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February 18, 2026

To: The Honorable William C. Smith, Jr.  
Chair, Judicial Proceedings Committee

From: Karen S. Straughn  
Consumer Protection Division

Re: Senate Bill 576 – Cooperative Housing Act and Condominiums – Emergency Use of Reserve Funds (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 576 submitted by Senator J. B. Jennings. This bill would permit reserve funds to be used for a purpose not specified in the reserve funding plan if (i) there is an emergency, and (ii) two thirds of the members of the community in good standing vote to approve such action.

Legislation passed last session permitted an association to use reserve funds for purposes other than those specified in the reserve funding plan as long as those funds were repaid within 5 years after their use. Senate Bill 576 seeks to limit the use of these reserve funds to emergency situations only and requires this decision to use these funds be made by the community rather than the board.

Reserve funds are savings set aside for major repairs and replacement of common shared components of an association. These funds help to prevent large special assessments, ensure required maintenance is timely performed, and keep the community financially stable. Therefore, these funds should not be used for routine operating expenses, budget shortfalls or previously unplanned projects. Rather, their use for anything other than planned maintenance

and repairs should be limited to actual emergencies that threaten safety, health, or property; require immediate action; and cannot reasonably wait for normal funding or budgeting processes. To ensure that any non-reserve purpose includes input from the community, the decision should be approved by a vote of the homeowners—not just by the Board. Major financial decisions should remain in the hands of the community to ensure that transparency and accountability are maintained. This will protect reserve funds and ensure that they are used primarily for the purposes for which they were intended.

For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill.

cc: The Honorable J. B. Jennings  
Members, Judicial Proceedings Committee