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FISCAL IMPACT REPORT

SPONSOR <u>Dow/Lujan/Terrazas/Vincent</u>	LAST UPDATED _____
	ORIGINAL DATE <u>02/19/2025</u>
SHORT TITLE <u>CPA Workforce Crisis Solutions</u>	BILL NUMBER <u>House Memorial 18</u>
	ANALYST <u>Gygi</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSA		Indeterminate but minimal		Indeterminate but minimal	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
 Higher Education Department (HED)
 State Auditor (OSA)

SUMMARY

Synopsis of House Memorial 18

House Memorial 18 (HM18) requests the State Auditor (OSA) convene an interagency certified public accountant (CPA) talent pipeline task force to expand and support CPA and audit professionals in New Mexico, examine the shortage of those professionals, and propose solutions, including STEM integration.

The task force is to include one representative from each of the following: the State Auditor, Department of Finance and Administration, New Mexico Public Accountancy Board, Public Education Department, Higher Education Department, and Workforce Solutions Department; and representatives from stakeholders, including the American Institute of Certified Public Accountants, the Center for Audit Quality, and the National Pipeline Advisory Group.

HM18 lists solution areas for consideration, and the task force is to report its findings and recommendations to the governor and the Legislative Finance Committee by November 1, 2025.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

HM18 does not carry an appropriation. OSA states it will need to seek additional funding or perform the taskforce group with existing operating budget.

SIGNIFICANT ISSUES

Nationwide the number of CPAs and students entering the workforce with an accounting degree is decreasing. The OSA reports it sees this trend most directly in the decreasing number of independent public accountants (IPAs) available for state government financial audits. In 2013 OSA approved 76 firms to conduct state audits; in 2023 that number was down to 49; the agency estimates it will only find about 45 for 2025. Of additional concern, is the dearth of CPAs available to public institutions particularly in rural and frontier areas, which results in audit backlogs and diminished accountability.

There are a number of reasons for the declining workforce, including generational impacts as baby boomers retire and younger workers prefer other occupations. Further, as OSA notes:

Wages for accountants have stagnated and the rigor of tests for certification remain high. Additionally, the industry is experiencing rapidly increasing complexity and breadth in accounting statements requiring greater and greater amounts of professional development and study for certification....Additionally, many accounting firms that are sole proprietorships that are exiting the profession or are selling their businesses to medium-sized firms, resulting in further contraction within the industry.

In May 2023, there were an estimated 6,810 accountants and auditors employed in New Mexico according to the Bureau of Labor Statistics (BLS).¹ The annual average wage of \$77.1 thousand is less than the national average of \$90.8 thousand. In New Mexico, accountant and auditor positions are expected to grow on par with the national average, at 6.7 percent through 2028.²

Accounting Programs and Degrees in New Mexico²	
Higher Education Institution	Degrees Offered
NM State University, University of NM	Master's and bachelor's degrees in accounting
Eastern NM University, NM Highlands University	Master's of Business Administration with a concentration in accounting
University of the Southwest	Master's in accounting
National Online Universities: Southern New Hampshire University, Grand Canyon University, Purdue Global, the University of Arizona Global Campus, Arizona State University, American Public University, Walden University, and National University	Can enroll New Mexico students and deliver degrees in accounting

According to the Higher Education Department (HED), eligibility to take the CPA exam in New Mexico requires a bachelor's degree and 150 total credit hours, including 30 hours in accounting.

¹ <https://www.bls.gov/oes/current/oes132011.htm>

² See <https://www.mastersinaccounting.info/new-mexico/> for summary of job outlook and details on programs.

HM18 offers a number of solutions for the proposed task force to consider, with a strong focus on integrating accounting and auditor education and workforce development into science, technology, engineering, and mathematics (STEM) initiatives. The task force is asked to consider enhanced recruitment efforts; scholarships, apprenticeships and financial support; and new licensure models.

ADMINISTRATIVE IMPLICATIONS

OSA reports it is seeing large reductions in the available independent public accounting (IPAs) firms with which it may contract for government audits:

If the OSA is unable to find IPAs to perform the financial audits for the state the Audit Act assumes the OSA will perform the financial audits with in-house staff. Without a dramatic increase in appropriations, taking on increasing amounts of financial audits with in-house staff would result in backlogged financial audits for state government entities as OSA is currently resource limited in its ability to perform these duties.

HED reports it already includes a classification of STEM programs in the higher education funding formula, instruction and general funding. That performance measure also includes a list of programs that are of high need in the state. While accounting is not currently classified as STEM, it is identified as an area of high need, so there is already a performance incentive built into the funding formula to attach extra value to degrees in accounting.

OTHER SUBSTANTIVE ISSUES

OSA is already collaborating with the Workforce Solutions Department and institutes of higher education to develop a CPA Talent Pipeline Initiative comprising recruitment, career pathways, workforce development programs, internships and apprenticeships, and financial support, with a focus on engaging underrepresented groups and expanding access to the profession. The provisions of HM18 will further the goals of the CPA talent pipeline initiatives.

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