

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3490S.01I  
 Bill No.: SB 894  
 Subject: Economic Development; Department of Economic Development, Administrative Rules  
 Type: Original  
 Date: January 21, 2024

Bill Summary: This proposal modifies provisions relating to the promotion of business development.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	Could exceed (\$403,600)	Could Exceed (\$413,265)	Could Exceed (\$420,442)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$403,600)</b>	<b>Could Exceed (\$413,265)</b>	<b>Could Exceed (\$420,442)</b>

\*Oversight notes that this proposal provides for waiving of regulations (depending upon sandbox participants) potentially resulting in a loss to general revenue, various state funds, and to local political subdivisions. Additionally, this proposal may require additional FTE for DED under Section (s) 620.3800 "Office of Entrepreneurship", and 620.3900 Regulatory Sandbox Act.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Various State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
General Revenue Fund	3 FTE	3 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development (DED)** note:

620.3800. Creates within DED the "Office of Entrepreneurship".

DED is responsible for administering the "Office of Entrepreneurship" and shall employ an individual to promote policies and initiatives to support the growth of entrepreneurship in the state. The Office of Entrepreneurship is also responsible for preparing a report for the general assembly making recommendations on improving access and resources for new Missouri businesses that have been in operation for less than three years. DED will need 1.0 FTE to administer the Office of Entrepreneurship.

Oversight notes the DED assume the proposal will have direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect DED 1 FTE (Economic Development Supervisor at \$88,248 annually) impact in the fiscal note, effective FY 2025.

Section 620.3900 creates the Regulatory Sandbox Act.

Section 620.3905. 1. states that the regulatory relief office will be administered by a sandbox program director. DED has estimated personal service costs by taking a mid-range salary of a typical Program Director (Designated Principal Assistant) at DED who oversees an office but does not supervise staff. DED also believes additional review (e.g., reviews of state laws) would require a legal counsel FTE. If DED determines that additional staff are needed to administer the sandbox program, DED will request additional FTE through the normal budget process.

Oversight notes the DED assume the proposal will have direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect DED 1 FTE (Division Director at \$86,960 & Legal Counsel at \$67,946 annually) impact in the fiscal note, effective FY 2025.

In response to the similar proposal, SB 3 & 69 (2023), officials from the **Office of Administration – Budget & Planning** note:

Section 34.159 creates Right to Start Act

This section shall be known as the "Right-to-Start Act" which requires the commissioner of the office of administration to file a report with the general assembly no later than June 30, 2025, and annually thereafter that includes the number of contracts, percentage of the number of contracts, total dollar amount of all contracts, and percentage of the total dollar amount awarded

to businesses, including minority-owned businesses that have been in operation for less than three years. This section will not impact TSR or the calculation under Article X, Section 18(e).

#### Sections 620.3800 Office of Entrepreneurship

This section would create the “Office of Entrepreneurship” under DED. This section will not impact TSR or the calculation under Article X, Section 18(e).

#### Sections 620.3900 to 620.3930 Regulatory Sandbox Act and Regulatory Relief Office

An applicant shall remit to the regulatory relief office an application fee of three hundred dollars per application for each innovative offering. It is not specified in the bill where this money will be deposited, therefore B&P assumes it will be GR. This will have an unknown positive impact on GR and TSR.

Section 536.300 has been modified removing a requirement that a small business impact statement be submitted prior to submitting proposed rules and a reference to sections 536.300 to 536.310.

This bill would also provide that during the demonstration period, a sandbox participant shall not be subject to the enforcement of state laws or regulations identified in the written agreement between the regulatory relief office and the sandbox participant. There is not enough information on what laws or regulations may be waived or what impact such a waiver might have on TSR.

Sections 536.300, 536.303, 536.305, 536.310, 536.315, 536.323, 536.325, and 536.328, which refers to small businesses and the "Small Business Regulatory Fairness Board" are repealed.

Officials from the **Department of Commerce and Insurance (DCI)** assume an unknown impact to DCI depending on the number of businesses and individuals that would request to participate in the Sandbox Program.

In response to the similar bill, SB 825 (2024), officials from the **Missouri Department of Agriculture (MDA)** note:

Section 620.3905 (2) 4: This section could result in a loss of fee funds to the Missouri Department of agriculture. If fees are not required to be paid in accordance with current regulations, guidelines, and policies, the fee-fund revenue to the Department could substantially decrease. The fee funds support many FTE within MDA, in accordance with their respective divisions and the fees associated with such; the loss of fee funds could result in the need for reductions in staff due to unavailability of funding. This loss in fee-fund revenue will result in a need for general revenue to support these necessary positions across the state of Missouri.

Officials from the **Office of Administration (OA)** note:

This bill requires OA to file a report annually with the General Assembly about the number of contracts awarded to contractors who have been in business for less than 3 years. It is unknown from the bill language if this applies to contracts awarded after the bill goes into effect or if this will apply to all contracts that were in place even before the bill goes into effect. The answer to this questions helps us to understand the fiscal impact to the Division. If the answer is that this would apply to all contracts that were in place even before the bill goes into effect, this will require OA-Purchasing to examine each of its awarded contractors to determine how long they have been in business and to track such information in order to create the report. OA-Purchasing estimates that this will take approximately 1 hour per awarded contract. OA-Purchasing has over 2,000 contracts, DOR estimate that one hour per contract to obtain the information and log so for a total of \$47,040 (2000 hours x \$23.52 per hour), the equivalent of one FTE for the initial year.

For any newly awarded contracts after the bill goes into effect, OA-Purchasing assumes it will also need to update its bid/contract forms in order to gather necessary information from contractors and update its internal policies and procedures to sets standards about how this determination will be made. OA-Purchasing estimates that it will take approximately 200 hours of initial work to develop and implement these changes at a cost of (200 x \$38.20 per hour) \$7,640 and then 200 hours each year thereafter to track and maintain the information for the annual report to the General Assembly .

However, clarity is needed on the following items to determine level of fiscal impact:

1. Does this apply only to contracts awarded under Chapter 34 authority by the Office of Administration, Division of Purchasing or does this also apply to all departments making purchases under Chapter 34 authority including those purchases under the no bid limit or within the departments delegated procurement authority? Each department retains records for their purchases rather than OA having those records.
2. Is the age of the company only relevant at time of contracting or if the contract continues for multiple years and the contractor becomes more than 3 years old, do OA stop counting them as a 3 or less years old contractor for reporting purposes?
3. Is the age of the company determined by their Articles of Incorporation on file with SOS?

This bill appears to establish the Regulatory relief office within the Department of Economic Development. It is assumed that the Office of Administration -Division of Personnel's team members would be required to provide assistance in establishing the new division.

The fiscal impact of this bill is determined by the total number of hours estimated (10 hours) multiplied by the average salary of Division of Personnel team members (\$34.16) plus the added cost to update MoCareers, the State's centralized application platform (\$300.00). Therefore, the total fiscal impact would be \$641.60.

Officials from the **Department of Revenue (DOR)** note:

This proposal requires the Commissioner of the Office of Administration to file a report about new businesses and state contracts. This will not fiscally impact DOR.

Section 536.300 Small Business Impact Statement-CSR

This will not fiscally impact DOR.

Section 620.3800 Office of Entrepreneurship

This will not fiscally impact DOR.

Sections 620.3900 – 620.3930 Regulatory Sandbox

The proposal would create a new government entity, the “regulatory relief office,” which may enter into agreements to essentially waive the requirements of Missouri’s statutes and regulations on certain participating businesses. This office is allowed to make suggestions as to which state laws and regulations are burdensome; but does not define burdensome. This is concerning for DOR as most people would consider taxes burdensome. Depending on the laws waived this could result in increased costs to DOR for tracking these participants and changes to the DOR individual income tax system. These computer changes are estimated at \$8,923.

The proposal directs the regulatory relief office to consult with applicable agencies, regarding the acceptance of the applicant in the sandbox and the agreement of rules to be waived. The agencies are asked to notify the office if the applicable agency has previously investigated, sanctioned, or pursued legal action against the applicant. The office is allowed to enter into agreement with the applicant to participate in the sandbox and have rules waived. The proposed legislation prohibits these agreements from exempting an applicant “from any income, property, or sales tax liability unless such applicant otherwise qualifies for an exemption from such tax.” This may require DOR to provide information on DOR relationships with a participating business to the regulatory relief office. Some of this information is currently protected under DOR's confidentially laws. At this time, DOR is unable to determine if there is additional costs from this provision.

This proposal says that the sandbox agreement cannot exempt an applicant from income, property or sales tax liability. Property tax is handled by the State Tax Commission. DOR has numerous other tax types besides the income tax and sales tax exempted under this proposal. Examples include, withholding tax, tire and battery fee taxes, use taxes, marijuana taxes and more that do not appear protected under this proposal. Allowing participants in the program to not pay taxes will result in a loss of state and local revenue.

This proposal gives the regulatory relief office authority to waive state law and regulations. DOR is concerned this would result in filing deadlines being moved or changes for some filers and not others, or payments being waived. This would result in a negative fiscal impact to state and local revenue.

At this time, DOR is unable to estimate an exact fiscal impact from this proposal. DOR could possibly need additional FTE to work with the regulatory relief office depending on the number of participants, as well as have losses to state and local revenue if participants are allowed to not pay taxes.

**Oversight** notes officials from the MDA, DOR & DCI each assume the proposal would allow for selected companies, who participate in the Sandbox program, to receive relief from various taxes, which would have an effect on General Revenue and Other State Funds. Additionally, the DOR assumes the need for additional FTE to ensure compliance with this proposal. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a potential (\$0 or) unknown negative impact to the General Revenue and Other State Funds, as a result of reduction in a various tax revenues and potential FTE costs for various state agencies, in the fiscal note.

**Oversight** notes that an applicant shall remit to the regulatory relief office an application fee of \$300 per application for each innovative offering.

**Oversight**, for the purpose of this fiscal note, retrieved average patent filings in the State of Missouri to estimate how many entrepreneurs would potentially be participating in this pool. According to the [U.S. Patent and Trademark Office](#) – Patent Technology Monitoring Data (PTMT) there were on average 868 patents filed by Missourians annually from FY 2000 to FY 2015.

**Oversight** notes that the proposal assesses a \$300 fee that must be paid in order to participate in this program. Oversight assumes that the fee structure could potentially result in additional revenue of \$260,400 (\$300 x 868 potential innovative entrepreneurs). Therefore, for purpose of this fiscal note, Oversight will reflect a positive unknown amount to the General Revenue Fund.

**Oversight** assumes that the fee paid to participate will be remitted to GR for purpose of this fiscal note, and as shown above the amounts collected could reach the \$250,000 threshold.

**Oversight** notes that OA assumed the proposal will require additional workforce to prepare annual reports with the General Assembly on contracts awarded to new businesses under Section 34.195. Officials from the OA assume the proposal will have a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect OA's estimated impact in the fiscal note.

**Oversight** notes that there are few examples of various agency costs in similar Sandbox proposals filed in the States of Utah, Ohio, Nebraska, Nevada, and the Arizona. Each fiscal note addresses the difficulty of projecting any costs associated with the proposals. However, a recent fiscal note submitted to the Nebraska Legislature for consideration of similar bill LB 1127 ([Nebraska Sandbox proposal - 2022](#)) from various agencies claiming costs associated with the proposal, are provided in the [Table 1](#).

**Oversight** notes that the Missouri Sandbox proposal requires, among other duties, the Administrator to:

- Act as a Liaison between private businesses and agencies of the State
- Consult with each affected agency
- Establish Program to enable a person to obtain legal protections
- Review State Laws
- Create a framework for analyzing the risk level of the health, safety, and financial well-being of consumers
- Propose and enter into reciprocity agreements
- Enter into agreements with or adopt best practices of corresponding federal regulatory agencies and other states
- Create and maintain the Department’s website
- Create and submit annual reports to the governor and general assembly

**Oversight** notes that there are many other duties required from the Sandbox Office under this proposal. Therefore, it is probable that the agencies tasked with the regulatory implementation of this program, such as DOR or DED, will need additional FTE in order to provide the regulatory framework and compliance procedures for this Act.

**Oversight** notes that Missouri population is at least 3 times greater (6.6M – Missouri population / 1.94M –Nebraska Population) than that of Nebraska, thus the costs could potentially reach a higher level of expenditure in Missouri. Therefore, for purpose of this fiscal note, **Oversight** will note an unknown negative impact to the General Revenue and Other State Funds, which could potentially exceed \$250,000 in various FTE and forgone tax revenue costs to various state funds in the fiscal note.

Table 1.

AGENCY	FY 2023	FY 2024
Department of Economic Development	\$ 520,380.00	\$ 641,930.00
Department of Banking and Finance	\$ 223,025.00	\$ 215,325.00
Board of Engineers and Architects	\$ 3,300.00	\$ 3,300.00
Department of Environment and Energy	\$ 202,371.00	\$ 202,371.00
Department of Agriculture	\$ 77,500.00	\$ 77,500.00
Liquor Control Commission NFI NFI	No Fiscal Impact	No Fiscal Impact
Motor Vehicle Industry Licensing Board No discernable impact No discernable impact	No Discernable impact	No Discernable impact
Nebraska State Electrical Division Indeterminable Indeterminable	Indeterminable	Indeterminable
Board of Barber Examiners Indeterminable Indeterminable	Indeterminable	Indeterminable
Attorney General NFI NFI	No Fiscal Impact	No Fiscal Impact
Nebraska Real Estate Commission Negligible to significant Negligible to significant	Negligible to Significant	Negligible to Significant
Supreme Court NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Labor NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Administrative Services	\$ 71,200.00	\$ 77,000.00
Department of Insurance	\$ 168,900.00	\$ 173,317.00
<b>Total</b>	<b>\$ 1,127,776.00</b>	<b>\$ 1,217,426.00</b>
<b>FTE total</b>	9.5	10.5



Officials from the **Missouri State Senate** assumed the proposal will have a negative fiscal impact to the senate contingent appropriation to reimburse 2 senators for travel to meetings of the General Regulatory Sandbox Program Advisory Committee. Details are in the attached analysis. In summary, it will cost approximately \$335.36 per meeting.

**Oversight** notes the Missouri State Senate assumes no fiscal responsibility for the other committee members.

**Oversight** notes that the Missouri State Senate assumed the proposal will have a direct fiscal impact on their organization. **Oversight** assumes the impact to the SEN will not be material and therefore, will no reflect a negative fiscal impact in the fiscal note.

Officials from the **City of Kansas City** assume this proposal would not have a direct fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for the CKC.

**Oversight** notes many counties and cities assess sales or use taxes on the sale of goods in Missouri. The tax remitted to various local political subdivisions serves the local political subdivisions needs. DOR assumes the companies could receive relief from various taxes. DOR noted that the bill forbids exemption from income tax, sales taxes or property taxes. However, the local political subdivisions impose other taxes. Therefore, **Oversight** will note a potential unknown negative impact to the local political subdivision funds in the fiscal note, depending upon sandbox participants and applications.

**Oversight** assumes the removal of sections 536.303, 536.310, 536.315, 536.323, 536.325, and 536.328 could result in a savings to state agencies, including the Department of Economic Development. Therefore, Oversight will reflect this potential savings as \$0 or Unknown to the General Revenue Fund.

Officials from the **Office of the Governor** assume this bill adds to the Governor's current load of appointment duties. Individually, additional requirements should not fiscally impact the Office of the Governor. However, the cumulative impact of additional appointment duties across all enacted legislation may require additional resources for the Office of the Governor.

**Oversight** assumes the Office of Governor is provided with core funding to handle a certain amount of activity each year. Oversight assumes Office of Governor could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, Office of Governor could request funding through the appropriation process.

Officials from the **Attorney General's Office**, the **Missouri House of Representatives**, and the **Department of Higher Education and Workforce Development** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Gain</u> – \$300 Fee Paid to participate in the program §620.3915.2 p.7	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Savings</u> – various state agencies for removal of Sections 536.303 – 536.328 related to the Small Business Regulatory Fairness Board p.9	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – Reduction in Revenues – various tax not paid if waived in the regulatory sandbox program p.7	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – DOR– FTE necessary to comply with the regulatory sandbox program p.7	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<u>Costs – DED 2 FTE for Section 620.3905 &amp; 1 FTE for Section 620.3800 p. 3</u>			
Personnel Service	(\$202,628)	(\$248,017)	(\$252,977)
Fringe Benefits	(\$114,768)	(\$114,768)	(\$141,397)
Expense & Equipment	(\$39,163)	(\$18,066)	(\$18,428)
<u>Total Costs -</u>	<u>(\$356,560)</u>	<u>(\$405,625)</u>	<u>(\$412,802)</u>
FTE Change	3 FTE	3 FTE	3 FTE
<u>Cost – OA – Section 34.195 (additional workforce needed to comply with this section p. 7</u>			
	(\$47,040)	(\$7,640)	(\$7,640)
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>Could exceed (\$403,600)</u></b>	<b><u>Could Exceed (\$413,265)</u></b>	<b><u>Could Exceed (\$420,442)</u></b>
Estimated Net FTE Change on General Revenue	3 FTE	3 FTE	3 FTE
<b>OTHER STATE FUNDS</b>			
<u>Loss of Revenues - to various State Funds – various tax not paid if waived in the regulatory sandbox program (p.7)</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>NET EFFECT ON THE OTHER STATE FUNDS</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss of Revenues - to various local funds – various tax not paid if waived in the regulatory sandbox program p.9</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or</u> <b>(Unknown)</b></b>	<b><u>\$0 or</u> <b>(Unknown)</b></b>	<b><u>\$0 or</u> <b>(Unknown)</b></b>

FISCAL IMPACT – Small Business

Small businesses, who will participate in the Sandbox program, will be able to receive potential tax and/or fee reductions and regulation exemptions.

FISCAL DESCRIPTION

This act establishes provisions relating to the promotion of business development.

**RIGHT-TO-START ACT**

By no later than June 30, 2026, and annually thereafter, this act requires the Commissioner of Administration to file a report with the General Assembly that includes information on contracts awarded to businesses that have been in operation for less than three years, as described in the act.

This act also requires the Commissioner of Administration, in conjunction with the Office of Entrepreneurship, which is established by the act, to file a report with the General Assembly making recommendations on improving access and resources for new Missouri businesses that have been in operation for less than three years, including businesses owned by a racial minority group, and women-owned and veteran-owned businesses. (Section 34.195)

This provision is identical to a provision in HCS/SS/SCS/SBs 3 & 69 (2023), SB 593 (2023), and SS#3/HCS/HB 268 (2023), and is substantially similar to a provision in HB 237 (2023), HCS/SS/SB 807 (2022), SS/HCS/HB 2587 (2022), and HCS/HB 1590 (2022).

**OFFICE OF ENTREPRENEURSHIP**

This act creates the Office of Entrepreneurship within the Department of Economic Development. The Office shall employ an individual to promote policies and initiatives to support the growth of entrepreneurship of Missouri-based businesses with less than ten employees, including minority, women, and veteran entrepreneurship, in this state. (Section 620.3800)

This provision is substantially similar to a provision in HCS/SS/SB 807 (2022), SS/HCS/HB 2587 (2022), and HCS/HB 1590 (2022).

## REGULATORY SANDBOX ACT

This act 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 act with the purpose of identifying state laws or regulations that could potentially be waived or suspended for participating businesses during a two-year 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)

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; and what risks might exist for consumers who use or purchase the innovative offering, as described in the act.

No later than fifteen 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 act, that regulates the applicant's business. No later than sixty 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 act. 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 act. The Advisory Committee shall be composed of eleven members, as described in the act. 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 two-thirds majority vote of the members of the Advisory Committee,

and further provided that such vote shall be taken within fifteen business days of the Regulatory Relief Office's decision. Meetings of the Advisory Committee shall be considered public meetings for the purposes of the Sunshine Law. (Section 620.3910)

Upon approval of an application, a sandbox participant shall have twenty-four 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 act. (Section 620.3925)

At least forty-five 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 twelve months, and a participant may seek multiple extensions. If a demonstration includes an innovative offering that requires ongoing services or duties beyond the two-year 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, provided that any participant that receives an extension to the demonstration period shall not be subject to the waived or suspended laws and regulations until after the end of the extended demonstration period.

A sandbox participant shall retain certain records for a period of two years 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 forty-five 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 thirty 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)

These provisions are identical to provisions in HCS/SS/SCS/SBs 3 & 69 (2023) and are substantially similar to SB 1068 (2022) and to provisions in SS#3/HCS/HB 268 (2023),

SS/HCS/HB 2587 (2022), HCS/SS/SCS/SB 931 (2022), HCS/SS/SB 807 (2022), and HCS/SS#2/SCS/SB 968 (2022).

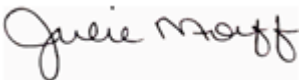
### SMALL BUSINESS REGULATORY FAIRNESS BOARD

Provisions in current law establishing the Small Business Regulatory Fairness Board are repealed. (Sections 536.303 to 536.315 and sections 536.323 to 536.328)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Attorney General's Office  
Department of Commerce and Insurance  
Department of Economic Development  
Department of Higher Education and Workforce Development  
Department of Revenue  
Office of Administration  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
City of Kansas City  
Office of the Governor  
Missouri House of Representative  
Missouri Senate



Julie Morff  
Director  
January 21, 2024



Ross Strope  
Assistant Director  
January 21, 2024