

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 310 (Delegate Wivell)
 Economic Matters

Public Safety – Elevators – Periodic Inspections

This bill allows an elevator that is subject to an eligible service contract and has not failed an inspection to be inspected once every three years, instead of annually. The service contract must be with a licensed elevator mechanic or licensed elevator contractor.

Fiscal Summary

State Effect: Special fund expenditures increase by \$36,100 in FY 2019 for contractual legal staff. State expenditures are not otherwise materially affected. Special fund revenues decrease beginning in FY 2020 from foregone revenue associated with reinspections.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	\$0	(-)	(-)	(-)	(-)
SF Expenditure	\$36,100	\$0	\$0	\$0	\$0
Net Effect	(\$36,100)	(-)	(-)	(-)	(-)

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.

Analysis

Current Law/Background: Elevators in the State must be inspected, tested, and maintained in a safe operating condition in accordance with the State Safety Code and regulations adopted by the Commissioner of Labor and Industry. Unless otherwise specified by statute, an elevator may not operate in a building, structure, or place of employment in the State unless it has been certified by the commissioner. Inspections are

required for new elevators and after any modifications to existing elevators. Generally, operational elevators must undergo periodic annual inspections and more comprehensive five-year inspections. There is an exception for cliffside residential elevators, which must be inspected every two years.

State inspectors make final inspections for all new elevators and comprehensive five-year inspections for all elevators. They also conduct annual inspections of elevator units owned by the State or local governments. Annual inspections for privately owned elevators are conducted by third-party qualified inspectors, who must be registered by the State. Generally, initial inspections conducted by State inspectors are conducted at no charge. Third-party inspectors typically charge for their services.

Elevator mechanic and elevator contractor are defined terms. “Elevator mechanic” means 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 the Department of Labor, Licensing, and Regulation (DLLR).

The number of elevators serviced under eligible service contracts is unknown.

State Fiscal Effect: The bill has initial and ongoing operational impacts on the Safety Inspection Unit in DLLR, as discussed below.

Initially, DLLR will likely need to promulgate regulations and must develop procedures to review service agreements, process the inspection results, and track/schedule affected elevators. The Safety Inspection Unit is funded through an assessment on workers’ compensation premiums. Therefore, special fund expenditures increase by \$36,062 in fiscal 2019, which accounts for the bill’s October 1, 2018, effective date. This estimate reflects the cost of hiring one contractual half-time assistant Attorney General for six months to assist with promulgating regulations, developing procedures, reviewing service contracts, and other initial implementation tasks. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	0.5
Salary and Fringe Benefits	\$31,016
Other Operating Expenses	<u>5,046</u>
Total FY 2019 State Expenditures	\$36,062

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Future year expenditures reflect the elimination of the contractual position after March 2019.

On an ongoing basis, employees must evaluate inspection results, review service agreements, and modify scheduling to reflect altered inspection intervals. Once established, there will be a reciprocal reduction of administrative work due to fewer inspections to schedule. DLLR advises that the shift in duties should offset their impact with no need for additional administrative resources. With fewer annual inspection, State inspectors will prioritize the growing number of other inspections not affected by the bill.

State Revenues: Initial State elevator inspections are conducted at no charge, although reinspection fees of \$62.50 per hour apply when an inspector must go back to verify that an issue identified during an inspection is resolved, which happens about one-third of the time. DLLR currently conducts about 2,000 reinspections annually, which could be reduced by up to two-thirds under the bill. Therefore, special fund revenues for the Elevator Safety Review Board Fund decrease beginning in fiscal 2020. However, as the number of elevators eligible for less frequent inspections, and how that affects the actual number of reinspections, is unknown, the amount cannot be reliably estimated at this time.

To the extent that the bill also results in fewer annual inspections by third-party inspectors, the number of registered third-party inspectors may also decrease. As their registration fees are also paid to the Elevator Safety Review Board Fund, special fund revenues may further decrease. Any such reduction cannot be reliably estimated because it is not known how many elevator owners will qualify for the less-frequent inspections based on their use of eligible service contracts.

Small Business Effect: The bill has a meaningful effect on three types of small businesses:

- Small businesses that choose to engage in service contracts that meet the requirements of the bill potentially save two-thirds on the cost of periodic inspections performed by third-party qualified elevator inspectors.
- Small elevator contractor companies may benefit from increased interest by elevator unit owners for service agreements that meet the requirements of the bill and could save labor costs associated with periodic inspections.

- Small third-party inspectors that perform private-sector annual inspections experience a reduction of up to two-thirds of annual inspection requests if all elevators meet the requirements of the bill.

Additional Comments: DLLR advises that the bill's reference to a service contract between an elevator owner and an elevator mechanic is prohibited under current law. As noted above, licensed elevator mechanics must perform their work, including maintenance and service, under the direct supervision of a licensed elevator contractor.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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