

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 107 (Delegate Morhaim)

Environmental Matters

Mortuary Science Business - Corporations - Licenses

This bill allows the State Board of Morticians to issue up to 10 corporate licenses in each of the calendar years 1999, 2000, and 2001. The board may issue as many licenses as necessary after 2001. In addition, the bill allows the board to issue licenses through a lottery if the number of applicants exceeds the number of available licenses. The bill also limits the consideration for the transfer of a license to the amount of the fee paid to the board. The board must report annually to the General Assembly on the granting of corporate licenses and make recommendations for changes in law relating to those licenses.

Fiscal Summary

State Effect: Special fund revenues could increase as much as \$11,000 in FY 2000. Out-year revenues are expected to remain constant. Expenditures would not be affected.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF Revenues	\$11,000	\$5,500	\$5,500	\$5,500	\$5,500
SF Expenditures	-	-	-	-	-
Net Effect	\$11,000	\$5,500	\$5,500	\$5,500	\$5,500

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

Local Effect: None.

Small Business Effect: Meaningful.

Fiscal Analysis

Background: In Maryland, a person may engage in the business of mortuary science as a: (1) sole proprietorship; (2) partnership; (3) professional association; or (4) corporation. The State requires these businesses to be wholly-owned by licensed morticians, except for corporations where owners are required to have a licensed mortician operate the funeral home. To date, the board has issued a total of 59 corporate licenses. Corporate licenses are renewed biennially at a fee of \$550. Because the number of corporate licenses are limited, any corporation that intends to enter the mortuary science business in Maryland must purchase an existing license from another corporation. Because entry into the corporate market is restricted and there is a greater demand for corporate licenses than there are licenses, corporate licenses are currently traded at a value between \$150,000 and \$200,000.

There are approximately 260 funeral homes operating in Maryland, most of which are independently-owned and are small businesses. This number has remained relatively constant for the past 5 years. Fifty-nine of these businesses hold corporate licenses, of which 28 are owned by 3 publicly-held companies: (1) New Orleans-based Stewart Enterprises, Inc.; (2) Houston-based Service Corp. International; and (3) Canada-based Loewen Group, Inc.

State Revenues: This bill would allow the board to issue 10 new corporate licenses in each of calendar years 1999, 2000, and 2001, and any number of corporate licenses after 2001. It is anticipated that applications for these corporate licenses could be received as soon as they become available because the demand for corporate licenses exceeds the supply. Consequently, it is expected that there would be 10 licenses issued in October 1999 (fiscal 2000), 10 issued in January 2000 (fiscal 2000), and 10 issued in January 2001. In 2002, the board may issue as many corporate licenses as it deems appropriate. It is assumed that 10 licenses will be requested and issued each year. Special fund revenues thus would increase by \$11,000 in fiscal 2000 (20 licenses x \$550 license fee) and \$5,500 in each future year.

Small Business Effect: This bill reduces the current consideration of corporate licenses from a range of \$150,000 - \$200,000 to \$550, greatly diminishing the value of some existing funeral home businesses. The effect of allowing more corporations to enter the mortuary science business would mean increased competition for small businesses. Large investor-owned chains would compete directly with small businesses. If these large corporations have lower costs due to economies of scale, or if they are able to offer certain services that cannot be offered by small business funeral homes, some small businesses would be adversely affected.

Information Source(s): State Board of Morticians, Department of Legislative Services

Fiscal Note History:

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