

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 505  
 Economic Matters

(Delegate Rogers, *et al.*)

Finance

**Elevator Safety - Privately Owned Single-Family Residential Elevators -  
 Inspection and Registration Requirements**

This bill expands the applicability of specified registration and final inspection requirements for elevators to include those newly installed in privately owned single-family residences. Generally, the owner or lessee of each privately owned single-family residential elevator installed on or after October 1, 2023, must register the elevator with the Commissioner of Labor and Industry 60 days prior to its planned completion and before it is placed in service. The commissioner must conduct a final acceptance inspection on completion of the installation, modification, or alteration of such an elevator unit before it is placed in service. Owners of elevators in privately owned single-family residences do not need to reregister their elevators following initial certification, as otherwise required in current law. The commissioner may not disclose to the public any information regarding a registered elevator installed in a privately owned single-family residential dwelling and must delete the registration of such an elevator unit on completion of a final acceptance inspection. **The bill takes effect July 1, 2023.**

**Fiscal Summary**

**State Effect:** Special fund expenditures for the Maryland Department of Labor (MDL) increase by \$171,900 in FY 2024. Future years reflect annualization and ongoing costs. Special fund revenues for MDL increase by \$109,700 in FY 2024 and by about \$146,300 annually thereafter.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$109,700	\$146,300	\$146,300	\$146,300	\$146,300
SF Expenditure	\$171,900	\$206,900	\$215,500	\$224,400	\$235,500
Net Effect	(\$62,200)	(\$60,600)	(\$69,200)	(\$78,200)	(\$89,200)

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

**Local Effect:** The bill does not materially affect local government finances or operations.

**Small Business Effect:** Meaningful.

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## **Analysis**

**Current Law:** 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 their being placed in service and issuance of a first certificate. Generally, operational elevators must undergo periodic annual inspections and more comprehensive five-year inspections. The State has recently completed 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. By law, the process was fully phased in beginning October 1, 2022.

Generally, the commissioner may assess and collect a civil penalty of up to \$5,000 for each elevator unit in violation of the elevator safety code or a regulation adopted by the commissioner under Part II of the elevator safety law. A willful or repeated violation is subject to a civil penalty of up to \$10,000.

**State Fiscal Effect:** Under the bill, residential elevators are subject to registration requirements and must undergo a final acceptance inspection upon installation. Final acceptance inspections are performed by State inspectors. MDL estimates that the number of residential elevators (which include elevators, lifts, and chairlifts under current defined terms) subject to registration and final acceptance inspection under the bill is about 450 annually. Thus, MDL must annually process approximately 450 new registration and inspection forms, enter information into an existing database, and answer inquiries related to the bill. Generally, except for additional inspectors to conduct the inspections, MDL can handle these requirements with existing resources.

The Elevator Safety Inspection Unit is funded through an appropriation from the Workers' Compensation Commission (WCC). Therefore, special fund expenditures increase by \$171,928 in fiscal 2024, which accounts for the October 1, 2023 start date for residential final acceptance inspections. This estimate reflects the cost of hiring

two inspectors to conduct additional inspections. It includes salaries, fringe benefits, one-time start-up costs, travel, and ongoing operating expenses.

Positions	2
Salaries and Fringe Benefits	\$143,916
Operating Expenses	<u>28,012</u>
<b>Total FY 2024 State Expenditures</b>	<b>\$171,928</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Although State inspectors are funded by a WCC appropriation, the fees collected from their inspections accrue to the Elevator Safety Review Board Fund, which covers the cost of the licensing and regulation of elevator mechanics and contractors. MDL charges \$62.50 per hour of inspection time. Assuming an average of four hours are billed for each inspection or reinspection (expected to be needed following about 30% of initial inspections), special fund revenues for the Elevator Safety Review Board Fund increase by about \$109,700 in fiscal 2024 and by about \$146,300 annually thereafter.

**Small Business Effect:** Small businesses that own single-family residences must pay for final acceptance inspections and any required modifications stemming from those inspections of newly regulated elevators upon installation beginning in fiscal 2024. MDL advises that such costs are typically included in the cost of an elevator installation for commercial properties – so costs could be passed on in the same way for residential installations.

The total cost of inspections has risen significantly due to a shortage of elevator mechanics and inspectors. As noted above, the State fee for the inspection is about \$250 (\$62.50 per hour for four hours); however, according to MDL, there are additional costs for elevator mechanics to be present to perform the tests. MDL estimates the total cost of an inspection to be \$1,000 to \$2,000 for a chairlift and \$3,000 to \$4,000 for an elevator.

Small businesses that offer elevator mechanic services may also see an increase in business due to the new demand from owners of residential elevator units to have the required inspection and testing be completed during the acceptance inspection.

**Additional Comments:** The bill does not explicitly make owners of residential elevators subject to existing penalty provisions under Part II of the elevator safety law and, as such, enforcement of the bill’s provisions is unclear. Further, as MDL must, by law, delete the registrations of residential elevators after completion of final acceptance inspections, there will be no record against which to check for compliance with the initial registration and inspection requirement.

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.

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### **Additional Information**

**Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 34 and HB 257 of 2022 and SB 546 of 2020.

**Designated Cross File:** SB 198 (Senator Augustine) - Finance.

**Information Source(s):** Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - February 3, 2023  
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