

SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

SENATE, No. 4218

STATE OF NEW JERSEY

DATED: JUNE 8, 2026

The Senate Economic Growth Committee reports favorably Senate Bill No. 4218.

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 is to encourage businesses to explore transitioning to employee ownership models and provide educational resources about employee ownership models.

Under the program, the EDA is required to 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 the 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.

Under the bill, a contractor that seeks to provide employee ownership feasibility study services under the program is required to apply to the EDA to participate in the program. As part of the application, an applicant is 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 is to 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. Upon approval of an application, the EDA is to notify the eligible business and facilitate communication between the eligible business and an eligible contractor. As part of this initial coordination, the EDA is to 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 is required to 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 is 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 is to 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 is 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 is to 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 will 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 EDA or appoint a qualified individual to serve as the Director of Employee Ownership (director), who is to 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 is responsible for administering the Employee Ownership Transition Program established by this bill. The director is 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 (commission). Under the bill, the commission is advisory to the EDA and the Director of Employee Ownership, also established under the bill.

The commission is 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 is to consist of 13 members, as outlined in the bill.

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

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 is 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 is required to include certain terms, as provided in the bill.

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.