OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 203

134th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 203's Bill Analysis

Version: As Reported by House State and Local Government

Primary Sponsors: Rep. Powell

Local Impact Statement Procedure Required: No

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Highlights

- Requiring licensing boards and agencies to change licensure standards, and to accept license renewal fees in lieu of the standard license fees, may result in an initial increase in costs for those entities, arising from administrative costs including paperwork, rule promulgation, and possible investigative costs. However, some boards and agencies will likely conform to the bill's requirements with existing resources.
- Several state boards and agencies anticipate a loss of revenue, the magnitude of which depends on demand for licenses and the current difference between initial license fees and renewal license fees.
- The bill could result in further centralization of licensing and certification activities within the state's eLicensing system. The Department of Administrative Services (DAS) manages eLicensing, which is funded by both remittances from other agencies and licensee transaction fees through the Professionals Licensing System Fund (Fund 5JQ0). DAS may experience an increase in costs, which would be paid from the Professionals Licensing System Fund (Fund 5JQ0). Such costs may be passed through to boards and agencies using the eLicensing system.
- The bill prohibits political subdivisions from prohibiting workers from engaging in an occupation for which they hold a state license, which could result in a revenue loss for some municipalities if they collect fees for issuing licenses for such occupations.

Detailed Analysis

Occupational license reciprocity

The bill generally requires a state licensing authority to issue a license or government certification to an applicant who holds an out-of-state occupational license or who has a government certification, a recognized private certification, or satisfactory work experience in a state that does not issue a license for the occupation.[1] With select exceptions, any occupational licensing boards and state agencies that administer licensure or certification programs are required to comply with the bill. License and certification recipients are required to pay a fee equal to the renewal fee required for that license, if there exists such a fee.

A notable portion of Ohio's workforce is required to attain a state-issued license or certification in connection to a chosen occupation. License fees support the administrative efforts of state agencies, as well as costs associated with regulatory enforcement of laws governing the occupations. During FY 2021, 1.40 million active licenses were issued by state boards and commissions, generating $106.4 million in revenue. Those figures are up from 1.25 million licenses and $89.0 million in revenue during FY 2015.[2]

Fiscal impact

The fiscal implications of H.B. 203 for many state licensing boards and commissions are limited, but a few boards anticipate revenue losses in the tens of thousands annually (see below). Because the bill will not alter the demand for workers, there is little reason for licensing boards or agencies to expect ongoing changes to workloads. However, the bill does present up-front challenges that may require initial increases in work hours. For example, the bill requires licensing boards to issue a written decision regarding applications; while some agencies are equipped with the staff or technology resources to handle this requirement, others may need to adjust administrative processes. In addition, the applicant review process in many agencies may require reorganization, and methods of testing whether out-of-state applicants are in compliance with licensure requirements will need to be developed and standardized. For some agencies, these tasks will be centralized through use of the eLicensing system managed by the Department of Administrative Services (DAS),[3] while other agencies will have to decide how to comply with the bill's requirements.

Due to the bill's wide-ranging administrative effects, LBO is unable to estimate a total dollar amount of the fiscal effects.

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[1] An applicant must satisfy other specified requirements to obtain an Ohio license under the bill. The other requirements generally relate to being in good standing in the licensing jurisdiction and to having held the license for a minimum period of time. Please see the LSC bill analysis for more detail on changes to licensing and certification standards.

[2] These data include some business licenses, as are required to participate in specific professional service markets, but do not include figures for other occupations that require licensing, such as those issued by the Ohio Department of Education. For more detail regarding state licensing and certification activities, readers are referred to the LSC web portal: LSC's Annual Occupational Licensing and Regulatory Board Report.

[3] See the "**eLicensing system**" section below for more information.

Fee revenue

As mentioned above, the bill requires persons applying for licenses under the bill's reciprocity provisions to pay a license fee equal to the renewal fee, if there is one, for that license. In several cases, boards will realize a loss of revenue since their initial or reciprocity fees are greater than the renewal fee charged. In some cases, boards could experience a gain in revenue, if renewal fees are higher than the initial or reciprocity fees that are currently charged to applicants applying from out of state. LBO staff solicited responses from state licensing boards and agencies regarding the potential fiscal implications of the bill. The most common response was that revenues would not be affected, or that any negative fiscal impact would be limited. Board responses generally indicated an increase in workload, and some expect revenue losses under the bill. A handful of licensing boards, mostly in health-related fields, reported expected revenue losses in the tens of thousands annually.

eLicensing system

A number of agencies utilize Ohio's eLicensing system to store and track licensing applications and records. Under the current cost-sharing arrangement, the boards and commissions that use eLicensing are assessed a share of costs associated with system maintenance and updates, and remit those payments to DAS, which then provides for the system's operating and capital needs through the Professionals Licensing System Fund (Fund 5JQ0).

Passage of the bill will require eLicensing system updates, as DAS reconfigures its software to accommodate reciprocity applications filed under new R.C. Chapter 4796. For the bill to be revenue neutral for DAS, the agency will have to raise revenue though increasing interagency fees or via raising transaction fees paid by users of the system. It is likely that licensing boards and agencies will have to remit a higher percentage of their revenue, resulting in increased costs for agencies which utilize eLicensing.

Other administrative impacts

Administrative costs will accompany the bill, however total costs statewide are undetermined. Some boards will require rule promulgation, website and form modifications, and other "menu costs" associated with altering administrative policies and procedures. At least one licensing board reports they will experience an increase in complaints and thus investigative labor hours, while other agencies say license monitoring and application processing costs will increase. It is likely that in most agencies, such efforts are able to be handled through existing resources.

Local impact

Some municipalities may issue licenses for professions, such as house movers, sewer tappers, plumbers, or other specialty contractors not licensed by the Ohio Construction Industry Licensing Board. The bill's provisions which require licensing boards to accept license renewal fees in lieu of initial license fees also applies to municipalities, and could result in revenue losses through a mechanism similar to that discussed in previous sections.

Since the bill prohibits political subdivisions from preventing a worker from working at an occupation for which they are licensed by the state, the bill could result in an unknown revenue loss for municipalities that regulate these occupations and charge a licensing fee. Any loss will depend on the municipal corporation's current fee structure and the number of workers licensed by the municipality.

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