

Fiscal Year 2024-2025 Anticipated Cost-of-Living Adjustments (COLA) and Merit Increase Survey Results

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Executive Summary

Organizations across all sectors are feeling the strain of challenging job market conditions following the COVID-19 pandemic. Both the public and private sectors have faced workforce difficulties, with pay adjustments becoming a critical issue in discussions surrounding local government recruitment and retention.

To help local governments with their FY 2024-25 budget development, the NC League of Municipalities (NCLM) and the North Carolina Association of County Commissioners (NCACC) partnered in March 2024 to survey local governments about their anticipated pay adjustments for the FY 2024-25 budget. This report summarizes the survey's findings.

The survey results presented in this report reflect anticipated pay changes as of March, a time when virtually no local government had finalized its budget. **These findings should be viewed as preliminary, and each government's plans may change as budget discussions progress.**

In surveys prior to 2021, the average anticipated cost of living adjustment (COLA) hovered between 2.1% and 2.3%. That average leapt to 4.7% in 2022 but fell to 4.4% in 2023 and to 3.5% in this year's survey. This decrease could mean a return to the more standard COLA increase rates from the pre-pandemic era. That said, 44% of respondents indicated that they have done or plan to do market or structure studies to assess their pay structures. While COLA rates may be returning to baseline, general pay structures could be changing based on these market studies.

We received 235 full responses consisting of 189 municipalities, 39 counties, and 7 other local government entities such as water and sewer authorities. **NCLM and NCACC thank all local governments who participated in this year's survey. We greatly appreciate your time and effort which help to make this report as useful as possible for you and your peers.**

For questions about this report, please contact:

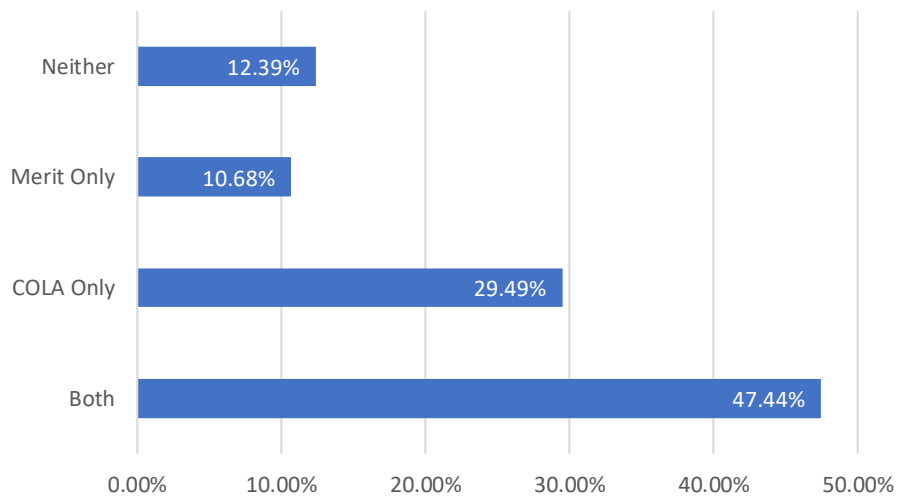
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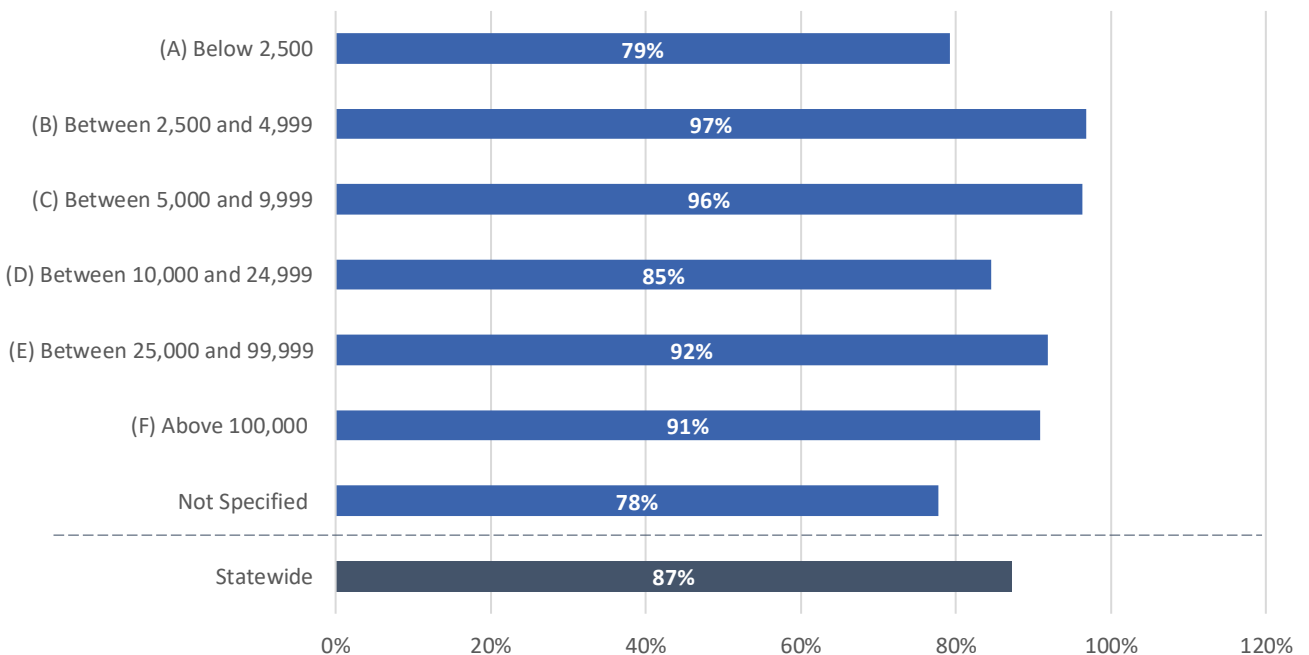
Organizations Offering COLA and/or Merit

Approximately 87% of respondents plan to provide COLA and/or merit increases in their upcoming budgets. This figure is largely consistent with last year's response of 89%. Nearly 50% of respondents anticipate offering both merit and COLA increases. When local governments are divided by population, at least 75% of respondents in each population group plan to provide COLA and/or merit increases.

Percent of Respondents Planning on Offering COLA and/or Merit Increases in FY25 (Statewide)



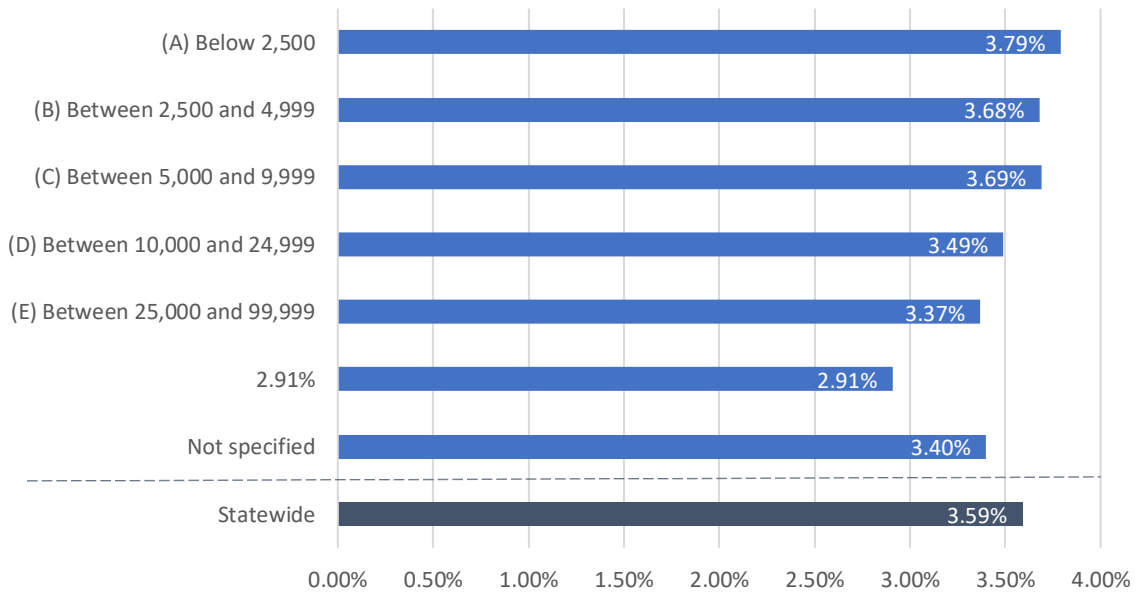
Percent of Respondents Planning on Offering COLA and/or Merit Increases in FY25 by Population Group



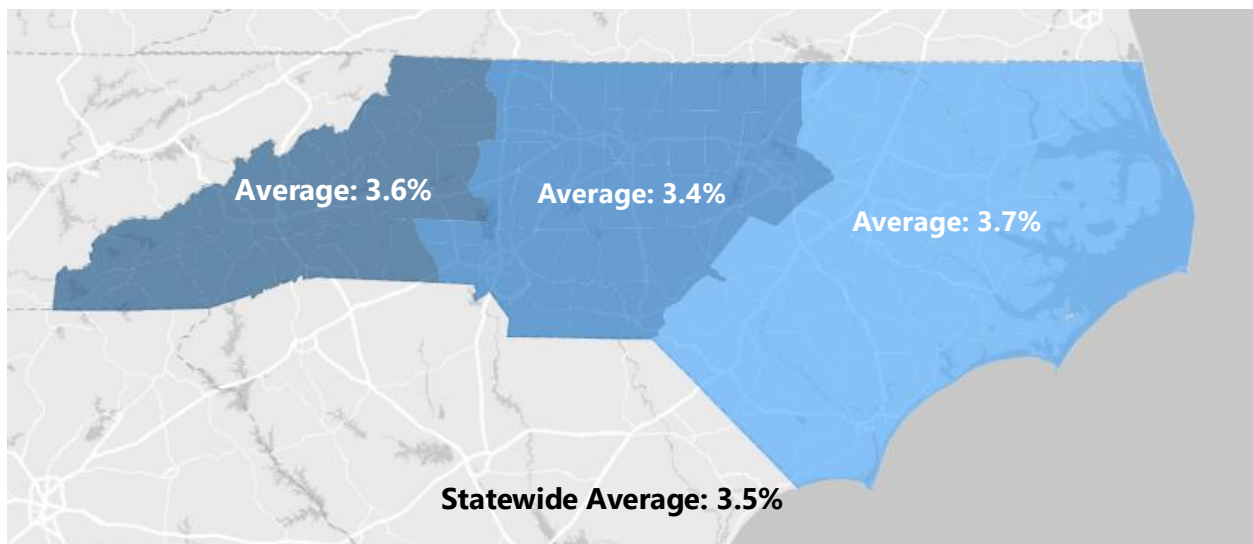
COLA Increase Summary

Of the 235 respondents, 77% (180) reported that they plan to provide a COLA in their FY25 budgets. These data, showing a statewide average COLA of 3.6%, are broken down by population groups and regions below. This 3.6% average is down slightly from last year's anticipated 4.4% COLA. In addition, five organizations reported plans to offer a COLA increase as a fixed dollar amount.

Average Planned % Increases in Organizations Providing COLA FY25 by Population Group



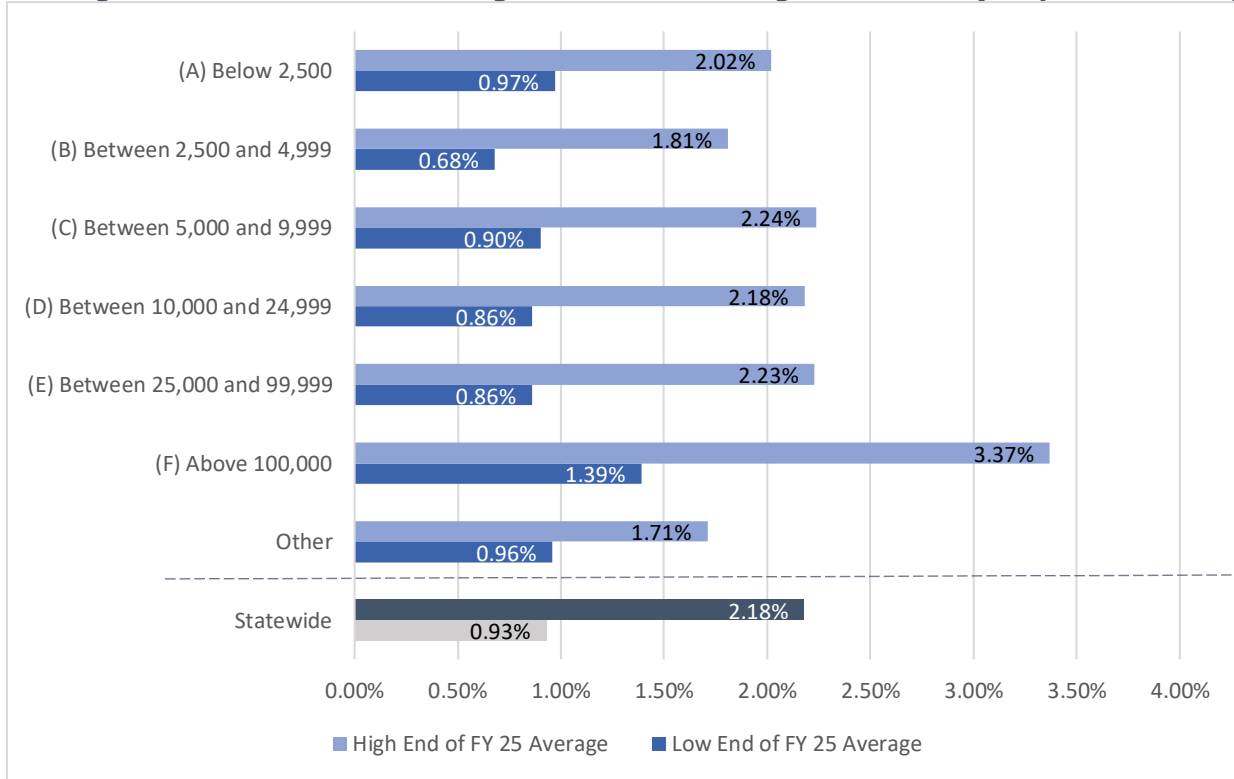
Average Planned % Increases in Organizations Providing COLA FY25 by Region



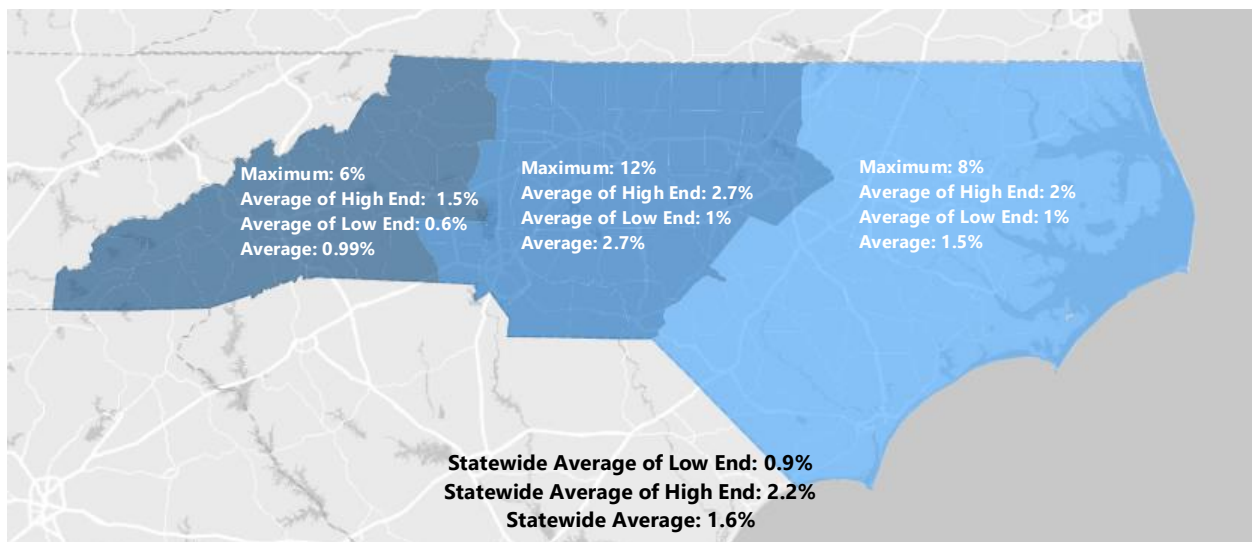
Merit Increase Summary

Of 235 respondents, 58% (136) reported that they plan to provide merit increases in their FY25 budgets. Respondents were asked to report the ranges they were contemplating, including a low and high end of the planned increases.

Average Planned % Increases in Organizations Providing Merit FY25 by Population Group



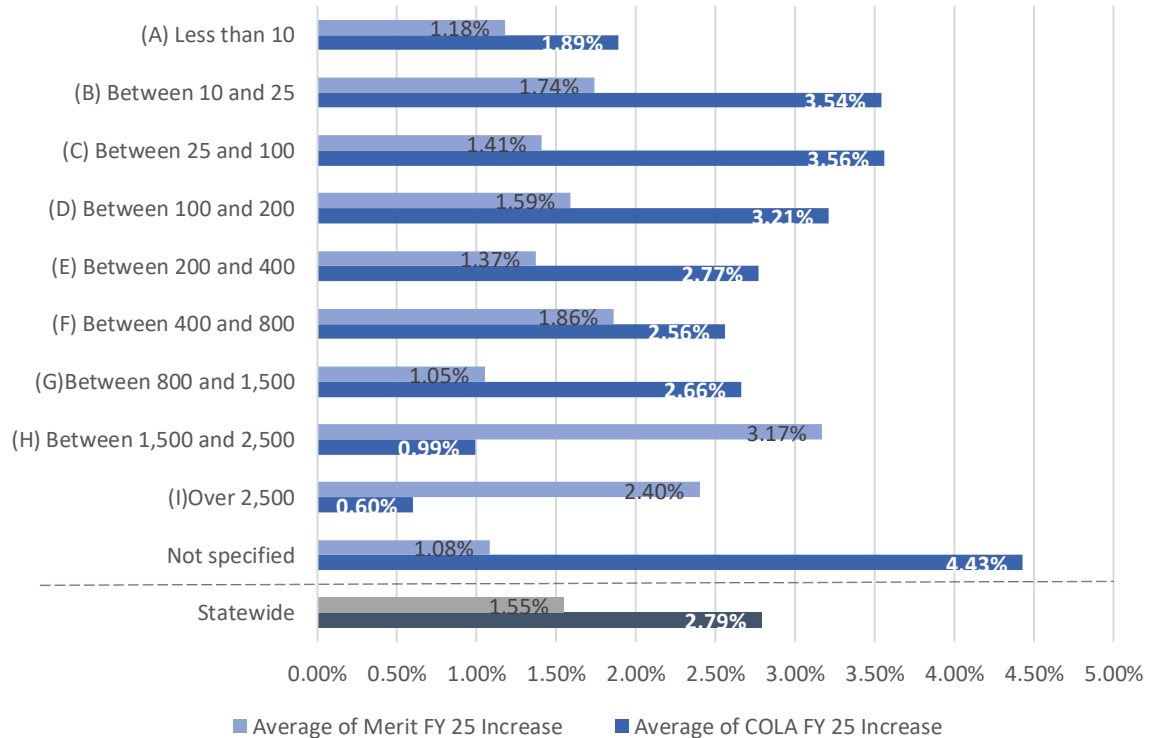
Average Planned % Increases in Organizations Providing Merit FY25 by Region



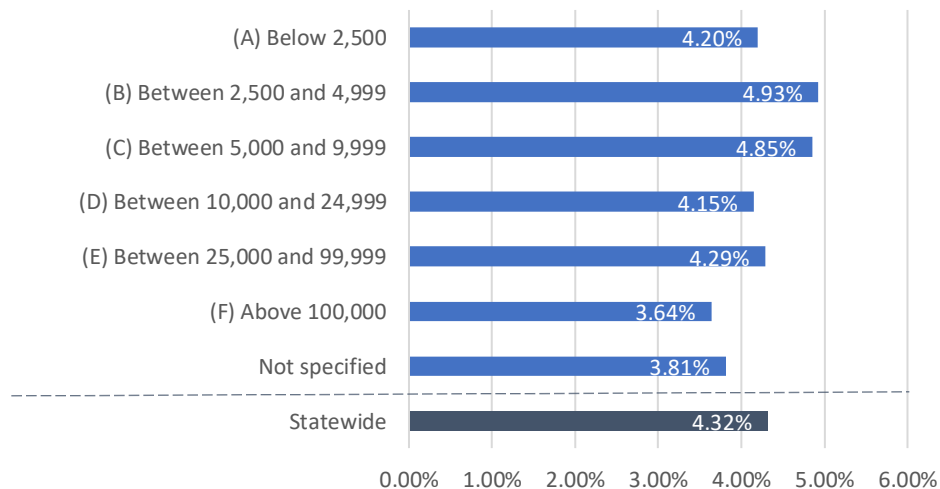
Combined Planned COLA and Merit Increase Summary

Nearly 50% of local governments anticipate providing employees both a COLA and merit increases in the FY 2024-25 budget. The combinations of adjustments vary, but statewide, the average combined COLA and merit increase is 4.3%. The following graphs demonstrate the COLA and merit increases based on number of full-time employees, population size, and region.

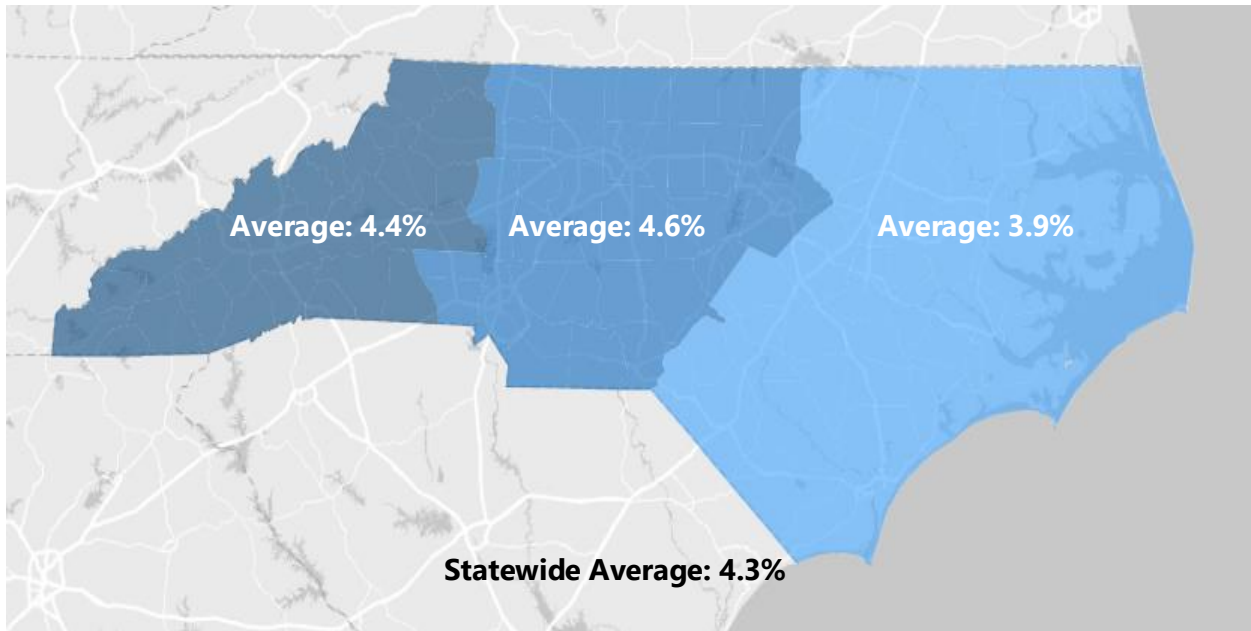
Average Combined COLA and Merit Increases for FY 25 by Number of Full-time Employees



Average Combined COLA and Merit Increases for FY 25 by Population



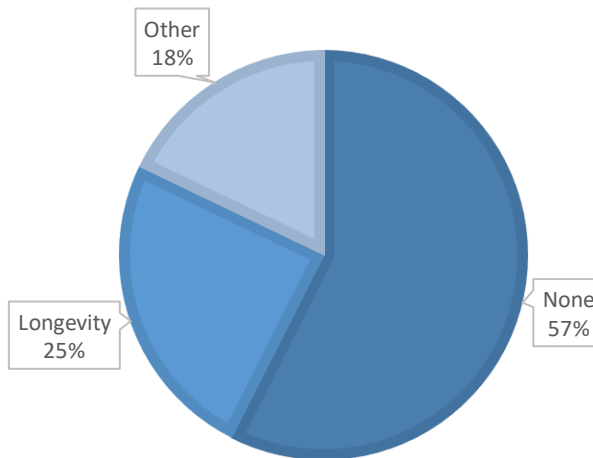
Average Combined COLA and Merit Increases for FY 25 by Region



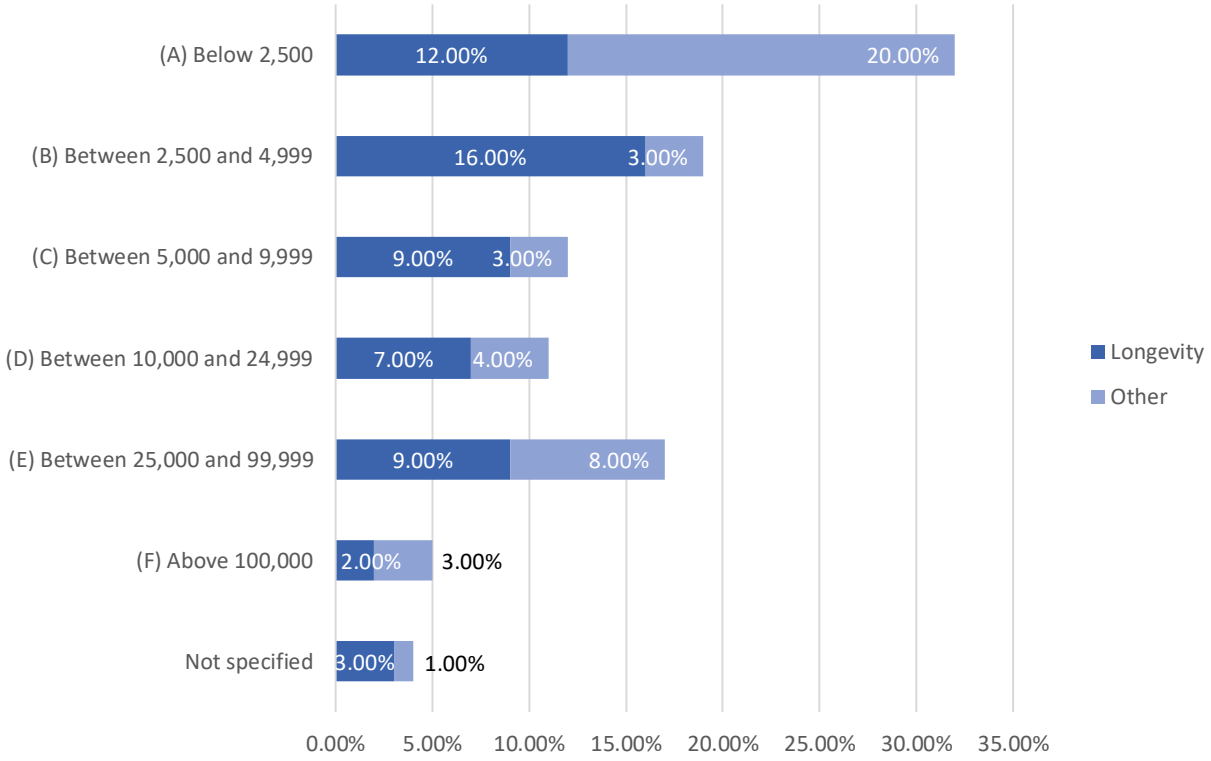
One-Time Incentives

The survey asked respondents whether they provided one-time bonuses or other incentives such as longevity pay or 401k contributions in their FY 25 budgets. Approximately 43% reported providing a one-time incentive, which is consistent with the April 2023 survey.

Organizations Providing One-time Incentives in FY25



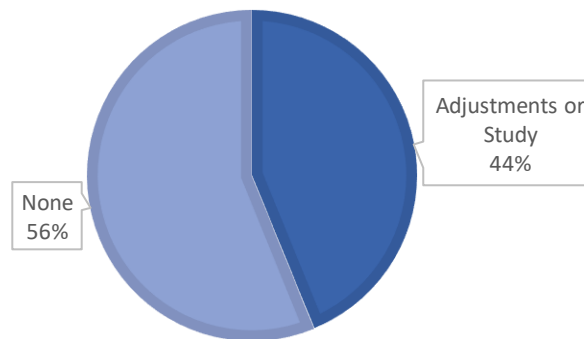
Types of Anticipated One-time Incentives in FY25 by Population



Structure Adjustments

Of 235 respondents, 44% 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 48%, 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.

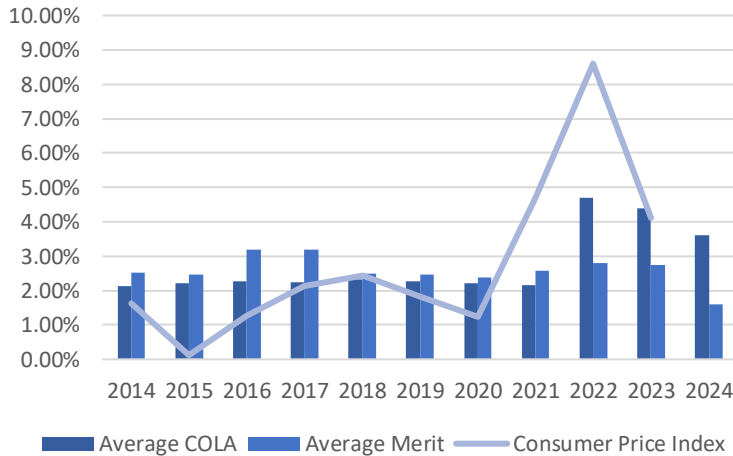
Organizations Which Made Market or Structure Adjustments, or Conducted/Will Conduct Compensation and Classification Studies in FY24 or FY25



CPI-U Index

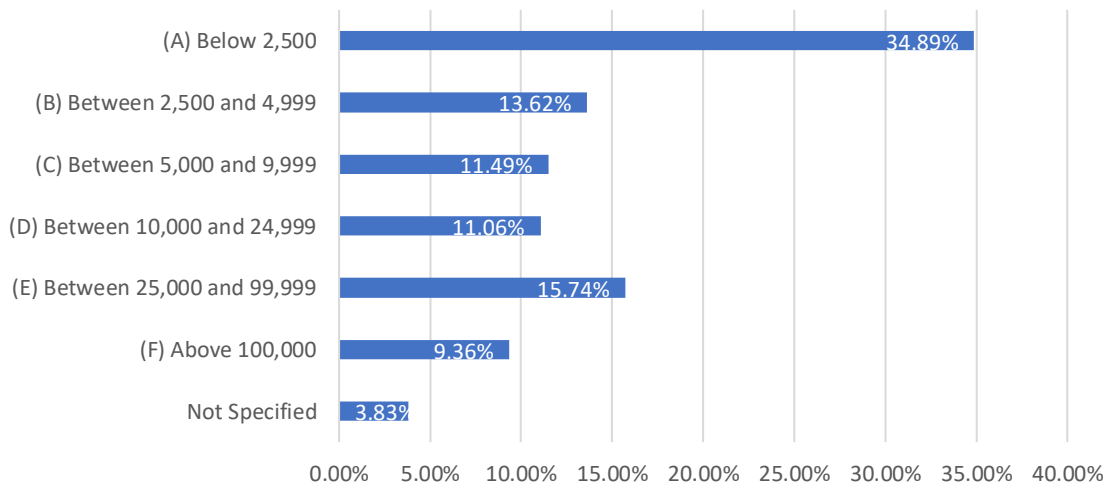
Our historical survey data show that planned average COLA and merit increases in NC local governments generally kept pace with the [Consumer Price Index for all urban consumers](#) (CPI-U) until the COVID-19 pandemic began. While many local governments have made or plan to make structural adjustments to pay within their organizations, standard COLA increases have remained relatively consistent.

Average Statewide COLA and Merit Increases VS. CPI, 2014-Present

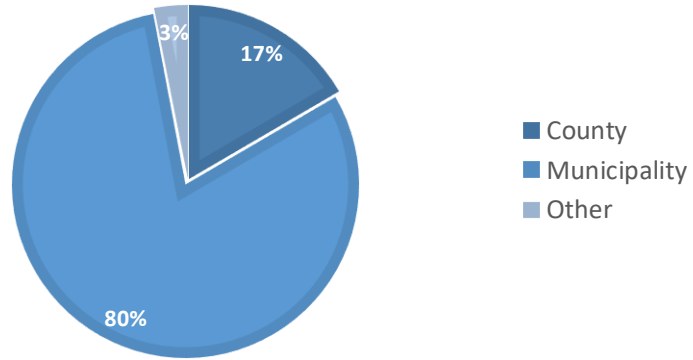


Survey Response Rates

Responses by Population Group (Percentage of Total Responses)



Responses by Organization Type (Percentage of Total Responses)



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

