

Understanding OHA and COLA

Recent changes to benefits available to service members PCSing overseas make it more important than ever to understand the benefits for which you are eligible. Here are some frequently asked questions about two of the most common overseas benefits—the Overseas Housing Allowance (OHA) and the Cost-of-Living Allowance (COLA)—answered directly by the Defense Management Travel Office.

What is OHA? The Overseas Housing Allowance (OHA) is paid to service members living in private housing at overseas duty stations. OHA helps offset housing costs, consisting of:

- Rent
- Utility and recurring maintenance expenses
- Move-in housing allowance (MIHA)
 - MIHA Misc: Up front, lump sum payment covering average move-in costs
 - MIHA Rent: Acquisition fees, dollar for dollar reimbursement
 - MIHA Security: High crime/threat areas only as determined by the Department of State

Although there is a separate allowance for rent and utilities, housing allowances appear as a single amount in a pay statement.

How much OHA will I receive when we PCS to my new duty station? To calculate your OHA, check out the OHA calculator at www.defensetravel.dod.mil/site/ohaCalc.cfm.

Do I have to apply for OHA?

Yes. When you arrive at your duty station, check with the local housing office (or the local commander if there is no housing office) to see what the procedures are for your area. To start your OHA, once you have found housing, take a copy of your lease to the appropriate official and complete DD Form 2367, the Individual Overseas Housing Allowance (OHA) Report.

How can I find out what kind of utility bills and “move-in” expenses to expect?

You can find your MIHA and utility allowances on the OHA calculator page or ask the housing office. The amount of MIHA paid and the utility allowance were computed based on expenditures reported by members assigned to your duty station. If you know what your allowances are, you should be able to budget for those expenses.

I am planning to take my family overseas with me. Will I receive a housing allowance for them?

Yes, command sponsorship is no longer required for a service member to receive OHA for his accompanying family.

Where does the Department of Defense get the information that’s used to set the allowances?

The information comes from Service members, through the Defense Finance Accounting Service (DFAS), at each duty station. Rent ceilings are based on actual rents and are set to cover the rent paid by 80 percent of Service members. Utilities and MIHA for each location are based on expenses reported by members receiving OHA. The utility allowance is set to fully cover reported expenses for 80 percent of the members. MIHA/Miscellaneous is based on average reported expenses.

I’ve heard that utility bills are not sent out every month in some places overseas. Is that true?

Yes, in many areas overseas, you may be billed for electricity, gas, etc., only once or twice a year; or you may receive only estimated bills for several months. Some billing cycles cover a 12-month period including peak utility periods. However, you will eventually receive a bill for actual usage. It might exceed the estimate; so it would be wise to set money aside in case you receive a higher than expected bill.

How often is OHA reviewed?

OHA is reviewed at least once every six months.

I’ll be paying my housing costs in the local currency, and the value of the dollar seems to change every other day. Is my housing allowance going to keep up with the changes?

Yes, if the maximum rental allowance for your duty station is set in local currency. The Department’s Per Diem, Travel and Transportation Allowance Committee closely monitors changes in the exchange rate. They can adjust OHA every payday if necessary to maintain your purchasing power. Of course, it takes a while for the change to show up in your paycheck, just as it takes time to process an allotment change.

I’ve heard that there is also a cost-of-living allowance, or COLA. Does the amount of OHA I receive affect my COLA?

No. OHA and COLA are separate allowances.

What is Overseas COLA? The Cost-of-Living Allowance, or COLA, is paid to service members to partially offset high costs when stationed overseas (including Alaska and Hawaii). COLA helps maintain purchasing power so you can purchase about the same goods and services overseas as in

CONUS. It does not reimburse expenses, but is designed to offset higher overseas prices of goods and services. It does not compensate for remoteness, hardship, or non-availability of goods and services.

Does everyone assigned overseas receive COLA? No. If the cost of living in the overseas area where you are assigned is the same as, or lower than it is in an average area in CONUS, you do not receive COLA.

How much COLA will I receive at my new permanent duty station? A COLA rate query by location is available at www.defensetravel.dod.mil/colaCalc.cfm.

How does the Department of Defense know whether it costs more to live at my overseas duty station than in CONUS? The Cost of Living index is based on data furnished by uniformed members assigned to each overseas location. DTMO's Allowances Branch uses two surveys to determine the relative cost of living: a Living Pattern Survey and a Retail Price Schedule.

The Living Pattern Survey asks Service Members which local stores they shop in and how much (the percentage) they buy from the commissary and exchange. For example, the Living Pattern Survey may show that Service Members typically buy half their clothing in local stores (with foreign currency) and half at the exchange (with U.S. dollars).

Using information from the Living Pattern Survey, price collectors in many overseas locations conduct a market basket survey (Retail Price Schedule) each year, pricing about 120 goods and services.

The prices from each overseas survey are compared with prices in the average CONUS for equivalent goods and services at the same point in time. If the overseas market

basket cost is greater than the average CONUS cost, a COLA is paid.

Survey results may show, for example, that in September the market basket items on average in CONUS cost \$100 while at your overseas duty station the same items cost \$130.00 indicating that the cost of living is 30 percent higher in your area. As a result and you would receive COLA to help pay the extra costs associated with the higher cost of living overseas.

So if the cost of living is 30 percent higher at my duty station, will my paycheck be 30 percent larger? No, because COLA is figured on spendable income, not total income. Spendable income is total income minus housing expenses, taxes, savings, life insurance, gifts and contributions.

Does the type of housing I occupy affect my COLA? Yes. If you are a member without dependents living in government quarters such as the barracks or aboard ship, you will receive less COLA to reflect your lower living expenses. If you are a member with accompanying dependents living in either on-base family housing or off base housing, your COLA will not be affected.

Is COLA affected by changes in the foreign exchange rates? Yes. DTMO's Allowances Branch monitors foreign exchange rates throughout the year. As the amount of foreign currency your dollar "buys" changes, the DTMO's Allowances Branch increases or decreases COLA to maintain your purchasing power.

How often is COLA adjusted? COLA is adjusted once a year based on data furnished by the Commands overseas. For currency fluctuations, DTMO's Allowances Branch can adjust COLA as often as every payday. Of course, just as it

takes time to process an allotment change, it takes a while for a COLA change to show up in your pay.

I know that the value of the dollar has dropped a lot over the past several months, but my COLA hasn't gone up an equal amount to compensate for the drop. Why not? Because COLA is adjusted only for the portion of income that the typical member spends on the local economy (in foreign currency). If the living-pattern survey for your area shows that typical members spend 50 percent of their income on the local economy and 50 percent in dollars (i.e., on-base), then only that portion of COLA based on local currency purchases is changed for currency fluctuations. So, if the value of the dollar against the local currency falls 4 percent, your COLA would be increased 2 percent.

What if spending patterns have changed because of changes in the exchange rate? When such changes occur, the Living Pattern Survey will be updated. An event such as the opening/closing of a commissary/exchange also may prompt a survey update.

My dollar buys less foreign currency than ever, but I still don't receive COLA. How come? Remember that you receive COLA only when the cost of living in your area is higher than it is in CONUS. If you have enjoyed a lower cost of living in your area, you may feel disadvantaged when the exchange rate becomes less favorable to you, even though costs are still lower than in CONUS. You can be sure that once average costs exceed those in CONUS, you will receive an appropriate allowance. ●

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