

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 668 (First Edition)

SHORT TITLE: CPA Education Requirements/AB

SPONSOR(S): Senators Hoyle and Carpenter

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
EXPENDITURES	\$1,207,586	\$1,247,206	\$1,288,380	\$1,332,205	\$1,379,120
POSITIONS:	14 (approximate)				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: University of North Carolina; Community Colleges					
EFFECTIVE DATE: Upon ratification					

BILL SUMMARY: Amends GS 93-12(5) regarding educational requirements for taking examination for CPA and for being certified as CPA. Leaves in place current requirements for taking examination (which include possibility of waiving education requirement) but adds new requirement that person have completed 150 semester hours and received bachelors degree with concentration in accounting and other courses required by Board, from accredited college or university or college or university with substantially equivalent standards.¹

ASSUMPTIONS AND METHODOLOGY:

1. The number of students in accounting and those seeking to take the CPA examination will remain at the level for 1995-96. In 1995-96, there were 703 accounting baccalaureate graduates at UNC campuses which will continue to offer an undergraduate degree or concentration in accounting. An estimated 57.3% will take the CPA exam, based on first-

¹ Daily Bulletin, Vol. 1997, No. 37, 4/2/97, Legislative Reporting Service, Institute of Government, UNC-Chapel Hill.

time test takers over the two year period 1993-94 through 1994-95. Approximately 57 of the graduates immediately enrolled in a UNC graduate program during fall, 1996.

2. The average accounting graduate will need an additional 18 hours to meet the 150 hour requirement. This varies from only 3 semester credit hours for graduates of Appalachian State to 27 semester credit hours for UNC-Greensboro graduates.
3. Current dollars are inflated at the General Consumer Price Index estimates for non-salaried items (20%) and at the estimated increase in average hourly earnings in manufacturing for salaries (80%). Estimated rates are obtained from Data Resources, Inc.
4. If the bill passes, UNC schools will either increase their baccalaureate requirements in accounting to 150 hours, or graduates will take an additional year of coursework to complete the 150 hour requirement.
5. Ninety percent (90%) of the required extra coursework will be taken on UNC campuses. The balance will be taken at NC community colleges.
6. The estimated additional credit hours needed by those wishing to get a CPA certificate is calculated by the average credit hours passed by the 1995-96 graduates. The additional credit hours are then divided by 30 semester hours. This translates into an additional 223 full-time equivalent (FTE) students at UNC. We assume that 201 will be UNC students, and the balance (22 FTE or 666 credit hours) will be community college students.
7. The additional costs for the UNC system are calculated at the current funding rate for additional enrollment, which is based on average cost at each campus. Because UNC is preparing a new methodology for requesting enrollment increase funding, which will differentiate among levels of students as well as the costs of various programs, the methodology used in this note should be considered conservative. If additional campuses seek to offer a masters degree to meet the requirement, or if additional students enter existing masters programs as an option, the costs could be higher. There are no assumptions on the costs of additional masters programs included in this analysis. State costs used per additional student (FTE) at UNC campuses averaged \$5,418 per FTE, and are net of tuition payments. State costs at the community colleges are based on an estimated state subsidy of \$3,400 per FTE.
8. Students will begin to take the additional courses during the 1997-98 fiscal year since the bill is effective upon ratification.
9. Current (1996-97 dollars) costs are estimated at \$1,089,000 for UNC and \$75,500 for community colleges.

TECHNICAL CONSIDERATIONS:

The bill is effective upon ratification with no lead time for those persons planning to take the exam after the bill passes.

FISCAL RESEARCH DIVISION 733-4910

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DATE: April 15, 1997



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