

## **SECTION BY SECTION SUMMARY OF THE U.S. EMPLOYEE OWNERSHIP BANK ACT**

### **SECTION 1. SHORT TITLE.**

This section names the bill the U.S. Employee Ownership Bank Act.

### **SECTION 2. FINDINGS.**

This section includes the following findings:

- (1) Over the past 6 years, the United States has lost more than 3 million decent-paying manufacturing jobs.
- (2) At the end of 2006, the U.S. had a record-breaking trade deficit of more than \$763 billion, including a \$232 billion trade deficit with China.
- (3) Preserving and increasing decent-paying jobs must be a top priority of the United States Congress.
- (4) Providing loan guarantees, direct loans, and technical assistance to employees to buy their own companies will preserve and increase employment in the United States.
- (5) Just like the United States Export-Import Bank was created in 1934 during the midst of the Great Depression as a way to increase United States jobs through exports, the time has come to establish the United States Employee Ownership Bank within the Department of the Treasury to preserve and expand jobs in the United States.

### **SECTION 3(a) and (b). ESTABLISHMENT AND DUTIES OF UNITED STATES EMPLOYEE OWNERSHIP BANK WITHIN THE DEPARTMENT OF THE TREASURY .**

Section 3(a) requires the Secretary of the Treasury to establish the U.S. Employee Ownership Bank within 90 days after the enactment of the legislation to foster increased employee ownership and greater employee participation in company decision-making.

Section 3(b) authorizes the bank to provide:

- 1) Subordinated loans and loan guarantees to employees to purchase a business through an ESOP or eligible worker owned cooperative (EWOC) that are at least 51% employee-owned.
- 2) Grants to States and nonprofit and cooperative organizations with experience in developing employee-owned businesses and worker-owned cooperatives to provide education and outreach to inform people about the possibilities and benefits of employee ownership of companies, gain sharing, and participation in company decision-making, including some financial education.

- 3) Grants to States and nonprofit and cooperative organizations with experience in developing employee-owned businesses and worker-owned cooperatives to provide technical assistance to assist employee efforts to become business owners.
- 4) Grants to States and nonprofit and cooperative organizations with experience in developing employee-owned businesses and worker-owned cooperatives to provide participation training to teach employees and employers methods of employee participation in company decision-making.
- 5) Grants to States and nonprofit and cooperative organizations with experience in developing employee-owned businesses and worker-owned cooperatives to conduct objective third party pre-feasibility and feasibility studies to determine if employees who would like to start-up employee stock ownership plans or worker cooperatives would be able to create a sustainable business.

### **SECTION 3(c). PRECONDITIONS.**

Before the Bank approves any subordinated loans or loan guarantees, Section 3(c) requires applicants to submit a business plan that shows that at least 51% of the ESOP or EWOC is owned or controlled by employees; the Board of Directors is elected by all of the employees or members; and that all employees receive basic information about company progress and have the opportunity to participate in day-to-day operations.

In addition, before approval, Section 3(c) requires the applicant to provide a feasibility study from an objective third party with a positive determination that the employee stock ownership plan or eligible worker owned cooperative will generate enough margin to pay back any loan, subordinated loan or loan guarantee that was made possible through the United States Employee Ownership Bank.

### **SECTION 3(d). INSURANCE OF SUBORDINATED LOANS AND LOAN GUARANTEES.**

Section 3(d) requires the Bank to insure any loan or loan guarantee that it approves against the non-repayment of the outstanding balance of the loan and charge premiums to the borrower in an amount as to cover no more than the cost of the insurance.

The premiums and fees charged by the Bank are required under this section to be deposited in a fund to cover any losses incurred by the Bank in connection with any such loan or loan guarantee.

### **SECTION 3(e). TERMS AND CONDITIONS FOR LOANS AND LOAN GUARANTEES.**

This section requires the Bank to establish interest rates for subordinated loans at either the cost of borrowing or 4 percent and the interest for guaranteed loans at the current

market rate. These are the same rates that are established under current law for Rural Broadband loan and loan guarantees authorized in the 2002 Farm bill.

In addition, loans and loan guarantees under this act shall have a term not to exceed 12 years.

### **SECTION 3(f). TECHNICAL ASSISTANCE FOR GRANTS.**

In awarding grants to States, nonprofits and cooperative organizations for technical assistance grants, the Secretary may require the grantees to take the following actions:

- 1) Provide for the targeting of key groups such as retiring business owners, unions, managers, trade associations, and community organizations.
- 2) Encourage cooperation in organizing workshops and conferences.
- 3) Provide for the preparation and distribution of materials concerning employee ownership and participation.

### **SECTION 3(g). PARTICIPATION TRAINING FOR GRANTS.**

In awarding grants to States and nonprofit and cooperative organizations for participation training grants the Secretary may require the Bank to take the following actions:

- 1) Provide for courses on employee participation.
- 2) Provide for the development and fostering of networks of employee owned companies to spread the use of successful participation techniques.

## **SEC. 4. REGULATIONS.**

This section requires the Secretary to promulgate such regulations as are necessary to implement this act within 90 days. Such regulations shall include provisions to:

- 1) Ensure the safety and soundness of the United States Employee Ownership Bank.
- 2) Ensure that the United States Employee Ownership Bank will not compete with commercial financial institutions.

## **SEC. 5. ORGANIZATION OF BANK.**

This section requires the Treasury Secretary to appoint a director of the Bank and authorizes the Director to select, appoint, employ, and fix the compensation of such employees as shall be necessary to carry out the functions of the Bank.

## **SEC. 8. AUTHORIZATION OF APPROPRIATIONS.**

This Section authorizes an appropriation of \$100 million in Fiscal Year 2008, and such sums as may be necessary thereafter to carry out the purposes of this Act.