

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 534 (Chairman, Economic Matters Committee)  
 (By Request – Departmental – Labor, Licensing and Regulation)  
 Economic Matters Education, Health, and Environmental Affairs

**Commissioner of Labor and Industry - Boiler and Pressure Vessel Safety -  
 Authority and Inspection Intervals**

This departmental bill authorizes the Commissioner of Labor and Industry in the Department of Labor, Licensing, and Regulation (DLLR) to set inspection intervals for low-pressure-steam or vapor-heating boilers, hot-water-heating boilers, hot-water-supply boilers, and pressure vessels through regulation instead of statute. Inspections must be conducted in accordance with the State Administrative Procedure Act and national standards. The bill defines “model steam boiler” and exempts such boilers from annual inspections.

The bill takes effect July 1, 2004.

**Fiscal Summary**

**State Effect:** No effect in FY 2005 or 2006. General fund revenues could decrease by approximately \$40,000 beginning in FY 2007 due to a reduction in inspection fee revenue. Out-years reflect additional reductions in inspection fee revenue. Special fund expenditures could decrease by \$94,400 beginning in FY 2007 due to the elimination of two boiler inspector positions. Out-years reflect an additional two boiler inspector positions eliminated in FY 2008.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$0	\$0	(\$40,000)	(\$80,000)	(\$80,000)
SF Expenditure	0	0	(94,400)	(196,500)	(204,600)
Net Effect	\$0	\$0	\$54,400	\$116,500	\$124,600

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

**Local Effect:** Local government expenditures would decrease minimally as a result of less frequent inspections of low-risk boilers and pressure vessels.

**Small Business Effect:** DLLR has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Bill Summary:** The bill repeals biennial inspections of low-pressure-steam or vapor-heating boilers, hot-water-heating boilers, hot-water-supply boilers, and pressure vessels and provides that inspections must be conducted at time intervals set forth in regulations. The bill requires inspection intervals to protect public safety by taking into consideration the design, type, age, extent of automated monitoring, fuel, and operating characteristics of the boiler or pressure vessel.

The bill also alters the validity of an inspection certificate to be the time established in regulation. An inspection certificate must specify the inspection interval.

If the certificate inspection interval for a boiler or pressure vessel is extended, the Chief Boiler Inspector is required to promptly issue a certificate to the boiler's owner with the new expiration date.

The bill requires DLLR to report to the House Economic Matters Committee and the Senate Education, Health, and Environmental Affairs Committee by December 1, 2004 on its progress in reducing the number of overdue boiler inspections.

**Current Law:** Low-pressure-steam or vapor-heating boilers, hot-water-heating boilers, hot-water-supply boilers, and pressure vessels are required to be inspected every two years. An inspection must thoroughly ascertain a boiler or pressure vessel's construction, installation, and condition. An inspection certificate is valid for not more than 24 months after issuance.

**Background:** Inspections of boilers and pressure vessels are conducted by inspectors employed in DLLR's Boiler Inspection Unit (BIU). BIU has an authorized staff of 11 inspectors.

DLLR advises that current inspection requirements were set in statute over 30 years ago. Several sunset reviews and legislative audits conducted by the Department of Legislative Services (DLS) have noted that DLLR's Division of Labor and Industry has consistently

had overdue boiler inspections. This bill is a proposed remedy for the persistent overdue inspections by reallocating inspection resources based on risk.

DLLR advises that there are approximately 55,688 boilers and pressure vessels in Maryland. The State conducts inspections on 20%, or about 11,138, of these boilers. The remaining boilers, about 44,550, are insured and inspected by insurance company special inspectors. DLLR further advises that approximately 20%, or 2,228, of the boilers under the responsibility for inspection by the State are overdue. In calendar 2003 a total of 22,001 inspections were performed by State inspectors and insurance companies. The State conducted 6,940 of these inspections and insurance companies conducted 15,061 of these inspections.

The fee for a half-day inspection is \$250, the fee for a full-day inspection is \$500, and the fee for a follow-up inspection is \$50. DLLR advises that many inspections of newly installed and registered boilers are conducted free of charge.

Chapter 443 of 2001 enacted significant changes to boiler law affecting the responsibilities of insurance firms, the authority of BIU, and the responsibilities of boiler and pressure vessel owners and repair technicians. One of the requirements was that insurance companies were to provide information to DLLR on their portfolio of insured boilers; DLLR reports that the refusal of many insurance companies to provide this information has contributed to the ongoing inspection backlog.

The Board of Boiler Rules is an advisory board that formulates rules and regulations for the safe construction, installation, use, maintenance, repair, and inspection of boilers and pressure vessels. The Commissioner of Labor and Industry may adopt regulations formulated by the board, subject to approval of the Secretary.

**State Revenues:** DLLR advises that approximately \$200,000 in general fund revenues are currently collected from boiler inspection fees. Under the bill's provisions, DLLR advises that lower-risk boilers would be inspected approximately every three years instead of biennially and pressure vessels would be inspected approximately every four years instead of biennially. It is assumed that a new inspection schedule implemented in fiscal 2005 would result in the same number of inspections each year for fiscal 2005 and 2006 as the State's boiler inspectors would then have additional time to conduct inspections of boilers that are currently overdue. Accordingly, State revenues would not be affected in fiscal 2005 and 2006.

DLLR advises that it anticipates approximately 2,800 boiler inspections would be conducted by State inspectors beginning in fiscal 2007; this represents a 60% decrease in the current number of inspections. Assuming fees are not changed and there are no overdue inspections on or about July 1, 2006, DLLR advises that general fund revenues

from inspection fees would decrease beginning in fiscal 2007. Due to shifting priorities based on perceived risk and the separate costs for full-day, half-day, or follow-up inspections, it is difficult to quantify any decrease in inspection fee revenue. However, DLLR estimates a reduction of inspection fee revenue of approximately \$40,000 in fiscal 2007 and approximately \$80,000 annually beginning in fiscal 2008.

DLS advises that any impact would depend on recommendations made by the Board of Boiler Rules to the Commissioner of Labor and Industry and the Secretary of Labor, Licensing, and Regulation regarding time intervals for inspections of boilers and pressure vessels based on risk and the actual elimination of the current backlog of overdue inspections.

**State Expenditures:** DLLR advises that, once a routine schedule of less frequent boiler inspections is in place and the backlog of overdue inspections is eliminated, there would be a reduced need for State inspectors to handle the inspection workload. DLLR estimates that it would take approximately two years for the current backlog to be eliminated assuming an inspection schedule set by regulation results in fewer inspections of lower-risk boilers and pressure vessels. DLLR estimates that the reduced workload would result in the elimination of two inspector positions in fiscal 2007 and two inspector positions in fiscal 2008.

Accordingly, special fund expenditures could decrease beginning in fiscal 2007. Two deputy inspector positions at grade 15 eliminated on July 1, 2006 could reduce special fund expenditures by \$94,400 in fiscal 2007. This estimate includes salaries and fringe benefits, travel, communication, and other operational costs. Special fund expenditures would further decrease beginning in fiscal 2008 with the elimination of two additional deputy inspectors positions. The special fund expenditure decrease would be \$196,500 beginning in fiscal 2008.

However, DLS advises that any impact would depend on the recommendations made by the Board of Boiler Rules to the Commissioner of Labor and Industry and the Secretary regarding time intervals for inspections of boilers and pressure vessels based on risk and the actual elimination of the current backlog of overdue inspections. Additionally, turnover in State employed boiler inspectors has historically been high and it is likely the reduction in the four deputy boiler positions could be achieved through attrition.

**Local Fiscal Effect:** DLLR advises that local jurisdictions own boilers and pressure vessels that are subject to biennial inspections. Once the new inspection schedule is implemented, local government expenditures would decrease as a result of less frequent inspections; however, any impact is assumed to be minimal.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; *Sunset Review: Evaluation of Boiler Safety in Maryland*, Department of Legislative Services

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