



March 19, 2025

The Honorable Arthur J. Corvese, Chairman
House Labor Committee
State House
Providence, RI 02903

Re: H.5940, An Act Relating to Labor and Labor Relations – The Rhode Island Opportunity for Employee Ownership Act

Dear Chairman Corvese,

The undersigned members of the Rhode Island Business Coalition oppose the passage of H.5940, An Act Relating to Labor and Labor Relations – The Rhode Island Opportunity for Employee Ownership Act. The bill would require business owners to offer their employees the opportunity to purchase a business that is up for sale.

While we understand the intent behind the bill to provide employees with a potential ownership stake and ensure they have an opportunity to be a part of a business's future, we believe that these provisions would impose significant, negative consequences for Rhode Island businesses, especially small businesses, and could create a host of legal, financial, and operational challenges.

Successful business owners take risks and often overcome obstacles along the way to build their businesses. Should they consider selling their business they should have the ability to make this decision without unnecessary government intervention. H.5940 would require business owners to notify their employees within seven days of their decision to sell the entire business or a majority ownership position in the business.

In addition, the bill states that the employees must be notified that they have an exclusive 30-day window to potentially buy the business as an employee group. This not only undermines their autonomy but also imposes unnecessary burdens on them during an already complicated and sensitive process. For many owners, the decision to sell a business involves numerous factors, including personal considerations, market conditions, and the best interests of the company. Forcing them to offer ownership to employees could complicate this process and lead to unnecessary delays.

The requirement to offer employees a chance to buy the business complicates what is already a challenging process. Selling a business involves legal, financial, and logistical considerations, and adding the step of mandatory employee offers creates additional layers of complexity. For business owners looking to retire or transition to new ventures, this mandate could lengthen the sales process, resulting in lost opportunities and

[The Rhode Island Business Coalition represents 50 industries and 6,280 businesses that employ 231,200 people throughout Rhode Island.](#)

potential financial strain. Also, if the offer is declined, the process will be delayed further, adding to the already cumbersome paperwork and negotiation processes.

Regarding the sale of the business, the legislation states that if the business owner and employee group reach a price that is “equivalent or superior to all other good-faith offers received on the open market within the 180-day period, the owner shall be obligated to sell the business” to the employee group. The bill goes on to say that the highest bid may not be the winning bid and allows for the sale at a lower price to an employee group. The bill doesn’t appear to provide the business owner with the same flexibility to an offer from a separate group. There may be other reasons why a business owner may feel a different offer is the most viable to keep the business growing.

While the bill assumes that employees may be interested in purchasing the business, this overlooks the financial realities of buying and running a business. Employees would need substantial capital to purchase the business, and this burden could be out of reach for most of them. While the bill does task the Secretary of State’s office with creating a resource list for employees looking to buy and run a business, these transactions are often complicated and small business owners may find it difficult to facilitate such a purchase due to the lack of sufficient employee resources or financial infrastructure. This could leave both employers and employees with unrealistic expectations and result in an unworkable business transaction.

Lastly, the mandate to offer the business to employees could undermine one of the most effective and flexible ways for small businesses to transition ownership — through external buyers, family members, or investors. These methods often ensure that businesses continue to thrive, grow, and contribute to the economy. Forcing business owners into a prescribed course of action could slow down the sale process and discourage potential buyers from entering the state. In addition, the uncertainty introduced by such legislation could make Rhode Island less attractive for new businesses looking to establish roots in the state.

While we understand and support the desire to empower employees and provide opportunities for greater participation in business success, House bill 5940’s requirement to offer employees the chance to purchase a business for sale imposes unrealistic and burdensome requirements on business owners. This provision could stifle entrepreneurship, discourage business sales, and create unnecessary conflict in the workplace.

The Coalition believes there is an opportunity to provide additional resources and guidance to business owners regarding business succession. However, we believe House bill 5940 is overly burdensome on business owners and does not protect their rights to make decisions regarding the sale of their business.

Thank you for your consideration of our position on H.5940.

Sincerely,

Associated Builders and Contractors – Rhode Island

East Greenwich Chamber of Commerce

Greater Newport Chamber of Commerce

National Federation of Independent Business

Propane Gas Association of New England

Revity Energy

Rhode Island Business Group on Health

Rhode Island Hospitality Association

Rhode Island Lumber and Building Materials Dealers Association

Rhode Island Manufacturers Association

Rhode Island Marine Trade Association

Rhode Island Staffing Association

Small Business Economic Summit Regulations Committee

Small Business Economic Summit Tax and Budget Committee

cc. House Labor Committee members