

JAN 21 2026

A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 514B-148, Hawaii Revised Statutes, is
2 as follows:

3 1. By amending subsection (a) to read:

4 "(a) The budget required under section 514B-144(a) shall
5 include a summary with at least the following details:

6 (1) The estimated revenues and operating expenses of the
7 association;

8 (2) Disclosure as to whether the budget has been prepared
9 on a cash or accrual basis;

10 (3) The estimated costs of fire safety equipment or
11 installations that meet the requirements of a building
12 fire and life safety evaluation required by the
13 applicable county for any building located in a county
14 with a population greater than five hundred thousand;
15 provided that the reserve study may forecast a loan or
16 special assessment to fund building fire and life
17 safety components or installation;



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- 1 (4) The balance of the total replacement reserves fund of
2 the association as of the date of the budget;
- 3 (5) The estimated replacement reserves assessments that
4 the association will require to maintain the property
5 based on a reserve study performed by or on behalf of
6 the association; provided that the reserve study, if
7 not prepared by an independent reserve study preparer,
8 shall be reviewed by an independent reserve study
9 preparer [~~ne~~] not less than every three years;
10 provided further that a managing agent with industry
11 reserve study designations shall not be considered as
12 having a conflict of interest for purposes of this
13 paragraph;
- 14 (6) A general explanation of how the estimated replacement
15 reserves assessments are computed and detailing:
- 16 (A) The identity, qualifications, and potential
17 conflicts of interest of the person or entity
18 performing the reserve study, update, or any
19 review thereof;



- (B) Disclosure of any component of association property omitted from the reserve study and the basis for the omission;
- (C) Planned increases in the estimated replacement reserve assessments over the [~~thirty-year~~ twenty-five-year plan; and
- (D) Whether the actual estimated replacement reserves assessments for the prior year as defined in the study were less than the assessments provided for in the reserve study, and, if so, by how much, and explaining the impact of the lesser assessments on future estimated replacement reserves assessments;
- (7) The amount the association must collect for the fiscal year to fund the estimated replacement reserves assessments; and
- (8) Information as to whether the amount the association must collect for the fiscal year to fund the estimated replacement reserves assessments was calculated using a per cent funded or cash flow plan. The method or plan shall not circumvent the estimated replacement



1 reserves assessments amount determined by the reserve
2 study pursuant to paragraph (5).

3 The budget summary shall contain all required information
4 without referring the reader to other portions of the budget."

5 2. Amending subsection (h) to read:

6 "(h) As used in this section:

7 "Capital expenditure" means an expense that results from
8 the purchase or replacement of an asset whose life is greater
9 than one year, or the addition of an asset that extends the life
10 of an existing asset for a period greater than one year.

11 "Cash flow plan" means a minimum [~~thirty-year~~] twenty-five-
12 year projection of an association's future income and expense
13 requirements to fund fully its replacement reserves requirements
14 each year during that [~~thirty-year~~] twenty-five-year period,
15 except in an emergency; provided that it does not include a
16 projection of special assessments or loans during that [~~thirty-~~
17 ~~year~~] twenty-five-year period, except in an emergency.

18 "Emergency situation" means any extraordinary expenses:

19 (1) Required by an order of a court;

20 (2) Necessary to repair or maintain any part of the

21 property for which the association is responsible



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1 where a threat to personal safety on the property is
2 discovered;

3 (3) Necessary to repair any part of the property for which
4 the association is responsible that could not have
5 been reasonably foreseen by the board in preparing and
6 distributing the annual operating budget;

7 (4) Necessary to respond to any legal or administrative
8 proceeding brought against the association that could
9 not have been reasonably foreseen by the board in
10 preparing and distributing the annual operating
11 budget; or

12 (5) Necessary for the association to obtain adequate
13 insurance for the property that the association must
14 insure.

15 "Independent reserve study preparer" means any
16 organization, company, or individual with a reserve study
17 certification from an industry organization.

18 "Major maintenance" means an expenditure for maintenance or
19 repair that will result in extending the life of an asset for a
20 period greater than one year.



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1 "Replacement reserves" means funds for the upkeep, repair,
2 or replacement of those parts of the property, including but not
3 limited to roofs, walls, decks, paving, and equipment, that the
4 association is obligated to maintain."

5 SECTION 2. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 3. This Act shall take effect upon its approval.
8

INTRODUCED BY: Carol Johnson



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Report Title:

Condominium Associations; Budget Summaries; Replacement Reserves

Description:

Reduces condominium associations' cash flow plans from a thirty-year projection to a twenty-five-year projection of the association's future income and expenses to fully fund its replacement reserves requirements each year during that twenty-five-year period.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

