

FY2025 NDAA: Military Basic Pay Reform Proposal

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In 2023, the House Armed Services Committee (HASC) [established a Quality of Life \(QOL\) Panel](#) to develop proposals for an FY2025 National Defense Authorization Act (FY2025 NDAA). On April 8, 2024, the QOL Panel released its [final report](#). Several of the Panel's recommendations were included in the [Servicemember Quality of Life Improvement Act](#) (H.R. 8070). The bill became the vehicle for the House version of the FY2025 NDAA, known as the Servicemember Quality of Life Improvement and National Defense Authorization Act for Fiscal Year 2025.

One of the pillars of the Panel's effort was pay and compensation, which included a review of the basic pay tables. In its final report, the Panel noted concern about the adequacy of [junior enlisted pay](#) and recommended a pay raise of 15% for enlisted servicemembers in paygrades E-1 to E-4 with a smaller raise for those between E-4 and E-5 to continue to incentivize retention at these higher paygrades. Congress is considering whether to adopt these initiatives and other related compensation proposals as part of an FY2025 NDAA.

Background

Congress appropriates funds for military pay and benefits, generally authorized under Title 37 of *United States Code* (U.S.C.). Basic pay is typically the largest component of military cash compensation, which also includes [housing](#) and subsistence allowances. The amount of basic pay varies based on a servicemember's paygrade (rank) and years of military service. The [Defense Finance and Accounting Service \(DFAS\)](#) publishes pay tables for the calendar year. [37 U.S.C. 1009\(c\)](#) provides a permanent formula for an automatic annual increase in basic pay that is indexed to inflation. This inflation-indexed pay increase generally applies across all paygrades; however, Congress has in the past authorized alternative pay raises or caps for specific paygrades (see CRS In Focus IF10260, *Defense Primer: Military Pay Raise*). The FY2025 [President's budget](#) requested a proposed pay increase for all military servicemembers of 4.5%, consistent with the statutory formula.

The most recent reform of military pay tables was authorized in the FY2007 NDAA (P.L. 109-364). It included targeted pay raises for warrant officers and enlisted members serving in the mid-career (E-5 to E-7) grades and extended the basic pay table to 40 years, providing longevity step increases for the

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highest officer, warrant officer, and enlisted grades. The [committee report to accompany the bill](#) stated the targeted raises would “allow these groups to achieve a level of income that is more comparable with their private sector peers.”

Legislation

Section 1801 of H.R. 8070 would target junior enlisted paygrades by increasing pay for enlisted servicemembers in paygrades E-1, E-2, and E-3 by 15% and would provide a smaller pay raise for those in paygrades E-4 and E-5. These pay raises would be in addition to the annual inflation adjustment of 4.5%, if Congress does not specify an alternate adjustment.

Discussion

The QOL Panel report highlighted several reasons for targeting junior enlisted for the larger pay increase, including military recruiting challenges, [self-reported food insecurity among servicemembers](#), rapid inflation amidst a lagging index for military pay increases, and relatively larger increases in earnings for lower-income civilian workers relative to higher-income workers. There is [some evidence](#) that increases in cash compensation are correlated with an increase in the supply of high-quality recruits. Pay is also cited as a top motivating factor for military service in [DOD youth surveys](#).

Although basic pay is the largest component of cash compensation, analysts generally compare military and civilian pay using *regular military compensation* (RMC), defined [in law](#) as “the total of the following elements that a member of the uniformed services accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, [basic allowance for housing \(BAH\)](#), [basic allowance for subsistence \(BAS\)](#), and Federal tax advantage accruing to the aforementioned allowances.” [Studies](#) have found that RMC for servicemembers generally exceeds the DOD’s benchmark of the 70th percentile for civilians with comparable education and experience. [Some analysts](#) have suggested that the 70th percentile benchmark may be too low, given the difficult recruiting environment. The QOL Panel’s report recommended that DOD raise these pay benchmarks to the 80th percentile and the 75th percentile for enlisted and officers, respectively.

Congress might consider the costs associated with pay table reform. Increases in basic pay can be more expensive than other policy levers (e.g., targeted bonuses, in-kind benefits) for achieving recruiting or retention goals. This is, in part, due to other benefits that are linked to basic pay such as [retired pay](#) and [survivor benefits](#). However, these benefits are generally based on the final years of earnings after 20 or more years of service, so modifications of junior enlisted pay are less likely to impact those costs. In addition, the most-junior enlisted members are more likely to receive housing and subsistence allowances *in-kind* as barracks lodging and government-provided meals at mess halls. A [2020 Congressional Budget Office \(CBO\) report](#) noted that “a system weighted more heavily toward cash compensation would be valued more highly by many service members and thus could be more effective in recruiting and retaining personnel than an extensive noncash system.”

The [Administration opposed](#) Section 1801, stating it “appreciates the Committee’s concern for the needs of the most junior enlisted members, but strongly opposes making a significant, permanent change to the basic pay schedule before the completion of the [Fourteenth Quadrennial Review of Military Compensation \(QRMC\)](#).” This QRMC was tasked, in part, to “review the military basic pay table to ensure it is structured to further strengthen service members’ economic security and enhance [DOD’s] ability to recruit and retain the Nation’s finest.” [CBO](#) estimates the pay proposal “would cost \$24.4 billion over the 2025-2029 period.”

Congress might also consider the entire package of QOL proposals in H.R. 8070 that would affect other elements of RMC and total cash compensation for servicemembers, which include: raising BAH, expanding eligibility for the basic needs allowance, and requiring a DOD review of the adequacy of BAS.

For more background, see CRS Report RL33446, *Military Pay: Key Questions and Answers*.

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