



'Regulatory sandbox,' born of the pandemic, proposed in Pennsylvania

Anthony Hennen

May 12, 2022

As the pandemic required state governments to pass temporary waivers to solve problems, the regulatory relief of these waivers have inspired lawmakers to consider other ways to cut down needless regulations permanently.

A proposed bill in the Pennsylvania House would follow in the footsteps of a few other states and create a “regulatory sandbox,” in which companies could act with fewer restrictions as a way to jumpstart innovation.

HB2385 is sponsored by Reps. Shelby Labs, R-Bucks, and David Rowe, R-Union/Snyder.

“Regulatory sandboxes are ways to provide targeted regulatory relief from needlessly cumbersome regulations for businesses,” Labs and Rowe wrote in a **legislative memo**. “This legislation is designed to help provide regulatory flexibility for innovative businesses to help them grow here in the Commonwealth.”

Though the sandbox approach is relatively new – the United Kingdom launched one for financial tech companies in 2016 – Labs and Rowe pointed to the regulatory suspensions of the pandemic as a trial run for a sandbox.

“It is time to take the lessons learned from that experience and use them to build something positive for job creators,” they wrote.

Other states have already pioneered the approach. **Arizona** was an early adopter, as was **Utah**; in total, 10 states have adopted some form of a regulatory sandbox, with **North Carolina** becoming the 10th last October.

The bill would establish a Regulatory Sandbox Program under the oversight of the Independent Regulatory Review Commission. Companies could apply for a permit to act within the program and receive a regulatory waiver. In lieu of the usual regulations, the companies would have to meet alternative protective measures to ensure compliance.

A report of the program would then be submitted to the General Assembly in late 2024 evaluating the program’s effectiveness.

That report matters because usefulness of the sandboxes is not yet clear. They're a new policy tool, rather than an established path for reform.

"Consumer groups are right to observe that sandboxes, just like any tool, can be misused or even abused," **wrote** Dan Quan of the Center for Monetary and Financial Alternatives at the Cato Institute. "However, a well-designed and executed sandbox can facilitate innovation and protect consumers, avoiding the pitfalls that concern many critics."

The benefits of a sandbox comes from their experimental use: regulatory reforms that work in the sandbox could then be applied broadly.

"The most a sandbox can do is provide temporary relief to a small number of market participants," Quan wrote. "Agencies should take advantage of sandbox experiments to design lasting policies that benefit the entire ecosystem."