Executive Summary
The League of Municipalities (NCLM) conducts an annual survey of municipalities to gauge their anticipated cost-of-living adjustments (COLA) and merit increases in their upcoming budgets.

There has been a relatively high volume of discussion around COLA and Merit during the FY23 budget development season due to various economic issues discussed in the League’s annual revenue memo. At the time of this report, the “Great Resignation” is still affecting organizations around the country, and inflation in the U.S. has recently been measured at an increase of 8.5%. These and other factors have put greater pressure than usual on organizations to retain employees.

We hope the results of this survey will serve as a useful planning and benchmarking tool for member municipalities who are looking to compare their plans with others in their population groups and regions around North Carolina. The League thanks all of the municipalities who participated in this year’s survey; we greatly appreciate your time and effort which help make this the most useful and timely report possible for you and your peer organizations.

Data were collected between 4/11/22 - 4/29/22 and NCLM received 223 full responses. Responses reflect the best estimate of organizations' plans at a single point in time; few, if any, municipal budgets had been formally presented or approved at the time of the survey. The below report outlines the information we collected through various lenses.

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For questions about this report, please contact NCLM Research Program Manager, Pat Madej, at pmadej@nclm.org.
Organizations Offering COLA and/or Merit

Our survey found that 87% of respondents are planning on providing COLA and/or merit increases in their upcoming budgets, up from 65% who were definitively planning to offer a COLA and/or merit increase at this time last year:

Percent of Respondents Planning on Offering COLA and/or Merit Increases in FY23 (Statewide) (n=223)

The same data show that at least three-fourths of respondents in each population group are planning on providing COLA and/or merit:

Percent of Respondents Planning on Offering COLA and/or Merit Increases in FY23, by Population Group (n=223)
COLA Summary

Of 223 respondents, 168 (75%), reported that they are planning on providing COLA in their FY23 budgets. These data, showing a statewide average of 4.7%, are broken down below. The average 4.7% COLA reported has more than doubled from the average planned COLA at this time last year, as shown in the table at the bottom of page 6.

Average Planned % Increases in Organizations Providing COLA, by Population Group (n=168)

Average Planned % Increases in Organizations Providing COLA, by Region (n=168)
Merit Increase Summary

Of 223 respondents, 128 (57%), reported that they are planning on providing merit increases in their FY23 budgets. Respondents were asked to report the ranges they were offering, including a low and high end of planned merit increases. As shown below, these ranges varied by region, with a statewide average of 1.8% to 3.7%.

**Average Ranges of Planned % Increases in Organizations Providing Merit, by Population Group (n=128)**

<table>
<thead>
<tr>
<th>Population Group</th>
<th>Low End</th>
<th>Low End Average</th>
<th>High End Average</th>
<th>High End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 2,500</td>
<td>0.0</td>
<td>2.0</td>
<td>3.6</td>
<td>8.0</td>
</tr>
<tr>
<td>2,500 and 4,999</td>
<td>0.0</td>
<td>1.8</td>
<td>3.9</td>
<td>8.0</td>
</tr>
<tr>
<td>5,000 and 9,999</td>
<td>0.0</td>
<td>3.4</td>
<td>3.9</td>
<td>8.0</td>
</tr>
<tr>
<td>10,000 and 24,999</td>
<td>0.0</td>
<td>1.3</td>
<td>3.5</td>
<td>8.0</td>
</tr>
<tr>
<td>25,000 and 99,999</td>
<td>0.0</td>
<td>2.1</td>
<td>3.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Above 100,000</td>
<td>0.0</td>
<td>1.0</td>
<td>3.6</td>
<td>8.0</td>
</tr>
<tr>
<td>Statewide</td>
<td>0.0</td>
<td>1.8</td>
<td>3.7</td>
<td>10.0</td>
</tr>
</tbody>
</table>

**Average Ranges of Planned Increases in Organizations Providing Merit, by Region (n=128)**

Map showing average ranges of planned merit increases by region in North Carolina.
One-Time Incentives

NCLM asked respondents whether they provided one-time bonuses or other incentives in their FY22 or FY23 budgets. Nearly 40% of all respondents reported providing bonuses or other incentives which included 401k increases, vaccine incentives, premium pay through ARPA, or other increases.

Organizations Providing One-Time Incentives in FY22 or FY23, Statewide (n=223)

- One-time Bonus: 26%
- No Bonus or Unknown: 61%
- Other Incentive: 13%

Organizations Providing One-Time Incentives in FY22 or FY23, by Population Group (n=223)

(A) Below 2,500: 44.0% Incentive, 56.0% No Incentive
(B) Between 2,500 and 4,999: 29.2% Incentive, 70.8% No Incentive
(C) Between 5,000 and 9,999: 31.0% Incentive, 69.0% No Incentive
(D) Between 10,000 and 24,999: 44.8% Incentive, 55.2% No Incentive
(E) Between 25,000 and 99,999: 33.3% Incentive, 66.7% No Incentive
(F) Above 100,000: 100.0% Incentive
Mid-Year Increases

Of 223 respondents, only 29 (13%) reported providing mid-year COLA or merit increases during FY22. The reported averages were 3.5% for COLA and 3.9% for merit. Most of these respondents also reported providing increases in their adopted FY22 budgets.

Organizations Which Provided a FY22 Mid-Year Increase (n=223)

It is also worth noting that 29% of respondents reported working on market or structure adjustments, with 8.5% working on comp and class studies and 8% working on increases for law enforcement officers.

CPI-U Index

Our data show that up until recently, reported planned average COLA and merit increases in NC local governments generally kept pace with the Consumer Price Index for all urban consumers (CPI-U). This changed in 2021, when the index had an annual increase of 4.7%. As noted in this report’s executive summary, inflation has continued to increase during 2022, and this discrepancy may continue to grow through the next year.

Average Statewide COLA and Merit Increases vs. CPI-U Index, 2014-Present
Survey Response Rates

NCLM received responses from 223 out of 551 NC municipalities. The responses represented the following regions and population groups:

Response Rate by Population Group (n=551)

- (A) Below 2,500: 23.1% Responded, 76.9% Did Not Respond
- (B) Between 2,500 and 4,999: 54.5% Responded, 45.5% Did Not Respond
- (C) Between 5,000 and 9,999: 82.4% Responded, 17.6% Did Not Respond
- (D) Between 10,000 and 24,999: 63.0% Responded, 37.0% Did Not Respond
- (E) Between 25,000 and 99,999: 75.0% Responded, 25.0% Did Not Respond
- (F) Above 100,000: 50.0% Responded, 50.0% Did Not Respond

Response Rate by Region (n=551)

- 38 Responses, 36% Response Rate
- 92 Responses, 51% Response Rate
- 93 Responses, 35% Response Rate