News From

U.S. Senate Committee on
Small Business & Entrepreneurship

Senator Ben Cardin
Chair

The *NEW START Act of 2023*

Background: Every year, more than 600,000 people are released from prisons and another approximately 11 million cycle through local jails. An estimated 64.6 million Americans (25 percent of the population) have a criminal record of some kind and studies by the Department of Justice have found high rates of recidivism.

One of the primary drivers of high recidivism rates is the inability for returning citizens to find a job – up to 60 percent of ex-offenders remain unemployed one year after their release. Self-employment can provide economic opportunity and stability for those who are otherwise locked out of the labor market, given the discrimination, stigma, and restrictions that returning citizens face in traditional employment. Entrepreneurship has become a necessity for justice impacted individuals and is one of the main tools they have access to as they re-build their life.

A Columbia Business School study found that entrepreneurship yields both higher incomes and lower recidivism rates. Incarcerated individuals are also 50% more likely to be entrepreneurs compared to non-justice impacted individuals.

Just under four percent of small business owners have a criminal background, equating to over 1 million small businesses nationwide. Fewer barriers to entrepreneurship can create pathways for those reentering society to earn a living for themselves and their families. Entrepreneurial development programs can break down barriers and provide mentorship, guidance, and access to capital for justice impacted individuals looking to start and grow a business.

Bill Summary: The bill establishes a 5-year pilot program within the Small Business Administration (SBA) to award grants of $100,000 - $500,000 to organizations (or partnerships of organizations) annually over the five-year period to provide entrepreneurial development training to formerly incarcerated individuals. The organizations must demonstrate ties with the business and justice-impacted communities. They are required to be a Community Advantage (CA) lender, a Microloan intermediary, or partner with lenders in the existing SBA Microloan or CA Program who will provide microloans (up to $50,000) to qualifying participants.

- SBA Microloan Intermediaries are nonprofit lenders that can best reach underserved populations. The SBA does not guarantee microloans and instead directly lends to intermediaries who are then obligated to repay their loans. The technical assistance that comes with a microloan ensures that business guidance does not cease once participants have completed their entrepreneurial development programs. <u>This helps mitigate risk to taxpayer money and ensures that lenders will be mission-based and community-focused.</u>
- The Community Advantage Pilot Program was first created in 2011 and allows mission-oriented, non-profit lenders such as Community Development Financial Institutions (CDFIs) to participate in SBA's flagship 7(a) program. CA lenders must have a track record of reach underserved communities and must make a 60% of loans in underserved markets.