



NCBA CLUSA'S
COOPERATIVE

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TELLING YOUR CO-OP STORY

**NCBA CLUSA CO-OP IMPACT CONFERENCE
OCTOBER 2, 2024**



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COOPERATIVE OVERVIEW

Cooperatives have a crucial role in our economy

- Approximately 65,000 cooperative establishments and 130 million members across the U.S.
- 1 in 3 Americans are a member of a co-op
- 2 million farmers belong to agriculture co-ops
- 42 million Americans rely on electricity from electric co-ops

People turn to cooperatives for three primary reasons:

1. Address market failures
2. Help small players gain parity with large, investor-owned competitors
3. Give consumers a deliberate choice of enterprise to better meet common needs and aspirations



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COOPERATIVE PRIORITIES

- **Fair Tax Treatment** – Recognize the Co-op Difference
- **Farm Bill** – Leverage the 2024 Farm Bill to support co-ops
- **Building a Better World** – International Cooperative Development
- **Supporting Small Businesses** – Cooperative Access to Capital through the Small Business Administration (SBA)
- **Support Employee Ownership** – Department of Labor (DOL) EO Initiative
- **Address the Affordable Housing Crisis Through Cooperatives**



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CODIFY THE CO-OP DIFFERENCE FOR SMALL BUSINESSES AND PRODUCERS THROUGH FAIR TAX TREATMENT

- **Current federal cooperative tax policy recognizes that co-ops capture value for their members**
 - Distribution of co-op revenue through patronage dividends results in co-ops only being taxed at the individual level or at the entity level but not both.
- **Section 199A enacted in the 2017 Tax Package**
 - Allows co-ops to deduct up to 20% of “pass-through” income
 - Set to expire in 2025, this policy puts more dollars in the pockets of working families and helps small businesses and farmers compete.
- **Extending the 199A deduction for cooperatives is crucial to creating more resilient communities and a more equitable economy.**



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REAUTHORIZATION OF THE FARM BILL

Every five years, Congress passes legislation that sets U.S. agriculture, nutrition, conservation, international food assistance, and forestry policy, commonly referred to as the “Farm Bill.”

Opportunities for Co-ops in the Farm Bill:

- Modernizing the Rural Cooperative Development Grant Program (RCDG)
- Investing in Capacity Building and Locally-Led Rural Economic Development
- Bridging The Digital Divide
- Maintaining Affordable Energy Infrastructure Upgrades for Residents through Improving the Rural Energy Savings Program (RESP)
- Supporting Food Co-ops and Producers Through a Strong Nutrition Title
- International Food Aid Programs Supporting Cooperative Development



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MODERNIZING THE RURAL COOPERATIVE DEVELOPMENT GRANT PROGRAM (RCDG)

Program Overview:

- Rural Cooperative Development Grant (RCDG): The only federal program that exclusively invests in the startup, innovation, and growth of cooperative businesses.
- Language from the Strengthening Cooperatives and Communities Act (H.R. 6661) has recently been included in House Farm Bill draft legislation and Senate Proposal

Improving Implementation of the RCDG Programs

- Multi-year grants to build capacity for Co-op Development Centers in a sustainable way
- Equitably interpreting the federal match requirement
- Streamlining the application and award compliance process to make implementation more efficient
- Fully supporting cooperative development centers in the appropriations process



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BRIDGE THE DIGITAL DIVIDE

- **Rural electric cooperatives serve 42 million households—including 92% of persistent poverty counties—and are well positioned to bridge the digital divide.**
 - More than 200 electric cooperatives are deploying or developing plans to deliver broadband service to their consumer owners
 - The ReConnect Program offers loans, grants, and loan-grant combinations to entities, including cooperatives, for broadband deployment in rural areas with insufficient broadband access

Opportunities to support cooperatives:

- Ensure all residents have access to reliable internet connection that is resilient and future-proof
- Streamlining and codifying USDA broadband programs and ensuring cooperatives have equitable access to the ReConnect Program



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International Cooperative Development

NCBA CLUSA works globally to build resilient communities, create economic opportunities and strengthen cooperatives by implementing global food assistance and cooperative development programs through USDA and USAID

Opportunities for Co-ops:

- Supporting USAID-administered programs: Feed the Future, Farmer-to-Farmer, the Cooperative Development Program (CDP), USDA's Food for Peace, and Food for Progress.
- Ensuring that global food assistance programs can continue and create more resilient local economies



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SUPPORTING FOOD CO-OPS AND PRODUCERS – A STRONG NUTRITION TITLE

The Supplemental Nutrition Assistance Program (SNAP) - provides over 41 million low-income individuals with monthly grocery benefits. As SNAP retailers, grocery and food co-ops can support members of their community and provide individuals with access to food that is often produced locally.

Opportunities for cooperatives:

- Ensuring the cooperative model cooperative grocery stores can fully participate in SNAP programs and administer SNAP benefits
- SNAP audit properly recognize the cooperative ownership model to prevent the incorrect disqualification of grocery and food co-ops from the program after board transitions



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Co-op Access to Capital – Main Street Employee Ownership Act

The 7(a) Program is the Small Business Administration's (SBA) primary lending program. It provides loan guarantees to lenders that allow them to offer financial assistance for small businesses

- **Personal guarantee requirements don't align with the shared ownership structure of co-ops**
 - In 2018, Congress passed the Main Street Employee Ownership Act, which required SBA to explore meaningful alternatives to the personal guarantee requirement
 - The agency recently finalized a rule in May of 2023 codifying the need for a law change
- **Recognize the cooperative business model by waiving the personal loan guarantee requirement for cooperatives under the SBA 7(a)-loan program**
- **Cooperatives across sectors – worker, purchasing, and consumer would benefit**



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SUPPORT EMPLOYEE OWNERSHIP – DEPARTMENT OF LABOR (DOL) EO INITIATIVE

***Half of the nation's small businesses are at risk of buyout or closure - dubbed the Silver Tsunami.
Solution - Convert businesses to cooperatives***

- **Employee Ownership (EO) Initiative within the Department of Labor (DOL)**
 - Established through FY2023 Appropriations Bill
 - Allows DOL to conduct research and provide educational resources for transitions or startup of worker cooperatives and other forms of EO. Beginning in FY2025 the initiative will be able to provide Technical Assistance Grants for Co-op Development.

Opportunities for Co-ops:

- FY2025 Appropriations – Congress should provide \$4.3 million for TA grants to support education, outreach, research and coordination along with direct support for entrepreneurs and small business owners



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INCREASE AFFORDABLE HOUSING THROUGH COOPERATIVES

Limited Equity Cooperatives (LECs) - stable and effective way to provide permanently affordable housing, particularly for limited-income residents. Resident Owned Communities (ROCs) - allow residents in manufactured housing communities (MHCs) to have ownership and democratic control of their communities.

Opportunities for Co-ops:

- Revitalize The Department of Housing and Urban Development (HUD) Section 213 to support all kinds of housing cooperatives
- Appoint a HUD Special Assistant for Cooperative Housing as directed in the 1955 the National Housing Act
- Include cooperatives as a time-tested Shared Equity Housing Model in any legislation to address affordable housing and provide a pathway to homeownership



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HOW CAN I APPROACH POLICYMAKERS?

- **Before**
- **During**
- **After**



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HOW TO PREPARE

- Find out who to talk to
- Rehearse your co-op story
- Discuss relevant co-op priorities with group members
- Plan out your timeline
- Note policy issues the office prioritizes



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DURING THE MEETING

- **Share your story – what makes your co-op special?**
- **Don't be humble or modest about your co-op impact – how are you impacting your community?**
- **Convey how your co-op may benefit from increased access to capital or improved federal resources?**
- **Find the common ground – what do you and your fellow attendees have in common?**



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SMALL GROUP DISCUSSIONS – HOW WOULD YOU TELL YOUR CO-OP STORY?

- **Share your story – what makes your co-op special?**
- **Don't be humble or modest about your co-op impact – how are you impacting your community?**
- **Convey how your co-op may benefit from increased access to capital or improved federal resources?**
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AFTER THE MEETING

- Thank you and follow up
- Let them know you want to be a resource
- Debrief and discuss what went well and new strategies for upcoming meetings



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