



Chair Tarwater and Members of the Committee,

We appreciate this opportunity to submit **proponent testimony for HB 2291**, which creates a regulatory relief division to manage a sandbox program that temporarily waives specific regulations for businesses to test innovations, with a structured application process, advisory committee oversight, and specific consumer protection measures. We hold the following position on HB 2291:

1. HB 2291 reduces the hidden costs created by the Kansas Regulatory Code.
2. Too many regulations adversely impact business startup activity and job growth.
3. HB 2291 is a growing compromise that allows innovation but maintains consumer health and safety.
4. HB 2291 is a good start, but changes are needed to make the policy on par with the states' and ensure robust economic growth.

Kansas Regulatory Code is a hidden cost to Kansas businesses.

The Kansas Administrative Regulatory Code contains 3.3 million words that a business must peruse to assess restrictions on their business. Of those 3.3 million words, about 73,000 are regulatory restrictions concentrated in manufacturing and professional and business services.¹ Tack on federal regulations, and substantial man-hours and resources are spent on compliance instead of productive capacities.

Too many regulations adversely impact business startup activity and job growth.

Regulations interfere with market competition and can become a startup barrier if left unchecked. More extensive and older firms don't have to compete and innovate, keeping prices high and slowing job growth. Conversely, the more startups, the more people are encouraged to go into business themselves, and the more jobs are created. In the last ten years, Kansas' job formation has steadily declined, from a peak of a net 22,000 jobs created in 2012 to a net 23,000 job loss.²

HB 2291 is a growing compromise that allows innovation but maintains consumer health and safety.

Regulatory Sandbox is a legal concept stemming from the United Kingdom's Financial Conduct Authority's November 2015 report, where they outlined a "regulatory sandbox" as

¹ Mercatus Center of George Mason University, "Cutting Red Tape in Kansas: A Menu of Options", <https://www.mercatus.org/research/policy-briefs/cutting-red-tape-kansas-menu-options>

² U.S. Census Bureau, Business Dynamic Statistics, https://bds.explorer.ces.census.gov/?state=20&xaxis-id=year&xaxis-selected=2011,2012,2013,2014,2015,2016,2017,2018,2019,2020,2021&group-id=none&measure-id=net_job_creation&chart-type=bar



2291

Regulatory Sandbox: Summary and F.A.Q.

What is a regulatory sandbox?

A regulatory sandbox is a framework and process for a governing body to identify burdensome rules and regulations while concurrently allowing businesses to innovate and discover new goods and services in a safe environment for customers.

How does a regulatory sandbox work?

A regulatory relief division in the Executive Branch will oversee the sandbox program, connecting businesses with agencies and aiding legislative review of regulations. An advisory committee will evaluate sandbox applications. Approved participants can test their goods or services free from specific state laws and regulations but remain accountable for any criminal offenses during the sandbox period.

Who is on the regulatory sandbox advisory committee?

The advisory committee shall consist of appointees from Republican and Democratic legislative leaders, state agency administrators, and business/industry leaders. The director shall have the authority to temporarily appoint members whose expertise is relevant to a particular sandbox application.

What type of business can apply for a regulatory sandbox?

Any business that submits a sandbox application must (not exhaustive)

1. Be subject to the jurisdiction of Kansas
2. Has a physical or virtual location in the state where the good will be produced or service provided
3. Disclose any criminal convictions of the applicant or participating personnel.
4. Disclose the good/service needing a sandbox and how it benefits customers.
5. Describe which statutes or regulations the applicant needs waiving or suspension.

Do regulatory sandboxes usurp legislative authority?

No, a regulatory sandbox suspends the *enforcement* of statutes and regulations. Statutes and regulations remain until legislative action. A regulatory sandbox enhances this legislative role by identifying which statutes and regulations hinder business development and economic activity.