Treasury Announces First State Small Business Credit Initiative Awards to Support Underserved Entrepreneurs and Small Business Growth in Key Industries

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WASHINGTON — Today, the U.S. Department of the Treasury announced the first group of plans approved under the new round of the State Small Business Credit Initiative (SSBCI). The American Rescue Plan reauthorized and expanded SSBCI, which was originally established in 2010 and was highly successful in increasing access to capital for traditionally underserved small businesses and entrepreneurs. The new SSBCI builds on this successful model by providing nearly $10 billion to states, the District of Columbia, territories, and Tribal governments to increase access to capital and promote entrepreneurship, especially in traditionally underserved communities as they emerge from the pandemic. SSBCI funding is expected to catalyze up to $10 of private investment for every $1 of SSBCI capital funding, amplifying the effects of this funding and providing small business owners with the resources they need to sustainably grow and thrive. State governments submitted plans to Treasury for how they will use their SSBCI allocation to provide funding to small businesses, including through venture capital programs, loan participation programs, loan guarantee programs, collateral support programs, and capital access programs.

“This historic investment will help reduce the barriers that prevent small businesses and entrepreneurs from getting their ideas off the ground, building successful businesses, and creating jobs, especially in traditionally underserved communities where these opportunities are needed most,” said Deputy Secretary of the Treasury Wally Adeyemo. “Treasury is encouraged by these plans and their support for key industries, including manufacturing and the environmental sector.”

A White House report released earlier this month found that more Americans are starting new businesses than ever before. In 2021, Americans applied to start 5.4 million new businesses – 20 percent more than any other year on record. It also found that small businesses are creating more jobs than ever before, with businesses with fewer than 50 workers creating 1.9 million jobs in the first three quarters of 2021 – the highest rate of small business job creation ever recorded in a single year. The investments being made through SSBCI are a key part of the Biden Administration's strategy to keep this small business boom going by expanding access to capital and by providing entrepreneurs the resources they need to succeed. The work Treasury has done through the implementation process to ensure SSBCI funds reach traditionally underserved small businesses and entrepreneurs will also be critical to ensuring the small business boom not only continues but also lifts up communities disproportionately impacted by the pandemic.

Today, Treasury is also announcing that it will have specialized programming to enable jurisdictions to share best practices for targeting investments in key industries and businesses owned by underserved entrepreneurs. Treasury strongly encourages jurisdictions to implement their plans in ways that support industries especially important to the U.S. economy – including small businesses that promote American manufacturing, strengthen critical supply chains, and invest in clean energy and renewables to secure our nation's energy independence. Treasury has structured SSBCI to ensure that these funds will reach underserved small businesses and entrepreneurs in need of access to capital, including by providing $1 billion in incentive funds for jurisdictions that successfully reach underserved entrepreneurs and through its recent announcement of plans to deploy $300 million in technical assistance to reach businesses and entrepreneurs in need of assistance, including through the transfer of funds to the Minority Business Development Agency. Treasury continues to strongly encourage recipients to reach small businesses that provide jobs that pay a living wage, which will help American workers emerge stronger from the pandemic.

The first recipients under the SSBCI program plan to target key industries and small businesses in need of access to capital. Treasury intends to continue approving plans on a rolling basis. The following descriptions highlight some of the programs that Treasury has approved for these states.

- **Hawaii**, approved for up to $62,021,957, will launch new loan participation and credit enhancement programs, including HI-CAP Loans and HI-CAP Collateral, with two-thirds of its allocation. These programs will expand access to capital for underserved communities by lending to projects that will diversify Hawaii's economy and lessen its reliance on tourism, which incurred high rates of business failures and unemployment during the COVID-19 pandemic. Hawaii will also operate a venture capital program, the HI-CAP Invest program, which will include investments in impact funds that target early-stage businesses focused on social or environmental change in Hawaii.

- **Kansas**, approved for up to $69,596,847, will operate a loan participation program, the GROWKS Loan Fund, and an equity program, the GROWKS Angel Capital Support Program, with over 80 percent of its funds. These programs will expand access to capital for underserved communities by providing companion loans and equity investments with varying levels of SSBCI support. Kansas estimates that approximately 40 percent of businesses supported will be women-owned and 20 percent will be minority-owned small businesses.
- **Maryland**, approved for up to $198,404,958, will operate eight loan and equity investment programs through Maryland Department of Housing and Community Development (DHCD), Maryland Department of Commerce and Maryland Technology Economic Development Corporation. Among the approved programs is the Maryland Small Business Development Financing Authority (MSBDFA), a program at the Department of Commerce, which will expand access to capital for underserved communities by targeting loans to underserved businesses. Maryland anticipates that 70 percent of new loans in the SSBCI-funded program will be provided to minority-owned businesses and 40 percent to women-owned businesses. Maryland will also use $17 million to fund the Neighborhood Business Works Venture Debt Program, which will expand access to capital for underserved communities by lending alongside venture capital equity in high-growth businesses located in qualified low-income communities, anchoring the businesses in these communities through federal tax incentives that require them to remain in low-income communities for several years.
- **Michigan**, approved for up to $236,990,950, has been an innovator in developing credit support programs given the challenges of the manufacturing sector there for the last several decades. Michigan's top industry assisted in the previous iteration of SSBCI, in both lending and venture capital, was manufacturing. With these funds, the state will operate the Michigan Business Growth Fund Collateral Support Program with nearly one-third of its allocation. This existing program provides cash collateral accounts to lending institutions to enhance the collateral coverage of borrowers so that they qualify for loans. Historically the program has targeted industries with high wages and high job growth potential, such as manufacturing, medical device technology, engineering, and agribusiness. Michigan will expand the program to reach smaller service and retail businesses disproportionately hurt by COVID-19.
- **West Virginia**, approved for up to $72,104,798, will operate a seed capital co-investment fund with more than half of its allocation, increasing small businesses' access to venture

capital in a state with no resident venture capital firms and average annual venture capital investment well below the per-capita national average. The fund will focus on expanding access to capital for underserved communities by providing equity investments matched with private equity from angel investors or venture capital funds. Statewide and regional nonprofits and community development financial institutions (CDFIs) will partner with community banks and CDFIs to use the remaining balance of the funds for two loan programs that will serve the needs of West Virginia businesses.

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