CITIZEN-DRAFTED BILL CB-576.1D

Requested: June 13, 2026
Suggested assignment to: Judicial Proceedings

AN ACT concerning

Common ownership – Use of reserve funds

FOR the purpose of adding consumer protections for a community's "social security" better known as reserve funds for future major expenses. The bill closes a loophole that allows the funds to be raided for any purpose. The bill retains the ability to borrow from the reserve funds for either an emergency or a use approved by the community. Any borrowing would have to be repaid within 5 years, giving the board or the council the runway to figure out a financial solution to avoid a special assessment at the end of those 5 years. This bill corrects an amendment drafting error in the 2026 legislative session, where a version of the bill 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** REPAID TO THE RESERVE FUND WITHIN 5 YEARS AFTER THEIR USE AND USED EXCLUSIVELY FOR THE PURPOSE OF **[**the**]:**

(I) ~~THERE IS~~ AN EMERGENCY TO REPAIR RESERVE ASSETS THAT ARE OR WILL BE LISTED ON THE CURRENT OR UPDATED RESERVE STUDY; OR

(II) SHORT-TERM OPERATIONAL EXPENSES WHERE 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.