

## Frequently Asked Questions: BAH

### **Q1: Who is eligible for BAH?**

A member with permanent duty within the 50 United States, who is not furnished government housing, is eligible for Basic Allowance for Housing (BAH), based on the member's dependency status at the permanent duty ZIP Code. A member stationed overseas, including U.S. protectorates, who is not furnished government housing, is eligible for Overseas Housing Allowance (OHA) based on the member's dependency status. If a member is serving an UNACCOMPANIED overseas tour, the member is eligible for BAH at the with dependents rate, based on the dependent's U.S. residence ZIP Code, plus OHA at the without dependents rate, if the member is not furnished government housing overseas.

### **Q2: Where Can I look up my rates and learn more about Basic Allowance for Housing?**

Go to <https://secureapp2.hqda.pentagon.mil/perdiem/bah.html>

### **Q3: I looked up the current year BAH amount for my grade and ZIP Code and it's less than I was getting last year--am I going to lose money?**

No. BAH rate protection will keep individuals from having reductions in housing allowances as long as they maintain "uninterrupted eligibility" [see below] for BAH. This means individuals will be entitled to the 1 January rate for their grade and location or the housing allowance they were being paid on 31 December of the previous year, whichever is larger.

### **Q4: Can I ever lose rate protection?**

Three separate circumstances may lead to a change in your status that "interrupts your eligibility" for the allowance, and then, **only** if the published allowance for your grade and location is less than what you are getting now.

First, and most common, a decrease will occur when you PCS to a location where the cost of housing is **less** than your current duty station. At the new duty station you will get a lower housing allowance, but you should be no worse off, because housing will cost less there.

Second, if you are demoted, your housing allowance will revert to the then current published table of allowances for your lower grade. Promotions will not lower your housing allowance. Third, if your dependency status changes (from with dependents to without dependents, or vice versa), your housing allowance will be determined by your new dependency status and the then current published table of allowances for your grade.

### **Q5: If, in a given year, I lose rate protection, am I protected from further decreases in the following year(s)?**

Yes. Individuals are always entitled to the larger of: (a) the January 1 published BAH for their grade and location; or (b) the housing allowance they were being paid December 31.

**Q6: Does rate protection keep me from getting rate increases?**

No. Individuals are always entitled to the larger of: (a) the January 1 published BAH for their grade and location; or (b) the housing allowance they were being paid December 31.

**Q7: If I get promoted, will I get the "protected" BAH amount for my new pay grade?**

No. If you get promoted, your BAH entitlement will be the current published BAH for your new (higher) grade, with the following exception. If you get promoted, and are in a location where the current published BAH for your new grade is lower than the BAH amount you were receiving before, you will continue to receive the higher BAH amount.

**Q8: I just arrived PCS here, and my BAH rate is less than other members with the same grade! Is that possible?**

Beginning January 1, 2001 members are protected from published rates decreasing in their location. This is called geographic rate protection. Geographic rate protection is designed to last until December, 2005, when rates will again be allowed to decrease (and increase as they do now) with the local housing market. Until January, 2006, with few exceptions, all members with the same grade and dependency status will receive the same BAH.

After 2005 it is possible that other members of your grade benefit from individual BAH rate protection--as will you, if the published rate falls at any time in the future. The justification for individual rate protection acknowledges that when a member arrives PCS at a new duty station, he or she makes a fixed commitment to housing (lease or mortgage) based on market conditions at the time of arrival. If after that time, the housing market weakens, it is unlikely that their lease or mortgage will fall therefore housing allowances are protected. In any given year, the published BAH in an area reflects the current housing market conditions, and, for newly arriving members, the allowances are appropriate for adequate housing at that time.

**Q9: Will I see big changes in housing allowances on January 1?**

Typically changes in housing allowances are modest. Allowances reflect the costs associated with household rental. Generally, rental prices increase between 2%-5% from year to year, with "hot" markets increasing 5%-10%. Housing allowances typically increase accordingly.

**Q10: I still have some out of pocket expenses!**

Yes, that will be true for one half of the members at a location, but the other half will have out of pocket expenses that are less! This is what is meant by median. For a given individual, actual out-of-pocket expense will be higher

or lower based on the actual choice of housing. For example, if a member lives in a 3-bedroom townhouse with lease and utilities that cost \$1200, and the median cost for that dwelling in the area is \$1100 that person will have out-of-pocket expenses that are \$100 more than the typical out-of-pocket expense for that grade. The opposite is true for an individual who chooses to occupy a less expensive residence. Only for the member whose housing costs are exactly at the median will out of pocket expenses be the same for a given pay grade and dependency status in any location in the United States.

### **Q11: The BAH for my grade doesn't begin to cover my mortgage payment!**

BAH is based on rental data. Homeowners' monthly mortgage payments are not used in the computation because the monthly cash outlays of homeowners are not a good indicator of the economic costs of home ownership. (The variables needed to compute this include such difficult to measure factors as the expected appreciation in the value of the residence, the amount of down payment, the opportunity costs of interest from down payments, settlement costs, and the tax savings due to the deduction of interest payments.) Therefore, BAH reflects the current rental market conditions not the historical circumstances surrounding various mortgage loans.

### **Q12: What is the source of BAH Rental data?**

We obtain current data from multiple sources, employing a "checks and balances" approach to ensure **reliability and accuracy**. Current residential vacancies, identified in local newspapers and real estate rental listings, are an important, but not our only, source of data. Vacancies are selected at random, and subjected to a multi-tiered screening process to ensure accuracy and reliability. Telephone interviews establish the availability and exact location of each residential unit sampled. We designed the sample to obtain a statistical confidence level of 95% or higher. We also employ yellow page listings of apartments and real estate management companies to identify units for rental pricing. It is not uncommon for us to consult real estate professionals in a locality to obtain important confirmation and additional sources of data. Where available, we contact fort/post/base housing referral offices, to tap local military expertise and gain insights into the local concerns of our members. Finally, DoD and the Services conduct on-site evaluations at various locations to confirm and ensure reliability and accuracy of the cost data. Future enhancements include examining potential uses of the internet as well as housing data available from other government agencies.

### **Q13: How do you know the new method of measuring housing cost will be more accurate?**

The BAH employs a civilian-based method of measuring comparable housing costs that is superior to the old VHA housing survey that measured members' *spending* on housing. First, members don't have to put up with the hassle of the annual VHA surveys. More importantly, BAH eliminates the so-called, "**Death Spiral** ." Under VHA/BAQ, members who scrimped on housing, and then reported low housing expenditures, only reinforced, or drove down, already low allowances. This mainly occurred among the most junior members, whose limited

disposable (after-tax) income may have forced them to accept inadequate housing and then report low costs on the member survey. The Services also recognized that the VHA/BAQ created a similar, but opposite, bias for some senior officer/enlisted grades. Under the old system, if a member opted to use a greater share of disposable income for bigger or more expensive housing, relative to the local market, and reported this expenditure on the VHA survey, it tended to "inflate" reported costs and thus allowances. Basic Allowance for Housing eliminates both these low-end and high-end biases.

**Q14: What steps do you take to ensure reliability and accuracy of the data?**

In selecting specific units to measure, we employ a multi-tiered screening process to ensure that the units and neighborhoods selected are appropriate. The first screen considers *reasonable commuting* criteria, generally defined as 20 miles or 1 hour during rush hour, eliminating units that fall outside these limits. Next we check to see that the selected unit is in a neighborhood in which our members would choose reside. Using the Defense Enrollment eligibility Reporting System (DEERS) data, as a key to where members live, we focus on those neighborhoods in which the majority of our members live. The idea here is to *avoid sampling slum, high-crime, or undesirable neighborhoods* that members have already avoided. Finally, we use an *income screening process, to identify appropriate neighborhoods* . For example, in pricing 3 and 4 bedroom single-family units, (senior enlisted/officers) we know that member income in these grades is between \$60 and \$100 thousand, so we select 3 and 4 bedroom single family units in neighborhoods where the typical civilian income is in this range. When we price 1 bedroom apartments (junior single enlisted) we focus on neighborhoods where the typical civilian income is consistent with the \$20 to \$30 thousand income level that is typical for these grades. For comparison purposes, civilian salary equals the sum of military basic pay, average BAH, BAS plus tax advantage. We are also investigating how best to incorporate specific school/education and crime measures in the selection of appropriate neighborhoods.

**Q15: What is included in median housing costs?**

Current market rent, average utilities and renters insurance.

**Q16: How often do you collect housing data?**

We collect the data annually, in the spring and summer when housing markets are most active.

**Q17: What types of residences do you include in your data collection?**

Our data include apartments, townhomes/duplexes, as well as single-family rental units of various bedroom sizes.

**Q18: Does family size make a difference?**

No. Although the new allowance will distinguish between with-dependents and without-dependents, the with-dependents compensation will be based on comparable civilians using average family size.

**Q19: In determining the income of comparable civilians do you consider military family income which includes the income of the working spouse (if any)?**

No. We believe military members should not be put in a situation where spouses are required to work, so in considering the military, we use Regular Military Compensation that equals the sum of military basic pay, BAH, BAS and tax advantage.

**Q20: Does BAH guarantee that my residence will match what I could get if I lived in government quarters?**

No. BAH is based on civilian standards, considering the housing choices made by civilians of comparable income.

**Q21: Exactly what are the civilian housing standards you use?**

These are income-based, minimum housing standards used to establish the link between housing cost and pay grade. Of course, members are not limited to the standard, and are free to choose where and how they will live. Actual member choices, however, will no longer influence the *calculation* of rates.

**Q22: Why do you base BAH on my duty location? Why not use my residence location?**

The policy decision to use duty location as a basis for entitlement to BAH is based on the desire to compensate members for the typical housing cost within a "reasonable commuting distance" from the member's duty location. Once the duty station is known, the BAH compensation is fixed, regardless of where the member lives. Were we to use the member's residence location as a basis for the entitlement, there is the concern that this would cause members to choose their residence location based on BAH. In some cases, this may lead to some members choosing to live further from their duty station, simply to incur higher BAH. In other cases, when members commute to lower cost areas, members would find their BAH to be lower, even though their commuting expenses are higher. The Services decided to base the entitlement on the duty location with the full knowledge that members would still be free to live where they choose, but that this decision would not affect their BAH entitlement.

Geographically separated families (geographic bachelors) are normally eligible for BAH based on the duty station of the member. The department budgets for support of a certain number of members and families at each location. If a growing number of people decide to leave their families in Washington, or Tampa while the member PCSs to Mt Home or Ft. Hood that could skew the budget and service support planning for these locations. Also, a fundamental philosophy of military service is that members, with their families, create a better work environment and esprit de corps when they can be active participants in the local base and community. In certain circumstances, with specific approval of the secretary of the Service concerned, a member may be granted an exception to receive BAH based on the dependent's location. For example if a member has a sick child that requires medical attention only available in a certain location (say Walter Reed Clinic in Washington DC), and the

member receives PCS orders, the member might leave his family in Washington and request BAH eligibility for that location. Such exceptions do not ordinarily apply to "finishing out the school year" or spousal employment.

**Q23: If people choose to live further away to reduce their housing expense, does that lower BAH for everyone else?**

No. Members' expenses are no longer used to calculate BAH.

**Q24: Why does someone living in another city get more BAH than I do, when it seems to me that housing is more expensive here?**

Accurately determining if one location has more expensive rental markets than another is a scientific and statistical exercise. Sometimes, individuals rely on limited personal experience or newspaper and magazine articles to make that judgment. The Department of Defense and the Services have concurred that we will rely on Runzheimer International to collect statistically valid housing cost data that we will use to compute BAH. Founded in 1933, Runzheimer is a recognized leader in the field of collecting cost of living data in the United States and around the world. Currently Runzheimer serves over 2000 businesses and governments worldwide and is renowned for its accurate and reliable research.

**Q25: The cost of living here is high; I have no commissary, exchange, or hospital--I need more BAH!**

BAH is designed to address the cost of *housing* in each area. The CONUS COLA program addresses non-housing costs of living. The fundamental goal of CONUS COLA is to compensate for high cost of living and is payable to Uniformed Service members based on duty stations in the Continental U.S. CONUS COLA is based on pay grade and number of dependents, and specifically considers the availability of commissary, exchange, and hospital facilities, because members without this infrastructure tend to have a higher cost of living. It should be noted, however, that lack of such infrastructure does not, by itself, qualify an area for CONUS COLA

**Q26: How do you geographically define a locality?**

For the purpose of defining the term, "locality," used as the basis for calculating local housing costs, the Uniformed Services have concurred in aggregating individual ZIP Codes into groups called Military Housing Areas (MHA). An MHA includes rental markets, generally within twenty miles or one hour's drive in rush hour traffic, surrounding a duty station or a metropolitan area. The principal goal of defining an MHA based on reasonable commuting distance is that members ought to receive a BAH sufficient to permit the typical member to live a reasonable distance from his or her duty station. Of course, each member is free to choose a neighborhood that suits individual needs, e.g., amenities, schools, and public transportation. Operationally, a MHA is defined as a collection of ZIP Codes. There are about 350 geographic MHAs in the United States, named for the installation or the nearest city (e.g., Fort Hood, Castle AFB, Washington, D.C., and Denver).

**Q27: What method do you use to calculate BAH in places without Runzheimer cost data?**

BAH is defined for every location in the United States, even though some locations may have no military population. This is because we must be prepared with BAH rates should a member or dependent ever establish eligibility in that location. It is not cost effective to collect Runzheimer data for all such locations. To handle this situation, we combine these areas with other areas of similar cost for which we have Runzheimer cost data. Pooling the data in this manner gives us sufficient data necessary to attain statistically reliable housing costs and BAH rates. We determine comparable housing costs using Fair Market Rents (FMRs) published annually for all counties by the Department of Housing and Urban Development. After grouping or pooling the data, the result is a set of counties with comparable housing costs and BAH rates called a County Cost Group (CCG). There are approximately 30 separate CCGs, each with similar housing cost. Each group includes a statistically sufficient quantity of Runzheimer cost data to calculate average housing costs by size and type of dwelling for that group of counties. Although half the U.S. counties (about 1500) are in County Cost Groups, these counties contain less than two percent of the Uniformed Services' population eligible to receive BAH.

**Q28: Who actually collects your data for you?**

We employ Runzheimer International to collect the nation-wide housing cost data that we use to compute BAH. Founded in 1933, Runzheimer is a recognized leader in the field of collecting cost of living data in the United States and around the world. Currently Runzheimer serves over 2000 businesses and governments worldwide and is renowned for its accurate and reliable research. Runzheimer's private sector clients include over 60 percent of the Fortune 500 companies. Runzheimer's government clients include the Department of Defense (DoD); the General Services Administrations (GSA); the Department of State; the Office of Personnel Management (OPM); the Internal Revenue Service (IRS) and the Federal Deposit Insurance Corporation (FDIC).

*Please note: Runzheimer International does not determine BAH policy, nor are they authorized to release any data or answer written, email, or phone questions. All inquiries should be directed, via your chain of command, to the Compensation Director of your Service.*

**Q29: My wife and I are dual military with two children. Why is it that only one of us can collect full rate BAH and the other single? Why couldn't we each put one child under each of our names and collect full with one dependent?**

The rules governing allocation of dependents for BAH are specified in [Chapter 26 of the Financial Management Regulations](#). The rules are the same as applied to Basic Allowance for Quarters (BAQ).

**Q30: What is BAH II?**

BAH-II is the equivalent to what used to be Basic Allowance for Quarters (BAQ). It does not vary by geographic location. It is the housing allowance, or is used to calculate the housing allowance, for members in particular circumstances, such as reservists on active duty less than 20 weeks, members in confinement, etc.

**Q31: What is BAH-Diff?**

BAH-DIFF is the housing allowance amount for a member who is assigned to single-type quarters and who is authorized a basic allowance for housing solely by reason of the member's payment of child support. A member is not entitled to BAH-DIFF if the monthly rate of that child support is less than the BAH-DIFF. The original BAH-Diff amounts were determined by calculating the difference between BAH-II with dependents and BAH-II without dependents for the member's grade. The amounts, originally calculated in 1997 are updated annually based on changes in the Basic Pay tables. For more information contact your finance office or consult [Section 260416, Chapter 26 FMR](#).

**Q32: How are the amounts for BAH II determined?**

BAH-II is published annually and is determined by increasing the previous year's table by the percentage growth of housing costs. Like the BAQ table, amounts are divisible by 30 for calculating daily payment

**Q33: According to your web page, the BAH-II rate for my pay grade is less than the BAH rate! Shouldn't I receive at least the BAH-II rate-not less?**

There is no floor for BAH. There are a number of low cost locations where BAH for a given pay grade is below BAH-II. This is different from the VHA plus BAQ housing allowance system under which BAQ was the minimum allowance.

**Q34: I've noticed that the BAH rates have only dollars and no cents. What happened to the cents?**

Beginning in 2000, BAH rates are rounded to the nearest dollar.