

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

Senate Bill 104 (Chairman, Finance Committee)
 (By Request – Departmental – Labor, Licensing, and Regulation)

Finance Economic Matters

Commissioner of Labor and Industry - Elevator Safety

This departmental bill removes the requirement that the Department of Labor, Licensing, and Regulation (DLLR) annually inspect and certify all elevator units. DLLR may determine, by regulation, the required inspection and certification intervals. The interval timing must protect the public safety, taking into consideration the design, type, age, and operating characteristics of the unit.

DLLR may prohibit use of an elevator unit if, based on inspection, the unit violates safety standards or there is a substantial probability that death or serious harm could result from its continued use. Specified notices must be issued by DLLR and posted on the unit. An action may be brought in circuit court to modify or vacate the decision to prohibit use on the ground that it is unlawful or unreasonable.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: The bill is expected to reduce the number of re-inspections required after final acceptance inspections, which would free up inspection resources to address a backlog of overdue inspections. General fund revenue would be reduced by \$51,000 in FY 2007, increasing to \$80,800 in FY 2009 and subsequent years, due to the loss of re-inspection fees.

| (in dollars) | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|--------------|------------|------------|------------|------------|------------|
| GF Revenue | (\$51,000) | (\$68,000) | (\$80,800) | (\$80,800) | (\$80,800) |
| Expenditure | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | (\$51,000) | (\$68,000) | (\$80,800) | (\$80,800) | (\$80,800) |

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

Local Effect: None.

Small Business Effect: DLLR has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill exempts from inspection and regulation elevators installed in a building or structure under federal control or regulation. An elevator contractor, owner, or lessee must give DLLR at least 60 days notice for a requested inspection; if less than 60 days notice is provided, the inspection will be scheduled at the convenience of the State subject to availability of State resources. A final acceptance inspection is required when modifications or alterations of the unit are made before placing it in service. At least 15 days prior to a final acceptance inspection, the contractor, owner, or lessee must file a written certification that the elevator plans and construction documents have been reviewed by a qualified elevator inspector and the inspector has certified that the elevator unit as constructed and installed complies with the law, regulations, and safety code. The contractor, owner, or lessee must file with the commissioner, at time intervals set by regulation, records of all test and inspection reports and records of all incidents or serious injuries as defined by regulation.

Current Law: The Commissioner of Labor and Industry is responsible for the annual inspection and certification of all elevator units (elevators, dumbwaiters, escalators, and moving walks). Single-family residences are exempt. Units may not be operated without a valid certificate of inspection. Inspections are conducted in accordance with the American Society of Mechanical Engineers Safety Code for Elevators and Escalators. Certificates of inspection are valid for not more than one year from the date of issuance.

Generally, inspections are conducted by State inspectors at no charge to the building owner. However, fees of up to \$250 per half day of the time an inspection takes are charged when a unit fails an inspection and a follow-up inspection is needed. Though the Safety Inspection Program of DLLR's Division of Labor and Industry (DLI) is specially funded through the Workers' Compensation Fund, by law these fees are paid into the general fund.

Background: According to the most recent legislative audit of DLI, safety inspections for boilers, pressure vessels, and elevators (which include dumbwaiters, escalators, and moving walks) have continued to be delinquent. According to the division's records, as of April 2002, inspections for over 13,200 of the approximately 56,500 boilers and

pressure vessels and over 3,800 of the approximately 17,400 elevators requiring inspection by law were overdue for inspection as indicated in the following table.

| Number of Inspections Overdue by Duration | | | | | | | | |
|--|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------|
| | <u>3 Months to 1 Year</u> | <u>1 to 2 Years</u> | <u>2 to 3 Years</u> | <u>3 to 4 Years</u> | <u>4 to 5 Years</u> | <u>Over 5 Years</u> | <u>Total Overdue</u> | <u>Percent Overdue</u> |
| Elevators | 2,428 | 920 | 299 | 82 | 36 | 39 | 3,804 | 22% |

The similar condition regarding overdue elevator inspections appeared in the Legislative Auditor's two preceding audit reports. The auditors were advised that inspections had not been conducted because of staffing shortages.

According to the Governor's proposed fiscal 2007 budget, the Safety Inspection Program conducted 17,148 elevator inspections in fiscal 2005 and it is estimated to conduct 17,000 inspections in fiscal 2006 and 2007. DLI advises that there is still a backlog of between 4,000 and 5,000 overdue inspections.

State Fiscal Effect: DLI estimates that the number of re-inspections needed after final acceptance inspections would be reduced in fiscal 2007 by 60%, resulting in a reduction of \$51,000 of general fund revenues generated from re-inspection fees. This estimate assumes that, if the bill did not take effect, the number of re-inspections performed in each fiscal year would remain consistent with the number of re-inspections performed in fiscal 2005. DLI advises that re-inspection rates for fiscal 2006 to date are consistent with those from fiscal 2005.

Future year estimates reflect an 80% reduction in re-inspections in fiscal 2008, a 95% reduction in fiscal 2009, and re-inspection rates remaining constant in subsequent years, as estimated by DLI.

Additional Information

Prior Introductions: HB 1175 of 2005, a substantially similar bill, was passed by the House and received a favorable report from the Senate Finance Committee, yet no further action was taken before the session ended.

Cross File: None.

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

Fiscal Note History: First Reader - January 25, 2006
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