CITIZEN-DRAFTED BILL CB-576C

Requested: June 12, 2026
Suggested assignment to: Judicial Proceedings

AN ACT concerning

Common ownership – Use of reserve funds

FOR the purpose of adding consumer protections for the borrowing of reserve funds for other purposes, eliminating the loophole in current law that allows use for any purpose including the purchase of investment properties where current law also has no penalty for failure to repay borrowed funds, which could result in a special assessment in 5 years, **AND FOR THE PURPOSE OF CORRECTING AN AMENDMENT DRAFTING ERROR WHICH USED (III) INSTEAD OF 3.**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
Underlining indicates amendments to bill.
~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.
Bold indicates matters for general awareness, usually existing law that provides key context for the bill.

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

Article – Real Property

11-109.4

(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 fund the reserves necessary under this section.

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

(i) The component method;

(ii) The cash flow method;

(iii) The baseline funding method;

(iv) The threshold cash flow method; or

(v) Any other funding method 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 of the condominium that are necessary for:

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

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

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

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

(4) Reserves may **NOT** be used for purposes other than those specified in the funding plan **UNLESS** **[**the**]:**

(I) THERE IS AN EMERGENCY; OR

(II) THE funds are**:**

1. **USED ONLY FOR SHORT-TERM OPERATIONAL EXPENSES;**
2. **REPAID** to the reserve fund within 5 years after their use; **AND**
3. **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.**

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2027.