

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 494

(Delegate Stifler, *et al.*)

Economic Matters

Finance

Elevator Safety - Third-Party Qualified Elevator Inspectors

This bill authorizes third-party qualified elevator inspectors to perform periodic annual no-load test inspections, subject to regulation by the Commissioner of Labor and Industry.

Fiscal Summary

State Effect: General fund revenues could increase by \$7,300 in FY 2008 for biennial registration of third-party qualified elevator inspectors. Special fund expenditures could increase by \$55,200 in FY 2008 to administer the registration process. Out-years reflect annualization and inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	\$7,300	\$700	\$7,300	\$700	\$7,300
SF Expenditure	55,200	30,200	31,700	33,200	34,900
Net Effect	(\$47,900)	(\$29,500)	(\$24,400)	(\$32,500)	(\$27,600)

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill requires that State inspectors continue to inspect all elevator installations, modifications, and alterations. For period annual no-load test inspections, the building owner has the option of hiring a third-party qualified elevator inspector to

conduct the inspection. The Commissioner of Labor and Industry has to establish insurance requirements and qualifications for registration of third-party qualified elevator inspectors consistent with national professional standards.

When an inspection by a third-party qualified elevator inspector discloses that an elevator is unsafe, the inspector is required to immediately notify the commissioner. Upon notification, the commissioner is required to conduct an inspection of the unsafe condition to determine whether to issue a citation and assess penalties.

Current Law: The Commissioner of Labor and Industry regulates elevator units, which include elevators, dumbwaiters, escalators, and moving walks, through the Safety Inspection program. In general, escalators and elevators are inspected annually, with other classes of elevator units inspected every two or three years. Registration and inspection requirements do not apply to elevators installed in privately owned single-family residences or buildings under federal control or regulation.

Elevator units may not be operated without a valid certificate of inspection from the State, a political subdivision, or a municipal corporation. State inspections are generally conducted at no charge to the building owner; however, follow-up inspections or inspections for which pre-inspection criteria have not been met may be charged at a rate of up to \$250 per half day. Cancellations made with less than 24 hours notice are subject to the fee. Although the Safety Inspection program is special funded through the Workers' Compensation Fund, all fees collected are paid to the general fund.

Background: An April 2006 audit of the Division of Labor and Industry by the Department of Legislative Services (DLS) disclosed that inspections of approximately 3,800 of 19,000 elevators were significantly overdue, with more than 443 inspections overdue by one year or more. DLS has noted similar deficiencies in audits since 1997.

Chapter 39 of 2006 included several measures intended to reduce the backlog of elevator inspections, including exempting from regulation elevators in federal buildings, implementing notice requirements for building owners, requiring pre-inspection of elevator units, and allowing for longer inspection intervals to be established in regulation. The legislation also authorized the Division of Labor and Industry to prohibit the use of unsafe elevator units.

The Governor's proposed fiscal 2008 budget includes three new elevator inspector positions in the Safety Inspection program. On average, an elevator inspector inspects between 700 and 800 elevator units per year. The addition of these personnel would be expected to reduce the backlog in elevator inspections.

State Revenues: The Division of Labor and Industry could realize general fund revenue through the registration of third-party qualified elevator inspectors. These inspectors are currently certified by organizations accredited by the American Society of Mechanical Engineers. The division advises that an estimated 145 inspectors may qualify for State registration. Based on registration of boiler inspectors, two-year registration fees would approximate \$50. At this fee, general fund revenues could total \$7,250 every two years. It is assumed that a small number of new registrants would apply midway through the registration period, marginally increasing revenue in nonrenewal years.

State Expenditures: The bill authorizes annual no-load test inspections by third-party qualified elevator inspectors, but this provision is not expected to significantly affect demand for State inspection. Third-party inspectors charge an estimated \$110 per hour for their services, whereas State inspection is generally provided at no charge.

Provisions requiring the Commissioner of Labor and Industry to register and regulate third-party qualified elevator inspectors would require additional personnel and legal support to accommodate the new registration function. Special fund expenditures could increase by an estimated \$55,216 in fiscal 2008, which accounts for the bill's October 1, 2007 effective date. This estimate reflects the cost of hiring a half-time administrative officer to register a potential 145 applicants. It includes a salary, fringe benefits, one-time legal costs, and ongoing operating expenses.

	<u>FY 2008</u>	<u>FY 2009</u>
Salary and Fringe Benefits	\$18,875	\$25,737
Legal Contract to Develop Regulations	25,000	-
Other Operating Expenses	<u>11,141</u>	<u>4,500</u>
Total State Expenditures	\$55,216	\$30,237

Future years reflect: • an annualized salary with 4.5% annual increase and 3% employee turnover; and • 1% annual increase in ongoing operating expenses.

Small Business Effect: The impact of this bill on small business is expected to be minimal. To the extent that third-party qualified elevator inspectors realize additional workload as a result of this bill, small businesses that employ these inspectors may realize increased revenues.

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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