



March 14, 2024

Testimony to the House Committee on Corporations

Re: 2024 HB 7868 AN ACT RELATING TO PROPERTY -- CONDOMINIUM LAW. This Act would eliminate unreasonable and fiscally irresponsible constraints of budget caps created in some condominium documents by developers to help sell units.

This testimony is delivered on behalf of the Independent Insurance Agents of Rhode in SUPPORT of House Bill 7868 which seeks to revise the Rhode Island Condominium Act.

In considering this Act, it is important to note that ratification of the budget by Unit Owners at the statutorily required budget meeting, or any larger vote specified in the Declaration, is currently required by RIGL 34-36.1-3.03 (c). Per the current statute, if the budget is rejected, the last ratified budget is continued until Unit Owners ratify a subsequent budget proposed by the Board. The Unit Owners have ultimate control over condominium fees through the budget ratification process. Nothing in the recommended amendment to Section 3.03 takes that control away from the Unit Owners. What the amendment does address is a practice of some developers to include irresponsible restraints on budgets in condominium documents to help sell Units. These restraints limit an association's ability to allocate funds for critical expenses and lead to deferred maintenance, inadequate reserves, and difficulties in covering unexpected costs (e.g. the collapse at Surfside in Florida). Delayed repairs turn minor issues into major problems significantly increasing the costs of necessary repairs and maintenance and frequently leading to significant insurance losses. Delayed repairs and maintenance also impact an Association's ability to maintain an appropriate reserve fund. This proposed amendment simply voids any artificial limit in the increase of an association annual assessment year over year while leaving the ultimate control over the budget to the Unit Owners through the budget ratification process. This change would also be applicable to the Old Act.

Our organization SUPPORTS the passage of House Bill 7868 which seeks to amend the Rhode Island Condominium Act. We respectfully request and encourage Passage of this bill. We are happy to provide further information to the Committee regarding the bill.

Respectfully Submitted,

Cristie A. Hanaway