



Air Force Housing Privatization Basic Allowance for Housing



AIR FORCE CENTER FOR ENVIRONMENTAL EXCELLENCE Information Sheet

The Basic Allowance for Housing (BAH) is the sum allotted monthly to each service member to cover the cost of housing, including utilities and personal property insurance, when government housing is not provided. BAH allotments are based on geographic duty location, pay grade and dependency status. These allowances provide equitable housing compensation so that uniformed service members may enter local civilian housing markets.

The BAH is designed to be inherently fair, as the typical service member of a given grade and dependency status will have the same monthly out-of-pocket dollar amount regardless of the location of his duty station. Due to a provision known as rate protection, individuals will not experience reductions in housing allowances, as long as their status remains unchanged. Service members may experience BAH reductions if

- they are transferred to a location where the cost of housing is less than their previous duty station,
- they are reduced in grade, which causes the housing allowance to revert to the current allowance for the lower grade, or
- their dependency status changes, in which case the housing allowance would be determined by their new dependency status and the current allowance for their grade.

Service members are further protected from erosion of housing benefits over time because increases in the BAH are indexed to housing cost growth. Changes in housing allowances reflect the costs associated with household rental, which generally increase by an average two to ten percent from year to year. For a given individual, the actual out-of-pocket housing expense may be higher or lower than the average, based on his or her choice of housing.

In order for a Project Owner to determine the rental income for a specific privatization project, the following steps must be taken:

1. Identify the number of units in the project for each specific grade based on the projected requirements of the installation.
2. Identify the BAH for each pay grade by referring to <http://www.dtic.mil/perdiem/bah.html>.
 - Search the Web site for BAH rates based on duty station zip code, calendar year, rank (i.e., pay grade) and dependency status.
3. Determine the rental for each unit, which equals the total BAH for the designated grade less the utility allowance for that type of unit.
4. Total the rental income for all units.



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The tables below contain sample 2003 BAH breakdowns for Hanscom and Lackland Air Force Bases. As the cost of living is significantly higher in the Boston area than in the San Antonio area, the rental income—and consequently the BAH rate—is roughly twice as high at Hanscom than at Lackland.

BACKGROUND

The 1996 Defense Authorization Act provided the military services with new authorities to privatize housing for service members. This program is known as the Military Housing Privatization Initiative (MHPI). The MHPI allows the services to address their housing needs by utilizing privately financed and built or renovated houses constructed to local market standards (i.e., the typical housing size and amenities found in the local community).

In August 1998, the Air Force Center for Environmental Excellence (AFCEE) was designated as the Air Force's Military Housing Privatization Center of Excellence. To support Air Force housing privatization, AFCEE developed an internal project management structure and approach that can be tailored to fit the particular project needs.

FOR MORE INFORMATION

Air Force Center for Environmental Excellence
 HQ AFCEE/DCP
 2735 Louis Bauer Drive
 Brooks City-Base, TX
 78235-5133
 (210) 536-9580
<http://www.afcee.brooks.af.mil/dc/dcp/news/>

HANSCOM AIR FORCE BASE, MA (ZIP CODE 01731)

Pay Grade	Air Force Rank	BAH Rate	Average Utilities Deduction	Estimated Rent per Member	Total Number of Members	Total Estimated Monthly Rental Income	Total Estimated Annual Rental Income	
E - 1	Basic Airman	\$1,623	\$168	\$1,455	0	\$0	\$0	
E - 2	Airman	\$1,623	\$168	\$1,455	2	\$2,910	\$34,920	
E - 3	Senior Airman	\$1,623	\$168	\$1,455	16	\$23,280	\$279,360	
E - 4	Airman First Class	\$1,623	\$168	\$1,455	94	\$136,770	\$1,641,240	
E - 5	Staff Sergeant	\$1,835	\$168	\$1,667	151	\$251,717	\$3,020,604	
E - 6	Technical Sergeant	\$1,842	\$168	\$1,674	117	\$195,858	\$2,350,296	
E - 7	Master Sergeant	\$1,979	\$168	\$1,811	77	\$139,447	\$1,673,364	
E - 8	Senior Master Sergeant	\$2,129	\$168	\$1,961	14	\$27,454	\$329,448	
E - 9	Chief Master Sergeant	\$2,302	\$168	\$2,134	8	\$17,072	\$204,864	
O - 1	Second Lieutenant	\$1,835	\$168	\$1,667	26	\$43,342	\$520,104	
O - 2	First Lieutenant	\$1,842	\$168	\$1,674	38	\$63,612	\$763,344	
O - 3	Captain	\$2,215	\$168	\$2,047	175	\$358,225	\$4,298,700	
O - 4	Major	\$2,514	\$168	\$2,346	48	\$112,608	\$1,221,120	
O - 5	Lieutenant Colonel	\$2,721	\$168	\$2,553	50	\$127,650	\$1,531,800	
O - 6	Colonel	\$2,743	\$168	\$2,575	32	\$82,400	\$988,800	
O - 7	Brigadier General	\$2,775	\$168	\$2,607	2	\$5,214	\$62,568	
					TOTAL	850	\$1,587,559	\$18,902,532

LACKLAND AIR FORCE BASE, TX (ZIP CODE 78236)

Pay Grade	Air Force Rank	BAH Rate	Average Utilities Deduction	Estimated Rent per Member	Total Number of Members	Total Estimated Monthly Rental Income	Total Estimated Annual Rental Income	
E - 1	Basic Airman	\$758	\$79	\$679	0	\$0	\$0	
E - 2	Airman	\$758	\$79	\$679	0	\$0	\$0	
E - 3	Senior Airman	\$758	\$79	\$679	0	\$0	\$0	
E - 4	Airman First Class	\$758	\$79	\$679	420	\$285,180	\$3,422,160	
E - 5	Staff Sergeant	\$822	\$79	\$743	359	\$266,737	\$3,200,844	
E - 6	Technical Sergeant	\$962	\$79	\$883	165	\$145,695	\$1,748,340	
E - 7	Master Sergeant	\$972	\$79	\$893	0	\$0	\$0	
E - 8	Senior Master Sergeant	\$983	\$79	\$904	0	\$0	\$0	
E - 9	Chief Master Sergeant	\$1,037	\$79	\$958	0	\$0	\$0	
O - 1	Second Lieutenant	\$838	\$79	\$759	0	\$0	\$0	
O - 2	First Lieutenant	\$959	\$79	\$880	0	\$0	\$0	
O - 3	Captain	\$990	\$79	\$911	0	\$0	\$0	
O - 4	Major	\$1,163	\$79	\$1,084	0	\$0	\$0	
O - 5	Lieutenant Colonel	\$1,286	\$79	\$1,207	0	\$0	\$0	
O - 6	Colonel	\$1,297	\$79	\$1,218	0	\$0	\$0	
O - 7	Brigadier General	\$1,312	\$79	\$1,233	0	\$0	\$0	
					TOTAL	944	\$697,612	\$8,371,344

Note: These dollar amounts are for illustrative purposes only. They are not intended to represent actual cash flows. Calculations shown in the tables above reflect January 2003 BAH amounts.



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