

HOUSE BILL 1269

N1, C1

6lr3437
CF SB 615

By: **Delegate Bhandari**

Introduced and read first time: February 12, 2026

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Common Ownership Communities – Reserve Accounts and Reserve Studies –**
3 **Alterations**

4 FOR the purpose of requiring the governing body of certain cooperative housing
5 corporations, condominiums, or homeowners associations to adopt an annual budget
6 that includes certain calculations for the cost to repair or replace certain capital
7 components, and to deposit funds to a reserve account in accordance with the annual
8 budget; providing that a certain portion of the members, unit owners, or lot owners
9 of a common ownership community, rather than a certain portion of the governing
10 body, may determine that the community and its members are facing a financial
11 hardship and that a determination of financial hardship may be extended; requiring
12 the governing body of certain cooperative housing corporations, condominiums, and
13 homeowners associations to add funds to a reserve account after deviating from a
14 reserve funding requirement concerning a capital component; and generally relating
15 to reserve accounts and reserve studies of common ownership communities.

16 BY repealing and reenacting, with amendments,
17 Article – Corporations and Associations
18 Section 5–6B–26.1
19 Annotated Code of Maryland
20 (2025 Replacement Volume)

21 BY repealing and reenacting, with amendments,
22 Article – Real Property
23 Section 11–109.2, 11–109.4, 11B–112.2, and 11B–112.3
24 Annotated Code of Maryland
25 (2023 Replacement Volume and 2025 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
27 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Corporations and Associations

5-6B-26.1.

(a) (1) In this section the following words have the meanings indicated.

(2) “Reserve study” means a study of the reserves required for future major repairs and replacement of the common elements of a cooperative housing corporation that:

(i) Using an itemized list, clearly identifies each structural, mechanical, electrical, and plumbing component of the common elements and any other components that:

1. Are the responsibility of the cooperative housing corporation to repair and replace; and

2. If applicable, meet a minimum cost of repair or replacement, as determined by the governing body, that is:

A. Reasonably based on the expenses of the cooperative housing corporation; and

B. Not a minor expense that is otherwise addressed by the budget of the cooperative housing corporation;

(ii) States the normal useful life and the estimated remaining useful life of each identified component;

(iii) States the estimated cost of repair or replacement of each identified component;

(iv) States the estimated annual reserve amount necessary to **BE ADDED TO THE RESERVE ACCOUNT TO** accomplish any identified future repair or replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT REACHES THE END OF THE COMPONENT’S USEFUL LIFE**; and

(v) States the quantity or size of each identified component using the appropriate measurement, such as unit amount, square footage, or cubic feet.

(3) “Updated reserve study” means, for the common elements since the prior reserve study was completed within the previous 5 years, a study that:

(i) Revises replacement cost, remaining life, and useful life estimates;

(ii) Analyzes work performed and amounts spent; and

1 (iii) Identifies whether any maintenance contracts are in place.

2 (b) (1) This subsection applies only to a cooperative housing corporation
3 established in:

4 (i) Prince George's County on or after October 1, 2020;

5 (ii) Montgomery County on or after October 1, 2021; or

6 (iii) Any county other than Prince George's County or Montgomery
7 County on or after October 1, 2022.

8 (2) The governing body of the cooperative housing corporation shall have
9 an independent reserve study completed not less than 30 calendar days before the first
10 meeting of the cooperative housing corporation at which the members other than the owner
11 have a majority of votes in the cooperative housing corporation.

12 (3) The governing body shall have an updated reserve study completed
13 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
14 this subsection, which shall be updated at least every 5 years thereafter.

15 (c) (1) (i) This paragraph applies only to a cooperative housing corporation
16 established in Prince George's County before October 1, 2020.

17 (ii) If the governing body of a cooperative housing corporation has
18 had a reserve study conducted on or after October 1, 2016, the governing body shall have
19 an updated reserve study conducted within 5 years after the date of that reserve study and
20 at least every 5 years thereafter.

21 (iii) If the governing body of a cooperative housing corporation has
22 not had a reserve study conducted on or after October 1, 2016, the governing body shall
23 have a reserve study conducted on or before October 1, 2021, and an updated reserve study
24 at least every 5 years thereafter.

25 (2) (i) This paragraph applies only to a cooperative housing corporation
26 established in Montgomery County before October 1, 2021.

27 (ii) If the governing body of a cooperative housing corporation has
28 had a reserve study conducted on or after October 1, 2017, the governing body shall have
29 an updated reserve study conducted within 5 years after the date of that reserve study and
30 at least every 5 years thereafter.

31 (iii) If the governing body of a cooperative housing corporation has
32 not had a reserve study conducted on or after October 1, 2017, the governing body shall
33 have a reserve study conducted on or before October 1, 2022, and an updated reserve study
34 at least every 5 years thereafter.

1 (3) (i) This paragraph applies to a cooperative housing corporation
2 established in any county other than Prince George's County or Montgomery County before
3 October 1, 2022.

4 (ii) If the governing body of a cooperative housing corporation has
5 had a reserve study conducted on or after October 1, 2018, the governing body shall have
6 an updated reserve study conducted within 5 years after the date of that reserve study and
7 at least every 5 years thereafter.

8 (iii) If the governing body of a cooperative housing corporation has
9 not had a reserve study conducted on or after October 1, 2018, the governing body shall
10 have a reserve study conducted on or before October 1, 2023, and an updated reserve study
11 at least every 5 years thereafter.

12 (d) Each reserve study and updated reserve study required under this section
13 shall:

14 (1) Be prepared by a person who:

15 (i) Has prepared at least 30 reserve studies within the prior 3
16 calendar years;

17 (ii) Has participated in the preparation of at least 30 reserve studies
18 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

19 (iii) Holds a current license from the State Board of Architects or the
20 State Board for Professional Engineers; or

21 (iv) Is currently designated as a reserve specialist by the Community
22 Association Institute or as a professional reserve analyst by the Association of Professional
23 Reserve Analysts;

24 (2) Be available for inspection and copying by any unit owner;

25 (3) Be reviewed by the governing body of the cooperative housing
26 corporation in connection with the preparation of the annual proposed budget; and

27 (4) Be summarized for submission with the annual proposed budget to the
28 unit owners.

29 (e) To the extent that a reserve study conducted in accordance with this section
30 indicates a need to budget for reserves, the **GOVERNING BODY OF A COOPERATIVE**
31 **HOUSING CORPORATION SHALL ADOPT AN ANNUAL** budget [shall include] **THAT**
32 **INCLUDES:**

33 (1) For the capital components **IDENTIFIED IN THE RESERVE STUDY**, the
34 current estimated:

1 (i) Replacement cost **CALCULATED IN THE RESERVE STUDY; AND**

2 (ii) Remaining [life; and

3 (iii) Useful] **USEFUL** life **CALCULATED IN THE RESERVE STUDY;**

4 (2) The amount of [accumulated]:

5 (I) **ACCUMULATED** cash reserves set aside for the repair[,] **OR**
6 replacement[, or restoration] of capital components **IDENTIFIED IN THE RESERVE STUDY**
7 as of the beginning of the fiscal year in which the reserve study is conducted; and [the
8 amount of the]

9 (II) **THE** expected contribution to the reserve fund for the fiscal year
10 **CALCULATED IN THE RESERVE STUDY;**

11 (3) A statement describing the procedures used for estimation and
12 accumulation of cash reserves in accordance with this section; and

13 (4) A statement of the amount of reserves recommended in the **RESERVE**
14 study and the amount of current cash for replacement reserves.

15 (f) (1) [(i) 1.] Subject to paragraph (2) of this subsection [and
16 subparagraph (ii) of this paragraph], the governing body of a cooperative housing
17 corporation shall deposit funds to the reserve account in accordance with the [most recent
18 reserve study or updated reserve study and the funding plan required under subsection (g)
19 of this section on or before the last day of each fiscal year and shall review the reserves and
20 the most recent reserve study or updated reserve study annually to determine whether
21 there is adequate funding in accordance with the funding plan required under subsection
22 (g) of this section.

23 2. The annual review under subparagraph 1 of this
24 subparagraph does not require a reserve study or updated reserve study in addition to the
25 reserve study requirements under subsections (b) and (c) of this section.

26 (ii) Subject to paragraph (2) of this subsection, if the most recent
27 reserve study was an initial reserve study, the governing body shall, within 5 fiscal years
28 following the fiscal year in which the initial reserve study was completed, attain the annual
29 reserve funding level recommended in the initial reserve study in accordance with the
30 funding plan under subsection (g) of this section] **ANNUAL BUDGET ADOPTED BY THE**
31 **COOPERATIVE HOUSING CORPORATION UNDER SUBSECTION (E) OF THIS SECTION.**

32 (2) (i) The [governing body] **MEMBERS** of a cooperative housing
33 corporation may determine by a two-thirds majority vote that the cooperative housing

1 corporation and the members are experiencing a financial hardship that limits the ability
2 to fund reserves that are required under paragraph [(1)(i) or (ii)] **(1)** of this subsection.

3 (ii) Subject to [subparagraphs (iii) through (v)] **SUBPARAGRAPH**
4 **(III)** of this paragraph, if [a governing body makes] **THE MEMBERS OF A COOPERATIVE**
5 **HOUSING CORPORATION MAKE** a financial hardship determination [based on the reserve
6 funding requirements of paragraph (1)(i) or (ii) of this subsection:

7 1. The] **IN ACCORDANCE WITH SUBPARAGRAPH (I) OF**
8 **THIS PARAGRAPH, THE** cooperative housing corporation may reasonably deviate from that
9 reserve funding requirement[; and

10 2. The funding level under that requirement shall be at least
11 the funding amount necessary for the purposes specified under subsection (g)(3) of this
12 section].

13 (iii) 1. Except as provided in subsubparagraph 2 of this
14 subparagraph, a cooperative housing corporation may not deviate from the reserve funding
15 requirements of paragraph [(1)(i) or (ii)] **(1)** of this subsection for a period of more than 1
16 fiscal year following the financial hardship determination.

17 2. The [governing body] **MEMBERS OF A COOPERATIVE**
18 **HOUSING CORPORATION** may renew a financial hardship determination under
19 subparagraph (i) of this paragraph by a two-thirds majority vote to extend the period that
20 a cooperative housing corporation may deviate from the reserve funding requirement by 1
21 fiscal year following the renewal.

22 (iv) **IF A COOPERATIVE HOUSING CORPORATION DEVIATES**
23 **FROM A RESERVE FUNDING REQUIREMENT WITH RESPECT TO A CAPITAL**
24 **COMPONENT IDENTIFIED IN A RESERVE STUDY, THE NEW ESTIMATED ANNUAL**
25 **AMOUNT THE COOPERATIVE HOUSING CORPORATION IS REQUIRED TO ADD TO THE**
26 **RESERVE ACCOUNT IN ACCORDANCE WITH THE RESERVE STUDY SHALL BE**
27 **RECALCULATED SO THAT THE RESERVE ACCOUNT WILL HAVE SUFFICIENT MONEY**
28 **TO REPAIR OR REPLACE AN IDENTIFIED COMPONENT WHEN THE COMPONENT**
29 **REACHES THE END OF ITS USEFUL LIFE.**

30 (v) The governing body shall:

31 1. Make good faith efforts to resolve the financial hardship
32 and resume funding reserves as required under paragraph [(1)(i) or (ii)] **(1)** of this
33 subsection;

34 2. Maintain detailed documentation of the good faith efforts
35 made under item 1 of this subparagraph; and

1 3. Treat the documents under item 2 of this subparagraph as
2 records for examination and copying under § 5–6B–26 of this subtitle.

3 [(v)] (VI) 1. All members shall be given reasonable notice in
4 advance of a vote on an initial or a renewal of a financial hardship determination under
5 this paragraph.

6 2. A vote on an initial or a renewal of a financial hardship
7 determination under this paragraph may be taken only at a regular or special meeting of
8 the cooperative housing corporation.

9 [(3) The governing body of a cooperative housing corporation has the
10 authority to increase an assessment levied to cover the reserve funding amount required
11 under this section, notwithstanding any provision of the articles of incorporation, bylaws,
12 or proprietary lease restricting assessment increases or capping the assessment that may
13 be levied in a fiscal year.

14 (g) (1) The governing body of a cooperative housing corporation shall, in
15 consultation with a person identified under subsection (d)(1) of this section, develop a
16 funding plan to determine how to fund the reserves necessary under this section.

17 (2) In developing the funding plan under this subsection, the governing
18 body shall select one of the following methods to achieve the reserve funding under this
19 section:

20 (i) The component method;

21 (ii) The cash flow method;

22 (iii) The baseline funding method;

23 (iv) The threshold cash flow method; or

24 (v) Any other funding method consistent with generally accepted
25 accounting principles.

26 (3) A funding plan developed under this subsection shall prioritize
27 adequate amounts for repair and replacement of common elements of the cooperative
28 housing corporation that are necessary for:

29 (i) The health, safety, and well-being of the occupants;

30 (ii) Ensuring structural integrity, such as roofing replacements and
31 maintaining structural systems;

32 (iii) Essential functioning, such as plumbing, sewer, heating, cooling,
33 and electrical infrastructure; and

1 (iv) Any other essential or critical purpose, as determined by the
2 governing body.

3 (4) Reserves may be used for purposes other than those specified in the
4 funding plan if the funds are repaid to the reserve fund within 5 years after their use.

5 (5) A governing body shall review progress toward compliance with the
6 funding plan developed under this subsection at each annual meeting of the governing
7 body.]

8 Article – Real Property

9 11–109.2.

10 (a) The council of unit owners shall cause to be prepared and submitted to the
11 unit owners an annual proposed budget at least 30 days before its adoption.

12 (b) The annual budget shall provide for at least the following items:

13 (1) Income;

14 (2) Administration;

15 (3) Maintenance;

16 (4) Utilities;

17 (5) General expenses;

18 (6) Reserves; and

19 (7) Capital items.

20 (c) (1) [Subject to paragraphs (2) and (3) of this subsection and] **THE**
21 **COUNCIL OF UNIT OWNERS OF THE CONDOMINIUM ASSOCIATION SHALL DEPOSIT**
22 **FUNDS TO THE RESERVE ACCOUNT** in accordance with the funding plan under §
23 11–109.4(f) of this title[, the reserves provided for in the annual budget under subsection
24 (b) of this section for a residential condominium shall:

25 (i) Be the funding amount recommended in the most recent reserve
26 study or updated reserve study completed under § 11–109.4 of this title; and

27 (ii) Be deposited in the reserve account on or before the last day of
28 each fiscal year.

1 (2) Subject to paragraph (3) of this subsection, if the most recent reserve
2 study was an initial reserve study, the governing body shall, within 5 fiscal years following
3 the fiscal year in which the initial reserve study was completed, attain the annual reserve
4 funding level recommended in the initial reserve study in accordance with the funding plan
5 under § 11–109.4(f) of this title].

6 **[(3) (2) (i) The [governing body of a residential condominium]
7 COUNCIL OF UNIT OWNERS may determine by a two-thirds majority vote that the
8 condominium and the unit owners are experiencing a financial hardship that limits the
9 ability to fund reserves that are required under paragraph (1) [or (2)] of this subsection.**

10 (ii) Subject to [subparagraphs (iii) through (v)] **SUBPARAGRAPH
11 (III)** of this paragraph, if a governing body makes a financial hardship determination
12 [based on the reserve funding requirements of paragraph (1) or (2) of this subsection:

13 1. The] **IN ACCORDANCE WITH SUBPARAGRAPH (I) OF
14 THIS PARAGRAPH, THE** condominium may reasonably deviate from that reserve funding
15 requirement[; and

16 2. The funding level under that requirement shall be at least
17 the funding amount necessary for the purposes specified under § 11–109.4(f)(3) of this title].

18 (iii) 1. Except as provided in subsubparagraph 2 of this
19 subparagraph, a residential condominium may not deviate from the reserve funding
20 [requirements] **REQUIREMENT** of paragraph (1) [or (2)] of this subsection for a period of
21 more than 1 fiscal year following the financial hardship determination.

22 2. The [governing body] **UNIT OWNERS** may renew a
23 financial hardship determination under subparagraph (i) of this paragraph by a two-thirds
24 majority vote to extend the period that a residential condominium may deviate from the
25 reserve funding requirement by 1 fiscal year following the renewal.

26 (iv) **IF A CONDOMINIUM DEVIATES FROM A RESERVE FUNDING
27 REQUIREMENT WITH RESPECT TO A CAPITAL COMPONENT IDENTIFIED IN A
28 RESERVE STUDY, THE NEW ESTIMATED ANNUAL AMOUNT THE CONDOMINIUM IS
29 REQUIRED TO ADD TO THE RESERVE ACCOUNT IN ACCORDANCE WITH THE RESERVE
30 STUDY SHALL BE RECALCULATED SO THAT THE RESERVE ACCOUNT WILL HAVE
31 SUFFICIENT MONEY TO REPAIR OR REPLACE AN IDENTIFIED COMPONENT WHEN THE
32 COMPONENT REACHES THE END OF ITS USEFUL LIFE.**

33 **(v) The governing body shall:**

34 1. Make good faith efforts to resolve the financial hardship
35 and resume funding reserves as required under paragraph (1) [or (2)] of this subsection;

1 2. Maintain detailed documentation of the good faith efforts
2 made under item 1 of this subparagraph; and

3 3. Treat the documents under item 2 of this subparagraph as
4 records available for examination and copying under § 11–116 of this title.

5 [(v)] (VI) 1. All unit owners shall be given reasonable notice in
6 advance of a vote on an initial or a renewal of a financial hardship determination under
7 this paragraph.

8 2. A vote on an initial or a renewal of a financial hardship
9 determination under this paragraph may be taken only at a regular or special meeting of
10 the condominium.

11 [(4)] (3) (i) The governing body of a residential condominium shall
12 annually review the reserves and the most recent reserve study or updated reserve study
13 to determine whether there is adequate funding in accordance with the funding plan
14 required under § 11–109.4(f) of this title.

15 (ii) The annual review under this paragraph does not require a
16 reserve study or updated reserve study in addition to the reserve study requirements under
17 § 11–109.4 of this title.

18 (d) (1) The budget shall be adopted at an open meeting of the council of unit
19 owners or any other body to which the council of unit owners delegates responsibilities for
20 preparing and adopting the budget.

21 (2) (i) The council of unit owners or other governing body of unit owners
22 shall submit the adopted annual budget to the unit owners not more than 30 days after the
23 meeting at which the budget was adopted.

24 (ii) The adopted annual budget may be submitted to each unit owner
25 by electronic transmission, by posting on the condominium association's home page, or by
26 inclusion in the homeowners association's newsletter.

27 (e) Any expenditure made other than those made because of conditions which, if
28 not corrected, could reasonably result in a threat to the health or safety of the unit owners
29 or a significant risk of damage to the condominium, that would result in an increase in an
30 amount of assessments for the current fiscal year of the condominium in excess of 15
31 percent of the budgeted amount previously adopted, shall be approved by an amendment
32 to the budget adopted at a special meeting, upon not less than 10 days written notice to the
33 council of unit owners.

34 (f) The adoption of a budget shall not impair the authority of the council of unit
35 owners to obligate the council of unit owners for expenditures for any purpose consistent
36 with any provision of this title.

1 (g) The provisions of this section do not apply to a condominium that is occupied
2 and used solely for nonresidential purposes.

3 11-109.4.

4 (a) (1) In this section the following words have the meanings indicated.

5 (2) "Reserve study" means a study of the reserves required for future major
6 repairs and replacement of the common elements of a condominium that:

7 (i) Using an itemized list, identifies each structural, mechanical,
8 electrical, and plumbing component of the common elements and any other components
9 that:

10 1. Are the responsibility of the council of unit owners to
11 repair and replace; and

12 2. If applicable, meet a minimum cost of repair or
13 replacement, as determined by the governing body, that is:

14 A. Reasonably based on the expenses of the condominium;
15 and

16 B. Not a minor expense that is otherwise addressed by the
17 budget of the condominium;

18 (ii) States the normal useful life and the estimated remaining useful
19 life of each identified component;

20 (iii) States the estimated cost of repair or replacement of each
21 identified component;

22 (iv) States the estimated annual reserve amount necessary to **BE**
23 **ADDED TO THE RESERVE ACCOUNT TO** accomplish any identified future repair or
24 replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT REACHES THE**
25 **END OF THE COMPONENT'S USEFUL LIFE**; and

26 (v) States the quantity or size of each identified component using the
27 appropriate measurement, such as unit amount, square footage, or cubic feet.

28 (3) "Updated reserve study" means, for the common elements since the
29 prior reserve study was completed within the previous 5 years, a study that:

30 (i) Revises replacement cost, remaining life, and useful life
31 estimates;

32 (ii) Analyzes work performed and amounts spent; and

1 (iii) Identifies whether any maintenance contracts are in place.

2 (b) This section applies only to a residential condominium.

3 (c) (1) This subsection applies only to a condominium established in:

4 (i) Prince George's County on or after October 1, 2020;

5 (ii) Montgomery County on or after October 1, 2021; or

6 (iii) Any county other than Prince George's County or Montgomery
7 County on or after October 1, 2022.

8 (2) The governing body of the condominium shall have an independent
9 reserve study completed not less than 30 calendar days before the meeting of the council of
10 unit owners required under § 11-109(c)(16) of this title.

11 (3) The governing body shall have an updated reserve study completed
12 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
13 this subsection and at least every 5 years thereafter.

14 (d) (1) (i) This paragraph applies only to a condominium established in
15 Prince George's County before October 1, 2020.

16 (ii) If the governing body of a condominium has had a reserve study
17 conducted on or after October 1, 2016, the governing body shall have an updated reserve
18 study conducted within 5 years after the date of that reserve study and at least every 5
19 years thereafter.

20 (iii) If the governing body of a condominium has not had a reserve
21 study conducted on or after October 1, 2016, the governing body shall have a reserve study
22 conducted on or before October 1, 2021, and an updated reserve study at least every 5 years
23 thereafter.

24 (2) (i) This paragraph applies only to a condominium established in
25 Montgomery County before October 1, 2021.

26 (ii) If the governing body of a condominium has had a reserve study
27 conducted on or after October 1, 2017, the governing body shall have an updated reserve
28 study conducted within 5 years after the date of that reserve study and at least every 5
29 years thereafter.

30 (iii) If the governing body of a condominium has not had a reserve
31 study conducted on or after October 1, 2017, the governing body shall have a reserve study
32 conducted on or before October 1, 2022, and an updated reserve study at least every 5 years
33 thereafter.

1 (3) (i) This paragraph applies only to a condominium established in any
2 county other than Prince George's County or Montgomery County before October 1, 2022.

3 (ii) If the governing body of a condominium has had a reserve study
4 conducted on or after October 1, 2018, the governing body shall have an updated reserve
5 study conducted within 5 years after the date of that reserve study and at least every 5
6 years thereafter.

7 (iii) If the governing body of a condominium has not had a reserve
8 study conducted on or after October 1, 2018, the governing body shall have a reserve study
9 conducted on or before October 1, 2023, and an updated reserve study at least every 5 years
10 thereafter.

11 (e) Each reserve study and updated reserve study required under this section
12 shall:

13 (1) Be prepared by a person who:

14 (i) Has prepared at least 30 reserve studies within the prior 3
15 calendar years;

16 (ii) Has participated in the preparation of at least 30 reserve studies
17 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

18 (iii) Holds a current license from the State Board of Architects or the
19 State Board for Professional Engineers; or

20 (iv) Is currently designated as a reserve specialist by the Community
21 Association Institute or as a professional reserve analyst by the Association of Professional
22 Reserve Analysts;

23 (2) Be available for inspection and copying by any unit owner;

24 (3) Be reviewed by the governing body of the condominium in connection
25 with the preparation of the annual proposed budget; and

26 (4) Be summarized for submission with the annual proposed budget to the
27 unit owners.

28 (f) [(1) The governing body of a condominium shall, in consultation with a
29 person identified under subsection (e)(1) of this section, develop a funding plan to determine
30 how to fund the reserves necessary under this section.

31 (2) In developing the funding plan under this subsection, the governing
32 body shall select one of the following methods to achieve the reserve funding under this
33 section:

- 1 (i) The component method;
- 2 (ii) The cash flow method;
- 3 (iii) The baseline funding method;
- 4 (iv) The threshold cash flow method; or
- 5 (v) Any other funding method consistent with generally accepted
6 accounting principles.

7 (3) A funding plan developed under this subsection shall prioritize
8 adequate amounts for repair and replacement of common elements of the condominium
9 that are necessary for:

- 10 (i) The health, safety, and well-being of the occupants;
- 11 (ii) Ensuring structural integrity, such as roofing replacements and
12 maintaining structural systems;
- 13 (iii) Essential functioning, such as plumbing, sewer, heating, cooling,
14 and electrical infrastructure; and
- 15 (iv) Any other essential or critical purpose, as determined by the
16 governing body.

17 (4) Reserves may be used for purposes other than those specified in the
18 funding plan if the funds are repaid to the reserve fund within 5 years after their use.

19 (5) A governing body shall review progress toward compliance with the
20 funding plan developed under this subsection at each annual meeting of the governing
21 body] **TO THE EXTENT THAT A RESERVE STUDY CONDUCTED IN ACCORDANCE WITH
22 THIS SECTION INDICATES A NEED TO BUDGET FOR RESERVES, THE GOVERNING
23 BODY OF THE CONDOMINIUM SHALL ADOPT AN ANNUAL BUDGET THAT INCLUDES:**

24 **(1) FOR THE CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE
25 STUDY, THE CURRENT ESTIMATED:**

26 **(I) REPLACEMENT COST CALCULATED IN THE RESERVE STUDY;**
27 **AND**

28 **(II) REMAINING USEFUL LIFE CALCULATED IN THE RESERVE
29 STUDY;**

30 **(2) THE AMOUNT OF:**

1 **(I) ACCUMULATED CASH RESERVES SET ASIDE FOR THE**
2 **REPAIR OR REPLACEMENT OF CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE**
3 **STUDY AS OF THE BEGINNING OF THE FISCAL YEAR IN WHICH THE RESERVE STUDY**
4 **IS CONDUCTED; AND**

5 **(II) THE AMOUNT OF THE EXPECTED CONTRIBUTION TO THE**
6 **RESERVE FUND FOR THE FISCAL YEAR CALCULATED IN THE RESERVE STUDY;**

7 **(3) A STATEMENT DESCRIBING THE PROCEDURES USED FOR**
8 **ESTIMATION AND ACCUMULATION OF CASH RESERVES IN ACCORDANCE WITH THIS**
9 **SECTION; AND**

10 **(4) A STATEMENT OF THE AMOUNT OF RESERVES RECOMMENDED IN**
11 **THE RESERVE STUDY AND THE AMOUNT OF CURRENT CASH FOR REPLACEMENT**
12 **RESERVES.**

13 11B-112.2.

14 (a) This section applies only to a homeowners association that has responsibility
15 under its declaration for maintaining and repairing common areas.

16 (b) (1) The board of directors or other governing body of a homeowners
17 association shall cause to be prepared and submitted to the lot owners an annual proposed
18 budget at least 30 days before its adoption.

19 (2) The annual proposed budget may be sent to each lot owner by electronic
20 transmission, by posting on the homeowners association's home page, or by including the
21 annual proposed budget in the homeowners association's newsletter.

22 (c) The annual budget shall provide for at least the following items:

23 (1) Income;

24 (2) Administration;

25 (3) Maintenance;

26 (4) Utilities;

27 (5) General expenses;

28 (6) Reserves; and

29 (7) Capital expenses.

1 (d) (1) [Subject to paragraphs (2) and (3) of this subsection and] **THE**
2 **GOVERNING BODY OF THE HOMEOWNERS ASSOCIATION SHALL DEPOSIT FUNDS TO**
3 **THE RESERVE ACCOUNT** in accordance with the funding plan under § 11B–112.3(f) of this
4 title[, reserves provided for in the annual budget under subsection (c) of this section shall:

5 (i) Be the funding amount recommended in the most recent reserve
6 study or updated reserve study completed under § 11B–112.3 of this title; and

7 (ii) Be deposited in the reserve account on or before the last day of
8 each fiscal year.

9 (2) Subject to paragraph (3) of this subsection, if the most recent reserve
10 study was an initial reserve study, the governing body shall, within 5 fiscal years following
11 the fiscal year in which the initial reserve study was completed, attain the annual reserve
12 funding level recommended in the initial reserve study in accordance with the funding plan
13 under § 11B–112.3(f) of this title].

14 [(3) (2) (i) The [governing body] **LOT OWNERS** of a homeowners
15 association may determine by a two-thirds majority vote that the homeowners association
16 and the lot owners are experiencing a financial hardship that limits the ability to fund
17 reserves that are required under paragraph (1) [or (2)] of this subsection.

18 (ii) Subject to [subparagraphs (iii) through (v)] **SUBPARAGRAPH**
19 **(III)** of this paragraph, if [a governing body makes] **THE LOT OWNERS OF A**
20 **HOMEOWNERS ASSOCIATION MAKE** a financial hardship determination [based on the
21 reserve funding requirements of paragraph (1) or (2) of this subsection:

22 1. The] **IN ACCORDANCE WITH SUBPARAGRAPH (I) OF**
23 **THIS PARAGRAPH, THE** homeowners association may reasonably deviate from that
24 reserve funding requirement[; and

25 2. The funding level under that requirement shall be at least
26 the funding amount necessary for the purposes specified under § 11B–112.3(f)(3) of this
27 title].

28 (iii) 1. Except as provided in subsubparagraph 2 of this
29 subparagraph, a homeowners association may not deviate from the reserve funding
30 requirements of paragraph (1) [or (2)] of this subsection for a period of more than 1 fiscal
31 year following the financial hardship determination.

32 2. The [governing body] **LOT OWNERS OF A HOMEOWNERS**
33 **ASSOCIATION** may renew a financial hardship determination under subparagraph (i) of
34 this paragraph by a two-thirds majority vote to extend the period that a homeowners
35 association may deviate from the reserve funding requirement by 1 fiscal year following the
36 renewal.

1 (iv) IF A HOMEOWNERS ASSOCIATION DEVIATES FROM A
2 RESERVE FUNDING REQUIREMENT WITH RESPECT TO A CAPITAL COMPONENT
3 IDENTIFIED IN A RESERVE STUDY, THE NEW ESTIMATED ANNUAL AMOUNT THE
4 HOMEOWNERS ASSOCIATION IS REQUIRED TO ADD TO THE RESERVE ACCOUNT IN
5 ACCORDANCE WITH THE RESERVE STUDY SHALL BE RECALCULATED SO THAT THE
6 RESERVE ACCOUNT WILL HAVE SUFFICIENT MONEY TO REPAIR OR REPLACE AN
7 IDENTIFIED COMPONENT WHEN THE COMPONENT REACHES THE END OF ITS USEFUL
8 LIFE.

9 (v) The governing body shall:

10 1. Make good faith efforts to resolve the financial hardship
11 and resume funding reserves as required under paragraph (1) [or (2)] of this subsection;

12 2. Maintain detailed documentation of the good faith efforts
13 made under item 1 of this subparagraph; and

14 3. Treat the documents under item 2 of this subparagraph as
15 records for examination and copying under § 11B–112 of this title.

16 [(v)] (vi) 1. All lot owners shall be given reasonable notice in
17 advance of a vote on an initial or a renewal of a financial hardship determination under
18 this paragraph.

19 2. A vote on an initial or a renewal of a financial hardship
20 determination under this paragraph may only be taken at a regular or special meeting of
21 the homeowners association.

22 [(4)] (3) (i) The governing body of a homeowners association shall
23 annually review the reserves and the most recent reserve study or updated reserve study
24 to determine whether there is adequate funding in accordance with the funding plan
25 required under § 11B–112.3(f) of this title.

26 (ii) The annual review under this paragraph does not require a
27 reserve study or updated reserve study in addition to the reserve study requirements under
28 § 11B–112.3 of this title.

29 (e) (1) The budget shall be adopted at an open meeting of the homeowners
30 association or any other body to which the homeowners association delegates
31 responsibilities for preparing and adopting the budget.

32 (2) (i) The board of directors or other governing body of a homeowners
33 association shall submit the adopted annual budget to the lot owners not more than 30 days
34 after the meeting at which the budget was adopted.

1 (ii) The adopted annual budget may be submitted to each lot owner
2 by electronic transmission, by posting on the homeowners association's home page, or by
3 inclusion in the homeowners association's newsletter.

4 (3) (i) Notice of the meeting at which the proposed budget will be
5 considered shall be sent to each lot owner.

6 (ii) Notice under subparagraph (i) of this paragraph may be sent by
7 electronic transmission, by posting on the homeowners association's home page, or by
8 including the notice in the homeowners association's newsletter.

9 (f) Except for an expenditure made by the homeowners association because of a
10 condition that, if not corrected, could reasonably result in a threat to the health or safety
11 of the lot owners or a significant risk of damage to the development, any expenditure that
12 would result in an increase in an amount of assessments for the current fiscal year of the
13 homeowners association in excess of 15% of the budgeted amount previously adopted shall
14 be approved by an amendment to the budget adopted at a special meeting for which not
15 less than 10 days' written notice or notice by electronic transmission shall be provided to
16 the lot owners.

17 (g) The adoption of a budget does not impair the authority of the homeowners
18 association to obligate the homeowners association for expenditures for any purpose
19 consistent with any provision of this title.

20 11B-112.3.

21 (a) (1) In this section the following words have the meanings indicated.

22 (2) "Reserve study" means a study of the reserves required for future major
23 repairs and replacement of the common areas of a homeowners association that:

24 (i) Using an itemized list, identifies each structural, mechanical,
25 electrical, and plumbing component of the common areas and any other components that:

26 1. Are the responsibility of the homeowners association to
27 repair and replace; and

28 2. If applicable, meet a minimum cost of repair or
29 replacement, as determined by the governing body, that is:

30 A. Reasonably based on the expenses of the homeowners
31 association; and

32 B. Not a minor expense that is otherwise addressed by the
33 budget of the homeowners association;

1 (ii) States the estimated remaining useful life of each identified
2 component;

3 (iii) States the estimated cost of repair or replacement of each
4 identified component;

5 (iv) States the estimated annual reserve amount necessary to **BE**
6 **ADDED TO THE RESERVE ACCOUNT IN ORDER TO** accomplish any identified future
7 repair or replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT**
8 **REACHES THE END OF THE COMPONENT'S USEFUL LIFE**; and

9 (v) States the quantity or size of each identified component using the
10 appropriate measurement, such as unit amount, square footage, or cubic feet.

11 (3) "Updated reserve study" means, for the common areas since the prior
12 reserve study was completed within the previous 5 years, a study that:

13 (i) Revises replacement cost, remaining life, and useful life
14 estimates;

15 (ii) Analyzes work performed and amounts spent; and

16 (iii) Identifies whether any maintenance contracts are in place.

17 (b) (1) This section applies only to a homeowners association:

18 (i) That has responsibility under its declaration for maintaining and
19 repairing common areas; and

20 (ii) For which the total repair or replacement costs for all
21 components identified in subsection (a) of this section is at least \$10,000.

22 (2) This section does not apply to a homeowners association that issues
23 bonds for the purpose of meeting capital expenditures.

24 (c) (1) This subsection applies only to a homeowners association established
25 in:

26 (i) Prince George's County on or after October 1, 2020;

27 (ii) Montgomery County on or after October 1, 2021; or

28 (iii) Any county other than Prince George's County or Montgomery
29 County on or after October 1, 2022.

30 (2) The governing body of the homeowners association shall have an
31 independent reserve study completed not more than 90 calendar days and not less than 30

1 calendar days before the meeting of the homeowners association required under §
2 11B-106.1(a) of this title.

3 (3) The governing body shall have an updated reserve study completed
4 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
5 this subsection and at least every 5 years thereafter.

6 (d) (1) (i) This paragraph applies only to a homeowners association
7 established in Prince George's County before October 1, 2020.

8 (ii) If the governing body of a homeowners association has had a
9 reserve study conducted on or after October 1, 2016, the governing body shall have an
10 updated reserve study conducted within 5 years after the date of that reserve study and at
11 least every 5 years thereafter.

12 (iii) If the governing body of a homeowners association has not had a
13 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve
14 study conducted on or before October 1, 2021, and an updated reserve study at least every
15 5 years thereafter.

16 (2) (i) This paragraph applies only to a homeowners association
17 established in Montgomery County before October 1, 2021.

18 (ii) If the governing body of a homeowners association has had a
19 reserve study conducted on or after October 1, 2017, the governing body shall have an
20 updated reserve study conducted within 5 years after the date of that reserve study and at
21 least every 5 years thereafter.

22 (iii) If the governing body of a homeowners association has not had a
23 reserve study conducted on or after October 1, 2017, the governing body shall have a reserve
24 study conducted on or before October 1, 2022, and an updated reserve study at least every
25 5 years thereafter.

26 (3) (i) This paragraph applies only to a homeowners association
27 established in any county other than Prince George's County or Montgomery County before
28 October 1, 2022.

29 (ii) If the governing body of a homeowners association has had a
30 reserve study conducted on or after October 1, 2018, the governing body shall have an
31 updated reserve study conducted within 5 years after the date of that reserve study and at
32 least every 5 years thereafter.

33 (iii) If the governing body of a homeowners association has not had a
34 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve
35 study conducted on or before October 1, 2023, and an updated reserve study at least every
36 5 years thereafter.

1 (e) Each reserve study and updated reserve study required under this section
2 shall:

3 (1) Be prepared by a person who:

4 (i) Has prepared at least 30 reserve studies within the prior 3
5 calendar years;

6 (ii) Has participated in the preparation of at least 30 reserve studies
7 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

8 (iii) Holds a current license from the State Board of Architects or the
9 State Board for Professional Engineers; or

10 (iv) Is currently designated as a reserve specialist by the Community
11 Association Institute or as a professional reserve analyst by the Association of Professional
12 Reserve Analysts;

13 (2) Be available for inspection and copying by any lot owner;

14 (3) Be reviewed by the governing body of the homeowners association in
15 connection with the preparation of the annual proposed budget; and

16 (4) Be summarized for submission with the annual proposed budget to the
17 lot owners.

18 (f) [(1) The governing body of a homeowners association shall, in consultation
19 with a person identified under subsection (e)(1) of this section, develop a funding plan to
20 determine how to fund the reserves necessary under this section.

21 (2) In developing the funding plan under this subsection, the governing
22 body shall select one of the following methods to achieve the reserve funding under this
23 section:

24 (i) The component method;

25 (ii) The cash flow method;

26 (iii) The baseline funding method;

27 (iv) The threshold cash flow method; or

28 (v) Any other funding method consistent with generally accepted
29 accounting principles.

1 (3) A funding plan developed under this subsection shall prioritize
2 adequate amounts for repair and replacement of common areas of the homeowners
3 association that are necessary for:

4 (i) The health, safety, and well-being of the occupants;

5 (ii) Ensuring structural integrity, such as roofing replacements and
6 maintaining structural systems;

7 (iii) Essential functioning, such as plumbing, sewer, heating, cooling,
8 and electrical infrastructure; and

9 (iv) Any other essential or critical purpose, as determined by the
10 governing body.

11 (4) Reserves may be used for purposes other than those specified in the
12 funding plan if the funds are repaid to the reserve fund within 5 years after their use.

13 (5) A governing body of a homeowners association shall review progress
14 toward compliance with the funding plan developed under this subsection at each annual
15 meeting of the homeowners association] **TO THE EXTENT THAT A RESERVE STUDY
16 CONDUCTED IN ACCORDANCE WITH THIS SECTION INDICATES A NEED TO BUDGET
17 FOR RESERVES, THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION SHALL
18 ADOPT AN ANNUAL BUDGET THAT INCLUDES:**

19 **(1) FOR THE CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE
20 STUDY, THE CURRENT ESTIMATED:**

21 **(I) REPLACEMENT COST CALCULATED IN THE RESERVE STUDY;
22 AND**

23 **(II) REMAINING USEFUL LIFE CALCULATED IN THE RESERVE
24 STUDY;**

25 **(2) THE AMOUNT OF:**

26 **(I) ACCUMULATED CASH RESERVES SET ASIDE FOR THE
27 REPAIR OR REPLACEMENT OF CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE
28 STUDY AS OF THE BEGINNING OF THE FISCAL YEAR IN WHICH THE RESERVE STUDY
29 IS CONDUCTED; AND**

30 **(II) THE AMOUNT OF THE EXPECTED CONTRIBUTION TO THE
31 RESERVE FUND FOR THE FISCAL YEAR CALCULATED IN THE RESERVE STUDY;**

1 **(3) A STATEMENT DESCRIBING THE PROCEDURES USED FOR**
2 **ESTIMATION AND ACCUMULATION OF CASH RESERVES IN ACCORDANCE WITH THIS**
3 **SECTION; AND**

4 **(4) A STATEMENT OF THE AMOUNT OF RESERVES RECOMMENDED IN**
5 **THE RESERVE STUDY AND THE AMOUNT OF CURRENT CASH FOR REPLACEMENT**
6 **RESERVES.**

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 2026.