



STATE OF CONNECTICUT
SOLDIERS', SAILORS' AND MARINES' FUND
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John D. Monahan

February 18, 2009

Testimony of
John D. Monahan
before the
Joint Committee on Appropriations
of the
Connecticut General Assembly

Senator Harp, Representative Geragosian, Members of the Committee:

The citizens of Connecticut have long recognized that among them a unique class of citizen exists, a class of citizen worthy of special consideration - the veteran. The state has a proud history of care for the veteran, as evidenced by the establishment of the first veterans' home in the nation, the Fitch Home, in 1864. In a similarly progressive fashion, the people of Connecticut, acting through their elected representatives, established the Soldiers, Sailors, and Marines Fund in order to recognize those who had sacrificed during the "Great War" and to provide aid to the neediest among them. One could state without exaggeration that Public Act 336 of 1919, signed into law by Governor Marcus Holcomb on May 21st, 1919, stands as among the most enlightened pieces of social legislation of the 20th century.

Support to service personnel, their families, and veterans through the Soldiers', Sailors' and Marines' Fund, the Department of Veterans' Affairs, and the Connecticut Military Family Relief Fund, as well as other agencies, puts Connecticut in the vanguard of states in caring for her citizen-soldiers.

The mission of the Fund, to assist needy wartime veterans, remains vitally important today, as Connecticut servicemen and servicewomen perform duties in the forefront of current military operations. They demonstrate daily that they are worthy successors to the generations of Connecticut's sons and daughters who have rallied to our nation's defense since the founding of the republic.

The unique partnership between the American Legion and the State of Connecticut boasts a ninety-year record of faithful discharge of the duties implicit in the arrangement: the speedy, compassionate, and judicious provision of assistance to ameliorate deprivation and suffering among Connecticut's veterans. Connecticut's Legionnaires of the "Great War" understood the gravity of the task set before them. They were also keenly aware of the potential for criticism, jealousy, and resentment that lay in the task. But also recognizing that the state had offered them the opportunity of effecting enormous good, they willingly shouldered the burden. It is a record of which the American Legion is justifiable proud, and which stands as a shining example of what a state may achieve in support of veterans.

Attempts have been made to alter or eliminate the Fund, typically, and ironically, during times of economic disruption, when the ability of the Fund to positively impact the lives of veterans is most relevant. These initiatives have been shortsighted, as are the Governor's Budget recommendations for the agency for the next Biennium. Given that the nation is currently waging two wars and creating

veterans every day, the Governor's budget, eliminating eight positions, and thereby crippling the agency's ability to execute its statutory mission, is callous and insensitive.

The Governor's Proposed Budget for 2010-2011 calls for expenditures of \$2,639,799 and a reduction of 8 positions, from the current 12 to 4. The proposal is based on the proposition that the Fund should be self-sustaining. This is a goal with which the agency has no argument.

The Budget Proposal (Page 552) states that the agency has been subsidized by the General Fund in the amount of \$3.8 million since FY2003. This is the type of misleading statistic that Mark Twain would have immediately recognized. It is true that, owing to the low rate of return on the trust, principally due to the historically low interest rates that have prevailed for the last several years, the agency has been subsidized by the General Fund, however the accurate amount is \$1,679 million from FY2002 to FY2008, an average of \$240,000 per annum. This discrepancy is based on OPM attributing to the agency monies diverted from the SSMF during those years to the Department of Veterans' Affairs for the emplacement of headstones and to the Military Department for provision of Funeral Details. These diversions were based on a perverse interpretation of the statutes (CGS 27-140), which mandate that the Fund assist "in bearing the funeral expenses" of veterans. This provision was, of course, intended to assist the bereaved survivors of veterans, not to subsidize the operational expenses of other departments. This practice was discontinued after FY2006. The shortfall in FY2008 was \$267,000, based on earnings of \$2,850,629 and expenditures of \$3,117,629.

We recognize that current economic circumstances demand that the agency maximize efficiency in delivering vital services. We also recognize that the SSMF is not immune to having to shoulder a part of the burden during these trying times. A staff reduction of eight persons, however, does not hamper the ability of the agency to deliver assistance - it breaks it entirely. The Budget Proposal is completely disconnected from any rational analysis of the daily operational requirements of the agency.

With the above imperatives in mind, I recommend the following budget actions, focused on rectifying the perceived problem with subsidization, while not crippling the agency's functioning:

- 1) Reduce the authorized complement of Veterans Aid Investigators to 3 (a reduction of 2). This reduction can, I believe, be accomplished through attrition, as 2 Veterans Aid Investigators have indicated their intention to retire this FY. This measure would reduce substantially both the Personal Services and Fringe Benefits outlays. Approximate savings of \$139,534.
- 2) Appropriate the entirety of the projected income for FY2010 of \$2.7m (3 Year Budget Report Page 27). Alternatively, as this number is probably too low, and as the actual earnings in FY2008 were \$2,850,629, appropriate \$2.8 million.
- 3) Reduce Capital Outlays to \$0 (as recommended). Savings of \$9,975.
- 4) Reduce Other Expenses for FY2010 to \$55,623 from \$82,788. The majority of this reduction has already been achieved. FY2008 expenses were \$55,897. Savings of \$31,966.
- 5) Freeze Awards payments temporarily at the FY2008 level of actual outlays of \$1,937,000. This would NOT constitute a reduction, in conformance with the Governor's stated goal of not negatively impacting assistance to veterans. This measure would be of temporary duration only, in anticipation of higher interest rates, and thus, greater earnings from the trust in the future, as well as in anticipation of progress in the foreseeable future on expanding the availability of health care coverage, to which a large percentage of current expenditures are devoted. Positive developments on these fronts would eventually enable increased expenditures on shelter / food / clothing / utilities / weekly assistance, etc. Savings of \$42,100.
- 6) Revise the provisions of CGS 27-140 to allow for the recoupment by the General Fund of appropriated monies expended in excess of the actual investment earnings of the trust. This must, however, be done with due care and caution, such that budgeting and staffing decisions may be made with consistency and without undue disruptions. Any earnings over the appropriation would return to the corpus, however, consideration should be given to

emplacement of a mechanism whereby significant capital outlays (for example computers, servers, etc.) in a given year might be amortized over several years, such that decision to expend monies on necessary support materials or systems would not dictate a staff reduction.

These measures, together with such savings as may be achieved through other means, such as furloughs, wage concessions, etc. will realize significant cost reductions. They will more closely align the earnings of the Trust with the agency's Budget Appropriation. They will also eliminate the necessity of forcing experienced and valued employees out of work, retain the ability of the agency to execute its statutory responsibilities of assisting Connecticut's veterans, and put the agency, on the 90th Anniversary of its inception, on a path to a secure future.

I have offered what I believe to be reasonable and constructive suggestions as to how our mutual goal of serving Connecticut's veterans in a responsible, compassionate, and cost efficient way might be achieved. I am confident that the Committee will give them serious thought and am hopeful that, upon conclusion of your deliberations, you will be in a position to support their incorporation into a revised agency budget.

Contact

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Soldiers, Sailors' & Marines' Fund

Income and Expenditures

Fiscal Year 2001/2002 through Fiscal Year 2007/2008

	FY 2001/2002	FY 2002/2003	FY 2003/2004	FY 2004/2005	FY 2005/2006	FY 2006/2007	FY 2007/2008	Total 7 Year Period
Interest Income	3,147,178	2,785,281	2,720,447	2,620,826	2,571,560	2,583,599	2,850,629	19,279,520
Expenditures - SSMF	2,974,965	2,889,923	2,909,606	2,942,881	3,069,886	3,054,443	3,117,629	20,959,333
Balance	172,213	(104,642)	(189,159)	(322,055)	(498,326)	(470,844)	(267,000)	(1,679,813)
<u>Less:</u>								
Expenditures - DVA	244,000	182,368	223,452	249,970	249,995	-	-	1,149,785
Expenditures - Military Dept	-	375,895	268,037	269,604	306,803	-	-	1,220,339
Year End Balance	(71,787)	(662,905)	(680,648)	(841,629)	(1,055,124)	(470,844)	(267,000)	(4,049,937)

Soldiers', Sailors' Marines' Fund

	2008-2009 <u>Estimated</u>	2009-2010 Current <u>Services</u>	2009-2010 Revised <u>Requested</u>	Estimated <u>Savings</u>
Personal Services	750,774	724,293	609,723 *	114,570
Other Expenses	84,321	87,589	55,623	31,966
Equipment	9,975	-	-	-
Award Payments to Veterans	1,979,800	1,979,800	1,937,700	42,100
Fringe Benefits	<u>446,806</u>	<u>446,526</u>	<u>421,562 *</u>	<u>24,964</u>
Total Soldiers', Sailors' & Marines' Fund	3,271,676	3,238,208	3,024,608	<u><u>213,600</u></u>

*Includes 27 Payrolls

OTHER EXPENSES

SOLDIERS', SAILORS' & MARINES' FUND			
ESTIMATED FISCAL YEAR 2009/2010			
OTHER EXPENSES			
	OBJECT		
	CODE		
CLEANING SUPPLIES	53390	65	
TELEPHONE	53865	12,600	
RENTS & STORAGE	53311	5,400	
POSTAGE (REGULAR)	51764	8,000	
MILEAGE REIM.	50800	1,890	
OFFICE SUPPLIES	54060	2,500	
D.P. SUPPLIES	53890	500	
LEAS PER PROPERTY	51740	150	
EDP SERV COMM	53720	21,038	
OFC EQUIP. REPAIRS-(CONTR)	52531	700	
COURIER SERVICES	51761	1,020	
SUBSCRIPTIONS	51675	160	
PRINTING	54180	1,600	
TOTAL		55,623	
REQUESTED 2009/2010		87,589	
DIFFERENCE		31,966	