

# Basic Allowance for Housing (BAH)

This BAH primer explains how the Department of Defense (DoD) determines housing allowances for Uniformed service members stationed in the U.S. The topics outlined in this primer are the most important aspects of the program based on feedback from service members and military housing offices during visits to installations throughout the country. The Department welcomes comments on how this document can be more useful to both members and housing officials.

**BAH DATA  
COLLECTION  
AND RATE-  
SETTING  
PROCESS  
OVERVIEW**

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# BASIC ALLOWANCE FOR HOUSING

## PURPOSE AND GOAL

The Basic Allowance for Housing (BAH) is a fundamental component of the military compensation package that pays approximately \$25.6 billion in tax-free housing allowances each year to approximately one million Service members nationwide. When government quarters are unavailable, BAH rates serve as a form of compensation to help members find adequate rental housing near their duty location. The BAH program is designed to compensate members for the local median rental costs and the average cost of utilities for civilians with comparable incomes to each military pay grade, thus private sector rental housing costs are the basis for computing BAH rates. Distinct BAH rates are set for each permanent duty location, and service members' BAH payments are based on their geographic location, pay grade, and dependency status (whether or not a member has dependents).

## DESIGN OF THE BASIC ALLOWANCE FOR HOUSING PROGRAM

DoD and the Services designed the BAH program to track the market price of rental housing and utility costs across the U.S., and set housing allowances to offset a large proportion of those costs.<sup>1</sup> The BAH program measures the cost of available, adequate rental housing in the local civilian market each year rather than measuring the housing consumption patterns of Service members. This method ensures BAH rates reflect and react to annual trends in rental markets, rather than to changes in Service member preferences or other non-housing related factors.<sup>2</sup>

BAH rates are also based exclusively on rental markets, not home purchase markets. While members are free to use BAH for mortgage payments, BAH is not intended to track or reflect home purchase markets as they are distinct markets that fluctuate on a variety of additional factors such as individual credit history and interest rate changes. While rental and home purchase markets are correlated, it is not a 1:1 relationship; the two markets may fluctuate at different times, and at different rates, over a given period.

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<sup>1</sup> See FAQ, [“Does BAH Cover 100% of Housing Costs for every Service member?”](#) for more information about what proportion of housing costs BAH is intended to cover.

<sup>2</sup> The use of member-reported rents could lead to a downward spiral in allowances, as members trying to economize by renting housing at prices below the given allowance drive down the allowance for all members. The BAH program avoids this by tracking actual market rents. This method allows service members the freedom to rent below or above the allowance without negatively influencing the accuracy of the allowance itself.

## INDIVIDUAL RATE PROTECTION

Housing costs can fluctuate significantly and unpredictably from year-to-year for any given housing market based on demographic, economic, and housing construction trends. BAH rates are designed to reflect those changes (both price spikes and valleys) to capture an accurate picture of true market conditions; as such, BAH rates may fluctuate significantly from one year to the next.<sup>3</sup> After a service member arrives at a new duty station, individual BAH rate protection applies to mitigate the effects of fluctuating housing costs. Individual rate protection allows members to receive any new published BAH increase, and prevents a member from receiving a lower BAH rate than the previous year, as long as the BAH eligibility status of a service member remains unchanged. This ensures that members who have made long-term commitments in the form of a lease or contract are not penalized when area housing costs decrease. Service members are entitled to the BAH rates published 1 January or the amount of housing allowance they received on 31 December, whichever is larger. Rate protection continues unless the status of a service member changes due to:

- Permanent Change of Station (PCS)
- Reduction in paygrade
- Change in dependency status.

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*The definition of change in status does not include promotions. If a service member is promoted, and is in a location where the current published BAH rate for the new grade is lower than the BAH amount received before, they continue to receive the higher BAH amount.*

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## DATA COLLECTION

### TYPES OF DATA COLLECTED

The BAH computation includes local price data for:

- Median local rental housing costs
- Average utility costs (including electricity, heating fuel, water, & sewer).

Annually, DoD collects nationwide rental housing cost data for approximately 300 military housing areas (MHAs) across the United States, including Alaska and Hawaii, to ensure BAH reflects local market condition changes. Data collection in MHAs (which represent housing market surrounding major military installations or metropolitan areas and that typically house more than 100 active BAH recipients) occurs during peak PCS season in the spring and summer when housing markets are most active. Rental costs are collected for different types of rental units (i.e., apartments, townhouses/duplexes, and single-family homes of varying bedroom sizes) called “housing profiles.”

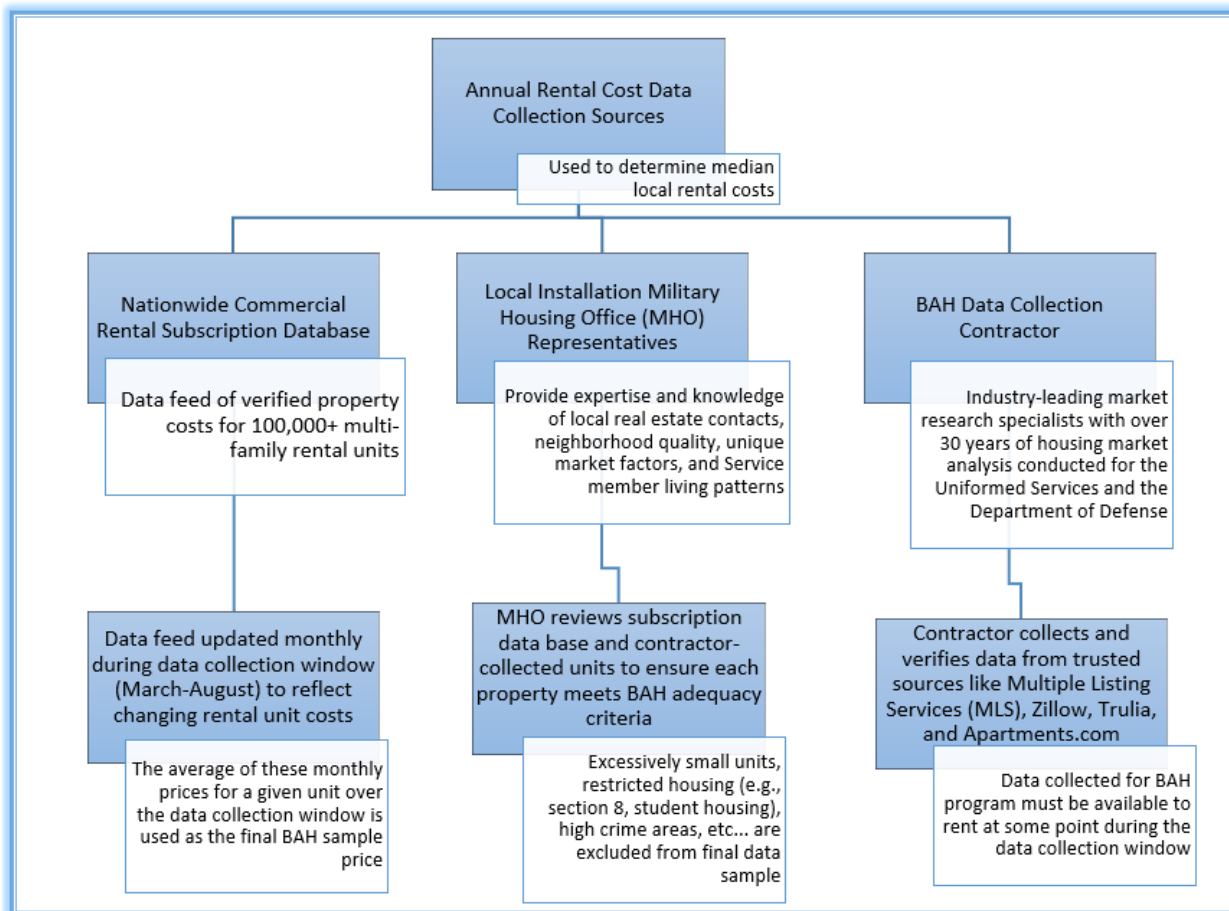
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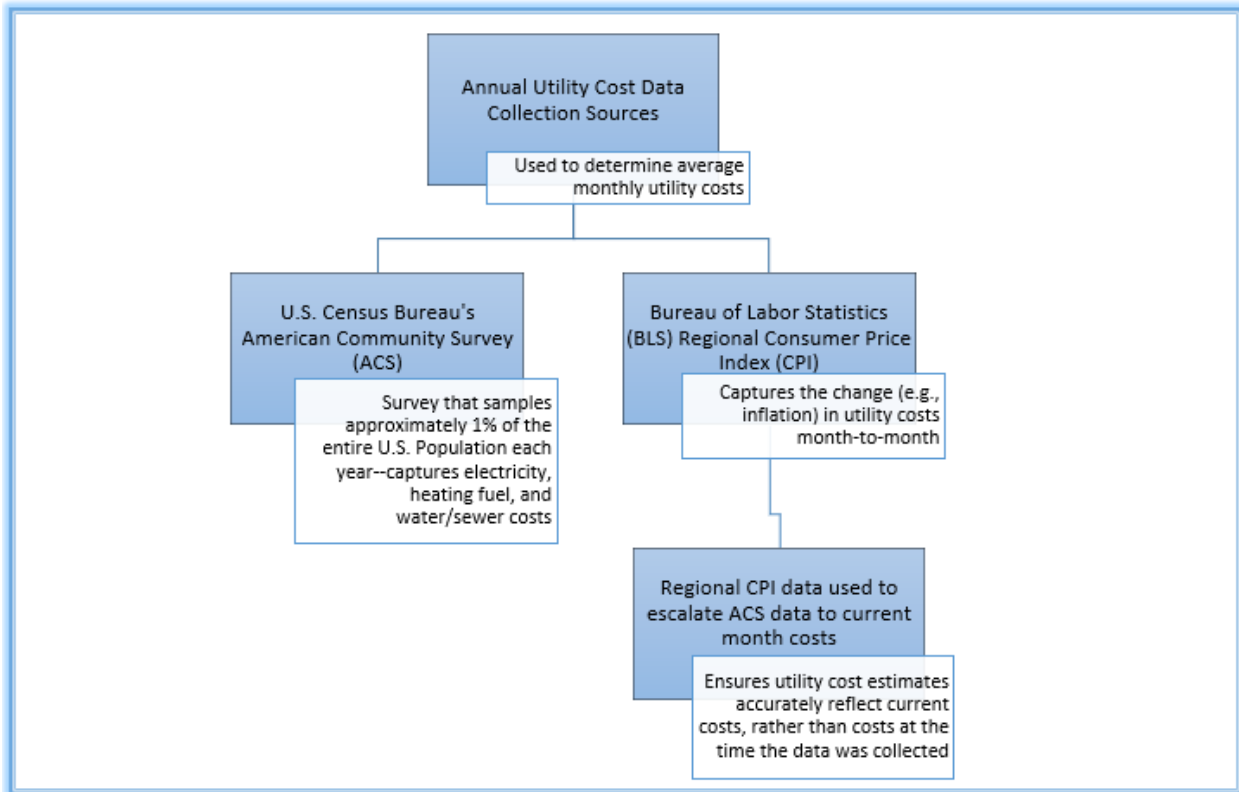
<sup>3</sup> Many commercial and government housing market estimation programs apply heavy data smoothing (using historical housing cost data) to estimate long-term housing cost trends. This creates the common misperception that housing markets follow linear, upward trends from year-to-year.

The Department links the rental housing costs collected for each housing profile with different levels of service members’ regular military compensation, based on the average housing choices for civilians with similar incomes. The six standard housing profiles used for BAH are listed in the table below. Further information about housing profile linkages is detailed in the “Housing Profiles and Standards” section of the primer.

Housing Profile	Grade With Dependents	Grade Without Dependents
1 Bedroom Apartment		E-4
2 Bedroom Apartment		O-1
2 Bedroom Townhouse/Duplex	E-5	O-1E
3 Bedroom Townhouse/Duplex	E-6	O-3E
3 Bedroom Single Family Detached House	W-3	O-6
4 Bedroom Single Family Detached House	O-5	

RENTAL DATA SOURCES AND VALIDATION





Current, valid rental costs are essential to set accurate BAH rates. DoD uses data from a wide variety of sources to provide a "checks and balances" approach to collecting the BAH data sample. This includes verified, available residential vacancy listings from sources like online multiple listing services (MLS), subscription-based commercial rental housing datasets, trusted web-based listing platforms (e.g., Zillow, Trulia, etc...), real estate property management companies, and landlords. DoD also consults with local real estate professionals in each MHA to confirm market rental prices and obtain additional data. Where available, DoD contacts fort/post/base housing referral offices and installation leadership to tap into local housing office knowledge and gain insights into the concerns of our members.

Each property collected and used in the annual BAH sample undergoes additional screening and validation processes. Rental property data submitted from the above sources is confirmed by an independent housing contractor.<sup>4</sup> The contractor validates the data by:

- Establishing the availability and location of each unit in the survey sample
- Verifying the current rental rates
- Identifying any utility inclusions in the rental rates
- Determining price differences for different lease terms (BAH uses a standard 12-month lease price for its data collection)

To ensure BAH rates do not reflect the cost of housing unavailable to, or inadequate for service members, DoD does not collect prices for the following types of housing units:

- Mobile homes
- Efficiency apartments
- Furnished units
- Income-subsidized complexes
- Age-restricted facilities
- Seasonal units
- Housing in high-crime neighborhoods

DoD aims to gather enough data to attain a 95% statistical confidence that the estimated median rent is within 10% of the true median rent in the local market. This typically represents about 30 to 75 housing units per housing profile data sample in each MHA (there are six data samples per MHA, each reflecting price trends of different market segments/housing profiles). The majority of MHAs meet this target goal. In remote or low-housing stock MHAs that have few available rental properties, the number of housing units collected for the sample is lower.

In these cases, DoD uses a number of methods to determine accurate BAH rates including rent estimates (e.g., asking local landlords to price seasonal rental units as if their units were available year round), and using housing cost trends throughout the MHA to estimate the cost of a specific housing type (e.g., estimating the cost of 2-bedroom apartments using cost data for 1-bedroom apartments and 2-bedroom townhomes). This enhanced process ensures data is collected in a consistent manner across the entire United States, while allowing for flexibility in responding to the unique challenges of remote or otherwise challenging markets.<sup>5</sup>

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<sup>4</sup> The Department currently employs Robert D. Niehaus, Inc. (RDN) as the BAH data collection contractor. RDN has 37 years of experience analyzing housing markets for the Uniformed Services, and other Federal and State agencies at approximately 250 locations throughout the U.S., and 30 foreign locations. RDN has extensive experience in military housing market analysis, geospatial analysis, quantitative economics, statistical programming, program management, demographic research, price indexes, and regional growth impact analysis. RDN does not determine BAH policy. Any BAH policy inquiries should be directed, [via your appropriate Service chain of command](#).

<sup>5</sup> The BAH program also has a number of additional methods to account for a lack of locally-available rental units, including expanding the data collection window for select locations to maximize data collection efforts, incorporating verified Service member lease prices to the BAH data sample, and conducting local surveys of Service member rental costs.

## UTILITIES

BAH utility cost data is reflective of current-year utility conditions nationwide. DoD uses data from the U.S. Census Bureau's American Community Survey to determine average expenditures for utilities specific to each dwelling type in each MHA. All data is reflective of local housing conditions, geography, and climate. This data is then escalated to current-year utility costs using Bureau of Labor Statistics Consumer Price Index to accurately reflect any recent utility cost changes.

## QUALITY ASSURANCE

The Department recognizes the importance of accurate BAH rates and optimizes efforts to obtain maximum reliability at each step of the BAH data collection and rate-setting process.

For example, DoD uses a multi-tiered screening process, outlined in the steps below, when selecting specific units for the BAH.

### STEP 1: ENSURE EACH UNIT MEETS BAH ADEQUACY AND SUITABILITY STANDARDS

- Each unit must meet building code safety standards, is in good repair, etc...) and meet all adequacy criteria outlined in the [Data Sources and Verification](#) section above
  - Local military installation housing officials have full visibility on all BAH data and can review and flag units that do not meet BAH's high adequacy standards.

### STEP 2: EXCLUDE DATA COLLECTION IN HIGH-CRIME AREAS

- BAH data reflects the cost to live in safe neighborhoods
  - The BAH program automatically excludes any census tract with over 2X the national average crime rate from data collection.
  - Crime exclusions are based on the ESRI CrimeRisk dataset, which relies primarily on Federal Bureau of Investigation (FBI) crime databases
    - Crime data are weighted by minimal federal sentencing guidelines to ensure more serious crimes have a greater impact on crime risk assessment

### STEP 3: TARGET DATA COLLECTION TO REFLECT SERVICE MEMBER RESIDENCY PATTERNS

- The Department targets rental data collection within an MHA to the set of ZIP codes in which 90% of Service members assigned to the MHA live; these ZIP codes are collectively called an "effective market area" (EMA).
  - To construct the EMA boundaries, the BAH program sorts the ZIP codes in each MHA by their distance from the weighted center of the MHAs' duty station(s) and then sequentially adds each of the next closest ZIP codes until the combined area represents a minimum cumulative share (90%) of total residents in the MHA.
    - This method (starting with the duty station) ensures that data is collected within a reasonable commuting distance of the installation.



- MHOs, relying on their local expertise, can collect rental data outside the effective market area to supplement the contractor-led data collection inside it.
- The BAH data collection contractor is restricted from collecting data outside of the effective market area to ensure BAH data is targeted to cover both: 1) the areas where most members live, and 2) the areas closest to military duty stations.

#### STEP 4: USE AN INCOME SCREENING PROCESS TO EXCLUDE AREAS WHERE TYPICAL CIVILIAN INCOMES ARE NOT COMPARABLE TO SERVICE MEMBERS' INCOMES

- The BAH program compares civilian salary equivalents to each pay grade's Regular Military Compensation, which consists of basic pay, average BAH, Basic Allowance for Subsistence (BAS), and the tax advantage derived from BAH and BAS being untaxed.
  - For example, a census tract filled with primarily subsidized housing would typically be excluded from BAH data collection because the average household income would fall well below the income ranges for military pay grades.

As another quality assurance step, DoD and the Services conduct on-site evaluations at select locations each year (~20 MHAs). These reviews confirm the reliability and accuracy of the rental data. During these visits, the Department also evaluates the criteria used for screening neighborhoods and areas.

#### TAPPING LOCAL EXPERTISE

DoD and the Services value local expertise in the data collection process, and contact local military housing offices (MHO) and command leadership at each installation to provide them the opportunity to contribute to the BAH data collection effort.

Housing referral offices and installation leadership have the opportunity to:

- Provide local rental housing referrals
- Review and, if necessary, flag any rental properties collected by the contractor deemed unsuitable for inclusion.

Most MHAs have existing primary and secondary MHOs (often representing the two largest military installations in the local area, each with resources available to dedicate to the BAH data review process). However, in some instances, a geographically isolated command (such as a recruiting office or a Military Entrance Processing Station in a remote location) does not have a housing referral office. If located within an MHA (typically, housing markets with a minimum of 100 active BAH recipients assigned to the local area), these remote offices likely do not have the resources to fully participate in the BAH data collection process and thus do not typically serve as an MHO for the MHA.

If a remote office is located outside an MHA, BAH rates are determined through a process that links similar cost counties (using Department of Housing and Urban Development data) throughout the

country. This method uses BAH data collected within MHAs to set BAH rates for remote counties with similar housing costs located outside of MHAs. Just like BAH rates for MHAs, BAH rates for these locations (called County Cost Groups) are adjusted annually to keep pace with recent rental housing market trends. See the FAQ, [“What Method Does DoD Use to Calculate BAH in Locations that are not in an MHA?”](#) for further discussion of this rate determination process.

Any questions from geographically separated activities regarding BAH data collection should be routed through a Service member’s chain of command (local finance office < installation commander < BAH Regional Service Representative) to Service headquarters. Final approval for any MHO requests is obtained from each Service’s Military Compensation office. (Refer to the [Obtaining More Information](#) section for contact information.)

#### INDIVIDUAL SERVICE MEMBER INPUT

The BAH process does not require input from individual service members. Service members with questions or issues regarding BAH rates should submit questions to their MHO or through their Service chain of command. Housing offices are the best resources for BAH questions as they can provide information quickly and efficiently, as well as escalate questions to the appropriate Service representatives.

### RATE COMPUTATIONS

#### HOUSING PROFILES AND STANDARDS

Per U.S. Code Title 37 § 403, BAH rates must be based on the housing costs of “civilians with comparable income levels [to Service members] in the same area.” As such, DoD uses housing standards that correlate to the average types of housing rented by civilians who earn similar amounts to Service members in different pay grades. That is, the Department uses consistent housing standards to link local housing costs to each distinct paygrade. Members are free to choose where to live and in what type of dwelling, as well as how much to spend on housing, but BAH rates are set based on typical housing choices of civilians with comparable incomes, and are not determined by the housing choices or expenditures of Service members.

DoD determines standard profiles for each “anchor point” (which represents the linkage between a housing profile and a given pay grade) as shown in the interpolation table below. For these anchor point pay grades, the local median housing cost of that profile is equal to the local median housing cost for the particular pay grade. Local median costs for all other pay grades (those that are not anchor points) are determined by interpolating between the anchor points (i.e., a statistical ‘filling-in’ of data between points along a trend line). To interpolate rates for non-anchor pay grades, the Department calculates the difference between anchors and add a percentage of that difference to the lower anchor rate.

For example: From the housing standards table, an E-7 with dependents receives an allowance for a 3-bedroom townhouse (TH), plus 36% of the difference between the next lowest profile, a 3-bedroom townhouse, and the next higher, a 3-bedroom single family dwelling (SFD). To calculate the BAH for an E-7 with dependents, first identify the rate for the neighboring anchor points: the E-6 with dependents and the W-3 with dependents. Second, calculate the dollar difference between the two anchor points. Last, apply the specified percentage to the lower anchor point to determine the dollar difference, which is added to the lower anchor point.

Description	Formula	Example
<b>E-6 with dependents local housing cost (3br TH):</b>	A	\$1000
<b>W-3 with dependents local housing cost (3br SFD):</b>	B	\$1200
<b>Difference:</b>	C: B – A	\$1200 - \$1000 = \$200
<b>36% of that difference:</b>	D: C x %	\$200 x .36 = \$72
<b>E-7 with dependents interpolation:</b>	A + D	\$1000 + \$72 = \$1072

## BAH HOUSING STANDARDS AND INTERPOLATION BETWEEN ANCHOR POINTS

With Dependents		Determine cost difference between anchors. Add % of difference to anchor	Without Dependents		Determine cost difference between anchors. Add % of difference to anchor
Grade	Housing Type*	BAH Interpolation	Grade	Housing Type*	BAH Interpolation
E-1	2br	Midpoint of 2br APT and 2br TH	E-1	1br APT	Same as E-4
E-2	2br		E-2	1br APT	Same as E-4
E-3	2br		E-3	1br APT	Same as E-4
E-4	2br		E-4	1br APT	Anchor
E-5	2br TH	Anchor	E-5	1br APT	67%
O-1	2br TH	11%	O-1	2br APT	Anchor
O-2	2br TH	98%	E-6	2br APT	7%
E-6	3br TH	Anchor	W-1	2br APT	31%
W-1	3br TH	1%	E-7	2br APT	53%
E-7	3br TH	36%	O-2	2br APT	83%
O-1E	3br TH	44%	O-1E	2br TH	Anchor
W-2	3br TH	52%	W-2	2br TH	19%
E-8	3br TH	75%	E-8	2br TH	20%
O-2E	3br TH	93%	O-2E	2br TH	44%
O-3	3br TH	98%	E-9	2br TH	51%
W-3	3br SFD	Anchor	W-3	2br TH	54%
E-9	3br SFD	16%	O-3	2br TH	64%
W-4	3br SFD	22%	O-3E	3br TH	Anchor
O-3E	3br SFD	26%	W-4	3br TH	9%
W-5	3br SFD	48%	O-4	3br TH	40%
O-4	3br SFD	58%	W-5	3br TH	45%
O-5	4br SFD	Anchor	O-5	3br TH	63%
O-6	4br SFD	1%	O-6	3br SFD	Anchor
O-7	4br SFD	2%	O-7	3br SFD	2%

\*br – Bedroom; APT – Apartment; TH – Townhouse/Duplex; SFD – Single Family Dwelling

The E-4 anchor points (both with and without dependents) represent the minimum housing standard, and also apply to pay grades E-1 to E-3. As shown in the chart, all BAH rates for Service members with dependents are based, at a minimum, on housing costs for multi-bedroom units. The minimum standard for single service members means BAH rates are based, at a minimum, on costs of 1-bedroom units (members are not expected to have roommates or live in excessively small units like studio apartments).

Additionally, any ‘without dependent’ BAH rate falling below 75% of the ‘with dependent’ rate for a given MHA/pay grade is raised to 75% of the ‘with dependent’ rate.<sup>6</sup>

**DETERMINING BAH RATES**

After rental and utility data are collected and median housing costs are calculated, DoD and the Services:

- Review the local median housing costs for each MHA
- Apply data smoothing quality control procedures to mitigate sampling error or data anomalies
- Evaluate MHA and profile-specific utility data
- Prescribe BAH rates based on data input and DoD housing standards policy.

To calculate BAH rates, the Department:

- 1) Determines the total housing costs (median rent + average utilities) for each MHA for all the anchor points;
- 2) Calculates (using the Housing Standards table) a separate BAH rate for each of 27 distinct pay grades that correspond to military ranks for members with and without dependents.

**ANNUAL BAH RATE DETERMINATION TIMELINE**

Task	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
MHO BAH Training Sessions	→													
Data Collection (MHO and Contractor)		→												
DoD Housing Costs Quality Review								→						
Services Housing Costs Review									→					
DoD BAH Rate Calculation										→				
Services Coordinate on Final BAH Rates											→			
DoD Approves Final BAH Rates											→			
BAH Rates Released												→		
DoD Begins Paying New BAH													→	

<sup>6</sup> ‘Without dependent’ rates are never lowered to meet the 75% threshold. If the ‘without dependent’ rate is > 75% of the ‘with dependent’ rate, the ‘without dependent’ rate remains at the higher rate.

## ABSORPTION RATE/SERVICE MEMBER COST-SHARING COMPONENT

To balance the growth in compensation costs across all BAH stakeholders, the BAH program incorporated a change in BAH rates in 2015.

Based on authority provided in the Fiscal Year (FY) 2015 and FY2016 National Defense Authorization Acts, a one percent member cost-sharing element was reintroduced into the BAH rates in 2015. This cost-sharing element increased by one percent annually (i.e., 2% in 2016, 3% in 2017, 4% in 2018) until it was capped at 5% in 2019 where it remains. The cost-sharing element is administered by using an absorption rate, which is computed to ensure members of a similar pay grade/dependency status pay the same amount out-of-pocket regardless of their location. However, depending on members' actual housing choices, they may or may not actually have to pay out of pocket for their housing. (Refer to the [Frequently Asked Questions](#) section for more information on the implementation of these changes.)

DoD is committed to the preservation of a compensation and benefit structure that provides members with a suitable and secure standard of living to sustain a trained, experienced, and ready force now and in the future.

## FREQUENTLY ASKED QUESTIONS

### DOES BAH COVER ALL 100% OF HOUSING COSTS FOR EVERY SERVICE MEMBER?

A common misconception is that BAH is intended to cover all of a service member's housing costs. Originally, BAH law stated the allowance could cover no more than 80% of local housing costs. As such, BAH rates were calculated such that the average service member was expected to pay at least 20% of housing expense out of pocket (e.g., from Basic Pay). In 2000, the Secretary of Defense committed to reducing the planned average out-of-pocket expense for the median member to zero by 2005. In 2015, the planned out-of-pocket expense was reintroduced to balance the growth in military compensation costs across all BAH stakeholders (at a rate of 1% of national average costs per grade). In 2022, this value is 5%.

Additionally, the out-of-pocket expense for a given individual may be higher or lower than the local median cost, based on his/her choice of housing. For example, if a Service member chooses a bigger or more costly residence than the median cost of local housing for civilians with similar incomes, the member should expect to incur larger out-of-pocket expenses than the 5% cost-sharing amount. The opposite is true as well, if a service member chooses to economize by renting a smaller or less costly residence, a member can pocket any remaining BAH not used for housing costs.

#### DOES BAH COVER A SERVICE MEMBER'S MORTGAGE PAYMENTS?

While a member may choose to use BAH to make mortgage payments, the BAH program does not consider mortgage or homeownership costs in BAH determination. BAH is designed to offset the costs of housing that is available to most of these members when they PCS to a new duty station – rental housing.

There is also a practical concern with using homeowner costs. Homeowners' monthly mortgage payments do not necessarily relate directly to rental housing cost changes, as mortgage payments are affected by non-housing cost related factors such as:

- Expected appreciation in the value of the residence
- Amount of down payment
- Opportunity costs of interest from down payments
- Settlement costs
- Tax savings due to the deduction of interest payments.

Mortgage costs are an inappropriate tool in determining an allowance designed to reflect rental housing costs. In contrast, BAH reflects current rental market conditions, not the individual circumstances surrounding mortgage loans.

#### HOW DOES THE ABSORPTION (OUT OF POCKET) IMPACT SERVICE MEMBERS?

The actual impact of the changes to BAH computations will vary depending on a member's housing choices. Members who rent a median-priced property will have to pay a small amount above their BAH rate. Members who choose to economize in their housing choices may have all their housing expenses covered by BAH. Some members, renting properties above the median price for the area, have already been paying some housing costs out of pocket.

#### WHY IS BAH BASED ON DUTY STATION RATHER THAN WHERE SERVICE MEMBERS LIVE?

BAH compensates members for typical housing costs surrounding their duty station. Once the duty station is known, the BAH is fixed, regardless of where the member chooses to live. If the location of the member's residence were used as a basis for the entitlement, members who commute from lower cost areas would have lower BAH rates, even though their commuting expenses were higher. The BAH rate is determined by the duty station so that members may live near their duty location, but they remain free to live where they choose. Actual member choices, remember, do not influence the calculation of rates.

The opportunity for service members to choose their off-base housing is important to DoD. Each member has the freedom to decide how to allocate his or her income (including the housing allowance) without a penalty for deciding to conserve some dollars on rent to pay other expenses.

One such choice that members frequently make is to “trade-off” a longer commute to work for either a larger or less expensive house in an outlying area. For example, two members assigned to a

downtown duty station may make drastically different housing choices. One member may choose to use all of his or her housing allowance to rent an apartment in the city, with a commute time of only 10 minutes to the downtown duty station. The second member might prefer to rent a less expensive 3-bedroom house in an outlying neighborhood and commute to that same downtown duty station from 20 or 30 miles away. Both members are free to choose the situation that best suits them.

#### DO BAH RATES COMPENSATE FOR THE SAME SIZE AND/OR QUALITY HOME A SERVICE MEMBER COULD QUALIFY FOR ON BASE?

In some housing markets, government housing (especially privatized housing) exceeds typical local community housing in quality, size, or both. In other cases, the average housing quality off-base may exceed on-base housing standards significantly. Because BAH was designed to compensate service member living off base in the local market economy, BAH reflects that off-base market, not the particular amenities available in on-post housing.

A second contributing factor is that family size is the basis for on-base housing assignment. That is, Services house families with more dependents in units with more bedrooms. The BAH approach is based on comparing a member's compensation with that of civilians who earn the same. Members in higher pay grades receive BAH based on more bedrooms and larger dwelling types. The only distinction is with or without dependents, not the number of dependents.

#### WHAT IS THE BASIS FOR DEFINING MHA BOUNDARIES?

MHAs were originally defined using the Defense Enrollment Eligibility Reporting System (DEERS) data. DEERS data provided information on where members at each installation were living. This created a data set that naturally excluded undesirable neighborhoods, which members had already avoided and captured implicit housing preferences along factors such as school district, proximity to entertainment areas, and commuting distance.

Because populations, neighborhoods, construction trends, crime rates, and housing conditions can change over time, DoD continues to account for these factors by targeting annual data collection within MHA boundaries to current service member residency patterns. The Department collects data where members are actually living within each MHA. As such, MHA boundaries are considered only as outer limits for where housing data can be collected for a given market. Just because a zip code is included within an MHA boundary does not mean data is collected in that zip code.

#### WHAT METHOD DOES DOD USE TO CALCULATE BAH IN LOCATIONS THAT ARE NOT IN AN MHA?

BAH is defined for every location in the United States. Even though some locations may have small numbers of active service members (e.g., Reserve Officer Training Corps detachments, recruiters, small field stations), DoD still estimates local housing costs and determines BAH rates for these locations (and for every zip code in the U.S.). Direct, DoD-led collection of rental data for all such locations is not practical or efficient from a resource and manpower perspective. So, to determine annual BAH rate adjustments in these situations, the Department groups all U.S. counties by



housing cost, from lowest cost to highest cost, using Fair Market Rent data published annually by the Department of Housing and Urban Development.

After pooling the data, the result is a set of counties with comparable housing costs called a County Cost Group (CCG). There are 39 distinct CCGs, which allows for granular specificity in housing cost groupings (i.e., counties are only grouped with counties with extremely similar average housing costs).

CCGs include counties both within and outside of MHAs; therefore, CCGs serve as a direct data crosswalk linking housing costs in areas where the DoD directly collects data (inside MHAs) to areas where the DoD does not directly collect data (outside MHAs). BAH rates are calculated for each CCG using the BAH data collected in MHAs linked to each CCG. This allows CCG BAH rates to fluctuate in tune with housing market trends affecting similar housing markets across the country. Although half the U.S. counties (about 1,500) receive CCG BAH rates, these counties contain less than 2 percent of military members eligible to receive BAH.

#### HOW ARE BAH METHODS/POLICIES REVIEWED?

A staff of economists at the Office of the Undersecretary of Defense for Personnel and Readiness (P&R) study, evaluate, and update BAH methodologies and policies each year to ensure the BAH program continues to keep pace with recent technological improvements, academic research, and evidence-based best practices in the fields of housing cost estimation and compensation policy. Policy changes are made in coordination with each of the Uniformed Service headquarters' compensation chiefs and with approval from P&R leadership (and from congress, if the proposed policy requires a statutory language change).

BAH methods are also frequently evaluated by audit agencies like the General Accountability Office (GAO), reviewed by Congressional Armed Services Committees, and studied by independent consultants to help the Department develop cutting-edge housing market estimation solutions (e.g., the White House-directed 14<sup>th</sup> Quadrennial Review of Military Compensation (QRMC) is currently studying BAH as one of its research topics).

Service members with questions about BAH policy should direct all questions through their chain of command to their Service compensation headquarters representative (contact information available [below](#)).

## OBTAINING MORE INFORMATION

## BAH INFORMATION LINKS

- For an overview of BAH, visit:  
<https://www.travel.dod.mil/Allowances/Basic-Allowance-for-Housing/>
- Individual BAH rates are located using the BAH Calculator at:  
<https://www.travel.dod.mil/Allowances/Basic-Allowance-for-Housing/BAH-Rate-Lookup/>
- Additional BAH Frequently Asked Questions are located at:  
<https://www.travel.dod.mil/Support/Frequently-Asked-Questions/#BAHFAQs>
- To review the BAH regulations, refer to the DoD Financial Management Regulation, Volume 7A, Chapter 26 at:  
[https://comptroller.defense.gov/Portals/45/documents/fmr/Volume\\_07a.pdf](https://comptroller.defense.gov/Portals/45/documents/fmr/Volume_07a.pdf)
- To review the BAH Statute, refer to Title 37 USC § 403 at: <http://uscode.house.gov>

## BAH SERVICE REPRESENTATIVE CONTACT INFORMATION

For issues regarding your BAH, contact your Service Compensation Representative ***THROUGH YOUR CHAIN OF COMMAND (local finance office < installation commander < regional BAH Service Representative < Headquarters BAH Service Compensation Representative).***

Service	Office	COM Phone	DSN	Email
Air Force	AF/A1PA, Military Compensation Policy	240-612-4354	612-4354	af.a1pa.workflow@us.af.mil
Army	DCS, G-1, Compensation and Entitlements	703-692-5256	222-5256	usarmy.pentagon.hqda-dcs-g-1.mbx.dape-prc@army.mil
Coast Guard	U.S. Coast Guard (CG-1332)	202-475-5398	N/A	compensation@uscg.mil
Marine Corps	Manpower Plans and Policy Division, Military Policy Section	703-784-9386	278-9388	mpo@usmc.mil
Navy	Pay and Policy	703-604-5477	664-4990	nxag_n130c@navy.mil