

# SENATE BILL 615

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CF 6lr3437

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By: **Senators West and Carozza**

Introduced and read first time: February 5, 2026

Assigned to: Judicial Proceedings

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## 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:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



**Article – Corporations and Associations**

5–6B–26.1.

(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:

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

1. Are the responsibility of the cooperative housing corporation to repair and replace; and

2. If applicable, meet a minimum cost of repair or replacement, as determined by the governing body, that is:

A. Reasonably based on the expenses of the cooperative housing corporation; and

B. Not a minor expense that is otherwise addressed by the budget of the cooperative housing corporation;

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

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

(iv) States the estimated annual reserve amount necessary to **BE ADDED TO THE RESERVE ACCOUNT TO** accomplish any identified future repair or replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT 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.

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

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

(ii) Analyzes work performed and amounts spent; and

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

(b) (1) This subsection applies only to a cooperative housing corporation 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 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.

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

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

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

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

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

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

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

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

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

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

(d) Each reserve study and updated reserve study required under this section shall:

(1) Be prepared by a person who:

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

(ii) Has participated in the preparation of at least 30 reserve studies 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

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

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

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

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

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

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

(i) Replacement cost **CALCULATED IN THE RESERVE STUDY; AND**

(ii) Remaining [life; and

(iii) Useful] **USEFUL** life **CALCULATED IN THE RESERVE STUDY;**

(2) The amount of [accumulated]:

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

(II) **THE** expected contribution to the reserve fund for the fiscal year **CALCULATED IN THE RESERVE STUDY;**

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

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

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

2. The annual review under subparagraph 1 of this subparagraph does not require a reserve study or updated reserve study in addition to the reserve study requirements under subsections (b) and (c) of this section.

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

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

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

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

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

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

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

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

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

(v) The governing body shall:

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

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

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

3                               ~~[(v)]~~ **(VI)**   1.       All members shall be given reasonable notice in  
4 advance of a vote on an initial or a renewal of a financial hardship determination under  
5 this paragraph.

6                               2.       A vote on an initial or a renewal of a financial hardship  
7 determination under this paragraph may be taken only at a regular or special meeting of  
8 the cooperative housing corporation.

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.

17                           (2)   In developing the funding plan under this subsection, the governing  
18 body shall select one of the following methods to achieve the reserve funding under this  
19 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.

26                           (3)   A funding plan developed under this subsection shall prioritize  
27 adequate amounts for repair and replacement of common elements of the cooperative  
28 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

(iv) Any other essential or critical purpose, as determined by the 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.

(5) A governing body shall review progress toward compliance with the funding plan developed under this subsection at each annual meeting of the governing body.]

## Article – Real Property

11–109.2.

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

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

(1) Income;

(2) Administration;

(3) Maintenance;

(4) Utilities;

(5) General expenses;

(6) Reserves; and

(7) Capital items.

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

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

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



(2) Subject to paragraph (3) of this subsection, if the most recent reserve study was an initial reserve study, the governing body shall, within 5 fiscal years following the fiscal year in which the initial reserve study was completed, attain the annual reserve funding level recommended in the initial reserve study in accordance with the funding plan under § 11–109.4(f) of this title].

**[(3)] (2)** (i) The [governing body of a residential condominium] **COUNCIL OF UNIT OWNERS** may determine by a two-thirds majority vote that the condominium and the unit owners are experiencing a financial hardship that limits the ability to fund reserves that are required under paragraph (1) [or (2)] of this subsection.

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

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

2. The funding level under that requirement shall be at least the funding amount necessary for the purposes specified under § 11–109.4(f)(3) of this title].

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

2. The [governing body] **UNIT OWNERS** may renew a financial hardship determination under subparagraph (i) of this paragraph by a two-thirds majority vote to extend the period that a residential condominium may deviate from the reserve funding requirement by 1 fiscal year following the renewal.

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

**(v)** The governing body shall:

1. Make good faith efforts to resolve the financial hardship and resume funding reserves as required under paragraph (1) [or (2)] of this subsection;

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

3                               3.     Treat the documents under item 2 of this subparagraph as  
4     records available for examination and copying under § 11–116 of this title.

5                               ~~[(v)]~~ **(VI)**     1.     All unit owners shall be given reasonable notice in  
6     advance of a vote on an initial or a renewal of a financial hardship determination under  
7     this paragraph.

8                               2.     A vote on an initial or a renewal of a financial hardship  
9     determination under this paragraph may be taken only at a regular or special meeting of  
10    the condominium.

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.

21                               (2)     (i)     The council of unit owners or other governing body of unit owners  
22    shall submit the adopted annual budget to the unit owners not more than 30 days after the  
23    meeting at which the budget was adopted.

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.

(g) The provisions of this section do not apply to a condominium that is occupied and used solely for nonresidential purposes.

11-109.4.

(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 condominium that:

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

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

2. If applicable, meet a minimum cost of repair or replacement, as determined by the governing body, that is:

A. Reasonably based on the expenses of the condominium; and

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

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

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

(iv) States the estimated annual reserve amount necessary to **BE ADDED TO THE RESERVE ACCOUNT TO** accomplish any identified future repair or replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT 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.

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

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

(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.

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

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

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

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

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

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

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

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

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

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

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;

18                               (iii)   Holds a current license from the State Board of Architects or the  
19 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.

31                   (2)    In developing the funding plan under this subsection, the governing  
32 body shall select one of the following methods to achieve the reserve funding under this  
33 section:

- 1 (i) The component method;
- 2 (ii) The cash flow method;
- 3 (iii) The baseline funding method;
- 4 (iv) The threshold cash flow method; or
- 5 (v) Any other funding method consistent with generally accepted  
6 accounting principles.

7 (3) A funding plan developed under this subsection shall prioritize  
8 adequate amounts for repair and replacement of common elements of the condominium  
9 that are necessary for:

- 10 (i) The health, safety, and well-being of the occupants;
- 11 (ii) Ensuring structural integrity, such as roofing replacements and  
12 maintaining structural systems;
- 13 (iii) Essential functioning, such as plumbing, sewer, heating, cooling,  
14 and electrical infrastructure; and
- 15 (iv) Any other essential or critical purpose, as determined by the  
16 governing body.

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.

19 (5) A governing body shall review progress toward compliance with the  
20 funding plan developed under this subsection at each annual meeting of the governing  
21 body] **TO THE EXTENT THAT A RESERVE STUDY CONDUCTED IN ACCORDANCE WITH**  
22 **THIS SECTION INDICATES A NEED TO BUDGET FOR RESERVES, THE GOVERNING**  
23 **BODY OF THE CONDOMINIUM SHALL ADOPT AN ANNUAL BUDGET THAT INCLUDES:**

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

26 **(I) REPLACEMENT COST CALCULATED IN THE RESERVE STUDY;**  
27 **AND**

28 **(II) REMAINING USEFUL LIFE CALCULATED IN THE RESERVE**  
29 **STUDY;**

30 **(2) THE AMOUNT OF:**

1                   **(I) ACCUMULATED CASH RESERVES SET ASIDE FOR THE**  
2 **REPAIR OR REPLACEMENT OF CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE**  
3 **STUDY AS OF THE BEGINNING OF THE FISCAL YEAR IN WHICH THE RESERVE STUDY**  
4 **IS CONDUCTED; AND**

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

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

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

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.

16           (b) (1) The board of directors or other governing body of a homeowners  
17 association shall cause to be prepared and submitted to the lot owners an annual proposed  
18 budget at least 30 days before its adoption.

19                   (2) The annual proposed budget may be sent to each lot owner by electronic  
20 transmission, by posting on the homeowners association's home page, or by including the  
21 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.

(d) (1) [Subject to paragraphs (2) and (3) of this subsection and] **THE GOVERNING BODY OF THE HOMEOWNERS ASSOCIATION SHALL DEPOSIT FUNDS TO THE RESERVE ACCOUNT** in accordance with the funding plan under § 11B–112.3(f) of this title[, reserves provided for in the annual budget under subsection (c) of this section shall:

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

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

(2) Subject to paragraph (3) of this subsection, if the most recent reserve study was an initial reserve study, the governing body shall, within 5 fiscal years following the fiscal year in which the initial reserve study was completed, attain the annual reserve funding level recommended in the initial reserve study in accordance with the funding plan under § 11B–112.3(f) of this title].

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

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

1. The] **IN ACCORDANCE WITH SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE** homeowners association may reasonably deviate from that reserve funding requirement[; and

2. The funding level under that requirement shall be at least the funding amount necessary for the purposes specified under § 11B–112.3(f)(3) of this title].

(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.

2. The [governing body] **LOT OWNERS OF A HOMEOWNERS ASSOCIATION** may renew a financial hardship determination under subparagraph (i) of this paragraph by a two-thirds majority vote to extend the period that a homeowners association may deviate from the reserve funding requirement by 1 fiscal year following the renewal.



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

(v) The governing body shall:

1. Make good faith efforts to resolve the financial hardship and resume funding reserves as required under paragraph (1) [or (2)] of this subsection;

2. Maintain detailed documentation of the good faith efforts 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 § 11B–112 of this title.

~~[(v)]~~ (vi) 1. All lot owners shall be given reasonable notice in advance of a vote on an initial or a renewal of a financial hardship determination under this paragraph.

2. A vote on an initial or a renewal of a financial hardship determination under this paragraph may only be taken at a regular or special meeting of the homeowners association.

~~[(4)]~~ (3) (i) The governing body of a homeowners association shall annually review the reserves and the most recent reserve study or updated reserve study to determine whether there is adequate funding in accordance with the funding plan required under § 11B–112.3(f) of this title.

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

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

(2) (i) The board of directors or other governing body of a homeowners association shall submit the adopted annual budget to the lot owners not more than 30 days after the meeting at which the budget was adopted.

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

(3) (i) Notice of the meeting at which the proposed budget will be 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.

(f) Except for an expenditure made by the homeowners association because of a condition that, if not corrected, could reasonably result in a threat to the health or safety of the lot owners or a significant risk of damage to the development, any expenditure that would result in an increase in an amount of assessments for the current fiscal year of the homeowners association in excess of 15% of the budgeted amount previously adopted shall be approved by an amendment to the budget adopted at a special meeting for which not less than 10 days' written notice or notice by electronic transmission shall be provided to the lot owners.

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

11B-112.3.

(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 areas of a homeowners association that:

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

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

2. If applicable, meet a minimum cost of repair or replacement, as determined by the governing body, that is:

A. Reasonably based on the expenses of the homeowners association; and

B. Not a minor expense that is otherwise addressed by the budget of the homeowners association;

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

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

(iv) States the estimated annual reserve amount necessary to **BE ADDED TO THE RESERVE ACCOUNT IN ORDER TO** accomplish any identified future repair or replacement **OF AN IDENTIFIED COMPONENT WHEN THE COMPONENT 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.

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

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

(ii) Analyzes work performed and amounts spent; and

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

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

(i) That has responsibility under its declaration for maintaining and 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.

(c) (1) This subsection applies only to a homeowners association 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 homeowners association shall have an independent reserve study completed not more than 90 calendar days and not less than 30

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

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

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

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

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

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

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

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

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

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

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

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

(1) Be prepared by a person who:

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

(ii) Has participated in the preparation of at least 30 reserve studies 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

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

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

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

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

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

(2) In developing the funding plan under this subsection, the governing body shall select one of the following methods to achieve the reserve funding 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 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:

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

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

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

(iv) Any other essential or critical purpose, as determined by the 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.

(5) A governing body of a homeowners association shall review progress toward compliance with the funding plan developed under this subsection at each annual meeting of the homeowners association] **TO THE EXTENT THAT A RESERVE STUDY CONDUCTED IN ACCORDANCE WITH THIS SECTION INDICATES A NEED TO BUDGET FOR RESERVES, THE GOVERNING BODY OF A HOMEOWNERS ASSOCIATION SHALL ADOPT AN ANNUAL BUDGET THAT INCLUDES:**

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

**(I) REPLACEMENT COST CALCULATED IN THE RESERVE STUDY;**  
**AND**

**(II) REMAINING USEFUL LIFE CALCULATED IN THE RESERVE STUDY;**

**(2) THE AMOUNT OF:**

**(I) ACCUMULATED CASH RESERVES SET ASIDE FOR THE REPAIR OR REPLACEMENT OF CAPITAL COMPONENTS IDENTIFIED IN THE RESERVE STUDY AS OF THE BEGINNING OF THE FISCAL YEAR IN WHICH THE RESERVE STUDY IS CONDUCTED; AND**

**(II) THE AMOUNT OF THE EXPECTED CONTRIBUTION TO THE 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.