



**NCBA CLUSA**  
The National Cooperative Business Association • CLUSA International

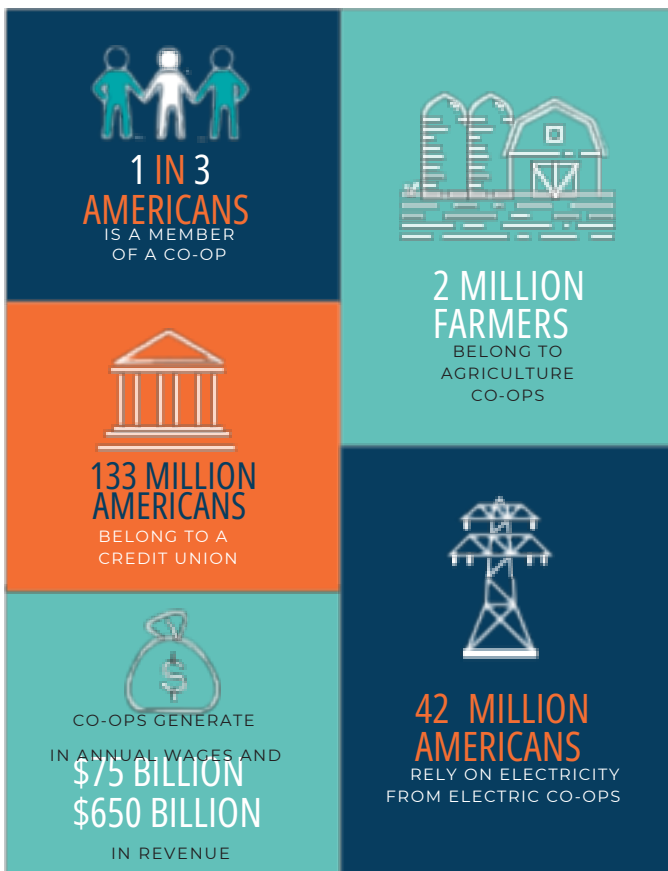
# HIKE THE HILL

## COOPERATIVE PRIORITIES AND TALKING POINTS

For more than a century, cooperatives have played a crucial role in the economy, making it possible for people to own and control their businesses and ensure people have access to critical markets and services.

With nearly 65,000 cooperative establishments and more than 130 million members, cooperatives are found in every corner of the United States. Cooperatives are active across many different economic sectors including agriculture, electric, housing, credit unions, food systems, worker-owned businesses, cooperative lenders like CDFIs, and nonprofit co-op development organizations.

People turn to cooperatives for three primary reasons: 1) to address market failures where neither the private sector nor the government provides a needed service; 2) to help small players gain parity with large, investor-owned competitors; and 3) to give consumers a deliberate choice of enterprise to better meet their common needs and aspirations.



As democratically owned and governed businesses, the member-owners of cooperatives prioritize business decisions that serve the community and remain people-centric. Compared to other business models, cooperatives across sectors:

- **Reinvest** back into the local economy at higher rates
- **Create and maintain** more and higher quality local jobs
- **Source** more goods locally
- Are more **responsive** to community needs
- Feature **higher worker productivity** and **lower workforce turnover**
- **Empower** member-owners to be more civically engaged
- Have greater **business survival rates**

# FEDERAL LEGISLATION AND PROGRAMS THAT IMPACT COOPERATIVES

## REAUTHORIZATION OF THE FARM BILL

### About the Farm Bill



Every five years, Congress passes legislation that sets national agriculture, rural development, nutrition, conservation and forestry policy, commonly referred to as the “Farm Bill.” The Farm Bill provides an important opportunity for policymakers to comprehensively address agricultural and food issues. On Thursday, May 23rd the House Agriculture Committee will consider the Farm Bill and make amendments. NCBA CLUSA urges Congress to prioritize cooperative businesses in the Farm Bill to equip rural communities with the tools to build capacity and drive a robust, prosperous rural economy.

## TALKING POINTS

### Modernize the Rural Cooperative Development Grant (RCDG) Program

- The **Rural Cooperative Development Grant (RCDG) program**, administered through the U.S. Department of Agriculture Rural Development, **is the only federal program that exclusively invests in the startup, innovation, and growth of cooperative businesses.**
- Over the last five years, RCDG has supported the creation of more than 3,000 jobs, the preservation of 4,500 jobs, and reached 2,900 cooperative businesses and startups.
- Cooperative Development Centers are designed to support the startup, expansion, or ongoing sustainability of cooperatives across sectors of the rural economy. **Awarding multi-year grants, as authorized through the 2008 Farm Bill, would build capacity for RCDG awardees and maximize federal resources awarded through the program.**
- The current approach of “scoring on a curve” by **requiring Cooperative Development Centers to provide at least, and in many cases exceed, a 25% match disadvantages under-resourced and often more rural organizations.**
- **Streamlining the application and award compliance process** by limiting cumbersome and redundant reporting requirements **would make federal funds dedicated toward USDA RD programs more efficient.**

## TALKING POINTS

### **Bridge the Digital Divide:** Ensure all residents have access to a robust and reliable broadband connection

- 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**, creating new ways for rural communities to live, learn and earn.
- The ReConnect Program is currently a pilot program that offers loans, grants and loan-grant combinations to entities, including cooperatives, for broadband deployment in rural areas with insufficient broadband access. **USDA broadband programs should be streamlined and ensure cooperatives have equitable access to the ReConnect Program.**
- Efforts that would codify and streamline broadband programs, clarify eligible areas for prioritized deployment, and establish minimum 100Mbps symmetrical buildout speeds are meaningful tools to create scalable networks and future-proof communities.

## TALKING POINTS

### **Maintain Affordable Energy Infrastructure Upgrades in Rural Communities:** Modernize the Rural Energy Savings Program (RESP)

- RESP provides zero-interest loans to electric cooperatives to establish or expand residential and small business energy efficiency improvement programs.
- RESP supports the creation and expansion of on-bill financing programs where energy investments are repaid via the utility bill with no upfront costs to help residents afford energy upgrades and beneficial electrification.
- **The Rural Energy Savings Act would codify eligible uses, as included in FY 2018-2021 Appropriations language, and reduce administrative burdens for RECs** to encourage increased participation in the program.

## TALKING POINTS

### International Food Aid Programs Support Cooperative Development

- **Cooperatives are key stakeholders of International Food Assistance Programs.** The Trade title of the Farm Bill authorizes USAID-administered programs like Feed the Future and the Farmer-to-Farmer Program, along with USDA's Food for Peace and Food for Progress. **Co-ops are empowering people to build shared prosperity and well-being while improving our national security.**
- **The Food for Progress Program strengthens markets** for emerging international agricultural sectors and promotes trade opportunities for domestic agricultural producers.
- The Farmer-to-Farmer Program provides technical assistance from U.S. volunteers to agricultural stakeholders in 36 core countries. **Co-ops are integral to international education programs.**
- **The McGovern-Dole International Food for Education and Child Nutrition Program prioritizes cooperatives as a core tool** to strengthen food security and eradicate hunger while supporting U.S. agricultural producers.

## TALKING POINTS

### Co-op Grocery Stores Reduce Food Insecurity and Support Local Economies

- The Supplemental Nutrition Assistance Program (SNAP) provides more than 41 million low-income individuals with monthly grocery benefits. As SNAP retailers, **food co-ops support community members and provide individuals with access to food that is often produced locally**, making them a key strategy to address food insecurity.
- Grocery and food co-ops source five times more of their products locally than conventional stores. **Co-ops are owned by their communities, meaning they can better support local producers, nonprofits, schools, and community groups.**
- Due to a lack of understanding of the cooperative business model, the SNAP audit may improperly disqualify food co-ops as SNAP retailers because of board elections. **An inability to accept SNAP benefits can be devastating for low-income residents, particularly in rural areas, which make up 87% of the highest food insecure counties.**

## TALKING POINTS

### Build Capacity for Rural Communities through direct, flexible support for locally led development

There are over 46 million residents of rural America and **81% of persistent poverty counties are designated rural, with a disproportionate impact on socially disadvantaged communities.**

A history of underinvestment has left rural communities without adequate staffing and resources to compete for federal funding to support the varying needs of residents. The Farm Bill presents an opportunity ensure rural America gets a fair share of private and federal investments.

**The Rural Partnerships and Prosperity Act would provide direct, flexible investments for economic development to address urgent needs in rural communities** like childcare, housing and workforce training. By supporting these direct investments through technical assistance providers and a whole of government approach, rural communities would be able to access the meaningful and necessary federal support to unlock their full economic potential.

Cooperatives are a proven and time-tested model for capturing economic opportunities, serving as local and regional anchors with multiplier effects. **As user-owned, democratically controlled businesses, the cooperative business model provides direct economic benefits to member-owners and reinvest in the local community.** Cooperatives and nonprofit development organizations would be eligible partners for Rural Partnership TA Grants.

# ACCESS TO FINANCING THROUGH SBA 7(A) LOANS

## About the Small Business Administration (SBA)

Created in 1953, the SBA's mission is to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The SBA's charge is to help small businesses get funding by setting guidelines for loans and reducing lender risk. Despite this mission, charge and the passage of legislation to provide co-ops with access to financing, the SBA continues to implement prohibitive requirements that effectively bar co-ops from accessing its primary offering—the 7(a) Loan Program.

### TALKING POINTS

#### **Provide co-ops with equitable access to financing within SBA loan programs: Waive the personal guarantee requirement for co-ops**

- **The SBA's primary business loan program is the 7(a) Program, which provides loan guarantees** to lenders that allow them to provide financial help for small businesses. 7(a) loans can be used for purposes critical to the viability of a small business including working capital, debt refinancing, or changes in ownership.
- **The SBA requires individuals who own 20 percent or more of a small business to provide a personal guarantee** to access the 7(a) program. When no one holds more than 20 percent stake, SBA requires "majority owners" to serve as personal guarantors.
- **While explicitly eligible for the 7(a) program, co-ops are denied SBA financing because:** (1) Typically, no single member-owner holds 20 percent or more of the business. (2) Member owners have an equal one-share vote, so no group of owners holds a majority.
- **Waiving the personal guarantee for co-ops is not unprecedented.** This action was included in the CARES Act to ensure co-ops could access Paycheck Protection Program and Economic Injury Disaster Loan Program funds.
- **The SBA's claims that the personal guarantee ensures owners are invested in the business' viability is redundant when applied to cooperatives because they are 100% member-owned.**
- **In 2018, Congress passed the Main Street Employee Ownership Act, which required SBA to explore meaningful alternatives to the personal guarantee requirement; however, the agency has yet to propose a solution.**

# FEDERAL APPROPRIATIONS

## About the Appropriations Process

The Constitution states that “No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law.” This means that each year Congress must pass legislation that provides budget authority for agencies and ultimately obligates Treasury to make payments. Within the committee structure established by Congress, this task is delegated to the Appropriations Committees of the House and Senate. The committees are organized in 12 parallel subcommittees, each of which is charged with developing, drafting and managing the consideration of one regular appropriations act each fiscal year. Robust funding for programs that support cooperatives is crucial for local economies.

### TALKING POINTS

#### Rural Cooperative Development Grant (RCDG) Program

- While the RCDG program has been authorized at \$40 million, it has been appropriated at \$5.8 million for grants over the last 15 years.
- RCDG provides grants of up to \$200,000 for nonprofit Cooperative Development Centers to deliver technical assistance to cooperatives.
- RCDG funding at no less than \$15 million is vital to supporting rural economies through multi-year grants, creating and improving small businesses and cooperatives and workforce development.

### TALKING POINTS

#### Cooperative Development Program (CDP)

- Through CDP, the U.S. Agency for International Development (USAID) issues competitive grants to long-established U.S. cooperative organizations such as NCBA CLUSA to partner with cooperatives overseas, building self-reliant and sustainable cooperatives and credit unions.
- CDP is a core example of locally led development and capacity building that utilizes the expertise and resources of long-established U.S. cooperative organizations. Additional appropriations in FY2025 as included in FY 2024 proposals would expand the program’s ability to advance national security objectives by empowering communities in regions of focus to experience and strengthen their own democratic institutions.

### JOIN THE BIPARTISAN CONGRESSIONAL COOPERATIVE BUSINESS CAUCUS

The bipartisan Congressional Cooperative Business Caucus helps advance cooperative advocacy work the federal level, providing greater visibility of cooperative economic impact before Congress and the Administration.

## TALKING POINTS

### Department of Labor Employee Ownership Initiative

- The FY 2023 Appropriations Bill established an Employee Ownership (EO) Initiative within the Department of Labor (DOL). The program allows DOL to conduct research, provide educational resources and technical assistance grants to support the small business community by supporting transition or startup of worker cooperatives and other forms of EO.

There are 2.9 million small businesses in the U.S. with owners eligible to retire in the next decade and **85% of business owners do not have a succession plan. These businesses employ over 32 million individuals in key industries.**

- **Worker cooperatives and other forms of employee ownership are a meaningful solution preserving these community institutions while supporting more high-quality jobs** that empower workers. Transitioning to EO cooperatives facilitate asset building, boost business survival rates and support community development.

**FY2025 Appropriations of \$4.3 million for DOL EO Initiative will support education, outreach, research and coordination along with direct support for entrepreneurs and small business owners.** These technical assistance grants will allow providers to conduct feasibility studies, preliminary valuations, and connect prospective worker-owners with legal and financial services.

## TALKING POINTS

### Maintain Affordable Energy Infrastructure Upgrades in Rural Communities: Adequately Fund the Rural Energy Savings Program (RESP)

RESP provides zero-interest loans to electric cooperatives to establish or expand residential and small business energy efficiency improvement programs. **On-bill financing programs allow participating households and small businesses to make clean energy improvements at no upfront cost and make repayments over time** via an energy bill line-item.

Many RESP-funded programs are designed to provide financing to all customers regardless of income or credit. **In rural areas, families pay 40% more of their income for energy than non-rural areas on average.**

- The demand for RESP loans is stronger than ever before. **RUS has awarded almost \$500 million in RESP loans since 2016, more than \$200 million was obligated just in the past year.** Electric cooperatives and other eligible borrowers support local jobs in a growing sector.

**FY25 appropriations of \$26 million would leverage about \$250 million for RESP loans and allow RUS to meet recent trends in demand.** The program will have increased capacity to preserve affordable energy for rural communities, create high-quality job opportunities and support last-mile broadband deployment for households.