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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 the State's economic, cultural, and  
3 agricultural resilience; however, existing cooperative statutes  
4 are outdated, fragmented, and do not adequately serve emerging  
5 cooperative models. The State currently relies on four  
6 sector-specific statutes – chapter 421 (agricultural cooperative  
7 associations), chapter 421C (consumer cooperative associations),  
8 chapter 421H (limited-equity housing cooperatives), and  
9 chapter 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 state 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 the State has numerous  
4 successful cooperatives. As of 2023, the State is home to  
5 forty-seven federally insured credit unions serving  
6 approximately 869,628 members, with total assets of  
7 \$15,239,670,466. Kaua'i Island Utility Cooperative achieved 57.9  
8 per cent renewable energy generation in 2023 while maintaining  
9 the lowest residential electricity rates in the State.

10 Agricultural cooperatives such as the Hawai'i 'Ulu Cooperative,  
11 Molokai Livestock Cooperative, and Kamuela Vacuum Cooling  
12 Cooperative strengthen food security and sovereignty, restore  
13 degraded lands, and expand access to local products. Each year,  
14 new cooperatives form to support water and energy projects,  
15 housing, and diversified agriculture, helping to reduce reliance  
16 on 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 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 comprehensive cooperative statute will reduce legal  
15 complexity, lower barriers to formation, and support business  
16 succession, innovation, local and employee ownership,  
17 high-quality jobs, cooperative food systems, flexible housing  
18 models, and community-rooted resilience.

19 Accordingly, the purpose of this Act is to broaden existing  
20 law to clarify that cooperative associations may include



1 consumer cooperatives, multi-stakeholder cooperatives, producer  
2 cooperatives, and worker cooperatives.

3 SECTION 2. Chapter 421C, Hawaii Revised Statutes, is  
4 amended by adding five new sections to be appropriately  
5 designated and to read as follows:

6 "§421C- Election by existing cooperatives. Any  
7 cooperative association formed under chapter 421 or this chapter  
8 may elect to be governed by the provisions of this chapter upon  
9 approval by two-thirds of the members present and voting or by  
10 written ballot. The election shall be effective upon filing  
11 amended articles of incorporation with the director of commerce  
12 and consumer affairs.

13 §421C- Applicability of existing provisions. Except as  
14 otherwise provided, all provisions governing cooperative  
15 associations, including voting rights, patronage allocations,  
16 and limitations on returns on capital, shall apply equally to  
17 all cooperatives organized under this chapter.

18 §421C- Multi-stakeholder cooperatives. (a) A  
19 cooperative association electing multi-stakeholder cooperative  
20 status shall be owned by more than one class of members, which  
21 may include workers, consumers, producers, or other



1 stakeholders, as set forth in the articles of incorporation and  
2 bylaws.

3 (b) Member classes shall be admitted pursuant to  
4 eligibility criteria set forth in the bylaws.

5 (c) Patronage shall be based on the respective  
6 contribution of each member class as specified in the bylaws,  
7 which may include labor contributed, goods or services  
8 purchased, or products marketed, processed, or services  
9 provided.

10 (d) Voting rights may be structured by member class;  
11 provided that member control is maintained on a one-member,  
12 one-vote basis within each class or as otherwise provided in the  
13 articles of incorporation or bylaws.

14 **§421C- Producer cooperatives.** (a) A cooperative  
15 association electing producer cooperative status shall consist  
16 of members who are producers of goods or services.

17 (b) Membership eligibility shall be governed pursuant to  
18 criteria set forth in the bylaws.

19 (c) Patronage shall be based on the quantity or value of  
20 products marketed, processed, or services provided through the  
21 cooperative.





1       "Consumer cooperative" means a cooperative association  
2 organized primarily to provide goods or services to members as  
3 consumers.

4       "Multi-stakeholder cooperative" means a cooperative  
5 association that includes more than one class of members, which  
6 may include workers, consumers, producers, or other  
7 stakeholders, as defined in the articles of incorporation and  
8 bylaws of the association.

9       "Producer cooperative" means a cooperative association  
10 whose members are producers of goods or services and is  
11 organized primarily to process, market, distribute, or provide  
12 services related to members' production.

13       "Worker cooperative" means a cooperative association in  
14 which:

- 15       (1) The majority of the members are workers employed by  
16       the cooperative; and  
17       (2) At least fifty-one per cent of the cooperative's  
18       workers are members."

19       2. By amending the definition of "association" to read as  
20 follows:

21       "Association" means a [consumer] cooperative association."



1           3. By amending the definition of "consumer cooperative  
2 association" to read as follows:

3           "~~Consumer cooperative~~ Cooperative association" means a  
4 group enterprise, organized on a cooperative basis and  
5 incorporated under this chapter such that:

6           (1) Each member has one vote and only one vote, except as  
7           may be altered in the articles or bylaws of a  
8           secondary cooperative by provision for voting by  
9           member organizations;

10          (2) The maximum rate at which any return is paid on share  
11          or membership capital is limited; and

12          (3) The allocation or distribution of net savings after  
13          making provision for such separate funds as may be  
14          required or specially permitted by statute, articles,  
15          or bylaws, is made to member patrons or to all  
16          patrons, in proportion to their patronage; or is  
17          allocated in a manner which benefits the general  
18          welfare of all of the members of the association."

19          SECTION 5. Section 421C-2, Hawaii Revised Statutes, is  
20 amended to read as follows:



1           "~~§421C-2~~ **Purpose.** An association may be  
2 incorporated under this chapter ~~[only for the purpose of~~  
3 ~~transacting any lawful business for its membership, the general~~  
4 ~~public, or both.]~~ for any lawful purpose, including but not  
5 limited to consumer cooperatives, worker cooperatives, producer  
6 cooperatives, and multi-stakeholder cooperatives."

7           SECTION 6. Section 421C-11.5, Hawaii Revised Statutes, is  
8 amended to read as follows:

9           "**§421C-11.5 Articles.** (a) Articles shall be certified  
10 and executed by each of the incorporators, if natural persons,  
11 and by the president and secretary of the association, before  
12 any officer authorized to take acknowledgments, and shall  
13 contain the following:

- 14           (1) The name of the association which shall contain the  
15 term "cooperative" or some abbreviation thereof  
16 notwithstanding section 421-5;
- 17           (2) The mailing address and zip code of its principal  
18 office, which shall be in the State, the street  
19 address of the association's initial registered  
20 office, and the name of its initial registered agent  
21 at its initial registered office;

- 1           (3) The purposes and powers of the association;
- 2           (4) The duration of the association;
- 3           (5) The number, names, and titles of the initial officers  
4           and directors, or similar officers;
- 5           (6) The names and addresses of the incorporators, and if  
6           organized with stock, a statement of the number of  
7           shares subscribed by each, which shall not be less  
8           than one, and the class of shares for which each  
9           subscribed;
- 10          (7) If organized with stock, the total authorized number  
11          of shares and the par value of each share, if any; and  
12          if more than one class of stock is authorized, a  
13          description of the classes of shares, the number of  
14          shares in each class, the relative rights,  
15          preferences, and restrictions granted to or imposed  
16          upon the shares of each class, and the  
17          interest-dividends to which each class shall be  
18          entitled; and
- 19          (8) If organized without stock, whether the property  
20          rights and interest of each member are equal or



1           unequal, and if unequal, the rule by which the rights  
2           and interest shall be determined.

3           (b) The articles may also contain any other provisions,  
4 consistent with law for regulating the association's business or  
5 the conduct of its affairs.

6           (c) The articles of incorporation may state the  
7 cooperative type elected by the association, including:

8           (1) Consumer cooperative;

9           (2) Multi-stakeholder cooperative;

10          (3) Producer cooperative; and

11          (4) Worker cooperative;

12 provided that the articles of incorporation shall specify any  
13 membership class structure and patronage basis applicable to the  
14 elected cooperative type."

15          SECTION 7. This Act does not affect rights and duties that  
16 matured, penalties that were incurred, and proceedings that were  
17 begun before its effective date.

18          SECTION 8. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.

20          SECTION 9 This Act shall take effect on July 1, 2050.

S.B. NO. 2922  
S.D. 1

**Report Title:**

Cooperative Associations; Multi-Stakeholder Cooperatives;  
Producer Cooperatives; Workers Cooperatives; Consumer  
Cooperatives

**Description:**

Clarifies that cooperative associations organized under chapter 421C, Hawaii Revised Statutes, may include multi-stakeholder cooperatives, producer cooperatives, workers cooperatives, and consumer cooperatives. Effective 7/1/2050. (SD1)

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

