

HB 13

HOUSE COMMITTEE REPORT

(11)

Date Referred: February 19, 1991

FURTHER REFERRALS:

Date of Committee Action: 2/20/91

The FINANCE Committee considered:

HB 13

HOUSE BILL NO. 13

PRACTICE OF PUBLIC ACCOUNTANCY

"An Act relating to public accountancy; and providing for an effective date."

RECOMMENDATIONS:

be replaced with CS HB 13 (L+C) the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal impact _____

fiscal note(s) D/Commerce: Economic D/2/19/91

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

NAME	Signature	Check appropriate column:	Do Not Pass	No Rec	Amend
NAVARRE	<i>Mike Navarre</i>				
Boyer	<i>Mark Boyer</i>	<i>ROBERT PHILLIPS</i> Phillips		<input checked="" type="checkbox"/>	
Brown	<i>Tom Brown</i>	<i>Ronald Hanson</i> Hanson		<input checked="" type="checkbox"/>	
Kapmen	<i>Al Kapmen</i>				
Jacobs	<i>George Jacobs</i>				
Barnes	<i>Tom Barnes</i>				
Ulmer	<i>Al Ulmer</i>				
Sharp	<i>Bob Sharp</i>				

CO - Mike Navarre NAVARRE
Chairman's Signature

CS FOR HOUSE BILL NO. 13 (L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR & COMMERCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVE BOYER

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to public accountancy; and providing for an effective date."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 08.04 is amended by adding a new section to read:

4 Sec. 08.04.005. **PURPOSE.** It is the policy of the state, and the purpose of this chapter,
5 to promote the reliability of information that is used for guidance in financial transactions or
6 assessing the financial status or performance of commercial, noncommercial, and governmental
7 enterprises. The public interest requires that

8 (1) persons professing special competence in accountancy or who offer assurance
9 as to the reliability or fairness of presentation of financial information should demonstrate their
10 qualifications to do so, and that persons who have not demonstrated and maintained adequate
11 qualifications should not be permitted to hold themselves out as having special competence or
12 to offer assurance about their actions;

13 (2) the professional conduct of persons licensed as having special competence in
14 accountancy should be regulated in all aspects of the practice of public accountancy;

1 (3) a public authority competent to prescribe and assess the qualifications and to
2 regulate the professional conduct of practitioners of public accountancy should be established;
3 and

4 (4) the use of titles relating to the practice of public accountancy that are likely
5 to mislead the public as to the status or competence of the persons using these titles should be
6 prohibited.

7 * Sec. 2. AS 08.04.020 is amended to read:

8 Sec. 08.04.020. APPOINTMENT AND QUALIFICATIONS OF BOARD. (a) The board
9 consists of seven members appointed by the governor. Each member shall be a resident of this
10 state for at least one year. Five members shall be certified public accountants or public
11 accountants and two members shall be public members [IN ACCORDANCE WITH
12 AS 08.01.025].

13 (b) Except for public members, no one may be appointed who does not hold a current
14 certificate or license and who is not eligible to receive permits under this chapter. Public
15 members may not be employed by a person licensed under this chapter or by a business entity
16 holding a permit under this chapter. Notwithstanding AS 08.01.025, an accountant who is not
17 certified or licensed under this chapter and is not engaged in the practice of public
18 accountancy in violation of this chapter is eligible for appointment as a public member
19 under this section.

20 * Sec. 3. AS 08.04 is amended by adding a new section to read:

21 Sec. 08.04.025. MEETINGS OF BOARD. The board shall hold a minimum of four
22 meetings a year.

23 * Sec. 4. AS 08.04.120 is repealed and reenacted to read:

24 Sec. 08.04.120. EDUCATIONAL AND EXPERIENCE REQUIREMENTS. The
25 education and experience requirements for an applicant are as follows:

26 (1) a baccalaureate degree or its equivalent conferred by a college or university
27 acceptable to the board, with an accounting concentration or equivalent as determined by the
28 board by regulation to be appropriate, and two years of accounting experience satisfactory to the
29 board; or

30 (2) a baccalaureate degree or its equivalent conferred by a college or university
31 acceptable to the board and three years of accounting experience satisfactory to the board.

1 * Sec. 5. AS 08.04.120 is repealed and reenacted to read:

2 Sec. 08.04.120. EDUCATIONAL AND EXPERIENCE REQUIREMENTS. The
3 education and experience requirements for an applicant are as follows:

4 (1) a baccalaureate degree or its equivalent conferred by a college or university
5 acceptable to the board and additional semester hours of post-baccalaureate study so that the total
6 educational program includes at least 150 hours, with an accounting concentration or equivalent
7 as determined by the board by regulation to be appropriate, and two years of accounting
8 experience satisfactory to the board; or

9 (2) a baccalaureate degree or its equivalent conferred by a college or university
10 acceptable to the board and additional semester hours of post-baccalaureate study so that the total
11 educational program includes at least 150 hours, and three years of accounting experience
12 satisfactory to the board.

13 * Sec. 6. AS 08.04.130 is amended to read:

14 Sec. 08.04.130. EXAMINATION. An applicant shall pass a written examination in
15 accounting and reporting, in auditing, and in other related subjects that [THEORY OF
16 ACCOUNTS, IN ACCOUNTING PRACTICE, IN AUDITING AND IN OTHER RELATED
17 SUBJECTS WHICH] the board determines appropriate. The examination shall be designated in
18 advance by the board as an examination for the certificate of certified public accountant. The
19 board shall use the uniform certified public accountant [ACCOUNTANTS'] examination and
20 advisory grading service, if available.

21 * Sec. 7. AS 08.04.150 is amended to read:

22 Sec. 08.04.150. [EXPERIENCE] PREREQUISITE FOR CERTIFICATE. An applicant
23 who is within 18 semester hours of meeting or has met [MEETS] the
24 undergraduate educational requirements of AS 08.04.120 may take the examination whether or
25 not the applicant has met the other [EXPERIENCE] requirements of that section. However an
26 applicant shall meet the other [EXPERIENCE] requirements of AS 08.04.120 before the appli-
27 cant is entitled to receive a certificate.

28 * Sec. 8. AS 08.04.160 is amended to read:

29 Sec. 08.04.160. REEXAMINATION. An applicant who fails an examination may take
30 as many examinations as the applicant chooses. An applicant who receives a passing grade in
31 at least two subjects or who has received a passing grade in accounting practice before

1 May 1, 1994, [OR IN AT LEAST TWO OF THE OTHER SUBJECTS] has the right to be
2 reexamined in only the remaining subjects at succeeding examinations within five years after the
3 first examination if the applicant takes an examination in the remaining subjects at least once
4 each calendar year unless excused by the board for good cause. An applicant who receives a
5 passing grade in the remaining subjects has passed the entire examination. An applicant must
6 attain a minimum grade of 50 percent on each subject required to be written but not passed
7 at an examination sitting to receive credit for passing subjects on which a grade of at least
8 75 percent was attained at that sitting.

9 * Sec. 9. AS 08.04.170 is amended to read:

10 Sec. 08.04.170. EXAMINATION STANDARDS. An applicant passes the examination
11 by attaining a grade of at least 75 percent in each subject in which the applicant is examined.
12 The board may give credit to an applicant who has passed all or part of the examination in
13 another state if the board determines that the standards under which the examination was held
14 are as high as the standards established for the examination in this state.

15 * Sec. 10. AS 08.04.170 is amended by adding new subsections to read:

16 (b) A candidate must, at each examination taken, be examined or reexamined in all
17 subjects for which conditional credit has not been given.

18 (c) The board may in particular cases waive or defer any of the requirements of
19 AS 08.04.160 - 08.04.170 regarding the circumstances in which the various subjects of the
20 examination must be passed upon a showing that, by reason of circumstances beyond the
21 applicant's control, the applicant was unable to meet the requirement.

22 (d) The applicant must attain a minimum grade of 50 percent on each part not passed at
23 that examination sitting to receive credit for passing subjects on which a grade of at least 75
24 percent was attained at that sitting.

25 * Sec. 11. AS 08.04 is amended by adding a new section to read:

26 Sec. 08.04.426. QUALITY REVIEW. (a) The board may by regulation require, on
27 either a uniform or a random basis, as a condition to issuance and renewal of permits under this
28 section, that applicants undergo a quality review conducted in a manner the board may specify.
29 The regulations must

30 (1) be adopted reasonably in advance of the time when they are first required to
31 be met;

1 (2) provide that the cost of a quality review is borne by the applicant;

2 (3) include a provision that allows an applicant to show that the applicant has
3 satisfied the requirement of this section by undergoing a satisfactory quality review performed
4 for other purposes that was substantially equivalent to quality reviews generally required under
5 this section; the board may not require that a copy of the review report for a review found to be
6 substantially equivalent under this paragraph be submitted to the board if the organization that
7 administered the review requires termination of the person's firm from its quality review program
8 if the firm refuses to cooperate with required remedial or corrective actions, fails to correct
9 material deficiencies, or is found to be so seriously deficient in its performance that education
10 and remedial corrective actions are not adequate; the board shall by regulation require an
11 organization that performs reviews that are substantially equivalent under this paragraph to report
12 to the board concerning which firms are in its quality review program, their most recent report
13 dates, and whether they have been terminated from the program.

14 (b) The board may by regulation establish criteria for determining when the results of
15 a quality review under this section are satisfactory to the board. The board may renew a permit
16 to practice when the results of a quality review under this section are unsatisfactory to the board
17 if the applicant agrees to follow a particular education or remedial program prescribed by the
18 board.

19 (c) Failure by an applicant for renewal of a permit to practice to undergo a quality review
20 under this section constitutes grounds for revocation, suspension, or refusal to renew the permit
21 under AS 08.04.450 unless the board determines that failure to have been due to reasonable cause
22 or excusable neglect.

23 (d) The board may relax or suspend the quality review requirement for applicants who
24 certify that they have not issued a report on audited or reviewed financial statements during the
25 two years immediately preceding the application.

26 (e) A report received by the board for a quality review under this section is confidential
27 and not subject to public inspection or copying under AS 09.25.110 - 09.25.120 unless the report
28 becomes part of the record of a disciplinary hearing.

29 * Sec. 12. AS 08.04.450 is amended to read:

30 Sec. 08.04.450. REVOCATION OR SUSPENSION OF CERTIFICATE, LICENSE,
31 REGISTRATIOⁿ, OR PERMIT. In addition to its powers under AS 08.01.075, the [THE]

1 board may revoke or suspend a certificate or license, or may revoke, suspend, or refuse to renew
2 any permit, or may censure any certificate holder, licensee, registrant, or permit holder for

3 (1) fraud or deceit in obtaining any certificate, license, registration, or permit
4 required by this chapter;

5 (2) dishonesty or gross negligence in the practice of public accounting, or other
6 acts discreditable to the accounting profession;

7 (3) violation of any provision of AS 08.04.500 - 08.04.610;

8 (4) violation of a rule of professional conduct or other regulation adopted by the
9 board;

10 (5) conviction of a felony under the laws of any state or of the United States;

11 (6) conviction of any crime, an essential element of which is dishonesty or fraud,
12 under the laws of any state or of the United States;

13 (7) cancellation, revocation, suspension, or refusal to renew authority to practice
14 as a certified public accountant or public accountant in any other state for any cause other than
15 failure to pay an annual registration fee;

16 (8) suspension or revocation of the right to practice before any state or federal
17 agency; [OR]

18 (9) [REPEALED

19 (10)] failure of a certified public accountant to satisfy the continuing education
20 requirements prescribed by the board under AS 08.04.425, except as conditioned, relaxed or
21 suspended by the board under AS 08.04.425(c) and (d); or

22 (10) failure of a certified public accountant to satisfactorily complete a quality
23 review under AS 08.04.426 except as conditioned, relaxed, or suspended by the board under
24 AS 08.04.426(b) - (d).

25 * Sec. 13. AS 08.04 is amended by adding a new section to read:

26 Sec. 08.04.505. ISSUANCE OF REPORTS. Only a person or firm that holds a valid
27 permit issued under this chapter may issue a report on financial statements of another person,
28 firm, organization, or governmental unit. This restriction does not apply to

29 (1) an officer, partner, or employee of a firm or organization affixing that person's
30 signature to a statement or report in reference to the financial affairs of the firm or organization
31 with wording designating the position, title, or office that the person holds in the firm or

1 organization;

2 (2) an act of a public official or employee in the performance of official duties;

3 (3) the performance by persons of other services involving the use of accounting
4 skills, including the preparation of tax returns, management advisory services, and the preparation
5 of financial statements without the issuance of reports on them.

6 * Sec. 14. AS 08.04.580 is amended to read:

7 Sec. 08.04.580. PARTNERSHIP POSING AS ACCOUNTANTS OR AUDITORS. A
8 person may not sign or affix a partnership name to any accounting or financial statement, or
9 opinion or report on any accounting or financial statement with any wording indicating that
10 it is a partnership composed of certified public accountants or public accountants or with
11 any wording indicating that the [IT IS A] partnership has [COMPOSED OF ACCOUNTANTS
12 OR AUDITORS OR PERSONS HAVING] expert knowledge in accounting or auditing [TO ANY
13 ACCOUNTING OR FINANCIAL STATEMENT, OR TO ANY OPINION ON, REPORT ON,
14 OR CERTIFICATE TO ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the
15 partnership holds a live permit, is practicing under its registered name, and its offices in this state
16 for the practice of public accounting are maintained as required by AS 08.04.360 - 08.04.380.

17 * Sec. 15. AS 08.04.590 is amended to read:

18 Sec. 08.04.590. USE OF TITLE WITH CORPORATE NAME. A person may not sign
19 or affix a corporate name to any accounting or financial statement, or opinion or report on
20 any accounting or financial statement with any wording indicating that it is a corporation
21 composed of certified public accountants or public accountants or with any wording
22 indicating that the [IT IS A] corporation has [PERFORMING SERVICES AS ACCOUNTANTS
23 OR AUDITORS, OR COMPOSED OF ACCOUNTANTS OR AUDITORS OR PERSONS
24 HAVING] expert knowledge in accounting or auditing [TO ANY ACCOUNTING OR
25 FINANCIAL STATEMENT, OR TO ANY OPINION OR REPORT ON OR CERTIFICATE TO
26 ANY ACCOUNTING OR FINANCIAL STATEMENT] unless the corporation holds a live
27 permit, is practicing under its registered name, and its offices in this state for the practice of
28 public accounting are maintained as required by AS 08.04.360 - 08.04.380.

29 * Sec. 16. AS 08.04 is amended by adding a new section to read:

30 Sec. 08.04.662. CONFIDENTIAL COMMUNICATIONS. (a) A licensee, or a partner,
31 officer, shareholder, or employee of a licensee, may not reveal information communicated to the

1 licensee by a client about a matter concerning which the client has employed the licensee in a
2 professional capacity. This section does not apply to

3 (1) information required to be disclosed by the standards of the public
4 accountancy profession in reporting on the examination of financial statements;

5 (2) the release of information the client has authorized the licensee to reveal;

6 (3) information revealed as part of the discovery of evidence related to a court
7 or administrative proceeding or introduced in evidence in a court or administrative proceeding;

8 (4) information revealed in ethical investigations conducted by private professional
9 organizations; or

10 (5) information revealed in the course of a quality review under AS 08.04.426.

11 (b) Client information obtained by the board under (a)(3) - (5) of this section is
12 confidential and is not a public record for purposes of AS 09.25.110 - 09.25.140.

13 * Sec. 17. AS 08.04.680 is amended by adding new subsections to read:

14 (5) "quality review" means a study, appraisal, or review of one or more aspects
15 of the professional work of a person or firm in the practice of public accountancy, by a person
16 or persons who hold certificates and who are not affiliated with the person or firm being
17 reviewed, conducted as prescribed under AS 08.04.426;

18 (6) "report," when used with reference to financial statements, means an opinion,
19 report, or other form of language that states or implies assurance as to the reliability of financial
20 statements and that also includes or is accompanied by a statement or implication that the person
21 or firm issuing it has special knowledge or competency in accounting or auditing; a statement
22 or implication of special knowledge or competence may arise from use by the issuer of the report
23 of names or titles indicating that the issuer is a certified public accountant or auditor, or from the
24 language of the report itself; "report" includes any form of language that disclaims an opinion
25 when the form of the language is conventionally understood to imply a positive assurance as to
26 the reliability of the financial statements referred to or special competence on the part of the
27 person or firm issuing the language; and "report" includes any other form of language that is
28 conventionally understood to imply such assurance or such special knowledge or competence;
29 "report" does not include compilation of financial statement language that does not express or
30 imply assurance or special knowledge or competence.

31 * Sec. 18. Section 4 of this Act takes effect January 1, 1992.

- 1 * Sec. 19. Section 5 of this Act takes effect January 1, 2004.
- 2 * Sec. 20. Section 8 of this Act and AS 03.04.170(d), enacted by sec. 10 of this Act, take effect
- 3 January 1, 1994.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSHB 13

Revision Date: _____ Department Affected: Commerce & Economic Dev
 Title: Relating to public accountancy: BRW: Occupational Licensing
providing for an effective date. Component: Administration
 Sponsor: Rep. Boyer
 Requestor: Rep. Boyer COMPONENT SERIAL NO.

0	3	5	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	11.7	11.7	11.7	11.7	11.7	11.7
CONTRACTUAL	4.0	4.0	4.0	4.0	4.0	4.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	15.7	15.7	15.7	15.7	15.7	15.7

CAPITAL	0	0	0	0	0	0
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REVENUE	38.5	0	38.5	0	38.5	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (GF/PR)	15.7	15.7	15.7	15.7	15.7	15.7
TOTAL	15.7	15.7	15.7	15.7	15.7	15.7

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED PAGE

Prepared By: Jennifer Strickler, Administrative Office Phone: 465-2144
 Division: Occupational Licensing Date: January 28, 1991
 Approved by Commissioner: Glenn A. Otts
 Agency: Department of Commerce & Economic Development Date: January 28, 1991

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE FOR CSHB 13

CSHB 13 makes a number of amendments to the public accountancy licensure statutes. The fiscal impact of this bill stems from: (1) requiring a minimum of four board meetings each year; and (2) the need to adopt regulations concerning education and experience requirements, and to establish criteria for the quality review program.

The operating budget request of the department already provides for two meetings of the Board of Public Accountancy. Travel funds provided in this fiscal note will fund two additional meetings to fulfill the minimum requirement of four meetings as required in Section 3.

The funding in contractual services will cover costs to provide public notices of meetings and regulations, teleconferences for public hearings, printing needs, and other communication costs.

Revenues: Currently, expenditures of the board exceed revenues generated from licensing fees. In the past, at least three board meetings were held each year although revenues did not cover its expenses. Therefore, the mandate of four meetings each year, coupled by the increases in air fare and per diem, will require an increase in licensing fees to support the board's activities.

This fiscal note reflects a license fee increase of \$60 (\$30 per year) paid by 600 active licensees and \$10 (\$5 per year) paid by 250 inactive licensees. Although the fee increase will be recommended to the board in FY 91, it is conceivable that the increase will not take effect until FY 92 and each renewal thereafter. The increase will be sufficient to cover the \$15.7 identified in this fiscal note and to cover the current deficit by bringing fees closer to covering board costs.

Revision Date:
 Title: An Act relating to Public Accounting

Department Affected: University of Alaska
 BRU: UAA/UAF/UAS
 Component:

Sponsor: Rep. Boyer
 Requestor: Sen. Pourchot

Component Serial No.

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY92	FY93	FY94	FY95	FY96	FY97
PERSONAL SERVICES	0.0	0.0	0.0	0.0	108.0	108.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	4.5	4.5
SUPPLIES	0.0	0.0	0.0	0.0	10.8	10.8
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	123.3	123.3

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)	FY92	FY93	FY94	FY95	FY96	FY97
GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
STUDENT FEES	0.0	0.0	0.0	0.0	123.8	123.8
TOTAL	0.0	0.0	0.0	0.0	123.8	123.8

POSITIONS:	FY92	FY93	FY94	FY95	FY96	FY97
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None.

ANALYSIS: (Attach a separate page if necessary.)

Please see attached analysis.

Prepared by: Marsha A. Hubbard
 Division: Statewide Budget Office
 Approved by: Brian Rogers, Vice President for Finance
 Agency: University of Alaska

Phone: 474-7593
 Date: 4/29/91 *REV 5/2/91*

Date: 4/29/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, DMB, & Impacted Agency(ies).

CSHB 13 Fiscal Note Analysis

Passage of CSHB 13 would not statutorily require the University of Alaska to offer formal 150-credit hour programs in Public Accountancy. The legislation is intentionally vague as to the specific curriculum of such programs. Candidates for CPA licensure might complete the enhanced educational requirement by completing additional existing courses within the University. Under such course of action, the operating expenditures of the University would not be impacted by the additional educational requirements, but revenues generated by increased registration in existing courses would be collected. In such an event, the net fiscal impact would be positive for the State of Alaska.

It is presumed, however, that formal 150-credit hour programs would be implemented in the event of passage of this legislation. As similar legislation has been enacted in other accounting jurisdictions, institutions of higher education have responded with formal programs. Pressure for such formal programs has come from both the public accounting community and the general public to insure that the enhanced educational requirements do improve the quality of services rendered by Certified Public Accountants. This fiscal note has been prepared under the assumption that the formal 150-credit hour programs in public accountancy would be established at the University of Alaska. Presently, baccalaureate programs in accounting are offered at UAA, UAF and UAS. It is anticipated that each of these institutions would implement a formal program.

Academic institutions in jurisdictions which have adopted the 150-credit hour educational requirement have responded with various types of formal programs. Some institutions have implemented new Masters of Public Accountancy Programs while other institutions have offered programs at the undergraduate level. These undergraduate programs typically award a 150-credit hour Certificate of Completion at the conclusion of the program. The movement nationally toward the 150-credit hour educational requirement has recognized the innovative role educational institutions can provide in devising educational programs to meet differing needs and objectives of various jurisdictions. The University of Alaska plans to work closely with the Alaskan public accounting community, the Alaska State Legislature, the Alaska State Board of Public Accountancy and the general public to devise programs at each of our campuses to effectively address state and local considerations. The University must also consider the evolving accreditation standards of the American Assembly of Collegiate Schools of Business (AACSB) as it plans implementation of these new programs.

The cost of the new programs will vary considerably depending on the exact nature of the new program offered. If programs are offered at the undergraduate level and existing courses are primarily utilized to fulfill the increased requirement, the additional costs would be minimal. The costs increase as new courses are offered to meet the additional requirements and the costs increase still more if new Masters programs are adopted.

This fiscal note takes an intermediate position with regard to increased costs incurred under the newly implemented formal programs. We assume that each institution would implement an additional 30-credit formal program composed of ten, 3-credit hour courses. We assume that 60% of these courses would represent

new coursework while the remaining 40% would utilize existing courses. Under such assumption, 18 of the 30 courses in the three formal programs would represent new courses. We assume that one of the three programs would be at the Masters level while the other two programs would be at the undergraduate level.

On the funding side of the fiscal note, we assume that students' fees would increase as a result of enrollment in these courses. From a review of baccalaureate graduation rates and first time sittings for the CPA examination, we assume that approximately 72 students would enroll on a statewide basis in these programs. We assume that 48 of these students would enroll in the two undergraduate programs and 24 would enroll in the graduate program.

The attached six-year summary shows that these programs would approximately break even given these operating cost and funding assumptions. It must be emphasized, however, that the actual budgetary impact will be directly dependent on the programs finally adopted after consideration of public input and accreditation standards.

The following analysis shows the computations for each amount appearing on the fiscal note. There is no budgetary impact for FY 92 through FY 95. It is assumed that these years will be devoted to public input and curriculum planning for the new programs. The new programs are assumed to be implemented in FY 96 which would put the programs into operation by the effective date of the legislation. Such planning time may not be sufficient especially for those institutions most impacted by evolving AACSB standards. In the event that formal programs are not implemented before the effective date of the legislation, students would still be able to meet the increased requirements by completion of existing additional courses. It is anticipated that students would enroll in such courses after consultation with accounting faculty and academic advisors.

The operating cost and funding amounts have not been adjusted for any changes in the value of the dollar. It is assumed that any inflationary changes would equally impact both operating costs and funding sources.

Personal Services

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - 18 new courses are assumed. The 12 at the undergraduate level are assumed to cost \$5000 each. The 6 at the graduate level are assumed to cost \$8000 each.

<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
12 x \$5000		\$60,000
	6 x \$8000	48,000
		<u>\$108,000</u>

Travel, Equipment, Land & Structures, Grants, Claims and Miscellaneous

Each of these operating costs is assumed to be zero for all fiscal years. These programs would be implemented in established academic departments in all three institutions. There is assumed to be no impact on the budgetary demands from these departments as a result of the new 150-credit hour programs in these cost categories.

Contractual

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - \$1500 per year for each of the three programs. These funds would allow each institution to offer minimal special enhancement features to the 150-credit hour programs such as special seminars or lectures. Such enhancements will allow the institutions to better prepare the graduates for the practice and ethical problems of active Certified Public Accountants.

Supplies

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - \$10,800 per year. This amount is based on 10% of the personal services budget. This rate approximates the expected cost of supporting the new academic offerings.

Funding, Other

FY 92 through FY 95 - Zero. These years would be prior to implementation of the programs.

FY 96 through FY 97 - Student fees are assumed to cover the increased operating costs. 72 students are assumed to enroll in the new programs each year. Each of these students is assumed to enroll in 30 credit hours. 48 students are assumed to enroll in the undergraduate programs at the rate of \$50 per credit hour. 24 students are assumed to enroll in the graduate program at a rate of \$72 per credit hour.

Undergraduate Fees

48 students x 30 credit hours = 1440 credit hours x \$50 per credit hour = \$72,000.

Graduate Fees

24 students x 30 credit hours = 720 credit hours x \$72 per credit hour =
\$51,840

Undergraduate fees	\$ 72,000
Graduate Fees	<u>51,840</u>
Total Fees	<u>\$123,840</u>

Positions

No new positions are assumed in this fiscal note. It is assumed that adjunct faculty will cover the new courses, or that adjunct faculty will cover existing courses freeing full-time faculty to cover new courses. In the event that any full-time faculty are required to staff the new courses, currently vacant faculty positions might be utilized without requesting the authorization of new positions.

Alaska State Legislature

REPRESENTATIVE
MARK BOYER
VICE-CHAIRMAN
HOUSE FINANCE COMMITTEE



House of Representatives

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Memorandum

To: Representative Mike Navarre, Co-Chair
Representative Eileen Maclean, Co-Chair
House Finance Committee

FROM: Representative Mark Boyer *MB*

DATE: February 13, 1991

SUBJECT: Scheduling of CS For House Bill No. 13

Please schedule CSHB 13, "An Act Relating to Public Accountancy; and providing for an effective date," in your committee at your earliest possible date.

CSHB 13 was passed out of the Labor and Commerce Committee on February 12th. This substitute represents the culmination of efforts by the State Board of Accountancy, the State Society of Certified Public Accountants, and the Alaska Society of Independent Accountants, to update the current practice of accounting for licensed and non-licensed accountants in the State of Alaska.

This bill renews the existing statutes and makes major changes in the education requirements for licensure; provides consumer protection through mandatory quality assurance reviews for purchased services of certified public accountants; gives non-licensed accountants representation on the State Board of Accountancy; and insures that non-licensed accountants can continue to issue compilation reports.

This substitute bill has no effect on the original fiscal note, however, a new one will be issued. It will be sent directly to you in time for your committee hearing.

Please contact Nanci Jones at extension 3466 for any further information.

FAIRBANKS 20B



UNIVERSITY OF ALASKA FAIRBANKS

School of Management
Fairbanks, Alaska 99775-1070

February 18, 1991

Representative Mark Boyer
P.O. Box V
State Capitol
Juneau, Alaska 99811

Dear Representative Boyer,

The Alaska State Board of Public Accountancy has carefully considered the Committee Substitute to HB 13 which passed out of the House Labor and Commerce Committee last week. We endorse the Committee Substitute and advocate its swift passage through the Alaska House of Representatives.

The Board has worked diligently over the last three years to draft accounting legislation that protects the public interest and addresses the concerns of the various professional accounting organizations in our state. We believe the Committee Substitute settles the controversial issues in a fair and appropriate manner. More importantly, we believe the proposed legislation effectively addresses the public interest concerns that initially prompted the Board to seek legislative action.

We greatly appreciate your efforts in negotiating the various compromises and in drafting the Committee Substitute. We strongly support the committee substitute to House Bill 13.

Sincerely,

Tom Bartlett

Thomas E Bartlett, CPA
Chair, Alaska State Board
of Public Accountancy

FAX TRANSMITTAL MEMO

TO: Representative Mark Boyer
DEPT: AK House of Rep FAX #: 586-6246
FROM: Tom Bartlett PHONE: 474-6527
CO: UAF AK State Board of Public Acct FAX #: 474-5219

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POSITION PAPER

Department of Commerce
& Economic Development

CSHB 13: An Act relating to public accountancy; and providing for an effective date.

CSHB 13 makes several amendments to the public accountancy statutes (AS 08.04) including: (1) changing the composition of the board to include eligibility of an accountant who is not certified or licensed; (2) mandating a minimum of four meetings each year; (3) amend educational and experience requirements to require a baccalaureate degree for licensure; (4) amend examination requirements; and (5) establish Quality Review requirements.

The department and the State Board of Accountancy both feel that provisions of CSHB 13 are needed to bring Alaska's Accountancy Act, originally written in 1960, up-to-date and into conformity with most other states. Although the department chooses to remain neutral on the past controversy between the independent accountants and the certified public accountants concerning composition of the board, the department feels CSHB 13 contains positive changes which will improve the quality and competency of public accountancy services in Alaska; and therefore, the department supports passage of CSHB 13.



Glenn A. Olds, Commissioner
Department of Commerce and Economic
Development

Date: February 20, 1991