

February 15, 2024

The Honorable Ashish Vazirani
Under Secretary of Defense for Personnel and Readiness
The Pentagon
Room 3E986
Washington, DC 20301

Dear Mr. Vazirani:

We, the undersigned leaders of organizations representing our Nation's service members and their families, are writing to offer input on the development of the 14th Quadrennial Review of Military Compensation.

As with any job — in any industry — research indicates that compensation has a significant effect on recruitment and retention.¹ The economic stature across the United States has changed significantly since the last quadrennial review. The volatility of the economy, inflation, and the housing market have changed the landscape, and data indicate that most Americans rely on two incomes to sustain a household.² Compensation must be evaluated through two lenses: 1) what it takes to achieve economic well-being and 2) the nuances of military life. Now more than ever, it is imperative to implement a holistic review of military pay and compensation. With that in mind, our organizations offer the following recommendations:

- 1. Review the compensation package against household income reported by U.S. Census data.**
Traditionally, this review has evaluated select ranks using a median income scale, and others using household income. Widening the aperture and considering household income will level the playing field, better measuring family unit financial readiness and identifying weak points in the compensation structure across locality, pay grade, and rank.

The reality is that most American families rely on two incomes, but the transience of military life has stunted military spouse employment for years; this must be factored into compensation at all ranks.³ According to the Department of Defense 2022 Demographics Profile, across the total DOD force (including all branches and ranks), 50.9% of military personnel have family members enrolled in the Defense Enrollment Eligibility Reporting System (DEERS) — spouses, children, adult dependents, and other dependents (under age 21 who are not spouses or children). Overall, 37.0% of the total DOD force have at least one child.⁴ Among active duty junior enlisted (E1-E4), 23.6% have dependent family members. Among reserve junior enlisted (E1-E4), 21.6% have dependent family members and among mid enlisted (E-5-E6), 58.6% have dependent family members.

¹ Society for Human Resource Management. (December 2023). *2022-2023 SHRM State of the Workplace*.
<https://www.shrm.org/topics-tools/research/2022-2023-shrm-state-workplace>

² Consumer Financial Protection Bureau. (December 2023). *Making ends meet in 2023*.
https://files.consumerfinance.gov/f/documents/cfpb_making-ends-meet-in-2023_report_2023-12.pdf

³ Office of People Analytics (OPA). (February 2023). *2021 Active Duty Spouse Survey (ADSS): Results*.
<https://download.militaryonesource.mil/12038/MOS/Presentations/2021-active-duty-spouse-overview-briefing.pdf>

⁴ Department of Defense (DOD), Office of the Deputy Assistant Secretary of Defense for Military Community and Family Policy (ODASD (MC&FP)). (November 2023). *2022 Demographics: Profile of the Military Community*.
<https://download.militaryonesource.mil/12038/MOS/Reports/2022-demographics-report.pdf>

2. **Modernize housing allowance formula.** Calculations for allowances such as the Basic Allowance for Housing have come under scrutiny since the last quadrennial review.⁵ As the Department re-evaluates calculation formulas, in addition to incorporating GAO's feedback, it should look to best practices outside the Defense industry, leveraging data from the U.S. Census as well as guidelines established by the private sector to ensure constant evaluation that is responsive to the evolving landscape. This equation must also go beyond real estate to factor in energy and utility costs, which are also intended to be covered in the housing allowance.⁶

As such, our organizations recommend a reframing of the allowance and name change to Basic Allowance for Housing and Utilities. This will not only provide an accurate representation of the intent of the allowance but will also create a reminder for families to factor in utilities when choosing their housing. Additionally, we urge the Department to refine the BAH calculator to more closely focus on enlisted housing profiles and the flexibility of CONUS COLA rate adjustments.

3. **Restore BAH to 100 percent.** Restoring the Basic Allowance for Housing (BAH) to 100 percent would create a positive ripple effect on the well-being of those who serve and their families. In many cases, BAH fails to cover the intended 95 percent. Recent surveys⁷ show out-of-pocket costs for servicemembers and their families average over \$250 per month, well over DoD-estimated amounts to cover the five percent gap. Nearly 70 percent of active duty families report⁸ having to pay more than they can comfortably afford for housing.
4. **Remove barriers that exist in state-run programs.** The Defense-State Liaison Office (DSLO), designed to provide reliable information and research and offer assistance with legislation at the state level, can help shape state-run programs—like WIC that families count on.⁹ For example, streamlining the process of enrolling and remaining in WIC makes it easier for eligible low-income families to participate and benefit from the program. There are lessons learned from advanced enrollment for schools that could serve as a model for advanced enrolling military families in need. Developing mechanisms that close gaps and increase access for military families to programs, particularly during PCS moves and other points of vulnerability, will help prevent families from falling behind in their financial and budgeting goals. This change could ultimately provide more equal opportunity between service members and their civilian counterparts who experience fewer career-related moves.

⁵U.S. Government Accountability Office. (January 2021). *Military housing: Actions needed to improve the process for setting allowances for servicemembers and calculating payments for privatized housing projects*. <https://www.gao.gov/products/gao-21-137>

⁶Department of Defense. (December 2023). *DOD Releases 2024 Basic Allowance for Housing Rates*. <https://www.defense.gov/News/Releases/Release/Article/3617400/dod-releases-2024-basic-allowance-for-housing-rates/>

⁷Blue Star Families. Pulse Check: Relocation and Housing. September 2022. https://bluestarfam.org/wp-content/uploads/2022/10/BSF_PulseCheck_Report_Sep2022.pdf

⁸Military Family Advisory Network. 2021 Military Family Support Programming Survey. June 2022. <https://www.mfan.org/researchreports/2021-military-family-support-programming-survey-results-2/>

⁹Military OneSource – Defense State Liaison Office. (November 2023). *2024 State Policy Priorities*. <https://statepolicy.militaryonesource.mil/#priorities-report>

We share the Department's perspective that its most valuable asset is its people. Modernization of military compensation requires an understanding and appropriate vantage of what it costs for Americans to achieve economic well-being in real time. Our organizations appreciate your leadership and welcome the opportunity for further dialogue as the Department enters the final stages of the QRMC.

CC:

The Honorable Shawn Skelly
Deputy Under Secretary of Defense for Personnel and Readiness

Sincerely,

Association of Military Banks of America (AMBA)
Blue Star Families
Defense Credit Union Council
Food Care Center Killeen
Hope for the Warriors
Lauren Hope Collective
Military Family Advisory Network
Military Housing Coalition
Military Resale Small Business Coalition
Military Spouse Advocacy Network
Military Women's Memorial Foundation, Inc.
National Military Family Association
RallyPoint
Safe Military Housing Initiative
Soldiers' Angels
Tricare for Kids Coalition
With Honor Action