



House of Representatives

General Assembly

File No. 373

February Session, 2018

House Bill No. 5442

House of Representatives, April 10, 2018

The Committee on Commerce reported through REP. SIMMONS of the 144th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE PARTICIPATION OF NONPROFIT ENTITIES IN WORKER COOPERATIVES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 33-418g of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2018*):

3 As used in this chapter, unless the context otherwise requires:

4 [(a)] (1) "Worker cooperative" means a corporation which has
5 elected to be governed by the provisions of this chapter.

6 [(b)] (2) "Member" means a natural person who or nonprofit
7 organization that has been accepted for membership in, and owns a
8 membership share issued by a worker cooperative.

9 [(c)] (3) "Patronage" means the amount of work performed as a
10 member of a worker cooperative, measured in accordance with the
11 articles of organization and bylaws of that cooperative.

12 [(d)] (4) "Written notice of allocation" means a written instrument
13 which discloses to a member the stated dollar amount of such
14 member's patronage allocation and the terms for payment of that
15 amount by the worker cooperative.

16 (5) "Nonprofit organization" means any organization that is exempt
17 from taxation under Section 501(c)(3) of the Internal Revenue Code of
18 1986, or any subsequent corresponding internal revenue code of the
19 United States, as amended from time to time.

20 Sec. 2. Section 33-418i of the general statutes is repealed and the
21 following is substituted in lieu thereof (*Effective October 1, 2018*):

22 (a) The certificate of incorporation or bylaws of a worker
23 cooperative shall establish qualifications and the method of acceptance
24 and termination of members. No person may be accepted as a member
25 unless such person is (1) employed by the worker cooperative on a
26 full-time or part-time basis, or (2) a nonprofit organization, provided
27 no less than fifty per cent of all employees shall be members.

28 (b) A worker cooperative shall issue a class of voting stock
29 designated as "membership shares". Each member shall own only one
30 such membership share, and only members may own such shares.

31 (c) Membership shares shall be issued for a fee as shall be
32 determined from time to time by the board of directors. Section 33-671
33 and subdivision (6) of subsection (b) of section 33-683 shall not apply
34 to such membership shares. Sections 33-855 to 33-872, inclusive, shall
35 not apply to membership shares whose redemption price is
36 determined by reference to internal capital accounts, as defined in
37 section 33-418m.

38 (d) Members of a worker cooperative shall have all the rights and
39 responsibilities of stockholders of a corporation formed under chapter
40 601, except as otherwise provided in this chapter.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2018</i>	33-418g
Sec. 2	<i>October 1, 2018</i>	33-418i

CE *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill, which permits the participation of nonprofit organizations in worker cooperatives, has no fiscal impact.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**HB 5442*****AN ACT CONCERNING THE PARTICIPATION OF NONPROFIT ENTITIES IN WORKER COOPERATIVES.*****SUMMARY**

This bill allows a nonprofit corporation to become a member of a worker cooperative and own ownership shares in this business entity, which, by law, must be owned and controlled by its employees. Current law allows only a cooperative's full- and part-time employees to become members and own ownership shares.

By becoming a member of a worker cooperative, a nonprofit organization can serve on its board and receive a portion of the cooperative's net earnings (i.e., patronage allocations), which, by law, the cooperative must apportion to each member in proportion to his or her share of the work performed by all members during a specified period.

EFFECTIVE DATE: October 1, 2018

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 17 Nay 3 (03/22/2018)