



Cooperating for a Better Tomorrow

Creating Economic Opportunity for Americans and People Around the World

A POLICYMAKERS GUIDE

Information and Recommendations for the 115th Congress

We are united in our purpose to create a better-informed electorate and a more educated public on the important role cooperatives play in the economy.

The cooperative business model makes it possible for more people to own and control their own businesses, applying guiding principles that strengthen their community. Yet not everyone understands what cooperatives do and what makes them a force for good.

Cooperation remains a powerful approach to economic development, but can be overlooked when policymakers consider ways to tackle this country's economic challenges. The cooperative movement benefits from a structure that evolves and adapts with every new socioeconomic challenge our country faces. It is time to take advantage of the cooperative model to solve a number of today's public policy challenges.

OUR ASK

Congress should look to the cooperative business model to help answer some of the nation's most critical questions, to look for ways to create economic opportunity, to provide more people the ability to own and control businesses and to build more resilient communities by enabling recognition of cooperatives across federal programs and the budget. NCBA CLUSA stands ready to work with Congress and the Administration to identify opportunities in federal departments and agencies through the Interagency Working Group on Cooperative Development. We embrace the cooperative model as a bipartisan solution in the policy process and encourage members of Congress to join and work with the Congressional Cooperative Business Caucus on policy and legislation that is impactful to cooperatives.

THESE ARE THE FACTS:

- 1 in 3 Americans is a member of a cooperative
- Cooperatives account for 120 million members, 2.1 million jobs and 140 million customers
- Cooperatives create more than \$75 billion in annual wages with revenue of nearly \$650 billion
- More than 100 million Americans turn to more than 6,000 credit unions for their financial services
- 233 million Americans are served by cooperative-owned and affiliated insurance companies
- 42 million Americans rely on electricity from 900 electric cooperatives in 47 states, making up 42% of the nation's distribution and electrifying 75% of the nation's landmass
- Most of the nation's 2 million farmers belong to a farmer cooperative and provide 250,000 jobs and over \$8 billion in annual wages

CONTACT:

Cooperatives are owned and controlled by the people that use them. The cooperative business model works to ensure consumers have access to high quality goods and services at competitive prices. Numerous surveys show consumers who understand the co-op business model prefer cooperatives based on co-ops' trustworthiness, commitment to community and having their best interests in mind. Because of this, more policymakers are becoming familiar with the cooperative model:

HOW (do cooperatives operate)

A cooperative is a business or organization owned by and operated for the benefit of those using its services. Profits and earnings generated by the cooperative are distributed among the members, also known as member owners.

Typically, an elected board of directors and officers run the cooperative while regular members have voting power to control the direction of the cooperative. Members can become part of the cooperative by purchasing shares. Each member of the cooperative has an equal vote.

WHAT (do cooperatives look like)

Cooperatives come in all shapes and sizes, and can be classified into main sectors: financial services, housing, retail, electric, worker, purchasing and producer.

As a proven business model for over 150 years, cooperatives continue to break the traditional mold for how successful businesses are organized and function. While most people recognize credit unions, rural electric providers and large national consumer brands like Nationwide Insurance, Organic Valley or REI, local cooperatives also have a profound impact on their respective economies. From housing cooperatives that provide communities with affordable housing or food cooperatives that provide local farmers a marketplace for their produce, cooperatives by nature enable communities to work together to achieve economic success.

WHY (do people choose cooperatives)

They're local...

Whether it's an account at the local credit union in Columbus, power in Peoria or phone service in

Phoenix, there are over 40,000 cooperative outlets across the country, meaning you can shop co-operatively wherever you are, and for whatever you need. Wherever they are, they help the local community—employing local people, using local suppliers and reinvesting time and money back into their communities. In fact, for every \$1 spent in a cooperative, an additional 40 cents is generated for the local economy.

They think differently...

Cooperatives look like every other business, but they do things differently. They are owned and run by their members—whether they are the customers or employees—who have an equal say. Best of all, when they make a profit, they share it with their members and the local community, keeping the financial benefit local. Cooperatives are growing more and more popular. One in three adults is a member-owner—that's over 120 million people who believe in the benefits of the cooperative business model.

Co-ops are growing more and more popular. One in three adults in the U.S. is a member-owner, that's over 100 million people who believe in the benefits of the co-op business model.

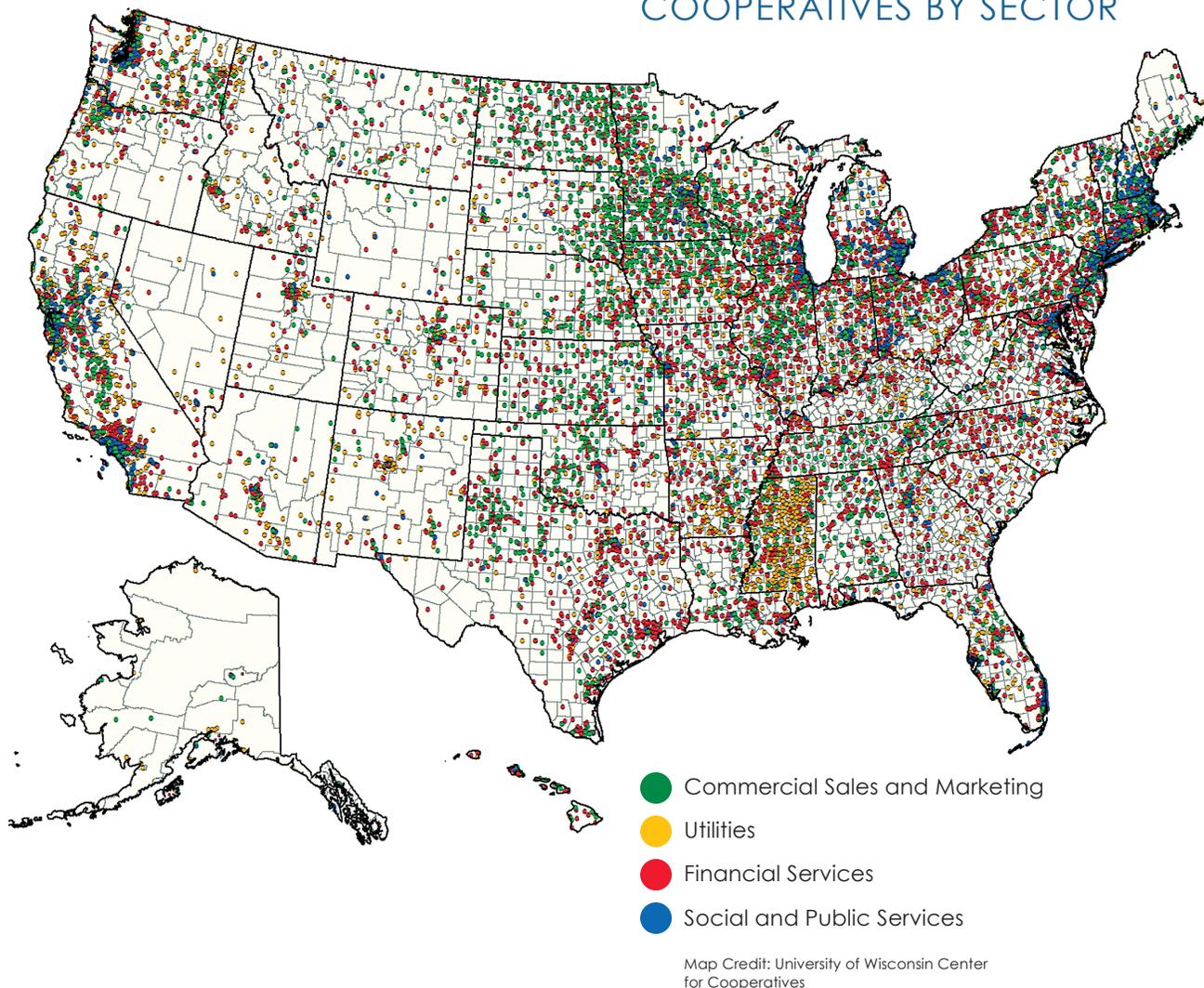
They're trustworthy...

As the economy experiences ups and downs, people have been turning to businesses they can trust. Cooperatives focus more on "why" they do what they do. It's this dedication to their members and communities, through ethical and principled practices, that draws a strong commitment from individuals to the cooperative way of doing business. From energy to food, cooperatives are thriving. The cooperative sector as a whole has grown by 20% since 2008.

WHERE (are cooperatives found)

The cooperative business model can be applied to nearly every form of business. Currently co-ops can be found in every state and every congressional district.

DISTRIBUTION OF COOPERATIVES BY SECTOR



With your support, cooperatives can create new opportunities to provide a better future for individuals and communities. Through policy and practice, cooperatives can empower individuals to take ownership of their livelihoods and help create opportunities in rural and urban communities.

Today, consider partnering with co-ops, sharing in the success of their impact and joining the 100+ million voices that trust, believe and benefit from the co-op business model.

Visit us at www.ncba.coop for more information on how cooperatives businesses build a better world.

COOPERATIVES AND TAX REFORM

NCBA CLUSA seeks to sustain federal tax policy that enables cooperatives to grow and provide for the communities in which they operate. While the exact language and timing of a prospective bill are currently unclear, all indications suggest that the 115th Congress has identified fundamental tax reform among their key agenda items for 2017.



■ Current Tax Treatment

Cooperatives pay taxes and fees at various local, state and federal levels—the same applies for their member-owners. Cooperative law generally recognizes that the objective of a cooperative business is not to generate earnings for the cooperative, but to strengthen their members' economic position in the marketplace. As a result, the tax code treats income to cooperatives

differently than other types of business entities. Particular types of cooperatives—including credit unions, farmer cooperatives, mutual insurance companies and rural electric cooperatives—may have more industry-specific tax policy implications that could factor in future legislation. As Congress considers tax reform, it will be critical to ensure that it does not disadvantage cooperative businesses or their members.

U.S. - CUBA COOPERATIVE WORKING GROUP

NCBA CLUSA's U.S. - Cuba Cooperative Working Group exists to create a stronger and more vibrant cooperative economy in the U.S. and Cuba. Formed in 2014, the group provides critical technical assistance and guidance to support Cuba's nascent cooperative economy and explores opportunities for working in partnership various sectors of Cuba's economy.



■ History

NCBA CLUSA has a more than 60-year history of supporting cooperative development in more than 100 countries worldwide, beginning with India in 1953. The normalization of diplomatic ties between the U.S. and Cuba in December 2014 set the stage for a new relationship between U.S. and Cuban cooperative sectors.

■ Results of Engagement

The Cuban private sector now accounts for 30 percent of the country's workforce. The preferred business model in the Cuban private sector is cooperative businesses, which continue to

need support and training. The first export to the U.S. from Cuba in over 50 years was from a cooperative charcoal business.

■ GAO Recommendations

Analyzing the impact of increased engagement between the U.S. and Cuba, the U.S. Government Accountability Office (GAO) released a report in January 2017 confirming that increased engagement did in fact have an impact in Cuba and urges continued analysis and reporting on Cuba before making any decisions about disengagement.

RURAL COOPERATIVE DEVELOPMENT GRANT PROGRAM

The Rural Cooperative Development Grant (RCDG) Program is administered by USDA's Rural Development/Rural Business-Cooperative Services Program. Its primary objective is to improve the economic condition of rural America by assisting in the startup, expansion and operational improvement of rural cooperatives. Grants are awarded on an annual basis to nonprofits or institutions of higher education that operate cooperative development centers, which currently serve rural communities in 30 states.



Committed to the future of rural communities.

■ Our Request

NCBA CLUSA requests no less than \$26,550,000 for the Rural Cooperative Development Grant (RCDG) Program of the Rural Business – Cooperative Service account in the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations bills where no less than \$9,000,000 is available for grants to cooperative development centers.

■ Rural Economic Growth and Job Creation

RCDG funding continues to allow cooperative development centers to operate and further expand their reach into more rural communities. Funding recognizes the important role that cooperatives play in the nation's rural economy to fund the establishment and operation of centers to provide the types of technical assistance to cooperatives that allow for economic growth and job creation.

■ Other Uses

RCDG funding can also be used for the Interagency Working Group on Cooperative Development. Created by the Agricultural Act of 2014 (the Farm Bill), this group is coordinated and chaired by the USDA. Funding could help further efforts to leverage existing expertise on cooperatives at the USDA, ensuring the fostering of cooperative development and coordination with all Federal agencies alongside national and local cooperative organizations that have cooperative programs and interests.

■ Program Cost and Recent Funding

The RCDG Program is currently authorized at \$40,000,000 for each of fiscal years 2014 to 2018 (7 U.S.C. 1932(e)(13)). The program has received annual appropriations since fiscal year 1993. See recent enacted levels, the current budget and current committee requests below.

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Budget	FY 2017 Request	FY 2017 House
Total	\$24,600,000	\$26,050,000	\$22,050,000	\$22,050,000	\$22,250,000	\$26,550,000	\$26,550,000
RCDG	\$8,700,000	\$8,800,000	\$8,800,000	\$8,800,000	\$9,000,000	\$9,050,000	\$8,800,000
ATTRA	\$2,100,000	\$2,250,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,750,000
VAPG	\$13,800,000	\$15,000,000	\$10,750,000	\$10,750,000	\$10,750,000	\$15,000,000	\$15,000,000

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COOPERATIVE LENDING

Though some cooperatives reach Fortune 500 status, the majority of co-ops are small businesses. Because cooperatives are owned by their members, they tend to rely on debt financing more than investor-owned firms that can more easily access outside investment capital. Cooperative small businesses often need access to affordable debt financing to help them start and grow.



■ Eligibility and Access

There is currently a lack of uniformity in eligibility of different types of co-ops in accessing debt financing through the U.S. Small Business Administration lending programs. Producer and Purchasing cooperatives are eligible, but worker cooperatives are only eligible for certain programs under certain circumstance. Consumer cooperatives (i.e., food co-ops) remain ineligible due to an interpretation of an outdated regulation that classifies them as not-for-profit, despite their evolving nature.

■ Regulatory Inconsistencies

While one Small Business Administration regulation classifies cooperatives as eligible businesses (13 CFR § 121.105(b)), other regulations (13 CFR § 121.105(a) and 120.110(l)), include some types of co-ops and exclude others. Because the language of these regulations is inconsistent, many small business lenders have interpreted them broadly, denying access to most—if not all—types of cooperatives.

■ Recent Progress

NCBA CLUSA, which has worked diligently on behalf of its members and co-ops nationwide to establish the Interagency Working Group on Cooperative Development, is looking to this group to help clarify the regulations that currently govern a co-op's eligibility to access debt financing through the SBA's lending programs. NCBA CLUSA is encouraged that the Small Business Administration, which hosted the working group in 2016, has since issued a proposed rule to eliminate barriers to funding for co-ops.

■ Our Request

Regulatory clarity and consistency is needed from the SBA to grow and develop the cooperative sector going forward. Absent regulatory change, the 115th Congress could propose and pass legislation to enable all cooperatives to receive eligibility for popular SBA lending programs.

TYPES OF CO-OPS

- **Producer Cooperatives**
Where members are independent businesses that form a co-op to create a collective entity to market and sell their goods.
- **Purchasing Cooperatives**
Where members are independent businesses that form a co-op to acquire goods and/or services at lower prices than they could secure individually.
- **Worker Cooperatives**
Where employees own and control the business, becoming worker-owners who directly benefit from its success.
- **Consumer Cooperatives**
Where members are individuals who form a co-op to purchase goods and/or services at prices or a level of choice and quality that may not be readily available from for-profit businesses.

2017 ECONOMIC CENSUS

Conducted every five years, the Economic Census provides a snapshot of the U.S. economy that informs legislation and guides policy decisions. In 1997, the U.S. Department of Commerce removed a checkbox for “cooperative” in the Legal Form of Organization question, creating a decades-long absence of federally-reported data on co-ops in the U.S.



■ Our Request

In a May 2016 letter, the Congressional Cooperative Business Caucus—at the request of NCBA CLUSA—formally asked the U.S. Department of Commerce to reinstate a question recognizing cooperative businesses in the 2017 Economic Census.

■ Proposed Question

A cooperative is a business or organization owned by, controlled by and operated for the benefit of people using its services. Members (also known as user-owners) benefit from the use of service and product operations and/or earnings generated by the co-op. This includes purchasing co-ops, member patron organizations, member-controlled nonprofits, consumer co-ops, marketing co-ops, etc. Is this establishment a cooperative? Check Yes or No.

■ Recent Progress

The U.S. Department of Commerce responded to the letter by agreeing to research the “feasibility” of including a question on cooperatives in the 2017 Economic Census and saying it was committed to providing assistance to the cooperative business community by helping to document the existence of co-ops and assessing their economic impact through the department’s collected statistics.

■ Current Status

During October and November 2016, the U.S. Census Bureau conducted field testing of a version of the question to determine respondents’ understanding of the question, whether it poses an “undue burden” and whether data to answer the question is “readily available.” In early 2017, the question will be submitted to the Office of Management and Business (OMB) for approval.

Economic Census Timeline

RESEARCH AND TESTING PHASE



BENEFITS OF RESEARCH

Provide businesses with the right tools to make data-driven decisions.

Disseminate data for use by policy-makers.

COOPERATIVES IN DEVELOPMENT

Cooperatives help developing countries improve quality of life in ways that might otherwise be impossible. By uniting community members to achieve shared goals, cooperatives build strong local economies and ensure self-reliance and resilience, while helping promote America's national security interests as a lack of food security can be a destabilizing factor important to national security, as noted by the U.S. intelligence community. NCBA CLUSA advocates for a strong federal budget and appropriations for programs that—like the following—support international development utilizing cooperative principles.

■ Cooperative Development Program

A competitive grant program, CDP responds to the needs of co-ops globally by leveraging the expertise and resources of long-established U.S. cooperative organizations, their members and volunteers. (USAID - Title III)

■ Feed the Future

The U.S. Government's flagship global hunger and food security initiative, Feed the Future is authorized under the 2016 Global Food Security Act and identifies co-ops as key stakeholders. By equipping people with the knowledge and tools to feed themselves, co-ops address the root causes of hunger, helping end reliance on aid. (USAID - Title III)

■ Partnering for Innovation

Helps the private sector scale and market agricultural innovations for smallholder farmers through investing in technology commercialization and knowledge exchange, helping build sustainable, market-based solutions to food security challenges. (USAID - Title III)

■ Farmer-to-Farmer

Sends American farmers and agribusiness professionals to farmers, farm groups, agribusinesses and other agriculture sector institutions to promote sustainable economic growth and agricultural development worldwide. (USAID - Title III)

■ East Africa Trade and Investment Hub

Deepens regional integration, increases the competitiveness of regional agriculture value

chains, promotes two-way trade with the U.S. under the African Growth and Opportunity Act (AGOA) and facilitates investment and technology. (USAID - Title III)

■ New Alliance Information and Communications Technology (ICT) Extension Challenge Fund

Country grantees use ICT-enabled extension services—complementing traditional agriculture extension services—to increase the adoption of technologies that increase productivity for smallholder farmers. (USAID - Title III)

■ Food for Progress

Helps developing countries and emerging democracies modernize and strengthen their agricultural sectors by improving agricultural productivity and expanding trade of agricultural products. (USDA - Title V)

■ Food for Peace

Works with field-based partners to help the most vulnerable break the cycle of poverty and hunger by addressing its underlying cause. Builds resilience so communities can recover from shocks and build the foundation for long-term development. (USDA - Title V)

■ Resilience in the Sahel-Enhanced (RISE)

Works in targeted zones in the Sahel Region of West Africa to help families and communities get ahead of the next shock and stay firmly on the path to development, lessening the need for humanitarian assistance in the future. (USAID - Title III)

CONGRESSIONAL COOPERATIVE BUSINESS CAUCUS

Co-chaired by Rep. Ed Royce (R-CA) and Rep. Mark Pocan (D-WI), the Congressional Cooperative Business Caucus is tasked to promote the cooperative business model as a viable market solution and policy option to solve today's public policy challenges. The caucus also serves to educate and inform policymakers on those issues before Congress, the Administration and the broader public. The caucus provides greater visibility, education and awareness of the cooperative business model and works to demonstrate its economic impact nationwide.



■ History

NCBA CLUSA kicked off its 100th anniversary in January 2016 with the formal launch of the bipartisan Congressional Cooperative Business Caucus.

■ Co-Chairs

Rep. Ed Royce (R-CA) is a leading Congressional advocate for credit unions, mutual insurers and rural electric co-ops through legislation including the Credit Union Small Business Jobs Creation Act and the Electrify Africa Act. Rep. Mark Pocan (D-WI) represents Wisconsin's Dane County, home to 80 cooperatives—the highest number of co-ops per capita of any county in the nation.

■ Progress

In May 2016, the caucus—seeking to end a decades-long absence of federally reported data on co-ops in the U.S.—asked the U.S. Department of Commerce to

reinstate a question recognizing cooperative businesses on the 2017 Economic Census. Since then, the question has undergone feasibility and field testing and is poised for approval by the Office of Business and Management.

■ 115th Congress

The U.S. House of Representatives Committee on House Administration on January 27 formally recognized the bipartisan Congressional Cooperative Business Caucus for the 115th Congress.

■ Our Request

NCBA CLUSA invites all members of the 115th Congress to join the Congressional Cooperative Business Caucus and provide greater visibility, education and awareness of the cooperative business model's economic impact nationwide.

CAUCUS GOALS

- Represent thought leaders, advocates and practitioners from the public and private sectors as they encourage policy and legislation that supports and develops co-op businesses.
- Provide an ongoing forum for dialogue between Congress, the Administration and co-op advocates to enhance mutual education, legislative advocacy and initiatives.
- Work closely alongside and complement USDA's Interagency Working Group on Cooperative Development, which ensures coordination between Federal agencies and national and local cooperative organizations.
- Seek opportunities for public education initiatives that raise awareness of the impact of cooperative businesses on the nation's economy.

RECOMMENDATIONS AT A GLANCE

Congress and the Administration should ensure that co-ops are recognized, supported in the budget and eligible across many federal programs. The following are existing initiatives the 115th Congress can support in this endeavour.

■ Tax Reform

Sustain federal tax policy that enables co-ops to grow and improve the communities in which they operate.

■ Cuba

Support continued analysis and reporting on U.S. engagement in Cuba before making any decisions about disengagement.

■ Cooperative Technical Assistance

Provide resources for cooperative technical assistance. The cooperative business model is complex in its organization, accounting and taxation. Growing a larger network of technical assistance experts could help more co-ops thrive. The USDA's Rural Cooperative Development Grant Program is committed to this work.

■ Small Business Lending

Clarify regulations that govern a co-op's eligibility to access debt financing through the Small Business Administration's lending programs.

■ Cooperatives in the Census

Measure the cooperative impact on the nation's economy by adding co-ops to the U.S. Census Bureau's 2017 Economic Census.

■ Cooperatives in International Development

Support co-ops in international development. Cooperatives are key stakeholders and part of the comprehensive strategy under the recently passed Global Food Security Act. Cooperatives stand ready to support self-determination initiatives in development across the globe; to better enable them to provide for themselves, their families and their communities.

■ Congressional Cooperative Business Caucus

Join the Congressional Cooperative Business Caucus and provide greater visibility, education and awareness of the cooperative business model's economic impact in the U.S. and worldwide.

7 COOPERATIVE PRINCIPLES

- **Voluntary and Open Membership** ... without gender, social, racial, political or religious discrimination.
- **Democratic Member Control** ... members actively participate in setting policy and making decisions.
- **Members' Economic Participation** ... members contribute equally to the capital of the cooperative.
- **Autonomy and Independence** ... all decisions ensure democratic member control and cooperative autonomy.
- **Education, Training and Information** ... co-ops provide training for their members and educate the general public on the benefits of cooperation.
- **Cooperation Among Cooperatives** ... co-ops most effectively serve their members by working together.
- **Concern for Community** ... co-ops work for the sustainable development of communities.



NCBA CLUSA is the association for cooperative businesses in the U.S. and an international development organization active in four continents. For over 100 years, NCBA CLUSA's mission has remained consistent: to advance, promote and defend cooperative enterprise, highlighting the impact that cooperatives have in bettering the lives of individuals, families and communities.

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