



Self-Employment Technical Assistance, Resources and Training

Self-Employment Q & A: Braiding and Blending Funding for Business Start-up

February, 2009

INTRODUCTION

Most individuals who want to start a business will need financial assistance. Some people may rely on personal savings, loans from family members, loans from financial institutions, or micro-enterprise loans. In some instances, bank loans have very high interest rates or require collateral, and individuals with disabilities may not qualify. Therefore, they may need to “blend or braid funding” from an array of resources, including those that are specifically available to individuals with disabilities. These resources include but are not limited to case management assistance, employment support

services, and funding specifically for individuals with disabilities in achieving employment outcomes. The agencies that provide these supports operate under different federal, state and local laws, regulations, policies and service arrangements. Therefore, it is extremely important for an individual with a disability to become familiar with the various resources and requirements for accessing funding resources. This fact sheet provides an overview for some of the resources that may be used by a person with a disability who is seeking funding for business start-up.



The Office of Disability
Employment Policy,
U.S. Department of
Labor



Virginia
Commonwealth
University



Griffin-Hammis
Associates, LLC

Information for this “Q and A” was developed by Self-Employment Technical Assistance, Resources, & Training (START-UP / USA), funded by a cooperative agreement from the U.S. Department of Labor, Office of Disability Employment Policy (Number E-9-4-6-0111).

The opinions expressed herein do not necessarily reflect the position of policy of the U.S. Department of Labor. Nor does mention of trade names, commercial products, or organizations imply the endorsement of the U.S. Department of Labor. Virginia Commonwealth University is an equal opportunity/affirmative action institution providing access to education and employment without regard to age, race, color, national origin, gender, religion, sexual orientation, veteran’s status, political affiliation, or disability. If special accommodations or language translation are needed contact Katherine Inge at: kinge@vcu.edu or Voice (804) 828-1851 | TTY (804) 828-2494.



What is blended or braided funding?



“Blending or braiding” funding occurs when agencies collaborate and combine resources to support individuals with disabilities in achieving their self-employment goals. The different funding streams are combined creatively to enable the person to access the resources that he or she needs to start a business. For instance, Vocational Rehabilitation (VR), State Developmental Disabilities Agencies, and Schools may work together; each contributing funding for a different service or support. Other examples include Social Security Administration’s (SSA) Work Incentives, the One Stop Career Centers’ Individual Training Accounts (ITAs), and funding from other sources such as micro-loans that can be braided with any of the above to assist a person in financing business start-up.



What steps can a person with a disability take to ensure access to the various disability related funding and services?



In order to blend resources, it is important to become aware of what is available in the community and identify the agencies that may help with funding or offer services that relate to new business start-up. Depending on the nature of the individual’s disability, core service needs, and/or local eligibility requirements, many individuals with a disability have access to a primary case management/service coordination resource. Case managers

can assist in establishing relationships with the various community agencies introduced in this fact sheet that can help ensure access to various funds to blend and braid support for self-employment.

In addition, it is extremely important to note that each organization is different. In some instances there may be a natural tendency for agencies to focus on their own service mandates, procedures, and funding rules and regulations. This may result in the failure to access all available resources. Therefore it is highly recommended that an individual with a disability and his or her advocates, if needed, be prepared to take the lead in planning and accessing the various resources to support a new business start up.



What funding does VR offer?



There are a vast variety of services and supports that a person can access through a state's Vocational Rehabilitation office. State VR counselors work in cooperation with other service providers on employment and related issues, including case management. Other services may include guidance, counseling, job placement assistance, purchasing services related to post secondary education, supported employment, transportation to work and more. Some services are at no cost; while individuals may need to meet financial eligibility requirements for "cost" services.

Vocational rehabilitation counselors may use case service funds to purchase services for individuals who have self-employment as their employment goal. The counselor may link individuals to employment service providers who can assist the person in completing steps toward self-employment, such as completing a business plan. VR counselors also are usually very familiar with other funding sources. Thus, this may be a good place for a person to start discussions about self-employment and funding. Case management services through VR continue until case closure. The immediate availability of support options will vary from city to city and county to county. In some instances, the VR office may have someone "in house" specializing in self-employment. Or, VR may have a relationship with other agencies such as the local Small Business Development Center to provide support to individuals with disabilities on starting a small business. While in some cases money to fund the business is not provided, funding of services can be just as important towards small business start-up.

In some states or localities, self-employment as an employment goal, especially for a person with a more significant disability, may be a new concept to the VR counselor. A counselor unfamiliar with self-employment may be under the impression that an individual with a disability needs to possess strong abilities (physical, cognitive, social) to own and operate a small business. Self-employment as a goal could be perceived as unattainable for an individual with a significant disability. A person must be prepared to answer questions about ability and potential support needs when discussing self-employment as the employment goal. However, severity of disability should not be a barrier to self-employment. Creative brain storming and problem solving can help develop and identify services needed for the person to pursue self-employment. Today, much information exists on the effectiveness of supports to assist individuals with significant disabilities with self-employment. For more information on how to access supports from VR, please review the resources listed at the end of this fact sheet.



What type of assistance may be available through Developmental Disability and Mental Health Centers general state funds or Medicaid dollars?



An individual local community may offer services for individuals with developmental disabilities. Case managers help individuals design a plan that identifies needed supports. Like VR, this organization may contract with agencies in local communities who are designated as community service boards. These organizations typically provide a range of services related to employment, independent living and community participation.

Each locale is different, so an investigation of what is available in a particular area will be necessary to identify the possible options. Also, self-employment may a new concept. Therefore, a person desiring self-employment should be prepared to advocate for what he or she wants and follow the necessary protocol to get it. Individuals with more significant support needs may need to use advocacy services. In addition to describing personal abilities and potential supports to pursue self-employment, sharing information on success stories like those posted at the START-UP/USA web site can illustrate the vast array of possibilities. A detailed fact sheet on using Medicaid Waiver dollars to support self-employment is listed under the resource section of this fact sheet.



How can I learn more about accessing funds for a business start-up using Social Security Work Incentives?



The Ticket to Work and Work Incentives Improvement Act of 1999 helps remove disincentives and barriers to employment for individuals with disabilities. Through this legislation, the Social Security Administration (SSA) initiated a major effort to implement a national system of Benefits Planning services. Today, there are programs across the country with professionals who are certified to provide benefits planning and assistance to individuals interested in obtaining or advancing in employment. These programs are known as Work Incentive Planning and Assistance (WIPA) projects. There an individual can access services from a trained disability benefit specialists to offer assistance in this area. Notably, outside of the staff working in WIPA projects, many professionals are not fully informed on the SSA work incentives and their impact on work. Therefore, it is highly recommended for an individual to work with a certified benefits specialist rather than relying on information from other resources.



What Social Security Work Incentives may be used to support self-employment?



An individual may be able to use a Plan for Achieving Self Support (PASS), which is one Social Security Work Incentive. The application for a PASS requires that an individual include a detailed business plan. This plan typically includes among other things such as a description of type of business, business objectives and time table, information on why the business will succeed, marketing information, financial plan, and personnel. Once the plan is approved, a person can set aside money that he or she has, money other than Supplemental Security Income (SSI). By setting that money aside, the person can then receive more money in his or her monthly SSI check, or they become eligible for Supplemental Security Income. Essentially, the PASS allows the individual to accumulate money in an account that can then be used for business start-up expenses as outlined in the PASS.

Property Essential for Self-Support is another work incentive for people receiving Supplemental Security Income (SSI). This work incentive allows a business owner with disabilities to have resources beyond that \$2,000 limit under SSI, which restricts people from building equity in a business. (Most case study examples of small businesses show that the start-up costs are in the \$4,000 or \$5,000 range and employ 1 to 5 people.) Additional information on work incentives can be found in the Resource section of this fact sheet.



Can you provide an example of how to use a PASS to fund self-employment?



For example, let's assume that a person is receiving \$420 per month from Social Security Disability Insurance (SSDI). The individual could take \$400 of the \$420 that he receives from SSDI and set it aside in a separate bank account if this is approved in a PASS. SSA determines that the person has set aside \$400 to pay for a work goal. Once the person sets aside the \$400, he no longer has this money from the SSDI check for living expenses. SSA wants to support this work goal, because it is helping the person reach economic self-sufficiency. In other words, the person no longer has any money to live on and will be eligible for an SSI check once money has been set aside in the PASS. This SSI check can be used to pay for the person's food, shelter, and basic living needs while accumulating \$400 a month in a bank account. The person would be able to use the money in the separate PASS bank account for expenses related to the work goal of self-employment.



How can the Workforce Investment Program or One Stop Career Center help?



The Workforce Investment Act (WIA) of 1998 created One Stop Career Centers as a key employment resource in the community. One Stop Career Centers can be a primary source of career awareness, career exploration, training, and employment support to all citizens. Funding often includes linking with the other community agencies, like VR and Community Service Boards/Agencies. In addition, the One Stop frequently serves as a home base for many community employment agencies, such as Vocational Rehabilitation.

Core services found at a One Stop include self-directed job search using various resources located at the center. More intense services are also available including but not limited to access to vocational training and assistance for those eligible. Related to self-employment, the Workforce Investment program can provide funds to assist in business start-up including writing business plans. For example, individual training accounts from a One Stop may be used for purchasing services or resources.



What is a micro-loan and where can I get one?



One resource that is less familiar to many individuals is the Micro Enterprise Center. These Centers started out as a grass-roots economic development initiative. Georgia is an example of a state that has used micro-loans to help with small business funding. In Georgia, United Way, as well as other foundations and endowments such as Hewlett-Packard, fund Micro Enterprise Centers. Micro-loans can be provided by these Centers and are usually in the neighborhood of \$2,000 to \$3,000, but certainly can vary. These Micro Enterprise Centers vary from state to state, so it is important that people get to know how a Center operates in their own state.



Could you provide an example of individuals who have braided or blended funding to start a small business?



Diane's story is an example of braiding funds to start her business using a no-interest micro loan and an Individual Development Account. She wanted to start her own salon. With the start-up funds from the micro-loan that she accessed through Cobb-Douglas Counties Community Services Boards in Georgia, Diane began the process of building her business, Hair Designs by Broadway. She also used an Individual Development Account through the Micro Enterprise Center. Diane saved \$500, and the Center matched these dollars 2 to 1, resulting in an additional \$1,500 for her to put towards her business. Diane was very creative in purchasing some of her salon supplies, so her dollars would go further. She used thrift stores and contacted salons that had gone out of business to purchase supplies. She saved a lot of money by her smart shopping and was able to start her successful business with the funds available to her.

Poppin Joe's Kettle Korn is an example of braiding funds from Vocational Rehabilitation, The Developmental Disabilities (DD) Council, and a PASS plan. VR paid for a computer and laser printer as well as other start-up items needed for the business. The Development Disabilities (DD) Council in Kansas provided a grant that funded \$9,000 towards Joe's equipment. Joe's PASS plan supported the purchase of business supplies the corn, the oil, and the sugar that was needed to get Joe's business up and running.

SUMMARY

In closing, there may be no single funding source that will provide all of the money needed for an individual with a disability to start a small business. Therefore, it is extremely important for a person to become familiar with the various resources and requirements

for accessing them. This fact sheet has provided an overview of the funding resources that may be available, and individuals with disabilities are encouraged to investigate what is possible in their own localities.

ADDITIONAL RESOURCES

- ◆ State VR Directors, Addresses, Telephone and Facsimile Numbers -- http://www.rehabnetwork.org/directors_contact.htm
- ◆ SSA Service Provider Directory -- <https://secure.ssa.gov/apps10/oesp/providers.nsf/bystate>
- ◆ National Association of State Directors of Developmental Disabilities Services
<http://www.nasddd.org/MemberAgencies/index.shtml>
- ◆ Working While Disabled -- A Guide to Plans for Achieving Self-Support -- SSA Publication No. 05-11017, February 2004, ICN 480302 -- <http://www.ssa.gov/pubs/11017.html>
- ◆ Understanding Supplemental Security Income -- SSI Spotlight on Plans to Achieve Self-Support - 2009 Edition
<http://www.ssa.gov/ssi/spotlights/spot-plans-self-support.htm>
- ◆ SSA 2010 Redbook: A Guide to Work Incentives -- <http://www.ssa.gov/redbook/>
- ◆ START-UP / USA Self-Employment Q and A: Accessing Vocational Rehabilitation Services to Facilitate Self-Employment as an Employment Outcome -- <http://www.start-up-usa.biz/resources/content.cfm?id=646>
- ◆ START-UP/USA Online Seminar -- What is a Plan for Achieving Self-Support (PASS)?
http://www.start-up-usa.biz/training/online_seminars/sullivan_pass/index.cfm
- ◆ START-UP / USA Self-Employment Q and A: Medicaid Home and Community Based Services
<http://www.start-up-usa.biz/resources/content.cfm?id=651>

The contributors for this fact sheet are Pam Targett, Katherine Inge, Molly Sullivan, and Grant Grvell.

The editor for START-UP / USA fact sheet is Dr. Katherine Inge, Project Director (kinge@vcu.edu).

For additional information, contact: ODEP -- (202) 693-7880

For more information on START-UP / USA, visit:
<http://www.start-up-usa.biz> and
<http://www.dol.gov/odep/>