

## Calendar No. 348

115TH CONGRESS }  
2d Session }

SENATE

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### SMALL BUSINESS EMPLOYEE OWNERSHIP PROMOTION ENHANCEMENT ACT OF 2017

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DECEMBER 19, 2018.—Ordered to be printed

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Mr. RISCH, from the Committee on Small Business and  
Entrepreneurship, submitted the following

### R E P O R T

[To accompany S. 1538]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 1538) to amend the Small Business Act to establish awareness of, and technical assistance for, the creation of employee stock ownership plans (ESOPs), and for other purposes, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

#### I. INTRODUCTION

S. 1538 was introduced by Senator Gary C. Peters, for himself, and Senator James E. Risch, the Committee's Chairman, on July 12, 2017.

This bill requires the SCORE Association, a Small Business Administration (SBA) resource partner, to establish a new position responsible for administering informational resources regarding ESOPs: the SCORE Employee Ownership Director. The Director's duties include coordinating efforts for employee ownership within SCORE chapters' nationwide and providing technical assistance that promotes or facilitates employee ownership plans. This role may be held by an existing SCORE employee.

#### II. HISTORY (PURPOSE & NEED FOR LEGISLATION)

Currently, there is no technical assistance program at SBA tasked with educating small business owners on ESOPs. Under an

ESOP model, employees see direct benefits from a company's long-term success by allowing employees to share in the gains when a business is profitable. ESOPs are commonly formed when an owner of a privately-owned company departs the business, often for retirement. With owners of small businesses across the nation reaching retirement age, forming an ESOP can be an attractive option for those who want to keep a business' legacy in the hands of its employees. Despite the success of the ESOP model, many small businesses are not aware of how to transition their business to an ESOP and/or lack the necessary resources.

### III. HEARINGS & ROUNDTABLES

In the 113th Congress, the Committee held a roundtable on July 17, 2013 entitled "Small Business Tax Reform: Making the Tax Code Work for Entrepreneurs and Startups." During this hearing, a witness, Mr. Michael Keeling, President of The ESOP Association, advocated for policies to expand employee ownership plans and noted that during the great recession employee stock-owned companies laid off employees at a rate of 2.6 percent compared to conventionally-owned businesses that laid employees off at a rate of 12 percent. During the course of questioning, Senator Shaheen asked Mr. Keeling to share more information on why ESOPs were better positioned to lay off fewer employees and how they helped employees build wealth. In his closing remarks, Mr. Keeling discussed the history of ESOPs and how the ownership structure shares many virtues deemed essential to a free society and democracy. Chair Landrieu thanked Mr. Keeling for his remarks and agreed business ownership by employees is very important and beneficial to capitalism.

### IV. DESCRIPTION OF BILL

The bill amends the Small Business Act to task the SCORE Association with a new role in administering informational resources regarding ESOPs. The bill establishes a position within SCORE to lead efforts to provide information and general technical assistance that promotes or facilitates employee ownership plans.

### V. COMMITTEE VOTE

In compliance with rule XXVI (7)(b) of the Standing Rules of the Senate, the following vote was recorded on March 14, 2018.

A motion to adopt the Small Business Employee Ownership Promotion Enhancement Act of 2017, a bill to amend the Small Business Act to establish awareness of, and technical assistance for, the creation of employee stock ownership plans, and for other purposes, was approved unanimously by a roll call vote as part of a manager's package. Senators Risch, Rubio, Paul, Scott, Ernst, Inhofe, Young, Enzi, Rounds, Kennedy, Cardin, Cantwell, Shaheen, Heitkamp, Markey, Booker, Coons, Hirono, and Duckworth voted for the bill.

### VI. COST ESTIMATE

In compliance with rule XXVI (11)(a)(1) of the Standing Rules of the Senate, the Committee estimates the cost of the legislation will

be equal to the amounts discussed in the following letter from the Congressional Budget Office:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, June 26, 2018.*

Hon. JAMES E. RISCH,  
*Chairman, Committee on Small Business and Entrepreneurship,  
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1538, the Small Business Employee Ownership Enhancement Act of 2017.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Stephen Rabent.

Sincerely,

KEITH HALL,  
*Director.*

Enclosure.

*S. 1538—the Small Business Employee Ownership Enhancement Act of 2017*

The Service Corps of Retired Executives (SCORE) program provides access to counselors, advisors, and mentors to small businesses through the nonprofit SCORE Association. The Small Business Administration (SBA) pays a portion of the costs to administer the SCORE program. S. 1538 would require SCORE to appoint an individual to serve as the Employee Ownership Director who would provide additional information and assistance regarding employee ownership structures.

Using information from the SBA, CBO estimates that S. 1538 would cost less than \$500,000 for the agency to implement the requirements of the bill; such spending would be subject to the availability of appropriated funds. Enacting S. 1538 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting S. 1538 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 1538 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was reviewed by Theresa Gullo, Assistant Director for Budget Analysis.

#### VII. EVALUATION OF REGULATORY IMPACT

In compliance with rule XXVI (11)(b) of the Standing Rules of the Senate, it is the opinion of the Committee that no significant additional regulatory impact will be incurred in carrying out the provisions of this legislation. There will be no additional impact on the personal privacy of companies or individuals who utilize the services provided.

## VIII. SECTION-BY-SECTION ANALYSIS

*Section 1. Short title*

This section provides the short title for the Act, the “Small Business Employee Ownership Promotion Enhancement Act of 2017”.

*Sec. 2. SCORE program assistance*

This section directs SCORE to appoint an individual to serve as the SCORE Employee Ownership Director. Their duties will include offering technical assistance, distributing materials containing general information, and coordinating efforts between SCORE chapters nationwide. The Director will provide technical assistance for employee ownership options, including employee stock ownership plans, cooperatives, and other approaches that the Director deems appropriate. The Director will also provide statistics, including regional statistics from a SCORE chapter, on services provided to small businesses that may potentially undertake a form of employee ownership to the Administrator and the Office of Entrepreneurial Development.

