

## **FINAL MINUTES**

### **COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED**

Thursday, January 13, 2011

9:00 am – 10:30 am

Arlington, VA

#### **I. Opening Remarks**

Mr. Andrew Houghton, Committee Chairperson, called the meeting to order at 9:08 am. In accordance with Committee practice, the attendees introduced themselves.

Mr. Houghton reviewed the agenda and said the public meeting would end at 10:30 am followed by a closed Executive Session. Mr. Houghton asked Ms. Angela Phifer, Committee Executive Assistant to go over some administrative items.

#### **II. Consideration of Minutes**

Mr. Houghton asked Ms. Angela Phifer, Committee Executive Assistant, if there were any changes to the November 18, 2010 minutes and she said there were none. Mr. James Omvig, Private Citizen, made a motion that the minutes be accepted. His motion received a second from Mr. Paul Laird, Department of Justice/UNICOR, and the minutes were adopted by unanimous vote.

#### **III. Defense Budget**

Mr. Anthony Poleo, DLA Representative, gave a high-level presentation on Defense Budget trends and the horizon, similar to a briefing he gave during the NIB Conference last October. He began by showing Federal spending for Mandatory and Discretionary Programs. He noted that mandatory spending has been trending upward. From 1996 to 2006, mandatory spending increased from 26 percent to 53 percent of the Federal budget. Mr. Poleo showed how DoD spending tends to parallel total discretionary spending. His charts showed that DoD outlays increased 37 percent from 2000 to 2006, but are expected to drop 24 percent by this year.

Mr. Poleo said it is evident that DoD funding that was increased as a direct result of 9/11 is beginning to shrink. He quoted Secretary of Defense, Robert M. Gates, who said the ongoing economic crisis and recession will force DoD to make hard choices.

The goal is not to reduce the DoD top line, but to significantly reduce excess overhead costs and apply savings to force structure and modernization, he said. Mr. Poleo discussed several priority

areas that compete for DoD funds. He said the consensus is evident and change in the Defense budget will continue as Secretary Gates has predicted.

With respect to the AbilityOne Program's largest customer, Mr. Poleo said that DLA does not show signs of weakening, and they will continue to respond to customer demand. DLA and its customers are affected by the Continuing Resolution in place until March 4, 2011.

In response to a question from Mr. Kelly about the potential for another Base Realignment and Closure review, Mr. Poleo said he believes that may be possible, depending on the political environment. In response to a question by Mr. Laird, Mr. Poleo advised that when the budget goes down, outlays also decline. Mr. Houghton asked what Mr. Poleo sees on the horizon in about five years. He responded that working capital is a lead time away and there must be more flexibility at DLA including moderation of business.

#### **IV. FY 2010 Program Results**

Mr. Lou Bartalot, Committee staff, gave a report on the AbilityOne Program's FY 2010 results. Mr. Bartalot stated that the direct labor hours worked by people who are blind or severely disabled increased 5.26 percent to a total of 48,049,751 total hours worked. Employment increased 3.25 percent to a total of 47,427 employees. In FY 2010, 1,069 people were promoted and 374 individuals were promoted into supervisory positions. He said AbilityOne sales increased 6.49 percent and 602 nonprofit agencies were authorized.

##### **Employees**

Mr. Bartalot discussed the growth in the number of employees, how many work on products and services and the differences between NISH and NIB regarding products and services.

Mr. Bartalot explained that there were 11 agencies that reported zero AbilityOne hours and that 13 percent of the participating agencies had five or fewer AbilityOne employees.

##### **Direct Labor Hours**

Mr. Bartalot discussed the direct labor hours for the Program and how the 48 million hours were split between NIB and NISH agencies. For products NISH agencies perform 63 percent of the product direct labor hours and for services NISH agencies perform 96.5 percent of the direct labor hours. Mr. Bartalot then discussed the top ten NISH and NIB agencies for hours. He also commented on the smallest agencies and 17 percent of them had less than 2,000 hours.

##### **Wages**

The wages of people who are blind or severely disabled increased 6.97 percent to \$528,324,902 or an average hourly wage of \$11.00. Mr. Bartalot said NIB agencies have consistently paid wages well above minimum on manufacturing products. NISH on the other hand, has had a more complex situation concerning wages. He said NISH product wages has increased each year since 2000, but prior to 2002, the NISH average hourly wage was below the Federal minimum and it is believed that it has been below the minimum for many years. In 2002, the NISH

average hourly wage increased above the minimum. The average remained above the Federal minimum through 2007 when the Federal minimum began increasing. However, it has been below the minimum since. At the rate that the average wage has been growing over the last five years it will not be until FY 2012 that the average hourly wage on NISH products is again above the Federal minimum wage.

Mr. Bartalot said the average hourly wage for services does not include the SCA fringe benefit unless it was paid in cash. As of June 2009, the fringe was \$3.50 an hour. This means that there is at least another \$100 million that was provided to services employees in benefits. He said the difference between the NIB and NISH average wage can be attributed to a number of factors, the largest being that most of the services that NIB performs have higher wages than custodial or grounds maintenance services, the two largest areas of NISH services.

When Mr. Bartalot discussed the top 10 NISH agencies for average hourly wage, he stated that they all provide services. He said the average hourly wage is a combination of location and the type of work that the agencies are doing. NIB's list of the top 10 agencies for average hourly wage, are also agencies that perform services.

In response to a question from Mr. Houghton, Mr. Bartalot said according to the aggregate data, all employees are not paid above the Federal minimum wage. However, it is not possible to determine the exact number of people being paid commensurate wages.

In response to another question from Mr. Houghton, Mr. Bartalot said there are employees with a mix of disabilities that work at the top ten agencies. Ms. Jean Robinson, NISH Counsel, inquired about unionized wages. There was a discussion about janitorial services in a New York agency.

Mr. Omvig congratulated both Mr. Chamberlin and Mr. Lynch on a job well done.

### **Placements and Promotions**

In terms of placements, 2,189 AbilityOne employees were placed, but this is the second consecutive decrease at 4.37 percent. There were a total of 1,069 people promoted during FY 2010 and 375 individuals were promoted into supervisory positions. Mr. Bartalot said placements and promotions are subject to many factors, including the state of the economy, which is a significant factor. Promotions for non-AbilityOne work have been shrinking over the years. He said while placements were down again, promotions were up in 2010.

### **Sales**

Total sales of AbilityOne products and services were \$2,839,630,702. This was an increase of 6.39 percent from the previous year. He also discussed the breakdown of the sales for NIB and NISH agencies as well as the breakdown of sales by products and services. Finally, he discussed the growth of the Base Supply Center sales.

Overall and AbilityOne Direct Labor Ratios

Mr. Bartalot also discussed direct labor ratios. There were ten agencies that had overall direct labor hour ratios below 75 percent and the lowest number of agencies since 1989. For AbilityOne direct labor ratios there were seven agencies with ratios below 60 percent, ranging from 20 to 56 percent for those agencies that were under 60 percent. He said the total number of people who are blind or severely disabled employed at these agencies was 101. There were a total of 38 agencies that had AbilityOne ratios below 75 percent which was the lowest number of agencies since 1988.

Mr. Chamberlin discussed the employee research system, small agencies that have a limited number of employees, and non-AbilityOne work. He said the secured document work at the IRS has developed into several commercial connections. Mr. Bartalot said although there has not been a lot of focus on non-AbilityOne work, data is collected. He commented that 2009 was not a good year for the participating nonprofits working outside of AbilityOne and that 2010 wasn't much better.

## **VII. Closing Remarks**

Mr. Houghton stated that there were good numbers for 2010. He said the Business Excellence presentation would be moved to the March meeting.

Mr. Houghton said Admin Memo 8 contains the nominating procedures for the selection of Committee leadership. In March 2011, Mr. Houghton said he would appoint two individuals to serve as Chair and Vice Chair of the Nominating Committee.

After determining there was no further business, Mr. Houghton adjourned the meeting at 10:34 am and asked the members to return for a closed session.

## **List of Attendees – January 13, 2011**

### **Committee Members**

Ed Anthony	Department of Education
Andrew Houghton	Private Citizen
Helen Hurcombe	Department of Commerce (via teleconference)
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Paul Laird	Department of Justice/UNICOR
James Omvig	Private Citizen
Tony Poleo	Defense Logistics Agency

### **Committee Staff**

Tina Ballard  
Lou Bartalot  
Robert Hartt  
Barry Lineback  
Dennis Lockard  
Numan Malik  
Nancy Myrick  
Angela Phifer  
George Selby  
Joan Smith  
Janet Yandik  
Edward Yang  
Kimberly Zeich

### **NISH**

Bob Chamberlin  
Dennis Fields  
Martin Gerry  
Elizabeth Goodman  
Paul Plattner

### **NIB**

Dan Abatemarco  
Steve Brice  
Angela Hartley  
Mary Johnson  
Jennifer King  
Scottie Knott  
Kevin Lynch  
Arun Shimpi

**Government Representatives/Staffers**

Susan Burrows	U.S. Department of the Navy
Felicia Harvey	U.S. Department of the Army
Shaun McGill	U.S. Department of Labor/ODEP
Bill Sproule	U.S. Department of the Air Force

**Other Attendees**

Ellen Brown	Goodwill
Sharon Omvig	Private Citizen