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## A BILL FOR AN ACT

RELATING TO COOPERATIVE ASSOCIATIONS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1        SECTION 1. The legislature finds that cooperative  
2 enterprises are vital to Hawaii's economic, cultural, and  
3 agricultural resilience; however, existing cooperative statutes  
4 are outdated, fragmented, and do not adequately serve emerging  
5 cooperative models. Hawaii currently relies on four sector-  
6 specific statutes – chapter 421 (agricultural cooperative  
7 associations), chapter 421C (consumer cooperative associations),  
8 chapter 421H (limited-equity housing cooperatives), and chapter  
9 421I (cooperative housing corporations), Hawaii Revised  
10 Statutes – in addition to the general corporation law codified  
11 in chapter 414, Hawaii Revised Statutes. This patchwork  
12 framework increases legal complexity and formation costs,  
13 creates uncertainty regarding tax and regulatory treatment, and  
14 limits access to cooperative-specific financing and technical  
15 assistance. It also prevents worker-owned, multi-stakeholder,  
16 service, and platform cooperatives from organizing as  
17 cooperatives under Hawaii law, forcing them into corporate forms



1 that do not recognize cooperative principles or democratic  
2 governance and profit-sharing based on member patronage.

3 The legislature further finds that Hawaii has numerous  
4 successful cooperatives. As of 2023, Hawaii is home to forty-  
5 seven federally insured credit unions serving approximately  
6 869,628 members, with total assets of \$15,239,670,466. Kaua‘i  
7 Island Utility Cooperative achieved 57.9 per cent renewable  
8 energy generation in 2023 while maintaining the lowest  
9 residential electricity rates in the State. Agricultural  
10 cooperatives such as the Hawai‘i ‘Ulu Cooperative, Molokai  
11 Livestock Cooperative, and Kamuela Vacuum Cooling Cooperative  
12 strengthen food security and sovereignty, restore degraded  
13 lands, and expand access to local products. Each year, new  
14 cooperatives form to support water and energy projects, housing,  
15 and diversified agriculture, helping to reduce reliance on  
16 imports and keep wealth circulating within the islands.

17 The legislature additionally finds that modern cooperative  
18 forms – such as worker-owned and multi-stakeholder  
19 cooperatives – are being used across the United States and  
20 internationally to improve economic resilience, job quality, and  
21 community wealth. In these models, workers, producers,



1 consumers, and community stakeholders may all be members of a  
2 single cooperative, aligning interests across the value chain in  
3 sectors including food systems, renewable energy, childcare,  
4 health care, and social services. Worker-owned cooperatives  
5 have been shown to provide more equitable wages, retain profits  
6 locally, and prioritize job retention during economic downturns.  
7 Flexible general cooperative statutes in other states, such as  
8 Colorado's Uniform Limited Cooperative Association Act and  
9 California's cooperative law, allow cooperatives to form for any  
10 lawful purpose, accommodate both patron and worker ownership,  
11 and give cooperatives authority to design membership and  
12 governance structures consistent with cooperative principles  
13 while maintaining democratic member control.

14 A general cooperative statute will reduce legal complexity,  
15 lower barriers to formation, and support business succession,  
16 innovation, local and employee ownership, high-quality jobs,  
17 cooperative food systems, flexible housing models, and  
18 community-rooted resilience.

19 Accordingly, the purpose of this Act is to establish the  
20 General Cooperative Associations Act to create a unified,



1 flexible legal framework for all cooperative enterprises in  
2 Hawaii. The Act will:

- 3 (1) Enable cooperatives to form for any lawful purpose;
- 4 (2) Permit multiple classes of members, including  
5 producers, consumers, workers, patrons, and other  
6 stakeholders as defined in their bylaws;
- 7 (3) Support worker-owned and multi-stakeholder structures;
- 8 (4) Preserve democratic member control and governance on a  
9 one-member, one-vote basis;
- 10 (5) Enable member economic participation through  
11 patronage-based distributions; and
- 12 (6) Allow existing agricultural and consumer cooperative  
13 associations to elect governance under this new  
14 chapter.

15 SECTION 2. The Hawaii Revised Statutes is amended by  
16 adding a new chapter to be appropriately designated and to read  
17 as follows:

18 **"CHAPTER**

19 **GENERAL COOPERATIVE ASSOCIATIONS**

20 **§ -1 Short title.** This chapter may be cited as the  
21 General Cooperative Associations Act.



1           **S -2 Definitions.** As used in this chapter:

2           "Cooperative" means an entity organized under this chapter.

3           "Cooperative principles" means the internationally  
4           recognized principles of:

- 5           (1) Voluntary and open membership;
- 6           (2) Democratic member control;
- 7           (3) Member economic participation;
- 8           (4) Autonomy and independence;
- 9           (5) Education, training, and information;
- 10          (6) Cooperation among cooperatives; and
- 11          (7) Concern for community.

12          "Member" means a person admitted to membership in a  
13          cooperative as provided in its bylaws, with limited liability  
14          for the obligations of the cooperative.

15          "Net margins" means the revenues of the cooperative  
16          remaining after deducting operating costs and other expenses.

17          "Patron" means a member or other person who conducts  
18          business with the cooperative or uses the cooperative's services  
19          as specified in the bylaws.



1        "Patronage" means the business, services, or transactions  
2    conducted with or through the cooperative by a patron, including  
3    but not limited to:

4        (1) For worker members, labor contributed to the  
5                    cooperative, measured by hours worked, wages earned,  
6                    or other measures as specified in the bylaws;  
7        (2) For producer members, products or services supplied to  
8                    the cooperative;  
9        (3) For consumer members, products or services purchased  
10                  from the cooperative; and  
11        (4) For community members, other contributions as defined  
12                  in the bylaws.

13        "Person" means an individual, partnership, corporation,  
14   limited liability company, association, or any other legal  
15   entity recognized under the laws of the State.

16        **S -3 Purposes; characteristics.** (a) A cooperative may  
17   be organized under this chapter for any lawful purpose, except  
18   for purposes requiring organization under a specialized statute,  
19   including but not limited to banking or insurance.

20        (b) A cooperative organized under this chapter shall:



1                   (1) Operate for the mutual benefit of its members as  
2                   patrons;  
3                   (2) Be democratically controlled by its members; and  
4                   (3) Distribute its net margins on the basis of member  
5                   patronage.  
6                   (c) A cooperative shall be organized and shall conduct its  
7 business primarily for the mutual benefit of its members as  
8 patrons, and not primarily to make a profit for itself or for  
9 its members as such.

10               **§ -4 Formation; articles of incorporation; applicability**  
11               **of other chapters; registration.** (a) Three or more persons may  
12 form a cooperative by executing and filing articles of  
13 incorporation in accordance with chapter 414D, unless otherwise  
14 provided in this chapter.

15               (b) The articles of incorporation shall include:  
16               (1) The name of the cooperative, which shall include the  
17               word "cooperative", "co-op", "coop", or an  
18               abbreviation thereof;  
19               (2) The principal office location of the cooperative;  
20               (3) The name and address of the initial registered agent  
21               of the cooperative;





5 (c) If an amendment affects the rights, privileges,  
6 preferences, or restrictions of a particular class of members,  
7 that class shall vote separately to approve the amendment.

8 (d) Any amendment to dissolution or asset distribution  
9 provisions shall require the affirmative vote of two-thirds of  
10 members present and voting.

§ -6 Bylaws; adoption and amendment; contents;

12 **consistency.** (a) Bylaws shall be adopted at the time of  
13 organization or shortly thereafter and may be amended by the  
14 members as provided in the bylaws. Initial bylaws may be  
15 adopted by the board of directors; thereafter, bylaws shall be  
16 amended as provided in the bylaws.

17 (b) The bylaws may include provisions relating to:

18 (1) Membership qualifications and classes;

19 (2) Member voting rights and procedures;

20 (3) Director election, appointment, removal, and

21 succession;



1 (4) Director and officer duties and compensation;

2 (5) Board meeting procedures and authority;

3 (6) Member meeting procedures and notice requirements;

4 (7) Capital accounts and capital contributions;

5 (8) Patronage allocation and distribution methods;

6 (9) Reserved member rights;

7 (10) Dispute resolution procedures;

8 (11) Indivisible reserves;

9 (12) Member withdrawal and expulsion;

10 (13) Merger, consolidation, or dissolution procedures; and

11 (14) Any other matter authorized by this chapter or deemed

12 necessary for cooperative governance.

13 (c) The bylaws shall be consistent with the cooperative

14 principles and this chapter.

15       § -7 Membership; admission; classes; rights and  
16 responsibilities; voting; limited liability. (a) A cooperative  
17 shall admit members as provided in its bylaws.

18 (b) A cooperative may establish one or more classes of  
19 members, which may include but are not limited to:

20 (1) Worker members;

21 (2) Producer members;



7                   (d) Unless otherwise provided in the bylaws, each member  
8 shall have one vote in matters submitted to a vote of the  
9 members.

10 (e) Members shall not be personally liable for the debts,  
11 obligations, or liabilities of the cooperative beyond the amount  
12 of their capital contribution, except as otherwise provided by  
13 law.

14        **S -8 Meetings of members; procedures; voting.** (a) The  
15      cooperative shall hold an annual meeting of members to elect  
16      directors, receive reports, discuss cooperative business, and  
17      address other matters as provided in the bylaws.

18 (b) Special meetings of members may be called as provided  
19 in the bylaws, including upon written request of the board of  
20 directors, upon written request of members holding no less than



1 one-tenth of the voting power, or by any other procedures  
2 specified in the bylaws.

3 (c) Notice, quorum, and voting procedures shall be as  
4 provided in the bylaws and shall comply with the applicable  
5 requirements of chapter 414D unless modified by this chapter or  
6 the bylaws.

7 (d) Except as otherwise provided in this chapter or the  
8 bylaws, each member shall have one vote per matter submitted to  
9 the members. Members may vote in person or by proxy as provided  
10 in the bylaws.

11 **§ -9 Governance and board of directors; structure;**  
12 **composition; elections; fiduciary duties; meetings.** (a) The  
13 business and affairs of the cooperative shall be managed by a  
14 board of directors consisting of no fewer than three and no more  
15 than nine members, unless the bylaws provide otherwise.

16 (b) The bylaws may allocate director positions among  
17 member classes. In the absence of an allocation, directors  
18 shall be elected at large by all voting members.

19 (c) Directors shall be elected by the members on a one-  
20 member, one-vote basis, in accordance with the procedures set  
21 forth in the bylaws and applicable law.



1 (d) Directors shall have the fiduciary duties of care and  
2 loyalty applicable to directors under chapter 414D, unless  
3 otherwise provided in this chapter.

6 (f) Notwithstanding the board structure requirements of  
7 this section, a cooperative may operate under a collective  
8 governance model in which all members participate directly in  
9 decision-making; provided that the model is specified in the  
10 articles of incorporation and bylaws and is approved by vote of  
11 the members.

12           § -10   Distribution of net margins; patronage; returns;

13   **reserves.** (a) The bylaws shall provide the method for  
14   distributing net margins. Distributions shall be made to  
15   members and patrons and shall be based upon their patronage as  
16   defined in the bylaws.

17 (b) Patronage distributions may be paid in cash, capital  
18 credits, allocated equity, patronage dividends, property,  
19 evidences of indebtedness, services, or in any other form  
20 consistent with cooperative principles and as determined by the  
21 cooperative.



6 (d) The cooperative may retain portions of net margins in  
7 unallocated reserves for business operations, capital needs, or  
8 other purposes as determined by the members.

16       § -11 Conversions; existing cooperatives electing to be  
17 governed by this chapter; filing and fees; effective date. (a)  
18 Any domestic cooperative association formed under chapter 421 or  
19 421C may elect to be governed by this chapter upon approval of  
20 its members by a vote of two-thirds of the members present and  
21 voting at a duly held membership meeting or by written ballot.



(b) The election shall become effective upon the filing of amended articles of incorporation, which shall:

3 (1) State that the cooperative shall be governed by this  
4 chapter;

9 (c) A certified copy of the amended articles of

10 incorporation shall be filed with the director of commerce and  
11 consumer affairs and accompanied by the filing fee provided by  
12 chapter 414D.

13 (d) Upon filing the amended articles of incorporation, the  
14 cooperative shall be subject to this chapter and may rely on the  
15 provisions of this chapter; provided that if any provision of  
16 this chapter is inconsistent with chapter 421 or 421C, the  
17 provisions of this chapter shall control.

**18** **§** **-12** **Applicability of general cooperative law; tax-**

19 **exempt status.** (a) General cooperatives formed under, or  
20 elected to be governed by, this chapter shall be governed by the  
21 provisions of chapter 421C unless those provisions are



1 inconsistent with this chapter, in which case the provisions of  
2 this chapter shall control.

3 (b) To the extent chapter 414D applies to cooperatives  
4 organized under this chapter, it shall apply except where  
5 specifically modified by this chapter.

6 (c) Nothing in this chapter shall prevent a cooperative  
7 from maintaining tax-exempt status under federal or state law,  
8 if otherwise qualified.

9 **§ -13 Dissolution and liquidation; distributions.** (a)  
10 A cooperative may dissolve voluntarily as provided in this  
11 section or involuntarily as provided by applicable law.

12 (b) A cooperative shall dissolve upon the affirmative vote  
13 of members holding a majority of voting power, or as otherwise  
14 provided in the bylaws.

15 (c) Upon dissolution, the cooperative's assets shall be  
16 distributed as provided in the bylaws and articles of  
17 incorporation. The bylaws may provide that assets shall be  
18 distributed:

19 (1) First, to satisfy creditors;  
20 (2) Then, to refund member capital contributions to the  
21 extent available;



4 (4) Alternatively, the remaining assets may be distributed  
5 to a cooperative development organization, federation,  
6 or other cooperative entity as specified in the bylaws  
7 or as provided by law.

8 (d) A cooperative shall not distribute assets to members  
9 in a manner that would violate cooperative principles or would  
10 operate to convert the cooperative into a non-cooperative  
11 business form."

12 SECTION 3. Chapter 421, Hawaii Revised Statutes, is  
13 amended by adding a new section to be appropriately designated  
14 and to read as follows:

15 "§421- Election to be governed by the General  
16 Cooperative Associations Act. An association formed under this  
17 chapter may elect to be governed by chapter pursuant to  
18 section -11."

19 SECTION 4. Chapter 421C, Hawaii Revised Statutes, is  
20 amended by adding a new section to be appropriately designated  
21 and to read as follows:



1        "§421C-        Election to be governed by the General

2        Cooperative Associations Act. An association formed under this  
3        chapter may elect to be governed by chapter        pursuant to  
4        section        -11."

5        SECTION 5. New statutory material is underscored.

6        SECTION 6. This Act shall take effect on July 1, 2026.

7

INTRODUCED BY: Mike Gabbard



# S.B. NO. 2922

**Report Title:**

General Cooperative Associations Act; Cooperatives; Agricultural Cooperatives; Consumer Cooperative Associations

**Description:**

Establishes a General Cooperative Associations Act to provide a unified, flexible legal framework for cooperatives to form for any lawful purpose. Allows agricultural cooperative associations and consumer cooperative associations to elect governance under the General Cooperative Associations Act.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

