



SBIA Legislative Summary:

H.R. 5333, “Investing in All of America Act of 2023”

This legislation, introduced by Reps. Meuser (R-PA) and Scholten (D-MI), bolsters the Small Business Investment Company (SBIC) Program’s **long history of success as a zero-subsidy public-private partnership.** The bill will increase access to capital with the following benefits:

- No new spending.
- No new mandates.
- 100% of investment is in American small businesses.
- Encourages investment in Low-income and Rural Areas.
- Encourages investment in industries that are vital to national defense.
- Inflation adjustment allows the program to remain competitive as prices rise.

Background: What is the SBIC program?

- The SBIC Program has a long history of success helping small U.S. businesses access long-term, patient capital for growth and job creation. For more than 60 years, SBICs have been providing capital to American small businesses to help them expand operations and create jobs.
- The SBIC program, administered by the U.S. Small Business Administration (SBA), utilizes the talent of experienced private investment fund managers to achieve critical public policy objectives.
- Over the past ten years, SBICs have invested \$58 billion in more than 11,300 U.S. small businesses across the country with 21% of the businesses located in Low-to-Moderate Income (LMI) areas.
- SBIC-backed businesses created 3 million new jobs and supported an additional 6.5 million jobs from 1995-2014. Every job created was a gain to the communities in which they are located, and these businesses continue to succeed independently of SBICs after the investment is completed.

Need for Legislation:

- SBICs can access low-cost leverage up to two times the private capital they raise which they invest in a portfolio of U.S. small businesses, creating jobs, fostering innovation, and fueling economic growth. The amount of leverage is capped at \$175 million for a single SBIC licensee and \$350 for multiple licenses under common control (typically referred to as a “family of funds”). These leverage caps, however, have not been adjusted since 2015 and 2018, respectively.

- In the face of current and future inflationary pressure, an inflation adjuster is necessary to ensure the program's investment power remains consistent with the broader markets and small businesses can continue to receive the capital they need.
- "Bonus leverage" is designed to increase investment in underfunded areas and businesses by excluding such investments in the calculation of outstanding leverage to an SBIC. Congress has previously authorized SBICs to access bonus leverage for equity investments in low-income areas, but limitations in the statute make the current bonus leverage authority unworkable and therefore never used.
 - Bonus leverage needs to be modernized to remove barriers and provide program flexibility. This would allow SBICs to make more investments in underfunded areas and businesses without having to reduce their commitments elsewhere.

Legislative Details:

- This bill would increase the licensee commitment levels by a factor of inflation from the last time they were adjusted in statute and adjust for inflation annually thereafter.
- The second part of the proposal would modernize bonus leverage to increase investment in rural, low-income, and national security-focused businesses. Investments eligible for bonus leverage under the legislation include smaller enterprises in low income or rural areas. These are businesses that are smaller than small businesses by definition and are in areas that are traditionally underserved. Bonus leverage is also available for investments in small businesses that are in industries identified as critical to national security. The DoD has recently signed a Memorandum of Agreement (MOA) with SBA to spur such investment and has published a list of 14 critical technologies that can be updated to meet future needs.