

## **Army Family Action Plan (AFAP) SME Information Paper**

**AFAP Issue:** OCONUS Cost of Living Allowance (COLA) Cap at Five Dependents

**Scope:** Soldiers do not receive OCONUS COLA entitlements for more than five dependents. The Defense Finance Accounting System (DFAS) caps the maximum dependent OCONUS COLA calculation at five dependents. The OCONUS COLA calculation cap negatively impacts Families with more than five dependents.

**Recommendation:** Eliminate the five dependent cap on OCONUS COLA.

**Staff Discussion from the Midlevel Prospective:**

**a. Facts:**

1. In contrast to the CONUS COLA Allowance which only considers whether a Service member has dependents or not, Overseas COLA takes into consideration a Service member's number of dependents (up to five). The data used to calculate spendable income for Overseas COLA payments is derived from the Bureau of Labor Statistics (BLS). The data demonstrates that when family size reaches five dependents, spendable income begins to stabilize. As family size increases, more income is devoted to housing (greater number of rooms/bedrooms), so there is less disposable income left over to spend on COLA items. A Service member with five dependents has reached the point where they have maximized the percentage of income that they devote to spending on COLA items for dependents.

2. The methodology for calculating the Spendable Income Table has remained unchanged since 1999. The Bureau of Labor Statistics Consumer Expenditure Survey (CES) provides reliable data that takes into consideration data on family sizes (up to five dependents) and carefully details how military families across a series of income ranges allocate their spendable income across all COLA types of goods and services.

3. The COLA Spendable Income Table is computed using data derived from BLS. Overseas COLA is calculated based on a Service member's portion of spendable income, not disposable income, used to purchase COLA goods and services. If the table were to be expanded, with a very few exceptions, the payment amounts for members with more than five dependents would not vary significantly from that at five dependents. A larger family size does not increase income. As the number of dependents increases, over five, the overall amount of COLA goods and services purchased tends to remain the same. Information found at [www.defensetravel.dod.mil/site/fagcola.cfm#Q14](http://www.defensetravel.dod.mil/site/fagcola.cfm#Q14).

**b. How many affected:** Assumes 125,000 Soldiers are permanently assigned to OCONUS COLA drawing permanent duty stations and ½% (.005) (1/2% x 125,000 =

625) of these Soldiers have greater than 5 dependents (estimate assumes all have 8 dependents).

**c. How often and/or when issue occurs:** Issue occurs when Soldiers are permanently assigned to OCONUS COLA drawing permanent duty stations.

**d. Cost Benefit Analysis: This will create a reoccurring cost based upon permanent assignment of Soldiers and number of dependents.**

**Staff Recommendation:**

**a. Merit of the Issue:** Issue only applies to OCONUS COLA. CONUS COLA rate is paid at a “with dependent rate” and a “without dependent rate”, regardless of the number of dependents.

**b. Proposed Solution:** Recommend the Per Diem Travel Transportation and Allowance Committee (PDTATAC) change the OCONUS COLA calculation methodology.

**c. Elevation Justification:** Changes to the Per Diem Travel Transportation and Allowance Committee (PDTATAC) OCONUS COLA calculation methodology come from the Army G-1 staff and not from Army commands.

**d. Pros:** This is a quality of life issue. In areas like Japan, Families will be hardest hit as the cost of living is so high.

**e. Cons:** Increased cost to the Department of Defense. Issue would be implemented across the services.

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