Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 34 (Senator Young)
Finance

Residential Elevators - Inspections

This bill requires an elevator installed in a privately owned single-family residence to be registered with the Commissioner of Labor and Industry and meet other specified related requirements, subject to existing penalty provisions. Each such elevator must be inspected upon installation or change in ownership, beginning January 1, 2023. Inspection costs and modifications required to pass an inspection are the responsibility of the residential elevator owner. An inspection must be made by an elevator inspection company that (1) is registered with the State; (2) maintains a minimum $150,000 elevator inspector general liability insurance policy; and (3) did not install the elevator being inspected. An elevator installed in a residential dwelling before January 1, 2023, is exempt from a hoistway gate distance requirement; however, a life screen barrier added to a residential elevator must be installed by a certified elevator contractor.

Fiscal Summary

State Effect: Special fund expenditures for the Maryland Department of Labor (MDL) increase by $38,100 in FY 2023. Future years reflect annualization and ongoing costs. General fund revenues increase minimally beginning in FY 2023 from fine revenues. The increase in special fund expenditures is not expected to have a material effect on Workers' Compensation Commission (WCC) employer assessments or special fund revenues.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	-	-	-	-	-
SF Expenditure	$38,100	$62,500	$64,200	$65,800	$67,600
Net Effect	($38,100)	($62,500)	($64,200)	($65,800)	($67,600)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: Generally, each elevator owned or operated in the State must be registered with the Commissioner of Labor and Industry and is subject to initial and periodic inspections. An elevator unit installed in a privately owned single-family residential dwelling (except for cliffside elevators) or installed in a building or structure under federal control is exempt from the State's registration and inspection requirements for commercial elevators.

Inspections are required for new elevators and after any modifications to existing elevators. State inspectors must make a final acceptance inspection of all new elevators prior to issuance of a first certificate. Generally, operational elevators must undergo periodic annual inspections and more comprehensive five-year inspections; the periodic or annual inspections are generally done by third-party qualified elevator inspectors rather than State inspectors.

The State is in the process of phasing in a requirement that annual and five-year tests performed on elevators in both privately and publicly owned buildings be conducted in the physical presence of a third-party qualified elevator inspector. The process will be fully phased in beginning October 1, 2022.

A "third-party qualified elevator inspector" is an individual who meets the qualifications, insurance requirements, and procedures established by the Commissioner of Labor and Industry and also has a related specified national certification; third-party inspectors must register with the commissioner. An "elevator contractor" is a person who is in the business of erecting, constructing, wiring, altering, replacing, maintaining, repairing, dismantling, or servicing elevator or accessibility lift units. An "elevator mechanic" is a person who is engaged in doing those tasks. Licensed mechanics must perform their work, including maintaining and servicing, under the direct supervision of a licensed elevator contractor. Both are licensed by the Elevator Safety Review Board within MDL.

Hoistway Gates and Life Screen Barriers

MDL advises that a "hoistway gate distance" is the distance between an elevator's doors and the interior door in the home. The space between these two doors can vary by design or preference, and the excess space or "void" between the doors can present a hazardous situation. The space, while typically small, can be large enough for a child or small adult to become trapped between the doors. The latest elevator codes now limit the distance between an elevator's door and the interior home door to prevent access. Many elevator companies have issued recalls and corrected this situation with life screen barriers, which fill the space between the two doors, and/or detection systems. MDL anticipates that a life screen, if not already installed in affected elevators, will be required during the inspection required upon a change of ownership under the bill.

State Revenues: The bill makes owners of residential elevators subject to existing penalty provisions under Part II of the Elevator Safety law. MDL notes the average penalty for a lack of certificate violation is $750. Thus, general fund revenues increase minimally for each citation issued for failing to obtain a certificate of inspection upon installation or change of ownership.

State Expenditures: Under the bill, residential elevators are subject to registration and safety requirements and must undergo inspections upon installation or a change in ownership. While the inspections are performed by an elevator inspection company, this creates additional administrative work for MDL. MDL estimates that the number of residential elevators (elevators, lifts, and chairlifts under current defined terms) subject to registration and inspection under the bill is about 10,000 and increasing by 450 every year. Based on housing turnover and the rate of new construction, MDL estimates the bill requires about 1,600 additional inspections/reinspections annually as homes are sold and elevators installed. Thus, MDL must annually process approximately 1,600 new registration and inspection forms, enter information into an existing database, ensure compliance, and answer inquiries related to the bill.

The Elevator Safety Inspection Unit is funded through an appropriation from WCC. Therefore, special fund expenditures increase by $38,064 in fiscal 2023, which accounts for the January 1, 2023 start date for residential inspections. This estimate reflects the cost of hiring one administrative assistant to handle the administrative work stemming from the additional inspections and reinspections. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	$29,611
Operating Expenses	8,453
Total FY 2023 State Expenditures	**$38,064**

Future year expenditures of $62,500 to $67,600 annually reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

The bill makes owners of residential elevators subject to existing citation provisions under Part II of the Elevator Safety law. The Office of Administrative Hearings (OAH) advises that it needs to create a mechanism to code and track this type of administrative case. In addition, OAH must train its administrative law judges on the substantive provisions of the law. Nevertheless, OAH advises that it does not anticipate a significant increase in cases under the bill and can otherwise handle any cases with existing resources.

Small Business Effect: Small businesses that own single-family residences must pay for inspections/reinspections and any required modifications stemming from those inspections of newly regulated elevators upon installation or change of ownership beginning in fiscal 2023. MDL advises that the total cost of such an inspection has risen significantly due to a shortage of elevator mechanics and inspectors and estimates the cost of an inspection to be at least $1,000.

Additional Comments: To the extent that current revenues for WCC are insufficient to cover the administrative costs described above, WCC may need to increase employer assessments to cover the costs, resulting in a minimal special fund revenue increase for WCC and negligible additional expenditures for the State, local governments, and small businesses as employers. As it is unclear whether additional assessments are needed, this analysis does not include any such potential revenue or expenditure increases. If needed, those increases would approximate the cost of MDL implementing the bill and would not have a material effect on WCC employer assessments or special fund revenues.

Additional Information

Prior Introductions: A similar bill, SB 546 of 2020, received an unfavorable report by the Senate Finance Committee.

Designated Cross File: HB 257 (Delegate Bagnall) - Economic Matters.

Information Source(s): Maryland Department of Labor; Office of Administrative Hearings; Department of Legislative Services

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