



## Learn more about the Real Estate Branch (REB) of the Department of Commerce and Consumer Affairs

Check out the REB website [www.hawaii.gov/hirec](http://www.hawaii.gov/hirec) for more information and some frequently asked questions.

- What services does the REB provide to the condominium community?
- Where can I get help with association disputes?
- What laws apply to my condominium association?
- How do I get a copy of my association documents?
- How do I obtain a real estate license?
- What are the laws and rules for real estate licensees?

## Real Estate Branch

### About Us

The Real Estate Branch, as part of the Professional and Vocational Licensing Division, assists the Real Estate Commission in carrying out its responsibility for the education, licensure and discipline of real estate licensees; registration of condominium projects, condominium associations, condominium managing agents, and condominium hotel operators; and intervening in court cases involving the real estate recovery fund.

### Subscribe

Receive emails on relevant condominium educational materials. Sign up now at <http://cca.hawaii.gov/reb/subscribe/>

### Contact Us

Condominium Hotline: 808-586-2644  
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Web: [www.hawaii.gov/hirec](http://www.hawaii.gov/hirec)

*This brochure is for informational purposes only and not intended for the purpose of providing legal advice. Information provided is subject to change.*



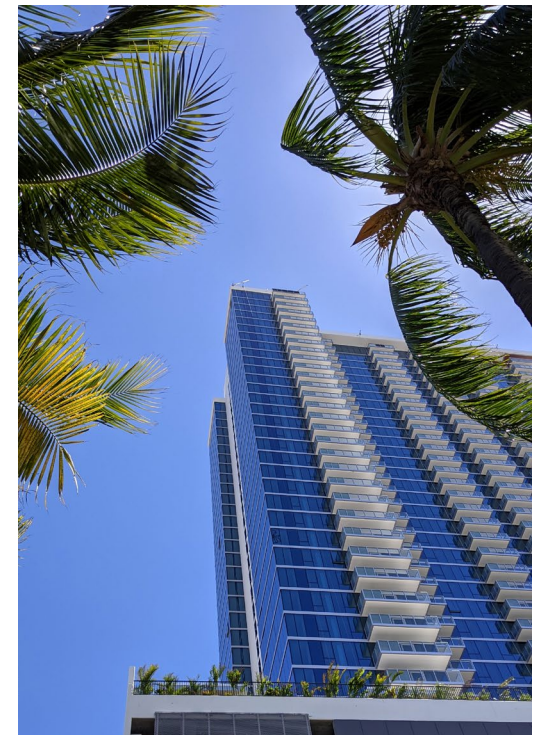
**CONDOMINIUM:  
BUDGETING AND RESERVE  
FUNDING PART 2**  
Real Estate Branch  
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## CONDOMINIUM:

## BUDGETING AND RESERVE FUNDING PART 2

*Real Estate Branch  
Department of Commerce and  
Consumer Affairs*

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## Budgeting and Reserve Funding Part 2

A key duty of condominium association boards is annual budgeting and establishing adequate reserve funds. For this vital obligation, boards should look to [§514B-148](#), Hawaii Revised Statutes, for guidance, as well as chapter 16-107, subchapter 6, Hawaii Administrative Rules. The requirements of this section generally override any requirements in an association's governing documents and compliance is enforceable by unit owners.

### How Often Should Boards Review?

The condominium law only requires a board to annually review its budget and reserves. However, due to the widely varying types and conditions of condominium property regimes across the state, boards should regularly evaluate the state of their finances and available reserves based on the conditions of their projects. Residential high-rise condominiums, particularly older condominiums, should be evaluated more frequently than agricultural condominiums focusing primarily on

agriculture. The more common elements and complex facilities a condominium has, the more frequently the board should review and gauge its budget, upcoming infrastructure repair and replacement needs, and available funds to complete those projects.

Boards should also pay attention to the existing economic conditions as they impact the changing costs for infrastructure repair and replacement. Construction labor and material costs should be regularly assessed in order to ensure that the association has enough funds or to prioritize specific repairs.

All board members should review the existing budgets, reserve funds, and planned repairs as part of their fiduciary duty.

### Budget Constraints

The condominium law sets out specific guidance for certain financial operations. For instance, §514B-148(e), HRS, prohibits a board from exceeding the annual budget by 20% except in emergency situations or with the approval of the majority of the unit owners.

## What is an Emergency Situation?

By law, it means any extraordinary expenses required by a court order or necessary to repair or maintain any property for which the association is responsible where a threat to personal safety on the property is discovered, to repair any part of the property for which the association is responsible that could not have been reasonably foreseen by the board in preparing the annual operating budget, to respond to any legal or administrative proceeding brought against the association that could not have been reasonably foreseen by the board in preparing the annual operating budget, or for the association to obtain adequate insurance for property which the association must insure.

Where a majority of the owners have not approved an assessment under this subsection, the board is required to adopt and distribute a written resolution and explain the necessity of the extraordinary expenses and why it was not or could not have been reasonably foreseen in the prior budgeting process which resolution must be distributed to the owners with the notice of assessment.