

**Department of Legislative Services**  
 Maryland General Assembly  
 2008 Session

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

House Bill 63  
 Economic Matters

(Delegate Branch)

Finance

**Elevator Safety Review Board Fund**

The bill establishes the Elevator Safety Review Board Fund to retain fee revenues generated from: • licensing of elevator mechanics and contractors; • registration of third-party qualified elevator inspectors; • fees charged for follow-up elevator inspections; and • fees charged for elevator inspections in which pre-inspection criteria have not been met. At the end of each fiscal year, revenues in excess of 10% of the board’s direct and indirect costs revert to the general fund. The board is required to annually report on the implementation of the fund.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by \$81,300 in FY 2009 as fees are diverted to the special-funded Elevator Safety Review Board Fund. Reductions in FY 2009 general fund expenditures reflect the availability of special funds for the Elevator Safety Board’s administration and operations. Out-year revenue and expenditure estimates reflect inflation, annualization, and biennial licensing and registration cycles.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$81,300)	(\$103,500)	(\$104,400)	(\$107,700)	(\$111,100)
SF Revenue	81,300	103,500	104,400	107,700	111,100
GF Expenditure	(73,900)	(100,800)	(104,000)	(107,300)	(110,800)
SF Expenditure	73,900	100,800	104,000	107,300	110,800
Net Effect	\$0	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** The Elevator Safety Review Board is a nine-member board administratively located in the Department of Labor, Licensing, and Regulation (DLLR). The board licenses and regulates elevator mechanics, elevator contractors, elevator renovator mechanics, and elevator renovator contractors. The maximum fee for a two-year elevator mechanic or elevator renovator mechanic is \$200; the maximum fee for a two-year elevator contractor or elevator renovator contractor is \$300.

The Commissioner of Labor and Industry separately 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:** Chapter 703 of 2001 established the Elevator Safety Review Board to license elevator contractors and mechanics. At that time, it was estimated that DLLR would require \$320,500 to implement the licensing and regulatory function, with annual ongoing expenditures of approximately \$150,000.

The Governor's annual operating budget has not previously included funds for the Elevator Safety Review Board and the program has not been implemented. The Governor's proposed budget includes \$98,543 in general funds to implement the program in fiscal 2009, which DLLR advises should be adequate to perform the functions required of the board. In the first year of operations, it is expected that the board will credential only those applicants who requested a license through grandfathering provisions. The department expects that full initial licensing will be completed in fiscal 2010 and 2011.

**State Revenues:** The revenues generated by the sources identified in the bill – elevator mechanic and contractor licensing fees, third-party qualified elevator inspector registration fees, and elevator inspection fees – currently accrue to the general fund. The bill would redirect these revenues to the Elevator Safety Review Board Fund, a special fund account. Estimated revenues from these sources, detailed in **Exhibit 1**, significantly exceed the projected cost of board operations. Revenues in excess of 10% of the board’s direct and indirect costs would revert to the general fund at the end of each fiscal year.

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**Exhibit 1**  
**Estimated Revenues for Sources Identified in HB 63**  
**Fiscal 2009-2013**

	<u><b>FY 2009</b></u>	<u><b>FY 2010</b></u>	<u><b>FY 2011</b></u>	<u><b>FY 2012</b></u>	<u><b>FY 2013</b></u>
Elevator Safety Licensing	\$90,000	\$205,000	\$91,800	\$209,100	\$93,636
3 <sup>rd</sup> Party Registration	13,750	1,500	14,025	1,530	14,306
Inspection Fees	132,432	119,189	107,270	96,543	86,889
<b>Total</b>	<b>\$236,182</b>	<b>\$325,689</b>	<b>\$213,095</b>	<b>\$307,173</b>	<b>\$194,830</b>
<b>Anticipated Reversion</b>	<b>\$154,884</b>	<b>\$222,146</b>	<b>\$108,738</b>	<b>\$199,504</b>	<b>\$83,727</b>

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Elevator safety licensing will be implemented in fiscal 2009, with DLLR expecting to license only those individuals who applied for licensure in 2002 under grandfathering provisions. The department anticipates that normal licensing will begin in fiscal 2010, with approximately 1,400 elevator mechanics and contractors licensed in the first biennial cycle. Future year projections reflect estimated growth of 2% per cycle. Under current law, these revenues accrue to the general fund.

Chapter 408 of 2007 authorized registration of third-party qualified elevator inspectors. The number of registration applications is expected to exceed the number originally anticipated, generating an estimated \$15,250 in general funds in the first biennial registration cycle. Future year revenues reflect estimated growth of 2% per cycle.

The availability of third-party inspectors, as well as increased compliance with inspection requirements, has decreased the revenues the department is expected to generate through follow-up inspections and inspections for which pre-inspection criteria have not been met. The department is estimating that these inspections will generate \$132,432 in general fund revenues in fiscal 2009. Future year revenue projections reflect an estimated 10% reduction in revenues from these inspections, owing to the increased awareness of requirements and increased availability of inspectors.

In fiscal 2009 three-quarters of the revenues generated would be redirected to the Elevator Safety Review Fund due to the bill's October 1, 2008 effective date. Future year revenues would accrue solely to the special fund.

**State Expenditures:** The Governor's fiscal 2009 proposed budget includes \$98,543 in general funds to implement the functions of the Elevator Safety Review Board. Under the bill, the Elevator Safety Review Board Fund would begin to accrue special fund revenues as of October 1, 2008, allowing for a partial substitution of special funds in fiscal 2009. In fiscal 2010 and the years following, the board would be entirely supported with special fund revenues. Expenditures during this period are expected to grow at a rate of 2-3% per year.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 29, 2008  
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