MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Definition of Costs Considered “Additional Costs” in the Pricing of Training for
International Students

References: (a) Arms Export Control Act, Public Law 90-629, as amended, codified as Title 22,
United States Code, sections 2751 et sequentes
(b) Foreign Assistance Act, Public Law 87-195, as amended, codified as Title 22,
United States Code 2151 et sequentes
(c) Department of Defense, Financial Management Regulation, Volume 15,
Chapter 7, “Pricing,” January 2014

This memorandum provides a comprehensive definition of the pricing of “additional
costs” in reference (c), applicable to Department of Defense (DoD) military and civilian
personnel in the training of international students authorized by references (a) and (b). Guidance
cconcerning training costs for international students under DoD Building Partner Capacity
authorities will be provided under separate correspondence.

Section 21(a)(1)(C) of reference (a) provides for the recoupment of the full cost of
defense services (including training), except when a country is concurrently receiving
International Military Education and Training (IMET) assistance or is categorized as a high-
icome foreign country under reference (b). For the latter, the country is to pay only those
additional costs incurred by the U.S. Government (USG) in furnishing such defense services
(including training). Section 546(b) of reference (b) designates Austria, Finland, the Republic of
Korea, Singapore, and Spain as high-income foreign countries.

The following guidelines apply to the pricing of “additional costs” for training provided
under references (a) and (b), as set out in reference (c).

Tuition-based Training Courses (Reference (c) Table 7-3, Rates C, D, and E).
U.S. Government (USG) and international students may attend the same course of instruction
taught by the same instructor and supported by the same direct support staff members. While
generally most instructor and staff costs may be considered “sunk costs,” when pricing additional
costs of the USG, it is understood that there may, in fact, be additional billets required over those
necessary to train USG students as a result of the inclusion of international students. These
instructor/staff personnel, although not required for the USG-only student load, may be utilized
in the training/support of USG students, as well as international students, just as those required
for USG students only may also be utilized in the training/support of international students. To
the extent that additional instructors and staff are required, those billets are “additional costs” to
international training. Military pay/entitlements are excluded from Reference (c) Table 7-3, Rates D and E.

**International-specific Training Courses or Programs.** Where billets are being dedicated to the training of international students only (no USG student participation), to the extent it can be documented that the instructors/staff are 100 percent reimbursable for such training, those costs are “additional costs.” Military pay/entitlements are not charged under Foreign Military Financing and IMET.

**Training Teams (i.e., Mobile Training Teams).** To the extent a military member is filling a reimbursable billet, is called to active duty (if a Guard or Reserve member), or is assigned to a Defense Working Capital Fund function, those costs are additional costs. In all other instances, the only additional costs related to pay that may be charged are hazardous duty pay and family separation pay, if applicable. All costs for civilian employees are “additional costs.” In all cases, travel and per diem costs are “additional costs.”

It is understood that implementing the new definition is potentially a significant undertaking. Therefore, these procedures will apply effective with the pricing of the Fiscal Year (FY) 2018 tuition rates, FY 2017 international-specific training courses or programs, and training teams effective October 1, 2016.

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