

REGULATORY SANDBOX

➤ **The Issue:** Since entering office in 2018, Governor Ron DeSantis has consistently sought to cut regulations for Floridians and businesses that make the Sunshine State home. In 2020, Governor DeSantis signed The Occupational Freedom and Opportunity Act into law that eliminated a number of licensure requirements for individuals working in the state.¹

While such deregulatory moves are welcome, Florida still remains the 8th most regulated state in the country.² Among the Southern States, Florida is the most heavily regulated,³ with friendlier regulatory environments in South Carolina, Georgia, and Alabama. Regulations depress innovation and job creation, raise barriers to entry, and raise costs for consumers. For small businesses, these regulations cost them an estimated \$83,000 each year,⁴ capital then could be invested in creating new jobs, research and development, or growth.

➤ **What is a Sandbox?** The traditional regulatory process involves the state legislature and regulatory agencies ascribing rules without first understanding what they are regulating. Naturally, this approach incentivizes them to impose burdensome rules to mitigate any potential harm. For potential innovators, this approach to regulation raises barriers

to market entry, increases costs, and discourages them from bringing new products and services to market.

Unlike the traditional process of regulating goods and services, sandboxes invert the process and put innovators on a level playing field with regulators.⁵ In a sandbox, businesses apply for a waiver of specific state regulations to test new and innovative goods and services on real consumers in real market conditions for a set period of time, typically one or two years.

Throughout this time period, businesses and regulators work collaboratively to evaluate data and propose rules that are based on real results, not abstract fears. Such an evidence-based approach is not only proactive but also creates the space for innovators to innovate and entrepreneurs to establish start-ups.⁶

Since the United Kingdom established the first regulatory sandbox for financial technology in 2016,⁷ U.S. state governments have increasingly turned to them to spur innovation. Currently, industry-specific sandboxes can be found in Nevada, Wyoming, Kentucky, West Virginia, Ohio, North Carolina, Connecticut, Vermont, South Dakota, and Florida.⁸ Utah and Arizona are the only states that have an industry-neutral sandbox that is open to all innovators, regardless of sector.⁹

FLORIDA'S FINTECH SANDBOX

On July 2, 2021, Governor DeSantis signed HB 1391 into law, establishing a regulatory sandbox for fintech companies who wished to “disrupt the status quo and... to provide new types of products and services.”¹⁰

While the establishment of Florida’s Fintech sandbox was a step in the right direction, it only applies to one industry and not the thousands of other innovators who want to make the Sunshine State home. This industry-specific sandbox also creates an uneven regulatory environment that favors financial technology firms over other industries.

POLICY RECOMMENDATIONS

➤ **Pass an industry-neutral sandbox** By passing an industry-neutral sandbox, the legislature can incentivize the establishment of start-ups in Florida and allow innovators from all sectors to innovate, not just fintech firms. An industry-neutral sandbox will also provide consumers with more innovative goods and services, and lower barriers to entry for businesses, and create new jobs.

➤ **Remove unnecessary regulations** To ensure Florida’s competitiveness, the legislature and Governor’s office must continue remove outdated and burdensome regulations. It could follow the lead of the Trump administration and create a two-out-one-in rule to cut unnecessary regulations.¹¹

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ENDNOTES

- 1 Office of Governor Ron DeSantis, “Governor Ron DeSantis Signs “The Occupational Freedom and Opportunity Act” to Remove Unnecessary Barriers to Employment,” June 30, 2020. Available Online: <https://www.flgov.com/2020/06/30/governor-ron-desantis-signs-the-occupational-freedom-and-opportunity-act-to-remove-unnecessary-barriers-to-employment/>
- 2 James Broughel and Patrick McLaughlin, “Quantifying Regulation in US States with State RegData 2.0,” *Mercatus Center at George Mason University*. August 31, 2020. <https://www.mercatus.org/publications/regulation/quantifying-regulation-us-states-state-regdata-20>.
- 3 James Broughel and Kofi Ampaabeng, “A Snapshot of Regulation in Southern US States,” *Mercatus Center at George Washington University*, June 2020. Available Online: https://www.mercatus.org/system/files/broughel_and_ampaabeng_-_policy_brief_-_a_regional_snapshot_of_southern_us_regulation_-_v2.pdf
- 4 National Small Business Association, “2017 NSBA Small Business Regulations Survey,” January 17, 2017, <https://www.nsba.biz/wp-content/uploads/2017/01/Regulatory-Survey-2017.pdf>.
- 5 Dan Bosch and Thomas O’Rourke, “Utah Regulatory Sandbox is First of It’s Kind,” *American Action Forum*,” March 3, 2021. Available Online <https://www.americanactionforum.org/insight/utah-regulatory-sandbox-proposal-is-first-of-its-kind/#ixzz7hLllyLg>
- 6 Caden Rosenbaum, “Utah’s Universal Sandbox Is Open for Business,” *Libertas Institute*, February 4, 2022. Available Online: <https://libertas.org/free-market/utahs-universal-sandbox-is-open-for-business/>
- 7 Financial Conduct Authority, “Regulatory Sandbox Lessons Learned Report,” October 2017. Available online:
- 8 “Everything You Need To Know About Regulatory Sandboxes,” *State Policy Network*, October 21, 2021. Available Online: <https://spn.org/blog/what-is-a-regulatory-sandbox/#:~:text=How%20many%20states%20have%20regulatory,have%20industry%2Dspecific%20regulatory%20sandboxes.>
- 9 Ibid.
- 10 Ron DeSantis, Twitter Post, July 2, 2020, 7:33am. Available Online: <https://twitter.com/GovRonDeSantis/status/1278652991717982210>
- 11 The White House, “Presidential Executive Order on Reducing Regulation and Controlling Regulatory Costs,” January 30, 2017. Available Online: <https://trump-whitehouse.archives.gov/presidential-actions/presidential-executive-order-reducing-regulation-controlling-regulatory-costs/>