



May 12, 2021

Texas ESOP Initiative
6615 Vaught Ranch Road, Suite 100
Austin, Texas 78730

Dear Members of the Texas State Legislature,

The ESOP Association, the nation's largest organization devoted to employee ownership, is pleased to support and endorse HB 2246, introduced by Texas Representative Hugh Shine in 2021. The ESOP Association (TEA), with nearly 100 companies and members representing almost 22,000 employee owners in Texas, believes this bill would strengthen and promote employee ownership in the state, benefitting employees and families, businesses, and the economy in general.

As you know, HB 2246 does several things: establishes a state-operated Employee Ownership Assistance Office to assist with education and technical assistance for ESOPs; allows a business transitioning to an ESOP, under certain qualifications, to maintain its Historically Underutilized Business (HUB) designation; authorizes state and other local government contracting preference for ESOP businesses; and allows a professional corporation to maintain its status if its ESOP trustees maintain professional licensure. Collectively these provisions protect, preserve, and promote employee ownership and ESOPs.

TEA has always felt that ESOPs are and should remain a bipartisan issue with support across the spectrum of political views. This is true in the U.S. Congress and true in the Texas Legislature for good reason – successful ESOPs provide benefits to all involved. Numerous studies have shown that ESOPs increase employee productivity and retention, provide greater retirement security, and generate more jobs than conventionally owned companies. Furthermore, following the pandemic, data has shown ESOPs were significantly less likely to lay off employees than non-ESOP companies. In short, ESOPs help both companies and their employee owners not just survive, but thrive.

Promoting and supporting ESOPs in ways such as those in HB 2246 – providing information for their formation and success and allowing them to maintain a preferred status gained under Texas law – just makes good economic sense. Therefore, we urge members of the Texas legislature to support HB 2246, prioritize its consideration in the legislative process and work to pass its provisions into state law.

Thank you for the opportunity to express TEA's support for this measure. Should you require further information, data or feedback on any matters related to employee ownership, please do not hesitate to contact TEA at 202-293-2971 or at esop@esopassociation.org.

Sincerely,

A handwritten signature in black ink, appearing to read "James J. Bonham". The signature is fluid and cursive, written over a white background.

James J. Bonham
President and CEO
The ESOP Association and Employee Ownership Foundation

The International Employee Ownership Center

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