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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1340 Session of  
2024

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INTRODUCED BY FARRY AND PENNYCUICK, NOVEMBER 7, 2024

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REFERRED TO COMMUNITY, ECONOMIC AND RECREATIONAL DEVELOPMENT,  
NOVEMBER 7, 2024

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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 adopt and  
10 promulgate rules and regulations, statements of policy or forms,  
11 guidelines and other procedures, forms and requirements  
12 necessary for the 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.