

SESSION OF 2020

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2401

As Further Amended by House Committee on
Judiciary

Brief*

HB 2401 would amend the Kansas General Corporation Code as it relates to stockholder quorums needed to transact business. The bill would add language specifying that, for businesses with over 500 stockholders and articles of incorporation or bylaws that provide no stockholder may vote more than one share:

- A quorum would consist of no less than 10 percent of the shares entitled to vote at the meeting; and
- Such a business could amend its articles of incorporation by a majority of a quorum voting at a special or annual meeting.

The provisions of the bill would expire on July 1, 2023.

The bill also would make technical updates to statutory references, as it was introduced in the 2019 Legislative Session.

The bill would be in effect upon publication in the *Kansas Register*.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill introduced by the House Committee on Federal and State Affairs at the request of Representative Highberger in the 2019 Legislative Session.

In the House Committee on Federal and State Affairs hearing on January 23, 2020, proponent testimony was provided by Representatives Horn and Highberger and a representative of The Merc Co+op. Proponents generally stated the businesses described in the bill struggle to comply with current quorum requirements for shareholder meetings and elections. Proponents stated many grocery cooperatives that provide services to rural areas are organized under this structure and a 10 percent quorum requirement would still be difficult but would be a more achievable standard. Written-only proponent testimony was provided by a private citizen. Written-only neutral testimony was provided by the Kansas Cooperative Council. No opponent testimony was provided.

The House Committee on Federal and State Affairs amended the bill to make it effective upon publication in the *Kansas Register*.

On February 4, 2020, the bill was withdrawn from the House Calendar and referred to the House Committee on Judiciary. At the House Committee on Judiciary hearing, proponent testimony was provided by Representative Highberger and a representative of The Merc Co+op. Written-only neutral testimony was provided by the Kansas Bar Association, indicating a need to narrowly tailor any change to the Kansas General Corporation Code to protect the interests of all private corporations formed in Kansas.

The House Committee on Judiciary amended the bill further to sunset the provisions of the bill on July 1, 2023, and to update statutory references.

According to the fiscal note prepared by the Division of the Budget in 2019, the Office of the Secretary of State

indicates enactment of the bill could result in additional revenue to the agency and the State General Fund if the bill resulted in an increase in filings for amendments to articles of incorporation, but the agency is unable to estimate how many additional filings might be made or what increase in revenue might result. Any fiscal effect associated with the bill was not reflected in *The FY 2020 Governor's Budget Report*.