

BILL ANALYSIS

Senate Research Center
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H.B. 4103
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, religious institutions choose directors to serve on their boards based on their religious beliefs about institutional governance. Often, this means directors are selected based on their similar religious beliefs, their spiritual maturity and qualifications, and their roles within the religious institutions. Religious institutions usually choose management committee membership based on the members' experience or education to satisfy the institution's need for independence and professional knowledge in certain committee areas, such as compensation, auditing, and financial committees. These committee members may not meet the requisite spiritual qualifications to serve on the church board but provide the church with valuable expertise on complex matters.

Effective January 1, 2010, the new Texas Non-Profit Corporation Act will require a majority of each committee to be comprised of members serving on the board of directors. Unless amended, this will affect the composition of many religious institution boards. Although this requirement is a valid means of committee selection, it does not provide churches and other institutions enough qualified directors to serve on board committees with more technical functions. Committees required to adopt these membership requirements may be forced to choose between a director who is outside of the institution's belief system or a member who lacks the expertise to appropriately contribute to the committee.

H.B. 4103 authorizes a church or other religious institution to create a management committee comprised entirely of non-directors, eliminating the possibility that an institution would be forced to alter the structure of the institution's board of directors or forfeit the technical expertise necessary to maintain the integrity and professionalism of the institution.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 22.218, Business Organizations Code, by amending Subsection (b) and adding Subsection (b-1), as follows:

(b) Requires a committee designated under this section to consist of at least two persons. Requires the majority of persons on the committee, except as provided by Subsection (b-1), to be directors. Provides that the remaining persons on the committee, if provided by the certificate of formation or bylaws, are not required to be directors. Makes a nonsubstantive change.

(b-1) Authorizes a committee designated under this section, if a corporation is a religious institution and if provided by the corporation's certificate of formation or bylaws, to be composed entirely of persons who are not directors of the corporation.

SECTION 2. Amends Section A, Article 2.18, Texas Non-Profit Corporation Act (Article 1396-2.18, V.T.C.S.), to authorize the board of directors, by resolution adopted by a majority of the directors in office, if the articles of incorporation or the bylaws so provide, to designate one or more committees, which, to the extent provided in such resolution, in the articles of incorporation, or in the bylaws, shall have and exercise the authority of the board of directors in

the management of the corporation. Requires that each such committee consist of two or more persons, and requires that a majority of the persons on a committee designated under this section, except as provided by this section, be directors; provides that the remainder, if the articles of incorporation or the bylaws so provide, need not be directors. Authorizes a committee designated under this section, if a corporation is a religious institution and if provided by the corporation's articles of incorporation or bylaws, to be composed entirely of persons who are not directors of the corporation. Prohibits the designation of such committees and the delegation thereto of authority from operating to relieve the board of directors, or any individual director, of any responsibility imposed upon it or him by law. Requires that any non-director who becomes a member of any such committee have the same responsibility with respect to such committee as a director who is a member thereof.

SECTION 3. Effective date: September 1, 2009.