

testimony.pdf

Uploaded by: David Kiefaber

Position: FAV

Dear legislators,

I am testifying in favor of SB0576, which allows for condo association reserve funds to be used for emergencies outside the funding plan, if their use is approved by a two-thirds affirmative vote of association members or unit owners. This bill, if approved, will help control costs for condo unit owners and maintain condo ownership as an affordable housing option for Marylanders.

Thank you,

Dave Kiefaber
Dunn's Grove Condo Association member

SB 576 Letter of Support.pdf

Uploaded by: Karen Straughn

Position: FAV

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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

SB 576 - CIC Reserve Exemptions - FWA - REALTORS.p

Uploaded by: Lisa May

Position: FWA



Senate Bill 576 – Homeowners Associations - Reserve Funding Requirements – Exemption

Position: Support with Amendments

Maryland REALTORS® supports SB 576, which allows Condominium and Cooperative Associations facing financial difficulties to develop alternate funding plans for their required reserves. We believe that this flexibility should also be granted to all types of Common Interest Communities, by also inserting these provisions into code sections governing Homeowners' Associations as well.

Association reserve studies evaluate the association's ability to pay for future financial obligations like maintenance and repairs. If the study determines that an association's financial reserves are insufficient, the unit owners may face increases in their monthly fees or special assessments to recapitalize the accounts.

With association residents already burdened by reserve contributions, facing damages from a natural disaster or financial malfeasance could result in funding requirements well beyond their ability to pay. Giving associations additional flexibility to meet required reserves will minimize financial impacts on residents while still ensuring that the communities remain financially and structurally sound.

With the above amendment to include all Common Interest Community types, REALTORS® recommend a favorable report on SB 576.

**For more information contact lisa.may@mdrealtor.org or
christa.mcgee@mdrealtor.org**

SB576 testimony reserves tja.pdf

Uploaded by: Thomas Allen

Position: FWA

SB576 (2026 Session)

Cooperative Housing Corporations and Condominiums - Emergency Use of Reserve Funds

FAVORABLE WITH AMENDMENT

As written, SB576 imagines the impossibility of a community vote after a minimum of 10 days notice to deal with an emergency that is not defined. As written, the bill also encourages the use of tax exempt funds for a non-tax exempt purpose which conflicts with IRS regulations. The requested amendments are as follows:

11-109.4

(f)(4) Reserves may be used **IN AN EMERGENCY** for purposes other than those specified in the funding plan ~~IN AN EMERGENCY~~ if [the] **THE EMERGENCY IS FOR A CONDITION WHICH, IF NOT CORRECTED, COULD REASONABLY RESULT IN A THREAT TO THE HEALTH OR SAFETY OF THE UNIT OWNERS OR A SIGNIFICANT RISK OF DAMAGE TO THE CONDOMINIUM. SUBJECT TO SUBPARAGRAPH 6 OF THIS PARAGRAPH.**

(5) ~~RESERVES MAY BE USED FOR OPERATING EXPENSES PURPOSES OTHER THAN THOSE SPECIFIED IN THE FUNDING PLAN IF~~ THE USE OF THE FUNDS IS APPROVED BY AN AFFIRMATIVE VOTE OF AT LEAST TWO-THIRDS OF THE UNIT OWNERS IN GOOD STANDING IN THE COUNCIL OF UNIT OWNERS, **SUBJECT TO SUBPARAGRAPH 6 OF THIS PARAGRAPH.**

(6) USE OF RESERVES UNDER SUBPARAGRAPH 4 OR 5 OF THIS PARAGRAPH IS ONLY PERMITTED IF:

(I) **THE** funds are repaid to the reserve fund within 5 years after their use; ~~AND~~

(II) **THE BORROWED FUNDS ARE NOT CLAIMED AS RESERVE FUNDS ON A FILING OF FORM 1120 OR ANY OTHER FILING TO THE INTERNAL REVENUE SERVICE DURING THE BORROWING PERIOD.**

~~[(5)]~~ (7) A governing body shall review progress toward compliance with the funding plan developed under this subsection at each annual meeting of the [governing body] **COUNCIL OF UNIT OWNERS.**

Senator Jennings is tackling an important issue. Last year, the General Assembly accidentally created a slush fund making it easy to abuse decades of savings by unit owners. The lobby for cooperatives is usually successful at killing legislation. The chance to win their support may be gone due to the initial draft language, so if necessary please be prepared to eliminate the provisions on cooperatives so that at least condominiums can close the loophole.

Thank you.

testimony SB 576.pdf

Uploaded by: Jim Lieberman

Position: UNF

Board of Directors
Leisure World Community Corporation

3701 Rossmoor Boulevard
Silver Spring, MD 20906

**TESTIMONY OF THE LEISURE WORLD COMMUNITY CORPORATION
ON FEBRUARY 18, 2026
BEFORE THE SENATE JUDICIAL PROCEEDINGS
SB 576 – COOPERATIVE HOUSING CORPORATIONS AND CONDOMINIUMS -
EMERGENCY USE OF RESERVE FUNDS**

UNFAVORABLE

Honorable Chair William C. Smith, Vice-Chair Jeff Waldstreicher, and Members of the Senate Judicial Proceedings Committee:

This testimony is being submitted on behalf of the Leisure World Community Corporation. The Leisure World Community Corporation is a master homeowners association consisting of 29 common ownership communities: 27 condominiums, 1 cooperative, and 1 home owner association. It is a senior (55+) adult community in Silver Spring Maryland, located on 610 acres. More than 8500 residents live in Leisure World.

Under current law both the Maryland Cooperative Housing Corporation Act and the Maryland Condominium Act provides that the governing bodies have the authority to use reserve funds 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.

SB 576 changes the authority for using reserve funds from the governing bodies to the unit owners of condominiums and members of cooperatives. In addition, it requires approval of two-thirds of the members of the cooperative or unit owners of the condominium to depart in an emergency. It is not clear if that is two-thirds of all members and unit owners or just two-thirds of members or unit owners voting in a meeting. If it means all, then for many condominiums and cooperatives it will be essentially impossible to achieve a timely vote in an emergency especially for buildings with seniors that may have many snow birds who may not be readily available.

In any event, it is the governing bodies that should be making the decision to use funds from the reserves not the members and unit owners of the condominium or cooperative. The governing body was elected to represent them. The governing bodies have a fiduciary obligation to look out for the best interest of the condominium and cooperative as well as

their members and unit owners. Moreover, it is the governing bodies that has the obligation to review annually the reserve fund studies, update it as warranted, and approve the fund amounts and collection process. The governing bodies are in the best position to judge if there is a need to depart from the funding plan and assure there is a mechanism to pay back the funds within the required five-year period. **The bill should maintain the current requirement for the governing bodies to decide whether to depart from the reserve funding plan.**

Furthermore, the term “emergency” needs to be defined. In a true emergency, there would be no time to initiate a voting of all the members or unit owners of the condominium or cooperative as emergencies require a quick response by the governing bodies and their management teams, particularly in life-threatening situations. Taking the time to prepare, distribute and count votes in an emergency may be too late.

It should also be noted that as provided by current law there may be other reasons to depart from the reserve funding plan such as changed circumstances since the plan was last reviewed. **If a limitation is needed, and Leisure World does not support a limitation, the “emergency” term should be amended to add flexibility by using instead the term “exigency” as it implies urgency based on the circumstances.**

For these reasons, Leisure World recommends that the committee issue an unfavorable report on this bill.

Respectfully submitted,

Colette Collier Trohan
Chair of the Board of Directors
Leisure World Community Corporation

2026 SB 576 testimony FINAL.02162026.pdf

Uploaded by: Scott Silverman

Position: UNF

Executive Committee

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February 16, 2026

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Senator William C. Smith, Jr., Chair
Senator Jeff Waldstreicher, Vice-Chair
Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, Maryland 21401

Re: Senate Bill 576
Cooperative Housing Corporations and Condominiums –
Emergency Use of Reserve Funds
Hearing Date: February 18, 2026 – 1:00 p.m.
Position: Oppose

Dear Chair Smith, Vice-Chair Waldstreicher and Judicial Proceedings Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Associations Institute (“CAI”). CAI represents individuals and professionals who reside in or work with community associations (condominiums, homeowners’ associations, and cooperatives) throughout the State of Maryland.

Since June 2021, the General Assembly has worked conscientiously to adopt legislation that regulates the creation and funding of replacement reserve funds. Last year, to the relief of the MD-LAC, Maryland passed the current iteration of a law that permits a community association’s governing body to borrow from accumulated replacement reserves when necessary to cover exigent and unbudgeted expenses; provided, however, that any loan from reserves is repaid within five (5) years. Current law imposes no other restriction upon the authority to borrow from reserves.

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Community Associations Institute

Although MD-LAC is unaware of specific examples of a governing body having abused its discretion in the context of borrowing from or repayment of replacement reserves, the instant bill, sponsored by Senator Jennings, seeks to condition any such loan upon the prior approval of members in good standing having at least two-thirds (2/3) of the votes in the association. Ironically, by imposing a requirement to obtain unit owner approval, the instant bill risks the recurrence of the tragic consequences that a reserve study and replacement reserve funds are intended to prevent.

Champlain Towers, the Surfside, Florida, condominium where the 2021 collapse occurred, had previously hired an engineering company out of Glencoe, Maryland, to assess the issues at the building. The company, Morabito Consultants, identified critical problems in 2018 — nearly three years before the building's collapse — but the Champlain Towers' board could not act on their recommendations because, at the time, the Florida law that required condominiums to set aside funds for capital improvements included a provision whereby unit owners with at least 51% of the vote of the condominium could vote to waive the funding of such improvements. Year after year, various boards of directors at Champlain Towers pleaded with unit owners to approve reserve funding. In a letter written by the condominium's president in September 2019, she expressed her frustration that she could not get unit owners to approve much-needed, engineer-recommended repairs. In that same letter, the president announced her resignation from the board. Sadly, approximately two years later, on June 21, 2021, the building collapsed, and the lives of 98 people were lost.

Not surprisingly, following the collapse of the Surfside condominium building, Florida passed SB 4-D and later SB 154, which changed the laws concerning the creation and use of replacement reserve funding. As of 2025, Structural Integrity Reserve Studies (SIRS) are required for all Florida condominiums; and, for many buildings, the funding of reserve accounts to cover the replacement of critical structural components can no longer be waived, regardless of the expressed preferences of the condominium's unit owners. In addition, the boards of directors managing, operating, and governing condominiums in Florida have specific *authority*, as set forth in Florida Statute 718.1265, to expend condominium common funds, when required, on an emergency basis. When a state of emergency is declared by a board of directors, the same board can levy special assessments and/or borrow money — without a unit owner vote — to fund urgent repairs and mitigate further damage caused by the occurrence of said emergency.

Most worrisome about the instant SB 576, is that, while Maryland now has robust reserve study and reserve funding laws, a board of directors' ability to access funds on an emergency basis would be unnecessarily and unreasonably limited if SB 576 were to become law. Please recall that the collapse of Champlain Towers occurred due to a confluence of several factors, including age of the building, poor construction, the existence of construction defects and deficiencies (too many supports in some areas and not enough others, and poor concrete-to-rebar ratios), difficult weather conditions, poor soil conditions, and additional weight from planters on the pool deck,

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Community Associations Institute

where the collapse started. By far the most detrimental factor was the existence of statutory provisions that allowed the unit owners to frustrate if not prevent the good intentions and fiduciary responsibility of the condominium association's boards of directors.

With the average condominium building(s) in the United States now being at least thirty (30) years old, urgent repairs, whether planned and funded through the reserve study or recently discovered but requiring immediate attention, will become more commonplace. Tying the hands of a governing body that attempts to address such matters promptly will only make the recurrence of a Surfside-type disaster more likely.

For the foregoing reasons, MD-LAC asks that this Committee return an **unfavorable** report for the proposed SB 576.

Sincerely,

Scott J. Silverman

Scott J. Silverman, Esquire
Vice-Chair, CAI MD-LAC

Igor Conev

Igor Conev, CMCA, MAS, PCAM, CIRMS
Chair, CAI MD-LAC

CAI is a national organization dedicated to fostering vibrant, competent, harmonious community associations for more than fifty years. Its members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to common interest associations. As part of its mission, CAI advocates for legislative and regulatory policies that support responsible governance and effective management. As part of this purpose, state Legislative Action Committees represent CAI members before state legislatures and agencies on issues such as governance, assessments collection, insurance and construction defects.