

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1168 (Delegate Pitkin, et al.)
Economic Matters

Business Regulation - Cemeteries - Licensing and Preneed Burial Contracts

This bill establishes a State Board of Cemeteries within the Department of Labor, Licensing, and Regulation and provides the board with certain powers and responsibilities for licensing individuals and firms to own, control, or conduct a cemetery business in the State.

In addition, the bill alters provisions of the law relating to preneed burial goods and services and provides that a violation of the law relating to preneed burial goods and services is an unfair and deceptive trade practice under the State’s Commercial Law Article. The State Board of Cemeteries may refer any alleged unfair or deceptive trade practice to the Attorney General.

Fiscal Summary

State Effect: General fund revenues would increase by about \$225,000 in FY 1997. Future year revenues reflect the biennial licensing term. General fund expenditures would increase by about \$89,700 in FY 1997. Future year expenditures reflect full salaries, turnover, and inflation.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$225,000	\$0	\$225,000	\$0	\$225,000
GF Expenditures	89,700	101,400	105,100	108,900	113,000
Net Effect	\$135,300	(\$101,400)	\$119,900	(\$108,900)	\$112,000

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

Local Effect: None.

Fiscal Analysis

Bill Summary: Major provisions of the bill include:

- The board is to be comprised of seven members including the Secretary of State as Chairman of the board. Board members are entitled to expense reimbursements in accordance with standard State travel regulations and may employ a staff. The board has the authority to establish fees for the issuance, renewal, and reinstatement of a license; investigate violations of the law; conduct hearings; and impose a fine of up to \$2,000 for each violation.
- The fees set by the board must be set in a manner that will produce funds sufficient to cover the actual direct and indirect costs of regulating the cemetery industry.
- The bill establishes qualifications for the licensure of an individual or a firm to own, control, or conduct a cemetery business and provides that the board must issue an initial license to a cemetery company that exists on or before October 1, 1996. Licenses are to be issued for a two-year term.
- The bill repeals a current exemption from the sales and use tax for specific sales to a cemetery company as described by the Internal Revenue Code.
- Provisions of the bill relating to the State Board of Cemeteries sunset on July 1, 2006, subject to the evaluation and reestablishment provisions of the Maryland Program Evaluation Act.

State Revenues: Based on information obtained from the Maryland Department of Assessments and Taxation, it is estimated that there are about 225 cemeteries in the State, including about 60 for-profit cemeteries. It is assumed that the State Board of Cemeteries will establish a license fee of \$1,000. Since the bill establishes a two-year licensing term, the State will collect \$225,000 in fiscal 1997, 1999, and 2001 which will be deposited in the general fund. Growth in the number of cemeteries is not anticipated in the near future.

The bill repeals a current exemption from the sales and use tax for certain sales to a cemetery company. The Comptroller advises that repealing this provision will have a negligible impact on the State's sales and use tax revenues.

The board may assess a fine of up to \$2,000 against a licensee who violates provisions of this bill. Any fines collected must be deposited into the general fund. Therefore, general fund revenues could increase by an indeterminate amount depending on the number of violations and the fines imposed.

State Expenditures: The bill establishes a seven-member board which is responsible for licensing individuals and firms, regulating the cemetery industry, investigating violations, and conducting hearings. The board may hire a staff. It is estimated that the board will hire one Administrator, one Office Secretary, a part-time Investigator, and a part-time Attorney General. As a result, general fund expenditures will increase by \$89,670 in fiscal 1997. This figure includes salaries of \$51,228, fringe benefits, one-time start-up costs, and ongoing operating expenses and reflects the October 1, 1996 effective date.

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

The board is entitled to expense reimbursements in accordance with standard State travel regulations which will depend on the location and frequency of the board's meetings. Reimbursable expenses of the Secretary of State can be handled with the existing resources of the Secretary's office. In addition, it is assumed that any reimbursements for the remaining six members can be handled with existing resources of the Department of Labor, Licensing, and Regulation.

The bill alters provisions of the law relating to preneed burial goods and services, which are regulated by the Secretary of State. These changes will not substantively alter the operations of the Secretary and will have no fiscal impact.

The bill provides that a violation of the law relating to preneed burial goods and services is an unfair and deceptive trade practice under the State's Commercial Law Article. It is assumed that the Attorney General's Office will be able to handle any such complaints and resulting investigations with existing resources.

Information Source(s): Office of the Attorney General; Office of the Secretary of State; Department of Labor, Licensing, and Regulation; Office of the Comptroller (Compliance Division); Department of Fiscal Services

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