THE WHITE HOUSE

WASHINGTON

July 21, 1998

MEMORANDUM

TO: Nicole Rabner

FROM: Kris M. Balderston KMB

SUBJECT: Lousiana Childcare Question

Is this helpful?

If you have any questions, please call me (6-2572).

Thank you.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS

Subject: Child Care Center, New Orleans
King Cove, Alaska, Highway

Attached are two fact sheets on the subject projects provided to you by Dr. Westphal at your request.

Additional information has been provided by staff at Senator Landrieu's (D-LA) office. On Monday, July 20, President Clinton is scheduled to travel to New Orleans. He will be attending a fund raiser for Congressman Jefferson. In addition, the plan is for him to visit a local school and discuss Federal programs for children and education. There will be a press conference at the school. Senator Landrieu wanted to alert the Army that questions on the child care facility may come up.

The negotiations with the YMCA are continuing with a goal of concluding an agreement by close of business tomorrow (July 17). The YMCA is updating its cost estimates for their start up and operating expenses. At the same time, the Corps is actively coordinating funding authorities for lump sum start up payments and a period of child care service that will meet the needs of the YMCA to make the venture acceptable to the provider. An announcement of the agreement is anticipated within days.

For further information, please contact COL Sperberg. at 697-9809.

Robert J. Sperberg
COL, XO, OASA(CW)

Fact Sheet

July 16, 1998

1. Purpose: To provide information on the status of the opening of the Child Care Center at the New Orleans District, US Army Corps of Engineers.

2. Facts:

a. A 7,500 square foot building has been constructed and furnished as a child care center, adjacent to the headquarters building of the New Orleans District. The facility is leased by the General Services Administration (GSA) for fifteen years. The child care facility is to be operated by a private child care provider. The Corps of Engineers will assume the costs for the rent, utilities, custodial services, and building maintenance.

b. The Corps of Engineers is negotiating with the YMCA to begin operation of the child care facility by Labor Day week (September 8, 1998) and continuing through a specified time.

c. The Corps is continues to examine options for longer term operation of the child care facility by exploring a full range of provider and funding alternatives and marketing the new facility.

Prepared by: Joseph W. Westphal
Assistant Secretary of the Army (Civil Works)
(703) 697-8986

SUBJECT: Child Care Center (CCC) for New Orleans Corps of Engineers (COE)

Background

In September 1996, GSA was requested to provide a child care center (CCC) for the US Army COE in New Orleans, LA (NOLA). A 100 capacity CCC (7,972 square feet) was contracted by GSA, built by RAMTECH Building Services, Inc at a cost of $1.2M. COE agreed to pay GSA rent from April 1998 through April 2013. Rent for years 1-5 was to be $252,621 per year, followed by a lower rate for years 6-10 ($146,689) and $75,804 for years 11-15. The government has an annual no-cost option to purchase the CCC after the 5th lease year. GSA agreed to provide start-up expenses and GSA oversight.

The CCC was scheduled to open in May 1998, to register children for a summer program. However, the New Orleans COE office received a "cease and desist" order from LTG Ballard, the Army Chief of Engineers (ACE) at HQ US Army COE because the use of mission funds was deemed to be "illegal and inappropriate." The Annual Army "Green Book" Corporate Report views child care as a high priority quality of life issue; the Army annual child care budget is over $100M. The Military Child Care Acts of 1989 and 1996 mandate a level of appropriated funds (APF) for child care that is at least equal to the total of parent fee revenue.

If the COE withdraws from its child care commitment and finds child care inappropriate, it would be the ONLY Army Major Command not fully supporting child care as a mission readiness program. The Army operates approximately 200 CCCs in over 130 worldwide locations. In April 1997, the President recognized DoD's support to child care as extraordinary and a "model for the Nation." Department of Defense (Personnel and Readiness) is aware of and concerned about the current situation and has requested Army find a swift way to operate the CCC.

Other COE/GSA partnerships:

The COE is a full-rent paying tenant and participates in GSA-sponsored CCCs in the following seven COE locations: 26 Federal Plaza, NY; Louisville Kentucky (where the COE is the lead agency); Duncan Plaza, Portland OR; Federal Center South, Seattle WA (where COE is a major tenant) Fallon Federal Center, Baltimore, MD, Omaha, NE and St. Louis, MO.

Funding issues: To open and operate the NOLA CCC is a budget neutral plan since rental payments will be made to GSA under any scenario. Monthly payments began in April and continue. The COE claims that it would be saving $30,000 per year in cleaning and utilities costs if they do not operate the CCC. Even these small savings would not be totally realized because the building, if left idle, would still have to have basic maintenance and utility support.

The COE proposal to privatize or sub-let the CCC operation to a for-profit or not-for profit vendor is problematic. In private CCC operations, the parent fees that would have to be charged would make child care unaffordable to most Federal employees. Generally, reasonable parent fees can't support both operational costs and rental payments. An additional problem is the location of the CCC near the port, which poses more difficulty for a profit-making vendor due to the dearth of other potential patrons portside.

Another potential funding option proposed by COE is to operate as an Army Child Development Center, however this proposal <u>would no longer be budget neutral.</u> Operating Costs would escalate because the Military Child Care Act requires an equal match of APF to user fees. The DoD annual estimate of the APF match is $3400 per child, which translates into $340,000 additional dollars, annually.

<u>Roadblocks:</u> LTG Ballard contends that the NOLA CCC would set a precedent and raise COE staff's expectations regarding the provision of child care as an employee perquisite. Although child care is provided to other COE civilian employees, COE is not currently the single child care sponsor in a GSA building, as they could be in the NOLA CCC. In other GSA-operated CCCs, they are part of a multi-tenant arrangement. They were the single tenants in a closed Waltham, MA CCC.

The NOLA CCC has remained unopened as COE proposed several options – variations on the theme of padlocking the CCC, or "mothballing" it -- i.e., providing maintenance but not operating it. They ostensibly selected the "least costly option"- lease for 15 years, "mothball it", purchase at the end of the term, and pay low maintenance to "preserve the investment" – a $2.3M option. The options:

- Purchase immediately and demolish ($2.30M estimated cost)
- Purchase immediately and mothball ($2.755M estimated cost)
- Purchase immediately and padlock ($3.48M estimated cost)
- Purchase immediately and surplus ($5M estimated cost)

<u>COE is committed to pay the rent in any case, and it would cost virtually no more to operate the CCC.</u>

<u>Bottom Line:</u> The Army COE proposes to spend $2.3M (over 15 years) to "mothball" a CCC when to operate as a GSA CCC with a selected vendor would cost the same or less. If the CCC opened, COE families would be served, and COE New Orleans "mission" would operate in a more effective way due to improve employee morale, and increased productivity.

GSA Point of Contact: Bonnie Storm, Senior Policy Advisor, (202) 208-5119

MARY L. LANDRIEU
LOUISIANA

United States Senate

WASHINGTON, DC 20510-1804

June 9, 1998

Colonel William Connor
Commander and District Engineer
New Orleans District
U. S. Army Corps of Engineers
Post Box 60267
New Orleans, Louisiana 70160-0267

Dear Colonel Connor:

From an article that appeared in The Times-Picayune on May 27, 1998, I recently learned of the U.S. Corps of Engineers New Orleans District's (NOD) decision to not open the $1.4 million child care facility built on Leake Avenue through an agreement with the General Services Administration.

As an advocate of quality, accessible and affordable child care, one of my guiding principles in serving the public is to see that the federal government serves as the model for child care to private industry. However, given current constraints in the Corps budget which has resulted in mission cutbacks and reductions in force I understand the difficulty in executing a decision not to divert monies from the Corps' primary mission to child care programs.

As I understand, there is already an ongoing effort to seek an alternative solution with available resources. Because of the direct benefit of child care programs to Corps members and the general public, I desire to be pro-active in achieving a workable, cost effective solution to the NOD's unique dilemma. I look forward to discussing with you options available to open the center as soon as possible. In the meantime, should you have any questions please contact Andra Roy of my staff (202) 224-1520.

Sincerely,

ORIGINAL SIGNED

Mary L. Landrieu
United States Senator

cc: David J. Barram, Administrator, General Services Administration
Dan Shaddock, Director, YMCA-New Orleans

INFORMATION ON THE NEW ORLEANS DISTRICT CHILDCARE CENTER

FACT – The Trible Amendment (40 U.S.C., Sec 490b, Section 139, Public Law 99-190, 99 Stat. 1185, 1323, December 19, 1985) authorized federal agencies to USE FEDERAL FUNDS to pay rent, utilities, maintenance, etc. for childcare facilities within government space, provided that 50% or more of the users of the facility are Federal employees.

FACT – A Comptroller General's opinion (70 Comp. Gen. 210; 1991 U.S. Comp. Gen., January 31, 1991) stated that "The General Services Administration (GSA) may lease space or construct buildings specifically for child care facilities if there is insufficient space available...." The same logic that allows Federal Credit Unions to use government facilities, paid for with Federal funds, was applied to the argument.

FACT – The LAST guidance issued by the COE was an April 2, 1992 letter from then-Chief of Engineers Gen. H. J. Hatch which stated that "We recognize the direct benefit of child care programs to Corps members." and "It is our policy to encourage commanders to provide child care programs, and to support the development of such programs wherever research indicates that is a sustainable need..." and "As we examine our employee needs in these areas, our thinking should remain open to as many options as feasible." and "There is no Headquarters centralized funding for providing child care programs. Each command will decide the type and extent of services within their available resources." and "There is an urgent need for us to be proactive in promoting the development of quality dependent care programs and meet the requirements of HQDA, GSA and the Corps."

FACT – The New Orleans District (NOD) conducted THREE surveys that demonstrated that demand from District employees could support a 90-child facility, and an even larger school's out program.

FACT – In 1994, NOD employees, ON THEIR OWN TIME, performed an economic analysis of the benefits vs. cost of a facility and determined that it had a Benefit to Cost ratio greater than THREE TO ONE. Further, the cost of plant operation of such a facility (rent, utilities, maintenance, etc.) would be LESS THAN 0.5% of the District's overhead budget.

FACT – In 1996, the NOD began to work with the General Services Administration (GSA) to acquire space for a (conservative) 60-child GSA facility, with additional space for a 40-child school's out program under a Federal Cooperative Program. GSA contracted to have an owner-contractor construct the building, and lease it to GSA, who would then sublease it to the NOD. The total cost to NOD, including utilities, maintenance, etc. compares very favorably to ELEVEN other COE Districts with child care programs on a pro-rata basis.

FACT – The NOD informed the Division (Mississippi Valley Division) of it's plans when first initiated and ALSO in 1996, FULLY informed COE Headquarters Human Resources office. There was no requirement to report through Army Community and Family Center Channels, since it was NOT to be an Army facility.

FACT – Eleven COE facilities are DOING THE SAME THING that NOD proposes to do – using appropriated funds to pay rent on space used for childcare. The difference is that the other Districts reside in GSA space and the rent paid for childcare is not isolated and identifiable. It is included in the total rent paid to GSA. The NOD's only GSA space is the new facility and, as such, rent for childcare is isolated and identifiable as being for childcare purposes.

FACT – The building was nearly complete and NOD, with the guidance and assistance of GSA childcare experts, WAS about to contract with the Young Men's Christian Association (YMCA) to operate the facility as a non-profit provider. The center was scheduled to open on June 1 with a summer camp program. MANY NOD employees were anxiously awaiting the opening.

FACT – In early April, General Joe Ballard ordered the District Commander NOT to open the center, purportedly because the use of "mission" funds was either illegal or inappropriate. The facts DO NOT support the allegations of illegality (reference Trible amendment) or inappropriateness (reference Comptroller General's opinion), and the NOD's actions are in FULL COMPLIANCE with the COE's last "policy" statement (the 1992 Hatch letter). The matter officially went under policy review and the Division Commander, General Philip Anderson, announced that it was HIS decision to not open the center based on budget cuts at other Districts throughout the Corps. The fact that the New Orleans District has a very healthy budget that could support such a center was apparently a moot point.

DISCUSSION – General Anderson was forced to "fall on his sword" to support General Ballard's decision that he doesn't want the COE "in the childcare business". General Ballard has never been up front about why he opposes it. He initially said that it was illegal, but COE legal counsel disagreed. He then said it was inappropriate to use "mission" funds, but LESS THAN ONE TENTH OF ONE PERCENT of the New Orleans District's budget would be spent on the facility. There was even some attempt to say that the New Orleans District was a military installation and, therefore, Army funds would have to be used on the center. But legal counsel never really supported the determination that it was a military installation and, when the NOD indicated that it would pursue Army funds, that approach was abandoned. The last line of defense for the decision is a position that it is unfair to be opening a facility at one District, paid for with appropriated funds, when, due to budget cutbacks, other Districts are closing childcare facilities because of lack of funds. The fact is that only two other COE facilities are closing. The Cold Regions Research Lab is closing their facility because of a lack of ARMY funding (they WERE using Army funds), and the New England District is closing their facility because they moved the location of their District Headquarters and did not have enough space available at the new location for a childcare facility. The New Orleans District's Civil Works budget continues to be very healthy and the cost of the center, again, represents LESS THAN ONE TENTH OF ONE PERCENT of the FY 98 allocation. Further, the New Orleans District is committed to paying rent on the facility for the 15-year lease, and must keep minimum operations going to prevent deterioration of the building. Therefore, the total savings realized by NOT operating the center and providing quality care for 60 to 100 kids is about $30,000 per year.

Funds are from overhead - not civil works budget.
Amounts to less than 1/2 of 1% of N.O. District overhead account.

CONTINUED

Center: Costs $1.4 million

From B-1

In a recent memo explaining the action, Maj. Gen. Phillip Anderson, commander of the corps' Mississippi Valley Division, said "the diversion of civil works funds from existing programs to operate a child-care center is not prudent."

Lt. Gen. Joe Ballard, the chief executive of the corps, said May 20 that he agrees with the recommendation.

But Marco Rossmano, a corps worker in New Orleans, was disappointed.

"We were tickled pink because we have a 8-year-old daughter who is partially handicapped; the center is fully accessible for handicapped children," she said. "What's happened is inconceivable."

The decision affects more than local corps employees with children. Several federal agencies and a nonprofit group are involved.

The General Services Administration, encouraged by Congress in the late 1980s to develop day-care centers for federal employees, financed the construction of the New Orleans center.

The corps has a 15-year, $2.4 million lease with the General Services Administration that calls for annual payments of $252,000 for the first five years; annual payments would dwindle to $78,000 for the last five years.

The YMCA of Greater New Orleans was chosen to manage the center. Parents would have paid a weekly fee to the YMCA for day care.

Florent said he has told the YMCA of the reversal. The corps' New Orleans office is looking for another entity to assume the lease, he said.

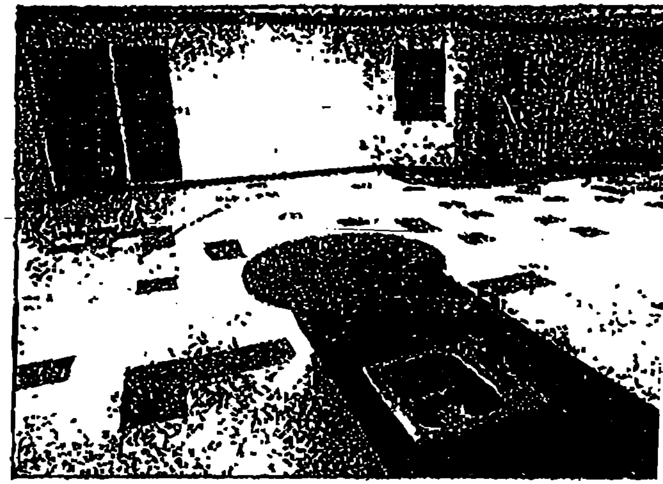
But, Florent said, "it would take at least two years to get some other entity to take over the lease. The facility would remain vacant during that time."

The corps first will have to determine if it can legally transfer the lease, he said. And others might not find the lease attractive.

Regardless, the corps has to honor its lease obligation until then, an obligation that will exceed a half-million dollars at the end of the second year.

Under the existing setup, the corps subsidizes the cost of child care for federal employees by paying the center's rent. It also absorbs about $60,000 in annual operating costs, which include utilities, telephone and security services and employee training.

Under this arrangement, the YMCA primarily will need to cover costs for center staff. Florent estimates the nonprofit group would have charged about $95 a week per child if the center had opened.



The day-care center won't be used until the corps finds so[meone] else to assume its long-term lease. The corps will spend at [least a] half-million dollars mothballing the center while it tries to fi[nd a] tenant.

STAFF PHOTO BY

If some other entity takes over the lease, it might have to charge parents about $220 per week to cover costs, Florent said, because there will be no federal subsidy.

"It's not clear what would happen if the facility were not used as a child-care center," said B.J. Upton, who coordinates day-care services for the General Services Administration. "We're still trying to work this out to get the building opened as a child-care center."

Upton said his agency has asked the corps to explain its decision in writing.

"Once we know the reason, then we'll decide what to do next," he said. "We've [...] a tenant balk at the last [...]

Anderson could [...] reached for comment [...] but Florent speculated [...] get changes might exp[...] federal agencies were [...] build the center in late[...] changed their minds in [...]

"The financial pictur[e] [...]sier then," Florent sai[d] that agencies such as [...] are now under more [...] pressures.

If the corps were [...] center open until it fi[nds an]other company to lea[se...] corps could end up pu[...] out of the center, "it would be disruptive," h[e...]

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Chase: Block's woes grow

Man killed by train

A New Orleans man was killed

What's the most dangerous thing you can do in the Corps of Engineers??

Tell the Truth

An Open Letter to the Congress and the American People:

We are exercising our first amendment rights to ask for your help. The U.S. Army has consistently ignored the Corps of Engineers discriminatory and prohibited personnel practices. The Corps routinely:

- **Targets veterans - especially disabled veterans - for persecution and harassment**
- **Retaliates against whistleblowers for questioning the loss of millions of missing dollars, identifying possible malfeasance, and other illegal practices**
- **Physically assaults older employees**
- **Tries to throw innocent toddlers out of the building in an effort to harass their employee parents**

*

Even though we have tried every administrative avenue, nothing is being done to alleviate the suicidal environment in the Corps. Besides ruining families financially and emotionally, these tactics cost the taxpayer an enormous amount in dollars, morale, and productive time. That cost will only rise as the organizational stress mounts. We are terrified; we are afraid for our lives in this hostile environment. No one will listen. No one will help. We ask that you convene a congressional investigation of the Corps before lives are lost.

Sponsored by the HQUSACE Frien ls of the FFO Support Group and FPTE ocal 49 Representin the South Pacific Division

No plans for

WashingtonWeekend