



FREQUENTLY ASKED QUESTIONS: OCCUPATIONAL LICENSING FEE WAIVERS

What is an occupational licensing fee waiver?

State and local governments charge people a license fee when they apply to work in certain occupations—the initial costs are usually high and can be a barrier to work. Almost one in three workers nationwide requires a government license to work, and this is particularly hard on low-income individuals, military families, and young workers. But with an occupational licensing fee waiver, groups that are hurt the most by occupational licensing can have initial fees waived to help them enter the workforce.

Who is included in this fee waiver?

This reform waives initial occupational licensing fees for military families, young workers, and low-income individuals on both the state and local level. Military families include active-duty service members, honorably discharged veterans, spouses of active-duty service members or honorably discharged veterans, and surviving spouses of deceased service members who have not remarried. Young workers are licensing applicants who are between the ages of 18 and 25. Low-income individuals are those who participate in welfare programs or who live in a household with income below 130 percent of the federal poverty line (\$15,782 for an individual or \$32,630 for a family of four).

How are these groups harmed by licensing fees?

Military families, low-income individuals, and young workers are all disproportionately harmed by excessive licensing and fees. Nearly three-quarters of military spouses with an occupational license require a renewal or re-issuance of their license after being transferred to a new state. And because military spouses are ten times more likely to have moved across state lines in the last year compared to their civilian counterparts, this is a substantial burden. Excessive licensing requirements are one reason military spouses face an elevated unemployment rate of 18 percent, which is more than four times the U.S. overall unemployment rate.

Additionally, 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.



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How are young workers harmed by licensing fees?

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 force.

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

How are low-income individuals harmed by licensing fees?

A 2017 study by the Institute for Justice that looked at licensing requirements for 102 different low- and medium-income occupations found an average requirement of \$260 in fees, one exam, and approximately one year's worth of education and training for licensure. For example, 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. And, after completing required training, residential painters in Arizona must pay \$870 to receive a license.

These fees make it harder for low-income Americans to climb the economic ladder. Though \$260 may not pose a barrier to an affluent applicant, \$200 is at the low end of what a week of groceries for a family of four costs. When it comes to occupational licensing, every additional dollar or training requirement creates a higher barrier to work.

Will these waivers benefit consumers?

Yes. When people are given easier access to work, the increased supply of professionals and additional competition will drive down consumer prices and increase service quality.



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Have any states passed this reform?

In 2017, the Arizona legislature passed a bill that exempts low-income individuals from the initial licensing fee. Florida unanimously passed a similar bill in 2017, extending it to military members as well. And in Indiana, a similar bill passed to waive local licensing fees for low-income workers and military families. Arkansas, Iowa, Kentucky, Missouri, Michigan, Oklahoma, and West Virginia have legislation that relaxes licensing requirements for military families.

My state is working on passing comprehensive occupational licensing reform—do we also need to focus on fee waivers?

There are over 1,100 occupations licensed by at least one state, which leads to nearly three in ten Americans needing an occupational license to work. Even though comprehensive reforms that limit the scale and scope of licensing laws are necessary, there is no reason to expect that requirements for widely-licensed occupations such as cosmetologists, nurses, and plumbers will be repealed. Exempting military families, young workers, and low-income individuals from paying occupational licensing fees is complementary to other licensing reforms.

Will exempting these groups from paying occupational licensing fees lower the annual revenue received by licensing boards? Will this end up costing taxpayers money?

Under this reform, only initial licensing fees are waived. If revenues received by licensing boards decline moderately, taxpayer dollars will not be necessary to fund licensing board operations. This is because most licensing boards require renewal fees every year or two years, which is one reason many have substantial financial reserves in their accounts.

It is possible that by lowering the financial barriers to entry to an occupational, this reform will increase the number of workers in an occupation and lead to higher revenues over the long term for licensing boards. Even if exempting certain groups from paying licensing fees leads to a slight decrease in revenue, government-sanctioned boards should not profit from people who are defending America, just beginning their careers, or working to bring their families out of government dependency.