



Keystone Chapter

Associated Builders & Contractors, The Keystone and Central Chapters (ABC)

OPPOSE

House Bill 1521 (Interior Design Licensure)

ABC is a construction trade association representing the commercial, industrial, and institutional construction markets. The Keystone Chapter represents over 800 member companies. Together with the Central Chapter, we have nearly 1,000 member companies covering the entire central portion of the Commonwealth, including some parts west and east. In total, over 1800 companies are members of ABC throughout the state. We are the only association that represents equally the entire construction team and its ancillary partners.

LICENSING IN GENERAL

Generally speaking, ABC opposes licensing. The main reason was best summarized by Adam B. Summers in his August 2007 report titled, "Occupational Licensing: Ranking the States and Exploring Alternatives." In that report, Mr. Summers, citing a report produced by the Federal Trade Commission, states, "occupational regulations frequently *increase prices* and impose significant costs on consumers *without improving the quality of professional services.*"¹ (Emphasis added)

¹ Summers, Adam B. Occupational Licensing: Ranking the States and Exploring Alternatives. Page 9. Reason Foundation, August 2007.

We believe that occupational licensing does in fact increase prices, increase paperwork, impose costs to consumers and exclude competition.² Moreover, occupational licensing does not stop individuals or companies from operating. Occupational licensing, in many cases, serves to only round up the "good guys", mandate that they adhere to a standard which they probably already exceed, and impose unnecessary costs on them and ultimately, on the consumer.

Every profession has bad actors. Physicians, Insurance agents, lawyers, etc., all have licensees that practice their craft in a reckless manner to the detriment of the consuming public. Licensing has done nothing stop this. Licensing does nothing to totally protect the consumer. Time and again when people are taken advantage of or injured, they turn to the usual remedies afforded under our civil and criminal legal systems.

There is no way to totally ensure the protection of the public. Placing licensing requirements on individuals or companies already doing the right thing and acting in a professional manner does not solve the problem. The ability of individuals to see a written license granted by the Commonwealth does not place an umbrella of protection forestalling any wrongdoing.

Another theory exists to explain the call for occupational license. That theory is known as "The Capture Theory".³ The Capture Theory considers the concept that members of a certain group or trade have a vested interest in professional licensing "to protect themselves from competition".⁴ One could assume that closing out a segment of the industry could also lead to added income, influence and market share by controlling the

² Id.

³ Cox, Carolyn and Foster, Susan, Economic Issues the Costs and Benefits of Occupational Regulation, Bureau of Economics -- Federal Trade Commission, October 1990, page 18.

⁴ Id. pp. 18-19.

training and education established by the creation of occupational licensing boards. Furthermore, groups may have incentive to advocate for licensing if the ultimate prize is control of the disciplinary process.⁵

There are several alternatives to licensing and the creation of licensing boards. These are certification, registration, or mandatory disclosure mechanisms.⁶

Certification would allow the creation of standards to be met in order to be issued a state endorsed certificate.⁷ This would be a less involved and inherently less biased system run by the state.

Registration would be even less formal than certification and would entail the creation of a list published by the state.⁸ Proven violations would result in removal from the registration list and may impact consumer confidence and the ability to secure future work.⁹

We believe that any of these alternatives would foster the development of increased consumer confidence and would welcome the opportunity to take part in further discussions concerning these alternatives.

HOUSE BILL 1521

Turning our attention to House Bill 1521 specifically, we believe this bill would prohibit many services that some of our design and other members currently provide including the administration, development, consultation and implementation of design construction contracts. We join many of the other stakeholders in their opposition of this legislation because this bill would restrict the ability of a wide community of design professionals

⁵ *Id.* at 38.

⁶ *Id.* at 43-51.

⁷ *Id.* at 43-46.

⁸ Cox and Foster (1990) – The Costs and Benefits of Occupational Regulation, pages 49-50.

⁹ *Id.*

for the benefit of a small group for the sole purpose of monopolizing training, continuing education, and other aspects of the industry.

There is a conspicuous lack of public outcry for such oversight and we believe licensing should not be implemented for the sake of more regulation.

Currently, design/build projects require contractors to perform many of the same services that would potentially be prohibited by this bill. Having such a license as the one contemplated would add unnecessary red tape and make doing business in the state more difficult. Additional licensing of this type will not improve the design/build industry.

We are not aware of any instances where health, safety or welfare has been compromised or would be improved with this legislation.

We echo similar thoughts of others by pointing out that this bill contains no "grandfather clause" but does contain harsh penalties. While several exemptions attempt to avoid some construction-related scenarios, the language is not specific enough to protect all practices.

For these reasons, ABC opposes HB 1521 and urges the members of the committee to vote against it. We appreciate the chance to voice our opinion on this legislation and would welcome the opportunity to participate in any further discussions.

Thank you for your consideration.

For more information, please contact Stephen Swarney, Director of Government Affairs, at swarney@abckeystone.org or 717.653.8106.