

**Accountancy Project Advisory Panel**  
**June 11, 2009**  
**Meeting Summary**

The California Research Bureau (CRB) was asked by the Senate to explore the policy options before the state to improve licensing standards for Certified Public Accountants.

CRB's goals for the project:

- a) Present an overview of the national discussion regarding the 150-hour rule for licensure, a summary of legislative action in other states, and implications of national and state policies and trends for California and the ability of CPAs licensed in California to practice in other states.
- b) Summarize points of concern, prior legislative deliberations, and the literature relative to the issues including an analysis of the impact of licensing changes on consumer protections, the impacts on the industry, and best practice models in professional licensing.
- c) Identify strategies that could be used to monitor and report trends in licensing and their impact on communities of concern, including women, persons of color, and others.

As part of this project, CRB assembled an informal advisory panel to inform the project and engage interested parties in the research process. The role of the advisory panel is to assist CRB in identifying and articulating key questions of concern, relevant data and materials of interest to the study.

The purpose of this meeting was to introduce the staff from the CRB working on this project, provide an overview of the project goals and solicit input from stakeholders.

### **Discussion**

In the meeting, CRB staff presented preliminary responses to a survey of other states with regard to their experiences with a 150-semester hour rule and similar policy deliberations. CRB has found significant differences among the states regarding how CPAs are licensed.

Participants at the meeting identified three fundamental goals for licensing CPAs and assessing the merits of amending California's current accountancy licensing requirements.

### Consumer Protection

The panel discussed the licensure of CPAs as a public policy concern, because licensure protects citizens. Consumers who have suffered a fiscal loss due to negligence or fraud

may not be able to recover assets or investments. Government regulation is intended to ensure that accountants are competent. Yet participants clarified that licensing is designed to ensure “minimal competence” and should not be considered a safeguard against fraud or abuse.

The panel discussion led to a number of topic areas to be pursued in future meetings, including:

- definitions for practice privilege and substantial equivalency;
- the ways in which practice privilege and substantial equivalency affect consumer protection;
- the role of the California Board of Accountancy in consumer protection;
- changes to consumer protection that could be reasonably expected by increasing the number of semester hours required for licensure, and by the passage of Senate Bill 691 (Yee).

### Support for commerce

Participants identified enhanced commerce as a goal of accountancy licensing. Discussion centered around the enhancement of commerce by unifying licensing standards in all states, and allowing accountants to work across state lines with no need for temporary licensure, forms or fees.

Some panel members stressed the importance of permitting the business of accountancy to be efficient and flexible, and able to meet the demands of a field that often works beyond the state’s boundaries.

Some panel members argued that SB 691 is concerned with firmly establishing California as a substantially equivalent state for purposes of the laws of another state. “Substantial equivalency” means that accountants are considered as having met minimum educational and experience requirements that are standard to other state boards of accountancy. Other panel members questioned whether SB 691 would guarantee California’s substantial equivalency.

NASBA (National Association of State Boards of Accountancy) is currently working toward a national licensure database which, when completed, would enable consumers to look up an accountant and verify licensure status. Some states have already provided their statewide licensure data to this effort.

It was pointed out that not all out of state accountants submit to the temporary license or “practice privilege” process; they operate in the state under the umbrella of their accounting firm without registering with the state. A mobility law would eliminate the need for registration.

The panel discussion led to a number of topic areas to be pursued in future meetings, including:

- How SB 691 might affect commerce;
- The role of the California Board of Accountancy in promoting support for commerce;
- Potential conflicts of interest between the interests of the field of accountancy and consumer protection;
- The impact that interstate licensing practices such as substantial equivalency, practice privilege and the grandfather clause for experienced accountants (also called the “4 in 10” rule) might have on commerce;
- The impact of the 150-hour rule on the quality and number of CPAs entering the field, and the ways in which commerce might be affected;
- The effect of California’s being deemed “substantially equivalent” on accountancy firms and on individual accountants, both in-state and out-of-state.

### Leveling the playing field

Participants discussed the idea that a rule that requires an additional 30 hours of education could serve as a barrier to entry for otherwise qualified individuals.

Some panel members suggested that the 150-hour rule may constitute a barrier to entry for college students seeking accountancy certification in California, particularly minority or underrepresented people.

Other members stated that many states that have already adopted the 150-hour rule are satisfied with the policy, as the result is more generally competent accountants. Some states offer tuition assistance to minority accounting students.

It was noted that the state must have good reasons for any barrier to entry into the accounting profession. If California creates new hurdles [e.g., the 150-hour rule], then California might explore offering underrepresented people help with those hurdles.

Participants discussed ramifications of requesting demographic information of applicants for accounting licensure. Some panel members suggested that the California Board of Accountancy is legally prohibited from gathering demographic information. Others pointed out that the language in statute gives the Board significant discretion tied to its mission.

Educational requirements to qualify to take the CPA exam were also discussed, in particular the differences between the 120-hour pathway and the 150-hour pathway to licensure. Some panel members stated that, under the 150-hour pathway, students would be able to take an additional 30 hours in accounting or business-related coursework, which would increase their value to accounting firms. Other panel members pointed out that, as the rules are currently written, students are permitted to take any coursework to satisfy the additional 30 hours. Thus, the rule is an unqualified time requirement that does not guarantee a focused or desirable learning outcome.

Some panel members suggested that universities may not welcome outside guidance on curriculum requirements.

The panel discussion led to a number of topic areas to be pursued in future meetings, including:

- The ways in which SB 691 would affect candidates entering into the field of accountancy;
- The role of the California Board of Accountancy in promoting a level playing field;
- The balance necessary between barriers to entry into the workplace and equal opportunity for licensure;
- The impact of the 150-hour rule on entrance into the field of accountancy;
- Potential mitigating actions that might counter barriers to entry for licensees, such as tuition reimbursement and scholarships.

Prior to the advisory panel meeting, CRB determined that it was important to get a sense of how states which have passed their own 150 semester hour rule handle California-licensed CPAs who want to work in their states, and to identify licensing policies and best practice models in place in other states. To this end, CRB conducted an informal telephone survey of states that have adopted a licensure pathway consisting of 150 semester hours. Key findings from this survey were shared with the advisory panel. The panel made comments and suggestions.

### **Next steps**

CRB will write and administer a revised questionnaire.

CRB will develop an accountancy certification primer for the benefit of policy makers.

The next meeting will be held in August 2009.