

PRISON TO PROPRIETORSHIP 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. 5078]

The Committee on Small Business, to whom was referred the bill (H.R. 5078) to amend the Small Business Act to provide re-entry entrepreneurship counseling and training services for 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. 5078, the Prison to Proprietorship Act is to provide in-depth entrepreneurship training to federal prisoners.

II. BACKGROUND AND NEED FOR LEGISLATION

H.R. 5078, the Prison to Proprietorship Act was introduced by Chairwoman Nydia Velázquez (D–NY) and Ranking Member Steve Chabot (D–OH) 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,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

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 counseling and training services for all stages of business development.⁵ WBCs provide financial education and literacy programs and are uniquely suited to provide the basic financial literacy skills, which

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.

⁵ The Association of Women’s Business Centers is the resource partner for WBC. WBC Resources, *available at* <https://irp-cdn.multiscreensite.com/fb72abcb/files/uploaded/WBC-One-Pager-and-2018-Policy-Priorities.pdf>.

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.⁶

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.⁷ 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.⁸ 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.⁹ 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.¹⁰ 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. 5078. 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.

⁶Prison 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).

⁷U.S. Small Bus. Admin., Office of Small Business Development Centers, *available at* <https://www.sba.gov/offices/headquarters/osbdc/resources/11409>.

⁸America’s SBDCs is the association for SBDCs, SBDC Web Resources, *available at* <https://americassbdc.org/about-us/>.

⁹ 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.

¹⁰Rand Corporation, The Case for Correctional Education in U.S. Prisons, Jan. 3, 2016.

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. 5078 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. 5078 to the House at 11:44.

**COMMITTEE ON SMALL BUSINESS
TALLY SHEET**

DATE: 11-20-19
 BILL NUMBER: H.R. 5078
 ROLL CALL:
 VOTE: (AYE) (NO)

QUORUM: 13 (voice vote)
 AMENDMENT NUMBER:

11:43 agreed to
 11:44 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. Espaillat			
Mr. Delgado			
Ms. Houlahan			
Ms. Craig			
MR. Chabot Ranking Member			
Ms. Radewagen			
Mr. Balderson			
Mr. Hern			
Mr. Hagedorn			
Mr. Stauber			
Mr. Burchett			
Mr. Spano			
Mr. Joyce			
MR. BISHOP			
TOTALS			

On this vote there were _____ ayes and _____ nos.

VI. SECTION-BY-SECTION

Based on Committee outreach and hearings, Chairwoman Velázquez and Ranking Member Chabot introduced H.R. 5078, the “Prison to Proprietorship Act”.

Section 1. Short title

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

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

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

Subsection (a) requires the Administrator to work closely with the Director of the Bureau of Prisons, to provide entrepreneurship counseling and training services to covered individuals.

Subsection (b) requires the Administrator to develop an annual plan to match Women’s Business Centers and Small Business Development Centers with federal prisons, giving priority to the centers in closest proximity to the applicable Federal prison. If the closest Women’s Business Center or Small Business Development Center is unable to provide the services at the federal prison, then another Women’s Business Center, Small Business Development Center, or relevant association shall provide such services.

Subsection (c) delineates the services provided, which include in-depth training on how to start and expand a small business as well as the tools, skills, and knowledge required to identify a business opportunity. More specifically, the services will include but are not limited to, drafting a resume, business plan, and transition plan, as well as identifying sources of capital and connecting with local resources regarding small business concerns. The Committee learned that one of the biggest issues facing the formerly incarcerated is finding gainful employment. For those locked out of the labor market, the services provided will equip them with the tools and skills necessary to overcome the barriers associated with reentering the workforce.

Subsection (d) lists additional services provided under the bill, which include a presentation on self-employment and small business ownership, a self-study course manual geared towards increasing financial literacy, five two-day sessions of classroom instruction on the foundations of self-employment, and in-depth training delivered through one-on-one mentorship, particularly in the building of a business plan and relevant strategies for starting a small business. A certificate is to be presented upon successful completion of this extensive training.

Subsection (e) requires the Administrator, to the extent practicable, prioritize services for those inmates who are scheduled to be released within 18 months.

Subsection (f) allows individuals receiving services in prison to continue to receive services after release from Federal custody.

Subsection (g) allows the Administrator to award a grant to an association formed solely to protect the interests and concerns of Small Business Development Centers or Women’s Business Centers to assist with the development of a curriculum, training of mentors,

identify opportunities to access capital, and the establishment of a public-private partnership to support covered individuals.

Subsection (h) requires the Administration to print curriculum or course material and make it accessible to Women's Business Centers and Small Business Development Centers.

Subsection (i) requires Women's Business Centers and Small Business Development Centers to survey individuals receiving services regarding their overall experience with the services provided to them.

Subsection (j) requires the SBA to submit an annual report on the performance and effectiveness of the services, beginning one year after the date of the enactment of the legislation. The report shall include: (1) the number of covered individuals counseled or trained; (2) the number of hours of counseling provided by each Women's Business Center and each Small Business Development Center; (3) the number of certificates presented; (4) the demographics of covered individuals who received services, including age, gender, race, and ethnicity; (5) the level of understanding of business concepts of covered individuals upon completion of the counseling and training; (6) a summary and analysis of surveys conducted by resource partners and (i); any additional information the SBA may require.

Subsection (k) defines a 'covered individual' as an individual who is incarcerated in a federal prison that the Director of the Bureau of Prisons has designated as a minimum, low, or medium security prison.

Subsection (l) allows the Administrator to reimburse Women's Business Centers, Small Business Development Centers, and all relevant associations of these centers, for service-related costs, subject to the availability of resources.

VII. CONGRESSIONAL BUDGET COST ESTIMATE

At the time H.R. 5078 was reported to the House, the Congressional Budget Office had not provided a cost-estimate.

VIII. UNFUNDED MANDATES

H.R. 5078 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. 5078 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. 5078 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. 5078 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. 5078 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. 5078 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. 5078 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. 5078 would direct the Small Business Administration's (SBA) resource partners—the Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs)—to provide entrepreneurship training to federal prisoners.

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 INCARCERATED INDIVIDUALS.

(a) *SERVICES REQUIRED.*—*The Administrator, in coordination with the Director of the Bureau of Prisons, shall require women’s business centers and small business development centers identified under the plan described in subsection (b) to provide entrepreneurship counseling and training services to covered individuals.*

(b) *PLAN.*—

(1) *IN GENERAL.*—*The Administrator, in consultation with an association formed to pursue matters of common concern to women’s business centers and an association of small business development centers formed pursuant to section 21(a)(3)(A), shall develop a plan, which shall be updated annually, to match women’s business centers and small business development centers with covered individuals in Federal prisons who are eligible to receive services under this section.*

(2) *MATCHING.*—*In determining matches under paragraph (1), the Administrator shall prioritize matching the women’s business center or small business development center in closest proximity to the applicable Federal prison to provide such services.*

(3) *ASSOCIATION RESPONSIBILITIES.*—*If the women’s business center or small business development center identified under the plan in paragraph (1) is unable to provide such services to covered individuals in such Federal prison, another women’s business center or small business development center, an association of women’s business centers, or an association of small business development centers shall provide such services in accordance with the requirements of this section.*

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

(1) *Assistance and in-depth training 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 resume, business plan, and transition plan;*

(B) identify sources of capital; and

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

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

(1) a presentation providing exposure to the opportunities involved in self-employment and ownership of a small business concern;

(2) a self-study course manual focused on the basic skills of entrepreneurship, financial literacy, the language of business, and the considerations and life skills relevant to self-employment and ownership of a small business concern;

(3) five two-day sessions of in-depth classroom instruction introducing the foundations of self-employment and ownership of small business concerns, including guided discussions to explore personal entrepreneurial development interests;

(4) in-depth training delivered through one-on-one mentorship, including individual support in the development of a business plan, entrepreneurial skills, and strategies for starting up a small business concern; and

(5) upon completion of the counseling and training, a presentation of a certificate.

(e) *PRIORITY.*—The Administrator shall, to the extent practicable, ensure that women’s business centers and small business development centers prioritize providing entrepreneurship counseling and training services to covered individuals who will be released from Federal custody not later than 18 months after the date on which such a covered individual begins to receive such services.

(f) *CONTINUATION OF SERVICES.*—A covered individual receiving services under this section may continue to receive such services after release from Federal custody.

(g) *GRANT AUTHORITY.*—In carrying out this section, the Administrator may award a grant to an association formed to pursue matters of common concern to women’s business centers or small business development centers to coordinate the services described under this section, including to develop curriculum, train mentors and instructors, and establish public-private partnerships to support covered individuals and identify opportunities to access capital.

(h) *CURRICULUM.*—The Administration shall print and make available to women’s business centers, small business development centers, an association of women’s business centers, or an association of small business development centers any curriculum or course materials developed pursuant to this section.

(i) *SURVEY.*—Each women’s business center or small business development center that provided services under this section shall survey covered individuals who received such services to assess the satisfaction of such covered individuals with such services.

(j) *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 counseled or trained under this section;*

(2) *the number of hours of counseling provided by each women's business center and each small business development center under this section;*

(3) *the number of certificates presented under subsection (d)(5);*

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

(5) *the level of understanding of business concepts of covered individuals upon completion of the counseling and training described under this section;*

(6) *a summary and analysis of surveys conducted under subsection (i); and*

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

(k) *COVERED INDIVIDUAL DEFINED.—In this section, the term “covered individual” means an individual incarcerated in a Federal prison that the Director of the Bureau of Prisons has designated as a minimum, low, or medium security prison.*

(l) *FUNDING.—Subject to the availability of appropriations, the Administrator shall reimburse women's business centers, small business development centers, an association of women's business centers, or an association of small business development centers for the costs relating to the services provided under the section.*

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