

Ben Straka, Policy Analyst

February 21, 2017

House Bill 2609

Chair Barker and Members of the House Committee on Judiciary,

Thank you for the opportunity to provide my testimony today. On behalf of the Freedom Foundation, I would like to share with you the following concerns regarding House Bill (HB) 2609:

Existing state laws governing nonprofit corporations are based primarily on the Revised Model Nonprofit Corporation Act developed by the American Bar Association (ABA)¹ and adopted by numerous states. An ABA model is also the basis for Oregon laws governing for-profit corporations, and the two areas of state corporate law largely mirror each other. One of the purposes of the legislature in enacting the Revised Oregon Nonprofit Corporation Act (1989) was to bring these laws into conformity with the rest of Oregon corporate statutes.²

Given the uniform nature of these laws, it would be difficult to justify HB 2609's sweeping revisions purely on the grounds that the nonprofit statutes alone should be updated.

Yet HB 2609 is far from a simple update in the first place. In reality, HB 2609 weakens the rights of members in a nonprofit corporation while giving more power to the corporation's directors.

- Members currently have a right to inspect nonprofit corporate records, including membership lists. HB 2609 creates the potential for members' contact information to be removed from such lists.³
- HB 2609 would allow a corporation to silence its members by eliminating the need to hold annual meetings at which they could provide their input on key decisions.⁴
- HB 2609 would significantly weaken, if not remove, members' rights to vote on corporate mergers.⁵
- Revisions throughout HB 2609 would reduce voting thresholds, weaken quorum requirements and dilute a corporation's notice standards.

¹ http://www.osbar.org/cle/library/2014/NP14_Handbook.pdf

² <http://www.publications.ojd.state.or.us/docs/TCMD020949F.htm>

³ [Section 5](#) 65.001 (9), [Section 59](#) 65.771 (3), [Section 21](#) 65.224 (1)

⁴ [Section 17](#) 65.201 (1)

⁵ [Section 47](#), [Section 50](#), [Section 42](#)

As a longtime advocate for individual liberty, the Freedom Foundation opposes any such policies that serve to take away individual members' rights. In addition, the Foundation is concerned with the specific circumstances around which HB 2609 has arisen:

One of the state's most politically active labor unions, Service Employees International Union (SEIU) Local 503, happens to be a nonprofit corporation – as are many, if not all, labor unions in this state. In a recent lawsuit,⁶ Oregon courts affirmed SEIU 503's corporate status and found it to be in noncompliance with ORS chapter 65.

The union was ordered to disclose certain information – including its membership list – to a member who exercised his right to inspect corporate records. SEIU 503 had also neglected to hold annual membership meetings, which the court ordered it to do.

HB 2609 would make it far easier for SEIU 503 to disregard those membership rights it apparently finds inconvenient.

In practice, HB 2609 would give more power to union leaders at the expense of their members. It would also decrease a union's accountability to those members, and it would allow union leaders to access corporate records their members couldn't. Lastly, it would make future changes to a union's corporate structure even simpler.

Aside from the recent litigation involving SEIU 503, there is little evidence of public concern or any other problems that would prompt the kind of revisions seen in HB 2609.

The Freedom Foundation opposes HB 2609 because it significantly weakens the rights of members in a nonprofit corporation, and, accordingly, because it serves as yet another means by which labor leaders in our state may exercise more influence over their organizations at the expense of their members.

We respectfully ask the committee to take a closer look at HB 2609 and vote no.

Thank you,



Ben Straka

Policy Analyst | Freedom Foundation

BStraka@FreedomFoundation.com

503.951.6208 | PO Box 18146 Salem, OR 97305

FreedomFoundation.com

⁶ *DiNicola v. Service Employees Int'l Union Local 503*, 281 Or App 706 (2016)