ARMED FORCES RETIREMENT HOME

CONGRESSIONAL BUDGET JUSTIFICATION

FISCAL YEAR 2025

Submitted to the 118th Congress of the United States

Senate Committee on Armed Services

House Committee on Armed Services

Senate Committee on Appropriations
Subcommittee on Military Construction, Veterans Affairs, and Related Agencies

House Committee on Appropriations
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PROPOSED FISCAL YEAR 2025 APPROPRIATIONS LANGUAGE

ARMED FORCES RETIREMENT HOME TRUST FUND

For expenses necessary for the Armed Forces Retirement Home to operate and maintain the Armed Forces Retirement Home—Washington, District of Columbia, and the Armed Forces Retirement Home—Gulfport, Mississippi, to be paid from funds available in the Armed Forces Retirement Home Trust Fund, $69,520,000, to remain available until September 30, 2026, of which $1,000,000 shall remain available until expended for construction and renovation of the physical plants at the Armed Forces Retirement Home—Washington, District of Columbia, and the Armed Forces Retirement Home—Gulfport, Mississippi: *Provided*, That of the amounts made available under this heading from funds available in the Armed Forces Retirement Home Trust Fund, $25,000,000 shall be paid from the general fund of the Treasury to the Trust Fund.

ARMED FORCES RETIREMENT HOME MAJOR CONSTRUCTION

For expenses necessary to support efforts to complete the renovation of the Sheridan Building at the Armed Forces Retirement Home—Washington, District of Columbia, $31,000,000, to remain available until expended, shall be paid from the general fund of the Treasury to the Armed Forces Retirement Home Trust Fund.

FISCAL YEAR 2025 BUDGET REQUEST

The Armed Forces Retirement Home (AFRH) fiscal year (FY) 2025 operating budget request is $69,520,000 in total budget authority and 363 full-time equivalent (FTE) personnel, with $68,520,000 requested for operating expenses and $1,000,000 requested for capital maintenance and construction. A supplementary sum of $31,000,000 is hereby solicited due to an unforeseen escalation in construction costs and the inclusion of the General Services Administration construction management fee. This funding is intended to facilitate the renovation of the Sheridan Building located on the AFRH-Washington campus.

AFRH's operation and capital improvement expenditures are supported from funds appropriated by Congress and withdrawn from the AFRH Trust Fund. The FY 2025 operating budget request supports AFRH's mission to provide independent living and upper levels of care for certain retired and former enlisted, limited duty officers and warrant officers of the Armed Forces. Many residents are disabled and have lower incomes, services are mandated as defined under 24 USC 413, and residents are supported regardless of their ability to pay for the services they receive per 24 USC 414. In recent years AFRH has prioritized critical deferred maintenance projects, which we began to address with Congressional support to fund the Agency's most needed projects in FYs 2021 to 2024 totaling $34.24 million. The FY 2024 enacted budget provided $8,940,000 for capital projects and the FY 2025 request is $1,000,000.

REQUEST FOR GENERAL FUND SUPPORT

Since FY 2015, AFRH has had to rely on transfers from the General Fund of the Treasury to fund operations due to substantial declines in fines and forfeitures revenue from active-duty military members. As directed by Congress, AFRH and DOD leaders have worked diligently to identify new opportunities for revenue and sought organizational efficiencies without disrupting services to residents. These efforts, combined with general fund support, are intended to re-build the trust fund balance. Despite general fund transfers in FYs 2016 through 2024, and improvement in the trust fund balance, dedicated income streams and initiatives to generate additional revenue and cut costs are not yet sufficient to support FY 2025 operating expenses. Therefore, in FY 2025 AFRH requests $25,000,000 be transferred from the General Fund of the Treasury to the AFRH Trust Fund, without which the AFRH will not have sufficient income to offset non-discretionary outlays and will therefore need to draw on the trust fund balance to support operations.

PROLONGED IMPACTS OF THE COVID-19 PANDEMIC

AFRH is grateful for the tremendous support it received during the COVID-19 pandemic. Our Department of Defense leadership and partners including Washington Headquarters Services, Defense Health Agency, and Defense Logistics Agency helped AFRH obtain testing, vaccines, alternative sources for supplies and equipment, and extensive access to public health experts.

The pandemic forced us to largely close off our campuses, severely limit resident activities, and preclude admission of new residents between March 2020 and March 2021. While resident turnover was in line with normal averages of 20 percent per year, not being able to admit new residents caused total occupancy to fall 14 percent during that period.

In March 2021, AFRH began a phased reopening which depends on continuously assessing community prevalence and risk for the virus, both on our campuses and in the surrounding communities, and on everyone in the AFRH community adhering closely to preventive measures. Since that time, both AFRH campuses have had to increase preventive measures and restrict operations for brief periods in response to increased regional community spread. Gulfport occupancy has increased 19 percent and the

Washington campus occupancy increased five percent since the pandemic low point. New variants of the virus, uncertainty about operational restrictions, and concerns about communal living environments continue to impact our ability to attract and retain residents and staff.

Revenue from resident fees, visitor meal purchases, and short-term rental accommodations fell 14 percent, from an average $1.31 million per month in the first half of FY 2020 to $1.1 million per month on average in FY 2021 and FY 2022. Resident fee revenue increased to $1.26 million average per month through the fourth quarter of FY 2023 reflecting the 5.9 percent increase in military retirement pay for calendar year 2023.

Due to economic uncertainty of the pandemic and reduced interest rates, investment income from trust fund balances declined 85 percent, from an average $108,000 per month in the first half of FY 2020 to an average $3,716 per month in FY 2021. Coming into FY 2023, Interest income improved as result of broader interest rate hikes and larger returns on Treasury Securities, with AFRH averaging $748,690 per month during the second half of FY 2023.

The pandemic also inhibited the Agency's ability to make progress on plans to address critical capital maintenance projects due to restricted access to campuses, extended procurement timelines, and limited availability of contract labor and materials; and to lease a portion of our Washington, D.C. campus for mixed-use private development due to economic disruption and process delays.

SOLVENCY AND SUSTAINABILITY

This section responds to congressional reporting requirements for proposals and updates on progress to stabilize the trust fund and ensure the long-term sustainability of AFRH:

- House Reports 115-673, 115-188, and 114-497
- Senate Reports 115-130 and 114-237
- The Joint Explanatory Statement accompanying H.R. 5325 (Public Law 114-223)

In July 2018, new AFRH leadership, with guidance and support from DOD, developed a strategy focused on stabilizing the organization and restoring the long-term sustainability of the trust fund. The previous financial model has been insufficient to cover AFRH annual expenditures, resulting in annual withdrawals from trust fund balances and appropriated support from the General Fund of the Treasury. This occurred due to AFRH's largest revenue stream, fines and forfeitures, declining 49 percent since FY 2009 and active duty withholding declining by 11 percent due to multiple factors. The trust fund balance had been depleted to the point where it could no longer support AFRH operations. Reforms over multiple years, with increased contributions from all AFRH stakeholders, continue to be necessary to create a sustainable path for the home and its mission. Provided below is a summary of three focus areas for reform and support. For further information on AFRH initiatives and performance, see the Performance and Accountability Report for Fiscal Year 2022 at https://www.afrh.gov/sites/default/files/par/2022%20AFRH%20PAR.pdf .

ATTRACTING NEW RESIDENTS

Long-term sustainability for AFRH must include evolving our facilities to meet the needs and desires of current and future generations of veterans. Our Gulfport campus continues to attract new residents with its modern facilities and amenities and beachfront location. Our Washington campus is significantly more challenging as over 80 percent of our residents live in the Sheridan Building which was originally constructed in the 1960s, with the last significant facelift completed in the early 1990s. Rooms are designed for single occupants and are smaller than average rooms in the lowest quartile for retirement communities nationwide.

AVERAGE UNIT SIZE (PER SQUARE FOOT) OF CONTINUING CARE RETIREMENT COMMUNITIES			
AFRH Sheridan Building	National Lower Quartile	National Median	National Upper Quartile
272	488	822	1,205

Source: *The State of Seniors Housing, 2021*; American Seniors Housing Association

AFRH engaged an architecture and engineering firm to redesign the independent living and assisted living floors to modern standards and increase unit size by enclosing the existing balconies. Their proposed design would yield 50 rooms on independent living floors averaging 561 square feet and ranging from 400 to 730 square feet, and capacity ranging from 50 single occupancy to 90 double occupancy to accommodate couples. The assisted living floor design would consolidate that unit onto the ground floor, significantly improving safety and nurse staff coverage since it is currently split between the first and second floors, and yield 54 rooms averaging 526 square feet and ranging from 325 to 750 square feet.

In FY 2023 AFRH executed an agreement with the General Services Administration (GSA) to manage the renovation project. AFRH and GSA agreed on an updated cost estimate of $108 million, from the initial estimate of $77 million, which reflects substantially higher costs nationwide for construction labor and materials as well as GSA project management and inspection costs and a contingency reserve. The project includes design, demolition and renovation, enclosure of balconies as new interior space, replacing the façade to improve energy efficiency, and modernized HVAC, mechanical, and electrical systems. Together with critical maintenance projects already funded, the renovation will address an estimated $23 million in deferred maintenance for the Sheridan Building. Since Sheridan houses 80 percent of Washington campus residents, the building will need to remain open during renovation with the seven floor renovation phased over a 3- to 4-year period. The FY 2023 enacted budget provided $77 million for the major capital project, which will allow for procurement on the first phase to proceed. The FY 2025 additional request of $31 million will fully fund the project at the revised estimate and allow procurement to proceed. Once procurement is secured, AFRH will re-evaluate economic conditions and labor and supply chain pressures to ensure the project has sufficient resources.

AFRH leadership considered replacing the Sheridan Building since the Washington campus master plan permits construction of up three new buildings adjacent to North Capitol Street, and commissioned a feasibility study for these new buildings as well as renovation of the historic Grant and Security buildings which have each been closed for over 20 years. The study estimated that the three new buildings, which would modernize the Home's domiciliary and address aging infrastructure issues, would cost approximately $505 million, with additional costs for equipment and furnishings. Additionally, it's estimated that the demolition of the Sheridan Building would cost $7 million. It also concluded that while the Grant Building is structurally sound, renovation would likely yield only 72 housing units for the estimated cost of $130 million ($1.8 million per unit). Alternatively, AFRH estimates $4 to $5 million in demolition costs for the Grant Building based on General Services Administration data, though reselling or recycling materials could offset some cost. Finally, the study estimated the cost of renovating the 8,000 square foot historic Security Building for use as a community facility at $6 million, with additional build-out and furnishing costs depending on use.

Due to the expense and extended timeframe for new construction and historic renovation, and given that the Sheridan Building would still require interim updates and eventual demolition once new construction is complete, AFRH leadership continues to believe extending the useful life of the Sheridan Building by at least two decades is the most prudent course of action. AFRH appreciates Congress supporting the renovation project through a General Fund transfer in the FY 2023 appropriation. Funding the project through a General Fund transfer was necessary as AFRH would otherwise have needed to draw the trust fund balance to unacceptably low levels. It was also consistent with historical practice of funding AFRH major construction projects from the General Fund. The additional $31 million requested in FY 2025 is essential for the project to proceed to procurement and for the phases to occur without interruption.

SUPPORT BY CURRENT MILITARY MEMBERS

Active-duty enlisted members have contributed directly from their pay to support the AFRH since its founding in the 1850s. Warrant officers began contributing in the 1910s and limited duty officers in 1990. The contribution amount has been $0.50 per member per month since 1977. In 1994, Congress authorized an increase of this mandatory contribution up to $1.00, to be determined by the Secretary of Defense based on the financial needs of the AFRH. However, despite numerous attempts, the Department has declined to increase the contribution amount despite AFRH financial solvency challenges, citing multiple concerns: (1) the AFRH's management and funding models; (2) the AFRH's limited capacity and geographic coverage compared to the overall population of service members; and (3) directly taxing enlisted members—particularly those at lower ranks who are most burdened by cost of living while being least likely to eventually use the AFRH's services given that 82 percent of AFRH residents left the military ranked E-6 and above.

At the same time, the value of contributions has steadily eroded over time and affected the AFRH's ability to successfully execute its mission and remain financially solvent. Though military pay increased 45 percent between 2007 and 2022, the AFRH mandatory contribution has been level for almost fifty years, its value steadily eroded by inflation, as $0.50 in June 1977 has the same buying power as $2.51 in June 2023.[1] If DOD took administrative action to increase the withhold amount from $0.50 to $1.00, revenue to AFRH would double from approximately $7 million to $14 million per year.

Moreover, the mandatory contribution has not expanded to include the entire population eligible for residence at AFRH, further exacerbating its solvency challenges and creating inequities among beneficiaries. The National Defense Authorization Act for FY 2021 expanded eligibility to retired enlisted, warrant officer, and limited duty officer members of the National Guard and Reserve. However, because the Constitution requires bills for raising revenue to originate in the House of Representatives, extending the payroll deduction to reserve components would have first required the approval of both the House Committee on Armed Services and the House Committee on Ways and Means. As a result, although Guard and Reserve enlisted personnel are eligible for this benefit, they do not contribute to it financially as their active duty counterparts do. In 2019 the Congressional Budget Office estimated that extending the withhold to reserve component members would add $4 million revenue to AFRH at the $0.50 withhold amount. DOD administrative action to increase the amount to $1.00 would likewise double the revenue to $8 million per year. There is merit to the long tradition of current members directly contributing to the care of those who served before them, and the sense of ownership that comes from a benefit paid by enlisted members for enlisted members rather than all taxpayers. Yet concerns, advocated since the Home's founding, about taxing members of the military to sustain the benefit AFRH provides, are also valid. Alternatives to the withhold model could include general taxpayer funding, which has been considered numerous times throughout the Home's history and has effectively occurred with annual general fund transfers since 2016; the withhold could be replaced with or augmented an employer expense, paid by the military departments on behalf of the members, similar to other benefits such as healthcare and retirement; or the withhold could be replaced or augmented by transfer authority from excess amounts in other appropriated accounts. Each of these approaches involve unique constituencies and budgetary effects, benefits and drawbacks.

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[1] https://data.bls.gov/cgi-bin/cpicalc.pl as of 7/2023

Together these actions would expand veteran access while providing significant additional income and help to ensure the long-term sustainability of this important legacy which will be increasingly necessary in the coming decades. As DOD and AFRH stated in their consolidated response to Government Accountability Office report GAO-24-106171:

> *Recent deficits have been shouldered by taxpayers, which Congress has directed be reduced and preferably eliminated. But these recent taxpayer infusions mask the much longer history of insidious underinvestment, capacity reductions, and service cuts which, alongside inflation, work to erode this benefit to enlisted veterans. Consider, for example, these statistics for two fiscal years fifteen years apart:*

Fiscal Year	Operating Budget	Resident Capacity	FTE
2004	$63.296 million	1,865	549
2019	$63.300 million	1,125	336
		-40%	-39%

> *$63.296 million in September 2004 has the same buying power as $102.6 million in September 2023—a 38% difference, which AFRH has been tracking near identically by paring capacity and staffing.*[2]
>
> *At the same time, a recent New York Times article highlighted concerns about current and future availability and affordability for elder care, particularly for the middle class:*[3]
>
> - *"By 2050, the population of Americans 65 and older is projected to increase by more than 50 percent, to 86 million, according to census estimates. The number of people 85 or older will nearly triple to 19 million."*
> - *"Among Americans who had $171,365 to $1.8 million in savings at age 65, those with greater long-term care needs were much more likely to deplete their savings than those who did not need long-term care."*
> - *"The cost of a spot in an assisted-living facility has soared to an unaffordable level for most middle-class Americans."*
> - *"Middle-class people must exhaust their assets to qualify, forcing them to sell much of their property and to empty their bank accounts. If they go into a nursing home, they are permitted to keep a pittance of their retirement income: $50 or less a month in a majority of states. And spouses can hold onto only a modest amount of income and assets, often leaving their children and grandchildren to shoulder some of the financial burden."*
> - *"Half of the nation's assisted-living facilities cost at least $54,000 a year, according to Genworth, a long-term care insurer. That rises substantially in many*

[2] https://www.bls.gov/data/inflation_calculator.htm
[3] "Facing Financial Ruin as Costs Soar for Elder Care", *The New York Times*, November 14, 2023

> *metropolitan areas with lofty real estate prices. Specialized settings, like locked memory care units for those with dementia, can cost twice as much."*

AFRH addresses precisely this issue, providing affordable residences with a variety of on-site services to veterans with moderate incomes, using income-based fees that ensure resources will not be depleted because of the cost of living with us. Like insurance, AFRH was not intended to serve every veteran, but it provides an important backstop and it would be unfortunate to allow this benefit to continue to erode at the same time it will be sorely needed in the coming years. Action is needed, but particularly those actions which will provide steadily increasing amounts commensurate with inflation. From AFRH's long experience, unpredictable infusions through the budget process or from asset sales are not a sustainable solution.

LEVERAGING ASSETS TO GENERATE LONG-TERM REVENUE

Washington Campus Mixed-Use Development Project

On October 24, 2023, AFRH notified the provisionally selected developer and the General Services Administration of its decision to terminate the solicitation for the project to redevelop 80 acres of the Home's Washington, D.C., campus. It comes in the wake of nearly 4 years of intensive negotiations with the selected developer, during which mutually agreeable terms could not be finalized and significant changes in economic conditions since the original proposal occurred. Given these changes and the elapsed time since the offerors' initial proposals, AFRH determined that continued negotiations would not be feasible. While this decision represents a setback, efforts to date will not be wasted. AFRH will continue to work to implement its Master Plan, mitigate environmental impacts, reach out to communities and neighbors, enact zoning, and preserve greenspace and historic assets to the extent possible. AFRH still believes development will occur and bring positive results and opportunities to both the Home and the District, and we remain committed to pursuing financial self-sustainability while ensuring the well-being of the veterans in our care**.**

Addressing Critical Deferred Maintenance

Congressional authorizations in FYs 2020 through 2024 totaled $46,240,000 for capital expenditures, which has allowed AFRH to address mission-critical capital maintenance on our Washington campus. As discussed in the section on COVID-19 impacts, the pandemic delayed progress on these projects due to campus access restrictions, extended procurement timelines, a shortage of qualified bidders, and limited availability of contract labor and materials. We have moved to aggressively execute these projects as procurement and supply chain disruptions ease.

Continuing capital investment is essential to prevent disruption to operations and safety and avoid more expensive replacements in future years. Outdated and deteriorating facilities have a negative effect on AFRH's ability to attract and retain residents, and low occupancy exacerbates AFRH's financial problems by reducing fee income and driving higher fixed costs per resident. The FY 2023 balance sheet acquisition cost of our property and equipment was $412 million minus $134 million accumulated amortization/depreciation including a $10 million charge for the year. The $8.94 million capital spending authorized in FY 2023 partly offset the depreciation charge and provided a capital expenditure rate of

$7,814 per available unit. By comparison, a recent senior living industry report showed nationwide average per unit capital expenditures of $8,465 for continuing care retirement communities.[4]

The FY 2025 request will support AFRH's continued focus on critical maintenance. While the Washington campus requires the bulk of resources due to its age, after over a decade in service the Gulfport facility will require increased investment in the coming years. Saltwater corrosion reduces the life expectancy of many systems, requiring more frequent maintenance and earlier replacement. The following tables summarize projects funded with FY 2020-2024 authorizations and those prioritized for funding in the FY 2025 request:

FY 2020-2025 PRIORITY MAINTENANCE PROJECTS (priority order)					
Campus	**Project Description**	**Estimate**	**Budgeted FY 2020-2024**	**FY 2025 Request**	**Status**
Washington	Replace 1950s-1960s electrical infrastructure	$7,500,000	$8,300,000	n/a	All electrical engineering designs and utility approvals complete. Major equipment purchased and deliveries scheduled through March 2024.
Washington	Chiller and water pump replacement	1,500,000	1,448,159	n/a	Partial installation complete. Unknown archeology discovered requiring investigation and unknown structural complications encountered when historic walls were opened for new piping. Archeology issues have been address and new structural designs are underway.
Washington	Replace 1920s-1960s water and sewer infrastructure	6,500,000	7,500,000	n/a	Phase 1 has been awarded. The main 12" water line loop through the campus is anticipated to be complete by the end of the year. Storm water designs are underway for Phase 2 and 3.
Washington	Replace 1950s-1970s elevators (Sheridan, Stanley, Quarters 1, Sherman)	3,400,000	2,766,331	n/a	7 of 9 elevator are complete. Anticipated construction to be completed on the remaining 2 by May 2024.
Gulfport	Replace primary and backup generators impacted by lightning, hurricane, and saltwater damage	6,000,000	6,000,000	n/a	Designs are complete, and installation package is being prepared for solicitation.
Gulfport	Replace boilers due to salt corrosion	500,000	500,000	n/a	Designs are complete, and installation package is being prepared for solicitation. An additional $500,000 is being utilized to procure special boiler equipment that resist the corrosive salt air from the Gulf of Mexico adjacent to the campus.
Both	Replace outdated and malfunctioning emergency alert system	1,750,000	1,750,000	350,000	Attempting to procure a product that can utilize existing infrastructure as originally planned. Technology is changing.
Washington	Repair and replace slate roofs on historic buildings	600,000	600,000	n/a	Repairs have started. As old areas are repair, new damage is being discovered.

[4] "Actual vs. Budgeted Capital Expenditures Per Available Unit by Property Type", *State of Seniors Housing 2019,* American Seniors Housing Association.

Washington	Repair masonry on historic buildings causing water infiltration and energy loss	4,000,000	400,000	540,000	Assessments complete on historic masonry repointing scope. Preparing solicitation package.
Washington	Repair masonry on historic buildings causing water infiltration and energy loss			110,000	Additional design required to create acceptable historic windows replacements that meet new energy reductions requirement stipulated in the federal guidelines for federal buildings.
Washington	Modernize 1970s-1980s HVAC systems, reduce energy use	2,850,000	2,850,000	n/a	Designs to address several structural issues have been complete. Modifications and funding have been added to existing installation contracts. Additional contract is required to install some new design aspects.
Gulfport	Replace chiller due to reduced useful life, salt corrosion	1,600,000	1,600,000	n/a	Design is under way with anticipated completion of design by March 2024.
Washington	Repair buildings housing electrical converter and substation	1,850,000	1,850,000	n/a	Changes due to utility company approval are being added to existing designs and procured.
Washington	Replace 1950s-1970s fire pump and sprinkler systems to meet current volume and pressure standards	2,000,000	2,000,000	n/a	Procurement of Design is underway. Anticipated design completion by June 2024.
Both	Computer and network systems upgrades and replacements	300,000	300,000	n/a	
Washington	Address emergency egress, ADA accessibility, lighting, plumbing, and mechanical systems of historic Rose and Stanley chapels	2,400,000		n/a	
Both	Replace aging and problematic Gulfport keyless access system, integrate Washington onto same system	2,000,000	2,000,000	n/a	Solicitation on the market
Washington	National Monument Quarters 1 and 2 phase 1 repairs (roof, waterproofing, masonry, plaster, replace deteriorated components, remediate hazardous material, accessibility, HVAC, fire alarm system)	4,460,000	700,000	n/a	Procurement package is being processed
Washington	National Monument Quarters 1 and 2 phase 2 repairs (stonework, basement plaster, fireplaces, tile, kitchen rehab, security system)	940,000	1,640,000	n/a	Procurement package is being processed
	TOTAL	$52,050,000	$43,058,490	$1,000,000	

Beyond the $1,000,000 in critical maintenance projects identified for the FY 2025 request in the above table, AFRH also incurs ongoing expenses for master plan development project support, routine equipment and furniture replacements, and contingency repair and replacement needs as they occur. Additionally, we maintain a capital funding reserve set aside for emergency situations such as hurricane damage and equipment failures. Together these additional needs compose the balance of the capital funding requested.

REVENUE PROJECTION INCLUDING SOLVENCY INITIATIVES

REVENUES (Dollars in Millions)				
	FY 2023 Actual	FY 2024 Estimate	FY 2025 Projection	2024-2025 Increase / (Decrease)
General Fund transfers	$ [25]	$ 25	$ 25	$ 0
Fines and forfeitures	[18]	18	18	0
Resident fees	[15]	16	17	1
Military pay deductions	[7]	7	7	0
* Guard and Reserve deductions			4	[4]
* Increase deductions to $1			11	[11]
Leases and property sales	[3]	3	3	0
Trust fund interest	[7]	7	7	0
Donations & Bequests	[0]	[0]	[0]	[0]
TOTAL	[75]	91	77	[15]

BUDGET DETAIL

SPENDING AUTHORITY BY ACTIVITY

SPENDING AUTHORITY BY ACTIVITY (Dollars in Thousands)					
Authority	FY 2023 Enacted	FY 2024 Request	FY 2024 Enacted	FY 2025 Request	2023-2024 Increase / (Decrease)
Operation and maintenance	$ 68,060	$ 68,060	TBD	$ 68,520	$ 460
Construction and renovation	$ 7,300	$ 8,940	TBD	$ 1,000	[$ 7,940]
Major construction	$ 77,000	$ 0	TBD	$31,000	$31,000
Total authority	$ 152,300	$ 77,000	TBD	$ 100,520	$23,520

SALARIES & RELATED EXPENSES

AFRH's FY 2025 budget request for salaries and related expenses fully supports the agency's mission requirements while providing flexibility to insource where labor cost efficiency can be yielded.

SALARIES & RELATED EXPENSES (Dollars in Thousands)			
FY 2024 Enacted		FY 2025 Request	
Full Time Equivalents	Budget Authority	Full Time Equivalents	Budget Authority
363	$32,000	363	$33,000

STAFFING HISTORY (Dollars in Thousands)		
Fiscal Year	Salaries & Benefits Request	Full Time Equivalents
2008	24,043	283
2009	21,120	268
2010	21,589	252

2011*	25,019	280
2012	23,876	278
2013**	23,910	278
2014	22,976	275
2015	23,427	269
2016	24,820	293
2017	28,170	285
2018	28,695	336
2019	29,956	336
2020	28,000	363
2021	31,000	363
2022	32,000	363
2023	32,000	363
2024	32,000	363
2025 Request	33,000	363

FOOTNOTES:

* Reopening of AFRH-G Facility after Hurricane Katrina destruction in 2005 and reshaping of AFRH-W workforce.

**Additional FTE requested to implement HHS recommended 4.1 hours per day for upper-level care residents.

CHANGES ANTICIPATED FOR FY 2024 APPROPRIATIONS

INCREASES / DECREASES BY OBJECT CLASS

The table below describes the differences between the FY 2023 appropriation and the FY 2024 request. This budget request will allow AFRH to continue providing residency and support services to achieve the Administration's government-wide management initiatives within agency operations, as well as manage to staffing costs and inflationary impact in cost of care.

BUDGET BY OBJECT CLASS (Dollars in Millions)						
Major Object Class		**FY 2023 Enacted**	**FY 2024 Request**	**FY 2024 Enacted**	**FY 2025 Request**	**2022-2023 Increase / (Decrease)**
11	Personnel compensation	$ 23	$ 23	TBD	$ 24	$ 1
12	Personnel benefits	9	9	TBD	9	0
21	Travel & transportation of persons	0	0	TBD	0	0
23	Communications & utilities	4	4	TBD	4	0
25	Contractual services	31	31	TBD	31	0
26	Supplies & materials	1	1	TBD	1	0
30	Equipment, land & structures	84	9	TBD	1	[8]
	TOTAL	$ 75	$ 77	TBD	$ 70	[$7]
Full time equivalents		285	363	TBD	363	363

- Personnel Compensation: $1 million increase for projected 5.2 percent federal pay raise.
- Equipment, land & structures: temporary $8 million decrease to capital maintenance resulting from delays in work in process of interdependent projects.

FUTURE BUDGETARY CONCERNS

TRUST FUND SOLVENCY

Congress has supported elements of AFRH's strategic plan to reach long term solvency by expanding eligibility categories to attract residents, including retired members of the National Guard and Reserves and spouses; facilitating new income from underutilized property by clarifying leasing authority; and investing in capital maintenance and improvements. Many of these strategic goal elements will require near-term and ongoing investments of funds and resources to generate long-term results, statutory and administrative changes outside AFRH's control, and access to and flexibility of funds to reach long-term solvency.

AFRH – DC 1938 WATER AGREEMENT

On January 9, 2018, DC Water filed a lawsuit in the United States District Court for the District of Columbia which was subsequently transferred to U.S. Court of Federal Claims on September 12, 2018. The lawsuit alleges non-payment for sewer services that DC Water provides to the buildings on AFRH-W's grounds. DC Water alleges that the fair market value of the services provided to AFRH since January 22, 2010 thru 2018 is $12,000,000. DC Water has also requested charges from 2019 thru the present year. Both DOD and AFRH believe the 1938 agreement is valid. On September 10, 2021 the court ruled that AFRH is required to pay FY2021 sewer charge ($1,747,090.49 estimate) and future charges should DC Water bill AFRH correctly in accordance with the DC Public Works Act of 1954, Pub. L. No. 83-364, 68

Stat. 101, 83rd Cong. (1954). AFRH disputes the FY2021 sewer estimate submitted for payment and is litigating the issue to arrive at the correct amount to be charged. The Court also determined that sections 106 (water) & 212(sewer) of the D.C. Public Works Act of 1954 are money mandating provisions and threaten the 1938 Agreement without a specific exemption clause for AFRH. AFRH filed a motion for reconsideration. On December 14, 2023, DC water filed a motion for Stormwater fees and sewer charges (FY21-24) in excess of $4,000,000. Notable sections for exemption are 1954 Act., Pub. L. No. 83-364, 68 Stat. 101, §§ 106, 206, 212(a); Pub. L. No. 91-650, 84 Stat. 1931, § 105(b).

APPENDIX 1: FUNDING HISTORY

APPROPRIATED FUNDING 1994 TO PRESENT (Dollars in Thousands)					
Fiscal Year	Operate and Maintain	Construction and Renovation	Total Regular Appropriations	Special Appropriations	
1994	53,914	5,403	59,317		
1995	56,411	2,906	59,317		
1996	54,017	1,954	55,971		
1997	55,772	432	56,204		
1998	55,452	13,217	68,669		
1999	55,028	15,717	70,745		
2000	55,599	12,696	68,295		
2001	60,000	9,832	69,832		
2002	61,628	9,812	71,440	$ 5,200	5
2003	62,244	5,769	68,013		
2004	63,296	1,983	65,279		
2005	57,624	4,000	61,624	6,000	6
2006	57,033	1,248	58,281	65,800	7
				176,000	8
2007[9]	57,033	1,248	58,281		
2008	55,724		55,724	800	10
2009	54,985	8,025	63,010		
2010	62,000	72,000	134,000		
2011	69,200	2,000	71,200		
2012	65,700	2,000	67,700	14,630	11
2013	65,590	2,000	67,590		
2014	66,800	1,000	67,800		
2015	63,400	1,000	64,400		
2016	63,300	1,000	64,300	20,000	12
2017	63,300	1,000	64,300	22,000	9
2018	63,300	1,000	64,300	22,000	9
2019	63,300	1,000	64,300	22,000	9
2020	63,300	12,000	75,300	22,000	9
				2,800	13
2021	66,300	9,000	75,300	22,000	9
2022	68,000	7,300	75,300	25,000	9
2023	68,060	7,300	75,360	25,000	9
				77,000	11
2024	TBD	TBD	TBD	TBD	

[5] $5,200,000 grant from DOD available until September 30, 2002 for 9/11 recovery
[6] $6,000,000 transfer from DOD Operation and Maintenance Defense-Wide for Hurricane Katrina recovery
[7] $65,800,000 General Fund payment available until expended for Hurricane Katrina recovery
[8] $176,000,000 General Fund payment available until expended for AFRH-Gulfport replacement
[9] In 2007 the government operated under a series of Continuing Resolutions
[10] $800,000 General Fund payment available until expended
[11] $14,630,000 General Fund payment available until expended for earthquake recovery
[12] General Fund payments to support operations
[13] $2,800,000 CARES Act General Fund payment available through FY21 for COVID-19 response
[11] $77,000,000 General Fund payment available until expended for AFRH-W Sheridan Building renovation

APPENDIX 2: CURRENT / PROJECTED RESIDENTS

CURRENT / PROJECTED RESIDENTS			
	ACTUAL FY 2023	ESTIMATED FY 2024	ESTIMATED FY 2025
Domiciliary Care	536	545	550
Healthcare	129	135	140
Total Residents	665	680	690

APPENDIX 3: AFRH ORGANIZATION

AFRH is an independent establishment in the Federal Executive Branch established under Title 24 U.S.C. Chapter 10. The agency encompasses two Continuing Care Retirement Communities (CCRC) offering increased levels of care as resident need additional services. As required by law, AFRH facilities provide on-site medical care services and transportation of residents to DOD and Veterans Affairs health facilities near each campus. Though an independent establishment, AFRH is under the control and administration of the Secretary of Defense.

AFRH has two locations—Gulfport, MS (AFRH-G) and Washington, DC (AFRH-W). Both facilities are modern offering full services and a small house concept in upper levels of care. The upper-level of care small house concept contributes to AFRH's vision of Person-centered Care by meeting individual resident's needs in a home-like setting at a reasonable cost.

AFRH-G (Gulfport, MS)

The AFRH-G facility is located on approximately 40 acres of land on the Mississippi Sound. The resort towns of Gulfport and Biloxi as well as Keesler Air Force Base and other government facilities are in close proximity. The Gulfport community has been home to former enlisted, limited duty officer and warrant officer service members since 1976 when the Naval Home relocated to Gulfport from Philadelphia, Pennsylvania.

AFRH-W (Washington, DC)

The AFRH-W facility is located on 272 acres in the heart of the Nation's capital. The campus has been home to thousands of former enlisted, warrant officer and limited duty officer service members since 1851. The campus is also home to President Lincoln's Cottage at the Soldiers' Home and Creative Minds International Public Charter School.

Organizational Chart

◆Denotes Secretary of Defense appointed position
Department of Defense employees in dark blue

APPENDIX 4: ACRONYMS

Acronym	Definition
AFRH	Armed Forces Retirement Home
AFRH-G	Armed Forces Retirement Home-Gulfport
AFRH-W	Armed Forces Retirement Home-Washington
CEO	Chief Executive Officer, AFRH
COO	Chief Operating Officer, AFRH
DCOP	District of Columbia Office of Planning
DOD	Department of Defense
FTE	Full Time Equivalent
FY	Fiscal Year
NCPC	National Capital Planning Commission