

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Accountancy Board**

*Jason Phillips, Budget Analyst  
Legislative Service Commission*

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### **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Accountancy Board

- FY 2010-FY 2011 annual budget 17.2% higher than FY 2009 spending, but 16.8% lower than FY 2009 appropriations
- Provides oversight for approximately 33,100 CPAs, PAs, and accounting firms

## OVERVIEW

The mission of the Accountancy Board (ACC) is to protect the public interest by requiring that all persons who desire to become Certified Public Accountants (CPAs) and Public Accountants (PAs) meet specific qualifications for entry into the profession and that CPAs maintain competence after they are licensed. The Board determines the level of knowledge of all applicants by a computer-based examination. Those who pass the examination are then licensed and must meet continuing education requirements. The Board oversees about 33,000 active individual and firm licenses.

The Board's governing authority consists of nine members appointed by the Governor, including eight CPAs that must meet certain qualifications and one member representing the public. Board members receive a per diem in an amount fixed pursuant to state law as well as reimbursement for actual and necessary expenses. Day-to-day operations are managed by an executive director and seven additional staff. The Board receives no GRF; its operations are completely supported by fee revenue.

### Appropriation Overview

The budget appropriates funding of \$1.2 million in each fiscal year, which represents a 17.2% increase compared to FY 2009 spending of \$1.0 million, but a 16.8% reduction in appropriations from the FY 2009 level of \$1.4 million. Over half, or \$125,000, of the appropriation reduction comes out of the CPA Education Assistance program, which provides scholarships to low-income and minority CPA students in their fifth year of school.

### Fee Revenues and Fund 4K90

The Board issues permits and registrations to CPAs and public accounting firms, which are renewed on a triennial basis. The statutory license fee for CPAs and PAs has not increased since 1991. In addition to the permit or registration fee, there is a surcharge of \$10 per license year, equating to an overall surcharge of \$30 for a three-year permit or registration. This amount provides funding for the Board's education assistance scholarship program. Three-year permits and registrations are the most commonly issued, while two-year permits and registrations are issued only to new CPAs and PAs. One-year permits and registrations are only issued in special circumstances.

<b>Table 1. Accountancy Board Fees</b>			
<b>Individuals</b>			
<b>License Type</b>	<b>1-Year</b>	<b>2-Year</b>	<b>3-Year</b>
Permit	\$50	\$100	\$150
Registration	\$18	\$36	\$55
<b>Firms</b>			
Initial Registration	\$10 + \$5 per additional office		
Registration Renewal	\$30 + \$5 per additional office		

Fee revenues collected by the Board are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90). Twenty-eight occupational licensing and regulatory boards and commissions, including the Accountancy Board, use Fund 4K90 as their main operating fund. Although this is a common funding pool, each licensing board or commission is expected to generate enough revenues to cover expenses.

Table 2 shows ACC's revenues and expenditures over the FY 2006-FY 2009 period, and shows that, as they have in the past, revenues exceeded expenditures over this four-year span. Three-year license renewals, which account for the bulk of revenue, are staggered to ensure a regular cash flow year to year. Not reflected in the table are the amounts transferred to CPA Education Assistance Fund (Fund 4J80) for accountancy scholarships. That program is discussed in more detail in the Analysis of Enacted Budget section.

<b>Table 2. Revenues and Expenditures, FY 2006-FY 2009</b>				
	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Revenues	\$1,291,685	\$1,332,198	\$1,401,618	\$1,447,978
Expenditures	\$966,487	\$939,228	\$948,045	\$907,991
<b>Net</b>	<b>\$325,198</b>	<b>\$392,970</b>	<b>\$453,753</b>	<b>\$539,987</b>

## ANALYSIS OF ENACTED BUDGET

ACC's operations are funded by a single line item appropriation from the General Services Fund Group. A second line item is used to fund CPA education assistance scholarships to needy students. The table below shows the appropriation amounts for each of these line items.

Appropriations for the Accountancy Board				
Fund	ALI and Name		FY 2010	FY 2011
<b>General Services Fund Group</b>				
4J80	889601	CPA Education Assistance	\$200,000	\$200,000
4K90	889609	Operating Expenses	\$1,000,000	\$1,000,000
<b>General Services Fund Group Subtotal</b>			<b>\$1,200,000</b>	<b>\$1,200,000</b>
<b>Total Funding: Accountancy Board</b>			<b>\$1,200,000</b>	<b>\$1,200,000</b>

### Operating Expenses (889609)

This line item funds the Accountancy Board's operating expenses. It is supported by license fees and other assessments deposited in Fund 4K90. The appropriations – \$1.0 million in each fiscal year – are \$117,000 (10.5%) lower than FY 2009 appropriations of \$1,117,000. However, actual spending from this line item was \$907,991 in FY 2009 and has never exceeded the \$1.0 million level in a fiscal year.

### Licenses

Table 3 shows the number of active licenses issued by the Board for FY 2008 (as of June 30, 2008) compared with FY 2009 (as of June 30, 2009). What the table does not reveal is that, while the total number of active licenses issued by the Board has remained roughly the same in recent years, enrollment in college accounting programs is at its highest level in decades. This suggests the potential for increased levels of professional licensure in the coming years.

License Type	FY 2008	FY 2009	% Change
Certified Public Accountant – Permit	19,563	19,937	1.9%
Certified Public Accountant – Registration	9,906	9,719	(1.9%)
Public Accounting Firms	3,489	3,293	(5.6%)
Public Accountant – Registration	138	126	(8.7%)
Public Accountant – Permit	12	10	(16.7%)
<b>Total</b>	<b>33,108</b>	<b>33,085</b>	<b>(0.1%)</b>

### Investigation and Enforcement Statistics

ACC's regulatory responsibility includes investigating complaints concerning alleged violations. The most frequent complaints include unethical conduct, unlicensed practice, firms operating without being registered, and retention of client records. According to the Board's FY 2008 annual report, a total of 139 cases were opened and 102 cases were closed, leaving 48 cases open at the end of FY 2008.

If a licensee or firm fails to renew a license, the Board sends its investigators on a field call to determine if an individual or firm is practicing without a license. If so, violators may be referred to county or city prosecutors. The Board made 274 such field calls in FY 2008, the most since FY 2003. To aid enforcement, ACC investigators prepare packets for local prosecutors with the relevant information on each case, making it easier for those prosecutors to follow up with charges.

### CPA Education Assistance (889601)

This line item funds the CPA Education Assistance Program, which provides scholarships to low-income and minority CPA students in their fifth year of school. The budget appropriates \$200,000 in each fiscal year for this program, \$125,000 less per fiscal year than the FY 2008-FY 2009 biennium, but 72.2% more than actually spent in FY 2009. This line item makes up about 16.7% of ACC's overall budget. The program reduces the financial burden of basic education requirements on low-income and minority students resulting from legislation enacted in August 1992 that raised the basic educational requirements for CPA licensure to 150 semester hours. The program is supported by a \$10 per year license surcharge.

Table 4 below summarizes the transfers made from Fund 4K90 to the CPA Education Assistance Fund (Fund 4J80) and the scholarship distributions paid from the fund in the last four fiscal years. As of the end of FY 2009, Fund 4J80 had an unencumbered cash balance of \$433,678.

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Transfers-in	\$383,325	\$137,140	\$47,170	\$298,575
Distributions	\$173,058	\$184,338	\$62,233	\$116,137

The decline in distributions in FY 2008 occurred because the criteria to qualify for the scholarship changed to require all fifth-year candidates to show parent income, in keeping with the scholarship program's focus on needy students. This aligns the scholarship program with many student aid formulas that exclude parent income if a student is attending graduate school, but include parent income if a student is enrolling in a five-year undergraduate program, as is required for the CPA certificate. Between

FY 2006 and FY 2008, the number of scholarship awards ranged from 32 to 35 with the average scholarship award amount being \$7,685. Some applicants selected to receive a scholarship may not necessarily use the funds awarded. However, individuals who have been awarded funding must sit for the CPA examination.

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**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

<b>Line Item Detail by Agency</b>			<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010 Appropriations</b>	<b>% Change FY09 - FY10</b>	<b>FY 2011 Appropriations</b>	<b>% Change FY10 - FY11</b>
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>ACC Accountancy Board of Ohio</b>								
4J80	889601	CPA Education Assistance	\$ 62,233	\$ 116,137	\$ 200,000	72.21%	\$ 200,000	0.00%
4K90	889609	Operating Expenses	\$ 948,045	\$ 907,991	\$ 1,000,000	10.13%	\$ 1,000,000	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 1,010,278</b>	<b>\$ 1,024,128</b>	<b>\$ 1,200,000</b>	<b>17.17%</b>	<b>\$ 1,200,000</b>	<b>0.00%</b>
<b>Accountancy Board of Ohio Total</b>			<b>\$ 1,010,278</b>	<b>\$ 1,024,128</b>	<b>\$ 1,200,000</b>	<b>17.17%</b>	<b>\$ 1,200,000</b>	<b>0.00%</b>