



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4955

by Rep. Will Guzzardi

SYNOPSIS AS INTRODUCED:

New Act

Creates the Employee Ownership Development Act. Provides that the State Treasurer shall segregate a portion of the Treasurer's State investment portfolio in the Employee Ownership Development Account. Provides that moneys in the Employee Ownership Development Account shall be invested by the State Treasurer to provide employee ownership capital to employee ownership development projects seeking to locate, expand, or remain in the State. Sets forth provisions concerning Employee Ownership Development Account-Recipient Funds. Provides that the Employee Ownership Development Fund is created as a non-appropriated trust fund within the State treasury, which may receive a portion of earnings from the Employee Ownership Development Account. Provides for reporting requirements. Provides that the State Treasurer may adopt rules necessary to implement the Act. Effective immediately.

LRB104 18508 SPS 31950 b

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Employee Ownership Development Act.

6 Section 5. Definitions. As used in this Act:

7 "Broad-based employee ownership" means an ownership
8 structure in which a majority of the equity interest in a
9 business is held, directly or indirectly, by or on behalf of a
10 broad base of the business's employees through an employee
11 stock ownership plan, worker cooperative, employee ownership
12 trust, or other similar structure that provides for meaningful
13 employee participation in ownership.

14 "Employee ownership capital" means financing for
15 investments that facilitate the transition of businesses to
16 broad-based employee ownership or that provide growth capital
17 to existing majority employee-owned businesses.

18 "Employee ownership development firm" means an entity
19 that: (i) provides financing for transitions of businesses to
20 broad-based employee ownership or growth capital to existing
21 majority employee-owned businesses; and (ii) has a track
22 record of identifying, evaluating, and investing in employee
23 ownership transactions or demonstrates a credible and

1 concerted effort to develop a pipeline of employee ownership
2 transactions that meet certain criteria as determined by the
3 State Treasurer.

4 "Employee ownership project" means an investment that: (i)
5 facilitates the transition of a business in this State to
6 broad-based employee ownership; (ii) provides growth capital
7 to an existing majority employee-owned business in this State;
8 or (iii) otherwise supports the development or expansion of
9 broad-based employee ownership in this State.

10 Section 10. Employee Ownership Development Account.

11 (a) The State Treasurer shall segregate a portion of the
12 Treasurer's State investment portfolio, which at no time shall
13 be greater than 5% of the portfolio, in the Employee Ownership
14 Development Account, an account that shall be maintained
15 separately and apart from other moneys invested by the State
16 Treasurer. Distributions from the investments in the Employee
17 Ownership Development Account may be reinvested into the
18 Employee Ownership Development Account without being counted
19 against the 2% cap. The aggregate investment in the Employee
20 Ownership Development Account and the aggregate commitment of
21 investment capital in an Employee Ownership Development
22 Account-Recipient Fund shall at no time be greater than 5% of
23 the State's investment portfolio, which shall be calculated
24 as: (i) the balance at the inception of the State fiscal year;
25 or (ii) the average balance in the immediately preceding 5

1 fiscal years, whichever is greater. Any distributions from an
2 Employee Ownership Development Account-Recipient Fund, in an
3 amount not to exceed the commitment amount and the total
4 distributions, may be reinvested into the Employee Ownership
5 Development Account without being counted against the 5% cap.
6 The State Treasurer may make investments from the Employee
7 Ownership Development Account that help attract, assist, and
8 support quality employee ownership development projects in
9 this State. A portion of the investment earnings on the
10 Employee Ownership Development Account may be deposited into
11 the Employee Ownership Development Fund and reinvested by the
12 State Treasurer.

13 (b) The State Treasurer may solicit proposals from
14 entities to manage the Employee Ownership Development Account
15 consisting of investments from private sector investors that
16 must invest, at the direction of the general partner, in
17 tandem with the Employee Ownership Development Account in a
18 pro rata portion. The State Treasurer may enter into an
19 agreement with the entity managing the Employee Ownership
20 Development Account to advise on the investment strategy of
21 the Employee Ownership Development Account and fulfill other
22 mutually agreeable terms. All funds in the Employee Ownership
23 Development Account shall be kept separate and apart from
24 moneys in the State treasury.

25 (c) All or a portion of the moneys in the Employee
26 Ownership Development Account shall be invested by the State

1 Treasurer to provide employee ownership capital to employee
2 ownership development projects seeking to locate, expand, or
3 remain in this State by placing money with employee ownership
4 development firms. The State Treasurer shall invest primarily
5 through employee ownership-focused credit funds, private
6 equity funds, and similar investment vehicles rather than
7 engaging in direct lending or loan origination. In no case
8 shall more than 15% of the capital in the Employee Ownership
9 Development Account be invested in firms based outside of this
10 State that do not demonstrate a credible and concerted effort
11 to develop a pipeline of employee ownership projects.

12 (d) Any Employee Ownership Development Account-Recipient
13 Fund created by an employee ownership development firm in
14 which the State Treasurer places money in accordance with this
15 Section shall be required by the State Treasurer to seek
16 investments in employee ownership projects. Any Employee
17 Ownership Development Account-Recipient Fund created by an
18 employee ownership development firm in which the State
19 Treasurer places money under this Section shall invest a
20 minimum of 1.5 times the aggregate amount of investable
21 capital that is received from the State Treasurer under this
22 Section in employee ownership projects during the life of the
23 fund. Investable capital is calculated as committed capital,
24 as defined in the firm's applicable fund's governing
25 documents, less related estimated fees and expenses to be
26 incurred during the life of the fund. Transactions outside of

1 this State shall be expressly permitted beyond this floor,
2 enabling fund managers to maintain diversified multi-state
3 portfolios while developing an Illinois-focused deal pipeline.

4 (e) All Employee Ownership Development Account-Recipient
5 Funds shall also invest additional capital in employee
6 ownership projects during the life of the fund if, as
7 determined by the fund's manager, the investment:

8 (1) is consistent with the firm's fiduciary
9 responsibility to its limited partners;

10 (2) is consistent with the fund manager's investment
11 strategy; and

12 (3) demonstrates the potential to create risk-adjusted
13 financial returns consistent with the fund manager's
14 investment goals.

15 (f) Employee Ownership Development Account-Recipient Funds
16 shall be permitted to deploy capital into:

17 (1) subordinated loans and mezzanine debt that sit
18 junior to senior bank loans, but senior to seller notes,
19 and which may include warrants where appropriate;

20 (2) preferred or structured equity in majority
21 employee-owned firms seeking growth capital, potentially
22 paired with warrants, so long as they are not unduly
23 dilutive of majority employee ownership; and

24 (3) other instruments as determined appropriate by the
25 State Treasurer to facilitate broad-based employee
26 ownership.

1 (g) The State Treasurer's investment policy shall restrict
2 the use of proceeds from the Employee Ownership Development
3 Account to transactions that deliver majority broad-based
4 employee ownership through an employee stock ownership plan,
5 worker cooperative, employee ownership trust, or other
6 structure approved by the State Treasurer.

7 (h) All Employee Ownership Development Account-Recipient
8 Funds shall report the following information to the State
9 Treasurer on a quarterly or annual basis, as determined by the
10 State Treasurer, for all investments, including, but not
11 limited to:

12 (1) the names of companies or employee ownership
13 projects invested in during the applicable investment
14 period;

15 (2) the geographic location of employee ownership
16 projects;

17 (3) the date of the initial and any follow-on
18 investments;

19 (4) the cost of the investment;

20 (5) the current fair market value of the investment;

21 (6) the number of employees at each portfolio company
22 at the time of investment and at each subsequent reporting
23 period; and

24 (7) the percentage of employee ownership achieved in
25 each transaction.

26 (i) If, as of the earlier to occur of (i) the fourth year

1 of the investment period of any Employee Ownership Development
2 Account-Recipient Fund or (ii) when that Employee Ownership
3 Development Account-Recipient Fund has drawn more than 60% of
4 the investable capital of all limited partners, that Employee
5 Ownership Development Account-Recipient Fund fails to invest
6 the minimum amount required under this Section in employee
7 ownership projects, then the State Treasurer shall deliver
8 written notice to the manager of that fund seeking compliance
9 with the minimum amount requirement under this Section. If,
10 after 180 days after delivery of notice, the Employee
11 Ownership Development Account-Recipient Fund still fails to
12 invest the minimum amount required under this Section in
13 employee ownership projects, then the State Treasurer may
14 elect, in writing, to terminate any further commitment to make
15 capital contributions to that fund which otherwise would have
16 been made under this Section.

17 (j) The Employee Ownership Development Account and
18 investments made in the Employee Ownership Development Account
19 shall be managed in compliance with the State Treasurer's
20 Responsible Contractor Policy and the Illinois Sustainable
21 Investing Act.

22 Section 15. Employee Ownership Development Fund. The
23 Employee Ownership Development Fund is created as a
24 non-appropriated trust fund within the State treasury, which
25 may receive a portion of earnings from the Employee Ownership

1 Development Account and may be used by the State Treasurer to
2 pay expenses related to this Act, including, but not limited
3 to, consulting with external advisors to assist with manager
4 selection, due diligence, and monitoring.

5 Section 20. Annual report. Beginning one year after the
6 effective date of this Act, and annually thereafter, the State
7 Treasurer shall submit a report to the General Assembly
8 concerning the activities and performance of the Employee
9 Ownership Development Account. The report shall include:

10 (1) the total amount invested in the Employee
11 Ownership Development Account;

12 (2) a summary of investments made through Employee
13 Ownership Development Account-Recipient Funds;

14 (3) the number and geographic distribution of employee
15 ownership projects financed;

16 (4) the estimated number of workers in this State who
17 have become employee-owners as a result of investments
18 made under this Act; and

19 (5) the financial performance of the Employee
20 Ownership Development Account.

21 Section 25. Rules. The State Treasurer may adopt rules
22 necessary to implement this Act.

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.