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# [SBA Leveraging Policy]

B-197439

SEP 18 1980

The Honorable Charles B. Rangel  
House of Representatives

Dear Mr. Rangel:

This is in reply to your letter of August 21, 1980, concerning the Small Business Administration's (SBA's) actions in discontinuing its practice of "leveraging" certain Government investments in minority enterprise small business investment companies (MESBICs). Presumably these actions stem from a recent Comptroller General decision.

On July 29, 1980, we issued our decision B-197439 (copy enclosed), holding that, absent a specific statutory provision to the contrary, SBA lacks authority to leverage against Federal funds invested in MESBICs, since the statute generally applicable to leveraging investments in MESBICs limits the leverage to "private" funds, that is, to investments made by private, non-federal sources. That decision, while binding on SBA, dealt only with the legal question before us: the basic leveraging authority afforded SBA under the Small Business Act. We did not address implementation of our decision because, initially at least, that is a matter for the agency to determine, and because we had no precise information about leveraging commitments to individual MESBICs that would permit us to consider, among other matters, how to mitigate possible inequitable consequences.

We are continuing to maintain informal contact with SBA attorneys who are working with our decision. Based on those contacts, we understand that SBA is concerned with approximately 14 MESBICs; that Federal investments therein are being categorized, as are any existing SBA leveraging commitments; and that SBA plans to provide us with this information and to ask our views on how to treat existing leveraging commitments. We will, of course, be pleased to assist SBA in any way we can.

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We will keep you apprised of future dealings we may have with SBA about its leveraging policy.

Sincerely yours,

Harry R. Von Cleve

For the Comptroller General  
of the United States

Enclosure

bc: Mr. Eschwege, CED  
Mr. Landicho, CED  
Mr. Socolar, OGC

Mr. Pierson, OGC  
Ms. Rubar, OGC  
Mr. Crystal, OGC  
Mr. Motley, OCR