

**STATEMENT IN OPPOSITION TO HB 442 --TO AMEND SECTIONS 4701.06 AND  
4701.17 OF THE REVISED CODE TO MODIFY THE REQUIREMENTS TO OBTAIN A  
CERTIFIED PUBLIC ACCOUNTANT CERTIFICATE.**

**Date:** November 29, 2020

**To:** Senator Rob McColley, Chair, Transportation, Commerce and Workforce Committee  
Senator Terry Johnson, Vice-Chair  
Senator Nickie J. Antonio, Ranking Minority Member  
The Ohio Senate, 133<sup>rd</sup> General Assembly

**From:** A Community of Ohio Accounting Educators as undersigned at the end of this Statement

The undersigned, each a senior accounting faculty member at an Ohio public or private institution, offer the following comments, as private citizens, in opposition to HB 442.

We firmly believe that this proposal fails to address concerns essential to the proper technical competence and education of Certified Public Accountants by assuring knowledgeable entrants to the CPA Profession in order to protect the public interest. Supporters of HB 442 have failed to provide a persuasive justification for the proposed changes. They have referred to out of date anecdotal views of the CPA examination experience, and used examples of non-comparable states, which have not made sufficient investment in higher institutional education for a growing and changing profession. As detailed below, Ohio's comparative educational advantage in this discipline is evidenced by the dozen schools that have achieved accounting accreditation from the AACSB, the century old global business post-secondary accrediting agency. Many large states that compete with Ohio have underinvested in this area and will have to continue to play catch up, while Ohio's educational processes to achieve the CPA is a "gold standard," demonstrating a comparative advantage in supplying high quality graduates at the 150-hour program level. Thus, there is no need to modify the current qualifications. To put 120 hours into black letter law to sit for the examination deprives the Accountancy Board of exercising its expertise and discharging its role to address coming changes in the CPA examination in January 2024. The major consequences of this change are not reflected in sponsors or proponents considerations because this change became effective *after* the bill was proposed and approved by the House.

It may be asserted by proponents that this issue has been afforded due process to a wide range of stakeholders, yet many of us who are highly experienced in these matters strongly disagree. This bill arose suddenly, with minimal, limited, ad hoc and incomplete outreach to Ohio's professional and academic accounting communities when compared to the effort undertaken to establish the current law.

The State of Ohio's accounting educational prowess as a pioneer in advancing the educational qualifications of CPAs dates to at least the 1960s when the first steps toward major advancements in educational competencies were undertaken nationally. The State's existing requirement to sit for the examination with 150 semester hours took effect in 2000, following lengthy statewide presentations and due process during the 1990s. That change was motivated by a broad-based national awareness, in reports and studies, including The Beamer Report, led by Ohioan Elmer G. Beamer, and an in-depth study, *Horizons for a Profession* [1, 2]. These reports and studies provided for the changes then made, noting the need for more knowledge to advance the CPA's capabilities, and a postgraduate education requirement. As late as the 1960s the only requirement to sit for the CPA exam in the vast majority of States was a high school education [3]. Ohio law changed in the early 1960s requiring 120 hours or a bachelor's degree level requirement. In the 1970s, the movement toward fully addressing the recommendation for increased education gained momentum. In 2000, Ohio's requirement was adjusted to 150 hours. Passage of HB 442 does not support the essence of this requirement, undermines

achievements of the past twenty years.

Financial resources for fifth-year accounting students, in the form of scholarships provided by the Accountancy Board of Ohio (ABO) and the Ohio Society of CPAs (OSCPA) have added to the assurance that individuals will have financial support to acquire the additional education. More importantly Ohio's colleges and universities have provided an abundance of alumni and other supported scholarships, graduate assistantships and similar forms of assistance that have provided the dominant form of financial support to aspiring CPAs. Aspirants decide to invest in their education, as is often the case in professions, accepting that cost in return for the prospect of career long compensation to provide a satisfactory return.

The process of educational evolution has gradually demonstrated itself over several decades, with increasing numbers of institutions of higher education now offering advanced and graduate accounting education coursework and degrees around the country. The concept that Ohio changing to a 120-credit hour requirement will put it in conformity with other jurisdictions is not correct. The proponents suggestion that there is a trending uniformity supporting taking the examination at 120 hours is not valid. Many jurisdictions do not allow taking the examination after just 120 credit hours. Even those that may be labeled as 120-credit hour jurisdictions have unique qualifications within the statute or a rule that would distinguish them from other jurisdictions.

The increasing number of graduate educated accountants entering the workforce is consistently evidenced in the regular supply and demand studies of the American Institute of CPAs (AICPA). As noted below, Ohio has over a dozen graduate accounting programs meeting this need and thus the supply, which continues to evolve, is appropriate. Evidence shows that in recent times the number of newly admitted partners with graduate degrees in major accounting firms increased to 43% - an increasing trend in educational achievement [4]. Education will continue to be equally important to peer level positions throughout the CPA profession.

Ohio's accounting programs are among the most highly regarded in the nation. They have invested in developing curriculum, acquiring highly sought-after faculty and resources to support the current statutory and rule requirements. What will be the implications for a change of this magnitude – not only for the prior investments made – but also for future investments? The international business and accounting accrediting agency, the Association for the Advancement of Collegiate Schools of Business (AACSB), offers separate accreditation for accounting programs to assure continuous improvement is accomplished as to the quality, content, and resources applied. The AACSB has granted separate accounting accreditation to only 188 schools worldwide and twelve (over 6%) are in Ohio. Four other Ohio schools have business- only accreditation from AACSB. Under AACSB guidelines, curricula are reviewed and content is developed on a continual basis to respond to the rapidly changing needs of the practicing professional community. These existing educational assets provide Ohio with a critical strategic advantage over neighboring or competing States. Placing a lower level of educational achievement (120 hours to sit) in legislation undermines Ohio's advantage.

The knowledge expected of a new CPA (and tested on the CPA exam) has expanded significantly over the past decade and continues to expand. As noted above, since the passage of HB 442 in June, on July 28, 2020, the National Association of State Boards of Accountancy (NASBA) voted to approve the CPA Evolution Model proposed by the AICPA that outlines important changes to the CPA examination to take effect in January 2024. This will advance needed competencies of CPAs and clearly will require the need for further entry-level education not less. For Ohio to step back from a well-developed educational base now is counterproductive to serving the needs of the public. Emerging areas in the evolving CPA exam include scenarios to test higher order skills, to align employer-expected competencies and increase real-time the ability of CPAs to conduct predictive and prescriptive services in information systems, data analytics, financial reporting, and advanced tax planning and compliance.

The topics have recently been examined or are now being acted upon as part of this effort [5, 6, and 7].

The AICPA usually conducts rigorous practice analysis every seven years, to assure that material tested on the CPA exam is current and relevant. It recently announced a new practice analysis exercise only three years after the completion of the last one. The rapid pace of change in capital market activity, business, and accounting processes are the reason for this acceleration. It is not just that there are new taxation rules and significant new accounting standards; rather it is a recognition that new CPAs are expected to have the knowledge related to these issues and apply technologies involving digital analysis, data visualization, and cybersecurity.

Relatedly, the proposed legislation is silent as to the fact that under current Ohio law the final 30 hours of the 150-hour requirement remains unspecified. Legally required education for licensure occurs at 150 hours for all states. Students who sit at only 120 may readily avoid optimal educational choices, involving themselves in a race to the bottom of education quality. It is clearly now, more than ever, in the public interest that such education develop a better CPA candidate by focusing on “soft and higher order skills” (critical thinking, writing/communication, cases or scenarios regarding duty to others and professional judgement, as well as emerging means of analysis, artificial intelligence and auditing complex digital systems). Such skill development and learning are less likely to be competently addressed by those with 120 hours of education. This suggests that 120-hour candidates going forward will be less well prepared when taking the examination leading to even higher initial failure rates, and fewer candidates becoming CPAs. Only so much can be taught within 120 credits in the face of such expanding expectations for knowledge. Other learned professions, Medicine and Law for example, would not permit individuals to be examined prior to their completing their complete legally required educational qualifications? Why would the law be different CPAs, permitting them to be examined before they have completed their total educational requirements.

HB 442 is ill timed as a proposal for change for it comes after accounting programs across Ohio have investing time and resources to address the perceived needs identified in the recent professional literature as previously noted in References 6 and 7. High-level analytical and technology competencies often come to academe with assistance from practice. Schools and accounting faculty acquire them in order to add value to students’ experiences. The limited capacity of 120 hours will seriously diminish the prospects to expand curriculum to provide such competencies and be successful on the examination in the future.

As accounting educators, we are disappointed that this legislation supported by the OSCP leadership was not more broadly and thoroughly communicated on a timely basis. Therefore, it is our responsibility to oppose HB 442 that puts at risk the advances made through accreditation improvements, curriculum and state and private financial investments and cross supporting arrangements since the establishment of the 150-hour to sit rule in 2000. It is likely to have substantial unintended consequences and a chilling effect on quality post baccalaureate educational requirements needed to develop the professional accounting talent that will serve the public interest in Ohio.

In closing, it is useful to recall that accounting is the language of business. Information provided by this language is the lifeblood of our market-based economy. The public is increasingly dependent upon timely and relevant financial information. The CPA holds a position of special importance, as a trusted professional, in the preparation and review of such information. CPAs must be both technically competent and well educated to meet the rapidly changing and increasing complex demands of the marketplace and of Ohioans.

Below are the names and institutional affiliations of the individuals who have electronically indicated their support for the communication of this Statement.

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#### References

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2. Robert H. Roy and James H. MacNeill, *Horizons for a Profession*, New York: American Institute of Certified Public Accountants, 1967, 354pp.
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