

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 561

(Chair, Education, Health, and Environmental Affairs
 Committee)(By Request - Departmental - Labor,
 Licensing and Regulation)

Education, Health, and Environmental Affairs

Economic Matters

Boiler and Pressure Vessel Safety - Inspections

This departmental bill requires owners of uninsured boilers and pressure vessels to have them inspected annually by authorized third-party inspectors instead of by a State inspector. It specifies the types of inspections reserved for the State’s Chief Boiler Inspector and deputy inspectors, establishes qualifications for special inspectors, and adjusts the fee structure for State inspections to reflect these changes.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: General fund revenues decrease by a net \$14,300 for the Department of Labor, Licensing, and Regulation (DLLR) in FY 2009. General fund revenues fall annually by a net \$172,000 beginning in FY 2010 due to the elimination of annual inspections by State inspectors, and a partially offsetting fee increase for initial certificate inspections. No effect on expenditures as the Chief Boiler Inspector’s overall workload remains largely unchanged, and the Board of Boiler Rules can convene the workgroup with existing resources.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$14,300)	(\$172,000)	(\$172,000)	(\$172,000)	(\$172,000)
Expenditure	0	0	0	0	0
Net Effect	(\$14,300)	(\$172,000)	(\$172,000)	(\$172,000)	(\$172,000)

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

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The Chief Boiler Inspector, deputy inspectors, special inspectors, or authorized inspection agencies make all inspections of new, repaired, or altered boilers and pressure vessels. Only the Chief Boiler Inspector or deputy inspector monitor inspections conducted by special inspectors, inspect or investigate accidents and explosions involving boilers and pressure vessels, and respond to and investigate complaints about boilers and pressure vessels; they may choose to inspect antique boilers and pressure vessels or model steam boilers.

The Commissioner of Labor and Industry may continue to commission special inspectors employed by authorized insurers or inspection agencies, but not by boiler owners. Special inspectors must be commissioned by the National Board of Boiler and Pressure Vessel Inspectors or have passed a qualifying exam given by the State Board of Boiler Rules. Insurers that conduct annual certificate inspections of boilers that they insure must either (1) make a copy of their quality assurance program available to the commissioner for inspection at their place of business in the State; or (2) submit evidence of National Board of Boiler Inspectors accreditation to the commissioner.

The fee for an initial certificate inspection by the State increases from no charge to \$40, in conjunction with the repeal of other certificate fees. The fee for inspecting a repaired boiler is \$50.

The Board of Boiler Rules must convene a workgroup consisting of board members and stakeholders to recommend changes to update current law relating to boiler and pressure vessel safety in the State. The workgroup's report is due to the commissioner by October 1, 2009.

Current Law: The Chief Boiler Inspector or deputy inspectors make all required annual certificate inspections, except for boilers insured by an authorized insurer or owned by someone who employs a commissioned special inspector. Boilers exempted from the inspection requirement are those that:

- are on a farm and used only for agricultural purposes;
- are in a private residence or apartment house with fewer than six units;

- contain only water under pressure for domestic supply purposes and are located in a private residence or apartment house with fewer than six units; or
- are exhibition or antique boilers that have been inspected and certified in another state and have been brought to the State for a temporary exhibit or show.

Authorized insurers, inspection agencies, and boiler owners may request special inspector commissions for one or more of their full-time employees. An applicant for a special commission must either (1) pass an exam given by the State Board of Boiler Rules; (2) be commissioned in another state that has an exam substantially equivalent to the State exam; or (3) be commissioned by the National Board of Boiler and Pressure Vessel Inspectors and pass the portion of the State exam that differs from the national exam. The application fee for a special inspector commission is \$50, and the fee for the State exam is also \$50. Special inspector commissions expire after two years; commissions are subject to suspension or revocation for incompetence or violating disciplinary standards.

Initial certificate inspections conducted by a State inspector are free. Other inspections range in price from \$10 to \$50, except for specified special inspections that can cost up to \$500 for a full day.

Background: Insurance company inspections represent about 82% of all boiler and pressure vessel inspections in the State, leaving the Chief Boiler Inspector and deputy inspectors to conduct about 7,000 annual inspections. Even with the sizable number of inspections carried out by insurers, the inspection program has a current backlog of about 10,500 inspections; a sizable backlog has existed for more than 10 years due to staffing shortages. With between 500 and 800 new units being installed each year, there is little likelihood of eliminating the backlog under current conditions.

Only one company that owns a boiler currently employs its own commissioned special inspector. All other uninsured owners rely on the State or private inspection agencies to conduct their inspections.

State Revenues: Annual general fund fee revenue from boiler inspections decreases by about \$16,666 in fiscal 2009, which accounts for the bill's June 1, 2009 effective date, because DLLR will no longer be conducting (and collecting fees from) annual inspections. This is based on an estimate of about 3,330 inspection sites with an average of three boilers per site. The current fee is \$40 for the first boiler and \$10 for each additional boiler at a site, for a total of \$60 per site. At the same time, fee revenue from initial certificate inspections increases by about \$2,333 due to the fee increase for that service (assuming 700 new boilers per year). Although the bill allows boiler owners to use special inspectors or authorized inspection agencies to inspect new boilers, DLLR advises that the Office of the Chief Boiler Inspector will use its authority to monitor the work of third-party inspectors to conduct follow-up inspections of new boilers, and will

charge the same fee for those inspections. The net effect is a general fund revenue reduction of \$14,333 in fiscal 2009, increasing to \$172,000 in the out-years, reflecting full-year effects.

State Expenditures: Legislative Services projects that special fund expenditures from the Workers' Compensation Fund and staffing levels for boiler inspections remain unchanged for the five years reflected in this fiscal note, but may decrease at some point in the future. The purpose of the bill is to reduce and eventually retire the backlog of uninspected boilers by shifting the responsibility for annual inspections from the Chief Boiler Inspector to owners of uninsured boilers. The Chief Boiler Inspector remains responsible for initial inspections (roughly 500 to 800 a year), repair inspections, investigating boiler accidents, and monitoring the work of special inspectors. Therefore, the current workload for the Chief Boiler Inspector and deputy inspectors is not expected to diminish to a significant extent. Rather, the bill's effect will be seen primarily in the reduction of the backlog. Once the backlog is eliminated, staffing levels may be reduced, or resources may be shifted to enhance monitoring of inspections conducted by special inspectors.

Small Business Effect: Small businesses that own uninsured boilers must arrange for annual inspections by an authorized inspection agency rather than by the State; fees for that service are not expected to be significantly higher than the fees currently paid to the State. They will also have to pay a one-time fee of \$40 to the State for the initial certificate inspection of a new boiler; previously, that inspection was free.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 3, 2009
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Boiler and Pressure Vessel Safety-Inspections

BILL NUMBER: Senate Bill 561

PREPARED BY: Comptroller of Maryland

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.