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# Recidivism Reduction and Return on Investment: An Empirical Assessment of the Prison Entrepreneurship Program



BAYLOR INSTITUTE FOR STUDIES OF RELIGION SPECIAL REPORT

BYRON JOHNSON • WILLIAM WUBBENHORST • CURTIS SCHROEDER

*PROGRAM ON PROSOCIAL BEHAVIOR*

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**PROGRAM ON PROSOCIAL BEHAVIOR**

CRIMINOLOGY HAS ALWAYS BEEN ONLY “HALF” OF A FIELD. ITS FOCUS IS LIMITED TO ANTISOCIAL BEHAVIOR, WITH ALMOST NO ATTENTION EVER GIVEN TO PROSOCIAL ACTIVITIES. THAT IS, CRIMINOLOGISTS ASK WHY PEOPLE DO, OR DO NOT, COMMIT CRIMES; THEY RARELY ASK WHY PEOPLE DO, OR DO NOT DO, GOOD DEEDS.

ISR’S PROGRAM ON PROSOCIAL BEHAVIOR EMPHASIZES THE NEGLECTED “HALF” OF HUMAN BEHAVIOR. FOR EXAMPLE, WHY DO SO MANY PEOPLE GENEROUSLY GIVE MONEY TO HELP THOSE IN NEED? OR, WHY DO MOST OF THE PEOPLE REARED IN DISADVANTAGED NEIGHBORHOODS TURN OUT NOT ONLY TO BE LAW-ABIDING, BUT TO BE GOOD CITIZENS? INDEED, HOW ARE PEOPLE TRANSFORMED FROM ANTISOCIAL PATTERNS OF BEHAVIOR TO POSITIVE PATTERNS?

IN KEEPING WITH THE OVERALL MISSION OF ISR, WE ARE INTERESTED IN EXAMINING THE UNDERSTUDIED ROLE OF INDIVIDUALS AND GROUPS THAT PROMOTE PROSOCIAL BEHAVIOR, INCLUDING THE ROLE OF FAITH-BASED ORGANIZATIONS IN FOSTERING PROSOCIAL ACTIVITIES LIKE THE MENTORING OF EX-PRISONERS.



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## the traditional response to crime reduction

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In order to be effective, America's response to crime needs to be constantly reevaluated. New policing methods and technologies continue to emerge as options to address changes in patterns of crime, delinquency, gang violence, drug use, and more. The same can be said for our courts and correctional systems. Taxpayers, scholars, and policy makers alike have a serious interest in determining what works and what does not when it comes to crime reduction, the effectiveness of new sentencing guidelines, or the impact of new programs designed to rehabilitate prisoners. Since the current study deals with prisoners and ex-prisoners, our brief discussion of the traditional response to crime will have a specific focus on how correctional authorities have attempted to address problems linked to prisoner rehabilitation, prisoner reentry, and recidivism.

First and foremost, prisons are built and run to keep prisoners incarcerated and thereby insure public safety. Most wardens are not opposed to the rehabilitation of prisoners. That said, most wardens understand that, while prisoners have problems needing attention, regrettably, wardens have limited resources and rarely, if at all, have the ability to implement wide-ranging treatment programs. Thus, decision-makers and correctional administrators always tend to put issues related to safety and security ahead of factors related to the treatment and rehabilitation of prisoners. Unfortunately, a lack of emphasis on how to address core problems through innovative programs has had the inadvertent effect of stymieing correctional practices and thus has allowed the emphasis to remain on developing better and more effective techniques for safely incarcerating more and more offenders. While correctional budgets have soared over the last three decades, governmental support available to confront issues like the prisoner reentry crisis has not kept pace.

## the unintended and mounting costs of incarceration

For many, the U.S. prison system is considered a societal black hole. Often deemed the most efficient and simplistic solution to our nation's crime problems, offenders can easily be considered "out of sight and out of mind" when they are incarcerated. Whether prisons are viewed as

- 1) a means of punishing offenders for their actions – guided by a philosophy of retribution and what criminologists have long referred to as "just deserts,"
- 2) a vehicle simply to incapacitate offenders (i.e. offenders cannot harm others while they are incarcerated and isolated from society), or
- 3) a deterrent to future crime – the notion that justice will be administered swiftly and the punishment severe enough to prevent potential offenders from committing illegal behavior (e.g., "three strikes" laws and other mandatory sentences are so harsh they will send a message to the general public that will significantly deter future criminal behavior),

most government officials would at least agree that correctional facilities are first and foremost about insuring public safety. What many do not realize, though, is that the unintended consequences of incarceration (as it is widely practiced in the U.S.) have created a growing burden

that the entire nation bears. When one citizen is incarcerated, taxpayers "pay" once for his sentence - in both social and economic terms<sup>1</sup> - but if he is not successfully rehabilitated and reintegrated, taxpayers "pay" again for his subsequent crimes, incarceration, and loss of economic activity. The comprehensive cost of incarceration in the context of the efficacy of the U.S. prison system is unfortunately far more pervasive and consequential than many scholars and policy-makers have understood. Consequently, understanding and maximizing the effective use of the human and financial capital expended within the criminal justice system is of utmost importance.

### *A Growing Social Epidemic*

Since the 1970s, the United States prison population has grown by over 700 percent. In fact, 1-in-100 adults currently reside behind bars in the U.S.<sup>2</sup> Furthermore, based on current trends, one out of every 15 American citizens will go to prison in his or her lifetime, meaning over 20 million of our nation's current population may be incarcerated at some point.<sup>3</sup> This dramatic growth in the prison population represents an increasing challenge for policy makers and correctional authorities, and translates into a costly liability for U.S. taxpayers.<sup>4</sup>

U.S. prisons are comprised of convicted offenders largely coming from economically disadvantaged communities where poverty is pervasive and highly concentrated. Many prisoners were raised in broken and dysfunctional homes and

<sup>1</sup> Wakefield, Sara, and Christopher Wildeman (2013). *Children of the Prison Boom: Mass Incarceration and the Future of American Inequality*. New York, NY: Oxford University Press; Wildeman, Christopher, and Christopher Muller (2012). "Mass Imprisonment and Inequality in Health and Family Life." *Annual Review of Law and Social Science* 8:11-30; Wang, Emily A., and Christopher Wildeman (2011). "Studying Health Disparities by Including Incarcerated and Formerly Incarcerated Individuals." *JAMA* 305:1708-1709; Wildeman, Christopher (2010). "Paternal Incarceration and Children's Physically Aggressive Behaviors: Evidence from the Fragile Families and Child Wellbeing Study." *Social Forces* 89:285-310; Wildeman, Christopher, and Bruce Western (2010). "Incarceration in Fragile Families." *The Future of Children* 20:157-177; Wildeman, Christopher (2009). "Parental Imprisonment, the Prison Boom, and the Concentration of Childhood Disadvantage." *Demography* 46:265-280.

<sup>2</sup> According to a 2008 report by Pew's Public Safety Performance Project, for the first time in history, more than one in every 100 adults in America were in jail or prison—a fact that significantly impacts state budgets without delivering a clear return on public safety.

<sup>3</sup> See <http://www.pewstates.org/research/reports/one-in-100-85899374411>.

<sup>4</sup> Wildeman, Christopher (Forthcoming). "Parental Incarceration, Child Homelessness, and the Invisible Consequences of Mass Imprisonment." *Annals of the American Academy of Political and Social Science*; Wildeman, Christopher, Signe Hald Andersen, Hedwig Lee, and Kristian Bernt Karlson (Forthcoming). "Parental Incarceration and Child Mortality in Denmark." *American Journal of Public Health*; Turney, Kristin, and Christopher Wildeman (Forthcoming). "Redefining Relationships: Explaining the Countervailing Consequences of Paternal Incarceration for Parenting Quality." *American Sociological Review*.



may have had a parent that was incarcerated. In urban centers across the country, inner-city youth residing in distressed neighborhoods attend schools that are not performing well. Along with poor functioning inner-city schools, a disturbingly high percentage of students are dropping out from these poorly functioning inner-city schools. Indeed, the dropout rate in many disadvantaged urban environments can reach 60 percent, about twice the national average. Moreover, we know from decades of research that school performance and dropping-out of school are significant predictors of criminal behavior as well as the increased likelihood of incarceration.<sup>5</sup> And while many believe that exhausting the limits of our nation’s criminal justice system brings resolution to society’s criminal issues, there is considerable evidence that a prison sentence may actually reinforce a cyclical pattern of incarceration.<sup>6</sup>

Beyond the cyclical and individual impact of prison life, the ongoing generational impact of criminal behavior also contributes to the growing prison population epidemic. When a parent is incarcerated, the lives of children can be disrupted in tragic ways.<sup>7</sup> Children of prisoners may end up in foster care placement.<sup>8</sup> Repeated changes in family structure due to parental incarceration can be disruptive in children’s lives which often creates instability and insecurity that can be harmful to youth.<sup>9</sup> Consider that children of prisoners are more likely to observe parental substance abuse, perform poorly in school,

and experience poverty and disadvantage.<sup>10</sup> As might be expected, children of prisoners are also more likely to experience aggression, anxiety, and depression.<sup>11</sup> Children of prisoners, therefore, are at-risk for alcohol and drug abuse, delinquency and crime, gang involvement, and subsequent incarceration.<sup>12</sup> Moreover, parental criminality is a risk factor for juvenile delinquency, and the link between the incarceration of a parent and a variety of anti-social behaviors among their children is well-documented.<sup>13</sup> Taken together, these debilitating factors can lead children of prisoners into early and frequent contact with the criminal justice system.

Indeed, research confirms that children of prisoners experience much higher rates of criminal behavior and subsequent incarceration.<sup>14</sup> Thus, the impact of one man’s incarceration may be felt by families and communities for decades. The nature of prison life yields a host of negative outcomes for all of society, and the cumulative effect of the outcomes will have important implications for generations to come.

Rather than providing offenders with the opportunities and resources necessary to achieve real life-transformation, incarceration often serves only as a temporary reprieve from a troubled existence. Within a short period of time after release, many ex-offenders find themselves back in the same communities and circles of influence that enabled, if not encouraged, their criminal activity in the first place.

<sup>5</sup> Farrington, David. P. (1998). Predictors, Causes and Correlates of Male Youth Violence. In *Youth Violence, Crime and Justice*, Vol. 24, edited by M. Tonry and M.H. Moore; Catalano, R.F., and Hawkins, J.D. (1996). The social development model: A theory of antisocial behavior. In *Delinquency and Crime: Current Theories*, edited by J. D.Hawkins. New York, NY: Cambridge University Press, pp. 149–197; Hawkins, J.D., Farrington, D.P., and Catalano, R.F. (1998). Reducing violence through the schools. In *Violence in American Schools: A New Perspective*, edited by D. S. Elliott, B. A. Hamburg, and K.R. Williams. New York, NY: Cambridge University Press, pp. 188–216.

<sup>6</sup> Turney, Kristin, and Christopher Wildeman (Forthcoming). “Redefining Relationships: Explaining the Countervailing Consequences of Paternal Incarceration for Parenting Quality,” *American Sociological Review*.

<sup>7</sup> Elizabeth Johnson and Jane Waldfogel (2002). *Children of Incarcerated Parents: Cumulative Risk and Children’s Living Arrangements*. JCPR Working Paper #306. Chicago: Joint Center for Poverty Research, Northwestern University/University of Chicago. Accessed at [http://www.jcpr.org/wpprofile.cfm?id=364](http://www.jcpr.org/wp/wpprofile.cfm?id=364).

<sup>8</sup> Lauren Glaze and Laura M. Maruschak (2008). *Parents in Prison and Their Minor Children*. Bureau of Justice Statistics, Special Report, Washington, DC: U. S. Department of Justice, Office of Justice Programs.

<sup>9</sup> Denise Johnston (1995). “Effects of Parental Incarceration,” in *Children of Incarcerated Parents*, (eds.) Katherine Gabel and Denise Johnston. New York: Lexington Books.

<sup>10</sup> John Hagan and Ronit Dinovitzer (1999). “Collateral Consequences of Imprisonment, Communities and Prisoners,” in Michael Tonry and Joan Petersilia (eds.). *Crime and Justice*, Volume 26. Chicago, IL: University of Chicago Press.

<sup>11</sup> Child Welfare League of America. Federal Resource Center for Children of Prisoners. See <http://cwla.org>.

<sup>12</sup> Barry Krisberg (2001). *The Plight of Children Whose Parents are in Prison*. Oakland, CA: National Council on Crime and Delinquency, Focus.

<sup>13</sup> William H. Sack and Jack Seidler (1978). “Should Children Visit Their Parents in Prison?” *Law and Human Behavior* 2: 261-266.

<sup>14</sup> Katherine Gabel and Denise Johnston (1995). *Children of Incarcerated Parents*, (eds.). New York: Lexington Books.

National three-year recidivism rates fluctuate around 60 percent, exposing the reality that crime reduction is not easily achieved.<sup>15</sup> In the wake of the recent economic downturn, many jurisdictions are for the first time experiencing shrinking correctional budgets. This reality means correctional treatment and vocational programs, even if found to be effective, are being curtailed and may be in danger of being eliminated.

### ***Overreliance on Incarceration is an Economic Drain***

In Texas, the average annual cost per inmate is over \$21,000 and represents over \$3.3 billion of the state's financial obligations each year.<sup>16</sup> Nationwide, correctional budgets for state governments exceeded \$46 billion in 2010.<sup>17</sup> In comparison, the price tag for correctional budgets in 1980 was approximately \$4 billion. We know that these figures are often underestimated, as well; most prison budgets fail to include other state agencies' expenditures on imprisonment; inmate health care, employee health insurance, and pension contributions, among others, are overlooked costs when it comes to analyzing states' corrections budgets. Moreover, these figures do not include the budget for the Federal Bureau of Prisons, which exceeded more than \$6.5 billion for 2012.<sup>18</sup>

What this all means is that the true economic cost of prison is likely far higher than previously thought. And while policy makers, prison officials, and concerned citizens work to reform and eradicate the nation's criminal activity

problems, the outcomes achieved through the criminal justice system and the bottom line of our states' budget sheets confirm that many of the resources leveraged in the correctional system are ineffective at addressing the true issues at the heart of crime and recidivism. From a purely economic perspective, the cumulative effect of these practices has placed a serious and debilitating financial and social drain on society.

### ***Minimizing Cost, Maximizing Impact***

A 60% national recidivism rate means that approximately three-in-five current or previous criminals will be repeat offenders in years to come. But is the 60% recidivism figure accurate? Two studies come closest to providing a "national" recidivism rates for the United States. One study tracked 108,580 state prisoners released from prison in 11 states in 1983.<sup>19</sup> The other tracked 272,111 prisoners released from prison in 15 states in 1994.<sup>20</sup> The prisoners tracked in these studies represent two-thirds of all the prisoners released in the United States for that year. For prisoners released in 1994, 67.5% were rearrested (but not necessarily reconvicted) within 3 years, an increase over the 62.5% rearrest rate for those released in 1983. Overall, reconviction rates did not change significantly from 1983 to 1994. Among prisoners released in 1983, 46.8% were reconvicted within three years compared to 46.9% among those released in 1994; thus, in the two largest studies to date, 47% were reconvicted within three years. These two national level studies confirm that measuring recidivism is more complicated than many assume. For example, an arrest is different than

<sup>15</sup> The Bureau of Justice Statistics provides two studies that come closest to providing "national" recidivism rates for the United States. BJS's "Reentry Trends in the U.S." confirm this rate often hovers around the 60% rate. See <http://www.bjs.gov/content/reentry/recidivism.cfm> for additional information.

<sup>16</sup> Vera Institute of Justice, *The Price of Prisons: Texas Fact Sheet*, January 2012.

<sup>17</sup> Sourcebook of Criminal Justice Statistics Online, State University New York at Albany, <http://www.albany.edu/sourcebook/pdf/t192010.pdf>.

<sup>18</sup> U.S. Department of Justice Federal Prison System FY 2013 Performance Budget: Congressional Submission (Washington, DC: 2012), <http://www.justice.gov/jmd/2013justification/pdf/fy13-bop-se-justification.pdf>; Nancy La Vigne and Julie Samuels (2012). *The Growth & Increasing Cost of the Federal Prison System: Drivers and Potential Solutions*, Justice Policy Center, Urban Institute, Washington, DC.

<sup>19</sup> Allen J. Beck and Bernard Shipley (1989). *Recidivism of Prisoners Released in 1983*. Bureau of Justice Statistics. *Recidivism of Released Prisoners Series*, NCJ 116261, <http://www.bjs.gov/index.cfm?ty=pbdetail&iid=1135>.

<sup>20</sup> Patrick Langan and David Levin (2002). *Recidivism of Prisoners Released in 1994*. Bureau of Justice Statistics. *Recidivism of Released Prisoners Series*, NCJ 193427, <http://www.bjs.gov/index.cfm?ty=pbdetail&iid=1134>.

a conviction. Similarly, a technical violation (e.g., failure to report to a parole officer or to meet some other condition of parole) of probation or parole is not synonymous with an arrest or commission of a new crime, though it is quite possible that a technical violation may result in a revocation of probation or parole, and a subsequent return to prison.

If a primary goal of the criminal justice system is to prevent offenders from engaging in criminal activity once they are released and then returning to prison, then our most effective “solution” is only achieving its goal about half of the time – an unfortunate outcome for almost \$50 billion in financial obligation each year. Therefore, intentionally leveraging the programs and people that successfully minimize costs and maximize the impact of the human and financial capital invested in the correctional system helps to prevent future victimization and ensures assets are being utilized most effectively. Economists are now helping us to estimate the total cost per victimization by the number of victimizations in the United States. According to these figures, in 1993, the one-year cost of crime to victims totaled \$450 billion.<sup>21</sup> Regrettably, scholars, practitioners, and policy-makers alike have largely ignored the enormous cost of victimization to American society.<sup>22</sup>

**the prison entrepreneurship program: a new crime reduction model**

*This program is probably one of the best things that ever happened in my life. I knew that I wanted to change, but I wasn't even sure what I wanted to be. Throughout this experience in PEP I've been blown away by the people involved and the process of change. We are asked to hold each other accountable and work on our character flaws which only made me stronger and more confident. I took the passion for my dream of owning my own business along with my newfound confidence and worked this program. The work was difficult and very challenging,*

*but we were always reminded that this program wouldn't be easy. At the end of six months, I felt totally different with a new outlook in life. I gained the courage to give a presentation of my dream in front of hundreds of people including executive volunteers, PEP staff, PEP graduates and all my brothers in Class 17. My family was able to attend graduation to witness me graduate for the first time in my life. I've seen God work in lives through this program, now He's working in my life. PEP gave me a sense of direction and purpose; they led me down the path to where I am today.*

*PEP Participant*

The Prison Entrepreneurship Program represents an innovative, holistic approach to achieving dramatically lower recidivism rates. PEP declares itself to be comprised of “servant leaders on a mission to transform inmates and executives by unlocking human potential through entrepreneurial passion, education and mentoring.” Unlike most other programs, PEP uses an “inside-out” strategy that begins by working with participants while they are still incarcerated, and continues by providing services to participants after their release.

Currently, PEP operates exclusively in Texas. It is a selective program and, with the support of the Texas Department of Criminal Justice, recruits from over 60 men’s correctional facilities across the state. Candidates passing through PEP’s initial screening are transferred by TDCJ at PEP’s request to the Cleveland Correctional Center, a 520-bed prison operated by Geo Group, in Cleveland, Texas, where PEP provides all of its in-prison programming. In addition, PEP provides extensive post-release services (including job development, transitional housing, and continuing education) in Houston and Dallas, communities to which approximately 90% of PEP’s graduates are released.

<sup>21</sup> T. R. Miller, M. A. Cohen, and B. Wiersema, “Victim Costs and Consequences: A New Look,” National Institute of Justice Research Report, NCJ-155282, <http://www.ncjrs.org/pdffiles/viccost.pdf>.

<sup>22</sup> The Office for Victims of Crime (OVC) is one of seven components within the Office of Justice Programs, U.S. Department of Justice, and was established in 1988 to enhance the Nation’s capacity to assist crime victims and to provide leadership in changing attitudes, policies, and practices to promote justice and healing for all victims of crime.





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The centerpiece of PEP’s in-prison business educational experience is the Business Plan Competition (BPC). The core curriculum is taught by PEP staff, with business executives and others lecturing periodically on topics within their areas of expertise. The experience is highly interactive and “hands on,” with each student required to conceive of a business that he would start upon release and research and write a complete business plan for doing so. Each student receives extensive feedback from volunteer executives and MBA students over the duration of the course.

Woven into this fabric is a Character Assessment and Development process that is based on PEP’s Ten Driving Values and begins during a course on Effective Leadership preceding the BPC. PEP works with each individual to identify and remove the character traits and behaviors that stand in the way of positive life transformation. The program is also designed to assimilate each participant into PEP’s diverse community of accountability and encouragement, one that begins in prison and continues following release.

At the very core of the Prison Entrepreneurship Program is the recognition that many inmates come to prison with a thirst for entrepreneurship, as well as a practical knowledge of concepts such as competition, relationship-building, risk management, and sales channels. Beginning with its first encounter, and before it actually became PEP, the program leaders understood and responded to the needs, passions, and aspirations they sensed from the inmates they

met. Phi Tran, COO at PEP and part of its very first BPC, describes the very first meeting with the future PEP leaders in the prison:

*There were about 70 inmates in the room, and when they asked who was interested in learning business skills, over 50 of us signed up on the spot. That was how PEP began.*

In addition, PEP believes that the resilience and determination required to survive in prison and to overcome the consequences of their past lives make its participants exceptionally strong candidates for success in business and in life. Indeed, PEP leaders saw these talents and competencies as raw materials, while also recognizing the character and decision-making flaws that ultimately led these offenders to prison. The PEP vision, therefore, is that by equipping prisoners with the proper education, coupled with life skills training, character-building, and a new social support network, offenders can turn their lives around in a dramatic and fundamental way. In so doing, it is believed that the success of PEP graduates will translate into a positive Return on Investment (ROI), whose impact will be felt not only by the prisoner’s families, but by local communities, and even the economy.

Founded by Catherine Rohr in May of 2004, the Prison Entrepreneurship Program has served close to 1,000 inmates, 840 of whom have been released from prison in good standing. As the program has fully developed, especially in the scope and depth of its post-release support system, the recidivism rate of

**Table 1: Reincarceration Rates for Release Cohorts, Fiscal Years 2008 and 2009**

Reincarceration Year	FY 2008 Total Cohort N=40,780		FY 2009 Total Cohort N=40,093	
	Number	Percent	Number	Percent
Year 1	2,239	5.5	2,190	5.5
Year 2	3,811	9.3	3,612	9.0
Year 3	3,092	7.6	3,257	8.1
<b>Total</b>	<b>9,142</b>		<b>9,059</b>	
<b>Reincarceration Rate</b>		<b>22.4</b>		<b>22.6</b>
<b>Reincarceration Rate (Men Only)</b>		<b>23.1</b>		<b>23.4</b>

Source: Statewide Criminal Justice Recidivism and Revocation Rates, Texas Legislative Budget Board 2013.



Table 2: Recidivism Results for Fiscal Year 2009 TDCJ Rehabilitation Programs

Rehabilitation Tier Programs	Two-Year Recidivism Rate			Three-Year Recidivism Rate		
	Treatment Group	Comparison Group	Difference	Treatment Group	Comparison Group	Difference
InnerChange <sup>26</sup>	9.73%	8.85%	0.88%	15.04%	18.58%	-3.54%
IPTC with Aftercare <sup>27</sup>	6.67%	13.37%	-6.70%	13.50%	21.75%	-8.25%
PRSAP <sup>28</sup>	12.93%	12.41%	0.52%	20.93%	20.56%	0.37%
PRTC <sup>29</sup>	12.73%	12.33%	0.40%	20.00%	19.78%	0.22%
SVORI <sup>30</sup>	25.71%	17.65%	8.07%	32.86%	31.37%	1.48%
SOEP <sup>31</sup>	7.09%	10.09%	-3.00%	11.19%	16.51%	-5.32%
SOTP - 18 <sup>32</sup>	5.64%	7.56%	-1.92%	11.79%	15.97%	-4.17%
SAFP with Aftercare <sup>33</sup>	9.10%	24.60%	-15.50%	19.28%	35.96%	-16.67%
DWI <sup>34</sup>	8.40%	10.58%	-2.18%	16.25%	20.82%	-4.57%

Source: *Evaluation of Offenders Released in Fiscal Year 2005 That Completed Rehabilitation Tier Programs*, TDCJ report presented to the 81st Texas Legislature, February 2009; *Evaluation of Offenders Released in Fiscal Year 2007 That Completed Rehabilitation Tier Programs*, TDCJ report presented to the 82nd Texas Legislature, April 2011.

PEP graduates has steadily declined, to the point that fewer than five percent of the PEP graduates released in good standing in 2008 recidivated within three years, and fewer than seven percent of those released in 2009 recidivated within three years. Though a three-year recidivism rate<sup>23</sup> of five to seven percent seems remarkably low by any measure, it is nonetheless important to know how PEP graduates compare to others prisoners following release from Texas prisons. According to the most recent data available (see Table 1), the Texas statewide recidivism rate stands for men at approximately 23%.<sup>24</sup> The Texas statewide three-year recidivism rate for the 2008 cohort of all male prisoners released from prison was 23.1%. The three-year recidivism rate for the 2009 cohort is 23.4%. The 2008 and 2009 prison release cohorts are almost identical and represent the most recent groups for which complete three-year follow-up data are available. Simply put, PEP participants are dramatically less likely than other former prisoners to be reincarcerated following release from Texas prisons.

However, one might reasonably argue that comparing PEP participants to all other Texas inmates is not a fair comparison – especially since the vast

majority of prisoners do not have the opportunity to participate in rehabilitation or treatment programs specifically designed to help inmates succeed during their transition back to society. Moreover, most prisons do not offer well-developed vocational programs that provide new skills or marketable trades that improve employment prospects in the free world. A more systematic or objective assessment might be to compare PEP recidivism rates to those of other rehabilitation programs within the Texas Department of Criminal Justice. As it turns out, TDCJ performs evaluations of all their rehabilitation tier programs and provides these reports to the Texas Legislature biannually.

As can be seen in Table 2, five of the nine programs tracked showed a lower recidivism rate (highlighted in red) than the comparison group after the two-year follow-up, and six showed a lower recidivism rate for the three-year recidivism window. In sum, findings presented in Table 2 indicate that, in general, rehabilitation programs within TDCJ are having a positive impact by significantly reducing recidivism.



However, an examination of recidivism among PEP graduates during the same two and three-year periods reveal significantly reduced recidivism when compared with all of the nine rehabilitation programs within TDCJ.<sup>25</sup> The two-year recidivism rate for PEP graduates released in 2009 is 2.78 percent and the three-year recidivism rate is 7 percent. In sum, PEP graduates are far less likely than other prisoners to be reincarcerated, and are also less likely to recidivate compared to inmates completing one of TDCJ's other exemplary rehabilitation programs. Finally, we take a look at another comparison group – those prisoners who qualified for

PEP, but for personal or institutional reasons did not participate in PEP. The three-year recidivism rate for this group is approximately 24% percent – more than three times that of PEP graduates and virtually identical to the recidivism rate of non-PEP inmates.

Return on Investment (ROI) calculations for PEP demonstrate that resources invested in the organization yield significant social and economic outcomes, including financial benefits for society and employers and savings for taxpayers, as well as positive impacts on the families of ex-offenders who successfully reintegrate into society. These figures, presented later in

<sup>23</sup> Recidivism can be measured a number of different ways. For example, an ex-prisoner can have their parole revoked for a technical violation (e.g., failure to report to the parole office) and go back to prison without even committing a new felony. A new arrest (whether or not convicted of a new offense) can also be a measure of recidivism. PEP counts as recidivists all men who have been returned to TDCJ custody (i.e., reincarcerated) according to the Department of Public Service records, whether due to a parole violation or conviction of a new crime. This is the same methodology used by the Legislative Budget Board in reporting “reincarceration” rates the cited report. Consequently, we will use the term recidivism and reincarceration interchangeably.

<sup>24</sup> Offenders released from Texas prisons during fiscal years 2008 and 2009 were monitored to determine the percentage reincarcerated within three years of release. Each offender who returned to state jail or prison at least once during the three-year follow-up period was considered reincarcerated. Source: Statewide Criminal Justice Recidivism and Revocation Rates, Texas Legislative Budget Board, p. 27, January 2013.

<sup>25</sup> Both the LBB (which reports to the Texas Legislature each two years on TDCJ activities) and PEP use systematic and objective approaches for calculating reincarceration rates. We have gone to considerable lengths to successfully verify and thus validate PEP rates in comparison with those of TDCJ.

<sup>26</sup> The InnerChange Freedom Initiative (IFI) rehabilitation tier program was initiated by Prison Fellowship Ministries (PFM) in cooperation with TDCJ in March 1997. IFI is a faith-based prerelease program targeting offenders within 18 to 30 months of release who are returning to the Greater Houston or Dallas/Fort Worth areas. Operated by PFM, IFI offers faith-based programs and life skills courses, and after-care support with the purpose of helping offenders successfully reintegrate upon release from prison. IFI is for male offenders only.

<sup>27</sup> The In-Prison Therapeutic Community (IPTC) is an intensive substance abuse treatment program for offenders approved for parole contingent upon completion of this program. The six month program operates within a therapeutic community environment and consists of Phase I (Orientation), Phase II (Treatment), and Phase III (Reentry and Relapse Prevention). Offenders may also participate in peer support groups such as Alcoholics Anonymous (AA), Narcotics Anonymous (NA), Cocaine Anonymous (CA), Winner's Circle, or Secular Organization for Sobriety (SOS). This program is available for both male and female offenders. The aftercare phase administers a diverse range of therapeutic, residential, outpatient, and alternative resource programs specifically targeted for offenders who participated in IPTC.

<sup>28</sup> The Pre-release Substance Abuse Program (PRSAP) is an intensive substance abuse treatment program for offenders approved for parole contingent upon completion of this program. This six month program is operated in a therapeutic community environment. The program consists of Phase I (Orientation), Phase II (Treatment) and Phase III (Reentry and Relapse Prevention). Offenders may also participate in peer support groups such as Alcoholics Anonymous (AA), Narcotics Anonymous (NA), Cocaine Anonymous (CA), Winner's Circle or Secular Organization for Sobriety (SOS). This program is for male offenders only.

<sup>29</sup> The Pre-Release Therapeutic Community (PRTC) is an intensive six month program for offenders in a therapeutic community setting. Offenders are approved for parole contingent upon completion of the program. There are three program tracks (substance abuse treatment, cognitive intervention and life skills, and vocational education). This program is for male offenders only.

<sup>30</sup> The Serious and Violent Offender Reentry Initiative (SVORI) provides pre-release and in-cell programs for inmates releasing directly from administrative segregation. The curriculum addresses leading causes of recidivism: anger management, thinking errors, substance abuse, life skills and employment. Some of the offenders with the parole stipulation of SVORI aftercare may participate in a continuum of care through a Parole District Reentry Center (DRC). Where available, continued programs via the DRC may be an advantage for those in the continuum of care and the process of reentry. SVORI is for male offenders only.

<sup>31</sup> The Sex Offender Education Program (SOEP) is a four-month, low-intensity program designed to assist sex offenders assessed to pose a low sexual re-offense risk or who may have an extended period of supervision. The SOEP employs a cognitive intervention model utilizing psycho-educational classes. The goal is to reduce the rate of re-offenses and move the participant toward a more pro-social lifestyle. The format of the SOEP is didactic and is intended to impact offenders lacking the knowledge to effect change in their patterns of thinking.

<sup>32</sup> The Sex Offender Treatment Program (SOTP-18) is an 18 month program of high intensity treatment designed to assist sex-offenders who pose a high sexual re-offense risk. The SOTP-18 employs a cognitive-behavioral model and includes psycho-educational classes as well as group and individual therapy in a Therapeutic Community. The primary goal of this program is to reduce the rate of re-offense and move the participant toward a more pro-social lifestyle via three phases (Education, Main Treatment, and Reentry Planning).

<sup>33</sup> The Substance Abuse Felony Punishment (SAFP) is an intensive substance abuse treatment program for offenders on probation or parole. SAFP is operated in a therapeutic community setting and lasts six months in most cases, but nine months for special needs offenders. A judge sentences an offender to SAFP as a condition of probation or as a modification of probation. The BPP may also place an offender in SAFP as a condition of parole. Offenders who participate in the SAFP program do so as an alternative to reincarceration.

<sup>34</sup> The DWI Program is a multimodal six month program developed for a complex population with diverse anti-social behavior issues and re-offending risk factors. The substance abuse treatment program specifically targets offenders who are incarcerated for DWI offenses.

# Exhibit 1: PEP Partnerships

## Participating MBA Programs

Acton MBA Program  
Bobson University  
Baylor University - Hankamer School of Business  
Carnegie Mellon University - Tepper School of Business  
Cornell University - Johnson Graduate School of Management  
Georgia Tech - College of Management  
Harvard Business School  
Massachusetts Institute of Technology - Sloan School of Management  
Northwestern University - Kellogg School of Management  
Rice University - Jesse H. Jones Graduate School of Management

Southern Methodist University- Cox School of Business  
Stanford Graduate School of Business  
Texas A&M University- Mays Business School  
Texas Tech - Rawls College of Business  
University of California Berkeley - Haas School of Business  
University of Chicago - Graduate School of Business  
University of Dallas - Graduate School of Management  
University of Maryland - Robert H. Smith's School of Business  
University of Oregon - Lundquist College of Business  
University of Pennsylvania - The Wharton School  
University of Texas Austin - McCombs School of Business  
University of Virginia - Darden School of Business  
University of Houston - C.T. Bauer College of Business

## Academic

FastTrac - Kauffman Foundation  
National Foundation for Teaching Entrepreneurship (NFTE)  
Financial Peace University (Dave Ramsey)  
Living in the Village (Ryan Mack)  
University of Virginia - Darden School of Business  
The Cyvia and Melvyn Wolff Center for Entrepreneurship - University of Houston

## In-kind Professional Services

Capital IQ  
Salesforce.com  
Texas State Optical (TSO)  
Minze Minces & Clark, PC  
CustomEyes Vision Care  
Glocap Search LLC  
Halftime

## Executive Cultivation

CEO Netweavers  
Core 24  
Entrepreneurs Foundation of North Texas  
The CEO Institute  
Dallas Social Venture Partners  
Salesmanship Club of Dallas

## Church

Church of the Holy Apostles - Katy, TX  
Fellowship of The Woodlands - The Woodlands, TX  
First Baptist Church Athens - Athens, TX  
Gateway Church - Southlake, TX  
Highland Park United Methodist Church - Dallas, TX  
Memorial Drive Presbyterian Church - Houston, TX  
St. Martin's Episcopal Church - Houston, TX  
The Loft, The Woodlands United Methodist Church, The Woodlands, TX  
Watermark Community Church - Dallas TX  
Willow Creek Association - Barrington, IL  
WoodsEdge Community Church - Spring, TX

## Re-entry Service

Caleb House  
Covington House  
Crossroads Community Services  
One Man's Treasure Clothes Closet  
Kiva.org  
People Fund (Formerly the Plan Fund)  
Ways to Work Car Loans  
Workforce Solutions  
The WorkFaith Connection

## Other In-Kind Suppliers

Generous Giving TACA  
The National Center for Fathering  
One Man's Treasure  
Zuma Office Supply

this study, are just a small representation of how PEP maximizes the human and financial capital expended within the U.S. criminal justice system. Under the leadership of CEO Bert Smith, PEP continues to grow and impact the lives of inmates, families, and numerous communities.

### pep and partnerships

PEP officials and participants alike attribute much of its success to an exceptional array of volunteers and partners, including dozens of business schools, collaborations and affiliations, church partners, employers, and a network of business executives committed to serving prisoners and ex-prisoners as professional mentors (see Exhibit 1). For example, PEP draws upon a coalition of partners specifically interested in cultivating potential executives. Participating business schools, along with executive business leaders who volunteer, are among the top in the nation. Similarly, partnering churches represent a wide range of denominations and faith-based organizations. This coalition includes partners purposely interested in targeting and addressing the many obstacles that make prisoner reentry such a difficult transition for so many former prisoners. The depth and breadth of the partners that support PEP, representing vastly different schools, businesses, congregations, and individuals, is a testament to the universal appeal of its mission.

PEP's strong relationship with the Texas Department of Criminal Justice represents its most important partnership and has helped to provide it with a stable and increasingly trusted presence within Texas. A mere four years after PEP's launch, the organization was asked by TDCJ to move to the Cleveland Correctional Center where it now operates exclusively and from which PEP can more effectively recruit statewide. Indeed, PEP recruits inmates from more than 60 prisons throughout the Texas Department of Criminal Justice.

According to Bryan Collier, Deputy Executive Director of TDCJ, the Prison Entrepreneurship Program is one of the most innovative and effective vol-

unteer programs operating within the Texas prison system. Collier credits the program's success to their holistic approach and their ability to effectively engage and then navigate much needed public-private support as well as secular-sacred partnerships:

*Solutions to crime require multifaceted approaches that must involve the private sector. We achieve true public safety when we can help transform offenders into law-abiding and productive citizens. PEP helps do just that and thus makes our communities safer, because the program gives offenders the tools, knowledge, desire, and the oversight necessary to help these men contribute in beneficial and pro-social ways to society. It's a paradigm-shifting program that through a blend of business leaders, volunteers, and a strong network of pre-and-post release support, offers meaningful change and rehabilitation to offenders.*<sup>35</sup>

### opportunity for transformation

Some of the most unique and critical ingredients for PEP's success are the "bookends" of the program, starting with a rigorous character-development process, coupled at the other end with an array of post-release peer support groups and family strengthening activities to give PEP graduates a new and pro-social network to support the transformation and revitalization of their lives. In between these bookends, however, are the key ingredients of PEP that separate it from other initiatives designed to help ex-prisoners live crime-free lives. At the front end, prior to an intense study of entrepreneurship, inmates accepted into PEP must first go through a three-month, 20-hour/week phase called "Effective Leadership" with a primary emphasis on character formation, work ethic and business/computer basics.

#### *Character Formation*

PEP is committed to the notion that the only way to bring about holistic, sustained transformation is through the teaching of essential life skills, moral decision-making, and spiritual discipline. PEP dis-

<sup>35</sup> Interview with Bryan Collier took place on August 27, 2013.



## Exhibit 2. PEP'S TEN DRIVING VALUES

- 1. "Fresh Start" Outlook** - PEP believes that every inmate is a human being in need of a true second chance. We will treat every inmate with respect, regardless of background or personal history. We strive to equip human beings to achieve their full potential. We believe that people can change, dignity can be restored and as a result society will reap bountifully.
- 2. Servant-Leader Mentality** - PEP believes that with leadership comes the overriding responsibility to be of service to others. We believe the contributions we make in the lives of others are far more important than our own accomplishments. We will lead by example with humility at the sacrifice of personal glory. PEP exists because of our desire to serve all those with whom we come in contact, especially our participants, executives, partners, donors, prison staff and the community at large.
- 3. Love** - We are committed to service in love. PEP staff and leaders will be patient and kind, never envious or boastful or rude. We will not seek our own way nor be easily provoked; rather, we will bear all things and endure all things. We will rejoice in the truth and always seek out the best in others.
- 4. Innovation** - We embrace a pioneering spirit and are constantly in the pursuit of innovation and improvement in our efforts to help others. We expect dramatic change. We are committed to seeing beyond the current perception, and even the current reality, to break stereotypes and shape new futures.
- 5. Accountability** - We believe that without accountability, neither our participants nor the executives with whom we work will be changed by the program. We will do everything in our power to help the participants succeed in life, but we provide only opportunities and tools; participants must want to change. Consequently, PEP only commits time and resources to those who demonstrate a desire to help themselves. PEP enforces a "no wiggle room" accountability program with participants. PEP volunteers and employees will likewise be held to a high standard of accountability, being required to take ownership of their initiatives and follow through with their commitments.
- 6. Integrity** - We model and require complete honesty and integrity in all our relationships and endeavors. Integrity means more than simply the absence of deception; it means we are completely forthright in all our dealings. We say what needs to be said, not simply what people want to hear. We are truthful with ourselves, listening attentively to feedback from others as they speak into our lives, correct us and reveal to us our blind spots.
- 7. Execution** - We place an emphasis on execution—the ability to get things done. We expect to deliver outstanding and timely results. Big thoughts don't matter if they are not turned into action. Self-discipline is a core element of our organization's culture. We sweat the small stuff. We hire people with a strong track record of successful execution.
- 8. Fun** - Work is an important part of life and it should be fun and rewarding. We seek to create a work environment that encourages laughter, imagination, fellowship and creativity. We regularly celebrate positive results and recognize those involved in the success.
- 9. Excellence** - We are dedicated to pursuing excellence in every area, despite the difficulties which arise from setting high standards. We seek to work with and learn from the best of the best. We are dedicated to developing excellence in leadership throughout our organization—leadership of projects, ideas and the promotion of our 10 Driving Values. PEP is committed to working with people and organizations who share our values and mission.
- 10. Wise Stewardship** - We are committed to the mentality of a steward: someone entrusted with another's wealth or property and charged with the responsibility of managing it in the owner's best interest. We will apply donors' funds as promised. We are committed to being a lean organization, and as a staff, we are also committed to modest salary and expense levels. We use funds intelligently, efficiently, and strategically to achieve maximum benefit for all whom we serve. Nonetheless, PEP has enrolled Muslims, Buddhists and those with no professed faith into the program, provided they show their commitment to transform their lives.

tinguishes itself from traditional faith-based prison ministries, which typically have Christian evangelism and discipleship as their primary objectives, and believes it is better described as a “faith-driven” or “faith-infused” organization. All of its leadership (as well as many of its volunteers and participants) comes from Christian faith communities, although it includes volunteers and participants of all faiths, and of no faith. Nonetheless, participants and graduates are given many opportunities to explore and grow in faith.

Qualifications for admission to PEP include, but are not limited, to the following:

- Within three years of release (long way discharge date)
- Clean recent disciplinary case history
- Minimum education of HS diploma or GED <sup>36</sup>
- No history of sexual crime convictions
- No current gang affiliations
- Must be committed to personal change
- Must demonstrate a strong work ethic
- Must be willing to be released to a positive environment that will increase his chance of success.

These last three criteria are critical, as explained by PEP’s CEO, Bert Smith:

*Inmates seeking entry into PEP face a rigorous application process. We don’t want men who are looking for the ‘easy way out.’ That’s too often the mindset of the criminal. Personal transformation is hard work, and we’re only interested in investing in those men who are willing to invest in themselves.*

### **Values-Based**

The Prison Entrepreneurship Program is an unambiguous values-based enterprise. Participants as well as volunteers continually encounter an undeniably strong value system in each phase of the program. PEP’s ten driving values, as seen in Exhibit 2, are

taken largely from well-established Judeo-Christian values and represent an overarching philosophy and commitment that undergirds each of the programs.

### **Business Plan Competition**

The heart of PEP’s in-prison program is the BPC Class. This rigorous “mini MBA” program is no doubt the most significant academic and personal challenge that participants have faced. The BPC class involves over 1,000 hours of classroom instruction over a period of six months, in addition to hundreds of hours of homework, group assignments and public events with PEP’s executive volunteers. During the BPC class, participants actually use a well-known college textbook. <sup>37</sup> This textbook is supplemented with classes that examine Harvard and Stanford MBA case studies, current events, literature, and public speaking.

Each PEP participant completes this entire workload while crafting a business plan for a venture he could start upon his release from prison. Basic business concepts are taught from the textbook, with pop quizzes, impromptu presentations and constant feedback that allow the men to learn both the theory as well as the practical application of the material.

Participants type their business plans on computers inside the prison, and PEP staff members download their files to be taken outside the correctional facility. These files are then sent to hundreds of volunteer Business Plan Advisors (including many business and MBA students, as well as experienced executives and entrepreneurs), each of whom is paired with an inmate participant. These Business Plan Advisors provide feedback on both the conceptual and grammatical aspects of the business plans, which are then brought back into the prison for the inmates to use to make their plans more realistic and feasible. The idea is not to have the participants write business plans that are “good enough for an inmate.” Rather, the strategy is to assist these men in creating excellent business plans that could rival those written by MBA-educated professionals.

<sup>36</sup> GED can be completed once accepted into PEP.

<sup>37</sup> Charles Bamford and Garry Bruton (2010). *Entrepreneurship: A Small Business Approach*. New York, NY: McGraw-Hill/Irwin.



PEP hosts many prison events during each BPC class, to which leading business executives from across the country are invited to observe and provide feedback for sales pitches and investment presentations. The six-month teaching process culminates in the inmates' creation of a full business plan and delivery of a 15-minute oral presentation to an executive judging panel during a two-day business plan competition, followed by a formal graduation ceremony. For many of the participants, this is the biggest accomplishment of their lives and their first-ever graduation. In addition to providing participants with an "MBA boot camp," prison instructors spend about half of their efforts teaching life skills and decision-making. Case studies on real-life situations are used to inspire integrity and moral excellence. Life topics are diverse and include interviewing techniques, dining etiquette, fatherhood, drug and alcohol abuse, marriage, dating, respect for authority, spirituality, and more.

### *The eSchool and Reentry*

One of the most prominent barriers to successful community reintegration, cited frequently in the re-entry research and program evaluation literature, is the fact most ex-offenders return to the same communities and often the same social network and relationships that contributed to their criminal behavior and subsequent imprisonment in the first place. More specifically, studies show that a former inmate's most vulnerable and impressionable time actually occurs in the first 72 hours following release. In response, PEP's re-entry services begin at the very moment the participant is released from prison, where a PEP Case Manager literally picks up and transports the PEP graduate to their PEP transitional home or other halfway house or residence.

PEP also carries forward the BPC training received in prison with the Entrepreneurship School (eSchool). The eSchool consists of busi-

ness workshops covering topics from sales and marketing to financial management, personal finances, and also includes a number of business networking events. Once a participant has completed 20 of these 2-3 hour workshops, they are eligible for graduation from the eSchool, which includes a cash bonus that the graduate can invest in a business, and access to PEP's network of investors.<sup>38</sup>

Beginning in 2007, PEP began offering its own transitional housing in an effort to improve graduates' chances of successful community reintegration. PEP leaders recognized that housing and re-entry issues continue to plague the successful return of ex-prisoners to society. In spite of years of effort, very few programs have been shown to be highly successful and cost-effective when it comes to prisoner reentry and aftercare. PEP soon saw the payoff of its investment, as recidivism rates for graduates in transitional housing was roughly half the already low rate for PEP participants overall. The rent paid for these homes is also a modest source of earned income for PEP, which contributes to the organization's sustainability. Currently, around two-thirds of PEP participants choose to parole at PEP transitional homes.

Another critical service provided by PEP post-release is help in finding employment. While incarcerated, each PEP participant learns how to write a resume and conduct himself in an interview. Upon release, his case manager meets individually with him to polish his resume and provide suggestions and job leads, often to employers with whom PEP has made previous contact to present the advantages of hiring the focused, hard-working, and teachable PEP graduates. As a result, PEP graduates have been astonishingly successful in obtaining and retaining employment; since mid-2010, every active PEP graduate has secured his first job within 90 days of his release from prison. Further, in

<sup>38</sup> Most of the workshops currently are on topics selected by the volunteer teachers, almost all of whom are professionals/executives. Topics range from life skills (personal finance) to business skills (internet research and marketing) to communication and conflict resolution.



a recent survey of graduates on the first anniversary of their release, PEP found that 95% reported being employed. This compares to unemployment rates of men released from general population that is generally believed to be around 50% one year after release.<sup>39</sup>

PEP graduates are also actively starting new businesses. PEP has identified at least 120 businesses that have been started by graduates and the results of a recent survey suggest that the total number may be as high as 240. Many are still one-man, owner-operated business, but a number are large enough to be employing others (including other PEP graduates) and some are reportedly grossing in excess of \$1 million annually.

Day Treatment Centers have been a popular alternative to the traditional parole system for released prisoners for more than two decades. Offenders typically go to the center during daytime hours and return home in the evening. The centers may require that offenders report daily, check in with counselors and take random drug tests. They may also offer educational, vocational, and job placement services. New published research on Day Treatment Centers in the state of New Jersey found that traditional parolees not only had lower recidivism rates than those of ex-prisoners in the Day Treatment Centers, but the traditional parole program also cost less. What this new research confirms is that Day Treatment Centers do not provide ex-prisoners with the same tools and advantages that help PEP graduates lead crime-free and productive lives – mentors, business plans, and ongoing support in employment and family reintegration.

### ***Volunteer Mentors Matter***

*Don't believe those who say 'It's every man for himself.' Personal success depends on your commitment to a community. The PEP 'gated community' educates and mentors inmates during their stay. Then PEP helps them reintegrate into legitimate society on the outside. It's true; these folks' behavior caused their incarceration, but they are taking active steps to better themselves and leave that past behind them. These men are changing their lives in a scary and dangerous place, and any entrepreneur can learn from that. We all have dark places to walk through in our business lives. Their example is inspiring, not to mention a little shaming when I think about those times when I might have complained in the past about things like parking or the size of my office.*

*PEP Mentor*

At yearend 2010, according the Bureau of Justice Statistics, the total U.S. prison population stood at roughly 1.6 million. This total includes state and federal prisoners, but does not include another 600,000 prisoners currently serving time in county jails or other local correctional facilities. To fully appreciate the dramatic growth in the prison population, it is helpful to remember the U.S. prison population was only 300,000 in 1980.<sup>40</sup>

While there is considerable debate over the consequences of higher incarceration rates, there is widespread agreement the country is facing a prisoner reentry crisis. Simply put, for the next several decades, roughly 700,000 prisoners will be returning to communities across the U.S. each year and as many as 10 percent of these ex-prisoners (70,000) will be returning to communities across Texas.

<sup>39</sup> We have not located any studies specifically on the unemployment rates for released prisoners at either the state or national level. Given the salience of employment for offenders, the literature is remarkably scarce in this area. However, research by Grant Duwe summarizes the recidivism, employment, and cost avoidance results from 13 program evaluations over the last 5 years in the Minnesota Department of Corrections (<http://www.doc.state.mn.us/publications/documents/WhatWorks2013.doc> ). Of the 13 evaluations, seven were for programs that provide at least some type of employment assistance. From these seven evaluations, depending on which group (treatment or control/comparison) examined, the unemployment rate during the first year following release ranges anywhere from a low of 16% to a high of 81%. As such, a rate of 50% is probably a fairly decent estimate.

<sup>40</sup> Bureau of Justice Statistics (2011). Washington, DC: U. S. Department of Justice.

# P.E.P.

PRISON ENTREPRENEURSHIP PROGRAM



prison  
entrepreneurship  
program

The transition from prison to society is a difficult one. Many ex-prisoners commit new crimes or violate the terms of parole shortly after release from prison. For example, a study in the state of Washington documents that during this initial reentry period, former prisoners are 12 times more likely than the general population to experience death. Moreover, ex-prisoners are much more likely to die as a result of drug overdose or suicide. Prisoner re-entry, therefore, is a very dangerous time for both ex-prisoners as well as the public at-large. The gravity of the prisoner re-entry crisis is compounded by a struggling U.S. economy. Historically, the criminal justice system has enjoyed significant budget increases, but this trend has ended as even correctional systems are being subjected to deep budget cuts. Fiscal constraint in public spending has caused decision-makers to think about ways to save money. One such recommendation is to grant early release from prison to a large number of prisoners. Early release of low-risk prisoners, so the argument goes, would save money by shrinking the prison population. Others, however, argue granting early release to prisoners could have severe consequences for public safety.

For example, in an effort to reduce the cost associated with high levels of imprisonment, the Montana Department of Corrections began an important experiment by releasing hundreds of inmates early in 2002. Prisoners assessed to be at “low risk” (their crime was not of a violent or sexual nature) for reoffending were selected for participation in the experiment. As one might expect, there has been considerable interest in a recently published article on the results of the Montana early release study, appropriately titled, “Too Early is Too Soon.” The results indicate that offenders released early from prison were significantly more likely to be re-arrested (and to do so more quickly) than a matched group of offenders experiencing a traditional parole release from prison.<sup>41</sup> The central takeaway point is that simply granting prisoners early release from prison is not

the best way to either reduce correctional budgets or protect the public.

To date, academics, practitioners, and policy experts have not proposed a viable strategy that meets the goal of reducing both incarceration costs and recidivism risks. But PEP provides a model that may bring hope for policy-makers. We know that providing job training and employment, housing, and life-skills are keys to reducing recidivism. But if budget constraints make such programs impossible to fund, then we must identify a realistic way to recruit large numbers of highly-skilled volunteers from diverse professions and fields that are willing to work side-by-side with ex-prisoners in helping them lead crime-free and productive lives. Preliminary research suggests that volunteer mentors can play this critical role in prisoner reentry and after-care.<sup>42</sup> Mentors can be consequential for prisoners and ex-prisoners because they are solid role models, with the ability to hold ex-prisoners accountable. Moreover, mentors have access to diverse networks of support that can help with transportation, housing, and employment.

PEP has shown that it is possible to recruit executives and entrepreneurial-minded individuals that are willing to mentor prisoners, and more importantly, to continue the mentoring process as these individuals become ex-prisoners. It is the post-release mentoring that separates PEP mentors from most other offender-based mentoring initiatives. Though this kind of mentoring requires more effort (and courage) than simply visiting inmates behind bars, PEP mentors routinely indicate they are the real beneficiaries in the mentoring relationship - not the other way around.

*My wife and I attended a recent eSchool graduation for men who have been released from prison and who continued their studies in the free world. She has been with me throughout my career to many business oriented events, like con-*

<sup>41</sup> Kevin A. Wright and Jeffrey W. Rosky (2011). “Too Early is Too Soon: Lessons from the Montana Department of Corrections Early Release Program,” *Criminology & Public Policy* 10:881-908.

<sup>42</sup> Byron R. Johnson (2008). “The Faith Factor and Prisoner Reentry,” *Interdisciplinary Journal of Research on Religion*, Volume 4, Article 5. [www.relig-journal.com](http://www.relig-journal.com).



*ventions, meetings, etc., and she can always read me like a book. After the event was over she said to me that I was different when I was at the PEP graduation. I was surprised, and asked her what she meant. She told me that I'm usually friendly and have a good time when we go to meetings together, but that I talked differently when I was with the people at PEP. I asked her if she meant when I was talking to the graduates, or when I was talking with the other volunteers who were there and she said 'both.' She told me that I talk to the people at PEP the way I talk to her, and to my children. She told me that I talk to them like I love them. I told her that she was right.*

#### *Volunteer and Employer*

As Robert Putnam has confirmed, American congregations are volunteer-rich organizations.<sup>43</sup> Indeed, most volunteers in prisons come from congregations. Unfortunately, prison ministries almost exclusively focus on working with incarcerated offenders only behind bars, and many of these efforts, though well intentioned, do not focus on employment and effectively competing in the job market. PEP is presenting a new model for mentoring offenders inside and outside of prison.

*I had spent over 14 years of my life in prison by the time I came to PEP. The program helped me to take a closer look at myself and make a lot of the internal changes within me that needed to happen for me to be ready to face the reality of life out here in the free world. Within four years, I am now managing not one but two companies.*

*PEP helped me in ways that I can't even explain...they gave me a network of people who had a drive to see me become what I needed to become in life. I was given awesome opportunities to be surrounded by people who had no reason to believe in me, but they did*

*because of PEP. That helped me to regain the hope that my family would see me as a transformed man. If it weren't for the PEP network and the amazing support that they gave me after my release, I really do not know where I would be in life right now. The supporters and the network made my transition so much easier than it would have been otherwise.*

#### *PEP Participant*

Beyond the skills training aspect of the post-release programming, PEP also weaves in a series of social networking activities, primarily in the form of House meetings and House dinners, in an effort to re-socialize PEP participants into a more positive, pro-social network of friends and relationships. House dinners are held on a monthly basis, and PEP graduates both residing in the transitional homes and those residing elsewhere are encouraged to be a part of these less-structured but equally important social environments to develop their relationship skills through interaction with fellow graduates as well as business leaders, professional mentors, and other PEP volunteers.

The purpose of these events is to “normalize” the PEP graduates’ home and social life, and provide them with both the support and accountability they will need to change their work culture and lifestyle from the often dysfunctional and chaotic life many of them led before going to prison. PEP not only encourages entrepreneurship for its participants, but also models the same entrepreneurial spirit in the way it continues to develop its program in new and innovative ways. PEP has also been a data-driven organization, with a clear focus on showing results. As Smith explained:

*In terms of tracking outcomes, our primary focus has been on recidivism, which directly reduces the government's costs of incar-*

<sup>43</sup> Robert D. Putnam and David E. Campbell (2010). *American Grace: How Religion Unites and Divides Us*. New York: Simon & Schuster.

*ceration as well as the misery suffered by the men and their loved ones. Close to that have been our efforts to track employment and new business formation and progress. Now, we want to move from capturing anecdotes to reliable data on other outcomes, such as being a good father to their children, and being in a place where they can give back to the community...and to future PEP graduates in need of guidance and support.*

One measure of the latter already tracked is the number of PEP graduates that support the organization financially. Remarkably, almost 30% of PEP's donors in recent years are graduates of the program.

### ***Family Reintegration***

Family reintegration is a cornerstone of PEP and in many respects constitutes the final stage, or bookend of the process. At a basic level, many PEP participants lack the most basic of social skills, such as how to treat women and how to respond appropriately to pressure from peers. Instead of waiting until they are released, PEP participants are encouraged to begin their community reintegration efforts while still in prison, learning generally accepted means of social interaction as well as what they need to do to heal broken family relationships. PEP provides a Family Liaison to each participant, who initiates the process by communicating with up to four "loved ones" selected by the PEP participant. The Family Liaison communicates to these family members the inmate's commitment to leading a transformed life upon release.

*PEP has helped to restore my relationship with my daughter. Without God, and the efforts of PEP, this would not have happened. I received a letter from my daughter saying she believes everybody deserves a second chance no matter what they've done in the past and all she wants from me is to be in her life. The hard effort and the time that PEP puts in to make sure every father's kids are thought of around the holidays is just a blessing. My daughter is 15, and I'm grateful to have the opportunity to be in her life for the first time.*

*PEP Participant*

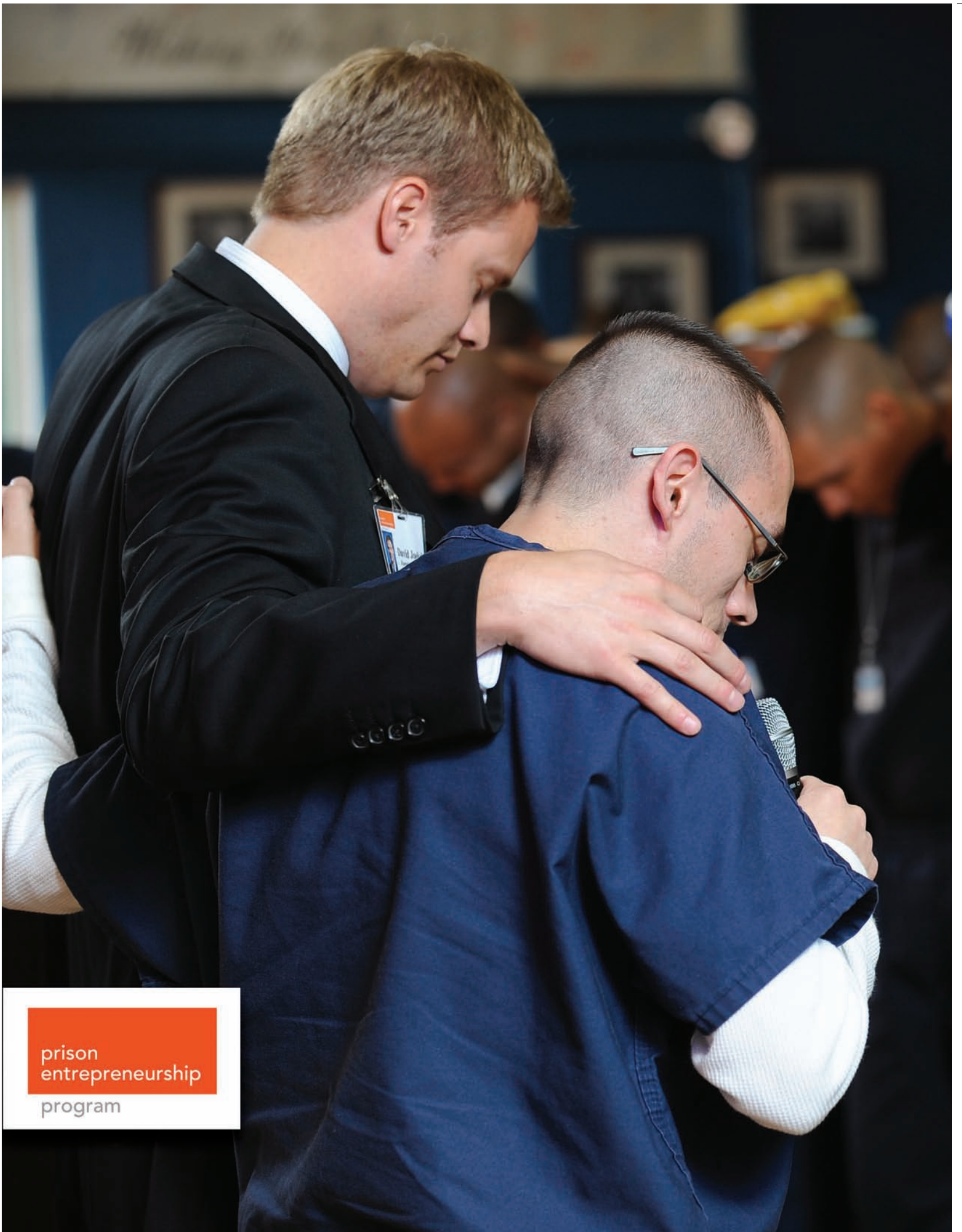
One of the more difficult issues to convey to family members is the necessity of supporting PEP and the decision to have the participant move into one of PEP's transitional homes after release. PEP has discovered through experience that men moving into transitional homes are half as likely to recidivate. Lastly, the Family Liaisons also encourage family members and loved ones to attend the BPC graduation ceremony.

For some PEP participants, the wraparound relationships and supports constitute a positive support network they have never experienced before. In addition, once the PEP Case Manager determines that the graduate is stabilized (usually after attending eSchool for at least four weeks and showing themselves accountable to PEP rules and expectations), they are matched with an executive mentor, with whom they also meet on a regular basis. For others, however, the House dinners and meetings are a pre-cursor to a further transitional step of re-entering into a family-type relationship that is affirming, accountable, and constructive.

This re-forming of family relationships is carefully folded into the graduate's new, pro-social network through special events (such as group outings to sporting events, the rodeo or concerts, as well as weekend trips to the beach or a nearby lake, with PEP, church partners, and individual volunteers often covering most costs). These events often provide PEP graduates and their families with experiences they have never had before with their families, giving opportunity to strengthen relationships and a more stable, long-term environment for PEP graduates seeking to build a new life.

*I've seen firsthand the many ways that PEP touches people's lives. My daughter's father was incarcerated for 2 years after getting incarcerated. He was accepted into PEP and forever changed his life! He went into prison broken, depressed, hopeless and lost. He came out totally transformed: optimistic about his future, motivated and driven, confident in himself, and ready to take on the world. As a result my daughter has had the absolute greatest Daddy she could have ever asked for. I'm not ashamed of what he went*





prison  
entrepreneurship  
program



*through. I am 100% proud to tell her the accomplishments he made for himself while in prison - and all thanks to PEP.*

*PEP Spouse*

Future PEP research and data gathering could focus on how their efforts to strengthen families of PEP graduates, in turn, provides even more significant long-term benefits in terms of the improved academic and behavioral outcomes of the children of PEP graduates, in contrast to the negative outcomes often associated with children of incarcerated parents. These PEP bookends – the pre-release character-building and post-release family-reintegration – resonate with a wealth of empirical research which documents how important and instrumental “turning points” can be regarding behavioral change in the life course of former offenders. Getting married, having children, getting a new job, and even spiritual conversions are just several examples of potential life-altering events or turning points associated with positive changes in a person’s behavioral trajectory. Sometimes dramatic, but more often over time through an intensive self-examination process, these turning points can be powerful in helping people make profound changes. In their award-winning book *Crime in the Making: Pathways and Turning Points through Life*, highly regarded criminologists Robert Sampson and John Laub discuss the crucial role turning points can play in reshaping the lives of former delinquents. These critical events in the life course make it possible for offenders to rebuild their lives. Moreover, turning points are closely linked to the process of desistance from crime. Processes of family formation, stable employment, and the disintegration of negative peer groups are all important shifts in identity and are central in understanding how former prisoners are able to rewrite their life’s script – what Maruna calls “redemption narratives” – and essentially get a new lease on life, a second chance to make good.

Regrettably, many of the individuals found within American prisons have not been the beneficiaries of turning points that are positive, restorative, or redemptive. Indeed, most prisoners come from distressed and disadvantaged backgrounds that include lack of parental oversight, poverty, academic failure,

gang involvement, drugs, violence, and frequent encounters with the criminal justice system. For many inmates, the only turning points they have experienced are those that tend to be destructive and often lead to more poor decision-making, harmful outcomes, undesirable behavioral trajectories typified by high recidivism, and paths that too often yield career criminals.

Conversely, PEP seeks to bring together a sustainable framework and environment whereby the likelihood of experiencing positive turning points becomes natural and even expected. Developing a business plan, having a mentor, gaining employment, restoring family relationships, and even finding faith can be powerful turning points. Moreover, the cumulative effects of multiple turning points is even more advantageous and is something that PEP leaders and volunteers work hard to facilitate and encourage.

### **pep’s economic and societal impact – a roi analysis**

For many non-profit organizations, quantifying the impact of services is an onerous task. The metric most commonly employed to convey value is the number of “touches” the organization made; that is, how many clients or participants it “served” in a given year. For the casual observer, the figures reported may seem impressive: 1,500 families provided with free health care, or 10,000 tons of food given through the food bank. Neglecting the opportunity to consider a tangible measure of economic and societal impact, though, can undercut an organization’s true value among its constituents and within the communities it serves.

Return on Investment (ROI) is a measure that businesses often use to evaluate the performance of a specific investment or as a comparative measure across multiple investments. ROI looks at the specific costs and benefits associated with a given investment, such as a financial investment, a corporate project, or perhaps a social initiative. For business-people, ROI is a standard method used to evaluate and communicate impact, providing apples-to-apples comparisons in apples-to-oranges environments. Non-profit organizations, like PEP, can use a modi-

Prisoner Entrepreneurship Program ROI Analysis			
<b>Economic Savings: Recidivism</b>			
Annual cost of incarcerating a man in Texas	A	\$21,390	Source: Vera Institute of Justice, True Cost of Prisons
Average prosecution cost per crime committed	B	\$570	Source: An Ounce of Prevention: Taxpayer Costs Avoided through Preventing Crime
Average public defender cost per crime committed	C	\$322	Source: An Ounce of Prevention (see above)
Average jury or court trial cost per crime committed	D	\$5,565	Source: An Ounce of Prevention (see above)
Average total court expenses per crime committed	E	\$6,458	Formula: B + C + D [Average total court expense per crime committed by recidivating offender]
Average total cost per recidivating offender in first year	F	\$27,848	Formula: A + E [Annual costs of incarceration plus total court expenses per crime committed]
Number of PEP graduates released in 2012	G	94	Source: PEP Official Statistics through 6/30/2013
Texas 3-year recidivism - non-PEP comparison group	H	24.0%	Source: PEP Official Statistics through 6/30/2013 [Recidivism for 51 inmates approved for PEP but did not participate because of transportation issues]
Expected number of non-PEP comparison group to return to prison within three years	I	23	Formula: G * H [Projected number of recidivists from non-PEP comparison group]
Total cost of recidivating offenders from non-PEP comparison group in first year	J	\$628,240	Formula: F * I [Total incarceration costs per recidivating offender in first year times projected number of recidivists from non-PEP comparison group]
Total cost of recidivating offenders from non-PEP comparison group after first year	K	\$482,588	Formula: A * I [Total incarceration costs per recidivating offender after first year times projected number of recidivists from non-PEP comparison group]
PEP actual 3-year recidivism	L	6.9%	Source: PEP Official Statistics through 6/30/2013
Expected number of PEP graduates who will return to prison within three years	M	6	Formula: G * L [Projected number of recidivists from among PEP graduates]
Estimated cost of incarcerating these men a second time in first year	N	\$180,619	Formula: F * M [Total incarceration costs per recidivating offender times projected number of PEP recidivists]
Estimated cost of incarcerating these men a second time after first year	O	\$138,736	Formula: A * M [Total incarceration costs per recidivating offender times projected number of PEP recidivists]
Estimated annual savings in incarceration costs to state from reduced recidivism in first year	P	\$447,621	Formula: J - N [Difference in total incarceration costs for recidivating offenders in first year between non-PEP comparison group and PEP graduates]
Estimated annual savings in incarceration costs to state from reduced recidivism after first year	Q	\$343,823	Formula: K - O [Difference in total incarceration costs for recidivating offenders after first year between non-PEP comparison group and PEP graduates]
<b>Economic Gains: Tax Revenue</b>			
Number of PEP graduates released in 2012	G	94	Source: PEP Official Statistics through 6/30/2013
Texas 3-year recidivism - non-PEP comparison group	H	24.0%	Source: PEP Official Statistics through 6/30/2013 [Recidivism for 51 inmates approved for PEP but did not participate because of transportation issues]
Expected number from non-PEP comparison group to return to prison within three years	I	23	Formula: G * H [Projected number of recidivists based on non-PEP comparison group recidivism rate]
Estimated number of non-PEP comparison group employable (i.e., non-recidivating) ex-offenders	R	71	Formula: G - I [PEP graduates minus projected recidivists from non-PEP comparison group]
PEP actual 3-year recidivism rate	L	6.9%	Source: PEP Official Statistics through 6/30/2013
Expected number of PEP graduates who will return to prison within three years	M	5	Formula: R * L [Projected PEP recidivists from 2012 graduates]
Estimated number of employable (i.e., non-recidivating) PEP graduates	R	89	Formula: G - M [PEP graduates less projected number of recidivists]
Estimated employment rate for US ex-offender population (i.e., if not for PEP)	S	50.0%	Source: "Ex-Offenders and the Labor Market," Center for Economic and Policy Research (Nov. 2010)
Expected number of non-PEP comparison group graduates who would be employed	T	36	Formula: R * S [Projected number of non-PEP comparison group employed ex-offenders]
Percentage of PEP graduates employed	U	95.0%	Source: PEP Follow-up reporting for the first and second quarters of 2013. 21 of 22 PEP participants reached (66% response rate) reported they were employed 1 year after release from prison.
Expected number of PEP graduates employed	V	85	Formula: R * U [Projected number of PEP graduates employed within 90 days of release]
Additional number of ex-offenders employed as a result of PEP	W	49	Formula: T - V [PEP graduates employed less ex-offenders otherwise employed if not for PEP]
Average annual salary of PEP graduate	X	\$25,000	Source: PEP Official Statistics through 6/30/2013. Overall average salary based on average \$13.00 hour wages earned by PEP graduates currently.
Average combined tax rate for Texas residents	Y	36.0%	Source: "Who Pays America's Tax Burden, and Who Gets the Most Government Spending?" Tax Foundation (March 2007)
Average estimated taxes paid per year by PEP graduate	Z	\$9,038	Formula: X * Y [Annual salary times average combined tax rate for Texas residents]
Estimated additional annual federal income and state sales tax generated by PEP graduates over ex-offenders otherwise employed	AA	\$441,908	Formula: W * Z [Additional PEP graduates employed times average annual estimated taxes]



PEP Return on Investment Analysis			
<b>Economic Gains: Child Support Payments</b>			
Number of PEP graduates released in 2012	G	94	Source: PEP Official Statistics through 6/30/2013
PEP actual 3-year recidivism rate	L	6.9%	Source: PEP Official Statistics through 6/30/2013
Expected number of PEP graduates who will return to prison within three years	M	6	Formula: $G * L$ [Projected number of recidivists from among PEP graduates]
Estimated number of employable (i.e., non-recidivating) PEP graduates	R	89	Formula: $G - M$ [PEP graduates less projected number of recidivists]
Percentage of PEP graduates employed	U	95%	Source: PEP Follow-up reporting for the first and second quarters of 2013. 21 of 22 PEP participants reached (66% response rate) reported they were employed 1 year after release from prison.
Expected number of PEP graduates employed	V	85	Formula: $R * U$ [Projected number of PEP graduates employed within 90 days of release]
Estimated percentage of employed PEP graduates with child support responsibilities	BB	20%	Source: Based on a sampling of PEP graduates employed through RKI with wage garnishments for child support.
Estimated number of employed PEP graduates with child support responsibilities	CC	17	Formula: $V * BB$ [Employed 2012 PEP graduates times estimated percentage with child support payment obligations]
Estimated annual payments towards child support	DD	\$ 4,290	Source: Average of monthly wage garnishments for child support for PEP employees of RKI
Estimated annual child support payments resulting from employed PEP graduates	EE	\$ 72,601	Formula: $CC * DD$ [Estimated number of PEP employees with child support obligations times average estimated monthly wage garnishment]
<b>Economic Savings: Government Assistance</b>			
Number of PEP graduates released in 2012	G	94	Source: PEP Official Statistics through 6/30/2013
PEP actual 3-year recidivism rate	L	6.9%	Source: PEP Official Statistics through 6/30/2013
Expected number of PEP graduates who will return to prison within three years	M	6	Formula: $G * L$ [Projected number of recidivists from among PEP graduates]
Estimated number of employable (i.e., non-recidivating) PEP graduates	R	89	Formula: $G - M$ [PEP graduates less projected number of recidivists]
Percentage of PEP graduates employed	U	95%	Source: PEP Follow-up reporting for the first and second quarters of 2013. 21 of 22 PEP participants reached (66% response rate) reported they were employed 1 year after release from prison.
Expected number of PEP graduates employed	V	85	Formula: $R * U$ [Projected number of PEP graduates employed within 90 days of release]
Estimated percentage of non-PEP ex-offenders on public assistance	FF	45%	Source: Based on rates of public assistance from a similar employment and training program prior to enrollment
Estimated percentage of PEP graduates on public assistance	GG	20%	Source: Based on rates of public assistance from a similar employment and training program after completion of training
Differential in percentage of ex-offenders on public assistance	HH	25%	Formula: $FF - GG$ [Additional percentage of non-PEP ex-offenders on public assistance]
Average annual benefits from food stamps per individual	II	\$1,601	Source: "Supplemental Nutrition Assistance Program Participation and Costs." USDA Food and Nutrition Service ( <a href="http://www.fns.usda.gov/pd/SNAPsummary.htm">http://www.fns.usda.gov/pd/SNAPsummary.htm</a> )
Average estimated annual benefits from TANF per individual	JJ	\$2,400	Source: WelfareInfo ( <a href="http://www.welfareinfo.org/payments/">http://www.welfareinfo.org/payments/</a> )
Estimated annual savings in public assistance costs attributed to PEP programs from avoided recidivism	KK	\$84,637	Formula: $V * HH * (II + JJ)$ [PEP graduates that would otherwise be on public assistance times sum of estimated annual food stamp and TANF costs]
<b>Totals: PEP Impact/Expenses</b>			
Number of PEP graduates released in 2012	G	94	Source: PEP Official Statistics through 6/30/2013
Estimated economic gains from PEP programs (annually)	LL	\$514,509	Formula: $AA + EE$ [Estimated incremental tax revenue gains and child support payments]
Estimated economic savings from PEP programs in year one	MM	\$532,257	Formula: $P + KK$ [Taxpayer savings in decreased public assistance and decreased incarceration costs in year one]
Estimated annual economic savings from PEP programs after year one	NN	\$428,459	Formula: $Q + KK$ [Taxpayer savings in decreased public assistance and decreased incarceration costs after year one]
Estimated economic impact from PEP programs in year one	OO	1,046,767	Formula: $LL + MM$ [Estimated economic gains plus estimated economic savings]
Estimated economic impact from PEP programs after year one	PP	942,969	Formula: $LL + NN$ [Estimated economic gains plus estimated economic savings]
Actual PEP expenses in 2012	QQ	\$1,418,057	Source: PEP 2012 financials (cash basis)
Actual PEP cost per released graduate	RR	\$15,085	Formula: $QQ / G$ [(PEP Budget) / (PEP graduates)]
Estimated economic impact per graduate of PEP Programs in year one	SS	\$11,136	Formula: $OO / G$ [(Combined impact) / (PEP graduates)]
Estimated economic impact per graduate of PEP Programs after one year	TT	\$10,032	Formula: $PP / G$ [(Combined impact) / (PEP graduates)]
<b>Totals: ROI</b>			
Comprehensive 1 Year ROI		74%	Formula: $SS / RR$ [(PEP financial impact per graduate in year one) / (PEP cost per graduate)]
Comprehensive 3 Year ROI		207%	Formula: $[(SS / RR) + ((TT / RR) * 2)]$ [(PEP financial impact per graduate in year one) / (PEP cost per graduate)] + [(PEP financial impact per graduate after year one) / (PEP cost per graduate)] * 2 yrs]
Comprehensive 5 Year ROI		340%	Formula: $[(SS / RR) + ((TT / RR) * 4)]$ [(PEP financial impact per graduate in year one) / (PEP cost per graduate)] + [(PEP financial impact per graduate after year one) / (PEP cost per graduate)] * 4 yrs]
Total Estimated Economic Impact Per \$1 Invested in PEP in Year 1		\$0.74	Formula: $SS / RR$ [(PEP financial impact per graduate in year one) / (PEP cost per graduate)]
Total Estimated Economic Impact Per \$1 Invested in PEP in Year 3		\$2.07	Formula: $[(SS / RR) + ((TT / RR) * 2)]$ [(PEP financial impact per graduate in year one) / (PEP cost per graduate)] + [(PEP financial impact per graduate after year one) / (PEP cost per graduate)] * 2 yrs]
Total Estimated Economic Impact Per \$1 Invested in PEP in Year 5		\$3.40	Formula: $[(SS / RR) + ((TT / RR) * 4)]$ [(PEP financial impact per graduate in year one) / (PEP cost per graduate)] + [(PEP financial impact per graduate after year one) / (PEP cost per graduate)] * 4 yrs]



fied economic ROI model to help stakeholders, constituents, and other observers understand the value of the time and money invested in the organization.

### *PEP's Economic Impact*

This study considers two key categories of impact: Economic Savings and Economic Gains. Quantifying specific economic outcomes, such as the additional federal and state tax revenues generated by employed PEP graduates, savings in incarceration costs from reduced recidivism, and reduced dependency on public assistance, among others, represents a tangible return on the resources invested in and through PEP. And while not all of PEP's impact can be directly measured, this ROI analysis provides an initial effort to calculate the tangible, economic outcomes that PEP influences. Exhibit 3 displays the full details and calculations of our ROI analysis.

The first area of economic impact we evaluate includes savings related to reduced recidivism. A PEP intervention clearly has a tremendous influence on reducing recidivism, as a non-PEP control group in Texas exhibits a three-year recidivism rate of 24% versus a 6.9% rate among PEP graduates. Reduced recidivism generates significant savings to the state, as the costs related to incarceration are limited, and in many cases, eliminated. Using the 94 graduates from PEP's class of 2012 as a base, we estimate that PEP saves the state \$447,621 in incarceration costs in the first year, and \$343,823 annually for subsequent years.

A second area of economic impact we calculate quantifies gains associated with increased tax revenue generation. Based on PEP's statistics on post-incarceration employment, the average annual salary of PEP graduates, and a study that offers an average combined tax rate for Texas

residents, we can estimate that each PEP graduate contributes over \$9,000 in tax revenue each year. Furthermore, using PEP's graduating class of 2012 as a base, we can estimate that PEP helps generate a total of \$441,908 in additional federal income, payroll, and state sales and other taxes annually.<sup>44</sup>

A third area of economic impact that PEP data help us evaluate includes economic gains from increased child support payments. As PEP graduates re-integrate into their families, gain employment, and again become contributing members of society, the data show that graduates' child support payments and wage garnishments also increase. Based on the estimated percentage of PEP graduates with child support responsibilities, we estimate that a total of approximately \$72,601 in annual child support payments results from employed PEP graduates.

The final area of economic impact we evaluate calculates savings from reduced public assistance costs. Based on PEP graduates' employment rates, the estimated number of PEP graduates on public assistance, and studies that quantify the average annual benefits individuals receive from food stamps and TANF, we estimate the annual savings that avoided recidivism has on public assistance costs. PEP graduates generate approximately \$84,637 in savings each year, as graduates are more likely to be self-sustaining after a PEP intervention.

The total projected impact from PEP programs in year one is \$1,046,767. In subsequent years, the total projected impact from PEP programs is \$942,969 annually. Assessing the value of this economic impact alongside PEP's total expenditures reveals an estimated yield for each dollar invested in the program.

<sup>44</sup> <http://taxfoundation.org/article/who-pays-americas-tax-burden-and-who-gets-most-government-spending>

**PEP’s ROI**

We estimate that PEP’s one-year ROI is 74% - that is, for every \$1 invested in PEP, the economy sees a \$0.74 return in year one. After three years, the initial \$1 invested multiplies into a ROI of \$2.07. After five years, the economic impact of the initial investment yields approximately \$3.40 in economic impact – a 340% ROI. Though it is obviously helpful to begin to quantify PEP’s overall impact, it is equally important to emphasize this figure does not include each and every potential economic gain and savings related to PEP interventions. As this study’s ROI findings are based on only a few of PEP’s several outcomes, these ROI figures are very conservative estimates of PEP’s total economic and societal impact. Indeed, our ROI analysis does not consider the cost savings associated with reduced crime victimization as a result of the crimes averted due to the PEP intervention. As stated earlier in this study, it was estimated that the annual cost associated with crime victimizations totaled \$450 billion in 1993. Clearly, that figure would be higher today. In sum, more than just the quantification of 94 graduates released from prison in 2012, it is clear that PEP graduates generate significant economic returns for the local, state, and federal economy.

**conclusion**

Citizens across the country are concerned because some 700,000 inmates are now returning to society each year, with approximately 70,000 of those returning to Texas communities each year. The prisoner reentry crisis is especially bad news for the disadvantaged communities to which most ex-prisoners will return. But the news is even worse for those inmates leaving prison.

**Why?**

Most prisoners are unprepared to leave and are unrealistic about their chances to “make it” outside of prison in society. Generally, ex-prisoners do not have the education, skills, or positive social supports

necessary to assist them in returning to society. As a result, many ex-prisoners commit new crimes in the first few weeks or months after release.

Research published in 2007 in the *New England Journal of Medicine* found that during the period immediately following release from prison, deaths among former prisoners were more than 12 times the average for the general population.<sup>45</sup> Furthermore, the death rate for drug overdose among ex-prisoners was 129 times the death rate for comparable citizens. This is why leading experts uniformly agree that the successful reintegration of former prisoners is one of the most formidable challenges facing society today. Indeed, prisoner reentry is a very dangerous time for ex-prisoners as well as society at large.

**What are we to do?**

Texas, like most states, does not have enough money simply to “fix the problem.” We need a new series of public-private and secular-sacred partnerships that will enlist thousands of new volunteers to assist correctional authorities in the delivery of much needed educational and vocational programs, not only in prisons, but in the communities to which prisoners will be returning. The Prison Entrepreneurship Program is the perfect example of such an effort and has been working in Texas prisons since 2004 to reduce recidivism and the substantial human and social costs resulting from it.

Two realities point to a new window of opportunity to do something about the mass release of prisoners back into our communities. First, an established and mounting body of empirical evidence documents the significant role of the “faith factor” in crime reduction. Second, shrinking state budgets are making it necessary to consider new approaches that emphasize cooperation between secular and sacred entities in order to help former prisoners remain crime-free after leaving prison. Innovative approaches like PEP will only be successful if many new volunteers and groups are encouraged to partner with governmental agencies in confronting the prisoner reentry crisis. Initiatives like PEP are our best chance to achieve

<sup>45</sup> Ingrid A. Binswanger, Marc F. Stern, Richard A. Deyo, Patrick J. Heagerty, Allen Cheadle, Joann G. Elmore, and Thomas D. Koepsell (2007). Release from Prison – A High Risk of Death for Former Inmates,” *New England Journal of Medicine* 365: 157-165.

scalable solutions in addressing the prisoner reentry crisis here in Texas – and elsewhere. These volunteer coalitions have the potential to bring together a “coalition of the willing” able to coordinate job placement, housing, life-skills, and most importantly, match prisoners (before they leave prison) with mentors who can hold them accountable on the outside while providing the social and spiritual support they need to live crime-free lives and be productive citizens. This combination of accountability and assistance is essential for any effort to effectively change the lives of offenders and lower recidivism, thereby, creating safer communities, fewer victims, and less cost to taxpayers.

### **a look ahead – the future of pep**

Like any smart and disciplined business, PEP is cautious about expanding too quickly. With increasing success, in terms of consistently lower recidivism rates over the past nine years, have come increasing levels of access and support provided through TDCJ. Although PEP receives no government funding, TDCJ provides transportation of prisoners recruited for PEP at no cost. Furthermore, PEP has been authorized by TDCJ to fully occupy the 520-bed Cleveland unit, which will allow them to significantly increase their capacity.

As an entrepreneurial organization, PEP is also looking to strengthen its sustainability through a number of social enterprises, both to bolster its earned income and also to expand its pool of job placement and business ownership opportunities for its graduates. PEP has incubated a for-profit business called Communitas Ventures that is forming several business start-ups in areas such as automotive servicing and real estate.

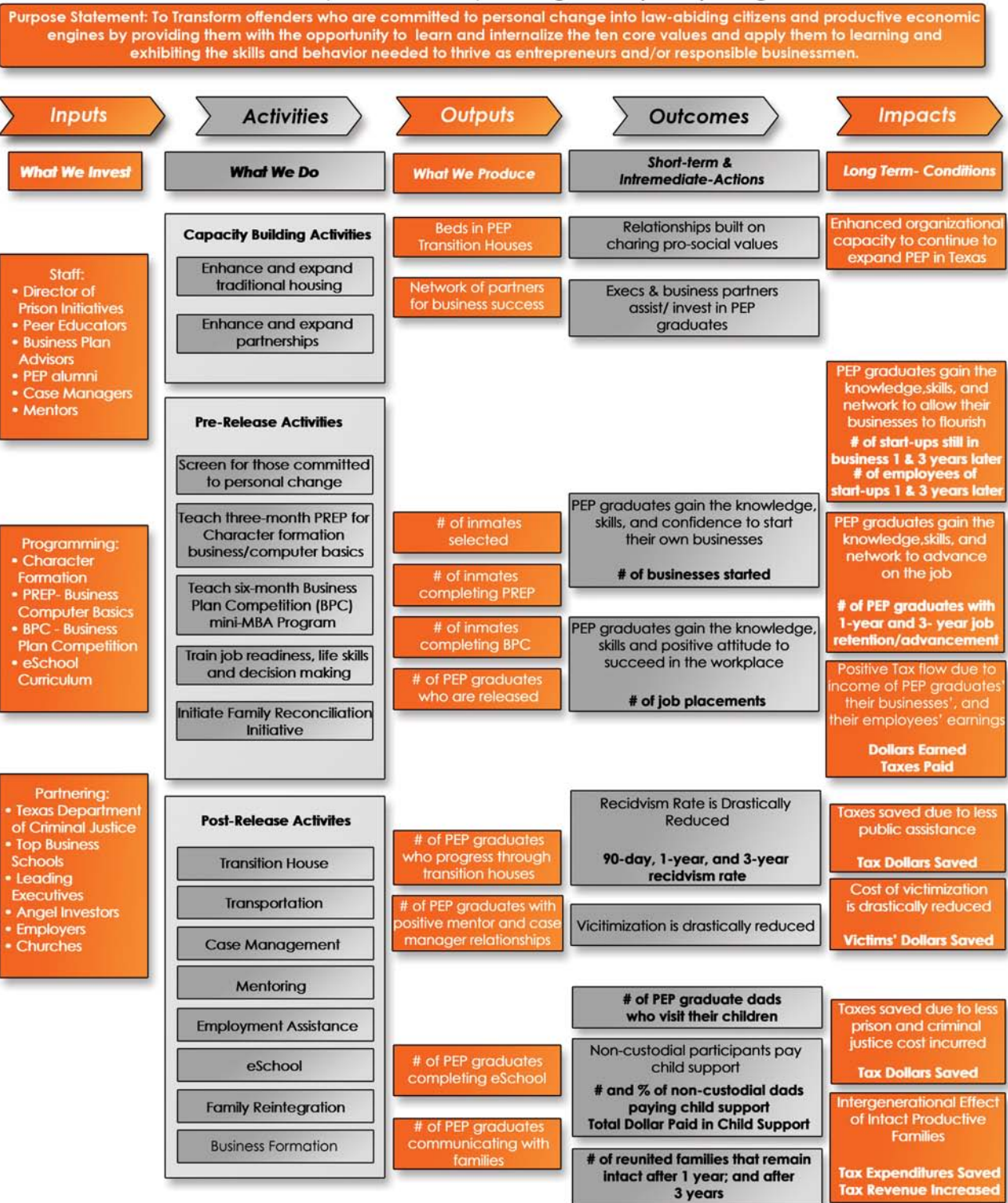
As PEP considers next steps they will first work to continue strengthening their already strong relationship with TDCJ. Second, the development of a logic model (see Exhibit 4) reflecting all the key components of PEP will be instrumental in not only helping the organization think critically about areas of improvement, but also providing an initial template for other jurisdictions consid-

ering how to effectively replicate PEP in other states and even other countries looking for cost-effective and innovative solutions to crime.



Exhibit 4: The Prison Entrepreneurship Program (PEP) Logic Model

## The Prison Entrepreneurship Program (PEP) Logic Model



## about the authors

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**Byron Johnson** is Distinguished Professor of the Social Sciences at Baylor University. He is the founding director of the Baylor Institute for Studies of Religion (ISR) as well as director of the Program on Prosocial Behavior. Johnson has just completed a series of studies on Boy Scouts and Eagle Scouts and is launching a longitudinal study of Boy Scouts in collaboration with colleagues at Tufts University. Professor Johnson was the principal investigator on a recent project funded by the Department of Justice to produce a series of empirical studies on the role of religion in prosocial youth behavior. He is a former member of the Coordinating Council for Juvenile Justice and Delinquency Prevention (Presidential Appointment). A leading authority on the scientific study of religion, the efficacy of faith-based organizations, and criminal justice, Johnson's recent publications focus on the impact of faith-based programs on recidivism reduction and prisoner reentry, which is the emphasis of his book, *More God, Less Crime*. Before joining the faculty at Baylor University, Johnson directed research centers at Vanderbilt University and the University of Pennsylvania. He is the 2013 Big Brother of the Year for Big Brothers Big Sisters Lone Star of Texas.

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