Minority Views
H. R. 5333, "Investing in All of America Act of 2023"

In September 2023, the Small Business Administration ("SBA") and the Department of Defense ("DOD") launched a joint initiative, known as the Small Business Investment Company Critical Technologies Initiative ("SBICCT"). The SBICCT Initiative couples the SBA's Small Business Investment Company Program ("SBIC Program") with the DOD's robust scientific and technical expertise and national security mission with the goal of attracting and scaling private investment into businesses in technology areas critical to national and economic security.

The high priority financing areas in critical technology are typically venture and scale up/growth equity investment. Due to the early revenue profile, the often capital-intensive nature, and pre-profitability status of these businesses, the majority of financing in these businesses comes in the form of equity rather than debt. The duration of the funds investing in businesses engaged in critical technology is significantly longer than those funds running mezzanine debt and other credit strategies. As a result, such investments are not always a "match" for SBICs with limited partners with typically shorter time horizons. For example, currently, of the approximately $24 billion in private capital committed to SBIC licensed funds only about 30 percent come from traditional institutional investors with longer time horizons that can allocate more capital to long duration investments in critical technology businesses.

In order to resolve this mismatch and ensure institutional investors with longer time horizons are able to invest in critical technologies through the SBIC program, and effectively carryout the SBICCT Initiative, it is necessary to update antiquated statutory constraints that limit participation in the SBIC program.

At the same time, there continues to be a significant lack of capital investment in small businesses in rural and underserved communities. Importantly, the Small Business Investment Act has historically permitted "bonus" leverage to be allocated post licensing for investments in low-income communities. However, due to changes in market conditions and investment strategies, after the SBIC's fund's formation, utilization of the "bonus" leverage is not typically utilized. Therefore, to drive additional SBIC investment capital to small businesses in rural and underserved communities, it is important to provide utilization of "bonus" leverage upfront at the time of licensing, rather than a licensee requesting additional leverage midway through the investment period.

The bill would amend the Small Business Investment Act of 1958 to exclude from the limit on leverage certain amounts invested in smaller enterprises located in rural or low-income areas and small businesses in critical technology areas.

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