

**HB0281/863426/1**

BY: Environment and Transportation Committee

AMENDMENTS TO HOUSE BILL 281  
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 3, after “**Accounts**” insert “**and Preparation of Funding Plans**”; in line 4, after the first “of” insert “requiring that the annual budget of a cooperative housing corporation, a residential condominium, or a homeowners association include certain funds;”; in line 9, after “level;” insert “requiring that certain updated reserve studies be prepared by a certain person;”; in line 10, after “accuracy;” insert “requiring the governing body of a cooperative housing corporation, a residential condominium, or a homeowners association to prepare a certain funding plan subject to certain requirements;”; in line 13, strike “without” and substitute “with”; in line 15, strike “5-6B-26.1(a)” and substitute “5-6B-26.1”; strike in their entirety lines 18 through 22, inclusive; in line 25, strike “11-109.2(c)” and substitute “11-109.2(b) and (c), 11-109.4, 11B-112.2(c) and (d),”; and in the same line, strike “11B-112.2(d)” and substitute “11B-112.3”.

On page 2, strike in their entirety lines 1 through 5, inclusive.

AMENDMENT NO. 2

On page 2, in line 10, after “(a)” insert “**(1)**”; in the same line, strike “section,” and substitute “**SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**”

**(2)**;

in the same line, strike “reserve” and substitute “**RESERVE**”; in lines 13, 16, 18, and 20, strike “(1)”, “(2)”, “(3)”, and “(4)”, respectively, and substitute “**(I)**”, “**(II)**”, “**(III)**”, and “**(IV)**”, respectively; after line 21, insert:

**“(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:**

**(I) ANALYZING ANY WORK PERFORMED;**

**(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND USEFUL LIFE ESTIMATES; AND**

**(III) IDENTIFYING:**

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

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

**(b) (1) This subsection applies only to a cooperative housing corporation established in:**

**(i) Prince George’s County on or after October 1, 2020;**

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

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

**(2) The governing body of the cooperative housing corporation shall have an independent reserve study completed not less than 30 calendar days before the first meeting of the cooperative housing corporation at which the members other than the owner have a majority of votes in the cooperative housing corporation.**

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

(c) (1) (i) This paragraph applies only to a cooperative housing corporation established in Prince George's County before October 1, 2020.

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

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

(2) (i) This paragraph applies only to a cooperative housing corporation established in Montgomery County before October 1, 2021.

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

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

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

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

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

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

(1) Be prepared by a person who:

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

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

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

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

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

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

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

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

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

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

(ii) Remaining life; and

(iii) Useful life;

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

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

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

(Over)

in line 24, after “study” insert “AND THE FUNDING PLAN REQUIRED UNDER SUBSECTION (G) OF THIS SECTION”; and after line 34, insert:

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

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

(I) COMPONENT OR FULL FUNDING METHOD;

(II) CASH FLOW METHOD;

(III) BASELINE FUNDING METHOD;

(IV) THRESHOLD CASH FLOW METHOD; AND

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

(3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY OF MEMBERS OF THE COOPERATIVE HOUSING CORPORATION.

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

On page 3, after line 1, insert:

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

**(1) Income;**

**(2) Administration;**

**(3) Maintenance;**

**(4) Utilities;**

**(5) General expenses;**

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

**(7) Capital items.”;**

in line 2, after “subsection” insert “**AND IN ACCORDANCE WITH THE FUNDING PLAN UNDER § 11-109.4(F) OF THIS SUBTITLE**”; in line 6, after “study” insert “**OR UPDATED RESERVE STUDY**”; in line 16, after “(a)” insert “**(1)**”; in the same line, strike “section,” and substitute “**SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

**(2)**”;

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in the same line, strike “reserve” and substitute “**RESERVE**”; in lines 18, 21, 23, and 25, strike “(1)”, “(2)”, “(3)”, and “(4)”, respectively, and substitute “**(I)**”, “**(II)**”, “**(III)**”, and “**(IV)**”, respectively; after line 26, insert:

**“(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:**

**(I) ANALYZING ANY WORK PERFORMED;**

**(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND USEFUL LIFE ESTIMATES; AND**

**(III) IDENTIFYING:**

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

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

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

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

**(i) Prince George’s County on or after October 1, 2020;**

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

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



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

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

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

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

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

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

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

(iii) If the governing body of a condominium has not had a reserve study conducted on or after October 1, 2017, the governing body shall have a reserve

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study conducted on or before October 1, 2022, and an updated reserve study at least every 5 years thereafter.

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

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

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

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

(1) Be prepared by a person who:

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

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

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

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

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

(3) Be reviewed by the governing body of the condominium in connection with the preparation of the annual proposed budget; and

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

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

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

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

**(II) CASH FLOW METHOD;**

**(III) BASELINE FUNDING METHOD;**

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

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

**(3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION  
SHALL PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF  
COMMON ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY  
OF MEMBERS OF THE CONDOMINIUM.**

**(4) A GOVERNING BODY SHALL REVIEW PROGRESS TOWARD  
COMPLIANCE WITH THE FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION  
AT EACH ANNUAL MEETING OF THE GOVERNING BODY.”;**

after line 27, insert:

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

**(1) Income;**

**(2) Administration;**

**(3) Maintenance;**

**(4) Utilities;**

**(5) General expenses;**

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

**(7) Capital expenses.”;**

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in line 28, after “subsection” insert “AND IN ACCORDANCE WITH THE FUNDING PLAN UNDER § 11B-112.3(F) OF THIS SUBTITLE”; and in line 31, after “study” insert “OR UPDATED RESERVE STUDY”.

On page 4, in line 10, after “(a)” insert “(1)”; in the same line, strike “section,” and substitute “SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.”

(2);

in the same line, strike “reserve” and substitute “RESERVE”; in lines 13, 16, 17, and 19, strike “(1)”, “(2)”, “(3)”, and “(4)”, respectively, and substitute “(I)”, “(II)”, “(III)”, and “(IV)”, respectively; and after line 20, insert:

“(3) “UPDATED RESERVE STUDY” MEANS, FOR THE COMMON ELEMENTS SINCE THE PRIOR RESERVE STUDY WAS COMPLETED:

(I) ANALYZING ANY WORK PERFORMED;

(II) REVISING REPLACEMENT COST, REMAINING LIFE, AND USEFUL LIFE ESTIMATES; AND

(III) IDENTIFYING:

1. WORK PERFORMED AND AMOUNTS SPENT; AND

2. WHETHER ANY MAINTENANCE CONTRACTS ARE IN PLACE.

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- (b) (1) This section applies only to a homeowners association:
- (i) That has responsibility under its declaration for maintaining and repairing common areas; and
  - (ii) For which the total initial purchase and installation costs for all components identified in subsection (a)(1) of this section is at least \$10,000.
- (2) This section does not apply to a homeowners association that issues bonds for the purpose of meeting capital expenditures.
- (c) (1) This subsection applies only to a homeowners association established in:
- (i) Prince George's County on or after October 1, 2020;
  - (ii) Montgomery County on or after October 1, 2021; or
  - (iii) Any county other than Prince George's County or Montgomery County on or after October 1, 2022.
- (2) The governing body of the homeowners association shall have an independent reserve study completed not more than 90 calendar days and not less than 30 calendar days before the meeting of the homeowners association required under § 11B-106.1(a) of this title.
- (3) The governing body shall have an updated reserve study completed within 5 years after the date of the initial reserve study conducted under paragraph (2) of this subsection and at least every 5 years thereafter.
- (d) (1) (i) This paragraph applies only to a homeowners association established in Prince George's County before October 1, 2020.

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

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

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

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

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

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

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

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

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

(1) Be prepared by a person who:

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

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

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

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

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

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

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



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

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

(I) COMPONENT OR FULL FUNDING METHOD;

(II) CASH FLOW METHOD;

(III) BASELINE FUNDING METHOD;

(IV) THRESHOLD CASH FLOW METHOD; AND

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

(3) A FUNDING PLAN DEVELOPED UNDER THIS SUBSECTION SHALL PRIORITIZE ADEQUATE AMOUNTS FOR REPAIR AND REPLACEMENT OF COMMON ELEMENTS WITH CONSIDERATION GIVEN TO THE HEALTH AND SAFETY OF MEMBERS OF THE HOMEOWNERS ASSOCIATION.

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