

2026 -- H 7570

=====

LC004776

=====

S T A T E O F R H O D E I S L A N D

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

**RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND CENTER
FOR EMPLOYEE OWNERSHIP**

Introduced By: Representatives Diaz, McEntee, Shallcross Smith, and Edwards

Date Introduced: February 06, 2026

Referred To: House Small Business

(Lieutenant Governor)

It is enacted by the General Assembly as follows:

1 **SECTION 1. Findings.**

2 The general assembly finds the following:

3 (1) Small businesses are the backbone of Rhode Island's economy, comprising ninety-eight
4 and nine-tenths percent (98.9%) of all businesses in the state; and

5 (2) The Small Business Administration's Office of Advocacy found that retirement is the
6 fastest-growing reason nationwide for small business closures; and

7 (3) Roughly fifty-six percent (56%) of small business owners in Rhode Island are aged
8 fifty-five (55) or over, meaning many are at or approaching retirement age; and

9 (4) In a survey published by the Business Enterprise Succession Taskforce, a coalition of
10 Rhode Island small business advocates assembled by Lt. Governor Matos, sixty-six percent (66%)
11 of respondent small business owners have not recently conducted a business valuation, a crucial
12 component in the process of selling a small business; and

13 (5) Employee Ownership presents an exciting opportunity to keep legacy small businesses
14 in Rhode Island open while also extending the opportunity to a new class of prospective owners
15 who, on their own, may not have the means to start or purchase a small business; and

16 (6) Studies have shown employee ownership can help reduce employee turnover, and can
17 yield higher wages and better benefits for the community as well as the local economy compared
18 to other ownership models; and

4 SECTION 2. Title 42 of the General Laws entitled "STATE AFFAIRS AND
5 GOVERNMENT" is hereby amended by adding thereto the following chapter:

CHAPTER 169

THE RHODE ISLAND CENTER FOR EMPLOYEE OWNERSHIP

42-169-1. Creation of the Rhode Island center for employee ownership.

16 (b) Responsibilities of the director. The director shall have responsibility for the
17 organization, administration, and operation of the RICEO and shall have the ability to contract out
18 services as required to provide sufficient technical assistance to relevant small business enterprises.
19 Specifically, the director shall:

20 (1) Provide a referral service to help qualified business owners and worker owners find
21 appropriate legal, financial, and technical employee ownership resources and services; and

22 (2) Partner with relevant private, nonprofit, and public organizations including, but not
23 limited to, professional and trade associations, financial institutions, chambers of commerce,
24 unions, small business development centers, economic and workforce development organizations,
25 and nonprofit entities to promote and educate employee ownership benefits and succession models;
26 and

27 (3) Work with state agencies whose regulations and program affect employee-owned
28 businesses, and businesses with the potential to become employee-owned, to enhance opportunities
29 and reduce barriers; and

33 (5) Work with financial institutions and appropriate state, private, and nonprofit entities to
34 shape and implement guidance on lending to broad-based employee-owned business models; and

- 1 (6) Develop programming to raise awareness broadly about employee ownership models,
- 2 especially as a remedy to the state's ongoing small business succession crisis; and
- 3 (7) Create and maintain an inventory of employee-owned businesses in the state, including
- 4 employee stock ownership plans, worker cooperatives, and employee-ownership trusts; and
- 5 (8) Measure the success of program outreach and conduct research to determine whether
- 6 Rhode Island's small business owners experience increased growth, stability, or viability of their
- 7 businesses and additional employee engagement in employee ownership structures as a result of
- 8 the efforts of the RICEO; and

9 (9) Organize, chair, and call to order the RICEO advisory committee.

42-169-2. RICEO advisory committee.

11 (a) Established. There shall be within the RICEO a committee known as the RICEO
12 advisory committee (“the committee”).

21 (c) Organization.

22 (1) The membership of the committee shall consist of the following five (5) individuals ex
23 officio, or their designee:

(i) The director of the department of labor and training

25 (ii) The director of the department of business regulation;

26 (iii) The director of the secretary of state's business services division;

27 (iv) A representative from the Rhode Island commerce corporation;

28 (v) The director of the Rhode Island district of the small business ad-

(2) The membership of the committee shall consist of the following eleven (11) ind

30 to be designated by their respective bodies, for two (2) year terms:

31 (i) One member from each of the two (2) major caucuses o

32 be appointed by the speaker of the house and one member from each of the two major caucuses of
33 the senate to be appointed by the president of the senate; and

34 (ii) The following members appointed by the lieutenant governor:

1 (A) One representative from a worker cooperative business;
2 (B) One representative from an employee stock ownership plan business;
3 (C) One representative from an employee-ownership trust business model;
4 (D) One representative from any of the chambers of commerce in Rhode Island;
5 (E) One representative from a Rhode Island-based academic institution with recognized
6 expertise in employee ownership;
7 (F) One representative from the small business development center; and
8 (G) One representative from the Rhode Island Society of CPAs.
9 (3) The committee shall be led by a chair selected and voted on by members of the
10 committee. The chair shall serve a one-year term, + but may serve more than one term if selected
11 to do so by members of the committee, and shall remain in place until a successor is voted on and
12 approved by the members of the committee. The director of the RICEO shall chair the first meeting
13 prior to the election of the chair.

14 **42-169-3. Definitions.**

15 For the purposes of this section, unless the context otherwise requires:

16 (1) "Employee-owned business model" means any arrangement in which a company's
17 employees own shares in their company or the right to the value of shares in their company
18 including, but not limited to, worker cooperatives, as defined in § 7-6.2-2, or Employee Stock
19 Ownership Plan (ESOP), as defined in 26 U.S.C. § 4975(e)(7), or Employee Ownership Trust, in
20 which a trust holds a controlling stake in a business and benefits all employees on an equal basis;

21 (2) "Legacy small business" means any existing small business enterprise currently
22 incorporated in Rhode Island not presently incorporated under any employee-ownership business
23 model; and

24 (3) "Succession planning" means the general practice of replacing or passing on leadership
25 roles within a business.

26 **42-169-4. Severability.**

27 If any portion of this law is found by a court of competent jurisdiction to be unlawful, such
28 finding shall not affect any other portion of said law not specifically so found.

29 SECTION 3. This act shall take effect upon passage.

=====
LC004776
=====

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND CENTER
FOR EMPLOYEE OWNERSHIP

- 1 This act would establish the Rhode Island center for employee ownership to facilitate
- 2 businesses in transitioning to an employee-owned business model.
- 3 This act would take effect upon passage.

=====
LC004776
=====