



Nathan Schmidt
Department of Industrial Relations
Division of Occupational Safety & Health, Legal Unit
1515 Clay St., Ste. 1901
Oakland, CA 94612

August 4, 2017

Dear Mr. Schmidt:

Thank you for submitting the Standardized Regulatory Impact Assessment (SRIA) and the summary (Form DF-131) for the proposed regulations to update elevator safety orders as required in California Code of Regulations, title 1, section 2002(a)(1). As proposed regulations were not submitted with the SRIA, these comments are solely based on the SRIA.

The proposed regulations require that new and existing elevators meet certain requirements to make installations and inspections more accessible to reduce the risk of worker injury. Due to current equipment technology limitations, the proposed regulations would imply that machine room-less elevators would have to be significantly changed to meet new standards, and most new elevators would require machine rooms. This imposes direct costs on developers and building operators as they update or install new elevators, which the SRIA estimates at \$21 million annually. At the same time, the new standards would allow for quarterly inspections, rather than monthly, and there would be fewer worker injuries. The direct savings of the proposed regulations would be at least \$30 million, not including estimates of benefits to workers of lower risks. When the indirect and induced impacts are calculated, both the costs and cost savings would exceed \$50 million in 2020.

Finance generally concurs with the methodology used to estimate the annual economic impact under the proposed regulation, with a few exceptions.

First, the discussion of benefits must be expanded to include the benefits to workers of having less risk, both with respect to fewer injuries and a lower risk of death. While these benefits do not have to be quantified in the aggregate, some indicative calculations based on past experience would give a sense of the magnitude of benefits. Discussing the benefits that are quantified without mentioning the qualitative benefits gives an incomplete picture.

Second, the analysis of fiscal impacts on local and state governments needs to be expanded beyond the current assumption that 10 percent of elevators are operated by the state. In preparing this proposed regulation, DIR met with a wide variety of stakeholders, but did not include the California Department of General Services or other state or local government entities that might be affected by the new requirements. These entities would likely have been able to provide important information and insight, and they should be consulted to refine the fiscal impacts.

Finally, given the efforts to model the proposed regulation, modeling the impacts of the alternatives would have benefited the public by allowing clear comparisons. While most of the tradeoffs are clear from the comparisons of direct costs, the economy-wide impacts are missing.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic or fiscal impacts not discussed in the SRIA, please note that the revised impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Irena Asmundson".

Irena Asmundson
Chief Economist
Department of Finance

cc: Ms. Panorea Avdis, Director, Governor's Office on Business and Development
Ms. Debra Cornez, Director, Office of Administrative Law
Ms. Christine Baker, Director, Department of Industrial Relations