

2006 STATEMENT OF POLICY

*As approved at the NCBA Annual meeting
May 4, 2006*

The policies and issues in this document set forth the basic beliefs and principles of the National Cooperative Business Association members on fundamental issues affecting all types of cooperative businesses. These legislative, regulatory and other policy issues form the basis for NCBA's public affairs program.

For further information or interpretation, contact the Department of Public Policy at (202) 638-6222.

About The National Cooperative Business Association

The National Cooperative Business Association (NCBA) is a national cross-industry membership and trade association representing all types of cooperative businesses. Over 120 million Americans are members of more than 40,000 cooperatives ranging in size from small buying clubs to businesses included in the Fortune 500. NCBA membership is open to individuals, cooperatives, organizations, associations and businesses serving cooperatives.

NCBA's mission is to develop, advance, and protect cooperative enterprise.

NCBA's legislative and regulatory success results from the power of cooperative businesses in the U.S. economy. NCBA recognizes that there is strength in numbers, strength in diversity, and strength in cooperation among cooperatives and supports a policy of openness to all.

Legal, Structural and Taxation Issues

NCBA works to protect and enhance federal laws and policies that ensure a sound legal, tax, financial, and structural framework for cooperatives.

Legal and Regulatory

NCBA works to ensure that federal laws and policies allow cooperatives to do business on behalf of their members.

- Vigorously endorse the Capper/Volstead Act and remain committed to maintaining the integrity of this important federal law.
- Support retention of the McCarran/Ferguson Antitrust Act and its partial exemption of the insurance industry from Federal anti-trust laws. Such exemption is required to allow small- and medium-sized companies access to the industry loss statistics necessary to produce competitive rates.

Democratic Member Control

NCBA works to protect the rights of cooperatives to grow their membership base and serve their members; maintain democratic control of the cooperative by members; and ensure that cooperative businesses continue to operate in the service of member-owners.

- Strongly urge Congress to repeal any appropriate law that facilitates the disappearance of the mutual form of providing life insurance, annuities and pension products.
- Support efforts to prevent conversion of existing housing cooperatives to condominiums that would adversely affect existing cooperative members and the affordability of the housing provided.
- Support consumer-member governance and control as vital to the success of health care organizations and systems including providers, networks, and care financing organizations such as insurance companies and health maintenance organizations.
- Support credit unions in their fight against efforts to limit their fields of membership and lines of business.
- Support policies and efforts that ensure members are provided with full disclosure of the details of proposals to convert co-ops to other forms of business, the potential disadvantages of cooperative conversion, and the intended or potential compensation of management following conversion.
- Support policies and efforts that ensure democratic voting processes for members of cooperatives considering a conversion proposal.

Access to Financial Resources

NCBA works to protect and enhance the opportunities for cooperatives and their members to access capital and debt financing in order that they may better serve their members and grow their businesses.

- Seek opportunities to expand the ability of cooperative businesses to attract capital.
- Support funding of the Community Development Financial Institutions Fund, including the streamlined Small and Emerging CDFIs Access Program.
- Support changes that would allow cooperative lending institutions such as credit unions, the Farm Credit System, and the National Cooperative Bank, to work together to service the credit and economic development needs facing America.
- Expand the mission of the Small Business Administration to include provision of its loans and services to cooperative businesses.
- Support efforts to improve access to cooperative housing share loans and to implement reverse mortgage-type share loans so that elderly residents can continue living in their cooperatives.
- Support efforts to allow Veterans' Administration home mortgage guarantees for veterans who wish to purchase cooperative housing units.

- Preserve Section 8 project-based housing subsidies for housing cooperatives and expand the Section 8 homeownership program to use it for co-ops.
- Urge the U.S. Department of Housing and Urban Development to adopt loan processing procedures for co-ops that will give co-ops the same speedy processing time that rental projects enjoy for their loan applications.

Taxation

NCBA works to ensure the recognition of the cooperative form of business and the tax status of all cooperatives as member-owned businesses, opposes efforts to impose new taxes upon cooperatives, and seeks improvements in the tax code that will enhance cooperative business and eliminate onerous tax burdens that impede the ability of cooperatives to serve their members.

- Oppose all efforts to impose new taxes on cooperative businesses.
- Protect the tax treatment of all cooperative businesses, especially the tax-exempt status of utility cooperatives and credit unions and the single tax treatment of cooperatives in Subchapter T of the Internal Revenue Code and for ESOPs under Subchapter S.
- Support efforts by cooperatives to amend the tax code to allow Subchapter T cooperatives to elect patronage-sourced treatment for capital gains and losses.
- Support efforts to amend Section 216 of the Internal Revenue Code, as it relates to housing cooperatives, to 1) adopt the "principle purpose" test in lieu of the 80-20 rule; 2) define "qualified housing receipts," to provide for certain exclusions from total gross income; and 3) make available to mobile home park and land-only cooperatives the deductions that are available to other homeowners.
- Ensure that the concerns of all cooperative businesses are addressed and the impact on non-agricultural cooperative businesses is considered in any review of Subchapter T of the Internal Revenue Code.
- Urge Congress to confirm its support for credit unions and other cooperative businesses by protecting the federal income tax treatment of cooperative businesses and affirming the appropriateness of that treatment based on the not-for-profit structure of their businesses.

Accounting

NCBA works to ensure that both public and private accounting standards recognize and reflect the unique structure of cooperative businesses.

- Oppose changes in accounting industry standards that would reclassify cooperative member equity as debt.
- Oppose changes in accounting industry standards that would require the "purchase method" be used in accounting for mergers of cooperatives and mutual insurance companies.

- Seek representation of cooperatives businesses on the Financial Accounting Standards Board Advisory Committees.

Cooperative Development

Cooperative development is central to NCBA's mission. NCBA supports policies and programs that promote development of new cooperative businesses and expansion and enhancement of existing cooperatives so they may better serve their members.

New Business Formation

- Support federal incentives for the creation of new, value-added cooperative businesses.
- Support programs and incentives at the state and federal level to create new housing cooperatives, including
 - Programs that support a direct investment in an affordable cooperative housing production program equivalent to the low-income housing tax credit program for rental housing production,
 - Programs and efforts to provide state and local governments and non-profit sponsors with more tools to use in creating affordable housing through cooperatives.
 - Programs that demonstrate a national commitment to new cooperative housing projects for our growing numbers of senior citizens, including assisted housing for low- and moderate-income seniors; and
 - Programs and funding to develop cooperative student housing.
 - Legislation to authorize a three-year demonstration project, the Homelessness to Homeownership Mutual Mortgage Corporation or "Hollie Mae," to develop and manage cooperative housing for the transitionally homeless and the working poor.
- Vigorously work to increase public and private resources for cooperative business development and promote cooperative business development as a critical strategy for economic development in the Administration's policies. Cooperative businesses are a critical part of the "ownership" economy.
- Seek opportunities to expand development of energy purchasing co-ops for consumers, who otherwise would not have the clout necessary in a competitive retail energy market, including opportunities in any state or federal electric utility restructuring initiative, to ensure fair and equitable electricity rates and gain access to renewable energy sources.
- Support programs and resources to assist and promote the development of worker cooperatives, broadening employee control and ownership in the development of democratic Employee Stock Ownership Plans (ESOPs).
- Promote the development of childcare cooperatives.
- Support and promote the development of cooperative employing units (CEUs).
- Working with both rural and urban partners, support opportunities to develop cooperative health care networks and HMOs to lower barriers to quality health care and spur economic development.

International Development

- Recognizing the role of cooperative business in enhancing standards of living and promoting economic development in the U.S. and abroad, promote and support policies that advance cooperatives as a development tool. Increase U.S. funding to support cooperative business development in developing countries.
- Encourage the acceptance of the U.S. cooperative utility model and environmentally sound U.S. electrification technology to address the enormous and growing electrical energy needs in the developing countries.
- Urge the federal government to recognize the role of cooperatives and private voluntary organizations in successfully implementing the P.L.480 Food for Peace program, Section 416 and the Food for Progress program, in which NCBA has been a leader. Support expanding the opportunity for cooperatives to use these programs for economic development in areas where the commodities will not impact negatively on local producers.
- Support U.S. policies that encourage the granting of private property rights in real estate and business enterprises for individuals in developing countries.

Business Enhancement and Expansion

Agriculture

- Support an expanded role for cooperative businesses assisting the production, distribution, and marketing of agricultural products.
- Support passage of legislation exempting agricultural products from U.S. unilateral economic sanctions.
- As Section 22 protections for American dairy farmers diminish as a result of the latest GATT agreement, support efforts to keep America's dairy producers competitive in the U.S. and world market.

Consumer Cooperatives

- Endorse efforts of consumers and the cooperative businesses that serve them to expand their influence over the marketplace.
- Encourage educational programs that promote consumer confidence in their ability to make marketplace decisions.
- Support federal policies that promote consumer cooperation and an expanded role for consumer cooperation.
- Clarify and protect retail food cooperatives and other working member programs through regulations at the Department of Labor including its minimum wage regulations.

Credit Unions

- Support efforts to keep regulation of credit unions separate from regulation of banks.
- Support efforts to protect small and low-income credit unions as new Prompt Corrective Action (PCA) regulations are implemented.

- Support legislative and regulatory efforts to enhance the value of the credit union charter.
- Support efforts to reform bankruptcy code provisions that negatively affect cooperative businesses.

Food Retail

- Oppose U.S. Department of Labor regulations that restrict consumer cooperative member labor programs. Such programs encourage volunteer labor from members, primarily the low-income, elderly and students, in exchange for reduced prices on goods and services.

Health

- As voluntary health insurance purchasing cooperatives (HIPCs) have demonstrated cost-control potential, encourage Congress to create national standards that will increase the effectiveness of voluntary HIPCs.
- Support health care reform that rewards the success of cooperative businesses and their membership groups that have operated cost-efficient and successful health plans. Support legislation that addresses the obstacles cooperatives face in meeting traditional capital and solvency requirements, thereby encouraging the formation of non-profit, user-owned health plans.

Housing

- Call upon the U.S. Department of Housing and Urban Development to eliminate interior inspection of cooperative units under its multifamily Real Estate Assessment Center program.
- Support housing cooperatives in developing naturally occurring retirement community (NORC) social services.
- Support the development of resident manufactured home park cooperative businesses

Trade

- Support Fast Track authority for international trade agreements.
- Promote the development of business and trading opportunities resulting from the enactment of the North American Free Trade Agreement and the GATT/WTO agreement for cooperative businesses throughout the Americas and the world, including expanded membership of each. Support trade agreements that foster new trading opportunities for U.S. cooperatives.
- Work to reduce all barriers to trade in recognition of the past benefits we have derived from facilitated trade policies.
- Support economic development assistance programs and policies that can facilitate the trade liberalization process by assisting in the adjustment process, and by influencing policies and strengthening infrastructure and institutions necessary to facilitate open market based economies.

Utilities

- Ensure consumers are treated equitably, and that no harm be inflicted on cooperatives utilities in any state or federal electric utility restructuring initiative.
- Support the National Rural Electric Cooperative Association (NRECA) in its opposition to efforts that would subject electric cooperatives to the jurisdiction of the Federal Energy Regulatory Commission (FERC). Because electric co-ops are owned and controlled by their customers, there is no need for governmental economic regulation that addresses conflict between customers and shareholders.
- Affirm the right and responsibility of all rural electric systems to serve assigned service areas. Acquisition of service territory reduces the vitality of the electric cooperative and its ability to meet loan obligations and maintain reasonable rates for remaining consumers. Service territories should be permanent to allow utility cooperatives to plan for the future and play a stronger role in economic development. Support NRECA in its efforts to protect the rights of electric cooperatives by restricting local government entities from using their authority to forcibly acquire electric cooperative utility assets.
- Support telecommunications cooperatives in achieving their priorities in the rewrite of the Telecommunications Act of 1996. All rules, regulations and laws must enable cooperative businesses to continue to be the preeminent broadband providers in their service areas, ensure fairness in revising the Universal Service Fund and maximize cost recovery for those telecommunications cooperative businesses.

Business Infrastructure

NCBA works to enhance the public and private infrastructure that supports a strong and growing cooperative business sector. Infrastructure includes both the support functions created by the cooperative sector itself, as well as public policies, programs and services that support cooperative business.

Cooperative Community Infrastructure

- Support the nationwide grassroots movement for community-based forestry cooperatives, and encourage members in each state to further this movement by encouraging discussions of community-based forestry cooperatives among their members.
- Link NCBA's members with cooperative organizations in the United States and around the world into mutually beneficial relationships.
- Support expanded participation of the U.S. cooperatives from all sectors in activities of the International Co-operative Alliance (ICA), a leader in promoting world peace, economic democracy, and social justice through cooperation.
- Support the ICA's efforts to build and sustain a global network of cooperators as exemplified in the ICA's Virtual Community of Cooperators.
- Continue programs that will raise the awareness of cooperative businesses within the federal government. We will use our influence to promote peace throughout the world

through international cooperation, including our participation in the United Nations and the International Cooperative Alliance.

- Expand our influence on Capitol Hill by building an effective grassroots network of dedicated individuals to promote and expand the cooperative form of business.

Public Infrastructure

- Support and strengthen the role of Cooperative Services at USDA by supporting legislation expanding its authority to include all cooperative businesses, except utility cooperatives, broadening its mission to support and encourage cooperative development activities and practitioners in the States, and providing support for much needed research. Seek increased funding to support this expanded mission while not diminishing support for agricultural programs.
- Support coordination of Cooperative Services efforts with those of USDA's Rural Utilities Service, which provides support and oversight to the nation's rural utility cooperatives.
- Support continued adequate funding and staffing of the Rural Utilities Service to meet the needs of electric, telephone and water/wastewater borrowers and include funding for the many needs of rural America through economic and community development programs.
- Support increased funding for USDA's Grants for Rural Cooperative Development program, which builds capacity in private, nonprofit centers for cooperative business development to provide technical assistance to many cooperative development projects.
- Strengthen USDA's research commitment to environmental and rural development issues.
- Preserve Section 8 project-based housing subsidies for housing cooperatives and expand the Section 8 homeownership program to use it for co-ops.
- Support federal funding for research on agricultural production and food processing technology in recognition of the past benefits derived from research that reduces food costs and improves farm productivity. We strongly believe that approval of new technological developments should be based on a sound, scientific assessment that considers the environment as well as the health and safety of consumers, farmers and farm workers.

Consumer Protection

As a membership association including both consumer-owned cooperative businesses and producer-owned cooperatives committed to their customers, NCBA supports policies and programs that protect consumers.

Food Safety and Labeling

- Support the National Organic Standards Program and funding to support the Organic Accreditation Program, all of which will protect both consumers and producers of organic products.
- Oppose legislative and regulatory efforts that weaken the National Organic Standards implemented by the U.S. Department of Agriculture on October 21, 2002 in order to ensure the viability of all cooperative businesses involved in organic food production, distribution and retailing and to ensure consumer confidence in certified organic food products.
- Support federal laws and regulations that encourage continuing a safe food supply for all Americans. We strongly believe that the rights and economic viability of farmers must be taken into consideration when food safety laws are implemented.
- Recognize the right of consumers to have easy access to information regarding the content and effects of food products and dietary supplements with confidence that claims for health benefits can be demonstrated. Urge Congress to insist that the Food and Drug Administration's labeling requirements be designed to provide consumers with information with which to make informed decisions about food products and supplements, and not be allowed to restrict access to foods and supplements that have beneficial health effects for consumers.

Nutrition

- Support legislative or regulatory efforts that would specifically include organic foods as eligible commodities in the Special Supplemental Food Program for Women, Infants and Children and would prohibit state governments from excluding organic foods in their administration of the program, to ensure that program participants have access to healthful organic foods.
- Support food and nutrition policies designed to enable consumers to follow current U.S. Dietary Guidelines. Encourage federal and state governments to reform milk identity standards including specific fat and higher solids-not-fat content, thereby enabling the population to achieve important calcium dietary needs.

Utility Markets/Restructuring

- Support the NRECA in its opposition to the selling of or raising the rates of the nation's Power Marketing Administrations (PMAs).
- Urge Congress to prohibit market concentration that would stifle competition in the electric utility industry and would work against the best interests of all consumers.

Supporting Member Needs

NCBA supports policies and programs that support the needs of individual member-owners of our nation's cooperative businesses.

- Support tax incentives to encourage consumer savings, including expanded contributions for IRA accounts, 401(k) plans, and other retirement savings plans.
- Support a 100% health insurance tax deduction for self-employed persons, including farmers.
- Support a long-term care insurance tax deduction for all individuals.
- Support programs to ensure enhanced farm productivity and profitability in concert with continual, voluntary efforts to improve the sustainability of our land and water resources.

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