

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 769 Public Accountancy

**SPONSOR(S):** Business & Consumer Affairs Subcommittee and Ford

**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Business & Consumer Affairs Subcommittee	14 Y, 0 N, As CS	Collins	Creamer
2) Government Operations Appropriations Subcommittee	11 Y, 0 N	Topp	Topp
3) Economic Affairs Committee			

### SUMMARY ANALYSIS

The bill amends s. 473.308(4)(a), F.S., to eliminate the requirement that a certified public accountant applicant can only have their work experience verified by the licensed certified public accountant that has supervised that applicant.

The bill amends s. 473.308(7), F.S., to allow licensure by endorsement for applicants who hold a valid out-of-state license, and have completed a licensing exam substantially equivalent to Florida's exam at least ten years before filing their endorsement application.

The bill amends s. 473.313, F.S., to require delinquent licensees to comply with board-imposed continuing education requirements prior to license reactivation. Additionally, for a limited period of time, licensees with inactive or delinquent licenses have the opportunity to receive partial amnesty related to their fulfillment of extensive continuing education courses. Qualified licensees will have to complete 120 hours of continuing education, compared to a possible 280 hours without the amnesty. Further, the bill allows licensees who are delinquent for failure to report continuing education requirements to reactivate their license by application to the department, so long as the application is submitted prior to March 15 of the year following the delinquency.

The bill requires DBPR to contract for a feasibility study to assess the viability of privatizing the Division of Certified Public Accountants, if approved by the Board of Accountancy.

The bill may have a positive revenue impact on the department's Professional Regulation Trust Fund related to a potential increase in the number of licensed accountants based on the revised licensure requirements in the bill. Also, the bill may have a fiscal impact on the department's expenditures related to the feasibility study for privatizing the Division of Certified Public Accountants. However, any fiscal impact will likely be less than \$83,000 and will be handled within current appropriations.

The bill has an effective date of July 1, 2012.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### **Current Situation**

###### *Work Experience Requirement Verification*

A certified public accountant (CPA) is regulated under the jurisdiction of the Board of Accountancy within the Department of Business and Professional Regulation (DBPR), Division of Certified Public Accountants. Under s. 473.308, F.S., in order to qualify for licensure, an applicant must have at least 150 semester hours of college education, including a baccalaureate or higher degree conferred by an accredited college or university, with a concentration in accounting and business. Additionally, the applicant must pass the Uniform CPA Exam, or a substantially equivalent national, regional, state or territorial exam. Finally, the applicant must have at least one year of work experience, which includes providing any type of service or advice involving the use or accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. The applicant's work experience must be verified by a licensed CPA who has supervised the applicant.

###### *Licensure by Endorsement*

Out-of-state applicants who hold a valid license in another state or territory may be licensed by endorsement in Florida. Specifically, the applicant can seek endorsement of an out-of-state license if the criteria for issuance of that license is substantially equivalent to Florida's licensure standards at the time the license was issued. If the out-of-state license was not substantially equivalent to Florida's requirements at the time the license was issued, the applicant may still seek endorsement if he or she has passed the Uniform CPA Exam or a substantially similar exam, and otherwise meets the requirements for education, work experience, and good moral character under s. 473.308, F.S.

Additionally, the applicant for licensure by endorsement must have completed continuing education courses that are equivalent to the continuing education requirements for a Florida CPA during the two years immediately preceding the application, which is 80 hours.

###### *Continuing Education Requirements*

Section 473.313(1), F.S., allows a Florida CPA to request that their license be placed on inactive status. In order to reactivate the license, the licensee is required to complete a minimum of 120 hours of continuing education.<sup>1</sup> However, if the license has been inactive for more than one reporting period, the licensee will be required to complete up to 280 hours of continuing education, depending on the duration of the inactive status.

Further, s. 473.312, F.S., requires that licensees complete 80 hours of continuing education every two years; licensees who do not complete the requisite continuing education before the biennial renewal date are converted to a delinquent status. In order to reactivate a delinquent license, a licensee is required to complete a minimum of 120 hours of continuing education, as with the reactivation of an inactive license.<sup>2</sup> Similarly, if the licensee has been delinquent for more than one reporting period, he or she will be required to complete up to 280 hours of continuing education, depending on the duration of the delinquent status.

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<sup>1</sup> Rule 61H1-33.006, F.A.C.

<sup>2</sup> *Id.*

## *Privatization Feasibility Study*

In order to privatize a DBPR division, s. 455.32(4), F.S., requires that a request be made by the board seeking privatization. The privatization request must contain a business case that includes both a needs assessment and a financial feasibility study, to be performed by either the board itself or by an entity commissioned by the board.

The needs assessment must contain specific performance standards and measurable outcomes, as well as an evaluation of DBPR's current and projected performance in regard to those standards. The feasibility study must include the financial status of the board for the current and next two fiscal years. In addition, a financial model must be developed in order to assess the potential financial viability of the privatized division. Specifically, the financial model must include projected costs and expenses for the first two years of operation, as well as specific performance standards and measurable outcomes.

Section 455.32(4), F.S., gives DBPR the authority to contract with a non-profit corporation to provide services to the board, including such investigative services necessary to complete both a needs assessment and a feasibility study. However neither DBPR nor the board may proceed with the privatization unless specifically authorized by general law.

### **Effect of Proposed Changes**

#### *Work Experience Requirement Verification*

The bill amends s. 473.308(4)(a), F.S., to eliminate the requirement that the attesting CPA supervise the applicant. As a result, it is not necessary for the attesting CPA to have actually supervised the applicant's work experience. The applicant still must complete the one year of related work experience.

#### *Licensure by Endorsement*

The bill amends s. 473.308(7), F.S., to also allow licensure by endorsement for applicants who hold a valid out-of-state license and have completed a license exam substantially equivalent to Florida's exam at least ten years before filing their endorsement application. The applicant must also meet the requirements for good moral character under s. 473.308(6), F.S., and must complete the equivalent continuing education courses for the two years immediately preceding the application as required by s. 473.308(7)(b)(2), F.S. Applicants obtaining licensure under this provision will not be required to complete substantially equivalent education and work experience requirements.

#### *Continuing Education Requirements*

The bill amends s. 473.313(2), F.S., to provide CPA's who hold an inactive or delinquent license on June 30, 2012 an opportunity to reenter the profession by completing 120 hours of continuing education courses, so long as the licensee notifies the Board of Accountancy of their intention by December 31, 2012 and completes the reactivation by June 30, 2014. If the licensee qualifies within the limited amnesty period, he or she will be required to complete 120 hours of continuing education, regardless of how long the license has been inactive or delinquent. In 2009, DBPR reactivated 214 licenses under a similar amnesty provision for inactive licenses.<sup>3</sup>

Further, the bill allows for reactivation of a delinquent license for failure to report the completed continuing education requirements in s. 473.312, F.S., assuming that the applicant has actually completed his or her continuing education courses. No additional continuing education courses need be completed for reactivation. In this circumstance, the delinquent license will be reactivated upon application to the department, payment of a fee, and certification that the applicant has, in fact, satisfactorily completed the continuing education requirements. To qualify, a licensee who is

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<sup>3</sup> Department of Business and Professional Regulation 2012 Legislative Analysis Form, December 12, 2011, on file with Government Operations Appropriations Subcommittee.

delinquent due to failure to report continuing education must submit an application to the board for review prior to March 15 of the year immediately following the delinquency.

### *Privatization Feasibility Study*

The bill requires DBPR to contract for a feasibility study, pursuant to s. 455.32(4), F.S., in order to assess the viability of privatizing the Division of Certified Public Accountants. However, the feasibility study should only be conducted if approved by the Board of Accountancy, within the Division of Certified Public Accountants. If approved by the board, the study must be completed by November 30, 2012.

#### B. SECTION DIRECTORY:

**Section 1:** amends s. 473.308(4)(a), F.S., to eliminate the requirement that an applicant be supervised by the CPA who is attesting his or her work experience, and amends 473.308(7)(b)(1), F.S., to provide for an additional way to be licensed by endorsement.

**Section 2:** amends 473.313, F.S., to require delinquent licensees to comply with board-imposed continuing education requirements prior to license reactivation, to provide amnesty for inactive or delinquent licensees in certain situations, and to allow licensees who are delinquent for failure to report continuing education requirements to reactive their license by application to the department in certain situations.

**Section 3:** requires DBPR to contract for a feasibility study, if approved by the Board of Accountancy.

**Section 4:** provides for an effective date of July 1, 2012.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

The bill may have a positive fiscal impact on the department's Professional Regulation Trust Fund related to a potential increase in the number of licensed accountants based on the revised licensure requirements in the bill.

##### 2. Expenditures:

The bill may impact the department's expenditures. However, any expenditure for the feasibility study related to privatizing the Board of Accountancy will be handled within current appropriations. According to the department, a feasibility study if approved by the board, is estimated to cost in the range of \$64,828 to \$82,342.<sup>4</sup>

#### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

##### 1. Revenues:

None.

##### 2. Expenditures:

None.

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<sup>4</sup> Department of Business and Professional Regulation 2012 Legislative Analysis Form, December 12, 2011, on file with Government Operations Appropriations Subcommittee.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill will likely increase the number of certified public accountants practicing in Florida, as it reduces regulatory burdens in obtaining licensure.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require counties or municipalities to take an action requiring the expenditure of funds, reduce the authority that counties or municipalities have to raise revenue in the aggregate, nor reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill will require amendments to existing rules by the Board of Accountancy, which has adequate rulemaking authority and sufficient guidance within the bill to promulgate the needed rules.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

At the January 11, 2012 meeting of the Business & Consumer Affairs Subcommittee, one amendment was proposed and adopted. The bill was reported favorably as a Committee Substitute.

The amendment clarified that the uncompleted continuing education amnesty provision is available to both inactive licenses and delinquent licenses, and that the completed continuing education amnesty provision is available to delinquent licenses.

The analysis is drafted to the Committee Substitute.