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Operator's Signature

Date

2003 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2287

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Deanna Waller
Operator's Signature

10/21/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2287

Senate Industry, Business and Labor

☐ Conference Committee

Hearing Date 01/29/03

Tape Number	Side A	Side B	Meter #
Tape 1		x	3662 to end
Tape 2	x		0-4100
Committee Clerk Signature <i>Lisa VanBerkon</i>			

Minutes:

Senator Mutch opens SB 2287.

Senator Klein introduces bill. He states that the increase in hours is causing the decrease in number of accounting students.

Senator Every: What is the difference in this bill from 2 years ago when it was defeated?

Senator Klein: Not a lot.

Senator John Andrist, in support of SB 2287 (see attached testimony)

Larry Krisco (attached testimony and information)

Jerry Spaedy, (attached testimony)

Albert Kruegar, ND Society of Accountants, Keif, ND. (attached information) Kruegar welcomes ARA's to Harvey, ND it provides more competition.

Wayne Kutzer, Vocational Technical Association, This provides career opportunities for students. I think we need to look at the career aspect for these students.

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10/21/03
Date

Page 2

Senate Industry, Business, and Labor

Bill/Resolution Number SB 2287

Hearing Date 01/29/03

Senator Heitkamp: What stops are colleges from teaching that level of course now? If

Minnesota is teaching this why aren't we?

Kutzer: We are. they give them the information to pass this.

Paul Trauger, Morton County Auditor and CPA (see testimony)

Senator Klein: What creates the issue with ABA's?

Trauger: It improves advancement opportunities in the work place.

Senator Espgaard: Can't you get that accreditation without that legislation?

Trauger: You could with a 4 year degree and a CPA.

Opposition

Tom Ribb, CPA, President of the ND Society of Certified Public Accountants (see testimony attached)

Senator Mutch: Do you have to be bonded?

Ribb: No

Harold Wilde, CPA, Associate Professor and Chair of the UND Department of Accounting and Business Law, (testimony attached)

150 hours assures then that they are adequate. 4 year degree and 150 classroom hours.

Senator Klein: Are you concerned that people are leaving?

Wilde: Very concerned, 1990 there was a 40-50% drop on business and accounting degrees.

Senator Krebsbach: the increase in students from ND both is East Grand forks and Moorhead at the Northwest Technical College, could some of that be due to our 4 year Universities dropped the 2 year program a few years ago?

Wilde: yes, but the 2 year schools in ND wanted those classes and took them from the 4 year.

Page 3
Senate Industry, Business, and Labor
Bill/Resolution Number SB 2287
Hearing Date 01/29/03

We had 2 people come from Northwest and take a class with us and they left because the level was too hard.

A CPA who serves in the rural areas. When we as a state board tried to find common ground I was the one who conducted the meetings and did some research. The state of Washington and another person put a paragraph into their law that stated this may be used in our state. BAA stands for two different things it may be a Accredited Business Advisor or it is Accredited Business Accountant. Anything a CPA can do a LPA can do.

Closed SB 2287

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12/21/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2287

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 02-04-03

Tape Number	Side A	Side B	Meter #
2	xxx		3570
Committee Clerk Signature			

Minutes: Chairman Mutch opened the discussion on SB 2287. Senator Heitkamp was absent.

SB 2287 relates to accredited business accountants.

There was brief discussion among committee members.

Senator Every made a motion to AMEND. Senator Espegard seconded.

Roll Call Vote: 6 yes. 0 no. 1 absent.

Senator Klein moved a DO PASS AS AMENDED. Senator Espegard seconded.

Roll Call Vote: 6 yes. 0 no. 1 absent.

Carrier: Senator Klein

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Deanne D. Smith
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10/21/03
Date

FISCAL NOTE
Requested by Legislative Council
02/06/2003

Amendment to: SB 2287

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

The bill in amended form indicates that the Legislative Council shall consider studying the feasibility and desirability of creating a new classification of accountant.

As the bill is tentative in nature, it has no direct financial impact on the Board of Accountancy, unless the Legislative Council decides to conduct a study.

If the Legislative Council chooses to study the issue, the Board will likely costs if it is involved in the study -- such as research, preparation of materials, travel costs, etc.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

Revenue would result from application and renewal fees.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

Expenses would result from initial legal guidance, development of forms and regulations. Ongoing expenses, assuming a small number of registrants, would be nominal.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

The State Board of Accountancy does not receive any funds or appropriations from the State. Its funding comes from application and registration fees, late fees, payroll sharing fees, etc.

Name:	Jim Abbott	Agency:	ND State Board of Accounting
Phone Number:	800-532-5904	Date Prepared:	02/07/2003

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FISCAL NOTE
Requested by Legislative Council
01/22/2003

Bill/Resolution No.: SB 2287

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$3,700	\$0	\$2,000
Expenditures	\$0	\$6,000	\$400	\$400	\$0	\$400
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

The new accounting credential proposed in the bill would involve initial legal guidance, development of regulations, development of forms, etc. Those who obtain the credential will incur additional expenses such as initial application and yearly registration fees, plus perhaps additional continuing education costs. These additional costs may contribute to higher client fees.

3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:

A. Revenues: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

Revenue would result from application and renewal fees.

B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

Expenses would result from initial legal guidance, development of forms and regulations. Ongoing expenses, assuming a small number of registrants, would be nominal.

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

The State Board of Accountancy does not receive any funds or appropriations from the State. Its funding comes from application and registration fees, late fees, payroll sharing fees, etc.

Name:	Jim Abbott	Agency:	ND State Board of Accountancy
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Date

Phone Number: 800-532-5904

Date Prepared: 01/22/2003

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Dean Dallas

Date

12/21/03

30614.0101
Title.0200

Prepared by the Legislative Council staff for
Senator Klein

February 3, 2003

963
2-4-3

PROPOSED AMENDMENTS TO SENATE BILL NO. 2287

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study of licensure of accredited business accountants."

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. ACCREDITED BUSINESS ACCOUNTANT LICENSURE - LEGISLATIVE COUNCIL STUDY. The legislative council shall consider studying, during the 2003-04 interim, the feasibility and desirability of providing for the licensure of accredited business accountants. If the study is selected by the legislative council, the legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-ninth legislative assembly."

Renumber accordingly

Deanne Waller
Operator's Signature

10/21/03
Date

Date: 2-04-03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2287

Senate **IBL** **2287** Committee

☐ Check here for Conference Committee**Legislative Council Amendment Number**

Action Taken

Motion Made By

Seconded By

[illegible]**Total (Yes)**

No

Absent

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

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10/21/03

Date: 2-4-03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2287

Senate IBL Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Klein

Seconded By Espegard

Senators	Yes	No	Senators	Yes	No
7- Sen. Duane Mutch, Chairman	X		Sen. Michael Every <u>5</u>	X	
1- Sen. Jerry Klein, Vice Chairman	X		Sen. Joel Heitkamp <u>4</u>	A	
6- Sen. Duaine Espegard	X				
2- Sen. Karen Krebsbach	X				
3- Sen. Dave Nething	X				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Klein

If the vote is on an amendment, briefly indicate intent:

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Operator's Signature Deanna Dallas

Date 10/21/03

REPORT OF STANDING COMMITTEE (410)
February 5, 2003 1:15 p.m.

Module No: SR-22-1720
Carrier: Klein
Insert LC: 30614.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2287: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2287 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study of licensure of accredited business accountants."

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. ACCREDITED BUSINESS ACCOUNTANT LICENSURE - LEGISLATIVE COUNCIL STUDY. The legislative council shall consider studying, during the 2003-04 interim, the feasibility and desirability of providing for the licensure of accredited business accountants. If the study is selected by the legislative council, the legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-ninth legislative assembly."

Renumber accordingly

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2287

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10/21/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2287

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 11, 2003

Tape Number	Side A	Side B	Meter #
2	X		1650-5145
Committee Clerk Signature <i>Elizabeth R. Linn</i>			

Minutes: **Chair Keiser:** Opened hearing on SB 2287

Larry Kryzsko (ND Society of Accountants): Supports with written testimony

Rep. Johnson: What do other states do? Kryzsko answered that 33 states allow those without a CPA to use "accountant." Some are passing the two-tiered system.

Rep. Ekstrom: Was this always a study? Kryzsko said it started as a bill and they heard there would be litigation. They would rather have a study than to go through litigation.

Rep. Klein: Who would have litigated? Kryzsko said one of his members heard an unlicensed individual would.

Rep. Kasper: Are you a CPA? Kryzsko is an LPA. They do not want to be the same as a CPA. They would have to show the difference.

Rep. Thorpe: If there is another level, who are your clientele? Kryzsko said it would be small businesses. They can not audit banks or insurance firms, that is reserved for a CPA.

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12/21/03
Date

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number 2287

Hearing Date March 11, 2003

Rep. Ruby: Is an LPA a dying class? Kryzsko said they have all the privileges of a CPA except auditing banks and insurance. They want to focus on small businesses and farmers.

Rep. Froseth: What would be the level of school hours? Kryzsko said continuing education credits would be the same, but undergraduate would be 34 semester hours in accounting.

Rep. Klein: Do other states still have LPAs? No, MN has grandfathered LPA into CPAs. The rest are called ABA (accredited business accountants).

Jerry Spaedy: Supports with written testimony.

Rep. Kasper: Would you object to turning this into a bill rather than a study? Spaedy would not object, but it has been tried and there is no opposition today because it is a study.

Rep. Keiser: Can you issue a certified opinion? An LPA can give a certified opinion.

Paul Trauger (Morton County Auditor): Supports with written testimony.

Albert Krueger (ND Society of Accountants): Supports with written testimony.

Chair Keiser: Closed hearing on SB 2287

Discussion to follow:

Rep. Kasper: Would like to give them a license.

Rep. Klein: They are asking for a study. Do this now and give them until next session to find a resolution.

Rep. Kasper: They have tried before and have stonewalled. Students are leaving to get certified.

This is a perfect example of people keeping people out.

Rep. Froseth: We do this to ourselves. A few years ago we increased the requirements for a CPA and now we are hurting. We keep raising the bar.

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10/21/03
Date

Page 3

House Industry, Business and Labor Committee

Bill/Resolution Number 2287

Hearing Date March 11, 2003

Rep. Klein: It is a bit late in the game for Kasper's idea. Supports it, but the timing is an issue.

Rep. Ruby: Agrees with Kasper. In two years a bill will meet the same opposition. Do this now.

Rep. Klein: Concerned that if we lose the bill, we have nothing.

Rep. Froseth: Kasper has a valid plan. But it won't move faster. Perhaps in 2 years they will have a good bill.

Rep. Boe moved DP. 2nd by Tieman

Vote: 10 Yes 2 No 2 Absent and not voting

Carrier: Tieman

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Deanna D. Smith
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10/21/03
Date

Date: 3/11 /03
Roll Call Vote #: |

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2287

House INDUSTRY BUSINESS & LABOR Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP

Motion Made By Boe Seconded By Tieman

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Boe	✓	
Vice-Chair Severson	✓		Ekstrom	✓	
Dosch	✓		Thorpe		
Froseth	✓		Zaiser		
Johnson	✓				
Kasper		✓			
Klein	✓				
Nottestad	✓				
Ruby		✓			
Tieman	✓				

Total (Yes) 10 No 2

Absent 2

Floor Assignment Tieman

If the vote is on an amendment, briefly indicate intent:

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10/21/03
Date

REPORT OF STANDING COMMITTEE (410)
March 11, 2003 4:12 p.m.

Module No: HR-43-4508
Carrier: Tleman
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
SB 2287, as engrossed: Industry, Business and Labor Committee (Rep. Kelsor, Chairman) recommends **DO PASS** (10 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2287 was placed on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-43-4508

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12/21/03
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2003 TESTIMONY

SB 2287

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10/21/03
Date

SB 2287
North Dakota Senate Industry, Business and Labor Committee
Testimony by John M. Andrist, State Senator, District 2
Wednesday, Jan. 29, 2003

I have had a relationship with an accountant in my home town for 25 years. He and his son provide me with financial advice, accounting assistance, and tax work. I depend on them for so many things. In tax season they employ 7 to 10 people, serving customers from 50 to 60 miles away who believe in them and depend on them..

When tax season is over they maintain their business by providing accounting advice and service to our people, and to a variety of small town institutions. The seasonal tax service would not be viable without the year around accounting service.

This bill is an effort to let them continue. More than that it's an effort to let me and others in my home town have access to these valuable services. This story could be repeated in dozens of other communities, no doubt, because CPAs seldom practice in our smaller rural communities.

Frankly, I am offended by those who want to deny me and my small town friends the right to choose whom we want to serve our accounting needs. And we wonder why small towns are in trouble?

I'm also offended by the CPA's who want to wipe away this competition for their own selfish needs. Don't forget, it was CPA's, not ABA's, who directed the financial affairs of Enron and World Com and some of the others who are now in the corporate ash can of America.

trash

What kind of welcome would we give the Registered Nurses if we tried to do away with LPNs and nursing assistants? That would take care of our small town hospitals and nursing homes too. The CPAs need protection from lesser competition no more than do our Registered Nurses.

Pure and simple, opposition to this accounting bill by the CPAs is nothing more than another fence under construction. You need to know how costly these fences are to those of us in rural North Dakota. Legislation promulgated right here in

these halls has forced my community, over the years, to fight for the right to hire competent doctors, dentists, optometrists, architects, even hair dressers, and now accounting services.

What sense does it make to open doors to economic development, and then let protectionist professional fence building legislation close those doors?

I'm a small town guy. I make no apology if I get somewhat emotional on this issue, because this more than any other is the reason I first got involved in the process. And when I leave this body, it will be my shame for my utter failure to convince my colleagues of the need to tear down anti-competitive fences in the name of "protecting the people".

The best work we can do is to enable good, hard working, well trained, capable people to do more in what was once a land of the free, but in too many instances has become a land of the protected and powerful.

Please pass SB 2287 for me and for all those small towns struggling to maintain community services.

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Deanne D. Smith
Operator's Signature

10/21/03
Date

Larry

Support
SB 2287

SB 2287

Chairman Mutch
Senator Klein
Senator Espegard
Senator Krebsbach
Senator Nething
Senator Every
Senator Heitkamp

Two years ago we introduced a bill similar to this bill which was defeated with instructions given to spend the past two years working with the CPA organization to work out our differences and reintroduce a compromised agreement. No agreement was reached and for this I apologize to this committee.

Members of our Society and of the CPA Society met several times in an effort to reach a compromise. I honestly felt we were making progress. The CPA's felt the title "accredited public accountants" would be confusing, so we agreed to change the title to "accredited business accountants." They felt that higher standards must be met for a second tier of accountancy; we added a requirement of two years of higher education. Our proposal includes a two year higher education requirement, an experience requirement, governance by the State Board of Accountancy, continuing education and quality review; everything necessary for quality professionals and consumer protection. Then at our last negotiating session the CPA committee stated they would not support any legislation that would allow anyone, other than a CPA, to use the title "accountant." In other words, the CPA committee made no effort to negotiate in good faith.

At that point, the president of the State Board of Accountancy asked to mediate negotiation sessions. We had two meetings with the president and one member of the State Board of Accountancy. Still no compromise was reached. We stated that we would proceed with our proposal. The State Board stated that they would not take a position for or against. Last Thursday, the State Board met and had several recommendations for changes in the wording of the bill. We worked over the weekend to review and make the recommended changes. However, yesterday, by a vote of four to one, the State Board voted to oppose this bill. I would like to make note, at this time, the makeup of the State Board is four CPA's and one LPA. There is not any consumer representation on the State Board of Accountancy. It should also be noted, the executive director for the State Board is also the executive director for the ND Society of Certified Public Accountants. We are playing against a stacked deck.

The opposition to this bill is a prime example of turf protection, fence building, or whatever you prefer to call it.

I ask this committee to look to the best interest of North Dakota, to look past the fence building, and to vote in favor of this bill.

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12/21/03
Date

SB 2287

Support

Chairman Mutch
Senator Klein
Senator Espgaard
Senator Krebsbach
Senator Nething
Senator Every
Senator Heitkamp

Good Morning! My name is [REDACTED] speaking for SB 2287.

North Dakota is facing a problem of out migration. We are the only state to record a decrease in population at the last census. We are losing our young people to other states. Minnesota has passed a law to provide for a second tier of accountancy. Northwest Technical College has schools in both Moorhead and East Grand Forks, MN. East Grand Forks enrollment is 70% North Dakota students while Moorhead has 50% North Dakota students in their associate accounting degree programs. These students will not return to North Dakota because they cannot be licensed to practice in North Dakota.

Another problem is economic development. In order to have economic development in the rural areas of North Dakota, we must have qualified accounting professionals to assist fledgling businesses, existing small businesses and the agricultural community. Of the 2300+ CPA's registered in North Dakota, only 300 reside outside of the four metropolitan areas of North Dakota.

We are not attempting to tell you that this bill will solve the problems of out migration and economic development. However, it is a step in the right direction. I urge this committee to vote in favor of this legislation.

Sincerely yours,

Jerry Spaedy

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Deanna Wall
Operator's Signature

10/21/03
Date

5111011

Chairman Senator Mutch
Senator Klein
Senator Espgaard
Senator Krebsbach
Senator Nething
Senator Every
Senator Heitkamp

Senate Bill 2287

Good Morning! My name is **Paul Trauger**, I'm Morton County Auditor and a CPA speaking in favor of SB 2287.

The idea of a second tier of accountancy would be beneficial to local governments. Many local governments have trained people in accounting positions who could use education and work experience to become Accredited Business Accountants. Young people who choose not or could not afford to go to four years of college for a degree in Accounting need a goal or chance for advancement in the Accounting Profession. Government employees in Counties, Cities and School Districts in accounting positions could obtain accreditation and advancement while working at their chosen careers. Self improvement by obtaining an ABA might be the encouragement needed or be a stepping stone to becoming a CPA.

As a society we have to provide means for our young people to advance in the Accounting Profession and remain in North Dakota. Young people entering the work force as a local government accountant must be presented the opportunity for advancing steps in the Accounting Profession. Not all accountants want to become CPA's but they do want a level of accreditation in their Professional Field. The ABA tier would be one such level in the Profession.

A quarter century ago this legislature past a bill grandfathering in Licensed Public Accountants, however this is a dying class of accountants. The change in the law allowed me to start my own Public Accounting Practice as a LPA. I continued my education and became a CPA. Don't let another quarter century go by without seriously looking at the second tier of accountancy!

I feel this legislation would be beneficial to the State of North Dakota and I urge this committee to vote in favor of SB 2287.

Thank You

Paul E. Trauger

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Deanna Waller
Operator's Signature

12/21/03
Date

Support

SB 2287

Chairman Mutch
Senator Klein
Senator Espgaard
Senator Krebsbach
Senator Nething
Senator Every
Senator Heitkamp

One of the major issues in opposition to this bill is the use of the title, accountant.

On the attachment, you will see a list of 31 other states that allow those, other than a LPA, to use the title accountant. The restriction on the use of the title "accountant" has been challenged in court in at least seven states. In each case, the State Board of Accountancy lost and the restriction was removed. We feel that for anyone holding themselves out as an accountant should meet certain requirements and be governed by a board of accountancy. We prefer legislation over litigation.

Another point of opposition is that they feel that there is no need for more accountants. In the summer of 2001 our society conducted a survey of 400 rural North Dakota banks. Of those responding, 76% stated that there is a need for accounting professionals in their areas. Seventy-two per cent stated that they would support legislation creating another tier of accountancy. During our negotiating sessions, we were told that a survey conducted by the CPA Society shows that 97% of the banks surveyed accept financial statements without reports attached. This tells me that there is already a shortage of accountants since LPA's and CPA's cannot issue a financial statement without a report.

Present law is creating a shortage of accountants in North Dakota. Since the passage of the 150-semester hour requirement, there has been a substantial decrease in accounting students. The enrollments at NDSU decreased 40% and at UND 18% between 1997 and 2000. The Bismarck school system is reporting a decline of students enrolled in high school accounting. This decrease also reflects in the numbers taking the CPA exam. The average number taking the exam at each of the biannual testing sessions in the years of 1996 to 2000 was 181 candidates. In 2001, this number dropped to 147 and in May of 2002, the candidates dropped to 127. This is a 30% decrease in candidates testing. Nationally the decrease is 20%.

There is a need for a second tier of accountancy. I urge this committee to vote in favor of this bill.

Dianne Waller
Operator's Signature

12/21/03
Date

Support**States Allowing Non-Licensee Use of the Term
"Accountant"**

Arizona	Minnesota
Arkansas*	Mississippi
California*	Missouri
Colorado	Nebraska
Connecticut	New Hampshire
Florida	North Carolina
Georgia	Ohio*
Illinois	Oklahoma*
Iowa	Pennsylvania*
Kansas	Vermont
Kentucky	Virginia
Louisiana	Washington
Maine	West Virginia
Maryland	Wisconsin
Massachusetts	Wyoming
Michigan	

* "Accountant" Allowed with Disclaimer

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Deanna D. Smith
Operator's Signature

10/21/03
Date

To: Members of the NDSBA, and their Executive Director
From: Harold Wilde, member
RE: Senate Bill 2287

After giving the issue a lot of serious consideration, I have come to the conclusion that no substantive evidence exists to initiate another class of accountants in the state. In fact, I believe the creation of another class of accountants will only serve to confuse current and future users of financial statements. As a result, I must urge the Board to stand united against this Bill in particular, and against the creation of another class of accountants as well. [REDACTED] and the creation of another class of accountants can be summarized as follows:

1. No substantive evidence has been presented by the sponsors of this legislation to demonstrate the need for another class of accountants in North Dakota.
2. Senate Bill #2287 makes reference to other sections of the Century Code that we, the Board, have no idea what the changes mean or their implication.
3. The acronym, ABA, is confusing as many persons think of ABA as the American Bar Association.
4. The Bill calls for adding to "Law", definitions of Attest Services. I believe those should be in Board Rule.
5. In the definition of attest services no reference is needed to any specific professional organization. Board rule is the appropriate place to do so.
6. On page 3, line 5, the Bill omits the words "or entity" from their definition of client. This change is completely unacceptable.
7. On page 3, lines 7 through 11, the Bill defines "Compilations", a current part of the attest services that are regulated by the Board. As stated in # 4 above, the definitions and services regarded as attest services is best left to Board rule.
8. The entire Section 8 of the Bill is not acceptable. If a third class of accountants was to be initiated in ND, the Board must retain the right to determine the qualifications and the qualifying examination, as is now the case with CPAs.
9. Section 9 describes the services the ABA can offer. I believe the Board can not accept the description of services. The Board must be against the allowance of any services that are currently regulated, the attest services. I disagree with most of Section 9.
10. Should another class of accountants be needed in ND, Section 10 of the law would need much more careful deliniation of ownership rules and appropriate names.
11. Section 13, page 9, conflicts with other proposed sections of the Bill, and would need a complete rewrite.

Deanna D. Wolf
Operator's Signature

10/21/03
Date

Comments to the Senate Industry, Business & Labor Committee
January 29, 2003

By Harold Wilde, PhD, CPA

Chairman Mutch, Committee members, my name is Harold Wilde. I am a CPA, an Associate Professor and Chair of the UND Department of Accounting and Business Law. I am presently in my third year of a five year term on the North Dakota State Board of Accountancy. I am here today to share the concerns of the Board regarding Senate Bill 2287. As a result of our concerns, the Board voted to oppose the bill, in a meeting January 23, 2003. Shortly after that meeting, the Board shared various concerns regarding the bill with its proponents. The proponents brought forward a set of possible amendments to the bill, which the Board discussed yesterday. Similar concerns still remained, and the Board voted that it could not accept either set of proposals.

Our key concerns follow:

1. Representatives of the Board met with representatives of the NDSA and NDSCPA last fall seeking resolution of the issues. In earlier meetings with the two societies, Board members were convinced that compilation, a regulated service, was not to be proposed as a service of the new accounting class. However, the bill does authorize the proposed class to perform compilations.
2. The proposed bill potentially recognizes another set of national standards for compilation services. In fact, we have just learned of the existence of such standards in the last couple of days. This raises the prospect that our citizens could receive the same named service but with different standards.
3. The proposed law change mandates that the Board use a specific qualifying examination. Whereas the current law allows the Board latitude in the selection of the qualifying examination for CPAs.
4. The bill adds a definition section for "attest services", however those definitions are incomplete.
5. The proposed bill authorized the new classification of accountants to devise and install systems of bookkeeping and internal controls of financial data. These two services are only introduced in accounting classes. The responsibilities of a professional offering these services are generally taught in auditing classes. However, the proposed bill specifically exempts the testing of auditing content in the mandated qualifying exam, providing the Board with no assessment of knowledge possessed by those seeking the credential.
6. Even with the proposed changes, there remains inconsistency in one or more areas, which is an enforcement concern for the Board.
7. Some people do not now understand the differences between the two existing classifications of accountants. Adding a third class would be potentially more confusing to the public.

We are certainly open to making improvements in the regulation of the profession of accountancy that would enhance the protection of the public interest. However, given the concerns expressed above, the Board of Accountancy felt they could not accept the proposed statute changes.

OPPOSED

CPA
NORTH
DAKOTA

ND Society of CPAs
2701 South Columbia Road
Grand Forks, ND 58201-6029

Testimony for SB 2287
Senate Industry, Business and Labor Committee
January 29, 2003

Chairman Mutch and members of the Senate Industry, Business and Labor Committee: Good morning. My name is Tom Ribi. I am a CPA from Dickinson and current president of the North Dakota Society of Certified Public Accountants, or NDSCPA. Like all of our committee members, committee chairs, board members and officers I am a volunteer. I am before you this morning representing our 1,431 members, which includes approximately 80 percent of all licensed CPAs in the state.

We appreciate the opportunity to provide testimony as you consider Senate Bill 2287.

The process that brings us here today started two years ago during the 57th session when very similar legislation was introduced (SB 2398) that would have added another tier of licensee to the current accountancy law. We opposed the bill. The bill failed and we sought to work with the proponents of SB 2398 in the interim to address our differences.

During the last two years we have met with the proponents of this legislation on numerous occasions and over the course of those meetings have been unable to find much common ground. We also took the opportunity to meet and discuss this issue with our North Dakota members. Based on those conversations and our study of the current bill we are very concerned, not only as to how the bill will affect our members, but also how the bill will affect ND citizens and businesses that use the services of public accountants.

Last session there were two somewhat emotional issues conveyed during testimony. One was that a person with an accounting degree providing services to the public could not call him/herself an "accountant." The term "accountant" has been a NDSBPA designation since 1975, similar to other state consumer protection board designations or licensing credentials. On October 4, 2002 the NDSCPA committed to not opposing legislation allowing someone with a bachelors degree and 30 hours of accounting courses to hold themselves out as an accountant.

(701) 775-7100 • Fax (701) 775-7430 • E-mail: mail@ndsepa.org • Web site: www.ndsepa.org

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Tom Ribi
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10/21/03
Date

The second issue from last sessions was that non-CPAs and non-LPAs could not put their name on financial statements that they prepare for clients. Also on October 4, 2002, the NDSCPA noted that there probably is no prohibition against non-CPAs or non-LPAs putting their name on financial statements, since the prohibition relates to signing a "report" that accompanies financial statements, not the financial statements themselves. Again the NDSCPA stated they were willing to work with non-CPAs and non-LPAs before the State Board on this issue.

This brings us to where we are today....SB 2287. Our concerns with this bill are consistent with our concerns two years ago and throughout the interim while discussing this issue.

First there is the matter of need. We were told that this bill would address a shortage of public accountants, particularly in rural areas. Upon careful examination, it is clear that the impetus for this legislation is not coming from the general public, any governmental or civic group or any group that is a major user of the services of public accountants. It is coming from the people who would gain a personal advantage if this legislation were enacted.

When we visited with our members we got the sense that their opposition to this bill would softened if a real need could be demonstrated. With that in mind we commissioned a study to be done by a professional and independent marketing company to survey the bankers in North Dakota, the major users of financial statements, to get their view on any possible need or shortage.

The survey was fashioned after a survey done in 1994 at the behest of the Licensed Public Accountants. The results were strikingly similar. When asked if the present accounting services were meeting their needs, 93 percent of the respondents replied "yes." It is interesting to note that over half the respondents were from communities with a population of 4,000 or less. A copy of the Executive Summary from the survey is part of the material provided you. If you wish we will arrange to provide you with a complete copy of the survey.

We also had a map of North Dakota fashioned to show how well licensees are dispersed around the state. Again, a copy of that map is included with your material. As you can see, there are very few areas in this state that are not within 30 to 45 minutes of a full-time office of a public accountant.

Finally, in response to the claim that the number of licensed accountants in the state is declining we looked back over the past 10 years to see what had happened to the number of licensed accountants in North Dakota. You will note that the number of licensees in the state has actually increased from about 1,200 to about 1,500 since 1993. Again, a graph that shows this is in your material.

Another area of concern is the reduced and significantly different standards for practicing public accounting that will result if this legislation becomes law. The core of the law under which all licensees practice has been in place since 1976 and if you look at where the profession is today, some 27 years later, that law has served the state of North Dakota well. Diluting accounting standards at this point should not be justified under any reasonable test. Additionally, there is a national trend toward tighter, stronger standards for all public accountants. Even though much of the legislative activity in this regard has been at the national level, there will be some significant effects on practitioners in North Dakota in the next year or two as a result of Congressional legislation. We do not believe it is in the best of interest of our citizens or the profession to lower standards at the same time higher standards are being imposed across the country.

Today, to become a licensee requires a college degree with a major in accounting and the ability to pass the CPA exam. Under the new law a license could be obtained with considerably less education and the ability to pass a less rigorous exam. In fact, the bill has a three-year window where applicants can obtain a license with no college education. This lowering of standards will lower the public protection.

The only thing CPAs and LPAs are licensed to do is sign their name on a "report" accompanying financial statements, and of course used their licensed titles. Anyone can prepare financial statements. The only restriction is signing a "report" associated with those statements. Anyone can prepare financial statements, tax returns, do bookkeeping, provide consulting services, provide computer services, etc.

All current licensees deal directly with the North Dakota State Board of Public Accountancy or NDSBPA. This board, through law and regulation, sets the rules for obtaining and retaining a license. Under 2287 a license would be granted to applicants who deal with an organization outside North Dakota. That organization would set the rules for obtaining a credential without any oversight from the NDSBPA. That organization would control who and how many applicants qualify for this new license.

Proponents of this bill say this bill would stimulate economic development. This is an "apple pie" argument. Not all new CPAs stay in North Dakota. Of the 38 new original North Dakota certificates granted in 2002, 45 percent had out-of-state addresses.

If you look at the full basket of services that public accounting firms provide, you will find that with the exception of the attest function we compete with many people in many fields and professions for every other service we provide. Among those are individual tax preparation, business tax preparation, estate and trust tax preparation, tax planning for both individuals and businesses, estate

planning for individuals, business valuation services, computer software consulting, bookkeeping, payroll serves, and on and on.

The attest function is a very limited area of practice. Basically it consists of issuing financial statements with a report that assures a level of reliance along with the presumption that the accountant has certain skills and knowledge. Anyone can prepare and issue financial statements, but only a licensee can attach a report. In fact, a licensee cannot issue financial statements without a report. A non-licensee can issue the same financial statements as licensees but is not permitted to include a report. In the survey mentioned above, 97 percent of the respondents said they accept financial statements from customers without a report.

We believe this is a strong argument not to reduce the standards for those individuals qualified to hold a license.

We are also concerned with structural problems with the bill. Outside of changes to the law meant to add the new credential, there are many changes that are troubling.

Here are two examples.

In the current bill a client is defined as "a person or entity." SB 2287 limits the definition to "a person." Many of my clients and those of other practitioners are not a person. They are corporations, partnerships, not-for-profit organizations and even governmental entities. The consequences of this change could be serious.

SB 2287 adds a definition of a compilation to the law that clearly indicates that a compilation comes under the attest function. Then later the bill allows the new credential holder to "make a compilation." Still later, the bill requires the new credential holder to use safe harbor language. A strict interpretation of what constitutes a compilation requires that a report, not a letter using safe harbor language, must accompany the subject financial statements. It is hard to make sense of all of this.

Chairman Mutch and members of the Senate Industry, Business, and Labor Committee, SB 2287 creates a significantly reduced and different standard for holding oneself out to the public as a provider of accounting services. SB 2287 will not create additional services and it won't make services any more accessible than they are now. This legislation would only regulate those who choose to be regulated and creates a duplication of such regulation. SB 2287 raises serious concerns and the CPA Society respectfully asks the committee to give this bill a "DO NOT PASS" recommendation.

I thank you for your time this morning and appreciate your consideration of my testimony. I will certainly do my best to answer any questions the Committee may have.

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Deanna Waller
Operator's signature

10/21/03
Date

Executive Summary

Question #1:

The completed surveys represent a cross section of banks located in various sized communities throughout North Dakota. About half of returned surveys came from banks located in communities with less than 2,000 residents (48.9%). The remaining 51.1% come from communities with 2,000-9,999 residents (25.6%) and communities with over 10,000 residents (25.5%).

Question #2:

When asked if their community is presently being provided with accounting services, 88.37% (38) of respondents replied "yes." This finding is consistent with the results from the 1994 survey in which 88.89% (32) of the respondents replied "yes" to this question.

Question #3:

When respondents were asked if they understand the difference between CPAs and LPAs, 90.7% (39) replied "yes." In the 1994 survey, 52.78% (19) of the respondents replied "yes" to this question. This finding represents a statistically significant difference between the two surveys. Respondents in 2002 are much more aware of the difference between CPAs and LPAs compared to respondents from the 1994 survey.

Question #4:

When asked who provides them with accounting services, 93.02% (40) respondents from the 2002 survey replied "CPA's," compared to 88.89% (32) of the respondents identifying "CPAs" in the 1994 survey. The findings don't reflect a statistically significant difference in utilization of CPA services since the 1994 survey.

Question #5:

When asked if "present accounting services are meeting their needs," 93.02% (40) respondents from the 2002 survey replied "yes", compared to 100% (36) of the respondents from the 1994 survey replying "yes." Due to the margin of error (+ or - 5%), the change from 1994 to 2002 does not appear to represent a statistically significant change in satisfaction levels.

Question #6:

When asked "if their bank presently accepts financial statements from its customers without an accountant's report, 97.7% of the respondents replied "yes." A similar question was asked on the 1994 survey, however, the language was too dissimilar to make any valid comparisons between the two surveys.

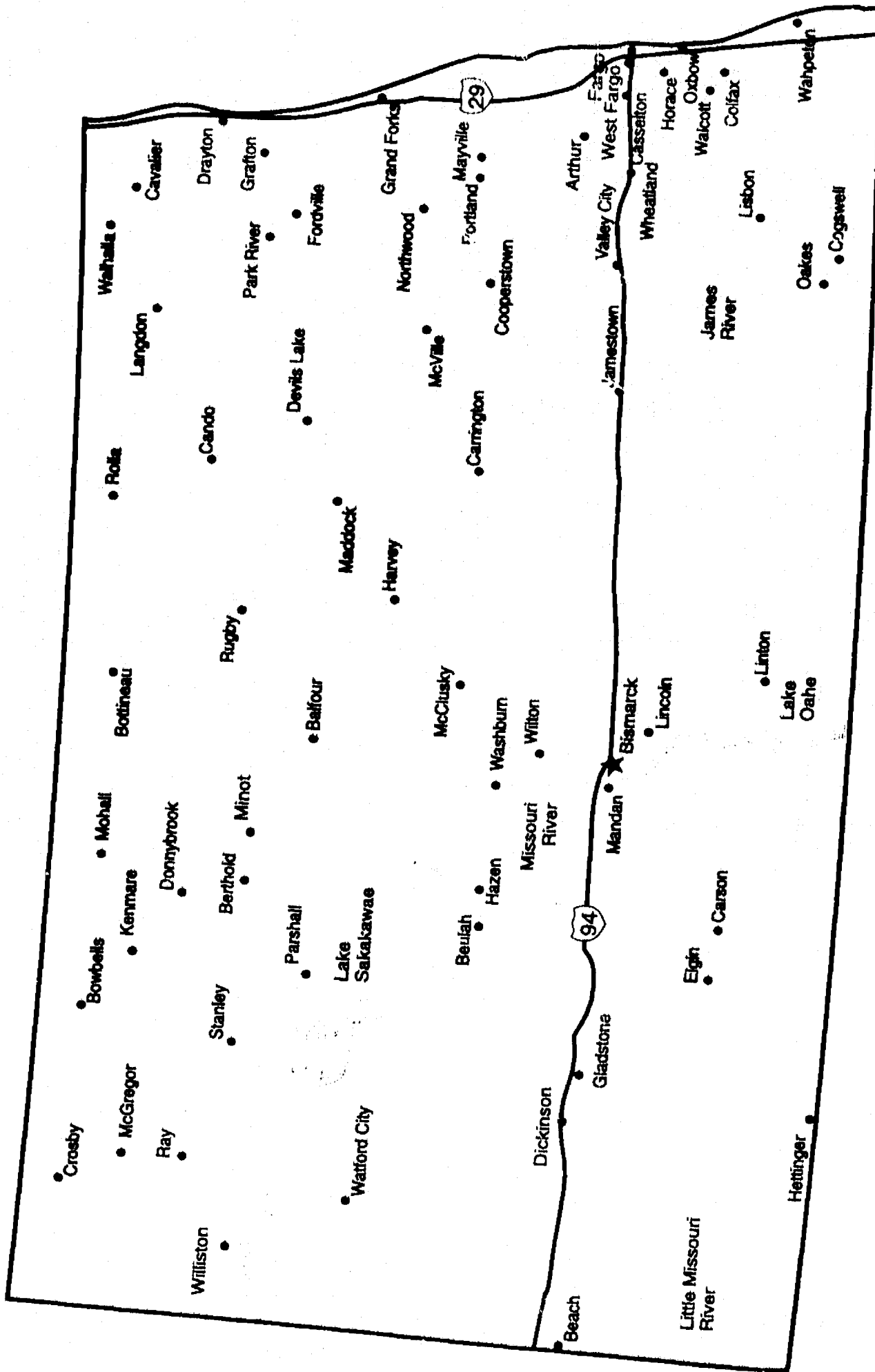
Question #7:

In the final questions, respondents were given an opportunity to offer additional comments regarding the need for accounting services on behalf of their bank and community. Only a handful of respondents offered additional comments. The comments centered around the fact that several banks use accounting firms from larger communities in their area (e.g. Bismarck, Grand Forks and Fargo.). The comments didn't state whether this was a positive or a negative factor.

Accountants In Public Practice

Each Circle Represents a 40-mile Radius from a Licensee in Public Practice

January 11, 2003



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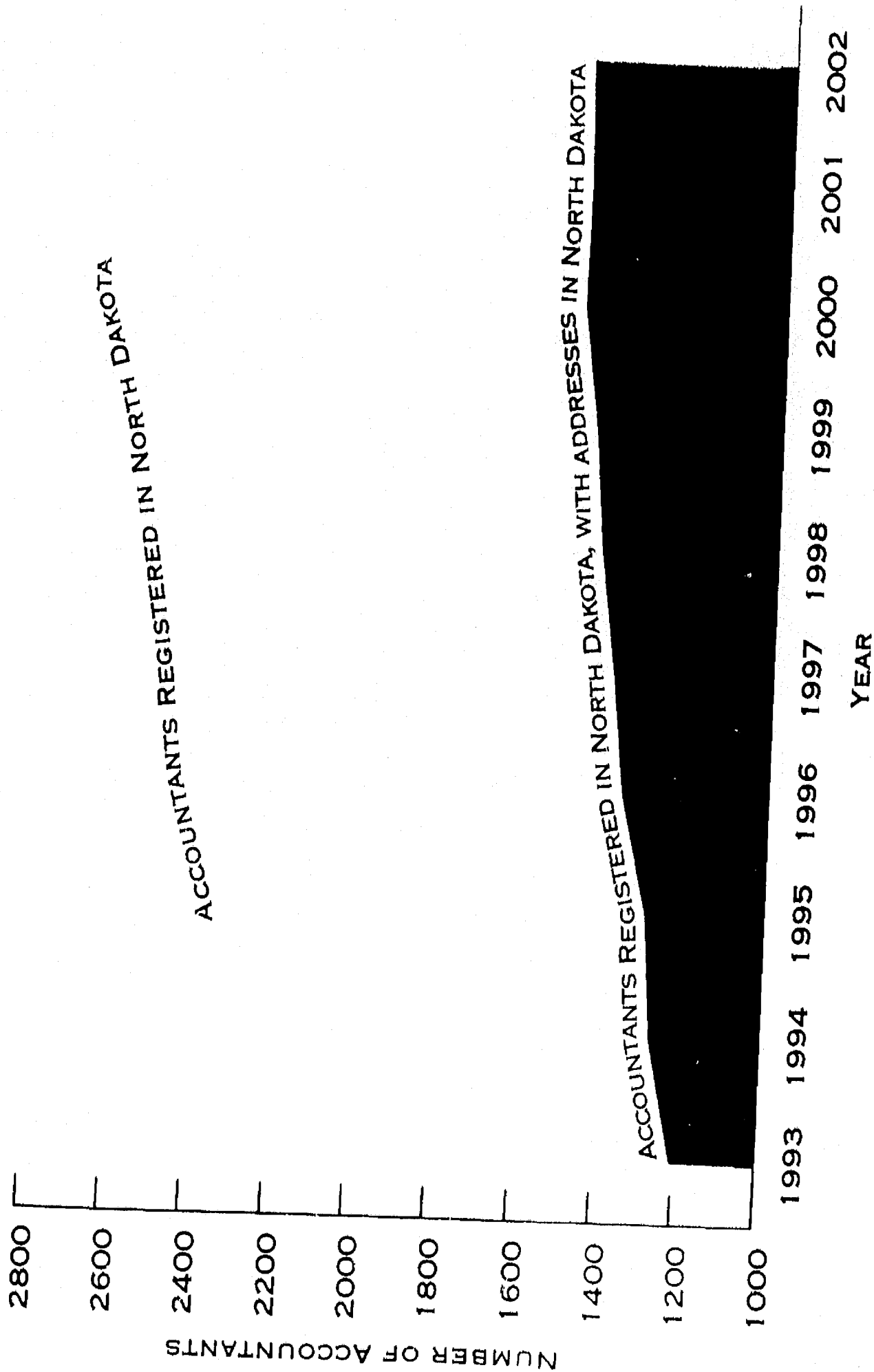
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Deanna D. [Signature]

Date

12/21/03

NORTH DAKOTA ACCOUNTANTS



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Deanna Ballantyne
Operator's signature

10/21/03
Date

SB 2287

One of the major issues in opposition to this bill is the use of the title, accountant.

On the attachment, you will see a list of 31 other states that allow those, other than a LPA, to use the title accountant. The restriction on the use of the title "accountant" has been challenged in court in at least seven states. In each case, the State Board of Accountancy lost and the restriction was removed. We feel that for anyone holding themselves out as an accountant should meet certain requirements and be governed by a board of accountancy. We prefer legislation over litigation.

Another point of opposition is that they feel that there is no need for more accountants. In the summer of 2001 our society conducted a survey of 400 rural North Dakota banks. Of those responding, 76% stated that there is a need for accounting professionals in their areas. Seventy-two per cent stated that they would support legislation creating another tier of accountancy. During our negotiating sessions, we were told that a survey conducted by the CPA Society shows that 97% of the banks surveyed accept financial statements without reports attached. This tells me that there is already a shortage of accountants since LPA's and CPA's cannot issue a financial statement without a report.

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Present law is creating a shortage of accountants in North Dakota. Since the passage of the 150-semester hour requirement, there has been a substantial decrease in accounting students. The enrollments at NDSU decreased 40% and at UND 18% between 1997 and 2000. The Bismarck school system is reporting a decline of students enrolled in high school accounting. This decrease also reflects in the numbers taking the CPA exam. The average number taking the exam at each of the biannual testing sessions in the years of 1996 to 2000 was 181 candidates. In 2001, this number dropped to 147 and in May of 2002, the candidates dropped to 127. This is a 30% decrease in candidates testing. Nationally the decrease is 20%.

There is a need for a second tier of accountancy. I urge this committee to vote in favor of this bill.

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Dennis Waller
Operator's Signature

12/21/03
Date

SB 2287

Good Morning! My name is Jerry Spaedy speaking for SB 2287.

North Dakota is facing a problem of out migration. We are the only state to record a decrease in population at the last census. We are losing our young people to other states. Minnesota has passed a law to provide for a second tier of accountancy. Northwest Technical College has schools in both Moorhead and East Grand Forks, MN. East Grand Forks enrollment is 70% North Dakota students while Moorhead has 50% North Dakota students in their associate accounting degree programs. These students will not return to North Dakota because they cannot be licensed to practice in North Dakota.

Another problem is economic development. In order to have economic development in the rural areas of North Dakota, we must have qualified accounting professionals to assist fledgling businesses, existing small businesses and the agricultural community. Of the 2300+ CPA's registered in North Dakota, only 300 reside outside of the four metropolitan areas of North Dakota.

We are not attempting to tell you that this bill will solve the problems of out migration and economic development. However, it is a step in the right direction. I urge this committee to vote in favor of this legislation.

Sincerely yours,

Jerry Spaedy

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10/21/03
Date

Chairman Keiser
Vice Chairman Severson
Representative Boe
Representative Dosch
Representative Ekstom
Representative Froseth
Representative Johnson
Representative Kasper
Representative Klein
Representative Nottestad
Representative Ruby
Representative Thorpe
Representative Tieman
Representative Zaiser

Senate Bill 2287

Good Afternoon! My name is Paul Trauger, I'm Morton County Auditor and a CPA speaking in favor of SB 2287.

The idea of Legislative Council to study the licensure of Accredited Business Accountants would benefit local governments. Many local governments have trained people in accounting positions who could use education and work experience to become Accredited Business Accountants. Young people who choose not or could not afford to go to four or five years of college for a degree in Accounting need a goal or chance for advancement in the Accounting Profession. Government employees in Counties, Cities and School Districts in accounting positions could obtain accreditation and advancement while working at their chosen careers. Self improvement by obtaining an ABA might be the encouragement needed or be the stepping stone to becoming a CPA. As a society we have to provide means for our young people to advance in the Accounting Profession and remain in North Dakota. Young people entering the work force as a local government accountant must be presented the opportunity for advancing in accounting. Not all accountants want to become CPA's but they do want a level of accreditation in their professional field. The ABA tier would be one such level in the Profession.

A quarter century ago the North Dakota Legislature passed a bill grandfathering in Licensed Public Accountants, however this is a dying class of accountants. The change in the law allowed me to start my own Public Accounting Practice as a LPA. I continued my education and became a CPA. Don't let another quarter century go by without seriously looking at the second tier of accountancy.

I feel this study would be beneficial to the State of North Dakota and I urge this committee to vote in favor of SB 2287.

Thank You,

Paul E. Trauger, CPA

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Al Krueger

SB 2287

CHAIRMAN KEISER
COMMITTEE MEMBERS

TWO YEARS AGO WE INTRODUCED A BILL INTO THE SENATE TO PROVIDE FOR A PERMANENT SECOND TIER OF ACCOUNTANCY, THAT BILL WAS OPPOSED BY THE CPA ORGANIZATION. THE BILL WAS DEFEATED WITH INSTRUCTIONS GIVEN TO WORK WITH THE CPA ORGANIZATION TO OVERCOME OUR DIFFERENCES AND REINTRODUCE A COMPROMISED AGREEMENT, NO AGREEMENT WAS REACHED.

MEMBERS OF OUR SOCIETY AND OF THE CPA SOCIETY MEET SEVERAL TIMES. THE CPA'S FELT THAT THE TITLE 'ACCREDITED PUBLIC ACCOUNTANT' WOULD BE CONFUSING TO THE PUBLIC SO WE AGREED TO CHANGE THE TITLE TO 'ACCREDITED BUSINESS ACCOUNTANT' THE CPA'S FELT THAT HIGHER STANDARDS MUST BE MET FOR A SECOND TIER OF ACCOUNTANCY, WE ESTABLISHED A TWO YEAR EDUCATION REQUIREMENT AND A ONE YEAR EXPERIENCE REQUIREMENT. OUR PROPOAL INCLUDED AN EDUCATION REQUIREMENT, EXPERIENCE REQUIREMENT, COMPETENCY TESTING, GOVERNANCE BY THE STATE BOARD OF ACCOUNTANCY, CONTINUING EDUCATION AND QUALITY REVIEW, EVERYTHING NECESSARY TO ASSURE A QUALITY PROFESSIONAL AND CONSUMER PROTECTION. THEN, AT THE LAST NEGOTIATING SESSION THE CPA COMMITTEE STATED THEY WOULD NOT SUPPORT ANY LEGISLATION THAT WOULD ALLOW ANYONE, OTHER THAN A CPA, TO USE THE TITLE 'ACCOUNTANT'.

IN OTHER WORDS THE CPA COMMITTEE MADE NO EFFORT TO NEGOTIATE IN GOOD FAITH.

SINCE THE REQUIREMENTS TO TAKE THE CPA EXAM HAVE INCREASED TO 150 SEMISTER HOURS, NOT ONLY THIS STATE BUT NATION WIDE WE HAVE SEEN A DRAMATIC DECREASE IN THE NUMBER ENTERING THE ACCOUNTING PROFESSION. WE WILL SOON BE FACING A SHORTAGE OF ACCOUNTING PROFESSIONALS..

THERE ARE MORE ATTORNEYS PRACTICING IN NORTH DAKOTA THAN ACCOUNTANTS, YET PARA LEGALS ARE ALLOWED TO PRACTICE. THERE ARE ONLY 50 FEWER DOCTORS PRACTICING IN N.D. THAN ACCOUNTANTS, YET WE HAVE NURSE PRACTITIONERS AND PHYSICIAN ASSISTANCE ALLOWED TO PRACTICE. THERE ARE ALMOST SIX TIMES AS MANY R.N.'S AS ACCOUNTANT PRACTICING IN ND, YET WE HAVE LPN'S.

WE ARE NEGLECTING A MIDDLE GROUND IN THE ACCOUNTING PROFESSION, NOT EVERY INDIVIDUAL OR SMALL BUSINESS NEEDS THE SERVICES OF A CPA YET IN ND THERE IS NO ALTERNATIVE. YOU EITHER BECOME A CPA OR NOTHING.

THE OPPOSITION TO THE CREATION OF A SECOND TIER OF ACCOUNTANCY IS A PRIME EXAMPLE OF TURF PROTECTION, FENCE BUILDING, OR WHATEVER YOU PREFER TO CALL IT.

I ASK THIS COMMITTEE TO LOOK TO THE FUTURE NEEDS OF ND AND VOTE IN FAVOR OF THIS BILL.

THANK YOU

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Operator's Signature

10/21/03
Date