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CalChamber

September 19, 2025

Office of the Honorable Gavin Newsom
State Capitol Suite 1173
1303 10th St
Sacramento, CA 95814

SUBJECT: **AB 1064 (Bauer-Kahan) Leading Ethical AI Development (LEAD) for Kids Veto Request**

Dear Governor Newsom:

On behalf of the co-signed organizations, we write to respectfully request a veto on **AB 1064**.

At the outset, the undersigned organizations appreciate the amendments that have been adopted. The amendments generally improve the pre-existing language. However, many of our concerns with AB 1064 remain unresolved and the undersigned organizations remain **opposed to AB 1064**, the "**Leading Ethical AI Development (LEAD) for Kids Act.**"

The bill's vague and ambiguous definitions, unreasonable knowledge standards, and unclear compliance burdens would thwart innovation and put Californians' privacy at risk—especially children. As a result, AB 1064 would, if adopted, harm AI adoption and thereby harm Californians. State government and California businesses could both be rendered unable to take advantage of the efficiencies AI can create. Educators would be less able to teach students about how to use AI—and how not to—and will have fewer options for suitable AI tools. And Californians will be less likely to create new products and companies that could provide safe AI to children because of issues like those we identify below.

Given the significant negative impacts on California and Californians, we respectfully request a veto.

Flawed Definitions

The newly created definitions in this amendment to the bill remain unclear and overly broad. As a result, it sweeps in many chatbots that are likely not intended to be within its scope, but fall within it as a result of the breadth of the definitions. It might, in practice, sweep in effectively all chatbots.

We appreciate the amendment to the definition of "companion chatbot" that explicitly excludes customer service or internal usage bots, and more generally narrows the definition from the previous one. However, the definition remains vague and overbroad.

To qualify as a "companion chatbot" a system must "simulate a sustained humanlike relationship" and:

1. Retain information on prior interactions to personalize and facilitate ongoing engagement with the chatbot,
2. Ask unprompted or unsolicited emotion-based questions beyond direct responses to user prompts, and
3. Sustain an ongoing dialogue concerning matters personal to the user.

Most chatbots will meet the first prong unless explicitly configured to retain no context—it is almost inherent to the definition of a chatbot that it would. Similarly, most chatbots will meet the third prong—they will sustain a dialogue and the contents of that dialogue are personal to the user, not generic. Even if "matters personal to the user" requires that matters be more tightly associated than just the context of conversation — if this prong requires discussion of the user's emotional state, for example — most general purpose chatbots will respond if prompted on these topics and thus meet this prong. Given the vagueness of "personal to the user", this prong is effectively impossible to comply with.

The second prong fares no better. There is no standard definition of "emotion-based", nor is one provided in the bill. Given the wide range of emotions humans exhibit, nearly any unsolicited question could trigger this prong. A bot checking in with a user to see if they need anything is asking an unsolicited question based on the user's "needs" or "desires" — and "desire" can certainly be considered to be an emotion. A conversational bot that is designed to prompt a child to journal about their mental state, a practice often recommended by mental health professionals, would similarly qualify — even if the bot is only prompting the user, rather than serving as the feelings journal.

These definitions are so vague as to be unadministrable and so wide as to sweep in substantial amounts of behavior that is neither intended to be nor desirable to be targeted. Combined with the barriers to access to information that this bill would put in place on children, violating their First Amendment rights to receive information, this bill is likely unconstitutional under the First Amendment vagueness and overbreadth doctrines.

Overbroad Scope of Coverage

As noted above, the bill is written in such overly broad terms that it is likely to cover a variety of uses that are not intended to be within scope. While the limitation to various forms of interaction that are "intended to be used" by or on a child, this risks sweeping in use-agnostic chatbots. Taking again as an example a tech support chatbot, children—especially teenagers—are likely to need such a service. But if a developer didn't explicitly exclude them from using the bot, they would "intend" their bot to be used by a child simply because they intend it to be usable by anyone.

The bill's restrictions with respect to older teens rear their heads here. AB 1064 would not allow a "developer" (definition includes "deployer") to "make a companion chatbot available

to a child," including 16- and 17-year-old individuals. (22757.22(a)). But children "are entitled to a significant measure of First Amendment protection, and only in relatively narrow and well-defined circumstances may the government bar public dissemination of protected materials to them."[1] Those rights are even stronger in the case of older teens. California violated the First Amendment when it attempted to ban the sale of violent video games to minors[2]; attempting to ban them from accessing a wide array of speech via AI technology is similarly impermissible.

Foreseeability of use by a child presents similar concerns—it is foreseeable that at least some users will try to escape the bounds of any restrictions imposed by the chatbot developer, and that some children will misidentify themselves as adults to obtain access. The mere foreseeability of such possibilities would result in developers choosing not to release the chatbot in question in California without intrusive and privacy-violating age verification processes.[3]

Private Right of Action

Any private right of action will likely create unintended consequences of the bill by incentivizing the plaintiff's bar to stretch the letter of the law (and its intent). As discussed above, the language is already susceptible to aggressive interpretations, and the possibility of scope creep for a bill like this is heightened given this is an area of emerging technology, industry, and law. Increased risk of litigation could have broad consequences on the technology industry and chill innovation.

Fiscal Impacts to California

AB 1064 risks significant negative fiscal impacts to California. Major forecasts of AI technology's expected impact to GDP range from 1% increase (a low outlier from Daron Acemoglu) to about 15% (e.g., Goldman Sachs), with most forecasts closer to 15%. Assuming that state tax revenue is proportional to state GDP, and estimating 2024 California total tax revenue at about $266 billion, this suggests that worst case scenarios would cost state coffers between **$2.7 billion to $40 billion per year** in tax receipts by the end of the decade. These harms could be realized in scenarios in which California misses out on the main GDP impacts of AI because most practical AI tool use cases are effectively banned in California, or restricted to a tiny subset of the user base they would have but-for AB 1064.

Even much more limited impact scenarios would be costly for the state. For example, if AI firms relocate just a small fraction of their AI jobs (2,000 FTE jobs) outside California, even assuming cash compensation in the low $200,000s/year per job (below industry standard) with an effective state income tax rate of about 7.25%, the fiscal cost in income tax alone would be about $29 million per year. As these roles typically receive a significant share of their compensation in stock or stock options, it is likely that the lost capital gains tax revenues for the state would be up to $15 million per year, bringing the employee-side tax revenue losses

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[1] *Erznoznik v. Jacksonville*, 422 US 205, 213 (1975).

[2] *Brown v. Entertainment Merchants Ass'n*, 564 U.S. 786 (2011).

[3] *Cf.* Kyle Chayka, *The Internet Wants to Check Your I.D.*, The New Yorker (Aug. 6, 2025), https://www.newyorker.com/culture/infinite-scroll/the-internet-wants-to-check-your-id (describing the privacy harms to minors and adults created by age-verification.)

up to about $44 million per year. As shifting roles outside California could also shift other tax payments besides employee income tax and capital gains, the **$44 million per year** fiscal cost is a floor for the conservative scenario.

The limited impact scenario costs can scale up quickly if more jobs are relocated outside of California. For example, if a significant fraction of AI-related jobs are relocated outside of California (20,000 FTE jobs), the fiscal impact to the state of California is at least **$440 million per year**, before accounting for any lost tax revenue from sources other than employee personal income and capital gains.

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To emphasize, we recognize the importance of this policy issue and the cosigned organizations have collaborated in good faith with the author and committee members throughout the session, offering language to address our concerns. Additionally, we reviewed our suggested edits with a diverse group of stakeholders, including those outside the tech industry, to ensure we were considerate of all perspectives.

Unfortunately, we have not reached a consensus with the author on our concerns. Therefore, we respectfully request that you veto this bill in its current form, allowing for an opportunity to refine it in the next session.

Sincerely,

Aodhan Downey
State Policy Manager, West
Computer & Communications Industry Association

On behalf of:
CalBroadband, Amanda Gualderama
California Chamber of Commerce, Ronak Daylami
Civil Justice Association of California, Chris Micheli
Computer and Communications Industry Association, Aodhan Downey
TechNet, Robert Boykin