

119TH CONGRESS
1ST SESSION

S. _____

To require the Secretary of Labor to establish the Office of Employee Ownership to carry out the Employee Ownership Initiative and establish and carry out the Employee Ownership Loan Program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill; which was read twice
and referred to the Committee on _____

A BILL

To require the Secretary of Labor to establish the Office of Employee Ownership to carry out the Employee Ownership Initiative and establish and carry out the Employee Ownership Loan Program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Employee Ownership
5 Financing Act”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

1 (1) DIRECTOR.—The term “Director” means
2 the Director of the Office of Employee Ownership
3 appointed under section 3(a)(2).

4 (2) ELIGIBLE WORKER-OWNED COOPERA-
5 TIVE.—The term “eligible worker-owned coopera-
6 tive” has the meaning given the term in section
7 1042(c)(2) of the Internal Revenue Code of 1986.

8 (3) EMPLOYEE STOCK OWNERSHIP PLAN.—The
9 term “employee stock ownership plan” has the
10 meaning given the term in section 4975(e)(7) of the
11 Internal Revenue Code of 1986.

12 (4) OFFICE.—The term “Office” means the Of-
13 fice of Employee Ownership established under sec-
14 tion 3(a).

15 (5) SECRETARY.—The term “Secretary” means
16 the Secretary of Labor.

17 **SEC. 3. OFFICE OF EMPLOYEE OWNERSHIP.**

18 (a) ESTABLISHMENT OF THE OFFICE OF EMPLOYEE
19 OWNERSHIP.—

20 (1) IN GENERAL.—Not later than 90 days after
21 the date of enactment of this Act, the Secretary
22 shall establish the Office of Employee Ownership in
23 the Department of Labor, outside of the Employee
24 Benefits Security Administration.

1 (2) DIRECTOR.—The Secretary shall appoint
2 the Director of the Office of Employee Ownership to
3 serve as the head of the Office at the pleasure of the
4 Secretary.

5 (3) STAFF.—The Director may select, appoint,
6 and employ such employees as are necessary to carry
7 out the functions of the Office.

8 (b) FUNCTIONS.—The Director shall be responsible
9 for—

10 (1) carrying out the Employee Ownership Ini-
11 tiative established under section 346 of the SE-
12 CURE 2.0 Act of 2022 (29 U.S.C. 3228); and

13 (2) carrying out the Employee Ownership Loan
14 Program under section 4.

15 **SEC. 4. EMPLOYEE OWNERSHIP LOAN PROGRAM.**

16 (a) DEFINITION OF ELIGIBLE ENTITY.—In this sec-
17 tion, the term “eligible entity”—

18 (1) means—

19 (A) an employee stock ownership plan;

20 (B) an eligible worker-owned cooperative;

21 or

22 (C) a qualified trust under section 401(a)
23 of the Internal Revenue Code of 1986, or an-
24 other entity, on behalf of an employee stock
25 ownership plan or eligible worker-owned cooper-

1 ative, which other entity may include a com-
2 pany that sponsors an employee stock owner-
3 ship plan; and

4 (2) excludes any entity primarily owned by a
5 private equity firm, as defined by the Director.

6 (b) LOAN PROGRAM.—

7 (1) IN GENERAL.—The Director shall establish
8 and carry out an Employee Ownership Loan Pro-
9 gram to make loans, or loan guarantees, to eligible
10 entities satisfying the requirements under subsection
11 (c) in order to foster increased employee ownership
12 of United States companies and greater employee
13 participation in company decision making through-
14 out the United States.

15 (2) LOANS.—

16 (A) IN GENERAL.—Each loan or loan
17 guarantee made by the Secretary to an eligible
18 entity under this section shall be—

19 (i) to enable the eligible entity to pur-
20 chase the equity of a company—

21 (I) that is not less than 51 per-
22 cent employee-owned; or

23 (II) that will become not less
24 than 51 percent employee-owned

1 through support from the loan or loan
2 guarantee;

3 (ii) to allow a company that is less
4 than 51 percent employee-owned to become
5 not less than 51 percent employee-owned;

6 (iii) to allow a company that is not
7 less than 51 percent employee-owned to in-
8 crease the level of employee ownership at
9 the company; or

10 (iv) to allow a company that is not
11 less than 51 percent employee-owned to ex-
12 pand operations and increase or preserve
13 employment.

14 (B) TERMS AND CONDITIONS FOR LOANS
15 AND LOAN GUARANTEES.—Notwithstanding any
16 other provision of law, a loan that is made or
17 guaranteed under this section shall—

18 (i) bear interest at an annual rate
19 that is the lesser of—

20 (I) a rate that is sufficient to
21 cover an appropriate amount of the
22 cost of borrowing and losses to the
23 Department of Labor for obligations
24 of comparable maturity, as deter-

1 mined by the Secretary in consulta-
2 tion with the Director; or

3 (II) a rate that is equal to the
4 current applicable market rate for a
5 loan of comparable maturity, as deter-
6 mined by the Secretary in consulta-
7 tion with the Director;

8 (ii) have a repayment period not to
9 exceed 15 years; and

10 (iii) satisfy applicable requirements of
11 the Internal Revenue Code of 1986 and
12 the Employee Retirement Income Security
13 Act of 1974 (29 U.S.C. 1001 et seq.).

14 (C) SUBORDINATION.—A loan or loan
15 guarantee made under this section may be sub-
16 ordinated to the interests of current and former
17 participants in the employee stock ownership
18 plan or eligible worker-owned cooperative if an
19 eligible entity files for bankruptcy, if deter-
20 mined appropriate by the Director.

21 (c) PRECONDITIONS.—An eligible entity seeking a
22 loan or loan guarantee under this section shall submit to
23 the Director, at such time, in such manner, and containing
24 such information as the Director may reasonably require,

1 a business plan (and follow-up reporting on the business
2 plan, as determined by the Director) that—

3 (1) in the case of an eligible entity that is an
4 employee stock ownership plan or that is receiving
5 the loan or loan guarantee on behalf of such a plan,
6 demonstrates that—

7 (A) not less than 51 percent of the equity
8 of the company to be supported by the loan or
9 loan guarantee is or will be owned by an em-
10 ployee stock ownership plan;

11 (B) the trustee of the plan has full voting
12 rights for the shares and, under the plan, such
13 shares are voted in accordance with section
14 409(e) of the Internal Revenue Code of 1986;

15 (C) not fewer than 2 of the members of
16 the board of directors of such company are di-
17 rectors who are not employed by the company,
18 have no other business relationship with the
19 company, and are otherwise independent from
20 the company;

21 (D) the company will establish a com-
22 mittee, of which not less than 50 percent of the
23 members are employees (but not officers) of the
24 company, that will, not later than 1 year after
25 receipt of the loan or loan guarantee, submit to

1 the Director a plan to establish a system of
2 meaningful employee involvement in any work-
3 related decisions of the company, including de-
4 cisions with respect to—

- 5 (i) increasing workplace democracy;
- 6 (ii) open-book management; and
- 7 (iii) other forms of meaningful em-
8 ployee engagement;

9 (E) the company offers a diversified invest-
10 ment option for retirement for employees; and

11 (F) all employees of the company will re-
12 ceive basic information about company progress
13 on a quarterly basis as determined by the Di-
14 rector through regulations;

15 (2) in the case of an eligible entity that is an
16 eligible worker-owned cooperative or that is receiving
17 the loan or loan guarantee on behalf of such a coop-
18 erative, demonstrates that the board of directors of
19 the company is or will be elected, by members of the
20 eligible worker-owned cooperative on a 1 member to
21 1 vote basis; and

22 (3) contains a study from an independent third
23 party with—

24 (A) a fair market valuation of the com-
25 pany; and

1 (B) a positive determination that the eligi-
2 ble entity should generate enough cash flow to
3 pay back the loan or loan guarantee within the
4 repayment period required under subsection
5 (b)(2)(B)(ii).

6 (d) LIMITATION.—The principal amount of loans and
7 loan guarantees made under this section shall not exceed,
8 in the aggregate, \$500,000,000.

9 **SEC. 5. EMPLOYEE RIGHT OF FIRST REFUSAL BEFORE**
10 **PLANT CLOSING.**

11 (a) IN GENERAL.—Section 3 of the Worker Adjust-
12 ment and Retraining Notification Act (29 U.S.C. 2102)
13 is amended by adding at the end the following:

14 “(e) EMPLOYEE STOCK OWNERSHIP PLANS AND EL-
15 IGIBLE WORKER-OWNED COOPERATIVES.—

16 “(1) OPPORTUNITY TO PURCHASE.—If an em-
17 ployer orders a plant closing that is a permanent
18 shutdown of an entire facility, the employer shall in-
19 clude in the notice required under subsection (a) an
20 offer for the affected employees of the employer to
21 purchase that plant or facility, or the company of
22 the plant or facility, through either of the following:

23 “(A) An employee stock ownership plan, as
24 defined in section 4975(e)(7) of the Internal
25 Revenue Code of 1986, sponsored by a company

1 that is not less than 51 percent employee-
2 owned.

3 “(B) An eligible worker-owned cooperative,
4 as defined in section 1042(c)(2) of such Code.

5 “(2) DETERMINATION OF VALUE.—

6 “(A) IN GENERAL.—The value of the
7 plant, facility, or company that is the subject of
8 the offer described in paragraph (1) shall be the
9 fair market value of the plant, facility, or com-
10 pany, respectively, as determined by an ap-
11 praisal that is—

12 “(i) conducted by an independent
13 third party selected in accordance with
14 subparagraph (B); and

15 “(ii) paid for by the employer de-
16 scribed in paragraph (1).

17 “(B) INDEPENDENT THIRD PARTY.—The
18 independent third party described in subpara-
19 graph (A)(i) shall be—

20 “(i) in the case of a plant, facility, or
21 company to be purchased through an em-
22 ployee stock ownership plan, selected by
23 the trustee of the plan; and

24 “(ii) in the case of an eligible worker-
25 owned cooperative, selected jointly by the

1 employer described in paragraph (1) and
2 the affected employees of that employer (or
3 the designated representative of such em-
4 ployees).

5 “(C) DISCLOSURES.—For purposes of de-
6 termining the value of a plant, facility, or com-
7 pany that is the subject of an employee stock
8 ownership plan or eligible worker-owned cooper-
9 ative described in paragraph (1), the offer re-
10 quired under such paragraph shall include, with
11 respect to the plant, facility, or company, a dis-
12 closure of—

13 “(i) any outstanding liabilities, includ-
14 ing any outstanding claims by creditors;

15 “(ii) copies of all recent financial
16 statements;

17 “(iii) securities filings or related dis-
18 closures;

19 “(iv) any legal claims filed against the
20 company;

21 “(v) any bankruptcy filings; and

22 “(vi) any other similar information
23 necessary to determine the full value and
24 financial viability of the plant, facility, or
25 company (and in the case of a plant or

1 company, any facilities of the plant or
2 company).

3 “(3) LIMITATION.—In the event that the af-
4 fected employees and employer described in para-
5 graph (1) (or the designated representatives of such
6 employees and employer) enter, in good faith and
7 during the 60-day period after the employer serves
8 the notice required under subsection (a), into nego-
9 tiations for the purchase of the plant, facility, or
10 company, the plant (and all facilities or operating
11 units at the plant), facility (and all operating units
12 at such facility), or company (and all facilities or op-
13 erating units at the company), as applicable, shall
14 remain open during such negotiations and for at
15 least the 30-day period following the closing date for
16 such purchase.”.

17 (b) EXEMPTION FROM PROHIBITED TRANSACTIONS
18 FOR PURCHASE DUE TO PLANT CLOSING.—

19 (1) IN GENERAL.—Section 408 of Employee
20 Retirement Income Security Act of 1974 (29 U.S.C.
21 1108) is amended by adding at the end the fol-
22 lowing:

23 “(i) PURCHASE AND OPERATION OF EMPLOYER
24 COMPANY, PLANT, OR FACILITY DUE TO PLANT CLOS-
25 ING.—Sections 406 and 407 shall not apply to the pur-

1 chase and operation of a company, plant, or facility
2 through an employee stock ownership plan (as that term
3 is defined in section 4975(e)(7) of the Internal Revenue
4 Code of 1986) pursuant to section 3(e) of the Worker Ad-
5 justment and Retraining Notification Act (29 U.S.C.
6 2102(e)).”.

7 (2) CONFORMING AMENDMENTS TO THE INTER-
8 NAL REVENUE CODE OF 1986.—

9 (A) IN GENERAL.—Subsection (d) of sec-
10 tion 4975 of the Internal Revenue Code of 1986
11 is amended by striking “or” at the end of para-
12 graph (24), by striking the period at the end of
13 paragraph (25) and inserting “, or”, and by
14 adding at the end the following new paragraph:
15 “(26) the purchase and operation of a company,
16 plant, or facility through an employee stock owner-
17 ship plan pursuant to section 3(e) of the Worker Ad-
18 justment and Retraining Notification Act (29 U.S.C.
19 2102(e)).”.

20 (B) EXEMPTION FROM OWNER-EMPLOYEE
21 RULES.—Subparagraph (A) of section
22 4975(f)(6) of such Code is amended by striking
23 “(9) and (12)” and inserting “(9), (12), and
24 (26)”.

1 **SEC. 6. ADVISORY COUNCIL ON EMPLOYEE OWNERSHIP.**

2 (a) IN GENERAL.—

3 (1) ESTABLISHMENT.—There is hereby estab-
4 lished an Advisory Council on Employee Ownership
5 (hereinafter in this section referred to as the “Coun-
6 cil”) consisting of 7 members appointed by the Sec-
7 retary.

8 (2) MEMBERSHIP.—

9 (A) IN GENERAL.—Of the 7 members of
10 the Council—

11 (i) 4 shall be appointed to represent
12 employees;

13 (ii) 1 shall be appointed to represent
14 companies that have established an em-
15 ployee stock ownership plan or eligible
16 worker-owned cooperative;

17 (iii) 1 shall be appointed to represent
18 employee stock ownership plan providers;
19 and

20 (iv) 1 shall be appointed to represent
21 associations or other membership organiza-
22 tions for employee stock ownership plans
23 or eligible worker-owned cooperatives.

24 (B) POLITICAL AFFILIATION.—Not more
25 than 4 members of the Council shall be mem-
26 bers of the same political party.

1 (3) TERMS.—Members of the Council shall
2 serve for terms of 2 years.

3 (4) APPOINTMENT; REAPPOINTMENT.—A mem-
4 ber of the Council may be reappointed to serve addi-
5 tional terms.

6 (5) VACANCIES.—A member of the Council ap-
7 pointed to fill a vacancy shall be appointed only for
8 the remainder of such term.

9 (6) QUORUM.—A majority of members of the
10 Council shall constitute a quorum and action shall
11 be taken only by a majority vote of those present
12 and voting.

13 (b) DUTIES AND FUNCTIONS.—

14 (1) IN GENERAL.—It shall be the duty of the
15 Council to advise the Secretary with respect to the
16 carrying out of the functions of the Secretary under
17 this Act and to submit to the Secretary rec-
18 ommendations with respect to carrying out such du-
19 ties.

20 (2) MEETINGS.—The Council shall meet at
21 least 4 times each year and at such other times as
22 the Secretary requests.

23 (3) REPORT.—The Council shall annually sub-
24 mit a report to the Secretary on the recommenda-
25 tions described in paragraph (1).

1 (c) EXECUTIVE SECRETARY; SECRETARIAL AND
2 CLERICAL SERVICES.—The Secretary shall furnish to the
3 Council an Executive Secretary and such secretarial, cler-
4 ical, and other services as are determined necessary to
5 conduct the business of the Council. The Secretary may
6 call upon other agencies of the Federal Government for
7 statistical data, reports, and other information which will
8 assist the Council in the performance of its duties.

9 (d) COMPENSATION.—

10 (1) IN GENERAL.—Members of the Council
11 shall each be entitled to receive the daily equivalent
12 of the annual rate of basic pay in effect for level IV
13 of the Executive Schedule under section 5315 of title
14 5, United States Code for each day (including travel
15 time) during which they are engaged in the actual
16 performance of duties vested in the Council.

17 (2) TRAVEL EXPENSES.—While away from
18 their homes or regular places of business in the per-
19 formance of services for the Council, members of the
20 Council shall be allowed travel expenses, including
21 per diem in lieu of subsistence, in the same manner
22 as persons employed intermittently in the Govern-
23 ment service are allowed expenses under section
24 5703 of title 5, United States Code.

1 (e) TERMINATION.—Section 1013 of title 5, United
2 States Code, relating to termination, shall not apply to
3 the Council.

4 **SEC. 7. REGULATIONS OR GUIDANCE.**

5 Not later than 1 year after the date of enactment
6 of this Act, the Secretary shall prescribe such regulations
7 or guidance as are necessary to implement sections 3, 4,
8 and 6.

9 **SEC. 8. AUTHORIZATION OF APPROPRIATIONS.**

10 (a) LOAN PROGRAM.—There are authorized to be ap-
11 propriated to the Secretary—

12 (1) \$500,000,000 for fiscal year 2026, to re-
13 main available until expended, to make loans or loan
14 guarantees under section 4 in such fiscal year and
15 subsequent fiscal years;

16 (2) \$5,000,000 for fiscal year 2026, to remain
17 available until September 30, 2026, for administra-
18 tive costs in establishing the program under such
19 section; and

20 (3) such sums as may be necessary for fiscal
21 year 2027, and each subsequent fiscal year, for ad-
22 ministrative costs in carrying out the program in
23 such fiscal years.

24 (b) ADDITIONAL AUTHORIZATIONS.—There are au-
25 thorized to be appropriated to the Secretary to carry out

- 1 this Act, other than section 4, such sums as may be nec-
- 2 essary for each fiscal year.