

[H.R. 1023, Small Business Investment Company Capital Act of 2015](#)

FLOOR SITUATION

On Monday, July 13, 2015, the House will consider [H.R. 1023](#), *the Small Business Investment Company Capital Act of 2015*, under suspension of the rules. H.R. 1023 was introduced on February 24, 2015, by Rep. Steve Chabot (R-OH) and was referred to the Committee on Small Business, which ordered the bill reported by voice vote on June 10, 2015.

SUMMARY

H.R. 1023 amends the Small Business Investment Act of 1958 to increase from \$225 million to \$350 million the leverage that is available for investment companies licensed by the Administrator of the Small Business Administration (SBA) under common control and ownership.

BACKGROUND

In 1958, Congress created the Small Business Investment Company (SBIC) program to facilitate the flow of long-term capital to small businesses.¹ SBICs receive a license to operate according to a business plan submitted to the SBA. The SBA then authorizes the licensee to draw leverage, which is in effect treated as a loan, of up to three times the amount of private capital raised by the SBIC. The program operates without any appropriated funds, as businesses participating in the SBIC program are required to pay various fees that are sufficient to offset the program's estimated subsidy cost.²

SBICs were created with the intent of filling a gap in the provision of equity capital to small businesses, but under current law the total amount of leverage they can obtain from the government is capped at \$150 million. If a SBIC reaches that limit (as a result of successful private fundraising), the managers of the SBIC are forbidden from participating in the program unless they start a second SBIC, conduct fundraising, and obtain a license from the SBA. In such cases, the statutory limit for the combined funds is \$225 million (meaning that the second SBIC under common management only

¹ <https://www.sba.gov/category/lender-navigation/sba-loan-programs/sbic-program-0>

² See [House Report 114-189](#) at 2.

can raise \$25 million and obtain leverage of \$75 million). These commonly managed funds are colloquially referred to as a “family of funds”.³

In 2009, the family of funds cap was raised from \$150 million to \$225 million. In recent years some investors looking for higher returns have gravitated to equity investments, including those provided by managers of SBICs. According to the Committee, given this change, raising the cap on the family of fund limits will enable successful managers of SBICs to maintain their presence in the program and continue to attract private investor dollars that can be leveraged for investment in small businesses.⁴

According to Small Business Committee Chairman Steve Chabot, “the program is an efficient, smart, and successful way of making capital available to small businesses poised for growth. Strengthening the SBIC will go a long way towards creating more good-paying jobs across the country—all at no cost to taxpayers.”⁵

H.R. 1023 is identical to [H.R. 6504](#), which passed the House on December 18, 2012 by a vote of [359 to 36](#). The Senate did not act on the bill in the 112th Congress.

COST

The Congressional Budget Office (CBO) [estimates](#) that implementing H.R. 1023 would have no significant effect on the federal budget. Enacting H.R. 1023 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

STAFF CONTACT

For questions or further information please contact [John Huston](#) with the House Republican Policy Committee by email or at 6-5539.

³ Id.

⁴ Id.

⁵ See Press Release, [“Chabot Leads Bipartisan Effort to Expand Small Business Access to Capital,”](#) February 24, 2015.