

Department of Legislative Services
 Maryland General Assembly

FISCAL NOTE

House Bill 591 (Delegates Morhaim and Ciliberti)

Environmental Matters

Mortuary Science Business - Corporations - Licenses

This bill provides that a corporation may obtain a license from the State Board of Morticians to operate a mortuary science business. The bill also requires a corporate license holder to maintain its principal place of business in the State. The board may issue no more than 10 corporate licenses in each of calendar year 1998, 1999, and 2000; if the number of applicants exceeds the number of available licenses, the board is to issue licenses through a lottery. After calendar year 2000, the board is not restricted in the number of corporate licenses it may issue. If a corporate license is sold or transferred, the consideration for the transfer of the license may not exceed 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.

The bill is effective July 1, 1998.

Fiscal Summary

State Effect: Special fund revenues could increase by \$11,000 in FY 1999. Future year revenues reflect the cap on the number of new licenses up to calendar year 2000 and a surge in the number of licenses immediately thereafter. Out-year estimates also account for biennial renewals. Indeterminate effect on expenditures.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	\$11,000	\$5,500	\$24,800	\$20,400	\$27,500
SF Expenditures	---	---	---	---	---
Net Effect	\$11,000	\$5,500	\$24,800	\$20,400	\$27,500

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

Local Effect: None.

Small Business Effect: Meaningful.

Fiscal Analysis

State Effect: Currently, the board does not issue corporate licenses. Corporations may, however, operate a mortuary science business in Maryland if they hold a corporate charter. These corporate charters were issued in 1945. At present, there are 59 corporate charters in the State. Corporate charters are renewed biennially at a fee of \$550. Since the number of corporate charters is limited, any corporation intent on entering the mortuary science business in Maryland must purchase an existing charter from another corporation. Because entry into the market is currently restricted and there is a greater demand for corporate charters than there are charters, corporate charters are currently traded at a value between \$150,000 and \$200,000.

This bill would allow the board to issue 10 new corporate licenses in each of calendar year 1998, 1999, and 2000, and any number of corporate licenses after 2000. It is anticipated that applications for these corporate licenses would be received as soon as they become available because the demand for corporate licenses currently exceeds the supply. Consequently, it is expected that there would be 10 licenses issued in July 1998 (fiscal 1999), 10 in January 1999 (fiscal 1999), and 10 in January 2000 (fiscal 2000). Special fund revenues would increase by \$11,000 in fiscal 1999 (20 licenses x \$550 license fee) and \$5,500 in fiscal 2000.

Out-year revenues reflect: (1) 50 licenses issued in calendar year 2001, spread evenly over the year; (2) 5 new licenses in succeeding calendar years; and (3) a \$550 biennial renewal fee.

Any increased workload and expenditures relating to the licensure of corporations could be absorbed within the board's existing budget. According to the board, however, there could be potential litigation costs arising from: (1) the bill's requirement that the corporation's principal place of business be in Maryland, since several large investor-owned funeral home chains currently operate in Maryland but are domiciled in another State; and (2) the provision that if licenses are sold or transferred, the price may not exceed the amount of fee paid to the board, since it would effectively reduce the value of existing corporate charters to \$550 beginning July 1, 1998. Any such litigation costs cannot be determined at this time, although they could be significant.

Small Business Effect: The majority of the 59 corporate charters are held by small businesses. As discussed above, small businesses that currently own a corporate charter would be adversely affected by the dramatic reduction in the value of corporate charters. There are approximately 250 licensed funeral homes participating in the mortuary science

business, most of which are independently-owned and are small businesses. The effect of allowing more corporations access to the mortuary science business would mean increased competition for these small businesses. Large investor-owned chains, such as Stewart Enterprises, Incorporated and Service Corporation International, would compete directly with small businesses. If these large businesses 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): Department of Health and Mental Hygiene (Board of Morticians), Department of Legislative Services

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