

HOUSE BILL REPORT

HB 1814

As Reported by House Committee On:
Higher Education

Title: An act relating to creating a certified public accounting scholarship program.

Brief Description: Creating the certified public accounting scholarship program.

Sponsors: Representatives Tarleton, Haler, Hargrove, Van Werven, Sells, Zeiger and Reykdal.

Brief History:

Committee Activity:

Higher Education: 2/11/15, 2/18/15 [DPS].

Brief Summary of Substitute Bill

- Creates the Certified Public Accounting (CPA) Scholarship Program to increase the number of students pursuing the CPA license in Washington.
- Requires the Board of Accountancy to contract with the Washington CPA Foundation to administer the Scholarship Program.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Hansen, Chair; Pollet, Vice Chair; Zeiger, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Bergquist, Gregory, Hargrove, Holy, Reykdal, Sells, Stambaugh, Tarleton and Van Werven.

Staff: Megan Wargacki (786-7194).

Background:

Public-Private Scholarship Programs.

The Opportunity Scholarship Program is a public-private scholarship program in Washington. An 11-member board appointed by the Governor provides oversight and guidance for the scholarship program. The Washington Student Achievement Council (Council) contracts with a nonprofit organization to staff the board and administer the

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scholarship program. The program provides scholarships to help low- and middle-income Washington residents earn degrees in high employer demand and other programs of study.

Board of Accountancy.

The Board of Accountancy (Board) regulates the practice of public accounting in Washington under the Public Accountancy Act (Act). The Board is composed of nine members appointed by the Governor for three-year terms. The executive director of the Board is also appointed by the Governor.

The Board licenses both individual certified public accountants (CPAs) and CPA firms who meet standards established by law and by the Board. The Board has rule-making, investigative, and disciplinary authority. The Board sets fees to pay the costs of administering the Act.

Washington CPA Foundation.

The Washington CPA Foundation (Foundation) is a charitable organization established "to provide scholarships for college-level accounting students and to enhance the knowledge within the accounting profession." The Washington Society of CPAs is a related organization.

The Foundation awards scholarships to eligible accounting students based on merit. The requirements include: junior status or higher; a grade point average of 3.0 or higher in accounting courses and overall; acceptance into an accounting program at accredited four-year college or university in Washington; and involvement in on-campus, off-campus, or community activities. The scholarships are a minimum of \$3,000, non-renewable, and for tuition only.

Summary of Substitute Bill:

The CPA Scholarship Program (Scholarship Program) is established to increase the number of students pursuing the certified public accounting license in Washington.

Scholarships.

Scholarships are awarded to eligible students based on merit, and without regard to age, gender, race, creed, religion, ethnic or national origin, or sexual orientation. During the selection process, for applicants who otherwise meet merit-based criteria, the Foundation is encouraged to consider the applicant's level of financial need.

"Eligible student" is defined as a student who is enrolled at an accredited Washington-based college or university, has a declared major in accounting, and is entering his or her junior year or higher. "Eligible student" includes community college transfer students, Washington residents pursuing online accounting degrees, students pursuing master's degrees in accounting or tax, and students pursuing doctorate degrees in accounting.

Scholarships are awarded to students for one year. Qualified applicants may reapply in subsequent years. Scholarships must not exceed the student's tuition and fees, and must be paid directly to the student's college or university.

Administration.

The Board is required to contract with the Foundation to administer the Scholarship Program. The Board must provide oversight and guidance for the Scholarship Program, and negotiate a reasonable administrative fee for the Foundation's services.

The Foundation is required to establish a separate scholarship award account to receive state funds and from which to disburse scholarship awards. The Foundation must manage and invest funds in its account to maximize returns at a prudent level of risk. Scholarships must not exceed the net balance of the Foundation's account.

The Foundation is also required to develop an application, selection, and notification process for the Scholarship Program. The Foundation must determine the scholarship amounts for the students, and distribute the awards to their colleges and universities. In addition, the Foundation must notify the Council and colleges and universities of enrolled program participants, and inform them of the terms and conditions of the scholarship award.

Other duties include maintaining books and records of the Foundation's account, making assessments of reasonable educational expenses, and promoting the Scholarship Program.

Dedicated Account.

The CPA Scholarship Transfer Account (Account) is created. Revenues to the Account must be appropriations and gifts, grants, or donations received by the Board for the Scholarship Program. Expenditures may be used solely for scholarships and administration of the Scholarship Program. Only the Board's director or the director's designee may authorize expenditures from the Account. The Account is not subject to allotment, and an appropriation is not required for expenditures.

Annual Report.

The Foundation must report to the Board regarding the Scholarship Program by January 1, 2016, and each January 1 thereafter. The report must include an accounting of receipts and disbursements from the Foundation's account, a list of students and scholarship amounts, and other outcome measures necessary for the Board to assess the Scholarship Program.

Substitute Bill Compared to Original Bill:

During the selection process, for applicants who otherwise meet merit-based criteria, the Foundation is encouraged to consider the applicant's level of financial need. In addition to notifying colleges and universities, the Foundation must notify the Council of enrolled program participants and the terms and conditions of the scholarship award.

Appropriation: None.

Fiscal Note: Requested on February 4, 2015.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Scholarship Program is the idea of the CPA Association because they already pay a licensing fee into this pool of money. The CPA Association now has a substantial fund and would like to endow the Scholarship Program. The Foundation for the scholarship a tax-exempt non profit organization. The scholarship will help ensure Washington is training skilled financial experts to help the financial and public institutions deal with the responsibilities of managing public money effectively. It is important to have access to financial experts to administer state contracts and manage financial reporting to the federal government and state and local agencies. Washington needs the best people to go into the public sector. The state and the nation rely on CPAs to provide transparency in financial accounting. However, most CPAs are at retirement age, and the Bureau of Labor Statistics estimates that demand for CPAs is expected to grow 16 percent by 2020. There will be an acute labor shortage in the next six years. Added to this problem is the difficulty of obtaining a CPA license. To be eligible to take the CPA exam, students need a fifth year of accounting education, which requires additional tuition and forfeited earnings. This scholarship makes the fifth year accessible to students who would not otherwise be able to complete it. Last year there were 80 qualified applicants and 20 scholarships awarded. Past recipients of the scholarships were about 30 percent minority, some nontraditional, and over 50 percent female. Currently, the scholarships are based on merit, not on financial need. The scholarship allows students to go to school full-time without having to work, which helps students graduate sooner. In addition, the CPA Board and Foundation help connect students to CPA firms for internships and jobs after graduation. Also, CPAs like the fact that their license fees are going towards the scholarship.

(Opposed) None.

Persons Testifying: Representative Tarleton, prime sponsor; and Heather Fitzpatrick, Brett Jordan, Dan Thompson, and Kimberly Scott, The Washington Society of Certified Public Accounts.

Persons Signed In To Testify But Not Testifying: None.