ISSUE BRIEF | Center for the American Worker

State Approaches to Universal Licensing Recognition

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TOPLINE POINTS

- Occupational licensing in the United States is highly decentralized—states have the power to license and regulate individual occupations.

- Many states do not recognize out-of-state occupational licenses, a burdensome policy that has negatively affected Americans who desire to move to another state or practice in multiple states at the same time.

- Several states have enacted universal licensing legislation to address this issue, and they reap the benefits of increased migration, job creation, and higher levels of economic growth. Each state has approached this differently, depending on its individual licensing scheme.

Introduction

Occupational licensing is a government-created barrier to employment that requires individuals to complete bureaucratically determined education or training for legal permission to practice an occupation. Fees and exams are other frequent requirements. A license is not an optional tool for workers to show off their skills or a part of the hiring criteria set up voluntarily by employers; rather, it represents government acting as a gatekeeper to the practice of entire occupations, sometimes without ever establishing a legitimate consumer or worker safety justification.

Licenses are required for a wide swath of jobs, ranging from registered nurses to architects to hairdressers, and their number has grown exponentially over the last several decades. Nearly one in four Americans now require an occupational license to work, up
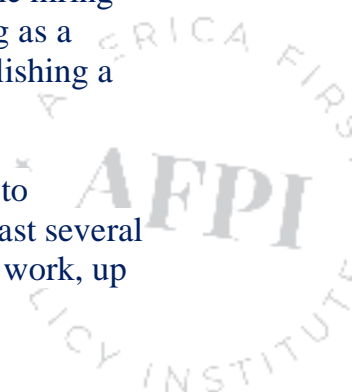
from one in 20 in the 1950s (National Conference of State Legislatures, 2022). In many cases, the rationale for these new license requirements is suspect and results from protectionism and the self-interest of current practitioners, rather than from a legitimate concern for public safety (Larkin, 2015).

Each state has the authority to decide which occupations are licensed, as well as what the state requires from workers to earn the license. As a result, when workers move from one state to another or try to practice their trade in multiple states simultaneously, they are often required to complete duplicative and time-consuming training or tests. This creates an unnecessary burden for workers and their families. It makes it harder for workers to move to jobs where they can be the most productive, or it delays their entry into the workforce in a new state while they work through paperwork and red tape.

To ease this burden, 22 states have implemented some form of universal licensing recognition for out-of-state licenses for many different occupations. These policies provide a pathway for a state's licensing boards to recognize an individual's out-of-state license and issue them a license to work in-state, subject to the same regulations, annual fees, and continuing education requirements of the new state. As with occupational licensing regulations themselves, the approach to license recognition differs across states, with some being more permissive than others.

### Five Main Differences in State Approaches to Universal Licensing Recognition

Some states have passed recognition laws that make it relatively easy for workers to practice their trade in a state other than the one in which they were licensed. Other recognition laws provide a path to licensure that, while better than nothing, still includes several unnecessary barriers. The states that make it easiest for workers experience the most benefits, in the form of increased migration, job creation, and economic growth (Bae & Timmons, 2023b).

State laws differ in many ways, but this report compares legislation in the 22 states with some form of universal licensing based on five main differences: residency requirements, the "substantially similar" versus "scope of practice" standard, experience mandates for both licensed and unlicensed workers, examination requirements, and the extent of occupation restrictions. Although many states have gotten close, no state has implemented universal licensing recognition legislation that is perfect on all of these metrics.

Residency Requirements

Seven states restrict their universal license recognition laws to applicants that become residents of their state: Arizona, Arkansas, Georgia, Kansas, Mississippi, New Jersey, and Oklahoma. Iowa removed their residency requirement for almost all occupations in 2022 and retains the requirement only for electricians and plumbers. This requirement dampens employment in these states by making it more difficult for workers to practice simultaneously in two states, discouraging out-of-state workers from contributing to these states' economies. This provision particularly hurts workers who live on the border between states, who otherwise would be able to provide their services in multiple communities.
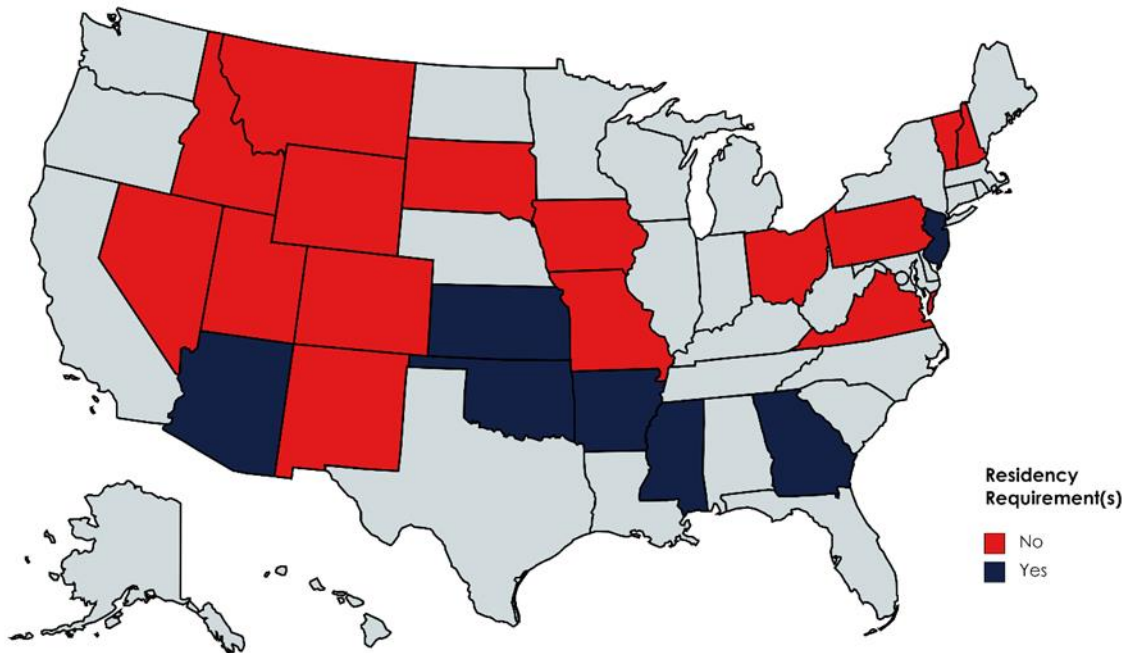
Substantially Similar / Scope of Practice Requirements

Thirteen states include a "substantially similar" clause for recognizing out-of-state licenses, while nine states require that an out-of-state license be for a similar "scope of practice" in order to be recognized.

The "substantially similar" standard requires a worker with an out-of-state license to have completed almost identical or more rigorous education and training and to have the same level of experience as a worker in the new state in order to have the worker's license recognized. States with a "substantially similar" clause include Colorado, Georgia,

Montana, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Pennsylvania, South Dakota, Vermont, and Wyoming.

The "scope of practice" standard is less stringent, as it allows licensing boards to consider what services a worker has already been approved to provide in another state, regardless of whether the worker's education, training, or testing are "substantially similar" to the requirements in the new state. The "scope of practice" standard is more permissive than the "substantially similar" clause and can ensure that licensing boards are required to take an all-encompassing view of an applicant's history when considering a license for approval.

Nine states require an out-of-state license to be for a similar scope of practice: Arizona, Arkansas, Idaho, Iowa, Kansas, Mississippi, Missouri, Utah, and Virginia. Though it is more permissive than the "substantially similar" standard, the "scope of practice" standard remains a barrier for licensed out-of-state workers and gives licensing boards more discretion to deny licenses from other states.

Standard of License Comparison

- Scope of Practice
- Substantially Similar/Equivalent
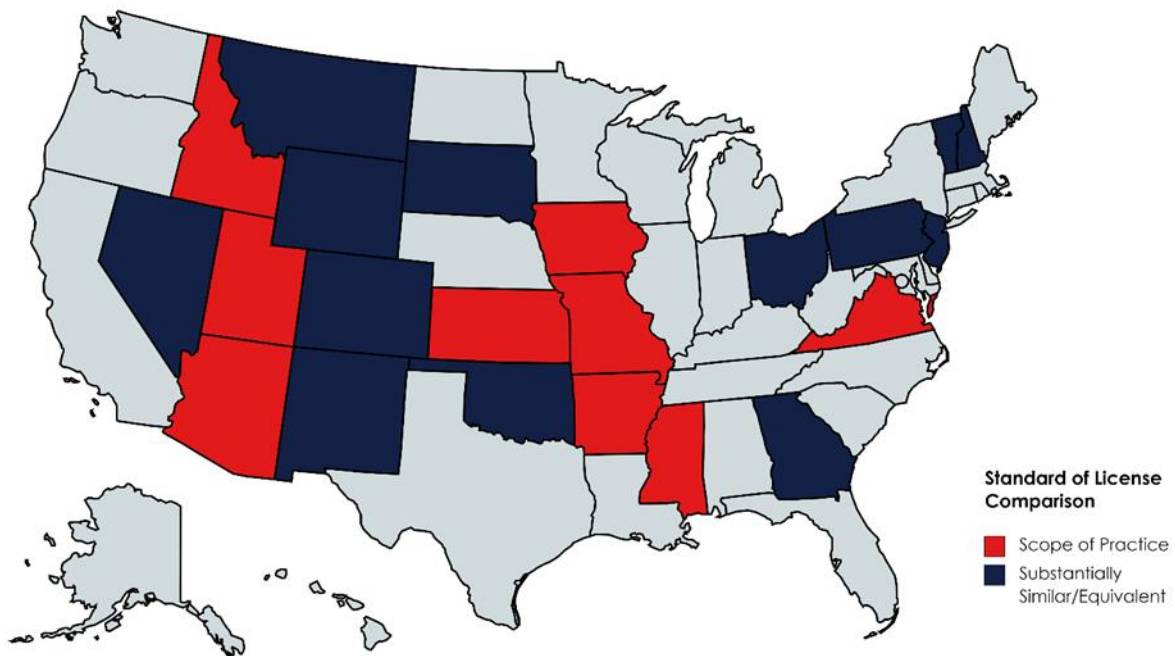
Experience Requirements

Thirteen states have some kind of experience requirements for out-of-state licensees to receive an in-state license: Arizona, Arkansas, Kansas, Mississippi, Missouri, Nevada, New Jersey, Ohio, Oklahoma, Pennsylvania, Utah, Vermont, and Virginia. This standard

typically requires that workers licensed in another state have practiced their profession for a certain number of years in order to have that license recognized in the new state. Experience requirements are often imposed for two types of workers: (1) those currently licensed in another state who seek to have that license recognized by a new state, and (2) those whose current state does not require a license to practice their profession but who would like to practice in a new state that does require a license.

Experience
Requirements for
Currently Licensed
Professionals

■ None
■ 1 Year
■ >1 Year
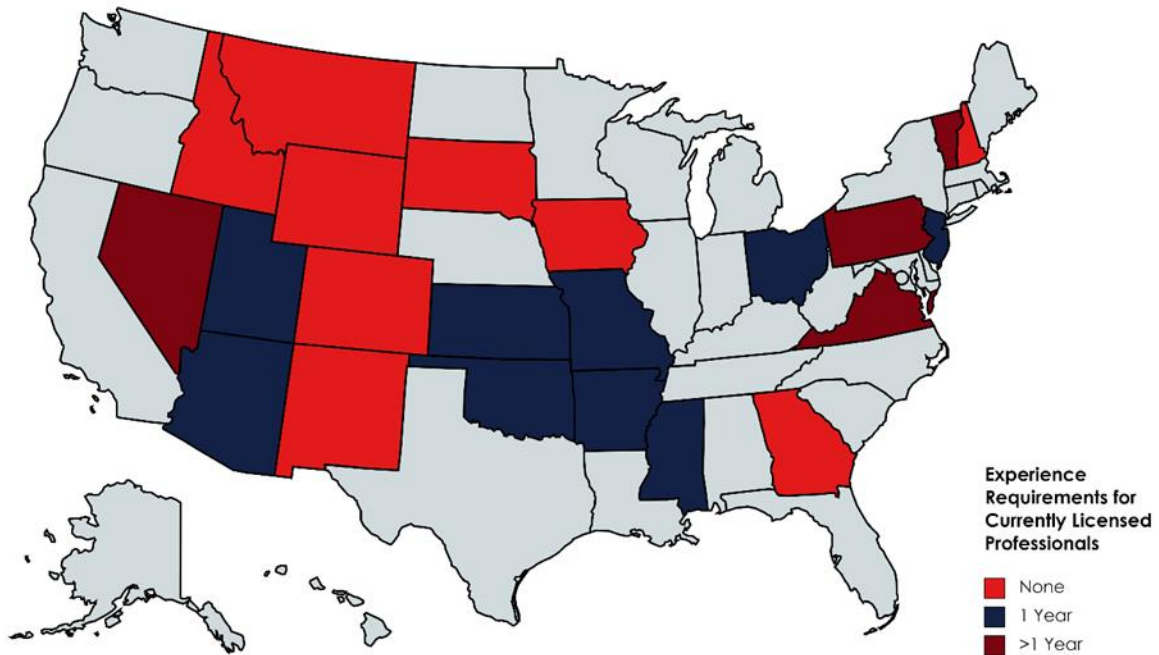
Examination Requirements

In 13 states, licensing boards impose examination requirements on applicants who are seeking license recognition: Arizona, Arkansas, Colorado, Georgia, Idaho, Iowa, Mississippi, Missouri, New Jersey, Ohio, Oklahoma, Virginia, and Wyoming. Exams focus on the specific state laws that apply to the profession and any additional, state-specific information deemed by the licensing board to be necessary for licensed workers to know.
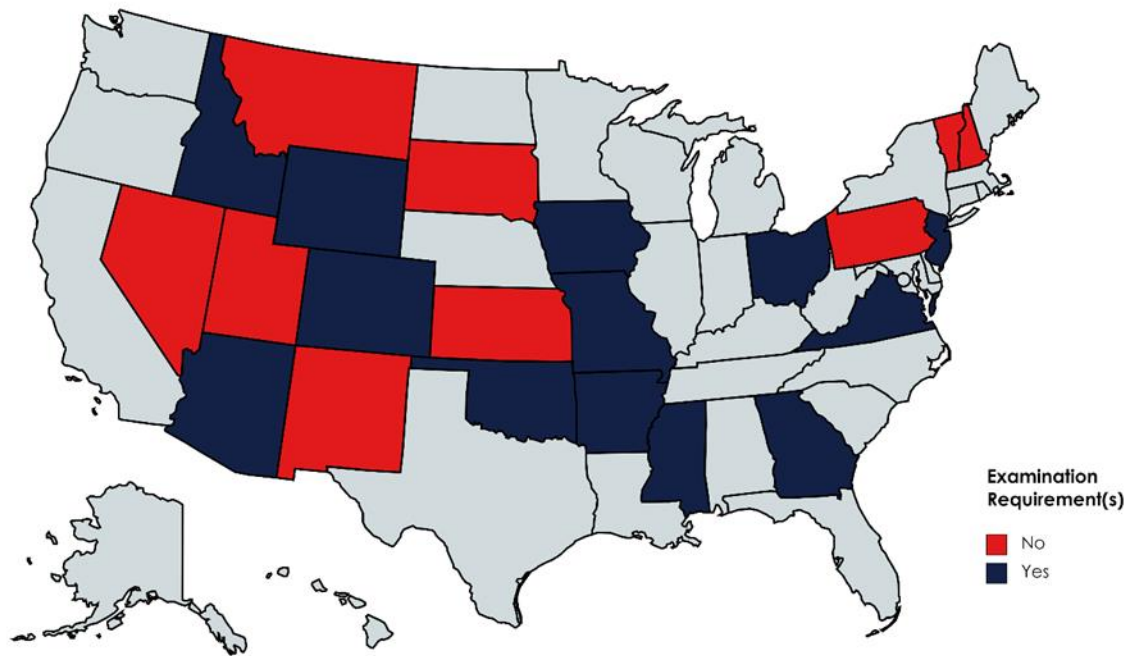
Occupation Restrictions

Thirteen states exclude certain occupations from their universal licensing recognition law: Arizona, Arkansas, Colorado, Georgia, Mississippi, Missouri, Montana, New Jersey, Ohio, Utah, Vermont, Virginia, and Wyoming. Most of these states exclude only a small handful of occupations. Commonly excluded occupations include medical professionals, engineers, and teachers. Any restriction on which occupations are included in the recognition process constrains the supply of workers, often in fields that most need more laborers.

One exception in almost every state's universal license recognition law, and thus not counted as an occupation restriction in the map below, is the licensure of lawyers. Lawyers are typically licensed by their state's Supreme Court, outside of the typical state licensing board process. While some argue that lawyers are a unique case because their jobs require knowledge of individual states' laws, this does not prevent a lawyer's general legal knowledge from being applicable in multiple states. In fact, the National Conference of Bar Examiners already administers a Uniform Bar Exam (UBE), which allows lawyers to take one exam and use it to apply for a legal license in any of the 41 U.S. states or territories that have adopted the exam. California, Delaware, Florida, Georgia, Hawaii, Louisiana, Mississippi, Nevada, South Dakota, Virginia, and Wisconsin do not currently recognize the UBE (National Conference of Bar Examiners, n.d.).

AMERICA FIRST INSTITUTE POLICY

Because many states have demonstrated that it is possible to transfer legal knowledge and ability across state lines, the strongest universal licensing recognition law would also include lawyers.
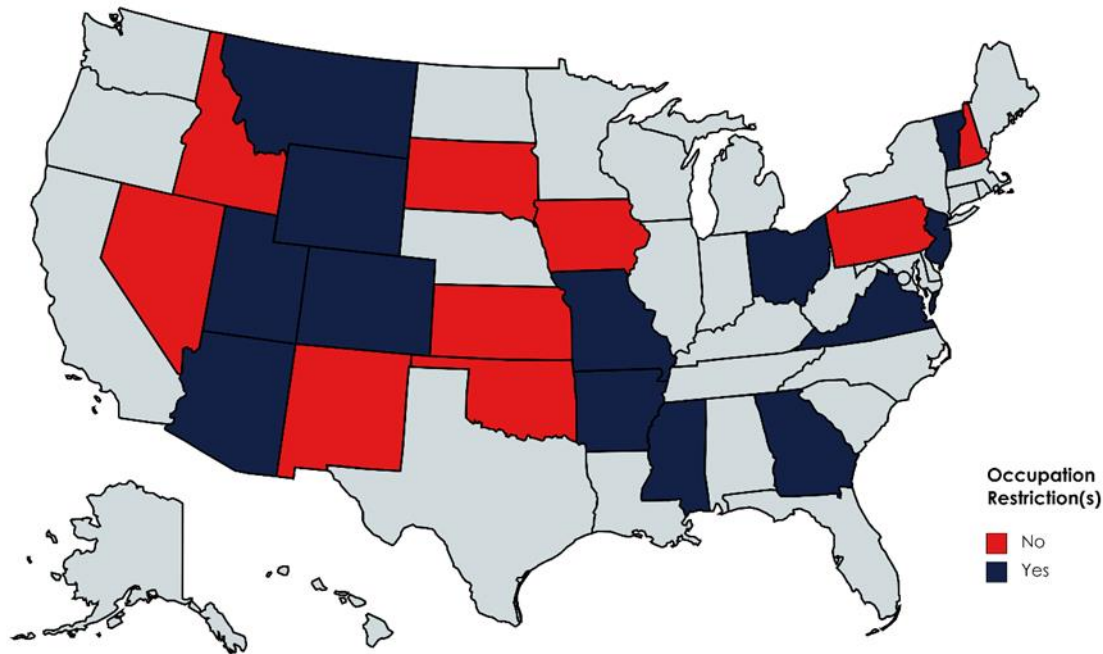
Fighting Protectionism in Universal Licensing Legislation

While many states have passed some form of universal licensing recognition, the five common barriers discussed in this report weaken the positive effects of this legislation. The groups that tend to lobby for these barriers—and the primary detractors of universal licensing recognition bills—are professional organizations and current practitioners of licensed occupations (Sanchez, Pohl, and Knepper, 2022). These groups argue that recognizing out-of-state licenses could have a negative impact on the quality of service and even public safety (Zaniewski, 2021).

However, licensing restrictions limit competition and employment, which in turn raises prices for consumers. A wide range of studies have demonstrated that these barriers rarely improve the quality of service. Analyses of customer reviews of service providers do not show a difference in quality or customer satisfaction when a profession is more strictly regulated—and in many cases, reviews show no difference in quality between states that license certain professions and states that do not (Sweetland & Carpenter,

2022). Another analysis found that more stringent licensing regulations reduced competition and increased prices but did not improve customer satisfaction (Farronato, Fradkin, Larsen, and Brynjolfsson, 2020). A 2015 analysis from the White House reviewed 12 studies that examined whether licensing improves the quality of goods and services and found that only two of the studies indicated any quality benefits from licensure (Obama White House Archives, 2015).

The purpose of licensure is to provide legitimate health and safety protections to consumers. Every U.S. state has a vested interest in protecting its citizens through the licensure process, and each state ensures, to the best of its ability, that the workers to whom it issues a license are able to work in their profession safely and effectively. States have every reason to believe that a worker who is licensed in good standing in another state has achieved a basic safety threshold that would allow that worker to operate safely in any other state. Thus, "substantially similar" and "scope of practice" clauses in state universal licensing recognition laws are unnecessary and serve to keep more workers out of certain professions.

Research has also found that in states that passed universal licensing recognition, the positive impacts were larger for those that had fewer of these barriers (Bae & Timmons, 2023b). The study found that Missouri, Iowa, Idaho, and Utah experienced the largest employment effects from their universal licensing recognition law—none of the four require that out-of-state licenses be "substantially similar" to the licenses of their state, and Missouri, Iowa, and Idaho exclude very few occupations from their law (Idaho excludes none).

Benefits Experienced by States Who Pass Universal Licensing

In the four years since the first state, Arizona, passed universal licensing recognition, studies have shown the positive impacts of the policy. Arizona has recognized more than 8,000 licenses since enacting their law, including nearly 500 physicians, 200 physician assistants, and nearly 3,000 trade occupations (Curry, 2023b). A 2022 study from the Commonsense Institute Arizona projects that the legislation will increase employment by 15,991 workers, the population by 44,376 people, and the gross domestic product (GDP) by at least $1.5 billion, all by 2030 (Commonsense Institute Arizona, 2022).

Another study on state universal licensing recognition laws showed that employment increased by almost a full percentage point for individuals in affected occupations, with the policy expected to add 67,000 jobs across the United States —a conservative estimate based on just a few occupations (Bae & Timmons, 2023a). In addition, the study found a nearly "50% increase in migration into states with universal recognition among individuals with low portability licenses" (Bae &Timmons, 2023a).

This is also a bipartisan issue. An analysis from the White House Council of Economic Advisors under President Obama found that current occupational licensing barriers reduce employment by up to 18% in affected occupations and raise prices for licensed services by up to 16% (Obama White House Archives, 2015). The report made several recommendations for policies to streamline licensing requirements in the states.

Similarly, President Trump brought to light the benefits of license recognition at a roundtable meeting with several governors at the White House (Trump White House Archives, 2019). He particularly applauded Governor Doug Ducey (R-AZ) for leading the nation in passing the first universal licensing recognition law in any state. President Trump also issued an executive order on Increasing Economic and Geographic Mobility, which established the Governors' Initiative on Regulatory Innovation to promote licensing reform in the states (Exec. Order No. 13777, 2020).

Universal licensing recognition laws also play a role in improving workforce productivity, which has lagged during the Biden Administration. By creating greater efficiency in the economy's allocation of labor and reducing a key barrier to entry for workers, universal licensing recognition laws ensure American workers can access jobs where they can maximize their output per labor hour (Hedlund et al., 2023).

Although no state has enacted a universal licensing recognition law that entirely excludes all five barriers mentioned in this report, many states have passed strong laws. Idaho's universal licensing recognition legislation, passed in 2021 and updated in 2023, excludes virtually no occupations. The legislation also includes a provision that prevents licensing boards from imposing "additional methods of demonstrating competency" (HB 74, 2023, pp. 1-4).

Iowa also has a strong universal licensing recognition law, passed in 2020. Although Iowa has some experience requirements and a residency mandate and allows licensing boards to require new applicants to take an exam to obtain licensure, the state's law allows recognition for a broad range of occupations and does not include the "substantially similar" requirement. Both Idaho and Iowa have achieved some of the greatest migratory and job creation benefits from this legislation in the nation (Bae & Timmons, 2023a).

Another Variation of Universal Licensing Recognition: Military Spouses

Universal licensing recognition benefits are widely dispersed throughout states through job creation, increased migration, and higher levels of economic growth, but one group that particularly benefits is military spouses. Serving in our armed services often requires military members to move around the country with their families. Many military spouses have careers of their own, and if a state requires them to retake tests or complete

unnecessary training, they could be moving on to a new state by the time they re-earn a license.

President Biden attempted to extend universal licensing recognition for military service members and their spouses to every state through a provision in the Veterans Auto and Education Improvement Act, which he signed into law in January, 2023 (HR 7939, 2023, pp. 136). Although this legislation has gone into effect, the provision for military spouses has not been implemented in practice. Legal analysis has indicated that such a law is unconstitutional and thus unenforceable at the federal level, as it violates the Tenth Amendment of the Constitution (EMWN LAW, 2023).

Despite the federal unenforceability of such a measure, many states have acknowledged the need for relief for military spouses on this issue, and 44 states have passed legislation that includes language stating that a licensing board "shall issue" an occupational license to a military spouse licensed in another state (Smith, 2023). An additional five states provide expedited or temporary licensure for military spouses (Smith, 2023).

States that allow universal licensing recognition for military spouses but have not yet broadened the policy to include all workers have a strategic opportunity to build on the success of their military spouse law. For these states, licensing recognition processes are already in place, licensing boards are familiar with the practice, and evidence already exists to demonstrate that there is no appreciable difference in safety or quality of work due to licensing recognition. In fact, by including such an exception for military spouses, these states are implicitly admitting that occupational licensing does not serve an urgent safety need—otherwise no such categorical exception would be tolerable. Several states, including Arizona, Ohio, and South Dakota, passed universal licensing recognition for military spouses before expanding the policy to include all workers in future years.

America First Recommendation: Pass Strong Universal Licensing Recognition

To reap the maximum benefits of universal licensing recognition, worker-first legislation should include no residency requirements, no "substantially similar" or "scope of practice" requirements, no experience mandates, no examination requirements, and no occupation restrictions. Such requirements give significant discretion to licensing boards to approve or deny licenses and can allow boards to abuse their authority and deny out-of-state licenses for protectionist reasons instead of legitimate public health and safety concerns. States that pass laws that include these barriers will still see benefits from the legislation, but the positive impact will can be increased when barriers are removed.

As state legislatures draft universal licensing recognition legislation, a particular industry may make a strong case that there is a legitimate public safety risk to recognizing an out-of-state license with no restrictions—for example, if one state's licensing process

includes specific conditions in its training requirements that many other state processes do not. If an industry makes its case to the legislature, and the legislature determines that a reasonable public safety risk exists for that profession, the legislature can tailor and amend its legislation accordingly.

In addition, states should consider requiring licensing boards to provide a report on the number of recognition applications they receive, the time it takes for licensing boards to approve the applications, and other pertinent details that ensure the law is working as intended. For maximum transparency, this information could be posted on licensing board websites clearly and publicly (excluding any personally identifiable information).

Finally, states that have a version of universal licensing recognition that includes unnecessary hurdles for workers should come back to the table to improve their laws. Nevada, Missouri, and Utah have all enhanced the universal licensing recognition laws that they originally passed, increasing the number of occupations included and making it easier for workers to have their licenses recognized.

Conclusion

Universal licensing recognition is a straightforward solution to a problem that many l Americans who work in occupations with licensure requirements face when they move from one state to another or want to practice in multiple states simultaneously. Making it easier for Americans to work through universal licensing recognition laws has been shown to increase state migration, amplify job creation, and raise economic output. This is a commonsense policy that every state should pass to grow its economy and put the American worker first.

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