
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4 are outdated, fragmented, and do not adequately serve emerging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 chapter
9 421I (cooperative housing corporations), Hawaii Revised
10 Statutes, in addition to the general corporation law codified in
11 chapter 414, Hawaii Revised Statutes. This patchwork framework
12 increases legal complexity and formation costs, creates
13 uncertainty regarding tax and regulatory treatment, and limits
14 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:

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



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

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 March 22, 2075.



S.B. NO. 2922
S.D. 2

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 3/22/2075. (SD2)

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