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Survey is servicemembers' opportunity to take part in setting rates for Overseas Cost of Living Allowance

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HEIDELBERG, Germany – Unpredictable, fluctuating currency rates and an ever-changing cost of living can make life interesting and keeping a close eye on a budget a constant for U.S. Army Europe Soldiers and their families.



They also raise many questions. What can a Soldier do, other than hang on tightly? Many of the economic considerations that determine the Overseas Cost of Living Allowance are well out of Soldiers' control, but they can have some input in determining their COLA rates.

The Department of Defense's Per Diem Travel and Transportation Allowance Committee defines COLA as a

supplement to help military families maintain purchasing power at a level that lets them buy goods and services overseas similar to those they would buy in the United States, at a relatively comparative cost.

The committee uses many factors to calculate COLA rates for overseas locations, such as currency exchange rates and a basic measurement of a comparison of shopping behavior in the continental U.S. and aggregate shopping behavior at each overseas location. But its primary tools are the results of two overseas surveys.

The Living Pattern Survey, conducted once every three years, samples all servicemembers with command-sponsored dependents assigned to each location, asking where military families shop and dine on and off base. The per diem committee

encourages spouses to participate in the survey as well, and stresses that the more households that participate, the more accurate COLA rates will be.

“This is a critical part of determining COLA amounts, and it is absolutely important that we get as much participation from the community as possible,” said Capt. Shawn Schulze, finance policy officer-in-charge for the 266th Finance Center in Kaiserslautern, Germany. “Our last LPS in Germany was in 2005, and we had a 58 percent response rate, which is really good. Our goal is, of course, 100 percent.”

Schulze said the online survey can be filled out at any time, and usually takes less than 30 minutes to complete. It asks where members purchased basic goods and services, such as businesses on the local economy, on-base outlets such as military commissaries and exchanges, and catalog, online, or export house sources. The survey is quite detailed, covering most common purchases such as groceries, personal care items, appliances, recreation, transportation, and day care.

An LPS for Germany was scheduled for 2008, but was postponed by U.S. European Command leadership while they reviewed the overseas COLA process with the per diem committee, according to EUCOM officials. At the beginning of 2008, the committee had proposed a four-point reduction to the COLA index for Germany, Belgium, and the Netherlands, based upon survey data. Appealing to the Department of Defense, EUCOM requested an independent review of the COLA process and subsequently delayed the decrease in overseas COLA. The downward adjustment for Germany was approved March 5 and will be phased in from May through August, finance officials announced last month.

The next LPS for Germany is scheduled for the end of 2009, according to a recent Defense Travel Management Office information memo.

In addition to the LPS, the per diem committee uses data from “Market Basket” surveys in computing COLA rates. Retail Price Schedules are conducted annually at about 200 locations, collecting approximately six to nine prices each for approximately 120 goods and services at on- and off-base sources identified in the LPS.

There are 12 communities identified in Germany to participate in the Market Basket survey, based on current population and grouped into categories by similarities of cost and availability of commissary and exchange facilities.

Master Sgt. Patricia Hamilton, finance policy NCO-in-charge for the 266th Finance Center, said each community commander designates a representative from the community to be its “secret shopper.” Armed with guidance and training from the 266th Finance Center policy section, the shoppers hit the PX, commissary and stores on the local economy to buy 120 specific items broken down into 12 different categories such as groceries, clothing, recreation, day care, and medical and dental care.

“It’s very detailed and specific shopping. And here’s where we ensure we get 100 percent participation,” Hamilton explained. “Since this type of information is so critical in the process of determining the COLA rate, we want to have the most accurate and truly representative data as possible.

The 266th’s finance policy section reviews all the data the shoppers collect, making sure nothing is out of the norm or missing, then forwards the results to the per diem committee.

The per diem committee Web site lists three tools the organization uses to gather the other half of the data needed to compute the COLA index -- continental U.S. base prices:

- An LPS conducted approximately every 3 years via questionnaires sent to 5,000 randomly selected, U.S.-based servicemembers.
- Market basket price surveys with quarterly updates from the Army and Air Force Exchange Service, the Defense Commissary Agency, the U.S. Bureau of Labor Statistics, the State Department and local market sources.
- A “weighting” for U.S. prices, completed every two years, which measures the importance of each of the 120 items in servicemember's family budget.
- A Consumer Expenditure Survey that details how members allocate their disposable income across all the COLA types of goods and services.

The site also explains the steps in computing the COLA index: a weighted average cost of each Market Basket item is determined, and then the same method is used to determine the continental U.S. weighted average cost. The overseas cost for each Market Basket item is compared to the continental U.S. cost for the same item to produce an index for each item. Those indexes are weighted individually, aggregated and summarized for a final location COLA index. For example, an index of 120 means an overseas location is considered 20 percent more expensive than the average U.S. location.

The committee’s data indicates that in the last two years the purchasing power gap between the U.S. and Germany has narrowed from 24 to 16 percent because prices for goods and services in the continental U.S. are rising faster.

“What most people don’t realize is that the economic factors in the States have a significant effect on the COLA rate overseas. Right now, prices in the United States are rising at a higher pace than in Europe, so COLA is going down accordingly,” said Hamilton. “Yes, the exchange rate factors in there, too.

Rates are reviewed twice a month, and depending on the rates, COLA rates could fluctuate. But the biggest impact on the rate will come from the financial and economic trends in the States.”

In the end there may be little a servicemembers can do about inflation and pricing indexes, but Schulze re-emphasized that participating in LPS surveys offers their best opportunity to affect the process that determines COLA rates.

“When the dates are set for the survey (planned for later this year), we will get the word out. We will publicize in the community papers, on Web sites, AFN -- everywhere. We really want high participation,” he said.

For more information about overseas COLA, visit the per diem committee Web site at www.defensetravel.dod.mil/perdiem.



www.hqusareur.army.mil