

Regulating Direct Cremations: The Cost of Seemingly Small Regulatory Changes

January, 2011

Judith Chevalier
Yale University and NBER

David E. Harrington
Kenyon College

Fiona Scott Morton
Yale University and NBER

ABSTRACT

Since the 1970s, the state of Florida changed its licensing regulations for workers and firms selling cremation services several times. In 1979, the state introduced a new category of funeral licenses that lowered barriers to entry for firms selling exclusively no-frill cremations, ones involving neither a viewing nor memorial service. The new licenses for “direct disposers” (and their establishments) required substantially less training and fewer facilities than the licenses of funeral directors and funeral homes. Twenty years later, direct disposers had captured 19.6 percent of the cremation market in Florida and 8.6 percent of the overall death care market. In 2000, the state of Florida embarked on a series of adjustments, gradually bringing the requirements for direct disposers closer to the requirements facing full-service funeral homes. Using firm-specific data on prices of direct cremations and the annual number of cremations handled, we estimate that these seemingly small regulatory changes cut direct disposers market share in half and cost consumers roughly \$5.9 million per year, which equals roughly 5.7 percent of their cremation expenditures.

Introduction

Small changes in regulations are often irresistible to legislators. Indeed, they are often designed to be irresistible, targeting the benefits to small groups of grateful producers, while spreading the costs thinly—or stealthily—over consumers via higher prices (Stigler, 1971; Peltzman, 1976). The costs are often difficult to detect because journalists rarely report on small changes in regulations and because making inferences about the source of higher prices is inherently difficult. This begs the question: are small changes in regulation irresistible because they cost little—i.e., they represent “small change”—or because their costs are difficult to discern?

Recent changes in Florida’s regulation of funeral markets present an opportunity to estimate the cost of such legislation. In 1979, the state of Florida introduced a new category of funeral licenses that lowered barriers to entry for no-frill cremation-only establishments. The new licenses created a category of funeral establishment and personnel called direct disposers who were authorized to sell no-frill cremation services, ones that involved neither a viewing nor memorial service. The licenses required substantially less training and fewer facilities than the licenses required for funeral directors and funeral homes.¹

Starting in 2000, Florida made a series of small changes in the regulation of funeral markets, nearly all of which were aimed at increasing the requirements for firms selling low-cost cremations. The changes were made in three stages, via legislation passed in 2000, 2004 and 2010. The legislation was irresistible: the three bills garnered a total of 457 “ayes” and only 4 “nays,” and were signed by both Republican and Democratic governors. The legislation was ignored by journalists, with one important exception: Dunkelberger (2000) wrote that the new legislation was promoted by funeral homes to give them an “edge” over low-cost cremation providers. In other words, one subgroup of producers was lobbying to use regulations strategically against another subgroup (Maloney and McCormick, 1982; Oster, 1982; and Salop and Scheffman, 1983).

¹ Direct disposers are also allowed to handle direct burials that do not involve viewings or ceremonies. However, only 0.6 percent of their sales over the 23 years from 1987 to 2009 were direct burials, making these firms essentially specialists in the sale of no-frill cremation services.

In this paper, we estimate the cost of this irresistible legislation using surveys of funeral prices in Florida in 1995 and 2006. (We plan to do another one in 2011!) In each survey, we telephoned every funeral establishment in the state of Florida, asking them for their prices of funeral goods and services. In particular, in this paper, we examine the price of a “direct cremation,” which includes taking the body to a crematory, placing it in a cardboard container, completing the necessary documents and shipping the ashes to the family. Nearly all of the funeral establishments that we contacted answered our surveys because they were legally required to give prices over the phone by the federal Funeral Rule, which also standardizes the package of goods and services of a (no-frills) direct cremation.

In the next section, we describe in more detail Florida’s funeral regulations and the changes that occurred over the last thirty-five years. We also describe in detail the important subgroups of producers within the industry. Then, in the next two sections, we describe our data and present our estimates of the change in the quantities and prices of cremations handled by two important subgroups of producers in Florida’s funeral markets. In the final section, we talk about our conclusions and discuss the improvements we plan to make to the paper.

Florida’s Funeral Regulations

Workers and firms must both be licensed prior to selling funeral services in Florida. According to the Bureau of Labor Statistics, funeral directors are currently licensed in all states (U. S. Department of Labor, 2010).² State licensing regulations vary across states, but most states have both formal education requirements and an examination for funeral directors. Also, many states require funeral establishments to be larger than some minimum size and have rooms devoted to particular activities such as embalming, religious services and casket displays.

Prior to 1979, only licensed funeral directors were legally allowed to sell cremations in Florida. This was true whether or not the cremation included viewing and a memorial service. However, in 1979, the state of Florida introduced a special category of occupational licenses for “direct disposers” specializing in the sale of direct cremations. After 1979, funeral directors and direct disposers both sold direct cremations, while only funeral directors sold *traditional cremations*, ones involving a viewing or memorial service. Similarly, firms selling direct

² While the BLS reports that all states license funeral directors, our reading of the laws suggest that Colorado does not have occupational licensing requirements but does have legal requirements for funeral establishments

cremations must be licensed as either funeral establishments or direct disposal establishments. Table 1 summarizes the requirements for obtaining each of these licenses in 1979.

It was much easier to become a direct disposer than a funeral director in 1979. While direct disposers only needed a high school degree and a couple of courses, funeral directors needed two years of college, one year of mortuary school, and an apprenticeship. Hence, it took a matter of months for high school graduates to become direct disposers compared to years to become funeral directors. But only funeral directors could handle funerals involving a ceremony or viewing. It was also much easier for firms to enter the market as direct disposal establishments than as funeral establishments. Direct disposal establishments were not required to have a facility—they could be run out of someone’s home or the backroom of a funeral home. In contrast, funeral homes had to lease or own a building of at least 1250 square feet.

At the time that Florida legislators were debating whether to create new licenses for workers and firms specializing in cremations, the Federal Trade Commission had just released its final report on its decade-long investigation of funeral markets, which detailed the deceptive practices of many funeral directors and recommended that the federal government enact the Funeral Rule. The report talks repeatedly about the potential benefits to consumers of “direct cremation companies.” For example, it argues that requiring funeral homes to provide prices over the phone will cause those with “high prices” to be more concerned about “losing customers to funeral home competitors or to direct cremation companies” (Federal Trade Commission, 1978, p. 491). Journalists were also writing unflattering articles about the industry at the time. For example, the *New York Times* ran a three-part series that uncovered the “dark side” of the funeral industry, involving “tales of body-snatching (one undertaker claiming a body before a competitor), price gouging, misrepresentations of the need for embalming and, on occasion, assaults on the cultural and religious beliefs of people trying to cope with the death of a loved one” (Severo, 1978). The investigations by the Federal Trade Commission and newspapers like the *New York Times* surely deserve some credit for the reform of funeral licensing laws in Florida.

According to the *Miami Herald*, funeral directors “conservatively estimated that no-frills disposals would account for 1 percent” of the state’s cremations (Clary, 1985). It was a brave face. By 1987, direct disposers were handling over 15 percent of the 41 thousand cremations sold in the state. And, some of the direct disposal establishments were being operated by funeral

homes, often out of their backrooms. For example, the Scarano Funeral Homes of Broward County also ran the Alpha-Omega Cremation Society, which sold direct cremations at half the price of its funeral homes.

The Florida Funeral Directors Association (FFDA) lobbied for changes in Florida's funeral regulations including an amendment that would have "wiped out" direct disposers (Dunkelberger, 2000). Florida legislators voted against the killer amendment in 2000 but approved a smaller change that the FFDA wanted, prohibiting direct disposal establishments from operating "at the same location" as any other funeral establishment unless they were co-located on July 1, 2000. Four years later, the FFDA convinced the legislature to specify minimum facility requirements for direct disposal establishments such as requiring their facilities be at least 625 contiguous square feet, ensuring that direct disposers would no longer be working out of their homes. In 2010, the FFDA tightened its grip on direct disposers further by convincing legislators to delete four words—"licensed direct disposer or"—from the requirement that "each direct disposal establishment shall have one full-time licensed direct disposer or licensed funeral director" in charge of the facility. As of 2010, licensed funeral directors must be in charge of direct disposal establishments. Table 2 summarizes the changes described in this paragraph and presents the corresponding legislative votes. Table 3 presents the licensing requirements for funeral workers and firms in 2010.

The changes in Florida's funeral regulations over the last 35 years can be interpreted using the model developed by Peltzman (1976). At the beginning of the period, legislators voted to inject a little competition into what looked like a not very competitive industry, believing the benefits to voters via lower prices would be sufficient to compensate them for drawing the ire of funeral directors. Over the next twenty years, the markets for direct cremations in Florida became surprisingly competitive for several reasons. First, the Funeral Rule standardized the package of goods and services of a direct cremation, helping to make low-cost cremations into a commodity. Second, Florida dramatically reduced the cost of entering the market by creating special licenses for workers and firms specializing in direct cremations. Finally, social and demographic changes accelerated the shift in preferences towards a greater reliance on cremation. Hence, at the end of the period, legislators voted to throw some legislative bones to funeral directors, confident that consumers would never know the difference. This interpretation

of the changes in Florida's licensing laws is consistent with Peltzman's conclusion that legislators find it more attractive to intervene at the extremes of market structures.

Data

We have firm-specific data on the annual number of cremations handled by funeral firms in Florida and their prices of direct cremations for years before and after the changes in funeral regulations that occurred in 2000 and 2004. The number of cremations handled by funeral firms comes from Funeral Industry Consultants (FIC), which gathers the data from the regulatory filings of funeral homes and direct disposal establishments.³ The FIC data is available for the 23 years from 1987 to 2009.

The data on prices comes from two surveys of funeral homes and direct disposal establishments, one conducted in the summer of 1995 and the other in late 2006. We phoned all of the funeral homes and direct disposal establishments in the FIC data⁴, asking them for the prices of a set of services including a direct cremation. The prices we collected are posted prices, not the actual prices that people paid for direct cremations. It is possible that consumers bargain over the price of direct cremations. However, we have been told anecdotally that consumers rarely do so. Also, the Funeral Rule is designed to create incentives for funeral directors to quote prices that are close to expected transaction prices in order to facilitate competition in funeral markets.

Our sample is composed of 789 funeral homes and 67 direct disposal establishments in 1995, and 806 funeral homes and 50 direct disposal establishments in 2006.⁵ Figure 1 illustrates the 1995 location of the funeral homes and direct disposal establishments in Florida with the four Southeastern counties highlighted—the map for 2006 looks similar. Looking at the map highlights the relative prevalence of funeral homes and direct disposal establishments in 1995—there were 16 funeral homes for every direct disposal establishments in Southeastern Florida and 11 funeral homes for every direct disposal establishment in the rest of the state.

³ The data can be bought online at fic-online.com.

⁴ We used the funeral homes and direct disposal establishments listed in the previous year's FIC data, which was the most recent information available at the time of the surveys.

⁵ Two funeral homes were deleted from the sample because they said that they charged \$195 for a direct cremation in 1995 and \$140 in 2006, respectively. We believe that the funeral homes, in these cases, were telling us their crematory fees (i.e., what they paid the crematory) rather than their prices of direct cremations.

The number of direct disposal establishments decreased from 67 in 1995 to only 50 in 2006, representing a 25 percent drop in their number. It is tempting to infer that 17 direct disposal establishments left the market. But, the underlying situation is much more complex, as can be seen from Figure 2. While Southeastern Florida experienced only a small change in the *total* number of direct disposal establishments, the number of firms entering and exiting the market is astounding, leading to nearly a complete turnover of firms.⁶ Similarly, the modest 2-percent growth in the number of funeral homes combines substantial movements in and out of the market: 186 funeral homes exited Florida’s funeral markets and 203 entered between 1995 and 2006. Florida’s funeral markets are much more dynamic than one might think based on anecdotes about local funeral homes being around forever.

Some funeral homes and direct disposal establishments didn’t answer our surveys, primarily because we couldn’t reach them, not because they refused to answer. Our 1995 data is missing information on prices for 17.2 percent of the firms, which together handled 12.8 percent of cremations in that year. We reached slightly more of them in 2006—our data in 2006 is missing price information for 14.2 percent of firms, which together handled 6.6 percent of cremations. The smaller market shares of those with missing price information is consistent with our explanation that the missing price data is primarily due to firms not answering their phones, which occurs more frequently at smaller firms.

Funeral Regulations, Market Shares & Cremation Prices

Figure 3 illustrates funeral homes’ market share of Florida’s cremation market over the 35 years since the state began licensing direct disposers and direct disposal establishments in 1979. Prior to 1979, only funeral directors were legally allowed to handle cremations, so their market share must have been 100 percent. The market share of funeral homes fell rapidly after the entry of direct disposal establishments, reaching a trough in 1998 when its share dipped slightly below 80 percent. It has grown since 1998, hovering currently around 90 percent of the cremation market.⁷

⁶ Firms in 1995 and 2006 were matched by their addresses and names. To be interpreted as the same firm, the two entries must have had the same address or name, and, in the latter case, they must be located in the same city.

⁷ The market share of funeral homes is calculated using the FIC data for the 23 years from 1987 to 2009, which is illustrated using the solid black line. We estimated the market share in 1983 using information on the number of

Figure 4 shows what happened to the number of direct disposal establishments and the total number of cremations they handled over the 35 years since they entered the cremation market in Florida. The legislative changes in 2000—the ones that prohibited direct disposers from operating out of the backrooms of funeral homes—coincided with the flattening of the growth in the number of direct disposal establishments and the total number of cremations they handled. Requiring that they have facilities of at least 625 square feet in 2004 coincides with a sharp drop in their numbers. Figures 3 and 4 suggest that the small changes in Florida’s funeral regulations that occurred in 2000 and 2004 were being used by funeral directors—actually, their organization, FFDA—to squeeze direct disposal establishments out of the market, thereby restoring their dominance of the cremation market.

Table 4 presents a full set of descriptive statistics on prices but is difficult to digest and challenging to describe. Instead, we concentrate on Table 5, which is less encyclopedic, hopefully without being misleading. No matter how you cut the data, the average price of direct cremations at direct disposal establishments is substantially less than the average price at funeral homes. For example, the average price of direct cremations at *continuously operating* funeral homes was \$1350.51 in 2006, which is 40 percent premium over the \$970.06 charged by *continuously operating* direct disposal establishments.⁸ The gap is slightly larger for new entrants, with funeral homes entrants charging a 45 percent premium in 2006. These are large differences, especially given that a direct cremation is a precisely defined package of services that does not include a ceremony or viewing.

The average price of direct cremations increased by 35.0 percent at continuously operating funeral homes over the 11 years from 1995 to 2006, and by nearly 63.9 percent at continuously operating direct disposal establishments. Over the same period, the (all-items) Consumer Price Index increased by 32.3 percent. We interpret the larger increase at direct disposal establishments as reflecting the effect of changes in regulations that raised their costs relative to their funeral home rivals. Nevertheless, cremation prices at funeral homes still rose slightly faster than the general price level, which may reflect a lessening of competition with direct disposal establishments due to the new regulations.

direct disposal establishments in 1983 (Askari, 1983), assuming that the number of cremations handled by each direct disposer was equal to the average number handled in 1987.

⁸ The sample of continuing firms was further restricted to include only those firms that answered our price survey in both 1995 and 2006. Table 4 does not impose this restriction so the sample sizes are larger for continuously operating firms there.

Funeral markets are not as sleepy as one might think, at least not in Florida. New entrants charge lower prices, on average, than continuing firms, offering discounts of between 28 percent and 32 percent, on average. It is not surprising that existing funeral homes lobby for regulatory changes that would keep them out, or at least, drive up their costs.

The Cost of Small Changes in Regulations.

Journalist Dunkelberger argues that the recent changes in Florida's funeral regulations were designed to give funeral homes an "edge" over direct disposal establishments. One of the costs of these regulatory changes is that they have induced some consumers to switch from lower-cost to higher-cost cremation providers. To get an estimate of this cost, we fitted a trend line to the annual data on funeral homes' market share from 1987 to 2000. If the market share of funeral homes had followed this trend line after 2000 (along the dashed line of Figure 3) rather than its actual path after the changes in regulations, the cremation market share of funeral homes would have fallen to 77.4 percent. Instead, the actual market share of funeral homes grew to 91.7 percent. This implies that the new regulations induced 12,295 people—14.3 percent of the 85,978 people purchasing cremations in 2006—to have their cremations handled by funeral homes rather than direct disposal establishments. According to Table 4, funeral homes charged \$446 more for direct cremations than direct disposal establishments in 2006.⁹ Hence, the cost to consumers of inducing many of them to switch to higher cost cremation providers was roughly \$5.5 million in 2006.

The other cost to consumers is that the regulatory changes increased cremation prices at both funeral homes and direct disposal firms. The new regulations directly increase the costs of starting and operating direct disposal establishments, which should lead to higher prices. By raising the costs (and the prices) of the rivals of funeral homes, it may also reduce the pressure on funeral homes to charge low prices for direct cremations. What would the prices of direct cremations have been had these regulations not been imposed? It is not an easy question to answer, because we cannot directly observe the funeral markets that would have existed in the absence of these regulatory changes, i.e., we cannot directly observe the counterfactual world. For now, let's assume that prices would have increased by the inflation rate, as measured by the

⁹ The prices reported in Table 4 are averaged over funeral homes and direct disposal establishments without any weight given to the number of cremations handled by each firm, which we may change in revising the paper.

(all-items) CPI.¹⁰ According to Table 4, the prices of direct cremations at funeral homes and direct disposal establishments in 1995 were \$985.83 and \$606.61, respectively. If they had increased at the same rate as the overall inflation rate, they would have been \$1,304.25 and \$802.54 by 2006. Instead, they were \$1,304.33 and \$858.27. Multiplying the difference in prices by the number of cremations handled by funeral homes and direct disposal establishments yields \$0.4 million. Hence, our best guess is that consumers spent an additional \$0.4 million for cremations in 2006 due to the higher prices created by the changes in regulations that occurred in 2000 and 2004.

Consumers in Florida spent approximately \$109 million on cremations in 2006. Our estimates imply that they spent \$5.9 million more than they would have spent had Florida not changed its funeral regulations in the 6 years prior to 2006. Most of the increase was due to some people being induced to switch to higher cost providers (\$5.5 million) and a small part was due to higher prices paid by everyone (\$0.4 million). Hence, consumers paid roughly 5.7 percent more for cremations that they would have paid had these regulations not been enacted. And, this estimate does not include the effect of the last regulatory change that direct disposal establishments be supervised by licensed funeral directors, literally crossing out the option of having them supervised by licensed direct disposers. We suspect that this last change will be the death knell of direct disposers and their establishments, achieving the Florida Funeral Directors Association's goal of wiping them out, albeit in a series of supposedly small changes rather than the single swift blow that they unsuccessfully lobbied for in 2000.

Do these regulations confer any benefits on consumers that could be worth \$9 million per year? It takes some digging to find anything written about these regulations, either pro or con. As we've said, Dunkelberger (2000) interprets the regulations as conferring private benefits to funeral homes. The analyses by the staffs of the Florida legislature briefly discuss the rationale for only one of the regulations. Talking about prohibiting funeral homes and direct disposition establishments from operating under the same roof, they say, "There is some sentiment in the industry that the performance of funeral and direct disposal services when conducted at adjacent locations can confuse the general public" (Florida House of Representatives, 2000). In contrast, the Arizona Board of Funeral Directors and Embalmers argues exactly the opposite, that stand-

¹⁰ In the next version of the paper, we plan to use the model developed in Chevalier, Harrington and Scott Morton (2008) to estimate what would have happened in funeral markets in the absence of these changes in regulations.

alone direct disposal establishments would confuse consumers, causing some consumers to buy direct cremations when they really want traditional ones. Apparently, direct disposers are apt to confuse consumers no matter where they are located, at least according to the allies of their rivals.

Schatz (1997) profiles Robert Rupocinski, a direct disposer who operated *Robert & Sons Cremation Service* in Spring Hill—about 50 miles north of Tampa, Florida—in the late 1990s. In the article, David Merritt of the *Merritt Funeral Home* argues that funeral directors of family-owned funeral homes make a “lifetime commitment” to their communities and, as a result, are less likely than direct disposers to suddenly “step out” of the business. Funeral directors have been arguing for decades that “curbstoners” snare consumers with low prices and then leave town before delivering the promised services (Habenstein and Lamers, 1955, p. 550). Their solution is simple but costly—anchor funeral firms into their communities by requiring them to have a minimum set of facilities. Florida legislators were probably heeding the advice of funeral directors like David Merritt when they imposed the requirement in 2004 that the “practice of direct disposition must be engaged in at a fixed location of at least 625 interior contiguous square feet.” David Merritt and his funeral home are still serving Spring Hill, but Robert Rupocinski—and his firm—are gone. No doubt, David Merritt would say, “I told you so.” Alternatively, he may be gone because the regulations called him a curbstoner and pushed him out. After *Robert & Sons* left, David Merritt raised his price of direct cremations, more than doubling his price over the years from 1995 and 2006.

In the same article, Barry Brewer of the *Brewer Funeral Home* wonders whether direct disposers are vigilant enough to assure that cremations are properly done, saying that horror stories about “multiple cremations” are what “scares [him] about” direct disposers. In 2003, the Tri-State Crematory scandal induced Georgia to require crematories to hire licensed funeral directors to supervise their operations. In 2010, Florida imposed a similar requirement on direct disposal establishments, requiring that they be supervised by licensed funeral directors, probably after listening to the fears of funeral directors like Barry Brewer. Our data does not reflect the effect of this regulation because it only became effective a couple of months ago. However, we plan to survey Florida’s funeral firms again in the summer of either 2011 or 2012. We suspect that this regulation will squeeze the remaining life out of Florida’s direct disposal establishments, returning funeral homes’ share of the cremation market to nearly 100 percent.

Conclusion

Florida shook up its funeral industry in 1979 by creating new licenses for workers and firms specializing in selling low-cost cremations. In just 10 years, these firms had captured nearly 13 percent of Florida's cremation market. By 1999, they had nearly 20 percent of the market. According to Clary (1985), the rapid growth of direct disposal establishments surprised funeral directors, who thought that cremations without viewings or memorial services would only appeal to a tiny fraction of the market.

Starting in 2000, the Florida legislature *overwhelmingly* passed a series of small changes in regulations that increased the entry and operating costs of direct disposal establishments. Over the next 8 years, the market share of direct disposal establishments was cut nearly in half. Legislators might have found the legislative changes irresistible because the benefits were garnered by a small number of funeral homes and the small costs were spread thinly over many consumers, mostly in the form of slightly higher prices. But this paper finds that the costs of these small changes in funeral regulations were substantial, costing Florida consumers roughly \$5.9 million per year, which is 5.7 percent of their expenditures on cremations. In this case, the small changes in regulations were irresistible to legislators, not because small costs were spread thinly over many consumers, but because substantial costs were stealthily spread over many consumers.

We have identified a substantial transfer from consumers to funeral directors induced by these regulatory changes. However, in this particular setting, overall welfare effects are likely to be minimal for two reasons. First, it is likely that a funeral home can produce a direct cremation as efficiently as a direct disposer (they just charge more for it). Thus, no productive inefficiency is induced. Second, as the price of cremations rises, people cannot really choose not to consume a funeral service; demand is fairly inelastic, eliminating allocative inefficiency. Demand is not completely inelastic, however. Harrington and Sayre (2007) show that body donations to medical schools are greater in states with high cremation prices.

This is a working paper, with yet more to do on it. First, we need to work more on the counterfactual of what prices would have been without these small changes in legislation. To do so, we plan to apply our estimates of the demand for differentiated funeral products (Chevalier,

Harrington and Scott Morton, 2008). Second, we need to think about what our estimates imply about the national market for cremations. California has followed a similar path as Florida, first deregulating funeral markets by introducing a license for workers specializing in low-cost cremations, followed by changes reining in the reforms. However, the vast majority of states have done nothing to reform their licensing laws in the wake of the enormous shift of funeral preferences towards cremation. What is the cost of this inaction to consumers? Third, licensing laws are often justified as being necessary to insure the delivery of high quality services but quality is often in the eye of the beholder, especially when it comes to something as personal as funeral services. Licensing laws have a very rigid view of quality, one that is increasingly inconsistent with recent changes in preferences shaped by an increasingly mobile and diverse population. What is the cost of this rigidity to consumers in funeral markets?

References:

- Askari, Emilia (1983) "An Old Business Adapts To Change," *The Miami Herald*, October 17.
- Clary, Mike (1985) "The Last Bargain," *The Miami Herald*, June 9.
- Chevalier, Judith, David E. Harrington and Fiona Scott Morton, (2008). "Differentiated to Death?" Manuscript.
- Dunkelberger, Lloyd (2000) "Special Interests Search for Edge," *Sarasota Herald-Tribune*, May 7.
- Federal Trade Commission (1978) *Funeral Industry Practices: Final Report to the Federal Trade Commission and Proposed Trade Regulation Rule* (16 CFR Part 453). Washington, D.C.: Federal Trade Commission, Bureau of Consumer Protection, June.
- Florida House of Representatives, Committee on Business Regulation & Consumer Affairs (2000) *Final Analysis of CS/SB 1016*, June.
(www.flsenate.gov/data/session/2000/House/bills/analysis/pdf/SB1016S1Z.Brc.pdf).
- Habenstein, Robert W., and William M. Lamers (1955) *The History of American Funeral Directing*. Milwaukee: Bulfin Printers.
- Harrington, David E. and Ward A. Sayre (2007) "Paying for Bodies, But Not for Organs," *Regulation*, 29(4), 14-19.
- Maloney, Michael T., and Robert E. McCormick (1982) "A Positive Theory of Environmental Quality Regulation," *Journal of Law and Economics*, 25(1), 99-123.
- Oster, Sharon (1982) "The Strategic Use of Regulatory Investment by Industry Subgroups," *Economic Inquiry*, 20(4), 604-18.
- Peltzman, Sam (1976) "Toward a More General Theory of Regulation," *Journal of Law and Economics*, 19(2), 211-40.
- Salop, Steven C. and David T. Scheffman (1983) "Raising Rivals' Costs," *The American Economic Review*, 73 (2), 267-271.
- Schatz, Amy J. (1997) "New Cremation Services Keeps Costs Down," *Saint Petersburg Times*, October 12.
- Severo, Richard (1978) "Disputed Practices of Undertakers Are Defended by Some in Business," *The New York Times*, April 24.
- Stigler, George J. (1971) The Theory of Economic Regulation, " *Bell Journal of Economics*, 2(1), 3-21.

U. S. Department of Labor (2010), *Occupational Outlook Handbook*,
www.bls.gov/oco/ocos011.htm

Table 1. Florida Licensing Requirements in 1979

	Direct disposers & direct disposal establishments	Funeral directors & funeral homes
Workers		
Fees	Less than \$250	Less than \$250
Education	High school degree, course on mortuary law and seminar on communicable diseases	High school degree, associate degree, 1-yr of mortuary college, 1-yr apprenticeship & seminar on communicable diseases
Exam	Yes	Yes
Establishments		
Fees	Less than \$400	Less than \$400
Supervisor	Full-time direct disposer (or funeral director) must be available during normal business hours	Full-time funeral director must be available during normal business hours
Space		1250 square ft
Facilities		Facilities to embalm (and store) <i>or</i> arrangements to do so

Table 2. Changes in the Licensing Requirements of Direct Disposal Establishments

Year	Change in Licensing Requirements	Legislative Vote
2000	Direct disposal establishments and funeral homes cannot co-locate (no back rooms)	155-1-4
2004	• Direct disposer offices must be at least 625 contiguous sq. ft. • Licensing and oversight moved from Dept. of Bus. & Prof. Reg. to Dept. of Financial Svcs.	150-3-7
2010	Licensed funeral directors must be available at direct disposal firms	152-0-7

Table 3. Florida Licensing Requirements in 2010

	Direct disposers & direct disposal establishments	Funeral directors & funeral homes
Workers		
Fees	Less than \$250	Less than \$250
Education	High school degree, courses on mortuary law and ethics and seminar on communicable diseases	High school degree, associate degree, 1-yr of mortuary college, 1-yr apprenticeship & seminar on communicable diseases
Exam	Yes	Yes
Establishments		
Fees	Less than \$600	Less than \$600
Supervisor	Full-time funeral director must be available during normal business hours	Full-time funeral director must be available during normal business hours
Space	625 sq ft	1250 square ft
Facilities	Facilities to refrigerate bodies or arrangements to do so	Facilities to embalm (and store) <i>or</i> arrangements to do so
Other	Cannot collocate within funeral homes (no back room)	1 (500 sq ft) branch—funeral director when open

Figure 1. Funeral Homes and Direct Disposal Establishments, 1995

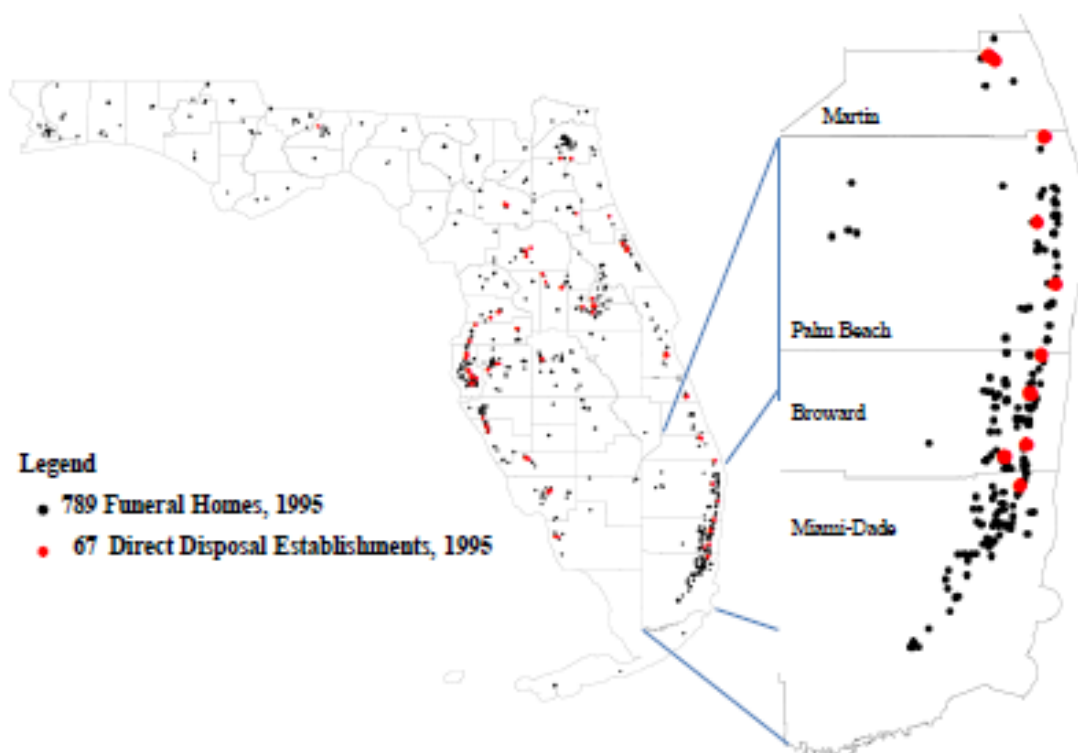


Figure 2. Direct Disposal Establishments in Southeastern Florida, 1995-2006

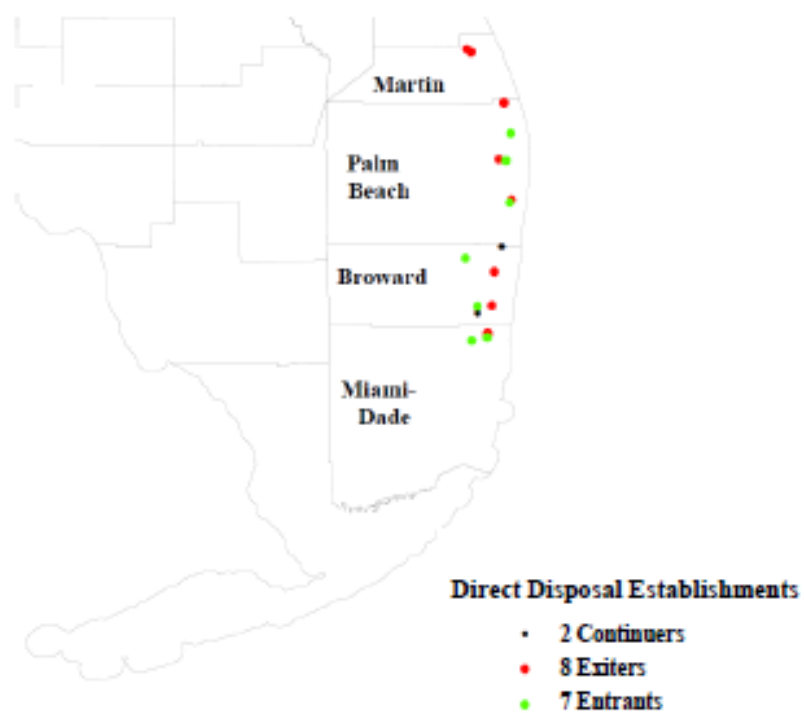


Figure 3. Funeral Homes' Market Share of Florida's Cremation Market, 1979-2009

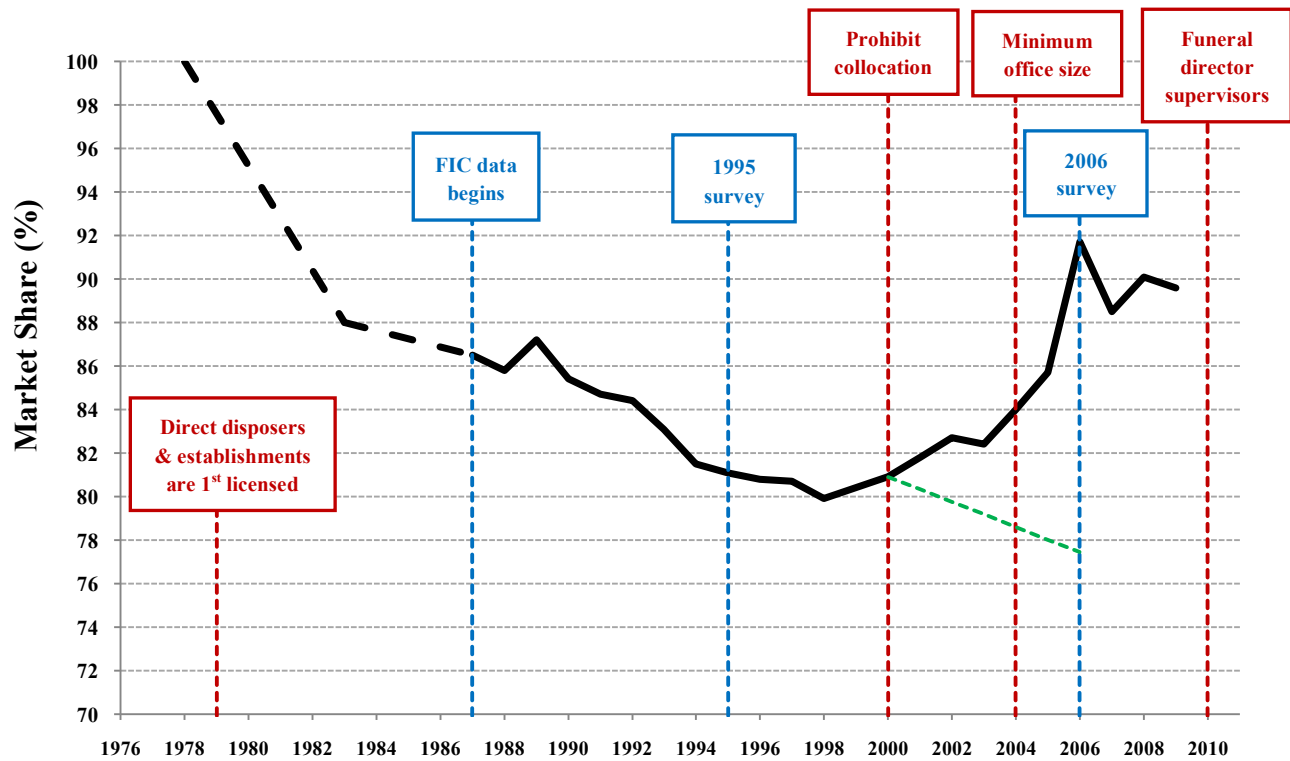


Figure 4. The Effect of Florida Regulations on Direct Disposal Establishments

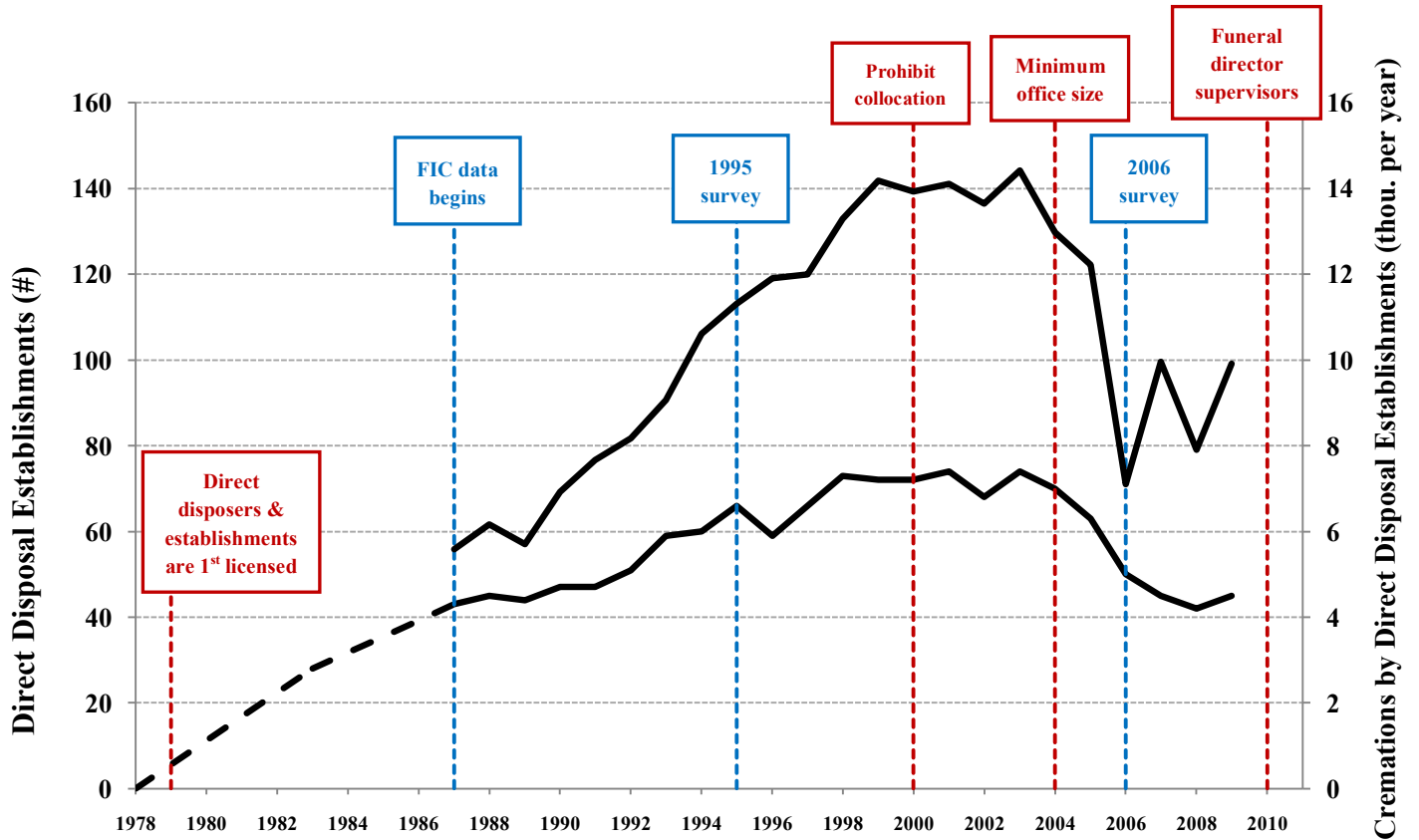


Table 4. The Average Price of Direct Cremations by Type of Firm and Dynamic Status

	1 9 9 5 P R I C E S					2 0 0 6 P R I C E S				
	Number	Mean	Standard Deviation	Minimum	Maximum	Number	Mean	Standard Deviation	Minimum	Maximum
	----- <i>all</i> -----					----- <i>all</i> -----				
Funeral Homes	632	985.83	371.33	295	1970	675	1304.33	528.51	395	4575
Direct Disposal Establishments	38	606.61	155.97	325	995	35	858.27	308.48	345	1848
	----- <i>continuing</i> -----					----- <i>continuing</i> -----				
Funeral Homes	512	994.61	372.52	325	1970	528	1348.73	507.72	395	3105
Direct Disposal Establishments	10	577.70	139.90	375	898	15	950.03	344.18	595	1848
	----- <i>exiters</i> -----					----- <i>entrants</i> -----				
Funeral Homes	120	948.41	365.41	295	1970	147	1144.86	571.17	495	4575
Direct Disposal Establishments	28	616.93	162.46	325	995	20	789.45	267.15	345	1430

Table 5. Prices and Quantities of Direct Cremations by Firm Status, 1995-2006

	Exiters	Entrants	Continuing Firms	
	1995 Data	2006 Data	1995 Data	2006 Data
Funeral Homes				
Number of Firms	120	147	464	
Price of Direct Cremations	948.41	1144.86	1007.37	1360.51
Cremations (#/firm)	55.64	106.12	77.75	111.40
Direct Disposition Establishments				
Number of Firms	28	20	9	
Price of Direct Cremations	616.93	789.45	591.89	970.06
Cremations (#/firm)	182.52	155.55	358.56	216.33