

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 668 (Second 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	\$0	\$202,920	\$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; applies to applications for certificates of qualification received after December 31, 2000.				

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

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

offer an undergraduate degree or concentration in accounting. An estimated 57.3% will take the CPA exam, based on first-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 partial 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 1998-99 fiscal year since the statute also requires two years work experience before eligibility for a certificate of qualification. The assumption is that students

graduating on or before December 31, 1998 will not take additional courses because this would give them two years to get their work experience and to pass the examination. Those graduating after that date, will begin to take the additional coursework required after graduation. Current accounting graduates take approximately five years to complete their degrees.

9. If the bill were effective today, current (1996-97 dollars) costs would be estimated at \$1,089,000 for UNC and \$75,500 for community colleges. These costs are inflated into future years and pro rated based on the effective date of the bill on course-taking behavior.

10. There are also 20-22 private colleges in North Carolina which offer a baccalaureate major in accounting. If these schools increase their undergraduate degree requirements to 150 hours, there could be additional costs for the State since there are two programs providing financial aid to North Carolinians taking undergraduate degree programs in NC private colleges. The current rate of assistance is \$1,900 per student, with a proposed increase in the pending budget to \$2,200 per student. If we were to assume that the same portion of total private college graduates (370) as UNC graduates (57.3%) go on to attempt CPA certification, this would add an additional year for approximately 212 students. This could add \$402,000 to the State cost. These numbers are not included in the estimate because data is not as readily available as for the UNC system, and it speculates more about whether the schools would increase requirements. If the private colleges do not increase graduation requirements, then these students would probably take the additional coursework at a community college or UNC campus. Again, these possible costs are not included in the above estimates.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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DATE: April 25, 1997



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