The original documents are located in Box 7, folder "9/19/74 HR15406 Military Compensation" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

ACTION

THE WHITE HOUSE

WASHINGTON

Last Day - September 21

September 19, 1974

Posted 9/20

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 15406

T. Cheney 9/20

Attached is the House bill, H.R. 15406, Military compensation, which revises the method for allocating pay increases for members of the uniformed services so that such increases are distributed among basic pay and quarters and subsistence allowances instead of being allocated entirely to basic pay.

The Counsel's office, the NSC, Bill Timmons, and OMB concur.

RECOMMENDATION

That you sign the attached bill.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 13 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 15406 - Military compensation
Sponsor - Rep. Stratton (D) New York and
Rep. Hunt (R) New Jersey

Last Day for Action

September 21, 1974 - Saturday

Purpose

Revises the method for allocating pay increases for members of the uniformed services so that such increases are distributed among basic pay and quarters and subsistence allowances instead of being allocated entirely to basic pay.

Agency Recommendations

Office of Management and Budget	Approval
Department of Defense	Approval
Department of Transportation	Approval
Department of Health, Education and Welfare	Approval
Department of Commerce	No objection (informally

Discussion

Current law provides that whenever Federal civilian employees receive a pay raise, a comparable increase in compensation must be provided for uniformed services personnel. The law requires, however, that this comparability increase be provided by an adjustment in basic pay only, despite the fact that uniformed services personnel are compensated through quarters and subsistence allowances as well as by basic pay. Allocating all of the increase in this way tends to distort the overall uniformed services compensation system.

The enrolled bill is based on an Administration proposal. It would retain the principle that pay raises for the uniformed services should be linked to civilian pay increases, but it would provide a new method for allocating these pay increases among the various components of uniformed services compensation. Under H.R. 15406, the President would be required to increase quarters and subsistence allowances as well as basic pay. Each of these three elements of compensation would be increased by the same percentage increase authorized for Federal civilian pay rates. This method would ensure that future allowances for quarters and subsistence would bear a more reasonable relationship to the costs they are intended to cover.

More importantly, enactment of the enrolled bill would result in significant savings to the Government. Certain overlapping benefits would be eliminated; e.g. pay increases for members who are furnished quarters and subsistence at government expense will not include increases related to food and housing costs which these members do not have to meet. In addition, entitlements which are related to basic pay, such as retired pay, would be reduced somewhat since a smaller amount of future pay increases would go into the basic pay component.

Savings resulting from this bill will depend, of course, on the timing and amount of future comparability pay raises. In its letter on the enrolled bill and in testimony presented to Congress, Defense indicated that its cost savings would amount to approximately $3.0 billion over fiscal years 1975-1979 if (a) the civilian pay assumption in the 1975 budget were used; i.e. a civilian pay raise of 6.2 percent effective October 1, 1974, and (b) a 5 percent raise was assumed in each of the subsequent years. The assumption with respect to the fiscal year 1975 pay increases may, of course, be revised in terms of effective date and percentage of increase; and these changes would have some downward effect on the estimated savings of $3 billion.

The bill would result in smaller savings for the uniformed services within the Departments of Transportation, Health, Education and Welfare, and Commerce.

Wilfred H. Rommel
Assistant Director for
Legislative Reference

Enclosures

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

SEP 9 1974

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Ash:

This is in response to your request for the views of the Department of Transportation concerning H.R. 15406, an enrolled bill

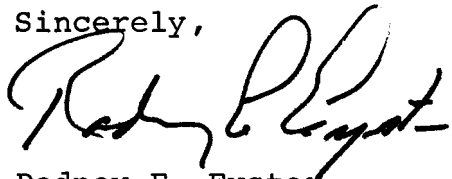
> "To amend title 37, United States Code, to refine the procedures for adjustments in military compensation, and for other purposes."

The enrolled bill would give the President the authority to make an immediate upward adjustment in the monthly basic pay, basic allowance for subsistence, and basic allowance for quarters of members of the uniformed services whenever the General Schedule of compensation for Federal classified employees is adjusted upward. The President's existing authority in the area (Public Law 90-207) is limited to the adjustment of basic pay as authorized by section 203(a) of title 37. The enrolled bill would, in addition, allow the adjustment of the subsistence allowance paid under section 403(a) of title 37 and the housing allowance paid under section 402 of that title. Under current practice the adjustment made in basic pay is set at a rate which will result in an increase in military compensation comparable to the increase in civilian compensation. In other words, the percentage increase in military basic pay is usually placed at a higher rate than the civilian increase to allow for the fact that the subsistence and housing segments of military compensation are not increased. Under the enrolled bill the percentage increase in each of the three areas of basic military compensation would equate with the percentage increase in civilian pay. The net effect is that the new system is simpler and more direct than the old one.

It should be realized that under the enrolled bill members of the military occupying military housing will benefit less from an upward adjustment than they do under the current system. Likewise, members of the military retiring after enactment of the enrolled bill will also receive a smaller benefit than under the current system as retired pay is based on basic pay and not on overall compensation. In our view, the advantages of the enrolled bill far outweigh these disadvantages.

The Department of Transportation recommends that the President sign the enrolled bill, H.R. 15406.

Sincerely,



Rodney E. Eyster
General Counsel

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
WASHINGTON, D. C. 20301

10 September 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Ash:

Reference is made to your request for the views of the Department of Defense with respect to the enrolled enactment of H. R. 15406, an Act "To amend title 37, United States Code, to refine the procedures for adjustments in military compensation, and for other purposes."

The Department of Defense proposed this legislation and supports it in its entirety.

The bill, as enacted, modifies existing law by changing the method of allocating pay raises for military personnel. Instead of putting all of each military pay raise solely into basic pay, future pay increases would be allocated to all three cash elements of regular compensation: basic pay, the basic allowance for subsistence, and the basic allowance for quarters. Each of the three cash elements would be increased by the same percentage as future Federal general schedule employee pay increases and would occur at the same time as such increases.

In addition, the bill as enacted, provides matching Federal civilian pay percentage increases to special subsistence allowances which are paid presently to about 60,000 enlisted members because the government is unable to provide rations in kind, and in the relatively few instances when enlisted members are assigned to duty under emergency conditions where they must purchase at least two meals per day from commercial sources such as restaurants or a contract facility. These special subsistence allowances are paid in lieu of the basic allowance for subsistence described earlier as a cash element of regular compensation for personnel who so qualify.

ESTIMATED DOD BUDGETARY COST SAVINGS

Considerable cost savings will result from the approval of H. R. 15406 during the current fiscal year and in future years. These cost savings, using the President's budget for FY 1975 as a basis, are as follows:

(in millions of dollars)

	FY 75	FY 76	FY 77	FY 78	FY 79
DoD Savings 1/ (except retirement)	$154.7	$346.2	$542.1	$751.0	$976.2
Retirement Savings	3.1	13.0	30.9	57.1	92.6
Total DoD Savings	$157.8	$359.2	$573.0	$808.1	$1,068.8

1/ These estimates assume a 6.2% Federal general schedule employee increase on 1 October 1974 and 5% annual increases thereafter which result in applying these exact same percentages in basic pay, basic allowance for quarters and basic allowance for subsistence. Increases in enlisted subsistence rates apply to all of the following: (1) when authorized to mess separately and leave rations (2) when rations in kind are not available and (3) when assigned to duty under emergency conditions where government messing facilities are not available.

The Department of Defense recommends that the President approve H. R. 15406.

Sincerely,

Martin R. Hoffmann

Martin R. Hoffmann

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

SEP 11 1974

Dear Mr. Ash:

This is in response to Mr. Rommel's request of September 6, 1974, for a report on H.R. 15406, an enrolled bill "To amend title 37, United States Code, to refine the procedures for adjustments in military compensation, and for other purposes."

The enrolled bill would revise the method of allocating comparability pay increases for active duty members of the uniformed services so that the increases are distributed among basic pay, quarters allowance and subsistence allowance. At present the increases go entirely into basic pay. The bill would effectively eliminate certain overlapping benefits now received by uniformed services personnel and over a five-year period would save the Federal Government about $3 billion. The enrolled bill is identical in all but a few minor aspects with the Administration's proposal. The bill applies equally to all the uniformed services, including the Commissioned Corps of the Public Health Service.

We recommend that the enrolled bill be approved.

Sincerely,

Caspar W. Weinberger
Secretary

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 580

Date: September 16, 1974 Time: 11:00 a.m.

FOR ACTION: Geoff Shepard
Phil Buchen
Bill Timmons
NSC/S

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Thursday, September 19, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 15406 - Military compensation

ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

WASHINGTON

9/13/74

TO: WARREN HENDRIKS

RDL

Robert D. Linder

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 580

Date: September 16, 1974 Time: 11:00 a.m.

FOR ACTION: Geoff Shepard
✓Phil Buchen
Bill Timmons
NSC/S

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Thursday, September 19, 1974 Time: 2:00 p.m.

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ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

No objection
J.C.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 580

Date: September 16, 1974 Time: 11:00 a.m.

FOR ACTION: Geoff Shepard
Phil Buchen
Bill Timmons
NSC/S

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

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DUE: Date: Thursday, September 19, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 15406 - Military compensation

ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

Approval

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE

WASHINGTON

September 19, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS

FROM: WILLIAM E. TIMMONS

SUBJECT: Action Memorandum - Log No. 580
Enrolled Bill H.R. 15406 - Military Compensation

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 580

Date: September 16, 1974 Time: 11:00 a.m.

FOR ACTION: Geoff Shepard
Phil Buchen
✓Bill Timmons
NSC/S

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Thursday, September 19, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 15406 - Military compensation

SJ - Report this to Staff Secy

ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS:

called Linda & Hendriks 9/18 6:30 T.

Please return to Kathy Tindle - West Wing

BT

How Does this impact on our pay Deferral vote ~~on~~ Thursday?? (The Answer is unknown - So Let's wait until after the vote on Deferral, please.) TK.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

93D CONGRESS 2d Session } HOUSE OF REPRESENTATIVES { REPORT No. 93-1146

AMENDING TITLE 37, UNITED STATES CODE, TO REFINE THE PROCEDURES FOR ADJUSTMENTS IN MILITARY COMPENSATION, AND FOR OTHER PURPOSES

JUNE 25, 1974.—Committee to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. STRATTON, from the Committee on Armed Services, submitted the following

REPORT

[To accompany H.R. 15406]

The Committee on Armed Services, to whom was referred the bill (H.R. 15406) to amend title 37, United States Code, to refine the procedures for adjustments in military compensation, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of the bill is to revise the method of allocating comparability pay increases for active-duty members of the uniformed services so that the increases are distributed among basic pay, quarters allowance and subsistence allowance. At present the increases go entirely into basic pay.

EXPLANATION OF THE BILL

Public Law 90-207 provides that whenever salary rates for civil service employees under the General Schedule are adjusted upward, uniformed services pay will be comparably increased. General Schedule salaries are adjusted annually, based on comparability with private industry. The annual percentage increase in General Schedule salaries is applied to Regular Military Compensation (RMC), which is defined as consisting of basic pay, quarters allowance and subsistence allowance (in cash and in kind), and the tax advantage on these allowances. However, the law requires that the amount of the increase be applied solely to basic pay. Thus basic pay is adjusted in part by increases applicable to quarters and subsistence allowances.

99-006—74——1

Military personnel living and eating in government facilities get basic-pay increases related to the cost of those items although the cost is borne by the government. In addition, another law provides for separate adjustments in the subsistence allowance for enlisted personnel. Enlisted subsistence has increased 78 percent since 1967. In effect, the government has been paying twice for some factors in the comparability pay increase computation.

The bill will result in savings to the government by elimination of this double payment.

Background of Current Law

The current law, section 8 of Public Law 90–207, specifying the methodology for military pay raises, was enacted in 1967. The law was enacted at a time when military pay was acknowledged to be below that paid to civilian personnel, and it was contemplated at the time as temporary legislation.

The 1967 law stated the military would receive their pay raise at the same time and in the same amount as the federal classified raise, computed on the then established Regular Military Compensation concept. The law stated that the entire cash increase, while computed on Regular Military Compensation, could only be put into basic pay. Since basic pay is about 75 percent of total RMC, this meant that the percentage increase in basic pay would necessarily be larger than the percentage increase in RMC.

In 1971 Congress enacted Public Law 92–129, which provided substantial additional pay increases for military personnel, particularly in basic pay for junior enlisted and officer personnel, independent of the comparability increase formula. Public Law 92–129 also increased quarters allowance by approximately 35 percent.

The accelerating-increase effect on basic pay of section 8, Public Law 90–207, coupled with the quantum increase for junior personnel provided by Public Law 92–129, has achieved the objective of this committee of making regular compensation competitive with wages in the civilian sector.

The Department of Defense on behalf of the Administration testified to the position that military pay is now competitive with wages in the civilian sector and that modification of the matching increase mechanism is necessary to ensure cost-effective implementation of future pay increases.

Present law overstates basic pay and understates quarters and subsistence allowances, resulting in allowances appearing to military personnel to be lower than they should be. Putting the increases in the allowances as well as in basic pay should make the compensation system more understandable to military personnel in the future.

How H.R. 15406 Will Operate

H.R. 15406 will retain the principle that military pay raises are to be linked to federal civilian pay increases. The bill will change the method of allocating pay raises. Instead of putting all of each military pay raise solely into basic pay, future increases will be allocated to the three cash elements of RMC.

To illustrate how the bill works: Federal civilian employees are expected to get a pay increase on October 1 this year of approximately 6.2 percent. An increase for military personnel under present law would result in an 8.1-percent increase in basic pay. The bill will mean basic pay, quarters allowance and subsistence allowance would each be increased 6.2 percent.

Committee Revision

The vast majority of enlisted personnel paid subsistence are those who are "authorized to mess separately" and receive an allowance in lieu of eating in a mess hall. Under the Defense bill, this is the only subsistence allowance that would have been increased since it is the allowance that is considered part of the Regular Military Compensation.

There are two other categories of enlisted personnel who receive subsistence payments: Approximately 60,000 enlisted members stationed "where rations in kind are not available" are paid $2.57 per day. Recruiters are a representative sample of this group. A small number, less than 1,000, are "assigned to duty under emergency conditions where no messing facilities of the United States are available" and are paid $3.42 per day subsistence. These rates are set in law and have not been changed in many years. The Defense Department took the position that it did not want to change these rates until it had made a new study of their usefulness.

The committee believes that in attempting to make the compensation system more rational and increases more nearly related to the cost for which they are paid, we should not deny comparable increases to any enlisted personnel receiving subsistence allowances.

The committee, therefore, revised the Defense Department proposal to include these groups in the percentage increases in compensation. H.R. 15406 is a clean bill that differs from H.R. 13937, on which hearings were held, only in that it includes these other enlisted subsistence categories in the increases in compensation.

The committee believes the Department of Defense should thoroughly review the appropriateness of these special allowances in its quadrennial pay review commencing in January 1975.

Manner in Which Savings Realized

The change provided by this legislation will reduce inequities in the current system and reduce the cost to the government in future pay increases.

Savings will be realized in three ways: First, the increases in quarters and subsistence allowances will be incorporated in the matching pay-increase system, eliminating the possibility of separate increases in these allowances which do not take into account the comparability increases related to the costs these allowances are designed to defray.

Second, individuals who are furnished quarters and subsistence by the government will no longer receive in their matching increases in basic pay an additional amount which is partly based on food and housing costs, costs which these individuals do not have to meet.

Third, some additional savings will be realized because a smaller amount of the increase in compensation will go into basic pay, thus reducing the cost of related entitlements which are a function of basic pay. These related items include retired pay, Reserve drill pay, separation pay, pay of cadets and midshipmen and the government's contribution to social security.

The revision made by the bill will result in somewhat smaller cash increases for those provided allowances in kind that would be the case under present law, but the internal equity of the system would be improved since this group is not faced with the increased housing and food costs associated with living on the civilian economy.

Following are examples of how the bill affects personnel:

Assuming a 6.2-percent increase for General Schedule employees next October, a recruit living in the barracks and eating in a government dining hall would receive a $20.10-a-month or 6.2 percent increase in basic pay, whereas under the current law the recruit would have received a $26.40, or 8.1-percent increase in basic pay. A typical enlisted member in pay grade E–5, with dependents, who is furnished quarters by the government but who receives subsistence in cash would receive a 6.2-percent or $30.30-a-month increase in basic pay and a $4.26-a-month or 6.2-percent increase in his subsistence allowance compared with an 8.1-percent or $39.30-per-month increase in basic pay under the present system.

A typical enlisted member in pay grade E–7. with dependents, who resides in the civilian community would receive a 6.2-percent increase in all three cash elements; that is, $48.60 in basic pay, $9.90 in quarters allowance and $4.26 in subsistence, for a total monthly increase of $62.76. Under the present system, he would have received an 8.1-percent or $63.60-a-month increase in basic pay.

Comptroller General Decision

In addition to being requested by the Department of Defense, the legislation has been urged by the Comptroller General following an analysis of the pay system by the General Accounting Office, entitled "Information and Observations on the Need to Revise the Method of Increasing Military Pay." The GAO people will be found in the Committee hearing.

Fiscal Data

Enactment of this legislation will result in a reduction in budgeting requirements.

It is estimated that the bill will result in savings in the Defense budget in fiscal year 1975 of $157.8 million. This is based on the assumption of an active-duty pay raise in October and represents the savings that would accrue for the remaining nine months of the fiscal year. The estimated pay increase in October for civilian personnel, and therefore the estimated increase in each of the three cash elements of military pay if the bill passes, is 6.2 percent.

It is not possible to estimate the long-range savings with precision as it is not possible to say in advance how much civil service pay, and therefore military compensation, will be increased in future years. However, the Defense Department estimates that the cumulative

savings at the end of the fifth year; that is, the sum of the savings for all five years, will be approximately $3 billion.

The following table provides the Defense Department estimate of the annual savings for fiscal years 1974–1979:

ESTIMATED DOD COST SAVINGS UNDER H.R. 15401 [1] [2]

[In millions of dollars]

	Fiscal year—				
	1975	1976	1977	1978	1979
DOD savings (except retirement)	154.7	352.4	551.6	763.9	992.8
Retirement savings	3.1	13.0	30.9	57.1	92.6
Total DOD savings	157.8	365.4	582.5	821.0	1,085.4

[1] These estimates assume a 6.2 percent general schedule increase on Oct. 1, 1974, and 5 percent annually thereafter.
[2] Proposed change provides a 6.2 percent increase in basic pay, basic allowance for quarters, and basic allowance for subsistence on Oct. 1, 1974. Basic pay, basic allowance for quarters, and basic allowance for subsistence increase 5 percent annually from 1975 through 1978.

Departmental Data

The bill is part of the legislative program of the Department of Defense, as indicated in the correspondence below, which is hereby made a part of this report. The Department initially requested legislation in March 1973 that would have provided the President discretionary authority to set varying rates of increase for the three elements of compensation (basic pay, quarters allowance and susbistence allowance). That proposal was introduced as H.R. 10370. In 1974 the Department submitted a modified proposal to provide that all three cash elements of compensation be increased by the same percentage. It is this latter proposal which the committee has adopted.

Assistant Secretary of Defense,
Washington, D.C., March 29, 1974.

Hon. Carl Albert,
Speaker of the House of Representatives,
Washington, D.C.

Dear Mr. Speaker: This report on the adequacy of pays and allowances of the uniformed services is submitted in compliance with the provisions of section 1008(a) of title 37, United States Code. This section provides that the President shall direct a review of the adequacy of pays and allowances of members of the uniformed services, and shall submit to the Congress a detailed report summarizing the results of such an annual review together with any recommendations for adjustments in the rates of pays and allowances authorized under title 37, United States Code.

Section 1008(a) of title 37, United States Code was enacted in 1965. In 1967, the Congress modified the scope of its requirements with the passage of section 8 of Public Law 90–207. With this law, the Congress ensured that whenever the General Schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed in effect a comparable adjustment in the monthly basic pay authorized members of the uniformed services.

On October 1, 1973, Federal civilian employees were authorized a 4.77 percent pay increase. The operation of Public Law 90–207 initiated an equal increase in the regular compensation of the uniformed services. This increase, when allocated only to the basic pay element of regular compensation, translated to 6.16 percent. The cost of this pay raise will be $830 million for FY 74 (only for nine months) and $1,108 million for FY 75 (twelve months). The details of the computation of the October 1, 1973, increase are shown in attachment 1.

The Department of Defense submitted a legislative proposal with last year's annual report which would modify the current pay increase methodology expressed in Public Law 90–207. The proposal was introduced in Congress in September, 1973, as H. R. 10370. It was intended to maintain the quarters and subsistence allowances at a more reasonable relationship to the expenses they are supposed to defray while maintaining the matching increase mechanism embodied in existing law and reducing military personnel costs in future years.

Continued study has been given to this legislative proposal (H.R. 10370) since its submission. As a result we believe the intended purpose of the measure can be best achieved and desired equity insured by modification of the previously proposed legislation to specify the precise manner in which future matching military pay increases would be made.

Therefore, attached is proposed legislation which modifies last year's proposal (attachment 2). This proposal if enacted should ensure that both Defense and Congressional intents with regard to equitable pay increases for military personnel are achieved in the future. It would achieve the same objectives as last year's proposal, i.e., maintain matching increases to improve the credibility of the allowances, and reduce costs. The primary change is that it would ensure members of the uniformed services that future increases in their basic pay, basic allowance for subsistence, and basic allowance for quarters will be of the same percentage as the average increase received by Federal civilian employees. If enacted prior to the next general pay increase, a conservative estimate indicates that savings of more than $3 billion will accrue over the next five year period.

The estimated cost savings in the Department of Defense budget during the next five fiscal years if the attached legislative proposal is enacted prior to October 1, 1974, are as follows:

Budget savings

[Dollars in millions]

Fiscal year 1975	$160. 6
Fiscal year 1976	365. 4
Fiscal year 1977	582. 5
Fiscal year 1978	821. 0
Fiscal year 1979	1, 085. 4

The revised proposal has the full support of the Secretary of Defense. This proposal is a part of the Department of Defense legislative program for the 93d Congress, and the Office of Management and Budget has advised that the enactment of the proposal would be in accord with the program of the President. It is recommended that the proposed legislation be enacted by the Congress.

There were other legislative proposals submitted during the past year designed to improve the capability of the Department of Defense to fulfill manpower requirements in the most cost effective manner. The annual review of the adequacy of pay and allowances is concluded with a brief discussion of these proposals.

The Uniformed Services Special Pay Act of 1973 was submitted to the Congress as promised in last year's report. Due to the complexity of this proposal and the urgent need for several of its entitlements, that proposal was subdivided and its three most critical provisions were submitted as two separate proposals. These proposals are: (1) "Armed Forces Enlisted Personnel Bonus Revision Act of 1974" (S. 2771), and (2) the Revision of the Special Pay Structure Relating to Medical Officers of the Uniformed Services (S. 2770) which provides for increased incentives for physicians. These two proposals were passed by the Senate in December, 1973, and reported by the House Armed Services Committee on March 1, 1974. Enactment will significantly improve the Department of Defense's ability to compete for required skills and manpower.

Legislation affecting flight pay was forwarded to Congress in May, 1973, and was passed with changes by the House on February 21, 1974, as H.R. 12670. It would restructure flight pay in that junior aviators would receive more money while senior personnel, where performance and retention problems are less, would be paid less. This restructuring should help retain more junior personnel, and reduce the cost of training replacements.

Finally, Public Law 93–64 enacted in July, 1973, made permanent the rates for the basic allowance for quarters for junior enlisted personnel. More importantly, it removed the legal language which stated these personnel were "considered at all times to be without dependents".

Sincerely,

WILLIAM K. BREHM.

Attachments.

CALCULATION OF OCTOBER 1, 1973, MILITARY PAY INCREASE

Objective: To provide all personnel of the uniformed services with an overall average increase which equates to that provided General Schedule employees, as required by section 8 of Public Law 90–207. That law provides that whenever the general schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed into effect a comparable upward adjustment in the basic pay of members of the uniformed services. This basic pay adjustment must provide all personnel of the uniformed services with an overall increase in regular compensation which equates to the salary increase provided General Schedule employees.

The average increase in salary for General Schedule employees was 4.77 percent, effective October 1, 1973. The objective of the following analysis is to determine what percentage increase in basic pay will provide the members of the uniformed services with an average increase in Regular Military Compensation of 4.77 percent.

The annualized active force Regular Military Compensation for the purpose of this computation is as follows:

[Dollars in millions]

Basic pay	14,724.73
Quarters and subsistence	[1] 3,861.34
Federal income tax advantage	880.89
Total	19,466.96

[1] Includes cost of quarters and subsistence furnished.

A 4.77 percent increase in regular compensation is computed by multiplying 4.77 percent times $19,466.96 million. This equals $928.6 million which when applied to basic pay results in an increase of 6.16 percent (after deducting tax advantage) in the basic pay for every member of the uniformed services.

Attached are cost estimates for FY 1974 and FY 1975.

Cost estimates for a 6.16-percent in basic pay, effective October 1, 1973

[Dollars in millions]

Fiscal year 1974 cost (Oct. 1, 1973 to June 30, 1974):	
Basic pay	$680.6
Pay related items [1]	134.0
Total Department of Defense cost	814.6
Other uniformed services	15.5
Total fiscal year 1974 costs	830.1
Fiscal year 1975 costs:	
Basic pay	907.4
Pay related items [1]	179.7
Total Department of Defense cost	1,087.1
Other uniformed services	20.6
Total fiscal year 1975 costs	1,107.7

[1] Pay related items vary with changes in basic pay and consist of: reenlistment bonus, FICA, Reserve, and National Guard, death gratuities, continuation pay, separation pay, pay of Cadets and Midshipmen, and retired pay.

A BILL To amend title 37, United States Code, to refine the procedures for adjustments in military compensation and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 1 of title 37, United States Code, is amended by amending section 101 as folllws:

"(25) 'Regular Compensation' or 'Regular Military Compensation (RMC)' means the total of the following elements that a member of a uniformed service accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for quarters, basic allowance for subsistence, and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax."

SEC. 2. Chapter 3 of title 37, United States Code, is amended by amending section 203(a) to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed in accordance with section 1009 of this title."

SEC. 3. Chapter 7 of title 37, United States Code, is amended as follows:

(1) By amending section 402(a) to read as follows:

"(a) Except as otherwise provided by law, each member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for subsistence as set forth in this section."

(2) By amending the fourth sentence of section 402(b) to read as follows:

"The allowance for enlisted members who are on leave, or are otherwise authorized to mess separately, is at the rate prescribed in accordance with section 1009 of this title."

(3) By amending the first sentence of section 402(c) to read as follows:

"An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowance for subsistence at the monthly rate prescribed in accordance with section 1009 of this title."

(4) By amending section 402(d) by—

(A) inserting "described below" after "services"; and

(B) striking out the item relating to "Officers".

(5) By amending section 403(a) to read as follows:

"(a) Except as otherwise provided by law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the monthly rates prescribed in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes."

SEC. 4. Chapter 19 of title 37, United States Code, is amended by adding the following new section after section 1008 and inserting a corresponding item in the chapter analysis:

"§ 1009. Adjustments of compensation

"(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, the President shall immediately make an upward adjustment in the—

"(1) monthly basic pay authorized members of the uniformed services by section 203(a) of this title;

"(2) basic allowance for subsistence authorized enlisted members on leave or otherwise authorized to mess separately, and officers, by section 402 of this title; and

"(3) basic allowance for quarters authorized members of the uniformed services by section 403(a) of this title.

"(b) An adjustment under this section shall have the force and effect of law and shall—

"(1) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees;

"(2) be based on the rates of the various elements of compensation, as defined in, or made under, section 8 of the Act of December 16, 1967, Pub. L. 90-207 (81 Stat. 654), section 402 or 403 of this title, or this section; and

"(3) provide all eligible members with an increase in each element of compensation, set forth in subsection (a) of this section,

which is of the same percentage as the overall average percentage increase in the General Schedule rates of basic pay for civilian employees."

SEC. 5. Until the effective date of the first upward adjustment in the rates of monthly basic pay for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates of monthly basic pay for members of the uniformed services authorized by section 203(a) of that title are those prescribed by Executive Order 11740 of October 3, 1973, which became effective on October 1, 1973.

SEC. 6. Until the effective date of the first upward adjustment in the rates of basic allowance for subsistence for enlisted members on leave or otherwise authorized to mess separately, and officers, made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates prescribed under section 402 of title 37, United States Code, as it existed on the date before the effective date of this Act, shall continue in effect.

SEC. 7. Until the effective date of the first adjustment in the rates of basic allowance for quarters for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4, of this Act, after the effective date of this Act, the rates of basic allowance for quarters prescribed in section 403(a) of title 37, United States Code, as it existed on the day before the effective date of this Act, shall continue in effect.

SEC. 8. Section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654) is repealed.

SEC. 9. This Act is effective upon enactment.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., March 30, 1973.

Hon. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: This report on the adequacy of pays and allowances of the uniformed services is submitted in compliance with the provisions of section 1008(a) of title 37, United States Code. This section provides that the President shall direct a review of the adequacy of pays and allowances for members of the uniformed services, and shall submit to the Congress a detailed report summarizing the results of such an annual review together with any recommendations for adjustments in the rates of pays and allowances authorized under title 37, United States Code.

Since the enactment of section 1008(a), title 37, United States Code, the Congress has modified these requirements with the passage of section 8 of Public Law 90–207, December 16, 1967. With this provision, the Congress ensured that whenever the General Schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed into effect a comparable adjustment

in the monthly basic pay authorized members of the uniformed services.

During FY 1972, Public Law 92–129, "The Military Selective Service Act," which was enacted in 1971, provided reasonably competitive levels of military pay for the first time in recent history. Since then, the operation of Public Law 90–207 has maintained these competitive levels by providing basic pay increases of 7.21 percent and 6.69 percent on January 1, 1972, and January 1, 1973, respectively. The cost of the latter increase for the period January 1–June 30, 1973, will be $.58 billion and for FY 1974, $1.17 billion. The details of the computation of the January 1, 1973, increase are shown in attachment 1.

The President's goal of an all-volunteer force adds a new dimension to our annual appraisal of the adequacy of military pay. Military pay in general may be quantitatively determined to bear a reasonable relationship to the pay for similar work levels in the civilian economy. However, the question of adequacy can only be addressed in terms of whether military pay levels allow us to compete successfully in the labor market for the numbers and quality of individuals which fulfill Department of Defense manpower requirements. For the most part, we believe that our pay levels are adequate to allow us to compete successfully for the numbers and quality of personnel required for the armed forces. Only experience in an all-volunteer environment will prove or disprove the accuracy of this estimate.

It must be stressed, however, that even with the reasonably competitive levels of pay and other actions associated with the objective of an all-volunteer force, the Department of Defense remains at a disadvantage in competing for specialists whose skills command premium wages in the civilian economy. To counter this, the Department of Defense needs flexible incentive authorities, over and above established pay levels. Such authorities are contained in the "Uniformed Services Special Pay Act of 1973" which will be submitted to Congress in the near future. Early enactment of this legislation is considered the critical second step in achieving and maintaining an all-volunteer force.

One final measure which merits early consideration by the Congress is a refinement of the matching increase mechanisms of section 8 of Public Law 90–207. Although it is absolutely essential to preserve the legislated relationship between military and civilian pay, the recent restructuring of the military pay schedule and other advancements in military compensation make this a propitious time to "fine tune" the mechanisms for maintaining this relationship. The attached proposal accomplishes this adjustment by modifying the existing provisions of Public Law 90–207.

The proposal retains the matching increase principle embodied in existing law. Additionally, it incorporates a desirable feature of flexibility in the system by providing the President with discretionary authority to distribute among the several cash elements of Regular Military Compensation (RMC), (basic pay, quarters and subsistence allowances), any increase in RMC that is required to match an increase in the pay of Federal classified employees. There are both economic and intrinsic advantages to granting this flexibility.

More explicitly, since 1967, the military member has received six increases in RMC as a result of Public Law 90–207. Nevertheless, despite the implicit increase in all elements of RMC intended by the Congress, the basic characteristic of the present system of limiting adjustments exclusively to equal percentage increases in basic pay has caused most members to perceive their allowances at substantially below actual expenses in the economy. This reinforces a basic premise that so long as members of the armed forces are compensated under a basic pay and allowances system, it will be necessary to adjust periodically the allowances for quarters and subsistence in order to ensure that these elements of compensation are adequate to fulfill their intended purpose.

The revised system recognizes this requirement and provides a means to adjust the cash elements to keep pace with increases in costs of living. Although this revised system may result in a somewhat smaller cash increase for those provided allowances in-kind than they would have received under Public Law 90–207, internal equity is preserved since this group is not faced with the increases in housing and food associated with living on the civilian economy.

The explicit increases in the allowances, as well as basic pay, envisioned in this proposal will provide the member with allowances which bear a more reasonable relationship to expenses actually incurred in the civilian economy. Accordingly, the member will have a greater appreciation of the intent of the Congress when it legislated that military compensation would keep pace with trends in the civilian economy.

From a cost effectiveness standpoint, the flexibility to adjust all cash elements of compensation instead of basic pay alone, will enable the Department of Defense to reduce future retired pay costs to some extent. These savings can be achieved while at the same time ensuring that the active duty member is provided economic improvement comparable to that received by his civilian counterpart.

Sincerely,

ROGER T. KELLEY.

Attachments.

CALCULATION OF PROPOSED JANUARY 1, 1973, MILITARY PAY INCREASE

Objective: To provide all personnel of the uniformed services with an overall average increase which equates to that provided General Schedule employees, as required by section 8 of Public Law 90–207. That law provides that whenever the general schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed into effect a comparable upward adjustment in the basic pay of members of the uniformed services. This basic pay adjustment must provide all personnel of the uniformed services with an overall increase in regular compensation which equates to the salary increase provided General Schedule employees.

The Office of Management and Budget (OMB) has estimated the average increase in salary for General Schedule employees to be 5.14 percent effective January 1, 1973. The objective of the following analysis is to determine what percentage increase in basic pay will

provide the members of the uniformed services with an average increase in Regular Military Compensation of 5.14 percent.

The annualized active force Regular Military Compensation for the purpose of this computation is as follows:

[Dollars in Millions]

Basic pay	$14, 389. 7
Quarters and subsistence	[1] 3, 933. 0
Federal income tax advantage	[2] 868. 9
Total	19, 191. 6

[1] Includes cost of quarters and subsistence furnished.
[2] Does not reflect special tax exemptions for personnel in combat areas.

A 5.14 percent increase in regular compensation is computed by multiplying 5.14 percent times $19,191.6 million. This equals $987.0 million which when applied to basic pay results in an increase of 6.69 percent in Basic Pay across the board.

Attached are cost estimates for FY 1973 and FY 1974.

Cost estimates for 6.69-percent increase in basic pay effective Jan. 1, 1973

[Dollars in millions]

Fiscal year 1973 cost (Jan. 1, 1973–June 30, 1973):	
Basic pay	$477. 5
Pay-related items [1]	91. 6
Total Department of Defense cost	569. 1
Other uniformed services	10. 3
Total, fiscal year 1973	579. 4
Fiscal year 1974 cost (July 1, 1973–June 30, 1974):	
Basic pay	948. 0
Pay-related items [1]	200. 4
Total Department of Defense cost	1, 148. 4
Other uniformed services	22. 1
Total, fiscal year 1974	1, 170. 5

[1] Pay related items are compensation elements which vary with changes in basic pay and consist of: reenlistment bonus, FICA, Reserve and National Guard, death gratuities, continuation pay, separation pay, and pay of Cadets and Midshipmen.

A BILL TO AMEND TITLE 37, UNITED STATES CODE, TO REFINE THE PROCEDURES FOR ADJUSTMENTS IN MILITARY COMPENSATION AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 3 of title 37, United States Code is amended by amending section 203(a) to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed by the President in accordance with section 1009 of this title."

SEC. 2. Chapter 7 of title 37, United States Code, is amended as follows—

(1) by amending the fourth sentence in section 402(b) to read as follows:

"The allowance for enlisted members who are on leave, or are otherwise authorized to mess separately, and for officers, shall be equal to the cost of the ration as determined by the Secretary of Defense.";

(2) by striking out the following item in the table in section 402(d):

"Officers ..... $47.88 a month.";

and

(3) by amending section 403(a) to read as follows:

"(a) Except as otherwise provided by this section or by another law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the rates prescribed by the President in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes."

SEC. 3. Chapter 19 of title 37, United States Code, is amended by adding the following new section after section 1008 and inserting a corresponding item in the chapter analysis:

"§1009. Adjustments of compensation by the President

"(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, the President shall immediately make an upward adjustment in the regular compensation of members of the uniformed services. An adjustment under this section may be applied to any one or more of the elements of regular compensation.

"(b) An adjustment under this section shall have the force and effect of law and shall—

"(1) provide all personnel of the uniformed services with an increase in regular compensation which equates on an overall average to that provided General Schedule employees;

"(2) be based on the rates of the various elements of regular compensation that existed at the time of the last increase in regular compensation made under section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654), or under this section;

"(3) include as part of the overall increase adjustments in any of the elements of regular compensation which have occurred since the last increase in regular compensation made under section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654), or under this section; and

"(4) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees.

"(c) For the purposes of this section, 'regular compensation' means basic pay, quarters and subsistence allowances (either in cash or in kind), and the tax advantage on those allowances."

SEC. 4. Until the effective date of the first upward adjustment in the rates of monthly basic pay for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 3 of this Act, after the effective date of this Act, the rates of monthly basic pay for members of the uniformed services authorized by section 203(a) of that title are those prescribed by Executive Order 11692 of December 15, 1972, which became effective on January 1, 1973.

SEC. 5. Until the effective date of the first adjustment in the rates of basic allowance for quarters for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 3 of this Act, after the effective date of this Act, the rates of basic allowance for quarters prescribed in section 403(a) of title 37, United States Code, as it existed on the day before the effective date of this Act, shall continue in effect.

SEC. 6. Section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654) is repealed.

SEC. 7. This Act is effective upon enactment.

Changes in Existing Law

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported.

EXISTING LAW

TITLE 37, UNITED STATES CODE

Chapter 1—Definitions

Sec.
101. Definitions.

§ 101. Definitions

In addition to the definitions in sections 1–5 of title 1, for the purposes of this title—

(1) "United States", in a geographical sense, means the States and the District of Columbia;

* * * * *

(24) "reserve component" means—

(A) the Army National Guard of the United States;
(B) the Army Reserve;
(C) the Naval Reserve;
(D) the Marine Corps Reserve;
(E) the Air National Guard of the United States;
(F) the Air Force Reserve;
(G) the Coast Guard Reserve; or
(H) the Reserve Corps of the Public Health Service.

* * * * *

THE BILL AS REPORTED

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 1 of title 37, United States Code, is amended by amending section 101 as follows:

"(25) 'Regular Compensation' or 'Regular Military Compensation (RMC)' means the total of the following elements that a member of a uniformed service accrues or receives, directly or indirectly, in cash or in kind every payday; basic pay, basic allowance for quarters, basic allowance for subsistence, and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax."

Sec. 2. Chapter 3 of title 37, United States Code, is amended by amending section 203(a) to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed in accordance with section 1009 of this title."

Chapter 3—Basic pay

Sec.
201. Pay grades assignment to; general rules.
202. Pay grades: assignment to; rear admirals of upper half; officers holding certain positions in the Navy.
203. Rates.
204. Entitlement.
205. Computation: service creditable.
206. Reserves: members of National Guard; inactive-duty training.
207. Band leaders.
208. [Repeated]
209. Members of Senior Reserve Officers' Training Corps.

* * * * *

§ 203. Rates

(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are set forth in the following tables:

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205			
	2 or less	Over 2	Over 3	Over 4
0–10 [1]	$2,564.10	$2,654.40	$2,654.40	$2,654.40
0–9	2,272.50	2,332.50	2,382.00	2,382.00
0–8	2,058.30	2,120.10	2,170.50	2,170.50
0–7	1,710.00	1,827.00	1,827.00	1,827.00
0–6	1,267.80	1,393.20	1,483.80	1,483.80
0–5	1,013.70	1,191.00	1,272.90	1,272.90
0–4	855.00	1,040.40	1,110.60	1,110.60
0–3 [2]	794.40	888.00	948.90	1,050.30
0–2 [2]	692.40	756.60	908.70	939.00
0–1 [2]	600.90	625.80	756.60	756.60

EXISTING LAW

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205			
	Over 6	Over 8	Over 10	Over 12
0-10 [1]	$2,654.40	$2,756.10	$2,756.10	$2,967.30
0-9	2,382.00	2,442.30	2,442.30	2,543.70
0-8	2,170.50	2,332.50	2,332.50	2,442.30
0-7	1,908.30	1,908.30	2,019.30	2,019.30
0-6	1,483.80	1,483.80	1,483.80	1,483.80
0-5	1,272.90	1,272.90	1,311.90	1,381.80
0-4	1,130.40	1,180.80	1,260.90	1,332.30
0-3 [2]	1,100.40	1,140.00	1,201.20	1,260.90
0-2 [2]	958.80	958.80	958.80	958.80
0-1 [2]	756.60	756.60	756.60	756.60

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205			
	Over 14	Over 16	Over 18	Over 20
0-10 [1]	$2,967.30	*$3,179.70	*$3,179.70	*$3,392.10
0-9	2,543.70	2,756.10	2,756.10	2,967.30
0-8	2,442,30	2,543.70	2,654.40	2,756.10
0-7	2,120.10	2,332.50	2,492.70	2,492.70
0-6	1,534.20	1,776.90	1,867.80	1,908.30
0-5	1,474.20	1,584.60	1,675.80	1,725.90
0-4	1,393.20	1,453.80	1,494.00	1,494.00
0-3 [2]	1,291.80	1,291.80	1,291.80	1,291.80
0-2 [2]	958.80	958.80	958.80	958.80
0-1 [2]	756.60	756.60	756.60	756.60

THE BILL AS REPORTED

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205		
	Over 22	Over 26	Over 30
0-10 [1]	*$3,392.10	*$3,603.60	*$3,603.60
0-9	2,967.30	*3,179.70	*3,179.70
0-8	2,866.80	2,866.80	2,866.80
0-7	2,492.70	2,492.70	2,492.70
0-6	2,019.30	2,189.70	2,189.70
0-5	1,786.80	1,786.80	1,786.80
0-4	1,494.00	1,494.00	1,494.00
0-3 [2]	1,291.80	1,291.80	1,291.80
0-2 [2]	958.80	958.80	958.80
0-1 [2]	756.60	756.60	756.60

[1] While serving as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, or Commandant of the Marine Corps, basic pay for this grade is $3,976.20* regardless of cumulative years of service computed under sec. 205 of this title.

[2] Does not apply to commissioned officers who have been credited with over 4 years' active service as enlisted members.

*The rate of basic pay for military personnel at these rates is limited by section 5308 of title 5, United States Code, as added by the Federal Pay Comparability Act of 1970, to the rate for level V of the Executive Schedule ($36,000 per annum, or $3,000 per month as of the effective date of this adjustment).

COMMISSIONED OFFICERS WHO HAVE BEEN CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205			
	Over 4	Over 6	Over 8	Over 10
0-3	$1,050.30	$1,100 40	$1,140.00	$1,201.20
0-2	939.00	958.80	989.10	1,040.40
0-1	756.60	807.60	837.90	867.90

EXISTING LAW

COMMISSIONED OFFICERS WHO HAVE BEEN CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205			
	Over 12	Over 14	Over 16	Over 18
O-3	$1,260.90	$1,311.90	$1,311.90	$1,311.90
O-2	1,080.60	1,110.60	1,110.60	1,110.60
O-1	898.50	939.00	939.00	939.00

COMMISSIONED OFFICERS WHO HAVE BEEN CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205			
	Over 20	Over 22	Over 26	Over 30
O-3	$1,311.90	$1,311.90	$1,311.90	$1,311.90
O-2	1,110.60	1,110.60	1,110.60	1,110.60
O-1	939.00	939.00	939.00	939.00

WARRANT OFFICERS

Pay grade	Years of service computed under sec. 205				
	2 or less	Over 2	Over 3	Over 4	Over 6
W-4	$809.10	$867.90	$867.90	$888.00	$928.50
W-3	735.90	798.00	798.00	837.60	817.50
W-2	644.10	696.60	696.60	717.00	756.60
W-1	536.70	615.60	615.60	666.60	696.60

THE BILL AS REPORTED

WARRANT OFFICERS

Pay grade	Years of service computed under sec. 205				
	Over 8	Over 10	Over 12	Over 14	Over 16
W-4	$1,089.30	$1,609.50	$1,080.60	$1,130.40	$1,170.60
W-3	877.50	928.50	958.60	969.40	1,016.60
W-2	798.00	828.00	858.00	888.00	918.00
W-1	726.90	756.60	787.50	817.50	847.80

WARRANT OFFICERS

Pay grade	Years of service computed under sec. 205				
	Over 18	Over 20	Over 22	Over 26	Over 30
W-4	$1,201.20	$1,241.10	$1,282.20	$1,381.80	$1,381.80
W-3	1,050.30	1,090.50	1,130.40	1,170.60	1,170.60
W-2	948.90	979.20	1,018.80	1,018.80	1,018.80
W-1	877.50	908.70	908.70	908.70	908.70

ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205				
	2 or less	Over 2	Over 3	Over 4	Over 6
E-9 [1]	$0	$0	$0	$0	$0
E-8	0	0	0	0	0
E-7	538.50	581.10	602.70	623.70	645.30
E-6	465.00	507.30	528.30	550.20	571.20
E-5	408.30	444.60	465.90	486.30	516.10
E-4	392.70	414.60	438.60	473.10	491.70
E-3	377.70	398.40	414.30	430.50	430.50
E-2	363.30	363.30	363.30	363.30	363.30
E-1	326.10	326.10	326.10	326.10	326.10

ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205				
	Over 8	Over 10	Over 12	Over 14	Over 16
E-9 [1]	0	$919.20	$940.20	$961.50	$983.70
E-8	$771.30	792.90	813.90	835.20	856.80
E-7	665.70	686.70	708.30	740.40	761.10
E-6	592.20	613.50	645.30	665.70	686.70
E-5	539.10	560.70	581.10	592.20	592.20
E-4	491.70	491.70	491.70	491.70	491.70
E-3	430.50	430.50	430.50	430.50	430.50
E-2	363.30	363.30	363.30	363.30	363.30
E-1	326.10	326.10	326.10	326.10	326.10

ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205				
	Over 18	Over 20	Over 22	Over 26	Over 30
E-9 [1]	$1,005.30	$1,025.10	$1,079.10	$1,183.80	$1,183.80
E-8	877.20	898.80	951.30	1,057.50	1,057.50
E-7	782.40	792.90	846.00	951.30	951.30
E-6	697.50	697.50	697.50	697.50	697.50
E-5	592.20	592.20	592.20	592.20	592.20
E-4	491.70	491.70	491.70	491.70	491.70
E-3	430.50	430.50	430.50	430.50	430.50
E-2	363.30	363.30	363.30	363.30	363.30
E-1	326.10	326.10	326.10	326.10	326.10

[1] While serving as Sergeant Major of the Army, Master Chief Petty Officer of the Navy or Coast Guard, Chief Master Sergeant of the Air Force, or Sergeant Major of the Marine Corps, basic pay for this grade is $1,439.10, regardless of cumulative years of service computed under section 205 of this title.

* * * * *

CHAPTER 7—ALLOWANCES

Sec.
401. Definitions.
402. Basic allowance for subsistence.
403. Basic allowance for quarters.

SEC. 3. Chapter 7 of title 37, United States Code, is amended as follows:

404. Travel and transportation allowances: general.
405. Travel and transportation allowances: per diem while on duty outside the United States or in Hawaii or Alaska.
405a. Travel and transportation allowances: evacuation allowances.
406. Travel and transportation allowances: dependents; baggage and household effects.
406a. Travel and transportation allowances: authorized for travel performed under orders that are canceled, revoked, or modified.
406b. Travel and transportation allowances: members of the Uniformed Services attached to a ship overhauling away from home port.
407. Travel and transportation allowances: dislocation allowances.
408. Travel and transportation allowances: travel within limits of duty station.
409. Travel and transportation allowances: trailers.
410. Travel and transportation allowances: miscellaneous categories.
411. Travel and transportation allowances: administrative provisions.
411a. Travel and transportation allowances: travel performed in connection with convalescent leave.
412. Appropriations for travel: may not be used for attendance at certain meetings.
413. Chairman of the Joint Chiefs of Staff.
414. Personal money allowance.
415. Uniform allowance: officers; initial allowance.
416. Uniform allowance: officers; additional allowances.
417. Uniform allowance: officers: general provisions.
418. Clothing allowance: enlisted members.
419. Allowances while participating in international sports.
420. Allowances: no increase while dependent is entitled to basic pay.
421. Contract surgeons.
422. Cadets and midshipmen.
423. Validity of allowance payments based on purported marriages.
424. Band leaders.
425. United States Navy Band: United States Marine Band; allowance while on concert tour.
426. [Repealed].
427. Family separation allowance.
428. Allowance for recruiting expenses.

* * * * *

§ 402. Basic allowance for subsistence

(a) Except as otherwise provided by this section or by another law, each member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for subsistence in the amount set forth in subsection (d) of this section.

(b) An enlisted member is entitled to the basic allowance for subsistence, on a daily basis, of one of the following types—

(1) when rations in kind are not available;

(2) when permission to mess separately is granted; and

(3) when assigned to duty under emergency conditions where no messing facilities of the United States are available.

The allowance to an enlisted member, when authorized, may be paid in advance for a period of not more than three months. An enlisted member is entitled to the allowance while on an authorized leave of absence or while confined in a hospital, but not while being subsisted at the expense of the United States. The allowance for enlisted members who are on leave, or are otherwise authorized to mess separately, shall be equal to the cost of the ration as determined by the Secretary of Defense. Unless he is entitled to basic pay under chapter 3 of this title, an enlisted member of a reserve component of a uniformed service, or of the National Guard, is entitled, in the discretion of the Secretary concerned, to rations in kind, or a part thereof, when the instruction or duty periods, described in section 206(a) of this title, total at least eight hours in a calendar day.

(1) By amending section 402(a) to read as follows:

"(a) Except as otherwise provided by law, each member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for subsistence as set forth in this section."

(2) By amending the fourth sentence of section 402(b) to read as follows: "The allowance for an enlisted member who is authorized to receive the basic allowance for subsistence under this subsection is at the rate prescribed in accordance with section 1009 of this title."

(c) An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowances for subsistence on a monthly basis. An aviation cadet of the Navy, Air Force, Marine Corps, or Coast Guard is entitled to the same basic allowance for subsistence as is provided for an officer of the Navy, Air Force, Marine Corps, or Coast Guard, respectively.[44]

(d) The basic allowance for subsistence for members of the uniformed services is as follows:

Officers	$47.88 a month.
Enlisted members when rations in kind are not available	$2.565 a day.
Enlisted members when assigned to duty under emergency conditions where no messing facilities of the United States are available	Not more than $3.42 a day.

(e) Under regulations and in areas prescribed by the Secretary of Defense, an enlisted member who is granted permission to mess separately, and whose duties require him to buy at least one meal from other than a messing facility of the United States, is entitled to not more than the pro rata allowance authorized for each such meal for an enlisted member when rations in kind are not available.

(f) The President may prescribe regulations for the administration of this section.

§ 403. Basic allowance for quarters

"(a) Except as otherwise provided by this section or by another law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the following monthly rates according to the pay grade in which he is assigned or distributed for basic pay purposes:

(3) By amending the first sentence of section 402(c) to read as follows: "An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowance for subsistence at the monthly rate prescribed in accordance with section 1009 of this title."

(4) By repealing section 402(d).

(5) By redesignating section 402(e) as section 402(d) and section 402(f) as section 402(e).

"(6) By amending section 403(a) to read as follows:

"(a) Except as otherwise provided by law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the monthly rates prescribed in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes."

Pay grade	Without dependents	With dependents
O-10	$230.40	$288.00
O-9	230.40	288.00
O-8	230.40	288.00
O-7	230.40	288.00
O-6	211.80	258.30
O-5	198.30	238.80
O-4	178.80	215.40
O-3	158.40	195.60
O-2	138.60	175.80
O-1	108.90	141.60
W-4	172.50	207.90
W-3	155.40	191.70
W-2	137.10	173.70
W-1	123.90	160.80
E-9	130.80	184.20
E-8	122.10	172.20
E-7	104.70	161.40
E-6	95.70	150.00
E-5	92.70	138.60
E-4	81.60	121.50
E-3	72.30	105.00
E-2	63.90	105.00
E-1	60.00	105.00

* * * * *

CHAPTER 19—ADMINISTRATIONS

SEC. 4. Chapter 19 of title 37, United States Code, is amended by adding the following new section after section 1008 and inserting a corresponding item in the chapter analysis:

"§ 1009. Adjustments of compensation

"(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, the President shall immediately make an upward adjustment in the—

"(1) monthly basic pay authorized members of the uniformed services by section 203(a) of this title;

"(2) basic allowance for subsistence authorized enlisted members and officers by section 402 of this title; and

"(3) basic allowance for quarters authorized members of the uniformed services by section 403(a) of this title.

"(b) An adjustment under this section shall have the force effect of law and shall—

"(1) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees;

"(2) be based on the rates of the various elements of compensation, as defined in, or made under, section 8 of the Act of December 16, 1967, Pub. L. 90-207 (81 Stat. 654), section 402 or 403 of this title, or this section; and

"(3) provide all eligible members with an increase in each element of compensation, set forth in subsection (a) of this section, which is of the same percentage as the overall average percentage increase in the General Schedule rates of basic pay for civilian employees."

SEC. 5. Until the effective date of the first upward adjustment in the rates of monthly basic pay for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates of monthly basic pay for members of the uniformed services authorized by section 203(a) of that title are those prescribed by Executive Order 11740 of October 3, 1973, which became effective on October 1, 1973.

EXISTING LAW

THE BILL AS REPORTED

SEC. 6. Until the effective date of the first upward adjustment in the rates of basic allowance for subsistence for enlisted members and officers made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates prescribed under section 402 of title 37, United States Code, as it existed on the date before the effective date of this Act, shall continue in effect.

SEC. 7. Until the effective date of the first adjustment in the rates of basic allowance for quarters for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4, of this Act, after the effective date of this Act, the rates of basic allowance for quarters prescribed in section 403 (a) of title 37, United States Code, as it existed on the day before the effective date of this Act, shall continue in effect.

SEC. 8. Section 8 of the Act of December 16, 1967, Public Law 90–207 (81 Stat. 654) is repealed.

PUBLIC LAW 90–207

* * * * *

SEC. 8. (a) Effective January 1, 1968, and unless otherwise provided by law enacted after the date of enactment of this Act, whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, there shall immediately be placed into effect a comparable upward adjustment in the monthly basic pay authorized members of the uniformed services by section 203(a) of title 37, United States Code.

(b) Adjustments in the various tables establishing the rates of monthly basic pay for members of the uniformed services as required by the preceding paragraph shall have the force and effect of statute, and such adjustments shall:

(1) provide all personnel of the uniformed services with an overall average increase in regular compensation which equates to that provided General Schedule employees, and

(2) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees.

(c) For the purposes of this section, "regular compensation" means basic pay, quarters and subsistence allowances (either in cash or in kind), and the tax advantage on those allowances.

SEC. 9. This Act is effective upon enactment.

Summary

PURPOSE OF THE BILL

The purpose of H.R. 15406 is to revise the method of allocating comparability pay increases for active-duty personnel of the uniformed services.

FISCAL DATA

There will be a reduction in budgetary requirements of the Department of Defense as a result of enactment of this bill. It is estimated that the budget savings for the first nine months of fiscal year 1975, based on the assumption of a 6.2-percent pay increase on October 1, 1974 will be $157.8 million. The cumulative five-year savings under the bill is approximately $3 billion.

DEPARTMENTAL DATA

H.R. 15406 embodies a legislative proposal of the Department of Defense.

COMMITTEE POSITION

The Committee on Armed Services, on June 20, 1974, a quorum being present, approved H.R. 15406 by voice vote and recommends its enactment without amendment.

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Calendar No. 1081

93D CONGRESS 2d Session | SENATE | REPORT No. 93-1132

AMENDING TITLE 37, UNITED STATES CODE, TO REFINE THE PROCEDURES FOR ADJUSTMENTS IN MILITARY COMPENSATION, AND FOR OTHER PURPOSES

SEPTEMBER 3, 1974.—Ordered to be printed

Filed under authority of the order of the Senate of August 22, 1974

Mr. NUNN, from the Committee on Armed Services, submitted the following

REPORT

[To accompany H.R. 15406]

The Committee on Armed Services, to whom was referred the bill (H.R. 15406) to amend title 37, United States Code, to refine the procedures for adjustments in military compensation, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of the bill is to revise the method of allocating pay increases for active-duty members of the uniformed services so that the increases are distributed among basic pay, quarters allowance and subsistence allowance. Under current law, the increases go entirely into basic pay.

COMMITTEE COMMENT ON AMENDATORY LANGUAGE IN BILL

The committee recognizes that the amending language of the first section of the bill which adds a new definition at the end of section 101 of title 37, United States Code, is not, from a technical standpoint, as precise as it might have been. There is no doubt that the House in passing H.R. 15406 intended the new definition to be added at the end of section 101 of title 37 as does this committee. In the interest of time, and since there is no doubt regarding the intent of Congress, the committee does not consider it necessary to return the bill to the House with a minor technical amendment to the amending language adding the new definition.

Background of Current Law

The current law, section 8 of Public Law 90–207, specifying the methodology for military pay raises, was enacted in 1967. The law was enacted at a time when military pay was acknowledged to be below that paid to civilian personnel, and it was intended at that time as temporary legislation.

The 1967 law stated the military would receive their pay raise at the same time and in the same amount as the General Schedule raise, computed on the then established Regular Military Compensation (RMC). The law stated that the entire cash increase, while computed on RMC, could only be put into basic pay. Since basic pay is about 75 percent of total RMC, this meant that the percentage increase in basic pay would necessarily be larger than the percentage increase in RMC.

In 1971 Congress enacted Public Law 92–129, which provided substantial additional pay increases for military personnel, particularly in basic pay for junior enlisted and junior officer personnel, independent of the comparability increase formula. Public Law 92–129 also increased quarters allowance by approximately 35 percent.

The Department of Defense on behalf of the Administration testified that military pay is now competitive with wages in the civilian sector and that modification of the matching pay increase mechanism is necessary to ensure implementation of future pay increases.

Present law places a disproportionate amount of each increase in basic pay while understating the quarters and subsistence allowances. This results in these allowances appearing to military personnel to be lower than they should be. Putting the increases in the allowances as well as in basic pay should make the compensation system more understandable to military personnel in the future.

How H.R. 15406 Will Operate

H.R. 15406 will retain the principle that military pay raises are to be linked to federal civilian pay increases but will change the method of allocating pay raises. Instead of putting all of each military pay raise solely into basic pay, future increases will be allocated to the three cash elements of RMC—basic pay, Basic Allowance for Quarters and Basic Allowance for Subsistence.

To illustrate how the bill works: if Federal civilian employees were to receive a pay increase on October 1 this year of approximately 6.2 percent this would result in an increase for military personnel under present law of 8.1 percent in basic pay. The bill will provide that basic pay, quarters allowance, and subsistence allowance would each be then increased by 6.2 percent.

Basic Allowance for Subsistence Under Bill

The vast majority of enlisted personnel paid subsistence are those who are "authorized to mess separately" (including personnel on an authorized leave of absence) and receive an allowance in lieu of eating in a mess hall. Under the Defense bill, this is the only subsistence allowance that would have been increased since it is the allowance that is considered part of the Regular Military Compensation.

There are two other categories of enlisted personnel who receive subsistence payments. The first category is the approximately 60,000 enlisted members stationed "where rations in kind are not available" who are paid $2.57 per day. Recruiters are a representative sample of this group. The second category is the fewer than 1,000 enlisted personnel "assigned to duty under emergency conditions where no messing facilities of the United States are available" who are paid $3.42 per day subsistence. These rates are set in law and have not been changed in many years. The Defense Department took the position that it did not want to change these rates until it had made a new study of their usefulness.

The committee believes that in attempting to make the compensation system more rational and increases more nearly related to the cost for which they are paid, we should not deny comparable increases to any enlisted personnel receiving subsistence allowances. The committee further believes that enlisted personnel who are "authorized to mess separately" should not be required to pay more for their daily meals obtained in a mess hall, than the daily rate established for the "authorized to mess separately" subsistence allowance.

The committee, therefore, agreed with the language in the House bill on this matter and revised the Defense Department proposal to include the above categories in the percentage increases in subsistence payments.

The committee believes the Department of Defense should thoroughly review the appropriateness of these special allowances in its quadrennial pay review commencing in January 1975.

Manner in Which Savings Realized

Savings under H.R. 15406 will be realized in three ways: First, the increases in quarters and subsistence allowances will be incorporated in the matching pay-increase system, eliminating the possibility of separate increases in these allowances which do not take into account the comparability increases related to the costs these allowances are designed to defray.

Second, individuals who are furnished quarters and subsistence by the government will no longer receive in their matching increases in basic pay an additional amount which is partly based on food and housing costs, costs which these individuals do not have to meet.

Third, some additional savings will be realized because a smaller amount of the increase in compensation will go into basic pay, thus reducing the cost of related entitlements which are a function of basic pay. These related items include retired pay, Reserve drill pay, separation pay, pay of cadets and midshipmen and the government's contribution to social security.

It is important to note that these savings would not be achieved by reducing any Service member's current level of pay; rather, these savings would result from a revision in the way that future pay increases are calculated.

Examples of How Bill Affects Personnel

Following are examples of how the bill affects personnel:

Assuming a 6.2-percent increase for General Schedule employees next October, an E–1 (Recruit) living in the barracks and eating in a

government dining hall would receive a $20.10-a-month or 6.2 percent increase in basic pay, whereas under the current law the recruit would have received a $26.40, or 8.1-percent increase in basic pay. A typical enlisted member in pay grade E–5 (Sergeant), with dependents, who is furnished quarters by the government but who receives subsistence in cash would receive a 6.2-percent or $30.30-a-month increase in basic pay and a $4.26-a-month or 6.2-percent increase in his subsistence allowance compared with an 8.1-percent or $39.30-per-month increase in basic pay under the present system.

A typical enlisted member in pay grade E–7 (Sgt. 1st class), with dependents, who resides in the civilian community would receive a 6.2-percent increase in all three cash elements; that is, $48.60 in basic pay, $9.90 in quarters allowance and $4.26 in subsistence, for a total monthly increase of $62.76. Under the present system, he would have received an 8.1-percent or $63.60-a-month increase in basic pay.

Explanation of the Bill

Public Law 90–207, 1967, provides that whenever salary rates for civil service employees under the General Schedule are adjusted upward, the pay for those in the uniformed services will be comparably increased. General Schedule salaries are reviewed annually and adjusted upward, if appropriate, based on comparability with private industry. The annual percentage increase in General Schedule salaries is applied to Regular Military Compensation (RMC), which is defined in law as consisting of basic pay, quarters allowance and subsistence allowance (in cash and in kind), and the tax advantage on these allowances. However, the law requires that the amount of the increase be applied solely to basic pay. Thus basic pay is adjusted in part by increases applicable to quarters and subsistence allowances.

Military personnel living and eating in government facilities get basic-pay increases related to the cost of those items although the cost is borne by the government. In addition, another law provides for separate adjustments in the subsistence allowance for enlisted personnel not eating in government facilities. Enlisted subsistence has increased 78 percent since 1967. In effect, the government has been paying twice for some factors in the pay increase computation.

The bill will result in savings to the government, in part, by elimination of this double payment.

Comptroller General Report

In addition to being requested by the Department of Defense, this legislation has been recommended by the Comptroller General following an analysis of the pay system by the General Accounting Office, entitled "Information and Observations on the Need to Revise the Method of Increasing Military Pay." The GAO report will be found in the committee hearing.

Fiscal Data

Enactment of this legislation will result in a reduction in budgeting requirements.

It is estimated that the bill will result in savings in the Defense budget in fiscal year 1975 of $157.8 million. This is based on the assumption of an active-duty pay raise in October and represents the

savings that would accrue for the remaining nine months of the fiscal year. The estimated pay increase in October for civilian personnel, and therefore the estimated increase in each of the three cash elements of military pay if the bill passes, is 6.2 percent.

It is not possible to estimate the long-range savings with precision as it is not possible to say in advance how much civil service pay, and therefore military compensation, will be increased in future years. However, the Defense Department estimates that the cumulative savings at the end of the fifth year; that is, the sum of the savings for all five years, will be approximately $3 billion.

The following table provides the Defense Department estimate of the annual savings for fiscal years 1975–1979:

ESTIMATED DOD COST SAVINGS UNDER H.R. 15406 [1 2]

[In millions of dollars]

	Fiscal year—				
	1975	1976	1977	1978	1979
DOD savings (except retirement)	154.7	346.2	542.1	751.0	976.2
Retirement savings	3.1	13.0	30.9	57.1	92.6
Total DOD savings	157.8	359.2	573.0	808.1	1,068.8

[1] These estimates assume a 6.2 percent general schedule increase on Oct. 1, 1974, and 5 percent annually thereafter.

Departmental Data

The bill is part of the legislative program of the Department of Defense, as indicated in the correspondence below, which is hereby made a part of this report. The Department initially requested legislation in March 1973 that would have provided the President discretionary authority to set varying rates of increase for the three elements of compensation (basic pay, quarters allowance and susbistence allowance). In 1974 the Department submitted a modified proposal to provide that all three cash elements of compensation be increased by the same percentage. It is the substance of this latter proposal which the committee has adopted.

Assistant Secretary of Defense,
Washington, D.C., March 29, 1974.

Hon. Gerald R. Ford,
President of the Senate,
Washington, D.C.

Dear Mr. President: This report on the adequacy of pays and allowances of the uniformed services is submitted in compliance with the provisions of section 1008(a) of title 37, United States Code. This section provides that the President shall direct a review of the adequacy of pays and allowances of members of the uniformed services, and shall submit to the Congress a detailed report summarizing the results of such an annual review together with any recommendations for adjustments in the rates of pays and allowances authorized under title 37, United States Code.

Section 1008(a) of title 37, United States Code was enacted in 1965. In 1967, the Congress modified the scope of its requirements with the passage of section 8 of Public Law 90–207. With this law, the Congress

ensured that whenever the General Schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed in effect a comparable adjustment in the monthly basic pay authorized members of the uniformed services.

On October 1, 1973, Federal civilian employees were authorized a 4.77 percent pay increase. The operation of Public Law 90–207 initiated an equal increase in the regular compensation of the uniformed services. This increase, when allocated only to the basic pay element of regular compensation, translated to 6.16 percent. The cost of this pay raise will be $830 million for FY 74 (only for nine months) and $1,108 million for FY 75 (twelve months). The details of the computation of the October 1, 1973, increase are shown in attachment 1.

The Department of Defense submitted a legislative proposal with last year's annual report which would modify the current pay increase methodology expressed in Public Law 90–207. The proposal was introduced in Congress in September, 1973, as H. R. 10370. It was intended to maintain the quarters and subsistence allowances at a more reasonable relationship to the expenses they are supposed to defray while maintaining the matching increase mechanism embodied in existing law and reducing military personnel costs in future years.

Continued study has been given to this legislative proposal (H.R. 10370) since its submission. As a result we believe the intended purpose of the measure can be best achieved and desired equity insured by modification of the previously proposed legislation to specify the precise manner in which future matching military pay increases would be made.

Therefore, attached is proposed legislation which modifies last year's proposal (attachment 2). This proposal if enacted should ensure that both Defense and Congressional intents with regard to equitable pay increases for military personnel are achieved in the future. It would achieve the same objectives as last year's proposal, i.e., maintain matching increases to improve the credibility of the allowances, and reduce costs. The primary change is that it would ensure members of the uniformed services that future increases in their basic pay, basic allowance for subsistence, and basic allowance for quarters will be of the same percentage as the average increase received by Federal civilian employees. If enacted prior to the next general pay increase, a conservative estimate indicates that savings of more than $3 billion will accrue over the next five year period.

The estimated cost savings in the Department of Defense budget during the next five fiscal years if the attached legislative proposal is enacted prior to October 1, 1974, are as follows:

Budget savings

[Dollars in millions]

Fiscal year 1975	$160.6
Fiscal year 1976	365.4
Fiscal year 1977	582.5
Fiscal year 1978	821.0
Fiscal year 1979	1,085.4

The revised proposal has the full support of the Secretary of Defense. This proposal is a part of the Department of Defense legislative program for the 93d Congress, and the Office of Management and Budget has advised that the enactment of the proposal would be in accord with the program of the President. It is recommended that the proposed legislation be enacted by the Congress.

There were other legislative proposals submitted during the past year designed to improve the capability of the Department of Defense to fulfill manpower requirements in the most cost effective manner. The annual review of the adequacy of pay and allowances is concluded with a brief discussion of these proposals.

The Uniformed Services Special Pay Act of 1973 was submitted to the Congress as promised in last year's report. Due to the complexity of this proposal and the urgent need for several of its entitlements, that proposal was subdivided and its three most critical provisions were submitted as two separate proposals. These proposals are: (1) "Armed Forces Enlisted Personnel Bonus Revision Act of 1974" (S. 2771), and (2) the Revision of the Special Pay Structure Relating to Medical Officers of the Uniformed Services (S. 2770) which provides for increased incentives for physicians. These two proposals were passed by the Senate in December, 1973, and reported by the House Armed Services Committee on March 1, 1974. Enactment will significantly improve the Department of Defense's ability to compete for required skills and manpower.

Legislation affecting flight pay was forwarded to Congress in May, 1973, and was passed with changes by the House on February 21, 1974, as H.R. 12670. It would restructure flight pay in that junior aviators would receive more money while senior personnel, where performance and retention problems are less, would be paid less. This restructuring should help retain more junior personnel, and reduce the cost of training replacements.

Finally, Public Law 93–64 enacted in July, 1973, made permanent the rates for the basic allowance for quarters for junior enlisted personnel. More importantly, it removed the legal language which stated these personnel were "considered at all times to be without dependents".

Sincerely,

WILLIAM K. BREHM.

Attachments.

CALCULATION OF OCTOBER 1, 1973, MILITARY PAY INCREASE

Objective: To provide all personnel of the uniformed services with an overall average increase which equates to that provided General Schedule employees, as required by section 8 of Public Law 90–207. That law provides that whenever the general schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed into effect a comparable upward adjustment in the basic pay of members of the uniformed services. This basic pay adjustment must provide all personnel of the uniformed services with an overall increase in regular compensation which equates to the salary increase provided General Schedule employees.

The average increase in salary for General Schedule employees was 4.77 percent, effective October 1, 1973. The objective of the following analysis is to determine what percentage increase in basic pay will provide the members of the uniformed services with an average increase in Regular Military Compensation of 4.77 percent.

The annualized active force Regular Military Compensation for the purpose of this computation is as follows:

[Dollars in millions]

Basic pay	14, 724. 73
Quarters and subsistence	[1] 3, 861. 34
Federal income tax advantage	880. 89
Total	19, 466. 96

[1] Includes cost of quarters and subsistence furnished.

A 4.77 percent increase in regular compensation is computed by multiplying 4.77 percent times $19,466.96 million. This equals $928.6 million which when applied to basic pay results in an increase of 6.16 percent (after deducting tax advantage) in the basic pay for every member of the uniformed services.

Attached are cost estimates for FY 1974 and FY 1975.

Cost estimates for a 6.16-percent in basic pay, effective October 1, 1973

[Dollars in millions]

Fiscal year 1974 cost (Oct. 1, 1973 to June 30, 1974):	
Basic pay	$680. 6
Pay related items [1]	134. 0
Total Department of Defense cost	814. 6
Other uniformed services	15. 5
Total fiscal year 1974 costs	830. 1
Fiscal year 1975 costs:	
Basic pay	907. 4
Pay related items [1]	179. 7
Total Department of Defense cost	1, 087. 1
Other uniformed services	20. 6
Total fiscal year 1975 costs	1, 107. 7

[1] Pay related items vary with changes in basic pay and consist of: reenlistment bonus, FICA, Reserve, and National Guard, death gratuities, continuation pay, separation pay, pay of Cadets and Midshipmen, and retired pay.

A BILL To amend title 37, United States Code, to refine the procedures for adjustments in military compensation and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 1 of title 37, United States Code, is amended by amending section 101 as folllws:

"(25) 'Regular Compensation' or 'Regular Military Compensation (RMC)' means the total of the following elements that a member of a uniformed service accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for quarters, basic allowance for subsistence, and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax."

SEC. 2. Chapter 3 of title 37, United States Code, is amended by amending section 203(a) to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed in accordance with section 1009 of this title."

SEC. 3. Chapter 7 of title 37, United States Code, is amended as follows:

(1) By amending section 402(a) to read as follows:

"(a) Except as otherwise provided by law, each member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for subsistence as set forth in this section."

(2) By amending the fourth sentence of section 402(b) to read as follows:

"The allowance for enlisted members who are on leave, or are otherwise authorized to mess separately, is at the rate prescribed in accordance with section 1009 of this title."

(3) By amending the first sentence of section 402(c) to read as follows:

"An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowance for subsistence at the monthly rate prescribed in accordance with section 1009 of this title."

(4) By amending section 402(d) by—

(A) inserting "described below" after "services"; and

(B) striking out the item relating to "Officers".

(5) By amending section 403(a) to read as follows:

"(a) Except as otherwise provided by law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the monthly rates prescribed in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes."

SEC. 4. Chapter 19 of title 37, United States Code, is amended by adding the following new section after aection 1008 and inserting a corresponding item in the chapter analysis:

"§ 1009. Adjustments of compensation

"(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, the President shall immediately make an upward adjustment in the—

"(1) monthly basic pay authorized members of the uniformed services by section 203(a) of this title;

"(2) basic allowance for subsistence authorized enlisted members on leave or otherwise authorized to mess separately, and officers, by section 402 of this title; and

"(3) basic allowance for quarters authorized members of the uniformed services by section 403(a) of this title.

"(b) An adjustment under this section shall have the force and effect of law and shall—

"(1) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees;

"(2) be based on the rates of the various elements of compensation, as defined in, or made under, section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654), section 402 or 403 of this title, or this section; and

"(3) provide all eligible members with an increase in each element of compensation, set forth in subsection (a) of this section,

which is of the same percentage as the overall average percentage increase in the General Schedule rates of basic pay for civilian employees."

SEC. 5. Until the effective date of the first upward adjustment in the rates of monthly basic pay for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates of monthly basic pay for members of the uniformed services authorized by section 203(a) of that title are those prescribed by Executive Order 11740 of October 3, 1973, which became effective on October 1, 1973.

SEC. 6. Until the effective date of the first upward adjustment in the rates of basic allowance for subsistence for enlisted members on leave or otherwise authorized to mess separately, and officers, made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates prescribed under section 402 of title 37, United States Code, as it existed on the date before the effective date of this Act, shall continue in effect.

SEC. 7. Until the effective date of the first adjustment in the rates of basic allowance for quarters for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4, of this Act, after the effective date of this Act, the rates of basic allowance for quarters prescribed in section 403(a) of title 37, United States Code, as it existed on the day before the effective date of this Act, shall continue in effect.

SEC. 8. Section 8 of the Act of December 16, 1967, Pub. L. 90-207 (81 Stat. 654) is repealed.

SEC. 9. This Act is effective upon enactment.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., March 30, 1973.

Hon. SPIRO T. AGNEW,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: This report on the adequacy of pays and allowances of the uniformed services is submitted in compliance with the provisions of section 1008(a) of title 37, United States Code. This section provides that the President shall direct a review of the adequacy of pays and allowances for members of the uniformed services, and shall submit to the Congress a detailed report summarizing the results of such an annual review together with any recommendations for adjustments in the rates of pays and allowances authorized under title 37, United States Code.

Since the enactment of section 1008(a), title 37, United States Code, the Congress has modified these requirements with the passage of section 8 of Public Law 90-207, December 16, 1967. With this provision, the Congress ensured that whenever the General Schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed into effect a comparable adjustment

in the monthly basic pay authorized members of the uniformed services.

During FY 1972, Public Law 92-129, "The Military Selective Service Act," which was enacted in 1971, provided reasonably competitive levels of military pay for the first time in recent history. Since then, the operation of Public Law 90-207 has maintained these competitive levels by providing basic pay increases of 7.21 percent and 6.69 percent on January 1, 1972, and January 1, 1973, respectively. The cost of the latter increase for the period January 1-June 30, 1973, will be $.58 billion and for FY 1974, $1.17 billion. The details of the computation of the January 1, 1973, increase are shown in attachment 1.

The President's goal of an all-volunteer force adds a new dimension to our annual appraisal of the adequacy of military pay. Military pay in general may be quantitatively determined to bear a reasonable relationship to the pay for similar work levels in the civilian economy. However, the question of adequacy can only be addressed in terms of whether military pay levels allow us to compete successfully in the labor market for the numbers and quality of individuals which fulfill Department of Defense manpower requirements. For the most part, we believe that our pay levels are adequate to allow us to compete successfully for the numbers and quality of personnel required for the armed forces. Only experience in an all-volunteer environment will prove or disprove the accuracy of this estimate.

It must be stressed, however, that even with the reasonably competitive levels of pay and other actions associated with the objective of an all-volunteer force, the Department of Defense remains at a disadvantage in competing for specialists whose skills command premium wages in the civilian economy. To counter this, the Department of Defense needs flexible incentive authorities, over and above established pay levels. Such authorities are contained in the "Uniformed Services Special Pay Act of 1973" which will be submitted to Congress in the near future. Early enactment of this legislation is considered the critical second step in achieving and maintaining an all-volunteer force.

One final measure which merits early consideration by the Congress is a refinement of the matching increase mechanisms of section 8 of Public Law 90-207. Although it is absolutely essential to preserve the legislated relationship between military and civilian pay, the recent restructuring of the military pay schedule and other advancements in military compensation make this a propitious time to "fine tune" the mechanisms for maintaining this relationship. The attached proposal accomplishes this adjustment by modifying the existing provisions of Public Law 90-207.

The proposal retains the matching increase principle embodied in existing law. Additionally, it incorporates a desirable feature of flexibility in the system by providing the President with discretionary authority to distribute among the several cash elements of Regular Military Compensation (RMC), (basic pay, quarters and subsistence allowances), any increase in RMC that is required to match an increase in the pay of Federal classified employees. There are both economic and intrinsic advantages to granting this flexibility.

More explicitly, since 1967, the military member has received six increases in RMC as a result of Public Law 90–207. Nevertheless, despite the implicit increase in all elements of RMC intended by the Congress, the basic characteristic of the present system of limiting adjustments exclusively to equal percentage increases in basic pay has caused most members to perceive their allowances at substantially below actual expenses in the economy. This reinforces a basic premise that so long as members of the armed forces are compensated under a basic pay and allowances system, it will be necessary to adjust periodically the allowances for quarters and subsistence in order to ensure that these elements of compensation are adequate to fulfill their intended purpose.

The revised system recognizes this requirement and provides a means to adjust the cash elements to keep pace with increases in costs of living. Although this revised system may result in a somewhat smaller cash increase for those provided allowances in-kind than they would have received under Public Law 90–207, internal equity is preserved since this group is not faced with the increases in housing and food associated with living on the civilian economy.

The explicit increases in the allowances, as well as basic pay, envisioned in this proposal will provide the member with allowances which bear a more reasonable relationship to expenses actually incurred in the civilian economy. Accordingly, the member will have a greater appreciation of the intent of the Congress when it legislated that military compensation would keep pace with trends in the civilian economy.

From a cost effectiveness standpoint, the flexibility to adjust all cash elements of compensation instead of basic pay alone, will enable the Department of Defense to reduce future retired pay costs to some extent. These savings can be achieved while at the same time ensuring that the active duty member is provided economic improvement comparable to that received by his civilian counterpart.

Sincerely,

ROGER T. KELLEY.

Attachments.

CALCULATION OF PROPOSED JANUARY 1, 1973, MILITARY PAY INCREASE

Objective: To provide all personnel of the uniformed services with an overall average increase which equates to that provided General Schedule employees, as required by section 8 of Public Law 90–207. That law provides that whenever the general schedule of compensation for Federal classified employees is adjusted upwards, there shall immediately be placed into effect a comparable upward adjustment in the basic pay of members of the uniformed services. This basic pay adjustment must provide all personnel of the uniformed services with an overall increase in regular compensation which equates to the salary increase provided General Schedule employees.

The Office of Management and Budget (OMB) has estimated the average increase in salary for General Schedule employees to be 5.14 percent effective January 1, 1973. The objective of the following analysis is to determine what percentage increase in basic pay will

provide the members of the uniformed services with an average increase in Regular Military Compensation of 5.14 percent.

The annualized active force Regular Military Compensation for the purpose of this computation is as follows:

[Dollars in Millions]

Basic pay	$14, 389. 7
Quarters and subsistence	[1] 3, 933. 0
Federal income tax advantage	[2] 868. 9
Total	19, 191. 6

[1] Includes cost of quarters and subsistence furnished.
[2] Does not reflect special tax exemptions for personnel in combat areas.

A 5.14 percent increase in regular compensation is computed by multiplying 5.14 percent times $19,191.6 million. This equals $987.0 million which when applied to basic pay results in an increase of 6.69 percent in Basic Pay across the board.

Attached are cost estimates for FY 1973 and FY 1974.

Cost estimates for 6.69-percent increase in basic pay effective Jan. 1, 1973

[Dollars in millions]

Fiscal year 1973 cost (Jan. 1, 1973–June 30, 1973):	
Basic pay	$477. 5
Pay-related items [1]	91. 6
Total Department of Defense cost	569. 1
Other uniformed services	10. 3
Total, fiscal year 1973	579. 4
Fiscal year 1974 cost (July 1, 1973–June 30, 1974):	
Basic pay	948. 0
Pay-related items [1]	200. 4
Total Department of Defense cost	1, 148. 4
Other uniformed services	22. 1
Total, fiscal year 1974	1, 170. 5

[1] Pay related items are compensation elements which vary with changes in basic pay and consist of: reenlistment bonus, FICA, Reserve and National Guard, death gratuities, continuation pay, separation pay, and pay of Cadets and Midshipmen.

A BILL TO AMEND TITLE 37, UNITED STATES CODE, TO REFINE THE PROCEDURES FOR ADJUSTMENTS IN MILITARY COMPENSATION AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 3 of title 37, United States Code is amended by amending section 203(a) to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed by the President in accordance with section 1009 of this title."

SEC. 2. Chapter 7 of title 37, United States Code, is amended as follows—

(1) by amending the fourth sentence in section 402(b) to read as follows:

"The allowance for enlisted members who are on leave, or are otherwise authorized to mess separately, and for officers, shall be equal to the cost of the ration as determined by the Secretary of Defense.";

(2) by striking out the following item in the table in section 402(d):

"Officers ..... $47.88 a month.";

and

(3) by amending section 403(a) to read as follows:

"(a) Except as otherwise provided by this section or by another law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the rates prescribed by the President in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes."

SEC. 3. Chapter 19 of title 37, United States Code, is amended by adding the following new section after section 1008 and inserting a corresponding item in the chapter analysis:

"§1009. Adjustments of compensation by the President

"(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, the President shall immediately make an upward adjustment in the regular compensation of members of the uniformed services. An adjustment under this section may be applied to any one or more of the elements of regular compensation.

"(b) An adjustment under this section shall have the force and effect of law and shall—

"(1) provide all personnel of the uniformed services with an increase in regular compensation which equates on an overall average to that provided General Schedule employees;

"(2) be based on the rates of the various elements of regular compensation that existed at the time of the last increase in regular compensation made under section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654), or under this section;

"(3) include as part of the overall increase adjustments in any of the elements of regular compensation which have occurred since the last increase in regular compensation made under section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654), or under this section; and

"(4) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees.

"(c) For the purposes of this section, 'regular compensation' means basic pay, quarters and subsistence allowances (either in cash or in kind), and the tax advantage on those allowances."

SEC. 4. Until the effective date of the first upward adjustment in the rates of monthly basic pay for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 3 of this Act, after the effective date of this Act, the rates of monthly basic pay for members of the uniformed services authorized by section 203(a) of that title are those prescribed by Executive Order 11692 of December 15, 1972, which became effective on January 1, 1973.

SEC. 5. Until the effective date of the first adjustment in the rates of basic allowance for quarters for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 3 of this Act, after the effective date of this Act, the rates of basic allowance for quarters prescribed in section 403(a) of title 37, United States Code, as it existed on the day before the effective date of this Act, shall continue in effect.

SEC. 6. Section 8 of the Act of December 16, 1967, Pub. L. 90–207 (81 Stat. 654) is repealed.

SEC. 7. This Act is effective upon enactment.

Changes in Existing Law

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law proposed to be made by the bill are shown as follows: Existing law to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman.

* * * * * * *

TITLE 37.—PAY AND ALLOWANCES OF THE UNIFORMED SERVICES

* * * * * * *

Chapter 1—Definitions

Sec.

101. Definitions.

§101. Definitions

In addition to the definitions in sections 1–5 of title 1, for the purposes of this title—

* * * * * * *

(25) "regular compensation" or "regular military compensation (RMC)" means the total of the following elements that a member of a uniformed service accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for quarters, basic allowance for subsistence; and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax.

* * * * * * *

Chapter 3—Basic Pay

* * * * * * *

§203. Rates

[(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are set forth in the following tables:]

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205			
	2 or less	Over 2	Over 3	Over 4
0-10 [1]	$2,564.10	$2,654.40	$2,654.40	$2,654.40
0-9	2,272.50	2,332.50	2,382.00	2,382.00
0-8	2,058.30	2,120.10	2,170.50	2,170.50
0-7	1,710.00	1,827.00	1,827.00	1,827.00
0-6	1,267.80	1,393.20	1,483.80	1,483.80
0-5	1,013.70	1,191.00	1,272.70	1,272.90
0-4	855.00	1,040.40	1,110.60	1,110.60
0-3 [2]	794.40	888.00	948.90	1,050.30
0-2 [2]	692.40	756.60	908.70	939.00
0-1 [2]	600.90	625.80	756.60	756.60

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205			
	Over 6	Over 8	Over 10	Over 12
0-10 [1]	$2,654.40	$2,756.10	$2,756.10	$2,967.30
0-9	2,382.00	2,442.30	2,442.30	2,543.70
0-8	2,170.50	2,332.50	2,332.50	2,442.30
0-7	1,908.30	1,908.30	2,019.30	2,019.30
0-6	1,483.80	1,483.80	1,483.80	1,483.80
0-5	1,272.90	1,272.90	1,311.90	1,381.80
0-4	1,130.40	1,180.80	1,260.90	1,332.30
0-3 [2]	1,100.40	1,140.00	1,201.20	1,260.90
0-2 [2]	958.80	958.80	958.80	958.80
0-1 [2]	756.60	756.60	756.60	756.60

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205			
	Over 14	Over 16	Over 18	Over 20
0-10 [1]	$2,967.30	*$3,179.70	*$3,179.70	*$3,392.10
0-9	2,543.70	2,756.10	2,756.10	2,967.30
0-8	2,442.30	2,543.70	2,654.40	2,756.10
0-7	2,120.10	2,332.50	2,492.70	2,492.70
0-6	1,534.20	1,776.90	1,867.80	1,908.30
0-5	1,474.20	1,584.60	1,675.80	1,725.90
0-4	1,393.20	1,453.80	1,494.00	1,494.00
0-3 [2]	1,291.80	1,291.80	1,291.80	1,291.80
0-2 [2]	958.80	958.80	958.80	958.80
0-1 [2]	756.60	756.60	756.60	756.60

COMMISSIONED OFFICERS

Pay grade	Years of service computed under sec. 205		
	Over 22	Over 26	Over 30
0-10 [1]	*$3,392.10	*$3,603.60	*$3,603.60
0-9	2,967.30	*3,179.70	*3,179.70
0-8	2,866.80	2,866.80	2,866.80
0-7	2,492.70	2,492.70	2,492.70
0-6	2,019.30	2,189.70	2,189.70
0-5	1,786.80	1,786.80	1,786.80
0-4	1,494.00	1,494.00	1,494.00
0-3 [2]	1,291.80	1,291.80	1,291.80
0-2 [2]	958.80	958.80	958.80
0-1 [2]	756.60	756.60	756.60

[1] While serving as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, or Commandant of the Marine Corps, basic pay for this grade is $3,976.20* regardless of cumulative years of service computed under sec. 205 of this title.

[2] Does not apply to commissioned officers who have been credited with over 4 years' active service as enlisted members.

* The rate of basic pay for military personnel at these rates is limited by sec. 5308 of title 5, United States Code, as added by the Federal Pay Comparability Act of 1970, to the rate for level V of the Executive Schedule ($36,000 per annum, or $3,000 per month as of the effective date of this adjustment).

COMMISSIONED OFFICERS WHO HAVE BEEN CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205			
	Over 4	Over 6	Over 8	Over 10
0-3	$1,050.30	$1,100.40	$1,140.00	$1,201.20
0-2	939.00	958.80	989.10	1,040.40
0-1	756.60	807.60	837.90	867.90

COMMISSIONED OFFICERS WHO HAVE BEEN CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205			
	Over 12	Over 14	Over 16	Over 18
0-3	$1,260.90	$1,311.90	$1,311.90	$1,311.90
0-2	1,080.60	1,110.60	1,110.60	1,110.60
0-1	898.50	939.00	939.00	939.00

COMMISSIONED OFFICERS WHO HAVE BEEN CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205			
	Over 20	Over 22	Over 26	Over 30
0-3	$1,311.90	$1,311.90	$1,311.90	$1,311.90
0-2	1,110.60	1,110.60	1,110.60	1,110.60
0-1	939.00	939.00	939.00	939.00

WARRANT OFFICERS

Pay grade	Years of service computed under sec. 205				
	2 or less	Over 2	Over 3	Over 4	Over 6
W-4	$809.10	$867.90	$867.90	$888.00	$928.50
W-3	735.90	798.00	798.00	807.60	817.50
W-2	644.10	696.00	696.00	717.00	755.60
W-1	536.70	615.60	615.60	666.60	696.60

WARRANT OFFICERS

Pay grade	Years of service computed under sec. 205				
	Over 8	Over 10	Over 12	Over 14	Over 16
W-4	$969.30	$1,009.50	$1,080.60	$1,130.40	$1,170.60
W-3	877.50	928.50	958.80	989.10	1,018.80
W-2	798.00	828.00	858.00	888.00	918.90
W-1	726.90	756.60	787.50	817.50	847.80

WARRANT OFFICERS

Pay grade	Years of service computed under sec. 205				
	Over 18	Over 20	Over 22	Over 26	Over 30
W-4	$1,201.20	$1,241.10	$1,282.20	$1,381.80	$1,381.80
W-3	1,050.30	1,090.50	1,130.40	1,170.60	1,170.60
W-2	948.90	979.20	1,018.80	1,018.80	1,018.80
W-1	877.50	908.70	908.70	908.70	908.70

ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205				
	2 or less	Over 2	Over 3	Over 4	Over 6
E-9 [1]	0	0	0	0	0
E-8	0	0	0	0	0
E-7	$538.50	$581.10	$602.70	$623.70	$645.30
E-6	465.00	507.30	528.30	550.20	571.20
E-5	408.30	444.60	465.90	486.30	518.10
E-4	392.70	414.60	438.60	473.10	491.70
E-3	377.70	398.40	414.30	430.50	430.50
E-2	363.30	363.30	363.30	363.30	363.30
E-1	326.10	326.10	326.10	326.10	326.10

ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205				
	Over 8	Over 10	Over 12	Over 14	Over 16
E-9 [1]	0	$919.20	$940.20	$961.50	$983.70
E-8	$771.30	792.90	813.90	835.20	856.80
E-7	665.70	686.70	708.30	740.40	761.10
E-6	592.20	613.50	645.30	665.70	686.70
E-5	539.10	560.70	581.10	592.20	592.20
E-4	491.70	491.70	491.70	491.70	491.70
E-3	430.50	430.50	430.50	430.50	430.50
E-2	363.30	363.30	363.30	363.30	363.30
E-1	362.10	326.10	326.10	326.10	326.10

ENLISTED MEMBERS

Pay grade	Years of service computed under sec. 205				
	Over 18	Over 20	Over 22	Over 26	Over 30
E-9 [1]	$1,005.30	$1,025.10	$1,079.10	$1,183.80	$1,183.80
E-8	877.20	898.80	951.30	1,057.50	1,057.50
E-7	782.40	792.90	846.00	951.30	951.30
E-6	697.50	697.50	697.50	697.50	697.50
E-5	592.20	592.20	592.20	592.20	592.20
E-4	491.70	491.70	491.70	491.70	491.70
E-3	430.50	430.50	430.50	430.50	430.50
E-2	363.30	363.30	363.30	363.30	363.30
E-1	326.10	326.10	326.10	326.10	326.10

[1] While serving as sergeant major of the Army, master chief petty officer of the Navy or Coast Guard, chief master sergeant of the Air Force, or sergeant major of the Marine Corps, basic pay for this grade is $1,439.10, regardless of cumulative years of service computed under sec. 205 of this title.

[The rates in the above tables are the current rates as effected by Executive Order No. 11740 effective October 1, 1973.]

(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed in accordance with section 1009 of this title.

* * * * * * *

CHAPTER 7—ALLOWANCES

* * * * * * *

SEC. 402. BASIC ALLOWANCE FOR SUBSISTENCE

[(a) Except as otherwise provided by this section or by another law, each member of a uniformed service who is entitled to basic pay

is entitled to a basic allowance for subsistence in the amount set forth in subsection (d) of this section.]

(a) Except as otherwise provided by law, each member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for subsistence as set forth in this section.

(b) An enlisted member is entitled to the basic allowance for subsistence, on a daily basis, of one of the following types—

(1) when rations in kind are not available;

(2) when permission to mess separately is granted; and

(3) when assigned to duty under emergency conditions where no messing facilities of the United States are available.

The allowance to an enlisted member, when authorized, may be paid in advance for a period of not more than three months. An enlisted member is entitled to the allowance while on an authorized leave of absence or while confined in a hospital, but not while being subsisted at the expense of the United States. [The allowance for enlisted members who are on leave, or are otherwise authorized to mess separately, shall be equal to the cost of the ration as determined by the Secretary of Defense.] *The allowance for an enlisted member who is authorized to receive the basic allowance for subsistence under this subsection is at the rate prescribed in accordance with section 1009 of this title.* Unless he is entitled to basic pay under chapter 3 of this title, an enlisted member of a reserve component of a uniformed service, or of the National Guard, is entitled, in the discretion of the Secretary concerned, to rations in kind, or a part thereof, when the instruction or duty periods, described in section 206(a) of this title, total at least eight hours in a calendar day.

(c) [An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowances for subsistence on a monthly basis.] *An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowance for subsistence at the monthly rate prescribed in accordance with section 1009 of this title.*

An aviation cadet of the Navy, Air Force, Marine Corps, or Coast Guard is entitled to the same basic allowance for subsistence as is provided for an officer of the Navy, Air Force, Marine Corps, or Coast Guard, respectively.

[(d) The basic allowance for subsistence for members of the uniformed services is as follows:

Officers	$47.88 a month.
Enlisted members when rations in kind are not available	$2.565 a day.
Enlisted members when assigned to duty under emergency conditions where no messing facilities of the United States are available	Not more than $3.42 a day.]

§403. Basic allowance for quarters.

[(e)] *(d)*

[(f)] *(e)*

[(a) Except as otherwise provided by this section or by another law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the following monthly rates according to the pay grade in which he is assigned or distributed for basic pay purposes:]

Pay grade	Without dependents	With dependents
0-10	$260.40	$288.00
0-9	230.40	288.00
0-8	230.40	288.00
0-7	230.40	288.00
0-6	211.80	258.30
0-5	198.30	238.80
0-4	178.80	215.40
0-3	158.40	195.60
0-2	138.60	175.80
0-1	108.90	141.60
W-4	172.50	207.90
W-3	155.40	191.70
W-2	137.10	173.70
W-1	123.90	160.80
E-9	130.80	184.20
E-8	122.10	172.20
E-7	104.70	161.40
E-6	95.70	150.00
E-5	92.70	138.60
E-4	81.60	121.50
E-3	72.30	105.00
E-2	63.90	105.00
E-1	66.00	105.00

(a) Except as otherwise provided by law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the monthly rates prescribed in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes.

* * * * * * *

Chapter 19—Administration

§ 1009. Adjustments of compensation

(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, the President shall immediately make an upward adjustment in the—

(1) monthly basic pay authorized members of the uniformed services by section 203(a) of this title;

(2) basic allowance for subsistence authorized enlisted members and officers by section 402 of this title; and

(3) basic allowance for quarters authorized members of the uniformed services by section 403(a) of this title.

(b) An adjustment under this section shall have the force and effect of law and shall—

(1) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees;

(2) be based on the rates of the various elements of compensation, as defined in, or made under section 8 of the Act of December 16, 1967, Pub. L. 90-207 (81 Stat. 654), section 402 or 403 of this title, or this section; and

(3) provide all eligible members with an increase in each element of compensation, set forth in subsection (a) of this section, which is of the same percentage as the overall average percentage increase in the General Schedule rates of basic pay for civilian employees.

Public Law 90-207

* * * * * * *

[Sec. 8. (a) Effective January 1, 1968, and unless otherwise provided by law enacted after the date of enactment of this Act, whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upwards, there shall immediately be placed into effect a comparable upward adjustment in the monthly basic pay authorized members of the uniformed services by section 203(a) of title 37, United States Code.

(b) Adjustments in the various tables establishing the rates of monthly basic pay for members of the uniformed services as required by the preceding paragraph shall have the force and effect of statute, and such adjustments shall:

(1) provide all personnel of the uniformed services with an overall average increase in regular compensation which equates to that provided General Schedule employees, and

(2) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees.

(c) For the purposes of this section, "regular compensation means basic pay, quarters and subsistence allowances (either in cash or in kind), and the tax advantage on those allowances.]

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H. R. 15406

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To amend title 37, United States Code, to refine the procedures for adjustments in military compensation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 1 of title 37, United States Code, is amended by amending section 101 as follows:

"(25) 'regular compensation' or 'regular military compensation (RMC)' means the total of the following elements that a member of a uniformed service accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for quarters, basic allowance for subsistence; and Federal tax advantage accruing to the aforementioned allowances because they are not subject to Federal income tax."

SEC. 2. Chapter 3 of title 37, United States Code, is amended by amending section 203(a) to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are those prescribed in accordance with section 1009 of this title."

SEC. 3. Chapter 7 of title 37, United States Code, is amended as follows:

(1) By amending section 402(a) to read as follows:

"(a) Except as otherwise provided by law, each member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for subsistence as set forth in this section."

(2) By amending the fourth sentence of section 402(b) to read as follows: "The allowance for an enlisted member who is authorized to receive the basic allowance for subsistence under this subsection is at the rate prescribed in accordance with section 1009 of this title."

(3) By amending the first sentence of section 402(c) to read as follows: "An officer of a uniformed service who is entitled to basic pay is, at all times, entitled to the basic allowance for subsistence at the monthly rate prescribed in accordance with section 1009 of this title."

(4) By repealing section 402(d).

(5) By redesignating section 402(e) as section 402(d), and section 402(f) as section 402(e).

(6) By amending section 403(a) to read as follows:

"(a) Except as otherwise provided by law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the monthly rates prescribed in accordance with section 1009 of this title, according to the pay grade in which he is assigned or distributed for basic pay purposes."

SEC. 4. Chapter 19 of title 37, United States Code, is amended by adding the following new section after section 1008 and inserting a corresponding item in the chapter analysis:

"§ 1009. Adjustments of compensation

"(a) Whenever the General Schedule of compensation for Federal classified employees as contained in section 5332 of title 5, United States Code, is adjusted upward, the President shall immediately make an upward adjustment in the—

"(1) monthly basic pay authorized members of the uniformed services by section 203(a) of this title;

"(2) basic allowance for subsistence authorized enlisted members and officers by section 402 of this title; and

"(3) basic allowance for quarters authorized members of the uniformed services by section 403(a) of this title.

"(b) An adjustment under this section shall have the force and effect of law and shall—

"(1) carry the same effective date as that applying to the compensation adjustments provided General Schedule employees;

"(2) be based on the rates of the various elements of compensation as defined in, or made under, section 8 of the Act of December 16, 1967 (Public Law 90–207; 81 Stat. 654), section 402 or 403 of this title, or this section; and

"(3) provide all eligible members with an increase in each element of compensation, set forth in subsection (a) of this section, which is of the same percentage as the overall average percentage increase in the General Schedule rates of basic pay for civilian employees."

SEC. 5. Until the effective date of the first upward adjustment in the rates of monthly basic pay for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates of monthly basic pay for members of the uniformed services authorized by section 203(a) of that title are those prescribed by Executive Order 11740 of October 3, 1973, which became effective on October 1, 1973.

SEC. 6. Until the effective date of the first upward adjustment in the rates of basic allowance for subsistence for enlisted members and officers made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates prescribed under section 402 of title 37, United States Code, as it existed on the date before the effective date of this Act, shall continue in effect.

SEC. 7. Until the effective date of the first adjustment in the rates of basic allowance for quarters for members of the uniformed services made by the President under section 1009 of title 37, United States Code, as added by section 4 of this Act, after the effective date of this Act, the rates of basic allowance for quarters prescribed in section 403 (a) of title 37, United States Code, as it existed on the day before the effective date of this Act, shall continue in effect.

SEC. 8. Section 8 of the Act of December 16, 1967 (Public Law 90–207; 81 Stat. 654), is repealed.

SEC. 9. This Act is effective upon enactment.

Speaker of the House of Representatives.

Vice President of the United States and President of the Senate.

September 10, 1974

Dear Mr. Director:

The following bills were received at the White House on September 10th:

H.R. 9456
H.R. 13267
H.R. 15172
H.R. 15406

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.