

SENATE BILL 777

N1, C1

5lr0875

By: **Howard County Senators**

Introduced and read first time: January 27, 2025

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Howard County – Common Ownership Communities – Funding of Reserve**
3 **Accounts and Preparation of Funding Plans**

4 **Ho. Co. 4–25**

5 FOR the purpose of requiring that the annual budget of a cooperative housing corporation,
6 a residential condominium, or a homeowners association in Howard County include
7 certain funds; requiring that certain funds for the reserve account of a cooperative
8 housing corporation, a residential condominium, or a homeowners association in
9 Howard County be deposited by a certain day each fiscal year; requiring a
10 cooperative housing corporation, a residential condominium, or a homeowners
11 association in Howard County to obtain a certain recommended reserve funding level
12 within a certain number of fiscal years; requiring that certain updated reserve
13 studies in Howard County be prepared by a certain person; requiring a residential
14 condominium or a homeowners association in Howard County to review the reserve
15 study annually for accuracy; requiring the governing body of a cooperative housing
16 corporation, a residential condominium, or a homeowners association in Howard
17 County to prepare a certain funding plan subject to certain requirements; and
18 generally relating to reserve studies and annual budgets of cooperative housing
19 corporations, condominiums, and homeowners associations in Howard County.

20 BY repealing and reenacting, with amendments,
21 Article – Corporations and Associations
22 Section 5–6B–26.1
23 Annotated Code of Maryland
24 (2014 Replacement Volume and 2024 Supplement)

25 BY repealing and reenacting, with amendments,
26 Article – Real Property
27 Section 11–109.2(b) and (c), 11–109.4, 11B–112.2(c) and (d), and 11B–112.3
28 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2023 Replacement Volume and 2024 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Corporations and Associations

5–6B–26.1.

(a) **(1)** In this section[, “reserve] **THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

(2) **“RESERVE study”** means a study of the reserves required for future major repairs and replacement of the common elements of a cooperative housing corporation that:

[(1)] (I) Identifies each structural, mechanical, electrical, and plumbing component of the common elements and any other components that are the responsibility of the cooperative housing corporation to repair and replace;

[(2)] (II) States the normal useful life and the estimated remaining useful life of each identified component;

[(3)] (III) States the estimated cost of repair or replacement of each identified component; and

[(4)] (IV) States the estimated annual reserve amount necessary to accomplish any identified future repair or replacement.

(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:

(I) ANALYZING ANY WORK PERFORMED;

(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND USEFUL LIFE ESTIMATES; AND

(III) IDENTIFYING:

1. WORK PERFORMED AND AMOUNTS SPENT; AND

2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN PLACE.

(b) (1) This subsection applies only to a cooperative housing corporation established in:

1 (i) Prince George's County on or after October 1, 2020;

2 (ii) Montgomery County on or after October 1, 2021; or

3 (iii) Any county other than Prince George's County or Montgomery
4 County on or after October 1, 2022.

5 (2) The governing body of the cooperative housing corporation shall have
6 an independent reserve study completed not less than 30 calendar days before the first
7 meeting of the cooperative housing corporation at which the members other than the owner
8 have a majority of votes in the cooperative housing corporation.

9 (3) The governing body shall have an updated reserve study completed
10 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
11 this subsection, which shall be updated at least every 5 years thereafter.

12 (c) (1) (i) This paragraph applies only to a cooperative housing corporation
13 established in Prince George's County before October 1, 2020.

14 (ii) If the governing body of a cooperative housing corporation has
15 had a reserve study conducted on or after October 1, 2016, the governing body shall have
16 an updated reserve study conducted within 5 years after the date of that reserve study and
17 at least every 5 years thereafter.

18 (iii) If the governing body of a cooperative housing corporation has
19 not had a reserve study conducted on or after October 1, 2016, the governing body shall
20 have a reserve study conducted on or before October 1, 2021, and an updated reserve study
21 at least every 5 years thereafter.

22 (2) (i) This paragraph applies only to a cooperative housing corporation
23 established in Montgomery County before October 1, 2021.

24 (ii) If the governing body of a cooperative housing corporation has
25 had a reserve study conducted on or after October 1, 2017, the governing body shall have
26 an updated reserve study conducted within 5 years after the date of that reserve study and
27 at least every 5 years thereafter.

28 (iii) If the governing body of a cooperative housing corporation has
29 not had a reserve study conducted on or after October 1, 2017, the governing body shall
30 have a reserve study conducted on or before October 1, 2022, and an updated reserve study
31 at least every 5 years thereafter.

32 (3) (i) This paragraph applies to a cooperative housing corporation
33 established in any county other than Prince George's County or Montgomery County before
34 October 1, 2022.

1 (ii) If the governing body of a cooperative housing corporation has
2 had a reserve study conducted on or after October 1, 2018, the governing body shall have
3 an updated reserve study conducted within 5 years after the date of that reserve study and
4 at least every 5 years thereafter.

5 (iii) If the governing body of a cooperative housing corporation has
6 not had a reserve study conducted on or after October 1, 2018, the governing body shall
7 have a reserve study conducted on or before October 1, 2023, and an updated reserve study
8 at least every 5 years thereafter.

9 (d) Each reserve study **AND, AS APPLICABLE, UPDATED RESERVE STUDY**
10 required under this section shall:

11 (1) Be prepared by a person who:

12 (i) Has prepared at least 30 reserve studies within the prior 3
13 calendar years;

14 (ii) Has participated in the preparation of at least 30 reserve studies
15 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

16 (iii) Holds a current license from the State Board of Architects or the
17 State Board for Professional Engineers; or

18 (iv) Is currently designated as a reserve specialist by the Community
19 Association Institute or as a professional reserve analyst by the Association of Professional
20 Reserve Analysts;

21 (2) Be available for inspection and copying by any unit owner;

22 (3) Be reviewed by the governing body of the cooperative housing
23 corporation in connection with the preparation of the annual proposed budget; and

24 (4) Be summarized for submission with the annual proposed budget to the
25 unit owners.

26 (e) **(1)** To the extent that a reserve study conducted in accordance with this
27 section indicates a need to budget for reserves, the budget shall include:

28 **[(1)] (I)** For the capital components, the current estimated:

29 **[(i)] 1.** Replacement cost;

30 **[(ii)] 2.** Remaining life; and

31 **[(iii)] 3.** Useful life;

1 [(2)] (II) The amount of accumulated cash reserves set aside for the
2 repair, replacement, or restoration of capital components as of the beginning of the fiscal
3 year in which the reserve study is conducted and the amount of the expected contribution
4 to the reserve fund for the fiscal year;

5 [(3)] (III) A statement describing the procedures used for estimation and
6 accumulation of cash reserves in accordance with this section; and

7 [(4)] (IV) A statement of the amount of reserves recommended in the study
8 and the amount of current cash for replacement reserves.

9 (2) (I) **THIS PARAGRAPH APPLIES ONLY TO A COOPERATIVE**
10 **HOUSING CORPORATION IN HOWARD COUNTY.**

11 (II) **TO THE EXTENT THAT A RESERVE STUDY CONDUCTED IN**
12 **ACCORDANCE WITH THIS SECTION INDICATES A NEED TO BUDGET FOR RESERVES,**
13 **THE BUDGET SHALL INCLUDE THE CURRENT ESTIMATED REPLACEMENT COST FOR**
14 **CAPITAL COMPONENTS IF THE ESTIMATED REPLACEMENT COST IS GREATER THAN**
15 **\$10,000 AS DETERMINED BY THE MOST RECENT RESERVE STUDY OR UPDATED**
16 **RESERVE STUDY.**

17 (f) (1) (i) **THIS PARAGRAPH DOES NOT APPLY TO A COOPERATIVE**
18 **HOUSING CORPORATION IN HOWARD COUNTY.**

19 (II) Subject to subparagraph [(ii)] (III) of this paragraph, the
20 governing body of a cooperative housing corporation shall provide funds to the reserve in
21 accordance with the most recent reserve study and shall review the reserve study annually
22 for accuracy.

23 [(ii)] (III) If the most recent reserve study was an initial reserve
24 study, the governing body shall, within 3 fiscal years following the fiscal year in which the
25 initial reserve study was completed, attain the annual reserve funding level recommended
26 in the initial reserve study.

27 (2) (I) **THIS PARAGRAPH APPLIES ONLY TO A COOPERATIVE**
28 **HOUSING CORPORATION IN HOWARD COUNTY.**

29 (II) **SUBJECT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH,**
30 **THE GOVERNING BODY OF A COOPERATIVE HOUSING CORPORATION SHALL DEPOSIT**
31 **FUNDS TO THE RESERVE ACCOUNT IN ACCORDANCE WITH THE MOST RECENT**
32 **RESERVE STUDY AND THE FUNDING PLAN REQUIRED UNDER SUBPARAGRAPH (IV)**
33 **OF THIS PARAGRAPH ON OR BEFORE THE LAST DAY OF EACH FISCAL YEAR AND**
34 **SHALL REVIEW THE RESERVE STUDY ANNUALLY FOR ACCURACY.**

1 (III) IF THE MOST RECENT RESERVE STUDY WAS AN INITIAL
 2 RESERVE STUDY, THE GOVERNING BODY SHALL, WITHIN 10 FISCAL YEARS
 3 FOLLOWING THE FISCAL YEAR IN WHICH THE INITIAL RESERVE STUDY WAS
 4 COMPLETED, ATTAIN THE ANNUAL RESERVE FUNDING LEVEL RECOMMENDED IN
 5 THE INITIAL RESERVE STUDY.

6 (IV) 1. THE GOVERNING BODY OF A COOPERATIVE HOUSING
 7 CORPORATION SHALL, IN CONSULTATION WITH A PERSON IDENTIFIED UNDER
 8 SUBSECTION (D)(1) OF THIS SECTION, DEVELOP A FUNDING PLAN TO DETERMINE
 9 HOW TO FULLY FUND THE RESERVES NECESSARY UNDER THIS SECTION.

10 2. IN DEVELOPING THE FUNDING PLAN UNDER THIS
 11 SUBPARAGRAPH, THE GOVERNING BODY SHALL CONSIDER THE FOLLOWING
 12 METHODS TO ACHIEVE THE RESERVE FUNDING UNDER THIS SECTION:

13 A. COMPONENT OR FULL FUNDING METHOD;

14 B. CASH FLOW METHOD;

15 C. BASELINE FUNDING METHOD;

16 D. THRESHOLD CASH FLOW METHOD; AND

17 E. OTHER FUNDING METHODS CONSISTENT WITH
 18 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

19 3. A FUNDING PLAN DEVELOPED UNDER THIS
 20 SUBPARAGRAPH SHALL PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND
 21 REPLACEMENT OF COMMON ELEMENTS WITH CONSIDERATION GIVEN TO THE
 22 HEALTH AND SAFETY OF MEMBERS OF THE COOPERATIVE HOUSING CORPORATION.

23 4. A GOVERNING BODY SHALL REVIEW PROGRESS
 24 TOWARD COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS
 25 SUBPARAGRAPH AT EACH ANNUAL MEETING OF THE GOVERNING BODY.

26 [(2)] (3) The governing body of a cooperative housing corporation has the
 27 authority to increase an assessment levied to cover the reserve funding amount required
 28 under this section, notwithstanding any provision of the articles of incorporation, bylaws,
 29 or proprietary lease restricting assessment increases or capping the assessment that may
 30 be levied in a fiscal year.

31 **Article – Real Property**

1 (b) (1) The annual budget shall provide for at least the following items:

2 [(1)] (I) Income;

3 [(2)] (II) Administration;

4 [(3)] (III) Maintenance;

5 [(4)] (IV) Utilities;

6 [(5)] (V) General expenses;

7 [(6)] (VI) Reserves; and

8 [(7)] (VII) Capital items.

9 (2) IN ADDITION TO THE REQUIREMENTS OF PARAGRAPH (1) OF THIS
10 SUBSECTION, IN HOWARD COUNTY, THE ANNUAL BUDGET SHALL PROVIDE FOR
11 REPLACEMENT COST IF THE ESTIMATED REPLACEMENT COST IS GREATER THAN
12 \$10,000 AS DETERMINED BY THE MOST RECENT RESERVE STUDY OR UPDATED
13 RESERVE STUDY.

14 (c) (1) (I) THIS PARAGRAPH DOES NOT APPLY TO A CONDOMINIUM IN
15 HOWARD COUNTY.

16 (II) Subject to [paragraph (2)] SUBPARAGRAPH (III) of this
17 [subsection] PARAGRAPH, the reserves provided for in the annual budget under subsection
18 (b) of this section for a residential condominium shall be the funding amount recommended
19 in the most recent reserve study completed under § 11-109.4 of this title.

20 [(2)] (III) If the most recent reserve study was an initial reserve study, the
21 governing body shall, within 3 fiscal years following the fiscal year in which the initial
22 reserve study was completed, attain the annual reserve funding level recommended in the
23 initial reserve study.

24 (2) (I) THIS PARAGRAPH APPLIES ONLY TO A CONDOMINIUM IN
25 HOWARD COUNTY.

26 (II) SUBJECT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH AND
27 IN ACCORDANCE WITH THE FUNDING PLAN UNDER § 11-109.4(F) OF THIS TITLE, THE
28 RESERVES PROVIDED FOR IN THE ANNUAL BUDGET UNDER SUBSECTION (B) OF THIS
29 SECTION FOR A RESIDENTIAL CONDOMINIUM SHALL:

1 **1. BE THE FUNDING AMOUNT RECOMMENDED IN THE**
2 **MOST RECENT RESERVE STUDY OR UPDATED RESERVE STUDY COMPLETED UNDER §**
3 **11-109.4 OF THIS TITLE; AND**

4 **2. BE DEPOSITED IN THE RESERVE ACCOUNT ON OR**
5 **BEFORE THE LAST DAY OF EACH FISCAL YEAR.**

6 **(III) IF THE MOST RECENT RESERVE STUDY WAS AN INITIAL**
7 **RESERVE STUDY, THE GOVERNING BODY SHALL, WITHIN 10 FISCAL YEARS**
8 **FOLLOWING THE FISCAL YEAR IN WHICH THE INITIAL RESERVE STUDY WAS**
9 **COMPLETED, ATTAIN THE ANNUAL RESERVE FUNDING LEVEL RECOMMENDED IN**
10 **THE INITIAL RESERVE STUDY.**

11 **(IV) A RESIDENTIAL CONDOMINIUM SHALL REVIEW THE**
12 **RESERVE STUDY ANNUALLY FOR ACCURACY.**

13 11-109.4.

14 (a) **(1) In this section[, “reserve] THE FOLLOWING WORDS HAVE THE**
15 **MEANINGS INDICATED.**

16 **(2) “RESERVE study” means a study of the reserves required for future**
17 **major repairs and replacement of the common elements of a condominium that:**

18 **[(1)] (I) Identifies each structural, mechanical, electrical, and plumbing**
19 **component of the common elements and any other components that are the responsibility**
20 **of the council of unit owners to repair and replace;**

21 **[(2)] (II) States the normal useful life and the estimated remaining useful**
22 **life of each identified component;**

23 **[(3)] (III) States the estimated cost of repair or replacement of each**
24 **identified component; and**

25 **[(4)] (IV) States the estimated annual reserve amount necessary to**
26 **accomplish any identified future repair or replacement.**

27 **(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
28 **ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:**

29 **(I) ANALYZING ANY WORK PERFORMED;**

30 **(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND**
31 **USEFUL LIFE ESTIMATES; AND**

1 **(III) IDENTIFYING:**

2 **1. WORK PERFORMED AND AMOUNTS SPENT; AND**

3 **2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN**
4 **PLACE.**

5 (b) This section applies only to a residential condominium.

6 (c) (1) This subsection applies only to a condominium established in:

7 (i) Prince George's County on or after October 1, 2020;

8 (ii) Montgomery County on or after October 1, 2021; or

9 (iii) Any county other than Prince George's County or Montgomery
10 County on or after October 1, 2022.

11 (2) The governing body of the condominium shall have an independent
12 reserve study completed not less than 30 calendar days before the meeting of the council of
13 unit owners required under § 11-109(c)(16) of this title.

14 (3) The governing body shall have an updated reserve study completed
15 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
16 this subsection and at least every 5 years thereafter.

17 (d) (1) (i) This paragraph applies only to a condominium established in
18 Prince George's County before October 1, 2020.

19 (ii) If the governing body of a condominium has had a reserve study
20 conducted on or after October 1, 2016, the governing body shall have an updated reserve
21 study conducted within 5 years after the date of that reserve study and at least every 5
22 years thereafter.

23 (iii) If the governing body of a condominium has not had a reserve
24 study conducted on or after October 1, 2016, the governing body shall have a reserve study
25 conducted on or before October 1, 2021, and an updated reserve study at least every 5 years
26 thereafter.

27 (2) (i) This paragraph applies only to a condominium established in
28 Montgomery County before October 1, 2021.

29 (ii) If the governing body of a condominium has had a reserve study
30 conducted on or after October 1, 2017, the governing body shall have an updated reserve
31 study conducted within 5 years after the date of that reserve study and at least every 5
32 years thereafter.

1 (iii) If the governing body of a condominium has not had a reserve
2 study conducted on or after October 1, 2017, the governing body shall have a reserve study
3 conducted on or before October 1, 2022, and an updated reserve study at least every 5 years
4 thereafter.

5 (3) (i) This paragraph applies only to a condominium established in any
6 county other than Prince George's County or Montgomery County before October 1, 2022.

7 (ii) If the governing body of a condominium has had a reserve study
8 conducted on or after October 1, 2018, the governing body shall have an updated reserve
9 study conducted within 5 years after the date of that reserve study and at least every 5
10 years thereafter.

11 (iii) If the governing body of a condominium has not had a reserve
12 study conducted on or after October 1, 2018, the governing body shall have a reserve study
13 conducted on or before October 1, 2023, and an updated reserve study at least every 5 years
14 thereafter.

15 (e) Each reserve study **AND, AS APPLICABLE, UPDATED RESERVE STUDY**
16 required under this section shall:

17 (1) Be prepared by a person who:

18 (i) Has prepared at least 30 reserve studies within the prior 3
19 calendar years;

20 (ii) Has participated in the preparation of at least 30 reserve studies
21 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

22 (iii) Holds a current license from the State Board of Architects or the
23 State Board for Professional Engineers; or

24 (iv) Is currently designated as a reserve specialist by the Community
25 Association Institute or as a professional reserve analyst by the Association of Professional
26 Reserve Analysts;

27 (2) Be available for inspection and copying by any unit owner;

28 (3) Be reviewed by the governing body of the condominium in connection
29 with the preparation of the annual proposed budget; and

30 (4) Be summarized for submission with the annual proposed budget to the
31 unit owners.

32 **(F) (1) THIS SUBSECTION APPLIES ONLY TO A CONDOMINIUM IN**
33 **HOWARD COUNTY.**

1 **(2) THE GOVERNING BODY OF A CONDOMINIUM SHALL, IN**
2 **CONSULTATION WITH A PERSON IDENTIFIED UNDER SUBSECTION (E)(1) OF THIS**
3 **SECTION, DEVELOP A FUNDING PLAN TO DETERMINE HOW TO FULLY FUND THE**
4 **RESERVES NECESSARY UNDER THIS SECTION.**

5 **(3) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**
6 **THE GOVERNING BODY SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE**
7 **THE RESERVE FUNDING UNDER THIS SECTION:**

8 **(I) COMPONENT OR FULL FUNDING METHOD;**

9 **(II) CASH FLOW METHOD;**

10 **(III) BASELINE FUNDING METHOD;**

11 **(IV) THRESHOLD CASH FLOW METHOD; AND**

12 **(V) OTHER FUNDING METHODS CONSISTENT WITH GENERALLY**
13 **ACCEPTED ACCOUNTING PRINCIPLES.**

14 **(4) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL**
15 **PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON**
16 **ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY OF MEMBERS**
17 **OF THE CONDOMINIUM.**

18 **(5) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD**
19 **COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION AT**
20 **EACH ANNUAL MEETING OF THE GOVERNING BODY.**

21 11B-112.2.

22 (c) **(1) The annual budget shall provide for at least the following items:**

23 **[(1)] (I) Income;**

24 **[(2)] (II) Administration;**

25 **[(3)] (III) Maintenance;**

26 **[(4)] (IV) Utilities;**

27 **[(5)] (V) General expenses;**

28 **[(6)] (VI) Reserves; and**

1 **[(7)] (VII) Capital expenses.**

2 **(2) IN ADDITION TO THE REQUIREMENTS OF PARAGRAPH (1) OF THIS**
3 **SUBSECTION, IN HOWARD COUNTY, THE ANNUAL BUDGET SHALL PROVIDE FOR**
4 **REPLACEMENT COST IF THE ESTIMATED REPLACEMENT COST IS GREATER THAN**
5 **\$10,000 AS DETERMINED BY THE MOST RECENT RESERVE STUDY OR UPDATED**
6 **RESERVE STUDY.**

7 **(d) (1) (I) THIS PARAGRAPH DOES NOT APPLY TO A HOMEOWNERS**
8 **ASSOCIATION IN HOWARD COUNTY.**

9 **(II) Subject to [paragraph (2)] SUBPARAGRAPH (III) of this**
10 **[subsection] PARAGRAPH, reserves provided for in the annual budget under subsection (c)**
11 **of this section shall be the funding amount recommended in the most recent reserve study**
12 **completed under § 11B–112.3 of this title.**

13 **[(2)] (III) If the most recent reserve study was an initial reserve study, the**
14 **governing body shall, within 3 fiscal years following the fiscal year in which the initial**
15 **reserve study was completed, attain the annual reserve funding level recommended in the**
16 **initial reserve study.**

17 **(2) (I) THIS PARAGRAPH APPLIES ONLY TO A HOMEOWNERS**
18 **ASSOCIATION IN HOWARD COUNTY.**

19 **(II) SUBJECT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH AND**
20 **IN ACCORDANCE WITH THE FUNDING PLAN UNDER § 11B–112.3(F) OF THIS TITLE,**
21 **RESERVES PROVIDED FOR IN THE ANNUAL BUDGET UNDER SUBSECTION (C) OF THIS**
22 **SECTION SHALL:**

23 **1. BE THE FUNDING AMOUNT RECOMMENDED IN THE**
24 **MOST RECENT RESERVE STUDY OR UPDATED RESERVE STUDY COMPLETED UNDER §**
25 **11B–112.3 OF THIS TITLE; AND**

26 **2. BE DEPOSITED IN THE RESERVE ACCOUNT ON OR**
27 **BEFORE THE LAST DAY OF EACH FISCAL YEAR.**

28 **(III) IF THE MOST RECENT RESERVE STUDY WAS AN INITIAL**
29 **RESERVE STUDY, THE GOVERNING BODY SHALL, WITHIN 10 FISCAL YEARS**
30 **FOLLOWING THE FISCAL YEAR IN WHICH THE INITIAL RESERVE STUDY WAS**
31 **COMPLETED, ATTAIN THE ANNUAL RESERVE FUNDING LEVEL RECOMMENDED IN**
32 **THE INITIAL RESERVE STUDY.**

33 **(IV) A HOMEOWNERS ASSOCIATION SHALL REVIEW THE**
34 **RESERVE STUDY ANNUALLY FOR ACCURACY.**

1 11B-112.3.

2 (a) **(1)** In this section[, “reserve] **THE FOLLOWING WORDS HAVE THE**
3 **MEANINGS INDICATED.**

4 **(2)** **“RESERVE study”** means a study of the reserves required for future
5 major repairs and replacement of the common areas of a homeowners association that:

6 [(1)] **(I)** Identifies each structural, mechanical, electrical, and plumbing
7 component of the common areas and any other components that are the responsibility of
8 the homeowners association to repair and replace;

9 [(2)] **(II)** States the estimated remaining useful life of each identified
10 component;

11 [(3)] **(III)** States the estimated cost of repair or replacement of each
12 identified component; and

13 [(4)] **(IV)** States the estimated annual reserve amount necessary to
14 accomplish any identified future repair or replacement.

15 **(3)** **“UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
16 **ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:**

17 **(I) ANALYZING ANY WORK PERFORMED;**

18 **(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND**
19 **USEFUL LIFE ESTIMATES; AND**

20 **(III) IDENTIFYING:**

21 **1. WORK PERFORMED AND AMOUNTS SPENT; AND**

22 **2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN**
23 **PLACE.**

24 (b) (1) This section applies only to a homeowners association:

25 (i) That has responsibility under its declaration for maintaining and
26 repairing common areas; and

27 (ii) For which the total initial purchase and installation costs for all
28 components identified in subsection (a)(1) of this section is at least \$10,000.

1 (2) This section does not apply to a homeowners association that issues
2 bonds for the purpose of meeting capital expenditures.

3 (c) (1) This subsection applies only to a homeowners association established
4 in:

5 (i) Prince George's County on or after October 1, 2020;

6 (ii) Montgomery County on or after October 1, 2021; or

7 (iii) Any county other than Prince George's County or Montgomery
8 County on or after October 1, 2022.

9 (2) The governing body of the homeowners association shall have an
10 independent reserve study completed not more than 90 calendar days and not less than 30
11 calendar days before the meeting of the homeowners association required under §
12 11B-106.1(a) of this title.

13 (3) The governing body shall have an updated reserve study completed
14 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
15 this subsection and at least every 5 years thereafter.

16 (d) (1) (i) This paragraph applies only to a homeowners association
17 established in Prince George's County before October 1, 2020.

18 (ii) If the governing body of a homeowners association has had a
19 reserve study conducted on or after October 1, 2016, the governing body shall have an
20 updated reserve study conducted within 5 years after the date of that reserve study and at
21 least every 5 years thereafter.

22 (iii) If the governing body of a homeowners association has not had a
23 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve
24 study conducted on or before October 1, 2021, and an updated reserve study at least every
25 5 years thereafter.

26 (2) (i) This paragraph applies only to a homeowners association
27 established in Montgomery County before October 1, 2021.

28 (ii) If the governing body of a homeowners association has had a
29 reserve study conducted on or after October 1, 2017, the governing body shall have an
30 updated reserve study conducted within 5 years after the date of that reserve study and at
31 least every 5 years thereafter.

32 (iii) If the governing body of a homeowners association has not had a
33 reserve study conducted on or after October 1, 2017, the governing body shall have a reserve
34 study conducted on or before October 1, 2022, and an updated reserve study at least every
35 5 years thereafter.

1 (3) (i) This paragraph applies only to a homeowners association
2 established in any county other than Prince George's County or Montgomery County before
3 October 1, 2022.

4 (ii) If the governing body of a homeowners association has had a
5 reserve study conducted on or after October 1, 2018, the governing body shall have an
6 updated reserve study conducted within 5 years after the date of that reserve study and at
7 least every 5 years thereafter.

8 (iii) If the governing body of a homeowners association has not had a
9 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve
10 study conducted on or before October 1, 2023, and an updated reserve study at least every
11 5 years thereafter.

12 (e) Each reserve study **AND, AS APPLICABLE, UPDATED RESERVE STUDY**
13 required under this section shall:

14 (1) Be prepared by a person who:

15 (i) Has prepared at least 30 reserve studies within the prior 3
16 calendar years;

17 (ii) Has participated in the preparation of at least 30 reserve studies
18 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

19 (iii) Holds a current license from the State Board of Architects or the
20 State Board for Professional Engineers; or

21 (iv) Is currently designated as a reserve specialist by the Community
22 Association Institute or as a professional reserve analyst by the Association of Professional
23 Reserve Analysts;

24 (2) Be available for inspection and copying by any lot owner;

25 (3) Be reviewed by the governing body of the homeowners association in
26 connection with the preparation of the annual proposed budget; and

27 (4) Be summarized for submission with the annual proposed budget to the
28 lot owners.

29 **(F) (1) THIS SUBSECTION APPLIES ONLY TO A HOMEOWNERS**
30 **ASSOCIATION IN HOWARD COUNTY.**

31 **(2) A HOMEOWNERS ASSOCIATION SHALL, IN CONSULTATION WITH A**
32 **PERSON IDENTIFIED UNDER SUBSECTION (E)(1) OF THIS SECTION, DEVELOP A**

1 FUNDING PLAN TO DETERMINE HOW TO FULLY FUND THE RESERVES NECESSARY
2 UNDER THIS SECTION.

3 (3) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,
4 THE HOMEOWNERS ASSOCIATION SHALL CONSIDER THE FOLLOWING METHODS TO
5 ACHIEVE THE RESERVE FUNDING UNDER THIS SECTION:

6 (I) COMPONENT OR FULL FUNDING METHOD;

7 (II) CASH FLOW METHOD;

8 (III) BASELINE FUNDING METHOD;

9 (IV) THRESHOLD CASH FLOW METHOD; AND

10 (V) OTHER FUNDING METHODS CONSISTENT WITH GENERALLY
11 ACCEPTED ACCOUNTING PRINCIPLES.

12 (4) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL
13 PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON
14 ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY OF MEMBERS
15 OF THE HOMEOWNERS ASSOCIATION.

16 (5) A HOMEOWNERS ASSOCIATION SHALL REVIEW PROGRESS
17 TOWARD COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS
18 SUBSECTION AT EACH ANNUAL MEETING OF THE HOMEOWNERS ASSOCIATION.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 October 1, 2025.