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Volume I ; Number 01

Winter 1983

GREETINGS:

As we start the new year we at the Division of Vocational Rehabilitation Services are pleased to be launching this new project.

In these times, when it seems that there is a crisis almost daily, it is important that we open new and improved lines of communication.

I hope this newsletter will be such a vehicle.

In this newsletter we at DVRS will endeavor to let you know what is going on and how we feel about things. I hope that you will do the same.

Our Facility Specialists who are out in the field as well as Mr. Marinelli, Mr. Kelliher, and Mr. Selby are working on facility issues every day. I understand that it will not always be possible for us to agree on some issues or actions. It is still very important that we have the benefit of your views for consideration in making our decisions. Please let my staff or myself know how you feel.

In parting please accept my Best Wishes for the New Year, may you all find personal satisfaction and balanced books in your future.

George R. Chizmadia
Director

CUMBERLAND COUNTY PRIVATE INDUSTRY COUNCIL (PIC) GRANT TO AID CUMBERLAND COUNTY DISABLED ADULTS:

The Cumberland County Rehabilitation Center, Vine-land was recently awarded a grant from the PIC to establish a training program in conjunction with the Atlantic City Casino Organization. The grant in the amount of \$35,000 was established to provide training in multiple areas of semi-skilled and skilled occupations in the hotel and casino trades. Services to disabled adults of Cumberland County will be provided through this program which began 01/03/83 and will continue for one year.

James A. Agre
Facilities Specialist

SMALL BUSINESS ADMINISTRATION - HANDI-CAPPED ASSISTANCE LOANS:

Revised Federal regulations pertaining to Handi-capped Assistance Loans have resulted from amendments to the Small Business Act. These amendments provide that handicapped persons and certain nonprofit organizations, as defined in the regulation, in order to receive financial assistance under the Agency's Handicapped Assistance Loan program would no longer have to show that other Federal government financing, such as Small Business Administration (SBA) regular loan program, is not available.

Federal Register
11/05/82

FIRST QUARTER STATISTICS:

More referrals were made to facilities in the first quarter of fiscal year (FY) 83 than in any previous quarter (896). This represents the third straight quarter this has occurred.

This good news is offset by the fact that competitive placements are at a three year low.

DVRS expenditures for service increased one percent (1%) over this quarter last year to \$503,800. This figure represents only fees paid for service and includes no maintenance, transportation or support services.

At the end of the first quarter 2,442 individuals were involved in the Sheltered Workshop program earning an average of \$1.12 an hour.

John D. Kelliher
Research Utilization Specialist

SHELTERED EMPLOYMENT

It seems there are those abroad in the land who believe that DVRS is preventing this program from being funded at the 100 percent level. Nothing could be farther from the truth.

DVRS has championed the cause of the Sheltered Employment Program from its inception. We have regularly submitted budgets that requested 100 percent funding.

Let's take a moment and examine the facts. The Division of Vocational Rehabilitation Services (NJDVRS) is an operating division of the New Jersey Department of Labor. If, as we are told, the Department of Labor supports 100 percent funding, you better believe that NJDVRS supports 100 percent funding.

NJDVRS does not submit a budget directly to the legislature. We submit our budget to the Department of Labor. The Department of Labor then submits its budget to the Governor. The budget that the legislature finally sees is the Governor's budget. Needless to say, either the Department or the Executive Branch (Governor) can make any changes they see fit in the budget.

The amount of money that is "appropriated" in the budget is set by the legislature. If the legislature intends that you be funded at 100 percent why do they cut the budget request made by the Governor.

In fiscal year 1983, the Governor requested 4.7 million dollars for the Sheltered Workshop program. The legislature appropriated only four million.

NJDVRS, once the appropriation is made, becomes the agency responsible for administering the funds. Rest assured this is no simple task.

For a good many years NJDVRS attempted to distribute the funds on a "to each according to his need" basis. This had good points and bad points.

One of the good points was that it gave the most money to the organizations that were in the most debt.

One of the bad points was it did not encourage facilities to get out of debt.

In May 1979, the Interdepartmental Task Force for Review of the New Jersey Rehabilitation Program sharply criticized NJDVRS for "the practice of funding the 'deficit' experienced by a facility in operation of a workshop has the effect of discouraging the facility from aggressively pursuing revenues from other sources and developing efficient, effective cost reduction measures."

It is a valid criticism and we have attempted to respond to this issue. It is NJDVRS' policy that we wish to move to a funding mechanism that will reward facilities for efficiency and penalize those who do not effectively manage.

It never fails to bring about an outcry from some facilities when we say this. Usually we are told it is impossible to do better than facilities are presently doing. We feel this is not the case.

There are facilities, at least six right here in New Jersey, where production income exceeds production cost. They are well managed programs, and deserve our support.

There are numerous programs that suffer from any number of ills and they are not making serious efforts to remedy their problems. We are interested in seeing these programs improve for two reasons:

1. By generating their own operating service, tax money is conserved to support more clients in program.
2. Better managed programs provide better opportunities for clients to maximize their earnings.

The conflict you see, and some interpret it as a "constant state of conflict" with NJDVRS has not been about the appropriation but about its distribution. We can only distribute what we are appropriated.

We want to be fair, we want to see the program grow and prosper, we want to see a true partnership, let us know how you feel.

John D. Kelliher
Research Utilization Specialist

LOCAL OFFICE VIEW:

The following is an unedited piece prepared by a local office manager. The intent is to reflect to you what your "customer" is looking for.

Workshop Evaluation:

We anticipate a workshop evaluation to predict the client's potential to work in a competitive or sheltered work situation. We also need to know the areas of strength which are positive and what situations in the work process need remediation.

I will attempt to explore the shop, the staff, the equipment, the reporting, and the positive image the client gets of himself.

The shop and Staff:

The physical plant should simulate a real work site. It should be safe, it should be barrier - free, and it should be a place where the employees understand they are being evaluated and trained. The staff should be the correct size and possess the training as stated by our workshop manual.

The Equipment:

The equipment should include any mechanical devices which can evaluate the client's dexterity and mental capacities. There should be standardized tests for speed, ingenuity, and efficiency.

The Reporting:

Appropriate reports on attendance and measureable ability should be sent to the office on time and in clear language for the counselor. Quarterly reports and other necessary evaluations which go to Central Office are, of course, necessary for funding and continuing evaluations.

The Positive Image:

The workshop should not be a place where clients feel they are stigmatized or where they get a negative image based on all the jobs they can do.

There are certain "givens". The first, of course, is that the shop be CARF (Commission on the Accreditation of Rehabilitation Facilities) approved. The second is that the shop have a reputation of being reliable and willing to accept some additional sheltered employees who have the potential to remain in the shop and produce.

**SHELTERED EMPLOYMENT FUNDING
CURRENT CONSIDERATIONS.**

Several months ago David Selby, our Facilities Auditor, and I sat down to discuss the method which our department uses to allocate and distribute the funds which the State Legislature annually appropriates for our Sheltered Employment program.

Mr. Selby indicated there were primarily two problem areas where he felt a need, or room for improvement. It was his opinion that these two areas were related and that we should consider changes in our policy and/or procedures to address, and hopefully rectify them.

One of these areas relates to, and in fact underscores, a problem recently cited in a report to us by NJARF's (New Jersey Association of Rehabilitation Facilities) Executive Committee; "the present DVRS allocation method (formula) unduly penalizes workshops deriving significant amounts of income from sales".

This is rather dramatically demonstrated in the following comparative analysis of two FY 82/83 facility cost reviews completed by Mr. Selby last year.

WORKSHOP "A" (190 Clients)

Subcontract Revenue	(\$ 410,496)
Less:	
Subcontract Labor	371,802
Subcontract Supplies.....	10,116
DVR Adjustment (175% rule).....	(49,460)
Other Expenses.....	<u>245,450</u>
Eligible Cost	\$ 167,412
Eligible Cost	\$ 881

WORKSHOP "B" (110 Clients)

Subcontract Revenue	(\$ 500,000)
Less:	
Subcontract Labor	225,000
Subcontract Supplies.....	18,000
DVR Adjustment (175% rule)	-----
Other Expenses.....	<u>257,000</u>
Eligible Costs.....	-0-
Eligible Cost/Client.....	-0-

Workshop A, above, was awarded eligible funding of \$881.00 per client towards meeting its non-personnel costs, ("Overhead Allowance"), while Workshop B was awarded none.

Although this pattern appeared in only one or two other facilities and on a much smaller scale, it can be readily seen that in this situation none of Workshop B's non-personnel costs were recognized for DVRS Sheltered Employment funding purposes, while all but \$49,460 were recognized by DVRS in Workshop A.

If this pattern were repeated or multiplied in facilities on a statewide basis, the total State funds for the Sheltered Employment program might move in the direction and eventually be re-allocated from facilities which are cost-effective, to those which are not. This could result in severe disincentives for facilities to economically manage and operate their Sheltered Employment programs at full service levels. DVRS is extremely interested in encouraging cost-effective operations and discouraging those that are not. Our present system does not do this.

The other problem area or apparent weakness in our current distribution method which he observed is basically one of procedure. Funds are currently awarded to facilities toward their "overhead costs" on the basis of the facility's projection, or in a few cases reporting (actual) of non-personnel costs for the current State Fiscal Year, subject to an inflation factor adjustment for the contract year to be funded.

Unfortunately, the fairness and reliability of these projected or reported costs are heavily influenced and often dependent upon the accuracy and technical sophistication of a facility's accounting and budgeting procedures, as well as, the time of the year when the facility's program costs are estimated. Cost-reporting under these circumstances can result in substantial funding-cost variances, which are attributable more to weaknesses in administrative review procedures, than normal budgetary deviations.

In recognition of these two problems and some other related ones not mentioned here, we are considering re-defining in FY 84 the Sheltered Employment allocation method to include an allocation factor for personnel costs on the same basis as it is presently determined. A second award factor for non-personnel costs, to be derived on some pre-rata or other basis which is readily identifiable and historically verifiable, is also being considered.

We have received three suggestions to date on what this second factor should be and welcome any others which are submitted to us for consideration before April 15, 1983.

One of the suggestions submitted is that the total appropriations for the Sheltered Employment Program be allocated and awarded first to meet all budgeted personnel costs, and the balance, to workshops on a per-client basis. Another suggestion, which is very similar to the first, would allocate a fixed percent of the total program's appropriations to personnel costs, perhaps 80 percent, and the remaining percent on a per-client basis.

A third suggestion is that an allowance factor be computed for a facility's occupancy costs for the 12 months ending March 31 of the year preceding the contract year to be funded, and that the total program's appropriations be apportioned to them on the same percentage basis as personnel costs.

Each of these suggestions appears to offer some remedy to the weaknesses and apparent inequities pointed out above. We will continue to discuss these and any other reasonable suggestions to improve our Sheltered Employment funding methods which are submitted to us. We will also discuss them with NJARF Executive Committee prior to our rendering a final decision in this matter. We have made no decisions on this subject and probably will not, until sometime in May.

John D. Kelliher
Research Utilization Specialist

BUDGET PROCESS FOR PROGRAMS ADMINISTERED BY DVRS:

NJDVRS is responsible for administering three (3) programs which are involved in the State of New Jersey Budget process: 1. State/Federal Basic Support Program for Vocational Rehabilitation, 2. Workshop Support for Sheltered Employment, 3. Work Activity Training Center Program.

All three (3) of these programs have a direct relationship with private rehabilitation facilities.

The process for preparation of the budget begins one (1) year in advance of the year for which funds become appropriated and available for services. Goals and priorities are established with input coming from a broad range of sources including Rehabilitation Services Administration (RSA), the Governor, Commissioner and Assistant Commissioner of Labor, field staff, program data, continuing studies on the program, and consumers and providers of services.

Spending levels for the various programs are sometimes dictated by the Department of Treasury early in the budget process. The basis for the Division of Vocational Rehabilitation Services' funding request is also influenced by anticipated Federal revenue and cost reviews which have been conducted.

The State/Federal Vocational Rehabilitation program which provides comprehensive services geared to eligible disabled individuals needs, leading to gainful employment, is funded by 80 percent Federal dollars and 20 percent State dollars. The size of the State request is based on the anticipated level of Federal allocation. Sufficient funds have been appropriated by the State of New Jersey to match the Federal allocations and also any redistribution of unused Federal funds.

The funding of the Sheltered Workshop for Sheltered Employment program is 100 percent State dollars. The size of the request is based upon cost reviews of allowable costs for Sheltered Employment services.

The Work Activity Training Center (WATC) program has been funded through Title XX Grant and State funds on a 75/25 percent basis. Because of the absence of increases in the Title XX Grant, request for State funding above the 25 percent match had been successfully achieved in Fiscal Year (FY) 1982, but the 1983 appropriation was reduced in the budget revision process to the level that matched only available Federal dollars. The Department's recommendation for FY 1984 is the same.

BUDGET SCHEDULE:

DVRS submits its budget request to the Assistant Commissioner of Human Resources in August of each year. The Commissioner of Labor conducts hearings on the budget during the month of September from which the Department develops its recommendations which are submitted on the first day of October to the Department of the Treasury. The review by the Department of the Treasury culminates in the Governor's budget request in January.

The Joint Appropriations Committee of the Legislature begins its review of the budget in March. In past years the Department of Labor's budget was presented to the Committee during the middle or the latter part of March. At the Department's budget presentation, the Commissioner of Labor justifies the Department's request and responds to questions and issues raised by the Committee.

Specific times for reviewing each of the Department's budgets are set by the Joint Appropriations Committee. Time is also designated for the general public to make comment and recommendations. Frequently, these inputs result in the approval of resolutions which amend the Governor's request. However, resolutions pertaining to the Vocational Rehabilitation program can be line vetoed.

Adriano J. Marinelli
Chief, Program Planning,
Development and Research