



# Senate

General Assembly

**File No. 265**

February Session, 2014

Senate Bill No. 3

*Senate, April 2, 2014*

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

***AN ACT ESTABLISHING AN EMPLOYEE OWNERSHIP PROGRAM TO PROMOTE BUSINESS RETENTION AND GROWTH.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2014*) (a) Not later than January  
2 1, 2015, the Commissioner of Economic and Community Development,  
3 in consultation with the Labor Commissioner, shall prepare and issue  
4 a request for proposals for a community development corporation,  
5 regional economic development corporation or other nonprofit  
6 organization to establish and administer a program to encourage  
7 employee stock ownership plans and other forms of employee  
8 ownership in existing and start-up businesses. The Commissioner of  
9 Economic and Community Development shall provide a grant not to  
10 exceed five hundred thousand dollars for such program. Such  
11 program shall:

12 (1) Provide education and outreach to inform employees, employers  
13 and entrepreneurs about the possibility and benefit of employee  
14 ownership, business ownership succession planning and employee

15 participation in business decision-making, including providing  
16 information about financial education, employee teams, open-book  
17 management principles that provide employees with financial  
18 information regarding business performance and other tools that  
19 enable employees to share ideas and information about how their  
20 businesses can succeed;

21 (2) Provide technical assistance to assist efforts to form and  
22 transition to employee-owned businesses, to enable employers and  
23 employees to explore and assess the feasibility of transferring full or  
24 partial ownership to employees and to encourage employees and  
25 employers to start new employee-owned businesses;

26 (3) Train employees and employers with respect to methods of  
27 employee participation in such open-book management, work teams,  
28 committees and other approaches for seeking greater employee input;  
29 and

30 (4) Develop partnerships with The University of Connecticut, the  
31 Connecticut State University System and a business and industry trade  
32 association in order to host educational events to promote awareness  
33 and understanding of employee ownership of businesses.

34 (b) On or before April 1, 2015, the Commissioner of Economic and  
35 Community Development, in consultation with the Labor  
36 Commissioner, shall evaluate such proposals received pursuant to  
37 subsection (a) of this section and may approve one such proposal. In  
38 evaluating such proposals, said commissioners shall give a preference  
39 to programs that (1) provide preliminary feasibility assessments for  
40 employee ownership or assist in the funding of third-party feasibility  
41 assessments and preliminary business valuations, (2) establish a data  
42 bank to help employees find legal, financial and technical advice in  
43 connection with business ownership, or (3) establish a fee structure for  
44 technical assistance such that the program can be self-sustaining and  
45 not require long-term state operating subsidies.

46 (c) On or before October 1, 2016, the commissioner shall report, in

47 accordance with the provisions of section 11-4a of the general statutes,  
48 to the joint standing committee of the General Assembly having  
49 cognizance of matters relating to commerce on the request for proposal  
50 issued and the program established pursuant to this section.

51 Sec. 2. Subsection (b) of section 32-235 of the 2014 supplement to the  
52 general statutes is repealed and the following is substituted in lieu  
53 thereof (*Effective October 1, 2014*):

54 (b) The proceeds of the sale of said bonds, to the extent of the  
55 amount stated in subsection (a) of this section, shall be used by the  
56 Department of Economic and Community Development (1) for the  
57 purposes of sections 32-220 to 32-234, inclusive, including economic  
58 cluster-related programs and activities, and for the Connecticut job  
59 training finance demonstration program pursuant to sections 32-23uu  
60 and 32-23vv, provided (A) three million dollars shall be used by said  
61 department solely for the purposes of section 32-23uu and not more  
62 than five million two hundred fifty thousand dollars of the amount  
63 stated in said subsection (a) may be used by said department for the  
64 purposes of section 31-3u, (B) not less than one million dollars shall be  
65 used for an educational technology grant to the deployment center  
66 program and the nonprofit business consortium deployment center  
67 approved pursuant to section 32-41l, (C) not less than two million  
68 dollars shall be used by said department for the establishment of a  
69 pilot program to make grants to businesses in designated areas of the  
70 state for construction, renovation or improvement of small  
71 manufacturing facilities, provided such grants are matched by the  
72 business, a municipality or another financing entity. The  
73 Commissioner of Economic and Community Development shall  
74 designate areas of the state where manufacturing is a substantial part  
75 of the local economy and shall make grants under such pilot program  
76 which are likely to produce a significant economic development  
77 benefit for the designated area, (D) five million dollars may be used by  
78 said department for the manufacturing competitiveness grants  
79 program, (E) one million dollars shall be used by said department for  
80 the purpose of a grant to the Connecticut Center for Advanced

81 Technology, for the purposes of subdivision (5) of subsection (a) of  
 82 section 32-7f, (F) fifty million dollars shall be used by said department  
 83 for the purpose of grants to the United States Department of the Navy,  
 84 the United States Department of Defense or eligible applicants for  
 85 projects related to the enhancement of infrastructure for long-term, on-  
 86 going naval operations at the United States Naval Submarine Base-  
 87 New London, located in Groton, which will increase the military value  
 88 of said base. Such projects shall not be subject to the provisions of  
 89 sections 4a-60 and 4a-60a, (G) two million dollars shall be used by said  
 90 department for the purpose of a grant to the Connecticut Center for  
 91 Advanced Technology, Inc., for manufacturing initiatives, including  
 92 aerospace and defense, and (H) four million dollars shall be used by  
 93 said department for the purpose of a grant to companies adversely  
 94 impacted by the construction at the Quinnipiac Bridge, where such  
 95 grant may be used to offset the increase in costs of commercial  
 96 overland transportation of goods or materials brought to the port of  
 97 New Haven by ship or vessel, (2) for the purposes of the small  
 98 business assistance program established pursuant to section 32-9yy,  
 99 provided fifteen million dollars shall be deposited in the small  
 100 business assistance account established pursuant to said section 32-  
 101 9yy, [and] (3) to deposit twenty million dollars in the small business  
 102 express assistance account established pursuant to section 32-7h, and  
 103 (4) for the purposes of section 1 of this act, provided not more than five  
 104 hundred thousand dollars shall be used for such purposes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2014	New section
Sec. 2	October 1, 2014	32-235(b)

**CE**            *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 15 \$</b>	<b>FY 16 \$</b>
Department of Economic & Community Development	GF - Cost	Up to \$50,000	None

**Municipal Impact:** None

**Explanation**

The bill results in a one-time cost of up to \$50,000 to the Department of Economic and Community Development (DECD) by requiring the agency to issue a request for proposal for an organization to establish a program to encourage employee stock ownership. It is anticipated that DECD would need to contract services specializing in employee stock ownership and corporate organization in order to effectively evaluate the proposals.

**Section 2** of the bill provides \$500,000 in previously authorized bond funds under the Manufacturing Assistance Act to support the grant. There is no fiscal impact to this section because it does not authorize additional General Obligation bonds.

**The Out Years**

The cost to DECD is one-time only in FY 15 and therefore has no impact in the outyears.

**OLR Bill Analysis****SB 3*****AN ACT ESTABLISHING AN EMPLOYEE OWNERSHIP PROGRAM TO PROMOTE BUSINESS RETENTION AND GROWTH.*****SUMMARY:**

This bill requires the Department of Economic and Community Development (DECD), in consultation with the Department of Labor (DOL), to issue a request for proposals (RFP) to economic or community development corporations or other nonprofits to develop and administer a program to encourage employee stock ownership plans (ESOPs) and other types of employee ownership of businesses. DECD must issue the RFP by January 1, 2015.

By April 1, 2015, the DECD, in consultation with DOL, must evaluate the proposals and may approve one. The approved program must provide education, outreach, technical assistance, and training regarding ESOPs and other forms of employee-owned businesses. The departments must give preference to proposals with certain features. DECD must report on the program to the Commerce Committee by October 1, 2016.

The bill requires DECD to provide a grant of up to \$500,000 to the approved program. The bill authorizes using \$500,000 in bond proceeds from previously authorized Manufacturing Assistance Act bonds for the grant.

EFFECTIVE DATE: October 1, 2014

**PROGRAM REQUIREMENTS**

The program established under this bill must provide:

1. education and outreach to employees, employers, and

entrepreneurs about the benefits of employee ownership, business ownership succession planning, and employee participation in decision-making, including information about financial education, open-book management principles that give employees business performance information, and other ways that employees can contribute ideas to help their business succeed;

2. technical assistance in forming and transitioning to employee-owned businesses, including assessments of the feasibility of transitioning to such ownership models and starting new businesses based on them;
3. training employees and employers on methods of employee participation in open-book management, work teams, and other ways to increase employee input; and
4. educational events through partnerships with the University of Connecticut, Connecticut State University System, and industry trade associations that promote awareness of employee ownership.

In selecting a proposal, the departments must give preference to programs that:

1. provide feasibility assessments for employee ownership or fund third-party assessments and preliminary business valuations;
2. establish a database to help employees find legal, financial, and technical advice about business ownership; or
3. create a fee structure for technical assistance so that the program may be self-sustaining in the future without long-term state subsidies.

## **COMMITTEE ACTION**

Commerce Committee

Joint Favorable

Yea 17 Nay 0 (03/20/2014)