



Board of Public Accountants

March 13, 2014

Senator Bruce Tutvedt, Chair
Economic Affairs Interim Committee
PO Box 201706
Helena MT 59620-1706

Senator Tutvedt and Committee Members,

I currently serve as Chair of the Montana Board of Public Accountants. I have been a member of the Board for more than six years. During that time, we have struggled with the appropriation method of funding under which the Board currently operates.

We are a special revenue fund agency, where all of our revenue is collected from our exam candidates, license applicants, and renewal of our licensees. We receive no general fund money. We are apportioned our share of Department of Labor & Industry expenses based on our use of those services.

We are required by statute to charge fees commensurate with the cost of supporting board operations, which has limited the flexibility we have in considering new initiatives or programs that would serve the consumers and the profession. We are limited in the reserves we can maintain while trying to keep an eye on future needs.

The concept of enterprise funding has been presented to us as a means of giving us more oversight and greater participation in the funding of our board. We see this concept as a positive step and would seek your support in advancing legislation that would allow licensing boards to utilize enterprise funding. We currently set revenues using the concept of enterprise funding in that we are required to be self-supporting, but our ability to spend necessary resources is tied to the appropriation process.

GAAP, the gold standard in government accounting standards, requires state and local governments to use enterprise funding to account for business-type activities and services primarily funded through fees charged for services utilized. We currently do not follow GAAP standards. The National Council on Governmental Accounting Statement No. 1 entitled *Governmental Accounting and Financial Reporting Principles* defines the purpose of enterprise funds as "...to account for operations (a) that are financed and operated in a manner similar to private business enterprises – when the intent of the governing body is that the costs of providing

goods or services to the general public on a continuing basis be financed or recovered primarily through users charges..." We firmly believe our current operation fits this definition.

In 2008 a US Department of Treasury Advisory Committee on the Auditing Profession reported that "greater independence of state boards of accountancy would enhance their regulatory effectiveness. The Committee recommends that ...states evaluate and develop means to make their respective state boards of accountancy more operationally and financially independent of outside influences." We believe enterprise funding will advance the goal of making boards more financially independent.

While we recognize moving to enterprise funding will reduce or eliminate legislative oversight of board's budgets, we submit that the benefits of compliance with GAAP, allowing greater flexibility for regulatory boards to carry out their consumer protection responsibilities, and greater involvement by the licensees whose fees support the boards will benefit all stakeholders. Consumers and the professions alike will benefit from the boards transitioning to enterprise funding.

I appreciate your consideration and encourage your support of legislation authorizing enterprise funding for professional licensing boards.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Harris". The signature is fluid and cursive, with the first name "Linda" being more prominent than the last name "Harris".

Linda Harris, CPA
Chair