

**Department of Legislative Services**  
 Maryland General Assembly  
 2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 104 (Senator Young)  
 Finance

**Office of Cemetery Oversight - Cemetery Financial Statement - Requirements**

This bill alters the documents required to be submitted for an established cemetery to register with the Office of Cemetery Oversight. Specifically, a cemetery that has been in business for at least five consecutive years may include its prior-year federal tax return with its registration, instead of a review by a certified public accountant as to the financial stability of the cemetery. Other required documentation is unchanged.

**Fiscal Summary**

**State Effect:** Special fund expenditures increase by \$47,200 in FY 2021. Future year expenditures reflect annualization and the elimination of one-time costs. Revenues are not affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	47,200	49,500	50,500	52,300	54,100
Net Effect	(\$47,200)	(\$49,500)	(\$50,500)	(\$52,300)	(\$54,100)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

**Analysis**

**Current Law:** An individual must register with the Office of Cemetery Oversight before engaging in the operation of a cemetery or crematory or providing burial goods in Maryland. Registrations must be renewed every two years. As part of the registration

process, each applicant designated as the responsible party must demonstrate the financial stability of the business with which the applicant is affiliated by providing the Director of the Office of Cemetery Oversight with a financial statement or other required reports.

The director must make a determination of the financial stability of each applicant based on criteria that the director adopts for each class of business. The director must adopt separate criteria to determine the financial stability of applicants that are new businesses or existing businesses.

Each financial statement must be on the form that the director requires. If the business is a cemetery that sells burial goods and is an existing business, the financial statement must:

- contain a statement by a certified public accountant retained by the business, detailing the assets and liabilities of the cemetery for the last fiscal year; and
- contain a review by the certified public accountant as to the financial stability of the cemetery.

If the business is an existing cemetery that does not sell burial goods or an existing burial goods business not affiliated with a cemetery, the applicant must complete a form that the director requires and satisfy criteria that the director adopts as authorized under current law.

If the business is a new business, the applicant must satisfy criteria that the director adopts as authorized under current law; however, the director must require that all financial statements submitted by a new cemetery be prepared by a certified public accountant retained by the business.

**Background:** The Office of Cemetery Oversight in the Maryland Department of Labor (MDL) was established by Chapter 675 of 1997. The office registers and regulates the cemetery and burial goods industry in the State under the leadership of a director. An advisory council serves as a source of expertise for the director and provides insight into the needs of the business community and the consumers served by the industry. The Cemetery Oversight Fund was established as a continuing, nonlapsing special fund to cover the documented direct and indirect costs of fulfilling the statutory and regulatory duties of the office.

Approximately 80 cemeteries registered with the office are affected by the bill because they sell burial goods and have been in business for at least five years.

**State Expenditures:** The bill authorizes a cemetery that has been in business for at least five consecutive years to include its prior-year federal tax return as part of its registration

with the Office of Cemetery Oversight, instead of a review by a certified public accountant as to the financial stability of the cemetery. However, the bill does *not* remove the requirement that the director make a determination of the financial stability of each applicant. Existing office personnel do not have the expertise to make such an independent determination.

Accordingly, special fund expenditures for MDL increase by \$47,216 in fiscal 2021, which accounts for the bill’s October 1, 2020 effective date. This estimate reflects the cost of hiring one *half-time* certified public accountant to review returns and determine the financial viability of existing cemeteries. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	\$37,849
Other Operating Expenses	<u>9,367</u>
<b>Total FY 2021 State Expenditures</b>	<b>\$47,216</b>

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

**Small Business Effect:** Cemeteries that are small businesses may benefit from reduced costs associated with the review of their financial records by a certified public accountant. These businesses may also be at a greater risk of financial instability if the review conducted by MDL – which is charged with potentially reviewing dozens of cemeteries – is not as timely or thorough.

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### **Additional Information**

**Prior Introductions:** SB 192 of 2017, a similar bill, received a hearing from the Senate Finance Committee, but was withdrawn. HB 726 of 2017, a similar bill, received a hearing from the House Health and Government Operations Committee, but was withdrawn. SB 535 of 2016, a similar bill, received a hearing from the Senate Finance Committee, but no further action was taken. Its cross file, HB 553, received a hearing from the House Health and Government Operations Committee but was withdrawn.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - January 10, 2020  
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Analysis by: Stephen M. Ross

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510