

**HB 3646 STAFF MEASURE SUMMARY**

**House Committee On Emergency Management, General Government, and Veterans**

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**Meeting Dates:** 3/18, 3/27

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**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.

Detailed Summary

- Allows contract preference if the goods or services cost no more than five percent more than other bidding contractors.
- Requires documentation of employee ownership in bids and proposals to contracting agencies.
- Applies to procurements whose contracts are entered on or after the effective date.
- Becomes operative January 1, 2026.
- Allows the Attorney General and state agencies to adopt rules before the effective date, to undertake or exercise the preference on or after the operative date.
- Takes effect on the 91<sup>st</sup> day following adjournment sine die.

Fiscal impact: TBD

Revenue impact: No revenue impact

**ISSUES DISCUSSED:**

- Personal stories from employee owned businesses
- Questions about employee stock options, vesting, and pay equity
- Questions on if there a business size limitation

**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.