

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 988 (Delegate McConkey, *et al.*)
Environmental Matters

**Common Ownership Communities - Obligation, Allocation, or Expenditure -
Required Approval**

This bill requires that a financial obligation, an allocation of a year-end operating surplus, or a total expenditure for an entire capital project that exceeds 5% of the operating budget be approved by a simple majority of the members of a common ownership community (COC) under the voting procedures contained in the governing documents of the COC that are used to elect the COC's governing body. The bill applies to COCs that are classifiable as cooperative housing corporations, condominiums, or homeowners associations.

Fiscal Summary

State Effect: The bill would not directly affect State finances or operations. If the Attorney General's Office receives fewer than 50 complaints per year stemming from the bill, the additional workload could be handled with existing resources.

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

Small Business Effect: Potential minimal.

Analysis

Current Law: The Maryland Cooperative Housing Corporation Act and the Maryland Homeowners' Association Act do not currently place statutory restrictions on budgetary decisions made by the governing bodies of such entities.

The Maryland Condominium Act requires that the council of unit owners prepare an annual proposed budget and submit this budget to the unit owners at least 30 days prior to

its adoption. This annual budget is required by State law to include provisions for at least income, administration, maintenance, utilities, general expenses, reserves, and capital items. This budget has to 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. Under the law, any expenditure that would result in an increase in an amount of assessments for the current fiscal year of the condominium in excess of 15% of the budgeted amount previously adopted, has to be approved by an amendment to the budget adopted at a special meeting. At least 10 days written notice to the council of unit owners must be provided for this meeting. This requirement does not apply to expenditures 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. The law also states that the adoption of a budget does not impair the authority of the council of unit owners to obligate the council of unit owners for expenditures for any purpose consistent with the law. These provisions of the Maryland Condominium Act do not apply to condominiums occupied and used solely for nonresidential purposes.

Background: Chapter 469 of 2005 established the Task Force on Common Ownership Communities. The full task force met 10 times during 2006 and conducted 5 public hearings, at which public comments were solicited. In addition, subcommittees comprised of task force members met several times. The task force made several recommendations on various topics, including better information on the rights and responsibilities of living in a common ownership community. The task force did not specifically address the subject matter of this bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 11, 2008
mll/jr

Analysis by: Alexander M. Rzasa

Direct Inquiries to:
(410) 946-5510
(301) 970-5510