

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1107 (Delegate Wilson)
 Economic Matters

Public Safety - Elevator Inspections - Testing

This bill phases in a requirement that third-party qualified elevator inspectors conduct all annual and five-year elevator inspections in both privately and publicly owned buildings. It also requires that the third-party inspector be physically present to “witness” a test performed on elevator units during an inspection. The bill also specifies that tests performed in connection with an inspection must be conducted by a licensed elevator mechanic, repeals a pre-final inspection requirement for new elevators, and makes other related and conforming changes to the elevator inspection process.

Fiscal Summary

State Effect: State expenditures (all funds) increase by \$191,300 in FY 2021 and by \$255,000 annually thereafter to pay for third-party elevator inspections, under the assumptions discussed below. Special fund revenues decrease minimally at first, beginning in FY 2019, from foregone reinspection fees, offset in part by additional registration fees; beginning in FY 2022, when the changes are fully phased in, special fund revenues decrease by \$185,000 annually.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	(-)	(-)	(\$138,700)	(\$185,000)	(\$185,000)
GF/SF/FF Exp.	\$0	\$0	\$191,300	\$255,000	\$255,000
Net Effect	(-)	(-)	(\$330,000)	(\$440,000)	(\$440,000)

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

Local Effect: Local expenditures increase by \$337,500 in FY 2021 and by \$450,000 annually thereafter to pay for third-party elevator inspections, under the assumptions discussed below. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: A third-party qualified elevator inspector must be physically present to “witness” a test performed on elevator units during an inspection. This requirement is phased in as follows:

- *Beginning October 1, 2018:* five-year inspections of privately owned elevators (currently a State inspection that is physically witnessed)
- *Beginning October 1, 2019:* annual inspections of privately owned elevators (currently a third-party inspection but not required to be physically witnessed)
- *Beginning October 1, 2020:* annual and five-year inspections of elevators owned by the State or local governments (currently both are State inspections; annual inspections are not physically witnessed)

A State inspector oversees all third-party qualified inspectors and retains authority over final acceptance of new construction, modernization, and service upgrade turnovers of elevators.

A third-party qualified inspector must contact the elevator contracting company at least 60 days in advance to schedule the test for a date and time that is reasonably convenient for all parties involved. A test may be rescheduled under specified circumstances. The third-party inspector must notify the Department of Labor, Licensing, and Regulation (DLLR) of the time, date, and location of each test.

The requirement for a new elevator to receive a pre-final inspection from a third-party inspector is repealed.

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, but any follow-up reinspections cost \$62.50 per hour. Third-party inspectors typically charge for their services.

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 DLLR.

State Expenditures: State inspections of State-owned elevators are transitioned to third-party inspections, beginning October 1, 2020. Generally, inspections conducted by State inspectors are conducted at no charge. About 1,700 State-owned elevators receive either an annual or a five-year inspection from a State inspector each year. While the costs of third-party inspections are privately negotiated and unknown, if the inspections average \$150 per elevator, a conservative estimate, State expenditures (all funds) increase by \$191,250 in fiscal 2021 and \$255,000 annually thereafter to pay for the services of third-party inspections.

DLLR advises that the bill allows State inspectors to focus on current backlogs of final acceptance inspections, modifications, and other activities such as accident investigations or public complaint investigations. Additionally, oversight of third-party inspectors is expected to increase. Therefore, DLLR does not anticipate reducing the number of State inspectors – just reprioritizing their daily duties.

State Revenues: As discussed above, specified State inspections are transitioned to third-party inspections, beginning October 1, 2018. State elevator inspections are conducted at no charge, although reinspection fees apply when an inspector must go back to verify that an issue identified during an inspection is resolved; DLLR advises it conducts about 2,000 reinspections each year. Conversely, the bill also repeals the requirement for an elevator to receive a pre-final inspection from a third-party inspector, which DLLR advises likely increases the reinspection rate for final acceptance inspections; DLLR expects to have to conduct about 470 additional reinspections of new elevators because they will no longer have a pre-final inspection. The net result is that, beginning in fiscal 2021 when the changes are fully phased in (as of October 1), DLLR expects to conduct about 1,530 fewer reinspections each year. Assuming this number of reinspections, each lasting about two hours, special fund revenues for the Elevator Safety Review Board Fund decrease by approximately \$143,437 in fiscal 2021 and by \$191,250 in fiscal 2022 and each year after. Revenue is also reduced in earlier years as the phase-in

begins, but the revenue losses are smaller and cannot be reliably estimated due to the smaller number of inspections affected by the bill.

The bill also increases demand for third-party inspectors, which must pay \$250 annually to register with DLLR. All of the fees related to these activities accrue to the Elevator Safety Review Board Fund; assuming an increase of 25 additional registrations each year, special fund revenues increase by \$4,690 in fiscal 2021 and \$6,250 in fiscal 2022 and each year after.

Local Expenditures: State inspections of elevators owned by local governments are transitioned to third-party inspections beginning October 1, 2020. Generally, inspections conducted by State inspectors are conducted at no charge. About 3,000 local, government-owned elevators receive either an annual or a five-year inspection from a State inspector each year. While the costs of third-party inspections are privately negotiated and unknown, if the inspections average \$150 per elevator, a conservative estimate, local expenditures increase by \$337,500 in fiscal 2021 and \$450,000 annually thereafter.

Small Business Effect: Small businesses in the elevator maintenance and inspection industry must coordinate their schedules so that elevator tests occur while a third-party inspector is physically present, which may increase scheduling issues. Businesses that employ third-party inspectors benefit from an increased demand for their inspection services and may need to allocate more time to each inspection, both of which place upward pressure on inspection costs. Increased inspection costs may be passed on to other small businesses (*e.g.*, an apartment building owner). Small businesses also benefit from the repeal of the pre-final inspection requirement.

Additional Information

Prior Introductions: None.

Cross File: SB 831 (Senator Middleton, *et al.*) - Finance.

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

Fiscal Note History: First Reader - February 18, 2018
md/mcr

Analysis by: Stephen M. Ross

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