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HOUSE
COMMITTEE REPORT

(7)

Date referred: 2/11/86

FURTHER REFERRALS: JUDICIARY

DATE: 4/3/86

The LABOR & COMMERCE Committee has considered HB 562

"An Act relating to the adoption of bylaws by a cooperative."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS 562 same title
- new title

and recommends _____

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Mike Din

Cliff Berube

Gene Hanley

Mike Favone

Gene

Charles

Walter Kyra

~~_____~~

Mike Favone
Chairman

Introduced: 2/11/86
Referred: Labor & Commerce
and Judiciary

1 IN THE HOUSE

BY SHULTZ

2

HOUSE BILL NO. 562

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the adoption of bylaws by a
7 cooperative."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 10.25.070 is amended to read:

10 Sec. 10.25.070. BYLAWS. The board of directors shall adopt the
11 first bylaws of a cooperative to be adopted following an incorpora-
12 tion, conversion, merger or consolidation. Thereafter the [MEMBERS
13 OR] district delegates in cooperatives having three or more districts
14 that are not connected by a road system to another district of the
15 cooperative may [SHALL] adopt, amend, or repeal the bylaws by the
16 affirmative vote of a majority of the [THOSE MEMBERS OR] district
17 delegates voting on the adoption, amendment, or repeal at a meeting of
18 the [MEMBERS OR] district delegates. In all other cooperatives the
19 members shall adopt, amend, or repeal the bylaws by the affirmative
20 vote of two-thirds of the members voting on the adoption, amendment,
21 or repeal at a meeting of the members. The bylaws shall set out
22 [FORTH] the rights and duties of members, district delegates, and
23 directors and may contain other provisions for the regulation and
24 management of the affairs of the cooperative consistent [NOT INCONSIS-
25 TENT] with this chapter or with the [ITS] articles of incorporation of
26 the cooperative.

BACKGROUND FOR³³ HB 562

The purpose of this bill is to equalize the powers of communities served by one cooperative.

Under the present statute, delegates for each community are elected on the basis of one delegate to 100 members. A delegate is given all of the powers of the members and based on the lobbying efforts of the membership can direct the cooperative with little effort in the direction they want it to take. There are times when this is harmful to the cooperative's final goals. Delegates from a larger community can cause undue economic harm to the smaller community served by the cooperative just by pooling their votes for development of the cooperative in the larger community. This was not the purpose of introducing the cooperative concept. This bill will also prevent this unbalanced display of power.

The bill will require a majority of all voting members of the cooperative to change the by-laws. It will prevent frivolous use of delegates' powers to change by-laws or make policy changes or other management decisions inconsistent with the articles of incorporation of the cooperative.

There is an extreme need for this bill in some parts of Alaska and your consideration of its passage will assist smaller member communities to maintain their equality with the larger member communities of the cooperative.

ANALYSIS OF ^{SS} HB 562

1. Section one amends AS 10.25.070 by changing by laws.
2. Line 13 thru line 18 states cooperatives that include 3 or more districts not connected by road will retain the delegate system of representation at annual meetings.
3. Line 18 thru line 22 recommends a change back to full voting membership control for those communities connected by road and under one cooperative. States it will take a vote of the majority of those members voting to adopt any major changes in the by-laws of the cooperative . Voting maybe done in meeting or by mail.
4. Line 22 thru line 27 describes the provisions for regulations and rights of members, delegates and directors consistent with the articles of incorporation.
5. Line 28 to end of Bill describes methods of voting.

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A PROFESSIONAL CORPORATION

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GORDON D. LEE
JOHN W. COLVER

April 2, 1986

Representative Mike Navarre, Chairman
House Labor and Commerce Committee
House of Representatives
Pouch V
Juneau, AK 99811

Re: House Bill 562

Dear Mr. Chairman:

This letter which is written at the request of this firm's client Copper Valley Electric Association, Inc. (CVEA), will explain the background that led in part to the introduction of House Bill No. 562.

CVEA is divided into two (2) districts: the Copper River Basin and the Valdez Districts. The cooperative uses a delegate system for amending its Bylaws. Pursuant to the existing Bylaws, three out of 18 delegates can call a special meeting. Recently, three delegates attempted to call a special meeting. One of the items on the agenda was a possible move of the headquarters of CVEA from Glennallen to Valdez. No member notice was given. A great deal of concern arose from some of the residents of Glennallen that Glennallen would lose a major employer in the area. CVEA's staff was also concerned because of commitments made by them for housing in Glennallen and family considerations. Further, some CVEA Board members were concerned that it would not be economically wise for the move to be made. Finally, there was a general concern that the members were not even notified of the proposed move.

CVEA has 1755 voting members. Because of the way the delegate system works, ten members, as delegates, could vote to move the headquarters without membership notice or approval or input and consideration by the Board.

The purpose of House Bill 562 is to leave that kind of decisionmaking up to a majority of the members. The advantage to membership voting is that ballot propositions would be placed before the membership, an opportunity would be given for the membership to hear the pros and cons of the propositions, and a considered vote could be made by the membership.

Rep. Mike Navarre, Chairman
House Labor and Commerce Committee
April 2, 1986
Page 2

The district delegate method of voting does not seem appropriate when only three out of 1755 members could call for such a proposition and, with the concurrence of seven other delegate members, make such a decision for the cooperative.

The proposed law will still allow basic majority control by the membership for changes; in this manner, all members will have the opportunity to vote and not just a select few delegates.

Very truly yours,

HOGG and LEKISCH
Attorneys for Copper Valley
Electric Association, Inc.


Andrew E. Hogg

ABH/ms/ABVII126

cc: Copper Valley Electric Association, Inc.
Alaska Rural Electric Cooperatives Association, Inc.

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*File
HB 562*

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Attorneys for Copper Valley
Electric Association, Inc.


Andrew E. Hoge

AEH/ms/AHVIII26

cc: Copper Valley Electric Association, Inc.
Alaska Rural Electric Cooperatives Association, Inc.

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IN THE HOUSE

BY SHULTZ

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 562
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the adoption of bylaws by a cooperative."

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* Sec. 2. AS 10.25.120 is amended to read:

Sec. 10.25.120. VOTING. Each member is entitled to one vote on each matter submitted to a vote (1) at a meeting of the members or (2)

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by mail ballot permitted by AS 10.25.070. Each member of a district is entitled to one vote on each matter submitted to a vote at a [ANY] district meeting. Voting at a meeting shall be in person, but, if the bylaws so provide, may also be by mail.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

9/5/89
Date