

BOARD OF ACCOUNTANCY -- STATEMENT OF NEED AND REASONABLENESS
December 31, 1992 **Page 1**

GENERAL PROVISIONS

The sole purpose of these rules is to update the fees that the Minnesota State Board of Accountancy (hereinafter "Board") sets for its services. These fee changes are needed in order for the Board to meet its statutory duty under Minnesota Statutes Section 16A.128 Subd. 1a which states that, "fees must be set or fee adjustments must be made so the total fees nearly equal the sum of the appropriations for the accounts plus the agency's general support costs, statewide indirect costs, and attorney general costs attributable to the fee function." These proposed fees are reasonable in that they are substantially similar to fees charged by surrounding states; accurately reflect the costs associated with the services provided by the Board to applicants, certificate holders, and licensees; and permit the Board to meet the mandate of Minnesota Statutes Section 16A.128, Subd. 1a.

All rules or parts not specifically addressed below are intended to be addressed by the comments above.

1100.3600 Subpart 1.A. Raising the application fee for taking the Certified Public Accountant Examination is a reflection of the fact that the costs associated with administering this exam have gone up dramatically over the past several years. Both the costs of the actual exam materials and the costs of renting the site of the exam have increased.

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Review Administrative Rules

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This fee increase is needed to meet those higher costs. It is reasonable in that it is in the same range as surrounding states, less than most states nationwide, and raises the fee to more closely correspond to the Board's costs as mandated by Statute.

Subpart 1.B. Raising the reexamination costs to \$40 per part with a maximum of \$150 is consistent with changing the initial application fee. It is therefore both necessary and reasonable for the reasons stated above.

Subpart 1.C. and 1.E. Raising the application fee for reciprocal licenses is consistent with changing the initial application fee. It is therefore both necessary and reasonable for the reasons stated above.

Subpart 2.B. Raising the annual active license fee is necessary to generate the necessary funds to operate the Board. These fees have not been increased in several years. The fees increases are reasonable in that they are in line with what surrounding states charge and more closely correspond to the Board's costs, as mandated by statute.

Subpart 3a. An examination cancellation fee is needed in order to discourage candidates from canceling the exam without giving the Board adequate notice and to cover the cost of services provided by the Board. These fees will allow the Board to recover the costs associated with processing all of the application materials and making arrangements based upon an anticipated number of applicants. This includes the cost of renting the site of the exam and purchase of exam materials which are done well in advance of the exam. It is therefore reasonable.

Subpart 3b. Fees to cover verification and transfer of grades are necessary to cover Board costs to administer these functions. These costs and procedures are reasonable in that they are similar to costs that students incur in asking their colleges or universities for transcripts and cover the Board's cost to provide this service.

The Board notes below how the five suggested methods listed in section 14.115, subdivision 2, for reducing the impact of the rules on small businesses should be applied to the proposed rules. The five suggested methods enumerated in subdivision 2 are as follows:

- (a) The establishment of less stringent compliance or reporting requirements for small businesses;
- (b) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
- (c) The consolidation or simplification of compliance or reporting requirements for small businesses;
- (d) The establishment of performance standards for small businesses to replace design or operational standards required in the rule; and
- (e) The exemption of small businesses from any or all requirements of the rule.

The feasibility of implementing each of the five suggested methods and whether implementing any of the five methods would be consistent with the statutory objectives that are the basis for this rulemaking are considered below.

1. It would not be feasible to incorporate any of the five suggested methods into these proposed rules.

Methods (a) to (c) relate to lessening compliance or reporting requirements for small businesses either by establishing less stringent requirements, establishing less stringent schedules

or deadlines for compliance with the requirements, or consolidating or simplifying the requirements. The Board finds that it would be unworkable to lessen the requirements for those licensees who practice in a solo or practice consisting of fewer than 50 employees, since that would include, at a minimum, the vast majority of all licensees. Method (d) suggests replacing design or operational standards with performance standards for small businesses. The Board's rules do not propose design or operational standards for businesses and therefore there is no reason to implement performance standards for small businesses as a replacement for design or operational standards that do not exist. Finally method (e) suggests exempting small businesses from any or all requirements of the rules. The application of this provision would exempt a large percentage of licensees from the purview of the rules, which would not make sense.

2. Reducing the impact of the proposed amendments on small businesses would undermine the objectives of the Minnesota licensing law.

Pursuant to Minn. Stat. Section 326.165, et seq., the Board was created for the purpose of establishing requirements for licensure and adopting standards for disciplinary action to govern the practices or behavior of all licensees. Pursuant to Minn. Stat. Section 326.18 the Board is specifically mandated to promulgate rules as may be necessary in order to carry out the Board's purpose. Given these statutory mandates, it is the Board's duty to establish licensure qualifications and disciplinary standards which apply to and govern all applicants

and licensees regardless of the nature of their practice.

As stated above, it is the Board's position that the proposed rules will not affect small businesses and certainly do not have the potential for imposing a greater impact on licensees in a solo or small practice than on those practices large enough to remove them from the definition of small business. It has also been explained above that the Board considers it unfeasible to implement any of the five suggested methods enumerated in subdivision 2 of the small business statute. Nonetheless, to the extent it may be feasible to implement any of the suggested methods for lessening the impact on small businesses, the Board believes it would be unwise and contrary to the purposes to be served by these rules for the Board to exempt one group of licensees - indeed, the vast majority of licensees - from the requirements of these rules. Similarly, the Board believes it would be unwise and contrary to its statutory mandate for the Board to adopt one set of standards for those licensees who work in a large business setting and adopt another, less stringent, set of standards to be applied to those licenses who practice in a solo or small practice. It is the Board's view that these rules must apply equally to all licensees if the public whom they serve is to be adequately protected.