



Funeral Consumers Alliance of Maryland and Environs

Protecting a consumer's right to a meaningful, dignified, and affordable funeral.

Senate Finance Committee of the Maryland General Assembly

Testimony on: **SB 104** (Office of Cemetery Oversight - Cemetery Financial Statement - Requirements)

Position: **Oppose**

Hearing date: **January 30, 2020**

The Funeral Consumers Alliance of Maryland opposes SB 104 which would allow a cemetery which sells burial goods to submit its Federal tax return for the previous year to the Office of Cemetery Oversight (OCO) instead of submitting the currently required statement from a certified public accountant (CPA) detailing the assets and liabilities of the cemetery along with an assessment of the financial stability of the business.

The cemetery business is different from many others in that it receives money from consumers often many years, if not decades, before the products and services paid for in advance will need to be delivered to the purchaser. The money received for pre-need trusts and the 10% or more of the cost of each burial plot that goes into a cemetery's perpetual care fund add up to quite substantial sums of money at each cemetery that must be properly accounted for and protected so that it all will be there when needed in the future. The 86 licensed cemeteries in Maryland now hold \$240 million in perpetual care and pre-need trust funds that must be protected.

The Maryland General Assembly was well aware of past problems with mismanaged cemeteries and missing funds when it created the Office of Cemetery Oversight in 1997 and specified that each cemetery which sells burial goods must submit to OCO a statement from a CPA as to the cemetery's financial stability. The need for cemeteries to prove their continuing viability and to properly account for all the funds that consumers prepaid has not lessened over time.

Requiring a CPA to determine the financial stability of a cemetery makes sense because he/she is an objective third party who will look at a wide variety of a cemetery's data including bank balances, monthly income, expense and net profit statements, fixed assets and liabilities for the last fiscal year, accounts receivable and payable, a description of loans in effect, trends and ratios discerned from examining the previously-mentioned items from month to month, and comparing what is found to industry averages. A financial stability analysis looks at an entire business operation and essentially drills down 2 or 3 levels beyond what is shown on a tax return. There is much less of an ability to prove solvency looking at a tax return than with a CPA review.

Another significant problem with the bill is that it would shift the burden of assessing the financial stability of each cemetery onto the small OCO staff, which does not have the resources to collect all the required data from the 86 licensed cemeteries and to complete the necessary analyses.

Being able to rely on a CPA report on each cemetery's financial stability is a far, far more effective and reliable way to protect consumers and their funds. FCAME strongly encourages this committee to issue an unfavorable report on SB 192.

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FCAME is the volunteer-run, regional chapter of the non-profit Funeral Consumers Alliance (FCA), the oldest and largest consumer protection organization focused solely on guarding the rights (and wallets) of grieving consumers. FCA's many chapters across the country are dedicated to: helping consumers be more informed about death care options, and protecting the public from fraud and abuse in cremation, funeral and burial transactions. FCA and its chapters take no money from the death care industry or government.

Funeral Consumers Alliance of Maryland & Environs (FCAME)

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