

## **POLICY ON SELF-EMPLOYMENT**

The Rehabilitation Act includes two specific references to self-employment, telecommuting and establishment of a small business, as viable employment outcomes under the State Vocational Rehabilitation Program. As such, the North Dakota Division of Vocational Rehabilitation (DVR) values self-employment as a placement strategy equal to other forms of competitive employment.

DVR's support of an Individualized Plan for Employment (IPE) that includes self-employment as an objective will be based on a variety of factors including, but not limited to, the viability of the business plan, the client's score on the Business Assessment Scale (BAS), the financial resources available to the individual for starting and continuous operation of their business, the information gathered through the comprehensive assessment of rehabilitation needs, and the vocational rehabilitation (VR) counselor's recommendation.

## **DEFINITIONS**

**Employment Goal:** The vocational goal is the occupation identified through the comprehensive vocational assessment. Self-employment is not a vocational goal, rather the vocational goal included on the IPE is the vocation for which the individual strives (e.g. accountant, pet walker, massage therapist) and it must have a related SOC code.

**Self-Employment:** The individual owns, manages and operates a business selling goods or services for making a profit. Self-employment ranges from sole proprietorships and independent contractors to multi-employee companies, to owning and operating a farm and/or ranch.

**Placement Option:** Self-employment is an employment outcome and not an employment goal. It is a vocational option to consider. DVR expects that prior to pursuing self-employment as an employment outcome, the individual possesses the knowledge or skills required to either make the product or deliver the services required of the business.

**Non-Profit Self-Employment:** Individuals working for or directing a non-profit are typically considered employees, so self-employment does not usually apply. However, if an individual seeks to perform work for a non-profit in a consultative and/or contractual fashion, self-employment may be appropriate. Individuals seeking to work for a non-

profit as an employee may be assisted through the DVR program without self-employment as the employment option.

**Start-up Costs:** Expenses that will be incurred before a new business is able to open its doors or start production and generate revenues. Start-up costs include fees, paying for a place to conduct business, acquiring equipment, living expenses while getting a business ready for operation, and so forth.

### **When Self -Employment is Considered**

Self-employment will only be considered upon the client's demonstration of having significant knowledge and skill required for their self-employment venture. For example, an individual interested in taxidermy or gun smithing will be assessed and receive services to mitigate their disability while at the same time receiving skills training to become successfully employed, either working for an employer or self-employed. The goal in such cases is not self-employment but rather an option to consider during counseling and guidance sessions focused on job placement.

### **DVR's FINANCIAL PARTICIPATION IN SELF-EMPLOYMENT**

1. DVR is not the sole source of funds for the capitalization of a business plan. All persons interested in self-employment shall seek business funding in order to establish or build the credit essential to business ownership, therefore demonstrating viability of their chosen employment goal. DVR shall assist individuals in identifying potential funding sources for business start-up. These sources may include private and public funds, including in kind grants, and loans.
2. The VR counselor cannot require the individual to seek a loan for business start-up. However, there may be circumstances where the individual elects to do so.
3. DVR does not approve business plans for financial assistance purposes. VR funds a client's Individualized Plan for Employment for assessments, training expenses, partial start-up expenses, support services, and other disability related expenses.

DVR may provide technical assistance and consultative assistance with regard to business startup expenses. The consultative services include: guiding the individual in completing a market analysis, completion of the business assessment scale and referral to other funding sources. Individuals the VR counselor believes to be prepared for self-employment shall be referred to the State Workforce agency, Job Service North Dakota, and a Social Security Benefits Planner to do a Plan for Achieving Self Support (PASS), etc., to obtain comparable benefits that include entrepreneurial training course work and business start-up cost.

4. Only items necessary to start and operate the business are to be considered in the overall business plan. Start-up expenses for occupational licenses, business expenses, tools, and certain equipment is permissible. A salary paid to the client will not be considered in the overall calculation of expenses. Initial supplies are limited to no more than a 3 month supply of raw materials. VR funds cannot be used for inventory that is resold through the business.
5. DVR may fund disability related expenses and services that the individual may need to be successful in a small business. The disability related expenses can also include assistive technology devices.
6. DVR can support start-up costs at no more than 50% of allowable costs up to the first \$5,000, and 5% of the additional allowable costs beyond \$5,000. See specific exclusions below.

Example: VR allowable start-up costs of \$20,000. VR would pay 50% of the first \$5,000 (\$2,500) plus 5% of \$15,000 (\$2,500 + \$750 = \$3,250.)

Any small business plan for which a client requests more than \$10,000 of VR funds must be approved by the State Office. The State Office will consult with a financial institution or other small business expert.

**DVR self-employment expenditures exclude:**

- Supporting a small business beyond 50 miles into border states, or based in another country;
  - Purchasing a vehicle;
  - Purchasing or leasing buildings, including homes, or land;
  - Having DVR's name on utilities, etc.;
  - Funding business license renewals;
  - Supporting a business that does not comply with all relevant state, federal and local laws and regulations;
  - Supporting a business that is not in good standing with the IRS;
  - Refinancing existing debt;
  - Supporting individuals with unresolved bankruptcies or other legal proceedings;
  - Paying or reimbursing employee or client wages, benefits or other costs incurred on their behalf; and
  - Inventory resold through the business.
7. DVR acknowledges that certain individuals may require extended supports for a business to be successful. The VR counselor will assist the individual in identifying and securing these support services. Public VR cannot be responsible for funding these extended supports following successful employment outcomes.

## **SELF-EMPLOYMENT IMPLEMENTATION**

As a part of making an informed choice, self-employment is an option for job placement provided to individuals.

A detailed analysis of the feasibility of self-employment and the commitment of the individuals to succeed in business should follow these steps:

1. Assess the client's business potential - Upon discussion of self-employment as a strategy to job placement, the counselor will assess the client's potential to implement and sustain a successful business enterprise. DVR uses the Business Assessment Scale (BAS) to assist in assessing potential. The BAS will be completed according to state protocol.
2. The VR counselor will guide the individual's development of a business plan. Most individuals will require help putting together a business plan. Assistance is available through the North Dakota Small Business Development Center, SCORE (Service Corps of Retired Executives), and the federal Small Business Administration.
3. Develop a business plan - The comprehensive business plan allows funding sources to evaluate the business and its chances for success.
4. Business funding options from all sources need to be explored - There are a number of sources which the client can apply for funding assistance.
5. Review and acceptance of the self-employment plan is completed - Primary responsibility for this will rest with the VR counselor and the regional administrator; however, there will be instances that require input from other sources. If accepted, the IPE that includes an objective of self-employment is then completed showing DVR participation as well as comparable benefits. The vocational goal on the IPE will remain consistent with the vocational goal identified through the comprehensive assessment of rehabilitation needs.

DVR start-up assistance will be detailed in the IPE and plan information will be shared with the approving lending institution. Start-up assistance will detail the monetary amounts and can be used for occupational licenses, tools, equipment, and initial stocks and supplies.

6. Follow-up - This includes job stability, successful case closure, semi-annual and annual reviews.

7. Closure - There is little federal guidance concerning successful case closure and determination of minimum wage is sometimes difficult to demonstrate. At a minimum:

The business must be operational and meet all federal, state and local laws governing the operation of the business, including maintaining adequate insurance coverage for business requirements.

The individual and VR counselor agree that technical and managerial skills are adequate for on-going business management and continued growth without further VR services.