

Colorado Legislature passes measure to promote employee-owned businesses

Denver Business Journal | Apr 25, 2017, 7:15am MDT **Updated** Apr 25, 2017, 11:27am MDT

Colorado is about to get into the business of teaching individuals how to pass along their businesses to their employees.

The state Legislature has passed a bill that requires the [Colorado Office of Economic Development and International Trade](#) to promote the employee-owned business model. The bill now goes to Gov. John Hickenlooper for his signature.



*Eric Wallace is president and co-founder of Left Hand Brewing Co, which converted in 2015
Left Hand Brewing Co.*

The measure directs the Colorado OEDIT to operate a revolving-loan program to help small businesses transition into employee ownership. Funded by gifts, grants and donations, the program is set up to help at least 20 businesses but could aid more if they don't borrow the maximum amount. The employee stock ownership plan (ESOP) model is rising in popularity as baby boomers who have run small companies for decades look to retire but don't just want to sell their business to larger corporations.

It has [become especially popular in recent years](#) in Colorado's craft-brewing industry, where companies such as Left Hand Brewing of Longmont, Odell Brewing of Fort Collins and New Belgium Brewing of Fort Collins all have converted from a small, private ownership team to ESOPs in order to make it much harder for an international conglomerate like [Anheuser-Busch InBev](#) (NYSE: BUD) to try to buy out the business.

While many business owners are interested in passing the business along to employees, few banks fully understand the model, leaving it difficult to find funding for such a transition, said [Halisi Vinson](#), executive director of the Rocky Mountain Employee Ownership Center. Having the

state educate aging business owners on the model as well as set up the loan fund will make it accessible to a wider group of folks, she said.

House Bill 1214, sponsored by state Rep. [James Coleman](#), D-Aurora, is modeled after a law adopted by Iowa two years ago. It first requires OEDIT small-business officials to become educated on the ESOP model, and then it allows them to reach out to local businesspeople and pitch the idea to those who come seeking advice about ownership transitions. “Anything we can do to encourage ownership helping facilitate getting folks on the path of wealth creation, I think it’s a good thing,” said Rep. [Jack Tate](#), the Centennial Republican who sponsored HB 1214 in his chamber.

The majority of Republicans in the Legislature weren’t sure that promotion of one model of private company ownership is the role of the state government, however — especially after OEDIT officials said in a committee hearing that they would contract the loan program out to a nonprofit because they didn’t have the expertise to operate it. But the bill got full Democratic support and got through both the House and Senate.

ESOPs bring with them advantages, Vinson stressed. They pay 8 to 12 percent higher salaries than comparable businesses, and the opportunity to buy into company ownership can be a valuable recruitment and retention tool for the companies. “If the trend continues on this, the fight for \$15 [an hour minimum wage] becomes an afterthought,” Vinson said.

Ed Sealoover covers government, health care, tourism, airlines, hospitality, restaurants and brewing for the Denver Business Journal. Phone: [303-803-9229](#).