

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**

House Bill 159  
Economic Matters

(The Speaker) (Department of Legislative Services)

Education, Health, and  
Environmental Affairs

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**State Board of Public Accountancy - Sunset Extension and Program Evaluation**

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This bill extends the termination date for the State Board of Public Accountancy from July 1, 2004 to July 1, 2015, and requires a sunset evaluation report of the board by July 1, 2014.

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**Fiscal Summary**

**State Effect:** State finances for the State Board of Public Accountancy would continue beyond FY 2004. The FY 2003 general fund budget allowance for the board is \$120,383. The proposed 2003 budget assumes the board will generate \$398,100 in general fund revenues. Out-year revenues and expenditures are expected to remain relatively constant.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** The State Board of Public Accountancy termination date is July 1, 2004. The board consists of seven members appointed by the Governor with the advice of the Secretary of Labor, Licensing, and Regulation. Of the seven members, five must be licensed certified public accountants -- four must be active practitioners and include one full-time professor of accounting at an accredited college. The other two members represent public consumers and may not: (1) be a licensee or otherwise subject to the regulation of the board; (2) be required to meet the qualifications for the professional

members of the board; or (3) have had a financial interest in or received compensation from someone regulated by the board within one year of appointment. Board members serve three-year terms that are staggered. A member cannot serve more than two terms consecutively.

**Background:** The State Board of Public Accountancy is responsible for licensure and regulation of public accountants in the State. The board is subject to the Maryland Program Evaluation Act, also known as the “sunset law,” which provides a system of periodic legislative review of the regulatory, licensing, and other governmental activities of various units of State government.

This bill arises out of the sunset evaluation of the State Board of Public Accountancy performed by the Department of Legislative Services (DLS) during 2001. In its report, DLS recommended that the board be continued and its termination date be extended to July 1, 2015.

DLS also recommended that the board, in consultation with the Department of Labor, Licensing, and Regulation, submit a follow-up report to the Legislative Policy Committee by October 1, 2002, that includes:

- the cost and staff time required by exam administration and evaluation;
- any unresolved payment issues related to previously administered exams;
- options for outsourcing future exam administration;
- the impact of procurement regulations or statutes on vendor selection;
- the status of unresolved issues relating to the computerized exam, particularly the expected fee increase, and steps taken or recommended to address those issues;
- efforts to make the board self-supporting; and
- the status of the complaint tracking database.

**State Fiscal Effect:** General fund revenues for the board will be maintained beyond fiscal 2004. The proposed fiscal 2003 budget assumes \$398,100 from fees and fines for the board.

General fund expenditures will be maintained beyond fiscal 2004. While the fiscal 2003 program allowance of \$120,383 should cover most direct costs, allocation of indirect costs yields slight program deficits. Since a conversion from biennial license renewal to staggered renewal in 1998 -- along with a decrease in fees -- the board has shown minor deficits. If the allowance remains significantly less than total program costs, accounting deficits would be expected to continue through indirect cost allocations.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 124 (The President) (Department of Legislative Services) – Education, Health and Environmental Affairs.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 22, 2002  
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