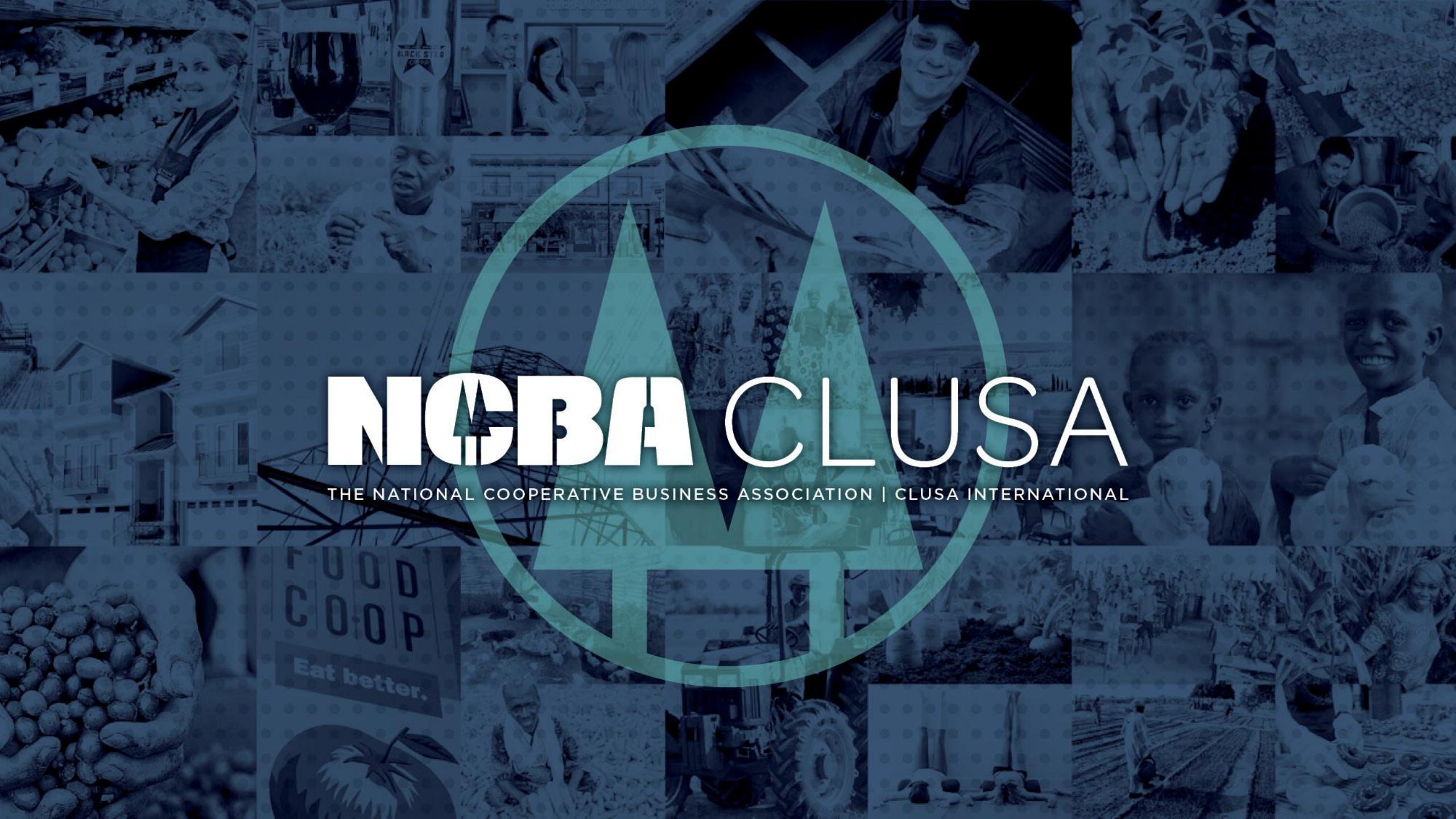




NACBA CLUSA

THE NATIONAL COOPERATIVE BUSINESS ASSOCIATION | CLUSA INTERNATIONAL



GOVERNMENT RELATIONS TOWN HALL

JANUARY 30, 2025

TOWN HALL AGENDA

- **WELCOME AND INTRODUCTION**
- **2025 YEAR OF COOPERATIVES**
- **OVERVIEW OF COOPERATIVE BUSINESS PLAYBOOK**
- **FEDERAL POLICY LANDSCAPE, EXECUTIVE ORDERS**
- **COOPERATIVE POLICY PRIORITIES**

ABOUT NATIONAL COOPERATIVE BUSINESS ASSOCIATION (NCBA CLUSA)

Established in 1916, NCBA CLUSA is the oldest and largest trade association for cooperatives representing all co-op sectors



MORE THAN
900
ELECTRIC CO-OPS
OWN AND MAINTAIN
42%
OF U.S. ELECTRIC DISTRIBUTION
LINES, POWERING
56%
OF THE NATION'S LANDMASS³



4,600
CREDIT UNIONS
SERVE MORE THAN
140 MILLION
MEMBERS



A MAJORITY OF AMERICA'S
1.9 MILLION
FARMERS AND RANCHERS
BELONG TO AT LEAST ONE
OF THE COUNTRY'S
1,800
AG CO-OPS¹



ELECTRIC CO-OPS
INVEST
\$12 BILLION
ANNUALLY IN LOCAL
ECONOMIES⁶



DAIRY CO-OPS
HANDLE
85%
OF MILK
IN THE U.S.²



ANNUAL EMPLOYEE
TURNOVER
FOR WORKER CO-OPS IS
15%
COMPARED WITH
INDUSTRY NORMS OF
40-60%⁸

INDUSTRY SECTORS

- AGRICULTURE
- SMALL BUSINESS
- UTILITIES
- CONSUMER FINANCE
- EMPLOYEE-OWNED
- RETAIL
- HOUSING
- PURCHASING

YEAR OF COOPERATIVES

2025 is a pivotal opportunity to raise awareness and advocate for cooperatives

Three Key Goals:

1. Raising public awareness of how cooperatives impact the economy and society
2. Advocating for legal and policy frameworks that support cooperative development and enable entrepreneurship
3. Inspiring the next generation of cooperators

Upcoming resources:

- Co-op Impact Report
- Year of Cooperatives Toolkit



THE COOPERATIVE DIFFERENCE

Compared to other business models, cooperatives:

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



WORKER-OWNED
CO-OPS ARE
TWO-THIRDS
MORE LIKELY
TO SUCCEED
THAN THE AVERAGE
U.S. COMPANY⁴



LIMITED EQUITY
CO-OPS
PROVIDE
166,000
AFFORDABLE
HOUSING UNITS¹



THERE ARE
MORE THAN
250
PURCHASING CO-OPS
IN THE U.S.³



FOOD CO-OPS REPRESENT OVER
\$2 BILLION
OF THE GROCERY
MARKET WITH OVER
1.3 MILLION
MEMBER-OWNERS²

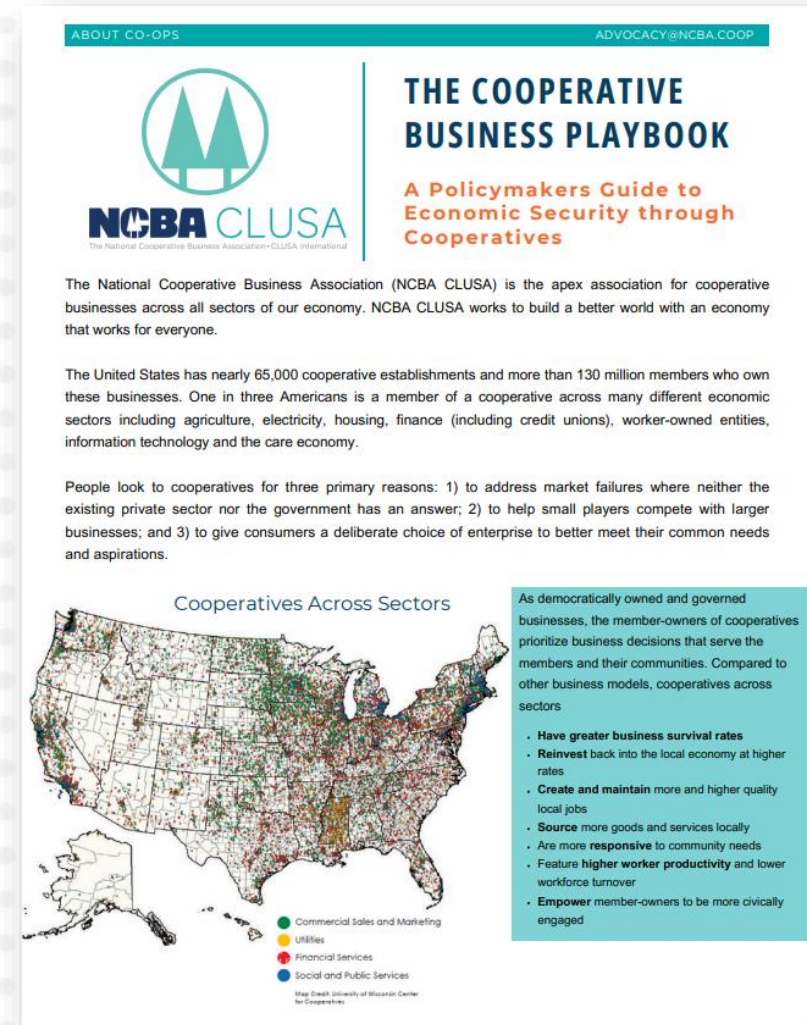


FARM CREDIT MADE
\$14.4 BILLION
IN NEW LOANS
TO SMALL FARMERS AND
RANCHERS IN 2019⁵

COOPERATIVE BUSINESS PLAYBOOK

Overview of Cooperative Federal Policy

- Fair Tax Treatment
- Access to Capital through SBA 7(a) loans
- Addressing the Affordable Housing Crisis
- Advancing Employee Ownership through Cooperatives
- Farm Bill and Cooperative Development
- A Resilient and Future-Proof Economy



FEDERAL POLICY: EXECUTIVE ORDERS

Energy Policy and Inflation Reduction Act (IRA):

- Issues a 90-day pause on “agency disbursement of IRA and Infrastructure Law funding”.

Gender Policy:

- Requires use of the term “sex” and not “gender” across all federal policies, documents, statements, regulations.
- Prohibits federal funding used to “promote gender ideology”.
- Requires bill text within 30 days to codify definitions, and agency rulemakings within 6 months to implement changes.

DEIA Policy

- Prohibits federal funding for Diversity, Equity, Inclusion, and Accessibility (DEIA) activities.

International Development Assistance Funding

- 90-Day pause on foreign development assistance programs.
- Requires department and agency heads to review and provide recommendations for each program based on national security policy.

FEDERAL POLICY: EXECUTIVE ACTIONS

- On January 27, the White House Office of Management and Budget issued a memo pausing implementation of federal programs and grants across departments and agencies.
- On January 29, the former memo was rescinded. While the memo issuing the wide-scale pause of federal programs was rescinded, the Executive Orders related to DEIA, Climate Policy, Immigration and other matters remain in effect.
- Very fluid situation that features daily refinements to directives related to the E.O.'s as well as litigation. Stay informed and be nimble.

FEDERAL POLICY: 119TH CONGRESS

Short-Term FY25 Budget Extension ends on March 14th

- Congress is working to fund the federal government ahead of the deadline.
- Farm Bill extended in December 2024 through September 30, 2025.
- Currently negotiating on budget reconciliation process to pass key priorities.

Outreach Early and Often is key

- New Committee and Subcommittee Leadership. 70+ new members to the 119th Congress and more than 200 new members since 2017 Tax Package and Farm Bill.
- Outreach and education to Congress on cooperative advocacy priorities and federal policy impacts will be an ongoing process.

RECONCILIATION PACKAGE

Priorities:

1. Extend expiring 2017 Tax Cuts and Jobs Act (TCJA)
2. Unlock American Energy Production
3. Fund Immigration Enforcement and Reduce Federal Program Spending
4. Repeal Regulations
5. Reduce the Size and Scope of Federal Agencies

Potential Offsets:

- Credit Union Federal Income Tax Exemption
- Inflation Reduction Act
- Energy Tax Credits
- Climate Related Programs and Funding
- Key Health and Safety Net Programs
 - Supplemental Nutrition Assistance Program (SNAP) Reforms
 - Removal of American Rescue Plan Act funding to support state Medicaid expansion
 - Lowering reimbursement rates for adults eligible under the 2010 Affordable Care Act
- Unspent COVID Recovery Dollars

COOPERATIVE POLICY PRIORITIES



**Preserving Fair Tax
Treatment of Cooperatives**



**Leveraging the Farm Bill to
Support Cooperative
Business and Capacity
Building**



**Strengthen National
Security through Locally-
Led International
Cooperative Development**



**Supporting Small
Businesses through
Cooperative Business
Access to Capital**



**Co-ops as a Strategy to
Address the Affordable
Housing Crisis**



**Invest in Time Tested
Models to Drive Economic
Growth**

FAIR TAX TREATMENT



Ensure that cooperative businesses are **treated fairly** and not put at a disadvantage relative to other business forms in tax legislation by preserving the cooperative tax status and 199A.



Current federal cooperative tax policy acknowledges that co-ops are designed to capture value for their members—the people who use, own and control these businesses.

PRESERVING FAIR TAX TREATMENT OF COOPERATIVES

Federal Tax policy reflect that the cooperative business model returns the economic benefits of the business to its member-owners

- Patronage dividends provide direct economic benefits to the people that own and use cooperatives.
- Cooperatives are taxed only at the individual level or at the entity level, but not both.
- Cooperatives are subject to more tax than S corporations, partnerships, or LLCs as co-ops are taxed on non-patronage-sourced income or, in the case of 501c cooperatives, unrelated business income.

Ensure that Cooperatives are Treated Fairly and not put at a disadvantage compared to other business forms

- The 2017 Tax Package provided increased support for the value that cooperatives provide through shared ownership under the 199A or “pass-through” entity deduction, however it is set to expire in 2025.
- Agricultural, worker and multistakeholder cooperatives are key sectors that benefit from the 199A Deduction.
- Credit Unions and their 140+ million consumer owners contribute over \$26.6 billion in federal, state and local tax revenue.



THE FARM BILL

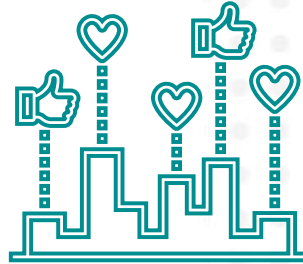
Co-op Farm Bill Priorities

- Modernize the Rural Cooperative Development Grant Program (RCDG) (*H.R. 6661*)
- Ensuring the Latest Co-op Data through the Economic Census is available
- Robust Investment in Rural Communities To Support Capacity Building and Locally-led Economic Development. *Rural Partnership and Prosperity Act (H.R. 7444/S. 3309)*
- Preserve Affordable Energy Infrastructure Upgrades through the Rural Energy Savings Program (RESP) (*H.R. 3849/S. 1821*) and Rural Energy for America Program (REAP)
- Support the Farm Credit System and Farm Programs
- Increase Food Security and Support Local Producers through a Strong Nutrition Title
- Bridge The Digital Divide by Leveraging Rural Electric Co-op Infrastructure
- Maintain National Security through International Food Assistance Programs

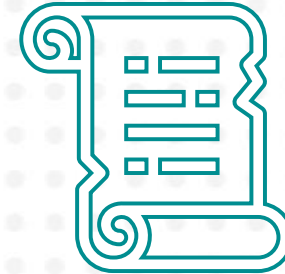
PROMOTE AND FACILITATE COOPERATIVE OWNERSHIP



Support conversion of
businesses to cooperatives



Support Department of Labor's
Employee Ownership (EO)
Initiative



Increase access to capital by
passing legislation removing the
SBA's personal guarantee
requirement for co-ops.

EMPLOYEE OWNERSHIP EXPANSION

Access to SBA Financing for Cooperatives

- SBA 7(a) Lending Program “Personal Guarantee” Requirement for individuals owning 20% or more of business doesn’t align with cooperative business model
- 2018 Main Street Act directed SBA to explore meaningful alternatives, however the agency has yet to do so.
- SBA’s May 2023 Final Rule on Affiliation and Lending Criteria codified this overburdensome and prohibitive regulatory requirement.

Department of Labor Employee Ownership Initiative

- 2.9 million small businesses have owners approaching retirement age and 32 million jobs are at risk. Only 15% of family-owned businesses are passed onto the next generation and at least 2/3 struggle to find a buyer.
- Converting to an Employee-Owned Business such as worker cooperatives can preserve local institutions and the valuable services they provide.
- The Interagency Working Group for Cooperative Development is a valuable resource and streamlines federal resources that support employee ownership and other cooperative sectors
- The Employee Ownership Initiative within the Department of Labor (DOL) is tasked with promoting employee ownership, to support preserving existing and startup businesses:

INCREASE AFFORDABLE HOUSING THROUGH COOPERATIVES



Include housing co-op eligibility in legislation to address the affordable housing crisis.



Reinvigorate the use of HUD Section 213 for housing cooperatives



Appoint a HUD Special Assistant for Cooperative Housing as mandated by the National Housing Act amendments of 1955

HOUSING COOPERATIVES - A TOOL TO ADDRESS THE NATIONAL CRISIS

Cooperatives and Resident Owned Communities (ROCs) are a time-tested solution

- Limited Equity Cooperatives provide permanently affordable housing, particularly for low-income families.
- ROCs empower residents in manufactured housing communities to preserve affordable housing
- Cooperatives should be included in any Shared Equity Housing strategy. Co-ops are lower risk to lenders and the federal government.
- Co-ops should be eligible for key federal programs such as VA HOME Loans and FEMA Disaster Assistance (H.R. 3777)

	90+ Days Delinquent	60+ Days Delinquent
	<u>Single Family</u>	<u>Multi-family</u>
Fannie Mae	4.08%	0.46%
Freddie Mac	3.50%	0.31%
	<u>Share Loans</u>	<u>Co-op Blanket Mortgages</u>
NCB Co-op Loans	1.88%	0.008%



QUESTIONS?

CONTACT US
ADVOCACY@NCBA.COOP

INTRODUCING USA CO-OP STORIES BY NCBA CLUSA

AMPLIFY THE CO-OP IMPACT VIA STORIES

USA Co-ops Community Impact Stories

Here's how you can participate:

1. **Share Your Co-op IMPACT Story:** Tell us about a successful project, collaboration, or initiative your co-op has undertaken that exemplifies the spirit of co-ops as problem solvers and opportunity builders for the community.
2. **Submit Your Story:** Stories can be submitted using our easy submission form available using the button below.
3. **Get Featured on YouTube:** Selected stories will be featured on our NCBA YouTube channel, providing your co-op with greater visibility and a platform to inspire others.

Prizes Await! We will be giving out exciting prizes to those who share their stories with us. This is a great opportunity to showcase your co-op's achievements and get recognized for your hard work.

[Click to Submit Co-op Story](#)

CO-OP STORY PRODUCTION SUPPORT

Co-op Story Topics

Consider these topics when crafting your co-op story.

1. Your co-op's impact to the local community as a result of a new initiative, ongoing program, or a funding boost from a key stakeholder.
2. Creating inclusive economies with your co-op to empower your low-income neighbors, diversify your vendors, membership, leadership etc.
3. Principle 6 story - creating cooperation among cooperatives to achieve a goal.
4. Advocacy story - engaging with elected officials for a tour, town hall, meet and greet, etc.
5. Co-op amplification - how to amplify the importance of co-ops with the community through a marketing/engagement campaign.

To submit your co-op story visit:

<https://events.ncbaclusa.coop/2024-usacoopsimpactstories>

**See You At Our Next
Co-op Circle Featured Event!**

***February's Co-op Circle
Town Hall***

**Thursday, February 20, 2025
from 1pm-2pm ET**