

## **APPENDIX A**

### **SELF-EMPLOYMENT/SMALL BUSINESS PROGRAM**

The ARS Self-Employment/Small Business Program is designed to assist clients to achieve an employment outcome through self-employment or small business operation.

#### **Purpose**

The role of ARS is to provide technical assistance and other consultation services to review market analysis, assist in developing business plans and otherwise provide resources that are authorized to be provided through the statewide workforce centers and their partners. ARS will assist the client in making informed decisions, to reduce or eliminate barriers created by disabilities with training in self-employment/small business development and operations and to identify possible funding sources that may assist the business. **The role of ARS is not to act as the primary funding source for self-employment or small business endeavors.** ARS may participate in partially funding small business start-up fees or assistance for retention of an existing business as approved by ARS.

ARS values self-employment as a viable vocational outcome. Self-employment is available within the repertoire of vocational options and may be considered by clients and their VR counselors as they work toward the development of an appropriate vocational goal. There may be a need for VR services prior to a commitment from ARS on a self-employment plan. If appropriate, ARS can assist the client by providing services, such as training needed for certain skills, or business knowledge before the decision is made by the client and their counselor to pursue the development of a business plan. Through initial exploration of personal and business feasibility assessment, the client and their counselor will be equipped to make an informed decision about self-employment as a vocational goal.

Individuals that are successful in becoming self-employed or operating a small business demonstrate a wide array of skills and abilities including, but not limited to, business organization, financial management, business marketing and/or other talents, as well as, knowledge and expertise regarding the goods or services being produced or provided. Such individuals are well aware of the potential risks involved when being self-employed or operating a small business and attempt to minimize such risks to the greatest extent possible.

#### **The Self-Employment/Small Business Consultant**

The counselor will refer the client to the Consultant in those situations where self-employment or small business operation is being considered by the client and their counselor as a possible employment outcome. This referral will occur prior to the approved development of the vocational goal or an amendment of the IPE to include self-employment as a service. The Consultant will be responsible for completing a report as it relates to being self-employed or operating a small business and an evaluation of the feasibility of the business endeavor.

The role of the Consultant includes, but is not limited to, the following:

1. Recommendation of training and technical assistance from appropriate organizations consisting of subjects such as exploring entrepreneurship, small business development, business plan development, small business management, accounting for business, and business financing.
2. Referral of the client to an appropriate resource as it relates to the development of a business plan defining the concept of the business and the business market and competition analysis.
3. Assistance in identifying resources for the capitalization of the business.
4. Development of a report that summarizes the Consultant's findings and provides recommendations as it relates to the operation of a new or existing business. The Consultant's report will be written prior to development of an approved IPE by the VR counselor and the client.
5. Determination of whether the client's business plan is feasible. The Consultant does not approve funding assistance for a client's small business. The VR Counselor will review the Consultant's report, together with the funding assistance requested in the client's business plan. The VR Counselor will then recommend an amount of funding to be authorized in the IPE. If funding for a small business is approved, comparable benefits and services will be taken into consideration, as well as the client's ability to contribute.

## **Definitions**

1. Self-employment – refers to an employment outcome in which a client works in a business that s/he owns, operates, and manages with the intention of being profitable and becoming self-sufficient.
2. Form of Organization – refers to the way the client legally organizes the business.
  - a. Sole Proprietorship – one person who owns the business alone, but may have employees. S/he will have unlimited liability for all debts of the business, and the income or loss from the business will be reported on his or her personal income tax return along with all other income and expense s/he normally reports (although it will be on a separate schedule)
  - b. Corporation – requires a legal filing with the Internal Revenue Service for corporate status. Corporate organization provides limited liability for the investors. Shareholders in a corporation are obligated for the debts of the corporation; creditors can look only to the corporation's assets for payment. The corporation files its own tax return and pays taxes on its income.
    - Clients who legally organize their businesses as a corporation, and are employed by their corporation may be eligible while in the start-up phase of operations.
  - c. General and Limited Partnerships – two or more individuals, one of which is a client of ARS with the controlling share.

- d. Limited Liability Company – limited liability for all of its members (business partners), with the ARS client as the controlling member.

## Eligibility Requirements

Participation in self-employment or small business operation as a vocational goal requires that:

1. The client has been found eligible as a client of ARS and received a positive assessment from RIDAC as capable of running a small business (see Small Business workflow).
2. Small business/feasibility plan required before complete IPE (see Small Business workflow).
3. The business venture is, at a minimum, 51% owned, controlled and managed by the client.
  - Businesses organized as Sole Proprietorships, Corporations, General and
  - Limited Partnerships, and Limited Liability Companies, as noted in Definitions-Forms of Organization.
4. The business venture must be considered legal in Arkansas.
5. The business venture is accurately reported to appropriate government agencies including the Internal Revenue Service, the Arkansas Department of Finance and Administration, and the Arkansas Secretary of State, local City, or County Business licenses.
6. The business venture is organized as a for-profit entity.
7. Only one approved small business plan is allowed with ARS. Returning small business client(s) will not be allowed to submit another business plan through ARS. \* Only one small business plan can be submitted per fiscal year. After the second denial, the client **will not be allowed** to submit another small business plan with ARS.

## Role of Counselor:

When working with clients expressing an interest in self-employment, the role of the counselor is to:

- The client has been found eligible as a client of ARS and received a positive assessment from RIDAC as capable of running a small business (see Small Business workflow).
- Provide relevant information regarding the availability of services supported by the agency.
- Assess the client's disability as it relates to the vocational goal.
- Review of the client's skills and abilities regarding self-employment or small business operation.
- Reduce or eliminate barriers to self-employment created by the disability.

- Authorize for the provision of external technical assistance including, but not limited to, business feasibility, training, business planning, market analysis and post start-up monitoring.
- Coordinate training and technical assistance services.
- Provide technical assistance as deemed appropriate at post start-up of the business.
- Monitor business development at post start-up.
- Regular follow up with Small Business Consultant to follow timelines prior to development of IPE (see Small Business plan workflow)

### **Role of the Client:**

Exercising informed choice in the rehabilitation process has attendant responsibilities for the client. These responsibilities include, but are not limited to:

- Determining the concept of the business.
- The client will be notified that he/she has found eligible as a client of ARS. Client will need to participate in the assessment process and receive a positive assessment from RIDAC as capable of running a small business (see Small Business workflow).
- Assisting in the identification of existing and potential barriers created by the disability.
- Exploring the feasibility of the business venture by conducting research and gathering information, in collaboration with the technical assistance provider, including:
  - develop business plan
  - the business concept,
  - market feasibility, and
  - Financial feasibility
  - Client will need to follow timelines for completing business plan before approval/denial
- Researching the availability of financial resources.
- Making application for financial assistance.
- Developing skills and abilities necessary to operate and sustain the business venture.
- Business implementation and management.
- Contributing financially to the capitalization of the business venture by utilizing all available financial resources including personal investment, microloans, commercial and consumer loans, loans from family, forgivable loans, equity grants, and personal property (inventory and equipment) essential to the operation of the business. Providing regular financial and other necessary documentation to the agency for post start-up monitoring.
- Fulfilling participation in the business plan assistance as noted in the Individualized Plan of Employment (IPE).

## Small Business Workflow

The case record will reflect the following workflow:

1. The counselor determines that the individual is eligible for VR services and meets the Order of Selection, if the agency is under an Order of Selection.
2. Client undergoes required scheduled referral to RIDAC evaluation for small business capability within 30 days (VR counselor will list in referral area the proposed area of business along with job specifications, if needed)
  - a. Assessment of client's readiness for considering self-employment includes evaluation of the client's interests, skills, aptitudes and personal qualities as they relate to self-employment or small business operation. This may include use of data gathering instruments, and vocational assessment to the degree necessary to ensure the client has the basic skills necessary to operate and manage a small business.
3. Following RIDAC evaluation, client completes Small Business plan/feasibility statement that includes labor market analyses, with target deadline of 15 business days from RIDAC approval date.
  - a. The client has attended appropriate training session/s, as recommended by the Consultant, through the Arkansas Small Business and Technology Development Center or other appropriate provider to affirm advantages and disadvantages of business ownership, explore preparedness from a personal perspective, and assess skills related to the business venture.
  - b. Examination of the client's financial goals related to self-employment should include consideration of issues such as terminating government benefits, supplementing family income versus primary source of support, and earning sufficient funds to maintain competitive employment standards.
  - c. The client's expectations relative to the financial support s/he anticipates/expects from ARS should be discussed at the onset. It is important that the client understands that **ARS will not be the sole source of start-up capitalization** and that any funding allocated to an existing business or to the startup of a business will be consistent with ARS policy related to financial participation.
  - d. Clients may be referred to outside resources for assistance in examining the concept, market and financial feasibility of the business. Examples of resources may include: the Arkansas Small Business Development Centers, and other local/regional microenterprise organizations and community economic development programs. If the business idea is deemed feasible, the information developed at this stage will provide some of the basic data that will be used in completing the Business Plan to be written later.

Concept Feasibility: Clear description of the business idea; client's background related to the business concept including education, training, direct experience and transferable skill sets; a summary statement identifying issues of concern regarding the feasibility of the concept; and a recommendation as to whether the business concept is feasible.

- **Market Feasibility:** Geographic description of market area; description of competitors working in or marketing to potential customers in geographic area; definition of target markets including size and scope of each market; zoning issues/requirements for establishing a business at intended location.
- **Financial Feasibility:** Capitalization requirements (startup funding may not exceed 6 months) consistent with the client's business concept; identification of resources for startup funding and ongoing capitalization. Twelve months of projected sales/expenses may be included, when appropriate. A monthly update will be required upon authorization.

**Training:**

- a. All clients may be expected to attend training, and participate in technical assistance services related to self-employment or business operation as recommended by the Consultant. This includes options such as training and technical assistance from: Arkansas Small Business and Technology Development Centers, local/regional microenterprise development service providers, or community economic development programs consisting of subjects such as exploring entrepreneurship, small business development, business plan development, small business management, accounting for business, and business financing.
- b. Clients may require business specific skill training to eliminate skill gaps or prepare for the operation of the business. This could include coursework such as accounting/bookkeeping, using computers in business, human resources in business, etc. Skill-building courses should be noted in the IPE as necessary.
- c. Upon approval of the Consultant a client may substitute training or technical assistance previously completed for this requirement if sufficient documentation is provided.

**Additional Information on Small Business Plan:**

- a. A comprehensive Business Plan will be required for all clients as they request financial assistance for a business venture. The content for a comprehensive Business Plan is defined in the Client Business Plan Checklist (see Attachment 1). Clients should use the Client Business Plan Check List as a

guide for preparing the business plan to ensure that all the critical areas are addressed.

- b. Benefits counseling may be provided with a focus on the projected impact of revenues and expenses as noted in the Business Plan.
  - c. All clients pursuing self-employment are **required to explore, and when appropriate, apply for funding from sources other than ARS**. These may include microloans, commercial and consumer loans, loans from family, forgivable loans, equity grants, and work incentives for Social Security recipients including Plans to Achieve Self Support (PASS) and personal property (inventory and equipment) essential to the operation of the business (PESS).
- 4. Small Business Consultant reviews and approves/denies plan within 5 business days of plan submission. The Small Business Consultant will include approval/denial in a report.
  - 5. If plan is approved, Small Business Consultant will review with VR Counselor and can move forward with IPE. If plan is denied, Small Business Consultant will state reasons in a report and follow up with VR Counselor to review other options. \*Please note: Only one small business plan can be submitted per fiscal year. After the second denial, the client will not be allowed to submit another small business plan with ARS.

#### Review of Business Plans for Funding Consideration:

The client's goal toward self-sufficiency and the level of the agency's financial participation in the start-up capitalization of the business will determine the level of review and approval required.

- a. The Consultant will review the plan for completeness.
- b. When the client's vocational goal is self-employment and his/her request does not exceed \$2,500, the VR counselor, **with the recommendation of the Consultant**, can approve the Business Plan for financial assistance.
- c. When the request for financial assistance exceeds \$10,000, Business Plan review and approval by the Self-Employment Panel (Panel) is required. The Self-Employment Panel will make recommendation to Commissioner for final decision.
- d. In cases where feasibility of the plan is in question as it relates to the funding request, ARS may have the Business Plan reviewed by an outside resource with expertise in small business, micro enterprise development and/or business finance.

**Note:** The recommendation of the outside resource will contribute to, but not define, the agency's final determination as to business feasibility.

1. Total startup costs.
2. Feasibility of the Business Plan in all aspects.
3. Potential for other financial resources, and
4. Availability of agency funds.

e. Process for Review by Self-Employment Panel:

- The Consultant will review the Business Plan, and complete the Business Plan Checklist.
  - A Release of Information will be obtained from the client and will be submitted as part of the Business Plan review package.
  - The Consultant will distribute the Business Plan review package that includes the workflow process and timelines to the Self-Employment Panel and schedule the review.
  - The Self-Employment Panel will convene and conduct its review at a scheduled meeting after receiving the Business Plan review package.
  - The Self-Employment Panel will provide an opportunity for the client, or a designated representative, to present information about the Business Plan.
  - The Panel will review the Business Plan in terms of its feasibility, offer suggestions for improvement if necessary, and make recommendations for approval or disapproval.
  - The review Panel will provide a written response with recommendations to the client within ten (10) working days of their review.
6. The decision of the Panel is forwarded to the appropriate approval parties i.e. Counselor, District Manager, Chief of Field Services, and/or Commissioner - please see Financial Participation Requirements.
  7. If the client does not agree with the decision regarding the proposed Business Plan, the ARS appeal process is available to the client.
  8. If approved the counselor completes the IPE or Amendment with the client with the vocational goal of self-employment or small business operation with the appropriate services.
  9. The case is followed by the counselor and Consultant through post start-up and business stabilization.
  10. The case is reviewed for closure within 90 days by the VR counselor per the VR process. If appropriate, with the agreement of the Client and with the recommendation of the Consultant, the case can be closed successfully after 90 days. However, the counselor and consultant will need to review the business and report if it has been operating for a period of time long enough to adequately assess the stability of the business before closure. If required a small business



case be closed after **a minimum of six months and/or a maximum of one year (recommended).**

## **Financial Participation Requirements**

For those clients pursuing self-sufficiency through self-employment, they will be required to participate in the start-up capitalization of the business through documented investment of funds from personal investment, microloans; commercial and consumer loans; loans from family; forgivable loans; equity grants; equipment; or inventory critical to the business operation.

- a. In consideration of the business start-up capitalization noted in the Business Plan, financial participation by ARS and client is required as follows:

Business Capitalization	ARS Assistance	Client Participation	Approval
Up to \$10,000	90%	10%	Consultant
\$10,001	90%	10%	Self-Employment Panel

Client participation towards the business capitalization requirements can include equipment or inventory provided or purchased in an existing business or current business before the approval of the current business plan. The Consultant/Panel will determine the value of the items and have final approval of the items proposed to be included in the client participation in business capitalization in the current business plan.

## **Limitations and Restrictions**

Financial assistance for business start-up capitalization does not include:

1. Funding for speculative real estate development.
2. No Utility deposits are refundable to the client or business.
3. Cash.
4. Salary or benefits for the client, partners in ownership, or employees of the business that are members of the client's immediate family.
5. Purchase of real estate.
6. Erection of buildings.
7. Inventory or business supplies that include tobacco, firearms or alcoholic beverages.
8. Refinancing of existing debt - business or personal.
9. ARS is not responsible for any self-employment or business expenses incurred by the client prior to approval or denial of the business plan.
10. No Multi-Level Marketing Business will be considered.

## **Exceptions**

If the Consultant/Panel determines that there are circumstances in a client's case that warrant consideration for an exception to financial participation policy, a full explanation with justification should be presented to the District Manager for review and decision by the Chief of Field Services and/or ARS Commissioner.

## **Approval**

Final approval will be determined by the Chief of Field Services and/or the ARS Commissioner, as outlined in Financial Participation Requirements above, after positive recommendation of the Self-Employment Panel.

## **Property Agreements**

Plans that include non-real property purchased by the agency must designate that such property will be released to the client at closure.

- a. Equipment necessary for the self-employment or business operation as outlined in the approved Business Plan will be listed by the client.
- b. All purchases of equipment with ARS funds will be subject to State purchasing requirements.
- c. All bids for equipment as required by State purchasing guidelines will be obtained by the client.
- d. Equipment cannot be sold, consigned, or otherwise disposed of without the written consent of the District Manager.
- e. Clients are legally responsible for damaged, lost or stolen equipment.
- f. Clients are required to carry adequate insurance to cover all property involved in the self-employment or business operation.
- g. Clients are required to carry adequate liability insurance appropriate to the self-employment or business operation.
- h. In the event that the business is unsuccessful or that equipment is no longer useful or appropriate for the business, ARS may pick-up or dispose of the equipment according to the decision of ARS.

## **Client Checklist for Self-Employment**

The Client Checklist should accompany a completed business plan and be submitted to the ARS Consultant for consideration of financial assistance.

\_\_\_\_ **Description/dates of training and technical assistance for feasibility & business planning**

\_\_\_\_ **Copy of Feasibility Assessment**

\_\_\_\_ **Completed Business Plan that includes:**

**Executive Summary:** One to two-page review of the business summarizing the most important points of the plan:

- Business description
- Business objectives
- Form of organization
- Product description
- Summary of business owner's qualifications

**Industry/Business Analysis:** Analysis of the current status of the industry in which the business operates:

- Definition (description of the economic sector that the industry occupies)
- Industry size and growth rate
- Key growth factors
- Analysis of industry in the geographic area where you will operate

**Competition Analysis:** Review of three to five direct competitors with a comparative analysis to your business

- Image
- Location
- Products & Services
- Pricing
- Advertising methods

**Marketing Plan:** Detail how business will identify, attract, and retain customers

- Customer profile: Comprehensive description of primary and secondary customer groups including the number of customers in market area
- Description of product attributes and why customers will want to purchase it
- Plan for distributing product (if applicable)
- Promotional schemes for initial 12 months of business
  - Low cost and no cost advertising
  - Buying advertising: Media type, frequency, intensity

**Management:** Description of the management of the organization including position responsibilities, salary/wages

- Management organization chart
- Personnel

**Financial Plan:** Total business capitalization request with supporting documentation

- Source and use of all funds for business development
  - Total dollars needed to adequately capitalize business
  - Identify all resources (banks, micro lenders, ARS, etc.) and confirm participation including personal financial participation
  - Details of how all capital will be used (what it will buy)
    - Specify use of “operating capital”
- Cash flow projection for 24 months
- Income/Expense projection for 2 years
- Profit/loss statement for 2 years
- Break-even analysis
- Personal financial statement for business owner
- Personal financial statement(s) for all business principals 20% or above

**Supporting Documents:** Documents that will strengthen the business plan

For example:

- Survey results
- Letters of commitment from funding sources
- Contracts
- Leases
- Letters of intent
- Sales agreements
- Resumes
- Personnel policies
- Job descriptions
- Credit report

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Client Signature

Date

## Consultant Checklist for Self-Employment

\_\_\_ Case Summary Feasibility Statement by the counselor: Detail the participant's ability to pursue the proposed plan based on academic and personality assessments (if applicable) and client readiness for considering self-employment.

Include: evaluation of client's interest, skills, aptitude and personal qualities related to self-employment; examination of client's financial goals related to self-employment; review of client's expectations to anticipated financial support from ARS; assessment of client's disability as it relates to the potential self-employment goal.

**\$\_\_\_ Business Start Up/Expansion Capitalization (total as presented in business plan)**

**\$\_\_\_ Financial Request to ARS**

**Self-Employment Panel Review Needed: \_\_\_ Yes \_\_\_ No**

**\_\_\_ Copy of Feasibility Assessment**

**\_\_\_ Completed Business Plan that includes:**

**Executive Summary:** One to two-page review of the business summarizing the most important points of the plan

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- Business objectives
- Form of organization
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- Summary client' qualifications
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  - Total dollars needed to adequately capitalize business
  - Identify all resources (banks, micro lenders, ARS, etc) and confirm participation including personal financial participation
  - Details of how all capital will be used (what it will buy)
    - Specify use of “operating capital”
- Cash flow projection for 24 months
- Income/Expense projection for 2 years
- Projected business balance sheet for 2 years
- Break-even analysis
- Personal financial statement for business owner
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For example

- |  |                      |
|--|----------------------|
| • Survey results                             | • Sales agreements   |
| • Letters of commitment from funding sources | • Resumes            |
| • Contracts                                  | • Personnel policies |
| • Leases                                     | • Job descriptions   |
| • Letters of intent                          | • Credit report      |

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Consultant Signature

Date