NASBA

110th Annual Meeting

Legislative Update

October 30, 2017

The Flux of Regulation

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Questioning Regulation

PRESIDENT'S MEMO

We Have to Take a Stand!

Ken L. Bishop
President & CEO

I recently had the opportunity to visit with some state government officials at the behest of the Board of Accountancy regarding the ongoing discussion of consolidation and reorganizing of the Board and its staff. I am always pleased when government officials are willing to discuss the potential risks associated with consolidation transitions. In providing some background information I began with a brief history of state-based accounting regulation.

While some of you may know that NASBA has been in existence in some form for nearly 110 years, you may not know that the state-based regulation of the profession had begun several years before the establishment of a national body, beginning in New York in 1896. Within the following 25 years, every state enacted a similar licensing program. It is important that we all remember the genesis of accounting regulation as it seems that the original arguments for a strong, independent regulatory system are too often forgotten.

In the early days, most states had very few regulated "professions." Typically, they included the practice of law, the practice of public accounting and the practice of medicine. It had become clear that anyone practicing in those professions needed to be adequately educated, obtained practical experience and had rules for ethical behavior, and that the public needed to be protected from those who did not meet those qualifications. In well over a century, those premises have not changed. What has changed is the tremendous increase in the number of regulated "professions" from a few in some states to over 50 in others. By extending the category, I believe that the significance of a strong regulated accounting profession has been diluted.

Most Board of Accountancy members that I know are generally fiscally conservative. Probably most would agree that regulation has been overused and is often misused. That dilemma has created a situation wherein, when Board members and interested stakeholders fight to maintain a strong and viable Board of Accountancy, they are reproached as being out of step with reformers' efforts to streamline government to become more efficient and accountable. This is hardly the case.

Looking back, lawyers and medical professionals have done a better job in protecting a strong and effective state-based regulatory system. For the past 30 years or so, the Certified Public Accountants have not fared as well. They have often been lumped in with those in other occupations including tattoo artists, hair braiders, parking lot attendants, private investigators and massage therapists, to mention a few. More [illegible] officials making or recommending the diminution of Boards of Accountancy appear to consider CPAs and their [illegible] the hair braiders.

[illegible] not just Board members but the profession.

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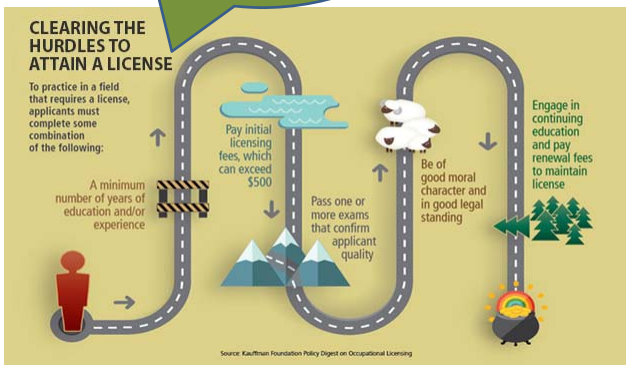
Licensing requirements vary substantially by State, creating barriers to workers moving across State lines and inefficiencies for businesses and the economy as a whole.

Institute for Justice



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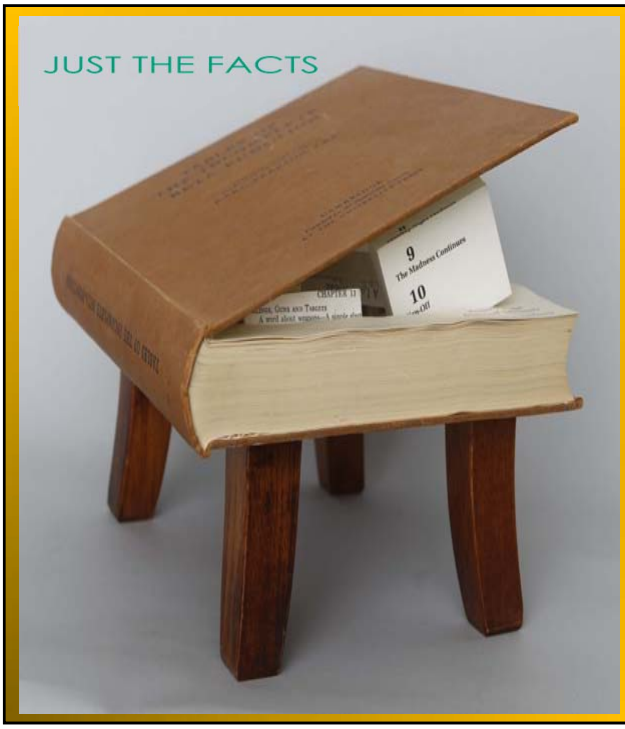
50 years ago, one in 20 Americans needed a license to work—

Today, that number is one in three

Institute for Justice



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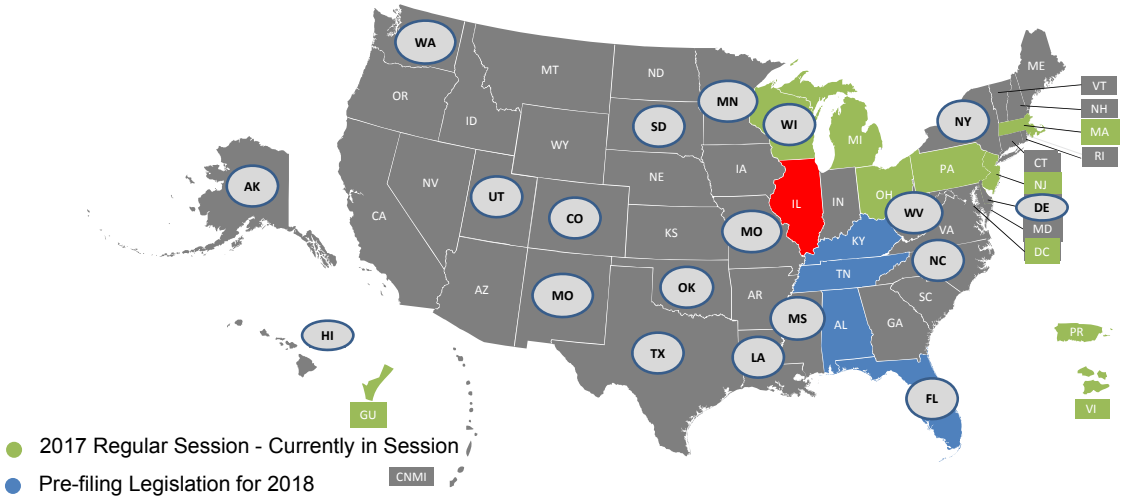
Discussion

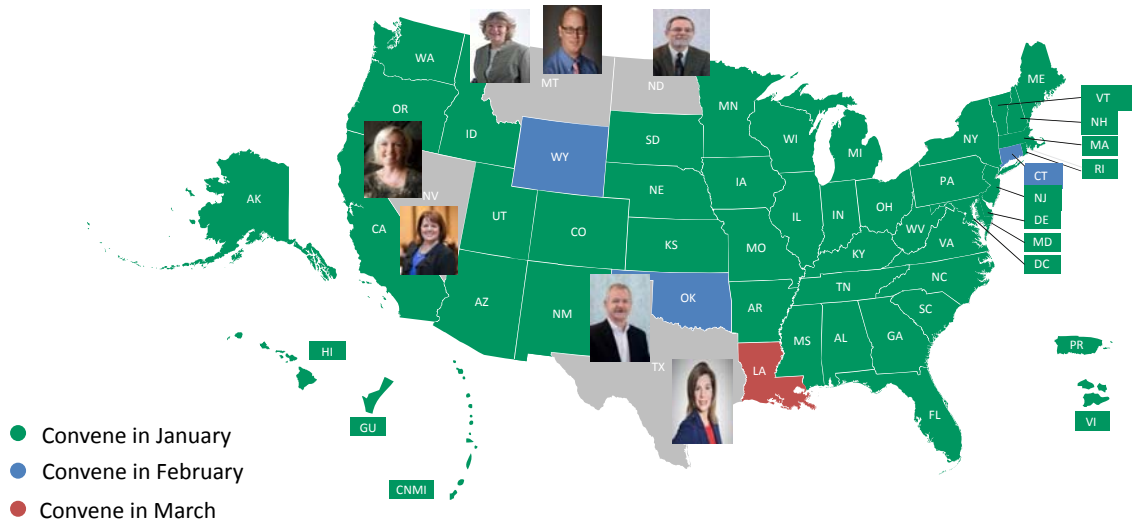
- Who's In – Who's Out
  - 2017 Legislative Session
  - 2018 Legislative Session
- Pre-filing Legislation for 2018
- Post Regional UAA Update
  - Look towards 2018
- Assault on Professions

Legislative Session Activity



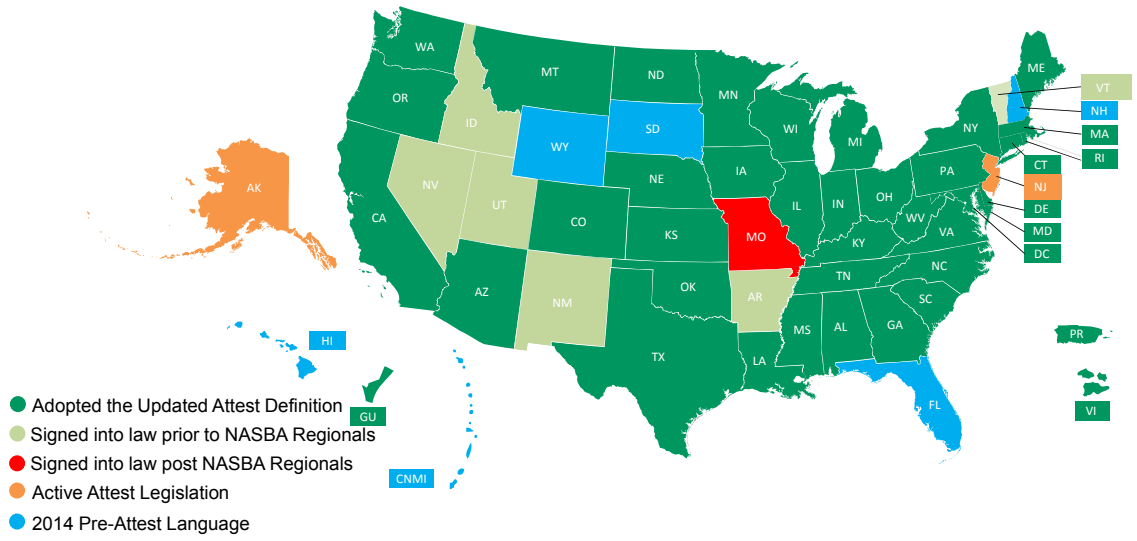
- 2017 Regular Session - Currently in Session
- Pre-filing Legislation for 2018
- Currently in Special Session
- Was in Special Session in 2017

2018 Legislature Convene Month

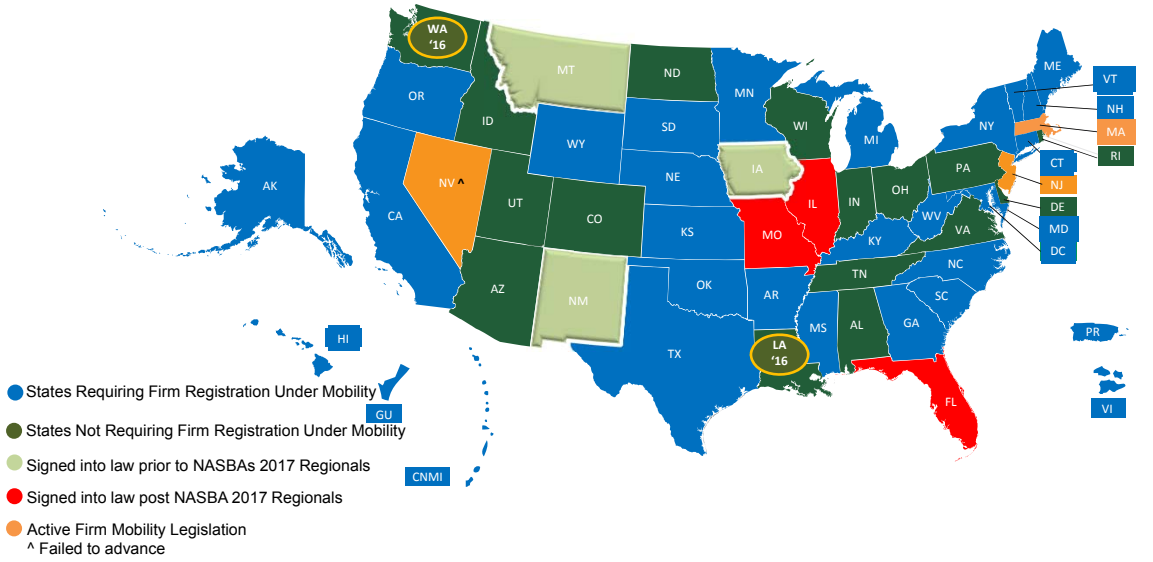


- Convene in January
- Convene in February
- Convene in March
- Do NOT Convene in 2018

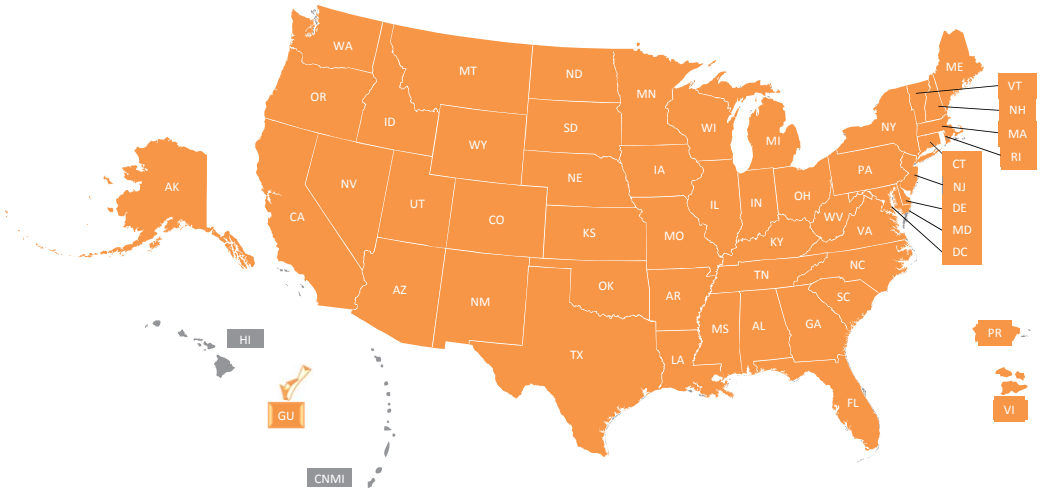
Comprehensive Definition of Attest



Firm Mobility

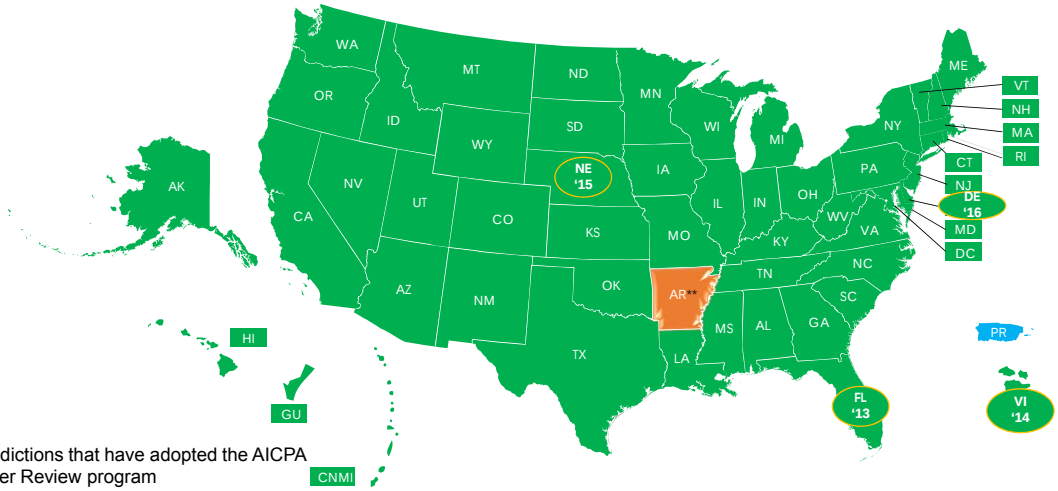


Individual Mobility



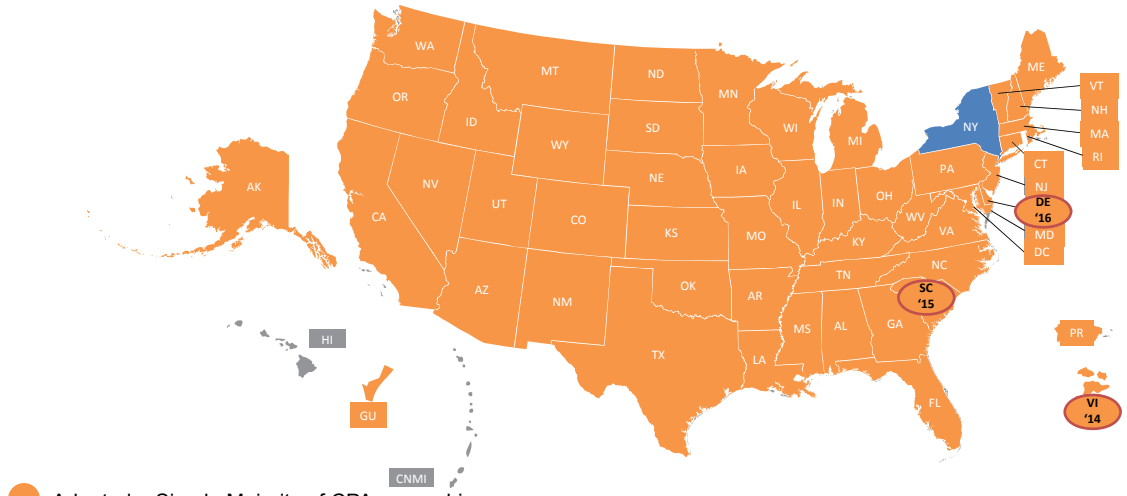
- Live with Individual Mobility
- No Mobility

Peer Review



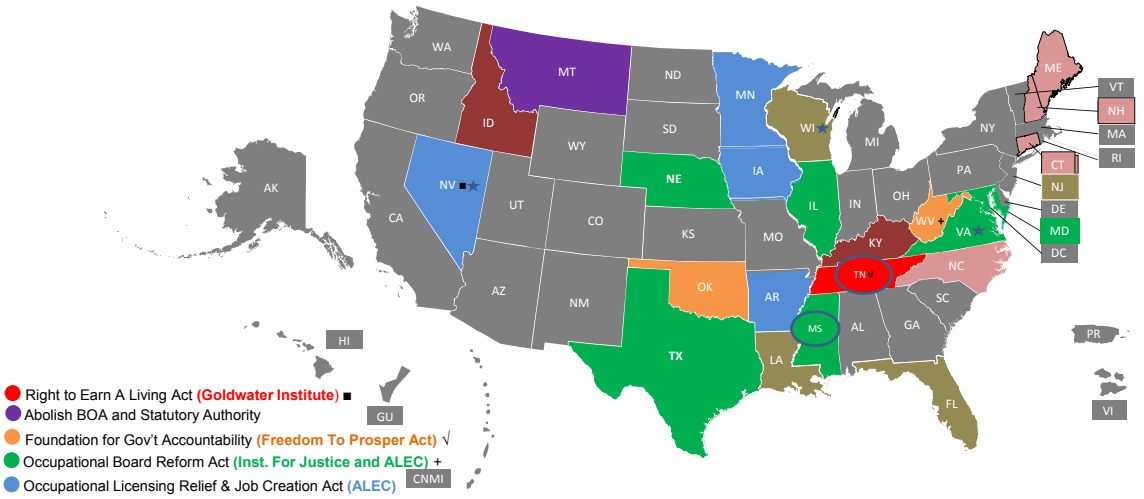
- Jurisdictions that have adopted the AICPA Peer Review program
- States that filed legislation in 2017 to replace their state based program
  **Signed Into Law
- Has not adopted the AICPA Peer Review or state based program

Firm Ownership



- Adopted a Simple Majority of CPA ownership
- Filed legislation in 2017
- Have NOT adopted a Simple Majority of CPA ownership

2017 Anti-Regulatory Legislation



- Right to Earn A Living Act (Goldwater Institute) ■
- Abolish BOA and Statutory Authority
- Foundation for Gov't Accountability (Freedom To Prosper Act) √
- Occupational Board Reform Act (Inst. For Justice and ALEC) +
- Occupational Licensing Relief & Job Creation Act (ALEC)
- Executive Order of the Governor
- Establish a committee to review occupational licensing to determine which ones should be optional ★
- Removal of CPE Requirements & Oversight of several non-CPA Occupations

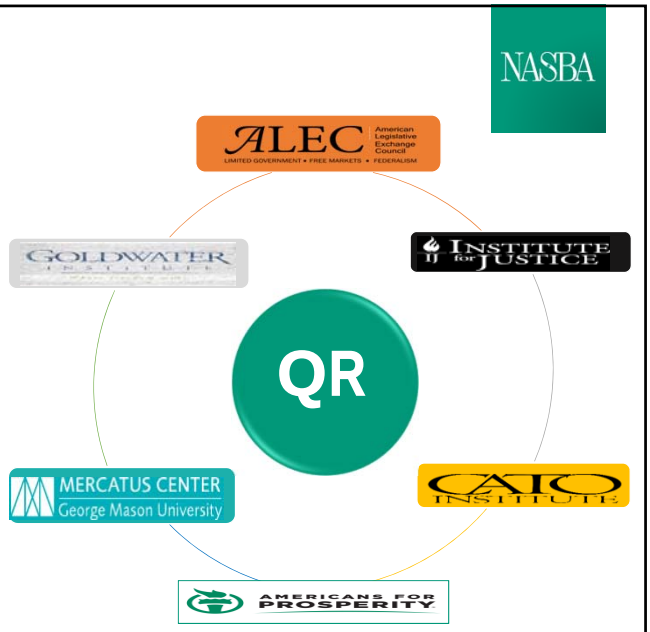
Signed into law

Flashback!

Questioning Regulation

Panel Discussion on Anti-Regulation Legislation Impacting the Profession

2017 Regional Meetings
June 2017



Why the "Uptick" in Deregulation Legislation & Board Consolidation

ALEC American Legislative Exchange Council
LIMITED GOVERNMENT • FREE MARKETS • FEDERALISM

The American Legislative Exchange Council is America's largest nonpartisan, voluntary membership organization of state legislators dedicated to the principles of *limited government, free markets and federalism*

INSTITUTE for JUSTICE

To *limit the size and scope of government* power and to ensure that all Americans have the right to control their own destinies as free and responsible members of society

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Conference: 2015 ALEC

Topic: Occupational Licensing After the NC Dental Decision

Presenter: Lee McGrath, Institute for Justice

- The Supreme Court agrees with the ALEC position
- ***"Occupational Licensing"*** is the biggest issue in labor economics
- 3 times as many individuals are forced to become licensed than join a union
- Occupational licensing creates barriers to entry into the workforce
  - Increased unemployment by 1%
  - 15% price increase

"What drives consumer protection is competition, reputation and legal remedies, not regulation."

Lee McGrath – Institute for Justice

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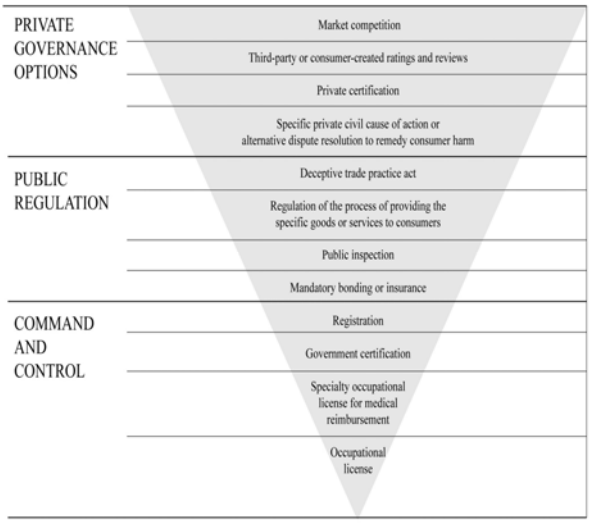
HIERARCHY OF OCCUPATIONAL REGULATION OPTIONS



33 State Boards of Accountancy have been in existence for more than 100 years – Beginning with the New York Board in 1896!

State Boards of Accountancy Beginnings

Alabama	1919	Montana	1947
Alaska	1960	Nebraska	1957
Arizona	1919	**Nevada**	**1913**
Arkansas	**1915**	New Hampshire	1921
California	**1901**	**New Jersey**	**1904**
Colorado	**1907**	New Mexico	1947
Commonwealth of the Northern Mariana Islands	2003	New York	1896
		North Carolina	1925
Connecticut	**1907**	**North Dakota**	**1913**
Delaware	**1913**	**Ohio**	**1908**
Florida	**1905**	**Oklahoma**	**1917**
Georgia	**1908**	**Oregon**	**1913**
Guam	2003	Pennsylvania	1947
Hawaii	1923	Puerto Rico	1945
Idaho	**1917**	**Rhode Island**	**1906**
Illinois	**1903**	**South Carolina**	**1915**
Indiana	**1915**	**South Dakota**	**1917**
Iowa	1927	Tennessee	1940
Kansas	**1915**	**Texas**	**1915**
Kentucky	**1916**	Utah	1959
Louisiana	**1908**	**Vermont**	**1912**
Maine	1967	Virgin Islands	1957
Maryland	**1900**	**Virginia**	**1910**
Massachusetts	**1909**	**Washington**	**1903**
Michigan	**1905**	Washington, DC	1981
Minnesota	**1909**	West Virginia	1959
Mississippi	1920	**Wisconsin**	**1913**
Missouri	**1909**	**Wyoming**	**1911**

Licensing requirements vary substantially by State, creating barriers to workers moving across State lines and inefficiencies for businesses and the economy as a whole.

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Barriers or Public Protection

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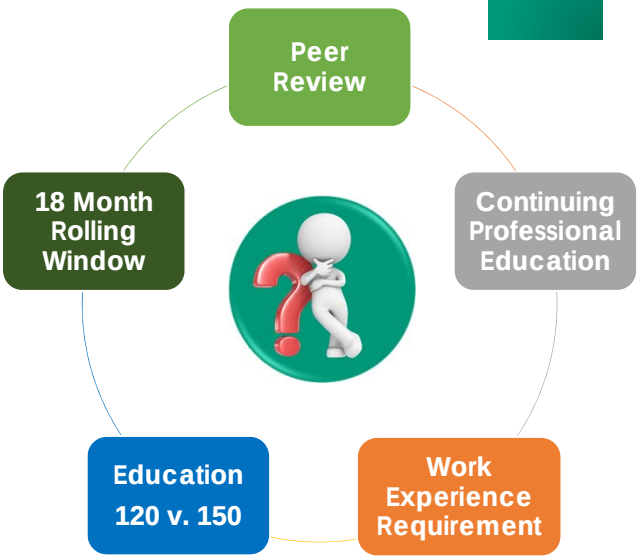

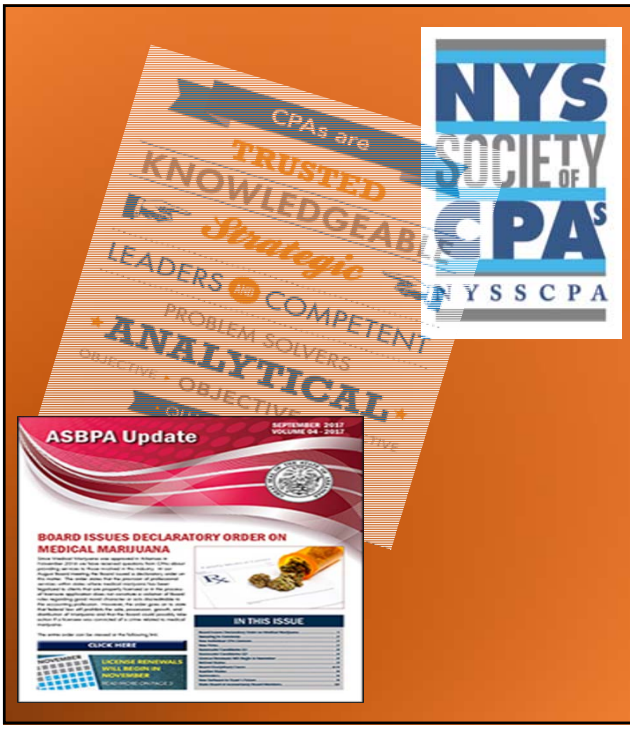

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Foundation of the Accounting Profession

- Statutory Foundation
  - Examination
  - Experience
- Regulation of Professional Conduct

Public Protection Task Force

NASBA

"Think-Tanks"

Study their Issue Portfolios

Collaboration with like-minded Professions

Robust Communications Apparatus

Direct Task Force Efforts out to the Profession

Position Leaders within the Profession

Create Engaging Materials

Talking Points, Op-eds, etc.

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Discussion and Questions

MISSION DRIVEN – MEMBER FOCUSED