



October 10, 2017

## Defense Primer: Military Pay Raise

The phrase “military pay raise,” frequently used in discussions of military compensation, is almost always a reference to the annual increase in *basic pay* for members of the uniformed services. By law, basic pay is automatically increased at the start of each calendar year by an amount linked to the change in the Employment Cost Index (ECI), although the President or Congress may override this statutory adjustment.

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Basic pay for all servicemembers increased by 2.1% on January 1, 2017.

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### What is Basic Pay?

Basic pay is one component of the military compensation package, which also includes housing, subsistence, health care, and retirement benefits. For most servicemembers it is the largest element of the compensation they receive in their paycheck and typically accounts for about two-thirds of an individual’s “regular military compensation” (RMC). RMC is “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, basic allowance for subsistence, and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax.” (37 U.S.C. §101(25)).

The rate of basic pay an individual receives varies based on his or her paygrade (rank) and years of military service. For example, a newly enlisted recruit (paygrade E-1) with four or more months of service and less than two years of service receives \$1,599.90 in basic pay per month in 2017, while a more senior enlisted person (paygrade E-6) with between ten and twelve years of service receives \$3,480.30 per month. A newly joined officer (paygrade O-1) with less than two years of service receives \$3,034.80 in basic pay per month in 2017, while a more senior officer (paygrade O-4) with between ten and twelve years of service receives \$6,887.40 per month. Complete pay data available at <http://www.dfas.mil/militarymembers/payentitlements/military-pay-charts.html>.

### How is the Annual Increase in Basic Pay Calculated?

Section 1009 (c) of Title 37 provides a permanent formula for an automatic annual increase in basic pay that is indexed to the annual increase in the ECI for “wages and salaries, private industry workers.” The automatic adjustment is

equal to the increase in the ECI from the 3<sup>rd</sup> quarter of the third preceding year to the 3<sup>rd</sup> quarter of the second preceding year. For example, in the 12-month period between the quarter that ended in September 2010 and the quarter that ended in September 2011, the ECI increased by 1.7%. Hence the pay raise for 2013, as calculated by the statutory formula, was 1.7%.

However, under subsection (e) of this statute, the President can specify an alternative pay adjustment that supersedes the automatic adjustment. Additionally, Congress may pass a law to specify the annual pay raise, superseding the automatic adjustment and/or any presidential adjustment.

### Pay Raise for 2017

The adjustment in basic pay for 2017 under the statutory formula was 2.1%. President Obama exercised his authority to specify an alternative adjustment, setting the increase at 1.6%. However, section 601 of the National Defense Authorization Act (NDAA) for FY2017 specified the pay raise would be 2.1%, superseding the President’s alternative adjustment.

### Statutory Formula for 2018

The adjustment in basic pay for 2018 under the statutory formula is 2.4% (reflecting the increase between the ECI for the 3<sup>rd</sup> quarter of 2015 and the 3<sup>rd</sup> quarter of 2016).

### Congressional and Presidential Action for 2018

The FY2018 President’s Budget requested a 2.1% increase in basic pay, lower than the statutory formula of 2.4%. This was in keeping with the Department of Defense plan to limit increases in basic pay through FY2020. On August 31, 2017, President Trump sent a letter to congressional leaders invoking his authority under 37 U.S.C. 1009(e) to set the pay raise at 2.1%.

Section 601 of the House-passed version of the FY2018 NDAA would require the statutory formula increase (2.4%) to go into effect, “notwithstanding any determination made by the President under subsection (e) of such section with respect to an alternative pay adjustment....”

Section 601 of the Senate-passed version of the FY2018 NDAA would waive the automatic increase in basic pay under the statutory formula of 37 U.S.C. §1009, and set the pay raise at 2.1%.

The pay raise for 2018 is still unclear at this time, pending enactment of the FY2018 NDAA.

**Table 1. Historical Increases in Basic Pay**

Pay raise figures do not include targeted increases (“pay table reform” or PTR), which are discussed in comment column

Calendar Year in which Pay Raise was effective	Statutory Formula	Increase in ECI	Budget Request	PAA	Provision Enacted into Law (NDAA)	Increase in Basic Pay	Comments
2000	=ECI +0.5%	4.3%	4.4%+PTR	n.a.	4.8%+PTR	<b>4.8%+PTR</b>	PTR: Additional increases for most servicemembers, but focused on midgrade enlisted and midgrade officers.
2001	=ECI +0.5%	3.2%	3.7%	n.a.	3.7%+PTR	<b>3.7%+PTR</b>	PTR: Additional increases for midgrade enlisted.
2002	=ECI +0.5%	4.1%	5.0%+PTR	n.a.	5.0%+PTR	<b>5.0%+PTR</b>	PTR: Additional increases for most servicemembers, but focused on midgrade and senior enlisted members, midgrade officers and some warrant officers.
2003	=ECI +0.5%	3.6%	4.1%+PTR	n.a.	4.1%+PTR	<b>4.1%+PTR</b>	PTR: Additional increases for midgrade and senior enlisted, midgrade officers, and some warrant officers.
2004	=ECI +0.5%	3.2%	2.0%+PTR	n.a.	3.7%+PTR	<b>3.7%+PTR</b>	PTR: Additional increases for midgrade and senior enlisted, and some warrant officers.
2005	=ECI +0.5%	3.0%	3.5%	n.a.	3.5%	<b>3.5%</b>	
2006	=ECI +0.5%	2.6%	3.1%	n.a.	3.1%	<b>3.1%</b>	
2007	= ECI	2.2%	2.2%	n.a.	2.2%+PTR	<b>2.2%+PTR</b>	PTR: Additional increases for midgrade enlisted and some warrant officers; pay table extended to 40 years of service.
2008	= ECI	3.0%	3.0%	n.a.	3.5%	<b>3.5%</b>	
2009	= ECI	3.4%	3.4%	n.a.	3.9%	<b>3.9%</b>	
2010	= ECI	2.9%	2.9%	n.a.	3.4%	<b>3.4%</b>	
2011	= ECI	1.4%	1.4%	n.a.	NGP	<b>1.4%</b>	
2012	= ECI	1.6%	1.6%	n.a.	NGP	<b>1.6%</b>	
2013	= ECI	1.7%	1.7%	n.a.	1.7%	<b>1.7%</b>	
2014	= ECI	1.8%	1.0%	1.0%	NGP	<b>1.0%</b>	
2015	= ECI	1.8%	1.0%	1.0%	NGP	<b>1.0%</b>	No increase for paygrades O-7 and higher.
2016	= ECI	2.3%	1.3%	1.3%	NGP	<b>1.3%</b>	No increase for paygrades O-7 and higher.
2017	=ECI	2.1%	1.6%	1.6%	2.1%	<b>2.1%</b>	
2018	=ECI	2.4%	2.1%	2.1%			

**Source:** Statutory formula from 37 U.S.C. 1009; increase in ECI from Bureau of Labor Statistics; presidential alternative adjustment from presidential notification to Congress; provision enacted into law from relevant NDAA.

**Notes:** PAA= presidential alternative adjustment; PTR = pay table reform (targeted changes in certain cells of the pay table, thereby giving certain groups higher pay raises than provided by the general increase); NGP = no general statutory provision; n.a. = not applicable.