



State Small Business Credit Initiative (SSBCI) Fact Sheet

Transactions to Support Broad-Based Employee Ownership in a Business: Employee Stock Ownership Plans (ESOPs), Worker Cooperatives, Employee Ownership Trusts, and Related Vehicles

What is the State Small Business Credit Initiative?

Reauthorized and expanded by the American Rescue Plan Act of 2021, the State Small Business Credit Initiative (SSBCI) is a \$10 billion program to support small businesses and entrepreneurship in communities across the United States by providing capital and technical assistance to promote small business stability, growth, and success. SSBCI will provide funding to states, the District of Columbia, territories, and Tribal governments (collectively, participating jurisdictions) for programs that catalyze lending and investing in small businesses, build ecosystems of opportunity and entrepreneurship, and create high-quality jobs.

How does SSBCI work?

SSBCI includes two programs: the Capital Program and the Technical Assistance (TA) Grant Program. Under the Capital Program, participating jurisdictions implement credit and equity/venture capital programs to provide capital to small businesses. Under the TA Grant Program, Treasury supports programs that provide legal, accounting, or financial advisory services to qualifying small businesses.

Jurisdictions design their SSBCI Capital Programs to support one or more credit or investment programs:

- Capital access programs provide portfolio insurance in the form of a loan loss reserve fund into which the lender and borrower contribute.
- Collateral support programs enable financing that might otherwise be unavailable due to a collateral shortfall, generally through pledged cash collateral accounts.
- Loan guarantee programs enable small businesses to obtain loans or lines of credit by providing lenders with necessary support in the form of a partial guarantee.
- Loan participation programs provide credit support through the purchase of a portion of a loan made by a lender or through a direct loan alongside a private lender.
- Equity/venture capital programs provide capital in the form of equity investments to small businesses.

The SSBCI [Capital Program Policy Guidelines](#) (Guidelines) specify the requirements applicable to SSBCI-supported transactions.

How can SSBCI programs support financing of ESOPs, Worker Cooperatives, & Employee Ownership Trusts?

Buyouts

While the Guidelines (Sections VII.f, VIII.f) generally prohibit the use of SSBCI support to purchase business ownership interests, there is an exception for the purchase of an interest in an ESOP qualifying under section 401 of the Internal Revenue Code,

worker cooperative, employee ownership trust, or related vehicle so long as the transaction results in broad-based employee ownership for employees in the business and the ESOP or other employee-owned entity holds a majority interest (on a fully diluted basis) in the business.¹

Loans to businesses owned by ESOPs and worker cooperatives

Businesses owned by ESOPs, worker cooperatives, employee ownership trusts, and related vehicles may be eligible borrowers under an SSBCI-supported Capital Program. Subject to SSBCI rules, eligible borrowers can use SSBCI-supported funding for an eligible business purpose, including:

- Start-up costs, franchise fees, and working capital;
- The acquisition of equipment, inventory, or services used in the production, manufacturing, or delivery of a business's goods or services; and
- The purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes.²

How can a business find an SSBCI lender?

Businesses may learn about participating lenders on each jurisdiction's website or by contacting the jurisdiction's program managers. Jurisdiction program managers are the first point of contact to discuss a potential use of SSBCI funds for a particular transaction.

Information about each participating jurisdiction's capital programs, including websites and contacts, may be found here: [List of SSBCI Capital Programs and Contacts | U.S. Department of the Treasury](#)

In addition, Treasury issues regular press releases and other information about the program on the SSBCI website: [State Small Business Credit Initiative \(SSBCI\) | U.S. Department of the Treasury](#)

Submit a request to join the SSBCI Bulletin email distribution list or request additional information by emailing SSBCI at ssbc_information@treasury.gov.



¹ See sections VII.f. and VIII.f. of the Guidelines.

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