



A Crisis in Military Housing *Basic Allowance for Housing Under Attack*

Introduction

People—the volunteers who endure risk and hardship throughout their careers by answering the nation’s call to serve—are the foundation of the U.S. military. To attract, retain and fairly compensate those who dedicate their lives to service, it is imperative that the government provide quality housing for servicemembers and their families. **If the Department of Defense (DoD) imposes across-the-board cuts to funding for military housing—which will likely occur if sequestration continues into 2014 and beyond—the housing privatization initiative and many of the major improvements to quality of life that it generated will be at risk.** Military professionals, strained by repeated deployments during more than a decade at war, will also be affected directly and immediately with an unfair share of the nation’s budget burden. Such a “penny-wise, pound-foolish” cut will also cause inestimable second- and third-order effects that will negatively impact industry, small businesses, local communities and the economy. Sustaining the all-volunteer force requires constant commitment.

Background

The Basic Allowance for Housing (BAH) is intended to provide eligible servicemembers with housing compensation approximating civilian rental costs in the area where they are stationed, based on rank and number of dependents. In practice, DoD conducts an annual survey of civilian housing costs near its installations to determine average housing costs in each locality. Servicemembers who live off post (about 70 percent of the force) then receive a monthly stipend equal to the local average rental cost to help offset their expenses.

For many years, servicemembers were expected to pay a significant percentage of their own off-post housing costs just to live in an average dwelling. In the early 2000s, Congress finally remedied this situation via the Zero-Out-of-Pocket (ZOOP) initiative, closing the gap between BAH stipends and average local costs. ZOOP has been heralded as a long-overdue success—providing military families with quality of life commensurate with their sacrifice, influencing professional servicemembers to continue their careers and strengthening local communities and economies.

Percentage of Adequate Homes On-Post



Separately, by the early 2000s, on-post housing provided by the services had deteriorated due to chronic underfunding to the point that only about 22 percent of on-post housing met adequacy standards. To correct this shortfall, the services implemented the Residential Communities Initiative (RCI), privatizing nearly all on-post family housing. In practice, the Army (or another service) contracts private industry to develop and maintain family housing on post over the long term, rebuilding and renovating where appropriate. In return, the contractor is paid the BAH stipend that would otherwise have been paid to the servicemember if he or she lived off post. As long as BAH funding remains stable, there is automatic incentive for industry to maintain high-quality properties that will continue to attract tenants. This steady, predictable funding structure led to immediate improvements; today, more than 90 percent of on-post housing meets standards.

Potential Impact of Reducing BAH

The services have made a long-term commitment over more than a decade to appropriately resource servicemembers’ quality of life. Reducing the BAH now,



when the ZOOP initiative's goals have been nearly reached, would directly and negatively impact progress made to date. For the majority of servicemembers who live off post, reducing their BAH would seriously limit their housing options. When combined with other looming hits to military compensation—such as pay raises below the rate of inflation and substantial health care fee hikes—any reduction in BAH means that military families' budgets will be significantly reduced as well.

There are many other effects to consider. In many real estate and rental markets near military installations, a reduction in buying power for military consumers could stunt the construction of new housing and cause older, less adequate housing to remain on the market longer. Landlords, themselves locked into long-term contracts and mortgages, may not adjust their rents downward. Landlords who do reduce rent will presumably also reduce services and capital improvement funding, negatively impacting servicemembers' quality of life. Furthermore, military families' discretionary income that was once spent in local civilian economies—spending that also contributed to significantly improved relationships between military personnel and local communities—will be considerably reduced as families' budgets are forced to adjust. Worst of all, the recruiting and retention of military professionals (perhaps the most important improvement realized by ZOOP and RCI) will be placed at even greater risk.

Secondary effects would also occur on post and impact the privatization of housing—in addition to those effects already described. The stability of BAH funding is what attracted private industry to improve on-post dwellings in the first place. It is the only revenue stream for ongoing sustainment of the services' privatized neighborhoods. If industry partners—locked into long-term RCI sustainment contracts—begin receiving less revenue than they planned, then maintenance, resident services and replacement of older dwellings will



be first to be cut, directly affecting on-post residents, too. Industry—including the small businesses and local contractors who are awarded about 60 percent of RCI contracts and depend on military business—will become much less willing to enter into RCI construction contracts if future predictability is shaken by unexpected reductions to BAH. Most vulnerable to these effects will be junior enlisted servicemembers—the main intended beneficiaries of the RCI program. The gains of the past decade will be jeopardized and major investments wasted.

What Must Be Done

If the nation wants to keep its prized all-volunteer force, it must sustain its commitments to military professionals and their families. Shifting the burden of the nation's fiscal troubles onto the backs of its military families is unnecessary and wrong; these people have already answered their country's call to duty. The services have been on the right track for several years to fix one of the most critical quality-of-life issues, primarily through their long-term commitment to housing privatization. Matching BAH allowances to housing costs and delivering steady, predictable funding for the RCI program has been an enormous success. There is increased availability of affordable, high-quality homes both on and off post. Communities have been strengthened, relationships with local towns improved and local economies stimulated. Most significant of all, the all-volunteer force has seen gains in both recruiting and retention as direct results of these investments.

AUSA continues to advocate the preservation of the full value of servicemembers' earned compensation. For the latest developments on these and other personnel issues, please visit the AUSA website at <http://www.ausa.org>. Click on the Legislative Action Center icon to view the latest headlines and contact your elected officials to remind them that we owe a debt of more than just gratitude to those who willingly serve the nation.