

# FY2025 NDAA: Military Basic Pay Reform Proposal

Updated December 30, 2024

In 2023, the House Armed Services Committee (HASC) [established a Quality of Life \(QOL\) Panel](#) to develop legislative proposals in support of military servicemembers and their families. 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. The *Servicemember Quality of Life Improvement and National Defense Authorization Act for Fiscal Year 2025* (FY2025 NDAA, P.L. 118-159), signed into law on December 23, 2024, allows for a 4.5% pay raise for all servicemembers on January 1, 2025, and enacts an additional pay raise for junior enlisted servicemembers, scheduled for April 1, 2025.

## 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 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). [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 on January 1 of each year; however, Congress has occasionally authorized alternative pay raises or caps for specific paygrades (see CRS In Focus IF10260, *Defense Primer: Military Pay Raise*).

Prior to 2024, military pay tables were last reformed in the FY2007 NDAA (P.L. 109-364). This legislation 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.

## Legislation

The FY2025 [President's budget](#) request proposed a 4.5% pay increase for all military servicemembers, consistent with the statutory formula. This 4.5% pay raise is, therefore, in effect for all servicemembers

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on January 1, 2025. Section 601 of the FY2025 NDAA included an additional pay raise for junior servicemembers, authorized to become effective April 1, 2025. Servicemembers in paygrades E-1 through E-4 stand to see a total increase of 10.5%, and E-5s with fewer than ten years of service an average pay raise of 7% (including the January 1 increase of 4.5%). The agreement authorizes a smaller pay raise than the 15% proposed by the House, and a bigger raise than the 1% proposed by the Senate Armed Services Committee (SASC) (see **Table 1**). According to [reporting](#), SASC Members cited [statutory spending caps](#) as a reason for smaller proposed pay increases than the House version of the bill. The Congressional Budget Office (CBO) estimated the House’s pay proposal would have “cost \$24.4 billion over the 2025-2029 period.”

The [Administration had opposed](#) the House version of the bill, 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 QRMC is anticipated to be published in 2025.

**Table 1. Comparison of Selected Provisions for an FY2025 NDAA**

House-Passed (H.R. 8070)	SASC-Reported (S. 4638)	Enacted (P.L. 118-159)
Section 1801 would have amended pay tables to provide a pay raise of 15% for paygrades E-1 through E-4, and an average raise of 7% for E-5s with fewer than 10 years of service. These would be in addition to the annual inflation adjustment of 4.5%.	Section 601 would have amended 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%.	Section 601 amends pay tables, effective April 1, 2025 to provide a 10.5% pay raise for paygrades E-1 through E-4, and an average raise of 7% for E-5s with fewer than 10 years of service. These are in addition to the annual inflation adjustment of 4.5% for all servicemembers.

**Source:** CRS analysis of legislation.

## Discussion

Basic pay is just one component of servicemember 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 70<sup>th</sup> percentile for civilians with comparable education and experience. [Some analysts](#) have suggested that the 70<sup>th</sup> 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 80<sup>th</sup> percentile and the 75<sup>th</sup> percentile for enlisted and officers, respectively.

While RMC has been found to be 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](#).

As the scheduled FY2025 NDAA pay table raises are implemented, Congress might consider continued oversight of the effects of these raises on recruitment, retention, and servicemembers' well-being. Congress might also consider the 14<sup>th</sup> QRMC findings, when published, with respect to future pay table legislation.

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

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