

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 546
 Finance

(Senator Young)

Public Safety - 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, 2021. An elevator installed in a residential dwelling before January 1, 2021, 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 \$337,000 in FY 2021 for inspections. Future years reflect annualization and ongoing costs. Special fund revenues for MDL increase by \$190,900 in FY 2021 from inspection fees, and by about \$381,800 annually thereafter, under the assumptions discussed below.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$190,900	\$381,800	\$381,800	\$381,800	\$381,800
SF Expenditure	\$337,000	\$578,300	\$590,500	\$609,400	\$628,900
Net Effect	(\$146,100)	(\$196,500)	(\$208,700)	(\$227,600)	(\$247,100)

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 to be 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 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.

Pursuant to Chapter 337 of 2018, 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, 2020.

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 mechanic" is a person who is engaged in erecting, constructing, wiring, altering, replacing, maintaining, repairing, dismantling, or servicing elevator or accessibility lift units. An "elevator contractor" is a person who is in the business of doing so. 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, which are typically accordion style, and the interior door in the home, which is usually similar to typical residential door. The space between these two doors can vary by design or preference and the excess space or "void" between the doors has presented 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 four inches 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 Fiscal Effect: Under the bill, residential elevators are subject to registration and safety requirements and must undergo inspections upon installation or a change in ownership. This creates additional administrative work for MDL and requires physical final inspections – or reinspections in the case of failed inspections – to be conducted by State inspectors. 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 1,500 additional State final inspections/reinspections annually as homes are sold and elevators installed. Existing MDL inspectors cannot handle that number of additional inspections. MDL advises that a single inspector, under optimal conditions, can conduct 250 inspections in a year.

The Elevator Safety Inspection Unit is funded through an appropriation from the Workers’ Compensation Commission (WCC). Therefore, special fund expenditures increase by \$337,003 in fiscal 2021, which accounts for the January 1, 2021 start date for residential inspections. This estimate reflects the cost of hiring six inspectors, one administrative assistant, and one supervisor to handle the estimated number of inspections and reinspections required annually under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, including inspector travel costs.

Positions	8.0
Salaries and Fringe Benefits	\$272,689
Travel Costs	21,563
Other Operating Expenses	<u>42,751</u>
Total FY 2021 State Expenditures	\$337,003

Future year expenditures of \$578,300 to \$628,900 annually reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

MDL also charges \$62.50 per hour of inspection time. Assuming an average of four hours are billed for each inspection or reinspection, special fund revenues for the Elevator Safety Review Board Fund increase by about \$190,875 in fiscal 2021 and by about \$381,750 annually thereafter.

The Department of Legislative Services notes the distinction between the two special fund revenue sources. State inspectors are funded by a WCC appropriation, but the fees collected from their inspections accrue to the Elevator Safety Review Board Fund, which funds the licensing and regulation of elevator mechanics and contractors.

Small Business Effect: Small businesses that own single-family residences must pay for State inspections/resinspections of newly regulated elevators upon installation or change of ownership beginning in fiscal 2021. MDL advises that the total cost of such an

inspection, which includes \$300 for the State inspector and the costs for elevator mechanics, is about \$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 special fund revenue increase for WCC and 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 potential revenue or expenditure increases, but it is assumed that any such increases approximate the cost of MDL implementing the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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mr/mcr

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