
AB816 Update

Worker Cooperative Law Passes in the California State Assembly

SACRAMENTO, CA—On May 22, the California State Assembly passed AB816, a major step toward making California the twelfth state to establish a legal form specifically for worker cooperatives. This campaign is building on the momentum of worker cooperative policy initiatives happening throughout the country—including a \$1.2 million dollar funding initiative in New York City last summer—as the cooperative business form gains recognition as a powerful tool for economic revitalization.

Assembly Member Bonta, who represents communities in the East Bay of the San Francisco Bay Area, introduced AB816 and was the principal author. “AB 816 will advance the creation of new small businesses, create jobs, and empower California communities by creating a clear pathway for worker-owned businesses to incorporate,” said Assembly Member Bonta.

The bill has two key parts. First, by passing AB816, the California legislature officially acknowledges the benefits of the model, finding that “worker cooperatives have the purpose of creating and maintaining sustainable jobs and generating wealth in order to improve the quality of life of its worker-members, dignify human work, allow workers’ democratic self-management, and promote community and local development in this state.”

Second, it allows companies to incorporate as a worker cooperative using an election under the Consumer Cooperative Corporation Law (which will be renamed the Cooperative Corporation Law). The worker cooperative election triggers a number of provisions in the existing law



that recognize the unique characteristics of worker-owned businesses. The bill will:

- Provide a definition of a worker cooperative as a corporation whose members are workers;
- Create a model capital structure for use by worker cooperatives to represent the assets and value created by each of the worker members, based on their labor contributions; a decreased meeting notice requirement, recognizing that many worker cooperatives are smaller and in closer communication than consumer cooperatives;
- Create a requirement that a majority of employees are member-owners of the cooperative or on track to be owners, in line with worker cooperative principles;
- Increase the existing securities law exemption for cooperative memberships from \$300 to \$1000; and
- Allow worker cooperatives to create “indivisible reserve accounts” to provide long-term investment capital to support the growth and longevity of the worker coop sector across generations.

Existing worker cooperatives that are currently incorporated under the Consumer Cooperative Corporation Law can qualify as a worker cooperative by amending their articles of incorporation and electing worker cooperative status. According to data from the US Federation of Worker Cooperatives (USFWC), California currently has over 60 worker cooperatives, most of which are currently incorporated under the existing Consumer Cooperative Corporation Law.

Amy Johnson, Co-Executive Director of the USFWC commented, “Our members in California are excited about having the worker cooperative business model recognized as its own corporate form. Being a worker cooperative is part of their identity, and they should have a way to bake it into their corporate DNA as well.”

The bill was drafted by the California Worker Cooperative Policy Coalition, a group of worker cooperative businesses, developers, and technical assistance providers who collectively represent a few hundred worker-owners and at least 25 California businesses, including the US Federation of Worker Cooperatives, the Arizmendi Association of Cooperatives, the Network of Bay Area Worker Cooperatives, the Democracy at Work Institute, the Sustainable Economies Law Center and the East Bay Community Law Center’s Green Collar Community Clinic (GC3).

The bill must still pass through the California Senate and be signed by the Governor before becoming law.

To help the passage of AB816, please contact Amy Johnson, Co-Executive Director at the US Federation of Worker Cooperatives at amy@usworker.coop, or Christina Oatfield, Policy Director at the Sustainable Economies Law Center at christina@theselc.org, or visit <http://theselc.org/AB816> to learn more.

The California Worker Cooperative Policy Coalition

