

ANTHONY G. BROWN
Attorney General

CANDACE MCLAREN LANHAM
Chief of Staff

CAROLYN QUATTROCKI
Deputy Attorney General



WILLIAM D. GRUHN
Chief
Consumer Protection Division

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

Writer's Fax No.

Writer's Direct Dial No.

410-576-7942
kstraughn@oag.state.md.us
Fax: 410-576-7040

February 21, 2023

To: The Honorable Kumar Barve
Chair, Environment and Transportation Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 534 – Cooperative Housing Cooperations, Condominiums and Homeowners Associations – Funding for Reserve Accounts (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 534 submitted by Delegate Marvin E. Holmes, Jr. This bill would extend the length of time to meet reserve study funding requirements from 3 years after the initial study was completed to 5 years and would not require deposit of the funds until the last day before the end of the fiscal year for the association.

Legislation passed last session requires Condominium and Homeowners associations to conduct a reserve study and to fund the reserves of the association in accordance with that study. In the past, many associations had not been properly funding their reserves, either due to the inability to obtain the votes required to approve large increases or the simple inability to afford the increases necessary. As a result, the infrastructure of many of these associations has deteriorated and associations are now forced to incur substantial increases or face penalties for failing to address the deteriorating conditions of the community.

In many common ownership communities, the infrastructure includes roads, storm water management ponds, sewers, parks, sidewalks and other elements that are the sole responsibility of the association and its members. The failure to maintain the infrastructure can result in both physical danger to the community members as well as depressed property values and eventually, communities in crisis. Despite this, many communities have expressed concerns about the ability to meet the funding requirements of the law. This bill would extend the requirement to

fund the studies from 3 years after the initial reserve study to 5 years. It would also clarify that the funds must be deposited with the reserve account on or before the last day of each fiscal year. These provisions would each give additional time to permit associations to comply with the law.

For these reasons, we ask that the Environment and Transportation Committee return a favorable report on this bill.

cc: The Honorable Marvin E. Holmes, Jr.
Members, Environment and Transportation Committee