

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**

House Bill 885 (Delegate Kagan, et al.)  
Economic Matters

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**Condominiums, Homeowners Associations, and Cooperatives - Limitation on  
Restrictions - Dispute Resolution**

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This bill establishes conditions under which a condominium, homeowners' association, or cooperative housing corporation may limit and regulate home-based businesses. Restricting the use or maintenance of a unit or the common elements in a manner that violates a homeowner's civil rights is prohibited.

The bill requires the Secretary of State to establish a dispute resolution service that will receive complaints from condominium unit owners who claim to have been aggrieved by a decision of any governing body of the condominium, and to refer the complaints to a neutral party for a hearing and non-binding determination. Condominiums must register with the Secretary of State to use the dispute resolution service, and must pay an annual fee, not to exceed \$10 per unit. The condominium must also inform unit owners of the service, and print a summary of the neutral party's determination in a publication circulated by the condominium.

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**Fiscal Summary**

**State Effect:** General fund revenues would increase by \$982,600 in FY 1997. Out-year revenues would increase by 4% annually. General fund expenditures could increase by an indeterminate but significant amount as discussed below.

**Local Effect:** None.

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## Fiscal Analysis

**State Revenues:** Because the bill allows the Secretary of State to charge condominiums an annual fee of up to \$10 per unit to use the dispute resolution service, revenues could increase by \$982,600. This is based on a charge of \$10 for 98,260 units, which is the number of residential condominium units that are currently registered with the Secretary of State. Out-year revenues grow by 4%, which is consistent with the rate at which condominium units have grown during the past four years.

**State Expenditures:** The provisions of the bill require the Secretary of State to appoint a neutral party to hear condominium unit owners' complaints and to issue a non-binding determination. Assuming that 1% of residential unit owners use the dispute resolution service in a given year, up to 983 informal hearings could be conducted per year. It is estimated that seven Administrative Law Judges from the Office of Administrative Hearings (OAH), at a rate of \$90 per hour, would be needed to handle the workload. One Secretary and one Docket Clerk would also be needed.

OAH advises that the amount of time that it would take to resolve each complaint depends upon the manner in which the determination is issued. Specifically, it would take (1) 12 hours to issue a written determination, which is the manner in which determinations are usually issued; (2) 5 hours to issue a determination on a standard form; and (3) 4 hours to issue a verbal determination. The total expenditures for 983 hearings for each type of determination are indicated below. Out-year expenditures would increase by 2% to account for inflation.

Type of Determination	Hours	Rate	Hearings	Total
Written	12	\$90/hr	983	\$1,061,640
Standard Form	5	\$90/hr	983	442,350
Verbal	4	\$90/hr	983	\$353,880

In addition to the cost of hearings, Secretary of State expenditures would increase by about \$189,775 in fiscal 1997. This reflects the cost of hiring one Executive Assistant II and one Administrative Officer III to review incoming complaints, to refer the complaints to a neutral party, and to collect annual registration fees. The estimate includes salaries of \$71,354, fringe benefits, one-time start-up costs, ongoing operating expenses, and the October 1, 1996 effective date. The first-year expenditures are itemized below:

Salaries and Fringe Benefits		\$71,354
Communications		48,065
Contractual Services	55,971	
Other Operating Expenses		<u>14,385</u>
Secretary of State FY 1997 Expenditures		\$189,775

Future year expenditures below reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% increases in ongoing expenses to account for inflation.

<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
\$241,340	\$247,801	\$254,457	\$261,311

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**Information Source(s):** Secretary of State, Department of Fiscal Services

**Fiscal Note History:** First Reader - February 21, 1996

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