

STAND. COM. REP. NO.

419

Honolulu, Hawaii

, 2025

FEB 11

RE: H.B. No. 1053
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Consumer Protection & Commerce, to which
was referred H.B. No. 1053 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM ASSOCIATION'S
OPERATING BUDGET,"

begs leave to report as follows:

The purpose of this measure is to clarify the ability of a
condominium association to borrow from or reallocate from its
replacement reserves fund to be used toward operating expenses if
repaid within one year.

Your Committee received testimony in support of this measure
from the Real Estate Commission and Palehua Townhouse Association.
Your Committee received testimony in opposition to this measure
from the Hawaii Legislative Action Committee of the Community
Associations Institute; Hawaii Council of Community Associations;
and three individuals. Your Committee received comments on this
measure from seven individuals.

Your Committee finds that, due to issues in the global
insurance industry and recent increases in catastrophic weather
events around the world, there have been unprecedented insurance
premium rate increases for condominium associations. Condominium
associations have been unable to fund these significant increases,
which in turn has placed an unbearable and unforeseeable financial

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burden on condominium unit owners to cover these last-minute costs. This measure allows a condominium association to borrow and subsequently repay from its reserve fund account to assist in paying for operating expenses within the condominium association's budget.

Your Committee notes that a concern was raised by the Community Associations Institute, in its written testimony before your Committee, that the proposed spending limits in this measure based on percentages would be highly difficult to enforce. This is a consequence of the vast majority of condominium associations (approximately more than ninety-five percent) adopting reserve studies using the cash flow funding method, which excludes percentages under the Pooling Method of preparation. Under the cash flow funding method, a condominium association's reserve balance is projected over a thirty-year period, accounting for income and expenses, and is deemed fully funded if the ending balance is a positive balance. As such, any determination of percentages is inconsistent with that methodology. Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to give due consideration to this concern.

Your Committee has amended this measure by:

- (1) Clarifying that a violation of the provisions governing the authorization for a condominium association to borrow or reallocate replacement reserves funds is a violation of the member's fiscal duty;
- (2) Specifying that every authorized borrowing or reallocation of replacement reserves funds is to be restored before any additional borrowing or reallocation, if the replacement reserves are less than one hundred percent of the estimated replacement reserves;
- (3) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1053, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1053, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



SCOT Z. MATSUMOSHI, Chair



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Bill/Resolution No.: HB 1053	Committee Referral: CPC, FIN	Date: 2/4/25		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. MATAYOSHI, Scot Z. (C)	✓			
2. CHUN, Cory M. (VC)	✓			
3. ILAGAN, Greggor	✓			
4. ICHIYAMA, Linda	✓			
5. IWAMOTO, Kim Coco		✓		
6. KONG, Sam Satoru				✓
7. LOWEN, Nicole E.				✓
8. MARTEN, Lisa	✓			
9. TAM, Adrian K.		✓		
10. PIERICK, Elijah	✓			
TOTAL (10)	6	2		2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				