

BILL ANALYSIS

C.S.H.B. 4103
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Business & Industry
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, religious institutions choose directors to serve on their boards based on their religious belief about institutional governance. Often, this means directors are selected based on their similar religious beliefs, their spiritual maturity and qualifications, and their role within the religious institution. 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 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.

C.S.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

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 4103 amends the Business Organizations Code to authorize a management committee to be composed entirely of persons who are not directors of a corporation, if the corporation is a religious institution and if provided for by the corporation's certificate of formation or bylaws, and makes conforming changes to the Texas Non-Profit Corporation Act and the Business Organizations Code.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 4103 adds a provision to the substitute not in the original to make conforming changes to the Texas Non-Profit Corporation Act. The substitute reorganizes the original and makes other nonsubstantive changes.