

# SENATE BILL REPORT

## SB 5236

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As of January 30, 2015

**Title:** An act relating to the ratification of budgets for certain homeowners' associations.

**Brief Description:** Concerning the ratification of budgets for certain homeowners' associations.

**Sponsors:** Senators Sheldon and Rivers.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/29/15.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Susan Jones (786-7404)

**Background:** Homeowners' Associations. A homeowners' association (HOA) is a legal entity with membership comprised of the owners of residential real property located within a subdivision or other specified area. An HOA typically arises from restrictive covenants and other documents recorded by a developer.

HOA Purpose and Powers. In general the purpose of an HOA is to manage and maintain a subdivision's common areas and structures, to review design, and to maintain architectural control. The HOA members pay dues or assessments to fund common expenses and costs of maintenance, repair, and improvement of common areas. Under the Homeowners' Association Act, the HOA may exercise powers necessary and proper for the governance and operation of the HOA. A board of directors (board) elected by the HOA members acts on behalf of the HOA to manage its affairs.

Ratification of HOA Budget. Within 30 days after the board adopts any proposed regular or special HOA budget, the board must set a date for an owner's meeting to consider ratification of the budget and must mail a summary to the owners (notice). The budget is ratified unless a majority of the votes reject the budget at the meeting. The votes may be cast in person or by proxy. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the owners continues until the owners ratify a new budget proposed by the board.

**Summary of Bill:** The provision that the budget is ratified unless a majority of the votes reject the budget is eliminated. At the meeting to consider ratification of the budget, for

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HOAs with membership of 2000 or more, the budget must be ratified or rejected by a majority of votes cast by members in person or by proxy.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: In any large HOAs, it is hard to get a lot of people to turn out to vote for anything. Requiring a majority vote eliminates the possibility that the budget will be rejected. The board knows that the budget will not be rejected because that requires a majority vote. For large communities, the bill gives members the ability to reject the budget and tell the board that the board's priorities are not what the members want and the board has to go back and work on the budget. If it is not ratified, you go back to the budget from the year before.

**Persons Testifying:** PRO: Betty Widing, Lake Cushman Maintenance Company.