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**Before the Senate Committee on Labor and Business
February 18, 2025**

Hearing on SB 797 – Board of Accountancy Agency Request Bill

Testimony of Haley Lyons, CPA, Board Chair, Board of Accountancy
and

Martin Pittioni, Executive Director, Board of Accountancy

Chair Sen. Taylor, Vice-Chair Sen. Bonham, members of the Committee, for the record, my name is Haley Lyons, I am a CPA and Partner at Kernutt Stokes, a public accounting firm headquartered in Eugene with approximately 100 employees, and I currently serve as Board Chair for the Oregon Board of Accountancy (Board). Testifying with me is Martin Pittioni, who is serving as the Executive Director for the Board. Thank you for hearing this bill, which is the Board's key proposal primarily addressing CPA workforce pipeline issues, as well as proposing an update to the composition of the Board to reflect the current state of the profession and our licensure base.

Our Board statutes have not been comprehensively updated since 2015 and what is before you in SB 797 is primarily a response by the Board to major workforce shortages facing the profession nationally, including in Oregon. According to the Integrated Postsecondary Education Data System (IPEDS), accounting degree completions fell by 17% from 75,153 in 2017–2018 to 62,318 in 2021–2022. In addition, in 2020 the American Institute of Certified Public Accountants (AICPA) estimated that 75% of the CPA workforce will meet retirement age within 15 years.

The reasons for this pipeline issue are complex. What we know is that we have a CPA service industry that is firing clients due to significant workforce capacity shortages limiting their ability to serve clients. That is a problem not just from an industry standpoint, that is a major problem for individuals, businesses and governmental entities needing to access CPA services. As such this Board views this pipeline issue also very much as a public protection issue.

On the regulatory side we know the profession's national switch to a 150-semester hour standard for CPA licensure about 20 years ago played a contributory role. According to a 2024 study by the MIT Sloan School of Management, this 30-semester hour increase to 150 semester hours of required university education led to a 14% decline in CPAs entering the field overall. This decline also disproportionately (26%) affected the ethnically diverse portion of the incoming CPA pipeline. Increasing the education requirement exacerbated the cost of the CPA licensure pathway and negatively impacted pipeline diversity.

The Board's proposed key policy response SB 797 would allow the Oregon Board of Accountancy (Board) to add additional CPA licensure pathway options including a Bachelor-level pathway (equivalent to 120 semester hours currently) in exchange for an additional year of supervised experience. This effectively restores the original pathway to CPA licensure as an additional option. The language in SB 797 also provides the flexibility to move away from strict semester hour approaches and achieve a degree-based framework that can better adapt to changes in the higher education environment.

Critically, SB 797 also makes corresponding updates to the mobility provisions for the profession to minimize disruptions from licensure pathway updates on the ability of CPAs to practice across state lines. This essential accomplishment of the profession, achieved as part of unifying the profession nationally to a 150 semester hour standard (plus one year of experience and passage of the CPA Exam) must be protected to ensure access by the public to CPA services.

In addition, this measure also tweaks the language in statute for our inactive licensees which would allow inactive-level licensees to work in some capacity for a public accounting firm, and thus help public accounting firms to tap into that talent pool.

Finally, SB 797 was also coordinated with the Governor's Office to tweak the requirements to be eligible for appointment to the Board. One key part here is that the Board has long had one reserved seat for a different level of licensure called Public Accountants (PAs), where at this time only 20 licensees are left in that pool. That is too small a pool to continue justifying a separate seat on the Board. SB 797 broadly simplifies the requirements to be eligible for appointment to one of six professional positions on the Board by allowing any active-level licensee (CPA or PA) to apply and be considered by the Governor and proposed to the Senate for appointment.

Please be assured the Board is not simply just asking this committee and the Legislature for assistance with SB 797 to address its workforce shortage. This bill is part of a broad package of Board initiatives, including SB 796 heard on Monday which (in combination with a policy option package in the Board's budget bill, HB 5001) would propose using existing Board funds to fund accounting scholarships. As exciting as that is, this does not mean the Board just now is working on matters like this. In fact, the Board completed three aggressive and voluminous rounds of rulemaking in the 2023-25 biennium, using its existing statutory authority to remove or reduce the barriers for applicants for the exam, barriers for applicants for initial licensure, and barriers for existing licensees.

More specifically, the Board already accomplished all of the following by means of these rulemaking initiatives, while working to develop the language and policy before you in SB 797.

- a. Switching Oregon CPA examination candidate application processing to the National Association of State Boards of Accountancy (NASBA), streamlining the candidate application process significantly, creating a one-stop shop.
- b. Aligning CPA exam window calculation methodology with national practice, eliminating confusion and implementing a more candidate friendly approach.
- c. Adoption of a 30-month *retroactive* CPA exam passage window, dramatically expanding the amount of time candidates have in which to pass all sections of the CPA exam. This helps to address profession which no longer has slow seasons in which studying for the exam is more easily accomplished.
- d. Implementation of the nationally proposed Credit Relief Initiative, which restored CPA exam credits that expired during the COVID public health emergency.
- e. Implementation of transformative increase in the amount of allowable internship hours on a university transcript (to 12 semester hours / 18 quarter hours) that can be counted toward the 150-semester hour requirement for initial licensure.

- f. Implementation of 120-to-sit legislation (HB2523 – 2023), allowing CPA exam candidates to sit for the CPA exam sooner.
- g. Updating our rules to align with a significantly updated national CPA exam (CPA evolution, in effect as of January 2024).
- h. Adoption of CPE reciprocity rules streamlining licensure renewals for those licensed in multiple states.
- i. Complete overhaul of licensure reinstatement rules, aligning with regional neighbors and their standards.
- j. Updating retired license status to permit work in public accounting firms to the same extent unlicensed staff can.

Just as important as the substance of the rulemaking efforts above, and the policy proposals before you in SB 7978, is how the Board developed them. Effectively, the Board built a strong, unified coalition in Oregon in support of its rulemaking and legislative proposals, primarily through a painstaking Laws and Rules Committee and Board process drawing in local and regional stakeholders. (The Board also used a separate Pipeline Committee primarily consisting of higher education representatives to work on its separate accounting scholarship legislation in SB 796.) That is the reason you will see unified support in this committee to an extent that is unparalleled in most of our other jurisdictions across the country.

In that context and connecting it to the earlier point of the CPA workforce shortage as a national problem, it will no longer surprise you to hear that SB 797 has a lot of company in other states. Ohio was the first one through the gate with their CPA pathway update similar to our proposal in SB 797 signed into law about a month ago. 16 more jurisdictions are considering bills right now in their current legislative sessions to address the CPA licensure pathway update (in alphabetical order – not in order of importance otherwise Oregon would be listed first): Florida, Georgia, Hawaii, Iowa, Illinois, Indiana, Maryland, Massachusetts, Montana, New Mexico, Oregon, South Carolina, Texas, Tennessee, Utah, and Virginia. In addition to those 16 jurisdictions, 2 more are moving by rule (Arkansas and Washington, the latter at this time limited to updating its CPA mobility language). We expect more jurisdictions to follow.

Up until now, the national leadership bodies of the profession (AICPA) and the National Association of State Boards of Accountancy (NASBA) were fractured with respect to the best way to update the CPA licensure pathway and protect CPA mobility. Compromise was reached on Thursday February 13, and announced nationally just on Friday, February 14, 2025. While that compromise still needs to receive final language tweaks and requires completion of a national exposure draft process, what we can put on the record is that the national compromise reflects the approach taken in Oregon's SB 797 before you.

Finally, please note we discovered one small glitch in the wording of the proposed update in the definition of substantial equivalency in SB 797. This committee, your Chair Senator Taylor, and committee staff have been exceptionally kind and allowed us to work with legislative counsel on a technical amendment. The -1 amendments were the first attempt for a fix but did not quite work, and the -2 amendments work much better and could be available by the February 18 hearing. We would respectfully request your support for the bill and the -2 amendments.

Thank you again for hearing this bill. We are happy to answer any questions from the committee.