

LFC Requester:

S. Lessemen

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*Date Prepared: 2/17/25

Check all that apply:

Bill Number: HM18Original Correction Amendment Substitute Sponsor: Dow, Lujan, Terrazas, VincentShort Title: CPA WORKFORCE CRISIS SOLUTIONS

Agency Name

and Code

OSA - 308

Number:

Person Writing David CraigPhone: 5054699911 Email David.Craig@osa.nm.**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

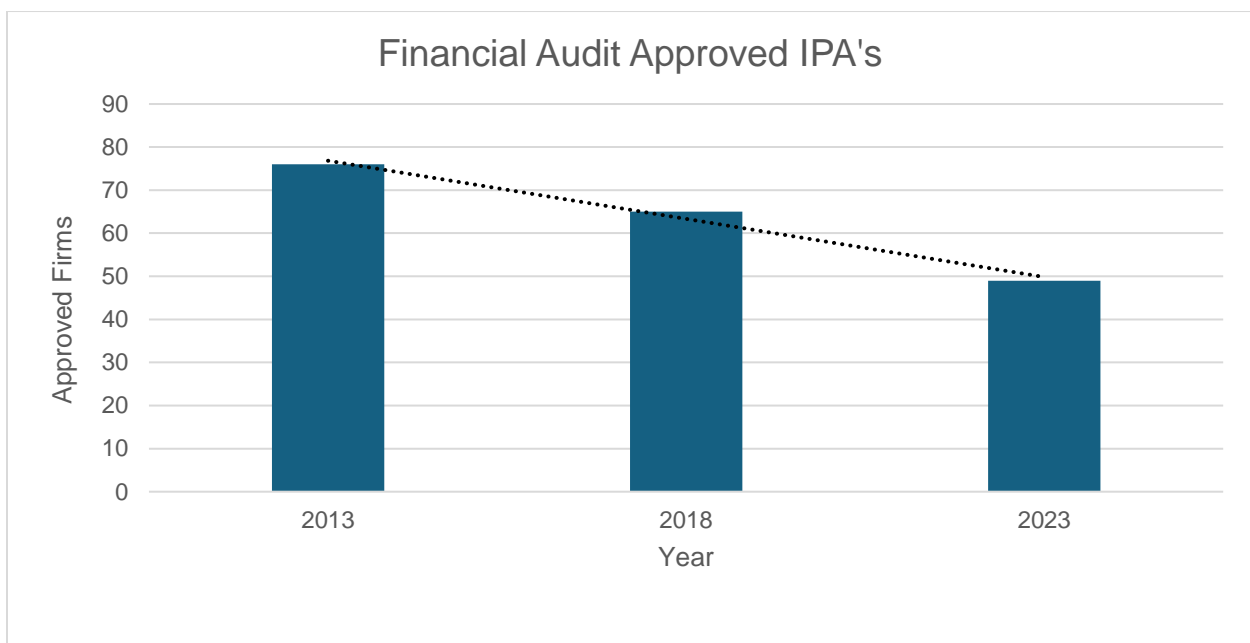
House Memorial 18 (HM18) seeks to address the national and state decline in the certified public accountant CPA workforce by asking the Office of the State Auditor (OSA) convene an interagency CPA talent pipeline task force to expand and support CPA and audit professionals, examine the shortage of those professionals and propose solutions. HM18 lists solution areas, and the task force is to report its findings and recommendations to the Governor and LFC by November 1, 2025.

FISCAL IMPLICATIONS

HM18 does not carry an appropriation. OSA will need to seek additional funding or perform the taskforce group with existing Operating Budget.

SIGNIFICANT ISSUES

Nationwide the number of CPA's and students entering the workforce with an accounting degree are decreasing. The OSA sees this trend most directly in the number of approved independent public accountants (IPA's) it approves for state government financial audits yearly decreasing. In 2013 OSA had 76 approved firms to perform financial audits for the state – in 2023 that number was 49 and we are estimating about 45 for 2025.



The reasons for the decrease in available accountants are multivariate. There are generational

impacts; as many of the members of the baby boom generation retire, there are not new accountants entering the industry as younger members of the millennial generation and members of Generation Z do not find the industry as attractive as other employment options. Like other industries, 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. Most other states' CPA requirements include 150 credit hours and this amounts to an extra year of higher education at a time when higher education affordability is a detriment to students. Additionally, many accounting firms that are sole proprietorships that are exiting the profession or are selling their businesses to medium-sized forms resulting in further contraction within the industry. All these impacts mean a smaller more concentrated pool of professionals available for a workload that remains fixed.

Among the proposed solutions that may address the ongoing CPA shortage in our state and nation, HM18 includes the following to guide discussions of the task force:

- proposal of and support for legislation identifying accounting as a STEM subject; identification of and support for expanded state and federal funding for expanded K-12 and higher education in accounting and auditing;
- creation and integration of a STEM-based accounting curriculum for grades K-12;
- exploring partnerships with educational institutions for the creation of internships, scholarships and training programs to attract and prepare the next generation of accounting professionals;
- consideration of the use and integration of CPA evolution, a licensure model that builds competencies in accounting, auditing, tax and technology;
- the expansion of the Workforce Solutions Department's (WSD's) WorkKeys program to assess artificial intelligence, STEM and accounting competencies, including a career readiness certificate to confirm artificial intelligence and STEM skills for employers;
- the expansion of education finance programs, including the expansion and availability of the higher education department's 529 education savings plan to increase access to accounting education benefits and professional certifications;
- increasing accounting education outreach to under-represented students, including students in rural and frontier areas; and
- expanding the higher education trust fund to help finance accounting education.

PERFORMANCE IMPLICATIONS

OSA is seeing large reductions in the available independent public accounting (IPA's) firms for which it may contract for government audits. This is due to the ongoing statewide and nationwide decreases in both accounting majors and CPAs in general. OSA has a vested interest in increasing the number of accountants and accounting firms in the state because the state is dependent on the contracting out function of financial audits for its government entities. 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.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

The OSA has begun work on its CPA workforce pipeline initiative, to do its part in tackling the crisis. OSA is collaborating with the Secretary of Workforce Solutions (DWS) and institutes of higher education to begin the discussion on workforce development. The CPA Talent Pipeline Initiative will implement targeted strategies to engage underrepresented groups, ensuring greater access and representation in the profession. Through state funding, Workforce Investment and Opportunity Act (WIOA) resources, and mentorship opportunities, the initiative will create new pathways for students of all backgrounds to pursue accounting careers.

The OSA's CPA Talent Pipeline Initiative addresses several key areas:

- **Workforce Development:** Preparing students for high-demand careers in accounting and public service.
- **Expanded Talent Pipeline:** Recruiting and training local talent from diverse communities and equipping them with future-ready skills.
- **Enhanced Financial Oversight:** Reducing audit backlogs and improving accountability in public institutions, particularly in rural areas.
- **Comprehensive Support:** Leveraging WIOA funding to provide transportation, childcare, and training materials, removing common barriers for participants.
- **Diversity and Inclusion:** Focusing on recruitment strategies that expand access for underrepresented groups and create a more inclusive accounting profession.

The initiative will seek to fund six undergraduate and graduate internships that will leverage New Mexico's scholarship programs and DWS Apprenticeship opportunities. Applications for the program will open soon, with a focus on recruiting students from rural, frontier and underrepresented communities. Selected interns will receive comprehensive training in accounting, public administration, and emerging technologies, preparing them to lead the next generation of financial oversight in New Mexico. The provisions of HM18 will further the goals of the CPA talent pipeline initiative and look to explore how we can tackle on a larger scale the ongoing workforce crisis.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS