

FY2025 NDAA: Military Basic Pay Reform Proposal

Updated September 10, 2024

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). Several of the Panel's recommendations from the [final report](#) 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.

The Panel's effort included a review of the military [basic pay tables](#). In its final report, the Panel noted concern about the adequacy of [junior enlisted pay](#) and recommended pay raises for E-1 through E-4 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 as published by the [Defense Finance and Accounting Service \(DFAS\)](#) 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 occasionally authorized alternative pay raises or caps for specific paygrades (see CRS In Focus IF10260, *Defense Primer: Military Pay Raise*).

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 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."

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IN12367

Legislation

The FY2025 [President's budget](#) requested a proposed pay increase for all military servicemembers of 4.5%, consistent with the statutory formula. Both the House-passed and Senate Armed Services Committee (SASC)-reported versions of the bill would authorize larger pay raises for selected junior personnel than the President's budget request (see **Table 1**). Section 1801 of H.R. 8070 adopts the QoL Panel recommendation with a proposed 15% pay increase for servicemembers in E-1 through E-4 paygrades. It also would provide [an average pay raise of 7% for E-5s with less than 10 years of service](#). Section 601 of the SASC-reported S. 4638 would authorize a 1% increase for E-1 through E-3s. According to [reporting](#), SASC Members cited [statutory spending caps](#) as a reason for smaller proposed pay increases than the House version of the bill.

Both House and SASC-proposed pay raises would be in addition to an annual inflation adjustment of 4.5%. The Congressional Budget Office ([CBO](#)) estimates the House's pay proposal "would cost \$24.4 billion over the 2025-2029 period."

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." The SASC-reported bill also includes a provision (Section 596) that, if enacted would create a "National Commission on the Quality of Life for the All-Volunteer Force" that would also examine servicemember compensation, among other topics.

Table 1. Comparison of Selected Provisions for an FY2025 NDAA

House-passed (H.R. 8070)	SASC-Reported (S. 4638)
Section 1801 would amend pay tables to provide a pay raise of 15% for paygrades E-1 through E-4, and an average raise of 7% for certain E-5 paygrades. These would be in addition to the annual inflation adjustment of 4.5%.	Section 601 would amend pay tables to provide a pay raise of 1% for paygrades E-1 through E-3. This would be in addition to the annual inflation adjustment of 4.5%.

Source: CRS analysis of legislation.

Discussion

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 "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 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.

While RMC has been found to be favorable comparable to civilian pay, the most-junior enlisted members are more likely to receive benefits *in-kind*, rather than in cash allowances (e.g., housing in barracks and mess-hall meals). A [2020 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 QOL Panel highlighted several reasons for targeting junior enlisted for basic pay table reform, 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, and pay is cited as a top motivating factor for service in [DOD youth surveys](#).

Congress might also consider pay table reform in the context of other ongoing or proposed efforts to study the issue, as well as other military compensation proposals in H.R. 8070 and S. 4638 (e.g., raising/expanding BAH, [expanding eligibility for the basic needs allowance](#)).

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

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