

Dan Vuckovich, CPA, Board Member
Board of Public Accountants

We appreciate the Montana Society of CPAs (MSCPA) and Rep. Hertz for bring this legislation forward. MSCPA has observed the challenges the Board has faced over recent years concerning budgeting and we appreciate their support.

Statutory appropriation is defined as "an appropriation made by permanent law that authorized spending by a state agency without the need for a biennial legislative appropriation."

This method of appropriation would allow the Board of Public Accountants to set a budget independent of the needs and considerations of other boards within the Dept. of Labor & Industry, Business Standards Division. Currently, a board is given a beginning appropriation for a fiscal year. That appropriation level can, and often does, change throughout the year because of the needs of other licensing boards. Last fiscal year (FY14), the Board of Public Accountants was given a beginning appropriation of \$408,975. That is the appropriation amount we used to set our budget. That amount was reduced by \$40,000 in April, 10 months into the year, due to circumstances relating to other board's appropriation needs. That resulted in several Board conference calls being cancelled, a rule package to implement the new peer review program postponed, and other cost savings measures taken by the Board. Final expenditures for FY 14 for the Board of Public Accountants were \$371,187, or 91% of original appropriation levels. However, we ended up spending \$2,200 over the newly adjusted appropriation.

This type of budgeting makes it virtually impossible for boards to set budgets, plan expenses and stay within those budgets. Allowing the Board of Public Accountants to be statutorily appropriated will allow the Board to set a budget and plan expenses on an annual basis rather than making last minute adjustments to meet a changing appropriation level late in the game.

In addition to the unanticipated expenses for other boards, we must also work within the service charges from the Department of Labor and other State Government services like IT. The Board has diligently looked at ways to save money in the service areas currently provided by the Department and are taking steps to reduce those expenses where we have the ability to do so. Because of appropriation levels, at the request of the Department, we cancelled the 2013 CPE audit that was scheduled to be conducted the first part of FY 15.

All of our board fees are set by rule. All rules are vetted through the licensees who pay those fees, and the State Society maintains a careful eye on Board expenditures and fees. This legislation would require the Board to maintain a minimum cash reserve balance of 15% of the last 3-years of revenue. This should address the concerns that the Board will immediately spend all current cash and increase fees. We have work diligently to keep costs down for our licensees while fulfilling the regulatory role we are required to perform. Additionally, the Legislature will retain its audit authority over the Board, which addresses the no oversight concern to this process. We welcome oversight and strive for transparency in all of our actions. It is much more difficult to be transparent when our appropriation levels, and as a result, our expenditures are a moving target.

HB 560 will allow the Board to set a realistic budget, monitor that budget, adjust spending as needed, and carry out our responsibility of public protection to the citizens of Montana who utilize the services of a CPA. We take our public protection responsibility very seriously and are confident we can prove to the Legislature how responsible budgeting and regulation for licensing boards can be achieved. While some are advocating that this method of funding should apply to all boards, or none at all, we see this as a pilot project and an opportunity to show the Legislature and licensees how this type of budgeting can work to everyone's benefit. We intend for you to look at the Board of Public Accountants in two years and determine you made the right decision in making the Board of Public Accountants statutorily appropriated.

The Board of Public Accountants hopes you can support this bill with a "do pass" recommendation.