



March 18, 2025

House Committee on Emergency Management, General Government, and Veterans
900 Court Street NE
Salem, Oregon 97301

Re: Support for HB 3646, the ESOP Contracting Legislation

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

My name is Dan Blue and I am the Government and Community Relations Manager for Recology Northern Oregon. I am, like my colleagues, one of thousands of owners of the company.

Recology is a 100% employee-owned materials management company, focusing on shifting traditional waste management from landfilling towards resource recovery. We have been around for more than 100 years and became an ESOP in 1986 when a group of family-owned businesses joined together to transfer ownership of their companies to their employees. Today Recology consists of over 4000 employee owners across 40 operating companies on the west coast. All of Recology's employees are fully vested as employee owners after just 3 years working with the company. For Recology, no one employee owner can own more than 1% of the company, this narrows the gap between entry level employees and senior leadership in the company especially compared to other corporate hauling companies. As an example of this, many long-term front-line employees own more shares in Recology than some of our senior executives.

We operate 19 sites in Oregon including in Ashland, Aumsville, McMinnville, North Plains, Warrenton, Astoria and multiple sites in the greater Portland Metro region. Providing curbside collection services to thousands of Oregonians, we also operate three compost facilities, multiple transfer stations and recycling depots, and operate the two largest transfer stations in the state, Metro Central and Metro South stations. We are glad to be part of this effort to pass this important legislation.

An Employee Stock Ownership Plan (ESOP) is a qualified retirement plan created in 1974 by the federal Employee Retirement Income Security Act (ERISA). Instead of receiving



contributions into a retirement account, workers in an employee-owned company receive company stock without contributing any of their own money.

ESOPs allow employees to own part or all of a business. This unique structure leads to not just greater retirement security for employee owners, but higher job satisfaction, more resilient and productive companies, and thriving local communities with stable jobs. There are no limitations on the size of business that can be an ESOP. Nationally, the vast majority of ESOPs are under 500 total employees.

Unlike with traditional corporations, sending profits to institutional shareholders who may live out of state, ESOPs return their profits to the employees. This helps individuals build wealth, live comfortably, and reinvest in the communities where they live and work. Employees in entry-level wage jobs have opportunities for generational wealth not normally available for those jobs and ESOPs are 6x less likely to lay off employees creating more job stability. Employee-owners on average earn 3x the amount of savings/assets compared to the average worker, setting them up for a successful retirement.

More than a financial plan, employee ownership creates a unique culture where we are all invested together in the company's success. Employees know that their collective hard work directly contributes to our bottom line. And if our company's share price increases, we all benefit. This common spirit of employee ownership inspires how we work together, communicate, and deliver for each other and for our customers. We hold each other to a high standard. Ownership makes us all more accountable. It also makes Recology a unique and rewarding place to work.

When Rep. Tran brought forward HB 3572 in 2023, we reached out to her to talk about including employee owned, ESOP businesses in the legislation. As she mentioned previously, she had brought the bill to give the state the ability to provide a contracting bid preference to benefit corporations that meet certain criteria. That bill was amended after much discussion to make it permissible and not a mandate.

HB 3646 follows HB 3572, simply adding ESOPs with over 50% employee ownership to also qualify for the potential contracting preference that B-corps and products manufactured in state enjoy. The bill is silent on taxes so passage would not result in any changes to how companies are taxed.



There is an important caveat I want to note, the bill only allows the preference for B-Corps, ESOPs and others if the goods or services cost no more than five percent (5%) more than other goods or services available from contractors other than the source. To reiterate, the bid must come in within 5% of the other bids, outside of that price scope this would not apply.

The bill is narrow and permissive, giving the state contracting agency the option to provide this preference should they choose to do so.

Recology wants to sincerely thank Rep. Tran and her staff who have been working with us on this legislation.

Thank you for the opportunity to support this bill. Please consider supporting employee ownership by passing HB 3646 as soon as possible.

Sincerely,

Dan Blue
Government & Community Relations Manager
Recology Northern Oregon