

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 548

(Senator King, *et al.*)

Judicial Proceedings

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**Condominium and Homeowners Associations - Assessments - Increase Necessary  
to Meet Government Requirements**

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This bill authorizes the governing body of a condominium or homeowners association (HOA) to increase the amount of assessments for the current fiscal year of the condominium or development without the approval of unit or lot owners for the purpose of meeting financial obligations resulting from the imposition of governmental charges, fees, or taxes, or providing for increased costs directly resulting from new laws that have gone into effect since the adoption of the last annual budget. Any increase must be approved by an amendment to the budget adopted by the board of directors at a regular or special meeting for which written notice has been provided to the unit or lot owners at least 10 days in advance.

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**Fiscal Summary**

**State Effect:** Assuming 50 or fewer complaints, the Consumer Protection Division of the Attorney General can handle any additional caseload within existing resources. Revenues are not affected.

**Local Effect:** The bill does not directly affect local operations or finances.

**Small Business Effect:** None.

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**Analysis**

**Current Law:**

*Condominiums:* A council of unit owners for a condominium (except for one that is occupied and used solely for nonresidential purposes) must prepare and submit an annual

proposed budget at least 30 days before its adoption. The budget must contain specified information and be adopted at an open meeting of the council of unit owners or any other body to which the council of unit owners has delegated budget responsibilities. Any expenditure, other than those that if not corrected could result in a threat to the health or safety of the unit owners or a significant risk of damage to the condominium, resulting in an increase in excess of 15% of the budgeted amount previously adopted must be approved by an amendment to the budget adopted at a special meeting for which written notice has been provided at least 10 days in advance. The adoption of the budget does not impair the authority of the council of unit owners to obligate the council of unit owners for expenditures consistent with the Maryland Condominium Act.

Except for specified expenses, funds for the payment of current common expenses and the creation of reserves for future common expenses must be obtained by assessments against the unit owners in proportion to their percentage interests in common expenses and common profits.

*Homeowners Associations:* An HOA that has the responsibility for maintaining and repairing common areas must prepare and submit an annual proposed budget at least 30 days before its adoption. The budget must contain specified information and be adopted at an open meeting of the HOA's governing body or any other body to which the HOA has delegated budget responsibilities. Both the budget and notice of the meeting to adopt the budget may be electronically sent to each lot owner, posted on the HOA's home page, or included in the HOA's newsletter. Any expenditure, other than those made that if not corrected could result in a threat to the health or safety of the lot owners or a significant risk of damage to the development, resulting in an increase in excess of 15% of the budgeted amount previously adopted must be approved by an amendment to the budget adopted at a special meeting for which written notice has been provided at least 10 days in advance. The adoption of the budget does not impair the authority of the HOA to obligate the HOA for expenditures consistent with the Maryland Homeowners Association Act.

**Background:** The bill is intended to help condominiums and HOAs deal with unanticipated expenses such as elevator and inspection fees, boiler licensing and inspection fees, required swimming pool modifications, and State-mandated fidelity insurance requirements.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 827 (Delegate Reznik) - Environmental Matters.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division),  
Secretary of State, Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2011  
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