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Economic Implications of 2019's HB 2569

A 2023 Update on Arizona's Landmark
License Recognition Law

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Introduction

Signed in mid-2019 and effective since late 2019¹, Arizona’s now-3.5 year old Universal License recognition law has resulted in more than 8,000 occupational licenses being issued according to new data [released](#) by the Goldwater Institute. Arizona’s law is one of the broadest in the country – it imposes no requirements on the out-of-state license (like a “substantially equivalent” experience or education requirement, as in for example Pennsylvania’s statute) and limits the discretion of the licensing Arizona entity (by for example allowing them to verify that the applicants out-of-state license is in good standing and they’ve been licensed for at least one year).

Since enactment, domestic in-migration to Arizona has surged from some 70,000 people/year to more than 100,000. While this is likely attributable to a variety of policy choices over the past decade and particularly during and after 2020, experience suggests Universal Recognition of occupational licenses contributed.

In addition to supporting the state’s continued economic growth and providing thousands with the opportunity to move and work where they want, CSI could find no evidence that the new law has harmed quality of professional services provided or resulted in an increase in regulated malpractice by those newly licensed under the law.

Key Findings

- **13,100 jobs and \$1.2 billion:** New employment and annual economic activity CSI estimates the law has created or supported over its first three years of life. So far, the law has resulted in over 8,000 licenses issued, and the pace today is about the same as it was three years ago – **program demand isn’t slowing much over time.**
- **33,190 jobs and \$3.3 billion:** New employment and annual economic activity CSI projects the law will have created by 2030, or its ten year anniversary.
- **30%:** The share of Arizona’s workforce that may require some kind of professional licensure to legally work in this state, up from about 5% in the 1950’s.
- **188,000 jobs and \$16.2 billion:** The cost of occupational licensing to the state’s economy, from higher costs of services and reduced employment in regulated occupations.
- **45,800 more people:** By encouraging additional economic in-migration, Arizona is projected to have more than 45,000 new people in 2032 than it would have had without universal recognition.

¹ The general effective date for legislation enacted during the 2019 Legislative session was on August 27, 2019, and in general different licensing entities had different startup times in terms of administrative process and applicant interest. By the beginning of 2020, though, the program appears to have been largely implemented and functional.

Occupational Licensing in Arizona

In 2012, the Institute for Justice’s landmark study – [License to Work](#) – found that 64 of 102 moderate-income occupations examined required an occupational license in Arizona². As of 2022, its most recent update to that study found that number had increased to 68 of 102ⁱ. CSI estimates that nearly a third of the state’s workforce has or is required to have an occupational license – versus about 22% nationwideⁱⁱ, and up from just 5% of the workforce in the 1950’s.

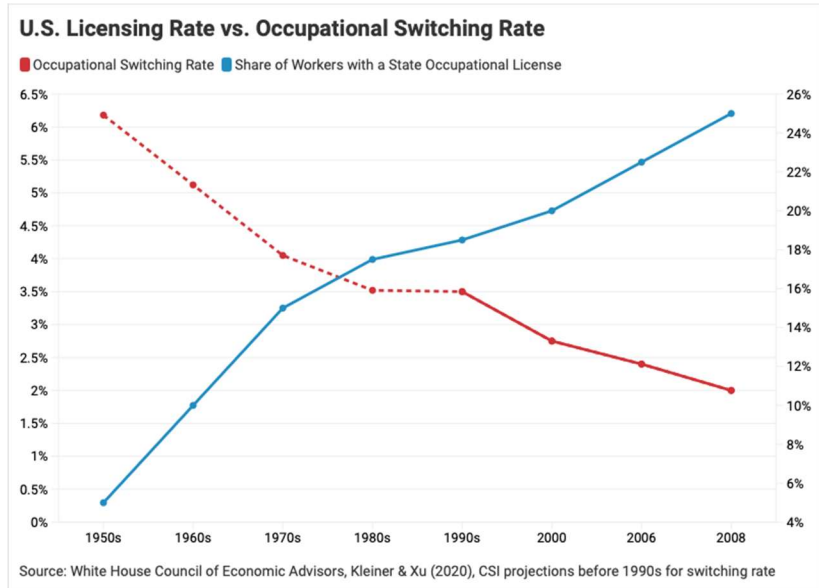


Figure 1

Occupational licensing requires time, effort, and money to obtain – which reduce the willingness of new workers to enter a licensed occupation. These burdens can be particularly acute if a worker crosses jurisdictional lines. In 2004, Essence Farmer – a stylist who braided hair – moved from Maryland (where she worked for pay without a license) to Arizona, and was initially told she needed 1,600 hours of training and a new cosmetology license before she could continue doing the job she had already been practicing for four yearsⁱⁱⁱ.

Numerous studies confirm that the net effect of licensing is to reduce employment in the licensed occupation; raise wages for incumbent licensed workers; and raise the cost of goods and services provided by licensed workers^{iv}. There is also no or limited evidence that licensing raises the quality of the regulated product or service^v (though it does appear to raise the income of the licensed incumbent workers). CSI’s 2022 [study](#) of occupational licensing in Arizona estimated a net impact of more than 188,000 jobs lost and \$16.2 billion in foregone state Gross Domestic Product from the state’s occupational licensing requirements (about 5% of the entire state economy).

² The Institute for Justice limited its study to 102 occupations that were categorized by the BLS as paying, on average, no more than the national average income at the time of the research.

Universal Licensing Recognition

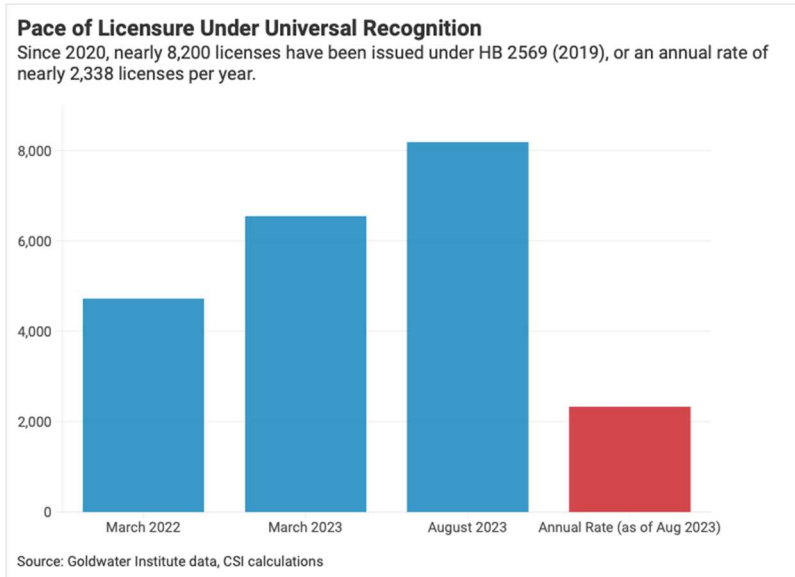


Figure 2

In response to this issue, in 2019 then-Gov. Doug Ducey signed [HB 2569](#) – which requires the state’s licenses boards to recognize out-of-state occupational licenses in the same professional discipline for new Arizona applicants^{vi}.

Since then, the Goldwater Institute has regularly collected and tracked both the total number of licenses applied for and issued under the law, and the number of licenses by specific licensing Board, and according to it, there have been more than 8,800 licenses applied

for and 8,184 licenses issued under the law. CSI’s initial study estimated the annual rate of licensure under universal recognition at 2,361 licenses/year (data for the first two years of recognition); new data obtained by Goldwater (for the period through August 2023, or roughly the first three and a half years of the law) puts the figure at about 2,338 licenses/year. Critically, **this suggests the pace of licensure under the program isn’t slowing over time** – the program continues to attract new workers at roughly the same rates today as during its inaugural year.

According to the Institute for Justice, obtaining a new Arizona occupational license costs an average of 689 days lost (to education and experience requirements) and \$481 in licensing fees. **Cumulative savings for workers licensed under the universal recognition law, then, could be up to 5,638,776 days – or \$1.4 billion in additional earnings for these workers at an average wage of \$31/hour and assuming an 8-hour workday.**

According to the U.S. Census Bureau^{vii}, **Arizona has attracted an average of more than 106,000 annual domestic migrants since late 2019 and enactment of universal license recognition; the average for the five years prior was only about 70,000.** Even if we assume the change in law itself was not (solely) causal, the policy change was well-timed to enable the flood of new migrants during and after 2020 and the pandemic period to efficiently transition into the state’s economy.

Economic Impacts of Universal Licensure

Since taking effect in late 2019, and again according to data gathered by the Goldwater Institute, more than 8,000 new professional licenses have been issued under the law (an annual pace of approximately 2,330 licenses)³. Because the data is available by licensing Board, we can further estimate which specific occupations will see increased employment due to the law; in rank order, the sectors most impacted are Construction, Real Estate services, and Healthcare services.

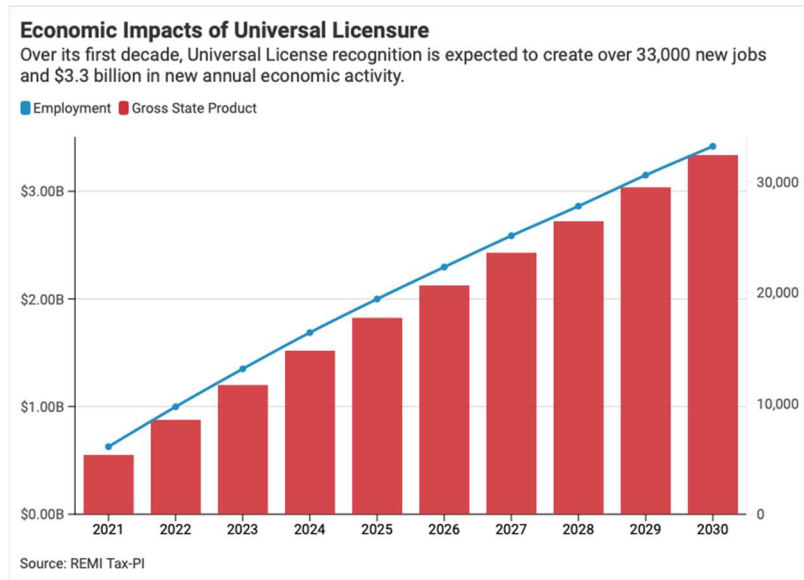


Figure 3

To assess the economic impacts of these newly licensed applicants, one must estimate the number of workers who are licensed because of the change in law (that is, the causal impact of workers who would not have moved to or become licensed by Arizona but for the change in law). For simplicity, in the following analysis CSI assumes that half of recipients of universal recognition licenses would not have moved to or become licensed to work in Arizona but for the policy (about 1,160 net new workers/year). If the actual ratio is higher or lower than assumed here, the economic impacts would scale relatively; the true value is not observed. An assumption that at least some of the granted licenses are “net-new” is consistent both with economic theory (occupational licensing imposes time and cost burdens on moving, and would be expected to reduce geographic mobility), historical evidence (both geographic and labor market mobility has declined while state licensing requirements have increased over time), and prior economic research^{viii}. For example, using the 0.77-percentage point increase finding in the Bae and Timmons paper and an assumed baseline in-migration rate of about 100,000 people annually implies about 770 expected net new workers annually – a figure close to and consistent with (but below) ours. CSI claims Arizona’s first-in-the-nation status, the breadth and simplicity of its law, and its post-2020 experience as a rapid growth and destination state justify a higher-than-average projection.

³ While about 8,100 universal licenses have been issued to-date, there have been about 8,800 applications. According to Goldwater, most of the difference are “pending approval” and likely to be ultimately approved. This is consistent with long-run trends of most applications under the universal recognition law being approved.

CSI uses the Remi Tax-PI simulation model to estimate the impacts of changes in economic conditions on the state’s dynamic equilibrium. The Tax-PI model is a dynamic input-output simulation of the Arizona economy that calculates direct, indirect, and induced effects of changes in policy input variables relative to the state’s assumed baseline growth trajectory.

Based on the current utilization data and our assumptions about affected occupations, net-new shares, and migration rates, HB 2569 since enactment has supported the creation of approximately 13,150 new jobs in Arizona. Of these, 4,677 are direct jobs created by the law itself (newly issued professional licenses and economic migration that would not have occurred but for the new law). The remaining 8,479 jobs represent induced employment indirectly supported by this new economic activity – including, for example, 845 new Retail jobs (which are generally unlicensed and therefore not directly impacted by universal recognition). **After its first decade in effect, CSI now projects the new law will create or support over 33,190 new jobs and generate \$3.3 billion in new annual economic activity.**

Since by design the law principally benefits new economic migrants to Arizona from other states, we assume it will also impact inter-state migration rates and therefore the state’s population. **Our modeling suggests the state will have 45,819 more people in 2030 than it would have had but for HB 2569.**

Health & Safety Impacts of Universal Licensure

Some have suggested that universal recognition of out-of-state occupational licenses could have health and safety consequences for consumers of licensed services in Arizona from “less qualified workers”^{ix}. CSI reviewed and could not find evidence of any decrease in regulated service quality, as measured by the volume of professional complaints received since enactment of the universal recognition law.

For example, Real Estate licenses have been one of the most-granted under the new law; over 4,000 new licenses under Universal Recognition have been given to Real Estate agents since 2021. In its annual reporting to the Arizona Governor’s Office for FY 2021 (immediately prior to universal recognition), the Department reported 376 “real estate or subdivision complaints investigated” with 90,367 active real estate licenses (0.42% investigation rate per license); by FY 2022 (the first fiscal year following implementation of the law) the number of complaints had increased to 392 but active licenses to 91,950 (again, 0.42% rate). While more current data on complaint rates is not available, the Departments most recent projections are for 400 annual complaints over the next two years.

A review by CSI of complaint and investigation rate data being reported by other Boards and Agencies impacted by the law to the Governor’s Office similarly failed to reveal any evidence of a clear increase in tracked violations. This cannot be called conclusive because there is no apparent standard for this kind of reporting (nor is it specifically reported for the Universal Recognition versus other license types), but it is indicative.

The Bottom Line

Universal recognition of out-of-state licenses has been successful so far: the annual pace of recognition has been consistent for three and a half years now, and there’s been no evidence of a reduction in service quality or increased risk of public safety. If the program continues attracting workers at this rate over the next decade it will generate more than \$3 billion in new annual economic activity for Arizona.

ⁱ Knepper, Lisa, Deyo, Darwynn, Sweetland, Kyle, Tiezzi, Jason, and Alec Mena, "[License to Work, 3rd edition](#)", *Institute for Justice*, November 2022.

ⁱⁱ Cunningham, Evan, "[Professional Certifications and Occupational Licenses: Evidence From the Current Population Survey](#)", *U.S. Bureau of Labor Statistics*, June 2019.

ⁱⁱⁱ Carpenter, Dick, Knepper, Lisa, Sweetland, Kyle, McDonald, Jennifer, "[License to Work, 2nd edition](#)", *Institute for Justice*, November 2017.

^{iv} "[Occupational Licensing: A Framework for Policymakers](#)", *The White House*, July 2015.

^v Curry, Heather and Ginn, Vance, "[Thousands Free to Work](#)", *Goldwater Institute*, February 2023.

^{vi} "[Arizona First in the Nation: Universal License Recognition](#)", *Arizona Office of the Governor*,

^{vii} "[Geographic Mobility:2022](#)", *United States Census Bureau*, August 2023.

^{viii} Bae, Kihwan, and Timmons, Edward, "[Now You Can Take It with You: Effects of Occupational Credential Recognition on Labor Market Outcomes](#)", *West Virginia University Knee Center for the Study of Occupational Regulation*, March 8, 2023.

^{ix} Ryman, Anne, and Ford, Andrew, "[Universal Licensing: Arizona Opened the Doors to Less Qualified Workers, The Public Bears the Risk](#)", *Azcentral.com*, December 27, 2021.