RANDOLPH-SHEPPARD

VENDING FACILITY PROGRAM

ANNUAL REPORT

FISCAL YEAR 1990

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

INFORMATION MEMORANDUM
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DATE: September 27, 1991

TO :STATE LICENSING AGENCIES UNDER THE RANDOLPH-SHEPPARD ACT
RSA SENIOR MANAGEMENT TEAM

SUBJECT: Randolph-Sheppard Vending Facility Program, FY 1990 Annual Report

CONTENT: Attached is a copy of RSA's FY 1990 Annual Report which is based on the "Report of Vending Facility Program" (Form RSA 15) for the reporting period October 1, 1989 through September 30, 1990, submitted by State licensing agencies pursuant to the Randolph-Sheppard Act.

The Randolph-Sheppard Vending Facility Program has continued to provide blind persons with remunerative employment at increasing levels of earnings. A total of 3,503 blind vendors operated 3,291 vending facilities located on Federal and other property. The program generated $388.8 million in gross income and $74.7 million in net earnings to vendors for average annual earnings of $23,822 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 question 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) 732-1317.

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

Page

EXECUTIVE SUMMARY OF THE FISCAL YEAR 1990 ANNUAL REPORT OF THE RANDOLPH-SHEPPARD VENDING FACILITY PROGRAM

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 blind persons 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 assure the blind a "priority" in the operation of vending facilities which include cafeterias, snack bars, and automatic vending machines.

Over 22,000 blind persons 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. Randolph-Sheppard can, therefore, most accurately be characterized as "big business." The gross sales of the program rank it within the fifty largest food service corporations in America.

The following statistical information is based upon the form "RSA 15" submitted by the 51 State Licensing Agencies for the period October 1, 1989 through September 30, 1990 to satisfy the statutory requirements for an annual report.

In FY 1990, there were 3,291 vending facilities of which 1,062 were located on Federal property and 2,229 on non-Federal property, providing employment for 3,503 blind vendors of which 1,137 were on Federal property and 2,366 were on non-Federal property. These figures represent an overall decrease of 2 vending facilities (an addition of 15 sites on Federal property and a loss of 17 sites on non-Federal property) over FY 1989, and an overall decrease of 53 vendors (an addition of 2 vendors on Federal property and a loss of 55 vendors on non-Federal property).

In FY 1990, the gross income (including gross sales, vending machine and other income) from all facilities totaled $388.8 million (up $12.6 million) over FY 1989 ($376.2 million). This produced total vendor earnings of $74.7 million--an increase of

$1.8 million over FY 1989 ($72.9 million). The national average annual earnings of all vendors was $23,822 in FY 1990, an increase of $956 over FY 1989.

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 1990, there were a total of 3,291 vending facilities of which 2,098 or 63.8% were Snack Bars and Other Facilities, 504 or 15.3% were Cafeterias, and 689 or 20.9% were vending machines. Of the total vending facilities, there were 1,062, or 32.3%, on Federal property and 2,229, or 67.7% on non-Federal property.

Snack Bars and Other Facilities were the largest of the three categories with 2,098 facilities of which 678 were on Federal property and 1,420 were on non-Federal property. The gross sales for this type of facility were $214.3 million or 56.4% of the total program gross ($379.8 million). The average vendor earnings were $21,402.

There were 504 cafeteria type facilities of which 118 were located on Federal property and 386 were located on non-Federal property. The gross sales from cafeterias were $103.0 million, 27.1% of the total. The average vendor earnings for this category were $27,685.

There were 689 vending machine facilities, 266 on Federal property and 423 on non-Federal property. The gross sales from vending machines were $62.5 million or 16.5% of the total gross sales. The average vendor earnings for this category were $29,031.

The total program expenditures for administering the Vending Facility Program by the State Licensing Agencies were $50.2 million in FY 1990. The funding for those expenditures came from the following sources of support: machine income - $8.7 million; levied set-aside from vendors - $11.9 million; State appropriations - $5.5 million; and Federal (Section 110 funds) - $24.1 million.

The General Services Administration was the largest Federal property landlord with 554 facilities. The U.S. Postal Service was second with 246 facilities, and the U.S. Department of Defense was third with a total of 104 facilities.

In FY 1990, the 51 State Licensing Agencies reported that 543.5 person years were used to administer the Vending Facility Program. They also reported that 451 blind persons were trained to become vendors of which 230 or 51.0% were placed as licensed vendors, and that 814 potential sites were surveyed of which 308 or 37.8% were accepted.

In addition to the 3,503 licensed blind operators employed by the Vending Facility Program, the program employs 521 individuals with visual impairments and 504 with other disabilities.

The new RSA 15 report provides data on State participation in the Kennelly Interstate Highway Program. Currently 35 States participate in that program. Since Washington, D.C., Puerto Rico, the Virgin Islands and the States of Alaska and Hawaii have no interstate highways, only 11 States are not participating in this program which provides a livelihood for vendors.

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.

RANDOLPH-SHEPPARD VENDING FACILITY PROGRAM
FISCAL YEAR 1990 ANNUAL REPORT

DEFINITIONS AND FINANCIAL INFORMATION

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

In FY 1990, the Vending Facility program expanded the income account to eleven items. Gross profits and net earnings are now reported with more supporting information indicating how the figures were obtained, as shown in this schedule followed in preparing the annual report for FY 1990:

Item	Percent	Million $
1.Gross Sales	100.0	$379.9
2.Cost of Goods Sold		$218.8
3.Gross Profit	42.4	$161.1
4.Operating Expenses		$ 84.4
5.Operating Profit	20.2	$ 76.7
6.Vending Machine/Other Income		$ 9.0
7.Net Proceeds	22.5	$ 85.6
8.Funds Set Aside		$ 11.1
9.Net Profit to Vendors	19.6	$ 74.6
10.Fair Minimum Return		$ 0.1
11.Vendors Earnings	19.7	$ 74.7

Gross Sales and Profit

In FY 1990, the Vending Facility program reported gross annual sales of $379.9 million, cost of goods sold of $218.8 million, for a gross profit of $161.1 million, or 42.4 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 10.8 percent in North Dakota to 56.6 percent in California. The margin of profit varied also among the three types of facilities as follows: 48.5 percent for cafeterias, 43.8 percent for vending machines, and 39.1 percent for snack bars and other.

Operating Expenses and Profit

After deducting $84.4 million operating expenses in payments for equipment, maintenance and repairs, supplies, wages, rent utilities, insurance, licenses, State and local taxes, the program reaped an operating profit of $76.7 million, or 20.2 percent of gross sales.

Cafeterias, which were credited with the best sales profit (48.5 percent), turned out the poorest operating profit (14.3 percent), and the California State program which recorded the highest sales profit (56.6 percent), managed only a below average operating profit (18.1 percent). In a conventional cost system, appropriate operating expenses will be matched against expected revenues.

Vending Machine/Other Income and Net Proceeds

The $9.0 million vending machine income distributed to vendors and other income from subsidies and other sources accruing to the vending facilities, added to the $76.7 million operating profit, yielded $85.6 million net proceeds, or 22.5 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 31.2 percent, followed by snack bars and other with 23.3 percent, and cafeterias with 15.8 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 $11.1 million collected in 39 participating programs that used them to pay for the 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 $11.1 million set aside from net proceeds, was $74.6 million, or 19.6 percent of gross sales.

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. Fourteen States used this provision of the Act to contribute a total of $142,818.

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 1990, the vendors earnings totaled $74.7 million, as shown in the following statement:

Gross Sales, Vending Machine and Other Income, and Fair Minimum Return	$388,948,740	100.0
Merchandise Purchases, Operating Expenses, and Funds Set Aside	$314,255,582	80.8
Vendors Earnings	$ 74,693,158	19.2

This means that, after all kinds of program expenses were accounted for, the vendors take home earnings represented 19.2 percent of the program revenues from all sources, that is about .20c on the $1.

The vendors national average earnings, an important management figure in the program, were $23,822, and it ranged from $7,064 in Utah to $43,193 in Colorado. Vendors in 32 State programs received additional fringe benefits valued at $7.5 million.

Vendors operating vending machine facilities made an average of $29,031, compared to $27,685 for those operating cafeterias, and $21,402 for those in snack bars and other.

NUMBERS OF VENDORS AND VENDING FACILITIES

A vendor is a blind person licensed and authorized by the State Licensing Agency (SLA) 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 1990, 3,503 vendors managed and operated 3,291 vending facilities, distributed by location as follows: 1,137 vendors operated 1,062 vending facilities on Federal property; 2,065 vendors operated 1,947 facilities on public property; and 301 vendors operated 282 facilities on private property.

Of the total 3,291 vending facilities, 504 were cafeterias, 689 vending machines, and 2,098 snack bars and other.

A total of 1,062 vending facilities were granted permit or contract to operate on Federal property by the following identified Federal Agencies: GSA - 554, USPS - 246, DOD - 104, TVA - 39, HHS - 30,
DOT - 13, DOE - 11, VA - 9, Interior - 8, Treasury - 7, NASA - 6, Agriculture - 4, Commerce - 2 EPA - 2, Fed.Pris. - 2, Justice - 1, HUD - 1, other - 23.

In FY 1990, the VF program trained 451 blind persons and placed 230
as vendors. Another 172 were certified but they had to wait for employment. Lack of available facilities was a factor.

Mandatory annual surveys (814 in FY 1990) for potential vending facility locations were conducted, 249 in Federal sites and 565 in non-Federal sites. As a result of the surveys, 82 Federal sites vs. 226 non-Federal sites were accepted as vending locations. A total of 308 surveyed sites were accepted in FY 1990. During the same year, 179 new facilities were established and 181 were closed-a net loss of 2. Leading reasons for not accepting surveyed sites
were "infeasibility of site" (242) and "denied by property manager"
(114).

FUNDING SOURCES AND EXPENDITURES

Total public support for the VF program amounted to $29.6 million, $5.5 million from State appropriations and $24.1 million from Federal Section 110 funds. The remainder was paid for from set-aside funds assessed against the net proceeds of the vending machine facilities ($11.9 million) and from unassigned vending machine income ($8.7 million).

The funding from these four sources amounted to $50.2 million, administered according to the purposes and priorities set forth in the approved State plans, as follows:

-$8.3 million for <u>the purchase of new equipment</u> needed for new as well as for already existing facilities. Federal funds financed most of the expenses involved. The national average cost to establish a new facility was estimated at $36,622.

-$5.2 million to maintain the equipment in good repair, and $6.5 million to replace equipment. Set-aside funds paid mostly for these two items. The national average cost to maintain and replace equipment was estimated at $3,556 per facility.

-$3.7 million to refurbish existing facilities in order to improve their outlook and efficiency were defrayed by funds from the four sources.

-$17.7 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.

-$142,818 as fair minimum return payments to vendors, from set-aside funds, to provide a uniform minimum income to all vendors under the program.

-$6.1 million, paid for almost entirely from levied set-aside funds, for fringe benefits under the form of:
retirement/pension .... $2.7 million,
health insurance .... $2.6 million,
sick leave/vacation time ... $ 735,697.

-$1.4 million, defrayed almost entirely by Federal and State funds, for initial stock and supplies.

-$1.2 million for other expenditures, paid for from State and non-Federal vending machine income funds.

Program expenditures are growing faster than revenues. During the last decade, from FY 1981 to FY 1990 gross income increased 49 percent (from $260.7 million to $388.8 million) while expenditures increased 93 percent (from $26.0 million to $50.2 million).

TABLES