

Impact Analysis of the Prison Entrepreneurship Program

Reducing Recidivism and
Creating Economic Opportunity

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Prepared by the Initiative for a
Competitive Inner City (ICIC)



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1

The Prison Entrepreneurship Program (PEP)

INCARCERATION AND RECIDIVISM IN THE U.S. AND TEXAS: MEN AND WOMEN

National

1.4 million

incarcerated in 2016¹



68% re-arrested within
three years of release³

626,024

inmates released in 2016²



36% re-incarcerated within
three years of release³

Texas

151,276

incarcerated in 2016¹



47% re-arrested
within three years
of release⁴

76,733

inmates released in 2016²



22% re-incarcerated
within three years
of release⁴

Note: Statistics on this slide are for male and female incarcerated individuals.
¹ Count includes prisoners currently being held in custody of a state or federal correctional facility. Bureau of Justice Statistics (2016). *Inmates in custody of state or federal correctional facilities, including private prison facilities, December 31, 2016*.; ² Bureau of Justice Statistics (2016). *Number of releases of sentenced prisoners from state or federal prisons*.; ³ National re-arrest and re-incarceration statistics are for 30 states participating in study (including Texas) (Durose, Cooper, & Snyder, 2014).; ⁴ 2011-2016 Weighted Average (Legislative Budget Board [2013, 2015, 2017]).

TEXAS OUTRANKS ALL OTHER STATES IN NUMBER OF PEOPLE INCARCERATED

Texas Prison Statistics (2016)		
151,276	Prisoners in custody of state or federal correctional facilities ¹	U.S. Rank 1
563 prisoners per 100K residents	Imprisonment rate ²	7
77,385	Annual prison admissions ³	1
76,733	Annual prison releases ⁴	1
159,696	Prison facility capacity ⁵	1

Challenges facing incarcerated men:

Over 125,000 men were incarcerated in Texas in 2016.⁶ Nearly one in four men released from a state prison in Texas will return to prison within three years of release.⁷

The formerly incarcerated face serious economic challenges, including employers who are unwilling to hire individuals with criminal records and the inability to secure higher paying jobs.

Note: *Texas Prison Statistics (2016)* are for male and female incarcerated individuals. ¹ Count includes prisoners currently being held in custody of a state or federal correctional facility. Bureau of Justice Statistics (2016). *Inmates in custody of state or federal correctional facilities, including private prison facilities, December 31, 2016.*; ² Imprisonment rate is for all prisoners held under Texas state jurisdiction. Bureau of Justice Statistics (2016). *Imprisonment rate of sentenced prisoners under the jurisdiction of state or federal correctional authorities per 100,000 U.S. residents, December 31, 2016.*; ³ Bureau of Justice Statistics (2016). *Number of admissions of sentenced prisoners to state or federal prisons.*; ⁴ Count includes all prisoners released from Texas state jurisdiction. Bureau of Justice Statistics (2016). *Number of releases of sentenced prisoners from state or federal prisons.*; ⁵ Bureau of Justice Statistics (2016). *Prison facility capacity, custody population, and percent capacity, December 31, 2016.*; ⁶ Texas Department of Criminal Justice. (2016). *Texas Department of Criminal Justice Fiscal Year 2016 Statistical Report.*; ⁷ 2011-2016 Weighted Average (Legislative Budget Board [2013, 2015, 2017]).

Founded in 2004, the Prison Entrepreneurship Program seeks to reduce recidivism and increase economic opportunity for incarcerated individuals through entrepreneurship training and re-entry services. PEP utilizes a leadership and entrepreneurship curriculum in four prison units across Texas and provides re-entry services for its graduates, including transitional assistance, temporary housing and post-release employment and entrepreneurship support.

PEP's mission is to unite executives and inmates through entrepreneurial passion and servant leadership to transform lives, restore families and rebuild communities.

PEP's vision is to be an inspired national leader in prisoner re-entry.

“We strive to empower our men to move from being tax consumers to taxpayers; from gang leaders to servant leaders; and from felons to real fathers and philanthropists.”

– Bryan Kelley, CEO (Chief Empowerment Officer), 2014 Graduate

PEP'S TEN DRIVING VALUES

1. “Fresh Start” Outlook

2. Servant-Leader Mentality

3. Love

4. Innovation

5. Accountability

6. Integrity

7. Execution

8. Fun

9. Excellence

10. Wise Stewardship

ENTREPRENEURSHIP AS A STRATEGY TO REDUCE RECIDIVISM

Programs focused on entrepreneurship provide the formerly incarcerated with support to create businesses that offer the potential to build wealth and create greater economic mobility.¹











- **In-prison entrepreneurship programs** provide entrepreneurship training while individuals are in prison
- **Post-release entrepreneurship programs** provide entrepreneurship training after individuals are released from prison



PEP is one of the oldest, largest and most comprehensive prison entrepreneurship programs in the U.S. and has been influential in the formation and structure of similar programs across the U.S.

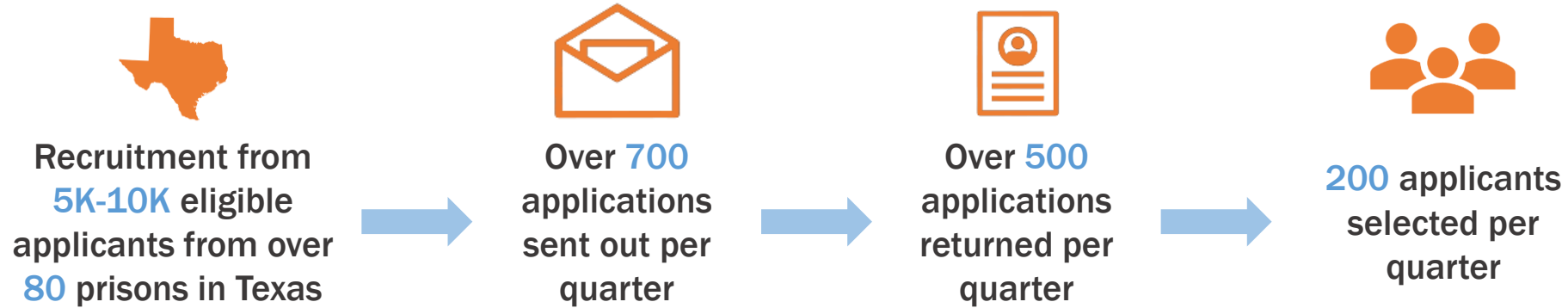
¹ Klein, J., & Mohan, L. (2016). *Prison to Proprietor: Entrepreneurship as a Re-Entry Strategy*. FIELD at the Aspen Institute.

COMPARISON OF PRISON ENTREPRENEURSHIP PROGRAMS IN THE U.S.

	 PEP	 Defy Ventures	 BEST	 LEAP	 LIFE	 OPEP	 Resilience Education	 The Last Mile	 INMATE'S to Entrepreneurs	 Project ReMADE
Program Type	In-prison and post-release		In-prison						Post-release	
Location	Texas	CA, CO, CT, NE, NJ, NY	Tennessee	Florida	Oregon	Ohio	Virginia	California, Indiana	North Carolina	California
Year Established	2004	2010	2014	2009	2007	2017	2011	2010	2008	2011
Annual Participants	>1,000	>1,000	15-30	20-40	20-40	15-30	10-20	Not reported	Not reported	<10
In-Prison Program Timing	Up to 9 months	Up to 14 months	6 months	8 months	7 months	3 months	9 months	6 months	Not applicable	Not applicable
Post-Release Services Timing	Indefinite (re-entry, education)	Indefinite (re-entry, education)	Indefinite (education)	Not reported	Indefinite (re-entry)	Not reported	Not reported	Not reported	2 months (education)	3 months (education)

Note: Programs include active programs listed in prison entrepreneurship program directories (Klein & Mohan, 2016; Leigh & Caroom, 2009) and a literature review completed by ICIC. The programs listed may not include all prison entrepreneurship programs in the U.S. Program information throughout this report is based on a review of program websites, annual reports, newspaper reports, press releases and interviews with program staff. 10

PEP APPLICATION PROCESS



PEP's rigorous application process recruits inmates from across Texas. PEP works with the Texas Department of Criminal Justice to recruit potential applicants. Qualifying inmates must be within three years of release, have (or are pursuing) a high school diploma or GED and cannot be active gang members or sexual offenders.

After completing a 20-page application, the top applicants are then given a study packet and a 50-question test. Those who score above 70% on the test move on to in-person interviews, which are used to select those applicants that PEP identifies as being a good fit for the program. Selected applicants are then transferred to a prison unit that offers the PEP program.

From 2004 to 2017, PEP was available only for male prisoners. In December 2017, PEP expanded its curriculum and now offers a women's-only program in one prison unit.

EDUCATION AND ENTREPRENEURIAL EXPERIENCE OF PEP PARTICIPANTS

PEP attracts individuals with various educational backgrounds and entrepreneurial experience.

Before prison:



of PEP graduates surveyed in 2017 had started or completed vocational classes, trade school or college.¹



of graduate entrepreneurs interviewed by ICIC had previous entrepreneurship experience (legitimate businesses).

¹ ICIC analysis of 2017 PEP graduate survey.

PEP IN-PRISON CURRICULUM



Leadership Academy (LA)

The LA is a three-month **leadership and character development course** designed to ground participants in PEP's 10 Driving Values.

The LA is a required part of the curriculum and provides a foundation for the remainder of the curriculum.



Business Plan Competition (BPC)

The BPC is a six-month long **"mini-MBA" component** of the PEP curriculum.

Participants develop business plans, work with executive volunteers and complete a college-level entrepreneurship curriculum.



Pitch Day and Graduation

Participants **pitch their business plans** to panels of judges through several competitive rounds.

The event concludes with a **graduation ceremony**, where participants receive a certificate of entrepreneurship from Baylor University. Graduates' families are encouraged to attend.

THE LEADERSHIP ACADEMY (LA)

During the LA, participants learn about their character traits and develop life action plans.



In the classroom...

20 hours
of class/week

12
weeks

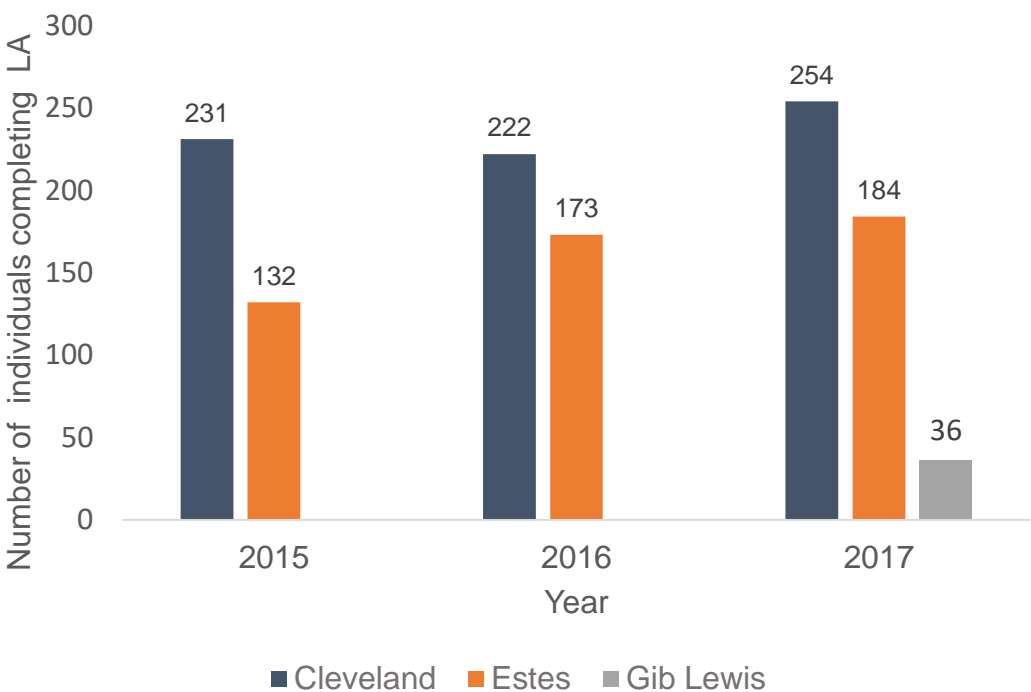


Curriculum...

Participants complete self-assessments and group exercises and receive programming on:

- Conflict resolution
- Social etiquette
- Drug and alcohol abuse
- Dating and marriage

Leadership Academy Completion Numbers by Prison Unit¹



Note: The Gib Lewis program began in 2017 with one Leadership Academy class.

¹ Leadership Academy completion numbers provided by PEP in March 2018. See Appendix for both completion and participation numbers for each prison unit.

THE BUSINESS PLAN COMPETITION (BPC)

The BPC curriculum is derived from a college-level entrepreneurship textbook and taught by PEP staff and graduates of prior PEP classes. Participants work with executive volunteers throughout the BPC who assist with researching, developing, editing and pitching the business plan.



In the classroom...

1,000 total hours of class | 24 weeks

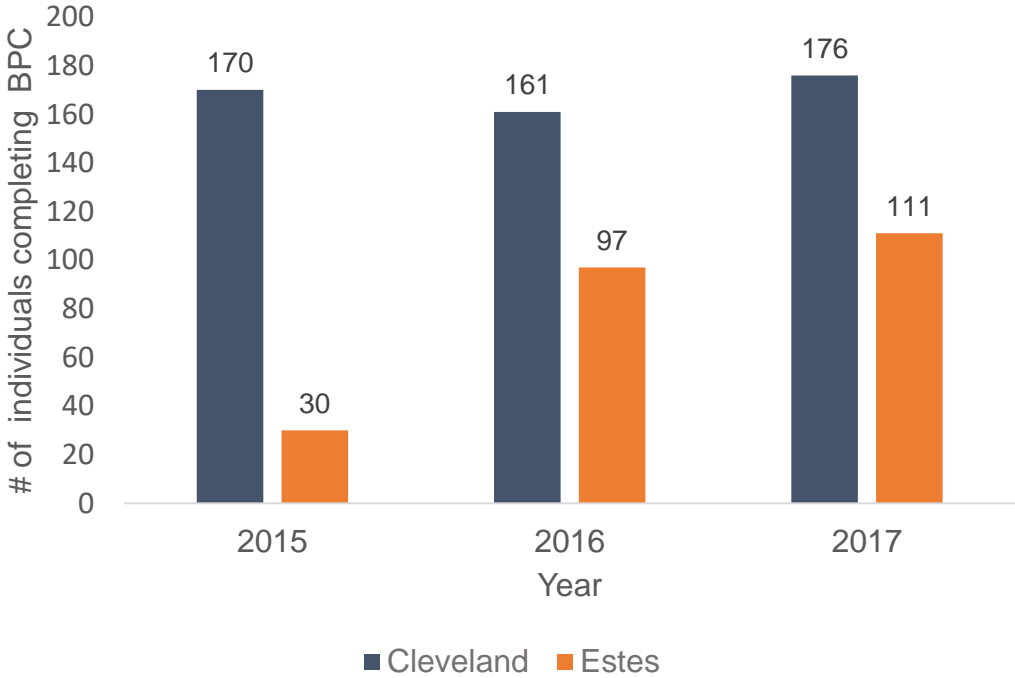


Curriculum...

Participants complete a Toastmasters course, read Harvard Business School case studies and complete lessons on:

- Entrepreneurship
- Public speaking
- Business accounting
- Developing a business plan

BPC Completion Numbers by Prison Unit¹



Note: PEP does not run the BPC at the Gib Lewis unit.

¹ Business Plan Competition completion numbers provided by PEP in March 2018. See Appendix for both completion and participation numbers for each prison unit.



PEP ONGOING SUPPORT

PEP provides several additional services to its participants and graduates, both in prison and post release, to support successful re-entry. These comprehensive services are offered to PEP graduates indefinitely.



Family Liaisons

- Trained PEP staff assigned to participants in the first few weeks of the BPC.
- Family Liaisons work with PEP participants to assess each individual's current family situation and support the process of reconciliation between participants and families.



Re-entry Services

- PEP's seven-member transition team helps each graduate prepare necessary paperwork and logistics.
- PEP operates six transition homes, which provide free housing for a graduate's first two weeks post release and cost \$100/week after that.



Entrepreneurship School (eSchool)

- eSchool is an ongoing education program that provides weekly workshops on business and life skills.
- Participants who complete 16-20 workshops and assignments successfully earn a second PEP diploma and become eligible for financing through PEP's relationships.



MEASURING PEP'S IMPACT

Previous research has recognized PEP as a promising approach to reduce recidivism because of the program's effectiveness and unique combination of in-prison education with post-release services. ICIC was engaged to conduct a more robust impact evaluation of the program that includes an analysis of PEP's impact in increasing economic opportunity and reducing recidivism for its graduates, its effectiveness as an entrepreneurship program and the economic and fiscal impact of the program.

Recidivism Reduction and Return on Investment (Johnson et al., 2013)

PEP delivers a 380% reduction in recidivism compared to 9 other rehabilitation programs.

PEP generates a positive return on investment, estimated as 340% for a five-year time period.

The Prison Entrepreneurship Program: An Innovative Approach to Reentry (English, 2016)

PEP offers numerous best practices and lessons for policymakers, advocates and scholars.

PEP's model is unique because it connects in-prison and post-release services.

Prison to Proprietor: Entrepreneurship as a Re-Entry Strategy (Klein & Mohan, 2016)

Entrepreneurship can play a crucial role in helping formerly incarcerated individuals build confidence, connect with the labor market and achieve self-sufficiency.

PEP is highlighted as an example of a prison entrepreneurship program model.

2

Impact:

**Creating Economic Opportunity for the
Formerly Incarcerated**

MEASURING ECONOMIC OPPORTUNITY FOR ENTREPRENEURS

ICIC analyzed 2017 annual survey data for 371 PEP graduates collected by PEP (119 entrepreneurs, 252 graduates who have not started a business), PEP annual reports (2015-2017) and conducted interviews with 38 PEP graduates in 2018.

Economic Opportunity Indicators



Income

- Business or employment income



Economic stability

- Long-term business plan
- Age of business



Wealth building

- Income growth
- Savings account
- Retirement savings
- Financial assets



Health care

- Adequate health care coverage

2018 ICIC Interviews

33 entrepreneurs





- > **18** full-time entrepreneurs with active businesses
- > **9** part-time entrepreneurs with active businesses
- > **5** entrepreneurs with closed businesses
- > **1** entrepreneur with a sold business

5 graduates who have not started a business

PEP GRADUATES AND BUSINESS FORMATION


2,180
graduates¹


361
businesses formed²

PEP Businesses	 OPEN	 CLOSED	 SOLD	 TOTAL
Texas	189	124	2	315
Dallas Area	67	29	2	98
Houston Area	83	78	0	161
Other Texas Area	39	17	0	56
Rest of U.S.	13	11	0	24
Not Classified	3	19	0	22
Total	205	154	2	361

Notes: Geography is based on information provided by PEP and ICIC's review of publicly available business listings and websites.
Source: List of PEP businesses provided by PEP for all businesses as of January 2018.

Nearly 1 of 4 released PEP graduates have started a business.³

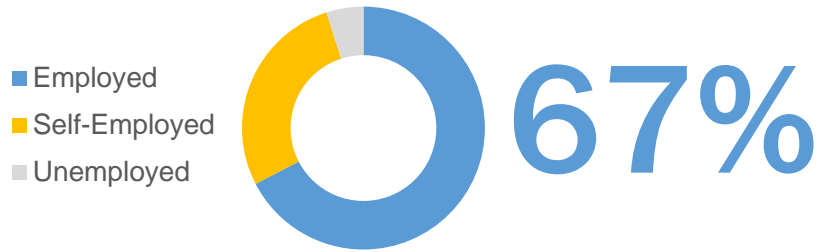
57% of PEP businesses formed during 2004 to 2018 remain open, compared to 53% of all Texas businesses.⁴

¹ Number of PEP graduates provided by PEP for all graduates as of June 2018.; ² List of PEP businesses provided by PEP for all businesses as of January 2018.; ³ ICIC analysis of PEP cumulative graduates and businesses formed. PEP statistics provided by PEP and are for cumulative *released* graduates as of January 2018 (1,596) and cumulative businesses formed as of January 2018 (361). We assume that each unique business formed corresponds with a unique graduate.; ⁴ Survival rate of Texas businesses estimated using the cumulative number of businesses opened and closed in Texas between 2004 and 2017 (the most recent year available). Bureau of Labor Statistics (2017). *Survival of private sector establishments by opening year (Texas)*.

PEP EMPLOYMENT RATES

100%

of PEP graduates are employed or self-employed within 90 days of release for the last 7 consecutive years.¹

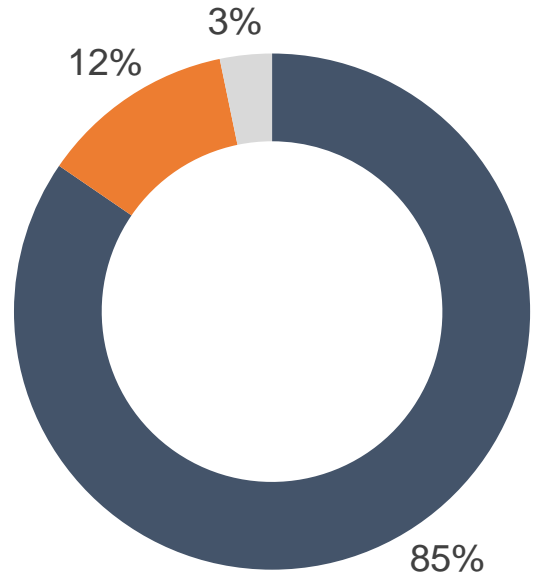


of PEP graduates surveyed in 2017 are employees (W-2, 1099 or cash workers).²

PEP plays a critical role in finding employment opportunities for graduates, especially the first job post release. PEP has strong relationships with numerous employers in Texas. Many employers have hired multiple PEP graduates and at least three have hired more than 20. PEP also hires its own graduates: over 80% of PEP’s full-time staff are graduates of the program.

94% of PEP graduates surveyed in 2017 were either employed or self-employed, compared to 43% of formerly incarcerated men in Texas.³

PEP Employees by Type



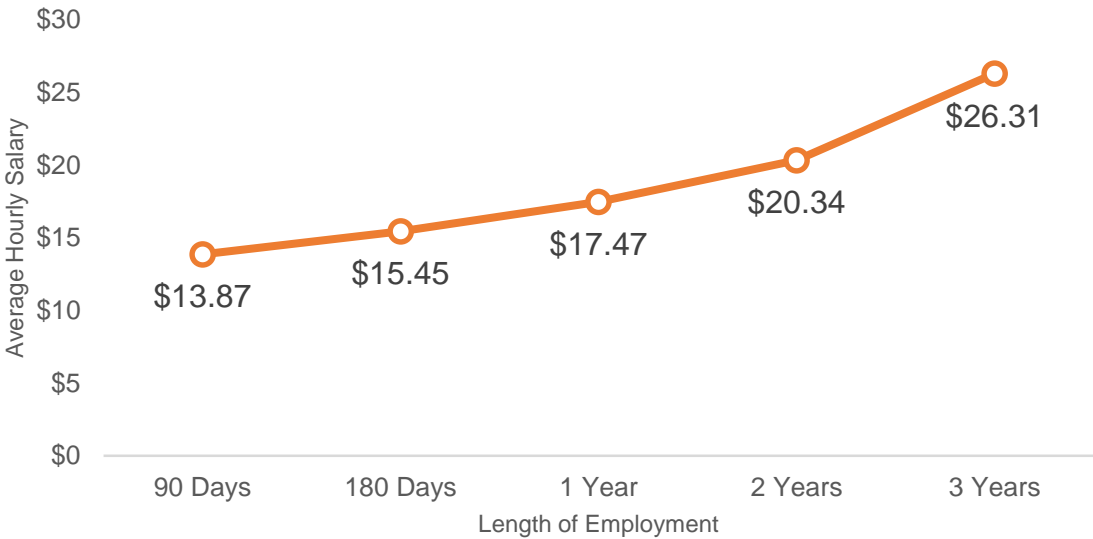
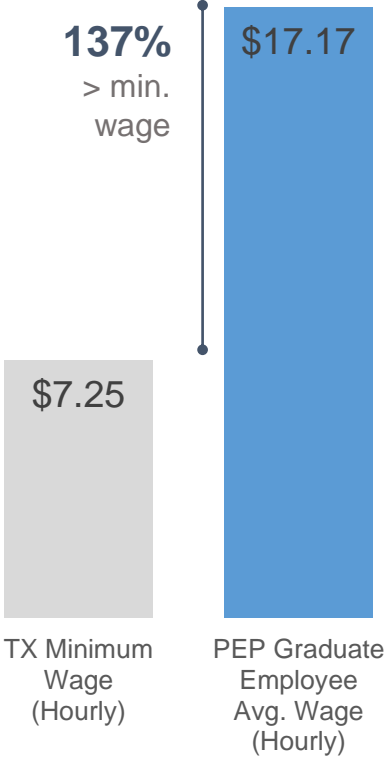
- W-2 Employee
- 1099 Contracted Worker
- Cash Worker

Source: ICIC analysis of 2017 PEP graduate survey.

¹ Prison Entrepreneurship Program. (2018). *Prison Entrepreneurship Program Annual Report 2017*.; ² ICIC analysis of 2017 PEP graduate survey.; ³ ICIC analysis of 2017 PEP graduate survey. Texas data is for formerly incarcerated men one year after release (Looney & Turner, 2018).

INCOME FOR PEP GRADUATES: EMPLOYEES

For graduate employees, average wages are 137% greater than the Texas minimum wage.¹



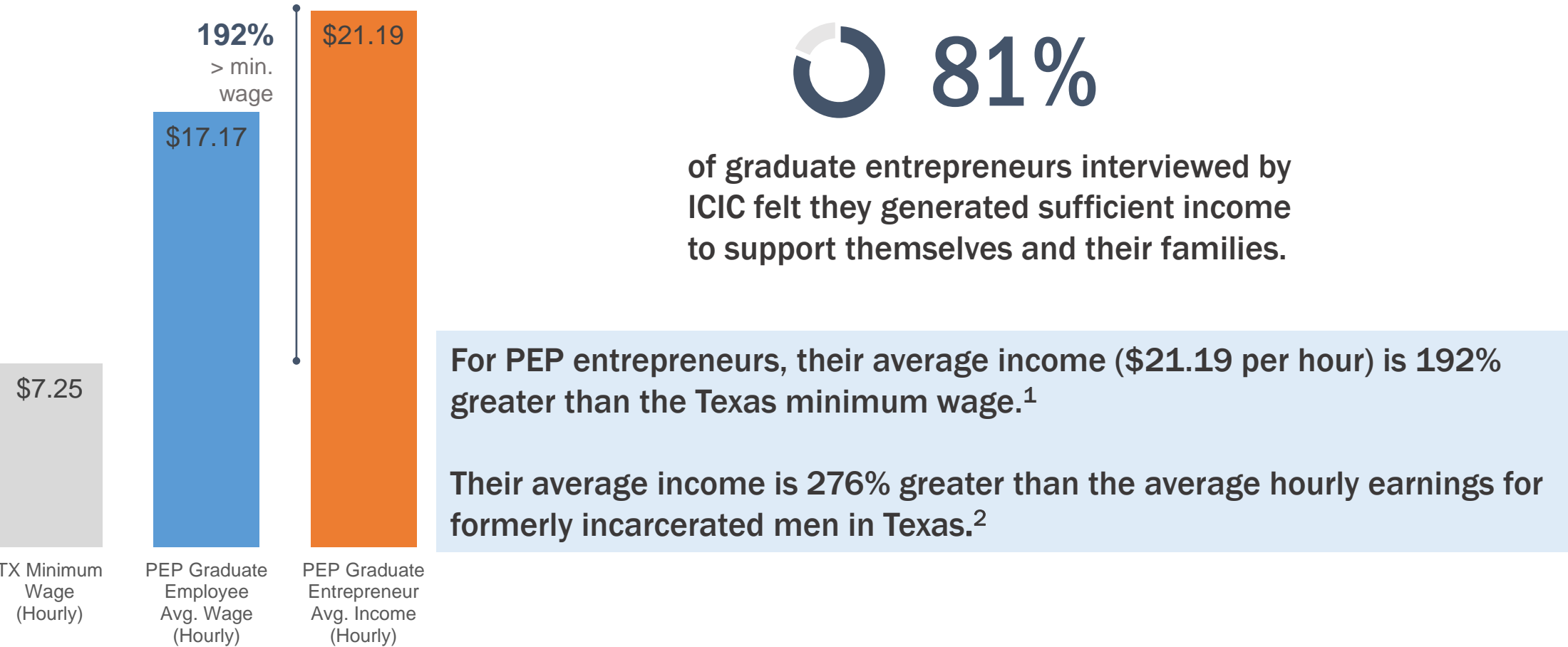
Source: Prison Entrepreneurship Program (2018)

PEP graduates report steady increases in wages the longer they are employed.²

¹ ICIC analysis of 2017 PEP graduate survey. Graduate employees are PEP graduates who are currently employed and do not have an active business. PEP graduates were asked to select from five salary range options. An individual's wage or income is estimated by taking the midpoint of the salary range.;

² Prison Entrepreneurship Program. (2018). *Prison Entrepreneurship Program Annual Report 2017*.

INCOME FOR PEP GRADUATES: ENTREPRENEURS



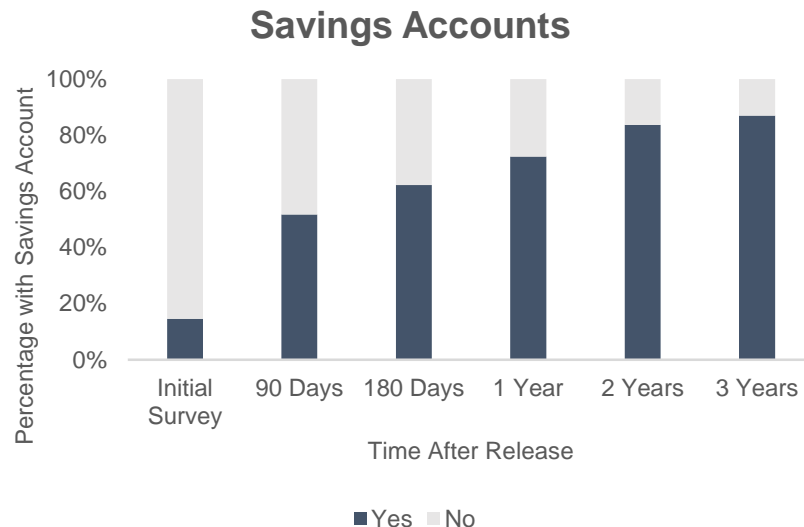
¹ ICIC analysis of 2017 PEP graduate survey. Graduate entrepreneurs are full-time and part-time graduate entrepreneurs with active businesses. Graduate employees are PEP graduates who are currently employed and do not have an active business. PEP graduates were asked to select from five salary range options. An individual's wage or income is estimated by taking the midpoint of the salary range. We assume a minimum wage of \$7.25 per hour, the Texas minimum wage.; ² The average earnings for formerly incarcerated males in Texas is \$5.63 per hour. We assume each individual works 1,783 hours annually, the U.S. average based on data from the OECD, which may underestimate the hourly wage for formerly incarcerated males in Texas. Earnings are for individuals who filed a W-2 tax form and includes both employees and self-employed individuals (Looney & Turner, 2018).

WEALTH BUILDING

Graduate entrepreneurs report that they have been able to **purchase homes, invest and save for retirement**. Over 85% of PEP graduates (employees and entrepreneurs) have **savings accounts** 3 years after release.

 **39%**

of graduates released for at least three years are homeowners.¹



Source: Prison Entrepreneurship Program. (2018). *Prison Entrepreneurship Program Annual Report 2017*

“I’m 52 years old. I’m looking to build this business as a plan to reach retirement. My business is a tool to create cash flow in order to invest and create passive income for retirement.”
– 2011 graduate entrepreneur

“At the first place I worked at out of prison, I was told that the job paid \$13 per hour, but with a felony only \$10. I didn’t want to start a business for a few years, but decided I had to because it was the only way to financially survive. I’ve been able to buy a house and truck—I wouldn’t be able to afford these otherwise.”
– 2009 graduate entrepreneur

¹ Prison Entrepreneurship Program. (2017). *Graduate Survey Summer 2017*.

ECONOMIC STABILITY

4 years

average age of active PEP
businesses¹

78%

of graduate entrepreneurs
interviewed by ICIC expect
to run their businesses over
the next few years.

Many PEP graduate entrepreneurs interviewed by ICIC find that their businesses provide **greater economic stability compared to their previous employment experiences.**

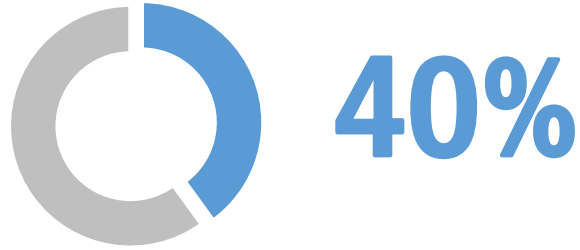


“Running a business has kept me employed. I was very concerned about this given that I have a felony. I’ve been able to make a living for my family and create jobs for other people. It has definitely increased economic opportunities for me. I just built a house and moved in. I probably couldn’t have done this with a normal job.”

– 2005 graduate entrepreneur

¹ ICIC analysis of list of PEP businesses provided by PEP for all businesses as of January 2018.

HEALTH CARE COVERAGE



of graduate entrepreneurs interviewed by ICIC have health insurance, compared to 72% of self-employed individuals in Texas.¹

“There have been a couple of times where [our family’s medical costs] almost bankrupted me. More than one time I’ve thought that I could just get out of this business and go back to working for someone else [with health care benefits].”

– 2011 graduate entrepreneur

“No, I don't have any health insurance. I've been gambling for awhile. As a business owner, I know you need to supply your own, but I don't have it yet. It's coming down the line. I'm hoping to get it down the line.”

– 2014 graduate entrepreneur

¹ Health insurance data for PEP graduate entrepreneurs is for 10 graduate entrepreneurs who provided health insurance information. Texas health insurance data is from ICIC analysis of 2016 American Community Survey Public Use Microdata Sample (PUMS) 5-Year Estimates. Self-employed individuals are individuals either self-employed in their own incorporated business or unincorporated business.

OTHER BENEFITS OF BEING AN ENTREPRENEUR



of graduate entrepreneurs interviewed by ICIC cited **work flexibility** as a benefit of running their businesses.



“Flexibility is the biggest benefit of starting my business. When I first got out of prison, I was working 16 to 18 hours a day to make up what I had lost when going to prison. Once I was able to build up, I slowed down. Now I am able to take a month long vacation.”

– 2009 graduate entrepreneur

Starting a business allowed for **more flexibility in work schedules and time to take vacations or spend with their families.**

“This became one of my big dreams when I was on the inside — there were a lot of good guys who have no hope after coming out of prison. All they ever knew was poverty. Running my business, now I can hire people who were living in poverty and create opportunities for them.”

— 2014 graduate entrepreneur



3

Impact:

Reducing Recidivism

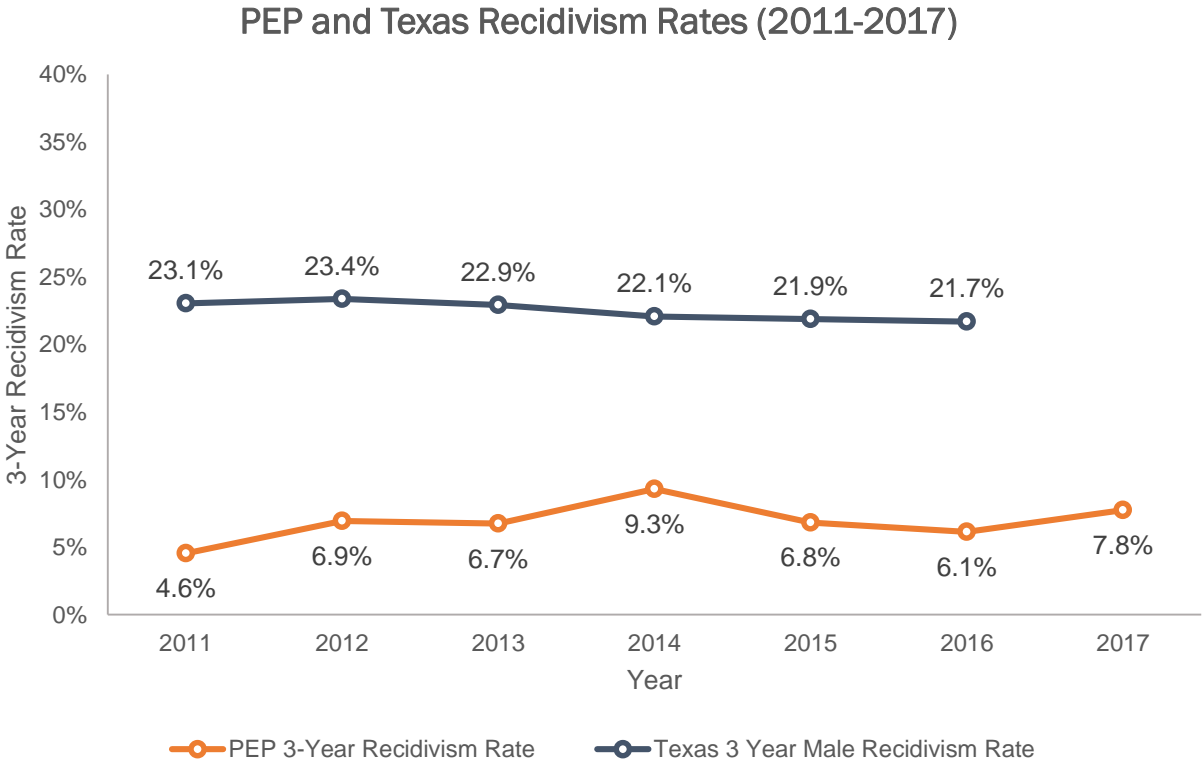
THE IMPACT OF PRISON EDUCATION PROGRAMS

Inmates who participate in any kind of prison education program (e.g., coursework, vocational classes), are up to 43% less likely to return to prison and 13% more likely to obtain employment than other inmates.¹

PEP graduates are 70% less likely to return to prison and 119% more likely to obtain employment than other incarcerated men in Texas.²

¹ Davis, et al. (2014). *How Effective Is Correctional Education, and Where Do We Go from Here? The Results of a Comprehensive Evaluation*. RAND Corporation.; ² ICIC analysis using PEP recidivism (7%) and employment rates (94%) and recidivism and employment rates for a comparison group. Employment rate is for employed and self-employed PEP graduates. For the comparison group, we used a recidivism rate of 23% using Texas Department of Criminal Justice data for males and an employment rate of 43% for formerly incarcerated males in Texas using Looney & Turner (2018). Employment from Looney & Turner (2018) includes individuals who filed a W-2 tax form and includes both employees and self-employed individuals.

RECIDIVISM FOR PEP GRADUATES



Notes: Texas 3-year recidivism rate not yet available for 2017.
Source: Legislative Budget Board (2013, 2015, 2017), PEP administrative records (2018).

7%
PEP 3-Year Recidivism Rate
(2011-2016 Weighted Average)¹

23%
Texas 3-Year Male Recidivism Rate
(2011-2016 Weighted Average)²

¹ ICIC analysis of PEP administrative records provided by PEP for 2011 to 2016.
² ICIC analysis of Legislative Budget Board male recidivism statistics from Legislative Budget Board (2013, 2015, 2017).

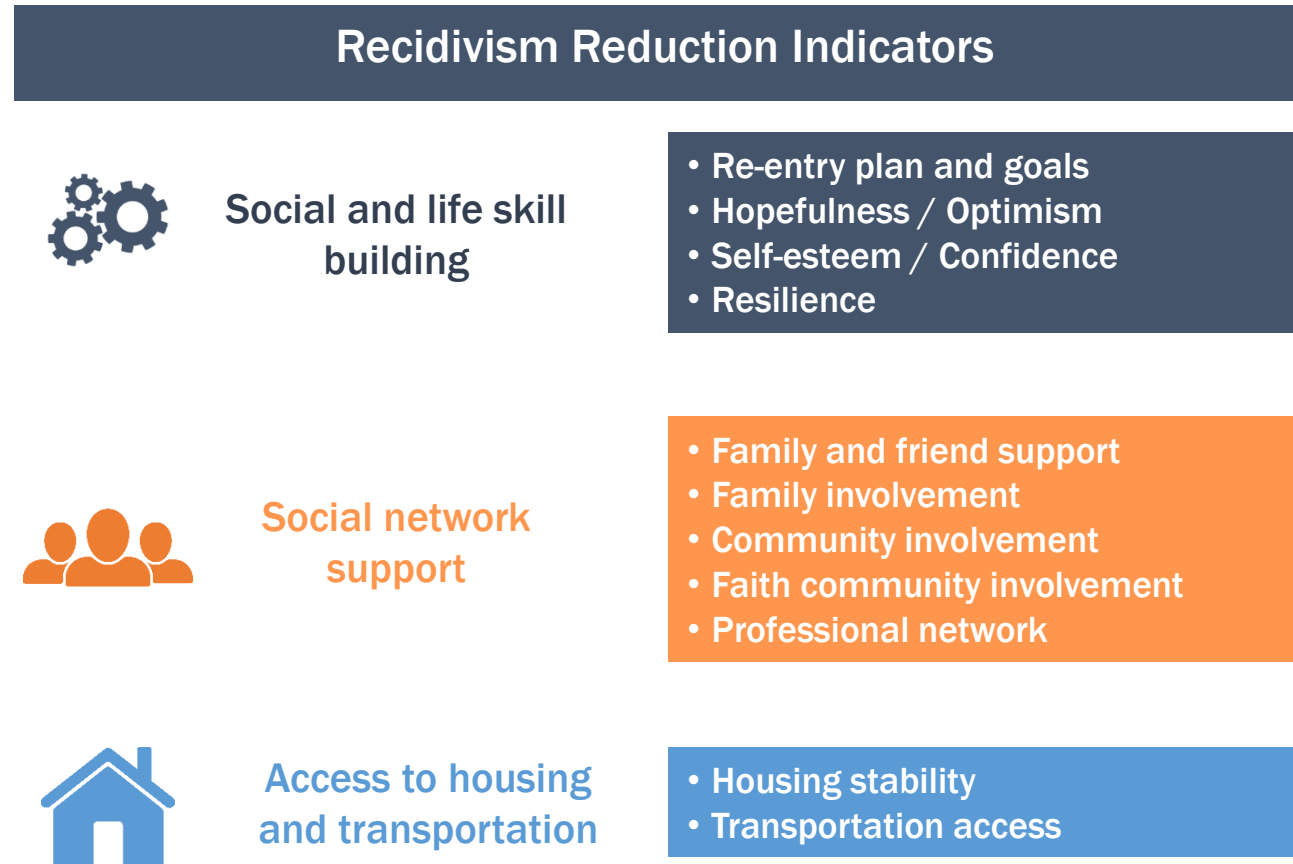
“Running a business and going through PEP has 100% reduced my chance of going back to prison. PEP teaches you to believe in yourself. Volunteers come in and want to share their stories and support you. When you don’t believe in yourself and have a bunch of strangers coming into prison to say they believe in you, it’s a powerful feeling. It gave me something to be proud of and some confidence in myself.”

–2007 graduate entrepreneur



OTHER FACTORS FOR REDUCING RECIDIVISM

While entrepreneurship, employment and work/entrepreneurial readiness are significant factors in reducing recidivism, research points to several other important indicators.



Note: ICIC derived recidivism reduction indicators from a literature review of relevant research, including, Schmitt & Warner (2010); Steurer, Smith, & Tracy (2001); Laub & Sampson (2001); and Visser & Travis (2003).

PEP's 10 Driving Values instill **social and life skills** that many PEP graduates interviewed by ICIC attribute to reducing their chances of returning to prison. PEP's curriculum and leadership training help students develop re-entry plans and build **hope, optimism and resilience**.

For many graduate entrepreneurs ICIC interviewed, the **lifestyle changes** they made while in prison have a bigger impact on reducing their chances of going back to prison compared to running their businesses. For these individuals, they made **conscious changes in their attitudes** and are determined to never return to prison.



“Having a plan in front of you for the next few months and years is critical. It takes lots of diligence to create the change that you want in your life. There are people from your past who expect you to be the same way, they don’t know the changes you’ve made until they see it. Really involved mentors are critical during this period. Having positive, healthy and accountable relationships are critical.”

–2005 graduate entrepreneur

“No, I don’t believe running a business [has reduced my chances of going back to prison]. I believe what it takes to run a successful business – determination, drive, focus – are the factors that keep me out of prison...PEP teaches you how to live this lifestyle on the inside through their 10 Driving Values.”

–2014 graduate entrepreneur



PEP graduates ICIC interviewed credit the **support from their families, friends, and the PEP network**, especially PEP volunteer mentors, in helping them successfully re-enter society after prison.

“In a very real sense, many small businesses will fail. What will not fail are the tools that help you become resilient. The tools that will help you look in the mirror and maybe for the first time believe in yourself. Being able to reach out and touch people who care about your future and post release life. Being able to have a fraternity of brothers who understand your plight and your situation. These elements are so incredibly important for re-entry.”

–2007 graduate entrepreneur

ACCESS TO HOUSING AND TRANSPORTATION

PEP Transition Housing

3

cities (Austin, Dallas, Houston)

6

transition houses

119

maximum bed space

91.1

average men per month in
transition houses

Source: Prison Entrepreneurship Program. (2018).
Prison Entrepreneurship Program Annual Report 2017.



of 2017 graduates
were released into
transition housing.¹

Of graduates released for at least three years:²

- 52% rent an apartment, condo or house,
- 39% are homeowners,
- 5% are in transition houses, and
- 4% live with relatives.

PEP also provides transportation to help graduates get to interviews and appointments once they are released.

¹ Percentage of 2017 graduates released into transition housing is of the 297 PEP graduates who received re-entry services in 2017. Prison Entrepreneurship Program. (2018). *Prison Entrepreneurship Program Annual Report 2017*; ² Prison Entrepreneurship Program. (2017). *Graduate Survey Summer 2017*.

“Prison is detrimental to the extent that it does not require you to have a job or get through education. If it was up to me, everyone would have to go through PEP before coming home. It forces you to think about where you are in life and come up with a plan for yourself. To have a program where you can get away from prison and have people invest in you and empower you, it gives you an opportunity to have a voice. When you couple that with the networking side, the social side, it empowers people to take off the years of fear that prison gives you. I don’t have enough good things to say about the program.”

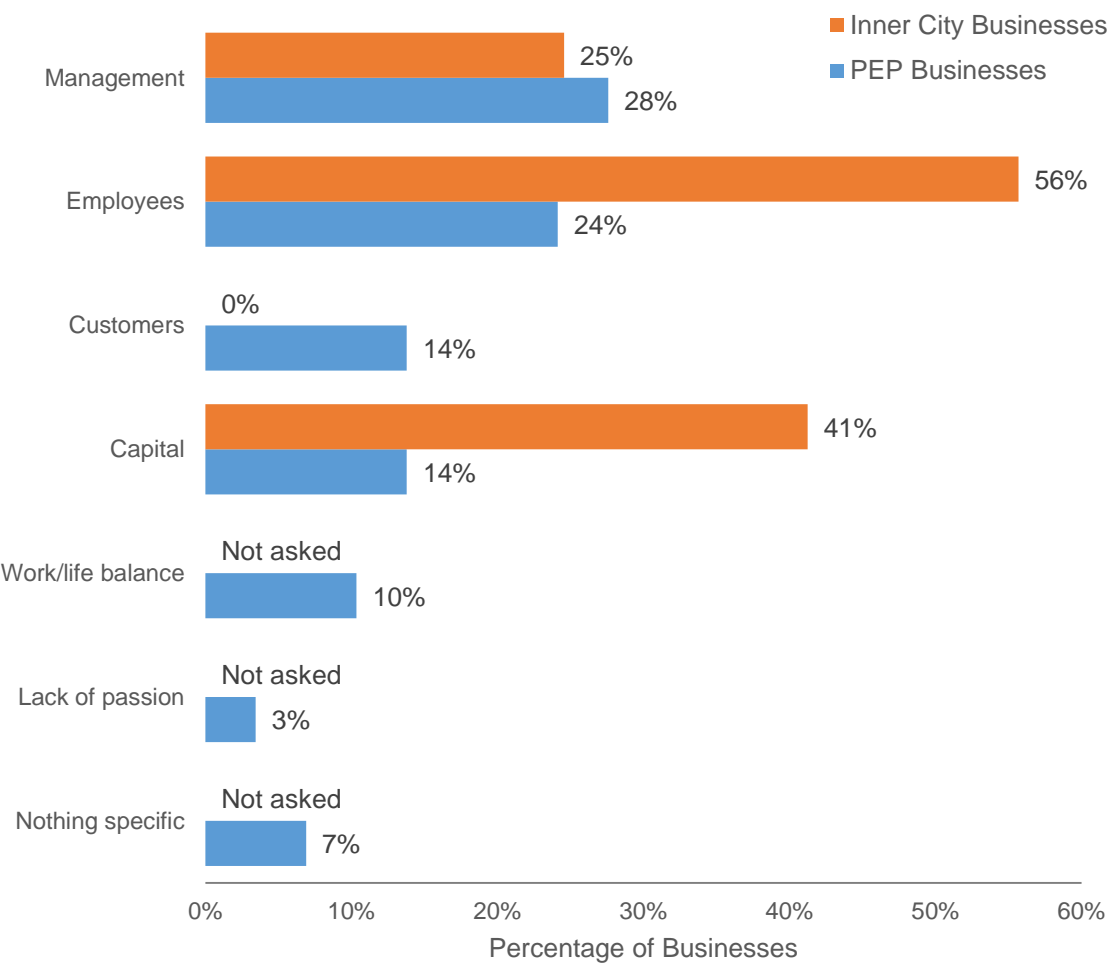
–2007 graduate entrepreneur

4

PEP's Effectiveness as an Entrepreneurial Support Organization

PEP ENTREPRENEURS FACE COMMON SMALL BUSINESS CHALLENGES

Business challenges faced by PEP entrepreneurs vs. Inner City Businesses



According to ICIC’s interviews, PEP graduate entrepreneurs face challenges common to many small business owners, such as strategic planning, management, attracting and retaining customers and employees and lack of sufficient capital.

“The greatest challenge is learning to balance the daily job requirements with the long-term vision for growth. I have a much bigger vision, but sometimes I’m so busy with orders, paying bills and making sure customers are taken care of.”

– 2007 graduate entrepreneur

AND CHALLENGES EXACERBATED BY INCARCERATION

“There are all types of stumbling blocks and obstacles coming out of a place as dark as prison. Getting a loan is difficult, you have a gap on your resume. Once the background check comes back, people shut doors on you without asking any questions. Society doesn’t give you an opportunity.”

–2014 graduate entrepreneur

“I was going for \$1.5 million [in funding], but I would lose funders because of my criminal history. I tried for about nine months with no success. I packed up my car and drove to Silicon Valley to try to pitch to investors directly. I learned that most people who succeed there have contacts and have developed relationships already.”

–2008 graduate entrepreneur

FOUR PILLARS OF EFFECTIVE ENTREPRENEURIAL SUPPORT

Management and Leadership Education

- Access education in finance, organizational development, marketing and strategic planning

Recognition and Networking

- Provide visibility for companies
- Establish a network of peers, advisors and partners

Capital Access

- Understanding capital sources
- Steps in qualifying for financing
- Access to capital providers

Contracting Opportunities

- Expand access to public and corporate contracts and how to qualify for and win them

PEP'S EFFECTIVENESS AS AN ENTREPRENEURIAL SUPPORT ORGANIZATION

100% of graduate entrepreneurs interviewed by ICIC believe PEP was helpful in starting and growing a business.

PEP is rated as highly effective in 2 of the 4 pillars. Graduate entrepreneurs interviewed by ICIC praised PEP's management and leadership education and recognition and networking.

PEP should consider providing more resources and support for capital access and contracting opportunities, which are essential for business growth.

"I haven't expanded with any help from PEP. I wish they would focus on helping businesses expand. PEP helps a lot on the inside and the first couple of months."

– 2010 graduate entrepreneur

"Financial institutions will count the felony record against you when you need a business loan. I would like to have been able to go to PEP to get help with financing."

– 2006 graduate entrepreneur



5

Economic Impact of the PEP Program

ANALYZING THE ECONOMIC IMPACT OF PEP BUSINESSES

The economic impact of all active PEP businesses in Texas was measured using IMPLAN.¹ IMPLAN is a standard economic model used to estimate direct, indirect and induced impact. The economic impact was measured for the state of **Texas**, the **Houston area**² and the **Dallas area**³ and only included active businesses located in these areas.

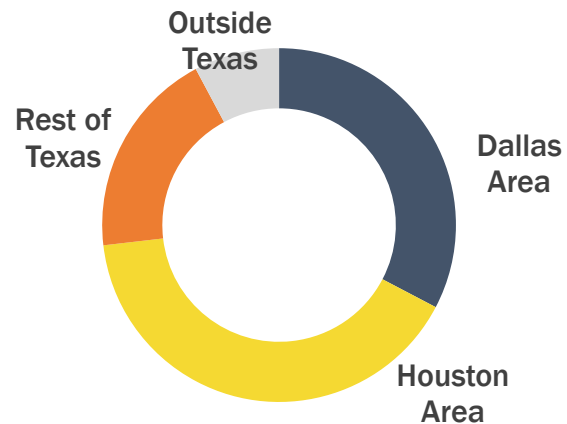
There are **205** active PEP businesses:

83 in the Houston area

67 in the Dallas area

39 in the rest of Texas

16 outside of Texas

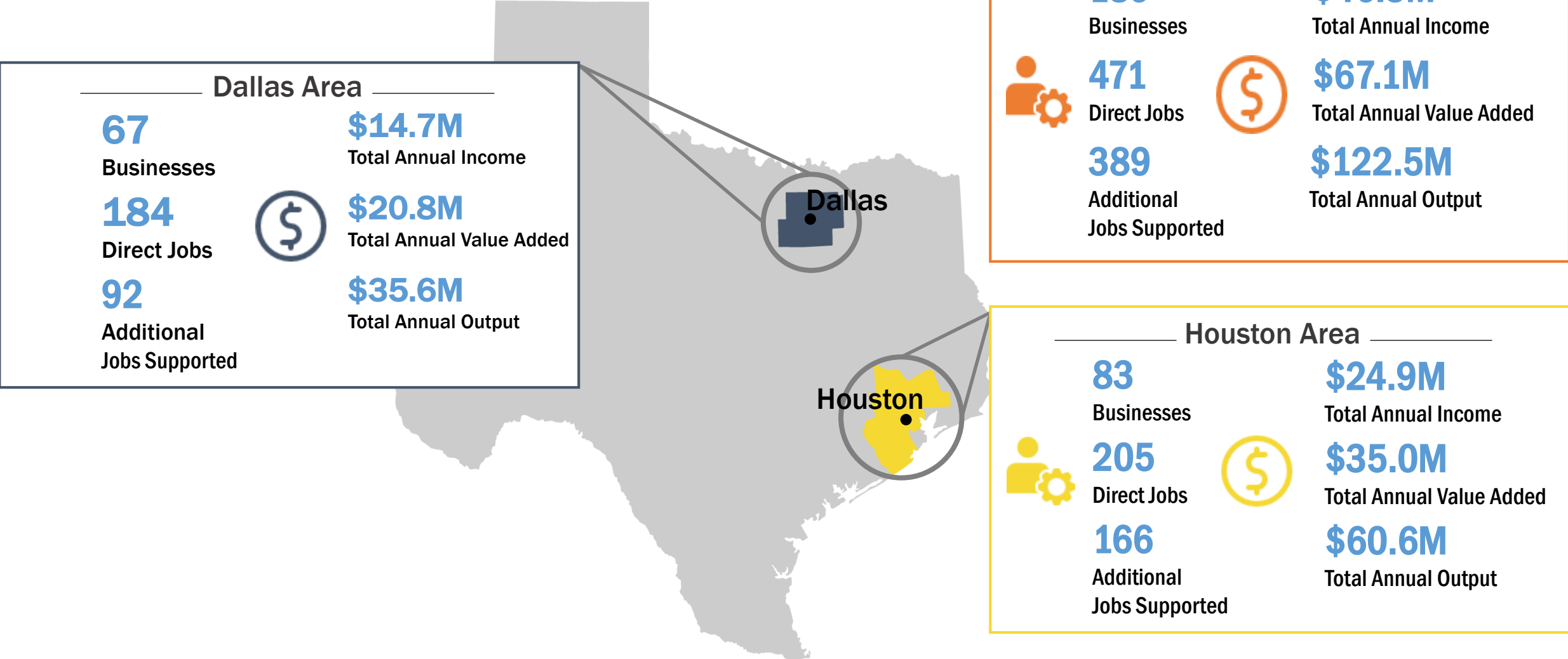


¹ IMPLAN analysis was completed by the UMass Donahue Institute. See the Appendix for a detailed description of the IMPLAN model.

² The Houston area includes Brazoria, Ft. Bend, Harris, Liberty, and Montgomery Counties.

³ The Dallas area includes Collin, Dallas, Denton, Rockwall, and Tarrant Counties.

THE ECONOMIC IMPACT OF PEP BUSINESSES



THE ECONOMIC IMPACT OF PEP BUSINESSES IN TEXAS BY INDUSTRY

PEP businesses operate in a **diverse set of industries**. The leading industries by direct jobs are Construction, Office and Facilities Services, Transportation and Warehousing, Automotive Repair and Personal Services, and Retail Trade.

Construction



54	132	5
Businesses	Direct Jobs	Additional Jobs Supported

Automotive Repair and Personal Services



28	57	27
Businesses	Direct Jobs	Additional Jobs Supported

Office and Facilities Services



34	92	39
Businesses	Direct Jobs	Additional Jobs Supported

Retail Trade



10	18	55
Businesses	Direct Jobs	Additional Jobs Supported

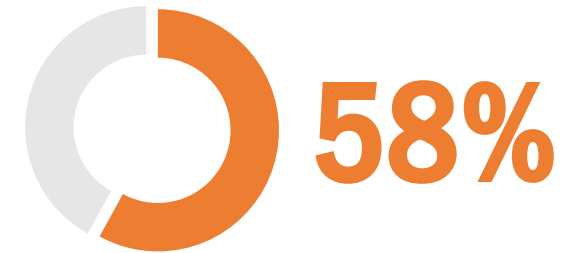
Transportation and Warehousing



24	75	34
Businesses	Direct Jobs	Additional Jobs Supported

Note: Additional jobs supported are indirect and induced jobs. Business industry refers to two-digit North American Industry Classification System (NAICS) Codes. Automotive Repair and Personal Services refers to NAICS Code 81 (Other Services [except Public Administration]) and Office and Facilities Services refers to NAICS Code 56 (Administrative and Support and Waste Management and Remediation Services).
Source: IMPLAN, UMass Donahue Institute analysis.

PEP ENTREPRENEURS CREATE EMPLOYMENT OPPORTUNITIES FOR OTHERS



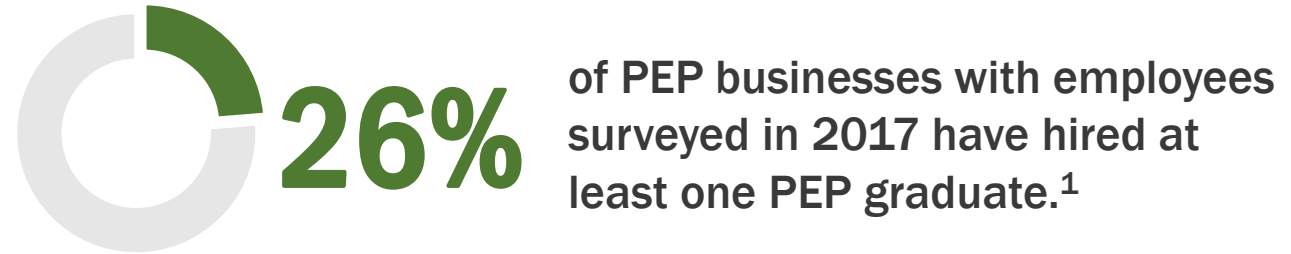
of PEP businesses surveyed in 2017
have hired at least one person.¹

“We have both contractors and
office staff. We have 10 trucks on
the road—which are primarily driven
by contractors—and two to three in
the office who are employees.

—2011 graduate entrepreneur

¹ ICIC analysis of 2017 PEP graduate survey.

PEP ENTREPRENEURS ALSO CREATE EMPLOYMENT OPPORTUNITIES FOR PEP GRADUATES



“I have 21 employees now...about six are PEP graduates. [When I need to hire,] I’ll contact the Dallas office to let them know that there is an open position.”
–2005 graduate entrepreneur

“It’s hard to find good employees. There are a lot of good people in PEP. I went through *Indeed*, *Craigslist*...[candidates] lacked core values, skills and professionalism. With PEP graduates, you know they already have [these skills].”

–2012 graduate entrepreneur

¹ ICIC analysis of 2017 PEP graduate survey.

THE IMPACT OF PEP BUSINESSES ON THE COMMUNITY

PEP graduate entrepreneurs have made a positive impact in inner cities—economically distressed neighborhoods characterized by high poverty and high unemployment rates—in 4 cities in Texas (Dallas, Fort Worth, Houston, McKinney).¹ PEP graduate entrepreneurs have also made a positive impact in communities with higher than average rates of incarceration in 13 cities in Texas.²

Sample of 44 PEP Businesses

Number of businesses in an inner city:³ **12**

Number of employees for inner city businesses:⁴



Number of businesses in high-incarceration rate neighborhoods:³

19

Number of employees for high-incarceration rate neighborhoods:⁴



¹ ICIC utilizes 2011 American Community Survey data to define inner cities.; ² ICIC utilizes data from Looney & Turner (2018) to define high-incarceration rate neighborhoods. High-incarceration rate neighborhoods are ZIP codes with higher than the average incarceration rate in Texas (2.6%). Cities with high-incarceration rate neighborhoods include Bedford, Dallas, Deer Park, Fort Worth, Grand Prairie, Houston, Lewisville, Lucas, McKinney, Mesquite, Odessa, Pantego, and Pasadena.; ³ ICIC analysis of 44 PEP businesses provided by PEP in June 2018 in the Houston Area, Dallas Area, and other Texas areas. Business locations are for businesses with office space or home locations for home-based businesses.; ⁴ ICIC analysis of 2018 interviews with PEP graduate entrepreneurs. Eight of 12 inner city businesses and 8 of 19 businesses in high-incarceration rate neighborhoods in sample were interviewed by ICIC.

PEP REACHES OUT AFTER HURRICANE HARVEY

More than 40 PEP graduates mobilized quickly to help communities throughout Houston during the storm and in the weeks that followed.

They served at shelters, used their own business assets to move goods and people, and two acted as dispatchers and coordinated with a local news television station to assist with rescues.

Supplies were delivered to shelters and food banks, and one PEP graduate rescued many people. Others helped muck out and clean up flooded homes and apartments.



6

Fiscal Impact of the PEP Program

MEASURING THE FISCAL IMPACT OF PEP

ICIC measured the annual fiscal impact of PEP in 2017 by analyzing 2017 annual survey data collected by PEP for 371 graduates, IMPLAN estimates and publicly available data.

ICIC estimated PEP's fiscal impact for the Texas State Government and the Federal Government.

To measure the fiscal impact, ICIC compared PEP to a theoretical comparison group that did not receive PEP services.

Benefit Metrics



Tax
revenue

- Tax revenue from PEP employed graduates
- Tax revenue from PEP businesses

Cost Metrics



Recidivism

- Arrest cost
- Court cost
- Incarceration cost



Public
Assistance

- SNAP cost
- TANF cost



Program
Cost

- PEP program cost

THE ANNUAL FISCAL IMPACT OF PEP FOR TEXAS (2017)

The net fiscal impact of PEP on the Texas State Government in 2017 was nearly \$3.6 million in cost savings. PEP's annual program costs \$2.7 million, which is fully funded by private sources, including corporate, philanthropic and individual donations.

	PEP	Comparison Group	Difference (PEP - Comparison)
Benefits			
<i>Tax revenue</i>			
Tax revenue from PEP employed graduates	\$1,083,566	\$204,224	\$879,342
Tax revenue from PEP graduate businesses	\$997,442	--	\$997,442
Costs			
<i>Recidivism</i>			
Arrest Costs	\$102,428	\$336,548	-\$234,120
Court Costs	\$13,973	\$45,912	-\$31,939
Incarceration Costs	\$469,752	\$1,543,470	-\$1,073,718
<i>Public Assistance</i>			
SNAP costs	\$7,390	\$13,766	-\$6,377
TANF costs	\$419,060	\$780,667	-\$361,608
PEP Program Cost	\$0 (in-kind)	--	\$0
Net Benefits (Benefits - Costs)	\$1,068,406	-\$2,516,139	\$3,584,546

Note: Columns and rows may not sum to totals due to rounding. See Appendix for additional details on data and data sources.

THE ANNUAL FEDERAL FISCAL IMPACT OF PEP (2017)

The net federal fiscal impact of PEP in 2017 was \$0.7 million in cost savings.

	PEP	Comparison Group	Difference (PEP - Comparison)
Benefits			
<i>Tax revenue</i>			
Tax revenue from PEP employed graduates	\$233,093	-\$9,499	\$242,591
Tax revenue from PEP graduate entrepreneurs	\$78,228	--	\$78,228
Costs			
<i>Public Assistance</i>			
SNAP costs	\$8,152	\$15,186	-\$7,034
TANF costs	\$452,769	\$843,464	-\$390,695
Net Benefits (Benefits - Costs)	-\$149,600	-\$868,149	\$718,549

Note: Columns and rows may not sum to totals due to rounding. Due to data limitations, we are unable to estimate federal tax revenue generated by PEP graduate businesses, and instead, estimate the federal tax revenue generated by PEP graduate entrepreneurs from income, employment, and excise taxes. Federal tax revenues included in the analysis include federal individual income, employment (Social Security, Medicare, Unemployment), and major excise taxes (gasoline, diesel, cigarettes, and domestic air tickets). See Appendix for additional details on data and data sources.

THE TOTAL ANNUAL FISCAL IMPACT OF PEP (2017)

\$4.3 million

in total cost savings to the
Texas State Government and the
Federal Government in 2017

794%

Five-Year
“Return on Investment”

In 2017, 357 PEP graduates were released from prison. The estimated fiscal impact per released graduate after one year is \$12,053 in cost savings to the state and federal government.

The one-year investment of \$7,591 per released graduate by PEP donors results in a one-year “ROI” of 159%. After five years, the “ROI” increases to 794%.¹



¹ Return on Investment (ROI) is calculated by dividing the total (state and federal) net fiscal benefits per released graduate by PEP’s program cost per released graduate. The one-year ROI is calculated by dividing the net fiscal benefit per graduate in 2017 by the program cost per released graduate in 2017. Five-year ROI is calculated by dividing the net fiscal benefit per graduate over five years by the program cost per released graduate in 2017. We assume that annual net fiscal benefits are constant over five years.

KEY INSIGHTS

PEP has demonstrated that entrepreneurship works to reduce recidivism and should be considered as an alternative to traditional ex-offender workforce development and re-entry programs.

Despite the economic opportunities from employment and entrepreneurship, PEP graduates may be at risk of financial hardship due to lack of adequate health care coverage. PEP should consider offering more resources for health insurance support.

Businesses created by PEP graduate entrepreneurs have a significant impact on their community. Many operate in areas with limited economic opportunities and create jobs for formerly incarcerated individuals.

Some experts believe that PEP's success can be partly attributed to the overall business friendly environment in Texas. The business environment may be an important factor when considering scaling in other states.

PEP should also consider providing more capital and contracting support to help their entrepreneurs grow their businesses.

EXECUTIVE SUMMARY

Since its inception in 2004, 2,180 individuals have graduated from PEP.

Reducing Recidivism

7%

PEP 3-Year Recidivism Rate
(2011-2016 Weighted Average)

23%

Texas 3-Year Male Recidivism Rate
(2011-2016 Weighted Average)

Texas Economic Impact



189
Businesses

471
Direct Jobs

389
Additional Jobs
Supported



\$46.3M
Total Annual Income

\$67.1M
Total Annual Value Added

\$122.5M
Total Annual Output

Economic Opportunity

100%

employed or self-
employed within 90 days

\$17.17 - \$21.19

Avg. hourly wages for PEP graduate
employees and entrepreneurs

Net Fiscal Impact

\$4.3 million

in total cost savings to the
Texas State Government and the Federal
Government in 2017

361

businesses started by
PEP graduates

1 in 4

released PEP graduates
start a business

794%

Five-Year
“Return on Investment”



ICIC is a national, nonprofit research and advisory organization founded in 1994. ICIC's mission is to drive economic prosperity in America's inner cities through private sector investment to create jobs, income, and wealth for local residents. WWW.ICIC.ORG

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Appendices

APPENDIX 1: PEP PARTICIPATION AND COMPLETION NUMBERS

		2015		2016		2017	
Unit	Program	No. of Participants	No. Completed	No. of Participants	No. Completed	No. of Participants	No. Completed
Cleveland	Leadership Academy	312	231	304	222	318	254
	Business Plan Competition	258	170	212	161	228	176
	Entrepreneurship School	149	50	159	51	156	47
Estes	Leadership Academy	171	132	244	173	288	184
	Business Plan Competition	57	30	140	97	179	111
	Entrepreneurship School	83	22	111	25	145	28
Gib Lewis	Leadership Academy	--	--	--	--	41	36
	Business Plan Competition	--	--	--	--	--	--
	Entrepreneurship School	--	--	--	--	--	--
Combined	Leadership Academy	483	363	548	395	647	474
	Business Plan Competition	315	200	352	258	407	287
	Entrepreneurship School	232	72	270	76	301	75

APPENDIX 2: ABOUT IMPLAN

IMPLAN is an economic impact assessment software and modeling system. IMPLAN utilizes an input-output model to examine the flow of money between industries and households in the economy and analyze the spending and re-spending of money through the economy.

IMPLAN estimates direct, indirect, induced and total impact for employment, income, value added, output and state tax revenue. Direct impact refers to the impact of PEP businesses. Indirect impact refers to the impact from businesses that supply goods and services to PEP businesses. Induced impact refers to the impact of both direct and indirect employee spending on goods and services. Total impact includes direct, indirect and induced impact.

Employment refers to all employees required to produce the outputs. Income refers to all employment income, including employee compensation (wages and benefits) and proprietor income. Value added refers to difference between an industry's or an establishment's output and the cost of its intermediate inputs. Output refers to expenditures to produce the final good. The impact for state tax revenue is for the total impact only.

APPENDIX 3: THE ECONOMIC IMPACT OF PEP BUSINESSES IN TEXAS BY INDUSTRY

Business Industry	Number of Businesses	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
Accommodation and Food Services	3	6	6	29	41
Agriculture, Forestry, Fishing and Hunting	3	5	2	2	9
Arts, Entertainment, and Recreation	5	4	2	6	12
Automotive Repair and Personal Services	28	57	4	23	84
Construction	54	132	2	3	136
Educational Services	3	3	0	7	10
Finance and Insurance	2	2	12	19	33
Information	4	6	3	3	13
Management of Companies and Enterprises	1	0	3	2	5
Manufacturing	12	21	11	4	36
Mining, Quarrying, and Oil and Gas Extraction	1	10	3	1	14
Office and Facilities Services	34	92	25	14	131
Professional, Scientific, and Technical Services	19	38	21	11	70
Real Estate and Rental and Leasing	1	3	12	12	27
Retail Trade	10	18	21	34	72
Transportation and Warehousing	24	75	26	8	108
Wholesale Trade	1	1	9	6	15

Note: Business industry refers to two-digit North American Industry Classification System (NAICS) Codes. Automotive Repair and Personal Services refers to NAICS Code 81 (Other Services [except Public Administration]) and Office and Facilities Services refers to NAICS Code 56 (Administrative and Support and Waste Management and Remediation Services). Rows may not sum to totals due to rounding. Source: List of PEP businesses provided by PEP in January 2018, IMPLAN

APPENDIX 4: ANALYSIS FOR FISCAL IMPACT ANALYSIS

Benefit Metrics



Metric	Definition	PEP Analysis	Comparison Group Analysis
Tax revenue from PEP employed graduates	Expected state tax revenue generated by PEP employed graduates	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP employment rate) x (Avg. state taxes per household)	(No. of PEP graduates released) x (100%-TX recidivism rate) x (Ex-prisoner employment rate) x (Avg. state taxes per household)
Tax revenue from PEP businesses	Expected state tax revenue (direct, indirect, and induced) generated by businesses started by PEP graduate entrepreneurs	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP entrepreneurship rate) x (Avg. state taxes per PEP business)	--

Cost Metrics



Arrest cost	Expected arrest cost for PEP graduates who will be re-arrested	(No. of PEP graduates released) x (PEP recidivism rate) x (Avg. arrest cost per arrest)	(No. of PEP graduates released) x (TX recidivism rate) x (Avg. arrest cost per arrest)
Court cost	Expected court cost for PEP graduates who will be re-arrested	(No. of PEP graduates released) x (PEP recidivism rate) x (Marginal court cost per arrest)	(No. of PEP graduates released) x (TX recidivism rate) x (Marginal court cost per arrest)
Incarceration cost	Expected incarceration cost for PEP graduates who will be re-arrested	(No. of PEP graduates released) x (PEP recidivism rate) x (Avg. incarceration cost per individual)	(No. of PEP graduates released) x (TX recidivism rate) x (Avg. incarceration cost per individual)
SNAP cost	Expected state administrative cost for PEP graduates receiving SNAP assistance	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP public assistance rate) x (Avg. state SNAP admin. cost per case)	(No. of PEP graduates released) x (100%-TX recidivism rate) x (Ex-prisoner public assistance rate) x (Avg. state SNAP admin. cost per case)
TANF cost	Expected state cost for PEP graduates receiving TANF assistance or programming	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP public assistance rate) x (Avg. state TANF cost per case)	(No. of PEP graduates released) x (100%-TX recidivism rate) x (Ex-prisoner public assistance rate) x (Avg. state TANF cost per case)
PEP program cost	Expected state cost for PEP	(No. of PEP graduates released) x (Avg. state PEP cost per individual)	--

DATA AND DATA SOURCES FOR FISCAL IMPACT ANALYSIS



Tax
revenue

Metric	PEP Analysis		Comparison Group Analysis		Sources and Notes
Tax revenue from PEP employed graduates	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹ Prison Entrepreneurship Program (2018) ² PEP 3-Yr Recidivism Rate (2011-2016 Weighted Avg.) ³ ICIC analysis of 2017 PEP graduate survey ⁴ ICIC analysis of 2017 PEP graduate survey and TX tax incidence data from Texas Comptroller (2017). We assume each individual works 1,783 hours annually, the U.S. average based on data from the OECD. ⁵ Texas 3-Yr Recidivism Rate (2011-2016 Weighted Avg.) ⁶ Johnson et al. (2013)
	100%-PEP recidivism rate: ²	93%	100%-TX recidivism rate: ⁵	77%	
	PEP employment rate: ³	67%	Ex-prisoner employment rate: ⁶	43%	
	Avg. state taxes per household: ⁴	\$4,842	Avg. state taxes per household: ⁴	\$1,728	
Tax revenue from PEP businesses	No. of PEP graduates released: ¹	357	-- ⁸	--	⁷ ICIC analysis of 2016 IMPLAN data for PEP active businesses in Texas. State taxes include taxes on employee compensation; production and imports; households; and corporations. Taxes include direct, indirect, and induced taxes generated by PEP businesses. ⁸ We assume that not businesses are formed by the comparison group.
	100%-PEP recidivism rate: ²	93%			
	PEP entrepreneurship rate: ³	23%			
	Avg. state taxes per PEP business: ⁷	\$13,282			
Arrest cost	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	⁹ Deitch, Breeden, & Weingarten (2012)
	PEP recidivism rate: ²	7%	TX recidivism rate: ²	23%	
	Avg. arrest cost per arrest: ⁹	\$4,099	Avg. arrest cost per arrest: ⁹	\$4,099	
Court cost	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹⁰ ICIC analysis of marginal court costs from Hunt, Anderson and Saunders (2016) and crime statistics from the Texas Department of Public Safety. Marginal court cost is the mean court cost weighted by crime type. We exclude rape & sexual assault court costs from analysis.
	PEP recidivism rate: ²	7%	TX recidivism rate: ²	23%	
	Marginal court cost per arrest: ¹⁰	\$559	Marginal court cost per arrest: ¹⁰	\$559	
Incarceration cost	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹¹ ICIC analysis of private and state-run prison costs from Legislative Budget Board (2017). Avg. incarceration cost calculated as the average daily incarceration cost for private prisons (\$41.30) and state-run prisons (\$61.63) multiplied by 365.25 days.
	PEP recidivism rate: ²	7%	TX recidivism rate: ²	23%	
	Avg. incarceration cost per individual: ¹¹	\$18,798	Avg. incarceration cost per individual: ¹¹	\$18,798	



Recidivism

DATA AND DATA SOURCES FOR FISCAL IMPACT ANALYSIS



Metric	PEP Analysis		Comparison Group Analysis		Sources and Notes
SNAP cost	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹² Johnson et al. (2013) ¹³ ICIC analysis of 2016 Texas Supplemental Nutrition Assistance Program (SNAP) administrative costs and household participants from <i>USDA Food and Nutrition Service</i> (2017). Texas State Government pays a portion of SNAP administrative costs, with the remainder administration costs and SNAP benefits paid for by the federal government. ¹⁴ Johnson et al. (2013)
	100%-PEP recidivism rate: ²	93%	100%-TX recidivism rate: ⁵	77%	
	PEP public assistance rate: ¹²	20%	Ex-prisoner public assistance rate: ¹⁴	45%	
	Avg. state SNAP admin. cost per case: ¹³	\$111	Avg. state SNAP admin. cost per case: ¹³	\$111	
TANF cost	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹⁵ ICIC analysis of 2016 Texas Temporary Assistance for Needy Families (TANF) State Maintenance-of-Effort (MOE) expenditures from the U.S. Office of Family Assistance. MOE expenditures go towards financial assistance for basic needs; State work, education, and training activities; program maintenance; and other miscellaneous costs. The remainder of TANF costs are paid for by the federal government.
	100%-PEP recidivism rate: ²	93%	100%-TX recidivism rate: ⁵	77%	
	PEP public assistance rate: ¹²	20%	Ex-prisoner public assistance rate: ¹⁴	45%	
	Avg. state TANF cost per case: ¹⁵	\$6,311	Avg. state TANF cost per case: ¹⁵	\$6,311	
PEP program cost	No. of PEP graduates released: ¹	357	-- ¹⁷	--	¹⁶ According to PEP, the Texas Department of Criminal Justice considers support provided to PEP as in-kind. ¹⁷ There are no PEP program costs for the comparison group.
	Avg. state PEP cost per individual: ¹⁶	\$0 in-kind			

APPENDIX 5: ANALYSIS FOR FEDERAL FISCAL IMPACT ANALYSIS

Benefit Metrics



Metric	Definition	PEP Analysis	Comparison Group Analysis
Tax revenue from PEP employed graduates	Expected federal tax revenue generated by PEP employed graduates (individual income, employment, and major excise taxes)	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP employment rate) x (Avg. federal taxes per household)	(No. of PEP graduates released) x (100%-TX recidivism rate) x (Ex-prisoner employment rate) x (Avg. federal taxes per household)
Tax revenue from PEP businesses	Expected federal tax revenue generated by PEP graduate entrepreneurs (individual income, employment, and major excise taxes)	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP entrepreneurship rate) x (Avg. federal taxes per PEP business)	--

Cost Metrics



SNAP cost	Expected federal cost for PEP graduates receiving SNAP assistance	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP public assistance rate) x (Avg. federal SNAP cost per case)	(No. of PEP graduates released) x (100%-TX recidivism rate) x (Ex-prisoner public assistance rate) x (Avg. federal SNAP cost per case)
TANF cost	Expected federal cost for PEP graduates receiving TANF assistance or programming	(No. of PEP graduates released) x (100%-PEP recidivism rate) x (PEP public assistance rate) x (Avg. federal TANF cost per case)	(No. of PEP graduates released) x (100%-TX recidivism rate) x (Ex-prisoner public assistance rate) x (Avg. federal TANF cost per case)

DATA AND DATA SOURCES FOR FEDERAL FISCAL IMPACT ANALYSIS



Tax
revenue

Metric	PEP Analysis		Comparison Group Analysis		Sources and Notes
Tax revenue from PEP employed graduates	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹ Prison Entrepreneurship Program (2018) ² PEP 3-Yr Recidivism Rate (2011-2016 Weighted Avg.) ³ ICIC analysis of 2017 PEP graduate survey ⁴ ICIC analysis of 2017 PEP graduate survey and federal tax rate data from the Joint Committee on Taxation (2017). Federal tax rate includes federal income, employment and excise taxes. We assume each individual works 1,783 hours annually, the U.S. average based on data from the OECD. ⁵ Texas 3-Yr Recidivism Rate (2011-2016 Weighted Avg.) ⁶ Johnson et al. (2013)
	100%-PEP recidivism rate: ²	93%	100%-TX recidivism rate: ⁵	77%	
	PEP employment rate: ³	67%	Ex-prisoner employment rate: ⁶	43%	
	Avg. federal taxes per household: ⁴	\$1,042	Avg. federal taxes per household: ⁴	-\$80.36	
Tax revenue from PEP businesses	No. of PEP graduates released: ¹	357	-- ⁷	--	⁷ We assume that not businesses are formed by the comparison group.
	100%-PEP recidivism rate: ²	93%			
	PEP entrepreneurship rate: ³	23%			
	Avg. federal taxes per household: ⁴	\$1,042			

DATA AND DATA SOURCES FOR FEDERAL FISCAL IMPACT ANALYSIS



Metric	PEP Analysis		Comparison Group Analysis		Sources and Notes
SNAP cost	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹² Johnson et al. (2013) ¹³ ICIC analysis of 2016 Texas Supplemental Nutrition Assistance Program (SNAP) administrative costs and household participants from USDA Food and Nutrition Service (2017). Texas State Government pays a portion of SNAP administrative costs, with the remainder administration costs and SNAP benefits paid for by the federal government. ¹⁴ Johnson et al. (2013)
	100%-PEP recidivism rate: ²	93%	100%-TX recidivism rate: ⁵	77%	
	PEP public assistance rate: ¹²	20%	Ex-prisoner public assistance rate: ¹⁴	45%	
	Avg. federal SNAP admin. cost per case: ¹³	\$111	Avg. federal SNAP admin. cost per case: ¹³	\$111	
TANF cost	No. of PEP graduates released: ¹	357	No. of PEP graduates released: ¹	357	¹⁵ ICIC analysis of 2016 Texas Temporary Assistance for Needy Families (TANF) State Maintenance-of-Effort (MOE) expenditures from the U.S. Office of Family Assistance. MOE expenditures go towards financial assistance for basic needs; State work, education, and training activities; program maintenance; and other miscellaneous costs. The remainder of TANF costs are paid for by the federal government.
	100%-PEP recidivism rate: ²	93%	100%-TX recidivism rate: ⁵	77%	
	PEP public assistance rate: ¹²	20%	Ex-prisoner public assistance rate: ¹⁴	45%	
	Avg. federal TANF cost per case: ¹⁵	\$6,819	Avg. federal TANF cost per case: ¹⁵	\$6,819	