

Oregon Board of Accountancy 2025-27 GR Budget / HB 5001

Oregon State Legislature - Joint Committee On Ways and Means
Subcommittee On General Government
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Board of Accountancy Overview - Introducing the Profession and Board

- ▶ **MISSION:** The mission of the Board of Accountancy (Board) is to protect Oregon consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards and promulgated rules.
- ▶ Board regulates services by Certified Public Accountants (CPAs) in the arenas of:
 - ▶ Audits, Reviews and Compilations (includes municipal and governmental audits, and assurances as to the reliability of attested information or compiled financial statements)
 - ▶ Tax and Accounting services
 - ▶ Personal Financial Planning, Business Consulting, Forensic Accounting, etc.
- ▶ Key Impacts of Board licensee services on individuals and businesses include:
 - ▶ Audits of financial statements are key to ensuring quality of financial information in the marketplace
 - ▶ Tax compliance
 - ▶ CPAs in private industry are key to ensuring the quality of financial reporting

Board of Accountancy Overview - Current Profession Challenges

- ▶ Workforce Pipeline Challenges define the state of the profession and focus of the Oregon Board, including its strategic plan and proposals for the 2025 Legislature and 2025-27 GRB:
 - ▶ Shortage of students entering the CPA pipeline and shortage of new CPAs available for hire
 - ▶ Accounting degree completions fell by 17% from 75,153 in 2017-2018 to 62,318 in 2021-2022.
 - ▶ In 2020 the American Institute of Certified Public Accountants (AICPA) estimated that 75% of the CPA workforce will meet retirement age within 15 years.
 - ▶ 2023 cohort (those who begin the exam process in any given year) of CPA exam candidates was 42,504 - a 41% increase from 2021. This is likely an unsustainable high due to recovery from the pandemic and rush to take the old version of the CPA exam (new exam rolled out January 1, 2024)
 - ▶ 2024 study by the MIT Sloan School of Management, the national move in the 2000's to a 30-semester hour increase in the education requirement led to a 14% decline in CPAs entering the field overall. This decline also disproportionately (26%) affected the ethnically diverse portion of the CPA pipeline.

Board of Accountancy Overview - Response to Current Profession Challenges

- ▶ Board responded by updating its strategic plan to focus on eliminating or reducing regulatory barriers to help address workforce pipeline challenges:
 - ▶ Multiple rounds of aggressive rulemaking since 2023 legislative session. Key accomplishments include:
 - ▶ Major increase in allowable internship hours countable to the 150-semester hour education requirement
 - ▶ Restoration and extension of CPA exam passed section credits that expired during the pandemic
 - ▶ Alignment of license reinstatement rules with approach in neighboring states, which is less punitive
 - ▶ Expansion of scope of practice permission for retired status CPAs to allow them to work under supervision and for compensation in a public accounting firm
 - ▶ Built united stakeholder support behind SB 797 (2025) adding additional licensure pathway while protecting CPA mobility and behind SB 796 (2025) allowing funding of accounting scholarships
 - ▶ Updated its agency personnel structure in close partnership with DAS CFO and CHRO, to allow the Executive Director position to focus more of its time on external work with workforce pipeline emphasis (ties to strategic plan and a Policy Option Package for the Board's 2025-27 budget)
- ▶ Board has taken on a national leadership role

Board of Accountancy Overview - Composition and Size

- ▶ Created in 1913.
- ▶ As of February 3, 2025, the Board has 8,027 individual licensees and 868 public accounting firms
- ▶ Individual licensee volume is has stayed remarkably stable over a ten-year period. On February 2, 2015, the Board had 7,927 licensees and 1,047 registered public accounting firms. As such, only the facility licensure numbers have seen a decrease, in line with industry consolidation of firms.
- ▶ Fee-based agency - no General Fund or Federal Funds (100% Other Fund).
- ▶ Board Size: 7 (Governor-appointed and Senate confirmed; 5 CPAs, plus 1 PA and 1 Public Member)
 - ▶ Note: SB 797 proposes to simplify the 6 professional positions / open to any active level licensee
- ▶ Current Staff Size - 7.0 FTE. GRB maintains 2023-25 reduction to 7.00 FTE due to efficiencies gained; the Board worked with DAS CHRO/CFO to ensure its staffing alignment proposal in the 2025-27 GRB will achieve Board strategic goals while maintaining staff at a 7.0 FTE level.
- ▶ Board returned to full staffing on November 1, 2024, a long process of stabilizing after near complete turnover in 2022. DAS CHRO/Class And Compensation/CFO support has been exemplary.

Board of Accountancy Overview - Program, Services and Budget Basics

SINGLE PROGRAM AGENCY FOR BUDGETARY PURPOSES

- ▶ Licensing Program covers individual licensees (active, inactive and retired status) and facility level licensees (public accounting firms).
- ▶ Compliance has recovered from major backlog in 2016 (over 140 cases) to 11 matters requiring a full investigation pending resolution (as of February 3, 2025).
- ▶ Solid budget picture for the Board and ability to address its needs reflects prior close collaboration with industry (OSCPA, OAIA), DAS, LFO from 10 years ago, and the support of this oversight panel. SB 581 (2015) led and proposed by OSCP was the last fee increase for the Board ten years ago.
- ▶ No fee increases proposed in GRB 2025-27, and none are planned by the agency for 2027-29.
- ▶ GRB policy option package to fund non-recurring \$1 million in accounting scholarships (ties to SB 796) from Board funds has been carefully calibrated to avoid triggering a need for fee increases. SB 796 (hearing Feb. 10 in the Senate Committee on Education) has a subsequent W&M referral.

Board of Accountancy Overview - Partnerships

Board of Accountancy completely rebuilt partnerships after Director and staff turnover in 2022:

- ▶ Industry and Higher Education participation at Board and key Laws and Rules Committee level
- ▶ Strong regional partnerships with Washington and California Boards of Accountancy
- ▶ Constant, direct inclusion of regional and local partners has been key in building unified support for 2025 agency request bills (adding licensure pathways/protecting CPA mobility in SB 797, and proposal to fund accounting scholarships through a partnership with industry in SB 796)
- ▶ Rebuilding of our partnerships has enabled the Board and its Director to lead nationally
 - ▶ Board Chair Haley Lyons serves on the NASBA Board as Pacific Regional Director
- ▶ Partnerships enabled comprehensive rule updates significantly impacting our local CPA pipeline
- ▶ Strong support from the Governor's Office and DAS for the Board's work
- ▶ Close coordination with the Department of Justice
- ▶ Partnership and collaboration with the Board of Tax Practitioners (sub-lease)

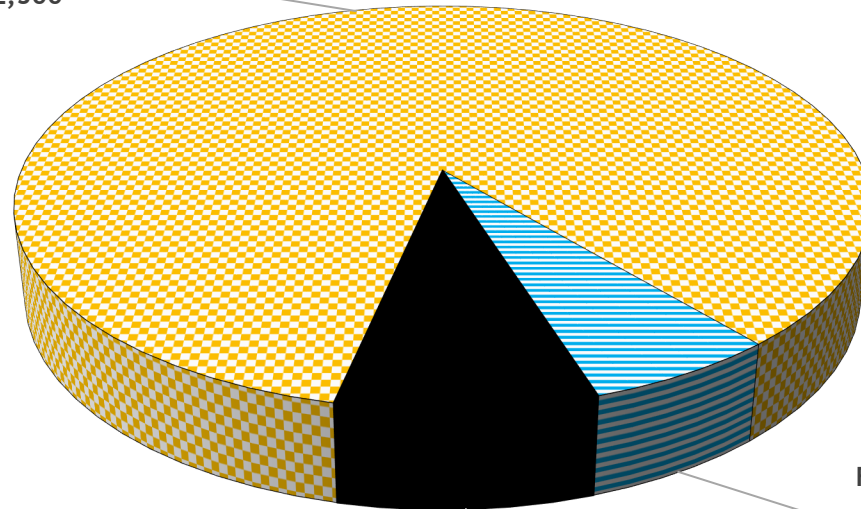
Board of Accountancy - Key Performance Measures

- ▶ 2022 wholesale staffing turnover had major impacts in performance, with KPM recovery now in progress with recovery to full staffing on November 1, 2024.
- ▶ KPM Impacts initially ranged from far longer processing times, loss of data for a period on customer service performance measure, and far lower performance on compliance measures
- ▶ FY 2022 was an outlier year for performance due to the above factors:
 - ▶ 60% of performance measures in red (below 15% of target)
 - ▶ 20% of performance measures in yellow (within 5 - 15% below target)
 - ▶ 20% of performance measures at target (within 5% of target)
- ▶ By FY 2024, in comparison, KPM recovery is in progress:
 - ▶ 20% of performance measures in the red
 - ▶ 40% of performance measures in yellow
 - ▶ 40% of performance measures in green

Agency Overview - Board of Accountancy Funding Sources Overview

Board of Accountancy Funding Sources 2025-27 GRB

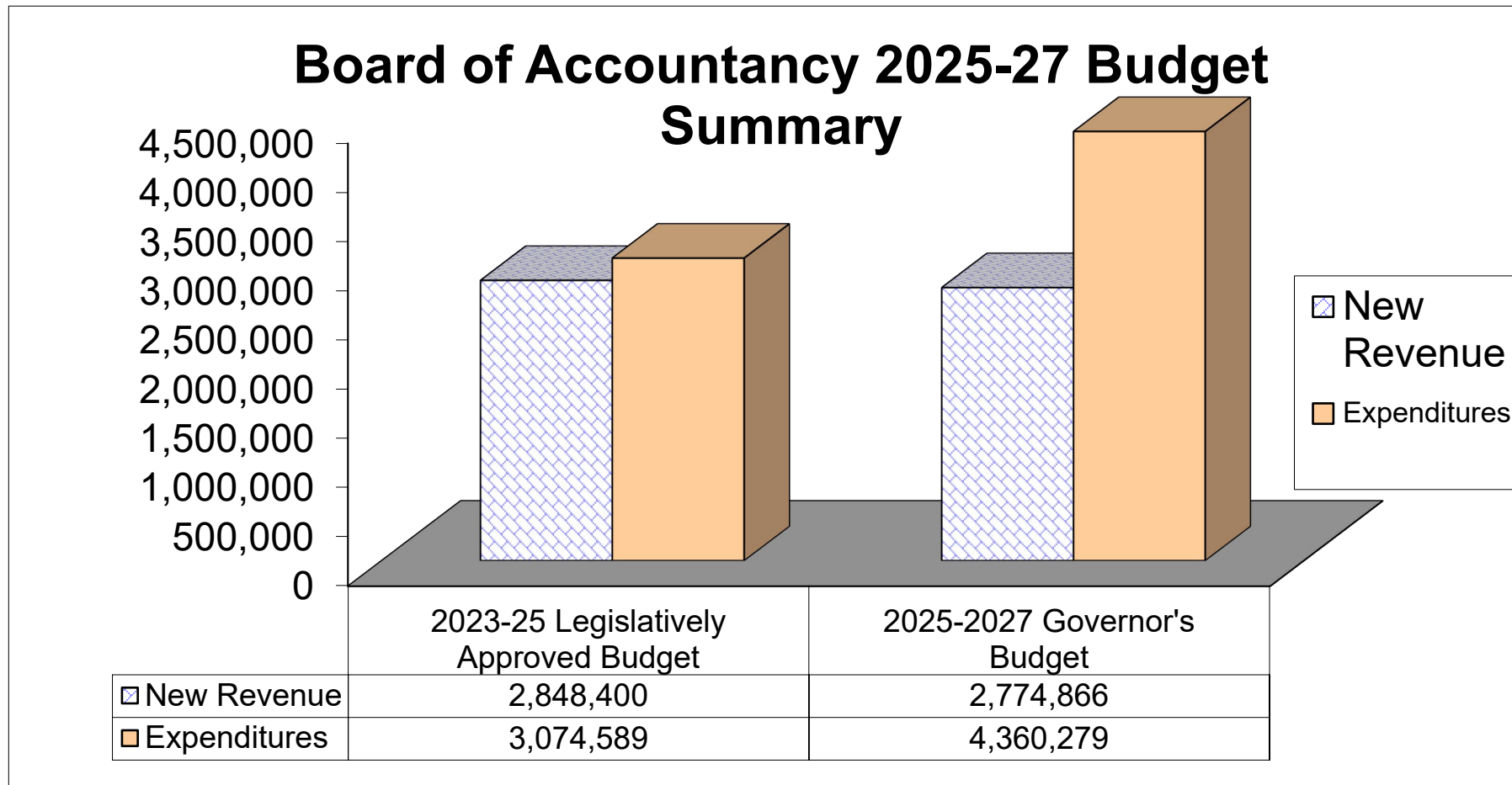
Business Licenses and Fees /
85.5%, \$2,372,500



Interest / Sales / Other /
8.3%, \$230,352

Fines and Forfeitures /
6.2%, \$172,014

Agency Overview - Board of Accountancy HB 5001 / Expenditure Authorization Request



Board of Accountancy - Policy Option Packages

▶ Package 100 - Accounting Scholarships Funding

- ▶ Ties to SB 796 (2025) which allows Board of Accountancy funds to be expended for such a purpose. Currently funds can be spent only on agency programs/operations. SB 796 conveys permanent ability to seek additional accounting scholarships funding in future biennia Ways and Means agency budget cycles. The bill does not provide any specific funding for this (or any other) biennium.
- ▶ Should SB 796 pass (effective July 1, 2025), package 100 would provide one-time authorization to spend \$1 million of agency funds on accounting scholarships through the grant agreement process under SB 796.
- ▶ Neither SB 796 nor Package 100 create any new infrastructure or staffing needs for the agency. This approach is modeled after legislation in Washington state a decade ago and leverages private industry infrastructure existing scholarship programs and funding a need-based additional component.
- ▶ Should SB 796 pass, funding for this new line item would re-set at zero at the outset of each budget cycle.

▶ Package 101 - Agency Staffing Model Change

- ▶ Creates a Deputy Director position, eliminates a position, and is paired with another cost-cutting package to achieve a no-cost approach and maintains the agency at 7.0 FTE. The goal of the alignment is to focus the agency more on external outreach in support of workforce pipeline work and pro-active education.

Board of Accountancy - Initiatives In Progress

- ▶ SB 797 Initiatives:
 - ▶ Adding a second pathway to CPA licensure (120 semester hours / BA + 2 years of exp plus CPA exam)
 - ▶ Protecting public access to CPA services / CPA mobility (updates necessary due to change in licensure pathways)
 - ▶ Allowing inactive level licensees to work in public accounting firms to the same extent non-licensed staff can
 - ▶ Change in Board composition to simplify Board appointments by the Governor and reflect profession current state
- ▶ SB 796 Accounting scholarships
- ▶ Continued emphasis on staff training, rebuilding our licensing team, process and IT improvements
- ▶ Emphasis on far greater community engagement (education / prevention / pipeline work)

Board of Accountancy - 10% Reduction Packages

- ▶ No cuts in staffing included. The GRB holds agency 7.0 FTE while restructuring personnel. Cuts in staffing would directly inhibit achievement of the Board's strategic plan.
- ▶ First 5% of cuts focus on travel, telecom, data processing and professional services.
- ▶ Separate analyst package (090) in the GRB that would actually take those 5% cuts. That was requested by the agency and supported by CFO and the Governor's office. Goal is to off-set the remaining cost of the personnel package POP 101.
- ▶ Additional 5% cuts proposed to get to 10% would hit AG services, which are always a risky cut for a regulatory agency that cannot easily predict if (and when) expensive litigation in contested cases may occur.

QUESTIONS FOR THE BOARD?