

THE CONSUMER'S GUIDE to SELF-EMPLOYMENT



*A Guide to the Consumers of
Virginia Department for Aging and Rehabilitative Services
Division of Rehabilitative Services*

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Program Overview

The Virginia Department for Aging and Rehabilitative Services (DARS), Division of Rehabilitative Services (DRS), Vocational Rehabilitation (VR) Program offers a self-employment enterprise option for consumers seeking alternatives to traditional forms of employment. This program is limited in scope and requires considerable investment on the part of consumers, in both time and financial resources. For highly motivated individuals, however, it can be a viable and rewarding alternative.

It is important to realize that, as a vocational rehabilitation agency, DRS attempts to support consumers in their efforts to re-enter the workforce as productive members of society. The Self-Employment Enterprise (SEE) Program is focused upon the individual and your efforts to create a job for yourself through small business. Consequently, the program has a micro-enterprise orientation, meaning the vast majority of participants are home-based sole proprietorships (self-employment rather than entrepreneurship).

That is not to say that more capital intensive business concepts can not or will not be supported, for all proposals seeking DRS funding are considered on a case by case basis. Rather, it is to say that the greater the complexity and associated cost to facilitate a business, the more speculative it becomes, and the longer it will take to achieve breakeven. It is likewise true that the larger the capital investment required to accomplish a start-up, the less relative importance DRS financial investment becomes, since having access to working capital means there are fewer disability related barriers to entry into the marketplace. The DRS SEE Program therefore, seeks a balance between the needs and the capacity of the consumer.

You're not alone in this however, as your VR counselor will assist you with understanding and progressing through DRS requirements for self-employment. This document is one of the tools to assist you in understanding what would be required of you in planning your business, and in approaching DRS for potential funding to help you get started.

In short, you'll be expected to compile a competent business plan in writing for the agency to review. To assist in the agency's review, you will have researched it appropriately and will ultimately make a presentation before DRS management to discuss your request for financial assistance in getting it started. This guide contains a business plan outline to help you, as well as a cash flow projection template addressing start-up and routine monthly income and expenses for the first twelve months. Included in this guide is a worksheet for determining your personal budget, which must also be taken into consideration.

DRS goes a step further and provides individualized technical assistance in small business through the SEE coordinator. Your VR counselor will ask that you complete the assessment questionnaire and prepare a personal budget before meeting with the SEE coordinator. The SEE coordinator can meet with you as often as you may need to, provided you continue to progress toward completing and presenting your SEE proposal.

Best wishes to you in your efforts and congratulations on your decision to pursue self-employment. It's not for everyone and certainly not for the timid or faint of heart, but with competent planning, purposeful effort and adequate resources, it may offer the hope of a better future.

A Glance at Relevant Policy for Self-Employment Enterprises

Consistent with DRS self-employment enterprise policy, you, the consumer, must:

- Be the primary funding source for the self-employment enterprise (meaning the DRS amount shall not equal or exceed the sum from all the other funding sources and consumer investments). The DRS amount shall be determined case-by-case based on the amount obtained from other funding sources, as well as the consumer's in-kind contributions to the business. The consumer shall seek principal funding from other

private or public sources, including contributions from yourself and family, bank loans, Plan to Achieve Self-Sufficiency (PASS), etc.

- Purchase any vehicles that must be licensed to operate, if needed for the business.
- Assume financial responsibility for any lease or purchase any permanent building or land, if necessary to the business concept.
- Address improvements or permanent additions or modifications to any business property except to the extent necessary to make property accessible to the consumer.
- Fund routine operating costs on a continuing basis.
- Comply with all relevant state, federal and local laws and regulations, including the Americans with Disabilities Act.
- Be organized as a for-profit business.
- Address existing debt yourself.
- Operate a business that does not violate community morality.

Self-Assessment Questionnaire

Attached is a brief self-assessment questionnaire to be completed by you prior to meeting with the SEE coordinator, if possible. This will assist in the agency's evaluation of your experience and preparedness in operating a small business.

Your Personal Budget

It's important to have a working understanding of your personal expenses each month. DRS support of an SEE, among other things, is contingent upon the ability of the business venture to be sustainable, both of itself and of you. This means you must be able to support your personal expenses each month, and the business may need to address a portion, if not all of those needs.

The budget will also assist in developing the financial projections, as your personal financial needs must be reflected in your compensation. If need be, the SEE coordinator can assist you in preparing the budget, but at this stage it is important that you complete the template and enter into this section, the total anticipated monthly expenses you have.

Total personal expenses each month \$_____

How much of these personal expenses do you anticipate your business income will need to support each month? \$_____

The Roles and Responsibilities of Those Involved

The DRS VR Counselor:

- Serves as the initial point of contact for self-employment.
- Provides the consumer with support and self-assessment materials to facilitate initial evaluations.
- Assesses the consumer's physical, emotional and psychological readiness for self-employment.
- Makes referrals to the SEE coordinator for technical assistance and support, when appropriate.
- Oversees the SEE process to ensure adequate delivery of services.
- Takes an active role as a member of the SEE Committee.
- Participates in Business Assessment Scale scorings.
- Develops the IPE and incorporates milestones and progress measures.
- If approved, conducts procurements on behalf of the consumer (unless others in the office are tasked with those particular responsibilities).
- Conducts follow-up reviews on performance, if approved and funded, with the assistance of the SEE coordinator.
- Determines case closure.

The Consumer:

- Determines and expresses the intent to pursue self-employment.
- Determines the concept or concepts for business they wish to investigate and ultimately develop into a formal proposal for DRS review.
- Assumes responsibility for writing, completing and presenting the SEE proposal, which will include, a competent business plan; an itemized list of the consumer's investments in the business to date with associated costs; an itemized list of the requested assistance sought through DRS with associated costs; a detailed cash flow projection incorporating start-up and routine operating costs, and which demonstrates the ability of the business to support their personal obligations.
- Completes and submits requested assessment materials to the VR counselor.
- Participates in meetings and technical assistance sessions to facilitate the proposal's development.
- Complies with requests made by the VR counselor and / or the SEE coordinator as required.
- Provides the VR counselor and SEE coordinator with follow-up financial information to evaluate the performance of the business prior to close-out of the case.
- Complies with all local, state and federal laws and requirements of small businesses.

The DRS SEE Coordinator:

- Guides the consumer through the business planning process.
- Assists consumers as necessary with development of cash flow projections.
- Assists consumers as necessary with development of personal budgeting.
- Does not write the plan, but offers technical assistance with its completion.
- Provides technical assistance in generating and analyzing competent market analysis information.
- Provides technical assistance in developing viable marketing strategies.

- Recommends potential training and funding alternatives in the area.
- Recommends cost effective marketing strategies.
- Conducts preliminary and formal Business Assessment Scale scorings with consumers, counselors, SEE Committee members, etc.
- Makes recommendations to the VR counselor and SEE Committee members as needed, for their determination.
- Conducts follow-up meetings to evaluate the progress and status of funded cases.
- Makes additional recommendations as necessary, to assist with evaluating financial performance, post-funding.

The SEE Committee:

- Listens to, evaluates, and makes recommendations on the consumer's SEE Proposal.
- Participates in the formal Business Assessment Scale scoring of SEE proposals.
- Makes additional or exceptional recommendations to counselors and management as necessary.

The DRS Self-Employment Enterprise Proposal

Your proposal to DRS will include a competent business plan; an itemized list of your investments in the business; an itemized list of your request for DRS assistance; and detailed financial projections for cash flow. You may also have supporting attachments and each of these areas is discussed briefly in this section.

The Business Plan Outline:

All business plans contain primarily the same categories of information, although there are a number of different ways to present it. The attached outline provides a general understanding of what those categories are and more traditional groupings for them.

For the benefit of those evaluating your business plan, be concise. Communicate what is necessary to support your conclusions and projections, but be careful not to pad the plan. Also, understand that you may not be present to defend the plan to someone evaluating it. It must stand-alone and clearly communicate your concept as a viable business, worthy of their support.

The attached outline will assist you in gathering and organizing your information and the SEE coordinator is available by appointment to assist you in developing a competent plan in written form.

Business Plan Table of Contents:

- Purpose
- Executive Summary
- Company Description
- Products and Services
- Management and Operations
- Market Analysis
- Marketing and Sales Strategy
- Financial Data
- Appendices and Supporting Information

Elements of the Typical Business Plan:

See attached.

A List of Your Investments –

You must incorporate into your proposal an itemized list of your investments in the business, which the SEE coordinator will qualify. Loans or other cash contributions count, including if they are provided by immediate family members, provided they are not allowed to exert any management control as a result of their investment, and have no ownership rights or percentage of ownership rights in the business.

In addition to loans or other capital injections, consumers may document ‘in-kind’ contributions of tools, equipment, vehicles, etc. that will be used in the conduct of business, minus any percentage of personal use. These must be current market values (depreciated values) unless the items were purchased within the last twelve months. DRS has a depreciation schedule outlining typical useful lifetimes for various equipment.

Examples include office furniture and equipment, vehicles, materials or inventory in stock, computers and related equipment, etc. Again, current values less the percentage of personal use are considered. More specifically, if a consumer wished to have a vehicle considered as part of their investments since it will be used in support of legitimate business activities, DRS would qualify the current value of the vehicle (blue book), minus the value of the vehicle

related to personal use. For example, if the consumer owns a vehicle currently valued at \$5,000.00 and 65% of its usage is anticipated to be for personal use, \$1,750.00 would be qualified investment in the business (35% of \$5,000).

Consumer investment is critical to determining the potential level of DRS financial support since DRS policy requires consumers to be the majority investor in the business. Understand that the majority investor rule does not typically translate into a 51% / 49% sharing of expenses. On average, DRS has supported approximately 30% of start-up costs per case over the most recent cases funded. This is due in part to some consumers having more investment than was necessary through DRS investment to facilitate a successful start-up. In some cases, the limitations of the Virginia Public Procurement Act restrict the types of procurements and assistance that can be provided (for example, DRS funds cannot be placed into a consumer's hands for discretionary spending purposes, no vehicles are allowed, no real property, etc.).

A List of Your Request for DRS Financial Support –

You must also incorporate an itemized list of your request for DRS financial support, with associated costs. It is your responsibility to investigate those items needed by the business, their relative costs and to identify at least two (preferably three) sources for the procurement. This information is to be shared with the VR counselor or other designated professional tasked with conducting procurements, if funding is approved.

The Financial Projections –

Templates facilitating the completion of detail financial projections are attached. They require the capacity to use Excel spreadsheet software if completed electronically, but can be done by hand, if need be. These will be attached to your proposal.

Supporting Attachments –

You may attach letters of recommendation, your resume', market survey information, or any other information you feel is pertinent to supporting your conclusions or proposal. Don't feel you need to pad the plan or make it any longer than is necessary to convey or support valid conclusions.

The Evaluation Process

Self-Employment Enterprise Committee

When appropriate, the VR counselor shall convene a SEE Committee to review the SEE proposal. The committee consists of the VR counselor, the counselor's Office Manager, the SEE coordinator, an appropriate member of the business community (i.e., SBDC, SCORE) if warranted, and other individuals whom the counselor determines may be necessary to the review process. The counselor may include members with knowledge specific to the proposed enterprise, the geographic and market areas, and/or general small business operations.

The SEE coordinator will serve as the facilitator for the committee. The SEE Committee will evaluate the proposal and the presentation made in person, by the consumer. Committee members will review the proposal and conduct an informal question and answer session with the consumer.

Following the presentation and all questions, the SEE Committee will excuse the consumer and conduct discussions of the proposal and request for DRS funding. Following all relevant discussions, the SEE Committee members will participate in a formal scoring of the Business Assessment Scale, conducted by the SEE coordinator. The SEE coordinator shall be responsible for compiling the BAS scoring and incorporating the results into the written

recommendation to the VR counselor and members of the SEE Committee for subsequent review and determination of the proposal request.

In its evaluation, the SEE Committee shall review all documentation and consider the ability of the consumer to successfully implement the business plan. The Committee may choose to inspect the proposed site and to request further information or action be taken before reaching its decision. The Committee may also establish conditions to be met prior to funding, or may implement demonstration phases in incremental steps (both in procurement and execution).

The SEE coordinator will provide the written recommendation summarizing the SEE Committee's intent, to the VR counselor and will copy the other members of the SEE Committee. The VR counselor is not bound by the recommendation, but will make and forward their determination through the chain of command dictated by appropriate procurement authorization levels. As a practical matter, all SEE requests made for DRS financial assistance exceeding \$5,000.00 are ultimately sent to the Department for Aging and Rehabilitative Services Commissioner for his review and determination.

If the SEE Committee recommends disapproval, the consumer may undertake amendments to the plan and submit a modified SEE proposal to the SEE Committee; abandon the enterprise; or request an administrative appeal.

The Business Assessment Scale

The Business Assessment Scale (BAS) is an evaluation tool addressing five areas pertinent to business;

- Management Expertise / Skill
- Commitment / Desire / Persistence

- Technical Skill / Work Experience
- Market Demand
- Personal Credit / Financial Solvency

The SEE coordinator will conduct the preliminary scoring with the involvement of the consumer and the VR counselor in the initial stages of developing the self-employment proposal. This will allow the consumer to understand how they will be formally evaluated at the conclusion of the process during the SEE Committee meeting. It should also demonstrate areas of weakness that may be addressed in the planning phase to improve the consumer's formal scoring. A low score may indicate a need for small business training, more detailed market analysis, or more targeted work experience, for example.

Each of the five areas is scored individually and then entered into a matrix where relative weights are applied, giving greater emphasis to certain areas. The resulting scores are added to compile one overall score. If the score falls below 60, it is an indication that at least additional training in small business would be beneficial. In some cases, it's clear that self-employment is not a practical option for the consumer.

For BAS scores at 60 or above, the counselor should consider that the consumer has met the minimum score for further consideration, although it may still be beneficial for some consumers to pursue additional training or work experience. A number of factors can influence this decision and should be determined on a case by case basis by the VR counselor and SEE coordinator.

There are typically only two times the BAS is applied. The initial scoring is simply an overview and informal assessment to assist all parties in understanding the consumer's business management skills and experience. The second scoring is applied formally following the SEE Committee presentation by the consumer and discussion by the Committee members. Further consideration following the formal scoring means a written

recommendation is prepared for the VR counselor and the other members of the SEE Committee. The SEE coordinator prepares the written recommendation

Resources

The following is a short list of available on-line resources to assist you in researching and preparing your business proposal for DRS review:

- ❑ www.irs.gov – the U.S. Internal Revenue Service is an excellent resource for technical information, forms and publications related to applicable taxes.
- ❑ www.sba.gov – the U.S. Small Business Administration is another excellent resource on a broad range of topics impacting small business. SBA also offers loan guarantee programs to support small businesses seeking to access capital for start-up and expansion needs. SBA works closely with preferred commercial lenders to provide a financial bridge for small business owners.
- ❑ www.doc.gov – the U.S. Department of Commerce offers significant resource information and programs to foster domestic and international trade. DOC is the home agency for the U.S. Census Bureau, through which it is possible to develop considerable demographic information on your target markets. This includes population clocks, median incomes, ethnic and gender based information as well as age, children, households, etc.
- ❑ www.vdba.virginia.gov - The Virginia Department of Business Assistance
- ❑ www.vdba.virginia.gov/vsbfa.shtml - The Virginia Small Business Finance Authority
- ❑ www.virginiabdc.org - The Virginia Small Business Development Center Network
- ❑ www.vamicro.org - The Virginia Micro-enterprise Network
- ❑ www.vadars.org - The Virginia Department of Aging & Rehabilitative Services
- ❑ www.vdbvi.org - The Virginia Department for the Blind and Vision Impaired
- ❑ www.vddhh.org - The Virginia Department for the Deaf and Hard of Hearing
- ❑ www.atlfa.org - The New Well Fund (formerly The Virginia Assistive Technology Loan Fund Authority)
- ❑ The U.S. Chamber of Commerce / The Virginia Chamber of Commerce
- ❑ The Virginia Retail Merchant's Association
- ❑ The Virginia Community College System