

ARKANSAS

POLICY RECOMMENDATIONS

OCCUPATIONAL LICENSING: FEE-ONLY LICENSES



**ARKANSAS CENTER FOR
RESEARCH IN ECONOMICS**

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The Problem

Occupational licensing is a set of strict standards that governments require people to meet to work in certain occupations. The applicant must meet certain requirements. These requirements could include education, experience, exams, fees, and background checks. The justification for these requirements is to protect the public by only allowing a certain caliber of worker to enter the profession.

If these requirements were effective, the public should be able to trust the quality from licensed professions. Studies by economists say otherwise. **A surprising 84% of academic studies found that licensing does not have a clear positive effect on quality**, according to “The State of Occupational Licensure in Arkansas”, by McLaughlin et al.

Some licenses don't require training or education. These licenses only require a fee for someone to practice. **These fees are a toll on someone for entering a profession.** The fees themselves have little connection with protecting the public. That \$15 fee does nothing to ensure that a new car salesman more accurately represents what he is selling, for instance. Instead they're usually used to fund the boards or other projects related to the profession.

The boards use this funding to provide inspections, registrations, recovery funds, and funding of other projects.

Here is a list of a few licenses with no training, education, or exam requirements in Arkansas.

Occupation	Fee
Landscape Contractor	\$150
Nurseryman	\$150
Manufactured Home Salesperson	\$50
Modular Home Installer	\$250
Modular Home Manufacturer	\$1,000
Used Motor Vehicle Dealer	\$250
Motor Vehicle Salesperson, New	\$15
Currency Exchanger	\$2,250

The Solution

The 2019 Arkansas legislature passed Act 600, which created the Arkansas Legislative Council Occupational Licensing Review Subcommittee. The Act tasked them “to determine and implement the least restrictive form of occupational authorization to protect consumers from significant and substantiated harms to public health and safety.” It also went on to list **which occupational regulation best fits with every harm.**

Inspections are recommended where there are concerns for unclean facilities. An example of this would be the restaurant industry, which is inspected by the Department of Health. This is clearly used to protect against unclean facilities. There are instances of consumer harm from unclean kitchens, so inspections are the best occupational regulation to use.

Sometimes, licensees’ fees are put into a fund. This is used to pay consumers when they have incomplete or faulty projects. These recovery funds are effectively mandatory bonding. Act 600 recommends this regulation when there are a lot of instances of failure of a licensee to complete a contract fully or follow standards.

Many boards use these fees as registration to keep track of people coming into Arkansas who work in this profession. Act 600 recommends this step to prevent harms from transient, out of state, or fly by night licensees. Yet if the only use of the license is a registration, it would be more efficient for the registration to be with the secretary of state instead of creating new boards or adding more tasks to existing ones.

Funding of other projects is not included in the act. Some boards use the funding to pay for projects related to the profession, such as education grants. Occupational regulation shouldn’t be used to fund these projects. Instead, they should find their funding through other means.

Examples

One example of license fees used for other projects is the licensing of motor vehicle salespersons. They're required to pay a \$15 license fee to work at new motor vehicle dealerships. These funds are then used to pay for education grants for tech schools in Arkansas. It is in no way the responsibility of new car dealers to fund those programs, and **the subcommittee recommended the repeal of that license.**

A fee only license used to fund inspections is the nurseryman license to inspect plants for insect pests and diseases. On the surface, this seems to be an issue with unclean facilities. They're inspecting to ensure the nursery is free of disease and pests.

The next question is: Are there issues with unclean facilities in other states? One way to find this out is to look at examples from states that don't conduct inspections. The next step would be to ask for instances of plant disease or pest invasions into Arkansas. But, this seems to be a good use of occupational regulation.

The subcommittee should continue to consider whether the board's actions fit the health and safety concerns of the profession. They should ask, "**What is the purpose of this license?**" The fees themselves surely aren't protecting public health and safety.

Removing regulations that tax businesses will be better for Arkansas' economy, and that will help Arkansans in general.

Frequently Asked Questions

Question

Does a \$15 license really matter?

Answer

True, fee only licenses have a lower burden than licenses with other requirements. Four years of education cost more than any fee only license listed above.

But the Arkansas legislature has a committee tasked with systematically reviewing every licensing board and making recommendations on changes: the Arkansas Legislative Council Occupational Licensing Review Subcommittee. As members of the committee sift through licenses in the next year, they can take the time to look through fee only licenses. **Looking at board actions instead of the license itself can lead to better ideas on how these licenses protect the public.**

In fact, in their most recent list of recommendations, the ALC Occupational Licensing Review subcommittee **already put forward a bill for delicensing one fee only occupation: new motor vehicle dealers.** It's a good start.

Suggested Reading

ACRE Resources

- Policy Review: [“Unnatural Rights in the Natural State: Occupational Licensing in Arkansas.”](#) Amy Fontinelle, David Mitchell, and Thomas Snyder, 2014.
- Policy Review: [“A Look at Occupational Licensing Reform Across the United States.”](#) Marc Kilmer, 2019.
- Research Paper: [“The Effects of Arkansas’ Occupational Licensure Regulations.”](#) Thomas Snyder, 2016.
- Research Paper: [“The State of Occupational Licensure in Arkansas.”](#) Patrick A. McLaughlin, Matthew D. Mitchell, Anne Philpot, and Thomas Snyder. Mercatus on Policy, September 2017.
- Research Paper: [“U.S. State Occupational Licensing: Measuring its Impact on Business Establishments During the Great Recession”](#) Thomas Snyder, Elsa Mattson, and Alex Kanode. International Journal on Business and Politics. 2020.

Additional Resources

- [“The Directory of Licensed, Certified and Registered Occupations”](#) Arkansas Department of Workforce Services, 2019
- [“Education and Training Grant Program”](#) Arkansas Motor Vehicle Commission. Accessed January 6th 2021.
- [“ALC Occupational Licensing Review Subcommittee Report”](#) ALC Occupational Licensing Review Subcommittee. December 18, 2020.
- [“Letter to the ALC Occupational Licensing Review Subcommittee”](#) Arkansas Motor Vehicle Commission. February 18, 2020

ACRE Experts



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About ACRE

The Arkansas Center for Research in Economics (ACRE) is an Arkansas focused research center housed in the College of Business at the University of Central Arkansas. ACRE scholars and policy analysts use research and analysis to find solutions for Arkansas’s problems. Our research focuses on barriers to employment, taxes and subsidies, good governance and government transparency.

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