ATLAS OF MILITARY COMPENSATION, 2026

Compensation for military personnel is found in both the defense and nondefense parts of the federal budget. Defense funding, in the Department of Defense's (DoD's) budget, is mostly for current military personnel. Nondefense funding in the Department of Veterans Affairs (VA) is mostly for former military personnel.

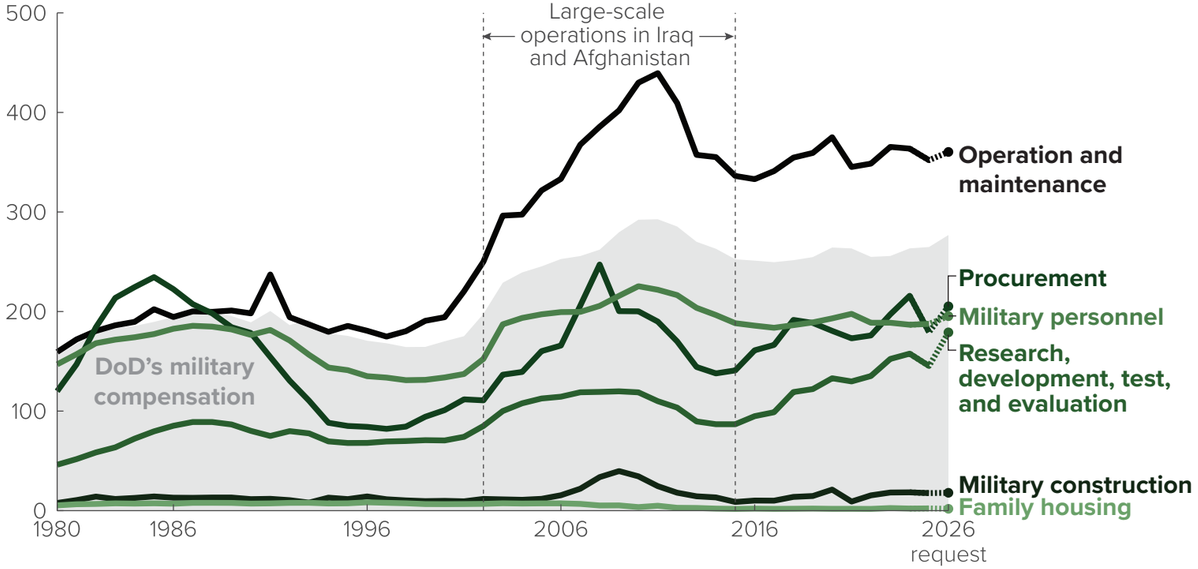
Since 2000, the total budget for military compensation has risen steadily, even though the number of military personnel and veterans has declined. Spending by VA has accounted for most of that increase, rising from a small fraction of total spending on military personnel to about 61 percent in the President's 2026 budget request. In that budget request, total military compensation is $718 billion. (Of that total, $277 billion is for DoD, and $441 billion is for VA.)

Military Compensation: Defense and Nondefense Spending

Most military compensation in DoD's budget is funded through the appropriation for military personnel; the rest (including, for example, medical care and family programs) is funded through the appropriations for operation and maintenance (O&M) and family housing. Total military compensation funding accounted for 20 percent of DoD's total budget request in 2026.

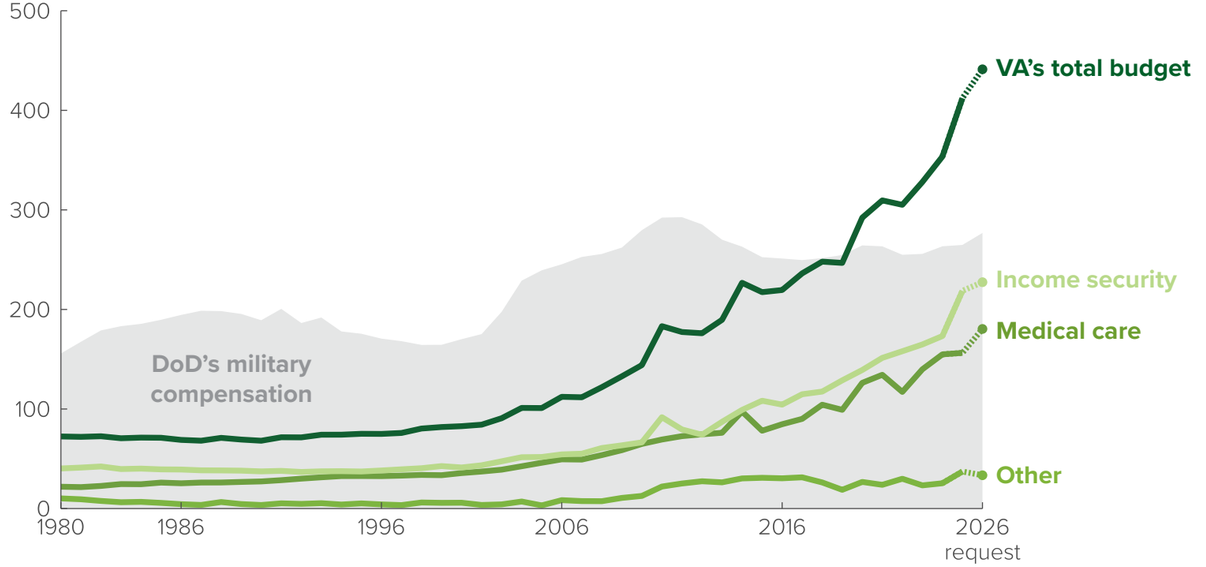
Budget of the Department of Defense

Billions of 2026 dollars



Budget of the Department of Veterans Affairs

Billions of 2026 dollars



VA's budget funds income security programs (mostly disability compensation but also pension benefits and survivors' compensation), medical care (in VA's facilities as well as at private-sector facilities), and other benefits and activities (mostly educational benefits but also administrative activities). The budget primarily funds benefits for veterans, but some benefits (such as VA-guaranteed home loans) can be accessed while serving in the military.

After growing little from 1980 to 1999, VA's budgets have increased rapidly; in the 2026 request, VA funding is 5.4 times the amount appropriated in 1999 in real (inflation-adjusted) terms. Income security and medical care account for most of that growth; in the 2026 budget request, each of those programs alone approaches the size of DoD's military personnel budget.

Although VA's funding has grown rapidly since 1999, the number of veterans has declined. Furthermore, the share of veterans receiving disability compensation who are combat veterans has decreased—even though the United States was engaged in operations in Iraq and Afghanistan for more than 10 years. Because of policy changes, veterans who served after 9/11 (known as Gulf War II veterans) are more likely to receive medical and disability benefits whether or not they served in combat.

Trends in Total Compensation in DoD's Budget

Compensation for military service members in DoD's budget falls into three categories: cash, noncash, and deferred. Cash compensation is what service members receive in their paychecks, including basic pay and allowances for housing and food. Noncash compensation includes health care for service members and their families as well as services that improve military families' quality of life (such as schools, childcare, and commissaries). Deferred compensation includes benefits like service members' military pensions, matching contributions to the Thrift Savings Plan, and retiree health care plans.

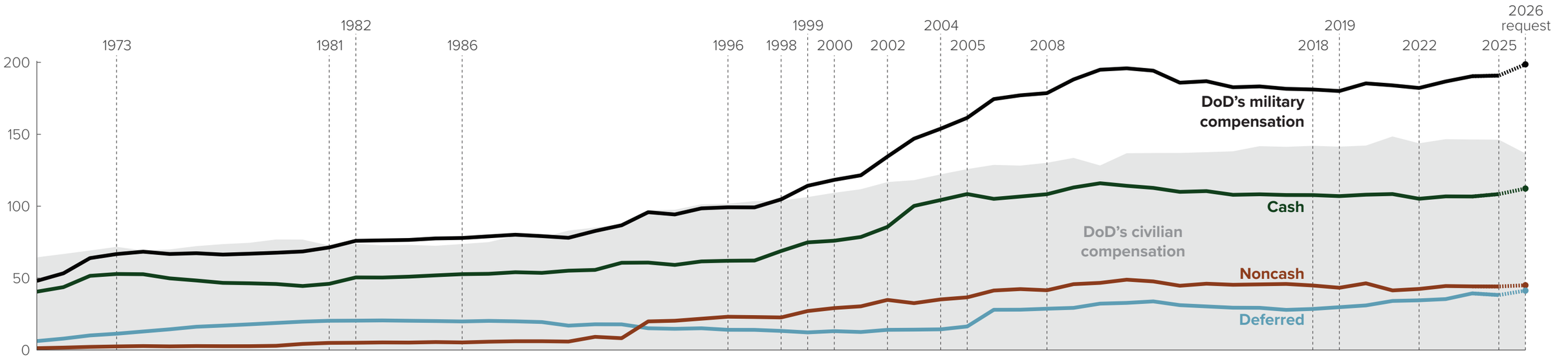
From the beginning of the all-volunteer force in 1973 to the mid-1990s, the real costs of compensation per service member grew slowly with a series of step increases as Congress worked to align military compensation with private-sector compensation. Between 2000 and 2010, the cost of compensation grew rapidly, driven by four factors: the addition of new deferred benefits and increases in the cost of health care, in housing allowances, and in basic pay due to pay table adjustments. Around 2010, compensation costs leveled off—even receding a little from 2013 to 2021, when fiscal spending caps were in place. In 2025, compensation spiked because of a Congressionally mandated adjustment to the pay table for junior enlisted personnel.

In DoD's 2026 budget request, the total real compensation cost per service member is about 4.1 times the cost in 1970. Most of that growth occurred between 1999 and 2011.[1] For context, if DoD's costs of military compensation had grown at the same rate as DoD's civilian compensation, the cost in 2026 would have been half as much, about 2.1 times the value in 1970.

1. To identify trends in military compensation and remove the effects of changes in the size of the force, total spending is divided by the number of full-time military service members (defined as active component and active guard and reserve service members). That per-person rate only shows trends in costs and does not represent an average service member's compensation.

Timeline of DoD's Compensation and Landmark Events, 1970 to Present

Thousands of 2026 dollars per person



1973. Ended the Draft: Switched from a conscripted force to an all-volunteer force in the United States.

1981. Raised Pay by 11.7 percent: Boosted pay and allowances one time to make military pay commensurate with civilian wages.

1981. Adjusted Retirement to High-3 Formula: Shifted from a retirement annuity based on final pay to one based on the highest three years of pay to reduce the cost of pension benefits and increase cash compensation.

1982. Increased Regular Military Compensation (RMC): Increased all aspects of RMC; raised allowances for subsistence and quarters by 14.3 percent and basic pay by 10 to 17 percent depending on pay grade.

1986. Enacted the Military Retirement Reform Act: Put in place legislation that resulted in what is referred to as the Redux military retirement system, which reduced the multipliers in the defined benefit plan for service members with less than 30 years of service.

1996. Created the Military Housing Privatization Initiative: Formed a public-private partnership to improve the quality of military family housing. Private contractors are granted very long leases and financial assistance to build and maintain housing on military bases. Service members use their allowances for housing to pay rent to the contractors managing the housing.

1998. Created BAH: Legislated the combination of multiple housing allowances into a unified basic allowance for housing (BAH): The allowance was set to cover 85 percent of service members' housing costs (rent, utilities, and insurance) if they rented housing that was equivalent to the housing that would be assigned to them on a military base.

1999. Repealed Redux: Made enrollment in Redux optional. Service members who joined after August 1, 1986, could choose to retire under the pre-Redux system or opt for Redux plus an immediate $30,000 cash payment.

2000. Reformed Pay Tables: Began an initiative to increase military pay for members at certain pay grades and lengths of service. Over the next 10 years, Congress adjusted pay tables, pay raises, and bonuses to retain talented personnel once they reached mid-career.

2002. Created TRICARE for Life: Provided additional coverage to military retirees and their families who are eligible for Medicare. Paid most of retirees' out-of-pocket costs not covered by Medicare.

2004. Established Concurrent Receipt: Allowed some retired military personnel to receive military retirement pay without any offset for disability compensation received from VA.

2005. Increased BAH to Cover All Housing Costs: Reduced out-of-pocket expenses for housing to zero for service members not living in government-owned-and-operated quarters.

2005. Eliminated Social Security Offset: Increased the benefit paid to spouses of deceased service members, age 62 or older, from 35 percent to 55 percent of the deceased service member's retirement pay.

2008. Changed Reservist Retirement: Lowered the eligibility age for some reservists to start receiving retirement pay based on periods of active-duty service in support of contingency operations.

2018. Established Blended Retirement System: Created a new retirement system for those who joined after 2017. Major changes included matching contributions to the Thrift Savings Plan and reducing the multiplier for the defined benefit plan (from 2.5 percent to 2.0 percent).

2019. Reduced BAH: Set BAH to 95 percent of service members' housing costs for those not living in government-owned-and-operated quarters.

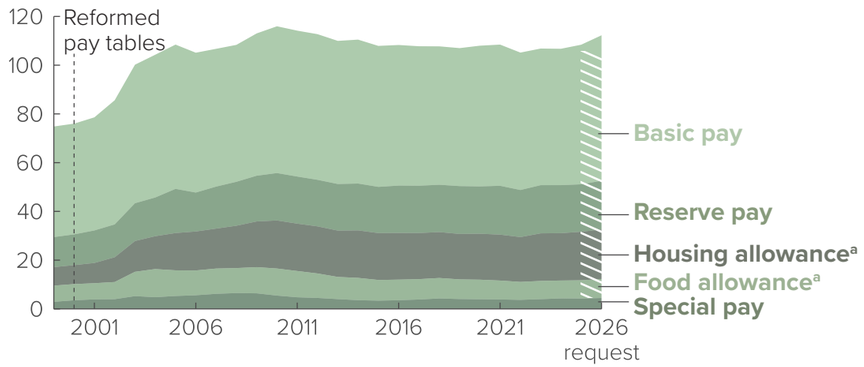
2022. Created Basic Needs Allowance: The 2022 National Defense Authorization Act (NDAA) set a basic needs allowance, or BNA, for military families whose gross household income is below 130 percent of federal poverty guidelines. In 2023, discretionary authority was provided to the Secretary of Defense to grant BNA to families making up to 200 percent of the poverty guidelines.

2025. Reformed Pay Tables: The 2025 NDAA granted all service members a 4.5 percent pay raise, consistent with the employment cost index. Pay reforms in the 2025 NDAA provided service members in pay grades E-1 through E-4 an additional 10.5 percent, for a total pay raise of 15 percent; E-5s with fewer than 10 years of service received an additional raise of 7 percent, on average, for a total pay raise of 11.5 percent.

A Detailed Look at the Categories of DoD's Compensation

Cash

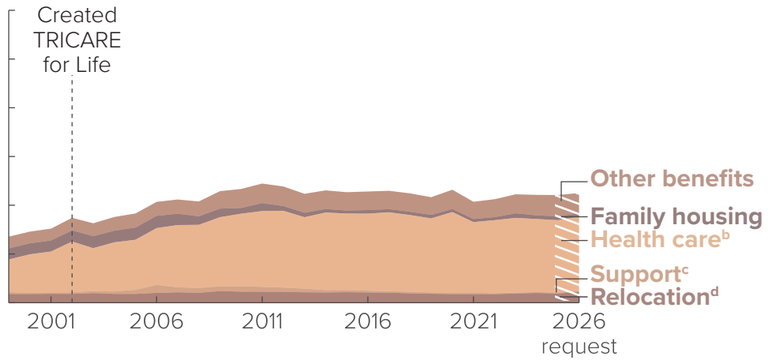
Thousands of 2026 dollars per person



a. The allowances for housing and food are not taxed, increasing the cost of military compensation in the federal budget, not shown here.

Noncash

Thousands of 2026 dollars per person



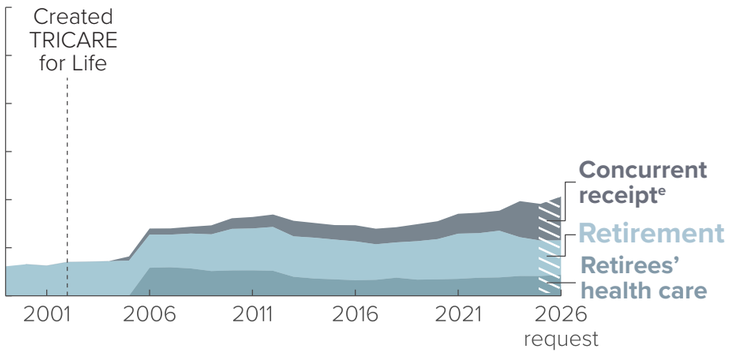
b. Health care is funded out of the operation and maintenance accounts.

c. Programs that improve the quality of life for service members and their families. Examples are DoD's schools, commissaries, child care, and welfare and recreation.

d. When service members are required to change geographic location for their job.

Deferred

Thousands of 2026 dollars per person



e. The cost of paying retired military personnel their military retirement pay without any offset for disability compensation received from VA.

Trends in Cash Compensation

The two largest components of cash compensation are basic pay and the basic allowance for housing—accounting for about 30 percent and 10 percent of total compensation in the 2026 budget request, respectively.

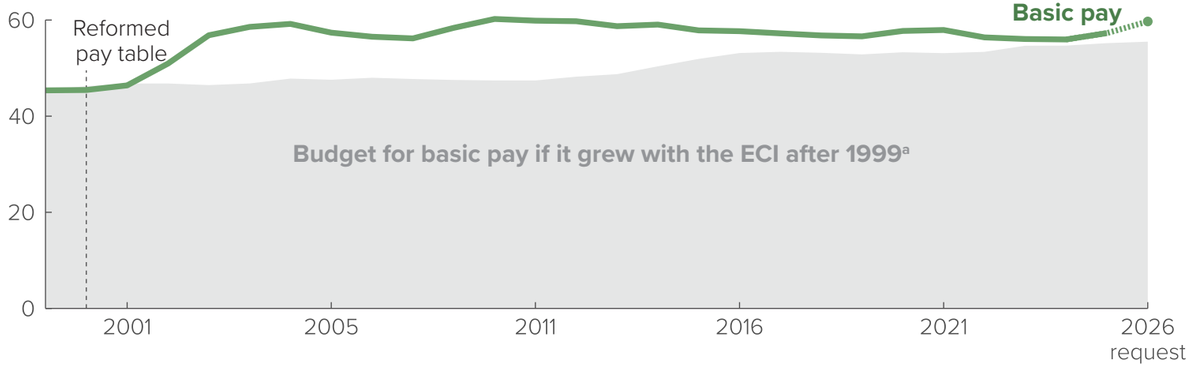
Starting in 2000, military pay reform caused basic pay to grow faster in real terms than it would have if it had grown with the civilian employment cost index, or ECI. Growth was particularly fast from 2002 to 2005. That trend ended around 2010 as DoD began reducing the size of its force. After 2010, the budget for basic pay was relatively flat, even receding a bit between 2010 and 2023 before trending upward in 2024.

Starting in the late 1990s, DoD standardized how it compensated service members who paid for off-base housing in the United States and created BAH. Then, starting in the early 2000s, DoD began to privatize much of its on-base family housing. Service members who live in that housing use their BAH to pay the cost of rent and utilities to private contractors who manage that housing. (Family housing accounts retain some funding to maintain government-owned-and-operated quarters and to oversee the contractors that manage the military housing privatization program.)

Those changes shifted most funding for on-base family housing from an in-kind benefit (paid out of the family housing account) to a tax-free cash benefit (BAH) in the military personnel account. Starting in 2000, as more military housing was privatized, BAH grew, leveling off around 2010. After dipping slightly in 2023, BAH has begun to rise, following inflation in residential rents.

Basic Pay

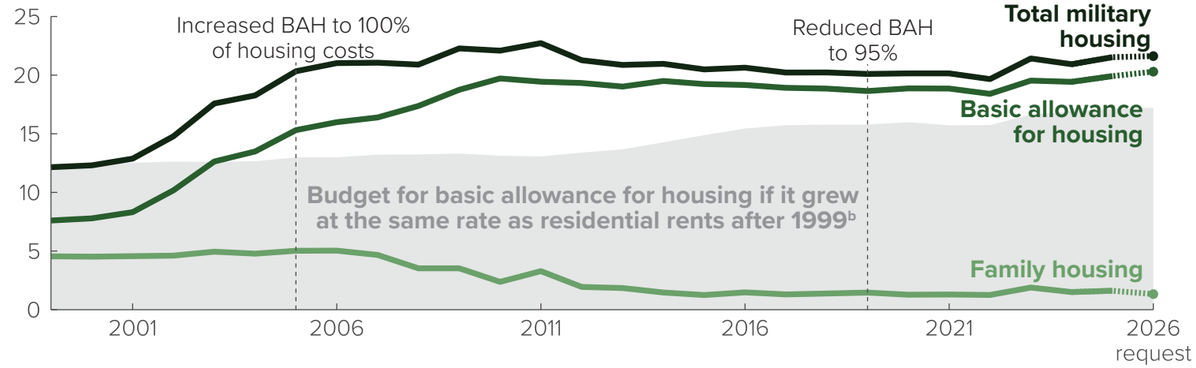
Thousands of 2026 dollars per person



a. The ECI is based on measurements from the Bureau of Labor Statistics that are reported by CBO in its historical budget and economic data: www.cbo.gov/data/budget-economic-data#11.

Military Housing Benefits

Thousands of 2026 dollars per person



b. The rate of growth in residential rents can be found in CBO's historical budget and economic data: www.cbo.gov/data/budget-economic-data#11.

Federal Costs of Military Compensation

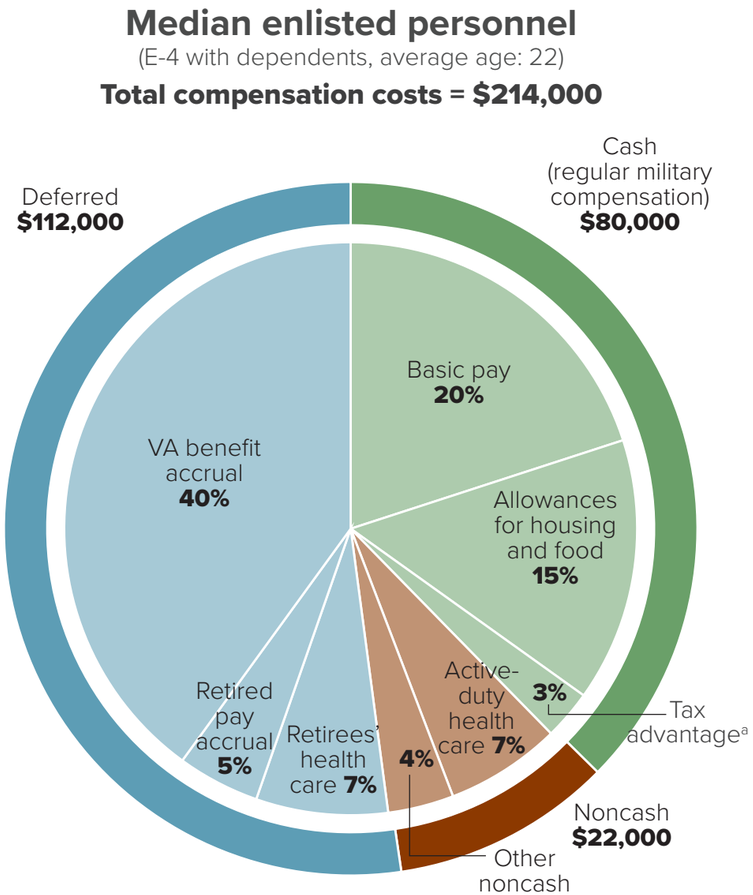
Pay and benefits are intended to attract quality personnel by adequately compensating service members for the unique rigors of military life, including overseas deployments and extended time away from family. Through a mix of cash, noncash, and deferred compensation, DoD attempts to attract and retain the high-quality personnel it needs to fill specialized occupations and to motivate service members to perform their best. Service members receive the cash and noncash components of their compensation each year that they are on active duty. They receive deferred compensation once they leave service—including any money and matching funds they invested in the Thrift Savings Plan (if they opted in). Service members who retire after 20 or more years of service receive health care benefits for life and an annuity.

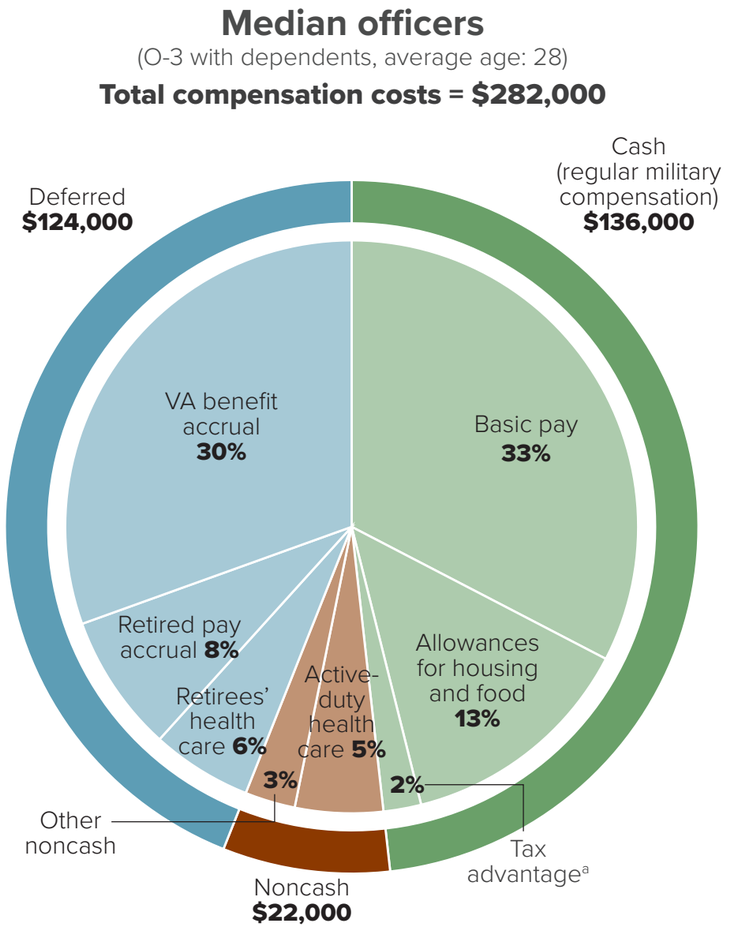
The federal government incurs costs for military personnel outside of DoD, particularly for the VA benefits that many members are eligible for once they leave the service. Those VA benefits are a form of deferred compensation. CBO estimates that if DoD treated those benefits as it treats other forms of deferred compensation (like pensions and health care for retirees)—by accruing their future costs while personnel are on active duty—the cost of military compensation for each service member would increase by about $86,000 a year (or by about 67 percent for an E-4 with dependents) given VA's current benefit policies.[2] Accounting for the cost of VA benefits better reflects the full cost of military personnel and maintaining a military force. The cost of those benefits is a reminder of the effects that decisions made outside of DoD can have on the cost of national security.

2. F. Matthew Woodward, *Accrual Accounting for Veterans' Benefits*, Working Paper 2026-07 (Congressional Budget Office, June 2026), www.cbo.gov/publication/62384.

Cost of Compensation per Service Member, 2026

2026 dollars

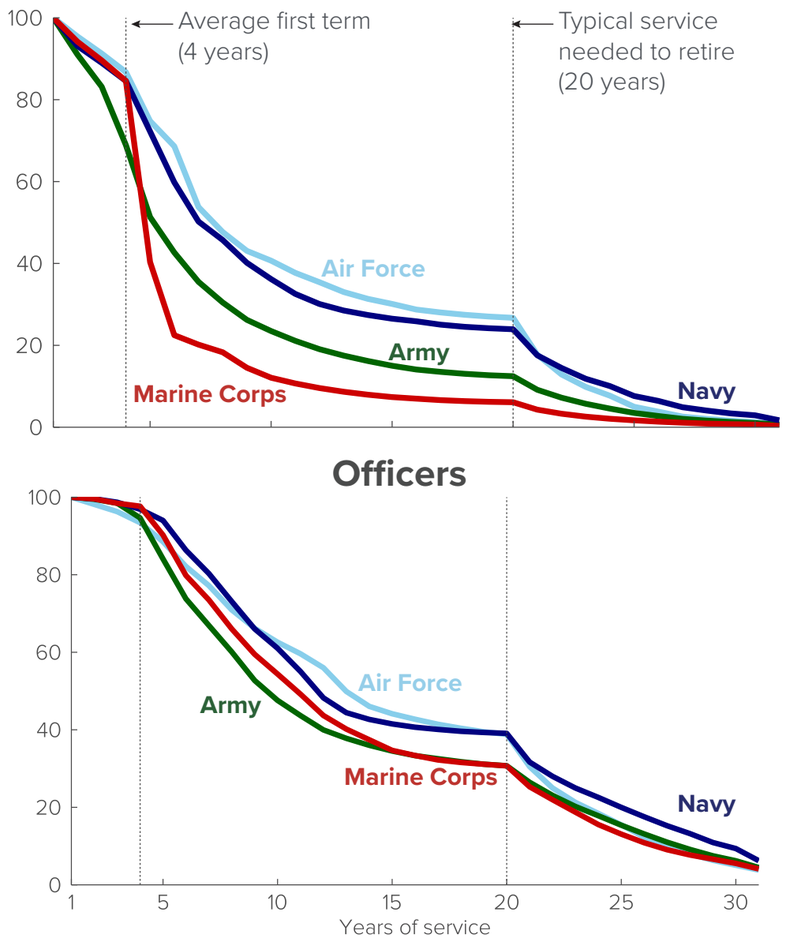




a. DoD's estimate of the benefit a service member receives from the tax-free allowances for food and housing. That amount represents a cost to the federal government in terms of lost tax revenues.

Average Length of Military Service

Percentage of personnel remaining in the military, by years of service



How Elements of Military Compensation Might Be Valued

DoD's mix of compensation is intended to attract and retain service members at different stages in their careers. For example, younger people value cash compensation (like enlistment and reenlistment bonuses and cash pay) more than noncash and deferred compensation. A dollar that they can spend immediately is worth more to them than a dollar of noncash compensation and much more to them than a dollar of deferred benefits. However, as service members reach the middle and latter stages of their careers, they tend to place more value on noncash and deferred compensation because they have families and are getting closer to retirement. In fact, most service members who stay past 10 years remain until retirement, in part because of the increasing value of those benefits to them.

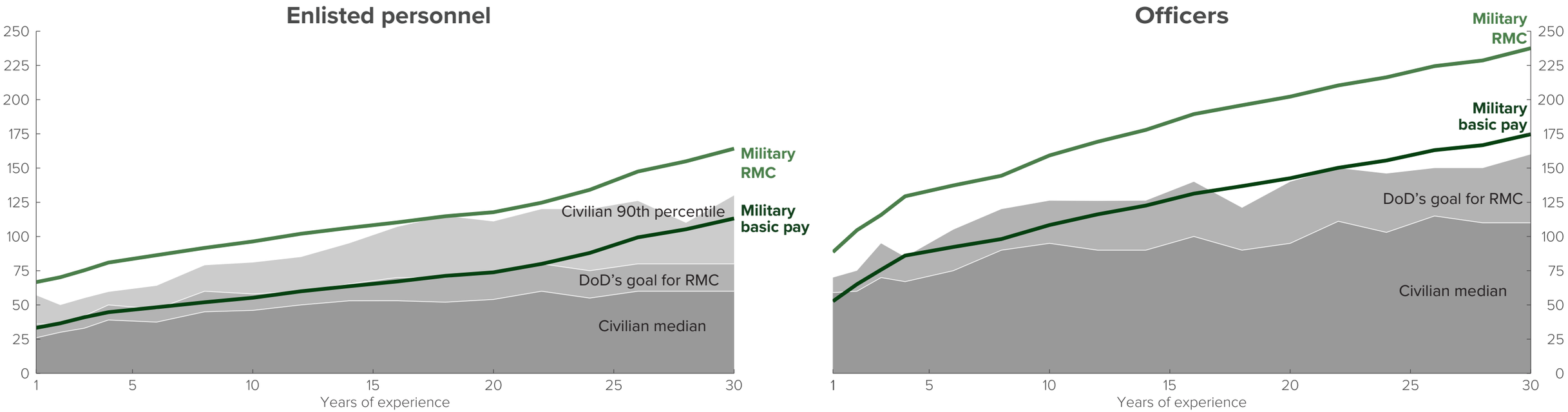
For personnel enlisted in the Army and Marine Corps, which are labor-intensive services with high turnover, cash compensation is very important; almost 80 percent of Marine Corps recruits and about half of Army recruits serve only one tour of duty (or about four years). By contrast, roughly one-quarter of personnel enlisted in the Navy and the Air Force, which are platform-centric forces, stay until retirement, making noncash and deferred compensation more important for them.

How Military Compensation Compares With Civilian Compensation

When setting or adjusting pay for service members, DoD compares military compensation with that of civilians by using the metric of regular military compensation, which includes all cash compensation and the value of the tax-free allowances for service members with different lengths of service. DoD estimates that to attract and retain quality personnel, RMC must be at or above the 70th percentile of compensation for civilians of the same ages and education levels. RMC currently exceeds that benchmark; RMC for enlisted personnel exceeds the 90th percentile of compensation for comparable civilians, based on data from the Census's annual social and economic supplement to the Current Population Survey. Including other elements of compensation outside of RMC, like health care or family services, would increase the compensation premium that military personnel receive in relation to the compensation of similar civilians.

Yearly Median Cash Earnings, by Years of Experience

Thousands of 2026 dollars



In this figure, a civilian's years of experience correlate to the median military pay based on years of service. Civilians with a high school diploma and some college education are compared with enlisted personnel; civilians with a bachelor's degree or more are compared with officers.

This publication was updated by F. Matthew Woodward in June 2026. Scott Craver edited it, and R. L. Rebach formatted it and produced the graphics. The data were provided by the Department of Defense and are available at www.cbo.gov/publication/62260#data. All data are for federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers may not add up to totals because of rounding.