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Eliminating California State Licensing boards Would Save Funds

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NCPA

In rejecting Proposition 1A, California residents rejected higher taxes needed to support bloated state spending. Shirley Svorny, a professor of Economics at California State University, suggests that state licensing of providers of services, such as contractors, barbers and land surveyors, could be eliminated. With the state out of the picture, additional information would come from a variety of sources.

Moreover, without the state's involvement, it would not be long before existing or new companies would step up to offer protection, putting their reputation behind the contractors they endorse, says Svorny:

- Home builders might put their reputation behind swimming pool contractors, for example; given these firms' deep pockets and ability to purchase insurance to protect consumers in the case of contractor negligence, many consumers would find themselves better protected than in the past.
- Already, the non-profit National Council of Examiners for Engineering and Surveying (NCEES) develops and administers the tests used for state licensing; if the state of California were to drop licensing, NCEES could find a way to make this information available to consumers directly.
- This would not be free or perfect, but the cost is likely to be significantly below that associated with government licensing.

Many individuals already use unlicensed contractors for small jobs, but it is illegal. Eliminating state licensing would allow a broader range of service providers to advertise and develop a reputation over time. There is some evidence this would reduce injuries from do-it-yourself attempts on the part of consumers who can't afford a highly skilled licensed contractor.

Currently, the California Contractors State License Board licenses many individual specialties. If the state were to eliminate its licensing boards, consumers would turn to other forms of information, including referrals from friends and brand names (Lowe's or Home Depot) to assure quality, says Svorny.

Source: Shirley Svorny, "Eliminating California State Licensing Boards Would Save Funds, Aid Consumers," Cato Institute/Daily News of Los Angeles, June 22, 2009.

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