

**Department of Legislative Services**  
Maryland General Assembly  
2019 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 21

(Chair, Finance Committee)(By Request - Departmental -  
Labor, Licensing and Regulation)

Finance

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**Department of Labor, Licensing, and Regulation - State Occupational  
Mechanical Licensing Boards' Fund - Elevator Safety Review Board**

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This departmental bill repeals the Elevator Safety Review Board Fund and reallocates its fund balance and associated fee revenues to the State Occupational Mechanical Licensing Boards' Fund; the Elevator Safety Review Board is then funded through the mechanical boards' fund. Statutory limits on fees established by the Elevator Safety Review Board are repealed and instead the board is authorized to establish fees by regulation, subject to the same conditions for fees established by the mechanical boards. Existing fees remain in effect until new fees are adopted.

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**Fiscal Summary**

**State Effect:** General fund revenues increase by approximately \$16,000 *in total* beginning as early as FY 2020. The bill does not otherwise materially affect State revenues or expenditures, as discussed below.

**Local Effect:** None.

**Small Business Effect:** The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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## Analysis

### **Current Law/Background:**

#### *Mechanical Boards*

Chapter 254 of 2017 established the State Occupational Mechanical Licensing Boards' Fund for four mechanical boards in DLLR: the State Board of Master Electricians; the State Board of Stationary Engineers; the State Board of Plumbing; and the State Board of Heating, Ventilation, Air-Conditioning, and Refrigeration Contractors. Prior to the Act, the boards were funded through separate general fund appropriations and board revenues accrued to the general fund.

The mechanical boards' fund must be used to cover the actual documented direct and indirect costs of fulfilling the statutory and regulatory duties of each of the mechanical boards. The fees charged must be set so as to produce funds approximate to the cost of maintaining the boards. At the end of each fiscal year, any unspent and unencumbered portion of the special fund in excess of \$100,000 reverts to the general fund. License revenue accrues to the mechanical boards' fund; however, investment earnings and penalty revenue, where applicable, accrue to the general fund.

Chapter 254 repealed licensing fees for the mechanical boards and the boards were instead authorized to establish fees by regulation, which they subsequently did. Each board must set fees based on its direct and indirect costs, as determined by the Secretary of Labor, Licensing, and Regulation. Provided that the boards consent, the Secretary may average the direct and indirect costs of one or more boards in order to establish fees that more equitably distribute the costs associated with the operation of each board. Unless otherwise provided by law, each board must pay all fees to the Comptroller, who then distributes the fees to the mechanical boards' fund.

Except for examination fees, each fee established by the boards may not be increased by more than 12.5% of the existing and corresponding fee.

#### *Elevator Safety Review Board*

The Elevator Safety Review Board in DLLR was established by Chapter 703 of 2001 and 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, subject to statutory limits. In general, the board has set fees at or near their authorized limits.

Due to ongoing funding issues, Chapter 484 of 2008 established the Elevator Safety Review Board 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. Any fund balance greater than 10% of the actual expenses of operating the board each year reverts to the general fund. In practice, amounts above approximately \$16,000 must revert at the end of the fiscal year, based on the board's operational expenses.

### *Future Funding Concerns and Shared Resources*

DLLR advises that, due to an anticipated reduction in revenues related to Chapter 337 of 2018, which phases in changes to the elevator inspection process that will effectively reduce the number of elevator inspections conducted by State inspectors, the Elevator Safety Review Board Fund may not be able to sustain actual expenditures associated with direct and indirect expenses on a consistent basis. As noted above, the board is funded through a combination of license/registration fees and inspection-related fees. Chapter 337 is anticipated to decrease the amount of available revenue from inspection-related fees, although the amount cannot be reliably estimated at this time. For context, inspection-related fees averaged nearly 60% (\$125,000) of total board revenues in fiscal 2018 and 2019.

The Elevator Safety Review Board currently operates and shares resources with the mechanical boards. DLLR further advises that, collectively, the new mechanical boards' fund is able to support the operations for all five boards by allowing each to share financial resources.

**State Fiscal Effect:** Under current law, the State Occupational Mechanical Boards' Fund (\$100,000) and the Elevator Safety Review Board Fund (about \$16,000) combined can retain up to approximately \$116,000 as annual fund balances; any balance above those levels revert to the general fund. Under the bill, the amount that is retained annually is only \$100,000. Therefore, general fund revenues increase by approximately \$16,000 *in total* beginning as early as fiscal 2020. State revenues and expenditures are not otherwise materially affected. All revenues that would have reverted to the general fund under current law also revert under the bill.

This analysis assumes that DLLR maintains identical fees in regulation, as the department advises it intends to do. Establishing fees higher or lower than their current amounts increases/decreases special fund revenues (from fees), special fund expenditures (for reversions), and general fund revenues (from reversions) accordingly.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 16, 2019  
mm/mcr

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Analysis by: Stephen M. Ross

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Elevator Safety Review Board – Fund and Fees

BILL NUMBER: SB 21

PREPARED BY: John Papavasiliou

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X  WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

Enactment of this legislation will not affect small business as the funding source for the board will neither encourage nor discourage small business participation or opportunities in the state.