

# LATE TESTIMONY

STATE OF HAWAII  
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 506, RELATING TO PROFESSIONAL  
AND VOCATIONAL LICENSING

PRESENTATION TO THE

COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL  
AND MILITARY AFFAIRS

BY

MR. RONALD P. HAN  
DIRECTOR OF STATE OFFICE OF VETERANS SERVICES

January 29, 2013

Chairs Espero, Vice Chair Baker and Committee members:

I'm Ron Han, Director of the State Office of Veterans Services (OVS). I appreciate this opportunity to provide testimony in support of the concepts in Senate Bill 506.

This measure seeks to clarify that licensing authorities consider relevant education, training and service time completed by members of the armed forces when these individuals apply for these licenses. The bill would permit licensure by endorsement or licensure by reciprocity in certain situations for members of the armed forces who received qualifying training through training programs developed by the Department of Defense.

We also suggest the following changes be considered: The definition of service members should not be restricted to individuals who are currently stationed in Hawaii. Based upon data received by OVS, approximately 2,400 service members who transitioned out of the military in 2012, listed Hawaii as their home of record. Most of these individuals were not stationed in Hawaii. As written these individuals would not be eligible for the program should they return to Hawaii. However there are 23 other states that also provide this program. We should open the program to accept these individuals, should they decide to come home.

Secondly, the time line of six months may not be reasonable. Leaving the military and deciding what to do with your life may take longer than six months. Many individuals have a lot on their minds during this transition period. A reasonable time period of 36 months may be more realistic.

The OVS supports the intent expressed in this measure as long as its implementation does not impact or replace the priorities set forth in the Executive Biennium Budget for Fiscal Biennium 2013-2015.

Thank you for this opportunity to provide testimony on behalf of Hawaii's Veterans and their families in support of SB 506.

# LATE TESTIMONY



## HAWAII ASSOCIATION OF PUBLIC ACCOUNTANTS

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



**Before the Senate Committee on Public Safety,  
Intergovernmental and Military Affairs**

**Tuesday, January 29, 2013 at 2:50 p.m.**

**Conference Room 224**

**Re: Opposition to SB 506**

Chair Will Espero, Vice Chair Rosalyn H. Baker, 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 CPA and a principal in the firm Niwao & Roberts, Certified Public Accountants, a Professional Corporation, located on Maui.

HAPA opposes SB 506 as it applies to the licenses pertaining to certified public accountants for the reasons described below.

By way of background, HAPA's membership includes licensed professionals who previously served in the United States military and in the foreign service. Some received commendations and citations in recognition of their service while in harm's way overseas. 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 completed their national service, transitioned to Hawaii's civilian workforce, and applied for a Hawaii CPA license or permit to practice.

In a non-statistical telephone sample of HAPA members who previously performed national service, those queried expressed the opinion that their national service was a privilege and a reward in itself, regardless of whether they were drafted or volunteered. They also shared the opinion that Hawaii's laws and administrative rules governing the licensure and practice of public accounting were enacted for the protection of the public for good reason and should not be compromised, regardless of how noble the related intentions are. Our system of governance, which includes the processes for developing the laws and rules for regulating the CPA profession in Hawaii, are part of what they worked to protect through their national service. To make exceptions or lower the standards for professional licensing for any special class of citizens degrades their own sacrifices made in national service.

HAPA's opposition to SB 506 stems from three primary concerns: Substantial Equivalency and CPA Mobility; Self-Certification and Abdication of Jurisdiction; and Failure to Recognize Non-Military National Service.

- Substantial Equivalency and CPA Mobility: Together with other Hawaii and national stakeholders, HAPA has labored for approximately 15 years with the definition and application of the concept of Substantial Equivalency in CPA licensing as part of our efforts to reach a mutually agreeable compromise for CPA mobility legislation in Hawaii. The heart of the matter is that the education and experience requirements for CPA licensure can vary greatly from state to state. If great care is not used in defining and applying Substantial Equivalency in the CPA context, the end result will be to lower Hawaii's time-tested licensing standards to the lowest common denominator in the nation. The unintended consequence of this would be to needlessly put Hawaii's consumers at risk. Furthermore, it would create two classes of CPAs in Hawaii: those with military backgrounds who became licensed in Hawaii under the lowest standards available in other states and those without military backgrounds who became licensed under Hawaii's high standards developed for consumer protection.

Over the last few months, the CPA mobility stakeholders in Hawaii came very close to reaching agreement on CPA mobility legislation. For the first time, we can now see the finish line in the distance. The negotiations collapsed primarily over other issues just before the start of this legislative session. Nonetheless, HAPA remains optimistic that the stakeholders will resume work in a cooperative spirit and finally complete draft legislation after this legislative session if no outside influences muddy the waters. Unfortunately, through its broad use of the term and concept of Substantial Equivalency, SB 506 oversimplifies a very complex issue for the CPA community and threatens to derail our efforts to reach consensus on CPA mobility legislation.

- Self-Certification and Abdication of Jurisdiction: HAPA is concerned that the Licensure by Endorsement and Licensure by Reciprocity provisions of SB 506 will be essentially equivalent in practice to self-certification by the applicant that they meet the requirements for a CPA license and permit to practice in Hawaii, resulting in a de facto abdication of jurisdiction by the Hawaii Department of Commerce and Consumer Affairs and the Board of Public Accountancy. Coupled with the requirement that the licensing authority "shall expedite consideration" again creates a two-class CPA licensing regime resulting in those with military service receiving preferential treatment above those without military service. Those without prior military service will continue to have to undergo full licensing credentials and "good standing" verifications with other states by the Hawaii Board of Public Accountancy. The wording of SB 506 suggests that those with military backgrounds will not. Because of the nature of public accounting, it is very difficult for CPA applicants to self-assess the adequacy of

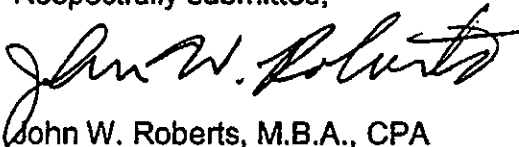
their experience for the reason that they do not know what they do not know. Therefore, we do not believe that self-certification is adequate for the protection of the public.

- **Failure to Recognize Non-military National Service:** SB 506 only recognizes military service. It is silent about those who serve in equally dangerous non-military or civil service positions in the national intelligence community, foreign service, and other branches of the U.S. Government. In fairness to all who have performed national service, any relaxing of the licensing standards should recognize their competencies gained while serving their country as well.

The process of carving out exceptions to professional licensing standards is a slippery slope similar, by analogy, to granting the now voluminous exceptions to the Hawaii General Excise Tax. Once Hawaii starts down this road, it will be near impossible to not make exceptions for others, all at the expense of consumer protection. Although appreciative and proud of the military service of this latest generation who are now joining the ranks of veterans, it is for the greater good of Hawaii's citizens that HAPA opposes SB 506 for the reasons described above.

Thank you for your consideration.

Respectfully submitted,



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

## **Testimony to the Senate Committee on Public Safety and Military**

**Tuesday, January 29, 2013**

**2:50 PM**

**Conference Room 224**

**RE: SENATE BILL NO. 506, RELATING TO PROFESSIONAL AND VOCATIONAL LICENSING**

**Chair Espero, Vice Chair Baker, 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 of the intent* of Senate Bill No. 506, Relating to Professional and Vocational Licensing.

The measure clarifies that licensing authorities shall consider relevant education, training, or service completed by service members when considering the issuance of a license by endorsement, license by reciprocity, or temporary license to a qualified service member.

The measure cites a need to amend the implementing provisions in Act 248 to better define the requirements for service member licensure in Hawaii.

The Chamber agrees that the amendments proposed would clarify the steps needed to expeditiously process licensure applications submitted by transitioning service members in Hawaii. They are in keeping with the desires of the President of the United States and the Secretaries of Defense and Veterans Affairs in placing top priority for the employment of our military veterans.

We would like to cite two areas, however, where we believe the proposed amendments would place undue hardships on service members.

1. Section 1 (b) (2) limits eligibility to service members who have transitioned out of the military within the previous six months. Many service members choose to take advantage of their GI Bill

and enroll in a college immediately upon transitioning from active military service. This may take two years or more. We believe that the measure should allow for this educational opportunity and provide a two year limitation.

2. Section 1 (b) (2) also requires that the service member must have been stationed in Hawaii immediately prior to the service member's honorable discharge. Among other things, this restriction would eliminate Hawaii residents that separate from active service outside Hawaii but desire to return home. We believe that this restriction should be eliminated to encourage and enable highly trained and educated veterans to choose to live and work in Hawaii.

In light of the above, we recommend the measure be amended accordingly.

Thank you for the opportunity to testify.