

TESTIMONY ON

LD1276 – AN ACT TO CREATE AND SUSTAIN JOBS AND AFFORDABLE HOUSING THROUGH THE DEVELOPMENT OF COOPERATIVES AND EMPLOYEE-OWNED BUSINESSES

Submitted by
Mark A. Adams, President/CEO
Sebago Technics, Inc.
South Portland, ME 04106
Email: Madams@sebagotechnics.com
Telephone: 200-2100

Senator Grohoski, Representative Perry, Honorable Members of the Taxation Committee. It is my pleasure and with great enthusiasm that I support the adoption of LD 1276. Thank you for your service and your consideration of something that I and thousands of Mainers are passionate about – employee ownership. I would also like to thank Senator Reny and all of the bill's co-sponsors for their support.

My name is Mark Adams and I am President/CEO of Sebago Technics, a proud 100% employee-owned engineering consulting company located in South Portland with offices in Bath, Bridgton and Sanford. I am also here as a Past President of the New England Chapter of the National ESOP Association and a founding participant of the Maine ESOP Group. But most importantly and with most relevance I am here as an employee-owner representing more than 110 employee-owners at our company and thousands of employee owners across the state.

Employee Ownership is not well-known nor often not well understood. However, at its core it is a very simple concept...*ownership of an enterprise by those most impacted and most able to determine its success*. Employee owners understand that our collective success leads to our individual success and vice versa. In an ESOP the hard work of employees and the financial rewards that come from that work accrue to the employees because they own the company. There isn't any greater incentive, any greater sense of engagement and ownership in what you do than to be working for your own benefit.

Before I share with you more thoughts about ESOPs and in particular ESOPs in Maine, I want to offer a brief explanation of ESOPs. Employee Stock Ownership Plans have been around for decades. They are enabled by federal law and as such are regulated by the IRS and the US Department of Labor. This is important to understand so as not to think they are custom creations of the more than 6,500 ESOPs in the U.S. with more than 10 million participants. Fundamentally an ESOP is a retirement plan that functions very much like a 401k. Participant account values are tax-deferred until they withdraw or take distributions and they receive annual statements of the value of their accounts. The differences are that participants don't contribute any of their own monies, instead the shares are given to them by the company – more specifically the trust that owns the shares. The value of the shares is independently determined annually. When an employee retires or leaves the company, the company owes and pays the employee the then value of those shares. Though there are obviously more administrative and sometimes complicated details this description basically captures the function of an ESOP as a retirement plan.

The retirement benefit and function of an ESOP is wonderful, however, many ESOPs would argue that the culture of ownership in an ESOP is really the biggest benefit. Many companies can have great cultures and great employees, but employee-owned companies have employees that have an extra sense of pride, engagement and ownership in what they do, in the services or products provided and in the future of their company. From young to not so young, our experience is that employee-owners are enthused about the work they do and how their work is connected to the success of the company. Employee-owners understand, and good ESOPs reinforce, that it is employees, not companies, who make a company successful, its employees who deliver services and make products, its employees who have relationships with customers and it is therefore employees who should benefit from the engagement of their skills, experience, and efforts.

Sebago Technics was started in 1981 by Walter P. Stinson, a graduate of the University of Maine. He, like many entrepreneurs, began at his kitchen. Walt worked hard and quickly gained a well-earned reputation, hired more Mainers and served hundreds then thousands of Maine property owners, businesses, contractors, developers and communities. By the mid-1990's Sebago had grown into a multi-discipline engineering firm providing civil engineering, land surveying, landscape architecture, CAD, environmental sciences and more. Though Walt was more than a dozen years from retirement age he began to think about ownership succession. He explored the common options, sale to another firm (often larger and headquartered out of state), sale to one or two current employees or simply running the business till retirement then closing it. But during his search he came upon Employee Stock Ownership Plans. He sought ESOP experts and the advice of other ESOPs, such as Cianbro. After studying he determined that an ESOP was the best choice for one compelling reason. Walt concluded that the success of the company was due to the work of its employees and it was those employees who should benefit going forward. Thus in 1998, Sebago Technics became one of a very few ESOPs in Maine. Today, nearly 25 years later Sebago Technics stands as one of Maine's largest engineering consulting firms with tenured employees who are proud owners of not only the company but also six figure ESOP accounts.

A few years ago, Moody's Collision and Sebago Technics noticed that the growth of ESOPs in Maine was on the rise. In fact, over the past 10 years, we estimate that the number of ESOPs in Maine has grown from 15-16 to more than 60. ESOPs in Maine are now present in every corner of the state from Fort Kent to Kittery. Maine ESOPs span every industry from construction to engineering, financial services to agriculture and manufacturing to technology. Maine ESOP companies represent some of our best-known brands and recognizable businesses. Companies such as Cianbro, Sargent, Reed and Reed, Landry French, Daigle Oil, Johnny's Seeds, Revision Energy, Portland Air Freight, Dennis Paper, Howell Labs, Lanco, and dozens more. To recognize the growth of ESOPs in Maine, lend support to new ESOPs, and encourage more ESOPs, we created the Maine ESOP Group. It is an informal group of small, medium and large companies with three things in common. 1. We are all Maine-based. 2. We are all ESOPs. and 3. We all believe in the power and potential of employee ownership. We have been meeting and sharing information and resources for more than 5 years. LD 1276 would be a great step to solidifying and support our efforts, raise awareness of the ESOP model and incentive its further growth. Passage of LD 1276 would place Maine amongst many states such as Vermont, Massachusetts, Pennsylvania and Ohio where state centers for employee ownership have helped grow, inform and sustain employee ownership.

In my view, passage of LD 1276 will support the growth of ESOPs and cooperatives in Maine and recognize, at the highest level in our state, that cooperatives and employee ownership is about redistribution of wealth. It will codify that Maine businesses owned and operated by Maine people is the best way to secure our collective future. It will formally establish that employees should benefit from their work with more than just a paycheck. In these ways it would harken back to the beginnings of business in Maine where most folks were self-employed, and their destiny and success was in proportion to their contributions.

I urge your support for LD 1276 and for the future of employee ownership and cooperatives in Maine. As you work through your deliberation of the bill, I and other Maine ESOPs would be happy to share our experience and knowledge to help inform you and in creating a broader understanding of the benefits of employee ownership.

Thank you.

ESOP Facts:

- ESOPs boost employee engagement. When ESOPs are formed, shares of company stock are allocated to all employees, making them employee *owners* who share in the rewards if the stock rises and the risks if the stock falls. As a result, they are more invested in helping the business succeed and more likely to tackle problems, such as helping co-workers who are underperforming.
- ESOPs require no out-of-pocket contribution from employees. For plenty of people, funding a contribution to a 401(k) each paycheck is a struggle. For employees like these, an ESOP might be the only retirement plan in which they can afford to participate.
- ESOPs help [narrow the wealth inequality gap](#). Employees at ESOP companies tend to earn higher wages and have greater savings than their peers in non-ESOP companies. In 2018, [ESOPs distributed \\$126.7 Billion nationally](#).
- There are more than 6,500 ESOP companies nationally representing more than 10.5 million employee-owners.

ESOPs provide unique benefits to the employee owners, the institutions, and their surrounding communities. ESOPs have been proven to:

- Motivate employees
- Increase productivity
- Improve employee retention
- Excel at providing employee training
- Keep jobs local
- Counter wealth inequality
- Contribute to business health and longevity