

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE

Senate Bill 469 (Senator Edwards)
 Budget and Taxation

Family Security Trust Fund - Interest Earnings

This bill adds the Family Security Trust Fund to the list of special funds exempted from the requirement that all interest earned on special funds of the State be credited to the general fund. The Governor must include an appropriation in the fiscal 2014 State budget to repay the interest earnings transferred from the trust fund to the general fund in fiscal 2010 through 2012, as accounted for by the Comptroller.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: General fund revenues decrease by \$6,100 in FY 2013 and by \$10,600 in FY 2017; special fund revenues increase by amounts that offset general fund decreases. In FY 2014 only, a general fund expenditure of approximately \$13,700 to repay interest earning to the special fund is offset by a special fund revenue increase of the same amount. **This bill establishes a mandated appropriation for FY 2014.**

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
GF Revenue	(\$6,100)	(\$7,500)	(\$9,000)	(\$10,500)	(\$10,600)
SF Revenue	\$6,100	\$21,200	\$9,000	\$10,500	\$10,600
GF Expenditure	\$0	\$13,700	\$0	\$0	\$0
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None. Fee payments by funeral establishments that are small businesses are not materially affected.

Analysis

Current Law: A provision of Chapter 397 of 2011 (Budget Reconciliation and Financing Act) credited all interest earned on special funds of the State to the general fund except for special funds and accounts that are specifically identified and exempted from the requirement or where doing so would be inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement agreement, beginning in fiscal 2012. A similar provision in Chapter 484 of 2010 captured special fund interest for the general fund for fiscal 2010 and 2011 only.

Chapter 532 of 2008 created the Family Security Trust Fund within the Maryland State Board of Morticians and Funeral Directors to reimburse consumers for losses that occur on or after January 1, 2010, related to the provision of preneed contract services. To capitalize the fund, the board must charge an annual fee of \$375 to all funeral establishments; this fee is a condition of licensure and licensure renewal for these establishments. Chapter 532 also established a Family Security Trust Fund Advisory Committee as well as a process for reviewing and handling notification of claims, conducting hearings, and making any payments from the trust fund.

The Family Security Trust Fund is a special, nonlapsing fund and not liable to any other expenses or obligations of the board. Over a reasonable period of time, the fund must be built to at least \$1.0 million and then maintained at or above that level. Once the fund has a \$1.0 million balance, the annual assessment against funeral establishment licensees is discontinued. However, if the fund a balance falls below \$1.0 million, the board must assess each funeral establishment a fee in the appropriate amount to return the fund to the \$1.0 million level over a reasonable time period.

Background: Consumers often purchase what are called “preneed” burial contracts well in advance of ill health or death to ease funeral preparations when the time comes for burial. The Family Security Trust Fund is intended to provide some recourse to consumers who find that a funeral establishment has mishandled their funds and does not provide the refund with interest as required by law.

The Department of Health and Mental Hygiene advises that no payouts have been made from the trust fund since its inception. Fees collected totaled \$126,400 in fiscal 2011 and \$129,400 in fiscal 2012. Based on these collection totals, the number of establishments assessed the \$375 fee increased from 337 in fiscal 2011 to 345 in fiscal 2012.

State Fiscal Effect: The Family Security Trust Fund will receive approximately \$130,875 in assessment fee revenue from funeral establishments in fiscal 2013, resulting in a projected fund balance of \$610,000 in fiscal 2013. Assuming no payouts from the fund to consumers and modest growth in the number of funeral establishments, and

accounting for the required transfer to the trust fund in fiscal 2014, the balance in the trust fund will grow to approximately \$1.1 million by fiscal 2016. The fund balance is projected to remain at this level in subsequent years since fee assessments on funeral establishments discontinue once the balance of the trust fund exceeds \$1.0 million.

The Department of Budget and Management advises that interest transferred to the general fund from the trust fund totaled \$4,175 in fiscal 2010 and \$4,990 in fiscal 2011. Assuming a similar amount of interest for fiscal 2012, general fund expenditures will increase and special fund revenues increase by approximately \$13,750 in fiscal 2014. This results from the required appropriation in fiscal 2014 to repay fiscal 2010 through 2012 transfers from the trust fund to the general fund.

Also, pursuant to the bill, interest earnings attributable to the trust fund will no longer accrue to the general fund; instead the interest earnings will be added to the balance of the trust fund. Assuming interest rates near 1% through fiscal 2017, general fund revenues will decrease by approximately \$6,100 in fiscal 2013 and by approximately \$10,600 in fiscal 2017. Special fund revenues for the trust fund increase by amounts equal to the decrease in general funds.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Health and Mental Hygiene, Comptroller's Office, Maryland State Treasurer's Office, Department of Legislative Services

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