

**GAO**

**Briefing Report to the Ranking Minority  
Member, Subcommittee on Defense,  
Committee on Appropriations, United  
States Senate**

November 1987

**MILITARY  
COMPENSATION**

**Comparison With  
Federal Civil Service  
Compensation**



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

National Security and  
International Affairs Division

B-222990

November 19, 1987

The Honorable Ted Stevens  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

Dear Senator Stevens:

In June 1986, we reported that total military compensation averaged 27 percent more than total compensation for a national sample of employed workers, which included some federal civil service employees (about 4 percent).<sup>1</sup> This report is in response to your request that we directly compare military and federal civil service compensation. As agreed with your Office, the scope of our work included

- comparing the compensation and retirement and health insurance benefits of military and civil service personnel by age, gender, and level of education groups;
- developing information on the payment of state income tax by military personnel; and
- providing information on all the individual pays, allowances, and benefits members of the military services receive.

MILITARY COMPENSATION  
EXCEEDED CIVIL  
SERVICE COMPENSATION

We found that total military compensation, defined as the sum of cash compensation and retirement and health insurance benefits, exceeded total civil service compensation, defined as the sum of cash compensation and retirement and health

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<sup>1</sup>Military Compensation: Comparisons With Civilian Compensation and Related Issues (GAO/NSIAD-86-131BR, June 5, 1986).

insurance benefits, in all 96 of our comparisons between those who were of the same age, gender, and level of education, and were employed full-time as of the end of December 1985.<sup>2</sup> The differences between the military and civil servants were larger for females, college graduates, and for those who were older. A composite of all 96 of the comparisons showed total military compensation to be 27 percent greater than total civil service compensation.

By contrast, cash compensation (defined for the military as basic, special, and incentive pays, as well as nontaxable allowances for quarters and subsistence, and their tax advantages and defined for civil service as straight-time wages and salaries) for male high school graduates was almost identical for those aged 19 to 24. However, after age 24, military cash compensation gradually exceeded civil service cash compensation. As a result, military cash compensation was 6 percent more than civil service cash compensation for a composite of the 26 specific age groups of male high school graduates. Male high school graduates constituted 71 percent of the military group represented in our analysis.

Over all 96 of our comparisons, the major military fringe benefits, retirement, and health care, were almost 60 percent more generous than civil service benefits. Military retirement benefits have greater value primarily because military retirement is received at a relatively young age-- typically starting around age 40. (Retirement is viewed as a force management tool in the military and as a basis for starting a second career.) Military health care benefits have greater value because they are provided free to service members who receive total-care coverage.

Limitations in the available data precluded our determining the extent, if any, to which the differences found were due to military members having relatively longer continuous service. For example, we could not determine whether 35-year-old military high school graduates had the same number of years of military service as their civil service counterparts had years of government employment.

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<sup>2</sup>The 96 comparisons consisted of one for each year of age between 19 and 44 for both male and female high school graduates and one for each age between 23 and 44 for both male and female college graduates.

MILITARY PAYMENT OF  
STATE INCOME TAX

As both officers and enlisted personnel progress through their careers, they tend to establish legal residence in states that either have no personal income tax on wages or do not tax any of their military pay.<sup>3</sup> For example, as of September 1986, while only 13 percent of general and flag officers (pay grades O-7 to O-10) stationed in the United States were actually stationed in the 14 states that had no income tax on wages or exempted all military pay from their income tax, 52 percent of these officers claimed these states as their legal residence.

PAY COMPARISONS  
PROVIDE AN INCOMPLETE  
FRAMEWORK FOR  
EVALUATING COMPENSATION

While our comparisons provide a frame of reference for evaluating military or civil service compensation, they may not be sufficient to draw conclusions about the appropriateness of pay levels. Military compensation could be higher because service members (1) may be in a different mix of occupations, (2) may have greater responsibilities than their civil service counterparts, and (3) may have longer continuous work histories.

In addition, it may be necessary to enhance military compensation by a factor, frequently referred to as the "X-factor," to compensate for those disadvantages of service life (e.g., exposure to danger, liability for duty at all times without extra pay, and frequent moves which make it more difficult for spouses to establish careers) which outweigh certain advantages (e.g., job security, adventure, travel, and opportunity to learn a trade). The X-factor can

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<sup>3</sup>Because the military are a highly mobile population who might otherwise find their service pay subject to income taxes of more than one state, the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, 50 U.S.C. Appendix 574 (1982), allows military personnel to retain legal residence in a state other than the one in which they currently live. Consequently, once military members establish legal residence in a state that does not tax income, or one that exempts military pay, they can retain residence in that state for the remainder of their military careers.

be an important consideration in an individual's decision to join or stay in the military.

Furthermore, as the military force ages, it becomes a more selective population. That is, the military system has procedures to involuntarily screen out a selected number of members from its ranks who are not promoted to the next level. Commonly referred to as the up-or-out policy, it prescribes, in the case of officers, the discharge of lieutenants, captains, and majors (and Navy equivalents) who are twice nonselected for promotion. Once officers acquire 10 to 12 years of military service, however, there are other policies which allow the officers to remain until retirement eligibility at 20 years of service. Thus, the greatest impact of the up-or-out policy is within the first 10 to 12 years of service. In contrast, the civil service system, allows its members to remain regardless of promotion opportunity so long as they perform their jobs satisfactorily.

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Appendix I of this briefing report summarizes our compensation comparisons. Appendix II presents information on military service members' exemption from state income tax. Appendix III presents information on specific elements of military compensation, the number of service members receiving them, their average value, and the total cost of military personnel for the same time frame as our compensation comparisons. Appendix IV contains detailed information on the methodology used in performing our work.

We conducted our work between June 1986 and June 1987 in accordance with generally accepted government auditing standards. We discussed our findings with Department of Defense and Office of Personnel Management officials and their comments have been considered in finalizing the report.

We are sending copies of this briefing report to the Chairmen of the House and Senate Budget, Armed Services, and Appropriations Committees; and the Chairmen, House Government Operations Committee and Senate Governmental Affairs Committee. We are also sending copies to the Secretaries of Defense, the Army, the Navy, and the Air Force; the Director of the Office of Management and Budget; the Director of the Office of Personnel Management; and other interested parties.

B-222990

If you have any questions, please call Martin M Ferber,  
Senior Associate Director for Manpower, Logistics and  
Financial and General Management, at 275-8412.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank C. Conahan". The signature is written in dark ink and is positioned above the typed name.

Frank C. Conahan  
Assistant Comptroller General

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#### ABBREVIATIONS

CPDF	Central Personnel Data File
DMDC	Defense Manpower Data Center
DOD	Department of Defense
GAO	General Accounting Office
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
VA	Veterans Administration
VEAP	Veterans Education Assistance Program

COMPENSATION COMPARISONS

The results of our compensation comparisons are graphically presented in figures I.1 and I.2, while detailed comparisons are presented in tables I.1 through I.4. Overall results can be seen at the bottoms of tables I.1 through I.4. As the military population is significantly younger than the civil service population, the bottoms of these tables show a composite figure of the comparisons for cash compensation, benefits and total compensation weighted by the number of military members in each age group. The grand totals at the bottom of table I.4 are weighted by the number of military members in each age, gender, and level of education group.

One point should be kept in mind when reviewing these results. Limitations in the available data made it impossible to determine the extent to which the civil service comparison groups have continuous work experience. No data existed to allow a determination of whether such interruptions were more frequent for civil servants than for military personnel, or if such interruptions may have caused those experiencing them to be earning less.

Figure I.1: Comparison of Military and Civil Service Compensation and Benefits for High School Graduates

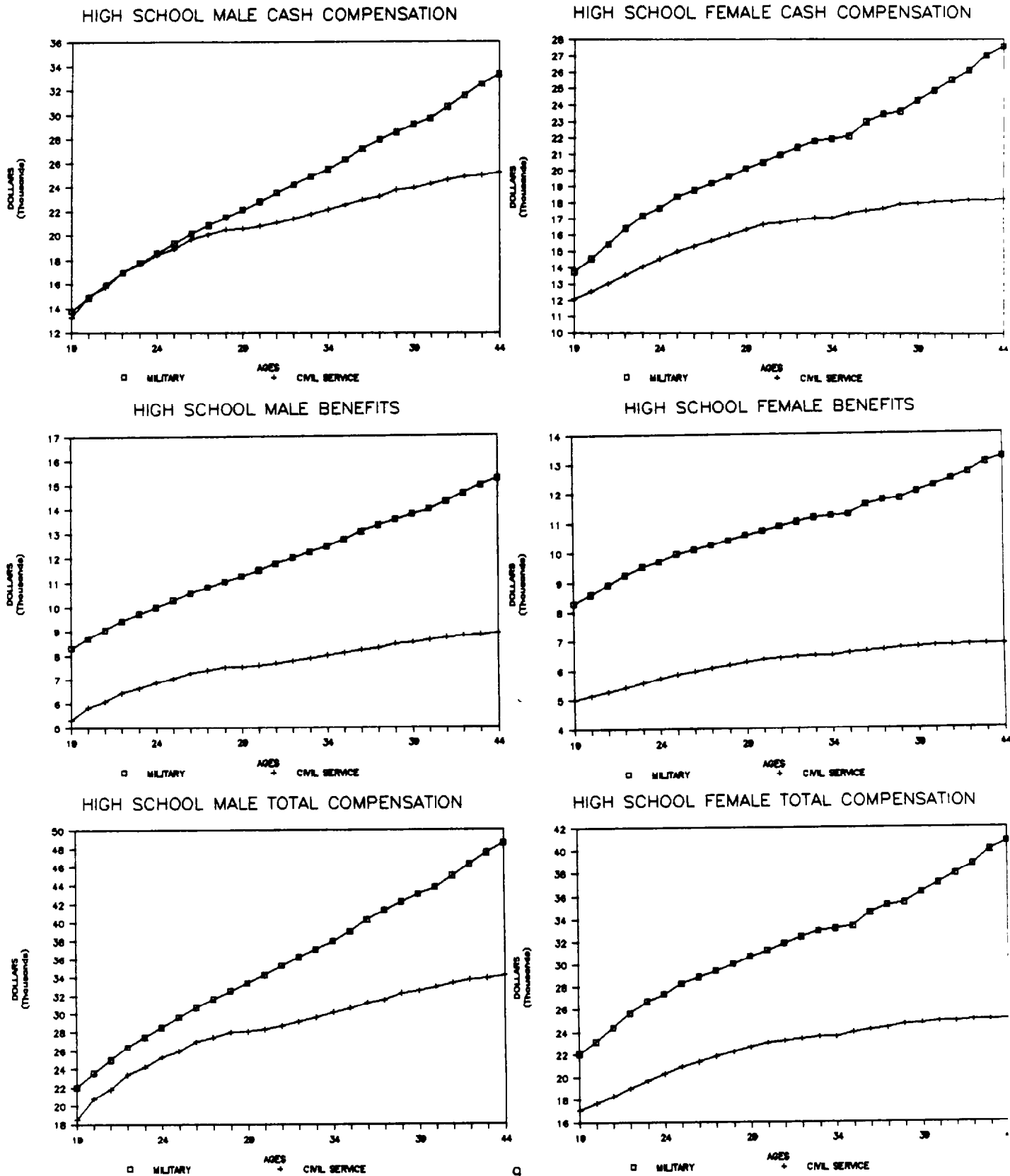


Figure I.2: Comparison of Military and Civil Service Compensation and Benefits for College Graduates

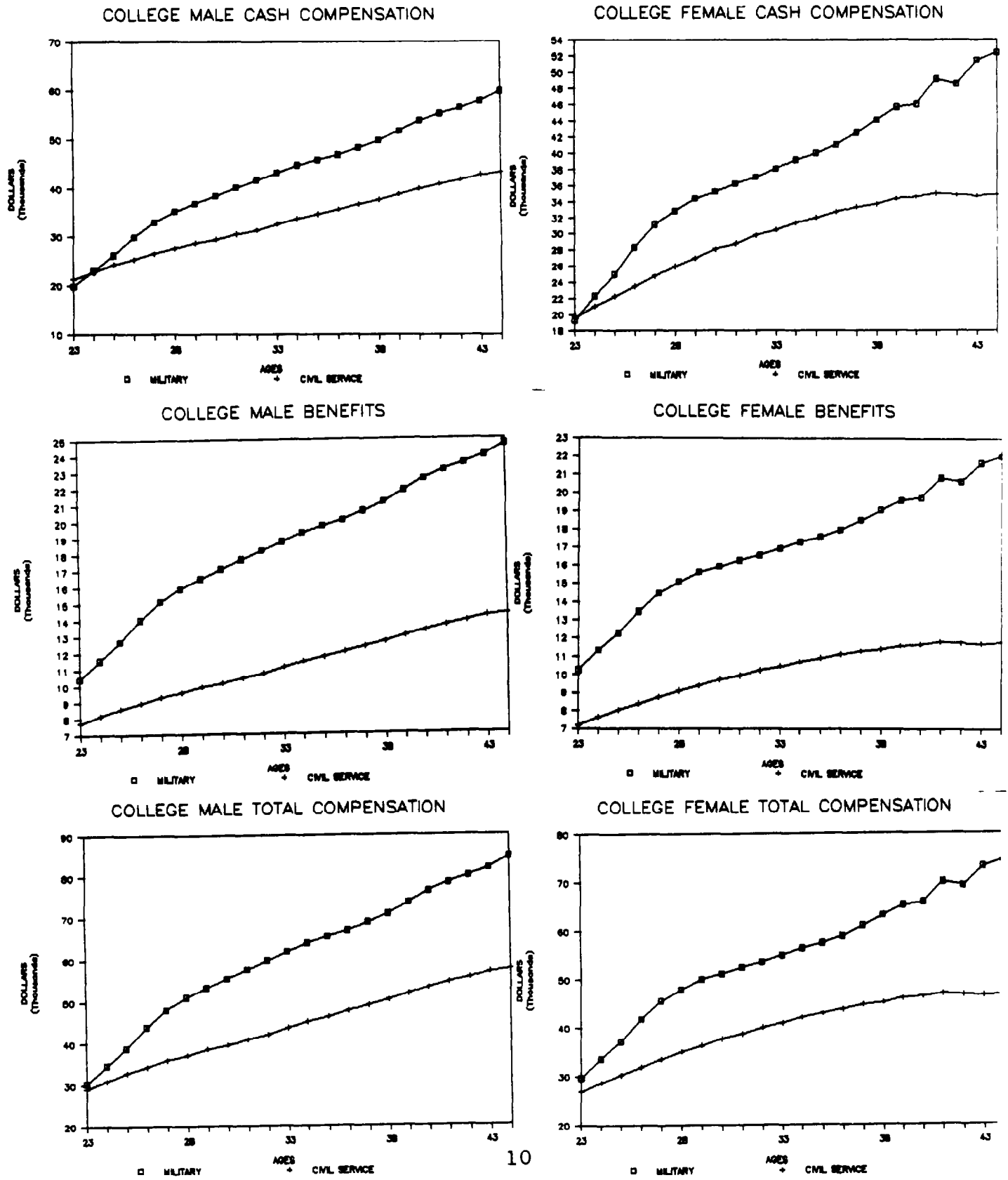


Table 1.1: Comparison of Cash Compensation, Benefits, and Total Compensation for Male High School Graduates

Age	Cash Compensation			Benefits			Total Compensation		
	Military Personnel	Civil Service Personnel	Military as % of Civil Service	Military Personnel	Civil Service Personnel	Military as % of Civil Service	Military Personnel	Civil Service Personnel	Military as % of Civil Service
19	\$13,780	\$13,227	104%	\$8,302	\$5,329	156%	\$22,082	\$18,556	119%
20	\$14,907	\$15,006	99%	\$8,702	\$5,859	149%	\$23,609	\$20,865	113%
21	\$15,930	\$15,780	101%	\$9,065	\$6,089	149%	\$24,995	\$21,869	114%
22	\$16,949	\$16,992	100%	\$9,427	\$6,451	146%	\$26,376	\$23,443	113%
23	\$17,767	\$17,646	101%	\$9,717	\$6,646	146%	\$27,484	\$24,292	113%
24	\$18,555	\$18,444	101%	\$9,997	\$6,883	145%	\$28,552	\$25,327	113%
25	\$19,357	\$18,826	102%	\$10,282	\$7,027	146%	\$29,639	\$25,953	114%
26	\$20,166	\$19,709	102%	\$10,569	\$7,260	146%	\$30,735	\$26,969	114%
27	\$20,821	\$20,079	104%	\$10,801	\$7,371	147%	\$31,622	\$27,450	115%
28	\$21,492	\$20,509	105%	\$11,040	\$7,499	147%	\$32,532	\$28,008	116%
29	\$22,110	\$20,564	108%	\$11,259	\$7,515	150%	\$33,369	\$28,079	119%
30	\$22,776	\$20,763	110%	\$11,495	\$7,574	152%	\$34,271	\$28,337	121%
31	\$23,519	\$21,051	112%	\$11,759	\$7,660	154%	\$35,278	\$28,711	123%
32	\$24,203	\$21,387	113%	\$12,002	\$7,760	155%	\$36,205	\$29,147	124%
33	\$24,859	\$21,732	114%	\$12,235	\$7,863	156%	\$37,094	\$29,595	125%
34	\$25,493	\$22,149	115%	\$12,460	\$7,987	156%	\$37,953	\$30,136	126%
35	\$26,281	\$22,511	117%	\$12,740	\$8,095	157%	\$39,021	\$30,606	127%
36	\$27,212	\$22,948	119%	\$13,070	\$8,226	159%	\$40,282	\$31,174	129%
37	\$27,950	\$23,213	120%	\$13,332	\$8,304	161%	\$41,282	\$31,517	131%
38	\$28,597	\$23,775	120%	\$13,562	\$8,472	160%	\$42,159	\$32,247	131%
39	\$29,235	\$23,948	122%	\$13,788	\$8,524	162%	\$43,023	\$32,472	132%
40	\$29,773	\$24,281	123%	\$13,979	\$8,623	162%	\$43,752	\$32,904	133%
41	\$30,668	\$24,612	125%	\$14,297	\$8,721	164%	\$44,965	\$33,333	135%
42	\$31,593	\$24,891	127%	\$14,626	\$8,805	166%	\$46,219	\$33,696	137%
43	\$32,543	\$24,997	130%	\$14,963	\$8,836	169%	\$47,506	\$33,833	140%
44	\$33,339	\$25,211	132%	\$15,245	\$8,900	171%	\$48,584	\$34,111	142%
<b>WEIGHTED</b>									
<b>MILITARY AS % OF CIVILIAN</b>			<b>106%</b>			<b>150%</b>			<b>118%</b>

Table I.2: Comparison of Cash Compensation, Benefits, and Total Compensation for Female High School Graduates

Age	Cash Compensation			Benefits			Total Compensation		
	Military Personnel	Civil Service Personnel	Military as % of Civil Service Personnel	Military Personnel	Civil Service Personnel	Military as % of Civil Service Personnel	Military Personnel	Civil Service Personnel	Military as % of Civil Service Personnel
19	\$13,751	\$12,103	114%	\$8,292	\$4,994	166%	\$22,043	\$17,097	129%
20	\$14,563	\$12,578	116%	\$8,580	\$5,135	167%	\$23,143	\$17,713	131%
21	\$15,475	\$13,049	119%	\$8,904	\$5,276	169%	\$24,379	\$18,325	133%
22	\$16,414	\$13,578	121%	\$9,237	\$5,433	170%	\$25,651	\$19,011	135%
23	\$17,181	\$14,092	122%	\$9,509	\$5,586	170%	\$26,690	\$19,678	136%
24	\$17,684	\$14,569	121%	\$9,688	\$5,729	169%	\$27,372	\$20,298	135%
25	\$18,373	\$15,032	122%	\$9,932	\$5,867	169%	\$28,305	\$20,899	135%
26	\$18,792	\$15,353	122%	\$10,081	\$5,962	169%	\$28,873	\$21,315	135%
27	\$19,208	\$15,717	122%	\$10,229	\$6,071	168%	\$29,437	\$21,788	135%
28	\$19,641	\$16,052	122%	\$10,383	\$6,170	168%	\$30,024	\$22,222	135%
29	\$20,132	\$16,366	123%	\$10,557	\$6,264	169%	\$30,689	\$22,630	136%
30	\$20,530	\$16,677	123%	\$10,698	\$6,357	168%	\$31,228	\$23,034	136%
31	\$20,986	\$16,791	125%	\$10,860	\$6,391	170%	\$31,846	\$23,182	137%
32	\$21,414	\$16,933	126%	\$11,012	\$6,433	171%	\$32,426	\$23,366	139%
33	\$21,807	\$17,065	128%	\$11,151	\$6,472	172%	\$32,958	\$23,537	140%
34	\$21,947	\$17,070	129%	\$11,201	\$6,474	173%	\$33,148	\$23,544	141%
35	\$22,123	\$17,368	127%	\$11,264	\$6,563	172%	\$33,387	\$23,931	140%
36	\$23,005	\$17,533	131%	\$11,577	\$6,612	175%	\$34,582	\$24,145	143%
37	\$23,470	\$17,667	133%	\$11,742	\$6,652	177%	\$35,212	\$24,319	145%
38	\$23,627	\$17,925	132%	\$11,798	\$6,729	175%	\$35,425	\$24,654	144%
39	\$24,282	\$17,987	135%	\$12,030	\$6,747	178%	\$36,312	\$24,734	147%
40	\$24,869	\$18,094	137%	\$12,238	\$6,779	181%	\$37,107	\$24,873	149%
41	\$25,498	\$18,101	141%	\$12,462	\$6,781	184%	\$37,960	\$24,882	153%
42	\$26,094	\$18,176	144%	\$12,673	\$6,803	186%	\$38,767	\$24,979	155%
43	\$27,027	\$18,210	148%	\$13,005	\$6,814	191%	\$40,032	\$25,024	160%
44	\$27,571	\$18,225	151%	\$13,198	\$6,818	194%	\$40,769	\$25,043	163%
<b>WEIGHTED AVERAGE</b>									
<b>MILITARY AS % OF CIVILIAN</b>			<b>121%</b>			<b>169%</b>			<b>135%</b>

Table I.3: Comparison of Cash Compensation, Benefits, and Total Compensation for Male College Graduates

Age	Cash Compensation			Benefits			Total Compensation		
	Military Personnel	Civil Service Personnel	Military As % of Civil Service	Military Personnel	Civil Service Personnel	Military As % of Civil Service	Military Personnel	Civil Service Personnel	Military As % of Civil Service
23	\$19,885	\$21,267	94%	\$10,469	\$7,725	136%	\$30,354	\$28,992	105%
24	\$22,969	\$22,723	101%	\$11,564	\$8,158	142%	\$34,533	\$30,881	112%
25	\$26,184	\$24,243	108%	\$12,705	\$8,611	148%	\$38,889	\$32,854	118%
26	\$29,907	\$25,326	118%	\$14,027	\$8,934	157%	\$42,934	\$34,260	128%
27	\$32,977	\$26,592	124%	\$15,117	\$9,311	162%	\$48,094	\$35,903	134%
28	\$35,160	\$27,555	128%	\$15,892	\$9,598	166%	\$51,052	\$37,153	137%
29	\$36,864	\$28,695	128%	\$16,497	\$9,938	166%	\$53,361	\$38,633	138%
30	\$38,499	\$29,421	131%	\$17,077	\$10,154	168%	\$55,576	\$39,575	140%
31	\$40,130	\$30,484	132%	\$17,656	\$10,471	169%	\$57,786	\$40,955	141%
32	\$41,698	\$31,394	133%	\$18,213	\$10,742	170%	\$59,911	\$42,136	142%
33	\$43,236	\$32,638	132%	\$18,759	\$11,113	169%	\$61,995	\$43,751	142%
34	\$44,760	\$33,752	133%	\$19,300	\$11,445	169%	\$64,060	\$45,197	142%
35	\$45,949	\$34,665	133%	\$19,722	\$11,717	168%	\$65,671	\$46,382	142%
36	\$46,940	\$35,723	131%	\$20,074	\$12,032	167%	\$67,014	\$47,755	140%
37	\$48,416	\$36,758	132%	\$20,598	\$12,341	167%	\$69,014	\$49,099	141%
38	\$49,922	\$37,739	132%	\$21,132	\$12,633	167%	\$71,054	\$50,372	141%
39	\$51,892	\$38,889	133%	\$21,832	\$12,976	168%	\$73,724	\$51,865	142%
40	\$53,939	\$39,960	135%	\$22,558	\$13,295	170%	\$76,497	\$53,255	144%
41	\$55,409	\$40,983	135%	\$23,080	\$13,600	170%	\$78,489	\$54,583	144%
42	\$56,585	\$41,813	135%	\$23,498	\$13,847	170%	\$80,083	\$55,660	144%
43	\$57,915	\$42,812	135%	\$23,970	\$14,145	169%	\$81,885	\$56,957	144%
44	\$59,895	\$43,277	138%	\$24,673	\$14,284	173%	\$84,568	\$57,561	147%
<b>WEIGHTED AVERAGE</b>									
<b>MILITARY AS % OF CIVILIAN</b>			<b>126%</b>			<b>163%</b>			<b>136%</b>

Table I.4: Comparison of Cash Compensation, Benefits, and Total Compensation for Female College Graduates

Age	Cash Compensation			Benefits			Total Compensation		
	Military Personnel	Civil Service Personnel	Military as % of Civil Service	Military Personnel	Civil Service Personnel	Military as % of Civil Service	Military Personnel	Civil Service Personnel	Military as % of Civil Service
23	\$19,365	\$19,580	99%	\$10,285	\$7,222	142%	\$29,650	\$26,802	111%
24	\$22,331	\$21,040	106%	\$11,338	\$7,657	148%	\$33,669	\$28,697	117%
25	\$24,985	\$22,316	112%	\$12,280	\$8,037	153%	\$37,265	\$30,353	123%
26	\$28,353	\$23,506	121%	\$13,475	\$8,392	161%	\$41,828	\$31,898	131%
27	\$31,137	\$24,769	126%	\$14,464	\$8,768	165%	\$45,601	\$33,537	136%
28	\$32,864	\$25,977	127%	\$15,077	\$9,128	165%	\$47,941	\$35,105	137%
29	\$34,427	\$26,962	128%	\$15,632	\$9,422	166%	\$50,059	\$36,384	136%
30	\$35,270	\$28,083	126%	\$15,931	\$9,756	163%	\$51,201	\$37,839	135%
31	\$36,297	\$28,839	126%	\$16,295	\$9,981	163%	\$52,592	\$38,820	135%
32	\$37,086	\$29,858	124%	\$16,576	\$10,285	161%	\$53,662	\$40,143	134%
33	\$38,131	\$30,507	125%	\$16,947	\$10,478	162%	\$55,078	\$40,985	134%
34	\$39,178	\$31,367	125%	\$17,318	\$10,734	161%	\$56,496	\$42,101	134%
35	\$40,003	\$32,013	125%	\$17,611	\$10,927	161%	\$57,614	\$42,940	134%
36	\$41,046	\$32,707	125%	\$17,981	\$11,134	162%	\$59,027	\$43,841	135%
37	\$42,578	\$33,343	128%	\$18,525	\$11,323	164%	\$61,103	\$44,666	137%
38	\$44,149	\$33,715	131%	\$19,083	\$11,434	167%	\$63,232	\$45,149	140%
39	\$45,663	\$34,383	133%	\$19,620	\$11,633	169%	\$65,283	\$46,016	142%
40	\$46,101	\$34,620	133%	\$19,776	\$11,704	169%	\$65,877	\$46,324	142%
41	\$49,164	\$35,063	140%	\$20,863	\$11,836	176%	\$70,027	\$46,899	149%
42	\$48,610	\$34,918	139%	\$20,667	\$11,793	175%	\$69,277	\$46,711	148%
43	\$51,448	\$34,746	148%	\$21,674	\$11,741	185%	\$73,122	\$46,487	157%
44	\$52,437	\$34,891	150%	\$22,025	\$11,785	187%	\$74,462	\$46,676	160%
<b>WEIGHTED AVERAGE</b>									
<b>MILITARY AS % OF CIVILIAN</b>			<b>122%</b>			<b>161%</b>			<b>132%</b>
<b>GRAND TOTAL WEIGHTED AVERAGE -</b>									
<b>MILITARY AS % OF CIVILIAN</b>			<b>116%</b>			<b>159%</b>			<b>127%</b>



STATE INCOME TAX PROVISIONS  
FOR MILITARY PERSONNEL

While 14 states either did not have a personal income tax on wages and salaries or exempted all active-duty pay from personal income taxes as of June 1986, 8 other states exempted military pay earned out of state, and others exempted specific dollar amounts of military pay.

The following states had no personal income tax on wages and salaries as of June 1986:

- Alaska
- Connecticut
- Florida
- Nevada
- New Hampshire
- South Dakota
- Tennessee
- Texas
- Washington
- Wyoming

The following states exempted, as of June 1986 all active-duty military pay from personal income tax for legal residents whether or not members actually resided in the state:

- Illinois
- Michigan
- Montana
- Vermont

The following states exempted from personal income tax as of June 1986, the active-duty pay of military members who resided outside the state for the tax year, but claimed legal residence in the state:

- Pennsylvania
- California
- Idaho
- West Virginia
- Missouri
- New Jersey
- New York
- Oregon

In addition, as of June 1986, some states exempted, under various circumstances, specific amounts of legal resident military pay.

EFFECT OF STATE INCOME TAX  
PROVISIONS ON MILITARY DISPOSABLE  
INCOME FOR MILITARY PERSONNEL

As shown in table II.1, a significant proportion of military personnel (particularly higher-graded personnel) stationed in the United States as of September 1986 had their legal residence in one of the states that did not tax personal wages or exempted all military pay from their income tax.

Table II.1: Percent of U.S. Based Military Personnel Stationed in and Claiming Residence in States with No Income Tax on Wages or States That Exempted All Military Pay From Their Income Tax on Wages as of September 1986, by Grade

<u>Grades</u>	<u>Stationed</u>	<u>Claiming residence</u>
	----- (percent) -----	
O-7 to O-10	13	52
O-4 to O-6	21	58
O-1 to O-3	25	44
E-7 to E-9	25	43
E-4 to E-6	26	30
E-1 to E-3	27	22

Table II.1 indicates that as service members--both enlisted and officers--progress through their careers, they tend to establish legal residences in 1 of the 14 states that either have no personal income tax on wages or exempt all military pay.

Also, up to 21 percent of officers and up to 20 percent of enlisted personnel in the United States as of September 1986 were exempted from paying state income tax because they were domiciled, but not living, in one of the states that exempted military pay earned out of state.

MILITARY PAYS, ALLOWANCES,  
AND BENEFITS

Military compensation is a complex system of over 40 different pays and allowances, plus a multitude of supplemental benefits. Military total compensation is generally categorized into three components: (1) regular military compensation, (2) special and incentive pays, and (3) supplemental allowances and benefits.

In June 1986, we reported on the major elements of the military compensation system and the estimated cost of each for fiscal year 1985. Table III.1 shows these elements and estimated cost for fiscal year 1986 and the percentage increase in these elements from 1985 to 1986.

Table III.1: Estimated Cost of Military Personnel for Fiscal Year 1986 and Percentage Increase Over Fiscal Year 1985

<u>Element</u>	<u>Amount</u>	<u>Percentage of total for FY 1986</u>	<u>Percentage increase over FY 1985</u>
	(millions)		
Regular military compensation			
Basic pay	\$31,221.0	36.8	3.9
Housing: cash and in-kind <sup>a</sup>	7,404.4	8.7	0.6
Subsistence: cash and in-kind	3,501.3	4.1	2.5
Tax advantage <sup>b</sup>	<u>2,577.6</u>	<u>3.0</u>	3.3
Total	<u>44,704.3</u>	<u>52.7</u>	3.2
Special and incentive pays	1,832.4	2.2	6.0
Benefits			
Retirement <sup>c</sup>	15,829.0	18.7	3.9
Other benefits <sup>d</sup>	<u>22,496.1</u>	<u>26.5</u>	3.4
Total	<u>38,325.1</u>	<u>45.2</u>	3.6
Total	<u>\$84,861.8</u>	<u>100.0</u>	3.5

<sup>a</sup>Includes basic allowance for quarters and variable housing allowance. Also includes maintenance but not construction costs for government-provided housing. The fair market-rental value of government-provided housing would be a more accurate representation of the compensation value of this component of regular military compensation and would very likely increase it substantially, but such data is unavailable.

<sup>b</sup>The "tax advantage" is shown in the federal budget as a tax expenditure, but is not included in the defense budget or in the federal budget as an outlay.

<sup>c</sup>Accrual costs for funding the retirement of military personnel currently on active duty.

<sup>d</sup>In addition to medical care--the benefit other than retirement in our comparison--includes employers' social security contribution, commissaries and exchanges, survivors' benefits, terminal leave payments, unemployment compensation, overseas cost-of-living allowances, family separation allowances, clothing maintenance allowances, and death gratuities. It also includes payments by the Veterans Administration (VA) for veterans' compensation and educational benefits, but not payments for home-loan assistance, mortgage insurance, and burial. Outlays by the VA constitute about 61 percent of the total other benefits cost.

SPECIAL AND INCENTIVE PAYS

Tables III.2 through III.5 list the special and incentive pays, supplemental allowances and benefits military members are eligible to receive. The tables provide a listing of the compensation elements in terms of available information on their dollar amount or range per service member, the number of service members receiving them, and their total estimated cost for fiscal year 1986.

Table III.2: Data on Incentive Pays for Fiscal Year 1986

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>Number of individuals</u>	<u>Cost</u>  (thousands)
<u>Flying duty related pays</u>				
Aviation career incentive pay	\$1,500 to \$4,800	\$3,434	76,334	\$262,141
Flying duty crew member (enlisted pay)	1,320 to 2,400	1,876	23,278	43,659
Aviation officer continuation bonus	6,000 for each additional year of service	8,135	2,206	17,946
Flying duty Non-crew member				
Officers	1,320	1,320	1,132	1,552
Enlisted	1,320 to 2,400	1,320	5,242	<u>6,919</u>
Total				\$ <u>8,471</u>
Air weapon control officer	1,500 to 4,200	2,400	750	1,800
<u>Other incentive pays</u>				
Submarine duty pay				
Officers	1,560 to 5,280	3,630	5,787	21,007
Warrant Officers	2,100 to 3,180	3,178	185	588
Enlisted	660 to 3,180	1,712	32,576	<u>55,779</u>
Total				\$ <u>77,374</u>
Parachute duty				
Officers	1,320	1,320	4,761	6,285
Enlisted	1,320	1,320	33,626	<u>44,566</u>
Total				\$ <u>50,851</u>
Flight deck duty pay				
Officers	1,320	1,320	826	1,090
Enlisted	1,320	1,320	13,850	<u>18,282</u>
Total				\$ <u>19,372</u>

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>Number of individuals</u>	<u>Cost</u>  (thousands)
Demolition duty pay				
Officers	\$1,320	\$1,320	591	\$ 779
Enlisted	1,320	1,320	3,673	<u>4,848</u>
Total				\$ <u>5,627</u>
High and low pressure/ thermal stress experiment/ acceleration and deceleration subject hazardous pay				
Officers	1,320	1,320	283	374
Enlisted	1,320	1,320	744	<u>983</u>
Total				\$ <u>1,357</u>
Toxic fuel handler pay				
Officers	1,320	1,320	70	92
Enlisted	1,320	1,320	875	<u>1,155</u>
Total				\$ <u>1,247</u>

Note: Military members may not receive more than two incentive pays at any one time (37 U.S.C., ch. 5).

Table III.3: Data on Special Pays for Fiscal Year 1986

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>Number of individuals</u>	<u>Cost</u>  (thousands)
<u>Health professional pays</u>				
Physician, additional retention	Up to \$10,000	\$9,434	9,922	\$ 93,602
Variable physician	Up to 10,000	6,590	13,196	86,956
Board-certified physician	Up to 5,000	2,716	5,794	15,737
Dentist special	Varies by program	Varies	Varies by program	43,152
Medical incentive physician	Up to 8,000	-	a	12,503
Optometrist	1,200	1,200	529	635
Veterinarian	1,200	1,201	467	561
<u>Other special pays</u>				
Selective reenlistment bonus up to	Up to 30,000	1,956	285,885	559,240
Career sea				
Officers	1,800 to 4,560	2,372	6,598	15,649
Warrant officers	1,560 to 4,920	3,347	957	3,203
Enlisted	600 to 4,920	<u>1,778</u>	<u>116,355</u>	<u>206,872</u>
Total		<u>\$1,822</u>	<u>123,910</u>	<u>\$225,724</u>
Enlistment bonus	Up to 8,000	2,945	37,298	109,839
Special duty assignment pay/ proficiency	Up to 3,300	2,150	46,603	100,183
Premium sea pay	1,200	1,200	24,081	28,897
Duty-at-certain-places pay	96 to 270	176	119,539	21,055



	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>Number of individuals</u>	<u>Cost</u>  (thousands)
Nuclear officer incentive pay	Varies by program	\$6,416	3,229	\$20,718
Diving duty pay				
Officers	Up to 2,400	2,285	1,199	2,740
Enlisted	Up to 3,600	1,842	5,506	<u>10,140</u>
<b>Total</b>				<b><u>\$12,880</u></b>
Continuation bonus for engineering or scientific skills	Up to 3,000	2,897	1,265	3,665
Overseas extension pay	Up to 960	960	5,081	4,878
Responsibility pay	600 to 1,800	1,317	912	1,201
Nuclear career accession bonus	Up to 8,000	4,000	250	1,000
Personal money allowance	Varies by program	975	162	158
Imminent danger pay	1,320	1,320	4	5

Note: Although military members may not receive more than two incentive pays at any one time, they may receive any number of special pays.

<sup>a</sup>The number of individuals receiving this pay was not identified in Navy justification of estimates submitted in support of the President's fiscal year 1987 budget.

Table III.4: Data on Supplemental Allowances and Benefits for Fiscal Year 1986

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>Number of individuals</u>	<u>Cost</u>  (millions)
Nondisability retirement pay	From less than \$1,000 to approximately \$70,000 <sup>a</sup>	\$12,465	1,251,858	\$15,604.4 <sup>b</sup>
Veterans' disability pensions	Varies	3,767	2,231,650	8,406.3
Pensions for non- service-connected disability	Varies due to other income offset provisions	3,750	668,000	2,505.1
Dependency and indemnity compensation	5,892 to \$16,140	6,148	332,000	2,041.1
Disability retirement pay	From less than 1,000 to approximately 70,000	9,978	138,623	1,383.2
GI Bill	Varies <sup>c</sup>	2,260	273,123	617.2
Survivor benefit plan	Varies <sup>d</sup>	5,775	92,658	535.1
Clothing maintenance allowance	Varies by category	Varies by category	Varies by category	306.1
Overseas cost of living allowances				
Officers	Varies	1,442	23,580	34.0
Enlisted	Varies	732	151,817	<u>111.2</u>
Total				\$ <u>145.2</u>
Separation pay				
Officers	Varies by category	Varies by category	Varies by category	120.7
Enlisted	Varies by category	Varies by category	Varies by category	<u>242.8</u>
Total				\$ <u>363.5</u>

	<u>Annual range of benefits</u>	<u>Average annual payment</u>	<u>Number of individuals</u>	<u>Cost</u>  (millions)
Veterans Education Assistance Program (VEAP)	Varies	\$1,929	63,221	\$121.9
Family separation allowance				
Officers	Varies	Varies by category	Varies by category	10.8
Enlisted	Varies	Varies by category	Varies by category	<u>85.0</u>
Total				\$ <u>95.8</u>
Army college fund	Varies	1,728	32,000	55.3
Death gratuity	800 to 3,000	2,955	2,403	7.1

<sup>a</sup>The \$70,000 would be for a four star admiral or general who retired with 30 or more years of service in the early 1970s and benefited from COLA adjustments which no longer exist.

<sup>b</sup>Outlays for current retirees as opposed to accrual costs for current service members.

<sup>c</sup>Range of benefits varies depending on number of dependents and whether student is fulltime.

<sup>d</sup>Benefit is 55 percent of the base amount of retirement pay designated by service member.

Table III.5: Total Annual Cost Estimates For Supplemental Allowances and Benefits for Fiscal Year 1986

	<u>Cost</u> (millions)	<u>Comments</u>
Medical care	\$4,106.1	Hospital and clinic operations and maintenance and personnel costs as well as costs associated with the Civilian Health and Medical Program of the Uniformed Services.
Employers' contribution to Social Security	2,198.9	
Commissary stores	668.6	According to Department of Defense (DOD) estimates, service members can save about 25 percent over prevailing prices.
Unemployment compensation insurance	130.8	
Exchanges	192.0	According to DOD estimates, service members can save about 23 percent over prevailing prices.

In addition to the above types of compensation, military members also receive the following supplemental benefits, for which cost estimates are not readily available:

- annual leave (30 calendar days);
- burial costs;
- burial in national cemeteries;
- enlisted aids for admirals and generals;
- home loan assistance;
- morale, welfare, and recreational facilities (such as clubs, auto shops, photo shops, sports facilities, arts and crafts, bowling, theaters, golf courses, day-care centers, riding stables, and family camping facilities);
- payment of mortgage insurance premium on mortgages obtained through the Federal Housing Administration;
- noncontributory social security wage credits;
- preference in federal employment;
- professional education and training;
- unlimited sick leave;
- space available travel; and
- state income tax advantage on nontaxable allowances (imputed noncash benefit).

### METHODOLOGIES

This appendix describes the methodologies we used (1) to compare military and civil service compensation, (2) to determine to what extent military personnel pay state income taxes on their wages, and (3) to identify the amounts and number of recipients of different elements of military compensation.

#### COMPENSATION COMPARISON METHODOLOGY

We compared the compensation of military members on active duty and permanent civil service workers employed full time as of the end of December 1985. We classified these personnel by gender, educational attainment, and age. We obtained military compensation data from the Defense Manpower Data Center (DMDC). We obtained civil service compensation data from the Central Personnel Data File (CPDF) maintained by Office of Personnel Management (OPM).<sup>4</sup>

#### Data bases

Our military data base includes only those service members who received a full basic allowance for quarters. We excluded military personnel who lived in government-provided housing because DOD has no fair market rental values for government-provided housing and uses, as a matter of standard practice, only cash allowances to compute estimates of military compensation. In prior work, we determined that taxable pay (the sum of basic, special, and incentive pays) for personnel like those in our data base was within 1 percent of the taxable pay for the universe of service members they represent.<sup>5</sup>

Our military data base represented about 2 million active-duty service members. The data base consisted of (1) enlisted service members aged 19 to 44 who were high school graduates, but not college graduates and (2) officers aged 23 to 44 who were at least college graduates. Our data base was about 92 percent of the active force. The remaining 8 percent included those outside

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<sup>4</sup>Organizations not covered by the CPDF include United States Postal Service, Tennessee Valley Authority, Board of Governors, Federal Reserve System, White House Office, Central Intelligence Agency, National Security Agency, Library of Congress, and most of the judicial branch of the federal government. Only the GAO, Government Printing Office, and the U.S. Tax Court participate from the legislative branch.

<sup>5</sup>Military Compensation: Comparisons With Civilian Compensation and Related Issues (GAO/NSIAD-86-131BR, June 5, 1987).

established age ranges, officers who were high school graduates, enlisted personnel who were college graduates, and non-high school graduates.

Our civil service data base represents about 884,000 civil servants. The data base consists of (1) blue-collar and white-collar employees who OPM identified as having a clerical or technical occupational classification and who were aged 19 to 44 and were high school graduates and (2) white-collar employees who OPM identified as having a professional or administrative occupational classification and who were aged 23 to 44 and were college graduates. Our data base represented about 48 percent of the CPDF. Because the federal civil service work force is much older than the military (about 42 on average, compared with about 24 on average for the military), most of the remaining 52 percent of civil servants were likely over 44 years of age.

#### Definition of compensation

For purposes of this study, we defined "military cash compensation" as Regular Military Compensation--the combination of basic pay, nontaxable cash allowances for quarters and subsistence (including the variable housing allowance) and the imputed tax advantage (calculated by DOD) for those service members receiving cash allowances--plus special and incentive pays.

We did not include the value of enlistment and reenlistment bonuses in our definition of military cash compensation because the data was not available. The fiscal year 1986 estimated cost of these bonuses was \$669 million. Military bonuses are about 2.1 percent of basic pay.

We defined civil service cash compensation as straight-time salaries or wages contained in the CPDF, which does not record overtime and bonus data. For fiscal year 1987, overtime and special pays and bonuses were about 6 percent of basic pay for all civil servants.

We defined total compensation for both military and civil service personnel as the sum of cash compensation and benefits.

#### Method used to value benefits

We used the same benefit-valuation methodology that the Office of the Secretary of Defense (OSD) used in preparing a July 1985 report

for the Senate Appropriations Committee.<sup>6</sup> The OSD benefit-valuation methodology is based on what the employer pays to provide the benefits, as opposed to what the recipient perceives or estimates to be the value. The most important limitation of the OSD study for our purposes is that average values were selected for benefits that may be representative but not specifically applicable to the age and educational groups we analyzed. For example, since a greater proportion of college graduates remain in service long enough to retire than do high school graduates, the employer cost of college graduate benefits is proportionately higher. No data exist which would have allowed us to value benefits based on age and education.

We limited our analysis to the two major benefits, retirement pay and health insurance (both employee and family). According to the OSD report, these two benefits comprise the major components of the military benefit package.

Pension or retirement plan benefits were estimated on the basis of the percent of salary that would need to be set aside in order to fully fund an annuity to cover retirement costs. For military retirement, this annuity percentage was determined by the DOD Actuary. The military percentage is 35.5 percent of basic military compensation as the government cost for the retirement pay.

Using the same economic assumptions as in developing the military estimate, we calculated the civil service percentage as 29.8 percent of salary. In 1985, OPM estimated 27.9 percent as the government's share of the cost of the civil service retirement system. Our estimate is slightly higher because, like the DOD Board of Actuaries, we assumed that the interest on investments would be one-half a percentage point lower than the interest the OPM Board of Actuaries assumed.

Health care benefits were estimated by using the value of family benefits for all age groups because data on civil service personnel marital status was not available. This would overstate the value of health benefits for young military personnel if many more of them than civil servants are single. However, available data indicates that a higher percentage of the military enlisted force are married at each age group than the civilian labor force as a whole. For example, 35 percent of military male enlisted personnel aged 20 to 24 are married, while only 21 percent of the civilian labor force in that group are married.

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<sup>6</sup>A Comparative Study of Total Compensation for Selected Military and Civilian Occupations. Fairfax, VA.: Computer Based Systems, Inc., July 1985.



Furthermore, our comparative estimate of the value of military and civil service health benefits is conservative since military benefits are provided free whereas civil servants pay part of the cost of their health benefits. Moreover, even if we used single health benefit valuations in our comparisons, military benefits would exceed civil service benefits substantially.

At our request, the Blue Cross and Blue Shield Association estimated the value of military health benefits, based on what it would charge to provide comparable benefits for a group similar in age and family structure to military personnel as of September 30, 1985. The association estimated \$3,410 as its provider cost of health benefits to a military family.

We estimated the value of civil service health care benefits by using the 1985 maximum government contribution rate of \$1,387 for family coverage. We obtained this contribution rate from OPM's Actuary.

#### STATE INCOME TAX METHODOLOGY

We obtained information on state income tax treatment of military pay by contacting all 50 states. In analyzing state income tax treatment of military pay, we obtained data from DMDC on the number of military members stationed in the United States who have as their legal residence for tax purposes a state which either (1) does not have any income tax or (2) does not require active duty members to pay any income tax on their wages or (3) does not require legal resident active duty members to pay income taxes on their wages while residing outside the state. This information was then compared with data obtained from DMDC which showed where members were actually stationed as of September 1986.

#### COMPENSATION ELEMENT METHODOLOGY

We identified the specific pays, allowances, and benefits available to military personnel from an examination of Title 37, U.S. Code. We then obtained the fiscal year 1986 estimated cost and number of personnel from DOD and VA officials. Furthermore, we computed estimated special and incentive payments and costs by aggregating cost figures from the justification of estimates submitted in support of the President's fiscal year 1987 budget.

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