

**SUBJECT:** Revising arbitration provisions for nonprofit corporations

**COMMITTEE:** Judiciary & Civil Jurisprudence — committee substitute recommended

**VOTE:** 8 ayes — Leach, Julie Johnson, Flores, Moody, Murr, Schofield, Slawson, Vasut

0 nays

1 absent — Davis

**WITNESSES:** For — Allan Lazor, Grand Lodge of Texas (*Registered, but did not testify*: Ray Sullivan, American Property and Casualty Insurance Association; Brady Elliott, Grand lodge of Texas; Larry McDougal)

Against — None

**BACKGROUND:** Civil Practice and Remedies Code ch. 173 establishes that a provision in the bylaws of a nonprofit corporation that requires a member to arbitrate at common law to resolve a controversy between members is a valid, enforceable, and irrevocable agreement by a member to arbitrate the controversy. Civil Practice and Remedies Code ch. 173 also establishes that a written agreement to submit a controversy to arbitration at common law is valid and enforceable if the agreement is to arbitrate a controversy that arises between the parties after the agreement date.

Some have suggested that providing clear guidelines for arbitration of a controversy at the member or individual level of a nonprofit corporation and making arbitration within a corporation valid, enforceable, and binding would help to make such arbitration more efficient and prevent further controversy in the future.

**DIGEST:** CSHB 3949 would amend Civil Practice and Remedies Code ch. 173 to establish that bylaw provisions requiring a member to arbitrate at common law a controversy that arises between the nonprofit corporation and its members, in addition to between members, is a valid, enforceable, and

irrevocable agreement by a member to arbitrate the controversy.

The bill also would amend Civil Practice and Remedies Code ch. 173 to extend its applicability regarding bylaw provisions and written agreements to the following associations and corporations:

- the grand lodge of Texas, Ancient, Free and Accepted Masons;
- the Grand Royal Arch Chapter of Texas;
- the Grand Commandery of Knights Templars of Texas;
- the grand lodge of the Independent Order of Odd Fellows of Texas;
- or
- other similar institutions or orders organized for charitable or benevolent purposes.

The bill would only apply to a controversy arising on or after the effective date of the bill.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2023.