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

INFORMATION MEMORANDUM
RSA-IM-94-18
RSM-3015
DATE: August 8, 1994

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 1993 Annual Report

CONTENT: Attached is a copy of the RSA FY 1993 Annual Report which is based on the "Report of Vending Facility Program" (Form RSA-15) for the reporting period October 1, 1992 through September 30, 1993, 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 3,486 blind vendors operated 3,389 vending facilities located on Federal and other property. The program generated $401.0 million in gross income and $80.9 million in net earnings to vendors for average annual earnings of $25,832 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.

INQUIRIES: 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.

Fredric K. Schroeder
Commissioner

RANDOLPH-SHEPPARD

VENDING FACILITY PROGRAM

ANNUAL REPORT

FISCAL YEAR 1993

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

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EXECUTIVE SUMMARY OF THE RANDOLPH-SHEPPARD VENDING FACILITY PROGRAM, FY 1993

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, on Federal property.

Over 24,000 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, 1992 through September 30, 1993 to satisfy the statutory requirements for an annual report under 20 U.S.C. section 107b(4) and 34 CFR section 395.3 (11)(ix).

In FY 1993, there were 3,389 vending facilities of which 1,078 were located on Federal property and 2,311 on non-Federal property, providing employment for 3,486 blind vendors of which 1,121 were on Federal property and 2,365 were on non-Federal property. These figures represent an overall increase of 45 vending facilities and a decrease of 1 vendor, relative to FY 1992.

The gross income (including gross sales, vending machine and other income) from all facilities totaled $401.0 million, up $3.5 million over FY 1992 ($397.5 million). This produced total vendor earnings of $80.9 million--an increase of $2.3 million over FY 1992 ($78.7 million). The national average annual earnings of all vendors was $25,832 in FY 1993, an increase of $1,049 over FY 1992 ($24,783).

The average annual earnings of vendors is determined by dividing the vendors' total earnings by the number of vendor person years. In FY 1993, the number of vendor person years was 3,133.5.

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 1993, there were a total of 3,389 vending facilities of which 2,022 or 59.7% were Snack Bars and Other Facilities, 504 or 14.9% were Cafeterias, and 863 or 25.5% were vending machines. Of the total vending facilities, there were 1,078, or 31.8%, on Federal property and 2,311, or 68.2% on non-Federal property.

Snack Bars and Other Facilities were the largest of the three categories with 2,022 facilities of which 662 were on Federal property and 1,360 were on non-Federal property. The gross sales for this type of facility were $206.5 million or 53.0% of the total program gross ($389.9 million). The average vendor earnings were $21,941.

There were 504 cafeteria type facilities of which 111 were located on Federal property and 393 were located on non-Federal property. The gross sales from cafeterias were $100.5 million, 25.8% of the total. The average vendor earnings for this category were $30,149.

There were 863 vending machine facilities, 305 on Federal property and 558 on non-Federal property. The gross sales from vending machines were $82.9 million or 21.3% of the total gross sales. The average vendor earnings for this category were $33,722.

The total program expenditures for administering the Vending Facility Program by the State licensing agencies were $66.4 million in FY 1993. The funding for those expenditures came from the following sources of support: machine income - $11.4 million; levied set-aside from vendors - $14.7 million; State appropriations - $6.1 million; and Federal (Section 110 funds) - $34.2 million.

The General Services Administration was the largest Federal property landlord with 537 facilities. The U.S. Postal Service was second with 260 facilities, and the U.S. Department of Defense was third with a total of 116 facilities.

In FY 1993, the 51 State licensing agencies reported that 541.5 person years were used to administer the Vending Facility Program. They also reported that 377 blind persons were trained to become vendors of which 169 or 44.8% were placed as licensed vendors, and that 831 potential sites were surveyed of which 360 or 43.3% were accepted.

In addition to the 3,486 licensed blind operators employed by the Vending Facility Program, the program employed 419 individuals with visual impairments and 477 with other disabilities.

The RSA 15 report provides data on State participation in the Interstate Highway Program. In FY 1993, 40 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 6 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 1993:

Item	Percent	Million
1.Gross Sales	100.0	$389.9
2.Cost of Goods Sold	56.7	$221.1
3.Gross Profit	43.3	$168.8
4.Operating Expenses	22.5	$ 87.6
5.Operating Profit	20.8	$ 81.2
6.Vending Machine/Other Income	2.8	$ 11.1
7.Net Proceeds	23.7	$ 92.3
8.Funds Set Aside	2.9	$ 11.5
9.Net Profit to Vendors	20.7	$ 80.8
10.Fair Minimum Return	*	$ 0.1
11.Vendors Earnings	20.8	$ 80.9

Gross Sales and Profit

In FY 1993, the Vending Facility program reported gross annual sales of $389.9 million, cost of goods sold of $221.1 million, for a gross profit of $168.8 million, or 43.3 percent of gross sales.

The margin of gross profit among the 51 State programs ranged from 24.3 percent in Vermont to 58.9 percent in Nevada. The margin of profit varied also among the three types of facilities as follows: 49.0 percent for cafeterias, 46.0 percent for vending machines, and 39.4 percent for snack bars and other.

* Less than 0.05 percent.

Operating Expenses and Profit

After deducting $87.6 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 $81.2 million, or 20.8 percent of gross sales.

Vending Machine/Other Income and Net Proceeds

The $11.1 million vending machine income distributed to vendors and other income from subsidies and other sources accruing to the vending facilities, added to the $81.2 million operating profit, yielded $92.3 million in net proceeds, or 23.7 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 33.1 percent, followed by snack bars and other with 22.7 percent, and cafeterias with 16.2 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 $11.5 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 $11.5 million set aside from net proceeds, was $80.8 million, or 20.7 percent of gross sales nationally, and ranged from 8.9 percent in Delaware to 39.8 percent in South Carolina. By type of facility, the margin operating profit from gross sales was 28.7 percent for vending machines, 21.2 percent for snack bars and other, and 13.1 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 $110,578.

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 1993, the vendors' earnings totaled $80.9 million, as shown in the following statement:

		Percent
Gross Sales, Vending Machine and Other Income, and Fair Minimum Return	$401,133,484	100.0
Merchandise Purchases, Operating Expenses, and Funds Set Aside	$320,189,848	79.8
Vendors Earnings	$ 80,943,636	20.2

This means that, after all kinds of income and expenses were accounted for, the vendors take home earnings represented 20.2 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 $25,832, and ranged from $13,903 in Vermont to $54,315 in Nevada. Vendors in 39 State programs received additional fringe benefits valued at $8.1 million.

Vendors operating vending machine facilities made an average of $33,722, compared to $30,149 for those operating cafeterias, and $21,941 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 1993, 3,486 vendors managed and operated 3,389 vending facilities, distributed by location as follows: 1,121 vendors operated 1,078 vending facilities on Federal property; 2,134 vendors operated 2,085 facilities on public property; and 231 vendors operated 226 facilities on private property.

Of the total 3,389 vending facilities, 504 were cafeterias, 863 vending machines, and 2,022 snack bars and other.

A total of 1,078 vending facilities were granted permits or contracts to operate on Federal property by the following identified Federal Agencies: General Services Administration - 537, U.S. Postal Service - 260, Department of Defense - 116, Tennessee Valley Authority - 35, Department of Health and Human Services - 23, Department of Transportation - 12, Department of Energy - 17, Department of Veterans Affairs - 11, Department of Interior - 7, and other - 60.

In FY 1993, the VF program trained 377 blind persons and placed 169 as vendors. Another 161 were certified but they had to wait for employment. Lack of available facilities was a factor.

In FY 1993, 523 blind individuals received upward mobility training compared to 636 the previous year; of the 523 who received upward mobility training, 147 or 28 percent were promoted to a more lucrative job in the program.

Mandatory annual surveys (831 in FY 1993) for potential vending facility locations were conducted, 186 in Federal sites and 645 in non-Federal sites. As a result of the surveys, 95 Federal sites vs. 265 non-Federal sites were accepted as vending locations. A total of 360 surveyed sites were accepted in FY 1993. During the same year, 179 new facilities were established and 134 were closed-a net gain of 45. Leading reasons for not accepting surveyed sites were "infeasibility of site" (208) and "denied by property manager" (65).

FUNDING SOURCES AND EXPENDITURES

Total public support for the VF program amounted to $40.3 million, $6.1 million from State appropriations and $34.2 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 vendors ($14.7 million) and from unassigned vending machine income ($11.4 million).

The funding from these four sources amounted to $66.4 million, administered according to the purposes and priorities set forth in the State plans, as follows:

-$13.9 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 $43,900.

-$4.8 million to maintain the equipment in good repair, and $9.6 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 $4,200 per facility.

-$5.4 million to refurbish existing facilities in order to improve their appearance and efficiency were paid for by funds from the four sources.

-$22.3 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.

-$102,120 as fair minimum return payments to vendors, from set-aside funds, to provide a uniform minimum income to all vendors under the program.

-$8.1 million, paid for almost entirely from vending machine income funds, for fringe benefits under the form of:
retirement/pension .... $3.9 million,
health insurance .... $3.7 million,
sick leave/vacation time ... $0.5 million

-$1.2 million, paid for almost entirely by Federal and State funds, for initial stock and supplies.

-$1.1 million for other expenditures, paid for from State and non-Federal vending machine income funds.

Program expenditures are growing faster than revenues. From FY 1992 to FY 1993 gross income increased 0.9 percent (from $397.5 million to $401.0 million) while expenditures increased 14.1 percent (from $58.2 million to $66.4 million).

In FY 1993, total receipts of all 717 vending locations operated under the Interstate Highway Program amounted to $23.6 million. The total from vending machine receipts, or profit generated at these locations, was $16.1 million. The number of vendors employed in the highway program was 184.