RCW 43.330.590 Employee ownership program. *(Expires June 30, 2030.)* (1) Subject to the availability of amounts appropriated for this specific purpose, the Washington employee ownership program is created to support the efforts of businesses considering a sale to an employee ownership structure. The Washington employee ownership program must be administered by the department and overseen by the Washington employee ownership commission established in RCW 43.330.592.

(2)(a) In implementing the Washington employee ownership program, the director must:

(i) Create a network of technical support and service providers for businesses considering employee ownership structures;

(ii) Work with state agencies whose regulations and programs affect employee-owned businesses, and businesses with the potential to become employee owned, to enhance opportunities and reduce barriers;

(iii) Partner with relevant private, nonprofit, and public organizations including, but not limited to, professional and trade associations, financial institutions, unions, small business development centers, economic and workforce development organizations, and nonprofit entities to promote employee ownership benefits and succession models;

(iv) Develop and make available materials regarding employee ownership benefits and succession models;

(v) Provide a referral service to help qualified business owners find appropriate legal, financial, and technical employee ownership resources and services;

(vi) Work with the department of financial institutions and appropriate state, private, and nonprofit entities to shape and implement guidance on lending to broad-based employee ownership vehicles;

(vii) Create an inventory of employee-owned businesses in the state including employee stock ownership plans, worker cooperatives, and employee ownership trusts; and

(viii) Subject to the successful award of federal funding for this purpose, establish a revolving loan program to assist existing small businesses to finance a transition to employee ownership.

(b) Loans offered by the revolving loan program must be used to help facilitate the purchase of an interest in an employee stock ownership plan or worker-owned cooperative from the owner or owners of a qualified business, provided that:

(i) The transaction results in the employee stock ownership plan or worker cooperative holding a majority interest in the business, on a fully diluted basis; and

(ii) If used to assist in the purchase of an interest in an employee stock ownership plan, the employee stock ownership plan: (A) Has appointed an independent trustee; or (B) has, as a trustee, person, or entity, completed education on best practices for employee stock ownership plans.

(c) Loans financing the sale of an interest to a worker cooperative shall be extended based on repayment ability and shall not require a personal or entity guarantee. In meeting the requirement in (b) of this subsection, lending guidelines must be established for worker cooperatives not based on any personal or entity guarantees provided by the member owners or the selling business owner. These guidelines may include but are not limited to cash flow-based underwriting, character-based lending, and reliance on business assets.

(d) In order to support the revolving loan program, the director or the director's designee must apply for federal funding opportunities that:

(i) Support capitalization of state revolving loan programs; and

(ii) Support businesses that seek to transition to employee ownership.

(e) Amounts from the repayment of loans offered by the revolving loan program must be deposited in the employee ownership revolving loan program account established in RCW 43.330.595.

(3) The director or the director's designee may contract with consultants, agents, or advisors necessary to further the purposes of this section.

(4) Subject to the availability of amounts appropriated for this specific purpose, by December 1st each year, the department must submit a report to the appropriate committees of the legislature on program activities and the number of employee-owned businesses and employee-owned trusts in the state, including recommendations for improvement and barriers for businesses considering employee ownership structures in Washington state. The first report must include rules and guidelines for the administration of the program, as established by the Washington employee ownership commission.

(5) For the purposes of this section:

(a) "Employee-owned business" means:

(i) An employee cooperative established under chapter 23.78, 23.86, 23.100, or 24.06 RCW that has at least 50 percent of its board of directors consisting of, and elected by, its employees; or

(ii) An entity owned in whole or in part by employee stock ownership plans as defined in 26 U.S.C. Sec. 4975(e)(7).

(b) "Qualified business" means a person subject to tax under Title 82 RCW, including but not limited to a C corporation, S corporation, limited liability company, partnership, limited liability partnership, sole proprietorship, or other similar pass-through entity, that is not owned in whole or in part by an employee ownership trust, that does not have an employee stock ownership plan, or that is not, in whole or in part, a worker-owned cooperative.

(6) Program support shall only be made available to businesses headquartered in Washington state. For the purposes of this section, "headquartered in Washington state" means that Washington state is its principal place of business or the state where it is incorporated.

(7) The director shall adopt rules as necessary to implement this section.

(8) This section expires June 30, 2030. [2025 c 366 s 2; 2023 c 392 s 2.]

Findings—Intent—2023 c 392: "The legislature finds that:

Employee ownership in companies provides numerous benefits to both businesses and workers across all industries. Research from the national center for employee ownership found that one such structure, employee stock ownership plans, had better workforce retention, benefits and retirement security, and firm performance than nonemployee stock ownership plans companies in the same industry. In addition, the Rutgers school of management and labor relations found that employee-owned companies outperformed nonemployee-owned companies in job retention, pay, and workplace health safety throughout the COVID-19 pandemic. At their core, employee ownership structures allow employees to gain ownership stake in a business, increasing their

personal wealth without the risks related to starting or purchasing their own company.

States throughout the nation have moved to provide support for employee ownership structures. The Colorado employee ownership office has operated since 2019 to create a network of technical support and service providers considering employee ownership structures. Recently, both California and Massachusetts passed legislation to establish their own dedicated employee ownership support programs. Other states, such as Iowa, provide tax benefits and upfront costs to businesses interested in employee ownership.

Further, the federal government has recognized the benefit broad-based employee ownership structures provide to communities. The American rescue plan act included $10,000,000,000 for the state small business credit initiative. Through that act congress also directed the treasury department to allow state small business credit initiative funding to be used for transitions to employee ownership, when state small business credit initiative funding has not been historically available for business transactions.

The legislature desires to provide a dedicated program to educate businesses on employee ownership, assist both owners and workers in navigating available resources, reduce barriers to transitioning to employee-owned structures, and provide tax support for businesses that transition to an employee ownership structure.

Therefore, it is the intent of the legislature to encourage the growth of employee ownership structures through this expanding employee ownership act." [2023 c 392 s 1.]

Short title—2023 c 392: "This act may be known and cited as the expanding employee ownership act." [2023 c 392 s 8.]