



GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
1600 DEFENSE PENTAGON
WASHINGTON, D. C. 20301-1600

GENERAL COUNSEL

The Honorable Al Gore
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

The Department of Defense proposes the enclosed amendments to the current law concerning the housing allowances paid to uniformed service members stationed in the United States. The amendments are part of the Secretary of Defense's initiative to improve the quality of life for members by ensuring that they and their dependents are adequately housed. This proposal is part of the departmental legislative program for the Second Session of the 106th Congress and we urge its enactment.

Current law requires that members pay at least 15% of average housing costs out-of-pocket. Under the existing basic allowance for housing rates, members on average pay 18.8% of the average cost of housing out-of-pocket. The goal is to reduce members' average out-of-pocket costs to 15% in calendar year 2001, and to eliminate them altogether by calendar year 2005. To achieve this goal, it is necessary that the current statutory limits on housing allowance rates and total fund availability be eliminated. These amendments would authorize the Secretary of Defense to prescribe basic allowance for housing rates that would reduce or eliminate the typical member's out-of-pocket expenses and would eliminate the current statutorily-imposed limitation on the amount of funds available for payment of that allowance in any fiscal year.

The increase in housing allowances will help ensure that our military members, who live off-base, are able to afford adequate housing. However, that is only one benefit of the Secretary's initiative. Higher housing allowances will have the positive effect of encouraging housing privatization efforts and, thereby, further increase the availability of quality housing. Also, increased allowances and expanded use of privatization will foster the more efficient use of military construction funds.

The Office of Management and Budget advises that there is no objection, from the standpoint of the Administration's program, to the presentation of this proposal for your consideration and the consideration of Congress.

Sincerely,

Douglas A. Dworkin
Acting General Counsel

Enclosure
As Stated





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APR 10 2000

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, D.C. 20515

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SEC. ____ . CALCULATION OF BASIC ALLOWANCE FOR HOUSING.

1 Section 403(b) of title 37, United States Code, is amended—

2 (1) by revising paragraph (2) to read as follows:

3 “(2) The Secretary of Defense shall prescribe a basic allowance for housing for a member
4 of the uniformed services who is on duty inside the United States. The Secretary shall establish
5 the rates of basic allowance for housing based upon the costs of adequate housing determined
6 under paragraph (1).”;

7 (2) by striking paragraphs (3) and (5);

8 (3) by redesignating paragraphs (4), (6), and (7) as paragraphs (3), (4), and (5),
9 respectively; and

10 (4) in paragraph (4), as redesignated by paragraph (3) of this section, by striking
11 “, changes in the national average monthly cost of housing,”.

Sectional Analysis

This provision would replace the current formula for calculating the basic allowance for housing at 37 U.S.C. 403(b) to give the Secretary the authority to prescribe such a basic allowance for housing, based upon the cost of adequate housing for civilians of comparable income levels in the area, at rates that would reduce or eliminate the member's out-of-pocket expenses. Under the current formula, a member must pay at least 15 percent of the national average monthly cost of adequate housing. Specifically, it is the intent of the Secretary to reduce out-of-pocket costs for the typical member to 15.0 percent in FY01, 11.3 percent in FY02, 7.5 percent in FY03, 3.5 percent in FY 04 and 0.0 percent by FY 05.

The repeal of paragraph (3) would eliminate the current statutorily imposed limit on the amount of funds available for the payment of the Basic Allowance for Housing in any fiscal year. Deleting this paragraph will allow the Secretary to provide sufficient funds for the Basic Allowance for Housing to lower out-of-pocket costs for the member below the 15 percent currently required in the law.

Paragraph (5), as repealed by this section, adjusted the limitation imposed by paragraph (3) to reflect changes in the population of housing allowance recipients. The striking of paragraph (3) makes paragraph (5) also unnecessary.