

EXECUTIVE SUMMARY:

THE TRANSITIONAL BENEFIT CORPORATION METHOD

I. DESCRIPTION

The Transitional Benefit Corporation (“TBC”) is a vehicle to promote the transfer of designated, generally underutilized, government assets, such as real estate, equipment, and intellectual property, to the private sector and to enable associated government employees similarly redeployed while allowing them to retain and accrue their public benefits. (See Table A – Chart of the TBC Method). The TBC Method delineates a legal and business framework for effecting such transition using a non-profit umbrella structure. The TBC Method provides a structured methodology to analyze selected government operations with a view towards enhancing efficiency by reducing costs; redistributing workload; and maximizing asset utilization. Pursuant to the TBC Method, an umbrella organization is created that facilitates the smooth transition of public sector assets and personnel to the private sector by attracting financing; incubating new business units and creating spin-offs; commercializing government-owned intellectual property. The TBC Method is implemented through the contractual interplay under the TBC for the continued performance of the installation's functions between any existing government installation transferring functions and related personnel, one or more public sector units, and one or more new business units ("NBUs"), and possibly one or more non-profit corporations organized under the auspices of state or local government, consistent with the corporations laws of the particular state. Under the TBC Method, the TBC enters into contracts directly with the existing government installations and NBUs to achieve the benefits described below. Note that all of these units are necessary in every case to achieve the benefits set forth in Section II, below.

II. UNIQUE BENEFITS OF THE TBC

The TBC Method is designed to be a preferred alternative to outsourcing, managed competition (e.g. the A-76 program), privatization, or base closures because of three unique aspects. Because of its uniqueness, the TBC is a patent pending methodology.

A. Economic Development And Savings

First, the TBC Method provides for potential economic development and savings to the government. The TBC Method provides for growth opportunities in the communities where the generally underutilized government assets now reside. Government facilities that are potential candidates for closure (e.g. Department of Defense or Department of Energy installation), as well as activities such as laboratories or other active operations that have viable commercial markets are ideally suited for oversight by a TBC. The TBC provides for savings to the government because while the government installation no longer must maintain the assets and the personnel, it continues to have access to them on a contractual basis, thus providing the surge capability mentioned below. The TBC Method also creates potential for economic growth by focusing on the government's mission while utilizing the former government employees ("Transitional Benefit Employees" or "TBE") to grow new business opportunities.

Under the TBC Method, the government will realize economic savings not only in non-recurring costs but also recurring costs. It is estimated that a typical TBC transaction can be accomplished within six months, with savings being realized shortly thereafter; by contrast, under the A-76 process, the transaction may take up to four years with savings not recognized until the end of the fifth year. Since the time is compressed to conduct a TBC transaction, the costs are necessarily reduced. In contrast, the A-76 process places significant economic costs on the government.¹

B. Surge Capability

Second, the TBC Method provides the government with the ability to "reach back" on a temporary basis through the TBC and associated contractual arrangements into the nonprofit, private sector, and/or the NBUs to use the assets and TBEs in the event of an emergency or surge in workload. In contrast, under an A-76, the government may have to reduce its workforce by as much as a third to meet its Most Efficient Organization ("MEO") cost reduction goals. By reducing its workforce under the MEO, the government sacrifices mission flexibility in the event of a national security emergency or spike in workload. Under the TBC Method, in the event of a national security emergency or spike in workload, the NBUs not only likely will have the full staffing of existing skilled employees capable of performing the required work, these NBUs have the flexibility to rapidly expand its workforce free from the delays caused government hiring policies and procedures.

C. Soft Landing For Former Government Employees

Third, the TBC provides for a "soft landing" for former government employees. Under the TBC, these TBE's are not only guaranteed a job (most likely for one year) in the private sector organization under the auspices of the TBC, but are also able to retain and continue to accrue government pension, health, and insurance benefits during such period of private employment, which are paid for by the private sector – at a reduction in cost to the government. This agreement is attractive to all of the affected parties: the TBE retains their job and benefits, the government does not need to undergo a reduction in force ("RIF") and thereby avoiding termination costs and internal disruptions due to workforce restructuring, and the private sector entity gains well-trained, knowledgeable, and valuable employees.

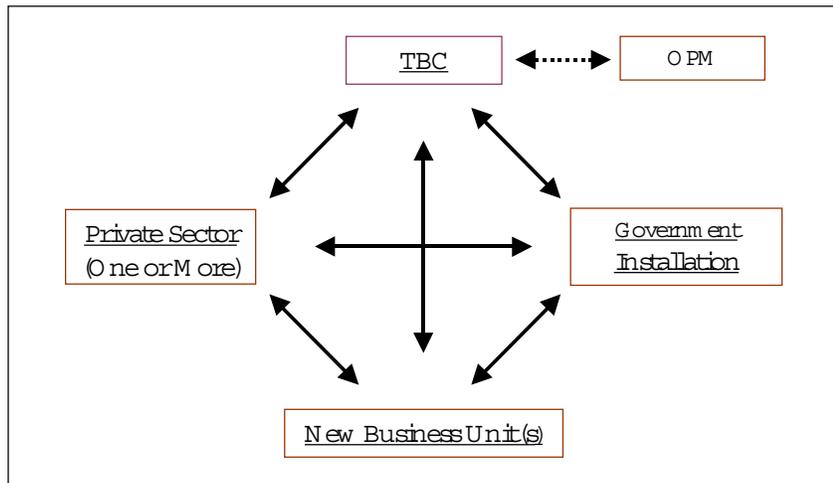
¹ In the recent study of the A-76 process, General Accounting Office reported that the average cost per position under study was \$2,000-6,000. *See, Report to the Chairman, Subcommittee on Military Readiness, Committee on Armed Services, House of Representatives: DOD Competitive Sourcing; Questions About Goals, Pace, and Risks of Key Reform Initiative*, GAO/NSIAD-99-46, February 1999, at 10.

III. SUMMARY

While the TBC Method is innovative, its implementation is supported by organizational and legal precedents that have been developed successfully in the recent past. Federal examples include the Naval Air Warfare Center in Indianapolis, the Navy Environmental Detachment in Charleston, South Carolina, the United States Investigative Services (background investigators from the Office of Personnel Management). Pertinent local government initiatives including the City of Milwaukee's wastewater management services and the County of San Diego's information technology capability.

The TBC Method is very scalable – it can handle a small group of employees or assets as well as entire installations or activities. It lends itself to involving local governments and economic development oriented nonprofit organizations as well as universities and foundations, as former government assets and workers are transitioned into productive non-government work while assuring that legitimate government mission needs are met. Lastly, the TBC Method handles the personnel issues gracefully – providing such TBEs with a "soft landing" while reducing the cost of personnel transition to the taxpayer.

Transitional Benefit Corporation Method



LEGEND :

Contractual Relationship: \longleftrightarrow

Benefits Management: $\dashleftarrow\dashrightarrow$

Sources of Funding: Grants, CRADAS, Contracts, Universities, Non-Profits, Private Sector, and/or IDB.

Assets: Land, Improvements to land, Equipment, and/or Intellectual Property.

Benefits: Pension, Medical, and/or Insurance.

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