

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 407
 Finance

(Senator Della)

Economic Matters

Elevator Safety Review Board Fund

This bill establishes the Elevator Safety Review Board Fund to retain fee revenues generated from licensing of elevator mechanics and contractors. The purpose of the special fund is to cover the direct and indirect costs of the Elevator Safety Review Board’s operations.

Fiscal Summary

State Effect: General fund revenues could decrease by \$67,500 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 annualization and biennial licensing cycles.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$67,500)	(\$205,000)	(\$91,800)	(\$209,100)	(\$93,600)
SF Revenue	67,500	205,000	91,800	209,100	93,600
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.

Analysis

Current Law: The Elevator Safety Review Board is a nine-member board administratively located in the Department of Labor, Licensing, and Regulation. 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. The Safety Inspection program is special-funded through the Workers' Compensation Fund, with all fees collected paid to the general fund.

Elevator units may not be operated without a valid certificate of inspection from the State, a political subdivision, or a municipal corporation. 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.

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 through elevator mechanic and contractor licensing fees currently accrue to the general fund. The bill would redirect these revenues to the Elevator Safety Review Board Fund, a special fund account.

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 two

years. This level of activity is expected to generate approximately \$300,000 per biennial licensing cycle, with 2% estimated growth. Under current law, these revenues accrue to the general fund.

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% to 3% per year.

The revenues identified to support the board's expenditures exceed the amount necessary to maintain board operations. Thus, the net impact on the general fund would be negative, as the amount diverted to the special fund would exceed the amount needed to support the board's expenditures by an average of more than \$44,000 per year.

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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