

REMOVING BARRIERS TO INNOVATION:

HOW REGULATORY SANDBOXES CAN SOLVE KITCHEN TABLE ISSUES



INSTITUTE FOR
REFORMING GOVERNMENT



INSTITUTE ^{FOR}
REFORMING GOVERNMENT

ABOUT THE INSTITUTE FOR REFORMING GOVERNMENT

The Institute for Reforming Government, along with its partner organization IRG Action Fund, is focused on developing free-market and limited-government reforms, taking action on them, and getting results for Wisconsin. Founded in 2018, IRG has quickly grown into one of the state's largest think tanks, boasting an elite policy team with decades of experience in state and federal government, trade associations, and statewide campaigns. Most importantly, IRG gets results for the conservative movement in Wisconsin.

ReformingGovernment.org

REMOVING BARRIERS TO INNOVATION:

HOW REGULATORY SANDBOXES CAN SOLVE KITCHEN TABLE ISSUES

A REPORT FROM THE INSTITUTE FOR REFORMING GOVERNMENT - MAY 2024



TABLE OF CONTENTS

Executive Summary	4
Introduction	6
What is a Regulatory Sandbox?	6
Why is a Regulatory Sandbox Needed?	7
History	7
What Other States are Doing.	8
Industry-Specific Sandboxes.	10
Other Potential Industries.	11
A Regulatory Sandbox for Wisconsin.	12
Conclusion.	15



Executive Summary

In the simplest terms, regulations are rules. They are rules that are enacted by or with the consent of elected officials. They are rules for citizens and businesses alike. They are established through either a legislative process or through bureaucratic promulgation. They are meant to ensure the health, safety, and well-being of the average citizen - but they often stifle creative minds on the verge of improving those same qualities. In a perfect world, rules and regulations have their place. However, in practice, regulations are usually out-of-date, slow to adapt to an ever-changing world, and generally produce similar outcomes in the marketplace because of the common constraints they put on innovators. Regulatory sandboxes break through the stagnation, let the creators think outside the box, and activate the free market to find real solutions to our problems.

"Regulatory sandboxes unleash innovators, allowing the free market to find solutions to everyday issues. The antiquated regulatory environment in its current form will not be able to adapt to the changing technologies and ideas that have the potential to improve life for every Wisconsinite."

- Alex Ignatowski, Director of State Budget and Government Reform



Despite substantial regulatory reforms over the past 15 years, Wisconsin has become the 12th most regulated state in the Union. Over-regulation holds back the best in society from solving the problems that government cannot. Average families across Wisconsin are struggling with kitchen table issues: the growing cost of healthcare, limited access and affordability of childcare, and the questionable quality of K-12 education. These issues have not been solved by policymakers in Madison and continue unabated.

Wisconsin needs a way to inject new ideas from outside of the political arena, into long-standing problems. That is where regulatory sandboxes can give free market innovators a chance to try something new to improve the lives of average citizens and find solutions to the problems we all face.

WHAT ARE REGULATORY SANDBOXES?

A regulatory sandbox is a temporary regulatory environment in which a new product or service is allowed to operate without the constraint of current regulations that are either out of date or do not adequately account for an innovative product or service. Sandboxes can be confined to a specific industry or they can be all-inclusive.

REGULATORY SANDBOXES ARE SPREADING

14 states currently have a regulatory sandbox and many more states are considering legislation right now. In fact, there are only 12 states in the Union that have not considered or are not currently considering sandbox regulation...and Wisconsin is one of them.

Neighboring states like Iowa, Illinois, and Indiana all have legislation under consideration. Sandboxes are not limited by political leanings either; sandboxes have been implemented in liberal-leaning states like Vermont and Massachusetts, as well as in conservative states like Utah and Florida. In action, sandboxes are not partisan because the reforms they generate are not driven by politicians. They're driven by entrepreneurs, creators, and innovators.

INDUSTRY-SPECIFIC VS. ALL-INCLUSIVE

Sandboxes are generally categorized into two different categories: industry-specific and all-inclusive. Industry-specific sandboxes are focused on innovations in one specific industry or regulatory environment. Examples include financial services, insurance, and legal services. This has been the most common way of implementing sandboxes, as 11 out of the current 14 states with sandboxes have industry-specific sandboxes.

All-inclusive sandboxes are not targeted at a specific industry, but are open to all activity regulated by the state. These sandboxes widen the scope of possibility for innovations where industry-specific sandboxes risk missing out on the next great reform. In just the last two years, three states have created all-inclusive sandboxes.

SANDBOX FOR WISCONSIN

Wisconsin could benefit from and should implement an all-inclusive sandbox. Industry-specific sandboxes have been in use in multiple states now for several years. There is no longer a need to go through a limited pilot phase in Wisconsin because the work has already been done. Borrowing from states that have implemented or are considering an all-inclusive sandbox, Wisconsin can strike the right balance of providing regulatory relief without jeopardizing the health, safety, and well-being of residents. A sandbox for Wisconsin, as outlined in this report, would have a well-defined process, considerations for health and safety, a substantial review process, and safeguards against favoritism or abuse.



Introduction

A detailed analysis by the Mercatus Institute in 2017 of Wisconsin's Administrative Code turned up 159,253 regulations that imposed some sort of restriction on individuals or businesses. With language like "shall," "must not," or "prohibited," Wisconsin residents and businesses are in a constant uphill battle against the current regulatory environment.¹ However, that is not to say that Wisconsin has not made efforts in the past to improve the regulatory burden. Governor Walker signed 2011 Act 21 into law, dramatically slowing administrative rule promulgation to provide better oversight and transparency. In 2017, the enactment of the REINS Act eased the regulatory burden by requiring legislative approval of administrative rules that cost over \$10 million over 2 years for the regulated community to implement and comply.² Despite the positive impacts of these reforms, the fact still remains that Wisconsin is a heavily regulated state. A more recent report from 2021 showed that Wisconsin ranked 12th-most regulated out of the 44 states for which there was data.³

In an ideal world, government regulation would be used only to protect the public from dangers to their health, safety, and well-being. Over the course of time, regulation in Wisconsin has grown into the labyrinth that it is today. Well-heeled and politically connected industries convince lawmakers to use regulations to fence out competition, often going beyond what is needed for the basic functions of government. Over-regulation stifles innovation in the marketplace and unnecessarily restricts economic opportunity in the state. With the current burden being so heavy, Wisconsin needs a new way to allow innovators to break from the hold of unnecessary red tape.

Regulatory sandboxes can provide that relief, removing unnecessary restrictions on innovators with a well-thought-out and transparent process. A regulatory sandbox balances the need for regulatory relief in the marketplace with the public's expectation that their government is working to ensure that considerations for health, safety, and well-being are maintained. This framework would allow Wisconsin to push back on the regulatory burdens that currently exist without having to go through all 159,253 regulations. It would simply allow for good ideas, innovative products, and new service delivery models to move forward free from antiquated regulations within a context of oversight.

What is a Regulatory Sandbox?

A regulatory sandbox is a temporary regulatory environment in which a new product or service is allowed to operate without intrusive regulations. When a new or existing business applies for membership in the sandbox, the authorizing state agency determines whether the business qualifies. Then, the business is permitted to operate with minimal regulations for a defined period of 12 to 24 months. The



¹ Broughel, James. (2017). Reining in Wisconsin Regulations. <https://www.mercatus.org/economic-insights/expert-commentary/reining-wisconsin-regulations>. Mercatus Institute.

² Wisconsin REINS Act, 2017 Act 57. <https://docs.legis.wisconsin.gov/2017/related/acts/57>

³ Chambers, Justin and O'Reilly, Colin. (2021). The Regressive Effects of Regulation in Wisconsin. <https://www.mercatus.org/research/policy-briefs/regressive-effects-regulations-wisconsin>. Mercatus Institute.

authorizing agency provides oversight and may implement temporary, less restrictive rules to govern the business within the sandbox. After the prescribed sandbox period of 12 to 24 months, the authorizing agency terminates the sandbox and the business must again comply with status quo regulations unless policymakers amend regulations to allow for the product or service to continue outside of the sandbox.

Why is a Regulatory Sandbox Needed?



The purpose of the regulatory sandbox is to allow new ideas the ability to develop without being hindered by unnecessary or inappropriate regulations. Technology has provided businesses with opportunities to innovate and provide new services or products that do not fit within the existing regulatory scheme. A regulatory sandbox strikes the balance of removing barriers to innovation while still protecting consumers.

An example of a business that would have benefited from a regulatory sandbox are rideshare services like Uber or Lyft. Although rideshare businesses provide customers with rides upon request, they are not taxi or limo services because the companies do not own the vehicles used and the drivers are not employees. Initially, some cities and local governments attempted to impose taxi company regulations or ban the services completely,⁴ often due to the lobbying efforts by taxi companies to stifle competition to their outdated business model.

Eventually, public demand for rideshare services forced governments to back down and a number of new regulations involving insurance, background checks, and taxation were implemented. A regulatory sandbox could have been used to allow rideshare services to operate in a controlled environment without costly delays or inappropriate regulation.

History

The first regulatory sandbox was proposed in 2014 by the Financial Conduct Authority (FCA), a regulatory body for financial services in the United Kingdom. The government requested the FCA develop a regulatory process to encourage the development of new technology based financial services, commonly referred to as fintech. The FCA defined a regulatory sandbox as “a ‘safe space’ in which businesses can test innovative products, services, business models and delivery mechanisms without immediately incurring all the normal regulatory consequences of engaging in the activity in question.”⁵ Abu Dhabi, Denmark, Canada, Hong Kong, and Singapore followed the UK in implementing regulatory sandboxes.⁶

⁴ Rodewald, Adam. (March 29, 2015). Green Bay to Uber: Stop Offering Rides. Green Bay Press Gazette. <https://www.greenbaypressgazette.com/story/news/local/2015/03/29/gb-tells-ride-sharing-service-cease-desist/70630966/>.

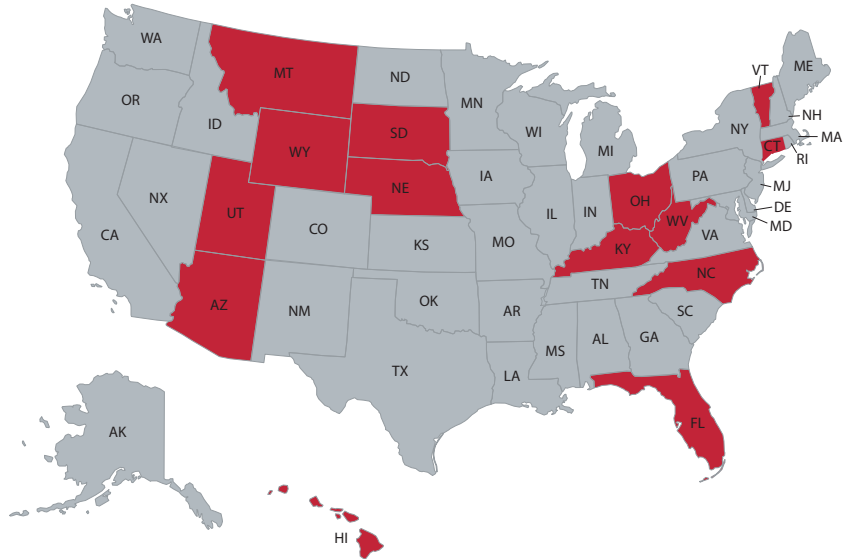
⁵ Financial Conduct Authority, United Kingdom. (2015). Regulatory sandbox. <https://www.fca.org.uk/publication/research/regulatory-sandbox.pdf>.

⁶ State Policy Network. (2021). Everything you need to know about regulatory sandboxes. <https://spn.org/articles/what-is-a-regulatory-sandbox/>.

What Other States are Doing

There are currently 14 states in the United States that have implemented regulatory sandboxes and almost all regulatory sandboxes are in the states.⁷ However, one federal agency, the Consumer Financial Protection Bureau (CFPB), implemented a sandbox starting in 2016. Unfortunately, the agency rescinded the program in 2022, leaving only a limited program that allows for variations in financial disclosures.⁸

Of the 14 states with sandboxes, 11 are industry-specific. Arizona was the first state to create a regulatory sandbox when it created a fintech sandbox in 2017. It was followed by a “proptech sandbox,” for the real estate industry.⁹ A number of industry-specific sandboxes in other states followed Arizona’s model. Wyoming passed the Financial Technology Sandbox Act in 2019 while West Virginia and Florida passed fintech sandbox bills in 2020. Other industry specific sandboxes include an insurance industry sandbox created in Vermont in 2019,¹⁰ and South Dakota passed an insurance sandbox in 2021.¹¹



All-inclusive regulatory sandboxes, which are sandboxes that are not limited to specific industries, are more rare but the most efficient policy option. Under this system, any business may apply to participate. In this scenario, any product or service is eligible with no limitations based on industry. There are three states with an active all-inclusive regulatory sandbox. Utah, Arizona, and Kentucky all have all-inclusive regulatory sandboxes, each making the step forward after years of experience with various industry-specific sandboxes.¹²

Regulatory sandboxes have not been limited by partisan politics either, as implementing states with leanings across the political spectrum have moved forward with sandboxes. From Hawaii, Vermont, and Massachusetts to Montana, Utah, and Florida. The entrepreneurial spirit is not limited by political beliefs. Furthermore, all states but 12 either have an existing sandbox or have proposed legislation to create a sandbox. Unfortunately, Wisconsin is one of

⁷ Libertas Institute. Regulatory Sandboxes in Your State. <https://libertas.org/outreach/sandbox/state/>. Accessed March 2024.

⁸ Independent Community Bankers of America. (2022). CFPB ending no-action-letter, sandbox policies. <https://www.icba.org/newsroom/news-and-articles/2022/09/27/cfpb-ending-no-action-letter-sandbox-policies>.

⁹ Arizona Commerce Authority. Arizona’s proptech sandbox program is accepting applications. <https://www.azcommerce.com/proptech/>. Accessed March 2024.

¹⁰ Captive International. (June 12, 2019). Vermont becomes latest domicile to introduce regulatory sandbox law. <https://www.captiveinternational.com/analysis/vermont-becomes-latest-domicile-to-introduce-regulatory-sandbox-law-2866>.

¹¹ Division of Insurance, South Dakota Department of Labor and Regulation. Innovation Waivers. https://dlr.sd.gov/insurance/innovation_waiver.aspx. Accessed March 2024.

¹² Libertas Institute. Regulatory Sandboxes in Your State. <https://libertas.org/outreach/sandbox/state/>. Accessed March 2024.

those 12 states, which poses a great opportunity. Below is a short list of states with varying political leanings that have implemented sandboxes.

UTAH

Utah's all-inclusive sandbox is administered by the Office of Regulatory Relief.¹³ Applicants are required to describe how the new business is different from established business practices, identify what regulations they believe will interfere with their new business, explain why the regulations are not appropriate, and how risks to the public will be minimized.



If the application is approved, the business is authorized to operate within the sandbox for 12 months with an opportunity to renew for an additional year. At the end of the sandbox period, the business must submit a report to the Office of Regulatory Relief and any agency that has relevant regulations. The report summarizes the sandbox period and documents any legal claims, complaints, or incidents.

Utah's Supreme Court has created a separate regulatory sandbox for legal services under the Utah Office of Legal Services Innovation.¹⁴ The work on sandboxes in Utah is not done as lawmakers continue to look at new uses in the area of drones and education.^{15,16}



NORTH CAROLINA

North Carolina created a combined insurance and fintech sandbox in 2021.¹⁷ Under the program, an applicant applies with the North Carolina Innovation Council and submits a nominal fee. If accepted into the sandbox, the applicant must pay an additional \$450, which is meant to cover the costs associated with the sandbox program. Before an application is accepted, it is reviewed by the Council

as well as any relevant agencies. The guiding standard for admission to the sandbox is that the product or service "shall not be against the public interest and shall not unreasonably increase risk to consumers."¹⁸ The sandbox period in North Carolina lasts up to 24 months.

¹³ Office of Regulatory Relief. Governor's Office of Economic Opportunity. <https://business.utah.gov/regulatory-relief/>. Accessed March 2024.¹⁴ Utah Office of Legal Services Innovation.

¹⁴ Utah Office of Legal Services Innovation. <https://utahinnovationoffice.org/>. Accessed March 2024.

¹⁵ Utah 2023 Senate Bill 161. <https://le.utah.gov/~2023/bills/static/SB0161.html>.

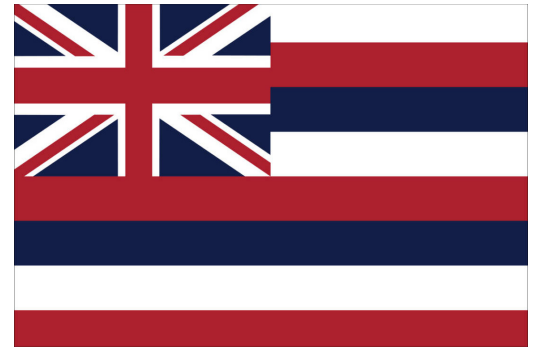
¹⁶ Utah 2022 House Bill 386. <https://le.utah.gov/~2022/bills/static/HB0386.html>.

¹⁷ North Carolina 2021 House Bill 624. <https://www.ncleg.gov/EnactedLegislation/SessionLaws/PDF/2021-2022/SL2021-166.pdf>.

¹⁸ North Carolina Innovation Council. Eligibility Criteria: § 169-6. Regulatory sandbox applications. <https://www.innovation.nc.gov/eligibility-criteria>. Accessed March 2024.

HAWAII

In 2020, Hawaii created the Digital Currency Innovation Lab as a pilot program to operate under the Hawaii Technology Development Corporation.¹⁹ The Lab is operating under a two-year pilot program. The current pilot program is set to end on June 30, 2024, if it is not renewed for another two years. Currently, there are 11 companies operating within the sandbox.



Industry-Specific Sandboxes

Regulatory sandboxes are as creative and innovative as the products and services that enjoy the regulatory relief granted by their existence. The vast majority of these sandboxes are targeted at specific industries, services, and products. The advantage here is that the applicant seeking regulatory relief benefits from working with government agencies intimately involved and knowledgeable of the industry and current regulatory environment. However, this approach limits the state's ability to encourage innovation and only lifts the regulatory burden in potentially small areas of the state economy. Here are industry-specific sandboxes currently in use around the country:

CRYPTOCURRENCY AND FINTECH

Fintech was the target of the first program developed in the UK in 2014 and is by far the most common industry-specific regulatory sandbox. Although recent failures of cryptocurrency managers and instability in market value have reduced the demand for cryptocurrency, fintech remains a growing field that will benefit from a dynamic regulatory environment.

INSURANCE

New online or insurance alternatives are required to navigate a burdensome regulatory environment. A regulatory sandbox allows insurance providers to try new services and encourages competition from new businesses without limiting insurance to those products allowed under current regulations.

¹⁹ Hawaii Technology Development Corporation. Digital Currency Innovation Labs. <https://www.htdc.org/digital-currency-innovation-lab/>. Accessed March 2024.

Other Potential Industries

The industries listed above have been demonstrated as suitable industries for targeted sandboxes in other states and countries around the world. However, these are not the only industries that have potential for innovation. So many sectors of the Wisconsin economy are ripe for regulatory relief and an infusion of new ideas. As discussed earlier, regulation has the effect of stifling innovation, with many industries suffering from high prices, lack of supply, or unnecessary complexities in operations.

Conceptually, a regulatory sandbox removes the burdens of regulation and allows for the best and brightest in society to find solutions to problems we all face. This approach is not limited to industries listed above, but could be employed to find solutions in industries that have the greatest effect on middle-class working families. Many families across Wisconsin are dealing with the same kitchen table issues that leave many necessities in life unaffordable or inaccessible. Regulatory sandboxes have the potential to allow free market innovators to tackle the issues facing average Wisconsinites.

HEALTHCARE

The healthcare industry suffers from over-regulation and a market that is highly manipulated by government programs paying artificially low rates for the cost of care. The cost of healthcare has become an unshakeable burden for middle-class Wisconsinites. In 2023, the national average cost of an employee sponsored health in the US was \$23,968 annually - a 27% increase since 2017, 52% since 2012. In 1999, the average was \$5,791.²⁰ Healthcare has become unaffordable for too many families and could benefit from innovative entrepreneurial thinking in healthcare delivery.

CHILD CARE

Wisconsin is facing a shortage of child care providers. There are only 171,000 child care slots available for the nearly 300,000 kids in need of care.²¹ What's worse, for parents that are able to secure a slot for their child, the cost is becoming increasingly unaffordable. The cost of child care varies between 18% and 36% of a median family's income.²² Child care availability and affordability has made this a top issue for average families. However, obstacles create opportunities, and a sandbox may give needed opportunity to try a new model that could turn the tide on child care in Wisconsin.



²⁰ Kaiser Family Foundation. (October 18, 2023). Premium and Worker Contributions Among Workers Covered by Employer-Sponsored Coverage, 1999-2023. <https://www.kff.org/interactive/premiums-and-worker-contributions-among-workers-covered-by-employer-sponsor-coverage/>.

²¹ Hess, Corrinne. (June 1, 2023). Nearly 300K Wisconsin kids need child care. As federal aid expires, finding care could get even harder. Wisconsin Public Radio. <https://www.wpr.org/education/early-childhood/wisconsin-parents-struggle-affordable-child-care-workers-low-pay-children-day-care>.

²² Dospoy, Kevin. (2023). Priced Out: The Steep Cost of Childcare in Wisconsin. Forward Analytics. <https://www.forward-analytics.net/wp-content/uploads/2023/09/Priced-Out-Final-Report.pdf>.

ARTIFICIAL INTELLIGENCE

Artificial Intelligence is changing the landscape of society in ways we have yet to fully realize. The rapid growth of its adoption in almost every industry provides an opportunity to bring yet unknown benefits to market. That is where a sandbox can allow the private sector to explore these benefits without the hindrance of outdated regulation.



EDUCATION

Nationwide, many families and parents have found that existing schools, whether public or private, don't fit the needs or goals they have for their children. However, since the pandemic, innovative education models have begun to proliferate around the country, giving parents more choices to find what best fits the needs of their children. As the educational landscape continues to change, a regulatory sandbox would give parents more freedom to build the right setting for their children.

Wisconsin public school classrooms are increasingly difficult to manage for teachers and administrators. Low-income students have a 15% suspension rate. 18% of early-career teachers quit the profession, partially because students are so much more disruptive.²³ Creative solutions in classroom management, classroom makeup, and discipline could allow teachers to lead and students to thrive.

A Regulatory Sandbox for Wisconsin

Although industry-specific sandboxes can be effective in allowing for market innovation to occur, their scope unnecessarily limits their potential. Targeted sandboxes made sense when this was a novel concept, but after nearly a decade of demonstration, small, incremental steps are no longer necessary. Limited sandboxes put state governments at risk of leaving unforeseen innovations at the drawing table. For that reason, Wisconsin would benefit from and should implement an all-inclusive regulatory sandbox. The state has an opportunity to position itself at the cutting edge of advancements in the fields of science, health, education, and a whole host of other industries that provide goods and services in Wisconsin. Wisconsin can spur innovation and attract people and businesses to come and take root in the state.

However, when considering the implementation of an all-inclusive regulatory sandbox, structure is very important. There needs to be a well-defined process, considerations for health and safety, a substantial review process, and safeguards against favoritism or abuse. A regulatory sandbox must balance the need to provide regulatory relief without jeopardizing the health, safety, and well-being of residents. To build out this model, the Institute of Reforming Government looked at the models currently in place or under consideration

²³ Wisconsin Department of Public Instruction. (2023). 2021 Educator Preparation Program and Workforce Analysis Report. <https://dpi.wi.gov/sites/default/files/imce/education-workforce/pdf/2021-wi-epp-annual-report.pdf> January 2023.

in other states. The model that best balances these requirements is found in legislation currently being considered in Missouri.²⁴ This model employs a wide scope with detailed criteria, establishes a process, integrates expert reviews, and provides governance. Based on that model, here is what a regulatory sandbox could look like in Wisconsin.

OFFICE OF REGULATORY INNOVATION

The first step in creating a sandbox would be to find a home for it in Wisconsin. Fortunately, Wisconsin has a well-established agency that is well-versed in the needs of the Wisconsin economy. The Office of Regulatory Innovation (ORI) would be housed within the Wisconsin Economic Development Corporation (WEDC). WEDC broke new ground when it was created in 2011 under then Governor Scott Walker.²⁵ This public authority was charged with the mission of fostering and increasing economic development in Wisconsin. There is a natural synergy between the establishment of a regulatory sandbox and the mission of the WEDC.

The Office would be led by a Director appointed by the CEO of WEDC and serve at his or her pleasure. The duties of the office, as outlined below, would need to be supported by staff within WEDC and other relevant agencies.

GOVERNANCE

Governance would be provided by the WEDC Board of Directors. The Board has representation from the legislature, executive branch agencies, and numerous appointments from both branches.²⁶ With two branches of state government well-represented, lawmakers and public officials would be intimately involved in overseeing the efforts and effectiveness of the ORI. However, information and oversight alone do not lead to good public policy. The board would be charged with the responsibility of either approving or denying the recommendation of the ORI Director.

THE PROCESS

Conceptually, a regulatory sandbox allows for products, services, and businesses to circumvent legally enacted state regulation, albeit for good reason. Although these regulations were either passed by the legislature or enacted by an executive branch agency, their mere existence is not a reason for their continuation. In short, the regulations for which a waiver might be sought were legally put in place by either the legislative or administrative rules process. Consequently, in order to bypass these regulations, a well-thought-out process needs to be engaged. A carefully articulated process for regulatory relief is vitally important to maintain public confidence and ensure legitimacy of the state's regulatory authorities. In Wisconsin, the process would work like this:

1. An individual or business would apply for a waiver to existing regulation with the Office of Regulatory Innovation. The applicant must include specific information within their application, including: what regulation(s) currently apply to the product or service for which they are requesting a waiver, a rationale as to why a waiver is

²⁴ Missouri 2024 House Bill 1960. <https://house.mo.gov/bill.aspx?bill=HB1960&year=2024&code=R>.

²⁵ Wisconsin 2011 Act 7. <https://docs.legis.wisconsin.gov/2011/related/acts/7.pdf>.

²⁶ Wisconsin Economic Development Corporation. Board of Directors. <https://wedc.org/inside-wedc/board/>. Accessed March 2024.

necessary, a detailed description of the product or service, and any possible positive or negative effects on general health, safety, or well-being. The applicant would be required to pay a nominal fee to offset the costs of the ORI.

2. The ORI would then submit the application to all of the relevant agencies with oversight over the regulations for which a waiver is being sought.

3. These relevant agencies must then report back to the ORI with a detailed analysis of the proposal, perceived effects on health, safety, and well-being, and a recommendation signed by the head of the agency.

4. The ORI must compile the agency analysis from relevant agencies. At this point, the Director of ORI would make a recommendation for approval or denial. This final recommendation must then be submitted to the WEDC Board for determination.

5. If approved by the Board, the applicant will be given a waiver for two years from the date of Board approval.

REVIEW AND OVERSIGHT

The approval of the application is just the first step in the sandbox process. The ORI in partnership with relevant agencies will need to maintain oversight during the two-year waiver. The ORI would have the authority to require updates and meetings with the applicants as frequently as once a quarter. For its part, the ORI would be required to submit an annual report to the legislature, making them aware of all current waivers. This will increase transparency, but also make the legislature aware of innovations that may need legislative action to permanently remove or amend current regulation.

END OF INITIAL WAIVER PERIOD

The initial waiver period should be limited to 24 months. This is enough time for the innovator to bring a new concept into reality while still ensuring that the regulatory agency has proper oversight. However, in some cases, more time may be needed to ensure that the product or service has adequate time for demonstration. In this case, as the two-year waiver period comes to a close, the applicant may seek a one-year extension up to three times. After a full five years, if the product or service has not adequately convinced policymakers that a permanent change to the regulatory environment is necessary, the waiver will rightfully come to an end.

END OF WAIVER REPORTING

It is important that all waivers that are granted by the ORI are given a thorough review by policymakers and legislators. In order to achieve this, ORI would be required to deliver a report to the legislature and relevant agencies at the final conclusion of the waiver. The report would include any findings, the effects on health, safety, and well-being, and give a recommendation. The applicant would be given the opportunity, having reviewed the report prior to its publication, to include a response to its findings as an attachment to the report.

Conclusion

In their best form, regulations have served to allay fears and provide consumers with confidence as they make decisions in our market economy. In Wisconsin, we have seen what was originally envisioned as a common good become a common burden. Wisconsin's economy and those interested in the next great breakthrough are being held back by a stifling regulatory environment. Although lawmakers continue to work to alleviate these burdens and provide relief, rolling back government authority is slow. That is where regulatory sandboxes can be so powerful.

With a sandbox in place, Wisconsin businesses, entrepreneurs, and innovators can break through red tape quickly. Under this model, innovations currently prohibited by antiquated regulations could be in the marketplace within weeks. This reform allows the creators in our state to try something new and solve kitchen table issues for average Wisconsinites. If successful, these innovations may spark wholesale changes to Wisconsin's regulatory environment.

For sandboxes, the demonstration period is over. Wisconsin should move forward with an all-inclusive sandbox which will maximize the possibility of new services and products with the potential of providing maximum benefit to consumers and the state economy.



INSTITUTE FOR
REFORMING GOVERNMENT

ReformingGovernment.org

PO Box 180291
Delafield, WI 53018

info@reforminggovernment.org

 [ReformingGovernment](https://www.facebook.com/ReformingGovernment)
 [@ReformingGovt](https://twitter.com/ReformingGovt)