

108TH CONGRESS  
1ST SESSION

# H. R. 2969

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

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## IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2003

Mr. SANDERS (for himself, Mr. ROHRABACHER, Mrs. MALONEY, Mr. MANZULLO, Mr. MICHAUD, Mr. GOODE, Mr. LIPINSKI, Ms. LEE, Mr. RYAN of Ohio, Mr. LANTOS, Mr. ANDREWS, Mr. SERRANO, Mr. GRIJALVA, Mr. OWENS, Ms. KILPATRICK, Mrs. CHRISTENSEN, and Ms. BORDALLO) introduced the following bill; which was referred to the Committee on Financial Services

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## 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       The Congress finds as follows:

1           (1) Over the past 2 years, the United States  
2           has lost more than 2,000,000 decent-paying manu-  
3           facturing jobs.

4           (2) With 14,731,000 total manufacturing jobs,  
5           the United States now has the lowest number of fac-  
6           tory jobs since October, 1958.

7           (3) According to Forrester Research, “Over the  
8           next 15 years, 3,300,000 United States service in-  
9           dustry jobs and \$136,000,000,000 in wages will  
10          move offshore to countries like India, Russia, China  
11          and the Philippines. The IT industry will lead the  
12          initial overseas exodus.”.

13          (4) At the end of 2002, the United States had  
14          a record-breaking trade deficit of \$435,200,000,000,  
15          including a \$103,100,000,000 trade deficit with  
16          China.

17          (5) Preserving and increasing decent-paying  
18          jobs must be a top priority of the United States  
19          Congress.

20          (6) Providing loan guarantees, direct loans, and  
21          technical assistance to employees to buy their own  
22          companies will preserve and increase employment in  
23          the United States.

24          (7) Just like the United States Export-Import  
25          Bank was created in 1934 during the midst of the

1 Great Depression as a way to increase United States  
2 jobs through exports, the time has come to establish  
3 the United States Employee Ownership Bank within  
4 the Department of the Treasury to preserve and ex-  
5 pand jobs in the United States.

6 **SEC. 3. ESTABLISHMENT OF UNITED STATES EMPLOYEE**  
7 **OWNERSHIP BANK WITHIN THE DEPART-**  
8 **MENT OF THE TREASURY.**

9 (a) ESTABLISHMENT REQUIRED.—Before the end of  
10 the 30-day period beginning on the date of the enactment  
11 of this Act, the Secretary of the Treasury (hereinafter in  
12 this Act referred to as the “Secretary”) shall establish the  
13 United States Employee Ownership Bank (hereinafter re-  
14 ferred to as the “Bank”) to foster increased employee  
15 ownership and greater employee participation in company  
16 decision-making throughout the United States.

17 (b) DUTIES OF BANK.—The Secretary shall establish  
18 such Bank to provide the following:

19 (1) Loans subordinated to the interests of all  
20 other creditors, loan guarantees, and technical as-  
21 sistance, on such terms and subject to such condi-  
22 tions as the Secretary determines to be appropriate,  
23 to employees to purchase a business through an em-  
24 ployee stock ownership plan or eligible worker-owned

1 cooperative that are at least 51 percent employee  
2 owned.

3 (2) Grants to States and nonprofit and coopera-  
4 tive organizations with experience in developing em-  
5 ployee-owned businesses and worker-owned coopera-  
6 tives to provide education and outreach to inform  
7 people about the possibilities and benefits of em-  
8 ployee ownership of companies, gain sharing, and  
9 participation in company decision-making, including  
10 some financial education.

11 (3) Grants to States and nonprofit and coopera-  
12 tive organizations with experience in developing em-  
13 ployee-owned businesses and worker-owned coopera-  
14 tives to provide technical assistance to assist em-  
15 ployee efforts to become business owners.

16 (4) Grants to States and nonprofit and coopera-  
17 tive organizations with experience in developing em-  
18 ployee-owned businesses and worker-owned coopera-  
19 tives to provide participation training to teach em-  
20 ployees and employers methods of employee partici-  
21 pation in company decision-making.

22 (5) Grants to States and nonprofit and coopera-  
23 tive organizations with experience in developing em-  
24 ployee-owned businesses and worker-owned coopera-  
25 tives to conduct objective third party pre-feasibility

1 and feasibility studies to determine if employees who  
2 would like to start-up employee stock ownership  
3 plans or worker cooperatives would be able to make  
4 a profit.

5 (c) PRECONDITIONS.—Before the Bank makes any  
6 subordinated loan or loan guarantee under subsection  
7 (b)(1), the employees shall submit to the Bank the fol-  
8 lowing:

9 (1) A business plan that shows that—

10 (A) at least 51 percent of all interests in  
11 the employee stock ownership plan or eligible  
12 worker-owned cooperative is owned or controlled  
13 by employees;

14 (B) the Board of Directors of the employee  
15 stock ownership plan or eligible worker-owned  
16 cooperative is elected by all of the employees;  
17 and

18 (C) all employees receive basic information  
19 about company progress and have the oppor-  
20 tunity to participate in day-to-day operations.

21 (2) A feasibility study from an objective third  
22 party with a positive determination that the em-  
23 ployee stock ownership plan or eligible worker owned  
24 cooperative will be profitable enough to pay back any  
25 loan, subordinated loan or loan guarantee that was

1       made possible through the United States Employee  
2       Ownership Bank.

3       (d) INSURANCE OF SUBORDINATED LOANS AND  
4       LOAN GUARANTEES.—

5           (1) IN GENERAL.—The Bank shall, with respect  
6       to any subordinated loan or loan guarantee provided  
7       under this Act, insure such loan or loan guarantee  
8       against the nonrepayment of the outstanding bal-  
9       ance of the loan.

10          (2) ANNUAL PREMIUMS.—The Bank shall fix  
11       the annual premium for the insurance of each subor-  
12       dinated loan or loan guarantee under this subsection  
13       to be paid by the borrower in such manner and in  
14       such amount as the Secretary determines to be ap-  
15       propriate.

16          (3) PREMIUMS AND GUARANTEE FEES AVAIL-  
17       ABLE TO COVER LOSSES.—The premiums collected  
18       by the Bank from insurance issued under this sub-  
19       section and the fees collected by the Bank for loan  
20       guarantees issued under subsection (b) shall be de-  
21       posited in a fund in the Treasury and shall be avail-  
22       able to the Bank to cover any losses incurred by the  
23       Bank in connection with any such loan or loan guar-  
24       antee.

1       (e) TECHNICAL ASSISTANCE IN THE DISCRETION OF  
2 THE SECRETARY.—In the case of activities under sub-  
3 section (b)(3), the Secretary may require the Bank to take  
4 the following actions:

5           (1) Provide for the targeting of key groups such  
6 as retiring business owners, unions, managers, trade  
7 associations, and community organizations.

8           (2) Encourage cooperation in organizing work-  
9 shops and conferences.

10          (3) Provide for the preparation and distribution  
11 of materials concerning employee ownership and par-  
12 ticipation.

13       (f) PARTICIPATION TRAINING IN THE DISCRETION  
14 OF THE SECRETARY.—In the case of activities under sub-  
15 section (b)(4), the Secretary may require the Bank to take  
16 the following actions:

17           (1) Provide for courses on employee participa-  
18 tion.

19           (2) Provide for the development and fostering  
20 of networks of employee owned companies to spread  
21 the use of successful participation techniques.

1 **SEC. 4. REGULATIONS TO ENSURE THE SAFETY AND**  
2 **SOUNDNESS OF THE UNITED STATES EM-**  
3 **PLOYEE OWNERSHIP BANK.**

4 Before the end of the 30-day period beginning the  
5 date of the enactment of this Act, the Secretary of the  
6 Treasury shall prescribe regulations to ensure the safety  
7 and soundness of the United States Employee Ownership  
8 Bank.

9 **SEC. 5. REGULATIONS TO ENSURE THE UNITED STATES EM-**  
10 **PLOYEE OWNERSHIP BANK WILL NOT COM-**  
11 **PETE WITH COMMERCIAL FINANCIAL INSTI-**  
12 **TUTIONS.**

13 Before the end of the 30-day period beginning the  
14 date of the enactment of this Act, the Secretary of the  
15 Treasury shall prescribe regulations to ensure that the  
16 United States Employee Ownership Bank will not compete  
17 with commercial financial institutions.

18 **SEC. 6. COMMUNITY REINVESTMENT CREDIT.**

19 Section 804 of the Community Reinvestment Act of  
20 1977 (12 U.S.C. 2903) is amended by adding at the end  
21 the following new subsection:

22 “(d) ESTABLISHMENT OF ESOPs AND EWOCs.—In  
23 assessing and taking into account, under subsection (a),  
24 the record of a financial institution, the appropriate Fed-  
25 eral financial supervisory agency may consider as a factor  
26 capital investments, loans, loan participation, technical as-



1 sistence, financial advice, grants, and other ventures un-  
2 dertaken by the institution to support or enable manufac-  
3 turing employees to establish employee stock ownership  
4 plans or eligible worker owned cooperatives that are at  
5 least 51 percent employee-owned plans or cooperatives.”.

6 **SEC. 7. ORGANIZATION OF BANK.**

7 (a) MANAGEMENT.—There shall be at the head of the  
8 Bank, a Director of the United States Employee Owner-  
9 ship Bank (hereinafter in this Act referred to as the “Di-  
10 rector”), who shall be appointed by and serve at the pleas-  
11 ure of the Secretary.

12 (b) STAFF.—The Director may select, appoint, em-  
13 ploy, and fix the compensation of such employees as shall  
14 be necessary to carry out the functions of the Bank.

15 **SEC. 8. AUTHORIZATION OF APPROPRIATIONS.**

16 There are authorized to be appropriated to the Sec-  
17 retary of the Treasury \$100,000,000 for each of fiscal  
18 years 2004, 2005, 2006, 2007, and 2008 to carry out the  
19 purposes of this Act.

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