

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5016

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 24, 2026

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 5016.

As amended, 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 establish an Advisory Committee 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.

The EDA would be required to publish and maintain a list of eligible contractors, including any eligible contractor that the EDA may determine to be pre-qualified for application approval, following the receipt of an application by a contractor seeking to provide employee ownership feasibility study services under the program. The EDA would be required to update this list at least every two years following the initial publication of the list.

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.”

Advisory Committee on Employee Ownership

The bill establishes an Advisory Committee on Employee Ownership. The committee would be advisory to the EDA.

The committee would be required to advise the EDA 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 committee would consist of nine members, selected by the authority, including at least the following members: (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 financial advisor with experience in employee ownership transitions, including transitions to cooperative or trust structures; and (9) one individual with expertise in economic development, employee ownership, community wealth-building, or small business assistance.

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.

As amended and reported by the committee, Assembly Bill No. 5016 is identical to Senate Bill No. 4218, which was also amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amendments:

- (1) remove references to and designation of the Director of Employee Ownership;
- (2) remove rolling-basis approval for applications for eligible contractors under the program;

(3) authorize the authority to publish and maintain a list of eligible contractors, including any contractors pre-qualified to participate in the program;

(4) change the Advisory Commission on Employee Ownership to the Advisory Committee on Employee Ownership, and clarify that the committee is established by the authority;

(5) reduce membership of the Advisory Committee on Employee Ownership from 13 members to nine members, removing the three ex officio members and providing for one individual, instead of two, with expertise in economic development, employee ownership, community wealth building, or small business assistance;

(6) remove requirements on terms of office for appointed members on the Advisory Committee on Employee Ownership;

(7) clarify that a business or other entity may only be eligible for a low-interest loan from the revolving loan fund following the completion of employee ownership feasibility study services; and

(8) make technical changes to the authority's adoption of rules and regulations for the program.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that this bill will result in an indeterminate increase in annual State expenditures to the New Jersey Economic Development Authority to administer and expand employee ownership assistance activities. The magnitude of the increase will depend primarily on implementation decisions made by the authority.

The bill may also increase administrative expenses for the authority. These costs may include application review, contract approval and monitoring, website maintenance, advisory commission support, and loan underwriting and servicing costs. The OLS anticipates that some of these costs may be absorbed within the authority's existing staff and resources. However, the bill may expand the scope of those activities beyond the existing Employee Stock Ownership Plan Assistance Program, which is administered by the authority and supported by a dedicated State appropriation of \$2.7 million.

The revolving loan fund outlined by the bill may result in an indeterminate State expenditure increase if State funds are appropriated or authority funds are transferred to capitalize the fund. Loan repayments, interest, investment earnings, federal funds, and private contributions may to some extent offset State costs. Because the bill does not specify capitalization amounts, loan limits, interest rates, repayment terms, or expected loan volume, the fiscal impact of the revolving fund cannot be quantified.