

2023-2024 Proposed California Legislative Initiatives

Community Associations Institute (CAI) California Legislative Action Committee (CLAC)

- A new two-year California legislative session begin January 3, 2022
- CAI is a professional association for homeowner's associations (HOAs)
- CLAC advocates on proposed legislation and proposes legislation in the interest of California HOAs
- CLAC is setting legislative priorities in October 2022

Seeking advice and endorsement

- Director Koenes is a member of the Northern California Chapter Legislative Support Committee
- Attending the CLAC annual planning session where advocacy priorities for the 2023-2024 legislative session
- Seeking advice and endorsement on two proposals to CLAC:
 1. Modifications to CA Civil Code 5500 to make the intended safeguards more effective for large associations
 2. Provision for electronic balloting

Improvements to CA Civil Code 5500

CA Civil Code 5500 requires, at the most arduous level, “Review, on a monthly basis, the check register, monthly general ledger,…”

- This is an impractical solution for fraud detection and prevention for large associations where check registers and general ledgers that can run hundreds of pages long
- Proposed in-lieu of provisions:
 - An audit by a licensee of the California State Board of Accountancy (CPA) to perform an extensive examination of the association's financial records and issues a statement as to their compliance with generally accepted accounting principles (GAAP)
 - Monthly financial review by a Finance Committee established by the Board of Directors, or by the Board itself
 - If monthly review is conducted by committee, the Board of Directors conducts its own review quarterly (the requirement in place prior to CA CC 5500)
- Benefits:
 - Imposes more stringent than the provisions under Civil Code 5305 (legislative benefit)
 - More effective allocation of association resources (association benefit)
 - More qualified review (CPA) that ensures no untoward financial activity (public / member benefit)

Electronic balloting

- Such an initiative was considered by the legislature several year ago
 - Opposed by the Secretary of State in office at the time over security concerns and ease-of-use (technology adoption)
- Since, technology adoption and security has significantly advanced
 - Recent on-line CAI elections provide a exemplary prototype of ease-of-use with security and integrity
- Benefits:
 - Higher voter participation
 - Practical elections integrity—for large associations, the current paper system is ripe for abuse given the shear volume of votes cast and the cumbersome manual processes that fall out of a double-envelope paper system
 - Reduced costs—savings on paper (cost and environmental impact), postage, etc.