



Per Diem, Travel

And Transportation

Allowance Committee





Overseas

Cost of Living

Allowance





What is COLA

- *An allowance designed to provide **economic parity** between members in CONUS and members in an overseas area*
- *Reflects aggregate behavior*
- *Payments based on American family spending patterns and levels*





Program Design

*How much is
"normal spending"*

*What kinds of items
are included in COLA*

*How do we make
this work worldwide*

*What is the impact
of provided facilities
Commissary, PX, Auto*



*What about
foreign currency effects*

*What specific items
should we measure*

*How do we get consistent
data from year to year*





Program Design

How much money do military families in CONUS spend on COLA measured items?

How does that amount vary by income level and family size?

Consumer Expenditure Survey

Survey data updated each year

COLA Data updated effective 1 October each year

Table 4811. Armed Forces: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2003-2005 — Continued

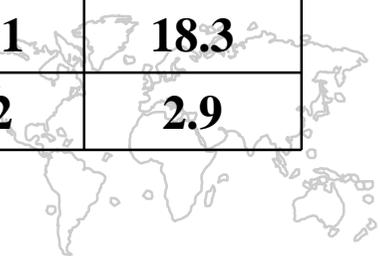
Item	All consumer units	Armed Forces Reference Person and/or Spouse	Complete Reporter Age 30 to 40 Family of two or more	Complete Reporter Age 30 to 40 Family of two or more renter only
Cookies*	46.82	49.25	54.89	49.59
Crackers*	26.90	29.57	31.88	21.46
Frozen and refrigerated bakery products*	25.10	35.75	32.83	27.29
Other bakery products*	116.44	140.16	151.08	120.92
Biscuits and rolls*	40.20	43.81	48.94	38.38
Cakes and cupcakes*	36.33	52.78	54.84	43.96
Bread and cracker products*	3.88	6.78	4.27	3.90
Sweetrolls, coffee cakes, doughnuts*	23.88	18.48	29.35	23.83
Pies, tarts, turnovers*	12.36	18.36	13.67	11.66
Meats, poultry, fish, and eggs*	622.71	904.41	989.96	940.44
Beef*	246.13	292.72	299.14	296.34
Ground beef*	91.75	101.26	120.41	112.23
Roast*	39.59	23.21	51.34	45.10
Chuck roast*	11.55	7.23	16.68	12.01
Round roast*	8.95	3.19	10.28	8.65
Other roast*	19.09	12.89	24.37	24.44
Steak*	94.21	144.33	104.55	87.66
Round steak*	15.18	22.40	17.74	17.22
Sirloin steak*	29.89	41.35	33.39	25.43
Other steak*	49.34	60.58	53.41	45.23





CATEGORIES AND WEIGHTS

Category	Example	2006 Weight	2007 Weight
Food at Home	Beef	13.8	12.1
Food Away	Dinner	11.6	10.7
Clothing	Woman's Skirt	7.4	7.9
Personal Care	Man's Haircut	3.8	3.7
Tobacco, Alcohol	Beer	3.2	2.8
Miscellaneous	Auto Purchase	10.7	13.5
Medical	Pain Reliever	3.2	2.6
Household Help	Daycare	2.9	3.6
Household Furnishings	Washing Machine	11.5	12.1
Recreation	Bicycle	10.6	9.6
Transportation	Auto Insurance	18.1	18.3
Telephone	Local Telephone	3.2	2.9





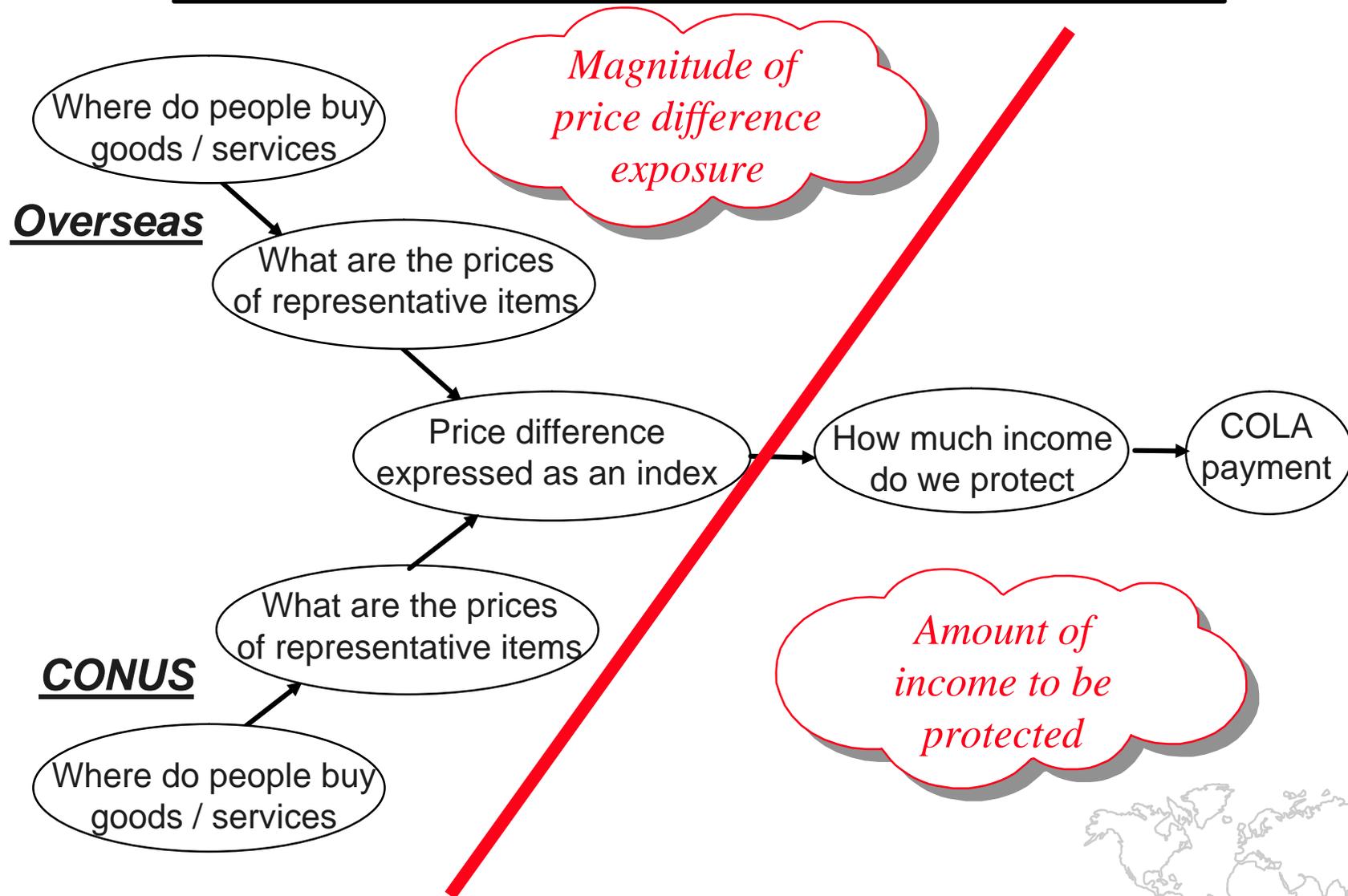
FY 08 Spending By Income Level

Annual Compensation	Number of Dependents (Excluding Self)					
	0	1	2	3	4	= or > 5
139,000 and Over	43,500	49,000	54,400	57,100	62,600	65,300
132,000 - 138,999	41,400	46,600	51,800	54,400	59,600	62,200
125,000 - 131,999	40,000	45,000	50,000	52,500	57,500	60,000
118,000 - 124,999	38,500	43,400	48,200	50,600	55,400	57,800
112,000 - 117,999	37,100	41,800	46,400	48,700	53,400	55,700
106,000 - 111,999	35,800	40,300	44,800	47,000	51,500	53,700
100,000 - 105,999	34,400	38,800	43,100	45,200	49,500	51,700
95,000 - 99,999	33,200	37,300	41,500	43,600	47,700	49,800
90,000 - 94,999	32,000	36,000	40,000	42,000	46,000	48,000
85,000 - 89,999	30,800	34,500	38,500	40,500	44,300	46,200
80,000 - 84,999	29,600	33,300	37,000	38,900	42,600	44,400
75,000 - 79,999	28,400	31,900	35,500	37,200	40,800	42,600
71,000 - 74,999	27,300	30,700	34,100	35,800	39,200	40,900
67,000 - 70,999	26,200	29,500	32,800	34,400	37,700	39,400
63,000 - 66,999	25,200	28,400	31,500	33,100	36,200	37,800
59,000 - 62,999	24,200	27,200	30,200	31,700	34,700	36,200
55,000 - 58,999	23,100	26,000	28,900	30,300	33,200	34,700
51,000 - 54,999	22,000	24,800	27,600	29,000	31,700	33,100
48,000 - 50,999	21,100	23,700	26,400	27,700	30,300	31,600
45,000 - 47,999	20,300	22,800	25,300	26,600	29,200	30,400
42,000 - 44,999	19,500	21,900	24,300	25,500	28,000	29,200
41,999 and Below	18,600	20,900	23,300	24,400	26,800	27,900



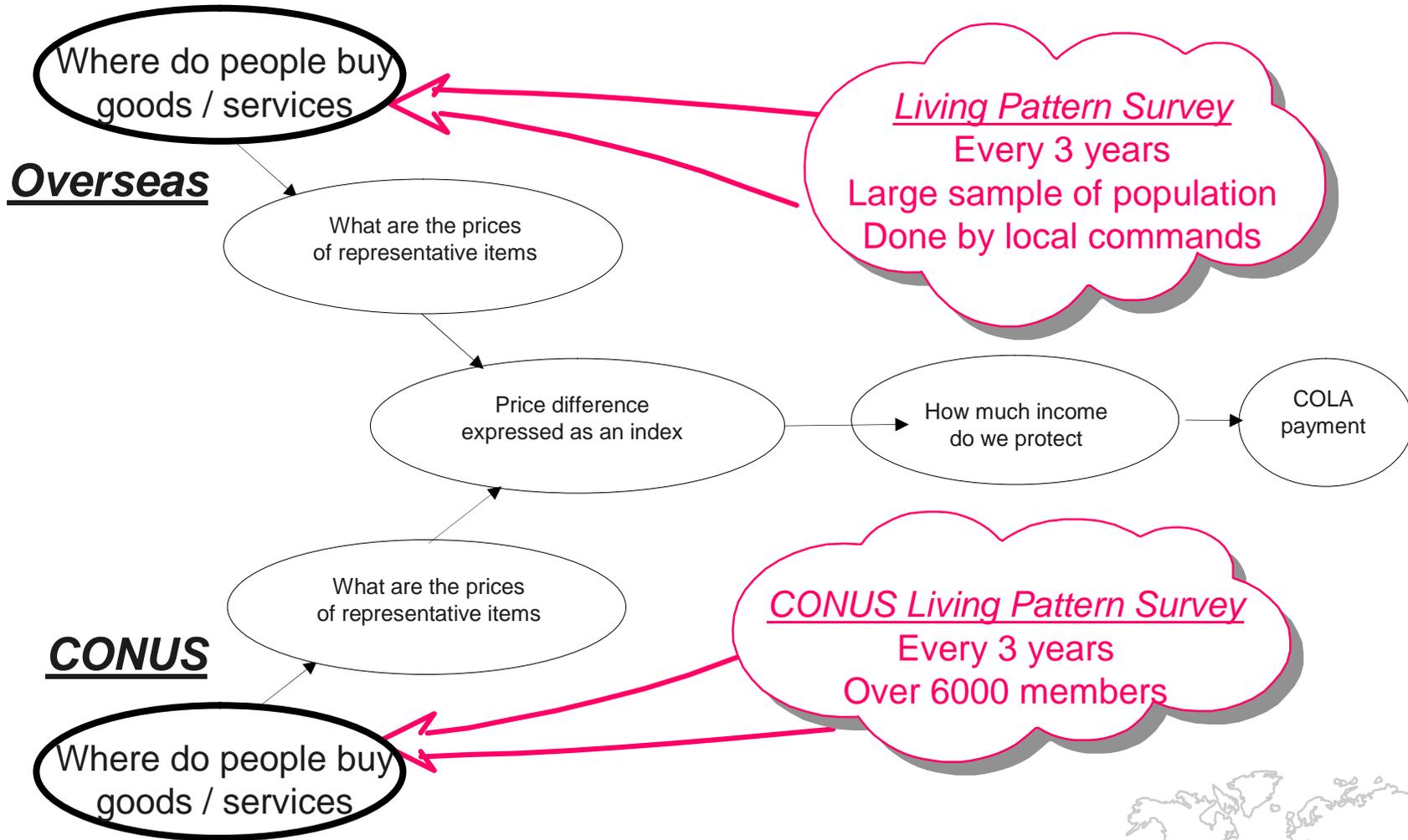


Basic COLA Logic





Where Do People Shop





What Are The Prices

Overseas

Where do people buy goods / services

What are the prices of representative items

Retail Price Survey
Every year by local commands
Only representative items
Both dollar and local currency purchases

Price difference expressed as an index

How much income do we protect

COLA payment

CONUS

Where do people buy goods / services

What are the prices of representative items

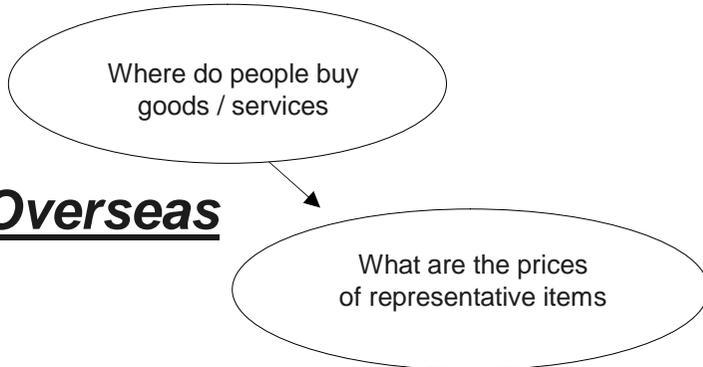
CONUS Prices
Updated quarterly from DECA, AAFES, State Dept BLS, GEICO/USAA



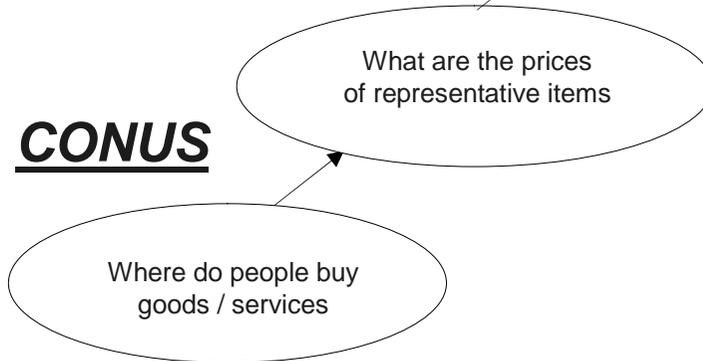


How Much Income Is Protected

Overseas



CONUS



Spendable Income
Source is Consumer Expenditure Survey
Shows after tax, savings, housing spending levels varied by income level and family size

How much income do we protect

COLA payment

Current table effective 1 OCT 08, based on 2006-2007 BLS data





Latest COLA Information

<u>Country</u>	<u>Index</u>	<u>Last LPS</u>	<u>Last RPS</u>	<u>Due to Report</u>
Argentina	106	2005	Jan. 08 (Oct 21 MAP)	Jan. 09
Bahamas, The	150	2005	Dec. 05	Dec. 09
Barbados	146	2005	Mar. 07	Mar. 09
Belize	132	2005	Jun. 05	Jun. 09
Bolivia	108	2005	Dec. 05	Mar. 09
Brazil				
BR1: Brazilia	130	2007	Dec. 07	Nov. 09
BR3: Rio de Janeiro	142	2007	Dec. 07	Nov. 09
BR3: Sau Paulo	142	2005	Nov. 07	Nov. 09
Chile	112	2008	Aug. 08 (Sept 9 MAP)	Apr. 10
Columbia	None	2007	Nov. 07	Jan. 10
Costa Rica	106	2006	Aug. 06	Jan. 09
Cuba	132	2008	Feb. 08	Feb. 10
Dominican Republic	140	2007	May. 07	Apr. 10
Ecuador	116	2003	Jan. 05	Mar. 09
El Salvador	120	2006	Jan. 07	Jan. 09
Guatemala	126	2007	Apr. 07	Jul. 09
Guyana	120	2008	Jun. 08	Jun. 10
Haiti	116	2007	Dec. 07	Oct. 08
Honduras	110	2006	Oct. 06	Jul. 09
Jamaica	130	2007	Mar. 07	Jun. 09
Nicaragua	None	2006	May. 06	Mar. 10
Panama	116	2006	Aug. 06	Jul. 10
Paraguay	138	2008	Jan. 08	Dec. 08
Peru	132	2005	Dec. 05	Dec. 09
Uruguay	116	2005	Jun. 05	Nov. 09
Venezuela	128	2007	Aug. 06 (Oct 21 MAP)	Aug. 09





Currency Adjustment Logic

What Exchange Rate To Use

Ideal: Load pay systems with each day's exchange rate

Problem: Pay Systems do not have the capability to process daily rates, will only take 2 rates per month

1st – 15th, determined about 24th prior month, data to DMDC by 27th
16th-end of month, determined about 9th, data to DMDC by 12th

Solution: Measure difference between the pay system exchange rate and the rate members receive at the finance office or military bank

When the difference reaches a decision point, reset the pay system so that over and under payments are balanced out over time

Current decision point is an accumulated 5% difference. A new exchange rate is calculated so that over and under payments are balanced out over an 8 week period





Recap

- COLA is designed to provide economic parity - it does that
- The base is military family spending levels and priorities
- By definition a COLA is determined by the difference in costs – there are no save pay provisions
- COLA complements the assignment process by removing economic disincentive from overseas assignments but is not designed or intended to provide an incentive to serve overseas
- <http://perdiem.hqda.pentagon.mil/perdiem>





Overseas

Housing

Allowance





Program Basics

- *BASED ON PRIVATE LEASE*
- *BASED ON ACTUAL HOUSING COSTS*
- *COMPOSED OF:*
 - *RENTAL CEILING ALLOWANCE*
 - *UTILITY/RECURRING MAINTENANCE ALLOWANCE*
 - *MOVE-IN HOUSING ALLOWANCE (MIHA)*





Rent Component

- *RENTS SUBJECT TO 80TH PERCENTILE CEILING*
 - *COVERS 100% OF RENTS FOR 80% OF MEMBERS, 20% OUT-OF-POCKET*
 - *MBRS W/O DEPNS = 90% OF W/ DEPN CEILING*
- *ACTUAL RENTS REPORTED THRU FINANCE*
- *RENTAL CEILINGS REVIEWED SEMI-ANNUALLY*
- *DWELLING SIZE STANDARDS USED BY STATE DEPARTMENT (FAM 6) ALSO APPLY TO MILITARY*





Utility Allowance Component

- *80th PERCENTILE ALLOWANCE*
 - *BASED ON REPORTED COSTS OF MEMBERS WITH DEPENDENTS*
 - *BY DUTY STATION*

- *UPDATED ANNUALLY VIA SURVEY BY COUNTRY*





Utility Allowance Changes

COUNTRY	FROM	TO	DELTA	EFFECTIVE DATE
Argentina	\$430	\$482	\$52	16-Oct-08
Barbadoes	\$279	\$279	\$0	16-Aug-08
Belize	\$709	\$741	\$32	1-Nov-08
Bolivia	\$383	\$403	\$20	1-Nov-08
Chile	\$742	\$875	\$133	16-Oct-08
Colombia	\$406	\$418	\$12	16-Oct-08
Costa Rica	\$308	\$466	\$159	1-Nov-08
Dominican Republic	\$712	\$931	\$219	1-Nov-08
Ecuador	\$482	\$365	(\$117)	1-Nov-08
El Salvador	\$387	\$460	\$73	1-Nov-08
Guatemala	\$507	\$525	\$18	1-Nov-08
Haiti	\$242	\$323	\$81	1-Nov-08
Honduras	\$478	\$506	\$28	16-Oct-08
Mexico	\$586	\$636	\$50	1-Nov-08
Nicaragua	\$573	\$704	\$131	1-Nov-08
Panama	\$674	\$704	\$30	1-Nov-08
Paraguay	\$586	\$524	(\$62)	1-Nov-08
Peru	\$698	\$711	\$14	16-Oct-08
Uruguay	\$774	\$860	\$86	1-Nov-08
Venezuela	\$256	\$265	\$9	1-Nov-08





Move In Allowance

- MISCELLANEOUS - UPFRONT, LUMP SUM
AVERAGE MOVE-IN COSTS
EVERYONE ON OHA COLLECTS
SURVEY DRIVEN
- RENT
RENTAL AGENT FEE
\$ FOR \$
- SECURITY - CRIME/TERRORIST THREATS
PHYSICAL DWELLING MODIFICATIONS
\$ FOR \$
DETERMINED BY DEPARTMENT OF STATE





WE'RE ON THE WEB

WEB ADDRESS:

<http://perdiem.hqda.pentagon.mil/perdiem/>

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