



NASBIC
America's Small Business Partners

The Impact Of The Participating Security SBIC Program

- Participating Security SBICs account for over 50% of all SBIC investments and are a major source of seed capital in the U.S.
- 35% (\$3.0 billion) of the \$8.5 billion in Participating Security investments made since the program's inception in FY 1994 have been made in small U.S. manufacturing companies.
- The Participating Security program was the most reliable source of equity capital for U.S. small businesses during the recession. All venture capital investments fell 83% between 2000 and 2003 according to Venture Economics. Participating Security investments—a total of \$5.25 billion—fell just 23%.
- Raising equity capital in the SBIC target range of \$1.0- to \$5.0 million is the most difficult for a small company to secure. The average VC “deal” size in the 2nd quarter of 2004 was between \$7.5- and \$10.0 million. The disparity is particularly important in the area of “seed” financing. According to SBA, SBICs provided 64% of seed capital during FY'94 – FY'02.
- Non-SBIC venture capital is concentrated in a very few states. For FY'94 – FY'02, companies in California and Massachusetts received 52% of all venture capital. During the same period, SBIC's invested only 29% of their capital in companies in those states.
- \$8.5 billion in Participating Security investments since 1994 have led to the creation of an estimated 228,000 new jobs and \$39 billion in portfolio company revenue. Sixty percent of that growth—137,000 jobs and \$23.4 billion in portfolio company revenue—occurred during the period FY'01 – FY'04.

(Estimate based on a 2001 National Venture Capital Association study that found that one sustainable job is created for every \$36,000 in venture capital invested in a small business and every \$1.00 in venture capital leads to \$4.75 in portfolio company revenue.)

- Participating Security investments have resulted in approximately \$8.3 billion in employee compensation per year.
(Estimate based on 2001 average U.S. compensation of \$36,214 per full-time job.)
- Participating Security investments have resulted in approximately \$1.33 billion in income and social insurance taxes per year paid to the federal government.
(Estimate based on an August 2003 Congressional Budget Office report that found the effective federal tax rate for middle quintile households in 2000 to be approximately 16%. The average effective tax rate for all quintiles was approximately 23%.)