

# HOUSE BILL REPORT

## HB 2603

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**As Reported By House Committee On:**  
Higher Education

**Title:** An act relating to educational requirements for accountants.

**Brief Description:** Regulating educational requirements for accountants.

**Sponsors:** Representatives Cairnes, Scott, Silver, Carlson, Jacobsen, Reams,  
D. Schmidt, Goldsmith, Honeyford, Horn and Basich.

**Brief History:**

**Committee Activity:**

Higher Education: 1/26/96, 1/30/96 [DPS].

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### HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Carlson, Chairman; Mulliken, Vice Chairman; Jacobsen, Ranking Minority Member; Blanton; Goldsmith; Scheurman and Sheahan.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Mason, Assistant Ranking Minority Member; Basich; Benton; Delvin; and Mastin.

**Staff:** Suzi Morrissey (786-7120).

**Background:** The State Board of Accountancy determines, by rule, all educational requirements for people who apply to take an examination for or to become certified as certified public accountants (CPAs). Since 1986, the board has required most CPA candidates to have a baccalaureate degree with a concentration in accounting. A concentration in accounting was defined as 24 semester hours or their equivalent in accounting courses and 24 semester hours of business administration, including business law, finance, and economics. Candidates are also required to pass the CPA exam.

In 1992, legislation affecting the board's educational requirement was proposed in an omnibus bill redefining some of the board's duties and funding sources. Under the proposed requirement, beginning in the year 2000, CPA candidates would be required to complete 150 semester hours successfully, and to hold a baccalaureate or higher

degree. The 150-hour requirement is equivalent to five years in higher education. The legislation also proposed giving the board discretion to waive the educational requirement for candidates who could successfully complete an equivalency examination. The Legislature ultimately declined to adopt the proposed 150-hour requirement. It did give the board discretionary authority to waive the educational requirement for those who successfully completed an equivalency exam. Through rule, the board did permit some candidates to take an equivalency examination in lieu of the baccalaureate degree requirement.

In March, 1995, the State Board of Accountancy asked interested parties to respond to a proposal to increase the educational requirements for CPA candidates. The new rule would require candidates to complete 150 semester hours of higher education, with a baccalaureate or higher degree. In response, the Legislature adopted budget language prohibiting the board from adopting the proposed rule until it had completed a study of the cost of the proposal. The Governor vetoed the budget language, but asked the board to delay implementation of the rule until a study of costs and enrollment effects could be completed. The board delayed implementation of the rule, commissioned the study, received the study results, and adopted the rule.

Under the rule, candidates applying to take the CPA exam after June 30, 2000, must have either a baccalaureate degree plus a fifth year, or a master's degree. They must also have the number and type of accounting courses determined by the board. In addition, the board will discontinue the latitude candidates currently have to demonstrate that their level of knowledge is equivalent to knowledge assumed to be held by a person with a baccalaureate degree.

**Summary of Substitute Bill:** Candidates seeking to become CPAs must meet educational requirements adopted by the Board of Accountancy. The types of educational requirements that the board may adopt are described. The board's authority to determine educational requirements has one limitation. The board may not require CPA candidates to have completed successfully more than 120 semester credit hours or their equivalent of college or university work. The board is required rather than permitted to waive educational requirements for candidates who have successfully completed one or more equivalency examinations offered by bona fide educational testing organizations recognized by the board.

**Substitute Bill Compared to Original Bill:** The legislation is clarified to indicate that the board's ability to determine educational requirements for CPA candidates has only one limitation. The board cannot require a candidate to have completed more than 120 semester credit hours of college level work. Candidates seeking to take equivalency examinations in lieu of a baccalaureate degree must take them from testing organizations recognized by the board.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Through rule, the Board of Accountancy is adding more than \$1 million per year to the state's cost of educating Washington's college students. This cost does not include an estimate of the costs in tuition, living expenses, or foregone wages lost to beginning CPAs. It also does not include the costs of educating students at the state's independent colleges. The additional year of education required by the board is not intended to add depth or breadth to a student's professional education. Some believe that the rule is an expensive, misguided attempt to add stature to the accounting profession. Some believe that it is intended to constrain the supply of new CPAs. Some higher education professors believe that the requirement is unnecessary and will be difficult to implement unless the Legislature provides funding for the additional year. The approach that the board has taken is diametrically opposed to the educational direction the Legislature has recommended in recent years. It relies on additional seat time instead of testing candidates to determine their level of competency in a given area. It extends rather than shortens the time it takes a student to graduate from college. Some believe that it is another example of credential creep.

**Testimony Against:** The 150-hour rule adopted by the board is part of a national movement toward requiring beginning CPAs to be better educated individuals. Thirty-two states have adopted similar requirements. If Washington does not follow suit, it is possible that persons certified in Washington may encounter difficulties if they attempt to practice in other states. This could adversely affect employment opportunities in large multi-state accounting firms. CPAs need additional education in order to cope with the demands of an evolving profession. The Legislature has given to the board the authority to determine educational requirements for CPA candidates. The board provided extensive opportunities for public comment and used its best professional judgment in adoption of the 150-hour rule. A fund to assist needy students with their educational expenses has been created.

**Testified:** Representative Jack Cairnes, prime sponsor; Representative Jean Silver (pro); David Reiter, Washington Student Lobby (pro); Glen Van Wyhe, Pacific Lutheran University (con); David Lightfoot and Lisa Kempe, Becker CPA Review (pro); Carey Rader, Board of Accountancy (neutral); Celia Fritz, CARE-CPA (pro); Tom Parker, Washington Friends of Higher Education (pro); John Smith, Attorney and CPA (pro); Richard Almbaugh, Central Washington University faculty senate (discussion); Wayne Borkowski, Borkowski and Associates (con); Gregg Jordshaugen, Yergen and Meyer, LLP (con); and Jim Boldt, Washington Association of CPAs (con).