

## **HB 16-1048 Legislative Report on the Business Enterprise Program**

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House Bill 16-1048 included the requirement that “The working group shall develop and submit a final report including its recommendations to the Business Affairs and Labor Committee of the (Colorado) House of Representatives and the Business, Labor and Technology Committee of the (Colorado) Senate by January 1, 2017.”

This report is respectfully submitted in accordance with that legislative directive.

### **Part I—Background on the Business Enterprise Program (BEP)**

The Business Enterprise Program (BEP) is guided by its mission statement. That mission is to provide individuals who are blind with remunerative employment, ever enlarging business opportunities, and ongoing empowerment with a greater effort toward self-sufficiency, and a commitment to mutual cooperation, excellence and a positive public image. The mission of the organization leads into its vision.

The BEP vision is to:

- Expand the quantity and improve the quality of business opportunities for the operators.
- Strive toward the continued improvement of the agency/operator relationship.
- Further empower the operators to manage their business ventures and develop their capabilities.
- Increase trust, support and mutual respect through direct and open communication.
- Develop proactive strategies for effective and efficient administrative operations.
- Strive for program excellence.
- Improve the image of the program.

### **History and Background**

The BEP, mandated by the Federal Randolph Sheppard Act of 1936 [34 CFR 395 and 20 USC 107] and subsequent revisions, trains legally blind individuals and helps set up, maintain and manage food service locations in government office buildings and facilities. This landmark federal legislation gave people who are legally blind priority to operate businesses in federal buildings. The program is voluntary, with 49 of 50 states opting to operate the program. Colorado, like many states, has statutes that include priority in state buildings [CRS 8-84-201].

## **History and Background (continued)**

The original Randolph-Sheppard Act of 1936 was designed to give legally blind individuals the priority for operating “dry” stands that sold newspapers, magazines, gum, candy, tobacco products and sundry items. The 1954 amendment added vending machines and in 1974 another amendment authorized the sale of food and beverages prepared on and off premises and the operation of cafeterias. In Colorado, the Business Enterprise Program is solely responsible for the administration of the Federal Randolph-Sheppard Vending Facility Program as the designated State Licensing Agency (SLA).

The Business Enterprise Program is managed by the Division of Vocational Rehabilitation (DVR), the designated state unit within the Colorado Department of Labor and Employment (CDLE) responsible for the provision of vocational rehabilitation services. BEP uses NO GENERAL FUNDS for operations. BEP receives 13% of the revenue from each operator as a “set aside.” When BEP spends these funds on qualifying expenditures, the program is immediately reimbursed 78.7% from the Rehabilitation Services Administration Grant. Qualifying Expenditures are (A) maintenance and Replacement of equipment; (B) the purchase of new equipment; (C) management Services; (D) assuring a fair minimum return to operators of vending facilities; and (E) Retirement or pension funds and health insurance contributions.

### **What is required to become a part of the Business Enterprise Program in Colorado?**

Individuals interested in becoming blind operators must be eligible for services under the Division of Vocational Rehabilitation. The DVR counselor will refer the person to the BEP trainer/Program Manager who will interview and evaluate each participant’s aptitude towards business. An Individualized Plan for Employment will be developed by the participant, counselor and BEP with the goal of the participant becoming a licensed blind operator. The SLA and DVR counselor oversee the classroom as well as hands-on training, which occurs with licensed blind operators at their respective locations. This process typically takes anywhere from 6-9 months, as it is tailored to individual needs and learning styles. When the participant completes training and demonstrates competency to manage a business location, she/he becomes eligible to “bid” on an available location and receive a license as an operator (after stable operation of the location for at least 90 days). This employment also satisfies the DVR requirement for a successful closure.

In order to qualify for the BEP training, the participant must: be a legally blind US Citizen who is at least 18 years old; possess a high school diploma or GED; be able to successfully pass all State and Federal background checks; be free from infectious diseases related to food handling; and complete the training program.

## **History and Background (continued)**

### **Number of locations?**

Currently BEP has approximately 120+ locations around the State. There are 58 sub-locations operated by licensed operators within 30 locations, with an example being the Denver Federal Center. This site has 3 separate cafeterias and convenience stores as well as 50 vending machines operated by a single licensed blind vendor.

The majority of BEP locations consist of large and small cafeterias, military dining halls, convenience stores, and vending machines that are located in Federal and State buildings. BEP utilizes 3<sup>rd</sup> party vending (Canteen Compass) and beverage companies such as Coke and Pepsi to service locations where blind operators are not present due to either non-viability of the locations or shortage of eligible blind operators interested in bidding on them. These companies have been excellent to work with and pay the program a predetermined percentage in commissions, which are used to both leverage federal (Randolph Sheppard) funding and as distribution to BEP's Licensed Blind Operators so they may purchase health and life insurance independently.

### **What type of operations does BEP manage?**

BEP operators service locations in the Denver metro area, Colorado Springs metro area, Pueblo, Boulder, Grand Junction and Ft Collins. Currently the program is proud to serve the US Army, US Air Force, US Postal Service, State Parks and rest areas, as well as other State and Federal locations. Examples include:

- Air Force Academy High Country Dining (a prep school at the Air Force Academy)
- Schriever Air Force Base Dining Hall and
- National Renewable Energy Lab in Golden
- Colorado State Department of Public Health and Environment in Glendale
- Aerospace Data Facility at Buckley Air Force Base in Aurora (New: 2016)
- General USPS mail facility located at 53<sup>rd</sup> Quebec
- The Denver Federal Center, located at 6<sup>th</sup> and Kipling, where a blind operator operates an Einstein Brothers Bagels, cafeterias and vending.
- CDOT janitorial contracts

### **How does the program work?**

The BEP purchases the initial merchandise and supply inventory reasonable for startup. The blind operator must subsequently replenish inventory, hire and train personnel, pay all applicable licenses, insurances and taxes. The BEP will purchase and maintain the equipment as prescribed by the Randolph Sheppard Act. The operators are not employees of the program; rather they are

independent contractors/ business people who are paid by the profits of their respective business enterprises. Each operator has a written agreement with the SLA that describes the terms and

### **History and Background (continued)**

responsibilities of the relationship with the SLA. Operators send records of their monthly transactions to the CDLE BEP Accounting Team.

The operators pay a 13% set-aside to the program based on net sales (Gross sales minus expenses). This set-aside revenue is used as match for the federal RSA grant to purchase and maintain equipment.

Once an operator becomes licensed, she/he also has the opportunity to bid on a larger and/or more profitable location. The bid-portion of the transfer and promotion process, in a nutshell, is the chance for operators to showcase their skills to a panel of their peers and BEP business consultants.

### **BEP Staffing**

The BEP has seven positions used to develop business opportunities, provide new operator training and deliver ongoing support for current BEP business operators:

- Program Manager
- Contract/Procurement Manager
- Senior Business Consultant
- Business Consultants (2)
- Program Administrative Assistant
- Program Trainer

The BEP employs three business consultants who are assigned to provide business consulting, on-going training, technical assistance, and equipment repair and maintenance. Additionally, these consultants evaluate current location compliance with state and federal regulations, research new and expanding location opportunities, and provide support for the licensed operators throughout Colorado. The program assistant provides receptionist and clerical support as well as processing work orders and personal services requests. The contracts specialist monitors the multiple agreements and contracts with the facilities and teaming partners and works closely with CDLE's purchasing and contracting staff (PCS) to ensure compliance with state procurement and contracting rules, etc.

Currently, BEP has three DVR clients nearing the end of training and ready to bid on locations. Two of the available locations are the snack bar in the State Capitol Building and the grill across the Colfax Avenue from the Capitol, at 1525 Sherman Street. DVR has six clients who have

either expressed an interest in BEP and/or have completed the initial evaluation to enter training as soon as BEP brings a trainer on board.

The BEP is an example of a successful effort by a number of separate entities coming together for the common good of the program's licensed operators and affording those entrepreneurs the opportunities to become successful Colorado small businesses. The BEP is a dynamic program that directly benefits the legally blind operators who participate. With some hard work and dedication, Colorado BEP operators will watch their businesses grow and have exciting opportunities to expand.

## **Part 2: Outreach to Colorado State Agencies/Higher Ed Institutions**

**Convene a Working Group to examine avenues for expanding job and business opportunities and reducing barriers to those opportunities for persons who are blind and are licensed under 8-84-203:**

As directed in HB 16-1048, members of the Working Group have met with representatives from various Colorado state agencies and institutions of higher education in order to build working relationships and explore both immediate and longer-term potential business opportunities for BEP participants. Following are brief descriptions of those efforts to date:

### **Higher Education**

Members of the Working Group met with officials from both the University of Colorado and Colorado State University to discuss more formal working relationships and potential business opportunities for BEP. As follow up, BEP provided Program/Statewide location lists (see Attachment I).

CU and CSU also offered to provide the BEP with opportunities for involvement at future "Vendor Fairs" and other Higher Ed. related vendor conferences. BEP staff is following up with both University systems to ensure its inclusion in future networking and contract bid opportunities.

Likewise, BEP is reaching out to other institutions of higher education throughout Colorado, including the Colorado Community College System.

### **Department of Corrections**

The BEP is grateful to Department of Corrections (DOC) staff for taking the time to begin exploring potential opportunities within both DOC and Colorado Correctional Industries (CCI) facilities. Although identification of specific contract opportunities will require continuing collaborative efforts, BEP looks forward to an ongoing collaborative and mutually beneficial effort with DOC and CCI.

The BEP staff believes the Program will be able to effectively serve the DOC by replicating a nationally recognized Randolph Sheppard model agreement.

**Department of Agriculture (State Fair)**

After conversations with Colorado State Fair personnel, BEP has chosen not to pursue business opportunities at the Fair, because the relatively short duration of the event does not make fiscal sense. Although BEP does not believe the two-week obligation with a long term time commitment is prudent/productive of the Program or the licensed blind vendor, we nonetheless are most appreciative of the willingness of officials from the Colorado Department of Agriculture/Colorado State Fair to explore opportunities with our vendors.

**Department of Natural Resources (State Parks)**

The Program has worked with Colorado State Parks via a “Statewide agreement” since 2011. To date, this business relationship has been focused on vending, washers, dryers, and other coin operated options at specific larger parks. BEP and State Parks staff met in October 2016 and laid a framework for future opportunities, to include all State Parks with the exceptions of very small, non-vending locations.

**Part 3: Continuous BEP Improvement/Identification of New Opportunities**

In addition to pursuing opportunities for creating business relationships with other state agencies and institutions, HB 16-1048 also prompted BEP to identify and explore opportunities to expand and improve the program’s business model generally as well as opportunities it might be able to provide to other Persons With Disabilities (PWD). Accordingly, the Working Group has embarked on a strategic planning process to move this vision forward.

Although the Working Group does not currently recommend any legislative action in this area, we are pleased to list below a robust set of strategies and specific currently being developed through administrative and management measures at the Division of Vocational Rehabilitation. Those items, listed in terms of the Working Group’s prioritization are as follows:

**Strategy 1: Improve current BEP operational capabilities**

This strategy will be implemented through three tactical initiatives:

- Improve BEP program performance with enhanced management processes that:
  - Raise performance standards of BEP operators by revising current operator evaluation systems to increase accountability and focus on implementation of best practices.

- Increase accountability of BEP staff (business consultants) through updated performance measures that include measures based on the success of the operators they support.
- Expand team-building programs between BEP staff and operators
- Expand BEP program business capabilities through:
  - Improved operator training specific to business management and the needs of targeted state agency customers (e.g., janitor, laundry, food service, etc.).
  - Expanded training for BEP staff through continuing technical education opportunities.

**Strategy 1: Improve current BEP operational capabilities (continued)**

- Increase BEP program capacity by:
  - Developing programs within the Blind and Low Vision Services Unit to increase the number of qualified BEP operators.
  - Recruiting DVR clients with non-visual disabilities to staff BEP business locations.
  - Streamlining procurement and accounting processes to better support BEP business needs.

**Strategy 2: Expand the scope of BEP business opportunities**

Implementation of this strategy will result from the following:

- Expand the product offering with an emphasis on moving vending product lines beyond the current food/sundry items and increase healthy concession options.
- Improve the visibility and awareness of the BEP program by:
  - Improving the service, customer choices, and overall image of State Capitol Basement facility.
  - Educating the leadership of each of Colorado's branches of government about the capabilities and potential of the BEP.
- Target expansion of BEP businesses through non-traditional customers and methods:
  - Beyond the expanded state agency opportunities as discussed above, explore private sector and other government contractor opportunities as well.
  - Evaluate financial incentives and the current commission structure available to state agencies with goal of increasing attractiveness and collaboration.

- Develop and qualify a list of potential sub-contractors to supplement timely delivery of services.

**Strategy 3: Explore longer term options to make BEP “best in class”**

Implementation of the first two strategies will result in a more robust BEP program resulting from a strengthened business process and a significantly expanded customer base. The BEP management and operator team would then take the next step to investigate leveraging their strengths to less-traditional BEP opportunities related to:

- Developing programs to ensure BEP marketing, equipment and services are comparable to the best available in the private sector.

**Strategy 3: Explore longer term options to make BEP “best in class” (continued)**

- Expanding BEP food service and management training to enable DVR clients without blindness to benefit their development of self-employment opportunities.
- Identifying and investigating the efficacy of alternative financial structures for the Colorado BEP to increase the efficient use of tax payer dollars.

The working group expects the majority of these initiatives to be implemented from 2017 through 2018.