



# **The State Small Business Credit Initiative (SSBCI) Spotlight:**

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and Tribes are Using SSBCI to Catalyze Investment  
in Underserved Entrepreneurs and  
Venture Capital Fund Managers

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# **The State Small Business Credit Initiative (SSBCI) Spotlight:**

## **How States, the District of Columbia, Territories, and Tribes are Using SSBCI to Catalyze Investment in Underserved Entrepreneurs and Venture Capital Fund Managers**

The State Small Business Credit Initiative (SSBCI) is a nearly \$10 billion investment in small businesses across the nation – and an opportunity to expand and improve access to capital networks from coast to coast.

Reauthorized and expanded by President Biden’s American Rescue Plan Act, the SSBCI provides funding to states, the District of Columbia, territories, and Tribal governments for programs that catalyze lending and investment in small businesses, build ecosystems of opportunity and entrepreneurship, support high-quality jobs, and create opportunities for entrepreneurs to build generational wealth.

SSBCI funding unlocks access to private capital and critical technical assistance and bolsters small business support networks— helping jurisdictions invest in the future of the American economy, both on Main Street and in innovation hubs across the nation.

### **SSBCI for Diverse or Underserved Founders and Fund Managers**

As of the end of 2023, over \$1 billion in SSBCI funds have been deployed to support loans or investments to small businesses or obligated to venture capital funds that will invest in small companies – and jurisdictions are just getting started. Through their SSBCI-supported venture capital programs, jurisdictions have an unprecedented opportunity to expand and improve access to venture capital funding. With as much as \$3 billion in SSBCI funds allocated by jurisdictions to support venture capital programs across the country in the coming years – and with the expectation that jurisdictions will leverage as much as ten times that amount in private financing – jurisdictions can improve the flow of capital to talented entrepreneurs from diverse backgrounds in their respective markets. Jurisdictions’ venture capital programs may invest SSBCI capital directly into small businesses alongside private capital investors, or they can choose to commit SSBCI capital to privately managed venture capital funds. Over the course of the SSBCI program, it is anticipated that jurisdictions may support as many as 200 funds to enable investment in small companies.

Data for SSBCI-supported venture capital programs is preliminary – but as of July 2024, 54 venture capital funds have received an SSBCI capital commitment, of which 36 are owned/managed by diverse or underserved fund managers or have an investment strategy that includes a focus on supporting companies with underserved founders/leaders. This includes commitments to women- and minority-led firms, as well as funds focused on supporting entrepreneurs in rural communities and veteran-owned companies. In addition, to date 37 jurisdictions have launched SSBCI-supported direct venture investment programs to support small companies, including many with a lens on improving access to venture capital for underserved founders.

Many participating jurisdictions have chosen to expand their support for historically underserved small businesses through SSBCI-supported programs. Access to capital for diverse, underserved, or underestimated founders has long been a challenge – often due to structural economic issues, as well as underdeveloped financial support networks and available resources, including less access to “friends and family” early-stage capital for launching and growing a small business.<sup>1</sup> Within the venture capital landscape, diverse founders are deeply underrepresented, underestimated, and underfunded. In 2022, Black founders received just 1.1% of all venture capital funding, and Hispanic founders received just 1.5%<sup>2</sup> – and Black and Latino women founders received just 0.1%.<sup>3</sup> All-women founding teams received 2% of all venture capital in 2022.<sup>4</sup> Companies in rural communities are too often outside the financial mainstream, as well – rural job creation is half that of their

urban counterparts.<sup>5</sup> Veteran entrepreneurs represent 5% of all small businesses and employ 4 million people across the country – 40% of veteran entrepreneurs report difficulties in raising capital.<sup>6</sup> LGBTQ+ entrepreneurs report similar challenges, with as many as 93% of these entrepreneurs citing capital access challenges as limiting their business' growth.<sup>7</sup>

In addition, access to investment capital for diverse fund managers plays a critical role in building the representation and promise of the venture capital industry. Minority-led firms account for 5.1% of firms in the private equity and venture capital space, and women-led funds represent 7.2%; minority-led and women-led funds manage 4.5% and 1.6% of assets under management, respectively.<sup>8</sup> Despite the differential, diverse funds perform at pace with other funds, and research shows venture capital funds led by diverse fund managers have an improved track record in supporting diverse founders.<sup>9</sup>

Jurisdictions are putting SSBCI dollars to work to support underserved, diverse, and emerging fund managers and entrepreneurs. Within SSBCI venture capital programs, many jurisdictions have chosen to support access to capital for underestimated or otherwise overlooked small companies by creating programs that include a focus on reaching underserved businesses through their direct investments or through investments in venture capital funds with a focus on reaching underserved businesses. SSBCI anticipates that these investments will play a key role in improving access to capital, not only for small companies, but for chronically underfunded asset managers.

Below are examples of how states have, to date, put SSBCI dollars to work to support emerging and diverse fund managers and founders.

## **Spotlights:** SSBCI Programs Supporting Diverse and Emerging Venture Capital Fund Managers

### **Pennsylvania's Diverse Leaders Venture Program**

The Pennsylvania Department of Community & Economic Development (DCED) has been an active investor in venture capital funds since the early 2000s but had largely supported more established funds as part of a broader strategy to expand tech-enabled economic development in the commonwealth. While not uncommon, the strategy made it difficult for funds with an unconventional track record in the venture capital space to break through – a prevailing issue throughout the private equity industry.

To bridge the funding gap for underserved entrepreneurs and managers, the DCED (in partnership with the Ben Franklin Technology Development Authority) allocated \$17 million of their SSBCI funds to a program that includes a focus on supporting underfunded segments of the venture capital ecosystem.

“The ultimate goal of the program is to identify and support emerging and diverse fund managers, and position those managers to be an enduring, core component of Pennsylvania's venture capital system,” said Diane Sterthous, Venture Capital Advisor with Pennsylvania DCED.

Through the Diverse Leaders Venture Program, Pennsylvania's DCED will reach underserved founders. While these founders have the ideal backgrounds and experiences, they may not have access via their personal networks to the investment capital necessary for growing their companies. The Diverse Leaders Venture Program acts as that venture capital network, with a focus on reaching early-stage, tech-enabled companies that may have not ever received institutional investment.

This program is part of Pennsylvania's broader strategy to position the commonwealth as a great place for founders and for funds to make their home – representing a commitment to support all entrepreneurs and grow the diversity of the venture capital ecosystem in Pennsylvania.

## North Carolina's Venture Capital Program

North Carolina committed nearly \$32 million of SSBCI funding to a venture capital program run through the North Carolina Rural Center (NC Rural Center) in partnership with the North Carolina Department of Commerce.

The program includes a focus on supporting venture capital funds led by emerging fund managers or fund managers representing historically underserved communities. In March 2024, NC Rural Center announced the selection of ten venture capital funds to receive SSBCI funds to invest in start-ups.

Selected funds include LaVert Ventures and RevTech Labs. LaVert Ventures, a woman-owned AgTech fund that focuses on investing in precision agriculture, crop protection, and indoor agriculture, has a goal to support strong and equitable growth in rural America. RevTech Labs, a majority female and Latina-owned entrepreneurship center, accelerator, and venture fund, prioritizes supporting and elevating traditionally underrepresented founders in financial, health, and insurance technologies.

“While providing access to capital for founders who have historically received less than 1% of venture capital funding is at the core of NCInvest, the initiative is also designed to empower the investors committed to supporting those entrepreneurs with catalytic investments,” explained Rodney Sampson, Venture Capital Fund of Funds manager for the NC Rural Center. “The SEDI representation within the VC funds we have chosen to partner with is unprecedented, and we look forward to working with each of them to build a more equitable, diverse and inclusive startup ecosystem in North Carolina and beyond.”

**California's** Expanding Venture Capital Access program will put as much as \$200 million of SSBCI funding to work to invest in a more inclusive venture capital ecosystem across the state. The program will invest in underrepresented venture capital managers and funds with an investment strategy focused on supporting underserved entrepreneurs or small business owners, and directly in companies owned/led by underserved entrepreneurs. In addition, the program will prioritize investments in innovations to support climate equity and climate justice.

## Investee Spotlights: Diverse Founders Supported by SSBCI

### **NasaClip - an investment in a woman- and minority-led company helping patients manage nosebleeds at home**

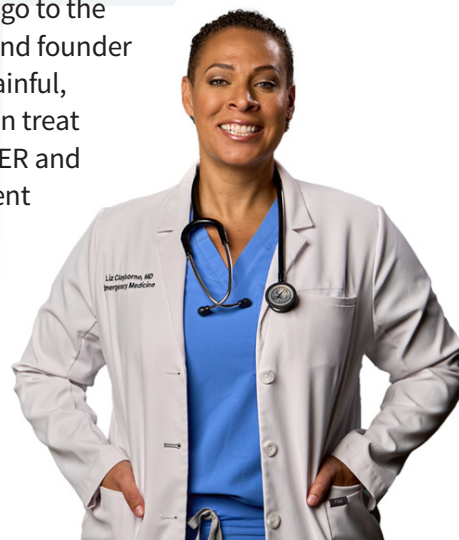
NasaClip aims to equip healthcare professionals and individuals with a new tool to manage nosebleeds - providing a lower-cost solution that saves time and enhances home-based care for nosebleeds.

Based in Baltimore, MD, NasaClip is a woman- and minority-led enterprise, and aims to improve the lives of those affected by nosebleeds, empowering caregivers and patients alike. NasaClip was developed by Emergency Physician, Dr. Elizabeth Clayborne.

Maryland Technology Development Corporation (TEDCO) invested \$250,000 in NasaClip with funding from the SSBCI, helping to support the company's growth and supporting diverse entrepreneurship.

"Oftentimes, nosebleeds are non-life threatening, but patients will still go to the emergency department for them," said Elizabeth Clayborne, MD, CEO and founder of NasaClip. "Unfortunately, the care for nosebleeds can be invasive, painful, and costly; that's why we created NasaClip. Using NasaClip, patients can treat themselves anywhere anytime. NasaClip makes epistaxis treatment in ER and Urgent Care much easier and time efficient. TEDCO's financial investment will help advance this much needed medical device."

"NasaClip is exactly the kind of company we envisioned for SSBCI funding," said TEDCO CEO Troy LeMaile-Stovall. "Led by a true innovator who saw an unmet need, NasaClip is an important addition to TEDCO's portfolio of companies that have great potential but are underrepresented in our innovation ecosystem. We are glad to support NasaClip on its growth trajectory, and we hope Dr. Clayborne's work will inspire more entrepreneurs like her to seek out TEDCO."



### **Kinetic Technologies - an investment in a rural, veteran-owned small business based in Algona, Iowa**



Kinetic Technologies' core goals are "design, build, and automate." The Algona, Iowa-based advanced manufacturing firm supports manufacturers in scaling their production capacity - often filling a market gap by helping customers produce smaller batches of highly-engineered parts. The company filed a patent for their robotic welding table in 2022, but they needed working capital to grow their marketing, distribution, and sales capacity, as well as to refine the product to respond to customer feedback. Kinetic received a \$175,000

SSBCI loan through the Iowa Economic Development Authority's Innovation Continuum Demonstration Fund, a program that catalyzes new private equity investment in the information technology, advanced manufacturing, and bioscience sectors by providing SSBCI debt capital. These funds will be used by the company to invest in both the product and Kinetic's growth goals.

"Iowa is filled with innovative thinkers who are pushing the boundaries in their industries, and it's important that we create an ecosystem where they can thrive," said Debi Durham, director of the Iowa Economic Development and Iowa Finance Authority. "The SSBCI investment is a great addition to our Innovation Continuum to assist more entrepreneurs at all stages."

## Cap Creations – investment in a company led by a mother-daughter team of founders near Kansas City

Cap Creations is revolutionizing graduation day with their “Grad Cap Remix”, a 3-piece headband system insert for graduation caps that accommodates a variety of hair types and textures. The product was designed by mother-daughter co-founders RaShawnda and Myayla Wright – inspired by Myayla’s struggle to make her own graduation cap work for her hair at her high school graduation.

The company is helping to reshape the graduation experience by providing a way for graduates with all types of hair or personal style to feel their best - helping students feel like themselves when they cross the stage.

Cap Creations’ success is made possible by support from Grow Kansas (GROWKS), a program of NetWork Kansas, dedicated to supporting high-growth entrepreneurs in Kansas and fueled by the SSBCI and their partnership with the Kansas Department of Commerce. GROWKS is using SSBCI funding to invest in Kansas-based, early stage companies through their Angel Capital Support Program. GROWKS supported Cap Creations with an angel investment in 2022, allowing the company to enhance its production for the 2023 school year.

RaShawnda said, “GROWKS came along at a pivotal point for us. The process was pretty easy – they helped us with making sure we had the right business structure, went over our financials and projections, so we’d be ready for our presentation to the board. They’ve been completely available for anything that comes up.”



## Tuyan LLC – an investment in an Alaskan Tribal Enterprise by the Ninilchik Village Tribe

Located in the remote southern part of the Kenai Peninsula in Alaska, the Ninilchik Village Tribe is a community of just over 1,000 members. The Tribe has long been a steward of Ninilchik’s ancestral lands - today, Ninilchik also provides public services to members and works to grow the local economy for residents. Part of that work is through owning and operating Tribal enterprise Tuyan LLC, a joint venture between the Ninilchik Village and the Cook Inlet Tribal Council, Inc. (CEI), providing geophysical engineering services. As a Tribal enterprise, revenue earned by Tuyan is used to support Ninilchik’s workforce development, youth education, addiction and recovery support, and family services. When Ninilchik Village applied to Treasury for its \$689,038 SSBCI allocation, the Tribe had a clear vision about the best and highest use of the funds: they wanted to invest in Tuyan-- and in turn, in their community. The Tribe’s allocation will be committed to Tuyan and will be matched by private funds acquired through the Tribe and CEI’s other commercial activity. The investment will be provided as an equity instrument, providing the company a repayment method that is more suitable to the business’ operations and revenue cycle. This SSBCI investment will enable Tuyan to hire staff and engineers and expand the services offered by the business, creating at least eight new engineering and project management roles. The company will also use the funds to create a new business line: they will build a commercial side to the business. With expansions across the team and their service offerings, the company is poised for growth - and has already secured extensions of existing contracts based on the additional capacity this investment will provide.

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Treasury looks forward to continuing to support participating jurisdictions in implementing their State Small Business Credit Initiative programs. To learn more about SSBCI programs, visit <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci>.



## Endnotes

- 1 U.S. Securities and Exchange Commission; Office of the Advocate for Small Business Capital Formation. Annual Report Fiscal Year 2023. Pg 52. [Annual Report, Fiscal Year 2023 \(sec.gov\)](#)
- 2 U.S. Securities and Exchange Commission; Office of the Advocate for Small Business Capital Formation. Annual Report Fiscal Year 2023. Pg 56. [Annual Report, Fiscal Year 2023 \(sec.gov\)](#)
- 3 McKinsey & Company. Underestimated start-up founders: the untapped opportunity. [Underrepresented start-up founders | McKinsey](#)
- 4 U.S. Securities and Exchange Commission; Office of the Advocate for Small Business Capital Formation. Annual Report Fiscal Year 2023. Pg 42. [Annual Report, Fiscal Year 2023 \(sec.gov\)](#)
- 5 Robb, Alicia. Presentation to Small Business Capital Formation Advisory Committee. [Rural Entrepreneurship and the Challenges Accessing Financial Capital: An Overview of Funding in Rural America \(sec.gov\)](#)
- 6 [Syracuse University. D'Aniello Institute for Veterans & Military Families 2022 National Survey of Military-Affiliated Entrepreneurs: Veteran Entrepreneurial Ecosystem](#)
- 7 U.S. Securities and Exchange Commission; Office of the Advocate for Small Business Capital Formation. Annual Report Fiscal Year 2023. Pg 60. [Annual Report, Fiscal Year 2023 \(sec.gov\)](#)
- 8 Boston Consulting Group. In Private Investment, Diverse Fund Management Teams Have Opened Doors. [The Importance of Diversity in Private Investment | BCG \(citing a Knight Foundation Study\)](#)
- 9 Id.; Fairview Capital. 2023 Market Review of Women and Minority-Owned Private Equity and Venture Capital Firms. Pg. 18 [Fairview Capital's 2023 Market Review of Woman and Minority-Owned Private Equity and Venture Capital Firms](#); U.S. Securities and Exchange Commission; Office of the Advocate for Small Business Capital Formation. Annual Report Fiscal Year 2023. Pg 59. [Annual Report, Fiscal Year 2023 \(sec.gov\)](#)

