



# FACILITIES FACETS



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## DVRS - Rehabilitation Services Administration (RSA) II/SAMR

The New Jersey Division of Vocational Rehabilitation Services is presently undergoing a SAMR. But don't worry, it sounds a lot worse than it is.

A SAMR is a State Agency Management Review and is carried out by the staff of the Region II RSA office in New York. This particular SAMR deals with facilities and should be completed by early May.

The SAMR is a review of program policies and procedures and does not deal with all the financial aspects of a program that an audit does. The result should be recommendations on improving the program as opposed to penalties for past practices.

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### Open Wide

Remember when you were young and your mother used to tell you to take your medicine (which you thought tasted terrible) and everything would be better. You did and it was.

Now DVRS is about to tell you the same thing. We will be talking about the Extended Employment Program.

One of the most important weapons we have in supporting the Extended Employment Program is information. Our "horse and buggy" approach to data collections and storage has created several problems in the past. We think we have solved all the "glitches" in our system and

are prepared to move with our computerization of the Sheltered (Extended) Employment files.

In order to create the file in the first place, we must do a significant amount of work. Once it is done we will have an on-line system which will allow automatic entry of closed DVRS cases and relatively simple annual updates on other clients.

What you will be asked to do is to fill out the SE-1 forms for each client who is presently eligible for the Sheltered (Extended) Employment program. Once this is done, we will fill out a second, yet to be developed form (the SE-2) when the client is placed or terminated.

Once a year each facility will update the average weekly hours and average hourly earnings of those clients remaining in Sheltered (Extended) Employment.

With this data available we will all be able to do a better job of selling our program. We will, as always, be happy to share the data once we have compiled it.

Mr. Kelliher and his staff will be contacting you with more details in the near future.

George R. Chizmadia  
Director

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### Tax Tips

Federal and State tax laws permit several tax exemptions for non-profit organizations. Each quarter "Facilities Facets" will attempt to highlight at least one of them.

This quarter's tip is probably the biggest and least known. It concerns a provision in the New Jersey Unemployment Compensation Act which allows non-profit organizational employers to self-insure or pay New Jersey Unemployment Compensation Benefits directly to only those of its own employees who actually become unemployed during the year, rather than annual taxes at a rate of up to 343 dollars per year on every employee (staff member).

The tax savings to facilities which elect this option translates into a payback rate of 12 to 1. This means that a facility will pay additional (unnecessary) unemployment taxes in any year that less than one out of every twelve staff members becomes unemployed and collects the maximum compensation benefits of 4,004 dollars per year.

Application procedures for making this election are relatively simple and cost little or nothing. However, they will ordinarily only be approved effective on January 1, each year.

Information on application procedures should be obtainable from your Agency's Certified Public Accountant, or by contacting David P. Selby, Grants Manager. If you are interested, please let me know and I will contact you now, or remind you later in the year to consider this.

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### Quality - What?

There are few quicker ways to throw a gathering of rehabilitation practitioners into turmoil than by discussing, "what is quality?"

Quality is a word we often use. Each of us has his own vision of quality, or at least we think we do. Often, when pressed, we find we do not have a very clear, finite concept. What we have is a vague, fuzzy, all-inclusive concept that would probably entertain goodness as a synonym. Over the last few years, I have been asked on more than one occasion what I mean by

quality. My answers have been serious on some occasions, glib on other occasions. They have seldom satisfied my listener and never satisfied me.

I feel DVRS should make a definitive statement on the subject of quality. If we cannot achieve an ultimate definition, we must have a universally understood working definition. In this article I propose a starting point for discussion. I ask your involvement in this process.

Webster's New World Dictionary lists quality as a noun and carries four definitions: (1) that which makes something what it is; characteristic element, (2) basic nature, kind, (3) the degree of excellence of a thing, (4) excellence; superiority.

Immediately one is struck by the breadth of the definition offered, from basic nature to excellence. Quality is a noun, not an adjective; we do not look for a quality program, we look for a program with quality.

Let's start by working with the idea of basic nature, that which makes a thing what it is. For a vocational rehabilitation program it would follow that quality constitutes vocationally rehabilitating people.

We are the Division of Vocational Rehabilitation Services. We are charged with returning disabled individuals to employment. We purchase services from facilities as part of that effort. Should the facility's goal be any different? I think not.

In my mind this clarifies the basic issue of quality. A program that takes handicapped individuals and contributes to their becoming employed is a vocational rehabilitation program with quality.

The question of degree can be a lot stickier. The more people placed in employment the higher the quality. Simple enough, but not definitive. There are gradations of employment: high paying, low paying, competitive, sheltered; the list can go on forever.

It is DVRS' goal to place each individual in the best job available in light of all circumstances. DVRS' first choice is always to place the individual in competitive employment.

The client who remains in sheltered employment is considered a placement for purposes of the basic State/Federal Program. In reality, he/she is simply moving to the State-assisted Sheltered Workshop Program, which is in itself a vocational rehabilitation program for the individual who is unable to achieve goals at a rapid enough pace to satisfy State/Federal program requirements.

It would then appear that quality should be defined as people being placed in employment as a result of facility services. Gradation of quality would depend on the ratio of clients placed in competitive employment. This criteria would, of course, carry over into the Sheltered Employment Program.

When placement in competitive employment ceases, vocational rehabilitation ceases. When the basic nature no longer exists, quality no longer exists.

John D. Kelliher  
Research Utilization  
Specialist

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Revision of Principles & Procedures for Determining Rehabilitation Costs in Facilities

The second revision of DVRS Cost Principles and Procedures for Determining Costs in Rehabilitation Facilities will be issued in the next few months. The only significant change under consideration at this time is Chapter I, Subsection B. 15(b), which is basically known as the "175%" Rule.

This rule was originated over ten years ago by the New Jersey Association of Rehabilitation Facilities (NJARF) Executive Committee who felt, as we did, that wages paid to

clients in sheltered workshops should not be subsidized with funding which was provided by the Sheltered Workshop Act Extended Employment Program. At that time it was not uncommon for many shops to bid less than the recommended minimum of 80 percent over direct labor costs and pay out almost all, or, in some cases, more in client "wages" than was earned in subcontract revenue.

In an article in the last issue by John D. Kelliher, our Facilities Coordinator, it was reported that at least one rather large facility may have paid out in client wages last year more than 90 percent of the subcontract revenue it earned from them. Under the "175% Rule", almost 79 percent of these wages were considered "reasonable" costs for DVRS funding purposes. This was primarily due to the fact that indirect labor costs are not included under this "rule" and are considered reasonable only to the extent they do not exceed 25 percent of direct labor costs.

Recent cost studies indicate that the average cost-conscious and efficient workshop, regardless of its client population disability mix, should average a net overhead contribution margin of at least 35 percent. This means that for every dollar of subcontract revenue earned, not more than 65 cents (\$.65) should be paid out in direct and indirect client wages, payroll taxes, direct material and supplies and shipping costs.

In order for us to comply with statutory requirements that we purchase and support only the reasonable costs of the facility programs our clients participate in, we will consider unreasonable and not recognize for cost-finding purposes any of such costs which are paid in excess of 75 percent or 75 cents (\$.75) of every dollar of subcontract revenue earned. This will require a minimum net overhead contribution margin of 25 percent.

By not recognizing these "excess costs" as reasonable and necessary

for the support of facility-sponsored rehabilitation programs, we hope to present a more accurate representation of the program costs which the legislature and federal government should oblige themselves to support.

We also hope to encourage individual rehabilitation facilities to improve their contract pricing and/or client wage payment practices. In order to adequately cover their production overhead costs, I am suggesting that executive directors not accept subcontracts at a "shop rate" of less than seven dollars per hour, unless extenuating circumstances prevail.

Although we do not plan to implement the new "25-75 percent rule" to reduce extended employment funding to individual facilities at this time, we welcome any comments or questions on this subject or others which relate to suggested revisions of our Cost Principles & Procedures, and which you feel we should consider.

Please direct questions and/or comments in writing to Adrian Marinelli, Chief, Program, Planning & Development, for this purpose.

David P. Selby  
Grants Manager

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Some WAGES and Many HOURS ... Later

In a "Discussion Draft of the Major Issues and Concerns of Rehabilitation Facility Executives in their Relations with DVR", prepared by the New Jersey Association of Rehabilitation Facilities (NJARF) Executive Committee and dated October 20, 1982, it was expressed that DVR's action to impose minimum earnings standards equal to 20 percent of a non-handicapped worker's rate for extended employee eligibility purposes could have the effect of closing down some sheltered workshops.

One reason stated for this apparent conclusion was that under a

Work Activity Center Certificate, the average productivity per client for all clients in a Work Activity Center program (WAC) should average 25 percent or less of that of a non-handicapped worker's rate. If all the clients earning 20 percent or less of that rate were eliminated from the program, the average earnings per client of those remaining would exceed the 25 percent maximum rate allowable for approval and issuance of the WAC certificate to a sheltered workshop.

At a rate of \$3.35 per hour, we calculated that the maximum annual earnings for the average Work Activity Center client would not be exceeded unless he/she averaged more than 84 cents per hour over a 30-hour work week for 50/52 weeks in a previous fiscal year. Application of the DVRS standard of a minimum 20 percent of the non-handicapped worker's rate would require that all Work Activity Center clients earn 67 cents per hour, or more, on this basis to qualify as an extended employee. Applying this standard to the average WAC earnings per client in a program with an equal distribution of clients between 10 percent and 49 percent of the non-handicapped worker's rate would increase the average earnings of all clients in the program by only 7 percent (based on a sample population of 50 clients with 10 clients working at rates of 10, 20, 30, 40, 50 percent, respectively).

Whether or not such a minimum increase would jeopardize a workshop's WAC Certificate is academic or, at the worst extreme, only problematic, depending on the productivity per client distribution of all its clients whose commensurate earnings are less than 50 percent of the statutory minimum wage.

Under Title 29, Part 525, the USDOL Wage-Hour Division Regional Director is authorized to grant Special Individual Rate certificates which allow workshops to pay individual handicapped workers at a rate less than 50 percent of the

statutory minimum wage (Regular Work Program requirement), provided it is documented that such individuals' earning capacity is so severely impaired that he/she is unable to engage in competitive employment. The Regional Director can also authorize a Handicapped Workers Certificate in those cases where a handicapped worker's productivity substantially exceeds the Work Activities Center Certificate productivity average.

If, in the previous sample population, such certificates were requested and approved for the five most productive clients in the facility's work activities center, and they were in turn replaced by five of the least productive clients, the average earnings per client in the WAC program and the WAC Certificate average, would decrease by 3 percent.

We discussed the use of these certificates with Ms. Lynn Ellovich, Wage and Hour Compliance Officer for New York US DOL Office's Wage and Hour Division. She informed us that her office regularly issues them, as well as their renewal, for those clients for whom the requesting sheltered workshop furnishes satisfactory evidence that the statutory requirements for them have been met.

Ms. Ellovich has been very helpful to us over the years in providing accurate information on federal Wage and Hour Rules, Regulations, and their interpretation. If you have any questions or would like further information on this subject or related matters, you may contact her at the USDOL Wage and Hour Division, 1515 Broadway, Room 3310, New York, NY, Tel. (212) 944-3399.

Although the new DVRS "20 percent" requirement could have the effect of promoting or increasing the efficiency and productivity of a sheltered workshop's production operations at the expense of reducing or eventually eliminating extended employment services to a few of our most severely disabled clients, it has not been demonstra-

ted or even indicated that it will force workshops to close because of loss of their Work Activity Center Certificates.

What we are attempting to do with this requirement, is to promote a greater allocation of the very limited resources for this program toward serving those clients who cannot be immediately placed in competitive employment, rather than those who probably never will.

We must, and will continue, in cooperation with NJARF, to seek other sources of funding and programs for the latter, until such time that the state legislature provides full-funding for the costs of both.

David P. Selby  
Grants Manager

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A New Facilities Staff Member

Larry Conti joined the Facilities Unit on the 21st of March. He will be working with the Work Activity Training Centers. Larry's been with the Division for a number of years and has held various posts, the most recent having been with the Evaluation Unit in DVRS' Central Office. We would like to take this opportunity to welcome him to the Facilities Unit and to introduce Larry to all the facilities DVRS serves.

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People

Tidbits of information relative to accomplishments of Board members, staff members and clients will be acknowledged. Please submit appropriate information to: Laurette M. Walsh, using the address provided in the heading.

"Questions and Answers"

We'd like to introduce this article to our readers and to use

it as a vehicle by which we can work together at solving, correcting, creating, informing when needed. Submit all questions relative to Facilities issues to: Laurette M. Walsh, Labor & Industry Bldg., CN # 398, Trenton, NJ 08625.

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Dear Reader,

Hope you found the first issue informative. We're endeavoring to produce a newsletter of and for the rehabilitation facilities population in New Jersey.

We welcome suggestions, comments, criticisms, etc....and will take such into consideration when preparing future publications of "Facilities Facets".

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LETTERS:

Mr. George Chizmadia, Director  
New Jersey Department of Labor & Industry  
Division of Vocational Rehabilitation Services  
John Fitch Plaza  
Trenton, New Jersey 08625

Dear George:

You and your staff, especially the Facilities Unit, should be congratulated for launching Facilities Facets. We hope this newsletter will enhance the existing lines of communication between the state VR agency and rehabilitation facilities.

Clearly, anyone reading the Rehabilitation Services Act of 1973 cannot but be impressed by the special status of rehabilitation facilities under the law. In fact, the VR program has often been described as state-federal-private rehabilitation facilities partnership.

New Jersey can be justly proud of its rehabilitation facilities that have energetically sought innovative ways to meet the needs of han-

dicapped citizens in this time of restricted public funding. Most notable have been the renewed emphasis on production income and on partnerships with industry. Our statistics show that VR clients who receive some or all their VR services in rehabilitation facilities are more likely to be placed in competitive employment than those who receive services from other types of service providers.

Your efforts to cultivate these important resources should produce good results. Articles on grants, legislation, the budget process, funding formula, marketing of facilities services and statistical trends, as appeared in the first edition, should be of interest and value to New Jersey facilities.

Sincerely yours,

Richard C. Engelhardt  
Regional Commissioner  
Rehabilitation Services  
Administration  
Region II - NYC

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

I expect a complete vocational evaluation to include:

- a brief vocationally relevant history such as work background, education, limiting effects of disability, etc.
- administration of an appropriate battery of aptitude, achievement and interest tests, with reporting and interpretation of results.
- minimally, the interpretation should give an idea of general intelligence, visual-motor skills, reading and math levels, ability to learn and vocational interests.

- battery may include work samples and/or situational assessments depending upon length of evaluation.
- observations regarding the appropriateness of client's behavior, stamina, consistency, personal appearance, interpersonal skills, attendance, punctuality, quantity and quality of work, ability to follow instructions, degree of supervision needed and characteristics such as initiative, self-confidence, etc.
- summary of client's vocational strengths and weaknesses and recommendations for training and/or employment.

Small Business Administration Tidbit

Management Assistance Publications are available on a variety of subjects concerning specific management problems and various aspects of business operations. Most of these publications are available from the SBA free of charge. Others are sold by the Government Printing Office. For a list of these and additional information, contact:

Management Publications  
and Information Division  
Management Assistance  
Small Business Administration  
1522 K Street, NW  
Washington, DC 20416

- or -

Phone toll free: 800-433-7212

Taken from  
Information USA  
Matthew Lesko

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DVRS Data/Second Quarter FY '83

The DVRS Data System shows an increase in facilities activity over the first half of last fiscal year; however, this can be somewhat deceptive since our system is keyed to the closing of cases. While total cases rose from 1,071 to 1,365, an increase of 294, the increase in status 28 and status 30 closures was 249, which could be indicative of "housecleaning" in local case loads.

Agency expenditures overall were 3.8% higher for case services in the first half of this fiscal year as opposed to last. The overall expenditures in facilities were 41%, identical to last fiscal year at this time, with 26% going for vocational evaluation and/or training services.

<u>Year</u>	<u>Overall Exp. Case Service</u>	<u>Facilities All Services</u>	<u>Facilities Eval. &amp; Training</u>
FY 1982	\$4,051,447	\$1,641,876	Not Available
FY 1983	4,206,122	1,748,745	\$1,111,273

Sheltered closures increased during the first half of FY 1983 by 100%, from 142 to 284; while competitive closures dropped 48.2%, from 465 to 241.

John D. Kelliher  
Research Utilization  
Specialist