

June 4, 2021

Mr. Jeffrey Stout
Director, Office of Federal Program Finance
U.S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

FR Doc. 2021–10697

Dear Mr. Stout,

Thank you for the opportunity to comment on considerations for the State Small Business Credit Initiative (SSBCI). The National Cooperative Business Association CLUSA International (NCBA CLUSA) represents cooperative businesses across all sectors of the U.S. economy.

Cooperatives are owned, controlled, and governed on the basis of one-member, one vote. One in three Americans is a member-owner of at least one cooperative business. People establish cooperative businesses to increase consumer choice, address market failure, or to help smaller businesses gain parity with larger companies. The vast majority of cooperative businesses are small or very small businesses. For example, the average worker cooperative has 11 member-owners. Moreover, approximately 60 percent of worker cooperatives are owned by Black or Latinx entrepreneurs.

Cooperatives have been challenged by the impacts of the pandemic like other small businesses, but cooperatives set themselves apart with greater adaptability and resilience derived from the member-owner governance, in which the best interests of the business, workers, and community are taken into consideration to ensure the long-term wellbeing of the cooperative. Throughout our nation's history, cooperatives have been the preferred strategy during and in the immediate aftermath of economic downturns.

There is also a growing interest in cooperative businesses as it relates to the unique circumstances of today's economy in which tens of thousands of business owners approaching retirement. For many of these businesses, the most viable buyer is a cooperative formed by employees or consumers. This type of sale not only ensures the preservation of access to goods and services, but also creates ownership opportunities and enabling more people to earn the profits they create.

To help the most people capture the economic opportunity created by cooperative businesses, it is imperative that cooperatives are expressly eligible for SSBCI development and financing. First, this program should make clear that technical assistance opportunity is applicable to cooperative business development, including feasibility studies, business planning, governance and training, and other activities needed to startup, convert, or grow a cooperative business. Opportunities to provide education and outreach to prevent the closure of existing businesses, particularly in rural communities, should also be considered as an eligible use of technical assistance funds.

Second, access to capital is a critically important issue to cooperative businesses. To ensure that cooperatives can equitably access capital programs through SSBCI like other small businesses, program requirements should be compatible with the cooperative business model. Importantly, SSBCI programs should not seek a personal guarantee requirement from cooperative businesses, where each member holds one share in the business. Other mechanisms to determine a borrower's ability to repay should be prioritized including cash flow, assets, and profitability. Relatedly, Community Development Financial Institutions are critical partners in cooperative development to help cooperatives access financing, particularly businesses in underserved communities. SSBCI guidance should help to ensure that these resources equitably reach socially-disadvantaged groups, persistent poverty counties, or other underserved communities.

Finally, when considering reporting requirements, the program should ensure reasonable requirements for ownership disclosures and other documentation for business structures with multiple owners like co-ops. Consumer cooperatives, like food co-ops, may have relatively few employees and modest annual revenue, but have hundreds of member-owners. In these cases, it creates undue burden to ask for individual disclosures for each member owner, when each person only holds a fraction of a percentage of the overall business ownership. It is, after all, this spreading of risk that factors into the greater resilience and longevity of cooperative businesses in comparison to other business models.

SSBCI is poised to support countless small businesses across the country that continue to weather the economic impacts of the pandemic, as well as support entrepreneurs looking to launch a new business, and it is essential that this program equitably supports cooperative businesses alongside other types of small businesses to build a resilient, sustainable economy powered by local ownership and control.