

Case Study: Pass-through Option

Better lighting helps Relief Nursery

Like many non-profit organizations, the Relief Nursery, Inc. of Eugene has seen service demands increase significantly over the past few years. At the same time, funding sources have been decreasing. The situation has resulted in a very tight operating budget. And, increasing utility bills were not part of the picture.



The Relief Nursery of Eugene helps at-risk families.

The Relief Nursery, Inc. of Eugene is a 26-year-old non-profit organization that provides therapeutic pre-school and parenting classes for low-income families with risk factors for abuse. By reaching families with young children early, they hope to prevent larger problems and more expensive solutions in the future. In 2001, they served 1,086 children and helped 783 families in the Lane County area. But, like many non-profits, funding has been hit hard by governmental budget cuts.

“We rely on private donations for a third of our operating expenses, and governmental grants and contracts for the remaining two-thirds,” said Director of Development Julie Tarter. “We already had to close one classroom this year, because of the financial situation we are in.”

The Relief Nursery, Inc. Board of Directors looked closely at their operating budget to ensure they included only necessary expenses. Their higher-than-normal utility bills got their attention.

A donor in the property management business suggested they contact their electric utility, the Eugene Water and Electricity Board (EWEB), to do a free energy analysis of their 12-year-old facility. The EWEB analysis revealed that Relief Nursery, Inc. could save on their energy use by updating and improving their lighting.

This meant replacing their incandescent fixtures with more effi-



New energy-efficient lights brighten up the Relief Nursery.



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Saving on monthly utility bills leaves more funds for the Relief Nursery's core mission - children.

cient CFLs or compact fluorescent lights. CFLs use about 70 percent less energy than comparable incandescent light bulbs. Although they cost more initially, they last much longer and reduce maintenance costs.

In addition, the EWEB energy analysis called for retrofitting 2-lamp and 3-lamp recessed fluorescent fixtures with the latest electronic ballast technology. By implementing these lighting improvement, EWEB estimated the Relief Nursery could save 37,684 kWh of electricity or approximately \$1,550 each year.

The energy savings would come with an initial project price tag of \$15,000, however.

Thanks to legislation passed in 2001, the Relief Nursery was able to lower that amount by approximately a third by using the Oregon Office of Energy's Business Energy Tax Credit Program's new Pass-through Option.

The Pass-through Option allows non-profits, public entities, and private businesses with insufficient tax liability to transfer an energy tax credit to a business or individual with an Oregon income tax liability. In exchange, the tax credit recipient (the "pass-through partner") makes a cash payment to the project owner.

The Relief Nursery's eligible project costs were \$15,000. Laird Lighting, their lighting contractor agreed to serve as their pass-through partner and tax credit recipient. Laird Lighting paid the Relief Nursery \$5,025, the net present value of the credit. The 35 percent tax credit of \$5,250 was issued to Laird Lighting. In addition, EWEB provided a cash incentive of approximately \$10,000. The project paid for itself.

"It worked out very nicely for the nursery," said Tarter.

The Relief Nursery staff and clients will enjoy improved lighting. The Board should see lower utility bills. And, that means more funding for their core mission — children.

Energy Tax Credit Program Expanded

The Pass-through Option allows non-profit organizations, schools, governmental agencies, tribes, other public entities and businesses without tax liability to use the Business Energy Tax Credit. They transfer the tax credit for an eligible project to a partner with a tax liability in exchange for a cash payment.

The Business Energy Tax Credit is 35 percent of the eligible project costs. When the Pass-through Option is used, the pass-through partner pays the project owner a lump-sum payment equal to 33.5 percent of the project eligible costs for projects with eligible costs of \$20,000 or less and 27 percent for those with eligible costs over \$20,000. This payment is the net present value of the tax credit. It takes into account the value of the money over time and other factors.

For more information, visit the Oregon Office of Energy Web site at www.energy.state.or.us or call 1-800-221-8035.