

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Program Name: Vocational Rehabilitation

Policy Number: VR-4.5-v3

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CHAPTER 4: IPE

Section 4.5: Self-Employment

I. Policy Statement

This policy provides guidelines regarding VR support services and business requirements for clients that desire to pursue a self-employment work setting in which they own, manage, and operate a business or to expand their existing business.

The employment outcome and self-employment work setting must be consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities and informed choice.

Section 4.5 Self-Employment is comprised of the following subsections outlining the VR policies and procedures relevant to the development and implementation of self-employment:

- 4.5.1 Self-Employment - Assessment, Business Concept Development, Review and Approval
- 4.5.2 Self-Employment - IPE and Business Plan Development
- 4.5.3 Self-Employment - Business Plan Review and Approval
- 4.5.4 Self-Employment - Business Setup and Progress Monitoring

II. Authority

Authority for policies contained in this document includes the following:

- Workforce Innovation and Opportunity Act (WIOA), 29 U.S.C. § 3101 et seq.
- Title IV Amendments to the Rehabilitation Act of 1973, 29 U.S.C. § 701 et seq.
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR part 200.
- State Vocational Rehabilitation Services Program, 34 C.F.R. §§:
 - Applicable Definitions 361.5 (c)(9)(i)

- Scope of vocational rehabilitation services for individuals with disabilities 361.48(b)(16)(19) and (21)
- A.R.S. §§ 23-502 and 503
- Arizona Administrative Code, Title 6, Chapter 4:
 - General considerations R6-4-201 (A)(1)(m) and (n)
 - Economic need and similar benefits R-6-4-403 (A)(1)(a)(vi) and (vii) and (B)(1) and (2)(a)(iv) and (c-e) and (3)

III. Applicability

This applies to clients that request technical assistance and VR support to establish a new business or expand their existing business. The client must:

- A. Work with their VR Counselor and complete all activities listed in Sections 4.5.1 - 4.5.4 of this manual.
- B. Have resolved bankruptcy or other legal proceedings, overdue child support and/or taxes that can adversely impact the business implementation (if applicable).
- C. Must meet the criteria listed in IV. C and D below.
- D. Demonstrate commitment by investing their own time and assets into the business.
- E. Explore and utilize other available resources prior to VR funding.

IV. Standards

- A. Economic need does not apply for the following self-employment services:
 1. Technical assistance and business consultation,
 2. Comprehensive business training, and
 3. Initial stocks and supplies for a business startup.
- B. Economic need applies to the following services:
 1. Startup expenses that are not initial stock or supplies, and
 2. Books and school supplies while attending a post-secondary training program or business training courses.
- C. Comparable benefits apply for all self-employment services.

- D. Community resources such as Small Business Administration or SCORE, etc. must be explored for technical assistance and business consultation services prior to utilizing a Small Business Consultation service provider.
- E. Any potential business concept and plan in consideration for VR approval must meet the following criteria as established by the U.S. Small Business Administration:
 - 1. Be physically located in the U.S. to do business, and
 - 2. Operate as a for profit entity.
- F. The business must be at a minimum 51% owned, controlled and managed by the VR client.
- G. Business plans up to \$18,000 will be reviewed and potentially approved by VR.
- H. The following items or types of businesses are unallowable under any circumstance:
 - 1. Business engaged in illegal activities as determined by federal and state law or jurisdiction where the business is located,
 - 2. Businesses engaged in activities considered high risk or speculative in nature such as lending, loan packaging, multi-sales distribution, multi-level marketing (MLM), marketing funnels, gambling, property investment, procurement and resale of items, sale of unverified or unregulated products, or other activities that rely on or develop profits from fluctuations in price (commodities trading),
 - 3. Businesses dealing with rare coins and stamps,
 - 4. Charitable, religious, or other non-profit institutions,
 - 5. Businesses that are deemed controversial and contradict moral standards of society norms such as the promotion of products that appeal to sex or nudity,
 - 6. Passive in which the business owner does not materially or physically participate (i.e. silent partner or investor).
 - 7. A hobby as defined by the Internal Revenue Service (IRS),
 - 8. Ongoing or long-term support of a self-employment business venture,
 - 9. Salaries or payment for employees in a self-employment plan,
 - 10. Inventory or business supplies that include tobacco, firearms, or alcoholic beverages,

11. Operating capital, franchise fees, and support for non-profit businesses,
 12. Legal services fees, attorney fees, court fines, or traffic tickets.
 13. Co-signing or underwriting of loans or refinancing of any debt,
 14. Payment for vehicle registration, or tags,
 15. Purchase of vehicles, boats, or aircraft,
 16. Purchase of real estate, land, buildings, construction or major modifications of a building,
 17. Multiple self-employment businesses, or
 18. The costs for equipment replacement or replenishment of goods/services for an existing business.
- I. The following VR support services may be utilized towards achieving intermediate objectives in a self-employment outcome:
1. Business specific training to eliminate skill gaps and prepare for business operations including business plan development, small business management, accounting, and marketing, etc.
 2. Technical assistance and business consultation services for professional assistance and guidance.
 3. Business startup expenses upon business plan approval.
- J. The following types of business startup expenses are allowable:
1. Business entity registration fees,
 2. Equipment and tools customarily used in similar businesses,
 3. Initial inventory (stock of products, material and supplies),
 4. Initial office supplies including business cards, brochures,
 5. Accounting and marketing services such as web site design, search engine optimization, and online sales tools), and
 6. Office equipment, furniture, and fixtures.
- K. Refer to Section 7.1 of this policy manual regarding additional items that are not considered VR services or support and are unallowable under any circumstances.

V. Procedure

- A. Refer to Standard Work (if available).

VI. Documentation Requirements

- A. Evidence of the exploration of comparable benefits,
- B. Copy of business licenses, permits, and insurance for existing business as applicable, and
- C. Financial documentation pertaining to the existing business (if applicable).