

SENATE BILL 63

N1, C1
SB 1157/24 – JPR

(PRE-FILED)

5lr1630
CF 5lr1629

By: **Senator Muse**

Requested: November 1, 2024

Introduced and read first time: January 8, 2025

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Cooperative Housing Corporations, Condominiums, and Homeowners**
3 **Associations – Funding of Reserve Accounts and Preparation of Funding Plans**

4 FOR the purpose of requiring that the annual budget of a cooperative housing corporation,
5 a residential condominium, or a homeowners association include certain funds;
6 requiring that certain funds for the reserve account of a cooperative housing
7 corporation, a residential condominium, or a homeowners association be deposited
8 by a certain day each fiscal year; extending the amount of time after an initial
9 reserve study that a cooperative housing corporation, a residential condominium, or
10 a homeowners association has to obtain a certain recommended reserve funding
11 level; requiring that certain updated reserve studies be prepared by a certain person;
12 requiring a residential condominium or a homeowners association to review the
13 reserve study annually for accuracy; requiring the governing body of a cooperative
14 housing corporation, a residential condominium, or a homeowners association to
15 prepare a certain funding plan subject to certain requirements; and generally
16 relating to reserve studies and annual budgets of cooperative housing corporations,
17 condominiums, and homeowners associations.

18 BY repealing and reenacting, with amendments,
19 Article – Corporations and Associations
20 Section 5–6B–26.1
21 Annotated Code of Maryland
22 (2014 Replacement Volume and 2024 Supplement)

23 BY repealing and reenacting, with amendments,
24 Article – Real Property
25 Section 11–109.2(b) and (c), 11–109.4, 11B–112.2(c) and (d), and 11B–112.3
26 Annotated Code of Maryland
27 (2023 Replacement Volume and 2024 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Corporations and Associations**

4 5–6B–26.1.

5 (a) (1) In this section[, “reserve”] **THE FOLLOWING WORDS HAVE THE**
6 **MEANINGS INDICATED.**

7 (2) **“RESERVE study”** means a study of the reserves required for future
8 major repairs and replacement of the common elements of a cooperative housing
9 corporation that:

10 [(1)] (I) [Identifies] **USING AN ITEMIZED LIST, CLEARLY IDENTIFIES**
11 each structural, mechanical, electrical, and plumbing component of the common elements
12 and any other components that are the responsibility of the cooperative housing corporation
13 to repair and replace;

14 [(2)] (II) States the normal useful life and the estimated remaining useful
15 life of each identified component;

16 [(3)] (III) States the estimated cost of repair or replacement of each
17 identified component; [and]

18 [(4)] (IV) States the estimated annual reserve amount necessary to
19 accomplish any identified future repair or replacement; **AND**

20 (V) **STATES THE SQUARE FOOTAGE OF EACH IDENTIFIED**
21 **COMPONENT.**

22 (3) **“UPDATED RESERVE STUDY” MEANS, FOR THE COMMON**
23 **ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED WITHIN THE**
24 **PREVIOUS 5 YEARS, A STUDY THAT:**

25 (I) **ANALYZES ANY WORK PERFORMED;**

26 (II) **REVISES REPLACEMENT COST, REMAINING LIFE, AND**
27 **USEFUL LIFE ESTIMATES; AND**

28 (III) **IDENTIFIES:**

29 1. **WORK PERFORMED AND AMOUNTS SPENT; AND**

1 (3) (i) This paragraph applies to a cooperative housing corporation
2 established in any county other than Prince George's County or Montgomery County before
3 October 1, 2022.

4 (ii) If the governing body of a cooperative housing corporation has
5 had a reserve study conducted on or after October 1, 2018, the governing body shall have
6 an updated reserve study conducted within 5 years after the date of that reserve study and
7 at least every 5 years thereafter.

8 (iii) If the governing body of a cooperative housing corporation has
9 not had a reserve study conducted on or after October 1, 2018, the governing body shall
10 have a reserve study conducted on or before October 1, 2023, and an updated reserve study
11 at least every 5 years thereafter.

12 (d) Each reserve study **AND UPDATED RESERVE STUDY** required under this
13 section shall:

14 (1) Be prepared by a person who:

15 (i) Has prepared at least 30 reserve studies within the prior 3
16 calendar years;

17 (ii) Has participated in the preparation of at least 30 reserve studies
18 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

19 (iii) Holds a current license from the State Board of Architects or the
20 State Board for Professional Engineers; or

21 (iv) Is currently designated as a reserve specialist by the Community
22 Association Institute or as a professional reserve analyst by the Association of Professional
23 Reserve Analysts;

24 (2) Be available for inspection and copying by any unit owner;

25 (3) Be reviewed by the governing body of the cooperative housing
26 corporation in connection with the preparation of the annual proposed budget; and

27 (4) Be summarized for submission with the annual proposed budget to the
28 unit owners.

29 (e) To the extent that a reserve study conducted in accordance with this section
30 indicates a need to budget for reserves, the budget shall include:

31 (1) For the capital components, the current estimated:

1 (i) Replacement cost **IF THE ESTIMATED REPLACEMENT COST IS**
2 **GREATER THAN \$10,000 AS DETERMINED BY THE MOST RECENT RESERVE STUDY OR**
3 **UPDATED RESERVE STUDY;**

4 (ii) Remaining life; and

5 (iii) Useful life;

6 (2) The amount of accumulated cash reserves set aside for the repair,
7 replacement, or restoration of capital components as of the beginning of the fiscal year in
8 which the reserve study is conducted and the amount of the expected contribution to the
9 reserve fund for the fiscal year;

10 (3) A statement describing the procedures used for estimation and
11 accumulation of cash reserves in accordance with this section; and

12 (4) A statement of the amount of reserves recommended in the study and
13 the amount of current cash for replacement reserves.

14 (f) (1) (i) **1.** Subject to subparagraph (ii) of this paragraph, the
15 governing body of a cooperative housing corporation shall [provide] **DEPOSIT** funds to the
16 reserve **ACCOUNT** in accordance with the most recent reserve study **AND THE FUNDING**
17 **PLAN REQUIRED UNDER SUBSECTION (G) OF THIS SECTION ON OR BEFORE THE LAST**
18 **DAY OF EACH FISCAL YEAR** and shall review the reserve study annually for accuracy.

19 **2. THE ANNUAL REVIEW OF THE RESERVE STUDY FOR**
20 **ACCURACY DOES NOT REQUIRE A RESERVE STUDY IN ADDITION TO THE RESERVE**
21 **STUDY REQUIREMENTS UNDER SUBSECTIONS (B) AND (C) OF THIS SECTION.**

22 (ii) If the most recent reserve study was an initial reserve study, the
23 governing body shall, within [3] **5** fiscal years following the fiscal year in which the initial
24 reserve study was completed, attain the annual reserve funding level recommended in the
25 initial reserve study.

26 (2) The governing body of a cooperative housing corporation has the
27 authority to increase an assessment levied to cover the reserve funding amount required
28 under this section, notwithstanding any provision of the articles of incorporation, bylaws,
29 or proprietary lease restricting assessment increases or capping the assessment that may
30 be levied in a fiscal year.

31 **(G) (1) THE GOVERNING BODY OF A COOPERATIVE HOUSING**
32 **CORPORATION SHALL, IN CONSULTATION WITH A PERSON IDENTIFIED UNDER**
33 **SUBSECTION (D)(1) OF THIS SECTION, DEVELOP A FUNDING PLAN TO DETERMINE**
34 **HOW TO FULLY FUND THE RESERVES NECESSARY UNDER THIS SECTION.**

1 **(2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**
2 **THE GOVERNING BODY SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE**
3 **THE RESERVE FUNDING UNDER THIS SECTION:**

4 **(I) THE COMPONENT OR FULL FUNDING METHOD;**

5 **(II) THE CASH FLOW METHOD;**

6 **(III) THE BASELINE FUNDING METHOD;**

7 **(IV) THE THRESHOLD CASH FLOW METHOD; AND**

8 **(V) OTHER FUNDING METHODS ACCEPTED BY GENERALLY**
9 **ACCEPTED ACCOUNTING PRINCIPLES.**

10 **(3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL**
11 **PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON**
12 **ELEMENTS OF THE COOPERATIVE HOUSING CORPORATION THAT ARE NECESSARY**
13 **FOR:**

14 **(I) THE HEALTH, SAFETY, AND WELL-BEING OF THE MEMBERS;**

15 **(II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING**
16 **REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; AND**

17 **(III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING AND**
18 **ELECTRICAL INFRASTRUCTURE.**

19 **(4) RESERVES MAY NOT BE USED FOR PURPOSES OTHER THAN THOSE**
20 **SPECIFIED IN THE FUNDING PLAN.**

21 **(5) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD**
22 **COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION AT**
23 **EACH ANNUAL MEETING OF THE GOVERNING BODY.**

24 **Article – Real Property**

25 11-109.2.

26 (b) The annual budget shall provide for at least the following items:

27 (1) Income;

28 (2) Administration;

1 (3) Maintenance;

2 (4) Utilities;

3 (5) General expenses;

4 (6) Reserves, INCLUDING REPLACEMENT COSTS IF THE ESTIMATED
5 REPLACEMENT COST IS GREATER THAN \$10,000 AS DETERMINED BY THE MOST
6 RECENT RESERVE STUDY OR UPDATED RESERVE STUDY; and

7 (7) Capital items.

8 (c) (1) Subject to paragraph (2) of this subsection AND IN ACCORDANCE WITH
9 THE FUNDING PLAN UNDER § 11-109.4(F) OF THIS TITLE, the reserves provided for in
10 the annual budget under subsection (b) of this section for a residential condominium shall
11 [be]:

12 (I) BE the funding amount recommended in the most recent reserve
13 study OR UPDATED RESERVE STUDY completed under § 11-109.4 of this title; AND

14 (II) BE DEPOSITED IN THE RESERVE ACCOUNT ON OR BEFORE
15 THE LAST DAY OF EACH FISCAL YEAR.

16 (2) If the most recent reserve study was an initial reserve study, the
17 governing body shall, within [3] 5 fiscal years following the fiscal year in which the initial
18 reserve study was completed, attain the annual reserve funding level recommended in the
19 initial reserve study.

20 (3) (I) A RESIDENTIAL CONDOMINIUM SHALL REVIEW THE
21 RESERVE STUDY ANNUALLY FOR ACCURACY.

22 (II) THE ANNUAL REVIEW OF THE RESERVE STUDY FOR
23 ACCURACY DOES NOT REQUIRE A RESERVE STUDY IN ADDITION TO THE RESERVE
24 STUDY REQUIREMENTS UNDER § 11-109.4 OF THIS TITLE.

25 11-109.4.

26 (a) (1) In this section[, “reserve”] THE FOLLOWING WORDS HAVE THE
27 MEANINGS INDICATED.

28 (2) “RESERVE study” means a study of the reserves required for future
29 major repairs and replacement of the common elements of a condominium that:

30 [(1)] (I) [Identifies] USING AN ITEMIZED LIST, IDENTIFIES each
31 structural, mechanical, electrical, and plumbing component of the common elements and

1 any other components that are the responsibility of the council of unit owners to repair and
2 replace;

3 [(2)] (II) States the normal useful life and the estimated remaining useful
4 life of each identified component;

5 [(3)] (III) States the estimated cost of repair or replacement of each
6 identified component; [and]

7 [(4)] (IV) States the estimated annual reserve amount necessary to
8 accomplish any identified future repair or replacement; AND

9 (V) STATES THE SQUARE FOOTAGE OF EACH IDENTIFIED
10 COMPONENT.

11 (3) "UPDATED RESERVE STUDY" MEANS, FOR THE COMMON
12 ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED WITHIN THE
13 PREVIOUS 5 YEARS, A STUDY THAT:

14 (I) ANALYZES ANY WORK PERFORMED;

15 (II) REVISES REPLACEMENT COST, REMAINING LIFE, AND
16 USEFUL LIFE ESTIMATES; AND

17 (III) IDENTIFIES:

18 1. WORK PERFORMED AND AMOUNTS SPENT; AND

19 2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN
20 PLACE.

21 (b) This section applies only to a residential condominium.

22 (c) (1) This subsection applies only to a condominium established in:

23 (i) Prince George's County on or after October 1, 2020;

24 (ii) Montgomery County on or after October 1, 2021; or

25 (iii) Any county other than Prince George's County or Montgomery
26 County on or after October 1, 2022.

27 (2) The governing body of the condominium shall have an independent
28 reserve study completed not less than 30 calendar days before the meeting of the council of
29 unit owners required under § 11-109(c)(16) of this title.

1 (3) The governing body shall have an updated reserve study completed
2 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
3 this subsection and at least every 5 years thereafter.

4 (d) (1) (i) This paragraph applies only to a condominium established in
5 Prince George's County before October 1, 2020.

6 (ii) If the governing body of a condominium has had a reserve study
7 conducted on or after October 1, 2016, the governing body shall have an updated reserve
8 study conducted within 5 years after the date of that reserve study and at least every 5
9 years thereafter.

10 (iii) If the governing body of a condominium has not had a reserve
11 study conducted on or after October 1, 2016, the governing body shall have a reserve study
12 conducted on or before October 1, 2021, and an updated reserve study at least every 5 years
13 thereafter.

14 (2) (i) This paragraph applies only to a condominium established in
15 Montgomery County before October 1, 2021.

16 (ii) If the governing body of a condominium has had a reserve study
17 conducted on or after October 1, 2017, the governing body shall have an updated reserve
18 study conducted within 5 years after the date of that reserve study and at least every 5
19 years thereafter.

20 (iii) If the governing body of a condominium has not had a reserve
21 study conducted on or after October 1, 2017, the governing body shall have a reserve study
22 conducted on or before October 1, 2022, and an updated reserve study at least every 5 years
23 thereafter.

24 (3) (i) This paragraph applies only to a condominium established in any
25 county other than Prince George's County or Montgomery County before October 1, 2022.

26 (ii) If the governing body of a condominium has had a reserve study
27 conducted on or after October 1, 2018, the governing body shall have an updated reserve
28 study conducted within 5 years after the date of that reserve study and at least every 5
29 years thereafter.

30 (iii) If the governing body of a condominium has not had a reserve
31 study conducted on or after October 1, 2018, the governing body shall have a reserve study
32 conducted on or before October 1, 2023, and an updated reserve study at least every 5 years
33 thereafter.

34 (e) Each reserve study **AND UPDATED RESERVE STUDY** required under this
35 section shall:

- 1 (1) Be prepared by a person who:
- 2 (i) Has prepared at least 30 reserve studies within the prior 3
3 calendar years;
- 4 (ii) Has participated in the preparation of at least 30 reserve studies
5 within the prior 3 calendar years while employed by a firm that prepares reserve studies;
- 6 (iii) Holds a current license from the State Board of Architects or the
7 State Board for Professional Engineers; or
- 8 (iv) Is currently designated as a reserve specialist by the Community
9 Association Institute or as a professional reserve analyst by the Association of Professional
10 Reserve Analysts;
- 11 (2) Be available for inspection and copying by any unit owner;
- 12 (3) Be reviewed by the governing body of the condominium in connection
13 with the preparation of the annual proposed budget; and
- 14 (4) Be summarized for submission with the annual proposed budget to the
15 unit owners.

16 **(F) (1) THE GOVERNING BODY OF A CONDOMINIUM SHALL, IN**
17 **CONSULTATION WITH A PERSON IDENTIFIED UNDER SUBSECTION (E)(1) OF THIS**
18 **SECTION, DEVELOP A FUNDING PLAN TO DETERMINE HOW TO FULLY FUND THE**
19 **RESERVES NECESSARY UNDER THIS SECTION.**

20 **(2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**
21 **THE GOVERNING BODY SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE**
22 **THE RESERVE FUNDING UNDER THIS SECTION:**

23 **(I) THE COMPONENT OR FULL FUNDING METHOD;**

24 **(II) THE CASH FLOW METHOD;**

25 **(III) THE BASELINE FUNDING METHOD;**

26 **(IV) THE THRESHOLD CASH FLOW METHOD; AND**

27 **(V) OTHER FUNDING METHODS ACCEPTED BY GENERALLY**
28 **ACCEPTED ACCOUNTING PRINCIPLES.**

29 **(3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL**
30 **PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON**
31 **ELEMENTS OF THE CONDOMINIUM THAT ARE NECESSARY FOR:**

1 **(I) THE HEALTH, SAFETY, AND WELL-BEING OF THE MEMBERS;**

2 **(II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING**
3 **REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; AND**

4 **(III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING AND**
5 **ELECTRICAL INFRASTRUCTURE.**

6 **(4) RESERVES MAY NOT BE USED FOR PURPOSES OTHER THAN THOSE**
7 **SPECIFIED IN THE FUNDING PLAN.**

8 **(5) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD**
9 **COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION AT**
10 **EACH ANNUAL MEETING OF THE GOVERNING BODY.**

11 11B-112.2.

12 (c) The annual budget shall provide for at least the following items:

13 (1) Income;

14 (2) Administration;

15 (3) Maintenance;

16 (4) Utilities;

17 (5) General expenses;

18 (6) Reserves, **INCLUDING REPLACEMENT COSTS IF THE ESTIMATED**
19 **REPLACEMENT COST IS GREATER THAN \$10,000 AS DETERMINED BY THE MOST**
20 **RECENT RESERVE STUDY OR UPDATED RESERVE STUDY; and**

21 (7) Capital expenses.

22 (d) (1) Subject to paragraph (2) of this subsection **AND IN ACCORDANCE WITH**
23 **THE FUNDING PLAN UNDER § 11B-112.3(F) OF THIS TITLE**, reserves provided for in
24 the annual budget under subsection (c) of this section shall [be]:

25 **(I) BE the funding amount recommended in the most recent reserve**
26 **study OR UPDATED RESERVE STUDY completed under § 11B-112.3 of this title; AND**

27 **(II) BE DEPOSITED IN THE RESERVE ACCOUNT ON OR BEFORE**
28 **THE LAST DAY OF EACH FISCAL YEAR.**

1 (2) If the most recent reserve study was an initial reserve study, the
 2 governing body shall, within [3] 5 fiscal years following the fiscal year in which the initial
 3 reserve study was completed, attain the annual reserve funding level recommended in the
 4 initial reserve study.

5 (3) (I) A HOMEOWNERS ASSOCIATION SHALL REVIEW THE
 6 RESERVE STUDY ANNUALLY FOR ACCURACY.

7 (II) THE ANNUAL REVIEW OF THE RESERVE STUDY FOR
 8 ACCURACY DOES NOT REQUIRE A RESERVE STUDY IN ADDITION TO THE RESERVE
 9 STUDY REQUIREMENTS UNDER § 11B–112.3 OF THIS TITLE.

10 11B–112.3.

11 (a) (1) In this section[, “reserve”] THE FOLLOWING WORDS HAVE THE
 12 MEANINGS INDICATED.

13 (2) “RESERVE study” means a study of the reserves required for future
 14 major repairs and replacement of the common areas of a homeowners association that:

15 [(1)] (I) [Identifies] USING AN ITEMIZED LIST, IDENTIFIES each
 16 structural, mechanical, electrical, and plumbing component of the common areas and any
 17 other components that are the responsibility of the homeowners association to repair and
 18 replace;

19 [(2)] (II) States the estimated remaining useful life of each identified
 20 component;

21 [(3)] (III) States the estimated cost of repair or replacement of each
 22 identified component; [and]

23 [(4)] (IV) States the estimated annual reserve amount necessary to
 24 accomplish any identified future repair or replacement; AND

25 (V) STATES THE SQUARE FOOTAGE OF EACH IDENTIFIED
 26 COMPONENT.

27 (3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON
 28 ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED WITHIN THE
 29 PREVIOUS 5 YEARS, A STUDY THAT:

30 (I) ANALYZES ANY WORK PERFORMED;

1 **(II) REVISES REPLACEMENT COST, REMAINING LIFE, AND**
2 **USEFUL LIFE ESTIMATES; AND**

3 **(III) IDENTIFIES:**

4 **1. WORK PERFORMED AND AMOUNTS SPENT; AND**

5 **2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN**
6 **PLACE.**

7 (b) (1) This section applies only to a homeowners association:

8 (i) That has responsibility under its declaration for maintaining and
9 repairing common areas; and

10 (ii) For which the total initial purchase and installation costs for all
11 components identified in subsection [(a)(1)] **(A)** of this section is at least \$10,000.

12 (2) This section does not apply to a homeowners association that issues
13 bonds for the purpose of meeting capital expenditures.

14 (c) (1) This subsection applies only to a homeowners association established
15 in:

16 (i) Prince George's County on or after October 1, 2020;

17 (ii) Montgomery County on or after October 1, 2021; or

18 (iii) Any county other than Prince George's County or Montgomery
19 County on or after October 1, 2022.

20 (2) The governing body of the homeowners association shall have an
21 independent reserve study completed not more than 90 calendar days and not less than 30
22 calendar days before the meeting of the homeowners association required under §
23 11B-106.1(a) of this title.

24 (3) The governing body shall have an updated reserve study completed
25 within 5 years after the date of the initial reserve study conducted under paragraph (2) of
26 this subsection and at least every 5 years thereafter.

27 (d) (1) (i) This paragraph applies only to a homeowners association
28 established in Prince George's County before October 1, 2020.

29 (ii) If the governing body of a homeowners association has had a
30 reserve study conducted on or after October 1, 2016, the governing body shall have an

1 updated reserve study conducted within 5 years after the date of that reserve study and at
2 least every 5 years thereafter.

3 (iii) If the governing body of a homeowners association has not had a
4 reserve study conducted on or after October 1, 2016, the governing body shall have a reserve
5 study conducted on or before October 1, 2021, and an updated reserve study at least every
6 5 years thereafter.

7 (2) (i) This paragraph applies only to a homeowners association
8 established in Montgomery County before October 1, 2021.

9 (ii) If the governing body of a homeowners association has had a
10 reserve study conducted on or after October 1, 2017, the governing body shall have an
11 updated reserve study conducted within 5 years after the date of that reserve study and at
12 least every 5 years thereafter.

13 (iii) If the governing body of a homeowners association has not had a
14 reserve study conducted on or after October 1, 2017, the governing body shall have a reserve
15 study conducted on or before October 1, 2022, and an updated reserve study at least every
16 5 years thereafter.

17 (3) (i) This paragraph applies only to a homeowners association
18 established in any county other than Prince George's County or Montgomery County before
19 October 1, 2022.

20 (ii) If the governing body of a homeowners association has had a
21 reserve study conducted on or after October 1, 2018, the governing body shall have an
22 updated reserve study conducted within 5 years after the date of that reserve study and at
23 least every 5 years thereafter.

24 (iii) If the governing body of a homeowners association has not had a
25 reserve study conducted on or after October 1, 2018, the governing body shall have a reserve
26 study conducted on or before October 1, 2023, and an updated reserve study at least every
27 5 years thereafter.

28 (e) Each reserve study **AND UPDATED RESERVE STUDY** required under this
29 section shall:

30 (1) Be prepared by a person who:

31 (i) Has prepared at least 30 reserve studies within the prior 3
32 calendar years;

33 (ii) Has participated in the preparation of at least 30 reserve studies
34 within the prior 3 calendar years while employed by a firm that prepares reserve studies;

1 (iii) Holds a current license from the State Board of Architects or the
2 State Board for Professional Engineers; or

3 (iv) Is currently designated as a reserve specialist by the Community
4 Association Institute or as a professional reserve analyst by the Association of Professional
5 Reserve Analysts;

6 (2) Be available for inspection and copying by any lot owner;

7 (3) Be reviewed by the governing body of the homeowners association in
8 connection with the preparation of the annual proposed budget; and

9 (4) Be summarized for submission with the annual proposed budget to the
10 lot owners.

11 **(F) (1) A HOMEOWNERS ASSOCIATION SHALL, IN CONSULTATION WITH A**
12 **PERSON IDENTIFIED UNDER SUBSECTION (E)(1) OF THIS SECTION, DEVELOP A**
13 **FUNDING PLAN TO DETERMINE HOW TO FULLY FUND THE RESERVES NECESSARY**
14 **UNDER THIS SECTION.**

15 **(2) IN DEVELOPING THE FUNDING PLAN UNDER THIS SUBSECTION,**
16 **THE HOMEOWNERS SHALL CONSIDER THE FOLLOWING METHODS TO ACHIEVE THE**
17 **RESERVE FUNDING UNDER THIS SECTION:**

18 **(I) THE COMPONENT OR FULL FUNDING METHOD;**

19 **(II) THE CASH FLOW METHOD;**

20 **(III) THE BASELINE FUNDING METHOD;**

21 **(IV) THE THRESHOLD CASH FLOW METHOD; AND**

22 **(V) OTHER FUNDING METHODS CONSISTENT WITH GENERALLY**
23 **ACCEPTED ACCOUNTING PRINCIPLES.**

24 **(3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL**
25 **PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON**
26 **ELEMENTS OF THE HOMEOWNERS ASSOCIATION THAT ARE NECESSARY FOR:**

27 **(I) THE HEALTH, SAFETY, AND WELL-BEING OF THE MEMBERS;**

28 **(II) ENSURING STRUCTURAL INTEGRITY, SUCH AS ROOFING**
29 **REPLACEMENTS AND MAINTAINING STRUCTURAL SYSTEMS; AND**

1 **(III) ESSENTIAL FUNCTIONING, SUCH AS PLUMBING AND**
2 **ELECTRICAL INFRASTRUCTURE.**

3 **(4) RESERVES MAY NOT BE USED FOR PURPOSES OTHER THAN THOSE**
4 **SPECIFIED IN THE FUNDING PLAN.**

5 **(5) A HOMEOWNERS ASSOCIATION SHALL REVIEW PROGRESS**
6 **TOWARD COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS**
7 **SUBSECTION AT EACH ANNUAL MEETING OF THE HOMEOWNERS ASSOCIATION.**

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 October 1, 2025.