

# Investing in All of America Act Expands SBIC Leverage, Bonus Incentives, and Investor Base

## WRITTEN BY

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## KEY POINTS

- The Investing in All of America Act of 2025 (the Act) increases standard debenture Small Business Investment Company (SBIC) base leverage caps to \$250 million per fund and \$475 million per family of funds.
- The Act expands SBIC bonus leverage by allowing a dollar-for-dollar exclusion for a broader set of qualifying investments, including rural small businesses, critical technologies, small manufacturers, and low-income areas, up to the lesser of 50% of private capital or \$125 million.
- The Act amends Section 103(9)(B)(iii) of the Small Business Investment Act to remove the 33% “qualified nonprivate funds” limitation on capital commitments from public college and university endowments.
- SBIC managers should reassess fund documents, capital-raising plans, and investment strategies to align with the new leverage limits, expanded bonus leverage categories, and broadened institutional investor base created by the Act.

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On May 19, 2026, President Donald Trump signed into law the Investing in All of America Act of 2025 (the Act). The Act significantly modernizes the Small Business Investment Company (SBIC) program by increasing leverage caps, expanding bonus leverage incentives, and broadening eligible investor classes. These three principal changes represent the most significant expansion of the SBIC program’s capital framework since 2015. Higher base leverage caps allow individual standard debenture SBICs to access up to \$75 million more in leverage than had been previously available. The expanded bonus leverage mechanism creates a dollar-for-dollar incentive for both standard debenture and accrual SBICs to invest in rural communities, critical technologies, small manufacturers, and low-income areas, with the potential to unlock up to \$125 million in additional leverage above the base leverage caps. The removal of restrictions on public college and university endowment investments in SBICs expands the pool of institutional capital available to SBICs at a time when the program is creating reasons for funds to raise larger amounts of private capital. Collectively, these changes will enable the program to deploy meaningfully more capital into the small business economy. Existing licensees should evaluate whether their current fund documents, structures, and investment strategies position them to take advantage of these changes, and fund managers with funds in formation have an opportunity to design their funds to maximize the benefits of the Act.

## INCREASED LEVERAGE LIMITS FOR STANDARD DEBENTURE SBICS

The Act amends Section 303(b)(2) of the Small Business Investment Act of 1958 (the SBIC Act) to reduce the maximum leverage-to-private-capital ratio from 300% to 200%, while simultaneously increasing the dollar cap on outstanding leverage from \$175 million to \$250 million for standard debenture SBICs. This change is a net positive for standard debenture SBICs because under the prior law, the \$175 million cap was typically the binding

constraint, meaning most SBICs could never actually utilize a 300% leverage-to-private-capital ratio. Under the new law, a standard debenture SBIC with at least \$125 million in private capital can fully utilize the 2:1 ratio and draw up to \$250 million in leverage, which is \$75 million more than was previously available to such funds. The common control (or family-of-funds) cap for standard debenture SBICs also increases from \$350 million to \$475 million.

The increased leverage caps of \$250 million (individual) and \$475 million (family of funds) apply only to standard debenture SBICs. Accrual SBICs, including Reinvestor SBICs, remain subject to the existing leverage caps of \$175 million and \$350 million, respectively. However, as discussed below, Accrual SBICs may access bonus leverage of up to \$125 million above these base leverage caps.

SBICs that do not have sufficient private capital to support additional leverage at the 2:1 ratio will not be able to access the higher caps without raising additional capital. SBICs still within their fundraising period may raise additional private capital to take advantage of the new limits, but any increase in leverage will be subject to SBA approval, including where existing license approval letters cap the amount of leverage available to the SBIC. Thus, while the new family-of-funds cap is effective immediately, individual leverage cap increases for existing SBICs will likely require case-by-case approval from SBA, which will evaluate factors including the SBIC's investment thesis and ability to deploy the additional capital, current leverage ratios, and regulatory compliance. Fund managers of standard debenture SBICs should also review their limited partnership agreements to determine whether SBA leverage is subject to any dollar-based restriction that must be amended before seeking approval from SBA to access additional leverage available under the new leverage limits.

## **EXPANDED BONUS LEVERAGE UNDER THE INVESTING IN ALL OF AMERICA ACT**

The Act significantly expands the bonus leverage mechanism available to SBICs. Under prior law, an SBIC could exclude from its calculation of outstanding leverage the cost basis of equity investments in smaller enterprises located in low-income geographic areas, subject to a cap of 50% of the SBIC's private capital. This exclusion effectively allowed SBICs to draw leverage above the standard caps by an amount equal to their qualifying investments, dollar for dollar, up to the exclusion cap.

The Act broadens this mechanism, which is available to both standard debenture and accrual SBICs, in four important ways.

First, the Act removes the restriction to equity-only investments. Under the prior law, only equity investments qualified for the exclusion. Now, any form of investment or financing, including loans and debt securities, made after the Act's enactment in a qualifying small business can generate a bonus leverage exclusion.

Second, the Act significantly expands the categories of qualifying investments. Previously, only investments in smaller enterprises in low-income geographic areas<sup>[1]</sup> qualified. The Act adds three new categories: (1) small businesses located in rural areas,<sup>[2]</sup> (2) small businesses operating primarily in covered critical technology areas,<sup>[3]</sup> and (3) small manufacturers.<sup>[4]</sup> The Act also broadens the existing low-income category from smaller enterprises to all small business concerns.

Third, the Act modifies the maximum exclusion amount. Under the prior law, the exclusion was capped at 50% of the SBIC's private capital. The Act retains this percentage cap but adds a hard dollar cap of \$125 million, making

the maximum exclusion the lesser of 50% of private capital or \$125 million. Most SBICs will be subject to the 50% limitation, but very large funds making qualifying investments will be limited by the \$125 million ceiling.

Fourth, the Act applies the exclusion to both the individual and family-of-funds leverage caps. Under the prior law, the exclusion applied only to an individual SBIC's leverage calculation. The Act frees up leverage capacity in the family-of-funds leverage cap for affiliated SBICs.

The practical effect of the Act is that each dollar of qualifying investment, up to the exclusion cap, generates a dollar of additional leverage capacity. The constraints, however, are that (i) the bonus leverage can never exceed 50% of private capital, (ii) the bonus leverage can never exceed \$125 million, (iii) the qualifying investments must be made after enactment, (iv) the SBIC must actually deploy capital into the qualifying categories to earn the exclusion, and (v) the statutory 2:1 leverage ratio cannot be exceeded.

Licensed SBICs should assess whether their planned investments qualify for bonus leverage treatment under the Act's bonus leverage investment categories, as investments in qualifying businesses can only receive bonus treatment if they are made after the Act became law. Existing portfolio investments in otherwise qualifying categories cannot be used to access bonus leverage. Fund managers should also review their funds' limited partnership agreements for any provisions that may limit the fund's ability to draw bonus leverage.

Fund managers for SBICs in formation should consider whether to structure their investment mandate to maximize bonus leverage eligibility. A fund with a rural, manufacturing, or technology focused investment strategy may be able to access materially more leverage, representing a meaningful competitive advantage in fundraising and capital deployment.

## **REMOVAL OF LIMITATIONS ON CAPITAL FROM PUBLIC COLLEGE AND UNIVERSITY ENDOWMENTS**

The Act also removes a long-standing statutory restriction that limited the ability of public college and university endowments to invest in the SBIC program. Previously, because public universities are instrumentalities of state government, their endowment investments were treated as government-sourced funds under Section 103(9)(B)(iii) of the SBIC Act. As a result, their investments could only be included in an SBIC's private capital if they qualified as "qualified nonprivate funds" under Section 103(13)(C), which capped the aggregate amount of such government-sourced investments at 33% of the SBIC's private capital.

The Act amends Section 103(9)(B)(iii) to add foundations, endowments, and trusts of colleges and universities to the list of entities whose investments are excepted from the general exclusion of government-sourced funds from private capital. This places public university endowments on the same footing as employee welfare benefit plans and pension plans. As a result, investments by public college and university endowments are no longer subject to the 33% qualified nonprivate funds limitation and instead count fully as private capital, including unfunded binding capital commitments from these investors that meet the SBA's institutional investor qualifications. This change expands opportunities for SBICs to raise significant capital from public college and university endowments without the constraints that previously applied. Fund managers with SBICs in formation should consider targeted outreach to public university endowments, which may now find SBIC investment more attractive from both a return and mission-alignment perspective (supporting small businesses, job creation, and community development) now that the prior restrictions have been removed.

## For additional information, contact:

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[1] Low-income geographic areas: as defined in Section 351 of the SBIC Act.

[2] Rural areas: as defined in Section 343(a)(13) of the Agricultural Act of 1961, which generally means any area other than a city or town with a population greater than 50,000 or an urbanized area contiguous to such a city or town.

[3] Critical technology: as defined in 10 U.S.C. 149(e), which includes categories designated by the Department of War's Office of Strategic Capital.

[4] Small manufacturers: as defined in Section 501(e)(6) of the SBIC Act, meaning a small business with its primary business classified in NAICS sectors 31, 32, or 33 with all production facilities located in the United States.

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