

Forging a Successful Business Formation Path for Returning Citizens

Introduction

The Aspire Challenge is an exceptional effort of the Small Business Administration. Being an award grantee would offer Mercy Corps Northwest (hereafter MCNW) the opportunity to build upon our significant experience with the previously incarcerated population and to test new approaches for entrepreneurial development services, capital delivery and mentoring to accelerate the self-employment vision of returning citizens. Our entrepreneurial acceleration approach is different and proven to be exceptional, with capital access tools that include an incentive-based 8:1 savings match for entrepreneurs who save \$500 and receive a \$4,000 performance grant (IDA - Individual Development Account) upon completion of classes and a business plan. As a reflection of our history of cultivating entrepreneurial success, we were asked for advice from a colleague organization Justine PETERSEN in their preparation for their Aspire Entrepreneurship Initiative, and subsequently shared our practices and evaluation methods with their evaluation firm, Root Cause. We are, therefore, particularly interested in this grant because of the opportunity to both share what we have learned working with this population and to collaborate with the other grant recipients. Also, our region needs this type of innovation. The State of Oregon, subject to mandatory minimum sentencing laws, has 14,717 incarcerated individuals (21.6% are people of color and 8.8% are women), not including nearby federal prisons and jails. Multnomah County, where MCNW is located, and the adjacent counties Washington and Clackamas are the largest counties in the state and receive the vast majority of released prisoners. Multnomah County currently has 12,600 under supervision, and the federal releases from the NW Regional Reentry center add a minimum of another 800. In support of this grant, we have significant interaction with, and historical financial support from, the State of Oregon Department of Corrections, Multnomah County Department of Community Justice, The Federal Northwest Regional Reentry Center and dozens of organizations involved in reentry.

Organizational Background

MCNW is a CDFI operating in Oregon and Washington with three offices: a headquarters office in Portland, a Reentry Transition Center (RTC) also in Portland, and an office in Seattle. MCNW's mission is to alleviate suffering, poverty, and oppression by helping people build secure, productive and just communities. By investing in those without ready access to resources, we believe that existing economic disparities will become more equitable and hard-working individuals and families will have opportunities to break intergenerational cycles of poverty. MCNW operates five programs (see below) that position us for success in the Aspire Challenge.

- Reentry Transition Center (RTC) - The RTC assists people transitioning out of incarceration through a collaborative navigation of services. The RTC opened in 2009 and has served over 8,500 people who have left incarceration from state, federal and youth facilities, those on parole/probation and those coming from jails due to gang activity. The RTC provides immediate support by offering access to computers, the internet, printing, mailboxes, hygiene, clothing, emergency housing, jobs, GED tutoring, support groups, financial and digital literacy, and help obtaining IDs, as well as long-term support in securing employment and stable housing. Other services are outsourced to partners who provide expertise in mental health, cognitive change and alcohol and drug counseling. An independent evaluation by the Oregon Criminal Justice Commission found that the RTC reduced recidivism of its participants by 31%, which resulted in a \$14 savings in public safety costs for every \$1 invested.¹

¹<http://www.oregon.gov/CJC/Documents/Publications/Reentry%20Center%20Eval%20FINAL%20March%202013.pdf>

- LIFE (Lifelong Information for Entrepreneurs)² - LIFE is a 32-week entrepreneurial program, which targets women inmates at Oregon's Coffee Creek Correctional Facility, and provides them with business planning and life skills training. Each class (comprised of up to 32 women) prepares participants for a successful reintegration back to their families and communities by promoting job creation and economic self-sufficiency. The curriculum, developed and delivered by MCNW, includes topics such as business plan development, marketing strategy, financial management, along with soft skills in public speaking, time management, goal setting and conflict resolutions. Since its inception in 2007, the LIFE program has taught 240 women and has achieved a graduation rate of 97%. Most importantly, an evaluation of the program found a 41 % reduction in recidivism from class participants. This has made the LIFE program one of the prison's most effective programs, according to the Oregon Department of Corrections. The LIFE program was featured in and Aspen Institute Asset Funders Network document in Dec 2016 highlighting innovating programs for bridging "Prison to Proprietor".³
- Small Business Incubation, Training, Counseling and Mentoring - MCNW business development programs include classes, seminars, workshops, and counseling services to over 800 small businesses and aspiring entrepreneurs annually. 70% of these clients are low-income or very low-income. MCNW was designated as Oregon's only SBA Women's Business Center in 2009.
- Micro Lending - MCNW loan programs provides business and credit builder loans, and business mentoring in Oregon and Washington, targeting those who are not able to access credit, training, technical assistance and business planning services otherwise. Our loan program provided 2,880 hours of free technical assistance to pre-and post-loan clients. Over the last three fiscal years, MCNW makes an average of \$600K in loans annually ranging from \$500-\$50,000. Our loan losses average below 5%.
- Individual Development Account (IDA) Grants MCNW Individual Development Account (IDA) is a special savings vehicle that helps individuals with limited financial resources build assets, gain business training, and enter the financial mainstream. Participants meet their savings goals, attend small business trainings, and complete a business plan. MCNW IDA grants are primarily for business start-up or expansion, but recently have expanded to include education, notably with incarcerated youth age 18-26 and formerly incarcerated individuals. Since 2003, MCNW has opened 1,400 IDAs with people saving \$1.5 million and leveraging \$3.8 million in state and federal matched funds.

Background of Management Team

The MCNW team slated to implement the Aspire Challenge has a comprehensive understanding of business development, planning, and capital formation as well as experience with prison systems, parole and probation and the tools that help people navigate a successful reintegration. Three members of our team were previously incarcerated: Brian Judd, RTD Manager; Alverda McCoy and Ailene Farkac, RTC Navigators. All three were hired because of their professional social service skills and the authenticity of their experiences successfully transitioning from prison to being productive citizens. Other members of the team include Mary Frances Baldes, program manager and instructor of the LIFE program at the Coffee Creek Correctional Facility; Micro-loan managers, Andrew Volkman and Ben Misley, both former bankers; Laura Locker, who holds a PhD in urban politics, manages our IDA program; and Leigh McIlvaine, Masters Urban Planning, and Amanda Park, MBA, manage our small business training, seminars and counseling, as well as the SBA Women's Business Center.

² ["Business Behind Bars"](#) Your Business: Education Nation, MSNBC

³ <http://fieldus.org/Publications/AFN-PrisonToProprietor.pdf>



Our Entrepreneurial Acceleration Approach for Returning Citizens

Pulling upon our extensive history in working with both returning citizens and small business entrepreneurs, MCNW is uniquely positioned to effectively employ the funds from the Aspire Challenge. In cooperation with ROAR (Reentry Organizations and Resources), a coalition of 50+ reentry support organizations, the parole and probation officers of Multnomah County and the Northwest Regional Reentry Center, a halfway house for 800 male and female federal parolees, MCNW is proposing an entrepreneurial model for returning citizens that will combine education, visioning sessions, mentoring and access to performance grants and other capital services that will provide this underserved population with the best entrepreneurial resources at the right time.

Specifically, MCNW will recruit two cohorts of formerly incarcerated individuals (released in less than three years with a focus on those released less than one year) who are judged ready by their parole officers for engagement in self-employment. Each cohort will have 20-25 participants. To address the unique challenges and specific needs of each gender, one group will be comprised of only men and the other of only women.

Depending on the residence of the program participants and their ability to access public transportation, the classes, seminars and mentoring services would be offered at our MCNW headquarters or our Reentry Transition Center. Additionally, we have been offered space to hold classes within the Northwest Regional Reentry Center, where 800 male and female parolees are housed under "home release".

1. **Entrepreneurial Visioning and Training:** Utilizing the proprietary content from the MCNW Business Foundations I and Lifelong Information for Entrepreneurs (LIFE) curriculum, MCNW will develop a comprehensive 12-week training program that provides 20 to 25 participants per session with classes, coaching and mentoring pertinent to both business development and reentry navigation. Classes will be based on an adult learning framework and taught using a cohort design model that establishes a group learning environment with the free exchange of ideas and challenges currently being faced. Topics such as entrepreneurial skills, business development, marketing, and financial management will be covered alongside personal development topics such as problem solving, conflict resolution, goal setting and effective communication.
2. **Small Business and Reentry Mentoring:** During and following the 12-week training, participants will be provided 1:1 mentoring services from a core team of small business counselors and reentry navigators from our Reentry Transition Center. This combination of advisors will guide participants as they take their small business idea from concept to reality while continuing to support their successful transition from prison back to open society. Students will also be given access to a wide range of small business seminars highlighting information that is relevant to an entrepreneur such as social media marketing, crowd-funding, search engine optimization, hiring your first employee, budgeting/bookkeeping and tax preparation. Lastly, MCNW will host a series of panel discussions for participants with local business advisors and owners from a wide range of sectors (food, health-wellness, light manufacturing, retail and childcare) to help participants learn about the journey and vision that others have made toward self-employment. We will augment the group discussions with a mentoring corps of business owners to provide 1:1 business coaching and mentoring. For those participants who may prefer online mentoring, we will offer mentoring with our colleague enterprise at Mercy Corps, MicroMentor. Their system performs a double match, assuring each person of a fit as mentor and mentee. MicroMentor is a good option and an additional resource to face-to-face mentoring and business counseling for some clients.



3. **Access to Capital:** Most of the entrepreneurs we work with are not ready for a standard bank loan, but instead need assistance with strategic planning, budgeting and forecasting. Therefore, participants will be given access to credit building services and financing for their small business.
- a. Credit Counseling – As part of the education series, each participant will attend a credit building seminar and receive a copy of their credit report. Individuals will be able to determine their current credit history, identify any problems and set up an action plan that lists the steps necessary to reaching their financial goals. If needed, participants can also receive additional one-on-one credit counseling from the finance counselor.
 - b. Individual Development Accounts (IDA) – Participants of the Aspire Challenge will be offered priority openings for a MCNW IDA. The IDA's provide an 8:1 match of savings after clients have reached a six month savings goal of \$500, completed the 12 week training course and developed a comprehensive business plan.
 - c. Incubator Loans – Access will be given to these small, short-term micro-loans (\$500-\$1000) that will help participants repair and build credit, and jumpstart their businesses. With a flexible use of funds clients can buy equipment, inventory, furniture, or even pay off debt.
 - d. Micro Loans – MCNW micro loans ranging to \$50,000 will be available to participants.
 - e. Crowdfunding – We offer a case study seminar on “how to succeed with crowdfunding” as an addition to our other options for access to capital. Many of our current clients combine crowdfunding with their IDA or loans. Some returning citizens on parole and probation are restricted from obtaining debt. Crowdfunding may be their best and only alternative.

Community Connection:

In addition to our core team, MCNW will utilize its ongoing relationships with the SBA District Offices as well as our ten-year partnership with the State of Oregon Department of Corrections and its sole women's prison, the Coffee Creek Correctional Facility to ensure participants are connected to crucial resources such as addiction support, mental health services and housing. We will provide a range of existing and new community connections for participants in reentry and social service support to assure their well-being during and after the training and afterwards during their business formation and start-up. Our Reentry Transition Center will provide reentry mentoring and full access to its services that include an entire array of reentry support and peer mentoring. We have significant experience working with the previously incarcerated that indicates that peer support and mentoring is valuable especially in drug and alcohol-related dependency. As a part of this grant, we will create an advisory group of returning citizens who have succeeded in their transition back to society to be advisors to MCNW in the Aspire Challenge, and to be mentors and advisors to the participants in the project.

In closing, we would like to reiterate our excitement for the Aspire Challenge and the possibilities it offers returning citizens in the Pacific Northwest to successfully rejoin their communities as productive, valued citizens. We also embrace the opportunity to share our experience starting and managing a community-based reentry transition center, teaching incarcerated women, building businesses and linking the economic development value of business development with the reduction of recidivism.

Contact: John W. Haines, Executive Director (503) 896-5072
jhaines@mercycorpsnw.org