



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 129 (as passed by the Senate)
Sponsor: Senator Wayne A. Schmidt
Senate Committee: Economic and Small Business Development
House Committee: Local Government and Municipal Finance

(enacted version)

Date Completed: 11-23-21

RATIONALE

Public Act 230 of 1897 governs the formation of corporations for the purpose of forming summer resorts and recreational facilities. The Act was enacted over 120 years ago and the monetary limits and spending rules have not been updated since its enactment. Some people believe these monetary limits and spending rules are outdated. Accordingly, it has been suggested that the Act be updated to reflect the change in inflation.

CONTENT

The bill would amend Public Act 230 of 1897, which governs the formation of corporations for the purpose of forming summer resorts or recreational facilities associations, to do the following:

- **Increase, from \$200,000 to \$6.0 million, adjusted for inflation using the Consumer Price Index (CPI), the limit on personal property of which a corporation organized under the Act could own, hold, or purchase.**
- **Allow a stockholder to nominate an immediate family member to exercise the stockholder's right to become a director for a corporation's board of directors.**
- **Increase, from \$1,000 to \$30,000, adjusted for inflation, the limit on expenditures or liabilities that a corporation's board of directors could incur on behalf of the corporation.**
- **Increase, from \$25 per share to \$750 per share adjusted for inflation, the amount that stockholders could authorize a board of directors to provide for special dues.**

Under the Act, the articles of association to form a corporation for the purpose of forming a summer resort or park association must be filed with the Department of Licensing and Regulatory Affairs (formerly the Department of Commerce). Subscribers to the articles of associations, stockholders of the corporation, and their successors are a body politic and corporate, by the name specified in the articles of association.

The Act allows the majority of the stockholders to direct the owning, holding, or purchasing and disposing of any real or personal property or estate. Real property may not exceed 700 acres of land and personal property may not exceed a value of \$200,000. Under the bill, personal property could not exceed \$6.0 million, adjusted for inflation using the CPI. "Consumer Price Index" would mean the most comprehensive index of consumer prices available for the State from the Bureau of Labor Statistics of the United States Department of Labor.

Under the Act, the board of directors of the corporation must consist of at least three and not more than nine members as determined by the articles of association. The boards of directors must be stockholders. Under the bill, a stockholder could nominate an immediate family member to exercise

the stockholder's right to become a director. The nomination would have to be in writing. "Immediate family member" would mean a stockholder's spouse, child, stepchild, or child's spouse. The Act prohibits the board of directors from authorizing in any one year any expenditure or incurring any liability on behalf of the corporation that exceeds \$1,000 unless authorized by a majority of all the shares of stock by the corporation in a meeting; however, in Emmet County, the board of directors could authorize an expenditure or incur a liability of up to \$5,000 in any one year. Instead, under the bill, the corporation's board of directors could not authorize an expenditure or incur a liability on behalf of the corporation that exceeded \$30,000 annually, adjusted for inflation using the CPI, unless authorized by the majority of all the shares of stock by the corporation in a meeting duly assembled.

Under the Act, stockholders may authorize the board of directors to provide for special dues, in addition to the annual dues authorized by the Act, not exceeding \$25 per share in any one year. The bill would increase the amount of special dues authorized, from \$25 to \$750 per share, in any one year, adjusted for inflation using the CPI.

MCL 455.3 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Since Public Act 230 was enacted in 1897 inflation has changed the value of currency. According to testimony before the Senate Committee on Economic and Small Business Development, \$1 in 1897 is worth approximately \$30 today. This inflation has rendered the monetary values prescribed in the Act outdated, which has hindered some associations in certain situations. For example, in August 2018, the board of directors of the Oceana Beach Association had to authorize a debris cleanup of \$30,000 after severe storms knocked down trees and powerlines on the Association's property and trapped Association members on the property. The board of directors exceeded the \$1,000 expenditure limit that the Act allows it to incur on behalf of the Association. The board apparently has faced lawsuits for violations in similar circumstances. Updating the monetary values in the Act to reflect inflation and establishing a statutory adjustment for inflation would allow associations to improve facilities and act in accordance with the law.

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Raczkowski

SAS\S2122\s129a

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.