

HOUSE BILL NO. 5201

November 06, 2019, Introduced by Reps. Shannon, Hammoud, Ellison, LaGrand, Lasinski, Sowerby, Hood, Clemente, Tate, Manoogian, Cherry, Sabo, Brixie, Pagan, Haadsma, Wittenberg, Guerra and Bolden and referred to the Committee on Commerce and Tourism.

A bill to amend 1985 PA 152, entitled
"The employee-owned corporation act,"
by amending sections 2, 3, 4, and 5 (MCL 450.732, 450.733, 450.734,
and 450.735).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 2. As used in this act:
- 2 (a) "Closing" means the permanent shutting down of operations
- 3 at any establishment at which at least 25 persons are employed.
- 4 (b) "Department" means the department of labor **and economic**



1 **opportunity.**

2 (c) "Employee-owned corporation" means a business operation
3 that is controlled by, and designed to maintain control by, its
4 employees, and in which control is distributed among its employees
5 according to a democratic formula, if the business operation is 1
6 of the following:

7 (i) A business operation the management rights of which are
8 represented by voting stock that may be owned only by ~~÷~~employees
9 of the operation, a nonprofit community development corporation, or
10 an employee-owned stock ownership plan ~~in which~~ **that has** not less
11 than 50% of the employees participate in each portion of the plan.
12 The operation ~~shall~~ **must** be controlled by a board of directors
13 ~~which~~ **that** is selected by the shareholders on the basis of 1 vote
14 per shareholder or on the basis of 1 vote per share.

15 (ii) A corporation operating ~~pursuant to~~ **under** a cooperative
16 plan as described in section 99 of ~~Act No. 327 of the Public Acts~~
17 ~~of 1931, being section 450.99 of the Michigan Compiled Laws.1931 PA~~
18 **327, MCL 450.99.**

19 (iii) A business operation ~~in which~~ **that has** not less than 3/4
20 of each class of voting security is owned by an employee stock
21 ownership trust set up under an employee stock ownership plan as
22 defined in the internal revenue code, 26 ~~U.S.C.~~ **USC** 4975(e)(7), if
23 that employee stock ownership plan requires pass-through of all
24 voting rights possessed by voting securities as the securities are
25 allocated to accounts of individual participants.

26 (iv) A worker cooperative.

27 (v) An industrial cooperative.

28 If a business operation adopts a plan by ~~which~~ **that provides**
29 **that** it will become under this section an employee-owned



1 corporation within 5 years after the adoption of the plan, it shall
2 be considered an employee-owned corporation.

3 (d) "Establishment" includes a factory, plant, office, or
4 other facility, but does not include a construction site or other
5 work place that was intended to be a temporary work place.

6 (e) "Relocation" means the transfer of a part of a
7 corporation's operation from 1 establishment to another existing or
8 proposed establishment located at a distance from the first
9 establishment ~~which~~**that** results in at least a 25-person reduction
10 in the number of employees at the first establishment, but does not
11 include a transfer from an establishment in 1 part of a political
12 subdivision to an establishment in another part of the same
13 political subdivision.

14 (f) "Worker cooperative" or "industrial cooperative" means an
15 establishment in ~~which~~**that** the owners or members all work in the
16 establishment and are the only persons who work in the
17 establishment. In a worker cooperative or industrial cooperative
18 the workers hold the basic ownership or membership rights of the
19 establishment ~~which~~**that** consist of the voting rights to elect the
20 board of directors, which in turn appoints the management or staff,
21 and the rights to the profits or net income of the establishment.
22 Each worker has an equal vote in accordance with the democratic
23 principle of 1-person, 1-vote. The net income, which may be
24 positive or negative, is shared among the workers pursuant to an
25 agreed upon formula.

26 Sec. 3. The department, in cooperation with the ~~department of~~
27 ~~commerce~~, **Michigan strategic fund**, shall establish a program to
28 assist in developing employee-owned corporations. The program may
29 operate when an establishment is closing or transferring operations



1 resulting in a loss of jobs and when a request for assistance is
2 made by an affected individual or group of individuals. When such a
3 request is made, it shall be held in confidence by the department.
4 The program also shall operate when workers of an existing or new
5 establishment wish to develop an employee-owned corporation and
6 request assistance. The department shall inform local government,
7 business **and trade** organizations, **financial institutions**, labor
8 organizations, **economic development organizations, nonprofit**
9 **entities**, and others in ~~the~~**this** state of the availability of this
10 program and services authorized by this act.

11 Sec. 4. The department may do all of the following:

12 (a) Develop, collect, and disseminate information useful to
13 persons and organizations throughout ~~the~~**this** state in undertaking
14 or promoting the establishment and successful operation of
15 employee-owned corporations.

16 (b) Evaluate the feasibility and economic viability of a
17 proposed employee-owned corporation.

18 (c) Provide technical assistance and counseling services to
19 persons who seek to form an employee-owned corporation.

20 (d) Provide assistance, counseling, **educational workshops**, and
21 training in the operation of an employee-owned corporation.

22 (e) Assist persons in obtaining financing for the purchase and
23 operation of an employee-owned corporation.

24 (f) Promote and coordinate the efforts of local, state, **and**
25 federal **government, business and trade organizations, financial**
26 **institutions, labor organizations, economic development**
27 **organizations, nonprofit entities**, and private agencies to assist
28 in the formation or operation of an employee-owned corporation.

29 (g) Recommend appropriate legislative or executive action to



1 enhance opportunities for employee-owned corporations in this
2 state.

3 Sec. 5. Each principal department ~~and the economic advisory~~
4 ~~council, as established by law,~~ shall assist the department, ~~of~~
5 ~~labor,~~ upon its request, in implementing section 4.

