



August 1, 2018

## Defense Primer: Military Pay Raise

The phrase “military pay raise,” frequently used in discussions of military compensation, almost always refers 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.

### Pay Raise for 2018

Basic pay for all servicemembers increased by 2.4% on January 1, 2018.

### 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 \$1,638.30 in basic pay per month in 2018, while a more senior enlisted person (paygrade E-6) with between 10 and 12 years of service receives \$3,563.70 per month. A newly joined officer (paygrade O-1) with less than two years of service receives \$3,107.70 in basic pay per month in 2018, while a more senior officer (paygrade O-4) with between 10 and 12 years of service receives \$7,052.70 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 third quarter of the third preceding year to the third quarter of the second preceding year. For example, in the 12-month period between the quarter that ended in September 2014 and the quarter that ended in September 2015, the ECI increased by 2.1%. Hence the pay raise for calendar year 2017, as calculated by the statutory formula, was 2.1%.

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.

### 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%. However, Section 601 of the FY2018 NDAA (P.L. 115-91) specified the pay raise would be 2.4%, superseding the President’s alternative adjustment.

### Statutory Formula for 2019

The adjustment in basic pay for calendar year 2019 under the statutory formula is 2.6% (reflecting the increase between the ECI for the third quarter of 2016 and the third quarter of 2017). The actual increase in basic pay for 2019 may be different, depending on presidential or congressional action.

### Congressional and Presidential Action for 2019

The FY2019 President’s Budget requested a 2.6% increase in basic pay, equivalent to the statutory formula. The conference version of H.R. 5515, the John S. McCain National Defense Authorization Act for FY 2019, contained no provision relating to a general increase in basic pay, and would thereby leave the automatic adjustment of 37 U.S.C. 1009 in place. According to the Joint Explanatory Statement, “The conferees note that current law authorizes automatic military pay raises consistent with the Economic Cost Index, which for calendar year 2019 amounts to a 2.6 percent raise in basic pay for all members of the uniformed services.”

**Table I. 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%	2.4%	<b>2.4%</b>	
2019	=ECI	2.6%	2.6%				

**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.