

START-UP

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SELF-EMPLOYMENT TECHNICAL ASSISTANCE,
RESOURCES, & TRAINING

Self-Employment Q and A: Accessing Vocational Rehabilitation Services to Facilitate Self-Employment as an Employment Outcome

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This fact sheet is the first in a series on accessing resources to support self-employment outcomes.

Self-employment is recognized as an "employment outcome" under the Rehabilitation Act Amendments of 1998, which are contained in Title IV of the Workforce Investment Act (WIA). There are two sections of the Act where self-employment, telecommuting, and establishing a small business are mentioned as employment outcomes. First, self-employment is included in the definition of an "employment outcome". Second, self-employment is specified as a vocational service to be provided under the Act. Therefore, the State Vocational Rehabilitation (VR) Services Program can provide the services necessary to support self-employment outcomes. Additional information on the Rehabilitation Act Amendments, Vocational Rehabilitation, and self-employment can be found in a technical assistance circular issued in 2000 by the U.S. Department of Education, Office of Rehabilitation Services Administration. The reference for this circular is listed in the resource section of this fact sheet.

When an individual with a disability decides to seek VR assistance for establishing a small business or becoming self-employed, numerous questions may be generated. These questions can originate from the individual, his or her family members, friends, as well as the VR counselor. This "Q&A" has been developed to answer the most frequently asked questions on how individuals with disabilities can access services from VR for self-employment.

Who is eligible for self-employment assistance from Vocational Rehabilitation?

To be eligible for self-employment assistance, an individual must first qualify for vocational rehabilitation services. He or she must have a disability and require VR services to prepare for, secure, retain, or regain employment. A disability is defined as a physical or mental impairment that constitutes or results in a substantial impediment to employment.

Once an individual with a disability applies for services, eligibility usually must be determined within 60 days of application. Individuals with disabilities who are receiving Supplemental Security Income (SSI) and/or Social Security Disability Insurance (SSDI) benefits have already been recognized as having a disability. Immediate eligibility may be granted to these applicants, which is referred to as "presumption of eligibility."

During the assessment phase of determining eligibility, a variety of vocational tests may be administered to determine if a person will benefit from VR services. If an individual has information that documents work history, training, education, or other information that demonstrates that he / she can benefit from VR services, this information can assist with eligibility determination. Once an individual is determined eligible for services, an Individualized Plan for Employment (IPE) is developed. This plan must include self-employment or starting a small business as the desired vocational outcome in order for VR to provide self-employment assistance.


A person may be denied services if there is "clear and convincing evidence" that the individual is too significantly disabled to benefit from VR services in terms of achieving an employment outcome. If found ineligible for VR services, the individual with a disability may seek support from the Client Assistance Program (CAP) within his/her state. CAP can provide assistance to individuals who have been denied services as well as assist if the individual is not satisfied with the services that are being provided.



What happens after an individual is determined eligible for VR services?

Once an individual is determined eligible for services, he or she will work with a vocational rehabilitation counselor in developing the Individualized Plan for Employment (IPE). The counselor and consumer relationship is the cornerstone of the rehabilitation system where both parties bring their knowledge, skills, and abilities to develop the IPE. The individual who is interested in self-employment may or may not have a business idea already. Initially, counseling time may be used to refine ideas or seek out several workable approaches to employment, including both wage job and business ownership options.

If self-employment is identified as the desired vocational outcome, the individual may be referred for services. This could include referrals to a business development specialist, a team within VR, the local Small Business Development Center (SBDC), or other generic technical assistance agency. A directory of SBDCs in the United States can be found by going to: [<http://www.sba.gov/aboutsba/sbaprograms/sbdc/sbdclocator/index.html>]. The individual may also be referred to a local Community Rehabilitation Provider (CRP) that VR pays to provide the needed self-employment services.




What information will VR need to make decisions about funding an individual's small business?

Although all states vary somewhat in their approaches to funding self-employment, most counselors will ask for either a feasibility study or a draft business plan. The study or plan must substantially justify the existence of a market for the goods or services that will be produced and/or sold by the small business. In addition, the individual must explain his or her substantive work role within the enterprise. VR counselors are authorized under the Rehabilitation Act to allocate funds for development of these documents. They may have an agreement in place with the local SBDC or other agencies that allows them to make referrals for assistance in the development of the feasibility study or a draft business plan. For instance, VR may pay for such services from business specialists, make referrals to local generic business development services, or have an internal agency business development specialist work with the person. If the individual, family member, mentor, or other individual can assist with the development the feasibility study and business plan, it may further demonstrate a personal understanding of the business arena and the individual's motivation to succeed. Generally the information needed by a VR counselor could include any of following:

- ◆ A concise description of the proposed self-employment/business,
- ◆ An explanation of how self-employment meets an individual's needs better than wage employment,
- ◆ A list of any past training and work experience that may help qualify the individual to own and operate a business,
- ◆ A vocational profile or functional assessment that supports the idea of owning a small business,
- ◆ A list of any past training and experience (both work and non-work) that demonstrates the individual's ability to produce the product or service of the business,
- ◆ Documentation that the individual can substantially contribute to the enterprise,
- ◆ Feasibility data that shows the need for the service or business in the market,
- ◆ An explanation of pricing and profit projections,
- ◆ A plan for marketing and advertising that grows the business,
- ◆ Description of how business operations and accounting records for the business will be handled,
- ◆ A proposed start-up budget and the sources of the funds (e.g., sales, PASS Plan, VR),
- ◆ At least a one-year financial estimate including operating expenses, income, profit, taxes, income after taxes, and
- ◆ VR may additionally request estimates of income from sources other than the business (e.g., SSI/SSDI, spouse's wages, pensions).


The VR counselor also may require the individual to justify the likelihood of success. When seeking funding from VR, the individual should be prepared to explain how and why self-employment fits his or her particular circumstances better than wage employment. As a self-advocate, the individual should promote his or her strengths and pro-actively suggest the supports needed to operate the business. All business owners need supports of one kind or another. Some supports are paid (e.g., marketing, bookkeeping, or sales) and some are acquired for free (e.g., assistance from family and friends). Regardless, the need for support should not automatically disqualify anyone from becoming self-employed. Counselors can authorize expenditures for provider support. The provider may assist with the business development, job coaching, and other support services necessary for the individual to develop, open, and operate the small business.



How much money may a VR counselor authorize to help start a business?

There is no limit set by the Rehabilitation Act; instead states set their own policies regarding self-employment funding. In some states, counselors have discretion over their caseload expenditures and can authorize business start-ups of \$5,000 or more without supervisory review. In other states, the amount a counselor can spend without a review is in the \$500 to \$2,000 range.

There also may be a requirement in the individual's state that he or she contribute to the start-up costs. This amount may be as low as 10% of the start-up cost, while in other states, it may be as high as 50%. The individual's contribution does not have to be their own cash and could be a loan, gift from a family member, or other source. The University of Montana Rural Institute, Rehabilitation Research and Training Center on Disability in Rural Communities completed a report on state self-employment policies in 2003. This report is available online and provides information on state policies including information on how much VR will contribute to the small business and the amount the individual must contribute to the start-up costs. Please note this information reflects the state policies as of 2002.



Should an individual look for additional funding resources and other non-monetary supports other than those provided by Vocational Rehabilitation?

Yes, as mentioned previously, VR may not fund all of the costs associated with the business start-up. Prospective business owners should consider a "braided" funding strategy that combines resources with funding from VR. This may include but is not limited to the local Workforce (One-Stop) system, local CRP or School Transition program. A braided funding approach demonstrates a team effort and shared risk taking. Each system has money that it can use to purchase business equipment and services or resources that can be used to provide support (e.g. business/job coaching) to the owner.

Another funding source could be from work incentives such as a Plan for Achieving Self-Support (PASS). PASS allows an individual with a disability to set aside income and/or resources to achieve his or her work goals. Prospective business owners can complete a free benefits analysis with the assistance of their state's Work Incentive Planning and Assistance (WIPA) office. Any individual receiving disability benefits from the SSA age 14 and over are eligible for WIPA services. The individual does not have to be working, or have decided to start a small business to receive WIPA services. The following URL lists the locations and contact information of the WIPA offices within the U.S.: [<http://www.socialsecurity.gov/work/ServiceProviders/WIPADirectory.html>]. Additional resources on developing a PASS can be found at the end of this fact sheet under the resource section.

An example of a non-monetary source of support is SCORE "Counselors to America's Small Business". SCORE is a non-profit organization that offers free and confidential small business advice for entrepreneurs. An individual can go online and ask for advice via e-mail or locate a chapter office for face-to-face assistance including low-cost workshops. SCORE's main office is located in Herndon, Virginia but it has over 10,500 volunteer counselors nationwide. Volunteers are working or retired business owners, executives and corporate leaders who share their wisdom and lessons learned in business. Additional information including articles, online courses, and business templates are available online at <http://www.score.org/>.




What can a VR counselor fund?

Counselors can authorize funds to support a variety of self-employment related services and items. This may include but is not limited to:

- ◆ Business plan development,
- ◆ Feasibility studies,
- ◆ Training in business management,
- ◆ Technical training needed to produce quality goods and services (e.g. classes leading to a certificate),
- ◆ Inventory items and raw materials needed for business start-up,
- ◆ Tools and equipment,
- ◆ Insurance deposits,
- ◆ Rent for the start-up period,
- ◆ Computers used in the operation of the business.

VR counselors usually will not purchase vehicles, even those required for the business, such as a delivery truck. Vehicle purchases are best handled through a PASS or loan.



Are there any small businesses that VR will not support?

Generally, VR agencies will not support any business of a speculative nature, such as gambling or stock trading. They will not support passive ventures such as owning rental property. VR will not support income generated by business models that recruit sales people to continue building the enterprise (e.g., pyramid schemes). Businesses trafficking in illegal goods or services are forbidden, and most VR agencies will not entertain the establishment of non-profit organizations. Hobby businesses that are not formally licensed and profitable, and that do not substantially contribute to the owner's personal income, are not fundable. Franchises and businesses planning to pay less than minimum wages are also identified in some state policies as not being fundable.



What does VR consider a successful small business?

No specific amount of earnings or number of hours worked per week is required under the Rehabilitation Act. These criteria are established through the IPE process on an individual or case-by-case basis. Counselors will establish goals with the individual and monitor success throughout the rehabilitative process. The following list includes criteria that the counselor can use to determine when a successful employment outcome has been achieved.

- ◆ VR services under the individual's IPE have contributed to the achievement of the employment outcome.
- ◆ The employment outcome is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
- ◆ The employment outcome is in the most integrated setting possible.
- ◆ The individual has maintained the outcome for a period of at least 90 days for a Self-Employment Plan (in some states the goal is 150 days, in others it is 180 days).

- ◆ The individual and the rehabilitation counselor consider the employment outcome to be satisfactory and agree that the individual is performing well in the business.

Some states offer additional guidelines for the individual and counselor when considering the elements of a successful self-employment closure. Examples include:

- ◆ The self-employment business has sustained operations for 90 (or 150 or 180) days without additional support from VR. And, the individual is able to put money back into the business to maintain ongoing business expenses.
- ◆ The owner shows a decrease in public benefits (e.g. SSI, TANF, food stamps, HUD, Medicaid).
- ◆ The business generates enough income to eliminate SSDI, therefore the business is obviously successful and producing a livable wage.
- ◆ The owner makes a net profit from the business or has significant gross income illustrating strong sales and profit potential over time.

Would someone who typically would require supports (e.g., supported employment services) to maintain a wage position qualify for self-employment?

People who require training, coaching, facilitating, and other long-term support strategies that are common in supported employment own many of the small businesses funded by VR. Numerous state VR agencies have identified supported self-employment as a viable option and fundable under its supported employment provisions. Sometimes these provisions have less rigorous requirements regarding business plans and benefits reductions. Supported self-employment also assumes that there will be a need for on-going assistance from natural supports, CRP staff, family and others. Funding for such businesses can be as much as for regular self-employment, or, as in some states, is seen as a lesser initial investment due to the need to also fund on-going supports.

Summary

Self-employment is not new to the VR system, but neither is it in widespread use. Individuals with disabilities requesting self-employment services must view the counselor as more than a pocketbook. Counselors bring a remarkable understanding of local employment conditions and resources that can generate success. The individual who wants to become self-employed must work collaboratively with his or her counselor. Together they can develop an IPE that is essential to achieving a self-employment outcome.

Online Resources

- ◆ Self-Employment: Improving Policy and Practice -- <http://www.worksupport.com/resources/viewContent.cfm/418>
- ◆ Self-employment, Telecommuting, and Establishing a Small Business as Employment Outcomes -- <http://www.ed.gov/policy/speced/guid/rsa/tac-00-02.doc>
- ◆ State Self-Employment Policies: A Decade of Change - Final Report - March 2003 -- The University of Montana Rural Institute, RTC on Disability in Rural Communities, 52 Corbin Hall, Missoula, MT 59812; rural@ruralinstitute.umt.edu -- <http://rtc.ruralinstitute.umt.edu/SelEm/FinalReport/StateSelfEmploymentPolicies.htm#Summary>
- ◆ PASS information is available at Social Security Online -- <http://www.socialsecurity.gov/disabilityresearch/wi/pass.htm>
- ◆ PASS Plans are available on-line at [PassPlan.org](http://www.passplan.org), which is maintained by the University of Montana Rural Institute -- <http://www.passplan.org>
- ◆ A manual on issues related to self-employment and SSA benefits is at -- <http://www.griffinhammis.com/publications/SSAConsiderations.doc>
- ◆ U.S. Department Of Education, Office Of Special Education And Rehabilitation Services, Rehabilitation Services Administration, Technical Assistance Circular -- RSA-TAC-00-02 -- July 24, 2000
- ◆ U.S. Department of Labor, Office of Disability Employment Policy, Small Business and Self-Employment for People with Disabilities -- <http://www.dol.gov/odep/pubs/ek00/small.htm>

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For additional information, you may contact ODEP at (202) 693-7880 or for more information on START-UP / USA, please visit <http://www.start-up-usa.biz> and <http://www.dol.gov/odep>

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