

**First Regular Session
Seventy-first General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. 17-0620.01 Esther van Mourik x4215

HOUSE BILL 17-1214

HOUSE SPONSORSHIP

Coleman, Gray, Rosenthal, Arndt, Covarrubias, Melton

SENATE SPONSORSHIP

Tate, Kerr, Williams A.

House Committees

Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING EFFORTS TO ENCOURAGE EMPLOYEE OWNERSHIP OF THE**
102 **STATE'S EXISTING SMALL BUSINESSES, AND, IN CONNECTION**
103 **THEREWITH, MAKING AN APPROPRIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill requires the Colorado office of economic development (office) to engage the services of a local nonprofit organization that supports and promotes the employee-owned business model to educate the staff at the office on the forms and merits of employee ownership in order for the office to promote employee ownership as part of its small

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

business assistance center.

The bill requires the office to establish and administer a revolving loan program to assist transitions of existing businesses to employee-owned businesses. The bill specifies that the office may enter into a contract, following an open and competitive process, with a local nonprofit organization that supports and promotes the employee-owned business model, a lender, or a community development financial institution to establish and administer the revolving loan program. The bill specifies the types of businesses that may qualify for the program, sets a maximum amount of any loan, and specifies what the loans may and may not be used for. The bill also allows the office to seek matching private sector money to help capitalize the program.

The bill further requires the general assembly to annually appropriate money to the office in order to capitalize the revolving loan program, and allows the office to use a portion of the appropriation for administration of the revolving loan program.

The bill also specifies that the office is required to establish guidelines and post on its website administrative details about the revolving loan program, such as fees, costs, interest rates, and loan terms.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** 24-48.5-124 as
3 follows:

4 **24-48.5-124. Preserving small businesses through employee**
5 **ownership - legislative declaration - definitions.** (1) THE GENERAL
6 ASSEMBLY HEREBY FINDS AND DECLARES THAT:

7 (a) IN COLORADO, NEARLY ONE MILLION WORKERS ARE EMPLOYED
8 BY SMALL BUSINESSES WHICH EQUALS ABOUT HALF OF OUR WORKFORCE;

9 (b) ACCORDING TO THE UNITED STATES CENSUS BUREAU, NEARLY
10 SIXTY-SIX PERCENT OF SMALL BUSINESSES ARE OWNED BY SO-CALLED
11 "BABY BOOMERS", PEOPLE WHO BEGAN TURNING SIXTY-FIVE YEARS OLD
12 IN 2011;

13 (c) MANY SMALL BUSINESS OWNERS IN BOTH URBAN AND RURAL
14 AREAS OF THE STATE DO NOT HAVE A SUCCESSION PLAN FOR THEIR

1 RETIREMENT, AND AS THESE BUSINESS OWNERS RETIRE THERE WILL BE,
2 NATIONALLY, APPROXIMATELY TEN TRILLION DOLLARS IN ASSETS UP FOR
3 SALE;

4 (d) STUDIES HAVE SHOWN THAT EMPLOYEE OWNERSHIP IS ONE
5 SUCCESSFUL SOLUTION TO THIS PROBLEM BECAUSE IT ALLOWS SMALL
6 BUSINESS OWNERS TO STRATEGIZE AN EXIT THAT KEEPS THE BUSINESS AND
7 JOBS IN THE COMMUNITY AND KEEPS THE BUSINESS OWNER'S LEGACY
8 INTACT;

9 (e) THERE ARE OVER ONE HUNDRED EIGHTY EMPLOYEE-OWNED
10 BUSINESSES IN THE STATE;

11 (f) ENCOURAGING BROADER USE OF EMPLOYEE OWNERSHIP IS A
12 HIGHLY COST-EFFECTIVE WAY TO RETAIN AND CREATE JOBS, INCREASE
13 WEALTH FOR A BROAD SECTOR OF WORKERS, STRENGTHEN COMMUNITIES,
14 AND EXPAND ECONOMIC GROWTH;

15 (g) LOCAL COMMUNITY ECONOMIES BENEFIT FROM EMPLOYEE
16 OWNERSHIP THROUGH AN ENHANCED TAX BASE, MAINTAINED PROPERTY
17 VALUES, AND HIGHER INSTANCES OF ON-TIME REPAYMENT OF LOANS;

18 (h) COMPANIES THAT ARE PARTIALLY OR FULLY EMPLOYEE-OWNED
19 AND DEMOCRATICALLY MANAGED OFFER THE FOLLOWING ADVANTAGES:

20 (I) OWNERS HAVE A SUCCESSION PLAN IN PLACE TO ENSURE THAT
21 THE COMPANY CONTINUES TO ADD VALUE TO THE COMMUNITIES IT
22 SERVES;

23 (II) EMPLOYEES ARE INVESTED IN THEIR PLACE OF EMPLOYMENT
24 AND GET TO ENJOY THE FRUITS OF THEIR LABOR;

25 (III) EMPLOYEE AND MANAGEMENT GOALS ARE ALIGNED,
26 ALLOWING FOR A STRONGER AND MORE RESILIENT COMPANY; AND

27 (IV) EMPLOYEES HAVE THE OPPORTUNITY TO BE AN

1 ENTREPRENEUR WITHOUT ALL OF THE RISK;

2 (i) THE FOLLOWING STATISTICS INDICATE THE POSITIVE
3 ATTRIBUTES OF EMPLOYEE OWNERSHIP:

4 (I) ONLY ONE AND THREE-TENTHS PERCENT OF EMPLOYEES AT
5 EMPLOYEE-OWNED COMPANIES WERE LAID OFF IN 2014 COMPARED TO
6 NINE AND ONE-HALF PERCENT AT OTHER COMPANIES;

7 (II) EMPLOYERS AT COMPANIES THAT HAVE AN EMPLOYEE STOCK
8 OWNERSHIP PLAN CONTRIBUTED SEVENTY-FIVE PERCENT MORE TO EACH
9 EMPLOYEE'S RETIREMENT PLAN COMPARED TO COMPANIES WITH
10 TRADITIONAL PLANS;

11 (III) THE ANNUAL SALES ADVANTAGE OF AN EMPLOYEE- OWNED
12 COMPANY WITH AN AVERAGE OF TWO HUNDRED EMPLOYEES OVER A
13 TRADITIONAL COMPANY IS NINE MILLION DOLLARS;

14 (IV) EMPLOYEES OF EMPLOYEE-OWNED BUSINESSES EARN FIVE TO
15 TWELVE PERCENT HIGHER WAGES THAN THEIR COUNTERPARTS AT OTHER
16 BUSINESSES;

17 (V) AFTER FIVE YEARS, EMPLOYEE-OWNED BUSINESSES ARE
18 SIXTY-SIX PERCENT MORE LIKELY TO STILL BE IN BUSINESS THAN THEIR
19 COUNTERPARTS; AND

20 (VI) OVER A TEN-YEAR STUDY, EMPLOYEE-OWNED BUSINESSES
21 HAD TWENTY-FIVE PERCENT HIGHER JOB GROWTH THAN COMPARABLE
22 BUSINESSES THAT WERE NOT EMPLOYEE-OWNED; AND

23 (j) ESTABLISHING A REVOLVING LOAN PROGRAM THROUGH THE
24 OFFICE WILL BE AN INTEGRAL PART OF THE SMALL BUSINESS LOAN
25 PACKAGE NEEDED TO INCENTIVIZE EMPLOYEE OWNERSHIP. BORROWERS
26 WILL BENEFIT FROM FLEXIBLE AND FAVORABLE TERMS, RESULTING IN NEW
27 JOBS, NEW BUSINESSES, AND A HEALTHIER LOCAL ECONOMY.

1 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
2 REQUIRES:

3 (a) "EMPLOYEE-OWNED BUSINESS NONPROFIT ORGANIZATION" OR
4 "NONPROFIT" MEANS A COLORADO NONPROFIT ORGANIZATION THAT
5 SUPPORTS AND PROMOTES THE EMPLOYEE-OWNED BUSINESS MODEL.

6 (b) "EXISTING BUSINESS" MEANS A BUSINESS THAT:

7 (I) IS AT LEAST TWO YEARS OLD;

8 (II) HAS AT LEAST THREE EMPLOYEES;

9 (III) SEES ANNUAL NET REVENUES EQUAL TO OR LESS THAN FIVE
10 MILLION DOLLARS;

11 (IV) OFFERS THE EMPLOYEE OWNERSHIP OPPORTUNITY TO EVERY
12 EMPLOYEE; AND

13 (V) PLANS TO ENTER OR HAS ENTERED INTO AN
14 EMPLOYEE-OWNERSHIP AGREEMENT WITH AT LEAST HALF OF ITS
15 EMPLOYEES.

16 (c) "OFFICE" MEANS THE COLORADO OFFICE OF ECONOMIC
17 DEVELOPMENT CREATED IN SECTION 24-48.5-101.

18 (d) "PROGRAM" MEANS THE REVOLVING LOAN PROGRAM CREATED
19 IN SUBSECTION (4) OF THIS SECTION.

20 (e) "TECHNICAL ASSISTANCE" MEANS PROFESSIONAL SERVICES,
21 INCLUDING ACCOUNTING, LEGAL, AND BUSINESS ADVISORY SERVICES FOR
22 THE TRANSITION OF AN EXISTING BUSINESS TO AN EMPLOYEE-OWNED
23 BUSINESS.

24 (3) (a) NO LATER THAN SEPTEMBER 1, 2017, THE OFFICE SHALL
25 ENGAGE WITH AN EMPLOYEE-OWNED BUSINESS NONPROFIT ORGANIZATION
26 TO EDUCATE THE STAFF AT THE OFFICE ON THE FORMS AND MERITS OF
27 EMPLOYEE OWNERSHIP IN ORDER FOR THE OFFICE TO BE ABLE TO PROMOTE

1 EMPLOYEE OWNERSHIP AS SPECIFIED IN SECTION 24-48.5-102 (1)(a).

2 (b) THE OFFICE MAY ENTER INTO A CONTRACT WITH AN
3 EMPLOYEE-OWNED BUSINESS NONPROFIT ORGANIZATION TO PROMOTE
4 EMPLOYEE OWNERSHIP AS DESCRIBED IN SUBSECTION (3)(a) OF THIS
5 SECTION IF NECESSARY. THE SELECTION OF THE NONPROFIT MUST BE MADE
6 FOLLOWING AN OPEN AND COMPETITIVE PROCESS.

7 (4) (a) (I) EXCEPT AS PROVIDED IN SUBSECTION (4)(a)(II) OF THIS
8 SECTION, THE OFFICE SHALL ESTABLISH AND ADMINISTER A REVOLVING
9 LOAN PROGRAM TO ASSIST TRANSITIONS OF EXISTING BUSINESSES TO
10 EMPLOYEE-OWNED BUSINESSES.

11 (II) IF THE OFFICE DETERMINES IT WOULD BE MORE EFFICIENT AND
12 EFFECTIVE TO CONTRACT OUT THE PROGRAM, THE OFFICE MAY ENTER INTO
13 A CONTRACT WITH AN EMPLOYEE-OWNED BUSINESS NONPROFIT
14 ORGANIZATION, A LENDER, OR A COMMUNITY DEVELOPMENT FINANCIAL
15 INSTITUTION TO ESTABLISH AND ADMINISTER THE PROGRAM. THE
16 SELECTION OF SUCH NONPROFIT, LENDER, OR COMMUNITY DEVELOPMENT
17 FINANCIAL INSTITUTION MUST BE MADE FOLLOWING AN OPEN AND
18 COMPETITIVE PROCESS.

19 (b) THE PROGRAM IS ONLY AVAILABLE FOR EXISTING BUSINESSES.

20 (c) LOANS OFFERED AS PART OF THE PROGRAM:

21 (I) MUST BE USED TO OBTAIN TECHNICAL ASSISTANCE OR FOR
22 TRANSITION PURPOSES AND MAY NOT BE USED TO PAY OFF OTHER DEBT,
23 FOR GENERAL OPERATING EXPENSES, OR FOR CAPITAL EXPENDITURES;

24 (II) MAY NOT BE IN AN AMOUNT GREATER THAN FIFTY PERCENT OF
25 THE COST OF TRANSITION, NOT TO EXCEED TEN THOUSAND DOLLARS; AND

26 (III) MUST BE HELD BY THE OWNER OF THE EXISTING BUSINESS.

27 (d) (I) FOR THE FISCAL YEAR COMMENCING JULY 1, 2017, AND

1 EACH FISCAL YEAR THEREAFTER THROUGH THE FISCAL YEAR COMMENCING
2 JULY 1, 2022, THE GENERAL ASSEMBLY SHALL ANNUALLY APPROPRIATE
3 TWO HUNDRED THOUSAND DOLLARS FROM THE GENERAL FUND TO THE
4 OFFICE TO CAPITALIZE THE REVOLVING LOAN PROGRAM.

5 (II) IF THE OFFICE HAS CONTRACTED WITH A NONPROFIT, LENDER,
6 OR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, THE OFFICE MAY
7 ADVANCE MONEY IN THE FORM OF A GRANT OR PAYMENT TO THE
8 NONPROFIT, LENDER, OR COMMUNITY DEVELOPMENT FINANCIAL
9 INSTITUTION PRIOR TO LOANS ACTUALLY BEING MADE.

10 (III) (A) FOR THE FISCAL YEAR COMMENCING JULY 1, 2017, ONLY,
11 THE OFFICE MAY USE UP TO FIFTEEN PERCENT OF THE ANNUAL
12 APPROPRIATION FOR ADMINISTRATIVE PURPOSES, WHICH INCLUDES THE
13 COSTS OF CONTRACTING WITH A NONPROFIT, A LENDER, OR A COMMUNITY
14 DEVELOPMENT FINANCIAL INSTITUTION AS ALLOWED IN SUBSECTION
15 (4)(a)(II) OF THIS SECTION.

16 (B) FOR THE FISCAL YEAR COMMENCING JULY 1, 2018, AND EACH
17 FISCAL YEAR THEREAFTER THROUGH THE FISCAL YEAR COMMENCING JULY
18 1, 2022, THE OFFICE MAY USE UP TO TEN PERCENT OF THE ANNUAL
19 APPROPRIATION FOR ADMINISTRATIVE PURPOSES, WHICH INCLUDES THE
20 COSTS OF CONTRACTING WITH A NONPROFIT, A LENDER, OR A COMMUNITY
21 DEVELOPMENT FINANCIAL INSTITUTION AS ALLOWED IN SUBSECTION
22 (4)(a)(II) OF THIS SECTION.

23 (IV) THE OFFICE MAY SEEK MATCHING PRIVATE-SECTOR MONEY
24 TO HELP CAPITALIZE THE PROGRAM.

25 (e) AS PART OF ADMINISTERING THE PROGRAM, THE OFFICE, OR, IF
26 CONTRACTED OUT, THE NONPROFIT, THE LENDER, OR THE COMMUNITY
27 DEVELOPMENT FINANCIAL INSTITUTION, SHALL ESTABLISH AN

1 APPLICATION FEE, AN ORIGINATION FEE, AND CLOSING COST POLICIES, SET
2 ITS OWN UNDERWRITING AND RISK MANAGEMENT POLICIES, AND SHALL
3 DETERMINE INTEREST RATES, LOAN TERMS, AND MAXIMUM ASSISTANCE
4 LEVELS IN GUIDELINES ADOPTED BY THE OFFICE AND POSTED ON ITS
5 WEBSITE; EXCEPT THAT THE PROGRAM SHALL BE ADMINISTERED WITH A
6 GOAL OF GENERATING ENOUGH RETURN TO REPLENISH THE PROGRAM FOR
7 FUTURE LOAN ALLOCATIONS.

8 **SECTION 2.** In Colorado Revised Statutes, 24-48.5-102, **amend**
9 (1)(a) as follows:

10 **24-48.5-102. Small business assistance center.** (1) (a) In
11 addition to the powers and duties specified in section 24-48.5-101, the
12 Colorado office of economic development shall include the small
13 business assistance center, which shall provide comprehensive
14 information on the federal, state, and local requirements necessary to
15 begin a business and shall make this information available to the public.
16 THE OFFICE SHALL ALSO HAVE AVAILABLE COMPREHENSIVE INFORMATION
17 ON THE FORMS AND MERITS OF EMPLOYEE OWNERSHIP AND THE
18 REVOLVING LOAN PROGRAM DESCRIBED IN SECTION 24-48.5-124 (4).

19 **SECTION 3. Appropriation.** For the 2017-18 state fiscal year,
20 \$200,000 is appropriated to the governor for use by the Colorado office
21 of economic development. This appropriation is from the general fund.
22 To implement this act, the office of economic development may use this
23 appropriation for the revolving loan program described in section
24 24-48.5-124, Colorado Revised Statutes.

25 **SECTION 4. Safety clause.** The general assembly hereby finds,
26 determines, and declares that this act is necessary for the immediate
27 preservation of the public peace, health, and safety.