

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**

House Bill 321 (Delegate Morhaim, *et al.*)  
(Task Force to Examine the State's Cemetery and Funeral Industry)  
Environmental Matters

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**Mortuary Science Businesses - Corporations**

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This bill allows a corporation to operate a mortuary science business if the corporation (1) submits an application form; (2) pays the application fee set by the Board of Morticians; and (3) operates the mortuary science business through a licensed mortician. The corporation may renew its license upon payment of a renewal fee.

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**Fiscal Summary**

**State Effect:** Special fund revenues would increase by \$27,500 in FY 1998. Future year revenues reflect biennial renewals and growth. Special fund expenditures would increase by \$35,700 in FY 1998, which reflects an October 1, 1997 effective date. Future year expenditures reflect annualization and inflation. Expenditures beginning in FY 2000 reflect fewer employees.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
SF Revenues	\$27,500	\$2,800	\$33,000	\$2,800	\$38,500
SF Expenditures	\$35,700	\$36,200	\$28,400	\$29,000	\$29,600
Net Effect	(\$8,200)	(\$33,400)	\$4,600	(\$26,200)	\$8,900

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful effect on small businesses as discussed below.

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## Fiscal Analysis

**State Effect:** Currently, a corporation is allowed to operate a mortuary science business in Maryland only if they hold a corporate charter (similar to a license). The number of corporate charters has been limited to about 59. These corporate charters are renewed biennially at a fee of \$550. It is assumed that there would be 50 new applications for a corporate license as a result of this bill and the corporate license fee would be maintained at \$550. As a result, special fund revenues would increase by approximately \$27,500 in fiscal 1998. Future year revenues assume five new applicants for a corporate license each year and a biennial renewal fee of \$550.

Special fund expenditures could increase by an estimated \$35,747 in fiscal 1998, which reflects the bill's October 1, 1997 effective date. This estimate includes the cost of hiring one contractual Typist Clerk and one half-time contractual Investigator to process new applications and to investigate complaints. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$22,036
Operating Expenses	<u>13,711</u>
<b>Total FY 1998 State Expenditures</b>	<b>\$35,747</b>

It is anticipated that a full-time clerk would be required in the first two years because the process of corporate licensure and renewal may change significantly from current practice. Future year expenditures reflect (1) full salaries with 2% annual increases; and (2) 2% annual increases in ongoing operating expenses. Expenditures beginning in fiscal 2000 reflect the cost of reducing the full-time contractual position to a half-time contractual position.

**Small Business Effect:** Currently, a corporation is allowed to operate a mortuary science business in Maryland only if they hold a corporate charter (similar to a license). The number of corporate charters has been limited to about 59. These corporate charters are renewed biennially at a fee of \$550. The only way a corporation without a corporate charter can enter the mortuary science business is to purchase an existing charter from another corporation. These charters are currently valued at approximately \$150,000. As a result of the bill, any corporation would be allowed to operate a mortuary science business if they file an application with the board and pay an application fee. Application and renewal fees would remain at \$550. Since entry into the market would no longer be restricted, the value of existing corporate charters would fall to zero. Some of the corporations operating a mortuary science business are small businesses. This means that existing small business corporations will experience a fall in the value of their corporation by approximately \$150,000.

In addition, there are approximately 260 licensed funeral homes participating in the mortuary science business, most of which are independently-owned and are small businesses. The effect of allowing corporations access to the mortuary science business would mean that more large companies would enter the market. Large investor-owned chains, such as Stewart Enterprises, Incorporated and Service Corporation International, may 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 may be adversely affected by this bill. Alternatively, if large investor-owned chains enter the mortuary science business by purchasing existing small business funeral homes, the value of these small businesses would increase.

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**Information Source(s):** Department of Health and Mental Hygiene (Board of Morticians),  
Department of Fiscal Services

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