

Association Budget: Must an Association ratify a new budget if the Board proposes a spending change?

A Board may impose a new spending plan without ratification by the membership so long as the new spending plan does not result in a change in the members' assessment¹ obligations.

The HOA Act² requires that any regular or special budget proposed by an HOA Board must be submitted to the owners for ratification within thirty days.³ This ratification procedure also applies to proposed changes to a previously approved budget that will result in a change in assessment obligations.⁴

The New Act⁵, likewise, requires that members be notified of, and vote on, any proposed changes in a previously approved budget that result in a change in assessment obligations.^{6 7}

However, the Washington Court of Appeals has made clear that where proposed changes to a budget will not result in a change in assessment obligations, a Board is not required to notify owners or seek ratification of an amended budget.⁸

Under these standards, if a Board were to adopt a spending plan that would ultimately increase owners' assessment obligation, the plan would be invalid unless ratified as a revised budget in accordance with statute and the Association's Governing Documents. If, however, a Board were to adopt a spending plan that reduced or maintained expenditures, either to match actual revenue or because actual costs were lower than projected, the spending plan would not result in a change in assessment obligations, and the statutory notice and ratification requirements would not apply.

¹ The HOA Act defines “assessment” as “all sums chargeable to an owner by an Association,” including “for common expenses.” RCW 64.38.010 and .020(2). The New Act defines “assessment” similarly as “all sums chargeable by the association against a unit including, without limitation: (a) Regular and special assessments for common expenses, charges, and fines imposed by the association; (b) interest and late charges on any delinquent account; and (c) costs of collection, including reasonable attorneys’ fees, incurred by the association in connection with the collection of a delinquent owner’s account.” RCW 64.34.020(3).

² RCW 64.38 (Homeowners’ Association Act).

³ RCW 64.38.025(3) provides:

Within thirty days after adoption by the board of directors of any proposed regular or special budget of the association, the board shall set a date for a meeting of the owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing of the summary. Unless at that meeting the owners of a majority of the votes in the association are allocated or any larger percentage specified in the governing documents reject the budget, in person or by proxy, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the owners shall be continued until such time as the owners ratify a subsequent budget proposed by the board of directors.

⁴ RCW 64.38.035(3).

⁵ RCW 64.34 (Condominium Act).

⁶ RCW 64.34.308(3).

⁷ The Old Act is silent on whether a Board can adopt a spending change without unit owner approval. The Old Act does require the Board to get unit owner approval for any decisions, if the Old Act requires such approval (which it does not for spending changes) or if the Governing Documents require such approval. See RCW 64.32.250(2) (Application of chapter, declaration and bylaws).

⁸ In *Casey v. Sudden Valley Community Association*, 182 Wn. App. 315 (2014), the court interpreted the HOA Act and determined that the notice and ratification provisions applied only to proposed spending changes that increased assessments on individual owners. The court noted that

assessments under the New Act, unlike the HOA Act, must be “based on the budget.” (citing RCW 64.34.360). However, the issue of whether a condo Association Board was required to notify owners and seek ratification of a proposed spending change was not before the court. For the reasons discussed in this chapter, condo Association Boards, like HOA Boards, are free from any such obligation so long as the proposed spending change does not affect assessment obligations.