SEC. 602. REVISION TO METHOD OF COMPUTATION OF BASIC ALLOWANCE FOR HOUSING.

Section 403(b)(3)(B) of title 37, United States Code, is amended by striking "one percent" and inserting "five percent".

Section-by-Section Analysis

This proposal would revise the method by which the monthly amount of the basic allowance for housing (BAH) is determined for members of the uniformed services. The proposal would add flexibility to the out-of-pocket computation in what percentage can be taken from year to year, not to exceed 5 percent of the national average for a given pay grade and dependency status.

In addition, through a procedural change, renter's (personal property) insurance was removed from BAH computations beginning with 2015 rates, as it is considered a non-housing cost. Removing renter's insurance from BAH computations reduced BAH rates by about 1 percent. BAH rates will now be based only on the cost of rent and household utilities, less an out-of-pocket amount allowed by this proposal.

The previous text (replaced in 2014) was incorporated in statute in 2000 as the result of a Department of Defense (DoD) initiative to reduce, then eliminate, median out-of-pocket expenditures on housing by uniformed service members. Current fiscal constraints necessitated reintroducing this element, but to a lesser extent than the original 1998 BAH law prescribed. At that time, the computation included a 15 percent reduction in BAH rates compared to the average cost of housing.

Budgetary Implications: The table below reflects the cost savings that have been budgeted and would be realized through enacting this proposal. Cost savings calculations are based on savings that will be achieved, starting in fiscal year (FY) 2016, by gradually increasing the out-of-pocket percentage to 5 percent over three years (2016-2018).

RESOURCE REQUIREMENTS ($BILLIONS) - COST SAVINGS									
	FY 2016	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
Air Force	(0.083)	(0.161)	(0.185)	(0.192)	(0.200)	Military Personnel, Air Force	Multiple (BA1/BA2)	Multiple	N/A
Air Force	(0.003)	(0.006)	(0.006)	(0.007)	(0.007)	Reserve Personnel, Air Force	BA1	Multiple	N/A

Air Force	(0.008)	(0.016)	(0.019)	(0.020)	(0.020)	National Guard Personnel, Air Force	BA1	Multiple	N/A
Army	(0.130)	(0.244)	(0.272)	(0.282)	(0.293)	Military Personnel, Army	Multiple (BA1/BA2)	Multiple	N/A
Army	(0.011)	(0.022)	(0.025)	(0.026)	(0.027)	Reserve Personnel, Army	BA1	Multiple	N/A
Army	(0.019)	(0.037)	(0.042)	(0.043)	(0.045)	National Guard Personnel, Army	BA1	Multiple	N/A
USMC	(0.040)	(0.078)	(0.090)	(0.094)	(0.099)	Military Personnel, Marine Corps	Multiple (BA1/BA2)	Multiple	N/A
USMC	(0.001)	(0.003)	(0.003)	(0.003)	(0.003)	Reserve Personnel, Marine Corps	BA1	Multiple	N/A
Navy	(0.100)	(0.194)	(0.225)	(0.235)	(0.246)	Military Personnel, Navy	Multiple (BA1/BA2)	Multiple	N/A
Navy	(0.005)	(0.009)	(0.011)	(0.011)	(0.012)	Reserve Personnel, Navy	BA1	Multiple	N/A
Total	(0.401)	(0.770)	(0.878)	(0.914)	(0.952)				

Number of Personnel Affected: The table below details the number of uniformed service members who would be affected by this proposal. These estimates are based on the number of uniformed service members who were receiving BAH for housing in the United States in June 2014.

NUMBER OF PERSONNEL AFFECTED									
	FY 2016	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
Air Force	236,638	236,638	236,638	236,638	236,638	Military Personnel, Air Force	Multiple	Multiple	N/A
	1,150	1,150	1,150	1,150	1,150	Reserve Personnel, Air Force	Multiple	Multiple	N/A
	13,536	13,536	13,536	13,536	13,536	National Guard Personnel, Air Force	Multiple	Multiple	N/A

Army	355,096	355,096	355,096	355,096	355,096	Military Personnel, Army	Multiple	Multiple	N/A
	15,338	15,338	15,338	15,338	15,338	Reserve Personnel, Army	Multiple	Multiple	N/A
	30,881	30,881	30,881	30,881	30,881	Nationall Guard Personnel, Army	Multiple	Multiple	N/A
USMC	179,297	179,297	179,297	179,297	179,297	Military Personnel, Marine Corps	Multiple	Multiple	N/A
	4,466	4,466	4,466	4,466	4,466	Reserve Personnel, Marine Corps	Multiple	Multiple	N/A
Navy	305,555	305,555	305,555	305,555	305,555	Military Personnel, Navy	Multiple	Multiple	N/A
	9,042	9,042	9,042	9,042	9,042	Reserve Personnel, Navy	Multiple	Multiple	N/A
Total	993,529	993,529	993,529	993,529	993,529				

Change to Existing Law: This proposal would make the following change to section 403 of title 37, United States Code:

§ 403. Basic allowance for housing

(a) GENERAL ENTITLEMENT.—Except as otherwise provided by law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for housing at the monthly rates prescribed under this section or another provision of law with regard to the applicable component of the basic allowance for housing. The amount of the basic allowance for housing for a member will vary according to the pay grade in which the member is assigned or distributed for basic pay purposes, the dependency status of the member, and the geographic location of the member. The basic allowance for housing may be paid in advance.

(2) A member of a uniformed service with dependents is not entitled to a basic allowance for housing as a member with dependents unless the member makes a certification to the Secretary concerned indicating the status of each dependent of the member. The certification shall be made in accordance with regulations prescribed by the Secretary of Defense

(b) BASIC ALLOWANCE FOR HOUSING INSIDE THE UNITED STATES.—

(1) The Secretary of Defense shall prescribe the rates of the basic allowance for housing that are applicable for the various military housing areas in the United States. The rates for an area shall be based on the costs of adequate housing determined for the area under paragraph (2).

(2) The Secretary of Defense shall determine the costs of adequate housing in a military housing area in the United States for all members of the uniformed services entitled to a basic allowance for housing in that area. The Secretary shall base the determination upon the costs of adequate housing for civilians with comparable income levels in the same area. After June 30, 2001, the Secretary may not differentiate between members with dependents in pay grades E-1 through E-4 in determining what constitutes adequate housing for members.

(3)(A) The monthly amount of the basic allowance for housing for an area of the United States for a member of a uniformed service shall be the amount equal to the difference between—

(i) the amount of the monthly cost of adequate housing in that area, as determined by the Secretary of Defense, for members of the uniformed services serving in the same pay grade and with the same dependency status as the member; and

(ii) the amount equal to a specified percentage (determined under subparagraph (B)) of the national average monthly cost of adequate housing in the United States, as determined by the Secretary, for members of the uniformed services serving in the same pay grade and with the same dependency status as the member.

(B) The percentage to be used for purposes of subparagraph (A)(ii) shall be determined by the Secretary of Defense and may not exceed ~~one~~ **five** percent.

(4) An adjustment in the rates of the basic allowance for housing under this subsection as a result of the Secretary's redetermination of housing costs in an area shall take effect on the same date as the effective date of the next increase in basic pay under section 1009 of this title or other provision of law.

(5) On and after July 1, 2001, the Secretary of Defense shall establish a single monthly rate for members of the uniformed services with dependents in pay grades E–1 through E–4 in the same military housing area. The rate shall be consistent with the rates paid to members in pay grades other than pay grades E–1 through E–4 and shall be based on the following:

(A) The average cost of a two-bedroom apartment in that military housing area.

(B) One-half of the difference between the average cost of a two-bedroom townhouse in that area and the amount determined in subparagraph (A).

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