



Coast Guard Flag Voice 12

Basic Allowance for Housing

In [Flag Voice 4](#), I addressed the future of housing and briefly described Basic Allowance for Housing (BAH). In this Flag Voice, my goal is for all of us to better understand housing allowances and how this new system will work.

BAH is the new housing allowance delivery system replacing the Basic Allowance for Quarters (BAQ) and Variable Housing Allowance (VHA) system. The Congressional intent of BAH is to equitably distribute available housing allowance funds so no matter where in the continental United States a member of the same pay grade transfers, he or she should expect to contribute about the same out-of-pocket amount for adequate civilian rental housing.

Under BAH, members and their families should realize several benefits: greater flexibility in making housing decisions that better suit their personal needs such as renting or buying; living nearer or farther from duty stations; or accommodating other factors such as schools, neighborhoods, recreation facilities, and transportation needs. Unlike the old system of annual BAQ Verification, members will not document their actual housing costs as long as they are eligible for BAH. The BAH system won't make offsets; members are free to use the allowance as they wish.

Under the existing system, military services pay their members housing allowances to enable them to substantially offset the cost of civilian housing for themselves and their families. Historically, the services paid BAQ to active duty members if government-owned quarters (family or bachelor) were unavailable. The services paid BAQ at a flat rate worldwide for all members of the same pay grade and dependency status with no difference for those living in higher-cost areas. Furthermore, BAQ increases reflected yearly pay raises, not housing costs, forcing members to pay greater out-of-pocket expenses than intended. Historically, pay raises lagged behind housing cost increases, causing a widening gap between housing costs and allowances. In 1981, Congress authorized the Variable Housing Allowance (VHA) to pay higher allowances in high-cost areas where BAQ equaled less than 65% of the average cost of housing. Congress intended to index VHA to the cost of housing, specifically in areas of significant military populations. Over time, another gap developed between actual housing costs and VHA, due to the method of calculation. Under the old system, member surveys, not independent measurements of local housing costs, determined VHA. Increasingly, members lived in less expensive housing further away from their duty stations to save money and reported expenditures lower than the actual local housing costs for residences within reasonable distances from work. This unintended trend caused VHA to decrease compared to the actual cost of local housing for our people.

In an attempt to correct both these disparities, Congress agreed to replace both BAQ and VHA with

BAH and directed the Department of Defense (DoD) to develop regulations and set allowances. Under the new system, DoD will adjust BAH rates by the actual rental housing cost growth civilian households of comparable income levels experience. Runzheimer International, a leader in the field of collecting domestic and international cost-of-living data, will amass local housing market data from 350 geographic regions called Military Housing Areas (MHA). MHAs, centered on duty stations or metropolitan areas, are defined as the geographical areas generally within 20 miles or one hour's drive from home to duty station during rush hour. From this data, Runzheimer will build housing cost models. Instead of trying to provide members up to 80% of the local housing cost, BAH will attempt to equalize out-of-pocket dollars (the expected member contribution) for all members of the same pay grade across the nation. This approach allows members to maintain family budgets despite increased housing costs due to transfers.

The calculation is pretty straightforward. Let's assume for a given pay grade, we find from the market survey for the entire U.S. the National Median Cost of Housing is \$1000. Presently, BAH funding requires us to pay 20% of that amount as an "out-of-pocket" expense: \$200. The amount of out-of-pocket housing expense will be the same for all members in that particular paygrade no matter where they are assigned. For instance, let's assume Runzheimer's survey in a higher-cost area shows the local median cost of housing for this paygrade is \$1200. Since this paygrade is expected to contribute \$200 toward housing costs, the member would receive BAH of \$1000 (\$1200 minus \$200). Now let's assume same member transfers to a lower-cost area where the local median cost of housing is only \$800. Here, the member would receive \$600 in BAH (\$800 minus \$200). While the BAH for the two locations is substantially different, \$1000 vs. \$600, the expected out-of-pocket expense, \$200, is identical. Hence, the member should be able to make ends meet as easily in the higher-cost area, which should help many Coast Guard people.

DoD and the Coast Guard gradually will phase in market-based BAH rates over the next five years, starting in 1999. In 1998, BAH rates are virtually identical in form and calculation to the old BAQ and VHA system. As the services implement market-based housing allowances, BAH rates will decrease where the local housing costs are lower and increase where higher. Members already in place by January of each year will not receive a lower amount until they receive PCS orders out of the MHA where currently assigned. They will receive the market-based housing allowance amount when they arrive at their new duty station, which will likely be different from those who continue to reside from an earlier PCS.

As the Coast Guard begins the multi-year transition to the new market-based allowance we know we'll have to work closely with DoD to develop BAH rates that accommodate the unique, high-cost areas where Coast Guard units often are located. Our ultimate goal is to ensure members are not financially burdened when transferring to high-cost areas and receive adequate allowances that, combined with their expected contribution, will provide everyone adequate, affordable housing with maximum personal choice. With adequate BAH, more active duty members should be able to afford civilian housing tailored to their own needs without having to resort to the Coast Guard Leased Housing Program (LHP). The LHP will continue to function as a "safety net" for our members with unique needs (large families relative to income) in special (high-cost) areas.

Want to know what your upcoming advancement is worth in BAH? Or your upcoming PCS, so you'll know what your housing allowance budget will be? The DoD Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) is responsible for BAH rates. Their web site contains great information, including BAH rates for all 50 states and the District of Columbia. Point your web browser to <http://www.dtic.mil/perdiem/>, click on the "RATES" button, and select "BASIC ALLOWANCE FOR HOUSING (BAH)". All you need to enter is a pay grade and the location's postal zip code and you'll see the BAH rates at both the with- and without-dependents rates for that pay grade and zip code.

Regards, FL Ames

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