

# SMALL BUSINESS FINANCIAL ASSISTANCE

## AVAILABLE FEDERAL ASSISTANCE

### Environmental Protection Agency Grants

The US Environmental Protection Agency provides funds to support or stimulate activities that accomplish a public purpose of assistance authorized by federal statutes. Funds may be granted to state or local governments or other recipients, in accordance with the Federal Grant and Cooperative Agreement Act. Applicants must complete the proper application and submit it to EPA's Grants Administration Division. A copy of the *Application Kit for Federal Assistance (February 2001)* is available at <http://www.epa.gov/ogd/AppKit/contents.htm>.

### Small Business Administration

Most lenders are familiar with SBA loan programs, so interested applicants should contact their local lender for further information and assistance in the SBA loan application process. Information on SBA loan programs, and on the management counseling and training services offered by the Agency, is also available from the local SBA office. Common SBA loan programs are described below.

#### **7(a) Loan Guaranty**

The 7(a) Loan Guaranty Program, one of SBA's primary lending programs, provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans which are, in turn, guaranteed by the SBA -- the Agency has no funds for direct lending or grants.

#### **Specialized 7(a): LowDoc**

The LowDoc program is designed to increase the availability of funds under \$100,000 and streamline/expedite the loan review process.

#### **Specialized 7(a): FASTRAK**

FASTRAK is designed to increase the capital available to businesses seeking loans up to \$100,000 but is currently offered as a pilot with a limited number of lenders.

#### **Specialized 7(a): CAPLines**

CAPLines is an umbrella program to help small businesses meet their short-term and cyclical working-capital needs with five separate programs.

#### **Specialized 7(a): Pollution Control**

The Pollution Control program provides loan guarantees to eligible small businesses for the financing of the planning, design, or installation of a pollution control facility.

### **Specialized 7(a): Minority and Women's Prequal**

This pilot program uses intermediaries to assist prospective minority and women borrowers in developing viable loan application packages and securing loans.

### **Specialized 7(a): Disabled Assistance**

The SBA has not been provided funding for direct handicapped assistance loans, but such individuals are eligible for all SBA loan guaranty programs.

### **Microloan Program**

This program works through intermediaries to provide small loans from as little as \$100 up to \$25,000.

### **Certified Development Company (504 Loan) Program**

This program, commonly referred to as the 504 program, makes long term loans available for purchasing land, buildings, and machinery and equipment; and for building, modernizing, or renovating existing facilities and sites.

## **Internal Revenue Service**

### **Rapid Tax Amortization under Section 169 of the Internal Revenue Code**

Section 169 of the Internal Revenue Code was added by the Tax Reform Act of 1969, Public Law 91-172, effective December 30, 1969. Stated very generally, it permits five-year straight-line depreciation of pollution abatement facilities. Additional information is available as indicated below.

- List of itemized deductions for individuals and corporations – See US Code 26 (IRS), Subtitle A, Chapter 1, Subchapter B, Part VI
- Certification of Pollution Control Facilities – See 40 CFR, Chapter 1, Part 20

## **AVAILABLE STATE ASSISTANCE**

Few states offer small businesses financial assistance programs to help with capital expenses associated with pollution prevention or control equipment. Small businesses have told their SBEAPs that they need financial assistance; offering financial assistance programs may promote compliance.

### **State-specific Grants and Loan Programs**

CAPs can promote the formation of grants or loan funds to support small businesses. Examples of state-specific funding programs are detailed below.

## **California Pollution Control Financing Authority - Small Business Loan Programs**

The California Pollution Control Financing Authority, (the "Authority") housed within the State Treasurer's Office, has two programs for small businesses needing financing for various types of pollution control equipment and facilities. These programs are:

- **Capital Access Program**

The Capital Access Program is designed to increase the availability of bank loans for California small businesses. The program, through the use of loan reserve funds, provides a form of loan portfolio insurance for lenders so they may make loans to small businesses that carry higher than conventional risks. Any bank or savings and loan can participate in the Capital Access Program. A reserve fund account is established for each lender in the Program. Premiums are paid on each loan by the lender, the borrower, and the Authority and are deposited into the reserve funds to guarantee each lender's Capital Access loan portfolio. The strength of each bank's reserve fund increases as loan volume increases. The Authority's contribution to the reserve fund is an incentive for lenders to make loans that may not meet conventional underwriting criteria. The borrower's contribution to the reserve fund is determined by the lender based on risk, but cannot exceed 3.5 percent. The Capital Access program is non-bureaucratic and flexible because the loan is a private transaction between the borrower and the lender.

- **Tax-Exempt Bond Issuance**

Under the tax-exempt Bond Issuance program, small businesses may borrow from \$750,000 to \$20 million in tax-exempt debt, or bonds, to finance eligible pollution control and solid waste recovery facilities. Since the cost of issuing this type of debt is very expensive for a small business, the Authority provides financial assistance for costs of issuance and credit support. This assistance ensures that small businesses can access interest rates that are comparable to what a large A-rated company could obtain. There is a small application fee for this program.

## **Minnesota Small Business Improvement Loan**

The Small Business Environmental Improvement Loan Program is offered through the Minnesota Pollution Control Agency's Small Business Ombudsman. The Ombudsman, along with the Small Business Compliance Assistance Program, helps Minnesota businesses with fewer than 100 employees understand and comply with federal and state environmental regulations.

Environmental improvement loans are open to small, independently owned and operated businesses to make equipment purchases that meet or exceed environmental standards, or for costs associated with the investigation and cleanup of contaminated sites. Loans are available for up to \$50,000 with a maximum repayment term of seven years. The interest rate is four percent, or one-half the prime lending rate, whichever is greater when the loan is made. Loans are awarded quarterly, with applications due the first of April, July, October and January.

### **New York Environmental Bond Act**

The Bond Act authorizes \$230 million in funding to address air quality problems in New York State, including funding for clean transportation projects, the replacement of coal-fired boilers in public schools, and environmental compliance initiatives for small businesses. These programs are administered by the Department of Environmental Conservation, the Environmental Facilities Corporation, the Office of General Services, the New York State Energy Research and Development Authority (NYSERDA), and the New York Power Authority.

### **New York State's Excelsior Linked Deposit Program**

New York State's Excelsior Linked Deposit Program provides eligible businesses with bank loans at an interest rate 2 to 3 percent lower than the prevailing commercial rate. By making borrowing less expensive, the program encourages companies to make investments and undertake projects that will contribute to improving their performance and competitiveness.

Under the Linked Deposit Program, eligible businesses can obtain loans from commercial banks, savings banks, and savings and loan associations. The maximum loan amount is set at \$1 million. Eligible manufacturing projects include: preparation of strategic plans for improving productivity and competitiveness; introduction of modern equipment and/or an expansion of facilities as part of a modernization plan; introduction of computerized information, reporting, and control systems; reorganization of workplace systems and the introduction of total quality programs; development and introduction of new products; and identification and development of new markets.

### **New York Tax Relief for Air Pollution Control Facilities**

Tax relief to encourage construction of air pollution control facilities is provided under state and federal law. A complete outline of eligibility under both federal and New York State law is included in this section.

### **Ohio EPA Pollution Prevention Loan Program**

Funds received from the Pollution Prevention Loan Program are take-out financing and may be used for part of the costs of acquisition or renovation of machinery and equipment for pollution prevention. In addition, soft costs related directly to the fixed asset expenditure may be included. Examples of eligible soft costs include: architectural/engineering costs, installation costs for machinery, and financing costs for bank loans. Pollution Prevention Loan Program Funds may not be used for working capital, refinancing, rolling stock, inventory/receivable financing, and/or speculative real estate development. Companies must be able to demonstrate measurable environmental improvements through pollution prevention to be eligible for the Pollution Prevention Loan Program.

### **Ohio Environmental Finance Program**

The Environmental Finance Program provides financial technical assistance to the regulated community on environmental finance issues, trends, and options. The Environmental Financing Information Network (EFIN) is an outreach service of this program offering electronic access to many types of environmental financing information on financing alternatives for state and local environmental programs and projects.

### **Pennsylvania Small Business Pollution Prevention Assistance Account**

The Pollution Prevention Assistance Account is a loan program administered by the Pennsylvania Department of Environmental Protection (DEP) and the Pennsylvania Department of Community and Economic Development (DCED) that helps small Pennsylvania businesses implement pollution prevention and energy-efficiency projects. The low-interest loans available through this program help small businesses comply with environmental regulations while receiving economic benefits of preventing pollution and using energy more efficiently.

### **Virginia Small Business Environmental Compliance Assistance Fund**

The Fund will lend up to \$100,000 at a 3% interest rate for small businesses to:

- To purchase and install environmental pollution control equipment to comply with the federal Clean Air Act or Virginia's air regulations.
- To purchase and install equipment that will voluntarily implement pollution prevention measures.
- To purchase equipment and structures to voluntarily implement agricultural best management practices.

The Loans are administered through the Department of Business Assistance (DBA) Financial Services Division. Project approval is a two step process with the Department of Environmental Quality certifying the equipment as meeting the stated loan fund requirements and the DBA underwriting the financial abilities of the applicant. To qualify a small business must have less than 100 employees. The Fund may not be used to make loans for the purchase and installation of equipment needed to comply with an enforcement action.