

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 117

(The Speaker)(By Request - Department of Legislative Services)

Economic Matters

Finance

Elevator Safety Review Board - Sunset Extension, Program Evaluation, and Reporting Requirement

This bill extends the termination date for the Elevator Safety Review Board by 10 years to July 1, 2029, and requires the Department of Legislative Services (DLS) to conduct a preliminary evaluation of the board by December 15, 2026. The board must also submit a follow-up report related to licensing activity and operating revenues to DLS and specified committees of the General Assembly by October 1, 2018.

Fiscal Summary

State Effect: Special fund revenues and expenditures for the Elevator Safety Review Board Fund are maintained beyond FY 2019. General fund revenues from required reversions, if applicable in a given year, are also maintained beyond FY 2019. The Department of Labor, Licensing, and Regulation (DLLR) can submit the required report with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: By October 1, 2018, the board must submit a report to DLS, the Senate Finance Committee, and the House Economic Matters Committee on (1) the results of the board's assessment of licensing activity and its projected revenues and expenditures and (2) how the board plans to ensure that it has sufficient funding to continue operating.

The report must include discussion on options related to (1) reducing spending; (2) increasing the license fees charged by the board to the statutory maximums; (3) increasing the maximum license fees allowed by statute; (4) the feasibility of increasing specified inspection and registration fees that support the Elevator Safety Review Board Fund; and (5) modifying the statutory reversion requirement to allow the board to retain a greater percentage of its fund balance annually.

Current Law/Background:

Elevator Safety Review Board

The Elevator Safety Review Board in DLLR was established by Chapter 703 of 2001 to license elevator contractors and elevator mechanics. Prior to this, although registration and inspection provisions governed the use of elevators, there were no specific statutory provisions governing the field of elevator installation and maintenance. The board currently licenses and regulates elevator mechanics, elevator renovator mechanics, elevator contractors, elevator renovator contractors, and accessibility lift mechanics, subject to specified exceptions.

All licenses issued by the board are for two-year terms, and the board is required to establish fees for the application, issuance, and renewal of all licenses that it issues. In general, all initial licensing fees are slightly below their statutory caps, and all renewal licensing fees, except for the accessibility lift mechanic license fee, are set to the maximum level allowed by statute.

The Governor initially appointed the board in 2003, but no appropriation was made to allow the board to function. Due to this lack of funding, the board did not issue any licenses until 2011, and it temporarily ceased operations in 2008. Following the board's cessation of activities in 2008, Chapter 484 of 2008 established the Elevator Safety Review Board Fund, a special fund to cover the direct and indirect cost of the board's statutory and regulatory duties. The fund's sources of revenue include registration fees for third-party inspectors, the board's licensing fees, fees from follow-up inspections conducted by State inspectors, and fees charged for elevator inspections in which pre-inspection criteria have not been met.

Statute requires that any fund balance greater than 10% of the actual expenses of operating the board each year reverts to the general fund. Since fiscal 2014, the fund has ended the fiscal year with fund balances in excess of 10% of board expenditures (which has been interpreted as 10% of direct costs), resulting in reversions that can be seen in **Exhibit 1**.

Exhibit 1
Fiscal History of the Elevator Safety Review Board Fund
Fiscal 2013-2017

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017*</u>
Beginning Balance	\$0	\$0	\$12,047	\$16,544	\$12,170
Revenues	126,252	237,012	229,493	234,587	195,000
Total Funds Available	\$126,252	\$237,012	\$241,540	\$251,131	\$207,170
Direct Costs	\$90,552	\$120,470	\$165,438	\$121,706	-
Indirect Costs	8,277	8,294	10,440	9,276	-
Legal Costs	27,422	15,022	7,697	1,670	-
Total Expenditures	126,252	143,786	183,575	132,651	\$172,000
Reversion	0	81,178	41,421	106,309	19,670
Ending Fund Balance	\$0	\$12,047	\$16,544	\$12,170	\$15,500

Note: Numbers may not sum to total due to rounding.

*Fiscal 2017 values are estimates.

Source: Department of Labor, Licensing, and Regulation

Maryland Program Evaluation Act

The Elevator Safety Review Board is 1 of approximately 70 regulatory entities and activities currently subject to periodic evaluation under the Maryland Program Evaluation Act. The Act establishes a process better known as “sunset review” as most entities evaluated are also subject to termination, including the board, which is scheduled to terminate July 1, 2019. The sunset review process traditionally begins with a preliminary evaluation conducted by DLS on behalf of the Legislative Policy Committee (LPC), although a few entities are subject to direct full evaluation. LPC decides whether to waive an entity from further (or full) evaluation. If waived, legislation to reauthorize the entity typically is enacted. Otherwise, a full evaluation usually is undertaken the following year.

DLS conducted a preliminary sunset [evaluation](#) of the board in 2016, which can be found on the department’s website. DLS recommended that LPC waive the board from full evaluation and that legislation be enacted to extend the board’s termination date by 10 years to July 1, 2029, with another preliminary evaluation of the board completed by December 15, 2026.

To ensure that the board has the funding necessary to maintain operations, DLS also recommended that the board take certain actions and report on them. Specifically, the

board, with assistance from DLLR, should assess its projected licensing activity relative to projected expenditures to determine whether modifications to its revenue stream are necessary to ensure long-term financial stability. The details of the associated report, due to DLS, the Senate Finance Committee, and the House Economic Matters Committee by October 1, 2018, are incorporated into the bill. Finally, DLS recommended that DLLR submit departmental legislation in the 2019 session to implement any necessary statutory changes discovered through the assessment process.

Additional Information

Prior Introductions: None.

Cross File: SB 190 (The President)(By Request - Department of Legislative Services) - Finance.

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

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