
OCCUPATIONAL LICENSING FEE WAIVER

The Problem: Since the 1950s, the percentage of the workforce that needs the government's permission to work has increased from five percent to nearly 30 percent.ⁱ But rather than covering high-wage, high-risk occupations, licenses are now required for harmless, low-income occupations like florists, hair braiders, and furniture upholsterers. These requirements disproportionately harm low-income Americans, military families, and young workers.

A 2017 study by the Institute for Justice that looked at licensing requirements for 102 different low- and moderate-income occupations found an average requirement of \$260 in fees, one exam, and approximately one year's worth of education and training for licensure.ⁱⁱ Manicurists in Virginia need to pay \$290 to work legally, while in Michigan, cosmetologists must pay \$291 for an application, license, and exam—in addition to the cost of the state-required schooling.ⁱⁱⁱ And, after completing required training, residential painters in Arizona must pay \$870 to receive a license.^{iv}

These fees make it harder for low-income Americans to climb the economic ladder.^v To put this amount in perspective, a \$200 fee is equivalent to the cost of a week of groceries for a family of four.^{vi} For those struggling to make ends meet, every dollar spent to start working is a setback.

Research from The Institute for Veterans and Military Families found that 73 percent of military spouses with an occupational license required a renewal or re-issuance of their license after being transferred to a new state.^{vii} And because military spouses are ten times more likely to have moved across state lines in the last year compared to their civilian counterparts—and are licensed at a higher rate than the general population—this is a substantial burden.^{viii} Excessive licensing requirements are one reason why military spouses face an elevated unemployment rate of 18 percent, which is more than four times the U.S. overall unemployment rate.^{ix}

Despite the extensive experience and standardized training that veterans receive during their time spent in the military, most state and local governments do not allow military training in a specific skill to count towards a license in an occupation that requires that skill. Instead, veterans are forced to take lengthy and costly educational programs that, as the Obama White House pointed out in a report on licensing, they could teach.^x

By creating a system in which those who can obtain a license are protected from outside competition, licensing makes many promising work options cost-prohibitive for young workers. A near-record-low number of young Americans are participating in the labor market. State policies should promote moving young people into the workforce so that they can set themselves up for a life of work.

Though the overall economy has steadily improved since the Great Recession, young Americans are still struggling with a sluggish labor market. As the end of 2017, the unemployment rate for 20- to 24-year-olds remained above seven percent, and the teenage unemployment rate was near 14 percent. Both these rates are significantly higher than the under-four percent unemployment rate for those over 25 years old.^{xi}

How to Fix It: While there may be reason to require training for certain occupations, there is little public safety rationale for charging fees for licenses—particularly when doing so poses a substantial barrier to work. To lessen the burdens posed by licensing, Freedom to Work waives initial state and local licensing fees for low-income Americans, military families, and young workers.

Some states are already doing this. During the 2017 legislative session, the Arizona legislature passed a bill that allows individuals with household incomes below 200 percent of the federal poverty line (\$24,000 per year for an individual) to obtain an occupational license without paying the accompanying fee.^{xii}

In 2017, a bill passed unanimously in Florida that grants licensing-fee waivers to those with household incomes less than 130 percent of the federal poverty level and extends a fee waiver to military members and their spouses. Military spouses can now transfer their existing licenses to Florida at no charge when their families are given a new living assignment. And Floridians whose spouses are in the military can keep their state licenses in good standing at no cost when they need to relocate to another state temporarily.

A similar bill that waives local licensing fees for low-income workers and military families was passed in Indiana in 2017, and other states—including Arkansas, Iowa, Kentucky, Missouri, Michigan, Oklahoma, and West Virginia—have legislation that relaxes or waives occupational licensing requirements for members of the military and their families.^{xiii}

Licensing boards should not profit from people who are defending America, just beginning their careers, or working to bring their families out of government dependency. For this reason, Freedom to Work breaks down the initial financial barriers that members of these groups face from occupational licensing laws.

ⁱ Morris Kleiner, "Reforming Occupational Licensing Policies, The Hamilton Project at the Brookings Institution (2015).

ⁱⁱ Dick M. Carpenter II, Lisa Knepper, Kyle Sweetland, and Jennifer McDonald, "License to Work: A National Study of Burdens from Occupational Licensing," Institute for Justice (2017).

ⁱⁱⁱ Board of Barbers and Cosmetology, "Regulations," Virginia Department of Professional and Occupational Regulation (2017), Bureau of Professional Licensing, "Michigan Cosmetology Licensing Guide," Michigan Department of Licensing and Regulatory Affairs (2015).

^{iv} Arizona Registrar of Contractors, "Licensing Fees," Arizona State Government (2014).

^v Jenni Bergal, "A License to Braid Hair? Critics Say State Licensing Rules Have Gone Too Far," The Pew Charitable Trusts (2015).

^{vi} "Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, March 2015," United States Department of Agriculture (2015).

^{vii} Bryanna Austin and Rea S. Hederman Jr., "Increasing Job Opportunities for Military Families," The Buckeye Institute (2016).

^{viii} "Supporting Our Military Families: Best Practices for Streamlining Occupational Licensing Across State Lines," U.S. Department of the Treasury, U.S. Department of Defense (2012).

^{ix} "Social Cost Analysis of the Unemployment and Underemployment of Military Spouses," Blue Star Families (2016).

^x "Occupational Licensing: A Framework for Policy-Makers," The White House (2015).

^{xi} Bureau of Labor Statistics, "Employment and Unemployment Among Youth Summary," U.S. Department of Labor (2017).

^{xii} H.B. 2372, Arizona Legislature (2017).

^{xiii} H.C.R. 20, Missouri General Assembly (2017), Michigan Compiled Laws § 338.2204 (2014), Kentucky Act 311B.140 (2012), Arkansas Code § 17-1-106 (2014), Iowa Code § 272C.4 (2015), Oklahoma Statutes § 59-4100.4 (2014), West Virginia Code § 30-1B-2 (2014).