

PRISON TO PROPRIETORSHIP FOR FORMERLY  
 INCARCERATED ACT

DECEMBER 12, 2019.—Committed to the Committee of the Whole House on the State  
 of the Union and ordered to be printed

Ms. VELÁZQUEZ, from the Committee on Small Business,  
 submitted the following

R E P O R T

[To accompany H.R. 5065]

The Committee on Small Business, to whom was referred the bill (H.R. 5065) to amend the Small Business Act to provide re-entry entrepreneurship counseling and training services for formerly incarcerated individuals, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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## I. PURPOSE AND BILL SUMMARY

The purpose of H.R. 5065, the Prison to Proprietorship for Formerly Incarcerated Act is to provide in-depth entrepreneurship training to federal prisoners.

## II. BACKGROUND AND NEED FOR LEGISLATION

H.R. 5065, the Prison to Proprietorship for Formerly Incarcerated Act was introduced by Rep. Hakeem Jeffries (D-NY) and Rep. Tim Burchett (R-TN) on November 13, 2019.

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,<sup>1</sup> and more than 97 percent of the nation's 180,000 federal inmates will eventually be released.<sup>2</sup> Unfortunately, nearly half of those released will be rearrested within 8 years.<sup>3</sup> 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.<sup>4</sup>

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 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.

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 primary resource partners: Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE.

The Women's Business Centers (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 coun-

<sup>1</sup> BUREAU OF FED. PRISONS, [https://www.bop.gov/about/statistics/statistics\\_inmate\\_releases.jsp](https://www.bop.gov/about/statistics/statistics_inmate_releases.jsp).

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

<sup>3</sup> U.S. SENT'G COMMISSION, *RECIDIVISM AMONG FEDERAL OFFENDERS: A COMPREHENSIVE OVERVIEW*, (2016).

<sup>4</sup> The PEW Charitable Trust, *supra* note 2.

seling and training services for all stages of business development.<sup>5</sup> 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. Several WBCs already provide entrepreneurship training to incarcerated individuals. For example, the Center in Spokane, Washington teaches financial literacy classes, offers business training, coaches this population on ways to avoid predators, the dangers of debt, and the difference between consumer debt and capacity/asset debt.<sup>6</sup>

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.<sup>7</sup> 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.

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.<sup>8</sup> 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.<sup>9</sup> Their nearly forty-year history of providing counseling and training, coupled with their far-reaching network makes them well-positioned to provide these services in federal prisons.

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.<sup>10</sup> 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 like-

<sup>5</sup>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-Pager-and-2018-Policy-Priorities.pdf>.

<sup>6</sup>PRISON TO PROPRIETORSHIP: ENTREPRENEURSHIP OPPORTUNITIES FOR THE FORMERLY INCARCERATED: HEARING BEFORE THE COMM. ON SMALL BUSINESS, 116th Cong. (2016) (statement of Corinne Hodges, CEO of the Association of Women's Business Centers).

<sup>7</sup>SBA FY 2020 Budget, *supra* note 16.

<sup>8</sup>U.S. Small Bus. Admin., OFFICE OF SMALL BUSINESS DEVELOPMENT CENTERS, available at <https://www.sba.gov/offices/headquarters/osbdc/resources/11409>.

<sup>9</sup>America's SBDCs is the association for SBDCs, SBDC WEB RESOURCES, available at <https://americassbdc.org/about-us/>.

<sup>10</sup>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.

ly to find a job after release.<sup>11</sup> 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.

### III. HEARINGS

In the 116th Congress, the Committee held a hearing titled “Prison to Proprietorship: Entrepreneurship Opportunities for the Formerly Incarcerated” on October 23, 2019 to develop H.R. 5065. The hearing examined the role entrepreneurship can play in overcoming barriers to employment for the formerly incarcerated and reducing recidivism. It also examined entrepreneurship training options for incarcerated and formerly incarcerated individuals.

### IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on November 20, 2019, and ordered H.R. 5065 reported favorably to the House of Representatives. During the markup, no amendments were offered.

### V. COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. The Committee voted by voice vote to favorably report H.R. 5065 to the House at 11:53.

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<sup>11</sup>RAND CORPORATION, THE CASE FOR CORRECTIONAL EDUCATION IN U.S. PRISONS, Jan. 3, 2016.

**COMMITTEE ON SMALL BUSINESS  
TALLY SHEET**

DATE: 11-20-19  
BILL NUMBER: H. R. 5065  
ROLL CALL:  
VOTE: (AYE) (NO)

QUORUM: 13 (voice vote)  
AMENDMENT NUMBER:

11:53 agreed to  
11:53 reported to House

MEMBER	AYE	NO	NOT VOTING
Ms. Velázquez, Chairwoman			
Ms. Finkenauer			
Mr. Golden			
Mr. Kim			
Mr. Crow			
Ms. Davids			
Ms. Chu			
Mr. Veasey			
Mr. Evans			
Mr. Schneider			
Mr. Espallat			
Mr. Delgado			
Ms. Houlihan			
Ms. Craig			
<b>MR. Chabot Ranking Member</b>			
Ms. Radewagen			
Mr. Balderson			
Mr. Hern			
Mr. Hagedorn			
Mr. Stauber			
Mr. Burchett			
Mr. Spano			
Mr. Joyce			
<b>MR. BISHOP</b>			
<b>TOTALS</b>			

On this vote there were \_\_\_\_\_ ayes and \_\_\_\_\_ nos.

## VI. SECTION-BY-SECTION

Based on Committee outreach and hearings, Representative Jeffries and Representative Burchett introduced H.R. 5065, the “the Prison to Proprietorship for Formerly Incarcerated Act.”

### *Section 1. Short title*

This section provides that the bill may be cited as the “Prison to Proprietorship for Formerly Incarcerated Act.”

### *Section 2. Re-entry entrepreneurship counseling and training for formerly incarcerated individuals*

This section amends the Small Business Act (15 U.S.C.).

Subsection (a) requires the Administrator to work with the Director of the Bureau of Prisons to ensure that the Service Corps of Retired Executives (SCORE) provides entrepreneurship counseling and training services to the formerly incarcerated (who served time in a Federal prison).

Subsection (b) requires SCORE to provide the formerly incarcerated with mentoring, workshops, and instructional videos designed specifically to gain a better understanding of business fundamentals and small business issue areas. Additionally, SCORE will provide the formerly incarcerated with the several tools, skills, and knowledge necessary to identify a business opportunity, including how to draft a resume and business plan, as well connecting with local resources for small business concerns and identifying sources of capital.

Subsection (c) requires SCORE to provide regular individualized mentoring sessions over the course of a year, assistance with identifying local resources for small business concerns, assistance in identifying sources of capital, and when appropriate, support with loan applications and other alternative funding opportunities, as well as workshops on topics specifically tailored to meet the needs of covered individuals.

Subsection (d) requires SCORE to survey clients to assess their level of satisfaction with the services provided.

Subsection (e) requires SBA to submit an annual report to the House Committee on Small Business and the Committee on Small Business and Entrepreneurship of the Senate. The report will include: the number of covered individuals, the number of hours of mentorship provided by SCORE, the demographics of covered individuals who received services, including age, gender, race, and ethnicity, a summary and analysis of surveys, and any additional information the administration may require.

## VII. CONGRESSIONAL BUDGET COST ESTIMATE

At the time H.R. 5065 was reported to the House, the Congressional Budget Office had not provided a cost-estimate.

## VIII. UNFUNDED MANDATES

H.R. 5065 contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act, Public Law No. 104-4, and would impose no costs on state, local, or tribal governments.

#### IX. NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House, the Committee provides the following opinion and estimate with respect to new budget authority, entitlement authority, and tax expenditures. While the Committee has not received an estimate of new budget authority contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to § 402 of the Congressional Budget Act of 1974, the Committee does not believe that there will be any additional costs attributable to this legislation because all authorizations would be subject to future appropriation action.

#### X. OVERSIGHT FINDINGS

In accordance with clause 2(b)(1) of rule X of the Rules of the House, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 5065 are incorporated into the descriptive portions of this report.

#### XI. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 7 of rule XII of the Rules of the House, the Committee finds the authority for this legislation in Art. I, § 8, cl. 1.

#### XII. CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 5065 does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of § 102(b)(3) of Public Law 104-1.

#### XIII. FEDERAL ADVISORY COMMITTEE ACT STATEMENT

H.R. 5065 does not establish or authorize the establishment of any new advisory committees as that term is defined in the Federal Advisory Committee Act, 5 U.S.C. App. 2.

#### XIV. STATEMENT OF NO EARMARKS

Pursuant to clause 9 of rule XXI, H.R. 5065 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in subsections (d), (e), or (f) of clause 9 of rule XXI of the Rules of the House.

#### XV. STATEMENT OF DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3 of rule XIII of the Rules of the House, no provision of H.R. 5065 establishes or reauthorizes a program of the federal government known to be duplicative of another federal program, a program that was included in any report from the United States Government Accountability Office pursuant to § 21 of Pub. L. No. 111-139, or a program related to a program identified in the most recent catalog of federal domestic assistance.

#### XVI. DISCLOSURE OF DIRECTED RULEMAKINGS

Pursuant to clause 3 of rule XIII of the Rules of the House, H.R. 5065 does not direct any rulemaking.

#### XVII. PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XII of the Rules of the House, the Committee establishes the following performance-related goals and objectives for this legislation:

H.R. 5065 would direct the Small Business Administration's (SBA) resource partner, SCORE, assist formerly incarcerated individuals with entrepreneurship training upon release.

#### XVIII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause (E) of rule XIII of the Rules of the House, changes in existing law made by the bill, as reported, as shown as follows: existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman:

##### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

### SMALL BUSINESS ACT

\* \* \* \* \*

#### **SEC. 49. RE-ENTRY ENTREPRENEURSHIP COUNSELING AND TRAINING FOR FORMERLY INCARCERATED INDIVIDUALS.**

(a) *SERVICES REQUIRED.*—*The Administrator, in coordination with the Director of the Bureau of Prisons, shall require the Service Corps of Retired Executives to provide entrepreneurship counseling and training services to individuals formerly incarcerated in a Federal prison (hereinafter referred to as “covered individuals”) on a nationwide basis.*

(b) *GOALS.*—*The goal of the services provided under this section is to provide covered individuals with the following:*

(1) *Mentoring, workshops, and instructional videos designed specifically for covered individuals on how to start or expand a small business concern.*

(2) *Tools, skills, and knowledge necessary to identify a business opportunity, including how to—*

(A) *draft a skills profile, business plan, and transition plan;*

(B) *identify sources of capital; and*

(C) *connect with local resources for small business concerns.*

(c) *ADDITIONAL REQUIREMENTS.*—*The services provided under this section shall include—*

(1) *regular individualized mentoring sessions, to take place over the course of a year, to support development of the business plans of covered individuals and the growth of covered individuals as entrepreneurs;*

(2) *assistance with identifying of local resources for small business concerns for covered individuals;*

(3) *assistance with identifying sources of capital, and when appropriate, assistance with preparing applications for loans and other funding opportunities; and*

(4) *workshops on topics specifically tailored to meet the needs of covered individuals.*

(d) *SURVEY.—The Service Corps of Retired Executives shall survey covered individuals who received services under this section to assess the satisfaction of such covered individuals with such services.*

(e) *REPORT.—Not later than 1 year after the date of the enactment of this section and annually thereafter, the Administrator shall submit to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a report on the performance and effectiveness of the services provided under this section, which may be included as part of another report submitted to such committees by the Administrator, and which shall include—*

(1) *the number of covered individuals mentored under this section;*

(2) *the number of hours of mentorship provided by the Service Corps of Retired Executives under this section;*

(3) *the demographics of covered individuals who received services, including age, gender, race, and ethnicity;*

(4) *a summary and analysis of surveys conducted under subsection (d); and*

(5) *any additional information the Administrator may require.*

SEC. [49.] 50. All laws and parts of laws inconsistent with this Act are hereby repealed to the extent of such inconsistency.