

House Committee on Commerce, Labor, and Economic Development  
Representative Sean Tarwater, Chair  
Monday, February 10, 2025

Chair Tarwater and members of the House Committee on Commerce, Labor, and Economic Development,

I apologize to those who may have heard a lot of this information already but thank you for inviting me back. 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.

Although we work on a range of issues in Utah, it's my role to work with partners across the country to bring innovative policies we've helped usher through the Utah State Legislature to other states and regulatory sandboxes are something we've worked extensively on inside and outside of Utah.

But what is a sandbox? A sandbox enables innovators – both big and small, old and new – to work with regulators and legislators in trialing new products, services, and business models while rules and regulations that may be inapplicable or dated to new ideas are temporarily waived.

Let's say I have an excellent idea for drone insurance, because why do I need a standard six-month premium business model if I only fly it a couple of times a year? Or maybe I have a creative way to collect payments at my food truck or I want to run a food truck – the ideas and opportunities are limitless.

I'd approach the sandbox, outline my great idea, and highlight the rules and regulations preventing me from launching my product. Upon acceptance into the sandbox, I'd receive a temporary waiver of those rules and regulations and I'm allowed to offer my product to consumers. Throughout the trial period, which is typically two or more years depending on the state, I report to the sandbox on what's happening, how many consumers I'm engaged with, is anything going wrong, etc. so that the sandbox can compile a report throughout the various trials in the sandbox and kick recommended reforms or repeals to the applicable agencies and/or 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 so that the entities in the sandbox can exit into a newly reformed regulatory environment.

I want to mention that consumer protection is built into these sandboxes. An application with an idea that'll obviously bring harm to consumers or the environment, will never make it beyond the front door. If a company operating in the sandbox begins to act in bad faith, the sandbox has the

authority to pull companies out of the sandbox. Lastly, these companies can still be held civilly liable for any harm they may cause.

Overall, a sandbox invites the business community to the table to highlight troublesome rules and regulations, prove they're not working as intended, and, as a result, the state is better welcoming to the innovations of tomorrow. It's a living and breathing approach to regulatory reform that possesses safeguards to protect consumers and the environment.

There are two approaches: You can target certain industries, such as [agriculture](#), [insurance](#), [financial technologies](#) (FinTech), and even [salmon recovery](#), which is under consideration in Washington State. On the other hand, you can pursue a universal sandbox that applies to any and all industries.

A couple of examples closer to home: Next door in [Nebraska](#), they approved an insurance sandbox in 2023 while [Missouri](#) went from having no sandboxes to full universal last year, the first state to do so. On top of that, after Missouri approved its universal sandbox last year, Ohio is preparing to roll out similar legislation while Indiana plans to consider it in 2026.

Currently, there are four universal sandboxes – [Arizona](#), [Kentucky](#), [Missouri](#), and [Utah](#) – and [eleven industry-targeted sandboxes](#), not counting [Hawaii](#) and [Nevada's](#) sunsetted fintech sandboxes, across the entire country. As of now, there are only a dozen states that haven't at least considered a sandbox.

Now, out of the [fifteen states](#) that currently run sandboxes, there have been around thirty participants but many of the sandboxes are very new and still being implemented.

On top of that, many of the sandboxes have begun to serve as a liaison between businesses and the relevant regulatory agencies, which has allowed some companies to learn they can operate without the sandbox. In other words, rather than just waiving regulations, these sandboxes are also helping companies get on their feet and learn they're legally allowed to operate, which doesn't require them to hire a high-caliber lobbyist to help change the rules or an expensive attorney to comb through the state's code – both alternatives costing a lot of money, especially for smaller businesses. From what we're hearing, businesses really like having this type of liaison available to them, especially when the sandbox is housed outside of any regulatory agency.

It's worth noting that this has largely been a bipartisan issue across the country. Last year in Missouri, the [universal sandbox received bipartisan support](#) as it moved through the process, Nebraska's insurance sandbox was carried across the finish line by Senator Anna Wishart, a

Democrat, after [initially introducing a universal sandbox bill in 2022](#), and states [such as Vermont](#) host an insurance sandbox.

With momentum growing for smart regulatory reform at the state level, a bipartisan group in Congress has begun introducing sandbox legislation for the federal level. To date, [twelve different sandbox bills](#) – targeting everything from [FinTech](#) to [AI in banking](#) and even [universal](#) – have been introduced.

Lastly, there's the option for reciprocity agreements with other sandbox states and even [cooperation with federal sandboxes](#), should they be approved. Let's say an innovative company enters Kansas' sandbox and they want to scale up. If Kansas has an agreement with a state like Arizona or even North Carolina, which [hosts a fintech-insurance sandbox](#), this company in Kansas' sandbox instantly has a foot in the door to those additional markets and vice versa.

Sandboxes provide opportunities for creative minds to trial their new and innovative ideas while providing regulators and legislators with real examples of regulations not working neatly in today's fast-moving, innovative world. Rather than startups or even existing companies spending thousands of dollars on lawsuits, lawyers, and lobbyists to change the law to accommodate them, which not all of them can afford, this offers a more affordable and transparent avenue to trial their ideas and we can't begin to imagine the potential life-changing or just plain cool products and services that may come as a result of this new regulatory framework.

Thank you for your time! I'm happy to take any questions.