

SENATE BILL 615

N1, C1

6lr1354
CF 6lr3437

By: **Senators West and Carozza**

Introduced and read first time: February 5, 2026

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Common Ownership Communities – Reserve Accounts and Reserve Studies –**
3 **Alterations**

4 FOR the purpose of requiring the governing body of certain cooperative housing
5 corporations, condominiums, or homeowners associations to adopt an annual budget
6 that includes certain calculations for the cost to repair or replace certain capital
7 components, and to deposit funds to a reserve account in accordance with the annual
8 budget; providing that a certain portion of the members, unit owners, or lot owners
9 of a common ownership community, rather than a certain portion of the governing
10 body, may determine that the community and its members are facing a financial
11 hardship and that a determination of financial hardship may be extended; requiring
12 the governing body of certain cooperative housing corporations, condominiums, and
13 homeowners associations to add funds to a reserve account after deviating from a
14 reserve funding requirement concerning a capital component; and generally relating
15 to reserve accounts and reserve studies of common ownership communities.

16 BY repealing and reenacting, with amendments,
17 Article – Corporations and Associations
18 Section 5–6B–26.1
19 Annotated Code of Maryland
20 (2025 Replacement Volume)

21 BY repealing and reenacting, with amendments,
22 Article – Real Property
23 Section 11–109.2, 11–109.4, 11B–112.2, and 11B–112.3
24 Annotated Code of Maryland
25 (2023 Replacement Volume and 2025 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Corporations and Associations

2 5-6B-26.1.

3 (a) (1) In this section 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:

6 (i) Using an itemized list, clearly identifies each structural,
7 mechanical, electrical, and plumbing component of the common elements and any other
8 components that:

17 (ii) States the normal useful life and the estimated remaining useful
18 life of each identified component;

19 (iii) States the estimated cost of repair or replacement of each
20 identified component;

21 (iv) States the estimated annual reserve amount necessary to BE
22 **ADDED TO THE RESERVE ACCOUNT TO** accomplish any identified future repair or
23 replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT REACHES THE**
24 **END OF THE COMPONENT'S USEFUL LIFE;** and

25 (v) States the quantity or size of each identified component using the
26 appropriate measurement, such as unit amount, square footage, or cubic feet.

(3) "Updated reserve study" means, for the common elements since the prior reserve study was completed within the previous 5 years, a study that:

29 (i) Revises replacement cost, remaining life, and useful life
30 estimates;

31 (ii) Analyzes work performed and amounts spent; and

(iii) Identifies whether any maintenance contracts are in place.

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

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

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

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

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

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

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

12 (d) Each reserve study and updated reserve study required under this section
13 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;

(iii) Holds a current license from the State Board of Architects or the
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 unit owner;

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

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

29 (e) To the extent that a reserve study conducted in accordance with this section
30 indicates a need to budget for reserves, the **GOVERNING BODY OF A COOPERATIVE**
31 **HOUSING CORPORATION SHALL ADOPT AN ANNUAL** budget [shall include] **THAT**
32 **INCLUDES:**

33 (1) For the capital components **IDENTIFIED IN THE RESERVE STUDY**, the
34 current estimated:

- (i) Replacement cost **CALCULATED IN THE RESERVE STUDY; AND**
- (ii) Remaining [life; and
- (iii) Useful] **USEFUL life CALCULATED IN THE RESERVE STUDY;**

The amount of [accumulated]:

(I) **ACCUMULATED** cash reserves set aside for the repair[,] OR
[, or restoration] of capital components **IDENTIFIED IN THE RESERVE STUDY**
beginning of the fiscal year in which the reserve study is conducted; and [the
one]

13 (4) A statement of the amount of reserves recommended in the **RESERVE**
14 study and the amount of current cash for replacement reserves.

15 (f) (1) [(i) 1.] Subject to paragraph (2) of this subsection [and
16 subparagraph (ii) of this paragraph], the governing body of a cooperative housing
17 corporation shall deposit funds to the reserve account in accordance with the [most recent
18 reserve study or updated reserve study and the funding plan required under subsection (g)
19 of this section on or before the last day of each fiscal year and shall review the reserves and
20 the most recent reserve study or updated reserve study annually to determine whether
21 there is adequate funding in accordance with the funding plan required under subsection
22 (g) of this section.

26 (ii) Subject to paragraph (2) of this subsection, if the most recent
27 reserve study was an initial reserve study, the governing body shall, within 5 fiscal years
28 following the fiscal year in which the initial reserve study was completed, attain the annual
29 reserve funding level recommended in the initial reserve study in accordance with the
30 funding plan under subsection (g) of this section] **ANNUAL BUDGET ADOPTED BY THE**
31 **COOPERATIVE HOUSING CORPORATION UNDER SUBSECTION (E) OF THIS SECTION.**

32 (2) (i) The [governing body] **MEMBERS** of a cooperative housing
33 corporation may determine by a two-thirds majority vote that the cooperative housing

1 corporation and the members are experiencing a financial hardship that limits the ability
2 to fund reserves that are required under paragraph [(1)(i) or (ii)] **(1)** of this subsection.

3 (ii) Subject to [subparagraphs (iii) through (v)] **SUBPARAGRAPH**
4 **(III)** of this paragraph, if [a governing body makes] **THE MEMBERS OF A COOPERATIVE**
5 **HOUSING CORPORATION MAKE** a financial hardship determination [based on the reserve
6 funding requirements of paragraph (1)(i) or (ii) of this subsection:

7 1. **The]** **IN ACCORDANCE WITH SUBPARAGRAPH (I) OF**
8 **THIS PARAGRAPH, THE** cooperative housing corporation may reasonably deviate from that
9 reserve funding requirement[; and

10 2. The funding level under that requirement shall be at least
11 the funding amount necessary for the purposes specified under subsection (g)(3) of this
12 section].

13 (iii) 1. Except as provided in sub subparagraph 2 of this
14 subparagraph, a cooperative housing corporation may not deviate from the reserve funding
15 requirements of paragraph [(1)(i) or (ii)] **(1)** of this subsection for a period of more than 1
16 fiscal year following the financial hardship determination.

17 2. The [governing body] **MEMBERS OF A COOPERATIVE**
18 **HOUSING CORPORATION** may renew a financial hardship determination under
19 subparagraph (i) of this paragraph by a two-thirds majority vote to extend the period that
20 a cooperative housing corporation may deviate from the reserve funding requirement by 1
21 fiscal year following the renewal.

22 (iv) **IF A COOPERATIVE HOUSING CORPORATION DEVIATES**
23 **FROM A RESERVE FUNDING REQUIREMENT WITH RESPECT TO A CAPITAL**
24 **COMPONENT IDENTIFIED IN A RESERVE STUDY, THE NEW ESTIMATED ANNUAL**
25 **AMOUNT THE COOPERATIVE HOUSING CORPORATION IS REQUIRED TO ADD TO THE**
26 **RESERVE ACCOUNT IN ACCORDANCE WITH THE RESERVE STUDY SHALL BE**
27 **RECALCULATED SO THAT THE RESERVE ACCOUNT WILL HAVE SUFFICIENT MONEY**
28 **TO REPAIR OR REPLACE AN IDENTIFIED COMPONENT WHEN THE COMPONENT**
29 **REACHES THE END OF ITS USEFUL LIFE.**

30 (v) The governing body shall:

31 1. Make good faith efforts to resolve the financial hardship
32 and resume funding reserves as required under paragraph [(1)(i) or (ii)] **(1)** of this
33 subsection;

34 2. Maintain detailed documentation of the good faith efforts
35 made under item 1 of this subparagraph; and

3. Treat the documents under item 2 of this subparagraph as records for examination and copying under § 5–6B–26 of this subtitle.

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

14 (g) (1) The governing body of a cooperative housing corporation shall, in
15 consultation with a person identified under subsection (d)(1) of this section, develop a
16 funding plan to determine how to fund the reserves necessary under this section.

20 (i) The component method;

21 (ii) The cash flow method;

22 (iii) The baseline funding method;

23 (iv) The threshold cash flow method; or

24 (v) Any other funding method consistent with generally accepted
25 accounting principles.

(3) A funding plan developed under this subsection shall prioritize adequate amounts for repair and replacement of common elements of the cooperative housing corporation that are necessary for:

29 (i) The health, safety, and well-being of the occupants;

30 (ii) Ensuring structural integrity, such as roofing replacements and
31 maintaining structural systems;

32 (iii) Essential functioning, such as plumbing, sewer, heating, cooling,
33 and electrical infrastructure; and

1 (iv) Any other essential or critical purpose, as determined by the
2 governing body.

(4) Reserves may be used for purposes other than those specified in the funding plan if the funds are repaid to the reserve fund within 5 years after their use.

Article – Real Property

9 11-109.2.

10 (a) The council of unit owners shall cause to be prepared and submitted to the
11 unit owners an annual proposed budget at least 30 days before its adoption.

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

13 (1) Income;

14 (2) Administration;

15 (3) Maintenance;

16 (4) Utilities;

17 (5) General expenses;

18 (6) Reserves; and

19 (7) Capital items.

20 (c) (1) [Subject to p]

20 (c) (1) [Subject to paragraphs (2) and (3) of this subsection and] **THE**
21 **COUNCIL OF UNIT OWNERS OF THE CONDOMINIUM ASSOCIATION SHALL DEPOSIT**
22 **FUNDS TO THE RESERVE ACCOUNT** in accordance with the funding plan under §
23 11–109.4(f) of this title[, the reserves provided for in the annual budget under subsection
24 (b) of this section for a residential condominium shall:

25 (i) Be the funding amount recommended in the most recent reserve
26 study or updated reserve study completed under § 11-109.4 of this title; and

27 (ii) Be deposited in the reserve account on or before the last day of
28 each fiscal year.

10 (ii) Subject to [subparagraphs (iii) through (v)] **SUBPARAGRAPH**
11 **(III)** of this paragraph, if a governing body makes a financial hardship determination
12 [based on the reserve funding requirements of paragraph (1) or (2) of this subsection:

26 (iv) IF A CONDOMINIUM DEVIATES FROM A RESERVE FUNDING
27 REQUIREMENT WITH RESPECT TO A CAPITAL COMPONENT IDENTIFIED IN A
28 RESERVE STUDY, THE NEW ESTIMATED ANNUAL AMOUNT THE CONDOMINIUM IS
29 REQUIRED TO ADD TO THE RESERVE ACCOUNT IN ACCORDANCE WITH THE RESERVE
30 STUDY SHALL BE RECALCULATED SO THAT THE RESERVE ACCOUNT WILL HAVE
31 SUFFICIENT MONEY TO REPAIR OR REPLACE AN IDENTIFIED COMPONENT WHEN THE
32 COMPONENT REACHES THE END OF ITS USEFUL LIFE.

33 (v) The governing body shall:

11 [(4)] (3) (i) The governing body of a residential condominium shall
12 annually review the reserves and the most recent reserve study or updated reserve study
13 to determine whether there is adequate funding in accordance with the funding plan
14 required under § 11–109.4(f) of this title.

15 (ii) The annual review under this paragraph does not require a
16 reserve study or updated reserve study in addition to the reserve study requirements under
17 § 11–109.4 of this title.

18 (d) (1) The budget shall be adopted at an open meeting of the council of unit
19 owners or any other body to which the council of unit owners delegates responsibilities for
20 preparing and adopting the budget.

24 (ii) The adopted annual budget may be submitted to each unit owner
25 by electronic transmission, by posting on the condominium association's home page, or by
26 inclusion in the homeowners association's newsletter.

27 (e) Any expenditure made other than those made because of conditions which, if
28 not corrected, could reasonably result in a threat to the health or safety of the unit owners
29 or a significant risk of damage to the condominium, that would result in an increase in an
30 amount of assessments for the current fiscal year of the condominium in excess of 15
31 percent of the budgeted amount previously adopted, shall be approved by an amendment
32 to the budget adopted at a special meeting, upon not less than 10 days written notice to the
33 council of unit owners.

34 (f) The adoption of a budget shall not impair the authority of the council of unit
35 owners to obligate the council of unit owners for expenditures for any purpose consistent
36 with any provision of this title.

3 11-109.4.

4 (a) (1) In this section the following words have the meanings indicated.

5 (2) "Reserve study" means a study of the reserves required for future major
6 repairs and replacement of the common elements of a condominium that:

10 1. Are the responsibility of the council of unit owners to
11 repair and replace; and

16 B. Not a minor expense that is otherwise addressed by the
17 budget of the condominium;

18 (ii) States the normal useful life and the estimated remaining useful
19 life of each identified component;

20 (iii) States the estimated cost of repair or replacement of each
21 identified component;

22 (iv) States the estimated annual reserve amount necessary to BE
23 **ADDED TO THE RESERVE ACCOUNT TO** accomplish any identified future repair or
24 replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT REACHES THE**
25 **END OF THE COMPONENT'S USEFUL LIFE;** and

26 (v) States the quantity or size of each identified component using the
27 appropriate measurement, such as unit amount, square footage, or cubic feet.

(3) "Updated reserve study" means, for the common elements since the prior reserve study was completed within the previous 5 years, a study that:

30 (i) Revises replacement cost, remaining life, and useful life
31 estimates;

32 (ii) Analyzes work performed and amounts spent; and

(iii) Identifies whether any maintenance contracts are in place.

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

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

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

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

(iii) Any county other than Prince George's County or Montgomery

County on or after October 1, 2022.

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

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

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

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

11 (e) Each reserve study and updated reserve study required under this section
12 shall:

13 (1) Be prepared by a person who:

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

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

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

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

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

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

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

28 (f) [(1) The governing body of a condominium shall, in consultation with a
29 person identified under subsection (e)(1) of this section, develop a funding plan to determine
30 how to fund the reserves necessary under this section.

- (i) The component method;
- (ii) The cash flow method;
- (iii) The baseline funding method;
- (iv) The threshold cash flow method; or
- (v) Any other funding method consistent with generally accepted principles.

- (i) The health, safety, and well-being of the occupants;
- (ii) Ensuring structural integrity, such as roofing replacements and
water systems;
- (iii) Essential functioning, such as plumbing, sewer, heating, cooling,
structure; and
- (iv) Any other essential or critical purpose, as determined by the

17 (4) Reserves may be used for purposes other than those specified in the
18 funding plan if the funds are repaid to the reserve fund within 5 years after their use.

24 (1) FOR THE CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE
25 STUDY, THE CURRENT ESTIMATED:

30 (2) THE AMOUNT OF:

5 (II) THE AMOUNT OF THE EXPECTED CONTRIBUTION TO THE
6 RESERVE FUND FOR THE FISCAL YEAR CALCULATED IN THE RESERVE STUDY;

13 11B-112.2.

14 (a) This section applies only to a homeowners association that has responsibility
15 under its declaration for maintaining and repairing common areas.

(2) The annual proposed budget may be sent to each lot owner by electronic transmission, by posting on the homeowners association's home page, or by including the annual proposed budget in the homeowners association's newsletter.

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

23 (1) Income;

24 (2) Administration;

25 (3) Maintenance;

26 (4) Utilities;

27 (5) General expenses;

28 (6) Reserves; and

29 (7) Capital expenses.

5 (i) Be the funding amount recommended in the most recent reserve
6 study or updated reserve study completed under § 11B–112.3 of this title; and

7 (ii) Be deposited in the reserve account on or before the last day of
8 each fiscal year.

14 [(3)] (2) (i) The [governing body] **LOT OWNERS** of a homeowners
15 association may determine by a two-thirds majority vote that the homeowners association
16 and the lot owners are experiencing a financial hardship that limits the ability to fund
17 reserves that are required under paragraph (1) [or (2)] of this subsection.

18 (ii) Subject to [subparagraphs (iii) through (v)] **SUBPARAGRAPH**
19 **(III)** of this paragraph, if [a governing body makes] **THE LOT OWNERS OF A**
20 **HOMEOWNERS ASSOCIATION MAKE** a financial hardship determination [based on the
21 reserve funding requirements of paragraph (1) or (2) of this subsection:

(iii) 1. Except as provided in subsubparagraph 2 of this subparagraph, a homeowners association may not deviate from the reserve funding requirements of paragraph (1) [or (2)] of this subsection for a period of more than 1 fiscal year following the financial hardship determination.

1 (iv) IF A HOMEOWNERS ASSOCIATION DEVIATES FROM A
2 RESERVE FUNDING REQUIREMENT WITH RESPECT TO A CAPITAL COMPONENT
3 IDENTIFIED IN A RESERVE STUDY, THE NEW ESTIMATED ANNUAL AMOUNT THE
4 HOMEOWNERS ASSOCIATION IS REQUIRED TO ADD TO THE RESERVE ACCOUNT IN
5 ACCORDANCE WITH THE RESERVE STUDY SHALL BE RECALCULATED SO THAT THE
6 RESERVE ACCOUNT WILL HAVE SUFFICIENT MONEY TO REPAIR OR REPLACE AN
7 IDENTIFIED COMPONENT WHEN THE COMPONENT REACHES THE END OF ITS USEFUL
8 LIFE.

9 (v) The governing body shall:

3. Treat the documents under item 2 of this subparagraph as records for examination and copying under § 11B–112 of this title.

26 (ii) The annual review under this paragraph does not require a
27 reserve study or updated reserve study in addition to the reserve study requirements under
28 § 11B–112.3 of this title.

29 (e) (1) The budget shall be adopted at an open meeting of the homeowners
30 association or any other body to which the homeowners association delegates
31 responsibilities for preparing and adopting the budget.

4 (3) (i) Notice of the meeting at which the proposed budget will be
5 considered shall be sent to each lot owner.

(ii) Notice under subparagraph (i) of this paragraph may be sent by electronic transmission, by posting on the homeowners association's home page, or by including the notice in the homeowners association's newsletter.

17 (g) The adoption of a budget does not impair the authority of the homeowners
18 association to obligate the homeowners association for expenditures for any purpose
19 consistent with any provision of this title.

20 11B-112.3.

21 (a) (1) In this section 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 areas of a homeowners association that:

24 (i) Using an itemized list, identifies each structural, mechanical,
25 electrical, and plumbing component of the common areas and any other components that:

26 1. Are the responsibility of the homeowners association to
27 repair and replace; and

1 (ii) States the estimated remaining useful life of each identified
2 component;

3 (iii) States the estimated cost of repair or replacement of each
4 identified component;

5 (iv) States the estimated annual reserve amount necessary to BE
6 ADDED TO THE RESERVE ACCOUNT IN ORDER TO accomplish any identified future
7 repair or replacement OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT
8 REACHES THE END OF THE COMPONENT'S USEFUL LIFE; and

(v) States the quantity or size of each identified component using the appropriate measurement, such as unit amount, square footage, or cubic feet.

13 (i) Revises replacement cost, remaining life, and useful life
14 estimates;

15 (ii) Analyzes work performed and amounts spent; and

16 (iii) Identifies whether any maintenance contracts are in place.

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

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

(ii) For which the total repair or replacement costs for all components identified in subsection (a) of this section is at least \$10,000.

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

24 (c) (1) This subsection applies only to a homeowners association established
25 in:

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

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

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

1 calendar days before the meeting of the homeowners association required under §
2 11B-106.1(a) of this title.

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

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

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

12 (iii) If the governing body of a homeowners association has not had a
13 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve
14 study conducted on or before October 1, 2021, and an updated reserve study at least every
15 5 years thereafter.

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

18 (ii) If the governing body of a homeowners association has had a
19 reserve study conducted on or after October 1, 2017, 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, 2017, the governing body shall have a reserve
24 study conducted on or before October 1, 2022, and an updated reserve study at least every
25 5 years thereafter.

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

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

33 (iii) If the governing body of a homeowners association has not had a
34 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve
35 study conducted on or before October 1, 2023, and an updated reserve study at least every
36 5 years thereafter.

3 (1) Be prepared by a person who:

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

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

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

10 (iv) Is currently designated as a reserve specialist by the Community
11 Association Institute or as a professional reserve analyst by the Association of Professional
12 Reserve Analysts;

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

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

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

18 (f) [(1) The governing body of a homeowners association shall, in consultation
19 with a person identified under subsection (e)(1) of this section, develop a funding plan to
20 determine how to fund the reserves necessary under this section.

24 (i) The component method;

25 (ii) The cash flow method;

26 (iii) The baseline funding method;

27 (iv) The threshold cash flow method; or

28 (v) Any other funding method consistent with generally accepted
29 accounting principles.

(3) A funding plan developed under this subsection shall prioritize adequate amounts for repair and replacement of common areas of the homeowners association that are necessary for:

4 (i) The health, safety, and well-being of the occupants;

5 (ii) Ensuring structural integrity, such as roofing replacements and
6 maintaining structural systems;

9 (iv) Any other essential or critical purpose, as determined by the
10 governing body.

11 (4) Reserves may be used for purposes other than those specified in the
12 funding plan if the funds are repaid to the reserve fund within 5 years after their use.

19 (1) FOR THE CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE
20 STUDY, THE CURRENT ESTIMATED:

25 (2) THE AMOUNT OF:

30 (II) THE AMOUNT OF THE EXPECTED CONTRIBUTION TO THE
31 RESERVE FUND FOR THE FISCAL YEAR CALCULATED IN THE RESERVE STUDY:

1 **(3) A STATEMENT DESCRIBING THE PROCEDURES USED FOR**
2 **ESTIMATION AND ACCUMULATION OF CASH RESERVES IN ACCORDANCE WITH THIS**
3 **SECTION; AND**

4 **(4) A STATEMENT OF THE AMOUNT OF RESERVES RECOMMENDED IN**
5 **THE RESERVE STUDY AND THE AMOUNT OF CURRENT CASH FOR REPLACEMENT**
6 **RESERVES.**

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 2026.