

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE

House Bill 865 (Delegate Kach)  
Health and Government Operations

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Office of Cemetery Oversight - Cemetery Financial Statement - Requirements

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This bill changes the documentation that applicants for registration with the Office of Cemetery Oversight must submit regarding the financial stability of existing cemeteries that sell burial goods with which the applicant is affiliated. Under the bill, such cemeteries are no longer required to submit a financial statement prepared by a certified public accountant (CPA) that details business assets and liabilities over the previous fiscal year and a CPA-prepared review of the cemetery's financial circumstances. Instead, these cemeteries must submit either a copy of the business balance sheet from the last federal tax return or a balance sheet on a form that the Director of Cemetery Oversight requires.

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Fiscal Summary

**State Effect:** Minimal increase in special fund expenditures for the Office of Cemetery Oversight to obtain the services of a part-time CPA; expenditures increase by an estimated \$5,000 to \$7,500 annually. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Small cemetery businesses that sell burial goods may no longer need to retain the services of a CPA to prepare financial stability documentation currently required by the Office of Cemetery Oversight.

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Analysis

**Current Law:** The Office of Cemetery Oversight, which is housed within the Department of Labor, Licensing, and Regulation (DLLR), requires cemeteries to submit

evidence of their financial stability prior to the issuance or renewal of a registration for operation of a cemetery in the State. In order for existing cemeteries that sell burial goods to prove financial stability, the registrant must submit to the office a financial statement from a CPA detailing the assets and liabilities of the cemetery for the last fiscal year. The statement must also contain a review by the CPA regarding the financial stability of the cemetery. Less stringent requirements apply to cemeteries that do not sell burial goods.

The Office of Cemetery Oversight is funded by the Cemetery Oversight Fund, which is a special, nonlapsing fund used to cover the actual documented direct and indirect costs of the office. Registration and permit fees are set by the director so as to approximate the costs of the office and are paid into the fund.

**State Expenditures:** The bill repeals the requirement that cemeteries that sell burial goods must demonstrate financial solvency by submitting documents created by a CPA. According to DLLR, the bill creates a less standardized and credible reporting requirement because a CPA's documentation is an independent evaluation of a business's financial condition, and a CPA review is submitted in a format that conforms to generally accepted accounting principles. DLLR advises that a CPA review may indicate that a business is financially unstable and that the business may not remain solvent for the duration of the two-year registration renewal period. Conversely, a federal tax return balance sheet is not designed to reflect a business's financial stability and includes more varied information than what is required under current law. Thus, the task of determining a business's financial solvency becomes more difficult for the Office of Cemetery Oversight under the bill.

To maintain the current level of rigor in assessing the financial stability of cemeteries that sell burial goods, the Office of Cemetery Oversight must dedicate more staff resources to analyzing the documentation received from renewal applicants. Moreover, the office may need to retain the services of a contractual CPA on a per diem basis to analyze balance sheet information. DLLR estimates that a contractual CPA may be retained by the office for 10 to 15 days per year. Thus, DLLR advises, special fund expenditures by the Cemetery Oversight Fund increase by an estimated \$5,000 to \$7,500 annually.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 352 (Senators Pugh and Ferguson) - Finance.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2011

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