



U.S. COAST GUARD



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CONUS COLA RATE ADJUSTMENTS FOR 2005

This is my annual update on Cost of Living Allowance (COLA) changes to active duty military pay. I'll start with a general overview of COLA for the benefit of those who are not already familiar with this program.

COLA is paid to those members residing in a geographic area or city in which the local cost of living has been determined to be in excess of a national average, thereby placing the members at a financial disadvantage. While we may all, from time to time, feel as though we are living in a high cost area, there are actually relatively few locations within the continental United States eligible for CONUS COLA.

CONUS COLA rates are based on a market basket of cost data that is purchased annually from Runzheimer International by the Department of Defense Per Diem Committee. These city/area costs for non-housing goods and services are then indexed to a CONUS average known as Standard City to establish the annual CONUS COLA rates. The savings that military personnel experience through the use of government support services like commissaries and exchanges are considered in the overall analysis.

The current statutory level at which CONUS COLA eligibility begins is 108%. That is, the cost of non-housing goods and services in an area/city must exceed 108% of those in Standard City for CONUS COLA to apply. A city/area above 108% receives one percent of CONUS COLA for each percent that they are above 108%. The actual CONUS COLA received by each eligible service member is based on pay grade, time in service, and dependent status. For example, an E6 with dependents and 10 years of service receives approximately \$29 of COLA per month for each percentage point above 108%. An O-3 with dependents and 10 years of service receives approximately \$38 of COLA per month for each percentage point.

This year's analysis is more accurate than previous years in that the model now includes specific sales tax rates for each city/area. While in previous years the model applied a flat sales tax rate to each area based on overall purchases, the new model considers the fact that many localities do not tax food and non-luxury items. This adjustment played a role in the reduction of COLA in many areas for the upcoming year.

The new CONUS COLA rates for the Armed Services go into effect on 1 January 2005. Effected service members and their families will see a difference beginning in their January paycheck. It is important to note that, while the cost of living may well have increased throughout the entire United States, it is the relationship between Standard City and all other cities/areas that determines CONUS COLA rates.

Unlike the Basic Allowance for Housing (BAH), there are no provisions in law that allow for COLA rate protection. As military pay continues to increase and improve the quality of life for the hypothetical E-6 and O-3 living in Standard City, USA, the need for CONUS COLA is going to decline elsewhere in the country (except in some extreme cases). For FY05, 33 cities/areas with a Coast Guard presence experienced a CONUS COLA reduction. Conversely, 5 cities/areas with a Coast Guard presence experienced

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CONUS COLA increases while CONUS COLA remained unchanged in 6 cities/areas with a Coast Guard presence. A synopsis of changes for Coast Guard cities/area is included below. A complete listing of the new rates and answers to the most frequently asked questions is available on the Per Diem Committee's web site at: <https://secureapp2.hqda.pentagon.mil/perdiem/ccform.html>.

CONUS COLA has long been, and will continue to be, a very dynamic allowance. Because the new rates are not typically approved and released by the Department of Defense until December, this will remain the time of the year that I can share the new rates with you. I will continue to make every effort to advise you of the new rates as soon as possible.

| CONUS COLA 2005 COMPARED TO 2004 | | | |
|---|--------------|---------|------------|
| Location | CC 2004 Rate | CC 2005 | Difference |
| <u>Locations with Increases</u> | | | |
| Cape May | 0% | 1% | 1% |
| Chicago | 3% | 4% | 1% |
| Great Lakes NAVTRACEN | 0% | 1% | 1% |
| New York City | 11% | 12% | 1% |
| Staten Island | 12% | 14% | 2% |
| <u>Locations with Decreases</u> | | | |
| Ann Arbor | 1% | 0% | -1% |
| Atlantic City | 6% | 2% | -4% |
| Bakersfield | 2% | 0% | -2% |
| Barstow/Fort Irwin | 1% | 0% | -1% |
| Boston | 6% | 4% | -2% |
| Detroit | 5% | 1% | -4% |
| Fort Bragg | 1% | 0% | -1% |
| Fort Monmouth/Earle NWS | 1% | 0% | -1% |
| Fresno | 2% | 1% | -1% |
| Gloucester | 4% | 3% | -1% |
| Hanscom AFB | 1% | 0% | -1% |
| Kingston/Saugerties | 1% | 0% | -1% |
| Los Angeles | 7% | 6% | -1% |
| Marin/Sonoma | 5% | 4% | -1% |
| Miami/Ft Lauderdale | 2% | 1% | -1% |
| Nantucket | 3% | 1% | -2% |
| NAS Willow Grove | 4% | 3% | -1% |
| New Haven/Fairfield | 5% | 2% | -3% |
| Northern New Jersey | 3% | 2% | -1% |
| Oakland | 10% | 9% | -1% |
| Perth Amboy | 4% | 2% | -2% |
| Philadelphia | 6% | 4% | -2% |
| Port Angeles | 1% | 0% | -1% |
| Port Huron | 1% | 0% | -1% |
| Riverside | 5% | 4% | -1% |

| | | | |
|-------------------------------|-----|-----|-----|
| San Luis Obispo | 1% | 0% | -1% |
| Santa Clara County (San Jose) | 6% | 5% | -1% |
| Springfield | 2% | 0% | -2% |
| Tahoe City | 2% | 0% | -2% |
| Trenton | 1% | 0% | -1% |
| West Palm Beach | 2% | 1% | -1% |
| Westchester County | 11% | 10% | -1% |
| Worcester | 1% | 0% | -1% |

Regards,

RADM Kenneth F. Venuto
Ken Venuto

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