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GAO

Fact Sheet to the Honorable
Edward Zorinsky
U.S. Senate

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(duplicate)

April 1986

OVERSEAS BENEFITS

Foreign Service Benefits and Allowances





UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-222795

April 25, 1986

The Honorable Edward Zorinsky
United States Senate

Dear Senator Zorinsky:

In response to your request of November 1, 1985, this fact sheet provides information on benefits and allowances paid to Foreign Service officers working overseas for the Department of State, the Agency for International Development, and the U.S. Information Agency.

While there is no comprehensive listing of available benefits and allowances, our review of legislation, regulations, and other documents identified 65 categories of benefits, allowances, entitlements, and various other compensation or services. For purposes of this fact sheet, we refer to all of these categories as benefits and allowances. It should be noted that some of these benefits and allowances are available only to Foreign Service employees while others are generally available to all Federal government employees working overseas.

As agreed with your office, the following information is provided in appendixes I through V.

Appendix I--Listing of Available Benefits and Allowances

Appendix II--Brief Description of Each Benefit and Allowance

Appendix III--Additional Information on Selected Benefits and Allowances

Appendix IV--Cost Information

Appendix V--Private Sector Practices for Compensating Americans Working Overseas

Unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 30 days from the date of this letter. If we can be of any further assistance, please call me on 275-4128.

Sincerely yours,

Handwritten signature of Joan M. McCabe in cursive script.
Joan M. McCabe
Associate Director

C O N T E N T S

	<u>Page</u>
Appendix	
I List of Benefits and Allowances Provided Foreign Service Officers Overseas	3
II Descriptions of Benefits and Allowances	6
III Additional Information on Selected Benefits and Allowances	22
IV Cost Information on Benefits and Allowances	73
V Private Sector Practices for Compensating Americans Working Overseas	82

ILLUSTRATIONSTable Number

I.1 Benefits and Allowances Provided Foreign Service Officers Overseas	3
IV.1 Cost of Benefits and Allowances Provided Foreign Service Employees Overseas, Agency for International Development, Fiscal Years 1984 and 1985	73
IV.2 Cost of Benefits and Allowances Provided Foreign Service Employees Overseas, Depart- ment of State, Fiscal Years 1984 and 1985	76
IV.3 Cost of Benefits and Allowances Provided Foreign Service Employees Overseas, U.S. Information Agency, Fiscal Years 1984 and 1985	79

ABBREVIATIONS

AID	Agency for International Development
FAM	Foreign Affairs Manual
FTR	Federal Travel Regulations
FY	Fiscal Year
GAO	General Accounting Office
SR	Department of State Standardized Regulations (Government Civilians, Foreign Areas)
USIA	United States Information Agency

LIST OF BENEFITS AND ALLOWANCES
PROVIDED FOREIGN SERVICE OFFICERS OVERSEAS

The following list of benefits and allowances available to Foreign Service officers serving overseas was compiled by reviewing legislation, regulations, and various publications. Appendix II describes each of the following.

Table I.1: Benefits and Allowances
Provided Foreign Service Officers Overseas

Benefit/Allowance

1. Advance of Pay
2. Claims for Lost or Damaged Property
3. Commissary/Post Exchange Privileges
4. Consumables Shipments
 - First Tour
 - Second Tour
5. Customs Privileges Abroad
6. Danger Pay
7. Death Benefits
 - Casket and Preparation
 - Transportation
 - U.S. Income Tax Exclusion
8. Dental Care Travel
9. Dependent Care Grants
10. Duty Free Goods
11. Education Allowance
 - At Post
 - Away From Post
 - Handicapped Child
 - Home Study Instruction
 - Non-refundable Deposits
 - Supplementary Instruction
12. Educational Travel
13. Emergency Visitation Travel from Abroad
14. Evacuation Payments
 - Advance Compensation
 - Special Education
 - Subsistence Expense
 - Travel Advance
15. Family Travel on Extended Temporary Duty
16. Family Visitation Travel from Imminent Danger Areas
17. Government Housing
 - Furniture and Equipment
 - Garage Space Rental
 - Guards and Gardeners
 - Housing
 - Phone Installation
 - Repair and Maintenance
 - Utilities
18. Health Care at Post
19. Holiday Pay

20. Holidays, Local Foreign
21. Home Leave
 - Freight
 - Time
 - Travel
22. Hospitalization and Outpatient Care
23. Household Effects, Loan of
24. Household Effects, Moving and Storage of
25. Immunizations
26. Language Incentive
27. Language Proficiency
 - Employees
 - Entrants
28. Language Training
29. Layette Shipment
30. Living Quarters Allowance
 - Electricity, Gas, Water
 - Furniture Rental
 - Garage Space Rental
 - Initial Repairs
 - Mandatory Agent's Fees
 - Mandatory Property Insurance
 - Personally Owned Quarters (Home Purchase)
 - Rent
31. Medical Examinations
32. Medical Services
 - Postemployment
 - For Dependents
33. Medical Travel
34. Military Club, Mess, and Recreational Facilities, Use of
35. Official Residence Expenses
36. Physicians' Comparability Allowance
37. Post (Cost of Living) Allowance
38. Post (Hardship) Differential
39. Relocation Income Tax Allowance
40. Representation Allowance
 - For Employee
 - For Family
41. Representational Travel for Family
42. Rest and Recuperation Travel
43. Retirement at Age 50
44. Sabbaticals for Senior Foreign Service Officers
45. Sale of Personal Property
46. Separate Maintenance Allowance
47. Special Compensatory Time Off
 - At Certain Designated Posts
 - At Isolated Posts
 - For Religious Observances
 - When Officially Ordered
48. Special Differential, also known as
 - Special Allowance for Substantial Amounts of Extra Work
 - Special Allowance in Lieu of Overtime
49. Special Incentive Differential
50. Standby Duty Pay
51. Sunday Pay

52. Supplementary Post Allowance
53. Tax Exemption for Federal Manufacturers' Excise Tax
54. Tax Exemption for Foreign Income Taxes
55. Temporary Lodging Allowance
56. Training of Family Members
57. Transfer Allowance-Foreign
 - Miscellaneous Expenses
 - Predeparture Subsistence
 - Wardrobe Expenses
58. Transfer Allowance-Home Service
 - Miscellaneous Expenses
 - Subsistence Expenses
59. Transfer Travel
60. Transportation of Auto
 - First Auto
 - Replacement Auto
61. Travel for Children of Separated Parents
62. Travel Per Diem
 - Actual Subsistence
 - Flat Rate
 - For Dependents
63. Travel to Accompany Medically Evacuated Parent or Family Member
64. Unhealthful Post Retirement Credit
65. Use of U.S. Government Vehicles
 - Personal
 - School Children
 - Travel To and From Work

DESCRIPTIONS OF BENEFITS AND ALLOWANCES

The following descriptions of benefits and allowances provided to Foreign Service officers overseas were prepared using the U.S. Code (U.S.C.), the Foreign Affairs Manual (FAM), the Department of State Standardized Regulations (Government Civilians, Foreign Areas) (SR), and various publications. The benefits and allowances are arranged in alphabetical order. Citations where additional information may be found are included in each description. The descriptions are generalized summaries of the various regulations and laws and therefore should be used in conjunction with the actual authority for a complete understanding of the benefit or allowance and applicability to specific cases.

ADVANCE OF PAY

Up to 3 months' advance pay may be provided upon the assignment of the employee to a post in a foreign area. This advance pay is intended to ease the transition period and insure that funds are available to meet required expenses and emergencies. The advance can be repaid over a period of time through payroll deductions. (5 U.S.C. 5927, SR 850)

CLAIMS FOR LOST OR DAMAGED PROPERTY

Loss of or damage to an employee's personal property is covered by the U.S. government. The Military Personnel and Civilian Employees Claims Act of 1964 (31 U.S.C. 3721) provides the authority for settlement of claims incident to employees' service. (6 FAM 310.1)

The maximum amount payable for any loss or damage arising from a single incident is limited to \$25,000. In certain cases, including losses resulting from acts of violence directed against the U.S. government, the maximum amount is \$40,000. (6 FAM 310.2.b)

COMMISSARY/POST EXCHANGE PRIVILEGES

The principal officer at each post can authorize and assist in the establishment of services and facilities at posts abroad (6 FAM 511, 513.1), such as commissaries and exchanges (6 FAM 525.1). The services and facilities provided at post are available to American employees of all civilian and military agencies of the U.S. government and their dependents. (22 U.S.C. 2703(a), 6 FAM 524.4-1)

CONSUMABLES SHIPMENTS

Conditions at some posts make it difficult to obtain some required consumables (e.g., food stuffs and expendable supplies) locally. For those cases, a separate allowance for shipping such consumables may be authorized not to exceed 2500 pounds for each employee. Consumables shipments may be authorized during

the first and second tours at post. There is no specific authority for consumables shipments in the U.S. Code. The Department of State believes such shipments may be made under its general authority to ship household effects. (22 U.S.C. 4081(11), 6 FAM 162.3, 162.5)

CUSTOMS PRIVILEGES ABROAD

The United States extends customs courtesies and free entry privileges to foreign diplomatic and consular officers and employees on a reciprocal basis. American representatives abroad receive similar customs exemptions as well as any extended by treaty provisions, local laws, and regulations. (2 FAM 240)

DANGER PAY

Danger pay is granted to employees serving at a post where civil insurrection, civil war, or warlike conditions exist. It is usually linked to conditions where departure or evacuation of dependents and nonessential personnel has been authorized (3 FAM 330.2.a). Danger pay cannot exceed 25 percent of basic salary. It is available to employees on temporary detail for 1 full day or longer. (5 U.S.C. 5928, SR 650 and 900)

DEATH BENEFITS

The government will pay expenses incurred for the preparation, casket, and transportation of a deceased employee and for the transportation of the immediate family and household goods of a deceased employee. These provisions apply to employees while they are on official travel, on temporary duty, or at official duty stations outside the conterminous United States.

Income taxes are forgiven for U.S. government employees who die as a result of terrorist action outside the United States and directed against the United States or its allies, beginning with the year immediately before the year of injury. (5 U.S.C. 5742, 8134, 22 U.S.C. 4081(10); 6 FAM Chap. 100, FTR Supplement 3, part I, 3-1.1).

DENTAL CARE TRAVEL

Travel for employees and their families who require dental care unavailable at posts is authorized for one round trip during a treatment year exclusive of any required dental care done in conjunction with any other travel. Per diem not to exceed one day per treatment year is also authorized, except in extraordinary cases. (22 U.S.C. 4081(5), 3 FAM 686.1-5)

DEPENDENT CARE GRANTS

Grants are provided to family members attending approved programs of study to facilitate training. The grants are

intended to cover the cost of caring for dependent children while an employee's spouse studies at the Foreign Service Institute. (22 U.S.C. 4025, 3 FAM 824.6)

DUTY FREE GOODS

U.S. government employees stationed overseas may be authorized by treaty to purchase certain goods and services in the host country duty free. Exemptions from paying local taxes are accorded on the basis of reciprocity.

EDUCATION ALLOWANCE

This allowance assists parents in providing children with educational services which are ordinarily provided without charge by U.S. public schools. The maximum allowance is intended to cover the cost of the least expensive adequate school at post. If adequate schools are not available at post, a separate and higher "away from post" allowance maximum is provided to assist with the cost of tuition, room and board, and periodic transportation between post and adequate schools. The education allowance covers services for handicapped children, home study instruction, supplementary instruction, and also provides for non-refundable deposits. (5 U.S.C. 5924(4)(A), SR 270 and 900)

EDUCATIONAL TRAVEL

The cost of one round trip each 12-month period for full-time undergraduate students (under age 23) attending a college or university in the United States is authorized. Annual educational travel is also available for U.S. high school students in lieu of an education allowance. (5 U.S.C. 5924(4)(B), SR 280)

EMERGENCY VISITATION TRAVEL FROM ABROAD

In instances of serious illness, injury, death, or certain exceptional situations, a member of the Foreign Service, spouse, or child located abroad is authorized one round trip for each serious illness or injury or for the death of each immediate family member. Emergency visitation travel may also be authorized for accompanying the remains of a family member who dies abroad to the place of interment (in the United States or abroad). Ordinarily only one member of a family may travel at government expense. Under exceptional circumstances additional members may be authorized travel expenses. Serious illness or injury is when death is imminent or likely to occur (based on competent medical opinion) or when the absence of the member or dependent would result in great personal hardship. Time away from post must be charged to annual leave, sick leave, compensatory time off, or leave without pay. No per diem or other expenses are authorized. (22 U.S.C. 4081(9); 3 FAM 699.5, 699.6)

EVACUATION PAYMENTS

When conditions abroad require an emergency evacuation, certain allowances may continue to be paid for up to 180 days, but regulations provide for terminating or reducing post differential and most allowances after various periods of absence in varying conditions. Salary and travel advances may be granted. In addition to travel expenses and special foreign education allowances, a subsistence expense allowance may be paid to offset the direct-added expense incident to the evacuation for lodging, meals, and laundry. (5 U.S.C. 5521-5527; SR 600)

FAMILY TRAVEL ON EXTENDED TEMPORARY DUTY

Travel expenses are authorized for family members who accompany a member of the Foreign Service on extended temporary duty. Neither the law nor the regulations define the period of time which must elapse before family members are eligible for this allowance. (22 U.S.C. 4081(3), 6 FAM 126.4)

FAMILY VISITATION TRAVEL FROM IMMINENT DANGER AREAS

This travel grant permits a member of the Foreign Service stationed at a post within a hostile area at which family members cannot reside to visit his or her family away from post. Not more than two round trips to the United States may be authorized during each 1-year period. If the family members are located abroad, more than two visits may be authorized during each 1-year period provided the cost does not exceed the cost of two round trips to the District of Columbia.

Time away from post is charged to annual or sick leave, earned compensatory time off, or leave without pay. Per diem and other expenses are not authorized. Official travel orders are not used for family visitation travel, and hence the employee's post differential continues even though the employee is absent from post. (22 U.S.C. 4081(8), SR 532, 3 FAM 699.4)

GOVERNMENT HOUSING

Under regulations prescribed by the head of the agency concerned and approved by the President, an employee who is a citizen of the United States permanently stationed in a foreign country may be furnished, without cost, living quarters including heat, fuel, and light in a government owned or rented building (6 FAM 712). Furniture and equipment are provided for these living quarters. The number and type of items provided vary by country according to the policy of a joint State, AID, and USIA committee. The government also provides repair and maintenance, garage space rentals, guards and gardeners, and phone installation. (5 U.S.C. 5912, 6 FAM 760)

HEALTH CARE AT POST

Physicians and nurses are assigned to those posts where medical services and facilities may be inadequate or where extensive medical counseling is required. They provide medical care, counsel, and examinations for American employees and their dependents at no cost. (22 U.S.C. 4084(c); 3 FAM 681.2, 682.2)

HOLIDAY PAY

Certain employees who perform work on a holiday designated by federal statute or executive order are entitled to basic pay plus premium pay at a rate equal to the rate of basic pay for that holiday work. This benefit is available to certain employees, such as secretaries, communicators, and doctors and nurses. The benefit is not available to such employees as commissioned Foreign Service officers, Senior Foreign Service members, chiefs of mission, and ambassadors. (5 U.S.C. 5546; 3 FAM 231.2, 233)

HOLIDAYS, LOCAL FOREIGN

U.S. citizen employees may be excused from duty on local holidays if the post is closed to the public by administrative order. (22 U.S.C. 3927, 3 FAM 465.3.j.(1))

HOME LEAVE

Foreign Service officers or employees who are citizens of the United States can be granted home leave upon completion of 18 months of continuous service abroad or soon after completion of 3 years of service, provided they have accumulated a minimum of 45 days of (1) annual leave, (2) home leave, or (3) combined home leave and annual leave. The home leave accrual rate varies per 12-month period according to the condition of employment (e.g., worldwide availability and post hardship) between 5, 10, or 15 days (3 FAM 453.2, 453.4). Of this time, 20 days should be spent in the United States (3 FAM 454.1-2). Travel expenses incurred by the employee and family in connection with home leave may be reimbursed by the government (3 FAM 452). In addition, those traveling under this authority may be authorized an unaccompanied baggage allowance (from 100 to 250 pounds each) to and from the home leave address at government expense (6 FAM 147.2).

Home leave will be granted only when it is planned that the employee will complete another tour of duty abroad, either immediately or upon completion of an assignment in the United States. (5 U.S.C. 5728, 6305; 22 U.S.C. 4081(2), 4083; 3 FAM 454.5-4)

HOSPITALIZATION AND OUTPATIENT CARE

Hospitalization is part of the medical treatment provided to employees and their dependents (3 FAM 685). To be eligible,

an individual must be an American citizen employee of the U.S. government or an eligible dependent. The illness or medical condition must be sufficiently serious to require hospitalization according to American standards (3 FAM 685.1). Payment covers expenses for inpatient care (3 FAM 685.2.a) and outpatient care prior or subsequent to hospitalization (3 FAM 685.2.a.(1)) provided that the costs are reasonable in relation to local prevailing prices (3 FAM 685.2.a.(2)). Time limits are imposed on services for employees and dependents; however, waivers may be granted. (22 U.S.C. 4084(d), 3 FAM 685)

HOUSEHOLD EFFECTS, LOAN OF

As a means of eliminating transportation costs, members of the Foreign Service may be loaned basic household furnishings and equipment for use in personally owned or leased residences. (22 U.S.C. 4082, 6 FAM 762.1)

HOUSEHOLD EFFECTS, MOVING AND STORAGE OF

Combined shipment and storage of household effects is limited to 18,000 pounds for each employee. When the post provides adequate furnishings, the employee is entitled to a limited shipment allowance--7,200 pounds for each employee and 12,000 pounds for chiefs of mission.

Expenses for storage include the cost of packing, moving, and storing the household effects, as well as warehouse labor charges. (5 U.S.C. 5724, 5726, 22 U.S.C. 4081(11) and (12); 6 FAM 171, 172, 173)

IMMUNIZATIONS

American employees and their dependents are provided immunizations and booster doses at government expense (3 FAM 683.1) to protect them from contagious or infectious diseases. (22 U.S.C. 4084(b), 3 FAM 681.6.g)

LANGUAGE INCENTIVE

Certain employees with demonstrated speaking and reading competencies in "incentive languages" may be eligible for a payment of 10 to 15 percent of their base salary. It is paid to employees while at a post where the language is currently on the Incentive Language List, for example, Arabic, Farsi, Japanese, Russian, and Thai. The employee may have to fill a language-designated position. (22 U.S.C. 4024, 3 FAM 873.5)

LANGUAGE PROFICIENCY

Foreign Service officers who study and/or become proficient in designated incentive languages are paid additional compensation. A Foreign Service officer who enters training in an already designated incentive language receives one

within-class salary increase after completing 16 continuous weeks of full-time training. A Foreign Service officer who demonstrates a specified level of reading and speaking competence receives a total of three within-class step increases (i.e., one after 16 weeks of training and two more after demonstrating proficiency. (3 FAM 873.4).

Employees who enter the Foreign Service with certain language proficiency in either Category A or B languages may be paid from one to four within-class increases, depending on language category and proficiency. French, German, Italian, Spanish, and eight other languages comprise Category A while Category B languages include the incentive languages as well as others like Greek, Indonesian, and Somali. (22 U.S.C. 4024, 3 FAM 873.3)

LANGUAGE TRAINING

The Foreign Service Institute conducts language training in Washington primarily through intensive full-time classes but also through part-time early morning classes. Adult family members, usually those 18 years of age or older, who are expected to accompany the employee to post are eligible for full-time intensive language training on the same basis as are employees, to the extent that funds permit. Language training may also be available at post for employees and adult family members. (22 U.S.C. 4025; 3 FAM 877, 878)

LAYETTE SHIPMENT

Shipment of a newborn's clothing, equipment, and furniture may be authorized in an amount not to exceed 250 pounds for a dependent child of an employee if American or other suitable layettes are unavailable at the post assigned. Food stuffs, except milk, formula, and commercial baby food, may not be shipped under this allowance. Layette shipment may commence 120 days before, but not later than 45 days after the birth of a child.

There is no specific authority for layette shipments in the U.S. Code. The Department of State believes such shipments may be made under its general authority to ship household effects. (22 U.S.C. 4081(11), 6 FAM 147.3)

LIVING QUARTERS ALLOWANCE

The living quarters allowance is a Foreign Service incentive intended to cover the average cost of rent, heat, light, and water for American civilian employees living in a foreign area by reason of employment by the U.S. government. The allowance may include the rental of garage space, furniture rental, mandatory property insurance, mandatory agent's fees, and initial repairs. The living quarters allowance is available for these employees when government owned or leased quarters are not provided without charge. Employees may also receive this

allowance for personally owned quarters. A maximum living quarters allowance is established for each post based upon the employee's grade level and family size. (5 U.S.C. 5923; SR 130, 900, 932)

MEDICAL EXAMINATIONS

Eligible American employees and their dependents are required to take the prescribed medical examinations (1) before appointment to the Foreign Service (3 FAM 684.2.a); (2) prior to departure for a post; (3) upon direct transfer to another post; and (4) upon return to the United States for assignment, separation, or home leave to be eligible for medical treatment at government expense. (22 U.S.C. 4084(b), 3 FAM 684.2.b.)

MEDICAL SERVICES

Former employees may be authorized medical care after separation from the Foreign Service when (1) an illness or injury is discovered at the time of separation, (2) treatment began or was needed on or before the date of separation, or (3) latent illness is discovered after the separation date but was clearly caused by the individual's presence abroad. Dependents of former employees may also receive medical care for illnesses occurring under the above conditions. In addition, dependents are entitled to medical care after the employee's marriage has been dissolved. (22 U.S.C. 4084(e); 3 FAM 688)

MEDICAL TRAVEL

When medical care (such as diagnosis, specialized examination, special inoculations, emergency or required dental care, hospitalization, or obstetrical care) is inadequate or unavailable at post, or cannot be delayed until home leave, employees and their dependents can be authorized to travel to the nearest locality abroad where there is suitable medical care. (22 U.S.C. 4081(5), 3 FAM 686.1-2)

MILITARY CLUB, MESS AND RECREATIONAL FACILITIES, USE OF

The commanding officer of a Department of Defense component may authorize mess, commissary, and exchange privileges, and use of general welfare and recreation facilities and activities to government departments or agencies outside of the Department of Defense. (DOD Directives 1330.9, 1330.17; DOD Instruction 1015.2)

OFFICIAL RESIDENCE EXPENSES

Expenses incurred to maintain official residences abroad, to make possible the extension of official hospitality to dignitaries, are substantially reimbursed. The residences of the ambassador, the deputy chief of mission, and the principal officer are examples of official residences. Claims not covered

due to insufficient funds may be tax deductible when expenses are properly certified by appropriate authorizing officials. (5 U.S.C. 5913, SR 400, 3 FAM 350)

PHYSICIANS' COMPARABILITY ALLOWANCE

This allowance is intended to facilitate recruitment and retention of physicians. Eligible physicians in covered positions must execute a continued-service agreement with the Department of State. For 24 months or less, the allowance equals \$7,000 per annum; for longer service, it equals \$10,000. (5 U.S.C. 5948, 3 FAM 380)

POST (COST OF LIVING) ALLOWANCE

A "cost of living" allowance is provided to employees who serve at posts where the cost of goods and services are significantly higher than in Washington, D.C. Allowance payments are based on family size and the amount of spendable income available at various salary levels. (5 U.S.C. 5924(1); SR 220, 900, and 941.1)

POST (HARDSHIP) DIFFERENTIAL

Employees at posts with unusually difficult or unhealthful conditions or severe physical hardships are authorized a post differential. It is provided only to American employees whose foreign residence is attributable directly to their employment by the U.S. government. This benefit may be from 10 percent to 25 percent of basic pay and it is subject to federal income tax. The post differential may be paid to employees on temporary detail to one or more hardship posts after the 42nd day of such detail. (5 U.S.C. 5925; SR 031.3, 500, and 900)

RELOCATION INCOME TAX ALLOWANCE

Eligible employees are reimbursed a relocation income tax allowance when additional federal, state, and local income taxes are incurred as a result of being reimbursed for certain travel and transportation expenses and relocation allowances. (5 U.S.C. 5724(b) as amended; 6 FAM, Chap. 100, FTR Supplement, ch. 2, part 11)

REPRESENTATION ALLOWANCE

The representation allowance helps employees cover costs of entertainment and customary gifts or gratuities which appropriately further U.S. interests abroad. Adult family members may also receive a reimbursement for expenses incurred for official entertainment even if the employee is not present at the event. Claims not covered due to insufficient funds may be tax deductible when expenses are properly certified by appropriate authorizing officials. Specific guidelines exist on the use of representation funds at each post (including

limitations on entertaining Americans). (22 U.S.C. 4085, SR 300, 3 FAM 340)

REPRESENTATIONAL TRAVEL FOR FAMILY

The chief of mission may, if the post travel funds are available, authorize travel of family for representational purposes within the country of assignment (6 FAM 127.1-1a). The chief of mission may also authorize travel of family members outside the country of assignment provided advance approval is obtained from the Department regional bureau (6 FAM 127.1-2a). This type of travel is generally restricted to family members of high level officers and authorized only when a clear need for dual representation exists. (22 U.S.C. 4081(4), 6 FAM 127.2-2)

REST AND RECUPERATION TRAVEL

Travel expenses for an employee and the employee's family from specifically designated locations to the United States or to other locations abroad having different social, climatic, or other environmental conditions are authorized. One round trip during any continuous 2-year tour unbroken by home leave, and two round trips during any continuous 3-year tour unbroken by home leave, are authorized. The employee's absence from post is charged to annual leave, earned compensatory time off, or leave without pay. Per diem and miscellaneous expenses are not paid.

Conditions at the post must present distinct and significant difficulties of sufficient severity to justify temporary relief. These conditions include unfavorable climate, isolation, lack of adequate recreation facilities, unsuitable housing and sanitary conditions, lack of essential services, prevalence of communicable diseases, lack of medical or dental care, and unusual personal hazards. Furthermore, the cost of travel from the post to a suitable relief area must be so great as to make it unreasonable to expect that the employee could finance the family's travel. (22 U.S.C. 4081(6), 3 FAM 698)

RETIREMENT AT AGE 50

Any participant in the retirement system who is at least 50 years old and has 20 years of creditable service may retire with the approval of the Secretary of State and receive retirement benefits. (22 U.S.C. 4051)

SABBATICALS FOR SENIOR FOREIGN SERVICE OFFICERS

A career member of the Foreign Service may be granted sabbatical leave not to exceed 11 months in order to permit the member to engage in study or uncompensated work experience which will contribute to the development and effectiveness of the member. A career appointee may be granted a sabbatical only if the appointee agrees, as a condition of accepting the sabbatical, to remain in government service upon the completion

of the sabbatical for a period of two consecutive years. A sabbatical may not be granted more than once in any 10-year period. (5 U.S.C. 3396)

SALE OF PERSONAL PROPERTY

Personal property imported into host countries by U.S. citizen employees under diplomatic privileges and immunities must be for their bona fide personal use. Subsequent sales of such property are permitted provided such sales are in compliance with bilateral agreements, international treaties, and host government laws. (2 FAM 225.3)

SEPARATE MAINTENANCE ALLOWANCE

Employees who choose or are forced to maintain families elsewhere than at post of assignment for any reason other than legal separation or divorce are authorized to receive a separate maintenance allowance. If granted, the payments are in lieu of other allowances and benefits on behalf of those family members. (5 U.S.C. 5924(3); SR 077.32a, 260, and 943; 3 FAM 315.4)

SPECIAL ALLOWANCE FOR SUBSTANTIAL AMOUNTS OF EXTRA WORK

See special differential.

SPECIAL ALLOWANCE IN LIEU OF OVERTIME

See special differential.

SPECIAL COMPENSATORY TIME OFF

Employees may earn special compensatory time off for an equal amount of time spent in regularly scheduled overtime work under the following conditions (5 U.S.C. 5550(a), 5926(1)(2)):

- when the standard workweek at certain designated posts makes it desirable to schedule the workweek of U.S. government employees on other than the usual five 8-hour days (3 FAM 232.6-2),
- to allow employees stationed at isolated posts to accumulate additional leave to travel to places which offer relief from the harsh conditions at post (3 FAM 232.6-2),
- when overtime or holiday work is officially ordered (3 FAM 232.6-3), and
- for religious observances (3 FAM 232.6-4).

SPECIAL DIFFERENTIAL

Foreign Service officers in classes 4 through 8 who are required by their supervisors to perform additional work on a regular continuing basis in substantial excess of normal requirements are authorized a special allowance. The positions must have been certified as eligible for the allowance. The amount ranges from 10 to 18 percent of the basic compensation. This allowance is sometimes referred to as the special allowance for substantial amounts of extra work or the special allowance in lieu of overtime. (22 U.S.C. 3972, 3 FAM 238)

SPECIAL INCENTIVE DIFFERENTIAL

The special incentive differential allows an employee to receive up to 15 percent of his or her basic pay as additional compensation for accepting a difficult-to-fill position at posts where environmental conditions are adverse. The Department of State had not incorporated regulations into the Foreign Affairs Manual as of March 1986. (5 U.S.C. 5925(b))

STANDBY DUTY PAY

Certain full-time members of the Foreign Service abroad who are officially ordered to remain at the duty station or in the living quarters to answer a call to work are authorized standby duty pay. The employee may not leave and arrange to be contacted by phone, radio, or electronic beeper system. The standby duty must be associated with, and in addition to, the employee's regularly assigned full-time duties.

This benefit is available only to certain employees, such as secretaries, communicators, and doctors and nurses.

From 15 to 25 percent of basic pay, depending upon amount of standby duty and when performed, not to exceed the minimum rate of basic pay for GS-10 (about \$24,000 as of January 1985) may be paid. (5 U.S.C. 5545, 3 FAM 231.2, 236.2)

SUNDAY PAY

Certain employees whose basic workweek includes worktime on Sunday are authorized Sunday pay. This benefit is available to certain employees, such as secretaries, communicators, and doctors and nurses. Depending on local custom, it may also apply to local employees.

Twenty-five percent of basic pay for each hour of Sunday work which is not overtime, and which is not in excess of 8 hours for each regularly scheduled tour of duty beginning or ending on Sunday, may be paid. (5 U.S.C. 5546, 3 FAM 231.2, 235)

SUPPLEMENTARY POST ALLOWANCE

This allowance is available to help offset extraordinary meal expenses which may be incurred upon arrival at a new post or before final departure from a post abroad. It is paid only when the employee is compelled to occupy temporary nonhousekeeping quarters because of the unavailability of temporary quarters with suitable kitchen facilities. The maximum daily amount per person may be paid for the first 3 months following arrival at a post abroad and for the last month before final departure. (5 U.S.C. 5924 (1), (2), SR 230 and 941.2)

TAX EXEMPTION FOR FEDERAL MANUFACTURERS' EXCISE TAX

Certain articles which are ordinarily subject to the Federal manufacturers' excise tax may be free from such a tax if an American Foreign Service employee located in, but not a permanent resident of, a foreign country furnishes the manufacturer with a declaration of intention to export. The declaration affirms that the article will ultimately be sold or otherwise disposed of abroad and that there is no intention of returning it to the United States at any time. Articles which may be exempted include automobiles, trucks, and motorcycles; firearms, shells, and cartridges; gasoline and lubricating oils; sporting goods (fishing equipment); and tires and inner tubes. (22 U.S.C. 4221(a)(2), 2 FAM 264.1, 264.2)

TAX EXEMPTION FOR FOREIGN INCOME TAXES

Diplomatic representatives of the United States are generally exempt from the payment of local income taxes, except on personally owned property or businesses. Exemptions are largely administered and regulated on the basis of reciprocity. (26 U.S.C. 893(a)(3), 2 FAM 260)

TEMPORARY LODGING ALLOWANCE

The temporary lodging allowance is to help employees abroad defray the cost of hotel rooms while locating residence quarters and awaiting arrival of furniture, and while awaiting transportation from a post abroad after relinquishing residence quarters. The allowance varies according to the number and ages of the employee's dependents occupying the temporary lodging, but a maximum daily rate is set. This allowance is available only up to 3 months after first arrival at a post abroad and during the last month prior to departure. (5 U.S.C. 5923; SR 110, 120, and 900)

TRAINING OF FAMILY MEMBERS

Orientation and other training may be provided to family members (18 years and over) in anticipation of the employee's

assignment abroad or while abroad. For the most part, the Foreign Service Institute provides the training. Under certain circumstances, the cost of training provided by other institutions may also be paid. (22 U.S.C. 4024(c), 3 FAM 824)

TRANSFER ALLOWANCE--FOREIGN

This allowance reimburses employees for three types of relocation expenses (5 U.S.C. 5924(2); SR 240, 900, and 942.1):

- Predeparture subsistence expenses for lodging, meals, and laundry for up to 10 days after moving out of residence quarters before departing from a post of assignment in the United States to a post overseas. The maximum allowance is based on family size and the applicable U.S. per diem or designated high rate geographical area rate. (This portion of the foreign transfer allowance is not available to employees transferred from a "temporary duty station" in the United States to a foreign area.)
- Miscellaneous expenses for converting household appliances and obtaining auto registration and drivers license. This may be paid as a flat dollar amount or on the basis of actual expenses up to a higher maximum dollar amount.
- Wardrobe expenses when a relocation involves a transfer between tropical and frigid zones (never paid on transfers to or from the conterminous United States). The amount paid is a flat dollar amount based on family size.

TRANSFER ALLOWANCE--HOME SERVICE

This allowance is to assist with relocation expenses related to the transfer from a foreign area to the United States. Foreign Service employees must agree to complete 12 additional months of U.S. government service after the date of transfer. It is available to Civil Service employees only when the employee and agency are both able to certify that the employee will serve an additional tour of duty abroad. (5 U.S.C. 5924(2); SR 077.32c, 250, and 942.2)

This allowance consists of two portions:

- The miscellaneous expense portion is intended to cover the costs of converting household appliances and obtaining automobile registration and drivers license.
- The subsistence expense portion is intended to offset costs of hotel lodging, meals, drycleaning, and laundry for up to 60 days after arrival in the United States. Actual expenses are reimbursed up to a predetermined

maximum rate for each 30-day period depending on the per diem allowance and the number and ages of family members occupying temporary lodging.

TRANSFER TRAVEL

Official travel and transportation may be authorized for American and Foreign Service national employees and their families and effects from the old post (or anyplace where presence is due to government orders) to a new post or point of storage. (22 U.S.C. 4081(1), 6 FAM 125.i)

TRANSPORTATION OF AUTO

Transportation of privately owned vehicles is authorized only in connection with a transfer or assignment to an official station outside of the conterminous United States, including a transfer between such stations, if in the best interest of the U.S. government. When no longer needed abroad, the vehicle may also be transported to the United States.

A replacement vehicle may be shipped at government expense to a post of duty outside the United States in two instances: (1) if the vehicle is stolen, seriously damaged, destroyed, or requires emergency replacement for other reasons beyond the employee's control or (2) if more than 4 years have elapsed since the initial vehicle was shipped and the employee has been continuously assigned to posts outside the conterminous United States. In both cases, it must be determined that it will be in the government's interest for the employee to have the replacement vehicle. (22 U.S.C. 4081(13); 6 FAM ch. 100; FTR Supplement, ch. 2, part 10, 2-10.1a, 10.2a)

TRAVEL FOR CHILDREN OF SEPARATED PARENTS

Each child (below age 21) of a Foreign Service member stationed abroad is allowed one round trip per year to visit either of the child's separated parents. The child must not regularly reside with the member, and the member must not receive an educational allowance or educational travel allowance for the child. (22 U.S.C. 4081(15), 3 FAM 699.8)

TRAVEL PER DIEM

A flat rate per diem is paid to the employee and his or her dependents when traveling in connection with relocation or home leave. The per diem allowance is intended to cover expenses such as lodging, meals, laundry, and dry cleaning (6 FAM 142.1). The maximum rate permitted by law is paid unless the travel authorization specifies a lower per diem rate (6 FAM 151). In cases where necessary subsistence costs are unusually high or the cost of lodging (exclusive of meals) absorbs practically all of the statutory maximum per diem allowance, an allowance of

actual subsistence will be authorized. Authority to receive reimbursement of actual subsistence expenses must be included in the travel authorization. (5 U.S.C. 5702(a), (c), 5724a(1), 22 U.S.C. 4081(1); 6 FAM 157.1, ch. 100, FTR Supplement, ch. 1, part 2, 2-2.2.b)

TRAVEL TO ACCOMPANY MEDICALLY
EVACUATED PARENT OR FAMILY MEMBER

When an employee is evacuated for medical purposes, the family member remaining at post, if not capable of caring for himself/herself, may be authorized to travel with the patient and may be included in the medical travel order (3 FAM 686.2c).

Also, when it is determined by competent medical authority that a patient is too ill or too young to travel unattended, the services of an attendant to accompany an employee or dependent to a locality where suitable medical care can be obtained may be authorized (3 FAM 686.2). When a nonemployee medical attendant is authorized to accompany a patient, transportation, incidental expenses exclusive of subsistence, and compensation may also be authorized (3 FAM 686.2a). A member of the family may be authorized to accompany a patient as a medical attendant and be included in the travel order. (22 U.S.C. 4081(5), 3 FAM 686.2b)

UNHEALTHFUL POST
RETIREMENT CREDIT

Instead of post differential, an employee may elect to receive extra service credit toward retirement in an amount equal to one-half of the time actually spent at an unhealthful post. (22 U.S.C. 4057, 3 FAM 671.5-14)

USE OF U.S. GOVERN-
MENT VEHICLES

Approval to use government owned or leased vehicles may be granted under certain conditions to transport employees to and from work, dependents to and from school, and for personal use.

Conditions justifying the need for using government vehicles must be documented together with a schedule of charges. The charge may be waived under unique circumstances for employees using government vehicle transportation between residence and office. Taxicabs may also be used in lieu of chauffeur-driven official vehicles if less expensive. (22 U.S.C. 2700; 6 FAM 237.2-1, 237.2-2a, 237.2-2b)

ADDITIONAL INFORMATION ON
SELECTED BENEFITS AND ALLOWANCES

As arranged with your office, we compiled additional information, primarily legislative histories, on the more significant benefits and allowances. To the extent that costs were made available to us, we have included them at the end of every section; for a complete discussion on the cost of all of the benefits and allowances, see Appendix IV. The descriptions are arranged in alphabetical order.

DANGER PAY

Danger pay is granted to employees serving at a post where civil insurrection, civil war, terrorism, or warlike conditions exist. It is usually linked to conditions where there has been an authorized departure or evacuation of dependents and nonessential personnel. Danger pay is available to employees on temporary detail for 1 full day or longer. As of March 1, 1986, employees in five countries were eligible for danger pay--Afghanistan, Colombia, El Salvador, Lebanon, and Uganda.

Legislative history

The Foreign Service Act of 1980 (Public Law 94-465 of October 17, 1980) authorized a danger pay allowance in an amount not to exceed 25 percent of an employee's basic pay. The act said it may be granted

"on the basis of civil insurrection, civil war, terrorism, or wartime conditions which threaten physical harm or imminent danger to the health or well-being of the employee."

However, all three of the congressional committees involved (House Foreign Affairs, Senate Foreign Relations, and House Post Office and Civil Service) cautioned against extensive use of the allowance. House Report No. 96-992, Part 1, for example, explained that the allowance was meant for employees:

"who are required to remain at a post after dependents, or nonessential personnel, or both have been evacuated or to employees who are serving at posts at which dependents are not permitted because of unsettled conditions. A danger pay allowance will be granted during the period when the threat of physical harm or imminent danger to health or well-being exists."

The three committees recognized that the conditions which justify danger pay at a post could possibly also result in payment of post differential. Accordingly, the law limits the combined allowances, if applicable, to an amount not to exceed 25 percent of the basic pay of the employee.

The Congressional Budget Office cost analysis for the Foreign Service Act of 1980 estimated that danger pay would apply to approximately 110 employees at three dangerous posts. Its 5-year projections foresaw as much as \$700,000 in fiscal year 1985.

The Department of State's Authorization of Fiscal Years 1984 and 1985 (Public Law 98-164 of November 22, 1983) broadened the scope of danger pay by providing that "The presence of nonessential personnel or dependents shall not preclude payment of an allowance under this section." This was done "in recognition of the current epidemic of worldwide terrorist activity and the courage and sacrifice of employees of United States agencies overseas, civilian as well as military." Conference Report No. 98-563 said

"The conferees note that danger pay was terminated at certain posts beginning November 1, 1982, due to the earlier language of the Act and its accompanying report language. This provision modifies the unintentionally stringent language enacted by the Foreign Service Act. Given the legislative change now being made, the committee of conference urges the Department of State to pay danger pay retroactively to November 1, 1982, and notes that the net costs are approximately \$330,000."

Cost

The costs provided by the Department of State and USIA for fiscal years 1984 and 1985 are shown below; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - (thousands) - -	
State	\$ 804	\$ 960
USIA	<u>34</u>	<u>50</u>
Total	<u>\$ 838</u>	<u>\$1,010</u>

EDUCATION ALLOWANCE

Education allowances are granted for dependents in grades K-12 at those posts where the cost of adequate schooling is in excess of the cost which would be incurred for a dependent in a U.S. public school. Rates of the education allowance vary according to whether adequate schooling is found at post, away from post, or provided at home. The allowance also varies by school grade and average education costs at a given post. The education allowance was created to ensure that the dependents of foreign service officers stationed overseas received an adequate

education and was viewed as a means to improve the morale of foreign service officers.

Legislative history

The education allowance was established in 1955 to alleviate what was viewed as a major financial and morale problem confronting foreign service officers overseas. According to a House Foreign Affairs Committee report (No. 229), elementary and secondary school-age dependents were unable to receive suitable education at many posts either because no American community school was established in the area or because local schools did not satisfy American standards. Under such conditions, foreign service officers were faced with the choice of enrolling their children in local schools regardless of the quality of the education provided or sending them to a third country or to the United States for schooling often at considerable expense to the employees. The report also pointed out that employees of the Department of Defense and other civilians living under similar conditions received an education allowance.

In hearings on the subject, the Department made clear that it did not intend to assume the total cost of educating foreign service dependents overseas, but favored establishing the allowance as a means to equalize the education costs incurred by employees in the United States and employees stationed overseas. At the same time, the Department did not want to limit employees' freedom to educate their dependents as they pleased. Accordingly, the Department envisioned that an allowance covering about 75 percent of foreign service education expenses would relieve the financial hardship associated with providing adequate schooling while not giving employees overseas a financial advantage over employees stationed in the United States who must incur some education costs indirectly through the payment of property taxes. In addition, in order that foreign service parents would be able to apply the education allowance to accommodate a variety of circumstances, the Department established three allowance rates for home study (private instruction or correspondence courses), local schooling, or for schooling at the nearest facility considered adequate.

Congress also expressed concern about the prospect that a foreign service employee might make a profit by selecting a lower-cost type of education while he or she received the maximum allowance authorized for the post. Apparently reflecting this concern, the legislation established that if an ". . . employee employs a less expensive method of providing such education, any allowance paid to him shall be reduced accordingly." The Department assured the Committee on Foreign Affairs that the employee would be required to certify in writing the type of facility used in educating the child and a representative at the post would be required to confirm the statement before granting the employee an education allowance.

The Overseas Differentials and Allowances Act of 1960 rephrased this section by stating that ". . . the amount of the allowance granted would be determined on the basis of the educational facility used."

During the 1960's, the Department's efforts to assist its employees overseas in providing an adequate education for their dependents continued. For example, the Foreign Assistance Act of 1963 supplemented the existing channels of education assistance by allowing the Department to establish, maintain, and operate primary school facilities in those areas where such facilities were inadequate and where no alternatives existed. A House Foreign Affairs Committee report (No. 646) stated that this authorization was not intended to duplicate any benefits provided by the education allowance, but only to permit additional assistance to officers to whom the existing benefits did not apply.

In 1966, the Department of State sought authority to pay allowances to cover the costs of kindergarten education. Specifically, the Department asked us if we concurred with the Department's legal opinion that the provision to grant an allowance for adequate elementary education included kindergarten. We concluded that the existing legislation did not authorize nor contemplate the inclusion of kindergarten. However, he noted that the Department of State viewed kindergarten as vital for children overseas as for children of parents stationed in the United States. In 1973, Congress amended the Foreign Assistance Act of 1963 to give the Department the legal authority to provide such an allowance.

Cost

The costs provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985 are shown below.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - -(thousands)- - -	- - -
AID	\$ 4,238	\$ 4,732
State	14,275	14,539
USIA	<u>2,032</u>	<u>2,121</u>
Total	<u>\$20,545</u>	<u>\$21,392</u>

EDUCATIONAL TRAVEL

The educational travel benefit provides one round trip each 12-month period for full-time undergraduate students attending a college or university in the United States. Educational travel is also available for U.S. high school students in lieu of an education allowance. Dependents who have arrived in the United States under the educational travel authority are not eligible

for an education allowance for the 12 months immediately following such travel.

Legislative history

The educational travel grant was established in 1955 in conjunction with the education allowance. Specifically, the law authorized the Secretary of State to pay the travel expenses incurred by a Foreign Service employee stationed overseas to transport dependents to and from U.S. ports of entry to obtain an American secondary or undergraduate education. Under this provision, each dependent would receive a travel grant for one round trip while attending high school, and another while attending college in the United States. The travel grant would not be authorized to dependents receiving an education allowance.

According to information provided by the Department of State to the Committee on Foreign Affairs, this benefit was intended to assist those employees who chose to educate their dependents in secondary schools or colleges in the United States. The Department envisioned two types of educational travel grants--one to be offered to high school age dependents of employees with more than 5 years of service abroad, as an alternative to the education allowance, and the other to be offered to all officers to cover one round trip for their dependents attending undergraduate colleges in the United States. In regards to the travel grant for high school age dependents, the Department believed that an American high school education was important in "rehabilitating" children who had been out of the United States for an extended period of time. A travel allowance would assist those employees who favored a reimbursement of travel expenses over receiving an actual allowance for education costs. The travel grant for undergraduate students, for whom no education allowance was available, was intended to compensate employees for the added expense of sending their children long distances in order to enroll them in American colleges. By granting them an allowance to the nearest U.S. port of entry, the Department sought to put the Foreign Service officer overseas in no better, but in no worse, a financial position than that of parents in the United States who send their children to nearby schools or across the country to attend college.

The report from the Committee on Foreign Affairs (No. 229) did not indicate that one of the grants would be available to some employees and not others. Instead, the Committee authorized a travel allowance for employees, irrespective of time abroad, for secondary schooling, in lieu of an education allowance, and for all undergraduate dependents in the United States. Furthermore, the authorization was characterized not only as a way to relieve financial hardship, but to help the dependent maintain ties with his or her family abroad.

The Overseas Differentials and Allowances Act of 1960 continued this authority and extended it to non-foreign affairs agencies. In addition, this legislation made two substantive changes to the existing authority. First, the 1960 amendments limited the existing prohibition against dependents who were transported to the United States on a travel grant to receive an education allowance by providing that allowances could be paid after 12 months following the dependent's arrival in the United States. In addition, the language was changed to permit travel to the actual school or college of the dependent rather than to the nearest port of entry. A report from the Committee on Post Office and Civil Service (No. 902) noted that the present legislation was unfair to dependents of employees stationed in Europe, for example, who attended schools in the western United States, but whose travel grant took them only as far as the East Coast.

The Department of State/USIA Authorization Act for Fiscal Year 1975 amended the U.S. Code to expand the use of the educational travel grant. Instead of covering the cost of one trip during high school and another during college, the amendment granted government travel on an annual basis for dependent students in the United States. According to a Senate Foreign Relations report (No. 93-838), the American Foreign Service Association testified in hearings that studies had indicated that special strains and hardships were imposed on Foreign Service children because of the constant moving, lack of ties to their American cultural roots, and the separation from their families. The U.S. government could solve the problem, as other governments had, by permitting dependent students a minimum of one annual trip to visit parents stationed overseas.

In 1979, the International Development Cooperation Act amended the U.S. Code to grant travel funds for two annual trips for dependents receiving undergraduate education in the United States and continued the allowance for one trip for dependents attending high school. Committee reports on this legislation did not address this provision. The following year the Foreign Service Act of 1980 reduced the number of trips to one annual trip each year for each dependent receiving either secondary or college education in the United States, as before.

Cost

The costs provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985 are shown below.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - (thousands) - -	
AID	\$ 472	\$ 455
State	1,099	1,045
USIA	<u>282</u>	<u>311</u>
Total	<u>\$1,853</u>	<u>\$1,811</u>

EMERGENCY VISITATION TRAVEL

This benefit authorizes the payment of travel expenses incurred by Foreign Service personnel for purposes of family visitation in emergency situations involving personal hardship. Emergency visitation travel is intended to mitigate the personal hardship created when great distances separate families because of an assignment by the government, as is the case when members are assigned abroad and have a personal emergency in the United States.

In instances of serious illness, injury, death, or certain exceptional situations, a member of the Foreign Service, spouse, or child located abroad is authorized one round trip for each serious illness or injury or for the death of each immediate family member. Emergency visitation travel may also be authorized to accompany the remains of a family member who dies abroad to the place of interment. Ordinarily only one member of a family may travel at government expense. Under exceptional circumstances additional members may be authorized to travel.

Serious illness or injury is one in which death is imminent or likely to occur (based on competent medical opinion) or one in which the absence of the member or dependent would result in great personal hardship. Time away from post must be charged to annual leave, sick leave, compensatory time off, or leave without pay. No per diem or other expenses are authorized.

Legislative History

Public Law 90-221 of December 23, 1967, created emergency visitation travel and several other benefits for civilians in wartime situations. Southeast Asia was the wartime situation at that time, and the benefits were all discussed in terms of Vietnam. To underscore the wartime aspects of this act, President Johnson signed the bill at Cam Ranh Bay, South Vietnam during his 1967 Christmas visit.

Senate Report No. 235 said "the main purpose of the bill is to authorize additional employee benefits (1) for all U.S. Government personnel serving in hostile areas abroad, such as Vietnam, and (2) for Foreign Service personnel and their dependents in certain emergency or extraordinary situations" regardless of location. The report mentioned emergencies "such as the serious illness or death of a member of the officer or employee's immediate family." No mention was made of a deductible or employee contribution, nor was the term "travel expense" defined.

House Report No. 993 said: "The immediate need for this amendment arises from the situation in Vietnam from which dependents have been excluded . . ." It cautioned, however, that this grant of authority would be needed only in "the few occasions when emergency travel becomes necessary."

Both the Senate and House, "in order to keep the cost to a minimum," included a requirement that travel under the authority of this section should be by Military Airlift Command aircraft wherever possible. The cost to State, USIA, and AID in the first year of application of this amendment was estimated to be \$48,750.

The Foreign Service Act of 1980 retained this benefit but dropped the requirement to use military aircraft.

Cost

The costs provided by the Department of State and USIA for fiscal years 1984 and 1985 are shown below; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - - (thousands) - - -	- - -
State	\$ 539	\$ 530
USIA	<u>93</u>	<u>100</u>
Total	<u>\$ 632</u>	<u>\$ 630</u>

FAMILY TRAVEL ON EXTENDED TEMPORARY DUTY

Travel expenses may be paid to family members who accompany, precede, or follow a Foreign Service employee who is assigned to extended temporary duty. However, the legislation does not define the period of time which must elapse before family members are eligible for this allowance. This allowance is intended to reduce prolonged family separation by assisting the employee with travel expenses incurred in connection with the family living at the temporary duty station.

Legislative history

In 1960, the Department of State suggested that Congress authorize the Secretary of State to pay travel expenses (not to exceed one round trip) of the spouse and dependents of an employee when accompanying him/her to an international meeting or conference, and the furnishing of quarters to any such employee and his family if authorized in advance by the Secretary.

During hearings, the Department warned the committee that the Department's ability to assign the best qualified representatives to such conferences might be hampered if the conferees were not allowed to take their families along at government expense. For example, when conferences last three months or more, a representative may not be willing to be separated from his or her family for an extended period and may

not be wealthy enough to take the family along at personal expense, according to the Department of State.

Congress did not grant the Secretary this authority, however, until 1961. Attached to the Act for International Development of 1961, the provision allowed the Secretary of State to pay travel expenses of members of the family accompanying, preceding, or following an employee, if, while the employee is en route to his or her post of assignment, the employee is ordered elsewhere temporarily for orientation and training, or is given other temporary duty. A House Committee on Foreign Affairs report stated that the allowance would defray travel expenses for families of employees who reside for a short period elsewhere than at the post of assignment when it is required in connection with travel to or from a post of assignment.

In 1975, Congress debated expanding the use of this authority to pay travel expenses for family members of employees assigned to temporary duty in connection with any change of assignment. In hearings regarding the Department of State's authorization for fiscal year 1976, a Department spokesman noted that family travel and partial per diem was particularly necessary in cases where the family goes on home leave between assignments. For example, if, following home leave, the employee was assigned to extended temporary duty in Washington, the family would not be authorized travel to the temporary duty station or to the new post. In such cases, the family would be forced to remain at the home leave address, or the employee might have to undergo financial hardship to maintain his or her family at the place of temporary duty.

This change was incorporated into the Foreign Relations Authorization Act of 1979. The Conference Committee stated that the provision was only to apply to temporary duty ordered in connection with transfers involving family travel, and emphasized that it did not include temporary duty where the employee simply travels to another city to perform the duty and then returns home.

In 1980, the law was broadened to allow families to accompany employees on any kind of extended temporary duty. A Senate Foreign Relations report noted that the provision would permit families to avoid being separated for as long as 6 months when members are sent, for example, to Washington for consultations, to international conferences, or other temporary assignments expected to last an unusually long period of time. House and Senate committees agreed that it was unreasonable to order employees to distant posts for extraordinarily long periods without the opportunity for their families to accompany them. It was also argued that it would be cheaper to authorize family members to accompany an employee than to assign the employee to the location and ship effects.

Cost

AID, the Department of State, and USIA did not provide us costs for this item in fiscal years 1984 and 1985 because their accounting systems do not capture the cost of this item in such a way that it is readily available.

FAMILY VISITATION TRAVEL

This travel permits a member of the Foreign Service to visit that member's family which would reside with the member if the post were not within a hostile area at which family members cannot reside. Not more than two round trips to the United States may be authorized during each 1 year period. If the family members are located abroad, more than two visits may be authorized during each 1 year period provided the cost does not exceed the cost of two round trips to the District of Columbia.

Time away from post is charged to annual or sick leave, earned compensatory time off, or leave without pay. Per diem and other expenses are not authorized. Official travel orders are not used for family visitation travel and hence the employee's post differential continues even though the employee is absent from post.

Legislative history

AID's authority to grant family visitation travel first appeared in Section 114(d) of the Economic Cooperation Act of 1948 which created the Economic Cooperation Administration, a predecessor agency. This was the United States' first major foreign aid program and there was considerable congressional debate regarding, among other things, how the program should be organized and administered in order to obtain effective results in an efficient manner.

President Truman, in his Message to the Congress of December 19, 1947, said the following concerning administrative arrangements:

"In keeping with the importance and nature of its task, the new agency should have flexibility in the determination of operating methods, the use of funds, and the hiring of key personnel."

The Senate and House agreed that considerable leeway should be given to the new agency due to the program's uniqueness. Senate Report No. 935, for example, said the act "permits the disregard of certain laws that would unduly hamper the type of operation that will be necessary in an unusual program of this type." Section 114(d) of the act reflected this thinking when it said that funds made available for expenditures outside the United States may be spent

"without regard to such laws and regulations governing the obligation and expenditure of government funds, as the Administrator shall specify in the interest of the accomplishment of the purposes of this title."

The Mutual Security Act of 1954 and later the Foreign Assistance Act of 1961 revised the wording but the authority remains the same. Thus, AID's authority to grant family visitation travel comes from a general provision which allows AID to disregard a wide range of statutory prohibitions so long as the expenditure is made outside the United States. USIA and the Department of State, on the other hand, received specific authority to grant family visitation travel. It was authorized by Public Law 90-221 of December 23, 1967, and justified in terms of the conditions in Vietnam. The act permits the government to pay for up to two round trips a year for family visitation purposes of Department of State and USIA personnel who are separated from their families. Senate Report No. 235 explained the need for this benefit as follows:

"The Agency for International Development now has this travel authority for their personnel under section 636(b) of the Foreign Assistance Act of 1961, as amended. AID officials have, under that provision, authorized one round trip each 6 months to enable married personnel in Vietnam to visit their families. The General Accounting Office has questioned the Department of State's authority to provide similar benefits for other Foreign Service personnel and the specific authority of this bill will clear up that question."

The Report also quotes a January 31, 1967 message to Congress from President Johnson:

"Among those engaged in the effort to preserve freedom in Southeast Asia are civilian employees of agencies such as the Department of Defense, Department of State, Agency for International Development, and U.S. Information Agency.

"There are no frontlines in Vietnam. These employees are frequently exposed to hazardous conditions. They have suffered terrorist attacks in hamlets, villages, and even in larger cities. Despite their status as civilians, many have been killed, seriously wounded, or reported missing.

"The laws now governing Federal civilian employment in overseas areas have not kept pace with the times. Civilians who risk their lives in the service of their country are entitled to special benefits.

- "I recommend that the Congress enact legislation to
- Increase the salary differential for service at hazardous duty posts.
 - Allow medical benefits to continue beyond the date of his separation for employees who has been injured or become ill while serving in a hostile area.
 - Extend similar medical benefits to the employee's family after his separation or death.
 - Allow special travel expenses for employees after long service in hazardous areas, so they can be reunited with their families.
 - Authorize up to 1 year's absence without charge to leave as a result of injury or illness due to hostile action."

The Senate report estimated that first year direct costs for family visitation travel would be \$149,000 for the Department of State and USIA. (AID was funded out of another authorization.)

The provision is still on the books. The Foreign Service Act of 1980 revised the wording but the authority remains the same.

Cost

The costs provided by the Department of State and USIA for fiscal years 1984 and 1985 are shown below; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - (thousands) - -	
State	\$ 63	\$ 67
USIA	<u>3</u>	<u>-</u>
Total	<u>\$ 66</u>	<u>\$ 67</u>

GOVERNMENT HOUSING

The provision of government housing or a living quarters allowance is intended to relieve Foreign Service officers overseas of most housing costs at their post of assignment. A U.S. government employee who is a citizen of the United States permanently stationed in a foreign country may be furnished, without cost to him/her, living quarters including heat, fuel, and light in a government-owned or rented building. Furniture and equipment are provided for these living quarters. The

number and type of items provided vary by country according to the policy of a joint Department of State, AID, and USIA committee.

Legislative history

As early as 1901, Congress appropriated funds to cover the purchase of grounds and rent of buildings for government use in China, Japan, and Thailand. By 1908, the U.S. government had acquired buildings in Turkey and Morocco as well. During House debate on the Diplomatic and Consular Service appropriations bill for fiscal year 1909, members cited several reasons why diplomats were provided government quarters in those locations and not elsewhere. In regards to the Far East, members of Congress argued that diplomats from the West found it difficult to obtain housing, at any price, which suited their style of living. As an alternative, legislators suggested the government purchase suitable buildings for use as residences, which, by government standards, could be bought inexpensively. Second, it was argued that the residences of American diplomats in these countries should reflect the importance of the United States now that it was among the great trading nations of the world.

Although members of Congress favored providing government quarters to diplomats serving in difficult posts, not all agreed that those stationed in Europe and elsewhere should receive the same benefit. For example, in debate concerning the Department's request for funds to purchase a building in Paris for the ambassador in 1908, Congress discussed the issue of providing housing to all American diplomats overseas. Unlike posts in the Far East, suitable residences were available for rent in Europe; however, members of Congress remarked that the cost of living in many capitals caused financial hardship for even the most wealthy members of the Service. Those who supported the provision of housing argued that it was unfair to force American representatives to expend nearly their entire salaries for housing, particularly when representatives of foreign governments not only received housing, but higher salaries as well. In addition, it was argued that if ambassadors were relieved of their housing expenses, men of merit who were not wealthy could take up positions in the more expensive capitals.

Despite these discussions, Congress did not provide housing to American diplomats on a large scale until the mid-1920s. Specifically, the Foreign Service Buildings Act of 1926 enabled the Secretary of State to acquire buildings and grounds for use as government offices or residences. In House discussions on the subject, legislators remarked that housing had been inadequate for years for many members of the Foreign Service. Congressmen recounted their own experiences visiting American diplomats in foreign countries who were living in "dingy rooms" or in places where an American visitor would be humiliated to find his country's representative.

In 1929 the Secretary of State was authorized to furnish housing, without cost, to his employees. The fiscal year 1930 appropriations act for the Department stated that "The Secretary of State may lease or rent. . . such buildings and grounds for the use of the Foreign Service as may be necessary; and he may, in accordance with existing practice, without cost to them... furnish the officers and employees of the Foreign Service with living quarters, heat, light, and household equipment in government-owned or rented buildings, at places where, in his judgement, it would be in the public interest to do so."

In 1930, statutory legislation allowed the Secretary of State to continue to furnish quarters to overseas employees according to the terms of the legislation of the previous year, but added a provision for an allowance to be paid in lieu thereof, if such quarters were not available. Hearings during this time period echoed those concerning similar legislation in previous years. For instance, supporters of the proposal viewed this provision of housing as essential to (1) diminish the disparities among American diplomats and between Americans and representatives of other countries, (2) provide the officers who meet with representatives of the host country with decent quarters befitting representatives of the United States, and (3) boost the morale of employees who were serving the government under difficult conditions overseas.

The Foreign Service Act of 1946 and the Overseas Differentials and Allowances Act of 1960 continued the Department's authority to provide housing at no cost to the employee either in government quarters or by means of a reimbursement of rental costs.

Cost

The costs provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985 are shown below. Not all of the agencies were able to provide us costs for all of the categories because their accounting systems do not capture the costs in such a way that they are readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - - thousands - - -	- - -
Furniture and equipment		
AID	\$ 5,760	\$ 6,390
Guards		
AID	2,818	3,000
Rent or lease payments		
AID	15,519	14,707
State	a	68,197 ^b
USIA	6,975	8,311
Repair and maintenance		
AID	1,721	1,982
Transportation and freight		
AID	1,880	1,713
Utilities		
AID	3,350	3,764
USIA	1,533	1,818
Various		
USIA	<u>4,334</u>	<u>4,230</u>
Total	<u>\$43,890</u>	<u>\$114,112</u>

^aNot readily available.

^bAnnualized cost of rent or lease agreements in effect as of December 31, 1985; fiscal year 1985 not readily available.

HOLIDAY PAY

U.S. employees serving abroad observe American holidays with pay. Specific employees who work on a holiday are entitled to basic pay plus premium pay at a rate equal to the rate of basic pay for that holiday work. This benefit is available to certain employees, such as secretaries, communicators, and doctors and nurses. This benefit is not available to such employees as commissioned Foreign Service officers, Senior Foreign Service members, chiefs of mission, and ambassadors.

Legislative history

American employees are not specifically excused from work on designated public holidays. Instead, federal law provides that annual leave will not be charged for absences on such holidays, and employees required to work on holidays are authorized premium pay.

Section 6103 of title 5, United States Code, establishes ten days as legal public holidays: New Year's Day, Martin Luther King, Jr's Birthday, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.

The Federal Employees Pay Act of 1945, as amended and codified in 5 U.S.C. 5546 provides that:

"An employee who performs work on a holiday designated by federal statute, [or] executive order * * * is entitled to pay at the rate of his basic pay, plus premium pay at a rate equal to the rate of basic pay * * *."

There is no exception from the statutory provisions for U.S. employees assigned to federal positions overseas. As a result, even if the holidays are not normally observed in the country of employment, employees are entitled to be absent from work on those holidays without charge to leave or, if required to work, are entitled to premium pay if they are in the eligible positions described above. Additional nonworkdays may be established by executive or administrative order to meet the needs and convenience of the government.

Foreign employees are excluded from the leave system that applies to U.S. citizen employees; however, agency heads have discretion to grant them leave of absence with pay not to exceed the amount of sick and annual leave allowable to citizen employees (5 U.S.C. 6301, 6310). They are also excluded from the provisions of law entitling U.S. citizen employees to premium pay for working on American holidays (5 U.S.C. 5541).

Cost

The costs provided by USIA for the premium portion of holiday pay for fiscal years 1984 and 1985 are \$9,000 and \$17,000, respectively. USIA did not provide us a cost for granting employees the holidays off and AID and the Department of State did not provide us costs for either item because their accounting systems do not capture costs in such a way that the costs for these items are readily available.

HOME LEAVE

This benefit allows Foreign Service officers and employees to take leave in the United States between tours of duty abroad. Home leave is given to ensure that employees return to the United States and renew their American culture, thereby becoming better representatives of the United States.

An employee who is a U.S. citizen and has 3 years of continuous service abroad (sometimes 18 months) is eligible to travel at government expense (transportation and subsistence) to the United States, its territories, or the Commonwealth of

Puerto Rico. However, home leave will be granted only when it is planned that the employee will complete another tour of duty abroad, either immediately or upon completion of an assignment in the United States.

The employee must spend at least 20 days in the United States. If the employee spends less than 20 days, or takes home leave at a foreign location, the time is charged to the employee's annual leave and the per diem must be returned to the government; in effect, making the trip rest and recuperation travel. Home leave accrues at the rate of one week earned for each four months served overseas. There is no limit on how much home leave may be accrued or how long the leave may be saved.

Legislative history

Home leave travel was originally authorized in the Rogers Act of May 24, 1924. The Secretary was authorized "whenever he deems it to be in the public interest" to grant home leave to any Foreign Service officer who has performed 3 years or more of continuous service abroad. The purpose given during hearings was to "put more Americanism" into alienated consuls and secretaries, and also make Foreign Service personnel available for "trade conferences." Regarding Americanism, there was considerable discussion in the hearings about employees who were becoming "abject followers" of the ideology of the host country, and the congressmen did not want others to also forget their heritage. Representative Rogers said:

"When a man gets older, more experienced, and level-headed, the danger of losing his head and his Americanism is not so extreme. But I have seen some of these young secretaries, who have had exceptional social opportunities and advantages in the capitals abroad, become the most abject followers of the social regime in the foreign capital...[I hope the effect of this bill] will be to bring these younger men, and perhaps the older men, back to the United States as often as possible so that they may not lose their Americanism, which is the biggest asset they have and the biggest asset to the country."

Trade and commerce also received attention. In fact, the bill as first proposed was aimed at promoting trade, not Americanization. An example was given "...where a man has been 3 years in a post, let us say Johannesburg, has information which a trade conference in the United States might find very useful to have explained to them." A Department of State spokesman summed up both viewpoints by saying "I want to see every diplomatic and consular officer in the Foreign Service thorough going Americans in touch with business affairs and responsive to the aspirations of the people of the United States."

The congressmen also noted that the expense of home leave is very large. An example was given of "one of our consuls general who has not been home for several years. He wants to come home, but he has a family to look after and cannot scrape the money together to do it." Accordingly, the Congress made home leave transportation and subsistence at the government's expense and it remains so today.

The act of March 17, 1941, extended the benefit of home leave to all overseas employees, not just Foreign Service officers.

The Foreign Service Act of 1946 reduced the required time abroad from 3 to 2 years. House Report No. 2508 said "Such a change is consistent with one of the prime objectives of the act, which is to insure that the officers and employees of the Service shall return more often to the United States to renew touch with the American way of life and so become better representatives of this country abroad." No mention was made of trade conferences. The report continued "...personnel stationed at tropical or unhealthful posts should be granted home leave after 2 rather than 3 years," and noted the British provide home leave for their personnel after 18 months at such posts. The 1946 act also provided that the Secretary "shall" order home leave after the required 2-year period of overseas service; the 1924 act allowed the Secretary to grant leave at his discretion.

The Annual and Sick Leave Act of 1951 (Public Law 233 of October 30, 1951) consolidated all leave legislation for U.S. civilian employees and established home leave on an accrual basis as we know it today. (Originally, government officers, including the Foreign Service, were regarded as having a legal entitlement to their full statutory pay or salary whether or not they performed any duties. The early leave laws were, therefore, limitations placed on their pay entitlements during periods when they were absent from duty.) The 1951 act granted one week of home leave for each 4 months of overseas service. There was no limit on how much home leave could be accumulated. However, unused home leave could not be used as the basis for any terminal leave or lump sum payment. These features are still in effect.

In 1953 the Annual and Sick Leave Act of 1951 was amended (Public Law 102 of July 2, 1953) to remove chiefs of mission from home leave. The amendment said "...the President may, in his discretion, authorize leaves of absence" to such persons, and noted that such absences are not part of any "leave system." This too is still on the books.

The Mutual Security Act of 1956 amended the Foreign Service Act of 1946 to allow employees to go to "territories and possessions" in addition to the United States. (Alaska and Hawaii were not yet states in 1956.)

The Overseas Differentials and Allowances Act (Public Law 86-707 of September 6, 1960) made two changes. The act established that home leave "may be granted. . . upon completion of 24 months of overseas service." Neither provision was really new. The 1946 Act contained the 24-month provision, but it was removed by the Annual and Sick Leave Act of 1951 which had no time provision. Also, the 1946 Act had changed "may" to "shall." Other provisions remained the same.

The Foreign Assistance Act of 1961, in addition to creating rest and recuperation travel, further broadened the use of home leave by providing that the Secretary "may" order personnel home after 18 months, and "shall" order home leave "as soon as possible after completion of 3 years service." The Senate was silent on this change, but the House Foreign Affairs Committee (Report No. 851) was quite clear that the existing 2-year requirement was "too rigid." The report quoted Department of State as saying that approximately 25 percent of its posts would qualify as 18 month posts, "or, alternatively, the officer would be eligible for two rest and recuperation trips during a 3 year tour." The same report said "This provision is particularly important to the AID agency, nearly 50 percent of whose personnel serve at posts with a hardship differential of 20 or 25 percent."

The Foreign Service Act of 1980 made no material changes in home leave.

Cost

The following costs were provided by AID and USIA for home leave travel and transportation charges for fiscal years 1984 and 1985. Neither AID nor USIA provided us costs for the time authorized for home leave and the Department of State did not provide any costs because their accounting systems do not capture the costs for these items in such a way that they are readily available.

	FY 1984	FY 1985
	- - -(thousands)- - -	
AID	\$4,377	\$4,887
USIA	<u>3,353</u>	<u>3,273</u>
Total	<u>\$7,730</u>	<u>\$8,160</u>

LANGUAGE INCENTIVE AND PROFICIENCY

Incentives are granted to Foreign Service officers who become proficient in foreign languages or acquire special abilities. Three types of payments are authorized to develop a cadre of Foreign Service officers skilled in the more difficult languages.

- Foreign Service officers may receive a language proficiency salary increase if they study and/or become proficient in designated incentive languages, for example, Arabic, Farsi, Japanese, Russian, and Thai. A Foreign Service officer who studies an incentive language receives one within-class salary increase after completing 16 continuous weeks of full-time training. An officer who demonstrates a specified level of reading and speaking competence receives a total of three within-class step increases (i.e., one after 16 weeks of training and two more after demonstrating proficiency).

- Certain employees with demonstrated speaking and reading competencies in incentive languages may be eligible for language incentive payments of 10 to 15 percent of base salary. The language incentive is paid while at a post where that language is currently on the Incentive Language List.

- Employees who enter the Foreign Service with a certain level of language proficiency in either Category A languages (French, German, Italian, Spanish, and eight other languages) or Category B languages (the incentive languages as well as others, e.g., Greek, Indonesian, and Somali) may be eligible for one to four within-class increases, depending on the language category and proficiency.

Legislative history

This incentive was first introduced by the 1960 amendments to the Foreign Service Act of 1946 (Public Law 86-723 of September 8, 1960). Concern about the low level of language competency in the Foreign Service surfaced in the Senate during the late 1950s and resulted in a series of bills and hearings aimed at correcting the deficiency. Extensive and lengthy hearings in the House and the Senate (but mainly in the Senate) led to S. 2633, the bill that became Public Law 86-723. Section 7 of that act contains the following policy statement:

"It is the policy of the Congress that chiefs of mission and Foreign Service officers appointed or assigned to serve the United States in foreign countries shall have, to the maximum practicable extent, among their qualifications, a useful knowledge of the principal language or dialect of the country in which they are to serve, and knowledge and understanding of the history, the culture, the economic and political institutions, and the interests of such country and its people."

Senate Report No. 880 of September 2, 1959, concluded that

"Language competence in the Foreign Service is primarily a function of money and people. With adequate appropriations and adequate numbers of intelligent officers, any desired level of language competence can be obtained. The committee intends that foreign language competence be raised substantially--not for its own sake--but based on actual needs in U.S. missions overseas. The committee expects that the designation of Foreign Service officer positions abroad requiring language competence shall be based largely on the recommendations of the mission chief without regard to current budgetary targets. The Department of State estimates that the implementation of the language program will cost about \$250,000 per year over a 5-year period. This would seem to be a small price when measured against the urgent need."

Accordingly, several sections of the act are concerned with foreign language competency.

- Section 16 made foreign language knowledge prerequisite to designated positions.
- Section 17 authorized within-class salary increases "based upon especially meritorious service." The Senate report gave as an example "the learning of unusual foreign languages on an officer's own initiative."
- Section 18 dealt with the relationship between promotions and functional and geographic area specialization. The Senate report recommended the Foreign Service officers careers "be devoted to one of the larger geographic areas [where] they could then concentrate on the languages, culture, and problems of the area and develop outstanding excellence."
- Section 29 instructed the Secretary to provide "orientation and language training to spouses and employees of the government in anticipation of [their] assignment abroad. . ."
- Section 30(b) authorized the Secretary to hire staff for the Foreign Service Institute who are not U.S. citizens "in the absence of suitably qualified United States citizens." Lao teachers were mentioned as an example.

Section 30(b) also authorized the incentive payments:

"The Secretary may . . . provide special monetary or other incentives not inconsistent with this Act to encourage Foreign Service personnel to acquire

or retain proficiency in esoteric foreign languages or special abilities needed in the Service."

The legislative history does not discuss what incentives may be "inconsistent with the act," nor does it define "esoteric" or "special abilities." However, the Senate report discusses what they are not:

"The committee believes this new authority is necessary but desires that it be employed very cautiously. The term "esoteric foreign languages" certainly does not include such languages as French, German, Spanish, and Italian which many Americans have an opportunity to learn. In the administration of a language incentives program language proficiency must be tested frequently and standards of competency must be kept high.

"The "special abilities" which are to be encouraged are not the traditional skills expected of Foreign Service officers nor the ordinary academic disciplines which reasonably well educated officers bring with them into the Service."

This section of the Foreign Service Act is still on the books. The Foreign Service Act of 1980 reworded and renumbered the provision, but the meaning remains the same, as does congressional interest. House Conference Report No. 96-1432 said the following about language competence:

"The House bill contained provisions describing the following:

- 1) the characteristics that should be found in the Senior Foreign Service;
- 2) the types of examinations which may be presented for appointment to the Foreign Service;
- 3) the criteria under which a career candidate can be initially appointed to a class higher than class 4; and
- 4) the records of ability and performance which may be examined by selection boards.

"The Senate amendment added an explicit reference to foreign language competence in each of the above described provisions."

Cost

The costs provided by USIA for language incentive for fiscal years 1984 and 1985 are \$306,000 and \$347,000, respectively. USIA did not provide us costs for language

proficiency and AID and the Department of State did not provide costs for either item because their accounting systems do not capture costs in such a way that the costs for these items are readily available.

LIVING QUARTERS ALLOWANCE

According to the legislative history, this allowance is intended to ensure employees are able to afford adequate and suitable housing. The allowance reimburses a U.S. government employee for certain housing costs, including rent, heat, light, and water when government quarters are not provided. Maximum allowances are established based upon the employee's grade level, family size, and location.

Providing housing was seen as essential to diminish disparities between American and other diplomats, provide appropriate quarters for employees required to entertain foreign dignitaries and businessmen, and boost the morale of employees serving overseas. When it became apparent that the State Department was not able to meet its goal of providing government housing to all Foreign Service employees overseas, the Department asked the Congress to approve a living quarters allowance in order to compensate all members of the Foreign Service under more equitable terms.

Legislative history

The Foreign Service Buildings Act was passed in 1926 with the long view of furnishing government housing to employees of all U.S. government agencies, including members of the Foreign Service, in certain parts of the world. However, by 1930, the government was providing housing to only 20 percent of the Foreign Service personnel overseas. Consequently, while some employees lived in government residences without charge, the majority of officers were still required to use personal income to pay rental fees for quarters.

In order to redress the inequitable housing practices overseas, the Department of State sought the authority to provide government quarters or a quarters allowance for members of the Foreign Service overseas. First, the Department's Appropriations Act for Fiscal Year 1930 authorized the Secretary of State to furnish employees of the Foreign Service, without cost to them, living quarters and utilities in government-owned or rented buildings. A year later, Congress authorized the Secretary to provide employees a housing allowance where government quarters were unavailable. Specifically, the act of June 26, 1930, stated that ". . . employees of the government having permanent station in a foreign country may be furnished, without cost to them, living quarters, including heat, fuel, and light in government-owned or rented buildings, and where such quarters are not available, may be granted an allowance for living quarters, including heat, fuel, and light. . . ."

During hearings before the House Foreign Affairs Committee on the 1930 legislation, the Secretary of State noted several reasons why Congress should endorse this proposal. First, the Secretary reminded the Committee that only a limited number of employees resided in government-provided quarters; at most posts, no such quarters were available. Consequently, granting a quarters allowance would provide means to compensate all employees on similar terms. Second, foreign diplomats stationed in the United States received a housing allowance from their governments as did employees of American companies stationed overseas. Third, the Secretary argued that providing housing or an allowance would boost the morale of current officers who were still without government housing as well as serve as an important recruitment incentive for prospective officers.

In 1945, an amendment to the Act for the Grading and Classification of Foreign Service Clerks of 1931 made clerks eligible for government quarters or a living quarters allowance. In addition, this act added gas and electricity to the list of utilities covered under the living quarters allowance.

The most significant changes to the living quarters allowance were incorporated into the Foreign Service Act of 1946. Specifically, the act clarified the conditions under which officers were authorized such an allowance, namely (1) whenever government-owned or rented quarters were not available and (2) for the cost of lodging at temporary quarters upon first arrival at a new post, for a period not in excess of 3 months or until occupation of residence quarters. A report from the Committee of Foreign Affairs (No. 2508) indicated that the provision of a temporary lodging allowance upon first arrival was implicit in the existing statute. The new legislation merely specified that quarters allowances given an officer who must stay in a hotel until he finds permanent quarters may be paid in amounts higher than the established living quarters allowance rate.

In 1956, a minor refinement was made to the basic legislation to include water among the utilities covered by the allowance. Senate Report No. 1175 and House Report No. 2508 indicated it was approved without debate on the assumption that it was overlooked by the composers of the Foreign Service Act of 1946.

The Overseas Differentials and Allowances Act of 1960, authorized an additional temporary lodging allowance for a period not to exceed 1 month prior to final departure and authorized funds to cover the expenses of initial repairs, alterations, and improvements to an employee's privately-leased residence at a foreign post of assignment. In Senate subcommittee hearings on the subject, the Chief of the Department's Allowance Division endorsed the temporary lodging allowance prior to departure because employees were transferred at the convenience of the government, and hence were unable to

control the timing of their departure. It was argued that the officers should not have to bear the extra expense of hotel accommodations when they vacated their privately leased quarters just prior to leaving the post. The allowance to cover the initial repairs on an employee's residence was intended to alleviate the financial burden of making substandard dwellings suitable for occupancy. The Department spokesman cited the installation of plumbing as an example of a repair whose cost would be reimbursed to the employee under this provision.

Cost

The costs provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985 are shown below.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - (thousands) - -	
AID	\$ 2,527	\$2,266
State	8,054	6,994
USIA	<u>713</u>	<u>679</u>
Total	<u>\$11,294</u>	<u>\$9,939</u>

LOCAL FOREIGN HOLIDAYS

U.S. citizen employees may be excused from duty on local holidays if the post is closed to the public by administrative order.

Legislative history

Section 205 of the Annual and Sick Leave Act of 1951 (5 U.S.C. 6302(a)) provides that annual leave will not be charged for absences such as holidays.

"The days of leave provided by this subchapter are days on which an employee would otherwise work and receive pay and are exclusive of holidays and nonworkdays established by Federal statute, executive order, or administrative order."

Executive Order 10893 of November 8, 1960, delegated authority to chiefs of diplomatic missions to exercise supervision over all government agencies operating in their respective countries:

"Section 201. Functions of Chiefs of United States Diplomatic Missions. The several Chiefs of the United States Diplomatic Missions in foreign countries, as the representatives of the President and acting on his behalf, shall have and exercise, to the extent permitted by law and in accordance with such instructions as the President may from

time to time promulgate, affirmative responsibility for the coordination and supervision over the carrying out by agencies of their functions in the respective countries."

This delegation included the authority for U.S. employees to observe another country's holidays. The essence of this executive order was enacted, with some modifications, in section 12 of the Department of State Authorization Act for Fiscal Year 1975. Public Law 93-475 of October 26, 1974, amended State's Basic Authorities Act to read:

"Section 16. Under the direction of the President--

"(1) the United States Ambassador to a foreign country shall have full responsibility for the direction, coordination, and supervision of all United States Government officers and employees in that country, except for personnel under the command of a United States area military commander;

"(2) the Ambassador shall keep himself fully and currently informed with respect to all activities and operations of the United States Government within that country, and shall insure that all Government officers and employees in that country, except for personnel under the command of a United States area military commander, comply fully with his directives; and

"(3) any department or agency having officers or employees in a country shall keep the United States Ambassador to that country fully and currently informed with respect to all activities and operations of its officers and employees in that country, and shall insure that all of its officers and employees, except for personnel under the command of a United States area military commander, comply fully with all applicable directives of the Ambassador."

This provision originated in the Senate when, on March 28, 1974, Senator Muskie submitted the section as Amendment No. 1117. He cited incidents of CIA meddling in Thailand's internal affairs and the FBI bugging columnist Joseph Kraft's telephone in Paris--both without knowledge of the Ambassador--as the justification of this formal statement of in-country command and control. Senator Muskie also noted that this amendment would give the force of law to what Presidents Kennedy and Nixon had already said in letters to their ambassadors.

This provision gives U.S. ambassadors full responsibility for the direction and supervision of all civilian employees in

their respective countries, including the authority to declare local holidays as "nonworkdays."

The Department of State Authorization Act for Fiscal Year 1979 (Public Law 95-426 of October 7, 1978) amended the provision by substituting "chief of mission" for "ambassador."

Cost

AID, the Department of State, and USIA did not provide us costs for this item in fiscal years 1984 and 1985 because their accounting systems do not capture the cost of this in such a way that it is readily available.

OFFICIAL RESIDENCE EXPENSES

The official residence expenses allowance defrays the unusual housekeeping expenses incurred to maintain the official government residences of the principal officers at post, whose duties require they entertain dignitaries at their homes. The residences of the ambassador, the deputy chief of mission, and senior officials of non-foreign affairs agencies are examples of official residences.

Legislative history

As early as 1908, legislators discussed the advantages of housing ambassadors and giving them an allowance to cover the necessary expenses of furnishing and maintaining the residence. Legislators remarked, for example, that some representatives of the American government had the financial resources to maintain lavish residences, while others, without private means, were compelled to live more modestly. They argued that housing and an allowance for incidental expenses might facilitate the stationing of intelligent individuals of modest means to the larger, more expensive capitals. In addition, legislators argued that the U.S. government lagged behind several European countries, including Great Britain, France, Germany, and Austria, in providing both housing and an allowance to principal representatives.

Despite these discussions, no residence expense allowance was authorized until the passage of the Foreign Service Act of 1946. Specifically, the act provided that "the Secretary may . . . make an allotment of funds to any post to defray the unusual expenses incident to the operation and maintenance of an official residence suitable for the chief representative of the United States at the post." According to a House Foreign Affairs report (No. 2508), the allowance would reimburse the chief representative for the extra and unusual expenses incurred in maintaining a residence commensurate with the position. Such expenses might include salaries for household servants and other miscellaneous operating expenses which, until then, fell directly upon the principal officer. As their colleagues argued

nearly 40 years earlier, some committee members held that such an allowance would allow representatives without private means to serve at certain overseas posts and would reduce the disparity between the salaries paid to American representatives and the salaries paid representatives of foreign governments.

In 1956 the authorization was extended to include all principal representatives at post. In hearings held before a Senate subcommittee, legislators repeated the argument that some posts were still beyond the reach of high-ranking career officials because they could not afford to maintain and operate the residence at their current level of salaries and allowances. The Department insisted that at some posts the responsibilities assigned to the deputy chief of mission were like those of the ambassador and required the deputy to reside in more lavish housing than might be found at other posts. Whereas the existing legislation granted the chief representative a reimbursement for residence expenses, the deputy chiefs of mission were compelled to cover costs, such as the salaries of extra servants and additional housekeeping expenses, out of their own pocket. Although a Department spokesperson at one point spoke of only four to six posts where deputy chiefs of mission would benefit from such an allowance, the same spokesperson indicated in later hearings that no more than 20 posts would be granted this allowance.

The Overseas Differentials and Allowances Act of 1960 amended the provision to grant a reimbursement for such expenses incurred by "chief representatives . . . and such other senior officials of the Government of foreign countries as the President may designate." In information provided to a Senate subcommittee, the Department of State explained that this addition was intended to extend to non-foreign affairs agencies the authority to pay costs of unusual housekeeping for their principal officers. The subcommittee was assured that the authority would continue to be used sparingly with the Department of State as the principal user, but would also assist senior officials of other government agencies who must maintain residences which are larger and more elaborate than otherwise would be required.

Cost

The following costs were provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - -(thousands)- - -	- - -
AID	\$ 65	\$ 70
State	7,892	7,877
USIA	<u>206</u>	<u>209</u>
Total	<u>\$8,163</u>	<u>\$8,156</u>

POST ALLOWANCE

The post allowance supplements the salary of an employee assigned to a foreign post where the cost of living is higher than in Washington, D.C. by at least 3 percent. The allowance is intended to ensure that an employee is able to purchase goods and services comparable to those the employee could purchase in the Washington area with salary alone. The post allowance, which is reviewed annually, is a flat payment received by the employee from the time of arrival at a high-cost post until departure. The actual amount of the allowance varies by salary level and family size.

Legislative history

Congress first appropriated funds for post allowances to supplement the salaries of diplomatic and consular officers in 1917. Viewed as a temporary measure to offset consumer price increases resulting from the war, the monies were reserved for officers in "belligerent countries and countries contiguous thereto." In discussions on appropriating funds for this purpose in 1916, some members of congress suggested that once such an allowance was provided, it would be difficult to rescind and would likely grow larger each year. These skeptics were assured, however, that once the war was over and economic conditions returned to normal, there would be no need for such an allowance.

In fiscal year 1918, the amount appropriated rose from the fiscal year 1917 level of \$150,000 to \$200,000; in fiscal year 1919, the fund jumped to \$700,000. Supporters of the 1919 bill attributed the sudden increase to worsening inflationary conditions worldwide, which translated into larger allowances for a greater number of officers. As before, the allowance was packaged as temporary assistance to lower-salaried officers who could not otherwise afford to live at their posts of assignment, as well as an economical alternative to permanent salary increases. While Congress appreciated the need for allowances and supported the funding increases, it also reemphasized the extraordinary nature of the provision by limiting it to "during pendency of existing war and for 6 months after its termination."

At the war's end, however, Congress concurred with the Department of State that the need for additional compensation still existed. In particular, the Department maintained that prices were as high or higher than they were during the war and would not likely return to pre-war levels for several years. Furthermore, even though employees were receiving allowances equivalent to 50 percent to 100 percent of their salaries, the Department pressed for more liberal legislative language in order to stem the tide of resignations by officers protesting inadequate salaries. The appropriation bill for fiscal year 1920 lifted the geographical and temporal limitations on the applicability of the allowance.

The amounts appropriated for the post allowance continued to decline through fiscal year 1928 when Congress appropriated only \$24,000. In subsequent years, however, the amount rose to \$100,000 by reason of unusually high living expenses and adverse conditions of foreign exchange.

In 1931, Congress sought to clarify who should receive the post allowance. Since its inception, the allowance had been authorized to diplomatic and consular officers. Congressional discussions revealed, however, that the Department of State interpreted the authorization more liberally than was intended and included among its recipients clerks, who were not technically foreign service officers, and, in some cases, ambassadors, who, while members of the diplomatic corps, were not suffering financial hardships similar to those of lower salaried officers. The 1931 act for the grading and classification of clerks explicitly authorized post allowances for clerks and continued the allowance for "ambassadors; ministers; diplomatic, consular, and foreign service officers . . . wherever the cost of living may be proportionately so high that . . . allowances are necessary to enable such . . . officers to carry on their work efficiently." The legislative reports regarding this provision did not elaborate on the meaning of the phrase "proportionately so high that . . . such allowances are necessary." However, a committee report on the Foreign Service Act of 1946 (No. 2508), which continued this authority, seemed to define the term when it noted that the allowance was intended for American personnel at posts where the cost of living is ascertained to be higher than in Washington, D.C.

Finally, the Overseas Differentials and Allowances Act of 1960 stated the provision substantially in its existing form, namely, that a post allowance may be granted to an employee in a foreign area ". . . to offset the difference between the cost of living at a post of assignment . . . and the cost of living in Washington, District of Columbia." House Report No. 902 stated that this allowance was intended to compensate for higher living costs and not as a recruitment and retention incentive.

Cost

The following costs were provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - -(thousands)- - -	
AID	\$ 742	\$ 569
State	2,764	2,371
USIA	<u>463</u>	<u>390</u>
Total	<u>\$3,969</u>	<u>\$3,330</u>

POST DIFFERENTIAL

Post differential is intended to serve as an incentive in recruiting and retaining personnel for locations where unusual hardship conditions exist. Employees of AID, the Department of State, and USIA permanently stationed or on extended temporary duty at 221 designated locations (as of December 1985) receive 10, 15, 20, or 25 percent of their basic pay as post differential depending on the nature and severity of hardships at the given post. The differential may be reduced if a danger pay allowance is granted, to avoid dual crediting for dangerous living conditions.

Legislative history

The Foreign Service Act of 1946 authorized the Secretary of State to grant a salary differential, not to exceed 25 percent, to certain officers at posts where extraordinarily difficult living conditions, excessive physical hardships, or notably unhealthful conditions existed. House Foreign Affairs Committee Report No. 2508 indicated that this allowance was to be used to attract lower-salaried employees to difficult posts. Foreign Service officers in higher positions would not receive the differential. Instead, these officers received extra credit towards retirement for service at unhealthful posts, which were essentially the same as those listed in the hardship category.

In 1955, Congress amended the 1946 act by making all Foreign Service employees at designated posts eligible for the differential, regardless of salary. Department regulations nevertheless prohibited chiefs of mission from receiving this allowance. The 1955 amendment also provided that those employees receiving a salary differential could not earn extra credit for service at unhealthful posts.

The Overseas Differentials and Allowances Act of 1960 liberalized the existing authority by removing the requirement that the differential be made available only at posts where extraordinary hardship conditions existed. Instead, the 1960 act allowed the Secretary to grant the differential if the conditions of environment differed substantially from those in the continental United States. In addition, the differential was made available to all U.S. government employees officially stationed or on extended detail at a designated hardship post.

In September 1981, the Department modified its regulations to pay the post differential to chiefs of mission as long as their combined salary plus post differential did not exceed \$100 less than the Executive Level II salary. In August 1985, the ceiling was raised to allow chiefs of mission to earn a salary plus differential up to \$100 less than the Executive Level I salary of \$86,200.

Cost

The costs provided by the Department of State and USIA for fiscal years 1984 and 1985 are shown below; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - (thousands) - -	
State	\$13,162	\$15,137
USIA	<u>2,143</u>	<u>2,473</u>
Total	<u>\$15,305</u>	<u>\$17,610</u>

REPRESENTATION ALLOWANCE

The representation allowance helps to defray the costs of official entertainment and customary gifts which appropriately further U.S. interests abroad. Adult family members may also receive this allowance for official entertainment even if the employee is not present at the event. Claims not covered due to insufficient funds may be tax deductible when expenses are properly certified by appropriate authorizing officials.

Legislative history

The Roger's Act of 1924 established a representation allowance to be paid ". . .to diplomatic missions and to consular offices . . .out of any money which may be appropriated for such a purpose from time to time by Congress. . . ." Committee hearings on the subject revealed that the Department of State expected the representation allowance to cover such diverse items as furnishings for the official residence, rent for officers' residences, entertainment, and Fourth of July receptions. Moreover, the Department suggested that the representation allowance be combined with a post allowance, which at the time was authorized at only a few posts. The representation allowance could be used to defray the costs of entertaining on the government's behalf as well as serve as an allowance to compensate officers for other extraordinary expenses incurred while overseas.

Despite reference to a possible dual-purpose allowance, the Department advocated the representation allowance substantially as a means to recompense officers the cost of entertaining officials. For instance, a Department spokesperson remarked that diplomatic and consular officers were encouraged, even obliged, to entertain foreign officials as well as Americans visiting the post, the expenses for which were borne by the individuals. By doing so, the spokesperson insisted, officers were able to display their enthusiasm for work while serving government interests. However, for those officers who had no source of income other than their Foreign Service salaries, the

costs of entertaining constituted a significant drain on their personal finances. Consequently, the Department believed the government should reimburse officers these costs.

Additional reasons cited to justify appropriating funds for representational expenses were that (1) for some years, the British and French governments, among others, had given their officials a representation allowance to cover a variety of representational expenses, and (2) such an allowance could serve as a tool to recruit competent, but not necessarily wealthy, officers into the Foreign Service.

Between 1924 and 1980, no substantive changes were made to the basic law. For instance, 1931 legislation concerning the classification of Foreign Service clerks made specific reference to positions at posts which would be authorized a representation allowance, namely, "ambassadors, diplomatic, consular, and Foreign Service officers." The Foreign Service Act of 1946 generalized the wording by providing for ". . .the proper representation of the United States by officers or employees of the Service." In 1960, the Overseas Differentials and Allowances Act provided that such allowances would be granted to "any employee of the Service who is a citizen of the United States."

In 1980, however, the authorization for representation allowances was expanded to include the family members of officers and employees. Specifically, the Foreign Service Act of 1980 provided that ". . .the Secretary may provide for official receptions and may pay entertainment and representational expenses (including expenses of family members) to enable the Department and the Foreign Service to provide for the proper representation of the United States and its interests." Subcommittee hearings on the Foreign Service Act of 1980 contained only few discussions on this subject. Nevertheless, hearings before the Committee on Foreign Relations indicated that the Department's Undersecretary for Management believed the existing representation allowance was adequate. He stated that the representation allowance covered an estimated 96 percent to 97 percent of the officers' out-of-pocket expenses and characterized the present sum as a fair reimbursement. In response to questions concerning spouse access to such funds, the Undersecretary stated that spouses were permitted a representation allowance under special circumstances, such as when the Foreign Service officer cannot attend the official function. At least at that time, the Department made no appeal to have its authorization expanded or its appropriation for this allowance increased.

The House Foreign Affairs Committee (Report No. 96-992) supported the addition of family members based on its recognition that family members, and particularly spouses, play an important role at official functions. The Committee believed that liberalizing the use of representational funds would alleviate the financial burden placed on Foreign Service

families who were forced to use their personal income for representational expenses.

In addition, having lifted the requirement that an employee receiving such an allowance must be a United States citizen, the Department opened up the provision to foreign nationals who are occasionally called upon to perform representational duties.

Cost

The following costs were provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - -(thousands)- - -	- - -
AID	\$ 93	\$ 97
State	4,170	4,531
USIA	<u>604</u>	<u>669</u>
Total	<u>\$4,867</u>	<u>\$5,297</u>

REPRESENTATIONAL TRAVEL FOR FAMILY

The Secretary is authorized to pay travel and related expenses incurred by members of the Foreign Service and their families for representational purposes. This type of travel is generally restricted to family members of high level officers and authorized only when a clear need for dual representation exists.

Legislative history

The Foreign Assistance Act of 1963 (Public Law 88-205 of December 16, 1963) amended the Foreign Service Act to allow a dependent of an employee to accompany the employee on authorized representational travel within the country of assignment. Travel outside the country of assignment was authorized only "at the discretion of the Secretary . . . but in no case to exceed one member of his family." The term "travel expenses" was not defined.

House Report No. 646 of August 8, 1963 said the bill (HR7885) was needed because

"experience has shown that representation is frequently conducted more successfully by a man-and-wife team than by an officer alone, and in the case of a single or widowed officer, when accompanied by a sister or other relative who normally acts as hostess. There may be occasions when an ambassador may be accompanied by a son or daughter to a meeting of local youth groups."

The Report continued:

"Customarily our ambassador accompanies a chief of state when the latter visits the United States. On such occasions the wife of the chief of state often accompanies her husband. This section will authorize the Secretary to include the wife of an ambassador or any other dependent serving as his hostess in the official party."

We found no other discussion or analysis of the provision. Nothing was found in the hearings or in discussion on the floors of the Senate and House. Neither Senate Report No. 588, which also reported on H.R. 7885, nor the President's original bill mentioned representational travel. Such travel is mentioned in the conference report (House Report No. 1006) but not discussed.

The Foreign Service Act of 1980 revised the wording but the authority remains the same. The Senate and House reports accompanying the 1980 Act did not discuss the continued need for such a provision. The benefit was not mentioned in either House or Senate hearings.

Cost

AID, the Department of State, and USIA did not provide us costs for this item in fiscal years 1984 and 1985 because their accounting systems do not capture the cost of this item in such a way that it is readily available.

REST AND RECUPERATION

This benefit provides travel expenses (but not subsistence) for an employee and the employee's family from locations abroad specifically designated by the Secretary of State to other locations abroad having different social, climatic, or other environmental conditions. The cost of travel from the post to a suitable relief area must be so great as to make it unreasonable to expect that the employee could finance the family's travel. The purpose of rest and recuperation travel is to make assignments at certain hardship posts more acceptable.

One round trip during any continuous 2-year tour unbroken by home leave, and two round trips during any continuous 3-year tour unbroken by home leave, are authorized. The employee's absence from post is charged to annual leave, earned compensatory time off, or leave without pay.

Legislative History

The Act for International Development of 1961 (Public Law 87-195 of September 4, 1961) created the benefit of rest and recuperation travel "to other locations abroad having different environmental conditions" than those at the post at which the

person serves. There was no discussion of this benefit in committee hearings or on the floors of the House and Senate during final passage. However, House Report No. 851 of the Committee on Foreign Affairs said this benefit "is of particular importance to the AID agency, many of whose personnel are stationed in unhealthy posts isolated from modern civilization and climatically difficult." The report said that an employee in Yemen or Khartoum "might wish to take his family to Asmara or Cairo, respectively, but would be unable to do so because of the high cost of transportation."

The 1961 act authorized travel expenses for one round trip during any continuous 2-year tour unbroken by home leave and two round trips during any continuous 3-year tour unbroken by home leave, but was silent as regards per diem and authorized time. Report No. 851 said "travel time and the period spent in rest and recuperation will be charged to annual leave" but also was silent regarding per diem.

This benefit originated in the House of Representatives. Nothing was found in the Senate documents nor in the President's original transmittal to Congress.

The Fiscal Year 1979 Department of State Authorization Act (Public Law 95-426 of October 7, 1978) expanded the benefit by allowing travel to the United States as an alternate to locations abroad. Senate Report No. 95-842 gives three reasons for this change:

"First, rapid and profound developments in American life make it desirable for employees to return more than once every two or three years, as is the case with home leave. The change will have the practical effect of making a yearly trip possible for persons eligible for rest and recuperation, while the original purpose for rest and recuperation--to enable employees and dependents to take an annual sojourn away from a difficult environment--will continue to be served.

"Second, the opportunity to spend rest and recuperation in the United States will be of special and needed help to the many Foreign Service families whose children are in college...

"Third, such a change offers certain favorable economic benefits, both to employees and to the United States in general. International economic conditions have altered profoundly since passage of the Mutual Security Act of 1961, and the cost of living in the United States is now lower than in most designated relief areas. . . . At the same time, such travel would benefit the United States balance of payments. Vacations in the United States mean dollars spent in the United States,

and families returning to the United States would travel on American carriers."

The same report acknowledged that this could increase costs; perhaps to as much as \$5.6 million. However, House Conference Report No. 95-1535 said

"the Secretary should give appropriate consideration to the benefits to employee morale to be derived from this provision as well as to the budgetary impact the provision may have on other agency programs and activities."

Both reports instructed the Department to "whenever possible" use U.S. carriers and take advantage of discount fares and add-on features of airline tickets. The Senate report said:

"These new discount fares, which the committee expects the Department to use wherever possible, together with the certainty that only a fraction of rest and recuperation leave would be taken in the United States, mean that the actual costs associated with this provision will probably be far less than [sic] \$5.6 million."

The Foreign Service Act of 1980 (Public Law 96-465 of October 17, 1980) expanded the benefit two ways. First, the criteria was changed to "different social, climatic, or other environmental conditions." Second, the Secretary was authorized to grant additional trips "in extraordinary circumstances." The legislative history does not provide very much information as to why these changes were made. The changes were in the original bill as submitted by the president and introduced in the Senate, but nothing was discussed during the Senate hearings.

Senate Report No. 96-913 and House Report No. 96-992, Part 1, contained identical paragraphs about rest and recuperation, and addressed only the second change:

"The authority for the Secretary to permit additional trips in extraordinary cases is added because there are a few posts at which members of the Service encounter such isolation and difficult conditions that more frequent trips for rest and recuperation are essential to the well being of individuals and the efficiency of operations."

The specific countries were not named in either report. During the House hearings, however, Saudi Arabia and China were mentioned as examples.

Cost

The following costs were provided by AID, the Department of State, and USIA for fiscal years 1984 and 1985.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - - (thousands) - - -	- - -
AID	\$ 1,340	\$ 1,384
State	3,490	3,539
USIA	<u>427</u>	<u>514</u>
Total	<u>\$ 5,257</u>	<u>\$ 5,437</u>

RETIREMENT AT AGE 50

A Foreign Service officer may retire when at least 50 years of age and after 20 years of creditable service (excluding military service). After the officer's agency approves his/her application, the officer is entitled to an immediate annuity. This option was offered in recognition of the special conditions encountered in the Foreign Service.

Legislative history

As of 1920, there was no distinction between Foreign Service and other federal civilian employees. The act of May 22, 1920, generally established an age requirement of 70 years and at least 15 years of service for most civilian employees from the government to retire.

The Rogers Act of May 24, 1924, created a separate retirement system for Foreign Service officers and provided that "when any Foreign Service officer has reached the age of 65 years and rendered at least 15 years of service, he shall be retired." There was no provision for voluntary retirement. The Rogers Act also created the unhealthful post retirement credit.

The act of February 23, 1931, provided for voluntary retirement before age 65 if the officer had at least 30 years of service.

The 1939 amendment to the 1931 act (Public Law 40 of April 24, 1939) lowered the retirement age (1) to 60 if unhealthful post retirement credit was used and (2) below 60 with 30 years of service if the unhealthful post retirement credit was not used.

Retirement at age 50 first appeared in the 1941 amendment (Public Law 69 of May 13, 1941) to the 1931 act. It provided for retirement at age 50 with at least 30 years service at the discretion of the Secretary. Also, the officer could retire at age 50 with at least 15 but less than 30 years of service "exclusive of unhealthful post credit."

The Foreign Service Act of 1946 created the benefit as we know it today: "Any Foreign Service officer who is at least 50 years of age and has rendered 20 years of service, including service within the meaning of section 853 [unhealthful post

retirement credit], may on his own application and with the consent of the Secretary be retired from the Service. . . ." Also, the normal retirement age was lowered from 65 to 60.

This act also began the "promotion-up or selection-out" system for Foreign Service officers, and the 50-20 retirement option was considered necessary for operation of the up-or-out system according to House Report No. 2508. The same report continued, "It is furthermore in accordance with the general trend in the armed forces and in private businesses, especially those which operate foreign services, to reduce retirement ages." The report did not specify which private businesses operated their own foreign service.

The 50-20 retirement option has not changed since 1946. Senate Foreign Relations hearings in 1979 and 1983 reiterated approval of this benefit. Senate Report No. 98-143 of May 23, 1983, says "the unique, difficult, and often dangerous conditions under which Foreign Service officers serve. . . and the 'up-or-out' mandatory retirement features of the Foreign Service personnel system are the primary reasons for the existing early voluntary retirement age. . . ."

Cost

AID, the Department of State, and USIA did not provide us costs for this item in fiscal years 1984 and 1985 because their accounting systems do not capture the cost of this item in such a way that it is readily available.

SEPARATE MAINTENANCE ALLOWANCE

The separate maintenance allowance reimburses employees for some of the added costs of maintaining a separate residence away from post. The major expense considered is housing, plus certain other costs due to the diseconomies of living apart. The rates vary by the number of dependents of the employee.

Legislative history

The Foreign Service Act of 1946 enabled the Secretary of State to grant an allowance to assist an officer who was compelled or authorized because of dangerous, notably unhealthful, or excessively adverse conditions at the post of assignment or for the convenience of the government to meet the additional expense of maintaining the employee's dependents elsewhere. A committee report stated that a so-called separation allowance had been paid with the approval of Congress since 1941 to American employees stationed at posts in war-torn areas where dependents were not allowed to reside. The allowance was intended to assist in meeting the extra expenses incurred to maintain a residence at the post and another in the United States. According to the report, the Department established the amounts of its allowances on the basis of those

provided to employees of American corporations under similar circumstances abroad.

By the end of the war, the number of posts eligible for the allowance had been reduced, but the need for such an allowance was still believed to exist at some posts. The 1946 legislation perpetuated the authority and made one significant change. Under the amended terms, employees were permitted to maintain their families in a country near the employee's country of assignment rather than in the United States and still receive the separate maintenance allowance.

The Overseas Differentials and Allowances Act of 1960 continued this authority with one important change. Specifically, Congress removed the requirement that the family must reside elsewhere than the employee's country of assignment and allowed the family to remain at a different location within the country. Department of State information provided to a Senate subcommittee noted that employees stationed in large countries, such as India, would benefit greatly from such an amendment. For example, strife could occur at one post, such as Bombay, while Delhi remained quiet and safe. In such a case, the family could receive the allowance while remaining closer to the employee than existing legislation would permit. In addition, the Department would be relieved of the large expense of sending the spouse and dependents to another country.

Finally, the Foreign Service Act of 1980 broadened the authorization of the allowance by removing the condition that the employee must be compelled to maintain a second household because of particular circumstances at post. Instead, an officer could elect to maintain two households. Specifically, the amended provision stated that a separate maintenance allowance may be granted to an officer who requests such an allowance because of special needs or hardships involving the employee's spouse or dependents. The provision was designed to make the service more responsive to family needs, which required more flexibility than was deemed necessary at the time the first Foreign Service Act or even the 1960 legislation was passed. According to Senate Report No. 96-913, the legislation would serve two purposes: (1) to provide financial assistance to families who chose to live apart to allow the non-Foreign Service spouse and dependents to pursue career or educational goals elsewhere than at post and (2) to save the government the cost of transferring families to, and maintaining them at, the post of assignment.

Cost

The following costs were provided by the Department of State and USIA for fiscal years 1984 and 1985; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - -(thousands)- - -	- - -
State	1,129	1,472
USIA	<u>153</u>	<u>197</u>
Total	<u>\$1,282</u>	<u>\$1,669</u>

SPECIAL DIFFERENTIAL

The special differential is additional compensation paid to certain Foreign Service officers who, because of the nature of their assignments, are required to perform additional work on a regular basis in substantial excess of normal requirements. This allowance is paid to employees whose work does not lend itself to a 5-day, 40-hour work week. Department regulations limit the special differential to Foreign Service officers in classes 4 through 8.

Legislative history

The Foreign Relations Authorizations Act of 1979 provided that the Secretary may pay special allowances, as the differential was then called, in addition to compensation otherwise authorized, to Foreign Service officers who are required to perform additional work on a regular basis in substantial excess of normal requirements.

The House Committee on International Relations report stated that Foreign Service officers are often called upon to work long hours because foreign policy crises and American citizens in trouble abroad do not observe a 5-day, 40-hour week. The committee also stated that the U.S. government cannot expect the employees to spend a career in the service of their country without adequate compensation. This allowance would ensure that such additional compensation would be available when the Secretary deemed the extra duty in the interest of the Foreign Service. In addition, the Committee of Conference specified that the grades of the positions eligible for the differential would be limited to classes 4 through 8.

The Foreign Service Act of 1980 continued this authority and added that if the Department wanted to limit either the number of Foreign Service officers who may receive a special differential or the amount of such differentials, the Secretary must submit a proposal to congressional committees. In addition, the amended provision stated that the act contained nothing to preclude granting members of the Foreign Service compensatory time off.

The House Foreign Affairs Committee supported the amendments in recognition of the unique character of work requirements of the Foreign Service. Therefore, the committee held that no limit should be set on the number of individuals

who can receive the special differential in a given year. Instead, compensation would be provided to any employee who meets the criteria set by the Department, subject only to budgetary considerations. The report also noted that additional pay was not intended for members of the Senior Foreign Service, nor was it to be offered in conjunction with another form of additional compensation, such as compensatory time. In addition, the Committee made it clear that the special differential was not to compensate employees on stand-by duty or on call for long periods of time outside normal duty hours.

Cost

The following costs were provided by the Department of State and USIA for fiscal years 1984 and 1985; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - (thousands) - -	- -
State	\$ 43	\$ 57
USIA	<u>2</u>	<u>3</u>
Total	<u>\$ 45</u>	<u>\$ 60</u>

SPECIAL INCENTIVE DIFFERENTIAL

The special incentive differential is similar to the post differential in that it grants additional pay to employees assigned to posts where conditions are extremely difficult. This additional payment, however, is specifically designed to be used as a recruitment and retention incentive for filling certain positions at designated posts. Under this provision, an employee could receive up to 15 percent of his or her basic pay as additional compensation. Although authority to grant the allowance has existed since 1980, no one has received this differential because the foreign affairs agencies have not been able to agree on the types of positions or the particular posts that would merit this incentive pay.

Legislative history

The special incentive differential was established under the Foreign Service Act of 1980. The new provision explicitly stated that an employee could be granted an additional differential ". . . for an assignment to a post determined to have especially adverse conditions of environment which warrant additional pay as a recruitment and retention incentive for the filling of positions at that post." According to House Foreign Affairs Report No. 96-992, the existing differential of 25 percent of basic pay had proven insufficient to attract good employees and their families to accept certain assignments. Instead, positions at posts where living conditions were

particularly adverse were often left open for many months until a willing employee could be found to accept the assignment. The Committee also noted that private industry offered up to a 80 percent differential to lure employees to certain sites, as did other diplomatic services.

Although the Department would be responsible for designating special incentive posts, the Committee envisioned some of the determining factors to include weather, health conditions, isolation, violent social or political unrest, and difficulty in assigning personnel. In addition, in cases where both a special incentive differential and danger pay were warranted, the special incentive would be reduced accordingly.

The Committee estimated that about 52 posts could be characterized by excessively adverse environments, but a Senate Committee estimated that only 18 posts would be eligible for the incentive pay in fiscal years 1980 through 1985.

Cost

Regulations for this benefit have not been promulgated and AID, the Department of State, and USIA did not incur costs for this item in fiscal years 1984 and 1985.

TRANSFER ALLOWANCE

The transfer allowance reimburses employees for subsistence, wardrobe, and miscellaneous expenses incurred upon transfer from the United States or a post in a foreign area. The subsistence expense portion is applied to costs incurred for temporary lodging and related expenses before departure from the United States to an overseas post of assignment and after return from an assignment abroad for a tour in the United States. (The temporary lodging allowance discussed in the section "living quarters allowance" covers similar expenses incurred in a foreign country prior to departure to another post of assignment.) The miscellaneous expense portion partially reimburses the employee for additional expenses peculiar to moving from country to country, such as purchasing new appliances, equipment, and furniture. The wardrobe expense portion, which applies to a limited number of foreign transfers, assists with costs of changing types of clothing essential in the transfer between tropical and frigid climatic zones.

Legislative history

The Foreign Service Act of 1946 established a foreign transfer allowance to reimburse personnel for extraordinary and necessary expenses, not otherwise compensated for, incident to establishing a residence at the post of assignment. The House Foreign Affairs Committee justified this allowance on the basis that an employee's initial outlays for new furniture, appliances, and wardrobes, under certain conditions, at foreign posts often resulted in financial hardship for the Foreign

Service personnel and their families. In addition, such an allowance was justified because officers of the British and other foreign services, and representatives of American corporations abroad, were being compensated for these expenses.

In 1955, the provision for a foreign transfer allowance was amended to authorize a similar transfer allowance to an employee assigned to a post in the United States between assignments to posts abroad. Referred to as the home service transfer allowance, it would cover the particular expenses connected with establishing a residence in the United States, which the Department claimed were as great or greater than those incurred at posts abroad. A House Foreign Affairs Committee report indicated that the home service transfer allowance would be a combination of two payments: (1) a reimbursement for hotel room expenses in the United States during the time the employee is looking for permanent residence quarters and (2) a lump sum payment to help offset miscellaneous expenses like those covered by the existing transfer allowance. The report also stated that the allowance was intended for officers who, after the tour of duty in the United States, would be returning to duty abroad. While the Committee did not envision that such payments would be repaid if an employee, for some reason, could not return to service abroad, it favored requiring the employee to reimburse the government if he or she refused to return overseas for reasons unacceptable to the Secretary.

In 1956, the Department exercised these authorities to grant a supplementary post allowance. Specifically, the Department promulgated regulations to reimburse the cost of restaurant meals for employees who were compelled to occupy non-housekeeping quarters upon first arrival at, or prior to final departure from, a post. Originally, only employees with dependents were reimbursed for these costs. In 1974, however, this allowance was made available to all employees regardless of family size.

In 1960, the Overseas Differentials and Allowances Act continued the existing authority to government agencies to pay transfer allowances. In 1975, however, the 1960 legislation was amended to permit an allowance to cover cost incurred in the United States prior to departure for a foreign post. Whereas civil service personnel had been receiving such an allowance for some years, foreign service officers were reimbursed only for expenses incurred at the post of assignment. This amendment would make universal the types of transfer allowances granted to government employees.

Cost

The following costs were provided by the Department of State and USIA for fiscal years 1984 and 1985; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	-- (thousands) --	--
Transfer Allowance - Foreign		
State	\$ 527	\$ 570
USIA	138	121
Transfer Allowance - Home Service		
State	\$ 269	\$ 394
USIA	<u>72</u>	<u>95</u>
Total	<u>\$1,006</u>	<u>\$1,180</u>

TRANSPORTATION OF AUTO

The private automobile of a member of the Foreign Service will be shipped by water, rail, or air transportation if the Secretary decides such transportation is necessary. Transportation of privately owned vehicles is only authorized in connection with a transfer or assignment to an official station outside of the conterminous United States, including a transfer between such stations, if in the interest of the U.S. government. When no longer needed abroad, the vehicle may also be transported to the United States.

Legislative history

The act of June 30, 1932, prohibited transporting an automobile at government expense. It was amended by the act of April 30, 1940, to allow the Department to pay for that part of the transportation necessary for ocean shipment. The officer paid transportation costs to and from the ship.

The Foreign Service Act of 1946 extended the Department's share to include rail and air transportation. House Report No. 2508 said the restriction to water transportation

"has frequently caused hardship, inconvenience, and expense to the officer or employee concerned. The existing legislation has, therefore, been amended to permit the Secretary to authorize shipment of automobiles by rail, water, or air. The latter method of shipment will not, at present, be used but, if air cargo transportation is developed to the degree that now seems probable, it is not unlikely that air transportation may prove to be in certain instances the cheapest method of transportation."

The report warned, however, that the transportation of a private automobile was not to be granted automatically.

"All payments made under the authority of this section will be discretionary on the part of the Secretary and the Secretary may refuse to transport any automobile whenever he considers that the interests of the government would not be advanced by such transportation."

Senate Report No. 1731 did not discuss the benefit. The Senate and the House both held hearings, but they were not printed.

The Overseas Differentials and Allowances Act (Public Law 86-707 of September 6, 1960) extended to non-foreign affairs agencies the authority to ship private automobiles, but there were several qualifications. Senate Report No. 1647 said

"H.R. 7758 would authorize the shipment of employees' vehicles by government transportation or commercial means when the transportation is considered by the head of the agency to be in the interest of the government for the employees to have the use of the motor vehicle at his post of duty. . . .

"Assurances have been given that this authority for the transportation of privately owned motor vehicles would be strictly administered to insure that such transportation will be authorized only where it is clear that the use of an employee's motor vehicle will contribute to effectiveness in the performance of official duties, is desirable and suitable under local conditions, is in the interest of the government, and is not solely for the personal convenience of the employee.

"The agencies concerned state that the automobile shipment allowance will be austerely administered. For example, it is not contemplated that automobiles will be shipped to any U.S. employees stationed in Europe. The reason for this is that European automobiles, which are available to U.S. employees, are usually entirely adequate. Furthermore, the larger U.S. cars are not suitable to many narrow European roads and, because of their size, they tend to have a poor psychological effect upon Europeans who see Americans driving them."

"In other countries where domestic cars are not available, however, the authority for this allowance is seen as essential so that employees who need cars as part of their jobs will have them."

The act also provided for transportation costs of a replacement automobile under certain conditions:

- Replacement could be made only after 4 years in-country, and then only after the Secretary had approved it in advance.
- The Secretary had to make a determination, in advance, that such "replacement is necessary for reasons beyond the control of the officer or employee and is in the interest of the government."

House Report No. 902 also stressed that this authority "would be strictly administered." The same authority was given to State, AID, USIA, CIA, and the Foreign Agricultural Service of the U.S. Department of Agriculture in order to attain uniformity throughout the government.

The Foreign Service Act of 1980 kept the provision basically the same but added one additional rule to the 1960 rules. Under the Foreign Service Act of 1980, a replacement vehicle may be transported incident to a reassignment within the 4-year period if the cost of transportation is less than or equal to the cost of transporting the employee's present vehicle. House Report No. 96-992, Part 1, said this added provision "should avoid the unnecessary expense of transporting older vehicles which are about to be replaced, often because they cannot meet the inspection requirements of the country in which the member is serving."

Cost

The cost provided by USIA for shipping replacement automobiles in fiscal years 1984 and 1985 are \$12,000 and \$15,000, respectively. USIA did not provide us costs for shipping the initial vehicles and AID and the Department of State did not report costs for either item because their accounting systems do not capture costs in such a way that cost for these items are readily available.

TRAVEL FOR CHILDREN OF SEPARATED PARENTS

Foreign Service officers' children below age 21 may receive annual transportation to visit the employee abroad if the children do not regularly reside with the employee. If the children reside with the employee, the children may visit the other parent if he or she resides in a country other than the member's post of assignment. No travel is authorized for children receiving an education allowance or educational travel. In addition, payment may not exceed the cost of round trip travel between the post to which the member is assigned and the port of entry in the conterminous United States which is nearest to the post.

Legislative history

The allowance was established under the Foreign Service Act of 1980 as a means to deal with the fact that divorce, post conditions, and the demands of a spouse's career have increasingly led to separation of members of the Foreign Service from their children. House and Senate committees agreed that the government should assist Foreign Service employees who wish to maintain contact with their children while stationed overseas, but find the travel costs to be prohibitive. House Foreign Affairs Report No. 96-992 stated that the policies of government should not force a Foreign Service member to choose between his or her career and the family. Providing a dependent travel allowance for employees who nevertheless find themselves divided from their children would permit the families to lead as nearly a normal life as possible under the circumstances.

Cost

The following costs were provided by the Department of State and USIA for fiscal years 1984 and 1985; AID did not provide us a cost because its accounting system does not capture a cost for this item in such a way that it is readily available.

	<u>FY 1984</u>	<u>FY 1985</u>
	- - -(thousands)- - -	- - -
State	\$287	\$305
USIA	<u>43</u>	<u>39</u>
Total	<u>\$330</u>	<u>\$344</u>

UNHEALTHFUL POST RETIREMENT CREDIT

Instead of post differential, a foreign service employee may elect to receive extra service credit toward retirement in an amount equal to one-half of the time actually spent at an unhealthful post. The credit is meant to provide additional incentive to serve at unhealthful posts.

Legislative history

The credit originated in the Rogers Act of May 24, 1924. As proposed by the Department of State, the credit would have been 2 years for each year actually served. Congressman Rogers had misgivings about the credit and asked if (1) the provision would be difficult to administer, (2) there would be tremendous pressure to increase the classification of localities as unhealthful, and (3) could some language be inserted in that provision to the effect that the number of such posts should not exceed 6 or 8 or 10. However, the provision was passed, although the law established a credit of 1 1/2 years, not 2.

The act of February 23, 1931, expanded the benefit by making it retroactive to January 1, 1900, and allowing officers who had already retired to have their pensions recomputed. The 1931 act also removed the qualification that unhealthful posts must be "in tropical countries." The conference report (House Report No. 2702) referred to this change (and other changes to the retirement system) as "not material." No reason was given for the change.

The Foreign Service Act of 1946 made no change in the credit.

The April 5, 1955, amendment to the Foreign Service Act of 1946 rewrote the law to allow Foreign Service officers to elect either the unhealthful post retirement credit or the monetary post hardship differential. Up until that time, Foreign Service officers could not receive the monetary post hardship differential (the legislative history of that allowance is in the section "post differential"). The act provided that Foreign Service officers should have the option to elect the benefit they preferred.

The Foreign Service Act of 1980 made no changes to the credit.

Cost

AID, the Department of State, and USIA did not provide us costs for this item in fiscal years 1984 or 1985 because their accounting systems do not capture the cost of this item in such a way that it is readily available.

USE OF U.S. GOVERNMENT VEHICLES

U.S. employees and dependents overseas may use U.S. government vehicles for personal transportation when public transportation is unsafe or not available.

The chief of mission is authorized to approve the use of government-owned or -leased vehicles for official and other authorized purposes. The transportation of United States employees from their residence to and from the office, when public transportation is unsafe or not available, is considered to be an official purpose. Other authorized purposes include providing transportation to and from recreational facilities, medical facilities, and school. There is usually a charge for use of a government vehicle; however, it may be waived.

Additional vehicles may not be acquired to satisfy demands for personal transportation. The use of government-owned or -leased vehicles for other authorized purposes shall not

interfere with their availability for official use. Also, such use is considered to be for the good of the Foreign Service and does not constitute a right or entitlement of any officer or employee.

Legislative history

The Foreign Service Act Amendments of 1946 (Public Law 828 of July 29, 1956) made several amendments to the Department's authority to operate commissary and mess services and recreation facilities abroad. Subsection 13(d) said "the Secretary may authorize any principal officer to approve the use of government-owned vehicles located at his post for transportation of United States government employees who are American citizens, and their dependents, to and from recreation facilities when public transportation is unsafe or is not available."

The Foreign Assistance Act of 1963 (Public Law 88-205 of December 16, 1963) broadened this authority in three ways:

- Use of leased vehicles was allowed as well as owned vehicles.
- Destinations other than recreational facilities were authorized.
- Both American and local employees and their dependents were included.

House Report No. 646 justified the new authority as follows:

"There are many instances where in the interest of the safety of the adult and minor dependents of Foreign Service personnel, government transportation must be used. In many of the newly opened posts in Africa, in certain Asian posts, and in the Iron Curtain countries, public transportation facilities, if they exist at all, cannot be considered a safe means of travel for women and children. In some areas it is not considered safe for an unescorted woman to drive herself or her children on the public thoroughfares, whatever may be the purpose of the travel. In addition to the absence of safe public transportation, there is the further fact that in many cities, privately owned vehicles cannot be left unattended on the streets."

The report cautioned, however, that

"the committee expects that the authority conferred by this section will be rigidly controlled by the principal officer and checked by the appropriate officials of the Department."

The provision is currently contained in section 2201(a) of the Foreign Service Act of 1980.

Cost

AID, the Department of State, and USIA did not provide us costs for this item in fiscal years 1984 and 1985 because their accounting systems do not capture the cost of this item in such a way that it is readily available.

COST INFORMATION ON
BENEFITS AND ALLOWANCES

AID, the Department of State, and USIA were not able to identify the cost for each of the benefits and allowances listed in appendix I. The fiscal year 1984 and 1985 costs they were able to provide are shown in the three following tables. Agency officials explained that, for the most part, their accounting systems do not accumulate costs for each benefit and allowance separately. AID's system, for example, accumulates the cost of all salary differential payments in one account. Thus, the agency cannot tell how much was spent on post differential because it is included in the same account with language and other differentials. Costs for other benefits and allowances cannot be reported because they are accumulated with other agency costs. For example, the Department of State's accounting system records utility costs for U.S. government housing as well as nonresidential (office, warehouse, and other) buildings in the same account. Also, some of the benefits and allowances listed in appendix I are difficult to quantify; for example, the cost of Foreign Service employees retiring at age 50. Finally, a few benefits and allowances may not result in a direct cost to the agencies, as in the case of exempting Foreign Service officers from paying the federal manufacturers' excise tax.

The data were provided by the three agencies from their accounting systems. We have not verified the accuracy of the information provided because to do so would have substantially delayed the issuance of this report.

Table IV.1: Cost of Benefits and Allowances
Provided Foreign Service Employees Overseas
Agency for International Development
Fiscal Years 1984 and 1985

<u>Benefit/allowance</u>	<u>Fiscal years</u>	
	<u>1984</u>	<u>1985</u>
	-(thousands)-	
Claims for Lost or Damaged Property		
Commissary/Post Exchange Privileges		
Consumables Shipment		
Consumables Shipment: First Tour		
Consumables Shipment: Second Tour		
Custom Privileges Abroad		
Danger Pay ^a		
Death Benefits		
Death Benefits: Casket and Preparation		
Death Benefits: Transportation		
Death Benefits: U.S. Income Tax Exclusion		
Dental Care Travel		
Dependent Care Grants		
Duty Free Goods		
Education Allowance ^b	\$ 4,238	\$ 4,732
Education Allowance: At Post		
Education Allowance: Away From Post		

Education Allowance: Handicapped Child		
Education Allowance: Home Study Instruction		
Education Allowance: Non-refundable Deposits		
Education Allowance: Supplementary Instruction		
Educational Travel	\$ 472	\$ 455
Emergency Visitation Travel From Abroad ^c		
Evacuation Payments		
Evacuation Payments: Advance Compensation		
Evacuation Payments: Special Education		
Evacuation Payments: Subsistence Expense		
Evacuation Payments: Travel Advance		
Family Travel on Extended Temporary Duty		
Family Visitation Travel From Imminent Danger Areas		
Government Housing		
Government Housing: Furniture and Equipment	5,760	6,390
Government Housing: Garage Space Rental		
Government Housing: Guards and Gardeners	2,818	3,000
Government Housing: Phone Installation		
Government Housing: Rent	15,519	14,707
Government Housing: Repair and Maintenance	1,721	1,982
Government Housing: Transportation and Freight	1,880	1,713
Government Housing: Utilities	3,350	3,764
Health Care at Post		
Holiday Pay		
Holidays, Local Foreign		
Home Leave		
Home Leave: Freight	2,050	2,246
Home Leave: Time		
Home Leave: Travel	2,327	2,641
Hospitalization		
Household Effects, Loan of		
Household Effects, Moving and Storage of	6,202	7,386
Immunizations		
Language Incentive ^a		
Language Proficiency: Employees		
Language Proficiency: Entrants		
Language Training		
Layette Shipment		
Living Quarters Allowance ^b	2,527	2,266
Living Quarters Allowance: Electricity, Gas, Water		
Living Quarters Allowance: Furniture Rental		
Living Quarters Allowance: Garage Space Rental		
Living Quarters Allowance: Initial Repairs		
Living Quarters Allowance: Mandatory Agent's Fees		
Living Quarters Allowance: Mandatory Property Insurance		
Living Quarters Allowance: Personally Owned Quarters		
Living Quarters Allowance: Rent		
Medical, Emergency Visitation, and Other Travel	1,180	1,299
Medical Examinations		
Medical Services		
Medical Services: Postemployment		
Medical Services: For Dependents		
Medical Travel ^c		
Military Club, Mess, and Recreational Facilities, Use of		
Official Residence Expenses	65	70

Other Benefits: e.g., Foreign Service Transfer Allowance	\$ 707	\$1,103
and Temporary Living Allowance		
Outpatient Care		
Physicians' Comparability Allowance		
Post and Language Differentials and Danger Pay	6,780	7,407
Post (Cost of Living) Allowance	742	569
Post (Hardship) Differential ^a		
Relocation Income Tax Allowance		
Representation Allowance	93	97
Representation Allowance: For Employee		
Representation Allowance: For Family		
Representational Travel for Family		
Rest and Recuperation Travel	1,340	1,384
Retirement at Age 50		
Sabbaticals for Senior Foreign Service Officers		
Sale of Personal Property		
Separate Maintenance Allowance		
Special Compensatory Time Off		
Special Compensatory Time Off: At Certain Designated Posts		
Special Compensatory Time Off: At Isolated Posts		
Special Compensatory Time Off: For Religious Observances		
Special Compensatory Time Off: When Officially Ordered		
Special Differential		
Special Incentive Differential		
Standby Duty Pay		
Sunday Pay		
Supplementary Post Allowance		
Tax Exemptions for Federal Manufacturers' Excise Tax		
Tax Exemptions for Foreign Income Taxes		
Temporary Lodging Allowance ^d		
Training of Family Members		
Transfer Allowance-Foreign ^d		
Transfer Allowance-Foreign: Miscellaneous Expenses		
Transfer Allowance-Foreign: Predeparture Subsistence		
Transfer Allowance-Foreign: Wardrobe Expenses		
Transfer Allowance-Home Service		
Transfer Allowance-Home Service: Miscellaneous Expenses		
Transfer Allowance-Home Service: Subsistence Expenses		
Transfer Travel	1,603	1,629
Transportation of Auto		
Transportation of Auto: First Auto		
Transportation of Auto: Replacement Auto		
Travel for Children of Separated Parents		
Travel Per Diem		
Travel Per Diem: Actual Subsistence		
Travel Per Diem: Flat Rate		
Travel Per Diem: For Dependents		
Travel to Accompany Medically Evacuated Parent or Family Member		
Unhealthful Post Retirement Credit		
Use of U.S. Government Vehicles		
Use of U.S. Government Vehicles: Personal		
Use of U.S. Government Vehicles: School Children		
Use of U.S. Government Vehicles: Travel To and From Work		

Total	<u>\$66,374</u>	<u>\$64,840</u>
Advances of Pay, Balance at FY end	\$651	\$849

^aThe cost for this allowance is accumulated with the costs of other benefits and allowances. See Post and Language Differentials and Danger Pay.

^bAID was able to report only a total amount for this item. Its accounting system does not break the total amount into the subcategories listed.

^cThe cost for this allowance is accumulated with the costs of other benefits and allowances. See Medical, Emergency Visitation, and Other Travel.

^dThe cost for this allowance is accumulated with the costs of other benefits and allowances. See Other Benefits: Transfer Allowance-Foreign and Temporary Living Allowance.

Note: Not all agencies track costs using the same categories. Blanks, therefore, do not necessarily indicate zero cost for that allowance, but rather the accounting systems' inability to specify a cost, if any, for just that allowance.

Table IV.2: Cost of Benefits and Allowances
Provided Foreign Service Employees Overseas
Department of State
Fiscal Years 1984 and 1985

<u>Benefit/allowance</u>	<u>Fiscal years</u>	
	<u>1984</u>	<u>1985</u>
	-(thousands)-	
Claims for Lost or Damaged Property		
Commissary/Post Exchange Privileges		
Consumables Shipment		
Consumables Shipment: First Tour		
Consumables Shipment: Second Tour		
Custom Privileges Abroad		
Danger Pay	\$ 804	\$ 960
Death Benefits		
Death Benefits: Casket and Preparation		
Death Benefits: Transportation		
Death Benefits: U.S. Income Tax Exclusion		
Dental Care Travel		
Dependent Care Grants		
Duty Free Goods		
Education Allowance ^a	14,275	14,539
Education Allowance: At Post		
Education Allowance: Away From Post		
Education Allowance: Handicapped Child		
Education Allowance: Home Study Instruction		
Education Allowance: Non-refundable Deposits		
Education Allowance: Supplementary Instruction		
Educational Travel	1,099	1,045

Emergency Visitation Travel From Abroad	\$ 539	\$ 530
Evacuation Payments ^a	236	165
Evacuation Payments: Advance Compensation		
Evacuation Payments: Special Education		
Evacuation Payments: Subsistence Expense		
Evacuation Payments: Travel Advance		
Family Travel on Extended Temporary Duty		
Family Visitation Travel From Imminent Danger Areas	63	67
Government Housing		
Government Housing: Furniture and Equipment		
Government Housing: Garage Space Rental		
Government Housing: Guards and Gardeners		
Government Housing: Phone Installation		
Government Housing: Rent ^b		68,197
Government Housing: Repair and Maintenance		
Government Housing: Transportation and Freight		
Government Housing: Utilities		
Health Care at Post		
Holiday Pay		
Holidays, Local Foreign		
Home Leave		
Home Leave: Freight		
Home Leave: Time		
Home Leave: Travel		
Hospitalization		
Household Effects, Loan of		
Household Effects, Moving and Storage of		
Immunizations		
Language Incentive		
Language Proficiency: Employees		
Language Proficiency: Entrants		
Language Training		
Layette Shipment		
Living Quarters Allowance ^a	8,054	6,994
Living Quarters Allowance: Electricity, Gas, Water		
Living Quarters Allowance: Furniture Rental		
Living Quarters Allowance: Garage Space Rental		
Living Quarters Allowance: Initial Repairs		
Living Quarters Allowance: Mandatory Agent's Fees		
Living Quarters Allowance: Mandatory Property Insurance		
Living Quarters Allowance: Personally Owned Quarters (Home Purchase)		
Living Quarters Allowance: Rent		
Medical Emergency Travel		
Medical Examinations		
Medical Services		
Medical Services: Postemployment		
Medical Services: For Dependents		
Military Club, Mess and Recreational Facilities, Use of		
Non-Foreign Service Institute Tuition for Employees	56	65
Official Residence Expenses	7,892	7,877
Outpatient Care		
Physicians' Comparability Allowance		
Post (Cost of Living) Allowance	2,764	2,371
Post (Hardship) Differential	13,162	15,137

Relocation Income Tax Allowance		
Representation Allowance for Employee	\$4,170	\$4,531
Representation Allowance for Family		
Representational Travel for Family		
Rest and Recuperation Travel	3,490	3,539
Retirement at Age 50		
Sabbaticals for Senior Foreign Service Officers		
Sale of Personal Property		
Separate Maintenance Allowance	1,129	1,472
Special Compensatory Time Off		
Special Compensatory Time Off: At Certain Designated Posts		
Special Compensatory Time Off: At Isolated Posts		
Special Compensatory Time Off: For Religious Observances		
Special Compensatory Time Off: When Officially Ordered		
Special Differential	43	57
Special Incentive Differential		
Standby Duty Pay		
Sunday Pay	435	523
Supplementary Post Allowance	290	273
Tax Exemptions for Federal Manufacturers' Excise Tax		
Tax Exemptions for Foreign Income Taxes		
Temporary Lodging Allowance	2,492	1,956
Training of Family Members		
Transfer Allowance-Foreign ^a	527	570
Transfer Allowance-Foreign: Miscellaneous Expenses		
Transfer Allowance-Foreign: Predeparture Subsistence		
Transfer Allowance-Foreign: Wardrobe Expenses		
Transfer Allowance-Home Service ^a	269	394
Transfer Allowance-Home Service: Miscellaneous Expenses		
Transfer Allowance-Home Service: Subsistence Expenses		
Transfer Travel		
Transportation of Auto		
Transportation of Auto: First Auto		
Transportation of Auto: Replacement Auto		
Travel for Children of Separated Parents	287	305
Travel Per Diem		
Travel Per Diem: Actual Subsistence		
Travel Per Diem: Flat Rate		
Travel Per Diem: For Dependents		
Travel to Accompany Medically Evacuated Parent or Family Member		
Unhealthful Post Retirement Credit		
Use of U.S. Government Vehicles		
Use of U.S. Government Vehicles: Personal		
Use of U.S. Government Vehicles: School Children		
Use of U.S. Government Vehicles: Travel To and From Work		
 Total	 <u>\$62,076</u>	 <u>\$131,567</u>
Advances of Pay, Balance at FY end	\$4,374	\$2,685

^aThe Department of State was able to report only a total amount for this item. Its accounting system does not break the total amount into the sub-categories listed.

b Annualized cost of rent or lease agreements in effect as of December 31, 1985; fiscal year 1985 not readily available.

Note: Not all agencies track costs using the same categories. Blanks, therefore, do not necessarily indicate zero cost for that allowance, but rather the accounting systems' inability to specify a cost, if any, for just that allowance.

Table IV.3: Cost of Benefits and Allowances
Provided Foreign Service Employees Overseas
U.S. Information Agency
Fiscal Years 1984 and 1985

<u>Benefit/allowance</u>	<u>Fiscal years</u>	
	<u>1984</u>	<u>1985</u>
	<u>-(thousands)-</u>	
Claims for Lost or Damaged Property	\$ 90	\$ 110
Commissary/Post Exchange Privileges		
Consumables Shipment		
Consumables Shipment: First Tour		
Consumables Shipment: Second Tour		
Custom Privileges Abroad		
Danger Pay	34	50
Death Benefits		
Death Benefits: Casket and Preparation		
Death Benefits: Transportation		
Death Benefits: U.S. Income Tax Exclusion		
Dental Care Travel		
Dependent Care Grants		
Duty Free Goods		
Education Allowance ^a	2,032	2,121
Education Allowance: At Post		
Education Allowance: Away From Post		
Education Allowance: Handicapped Child		
Education Allowance: Home Study Instruction		
Education Allowance: Non-refundable Deposits		
Education Allowance: Supplementary Instruction		
Educational Travel	282	311
Emergency Visitation Travel From Abroad	93	100
Evacuation Payments ^a	9	13
Evacuation Payments: Advance Compensation		
Evacuation Payments: Special Education		
Evacuation Payments: Subsistence Expense		
Evacuation Payments: Travel Advance		
Family Travel on Extended Temporary Duty		
Family Visitation Travel From Imminent Danger Areas . . .	3	-
Government Housing		
Government Housing: Furniture and Equipment		
Government Housing: Garage Space Rental		
Government Housing: Guards and Gardeners		
Government Housing: Phone Installation		
Government Housing: Rent	6,975	8,311

Government Housing: Repair and Maintenance		
Government Housing: Transportation and Freight		
Government Housing: Utilities	\$1,533	\$1,818
Government Housing: Various	4,334	4,230
Health Care at Post		
Holiday Pay	9	17
Holidays, Local Foreign		
Home Leave Only ^a	1,004	1,085
Home Leave With Transfer ^a	2,349	2,188
Home Leave: Freight		
Home Leave: Time		
Home Leave: Travel		
Hospitalization	197	207
Household Effects, Loan of		
Household Effects, Moving and Storage of	309	326
Immunizations		
Language Incentive	306	347
Language Proficiency: Employees		
Language Proficiency: Entrants		
Language Training	1,792	1,988
Layette Shipment	38	35
Living Quarters Allowance ^a	713	679
Living Quarters Allowance: Electricity, Gas, Water		
Living Quarters Allowance: Furniture Rental		
Living Quarters Allowance: Garage Space Rental		
Living Quarters Allowance: Initial Repairs		
Living Quarters Allowance: Mandatory Agent's Fees		
Living Quarters Allowance: Mandatory Property Insurance		
Living Quarters Allowance: Personally Owned Quarters (Home Purchase)		
Living Quarters Allowance: Rent		
Medical Examinations	76	80
Medical Services		
Medical Services: Postemployment		
Medical Services: For Dependents		
Medical Travel	217	241
Military Club, Mess and Recreational Facilities, Use of		
Official Residence Expenses	206	209
Outpatient Care	266	272
Physicians' Comparability Allowance		
Post (Cost of Living) Allowance	463	390
Post (Hardship) Differential	2,143	2,473
Relocation Income Tax Allowance		
Representation Allowance for Employee	604	669
Representation Allowance for Family		
Representational Travel for Family		
Rest and Recuperation Travel	427	514
Retirement at Age 50		
Sabbaticals for Senior Foreign Service Officers		
Sale of Personal Property		
Separate Maintenance Allowance	153	197
Special Compensatory Time Off		
Special Compensatory Time Off: At Certain Designated Posts		
Special Compensatory Time Off: At Isolated Posts		
Special Compensatory Time Off: For Religious Observances		

Special Compensatory Time Off: When Officially Ordered		
Special Differential	\$ 2	\$ 3
Special Incentive Differential		
Standby Duty Pay	2	3
Sunday Pay	25	24
Supplementary Post Allowance	36	37
Tax Exemptions for Federal Manufacturers' Excise Tax		
Tax Exemptions for Foreign Income Taxes		
Temporary Lodging Allowance	313	428
Training of Family Members		
Transfer Allowance-Foreign ^a	138	121
Transfer Allowance-Foreign: Miscellaneous Expenses		
Transfer Allowance-Foreign: Predeparture Subsistence		
Transfer Allowance-Foreign: Wardrobe Expenses		
Transfer Allowance-Home Service ^a	72	95
Transfer Allowance-Home Service: Miscellaneous Expenses		
Transfer Allowance-Home Service: Subsistence Expenses		
Transfer from Post to Post	791	900
Transfer from Post to US	700	720
Transfer from US to Post	2,002	2,087
Transportation of Auto		
Transportation of Auto: First Auto		
Transportation of Auto: Replacement Auto	12	15
Travel for Children of Separated Parents	43	39
Travel Per Diem		
Travel Per Diem: Actual Subsistence		
Travel Per Diem: Flat Rate		
Travel Per Diem: For Dependents		
Travel to Accompany Medically Evacuated Parent or Family Member		
Unhealthful Post Retirement Credit		
Use of U.S. Government Vehicles		
Use of U.S. Government Vehicles: Personal		
Use of U.S. Government Vehicles: School Children		
Use of U.S. Government Vehicles: Travel To and From Work		
Total	<u>\$30,793</u>	<u>\$33,453</u>
Advances of Pay, Balance at FY end	\$480	\$502

^aUSIA was able to report only a total amount for this item. Its accounting system does not break the total amount into the sub-categories listed.

Note: Not all agencies track costs using the same categories. Blanks, therefore, do not necessarily indicate zero cost for that allowance, but rather the accounting systems' inability to specify a cost, if any, for just that allowance.

PRIVATE SECTOR PRACTICES
FOR COMPENSATING AMERICANS
WORKING OVERSEAS

This appendix discusses the allowances and benefits provided by private sector employers to its employees serving abroad. The data were compiled through discussions with the Department of State Allowances Staff which furnishes information on the cost-of-living index in foreign areas to various private organizations. We also contacted several private organizations to obtain information on private sector overseas benefits and allowances. We examined numerous reports, studies, and articles to obtain information on the diversified range of allowances and benefits accorded overseas employees of the private sector, including:

- "Summary of Overseas Benefits and Allowances," the Foreign Benefits Group;
- "Innovations in International Compensation," the Organization Resources Counselors, Inc.;
- "1984 ORC Survey of International Personnel Compensation and Practices," the Organization Resources Counselors, Inc.;
- "Compensating Foreign Service Personnel," the Conference Board Record;
- "The American Expatriate Manager" by Nadeem Shahead in the Personnel Administrator;
- "U.S. Expatriate Compensation," Price Waterhouse; and
- "NFTC Quarterly Reports," published by the National Foreign Trade Council.

PRIVATE SECTOR COMPENSA-
TION PLANS

Private organizations generally agreed that incentives must be given to persuade employees and their families to leave their homes and serve abroad. Hence, complex compensation packages are often put together to enable the expatriates to keep their standard of living, live as well as their counterparts overseas, educate their children as they would at home, cope with the unusual expenses and difficulties of living away from home, and adapt to the new living conditions and special problems facing them. The compensation schemes, therefore, take into account the cost and multifaceted environmental differences arising from overseas assignments.

American executives--domestic and expatriates--receive essentially the same basic compensation package consisting of a base salary, profit sharing, a pension plan, health and life insurance plans, holidays, vacation and sick time, and a

retirement program. Companies may also grant a series of amenities and perquisites, such as automobiles and membership in private clubs.

The compensation package for employees overseas often includes additional benefits or allowances, such as a hardship premium, a post allowance, a scheme to ensure against the effects of multiple taxation, and a housing allowance.

According to the 1982 survey "Compensating Foreign Service Personnel" by the Conference Board, many companies are committed to assuring that an employee's discretionary spendable income (not taking allowances and benefits into consideration) is the same after taxes, regardless of where the employee is assigned. This survey of overall compensation practices for expatriates covered 123 U.S. based corporations with significant operations overseas. Sixty percent of the firms surveyed extend the cost-of-living salary adjustments granted employees in the United States to U.S. expatriates abroad. In addition, 8 percent of the companies grant local cost-of-living salary adjustments to make up the difference in the cost of a typical "market basket" in the host country and the United States.

In essence, increases in base salary cause further increases in total compensation because many of the allowances depend on the employee's base salary. Hence, the whole scale of compensation increases.

BENEFITS AND ALLOWANCES PROVIDED BY THE PRIVATE SECTOR TO AMERICANS WORKING OVERSEAS

Multinational companies provide different benefits and allowances packages. According to the studies listed earlier, some of the benefits and allowances include:

- Air travel and lodging en route
- Bonus, stock option, or profit sharing
- Completion bonuses
- Cost-of-living allowances
- Cultural indoctrination
- Early retirement and increased pension benefits
- Education allowances
- Emergency travel
- Environmental hardship premiums
- Excess baggage
- Foreign holidays
- Foreign relocation premiums
- Foreign service premiums
- Furniture allowances
- Hazardous duty premium or danger pay
- Home leave
- Home sale expenses
- Housing allowances upon repatriation
- Language incentives
- Lease cancellation penalties, reimbursement for

Living quarters or housing allowances
Loss of personal property abroad, reimbursement for
Medical care benefits
Packing and storage
Personal transportation
Post allowances
Post arrival meals and lodging
Predeparture meals, lodging, automobile
Qualified trust fund
Real estate and lease assistance
Rest and recuperation
Separation allowances
Shipment of household goods and personal effects
Stock purchase plan
Student visits
Tax protection or equalization
Transfer allowances

DIFFERENCES IN BENEFITS AND ALLOWANCES
PROVIDED FOREIGN SERVICE AND PRIVATE
SECTOR EMPLOYEES

The allowances and benefits provided to federal government and private sector employees have similarities and differences. The U.S. government does not provide the following benefits to any of its employees:

- qualified trust fund,
- foreign service premium,
- stock purchase plan,
- tax reimbursement program, and
- bonus, stock option, or profit sharing.

Conversely, according to the available studies we reviewed, we found the following benefits or allowances may be provided by the U.S. government only:

- customs privileges,
- commissary/post exchange privileges,
- layette shipment,
- use of military clubs,
- use of mess facilities,
- special compensatory time off,
- special differential,
- standby duty pay,

- Sunday pay,
- unhealthful post retirement credit, and
- dependent care grants.

The following section discusses three specific private sector benefits: the foreign service premiums, the housing assistance, and the tax program.

Foreign service premiums

Granting a premium in one form or another to American expatriates who accept positions abroad is a fairly common practice. The foreign service premium is not paid by the U.S. government, but a Department of State official told us the U.S. government housing allowance takes the place of both the foreign service premium and the housing assistance offered by the private sector.

According to a Conference Board report, the premium is based on the assumption that some inducement is required to compensate an employee for the intangible factors involved in serving overseas. Companies generally set their foreign service premium as a percent of base salary. According to the Conference Board, there are many formulas for determining the premium applicable to specific foreign areas. The Board's studies have found that companies vary the premium from country to country, pay a uniform premium, or follow either the Department of State or Defense formulas.

According to the National Foreign Trade Council, Inc., the Conference Board, and Organization Resources Counselors, Inc., the amount of the foreign service premium is, in some instances, subject to a ceiling. While the typical foreign service premium is 15 percent of base salary, it ranges from 0 to 50 percent. The foreign service premium may also be reduced or eliminated for assignments in countries where the expatriates can enjoy the same standard of living as they would at home.

Housing assistance

According to the Conference Board, as a result of higher housing costs abroad, the private sector compensates American employees working overseas for the additional costs incurred in renting. The U.S. government housing allowance covers housing expenses in full. The housing assistance is paid not only because the cost of living is sometimes higher overseas, but also because the employees are interested in the short-term market, which is usually more expensive. Additionally, the employee's preference is typically for Western style housing, which, in some areas, is scarce and exceptionally expensive. Thus, housing assistance can be of financial significance to overseas employees.

The housing assistance approach varies widely by company and even by geographic areas within the same company. For example, according to a 1985 Foreign Benefits Group study of 26 companies:

- 4 percent of the companies provide a flat amount,
- 11 percent of the companies provide free quarters,
- 19 percent of the companies use tables prepared by consulting groups,
- 35 percent of the companies pay the rent in full and charge the employees a percentage of their salary which the company perceives as the normal percent employees in that salary category pay for rent in the United States, and
- about 31 percent of the companies pay the difference between the employees rent overseas and in the United States.

To determine the amount of housing assistance to pay, companies

- use tables prepared by consulting companies, or
- use the Department of State tables.

Tax program

According to the studies mentioned above, the reimbursement program for increased taxes has become a very important element of a total overseas compensation package. The tax rates on foreign income have increased over the years and American employees overseas have to comply with local tax laws. U.S. government employees usually are not subject to foreign tax laws. While some employers leave the responsibility for paying all taxes to the employee, many employers try to reimburse the employee for increased taxes in one way or another.

Sometimes the employee's tax treatment in the foreign country is part of the contract between the U.S. employer and the government of the country in which the project is located, mostly in the developing world. Employers may also deal with each employee's compensation and tax problems on an individual basis. Thus, personal considerations and location play a role in any reimbursement of taxes. Furthermore, an employer may implement a tax protection policy to protect employees from paying higher taxes than they would have incurred had they remained in the United States.

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