

10733

I N A S S E M B L Y

June 18, 2012

Introduced by COMMITTEE ON RULES -- (at request of M. of A. Paulin) --
read once and referred to the Committee on Governmental Operations

AN ACT to amend the executive law and the not-for-profit corporation
law, in relation to compensation of executives of certain not-for-pro-
fit corporations

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-
BLY, DO ENACT AS FOLLOWS:

1 Section 1. Section 63 of the executive law is amended by adding a new
2 subdivision 14 to read as follows:

3 14. PROSECUTE ALL ACTIONS IN CONNECTION WITH SECTION SEVEN HUNDRED
4 TWENTY-SEVEN AND SEVEN HUNDRED TWENTY-EIGHT OF THE NOT-FOR-PROFIT CORPO-
5 RATION LAW.

6 S 2. Subparagraph 12 of paragraph (a) of section 202 of the not-for-
7 profit corporation law is amended to read as follows:

8 (12) To elect or appoint officers, employees and other agents of the
9 corporation, define their duties, fix their reasonable compensation and
10 the reasonable compensation of directors, and to indemnify corporate
11 personnel. Such compensation shall be commensurate with services
12 performed, AND SUBJECT, WHERE APPLICABLE, TO SECTION SEVEN HUNDRED TWEN-
13 TY-SEVEN OF THIS CHAPTER.

14 S 3. Paragraph (a) of section 717 of the not-for-profit corporation
15 law, as amended by chapter 490 of the laws of 2010, is amended to read
16 as follows:

17 (a) Directors and officers shall discharge the duties of their respec-
18 tive positions in good faith and with the care an ordinarily prudent
19 person in a like position would exercise under similar circumstances.
20 The factors set forth in subparagraph one of paragraph (e) of section
21 552 (Standard of conduct in managing and investing an institutional
22 fund), if relevant, must be considered by a governing board delegating
23 investment management of institutional funds pursuant to section 514
24 (Delegation of investment management). For purposes of this paragraph,
25 the term institutional fund is defined in section 551 (Definitions).
26 FURTHERMORE, ANY COMPENSATION PROVIDED TO DIRECTORS, OFFICERS, EMPLOYEES

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets
[] is old law to be omitted.

LBD15308-02-2

1 AND OTHER AGENTS OF THE CORPORATION SHALL BE REASONABLE AND, WHERE
2 APPLICABLE, IS SUBJECT TO SECTION 727 (COMPENSATION OF EXECUTIVES).

3 S 4. Paragraph (a) of section 719 of the not-for-profit corporation
4 law is amended by adding a new subparagraph 6 to read as follows:

5 (6) THE PROVISION OF EXCESSIVE COMPENSATION TO DIRECTORS, OFFICERS,
6 EMPLOYEES AND OTHER AGENTS OF THE CORPORATION IN VIOLATION OF SECTION
7 727 (COMPENSATION OF EXECUTIVES), WHERE APPLICABLE.

8 S 5. Paragraph (d) of section 719 of the not-for-profit corporation
9 law is amended by adding a new subparagraph 6 to read as follows:

10 (6) UPON REIMBURSEMENT TO THE CORPORATION OF THE AMOUNT OF ANY EXCES-
11 SIVE COMPENSATION PROVIDED IN VIOLATION OF SECTION 727 (COMPENSATION OF
12 EXECUTIVES), TO BE SUBROGATED TO THE RIGHTS OF THE CORPORATION AGAINST A
13 DIRECTOR, OFFICER, EMPLOYEE OR OTHER AGENT WHO RECEIVED THE EXCESSIVE
14 COMPENSATION.

15 S 6. Clauses (A) and (B) of subparagraph 1 of paragraph (a) of section
16 720 of the not-for-profit corporation law are amended to read as
17 follows:

18 (A) The neglect of, [or] THE failure to perform, or ANY other
19 violation of his duties in the management and disposition of corporate
20 assets committed to his charge.

21 (B) The acquisition by himself, transfer to others, loss or waste of
22 corporate assets due to any neglect of, [or] THE failure to perform, or
23 ANY other violation of his duties, INCLUDING VIOLATIONS OF SECTION 727
24 (COMPENSATION OF EXECUTIVES), PURSUANT TO SECTION 717 (DUTY OF DIRECTORS
25 AND OFFICERS).

26 S 7. The not-for-profit corporation law is amended by adding a new
27 section 727 to read as follows:

28 S 727. COMPENSATION OF EXECUTIVES.

29 (A) DEFINITIONS. FOR THE PURPOSES OF THIS SECTION, UNLESS OTHERWISE
30 EXPRESSLY STATED OR CONTEXT CLEARLY REQUIRES:

31 (1) "COMPENSATION" MEANS THE AGGREGATE VALUE OF ECONOMIC BENEFITS
32 CONFERRED IN EXCHANGE FOR THE PERFORMANCE OF SERVICES THAT ARE INCLUDED
33 FOR PURPOSES OF DETERMINING REASONABLENESS UNDER SECTION 26 U.S.C. 4958,
34 AS FURTHER SPECIFIED IN 26 CFR S53.4958-4(B)(II)(B), OR SUCCEEDING
35 PROVISIONS.

36 (2) "EXECUTIVE" MEANS ANY PERSON WHO HAS ULTIMATE RESPONSIBILITY FOR
37 IMPLEMENTING THE DECISIONS OF THE GOVERNING BODY OR FOR SUPERVISING THE
38 MANAGEMENT, ADMINISTRATION, OR OPERATION OF THE ORGANIZATION, AS REFER-
39 ENCED IN 26 U.S.C. S4958(F)(1)(A) AND FURTHER SPECIFIED IN 26 CFR
40 S53.4958-3(C)(2), OR SUCCEEDING PROVISIONS.

41 (3) "FAMILY MEMBER" MEANS A SPOUSE, SIBLING (BY WHOLE OR HALF BLOOD),
42 SPOUSE OF A SIBLING (BY WHOLE OR HALF BLOOD), PARENT, GRANDPARENT,
43 CHILD, GRANDCHILD, GREAT-GRANDCHILD, AND SPOUSE OF A CHILD, GRANDCHILD,
44 AND GREAT-GRANDCHILD.

45 (B) COMPENSATION EXCHANGED BY A NOT-FOR-PROFIT CORPORATION FOR THE
46 PERFORMANCE OF SERVICES BY AN EXECUTIVE MUST BE REASONABLE CONSIDERING
47 FACTORS INCLUDING, BUT NOT LIMITED TO: COMPENSATION LEVELS PAID BY SIMI-
48 LARLY SITUATED ORGANIZATIONS, WHETHER OR NOT THEY QUALIFY AS A NOT-FOR-
49 PROFIT CORPORATION AS DEFINED IN SECTION 102 (DEFINITIONS); THE AVAIL-
50 ABILITY OF SIMILAR SERVICES IN THE GEOGRAPHIC AREA OF THE APPLICABLE
51 PROVIDER OF SERVICES; CURRENT COMPENSATION SURVEYS COMPILED BY INDEPEND-
52 ENT OUTSIDE CONSULTANTS OR ENTITIES; AND ACTUAL WRITTEN OFFERS FROM
53 SIMILAR INSTITUTIONS COMPETING FOR THE SERVICES OF THE APPLICABLE EXECU-
54 TIVE.

55 (1) FOR THE PURPOSES OF THIS SECTION, WHETHER AN ORGANIZATION IS SIMI-
56 LARLY SITUATED SHALL BE DETERMINED BASED ON FACTORS INCLUDING, BUT NOT

1 LIMITED TO: GROSS ANNUAL REVENUE; GEOGRAPHIC LOCATION; AND THE DIVERSI-
2 TY AND COMPLEXITY OF PROGRAMS.

3 (2)(A) IF A NOT-FOR-PROFIT CORPORATION RECEIVES OVER TWENTY-FIVE THOU-
4 SAND DOLLARS FROM THE STATE, THE NOT-FOR-PROFIT CORPORATION MUST ANNUAL-
5 LY SUBMIT A COMPLETED INTERNAL REVENUE SERVICE FORM 990, OR A COMPARABLE
6 FORM DEVELOPED PURSUANT TO SUBCLAUSE (I) OF CLAUSE (B) OF THIS SUBPARA-
7 GRAPH, TO THE STATE AND FILED WITH THE ATTORNEY GENERAL. SUCH COMPLETED
8 FORM OR INTERNAL REVENUE SERVICE FORM 990 SHALL BE PUBLICLY AVAILABLE
9 UPON REQUEST AND IF THE ORGANIZATION MAINTAINS A WEBSITE, IT SHALL BE
10 POSTED ON THE ORGANIZATION'S WEBSITE.

11 (B) THE COMMISSIONERS OF DEVELOPMENTAL DISABILITIES, MENTAL HEALTH,
12 ALCOHOLISM AND SUBSTANCE ABUSE SERVICES, CHILDREN AND FAMILY SERVICES,
13 HEALTH, CRIMINAL JUSTICE SERVICES AND THE DIRECTOR OF THE OFFICE FOR THE
14 AGING SHALL JOINTLY:

15 (I) DEVELOP A FORM FOR USE BY THOSE NOT-FOR-PROFIT CORPORATIONS WHO
16 ARE NOT REQUIRED BY FEDERAL LAW TO COMPLETE AN INTERNAL REVENUE SERVICE
17 FORM 990. SUCH FORM SHALL REQUIRE NO MORE INFORMATION THAN THAT WHICH
18 MUST BE SUBMITTED ON INTERNAL REVENUE SERVICE FORM 990;

19 (II) PROMULGATE REGULATIONS THAT ALLOW A NOT-FOR-PROFIT CORPORATION TO
20 SUBMIT ONE COMPLETED INTERNAL REVENUE SERVICE FORM 990, OR ONE COMPLETED
21 COMPARABLE FORM, THROUGH THE POSTAL SERVICE OR ELECTRONICALLY, FOR
22 DISTRIBUTION TO ALL AGENCIES THAT PROVIDE FUNDING TO THE NOT-FOR-PROFIT
23 CORPORATION; AND

24 (III) ESTABLISH UNIFORM PROCEDURES FOR REVIEWING SUBMITTED FORMS; AND,
25 UPON A DETERMINATION THAT EXECUTIVE COMPENSATION APPEARS TO BE EXCESSIVE
26 IN VIOLATION OF THE STANDARDS ESTABLISHED IN THIS SECTION, FOR REFERRING
27 SUCH CASES TO THE ATTORNEY GENERAL FOR FURTHER INQUIRY.

28 (C) ANNUAL COMPENSATION EXCHANGED BY A NOT-FOR-PROFIT CORPORATION FOR
29 THE PERFORMANCE OF SERVICES BY AN EXECUTIVE SHALL BE CONSIDERED REASON-
30 ABLE IF IT DOES NOT EXCEED LEVEL I OF THE FEDERAL GOVERNMENT'S RATES OF
31 BASIC PAY FOR THE EXECUTIVE SCHEDULE PROMULGATED BY THE UNITED STATES
32 OFFICE OF PERSONNEL MANAGEMENT.

33 (D) ANNUAL COMPENSATION EXCHANGED BY A NOT-FOR-PROFIT CORPORATION FOR
34 THE PERFORMANCE OF SERVICES BY AN EXECUTIVE THAT DOES EXCEED LEVEL I OF
35 THE FEDERAL GOVERNMENT'S RATES OF BASIC PAY FOR THE EXECUTIVE SCHEDULE
36 SHALL BE PRESUMED TO BE REASONABLE IF THE FOLLOWING FOUR CONDITIONS ARE
37 SATISFIED:

38 (1) THE COMPENSATION IS APPROVED IN ADVANCE BY THE GOVERNING BODY
39 (I.E., THE BOARD OF DIRECTORS, BOARD OF TRUSTEES, OR EQUIVALENT CONTROL-
40 LING BODY) OF THE NOT-FOR-PROFIT CORPORATION THAT IS COMPOSED ENTIRELY
41 OF INDIVIDUALS WHO DO NOT HAVE A CONFLICT OF INTEREST WITH RESPECT TO
42 THE COMPENSATION ARRANGEMENT.

43 (A) FOR THE PURPOSES OF DETERMINING WHETHER THE REQUIREMENTS OF THIS
44 PARAGRAPH HAVE BEEN MET WITH RESPECT TO A SPECIFIC COMPENSATION ARRANGE-
45 MENT, AN INDIVIDUAL IS NOT INCLUDED IN THE GOVERNING BODY WHEN IT IS
46 REVIEWING A TRANSACTION IF THAT INDIVIDUAL MEETS WITH OTHER MEMBERS ONLY
47 TO ANSWER QUESTIONS, AND OTHERWISE RECUSES HIMSELF OR HERSELF FROM THE
48 MEETING AND IS NOT PRESENT DURING DEBATE AND VOTING ON THE COMPENSATION
49 ARRANGEMENT.

50 (B) A MEMBER OF THE GOVERNING BODY DOES NOT HAVE A CONFLICT OF INTER-
51 EST WITH RESPECT TO A COMPENSATION ARRANGEMENT ONLY IF THE MEMBER:

52 (I) IS NOT AN EXECUTIVE PARTICIPATING IN, OR ECONOMICALLY BENEFITING
53 FROM, THE COMPENSATION ARRANGEMENT; AND IS NOT A FAMILY MEMBER OF SUCH
54 AN EXECUTIVE;

1 (II) IS NOT IN AN EMPLOYMENT RELATIONSHIP SUBJECT TO THE DIRECTION OR
2 CONTROL OF ANY EXECUTIVE, OR THE FAMILY MEMBER OF ANY EXECUTIVE, PARTIC-
3 IPATING IN OR ECONOMICALLY BENEFITING FROM THE COMPENSATION ARRANGEMENT;

4 (III) DOES NOT RECEIVE COMPENSATION OR OTHER PAYMENT SUBJECT TO
5 APPROVAL BY ANY EXECUTIVE, OR THE FAMILY MEMBER OF ANY EXECUTIVE,
6 PARTICIPATING IN OR ECONOMICALLY BENEFITING FROM THE COMPENSATION
7 ARRANGEMENT;

8 (IV) HAS NO MATERIAL FINANCIAL INTEREST AFFECTED BY THE COMPENSATION
9 ARRANGEMENT; AND

10 (V) DOES NOT APPROVE A TRANSACTION PROVIDING ECONOMIC BENEFITS TO ANY
11 EXECUTIVE, OR THE FAMILY MEMBER OF ANY EXECUTIVE, PARTICIPATING IN THE
12 COMPENSATION ARRANGEMENT, WHO IN TURN HAS APPROVED OR WILL APPROVE A
13 TRANSACTION PROVIDING ECONOMIC BENEFITS TO THE MEMBER.

14 (2) THE GOVERNING BODY OBTAINED AND RELIED UPON APPROPRIATE DATA AS TO
15 COMPARABILITY PRIOR TO MAKING ITS DETERMINATION.

16 (A) A GOVERNING BODY HAS APPROPRIATE DATA AS TO COMPARABILITY IF,
17 GIVEN THE KNOWLEDGE AND EXPERTISE OF ITS MEMBERS, IT HAS INFORMATION
18 SUFFICIENT TO DETERMINE WHETHER THE COMPENSATION ARRANGEMENT IN ITS
19 ENTIRETY IS REASONABLE. RELEVANT INFORMATION INCLUDES, BUT IS NOT LIMIT-
20 ED TO: COMPENSATION LEVELS PAID BY SIMILARLY SITUATED ORGANIZATIONS,
21 WHETHER OR NOT THEY QUALIFY AS A NOT-FOR-PROFIT CORPORATION AS DEFINED
22 IN SECTION ONE HUNDRED TWO OF THIS CHAPTER; THE AVAILABILITY OF SIMILAR
23 SERVICES IN THE GEOGRAPHIC AREA OF THE APPLICABLE PROVIDER OF SERVICES;
24 CURRENT COMPENSATION SURVEYS COMPILED BY INDEPENDENT FIRMS; AND ACTUAL
25 WRITTEN OFFERS FROM SIMILAR INSTITUTIONS COMPETING FOR THE SERVICES OF
26 THE APPLICABLE EXECUTIVE.

27 (B) HOWEVER, FOR SMALL ORGANIZATIONS WITH ANNUAL GROSS RECEIPTS
28 (INCLUDING CONTRIBUTIONS) OF LESS THAN ONE MILLION DOLLARS REVIEWING
29 COMPENSATION ARRANGEMENTS, THE GOVERNING BODY WILL BE CONSIDERED TO HAVE
30 APPROPRIATE DATA AS TO COMPARABILITY IF IT HAS DATA ON COMPENSATION PAID
31 BY THREE COMPARABLE PROVIDERS OF SERVICES IN THE SAME OR SIMILAR COMMU-
32 NITIES FOR SIMILAR SERVICES.

33 (I) FOR THE PURPOSES OF DETERMINING WHETHER THE ABOVE RULE FOR SMALL
34 ORGANIZATIONS APPLIES, AN ORGANIZATION MAY CALCULATE ITS ANNUAL GROSS
35 RECEIPTS BASED ON AN AVERAGE OF ITS GROSS RECEIPTS DURING THE THREE
36 PRIOR TAXABLE YEARS. IF ANY APPLICABLE NOT-FOR-PROFIT CORPORATION IS
37 CONTROLLED BY OR CONTROLS ANOTHER ENTITY, THE ANNUAL GROSS RECEIPTS OF
38 SUCH ORGANIZATIONS MUST BE AGGREGATED TO DETERMINE APPLICABILITY.

39 (II) FOR PURPOSES OF THIS PARAGRAPH, CONTROL BY AN APPLICABLE
40 NOT-FOR-PROFIT CORPORATION MEANS:

41 1. IN THE CASE OF A STOCK CORPORATION, OWNERSHIP (BY VOTE OR VALUE) OF
42 MORE THAN FIFTY PERCENT OF THE STOCK IN SUCH CORPORATION;

43 2. IN THE CASE OF A PARTNERSHIP, OWNERSHIP OF MORE THAN FIFTY PERCENT
44 OF THE PROFITS INTERESTS OR CAPITAL INTERESTS IN THE PARTNERSHIP;

45 3. IN THE CASE OF A NONSTOCK ORGANIZATION (I.E., AN ENTITY IN WHICH NO
46 PERSON HOLDS A PROPRIETARY INTEREST), THAT AT LEAST FIFTY PERCENT OF THE
47 DIRECTORS OR TRUSTEES OF THE NOT-FOR-PROFIT CORPORATION ARE EITHER
48 REPRESENTATIVES (INCLUDING TRUSTEES, DIRECTORS, AGENTS, OR EMPLOYEES)
49 OF, OR DIRECTLY OR INDIRECTLY CONTROLLED BY, AN APPLICABLE TAX-EXEMPT
50 ORGANIZATION; OR

51 4. IN THE CASE OF ANY OTHER ENTITY, OWNERSHIP OF MORE THAN FIFTY
52 PERCENT OF THE BENEFICIAL INTEREST IN THE ENTITY.

53 (3) THE GOVERNING BODY ADEQUATELY DOCUMENTED THE BASIS FOR ITS DETER-
54 MINATION CONCURRENTLY WITH MAKING THAT DETERMINATION.

55 (A) FOR A DECISION TO BE DOCUMENTED ADEQUATELY, THE WRITTEN OR ELEC-
56 TRONIC RECORDS OF THE GOVERNING BODY MUST NOTE:

1 (I) THE TERMS OF THE TRANSACTION THAT WAS APPROVED, AND THE DATE IT
2 WAS APPROVED;

3 (II) THE MEMBERS OF THE GOVERNING BODY WHO WERE PRESENT DURING DEBATE
4 ON THE TRANSACTION THAT WAS APPROVED, AND THOSE WHO VOTED ON IT;

5 (III) THE COMPARABILITY DATA OBTAINED AND RELIED UPON BY THE GOVERNING
6 BODY, AND HOW THE DATA WAS OBTAINED; AND

7 (IV) ANY ACTIONS TAKEN WITH RESPECT TO CONSIDERATION OF THE TRANS-
8 ACTION BY ANYONE WHO IS OTHERWISE A MEMBER OF THE GOVERNING BODY BUT WHO
9 HAD A CONFLICT OF INTEREST WITH RESPECT TO THE TRANSACTION.

10 (B) IF THE GOVERNING BODY DETERMINES THAT REASONABLE COMPENSATION FOR
11 A SPECIFIC ARRANGEMENT IS HIGHER OR LOWER THAN THE RANGE OF COMPARABILI-
12 TY DATA OBTAINED, THE GOVERNING BODY MUST RECORD THE BASIS FOR ITS
13 DETERMINATION. FOR A DECISION TO BE DOCUMENTED CONCURRENTLY, RECORDS
14 MUST BE PREPARED BEFORE THE LATER OF THE NEXT MEETING OF THE GOVERNING
15 BODY OR SIXTY DAYS AFTER THE FINAL ACTION OR ACTIONS OF THE GOVERNING
16 BODY ARE TAKEN. RECORDS MUST BE REVIEWED AND APPROVED BY THE GOVERNING
17 BODY AS REASONABLE, ACCURATE AND COMPLETE WITHIN A REASONABLE TIME PERI-
18 OD THEREAFTER.

19 (4) THE COMPENSATION PROVIDED TO THE EXECUTIVE BY THE GOVERNING BODY
20 DOES NOT EXCEED THE HIGHEST COMPENSATION PROVIDED BY A SIMILARLY SITU-
21 ATED ORGANIZATION FOR SIMILAR SERVICES, AS IDENTIFIED IN THE COMPARABIL-
22 ITY DATA, BY MORE THAN TEN PERCENT.

23 (E) IF THE FOUR CONDITIONS OF PARAGRAPH (D) OF THIS SECTION ARE SATIS-
24 FIED, THEN THE PERSON OR ENTITY BRINGING AN ACTION FOR RELIEF PURSUANT
25 TO SECTION SEVEN HUNDRED TWENTY OF THIS ARTICLE MAY REBUT THE PRESUMP-
26 TION THAT ARISES UNDER PARAGRAPH (D) OF THIS SECTION ONLY IF IT DEVELOPS
27 SUFFICIENT CONTRARY EVIDENCE TO REBUT THE PROBATIVE VALUE OF THE COMPAR-
28 ABILITY DATA RELIED UPON BY THE GOVERNING BODY. WITH RESPECT TO ANY
29 FIXED PAYMENT, REBUTTAL EVIDENCE IS LIMITED TO EVIDENCE RELATING TO
30 FACTS AND CIRCUMSTANCES EXISTING ON THE DATE THE PARTIES ENTER INTO THE
31 CONTRACT PURSUANT TO WHICH THE PAYMENT IS MADE (EXCEPT IN THE EVENT OF
32 SUBSTANTIAL NONPERFORMANCE). WITH RESPECT TO ALL OTHER PAYMENTS,
33 REBUTTAL EVIDENCE MAY INCLUDE FACTS AND CIRCUMSTANCES UP TO AND INCLUD-
34 ING THE DATE OF PAYMENT.

35 (F) A NOT-FOR-PROFIT IS PROHIBITED FROM: (1) ENGAGING IN ANY ACT THAT
36 THE INTERNAL REVENUE SERVICE DETERMINES CONSTITUTES AN "EXCESS BENEFIT
37 TRANSACTION" UNDER SECTION 4958 OF THE INTERNAL REVENUE CODE; OR (2)
38 ENGAGING IN ANY ACT THAT WOULD CONSTITUTE AN "EXCESS BENEFIT TRANS-
39 ACTION" UNDER THE STANDARDS OF SECTION 4958 OF THE INTERNAL REVENUE
40 CODE.

41 S 8. The not-for-profit corporation law is amended by adding a new
42 section 728 to read as follows:

43 S 728. WRITTEN POLICY REQUIRED.

44 (A) THE GOVERNING BODY OF A NOT-FOR-PROFIT CORPORATION SHALL HAVE A
45 WRITTEN POLICY ON:

46 (1) EMPLOYEES SERVING ON SUCH GOVERNING BODY, THEIR VOTING RIGHTS,
47 RECUSAL FROM DECISIONS OF THE GOVERNING BODY, AND THE PERCENTAGE OF THE
48 MEMBERSHIP OF THE GOVERNING BODY THAT MUST BE INDEPENDENT OF THE ORGAN-
49 IZATION;

50 (2) HIRING OF FAMILY MEMBERS OF EMPLOYEES AND GOVERNING BODY MEMBERS;
51 AND

52 (3) CONFLICT OF INTEREST COVERING BUSINESS INTERESTS.

53 (B) EMPLOYEES OF A NOT-FOR-PROFIT CORPORATION ARE PROHIBITED FROM:

54 (I) SERVING AS THE CHAIR OF SUCH ORGANIZATION'S GOVERNING BODY; AND

55 (II) SERVING AS A VOTING MEMBER OF SUCH ORGANIZATION'S GOVERNING BODY.

1 (C) NO PERSON WHO IS RELATED TO ANY EXECUTIVE AS DEFINED IN SUBPARA-
2 GRAPH TWO OF SUBPARAGRAPH (A) OF SECTION 727 (COMPENSATION OF EXECU-
3 TIVES) OR ANY MEMBER OF A GOVERNING BODY BY BLOOD OR MARRIAGE SHALL BE
4 EMPLOYED BY SUCH ORGANIZATION, EXCEPT WITH THE APPROVAL OF TWO-THIRDS OF
5 THE MEMBERS OF THE GOVERNING BODY.

6 (D) ALL WRITTEN POLICIES REQUIRED IN PARAGRAPH (A) OF THIS SECTION
7 SHALL BE AVAILABLE FOR REVIEW BY THE ATTORNEY GENERAL UPON REQUEST.

8 S 9. This act shall take effect on the one hundred eightieth day after
9 it shall have become a law; provided, however, that the commissioners of
10 the offices for people with developmental disabilities, mental health,
11 alcoholism and substance abuse services, children and family services,
12 health, criminal justice services and the director of the office for the
13 aging shall immediately take the necessary actions to ensure that forms
14 and regulations required by section seven of this act are in place on
15 such effective date; and provided, further, whereas the authority to
16 promulgate regulations and make rules is derived from an express or
17 implicit statutory grant provided by the legislature, all agencies,
18 divisions and departments of the state are hereby prohibited from
19 promulgating regulations and making rules pursuant to section 8.38 of
20 title 9 of the official compilation of the New York Codes, Rules and
21 Regulations, or that otherwise address the extent and nature of a
22 provider's administrative costs and executive compensation, except as
23 required and necessary to implement the provisions of section six of
24 this act.