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Chapter 9 SELF-EMPLOYMENT

9.01 Introduction

The self-employment track is designed for Veterans who have the necessary job skills to start a business. Self-employment may also be the right track for Veterans who have limited access to traditional employment or require a more accommodating work environment due to the effects of a disability. This chapter provides guidance on the self-employment process, the assignment of categories for self-employment assistance and self-employment in conjunction with a State Vocational Rehabilitation agency. Statutory and regulatory references are also provided throughout this chapter.

9.02 References and Resources

- Laws: Small Business Act of 1953, as Amended
Fair and Accurate Credit Transactions Act
38 United States Code (U.S.C.) 3104
38 U.S.C. 3107
38 U.S.C. 3117
- Regulations: 38 Code of Federal Regulations (CFR) 21.50
38 CFR 21.84
38 CFR 21.88
38 CFR 21.98
38 CFR 21.184
38 CFR 21.214
38 CFR 21.252
38 CFR 21.257
38 CFR 21.258
38 CFR 21.282
- VA Forms (VAF): VAF 119, Report of Contact
VAF 28-0794, Self-Employment Plan Approval Request
VAF 28-0800, VR&E Program Orientation
VAF 28-1902b, Counseling Record-Narrative Report
VAF 28-1902n, Counseling Record-Narrative Report
(Supplemental Information)
VAF 28-1905d, Special Report of Training
VAF 28-8872, Rehabilitation Plan
- Websites: www.sba.gov
www.vetbiz.gov

www.va.gov/osdbu/veteran/vep.asp
www.AnnualCreditReport.com
www.vaaccelerator.com

9.03 Self-Employment Orientation

The VRC must orient the Veteran to the self-employment process before the self-employment planning process begins. The Self-Employment Fact Sheet should be given to the Veteran at this time along with the link to the "Operation Boots to Business" video. This video can be accessed online at the Veterans Entrepreneurship Portal website by using the following link and clicking on Operation Boots to Business found under Starting a Business or Training and Employment: www.va.gov/osdbu/veteran/vep.asp. See Appendix O, VA Forms for access to the Self-Employment Fact Sheet.

The Veteran must sign VAF 28-0800, VR&E Program Orientation (see Appendix O, VA Forms), to verify that the link to the video was provided. The VRC will give the Veteran a copy of the form and file the original on the right side of the Veteran's Counseling/Education/Rehabilitation (CER) folder.

9.04 Completion of a Comprehensive Evaluation

A preliminary self-employment evaluation assesses the Veteran's needs, potential, suitability and readiness to start a business. The evaluation will also identify and address all issues or barriers to the successful pursuit of a self-employment plan. This evaluation is completed during the evaluation and planning phase of service delivery as outlined in 38 CFR 21.184.

a. Responsibilities

The VRC must work closely with the Veteran to foster an open line of communication to ensure that the evaluation process is successful. It is imperative that the VRC have a clear understanding of the Veteran's motivation, functional ability and interest, as self-employment is one of the most demanding tracks to employment. It is much more challenging than simply obtaining and maintaining employment in a traditional setting. It is the responsibility of the VRC to help the Veteran make an informed decision regarding this track to employment.

Examples of the demands and challenges associated with pursuing self-employment include the following:

- Developing a viable business plan
- Obtaining funding

- Securing a business location
- Hiring staff
- Obtaining an initial stock
- Advertising and marketing
- Understanding business and tax law
- Learning purchasing and accounting skills
- Developing a strong support system
- Understanding the impact on personal finances since it takes time before a new business turns a profit or provides financial support

Veterans are responsible for actively participating in the self-employment process from the onset of service. The Veteran must agree to use resources to assist in the development and implementation of a business plan. It is imperative that the Veteran has a clear understanding of the self-employment process before the pursuit of this track to employment. The intensive nature of the evaluation and planning process is lengthy and can take several months to complete. An informed Veteran will be better prepared to anticipate and work within the self-employment framework and timeline.

1. Credit History

As part of the preliminary self-employment evaluation, it is the responsibility of the Veteran to check his/her credit report since the credit report will be used by potential lenders and suppliers to determine terms of credit. The Veteran may find errors that need to be corrected or may decide that starting a business is not possible until he/she can bring up the credit score. The Veteran must be notified that under the Fair and Accurate Credit Transactions Act, a free credit report can be obtained once every 12 months from the following 3 major credit reporting agencies: Equifax, Experian and TransUnion. (More information can be found at www.AnnualCreditReport.com.) Since free credit reports provided by credit reporting agencies do not include credit scores, these agencies charge a fee for providing this information, which may be reimbursed to the Veteran following direct reimbursement guidance located in M28R.V.A.3.

2. Funding Sources

As part of the preliminary self-employment evaluation, it is the responsibility of the VRC to inform the Veteran that the provision of services is based on category assignment and that VR&E must not be considered the sole source in establishing a business. Establishing a business requires the Veteran to rely mainly on his/her own resources if supplies or related assistance are beyond the scope of what may be provided under a Category I or Category II assignment. This means that the Veteran may need to secure alternate funding sources if his/her business requires services greater than what VA can authorize.

b. Preliminary Self-Employment Evaluation Questions

The following questions provide structure for VRCs when gathering information to determine the Veteran's suitability and readiness to start a business:

- What business would the Veteran like to start?
- Will the Veteran's disability pose any barriers to operating the business? If yes, what reasonable accommodations can be developed to address those barriers?
- Will the Veteran's credit history/score impact his/her ability to obtain any necessary alternate funding greater than what the VA can provide? The Veteran must provide a copy of his/her credit report, with score included, for review and verification that this information will not pose a barrier for future alternate funding requests.
- What qualifications does the Veteran possess to ensure he/she has the ability to start and operate a business?
- What skills and/or knowledge will the Veteran need to acquire to operate this business?
- Why does the Veteran want to start this type of business?
- Where will the business be located?
- What hours and days will the business operate?
- Who will use the Veteran's service and/or buy the product(s)?
- Where are the Veteran's business/customers located?

- If you were a potential customer, why would you use this business? What would keep you coming back to this business?
- Is there another business like the one the Veteran proposes operating in the same area? If so, is it successful? Why or why not?
- How will the Veteran advertise his/her business?
- How many customers does the Veteran estimate he/she will have during the first and second year?
- How much money will be required to start the business? What are the likely sources for securing the start-up funds?
- How much money does the Veteran estimate he/she will earn during the first and second year?
- Will the Veteran hire employees? If so, how much will the Veteran pay the employees?
- Who will do the ordering, customer contact and bookkeeping?
- What equipment will be needed? How will the Veteran acquire this equipment?

The VRC may consider asking the Veteran to address these questions before the evaluation and planning meeting. This will not only be a useful tool to assess the Veteran's motivation and interest, but the responses can guide the meeting and ensure that a complete evaluation is obtained. Since some of questions may not be fully answered until business plan development, "Not Applicable" or "NA" may be an appropriate answer. If "NA" is indicated, then the VRC should document why the information is not available during the preliminary evaluation.

c. Preliminary Self-Employment Evaluation Findings

The preliminary self-employment evaluation findings will assist the VRC in determining if either of the following applies:

1. Self-employment is warranted. If so, then the VRC will assist the Veteran in the development of a business plan.
2. Self-employment is not warranted at this time. If so, then the VRC will consider alternative rehabilitation services or further services to assist the Veteran in becoming ready for self-employment.

The preliminary self-employment evaluation findings must be documented on VAF 28-1902b, Counseling Record-Narrative Report, or in a Corporate WINRS (CWINRS) note.

NOTE: The VRC may use a contract counselor to complete this process if contractual agreements are in place for the use of for-profit entities.

d. Business Concepts

During the preliminary self-employment evaluation, the VRC must gather information to determine what type of business the Veteran would like to start and determine if the stated goal is consistent with the Veteran's abilities, interests and aptitudes. The following information on non-profit businesses and franchises should be given to Veterans who express an interest in one of these types of business concepts:

1. Non-Profit Businesses

Non-profit business concepts must not be approved by VR&E since non-profit businesses are not owned by an individual, but rather by the public. 38 CFR 21.257 (f)(5) states that coordination with the Small Business Administration (SBA) for special consideration of section 8 of the Small Business Act, as amended, must be conducted as part of the viability analysis of the proposed self-employment business plan. Section 8 supports assistance to those businesses owned and controlled at least 51 percent by socially or economically disadvantaged individuals. Further research also indicates that Public Law 108-183, Veterans Benefits Act of 2003, states that Service-disabled Veteran Owned Small Businesses (SDVOSBs) must be at least 51 percent unconditionally and directly owned by 1 or more service disabled Veterans. The SBA does not endorse non-profit businesses as SDVOSBs nor do they provide loans to businesses that do not operate for profit.

2. Franchises

Franchises may be approved if they are endorsed as part of the viability analysis of a proposed self-employment business plan. A franchise is a right granted to an individual or group to market a company's goods or services within a certain territory or location. Some examples of today's popular franchises are McDonald's, Subway, Domino's Pizza and the UPS Store. An individual who purchases and runs a franchise is called a "franchisee." The franchisee purchases a franchise from the "franchisor." The franchisee must follow certain rules and guidelines already established by the franchisor, and in most cases the franchisee must pay an ongoing franchise royalty fee, as well as an up-front, one-time

franchise fee to the franchisor.

It is important to note that franchise fees may not be paid by VR&E since it is beyond the scope of what may be provided under a Category I or Category II assignment. When the Veteran's business requires supplies or fees greater in amount than VA may authorize, the Veteran is responsible for securing alternate funding sources. The source of payment or resources available for such items should be identified in the business plan. Veterans interested in purchasing franchises may be eligible for loans from the SBA except when a franchisor retains power to control operations to such an extent that it appears to be an employment contract; the franchisee must have the right to profit from efforts equivalent to ownership.

9.05 Categories Assignment for Self-Employment Assistance

Once the Veteran has checked his/her credit report and the preliminary self-employment evaluation findings indicate that self-employment is warranted, the appropriate category should be assigned. The VRC must assign Veterans to one of two categories of services when the self-employment track is elected. The category assignment is based on information obtained from the initial entitlement evaluation, as well as the preliminary evaluation for self-employment services. The provision of services is dependent on the category assignment and governed by 38 CFR 21.214, 21.252 and 21.257.

a. Category I

Veterans designated as Category I must meet the following four conditions:

1. Serious employment handicap (SEH).
2. Most-severe service-connected disabilities.
3. Employability limitations so severe that self-employment is the only option to achieve the rehabilitation goal.
4. All other reasonable employment goals are unsuitable due to the severity of the Veteran's service connected disability(ies).

Given the stringent requirements for a Category I assignment, it is anticipated that only a small number of Veterans will qualify for this level of self-employment services. Approval from VR&E Service Central Office (CO) must be obtained for all Category I assignments prior to plan development. To obtain approval for a Category I assignment, VR&E staff must adhere to the following steps:

Step 1: The VR&E Officer (on behalf of the VRC) is required to submit specific documentation to the attention of the VR&E Service Director for approval of a Category I assignment prior to plan development for a Fast Track IWRP for self-employment.

The documentation must include at minimum the following:

- Memo justifying the approval of Category I assignment
- Rehabilitation Needs Inventory (VAF 28-1902w)
- Vocational Assessment
- Counseling Record (VAF 28-1902b)

The memo must include the preliminary self-employment evaluation findings and sufficiently address the conditions a Veteran must meet in order to be designated as Category I.

Step 2: Prior to execution of the business plan, all Category I cases must be submitted to CO for approval in the same manner that self-employment cases are submitted if the cost is over \$25,000. For all Category I Self-Employment cases, this level of CO approval is required even if the case cost is under \$25,000.

The VR&E Officer (or designee) must mail the CER record to the attention of the VR&E Service Director.

VR&E Service will review the case for the appropriateness of the entitlement and feasibility determination as well as the Category I assignment. For requests for Category I approval, a response will be returned in writing and electronically within 10 working days to the RO Director's mailbox to ensure timely provision of services.

b. Category II

Veterans designated as Category II must have one of the following:

1. Employment handicap, or
2. SEH, but the service-connected disability(ies) is not considered most severe.

Category II assignments do not need concurrence at the CO level, but self-employment plan approvals still need to go to the VR&E Officer (VREO) and other signature levels must be obtained depending on cost of the plan.

(Refer to section 9.08.b of this chapter for more information on self-employment plan concurrence.)

c. Provision of Service

The provision of service is based on category assignment. When identifying costs during plan development, the VRC must decide whether the costs are essential or optional. A realistic start-up budget should only include those things that are necessary to start a business.

1. Services Available to Veterans Classified as Category I

VR&E may provide the following level of special services and assistance to Veterans assigned to Category I:

- (a) Comprehensive training in the vocational goal, and in the operation of a small business.
- (b) Minimum stocks of materials such as an inventory of salable merchandise or goods.
- (c) Expendable items required for day-to-day operations, and items which are consumed on the premises.
- (d) Essential equipment, including machinery, occupational fixtures, accessories and appliances.
- (e) Incidental services such as business license fees, Workers' Compensation Insurance and disability insurance.
- (f) If the Veteran incurred costs for training or other rehabilitation services related to training (i.e., required program costs), and the VRC determines that the training and/or other rehabilitation services were reasonably needed to achieve the goals of the rehabilitation plan, then those costs can be reimbursed per 38 CFR 21.282(c).

2. Services Available to Veterans Classified as Category II

VR&E may provide the following level of special services and assistance to Veterans assigned to Category II:

- (a) Comprehensive training in the vocational goal.
- (b) Incidental training in the management of a small business.

- (c) License or other fees required for employment (e.g., required business insurance such as Workers' Compensation Insurance and disability insurance).
- (d) Personal tools and supplies that are required of all individuals to begin employment in the approved occupational field.
- (e) If the Veteran incurred costs for training or other rehabilitation services related to training (i.e., required program costs), and the VRC determines that the training and/or other rehabilitation services were reasonably needed to achieve the goals of the rehabilitation plan, then those costs can be reimbursed per 38 CFR 21.282(c).

3. Services and Assistance Veterans Affairs (VA) Must Not Authorize

Certain discrete services may not be provided to Veterans participating in the self-employment track. Veterans should be informed that VA must not authorize any of the following even if considered essential to the startup of the business:

- (a) Full or partial payment to purchase land or buildings.
- (b) Lease or rental payments. (See M28R.V.A.4 for guidance on temporary rental of computer equipment.)
- (c) Purchase or rentals of cars, trucks, or other vehicles.
- (d) Stocking either a farm for animal husbandry operations or a fishery.
- (e) Franchise fees.

9.06 Fast Track Planning for Self-Employment

Fast Track planning may be used for Veterans when self-employment is the primary focus of further rehabilitation planning to determine if self-employment is appropriate for a Veteran. Fast Track planning allows for the identification of a specific vocational goal to be deferred by allowing the use of Dictionary of Occupational Titles (DOT) Code 999 in the Individual Written Rehabilitation Plan (IWRP). It is called "Fast Track" planning because the movement from Evaluation and Planning (EP) Status to Rehabilitated To the point of Employability (RTE) status is accelerated by allowing vocational exploration and planning activities, historically completed during EP status, to be completed in RTE status. As a result, the Veteran can begin services earlier in the rehabilitation process. When using Fast Track planning, the development of a viable business plan will be accomplished in RTE status under a Fast Track IWRP.

a. Limitations

It is important to note that the maximum duration for a Fast Track IWRP is 12 months, or 3 consecutive terms, whichever is longer. The VREO can approve an extension up to 6 months, or 2 consecutive terms of training, whichever is longer, if it is determined that this extended period is needed and will result in the identification of a vocational goal.

b. Procedures

The following procedures outline the use of Fast Track planning to determine if self-employment is appropriate for a Veteran that has been found entitled under Chapter 31:

1. Initial Evaluation

The case status should be moved to EP Status to determine entitlement and whether the achievement of a vocational goal is currently reasonably feasible on the day the Veteran reports for an initial evaluation appointment. If the Veteran is found entitled, achievement of a vocational goal is currently reasonably feasible and self-employment is the primary focus of further rehabilitation planning, the VRC should orient the Veteran to the self-employment process (refer to section 9.03 of this chapter) and complete the preliminary self-employment evaluation to determine if self-employment is warranted (refer to section 9.04 of this chapter).

A second appointment may be needed to conduct the preliminary evaluation so that the Veteran has a chance to check his/her credit report and ensure that self-employment is still the primary focus of rehabilitation planning. If the preliminary evaluation is still needed, the VRC will identify what business the Veteran is interested in starting and determine if the stated goal is consistent with the Veteran's abilities, interests and aptitudes.

2. Category Assignment

If the Veteran is found entitled, the achievement of a vocational goal is currently reasonably feasible, and self-employment is warranted, the VRC must then determine if the Veteran is eligible for a Category I or Category II assignment (refer to section 9.05 of this chapter for information on categories assignment for self-employment assistance). Category assignment is based on information obtained from the initial evaluation and the preliminary evaluation for self-employment services and must be determined by the VRC prior to plan development.

Approval from CO must also be obtained for all Category I assignments prior to plan development. In order to determine if all other reasonable employment goals are unsuitable due to the severity of a Veteran's service-connected disabilities, it may be necessary to conduct an extended evaluation before beginning the Fast Track planning process for a Category I assignment.

3. Fast Track Plan Development

Once the category of self-employment services has been determined and documented by the VRC, and proper approval has been obtained for a Category I assignment, the VRC must select the Long-Term Services Track in CWINRS and develop a Fast Track IWRP using DOT code 999 for the vocational goal. The VRC must explain to the Veteran that self-employment cannot be approved until a viable business plan has been developed and accepted by the appropriate level of VA management.

The VRC should ensure that the following objectives are included in the rehabilitation plan:

(a) Development and Submission of a Viable Business Plan

The Fast Track IWRP plan for self-employment must include an objective on the development and submission of a viable business plan. This objective must include the following:

- A referral to a provider who offers a course to help determine if self-employment is appropriate, such as Startup Bench 1.0 offered by the Sales and Management Institute (SMI) at www.vaaccelerator.com. When selecting a service provider, the VRC may consider any training facility or provider, such as SMI, that offers this type of course. The VRC should be aware that Veterans may receive subsistence allowance while participating in a course to help determine if self-employment is appropriate.
- A referral to a professional business consultant, either on a voluntary or contractual basis, as a guide in the self-employment process.

(b) Training

Training objectives may address any needed remedial training and/or general education coursework, as well as accounting, business management and/or economics coursework to provide insight into certain aspects of running a successful business.

(c) Services

The services outlined in the plan should address medical, psychological, and related services, as appropriate, to ensure the Veteran's needs are addressed and met.

(d) Case Management Level

Level 2 case management is required for a Fast Track IWRP. Level 2 indicates that face-to-face case management meetings are required at least three times per year. In addition to these meetings, the rehabilitation plan must note that additional meetings may be required to guide the Veteran through the vocational exploration and plan development process.

NOTE: Fast Track plans do not require the approval of the VREO or other signature levels.

c. Viability Analysis of the Business Plan

Once the Veteran submits a business plan, the VRC must conduct an analysis to ensure that it is viable. Refer to section 9.07.b for further guidance on conducting a thorough viability analysis of the business plan.

d. Outcomes

1. Self-Employment is Viable

If self-employment is viable, the VRC and Veteran will discuss the findings of the business plan viability analysis in an effort to redevelop the Fast Track IWRP to a combined IWRP/Individualized Employment Assistance Plan (IEAP) self-employment plan. The case must remain in RTE status while the VRC re-develops the Fast Track IWRP. The VRC will select the Self-Employment Track in CWINRS and develop the IWRP/IEAP self-employment plan. The plan must clearly outline the Veteran's goals and objectives, as well as criteria for measuring the success of those goals and objectives. The DOT code should be converted from 999 to the specific identified DOT code. Supplies and services that may be authorized are dependent on the category assignment. Refer to section 9.08 of this chapter for further guidance on developing and implementing a self-employment rehabilitation plan.

2. Self-Employment is Not Viable

If self-employment does not seem viable upon submission of the business plan, the VRC should give the Veteran the option to redevelop the

business plan. The VRC may also consider alternative rehabilitation options, such as traditional employment, if revision will not result in approval. The case should be left in RTE status while developing a suitable goal. Once the final vocational goal is determined, then the VRC and the Veteran will develop and sign a new IWRP. The DOT code should be converted from 999 to the specific identified DOT code.

If it is determined that self-employment is not viable for a Veteran who has been designated as Category I, then a comprehensive Independent Living (IL) assessment must be done. This is due to the fact that it has already been determined that all other reasonable employment goals are unsuitable due to the severity of the Veteran's service connected disability(ies). Cases being redeveloped from an IWRP to an IILP must be placed in Interrupted Status during the assessment and plan development period to avoid exceeding statutory limits.

If the Veteran fails to return to planned services after interruption for plan redevelopment (i.e., stops participating in redevelopment activities, becomes medically unable to participate, or disagrees with proposed program), notification of the intent to discontinue and due process is required prior to case closure.

NOTE: VRCs may utilize the Self-Employment Job Aid (see Appendix BF, Self-Employment Job Aid) as a step-by-step guide to providing self-employment services to Veterans using Fast Track planning procedures. The Self-Employment Job Aid should be filed in the Veteran's CER folder to verify completion of each self-employment step.

9.07 Develop a Proposed Business Plan

a. Business Plan Development

1. Responsibilities

The VRC coordinates services and helps the Veteran develop a proposed business plan. For existing businesses, the business plan must address barriers that existed to make the business unsuitable. The Veteran is responsible for developing the written business plan for VR&E's consideration, which means he/she will be doing most of the work involved. This is important because it will be the Veteran's business and the Veteran must be the primary investor in the development of the business. The VRC will ensure that the Veteran works with a professional business consultant, either on a voluntary or contractual basis, as a guide in this process and must provide a list of the information needed to conduct a thorough viability analysis of the business plan to the Veteran in

advance of his/her meeting with a business consultant (refer to 9.07.b.1 of this chapter). This will ensure that all questions are addressed initially, reducing the likelihood that the Veteran will propose an incomplete business plan. The business consultant may:

- Recommend potential funding resources
- Assist in developing a funding package
- Suggest marketing strategies
- Assess economic viability of the business plan
- Conduct a viability analysis of the business plan
- Recommend actions to increase the viability of the business plan

2. Resources

The following resources are available to assist in the development of a business plan:

- (a) The U.S. Small Business Administration (SBA) is a government agency designed to provide counseling, advice and information on starting a business. SBA has district offices located around the country that provide these services through a variety of programs, including the following:
 - (1) Service Corps of Retired Executives (SCORE) is a non-profit association of volunteer business counselors trained to serve as advisors and mentors to people who are attempting to start a business.
 - (2) Small Business Development Centers (SBDC) are partnerships primarily between the government and colleges/universities. SBDCs provide education services to people who are attempting to start a business. SBDC services include assisting small businesses with financial, marketing, production, organization, engineering and technical issues, and feasibility studies.
 - (3) Veterans Business Outreach Centers (VBOC) are designed to provide entrepreneurial development services, such as business training, counseling and mentoring services. VBOCs provide pre-business plan workshops, concept assessments, business plan preparations and comprehensive feasibility analysis.

These services are free and community based. See www.sba.gov for additional information on programs administered, and services offered, by the SBA.

- (b) The Center for Veterans Enterprise (CVE) assists Veterans who own or want to start a business by providing counseling services to meet financial, management and technical needs. CVE also assists VA Contracting Officers identify Veteran-owned small businesses, which have priority in the award process in certain government contracting situations. See www.vetbiz.gov for additional information on CVE.
- (c) The Sales and Management Institute (SMI) is an online institution of higher education targeted toward those who want to succeed as an entrepreneur.
SMI offers a complete portfolio of coursework in the form of tracks that establish and build business skills, such as Startup Bench 1.0. See www.vaaccelerator.com for additional information on SMI.
- (d) Other public or private small business consulting agencies, such as universities, colleges and business development centers.

b. Review and Analysis of Business Plan

1. Addressing Viability of the Business Plan

The VRC must review and analyze the Veteran's business plan to ensure that it is viable, and in the case of an existing business to ensure the barriers that existed to make the business unsuitable have been addressed. All proposed and formal business plans should address the following areas in order for the VRC to conduct a thorough analysis of the plan:

- (a) The location and if applicable the cost of the site selected for the business.
- (b) A financial statement describing the availability of non-VA financing, including the Veteran's financial resources.
- (c) A study of the economic viability of the proposed business plan, which must discuss the following issues:
 - Business location in relation to the geographic distribution of the population that the business would serve.
 - Population traffic patterns, which would bring business to the

Veteran's proposed site of operation.

- Probability that the business could serve as a subcontractor to larger organizations.
- Probability that the business could provide contract goods or services to VA or other federal agencies.
- Competition the Veteran would face from similar businesses in the market area.
- Comparison of the operational expenses and projected growth in gross and net income from the business over the first five years of operation.
- The Veteran's ability to absorb losses in the early years of operation until the business develops an adequate market share.

(d) A cost analysis specifying the types, amounts and estimated costs of services, initial stocks and other supplies. The Veteran must project the cost of all items considered essential to the start-up of the business as part of business plan cost projections even if the items are not authorized by the VA.

(e) A working outline for developing a market strategy for the business' services or products.

(f) A detailed description of the business' operation plan.

(g) A schedule of the training needed for successful operation of the business.

(h) Results of contacts with the SBA to secure consideration under Section 8 of the Small Business Act of 1953, as Amended.

The VRC must provide this information to the Veteran in advance of his/her meeting with the agency who will be assisting in the development of the business plan. This will ensure that all questions are addressed initially, reducing the likelihood that the Veteran will propose an incomplete business plan.

2. Responsibilities

The VRC must ensure the following events occur:

- (a) Assessment of the economic viability of the proposed business plan is conducted, arranged, or contracted.
 - (b) Arrangement of professional consultations on either a voluntary or contractual basis to assist with the analysis of all areas of the business plan to determine viability.
 - (c) Determination that the Veteran's business plan addresses all items listed in section 9.07.b.1 of this chapter, as well as any additional supporting documentation relevant to the Veteran's request for self-employment services. The analysis must clearly address the viability of the business plan and identify the rehabilitation services needed.
3. Resources for Business Plan Analysis

To assist with the viability analysis of the business plan, VRCs may consult with a variety of organizations and entities, including, but not limited to:

- Business associations
- Economic development corporations
- College business programs

c. Summation of Business Plan Analysis

VRCs must complete a summation of the business plan viability analysis. This summation answers the questions outlined in section 9.07.b.1 of this chapter, as well as any additional supporting documentation relevant to the Veteran's request for self-employment services. The summation should clearly identify the viability of the business plan and rehabilitation services needed. The VRC must:

1. Summarize information from the business plan analysis into a written report, either in a VAF 28-1902b, VAF 28-1902n, or in a CWINRS case note. See Appendix O, VA Forms, for a copy of these forms.
2. Obtain the written report from the contractor/vendor who assisted in completing the evaluation of viability for a proposed business plan, if applicable. Include a copy of this report in the CER folder.

9.08 Develop and Implement a Self-Employment Rehabilitation Plan

- a. Individualized Written Rehabilitation Plan (IWRP)/Individualized Employment Assistance Plan (IEAP) Development

The VRC and Veteran will discuss the findings of the business plan review and analysis in an effort to develop a combined IWRP/IEAP. The plan must clearly outline the Veteran's goals and objectives, as well as criteria for measuring the success of those goals and objectives. The VRC must ensure that the objectives of the IWRP/IEAP specifically address all identified needs to prepare for, obtain and maintain self-employment as outlined in 38 CFR 21.84 and 21.88, including:

- Allocation of resources
- Purchasing of equipment, inventory and supplies
- Training needs
- Required licenses and permits
- Funding needs
- For existing businesses, all barriers that made the business unsuitable must be clearly addressed

b. Self-Employment Plan Concurrence

Per 38 CFR 21.258, the VREO must approve all self-employment plans with an estimated or actual cost of up to \$25,000 for the total cost of the plan. The Director of VR&E Service must approve a self-employment plan with an estimated or actual cost of \$25,000 or more for the total cost of the plan. The VRC must submit the self-employment plan and VAF 28-0794, Self-Employment Plan Approval Request, to the VREO for approval before obtaining the Veteran's signature or authorizing any service. See Appendix O, VA Forms, for a copy of VAF 28-0794.

If the VREO approves the self-employment plan, then the Veteran and VRC both sign VAF 28-8872, Rehabilitation Plan. See Appendix O, VA Forms, for a copy of VAF 28-8872. The VRC will provide a copy of the signed VAF 28-8872 to the Veteran and place the original form on the right side of the CER folder.

If the VREO does not approve the self-employment plan, then the VRC must perform one of the following tasks:

1. Take the recommended corrective action(s) for approval of a revised self-employment plan.
2. Consider alternative rehabilitation options if revision will not result in

approval.

If the VREO does not approve the self-employment plan, and efforts by the VRC did not meet the Veteran's expectations or request for service, the Veteran can appeal the disagreement over the development of the plan per 38 U.S.C. 3107 and 38 CFR 21.98. In this situation, the Veteran must submit a written statement to the VRC requesting a review of the proposed plan and detailing his/her objections to the terms and conditions of the proposed plan.

c. Case Management

Implementation and provision of services may begin once all approval and signatures are obtained for the self-employment plan. The VRC will move the case to RTE status or the case will remain in RTE status if it has been re-developed from a Fast Track IWRP. During this time, the VRC provides case management services to ensure that the objectives and goals of the rehabilitation plan are being addressed and met. Additionally, the VRC will discuss any concerns with the Veteran and take appropriate action(s) to address those concerns, ensuring that the Veteran has every opportunity to succeed.

The VRC must make a determination of the Veteran's job-readiness after all necessary services have been provided to successfully establish the business and to ensure that the business is viable and there are no impediments in operating the business. Once the Veteran is declared job-ready, the VRC must change the case status to Job Ready (JR) status. A self-employment case must never receive employment services only. The only time a case will go directly from EP status to JR status is if the Veteran is a prior vocational rehabilitation program participant who qualifies solely for employment assistance under 38 U.S.C 3117 (refer to section 9.09 of this chapter for information on limited and specifically defined self-employment assistance).

The VRC must perform the following case management tasks during this status:

1. The VRC must determine the Veteran's eligibility for Employment Adjustment Allowance (EAA) (M28R.V.A.3) and process the payment as appropriate (M28R.V.B.10). 38 CFR 21.268(c) states that EAA may be paid at the institutional rate of subsistence allowance for Veterans participating in a self-employment program.
2. Conduct supervision at least monthly to monitor the Veteran's progress and satisfactory conduct and participation.
3. Conduct follow-up contacts for a minimum of 12 months after the

successful start of a business to ensure that the Veteran's business is operational and all needs are addressed and met. The VRC must ensure that all provided services are sustainable without continued support from VR&E.

9.09 Limited and Specifically Defined Self-Employment Assistance

Limited and specifically defined self-employment assistance offered under 38 U.S.C. 3117 is only for Veterans who have previously been in a vocational rehabilitation program either under Chapter 31 or a State Vocational Rehabilitation program and who would not currently qualify for services under Chapter 31 otherwise. Veterans who do meet entitlement criteria for Chapter 31 services may receive self-employment assistance depending on category assignment by following the guidance outlined in this chapter.

a. Chapter 31

Veterans who are employable and previously completed a vocational rehabilitation program for self-employment in a small business enterprise under Chapter 31 can receive the following specifically defined self-employment assistance in accordance with 38 U.S.C. 3117: employment services that are limited to the facilitation of services required to secure an SBA-backed loan to buy equipment necessary to establish a business, and assistance to ensure receipt of the special consideration provided for in section 8 of the Small Business Act (15 U.S.C. 633(b)).

To provide this assistance, the VRC must conduct an initial evaluation to determine that the Veteran is employable in an occupation consistent with his/her abilities, aptitudes and interests. An IEAP is required. Determinations of employment handicap, serious employment handicap and current reasonable feasibility are not applicable, unless the evaluation indicates that the Veteran is not employable. In that situation, entitlement to other Chapter 31 services and assistance must be determined. These limited and specifically defined services are subject to the 18-month employment services entitlement limitation.

b. State Vocational Rehabilitation Program

Veterans with the most severe service-connected disabilities who are employable and previously trained under a State Vocational Rehabilitation program with the objective of self-employment in a small business enterprise, can receive the following specifically defined self-employment assistance in accordance with 38 U.S.C. 3117: license fees, supplementary equipment, initial stocks and supplies that the VRC determines are necessary to establish

a business if such supplementary equipment and initial stocks and supplies, or assistance in acquiring them, are not available through the State program or other sources.

The Veteran must meet the requirements for self-employment for Veterans with the most severe disabilities in accordance with 38 CFR 21.257(b), which states that the Veteran's service-connected disability(ies) result in limitations so severe that self-employment is the only reasonably feasible vocational goal. The Veteran must complete an initial evaluation to determine the level of employment handicap and if the achievement of a vocational goal is feasible per the provisions of 38 CFR 21.50. An IEAP is required. The following conditions must also be met:

1. The Veteran is eligible for VA-sponsored employment assistance.
2. An official of the State Vocational Rehabilitation agency with responsibility for administering self-employment programs certifies the following:
 - The Veteran has successfully completed training for a self-employment program.
 - The assistance needed is not available through non-VA sources.
 - The state program's training/employment plan describes the VA assistance needed.
3. The VR&E Service Director approves the request.

9.10 Self-Employment Services for an Existing Business

Veterans who have an existing business may apply for Chapter 31 benefits. As with any applicant, entitlement must be determined before the delivery of service. See M28R.IV.B.2 for instruction on the determination of entitlement. When a Veteran with an existing business is found entitled to VR&E benefits because the self-employment position is not considered to be suitable, services may be provided to help the Veteran overcome his/her impairments to employment. If the self-employment position is suitable, which is defined as employment that is consistent with the Veteran's abilities, interests and aptitudes, the criteria for entitlement would not be met. Therefore, the delivery of Chapter 31 benefits would not be authorized. VR&E cannot provide services solely to expand or update an existing suitable business. Services must not be provided simply to expand the business or make it profitable if there are no disability-related barriers. If the Veteran requires such assistance, he/she should be notified of the additional resources listed in Appendix BH, Financial Resources for Self-Employment.

If the Veteran meets all the entitlement criteria, and the self-employment position is not suitable, then the criteria for entitlement to Chapter 31 services would be met. Therefore, the delivery of services may be authorized. The procedures for Fast Track planning outlined in section 9.06 of this chapter should be used to develop further information to determine whether self-employment is viable for the Veteran and the Veteran must work to redevelop his/her business plan. The business plan must address the disability-related barriers that make the business unsuitable. If the disability-related barriers cannot be removed, the business may not be supported, but alternate vocational goals may be considered.

If self-employment is viable, the VRC and Veteran will discuss the findings of the business plan viability analysis in an effort to redevelop the Fast Track IWRP to a combined IWRP/IEAP self-employment plan. The self-employment plan must be developed in accordance with the procedures outlined in this chapter.

a. Retroactive Induction

Retroactive induction may be considered if the Veteran incurred costs for training, or other rehabilitation services related to training (i.e., required program costs), when it is determined that the training and/or services were reasonably needed to achieve the goals of the rehabilitation plan in accordance with 38 CFR 21.282(c). Retroactive induction for any prior training cannot be approved until each of the following conditions is met:

- A vocational goal is identified.
- An IWRP with a DOT code other than 999 is developed.
- The prior training advances the selected vocational goal.

b. Procedures

The following procedures outline the use of retroactive induction for a Veteran with an existing business who has been found entitled under Chapter 31:

1. Approval for the retroactive induction should be obtained in the same manner as the self-employment plan. The VRC must submit a written narrative using VAF 28-1902n requesting the retroactive induction to the VREO. The written narrative must explain how the training and/or other rehabilitation services related to training were reasonably needed to achieve the goals of the rehabilitation plan and should be attached to VAF 28-0794, Self-Employment Plan Approval Request. Other signature levels must be obtained depending on cost of the plan.

2. Once approval has been obtained, reimbursement procedures outlined in M28R.IV.C.2 should be followed to reimburse the Veteran for costs incurred for training and/or other rehabilitation services related to training.

9.11 Required Documents for the Delivery of Self-Employment Services

a. The Self-Employment Fact Sheet

The Self-Employment Fact Sheet covers a variety of information, including:

- Identification of supplies and related assistance that VR&E may not authorize.
- Definition of Category I and II and outline of the types of assistance available in each category.
- Description of the business consultant's role.

b. VAF 28-0800, VR&E Program Orientation

The Veteran must sign VAF 28-0800, VR&E Program Orientation, to verify that the link to the "Operation Boots to Business" video was provided.

c. Preliminary Self-Employment Evaluation

The Preliminary Self-Employment Evaluation provides guidance on gathering information to determine the Veteran's suitability and readiness to start a business.

d. Information Needed to Conduct a Viability Analysis

The information needed to conduct a thorough viability analysis of the business plan must be given to the Veteran in advance of his/her meeting with a business consultant (refer to section 9.07.b.1 of this chapter).

e. Summation of Business Plan Viability Analysis

The summation of the business plan viability analysis answers the questions outlined in section 9.07.b.1 of this chapter, as well as any additional supporting documentation relevant to the Veteran's request for self-employment services. The summation should clearly identify the viability of the business plan and rehabilitation services needed.

f. VAF 28-0794, Self-Employment Plan Approval Request

VAF 28-0794, Self-Employment Plan Approval Request, details the submission request for the proposed self-employment plan for concurrence to the VREO.

g. VAF 28-8872, Rehabilitation Plan

VAF 28-8872, Rehabilitation Plan, outlines the services necessary to obtain and maintain suitable self-employment.

h. Case Support - CWINRS' case notes, VAF 28-1905d and VAF 119

VAF 28-1905d, Special Report of Training, VAF 119, Report of Contact, or CWINRS' case notes can be used to document and monitor services provided to a Veteran.

See Appendix O, VA Forms, for a copy of these forms.