

115TH CONGRESS
1ST SESSION

H. R. 2357

To provide for the establishment of the United States Employee Ownership Bank, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 4, 2017

Mr. DEFAZIO introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide for the establishment of the United States Employee Ownership Bank, 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 “United States Em-
5 ployee Ownership Bank Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

8 (1) between January 2000 and January 2017,
9 the manufacturing sector lost 4,929,000 jobs;

1 (2) as of January 2017, only 12,355,000 work-
2 ers in the United States were employed in the manu-
3 facturing sector, a lower number than in July 1941;

4 (3) at the end of 2016, the United States had
5 a trade deficit of \$502,300,000,000, including a
6 \$347,037,900,000 trade deficit with China;

7 (4) preserving and increasing decent paying
8 jobs must be a top priority of Congress;

9 (5) providing loan guarantees, direct loans, and
10 technical assistance to employees to buy their own
11 companies will preserve and increase employment in
12 the United States; and

13 (6) the time has come to establish the United
14 States Employee Ownership Bank to preserve and
15 expand jobs in the United States through Employee
16 Stock Ownership Plans and worker-owned coopera-
17 tives.

18 **SEC. 3. DEFINITIONS.**

19 In this Act—

20 (1) the term “Bank” means the United States
21 Employee Ownership Bank established under section
22 4;

23 (2) the term “eligible worker-owned coopera-
24 tive” has the meaning given the term in section
25 1042(c)(2) of the Internal Revenue Code of 1986;

1 (3) the term “employee stock ownership plan”
2 has the meaning given the term in section
3 4975(e)(7) of the Internal Revenue Code of 1986;
4 and

5 (4) the term “Secretary” means the Secretary
6 of the Treasury.

7 **SEC. 4. ESTABLISHMENT OF UNITED STATES EMPLOYEE**
8 **OWNERSHIP BANK WITHIN THE DEPART-**
9 **MENT OF THE TREASURY.**

10 (a) ESTABLISHMENT OF BANK.—

11 (1) IN GENERAL.—Before the end of the 90-day
12 period beginning on the date of enactment of this
13 Act, the Secretary shall establish the United States
14 Employee Ownership Bank to foster increased em-
15 ployee ownership of United States companies and
16 greater employee participation in company decision-
17 making throughout the United States.

18 (2) ORGANIZATION OF THE BANK.—

19 (A) MANAGEMENT.—The Secretary shall
20 appoint a Director to serve as the head of the
21 Bank, who shall serve at the pleasure of the
22 Secretary.

23 (B) STAFF.—The Director appointed
24 under subparagraph (A) may select, appoint,
25 employ, and fix the compensation of such em-

1 employees as are necessary to carry out the func-
2 tions of the Bank.

3 (b) DUTIES OF BANK.—The Bank is authorized to
4 provide direct loans and loan guarantees, which may be
5 subordinated to the interests of all other creditors—

6 (1) to purchase a company through an em-
7 ployee stock ownership plan or an eligible worker-
8 owned cooperative, which shall be at least 51 percent
9 employee owned, or will become at least 51 percent
10 employee owned as a result of financial assistance
11 from the Bank;

12 (2) to allow a company that is less than 51 per-
13 cent employee owned to become at least 51 percent
14 employee owned;

15 (3) to allow a company that is already at least
16 51 percent employee owned to increase the level of
17 employee ownership at the company; and

18 (4) to allow a company that is already at least
19 51 percent employee owned to expand operations
20 and increase or preserve employment.

21 (c) PRECONDITIONS.—Before the Bank makes any
22 subordinated loan or guarantees a loan under subsection
23 (b)(1), a business plan shall be submitted to the Bank
24 that—

25 (1) shows that—

1 (A) not less than 51 percent of all interests
2 in the company is or will be owned or controlled
3 by an employee stock ownership plan or eligible
4 worker-owned cooperative;

5 (B) the board of directors of the company
6 is or will be elected by shareholders on a 1
7 share to 1 vote basis, or by members of the eli-
8 gible worker-owned cooperative on a 1 member
9 to 1 vote basis, except that shares held by the
10 employee stock ownership plan will be voted ac-
11 cording to section 409(e) of the Internal Rev-
12 enue Code of 1986, with participants providing
13 voting instructions to the trustee of the em-
14 ployee stock ownership plan in accordance with
15 the terms of the employee stock ownership plan
16 and the requirements of that section 409(e);
17 and

18 (C) all employees will receive basic infor-
19 mation about company progress and have the
20 opportunity to participate in day-to-day oper-
21 ations; and

22 (2) includes a feasibility study from an objective
23 third party with a positive determination that the
24 employee stock ownership plan or eligible worker-
25 owned cooperative will generate enough of a margin

1 to pay back any loan, subordinated loan, or loan
 2 guarantee that was made possible through the Bank.

3 (d) TERMS AND CONDITIONS FOR LOANS AND LOAN
 4 GUARANTEES.—Notwithstanding any other provision of
 5 law, a loan that is provided or guaranteed under this sec-
 6 tion shall—

7 (1) bear interest at an annual rate, as deter-
 8 mined by the Secretary—

9 (A) in the case of a direct loan under this
 10 section—

11 (i) sufficient to cover the cost of bor-
 12 rowing to the Department of the Treasury
 13 for obligations of comparable maturity; or

14 (ii) of 4 percent; and

15 (B) in the case of a loan guaranteed under
 16 this section, in an amount that is equal to the
 17 current applicable market rate for a loan of
 18 comparable maturity; and

19 (2) have a term not to exceed 12 years.

20 **SEC. 5. EMPLOYEE RIGHT OF FIRST REFUSAL BEFORE**
 21 **PLANT OR FACILITY CLOSING.**

22 Section 3 of the Worker Adjustment and Retraining
 23 Notification Act (29 U.S.C. 2102) is amended—

24 (1) in the section heading, by inserting “; **EM-**
 25 **PLOYEE STOCK OWNERSHIP PLANS OR ELIGI-**

1 **BLE WORKER-OWNED COOPERATIVES”** after
2 **“LAYOFFS”**; and

3 (2) by adding at the end the following:

4 **“(e) EMPLOYEE STOCK OWNERSHIP PLANS AND EL-**
5 **IGIBLE WORKER-OWNED COOPERATIVES.—**

6 **“(1) GENERAL RULE.—**Except as provided in
7 paragraph (2), if an employer orders a plant or facil-
8 ity closing in connection with the termination of its
9 operations at such plant or facility, the employer
10 shall offer its employees an opportunity to purchase
11 such plant or facility through an employee stock
12 ownership plan (as that term is defined in section
13 4975(e)(7) of the Internal Revenue Code of 1986) or
14 an eligible worker-owned cooperative (as that term is
15 defined in section 1042(c)(2) of the Internal Rev-
16 enue Code of 1986) that is at least 51 percent em-
17 ployee owned. The value of the company which is to
18 be the subject of such plan or cooperative shall be
19 the fair market value of the plant or facility, as de-
20 termined by an appraisal by an independent third
21 party jointly selected by the employer and the em-
22 ployees. The cost of the appraisal may be shared
23 evenly between the employer and the employees.

24 **“(2) EXEMPTIONS.—**Paragraph (1) shall not
25 apply—

1 “(A) if an employer orders a plant closing,
 2 but will retain the assets of such plant to con-
 3 tinue or begin a business within the United
 4 States; or

5 “(B) if an employer orders a plant closing
 6 and such employer intends to continue the busi-
 7 ness conducted at such plant at another plant
 8 within the United States.”.

9 **SEC. 6. REGULATIONS ON SAFETY AND SOUNDNESS AND**
 10 **PREVENTING COMPETITION WITH COMMER-**
 11 **CIAL INSTITUTIONS.**

12 Before the end of the 90-day period beginning on the
 13 date of enactment of this Act, the Secretary shall prescribe
 14 such regulations as are necessary to implement this Act
 15 and the amendments made by this Act, including—

16 (1) regulations to ensure the safety and sound-
 17 ness of the Bank; and

18 (2) regulations to ensure that the Bank will not
 19 compete with commercial financial institutions.

20 **SEC. 7. COMMUNITY REINVESTMENT CREDIT.**

21 Section 804 of the Community Reinvestment Act of
 22 1977 (12 U.S.C. 2903) is amended by adding at the end
 23 the following:

24 “(e) ESTABLISHMENT OF EMPLOYEE STOCK OWNER-
 25 SHIP PLANS AND ELIGIBLE WORKER-OWNED COOPERA-

1 TIVES.—In assessing and taking into account, under sub-
2 section (a), the record of a financial institution, the appro-
3 priate Federal financial supervisory agency may consider
4 as a factor capital investments, loans, loan participation,
5 technical assistance, financial advice, grants, and other
6 ventures undertaken by the institution to support or en-
7 able employees to establish employee stock ownership
8 plans or eligible worker-owned cooperatives (as those
9 terms are defined in sections 4975(e)(7) and 1042(c)(2)
10 of the Internal Revenue Code of 1986, respectively), that
11 are at least 51 percent employee owned plans or coopera-
12 tives.”.

13 **SEC. 8. AUTHORIZATION OF APPROPRIATIONS.**

14 There are authorized to be appropriated to the Sec-
15 retary to carry out this Act, \$500,000,000 for fiscal year
16 2018, and such sums as may be necessary for each fiscal
17 year thereafter.

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