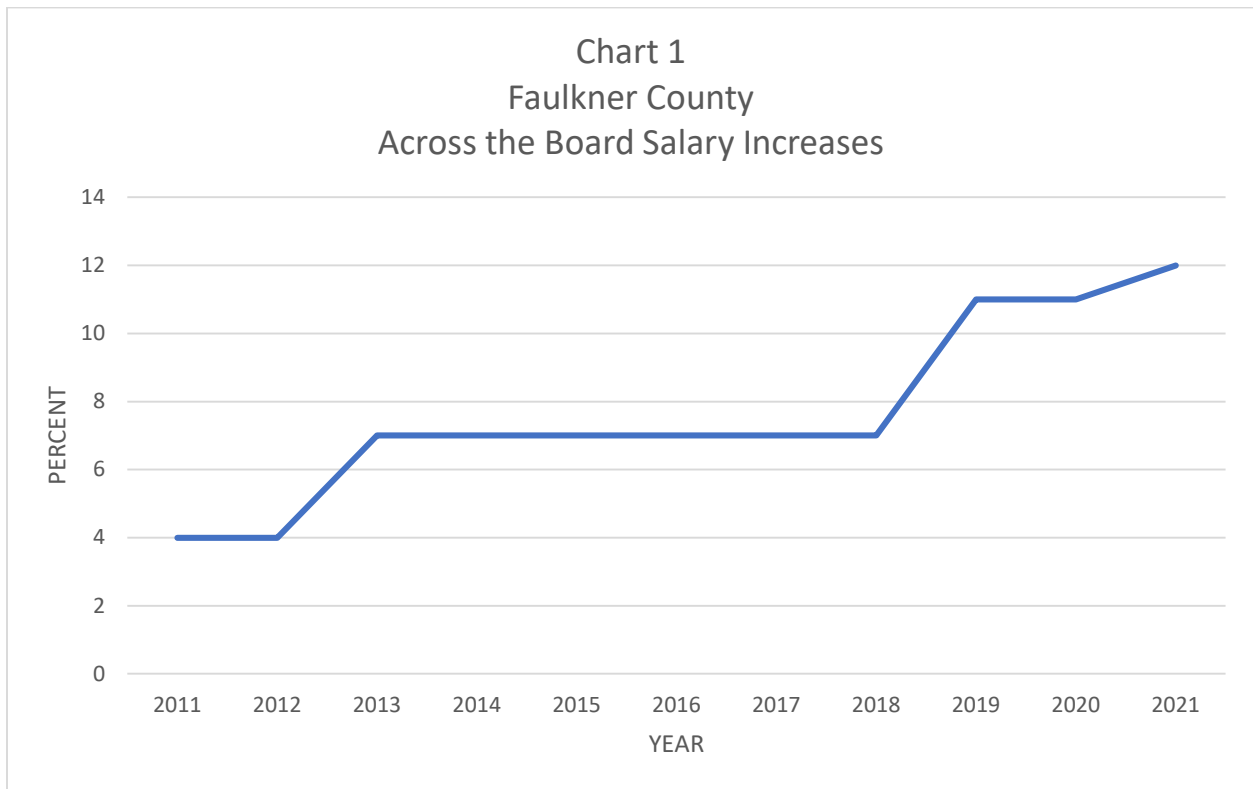


COST OF LIVING ADJUSTMENT (COLA)

Nobody likes to see the prices for goods and services rise before their eyes. For folks who earn median wages or are in tight financial situations, inflation can be painful, especially if prices are rising faster than wages.

This is the case for all Faulkner County employees.

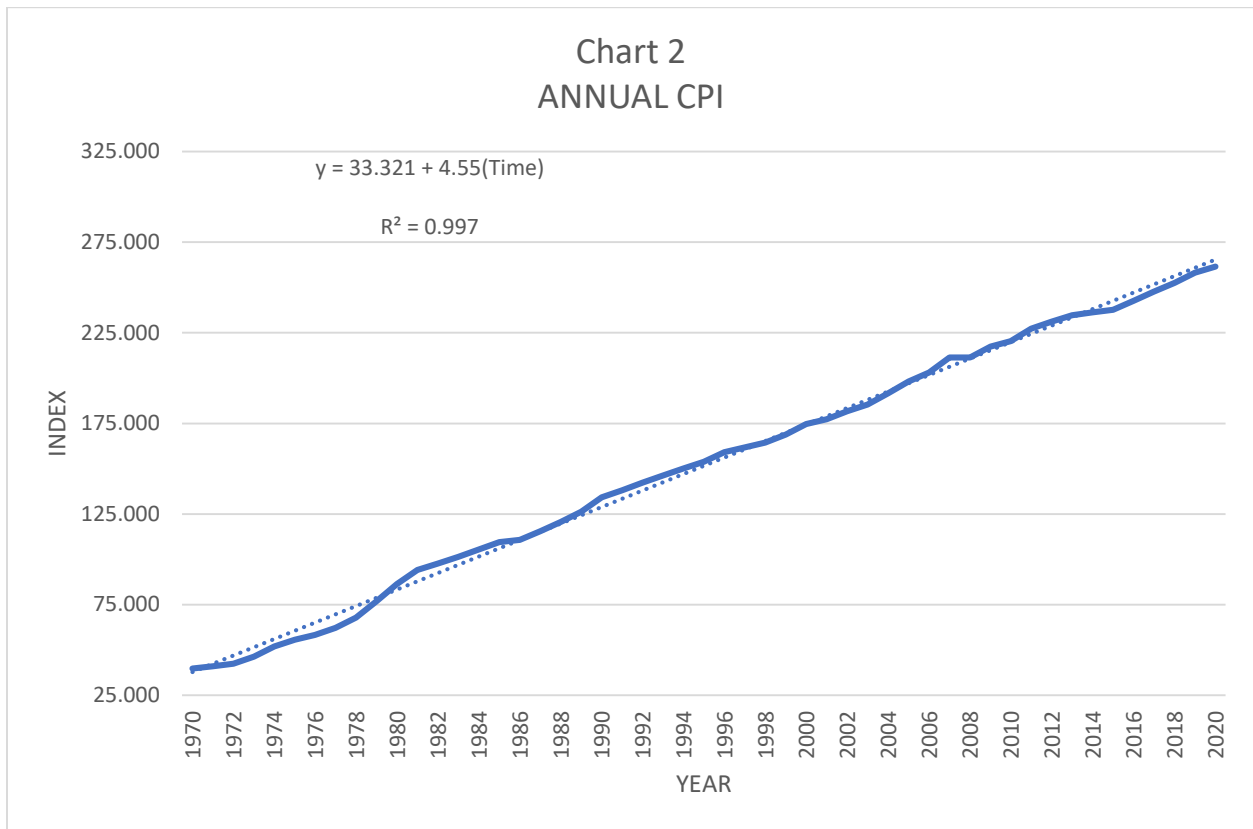
Chart 1 shows the across-the-board salary increases for Faulkner County employees since 2011.



Source: Faulkner County annual budgets

Some employees have received salary increases in addition to the across-the-board increases.

The increases in the CPI since 1970 is shown in Chart 2.

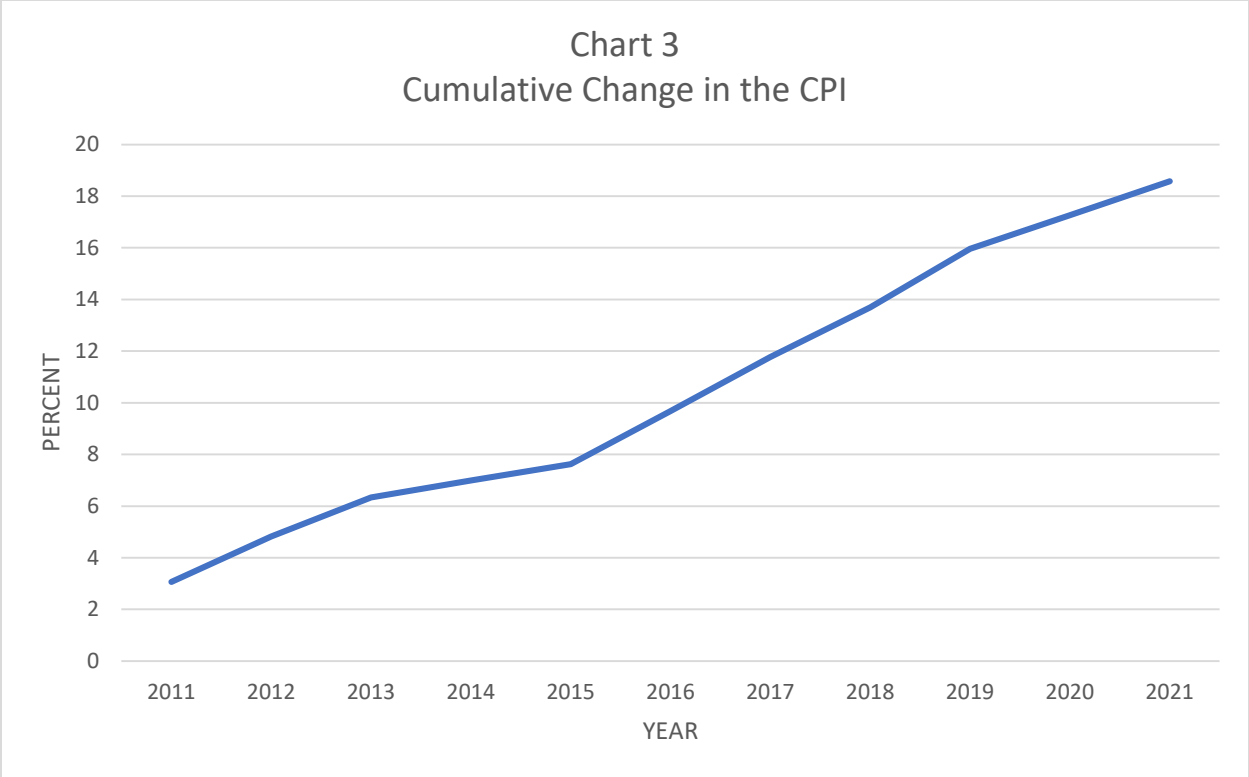


Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>.

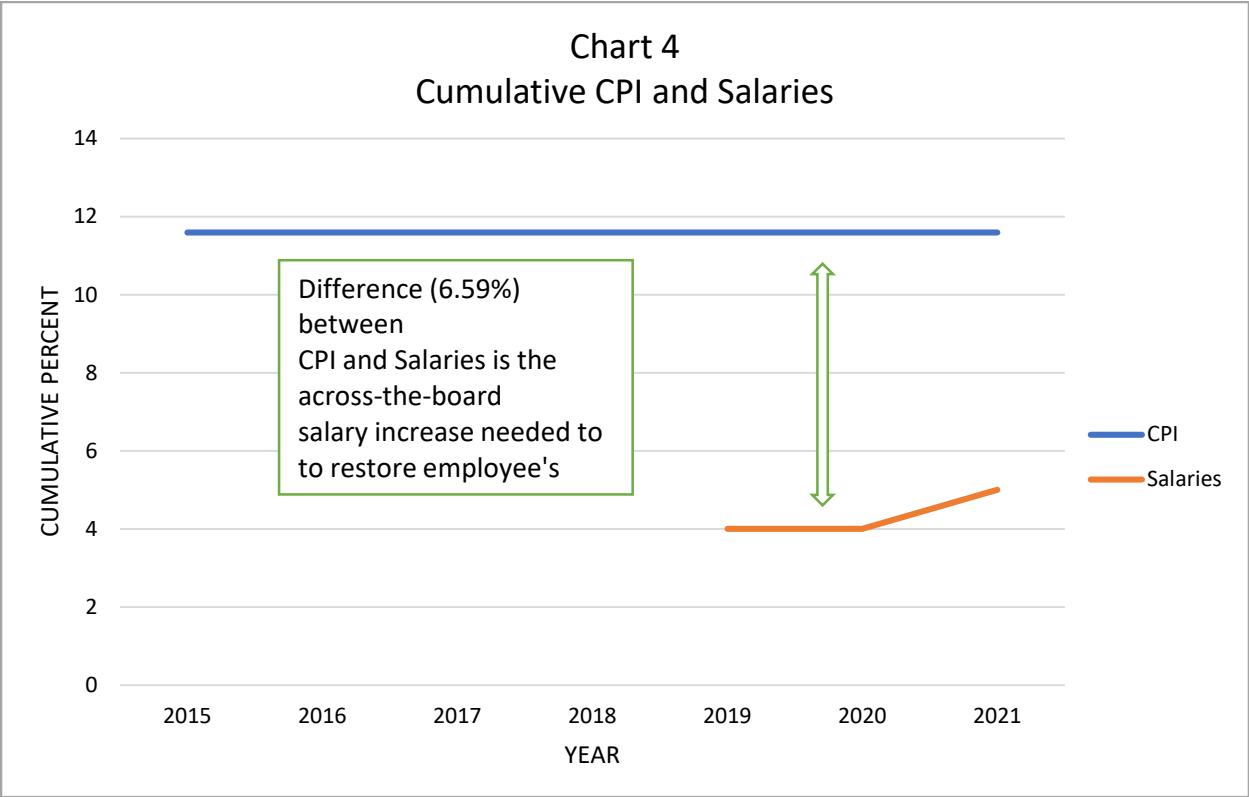
The 'X' variable is time. It is coded as 1970 = 1, ..., 2020 = 74 in the regression.

The relentless increase in the price level is almost linear and increasing at an average of 4.55 per year. The estimated simple linear regression is shown on the chart.

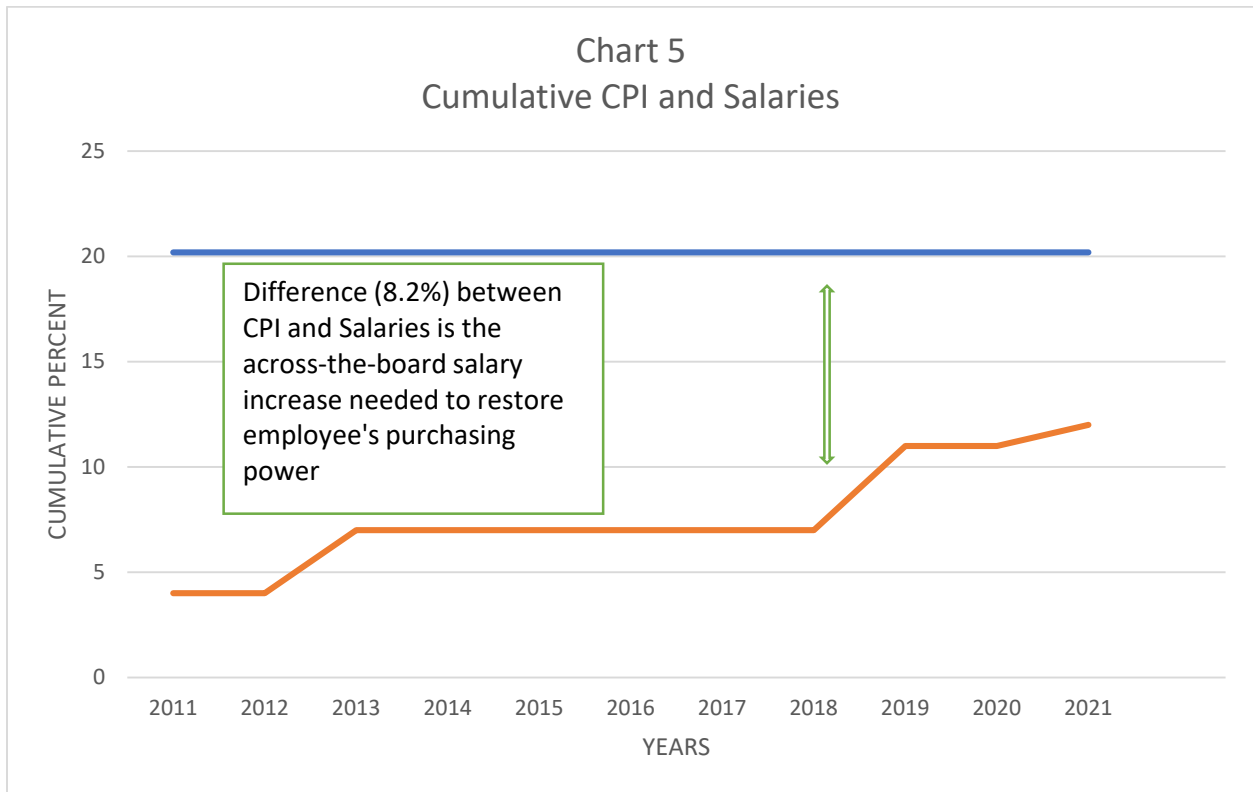
If the same time period beginning in 2011 as used in Chart 1, then Chart 3 shows the cumulative change in the CPI.



If Chart 1 and Chart 3 are presented as cumulative increases beginning in 2015, then Chart 4 results. This chart includes an estimate of the CPI for 2021.



If the change in CPI and employee salaries is calculated from 2011 to 2021, then Chart 5 shows the resulting loss in purchasing power of 8.2%.



Inflation is an implicit and insidious tax on income resulting in the loss of consumer's purchasing power. Since 2011, the hidden tax reduced Faulkner County's employees purchasing power by 8.2%