

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

June 25, 2009

The Honorable Karen G. Mills
Administrator
U.S. Small Business Administration
409 Third Street, SW
Washington, DC 20416

Dear Administrator Mills:

We write to request that the Small Business Administration (SBA) take action to enhance the effectiveness of the critical, but underutilized, Small Business Investment Company (SBIC) program. As you are aware, the SBIC program has provided more than \$55 billion of financing to over 106,000 small businesses nationwide since its inception in 1958, and many of America's most recognizable companies, including Outback Steakhouse, Whole Foods, and Apple, benefited from this program during their early years. Unfortunately, although \$3 billion of SBIC debentures were available for Fiscal Year 2008, only \$650.3 million was used. We believe that the SBA must implement the following steps to enable SBICs to drive increased investment in small businesses, which will ultimately help them to lead the economy out of recession and create new jobs.

First, the SBA must expeditiously issue regulations to put into place provisions Congress included in the *American Recovery and Reinvestment Act* signed into law in February that would significantly augment the number of dollars SBICs could dedicate to small business investment. The Act increases SBIC leverage limits to \$150 million for a single fund and \$225 million for a family of funds. It also raises to 30 percent the proportion of an SBIC's private capital that could be invested in a single company. Finally, the Act simplifies current law by requiring that an SBIC invest 25 percent of leverage into small enterprises rather than requiring 20 percent of leverage under \$90 million to be dedicated to such enterprises and all leverage over that threshold to be so utilized. Each day that regulations are not issued represents lost opportunities for small businesses struggling to obtain capital financing they could use to create jobs and the products and services of the future.

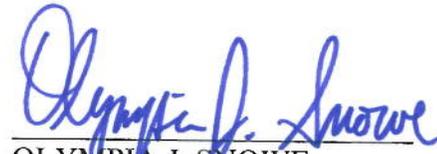
Second, despite signs of improvement, we are concerned about complaints that SBA takes far too long to license and relicense SBICs. For example, during Fiscal Year 2008, the SBA licensed only six new SBICs with many applicants having to wait more than one year for approval. With many potential SBICs having to wait a year for approval, small businesses are left unable to access critical funds. Even with the necessity for more prudent lending and investment in the aftermath of the subprime lending crisis and other risky investment practices, these delays seem excessive. Although the SBA has licensed nine new SBICs so far this fiscal year, an improvement we appreciate, we urge the SBA to commit to issuing decisions on a more-timely basis, such as within six months of their receipt.

Finally, we ask that the SBA immediately issue regulations to institute Energy Saving Debentures authorized in the *Energy Independence and Security Act of 2007*. These debentures would benefit small businesses seeking capital to research and manufacture products and services designed to reduce the consumption of non-renewable sources of energy. Although the Act was signed into law on December 19, 2007, the SBA has yet to act to implement this provision.

Thank you for your consideration of these requests. Should you wish to discuss the issues we have raised, please contact Kevin Wheeler on Senator Landrieu's staff (202-224-5175) or Matthew Berger on Senator Snowe's staff (202-224-7884). We look forward to working with you to reauthorize and make further improvements to the SBIC program.

Sincerely,


MARY L. LADRIEU
United States Senator


OLYMPIA J. SNOWE
United States Senator