



Amy Gellatly
Public Justice Center
201 North Charles Street, Suite 1200
Baltimore, Maryland 21201
410-400-6943
gellatlya@publicjustice.org

SB144: Corporations and Associations - Limited Worker Cooperative Associations - Authorization (Maryland Limited Worker Cooperative Association Act)

Hearing before the Senate Judicial Proceedings Committee, Jan 9, 2025

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 supports workers' rights to fair compensation and dignified work. **The PJC supports SB144, 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 multiple 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 when insurance providers treat worker-owners as if they own a far greater share of the business than they actually own;
 - (2) unnecessary barriers imposed by state and financial institutions when co-ops seek permits or financing; and
 - (3) difficulties accessing funding without relinquishing worker co-ops' core democratic values and governance structure.

SB144's solution: Create a corporate form that is both designed to support worker-owned businesses and modeled on successful legislation in other states.

- **SB144 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. While addressing the issues identified above, SB144 is not overly prescriptive; it allows worker co-owners the freedom that all business owners need to run and structure their business according to their identified goals economic realities.
- **SB144 is very similar to a successful Illinois law.** SB144 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.

- **SB144 creates a business structure that will enable workers of all races and genders to become business owners, build wealth and support their communities.** Worker-owners play an active role in developing and running a shared business. This level of engagement in the direction and success of their business provides dignified work and the potential for increased earnings. By facilitating the formation of new worker co-ops, SB144 provides entrepreneurial workers with a way to bridge the racial wealth gap, overcome historic barriers to development, and promote community stability and growth.

SB144 is the product an extraordinary degree of stakeholder input.

- Advocates held meetings for years with various stakeholders, including worker owners, lawyers familiar with worker cooperatives and business law, and labor leaders.
- These stakeholders' priorities and concerns shaped the final product of SB144.

SB144 does not diminish existing workers' rights.

- SB144 does not take away any existing rights Maryland employees have under the law. It merely expands the possibilities available to workers who want to establish a cooperative business as co-owners.

SB144 passed the Senate 45-0 in 2024.

- In 2024, the Senate unanimously passed SB85, identical in text to this year's SB144.
- Before its passage, Maryland's Comptroller proposed certain amendments to address potential tax issues. Those amendments were amended into the bill.

For the foregoing reasons, the PJC **SUPPORTS SB144** and urges a **FAVORABLE** report. Should you have any questions, please call Amy Gellatly, an attorney in the PJC's Workplace Justice Project, at 410-400-6943.