



## FROM THE DESK OF REPRESENTATIVE DE BOEF

January 19, 2012

### A NEW TOOL FOR THE ECONOMIC TOOLBOX

Because I serve on Economic Growth Committee, I was able to be in on the ground level of a vote to help keep our main street businesses more vital and serving our rural communities. HSB 516 passed out of committee this week in an attempt to fast track it to the Governor's office for his signature. HSB 516 relates to employee stock ownership plans.

An article in the January 18 Des Moines Register also highlights this exciting plan. What it boils down to, is a process called ESOP (employee stock ownership plan) lays the groundwork for retiring business owners to sell their business to their employees as a stock option. This accomplishes the all-important goal of keeping our small businesses in our small communities instead of risking the sale to out-of-state interests that all too often move it to some other location, or close it entirely. Both of these options result in the loss of local jobs and facilitates the death of our small rural towns.

By allowing employees to purchase a stock option in the business, ESOP's also revitalize the business. Not only do these folks keep their jobs, they now become the owners and are more able to build their retirement fund. Because they now become the investor/owner of the business, they take more pride in their work there and consequently output improves.

The Register article cites the case of Ritchie Industries in Conrad. The previous owner Cliff Wilson, 76, did not want the family business to risk closing after he retired. Because his son-in-law, Leon Yantis, could not afford to buy it, he sold it on contract to the employees through an ESOP contract. He pointed out that the other buyers who had an interest would have taken the assets and closed the plant in Conrad, a town of 1,110 residents, Wilson did not want this to happen. In 2004, Wilson allowed employees to make a down payment, then annual payments. The employee-owned company paid Wilson the last installment in 2011. According to the Register article:

"We've worked hard to get ourselves out of debt," said Yantis, whose company makes automatic livestock watering equipment that refills only as animals need more water. Yantis said the decision has been good for Ritchie, its workers and the town.

Since 2004, when workers bought the company, sales have risen 50 percent. "The company operates the same, but workers' attitudes are different," said Yantis. "They understand what they do and how it affects the stock value. Productivity is through the roof. Workers are much more engaged in the business—from safety to work habits to new innovative ideas, right down the line," he said.

Yantis said employee ownership helps the company recruit and retain key employees, especially engineers. We used to be a steppingstone for professionals,” he said. “Now, they see what the ESOP has for them, and they don’t want to leave.” Employee shares have performed well, said Yantis, making Ritchie employees more confident about retirement, especially given the volatility of the stock market and discussions about changes to Social Security.

Yantis said Wilson, the former owner, started working at the family business when he was 16. Many of the employees have been with the company for three decades. “He didn’t want to leave a big hole in the middle of town,” said Yantis.

Iowa currently has 260 ESOP companies. Nationally, there are 10,900. HSB 516 would exempt business owners from capitol gains tax when they sell to an ESOP. The bill also creates a \$1 million fund to provide technical grants to companies exploring this option.

***Visitors at the capitol this week:*** Brad Hohensee, Superintendent of BGM Schools and Benita Gonzales, Superintendent of Sigourney School.

I am always happy to deal with any requests you may have or any input you may offer! Please contact me at 515-281-3221 or [betty.deboef@legis.state.ia.us](mailto:betty.deboef@legis.state.ia.us).