

U.S. Department of the Treasury
State Small Business Credit Initiative (SSBCI) Program

Fact Sheet

November 2021

What is SSBCI?

The American Rescue Plan Act of 2021 reauthorizes and expands the State Small Business Credit Initiative (SSBCI) Program, which was originally established in 2010. SSBCI will provide a combined \$10 billion to states, the District of Columbia, territories, and Tribal governments to expand access to capital for small businesses emerging from the pandemic, build ecosystems of opportunity and entrepreneurship, and create high-quality jobs.

SSBCI provides recipient jurisdictions funding for: (1) credit and investment programs for existing small businesses and start-ups, and (2) technical assistance to small businesses applying for SSBCI funding and other government small business programs. Today, Treasury is issuing guidance to implement the SSBCI credit and investment programs.

Types of Programs

The programs available under SSBCI to promote capital access to all recipient jurisdictions, including in underserved areas, include:

- *Venture Capital Programs*: Jurisdictions may set up public-private partnerships for equity investing or invest in venture capital funds. These investments are focused on providing capital to underserved startups and democratizing venture capital across geography and to diverse founders.
- *Loan Participation Programs*: In these programs, states, the District of Columbia, territories, and Tribal governments buy an interest in the loans made by lenders or lend directly alongside private lenders, providing direct lending to finance small businesses.
- *Loan Guarantee Programs*: States, the District of Columbia, territories, and Tribal governments use SSBCI funds to provide an assurance to lenders that they will be partially repaid in the event of default, after the lender makes every reasonable effort to collect, helping small businesses secure loans that may have otherwise been inaccessible or prohibitively expensive.
- *Collateral Support Programs*: The programs in this model set aside funds as collateral for new loans, enabling start-ups to borrow funds to help their businesses grow with the assistance of SSBCI capital.
- *Capital Access Programs (CAPs)*: These programs provide portfolio insurance in the form of a loan loss reserve fund into which the lender and borrower contribute, supplemented with SSBCI funds.

Program Implementation and Guidance Design

Treasury's implementation of the SSBCI program will expand access to capital, promote economic resiliency, create new jobs, and increase economic opportunity. Treasury is focused on expanding opportunities in underserved communities lacking capital and building financing ecosystems that support entrepreneurs and small businesses. This focus is reflected in several important features of these programs, including:

Promoting Equity.

- The program has a new allocation of \$1.5 billion for business enterprises owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses), along with \$1 billion of incentive funds for jurisdictions that demonstrate robust support for SEDI-owned businesses. These allocations combine to be more than the entire funding for the 2010 SSBCI program.
 - The \$1.5 billion allocation targets (1) small businesses owned by individuals that have faced barriers to access to the capital, markets, and networks they need to grow their businesses because of certain statuses or membership in certain groups, including membership in a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, and (2) small businesses in Community Development Financial Institution (CDFI) Investment Areas, which are generally low-income, high-poverty geographies that receive insufficient support for the needs of small businesses, including minority-owned businesses.
 - Treasury will allocate the \$1 billion of incentive funds to jurisdictions that effectively deliver robust support to these groups, helping to promote lending and venture capital investment for small businesses run by diverse founders or that operate in geographic regions that have traditionally lacked access to capital.
- The program will provide over \$600 million in allocated funds to Tribal governments, which have been consulted during the process of policy design.

Catalyzing Private Investment.

- SSBCI is designed to catalyze \$10 of small business lending and investment for every \$1 of SSBCI capital program funding, magnifying the effects of the federal funds allocated through the program.
- States, the District of Columbia, territories, and Tribal governments must describe in their application how the SSBCI funding causes and results in new lending and investment, ensuring that the funds are used for small businesses and start-ups that would otherwise lack opportunities for growth-supporting capital.
- The program mobilizes local sources of capital, such as community banks, CDFIs, Minority Depository Institutions, and investors, to support local small businesses. The program also rewards investments outside of traditional high-access areas and to start-ups that have struggled to receive funding.

Fueling Economic Growth and Good Jobs.

- SSBCI will build on the Administration's work to support small businesses while combating longstanding structural inequities in access to credit and unequal opportunities for growth revealed and exacerbated by the pandemic.
- In their SSBCI applications, states, the District of Columbia, territories, and Tribal governments must explain the economic benefits of their programs, such as how they will create well-paying jobs and how they might support American manufacturing, supply chain industries, communities facing transitions to net zero economies or deindustrialization, or how they might further other policy objectives.
- The scale of capital funding, over 6.5 times greater than the initial SSBCI program, can be transformative for communities impacted by large-scale job losses, within emerging industries, and for the many centers of entrepreneurship currently underserved by capital markets.