

House Committee on Commerce, Labor, and Economic Development

Representative Sean Tarwater

Monday, March 18, 2024

1:30 PM CDT

Speaking neutrally to H.B. 2821

Chair Tarwater and members of the committee:

Thank you for the opportunity to provide neutral testimony today. My name is Rees Empey, and I'm the senior director of state government affairs at Libertas Institute, a non-profit think tank based in Utah, and regulatory sandboxes are something we've worked extensively on [inside and outside of Utah](#).

So, what is a regulatory sandbox? In short, a regulatory sandbox enables innovators – entrepreneurs both big and small, old and new – to work with regulators and the legislature in trialing new products, services, and business models while state rules and regulations inapplicable to their ideas are temporarily waived.

Let's say I have a cool idea to collect payments at my food truck, simply running a food truck business, or a creative way to offer drone insurance because why would I need the standard six-month premium if I only fly the thing a few times a year?

I'd approach the sandbox, outline my great idea, and highlight troublesome rules and regulations. Upon acceptance, I'd receive a temporary waiver of those rules and regulations, and I'd be allowed to offer my product to consumers. Throughout the trial period, I report to the sandbox on what I'm seeing and how many consumers I'm engaged with so the sandbox can compile their own report to pass along to the relevant agencies and even the state legislature. This allows the agencies and legislature to make informed decisions on reforming, repealing, or even creating smart regulations around new and innovative ideas without any existing rules.

A sandbox invites the business community to the table to highlight troublesome rules and regulations so that the state can reform or repeal those and, in the end, the state becomes better welcoming to the innovations of tomorrow.

This concept isn't new beginning in 2016 when the United Kingdom launched the world's first sandbox and targeted financial technologies, or fintech. Shortly after, several other countries began implementing sandboxes of their own while expanding the concept to other industries.

Stateside in 2018, Arizona passed the United States' first sandbox, which also targeted fintech and something similar began to happen. States such as [North Carolina](#), [Hawaii](#), [Connecticut](#), [Vermont](#), [Utah](#), [Kentucky](#), and several others began implementing sandboxes of their own while expanding the concept's application to other industries. For example, some industries that have been targeted and explored on top of fintech include [healthcare](#), [insurance](#), [agriculture](#), [energy](#), [salmon recovery](#), and others. In total, there are [fourteen states](#) currently running sandboxes of some kind and only [twelve states](#) that have yet to consider a sandbox of some kind.

On that note, this bill would establish a universal, rather than a targeted, sandbox that's open to most industries rather than simply targeting one or two, which allows for innovative trials to take place across multiple industries and it's open to everyone. If this bill is signed into law, Kansas would become the fourth state to establish a universal sandbox – [Arizona](#), [Utah](#), and [Kentucky](#) are the other three with AZ and KY also housing their program in the attorney general's office. It's also worth noting that there's a universal sandbox moving through [Missouri's general assembly](#), [Oklahoma](#) considered a universal last year, and [Nebraska](#) considered a universal sandbox a couple of years ago, but ultimately passed an insurance sandbox.

Now, consumer protection is a top priority for sandboxes as the application process will weed out any ideas that will obviously cause harm to consumers or the environment. The attorney general's office, the eleven-member advisory committee, and the applicable agencies also review the applications so it's not just one set of eyes reviewing everything. On top of that, if an applicable agency rejects an application, under this bill, the sandbox cannot approve that application.

Also, entities operating in the sandbox are required to disclose their product's "experimental nature" to consumers and entities aren't immune from being held civilly liable if their product causes harm.

At Libertas, regulatory sandboxes are something we've [worked on in Utah](#) since 2019 starting with a fintech sandbox and later establishing the country's first universal sandbox in 2021. We're happy to continue to see more states consider sandboxes of their own while exploring other areas to apply the concept.

Thank you for your time, and I'd be happy to answer any questions!