

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 872

(Senator M. Washington)

Education, Energy, and the Environment

Economic Matters

Reduction of Lead Risk in Housing - Rental Dwelling Unit - Definition

This bill expands the regulatory scope of the State’s Reduction of Lead Risk in Housing law, which applies to residential rental property built before 1978, by expanding the definition of “rental dwelling unit.” Under current law, “rental dwelling unit” means a room or group of rooms that form a single *independent* habitable rental unit for permanent occupation by one or more individuals that has living facilities with permanent provisions for living, sleeping, eating, cooking, and sanitation. The bill repeals the word *independent* from the definition and adds that the unit must either have *or have access to* permanent provisions for living, sleeping, eating, cooking, and sanitation.

Fiscal Summary

State Effect: Special fund revenues increase by an estimated \$1.4 million in FY 2027 from registration fees; future years reflect anticipated fee revenues and the biennial registration cycle. Special fund expenditures increase by \$369,600 in FY 2027; future years are annualized and reflect ongoing costs and inflation.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$1,406,300	\$281,300	\$1,406,300	\$281,300	\$1,406,300
SF Expenditure	\$369,600	\$255,000	\$267,000	\$279,200	\$291,400
Net Effect	\$1,036,700	\$26,200	\$1,139,200	\$2,000	\$1,114,900

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Potential increase in local expenditures for any locally owned or operated housing entities with rental dwelling units now subject to regulation. Local revenues are not affected. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Current Law: “Rental dwelling unit” does not include (1) an area not used for living, sleeping, eating cooking, or sanitation, such as an unfinished basement; (2) a unit within a hotel, motel, or similar seasonal or transient facility; (3) an area which is secured and inaccessible to occupants; or (4) a unit which is not offered for rent.

Overview of Maryland’s Lead Poisoning Prevention Program

Chapter 114 of 1994 established the Lead Poisoning Prevention Program within the Maryland Department of the Environment (MDE). The program serves as the coordinating agency of statewide efforts to eliminate childhood lead poisoning. Under Title 6, Subtitle 8 of the Environment Article (Reduction of Lead Risk in Housing), MDE assures compliance with mandatory requirements for lead risk reduction in rental units built before 1978; maintains a statewide listing of registered and inspected units; and provides blood lead surveillance through a registry of test results of all children tested in Maryland. The Lead Poisoning Prevention Program also oversees case management follow-up by local health departments for children with elevated blood lead levels; certifies and enforces performance standards for inspectors and contractors working in lead hazard reduction; and performs environmental investigations for lead poisoned children. Finally, the program provides oversight for community education to parents, tenants, rental property owners, homeowners, and health care providers to enhance their role in lead poisoning prevention.

Registration of Affected Properties

Owners of “affected property” in the State are required to register their properties with MDE. An “affected property” means (1) a property constructed before 1978 that contains at least one rental unit or (2) any residential rental property for which the owner elects to comply with the Reduction of Lead Risk in Housing subtitle. “Affected property” includes an individual rental dwelling unit within a multifamily rental dwelling. “Affected property” does not include (1) affected property owned or operated by a unit of federal, State, or local government, or any public, quasi-public, or municipality, if the affected property is subject to lead standards that are equal to, or more stringent than, the risk reduction standard established in the Reduction of Lead Risk in Housing subtitle or (2) affected property which is certified to be lead-free, in accordance with specified conditions.

Risk Reduction Standard

The owner of an affected property must satisfy the risk reduction standard at the initial and each subsequent change of occupancy by passing the test for lead-contaminated dust. At each change in occupancy, an owner of affected property must have the property inspected to verify that the risk reduction standard has been satisfied. An accredited lead paint visual

inspector or lead paint risk assessor must conduct the inspection and issue a certificate, either passing or failing, for every inspection performed.

Lead Poisoning Prevention Fund and Related Registration Fees

The Budget Reconciliation and Financing Act of 2025 (Chapter 604) increased the registration fee paid by owners of affected property for each rental dwelling unit to \$75 per unit. The fee is collected by MDE once every two years. MDE is authorized to stagger the registrations of affected property under the Reduction of Lead Risk in Housing Subtitle to equally divide registrations over sequential calendar years. Fee revenues are paid into the Lead Poisoning Prevention Fund.

The Lead Poisoning Prevention Fund must be used to cover the costs of fulfilling the duties and responsibilities of MDE and the Lead Poisoning Prevention Commission related to the prevention of lead poisoning. The fund consists of all fees and penalties imposed under the Reduction of Lead Risk in Housing Subtitle, including registration fees for each rental unit dwelling in the State paid by owners of affected property and monies received by grant, donation, appropriation, or from any other source. For each fiscal year, MDE must use at least \$750,000 from the fund for community outreach, education programs, and enforcement efforts, as specified.

State Revenues: Special fund revenues for MDE’s Lead Poisoning Prevention Fund increase by an estimated \$1,406,250 in fiscal 2027, 2029, and 2031, and by \$281,250 in fiscal 2028 and 2030 from registration fees paid by owners of affected property for rental dwelling units that are now subject to the registration requirements due to the bill’s expanded definition of “rental dwelling unit.” The information and assumptions used in calculating the estimate are stated below:

- an additional 37,500 rental dwelling units are subject to registration, based on information provided by MDE;
- in fiscal 2027, 50% of the estimated units (18,750 units) newly subject to registration are registered by owners (who pay the registration fee of \$75 per unit), and these units continue to be registered biennially;
- in fiscal 2028, an additional 10% of the estimated additional rental dwelling units (3,750 units) come into compliance (or are registered again due to property turnover), and these units continue to be registered biennially;
- the number of additional units subject to the registration requirement remains constant over time; and
- assumed compliance rates are based on past compliance trends as provided by MDE.

Actual registration fee revenues in any given year may vary depending on the number of additional units that are registered with MDE (and for which the registration fee is paid).

State Expenditures: Special fund expenditures for MDE increase by \$369,563 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring three employees (one administrator, one environmental compliance specialist, and one administrative officer) to (1) identify and conduct outreach to ensure that additional rental dwelling units included under the bill’s expanded definition comply with program requirements; (2) coordinate data needs, perform data entry, and conduct mass communications for billing and notifications to responsible parties and perform related administrative functions; and (3) provide legal support for anticipated challenges regarding liability for common areas. It includes salaries, fringe benefits, one-time start-up costs (including one-time costs to update an existing database), and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- as discussed above, an estimated 37,500 additional rental dwelling units fall under the scope of MDE’s Lead Poisoning Prevention Program; and
- the additional units included in the scope of the program include rooming houses, single-room occupancy facilities, and shared-housing arrangements, resulting in an increase in MDE’s workload and associated costs to manage disputes regarding shared-space liability.

Positions	3.0
Salaries and Fringe Benefits	\$192,141
Database Upgrade Costs	150,000
Other Operating Expenses	<u>27,422</u>
Total FY 2027 State Expenditures	\$369,563

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Local Expenditures: MDE anticipates that there are locally owned/operated single-room occupancy facilities and other shared housing arrangements that are affected by the bill’s changes. For any affected local public housing authorities that own/manage rental dwelling units that fall under the bill’s expanded definition of rental dwelling unit, local expenditures increase to pay biennial registration fees for those units, conduct lead-contaminated dust inspections, and potentially conduct remediation measures depending on the inspection results. The magnitude of any such impacts depends on the number of affected rental dwelling units and the results of lead-contaminated dust inspections conducted for those units.

Small Business Effect: As discussed above, the bill is anticipated to significantly expand the number of rental dwelling units in the State subject to the Reduction of Lead Risk in Housing law. Thus, compliance costs increase for landlords that are now subject to registration requirements and risk reduction standards for these units. Similar to the impact described above for local governments, costs for landlords increase to pay biennial registration fees, conduct lead-contaminated dust inspections, and potentially conduct remediation measures depending on the inspection results.

On the other hand, small businesses that conduct lead dust testing and visual inspections and offer lead paint abatement and remediation services likely benefit from an increase in the demand for their services.

Additional Information

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

Designated Cross File: HB 1549 (Delegate Rosenberg) - Economic Matters.

Information Source(s): Maryland Department of the Environment; Maryland Department of Health; Department of Housing and Community Development; Maryland Association of County Health Officers; Baltimore City; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2026
me/lgc Third Reader - March 20, 2026

Analysis by: Kathleen P. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510