



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony

**SB 63: Cooperative Housing Corporations, Condominiums, and Homeowners Associations
– Funding of Reserve Accounts and Preparation of Funding Plans**

Good afternoon, Mr. Chairman, Vice Chair, and members of the Judicial Proceedings Committee:

SB 63 makes important improvements to the statutory framework governing reserve studies and funding plans for cooperative housing corporations (COCs), residential condominiums, and homeowners associations (HOAs). These changes are essential for ensuring the long-term financial health and sustainability of common ownership communities (COCs) across the state.

The key provisions of SB 63 include:

1. **Extended Timeframe for Funding Compliance:** The bill extends the period from three years to five years for COCs to meet the annual reserve funding levels recommended by an initial reserve study. This additional time gives COCs greater flexibility to meet financial goals without burdening residents with excessive assessment increases.
2. **Updated Reserve Study Definition:** The bill clarifies what constitutes an “updated reserve study,” which includes revising cost estimates, remaining useful life, and reviewing maintenance contracts. This ensures that communities have accurate and current information to make informed financial decisions.
3. **Annual Review of Reserve Studies:** COCs are now explicitly required to review their reserve studies annually for accuracy, ensuring that the reserve studies reflect the community's true financial needs and current condition of common elements.
4. **Funding Plan for Reserves:** The bill mandates that COCs develop a comprehensive funding plan to determine how to fully fund reserves, prioritizing repairs and replacements critical to the health and safety of community members. This approach provides clear direction for long-term financial planning.
5. **Depositing Reserve Funds:** The bill requires that reserve funds be deposited into the reserve account by the end of each fiscal year in accordance with the most recent reserve

study and funding plan, ensuring that COCs are consistently maintaining adequate reserves.

6. **Inclusion of Large Replacement Costs:** If the estimated replacement cost of any common element exceeds \$10,000, the bill mandates that these costs be factored into the reserve funding and budget.

In closing, this legislation is a significant step forward in improving the financial management and sustainability of common ownership communities. It ensures that COCs are properly prepared for major repairs and replacements, while providing transparency and accountability to residents.

Therefore, I respectfully urge the committee to issue a **FAVORABLE** report for SB 63.