119TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
119–227

INVESTING IN ALL OF AMERICA ACT OF 2025

AUGUST 15, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WILLIAMS of Texas, from the Committee on Small Business, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 2066]

The Committee on Small Business, to whom was referred the bill (H.R. 2066) to amend the Small Business Investment Act of 1958 to exclude from the limit on leverage certain amounts invested in smaller enterprises located in rural or low-income areas and small businesses in critical technology areas, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

CONTENTS

59–006

The amendment is as follows:
Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Investing in All of America Act of 2025".

SEC. 2. SMALL BUSINESS INVESTMENT COMPANY MAXIMUM LEVERAGE EXCLUSION.

(a) DEFINITIONS.—Section 103(9) of the Small Business Investment Act of 1958 (15 U.S.C. 662(9)) is amended—

(1) in subparagraph (A)(ii), by striking "and" at the end;

(2) in subparagraph (B)(iii)—

(A) in subclause (I), by striking "established prior to October 1, 1987";

(B) in subclause (II)—

(i) by striking "or" and inserting a comma; and

(ii) by inserting ", foundation, endowment, or trust of any college or university" after "pension plan"; and

(C) in subclause (III), by striking the semicolon at the end and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(C) does not include any funds obtained directly or indirectly from any Federal, State, or local government or any government agency or instrumentality, except for funds described in subclauses (I) through (III) of subparagraph (B)(iii), for the purpose of approval by the Administrator of any request for leverage.".

(b) MAXIMUM LEVERAGE EXCLUSION.—Section 303(b)(2) of the Small Business Investment Act of 1958 (15 U.S.C. 683(b)(2)) is amended—

(1) in subparagraph (A)—

(A) in clause (i), by striking "300" and inserting "200"; and

(B) by amending clause (ii) to read as follows:

"(ii)(I) with respect to such a company that makes quarterly or semiannual interest payments $250,000,000; or

"(II) $175,000,000 with respect to any other company licensed under section 301(c).";

(2) in subparagraph (B), by striking "may not exceed $350,000,000." and inserting the following "may not exceed—

"(i) with respect to such companies that are commonly controlled and that make quarterly or semiannual interest payments, $475,000,000; or

"(ii) $350,000,000 with respect to any other companies licensed under section 301(c) that are commonly controlled."; and

(3) in subparagraph (C)—

(A) in the heading—

(i) by inserting "OR RURAL" after "LOW-INCOME"; and

(ii) by inserting ", CRITICAL TECHNOLOGY AREAS, OR SMALL MANUFACTURERS" after "GEOGRAPHIC AREAS";

(B) in clause (i)—

(i) by striking "(i) In calculating" and inserting the following:

"(i) IN GENERAL.—Except as provided in clause (iii), in calculating";

(ii) by inserting "or companies" after "of a company";

(iii) by striking "subparagraph (A)" and inserting "subparagraphs (A) and (B)";

(iv) by striking "equity"; and

(v) by striking "the company in a smaller enterprise" and all that follows and inserting the following: "the company or companies in—

"(I) a small business concern located in a low-income geographic area (as defined in section 351 of this title) or in a rural area (as defined in section 343(a)(13) of the Agricultural Act of 1961 (7 U.S.C. 1991(a)(13)));

"(II) a small business concern operating primarily in a covered technology category (as defined in section 149(e) of title 10, United States Code); or

"(III) a small manufacturer (as defined in section 501(e)(6) of this Act).";

(C) by amending clause (ii) to read as follows:

"(ii) LIMITATION.—While maintaining the limitation of subparagraph (A)(i) and consistent with a leverage determination ratio issued pursuant to section 301(c), the aggregate amount excluded for a company or

companies under clause (i) from the calculation of the outstanding leverage such company or companies for the purposes of subparagraphs (A) and (B) may not exceed the lesser of 50 percent of the private capital of such company or companies or $125,000,000.''; and

(D) by amending clause (iii) to read as follows:

''(iii) PROSPECTIVE APPLICABILITY.—An investment by a licensee is eligible for exclusion from the calculation of outstanding leverage under clause (i) only if such investment is made by such licensee after the date of enactment of this clause.''.

I. PURPOSE AND BILL SUMMARY

On March 11, 2025, Rep. Meuser, along with Rep. Scholten, introduced H.R. 2066, the *Investing in All of America Act of 2025*. H.R. 2066 provides additional leverage for investments in American manufacturing sectors, rural areas, and critical national defense technologies.

II. NEED FOR LEGISLATION

The Investing in All of America Act of 2025 strengthens one of the federal government's most successful public-private partnerships known as the Small Business Investment Company (SBIC) program. H.R. 2066 removes the leverage cap restrictions on investments in manufacturing, rural areas, and critical technologies. This legislation incentivizes greater private investments into small businesses, helping reinvigorate American manufacturing and ensuring resiliency in America's national security. The SBIC program operates at no cost to the taxpayer, and this bill would preserve that zero-subsidy model.

III. HEARINGS

On April 2, 2025, the Committee on Small Business held a hearing examining matters related to H.R. 2066 entitled ''Fueling America's Future: How Investment Empowers Small Business Growth.''

IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on July 22, 2025, and ordered H.R. 2066, as amended, to be reported favorably to the House of Representatives by a roll call vote of 23 ayes to 0 nos. During the markup the Committee adopted an amendment in the nature of a substitute offered by Rep. Meuser by voice vote.

V. COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. The Committee voted to favorably report H.R. 2066, as amended, to the House of Representatives at 11:03 AM.

Present	Representatives	Aye	Nay
	Mr. Stauber (MN-08)	X	
	Mr. Meuser (PA-09)	X	
	Ms. Van Duyne (TX-24)		
	Mr. Ellzey (TX-06)	X	
	Mr. Alford (MO-04)	X	
	Mr. LaLota (NY-01)	X	
	Mr. Finstad (MN-01)	X	
	Mr. Wied (WI-08)	X	
	Mr. Bresnahan (PA-08)	X	
	Mr. Jack (GA-03)	X	
	Mr. Downing (MT-02)	X	
	Ms. King-Hinds (Del.-CNMI)	X	
	Mr. Schmidt (KS-02)	X	
	Mr. Patronis (FL-01)	X	
	Ranking Member Velazquez (NY-07)		
	Mr. McGarvey (KY-03)	X	
	Ms. Scholten (MI-03)	X	
	Ms. McIver (NJ-10)	X	
	Mr. Cisneros (CA-31)	X	
	Ms. Morrison (MN-03)		
	Mr. Latimer (NY-16)	X	
	Mr. Tran (CA-45)	X	
	Ms. Simon (CA-12)	X	
	Mr. Olszewski (MD-02)	X	
	Mr. Conaway (NJ-03)	X	
	Ms. Goodlander (NH-02)	X	
	Chairman Williams (TX-25)		
0	TOTALS	23	0

COMMITTEE ON SMALL BUSINESS
119th Congress (*First Session*)

Date: 07/22/2025

Time: 11:04 AM ET

Measure: H.R. 2066 – Investing in All of America Act of 2025 (As Amended)

Offered By:

Amendment #:

Result?	Agreed To: [X]		
	Not Agreed To: [ ]		
	Withdrawn: [ ]		
Voice Vote	*Ayes*	*Nays*	*Present*
	23	*0*	*0*

FC Vote #	4

VI. SECTION-BY-SECTION OF H.R. 2066

Section 1—Short title

This act may be cited as the "Investing in All of America Act of 2025".

Section 2—Small business investment company maximum leverage exclusion

This section provides SBICs access to additional leverage when they invest in rural areas, domestic manufacturing, and critical technology-focused small businesses. It adds foundations, endowments, or trusts of colleges and universities as eligible sources of private capital for SBICs. While SBICs may accept funds from federal, state, or local governments, including from these newly eligible sources, these funds are not counted as private capital when calculating leverage eligibility.

This section reduces the additional leverage, known as bonus leverage, from $300 million to $200 million, but establishes a higher leverage cap of $250 million for SBICs that make quarterly or semiannual interest payments. Other SBICs are capped at $175 million.

The total leverage limit for multiple funds under common control is raised to $475,000,000 for those that make quarterly or semiannual interest payments. For other funds, the limit remains $350,000,000.

SBIC investments in small businesses located in low-income or rural areas, operating in a covered technology category, or that are small domestic manufacturers will not count towards the leverage cap.

The amount of excluded leverage, also called bonus leverage, may not exceed the lesser of 50 percent of the fund's private capital or $125 million. Only investments made after the date of enactment of this clause are eligible for the leverage exclusion.

VII. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974. At the time this report was filed, the Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office.

VIII. NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a)(I) of the Congressional Budget Act of 1974, the Committee provides the following opinion and estimate with respect to new budget authority, entitlement authority, and tax expenditures. While the Committee has not received an estimate of new budget authority contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974, the

Committee does not believe that there will be any new or increased costs attributable to this legislation.

IX. Oversight Findings & Recommendations

In accordance with clause 2(b)(1) of rule X and clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 2066 are incorporated into the descriptive portions of this report.

X. Performance Goals and Objectives

With respect to the requirements of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 2066 is to increase investments in manufacturing sectors, rural areas, and critical technologies.

XI. Statement of Duplication of Federal Programs

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, no provision of H.R. 2066 is known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

XII. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee finds that the bill does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI of the Rules of the House of Representatives.

XIII. Federal Mandates Statement

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

XIV. Federal Advisory Committee Statement

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

XV. Applicability to Legislative Branch

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

XVI. Statement of Constitutional Authority

Pursuant to clause 7 of rule XII of the Rules of the House, the Committee finds that the authority for this legislation in Art. I, § 8, cl. 1 of the Constitution of the United States.

XVII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

SMALL BUSINESS INVESTMENT ACT OF 1958

TITLE I—SHORT TITLE, STATEMENT OF POLICY, AND DEFINITIONS

* * * * * * *

DEFINITIONS

SEC. 103. As used in this Act—

(1) the term "Administration" means the Small Business Administration;

(2) the term "Administrator" means the Administrator of the Small Business Administration;

(3) the terms "small business investment company", "company", and "licensee" mean a company approved by the Administration to operate under the provisions of this Act and issued a license as provided in section 301;

(4) the term "State" includes the several States, the Territories and possessions of the United States, the Commonwealth of Puerto Rico, and the District of Columbia;

(5) the term "small-business concern" shall have the same meaning as in the Small Business Act, except that, for purposes of this Act—

(A) an investment by a venture capital firm, investment company (including a small business investment company) employee welfare benefit plan or pension plan, or trust, foundation, or endowment that is exempt from Federal income taxation—

(i) shall not cause a business concern to be deemed not independently owned and operated regardless of the allocation of control during the investment period under any investment agreement between the business concern and the entity making the investment;

(ii) shall be disregarded in determining whether a business concern satisfies size standards established pursuant to section 3(a)(2) of the Small Business Act; and

(iii) shall be disregarded in determining whether a small business concern is a smaller enterprise. and

(B) in determining whether a business concern satisfies net income standards established pursuant to section 3(a)(2) of the Small Business Act, if the business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the sum of—

(i) if the business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this subparagraph), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

(ii) the net income (so determined) less any deduction for State (and local) income taxes calculated under clause (i), multiplied by the marginal Federal income tax rate that would have applied if the business concern were a corporation;

(6) the term "development companies" means enterprises incorporated under State law with the authority to promote and assist the growth and development of small-business concerns in the areas covered by their operations;

(7) the term "license" means a license issued by the Administration as provided in section 301;

(8) the term "articles" means articles of incorporation for an incorporated body and means the functional equivalent or other similar documents specified by the Administrator for other business entities;

(9) the term "private capital"—

(A) means the sum of—

(i) the paid-in capital and paid-in surplus of a corporate licensee, the contributed capital of the partners of a partnership licensee, or the equity investment of the members of a limited liability company licensee; and

(ii) unfunded binding commitments, from investors that meet criteria established by the Administrator, to contribute capital to the licensee: *Provided,* That such unfunded commitments may be counted as private capital for purposes of approval by the Administrator of any request for leverage, but leverage shall not be funded based on such commitments; [and]

(B) does not include any—

(i) funds borrowed by a licensee from any source;

(ii) funds obtained through the issuance of leverage; or

(iii) funds obtained directly or indirectly from any Federal, State, or local government, or any government agency or instrumentality, except for—

(I) funds obtained from the business revenues (excluding any governmental appropriation) of any federally chartered or government-sponsored corporation [established prior to October 1, 1987];

(II) funds invested by an employee welfare benefit plan [or], pension plan*, foundation, endowment, or trust of any college or university*; and

(III) any qualified nonprivate funds (if the investors of the qualified nonprivate funds do not control, directly or indirectly, the management, board of directors, general partners, or members of the licensee)[;]*; and*

(C) does not include any funds obtained directly or indirectly from any Federal, State, or local government or any government agency or instrumentality, except for funds described in subclauses (I) through (III) of subparagraph (B)(iii), for the purpose of approval by the Administrator of any request for leverage.

(10) the term "leverage" includes—

(A) debentures purchased or guaranteed by the Administration;

(B) participating securities purchased or guaranteed by the Administration; and

(C) preferred securities outstanding as of October 1, 1995;

(11) the term "third party debt" means any indebtedness for borrowed money, other than indebtedness owed to the Administration;

(12) the term "smaller enterprise" means any small business concern that, together with its affiliates—

(A) has—

(i) a net financial worth of not more than $6,000,000, as of the date on which assistance is provided under this Act to that business concern; and

(ii) an average net income for the 2-year period preceding the date on which assistance is provided under this Act to that business concern, of not more than $2,000,000, after Federal income taxes (excluding any carryover losses) except that, for purposes of this clause, if the business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the sum of—

(I) if the business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this clause), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

(II) the net income (so determined) less any deduction for State (and local) income taxes calculated under subclause (I), multiplied by the marginal Federal income tax rate that would have applied if the business concern were a corporation; or

(B) satisfies the standard industrial classification size standards established by the Administration for the industry in which the small business concern is primarily engaged;

(13) the term "qualified nonprivate funds" means any—

(A) funds directly or indirectly invested in any applicant or licensee on or before August 16, 1982, by any Federal agency, other than the Administration, under a provision of law explicitly mandating the inclusion of those funds in the definition of the term "private capital";

(B) funds directly or indirectly invested in any applicant or licensee by any Federal agency under a provision of law enacted after September 4, 1992, explicitly mandating the inclusion of those funds in the definition of the term "private capital"; and

(C) funds invested in any applicant or licensee by one or more State or local government entities (including any guarantee extended by those entities) in an aggregate amount that does not exceed 33 percent of the private capital of the applicant or licensee;

(14) the terms "employee welfare benefit plan" and "pension plan" have the same meanings as in section 3 of the Employee Retirement Income Security Act of 1974, and are intended to include—

(A) public and private pension or retirement plans subject to such Act; and

(B) similar plans not covered by such Act that have been established and that are maintained by the Federal Government or any State or political subdivision, or any agency or instrumentality thereof, for the benefit of employees;

(15) the term "member" means, with respect to a licensee that is a limited liability company, a holder of an ownership interest or a person otherwise admitted to membership in the limited liability company;

(16) the term "limited liability company" means a business entity that is organized and operating in accordance with a State limited liability company statute approved by the Administration;

(17) the term "long term", when used in connection with equity capital or loan funds invested in any small business concern or smaller enterprise, means any period of time not less than 1 year;

(18) the term "Energy Saving debenture" means a deferred interest debenture that—

(A) is issued at a discount;

(B) has a 5-year maturity or a 10-year maturity;

(C) requires no interest payment or annual charge for the first 5 years;

(D) is restricted to Energy Saving qualified investments; and

(E) is issued at no cost (as defined in section 502 of the Credit Reform Act of 1990) with respect to purchasing and guaranteeing the debenture;

(19) the term "Energy Saving qualified investment" means investment in a small business concern that is primarily engaged in researching, manufacturing, developing, or providing products, goods, or services that reduce the use or consumption of non-renewable energy resources; and

(20) the term "underlicensed State" means a State in which the number of licensees per capita is less than the median number of licensees per capita for all States, as calculated by the Administrator.

* * * * * * *

TITLE III—INVESTMENT DIVISION PROGRAMS

PART A—SMALL BUSINESS INVESTMENT COMPANIES

* * * * * * *

BORROWING POWER

SEC. 303. (a) Each small business investment company shall have authority to borrow money and to issue its securities, promissory notes, or other obligations under such general conditions and subject to such limitations and regulations as the Administration may prescribe.

(b) To encourage the formation and growth of small business investment companies the Administration is authorized when authorized in appropriation Acts, to purchase, or to guarantee the timely payment of all principal and interest as scheduled on, debentures or participating securities issued by such companies. Such purchases or guarantees may be made by the Administration on such terms and conditions as it deems appropriate, pursuant to regulations issued by the Administration. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guarantee under this subsection. Debentures purchased or guaranteed by the Administration under this subsection shall be subordinate to any other debenture bonds, promissory notes, or other debts and obligations of such companies, unless the Administration in its exercise of reasonable investment prudence and in considering the financial soundness of such company determines otherwise. Such debentures may be issued for a term of not to exceed fifteen years and shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities on such debentures, adjusted to the nearest one-eighth of 1 per centum, plus, for debentures obligated after September 30, 2001, an additional charge, in an amount established annually by the Administration, as necessary to reduce to zero the cost (as defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) to the Administration of purchasing and guaranteeing de-

bentures under this Act, which amount may not exceed 1.38 percent per year, and which shall be paid to and retained by the Administration. The debentures or participating securities shall also contain such other terms as the Administration may fix, and shall be subject to the following restrictions and limitations:

(1) The total amount of debentures and participating securities that may be guaranteed by the Administration and outstanding from a company licensed under section 301(c) of this Act shall not exceed 300 per centum of the private capital of such company: *Provided,* That nothing in this paragraph shall require any such company that on March 31, 1993, has outstanding debentures in excess of 300 per centum of its private capital to prepay such excess: *And provided further,* That any such company may apply for an additional debenture guarantee or participating security guarantee with the proceeds to be used solely to pay the amount due on such maturing debenture, but the maturity of the new debenture or security shall be not later than September 30, 2002.

(2) MAXIMUM LEVERAGE.—

(A) IN GENERAL.—The maximum amount of outstanding leverage made available to any one company licensed under section 301(c) of this Act may not exceed the lesser of—

(i) [300] *200* percent of such company's private capital; or

[(ii) $175,000,000.]

(ii)(I) with respect to such a company that makes quarterly or semiannual interest payments $250,000,000; or

(II) $175,000,000 with respect to any other company licensed under section 301(c).

(B) MULTIPLE LICENSES UNDER COMMON CONTROL.—The maximum amount of outstanding leverage made available to two or more companies licensed under section 301(c) of this Act that are commonly controlled (as determined by the Administrator) and not under capital impairment [may not exceed $350,000,000.] *may not exceed—*

(i) with respect to such companies that are commonly controlled and that make quarterly or semiannual interest payments, $475,000,000; or

(ii) $350,000,000 with respect to any other companies licensed under section 301(c) that are commonly controlled.

(C) INVESTMENTS IN LOW-INCOME *OR RURAL* GEOGRAPHIC AREAS*, CRITICAL TECHNOLOGY AREAS, OR SMALL MANUFACTURERS*.—[(i) In calculating]

(i) IN GENERAL.—Except as provided in clause (iii), in calculating the outstanding leverage of a company *or companies* for the purposes of [subparagraph (A)] *subparagraphs (A) and (B)*, the Administrator shall not include the amount of the cost basis of any [equity] investment made by [the company in a smaller enterprise located in a low-income geographic area (as defined in section 351), to the extent that the total of

such amounts does not exceed 50 percent of the company's private capital.] *the company or companies in—*

(I) a small business concern located in a low-income geographic area (as defined in section 351 of this title) or in a rural area (as defined in section 343(a)(13) of the Agricultural Act of 1961 (7 U.S.C. 1991(a)(13)));

(II) a small business concern operating primarily in a covered technology category (as defined in section 149(e) of title 10, United States Code); or

(III) a small manufacturer (as defined in section 501(e)(6) of this Act).

[(ii) The maximum amount of outstanding leverage made available to—

[(I) any 1 company described in clause (iii) may not exceed the lesser of 300 percent of private capital of the company, or $175,000,000; and

[(II) 2 or more companies described in clause (iii) that are under common control (as determined by the Administrator) may not exceed $250,000,000.

[(iii) A company described in this clause is a company licensed under section 301(c) in the first fiscal year after the date of enactment of this clause or any fiscal year thereafter that certifies in writing that not less than 50 percent of the dollar amount of investments of that company shall be made in companies that are located in a low-income geographic area (as that term is defined in section 351).]

(ii) LIMITATION.—While maintaining the limitation of subparagraph (A)(i) and consistent with a leverage determination ratio issued pursuant to section 301(c), the aggregate amount excluded for a company or companies under clause (i) from the calculation of the outstanding leverage such company or companies for the purposes of subparagraphs (A) and (B) may not exceed the lesser of 50 percent of the private capital of such company or companies or $125,000,000.

(iii) PROSPECTIVE APPLICABILITY.—An investment by a licensee is eligible for exclusion from the calculation of outstanding leverage under clause (i) only if such investment is made by such licensee after the date of enactment of this clause.

(D) INVESTMENTS IN ENERGY SAVING SMALL BUSINESSES.—

(i) IN GENERAL.—Subject to clause (ii), in calculating the outstanding leverage of a company for purposes of subparagraph (A), the Administrator shall exclude the amount of the cost basis of any Energy Saving qualified investment in a smaller enterprise made in the first fiscal year after the date of enactment of this subparagraph or any fiscal year thereafter by a company licensed in the applicable fiscal year.

(ii) LIMITATIONS.—

(I) AMOUNT OF EXCLUSION.—The amount excluded under clause (i) for a company shall not exceed 33 percent of the private capital of that company.

(II) MAXIMUM INVESTMENT.—A company shall not make an Energy Saving qualified investment in any one entity in an amount equal to more than 20 percent of the private capital of that company.

(III) OTHER TERMS.—The exclusion of amounts under clause (i) shall be subject to such terms as the Administrator may impose to ensure that there is no cost (as that term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) with respect to purchasing or guaranteeing any debenture involved.

(3) Subject to the foregoing dollar and percentage limits, a company licensed under section 301(c) of this Act may issue and have outstanding both guaranteed debentures and participating securities: *Provided,* That the total amount of participating securities outstanding shall not exceed 200 per centum of private capital.

For purposes of this subsection, the term "venture capital" includes such common stock, preferred stock, or other financing with subordination or nonamortization characteristics as the Administration determines to be substantially similar to equity financing.

(c) THIRD PARTY DEBT.—The Administrator—

(1) shall not permit a licensee having outstanding leverage to incur third party debt that would create or contribute to an unreasonable risk of default or loss to the Federal Government;

(2) shall permit such licensees to incur third party debt only on such terms and subject to such conditions as may be established by the Administrator, by regulation or otherwise.

(d) INVESTMENTS IN SMALLER ENTERPRISES.—The Administrator shall require each licensee, as a condition of approval of an application for leverage, to certify in writing that not less than 25 percent of the aggregate dollar amount of financings of that licensee shall be provided to smaller enterprises.

(e) CAPITAL IMPAIRMENT.—Before approving any application for leverage submitted by a licensee under this Act, the Administrator—

(1) shall determine that the private capital of the licensee meets the requirements of section 302(a); and

(2) shall determine, taking into account the nature of the assets of the licensee, the amount and terms of any third party debt owed by such licensee, and any other factors determined to be relevant by the Administrator, that the private capital of the licensee has not been impaired to such an extent that the issuance of additional leverage would create or otherwise contribute to an unreasonable risk of default or loss to the Federal Government.

(f) REDEMPTION OR REPURCHASE OF PREFERRED STOCK.—Notwithstanding any other provision of law—

(1) the Administrator may allow the issuer of any preferred stock sold to the Administration before November 1, 1989 to

redeem or repurchase such stock, upon the payment to the Administration of an amount less than the par value of such stock, for a repurchase price determined by the Administrator after consideration of all relevant factors, including—

(A) the market value of the stock;

(B) the value of benefits provided and anticipated to accrue to the issuer;

(C) the amount of dividends paid, accrued, and anticipated; and

(D) the estimate of the Administrator of any anticipated redemption; and

(2) any moneys received by the Administration from the repurchase of preferred stock shall be available solely to provide debenture leverage to licensees having 50 percent or more in aggregate dollar amount of their financings invested in smaller enterprises.

(g) In order to encourage small business investment companies to provide equity capital to small businesses, the Administration is authorized to guarantee the payment of the redemption price and prioritized payments on participating securities issued by such companies which are licensed pursuant to section 301(c) of this Act, and a trust or a pool acting on behalf of the Administration is authorized to purchase such securities. Such guarantees and purchases shall be made on such terms and conditions as the Administration shall establish by regulation. For purposes of this section, (A) the term "participating securities" includes preferred stock, a preferred limited partnership interest or a similar instrument, including debentures under the terms of which interest is payable only to the extent of earnings and (B) the term "prioritized payments" includes dividends on stock, interest on qualifying debentures, or priority returns on preferred limited partnership interests which are paid only to the extent of earnings. Participating securities guaranteed under this subsection shall be subject to the following restrictions and limitations, in addition to such other restrictions and limitations as the Administration may determine:

(1) Participating securities shall be redeemed not later than 15 years after their date of issuance for an amount equal to 100 per centum of the original issue price plus the amount of any accrued prioritized payment: *Provided,* That if, at the time the securities are redeemed, whether as scheduled or in advance, the issuing company (A) has not paid all accrued prioritized payments in full as provided in paragraph (2) below and (B) has not sold or otherwise disposed of all investments subject to profit distributions pursuant to paragraph (11), the company's obligation to pay accrued and unpaid prioritized payments shall continue and payment shall be made from the realized gain, if any, on the disposition of such investments, but if on disposition there is no realized gain, the obligation to pay accrued and unpaid prioritized payments shall be extinguished: *Provided further,* That in the interim, the company shall not make any in-kind distributions of such investments unless it pays to the Administration such sums, up to the amount of the unrealized appreciation on such investments, as may be necessary to pay in full the accrued prioritized payments.

(2) Prioritized payments on participating securities shall be preferred and cumulative and payable out of the retained earnings available for distribution, as defined by the Administration, of the issuing company at a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities on such securities, adjusted to the nearest one-eighth of 1 percent, plus, for participating securities obligated after September 30, 2001, an additional charge, in an amount established annually by the Administration, as necessary to reduce to zero the cost (as defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) to the Administration of purchasing and guaranteeing participating securities under this Act, which amount may not exceed 1.46 percent per year, and which shall be paid to and retained by the Administration.

(3) In the event of liquidation of the company, participating securities shall be senior in priority for all purposes to all other equity interests in the issuing company, whenever created.

(4) Any company issuing a participating security under this Act shall commit to invest or shall invest an amount equal to the outstanding face value of such security solely in equity capital. As used in this subsection, "equity capital" means common or preferred stock or a similar instrument, including subordinated debt with equity features which is not amortized and which provides for interest payments from appropriate sources, as determined by the Administration.

(5) The only debt (other than leverage obtained in accordance with this title) which any company issuing a participating security under this subsection may have outstanding shall be temporary debt in amounts limited to not more than 50 per centum of private capital.

(6) The Administration may permit the proceeds of a participating security to be used to pay the principal amount due on outstanding debentures guaranteed by the Administration, if (A) the company has outstanding equity capital invested in an amount equal to the amount of the debentures being refinanced and (B) the Administration receives profit participation on such terms and conditions as it may determine, but not to exceed the per centums specified in paragraph (11).

(7) For purposes of computing profit participation under paragraph (11), except as otherwise determined by the Administration, the management expenses of any company which issues participating securities shall not be greater than 2.5 per centum per annum of the combined capital of the company, plus $125,000 if the company's combined capital is less than $20,000,000. For purposes of this paragraph, (A) the term "combined capital" means the aggregate amount of private capital and outstanding leverage and (B) the term "management expenses" includes salaries, office expenses, travel, business development, office and equipment rental, bookkeeping and the development, investigation and monitoring of investments, but does not include the cost of services provided by specialized outside consultants, outside lawyers and outside auditors, who

perform services not generally expected of a venture capital company nor does such term include the cost of services provided by any affiliate of the company which are not part of the normal process of making and monitoring venture capital investments.

(8) Notwithstanding paragraph (9), if a company is operating as a limited partnership or as a subchapter S corporation or an equivalent pass-through entity for tax purposes and if there are no accumulated and unpaid prioritized payments, the company may make annual distributions to the partners, shareholders, or members in amounts not greater than each partner's, shareholder's, or member's maximum tax liability. For purposes of this paragraph, the term "maximum tax liability" means the amount of income allocated to each partner, shareholder, or member (including an allocation to the Administration as if it were a taxpayer) for Federal income tax purposes in the income tax return filed or to be filed by the company with respect to the fiscal year of the company immediately preceding such distribution, multiplied by the highest combined marginal Federal and State income tax rates for corporations or individuals, whichever is higher, on each type of income included in such return. For purposes of this paragraph, the term "State income tax" means the income tax of the State where the company's principal place of business is located. A company may also elect to make a distribution under this paragraph at any time during any calendar quarter based on an estimate of the maximum tax liability. If a company makes 1 or more interim distributions for a calendar year, and the aggregate amount of those distributions exceeds the maximum amount that the company could have distributed based on a single annual computation, any subsequent distribution by the company under this paragraph shall be reduced by an amount equal to the excess amount distributed.

(9) After making any distributions as provided in paragraph (8), a company with participating securities outstanding may distribute the balance of income to its investors, specifically including the Administration, in the per centums specified in paragraph (11), if there are no accumulated and unpaid prioritized payments and if all amounts due the Administration pursuant to paragraph (11) have been paid in full, subject to the following conditions:

(A) As of the date of the proposed distribution, if the amount of leverage outstanding is more than 200 per centum of the amount of private capital, any amounts distributed shall be made to private investors and to the Administration in the ratio of leverage to private capital.

(B) As of the date of the proposed distribution, if the amount of leverage outstanding is more than 100 per centum but not more than 200 per centum of the amount of private capital, 50 per centum of any amounts distributed shall be made to the Administration and 50 per centum shall be made to the private investors.

(C) If the amount of leverage outstanding is 100 per centum, or less, of the amount of private capital, the ratio

shall be that for distribution of profits as provided in paragraph (11).

(D) Any amounts received by the Administration under subparagraph (A) or (B) shall be applied first as profit participation as provided in paragraph (11) and any remainder shall be applied as a prepayment of the principal amount of the participating securities or debentures.

(10) After making any distributions pursuant to paragraph (8), a company with participating securities outstanding may return capital to its investors, specifically including the Administration, if there are no accumulated and unpaid prioritized payments and if all amounts due the Administration pursuant to paragraph (11) have been paid in full. Any distributions under this paragraph shall be made to private investors and to the Administration in the ratio of private capital to leverage as of the date of the proposed distribution: *Provided,* That if the amount of leverage outstanding is less than 50 per centum of the amount of private capital or $10,000,000, whichever is less, no distribution shall be required to be made to the Administration unless the Administration determines, on a case by case basis, to require distributions to the Administration to reduce the amount of outstanding leverage to an amount less than $10,000,000.

(11)(A) A company which issues participating securities shall agree to allocate to the Administration a share of its profits determined by the relationship of its private capital to the amount of participating securities guaranteed by the Administration in accordance with the following:

(i) If the total amount of participating securities is 100 per centum of private capital or less, the company shall allocate to the Administration a per centum share computed as follows: the amount of participating securities divided by private capital times 9 per centum.

(ii) If the total amount of participating securities is more than 100 per centum but not greater than 200 per centum of private capital, the company shall allocate to the Administration a per centum share computed as follows:

(I) 9 per centum, plus

(II) 3 per centum of the amount of participating securities minus private capital divided by private capital.

(B) Notwithstanding any other provision of this paragraph—

(i) in no event shall the total per centum required by this paragraph exceed 12 per centum, unless required pursuant to the provisions of (ii) below,

(ii) if, on the date the participating securities are marketed, the interest rate on Treasury bonds with a maturity of 10 years is a rate other than 8 per centum, the Administration shall adjust the rate specified in paragraph (A) above, either higher or lower, by the same per centum by which the Treasury bond rate is higher or lower than 8 per centum, and

(iii) this paragraph shall not be construed to create any ownership interest of the Administration in the company.

(12) A company may elect to make an in-kind distribution of securities only if such securities are publicly traded and marketable. The company shall deposit the Administration's share of such securities for disposition with a trustee designated by the Administration or, at its option and with the agreement of the company, the Administration may direct the company to retain the Administration's share. If the company retains the Administration's share, it shall sell the Administration's share and promptly remit the proceeds to the Administration. As used in this paragraph, the term "trustee" means a person who is knowledgeable about and proficient in the marketing of thinly traded securities.

(h) The computation of amounts due the Administration under participating securities shall be subject to the following terms and conditions:

(1) The formula in subsection (g)(11) shall be computed annually and the Administration shall receive distributions of its profit participation at the same time as other investors in the company.

(2) The formula shall not be modified due to an increase in the private capital unless the increase is provided for in a proposed business plan submitted to and approved by the Administration.

(3) After distributions have been made, the Administration's share of such distributions shall not be recomputed or reduced.

(4) If the company prepays or repays the participating securities, the Administration shall receive the requisite participation upon the distribution of profits due to any investments held by the company on the date of the repayment or prepayment.

(5) If a company is licensed on or before March 31, 1993, it may elect to exclude from profit participation all investments held on that date and in such case the Administration shall determine the amount of the future expenses attributable to such prior investment: *Provided,* That if the company issues participating securities to refinance debentures as authorized in subsection (g)(6), it may not elect to exclude profits on existing investments under this paragraph.

(i) LEVERAGE FEE.—With respect to leverage granted by the Administration to a licensee, the Administration shall collect from the licensee a nonrefundable fee in an amount equal to 3 percent of the face amount of leverage granted to the licensee in the following manner: 1 percent upon the date on which the Administration enters into any commitment for such leverage with the licensee, and the balance of 2 percent (or 3 percent if no commitment has been entered into by the Administration) on the date on which the leverage is drawn by the licensee.

(j) CALCULATION OF SUBSIDY RATE.—All fees, interest, and profits received and retained by the Administration under this section shall be included in the calculations made by the Director of the Office of Management and Budget to offset the cost (as that term is defined in section 502 of the Federal Credit Reform Act of 1990) to the Administration of purchasing and guaranteeing debentures and participating securities under this Act.

(k) ENERGY SAVING DEBENTURES.—In addition to any other authority under this Act, a small business investment company licensed in the first fiscal year after the date of enactment of this subsection or any fiscal year thereafter may issue Energy Saving debentures.

* * * * * * *

XVIII. MINORITY VIEWS

In September 2023, the Small Business Administration (SBA) and the Department of Defense (DOD) launched a joint initiative, known as the Small Business Investment Company Critical Technologies (SBICCT) Initiative. The SBICCT Initiative couples the SBA's Small Business Investment Company (SBIC) Program with the DOD's robust scientific and technical expertise and national security mission with the goal of attracting and scaling private investment into businesses in technology areas critical to national and economic security.

The high priority financing areas in critical technology are typically venture and scale up/growth equity investment. Due to the early revenue profile, the often-capital-intensive nature, and pre-profitability status of these businesses, the majority of financing in these businesses comes in the form of equity rather than debt. The duration of the funds investing in businesses engaged in critical technology is significantly longer than those funds running mezzanine debt and other credit strategies. As a result, such investments are not always a "match" for SBICs with limited partners with typically shorter time horizons. For example, as of 2023, of the approximately $24 billion in private capital committed to SBIC licensed funds only about 30 percent come from traditional institutional investors with longer time horizons that can allocate more capital to long duration investments in critical technology businesses.

In order to resolve this mismatch and ensure institutional investors with longer time horizons are able to invest in critical technologies through the SBIC program, and effectively carryout the SBICCT Initiative, it is necessary to update antiquated statutory constraints that limit participation in the SBIC program.

At the same time, there continues to be a significant lack of capital investment in small manufacturers as well as small businesses in rural and underserved communities. Importantly, the Small Business Investment Act (15 U.S.C. § 661 et. al.) has historically permitted "bonus" leverage to be allocated post licensing for investments in low-income communities. However, due to changes in market conditions and investment strategies, after the SBIC's fund's formation, utilization of the "bonus" leverage is not typically utilized. Therefore, to drive additional SBIC investment capital to small manufacturers and small businesses in rural and underserved communities, it is important to provide utilization of "bonus" leverage upfront at the time of licensing, rather than a li-

censee requesting additional leverage midway through the investment period.

NYDIA M. VELÁZQUEZ,
Ranking Member.

○