The Economic Impact of America’s Electric Cooperatives

Scott Nystrom, Jack Tunstall, and Ken Ditzel
The research and analysis underlying this report was a collaboration between three organizations.

**COLLABORATIVE RESEARCH**

**THREE ORGANIZATIONS**

**NRECA**
NRECA represents more than 900 consumer-owned, not-for-profit electric cooperatives, public power districts, and public utility districts in the United States.

**CFC**
Created and owned by America’s electric cooperative network, CFC provides financial products to serve the needs of nearly 1,000 member-owners.

**FTI**
FTI is a global business advisory firm. FTI is dedicated to helping organizations manage change, mitigate risk, resolve disputes, and answer what if questions about policy, private investments, and the economy.

**ANALYSIS AND MODELING**

**CO-OP DATA**
Co-ops service territories cover **56 percent of U.S. land area** and serve **42 million Americans** (1 in 8 Americans)

**HISTORY OF CO-OPS**

- Co-ops emerged from a national effort at rural electrification in the 1930s through the 1960s
  - In the mid-1930s, only 10% of rural homes had electricity access
  - Grew to 90% by 1953 and currently 99%
- Aided in diversification of rural economies
- Increased productivity for agriculture
- Helped attract sectors like manufacturing
We modeled co-ops across the electricity value-chain, from generation to distribution, and support activities.

Co-ops invested $60 billion between 2013 and 2017 on adding new capabilities or replacing obsolete assets.

Co-ops have billions of dollars in assets to maintain, which they do either internally or through outside contractors. From 2013 to 2017, co-ops spend $20 billion on maintenance.

Generation, transmission, and distribution collectively constitute co-ops’ operations. From 2013 to 2017, electric co-ops spent $274 billion on operations.

Over the five years, total co-op expenditures were $359 billion.
We used the **expenditure data as inputs** to an economic model, which **categorizes the impacts into three types**

1. **Direct Impacts**
   - **Definition:** electric co-ops and their contractors related to investments and maintenance
   - **Examples:** Tipmont REMC, BARC Electric, firms specializing in construction/maintenance

2. **Indirect Impacts**
   - **Definition:** the industries in the supply chain for electric co-ops or for their contractors
   - **Examples:** fuel, manufacturers of equipment and materials, software, professional services

3. **Induced Impacts**
   - **Definition:** industries affected by the spending of “direct” and “indirect” employees
   - **Examples:** spending on food, housing, healthcare, education, entertainment, etc.

**Total Impacts**

The combination of direct, indirect and induced impacts shows the total contribution of the industrial sector.
Electric co-ops supported an average of nearly 612,000 jobs and $440 billion in total U.S. GDP over five years

### Economic and Fiscal Impacts

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales output</td>
<td>$881 billion</td>
<td>Total business sales across the economy supported by electric co-ops and their spending</td>
</tr>
<tr>
<td>GDP</td>
<td>$440 billion</td>
<td>For 2017, electric co-ops contributed $88.4 billion to GDP (or 0.47% of total)</td>
</tr>
<tr>
<td>Labor income</td>
<td>$200 billion</td>
<td>Sum of wages, salaries, benefits, proprietors’ income, and household earnings</td>
</tr>
<tr>
<td>Federal taxes supported</td>
<td>$52 billion</td>
<td>Includes all sources of federal revenues – co-ops do not generally pay federal taxes</td>
</tr>
<tr>
<td>State and local taxes supported</td>
<td>$60 billion</td>
<td>Includes income taxes paid by employees, as well as property, taxes, and other taxes</td>
</tr>
</tbody>
</table>

### Employment Impacts

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employment</td>
<td>611,800</td>
</tr>
<tr>
<td>Co-op employees</td>
<td>67,800</td>
</tr>
<tr>
<td>Direct contractors</td>
<td>100,600</td>
</tr>
<tr>
<td>Indirect jobs</td>
<td>170,300</td>
</tr>
<tr>
<td>Induced jobs</td>
<td>273,100</td>
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