

**RELEASE**  
**IMMEDIATE RELEASE**

# DOD Updates Overseas Cost-of-Living Allowance Adjustment Process

May 2, 2023

The Overseas Cost-of-Living Allowance (OCOLA) is an allowance that ensures our Service members who are assigned to a permanent duty station outside the contiguous U.S. (OCONUS) (i.e., foreign countries, U.S. territories, Alaska, and Hawaii) maintain the same level of purchasing power as Service members stationed in CONUS locations – **not less purchasing power, but not more either.**

The OCOLA rate pays a differential to Service members in OCONUS locations for the increased cost of buying the same non-housing goods and services as are bought in CONUS. Based upon changes in the cost-of-living data and currency fluctuations (explained below), OCOLA rates increase or decrease over time.

The Department of Defense released updates to the OCOLA adjustment process today, detailing OCOLA adjustments for this year. These adjustments are based on the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2023.

## **How OCOLA Rates Are Assessed**

The Department updates OCOLA rates based on an assessment of three primary data points:

- The triennial Living Pattern Survey (LPS), which measures where Service members shop and the proportion of shopping that occurs on a military

installation, such as at commissaries and exchanges, at local community outlets, and from online purchases;

- The annual Retail Price Schedule (RPS), which measures the cost of a 150-item market basket of non-housing goods and services (e.g., groceries and clothing)—local differences in costs for utilities and housing are accounted for separately through the housing allowance—from the outlets where Service members indicate they shop; and,
- For foreign locations, currency fluctuations, which affect the relative purchasing power in the foreign currency as compared to the U.S. Dollar.

Annually, the Department compares OCONUS LPS and RPS data to the same data collected in CONUS (average CONUS baseline) to establish OCOLA for the OCONUS location.

#### **Based on the new NDAA legislation:**

- The Department will not implement the OCOLA decreases based on cost-of-living data all at once. Any decrease in OCOLA based on cost-of-living data greater than two points will be implemented in 50% increments on two separate dates — during the May 15, 2023 and November 15, 2023 pay periods. The Department will provide notification to Combatant Commanders (CCMDs) and overseas points of contact (POCs), whenever possible, at least 30 days prior to the implementation of the first 50% reduction to ensure affected Service members have time to financially prepare. For the May 15 pay period reductions, CCMDs and overseas POCs were notified of the new rates prior to March.
- The Department will implement any OCOLA decrease based on currency fluctuations, in full, during the May 15, 2023 and November 15, 2023 pay periods. The Department will continue to inform CCMDs/POCs of the potential effects of currency fluctuations on OCOLA rates throughout the year as the scheduled implementation dates approach to prepare Service members for these changes.

For additional information on the OCOLA program, visit:

<https://www.travel.dod.mil/Allowances/Overseas-Cost-of-Living-Allowance/>