AMENDMENT TO RULES COMMITTEE PRINT 115–70

OFFERED BY MS. VELÁZQUEZ OF NEW YORK

Add at the end of subtitle E of title VIII the following new section:

SEC. 8. OPPORTUNITIES FOR EMPLOYEE-OWNED BUSINESS CONCERNS THROUGH SMALL BUSINESS ADMINISTRATION LOAN PROGRAMS.

(a) DEFINITIONS.—In this Act—

(1) the terms “Administration” and “Administrator” means the Small Business Administration and the Administrator thereof, respectively;

(2) the term “cooperative” means an entity that is determined to be a cooperative by the Administrator, in accordance with applicable Federal and State laws and regulations;

(3) the term “employee-owned business concern” means—

(A) a cooperative; and

(B) a qualified employee trust;

(4) the terms “qualified employee trust” and “small business concern” have the meanings given
those terms in section 3 of the Small Business Act (15 U.S.C. 632); and


(b) EXPANSION OF 7(A) LOANS.—

(1) IN GENERAL.—Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended—

(A) in paragraph (15)—

(i) in subparagraph (A)—

(I) by striking “this subsection to qualified employee trusts” and inserting “this subsection—

“(i) to qualified employee trusts”;

(II) in clause (i), as so designated—

(aa) by inserting “, and for any transaction costs associated with purchasing,” after “purchasing”;

(bb) by striking the period at the end and inserting “; and”; and
(III) by adding at the end the following:

“(ii) to a small business concern under a plan approved by the Administrator, if the proceeds from the loan are only used to make a loan to a qualified employee trust, and for any transaction costs associated with making that loan, that results in the qualified employee trust owning at least 51 percent of the small business concern.”;

(ii) in subparagraph (B)—

(I) in the matter preceding clause (i), by inserting “or by the small business concern” after “the trustee of such trust”;

(II) in clause (ii), by striking “and” at the end;

(III) in clause (iii), by striking the period at the end and inserting “, and”; and

(IV) by adding at the end the following:

“(iv) with respect to a loan made to a trust, or to a cooperative in accordance with paragraph (35)—
“(I) a seller of the small business concern may remain involved as an officer, director, or key employee of the small business concern when a qualified employee trust or cooperative has acquired 100 percent of ownership of the small business concern; and

“(II) any seller of the small business concern who remains as an owner of the small business concern, regardless of the percentage of ownership interest, shall be required to provide a personal guarantee by the Administration.”; and

(iii) by adding at the end the following:

“(F) A small business concern that makes a loan to a qualified employee trust under subparagraph (A)(ii) is not required to contain the same terms and conditions as the loan made to the small business concern that is guaranteed by the Administration under such subparagraph.

“(G) With respect to a loan made to a qualified employee trust under this paragraph, or to a cooperative in accordance with paragraph (35), the Administrator may, as deemed appropriate, elect to not re-
quire any mandatory equity to be provided by the
qualified employee trust or cooperative to make the
loan.”; and

(B) by adding at the end the following:

“(35) LOANS TO COOPERATIVES.—

“(A) DEFINITION.—In this paragraph, the
term ‘cooperative’ means an entity that is de-
determined to be a cooperative by the Adminis-
trator, in accordance with applicable Federal
and State laws and regulation.

“(B) AUTHORITY.—The Administration
shall guarantee loans made to a cooperative for
the purpose described in paragraph (15).”.

(2) DELEGATION OF AUTHORITY TO PRE-
FERRED LENDERS.—Section 5(b)(7) of the Small
Business Act (15 U.S.C. 634(b)(7)) is amended by
inserting “, including loans guaranteed under para-
graph (15) or (35) of section 7(a)” after “deferred
participation loans”.

(c) SMALL BUSINESS INVESTMENT COMPANY PRO-
GRAM OUTREACH.—The Administrator shall provide out-
reach and educational materials to companies licensed
under section 301(e) of the Small Business Investment
Act of 1958 (15 U.S.C. 681(c)) to increase the use of
funds to make investments in company transitions to employee-owned business concerns.

(d) **Small Business Microloan Program Outreach.**—The Administrator shall provide outreach and educational materials to intermediaries under section 7(m) of the Small Business Act (15 U.S.C. 636(m)) to increase the use of funds to make loans to employee-owned business concerns, including transitions to employee-owned business concerns.

(e) **Small Business Development Center Outreach and Assistance.**—

(1) **Establishment.**—The Administrator shall establish a Small Business Employee Ownership and Cooperatives Promotion Program to offer technical assistance and training on the transition to employee ownership through cooperatives and qualified employee trusts.

(2) **Small Business Development Centers.**—

(A) **In General.**—In carrying out the program established under subsection (a), the Administrator shall enter into agreements with small business development centers under which the centers shall—
(i) provide access to information and resources on employee ownership through cooperatives or qualified employee trusts as a business succession strategy;

(ii) conduct training and educational activities; and

(iii) carry out the activities described in subparagraph (U) of section 21(e)(3) of the Small Business Act (15 U.S.C. 648(c)(3)).

(B) ADDITIONAL SERVICES.—Section 21(e)(3) of the Small Business Act (15 U.S.C. 648(c)(3)) is amended—

(i) in subparagraph (S), by striking “and” at the end;

(ii) in subparagraph (T), by striking the period at the end and inserting “; and”;

(iii) by adding at the end the following:

“(U) encouraging and assisting the provision of succession planning to small business concerns with a focus on transitioning to cooperatives, as defined in section 7(a)(35), and qualified employee trusts
collectively referred to in this subparagraph as ‘employee-owned business concerns’), including by—

“(i) providing training to individuals to promote the successful management, governance, or operation of a business purchased by those individuals in the formation of an employee-owned business concern;

“(ii) assisting employee-owned business concerns that meet applicable size standards established under section 3(a) with education and technical assistance with respect to financing and contracting programs administered by the Administration;

“(iii) coordinating with lenders on conducting outreach on financing through programs administered by the Administration that may be used to support the transition of ownership to employees;

“(iv) supporting small business concerns in exploring or assessing the possibility of transitioning to an employee-owned business concern; and

“(v) coordinating with the cooperative development centers of the Department of Agriculture, the land grant extension network, the
Manufacturing Extension Partnership, community development financial institutions, employee ownership associations and service providers, and local, regional and national cooperative associations.”.

(f) INTERAGENCY WORKING GROUP.—

(1) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Administrator (or a designee of the Administrator) shall coordinate and chair an interagency working group, which shall—

(A) develop recommendations on how Federal programs can promote, support, and increase the number of employee-owned business concerns;

(B) ensure coordination with Federal agencies and national and local employee ownership, cooperative, and small business organizations; and

(C) publish a report on the activities of the interagency working group that is indexed and maintained for public review.

(2) MEETINGS.—The interagency working group shall meet at such times as determined necessary by the, but not less than biannually. Such
meetings may occur in person or via electronic resources.

(g) **AMENDMENT TO REPORT TO CONGRESS ON STATUS OF EMPLOYEE-OWNED FIRMS.**—Section 7(a)(15)(E) of the Small Business Act (15 U.S.C. 636(a)(15)(E)) is amended by striking “Administration.” and inserting “Administration, which shall include—

“(i) the total number of loans made to employee-owned business concerns that were guaranteed by the Administrator under section 7(a) of the Small Business Act (15 U.S.C. 636(a)) or section 502 of the Small Business Investment Act of 1958 (15 U.S.C. 696), including the number of loans made—

“(I) to small business concerns owned and controlled by socially and economically disadvantaged individuals; and

“(II) to cooperatives;

“(ii) the total number of financings made to employee-owned business concerns by companies licensed under section 301(e) of the Small Business Investment Act of
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1958 (15 U.S.C. 696(c)), including the number of financings made—

“(I) to small business concerns owned and controlled by socially and economically disadvantaged individuals; and

“(II) to cooperatives; and

“(iii) any outreach and educational activities conducted by the Administration with respect to employee-owned business concerns.”.

(h) REPORT ON COOPERATIVE LENDING.—

(1) SENSE OF CONGRESS.—It is the sense of Congress that cooperatives have a unique business structure and are unable to access the lending programs of the Administration effectively due to loan guarantee requirements that are incompatible with the business structure of cooperatives.

(2) STUDY AND REPORT.—

(A) STUDY.—The Administrator, in coordination with lenders, stakeholders, and Federal agencies, shall study and recommend practical alternatives for cooperatives that will satisfy the loan guarantee requirements of the Administration.
(B) REPORT.—Not later than 120 days after the date of enactment of this Act, the Administrator shall submit to Congress the recommendations developed under paragraph (1) and a plan to implement such recommendations.

(i) AMENDMENT TO DEFINITION OF QUALIFIED EMPLOYEE TRUST.—Section 3(c)(2)(A)(ii) of the Small Business Act (15 U.S.C. 632(c)(2)(A)(ii)) is amended to read as follows:

“(ii) which provides that each participant is entitled to direct the plan trustee as to the manner of how to vote the qualified employer securities (as defined in section 4975(e)(8) of the Internal Revenue Code of 1986), which are allocated to the account of such participant with respect to a corporate matter which (by law or charter) must be decided by a vote conducted in accordance with section 409(e) of the Internal Revenue Code of 1986; and”.

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