

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 1165
 Finance

(Senator Manno)

Public Safety - Elevator Inspections - Testing

This bill requires a State inspector or third-party qualified inspector who is required to witness a test performed on an elevator unit in accordance with State law, the Safety Code, or a regulation adopted by the Commissioner of Labor and Industry to be *physically present during the test* to witness that the test has been correctly performed and to verify the proper recording of the test result. The bill also requires that such a test performed on an elevator unit be performed by a licensed elevator mechanic.

Fiscal Summary

State Effect: Special fund expenditures for the Department of Labor, Licensing, and Regulation (DLLR) increase by \$1.5 million in FY 2017 for the additional staff necessary to ensure a State inspector is physically present during annual State/local government elevator unit safety tests. Future year expenditures reflect annualization and elimination of one-time costs. Absent additional funding, the backlog of elevator unit inspections increases significantly. Special fund revenues increase from the assessment on workers' compensation premiums (as authorized under current law) to fund the additional expenditures; State expenditures (all funds) increase due to a larger assessment charged by the Workers' Compensation Commission (WCC) to all employers, including the State.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	-	-	-	-	-
SF Expenditure	\$1.5	\$1.8	\$1.8	\$1.9	\$2.0
GF/SF/FF Exp.	-	-	-	-	-
Net Effect	(\$1.5)	(\$1.8)	(\$1.8)	(\$1.9)	(\$2.0)

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

Local Effect: Local governments are affected to the extent that annual elevator inspections are delayed or cost more under the bill. Local government expenditures increase minimally

due to a larger assessment charged by WCC to all employers, including local governments. Revenues are not affected.

Small Business Effect: Meaningful, as discussed below.

Analysis

Current Law: Elevators in the State must be inspected, tested, and maintained in a safe operating condition in accordance with the State Safety Code and regulations adopted by the commissioner. “Safety Code” means the American National Standard/American Society of Mechanical Engineers Safety Code for Elevators, Dumbwaiters, Escalators, and Moving Walks, known as ANSI A17.1-1971, and all subsequent amendments and revisions to it, as adopted by the commissioner.

Unless otherwise specified by statute, an elevator may not operate in a building, structure, or place of employment in the State unless it has been certified by the commissioner. Inspections are required for new elevators and after any modifications to existing elevators. Operational elevators must undergo periodic annual inspections and more comprehensive five-year inspections.

A State inspector must make the following inspections, among others:

- final acceptance inspection of all new elevator units prior to issuance of first certificate;
- a comprehensive five-year inspection as defined by regulation;
- generally, inspections of elevator units owned by the State or a local government; and
- quality control monitoring of inspections conducted by third-party qualified elevator inspectors.

Pursuant to Chapter 145 of 2009, annual inspections for privately owned elevators are conducted by third-party inspectors. Prior to the Act, annual inspections were conducted by State inspectors. Annual inspections must ensure that the elevator unit complies with the State Safety Code and other regulations adopted by the commissioner.

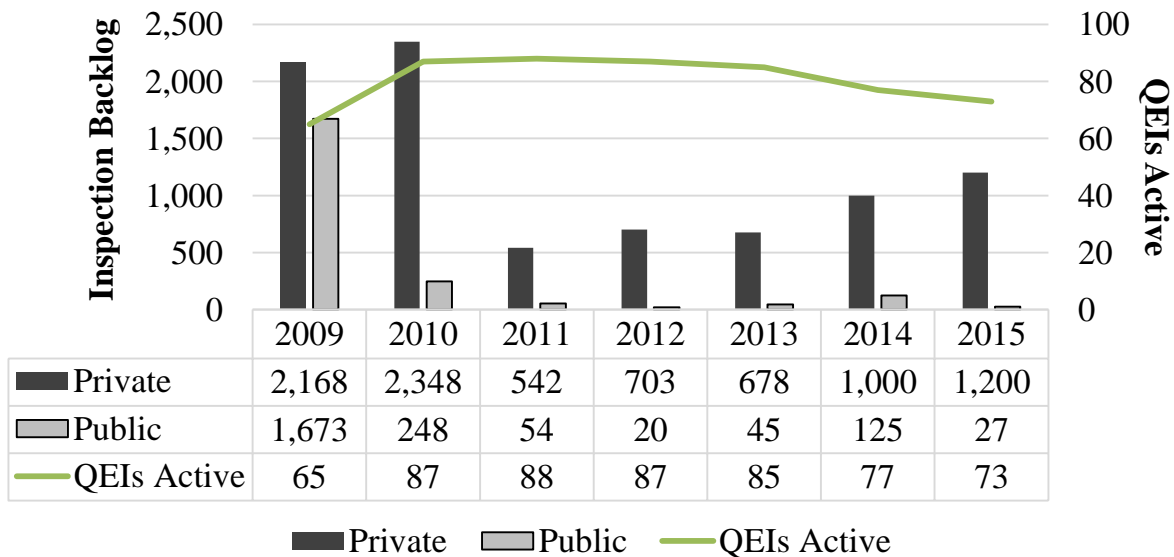
DLLR Regulations and the Elevator Safety Code

DLLR regulations specify that “witness,” as it appears in the Safety Code, means to observe or to verify that testing has been performed by a qualified individual in accordance

with the Safety Code. The Safety Code makes several references to an inspector “witnessing” a test.

Background: For annual inspections, DLLR advises that it has operated under its current method of on-site post-test reviews for approximately 20 years. Under this method, elevator inspectors arrive on-site after the safety tests have been conducted by appropriately licensed professionals, review the safety test reports, conduct a visual inspection of the elevator and associated equipment, and complete the inspection. For initial certification and five-year inspections, the inspector is present during the more rigorous testing that occurs. Still, as shown in **Exhibit 1**, prior to enactment of Chapter 145 of 2009, there was a significant backlog of elevator inspections in the State, as only State inspectors could perform inspections. Following the enactment of Chapter 145, State inspectors no longer had to inspect privately owned elevators, allowing them to focus on eliminating the backlog among publicly owned elevators. As Exhibit 1 shows, the inspection backlog for public elevators has been virtually eliminated, and the inspection backlog for privately owned elevators has been substantially reduced but is growing again.

Exhibit 1
Inspection Backlog – Public and Private Elevators
2009-2015



QEI: Third-party Qualified Elevator Inspector

Source: Department of Labor, Licensing, and Regulation

State Fiscal Effect: The bill requires State inspectors to be physically present during the annual safety tests performed by other appropriately licensed professionals. As noted above, for approximately the last 20 years, State inspectors have conducted post-test reviews where elevator inspectors arrive on-site after the safety tests have been conducted, review the safety test reports, conduct a visual inspection of the elevator and associated equipment, and complete the inspection.

DLLR advises that the bill's requirement – that an inspector be physically present as the safety tests are performed – places a significant burden on the Elevator Safety Inspection Unit in the Division of Labor and Industry. As noted above, DLLR inspectors are already present at initial inspections and at five-year inspections. DLLR has experienced the difficulties inherent in scheduling the inspector, the elevator mechanic, building maintenance staff, and any fire safety specialists for the same day and time. Any change in one party's availability sets back the entire inspection process.

Under the current system, DLLR inspectors are able to complete an annual inspection in about two hours, on average. Under the bill, DLLR does not anticipate being able to schedule/conduct more than one annual inspection per inspector per day, and the department anticipates a significant increase in effort and time spent coordinating schedules. Under DLLR's estimate of the additional time required for annual inspections (six additional hours per elevator unit), an average of 220 inspection days per year per inspector, and approximately 4,400 State/local elevator units, DLLR requires an additional 15 State inspectors, 2 inspector supervisors, and 3 administrative staff in order to ensure that there is a minimal backlog of State inspections.

The Elevator Safety Inspection Unit is funded through an assessment on workers' compensation premiums. Therefore, special fund expenditures increase by \$1.5 million in fiscal 2017, which accounts for the bill's October 1, 2016 effective date. This estimate reflects the cost of hiring 15 inspectors, 2 supervisors, and 3 administrative staff necessary for DLLR to ensure that a State inspector is physically present during annual State/local government elevator unit safety tests and to maintain the State/local government elevator inspection backlog at a minimal level. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	20
Salaries and Fringe Benefits	\$1,216,355
Other Operating Expenses	<u>283,584</u>
Total FY 2017 State Expenditures	\$1,499,939

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the elimination of one-time costs.

Special fund revenues increase from the assessment on workers' compensation premiums as authorized under current law to fund the additional expenditures. State expenditures (all funds) increase minimally beginning in fiscal 2017 due to a larger assessment charged by WCC to all employers, including the State.

Small Business Effect: Small businesses that employ third-party qualified inspectors and individuals involved in the elevator safety tests are likely affected in the same way as the Elevator Safety Inspection Unit – many will encounter additional scheduling issues, and the time each inspection takes is likely to increase. Absent additional third-party inspectors, the backlog of private elevator unit inspections (which has been growing since 2011) will increase. Small business costs increase minimally due to a larger assessment charged by WCC to all employers, including small businesses.

Additional Comments: Regardless of the additional staff necessary due to the bill, it is unlikely that DLLR can fill a substantial number of the positions. Private elevator inspector salaries are significantly higher than DLLR inspector salaries, which leads to continuous recruitment issues for the department. Absent the ability to successfully hire and retain necessary staff, the backlog of State inspections will increase, potentially significantly, beginning as early as fiscal 2017 due to the likely shortage of State inspectors.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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md/mcr

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