

28 February 2025

The Honorable Joseline A. Pena-Melnyk
Chair, Health and Government Operations Committee
240 Taylor House Office Building
Annapolis, Maryland 21401

RE: Support for House Bill 819, Procurement – Employee Stock Ownership Plan Preference - Pilot

Dear Chairwoman Pena-Melnyk and Members of the Committee,

On behalf of EA Engineering, Science, and Technology, Inc., PBC (EA), we would urge a favorable report on House Bill 819. This legislation will grant businesses that operate under the Employee Stock Ownership Plan (ESOP) structure preference for certain procurements by the Maryland Stadium Authority, the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College. For the reasons outlined below, we ask the members of the Committee to vote favorably on this legislation.

The history of ESOPs in the United States can be traced as far back as 1733, when Benjamin Franklin sent journeyman employees to various cities to set up new print shops. Franklin paid for the shop's upfront capital costs – which were significant since most of the equipment had to be shipped from England – and covered one third of the expenses. For the next six years, he took one third of the profits. After that, the journeymen could use their profits to purchase the equipment and thereby own the business. ESOP-style ownership plans have continued to play a role throughout the history of the United States, often seeing increased prevalence during pivotal times in our history – the Industrial Revolution, the Great Depression, World War II, and so on.

Currently, ESOPs in Maryland are not granted any preferential status in the contract selection process, despite the fact that they rank higher in worker retention, higher in growth, and are more recession-resistant than conventionally-owned firms. Importantly, profits from EA and other Maryland ESOPs remain in our state when they are paid out to the employee owners of the company thereby providing greater economic benefits to the State of Maryland. EA Engineering, Science, and Technology Inc., PBC, an environmental consulting firm headquartered in Hunt Valley, serves as proof of this concept. Since becoming a 100% employee-owned ESOP in 2014, EA's stock growth has been about double the S&P 500. On average, EA's employee tenure is over double that of the environmental consulting industry in general, with significantly less employee turnover and a competitive advantage at attracting professional candidates. Looking beyond EA, 5 of the 150 largest US engineering design firms are Maryland-based; 3 of those 5, including EA, are 100% ESOPs.

In summary, House Bill 819 will offer Maryland's ESOPs preferential treatment when competing for contracts from some of Maryland's most valuable institutions. On behalf of EA, we request a favorable report on House Bill 819.

Please let us know if we can answer any questions. Thank you for your consideration.

Sincerely,

EA ENGINEERING, SCIENCE,
AND TECHNOLOGY, INC., PBC



Ian D. MacFarlane
Chair, President and CEO

IDM/pn

cc: Peter Ney, Vice Chair and Secretary