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February 4, 2024

Del Marc Korman
AA_ENT@mlis.state.md.us
364 House Office Building Rm 251
Annapolis, MD 21401

RE: HB273
Regulation of Common Ownership Community Managers

Position: Oppose

Dear Del. Korman & members of the Environment & Transportation Committee:

The Community Associations Institute's Legislative Action Committee worked with Del. Homes to develop the 2021 bill HB367, which has been reintroduced again this year as HB273. After working to better the initial bill, we were reminded that we are bound by National Public Policy to oppose the legislation on the basis that it is in conflict with the Community Associations Institutes Public Policy. It is felt that the requirements create an onerous barrier to entry into the business as well as a financial burden on our association both through direct fees and increased management fees to cover licensing, bonding and educational requirements.

We then learned that, according to the CAI Government & Public Policy Committee, only seven states require licensing after Colorado allowed its law to sunset. The Colorado legislature determined that licensing did not achieve the desired result of removing bad players from the business. Rather, they determined that criminal prosecution for such crimes as fraud and embezzlement carried much more potent remedies and are already law. Further, a bond of \$2 million would not come close to covering the funds to which a manager may have access and Maryland Law already requires the associations to fully cover their funds with a fidelity bond naming the manager. This cost is duplicative.

The fiscal note on prior legislation pegged the license fee at a rate that was four times that of any other State license. Why, because there are so few managers and management companies—at least it is

believed that the number is very low and incapable of reasonably supporting the cost of a State Commission. In my personal experience, community association owners are in favor of licensing managers because they feel that it offers them some level of protection—protections that have failed to materialize in other states, as aforementioned. And, when they learn that the cost of licenses, fidelity bonds, education, time off for education and administrative costs will ultimately be passed down to them in the form of higher management fees, they overwhelmingly change their opinion on the need for licensure. The problems are simply not widespread enough to be perceived to affect the average homeowner/unit owner.

At a legislative session held during a CAI DC Expo, I was asked to speak on proposed manager licensing. As I explained its purpose being to raise the standard of managers and provide remedies for illegal acts, the crowd was in favor. But, when explaining that licensure comes with a cost; costs including license fees, direct billing to associations by the Commission, manager educations, lost productivity due to time at educational classes, the crowd turned angrily against the proposition. They made comments like “You should eat that cost.” Of course, all businesses operate by not only passing through costs, but by marking them up for the overhead and profit margin before passing them through. If there is ANY cost that managers pass through, the homeowners simply do not support this legislation.

For these reasons, we again oppose manager licensing as proposed in HB80. We are available to answer any questions the Committee Members may have. Please do not hesitate to contact Lisa Harris Jones, CAI MD-LAC lobbyist, at 410-366-1500 or by email at lisa.jones@mdlobbyist.com or Vicki Caine, CAI MD-LAC Chair, by email at vcaine1@gmail.com or Chris Majerle, PCAM at 240-387-4742 or by email at cmajerle@AccessMMI.com.

Sincerely,

Chris Majerle

Chris Majerle, PCAM

Vicki Caine

Chair, CAI MD-LAC

CAI is a national organization dedicated to fostering vibrant, competent, harmonious community associations for more than thirty years. Its members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to common interest associations. As part of its mission, CAI advocates for legislative and regulatory policies that support responsible governance and effective management. As part of this purpose state Legislative Action Committees represent CAI members before state legislatures and agencies on issues such as governance, assessments collection, insurance and construction defects.

**Maryland Legislative Action Committee
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