

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

**FISCAL AND POLICY NOTE**

House Bill 1126 (Delegate Trueschler)  
 Economic Matters

**Elevator Safety - Boiler and Pressure Vessel Safety - Inspections and Fees**

This bill establishes the Safety Inspection Fund and makes other changes related to the inspection process for elevators, escalators, and boilers and pressure vessels.

**Fiscal Summary**

**State Effect:** Special fund revenue increase of approximately \$5.6 million in FY 2005. Future years reflect a full year of the collections and limited growth. General fund revenue decrease of approximately \$307,500 in FY 2005. Future years reflect a full year of revenue loss, with limited growth. Special fund expenditure increase of \$25,000 in FY 2005 for computer programming at the Department of Labor, Licensing, and Regulation (DLLR). Expenditures for other State agencies would also increase due to required fees for inspections.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	(\$.3)	(\$.4)	(\$.4)	(\$.4)	(\$.5)
SF Revenue	5.6	7.7	7.9	8.2	8.5
GF Expenditure	-	-	-	-	-
SF Expenditure	0	-	-	-	-
Net Effect	\$5.2	\$7.3	\$7.5	\$7.8	\$8.1

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

**Local Effect:** Potential increase in local government expenditures for elevator, escalator, and boiler and pressure vessel inspections.

**Small Business Effect:** Minimal. Small businesses that own buildings with elevators, escalators, and boilers and pressure vessels would be subject to the increased fees imposed by the bill.

## Analysis

**Bill Summary:** The bill establishes the Safety Inspection Fund to provide for costs of administering the Elevator Safety and Boiler and Pressure Vessel Safety Acts that are not funded by the Workers Compensation Commission (WCC). The fund is to be administered by the Commissioner of Labor and Industry within DLLR. The fund consists of inspection fees for elevators, escalators, boilers, and pressure vessels; any appropriations made in the State budget; and fees related to the licensure of elevator mechanics and elevator contractors. However, the fund can only be used for inspection activities.

The bill allows the owner of an elevator or escalator the option of choosing to have required annual inspections conducted by either a State inspector or a licensed elevator contractor or licensed elevator mechanic. Owners choosing a licensed elevator contractor or licensed elevator mechanic are required to: (1) have the licensed inspector complete and sign an inspection certificate provided by DLLR; and (2) file the inspection certification form with DLLR along with a certificate of insurance to cover general liability insurance for the elevator unit.

The bill establishes the following fee schedule for elevator inspections:

	<u>Fee</u>
Final Acceptance Inspection	\$500
Follow-up Inspection	\$100 per visit (\$200 maximum)
Spot Inspection	No Charge
Incident Inspection	\$100 per hour (\$800 maximum)
Issuance of Annual Inspection Certificate	\$10
Late Fee	\$25
Posting Fee	\$75
Fee to Reopen Elevator Unit After Shutdown	\$250
Other – Half Day	\$300
Other – Full Day	\$600

The bill establishes the following fee schedule for boiler and pressure vessel inspections:

	<u>Fee</u>
Certificate of Inspection of a Boiler	\$300
Certificate of Inspection of a Pressure Vessel	\$40
Certificate Inspection of Additional Boiler (same location and date)	\$150
Certificate of Inspection of Additional Pressure Vessel (same location and date)	\$5
Follow-up Inspection Boiler	\$150
Follow-up Inspection Pressure Vessel	\$40
Filing Fee for Processing Inspection Report and Issuing Inspection Certificate	\$10 per Boiler
Late Fee	\$25
Posting Fee	\$75
Fee to Start Up Boiler or Pressure Vessel After Shutdown	\$250

The bill increases the fee for the inspection of an antique or model steam boiler or pressure vessel from \$15 to \$40, half-day special inspections from \$250 to \$300, and full-day special inspections from \$500 to \$600.

The bill also requires the Commissioner of Labor and Industry to send a series of notifications of required inspection and authorizes the commissioner to shutdown an elevator unit or boiler or pressure vessel if specified conditions are not met by owners or operators.

**Current Law:** The Elevator Safety Inspection Unit in the Division of Labor and Industry is responsible for the inspection and certification of elevators, dumbwaiters, escalators, moving walks, and wheelchair lifts in Maryland.

Annual inspections are conducted in accordance with the American Society of Mechanical Engineers Code and American National Standard Safety Code for elevators and escalators. Exceptions and variances from safety code requirements may be granted by the commissioner when necessary for practical reasons or to prevent undue economic hardship. Inspections are conducted without cost to the owner, unless multiple inspections are required.

If a new unit is not ready for a final acceptance inspection because it does not meet specified criteria, or if a follow-up inspection is required after an annual inspection, the Commissioner of Labor and Industry may assess fees of up to \$500 on the unit's owner, lessee, or contractor. The actual fee for a follow-up inspection depends upon the amount of time spent on performing the follow-up inspection. Any inspection fees collected are paid to the general fund.

Elevator contractors and elevator mechanics must be licensed by the Elevator Safety Review Board within DLLR before conducting business in Maryland. Applicants for an elevator contractor license must provide proof of at least \$1 million coverage in general liability insurance and \$500,000 in property damage insurance.

The Office of Boiler and Pressure Vessel Safety Inspection (known as the Boiler Inspection Unit or BIU) is the enforcement field unit related to boiler equipment. BIU has statutory responsibility for inspecting uninsured boilers and pressure vessels as well as boilers that are overdue for inspection by the insurance industry. BIU also investigates any boiler and pressure vessel accidents. Approximately 300 special insurance inspectors also conduct boiler and pressure vessel safety inspections of insured units. All inspectors, both in BIU and working for the insurance industry, must be certified by the National Board of Boiler and Pressure Vessel Inspectors and commissioned by the State.

Most boilers and pressure vessels in Maryland are required to be inspected biennially. High-pressure boilers, which carry greater risk, are subject to annual inspection. There is no charge for inspecting a new unit. Inspection fees for existing units range from \$10 to \$40, unless multiple inspections are required. Follow-up inspections cost \$50 each, and there is a charge for special inspections. Fees are deposited in the general fund.

Both programs are special funded through assessments charged by WCC.

**State Revenues:** There are 18,333 registered elevators and escalators subject to inspection. DLLR indicates that, even though the Elevator Safety Review Board was established by Chapter 703 of 2001, the board has yet to receive funding in DLLR's annual budget. As a result, DLLR has been unable to implement the licensing of elevator contractors and mechanics. Therefore, even though the bill authorizes elevator owners and operators to use private inspectors, all required elevator inspections would still be

conducted by State inspectors – at least until private inspectors are licensed. Currently, approximately \$200,000 is collected from follow-up inspections. The money is deposited in the general fund.

The bill imposes a new fee schedule for elevator inspections and provides that these fees are to be deposited into the Safety Inspection Fund, rather than the general fund. Based on prior-year inspection data, it is estimated that special fund revenues due to elevator inspections could increase by approximately \$4.8 million in fiscal 2005, given the bill's October 1 effective date. It is estimated that revenues would increase by approximately 4% annually thereafter, based on the historical annual increase in the number of elevators installed each year.

The bill also imposes a new fee schedule for boiler and pressure vessel inspections and provides that these fees are to be deposited into the Safety Inspection Fund, rather than the general fund. There are currently 55,688 boiler and pressure vessel units in the State, and approximately \$200,000 is currently collected from these inspections and deposited into the general fund. DLLR conducts about 20% of boiler inspections. Based on prior year inspection data, it is estimated that special fund revenues due to boiler and pressure vessel inspections could increase by approximately \$792,500 in fiscal 2005, given the bill's October 1 effective date. It is estimated that revenues would increase by approximately 1% annually thereafter, based on the historical annual increase in the number of units installed each year.

**State Expenditures:** DLLR advises that approximately \$25,000 in computer programming costs would be incurred in fiscal 2005 to produce a series of notices to elevator, boiler, and pressure vessel owners that are not required under current law.

State agencies with elevators, boilers, or pressure vessels could incur additional costs due to the required inspection fees. Any such expenditures cannot be reliably estimated at this time.

It is unclear how funding of the Elevator Safety Inspection Program and the Boiler and Pressure Vessel Inspection Program from WCC would be affected by the bill. WCC provides funding for the elevator and boiler inspection programs. The proposed fiscal 2005 budget includes \$4.2 million in direct and indirect funds from the WCC fund for the safety inspection program, which also includes amusement ride safety inspection. As revenues generated by the fees imposed by the bill are deposited into the Safety Inspection Fund, expenditures charged to WCC for the programs could decrease as a result.

**Local Fiscal Effect:** Local governments that own buildings with elevator, escalators, boilers, and pressure vessels would be subject to the increased fees imposed by the bill. As a result, expenditures could increase.

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### **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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