



Local Licensing Preemption

What is local licensing preemption?

Local licensing preemption prohibits cities and towns from imposing additional licenses beyond what is required by the state to ensure consistent work environments across the state. Although most occupational licensing occurs on the state level, some local governments add unnecessary, duplicative, and burdensome licensing requirements to those seeking work.¹ Existing local licenses are often exempt from the preemption and are grandfathered in, unless the occupation is regulated at the state level.

Why is local licensing preemption necessary?

There is a growing consensus that state-level occupational licensing harms economic growth.² Similarly, local occupational licenses can have negative effects on consumer choice, residential mobility, and work opportunities—especially when they vary across a single state.³

Local authorities are particularly vulnerable to special interest groups that want to limit competition and control industries through expanded licensing requirements. With many states passing comprehensive state occupational licensing reforms, state lawmakers should ensure that their work will not be undone if licensing proponents turn their attention to expanding barriers to work at the local level.

Should we let local governments control this?

Local control can be good, but not when local policies burden the state—and its citizens. Local licensing restrictions keep people unemployed and stifle economic growth. When cities abuse their authority and harm state residents, states have the right and the ability to overrule municipal governments. If the rest of a state can maintain public safety, consumer protections, and fair competition without licensing an occupation, then it is unlikely that one city needs to do so.

Isn't the purpose of occupational licensing to protect consumers?

Research does not support this argument, and instead, often points to the contrary.⁴ Studies, including a survey done by the Obama administration, continue to demonstrate that most occupational licensing does not improve safety or service quality for consumers.⁵⁻⁶ As the most restrictive form of labor market regulation, licensing should be reserved for occupations where there is demonstrated risk to customers' safety when they are provided with poor or unqualified service. Local licensing preemption simply eliminates duplicative licenses that have no public safety rationale behind them.⁷



How does local licensing preemption affect taxpayers?

The costs of local licensing fees are passed on to consumers in the form of higher prices, fewer choices, and lower quality goods and services. By scaling back local license restrictions and removing job barriers, local preemption has the potential to reduce unemployment and save taxpayer money that is currently spent on welfare programs—in addition to creating lower prices and more choices for taxpayers.



Have other states implemented local licensing preemption?

Arizona, Indiana, Tennessee, and Wisconsin have all passed licensing reforms to prevent local governments from abusing their regulatory authority. These reforms promote job creation and make it easier for people to earn a living in their states.

1. Jared Meyer, "Backgrounder: Local Occupational Licensing Preemption," Foundation for Government Accountability (2017), <https://thefga.org/research/backgrounder-local-occupational-licensing-preemption/>.
2. "Occupational Licensing: A Framework for Policymakers," The White House (2015), https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf.
3. Janna E. Johnson and Morris M. Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?" National Bureau of Economic Research (2017), <https://www.nber.org/papers/w24107>.
4. Jared Meyer and Victoria Eardley, "Dispelling three big myths about occupational licensing," Foundation for Government Accountability (2018), <https://thefga.org/research/dispelling-three-big-myths-about-occupational-licensing/>.
5. Grace Knofczynski, "Do Occupational Licenses Keep Consumers Safer?" The Regulatory Review (2015), <http://www.regblog.org/2015/08/13/knofczynski-occupational-licenses/>.
6. "Occupational Licensing: A Framework for Policymakers," The White House (2015), https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf.
7. Jared Meyer and Victoria Eardley, "Dispelling three myths about occupational licensing," Foundation for Government Accountability (2018), <https://thefga.org/research/dispelling-three-big-myths-about-occupational-licensing/>.