

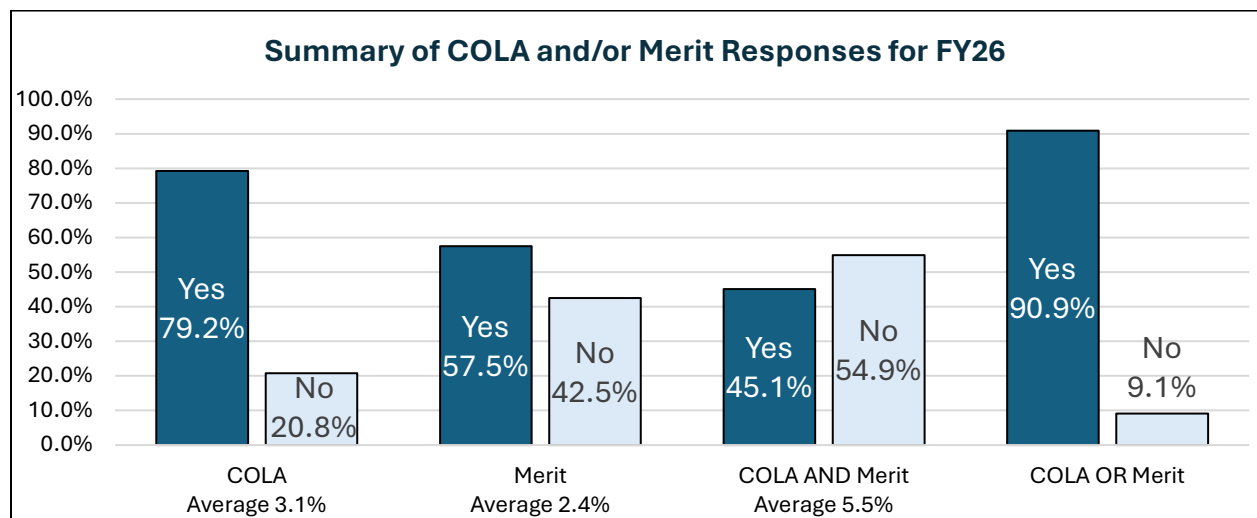
Fiscal Year 2025-2026 Anticipated Cost-of-Living Adjustments (COLA) and Merit Increase Survey Results

Report Contents

- 1) Executive Summary
- 2) Introduction
- 3) Organizations Offering COLA and/or Merit
- 4) COLA Summary
- 5) Merit Increase Summary
- 6) Combined Planned Merit and COLA Increase Summary
- 7) One-Time Incentives
- 8) Structure Adjustments
- 9) CPI-U Index
- 10) Survey Response Rates

Executive Summary

The Fiscal Year 2025-2026 Survey request resulted in 197 responses from 134 municipalities, 56 counties, and 7 other local government entities such as water and sewer authorities. Among these respondents, 79.2% (156 entities) reported plans to provide a Cost-of-Living Adjustment (COLA), with an average increase of 3.1%. A total of 193 respondents provided information on Merit increases, with 57.5% (111 entities) reporting plans to provide merit increases at an average of 2.4%. Additionally, 45.1% (87 entities) of respondents reported that they plan to offer both a COLA and Merit increase with a combined total of 5.5%. In total 90.9% (179 entities) reported that they plan to provide either a COLA or Merit increase, leaving 9.1% (18 entities) reporting that they have no plans to offer either in Fiscal Year 2026.



Introduction

Organizations across both public and private sectors continue to experience the impact of challenging job market conditions following the COVID-19 pandemic. Over the past two years though, state and local governments have been a major force in the job market, with government employment growth outpacing the private sector's rate in a rare reversal of traditional trends. However, the public sector continues to face workforce difficulties, and competitiveness as it pertains to pay adjustments, continues to be a crucial topic in local government recruitment and retention discussions.

To assist local governments with their FY 2025-26 budget development, the NC League of Municipalities (NCLM) and the North Carolina Association of County Commissioners (NCACC) partnered once again to conduct a survey in March 2025 to gather information about anticipated pay adjustments for the FY 2025-26 budget. This report summarizes the survey's findings.

The survey results presented in this report reflect anticipated pay changes as of March 2025, a time when few, if any, local governments had finalized their budgets. **These findings should be regarded as preliminary, and each government's plans may change as budget discussions progress.**

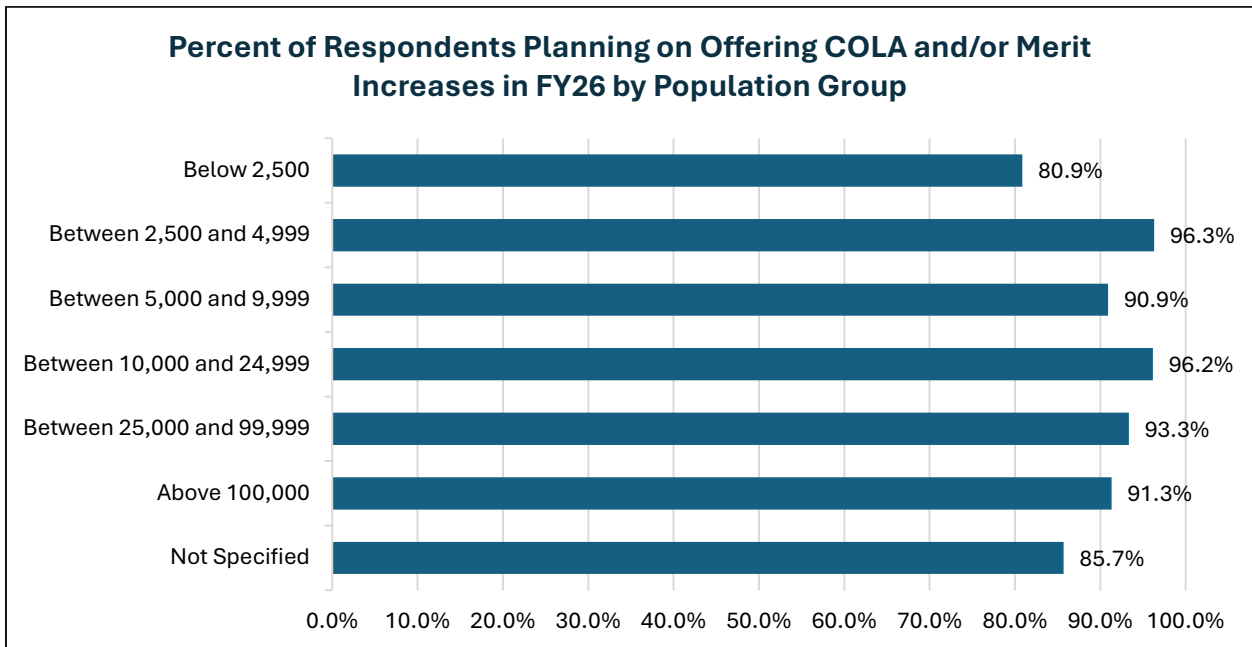
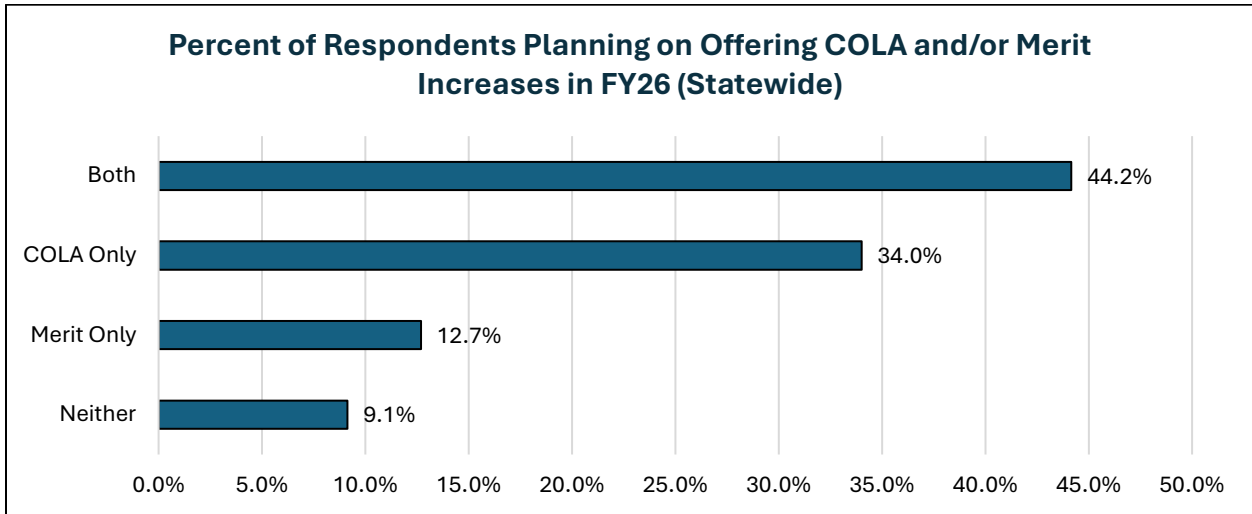
In surveys before 2021, the average anticipated cost of living adjustment (COLA) for survey respondents ranged between 2.1% and 2.3%. This average increased to 4.7% in 2022, decreased to 4.4% in 2023 and decreased again in 2024 to 3.6%. In 2025 the anticipated COLA has decreased yet again, to 3.1% across all responding units. This decrease may indicate a return to the more typical COLA increase rates that were seen between 2014 and 2021. Additionally, 39% of respondents indicated that they have recently undertaken or plan to undertake market or structure studies to assess their pay structures, down from 44% in 2024. While COLA rates may be returning to baseline, general pay structures might change based on these market studies.

The survey request resulted in 197 responses consisting of 134 municipalities, 56 counties, and 7 other local government entities such as water and sewer authorities. 197 responses regarding COLAs were received, and 193 respondents included planning information on merit.

NCLM and NCACC appreciate the participation of all local governments in this year's survey. Your contributions make this report as informative as possible for you and your peers.

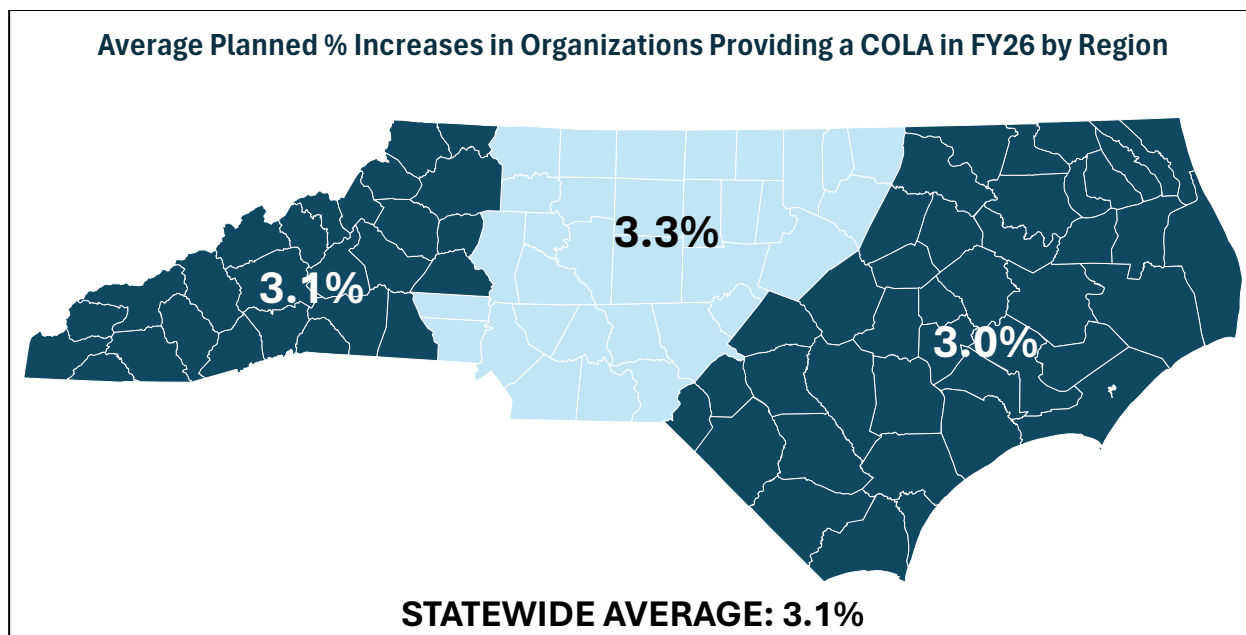
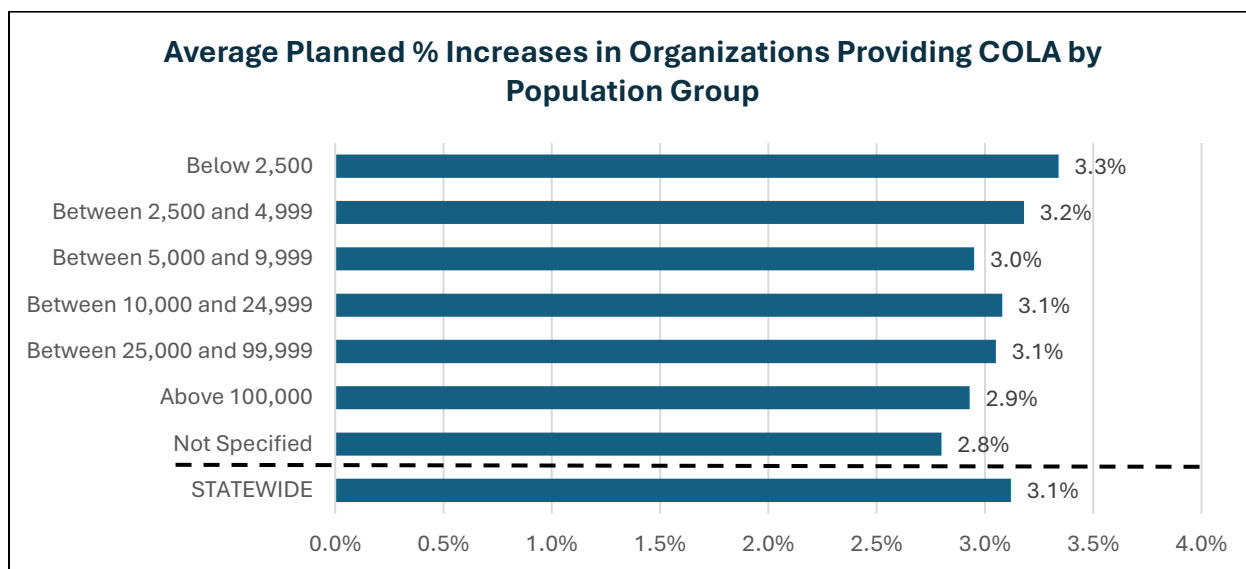
Organizations offering COLA and/or Merit

Approximately 91% of respondents plan to provide COLA and/or merit increases in their upcoming budgets. This figure is slightly higher than last year’s response of 87%. Nearly 44% of respondents anticipate offering both merit and COLA increases, slightly under last year’s response of 50%. When local governments are grouped by the unit’s population, at least 80% of respondents in each population group plan to provide COLA and/or merit increases.



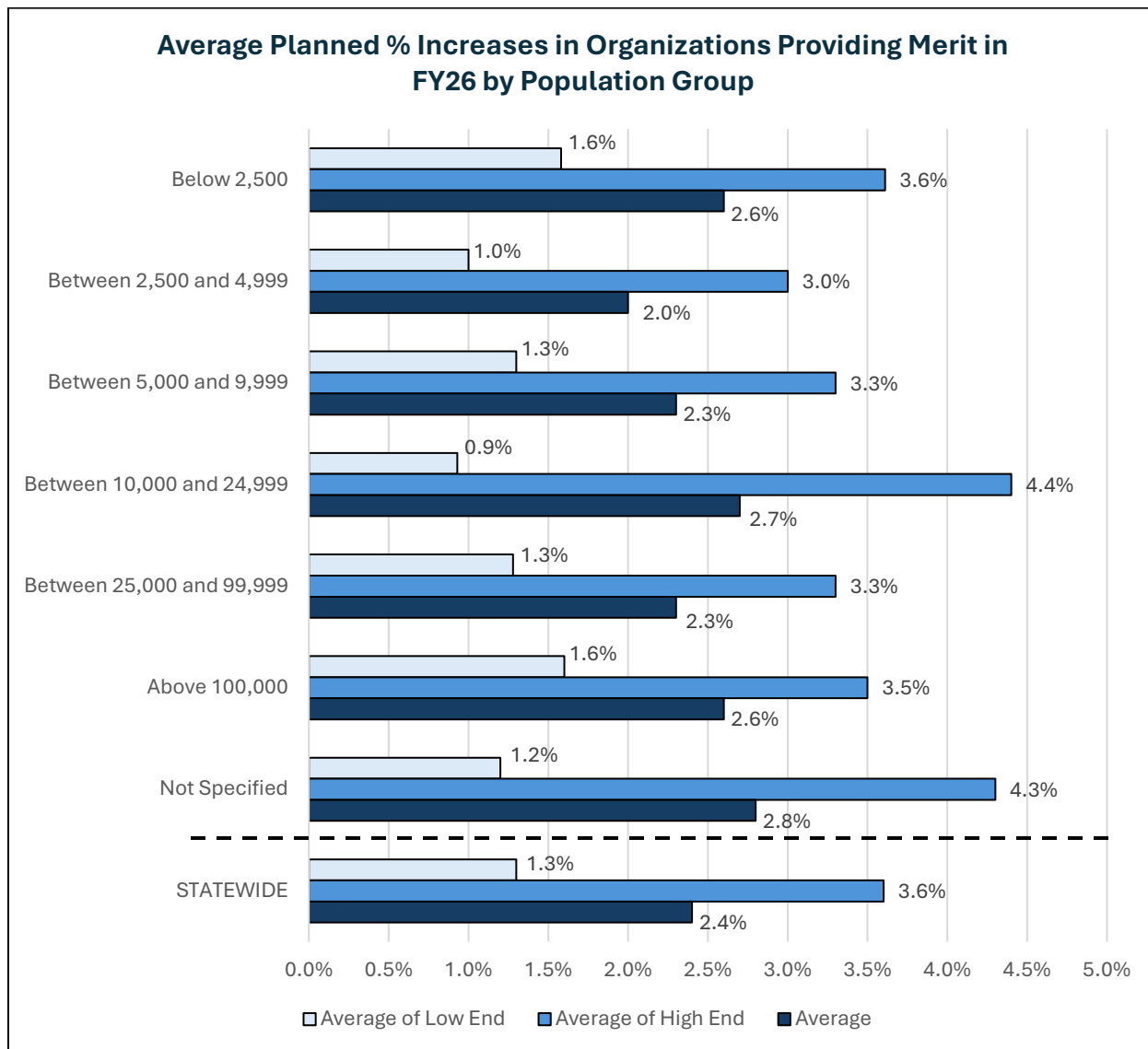
COLA Summary

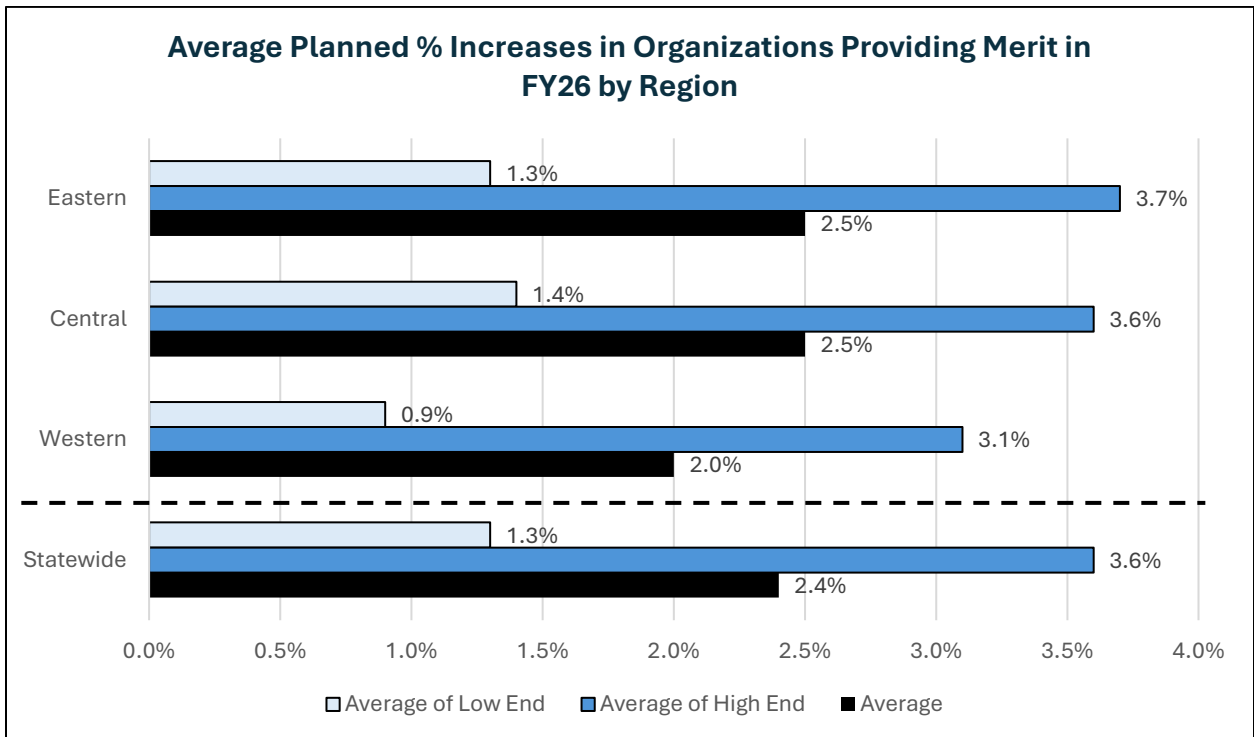
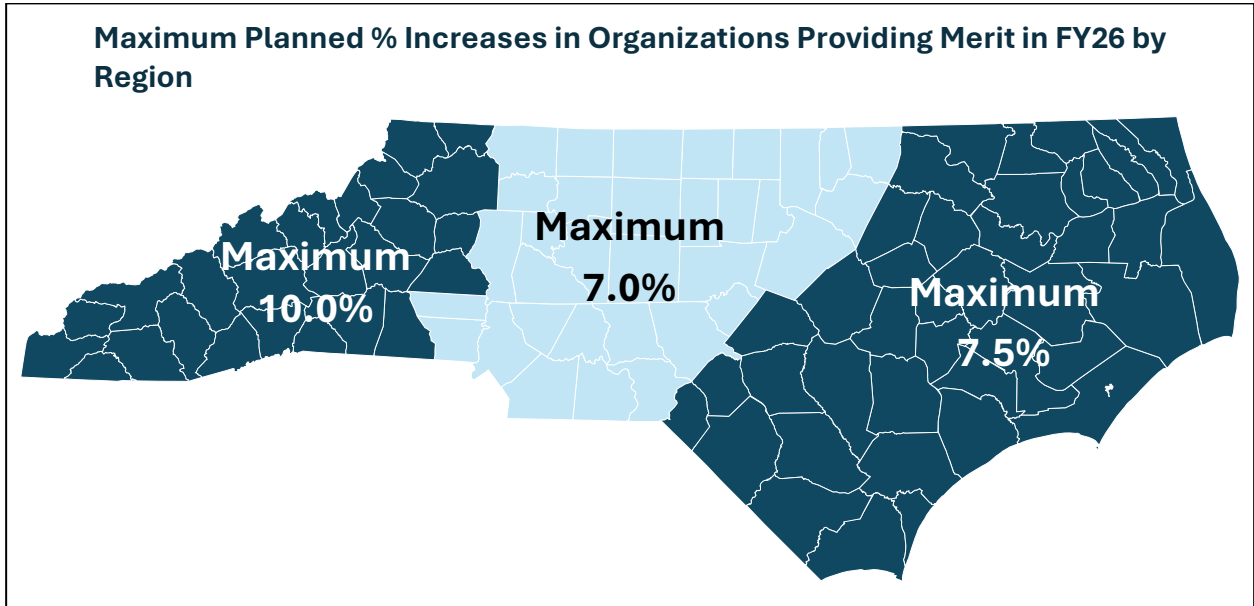
Of the 197 respondents, 79.2% (156) reported that they plan to provide a COLA in their FY26 budgets. These data, showing a statewide average of 3.1% among organizations planning for a COLA, are broken down by population groups and regions below. This 3.1% average is down slightly from last year’s anticipated 3.6% COLA. In addition, eight organizations reported plans to offer a differentiated COLA for law enforcement and/or public safety, and one for public works. One organization plans to offer a COLA only to full-time employees, and three organizations are planning to offer a differentiated scale based on current salary.



Merit Increase Summary

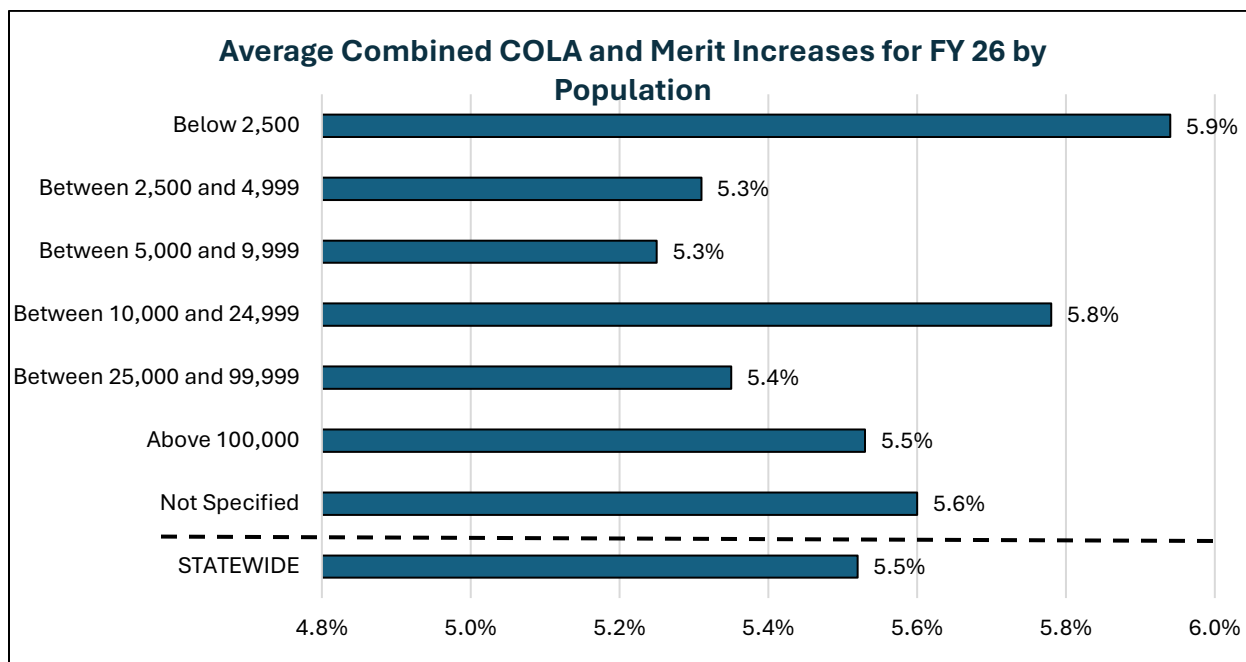
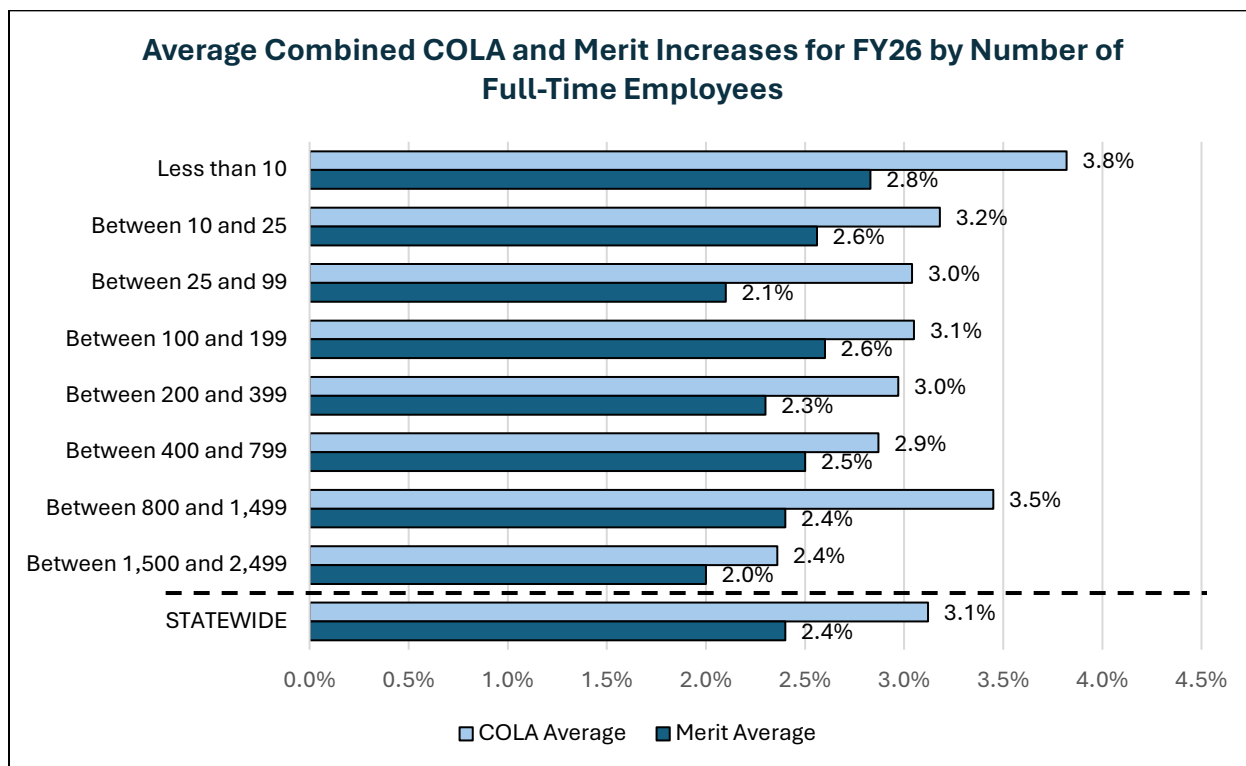
Of 193 respondents, 57.5% (111) reported that they plan to provide merit increases in their FY26 budgets. Respondents were asked to report the ranges they were contemplating, including a low and high end of the planned increases. A total of 109 reported percentages with two organizations reporting maximum dollar amounts.

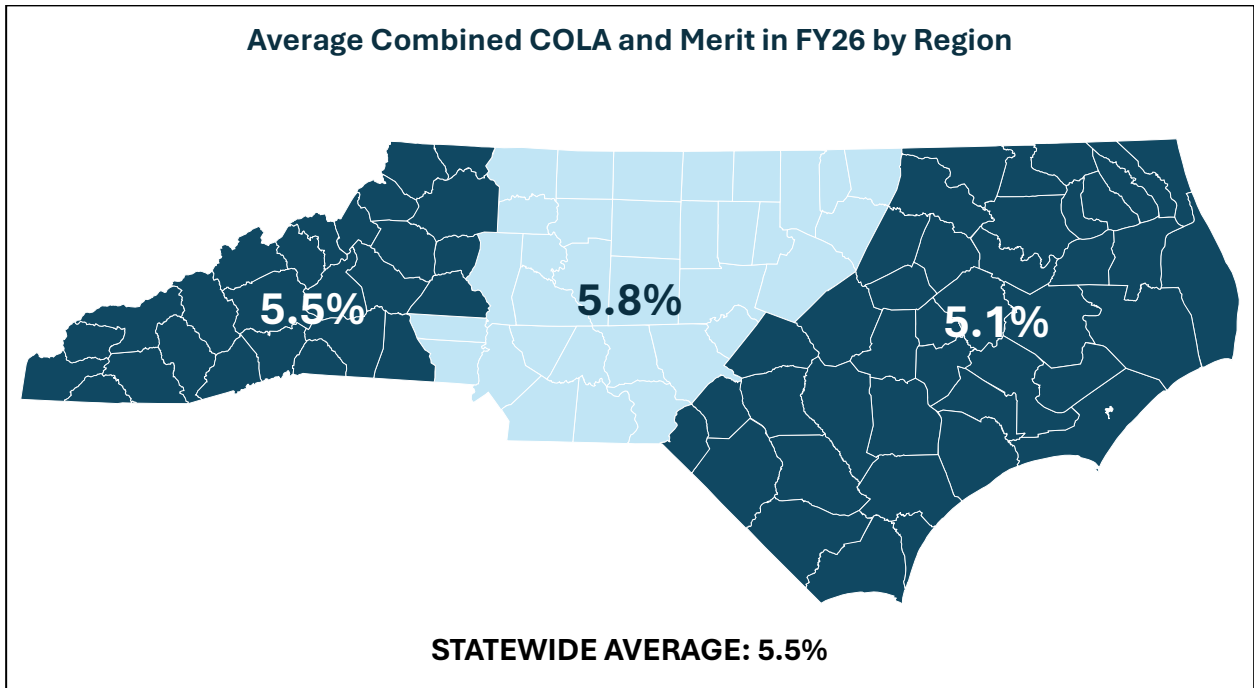




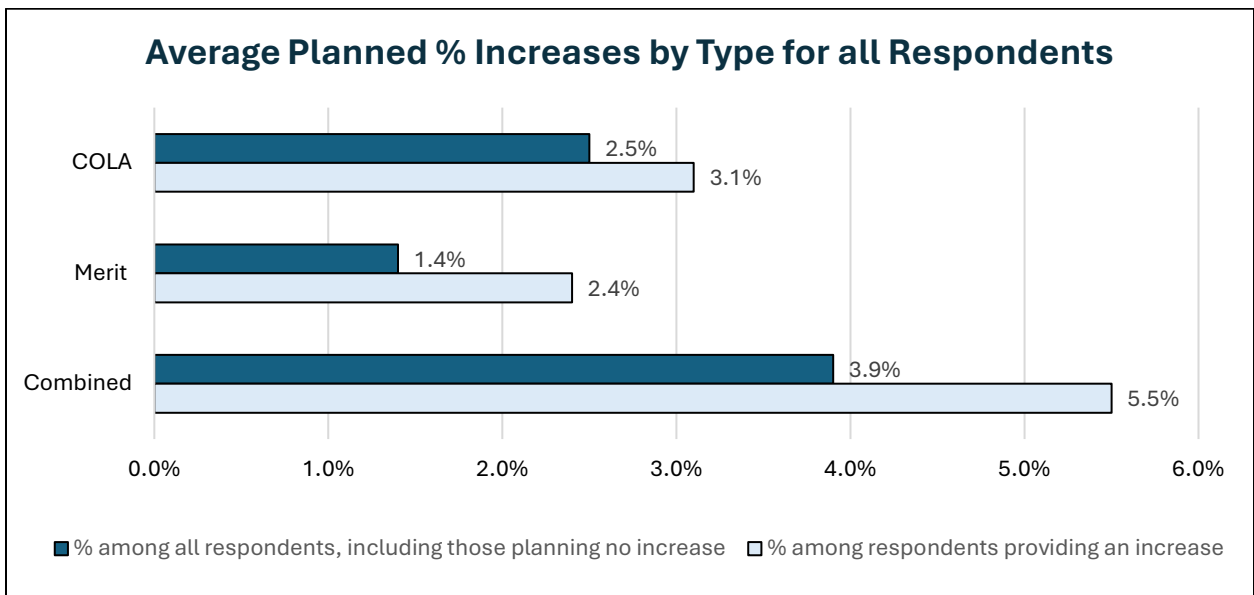
Combined Planned COLA and Merit Increase Summary

45% of local governments anticipate providing employees both a COLA and merit increases in the FY 2025-26 budget. The combinations of adjustments vary, but statewide, the average combined COLA and merit increase is 5.5%.



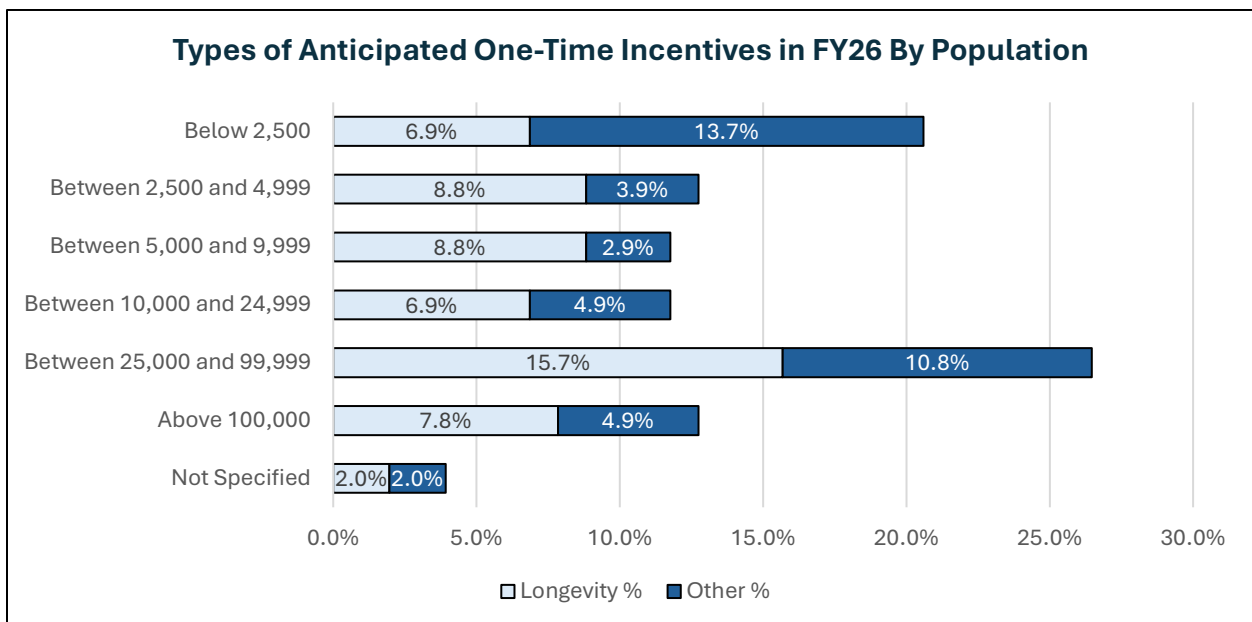
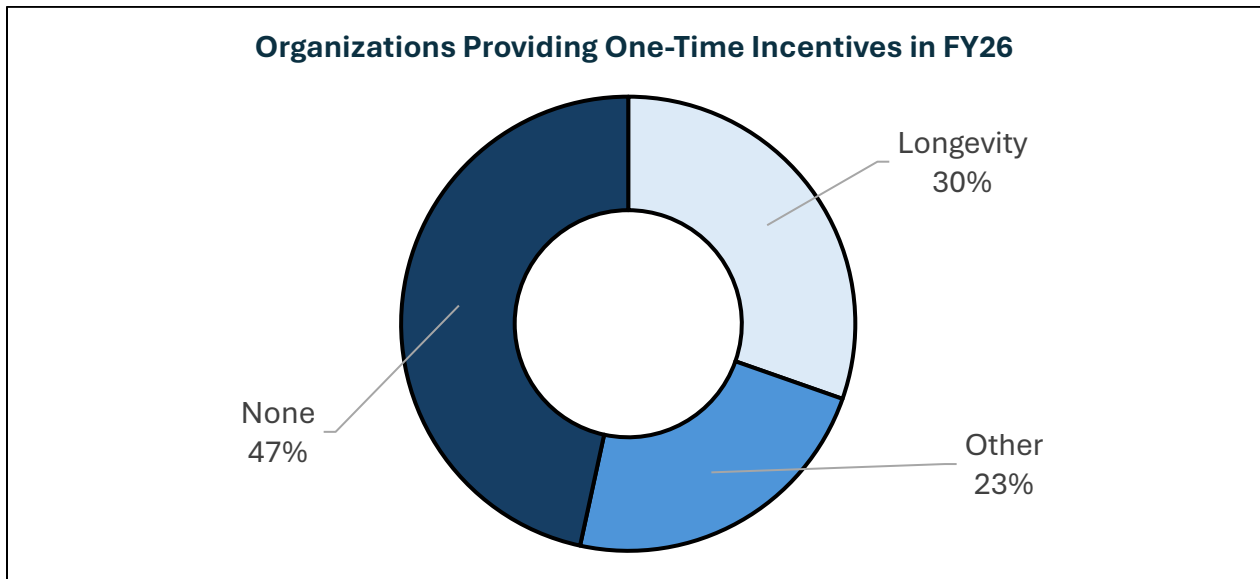


The reported planned increases in all the previous charts include averages from those organizations providing either COLA or Merit. As a point of reference, following is information for both the respondents planning to provide an increase, as well as the percentages when all reporting entities are taken into account. The "% among all respondents, including those planning no increase" averages in dark blue are lower as they also contain the information from the 9% of respondents planning for neither COLA nor Merit increases.



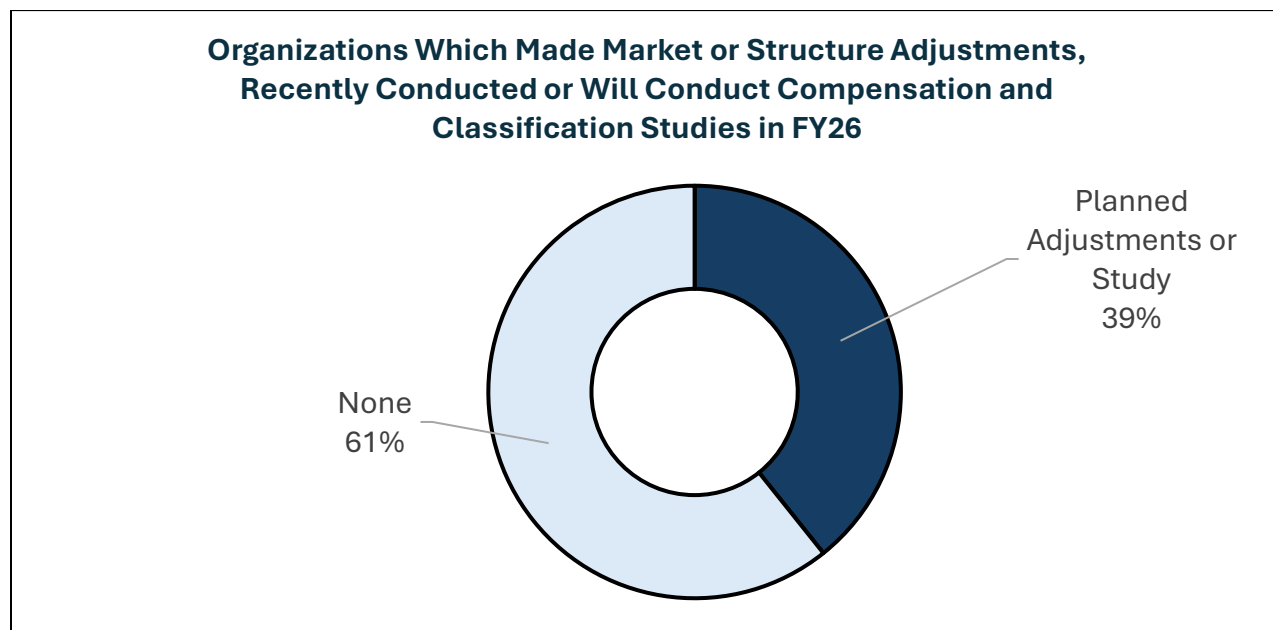
One-Time Incentives

The survey asked respondents whether they provided one-time bonuses or other incentives such as longevity pay or 401k contributions in their FY 26 budgets. Approximately 53% reported providing a one-time incentive, generally in the form of longevity or Christmas/Year End bonuses combined below as “Other”. Longevity is up to 30% from 2024’s 25%, and Other Incentives are up to 23% from 2024’s 18%.



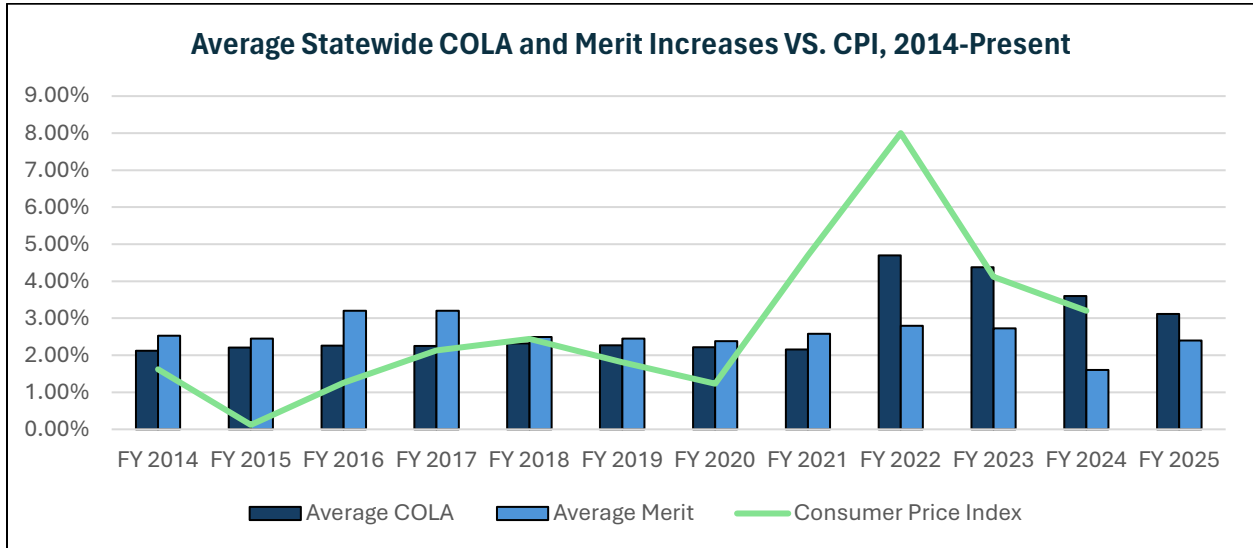
Structure Adjustments

Of the 193 respondents, 39% reported recently making market or structure adjustments to their pay plans or conducting and/or planning to conduct compensation and class studies. This figure is down slightly from last year's figure of 44%, but still up significantly from the 2022 survey's 29%. This result indicates that local governments are continuing to assess their pay structures against the market to remain competitive in a challenging employment market.

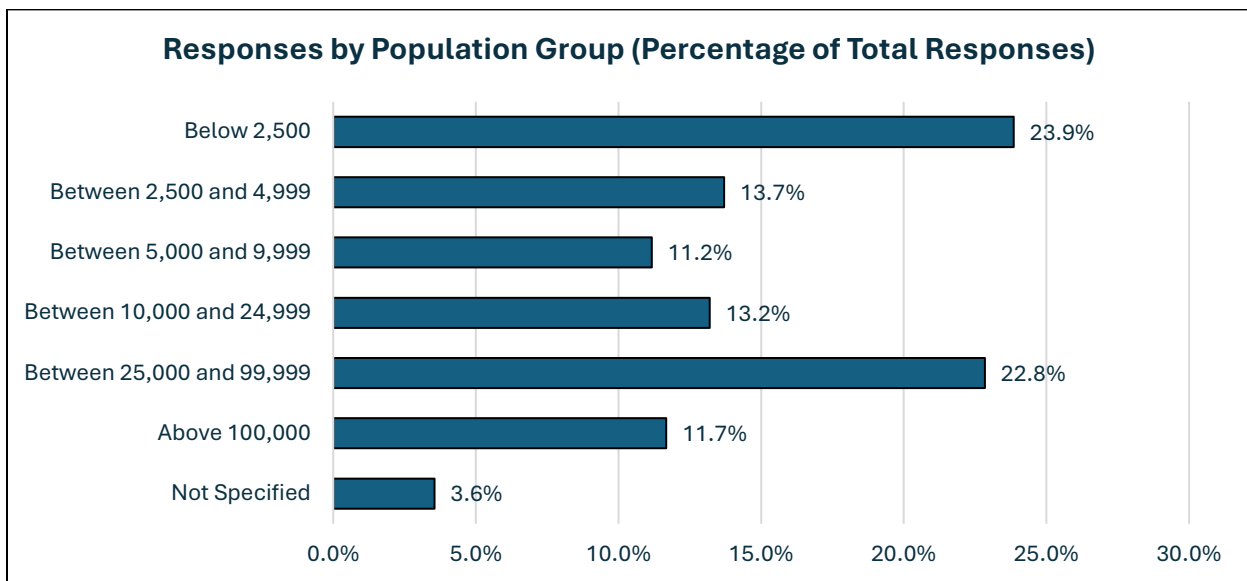


CPI-U Index

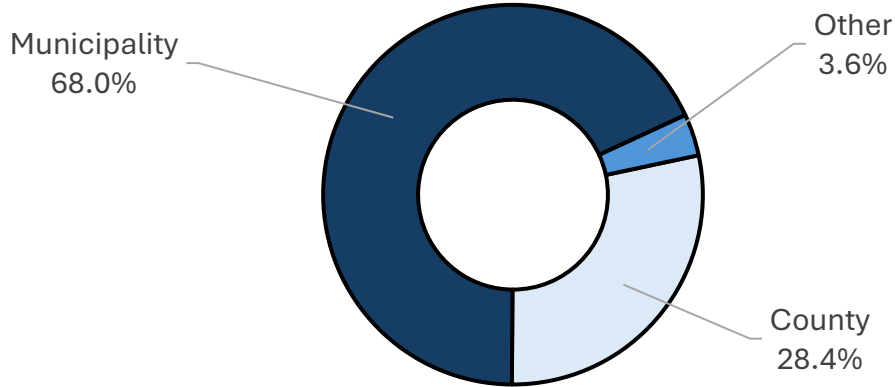
Historical survey data indicate that planned average cost-of-living adjustments (COLA) and merit increases in North Carolina local governments generally aligned with the [Consumer Price Index](#) (CPI-U) until the onset of the COVID-19 pandemic, but stabilized again beginning in FY 2023. Although many local governments have implemented or plan to implement structural pay adjustments within their organizations, standard COLA increases have remained mostly consistent.



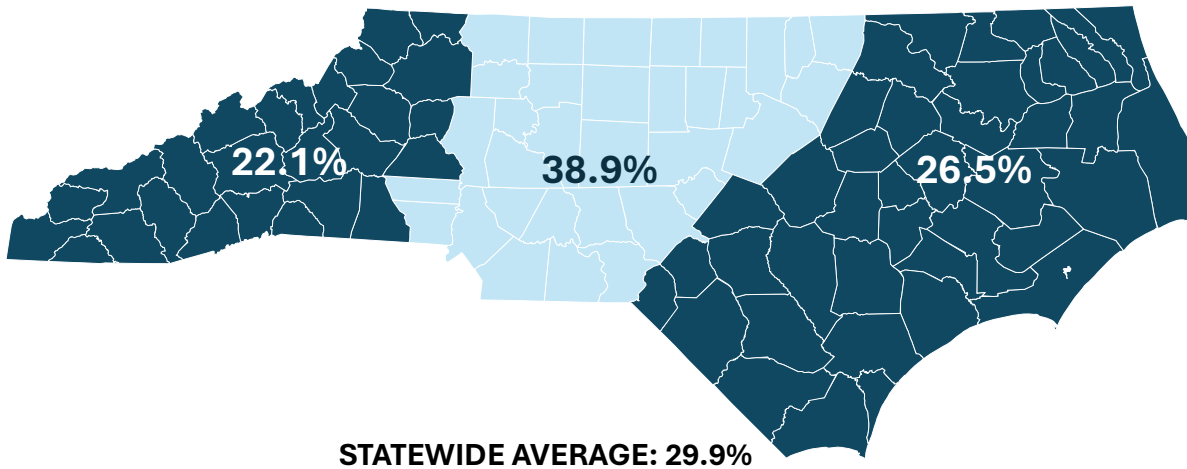
Survey Response Rates



Responses by Organization Type (Percentage of Total Responses)



Response Rate by Region (Percentage of Local Governments in Each Region that Responded)



Participation Rate By Unit Type

