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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.