

SB 85 worker coop BVFA.pdf

Uploaded by: Alisha Edwards

Position: FAV



Testimony for **SB 0085**

Corporations and Associations - Limited Worker Cooperative Associations - Authorization

(Maryland Limited Cooperative Association Act)

Position: **FAV**

Dear Chair Smith and members of the Judicial Proceedings Committee:

My name is Alisha Edwards, and I am the Founder & CEO of [The Baltimore Vertical Farming Association \(BVFA\)](#). BVFA is a community-based organization created exclusively for educational and social equity purposes. We envision an equitable and responsible cannabis-related industry through innovative education and value-added sustainable practices. We can *Reimagine Reparations* and cultivate *Restorative Results* in Baltimore City through strategic partnerships.

We support SB 85 because this legislation will Bring Industry Back to Baltimore City.

Worker Cooperatives meet community needs locally through innovative industrial pursuits to improve the quality of life, the efficiency of city operations, and competitiveness. This community wealth-building model ensures that housing and businesses are locally rooted and collectively owned. Blacks and Latinos have borne the brunt of the predatory war on drugs policies, facing far higher arrest and incarceration rates than Whites. As annual US sales of legal cannabis head toward \$43 billion by 2025, 'it's a cruel irony that the now legal industry is dominated by Whites, with only 4% of cannabis entities owned by African Americans. Worker cooperatives will provide residents with expertise and exposure; this restorative justice business model aims to empower community members to accelerate their growth and offer ownership opportunities in the emerging cannabis market.

SB 85 removes barriers to creating worker cooperatives that stabilize communities and provide sustainable living wage jobs and ownership opportunities.

With over 14,000 abandoned properties, including warehouses, Baltimore City is a prime community to capitalize on the surplus of properties and *Bring Industry Back to Baltimore*. We suggest SB 0085 and [SB0699 Cannabis – Community Reinvestment and Repair Fund – Distribution and Use of Funds for Baltimore City](#), sponsored by Senator [M. Washington](#) be paired to provide economic empowerment opportunities and workforce development. The number of people working in and with the cannabis industry has risen annually since Leafly started tracking the data five years ago. Between 2021 and 2022, the sector added 107,059 jobs – a 33% increase over the prior year.

This cooperative framework will produce locally grown products such as food, industrial hemp, and cannabis, enticing people and bringing funds back to the city.

Workers' cooperatives are good for the economy and have an equalizing power in the labor market. This legislation is one step towards creating and running worker cooperatives in the state. We urge a favorable report on SB 85 for those reasons and more.

Best,

Alisha Edwards, MBA

Founder & CEO

Baltimore Vertical Farming Association

Email: alisha@baltimoreverticalfarms.org

Website: baltimoreverticalfarms.org/

Our mission is to create pathways to economic empowerment for residents of impoverished and underserved communities by developing and implementing equitable and responsible cannabis-related ecosystems through vertical farming, innovative education, and value-added sustainable practices. [Here's How We Do It](#). [Watch our explainer video.](#)

LCB-testimony_sb0085-2024.02.06.pdf

Uploaded by: Amber Jones

Position: FAV



TESTIMONY
SENATE BILL 0085
MARYLAND LIMITED COOPERATIVE ASSOCIATION ACT
POSITION: FAVORABLE
FEBRUARY 7, 2024

Dear Chairman Smith and Members of the Judicial Proceedings Committee,

I am writing to urge your support of the Maryland Limited Cooperative Association Act to authorize the formation of limited worker cooperative associations and establish rules and procedures for the formation, governance, conversion, and dissolution of limited worker cooperative associations.

As a life-long resident of Baltimore City, I have seen many businesses and nonprofit organizations come and go, much to the disappointment of the communities that depend on them. This is due, in part, to the lack of statutory infrastructure in the State of Maryland to support the formation of new cooperative businesses. Two of cooperative organizations I am currently working with as a founding member, though they might have considered incorporating in Maryland, looked elsewhere due to the lack of a limited cooperative association option in this state.

If more entrepreneurs and community organizations saw worker-owned cooperatives as a via option in the State of Maryland, there would be more upfront support and less last-minute conversions which, in many cases, occur when businesses are too far gone to recover. This would also make it easier to receive legal services, insurance, and other supports needed to operate.

Living Corners, a non-profit organization based in the State of Maryland, promotes health, equity, access, and longevity in Baltimore City neighborhoods through the ideation and creation of health-conscious and community-oriented businesses. We would benefit from the ability to establish a limited cooperative association for our business participants to receive ongoing support.

Please make it easier to create and manage worker cooperatives in Maryland by voting in favor of Senate Bill 0085.

Sincerely,

Amber N. Jones

President

Support of bill 0085.pdf

Uploaded by: Autumn Goodwin

Position: FAV

Dear Members of the Maryland General Assembly Senate,

My name is Autumn Goodwin, (registered to vote in Maryland as Adam Goodwin). This is a favorable testimony for Senate bill SB0085: Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act). I am a business owner and startup founder of the company Vectech, a tech company located in Baltimore Maryland developing AI based technologies for gathering information on insects to support public health and environmental health. I have been working on the research that birthed Vectech since 2017, originally at Johns Hopkins University, and in 2019 my colleagues Tristan Ford, Margaret Glancey, and I co-founded Vectech. Since then, we have benefited greatly from Maryland state funding through the Maryland Innovation Initiative, among other programs offered by the state of Maryland and the federal government. This has allowed our team to grow to a current 17 employees, most of whom are based in Maryland.

We are a highly technical and incredibly collaborative team, enabling our success and growth which has been funded primarily with research and development grants and contracts. As Vectech has grown, it has become clear to me that we are building significant value. Yet given the current limitations in equity structures for corporate entities, this value is unequally distributed among those generating the value: the workers of Vectech. I work with a smart, agile, and highly skilled team. As a startup, we cannot always pay the most competitive salaries, but I hope to offer better compensation in the form of equity. A Limited Worker Cooperative Association would further ensure that the value generated by “my” business is not held in the wealth of a few founders, but shared in abundance with the people who make it a reality.

The Baltimore tech ecosystem is developing towards an inspiring vision of equitable innovation not bound by historically discriminative lines such as race, gender, and economic class. This has been embodied in the work of Upsurge, Baltimore Tracks, the Techstars Equitech accelerator now entering its third year, Innovation Works, OpensWorks and the work of many others focused on enabling economic equity in Baltimore. While inspiring, the legal frameworks available to equitably minded founders is currently limited. But by creating a clear pathway for making a worker cooperative, we not only enable collaborative worker-run coffee shops, book stores, breweries and farms, but also further advance the vision of an equitable tech city, creating a vastly more diverse landscape of those who call themselves tech business owners.

I am convinced that worker cooperatives are an essential missing ingredient to creating a vibrant equitable tech ecosystem in Baltimore and the surrounding area. While I would love to convert my business to a limited worker cooperative association in Maryland, there is no viable path for this now. The passing of SB0085 may provide a pathway for this conversion, but would at minimum provide a pathway for the formation of a tech focused worker cooperative in my future after I move on from the work of Vectech. For these reasons, I ask you to support this bill.

With hope and sincerity,

Autumn Goodwin

Co-Founder and Chief Technology Officer of Vectech, Inc - a public benefit corporation
Baltimore, MD

SB85_RMC_Support Testimony.pdf

Uploaded by: Charlotte Davis

Position: FAV



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Susan O'Neill, Chair

Charlotte Davis, Executive Director

POSITION STATEMENT

SENATE BILL 85- Corporations and Associations - Limited Worker Cooperative Associations - Authorization
(Maryland Limited Cooperative Association Act)
Senate Judicial Proceeding Committee
February 7, 2024

The Rural Maryland Council **SUPPORTS** Senate Bill 85- Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act). The bill authorizes the formation of a limited worker cooperative association.

While Maryland statute recognizes the formation of cooperatives such as electric cooperatives and housing cooperatives, it does not specifically authorize worker cooperatives. Cooperatives are often a solution to many rural challenges to make up for a lack of population density and create economies of scale. As rural Maryland's population is aging, transitioning to the next generation is of concern particularly aging business owners and farmers. As these aging owners wish to retire, converting to a worker-owned cooperative could retain needed businesses and jobs in areas desperate in need.

There are *Seven Cooperative Principles*:

- **Voluntary and Open Membership**
- **Democratic Member Control**
- **Member Economic Participation**
- **Autonomy and Independence**
- **Education, Training and Information**
- **Cooperation among Cooperatives**
- **Concern for Community**

Worker cooperatives are value-driven businesses that put the worker and community benefits as the core of their purpose. More than half of worker cooperatives in the United States today were designed to improve low-wage jobs and build wealth in communities most directly affected by inequality, helping vulnerable workers build skills and earning potential, household income and assets.

Worker cooperatives are different from Employee Stock Ownership Plans (ESOPs) as outlined below in the attached chart created with information from ESOP Partners. An ESOP is a federally-regulated employee benefit plan that gives ownership interest to workers by allocating shares from the ESOP trust. A worker cooperative is a member-owned business entity in which worker-owners have a controlling interest, and who elect the governing body on a one-member-one-vote basis.

This legislation will support the retention and creation of jobs across the State. The Rural Maryland Council requests a favorable report of SB 85.

The Rural Maryland Council (RMC) is an independent state agency governed by a nonpartisan, 40-member board that consists of inclusive representation from the federal, state, regional, county, and municipal governments, as well as the for-profit and nonprofit sectors. We bring together federal, state, county, and municipal government officials as well as representatives of the for-profit and nonprofit sectors to identify challenges unique to rural communities and to craft public policy, programmatic or regulatory solutions.

“A Collective Voice for Rural Maryland”

	Worker Coop	ESOP
Ownership	<p>Workers become direct owners of the company.</p> <p>In a worker co-op, worker-owners have a controlling ownership interest. That is to say, worker-owners make up more than 50% of the total combined voting power of all classes of stock of the corporation.</p>	<p>The ESOP trust is the legal owner of the block of the corporation's shares (up to 100% of the company) for the benefit of current and future employees.</p> <p>ESOP employees accrue share allocations while working and typically receive the value of their share allocations, most often in cash, at retirement or separation from service.</p>
Voting Rights	<p>Every worker-owner has one equal voting right.</p> <p>Worker-owners may or may not choose to elect a board of directors, or delegate accountabilities to working groups. These structures can depend on the size of the business.</p>	<p>Employee-owners may or may not have voting rights, as determined and articulated in plan documents. The ESOP-appointed trustee serves on behalf of employee-owners, in most cases.</p> <p>Democratic governance is neither required nor prohibited</p>
Employee Eligibility	<p>Criteria for member eligibility in a worker co-op is articulated in governing documents and can include:</p> <ul style="list-style-type: none"> • Minimum work tenure • Hours worked per year • Buy-in payment • Being voted in by current members <p>All workers who meet eligibility criteria may become cooperative members, but are not required to.</p>	<p>At a minimum, ESOPs are required to cover a substantial percentage of non-highly compensated employees who are at least 21 years old and who have completed one year of service. Certain employees may be excluded from ESOP participation.</p> <p>ESOP eligibility requirements are subject to IRS nondiscrimination testing, and are articulated in plan documents.</p>
Payment of Dividends to Employee-Owners	<p>In a worker cooperative, a majority of allocated earnings (i.e. the portion of net income designated as surplus) or losses go to worker-members on a patronage basis as described in the co-op's governing documents.</p>	<p>Not all ESOPs choose to pay dividends, but they may.</p> <p>Dividend payments for an ESOP-owned C corporation may be tax deductible under IRC Section 404(k)(2).</p>
Taxes	<p>A cooperative pays income taxes on its profits, and worker-owners must be paid "reasonable" salaries subject to payroll taxes (rather than pay whole salaries as patronage dividends to avoid payroll taxes).</p> <p>Allocation of profits to patronage dividends allows the cooperative to have worker-owners take on some of the tax responsibility as individuals. The 20% federal pass through deduction creates a tax break.</p>	<p>The ESOP-owned portion of an S-corporation is not subject to federal income tax. So a 100% ESOP-owned S corporation pays \$0 in federal income taxes.</p> <p>An ESOP-owned C corporation can benefit from the tax deductions mentioned above.</p>
Financing	<p>In most cases, workers each contribute a buy-in amount (i.e. each purchases a voting share), and the cooperative secures a loan for the rest of the sale price. Member equity is rarely enough to cover the sale price. Seller notes are commonly part of the sale structure.</p>	<p>Leveraged ESOP sales often involve a combination of lender and seller financing. Employees do not "buy into" plan participation. Non-leveraged (at sale) ESOPs are rare, but in those cases, the company would contribute the cash to the ESOP, and the ESOP would purchase company shares.</p>

BRED TESTIMONY FINAL.pdf

Uploaded by: Christa Daring

Position: FAV

BRED

BALTIMORE ROUNDTABLE FOR ECONOMIC DEMOCRACY

BALTIMOREROUNDTABLE.ORG

SB85 - Maryland Limited Cooperative Association Act
Hearing of the Senate Judicial Proceedings Committee
February 7, 2024
2 p.m.

FAVORABLE

Baltimore Roundtable for Economic Democracy (BRED) **strongly urges a favorable report for SB85 - Maryland Limited Cooperative Association Act**, which creates a corporate entity for limited worker cooperative associations and establishes rules and procedures for formation, governance, conversion, and dissolution of said entities. With this legislation, Maryland will join 30 other states that have worker cooperative statutes, building on best practices from the legacy of worker-owned small businesses in this country and a thriving worker cooperative ecosystem.¹ The Maryland Limited Cooperative Association Act will address the distinct needs of worker cooperatives, solving various pain points and recognizing this growing small business ownership model. It is common-sense legislation that grows our small business community.

BRED is uniquely positioned to speak to the needs of worker cooperatives in Maryland. BRED is a nonprofit organization that provides technical assistance and small business financing to worker-owned cooperatives. We assist startups and established businesses interested in converting to worker cooperatives. A founding member of the national community wealth cooperative Seed Commons, we connect investment to local cooperative development through nonextractive financing. Our funding prioritizes inclusion and equity, unlocking impactful investment opportunities for local Maryland small businesses that are worker-owned. Our funding has assisted Maryland worker cooperatives for almost 10 years, building a more democratic and equitable economy by focusing resources in marginalized communities frequently excluded from traditional lending avenues. We've committed almost \$10 million in patient capital for worker cooperatives across Maryland since our launch in 2015.

Maryland does not currently have a worker cooperative statute. Despite Maryland's worker cooperatives leading the way nationally to bring services, products, education, and more to our communities, frequently drawing attention for their business acumen and dedication to

¹ The Democracy at Work Institute notes there are more than 900 worker cooperatives in the United States generating more than \$550 million in annual revenues (see <https://institute.coop/what-worker-cooperative>)

economic democracy, no corporate entity recognizes the unique structure of this small business model. It is essential that Maryland law respond to the growing worker cooperative ecosystem, creating a worker cooperative statute that provides clarity regarding formation and governance, protects essential elements of the democratic business model, and codifies the corporate entity such that governmental and financial institutions recognize this model's distinctive needs. Many worker-owners have been needlessly deterred as they navigate a corporation and association code that does not include or recognize the core values of worker cooperatives in both organization and operation.

The current corporate structures do not meet the needs of worker cooperatives.

Maryland's LLC law hinders worker cooperatives' ability to do business. Pain points include (1) confusion surrounding legal incorporation, filing documents, naming stipulations, and entity selection; (2) exorbitant workers' compensation fees; (3) difficulty navigating taxation; (4) confusion regarding the process of converting established businesses into worker-owned cooperatives; and (5) accessing funding without relinquishing core economic democracy values.² At its worst, the current law regulating workers compensation allows insurance companies to treat worker-owners as *both* employees and owners, thus making assumptions about their income and treating them as if their income is far greater than the reality. This assumption often prevents a worker cooperative from breaking even. Rather than adding a new article to the code, SB85 creates specific amendments to the current LLC law that would provide worker cooperatives with more clarity, ease the burden of high workers' compensation fees, and protect the integrity of worker-owners' voting rights when soliciting investments.

Worker cooperatives are beneficial for workers, their industry, and their community: We should be making it easier to incorporate as a worker cooperative, not harder. Worker cooperatives provide many benefits for worker members and the industries in which they operate.³ Worker-owners have increased earnings and access to benefits, wealth, skill building, control over their working conditions and business decisions, and dignity in the workplace. For the industries and small business environments in which they operate, they enhance growth and productivity, reduce employee turnover, and provide a more sustainable business model. Indeed, the U.S. Federation of Worker Cooperatives has noted that worker cooperatives are better able to adapt in times of crisis, with workers more likely to have kept their jobs during recent crises like the 2008 financial crisis and the COVID-19 pandemic.⁴ Worker cooperatives also provide social innovation, are dedicated to environmental sustainability as a matter of

² Haag, M., & Lucido, J. J. (2021). *Cooperative legal landscape reports: Traditional and limited cooperatives*. University of Baltimore School of Law.

³ Abell, H. (2014). *Worker cooperatives: Pathways to scale*.

<https://project-equity.org/wp-content/uploads/2023/06/Worker-Cooperatives-Pathways-to-Scale.pdf>

⁴ Manklang, M., & Trenholm, Z. (2021). *Worker co-ops: Weathering the storm of COVID-19 and beyond*. Democracy at Work Institute & U.S. Federation of Worker Cooperatives.

<https://institute.coop/resources/worker-co-ops-weathering-storm-covid-19>

principle, and correlate with a wealth of social benefits including bridging the racial wealth gap, overcoming historic barriers to development, and promoting community stability and growth.⁵

Worker cooperatives undoubtedly are a benefit to the small business community and catalyze remarkable gains for worker-owners. The health of our state's cooperative ecosystem; the benefits to industry, workers, and economic development; and the protection of long-standing small businesses necessitate the codification of a worker cooperative statute. It is essential that Maryland join the majority of states in our nation with similar legislation that addresses the unique business needs of worker cooperatives by passing the Maryland Limited Cooperative Association Act.

SB85 is the result of years of research, analysis, experience, and stakeholder conversations on limited worker cooperative associations. All components of SB85 were determined through the careful determination of best practices from previous legislation passed by other state legislatures; interviews and analysis conducted by University of Baltimore law students retained by the Baltimore Development Corporation with key local and national worker cooperative stakeholders, including Co-Executive Director Kate Khatib of the worker cooperative CDFI Seed Commons; and the University of Baltimore Community Development Clinic supervised by Professors Jaime Lee and Peter Norman. During the last year, BRED has met with numerous stakeholders in the legal and economic justice fields, including the Public Justice Center and members of the Maryland Bar Association Business Law Section Council. This well-crafted legislation addresses the formation, governance, taxation, conversion, and dissolution of worker cooperatives in keeping with the values and principles of the International Cooperative Alliance while adhering to the Maryland Code. BRED is confident that this legislation will solve current worker cooperative pain points and facilitate the formation and sustainability of future small businesses.

BRED and the following Maryland-based worker cooperative signatories urge the committee to issue a **FAVORABLE report for SB85**. If you have any questions about this testimony, please reach out at christa@baltimorerooundtable.org.

Worker Cooperative Signatories:

Red Emma's Bookstore and Coffeehouse
Mera Kitchen Collective
Cross Atlantic Chocolate Collective
Anytime Taxi
Metta Integrative Wellness
Appalachian Field Services
Earthbound Building

Thread Coffee Roasters
Taharka Brothers Ice Cream
Common Ground Cooperative
The Greener Kitchen
EnviroCollab
Cajour Creamery

⁵ Nembhard, J. G. (2014). *Benefits and impacts of cooperatives*. Howard University Center on Race and Wealth and John Jay College of Criminal Justice.
<https://geo.coop/sites/default/files/0213-benefits-and-impacts-of-cooperatives.pdf>

Hampden's Common Ground cafe to reopen as worker-owned cooperative

Christina Tkacik

8/25/2023 1:14 p.m. EDT



Hampden's Common Ground coffee shop has permanently closed. (Cody Boteler)

Ex-employees of Hampden coffee shop Common Ground announced on Friday plans to reopen the business as a worker-owned enterprise next month.

An exact opening date has not been set, but “we are aiming for early September,” said Nic Koski, who was a barista at Common Ground when it

closed and is spearheading the reopening efforts.

Koski had floated plans to relaunch as a worker-owned cooperative back in July, when [the shop was abruptly closed](#) after 25 years by owner Michael Krupp. Koski said employees had been exploring the possibility of unionization when the cafe was shut down. Krupp did not respond to a request for comment or provide a reason for the closure.

Twenty-two of the previous staff members will lead the soft opening, with 19 acting as “worker-owners.” The initial menu will offer coffee and muffins, with more to come in the ensuing weeks, according to a release.

“It’s been a lengthy and stressful process, but we are so happy to finally be able to tell you, our customers, the exciting news,” worker-owner Sierra Allen said in a statement. “Get ready to not only come back to your favorite gathering place but to finally gorge yourselves on coffee and baked goods once again.”

More from The Banner

- [‘In Baltimore, everybody’s unionizing’: Workers weigh in on wave of labor organizing campaigns](#)
- [Busboys and Poets closes Charles Village location](#)
- [The Dish: 8 new restaurants are opening in Hampden. Yes, you read that right.](#)

The relaunch of Common Ground cafe comes as several Baltimore businesses have taken steps towards becoming worker-owned, including Taharka Brothers, Joe Squared and various Ace Hardware stores.

[Red Emma’s](#), the worker-owned bookstore and cafe now located on Greenmount Avenue, was an early pioneer of the model. The shop’s co-founder, Kate Khatib, later helped launch Seed Commons and its local

offshoot, the Baltimore Roundtable for Economic Democracy. Both organizations assist businesses making the jump to worker-owned, and both worked with the staff at Common Ground on the cafe's relaunch efforts.

"I think it's awesome that Baltimore is becoming a co-op town," said Khatib, noting that the model has become particularly popular in the food service industry. "There's something unique and special about Baltimore city that has allowed co-op businesses to grow and thrive."

Khatib called Common Ground's transition "incredibly exciting" and said "it really has come together incredibly quickly." The relaunch shows transitioning to a worker-owned cooperative model can be an alternative to closure in cases where employees are interested in keeping a small business going, she said.

Hurdles remain. The new worker-owners will have to transfer all existing permits out of Krupp's name, which can be a cumbersome process for any business. But staff have negotiated a deal with Krupp that will allow them to reopen the business before the permitting process has been finalized. Koski and Allen have organized a GoFundMe with a fundraising goal of \$50,000 to help cover wages, rent supplies and other costs.

During its quarter-century in operation, Common Ground developed a devoted following among regulars in the North Baltimore neighborhood and beyond. In a Facebook post announcing the reopening, staff thanked longtime patrons for their assistance since the shutdown: "From helping our coworkers pay rent and buy food, we truly don't know what we would've done without you all."

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Christina Tkacik

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Christina Tkacik is the food reporter for The Baltimore Banner. A former Baltimore Sun reporter, she has covered the city's dining scene as well as crime and politics.





🕒 This article was published more than **2 years ago**

The Washington Post

Democracy Dies in Darkness

Amid food-industry upheaval, Baltimore businesses are handing workers the keys

By Lisa Elaine Held

December 13, 2021 at 12:00 p.m. EST

BALTIMORE — On a recent fall morning, despite the chill in the air, workers at Taharka Brothers Ice Cream were packing a freezer truck and a van with pints of honey graham, peanut butter cup and pistachio. In the office, business metrics on retail performance, catering and home delivery moved across a screen on the wall. “It’s a really busy day,” said Detric McCoy. “Even right now, I don’t think I could run it by myself.”

He doesn’t have to.

In December 2020, Taharka officially became a worker-owned cooperative, and McCoy shares responsibilities that would typically fall on one person’s shoulders with four other worker-owners.

The structure has become almost commonplace among the city’s food businesses, whether they’re churning sweet treats, making vegan sandwiches or roasting coffee. In November 2020, popular pizzeria Joe Squared reopened after a covid-19 hiatus with 13 new worker-owners. This fall, the plant-based dessert shop Cajou Creamery also became a cooperative. And in early December, Union Craft Brewing announced it had added six longtime employees as owners and in the future would offer ownership to all employees after five years with the company.

All of this is happening at a time of turmoil in the food industry, for restaurant owners and workers alike. While many exceptions exist, workers in food-service jobs earn notoriously low wages, and benefits are rare. Historically, restaurants have been places where power imbalances — between the front and back of the house, star chefs and kitchen staff, servers and customers — were tolerated. The industry also disproportionately depends on the labor of people from marginalized groups — including people of color and undocumented immigrants. During the pandemic, those realities were laid bare, as workers were laid off due to shuttered restaurants, or continued working and risked exposure.

“Historically, co-ops have always emerged and scaled during crises,” said Tori Kuper, the operations coordinator at the New Economy Coalition who is also on the board of the U.S. Federation of Worker Cooperatives. After the 2008 recession, Kuper said, the number of coops in the U.S. skyrocketed, and the spirit of mutual aid that arises during an economic downturn can also lead to interest in what the coalition calls “the solidarity economy.”

“The primary goal is ... to create dignified jobs and economic security for members, which also structurally addresses the deep inequity and exploitation that covid really revealed,” she said.

Now, across the country, as restaurants struggle with labor shortages and workers reimagine their participation in food service, interest in worker-owned structures is growing. But while other cities may just be lighting a spark, Baltimore has been tending the fire of its solidarity economy for years, and many look to it as a model, Kuper said. “In Baltimore, this is something that is being built right now. It is being tested and is performing well.”

Much of the story can be traced back to 2004 and Red Emma’s, a vegan cafe and bookstore that grew out of an anarchist bookstore called Black Planet Books. The seven founders set out to create a space for the city’s radical left and thought adding food and coffee to the bookstore would bring in more people, said Kate Khatib, who was one of those originals and is still a worker-owner.

Worker cooperatives operate in many different ways, and Red Emma’s structure is entirely non-hierarchical. Everyone who is hired starts at the same hourly wage regardless of experience or background and is put on a track to ownership. If all goes well and they pass certain benchmarks over a set period of time, they join a team of worker-owners who share equal decision-making power and profits. Wages increase with time worked, but the highest-paid worker can never make more than twice the lowest. “Over the years, we became much more focused on and serious about the workplace democracy aspect,” she said. “We really started drilling down into: What does it mean for a business in this sector to be sustainable? And ... how do we create jobs that are sustainable?”

One answer was that they needed capital to buy a space, but traditional banks weren’t set up to lend to a group, and choosing the person with the best credit to take on the loan went against their operating values, since it strengthened the economic power of the most well-resourced owner over others. Red Emma’s began working with other cooperative organizations to fix that issue, which led to a nationwide cooperative lending network and then a local outfit that could provide both funding and technical assistance to worker coops. Today, that organization, the Baltimore Roundtable for Economic Democracy (BRED), connects the city’s growing patchwork of cooperatives.

Emily Lerman, a project officer at BRED, is also one of the founders of Mera Kitchen Collective, which began as a group of friends hosting pop-up dinners and grew into a catering business that showcases the dishes of chefs from around the world. When events were canceled due to covid-19 in March 2020, the team quickly raised funds and began cooking free hot meals for food-insecure residents. Now, Mera is running another GoFundMe campaign to open its first solo restaurant space before the end of the year. On a recent evening, a soft-opening menu taped to the window included a chicken tinga quesadilla and mutubal (a Syrian eggplant dip); An “opening soon” sign promised “story-worthy food from around the world.”

But even with Lerman's technical expertise, Mera has struggled to structure its business as a true cooperative. Immigration and visa issues have gotten in the way, as they do for many co-ops, so Lerman and her co-founders have focused on ensuring collective decision-making and on using the expansion to eventually put everyone on the team on salary and start profit-sharing. "We are tripping and learning," said Aishah Alfadhlah, a co-founder. "We are just people who are really trying to do the best and as much as we can. It's not perfect."

Another challenge for worker-owned cooperatives in food service is becoming profitable enough to pay well. Red Emma's starts workers at \$15 per hour, which, in progressive circles where fighting for a living wage is also a common goal, might sound like a near failure of the model. In other words, shouldn't shared ownership equal shared economic security? But Lerman and Khatib said worker co-ops are simply dealing with the same economic realities all small restaurants are.

Worker-owners, they said, attribute incalculable value to the ability to participate in ownership and engage with a community of people committed to treating each other with dignity and equality, and covid-19 amplified that aspect. "People want to do something they believe in that isn't just going to benefit some corporation," said Okan Arabacioglu, the general manager and a worker-owner of Joe Squared. "And they want to learn. When you're a server or bartender, you just learn to be a server or bartender. When you're a chef or a cook, you just learn to be a chef or a cook. When you are part of a co-op, you learn how to do pretty much everything."

That's what Khatib has always counted on: Red Emma's as a space to educate new business owners in the solidarity economy and incubate new co-ops, such as Thread Coffee, which now runs its own roastery and sells its coffee throughout Baltimore and Washington, D.C.

At Taharka, McCoy said he learned on the job, starting right out of high school. Taharka's founder, Sean Smeeton, created the company as a vehicle for social entrepreneurship for young men from Baltimore's low-income neighborhoods, where opportunities for employment were few and far between, and McCoy started packing pints and working the ice cream truck at events, went to college for accounting, and now runs sales and marketing. Sharing in ownership has pushed his business goals even further. "I kind of stepped up," he said.

Just a few miles away, Nicole Foster and Dwight Campbell of Cajou Creamery started selling ice cream, made from scratch with cashews instead of cows' milk in such flavors as horchata, baklava and Mexican cacao, out of a new storefront on Howard Street in August. As they got up and running and planned further expansions, they worked with BRED to finalize a cooperative structure with an even more targeted goal: to create opportunity for formerly incarcerated people returning home. "You tell somebody that you served time, and people started touching their pocketbooks or walking away. You don't feel like a whole person," Campbell said. "We want to give people a chance to show that they are much more than just somebody who served time. We want to give people the ability to dream about a future, to have ownership instead of thinking 'I am just a drone. I'm here to work for a paycheck.'"

They're now working to bring on workers with Pivot, a Baltimore organization that helps women released from the corrections system rebuild their lives, and they're inspired to make an impact in a majority Black city. As they embark on the path Red Emma's paved nearly 20 years ago, both acknowledge that operating as a worker cooperative will likely be harder than running a traditional business, but Foster said she couldn't imagine doing it another way. "It's not in our nature to have a business that would only benefit us," she said.

Testimony SB0085 Ramos.pdf

Uploaded by: Councilwoman Odette Ramos

Position: FAV



Odette Ramos

Baltimore City Councilwoman

District 14

(410) 396 - 4814

odette.amos@baltimorecity.gov

100 N. Holliday Street, Room 506

Baltimore MD 21202

Testimony

**SB0085 – Corporations and Associations – Limited Worker Cooperative Associations – Authorization
(Maryland Limited Cooperative Association Act)**

February 7, 2024

FAVORABLE

Honorable Chair Smith and Distinguished Members of the Senate Judicial Proceedings Committee:

I am writing to urge your support for **SB0085 – Corporations and Associations – Limited Worker Cooperative Associations – Authorization (Maryland Limited Cooperative Association Act)**. Thank you to Senator Mary L. Washington for sponsoring this bill.

SB0085 would authorize the formation of limited worker cooperative associations including the establishment of rules and procedures, governance, conversion, and when needed, the dissolution of limited worker cooperative associations. This would provide the ability for another business type to be established that is currently not represented in statute.

The cooperative industry is one made up of farmers, consumers, and other organizations where most are community centric. Cooperatives have been known to provide some vital services to different communities, like housing. Maryland recognizes Limited Liability Companies, or LLC, and Limited Liability Partnerships, or LLP, which do not provide the same opportunities and structure that the Limited Worker Cooperative, or LWC, would, such as being worker-owned. LWC's also operate outside of investors which can result in a community investment instead.

In our district, we have several worker cooperatives including Red Emma's, ACE Hardware, and Common Grounds in Hampden. This bill would assist them in their businesses and will assist others working towards creating an LWC.

Please issue a favorable report for SB0085.

Please do not hesitate to contact me should you have any questions. I can be reached on 410-396-4814 or via email at odette.amos@baltimorecity.gov.

Respectfully Submitted:

Odette Ramos
Baltimore City Councilwoman, District 14

Levine SB0085 Written Testimony.pdf

Uploaded by: Daniel Levine

Position: FAV

February 6, 2024

Dear Members of the Judicial Proceedings Committee,

My name is Daniel Levine, and I am a constituent of Sen. Washington's in District 43A. I am submitting favorable testimony on SB0085, the Maryland Limited Cooperative Association Act.

I have also been a member of Baltimore Bicycle Works, one of Baltimore's oldest worker cooperatives, since May of 2022. I joined BBW both because I love bikes and because I've been fascinated by worker cooperatives for years. I was looking for an alternative structure even to the mission-driven non-profit and educational institutions I've worked in, that often have noble goals for the organization, but can be just as hierarchical and toxic places to work as anywhere else. Perhaps especially since I have often worked for organizations that are focused on helping people, I have often felt frustrated and powerless in the face of decisions being made on behalf of my organization that I thought were harmful to people we were supposed to help, and that I had little ability to change.

Most of us spend a huge proportion of our waking hours at work, and most of us are subject to hierarchical structures at work. Worker cooperatives give workers more genuine voice and control over their conditions. Besides their value directly to the workers, worker co-ops tend to create more stable, better-paying jobs than similar non-cooperatively-organized businesses. Co-ops help to keep wealth in our communities - since workers are also the owners and recipients of the business' profits - and they can lower the capital barriers to starting a business.

Thank you for your consideration, and I hope that you will support SB0085, making it easier for worker cooperatives to operate in Maryland.

Sincerely,

Daniel H. Levine

2024 Maryland SB 0085 Senate Jud Proc Testimony SUP

Uploaded by: David Lidz

Position: FAV

SB 0085 SUPPORT

David Lidz

WaterBottle Worker Owned Cooperative

david@afsbuidls.com

410.903.9489

23317 Welty Church Road

Smithsburg, MD 21783

SB 0085 SUPPORT

Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act)

Senate Judicial Proceedings Committee

Wednesday, February 7, 2024 at 2:00PM

Dear Chair Smith, Vice Chair Waldstreicher and members of the Senate Judicial Proceedings Committee:

My name is David Lidz. Please find herein my testimony in support of SB 0085.

I live in Smithsburg, Maryland (Washington County) but spend many hours each week working to rebuild communities on the West Side of Baltimore..

In 2010, I founded a construction company, Appalachian Field Services, LLC (AFS) which specializes in maintaining and renovating vacant homes for corporate and governmental mortgage institutions, and which uses that work to hire and train individuals recovering from addiction and/or incarceration. In other words, we at AFS were leveraging the work of rebuilding distressed homes to also rebuild distressed human beings.

By 2018 my employees and I had come to understand that our corporate and governmental clientele didn't care that much about our mission, didn't care that much about the oppressed neighborhoods they sent us in to board up, and certainly didn't pay us very well.

So we came up with the idea to form a co-operative and raise money to purchase, renovate and rent out homes in neighborhoods like Baltimore's Park Circle, Sandtown-Winchester, Matthew Henson and Midtown-Edmonson. With the support of the Baltimore Roundtable for Economic Democracy (BRED), we formed the WaterBottle Worker-Owned Cooperative, and raised \$5M in CDFI funding to support our cooperative neighborhood revitalization pilot. To date, our cooperative owns 17 properties in the aforementioned neighborhoods, employs

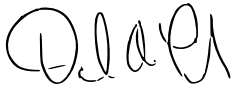
22 individuals, 90% of whom faced barriers to employment. We are leasing our completely and beautifully renovated homes predominantly to young mothers of color. Since converting to a cooperative, we have increased our wage range from \$11-\$20/hour in 2018 to \$17-\$42/hour today, and we anticipate achieving another 20% across the board wage and benefit increase this year.

We have faced many obstacles along the way; one of the most daunting of these was trying to get our heads around how to legally structure a worker-owned cooperative in the state of Maryland. We have spent tens of thousands of dollars in legal fees to stitch together something that works well enough but is still pretty clunky, especially when it comes to tax filings. We struggle to find insurance providers who understand our business aims and structures.

I therefore am very excited to urge favorable consideration of Senator Washington's SB 0085. The legislation represents an exciting moment for our state which for years now has been the home of an energetic and effective vanguard of the national cooperative movement.

Thank you for your consideration of my testimony.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Lidz', written in a cursive style.

David Lidz

Smithsburg, Maryland

SB85 - PJC - Fav.pdf

Uploaded by: David Rodwin

Position: FAV



David Rodwin
Public Justice Center
201 North Charles Street, Suite 1200
Baltimore, Maryland 21201
410-625-9409, ext. 249
rodwind@publicjustice.org

SB85: Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act)

Hearing before the Senate Judicial Proceedings Committee, Feb. 7, 2024

Position: FAVORABLE

The Public Justice Center (PJC) is a not-for-profit civil rights and anti-poverty legal services organization which seeks to advance social justice, economic and racial equity, and fundamental human rights in Maryland. Our Workplace Justice Project works to expand and enforce the right of low-wage workers to receive an honest day's pay for an honest day's work. **The PJC supports SB85, which would allow workers to create worker-owned businesses—i.e., worker co-ops—using a corporate structure designed for them, solving a range of problems that arise when worker co-ops are created using LLCs or other corporate structures.**

The problem: Maryland has no corporate form designed to support worker-owned businesses, which makes it harder for worker co-ops to succeed.

- **There is no corporate form in Maryland that is designed for worker-owned businesses.** State law authorizes five types of cooperatives: agricultural, consumer, electric, transportation, and housing. But Maryland has no corporate form designed for worker-owned businesses.
- **Maryland's Limited Liability Company (LLC) law is a poor fit for many worker co-ops.** Maryland's LLC law was not designed to support businesses with many worker owners. For a variety of reasons, being incorporated as LLCs holds back the growth of Maryland's worker-owned businesses. Issues include (1) the exorbitant cost of workers' compensation because insurance often treats worker-owners as if they own a far greater share of the business than they actually own; (2) confusion around formation and governance because the way LLCs are structured does not match worker co-ops' business model; (3) incorrect recognition by state and financial institutions when the co-op seeks permits or financing; and (4) difficulties accessing funding without relinquishing worker co-ops' core democratic values and governance structure.

SB85's solution: creating a corporate form that is both designed to support worker-owned businesses and modeled on successful legislation in other states.

- **SB85 is based on the common-sense idea that worker co-ops will do better when they have a corporate form designed for them.** The Maryland Limited Cooperative Association Act would create that form.
- **SB85 is very similar to a successful Illinois law.** SB85 does not reinvent the wheel. It is a tested, successful model that has helped many dozens of worker-owned businesses thrive in other states, including Illinois.

SB85 is the product of months of work by the University of Baltimore School of Law's Community Development Clinic—and an extraordinary degree of stakeholder input.

- **Advocates have had many hours of meetings with diverse stakeholders concerning this bill.** Throughout the summer and fall of 2023, advocates have organized meetings with diverse stakeholders ranging from worker owners themselves to the Public Justice Center to members of the MSBA Business Law Section.

- **The bill is the product of considerable expertise.** Clinic students at UB Law were supervised by Professor Jaime Alison Lee, the Associate Dean for Experiential Education with particular expertise in cooperatives, and Professor Peter Norman, a clinical teaching fellow with significant experience in business organizations.

For the foregoing reasons, the PJC **SUPPORTS SB85** and urges a **FAVORABLE** report. Should you have any questions, please call David Rodwin at 410-625-9409 ext. 249.

SB0085 - Ethan Eblaghie.pdf

Uploaded by: Ethan Eblaghie

Position: FAV

Testimony for **SB0085**
Corporations and Associations - Limited Worker Cooperative Associations - Authorization
(Maryland Limited Cooperative Association Act)
Position: **FAV**

Dear Chair Smith & members of the Judicial Proceedings Committee,

My name is Ethan Eblaghie and I am a former student member of the Baltimore City School Board and co-founder of the Baltimore Student Union, the largest grassroots student organization in Baltimore. BSU represents over 100 high school students in Baltimore and is a proud member of the **With Us For Us Community Wealth Building Coalition** (WUFU), which is working to hold anchor institutions accountable to investing in sustainable and community-centered urban development.

Worker cooperatives represent a key pillar of community across the state. ‘Third places’ for students have declined significantly in recent years as an escalating public safety crisis has resulted in changes in municipal policies towards youth curfews and restrictions on unaccompanied minors in public spaces. In a shrinking city like Baltimore, worker cooperatives are a growing, vibrant segment of community life that offers students safe & welcoming spaces to live and thrive. As a high school senior, cooperatives like Common Ground Cafe in Hampden and Red Emma’s Bookstore in Waverly have been well-maintained centers of recreation and activity that are responsive to the community and deeply invested in Baltimore. I have spent many an afternoon working through college and scholarship essays in these spaces.

However, running cooperatives is not easy. One of our community’s beloved worker-owned restaurants, Joe Squared in Penn North, closed its doors permanently last month. Extensive regulations surrounding setting up and maintaining cooperatives can present substantial obstacles to community members seeking to bring enterprise into community ownership, particularly in our historically redlined & disinvested Black & Brown neighborhoods. Each of the cooperatives I named sits in a white plurality community. SB0085 would help remove some of these regulatory barriers to creating worker cooperatives, which will help generate more enterprise guided by the cooperative model in Baltimore’s communities of color.

As a young Brown man, I would love to see cooperatives that cater to my immigrant community; worker-owned institutions in my city that speak my parents’ languages and are rooted in our neighborhoods. This legislation presents an actionable, realistic step towards that dream. I respectfully urge the committee to issue a favorable report on SB0085.

Sincerely,
Ethan Eblaghie

SB0085_FavorableTestimony.pdf

Uploaded by: Evan Burton

Position: FAV

Honorable Members of the Judicial Proceedings Committee,

I am submitting this favorable testimony for SB0085 with a sense of joy and eagerness. My name is Evan Burton, and I have been a proponent and ally of the worker co-op movement for the better part of a decade. Though I was born and raised in Maryland, I've lived in other states, and I've seen firsthand how legislation favorable to co-ops promotes their creation, leading to rich, community-based economic ecosystems and broader access to secure livelihoods and workplaces based on respect and economic justice.

And here in Maryland, the worker co-ops that do exist provide meaningful employment and often serve as vital hubs that strengthen the bonds of members of the community. The results I've witnessed are more generative communities, more creative communities and closer-knit communities with a collective commitment to making life better for all their members.

I live in Baltimore, and my personal ambition is to start a worker co-op focused around media production and distribution so that people can literally own their own stories while generating shared wealth that stays in their community. I believe the time is now to make it easier for people to create worker cooperatives in Maryland, and for worker cooperatives to manage their business. I also believe the power of the access and opportunity that worker cooperatives provide to everyday people cannot be overstated, and I enthusiastically endorse SB0085 for the good it can do for workers in Maryland and the communities they belong to.

Thank you,
Evan Burton

TestimonySB0085.pdf

Uploaded by: Jaqueline Du

Position: FAV

My name is Jaqueline Du.

I am submitting a favorable testimony for SB 0085.

I have been a worker-owner at Common Ground Cafe for 5 months, but I had worked there for 3 years before the owner laid off all staff and shuttered the business. Becoming a worker co-op gave us the tools to continue to serve a community we were an important part of for 25 years.

As a co-op we have been able to support each other through situations that are already difficult but are only made more so in traditional food service workplaces. We've been able to be there for each other through car accidents, a roof caving in, and grieving the losses of multiple family members.

Worker cooperatives are important to me. Mine is as close as family. Maryland should make it easier for more people like me to form worker co-ops and let us manage our businesses.

Jim Johnson's letter of support for worker co-op s

Uploaded by: Jim Johnson

Position: FAV

My name is Jim Johnson. I'm submitting testimony in favor of SB 0085.

I was a worker-owner in Sligo Computer Services, a worker cooperative in Montgomery County, from 1999 through 2009. Since then, I have been advising others in the successful start-up and operation of worker co-ops.

My worker co-op is an example of the conversion of a founder-owned business into a worker-owned cooperative - the workers bought the business from the founder and opted to govern it through equal ownership, as a workplace democracy.

Because I experienced and supported the process of the workers buying the company from the founder and converting it to a workplace democracy, I had a chance to see how much stronger and more prosperous the business became, as a result of becoming worker-owned and worker-governed. Myself and my fellow workers became more entrepreneurial and strategic in our everyday responsibilities to the company, and we also became more engaged with other businesses in our neighborhood and more contributive to charities and other civic institutions.

That said, the absence of a worker co-op statute in Maryland made the process of the worker buyout much more complex and difficult for us, as well as for our attorney and our CPA, and the ongoing governance of our worker co-op was more cumbersome.

My experience with my own company, as well as the support I've given to numerous other worker co-ops in Maryland, has made it very clear to me that worker co-ops in Maryland are enduring significant and unnecessary hardships, due to the lack of a suitable statute, and would greatly benefit from having one that is specifically crafted to support worker cooperatives.

This is why I believe that SB 0085 will significantly benefit these Maryland small businesses, especially those that economically disenfranchised people are seeking to start up, as a means of escaping generational poverty.

Thank you for your time and attention!

A handwritten signature in black ink, appearing to read 'Jim Johnson', with a stylized, cursive script.

Jim Johnson

Favorable Testimony for SB0085.pdf

Uploaded by: Johanna Barrantes

Position: FAV

Hello,

My name is Johanna Barrantes and I am submitting a favorable testimony on behalf of bill SB0085.

Though I have not been part of any worker coop organization I still believe worker cooperatives are a valuable model for organizing and building just economies. Cooperatives have demonstrated that shared ownership can lead to more democratic decision making, better worker satisfaction and many times surpasses the average lifespan of a small business. Marylanders deserve to have this option in the most accessible way possible when considering a business model.

I urge you to pass Senate Bill 0085.

Thank you for your consideration.

Johanna Barrantes

Testimony for SB 0085.pdf

Uploaded by: John Duda

Position: FAV

Testimony for SB 0085

Corporations and Associations - Limited Worker Cooperative Associations - Authorization
(Maryland Limited Cooperative Association Act)

Position: FAV

Dear Chair Smith and members of the Judicial Proceedings Committee:

I am writing as a co-founding worker owner of Red Emma's Cooperative Corporation in Baltimore, and as someone who has worked for over a decade at a national research institute (The Democracy Collaborative, originally based at the University of Maryland) on the benefits inclusive democratic ownership brings to workers and communities.

The Maryland Limited Cooperative Association Act addresses a key stumbling block in the formation of worker cooperatives; namely, that none of the current options for business entities map neatly onto the realities and best practices of democratically owned and managed workplaces. This means that in addition to all the other challenges of starting a business and building an internal culture of democracy and self-management, cooperative worker-owners have to navigate a confusing menu of options for business formation, none of which really model the structure they want.

The Act provides a sensible default for worker cooperatives in formation, incorporating many best practices around how to build effective democratic workplaces, structure worker-owner equity, and manage investment in the business. I know from experience helping start Red Emma's twenty years ago that this template for a worker cooperative would have been invaluable—rather than spending years muddling through trying to find the appropriate legal structure and develop the right operating agreements or bylaws, the availability of the LWCA as a sensible default template to adopt would have meant that we could get it right, right from the start.

Additionally, providing a basic legal standard for worker cooperatives will help the growing ecosystem of technical support in Maryland better advance and scale the democratic workplace sector by making education and peer learning much more effective.

Worker cooperatives are a powerful economic strategy to ensure workers participate equitably in the success of the business that employs them, and to guarantee that workers have a real say over conditions in their workplace. With the cooperative sector growing rapidly in Maryland, passage of the Maryland Limited Cooperative Association Act can make sure that this exciting opportunity for equitable and democratic economic development is not hindered by unnecessary obstacles and friction in the process of business entity formation.

Sincerely,
John Duda

SB85_testimony.pdf

Uploaded by: Justin Otter

Position: FAV

My name is Justin Otter and I am a Baltimore city resident, and union member of UE Local 197. I support SB 85 because I strongly support the many worker co-operatives in Baltimore. These co-operatives provide fantastic services, are core parts of the communities they serve, and empower their workers to have a fully democratic and equal workplace. As a union member, many local co-operatives have been very supportive of our campaign and we have been able to build strong relationships with multiple cooperatives. The worker cooperatives are part of what make Baltimore a special city, and it should be easier to create and maintain them as they are essential to the communities in Baltimore.

My Testimony in Support of SB0085.pdf

Uploaded by: Karmen Smith IX

Position: FAV

To Whom It May Concern:

I am Karmen Smith IX, a member of the WaterBottle Co-op, writing in support of SB0085. I have been a worker-owner at WaterBottle for approximately 10 months.

I have worked in many fields, but have rarely felt like an integral part of the mission and purpose of my former employers' workspaces. Most of the time, working in corporate/regular American workspaces did not make one feel respected for what they could bring to the table or a valued asset of any kind.

I became a member of the WaterBottle Co-op "Family" after hearing the mission, vision and purposes of its founder, David Lidz. Lifting up communities through employment and affordable housing is something that I can really get behind and feel like I am finally making a difference in my community and others that have been neglected for too long.

As the daughter of a Real Estate Broker who was a Realist because of the times in which he worked, I could relate to the idea of giving workers and tenants a chance to own a part of what they spend so much time trying to build and maintain.

Worker cooperatives are an innovative way for each stakeholder to be empowered and to have his/her voice heard when it comes to issues that impact him/her in the workplace and in the community.

Thank you for the opportunity to share my insight on the importance of including cooperatives as a deserving framework in which businesses can operate.

Respectfully,

Karmen Smith IX

Rising Property Management
Rising, LLC
A Subsidiary of WaterBottle
2827 C Hilldale Ave
Baltimore, MD 21215

testimony (1).pdf

Uploaded by: Kelsey Bacon

Position: FAV



February 6, 2024

My name is Kelsey Bacon and I've been a worker-owner at Common Ground Cafe Cooperative, a coffee shop in Baltimore's Hampden neighborhood since we opened on September 18, 2023.

Our cooperative was born out of necessity. Just two months prior on July 2, I found myself suddenly unemployed as our boss shut down our workplace with less than 12 hours notice. Despite having generated record sales over the summer, we were given no explanation as to why 30 of us were now forced to scramble for our livelihoods. The closure also shocked the community, who had embraced Common Ground as a local favorite and essential third space in the neighborhood for the past 25 years.

Our old boss, the owner of about 7 years, was rarely present. I had seen him maybe 3 times in the year that I had been working there. Any ideas we had for the business would have to be filtered through management, where ideas were eagerly received and immediately shut down. Frustrated with this lack of transparency, lack of control, low wages, and other workplace issues, we had already been in the process of unionizing.

In conversations during the union campaign, I noticed that those who were most hesitant about forming a union were vocal in their support of forming a co-op. They liked the idea of the control that we would have as owners, rather than constantly fighting with a boss who didn't care about the business, just the bottom line. However, we had no idea how this could be done. The complexity of the process made it feel out of reach.

After this crisis and through our organization efforts, community support, and the support of Baltimore Roundtable for Economic Democracy (BRED), we were able to re-open as a worker-owned cooperative. It has been incredibly rewarding to experience collective ownership, where we have created an environment of democratic decision-making and have worked to combat the exploitation that is rife in the food service industry.

I ask that you return a favorable report on SB0085, to support worker-ownership in Maryland, and help more workers take control of their labor.

Thank you for your consideration,

Kelsey Bacon

Testimony MD SB0085.pdf

Uploaded by: Kimberly Lodge

Position: FAV

MD Coop Bill SB0085 Testimony 6 Feb. 2024

My name is Kimberly. I support this bill. I am 100% in favor of any bill that will make it easier for Worker Cooperatives to exist in Maryland. My work in Cooperatives has allowed me to learn and experience an equitable, secure, positive job environment that encourages productivity and participation.

Because education, training, and information are part of the nationally recognized principles of a cooperative structure, I have been able to gain skills and try new things without the fear of losing my job, or being let go because I didn't "know".

Another core principle of Cooperatives is concern for community. This has been my experience where every coop I have worked with has consciously helped support and boost other businesses in their community. This is a win for the health of a neighborhood, especially those struggling economically.

Nationally recognized core Cooperative values of self-help, self-responsibility, democracy, equality, equity, and solidarity give coops an advantage in promoting a diverse economy. Coops can hire Folks like myself who may have been overlooked by other employers. When I was re-entering the workforce after raising my children, I was older and felt my experience wouldn't be appreciated. In the Cooperative setting, I was able to retrain, and brush up on my skills while earning a wage and participating fully in the daily decisions required for running a business. Once becoming a Worker Owner, I have been able to gain the knowledge it takes to run our business through the training and teamwork involved in a Worker Cooperative.

Overall, the benefits of Worker Cooperatives in Maryland communities make them essential. Please support SB0085 so more of these essential businesses can be created and thrive under the already built-in and self-sustaining Cooperative principles.

Thank you for listening.

Sincerely,
Kimberly Lodge
Maryland Resident

SB 85 worker coop WUFU (2).pdf

Uploaded by: Loraine Arikat

Position: FAV



Testimony for **SB 0085**

Corporations and Associations - Limited Worker Cooperative Associations - Authorization

(Maryland Limited Cooperative Association Act)

Position: **FAV**

Dear Chair Smith and members of the Judicial Proceedings Committee:

My name is Loraine Arikat and I am the Senior Policy Analyst at 1199SEIU United Healthcare Workers East in Maryland and D.C. 1199 SEIU is the largest healthcare union in the nation, with over 10,000 members in hospitals, long term care settings, and federally qualified health centers in the region.

1199SEIU is a proud lead organization of the **With Us for Us Community Wealth Building Coalition** (WUFU) in Baltimore City. The WUFU coalition aims to bring together grassroots community leaders that are committed to organizing for equitable development, holding anchor institutions accountable to investing in the community, and racial justice.

We support SB 85 because this legislation will allow cities like Baltimore City chart a path for self-determination in its most marginalized communities. Worker Cooperatives are part of the community wealth building model that ensures housing and businesses are locally rooted and collectively owned. The democratic decision-making model builds healthy and thriving work environments that puts values of equity, collective care, and inclusion at the forefront. Stark wealth disparities in Baltimore City are due to generations of exclusionary, racist policies that have deepened segregation and poverty. This legislation has a racial justice impact on Black and Brown and communities that often have barriers to building generational and communal wealth.

SB 85 removes barriers to creating worker cooperatives that can stabilize communities and provide sustainable living wage jobs. Between 2019 and 2021, the number of US worker cooperatives increased by over 30%. Historically, cooperative enterprises have grown during periods of economic and social tumult. Too often, they have been thwarted by legal frameworks, regulatory environments, finance protocols, and capitalistic norms. This legislation is one step towards creating and running worker cooperatives in the state. For those reasons and more, we urge a favorable report on SB 85.

Sincerely,

Loraine Arikat

1199SEIU United Healthcare Workers East

www.wufubaltimore.com

BGJWC Testimony in Support of SB0085 with signatur

Uploaded by: Lynn Pinder

Position: FAV

**Baltimore Green Justice
Workers Cooperative**

www.greenjusticeworkers.org

Testimony in Support of SB0085 - Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act)

On behalf of Baltimore Green Justice Workers Cooperative (BGJWC), a new nonprofit start-up in Baltimore, please accept this written testimony in support of SB0085, Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act).

BGJWC believes in the value of co-ops, and we are working with other individuals, nonprofits and co-op owners in Baltimore City to provide a supportive ecosystem for new, emerging and established co-ops. It is for this reason that BGJWC asks your support in passing SB0085, a more inclusive worker coop statute for the State of Maryland.

As noted on a co-op friendly website, I believe that “worker cooperatives are owned and democratically controlled” by the people who work for them, “and are an important strategy for creating more resilient local economies. Compared to typical corporations, worker cooperatives are more efficient wealth-creators, tend to reinvest in the local economy, and typically provide salaries and benefits that exceed industry standards.”

Historically co-ops have been an important economic legacy in Black and Brown communities around the world where these populations are often marginalized and under-served due to race and class issues. Unfortunately, these marginalized and under-served communities are often predominately Black or Brown and lack viable alternative economic structures, like co-ops, that could provide wealth building mechanisms in low-wealth communities. This is also true for the State of Maryland.

Your vote to pass SB0085 will help ensure structure and build governance over a growing ecosystem of co-ops in Maryland that will benefit from having the opportunity to work in partnership with our elected officials to structure a governance format that is more supportive of the varying different types of co-op structures that could exist in our State.



Kimberly Armstrong
Founding Member



Lynn Pinder
Founding Member

BCAN_SB0085 Support Letter Worker Cooperatives.pdf

Uploaded by: Margarita Villegas

Position: FAV



1200 West Mount Royal Avenue
Baltimore, MD 21217

hello@baltimorecreates.org
baltimorecreates.org

Senate Judicial Proceedings Committee
Maryland General Assembly
Annapolis, Maryland

Maryland Limited Cooperative Association Act: SB0085
Individual Testimony: Favorable
Hearing: Feb 7, 2024, 2pm

Dear Members of the Senate Judicial Proceedings Committee:

As a representative of the Baltimore Creatives Acceleration Network, I'd like to express my support for SB0085 - Maryland Limited Cooperative Association Act, which creates a corporate entity for limited worker cooperative associations and establishes rules and procedures for formation, governance, conversion, and dissolution of these entities.

The Baltimore Creatives Acceleration Network was catalyzed by the Maryland Institute College of Art in 2017 to cultivate a stronger, more equitable creative ecosystem and economy in Baltimore - a city whose creative sector generates over \$606.1M in economic activity and 7900 jobs for Maryland's economy. Since BCAN's inception, our organization has supported over 2400 aspiring creative entrepreneurs through business acceleration programs, networking events, coaching programs, and funding collaboratives. Many of the culturally-rooted enterprises we support are currently worker-owned cooperatives or seek to transition into worker-ownership as part of their growth plans.

By advancing legislation to create a corporate entity that reflects the unique needs, values, structures, and benefits of worker-owned businesses, Maryland stands to improve their economic standing and contributions to the vibrancy of our state.

According to Project Equity, worker-ownership is linked to better productivity, pay, job stability, and business sustainability. It is also linked to greater median employee wealth over time. In passing supportive legislation for worker-owned cooperatives through SB0085, Maryland would join 30 other states that have worker cooperative statutes and send a clear message of support to small business owners who operate under this model. This positions these enterprises and our state to thrive.

Sincerely,

A handwritten signature in grey ink, appearing to read "Maggie Villegas". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping tail.

Maggie Villegas
Executive Director
Baltimore Creatives Acceleration Network

Meredith Mitchell testimony.pdf

Uploaded by: Meredith Mitchell

Position: FAV

Meredith Mitchell
3423 Keswick Road
Baltimore, MD 21211
410-591-5257
meredithamitchell@gmail.com

Dear Senators,

I am submitting favorable testimony SB0085, Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act). As a founding member of Baltimore Bicycle Works, a worker cooperative bicycle shop in Baltimore founded in 2008, I am passionate about the positive impact worker owned businesses can have on our communities. Organizing with my co-founders and co-owners has been the greatest privilege.

It allowed for us to start a thriving and business that employs people at a living wage and provides value to our community on a very modest budget. It also allows the organization to live on and thrive after founders have moved on to other work projects. Our now 2 shops have sold and services thousands of bicycles, getting people in our community engaged in a healthy and ecologically beneficial activity.

Our current means of incorporating in Maryland are limited and disproportionately impacted our negatively. I often felt like despite the hard work we were doing to lift up our co-owners and our customers, we were being punished for not being owned by a single person or entity. A cooperative association is critical to ensuring these organization are on equal footing and have the same opportunity to thrive as other businesses.

Thanks,

Meredith A. Mitchell

MRubin Testimony in favor of SB0085.pdf

Uploaded by: Michael Rubin

Position: FAV

Testimony in favor of SB-0085

Michael Rubin
Resolve Financial Cooperative
7406 Flower Ave
Takoma Park, MD 20912

As a worker-owner in a bookkeeping cooperative founded over two years ago, I would like to testify in favor of SB-0085. We need to make it easier for worker-owned cooperatives to form in Maryland and this bill does simplify the process, and provides necessary clarifications for issues like Workers Compensation insurance for worker-owners.

The cooperative model is an excellent way to build wealth and improve productivity for workers who wish to engage in running their businesses. I was attracted to this model many years ago when I had the opportunity to live on an Israeli Kibbutz that was very much run like a cooperative with every member getting one vote. Cooperatives businesses offer the opportunity for customers to be served by a business owner which leads to higher levels of service, higher rates of customer satisfaction and improved operations. The worker-owners are able to keep their fingers on the pulse of their customers, and are thus better able to meet their needs,

Currently it is necessary for cooperatives to form as a corporation or LLC. Having a cooperative association option will make it easier for cooperatives to form and function, and help grow the sector in the state as has happened in the many other states that have created opportunities for forming cooperative enterprises.

Thank you for considering this legislation and I urge you to vote favorably on it's adoption.

Thank you.

Michael Rubin
Worker-Owner, Resolve Financial Cooperative

IHB BRED Letter of Support Feb 2024.pdf

Uploaded by: Michelle Geiss

Position: FAV



workspace | community forum | innovation lab

Senate Judicial Proceedings Committee
Maryland General Assembly
Annapolis, Maryland

Maryland Limited Cooperative Association Act: **SBoo85**
Individual Testimony: **Favorable**
Hearing: **Feb 7, 2024, 2pm**

Feb 6, 2024

To Members of the Senate Judicial Proceedings Committee:

As a representative of Impact Hub Baltimore, I respectfully submit this **favorable testimony for SB85 - Maryland Limited Cooperative Association Act**, which creates a corporate entity for limited worker cooperative associations and establishes rules and procedures for formation, governance, conversion, and dissolution of these entities.

[Impact Hub Baltimore](#) has served as a shared workspace, convening body, and support organization for Baltimore City small business owners and mission-driven entrepreneurs since opening our doors at the corner of North Avenue and Charles Street in 2015. Impact Hub serves as a workspace for 140+ businesses and organizations operating as members of our community. Our team convenes community conversations on policy and practices to advance the vitality of Baltimore City neighborhoods through an equity lens. And we build coalitions with local, national, and global partner organizations to advance access to resources for entrepreneurs representing underinvested groups and operating in underinvested neighborhoods.

Impact Hub partners with the Baltimore Development Corporation to convene the [Baltimore BASE Network](#) (Business Assistance and Support for Equity), along with 14 organizations who support equitable and intentional investment in entrepreneurs and neighborhoods. This coalition has provided direct technical assistance to 500+ business owners over the past 4 years through our collective efforts, and supports thousands more through our own organizations.

Through all of these initiatives, we have built strong relationships with worker-owned cooperatives in Baltimore City, and seen the power of this business structure to generate community wealth, enable economic resilience, and create pathways to business ownership. We work closely with the Baltimore Roundtable for Economic Democracy (BRED), which has invested nearly \$10 million in Maryland's worker-owned cooperatives in the past decade. They have also supported many beloved business owners to start-up or shift into worker ownership in that time. We have seen businesses like Taharka Brothers, Red Emma's, and Mera Kitchen Collective grow, thrive, and re-invest in Baltimore neighborhoods through their worker-owned structures—often innovating and creating a positive community impact along the way.

Maryland can be tremendously proud to be the home of a growing landscape of worker-owned businesses who have purchased and renovated buildings, grown good jobs with livable wages, and maintained consistent operations through economic challenges and ownership transitions.

By advancing legislation to create a corporate entity that reflects the unique values, structures, and benefits of worker owned businesses, Maryland stands to improve their economic standing and contributions to the vibrancy of our state.

Worker-owned businesses have stated their needs for clear legal incorporation processes; reasonable worker's compensation fees; clear taxation guidelines; navigable pathways for business conversion to worker-ownership; and access to capital that aligns with the core values of economic democracy and the voting rights of worker-owners. By passing supportive legislation for worker-owned cooperatives through SB85, Maryland would join 30 other states that have worker cooperative statutes and send a clear message of support to small business owners who operate under this model. This positions these enterprises and our state to thrive.

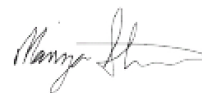
Our partners at BRED have shared that SB85 is the result of years of research, analysis, experience, and stakeholder conversations on limited worker cooperative associations. The legislation is modeled on best practices from other state legislatures; interviews and analysis by the University of Baltimore with support from the Baltimore Development Corporation and Seed Commons; and legal experts from the University of Baltimore Community Development Clinic. The guidance they have sought from local, national, and global experts to draft this legislation gives us confidence that passage of SB85 will address the concerns of worker-owned cooperatives and improve pathways for small business formation and sustainability.

For any additional testimony on our **FAVORABLE** position for **SB85**, please reach out to michelle.geiss@impacthub.net or mariya.strauss@impacthub.net

Sincerely,



Michelle Geiss
Co-Founder & Network Director
Impact Hub Baltimore



Mariya Strauss
Strategy Director
Impact Hub Baltimore

Testimony 2024 0206 for SB 0085.pdf

Uploaded by: Molly Baker

Position: FAV



Testimony for SB 0085

My name is Molly Farwell G. Baker, and I am writing to submit favorable testimony for SB 0085 on behalf of Metta Integrative Wellness Cooperative.

I am a founding co-owner at **Metta Integrative Wellness Cooperative** in the Hampden neighborhood of Baltimore. **We currently employ 10 massage and bodywork professionals.** Our business **opened in 2021 as a cooperative conversion** from an existing LLC that had been in operation since 2007. The business had earned a well-established and positive reputation in the neighborhood and larger Baltimore community as a center for healing arts.

After mandated closure in 2020 due to the COVID-19 pandemic, the LLC business owner wanted to cease operations. The conversion to cooperative ownership gave myself and the other independent contractors an opportunity to carry on the business' legacy and our livelihoods with an even deeper investment in our community. **If not for this opportunity, the business closure would have meant that most of us had to find jobs with fewer perks, lower pay, and longer commutes.**

In the conversion, not only were we able to keep the jobs we had collectively worked at for over 50 years, but **we were able to structure our Co-op to improve our employment situation in the following ways:**

1. Converted from 1099 contractors to W2 employees, thereby:
 - a. Securing eligibility for unemployment¹ and workers comp benefits
 - b. Saving approximately 15% of our gross wage on self-employment tax;
2. Increased hourly pay by an average of \$3.50
3. Prioritized additional employment benefits, including:
 - a. cell phone reimbursement
 - b. employee & family discounts
 - c. expense reimbursement
 - d. disability income insurance &
 - e. paid time off
4. Increased employee interest, investment, and influence in the business
5. Reduced our environmental impact by collectively making decisions to change our operations and reduce waste

¹ During the mandated closures of 2020, many professional massage therapists were unable to access government support due to working as Independent Contractors and/or having multiple jobs with different employment types.

METTA INTEGRATIVE WELLNESS COOPERATIVE CORPORATION

HAMPDEN, BALTIMORE, MD



WWW.METTA-WELLNESS.COM

One of the biggest barriers we faced in formation of our Co-op was a lack of general knowledge and resources to support cooperative business owners. It was a challenge to educate and align ourselves towards this goal, because individual colleagues knew so little about what a cooperative business could look like. Once we had aligned our own interests and vision, it was a challenge to find professional advisors, accountants, and attorneys with the expertise to advise us on our next steps. We are incredibly grateful for the support we received from BRED, an independent organization that works towards this mission. We are in favor of SB 0085 because it would raise general awareness of worker-cooperative businesses and codify processes that other professionals could learn about to support these local businesses. We believe that SB 0085 will help more individuals and communities benefit from more equitable business practices and bolster local economies and worker security.

Thank you for your time and for receiving my testimony on behalf of our business.

Sincerely,

Molly Farwell G. Baker

Co-owner, Treasurer at Metta Integrative Wellness Cooperative

molly@metta-wellness.com | 443-720-0033 | www.metta-wellness.com

443•720•0033
720 W 36TH STREET
BALTIMORE, MD •21211•

Senate Bill 0085 Written Testimony.pdf

Uploaded by: Nani Ferreira-Mathews

Position: FAV



Thread Coffee Roasters, Inc.
1812 Greenmount Ave, Suite 102
Baltimore, MD 21202
410-862-0922

Hello,

I am writing this witness testimony in the favorable position for bill 0085, in support of a business designation within the State of Maryland for cooperative status. This legislation is very close to my heart as a worker-owner in a successful business. Thread Coffee Roasters was incorporated in 2018 as a C-Corp, but only because we had no option to elect a cooperative structure. We paid a cooperative lawyer in both Maryland and Wisconsin to help us understand the best way to utilize the limited options available to meet our needs as a worker-owned cooperative. Our business is not unique - worker-cooperatives are much more numerous in Europe and South America, and in many other states with the U.S.

Over the past five years, we have seen a dramatic increase in visibility and interest of the cooperatively-run business. Many aging and successful entrepreneurs have inquired to me how they could pass their businesses down to their employees. I have been interviewed by young policy makers who see the inherent differences in the cooperative business model and the struggles faced by workers looking to create an equitable ownership structure within the LLC or Corporation status. This misunderstood business structure is also the focus of the SBA as it reworks its policies around lending to small businesses - which must understand a model in which no owner has a majority stake in the business.

Thread Coffee Roasters is a member-owner of a coffee buying cooperative called Cooperative Coffees. Members span the continent from Canada to Florida - but we registered our cooperative in Wisconsin due to its favorable and comprehensive understanding of the cooperative model. There must be an adoption of a cooperative status in Maryland. This state should be at the forefront of small business and not behind the curve. Bylaws, shares, and accounting structures for patronage dividends all confused within the confines of a corporation. We must shed light into the collectively-owned cooperative business and lead the way for other states to follow.

Thread Coffee Roasters is a B Corp Certified business - doing good for the community, environment, and our employees. We have held this certification for three years, but despite being a cooperatively-owned business, the certifying board does not see that reflected in our corporation status. We SHOULD be registered as a COOPERATIVE with articles of incorporation that clearly state our intention to our workers/members. We SHOULD clearly be understood as an entity that primarily focuses on the well-being of our workers, and yet, it remains unclear. The cooperative structures inherently IS GOOD for the workers as they control the operations as well as inherit the profits as shareholders.



Thread Coffee Roasters, Inc.
1812 Greenmount Ave, Suite 102
Baltimore, MD 21202
410-862-0922

Let's cast away the shadowy misunderstandings of the cooperative structure and
be a state that leads and does not follow.

Thank you,

Nani Ferreira-Mathews
770-298-0321

LEDC Testimony SB 0085 FINAL.pdf

Uploaded by: Ness Perry

Position: FAV



February 6, 2024

The Latino Economic Development Center
Baltimore, Maryland 21224

TESTIMONY ON SB# 0085 - POSITION: FAVORABLE

**Corporations and Associations – Limited Worker Cooperative Associations –
Authorization (Maryland Limited Cooperative Association Act)**

TO: Chair Sen. William C. Smith, Jr., Vice Chair Sen. Jeff Waldstreicher and members of the
Judicial Proceedings Committee

FROM: The Latino Economic Development Center

**The Latino Economic Development Center (LEDC) is submitting this testimony in support
of SB# 0085, Maryland Limited Cooperative Association Act.**

For 33 years, LEDC has delivered culturally and linguistically competent, comprehensive community and economic development services. Our mission is to drive the economic and social advancement of low- to moderate-income Latinos and other underserved communities in DC, MD, VA, and PR by equipping them with the skills and tools to achieve financial independence and become leaders in their communities.

In 2017, LEDC acquired Empowered Women International (EWI), which aims to provide entrepreneurship training, mentoring, market access, and support services to help talented and high-potential women monetize their creative or cultural assets, artistic abilities, knowledge, and skills. EWI offers dynamic training programs with professional teachers, mentors, and a supportive peer community where women can achieve their entrepreneurial dreams. Each year, EWI serves over 450 women such as in Entrepreneur Pathways for Women, which integrates training, mentoring, and support services. Dedicated mentors provide ongoing support as women apply new skills to their emerging businesses. EWI and LEDC collaborate with a broad network of social and business services to meet individual needs and provide expanded opportunities. Our testimony today will focus on the value that worker cooperatives provide to low-to-moderate income Latinos and other underserved communities.

Worker cooperatives are value-driven businesses that put the worker and community benefits as the core of their purpose (Rural Maryland Council); EWI and LEDC identify with their power to support and create jobs. In 2022, LEDC partnered with the Baltimore Roundtable for

DC: 1401 Columbia Road NW, Unit C-1 Washington, DC 20009 | (202) 540-7400

MD: 2520 Prosperity Drive, Suite 200 Silver Spring, MD 20904 | (202) 540-7400

3500 Boston Street, Suite 431, Baltimore MD 21224 | (202) 540-7400

10 E. North Ave., Baltimore, MD 21202 | (202) 540-7400

VA: 2300 Wilson Blvd. Suite 719, Arlington VA 22201 | (202) 540-7400

PR: Calle Ramón Emeterio Betances #345, Suite 108, Mayagüez, PR 00680 | (939) 545-281

www.ledcmetro.org | [@ledcmetro](https://twitter.com/ledcmetro)



Economic Democracy (BRED) to educate EWI Entrepreneur Training for Success (ETS) program participants about the importance of cooperative agreements. In 2023, this resulted in the launch of a webinar called Co-Op 101 specifically dedicated to educating small business owners how to develop and tailor Cooperative Worker agreements to their community's needs. Finally, the EWI Women Coop Grant Program was established in partnership with BRED after 3 businesses plans were created and 1 participant incorporated as a co-op after successful completion of the webinar. Furthermore, worker cooperatives create more opportunities for individuals to build wealth in communities most directly affected by inequality, helping vulnerable workers develop new skills and earning potential, household income and assets. Recognition of worker cooperative associations will allow EWI to better support the needs of their clients.

The Latino Economic Development Center and Empowered Women International ask the Judicial Proceedings Committee to vote favorably in support of SB# 0085, Maryland Limited Cooperative Association Act. Thank you to Chair Sen. William C. Smith, Jr. for your support and for the opportunity to testify before the Committee.

DC: 1401 Columbia Road NW, Unit C-1 Washington, DC 20009 | (202) 540-7400

MD: 2520 Prosperity Drive, Suite 200 Silver Spring, MD 20904 | (202) 540-7400

3500 Boston Street, Suite 431, Baltimore MD 21224 | (202) 540-7400

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www.ledcmetro.org | [@ledcmetro](https://twitter.com/ledcmetro)



SB0085-JPR-FAV.pdf

Uploaded by: Nina Themelis

Position: FAV



BRANDON M. SCOTT
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

SB0085

February 7, 2024

TO: Members of the Senate Judicial Proceedings Committee

FROM: Nina Themelis, Director of Mayor's Office of Government Relations

RE: Senate Bill 85 – Maryland Limited Cooperative Association Act

POSITION: FAVORABLE

Chair Smith, Vice Chair Waldstreicher, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 85.

SB 85 is directly aligned with Baltimore City's Comprehensive Economic Development Strategy, "Baltimore Together," which delineates sector-specific strategies to invest in social innovation entrepreneurs and bolster the growth of Baltimore City hospitality and creative industries' small businesses. Baltimore Development Corporation (BDC), the City's economic development agency, participates in the Business Assistance Support and Equity (BASE) Network, where many of its partners support SB 85. BDC sees this effort and legislation directly tied to the health and vitality of the small business community of Baltimore City.

A cooperative is a business or nonprofit organization owned and operated by the people who either use or provide its services. Currently the Internal Revenue Service provides special rules for taxing cooperatives under Subchapter T of the Internal Revenue Code. However, these rules apply to taxation from the Federal Government. There are already more than 30 worker cooperatives operating in Maryland. Currently in Maryland, a business entity is taxed as either a pass-through entity or a corporation, making it challenging for Maryland cooperatives to determine their proper tax structure. SB 85 seeks to further define and clarify how worker cooperatives incorporate, pay taxes, get loans, or run their business in compliance with Maryland state law.

SB 85 will also help create pipelines of funding for cooperatives as it can be very difficult to secure outside funding via the traditional avenues. Many banks and investors do not understand the unique nature of worker cooperatives, and a concrete tax structure will facilitate access to capital.

For these reasons, the BCA respectfully requests a **favorable** report on SB 85.

KDC in favor of MD SB0085 2024.pdf

Uploaded by: Noemi Giszpenc

Position: FAV



Keystone Development Center

1631 North Front Street

Harrisburg, PA 17102

Tel 717-792-2163

info@kdc.coop

www.kdc.coop

February 7, 2024

RE: SB 0085 – Limited Worker Cooperative Associations – Authorization – In Support

Senate Committee on Judicial Proceedings, Issue area: Corporations and associations

To: Chair William C. Smith, Jr., Vice Chair Jeff Waldstreicher, and members of the Committee

I strongly support SB 0085. This proposed statute would clarify the way in which a worker cooperative could form in the state of MD, be treated, and attract investors. It is a needed structure for supporting and strengthening the worker cooperatives in the state.

I am the Executive Director of the Keystone Development Center, a regional nonprofit formed in 1999 serving MD, PA, NJ and DE and providing technical assistance for the formation and strengthening of cooperatives. I have personally been working with employee-owned firms including worker cooperatives since 2002.

A worker cooperative is a business owned and democratically controlled by the people who work in it. Worker cooperatives are laboratories of democracy, teaching their members important skills in civics, entrepreneurship, and community participation. In addition to this role, cooperatives also allow greater economic security and stability for their members, as well as enhanced workplace conditions. In certain industries, the presence of worker cooperatives acts as a “high road” element that brings up wages and improves working conditions for all workers.

In the state of Maryland, worker cooperatives have been developing due to these beneficial aspects. Worker co-ops in MD offer work opportunities to returning citizens, contribute to climate change mitigation through plant-based foods, natural building, and bicycle repair, foster knowledge building through book sales and events, secure the continuation of legacy businesses, and promote fair trade with farmers in the Global South. But they have also been encountering difficulties, challenges, and roadblocks that significantly slow the expansion of this form of business. Five issues in particular have been hindering the development of worker cooperatives, and the proposed statute addresses each of these.

Incorporation. Many aspiring worker-owners have experienced confusion when it comes to legal incorporation, filing documents, naming stipulations, and entity selection when they are starting their business. In other states, worker cooperatives statutes are clear about incorporation and how to file with the state. The Limited Worker Cooperative Association statute would provide clear guidelines.

Workers Compensation. Businesses must pay for workers compensation in case of injury on the job that leads to a worker not being able to work. But businesses owned by the workers sometimes have to pay

exorbitant workers comp insurance as if the workers are highly-paid bosses. Electing to be an LWCA would signal to insurance companies that the business should be treated differently.

Taxation. Navigating taxation as a worker cooperative can be difficult and cumbersome. The Maryland tax code is based on a default understanding of business with one business owner. Updating Maryland's tax code can go a long way towards easing the burden on worker cooperatives.

Transition to worker ownership. As more baby boomers retire and seek to sell their business to their workers, we must have an easy process for them to do so. A clear process to turn established businesses into worker cooperatives will preserve jobs and create new business leaders. The proposed LWCA statute allows a very clear way to elect a new business form.

Values-aligned funding. It can be very difficult to secure outside funding for a worker cooperative from traditional avenues. Many banks and investors do not understand the unique nature of worker cooperatives. Policy that preserves the values of economic democracy and co-ownership governance begins to address the issue. The Limited Worker Cooperative Association provides a clear way for lenders and retiring business owners to lend money to a worker co-op while preserving the democratic ownership and control of the co-op.

By enacting this bill, you improve our existing laws and it will allow Maryland residents to come together to gain the benefits from greater cooperative effort. Please support.

Noémi Giszpenc
Executive Director
Keystone Development Center
noemi@kdc.coop
717-792-2163

Anytime Taxi letter of support for worker co-op st

Uploaded by: Peter Ibik

Position: FAV

I'm Peter Ibik, President of Anytime Taxi in Montgomery County, Maryland. I'm submitting testimony in favor of SB 0085.

Anytime Taxi is a driver-owned cooperative in Montgomery County, organized as an LLC in 2015, and operational since 2018. We currently have a fleet of 12 wheelchair-accessible taxicabs.

Our co-op was created by taxi drivers, with two distinct intentions: (1) to offer significantly improved transportation options for people with disabilities, and (2) to provide taxi drivers with fair and equitable fees and services.

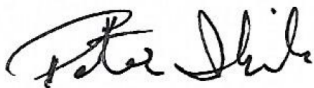
The transportation options for people with disabilities are very limited and difficult to utilize. Ride-sharing services such as Uber and Lyft do not provide transportation to people with disabilities. Taxi drivers formed this co-op as a way of providing high-quality, dignified options for transportation for people with disabilities.

Many taxi drivers are impoverished and are not in a position to acquire their own vehicles and licenses. Taxi companies have traditionally charged exorbitant fees to lease vehicles and licenses, and provide dispatching, insurance, and other services to taxi drivers. Driver-owned taxi co-ops are directly accountable to their driver-members, and operate on a not-for-profit basis, thus they charge much less and drivers can take home much more of their hard-earned fares.

The absence of a dedicated worker-owner cooperative statute in Maryland has been a major financial hardship for our cooperative. Worker-owned co-ops organized as LLCs in Maryland are seriously overcharged for their workers compensation premiums, since their members are presumed to be executive-level employees with relatively high salaries. Passing SB 0085 will solve this problem by providing worker co-ops with their own statute that is better suited to their needs.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "Peter Ibik". The signature is written in a cursive style with a large, stylized initial "P".

Peter Ibik
President, Anytime Taxi

SB0085 Testimony.pdf

Uploaded by: Rachel Zubek

Position: FAV

Senate Judicial Proceedings Committee
Re: SB-0085

February 6, 2024

To Whom It May Concern:

My name is Rachel Zubek and I am highly in favor of SB-0085. I support making it easier to create and do business as a worker cooperative in Maryland. I have been a business owner in Maryland for almost three years. I support worker-owners at several businesses in Baltimore City, including Red Emma's and Common Ground Workers' Collective. I see how workers are part of a team and respected well in these settings and want that to expand in our area. I support worker cooperatives managing their own businesses.

Thank you,
Rachel Zubek

1702 Hollins St.
Baltimore, MD 21223

Renee Hatcher Testimony- SB0085.pdf

Uploaded by: Renee Hatcher

Position: FAV

Renee Hatcher Testimony
Maryland State Legislature
SB0085- Limited Worker Cooperative Association

My name is Prof. Renee Hatcher. I'm an Assistant Law Professor at the University of Illinois Chicago, where my area of expertise is business law with a focus on worker cooperative law. For several years, I previously worked at the University of Baltimore School of Law in the Community Development Clinic, supervising law students and representing cooperatives. I write to urge your support of bill SB 0085, Limited Worker Cooperative Association. This bill will address the ways in which Maryland's current statutory business law regime is ill-suited to support worker cooperative enterprises.

Worker cooperatives, businesses in which the employees own and control the business, are a fast-growing trend in the cooperative sector. Nearly a third of US worker cooperatives operating today were established since 2010, and over **60% of new cooperative worker-owners are people of color** and more than **66% of total worker-owners are women**. Worker cooperatives are proven to be an effective business model for creating dignified living wage jobs; generating community wealth; supporting workforce development and job creation including for difficult to employ populations; reducing inequality; and advancing sustainable local economic development.

Since most cooperatives are owned and controlled by community residents, **cooperative businesses are more likely to:**

- Anchor the local economy and keep wealth in the community
- Mitigate racial discrimination and worker exploitation
- Increase economic stability and worker self-sufficiency
- Advance democratic decision-making, civic engagement, and empowerment

The state of Illinois passed a similar law, HB 3663- Illinois Limited Worker Cooperative Association Act, into effect in January 2020. Since that time, we have seen a proliferation of new worker cooperative businesses and an expanding business ecosystem of support. Passing SB 0085, a new cooperative business entity in Maryland, will enhance the capacity of cooperative economic enterprises to startup and thrive.

favorable testimoney sb0085.pdf

Uploaded by: Robin Joyce

Position: FAV

My name is Robin Joyce and I am writing in support of SB0085. Worker cooperatives are a dynamic and crucial strategy for fostering greater equity in Maryland. In Baltimore, where I live, I am so fortunate to have worker-owned businesses in my area to support, and hope that the Maryland senate will make it easier for more businesses to incorporate as worker owned cooperatives! These workplaces strengthen our communities, provide sustainable and dignified work, and contribute to much-needed economic development in our area.

SB85 Testimony- Councilman Ryan Dorsey.pdf

Uploaded by: Ryan Dorsey

Position: FAV



BALTIMORE CITY COUNCIL

RYAN DORSEY, 3rd District

100 Holliday Street
Room 523
Baltimore, MD 21202
Office: 410-396-4812
Ryan.Dorsey@BaltimoreCity.gov

February 7, 2024

The Honorable William C. Smith Jr., Chair
The Honorable Jeff Waldstricher, Vice-Chair
Members of the Senate Judicial Proceedings Committee
2 East
Miller Senate Office Building
Annapolis, Maryland

**RE: Requesting Favorable Report - SB85 - Maryland Limited
Cooperative Association Act**

Dear Chairman Smith, Vice Chairman Waldstricher, and Members of the Senate Judicial Proceedings Committee,

I am writing to urge you to issue a favorable report for **SB85 - Maryland Limited Cooperative Association Act**, which would create a corporate entity for limited worker cooperative associations that is designed to address the unique challenges that these enterprises face.

Presently, Maryland lacks a dedicated worker cooperative statute, resulting in significant impediments in the formation, governance, and financing of these enterprises. The existing corporate structures fail to adequately accommodate the cooperative business model. SB85 seeks to correct this by introducing provisions modeled after successful frameworks implemented in 30 other states.

Worker cooperatives play a crucial role in fostering economic resilience and inclusivity. Empowering worker owned cooperatives can lead to higher wages and benefits, enhanced job security, increased worker control, and greater community engagement. It is imperative that we acknowledge the important role these cooperatives will play in the future business landscape.

Your favorable report for SB85 is essential for promoting a more equitable business landscape. Thank you for considering my testimony.

Sincerely,

Councilman Ryan Dorsey
Baltimore City Council, 3rd District

SB0085 - Written Testimony, Muslims for Just Futu

Uploaded by: Sana Siddiq

Position: FAV

Honorable Senators,

Muslims for Just Futures (MJF), a grassroots organization building power in Muslim communities locally, **urges you to support SB0085 Maryland Limited Cooperative Association Act.**

Our organizing and advocacy focuses on working class Muslim communities and particularly Muslim women. We count several members of our community who are working class and small business owners, and we are strongly in favor of **SB0085** as the bill will allow worker cooperatives the ability to incorporate more effectively.

In these challenging times where workers and their families are torn between inflation and low wages, our working-class community members are deeply concerned about the profitability of their efforts and hard work as they struggle to survive, let alone thrive. Workers cooperatives will empower our working-class Marylanders by creating better economic opportunities and allowing them access to their fair share of revenue and profits from their labor, directly benefiting our local economies. Worker cooperatives will also establish and deepen democratic infrastructures by creating more spaces where every worker can have a seat at the table and a say in their workplace.

We are strongly in favor of SB0085 for the ways it will create greater economic opportunity and security for our working class community members, and we urge you to pass this bill to back our hardworking communities in Maryland.

Sincerely,

Sana Siddiq
Regional Director, DC-MD, VA, Muslims for Just Futures

SB85 written testimony.pdf

Uploaded by: Sarah Carter

Position: FAV

February 6, 2024

To Whom It May Concern:

I am a social worker who has lived in Baltimore City for the past seven years. In both my work and my personal life, I have observed the tremendous inequality that plagues our city. **I believe that ameliorating this inequality is a necessary step towards improving social outcomes for our city, and I believe that worker cooperatives are an excellent strategy for building wealth and autonomy; therefore, I support SB 85.**

My family of origin was and is well-resourced, and I have a tremendous amount of class privilege. I have access to inherited wealth, and am actively working to redistribute this wealth in alignment with my values of equity, anti-oppression, and justice. I have had the opportunity through this work to learn about the solidarity economy, which is an avenue for those with access to wealth to provide resources and funding to various community-based efforts to democratize wealth-building, including community development financial institutions (CDFIs), loan funds, and worker cooperatives.

I am so excited that the With Us for Us Community Wealth Building Coalition (WUFU) has taken root in Baltimore City. The WUFU coalition aims to bring together grassroots community leaders that are committed to organizing for equitable development, holding anchor institutions accountable to investing in the community, and racial justice. **SB 85 would expedite their work and strengthen their efforts to decrease wealth disparity in our city.** Worker cooperatives provide opportunities for self-determination, community autonomy, and building wealth collectively. This is a critical need in Baltimore city, where segregation and poverty continue to impact communities.

For the reasons stated above, I urge a favorable report on SB 85.

Sarah Carter

Sarah.carter.e@gmail.com

Witness Testimony for SB0085.pdf

Uploaded by: Sean Smeeton

Position: FAV

TAHARKA BROTHERS ICE CREAM

Witness Testimony
SB0085

Feb 6, 2024

My name is Sean Smeeton and I am sending a favorable testimony for SB0085.

I founded Taharka Brothers Ice Cream in 2013 to become a worker owned company. Unfortunately, the legal journey to attaining that goal was long and challenging. We finally achieved the goal of becoming employee owned in December 2020 - a seven year journey.

I'm a huge believer in the power of worker-owned businesses and trust this bill will streamline the legal process for aspiring worker owned businesses.

Sincerely,

Sean Smeeton
Taharka Brothers Ice Cream

**3515 Clipper Mill Rd
Baltimore, MD 21211**

SB 85 Testimony.pdf

Uploaded by: Sonia Sarkar

Position: FAV

My name is Sonia Sarkar and I am submitting favorable testimony for [SB 85](#) Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Cooperative Association Act).

I am a Baltimore City resident who supports local worker cooperatives such as Cajou Creamery, Obran Cooperative, Taharka Brothers, Mera Kitchen Collective, and Red Emma's. As an advisor to several minority-owned small businesses across the country, I have seen directly how worker cooperatives can generate wealth for individuals, businesses, and communities of color. In addition to providing valuable products and services for consumers, worker cooperatives also encourage shared decision-making rooted in local perspectives and offer a pathway to revenue and asset-building in neighborhoods that have experienced historical economic disinvestment.

Maryland has the opportunity to provide increased support and infrastructure for those who are interested in pursuing and growing cooperative structures. Such an effort will inevitably lead to job creation, greater economic development investment, and stronger, thriving communities.

I support this bill and thank you for your time.

Best,

A handwritten signature in cursive script that reads "Sonia Sarkar".

Sonia Sarkar, DrPH
Resident, Baltimore City
sar.sonia@gmail.com

SB0085 CWB testimony.pdf

Uploaded by: Stephanie Geller

Position: FAV



Community Wealth Builders is eager to submit **favorable testimony** in support of **Senate Bill 0085**.

Too many areas across Maryland suffer from significant unemployment, poverty, and systemic discrimination that has resulted in extreme inequities between neighborhoods. Despite the state's efforts to affect positive change, generational poverty persists, and too many neighborhoods lack vibrant businesses, family-sustaining employment opportunities, and quality, affordable housing.

Traditional economic development approaches have attempted to address these inequities, but have been insufficient in eradicating the root causes. In 2005, The Democracy Collaborative (TDC) coined the phrase "community wealth building" (CWB) to describe a range of alternative strategies that create inclusive, sustainable economies built on locally rooted and broadly held ownership. CWB is a community-focused model of economic development that places power and resources back into the hands of the communities and their residents.

One key CWB model is the worker-owned cooperative. In addition to offering people a chance to build assets, these businesses pay higher wages, empower workers, and even have higher success rates than non-worker-owned businesses. Especially noteworthy in cities like Baltimore that have a high number of returning citizens, worker-owned cooperatives have a track record of creating good jobs for those excluded from traditional labor markets.

Other cities and states across the country have taken action. For example, 21 states have their own employee ownership centers, which provide information and resources to businesses/people interested in worker ownership. *Maryland is well behind the curve, and this bill is an important step in the right direction.* **We urge you to pass SB0085, which will make it easier for people to create worker cooperatives, a business model that could play a critical role in fostering a more equitable, inclusive, and sustainable Maryland.**

Please feel free to reach out to me if I can provide any additional information.

Sincerely,

Stephanie Geller
Community Wealth Builders, Director
443-242-4110/sgeller@communitywealthbuilders.org

SB0085 Testimony.pdf

Uploaded by: Ty Brown

Position: FAV

My name is Ty Brown and I am submitting my favorable testimony for Senate Bill 0085.

I have been a member of the worker owned co-op WaterBottle for 2 years now and I can honestly say working for a worker owned co-op has changed my life in ways I could never imagine. All my previous employment consisted of restaurant service industry and retail corporations which are hard industries to progress and gain respect in. I never thought I would be part of something much bigger that would allow me to not only improve myself, my quality of life but also help others in the community around me. Worker co-ops changed my life and I definitely feel Maryland should make it easier for people to create worker co-ops and let their employee's manage their businesses.

Thank you,

Ty Brown

Director of Operations

Ty Brown

Testimony.pdf

Uploaded by: Vincent Green

Position: FAV

My name is Vinny Green

I'm submitting a favorable testimony.

I have been a worker-owner of Taharka Brother ice cream, for the past 4 years. I started working with this company 14 years ago as a 9th grade freshman attending Baltimore City public high school.

I first started working with this company which I first thought would just be another boring summer job experience, from the first day I fell in love with the brand and product. The whole idea of the company started off just to give inner city children the opportunity to learn the skills and task of operating a company. Since being involved i was able to not just succeed in those skills but I was introduced to what worker Co-op was, and that was huge life changing experience for me, I was able to go from ordinary kids from west baltimore with hope and inspiration of creating change in my community which wasn't the first thing knocking at my door with opportunity with open hands, to now a business owner in my community which I can be active leader, which can continue inspire even more business owner and community member another way to succeed and create wealth and new goals which this opportunity would never be possible without support of the transition to being worker Co-op.

Sincerely ,

Vinny Green

Taharka Brothers Ice cream (Worker - owner)

SB0085_Berger_Fav.pdf

Uploaded by: Zackary Berger

Position: FAV

SB0085_Berger_Fav

Testimony for SB 0085

Corporations and Associations - Limited Worker Cooperative Associations - Authorization

(Maryland Limited Cooperative Association Act)

Position: FAV

Dear Chair Smith and members of the Judicial Proceedings Committee:

My name is Zackary Berger. I am a District 43A resident and a supporter of this legislation, which would help ordinary people in Baltimore establish workers cooperatives.

As a primary care physician, I see many workers taken advantage of by their bosses. Empowering workers would help people live their lives with dignity.

I urge the Committee to return a favorable report on this bill.

Zackary Berger, MD, PhD

Maryland General Assembly .pdf

Uploaded by: Zreda Holland

Position: FAV

Maryland General Assembly,

I am submitting a Favorable Testimony for the SB0085 Bill.

My name is Zreda Holland with No Boundaries Coalition, WUCU, and The Genevieve Strategy Group.

I am a Full Time Baltimore City resident who supports local cooperatives like SB0085.

Why I care about this bill: I grew up in Howard county Maryland. I was exposed to an "Equal" way of living at a very young age. I think worker cooperatives are great because they make it possible, and easier for individuals trying to make a difference, to actually gain the opportunity to create and manage their own business here in Baltimore.

Sincerely,
Zreda Holland
NBC Block Captain Volunteer
410-905-8773

USFWC Support of MA SB 0085 - Feb 2024.pdf

Uploaded by: Mo Manklang

Position: FWA



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Dominique Pearson
*Philadelphia Area
Cooperative Alliance, PA*

February 6, 2024

The Honorable Senator Washington and Maryland legislature,

The U.S. Federation of Worker Cooperatives supports Senate Bill 0085 that will support businesses formed as worker cooperatives in the state of Maryland, as well as the creation of new worker cooperatives that bolster local communities and secure good jobs that build wealth.

SB 0085 authorizes the formation of limited worker cooperative associations; establishing rules and procedures for the formation, governance, conversion, and dissolution of limited worker cooperative associations, addressing the need for clear guidelines for worker co-ops. There is currently confusion about how to incorporate, pay taxes, get loans, or run worker-owned businesses in compliance with state law; SB 0085 will provide clarity to entrepreneurs as well as the public and private organizations that support them.

As the national grassroots membership organization for worker -owned and -governed businesses, we closely track the successes and challenges of the 21+ worker cooperatives and democratic workplaces in Maryland. Worker ownership is proven to benefit businesses, workers, and local economies, with stronger overall business performance and resilience during economic downturns. We believe that SB 0085 will bring vitally needed clarity to a highly underserved sector of the small business community that, with proper support, would cultivate many more strong, thriving businesses in the state.

If you have any questions regarding our position please contact our Policy Director, Mo Manklang, at mo@usworker.coop or 215-703-7325

Sincerely,

Mo Manklang
Policy Director

SB0085_MSBA_Bus_Law_UNF.pdf

Uploaded by: David Cahn

Position: UNF



February 5, 2024

Senator William C. Smith, Jr., Chair
Judicial Proceedings Committee
Maryland State Senate
Miller Senate Office Building, 2 East Wing
11 Bladen Street
Annapolis, Maryland 21401 - 1991

Re: MSBA Business Law Section Council

Senate Bill 85 (Maryland Limited Worker Cooperative Association Act)

UNFAVORABLE POSITION

Dear Senator Smith:

The Business Law Section Council (the “Section Council”) of the Maryland State Bar Association (the “MSBA”) annually reviews proposed legislation that may affect Maryland businesses. We are submitting this written testimony with respect to Senate Bill 85 (Maryland Limited Worker Cooperative Association Act) (the “Bill” or “SB 85”). In general, the Bill would add a new Subtitle 12A to Title 4A of the Corporations and Associations Article of the Maryland Code to permit the creation of a new type of legal entity called a Limited Worker Cooperative Association.

The Business Law Section supports the concept of worker-controlled limited liability entities. One of our Section Council’s members has met regularly with representatives of the Baltimore Roundtable for Economic Democracy (BRED), which is a proponent of the Bill, to identify and address various legal issues raised by the creation of Limited Worker Cooperative Associations (each an “LWCA”). Unfortunately, the Bill as introduced does not address many important legal and tax issues, and without large scale amendments will create a class of entity with various unanswered issues that will pose substantial dangers to the people forming an LWCA, particularly workers. Accordingly, we recommend an Unfavorable Report for this Bill, and that the sponsor work with the Comptroller of Maryland and other government agencies to ensure that member-owners of Maryland LWCAs will have some certainty about their legal rights and responsibilities.

We want to emphasize that the Maryland LLC Act allows those forming limited liability companies (each an “LLC”) great flexibility in arranging the affairs of that LLC. Under the Maryland LLC Act, except for the use of the appellation “Limited Worker Cooperative Association” in its formal name, an LLC can easily be created that incorporates most of the provisions applicable to LWCAs found in the Bill, but with greater predictability as to how tax and other governmental authorities, as well as the courts, will treat the LLC’s members compared to those of a newly created, distinct limited liability entity.

Limited Worker Cooperative Association is a Distinct Type of Legal Entity

Despite its placement primarily in Article 4A of the Corporations and Associations Article, which is the Maryland LLC Act, SB 85 includes many requirements that would make an LWCA more like a

corporation than an LLC. Those include requiring each LWCA to have: (i) a Cooperative Agreement, which would be akin to bylaws; (ii) an initial organizational meeting; and (iii) a Board of Managers, akin to a Board of Directors, and to identify the initial Manager in its publicly filed formation document. Moreover, the first several pages of the Bill make clear that an LWCA would be a different type of entity than an LLC, a corporation, or a partnership. This is problematic because there is a substantial body of law that addresses the rights and responsibilities of LLC members and of corporate officers and directors under various types of Maryland and federal law, none of which will be clearly applicable to LWCA members *because* it is a distinct type of entity. Accordingly, enacting the Bill without addressing those other legal and tax issues will leave LWCA members, particularly worker-members, in a precarious position.

Business Law Issues–Worker Compensation Act

SB 85 as proposed creates a classification denominated as “Worker Member” defined as follows:

“Worker member” means a patron member of a limited worker cooperative association who is a natural person and whose patronage consists of or includes labor contributed to or for the association.

See Proposed § 4A-12A-01(l) on page 8 of SB 85.

Section 9-206 of the Maryland Labor and Employment Code sets forth the requisites for requiring a corporate officer or LLC member to be a “covered employee” under the Workers’ Compensation Act. The treatment of LWCA members will need to be addressed, else they presumably will not benefit from workers’ compensation insurance and will have to purchase their own disability insurance policies.

Business Law Issues–Alcoholic Beverages and Cannabis

The regulation of the sale and distribution of alcoholic beverages and cannabis in Maryland is so detailed that it is set forth as a separate article in the Maryland Code. SB 85 needs to be revised to amend the Alcoholic Beverages and Cannabis Code so that LWCAs can obtain licenses thereunder, as well as to limit the liability for licensing violations of LWCA members who will not have control over the sale and dispensing of alcohol and/or cannabis products.

Labor and Employment Laws

Typically, members of LLCs or limited liability partnerships (LLPs) who have voting rights and the right to share in the entity’s profits or losses are not considered employees of the entities for most legal purposes. It is unclear whether LWCAs’ worker members will be employees local, state, or federal laws, which will create great uncertainty for both the worker members, LWCAs, and third parties, including tax authorities.

For example, must worker members be paid minimum wage, even if the LWCA is not sufficiently profitable to support that compensation? For laws that impose liability on individuals who control employment actions, which members (if any) will have personal exposure?

Section 4A-12A-10(F) of the Bill, on page 13, lines 3 to 5, provides that the organization of an LWCA under the subtitle “does not create a presumption that worker members are employees of the

association for any purpose.” It does not, however, similarly create a presumption or provide that, because the worker member is a part owner of the LWCA, the worker member is not an employee of the LWCA. SB85 needs to be amended to provide greater certainty on this issue for people forming an LWCA, and attorneys asked to advise them.

Tax Law Issues–Entity Classification

As explained above, the numerous corporate-like requirements that an LWCA will be required to fulfill casts doubt on how tax authorities will in fact treat an LWCA in practice. It is unclear whether an LWCA will have the same freedom as an LLC to be taxed as a partnership or a corporation under state or federal law.

For example, SB 85 creates the categories of “Patron Member,” “Patronage,” and “Patronage Dividends.” These are all are concepts imported from Subchapter T of the Internal Revenue Code, which governs cooperative association corporations. The use of these terms is likely to cause confusion and problems for LWCA’s that want to be treated as a partnership for tax purposes, as they may not be recognized as such under the tax and other laws of Maryland and the United States

There is no simple way to cure this problem within the context of SB 85, which would be a state enactment while the core principles involved are federal. However, the Comptroller’s involvement, and perhaps communication on the issues raised below with the IRS and/or other states’ taxing authorities, are needed to ensure that LWCA members will be able to safely predict their tax responsibilities and liabilities.

Tax Law Issues–Tax Classification of Worker Members

The status of worker members of worker co-ops subject to withholding and classification under the Federal Income Contribution Act (“FICA”) or the Self-Employment Contribution Act (“SECA”) is unclear. Unless a workers’ cooperative can be classified as a partnership for tax purposes, worker members would likely be employees for FICA purposes rather than self-employed individuals. This is a federal law issue.

Moreover, “worker members” may be deemed by taxing authorities to be employees for both federal income tax withholding and state income tax withholding purposes. If so, which members or managers of the LWCA would be financially responsible if the LWCA fails to withhold federal income taxes?

There is a Maryland statute concerning the withholding and payment of Maryland income taxes, specifically Maryland Tax-General Code § 10-906. The Bill does not address whether compensation of worker members, including compensation paid over the course of the year as well as compensation based on the LWCA’s net profits, will be wages for tax purposes. That needs to be addressed with the Comptroller, and through that process the General Assembly may obtain insight as to how the IRS may treat an LWCA on that issue – which is a federal law issue.

Tax Law Issues–Personal Liability for Certain Unpaid Taxes

Maryland Tax-General Code § 11-601(d) and (e) provide for personal liability for unpaid sales taxes if a corporation, limited liability company, or limited liability partnership is the vendor.

Maryland Tax-General Code § 9-314(e) and (f) provide for personal liability for unpaid motor vehicle fuel tax if a corporation, limited liability company, or limited liability partnership is required to pay motor vehicle fuel tax.

Maryland Tax-General Code § 4-301(b) and (c) provide for personal liability for unpaid admission and amusement tax if a corporation, limited liability company, or limited liability partnership is required to pay admission and amusement tax.

The provisions with respect to each such tax differ slightly. All such provisions must be changed to address LWCA's. Most importantly, however, amendments should make it clear that a "Patron Member" is not liable to pay any of these taxes unless they are also a "Worker Member" or a "Manager" of the LWCA.

Tax Law Issues – Sales Taxes on Contributions to and Distributions from an LWCA

Maryland does not impose a sales tax on contributions to a limited liability company or corporation in exchange for an interest in the LLC or corporation. *Maryland Tax-General Code § 11-209(c)*. Sales taxes are not levied on certain distributions to a stockholder or a member. *Maryland Tax-General Code § 11-209(b)*. Similarly, Maryland does not impose an excise tax on the transfer of motor vehicles in similar circumstances. *Maryland Transportation Code § 13-810(c)(7)*. The Bill needs to be amended to address those issues in the context of transfers to and from an LWCA, after consultation with the Comptroller.

Tax Law Issues—Real Property Transfer and Recordation Taxes

There are several exemptions from transfer and recordation taxes that apply to various sorts of real estate transactions involving corporations and limited liability companies. See Maryland Tax-Property Code §§ 12-108, 13-207, 13-404, and 13-405. The Bill would need to be amended to address whether these exemptions would apply to transfers to and from an LWCA. We note that the State Department of Assessments and Taxation will likely be the agency that offers comments in this area.

Conclusion

The MSBA's Business Law Section, and the MSBA generally, supports the goal of enabling businesses to be owned by their workers. Indeed, law firms are organized in exactly that way. SB 85, however, leaves too many important issues unaddressed to be enacted without extensive amendments after consultations with the Comptroller and other interested governmental agencies.

Sincerely,



David L. Cahn
Chair
Business Law Section Council

cc: Business Law Section Council