

SUMMER RESORT AND PARK ASSOCIATIONS

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Senate Bill 129 as reported from House committee

Sponsor: Sen. Wayne Schmidt

House Committee: Local Government and Municipal Finance

Senate Committee: Economic and Small Business Development

Complete to 2-22-22

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 129 would amend 1897 PA 230, which provides for the incorporation of summer resort or park associations, to make the following changes:

- Currently, an association incorporated under the act cannot hold more than 700 acres of land and its personal property cannot exceed \$200,000. The bill would increase the **personal property cap** to \$6.0 million.
- The **board of directors** of the association consists of between three and nine members who must be stockholders of the corporation. The bill would allow a stockholder to nominate a spouse, child, stepchild, or child's spouse to exercise the stockholder's right to become a director.
- The board of directors is now prohibited from authorizing an expenditure or incurring a liability on behalf of the association that is more than \$1,000 annually (or \$5,000 annually in Emmet County) without the approval of a majority of the shares of the corporation's stock. The bill would increase the **annual limit on expenditures** that can be made at the discretion of the board to \$30,000.
- The stockholders of the corporation can currently authorize the board of directors to provide for **special dues** (in addition to annual dues) of up to \$25 annually per share. The bill would increase this limit to \$750 annually per share.

Finally, the bill would provide that the dollar amounts described above (the personal property cap, the annual limit on expenditures of the board, and the special dues limit) must be **adjusted for inflation** using the most comprehensive index of consumer prices available for Michigan. Presumably this would mean the Detroit Consumer Price Index (known as the D-CPI, or the CPI-U to encompass the Detroit–Warren–Dearborn urban area).¹

MCL 455.3 et seq.

BACKGROUND:

Senate Bill 129 is identical to Senate Bill 1054 of the 2019-20 legislative session as that bill was passed by the Senate.

¹ https://www.bls.gov/regions/midwest/news-release/consumerpriceindex_detroit.htm

BRIEF DISCUSSION:

The dollar limits that apply to associations incorporated under the act have not been changed since the act became law in 1897. The bill would adjust these limits by a factor of 30 to account for the change in the value of a dollar since then² and would also provide for them to be adjusted for inflation going forward. According to committee testimony, the 1897 limits present a challenge to the functioning of these associations, and associations have been sued for noncompliance with them. The limits can especially hamper an ability to respond to unforeseen events. For example, in 2018 the board of the Oceana Beach Association in Pentwater authorized about \$30,000 in expenses to clear roads and remove debris after a storm brought down trees and power lines and trapped some members there without power for several days. This expenditure exceeded the current \$1,000 annual limit on discretionary spending by the board (though it was later approved by members), and it is hard to see how the necessary cleanup could have been accomplished within that limit. The bill would revise dollar amounts throughout the act to account for the 125 years that have passed since they were established.

FISCAL IMPACT:

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

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

² The CPI calculator at the Bureau of Labor Statistics website (https://www.bls.gov/data/inflation_calculator.htm) indicates that a 1913 dollar has the same buying power as \$28.69 today. 1913 is the earliest year available for this calculation on the BLS website. Several similar online calculators indicate that an 1897 dollar would be equivalent to about \$30 today.