**Senate Farm Bill Proposes Harmful Changes to**

**RUS Electric Loan Program**

The current Farm Bill expires on September 30, 2018. The Senate Agriculture Committee is working to draft a new Farm Bill that they hope to consider, in committee and on the Senate floor, in the coming weeks. We have been notified that the Senate is likely to include in their bill harmful changes to the RUS Cushion of Credit program. These are the details that have been proposed:

* Interest on current cushion of credit deposits would be reduced from 5% to the interest rate paid on 5 year Treasury notes (2.81% as of today).
* No future deposits would be allowed after October 1, 2018 (the beginning of FY2019).
* The proposal retains the current law requirement that cushion of credit deposits may only be used to repay RUS loans or guarantees, and may not be withdrawn from the account.
* The Committee estimates that this could generate $2B in savings for the federal government that they could use to pay for other provisions in the Farm Bill.

NRECA has communicated these details to Statewide CEOs and co-op lobbyists to begin a lobbying effort to stop or mitigate these harmful changes. We are initiating an immediate effort to contact Senators on the Agriculture Committee, asking them to go to Chairman Roberts (R-KS) and Ranking Member Stabenow (D-MI) and request that the CoC changes be dropped from the bill. We have asked the statewide to work with their members to ensure that the voices of RUS borrowers are clearly heard in the Senate Agriculture Committee before they consider the bill in committee next Wednesday (June 13).

**Cushion of Credit Background and Messaging**

Electric cooperatives serve the poorest, most rural parts of the country. To help keep electric rates affordable in these high-cost areas, co-ops have access to low-cost financing through the Rural Utilities Service Electric Loan program. One of the tools available to RUS borrowers is a “cushion of credit” account. These escrow-like accounts earn 5% interest on deposits and can only be used to pay RUS debt. Therefore, the program provides greater certainty to the federal government that loans will be repaid, particularly in the event of disasters or other unforeseen disruptions that can negatively impact a co-op’s cash flow. The result is a healthy RUS program that keeps electricity affordable for rural communities while remaining financially sustainable for the federal government.

* A strong RUS electric loan program is essential to modern rural electrification efforts. The cushion of credit is an integral part of that financing system. Co-ops have made long-term financial plans based on current law; and changes (particularly retroactively) without giving co-ops an opportunity to plan and adjust their financial strategies will have significant negative impacts on co-ops.
* Electric cooperatives serve 56 percent of the nation, including the most remote and hardest to reach areas. The cushion of credit program helps co-ops offset some of the risks and challenges associated with serving rural America.
* Changes to the cushion of credit program jeopardize the affordable and reliable power that millions of American families and businesses count on electric cooperatives to deliver.
* Because electric cooperatives belong to the communities that they serve, these cuts would fall squarely on the shoulders of our consumers.

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