

Report of the Special Committee on Foreign Trade and Regulatory Sandboxes to the 2025 Kansas Legislature

CHAIRPERSON: Senator Renee Erickson

VICE-CHAIRPERSON: Representative Sean Tarwater

OTHER MEMBERS: Senators Oletha Faust-Goudeau, Virgil Peck, Ron Ryckman, and Tim Shallenburger; and Representatives John Carmichael, Patrick Penn, Barb Wasinger, Gary White, and Rui Xu

STUDY TOPIC

The Committee is directed to:

- Regarding foreign trade, study and make recommendations concerning:
 - Kansas trade with foreign countries, including a review of current trade agreements;
 - A comparison of Kansas foreign trade with that of other states; and
 - The identification of Kansas industries and products that may be available for foreign trade and the possible nations to solicit for such trade.
- Regarding regulatory sandboxes, study and make recommendations concerning:
 - The nature and operation of regulatory sandboxes;
 - The advantages and possible challenges of regulatory sandboxes; and
 - The successes of regulatory sandboxes in other states and how they may apply in Kansas.

December 2024

Special Committee on Foreign Trade and Regulatory Sandboxes

REPORT

Conclusions and Recommendations

The Committee made recommendations regarding foreign trade and regulatory sandboxes.

Foreign Trade

Regarding foreign trade, the Committee recommended the Legislature:

- Explore opportunities to educate businesses on what the State can do to help them with foreign trade and other aspects of business with currently available tools;
- Encourage Kansas business development entities and relevant state agencies to innovate new ways to increase outreach and education regarding economic opportunities for Kansas businesses and the next generation of Kansans; and
- Identify and monitor ways to capture information regarding foreign land holdings in Kansas.

The Committee further recommended that a briefing, as requested by the relevant Chairpersons, be provided to legislative leadership and the commerce and agriculture committees of both chambers on any identified threats to Kansas from foreign adversaries pertaining to international trade and foreign influence.

Regulatory Sandboxes

Regarding regulatory sandboxes, the Committee recommended:

- A formal opinion on the constitutionality of regulatory sandboxes in the state of Kansas be requested of the Attorney General;
- That any regulatory sandbox program adopted in Kansas be generally applicable and not limited only to businesses within a particular industry; and
- That any legislation enacting a regulatory sandbox program provide for the administering agency to consult with relevant experts while considering applicants to the program.

Proposed Legislation: The Committee recommends the 2025 Legislature pursue legislation to implement a regulatory sandbox program in Kansas, incorporating the relevant recommendations above.

BACKGROUND

The Special Committee on Foreign Trade and Regulatory Sandboxes (Committee) was created by the Legislative Coordinating Council to study issues related to foreign trade and regulatory sandboxes. The Committee was authorized to meet for two days.

COMMITTEE ACTIVITIES

The Committee met at the Statehouse on November 18 and November 19, 2024. At the November 18 meeting, the Committee reviewed information relating to foreign trade during the morning session and reviewed information regarding regulatory sandboxes and the Kansas regulatory environment in the afternoon. At the November 19 meeting, the Committee reviewed further information relating to regulatory sandboxes.

November 18, 2024, Meeting

Foreign Trade

A representative of the Kansas Small Business Development Center (KSBDC) provided an overview of foreign trade resources available to small and mid-sized businesses through the KSBDC. The conferee discussed some of the barriers to international trade facing Kansas businesses, strategies and resources businesses can utilize to expand their operations, and the opportunities for growth that expanding into global markets present for Kansas companies.

The Executive Director of IBG Global and former Director of Virginia's International Trade Development Program discussed state-led export promotion initiatives. The presentation addressed state-funded international trade development programs, including the current landscape of foreign trade state programs, why states conduct international trade, and the benefits Kansas could experience from investing more in international trade.

A representative from the Greater Wichita Partnership presented information on Wichita's foreign trade ecosystem and the Partnership's activities to support international development among the region's businesses. The conferee

highlighted the quality of the region's foreign direct investments and the positive results the Partnership is seeing based on outreach programs through air shows and other international programming.

A representative of the Kansas Department of Agriculture provided an overview of foreign exports of Kansas agricultural products and discussed the effects of various trade agreements and issues related to the impacts of federal policy on the state.

Regulatory Sandboxes

Kansas Legislative Research Department staff provided an overview of other states' regulatory sandbox programs, the process for and legislative oversight of rules and regulations in Kansas, and data trends related to Kansas rules and regulations.

Office of Revisor of Statutes staff provided an overview of Kansas administrative procedure, especially as it pertains to potential implications for regulatory sandboxes. The conferees also presented a review of HB 2821, introduced during the 2024 Session, which would have created a regulatory sandbox program in Kansas within the Office of the Attorney General.

November 19, 2024, Meeting

A representative of the Libertas Institute provided an overview of how a sandbox program could work and how other states are using them. He also addressed Committee member questions related to other states' programs and differences between industry-specific and general sandbox programs.

A representative of Americans for Prosperity presented on the history of regulatory sandboxes and how to attract businesses to Kansas. He also addressed Committee member questions on where the program is implemented, identifying regulations to waive, and restrictions or limitations of a program.

The Director of the Utah Office of Regulatory Relief conducted a question-and-answer session with the Committee about Utah's implementation of its regulatory sandbox program. Topics of questions addressed included the pros and cons of

various regulatory sandbox program parameters, considerations related to the implementation and administration of a regulatory sandbox program, the importance of inter-agency cooperation in carrying out program objectives, the scope and constitutionality of regulatory sandboxes, managing concerns related to consumer safety, and examples of how the program has been utilized in Utah.

The Deputy Attorney General for the Civil Division, Office of the Attorney General (Office), provided an overview of the Office's feedback on legislation introduced in the 2024 Session. HB 2821 would have created a regulatory sandbox program and placed it under the purview of the Attorney General. The Deputy Attorney General discussed concerns with incorporating such a program into the Office and how those concerns could be addressed. He indicated the Office does not have serious concerns with the implementation of such a program or its constitutionality as a whole.

CONCLUSIONS AND RECOMMENDATIONS

The Committee discussed recommendations regarding foreign trade during its November 18 meeting and regarding regulatory sandboxes during the November 19 meeting.

Regarding foreign trade, the Committee recommended the Legislature:

- Explore opportunities to educate businesses on what the State can do to help them with foreign trade and other aspects of business with currently available tools;

- Encourage Kansas business development entities and relevant state agencies to innovate new ways to increase outreach and education regarding economic opportunities for Kansas businesses and the next generation of Kansans; and
- Identify and monitor ways to capture information regarding foreign land holdings in Kansas.

The Committee further recommended that a briefing, as requested by the relevant Chairpersons, be provided to legislative leadership and the commerce and agriculture committees of both chambers on any identified threats to Kansas from foreign adversaries pertaining to international trade and foreign influence.

Regarding regulatory sandboxes, the Committee recommended:

- A formal opinion on the constitutionality of regulatory sandboxes in the state of Kansas be requested of the Attorney General;
- The 2025 Legislature pursue legislation implementing a regulatory sandbox program in Kansas;
- That any regulatory sandbox program adopted in Kansas be generally applicable and not limited only to businesses within a particular industry; and
- That any legislation enacting a regulatory sandbox program provide for the administering agency to consult with relevant experts when considering applicants to the program.