

**Department of Legislative Services**  
 Maryland General Assembly  
 2009 Session

**FISCAL AND POLICY NOTE**

House Bill 850 (Delegate Holmes)  
 Environmental Matters

**Real Property - Common Interest Community Association Annual Registration**

This bill requires a homeowners association, condominium, and cooperative housing corporation to register with the Consumer Protection Division of the Office of the Attorney General on an annual basis. A registration form must be filed within 30 days after the annual meeting of the common interest community association (CICA). The registration form must include information about the type and size of the community, its residents, governing body, insurance policies, and management company, if applicable. The Attorney General is authorized to collect an annual fee up to \$25 for each registration.

**Fiscal Summary**

**State Effect:** General fund revenues increase minimally due to the maximum fee of \$25 that may be assessed against CICAs. General fund expenditures increase by approximately \$51,700 in FY 2010 to establish the common interest community registration program. Out-years reflect annualization and inflation.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	-	-	-	-	-
GF Expenditure	\$51,700	\$64,300	\$67,400	\$70,800	\$74,200
Net Effect	(\$51,700)	(\$64,300)	(\$67,400)	(\$70,800)	(\$74,200)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

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

**Small Business Effect:** Minimal.

## Analysis

**Current Law:** State law does not require registration of CICAs or designate a statewide office to manage registrations. In Montgomery County, however, common ownership communities are required to register with the Commission on Common Ownership Communities, a 15-member volunteer body. The county's Office of Consumer Protection, together with the commission, must:

- prepare and distribute specified educational materials about common ownership communities;
- maintain a master roster of common ownership communities;
- develop an information and referral system for county services related to common ownership communities;
- maintain a collection of common ownership community documents to use as a model and for reference;
- provide technical assistance to common ownership community governing bodies;
- develop and maintain a manual for common ownership communities and government agencies;
- develop and maintain an operations manual to serve as a guide for common ownership community leadership;
- advise common ownership communities and professional association managers of applicable statutory and regulatory changes;
- operate a dispute resolution process; and
- assist the commission in carrying out its duties.

The commission is required to:

- adopt rules and procedures;
- keep a record of its activities;
- cooperate with the local, State, and federal government agencies in matters concerning the commission's jurisdiction;
- examine, by specified means, conditions in common ownership communities that may result in unmet needs; and
- advise county residents, the county council, the county executive, and others on matters involving common ownership communities.

Common ownership communities in Montgomery County are required to pay a registration fee to pay costs associated with the commission. Common ownership

communities are not required to register with the Montgomery County commission if they are located in the following municipal corporations: Chevy Chase Village, the Town of Chevy Chase, Gaithersburg, Garrett Park, Kensington, Laytonsville, Poolesville, Rockville, Somerset, and Washington Grove.

**Background:** Chapter 469 of 2005 established the Task Force on Common Ownership Communities. The full task force met 10 times during 2006 and conducted five public hearings, at which public comments were solicited. In addition, subcommittees comprising task force members met several times. The task force made several recommendations on various topics, including that local governments should be required to consider establishing alternative dispute resolution services, including the use of ombudsman programs. The task force reported that ombudsman offices should be established at the county or regional level to function as a first point of contact to receive and resolve complaints between conflicting parties.

Montgomery County advises that its Commission on Common Ownership Communities has an annual budget of slightly over \$317,000 in fiscal 2009. The county's consumer protection division has two full-time employees devoted to the work of the commission. The division reports that several work-years of other employees are also devoted to the commission's work. Commission members are volunteers and do much of the commission's work. Montgomery County currently charges \$2.25 per unit in fees to offset the commission's expenses. Montgomery County staff reports that a fee increase to \$2.75 per unit per year may be implemented in fiscal 2010.

**State Revenues:** The bill authorizes an annual fee of up to \$25 for each CICA. The total number of these paying CICAs cannot be accurately estimated but is expected to be minimal. *For illustrative purposes only*, if there are 5,000 CICAs and each paid the maximum fee of \$25 each year, general fund revenues increase by \$125,000 annually. The Secretary of State advises that there are 2,283 condominium councils or associations in Maryland. The State Department of Assessments and Taxation (SDAT) estimates that there are at least 33 cooperative housing corporations in the State. However, SDAT does not track the number of active homeowners associations.

**State Expenditures:** General fund expenditures within the Consumer Protection Division of the Office of the Attorney General increase by an estimated \$51,703 in fiscal 2010, which accounts for the bill's October 1, 2009 effective date. This estimate reflects the cost of hiring one program administrator to manage the common interest community registration program.

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Salary and Fringe Benefits	\$46,985
Operating Expenses	<u>4,718</u>
<b>Total FY 2009 State Expenditures</b>	<b>\$51,703</b>

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Office of the Attorney General (Consumer Protection Division), Judiciary (Administrative Office of the Courts), Secretary of State, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2009  
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