

## **10.02 SELF-EMPLOYMENT**

### **Choosing Self-Employment**

Self-employment is a vocational option that may be considered when it is determined that it is the most appropriate method for a consumer to reach his/her employment goal. Self-employment can be an exciting and productive employment outcome for individuals who have the skills, interests, resources and supports to develop and manage their own business.

CBVH can assist consumers with self-employment in accordance with the policies and procedures in this chapter. When a consumer is considering self-employment as a means to achieving their employment outcome, the counselor and consumer should review and discuss the information in this chapter.

It is important to realize that the process of establishing a business is lengthy and that purchases must adhere to policies and procedures prescribed by New York State. Consumers and others involved in the establishment of the business should be prepared to deal with the time frames necessitated by the process of developing a business plan, and if approved, implementing the plan.

### **CBVH Assistance and Services**

When self-employment is determined to be the appropriate means to an employment outcome, CBVH will provide assistance and services based on individual needs. Assistance and services may include, but are not limited to:

1. Referral to community resources for basic business courses, assistance in developing a business plan and assistance in business start-up.
2. Purchase of specific goods and services in accordance with an approved Individualized Plan for Employment (IPE) and with this policy.
3. Purchase of other vocational rehabilitation services needed in order to successfully achieve self-employment.

CBVH can also assist an individual who is eligible for VR services who is already self-employed. Business plans for individuals who are already self-employed must be carefully reviewed. CBVH funds may not be used to make up for financial difficulties caused by poor management and planning or as a substitute for funds an individual can obtain from a lending institution. If CBVH was not involved in establishing the initial business, CBVH can contribute up to \$15,000 in accordance with an approved IPE.

### **Restrictions Regarding CBVH Involvement and Assistance**

The restrictions listed below apply to CBVH involvement and assistance with establishing a self-employment enterprise. CBVH will not:

1. Be the only funding source of a self-employment enterprise.
2. Purchase or lease any type of vehicle that is needed for the business.
3. Sign a lease or purchase any building or land.
4. Make any improvements or permanent additions or modifications to any business

property except to the extent necessary to make the property accessible to the CBVH consumer operating the business.

5. Fund business license renewals.
6. Support a business that doesn't comply with all relevant state, federal and local laws and regulations.
7. Support businesses that are highly speculative in nature, those organized as non-profits or those where the business plan demonstrates that the closure criteria would not be met.
8. Refinance existing debt.
9. Purchase "good will" - an intangible saleable asset associated with the reputation of a business and its relation with its customers.

### **Role of the CBVH Counselor**

CBVH's role in working with an individual whose employment outcome is self-employment is to:

1. Assist the consumer in locating information about self-employment prior to making a decision to pursue self-employment.
2. Assess the consumer's potential for self-employment.
3. Assist the consumer in obtaining the skills and tools necessary for the particular type of business.
4. Guide and support the consumer through the self-employment process.
5. Provide the consumer with information on community resources that can provide support during the self-employment process (e.g. Small Business Development Centers (SBDC), Senior Corps of Retired Executives (SCORE), Small Business Administration (SBA)).
6. Review and evaluate the consumer's business plan to determine when it is ready to present to the Self-Employment Committee (see page 10.02.09).
7. Participate on the Self-Employment Committee.

### **Role of the Consumer**

Individuals who have a self-employment goal are responsible for:

1. Participating in a CBVH assessment to determine whether self-employment is appropriate.
2. Preparing and submitting a business plan using the [CBVH Business Planning Guide](#) or other business plan prototype that includes the required elements of a business plan,
3. Identifying funding sources for the business.
4. Presenting their business plan to the Self-Employment Committee (see page 10.02.09),
4. Implementing the business plan to establish the business, including securing funding to support the business plan and providing quarterly financial statements (see page 10.02.10) to CBVH after the business has been established, until case closure.

## **Economic Need**

The purchase of allowable goods and services (page 10.02.11) for a business is contingent on economic need. If an individual meets CBVH economic need criteria, CBVH may purchase allowable goods and services, up to a maximum of \$15,000, in accordance with the individual's IPE and CBVH policy.

The purchase of consultant services to assist a consumer to develop a business plan is not contingent on economic need.

## **Assessing a Consumer's Potential for Success in Self-Employment**

A self-employment goal is a large investment of time and resources for both the consumer and for CBVH. In order to increase the possibility of a successful self-employment outcome, an assessment, including the Self-Employment Inventory must be completed prior to proceeding with the self-employment process.

## **Assessment**

The assessment should take place soon after the consumer expresses interest in self-employment. Information gathered during the assessment should be entered into the record of services as a case note. It should include but not be limited to a discussion of the following issues:

1. The individual's previous experience in the employment area including related employment and/or education.
2. The individual's ability to interact appropriately with the public.
3. The availability of assistance and support from the consumer's family.
4. The individual's preliminary concept of the proposed business.
5. The individual's willingness and ability to locate, secure and use other funding sources.
6. Whether the individual has the physical and mental capabilities to meet the work requirements of the proposed business. The Dictionary of Occupational Titles can be used to assess this factor.
7. Potential barriers to successful achievement of the self-employment goal and possible solutions to address each of the barriers.

The following questions can be used to address many of the assessment components noted above.

1. Why do you feel self-employment is the best way for you to achieve your vocational goal?
2. What has been your experience in dealing with the public? Do you enjoy meeting the public?
3. Why have you selected this type of business?
4. What experience do you have in this or a related kind of business?
5. What type of assistance will you need, if any, in establishing and running the business?
6. What information and skills will you need to learn to operate this business?
7. If you do not have experience with this type of business, would you consider working for someone else as a training experience in this particular field before establishing your own business?

8. How many hours do you anticipate you would need to work each week as you establish the business? To maintain the business? Is this feasible given your other commitments?
9. What level of income are you expecting from the business? Is this a reasonable income level to support you and your family?
10. What financial resources do you have available for establishing the business? Do you have family or friends who will invest in your business? Would you consider borrowing money?
11. Are you aware of the risks involved with establishing a business? Are you prepared to face those risks should they occur?

### **The Self-Employment Inventory (copyrighted by C/S Vocational Consultants, Ltd.)**

The Self-Employment Inventory will be used as part of the assessment to determine whether self-employment is an appropriate type of employment. It is designed to be administered in an interview with the consumer. The Self-Employment Inventory is a copyrighted document and cannot be reproduced. CBVH has purchased copies of the inventory. To obtain copies, contact the Home Office Business Service Specialist.

The Inventory covers four target areas: Entrepreneurial Characteristics, Personal, Financial Responsibility and Business. Administration of the inventory should take between 30 - 60 minutes. Information on administration of the Inventory and reviewing responses is incorporated into the Inventory booklet.

### **Next Steps**

After completion of the assessment and the Self-Employment Inventory, the counselor and consumer will meet to determine whether the consumer should continue to pursue self-employment. If self-employment is not a viable employment outcome, the counselor and consumer should continue with the vocational exploration process.

If the decision is made to continue to pursue self-employment, the counselor and consumer should discuss whether the consumer is ready to begin preparing the business plan. The counselor and consumer should also determine whether the consumer will need additional skill training prior to or at the same time s/he is developing the business plan.

### **Training**

Training may be provided in order to raise the consumer's skills to a level where self-employment can be considered a feasible employment outcome. Any training to be provided prior to the development of the IPE should be identified in a case note along with the reason it is being provided. Small Business Development Centers and other community resources can be explored as possible sources for training related to self-employment.

Examples of training which may be useful include:

1. coursework related to the establishment and management of a small business enterprise.
2. coursework in the principles of accounting or business law.
3. coursework to learn to develop a marketing plan.

See Sections 8.30-8.39 for further information on training.

Adaptive equipment needed by the consumer for self-employment may be provided in accordance with the CBVH Rehabilitation Technology and Economic Need policies. (See Section 8.20 - Rehabilitation Technology.)

### **Preparing a Business Plan**

If after the assessment, the counselor and consumer agree that the consumer will continue to pursue self-employment, the consumer should begin to develop a business plan using either the CBVH Business Planning Guide or other business planning tool-that includes the required elements of a business plan. Again, the counselor and consumer should discuss the various community resources available for assistance with this process and appropriate referral(s) should be made.

### **Contents of the Business Plan**

A business plan is a comprehensive document describing all relevant aspects of the self-employment enterprise. It is the basis for planning the business and provides the rationale for requesting CBVH's support for the business.

The CBVH Business Planning Guide or other business planning tool containing the required components must be used to develop a business plan that will be submitted to the CBVH counselor for review. The expectation is that there will be significant detail in each of the sections of the business plan to allow the CBVH counselor and the Self-Employment Committee to evaluate the strength of the business plan and the resources available to support the business. Counselors will use the Business Plan Evaluation Checklist as a tool when reviewing completed business plans. Copies of the Checklist will be made available to consumers as well.

The business plan, at a minimum, must contain all of the following elements:

1. Cover Sheet - the name, address and phone number of the business and the name and contact information (if different from above) of the person who wrote the business plan.
2. Executive Summary - a one to two page overview providing highlights of the business plan.
3. Table of Contents - a listing of the major sections of the business plan.
4. Business and Industry Description - a detailed description of the business including but not limited to: who it will serve; what products or services will be offered; number of employees and the goals of the venture.
5. Management, Organization and Operations Plan - a detailed description of who is involved in the business and how the business will be staffed including but not limited to: identifying staff, their qualifications and respective roles; an organizational chart; a description of hiring practices; and how business operations will be accomplished.
6. Marketing Plan and Analysis - a detailed plan for marketing the business including but not limited to: a description of the target market and the analysis to determine the market need; a summary of the current and future competition; the strengths and weaknesses of the business and a detailed marketing strategy.

7. Financial Plan and Statements - a detailed financial description including but not limited to: operating costs, projected expenses and revenues, a cash flow analysis, a breakeven analysis, a balance sheet and an income statement. The projections identified in the financial plan will provide the basis for benchmarks for determining the stability and progress of the business. These benchmarks will be incorporated into the IPE and will be used in determining when case closure is appropriate.
8. Supporting Documents - any additional documents related to the business including but not limited to: leases, patents, licenses, insurance and other legal documents; resumes of critical personnel; letters of intent and memorandums of understanding; regulatory documents, assurances that the business complies with all relevant state, federal and local laws and regulations, and other documents related to the specific business.

### **Consumer's Assurance of Other Resources**

CBVH cannot be the only funding source of a self-employment enterprise. Consumers are required to do a funding search of a minimum of three funding sources and report the outcome of their search to their CBVH counselor. In addition, consumers are required to furnish assurance acceptable to CBVH that funding for the project costs not covered by CBVH will be available for the establishment of the business. This information must be submitted with the business plan.

Examples of acceptable assurances are:

1. SBA approval letter;
2. letter of approval from bank or other financial institution; or
3. proof of available personal assets (e.g. bank statement)

As fiscal solvency is a critical issue for successful business ownership and operation, consumers are required to provide a copy of their credit rating along with their completed Business Plan. CBVH counselors may review this credit rating with their supervisor(s) and/or the Home Office Business Service Specialist in order to determine whether the credit rating will have an impact on the consumer's ability to secure adequate resources to implement the business plan. CBVH can reimburse the consumer for the cost of the credit rating report.

### **Consultation with the Home Office Business Service Specialist**

The Home Office Business Service Specialist has business expertise that may be useful for both the counselor and the consumer and will be available to:

1. review the consumer's Business Plan to identify any major deficiencies.
2. assist the counselor in analyzing the consumer's credit rating report.
3. consult with the counselor and the senior counselor to respond to questions they may have regarding the consumer's completed Business Plan.
4. Assist the counselor in evaluating Quarterly Financial Reports

### **Utilization of Outside Consultants (Unpaid)**

There are numerous community resources available to provide seminars and workshops and to assist on an individual basis during the self-employment process. This includes assistance in developing a business plan and identifying funding for the proposed business. Several resources are listed below. Counselors and consumers are strongly encouraged to access the web sites of these organizations and to contact the organizations to determine the type of assistance they can provide.

1. U.S. Small Business Administration (SBA)
2. NYS Empire State Development
3. SUNY Small Business Development Center
4. Service Corps of Retired Executives (SCORE)

### **Utilization of Outside Consultants (Paid)**

If no other resource is available or deemed appropriate, counselors may authorize \$50.00 per hour up to a maximum of \$400.00 for the services of a consultant, an accountant and/or an attorney to assist a consumer in the preparation of a business plan.

Consultants must be approved by CBVH prior to authorization of funds.

When a consultant is used, it is important that the consultant recognize that it is critical that the consumer take responsibility for all parts of the self-employment process and that the role of the consultant is to assist the consumer and the counselor during the process. Consultants with expertise in self-employment may be used to provide the consumer and the counselor with assistance in the following areas:

1. Assist the CBVH counselor with assessing the consumer's potential for self-employment.
2. Assist the consumer in conducting the business feasibility study.
3. Assist the consumer in the development of the business plan.
4. Assist the counselor in evaluating the viability of the proposed business and the business plan.
5. Provide recommendations to the consumer on how to strengthen the business plan.

### **Reviewing the Business Plan - The Self-Employment Committee**

Upon completion of the business plan, the counselor should review the plan and share comments with the consumer. The counselor can share the business plan with the senior counselor and/or the Home Office Business Service Specialist for their review. When the business plan appears to be viable, the counselor will convene the self-employment committee to formally review the business plan.

The committee will consist of the following individuals: CBVH counselor, senior counselor, district manager, the Home Office Business Service Specialist and a minimum of one member of the business community. The consumer will present the business plan to the committee on a date and time that is convenient to all parties. The committee will also have the opportunity to review the business plan document and any additional documentation submitted by the consumer. The committee can request that additional information be submitted by the consumer and/or the counselor.

The committee is expected to provide guidance and recommendations for improving the business plan. The counselor will write up the notes from the meeting including any

recommendations.

After receiving the recommendations from the committee, the consumer can amend the plan in accordance with the committee's recommendations, abandon the business plan or if CBVH determines that the plan is not viable, the consumer can request an appeal of the decision in accordance with the CBVH Appeals Process.

### **Developing the IPE**

After a business plan has been reviewed by the CBVH Self-Employment Committee, and approved by the counselor and senior counselor, the IPE should be developed by the counselor and the consumer in accordance with the policy and procedures outlined in Chapter 6. Goods and services for the business can only be purchased in accordance with an approved IPE. The IPE should include specific benchmarks with time frames for when the business is expected to reach levels of performance that will enable the consumer's case to be closed in competitive employment. This information will be used to assess the appropriateness of case closure.

### **Implementing the Business Plan**

Implementing the business plan is the responsibility of the consumer. The counselor is responsible for coordinating services identified on the IPE and for providing needed support and guidance to the consumer as they establish the business. In addition to providing assistance with developing a business plan, many of the resources listed in this chapter can help with implementation of the business plan and establishing the business.

### **Quarterly Financial Report**

Consumers are required to provide quarterly financial reports to CBVH after the business has been established, until case closure. The report must include the following information:

1. The cash position
2. Sales and other receipts
3. Costs of goods sold
4. Itemized expenses
5. Net profit
6. All outstanding liabilities

This information will be used to determine the income generated by the business. When compared to the financial projections in the business plan, these reports will also be useful in evaluating the stability of the business. The Home Office Business Services Specialist can assist the counselor in evaluating the quarterly financial reports.

### **CBVH Financial Participation**

CBVH financial participation in a business is limited, subject to an economic needs test, and subject to the availability of funds. CBVH will not be the only funding source of a self-employment venture.

CBVH's financial contribution for allowable goods and services is limited to a maximum of

\$15,000. Other services identified on the approved IPE that are not part of the business plan are not included in the \$15,000 maximum.

### **Allowable Goods and Services**

When implementing a business plan, only essential goods and services may be furnished subject to economic need. The following business related goods and services may be purchased with CBVH funds, up to the maximum of \$15,000:

1. Initial inventory as defined in the business plan (one time only)
2. Business related tools and equipment
3. Shelter which is normally portable, easily dismantled, moved and reassembled with a minimum loss of value
4. Initial business license(s)
5. Installation and a maximum of three months maintenance of business phone
6. Utilities (a maximum of three months)
7. Business related insurance (a maximum of one year) such as fire, theft, burglary and liability
8. Rent (a maximum of three months)
9. Advertising
10. Office Supplies (not including office equipment)
11. Legal services - legal costs associated with establishing a business enterprise, (e.g. review of legal documents).
12. Accounting services - costs associated with establishing an accounting system and maintenance for a three month period.

### **Criteria for Closure**

Businesses can take a long time to develop and achieve profit-making status. Business profit/loss statements can provide operating income data to assess the financial strength of the business which can help the counselor to determine when to close an individual's case.

Federal regulations mandate that the criteria listed below be met prior to determining that an individual has reached a successful employment outcome. In addition, although the criteria listed below do not specify a monetary amount or number of hours worked per week, in order for the employment goal to be considered competitive the individual must be earning at or above the legal minimum wage for the number of hours worked.

Criteria for determining successful closure:

1. The consumer has achieved the employment outcome as listed on the IPE.
2. The employment is consistent with the consumer's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
3. The employment is in the most integrated setting possible consistent with the consumer's informed choice.
4. The consumer has maintained the employment for at least 90 days.
5. The consumer and the counselor consider the employment outcome to be satisfactory and agree that the consumer is performing well on the job.

### **Post-Employment Services**

Post-employment services for individuals who have been rehabilitated in self-employment are limited to vocational rehabilitation services which are not related to the business except when the start-up contribution from CBVH was less than the \$15,000 maximum. If CBVH did not contribute the maximum allowance of \$15,000 and an assessment by CBVH clearly indicates that providing additional funds for the business would enable the business to be successful, CBVH can provide additional funds totaling up to a maximum of \$15,000 for the business start-up and the post-employment services. Any funds must be provided in accordance with the list of goods and services on page 10.02.11 and would therefore be limited to those goods and services that are not time limited start-up costs.

Example: An individual who achieved a self-employment goal whose case was closed one year ago contacts CBVH for assistance. She reports that her business has not grown at the expected rate and that she is concerned that the business will soon begin to falter. She is requesting additional funds for advertising. After determining that CBVH's initial contribution to the business was \$12,000, the counselor contacted the Home Office Business Service Specialist to request a review of the business records. After meeting with the consumer to gather additional information about the business, the CBVH counselor, in consultation with the Home Office Business Services Specialist determined that the business could benefit from additional advertising and that additional advertising could make the difference between the business being successful and failing. An additional \$3,000 was authorized during PES for advertising. The counselor maintained the case in PES until the next quarter financial records were available and reviewed. At that time, the business was again deemed successful and the individual's case was closed.

For more information see Chapter 11 - Post-Employment Services.