

HB 3646 STAFF MEASURE SUMMARY

Carrier: Sen. Patterson

Senate Committee On Labor and Business

Action Date: 05/13/25

Action: Do pass.

Vote: 3-2-0-0

Yeas: 3 - Patterson, Pham, Taylor

Nays: 2 - Bonham, Hayden

Fiscal: Has minimal fiscal impact

Revenue: No revenue impact

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Meeting Dates: 5/8, 5/13

WHAT THE MEASURE DOES:

The measure adds entities in which employees own at least 50 percent of the ownership interest directly or through an employee stock ownership plan, to the list of sources to which a contracting agency may give preference in procuring goods or services for public contracts. Operative January 1, 2026. Takes effect on the 91st day following adjournment sine die

Detailed Summary

- Allows contract preference if the goods or services cost no more than five percent more than other bidding contractors.
- Adds entities in which employees own at least 50 percent of the ownership interest directly or through an employee stock ownership plan, to the list of sources to which a contracting agency may give preference in procuring goods or services for public contracts.
- Requires documentation of employee ownership in bids and proposals to contracting agencies.
- Applies to procurements that a contracting agency advertises or solicits or, if there is no advertisement or solicitation, a public contract entered on or after the effective date.
- Operative January 1, 2026.
- Allows the Attorney General, specified state agencies, and applicable contracting agencies to adopt rules before the operative date.
- Takes effect on the 91st day following adjournment sine die

ISSUES DISCUSSED:

- Provisions of the measure
- Reason to provide additional consideration in public contracting for employee-owned business entities
- Role of employee-owned business entities
- Potential impact of measure on new businesses

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The US Chamber of Commerce defines "employee ownership" as an arrangement where no one person owns a majority of shares or holds control over an organization. Models for employee-owned entities include employee stock ownership plans, worker cooperatives, stock options, and democratic governance.

House Bill 3646 adds entities in which employees own at least 50 percent of the ownership interest directly or through an employee stock ownership plan, to the list of sources to which a contracting agency may give preference in procuring goods or services for public contracts.