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Billing Code

DEPARTMENT OF THE TREASURY

Notice and Request for Information – State Small Business Credit Initiative (SSBCI)

AGENCY: Departmental Offices, Treasury.

ACTION: Request for information.

SUMMARY: The State Small Business Credit Initiative (SSBCI) provides funds to States, Territories, and Tribal governments to enable these jurisdictions to support programs for small businesses. Specifically, beginning in FY 2021, the Department of the Treasury (Treasury) is authorized to provide up to $10 billion in support for small business capital and technical assistance programs as a response to the economic effects of the COVID–19 pandemic. Treasury invites the public to comment on the SSBCI program design and implementation in order to support new and existing small businesses. Responses may be used by Treasury to assist in developing program design and guidance. Responses may also be used to inform Treasury's allocation of technical assistance funding to states, territories, and Tribal governments, the Minority Business Development Agency (MBDA), and programs implemented directly by Treasury.

DATES: Responses must be received by [INSERT DATE THAT IS 14 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER] to be assured of consideration.

ADDRESSES: Submit comments via www.regulations.gov. In general, comments received will be posted on http://www.regulations.gov without change, including any business or personal information provided. Comments received, including attachments and other supporting materials, will be part of the public record and subject to public disclosure. Do not enclose any

information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

FOR FURTHER INFORMATION CONTACT: Jeff Stout at (202) 622-2059 or ssbci_information@treasury.gov.

SUPPLEMENTARY INFORMATION:

Purpose: This request for information offers States, Territories, Tribal governments, localities, community-based and other non-profit organizations, small businesses, researchers, financial institutions, and other interested individuals and entities the opportunity to provide information on effective approaches for the delivery of capital and technical assistance through SSBCI.

Background: SSBCI provides funding for two program categories: capital access programs ("CAPs") and other credit support programs ("OCSPs"). CAPs provide portfolio insurance for business loans by setting up loan loss reserve funds for participating financial institutions. OCSPs include, but are not limited to, collateral support programs, loan participation and guarantee programs, and venture capital and other venture financing programs.

SSBCI was originally created in the Small Business Jobs Act of 2010 to increase availability of credit for small business. It was funded at $1.5 billion and implemented by Treasury and states and territories from 2011 through 2017. Funds were allocated in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands. SSBCI provided allocatees significant flexibility to design programs that met local market conditions. By the end of the program, participating jurisdictions had directed SSBCI funds to 152 small business programs with a wide range of models and strategies. State programs addressed the spectrum of small business financing needs, from loans for microbusinesses and equipment purchases for small

manufacturers to equity capital for early stage technology. Approximately 69 percent of the funding supported lending or credit support programs and 31 percent supported venture capital programs. According to the program evaluation report, state SSBCI programs supported nearly $8.4 billion in new capital in small business loans and investments by the end of 2015. Eighty percent of SSBCI transactions supported businesses with 10 or fewer full-time employees and nearly half the supported businesses were less than five years old. Through 2015, 42 percent of the 16,919 SSBCI transactions were with small businesses located in low-to-moderate income (LMI) census tracts. In several states, a successful relationship with community development financial institutions (CDFIs) resulted in higher percentages of loans in LMI areas.

As described in the SSBCI Program Evaluation (October 2016), available at https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/ssbci-program-reports:

- CAPs supported a high volume of very small loans: The median CAP loan size was approximately $14,800 and almost 47 percent of CAP loans supported businesses in LMI areas. CDFIs accounted for 65 percent of the 10,561 CAP transactions.
- Loan guarantee, loan participation, and collateral support programs supported larger transactions, with a median size of $300,000. On average, states used SSBCI funds to support 17.4 percent of each transaction, implying a leverage ratio of 5.75:1. Manufacturers were the most common business type, representing 17 percent of all non-CAP credit support transactions.
- Thirty-eight states directed approximately $450 million, or 31 percent of total SSBCI funds, to venture capital programs. Between 2011 and 2015, venture capital programs supported over 1,300 equity investments with $278 million in SSBCI funding, generating $3.1 billion in new investment. In most cases, states partnered with private investment funds or specialized non-profits (state-supported entities) with expertise to source,

structure, close, and manage equity investments in small businesses. Venture capital programs targeted high-growth potential businesses in various stages of development: pre-seed and proof-of-concept; seed-stage and early-stage; growth stage and later stage; and mezzanine and debt investments. About two-thirds of the transactions supported pre-seed and seed capital investments.

Additional information about the original 2010 round of SSBCI, including program evaluation reports is available at: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/archives.

Section 3301 of the American Rescue Plan Act of 2021, Pub. L. 117-2 (ARPA), reauthorized SSBCI and provided $10 billon to implement the program. ARPA modified SSBCI in a number of ways, including the following:

(i) Separate Allocation for Tribal Governments. SSBCI provides for $500 million in allocations to Tribal governments in the proportion determined appropriate by the Secretary of the Treasury.[1]

(ii) Additional Allocations to Support Business Enterprises Owned and Controlled by Socially and Economically Disadvantaged Individuals (SEDI business). SSBCI provides $1.5 billion in allocation to States, Territories, and Tribal governments for business enterprises owned and controlled by socially and economically-disadvantaged individuals.[2]

- SEDI business means a business that:

[1] Section 3301(a)(1) of ARPA.
[2] Section 3301(b) of ARPA.

        - if privately owned, 51 percent is owned by one or more socially and economically-disadvantaged individuals;
        - if publicly owned, 51 percent of the stock is owned by one or more socially and economically-disadvantaged individuals; and
        - in the case of a mutual institution, a majority of the Board of Directors, account holders, and the community which the institution services is predominantly comprised of socially and economically disadvantaged individuals.
    - Socially and economically disadvantaged individuals is defined by reference to section 8 of the Small Business Act (15 U.S.C. 637) and the regulations thereunder. This definition includes the following:
        - Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.
        - Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

(iii) Incentive Allocations to Support Business Enterprises Owned and Controlled by Socially and Economically Disadvantaged Individuals. SSBCI provides $1 billion to be allocated as an incentive for States, Territories, and Tribal governments that demonstrate robust support for SEDI businesses.[3]

[3] Id.

(iv) Additional Allocations to Support Very Small Businesses. SSBCI provides for $500 million to be allocated to Very Small Businesses.

- Very Small Business is defined as a business with fewer than 10 employees; and may include independent contractors and sole proprietors.[4]

(v) Technical Assistance (TA). SSBCI provides that $500 million may be used to provide TA to certain businesses applying for SSBCI or other state or federal programs that support small businesses.

- Treasury may provide funds to states to carry out a TA plan to provide Very Small Businesses and SEDI businesses with financial advisory, legal, accounting services, either directly or by contract with priority given to SEDI businesses;
- Treasury may transfer funds to the Department of Commerce's MBDA to provide TA to SEDI businesses; and/or
- Treasury may contract with legal, accounting, and financial advisory firms with priority given to SEDI businesses to provide TA to SEDI businesses.[5]

How to Comment: This RFI is for information and planning purposes only and should not be construed as a solicitation or as an obligation on the part of Treasury. We ask respondents to address the Key Questions listed below. You do not need to address every question and should focus on those where you have views or relevant expertise. Please clearly indicate which questions you are addressing in your response. You may also provide detailed proposals outlining how States, Territories, and Tribal governments could use SSBCI, as well as examples. All comments received, including attachments and other supporting materials, are part of the

[4] Section 3301(c) of ARPA.
[5] Section 3301(d) of ARPA.

public record and subject to public disclosure. You should only submit information that you wish to make publicly available.

Guidance for Submitting Documents: We ask that each respondent include the name and address of his or her institution or affiliation, and the name, title, mailing and e-mail addresses, and telephone number of a contact person for the institution or affiliation, if any.

Key Questions:

1. What changes should Treasury make to the policy guidelines last updated in 2014 (available here: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/archives/archived-program-rules) to enable the use of SSBCI to expand access to capital for small businesses in the current economic environment? Responses should take into consideration the statutory requirements for CAPs and OCSPs in the Small Business Jobs Act and ARPA, and provide feedback consistent with those constraints.
    a. Is guidance specific to Tribal governments needed? If so, what specific issues should this guidance address?

2. What changes should Treasury make to the policy guidelines last updated in 2014 (available here: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/archives/archived-program-rules) to enable use of SSBCI to promote access to capital for diverse businesses, including SEDI businesses and Very Small Businesses? Please provide specific examples.

    a. What data should Treasury use in its allocation calculation based on the needs of SEDI businesses in States, Territories, and Tribal governments? Please provide specific examples.

b. What guidance should Treasury provide regarding identifying and serving SEDI businesses? Please provide specific examples.

c. How can Treasury ensure effective use of allocations to States, Territories, and Tribal governments to support Very Small Businesses, including non-employer businesses? Please provide specific examples.

3. How should Treasury ensure effective use of the TA allocation to support SEDI businesses' and Very Small Businesses' access SSBCI capital or other capital? Please provide specific examples.

a. How should Treasury encourage States, Territories, and Tribal governments to prioritize contracts to SEDI businesses to provide TA?

b. How and to what extent should Treasury work with MBDA to provide TA to SEDI businesses? Please provide specific examples.

c. For what purposes should Treasury directly contract with legal, accounting, and financial advisory firms to provide TA to SEDI businesses? Please provide specific examples.

4. What data should Treasury require from States, Territories, and Tribal governments in regular reporting on their performance and activities that would ensure compliance and provide meaningful information on results to inform the public, policymakers, and others?

5. Do you have any other comments on the implementation of SSBCI to improve outcomes in general, and particularly to serve underserved communities and groups and SEDI businesses?

Dated: May 14, 2021.

Jeffrey Stout,
Director, Office of Federal Program Finance.

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