

SS SCS SBs 894 & 825 -- PROMOTION OF BUSINESS DEVELOPMENT

SPONSOR: Fitzwater (Riley)

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on General Laws by a vote of 11 to 1. Voted "Do Pass" by the Standing Committee on Rules- Regulatory Oversight by a vote of 9 to 0.

RIGHT-TO-START ACT (Section 34.195)

This bill requires that no later than June 30, 2026, and annually thereafter, the Commissioner of Administration must 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 specified in the bill.

The bill requires the Commissioner, in conjunction with the Office of Entrepreneurship, which is established in the bill, 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.

OFFICE OF ENTREPRENEURSHIP (Section 620.3800)

This bill creates the Office of Entrepreneurship within the Department of Economic Development. The office will employ an individual to promote policies and initiatives to support the growth of entrepreneurship of Missouri-based businesses with less than 10 employees, including entrepreneurship within racial minority groups, and women and veteran entrepreneurship, in this state.

REGULATORY SANDBOX ACT (Sections 620.3905, 620.3915, 620.3910, 620.3920, 620.3925, and 620.3930)

The bill establishes the "Regulatory Sandbox Act", which creates the Regulatory Relief Office within the Department of Economic Development. The Regulatory Relief Office will administer the provisions of the bill with the purpose of identifying state 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 will maintain a web page on the Department's website that invites residents and businesses to make suggestions regarding regulations that could be modified or

eliminated to reduce the regulatory burden of residents and businesses in the state.

The Regulatory Relief Office will be responsible for evaluating and approving or denying applications to participate in the Sandbox Program. An applicant will submit an application along with a \$300 application fee to the Regulatory Relief Office, which will 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 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 specified in the bill.

No later than 15 business days after the day on which a completed application is received by the Regulatory Relief Office, the Office will 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 60 days after the day on which an applicable agency receives a completed application for review, the applicable agency will 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 and Missouri's environment that the relevant 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 will not approve any application denied by an applicable agency. Upon the receipt of a report from all applicable agencies, the Regulatory Relief Office will provide the application and associated reports to the General Regulatory Sandbox Program Advisory Committee, which is created by the bill. The Advisory Committee will be composed of 11 members, as specified in the bill. The Advisory Committee will 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 the vote will be taken within 15 business days of the Regulatory Relief Office's decision. Meetings of the Advisory Committee will be considered public meetings for the purposes of the Sunshine Law.

Upon approval of an application, a sandbox participant will 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 will be exempt from the regulations outlined in an agreement entered into with the Regulatory Relief Office.

Innovative offerings will only be available to consumers who are residents of this state, and no regulation will be waived or suspended if the waiver or suspension would prevent a consumer from seeking restitution in the event that the consumer is harmed. A sandbox participant will not be subject to prosecution or administrative penalty for a violation of any regulation that is waived or suspended during the duration of the participant's demonstration period.

Prior to demonstrating an innovative offering, a sandbox participant will disclose certain information to consumers, as specified in the bill.

At least 45 days prior to the end of a participant's demonstration period, the participant will 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 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 will be subject to all regulations that were waived or suspended as part of the Sandbox Program, provided that any participant that receives an extension to the demonstration period will not be subject to the waived or suspended regulations until after the end of the extended demonstration period.

A sandbox participant will retain certain records for a period of two years after exiting the Sandbox Program.

The Regulatory Relief Office will establish quarterly reporting requirements for each participant.

No later than 45 days after a sandbox participant exits the Sandbox Program, such participant will submit a written report describing an overview of the demonstration. No later than 30 days after receiving such report, an applicable agency will provide a written report to the Regulatory Relief Office that describes any statutory or regulatory reform the applicable agency recommends.

SMALL BUSINESS REGULATORY FAIRNESS BOARD (Sections 536.303 to 536.315 and sections 536.323 to 536.328)

Provisions in current law establishing the Small Business Regulatory Fairness Board are repealed.

PROPOSERS: Supporters say that too many resources have been dedicated to attracting out of state businesses to Missouri. This legislation instead supports businesses that are already in the state. Specifically, this legislation supports dedicated proponents of startups already in Missouri. Regulatory sandboxes create an environment for businesses to test innovative technology while ensuring the protection of the state and state citizens. Current state regulation of business is holding business advancement back and stunting technological growth. This legislation updates out of date state regulations and is the first step in keeping startups and other businesses in Missouri.

Testifying in person for the bill were Senator Fitzwater; Missouri Retailers Association; Missouri Grocers Association; Missouri Tire Industry Association; NFIB (National Federation of Independent Business); Opportunity Solutions Project, Cicero Action; Missouri Chamber of Commerce & Industry; and Cara Alexander Stark, KC Tech Council.

OPPOSERS: Those who oppose the bill say that there is already a program in place that promotes economic development within Missouri. Sandbox programs are a waste of taxpayer money and take away consumer protocol and procedure. Programs such as the one proposed in this legislation lead to one business being unregulated while other similar businesses continue to have to follow established regulations. This picking and choosing unfairly determines which businesses succeed and which businesses fail.

Testifying in person against the bill was Arnie Dienoff.

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