

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 747

(Delegate Guyton)

Environment and Transportation

Education, Energy, and the Environment

Environment - On-Site Wastewater Systems - Requirements for Inspection and Pumping Services and Extension of Sunset and Implementation Dates

This bill requires a landlord of property that is served by an on-site wastewater system (septic system), by July 1, 2028, and before each new tenant occupies the property thereafter, to ensure the septic system has been inspected and pumped. Beginning July 1, 2028, the bill also requires a contract for the sale of real property with a septic system to include a provision requiring, as a condition of the sale, that the purchaser ensure the system has been inspected and pumped out. The bill does not limit a mortgage company or financial institution from requiring a septic system inspection as part of contract terms for the sale or transfer of real property. Furthermore, the bill (1) delays, from June 30, 2025, to June 30, 2027, the termination date of specific provisions establishing and requiring an on-site wastewater property transfer inspection license and (2) requires the Maryland Department of the Environment (MDE) to adopt regulations related to the State Board of Wastewater Professionals by July 1, 2027, instead of by July 1, 2025. **The bill takes effect June 1, 2025.**

Fiscal Summary

State Effect: This bill is not anticipated to materially affect State finances or operations, as discussed below.

Local Effect: Potential administrative costs and fee revenues for some local governments (primarily local health departments (LHDs)), as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law

Definitions

Under current law, “on-site wastewater system” means (1) a wastewater system designed to treat and dispose of effluent on the same property that produces the wastewater or on an easement or (2) a holding tank. The term includes a septic or any other on-site sewage disposal system. However, the term does not include a wastewater treatment system that requires a discharge permit from MDE or that treats 5,000 or more gallons per day.

Under the bill, “delegated approval authority” means the LHD or county agency that has received an on-site sewage disposal system delegation of authority by MDE.

Regulation and Licensure of On-Site Wastewater Property Professionals

Pursuant to Chapters 444 and 445 of 2021, any person (unless exempted) who engages in the business of inspecting a septic system must obtain an on-site wastewater property transfer inspection license from MDE. Chapters 444 and 445 also required MDE to adopt regulations that establish license eligibility criteria, minimum training standards, license terms, and fees for license applications and renewals, as specified. These required regulations went into effect in 2023.

Chapter 419 of 2022, repeals, effective June 30, 2025, the on-site wastewater property transfer inspection license provisions established under Chapters 444 and 445. *Under the bill*, the repeal of these provisions is delayed until June 30, 2027.

Chapter 419 also established the State Board of On-Site Wastewater Professionals as a unit within MDE to regulate and license individuals who provide on-site wastewater services in the State, including septic system property transfer inspections. Pursuant to Chapter 419, generally, an individual must be licensed by the board before providing on-site wastewater services in the State. However, an individual who provides such services in the State may continue to provide such services until MDE establishes regulations that implement the licensing requirements established under Chapter 419 if the individual (1) complies with all applicable State and local laws and regulations; (2) pays a \$150 fee to MDE by December 31, 2022; and (3) pays a \$150 renewal fee every two years thereafter until MDE sets license and any other service-related fees by regulation. Chapter 419 requires MDE to adopt implementing regulations by July 1, 2025. *The bill* requires MDE to adopt implementing regulations for Chapter 419 by July 1, 2027.

Chapter 419 also required that all individuals who provide on-site wastewater services in the State be licensed by the board by July 1, 2026. *The bill* extends this deadline to July 1, 2028.

New Requirements to Conduct Septic System Inspections and Pump Outs

Landlords: Septic system inspections and pump outs must be done by an individual appropriately licensed under Title 9, Subtitle 11A of the Environment Article, as specified.

For purposes of meeting the requirements in regard to landlords, a septic system property transfer inspection or pumping service performed in accordance with the bill is valid for *three* years. If an inspection conducted in accordance with the bill identifies a failing septic system, the landlord of the property must notify the delegated approval authority about the failure and when the system is fixed.

Real Property Sales: The requirements below do not apply if (1) the property transfer involves the transfer of residential real property that is between current spouses, a parent and a child, or siblings by whole blood (if the property is held in trust); (2) the property's mortgage is being refinanced *or* the change in ownership or form of ownership does not involve the introduction of new parties; and (3) the septic system has been inspected within the immediately preceding five-year period. The requirements also do not apply if the property transfer is the initial transfer after the construction of the property.

In regard to contracts for the sale of real property that is served by a septic system, settlement on a contract may not occur until the vendor and the purchaser receive a report on the property transfer inspection and confirmation of the pumping service. At settlement, the vendor and purchaser must each certify in writing that they have received and reviewed the report and confirmation. Unless otherwise required as part of a real estate contract or mortgage, a property transfer inspection or pumping service performed in accordance with these requirements is valid for three years. If the inspection above identifies a failing septic system, the landlord of the property must notify the delegated approval authority about the failure and when the system is fixed.

Requirements for Contracts of Sale

Statutory provisions set forth numerous requirements regarding statements, disclosures, and notices in contracts for the sale of property, including provisions relating to:

- notice of estimated deferred water and sewer charges;
- notice that the subject property may be located in a “critical area” of the Chesapeake Bay and Atlantic Coastal Bays;
- notice of specified development impact fees;

- notice of protection by the Real Estate Guaranty Fund;
- notices related to deposits, specified contractual provisions, and warranties; and
- notice that the subject property may be located in a zone of dewatering influence.

Many requirements regarding such statements, disclosures, and notices vary depending on the type of property at issue and/or the jurisdiction where the property is located.

State Revenues: Under current law, pursuant to Chapter 419, the septic system property transfer inspection license provisions of Chapters 444 and 445 are repealed effective June 30, 2025 (the end of fiscal 2025). At that point, individuals providing on-site wastewater services, including property transfer inspections, must be licensed by the State Board of On-Site Wastewater Professionals in accordance with regulations promulgated by MDE. If MDE has not yet set license fees by regulation, affected individuals must pay a biannual \$150 fee to MDE until a license fee is established in regulation. License fee revenue from property transfer inspection licenses and fee revenue under Chapter 419 is deposited into the On-Site Wastewater Professionals Fund. The bill delays the termination of the property transfer inspection license provisions (under Chapters 444 and 445), the requirement that individuals obtain a license from the board, and the required deadline for MDE to adopt regulations implementing Chapter 419.

MDE advises that the bill's changes are not anticipated to materially affect MDE special fund revenues because even under current law, licensing efforts by the Board of On-Site Wastewater Professionals are delayed. Septic system property transfer inspectors are currently paying a \$150 biannual licensing fee (pursuant to Chapters 444 and 445). Since licensing efforts by the board are somewhat delayed, the Department of Legislative Services (DLS) anticipates the likelihood that even absent the bill, beginning in fiscal 2026, septic system property transfer inspectors would begin paying the biannual \$150 interim fee to continue practicing in the State (as opposed to obtaining a license from the board at that time). Thus, the bill's changes are not anticipated to materially affect the timing or magnitude of special fund revenues.

DLS notes that under the bill, the current law requirement for other on-site wastewater service providers to pay the \$150 interim fee beginning June 30, 2025, (until MDE establishes license fees in regulations) remains unchanged.

Local Fiscal Effect: MDE notes that LHDs and local environmental agencies may face increased administrative responsibilities and potential costs to the extent that they conduct or otherwise oversee septic system inspections. Local fee revenues may increase for some jurisdictions from any inspections conducted by LHDs and from permit fees.

For example, Prince George's County advises that property owners with septic systems that fail inspections under the bill may apply for additional permits for septic system repairs

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or installations. The county anticipates an increase in local revenues of approximately \$15,000 annually. The county also estimates that local expenditures increase by approximately \$100,000 annually to hire an environmental health specialist to respond to complaints, conduct plan review for the repair and remodeling of systems, and to inspect installations.

On the other hand, Howard County and the Maryland Association of Counties advise that the bill does not materially affect local finances or operations.

Small Business Effect: Small business landlords are subject to additional costs due to the bill's requirements to conduct additional inspections and pump outs of septic systems. The bill may also result in delays in the turnover of tenants and property transfers depending on the availability of qualified septic system property transfer inspectors.

Qualified, licensed individuals performing wastewater system services may meaningfully benefit from the increase in demand for their services under the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Howard and Prince George's counties; Maryland Association of Counties; Maryland Association of County Health Officers; Office of the Attorney General; Judiciary (Administrative Office of the Courts); Maryland Department of the Environment; Department of Legislative Services

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