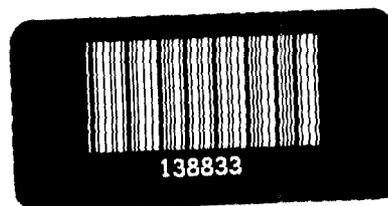
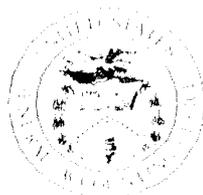


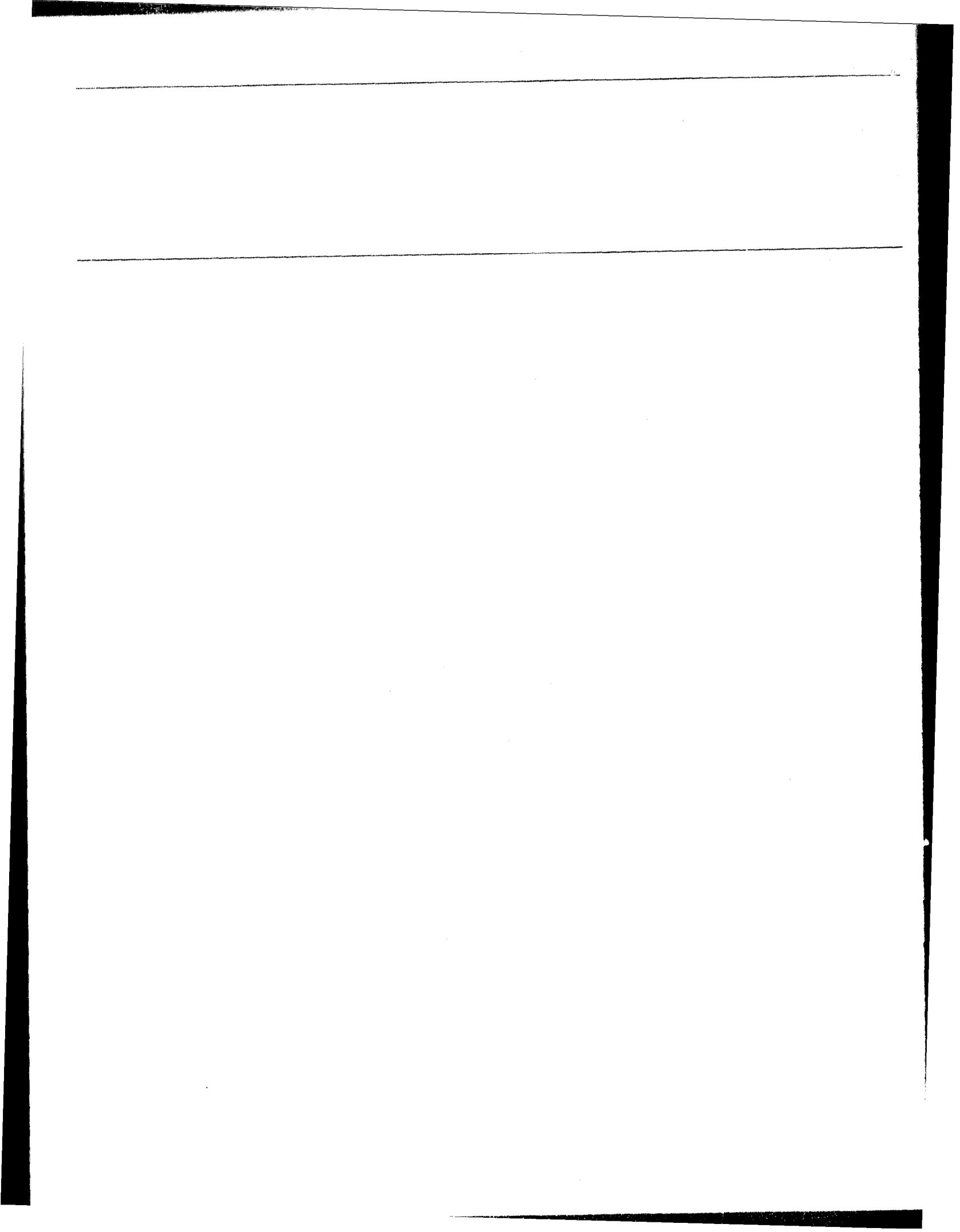
GAO

June 1989

# HOUSING ALLOWANCES

## Equity Issues for Certain Military Members







United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

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June 8, 1989

The Honorable Sam Nunn  
Chairman, Committee on  
Armed Services  
United States Senate

The Honorable Les Aspin  
Chairman, Committee on  
Armed Services  
House of Representatives

This report is in response to a requirement in the Defense Authorization Act for fiscal years 1988 and 1989 that we study the fairness of the military housing allowances for dual-service couples and certain divorced members and also review studies previously conducted by the Department of Defense on the military housing allowance system.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of Defense, the Army, Navy, and Air Force; the Chairmen, House and Senate Committees on Appropriations; and other interested parties. We will make copies available to others upon request.

This report was prepared under the direction of Harold J. Johnson, Director, Manpower Issues. Other major contributors are listed in appendix II.

*for* 

Frank C. Conahan  
Assistant Comptroller General

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# Executive Summary

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## Purpose

To alleviate perceived inequities in the military housing allowance system, the Department of Defense (DOD) in 1987 submitted to the Office of Management and Budget two proposed legislative changes to the housing allowance program. These changes involved the amount of housing allowance paid to service members married to other members (or dual-service couples) and divorced members. DOD's proposal was not submitted to the Congress, but the DOD Authorization Act for fiscal years 1988 and 1989 required GAO to

- study the fairness of the military housing allowances for these two groups and
- review studies previously conducted by DOD on the military housing allowance system.

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## Background

The Congress has had a long-standing interest in military housing allowance programs because of concerns about equity and increased costs. Recent DOD proposals to remedy perceived inequities have increased that interest.

The first proposal would allow service members at certain grades who are on sea duty to elect on paper to "not occupy government quarters" when they are married to other service members. As a result, they would receive a basic allowance for quarters.

The second proposal would allow service members at other grades who are entitled to a higher quarters allowance only because they pay child support to elect on paper to "not occupy quarters" when assigned to sea duty. This would entitle them to receive a variable housing allowance, which is provided to those who live in a high housing cost area in the United States.

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## Results in Brief

GAO found that

- The laws and regulations governing housing allowances are very complex and their application results in many groups of service members, including dual-service couples and divorced members who pay child support, being treated differently; however, opinions differ on whether this is unfair or inequitable.
- Adopting DOD's proposal to correct the perceived inequities for these two groups may serve to magnify perceived inequities for other groups.

- DOD's prior housing allowance reports are not current and do not discuss equity problems faced by dual-service couples and divorced members.

The Senate Committee on Armed Services directed the Secretary of Defense to review the housing allowance system for military personnel and to submit a comprehensive legislative proposal that provides for an equitable housing allowance system for all personnel. Because the adoption of DOD's proposal to change the housing allowance system for dual-service couples and divorced members would be a piecemeal approach to a larger concern about housing allowance inequities, GAO believes DOD should complete its review and address these issues in any resulting legislative proposal.

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## GAO's Analysis

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### Problems With the Housing Allowance System

The housing allowance system was designed when the military was small, most members were single males, and those who were married had a nonemployed wife. However, conditions have changed tremendously since then. One important change has been the growth in the number of female service members, which has led to an increasing number of dual-service couples. Another important change is the growing number of divorced service members. These conditions were unforeseen when the present housing allowance system was developed, and service members who fall in these categories now believe they are being treated unfairly.

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### Dual-Service Couple Equity Concerns

Current legislation restricts a dual-service couple below a certain paygrade from receiving a basic allowance for quarters when both are assigned to sea duty, even though the couple may live in nongovernment housing for the lengthy periods when a ship is in port or maintain that housing during short deployments. A similar restriction affecting higher paygrades was lifted in 1980 after several years of low reenlistments by personnel in those paygrades. The restriction was lifted by allowing these personnel to elect on paper to not occupy assigned shipboard quarters, although they may, in fact, occupy those quarters for short periods. No such restriction has ever applied to service members with civilian spouses.

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**Equity Concerns of Divorced Members**

Legislation enacted in 1985 prevents members who reside in government quarters and receive a housing allowance only because they pay child support from receiving a variable housing allowance. This restriction was enacted to eliminate what the Congress saw as a windfall that these personnel received when they occupied government quarters. However, it also had the effect of denying the variable housing allowance to this group of senior personnel who wished to elect on paper to "not occupy quarters" when assigned to sea duty.

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**DOD's Proposals May Magnify Other Perceived Inequities**

The housing allowance system treats service members differently based on various circumstances. This has created many perceived inequities. GAO believes that DOD's proposals to eliminate perceived inequities for dual-service couples and divorced service members may serve to magnify perceived inequities for other groups (e.g., single service members, those in the lowest enlisted grades, and those not assigned to sea duty) who could feel that they were not being treated fairly because the option to elect "to not occupy government quarters" had not been extended to them.

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**Recommendations**

GAO recommends that the Secretary of Defense withhold the current legislative proposal on dual-service couples and divorced members paying child support until the Senate-mandated review of the housing allowance system is completed, and submit it then only if warranted. GAO recommends that the review be completed expeditiously.

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**Agency Comments**

DOD agreed with GAO's findings and recommendations, but stated that these two issues would be reviewed separately by the study group, and if warranted a legislative proposal may be made before the comprehensive review is completed. GAO does not disagree with DOD's approach, but believes that care should be taken to ensure that such a proposal is part of a coherent package of reforms to avoid piecemeal remedies that may create other unforeseen problems.



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**Abbreviations**

BAQ	Basic Allowance for Quarters
DOD	Department of Defense
GAO	General Accounting Office
VHA	Variable Housing Allowance

# Introduction

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The government provides housing for military service members or pays housing allowances in lieu of providing housing under a system that is governed by a complex array of laws and regulatory interpretations. Changing social and marital conditions have caused problems with the military housing allowance system because the system was designed when most service members were single males. Today's military services are composed of hundreds of thousands of women, married couples, and parents.

Perhaps the most important demographic change that has occurred in the military is the growth in the number of female service members. Since the inception of the All-Volunteer Force in 1973, the number of women in the military has increased from 55,400 to 220,957 in 1987. As a result of this influx, a new phenomenon has emerged: members married to members, or dual-service couples. This small but growing class of service members—approximately 4.9 percent of the total force, according to the most recent available data—has caused the emergence of problems in housing allowances never before experienced within the military, and which were unforeseen by the Congress when it established the housing allowances.

The growing number of divorced personnel is another important change in the military. For example, in the Army the number of divorced members nearly doubled between 1975 and 1985, increasing from 13,286 to 26,499. Normally, divorced members would be treated as single personnel when assigned to government housing, since a former spouse cannot be considered a dependent; however, under certain circumstances such members can receive a housing allowance at the higher with dependent rate. These changes, coupled with the complexity of the military's system for providing housing, or allowances in lieu thereof, have created or magnified several perceived inequities among service members.

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## Objectives, Scope, and Methodology

The National Defense Authorization Act for fiscal years 1988 and 1989 required us to review (1) the fairness of the military housing allowance system as it pertains to dual-service couples and divorced members and (2) previous Department of Defense (DOD) studies on the military housing allowance system and the legislative history for the existing laws on the basic allowance for quarters (BAQ) and the variable housing allowance (VHA). We focused on the differences between dual-service couples and other married personnel, and divorced and single personnel concerning the fairness of housing allowances. To accomplish these objectives, we

- examined two recent DOD legislative proposals that sought to amend housing allowance laws for dual-service and divorced members,
- obtained from DOD its philosophy on whether housing allowances were compensation or reimbursement for expenses, and
- analyzed whether windfall payments were being made to divorced members paying child support who were living in government-furnished quarters.

As agreed with congressional offices, we limited our analysis to the two most pressing equity problems targeted by recent proposals—E-4 to E-6 Navy couples assigned to sea duty and divorced E-7s and above assigned to sea duty who are paying child support. We considered the solutions to these problems in light of the overall military pay and allowance system.

We reviewed the federal laws and executive orders that currently apply to BAQ and VHA entitlements. We also reviewed past amendments and the legislative history concerning these entitlements to determine the congressional intent at key points in the allowances' histories. Our legislative analysis included reviewing such documents as congressional hearings, reports, and acts; title 37 annotated (1988); and Comptroller General decisions on pertinent housing allowance cases. We also reviewed relevant DOD housing studies.<sup>1</sup>

To obtain DOD's philosophy on military housing allowances, we interviewed the Deputy Assistant Secretary of Defense for Military Manpower and Personnel Policy and the Deputy Director of Compensation in his office. We also obtained written statements on whether these officials considered such allowances compensation or reimbursement for expenses. In addition, we reviewed DOD studies for information on its housing allowance philosophy.

We evaluated whether it was possible that windfall payments were still being made to service members paying child support who were living in

<sup>1</sup>DOD studies: Roswell L. Gilpatric, Chairman, Advisory Panel on Military Family Housing Policies and Practices, Report of the Advisory Panel on Military Family Housing Policies and Practices, Washington, D.C.: Nov. 15, 1961; Military Compensation Background Papers, Third Edition, Office of the Assistant Secretary of Defense (Manpower Management and Personnel Policy) June 1987; Major General R.C. Oaks, Executive Study Group Leader, Joint Service Variable Housing Allowance Program Study Group, Variable Housing Allowance Program: Should It Be Changed?, Washington, D.C.: Feb. 1984; Susan S. Stumpf and William Kieckhafer, Department of Defense Family Housing Preference Survey: Attitudes and Preferences of Military Personnel and Spouses Concerning Housing and Basic Allowance for Quarters, (NPRDC TR 76-20), San Diego, Ca.: Navy Personnel Research and Development Center, Nov. 1975; and (Draft) OSD-OMB Military Housing Study: Volume II, Department of Defense, Washington D.C.: Oct. 31, 1975.

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quarters, but we did not analyze the extent to which actual windfall payments were occurring.

We conducted our work from January 1988 to February 1989 in accordance with generally accepted government auditing standards.

# Historical Development of Housing Allowances

The need to provide housing for military personnel historically resulted from two basic concepts. First, since military personnel could be needed 24 hours a day, living at the installation was considered necessary. Therefore, members were required at times to occupy government quarters on the installation. Second, one function of command continues to be to supply shelter, in addition to other elements affecting the welfare of personnel. Gradually, the government also assumed responsibility for housing military dependents who accompanied a member to an installation.

A cash quarters allowance for military officers was first legislatively authorized in 1878. Subsequent federal laws have refined the allowance system and broadened eligibility for it. During World War I, the War Department first authorized reimbursement payments for enlisted personnel not assigned government quarters.

In 1918, the responsibility of the government to provide quarters for dependents of commissioned officers was first recognized in law. On October 17, 1940, P.L. 77-872 granted legal entitlement to quarters for dependents of enlisted personnel for the top three pay grades at the time (grades E-5, E-6, and E-7) or a cash allowance in lieu of quarters. Other changes followed until the Career Compensation Act of 1949 established the "basic allowance for quarters."

The BAQ, authorized by 37 U.S.C. 403, is a fixed, grade-specific allowance, with rates established yearly by executive order. There are three categories of BAQ: a partial BAQ,<sup>1</sup> a BAQ for members without dependents, and a BAQ for those with dependents. As of January 1, 1989, the full monthly BAQ rates range from about \$150 for a single E-1 to about \$755 for a married O-10. At the lowest enlisted grade, the with dependents BAQ rate exceeds the without dependents rate by about \$119 per month. At the highest officer grade, it exceeds the without dependents rate by about \$141 per month. The partial BAQ varies from about \$7 per month at the lowest enlisted grade to about \$51 per month at the highest officer grade. A military member qualifies for one of the three BAQ categories based upon his or her housing situation and dependency status as prescribed by the DOD Pay and Allowances Entitlements Manual.

<sup>1</sup> A partial BAQ is a cash supplement paid to military members without dependents who live in government quarters and are not entitled to a full BAQ. On occasion, the President has allocated increases intended for basic pay to the BAQ program. This gives military members entitled to the BAQ a salary increase, but avoids increasing other allowances that are directly tied to basic pay. However, members ineligible for a BAQ do not receive the salary increase. Thus, the partial BAQ provides these members a cash supplement equal to the increase in basic pay that was allocated to a BAQ.

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## Variable Housing Allowance

The BAQ served as the sole housing allowance for military members within the continental United States for over 30 years. However, since the BAQ was the same nationwide for each grade, it did not reflect housing cost differences in various areas of the country. An Army O-3 (captain) in California, for example, could be required to pay considerably more for equivalent housing than an O-3 in Mississippi, but both would receive the same amount of BAQ.

In 1980, the Congress created the VHA program as a supplement to BAQ to equalize these cost-of-living differences. A VHA is paid to members in recognized high housing cost areas. VHA is also separated into with and without dependents rates, and different rates are established for over 500 housing cost areas. VHA monthly payments currently range from a few cents to over \$700. An average monthly VHA is about \$22 more at the with dependents rate for the lowest enlisted grade and about \$30 more at the highest officer grade.

The VHA was originally linked to the BAQ, and the rate was to be the difference between the average housing cost for members of the same pay grade in an area and 115 percent of the BAQ for that grade. However, due to the rapidly growing cost of VHA during the early 1980s, this linkage proved to be difficult to maintain. Therefore, the Congress severed this linkage in 1985 when it (1) set BAQ rates for each pay grade at 65 percent of projected national median housing costs of service members in that grade and (2) defined VHA as the difference between the local median housing cost for a pay grade and 80 percent of the national median housing costs for that same pay grade. Eligibility criteria for VHA are in chapter 8 of the Joint Federal Travel Regulations.

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## Option to Elect Not to Live in Government Quarters

Military members generally cannot receive a BAQ if they are assigned to government quarters adequate for themselves and their dependents (37 U.S.C. 403(b)). However, section 403(b) contains an exception that allows military members E-7 and above without dependents to elect to not occupy assigned quarters and thereby receive housing allowances.<sup>2</sup>

The option to choose not to live in government quarters was first introduced in 1963, but at that time was restricted to officers at the grade O-

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<sup>2</sup>Although section 403(b) is silent with respect to the ability of those with dependents to not occupy, we were told the demand for family housing is so great, that for all practical purposes, members with dependents have been able to freely choose.

4 and above,<sup>3</sup> without dependents, because of a shortage of unaccompanied government housing for this group. Officers on sea duty could not utilize the election option because section 403(c) prohibited a member of a uniformed service without dependents from receiving a BAQ while on sea duty since shipboard facilities were considered adequate government quarters.

In 1980, after the services had experienced several years of low reenlistments by senior enlisted personnel, the election option under section 403(b) was extended to include all officers and enlisted members at grades E-7 and above. Section 403(c) was amended to allow these members to receive a BAQ while on sea duty, so long as their assigned unit was deployed for less than 90 days. When members elected not to occupy sea duty quarters, they were allowed to live in nongovernment housing for the periods when the ship was in port, and to maintain that residence while at sea for less than 90 days. The Congress made this change to "remove an irritant for senior enlisted members without dependents who preferred to reside in quarters of their own choosing."

In 1986, section 403(c) was amended again, basically to remove the 90-day limitation. This meant that E-7s and above without dependents electing to not occupy sea duty quarters could continue receiving housing allowances beyond 90 days, except in those instances when they were assigned sea duty to a deployed unit as a result of a permanent change-of-station move. The rationale for removing the 90-day limitation was that members had insufficient time to terminate their housing arrangements if assigned sea duty on short notice, and that the 90-day cut off in section 403(c) caused members financial hardship since after 90 days they were paying those expenses out of their own pockets.

The Congress included the change-of-station restriction because it believed members would not need a BAQ at their new duty station if they were reporting directly to a deployed unit. For example, if a sailor without dependents stationed at the Pentagon was assigned to a deployed ship leaving Norfolk, the Congress believed he or she did not need to establish a residence in Norfolk and would have to terminate housing arrangements in the Washington, D.C., area since he or she would not be returning to shore there.

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<sup>3</sup>Grade O-4 officers are Army, Air Force, and Marine Corps majors and Navy lieutenant commanders. When the election option was introduced, it was anticipated that less than 2,100 officers at grades O-4 and above would be affected.

The changes to section 403(c) are important, since ships quarters fall into the category of "adequate government quarters," as specified in 37 U.S.C. 403(b). For E-7s and above to qualify for a BAQ under section 403(c), they would have to use the election option under section 403(b). That is, they would have to live off the ship to collect a BAQ, since otherwise they would still be considered to have been assigned to adequate government quarters. Only since 1980 have members on sea duty been able to use the election option, and only since 1986 have they been able to use it past a 90-day deployment period.

The legislative history of the election option suggests that it was only cautiously extended to members on sea duty. Moreover, it is not clear whether the Congress intended for members to exercise this option for an indefinite period. The House Committee on Armed Services report (H. Rpt. 99-81) on the DOD Authorization Act of 1986 provides the rationale for changing the law. The report noted that some military members were suffering hardships by being assigned to sea duty on short notice. Because such individuals had insufficient time to store personal belongings or terminate lease arrangements, their housing commitments continued. As a result, members would have to pay some of those costs incurred past the 90th day of sea duty.

From the wording of the report, we believe it was not the Committee's intent to allow a member to maintain off-ship quarters indefinitely. The House report noted that "the Committee expects the Department [of Defense] to use this authority sparingly and intends to monitor closely the implementation of this provision."

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## **Are Housing Allowances Pay or Reimbursed Expenses?**

DOD does not have a clearly established philosophy with regard to the housing component of the pay and benefits package. DOD's various positions raise questions as to whether (1) government-furnished quarters represents a noncash component of compensation (i.e., compensation in-kind) and thus cash allowances in lieu of quarters are then also compensation or (2) housing is an obligatory military responsibility and allowances are more accurately viewed as a reimbursement for expenses.

DOD officials we interviewed do not view housing allowances as either strictly compensation or strictly reimbursement. They said that if the government does not provide adequate housing for members and their dependents, then the government must provide an allowance that reimburses the cost of securing adequate housing in the civilian community.

In this context, the housing allowance represents a reimbursement for expenses.

These officials also note, however, that government quarters or housing allowances are a fundamental determinant of the military member's basic standard of living and, as such, can be viewed as compensation. Since the military environment places special demands on its members, such as possible 24-hour duty, involuntary reassignments, and extended sea duty, military compensation is not readily comparable to a civilian salary system, which compensates only for work performed. Although DOD officials may view housing allowances as both compensation for services rendered and a reimbursement for expenses incurred, it should be noted that the law (37 U.S.C. 101) includes housing, or cash allowances provided in lieu of housing, as part of regular military compensation.

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## **Previous DOD Housing Allowance Studies**

Only one prior DOD-sponsored study<sup>4</sup> presented DOD's housing allowance philosophy in terms of whether the allowances are compensation or reimbursement for expenses. This study, which was never finalized, concluded that housing was part of the military individual's total compensation. As such, a cash allowance in lieu of quarters was also considered part of that member's total compensation. However, this study noted that housing should not be considered exclusively as compensation for several reasons, including the following:

- Military personnel of the same grade who performed identical work do not receive equal compensation because dependency status is considered in allocating military housing and paying housing allowances.
- Too little housing is available in each location.
- The quality of housing, and therefore its value, is not uniform for all areas.
- The perceived value of the housing provided differs among individuals.

This study emphasized that if a housing allowance was to be considered as compensation, then there should be no difference in the amount of a BAQ paid to personnel in the same grade, regardless of marital status or other personal considerations. A BAQ would not be related to the cost of housing, but rather would be increased uniformly with other compensation elements when increases to gross salary were justified.

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<sup>4</sup>(Draft) OSD-OMB Military Housing Study: Volume II, Department of Defense (Oct. 31, 1975).

# Housing Allowance Rules Pertaining to Married Members

The growing number of dual-service couples has complicated the housing allowance system. The Congress enacted legislation in 1949 to prevent either or both members of a dual-service couple from receiving a with dependents housing allowance simply because of their marriage. Under 37 U.S.C. 420, "a member of a uniformed service may not be paid an increased allowance under this chapter, on account of a dependent, for any period during which that dependent is entitled to basic pay." Consequently, when living off base, each member of the couple is considered single and receives a housing allowance at the without dependents rate. Some view this as inequitable since their counterparts with civilian spouses who may also be employed receive an allowance at the with dependents rate.

Until 1980, 37 U.S.C. 403(c) complicated the housing situation of dual-service couples living off base when one or both members were assigned to sea duty. When one member of a couple was assigned to sea duty, that member lost entitlement to the BAQ because the ship was considered adequate living quarters. Because that member could not claim the spouse as a dependent for BAQ purposes, as could the member with a civilian spouse, the couple lost one of the BAQs they may have been using to pay for off-base housing. Yet, the couple would need to continue to maintain housing for the member not assigned sea duty.

With the changes to title 37 enacted in 1980 and later, either member of a dual-service couple in grades E-7 and above who elected on paper to "not occupy government quarters" could continue receiving the BAQ after being assigned to sea duty, provided that duty did not involve a permanent change of station. The option of electing not to occupy government quarters was not authorized for those in grades below E-7.

To alleviate perceived housing allowance inequities involving dual-service couples below grade E-7, DOD submitted a legislative proposal in 1987 to the Office of Management and Budget to modify title 37 to allow members<sup>1</sup> at grades E-4 to E-6 (i.e., petty officer third class to petty officer first class) who are on sea duty to elect not to occupy government quarters when they are married to other members. The Office of Management and Budget did not approve the proposal and it was not forwarded to the Congress; however, in 1988 the Navy asked DOD to

<sup>1</sup>DOD believes that for all practical purposes this proposal applies only to Navy personnel, although other personnel may be affected under unusual circumstances (e.g., an Air Force service member assigned to sea duty doing a joint operation).

reconsider the proposal. In commenting on this report, DOD said the proposal would not be considered again until it has finished an ongoing review of the housing allowance system. The review responds to a requirement by the Senate Committee on Armed Services that the Secretary of Defense submit a comprehensive legislative proposal that provides for an equitable housing allowance system for all personnel. DOD estimates that the review will be completed by the summer of 1989.

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### **Housing Allowance Entitlements for a Member E-4 to E-6 With a Civilian Spouse**

Figure 3.1 shows that housing allowance entitlements for a member E-4 to E-6 with a civilian spouse (i.e., with dependents) are straightforward. Members with civilian spouses are not affected by DOD's proposed housing allowance changes.

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### **Family Quarters Available**

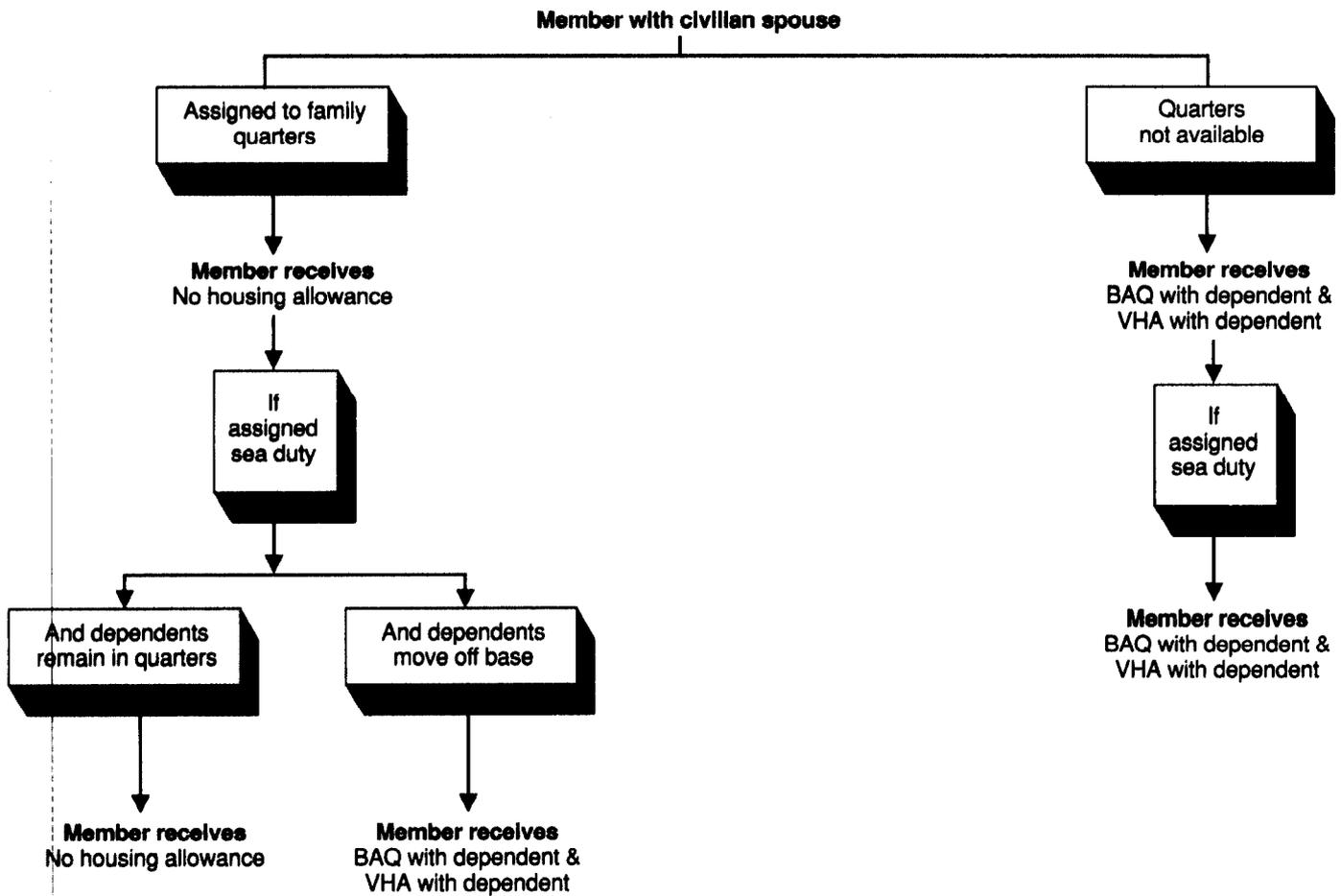
As shown in figure 3.1 if a member with dependents is provided government-furnished family quarters, the member does not receive a housing allowance. However, if this member is required to go on sea duty, the dependents may either stay in government-furnished quarters or obtain their own quarters off base. If the dependents stay in government quarters, the member receives no housing allowance; however, if the dependents move off base, the member becomes entitled to a BAQ and VHA at the with dependents rates.

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### **Family Quarters Not Available**

If family quarters are not available, a member with dependents will be permitted to live off base and receive a BAQ and VHA at the with dependents rates. If this member is then assigned to sea duty, he or she would not lose any of the allowances, since the dependents could not join the member on board ship. The member would continue to receive the BAQ and VHA at the with dependents rates.

**Figure 3.1: Housing Allowance Entitlements for a Member E-4 to E-6 With a Civilian Spouse**

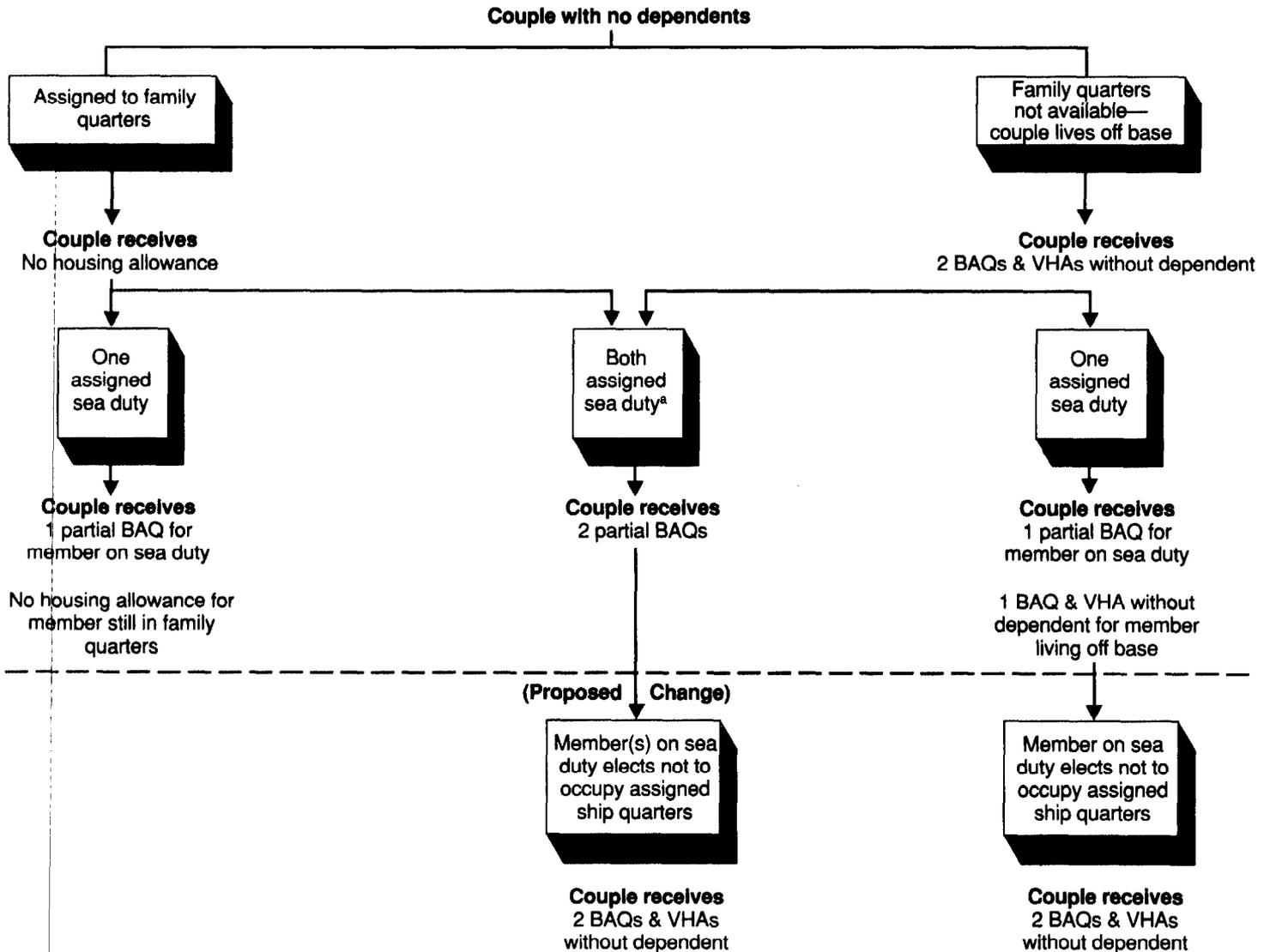


## Entitlements for E-4 to E-6 Dual-Service Couple

Figure 3.2 shows that the present BAQ and VHA entitlements for a Navy E-4 to E-6 married couple are more complex than for members with civilian spouses. For simplicity, figure 3.2, and the examples that follow, show only the maximum entitlements that the dual-service couple with both members at E-4 to E-6 would receive, since in certain instances they may not receive a full VHA. In addition, entitlements for a couple

**Chapter 3  
Housing Allowance Rules Pertaining to  
Married Members**

**Figure 3.2: Housing Allowance Entitlements for Navy Dual-Service Couple E-4 to E-6**



According to Navy regulations, dual-service couples can only be assigned simultaneous sea duty voluntarily. Such a couple if they had family quarters on base would lose those quarters.

with one member at grades E-4 to E-6 and the other member at a higher grade will vary depending on which member is assigned to sea duty. Also, we have assumed that the dual-service couple does not have other

dependents. The lower part of figure 3.2 shows DOD's suggested change to the BAQ and VHA entitlements.

### Family Quarters Available

A dual-service couple in the grades of E-4 to E-6, if assigned to the same base, would either be assigned government-furnished family housing or would be allowed to live off base. If they are assigned family housing, they would not be entitled to a BAQ or a VHA. Under current legislation, if one of the members is assigned sea duty, the member on sea duty receives a partial BAQ, and the member not assigned to sea duty may remain in the family quarters. If both members of a dual-service couple volunteer<sup>2</sup> for simultaneous sea duty, they both become entitled to partial BAQs. According to the Navy transfer manual, a couple volunteering for sea duty for more than 90 days, however, would lose the family quarters they were originally assigned.

### Family Quarters Not Available

A different chain of events occurs for a couple who was not originally assigned government quarters. If an E-4 to E-6 service couple, without dependents, had to live off base, they would each receive a BAQ and VHA at the without dependents rate. As required by 37 U.S.C. 420, they would each be treated as single members for BAQ purposes, but the couple would have two without dependent housing allowances with which to obtain a joint household. Under current legislation, if one member is then assigned to sea duty, that member loses BAQ and VHA entitlement because he or she is assigned to adequate shipboard quarters, is unable to claim the spouse as a dependent, and is denied the option of electing to not occupy government quarters. Even though the member on sea duty would receive a small partial BAQ, the spouse on shore essentially would have to pay for their joint household with his or her single without dependent BAQ and VHA. If both members are on sea duty, their housing allowance difficulties compound. Both would receive a small partial BAQ but if they maintained their off-base housing, they would have to pay for it from other sources, not BAQ or VHA.

### DOD's Proposal for Dual-Service Couples on Sea Duty

DOD's legislative proposal would have given either or both members of a dual-service couple the option of technically not occupying sea duty quarters, if they are above the grade of E-3, and instead pay the member or members a housing allowance. According to the Navy, this would have given it the flexibility to assign members of a dual-service couple

<sup>2</sup>Current Navy policy is to avoid such simultaneous assignments involuntarily.

to sea duty without adversely affecting their off-base living arrangements.

The Navy currently prevents this hardship by avoiding the involuntary assignment of dual-service couples to sea duty simultaneously. However, the Navy indicated this is becoming increasingly difficult as the number of dual-service couples grows and the needs of the Navy require sea duty assignments for these personnel.

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## **Conclusions**

The DOD proposal, if approved, would eliminate perceived inequities for dual-service couples with members at the grades of E-4 to E-6, but the perceived inequities for members at lower grades would continue. In addition, since the proposal was limited to dual-service couples, the perceived inequity for single members in the grades of E-4 to E-6 who are not given the option to live off ship may be magnified.

The proposal expands the election option in specific ways, but it would mostly benefit those members who want to maintain long-term, off-ship housing. For the first time, the election option would be for members with dependents, members below the grade of E-7, and members performing a specific type of duty (sea duty).

This proposal also appears to suggest that the government not only has an obligation to provide its military personnel with housing, but also to preserve the off-base housing option for those personnel who choose it. The election option has already been extended beyond its originally intended target group of officers at grades O-4 and above. Today, all E-7s and above without dependents are eligible to use this election.

We believe it is premature to act on this proposal now. The Senate Committee on Armed Services directed the Secretary of Defense to review the entire housing allowance system for military personnel and to submit a comprehensive legislative proposal that provides for an equitable housing allowance system for all personnel. DOD estimates that their review will be completed by the summer of 1989. As we discuss in chapter 5, we believe DOD should address this issue in its ongoing housing allowance study.

# Housing Allowance Rules Pertaining to Divorced Members

The housing allowance rules and regulations for divorced members who pay child support are complicated because of the members' unique status. The housing allowance for divorced or single military members paying child support falls somewhere between a single member and a member with dependents. It has been the subject of a complicated array of laws and regulatory interpretations that have allowed these members to receive more than intended in some instances—which some refer to as a windfall—and subjected them to perceived inequities in other instances.

One of DOD's proposals was targeted at members paying child support who are in the grades E-7 and above and are assigned to sea duty. DOD believes this group is suffering an inequity. Under the proposal, such members who are entitled to a BAQ at the with dependents rate would be allowed to elect "not to occupy" assigned unaccompanied quarters when on sea duty because they pay child support. This would enable them to continue to receive a BAQ and, if appropriate, a VHA. Since this proposal was not approved by the Office of Management and Budget, it was not submitted to the Congress. The Navy has resubmitted this proposal to DOD, but in commenting on this report DOD stated that the proposal will not be reconsidered again until its ongoing housing allowance equity study is finished.

## Housing Allowance Rules for Divorced Members Paying Child Support and Single Members—E-7 and Above

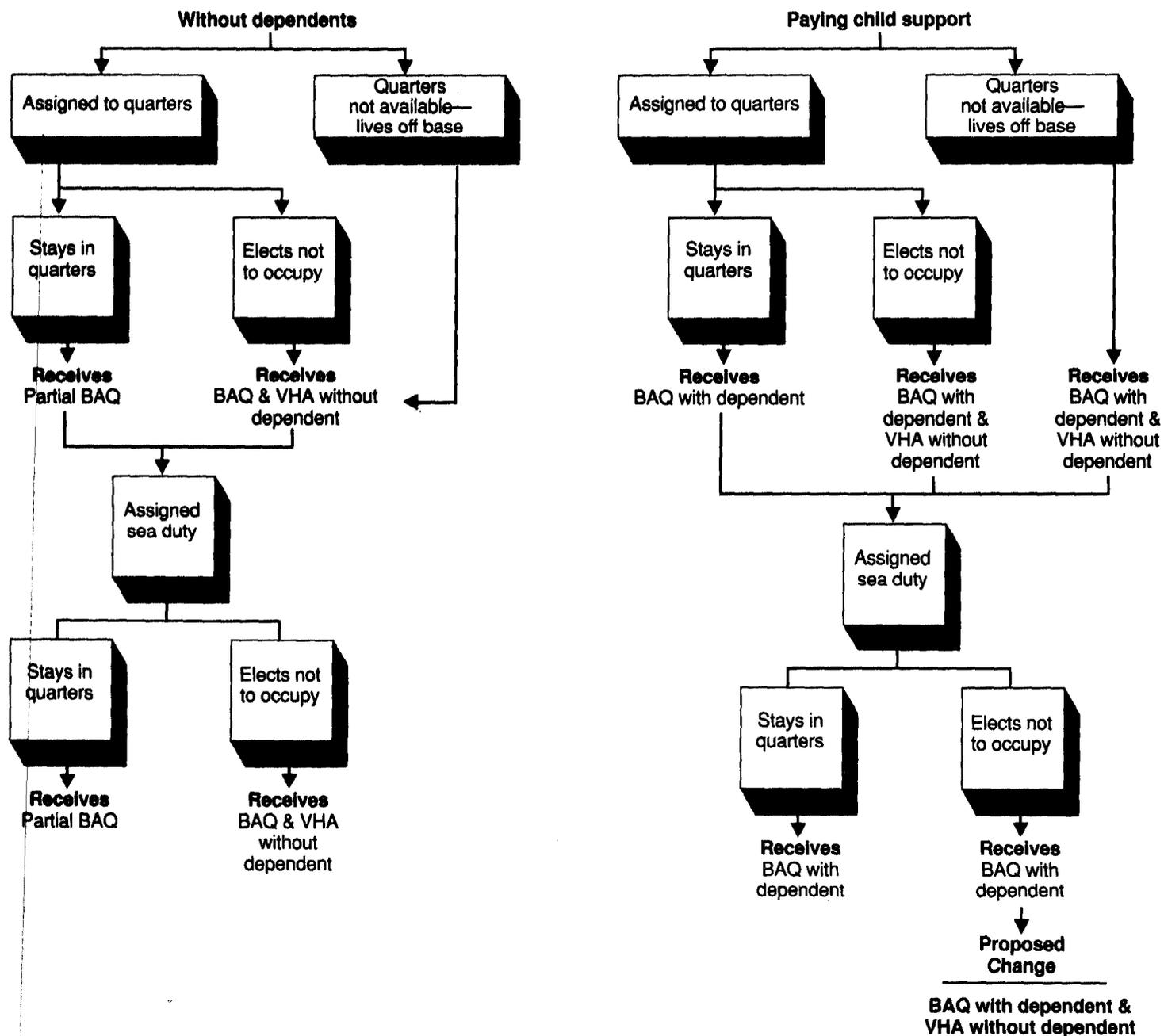
Figure 4.1 shows two categories of personnel—single Navy E-7s and above without dependents and divorced E-7s and above who are paying child support. An E-7 and above who has legal custody of a child is considered a member with dependents, and receives a with dependents BAQ, while a divorced member paying above a certain amount of child support is also considered a member with dependents and receives a with dependents BAQ.

## E-7 and Above Without Dependents

An E-7 and above without dependents will either be assigned bachelor quarters on base or will be instructed to obtain housing off base. If the member accepts on-base quarters, he or she would receive no more than a partial BAQ. As shown in figure 4.1, if quarters are not available, the member is instructed to obtain off-base housing, and becomes entitled to a without dependents BAQ and VHA. The member may also decline the assigned quarters and elect to go off base, which is allowed under

**Chapter 4  
Housing Allowance Rules Pertaining to  
Divorced Members**

**Figure 4.1: Housing Allowance Entitlements for Members Without Dependents and Those Paying Child Support (E-7 and Above)**



Child support payments must be greater than the difference between the BAQ with dependents and without dependents rates to qualify for a BAQ, which is given at the with dependents BAQ rate.

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37 U.S.C. 403(b). Such a member would be entitled to the same housing allowances as a member who was not assigned quarters.

If this member is then assigned to sea duty, he or she may remain in ships quarters and receive a partial BAQ or live off the ship in nongovernment housing and receive the BAQ and VHA at the without dependents rate. When a member elects not to occupy quarters, the member is merely being allowed to live off ship for the periods when the ship is in port and to maintain that residence while at sea. The ability of single E-7s and above to collect a BAQ while on sea duty, however, is limited by 37 U.S.C. 403(c). If the sea duty assignment is to a deployed unit and this is part of a permanent change of station, then the member would not be entitled to a BAQ.

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## **Member Paying Child Support**

As shown in figure 4.1, like other single members E-7 and above, a member paying child support can either be assigned quarters or instructed to live off base. The divorced member will be eligible for a BAQ and VHA if required to live off base. However, because he or she is paying child support, rather than actually caring for a dependent, DOD regulations restrict automatic receipt of BAQ at the with dependents rate. The member will only be paid the BAQ at the with dependents rate if the monthly child support payments exceed the difference between the without dependents BAQ and the with dependents BAQ rates. If the support payments do not exceed the difference, the member receives BAQ at the without dependent rate.

Members living in government-furnished bachelors quarters whose dependency status is based only on child support are assigned bachelor quarters, and may still be eligible to receive a BAQ at the with dependents rate if the child support payments are greater than the difference between the BAQ with and without dependents rates. If payments do not exceed the difference, only the small partial BAQ is paid.

These members, however, cannot receive a VHA. According to 37 U.S.C. 403a(b)(2), a member receiving BAQ at the with dependents rate solely because of child support cannot receive a VHA if assigned to government quarters. This restriction was intended to eliminate what the Congress viewed as a windfall that was accruing to divorced personnel. Until 1985, divorced members paying any amount of child support were treated like any other member with dependents in terms of VHA entitlement; they were entitled to both the BAQ and VHA at the with dependents rate. They also received these rates even if assigned to quarters, since as

divorced members they were assigned to single quarters, and their dependents—the children for which they were paying support—were unable to join them.

In 1985, the Congress eliminated a portion of this windfall by prohibiting payment of a VHA to military members who were assigned to adequate quarters and were receiving a BAQ at the with dependent rate solely by reason of the payment of child support. However, these amendments had the effect of preventing members E-7 and above in this category from living off base at their own choosing and collecting a VHA, which other single E-7s and above may do. This situation arises because such a member who is assigned sea duty would be entitled to a BAQ at the with dependents rate as a result of sufficiently large child support payments, but would be denied a VHA in accordance with section 403a(b)(2).

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## **DOD's Legislative Proposal**

According to a Navy official, the members most affected by the 1985 restriction are the divorced E-7s and above paying a certain amount of child support who were required to live off base prior to being assigned sea duty. Such a member would be entitled to receive a VHA at the without dependents rate while off base, but he or she would lose that entitlement when assigned sea duty. Thus, the housing expenses the member was paying with the VHA before being assigned sea duty would have to be paid from other sources if he or she decided to maintain off-base quarters. DOD's legislative proposal would allow such members to choose not to occupy sea duty quarters and retain their VHA.

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## **Conclusions**

As with the dual-service couple proposal, this proposal offers specific expansions to the election option, and it would benefit mostly those members who want to maintain long-term, off-ship housing. For the first time, the election option would be tied to members with dependents and members performing a specific type of duty (sea duty). This expansion could cause service members below the grade E-7 in similar conditions to complain of inequity.

As we discuss in chapter 5, DOD should address this issue in its ongoing housing allowance review because we believe it is premature to act on this proposal without more information.

# Current BAQ and VHA Problems Demonstrate Inequity in Military Housing Allowance System

The current military housing allowance system is the result of patchwork legislation enacted to respond to specific situations or problems. The system was originally designed when most service members were single men, and when those who were married had a nonemployed wife. Also at that time, most military members, whether single or married, lived in government-furnished quarters.

Social and marital conditions have changed tremendously in the services, and today about half of all military members no longer live in government-furnished quarters. These changing conditions have resulted in a situation where service members of the same rank and grade, or having similar responsibilities, are treated differently with respect to housing or housing allowances, depending upon their marital or dependent status. Housing allowances are greater for members with dependents than for single members. Divorced members paying certain levels of child support have yet another set of entitlements. Some of these divorced personnel who are entitled to housing allowances only because they pay child support may actually receive a windfall if their housing allowances exceed their child support obligation. These differences in treatment with respect to housing, or allowances in lieu thereof, have created the perception that the system is fundamentally inequitable.

If DOD's recent proposals for correcting perceived inequities faced by dual-service couples and divorced personnel were approved, new equity problems may be created for other groups, or existing perceived inequities may be magnified. These proposals are further patchwork fixes to an overall military housing allowance system which continues to treat military members differently simply because of their marital or dependent status. Some of these differences are illustrated by the following examples.

## Examples of Inequity

Norfolk, Virginia, is a high cost area with a large military population. Using the BAQ and VHA rates for that area, we constructed comparisons between hypothetical service members to illustrate the inequity that the housing allowance system can produce.

**Case I** — A Navy O-3 (lieutenant) with a civilian wife and no children compared with an O-3 with a civilian wife and four children. The O-3 living off base in Norfolk with his wife as his sole dependent would receive a maximum of \$634.78 a month in housing allowances—BAQ and VHA allowances at the with dependents rates. The O-3 with a civilian

wife and four children would also be entitled to a maximum of \$634.78 a month. The BAQ and VHA laws do not distinguish between a member with a single dependent and a member with multiple dependents.

When assigned to on-base family housing, however, the situation is changed. The childless couple usually would be entitled to no more than a single bedroom residence, while an O-3 with four children would be entitled to anywhere from a three to a five bedroom residence, depending on the sex (i.e., all one sex versus both male and female children) and ages of the children.

If housing or housing allowances are to be considered compensation, then the compensation for the two O-3s should not fluctuate based on the number of dependents they have and whether they live on or off base. An O-3 with only a dependent wife may have more discretionary income than a larger family when living off base, yet his compensation in effect goes down when assigned on-base housing. For the O-3 with a family, his discretionary income may in effect go down when living off base.

Case II — An E-7 (chief petty officer) with a civilian wife and dependents compared to a dual-service E-7 couple. An E-7 with a civilian wife and dependents would receive a maximum housing allowance of \$558.63 a month when living off base. An E-7 married to another E-7, with no dependents, could receive up to \$775.94 a month in housing allowances, since each would be entitled to receive their allowances at the without dependents rate.

Each couple could also be assigned on-base family housing, and their entitlement would change based on the number of dependents each member has. The dual-service E-7 couple with no dependents would be assigned to a single bedroom family residence, whereas the E-7 with dependents would be entitled to a multiple bedroom residence.

## Continuing Windfall Payments to Divorced Members

Partly as a result of the complex housing allowance system, windfall payments may still be accruing to divorced members paying child support who are assigned to quarters. In our opinion, current regulations are inconsistent in this area. DOD recognizes the need for a BAQ to provide for the housing needs of the dependents, but only when the child support payments exceed the difference between the single and the with dependents BAQ. According to DOD officials, divorced personnel paying

child support and living in quarters may possibly be reimbursed in excess of their child support payments.

For example, an E-7 in Norfolk who is assigned to government quarters, but is divorced and paying \$120 a month in child support, would not be entitled to a BAQ because the member's child support payments do not meet DOD's minimum threshold. However, if the E-7's child support payments were only \$9 more, or \$129 a month, then he or she becomes entitled to a BAQ at the with dependents rate—about \$420 a month—a potential windfall of about \$291 a month.

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## Conclusions

Both DOD proposals address perceived inequities in the housing allowance system. Although these proposals may have merit for the specific groups they address, we believe these and other perceived inequities in the military housing allowance system have developed partly due to patchwork legislation that addressed only specific issues without considering the overall housing allowance system relative to changed demographics in the services. Acting on these proposals at this time, without ensuring that they are part of a coherent package of reforms, might simply perpetuate this condition.

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## Recommendations

We recommend that the Secretary of Defense expeditiously complete the review of the housing allowance system and address the dual-service couple and divorced member issues as part of that review and any subsequent legislative proposals. We further recommend that the Secretary not submit the current proposals until that review is completed, and only then if the review warrants their submission.

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## Agency Comments

DOD generally agreed with our findings and recommendations. DOD acknowledged that there are perceived inequities in the housing allowance system, and stated that if the allowances are perceived as being strictly compensation—equal pay for equal work—then inequities exist. However, DOD said that if housing allowances are viewed as reimbursement for quarters the government is unable to provide in-kind, then the system is reasonably equitable. DOD reiterated that housing and housing allowances for service members can be traced to the government's historical obligation to provide adequate living accommodations to military personnel. According to DOD, this means that military personnel with dependents should be given larger quarters, or a larger allowance, than single personnel.

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**Chapter 5  
Current BAQ and VHA Problems  
Demonstrate Inequity in Military Housing  
Allowance System**

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We agree with DOD on the historical origin for providing housing, or an allowance in lieu of housing, to military personnel, but we do not agree with DOD that when viewed from this historical perspective the system is equitable. Although the concept of equity is clearly a value judgment, we believe that an equitable system is one that treats similarly situated personnel as nearly alike as possible. The military housing and housing allowance system treats members in similar circumstances differently. This, we believe, has served to reinforce perceptions of a fundamentally inequitable system.

DOD said it would expeditiously complete its ongoing housing study and address the dual-service couple and divorced member issues in that review and subsequent legislative proposals. However, DOD stated that these two issues would be reviewed separately by the study group and, if warranted, a legislative proposal may be made before the comprehensive review is completed.

We recognize the need to resolve perceived inequities and irritants as soon as possible; however, we are concerned that an early legislative proposal addressing only these two issues might simply perpetuate the piecemeal approach that has been taken in the past to resolve such issues. We believe care needs to be taken to ensure that any such proposal is part of a coherent package of housing allowance reforms so that other unforeseen problems are not inadvertently created.

# Comments From the Department of Defense

Note: The GAO comment supplementing those in the report text appears at the end of this appendix.



FORCE MANAGEMENT  
AND PERSONNEL

THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

12 APR 1989

Mr. Frank C. Conahan  
Assistant Comptroller General  
National Security and International Affairs Division  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) Draft Report, "MILITARY HOUSING ALLOWANCES: Equity Issues for Dual-Service Couples and Certain Divorced Members," dated February 21, 1989, (GAO Code 391084), OSD Case 7911. The DoD concurs with the findings and recommendations in the report.

The Department was directed in the Senate Report on the FY 1989 DoD Authorization Bill to conduct a comprehensive review of all housing allowances and submit legislation that provides for an equitable housing allowance system for all personnel. The Department's housing allowance study is currently under way. This study of the military housing allowance system is a complex effort that will likely extend in some aspects over a considerable period of time. Major issues involving any potential significant change to the military pay system, of which allowances are an interdependent subset, will be examined in depth.

In the interim, the preliminary findings of the study group are projected to be completed by August 1989. Recommendations concerning those findings will be developed during September and October 1989 and are expected to be completed by November 1989. As appropriate, certain aspects of the study may be addressed separately and earlier. If necessary, amending legislation may also be proposed. As an example, the first such effort planned is an amendment to Title 37, United States Code, that will permit the up-front reimbursement of initial occupancy costs incurred when moving into non-Government quarters in overseas locations, versus the current system of reimbursing members on a per diem basis over the period of time that such quarters are occupied. The Department was required to report to Congress concerning this particular effort and did so in a report dated April 3, 1989.

**Appendix I**  
**Comments From the Department of Defense**

2

The DoD detailed comments on the findings and recommendations are provided in the enclosure. The Department appreciates the opportunity to comment on the draft report.

Sincerely,



David J. Berteau

Deputy Assistant Secretary of Defense  
(Resource Management and Support)

Enclosure:  
As Stated

GAO DRAFT REPORT - DATED FEBRUARY 22, 1989  
(GAO CODE 391084) OSD CASE 7911

"MILITARY HOUSING ALLOWANCES: EQUITY ISSUES FOR DUAL-SERVICE COUPLES  
AND CERTAIN DIVORCED MEMBERS"

DEPARTMENT OF DEFENSE COMMENTS

\* \* \* \* \*

FINDINGS

- **FINDING A: The Housing Allowance System.** The GAO observed that the housing allowance system was designed when most Service members were young, single males; however, today's Military Services are composed of hundreds of thousands of women, married couples, and parents. The GAO noted that changing demographics have greatly complicated the ability of the Department to maintain equity in military pay and allowances. The GAO found that the most important change has been the growth in the number of female Service members, which has led to an increase in the number of dual-Service couples. The GAO also found that the number of divorced Service members is growing. The GAO explained that the changed military demographics have resulted in housing allowance equity problems that were unforeseen when the present housing allowance system was established. According to the GAO, congressional interest in military housing allowance programs has been high for several years because of concerns about equity and increased costs. In addition, recent DoD proposals to remedy the situation have increased that interest. The GAO reported that the Senate Committee on Armed Services directed the Secretary of Defense to review the housing allowance system and to submit a comprehensive legislative proposal that provides for an equitable housing allowance system for all personnel. The GAO noted that the review is under way and is estimated to be completed by the summer of 1989. (pp. 2-3, pp. 16-17/GAO Draft Report)

**DoD Response:** Concur.

- **FINDING B: Housing Allowance Philosophy.** The GAO reported that DoD officials do not view housing allowances as either strictly compensation or strictly reimbursement. The GAO explained that, if the Government does not provide adequate housing for members and their dependents, then the Government must provide an allowance that

Now on pp. 2-3 and 8-10.

Now on pp. 11-15.

reimburses the cost of securing adequate housing in the civilian community. The GAO further explained that, according to Department officials, Government quarters or housing allowances are a fundamental determinant of the military member's basic standard of living and can be viewed as compensation. According to the GAO, because of the special demands placed on the military, compensation takes into account factors such as the marital status and housing needs of members. The GAO provided information on the evolution of the basic allowance for quarters (BAQ) and the variable housing allowance (VHA) as well as the election of quarters concept. (pp. 8-14, pp. 16-18/GAO Draft Report)

**DoD Response:** Concur. The housing and housing allowance system has evolved over time and, as presently constituted, contains both compensation and reimbursement aspects. The Department agrees that because of the vastly different nature of military service now, compared to what it was a number of years ago, changes to the system may very well be warranted. The current housing allowance study will recommend such appropriate changes to the system, as warranted.

- o **FINDING C: Previous DoD Studies.** The GAO reported there was only one prior DoD-sponsored study of housing allowances that discussed housing allowance in terms of whether the allowances are compensation or reimbursement. According to the GAO, the study entitled, OSD-OMB Military Housing Study: Volume II, dated October 31, 1975, was never finalized and concluded that housing was part of military members' total compensation and, therefore, a quarters allowance in lieu of quarters was also part of the total compensation. The GAO noted that the study also found that the use of housing as compensation was not sound because:

- military personnel of the same grade who performed identical work were not receiving equal compensation because dependency status was considered in allocating military housing and paying housing allowances;

- too little housing was available in each location;

- the quality of housing was not uniform for all areas; and

- the perceived value of the housing provided was different among individuals.

Now on pp. 3 and 15.

According to the GAO the study emphasized that, if a housing allowance was compensation, then the amount of BAQ paid to all personnel in the same pay grade should be equal. The GAO commented that the study recommended that the military housing allowance system be converted to one of fair market rentals. The GAO reported that the recommendation was not implemented. The GAO concluded that the prior report was outdated and did not discuss equity problems of dual-Service couples and divorced members. (p. 3, pp. 18-20/GAO Draft Report)

**DoD Response:** Concur.

- **FINDING D: Dual-Service Couples.** The GAO reported that current legislation restricts dual-Service couples below the grade of E-7 from receiving BAQ when both are assigned to sea duty, even though the couple may live in non-Government housing for the lengthy periods when a ship is in port or maintain that housing during short deployments. The GAO explained that a similar restriction affecting those in higher pay grades was lifted in 1980, after several years of low reenlistments by personnel in those pay grades. The GAO noted that no such restriction has ever applied to Service members with civilian spouses. The GAO described the housing allowance rules for military members in grades E-4 to E-6 with civilian spouses as well as for those in the same pay grades but with military spouses. (p. 4, pp. 21-30/GAO Draft Report)

Now on pp. 3 and 16-20.

**DoD Response:** Concur. It should be noted that the Basic Allowance for Quarters (BAQ) is lost by one or both members once they are assigned to sea duty. To reduce the financial burden of sea duty on dual-Service couples, only one member may be assigned to sea duty, unless both members volunteer for sea duty. Because the law prohibits a Service member spouse from being a dependent of another Service member, assignment to sea duty currently results in a loss of purchasing power for dual-Service couples. A dual-Service couple member, below paygrade E-7, assigned to sea duty, is denied the option to elect to live in quarters with his or her spouse, rather than the Government quarters provided on board ship. Throughout the DoD, this quarters option restriction for a married person is only levied against dual-Service couples where one member is assigned to a ship.

See comment 1.

- **FINDING E: Legislative Proposal For Dual-Service Couples On Sea Duty.** The GAO reported that the DoD recently proposed to change the

housing allowance program in order to alleviate the equity problems of Service members married to other Service members allowing Navy members who are on sea duty to elect on paper not to occupy Government quarters when they are married to other Service members. According to the GAO, under this proposal these members would receive a basic quarters allowance. The GAO concluded that this proposal, if approved, would eliminate inequities for dual-Service couples with members at the grades of E-4 to E-6, but would continue the inequities for members at lower grades. The GAO explained that this proposal would create an equity problem for single personnel in the grades of E-4 to E-6 who are not given the option to live off ship. As a result, the GAO concluded that the DoD should not submit the proposal until the current review of the housing allowance system mandated by the Senate is completed. (p.2, pp. 31-32/GAO Draft Report)

Now on pp. 4 and 20-21.

**DoD Response:** Concur. It should be recognized, however, that the Department did have under consideration such a proposal in its FY1988/FY1989 legislative program. The proposal was not formally submitted to the Congress, and the Department did not include it in either its amended FY1989 budget or its FY1990/FY1991 legislative program pending the DoD housing allowance review. This issue will be addressed by the housing allowance study group, and if it is determined that a legislative change is warranted, appropriate legislation will be submitted during the course of the comprehensive housing allowance review.

- o **FINDING F: Divorced Members.** The GAO reported that 1984 legislation prevents members who reside in Government quarters and receive a quarters allowance only because they pay child support from receiving VHA. The GAO concluded that, while this restriction eliminated windfalls for these personnel when they actually occupied Government-furnished quarters, it also had the effect of denying the variable housing allowance to members E-7 and above the election to live off base and collect VHA, which single members E-7 and above may do. The GAO noted that this restriction also applies to senior personnel who elect not to occupy quarters when assigned to sea duty. The GAO provided a detailed description of housing allowance rules for divorced members paying child support and single members who are in grades E-7 and above.

Now on pp. 4 and 22-25.

**DoD Response:** Concur.

Now on pp. 4 and 25.

- **FINDING G: The DoD Legislative Proposal For Divorced Members.** The GAO reported that, to remedy equity problems encountered by divorced members, the DoD proposed to allow Navy members in grades E-7 and above, who are entitled to a higher quarters allowance only because they pay child support, to elect on paper not to occupy quarters when assigned to sea duty. The GAO noted that this would entitle them to receive VHA. The GAO assessed this proposal and concluded that it may create equity problems for other groups of personnel who are not included. As a result, the GAO concluded that the DoD should not submit the proposal until the current review of the housing allowance system mandated by the Senate is completed. (p. 4, pp. 33-40/GAO Draft Report)

**DoD Response:** Concur. This issue will be addressed by the housing allowance study group and, if it is determined that a legislative change is warranted, appropriate legislation will be submitted during the course of the comprehensive housing allowance review.

Now on pp. 26-29.

- **FINDING H: Inequity In The Military Housing Allowance System.** The GAO noted that the current military housing allowance system is fundamentally inequitable and pointed out that housing allowances are greater for members with dependents than for single members. The GAO further noted that, under current regulations, divorced personnel paying child support and living in quarters may be reimbursed far in excess of their child support payments. (pp. 41-45/GAO Draft Report)

**DoD Response:** Partially concur. The Department recognizes that there are perceived inequities in the housing allowance system. If housing allowances are viewed in terms of reimbursement for quarters the Government is unable to provide in-kind, then the system is reasonably equitable. If housing allowances are perceived as being strictly compensation -- equal pay for equal work -- then inequities exist. However, housing and housing allowances for Service members derive from the historical obligation of the Government to provide adequate living accommodations to military personnel. This requires that members with dependents be provided larger quarters, or greater allowances, than their single member counterparts. As noted, the current housing allowance system is being reassessed by the Department and changes, if appropriate, will be recommended as warranted.

\* \* \* \* \*

**RECOMMENDATIONS**

- **RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense expeditiously complete the review of the housing allowance system mandated by the Senate and address the dual-Service couple and divorced member issues in the review and subsequent legislative proposals. (pp. 46-47/GAO Draft Report)

Now on pp. 4 and 28.

**DoD Response:** Concur. The DoD study of the military housing allowance system is a complex effort that will likely extend over a considerable period of time. Major issues involving any potential significant changes will be examined in depth. In the interim, the preliminary findings of the study group are projected to be completed by August 1989. Recommendations concerning those findings will be developed during September and October 1989, and are expected to be completed by November 1989. As appropriate, certain aspects of the study may be addressed separately and earlier with amendatory legislation proposed, if warranted.

- **RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense not submit the current legislative proposals until the review of the housing allowance system is completed; and only then, if the review warrants their submission. (p. 47/GAO Draft Report)

Now on pp. 4 and 28.

**DoD Response:** Concur. The issues pertaining to dual-Service couples on sea duty and housing allowances for certain divorced Service members will be addressed separately by the housing allowance study group, and if it is determined that changes are warranted, amendatory legislation may be recommended during the course of the comprehensive review.

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**GAO Comment**

1. DOD's response refers to a full BAQ rather than the partial BAQ discussed in the report and shown in the flow charts. DOD agrees with us that dual-service couples on sea duty lose a full BAQ, leaving them with only a partial BAQ.

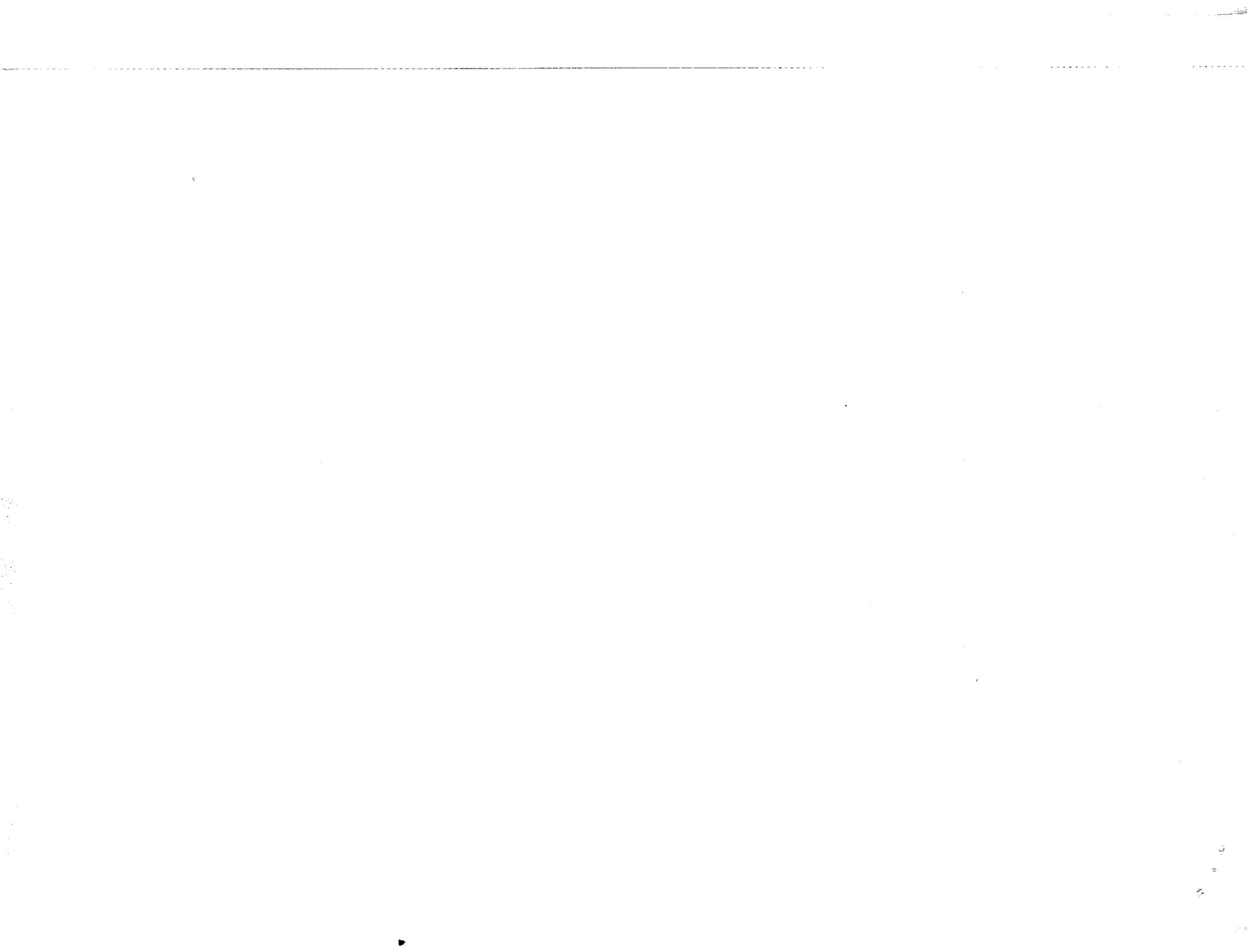
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