



March 30, 2023

House Committee on Emergency Management, General Government, and Veterans

Re: HB 3572 Testimony

Dear Chair Grayber, Vice-Chair Tran, Vice-Chair Lewis & Members of the Committee:

On behalf of Recology, I am writing in support of HB 3572, which would encourage the adoption of a benefit corporation business model by providing an advantage to benefit corporations in the procurement process. We are writing to encourage the expansion of the legislation to provide preference to employee-owned companies as well, given the clear benefits to workers and society.

Recology is a 100% employee-owned waste hauling and recycling processing company, managing recyclables, organic waste, and solid waste collection, processing, and disposal services for over 30 communities throughout Oregon. Recology is incorporated as an Employee Stock Ownership Plan (ESOP).

An Employee Stock Ownership Plan (ESOP) is a program established under Section 401(a) of the internal revenue code. It provides the company's workforce with ownership interest in the company in an equitable manner. ESOP plans provide companies the option to create a permanent structure to give their employees stock ownership. Shares from the ESOP are allocated to employees and may be held in an ESOP trust until the employee retires or leaves the company. The shares are then sold.

An ESOP is a qualified employee benefit plan similar to a 401(k), but is allowed to invest in private company stock and borrow money from. ESOPs are required to follow the [Employee Retirement Income Security Act of 1974 \(ERISA\)](#) and the Internal Revenue Code (IRC).

Research from the [National Center for Employee Ownership](#) shows employee-owners have larger net-worths, higher wages, and better benefits. Participation in an ESOP can help individuals build wealth through the accumulation of assets. A [2021 Harvard Business Review article](#) by Thomas Dudley and Ethan Rouen looks at the impact widely-adopted employee ownership would have on individuals' affluence in the US. They found that "the benefits of widespread employee ownership are broad, with all wealth quantiles below 90% seeing an increase" and that "broad adoption of the 30% employee-owned model could create life-changing gains for marginalized populations."

Recology's ESOP maintains ownership in the hands of our employees, not external shareholders. The results of this model include broad diversity among owners, with 73% of Recology Inc. employee-owners identifying as women and/or members of an ethnic minority group. We are very proud to be employee-owned and believe that this business model should be encouraged alongside benefit corporations. Thank you for considering this request.

Sincerely,

Garen Kazanjian
Public Policy & Regulatory Affairs Manager