

LSC Redbook

Analysis of the Executive Budget Proposal

Accountancy Board

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ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Accountancy Board

- Funding of just under \$1.4 million in each fiscal year.
- Provides oversight for CPAs, PAs, and accounting firms in the state

OVERVIEW

The Accountancy Board (ACC) protects the public interest by requiring that all persons who desire to become Certified Public Accountants (CPAs) meet specific qualifications for entry into the profession and that CPAs and Public Accountants (PAs) maintain competence after they are licensed. The Board's mission is to "assure that the services received by Ohio's citizens and businesses from CPAs and PAs licensed by the Board, will always be performed in an ethical and professional manner and to strictly and fairly enforce Ohio's statutes and rules." The Board determines the level of knowledge of all applicants by a computer-based examination. Those who pass the examination and satisfy education and experience requirements are then licensed. They must thereafter meet continuing education requirements in order to remain licensed. The Board also registers public accounting firms.

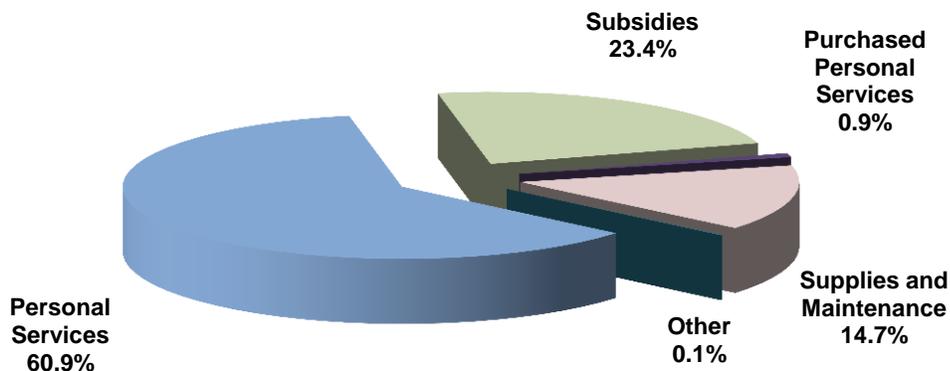
The Board's governing authority consists of nine members appointed by the Governor, including eight CPAs who must meet certain qualifications and one member representing the public. Board members receive a per diem in an amount fixed by state law as well as reimbursement for actual and necessary expenses.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

Appropriation Overview

The executive recommends funding of \$1,377,714 in FY 2016 and \$1,399,173 in FY 2017. This represents a 5.8% increase from FY 2015 to FY 2016 and a 1.6% increase from FY 2016 to FY 2017.

Chart 1 shows the recommended funding levels for ACC according to category of expense. As a regulatory agency, the Board's largest expense is personnel costs, accounting for 60.9% of the executive budget recommendations for the biennium. Another 23.4% of the total, is slated for the Board's CPA Education Assistance Scholarship Program, described in the "**Analysis of Executive Proposal**" section, and shown in the chart as subsidies. The remaining amounts are allocated for supplies and maintenance (14.7%) and purchased personal services (0.9%), with a negligible amount for other expenses.

**Chart 1: Biennial Executive Budget Recommendations
by Expense Category, FY 2012-FY 2013**



As with many other licensing boards and commissions, the Board obtains assistance from the Central Service Agency (CSA) within the Department of Administrative Services for various administrative support functions. The Board paid \$26,513 in CSA charges for these services in FY 2014, 2.4% of its total expenses in that year.

Fee Revenues and Fund 4K90

The Board issues permits (active licenses) and registrations (inactive licenses) to CPAs and PAs, and registrations to public accounting firms, which are generally renewed on a triennial basis. The base individual license fee for CPAs and PAs has not increased since 1991. The only increases in fees have been surcharges to support the Board's CPA Education Assistance Scholarship Program. Three-year permits and registrations are the most commonly issued. Two-year licenses are issued to new CPAs. One-year permits and registrations are only issued in special circumstances.

Fee revenues collected by the Board are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90) established by H.B. 152 of the 120th General Assembly. Twenty-six occupational licensing and regulatory boards and commissions, including the Accountancy Board, use Fund 4K90 as their main operating fund into which receipts are deposited and from which expenses are paid. Although this is a common funding pool, each licensing board or commission is expected to generate enough revenues to cover expenses. In FY 2014, ACC was a net contributor to Fund 4K90, with a surplus of \$332,286. ACC expects this to decline as the number of scholarship assistance requests increases.

ANALYSIS OF EXECUTIVE PROPOSAL

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

Governor's Recommended Amounts for the Accountancy Board				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
4J80	889601	CPA Education Assistance	\$325,000	\$325,000
4K90	889609	Operating Expenses	\$1,052,714	\$1,074,173
Dedicated Purpose Fund Group Subtotal			\$1,377,714	\$1,399,173
Total Funding: Accountancy Board			\$1,377,714	\$1,399,173

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 recommended appropriations – \$1,052,714 in FY 2016 and \$1,074,173 in FY 2017 – represent a 7.7% increase from FY 2015 to FY 2016 and a 2.0% increase from FY 2016 to FY 2017.

Licenses

According to the Board's FY 2014 annual report, as of June 30, 2014, 23,474 individuals held active Ohio permits issued by the Accountancy Board. An individual engaged in the practice of public accounting in Ohio is required to hold a permit. Persons with a CPA or PA designation who are not engaged in the practice of public accounting may obtain a registration. All new licenses issued to individuals are CPA certificates; no new PA licenses have been issued since 1993. There were also 1,573 peer review public accounting firms and 1,553 tax/consulting firms registered in Ohio. Currently, virtually all individuals and firms update their licenses online. ACC plans to upgrade the electronic licensing system at some point during the upcoming biennium.

Investigation and Enforcement

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 2014 annual report, a total of 15 cases were opened during the year and 29 cases were closed. As of June 30, 2014, 79 cases remained open.

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. Investigators made 72 field calls in FY 2014. To aid enforcement, ACC investigators prepare packets for local prosecutors with the relevant information on each case, helping prosecutors to follow up with charges.

CPA Education Assistance (889601)

This line item funds the CPA Education Assistance Scholarship Program, which provides scholarships to low-income and minority students in their fifth year of accounting study required for the CPA certificate. To be awarded funding, applicants are required by administrative rule to certify that they will take the CPA examination within two years of the final scholarship grant payment, or reimburse the Board. The executive recommends \$325,000 in each fiscal year for this program, the same as estimated spending in FY 2015. The program is supported by a \$10 per year license surcharge. The amounts of each scholarship vary by the applicant's financial need.

Table 1 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 three fiscal years.

Table 1. CPA Education Assistance Fund Summary, FY 2012-FY 2014			
	FY 2012	FY 2013	FY 2014
Transfers-in	\$303,560	\$325,000	\$325,000
Distributions	\$240,000	\$294,234	\$222,088

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Dedicated Purpose Fund Group

4J80 889601 CPA Education Assistance

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$240,000	\$294,234	\$222,088	\$325,000	\$325,000	\$325,000
	22.6%	-24.5%	46.3%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: \$10 per license year surcharge on permits and registrations, deposited into Fund 4K90 and subsequently transferred into Fund 4J80

Legal Basis: ORC 4701.26; Section 203.10 of Am. Sub. H.B. 59 of the 130th G.A. (line item originally established by Am. Sub. H.B. 215 of the 122nd G.A., fund originally established by Am. Sub. S.B. 165 of the 119th G.A.)

Purpose: 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 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.

4K90 889609 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$936,464	\$845,670	\$979,388	\$977,500	\$1,052,714	\$1,074,173
	-9.7%	15.8%	-0.2%	7.7%	2.0%

Source: Dedicated Purpose Fund Group: License fees and other assessments collected by the state's professional and occupational licensing boards

Legal Basis: ORC 4701.02 and 4743.05; Section 203.10 of Am. Sub. H.B. 59 of the 130th G.A. (fund originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: This appropriation supports the general operating expenses, including payroll, supplies, and equipment for the Accountancy Board of Ohio, which licenses and regulates accountants and accounting firms.

Appropriation Amounts as Recommended by the Governor

All Fund Groups

Line Item Detail by Agency			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016		Introduced FY 2017	FY 2016 to FY 2017	
						\$ Change	% Change		\$ Change	% Change
Report For Main Operating Appropriations Bill			Version: As Introduced							
ACC	Accountancy Board of Ohio									
4J80	889601	CPA Education Assistance	\$ 222,088	\$ 325,000	\$ 325,000	\$ 0	0.00%	\$ 325,000	\$ 0	0.00%
4K90	889609	Operating Expenses	\$ 979,388	\$ 977,500	\$ 1,052,714	\$ 75,214	7.69%	\$ 1,074,173	\$ 21,459	2.04%
Sub-Total Dedicated Purpose Fund Group			\$ 1,201,476	\$ 1,302,500	\$ 1,377,714	\$ 75,214	5.77%	\$ 1,399,173	\$ 21,459	1.56%
Accountancy Board of Ohio Total			\$ 1,201,476	\$ 1,302,500	\$ 1,377,714	\$ 75,214	5.77%	\$ 1,399,173	\$ 21,459	1.56%
Grand Total			\$ 1,201,476	\$ 1,302,500	\$ 1,377,714	\$ 75,214	5.77%	\$ 1,399,173	\$ 21,459	1.56%