

SENATE BILL 576

N1, C1

6lr2586

By: **Senator Jennings**

Introduced and read first time: February 4, 2026

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Cooperative Housing Corporations and Condominiums – Emergency Use of**
3 **Reserve Funds**

4 FOR the purpose of providing that reserve funds of a cooperative housing corporation or
5 condominium may not be used for purposes other than those specified in the funding
6 plan ~~in unless there is an emergency and under certain circumstances~~ certain other
7 circumstances exist; and generally relating to
8 cooperative housing corporations and condominiums.

8 BY repealing and reenacting, with amendments,
9 Article – Corporations and Associations
10 Section 5–6B–26.1(g)
11 Annotated Code of Maryland
12 (2025 Replacement Volume)

13 BY repealing and reenacting, with amendments,
14 Article – Real Property
15 Section 11–109.4(f)
16 Annotated Code of Maryland
17 (2023 Replacement Volume and 2025 Supplement)

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

20 **Article – Corporations and Associations**

21 5–6B–26.1.

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

3 REPRINT OF SENATE BILL 576 as amended by SB0576/363327/1 02/16/26 at 5:26 PM

1 11-109.4.

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

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

8 (i) The component method;

9 (ii) The cash flow method;

10 (iii) The baseline funding method;

11 (iv) The threshold cash flow method; or

12 (v) Any other funding method consistent with generally accepted
 13 accounting principles.

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

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

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

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

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

24 (4) Reserves may **NOT** be used for purposes other than those specified in the
 25 funding plan ~~IN AN EMERGENCY~~ if UNLESS [the]:

26 **(I) THERE IS AN EMERGENCY;**

(II) THE funds are ~~repaid~~:

1. USED ONLY FOR SHORT-TERM OPERATIONAL EXPENSES; AND

2. REPAID to the reserve fund within 5 years after

27 their use; AND

28 ~~(II)~~ **(III) THE USE OF THE FUNDS IS APPROVED BY AN AFFIRMATIVE**
 29 **VOTE OF AT LEAST TWO-THIRDS OF THE UNIT OWNERS IN GOOD STANDING IN THE**
 30 **COUNCIL.**

4 **REPRINT OF SENATE BILL 576 as amended by SB0576/363327/1 02/16/26 at 5:26 PM**

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

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