



WHY WE NEED THE MONEY

The Armed Forces Retirement Home is the nation's oldest retirement community for enlisted military veterans. The institution needs new sources of revenue to provide appropriate facilities and services to its elderly residents.

BACKGROUND

AFRH is an independent federal agency under the jurisdiction of the Secretary of Defense. AFRH relies upon its Trust Fund for operations, maintenance and construction of equipment and buildings. It receives no annual appropriation from Congress.

In 2002 Congress authorized the AFRH to use its biggest asset, its land, to replenish its Trust Fund. The Master Plan outlines a development plan to guide the institution for the next 25 years, guarantee any development generates money for the institution and be compatible with the smooth operation of a retirement community.

Previous administrators spent down the Trust Fund to pay for operational expenses. The Fund fell from \$156 million to \$94 million in less than ten years. This pattern of spending put the institution in jeopardy. To address this problem, Congress passed reform legislation in 2002 that not only authorized redevelopment of underutilized land but also directed the Defense Department to hire professional managers with experience in retirement communities to bring costs under control and run the institution.

STOPPING THE HEMORRHAGING

In the past three years, new administrators reduced the operating budget from \$76 million to \$54.7 million by cutting staff from 736 to 447, outsourcing many services, from transportation to security, and consolidating operations by closing many buildings. This stopped the hemorrhaging but did not address the long term financial needs of the institution.

AFRH operates under severe financial constraints beyond its control. The Trust Fund is financed with a 50 cent payroll deduction from active duty military, fines and forfeitures from military disciplinary actions (which vary depending upon operational tempo), fees from residents which are capped by income and interest income. The Home is restricted by law to investments in low yield Treasury bonds.

LOOKING AHEAD

Our residents are living longer and becoming frailer and sicker. AFRH needs a new ward for Alzheimer's patients now. As the Baby Boom generation reaches retirement, AFRH

anticipates increased demand for housing and specialized services. Current soldiers are returning home with injuries which would have killed them in previous wars and with high levels of Post Traumatic Stress Syndrome. AFRH will need significant funds to build new facilities to meet the changing needs of future residents and to maintain and modernize the existing aging facilities.