

## Condominium Budget Approval — Legislative History

By: James Orlando, Chief Attorney  
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### Issue

This report provides a legislative history of the Common Interest Ownership Act (CIOA) provision on approval of annual budgets for condominiums and other common interest communities ([CGS § 47-261e](#)). It updates OLR report [2012-R-0339](#).

### Summary

With one exception for certain large condominiums (see below), CIOA generally provides that an annual budget adopted by an association's executive board is deemed approved unless a majority of unit owners votes to reject it (a majority of all unit owners, not just a majority of those voting). The association's declaration can require a larger number of unit owners to reject a budget.

The provision's substance has been in Connecticut law since 1983, when the legislature first adopted CIOA through PA 83-474 (which took effect in 1984). The legislature made certain procedural changes to the budget approval process in [PA 07-243](#), but did not change the requirement for a majority vote of all unit owners to reject a budget. The provision on budget approval was moved to a new statutory section ([CGS § 47-261e](#)) and reworded in [PA 09-225](#).

#### *Common Interest Ownership Act (CIOA)*

*CIOA governs condominiums and other common interest communities formed in the state on and after January 1, 1984. Certain CIOA provisions (including those on adopting budgets) also apply to common interest communities created in Connecticut before January 1, 1984 but do not invalidate existing provisions of the communities' governing instruments. Common interest communities created before that date can amend their governing instruments to conform to portions of CIOA that do not automatically apply.*

In 2010, [PA 10-186](#) (1) made minor and technical changes to CIOA's budgetary approval provisions and (2) added these provisions to the list of CIOA provisions that apply to pre-1984 common interest communities (see sidebar above).

In 2013, the legislature created an exception to the standard budget approval process for certain common interest communities established before July 3, 1991 that have over 2,400 units ([PA 13-182](#)). It appears that this provision applies to only one community in the state — Heritage Village in Southbury. (These provisions were similar to a [2012 act](#) that the governor vetoed. The governor's veto message focused largely on a different section in the 2012 bill, on loan agreements, that was not in the 2013 bill.)

A few other recent acts made minor or technical changes to [CGS § 47-261e](#).

Below are more details on the relevant provisions of the 1983 act establishing CIOA; the 2009 act that reworded and recodified the provisions on the budget approval process; and the 2013 act that created the exception for Heritage Village.

## **PA 83-474**

PA 83-474 (§ 46) provided in relevant part that “unless at [the meeting to consider the proposed budget] a majority of all unit owners or any larger vote specified in the declaration reject the budget, the budget is ratified, whether or not a quorum is present.” There was no discussion of this provision in the debate concerning the bill during the Judiciary Committee hearing or when it was debated in the House or Senate.

The 1983 act was largely based on the Uniform Common Interest Ownership Act drafted by the National Conference of Commissioners on Uniform State Laws (NCCUSL). The comment to the equivalent section of the Uniform CIOA (§ 3-103) does not specifically address the majority vote requirement. Rather, it notes that:

The provisions of [this subsection] permit the unit owners to disapprove any proposed budget, but a rejection of the budget does not result in cessation of assessments until a budget is approved. Rather, assessments continue on the basis of the last approved budget until the new budget is in effect.

## **PA 09-225**

In 2009, [PA 09-225](#) made a number of substantive and technical changes to CIOA, based in part on revisions to the Uniform CIOA in 2008. These changes included moving the budget approval provision from CGS § 47-245(c) to a newly created section ([CGS § 47-261e](#)). [PA 09-225](#) also changed the wording of the provision on budget approval, but did not change the requirement that a budget is approved absent a majority vote to reject it. Under the act, as under prior law, (1) the absence of a quorum does not affect the budget's rejection or approval and (2) if a proposed budget is rejected, the last approved budget continues until unit owners approve a new budget.

While [PA 09-225](#) did not change the requirement for budget approval absent a majority vote to reject it, the act did make other substantive changes affecting the budget approval process. For example, it (1) required the board's summary of the proposed budget to include any reserves and a statement of the basis on how they are calculated and funded and (2) changed the required time frames for the board to hold a unit owners' vote on the budget. The budget approval provisions were not discussed in any detail in the Judiciary Committee hearing or the House or Senate debates.

NCCUSL's comments to the 2008 Uniform Act (§ 3-123) do not include any new discussion on the provision concerning budget disapproval by majority vote. (The comments discuss other budgetary matters in greater detail, such as whether state law should mandate a reserve fund.)

## **PA 13-182**

[PA 13-182](#) created an exception to the standard budget approval process for (1) common interest communities that have more than 2,400 residential units and were established before July 3, 1991 and (2) master associations exercising the powers on behalf of one or more common interest communities or for the benefit of the unit owners of one or more such communities, with the same size and establishment requirements as specified above. The act provided that, for these communities and master associations, a proposed budget or assessment is approved unless (1) a majority of unit owners participating in the vote rejects it and (2) at least one-third of unit owners entitled to vote on the measure vote to reject it.

Several people testified on the bill at the Judiciary Committee hearing. As passed out of committee, the bill applied to all common interest communities. The House passed the bill in that form, but the Senate later amended the bill to narrow its applicability to certain large communities as described above. The House subsequently passed the bill as amended by the Senate. There was minimal discussion of the bill in the House and Senate debate.

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