

Department of Legislative Services
 Maryland General Assembly
 2011 Session

FISCAL AND POLICY NOTE

House Bill 537 (Delegate Braveboy)
 Environmental Matters and Economic
 Matters

Real Property - State Community Association Managers Registry

This bill requires the Department of Labor, Licensing, and Regulation (DLLR) to establish the State Community Association Managers Registry on or after January 1, 2012. Any entity, including a sole proprietorship, that provides community association management services for community associations located in the State must register with DLLR and renew its registration by January 31 of each year. DLLR must provide a registration form containing specified information and collect a \$250 annual registration fee from each entity. DLLR may make any information obtained from this registry available to the public, subject to the provisions of the Maryland Public Information Act. A person who willfully violates or causes another person to willfully violate the bill’s provisions is guilty of a misdemeanor and is subject to a maximum fine of \$1,000.

Fiscal Summary

State Effect: General fund expenditures increase by \$77,100 in FY 2012 to establish and implement the registry program required by the bill. Future year expenditures reflect ongoing operating expenses and inflation. General fund revenues increase by \$187,500 in FY 2012 and in future years for registration of community association managers. Potential additional minimal general fund revenue increase due to the bill’s penalty provision.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	\$187,500	\$187,500	\$187,500	\$187,500	\$187,500
GF Expenditure	\$77,100	\$28,000	\$29,300	\$30,700	\$32,200
Net Effect	\$110,400	\$159,500	\$158,200	\$156,800	\$155,300

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

Local Effect: None.

Small Business Effect: Minimal; however, community association managers in Prince George's and Montgomery counties must register with both the county and the State.

Analysis

Bill Summary: The bill defines a “community association” as a condominium council of unit owners organized under the Maryland Condominium Act, a homeowners association (HOA) organized under the Maryland Homeowners Association Act, and a cooperative housing corporation organization under the Corporations and Associations Article.

“Community association management” means management of the common property and services of a community association with the authority of the community association in its business, legal, financial, or other transactions with association members and nonmembers for a fee, commission, or other valuable consideration, including:

- collecting monthly assessments;
- preparing budgets, financial statements, or other financial reports;
- negotiating contracts or otherwise coordination or arranging for services or the purchase of property or goods for or on behalf of a community association;
- executing the resolutions and decisions of a community association and assisting the governing body of a community association and association members in complying with laws, contracts, covenants, rules, and bylaws;
- managing the operation and maintenance of community-owned properties, including community centers, pools, golf courses, and parking areas; and
- arranging, conducting, or coordinating meetings of a community association or the governing body of an association.

DLLR must provide a registration form to each entity providing community association management, including the following information:

- the name, address, and telephone number of the entity providing community association management services;
- the name, titles, and business telephone numbers of the principal officers of the entity;
- the designated contact person of the entity, including name, address, title, telephone number, and electronic mail address;

- the length of time the entity has been in existence and the length of time the entity has provided community association management services; and
- a listing of all community associations in the State as of December 31 of the previous year for which the entity provided community association management services.

Current Law/Background: Except in Prince George’s County, State law does not require registration of common ownership communities (COCs), the more common name for the services provided by the community associations in the bill.

Since January 1, 2011, all entities that provide COC (community association) management services in Prince George’s County must be registered with that county’s Office of Community Relations (OCR). The registration form provided by OCR must include specified identifying information and request a listing of all associations that received management services from the registering entity in the previous year. As required under this bill statewide, each management entity in Prince George’s County has to register and renew by January 31 of each year and pay an annual fee of \$100. Willful violators are guilty of a misdemeanor and subject to a maximum fine of \$1,000.

Also, in Montgomery County, COCs have been required to register since the county created a 15-member volunteer Commission on Common Ownership Communities in 1991. The county’s Office of Consumer Protection, together with the commission, must:

- prepare and distribute specified educational materials about COCs;
- maintain a master roster of COCs;
- develop an information and referral system for county services related to COCs;
- maintain a collection of COC documents to use as a model and for reference;
- provide technical assistance to COC governing bodies;
- develop and maintain a manual for COCs and government agencies;
- develop and maintain an operations manual to serve as a guide for COC leadership;
- advise COCs 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 advises Montgomery County residents and the county government about COC issues, maintains records, and adopts rules and procedures, among other specified duties.

According to the Community Associations Institute (CAI), currently 60,000 individuals and 10,000 businesses offer community association services in the United States. Nine states regulate these types of organizations in some fashion, several through a state real estate commission rather than through a separate board or commission. CAI is a national organization with approximately 60 state, regional, and local chapters comprising residential community association members, property managers, community management firms, and other related professionals and companies that provide products or services to associations. As of February 2011, CAI estimates approximately 1,000 to 1,500 professional property managers conduct business in Maryland.

State Fiscal Effect: DLLR advises that additional staffing is needed to maintain the registry required by the bill. Legislative Services concurs. However, the bill only requires DLLR to maintain an active registry of community association managers and does not impose upon the department requirements to maintain a comprehensive regulatory program. Moreover, because registration is done on an annual basis – each year by January 31 – Legislative Services advises that a full-time staff member is only necessary to manage and maintain the registry for about three months each year – between about mid-December to mid-March.

Legislative Services assumes that, to implement the program, a full-time staff member is required for a longer period of time in fiscal 2012. Thus, Legislative Services advises that, in fiscal 2012, DLLR must hire one administrative aide who will work for six months, beginning October 1, 2011 (the bill's effective date), as a full-time employee to establish the registry on January 1, 2012; this individual will then work for the final three months of fiscal 2012 as a quarter-time employee. Beginning in fiscal 2013, this individual will work full time for the specified three-month period when registration activity is at its peak and will return to quarter-time status for the remaining nine months of the year. It is expected that for nine months each year the registry requires limited maintenance, but some general oversight of the program will necessitate a part-time employee. During this interim period the staff member may need to maintain communication with existing registrants, respond to inquiries from potential registrants and the public, and monitor the registration system. Even though these duties are minimal, DLLR cannot absorb them, particularly given current staffing constraints.

As a result of the additional staff and other operating expenses needed to implement the program, general fund expenditures increase by \$77,135 in fiscal 2012. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Start-up costs include expenses to upgrade DLLR's e-licensing software system; ongoing operating expenses include roughly \$2,500 annually for miscellaneous costs such as printing, reproduction, and banking services. General fund expenditures increase in fiscal 2013 by \$28,035, which reflects the annualized staff salary and ongoing operating expenses. Future year expenditures continue to reflect the annualized salary

with 4.4% annual increases and 3% employee turnover as well as 1% annual increases in ongoing operating expenses.

As noted above, CAI estimates that 1,000 to 1,500 individuals operate as property managers in Maryland. However, because some community management companies employ multiple managers, DLLR advises that about 750 community management companies are likely to register annually with the department due to the bill. The fee for registration is \$250. Thus, general fund revenues increase by \$187,500 annually beginning in fiscal 2012.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Department of Labor, Licensing, and Regulation; Secretary of State; Community Associations Institute; Department of Legislative Services

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