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Health and Government
Operations Committee

Subcommittees

Government Operations
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Insurance and Pharmaceuticals



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of House Bill 819 – Procurement – Employee Stock Ownership

Plan Preference – Pilot

March 4, 2025

Good afternoon Madam Chair, Madam Vice-Chair and members of the Health and Government Operations Committee. For the record, I'm Delegate Pam Guzzone and I represent Howard County's District 13. Today I am here in support of House Bill 819, which will establish a pilot procurement program that gives up to 5% price preference in state government contracting to Employee Stock Ownership Plan (ESOP) companies.

So what is an ESOP? Again, ESOP stands for Employee Stock Ownership Plan, it's a special type of business structure, recognized by the IRS, in which all employees are part owners and participate in the corporate profits. If you work for an ESOP, when the business succeeds you and all your co-workers succeed too.

The structure and incentives of ESOPs are powerful tools for increasing employee motivation and engagement, which improves the financial performance of the entire company. ESOPs also increase employee retention because employees who remain with their employer the longest contribute the most to their company's success, gaining more retirement assets. The data reflects this: nationally ESOP retirees have more than twice the average retirement savings as their fellow Americans. And since employees are more likely to stay, ESOPs have less turnover and recruitment costs.

In evaluating this bill and talking with Maryland-based ESOPs, I have heard stories about line workers in the construction industry retiring as millionaires, able to send their grandkids to college or travel the world.

Those are some of things that make ESOP's unique, but what's this pilot program about? You'll hear more from my panel, but I see the pilot as an opportunity for the State to benefit from companies with committed workforces with high standards, and which are focused on completing work on time and on budget. I see this as a win-win situation – the state gets to work with proven businesses – including those with a known and steady workforce, while the business and its employee owners continue to thrive.

Maryland would not be alone in elevating ESOPs. In Maine, a permanent ESOP procure program was adopted, and since then they have seen their number of ESOPs double. A similar program has also been adopted in Tennessee and by the United States Department of Defense in 2024.

Under this 3-year pilot program ESOP businesses would be able to get a price preference on procurement contracts of up to \$80 million from the Maryland Stadium Authority, and the University System of Maryland, including Morgan State University, St Mary's College of Maryland, and Baltimore City Community College. These entities have opted in because they are interested in the advantages an ESOP brings.

ESOPs are a powerful tool to address economic inequality – they literally allow the creation of generational wealth. I believe that we can and should recognize and reward those firms that are structured to share the wealth and I request a favorable report on House Bill 819.