

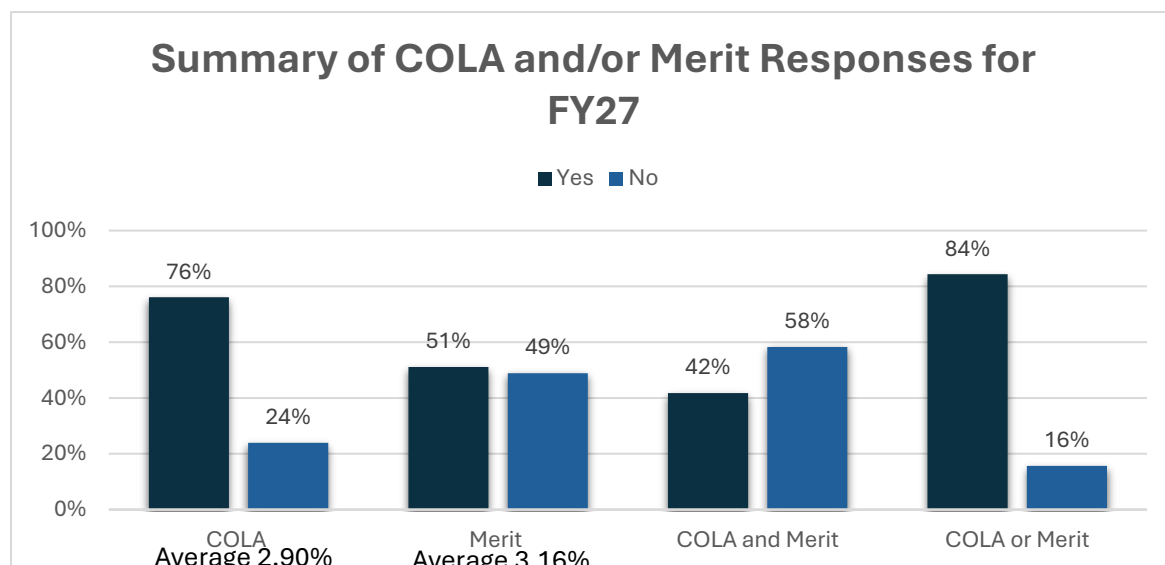
Fiscal Year 2026-2027 Anticipated Cost-of-Living Adjustments (COLA) and Merit Increase Survey Results

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Executive Summary

The Fiscal Year 2026-2027 survey resulted in 234 responses from 199 municipalities and 35 counties. Among these respondents, 76.1% (175 entities) reported plans to provide a cost-of-living adjustment (COLA), with an average increase of 2.9%. Of the 234 respondents, 51.1% (115 entities) reported plans to provide merit increases, with an average of 3.16%. Additionally, 41.7% of respondents (96 entities) reported plans to offer both a COLA and merit increases, with a combined total average of 6.06%. In total, 84.3% (194 entities) reported plans to provide either a COLA or a merit increase, leaving 15.7% (36 entities) reporting no plans to offer either in Fiscal Year 2026-27.



Introduction

To assist local governments with their FY 2026-27 budget development, the North Carolina League of Municipalities (NCLM) and the North Carolina Association of County Commissioners (NCACC) partnered once again to conduct a survey in April 2026 to gather information about anticipated pay adjustments for the FY 2026-27 budget. This report summarizes the survey's findings.

The survey results presented in this report reflect anticipated pay changes as of April 2026, 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 conducted before the 2021 report, the average anticipated cost-of-living adjustment (COLA) among survey respondents ranged between 2.1% and 2.3%. This average increased to an anticipated adjustment of 4.7% in FY 2022-23, then decreased to 4.4% in FY 2023-24, 3.6% in FY 2024-25, and 3.1% in FY 2025-26. In FY 2026-27, the anticipated COLA decreased again, to 2.9% across all responding units. This decrease may indicate a return to COLA increase rates that were seen between 2014 and 2021. Additionally, 43% of respondents indicated that they have recently undertaken, or plan to undertake, market or structure studies to assess their pay structures, up from 39% in the 2025 report. The results of these studies may result in changes in general pay structures outside of COLA increases.

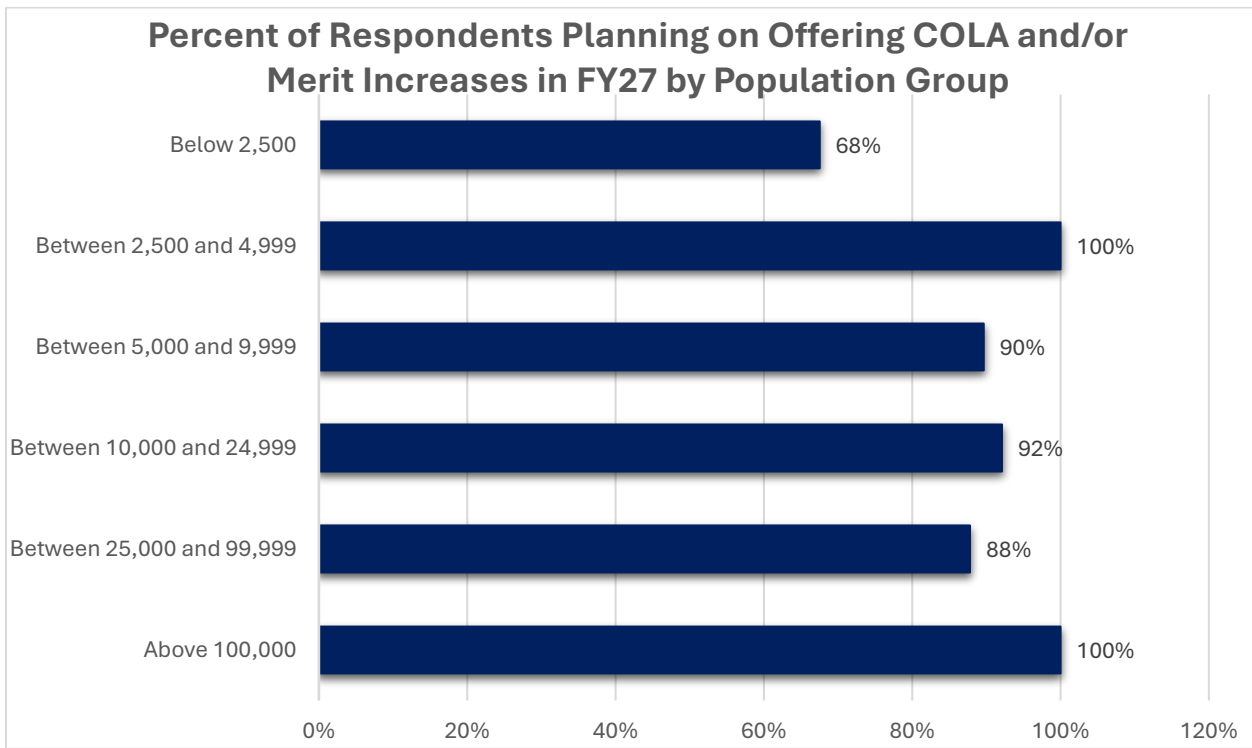
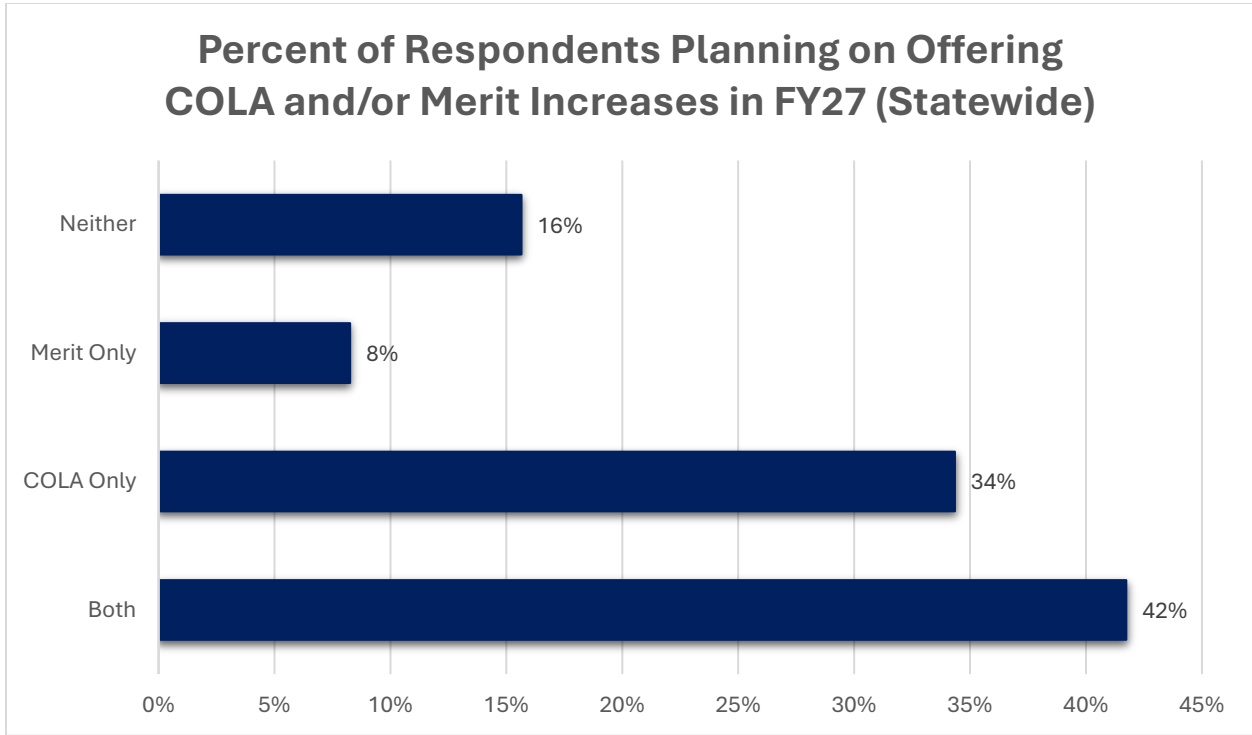
The survey request resulted in 234 responses, consisting of 199 municipalities and 35 counties. Respondents provided information on their anticipated plans for COLA increases, and 115 included information on merit adjustments.

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

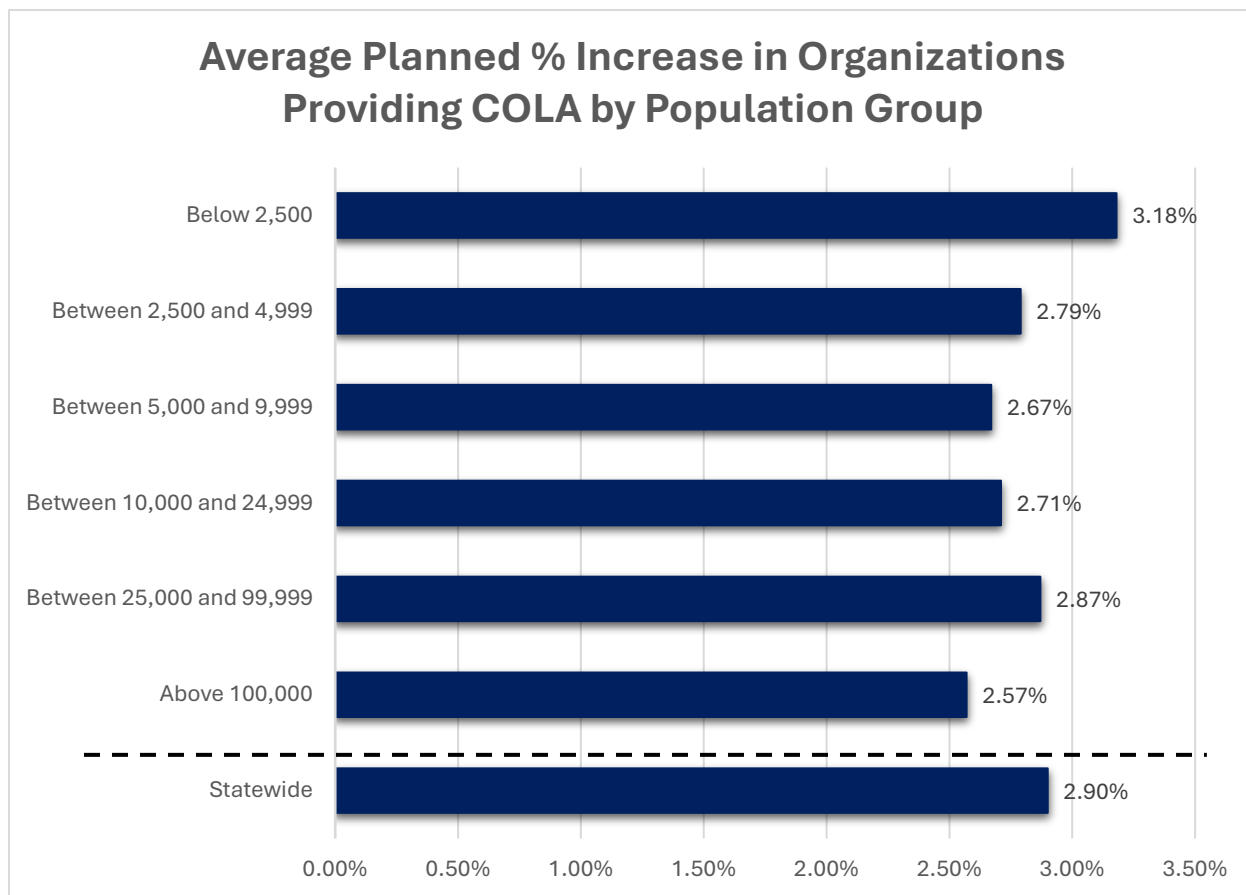
Approximately 84.3% of respondents plan to provide COLA and/or merit increases in their upcoming budgets. This figure is slightly lower than last year's response of 91%. Nearly 42% of respondents anticipate offering both merit and COLA increases, slightly under last year's response of 44%. When local governments are grouped by the unit's population, at

least 68% of respondents in each population group plan to provide COLA and/or merit increases.

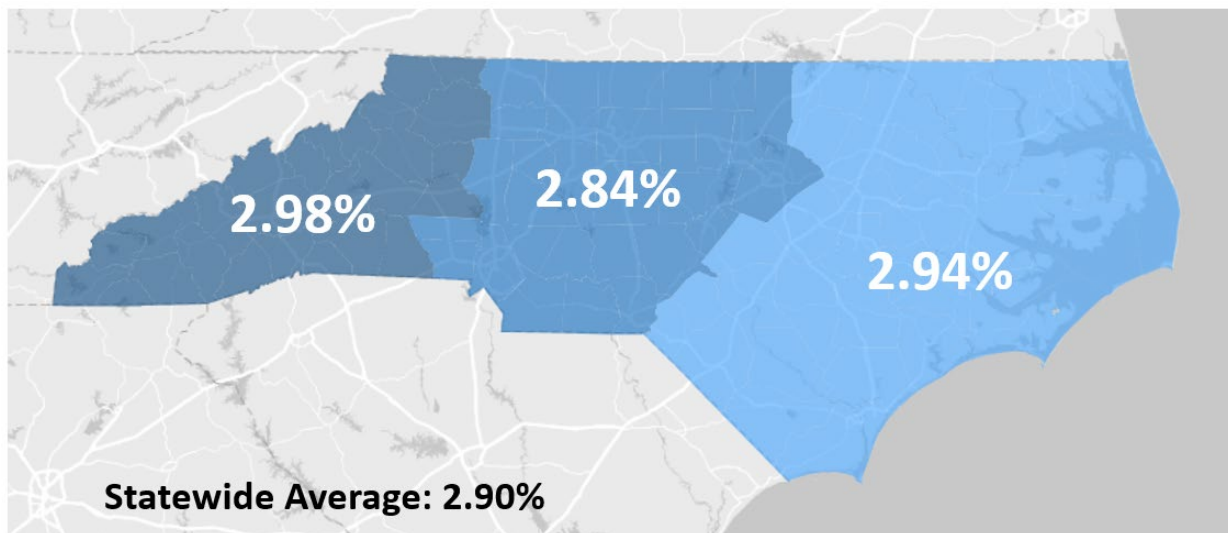


COLA Summary

Of the 234 respondents, 76.1% (175) reported that they plan to provide a COLA in their FY 2026-27 budgets. These data, showing a statewide average of 2.9% among organizations planning for a COLA, are broken down by population groups and regions below. This 2.9% average is down slightly from last year’s anticipated 3.1% COLA.



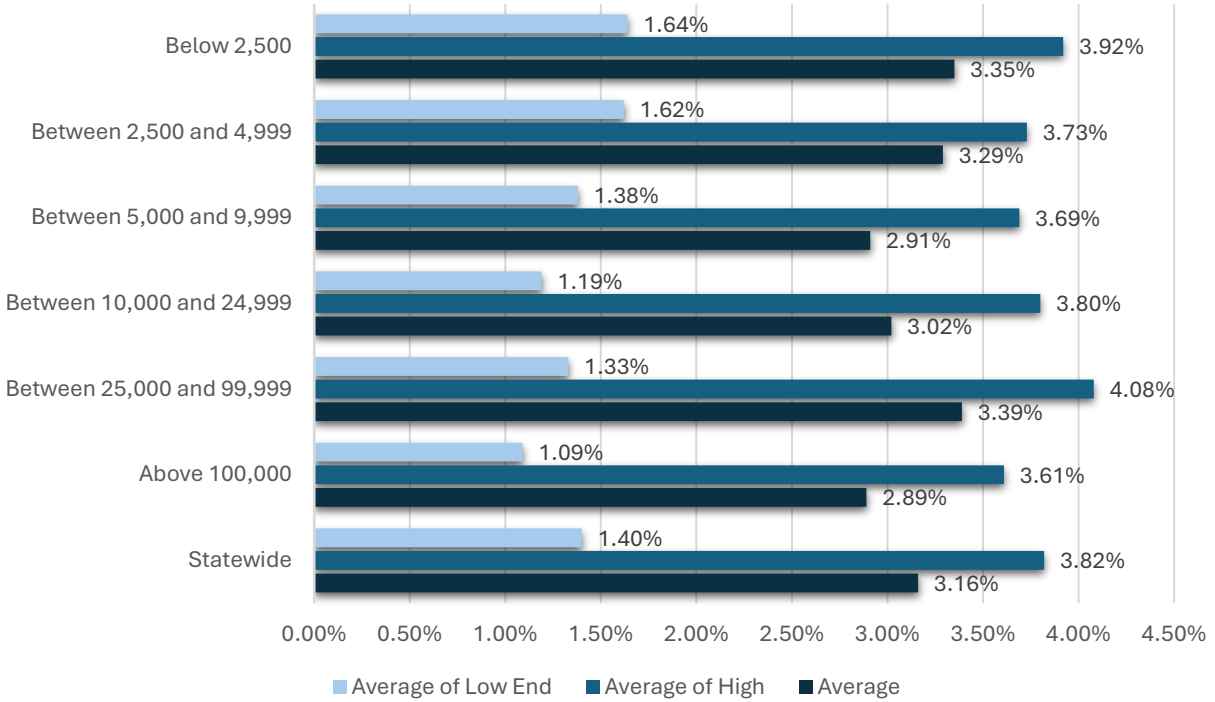
**Average Planned % Increase in Organizations
Providing COLA in FY27 by Region**



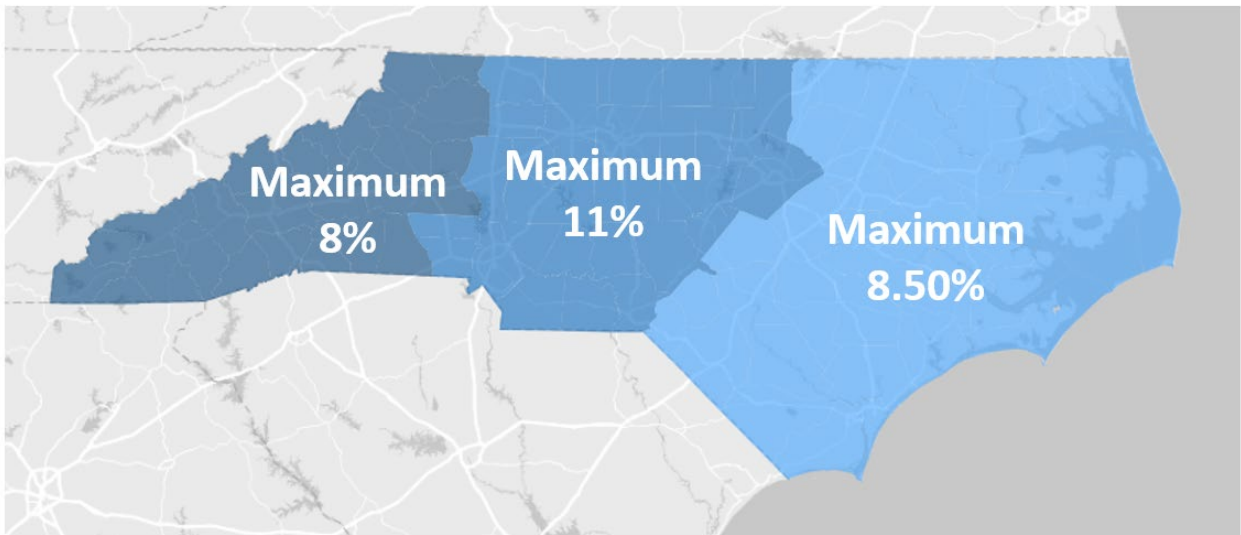
Merit Increase Summary

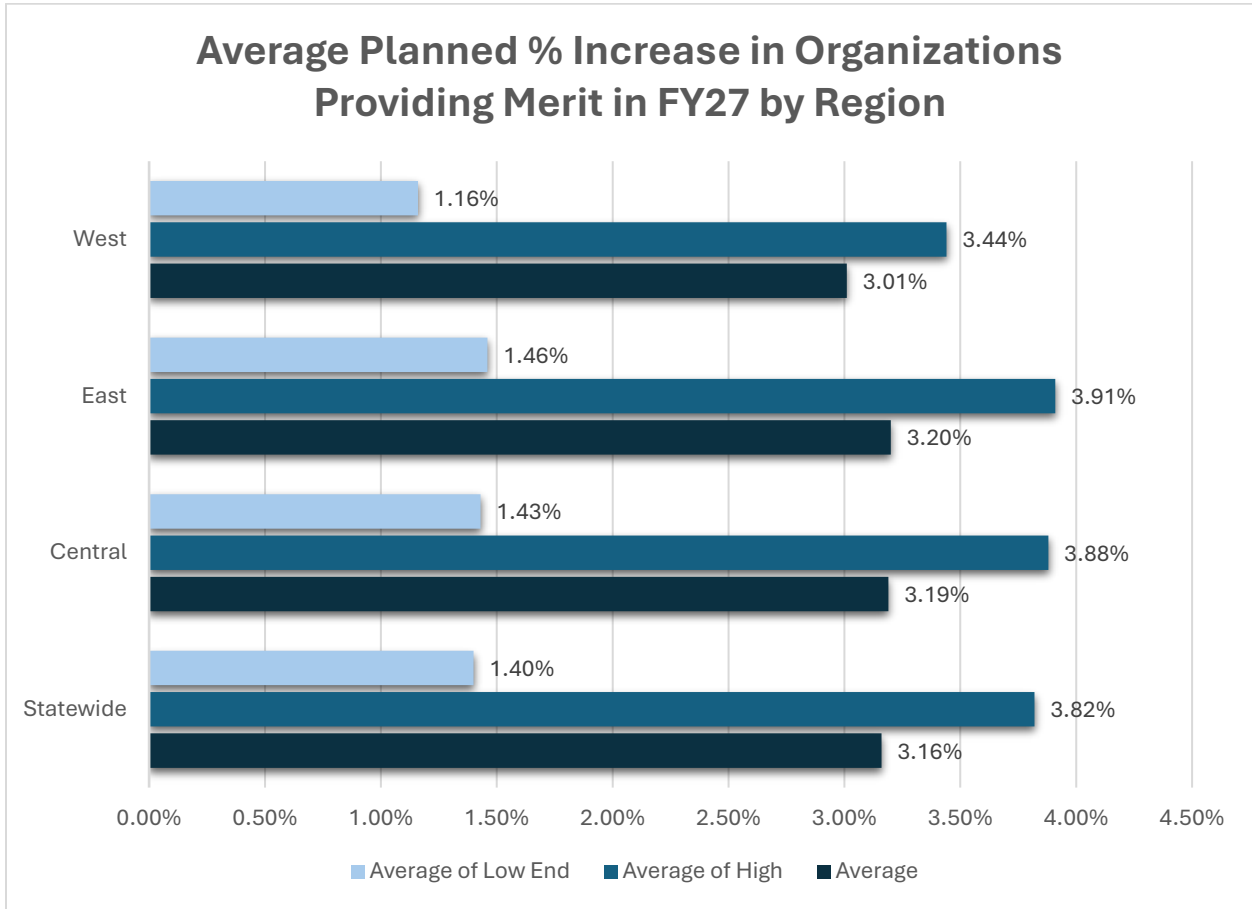
Of the 234 respondents, 51.1% (115) reported that they plan to provide merit increases in their FY 2026-27 budgets. Respondents were asked to report the ranges they were considering, including a low and a high end of the planned increases. A total of 115 entities reported percentages, with three organizations reporting maximum dollar amounts.

Average Planned % Increase in Organization Providing Merit in FY27 by Population Category



Maximum Planned % Increase in Organizations Providing Merit in FY27 by Region

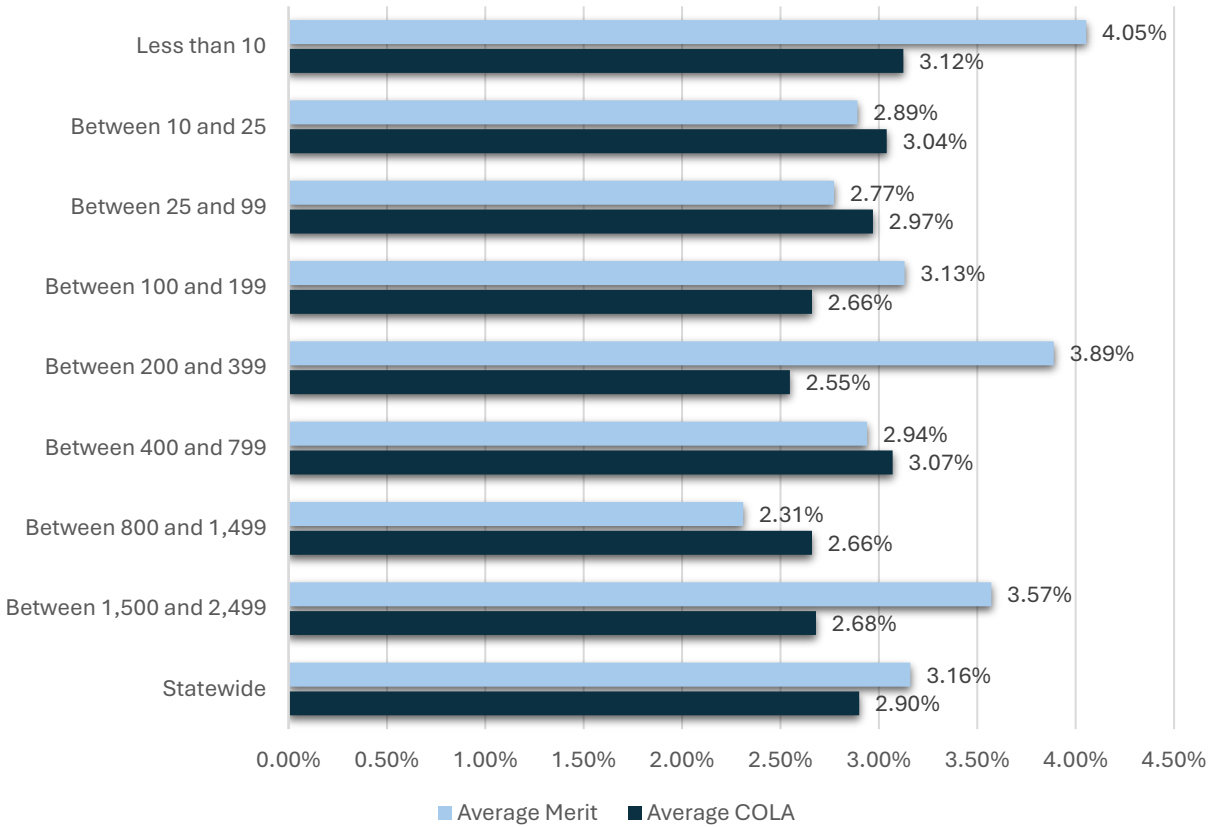




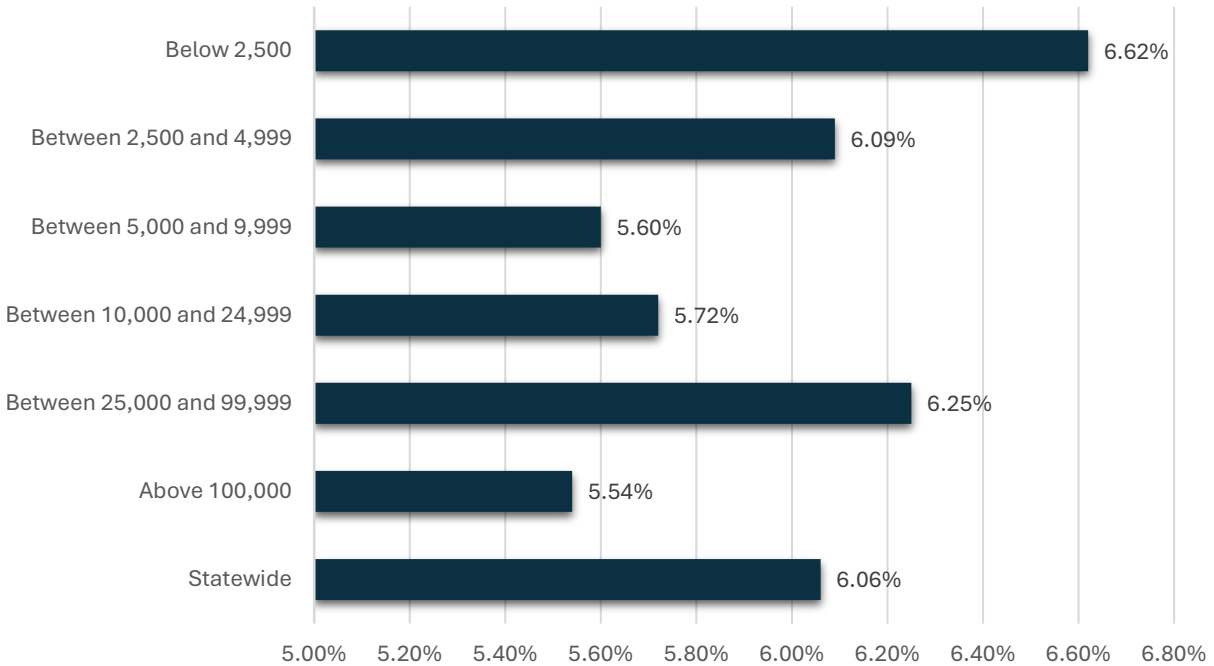
Combined Planned COLA and Merit Increase Summary

Approximately 41.7% of local governments anticipate providing employees both a COLA and a merit increase in the FY 2026-27 budget. The combinations of adjustments vary, but statewide, the average combined COLA and merit increase is 6.06%.

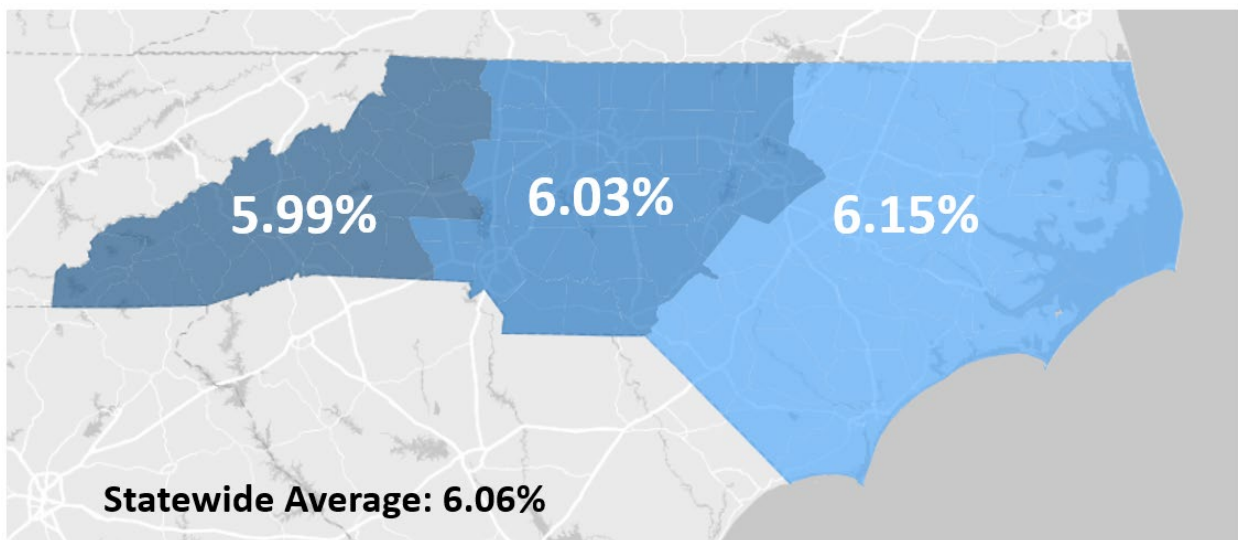
Average Combined COLA and Merit Increases for FY27 (Among Respondents Implementing COLA and/or Merit) by Number of Full-Time Employees



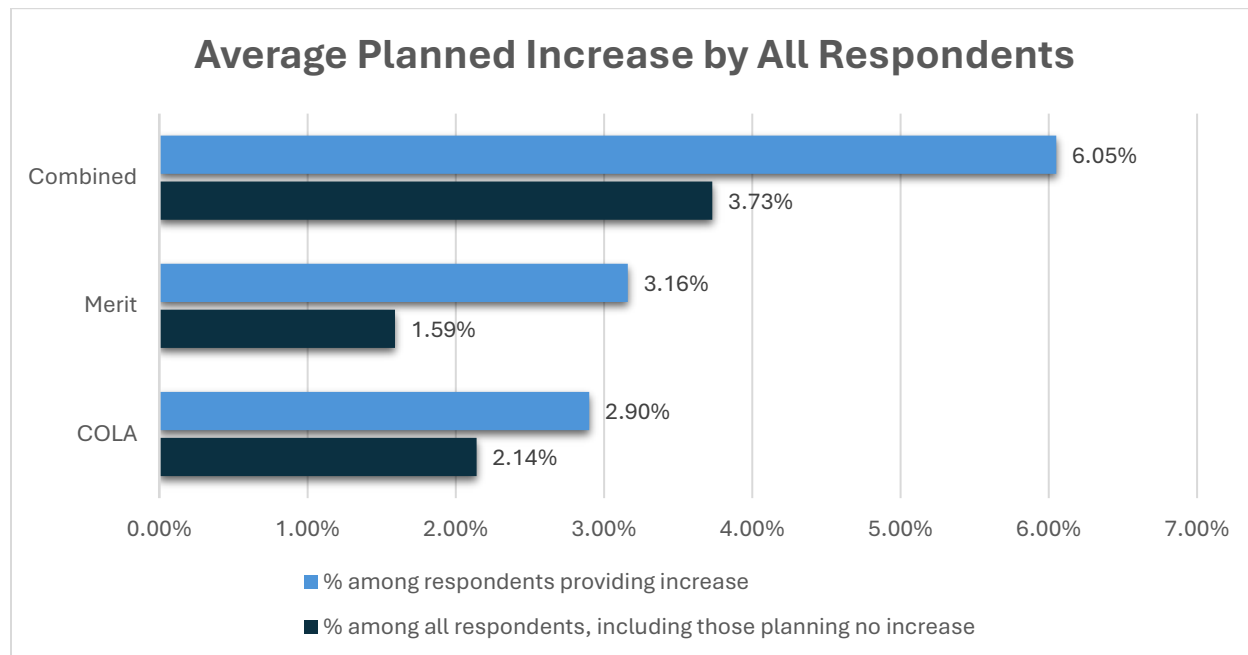
Average Combined COLA and Merit Increases for FY27 (Among Respondents Implementing COLA and/or Merit) by Population



Average Combined COLA and Merit Increases for FY27 (Among Respondents Implementing COLA and/or Merit) by Region



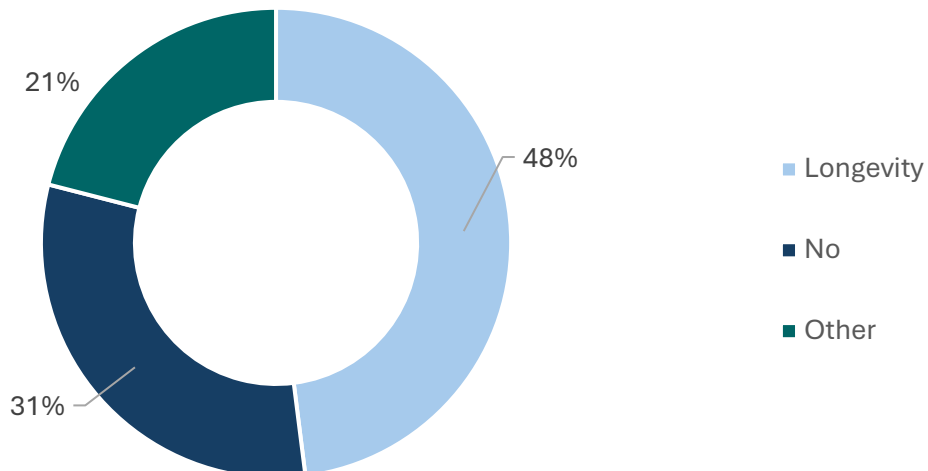
The reported planned increases in all the previous charts include averages from those organizations providing either COLA or merit adjustments. As a point of reference, the following information includes both respondents planning to provide an increase, as well as the percentages when all reporting entities are taken into account. The “% among all respondents, including those planning no increase” averages in dark blue are lower, as they also contain information from the 15.7% 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, in their FY 2026-27 budgets. Approximately 68% reported providing a one-time incentive; 46% reported offering longevity pay, and 22% reported providing other types of incentives.

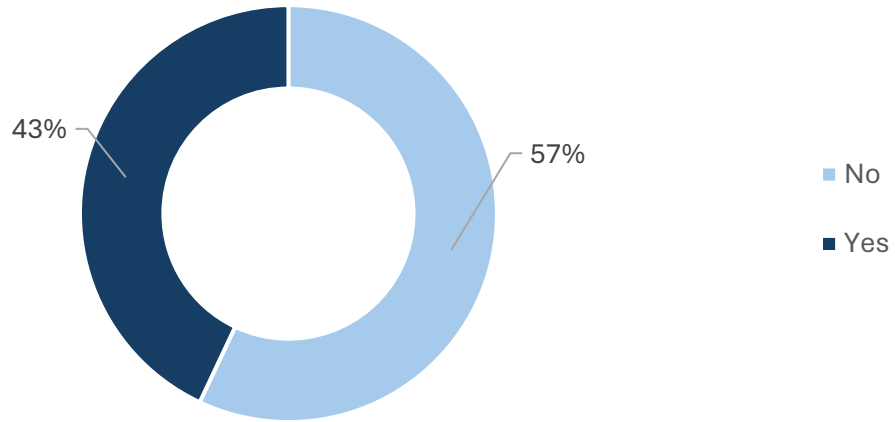
Organizations Providing One-Time Incentives for FY2027



Structure Adjustments

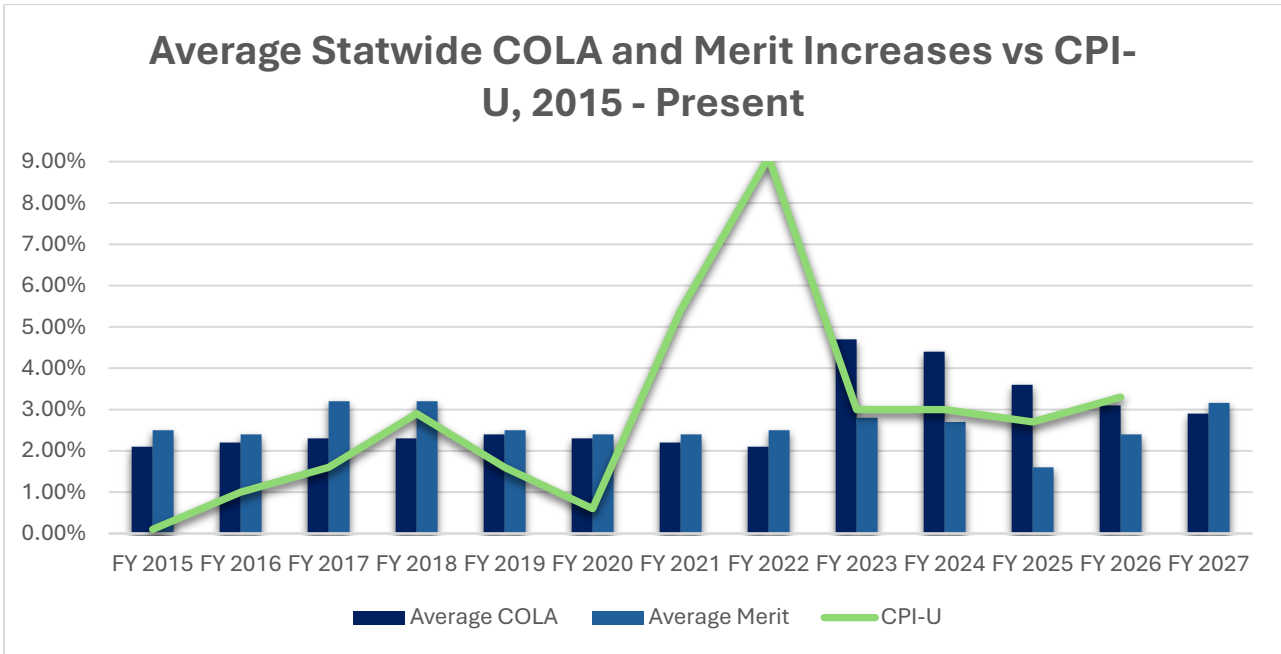
Of the 234 respondents, 43% reported recently making market or structure adjustments to their pay plans or conducting and/or planning to conduct compensation and class studies. This figure is up slightly from last year's 39%, and significantly higher than the 2022 survey's 29%. This result indicates that local governments are continuing to assess their pay structures against the broader labor market to remain competitive in a challenging employment market.

Organizations Which Made Market or Structure Adjustments Recently or Will Conduct a Compensation Study



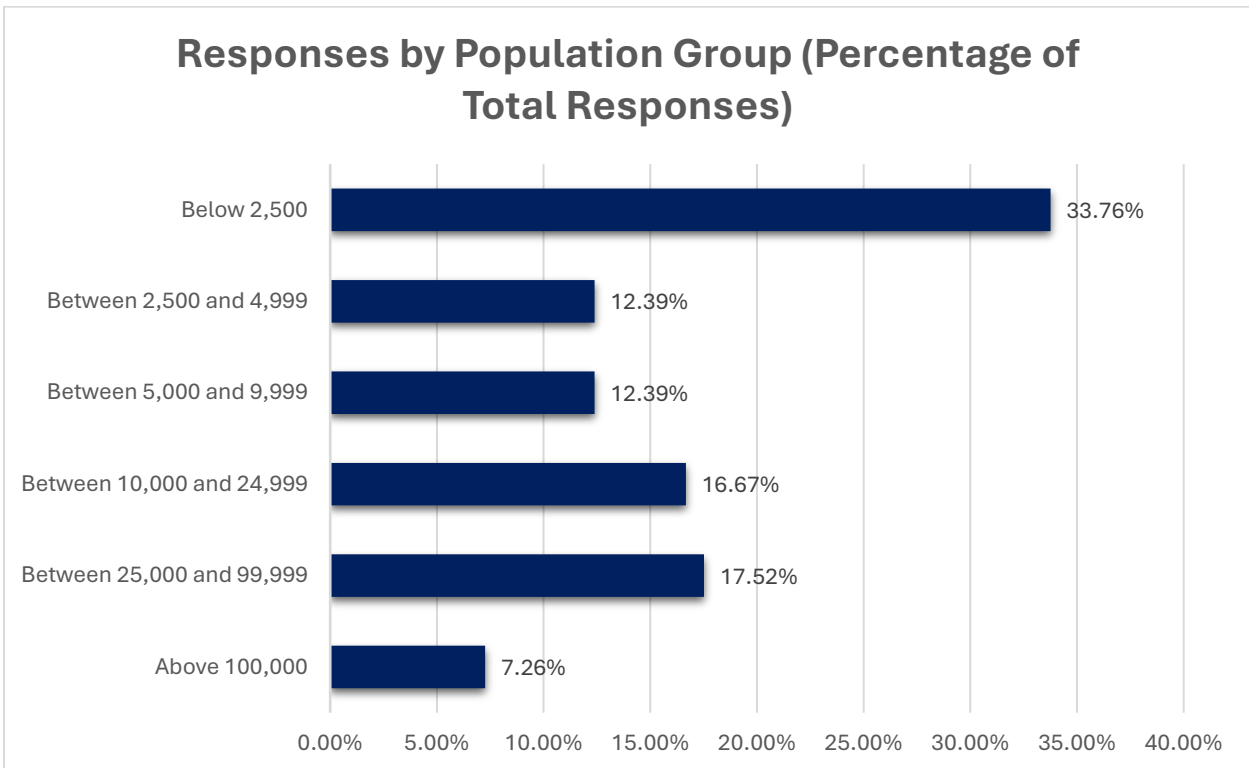
CPI-U Index

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 have stabilized beginning in FY 2022-23. Although many local governments have implemented, or plan to implement, structural pay adjustments within their organizations, standard COLA increases have remained mostly consistent.

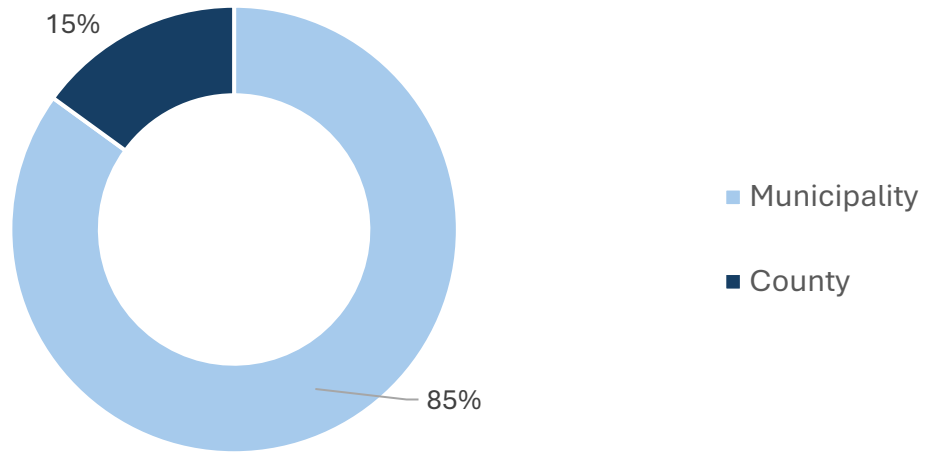


Note: CPI-U for FY 2026 is for the 12 months ending March 2026, which is the most recent data available at the time of this report.

Survey Response Rates



Respondents by Organization Type



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

