

ARKANSAS REGISTER

Transmittal Sheet



Sharon Priest
Secretary of State
State Capitol Rm. 026
Little Rock, Arkansas 72201-1094

For Office Use Only: Effective Date 4/1/00 Code Number 016.20.00-006

Name of Agency Division of County Operations

Department of Human Services

Contact Person Roy D. Kindle, Assistant Director, DCO

Statutory Authority for Promulgating Rules Arkansas Code 20-76-401 @ Seq. as amended by Arkansas Act 1567 of 1999

Date

Intended Effective Date

☐ Emergency

☒ 10 Days After Filing

☐ Other

Legal Notice Published 2-10-00

Final Date for Public Comment 3-10-00

Reviewed by Legislative Council

Adopted by State Agency 3-31-00

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with Act 434 of 1967 As Amended.

Don Whitney
Signature

682-8375
Phone Number

Director
Title

1/13/00
Date

FILED
AR. REGISTER DIV.
00 MAR 22 PM 4:32
SHARON PRIEST
SECRETARY OF STATE
STATE OF ARKANSAS

* **3223 Micro-enterprise (Self-Employment)**

Definition/Purpose

The Micro-enterprise activity is designed to allow individuals to engage in self-employment enterprises. It may include individuals who are already self-employed, those wanting to expand a self-employment enterprise, and those expressing an interest in developing and starting a Micro-enterprise.

Micro-enterprise activities may include but are not limited to:

- receiving instructions on the development of a business plan;
- working in a self-employment business; or
- participating in a micro-lending program and associated activities.

A Micro-lending program is one that provides training, technical assistance and loan funds to low-income entrepreneurs to start or expand a business venture.

As part of the micro-enterprise program, individuals will be allowed to escrow profits into an escrow account (Refer to TEA policy 3223.2).

Discussion with Client

The Case Manager will discuss micro-enterprise activities with the recipient. If he or she indicates an interest in developing a business, the Case Manager will discuss the requirements of the program that will include the completion of a micro-enterprise assessment packet. During the assessment interview, the Case Manager will work with the client to determine his or her goals. The Case Manager will explain the availability of agencies in the area, which offer basic business skills training.

The Case Manager will assist the client in the completion of the assessment packet and, if appropriate, refer the client to a micro-lending agency or Small Business Administration (SBA). The Case Manager will also coordinate with the micro-lending agency or SBA for technical assistance with completion of the assessment packet.

Assessment Packet

Each county office will be responsible for coordinating with a local micro-lending agency or SBA to obtain or develop a micro-enterprise assessment packet to be completed by recipients interested in the micro-enterprise activity.

The assessment packet will include the following information:

- **Business Summary** – provides an overview of why the individual wants to enter into a business, the type of services or products the business provides and the goals and objectives that he or she may have for the business.
- **Marketing Plan** - identifies the area to be served, pricing and sales strategies and how the business will be promoted.
- **Production Plan** – identifies and describes how business products and services will be produced and made available to the customers.
- **Financial Summary** - is an overview of the projected cost for operating a business (e.g. cash flow, start-up costs, etc.) to achieve a profit.
- **Narrative** – summarizes the individual's goals and objectives and explains why he or she is committed to making a success in the business venture.

The recipient must complete the assessment packet to participate in a micro-enterprise activity. The Case Manager will assist the client in the completion of the packet. If determined appropriate, the client will be referred to a local micro-lending agency or SBA. (Refer to TEA 3223.1)

If an individual is engaged in Micro-enterprise activities for at least the minimum number of hours as required in TEA policy 3201, the activity in and of itself will meet the work activity participation requirements.

Supportive Services are available if needed for individuals who are engaged in Micro-enterprise activities. This may include the purchase of start-up supplies if no other funds are available.

* **3223.1 *Coordinating with Micro-lending Programs***

The County will determine what micro-lending agencies are available in the area (e.g. Good Faith Fund). Contact will be made to those agencies and coordination procedures developed for the referral of clients to the organizations. The location of the sites should be easily accessible to clients. In counties in which there are no accessible micro-enterprise development organizations, contact will be made with the Small Business Administration for coordination and referral procedures.

A referral will be made via form DHS-3350 and any other documents as determined through coordination with the micro-lending agency. The worker will make a referral to the agency that is believed to best suit the needs of the client.

* **3223.2 *Escrow Account***

The maximum amount of funds deposited into an escrow account that can be disregarded as a resource is \$10,000.00.

A TEA recipient may escrow profits from his or her business, which are not reinvested into the business, into a micro-enterprise escrow account. The funds placed in the escrow account will not count when computing the monthly gross self-employment income.

In addition, a TEA recipient will not lose any transitional or extended support services available to him or her for the life of the escrow account.

The purpose of the escrow account is to allow the individual to set aside a percent of his or her profits for future use (e.g. expand business, update equipment, make repairs, etc.).

The amount an individual places in an escrow account should be determined on a case by case basis. The amount deposited should not affect his or her ability to meet daily living expenses.

13. Individual Development Accounts (IDA). (See TEA 3445)

- * 14. Funds up to \$10,000.00 placed in an escrow account by a TEA recipient who is engaged in a micro-enterprise work activity.

NOTE: At any time there is a question as to whether a particular type of property or payment may be disregarded under Item #10 above, the worker should submit the pertinent documents or information concerning the property or payment to the Office of Program Planning and Development, Slot 1220 for a determination. This information should include the specific federal or state statute under which it is believed the disregarded treatment is required.

2340 ***Earned Income***

Earned income includes wages, salaries, tips, commissions, and any other payment resulting from labor or personal service. Generally, if the person is working as an employee, FICA taxes are withheld from earned income. Earned income also includes income from self-employment.

Most earned income is considered in determining a family's TEA eligibility. However, in certain situations that are specified in the following section, earnings are not counted.

2341 ***Earned Income to be Disregarded***

Earned income received in the following situations is not counted in determining the family's TEA eligibility:

1. Earnings received by a family member in an On-the-Job Training (OJT) placement.
2. Earnings received by a family member in a Subsidized Employment placement.

NOTE: OJT and Subsidized Employment wages are not counted for income eligibility in relation to the Income Eligibility Standard. However, such earnings are considered for purposes of determining whether the payment will be the full amount or the 50% amount. (See TEA 2360.)

3. Earnings from any source received by a non-head of household minor parent or a child member of the family.
4. In-kind earned income.
5. When the unit consists of a minor parent and his or her child, the income of the minor parent's parent(s) and stepparent.
6. College Work Study earnings.
7. The income of the spouse of a non-parent relative who is included in the TEA cash assistance unit.
8. That portion of earned income from self-employment which is deposited into a Micro-enterprise escrow account.

*

2344 ***Computation of Earnings from Self-Employment***

Like employee earnings, the monthly amount of self-employment earnings which must be considered is the agency's best estimate of earned income which will be available to the individual in a month or months. Costs directly related to producing the income are subtracted from the self-employment gross. Only those costs without which the income could not be produced will be subtracted. Such costs do not include depreciation, personal business and entertainment expenses, personal transportation, purchase of capital equipment and payments on the principal of loans for capital assets or durable goods.

* Also, income deposited in a Micro-enterprise escrow account will be deducted from the self-employment income prior to computing monthly gross earnings.

For room and board income, a standard \$120 per roomer/boarder will be subtracted as the cost related to producing the income.

Self-employment earnings are usually not as predictable as employee earnings and are often received less frequently than monthly. Therefore, in most situations, a time period longer than two months should be used to determine average monthly self-employment earnings.

Income Received Less Frequently Than Monthly (Quarterly, Annually, Etc.)

Income of this type may include farming (including soil bank and related diversion payments), cattle ranching, business, or any other type of self-employment enterprise in which the income resulting from work performed over a period of time is received at one time rather than during the period in which the work is being performed.

The first step in computing monthly gross earnings in these situations is to calculate the gross annual income for the previous calendar year. If available, the individual's Federal Income Tax Return may be used to determine the annual income and the amount of costs related to producing the income. The annual allowable costs are subtracted from the gross annual income. The remainder is then divided by 12 to arrive at an average monthly amount. This figure is treated gross earned income.

EXAMPLE: After expenses, Ms. Smith earns \$1200 annually from farming. This amount prorated over 12 months equals \$100/month. Therefore, \$100 gross earnings would be considered for TEA purposes.

DEPARTMENT of Human Services

DIVISION of County Operations

PERSON COMPLETING THIS STATEMENT Roy Kindle, Assistant Director

Office of Program Planning & Development

TELEPHONE: 682-8251

FAX NO. 682-1597

FINANCIAL IMPACT STATEMENT

To comply with Act 884 of 1995, please complete the following Financial Impact Statement and file with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE - TEA Policy 2272 Resources to be Disregarded, 2341 Earned Income to be Disregarded, 2344 Computation of Earnings from Self-Employment and 3223.2 Micro-enterprise Escrow Account

1. Does this proposed, amended, or repealed rule or regulation have a financial impact? Yes X No

This proposed rule will have some financial impact because TEA recipients engaged in the Micro-enterprise Work activity could exceed the current resource limit of \$3,000.000 by depositing funds into the escrow account. See # 5.

2. If you believe that the development of a financial impact statement is so speculative as to be cost prohibited, please explain.
3. If the purpose of this rule or regulation is to implement a federal rule or regulation, please give the incremental cost for implementing the regulation.

1999-2000 Fiscal Year

General Revenue
Federal Funds
Cash Funds
Special Revenue
Other
Total *

2000-2001 Fiscal Year

General Revenue
Federal Funds
Cash Funds
Special Revenue
Other
Total *

This is not a federal rule or regulation.

4. What is the total estimated cost by fiscal year to any party subject to the proposed, amended, or repealed rule or regulation?

1999-2000 Fiscal Year

None

2000-2001 Fiscal Year

None

5. What is the total estimated cost by fiscal year to the agency to implement this regulation?

It is estimated that the cost for implementing the rule is approximately \$359,856.00 per fiscal year. This estimate is based on a projection that approximately 2% of the adults subject to the time limit will participate in the Micro-enterprise activity and exceed the \$3,000.00 resource limit in escrow deposits.

FILED
AR. REGISTER DIV.
00 MAR 22 PM 4:32
SHARON PRIEST
SECRETARY OF STATE
STATE OF ARKANSAS
BY _____

NOTICE
OF

Rulemaking

Pursuant to Arkansas Code 20-76-401 @ Seq. as amended by Arkansas Act 1567 of 1999, the Director, Division of County Operations issues proposed changes to the Transitional Employment Assistance (TEA) program policy to disregard as a resource up to a maxi-

mum of \$10,000.00 deposited into an escrow account by a TEA recipient who is engaged in the Micro-enterprise work activity and to disregard as income from the self-employment earnings computation the amount that is deposited into the escrow account.

Copies of the proposed change may be obtained by writing the Division of County Operations, P.O. Box 1437, Slot 1220, Little Rock, Arkansas 72203. Attention: Office of Program Planning & Development. All comments must be submitted in writing to the address indicated above no later than 30 days from the date of this notice.

If you need this material in a different format, such as large print, contact our Americans with Disabilities Act Coordinator at 682-8920 (voice) or 682-8933 (TDD).

The Arkansas Department of Human Services is in compliance with Titles VI and VII of the Civil Rights Act and operates, manages, and delivers services without regard to age, religion, disability, political affiliation, veteran status, sex, race, color or national origin.

X000008942EL

Ruth Whitney

Director

1157879f