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February 14, 2020

Writer's Direct Dial No.

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To: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 472 – Homeowners Associations – Adopted Annual Budget – Submission to Lot Owners (SUPPORT WITH AMENDMENTS)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 472 submitted by Senator Clarence K. Lam with amendments as suggested. This bill would require the declarant or the board of directors of a homeowners association to submit the adopted budget to lot owners by email, or by posting on the website or in a newsletter within 30 days after the meeting when the budget was adopted.

The Consumer Protection Division receives complaints from owners of common ownership communities seeking copies of documents, including the budget. Although the statutes require that a proposed budget be provided 30 days prior to the meeting where it is intended to be adopted, many times, discussions at the meeting lead to changes between the proposed and adopted budgets. By ensuring that the adopted budget is sent to all lot owners, any changes that are adopted will be evident to all lot owners.

We are recommending amendments to have this bill apply to condominium associations as well. The budget is critical to all who reside within a common ownership community and ensuring that everyone is entitled to a copy of the adopted budget will help owners to understand how their finances are being used.

For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill with the amendments suggested.

cc: The Honorable Clarence K. Lam
Members, Judicial Proceedings Committee

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Amendments to SB 472

11-109.2

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

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

- (1) Income;
- (2) Administration;
- (3) Maintenance;
- (4) Utilities;
- (5) General expenses;
- (6) Reserves; and
- (7) Capital items.

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

(2) (I) THE BOARD OF DIRECTORS OR OTHER GOVERNING BODY OF A CONDOMINIUM ASSOCIATION SHALL SUBMIT THE ANNUAL BUDGET TO THE UNIT OWNERS NOT MORE THAN 30 DAYS AFTER THE MEETING AT WHICH THE BUDGET WAS ADOPTED.

(II) THE ADOPTED ANNUAL BUDGET MAY BE SENT TO EACH UNIT OWNER BY ELECTRONIC TRANSMISSION, BY POSTING ON THE CONDOMINIUM ASSOCIATION'S HOME PAGE, OR BY INCLUSION IN THE CONDOMINIUM ASSOCIATION'S NEWSLETTER.

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

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

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