

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, Committee on Small Business
FROM: Chairwoman Nydia Velázquez
RE: Committee Hearing: Prison to Proprietorship: Entrepreneurship Opportunities for the Formerly Incarcerated.
DATE: October 23, 2019

On **Wednesday, October 23, 2019 at 11:30 a.m. in Room 2360 of the Rayburn House Office Building**, the Committee on Small Business, will convene for a hearing titled, “Prison to Proprietorship: Entrepreneurship Opportunities for the Formerly Incarcerated.” Many formerly incarcerated individuals face barriers to reentering the workforce. Some employers hesitate to hire the formerly incarcerated, which drastically reduces employment possibilities and earnings potential. Entrepreneurship can help to overcome these barriers to employment and reduce recidivism. The hearing will discuss entrepreneurship training options for incarcerated and formerly incarcerated individuals. The witnesses will be:

- Mr. Shon Hopwood, Associate Professor of Law, Georgetown University Law Center, Washington, DC
- Mr. Gary Wozniak, President and Chief Executive Officer, RecoveryPark, Detroit, MI
- Ms. Corinne Hodges, CEO, Association of Women’s Business Centers, Washington, DC
- Mr. Jerry Blassingame, Founder and CEO, Soteria CDC, Greenville, SC

Background

Every year, thousands of formerly incarcerated individuals return to their communities seeking to rebuild their lives. In 2018, more than 37,000 incarcerated individuals were released from federal prisons,¹ and more than 97 percent of the nation’s 180,000 federal inmates will eventually be released.² Unfortunately, nearly half of those released will be rearrested within 8 years.³ In 2016, the United States Sentencing Commission (USSC) released a study that examined the recidivism rates among 25,000 federal inmates who were released in 2005. The study followed offenders and probationers for eight years to determine rates of rearrest, reconviction, and incarceration. About half of the offenders were rearrested for a new crime or a violation within eight years, nearly a third were reconvicted, and about a quarter were incarcerated. The median time to first arrest was 21 months.⁴

¹ BUREAU OF FED. PRISONS, https://www.bop.gov/about/statistics/statistics_inmate_releases.jsp.

² Adam Gelb & John Gramlich, Recidivism Study Offers Lessons for Federal Policy (The PEW Charitable Trusts, 2016).

³ U. S. SENT’G COMMISSION, RECIDIVISM AMONG FEDERAL OFFENDERS: A COMPREHENSIVE OVERVIEW, (2016).

⁴ The PEW Charitable Trust, *supra* note 2.

The USSC report also found that the recidivism rate was lower for federal prisoners compared to state offenders, with approximately 77 percent of state offenders rearrested within five years,⁵ and roughly 45 percent of federal prisoners rearrested in the same time frame. A more recent analysis of Federal Bureau of Justice statistics by the Pew Charitable Trust found that 37 percent of prisoners released from 23 state prisons had at least one prison readmission.

Over the years, several programs have been developed to provide treatments and services to facilitate the reintegration into communities and reduce recidivism for incarcerated and formerly incarcerated individuals. For instance, the Department of Justice offers grants for substance abuse, career, and vocational training programs. Moreover, on December 21, 2018, the First Step Act (P.L. 115-391) was enacted. The Act has three main components: (1) correctional reform via the establishment of a risk and needs assessment system at the Bureau of Prisons (BOP), (2) sentencing reform via changes to penalties for some federal offenses, and (3) the reauthorization of the Second Chance Act of 2007 (P.L. 110-199). The Act also contains a series of other criminal justice-related provisions.⁶

Another aspect of reintegration is focused on entrepreneurship as an option besides seeking employment because it offers the potential to build wealth and create greater economic mobility. Some programs provide training while in prison while others offer post-release training and each last for various durations. The programs also emphasize diverse courses from leadership and basic business planning to accounting. The hearing will give Members a chance to hear about the challenges facing incarcerated and formerly incarcerated individuals and how entrepreneurship is a chance to give them a second chance upon reentering society.

Challenges Faced by Incarcerated and Formerly Individuals

Despite steps to reform and improve our criminal justice system, returning citizens face significant barriers to reentering the workforce. Some of the obstacles include: bias against hiring individuals with criminal records, little access to education, and ineligibility for some public benefits.⁷ With regard to reentering the workforce, many employers will not hire formerly incarcerated individuals because of the stigma associated with their incarceration or because of legal restrictions in certain industries. They fear hiring the formerly incarcerated could harm their organization's employees, customers, business, and reputation.⁸

The Prison Policy Initiative found, “that the unemployment rate for formerly incarcerated people is nearly five times higher than the unemployment rate for the national average, and substantially

⁵ BUREAU OF JUST. STAT., <http://www.bjs.gov/index.cfm?ty=pbdetail&iid=5642>.

⁶ NATHAN JAMES, CONG. RES. SERV., R45558 THE FIRST STEP ACT OF 2018: AN OVERVIEW (2019).

⁷ THE LEADERSHIP CONFERENCE, FACT SHEET – BARRIERS TO SUCCESSFUL RE-ENTRY OF FORMERLY INCARCERATED PEOPLE 1-3 (2017).

⁸ Martin Moylon, *Ex-Cons get a Deeper Look From employers in Tight Minnesota Job market*, MPR NEWS, Dec. 13, 2018.

higher than even the worst years of the Great Depression.”⁹ Moreover, for those who secure employment, the wages are often low and there is little potential for growth.¹⁰

These impediments can prove difficult to overcome for the formerly incarcerated, and studies have shown that an estimated 60 percent of these individuals remain unemployed a year after release. Studies also show that recidivism rates tend to be higher for those individuals who lack employment. Of the 262,000 offenders that were released from federal prison between 2002 and 2006, fifty percent of those who could not secure employment committed a new crime or were sent back to prison. However, 93 percent of those who were able to secure employment were able to reintegrate back into society and not return to prison.¹¹

Education is known to be a great equalizer as it can boost economic mobility and reduce recidivism, yet approximately 30 percent of incarcerated individuals do not hold a high school diploma.¹² As a result, securing employment without an education or job skills can be difficult for those individuals reentering society. In 2016, a Rand Corporation report found that individuals “who participated in any type of educational program – from remedial math to vocational auto shop to college level courses – while in prison were 43 percent less likely to return to prison.” They also are far more likely to find a job after release.¹³

In addition to securing employment and obtaining educational skills, navigating the reentry process can be incredibly tough. The formerly incarcerated need to secure housing, obtain a driver’s license, set up a bank account, and overcome society and technological changes.¹⁴ These requirements for basic employment can be overwhelming for individuals without support upon release. While studies have shown that employment is central to the successful reintegration into the communities, it can be elusive for the reasons mentioned above. Encouraging entrepreneurship can be a viable option for formerly incarcerated individuals who are committed to rebuilding their lives. Moreover, it can reduce recidivism with the added benefit of creating jobs on Main Street.

How Entrepreneurship Can Break the Cycle of Incarceration.

Entrepreneurship training can play a key role in helping these individuals overcome barriers to re-entry and successfully transition back into the workplace and their communities. Programs focused on entrepreneurship can provide the formerly incarcerated with support to create businesses that not only build wealth but create greater economic mobility. As noted above, lack of employment opportunities is a significant factor resulting in recidivism. Providing a pathway to entrepreneurship has the potential to empower former inmates to start and run their business. Programs that focus on leadership skills, financial literacy, developing a business plan, and

⁹ PRISON POLICY INITIATIVE, OUT OF PRISON AND OUT OF WORK: UNEMPLOYMENT AMONG FORMERLY INCARCERATED PEOPLE, Jul. 2018.

¹⁰ Joyce Klein and Lavana Mohan, PRISON TO PROPRIETOR: ENTREPRENEURSHIP AS A RE-ENTRY STRATEGY, Aspen Institute.

¹¹ U. S. DEP’T OF JUST., PROJECT H.O.P.E RE-ENTRY INITIATIVE at <https://www.justice.gov/usao-sdal/programs/ex-offender-re-entry-initiative>.

¹² U.S. DEP’T OF EDUC., INTERNATIONAL CENTER FOR EDUCATION STATISTICS, HIGHLIGHTS FROM THE U.S. PIAAC SURVEY OF INCARCERATED ADULTS: THEIR SKILLS, WORK EXPERIENCE, EDUCATION AND TRAINING, 2014.

¹³ RAND CORPORATION, THE CASE FOR CORRECTIONAL EDUCATION IN U.S. PRISONS, Jan. 3, 2016.

¹⁴ Klein and Mohan, *supra* note 10.

building networks have the potential to reduce recidivism, provide a great return on investment by leading to economic expansion and ultimately save the taxpayers millions of dollars. As the flagship Agency tasked with supporting entrepreneurs and small businesses, the SBA can play a pivotal role in this regard.

Small Business Administration's Role

The Small Business Administration and its resource partners can play an important role in providing entrepreneurship training to federal prisoners and the formerly incarcerated. The Small Business Administration (SBA) offers a wide range of free or low-cost counseling and training services through its entrepreneurial ecosystem to help entrepreneurs launch and grow their small businesses. To deliver these resources, the SBA relies on its four primary resource partners: Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE, and Veterans Business Outreach Centers (VBOCs).

Women's Business Centers

Women's Business Centers (WBCs) are a critical component of SBA's entrepreneurial ecosystem. WBCs were created to assist small businesses primarily owned by women, many of whom are socially and economically disadvantaged. The WBC program funds more than 100 centers nationwide and offers a full range of counseling and training services for all stages of business development.¹⁵ WBCs provide multilingual services, maintain evening and weekend hours to accommodate clients who work full time, and allow children to attend training sessions with their mothers.¹⁶ WBCs provide financial education and literacy programs and are uniquely suited to provide the basic financial literacy skills, which may be lacking with those who are incarcerated. Some WBCs already provide educational programs to incarcerated individuals, and the Center in Spokane, Washington teaches the fundamentals about money management, budgeting, avoiding predators, dangers of debt, the difference between consumer debt and capacity/asset debt.

Small Business Development Centers

The largest of the resource partners within SBA's entrepreneurial ecosystem, the Small Business Development Center (SBDC) network is comprised of 63 lead organizations and more than 900 subcenters.¹⁷ They are in rural, urban, and suburban communities nationwide, and many are housed at universities or state agencies. The network delivers free face-to-face counseling and at-cost training in all aspects of small business management to new and existing small businesses. The services include, but are not limited to, assisting small businesses with developing a business plan, accessing capital, marketing, regulatory compliance, technology development, and international trade.¹⁸

¹⁵ The Association of Women's Business Centers is the resource partner for WBCs. WBC RESOURCES, *available at* <https://irp-cdn.multiscreensite.com/fb72abcb/files/uploaded/WBC-One-Page-and-2018-Policy-Priorities.pdf>.

¹⁶ U.S. Small Bus. Admin., FY 2020 CONGRESSIONAL BUDGET JUSTIFICATION AND FY2018 ANNUAL PERFORMANCE REPORT.

¹⁷ U.S. Small Bus. Admin., OFFICE OF SMALL BUSINESS DEVELOPMENT CENTERS, *available at* <https://www.sba.gov/offices/headquarters/osbdc/resources/11409>.

¹⁸ America's SBDCs is the association for SBDCs, SBDC WEB RESOURCES, *available at* <https://americassbdc.org/about-us/>.

SCORE

SCORE utilizes an expansive network of volunteers to provide free or low-cost mentoring and training to entrepreneurs throughout the country. It is the largest network of volunteers, with more than 11,000 expert business advisors at 350 chapters nationwide.¹⁹ SCORE provides personalized one-on-one counseling to help entrepreneurs start, grow, and manage their small business, as well as workshops, either on-line or in local communities. Among other services, SCORE aids with developing a business plan, building a website, growing an online brand, managing cash flow, and determining a company's legal structure.

Legislation

The Chairwoman of the Committee is drafting legislation that would direct the Small Business Administration's (SBA) resource partners to provide mentoring and training to federal inmates, both in-prison and post-release. Federal prisoners would be eligible for intensive, in-depth classroom instruction combined with one-on-one mentoring. Priority would be given to those prisoners eligible for release within 18 months. The Women's Business Centers (WBCs) and Small Business Development Centers would be responsible for providing counseling in federal prisons. SCORE would be required to provide formerly incarcerated individuals with one-on-one mentoring, workshops and on-line instruction specifically tailored to their unique needs.

The first bill, Prison to Proprietorship Program for Incarcerated Men and Women, would direct the Association of Women's Business Centers and Small Business Development Centers to coordinate the re-entry entrepreneurship services. This would include developing the curriculum, training mentors and instructors, and establishing public-private partnerships to support formerly incarcerated men and women and identify opportunities to access capital. Modeled after the successful Boots to Business program, which provides entrepreneurship training to servicemembers as they transition from military to civilian life, the re-entry entrepreneurship services would include an introductory presentation highlighting the opportunities in small business; a self-study course focused on the basics of entrepreneurship, the language of business, and small business ownership; five two-day sessions of in-depth classroom instruction introducing the foundations of self-employment; and one-on-one mentorship.

The second bill, Prison to Proprietorship for the Formerly Incarcerated, would direct SCORE to provide mentoring, workshops, and training videos for formerly incarcerated individuals on how to launch and grow small businesses. More specifically, the program provide individualized business mentoring to support the development of business plans and entrepreneurial growth for recipients of the prison to proprietorship services up to a year after release; connect individuals with small business networks and resources; identify opportunities to access capital when appropriate; develop a series of instructional videos designed specifically for incarcerated and formerly incarcerated individuals; and host workshops on topics specifically tailored to meet the needs of formerly incarcerated individuals.

Conclusion

Formerly incarcerated individuals have to overcome numerous barriers when reentering the workforce. Some employers are leery of hiring returning citizens because of the stigma associated with incarceration. An estimated 60 percent of returning citizens remain unemployed a year after

¹⁹ SBA FY 2020 Budget, *supra* note 16.

release, increasing the likelihood of being re-arrested or sent back to prison. Providing a pathway to entrepreneurship has the potential to empower former inmates to start and run their own business and help rebuild their lives. Programs that focus on financial literacy, developing a business plan, and building networks have the potential to provide a viable alternative to those who are locked out of the labor market. Moreover, entrepreneurship training can provide a great return on investment by leading to economic expansion and ultimately save the taxpayers millions of dollars. The hearing will provide members an opportunity to discuss all facets of entrepreneurship training to federal prisoners and the formerly incarcerated with the panel of witnesses.