

# POLLUTION PREVENTION IMPLEMENTATION PLAN FOR PRINTING COMPANIES

## PHOTOPROCESSING SYSTEMS

Several of the improved processes for photoprocessing do not involve additional financing. However, the purchase of automated processing equipment, automatic replenishing systems and recycling costs may have significant capital costs.

In-house silver recovery methods can vary in cost and therefore require different financing alternatives. An electrolytic unit that can be used as a batch recovery system may cost from \$400 to \$5,000; the metallic replacement method has lower initial costs (less than \$500) but additional expenses can increase operating costs. Ion exchange silver recovery is generally not cost effective for smaller printers and the cost (\$4,000) should generally be financed internally by a larger printer.

## DAMPENING SYSTEMS

Alcohol is frequently used in the dampening solution to enable easier press control. However, alcohol is considered a volatile organic compound (VOC) and is regulated. The movement away from alcohol to alcohol substitutes will cause the printer to incur unrecoverable costs. The financial costs for noncompliance can be very significant, so when preparing a cost analysis for a lending institution, it is important to treat the additional costs as liability insurance.

## PRESS CLEANING

Most pollution prevention options in press cleaning do not involve financing costs, but some more dramatic changes may involve purchasing additional equipment. Automatic cleaning systems may require outside financing.

Pollution prevention initiatives that require external financing may range from a few thousand dollars to significant capital outlays. Even if the working relationship with the financial institution is excellent, the institution may be hesitant to finance some of these projects without some type of guarantee.

## FINANCING NEEDS

The first step is to review the firm's monthly cash flow from operations statements. The least expensive way to finance less expensive pollution prevention technologies is to internally finance the capital outlays. However, this may not always be possible in the printing industry because of tight cash flow cycles. Therefore, many firms will turn to their financial institutions for financing needs. Pollution prevention initiatives that do not show quick paybacks may meet with some resistance from the lender. That is where the Small Business Administration's (SBA) financial assistance program can be very useful to the business.

The largest financial assistance program is the SBA. The SBA has several programs that may help finance pollution prevention and/or reduction capital projects. The most common and largest program is the 7(a) loan guaranty program. The 7(a) program allows the SBA to reduce risk to lenders by guaranteeing the major portion of loans made to small businesses.

The eligibility requirements and credit criteria of this program are very broad in order to accommodate a wide range of financing needs. When you have put together the list of equipment that you need to purchase you will fill out an application for a loan with a lending institution. The lender will review the application and decide if it merits a loan on its own or if it requires additional support. Many firms will have little difficulty in obtaining the needed financing for smaller projects; however, a firm with a significant level of debt already on its balance sheet may need the SBA loan guarantee before the financial institution will extend further credit.

The SBA can guarantee up to 80 percent on loans of up to \$100,000, which will be sufficient for most pollution prevention projects. If the loan is more than \$100,000, the guarantee drops to 75 percent up to a maximum guaranty of \$750,000 (75 percent of a \$1 million loan).

There are no balloon payments, prepayment penalties, application fees or points permitted with 7(a) loans. Repayment plans may be tailored to each individual business.

Most pollution prevention purchases could be financed over a period of 5 to 7 years. Both fixed and variable interest rates are available. Rates are pegged at no more than 2.25 percent over the lowest prime rate as published in the Wall Street Journal on the day the application is received by the SBA. (Loans under \$50,000 may have slightly higher rates.)

The SBA charges the lender a nominal fee to provide a guaranty and the lender usually passes this charge on to the borrower. The fee is based on the maturity of the loan and the dollar amount that the SBA guarantees. On any loan with a maturity of one year or less, the fee is 0.25 percent of the guaranteed portion of the loan. On loans with maturities of more than one year where the portion that the SBA is \$80,000 or less, the guaranty fee is 2 percent of the guaranteed portion. The SBA will require that you pledge sufficient assets to adequately secure the loan.

Most pollution prevention projects will typically be less than \$100,000 so the Low Documentation Loan (LowDoc) program may be the best alternative to obtain reasonable financing with a minimal amount of paperwork. For firms with established relationships with lenders and those meeting the lender's requirements for credit, LowDoc is a simple one page SBA application form with a rapid turnaround time. Like the 7(a) program, the SBA will guarantee up to 80 percent of the loan amount.

Most lending institution will require a projected cash flow statement, projected income statement and projected balance sheet. Examples are available from your local SBDC office.