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## Civil Rights & Judiciary Committee

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### HB 1635

**Brief Description:** Concerning the composition of the boards of directors of consumer cooperatives and cooperative associations.

**Sponsors:** Representatives Ryu, Doglio and Gregerson.

**Brief Summary of Bill**

- Provides that cooperative associations and consumer cooperatives with 2,500 or more employees worldwide must reserve two positions on the board of directors for employees who are not supervisory or managerial employees of the corporation.

**Hearing Date:** 2/12/25

**Staff:** Edie Adams (786-7180).

**Background:**

The Cooperative Associations Act (CAA) allows any number of people to join together for the creation of a cooperative association where members participate in the cooperative's business for the mutual benefit of all the members. A cooperative association may be formed to advance any lawful business, including any agriculture, dairy, mercantile, mining, manufacturing, or mechanical business. Cooperative associations are formed by the filing of articles of incorporation with the Office of the Secretary of State (SOS). They consist of the members of the cooperative association and are governed by a board of directors and officers. A cooperative association must be managed by a board of not less than three directors. The directors are elected by the members of the association according to rules established in the bylaws.

Cooperative associations may also be formed under the Nonprofit Miscellaneous and Mutual

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Corporations Act (NMMCA), which allows a business to organize for any lawful purpose, including mutual, social, cooperative, fraternal, or other purposes. Under the NMMCA, a "consumer cooperative" is a cooperative engaged in the retail sale, to its members and other consumers, of goods or services of a type that are generally for personal, living, or family use. A corporation organized under the NMMCA is formed by filing articles of incorporation with the SOS. The corporation is governed by the articles of incorporation and the bylaws adopted by the board of directors. The corporation is managed by a board of directors and officers and may have members or shareholders. The number of directors must be set in the bylaws and consist of at least three directors. Directors are elected or appointed in the manner and for the terms provided in the articles of incorporation or the bylaws.

**Summary of Bill:**

Any cooperative association formed under the CAA, and any consumer cooperative formed under the NMMCA, that has 2,500 or more employees employed worldwide, must specify in its articles of incorporation or its bylaws that two positions on the board of directors must be reserved for persons who are nonsupervisory or nonmanagerial employees at the time of their holding of the position of director. These director positions must be selected by a majority vote held among the corporation's nonsupervisory and nonmanagerial employees acting as a body.

Directors who are nonsupervisory and nonmanagerial employees of the corporation may not vote on any resolution pertaining to the setting of wages and employee benefits or other terms or conditions of employment related to nonsupervisory or nonmanagerial employees of the corporation.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.