# Department of Planning and Budget
# 2001 Fiscal Impact Statement

**1. Bill Number** SB1080

| | | | |
|---|---|---|---|
| **House of Origin** | ☒ Introduced | ☐ Substitute | ☐ Engrossed |
| **Second House** | ☐ In Committee | ☐ Substitute | ☐ Enrolled |

**2. Patron** Stosch

**3. Committee** General Law

**4. Title** Public Accountancy Act

**5. Summary/Purpose:** This bill establishes the Board of Accountancy (Board) as an independent board. Currently the Board is located operationally within the Department of Professional and Occupational Regulation (Department). The bill provides for the appointment of an executive director and staff for the Board, exempts the Board and its executive director from the State Personnel Act and the Public Procurement Act, and generally vests the Board with the authority to regulate the public accounting profession. The bill also provides for the Department and the Board to enter into an agreement to transfer from the Department to the Board tangible personal property and records relevant to the transfer of duties and powers, and provide for the orderly and expeditious transfer of administrative and other responsibilities no later than December 31, 2001. In addition, the bill (i) requires the transfer of funds from the Department to the Board of Accountancy Fund established to support the operations of the Board, (ii) provides an two-year exemption from the Administrative Process Act for the promulgation of regulations pertaining to fees for licenses and certifications, (iii) provides that existing regulations promulgated by the Board of Accountancy shall remain in effect and continue to apply to licensees and certificate holders licensed or certified by the Board of Accountancy after July 1, 2001, (iv) authorizes the Board of Accountancy to assess monetary penalties for violation of statues or regulations administered by the Board, and (v) clarifies that current members of the Board whose terms have not expired as of July 1, 2001 are not affected.

**6. Fiscal Impact Estimates are:** Preliminary

***Department of Professional and Occupational Regulation***

**6a. Expenditure Impact:**

| *Fiscal Year* | *Dollars* | *Positions* | *Fund* |
|---|---|---|---|
| 2000-01 | $0 | 0.00 | N/A |
| 2001-02 | ($300,000) | (2.00) | NGF |
| 2002-03 | ($600,000) | (2.00) | NGF |

**6b. Revenue Impact:**

| *Fiscal Year* | *Dollars* | *Positions* | *Fund* |
|---|---|---|---|
| 2000-01 | $0 | 0.00 | N/A |
| 2001-02 | ($200,000) | 0.00 | NGF |
| 2002-03 | ($380,000) | 0.00 | NGF |

*Board of Accountancy (New Agency)*

**6a. Expenditure Impact:**

| *Fiscal Year* | *Dollars* | *Positions* | *Fund* |
|---|---|---|---|
| 2000-01 | $0 | 0.00 | N/A |
| 2001-02 | $300,000 | 2.00* | NGF |
| 2002-03 | $600,000 | 2.00* | NGF |

* DPOR currently provides two staff positions to support the Board. As a separate agency, additional positions will most likely be needed.

**6b. Revenue Impact:**

| *Fiscal Year* | *Dollars* | *Positions* | *Fund* |
|---|---|---|---|
| 2000-01 | $0 | 0.00 | N/A |
| 2001-02 | $200,000 | 0.00 | NGF |
| 2002-03 | $380,000 | 0.00 | NGF |

**7. Budget amendment necessary:** Yes. Item 121. Also, new Item would be required for newly established Board of Accountancy.

**8. Fiscal implications:** This bill transfers the administrative and regulatory responsibilities for regulating Certified Public Accountants from the Department of Professional and Occupational Regulation (DPOR) to a newly created independent agency. The transfer would be completed by December 31, 2001. The transfer will result in a loss of revenue to DPOR of $200,000 in FY 2002, and $380,000 in FY 2003. This revenue loss would continue into future years. Additionally, the sixth enactment clause directs the transfer of fund balances (approximately $600,000) from DPOR to the new agency. DPOR would expect to decrease its expenditures by approximately $300,000 in FY 2002, and $600,000 in FY 2003 as a result of the transfer of responsibilities. The reductions in FY 2003 would continue into future years. As of December 31, 2001, DPOR would reduce its maximum employment level (MEL) by 1.00 classified position and eliminate two wage positions, and would reduce its MEL by an additional classified position as of July 1, 2002. The reductions would continue into future years. These projections assume that DPOR will continue to provide support to the Board through December 31, 2001, and so will collect revenue and pay expenditures through that date.

***Department of Professional and Occupational Regulation (DPOR)***

*Personal Services*: Under DPOR's current organization structure, the Accountancy Board is included in a section with three smaller boards, and staff in that section provide support to all four boards. The support provided to the Accountancy Board equates to one classified Band 5 Board Administrator, one classified Band 3 Licensing Specialist, and 2 wage Band 3 Licensing Specialists. The total reduction in costs of salaries and benefits for these positions is expected to be $46,516 in FY 2002, based on eliminating one classified and two wage Licensing Specialists as of December 31, 2001. In FY 2003, the reduction would be $162,149, based on elimination of a second classified position (Board Administrator). That position will be retained until June 30, 2002, to complete transition of the program. The FY 2003 reduction is expected to continue into future years.

Position-related costs of $1,650 in FY 2002 and $6,798 in FY 2003 would also be reduced. Such costs include telephones, employee development, and supplies. The reduction in FY 2003 would continue into future years.

*Board Operating Costs*: Under the provisions of this legislation, DPOR will no longer incur costs related to board operations, such as board member travel and professional development, board meetings, postage and printing. For FY 2001, the Board's budget for these operating costs is $62,900. All these expenditures would be moved to the new agency as of December 31, 2001. DPOR expects its expenditures in this category to decrease by approximately $31,450 in FY 2002, and $62,900 in FY 2003. The FY 2003 decrease in expenditures would continue into future years.

*Other Costs*: In accordance with the provisions of Section 54.1-113 (Callahan Act) of the Code of Virginia, DPOR uses a cost allocation system to distribute a proportionate share of agency operating costs to each regulatory program. Agency support and administrative functions provide services to all of the regulatory programs, and the transfer of this program from DPOR is expected to have minimal or no impact on most of those activities and total costs. Information systems costs are allocated to the Board based on its percentage of total agency licensees. However, removing the board from DPOR will not reduce operations or costs in the area of information systems. While the Board occasionally has enforcement activity, its average ongoing activity is minimal in comparison to total agency activity, and the removal of this program will have minimal effect on enforcement operations or costs. Legal services costs consist almost entirely of charges for services provided by the Office of the Attorney General (OAG). The Department's total annual cost is determined by the Office of the Attorney General, and those costs are allocated to each program. The transfer of this program is not expected to result in a direct reduction in legal services costs to the agency. The CPA examination is privatized, and the agency charges the board only a minimal amount for agency administrative services related to examination issues. The transfer of this program will not materially impact operations or costs in the area of exam administration. Other agency costs include administrative services such as procurement, human resources, budgeting and accounting, facilities, and executive management. These activities and costs are also not expected to change materially as a result of the transfer of this program. The Accountancy Board's share of the allocated costs for these support and administrative functions will be re-distributed to all other programs based on the new percentages of total licensees.

*Other Agency Impact*: DPOR expects to reorganize its Regulatory Program Division to make the most effective use of remaining resources, and to minimize the impact of the transfer on the other boards currently in the board section with the Accountancy Board.

The reorganization may include one-time costs for restructuring work areas and offices, which the Department would be able to absorb within its current funding levels.

If employees are laid off as a result of the reduction in positions, the Department may be liable for unemployment costs, which it would expect to absorb within its current funding levels.

*Revenues*: Under the current fee structure, the revenue reduction for fiscal year 2002 is expected to be approximately $200,000, and $380,000 in fiscal year 2003.

*Cash*: At the close of the 1998-2000 biennium, the Board had an accumulated cash balance of $681,628. Based on annual revenues of $380,000 to $400,000 and total allocated board expenditures of approximately $500,000 to $600,000 a year, the Board is drawing on its accumulated cash balance at the rate of approximately $200,000 annually. By the close of the 2002 biennium, that cash balance is expected to decrease to approximately $324,000. This legislation provides for transferring the accumulated cash balance at the close of fiscal year 2001 to the new agency.

*Costs to Regulants*: Because the board currently operates within DPOR, its fees are subject to the provisions of the Callahan Act. DPOR has currently established a license application fee of $24 and an annual renewal fee of $24. The fees have been set at a rate lower than actual expenditures to allow the Board to use its accumulated cash balance. That cash balance is expected to be depleted in approximately 3-4 years. At that time, fees would probably increase to approximately $50 if the program remained with the Department, to cover annual operating costs of approximately $600,000.

This legislation provides the Board with the authority to levy special assessments necessary to cover operating expenses of the Board. There is no provision to limit the number or amounts of the special assessments.

***Board of Accountancy:*** The newly established Board of Accountancy would be required to pay the full cost for the administration of this new agency. DPOR presently spends approximately $600,000 to support the Board. As a separate agency, this cost will most likely be higher. The higher administrative cost could affect the rate paid by the regulants. (The current fees structure has been set at a rate lower than actual expenditures to allow the Board to use its accumulated cash balance.) DPOR currently provides two staff positions to support the Board. As a separate agency additional positions will most likely be needed.

**9. Specific agency or political subdivisions affected:** Department of Professional and Occupational Regulation, Board of Accountancy

**10. Technical amendment necessary:** The following issues need to be considered:

1. Page 8, line 396, exempts the Director and staff of the Board from the Virginia Personnel Act. As presently worded, this exemption could exclude these employees from state benefits such as hospitalization and retirement.
2. The salary for the Director of the Board should be included in § 4-6.01 of the budget bill.

**11. Other comments:** None

**Date:** 1/19/01 / djy
**Document:** djy F:\DJY\00-02BGT\01Session\Legislation\sb1080.doc

cc: Secretary of Commerce and Trade

PDF Created 1/20/2001 2:32:10 PM