

TO THE HOUSE CONSUMER PROTECTION & COMMERCE COMMITTEE
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2011

Date: Wednesday, February 2, 2011

Time: 2:05 p.m.

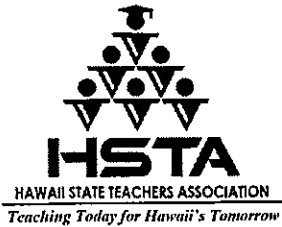
Conference Room: 325

**TESTIMONY ON HOUSE BILL NO. 878
RELATING TO NONPROFIT CORPORATIONS**

TO THE HONORABLE ROBERT N. HERKES & THE HONORABLE RYAN I. YAMANE,
CHAIRS AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to testify. My name is Tung Chan, Commissioner of Securities for the Business Registration Division (BREG), Department of Commerce and Consumer Affairs ("Department"). The Department supports this bill.

This bill proposes to amend the Hawaii Nonprofit Corporation Act, chapter 414D, Hawaii Revised Statutes, by expressly permitting voting by ballot and through electronic means, allowing directors to receive notice of meetings by electronic transmission, and facilitating meetings through electronic technology. These amendments will provide clarity and flexibility to nonprofit corporations in using technology that is readily accessible to its leadership and members. This bill will encourage greater participation in governance by members while reducing administrative costs. We respectfully ask that this bill be passed. Thank you for the opportunity to testify.



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Wil Okabe
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Vice President

Joan Kamila Lewis
Secretary-Treasurer

Alvin Nagasako
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

RE: HB 878 – RELATING TO NONPROFIT CORPORATIONS.

February 2, 2011

WIL OKABE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

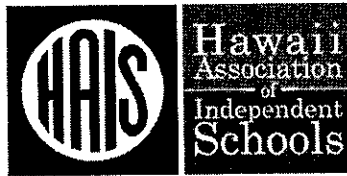
Chair Herkes and Members of the Committee:

The Hawaii State Teachers Association supports HB 878 which provides for electronic balloting for nonprofit corporations.

This amendment to HRS414 brings balloting for the nonprofits into the 21st century as well as helping to reduce costs associated with annual elections and membership voting.

HSTA has found value in electronic communication. We have used electronic means to survey our members as we find that our members are adept in communicating in the digital age. We are also looking at the feasibility of our board members being able to conduct business through internet, teleconference, and other transmission of technology. This bill helps to support what HSTA is presently trying to do to be more inclusive and increase member participation.

Thank you for the opportunity to testify.



Wednesday, February 2, 2011

2:05 p.m.

Conference Room 325

TESTIMONY TO
THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

RE: HB 878 – Relating to Nonprofit Corporations

Chair Herkes, Vice Chair Yamane, and Members of the Committee:

My name is Robert Witt, executive director of the Hawaii Association of Independent Schools (HAIS), which represents 99 private and independent schools in Hawaii and educates over 33,000 students statewide.

We support HB 878, which would amend the Hawaii Nonprofit Corporations Act to allow member actions by ballot and electronic voting, use of electronic notice, and conduct of meeting by teleconference.

Last session our association testified on behalf of a similar measure which became Act 63 (SLH 2010), allowing the Early Learning Council to conduct meetings by teleconference. Our belief at that time, and now, is that in an era of decreasing revenues along with an aspiration for more cost-effective community participation in urgently needed non-profit work, the added flexibility provided by this measure is a much needed 21st century strategy that will have benefits for many.

We support extending the use of technology for voting, notices, and meetings to all Hawaii nonprofit corporations.

Thank you for the opportunity to testify.



House Committee on Consumer Protection and Commerce
Wednesday, February 2, 2011
2:05 p.m.

HB 878, Relating to Nonprofit Corporations.

Dear Chairperson Herkes and Committee Members:

The University of Hawai'i Professional Assembly ("UHPA") strongly supports HB 878 which would amend Hawaii's Nonprofit Corporation Act (HRS Chapter 414D, the "Act"). Use of various means of electronic transmission, primarily electronic mail and facsimile transmission, are common and widespread in today's society. These methods of communication are efficient and cost-effective. Jurisdictions such as California have amended their nonprofit corporation law to permit the use of electronic transmission for notice, voting, and related matters. Hawaii followed suit in 2009 by adding provisions to the Act permitting use of email for membership meeting notices, but our law is still unclear on using electronic voting systems or ballots for members, participation in member meetings via remote or electronic communication methods, and use of email for director meeting notices.

HB 878 would amend Hawaii's Nonprofit Corporation Act to clarify that (i) membership action may be taken by ballots which may be transmitted by mail or electronic transmission, (ii) members may participate in membership meetings not only in person, but via teleconference, the internet, or similar electronic means, and (iii) notice of director meetings may be provided by email to those directors who consent to receive such notices by email.

Membership voting and participation with the use of written ballots is common practice for many membership organizations in other jurisdictions and is contemplated by the Revised Model Nonprofit Corporation Act (2nd ed.) upon which Hawaii's Act is based, the new RMNCA 3rd edition adopted August 2008, and nonprofit corporation acts in various other jurisdictions. Unfortunately, this provision, codified previously as HRS Section 414D-108, was repealed by Act 130 of the 2002 Hawaii Legislature. Interestingly, however, written ballots may currently be used in the election of directors under HRS Section 414D-115(b), a provision added in 2003. The use of written ballots, including those in electronic form, would permit nonprofit organizations with many members to maximize membership participation without resorting to complicated and confusing proxy voting procedures. This measure would once again permit members to express their votes on all matters using a ballot which could be transmitted by mail, by electronic transmission, or similar electronic means. The benefits are lower costs to membership nonprofits and increased member participation and greater transparency in corporate governance.

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PROFESSIONAL ASSEMBLY

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In addition to authoring membership action to be taken by ballot, the Bill also adds a provision to the Act to permit members of a nonprofit corporation to attend membership meetings not only in person, but by use of the internet, teleconference, or similar means of modern electronic technology. This feature is similar to the provisions in Hawaii's for-profit law, yet still requires nonprofits to have a physical meeting location for those members who wish to attend in person.

Finally, the Bill permits nonprofit corporations to utilize email to provide notice of director meetings. However, email could be used for those directors who consent to the use of email for such notices consistent without society's widespread use of the internet and similar means of electronic communications.

UHPA has discussed the provisions of this measure with representatives of the State Department of Commerce and Consumer Affairs, the Attorney General's Office, Tax Division and others in the course of proposing these changes and believe they are supportive of these changes. We respectfully request the Committee pass the Bill out.

Respectfully submitted,

Kristeen Hanselman
Associate Executive Director



February 1, 2011

Chair Robert Herkes
House Committee on Consumer Protection & Commerce
Hawaii State House of Representatives
State Capitol, Room 325
Honolulu, HI 96813

RE: HB 878, Relating to Nonprofit Corporations

Dear Chair Herkes and members of the House Consumer Protection and Commerce Committee:

The Hawaii'i Alliance of Nonprofit Organizations is a statewide, sector-wide professional association for nonprofits. HANO member nonprofits provide essential services to every community in the state. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i.

We support HB 878 which amends the Hawaii Nonprofit Corporations Act to permit member actions by ballot and electronic voting, use of electronic notice, and conduct of meeting by teleconference. The amendments propose modern 21st century communication technologies that allow for more cost-effective, meaningful and timely participation by nonprofit corporation members in their organizations. These amendments will allow for clearer communication within our statewide organizations and help members who are spread across the major islands.

We applaud these types of actions by the Legislature which work to streamline and improve systems and allow cost-savings for Hawaii's nonprofit sector at a time when budgets are thin.

Thank you for the opportunity to provide testimony.

Lisa T. Maruyama
President and CEO



February 1, 2011

Accompanying this cover sheet please find one (1) sheet of testimony for tomorrow's scheduled committee meeting on Consumer Protection and Commerce.

Please feel free to contact me at (808) 566-5527 (or via email at kkomeiji@hcf-hawaii.org) if you have any questions or require additional information. Thank you.



HAWAII COMMUNITY FOUNDATION

January 31, 2011

Board of GovernorsPaul Kosasa
*Chairman*Micah A. Kane
*Vice Chair*Samuel A. Cooke
*Secretary*Charlie King
Treasurer

The Honorable Robert Herkes, Chair
House Committee on Consumer Protection & Commerce
State Capitol
Honolulu, Hawaii 96813

Dear Chairman Herkes and Committee Members,

HB 878 – Relating to Nonprofit Corporations

Robert R. Bean
Deborah Berger
Mary G.F. Bitterman
Gary Caulfield
Margaret B. Cole
Richard W. Gushman, II
Robert S. Harrison
Honey Bun Haynes
Lawrence M. Johnson
Bert A. Kobayashi, Jr.
Cathy Luke
Colbert Matsumoto
David Nakada
Barry K. Taniguchi
Kitty Wo
Eric K. Yeaman

The Hawaii Community Foundation supports HB 878, Relating to Nonprofit Corporations.

Although people in Hawaii are notoriously famous for their generosity, recruiting qualified people for nonprofit boards is becoming an increasing challenge. Many people, when invited to serve, cite the increasing demands on their time as reason not to engage in nonprofit board service.

HB 878 will help, though not necessarily solve, that dilemma for many people by making board votes and meetings more convenient for board members. For nonprofit organizations, having this option available to facilitate board votes and meetings means that significant business can progress in a timely way. For membership nonprofits, this legislation helps to ease some of the administrative burden.

We urge your favorable consideration and support for this measure.

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Phone: 808-885-2174
Fax: 808-885-1857

Kauai:
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Lihue, Hawaii 96766
Phone: 808-245-4585
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Mau: 2241 B Vineyard Street
Wailuku, Hawaii 96793
Phone: 808-242-6184
Fax: 808-242-1505

Sincerely yours,

Kalowena Komeiji
Director, Communications