



Chair Alley 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.

**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. In context, reading the KAR typically during a 40-hour work week would take 4 and a half weeks. Of those 3.3 million words, about 73,000 are regulatory restrictions concentrated in manufacturing and professional and business services.<sup>1</sup> 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.<sup>2</sup>

**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 a "safe space in which businesses can test innovative products, services, business models and delivery mechanisms without immediately incurring all the normal regulatory consequences of engaging in the activity in question." However, it's important to note that this does not mean sandboxes are free for all. HB 2291 is written so that public health, safety, and consumer protection regulations remain. Moreover, there are sandboxes in 57 countries and many states.

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<sup>1</sup> 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>

<sup>2</sup> 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](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)

In conclusion, this bi-partisan legislation will help businesses identify problem regulatory policies organically and ensure that red tape is not a continuous problem in our state. For these reasons we urge the committee to support HB 2291.