



May 29, 2020

The Honorable Phil Ting, Chair
 Assembly Budget Committee
 State Capitol, Room 6062
 Sacramento, CA 95814

The Honorable Holly Mitchell, Chair
 Senate Budget Committee
 State Capitol, Room 5050
 Sacramento, CA 95814

The Honorable Jim Cooper, Chair
 Assembly Budget Subcommittee 4
 State Capitol, Room 6025
 Sacramento, CA 95814

The Honorable Anna Caballero, Chair
 Senate Budget Subcommittee 4
 State Capitol, Room 5052
 Sacramento, CA 95814

**RE: Budget Request from Office of Assemblymember Kansen Chu
 One-Time \$10M Investment in Small Business Retention & Worker Ownership Transition
 SUPPORT**

Dear Chairs Ting, Mitchell, Cooper, and Caballero:

The sixteen organizations listed below are writing to **SUPPORT** Assemblymember Kansen Chu’s request for a **one-time investment of \$10M to fund education, technical assistance, and forgivable loans to businesses that transition to worker ownership, saving jobs and struggling small businesses across the State.**

Amidst the dual crises of COVID-19 and the Silver Tsunami¹, small business owners are looking for an exit. Rather than selling to large, out-of-state buyers or simply closing their doors for good, business owners can find willing buyers in the people who work alongside them every day, their workers. The State of California can support struggling business owners and workers by supporting the transition of companies to worker ownership. Doing so will anchor essential production and services in communities, save jobs, and save the State money.

California is at risk of losing nearly 1.7 million small businesses, representing over 3 million jobs within the next four months if it does not take immediate action to preserve them.² As the State considers historic economic protection and recovery efforts, it is essential to **preserve existing businesses that anchor communities and livelihoods.**

¹ [The Employee Ownership Solution to the “Silver Tsunami”](#) (Democracy at Work Institute 2018)

² MetLife and the U.S. Chamber of Commerce [Special Report on Coronavirus and Small Business](#) found that 43% of small businesses believe they have less than six months until a permanent business closure is unavoidable. The Small Business Administration’s 2018 [California Small Business Profile](#) counted 7M small businesses with 3.9M employees in California.

These smart front-end investments from multiple sources (e.g. CARES Act, Workforce Innovation and Opportunity Act funding, General Fund) will help **1) save businesses that provide critical access to goods and services, 2) keep vulnerable Californians employed, and 3) put California on a path to a more equitable economy through worker ownership³ -- all at a small fraction of the cost of unemployment and workforce development programs.^{4 5}**

Sincerely,

The following Organizations:

Worker-Owned Recovery California Coalition (WORC)

Sustainable Economies Law Center

US Federation of Worker Cooperatives

Democracy at Work Institute

California Center for Cooperative Development

National Cooperative Business Assn. CLUSA Intl.

Arizmendi Association of Cooperatives

Network of Bay Area Worker Cooperatives

A Slice of New York Pizza (worker cooperative)

Project Equity

PolicyLink

AmbroseAdvisors

RSF Social Finance

Certified Employee-Owned

Turning Basin Labs Cooperative, Inc.

California Center for Employee Ownership

Lawyers' Committee for Civil Rights of SF Bay Area

Cc: Committee Members
Jason Sisney, Assembly Budget Director
Chris Woods, Senate Budget Director
Christian Griffith, Chief Consultant, Asm. Budget Committee
Farra Bracht, Consultant, Asm. Budget Sub 4
Yong Salas, Consultant, Senate Budget Sub 4

³ Dozens of studies on the benefits of worker ownership for businesses, workers and communities are cited in a new white paper, [The Case for Employee Ownership: Why philanthropy and government should invest in this powerful business model](#) (Project Equity 2020).

⁴ Worker-owners are significantly less likely to be laid off, reducing claims on unemployment insurance and other government benefits. A 2015 [National Center for Employee Ownership study](#) found that lower job losses among employee-owned firms saved the federal government approximately \$17B in 2014, and \$37B in 2010, a recession year.

⁵ States receive significant benefits from investing in worker-ownership. The [Ohio Employee Ownership Center](#) has created 15K worker owners at a cost of \$772 per job created or retained since 1987. In contrast, according to a study by [Good Jobs First](#), state and local governments spend, on average, \$456K on subsidies per job created. The [State of Ohio annually invests about \\$100K in support services to worker-owned businesses](#), which in return generates \$5M in state payroll tax revenue, and another \$2M in municipal tax revenue annually.