

HCS HB 2587 -- THE REGULATORY SANDBOX

SPONSOR: Riley

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Economic Development by a vote of 9 to 0.

The following is a summary of the House Committee Substitute for HB 2587.

This bill establishes the "Regulatory Sandbox Act", which creates the "Regulatory Relief Office" within the Department of Economic Development. The Regulatory Relief Office shall administer the provisions of the bill with the purpose of identifying state laws or regulations that could potentially be waived or suspended for participating businesses during a 24 month period in which the participating business demonstrates an innovative product offering to consumers.

The Regulatory Relief Office shall maintain a web page on the Department's website that invites residents and businesses to make suggestions regarding laws and regulations that could be modified or eliminated to reduce the regulatory burden of residents and businesses in the state (Section 620.3905, RSMo).

The Regulatory Relief Office shall be responsible for evaluating and approving or denying applications to participate in the Sandbox Program. An applicant shall submit an application along with a \$300 application fee to the Regulatory Relief Office, which shall include contact information and a description of the innovative offering to be demonstrated, including statements regarding how the innovative offering is subject to licensing, legal prohibition, or other authorization requirements outside of the Sandbox Program; each law or regulation that the applicant seeks to have waived or suspended while participating in the Sandbox Program; how the innovative offering would benefit consumers; what risks might exist for consumers who use or purchase the innovative offering; and other required information, as described in the bill.

No later than five business days after the day on which a completed application is received by the Regulatory Relief Office, the Office shall review the application and refer the application to each applicable agency, as defined in the bill, that regulates the applicant's business. No later than 30 days after the day on which an applicable agency receives a completed application for review, the applicable agency shall provide a written report to the Sandbox Program director with the applicable agency's findings, including any identifiable, likely, and significant harm to the health,

safety, or financial well-being of consumers that the relevant law or regulation protects against, and a recommendation to the Regulatory Relief Office that the applicant either be admitted or denied entrance into the Sandbox Program. An applicable agency may deny an application for reasons described in the bill. The Regulatory Relief Office shall not approve any application denied by an applicable agency (Section 620.3915).

Upon the receipt of a report from all applicable agencies, the Regulatory Relief Office shall provide the application and associated reports to the "General Regulatory Sandbox Program Advisory Committee", which is created by the bill. The Advisory Committee shall be composed of eight members, as described in the bill including one member of the House of Representatives appointed by the Speaker, one member of the Senate appointed by the President Pro Tem and three members of the public or an institution of higher education appointed one each by the Governor, the President Pro Tem, and the Speaker. The Advisory Committee shall advise and make recommendations to the Regulatory Relief Office on whether to approve applications to the Sandbox Program, and may meet at its own discretion to override a decision of the Regulatory Relief Office on the admission or denial of an applicant to the Sandbox Program, provided such override is decided with a majority vote of the members of the Advisory Committee, and further provided that such vote shall be taken within 10 business days of the Regulatory Relief Office's decision. Meetings of the Advisory Committee shall not be considered public meetings for the purposes of the Sunshine Law (Section 620.3910).

Upon approval of an application, a Sandbox participant shall have 24 months after the day on which its application was approved to demonstrate the innovative offering described in the Sandbox participant's application. During such period, the Sandbox participant shall be exempt from the laws and regulations outlined in an agreement entered into with the Regulatory Relief Office. Innovative offerings shall only be available to consumers who are residents of this state, and no law or regulation shall be waived or suspended if such waiver or suspension would prevent a consumer from seeking restitution in the event that the consumer is harmed. A Sandbox participant shall not be subject to prosecution or administrative penalty for a violation of any law or regulation that is waived or suspended during the duration of the participant's demonstration period (Section 620.3920).

Prior to demonstrating an innovative offering, a Sandbox participant shall disclose certain information to consumers, as described in the bill (Section 620.3925).

At least 30 days prior to the end of a participant's demonstration

period, the participant shall notify the Regulatory Relief Office that it either intends to exit the Sandbox Program or that it seeks an extension. The Regulatory Relief Office may grant an extension not to exceed 12 months, and a participant may seek additional extensions up to a cumulative maximum of seven years. If a demonstration includes an innovative offering that requires ongoing services or duties beyond the 24 month demonstration period, the participant may continue to demonstrate the offering, but shall be subject to all laws and regulations that were waived or suspended as part of the Sandbox Program.

A Sandbox participant shall retain certain records for a period of 24 months after exiting the Sandbox Program.

The Regulatory Relief Office shall establish quarterly reporting requirements for each participant, and each participant shall notify the Regulatory Relief Office and each applicable agency of any incidents that result in harm to the health, safety, or financial well-being of a consumer.

No later than 30 days after a Sandbox participant exits the Sandbox Program, such participant shall submit a written report describing an overview of the demonstration. No later than 30 days after receiving such report, an applicable agency shall provide a written report to the Regulatory Relief Office that describes any statutory or regulatory reform the applicable agency recommends (Section 620.3930).

This bill is similar to SB 1068 (2022).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

**PROPOSERS:** Supporters say that for too many of our entrepreneurs and innovators our states' regulatory burdens crush them before they even get off the ground. This would be a tool to mitigate some of the damage the regulations impose on startups. This bill is intended to spur innovations. Supporters also say that consumers would benefit under this bill because it allows consumers to access new productions and services. Since departments still maintain veto power there is no danger posed to public safety under this bill. Witnesses support removing barriers to entry to the market.

Testifying for the bill were Representative Riley; Americans for Prosperity; Jared Meyer, Cicero Action; Missouri Chamber of Commerce and Industry.

OPPONENTS: Those who oppose the bill say that it would allow some businesses to engage in practices that other businesses would be prohibited from doing under the law. Opponents believe this bill would undermine the idea of impartial rule of law. Supporters are also concerned about transparency issues.

Testifying against the bill were Scott McKellar; Arnie C. Ac Dienoff; and Sierra Club Missouri Chapter.

OTHERS: Others testifying on the bill submitted written testimony.

Testifying on the bill was Brian Knight, The Mercatus Center at George Mason University.

Written testimony has been submitted for this bill. The full written testimony can be found under Testimony on the bill page on the House website.