UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION
WASHINGTON, D.C. 20202

INFORMATION MEMORANDUM
RSA-IM-93-22
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DATE: July 30, 1993

TO : STATE VOCATIONAL REHABILITATION AGENCIES (GENERAL)
STATE VOCATIONAL REHABILITATION AGENCIES (BLIND)
CLIENT ASSISTANCE PROGRAMS
REGIONAL REHABILITATION CONTINUING EDUCATION PROGRAMS (RRCEPS)
RSA SENIOR MANAGEMENT TEAM

SUBJECT: Randolph-Sheppard Vending Facility Program, FY 1992 Annual Report

Attached is a copy of the RSA FY 1992 Annual Report which is based on the "Report of Vending Facility Program" (Form RSA-15) for the reporting period October 1, 1991 through September 30, 1992, submitted by State licensing agencies pursuant to the Randolph-Sheppard Act.

The Randolph-Sheppard Vending Facility Program has continued to provide persons who are blind with remunerative employment at increasing levels of earnings. A total of 3,487 blind vendors operated 3,344 vending facilities located on Federal and other property. The program generated $397.5 million in gross income and $78.7 million in net earnings to vendors for average annual earnings of $24,783 per vendor.

This Annual Report, prepared by the Vending Facility Branch, Division for Blind and Visually Impaired, contains statistical and financial analysis of the Randolph-Sheppard Program.

Please direct any questions concerning this report to Mr. George F. Arsnow, Chief, Vending Facility Branch, MES Building, 330 "C" Street, S.W., Washington, D.C. 20202-2738, telephone (202) 205-9317.

Inquiries To: RSA Regional Commissioners

William L. Smith
Acting Commissioner

RANDOLPH-SHEPPARD

VENDING FACILITY PROGRAM

ANNUAL REPORT

FISCAL YEAR 1992

T A B L E O F C O N T E N T S

Page

EXECUTIVE SUMMARY OF THE
RANDOLPH-SHEPPARD VENDING FACILITY PROGRAM, FY 1992

The Vending Facility Program authorized by the Randolph-Sheppard Act (P.L. 74-732, as amended by P.L. 83-565 and P.L. 93-516; 20 U.S.C. Section 107 _et_ _seq_.) provides persons who are blind with remunerative employment and self-support through the operation of vending facilities on Federal and other property. The program, enacted into law in 1936, was intended to enhance employment opportunities for trained, licensed blind persons to operate facilities. At the outset, sundry stands were placed in the lobbies of Federal office buildings and post offices. The law was subsequently amended in 1954 and again in 1974 to ultimately ensure individuals who are blind a "priority" in the operation of vending facilities which include cafeterias, snack bars, and automatic vending machines.

Over 22,000 persons who are blind have been employed in this program since its inception in 1936. The program has broadened considerably from Federal locations to also include State, county, municipal, and private installations. The gross sales of the program rank it within the fifty largest food service corporations in America. Randolph-Sheppard can, therefore, most accurately be characterized as "big business".

The following statistical information is based upon the form "RSA 15" submitted by the 51 State licensing agencies for the period October 1, 1991 through September 30, 1992 to satisfy the statutory requirements for an annual report.

In FY 1992, there were 3,344 vending facilities of which 1,072 were located on Federal property and 2,272 on non-Federal property, providing employment for 3,487 blind vendors of which 1,111 were on Federal property and 2,376 were on non-Federal property. These figures represent an overall increase of 7 vending facilities and a decrease of 26 vendors, relative to FY 1991.

The gross income (including gross sales, vending machine and other income) from all facilities totaled $397.5 million, up $2.9 million over FY 1991 ($394.6 million). This produced total vendor earnings of $78.7 million--an increase of $2.2 million over FY 1991 ($76.5 million). The national average annual earnings of all vendors was $24,783 in FY 1992, an increase of $452 over FY 1991 ($24,331).

There are marked differences in the administration of the Vending Facility Program from State to State. This report identifies differences in data on the following specific types of facilities: Snack Bars and Other Facilities, Vending Machines, and Cafeterias.

In FY 1992, there were a total of 3,344 vending facilities of which 2,031 or 60.7% were Snack Bars and Other Facilities, 497 or 14.9% were Cafeterias, and 816 or 24.4% were vending machines. Of the total vending facilities, there were 1,072, or 32.1%, on Federal property and 2,272, or 67.9% on non-Federal property.

Snack Bars and Other Facilities were the largest of the three categories with 2,031 facilities of which 660 were on Federal property and 1,371 were on non-Federal property. The gross sales for this type of facility were $214.6 million or 55.5% of the total program gross ($386.5 million). The average vendor earnings were $21,650.

There were 497 cafeteria type facilities of which 112 were located on Federal property and 385 were located on non-Federal property. The gross sales from cafeterias were $97.7 million, 25.3% of the total. The average vendor earnings for this category were $26,838.

There were 816 vending machine facilities, 300 on Federal property and 516 on non-Federal property. The gross sales from vending machines were $74.2 million or 19.2% of the total gross sales. The average vendor earnings for this category were $32,823.

The total program expenditures for administering the Vending Facility Program by the State licensing agencies were $58.2 million in FY 1992. The funding for those expenditures came from the following sources of support: machine income - $10.6 million; levied set-aside from vendors - $13.0 million; State appropriations - $4.9 million; and Federal (Section 110 funds) - $29.7 million.

The General Services Administration was the largest Federal property landlord with 548 facilities. The U.S. Postal Service was second with 257 facilities, and the U.S. Department of Defense was third with a total of 119 facilities.

In FY 1992, the 51 State licensing agencies reported that 521.8 person years were used to administer the Vending Facility Program.

They also reported that 406 blind persons were trained to become vendors of which 201 or 49.5% were placed as licensed vendors, and that 1,003 potential sites were surveyed of which 317 or 31.6% were accepted.

In addition to the 3,487 licensed blind operators employed by the Vending Facility Program, the program employed 429 individuals with visual impairments and 484 with other disabilities.

The RSA 15 report provides data on State participation in the Kennelly Interstate Highway Program. In FY 1992, 39 States participated in that program. Since the District of Columbia, Puerto Rico, the Virgin Islands and the States of Alaska and Hawaii have no interstate highways, only 7 States eligible to participate are not taking part in this program.

In reviewing this statistical program summary, it should be recognized that business opportunities for blind persons in the Randolph-Sheppard Program may be limited by the resources available to the State licensing agency and/or by the availability of vending sites on Federal and other property in a State. State licensing agencies should find the comparative data available in these tables helpful for making program decisions and expanding business opportunities for blind clients. States with similar profiles may wish to enter discussions about mutual problems and achievements. One important gauge of the value of this report will be the advancement of employment opportunities for blind persons in each State's vending facility program.

PROGRAM DATA HIGHLIGHTS

This report and accompanying tables are based on RSA-15 data reported by State licensing agencies for the Blind on three specific types of vending facilities, as defined under the Randolph-Sheppard Regulations in the following manner:

1. "Snack Bars and Other Facilities" means all types of business enterprises which are not included under the cafeteria and vending machine definition. The category includes snack bars and dry/wet facilities.

2. "Vending Machine Facility" means an automated coin or currency operated facility which dispenses a variety of food and refreshment items and services. The licensed business operator is responsible for the complete management of the machines and the area in which they are located. The vendor also must be located on the premises and provide such functions as loading and servicing such machines and other necessary customer related services.

3. "Cafeteria" means a food dispensing facility capable of providing a broad variety of prepared foods and beverages (including hot meals) primarily through the use of a line where the customer serves himself from displayed selections. A cafeteria may be fully automatic or have some limited waiter or waitress service, and table or booth seating facilities are always provided.

INCOME STATEMENT

The Vending Facility Program utilizes an income account of eleven items. Gross profits and net earnings are reported with adequate supporting information indicating how the figures were obtained, as shown in the following statement for FY 1992:

Item	Percent	Million
1. Gross Sales	100.0	$386.5
2. Cost of Goods Sold		$223.0
3. Gross Profit	42.3	$163.5
4. Operating Expenses		$ 84.9
5. Operating Profit	20.3	$ 78.5
6. Vending Machine/Other Income		$ 11.0
7. Net Proceeds	23.2	$ 89.5
8. Funds Set Aside		$ 11.0
9. Net Profit to Vendors	20.3	$ 78.5
10. Fair Minimum Return		$ 0.2
11. Vendors Earnings	20.4	$ 78.7

Gross Sales and Profit

In FY 1992, the Vending Facility program reported gross annual sales of $386.5 million, cost of goods sold of $223.0 million, for a gross profit of $163.5 million, or 42.3 percent of gross sales.

Although the 51 State programs operate in the same line of business and basically under similar ordinary market conditions, the margin of gross profit ranged from 1.3 percent in Delaware to 55.6 percent in Nevada. The margin of profit varied also among the three types of facilities as follows: 47.1 percent for cafeterias, 45.7 percent for vending machines, and 38.9 percent for snack bars and other.

Operating Expenses and Profit

After deducting $84.9 million operating expenses in payments for equipment, maintenance and repairs, supplies, wages, rent, utilities, insurance, licenses, State and local taxes, the program realized an operating profit of $78.5 million, or 20.3 percent of gross sales.

Vending Machine/Other Income and Net Proceeds

The $11.0 million vending machine income distributed to vendors and other income from subsidies and other sources accruing to the vending facilities, added to the $78.5 million operating profit, yielded $89.5 million in net proceeds, or 23.2 percent of gross sales.

As a percent of gross sales, net proceeds indicate profitability after the normal revenues and expenses are accounted for. By this criterion, vending machines were the most profitable type of facility with net proceeds of 32.2 percent, followed by snack bars and other with 23.8 percent, and cafeterias with 15.6 percent.

Set-Aside Funds, Net Profit and Fair Minimum Return

Set-Aside funds assessed against the net proceeds of vending facilities, an accountable item but optional with the States, amounted to $11.0 million. The funds were collected in participating programs that used them to pay for the purchase, maintenance and replacement of equipment, management services, fair minimum return payment to vendors, and fringe benefits.

The remaining net profit to the vendors, after subtracting the $11.0 million set aside from net proceeds, was $78.5 million, or 20.3 percent of gross sales nationally, and ranged from 8.3 percent in Delaware to 39.7 percent in South Carolina. By type of facility, the margin operating profit from gross sales was 29.8 percent for vending machines, 20.3 percent for snack bars and other, and 12.6 percent for cafeterias.

Fair minimum return may be paid to vendors from set-aside funds in order to provide a more uniform and equitable income for all vendors. Only 12 States used this provision of the Act to contribute a total of $162,746.

Vendors Earnings

The amount of vendors earnings is determined by the volume of the program net profit to vendors (i.e. the profit after set-aside funds) and the supplementary fair minimum return payments to the vendors. In FY 1992, the vendors' earnings totaled $78.7 million, as shown in the following statement:

		Percent
Gross Sales, Vending Machine and Other Income, and Fair Minimum Return	$397,648,895	100.0
Merchandise Purchases, Operating Expenses, and Funds Set Aside	$318,977,356	80.2
Vendors Earnings	$ 78,671,539	19.8

This means that, after all kinds of income and expenses were accounted for, the vendors take home earnings represented 19.8 percent of the program revenues from all sources, that is, about twenty cents on the dollar.

The vendors national average earnings, an important management figure in the program, were $24,783, and ranged from $8,560 in Puerto Rico to $42,237 in Nevada. Vendors in 39 State programs received additional fringe benefits valued at $7.7 million.

Vendors operating vending machine facilities made an average of $32,823, compared to $26,838 for those operating cafeterias, and $21,650 for those in snack bars and other.

NUMBERS OF VENDORS AND VENDING FACILITIES

A vendor is a blind person licensed by the State licensing agency to operate vending facilities on Federal, public (State, county, municipal) and private property. The vending facilities are classified into three categories: cafeterias, vending machines, snack bars and other.

In FY 1992, 3,487 vendors managed and operated 3,344 vending facilities, distributed by location as follows: 1,111 vendors operated 1,072 vending facilities on Federal property; 2,114 vendors operated 2,028 facilities on public property; and 262 vendors operated 244 facilities on private property.

Of the total 3,344 vending facilities, 497 were cafeterias, 816 vending machines, and 2,031 snack bars and other.

A total of 1,072 vending facilities were granted permits or contracts to operate on Federal property by the following identified Federal Agencies: General Services Administration - 548, U.S. Postal Service - 257, Department of Defense - 119, Tennessee Valley Authority - 35, Department of Health and Human Services - 22, Department of Transportation - 12, Department of Energy - 17, Department of Veterans Affairs - 11, Department of Interior - 8, Department of Treasury - 6, National Aeronautics and Space Administration - 8, Environmental Protection Agency - 4, and other - 25.

In FY 1992, the VF program trained 406 persons who are blind and placed 201 as vendors. Another 138 were certified but they had to wait for employment. Lack of available facilities was a factor.

Mandatory annual surveys (1,003 in FY 1992) for potential vending facility locations were conducted, 250 in Federal sites and 753 in non-Federal sites. As a result of the surveys, 112 Federal sites vs. 205 non-Federal sites were accepted as vending locations. A total of 317 surveyed sites were accepted in FY 1992. During the same year, 188 new facilities were established and 181 were closed-a net gain of 7. Leading reasons for not accepting surveyed sites were "infeasibility of site" (378) and "denied by property manager" (106).

FUNDING SOURCES AND EXPENDITURES

Total public support for the VF program amounted to $34.6 million, $4.9 million from State appropriations and $29.7 million from Federal funds allocated under Section 110 of the Rehabilitation Act. The remainder was paid for from set-aside funds assessed against the net proceeds of the vending machine facilities ($13.0 million) and from unassigned vending machine income ($10.6 million).

The funding from these four sources amounted to $58.2 million, administered according to the purposes and priorities set forth in the approved State plans, as follows:

-$10.1 million for the purchase of new equipment needed for new as well as for already existing facilities. Federal funds financed 70% of the expenses involved. The national average cost to establish a new facility was estimated at $35,000.

-$5.5 million to maintain the equipment in good repair, and $8.0 million to replace equipment. Set-aside and Federal funds paid for most of these two items. The national average cost to maintain and replace equipment was estimated at $4,000 per facility.

-$4.4 million to refurbish existing facilities in order to improve their appearance and efficiency were paid for by funds from the four sources.

-$20.5 million for management services. These are services provided on a systematic basis by the program management services staff to support and improve the business operation. Federal funds financed more than one-half of the expenses involved.

-$162,746 as fair minimum return payments to vendors, from set-aside funds, to provide a uniform minimum income to all vendors under the program.

-$7.7 million, paid for almost entirely from vending machine income funds, for fringe benefits under the form of:
retirement/pension .... $3.8 million,
health insurance .... $3.2 million,
sick leave/vacation time ... $0.8 million

-$1.1 million, paid for almost entirely by Federal and State funds, for initial stock and supplies.

-$589,136 for other expenditures, paid for from State and non-Federal vending machine income funds.

Program expenditures are growing faster than revenues. From FY 1991 to FY 1992 gross income increased 0.7 percent (from $394.6 million to $397.5 million) while expenditures increased 6.5 percent (from $54.6 million to $58.2 million).

TABLES