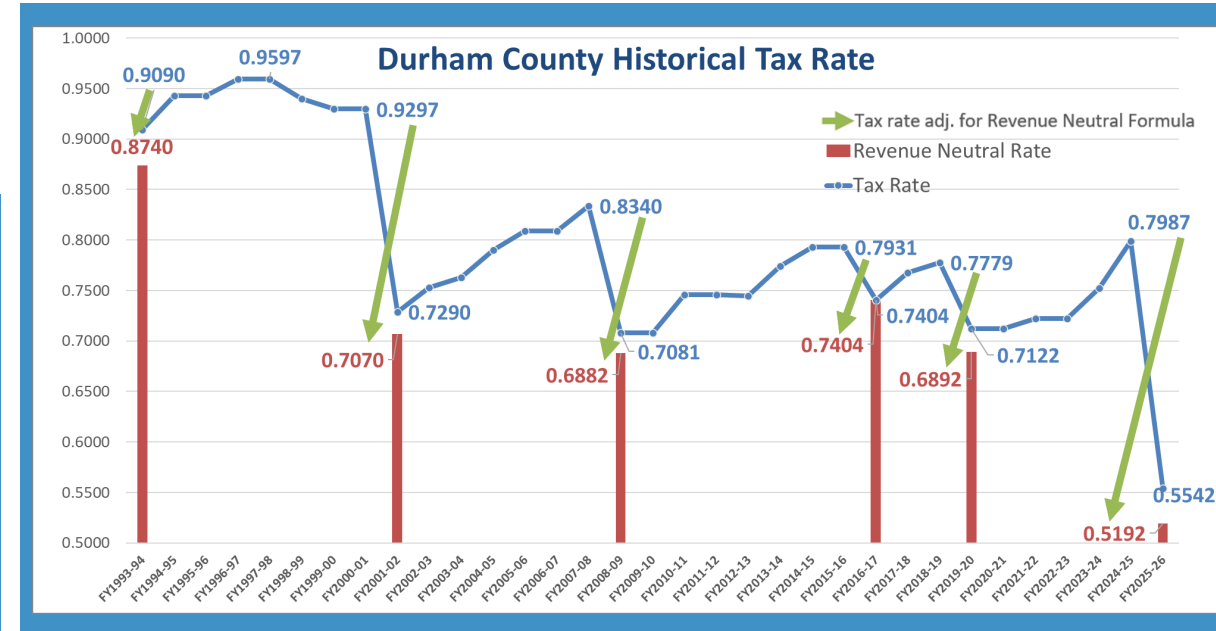
Key Performance Indicators

- The Budget Office will work closely with the new Organizational Effectiveness department to connect relevant “Key Performance Indicators (KPIs)” to department budgets
 - KPIs will help identify the efficiency and effectiveness of programs and services while also highlighting areas where more detailed analysis needs to be done.
 - This is but one of several tools to be used by County management and departments to evaluate program and service effectiveness in a “belt-tightening” environment.

Durham County Tax Rate Change Over Time

Fiscal Year	Tax Rate	Revenue Neutral Rate	Percentage Increase
FY1993-94	0.9090	0.8740	4.00%
FY1994-95	0.9427		3.71%
FY1995-96	0.9427		0.00%
FY1996-97	0.9597		1.80%
FY1997-98	0.9597	0.7070	0.00%
FY1998-99	0.9397		-2.08%
FY1999-00	0.9297		-1.06%
FY2000-01	0.9297		0.00%
FY2001-02	0.7290		3.11%
FY2002-03	0.7530		3.29%
FY2003-04	0.7630		1.33%
FY2004-05	0.7900		3.54%
FY2005-06	0.8090		2.41%

Fiscal Year	Tax Rate	Revenue Neutral Rate	Percentage Increase
FY2006-07	0.8090	0.6882	0.00%
FY2007-08	0.8340		3.09%
FY2008-09	0.7081		2.89%
FY2009-10	0.7081		0.00%
FY2010-11	0.7459	0.7404	5.34%
FY2011-12	0.7459		0.00%
FY2012-13	0.7444		-0.20%
FY2013-14	0.7744		4.03%
FY2014-15	0.7931	0.6892	2.41%
FY2015-16	0.7931		0.00%
FY2016-17	0.7404		0.00%
FY2017-18	0.7679		3.71%
FY2018-19	0.7779	0.6892	1.30%
FY2019-20	0.7122		3.34%
FY2020-21	0.7122		0.00%
FY2021-22	0.7222		1.40%
FY2022-23	0.7222	0.5192	0.00%
FY2023-24	0.7522		4.15%
FY2024-25	0.7987		6.18%
FY2025-26	0.5542		6.74%



Last revaluation: lowest revenue-neutral rate in 33 years.

FY 2024-25 and FY 2025-26 among the highest percentage tax rate increases required to address operating budget and debt service obligations.

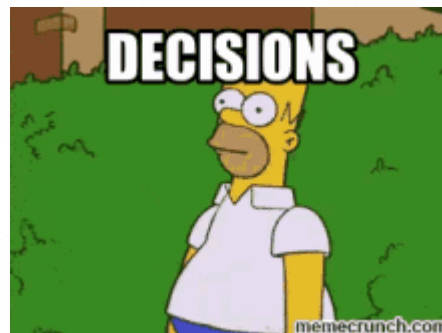
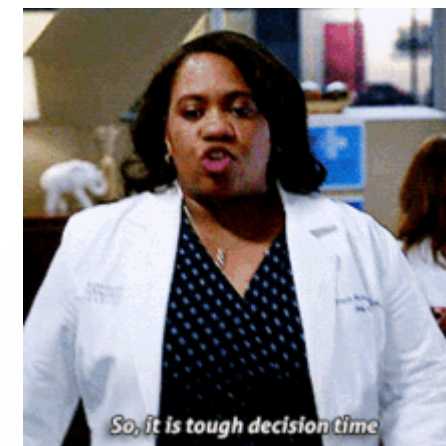
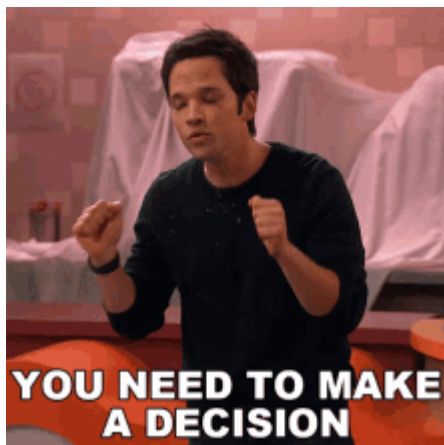
FY 2026-27 Budget Key Takeaways

- Slowing revenue and quickening expenditure growth
- Economic indicators point to potential for further challenges
- Need to consider long-term sustainability
- Begin prioritizing early
- Difficult decisions are coming
- Begin strategic discussions immediately
- Monitor quarterly reports for early warning signs
- Limit FY 2025-26 mid-year fund balance amendments
- Prioritize long-term fiscal sustainability

FY 2026-27 Budget Process – “Tentative”

- *Dec. or January* *Possible BOCC Policy Retreat*
- *January-February* *Department Budget Input*
- *February* *BOCC Annual Budget Retreat*
- **February** **Budget Portal for Public Opens**
- **March 1-March 31** Dept. Budget Meetings - Manager & ACMs/DMs
- **March** Advance Public Comments at BOCC Meeting
- **Early May** County Manager Recommended Budget
- **Mid May–June** BOCC Budget Work Sessions
- **Early June** BOCC Budget Adoption

We can get through this together, but...



04

CAPITAL IMPROVEMENT PLAN UPDATE



Capital Improvement Plan (CIP) Update Framework

- The County CIP has largely turned into an annually updated document
 - Project costs change rapidly
 - New (planned or unplanned) projects considered annually
 - Change in cost and scope of the project changes annually
- Current CIP will need to establish potential GO Bond referendum amounts for DPS, DTCC, NCMLS, County
- Cost of CIP-related debt service may rise significantly in the next five years, depending on the size of a near-future GO Bond referendum
- County Financial Consultant will review the current CIP
- Updated CIP will be presented to BOCC in the near future

05

BOCC Discussion

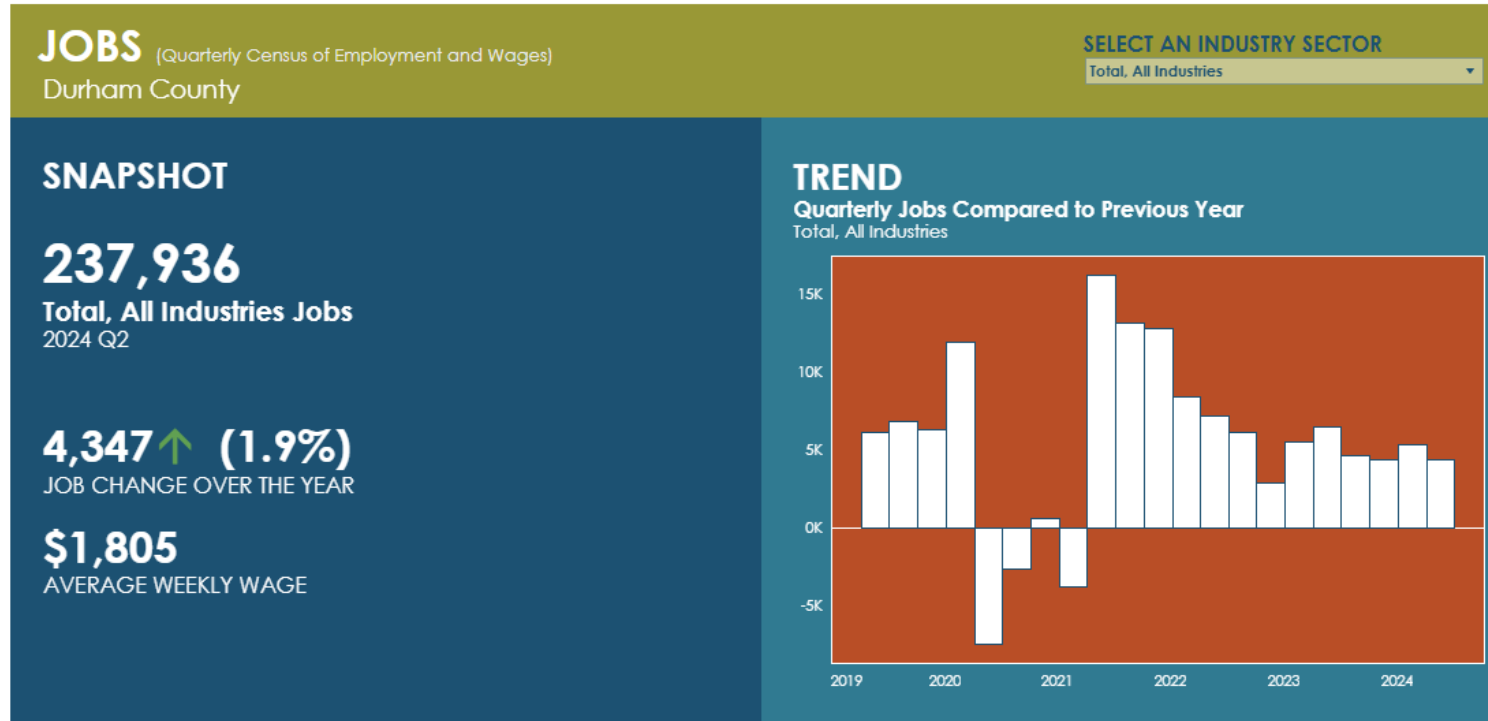


Supplemental Information



Department of Commerce

Durham County - Jobs Quarterly Census of Employment & Wages



TOTAL JOBS	BIZ ESTABLISHMENTS	AVERAGE WEEKLY WAGE	MEDIAN HH INCOME
237,936 2024 Q2	11,802 2024 Q2	\$1,805 2024 Q2	\$81,413 2023
UNEMPLOYMENT RATE	EMPLOYED	UNEMPLOYED	LABOR FORCE
2.9% December 2024	178,895 December 2024	5,333 December 2024	184,228 December 2024

[Dept. Of Commerce](#)
[County Data](#)



Department of Commerce

Durham County – Labor Force Statistics

LABOR FORCE (Local Area Unemployment Statistics)

Durham County

SNAPSHOT

2.9% Unemployment Rate

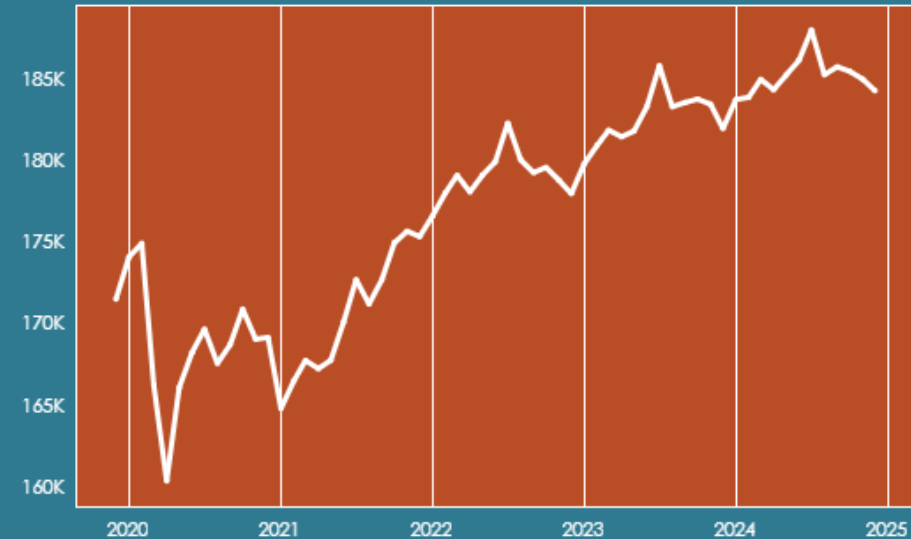
December 2024

-0.2 ↓
FROM PREVIOUS MONTH

0.0 ↔
FROM LAST YEAR

TREND

Size of Labor Force

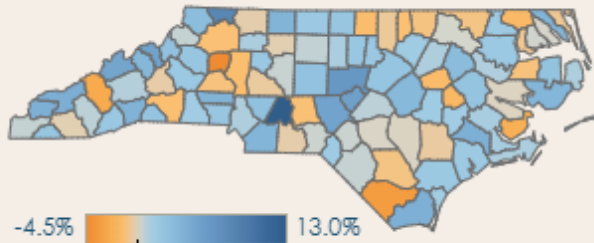


Department of Commerce

Jobs Data – Industries

COMPARISON

Job Change from One Year Ago
Total, All Industries



INDUSTRIES

Jobs and Percent of Area Total



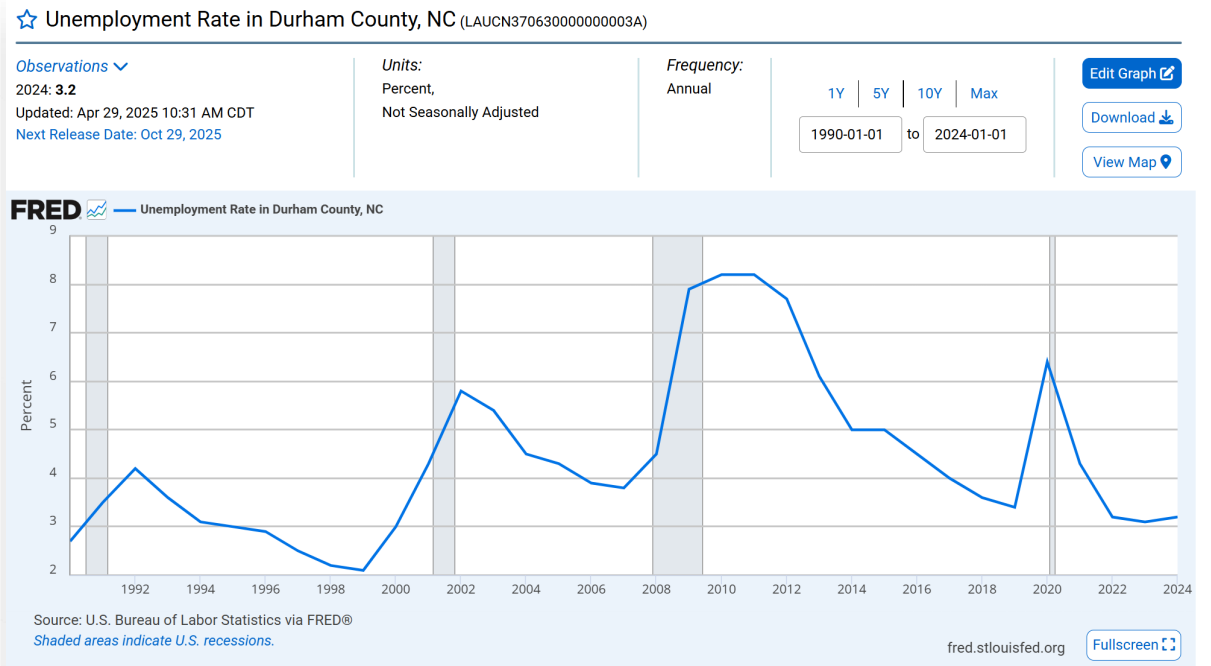
DATA

Total, All Industries

	Jobs	Avg Wkly Wage	Establishments
2022 Q2	227,092	\$1,576	10,527
2022 Q1	225,349	\$1,715	10,303
2021 Q4	227,905	\$1,702	9,929
2021 Q3	222,511	\$1,567	9,772
2021 Q2	219,944	\$1,505	9,582
2021 Q1	216,927	\$1,627	9,302
2020 Q4	215,128	\$1,602	9,198
2020 Q3	209,387	\$1,491	9,156
2020 Q2	203,675	\$1,476	9,140
2020 Q1	220,686	\$1,564	9,080
2019 Q4	214,503	\$1,388	8,711
2019 Q3	212,058	\$1,327	8,649
2019 Q2	211,189	\$1,312	8,627
2019 Q1	208,716	\$1,482	8,606
2018 Q4	208,198	\$1,358	8,477
2018 Q3	205,258	\$1,300	8,300

Dept. Of Commerce County Data

Durham County Unemployment Rate



Unemployment Rate(%)



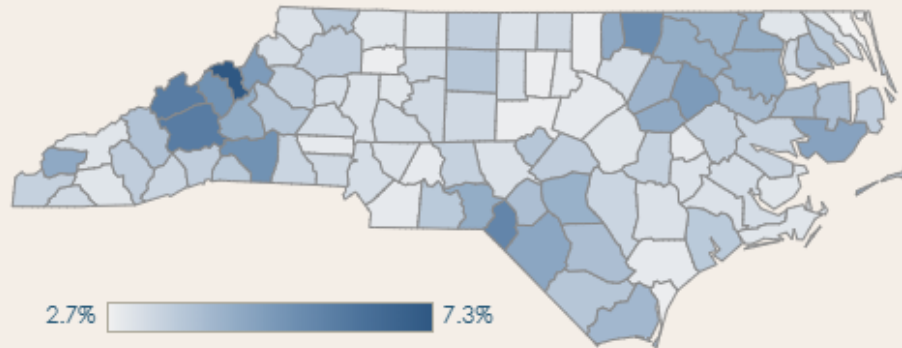
Source: U.S. Bureau of Labor Statistics, Unemployment Rate in Durham County, NC

Department of Commerce

Unemployment Rate Comparisons

COMPARISON

Unemployment Rates



DATA

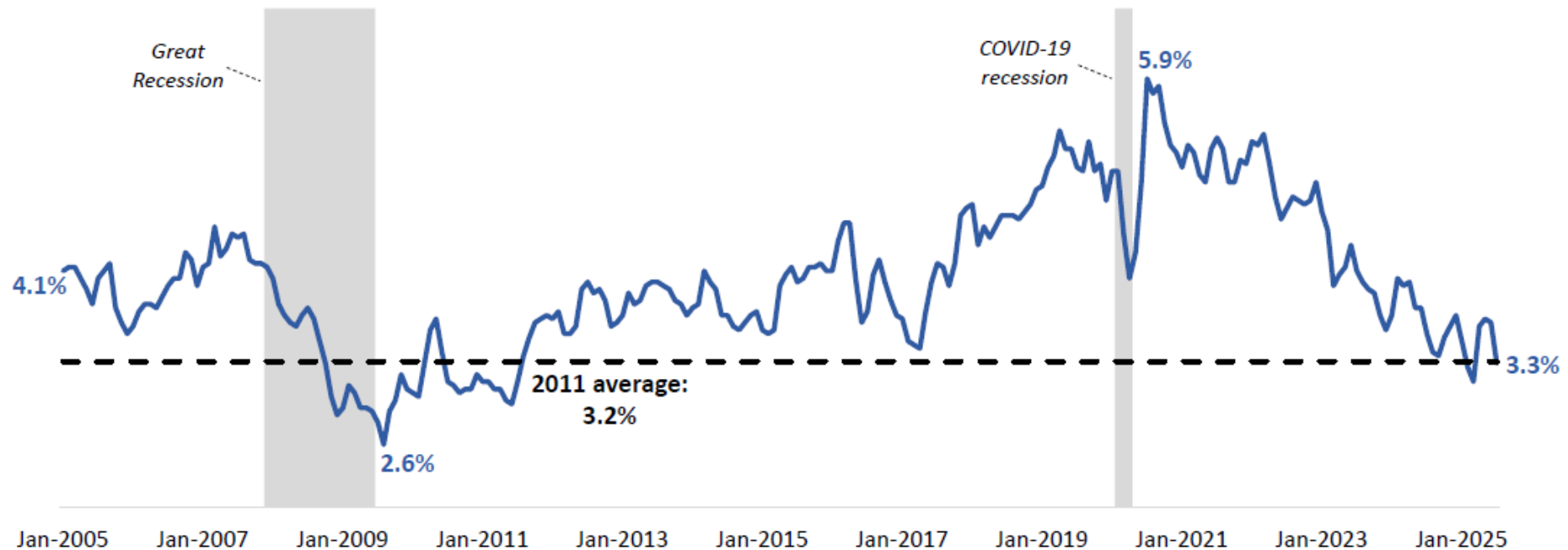
	Employed Individuals	Unemployed Individuals	Unemployment Rate
December 2024	178,895	5,333	2.9%
November 2024	179,233	5,699	3.1%
October 2024	180,071	5,341	2.9%
September 2024	180,437	5,248	2.8%
August 2024	178,218	6,983	3.8%
July 2024	180,938	7,005	3.7%
June 2024	179,379	6,704	3.6%
May 2024	179,396	5,781	3.1%
April 2024	178,881	5,401	2.9%
March 2024	178,815	6,103	3.3%
February 2024	177,846	5,975	3.3%
January 2024	177,904	5,776	3.1%
December 2023	176,711	5,197	2.9%
November 2023	177,810	5,591	3.0%

Source: Dept. Of Commerce County Data

...but also a low rate of hiring

Slowing demand and uncertainty → hiring freezes

Hires as % of total employment North Carolina
Three-month average (Jan 2005 - Jul 2025)



Department of Commerce

Durham County – Demographics and Commuting Data

DEMOGRAPHICS AND COMMUTING

Durham County

POPULATION

334,379

Certified Population Estimate
2022

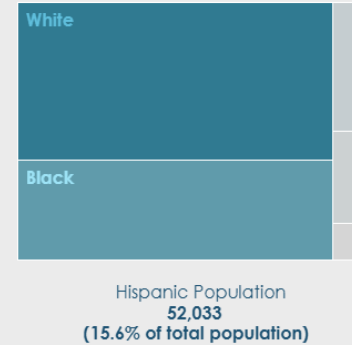
3,032 (0.9%)

CHANGE FROM PREVIOUS YEAR

23,710 (7.6%)

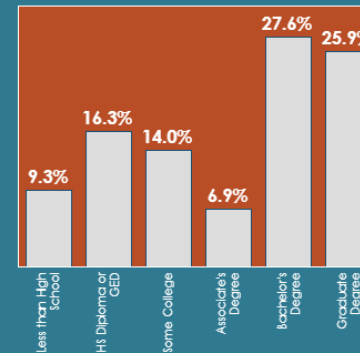
CHANGE FROM FIVE YEARS AGO

POPULATION BY RACE And Hispanic Ethnicity

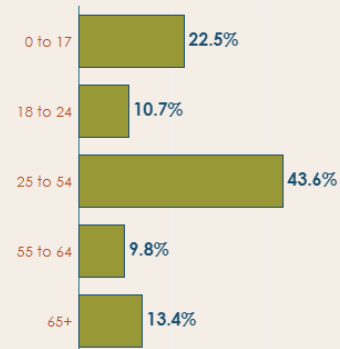


EDUCATION

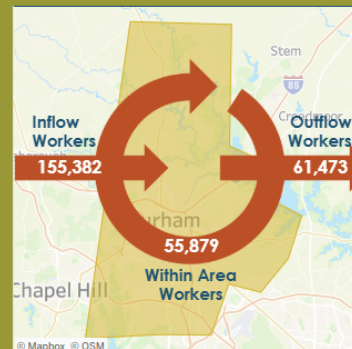
Population Age 25+



POPULATION AGE

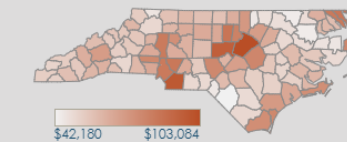


COMMUTING



HOUSEHOLDS

Median Household Income
\$81,413



Poverty Rate
10.6%

Dept. Of Commerce County Data

Durham County Government

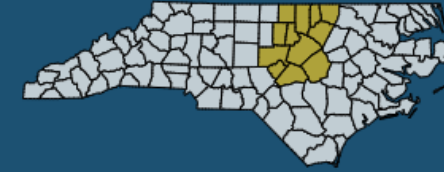
www.dconc.gov



Occupational Projections 2022-2032

Occupational Projections Quick Facts

Raleigh-Durham



Select Area

Raleigh-Durham

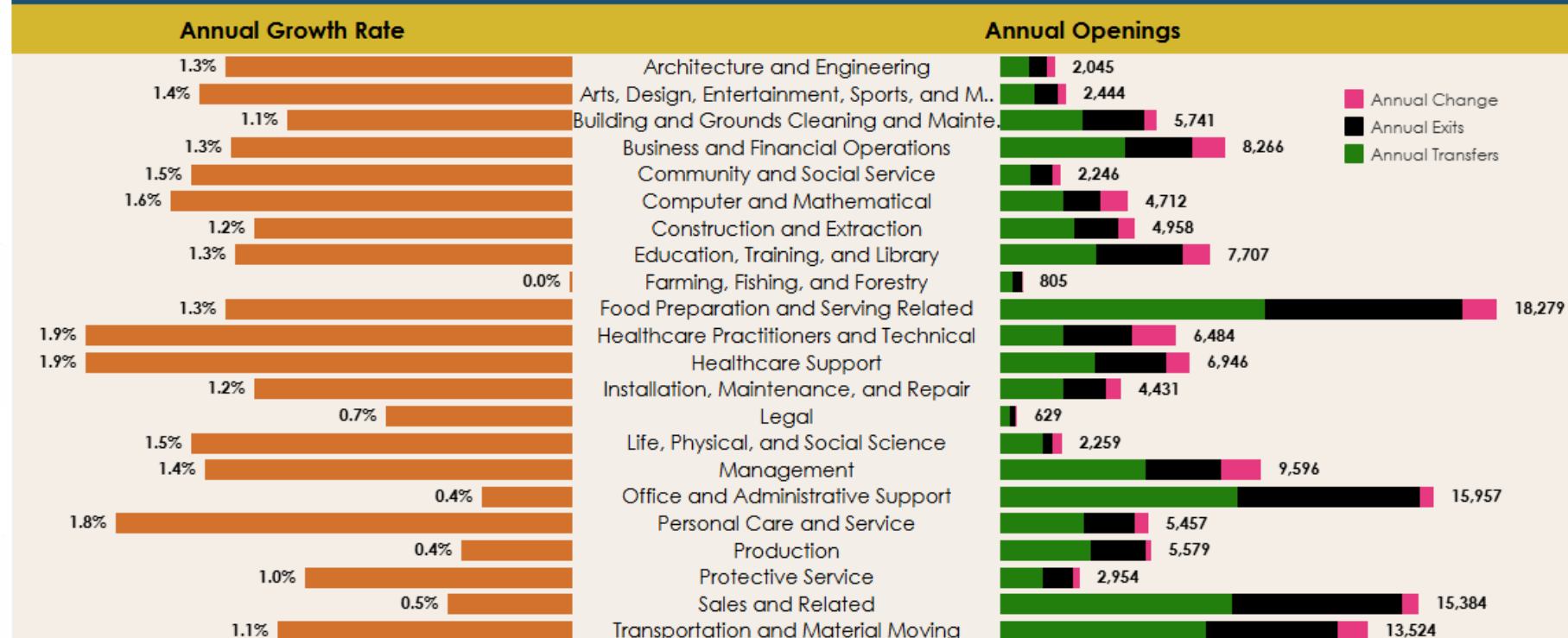
Total Annual Job Openings

146,402

Annual Job Growth Rate

1.2%

Major Occupational Groups



Source: NC Department of Commerce, Labor & Economic Analysis Division (LEAD)