United States General Accounting Office

GAO

Report to the Chair, Committee on Small Business, House of Representatives

May 1995

SMALL BUSINESS

Information on SBA's Small Business Investment Company Programs

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-261138

May 12, 1995

The Honorable Jan Meyers
Chair, Committee on Small Business
House of Representatives

Dear Madam Chair:

The Small Business Investment Act of 1958 created a program to help small businesses obtain financing for starting, maintaining, and expanding operations. Under the program, small business investment companies (SBIC) provide funding to small businesses through equity investments (purchasing their stock) and debt (issuing them loans). In 1972, the Congress amended the act to establish specialized SBICs, called SSBICs, to fund small businesses that are owned by persons who are socially or economically disadvantaged. In supporting small businesses, SBICs and SSBICs use their own private funds and funds obtained by borrowing at favorable rates with debentures and participating securities[1] (also called leverage)[2] guaranteed by the Small Business Administration (SBA) or by selling preferred stock[3] to SBA.

Because of your interest in these programs, you requested that we provide you with information on (1) the performance of the programs over the period from 1990 through 1994, including trends in the number, funding, losses, capitalization, and size of SBICs and SSBICs and on liquidations of these investment companies, as well as SSBICs' participation in the Three Percent Preferred Stock Repurchase Program;[4] (2) SBICs' and SSBICs' investment activities over the period from 1990 through 1994; and (3) the educational background and work experience of personnel in SBA's Investment Division, who manage the program. The information we

[1]Debentures are bonds issued by SBICs and SSBICs. Participating securities include preferred stock or similar instruments whose terms make interest payable only when earnings are achieved. Both of these instruments are generally sold to the public with a guarantee from the Small Business Administration.

[2]Leverage is defined as financial assistance provided to an SBIC or SSBIC by SBA either through the purchase or guarantee of debentures and participating securities or through the purchase of preferred securities. An SBIC can receive as much as $3 of SBA funding for every $1 of its private capital. An SSBIC receives as much as $4 for every $1 of its private capital.

[3]SSBICs can sell nonvoting preferred stock to SBA. SBA purchases these nonvoting preferred securities directly from the SSBIC, as opposed to guaranteeing these funds.

[4]Up until November 1989, SBA provided funding to SSBICs, in part, by purchasing stock carrying a 3-percent annual dividend (generally referred to as 3-percent preferred stock). The Three Percent Preferred Stock Repurchase Program, established by the Congress in 1989, allows SSBICs to repurchase preferred stock from SBA at a price less than par value.

obtained is summarized below and presented in detail in sections 1 through 3.

The Performance of the Program

In fiscal years 1990 through 1994, the program experienced the following: (1) the number of SBICs and SSBICs participating in the program declined from 253 and 130, respectively, in 1990, to 186 and 94, respectively, in 1994; (2) 70 new SBICs and 14 new SSBICs were licensed; (3) federal obligations ranged between $77 million and $91 million each year through 1993 and increased to $278 million in 1994; (4) the SBICs' cumulative net losses, as calculated by SBA, increased from $72 million to $198 million and the SSBICs' net loss increased from $11 million to $34 million, from fiscal year 1990 to fiscal year 1994; and (5) the amount of private capital brought into the program each year by SBICs increased from about $1.8 billion in fiscal year 1990 to about $2.7 billion in fiscal year 1994, while private capital ranged between $187 million and $213 million for SSBICs during the same period.

As of December 31, 1994, 192 SBICs and SSBICs were in liquidation, and SBA expects to recover $443 million of the $790 million of outstanding federal funds owed SBA when these investment companies are completely liquidated. As of March 31, 1995, 17 SSBICs had paid SBA $15.3 million to repurchase preferred stock with a par value of $43.4 million under the Three Percent Preferred Stock Repurchase Program. These SSBICs also will be forgiven $14.5 million in accrued dividends owed SBA.

SBICs' and SSBICs' Investment Activities

In fiscal years 1990 through 1994, SBICs' and SSBICs' investment activities were as follows: (1) the amount of funding provided by SBICs and SSBICs to small businesses fluctuated between $490 million and $806 million from fiscal years 1990 to 1993 and increased to $1 billion in fiscal year 1994; (2) SBICs made a greater proportion of equity investments, and SSBICs primarily provided loans; (3) SBICs primarily invested in manufacturing, followed by services and by the transportation, communications, and utilities industry groups; (4) SSBICs invested primarily in the transportation, communications, and utilities industry group, followed by retail trade and by the services industry group; and (5) small businesses in California, New York, and Texas received the largest amount of financing from SBICs and SSBICs, businesses in three states received no financing from SBICs, and businesses in seven states received no financing from SSBICs.

Educational Background and Work Experience of SBA's Investment Division Staff

More than 90 percent of the employees in SBA's Investment Division—who have responsibility for managing the SBIC and SSBIC programs—have at least a bachelor's degree; most degrees are in the fields of accounting, finance, and business administration. The employees have an average of 11 years of work experience at SBA, and 82 percent of them had an average of 7.7 years of work experience before joining SBA, primarily in the accounting/auditing and banking/investment fields.

We conducted our review from January through April 1995 and relied on existing data from SBA sources, including SBA's data bases on licensing, capitalization, investments, and liquidations information, as well as on interviews and documentation gathered from SBA officials for all information other than that on the Investment Division staff. To gather that information, SBA asked employees to complete a survey document about their time with the agency, educational background, and work experience prior to joining the agency. We did not verify the accuracy of SBA's data nor conduct reliability assessments of SBA's data bases.

We discussed the information in this report with SBA's Associate Administrator for Investments and other Investment Division officials, who generally agreed with the facts presented. We incorporated, where appropriate, the officials' suggestions for clarifying the presentation. The Associate Administrator attributed most of the changes in the program that are described in sections 1 and 2 to the Small Business Equity Enhancement Act of 1992. He noted that the act established, among other things, a new participating security designed to help SBICs and SSBICs make equity investments, which attracted highly capitalized licensees into the program.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days after the date of this letter. At that time, we will send copies of the report to interested congressional committees, the Administrator of SBA, and other interested parties. We will also make copies available to others upon request.

Please contact me at (202) 512-7631 if you or your staff have any questions. Major contributors to this report are listed in appendix I.

Sincerely yours,

Judy A. England-Joseph
Director, Housing and
Community Development Issues

Contents

Abbreviations

GAO	General Accounting Office
SBA	Small Business Administration
SBIC	Small Business Investment Company
SSBIC	Specialized Small Business Investment Company

The Performance of the Programs

This section presents information on the Small Business Investment Company (SBIC) and Specialized Small Business Investment Company (SSBIC) programs, including the number of licensees in the programs, trends in their budget and losses, the capitalization levels of investment companies, and their size. The section also discusses the status of SBICs' and SSBICs' liquidations and the Three Percent Preferred Stock Repurchase Program for SSBICs. To present information on trends in these programs, we relied on interviews and documentation from Small Business Administration (SBA) officials and existing data sources, including SBA's data bases on licensing, capitalization, and liquidations information, from fiscal years 1990 through 1994.

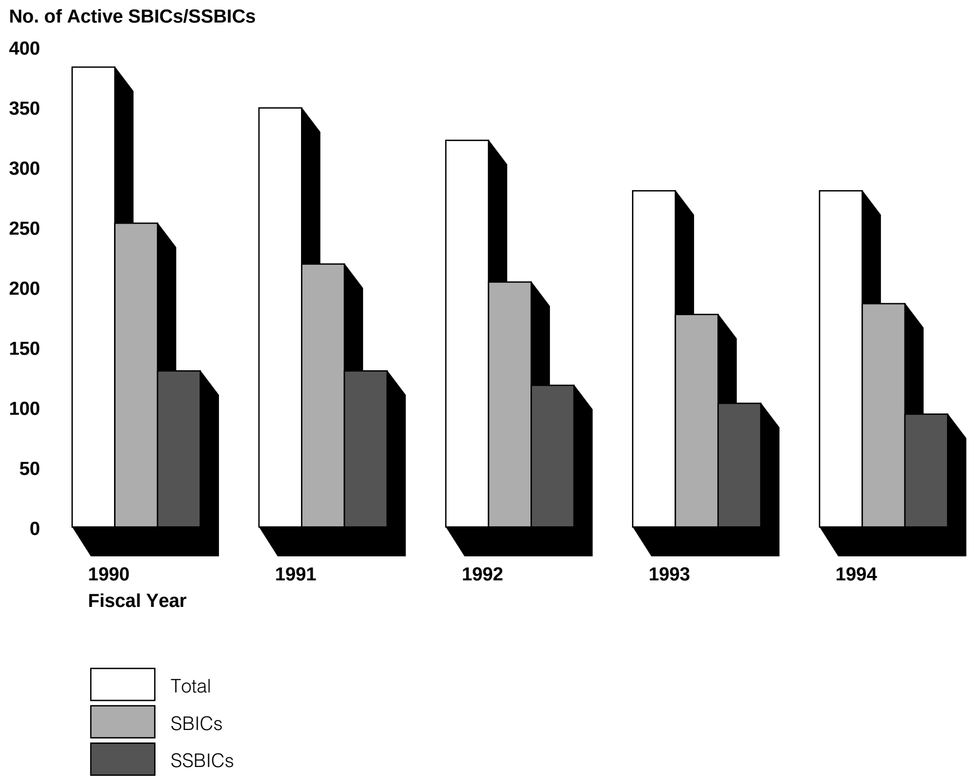
Trends in the Programs

Our analysis of the programs shows changes since fiscal year 1990. For most of the areas we reviewed, the changes occurred between fiscal years 1993 and 1994. SBA's Associate Administrator for Investments attributed these changes to the Small Business Equity Enhancement Act of 1992, which established new participating securities designed to help SBICs and SSBICs make equity investments. He explained that the new participating securities, which can include preferred stock and debentures, make interest payable only when earnings are achieved. The new securities attracted highly capitalized investment firms into the programs.

The Number of SBICs and SSBICs in the Programs Since 1990

The overall number of SBICs and SSBICs actively participating (that is the investment companies are currently operating as an SBIC or SSBIC) in the programs declined from fiscal years 1990 through 1993 but leveled off in fiscal year 1994. (See fig. 1.1.) Also, the number of new licensees entering the programs declined steadily through 1993; in 1994, a relatively large number of licensees entered the programs. (See fig. 1.2.)

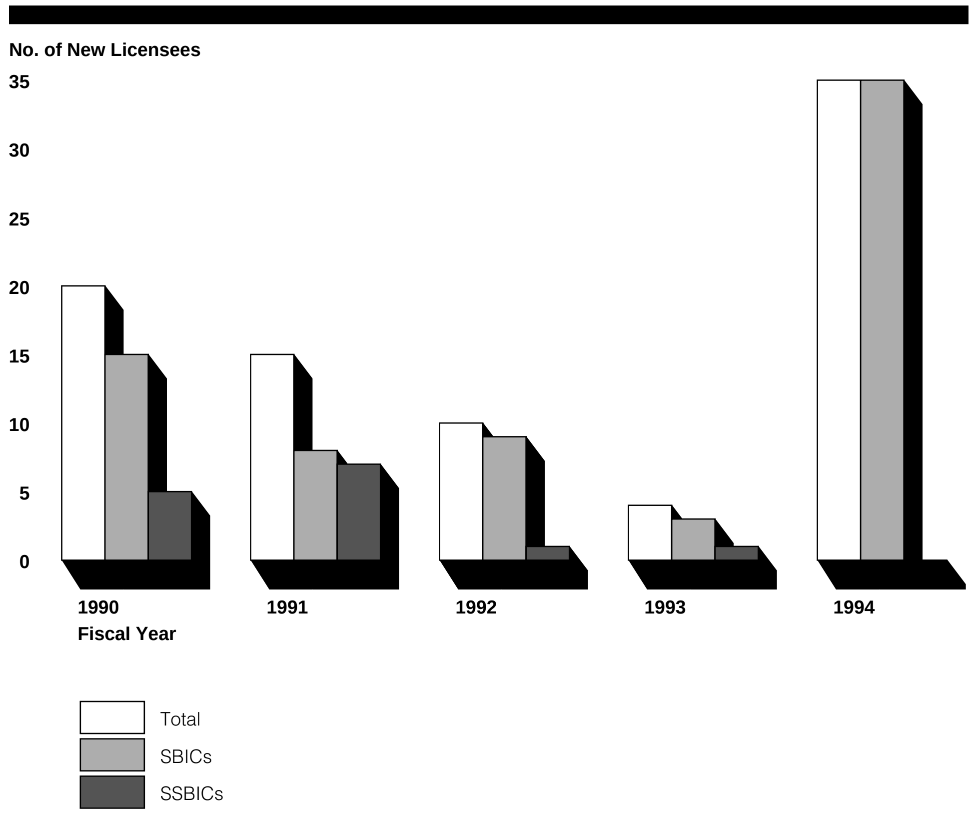
Figure 1.1: Number of Active SBICs and SSBICs, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

Figure 1.1 shows that the number of active SBICs and SSBICs declined from 253 and 130, respectively, in fiscal year 1990 to 186 and 94, respectively, in fiscal year 1994.

Figure 1.2: Number of New Licensees in the SBIC and SSBIC Programs, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

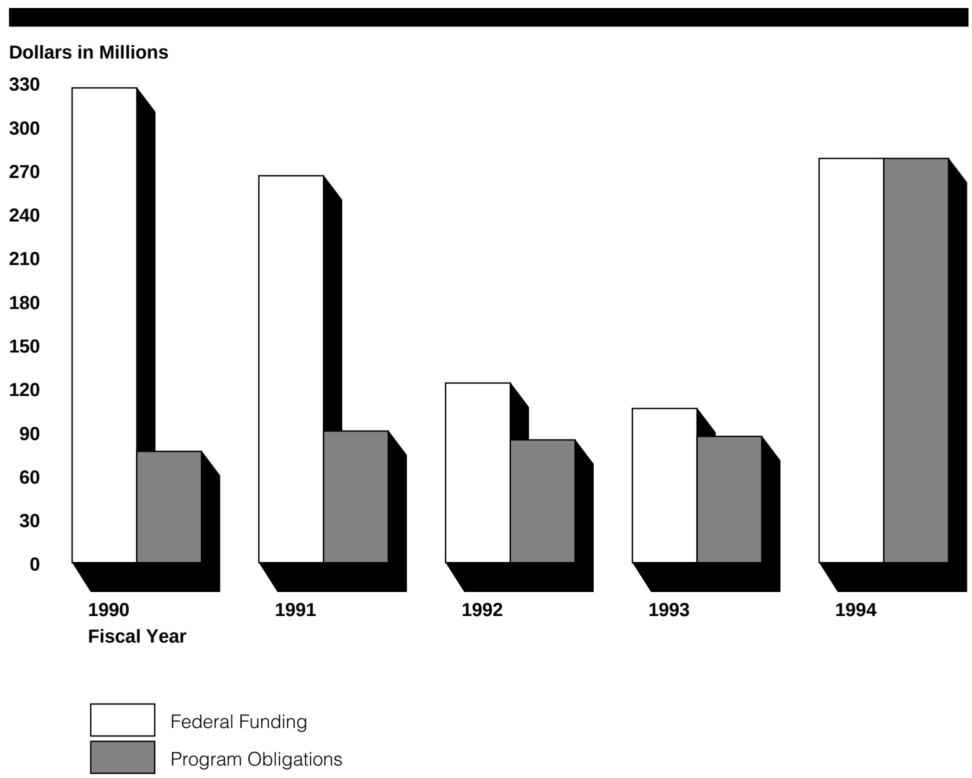
Figure 1.2 shows that the number of new licensees entering the program declined steadily from 20 in fiscal year 1990 to 4 in fiscal year 1993. In fiscal year 1994, 35 new licensees entered the program. More SBICs than SSBICs were licensed during this period. Of the 84 new licensees entering the program from fiscal year 1990 through fiscal year 1994, 70 were SBICs and 14 were SSBICs. Also, no new SSBICs entered the program during fiscal year 1994.

Federal Funding and Losses for the Programs Since 1990

Federal funding decreased and obligations for the program remained fairly constant ranging from $77 million to $91 million through fiscal year 1993. Federal funding and obligations increased in fiscal year 1994, each going up to $277.9 million. (See fig. 1.3.) The Associate Administrator for

Investments attributed the dramatic increase in the fiscal year 1994 federal funding to the fact that SBA asked the Congress for an increase since SBA believed the new participating security would attract an increased number of new licensees into the program. Similarly, obligations increased, the Associate Administrator explained, because a large number of new, highly capitalized licensees indeed entered the program and requested increased SBA funding, requiring SBA to in turn, guarantee more funding.

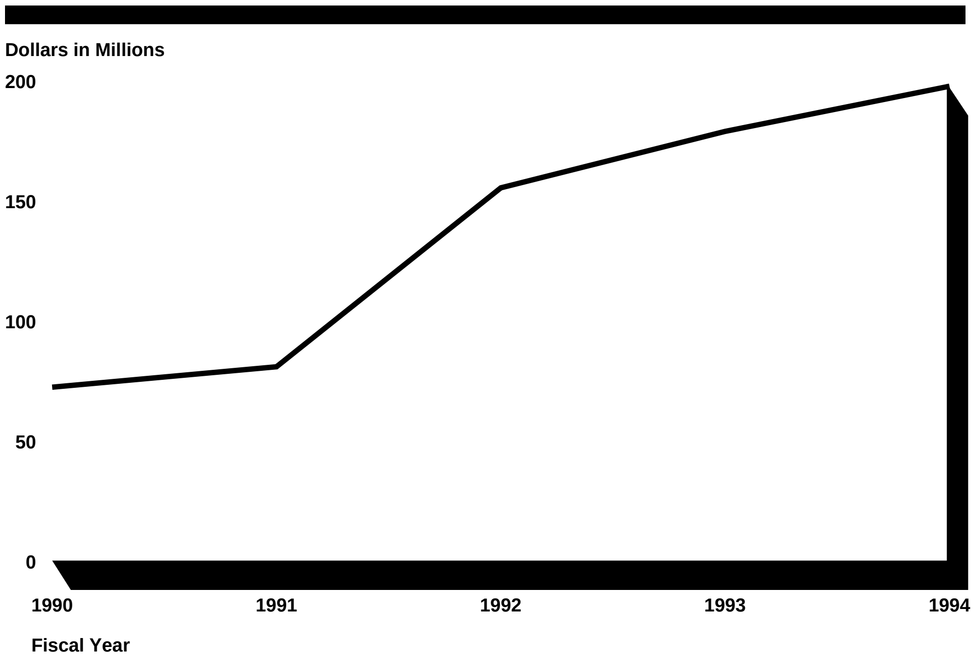
Figure 1.3: Federal Funding and Obligations, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

The cumulative net losses, as calculated by SBA, on loans by both SBICs and SSBICs have risen from $83.2 million in fiscal year 1990 to $231.3 million in fiscal year 1994. (See figs. 1.4 and 1.5.)

Figure 1.4: Actual Net Losses for SBIC Loans as Reported by SBA, Fiscal Years 1990 Through 1994

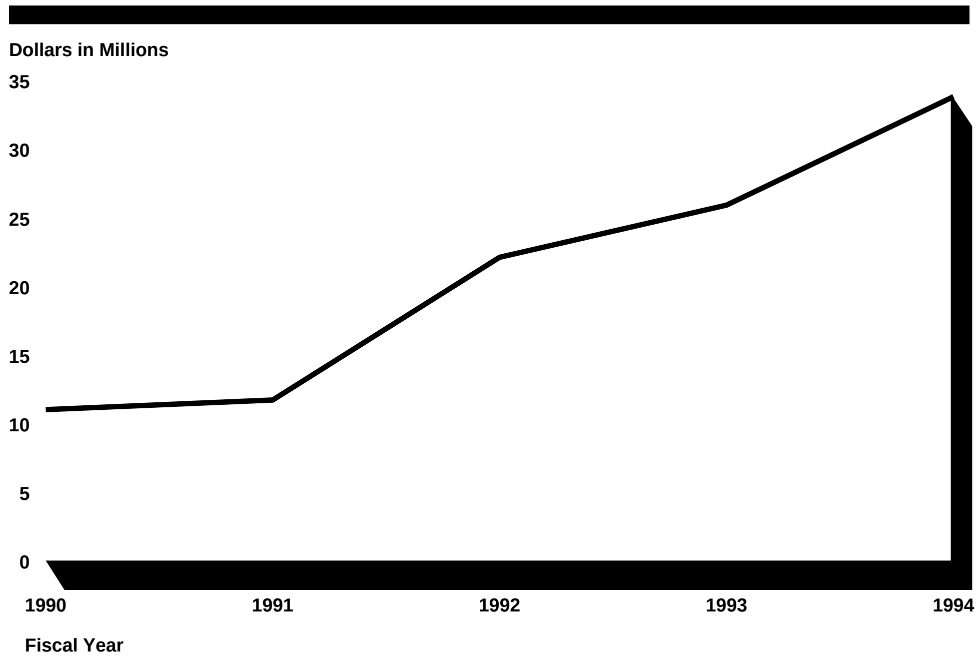


Note: Net losses as calculated by SBA are cumulative over the 35-year life of the program. Net losses are cumulative amounts that SBA charges off from the total leverage less recoveries.

Source: SBA.

Figure 1.4 shows that the net losses, as calculated by SBA, for loans by SBICs increased from $72.2 million in fiscal year 1990 to about $197.5 million in fiscal year 1994.

Figure 1.5: Actual Net Losses for SSBIC Loans as Reported by SBA, Fiscal Years 1990 Through 1994



Note: Net losses as calculated by SBA are cumulative over the 35-year life of the program. Net losses are cumulative amounts that SBA charges off from the total leverage less recoveries.

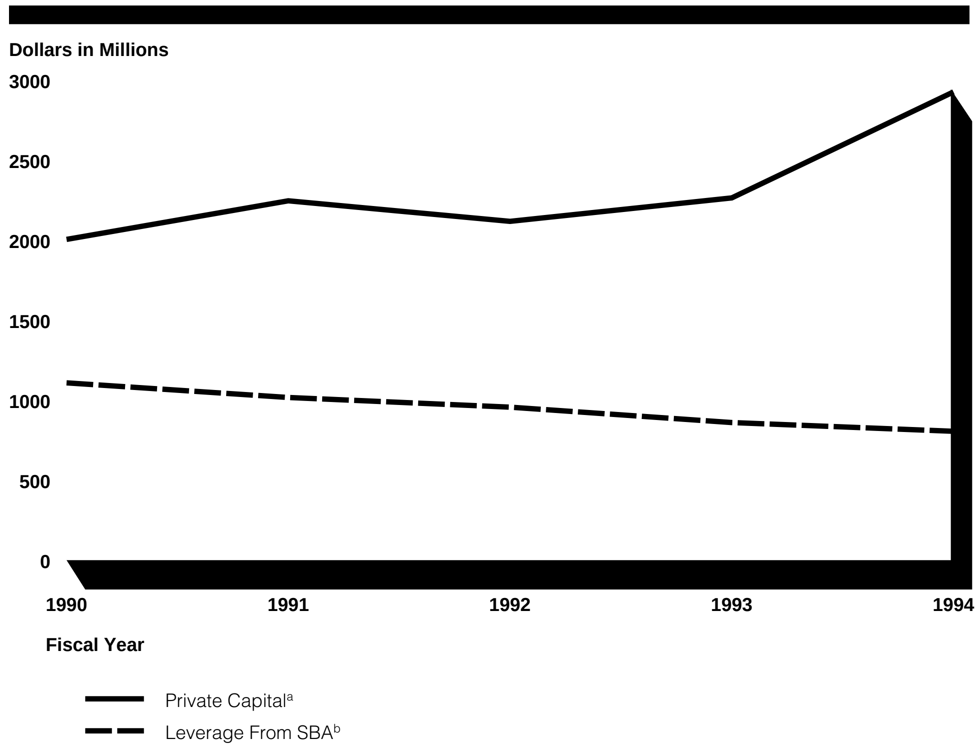
Source: SBA.

Figure 1.5 shows that the net losses, as calculated by SBA, for loans by SSBICs increased from $11 million in fiscal year 1990 to $33.8 million in fiscal year 1994.

SBICs' and SSBICs' Capitalization Levels

From fiscal years 1990 through 1994, active SBICs and SSBICs have brought more private capital into the programs, and the total amount of leverage provided to these investment companies has declined. The increase in private capital has come primarily from SBICs rather than SSBICs. Those that are individually owned and those that are bank-dominated or bank-associated are bringing in most of the private capital. Most of the leverage has gone to individually owned SBICs and SSBICs. (See figs. 1.6 through 1.9.)

Figure 1.6: SBICs' and SSBICs' Capitalization, Fiscal Years 1990 Through 1994



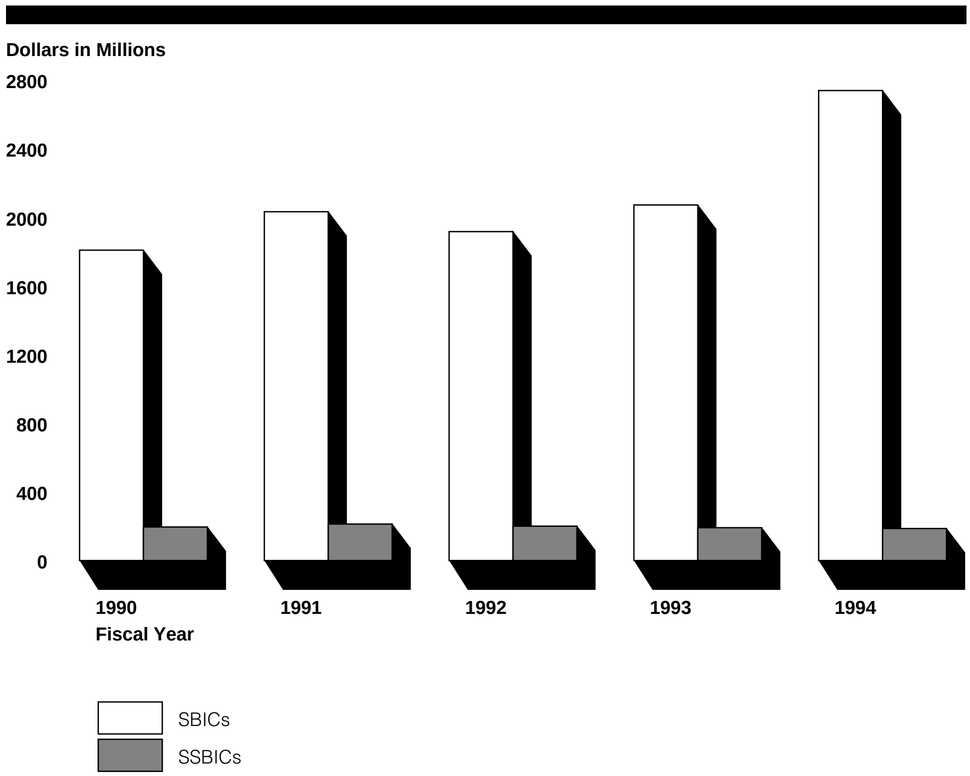
[a]Private capital includes capital from those SBICs and SSBICs that do not use leverage from SBA. Therefore, the ratio of private capital to leverage is greater than it would be if those investment companies were excluded.

[b]Figures for fiscal year 1994 do not reflect about $155 million in commitments made during fiscal year 1994 for drawdown during fiscal year 1995.

Source: GAO's analysis of data from SBA.

Figure 1.6 shows that the amount of private capital SBICs and SSBICs are bringing into the program has increased since 1990, going from a total of about $2 billion in fiscal year 1990 to about $2.9 billion in fiscal year 1994. While the private capital has increased, the total amount of leverage SBA is providing to these licensees has declined, going from about $1.1 billion in fiscal year 1990 to about $805.5 million in fiscal year 1994.

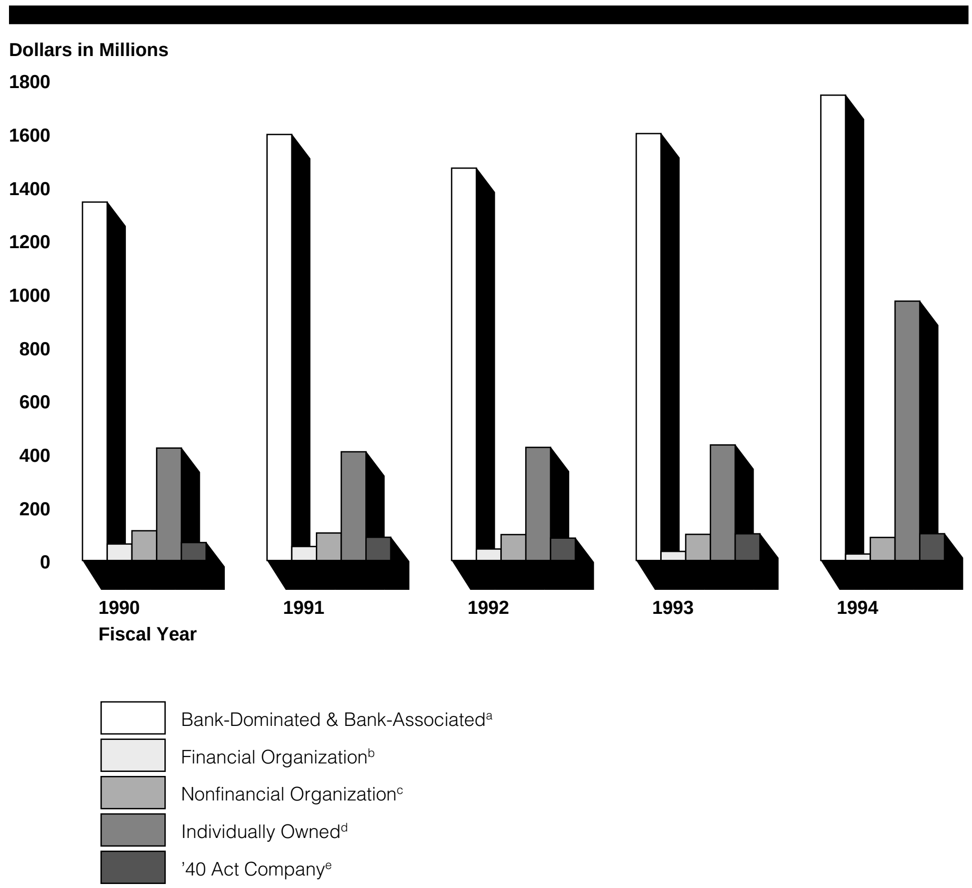
Figure 1.7: Total Private Capital for SBICs vs. SSBICs, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

Figure 1.7 shows that the increase in private capital comes primarily from the active SBICs rather than the SSBICs. The total private capital for SBICs increased from about $1.8 billion in fiscal year 1990 to $2.7 billion in fiscal year 1994, while the total private capital for SSBICs varied between $187 million and $213 million over this period.

Figure 1.8: SBICs' and SSBICs' Private Capital, by Type of Ownership, Fiscal Years 1990 Through 1994



[a]Bank-dominated ownership groups are groups that are 50-percent or more owned by a bank or a bank holding company. Bank-associated ownership groups are groups that are 10-percent to 49-percent owned by a bank or a bank holding company.

[b]Financial organization ownership groups are public and private financial organizations, excluding banks and bank holding companies.

[c]Nonfinancial organization ownership groups are public and private groups.

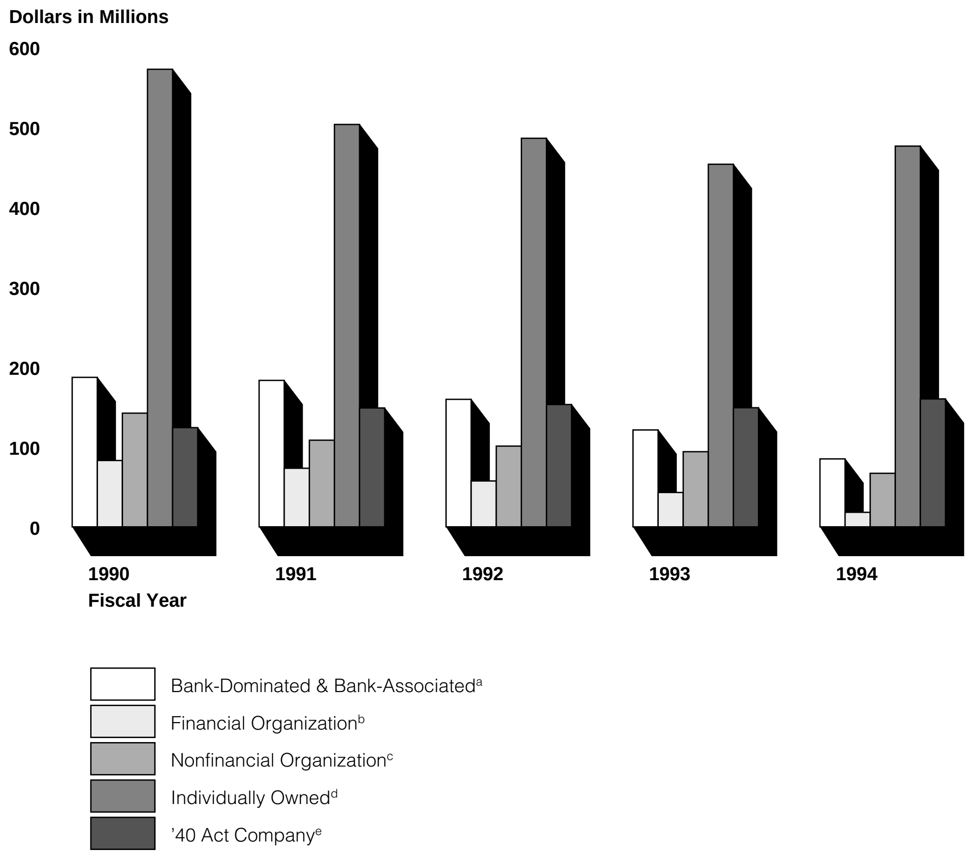
[d]Individually owned ownership groups are privately held only.

[e]'40 Act Company ownership groups are groups licensed under the Investment Company Act of 1940. These companies are registered with the Securities Exchange Commission and are required to follow many regulations prescribed by the Commission.

Source: GAO's analysis of data from SBA.

Figure 1.8 shows that since fiscal year 1990, most of the increase in private capital came from individually owned, as well as bank-dominated and bank-associated SBICs and SSBICs. Private capital from individually owned SBICs and SSBICs ranged from $407 million to $433 million from fiscal year 1990 through fiscal year 1993 and increased to $972 million in fiscal year 1994. Capital from those that are bank-dominated or bank-associated increased by about $144 million from fiscal years 1993 through 1994.

Figure 1.9: SBA's Leverage, by Type of Ownership, Fiscal Years 1990 Through 1994



Note: Figures for fiscal year 1994 do not reflect about $155 million in commitments made during fiscal year 1994 for drawdown during fiscal year 1995.

[a]Bank-dominated ownership groups are groups that are 50-percent or more owned by a bank or a bank holding company. Bank-associated ownership groups are groups that are 10-percent to 49-percent owned by a bank or a bank holding company.

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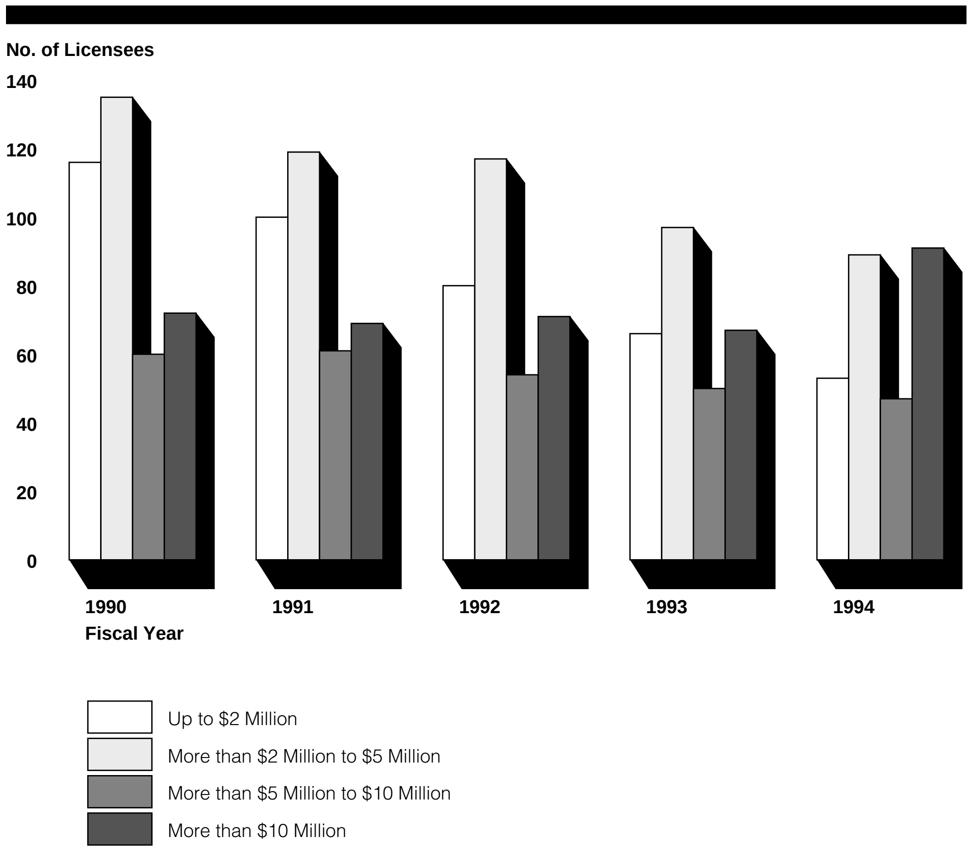
Source: GAO's analysis of data from SBA.

Figure 1.9 shows that since fiscal year 1990, most of the leverage received by licensees has gone to individually owned SBICs and SSBICs.

Size of SBICs and SSBICs in the Program Since 1990

The number of small SBICs and SSBICs (those with up to $2 million in capital) in the programs has declined from 116 to 53 from fiscal year 1990 through fiscal year 1994. The number of larger SBICs and SSBICs (those with more than $10 million) has remained fairly constant through fiscal year 1993, ranging from 67 to 72, but increased to 91 in fiscal year 1994. (See fig. 1.10.)

Figure 1.10: Number of Licensees, by Level of Capitalization, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

Liquidations of SBICs and SSBICs

Analysis of liquidations of SBICs and SSBICs shows that from the beginning of fiscal year 1967 to December 31, 1994, 584 SBICs and SSBICs, with leverage of $1.2 billion owed to SBA, had been transferred to the Investment Division's Office of Liquidations. As of December 31, 1994, 192 of those SBICs and SSBICs were actively in the liquidation process, including 118 SBICs and 74 SSBICs, with leverage of $789.8 million owed SBA. SBA expects to recover $443.4 million from these 192 liquidations. The agency has already incurred $99 million in losses from these SBICs and SSBICs and has projected that it will lose an additional $247.4 million after liquidations are completed. (See table 1.1.)

Of the current 192 liquidations in process, 88 (46 percent of the total) have been in liquidation fewer than 5 years, and the remaining 104 SBICs and

SSBICs (54 percent of the total) have been in liquidation for 5 years or more. (See table 1.2.)

The number of SBICs and SSBICs entering liquidation has varied since fiscal year 1990, increasing from 21 to 31 between fiscal year 1990 and fiscal year 1991 and declining since that time to 17 in fiscal year 1994. In fiscal year 1990 and fiscal year 1991, more SBICs than SSBICs were entering liquidation. Starting in fiscal year 1992, the numbers were about equal, with the number of SSBICs entering liquidation increasing slightly above the number of SBICs in 1993 and declining slightly below the number of SBICs in fiscal year 1994. (See fig. 1.11.)

Table 1.1 Liquidations of SBICs and SSBICs Through December 31, 1994, and Projected Losses by SBA

Dollars in millions

Stage of liquidation	No. of SBICs and SSBICs	Leverage owed SBA	SBA's actual/anticipated recoveries	SBA's actual/anticipated losses
Completed[a]	392	$435.4	$303.2	$132.3
Ongoing[b]	192	789.8	443.4	346.4
Total	**584**	**$1,225.2**	**$746.6**	**$478.6**

[a]As of September 30, 1994.

[b]As of December 31, 1994.

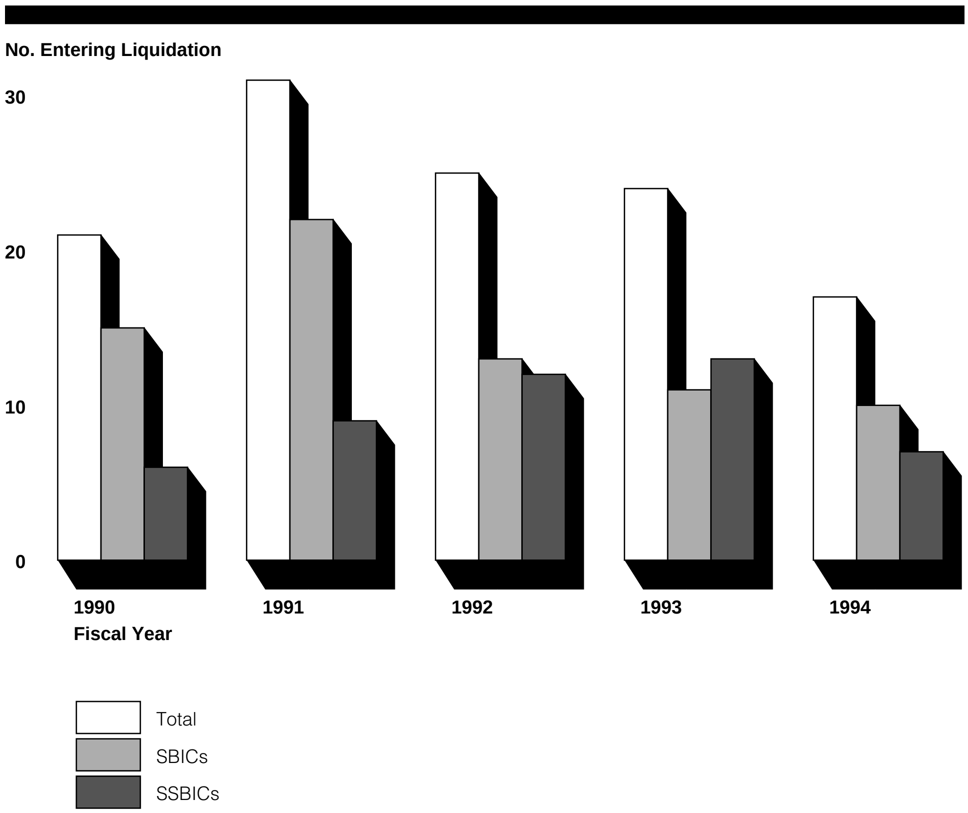
Source: GAO's analysis of data from SBA.

Table 1.2: Number of Years the 192 SBICs and SSBICs Were in Liquidation as of December 31, 1994

	Under 5 years	5-9 years	>9-15 years	>15-20 years	Over 20 years	Total
SBICs	49	41	22	4	3	119
SSBICs	39	21	13	0	0	73
Total	88	62	35	4	3	192

Source: GAO's analysis of data from SBA.

Figure 1.11: Number of SBICs and SSBICs Entering Liquidation, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

Status of the Three Percent Preferred Stock Repurchase Program

The Small Business Investment Act, amended in 1972, created SSBICS, which provide financing to small businesses that are owned by socially or economically disadvantaged persons. Up until November 1989, SBA provided leverage to the SSBICS by purchasing stock carrying a 3-percent annual dividend generally referred to as 3-percent preferred stock. In November 1989, the Congress authorized SBA to permit SSBICS to repurchase their preferred stock at a price less than its par value, with the terms and conditions as well as the price to be determined by SBA.[5] SBA piloted the Three Percent Preferred Stock Repurchase Program in 1992 and in 1993. During the pilot, six SSBICS completed a repurchase of their stock. In April 1994, SBA implemented the program to allow all SSBICS to apply for the repurchase of their 3-percent preferred stock at 35 percent of par value. Any accrued unpaid dividends due SBA in connection with that

[5]Par value is the amount SBA paid the SSBIC for the preferred stock.

stock will be forgiven at the time of repurchase for financially distressed SSBICs or allowed to be fully amortized (written off) over a 5-year period by nondistressed SSBICs under certain conditions.[6] Under the pilot repurchase program, all companies' accrued preferred stock dividends were forgiven even if they were not financially distressed. According to SBA's records, as of March 31, 1995, 17 SSBICs had completed their repurchases, including the 6 under the pilot program, and 9 were awaiting final approval from SBA. Table 1.3 shows the 17 SSBICs that repurchased their preferred stock from SBA, the repurchase prices, discounted values, and unpaid dividends forgiven or allowed to be amortized.

Table 1.3: SSBICs that Repurchased Stock

Dollars in thousands

Licensee	Par value paid by SBA	Repurchase price paid by SSBICs	Amount discounted	Dividends forgiven/ amortized
Capital Dimensions	$10,000	$ 3,572	$ 6,428	$ 2,364
Rutgers Minority Investment	905	314	591	484
Freshstart Venture Capital Corp.	1,520	551	969	82
Ibero-American	1,750	625	1,125	382
United Capital Investment	1,000	362	638	47
Syncom Capital Corp.	3,125	1,083	2,042	1,236
Alliance	2,700	945	1,755	1,309
Future Value	1,000	350	650	227
Lailai	700	245	455	155
Motor Enterprises	2,000	700	1,300	859
Pacific Capital	700	245	455	293
Peterson Finance	1,035	362	673	214
Tower Ventures	3,000	1,050	1,950	1,386
TSG	10,295	3,603	6,692	4,679
Security Financial	500	175	325	0
Transpac Capital	2,000	700	1,300	385
Venture Opportunities	1,150	403	747	398
Total	**$43,380**	**$15,285**	**$28,095**	**$14,500**

Source: GAO's analysis of data from SBA.

[6]Financially distressed SSBICs were defined as those companies that, as of their fiscal year end preceding the April 1994 notice in the Federal Register, had undistributed realized losses and a capital impairment percentage of a least 10.

During the pilot project, SBA resold the stock to six SSBICs at prices ranging from 34.66 percent of the par value to 36.23 percent of the par value. Subsequent participants in the program repurchased stock at 35 percent of the par value. In addition to the $28.1 million discount on the stock repurchase, $14.5 million in accumulated dividends was forgiven or allowed to be amortized.

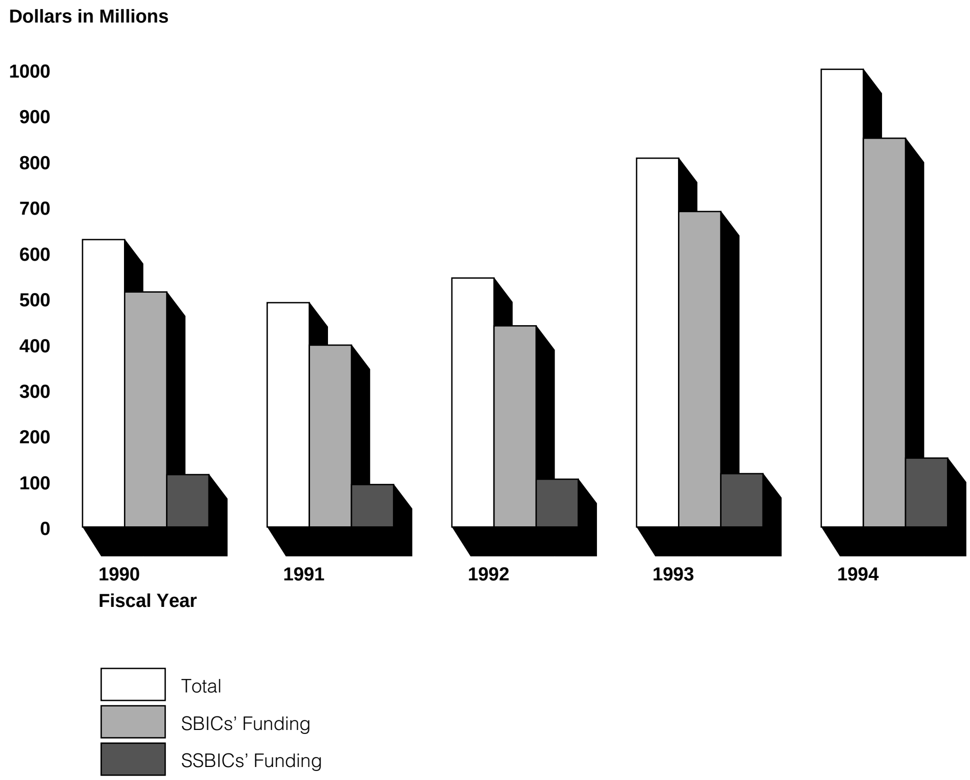
SBICs' and SSBICs' Investment Activities

This section presents information on SBICs' and SSBICs' investment activities, including trends in the amount of funding and financing to small businesses, the industries financed, the type of financing (equity or debt), and the regions and states where SBICs and SSBICs invested. Data presented in this section are based on interviews and documentation from SBA officials and from SBA's data bases that include investment information.

SBICs' and SSBICs' Funding and Financing to Small Businesses Since 1990

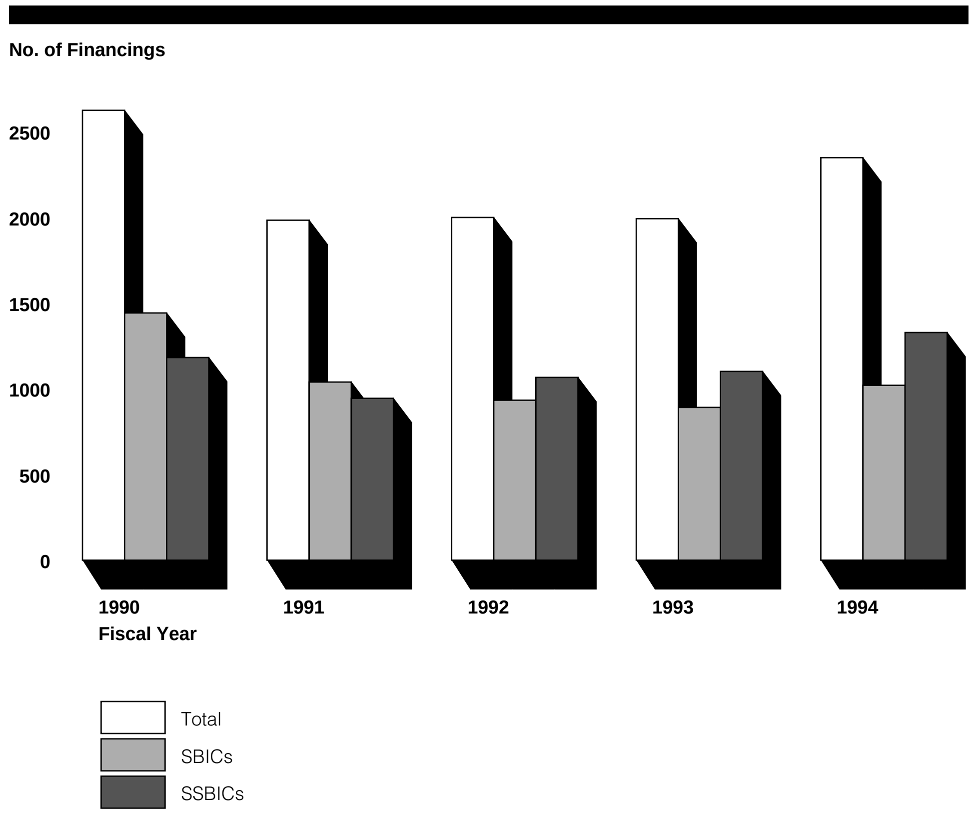
Between fiscal year 1990 and fiscal year 1993, SBICs' and SSBICs' total funding to small businesses fluctuated between about $490 million and $806 million; then, in fiscal year 1994, it increased to about $1 billion. The total number of financings declined from fiscal year 1990 through fiscal year 1993, then increased in fiscal year 1994. SBICs generally made larger financial commitments to small businesses than SSBICs. (See figs. 2.1 and 2.2.)

Figure 2.1: SBICs' and SSBICs' Funding to Small Businesses, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

Figure 2.2: Number of Financings by SBICs and SSBICs to Small Businesses, Fiscal Years 1990 Through 1994



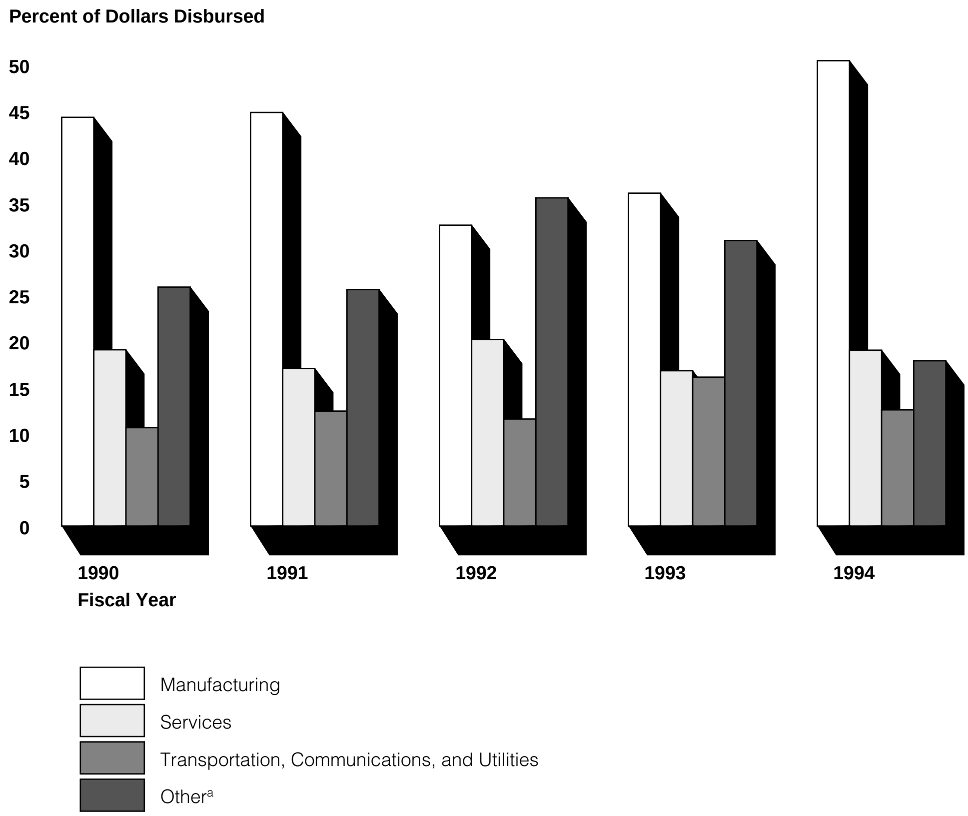
Source: GAO's analysis of data from SBA.

Figure 2.2 shows that the number of financings to small businesses from SBICs and SSBICs declined from 2,624 in fiscal year 1990 to 1,992 in fiscal year 1993. In fiscal year 1994, the number increased to 2,348. A comparison of figures 2.1 and 2.2 shows that SBICs generally made larger financial commitments to small businesses than SSBICs.

Funding by SBICs and SSBICs, by Industry, Type of Investment, and Geographic Location Since 1990

Over the period fiscal year 1990 through fiscal year 1994, most SBICs' dollars (ranging from 64 to 82 percent over the period) were invested in a wide array of industries in three broad industry groups. They invested primarily in manufacturing, followed by services, and transportation, communications, and utilities. Similarly, SSBICs invested most dollars (ranging from 79 to 84 percent over the period) in transportation, communications, and utilities, followed by retail trade and services. (See figs. 2.3 and 2.4.)

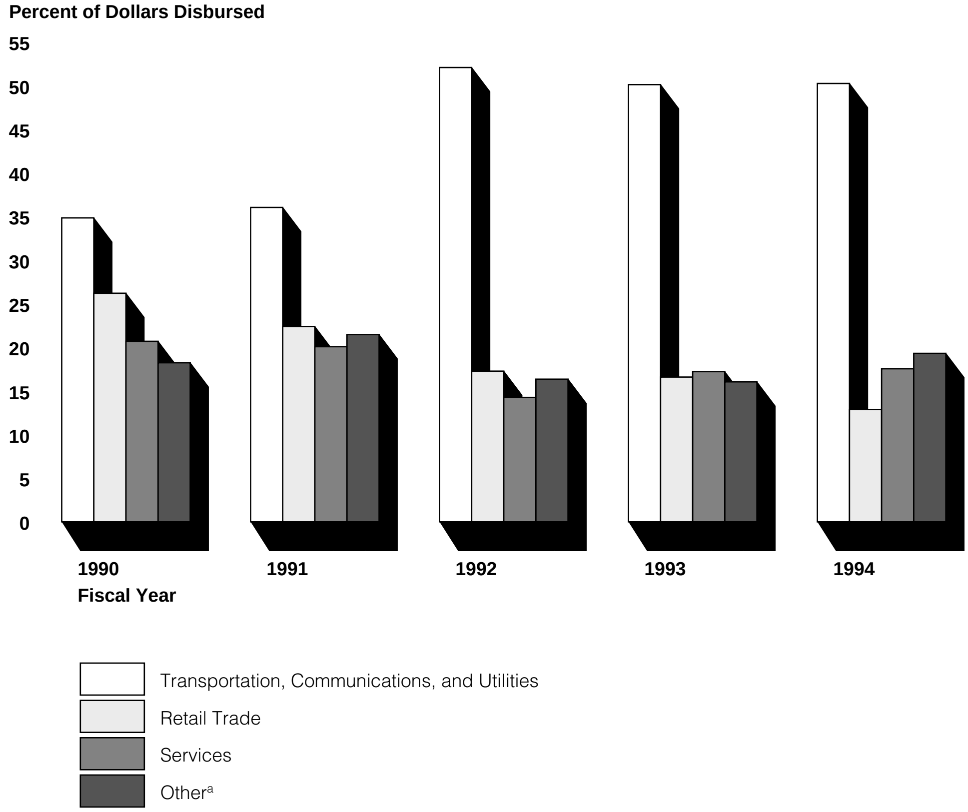
Figure 2.3: Industries Receiving Financing From SBICs, Fiscal Years 1990 Through 1994



[a]Other major industry groups are (1) agriculture, forestry, and fishing; (2) mining; (3) construction; (4) wholesale trade; (5) retail trade; (6) financial, insurance, and real estate; and (7) unclassifiable establishments.

Source: GAO's analysis of data from SBA.

Figure 2.4: Industries Receiving Financing From SSBICs, Fiscal Years 1990 Through 1994

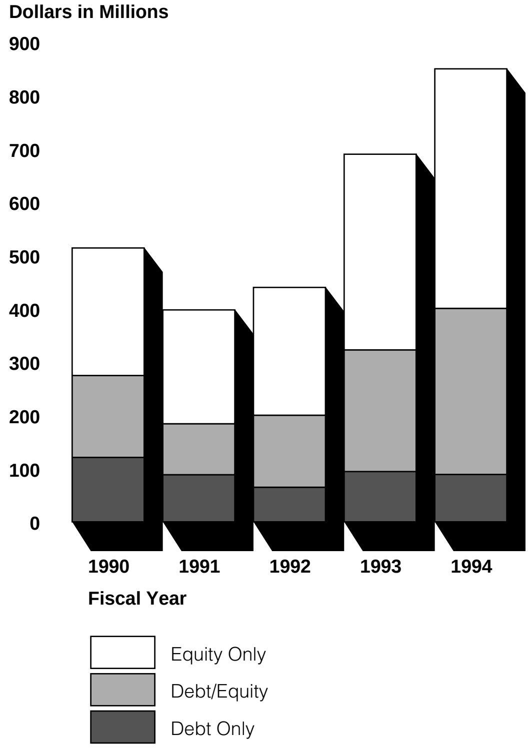


[a]Other major industry groups are (1) agriculture, forestry, and fishing; (2) mining; (3) construction; (4) manufacturing; (5) wholesale trade; (6) financial, insurance, and real estate; and (7) unclassifiable establishments.

Source: GAO's analysis of data from SBA.

SBICs have continued to make mostly equity investments, while SSBICs have continued to make mostly debt investments. (See figs. 2.5 and 2.6.)

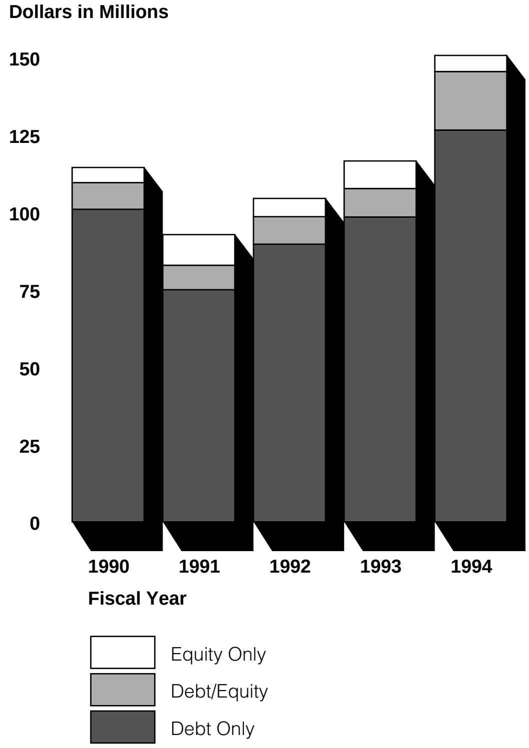
Figure 2.5: Types of Financing—Equity vs. Debt—by SBICs, Fiscal Years 1990 Through 1994



Note: Investments in equity only as well as debt with equity are defined by SBA as equity-type investments.

Source: GAO's analysis of data from SBA.

Figure 2.6: Types of Financing—Equity vs. Debt—by SSBICs, Fiscal Years 1990 Through 1994



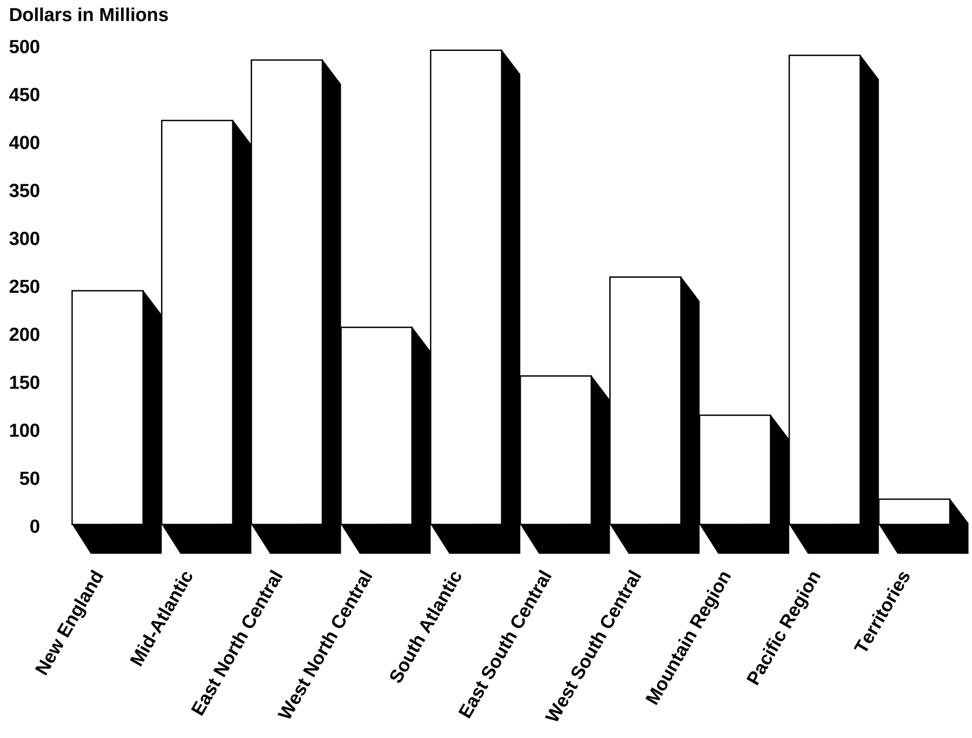
Note: Investments in equity only as well as debt with equity are defined by SBA as equity-type investments.

Source: GAO's analysis of data from SBA.

Figure 2.5 shows that SBICs tend to make mostly equity-type investments. During fiscal year 1990 through fiscal year 1994, equity-type investments ranged from $309 million (78 percent) to $761 million (90 percent) of SBICs' dollars invested. Figure 2.6 shows that SSBICs tend to make mostly debt investments. During fiscal year 1990 through fiscal year 1994, debt investments ranged from $75 million (81 percent) to $127 million (84 percent) of SSBICs' dollars invested.

From fiscal year 1990 through fiscal year 1994, most (65 percent) SBICs' dollars went to small businesses in states in the Mid-Atlantic, East North Central, South Atlantic, and Pacific regions. Most (53 percent) SSBICs' dollars went to small businesses in states in the Mid-Atlantic region. (See figs. 2.7 and 2.8.) Small businesses in three states and the Virgin Islands have received no funding from SBICs, and small businesses in seven states have received no funding from SSBICs. Small businesses in California, Texas, and New York received the largest dollar amount from both SBICs and SSBICs. (See figs. 2.9 and 2.10.)

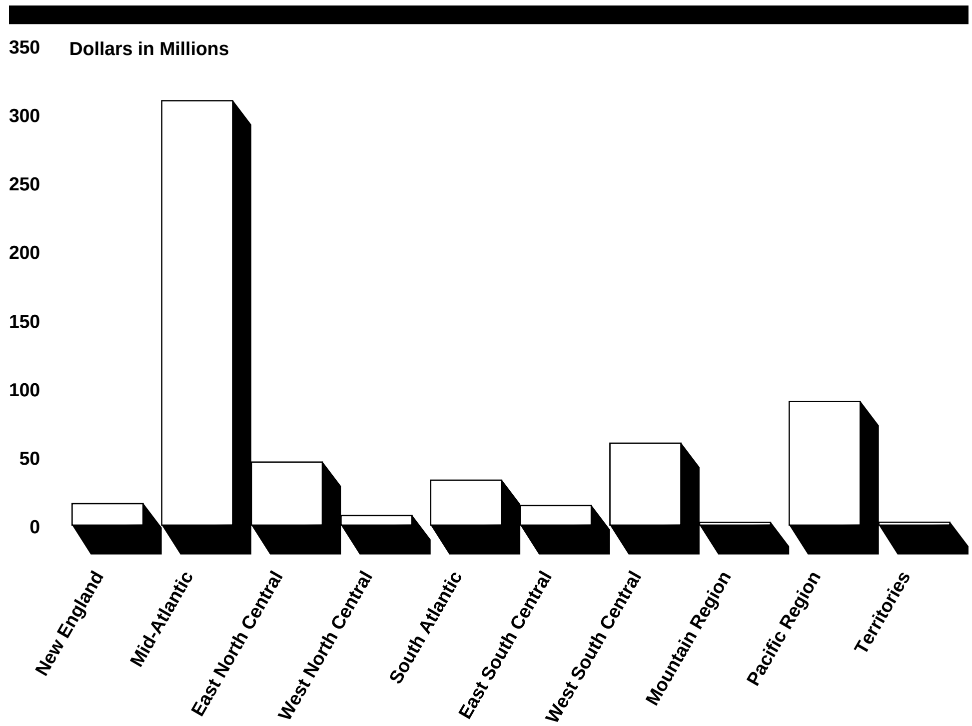
Figure 2.7: Total Funding From SBICs by SBA Region, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

Figure 2.7 shows that since fiscal year 1990, funding from SBICs has been disbursed to all regions and territories, as well as the fact that small businesses in states in the Mid-Atlantic, East North Central, South Atlantic, and Pacific regions received most of the financing dollars.

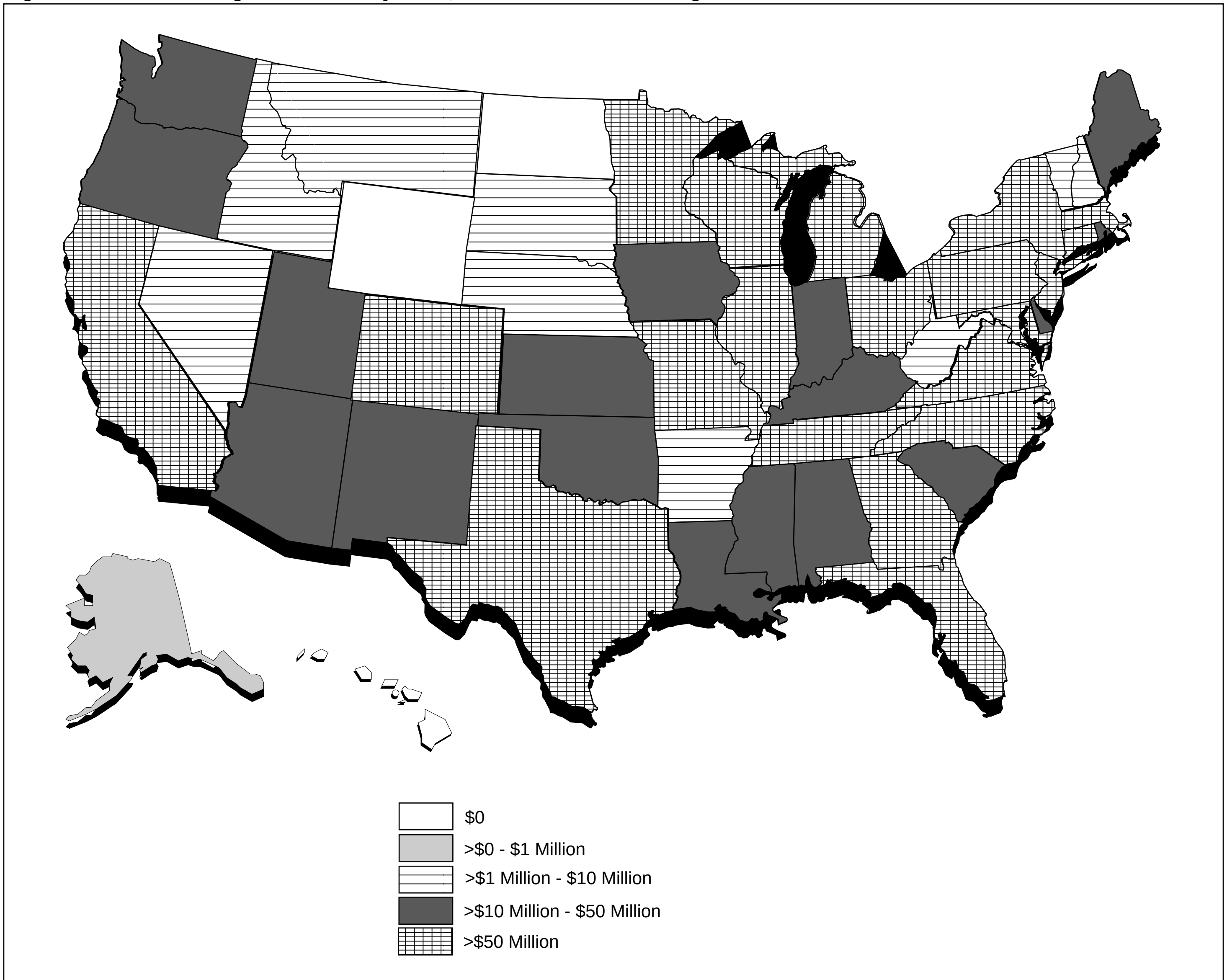
Figure 2.8: Total Funding From SSBICs by SBA Region, Fiscal Years 1990 Through 1994



Source: GAO's analysis of data from SBA.

Figure 2.8 shows that SSBICs' funding reached all SBA-defined regions and territories, as well as the fact that the Mid-Atlantic region received most of the financing dollars.

Figure 2.9: Total Funding From SBICs by State, Fiscal Years 1990 Through 1994

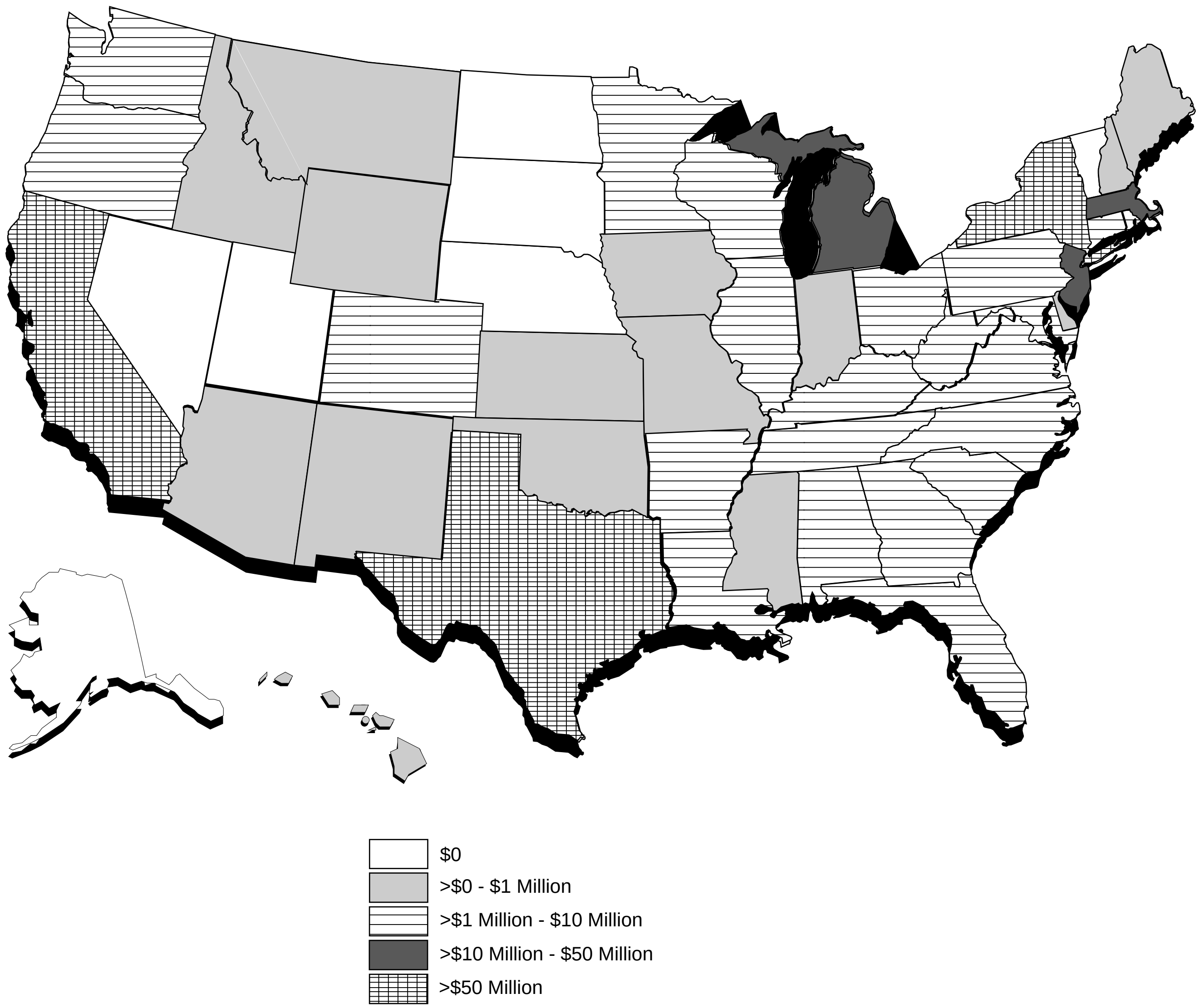


Note: Puerto Rico, the District of Columbia, and the Virgin Islands are not reflected on the map. These areas were, however, included in our assessment of the data.

Source: GAO's analysis of data from SBA.

Figure 2.9 shows that from fiscal year 1990 through fiscal year 1994, SBICs provided no funding in Hawaii, North Dakota, and Wyoming. SBICs also did not provide funding in the Virgin Islands, although this fact is not shown in figure 2.9. California, Texas, and New York received the largest amount of funding from SBICs.

Figure 2.10: Total Funding From SSBICs by State, Fiscal Years 1990 Through 1994



Note: Puerto Rico, the District of Columbia, and the Virgin Islands are not reflected on the map. These areas were, however, included in our assessment of the data.

Source: GAO's analysis of data from SBA.

Figure 2.10 shows that from fiscal year 1990 through fiscal year 1994, SSBICs provided no funding in seven states (Alaska, Nebraska, Nevada, North Dakota, South Dakota, Utah, and Vermont). Small businesses in California, Texas, and New York received the largest amounts of funding from SSBICs. Small businesses in New York received 49 percent of the total funding from SSBICs.

Educational Background and Work Experience of SBA's Investment Division Staff

This section presents information on the educational background and work experience of the personnel in SBA's Investment Division, who have responsibility for managing the program for SBICs and SSBICs. As of January 1995, the Investment Division had 89 employees. Our analysis covered 79 employees. We excluded nine staff members whose primary duties were clerical and one employee who was on extended sick leave. Employees were asked by SBA to complete a survey document that requested information about their time with the agency, educational background, and work experience prior to joining the agency. In some cases, we followed up with telephone calls to clarify or obtain additional information.

The 79 employees, on average have been with SBA for 11 years and have been in the Investment Division, on average, for 5 years. Of the 79 employees, 52 percent (41 employees) have bachelor's degrees, 33 percent (26 employees) have master's degrees, and 8 percent (6 employees) have doctoral degrees. Table 3.1 presents information on the employees' fields of study.

Approximately 82 percent of the 79 employees had an average of 7.7 years of prior work experience in related fields before joining SBA. Table 3.2 shows a breakdown of the employees' work experience by field.

Table 3.1: Employees' Fields of Study

Field of study in college	Number	Percent
Elementary education	1	1.3
Psychology	1	1.3
Political science	1	1.3
Quantitative analysis	1	1.3
Urban planning	1	1.3
Economics	3	3.8
Law	6	7.6
Business administration	8	10.1
Finance	21	26.6
Accounting	30	38.0
No college degree	6	7.6
Total	**79**	**100.0**

Source: GAO's analysis of data from SBA.

Table 3.1 shows that the majority of the employees' college majors were in accounting, finance, and business administration.

Table 3.2: Employees' Prior Work Experiences

Field of work	Number	Percent
Economics	1	1.3
Financial management	1	1.3
Personnel	1	1.3
Data systems	2	2.5
Law	3	3.8
Banking/investment	23	29.1
Accounting/auditing	34	43.0
No prior work experience	14	17.7
Total	**79**	**100.0**

Source: GAO's analysis of data from SBA.

Table 3.2 shows that most employees worked in the accounting/auditing area or in the banking/investment area. Of the 65 employees who had prior work experience in related fields, 43 percent (28) worked in the private sector, 32 percent (21) worked for either state or federal government agencies, while 25 percent (16) worked in both the private and public sector before joining SBA.

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