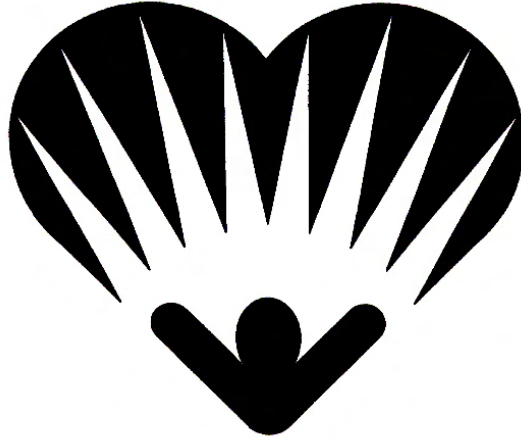




FUTURES EXPLORED, INC.
ALIVE, VTE, GARDEN



STARTING A MICRO-ENTERPRISE



Developing and Supporting a Consumer-Run Small Business

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I. INTRODUCTION

As a coach, mentor, family member, or advocate of a person with a developmental disability, there may come a time when he/she would like to begin his or her own small business, or microenterprise. Whether you are the individual him or herself, or someone supporting the individual, this manual can be used as a starting point when considering taking on this endeavor. While beginning a microenterprise will be a lot of hard work, the benefits are enormous: higher independence, a source of income, learning new skills, and integration into the community, to name just a few.

II. IDENTIFYING STRENGTHS & WEAKNESSES

It is important to consider the interests and capabilities of the individual when considering the start of a microenterprise. A new business venture should complement or enhance an individual's pre-existing skills and interests. Focus on what he or she already does well, and then expand from there. Perhaps the individual likes animals and is dependable: consider a dog-walking business. Perhaps the individual works well with his or her hands and likes to make crafts: consider selling the products at craft fairs. Look for niche market opportunities: a small town may not have a shredding business or a small business with a fleet of vehicles may need them cleaned regularly, look for opportunities.

Once strengths are identified, explore areas where the individual may run into challenges. Financial record keeping is one example. Keeping track of expenditures and earnings is an important aspect of any business, yet many individuals may have never needed to learn these skills. In cases such as this, the first course of action would be to ask the question, "What is the best way for the individual to overcome those challenges?" This can be accomplished through one-on-one coaching that teaches the individual the necessary skill. If this method isn't sufficient, then consider registering for courses at a community college, or contacting the local Chamber or Small Business Association for available classes. If the individual has a learning disability that makes it difficult to understand the material presented in class, it may be necessary to accompany the individual and take notes for later review.

It is likely that some limitations may arise as the individual is supported throughout the process. Keep in mind that several resources are available that will aid greatly in starting a business. [See section XII: Resources]

III. BUSINESS PLAN

To help determine whether your business idea will succeed, it is important to develop a business plan. According to the Small Business Administration, there are four core questions to be considered before writing your business plan:

1. What service or product will your business provide and what need(s) does it fill?
2. Who are the potential customers for your product or service and why will they purchase it from you?
3. How will you reach your potential customers?
4. Where will you get the financial resources to start your business?

After these questions have been thought about, you can expand your business plan to include more detail. A general outline has been provided in the Appendix to show the typical elements of a business plan.

To see an example of several business plans, samples can be found at:

<http://www.bplans.com/samples/sba.cfm?affiliate=sba>



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Although not every business plan will look the same, the basics elements will be similar. A business plan outlines key aspects of the business such as an overall description of the business, marketing strategies, finances, and management. A description of the business can be as simple as what products or services you are providing. Marketing strategies involves conducting some research of competitors to see what they're doing and thinking of ways your business will do it different or better to set you apart from your competition. Marketing also involves how you are going to get your business known. Where are your customers located and how will you reach them? Perhaps the most important part of a business plan is the financial planning. Some basic financial analyses such as a balance sheet, breakeven analysis, and a profit/loss statement will determine whether your business will be profitable. If you are going to need to borrow money, you will need financial information, as this is the most critical part of a loan application. A lending institution needs to know if you can repay the money they have lent you.

A business plan can arguably be the most overwhelming aspect of starting a business. Enlist the help of friends or family, case managers or ILS workers, and take advantage of the many opportunities in your community. In the Greater Sacramento area, low-cost workshops are available for small business owners. Class schedules and registration can be found at:

<http://www.sbdc.net/sbdc%20workshops%20registration.htm>

Additionally, the Small Business Administration offers free online courses to walk you through the start-up of a small business and writing your business plan, amongst other topics. These courses can be found at

<http://www.sba.gov/services/training/onlinecourses/index.html>

After writing your business plan, you will be able to get a clearer picture of the overall business model and decide if starting a business is right for you. Ask yourself whether the plan is feasible. If the cost of maintaining your business is more than what you will earn, you may want to consider other options. After all, for most businesses the goal is to at least break even and hopefully make a profit in the long run.

IV. FUNDING

It takes money to get a business up and running. Sources of funding may include personal savings, a personal loan (money borrowed from a friend or family member), a bank loan, and government or private grants. Keep in mind that loans need to be paid back, with interest. The interest rate will vary depending on whether the money is borrowed from someone you know, or from a bank. The interest charged on a bank loan will depend on several factors such as credit history and ability to pay back the loan, so shop around for the best rate and bring someone with you to help decipher the fine print.

A better source of funding is grant money, because it doesn't have to be paid back as long as you follow the requirements. Check with your case manager if you have one, as they may have heard of funding available through the state.

Catalog of Federal Domestic Assistance at **<http://www.gsa.gov/cfda>**

Requests for Proposals (RFP) at **<http://foundationcenter.org>**

PASS plan through Social Security at **<http://www.passplanhelp.com/smallbusiness>**



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V. OBTAINING PERMITS & LICENSES

So you've decided to go ahead with a small business. Certain permits and licenses will need to be obtained to make the business legal. The following examples are based on Sacramento County. They are provided merely as a reference; check the regulations specific to the county in which the business is located.

- a. Guide to Business Regulations in Sacramento County:

<http://www.finance.saccounty.net/Tax/PDF/Book2002a.pdf>

- b. Business License Information for Sacramento County:

<http://www.finance.saccounty.net/Tax/buslicgeneral.asp>

Check with your county and sometimes local City offices to determine which business license you will need to operate your business. **There is a fee.** Heed the warning of your county:

“Operating a business without the required Sacramento County Business License(s) is a misdemeanor, which is punishable by a fine of up to \$500.00 and six (6) months in jail.”

- c. Fictitious Business Name Statement

If you are naming your business by anything other than your *legal last name*, you must make sure no other business is using your name. This can be accomplished by filing a Fictitious Business Name Statement. **There is a fee.** Within 30 days of filing the statement, it must be published in a newspaper circulating in the county. Make sure it is run for the specified amount of time. The cost of placing the ad is not included in the filing fee, so pick a newspaper with reasonable publication rates.

- d. Board of Equalization/Sales Tax & Seller's Permit

The Board of Equalization website can be found at: <http://www.boe.ca.gov>

If your business involves the sale of items, you must obtain a seller's permit. There is **no fee** to obtain a seller's permit. The California State Board of Equalization states:

You must obtain a seller's permit if you:

- Are engaged in business in California;
- Intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail;
- Will make sales for a temporary period, normally lasting no longer than 30 days at one or more locations (e.g. fireworks booth, Christmas tree lots, garage sale).

After applying for the Seller's Permit, you will be issued a Sales and Use Tax Permit Number. You are responsible for filing a Sales and Use Tax Return either monthly, quarterly, or annually.

- e. Sales and Use Tax Return

A sales use and tax return is a form used by seller's permit holders to report the payment of sales and use taxes to the Board of Equalization.

www.boe.ca.gov/pdf/pub73.pdf



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Q. When is my tax return due?

- › Sales and Use tax returns are due either monthly, quarterly, or annually. Most small businesses will fall in to the Annual category.
- › If you are filing a return on a **calendar** or **fiscal yearly** basis, the return must be filed and paid within one month following the end of the reporting period. For example, the calendar yearly return for the period January 1, 2008 through December 31, 2008 is due January 31, 2009. The fiscal yearly return for the period July 1, 2008 through June 30, 2009 is due July 31, 2009.

Q: How much do I owe?

- › As a seller, you are required to pay the tax rate determined by the district where you conduct your business. Publication 73 of the State Board of Equalization states:

The sales and use tax rate varies statewide. The statewide base rate is 7.25 percent. However, the rate is higher in locations where voters have approved additional district taxes. Most of these districts encompass an entire countywide area. However, some districts are limited to a single city. District taxes may be used for special services such as transportation or libraries, or they may be used to support general services.

Sales Tax Examples:

- In Napa County, the tax rate is 7.75 percent. This rate reflects the statewide base rate of 7.25 percent plus 0.50 percent for the Napa County Flood Protection Authority tax. The rate applies countywide.
- In the city of Williams, located in Colusa County, the tax rate is 7.75 percent. This rate reflects the 7.25 percent statewide base rate plus 0.50 percent for the City of Williams Transactions and Use Tax. The 7.75 percent rate applies only within the city limits of Williams. The tax rate in areas of Colusa County outside the city of Williams is 7.25 percent.

More than three-fourths of all businesses in the state are located in or do business in a special taxing jurisdiction.

This means that if you sell an item for exactly \$10.00, you are making \$9.30 and setting aside \$0.70 for sales tax.

*****You must file a return for your reporting period even if you owe no taxes or have no sales.*****

VI. STAYING ORGANIZED

a. Keeping Records

Starting a business can seem like a never-ending paper trail with forms to fill out, business transactions, licenses, and more. Not only is it a good idea to keep your records organized, but it may also be required to keep them for certain periods of time. For example, the State Board of Equalization requires that “You must keep records to substantiate your sales, purchases, and return deductions and keep them for **four years.**”

A good place to start is to keep a divided binder or file cabinet. Organize the sections in a logical manner so that they are easily accessible if you need to look something up. Basic organization should include receipts of business purchases and expenditures, invoices of products sold (income), tax forms, licenses and permits, loan information if applicable.



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b. Accounting

Depending on the business owner's skill and/or comfort level, finances can be kept track of by hiring an accountant or by doing them oneself. Consider keeping track of business finances using software programs such as Quickbooks, PeachTree Accounting, or Microsoft Office Accounting. Even a simple spread sheet created by Microsoft Excel may suffice.

c. Notifications

Notifications received from the Internal Revenue Service, Board of Equalization, or the Franchise Tax Board should be read carefully. These are considered important documents and any requests for a response should be handled promptly and professionally. The support team may need to step in to ensure these documents are dealt with correctly, depending upon the skill level of the individual.

VII. GETTING YOUR BUSINESS ONLINE

To reach more customers, it may be worthwhile to set up a website directing people to your business. Conduct some research to determine which web host is best for you. Most web hosting packages offer a free domain name registration. This is the web address customers will type in to reach your website. Have a few options in mind in case your first choice is taken. Be ready to purchase the domain name at the time you are checking its availability. If you do not purchase your desired domain name at that time, the website may automatically purchase that name. That means the next time you check the availability, your chosen name may be more expensive because it believes there's a demand for that name.

Once you have chosen your web hosting, you can get started. Most programs are very easy to use. You need to set up administrative access to make changes to your website. Follow the directions provided on the help screens. If you are running into problems, call your web hosting customer service number, or enlist the help of a computer-savvy friend. If you are receiving services from an Independent Living Skills instructor or Vocational Trainer, inquire with them about their level of expertise.

Websites should be maintained to ensure the information is accurate and easy to understand. After all, this may be the only contact your customers have with your business. Most important, make it fun! Your website should be a reflection of who you are and what products or services your business provides. You can add as much or as little information about yourself as you want. Since it can be updated as often as you like, have fun with it and cater it to your own personal style.

VIII. WORKSHOPS/CONTINUING EDUCATION

There are many resources available in your local community which will allow you to gain knowledge about starting and maintaining a small business. Check with the nearest Small Business Development Center, located throughout the country. The SBDC provides online courses, no-cost workshops available on a first-come first-served basis, and low-cost workshops. They offer a plethora of *free* online courses, set at your own pace. Some topics include: Starting a Business, Business Planning, Business Management, Finance & Accounting, Marketing & Advertising, Government Contracting, e-Commerce, and Federal Tax Training. If online courses are not your preferred learning style, SBA also offers traditional classroom courses for a reasonable rate. These can be found at the web address listed in Section XI. They will make reasonable classroom accommodations for those with disabilities given advance notice.

The SBDC also offers access to highly qualified consultants *at no charge*. Prior to meeting with a consultant, you must attend their "Business Basics" low-cost workshop. The current rate is \$40 for a one-time course lasting three hours.



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IX. SUSTAINABILITY

a. Profitability

The success of a business is often measured in terms of profitability. The Profit & Loss Statement of the Business Plan should provide a general indication of how much income the business is expected to earn. Several questions should be considered which are dependent upon the amount of time devoted to business activities. Is the business taking away from any alternative income streams? Does it cost more to operate the business than if the individual held outside employment? A factor that is seldom considered is the allocation of time. Has the individual proposed time-tracking and how much his or her time is worth? The cost of the service or product must include the cost of labor involved, not just the cost of materials. If an individual spends \$2 on materials and sells a product for \$10, what is his profit? \$8? Before agreeing to that answer, let's say that it takes two hours to make the product. That changes everything. That \$8 profit doesn't include the two hours of labor. If that same individual worked a minimum wage job at \$8.00/hour, the income would have been \$16 (pre-tax) without losing \$2 on material costs.

b. Support Team

By this point, it might be apparent that a business-owner with a disability may need additional supports. The amount of support will undoubtedly be greatest during the start-up phase with support time being phased down as the business becomes better established. Managing a business is a huge undertaking; the individual should carefully consider what he or she is trying to get out of it. Members of the support team may need to sit down and discuss *realistic expectations*. Having realistic expectations helps get everyone on the same page about which direction the individual wants the business to go. Any issues with realistic expectations should have presented themselves when drafting the Business Plan.

As the process unfolds, it is imperative to allow the individual to do everything he or she is capable of doing. The DSP isn't doing anyone a favor by taking control of the situation. The individual should consider the role he or she expects his support team to play in the success of the business. Independence may be a valid expectation. What would happen if the support team disappeared? Would the individual be able to carry on? The question about how much support an individual needs will vary on a case by case basis. The roles of the support team members should be made very clear. Is the Direct Support Professional taking on the work that a paid employee should be doing? Roles and responsibilities should be outlined in the Business Plan. If the business requires substantial man-power to operate, hired personnel need to be seriously considered. Over-utilization of the Direct Support Professional is a disservice to all parties involved. Specific job duties should be followed as closely as possible.

The individual should determine how much time to devote to the business. Will this be a full-time venture that creates income to live off of? A completely self-sustaining business would cover all its own expenses with enough profit to pay the living expenses of the individual, in the same manner as full-time employment. However, a full-fledged, self-employed business owner does not have an employer paying health insurance and retirement benefits. These costs would be incurred by the individual. Will the business be profitable enough for this kind of set-up?

Another scenario is one in which the individual already holds employment. The business would provide supplemental income to current full or part-time employment. **A word of caution: If the individual is receiving disability benefits, there will be a maximum monthly amount the individual can earn before losing the benefits.** There is also the case of the individual who is either unemployed or under-employed. Perhaps the individual isn't interested in the jobs available to him or her. Managing his or her own business may be a means to improve the quality of life that outside employment doesn't provide.



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X. CASE STUDY

Willard “Chip” Swenson holds a full-time job at the University of California, Davis in the Groundskeeping Division. It is a physically-demanding job requiring early hours and exposure to inclement weather. On evenings and weekends, Chip finds reprieve by working in his shop. For over twenty years, Chip has been making names and crafts out of wood. His first piece was made for his wife, with a heart joining her name with his. He continued making friends’ names and giving them as thoughtful gifts. Through word of mouth, he began selling a few pieces here and there.

In 2007, he was awarded a grant to start his microenterprise. Until then, he had no means of starting his own business. The grant allowed Chip to purchase tools and equipment for his business. He already had a name in mind to emphasize the central theme of his work. His business was aptly called “Names N Grains.” Being a new business owner, he utilized the support of his job coach to get him through the start-up process. There was a lot of footwork that had to be done, from business licenses and permits, to opening business bank accounts and keeping track of expenditures. New marketing strategies were adopted to help “Names N Grains” get off the ground. Chip created business cards to expand his word-of-mouth sales, and posted an order form online for added business potential. A portion of his grant money was dedicated for web hosting and purchase of his domain name www.namesngrains.com. When he has time, Chip will “set up shop”—literally, at local craft fairs and flea markets. This provides him with supplemental income and gives him some peace of mind as he begins to think of retirement and his ability to support his wife.

He was recently featured in his department’s quarterly newsletter. It states:

“Chip Swenson of the Grounds Division likes to think of himself as a wood recycler. He gets calls from all over to pick up unwanted wood, which is often valuable exotic wood like black walnut or cherry, and turns it into art. A wood worker for over 20 years, he specializes in lettering that he cuts with a scroll saw using masonite patterns. His business keeps him very busy – he will often put in 4 or 5 hours a night after working a long 8 hour day on campus! Said Chip of his woodworking, “I took my therapy and made it into a business.”

In Chip’s case, his materials costs were small. As discussed in the article, he utilized recycled wood scraps and has not yet needed to purchase wood. Whenever he sells a product, it seems as if he is reaping straight profit. However, Chip was neither adequately logging his hours nor subsequent labor rate. A challenge for the small business owner is paying oneself. As in any other hourly job, Chip would be getting paid for the time spent from preparation of the product, making the product, marketing, shipping, and final sale. When asked to estimate how long a product takes from start to finish, Chip had no idea. As a support team member, an individual may need support in developing the discipline necessary to understand this new concept of paying for one’s own time.

Another challenge that arose was money management. Chip had never balanced his own checkbook, let alone be given full responsibility of a business’s finances. He was therefore extremely resistant to open a separate business bank account. After much persuasion and one confusing co-mingling of business and personal finances, he opened a separate business banking account.

Throughout the process, Chip needed more support. The role of his job coach was being stretched, often involving job duties beyond her realm of expertise. After a closer inspection of the areas in which he needed extra support, it was determined that much of this could be accomplished by the aid of an Independent Living Skills instructor. Chip’s ALTA Service Coordinator agreed that an ILS instructor would be qualified to help sort out his finances, enabling him to be more independent in his personal money matters, and consequently getting his business finances in line as well.

Supporting an individual through the start-up of his or her own small business takes effort yet the results can be profound. Many processes took much longer than anticipated. Other tasks that seemed complex turned out to be simple. At times Chip asked for help, but only after he took the initiative to try to figure it out on his own. With Chip’s start-up year under his belt, he still maintains a few support hours per month from his job coach and ILS instructor.



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XI. ONLINE RESOURCES

Greater Sacramento Small Business Development Center:

<http://www.sbdc.net>

Low-cost classes through SBDC:

<http://www.sbdc.net/sbdc%20workshops%20registration.html>

U.S. Small Business Administration:

<http://www.sba.gov/index.html>

Free online courses through SBA:

<http://www.sba.gov/services/training/onlinecourses/index.html>

List of helpful websites collected by the SBDC of Northeastern California:

http://www.sbdc.net/SBDC_Helpful_Websites.doc

Catalog of Federal Domestic Assistance:

<http://www.gsa.gov/cfda>

Sacramento Guide to Business Regulations:

<http://www.finance.saccounty.net/Tax/PDF/Book2002a.pdf>

Resources specific to individuals with disabilities:

Small Business and Self-Employment Service (A service of the Office of Disability Employment Policy of the U.S. Department of Labor):

<http://www.jan.wvu.edu/sbses>

Request for Proposals (RFP) information:

http://foundationcenter.org/pnd/rfp/cat_disabled.jhtml

http://foundationcenter.org/getstarted/guides/disabilities_indiv.html

Business Information geared towards individuals with disabilities:

<http://www.disabilitybiz.org>



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XII. APPENDIX

ELEMENTS OF A BUSINESS PLAN

1. Cover Sheet
2. Statement of Purpose
3. Table of Contents
4. The Business
 - a. Description of business – What product or service do you provide? What do you do? What is your background & experience in this endeavor?
 - b. Marketing – How will your name reach your potential customers? Newspaper or radio ads? Flyers or word of mouth? A store front or website?
 - c. Competition – Who is providing a similar product or service in your area? Are your prices competitive? Can you compete in this market?
 - d. Operating procedures – Defined as established or prescribed procedures to be followed routinely in a given situation or to accomplish a specific task.
 - e. Personnel – Who is working for you? Is it just yourself or will you hire paid employees?
 - f. Support team – What are the support needs of the individual? Does the individual have access to paid Direct Support Professionals?
 - g. Business insurance
5. Financial Data
 - a. Pro-forma income projections (profit & loss statements)
 - b. Assumptions upon which projections were based
 - c. Capital equipment and supply list
 - d. Breakeven analysis
 - e. Balance sheet
 - f. Pro-forma cash flow
 - g. Three-year summary
 - h. Detail by month, first year
 - i. Detail by quarters, second and third years
 - j. Loan applications
6. Supporting Documents
 - a. Tax returns of principals for last three years. Personal financial statement (all banks have these forms).
 - b. For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchisor
 - c. Copy of proposed lease or purchase agreement for building space
 - d. Copy of licenses and other legal documents
 - e. Copy of resumes of all principals
 - f. Copies of letters of intent from suppliers, etc.

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Futures Explored would like to acknowledge the contribution and writing skills of Erica Wrona, who drafted this document and supported the Case Study outlined in Section X. This is meant to be a resource to help individuals with developmental and other disabilities start on the road to self-employment if that is what they desire to do.