

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 209

(The Speaker)(By Request - Department of Legislative Services)

Economic Matters

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 by 10 years to July 1, 2025, and requires an evaluation of the board by July 1, 2024. The bill contains a related reporting requirement.

The bill takes effect July 1, 2013.

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**Fiscal Summary**

**State Effect:** Special fund revenues and expenditures for the State Board of Public Accountancy are maintained beyond FY 2015. The FY 2014 budget includes almost \$1.2 million for board operations. The bill's reporting requirement can be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** Uncodified language requires the board, by October 1, 2013, to submit a report to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee. Specifically, the board must report on (1) fund balances, changes to the target fund balances, and future plans to use any remaining surplus; (2) findings and recommendations related to the outsourcing of exam application

processing; and (3) specified information pertinent to the board's oversight of the peer review process.

**Current Law/Background:** The board serves three primary functions: licensing, regulation, and enforcement. These responsibilities require the board to balance administrative tasks – such as processing a high volume of exam and license applications – and decisionmaking that affects both individuals and large sectors of the licensed community. The board consists of seven members appointed by the Governor with the advice and consent of the Secretary of Labor, Licensing, and Regulation. Approximately 20,000 certified public accountants (CPAs) hold licenses in Maryland, making the profession the fourth largest under the Division of Occupational and Professional Licensing in the Department of Labor, Licensing, and Regulation (DLLR).

Chapter 156 of 2006 (HB 103) established the State Board of Public Accountancy Fund as a special, nonlapsing fund within DLLR. The transition from general funding to special funding was intended to give the board the resources necessary to fund technology advances and increase staffing. The board has also experienced other changes, which alter the board's administration of the Uniform CPA Exam and require certain work to be subject to peer review.

#### *Maryland Program Evaluation Act*

The State Board of Public Accountancy is 1 of approximately 70 regulatory entities and activities currently subject to periodic evaluation under the Maryland Program Evaluation Act. The Act establishes a process better known as “sunset review” as most entities evaluated are also subject to termination, including the board, which is scheduled to terminate July 1, 2015. A copy of the Department of Legislative Services' (DLS) preliminary sunset report on the State Board of Public Accountancy can be found at <http://dls.state.md.us/Content.aspx?page=104>.

The sunset review process begins with a preliminary evaluation conducted by DLS on behalf of the Legislative Policy Committee (LPC). LPC decides whether to waive an agency from further (or full) evaluation. If waived, legislation to reauthorize the agency typically is enacted. Otherwise, a full evaluation usually is undertaken the following year.

#### *Preliminary Sunset Evaluation Findings and Recommendations*

The board underwent a preliminary evaluation as part of sunset review in 2012, which recommended that the board be waived from a full evaluation and that the board's termination date be extended by 10 years to July 1, 2025. Both the 2001 and 1991 preliminary evaluations also recommended waiver from full evaluation, which last took

place in 1982. The bill implements the DLS recommendations stemming from the 2012 preliminary sunset evaluation report on the board as adopted by LPC at its December 11, 2012 meeting.

The bill's reporting requirement is intended to update the General Assembly on the board's progress in implementing specific nonstatutory recommendations. First, the evaluation found inconsistent reporting of failed peer reviews to the board from the Maryland Association of Certified Public Accountants (MACPA) and recommended that the board (1) resolve the issue in consultation with MACPA and (2) take corrective action with respect to licensees and permit holders that have previously failed a peer review.

The evaluation also found that, despite extensive technological advances, staff still spends a considerable proportion of its time processing applications for the Uniform CPA Exam. The evaluation recommended that the board reconsider outsourcing the processing of exam applications to allow staff to focus on processing complaints and license and permit applications.

Finally, the preliminary evaluation highlighted the board's ongoing staffing concerns related to contractual employee positions, coupled with the availability of excess fund surplus. The evaluation recommended that the board work with DLLR to request from the Department of Budget and Management at least one new contractual staff position if the board is unable to make the contractual positions permanent.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 238 (The President)(By Request - 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 28, 2013  
ns/mcr Revised - Updated Budget Information - April 30, 2013

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Analysis by: Stephen M. Ross

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510