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Pay Full Housing Costs for Servicemembers

MOAA seeks to restore the Basic Allowance for Housing (BAH) to 100%.

BACKGROUND

In 2019, DoD reduced the BAH as a cost-saving measure. The reduction in BAH hit military families hard as housing costs and utilities increased and on-post housing quality declined. There should be no shortcuts when it comes to the all-volunteer force, the backbone of our nation's defense, which stands at a critical juncture. Servicemembers and their families face financial struggles at the same time the services face recruiting challenges. It's time for DoD to double down on investing in people, to honor the commitment of those currently in uniform and to ensure the sustainability of the all-volunteer force. It's time to fully fund BAH.

MILITARY PAY FUNDAMENTALS

Servicemembers have a job like few others, and they require a unique compensation package to match the rigors and requirements. They receive three distinct pays: BAH, Basic Allowance for Subsistence (BAS), and basic pay.

BAH is paid to cover housing costs at their duty station, along with utilities — BAH has a “with dependents” rate that covers a larger residence when applicable. BAS is a monthly stipend to cover food costs for the servicemember (not dependents). Finally, base pay is ultimately the salary they get to take home each month.

While all servicemembers receive basic pay, BAH and BAS are generally not paid to the servicemember if the government is covering the costs when deployed or while training. BAH and BAS are non-taxable, which creates a tax advantage unique to servicemembers. These three pays, plus the tax advantage, constitute the Regular Military Compensation package.

AN INCREASE IS NOT A RAISE

To ensure servicemembers' compensation is not

eroded by rising costs, each of these pays is annually adjusted according to distinct government metrics meant to follow the changes in wages, food costs, and housing. The adjustments do not represent a net raise.

THE COMPENSATION ROLLER COASTER

From 2005 to 2015, during the height of the war on terror, DoD provided servicemembers with a housing allowance intended to cover 100% of local housing and utility costs. Led by Defense Secretary William S. Cohen, this was part of an effort in the early 2000s to “improve servicemembers’ quality of life” and “make military housing privatization more attractive.” In a move authorized but not required by Congress, DoD implemented a 5% BAH cost share from 2015 to 2019 to “balance the growth in compensation costs.” Now DoD is once again issuing memos about how to strengthen support to servicemembers and their families and facing criticism over failures of the Military Housing Privatization Initiative. It's time to acknowledge the immediate benefits restoring BAH would have on financial security for troops and their families.

Over the past decade, a greater financial burden has shifted to servicemembers and their families:

- Pay increases from 2014 to 2016 fell short of inflation, leading to a 2.6% pay increase decrement.
- In 2015, DoD started reducing BAH by 1% each year until 2019.
- In 2018, the Blended Retirement System (BRS) essentially required new servicemembers (those not eligible for the legacy retirement plan) to contribute 5% of their paychecks to the Thrift Savings Plan to maximize matching contributions from DoD.

PUTTING THIS IN REAL DOLLARS

Due to these factors, servicemembers are compensated less than they were a decade ago (adjusted

Congress: We need your help

Our nation expects 100% from servicemembers. Ensure they get 100% of their housing allowance by supporting the BAH Restoration Act.

- Cosponsor H.R. 2537
- Cosponsor S. 1823

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for inflation). The chart on this page shows the compound effect of reduced BAH, base pay increase decrements, and the effect of BRS contributions. For a married E-5 with dependents, the aggregated effect of these changes in 2024 is a \$373 per month decrease in take-home pay.

Note: While MOAA is supportive of the BRS matching program, we recognize the added short-term strain this places on servicemembers seeking to receive a retirement equivalent to their predecessors.

REAL-WORLD EXAMPLE

The average married E-5 with four years of service will receive 40% of their compensation through their BAH and BAS. Using government estimates for total monthly expenses, an E-5 (in a military housing area representing the national average) is \$471 short on what they need to make ends meet each month. They would not have this shortfall if not for the compensation changes from 2014-2019.

According to DoD data, the average E-5 will pay \$118 a month out of pocket toward housing costs to cover the 5% of the bill not footed by the Pentagon.

Note: Methodology for these figures is available at MOAA.org/BAHBudget.

Addressing this shortfall is critical to caring for our servicemembers. Eliminating the out-of-pocket costs and restoring BAH to 100% is one of the fastest ways to address quality of life challenges.

FINANCIAL STRAIN ON THE FORCE

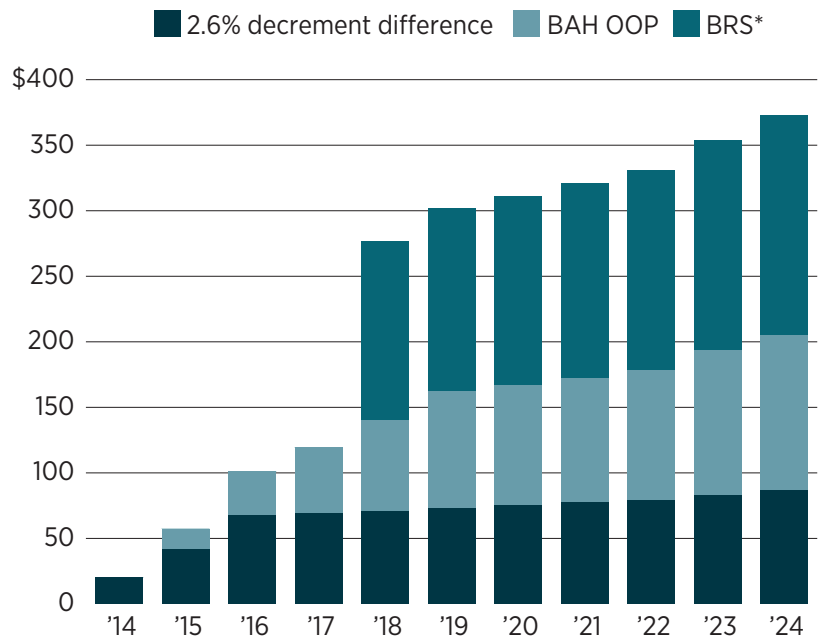
Lengthy commutes and financial stress are just a couple of outcomes of an insufficient housing allowance that directly affect servicemembers and their families. Like the rest of the country, communities near military installations experienced housing challenges due to the pandemic. The rental market is beginning to level, but it's far from recovered. Housing shortages in off-base communities mean military families "compete" for rental properties and actively consider leaving the military.

LESSONS UNLEARNED

From improvements in Temporary Lodging Expenses and Dislocation Allowance to years of last-minute BAH increases and the Basic Needs Allowance to address food insecurity, it is apparent DoD recognizes the financial strains on servicemembers and their families. However, all these efforts are substandard solutions to a self-inflicted problem. DoD reduced BAH and has spent the years since working to address second- and third-order effects of decisions that placed increased financial burden on the backs of their own servicemembers. IIII

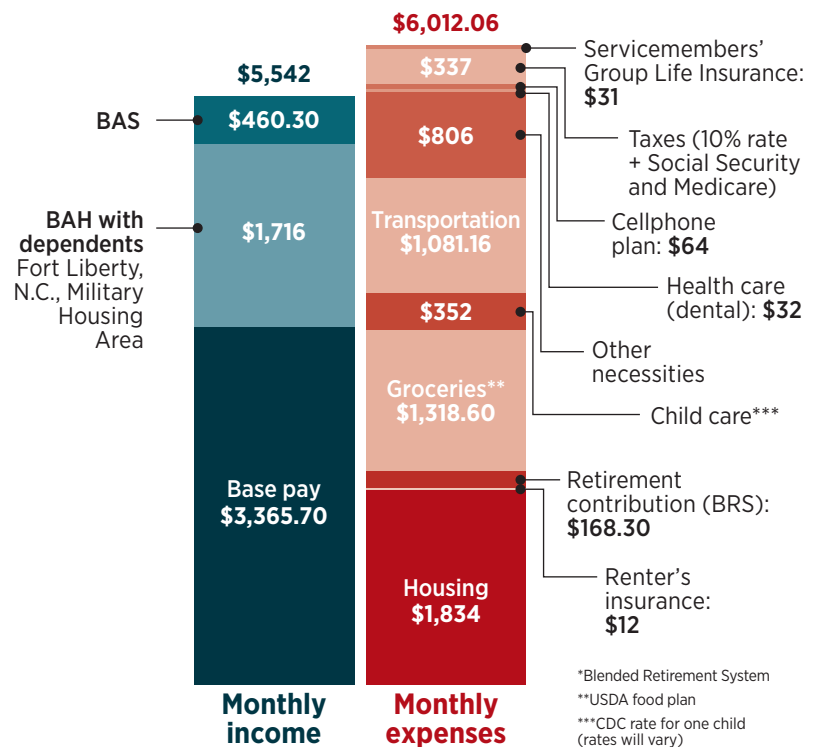
ADDED FINANCIAL STRAIN TO SERVICEMEMBERS

A married E-5 with dependents may see a \$373-a-month cut in take-home pay due to out-of-pocket (OOP) costs from BAH cost-sharing, compounded by base pay increase decrements and retirement contributions.



REAL-WORLD EXAMPLE

A married E-5 with 2 children at Fort Liberty, N.C., budgeting like the average American, is \$470 short of meeting monthly expenses while paying \$118 a month out of pocket for housing costs not compensated by DoD.



SOURCES AND METHODOLOGY: DOD PAY TABLES; ALL INFORMATION BEHIND 'REAL-WORLD EXAMPLE' FIGURES IS AVAILABLE AT MOAA.org/BAHBUDGET

GRAPHIC BY JOHN HARMAN/MOAA