

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.

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IN THE SENATE OF THE UNITED STATES

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Mr. SANDERS (for himself, Mrs. SHAHEEN, Mr. BLUMENTHAL, and Mrs. GILLIBRAND) introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**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) LOAN PORTFOLIO.—

7 (1) EMPLOYEE OWNERSHIP LOAN PROGRAM  
8 FUND.—

9 (A) ESTABLISHMENT.—There is estab-  
10 lished in the Treasury of the United States a  
11 fund to be known as the “Employee Ownership  
12 Loan Program Fund”.

13 (B) DEPOSITS.—Notwithstanding section  
14 3302 of title 31, there shall be deposited in the  
15 Employee Ownership Loan Program Fund any  
16 amount repaid or otherwise received with re-  
17 spect to loans or loan guarantees made under  
18 this section, including from any collection ef-  
19 fort.

20 (C) AVAILABILITY OF AMOUNTS.—All  
21 amounts deposited in the Employee Ownership  
22 Loan Program Fund under subparagraph (B)  
23 shall—

1 (i) be deposited as offsetting collec-  
2 tions into the Employee Ownership Loan  
3 Program Fund;

4 (ii) be available to the Director, with-  
5 out further appropriation, to make loans or  
6 loan guarantees under this section and for  
7 the administrative costs of such loans and  
8 loan guarantees; and

9 (iii) remain available to the Director  
10 until expended.

11 (2) LIMITATION OF LOAN PORTFOLIO.—The  
12 principal amount of outstanding loans and loan  
13 guarantees made under this section (including using  
14 amounts from the Employee Ownership Loan Pro-  
15 gram Fund) shall not exceed, in the aggregate,  
16 \$500,000,000 at any one time.

17 **SEC. 5. EMPLOYEE RIGHT OF FIRST REFUSAL BEFORE**  
18 **PLANT CLOSING.**

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

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

24 “(1) OPPORTUNITY TO PURCHASE.—If an em-  
25 ployer orders a plant closing that is a permanent

1 shutdown of an entire facility, the employer shall in-  
2 clude in the notice required under subsection (a) an  
3 offer for the affected employees of the employer to  
4 purchase that plant or facility, or the company of  
5 the plant or facility, through either of the following:

6 “(A) An employee stock ownership plan, as  
7 defined in section 4975(e)(7) of the Internal  
8 Revenue Code of 1986, sponsored by a company  
9 that is not less than 51 percent employee-  
10 owned.

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

13 “(2) DETERMINATION OF VALUE.—

14 “(A) IN GENERAL.—The value of the  
15 plant, facility, or company that is the subject of  
16 the offer described in paragraph (1) shall be the  
17 fair market value of the plant, facility, or com-  
18 pany, respectively, as determined by an ap-  
19 praisal that is—

20 “(i) conducted by an independent  
21 third party selected in accordance with  
22 subparagraph (B); and

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

1           “(B) INDEPENDENT THIRD PARTY.—The  
2 independent third party described in subpara-  
3 graph (A)(i) shall be—

4           “(i) in the case of a plant, facility, or  
5 company to be purchased through an em-  
6 ployee stock ownership plan, selected by  
7 the trustee of the plan; and

8           “(ii) in the case of an eligible worker-  
9 owned cooperative, selected jointly by the  
10 employer described in paragraph (1) and  
11 the affected employees of that employer (or  
12 the designated representative of such em-  
13 ployees).

14           “(C) DISCLOSURES.—For purposes of de-  
15 termining the value of a plant, facility, or com-  
16 pany that is the subject of an employee stock  
17 ownership plan or eligible worker-owned cooper-  
18 ative described in paragraph (1), the offer re-  
19 quired under such paragraph shall include, with  
20 respect to the plant, facility, or company, a dis-  
21 closure of—

22           “(i) any outstanding liabilities, includ-  
23 ing any outstanding claims by creditors;

24           “(ii) copies of all recent financial  
25 statements;

1 “(iii) securities filings or related dis-  
2 closures;

3 “(iv) any legal claims filed against the  
4 company;

5 “(v) any bankruptcy filings; and

6 “(vi) any other similar information  
7 necessary to determine the full value and  
8 financial viability of the plant, facility, or  
9 company (and in the case of a plant or  
10 company, any facilities of the plant or  
11 company).

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

1 (b) EXEMPTION FROM PROHIBITED TRANSACTIONS  
2 FOR PURCHASE DUE TO PLANT CLOSING.—

3 (1) IN GENERAL.—Section 408 of Employee  
4 Retirement Income Security Act of 1974 (29 U.S.C.  
5 1108) is amended by adding at the end the fol-  
6 lowing:

7 “(i) PURCHASE AND OPERATION OF EMPLOYER  
8 COMPANY, PLANT, OR FACILITY DUE TO PLANT CLOS-  
9 ING.—Sections 406 and 407 shall not apply to the pur-  
10 chase and operation of a company, plant, or facility  
11 through an employee stock ownership plan (as that term  
12 is defined in section 4975(e)(7) of the Internal Revenue  
13 Code of 1986) pursuant to section 3(e) of the Worker Ad-  
14 justment and Retraining Notification Act (29 U.S.C.  
15 2102(e)).”.

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

18 (A) IN GENERAL.—Subsection (d) of sec-  
19 tion 4975 of the Internal Revenue Code of 1986  
20 is amended by striking “or” at the end of para-  
21 graph (24), by striking the period at the end of  
22 paragraph (25) and inserting “, or”, and by  
23 adding at the end the following new paragraph:  
24 “(26) the purchase and operation of a company,  
25 plant, or facility through an employee stock owner-

1 ship plan pursuant to section 3(e) of the Worker Ad-  
2 justment and Retraining Notification Act (29 U.S.C.  
3 2102(e)).”.

4 (B) EXEMPTION FROM OWNER-EMPLOYEE  
5 RULES.—Subparagraph (A) of section  
6 4975(f)(6) of such Code is amended by striking  
7 “(9) and (12)” and inserting “(9), (12), and  
8 (26)”.

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

10 (a) IN GENERAL.—

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

16 (2) MEMBERSHIP.—

17 (A) IN GENERAL.—Of the 7 members of  
18 the Council—

19 (i) 4 shall be appointed to represent  
20 employees;

21 (ii) 1 shall be appointed to represent  
22 companies that have established an em-  
23 ployee stock ownership plan or eligible  
24 worker-owned cooperative;

1 (iii) 1 shall be appointed to represent  
2 employee stock ownership plan providers;  
3 and

4 (iv) 1 shall be appointed to represent  
5 associations or other membership organiza-  
6 tions for employee stock ownership plans  
7 or eligible worker-owned cooperatives.

8 (B) POLITICAL AFFILIATION.—Not more  
9 than 4 members of the Council shall be mem-  
10 bers of the same political party.

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

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

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

19 (6) QUORUM.—A majority of members of the  
20 Council shall constitute a quorum and action shall  
21 be taken only by a majority vote of those present  
22 and voting.

23 (b) DUTIES AND FUNCTIONS.—

24 (1) IN GENERAL.—It shall be the duty of the  
25 Council to advise the Secretary with respect to the



1 carrying out of the functions of the Secretary under  
2 this Act and to submit to the Secretary rec-  
3 ommendations with respect to carrying out such du-  
4 ties.

5 (2) MEETINGS.—The Council shall meet at  
6 least 4 times each year and at such other times as  
7 the Secretary requests.

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

11 (c) EXECUTIVE SECRETARY; SECRETARIAL AND  
12 CLERICAL SERVICES.—The Secretary shall furnish to the  
13 Council an Executive Secretary and such secretarial, cler-  
14 ical, and other services as are determined necessary to  
15 conduct the business of the Council. The Secretary may  
16 call upon other agencies of the Federal Government for  
17 statistical data, reports, and other information which will  
18 assist the Council in the performance of its duties.

19 (d) COMPENSATION.—

20 (1) IN GENERAL.—Members of the Council  
21 shall each be entitled to receive the daily equivalent  
22 of the annual rate of basic pay in effect for level IV  
23 of the Executive Schedule under section 5315 of title  
24 5, United States Code for each day (including travel

1       time) during which they are engaged in the actual  
2       performance of duties vested in the Council.

3           (2) TRAVEL EXPENSES.—While away from  
4       their homes or regular places of business in the per-  
5       formance of services for the Council, members of the  
6       Council shall be allowed travel expenses, including  
7       per diem in lieu of subsistence, in the same manner  
8       as persons employed intermittently in the Govern-  
9       ment service are allowed expenses under section  
10      5703 of title 5, United States Code.

11      (e) TERMINATION.—Section 1013 of title 5, United  
12      States Code, relating to termination, shall not apply to  
13      the Council.

14      **SEC. 7. REGULATIONS OR GUIDANCE.**

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

19      **SEC. 8. AUTHORIZATION OF APPROPRIATIONS.**

20      (a) LOAN PROGRAM.—There are authorized to be ap-  
21      propriated to the Employee Ownership Loan Program  
22      Fund established under section 4—

23           (1) \$500,000,000 for fiscal year 2026, to re-  
24      main available until expended, to make loans or loan

1       guarantees under such section during such fiscal  
2       year and subsequent fiscal years;

3               (2) \$5,000,000 for fiscal year 2026, to remain  
4       available until September 30, 2026, for administra-  
5       tive costs in establishing the program under such  
6       section; and

7               (3) such sums as may be necessary for fiscal  
8       year 2027, and each subsequent fiscal year, for ad-  
9       ministrative costs in carrying out the program dur-  
10      ing such fiscal years.

11      (b) ADDITIONAL AUTHORIZATIONS.—There are au-  
12      thorized to be appropriated to the Secretary to carry out  
13      this Act, other than section 4, such sums as may be nec-  
14      essary for each fiscal year.