ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5016

STATE OF NEW JERSEY

DATED: JUNE 4, 2026

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 5016.

As reported, this bill requires the New Jersey Economic Development Authority (EDA) to establish an "Employee Ownership Transition Program" (program) to provide financial assistance and educational resources to encourage businesses to explore transitioning their ownership structure to an employee ownership model and to provide educational resources to businesses about employee ownership models. Additionally, this bill requires the EDA to designate a Director of Employee Ownership to administer the program and to establish an Advisory Commission on Employee Ownership to advise the EDA on strategies to encourage and expand employee ownership in the State.

Employee Ownership Transition Program

The purpose of the program would be to encourage businesses to explore transitioning to employee ownership models and provide educational resources about employee ownership models. The bill defines "employee ownership model" to mean an arrangement in which a business's employees own shares in the business or the right to the value of shares in the business. Employee ownership models include, but are not limited to: employee stock ownership plans; worker cooperatives; employee ownership trusts; direct employee ownership; stock options; stock grants; synthetic equity; and any other broad-based employee ownership structure.

Under the program, the EDA would provide the following services: (1) financial assistance to support the payment of eligible contractors for the provision of employee ownership feasibility study services for eligible businesses; (2) consultative services to businesses that have elected to transition to an employee ownership model following the completion of a feasibility study; (3) information and educational services and resources about employee ownership models for employees and employers, made available on the EDA's Internet website; (4) outreach services to businesses, in partnership with educational institutions concerning the advantages and implementation of employee ownership models generally; (5) encouragement of

businesses in this State to consider and transition to employee stock ownership plans and other variations of employee ownership models; (6) educational services, outreach services, and early-stage technical assistance concerning employee ownership models to businesses, including small or start-up business with fewer than 20 full-time employees that may be years away from a succession decision, to help such businesses proactively incorporate employee ownership into their growth and succession planning; and (7) loan financing and other financial tools to support employee ownership transitions, including through the Employee Ownership Revolving Loan Fund established under the bill.

A contractor that seeks to provide employee ownership feasibility study services under the program would be required to apply to the EDA to participate in the program. As part of its application, an applicant would be required to provide: (1) proof that the applicant is experienced in employee ownership transitions; (2) evidence regarding the qualifications and experience of the applicant in designing and developing feasibility studies and valuations; and (3) information regarding the ability of the contractor to complete the scope of work expected for employee ownership feasibility study services under the program. Upon approval of an application, the EDA would enter into a contract with the contractor to provide employee ownership feasibility study services for eligible businesses under the program.

Under the program, an eligible business may apply to the EDA for assistance in defraying the costs of employee ownership feasibility study services. Employee ownership feasibility study services are defined under the bill to include an in-depth, written assessment of the business's potential and viable outcomes in transitioning to an employee ownership model, informed by the business owner's desired objectives in exploring an employee ownership model, based on certain measures listed in the bill.

Upon approval of an application, the EDA would notify the eligible business and facilitate communication between the eligible business and an eligible contractor. As part of this initial coordination, the EDA would require that the eligible business and eligible contractor conduct at least one meeting to discuss the characteristics of the eligible business and the objectives of the employee ownership feasibility study services. After this meeting, the eligible contractor would provide the EDA and the eligible business with an itemized electronic invoice for employee ownership feasibility study services to be completed.

Prior to the EDA, eligible business, and eligible contractor entering into a written agreement for employee ownership feasibility study services, the EDA would be required to certify the amount of financial assistance to be paid by the EDA to the eligible contractor and the amount of the payment to be paid by the eligible business. Under the program, the EDA would provide financial assistance to the eligible

contractor in an amount equal to the lesser of 90 percent of the pre-approved services costs of the employee ownership feasibility study services or $35,000.

For purposes of supporting the program, the EDA would be required to establish and maintain the "Employee Ownership Assistance Fund." The EDA is required to maintain the fund to support the program, including the provision of financial assistance to defray the costs of employee ownership feasibility study services conducted by eligible contractors and the provision of education, outreach, and technical assistance to businesses in accordance with the purposes set forth in the bill. This fund would be credited with such monies as may be appropriated or made available to the EDA for the purpose of the fund and any return on investment of monies deposited in the fund.

Currently, the EDA administers the "Employee Stock Ownership Plan Assistance Program" that provides partially covered employee stock ownership plan feasibility study services for New Jersey businesses that are interested in transitioning to employee-owned businesses. This bill seeks to codify and expand this program. Additionally, under this bill, any eligible contractors that are approved under the existing program would automatically qualify as eligible contractors for the "Employee Ownership Transition Program."

Director of Employee Ownership

The bill requires the EDA to designate an employee of the authority or appoint a qualified individual to serve as the Director of Employee Ownership, who would report directly to the Chief Executive Officer of the EDA. Qualifications for the role of director include training or experience in employee ownership, business succession planning, economic development, workforce development, or corporate finance.

The director would be responsible for administering the Employee Ownership Transition Program established by this bill. The director would be required to: (1) administer the program; (2) serve as the State's liaison for implementing employee ownership models, including coordinating with businesses, lenders, professional advisors, labor organizations, and employee ownership resource organizations; (3) supplement the program through the use of any other financial tools and products made available by the EDA for employee ownership, business retention, succession, and wealth-building; (4) develop and implement strategies to increase awareness of employee ownership models among business owners, employees, and community stakeholders; and (5) advise the EDA and the Advisory Commission on Employee Ownership, also established under the bill, of any proposed changes to the program that would be necessary to expand the number of, and diversity of, employee-owned businesses in the State.

Advisory Commission on Employee Ownership

The bill establishes an Advisory Commission on Employee Ownership. The commission would be advisory to the EDA and the Director of Employee Ownership, also established under the bill.

The commission would be required to advise the EDA and the Director of Employee Ownership on strategies to expand employee ownership models in the State and make recommendations regarding program design, outreach, and metrics for success, including the use of financial tools to encourage employee ownership transitions.

The commission would consist of 13 members, as follows: (1) the Chief Executive Officer of the EDA, or the chief executive officer's designee; (2) the Commissioner of Labor and Workforce Development, or the commissioner's designee; (3) the State Treasurer, or the State Treasurer's designee; and (4) 10 public members, who would be appointed by the Governor.

The 10 public members of the commission would consist of: (1) one representative of Rutgers, The State University of New Jersey, from the Institute for the Study of Employee Ownership and Profit Sharing; (2) one representative of the New Jersey/New York Center for Employee Ownership, who would be appointed upon the recommendation of the Executive Director of the New Jersey/New York Center for Employee Ownership; (3) one executive officer of an employee-owned business located in this State; (4) one employee of an employee-owned business in the State; (5) one representative of a labor organization; (6) one representative of a financial institution or fund that finances employee ownership transitions; (7) one individual who serves or has served as a fiduciary or trustee for an employee stock ownership plan or employee ownership trust; (8) one professional advisor with experience in employee ownership transitions, including transitions to cooperative or trust structures; and (9) two public members with expertise in economic development, employee ownership, community wealth-building, or small business assistance.

Under the bill, the commission would be required to meet at least four times each year. A chair and vice-chair would be selected by the members of the commission from among its members. Seven members would constitute a quorum for purposes of transacting business, regardless of any vacancy on the commission. Under the bill, a public member would be appointed to the commission for four years, except that of the first members appointed, three would be appointed for a term of two years, three would be appointed for a term of three years, and four would be appointed for a term of four years. Public members would be appointed by the Governor with the advice and consent of the Senate and would be eligible for reappointment.

Employee Ownership Revolving Loan Fund

The bill requires the EDA to establish a non-lapsing revolving loan fund, to be known as the "Employee Ownership Revolving Loan Fund," to provide low-interest loans to support employee ownership transitions.

Under the bill, the EDA may issue low-interest loans from the revolving loan fund to eligible businesses, participating businesses, and any other entities determined to be appropriate by the EDA, for the purpose of facilitating: (1) majority employee ownership transitions; and (2) reasonable transaction-related and post-transition needs that support the long-term sustainability of an employee-owned business. An eligible business, participating business, or other entity authorized by the EDA would be required to submit an application for a low-interest loan to the EDA and, upon approval of this application, enter into a loan agreement with the EDA. This loan agreement would include the following terms: underwriting criteria; maximum loan amounts; interest rates; repayment terms; permitted uses of proceeds; and any reporting requirements determined by the EDA.

Under the bill, the revolving loan fund may be credited with monies received by the EDA from various sources, including State appropriations, federal funds, charitable contributions, internal transfers, and investment returns.

The bill also provides that the EDA may use no more than five percent of the total amount of interest or other charges received each year in connection with issued loans to offset the administrative costs of operating the revolving loan fund.