

SUBJECT: Entrepreneurial and Self-Employment Training

REFERENCE: Workforce Investment Act, Section 134; 20 CFR 664.460; TEGL 12-10; and TEGL 17-05.

BACKGROUND: State and local workforce investment boards are empowered to support and encourage entrepreneurship. Title I of WIA allows states to provide adults and dislocated workers with occupational skills training, including training for nontraditional employment, and entrepreneurial training [WIA Section 134(d)(4)(D)(vi)]. Local programs also are able to make entrepreneurship experiences available to youth. One of the ten required youth program elements is “work experience,” and entrepreneurship is an allowable work experience element. Entrepreneurship and small business development have been identified as an important employment option for populations that have barriers to employment. Self-employment may offer individuals with disabilities greater workplace flexibility and income opportunities. Similarly, individuals in Nebraska’s rural areas may have geographic and transportation barriers to employment, or they may have to travel outside of the region for employment. Entrepreneurship may allow these individuals to work locally, even at home, to contribute to economic recovery and growth.

POLICY: The U.S. Department of Labor, Employment and Training Administration (ETA) in TEGL 12-10 is encouraging the workforce system to establish parameters for investing in entrepreneurship training that include:

- **Assessment**

Entrepreneurship is a high-risk endeavor, and not everyone is suited to self-employment. The workforce investment system can provide a valuable service by helping customers understand the challenges of entrepreneurship and what is likely to be required of them, and helping them determine whether their financial skills, tolerance for risk, and other skills, attributes, and experience make them good candidates for starting a business. The Small Business Administration (SBA) offers an on-line assessment designed to help individuals better understand their readiness for starting a small business. The tool links users to additional SBA resources to help improve their readiness for starting a small business. It is available online at <http://www.sba.gov/assessmenttool/index.html>.

- Partnerships

Most communities offer a range of resources to assist entrepreneurs. Rather than duplicate existing services, the workforce investment system can maximize its investment by developing partnerships with the entrepreneurship community and leveraging workforce system resources and expertise in support of entrepreneurship needs. Key partners could include Small Business Administration funded programs, such as SCORE, Small Business Development Centers, Women's Business Centers, and Veterans Business Outreach Program; Vocational Rehabilitation Agencies, U.S. Export Assistance Centers; local community colleges and four year universities; regional economic leadership teams; community-based or faith-based service providers; local chambers of commerce; other local economic development entities including rural economic development organizations; and financing organizations such as banks, venture capitalists, and angel investors. Staff may also consider working with veterans programs such as the Disabled Veterans' Outreach Program and Local Veterans' Employment Representatives Program, as well as Disability Program Navigators staff. The workforce system should develop an understanding of the assets and expertise of these partner organizations, and develop strategies to leverage these assets as part of any entrepreneurship-related services provided to workforce system customers.

- Appropriate and Effective Training

Training is an important component of workforce system strategies to support entrepreneurship and self-employment. Many training programs exist for entrepreneurs, and the workforce system will need to explore a variety of training and service providers to identify those best able to meet the needs of their One-Stop customers. Steps must be taken to ensure that workforce system customers are referred to quality training programs. The workforce system is encouraged to work with service providers offering, at minimum, basic courses for those just starting businesses that focus on developing a business plan. Topics covered in these basic courses also may include market research, marketing, pricing, financing, cash flow, accounting, hiring, permits and licenses, and legal issues. Other courses should target participants who already have developed business plans and may have started their businesses, but need assistance in growing the business. These more advanced courses may cover topics such as growth strategies, business planning, and customer relations. In addition to training courses, some providers also may offer seminars on specific business types (e.g., child-care businesses), e-commerce, or accounting software packages.

Self-employment training programs and providers of these programs can and should be included on the statewide eligible training provider lists. WIA regulations require that "training services, whether under ITA's or under contract, must be provided in a manner that maximizes informed customer choice in selecting an eligible provider."

- **Ongoing Support and Technical Assistance**

Individuals are more likely to succeed in entrepreneurial efforts when they have access to additional support services, such as, business counseling, marketing support, mentoring, peer support or networking, referrals to funding opportunities, business incubators, credit repair services, and/or business libraries. These services may be provided directly through One-Stop Career Centers, or through entrepreneurship partners.

Performance Accountability

Customers receiving entrepreneurial and self-employment training are included under WIA's performance accountability system. As discussed in TEG 17-05, unemployment insurance (UI) wage records are the primary data source for verifying the adult performance measure outcomes and the employment portion of the youth placement in employment or education measure. Certain types of employment, particularly self-employment, are generally not covered by state UI wage records, and the system has noted this as a challenge in providing entrepreneurship training. However, supplemental data options for some performance measures, combined with performance target negotiations, offer flexibility to accommodate entrepreneurship training within the workforce system. In order to verify employment status for the Entered Employment, Employment Retention and youth Placement measures, supplemental data and administrative records may also be accepted. This option may require some additional follow-up by local workforce investment areas to track more closely those individuals who receive entrepreneurial training, but also provides a significant opportunity to make a full and accurate account of employment outcomes for this set of participants.

Role for the Workforce Investment System

The workforce investment system can play an important role in support of entrepreneurship by:

- Engaging with local, regional, and state partners to develop an entrepreneurial environment and developing strategies to leverage workforce system resources to identify and support potential entrepreneurs;
- Informing One-Stop customers about opportunities for self-employment and entrepreneurship and working with customers to assess whether self-employment is a good fit;
- Helping One-Stop customers understand the range of entrepreneurship resources available and referring them to counseling and training that best meet their needs;
- Partnering with organizations that support entrepreneurship and co-locating small business development resources within One-Stop Career Centers as partners;
- Seeking out opportunities to add entrepreneurship training programs to the eligible training provider list;

- Integrating entrepreneurship strategies into overall youth education and development activities for at-risk and out-of-school youth; and
- Developing strategies to help small business owners to grow their businesses, such as developing training programs that help small business owners develop growth strategies to enable new job creation.

Allowable Costs

There are a range of activities allowable under WIA that promote the success of small businesses and entrepreneurship. The following uses of WIA funds are allowable when they are reasonable and necessary costs in support of the purpose of the grant:

Entrepreneurial Training. WIA funds may be used for training for new entrepreneurs and small business owners, which can range from general business courses to specific courses on such topics as how to address legal and personnel issues.

Skills Training. WIA funds may be used for skills training for potential employees, and, subject to certain restrictions by fund source, for customized training for incumbent workers. Small businesses can also arrange On-the-Job Training (OJT) with One-Stop Career Centers.

Credentials. WIA funds can be used to pay costs associated with obtaining a skill or occupational credential that demonstrates the expertise of the entrepreneur or small business owner. Examples include a barbering credential, certified pension consultant, title examiner, or notary. The definition of credential can be found in TEGL 17-05. WIA funds may not be used to cover the costs associated with standard business licenses or degrees that do not pertain to a specific skill or occupation.

A portion of Equipment, Software, and Computer Costs. Equipment, software, and computer costs are all treated differently under the Office of Management and Budget Cost Principle Circulars on allowable costs. Although WIA funds cannot be used to purchase equipment or other capital assets, software, or computers for the sole use of the small business's commercial operation, if they are purchased by the business and used to provide training to eligible program participants, the business can charge a user fee to the grant as follows:

- Equipment (acquisition cost of \$5,000 or more with a useful life of more than one year). For capital assets such as equipment, a use allowance fee may be charged to the grant for the time the equipment is used for training. The fee is capped at 6 and 2/3 percent of acquisition cost on a yearly basis and may only be charged proportionate to the time the assets are used in training. [See 20 CFR 225 (OMB Circular A-87) Appendix B, Item 11 for a more detailed description of depreciation and use allowance costs and their application to Federal grant projects.]
- Software. Software is not considered a fixed asset under the allowable cost principles. For software costs, a share of the annual licensing agreement fee or other such costs associated with the use of the software may be charged to the grant proportionately based on the amount of time the software is used for training of eligible program participants.

- Computers. Computers are considered to be either supplies or equipment based solely on the purchase price and definition under allowable cost principles. (Computers are generally considered to be supplies if they are personal property other than equipment and cost less than \$5,000 per unit. However, this is not the case if purchased as a part of a network with a total acquisition cost of \$5,000 or more.) As a supply, the proportional share of the cost of a computer may be charged to the grant based on the time the computer is used for the training of eligible program participants.

Please note that business capitalization costs or other economic development activities not directly tied to training are not allowable.