

A report to congressional committees

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What GAO Found

The Department of Defense (DOD) uses three key processes to determine service member cost-of-living allowances (COLA), with separate programs for service members living in the continental U.S. (CONUS) and outside the continental U.S. (OCONUS). These processes include data on military household spending from the Department of Labor’s Bureau of Labor Statistics, location-specific surveys of shopping patterns, and retail price data for the goods and services that service members typically buy. DOD uses these processes to develop comparative prices for locations where it stations service members. DOD uses average CONUS prices as a baseline for determining eligibility for COLA. Using these processes, DOD determines a COLA rate for each eligible location. Payments to service members in these locations vary based on their spendable income and number of dependents. The department also tracks foreign currency fluctuations relative to the dollar to help determine COLA payments in OCONUS locations.

DOD’s Process for Determining COLA Rates, Calendar Year 2024



CONUS = Continental United States
OCONUS = Outside the continental United States (includes Alaska and Hawaii)

Source: Data Department of Defense (DOD) uses to determine cost of living allowance (COLA). | GAO-26-107490

DOD’s processes for determining COLA rates CONUS and OCONUS have several weaknesses. Additionally, information about COLA rates can be better communicated to service members. Specifically:

- DOD’s survey for determining service members’ shopping patterns does not use sound sampling practices.
- DOD does not consistently use existing processes to capture location-specific expenses.
- DOD has inconsistent processes for determining dependent-based COLA compensation in CONUS and OCONUS.
- DOD posts information about COLA on a publicly available website, but there are inconsistencies in the amount and type of information local commands provide to service members at locations that receive COLA. Further, some service members told GAO that they did not understand their COLA payments.

Taking action to address these issues will help ensure service members are appropriately compensated, which will support their quality of life and their ability to meet mission needs.

Why GAO Did This Study

DOD assigns its 1.4 million active-duty service members to over 3,500 locations worldwide. DOD provides a COLA to assist service members with nonhousing expenses, such as food, in high cost areas.

The conference report accompanying the National Defense Authorization Act for Fiscal Year 2024 includes a provision for GAO to examine DOD’s COLA programs. This report (1) describes the processes DOD uses to determine COLA and payments for service members; and (2) examines the extent to which DOD’s COLA processes are appropriately designed and communicated.

GAO analyzed laws, regulations, policies, and COLA rates. GAO interviewed officials responsible for the COLA program and held discussion groups with service members in five locations in Hawaii, Japan, Alaska, Germany, and Virginia. Most of the site visits GAO held were at OCONUS locations because 97 percent of the COLA payments are OCONUS.

What GAO Recommends

GAO recommends that DOD (1) use random sampling to survey service members on shopping patterns, (2) consistently apply its process for location-specific expenses, (3) consider aligning its CONUS and OCONUS dependent-based compensation, and (4) require local commands to provide information about COLA to service members. DOD concurred with the second and third recommendations, and partially concurred with the fourth recommendation. DOD non-concurred with the first recommendation, stating that its current method enhances survey participation. GAO’s recommendation remains valid as DOD’s current process does not produce statistically representative results.