



**OFFICE OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE
(MILITARY COMMUNITY AND FAMILY POLICY)**

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DoD-State Liaison Office

**Chair Angus McKelvey
House Committee on Consumer Protection and Commerce**

February 26, 2013

**Testimony of
Laurie Crehan, Ed.D.
Office of the Assistant Secretary of Defense, Military Community & Family Policy
DoD-State Liaison Office**

HB1381 Relating to Professional and Vocational Licensing;

Chair McKelvey and Members of the Committee:

On behalf of the Department of Defense, I would like to thank you for the opportunity to submit testimony on HB1381, a bill relating to Professional and Vocational Licensing. My name is Laurie Crehan. I am with the Department of Defense State Liaison Office which operates under the direction of the Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary of Defense for Military Community and Family Policy.

During the 2012 legislative session, Hawaii passed legislation that facilitated Service members receiving consideration of their military education, training, and experience toward meeting state criteria when applying for a state license. This policy addressed the problem separating Service members frequently face of delays in getting post-Service employment even though they have applicable military education, training and experience which can qualify them for licenses. The Legislature also passed legislation to help military spouses stationed in Hawaii to obtain licenses when they held a license in good standing in another state.

HB1381 makes some minor changes to the existing statute and also provides support for transitioning Service members who come to Hawaii with a professional license from another state. We support this policy that will help those Service members and spouses enter the workforce quickly. We would suggest some changes to HB1381 HD1 to make the policy clearer.

We support the elimination of the descriptor “nonresident” in referring to eligible military spouses. Limiting the statute to nonresident spouses would mean Hawaii residents who are spouses of Services members and who had received a license in another state would not be eligible under the statute. We do not believe that was the intent of the original bill. We also understand the desire to restrict the application of the statute to those who are on a permanent assignment in Hawaii and not temporary assignment, and so we are supportive of requiring orders of at least one year in duration.

Improving the Lives of Military Members and their Families

Department of Defense's intent in asking for assistance with the issue of transitioning Service member licensure was to meet the needs of separating Service members and not all veterans at large, and we believe that the two year timeframe for transition is reasonable.

Legislation passed last year did not address the issue of transitioning Service members who come to Hawaii with a license from another state. The proposed amendment to facilitate obtaining a license in Hawaii is similar to that passed for military spouses last year. Removing the section on temporary licensing is acceptable policy as this section was meant to help military spouses get licensed in the short time (2-3 years) they might be stationed in Hawaii. While we want Service members to enter the workforce quickly, the provisions in the bill for expediting regular licenses should meet that need.

Additionally, HD1 requests that national and regional exams be waived. Changing the policy to requiring the licensing boards to accept results of required national and regional exams that are substantially equivalent to Hawaii exams toward requirements of receiving a license would ensure that a veteran who was licensed in Hawaii would be meeting the same standards required of all applicants for licensure in the State. It might also help in reducing the time it takes to get a licensed if exams do not have to be retaken. The three professions that have been excluded may not have objections to being included if this policy is changed.

This issue of consideration of military education and training towards meeting state criteria for licensing is one of the key elements of the Veterans Employment Initiative of President Obama. Military spouse employment is also a key component of the White House Joining Forces initiative. We request that this Committee give careful consideration to making the needed amendments to the language in HB1381 HD1 in order to guarantee our Service members can quickly re-enter the workforce and that spouses stationed in Hawaii are able to get licensed and find work during the limited time they are in Hawaii.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Laurie Crehan, Ed.D.

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NEIL ABERCROMBIE
GOVERNOR

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**PRESENTATION OF THE PROFESSIONAL AND
VOCATIONAL LICENSING DIVISION**

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Wednesday, February 27, 2013
3:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 1381, H.D. 1, RELATING TO PROFESSIONAL
AND VOCATIONAL LICENSING.**

THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Celia Suzuki, Licensing Administrator for the Professional and Vocational Licensing Division, Department of Commerce and Consumer Affairs ("Department"). The Department appreciates the opportunity to submit testimony in opposition to House Bill No. 1381, H.D. 1, Relating to Professional and Vocational Licensing.

The purpose of House Bill No. 1381, H.D. 1, is to amend Hawaii Revised Statutes ("HRS") Chapter 436B-14-7 and Act 248, Session Laws of Hawaii 2012, to require licensing authorities to consider processes for licensure by endorsement or reciprocity for military spouses and service members.

While the Department supports the intent of the bill, we have concerns regarding Section 2 of the bill which exempts medical doctors, dentists, and certified public accountants from the requirements of Act 248. We do not understand the rationale for this exemption, as it tends to defeat the purpose of the Act, which is to require the licensing authority to consider an applicant's military education, training, or service.

Furthermore, the proposed amendments to Act 248 requires the licensing authority to consider relevant military education, training, licensure examinations, or service, and requires the applicant to be honorably discharged within two years of application and provide a copy of the discharge documents. It is unclear whether the exemption from the "requirements of this section" for medical doctors, dentists, and certified public accountants relate to the requirement that the licensing authority consider their military education, training, licensure examinations, or service, or whether the medical doctors, dentists, and certified public accountants are exempt from meeting the honorable discharge requirements.

For the aforementioned reasons, we respectfully request that this bill be held.
Thank you for the opportunity to provide testimony on House Bill No. 1381, H.D. 1.

AMERICAN INSTITUTE OF ARCHITECTS

CPC
3:30 pm

February 27, 2013

Honorable Angus McKelvey, Chair
House Committee on Consumer Protection & Commerce

Re: **House Bill 1381 HD1**
Relating to Professional & Vocational Licensing

Dear Chair McKelvey and Members of the Committee,

My name is Daniel Chun, President of the American Institute of Architects (AIA) Hawaii State Council, sending **COMMENTS** on HB 1381 HD1. The AIA Board of Directors has not yet voted a position on HB 1381 and its drafts, but we have questions relating to why this bill is needed.

Candidates for Hawaii architect licenses already have flexibility with respect to qualifications that involve formal education and internship. So why is this bill necessary?

HRS 464 allows candidates that lack a formal degree from an accredited school of architecture to apply for Hawaii licensure. This is atypical of most states, but AIA has defended this **Hawaii state “waiver”** because some individuals lack an accredited degree due to life circumstances; such as personal finances or having immigrated to the United States. Our state replaces this with 11 years of internship. Our understanding is that each year 1 or 2 persons use the accredited degree waiver to become a candidate. This is not a large number of persons, but it makes for empathetic accessibility to the architectural profession.

HRS 464-8(b) requires internship for a number of years in a nationally organized program of the National Council of Architectural Registration Boards NCARB. However AIA lobbied this legislature to allow alternate intern development programs that may be approved by our DCCA EASLA Board. When AIA lobbied the amended language it was understood that the US military had some kind of intern program that warranted recognition. This acceptable **“bright light” alternative is in HRS 464-8(b)**, so this bill is unnecessary for the architectural profession.

Why is the class of beneficiaries of this bill so potentially large?

Drafts of HB 1381 have included veterans of every level of military unit from very active duty to members of the National Guard resident in their various home states. The drafts have not seemed to differentiate between long-term veterans and those with far fewer years of service. If this is the intent of HB 1381, the class of beneficiaries can become very large and may include out-of-state residents applying for Hawaii architect licenses without any intention of residing long-term in our community.

A few weeks ago your Committee heard HB 326 that sought to rein in a problem with out-of-state residents holding Hawaii architect-engineer licenses that may be selling services without paying appropriate state taxes. Because of reciprocity agreements, an out-of-state resident can hold a Hawaii architect license to practice – but not reside in Hawaii. So it can be argued that HB 1381 might aggravate this problem in the long-term.

Is the purpose of HB 1381 economic opportunity or consumer protection?

The language of various drafts of HB 1381 and the supporting testimony read like economic opportunity for veteran and military spouses. Architecture and building are lasting and enduring features of Hawaii's landscape. In sharp contrast, this bill seems focused on quick short-term financial benefit to potential licensees. Unacceptably high unemployment is a fact for all potential architects when about 20% of architects were furloughed as a result of the last recession. We still have little economic recovery in this profession.

AIA understanding is that our licenses are regulated by the DCCA solely for public consumer protection and not for private financial gain or personal elevation of a special class of persons. There are federal programs, such as design contract set-asides, with veteran preferences that AIA has not taken issue with.

Why even pass this bill?

Although the AIA Board has not yet voted a position, members have contacted us with the comments presented here. A large percentage of the contacts have come from Maui-based members. Characterizing the discomfort ... HB 1381 seems like a great "watering down" from current requirements focused on public consumer protection.

AIA still does not have an acceptable answer as to why broadly applicable bills like HB 1381 even need passage? We prefer to rely on existing statutes and rules governing our DCCA EASLA Board. In the past we patiently and carefully worked on passage and "bright light" amendments to HRS 464. Our

understanding is that each regulated profession and board needs to be unique, so an over-arching statute like HB 1381 goes totally against this.

If you must pass this bill, please consider exempting certain professions that already provide for proper balance between accessibility for candidates and the consuming public in their respective licensing statutes. Thank you for this opportunity to **COMMENT** on HB 1381 HD1.

Testimony to the House Committee on Consumer Protection and Commerce

Wednesday, February 27, 2013

3:30 AM

Conference Room 325

**RE: HOUSE BILL NO. 1381, HD 1, RELATING TO PROFESSIONAL AND
VOCATIONAL LICENSING**

Chair McKelvey and Vice Chair Kawakami, and members of the committee:

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state The Chamber's **support House Bill No. 1381, HD1**, Relating to Professional and Vocational Licensing.

The measure proposes to require a licensing authority to consider in the process for licensure by endorsement or reciprocity military spouses who meet certain requirements or service members who meet certain requirements including providing military retirement, separation, or discharge documentation. Requires the service member to have been discharged within the last two years. Excludes doctors, dentists, and certified public accountants.

The measure proposes to ease the difficulties of military spouses and our returning veterans in seeking employment by enabling licensing authorities to streamline the licensing process. Military spouses and returning veterans suffer the highest unemployment rates in the country and this sensible procedure will enable those who meet the qualifying requirements an opportunity to become productive citizens in a timely manner.

In light of the above, we recommend the measure be approved.

Thank you for the opportunity to testify.



HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

Organized August 7, 1943
P.O. BOX 61043
HONOLULU, HAWAII 96839



Before the House Committee on Consumer Protection & Commerce

Testimony of John Roberts on Behalf of the Hawaii Association of Public Accountants Wednesday, February 27, 2013; 3:30 p.m. Conference Room 325

Re: Opposition to HB 1381, HD1 Relating to Professional and Vocational Licensing

Chair Angus L.K. McKelvey, Vice Chair Derek S.K. Kawakami, and
Committee Members:

I am the State President of the Hawaii Association of Public Accountants (HAPA). HAPA is a state-wide organization with chapters in all of Hawaii's counties. I am also a licensed Certified Public Accountant (CPA) and a principal in the firm Niwao & Roberts, Certified Public Accountants, a Professional Corporation, located on Maui.

This is the fifth time in this legislative session that HAPA has submitted testimony on proposed legislation to exempt military veterans from certain portions of the professional licensing standards of Hawaii. HAPA hears the message of Hawaii's legislature that it wants to help the latest generation of heroes transition into civilian life, find gainful employment, and pursue the happy and prosperous lives they deserve following their service to our country. HAPA shares this goal, but strongly opposes the manner in which House Bill 1381 attempts to achieve this end. Simply put, HAPA opposes HB 1381 because it is the wrong tool for the job if the objective is to promote employment of military veterans and military spouses. If HB 1381, HD1 is to be passed, then HAPA requests that Certified Public Accountants (CPAs) be excluded through an explicit carve out provision for reasons described below.

Context: HAPA wants this committee to know the context in which HAPA opposes this draft legislation. HAPA's membership includes licensed professionals who previously served in the United States Military, the Foreign Service, and other agencies in the United States Intelligence Community. Some received commendations and citations in recognition of their service while in harm's way overseas. Following military service, many of those who were eligible received tuition and other college assistance as well as other benefits under the G.I. Bill to launch them into their present careers and civilian lives. None who served either sought or received special accommodation or relief from the Hawaii Department of Commerce and Consumer Affairs or the Board of Public Accountancy when they eventually applied for and obtained a Hawaii CPA license or

permit to practice. Within our membership, those who are military veterans themselves are the most outspoken against HB 1381 and the whole concept of any form of preferential licensing treatment for veterans and their spouses.

HB 1381 In General:

Purpose of Professional Licensing: The purpose of professional licensing is to protect the public. The standards under which professional licenses are granted and renewed in the State of Hawaii are not perks or political chips to be relaxed or waived for the benefit of one group over another no matter how noble the reason. The licensing standards should be applied to all fairly and equitably. HB 1381 loses sight of the purpose of professional licensing and violates the principles of fairness and equity.

If enacted, it will result in two classes of professional licensees: 1) those granted licenses under lower standards because of their affiliation with the U.S. military, and 2) those granted licenses under time-tested higher standards created for the protection of the public. Substitute examinations, education and experience should not be automatically allowed as substantially equivalent to current requirements for CPA licensing. Self-vetting by military-affiliated applicants by affidavit while all others must continue to undergo regular vetting for the protection of the public will create an unacceptable two-class system.

Preferential Treatment is a Slippery Slope: The process of relaxing professional licensing standards for one class of citizens is a slippery slope similar, by analogy, to granting the now voluminous exceptions to the Hawaii General Excise Tax. As Hawaii has learned with tax exceptions and credits, once you start down this road, it is nearly impossible to not make exceptions for others, all at the expense of consumer protection. Who will be next? Former policemen, firemen, teachers, and every other class of state and county civil servant?

Other Options:

The benefits already available to military veterans to facilitate their transition to prosperous civilian careers are summarized at <http://www.todaysmilitary.com/military-benefits?intcmp=a15> . If Hawaii's legislature believes that the benefits offered by the Federal Post-9/11 GI Bill combined with Federal Tax Credits available to employers for hiring veterans are insufficient, then HAPA recommends that the legislature consider offering additional incentives to employers to make hiring veterans and military spouses more attractive, rather than less attractive by lowering professional licensing standards for them. Such incentives could include State employment tax credits and reimbursement of employers' training/retraining costs.

HB 1381, HD1 and the CPA Profession:

Three Pillars to CPA Licensure: There are three time-tested pillars to CPA licensure across the nation: Education, Examination, and Experience. All are equally important for the public's protection. Take away or modify any one of these pillars, and the framework on which the profession is based will collapse. Without the carve out contained in HB 1381, HD1, this Bill could effectively waive the national Uniform CPA Examination for certain veterans.

The Uniform CPA Examination is the only pillar that is an absolute constant from state to state. It tests the core knowledge that every CPA must have before practicing before the public. The pass rate for this four-part examination is not high. Passing it is more than a rite of passage or badge of honor. It demonstrates to all state licensing boards and all consumers that the work product of any CPA in any state (who also obtained the necessary education and experience) meets minimum standards. Other national accounting examinations exist, both in the United States and in other countries. They are not equivalent to the Uniform CPA Examination. Should this Bill be enacted for CPAs, the Board of Public Accountancy would be required to evaluate each of these examinations to prove why the other examinations are not equivalent to the Uniform CPA Examination, a task that the Board of Public Accountancy simply does not have the resources to perform.

Remove or relax the requirement for any one of these three licensing standards and the credibility and acceptability of all CPAs licensed in Hawaii will be questioned. The consequences of lowering the licensing standards in Hawaii relative to other states are expected to be severe. At best, the reputation of Hawaii CPAs would go from top tier to the bottom tier, lowering the competitiveness of Hawaii CPAs against CPAs licensed in other states. Add in the substitution of other national and foreign licensing examinations, and any Hawaii CPA practicing before the Internal Revenue Service and any Hawaii CPA performing audits of recipients of federal grants and contracts could expect to lose his or her livelihood. For these reasons, the CPA profession does not fit into the HB 1381, HD1 framework and should be explicitly excluded.

Local Jobs for Local People: Despite recent press reporting that Hawaii's tourism industry has rebounded and that there are glimmers of light at the end of the tunnel for Hawaii's real estate industry as well, the recovery from the Great Recession has not yet spread to construction, retail, financial services, and other important sectors of our State's economy. Many experienced and qualified Hawaii accountants lost their jobs in the Great Recession when local businesses were forced to close their doors. These unemployed and underemployed local accountants have had to either seek employment out-of-state or resort to lower skilled/lower paying jobs to try to support themselves and their families.

The lack of accounting and other professional jobs is no more apparent than when you compare today's help wanted listings in local newspapers and on the internet against the abundant listings in 2007. In addition to the loss of many local businesses to serve, one of the reasons for the loss in accounting positions available is foreign and out-of-state outsourcing. Big-box stores and even large local businesses that increasingly dominate Hawaii's commercial landscape now use out-of-state and inexpensive foreign accountants where previously Hawaii residents performed these jobs. If CPAs are included in this Bill, the unintended consequence of HB 1381, HD1 will add insult to injury to local professional licensees by granting preferential licensing to out-of-state military veterans and their spouses.

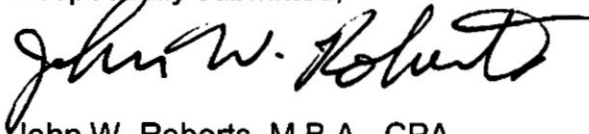
Conclusion:

HAPA's members include veterans who have made the transition to civilian life and became licensed professionals. They are proud of the latest generation's service to our country and welcome them back to civilian life and careers. From experience, however, our members know that there is no short cut to becoming a Certified Public Accountant. The time-tested licensing standards of Education, Examination, and Experience are necessary for the protection of Hawaii's consumers. These standards remain just as valid today as they were when HAPA's veterans hung up their own uniforms for the last time and started down the path to becoming CPAs themselves.

For the protection of Hawaii's consumers and to insure that our veterans are thoroughly prepared for rewarding civilian careers, HAPA opposes HB 1381 in principle. If HB 1381, HD1 is to be passed, then HAPA requests that Certified Public Accountants be excluded or carved out from the Bill as currently drafted.

Thank you for the opportunity to submit testimony for your consideration.

Respectfully submitted,



John W. Roberts, M.B.A., CPA
HAPA State President

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Before the House Committee on Consumer Protection & Commerce

Testimony of Marilyn M. Niwao, J.D., CPA
Wednesday, February 27, 2013; 3:30 p.m.
Conference 325

Re: Opposition to HB1381. HD1 Relating to Professional and Vocational Licensing

Chair Angus L.K. McKelvey, Vice Chair Derek S.K. Kawakami, and Committee Members:

I am a Hawaii licensed CPA and attorney, and president of the firm Niwao & Roberts, CPAs, a P.C. located on Maui. I have practiced public accounting for over 34 years, and I have trained many new Hawaii CPAs in the course of my career. I am very familiar with Hawaii CPA licensing requirements as I have been involved with various professional organizations representing CPAs for many years and I have attended dozens of Board of Public Accountancy meetings.

My firm opposes the language of HB1381, HD1. If enacted despite serious concerns regarding licensed professionals in the State of Hawaii, we agree with exempting CPAs and other professional licensees from the provisions of the bill.

State licensing laws are enacted around the country for the protection of the public (i.e., the consumer). For the CPA profession, much thought by those familiar with the profession went into establishing standards that would ensure that only qualified individuals become licensed as CPAs.

For Hawaii, the standards include 1) taking the Uniform CPA **exam** (which is the exam used by all fifty states), 2) **education** (150 semester hours of college credits), and 3) experience (2 year of **public accounting experience** or its equivalent in private industry or government).

The State Board of Public Accountancy (and the DCCA) should be the body determining whether state licensing standards are met. Furthermore, there should no lowering of Hawaii CPA licensing standards (or other licensing standards, for that matter). In addition, there should be no automatic acceptance of a substitute exam, education, or experience of a military candidate or a military candidate's spouse for licensing purposes, and the relevancy of experience should be considered by the

Board. The language at the end of Section 2 of HB1381, HD1 – “**Evidence presented for consideration for fulfillment or partial fulfillment of licensing requirements shall demonstrate substantial equivalency to state standards**” - **should be deleted.**

Regarding the exam, education, and experience required for CPA licensure:

1. **There should be no substitute exam allowed in lieu of the Uniform CPA exam.**

The Uniform CPA exam is the CPA exam that is accepted in all fifty states. There should be no substitute exam allowed for CPA licensing for the protection of Hawaii’s public.

2. **Expanded educational benefits of the Post-9/11 GI Bill are available to military members to meet educational standards required for CPA licensure.**

Per the todaysmilitary.com website, military members who have served at least 36 months (3 years) are now provided expanded educational support as of August 1, 2011 which includes 1) all public school (i.e., college) in-state tuition and fees, 2) a living stipend (basic housing allowance), and 3) an allowance for books and supplies. Certain colleges and universities participating in the “Yellow Ribbon Program” also contribute additional funds that exceed the maximums provided by the Post-9/11 GI Bill. There are other educational benefits provided to military personnel as well. With these educational assistance programs, military members can obtain the requisite educational requirements to fulfill state licensing requirements if they don’t have the necessary college credits.

3. **Military experience is already considered by the Hawaii Board of Public Accountancy in satisfying the experience requirement to be licensed as a CPA.**

The Hawaii Board of Public Accountancy already reviews experience obtained in the military in satisfying the experience requirement for CPA licensure, and has accepted certain military experience as meeting the requirements for CPA licensure. However, not all military experience will satisfy the CPA licensing requirement, and accepting all military experience for CPA licensing irrespective of the type of experience received will lower Hawaii CPA licensing standards and harm Hawaii’s consumers.

Jobs for out-of-state military veterans in Hawaii? Recently, our firm advertised for an accounting professional and was surprised to see the quantity of out-of-work applicants, many with substantial credentials. The comment I heard most from job applicants was that it is very difficult to find an accounting job in today’s economy. Although the Hawaii visitor industry may have recovered, other parts of Hawaii’s

economy have not recovered from the Great Recession. Many small businesses have gone out of business in the last few years, eliminating many local accounting jobs. Many, if not most, of the big-box stores and large hotels use out-of-state accountants; many other accounting jobs have been lost due to outsourcing to other countries with lower wages. With so many Hawaii residents still struggling to find accounting jobs, is now the time to lower CPA licensing standards so out-of-state military candidates and their spouses can obtain what few accounting jobs remain in Hawaii?

If the desire is to find jobs for military veterans, then a more effective and targeted proposal would be to offer a jobs tax credit to hire military veterans, rather than to lower state licensing standards at the expense of Hawaii's consumers. On January 1, 2013, such a federal jobs tax credit was extended by Congress, and includes five work opportunity tax credits aimed at encouraging businesses to hire veterans. These "Returning Heroes" and "Wounded Warriors" Work Opportunity Tax Credits pay between \$2,400 and \$9,600 to businesses who hire veterans. Advertising the availability of these credits to employers would do more to help veterans find jobs than lowering CPA and other state licensing standards for veterans.

Based upon the above, my firm and I oppose the language of HB1381, HD1 and urge you not to pass HB1381, HD1. If this bill is passed, then CPA licensees should be exempted from its provisions due to the special qualifications and work product of CPAs, and we agree with the exemption provided for CPAs in Section 2 of the bill.

Thank you for this opportunity to testify.

Respectfully submitted,

Marilyn M. Niwao

Marilyn M. Niwao, J.D., CPA
President