
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1790 Session of
2023

INTRODUCED BY PISCIOTTANO, MARCELL, MADDEN, N. NELSON, SMITH-
WADE-EL, GALLAGHER, SCHLOSSBERG, DONAHUE, HADDOCK, FREEMAN,
SANCHEZ, KHAN, OTTEN, BOYD AND DALEY, OCTOBER 24, 2023

REFERRED TO COMMITTEE ON LABOR AND INDUSTRY, OCTOBER 24, 2023

AN ACT

1 Establishing the Office of Employee Ownership within the
2 Department of Community and Economic Development;
3 establishing the Main Street Employee Ownership Grant
4 Program; and providing technical and financial assistance to
5 employee-owned enterprises.

6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 Section 1. Short title.

9 This act shall be known and may be cited as the Employee
10 Ownership Assistance Program Act.

11 Section 2. Definitions.

12 The following words and phrases when used in this act shall
13 have the meanings given to them in this section unless the
14 context clearly indicates otherwise:

15 "Department." The Department of Community and Economic
16 Development of the Commonwealth.

17 "Employee-owned enterprise." One of the following:

18 (1) A business that meets all of the following
19 conditions:

1 (i) is organized as:

2 (A) an eligible worker-owned cooperative as
3 defined under 26 U.S.C. § 1042 (relating to sales of
4 stock to employee stock ownership plans or certain
5 cooperatives); or

6 (B) a corporation in which the employees own the
7 stock of the corporation through an employee stock
8 ownership plan, within the meaning of 26 U.S.C. §
9 4975(e)(7) (relating to tax on prohibited
10 transactions);

11 (ii) a majority of the voting rights are held by
12 employees and all employees who have stock allocated to
13 them are entitled to vote; shares are voted in such a
14 manner that the vote of the majority of the employees
15 controls the vote of the majority of shares; and voting
16 rights on corporate matters for shares held in a trust
17 for the employees shall pass through to those employees,
18 at least to the extent required by the pass-through
19 voting requirements under 26 U.S.C. § 864(c)(4)(D)
20 (relating to definitions and special rules); and

21 (iii) the majority of the members of the board of
22 directors are elected by the employees.

23 (2) A business that is organized in a manner determined
24 by the secretary to involve substantial employee
25 participation.

26 (3) An employee-ownership trust.

27 "Employee-ownership group." A corporation or other entity,
28 including a labor union formed by or on behalf of the current or
29 former employees of an industrial or commercial firm or facility
30 located in this Commonwealth for the purpose of assuming

1 ownership or control of the firm or facility, and operating it
2 as an employee-owned enterprise.

3 "Employee-ownership trust." Company stock or profit sharing
4 being held by a trustee on behalf of the company's employees
5 with employees receiving a percentage of ongoing profits or
6 401(k) retirement plans throughout employment without receiving
7 an equity stake in the company.

8 "Local administrative agency." An organization that enters
9 into a written agreement with the department to administer
10 technical and financial assistance under this act, including:

11 (1) A municipality.

12 (2) A local development district of the Appalachian
13 Regional Commission.

14 (3) A certified economic development organization
15 certified by The Pennsylvania Industrial Development
16 Authority under 64 Pa.C.S. § 1123 (relating to certification
17 of economic development organizations).

18 (4) A nonprofit economic development organization
19 designated by the secretary.

20 "Office." The Office of Employee Ownership established under
21 section 3(a).

22 "Secretary." The Secretary of Community and Economic
23 Development of the Commonwealth.

24 Section 3. Office of Employee Ownership.

25 (a) Establishment.--The Office of Employee Ownership is
26 established in the department to serve as an advocate for
27 improving government knowledge and support for well-designed,
28 broad-based profit-sharing and ownership stakes. The office
29 shall increase awareness of how agency programs affect companies
30 with profit-sharing and ownership stake programs and promote

1 legislative or regulatory changes necessary to ensure that
2 government policies encourage the adoption of existing and
3 emerging sharing programs.

4 (b) Gubernatorial appointment.--The Governor shall appoint
5 an employee ownership advocate. The employee ownership advocate
6 shall be an individual who by reason of training, experience or
7 attainment is qualified to represent the interest of employee-
8 owned enterprises. The following shall apply:

9 (1) No individual who serves as an employee ownership
10 advocate shall, while serving in the position, engage in any
11 business, vocation or other employment, or have other
12 interests, inconsistent with the individual's official
13 responsibilities.

14 (2) The individual serving as an employee ownership
15 advocate may not seek or accept employment or render
16 beneficial services for compensation with any person or
17 corporation, as defined in 66 Pa.C.S. § 102 (relating to
18 definitions), during the tenure of the appointment and for a
19 period of two years after the appointment is served or
20 terminated.

21 (3) An individual who is appointed to the position of
22 employee ownership advocate may not seek election or accept
23 appointment to any public office during the tenure as the
24 employee ownership advocate and for a period of two years
25 after the appointment is served or terminated.

26 (4) The employee ownership advocate shall oversee the
27 office and the programs established in this act.

28 (c) Duties.--The office shall aid and guide businesses on
29 the benefits and formation of an employee-owned enterprise by
30 providing outreach, education and technical assistance. The

1 office shall:

2 (1) Establish a robust and wide-reaching network of
3 technical support for businesses wishing to convert to
4 employee-owned enterprises.

5 (2) Prepare and make publicly accessible in print and on
6 the office's publicly accessible Internet website information
7 to educate and guide business owners and employees in this
8 Commonwealth on the benefits and formation of employee-owned
9 enterprises.

10 (3) Educate businesses and communities across this
11 Commonwealth on the economic and community benefits of
12 employee-owned enterprises.

13 (4) Identify barriers to the development and advancement
14 of employee-owned enterprises and recommend State actions and
15 resources to remove barriers.

16 (5) Gather and maintain statistics on all employee-owned
17 enterprises in place across this Commonwealth.

18 (6) Evaluate and submit a report by December 31 of each
19 year to the Community, Economic and Recreational Development
20 Committee of the Senate and the Commerce Committee of the
21 House of Representatives. The report shall include:

22 (i) The results of the office's efforts, impacts and
23 benefits.

24 (ii) A list of all employee-owned enterprises in
25 this Commonwealth and the counties in which the employee-
26 owned enterprises are located.

27 (iii) Recommendations on the most effective
28 utilization of Commonwealth funding to encourage the
29 formation of employee-owned enterprises.

30 (iv) Other information deemed necessary by the

1 employee ownership advocate.

2 (7) Select and fund a Pennsylvania 501(c)(3) nonprofit
3 organization defined under 26 U.S.C. § 501(c)(3) (relating to
4 exemption from tax on corporations, certain trusts, etc.)
5 with well-established knowledge of employee-owned enterprises
6 to work with the office and the department to ensure the
7 execution requirements under this act.

8 Section 4. Technical and financial assistance program.

9 The office shall establish a technical and financial
10 assistance program to promote the development of employee-owned
11 enterprises.

12 Section 5. Technical assistance.

13 (a) Authorization to allocate funds.--The office may
14 allocate or distribute money to local administrative agencies
15 for the purpose of providing grants and loans to employee-
16 ownership groups in industrial facilities and commercial
17 facilities as defined in section 3 of the act of August 23, 1967
18 (P.L.251, No.102), known as the Economic Development Financing
19 Law, for technical assistance to develop or improve an employee-
20 owned enterprise.

21 (b) Eligibility.--An employee-ownership group shall be
22 eligible for assistance if the employees in the employee-
23 ownership group are employed by, formerly employed by or
24 affiliated with one of the following:

25 (1) An existing firm facing a threat of substantial
26 layoffs or a plant closing and investigating a reorganization
27 of all or some portion of the firm's business activity, at
28 sites located within this Commonwealth, as an employee-owned
29 enterprise. For purposes of this subsection, the term
30 "existing firm" shall include an ongoing concern, the assets

1 of an existing company or the assets of a company that has
2 been closed for no more than one year as of the date of
3 application for the feasibility study loan.

4 (2) An existing firm, not necessarily facing a threat of
5 substantial layoffs or a plant closing but considering a
6 conversion to an employee-owned enterprise and seeking
7 professional services to accomplish the conversion if
8 conversion to employee ownership will create new jobs or
9 retain existing jobs at sites in this Commonwealth.

10 (3) An existing firm which currently has some form of
11 employee ownership and requires professional services to
12 ensure success of the employee-owned enterprise in the effort
13 to create new jobs or retain existing jobs at sites in this
14 Commonwealth.

15 (c) Use of awarded money.--An employee-ownership group may
16 be awarded sums of money for the following purposes:

17 (1) Feasibility studies to investigate a reorganization
18 or new incorporation as an employee-owned enterprise. At a
19 minimum, the feasibility study shall:

20 (i) Assess the market value and demand for the
21 product produced by the plant affected by the closing or
22 layoff.

23 (ii) Assess the market value and demand for other
24 products that could be manufactured or assembled at the
25 plant affected by the closing or layoff.

26 (iii) Evaluate the production costs to be incurred
27 if the plant were to be operated by the employee-
28 ownership group.

29 (iv) Determine whether there exists in the affected
30 area and in the employee-ownership group the desire and

1 capacity to create a new production entity and to become
2 competitive.

3 (2) Professional services to implement a feasibility
4 study and other professional services to develop or ensure
5 the success of an employee-owned enterprise.

6 (d) Repayment of awarded money.--Money awarded to an
7 employee-ownership group under subsection (c) is subject to the
8 following repayment conditions:

9 (1) If the enterprise studied is purchased or improved
10 by the employee-ownership group, the sum of money awarded
11 will constitute a loan and the employee-ownership group shall
12 repay the entire amount of the loan, with interest, in a lump
13 sum at the closing of the purchase of the company or within
14 one year after the date of the release of the loan by the
15 office, whichever occurs later. The amount of the loan repaid
16 shall be returned to the office for the purpose of issuing
17 additional loans. The interest paid on the loan shall be used
18 by the office for administrative costs associated with
19 administering this act.

20 (2) If the enterprise studied is not purchased by the
21 employee-ownership group within one year after the completion
22 of the feasibility study, the applicant shall submit a final
23 report concerning the feasibility of repaying the awarded
24 money.

25 (3) The office shall evaluate the employee-ownership
26 group's final report under paragraph (2) to determine if
27 repayment is feasible. If the office determines that the
28 employee-ownership group is unable to repay the sum of
29 awarded money, the amount of money that was awarded to the
30 employee-ownership group will constitute a grant. If the

1 office determines that the employee-ownership group is able
2 to repay some or all of the money awarded, the amount of
3 money that was awarded to the employee-ownership group will
4 constitute a loan.

5 (e) Other conditions.--

6 (1) The applicant shall provide evidence that there is a
7 prospect for recovery and future job growth or job retention
8 in applications under subsection (b) (1) or a substantial
9 prospect of job growth or job retention in applications under
10 subsection (b) (2) and (3).

11 (2) Maximum State participation shall be 50% of the
12 total cost of the technical assistance and the maximum loan
13 size shall be \$100,000.

14 Section 6. Financial assistance.

15 (a) Authorization to allocate funds.--The office may
16 allocate or distribute money to local administrative agencies
17 for the purpose of providing loans and loan guarantees to
18 employee-owned enterprises reorganizing industrial facilities,
19 manufacturing facilities and agricultural enterprises as defined
20 in section 3 of the act of May 17, 1956 (1955 P.L.1609, No.537),
21 known as the Pennsylvania Industrial Development Authority Act,
22 for the development of employee-owned enterprises.

23 (b) Eligibility.--Eligibility for assistance shall be
24 limited to an employee-ownership group reorganizing an existing
25 enterprise which is facing a threat of substantial layoffs or a
26 plant closing and adequate private financing is not available.
27 For purposes of this subsection, the term "existing enterprise"
28 shall include an ongoing concern, the assets of an existing
29 company or the assets of a company which has been closed for no
30 more than one year as of the date of completion of a feasibility

1 study.

2 (c) Use of assistance.--Eligible project costs shall include
3 land and buildings, machinery and equipment and working capital
4 secured by accounts receivable and inventory.

5 (d) Debt instruments.--The financial subsidy provided should
6 be the minimum necessary to accommodate the borrower's financial
7 needs. Debt instruments shall include either or both of the
8 following:

9 (1) Loans, including deferred interest and principal
10 payments.

11 (2) Loan guarantees.

12 (e) Security.--Loans shall be secured by lien positions on
13 collateral at the highest level of priority which can
14 accommodate the borrower's ability to raise sufficient debt and
15 equity capital. When the obligation of a firm is guaranteed, the
16 financial institution holding the obligation shall adequately
17 secure the obligation. The office shall require collateral
18 against loans or loan guarantees awarded under this act. The
19 office may determine collateral per application.

20 (f) Loan limits.--The maximum loan or guarantee is
21 \$1,500,000 per firm. The amount of a loan shall not exceed 25%
22 of the total project costs and guarantees shall not exceed 25%
23 of the total loan value. The term of the loan shall be the
24 shortest, consistent with the needs of the firm, but no longer
25 than 20 years.

26 (g) Equity requirement.--A significant equity investment by
27 the employee-ownership group equal to at least 10% of the
28 project cost and including substantial participation by at least
29 two-thirds of the members of the employee-ownership group is
30 required to qualify for the loan or guarantee.

1 (h) Feasibility study.--The office may not approve
2 assistance without a feasibility study demonstrating a
3 substantial prospect for job retention or future job growth and
4 a business plan, including steps to facilitate labor-management
5 cooperation. General adherence to the feasibility study is
6 required for an eligible employee-ownership group to receive a
7 loan or loan guarantee under this section.

8 Section 7. Criteria for evaluating applications.

9 The local administrative agencies and the office shall
10 evaluate an application under section 6 based on the following
11 criteria:

12 (1) Number of jobs retained or created in relation to
13 the size of the loan. The loan shall not exceed a cost of
14 \$15,000 per job created or retained.

15 (2) Ability of the applicant to repay the loan and the
16 likelihood of retaining or creating jobs.

17 (3) Evidence of other private financial commitments.

18 (4) Evidence that, without the financial assistance,
19 other Federal, State or local public and private investment
20 would be insufficient to finance the employee-owned
21 enterprise.

22 (5) The extent to which a firm employs a significant
23 number of employees or represents a significant portion of
24 employment in the community.

25 (6) Additional criteria specified by guidelines or
26 regulations of the department.

27 Section 8. Main Street Employee Ownership Grant Program.

28 (a) Establishment.--The Main Street Employee Ownership Grant
29 Program is established within the office to provide grants to
30 businesses that are eligible under subsection (b).

1 (b) Eligibility.--A business is eligible for grants under
2 this section if the business:

3 (1) Has fewer than 100 employees.

4 (2) Is a retail establishment.

5 (c) Use of grant.--Grant money awarded may be used by an
6 eligible business to:

7 (1) Acquire a business to be an employee-owned
8 enterprise.

9 (2) Convert a business to an employee-owned enterprise.

10 (3) Provide support for technical assistance, such as
11 the proper management of an employee-owned enterprise, best
12 business practices or other assistance approved by the
13 office.

14 (d) Limitation and approval.--Grant awards may not exceed
15 \$35,000. If a business is approved for a grant under this
16 section, the business shall have an automatic approval for
17 financial assistance under section 6.

18 Section 9. Administration.

19 (a) Responsibility of local administrative agencies.--Local
20 administrative agencies shall promote the employee ownership
21 program and the Main Street Employee Ownership Grant Program by
22 soliciting applications, evaluating applications and making
23 preliminary decisions on both technical assistance and financial
24 assistance. Not more than 2% of the money appropriated for the
25 purpose of this act may be used by local administrative agencies
26 for the purpose of administering these programs.

27 (b) Approval by employee ownership advocate.--The employee
28 ownership advocate shall have full responsibility for final
29 approval of all applications for assistance.

30 (c) Advances.--The office may make money advances to local

1 administrative agencies for the purpose of making loans, loan
2 guarantees or grants consistent with this act. Advances under
3 this section must be repaid to the office when the loan or loan
4 guarantee is repaid by the borrower.

5 (d) Loan and loan guarantee fees.--Local administrative
6 agencies may establish and charge reasonable fees for processing
7 loans or loan guarantees under section 6, with the approval of
8 the secretary.

9 (e) Rules and regulations.--The secretary may promulgate
10 rules and regulations, statements of policy or forms, guidelines
11 and other procedures, forms and requirements necessary for the
12 implementation of this act.

13 Section 10. Indicators of program impact.

14 (a) Report.--On March 1 of each year of the employee
15 ownership program's and the Main Street Employee Ownership Grant
16 Program's existence, the employee ownership advocate shall
17 submit a report to the Secretary of the Senate and the Chief
18 Clerk of the House of Representatives on the impact of the
19 programs, including:

20 (1) Rules, guidelines or statements of policy used in
21 administering the programs.

22 (2) The number of employee-ownership groups and firms
23 receiving assistance.

24 (3) The number of feasibility studies which were
25 actually implemented.

26 (4) The number of jobs retained or created and the
27 number of jobs created or retained as a result of financial
28 assistance.

29 (5) Other information deemed necessary by the employee
30 ownership advocate.

1 (b) Information to office.--Recipients of assistance under
2 these programs shall provide the office with the information
3 needed to fulfill the reporting requirement under subsection
4 (a).

5 Section 11. Nondiscrimination.

6 No loan, loan guarantee, grant or other financial assistance
7 shall be made to a recipient under this act unless the recipient
8 certifies to the department, in a form satisfactory to the
9 department, that it shall not discriminate against an employee
10 or against an applicant for employment because of race,
11 religion, color, national origin, sex or age.

12 Section 12. Guidelines and regulations.

13 (a) One-year exemption from review.--In order to facilitate
14 implementation of this act, the department may promulgate, adopt
15 and use temporary guidelines that shall be transmitted as a
16 notice to the Legislative Reference Bureau for publication in
17 the next available issue of the Pennsylvania Bulletin. The
18 guidelines shall not be subject to review under:

19 (1) Sections 201, 202, 203, 204 and 205 of the act of
20 July 31, 1968 (P.L.769, No.240), referred to as the
21 Commonwealth Documents Law.

22 (2) Section 204(b) of the act of October 15, 1980 (P.L.
23 950, No.164), known as the Commonwealth Attorneys Act.

24 (3) The act of June 25, 1982 (P.L.633, No.181), known as
25 the Regulatory Review Act.

26 (b) Expiration of exemption.--After the expiration of the
27 one-year period, all guidelines shall expire and shall be
28 replaced by regulations that shall have been promulgated,
29 adopted and published as provided by law.

30 Section 13. Annual appropriation and funding sources.

1 (a) Estimate of expenditures.--Before November 1 of each
2 year, the employee ownership advocate shall estimate the total
3 expenditures for the office and submit the estimate to the
4 Governor in accordance with section 610 of the act of April 9,
5 1929 (P.L.177, No.175), known as The Administrative Code of
6 1929. At the same time the office submits the estimate to the
7 Governor, the office shall also submit the estimate to the
8 General Assembly. The following shall apply:

9 (1) The employee ownership advocate shall be afforded an
10 opportunity to appear before the Governor, the Appropriations
11 Committee of the Senate and the Appropriations Committee of
12 the House of Representatives regarding the estimate.

13 (2) For each fiscal year, the office shall calculate the
14 office's proposed appropriation by subtracting the unspent
15 portion of the office's budget for the previous fiscal year
16 from the total appropriation that was approved by the General
17 Assembly. The remainder shall be allocated to the department
18 for the next fiscal year.

19 (b) Allocation of assessment.--For each fiscal year, the
20 office shall determine for the preceding calendar year the
21 amount of its expenditures directly attributable to
22 administering this act as follows:

23 (1) Expenditures of the office directly attributable to
24 section 5.

25 (2) Expenditures of the office directly attributable to
26 section 6.

27 (3) Expenditures of the office directly attributable to
28 section 8.

29 (4) Expenditures of the office directly attributable to
30 section 9.

1 (5) Total expenditures of the office directly
2 attributable to administering this act.

3 (c) Funding sources.--Any of the following may be used as
4 funding sources for the office for the purposes of this act:

5 (1) Money appropriated for the purposes of this act.

6 (2) Federal money appropriated or authorized for the
7 purposes of this act.

8 (3) Money received from a State agency through an
9 interagency agreement or memorandum of understanding.

10 (4) A gift or other contribution from a public or
11 private source.

12 (5) Returns on money dedicated for the purposes of this
13 act, including, but not limited to, interest on loans or loan
14 guarantees.

15 (6) Any appropriation that was unspent by the end of a
16 previous fiscal year.

17 Section 14. Effective date.

18 This act shall take effect in 60 days.