



July 24, 2019

The Honorable Marco Rubio
Chairman
Committee on Small Business &
Entrepreneurship
United States Senate
Washington, DC 20515

The Honorable Ben Cardin
Ranking Member
Committee on Small Business &
Entrepreneurship
United States Senate
Washington, DC 20515

Dear Chairman Rubio and Ranking Member Cardin:

The Small Business Investor Alliance (SBIA) commends your leadership of the SBA Reauthorization and Improvement Act of 2019 (“SBA Reauthorization”) and applauds the Committee’s collaborative, bipartisan efforts to improve the Small Business Investment Company (SBIC) program. We encourage the committee to advance this legislation through the process.

SBIA supports the positive direction this bill takes to increase small business investment, particularly the efforts to improve licensing, examinations, and operations of the SBIC program. Mismanagement and delays in licensing and examinations have led to a reduction in the number of SBIC licenses being issued and to a coming reduction in small business investment. The SBA Reauthorization bill seeks to improve the licensing process by adding timelines to ensure that SBIC applications are processed in a reasonable manner while still being rigorously reviewed. The bill also seeks to reduce delays and relieve burdens on SBIC funds by reforming the examinations process to make them more effective. We also support the Committee’s inclusion in the bill of both the *Investing in Main Street Act* that would help increase bank investments in SBICs and the *SIGMA Act* that would promote investments in America’s small manufacturers.

We are grateful for the attention the Committee has shown to the SBIC program in this legislation, and we also appreciate the Committee’s support for SBICs at the June 26th hearing entitled, “Reauthorization of SBA’s Small Business Investment Company Program.” During that hearing, many Committee members, while expressing support for the SBIC program and the role it plays in the U.S. economy, nevertheless raised serious concerns with the delays in the licensing process and many aspects of SBIC program operations.

Since this oversight hearing, SBIA has observed no improvements in the management of the program. In fact, the disappointing response of the SBIC program’s leadership in the wake of the oversight hearing has been to double down and further extend unnecessary licensing delays. As an example, the Associate Administrator has made himself unavailable to interview applicants (approved in early July for a “green light” interview) until late November, creating a five-month delay before the formal licensing process can begin. These artificially created delays are particularly troubling because some of these delayed applicants are in rural states without any other SBIC funds or are forming as women-owned funds. Even improved, good law cannot overcome hostility to Congressional intent from the leadership of the SBA’s Office of Investment.

The SBIA does have outstanding questions about several provisions in the manager's amendment that we hope can be addressed as the bill advances through the legislative process. For instance, there is no cap on fees charged SBICs to maintain the zero-subsidy rate, nor limits on the use of those fees to run the SBIC program. Additionally, rather than two separate loss reserve funds, the bill would establish one fund to cover both the newly proposed Innovation Debenture program and the traditional debenture program. This risks adverse effects because funds collected from each program are co-mingled. Finally, the manager's amendment would direct the SBA to release aggregate performance data about the SBIC program only every two years whereas program data is currently released quarterly, and similar 7a and 504 data is released bimonthly.

SBIA thanks you for your leadership on small business issues and for the bipartisan nature of your collaboration. We stand ready to work with you to strengthen the SBA Reauthorization bill as it moves through Congress.

Sincerely,



Brett Palmer
President
Small Business Investor Alliance

cc: Members of the Committee on Small Business