

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 165 (Senator Brooks)

Education, Energy, and the Environment

Environment - On-Site Wastewater Systems - Requirements for Inspection and Pumping Services 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 out. 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) 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; and (2) delays, from July 1, 2026, to July 1, 2028, the date by which an individual who provides on-site wastewater services must be licensed by the board. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: The bill's delay in the timeline to adopt regulations and license on-site wastewater property transfer professionals may affect special fund revenues as early as FY 2027, but any such impact cannot be reliably estimated at this time, as discussed below. Otherwise, the bill is not anticipated to materially affect State finances or operations.

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 the department.

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, repealed, effective June 30, 2025, the on-site wastewater property transfer inspection license provisions established under Chapters 444 and 445.

Chapter 419 also established the board 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 required MDE to adopt implementing regulations by July 1, 2025. *The bill* requires MDE to adopt implementing regulations for Chapter 419 by July 1, 2027. MDE promulgated emergency regulations implementing portions of Chapter 419 by establishing licensing provisions for on-site wastewater property transfer inspectors. The emergency regulations took effect December 31, 2025, and expire May 24, 2026.

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: *Under the bill*, 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 bill's requirements regarding 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 (3) the change in ownership or form of ownership does not involve the introduction of new parties; and
- 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.

Regarding 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 owner of the property must notify the delegated approval authority about the failure and when the system is fixed.

Requirements for Contracts of Sale

Current law statutory provisions, which are unchanged by the bill, 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, until MDE and the board establish a licensing process by regulation, individuals providing on-site wastewater services must pay an interim biannual \$150 fee. Fee revenue under Chapter 419 is deposited into the On-Site Wastewater Professionals Fund. However, MDE was required to promulgate licensing regulations for *all* individuals who provide on-site wastewater services in accordance with Chapter 419 by July 1, 2025, and all individuals providing these services must obtain a license from the board by July 1, 2026. As discussed, the bill delays the requirement that individuals obtain a license from the board (until July 1, 2028), and the deadline for MDE to adopt licensing regulations (until July 1, 2027).

As noted above, MDE promulgated emergency regulations that establish licensing requirements for on-site wastewater property transfer inspectors. Under the emergency regulations, licensees must renew their licenses biennially and pay a \$150 license fee on the same schedule that these individuals would otherwise be paying an interim biannual \$150 fee. Regulations for other on-site wastewater professionals are delayed, and it is unclear, in the absence of the bill, whether regulations will be in effect in time to meet the statutory deadline for on-site wastewater service professionals to obtain a license from the board. Because the full regulations are not in effect and no licensing fees have been established other than for property transfer inspectors, the Department of Legislative Services is unable to reliably evaluate the impact on special fund revenues from the bill’s delay in the statutory deadlines. Any impact on special fund revenues begins as early as July 1, 2026, when these individuals would, in the absence of the bill, need to be licensed in order to continue working in the State.

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 or installations. The county anticipates an increase in local revenues of approximately \$17,000 annually. The county also estimates that local expenditures increase by approximately \$100,000 annually to hire staff to respond to complaints, conduct plan review for the repair and remodeling of systems, and to inspect installations.

On the other hand, Baltimore City advises that the bill does not materially affect its finances or operations. The Maryland Association of County Health Officers anticipates that LHDs can likely handle increased workloads related to issuing additional permits for septic systems with existing resources because landlords and property owners are required to notify delegated approval authorities (typically LHDs) of failing systems.

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.

Because it is unclear – in the absence of the bill – whether regulations fully implementing Chapter 419 will be in place in time for on-site wastewater service professionals to obtain a license from the State Board of On-site Wastewater Service Professionals by the existing July 1, 2026 statutory deadline, the bill's delay of the licensing requirements gives MDE and the board additional time to finalize regulations and on-site wastewater service professionals a clearer path to continue working during that interim period.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 747 of 2025.

Designated Cross File: HB 146 (Delegate Guyton) - Environment and Transportation.

Information Source(s): Maryland Association of County Health Officers; Baltimore City; Prince George's County; Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Maryland Department of the Environment; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2026
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