

Policy Brief: Survey of Universal Licensing Reforms in the United States¹

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Universal licensing recognition is a fast-growing state legislative tool that can expand economic opportunities for skilled workers. The broadest form of universal licensing recognition entails states granting licenses to people who are already licensed in good standing in another state or have experience in the occupation. Less inclusive versions of licensing recognition require that individuals first establish residency, have met substantially equivalent licensing requirements, or restrict recognition to spouses of active-duty military members.

Although licensing recognition is a relatively new reform, 18 states have enacted some form of this policy since 2016. The extent and scope of these reforms vary between states, with some states passing reforms close to full universal licensing recognition, and other states passing weaker reforms. Other states have instead pursued narrower reciprocity agreements and interstate compacts.

This policy brief lists the states with universal licensing recognition as of April 2022 and describes some of the common characteristics of the bills. Figure 1 shows the map of states that have passed universal licensing reform, and Table 1 includes the list of initial reforms by state. The information in Table 1 is also included in the dataset that accompanies this policy brief.

I. OCCUPATIONAL LICENSING BACKGROUND

Occupational licensing is a labor market regulation that requires workers to get a permission slip from the government to work in a specific occupation. Licensing requirements are usually passed at the state level but have also been passed by municipalities, such as cities and counties.

Workers who need an occupational license must complete additional education or training requirements, pass state licensing exams, pay state licensing fees, and meet other requirements that vary between states. Workers carry their education and experience with them when they want to work in a new state. In many occupations, however, they have to start the licensing process over. Even when states waive requirements related to education and training, they do not waive requirements related to state exams². Working without a license in a regulated occupation can lead to fines and even jail time, depending on the state and occupation. The U.S. Current Population Survey (CPS) reported that 21.3 percent of the civilian labor force had a license to do their work in 2021, or about 34 million people.³

Broadly speaking, universal licensing recognition closes the policy gap by allowing workers (or “applicants”) who want to work in a new state to have their license from another state recognized. Licensing recognition policies usually require that the applicant’s license be in good standing in the previous state and that the applicant does not have criminal or civil complaints against them.

Universal licensing recognition can particularly benefit spouses of active-duty military members, who must move when their spouses are re-stationed. These workers have both critical workforce

¹ The author would like to thank the following people who contributed comments and expert feedback to this policy brief, including Lisa Knepper, Lee McGrath, and Heather Curry.

² Johnson, Janna E., and Morris M. Kleiner. 2020. “Is Occupational Licensing a Barrier to Interstate Migration?” *American Economic Journal: Economic Policy*, 12 (3): 347-73.

³ <https://www.bls.gov/cps/cpsaat49.htm>

skills and experience after they have met a previous state's licensing requirements. Universal licensing recognition can thus expand interstate mobility and remove unnecessary barriers to new economic opportunities⁴.

II. UNIVERSAL LICENSING RECOGNITION OVERVIEW

Universal licensing recognition allows workers who wish to work in a new state to have their license from another state recognized. These reforms usually require that the applicant's license be in good standing in the previous state and that the applicant does not have criminal or civil complaints against them. Some states have passed reforms with additional restrictions, including residency requirements, temporary licenses, substantially equivalent requirements, and lists of excluded occupations.

Licensing reciprocity is an alternative reform that is narrower in scope and entails agreements between specific states to recognize out-of-state license(s), often limited to specific occupations. Reciprocity may be bidirectional but the terminology is also used in unidirectional bills. These reforms can potentially increase regional workforce mobility when states neighbor each other but the legislation takes a significantly narrower path than universal licensing recognition. There is also often a lack of transparency in licensing reciprocity agreements. Recognition overcomes this problem with a holistic approach.

As of April 2022, five states – Arizona, Iowa, Kansas, Mississippi, and Oklahoma – include **residency requirements** in their universal licensing legislation. Residency requirements limit the pool of applicants to those whom have established residency in a new state, delaying the applicant's entry into the new state's labor force. Although some states make exceptions for spouses of active-duty military members, the residency requirement delays labor market entry for other workers.

Nine states – Colorado, Montana, New Hampshire, New Jersey, Nevada, Oklahoma Pennsylvania, South Dakota, and Wyoming – currently have a broad requirement that the applicant's existing license meet **substantially equivalent requirements** to the new state's licensing requirements. This requirement restricts applicants from states with less burdensome licensing or that do not license the occupation. New Mexico previously required a substantial equivalency with SB 105 in 2016 but removed this requirement with the passage of HB 191 in 2022.⁵

Seven states, in contrast, recognize licenses that are at a **similar scope of practice** or at the same practice level as the licensing requirements in the new state – Arizona, Idaho, Iowa, Kansas, Missouri, Mississippi, and Utah.

Three states – Iowa, Kansas, and Mississippi – allow applicants without a license to apply using at least three **years of experience** in the occupation. Recognizing experience expands opportunities for skilled workers moving from states that do not license the occupation. Vermont, uniquely, provides an endorsement process requiring “not more than three years of practice” in another jurisdiction, even for states without a licensing requirement.

⁴ Slivinski, Stephen. 2020. “You Can Take It with You: A Case for Occupational Licensing Reciprocity.” Arizona State University Center for the Study of Economic Liberty, Policy Report No. 2020-01

⁵ It should be noted that applicants may be required to complete additional licensing exams after one year and that licensing boards may exclude residents from select states.

Universal licensing recognition can particularly benefit spouses of active-duty military members, who must move when their spouses are re-stationed. These workers have both critical workforce skills and experience after they have met a previous state's licensing requirements. Many of the state licensing recognition bills also include separate language for spouses of active-duty military members, including the provision of temporary licenses while their application is being reviewed.

III. POLICY BRIEF MATERIALS

This policy brief compiles data on state universal licensing reforms from the Institute for Justice⁶, the Council of State Governments⁷, the National Council of State Legislature⁸, the Platte Institute⁹, and independent verification to assemble a dataset of states with universal licensing reform as of April 2022. The brief includes 18 states that have passed some form of universal licensing recognition that is also already in effect.

Reforms are included only if they include all or almost all occupations, e.g., the reform is included if it excludes a subset of occupations but *not* if the bill only passes recognition for a single occupation or subset of occupations¹⁰. This brief also does not include legislation that is not primarily oriented around licensing recognition, e.g., if a state includes a clause for recognition or voluntary endorsement in a bill on a separate subject, the bill is not included in the sample. Reforms are included as recognition if the content of the legislation fits the criteria of recognition, even if the bill describes the reform as endorsement (as with Colorado) or as reciprocity (as with New Hampshire).

In addition to the list of states that have passed reforms, four new states have pending legislation: Louisiana (HB 555); Michigan (HB 5055); Nebraska (LB 263); Ohio (SB 131). Colorado has also introduced a second reform (SB 116) which addresses scope-of-practice, and New Mexico has passed its second reform (HB 191). California passed AB 107 in 2021. However, this reform does not take effect until 2023, and only applies to spouses of active-duty military service members. These bills are therefore not included in the count of current universal licensing recognition.

Figure 1 shows the map of the states which have passed universal licensing recognition reform that is also in effect. The data behind the map is presented in Table 1. It is also available as a Stata file to download. The data include the legislative bill number; residency requirements; substantial equivalency requirements; similar scope of practice or practice level recognition; and recognition of an applicant's years of experience in lieu of an out-of-state license. The data also include the year of initial passage; the year the reform went into effect; the date of passage; and the date the reform went into effect.

There are many economic benefits to licensing recognition, including increased workforce competitiveness, growing the stock of skilled workers, and greater interstate mobility. Research estimates that occupation licensing lowers interstate mobility by about 7 percent on average.¹¹

⁶ <https://ij.org/legislative-advocacy/states-reforms-for-universal-recognition-of-occupational-licensing/>

⁷ <https://licensing.csg.org/comparing-universal-licensure-recognition-policies/>

⁸ <https://www.ncsl.org/research/labor-and-employment/universal-licensure-recognition.aspx>

⁹ <https://platteinstitute.org/south-dakota-passes-universal-recognition-of-job-licensing/>

¹⁰ The data does not include state compacts, including the Interstate Medical Licensure Compact or the Nurse Licensure Compact, as these compacts affect specific subsets of occupations.

¹¹ Johnson, Janna E., and Morris M. Kleiner. 2020. "Is Occupational Licensing a Barrier to Interstate Migration?" *American Economic Journal: Economic Policy*, 12 (3): 347-73.

Migration inflows to states may therefore be approximately 93% of what they could be with universal recognition.

The Internal Revenue Service publishes data on state tax returns tracking state migration inflows, with data available up to 2018-2019.¹² As a descriptive example, New Mexico adopted the earliest form of expedited licensing recognition in 2016.¹³ From 2015-2016 to 2018-2019, New Mexico's domestic in-migration of tax filers increased by 7% (from 26,889 to 28,866 tax returns). Individuals may be moving in response to the policy reform, but households with two income-earners can also keep everyone employed instead of losing income. During the same period, adjusted gross income (AGI) from migration inflows increased from \$1.47 billion to \$1.83 billion, or about a 17% increase after adjusting for inflation.

Another important case is Arizona, which was the first state to pass universal licensing recognition in 2019. The IRS data used here is not yet available past 2018-2019, but the Goldwater Institute reports that 4,611 licenses have been granted to date since the reform went into effect.¹⁴ The Goldwater Institute and the Institute for Justice also provide model legislation that states can use to draft universal licensing recognition reforms.¹⁵

It is difficult to project state-specific changes in migration with the COVID-19 pandemic interrupting the short-run effects of the policy changes made in 2018 and 2019. The limitations on the analysis are not trivial.¹⁶ However, using descriptive statistics, universal licensing recognition could have potentially increased state inflows of taxable households by 6,116 on average.¹⁷

Most states that adopted reforms did so in 2019 or later, with interstate migration then impacted by the COVID-19 pandemic. However, the New Mexico case provides the longest window into the potential effects of licensing recognition on migration inflows. The license data from Arizona also indicates many workers are benefiting from the reform. States with lower in-migration or that are losing residents on net could potentially benefit the most from licensing recognition reforms, as they have the most to gain by attracting new workers and households to their states.

IV. RECOMMENDATIONS

As more states pass universal licensing reforms, economic opportunities continue to expand across the country. Although universal licensing recognition is not a substitute for removing or reducing unnecessary licensing barriers, it can improve mobility and economic opportunity by allowing workers to take their licenses with them when they move between states. Even as workers benefit,

¹² <https://www.irs.gov/statistics/soi-tax-stats-migration-data>

¹³ New Mexico's policy reform was still limited in that it requires substantially equivalent requirements.

¹⁴ <https://goldwaterinstitute.org/universalrecognition/>

¹⁵ <https://ij.org/legislation/universal-recognition-of-occupational-licenses-act/>.

¹⁶ The estimated effect relies on states not otherwise changing their policies. It also assumes that everyone who *might* move does so when licensing recognition is passed, and does not move for any other reason. The estimate is therefore an upper bound, conditional on the policy mix in 2019.

¹⁷ This estimate is an average across all states that have not yet passed universal licensing recognition. Projected migration inflows were calculated by dividing actual migration inflows by 0.93, based off the 7% lower rate of migration from Johnson and Kleiner (2020). Differences are projections minus actual migration inflows. The average is taken across state-level differences in projected and actual migration inflows. Data on actual migration inflows comes from the IRS Statistics of Income (SOI) 2018-2019 tax returns. The CPS reported that 21.5% of the civilian workforce had a license for their work in 2019.

household consumers also benefit from a competitive, growing workforce. The map of states that have passed universal licensing reform has changed drastically even over the last year.

State legislators considering universal licensing reform can refer to the templates of model legislation. Reform benefits are maximized when the legislation includes full universal licensing recognition; all workers are eligible; there is no artificial waiting period from a residency requirement; the licensing recognition is permanent instead of temporary; and the state recognizes a few years of experience to ease the path for people from unlicensed states.

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Suggested Citation: Deyo, Darwyn. 2022. Survey of Universal Licensing Reforms in the United States: Version 1.0 [dataset]. Knee Center for the Study of Occupational Regulation.

Table 1. Legislation Status Overview – Initial Recognition Reforms

State	Bill	Residency requirement	Requires substantially equivalent requirements	Recognizes licenses with a similar scope of practice or at the same practice level	Allows for experience as equivalency	Year Passed
AZ	HB 2569	Y	N	Y	N	2019
CO	HB 1326	N	Y	N	N	2020
IA	HF 2627	Y	N	Y	Y	2020
ID	S 1351	N	N	Y	N	2020
KS	HB 2066	Y	N	Y	Y	2021
MO	HB 2046	N	N	Y	N	2020
MS	HB 1263	Y	N	Y	Y	2021
MT	HB 105	N	Y	N	N	2019
NH	SB 334	N	Y	N	N	2018
NJ	AB 1531	N	Y	N	N	2018
NM	SB 105	N	Y	N	N	2016
NV	SB 69	N	Y	N	N	2017
OK	HB 2873	Y	Y	N	N	2021
PA	HB 1172	N	Y	N	N	2019
SD	HB 1077	N	Y	N	N	2021
UT	SB 23	N	N	Y	N	2020
VT	ACT 152	N	N	N	Y	2020
WY	SF 18	N	Y	N	N	2021

Note: The New Hampshire bill is described as licensing reciprocity but the substance of the bill fits the definition for licensing recognition. The Nevada bill permits but does not mandate reciprocal agreements between regulatory boards. The Stata dataset includes additional reforms, by year, and pending bills.