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Merrick Inc. trumpets its local economic benefits

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VADNAIS HEIGHTS — A case study claims Minnesota and local counties receive a 300 percent return on their funding to a local nonprofit serving adults with disabilities.

Faced with stagnate or decreased funding in recent years and more cuts possibly on the way, Vadnais Heights-based Merrick Inc. commissioned a case study to use as a lobbying tool.

University of Minnesota economics and law professor C. Ford Runge volunteered to prepare the study. His daughter is served by Merrick Inc.

"As a society, we must continue to inform the public policy debate about the benefits of vocational and life enrichment services for persons with disabilities, the need for government funding of such programs, and the nearly 300 percent return that such investments yield," Runge wrote.

Merrick Inc. is a nonprofit licensed by the Minnesota Department of Human Services to provide employment and other services to adults with various disabilities. Located on Labore Road, the nonprofit serves more than 350 "clients" and employs 153 staff. It's the largest Day Training and Habilitation provider in Ramsey County.

Approximately 50 of its clients receive therapeutic services. Another 130 clients work on site doing assembly or other jobs for companies that contract with Merrick. The other 170 clients are transported to off-site employment at 70 businesses across the metro. Merrick workers all are paid a modest wage.

The nonprofit receives approximately a third of its funding from the federal government, a third from the state and the remaining third from counties, grants and other sources. Much of the federal funding comes as a match — if the state or counties make cuts, federal funding also is reduced.

According to Merrick Inc. Executive Director John Wayne Barker, its provider rate was cut nearly 3 percent in 2009 and stayed flat in 2010. An ARRM review found from 2003 to 2008, rates grew 8 percent while inflationary cost increases grew 20 percent.

Barker said recent budget cuts at Merrick have included elimination of six staff positions, a freeze on merit salary increases for many workers and



Merrick employee Steven uses a drill press on golf course hazard markers. - Photo by Paul Dols

cancellation of a staff training day.

The future of state funding is uncertain, with legislative leaders expressing varied opinions, Barker said.

"...we remain optimistic. Nonetheless, we are also mindful of a likely budget shortfall, an economy that has not completely recovered or showing substantial growth, and an anti-government spending mentality among many legislators," he said. "We recognize the need to address the conflict between fiscal constraints and competing demands for scarce resources and society's acknowledged responsibility to care for vulnerable adults. That's why Merrick has become more proactive in telling its story — the beneficial outcomes of Day Training and Habilitation programming both for clients served and for the community at large."

In his report, Runge contends funding cuts are "penny-wise and dollar-foolish."

Runge reports that state and county revenues to Merrick total approximately \$3.9 million each year while Merrick provides \$11 million in "social dividends" including salaries, taxes paid, charitable gambling revenues, grants and donations.

The 3-1 return ratio doesn't factor in federal contributions to Merrick. Barker said federal dollars weren't included because the study's target audience is state and county policymakers.

According to the report, Merrick pays approximately \$4.2 million in salaries and benefits to its professional employees each year. Merrick's clients earned nearly \$540,000 in 2010. In his calculations, Runge uses a "conventional" wage multiplier of two — for each dollar an employee spends, it generates \$2 in economic activity.

Runge also factors in income taxes (paid only by its professional employees and sales taxes (paid by both professional employees and client workers).

The nonprofit also spends more than \$400,000 annually for fuel, maintenance and licenses on its transportation vehicles. That money goes to private business as well as government license bureaus.

Merrick also operates 13 pull-tab booths and much of the proceeds go to the state. The gambling operations are expected to generate more than \$100,000 for Merrick and \$490,000 for the state in 2011.

Runge also factors in the average amount of donations and grants Merrick receives each year.

The case study also references two economic benefits which aren't included in the 3-1 benefit calculations.

Employers of Merrick clients are eligible for a federal tax credit to cover up to 40 percent of an employee's first-year wages.

Merrick also provides employment to clients who otherwise might spend their day at a private home or group home where they would require a caregiver — a paid professional or a family member who otherwise could be working.

While Merrick leaders are asking policymakers to read the case study and take a tour of the Merrick facility, Barker said all community members are invited to do the same.

Barker said community members can help by contacting their legislators or participating in Disability Day at the Capitol on Jan. 25. And as always, Merrick is accepting donations, volunteers and employers.

Visit merrickinc.org or call 651-789-6200.

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