

VOTE NO ON AB 1018



FLOOR ALERT - COST DRIVER AB 1018 (BAUER-KAHAN) – OPPOSE

SENATE ANALYSIS SAYS BILL WILL COST STATE HUNDREDS OF MILLIONS. BUSINESSES WOULD FACE BILLIONS IN COST. The Senate Appropriations Analysis notes the bill will cost the State nearly \$80 million across these state entities alone: UC Health; State Controller's Office; Department of Justice; and the Civil Rights Department, **plus HUNDREDS OF MILLIONS** of unknown costs across other state entities that include the Judicial Council, Health and Human Services Agency, State Water Board, and the Labor Commissioner.

AB 1018 itself spells disaster for California's economy, businesses, and consumers alike. AB 1018 presents the textbook case of overregulation, reaching far beyond our shared objective of conducting impact assessments for high-risk automated decision systems (ADS) and veering into restricting the use of actual technology. Instead of ensuring that businesses conduct reasonable assessments for high-risk use cases to ensure adherence to existing anti-discrimination protections and address foreseeable risks, AB 1018 places impractical if not infeasible requirements upon businesses of all sizes, across all industries, even for lower risk uses of ADS and even if humans are in the decision-making loop.

AB 1018 impacts all businesses – large and small – and contains penalties upwards of \$25,000 “per violation”, even for errors that cause no actual harm. The bill not only discourages innovation but also makes the use of existing technology too onerous and risky. It stalls existing benefits, ranging from enabling expanded access to credit; enhancing real-time fraud detection; fostering job creation; improving efficiencies and helping level the playing field between small and large businesses; addressing major societal challenges such as economic inequality, climate change, and injustices in the criminal system; and advancing new treatments for diseases, including previously incurable ones.

AB 1018 creates significant exposure for highly sensitive and proprietary information. Without need or justification, the bill forces companies to hand over confidential information, if not trade secrets, to a third-party auditing company without inadequate protections or standards of care. It not only creates a cottage industry (and potentially a monopoly at present) that can charge exorbitant fees, but it causes significant harm to companies, as the entities most capable of entering the auditing space are also their direct competitors, if not foreign adversaries.

THE STATE CANNOT AFFORD SUCH COSTS. NEITHER CAN CALIFORNIA BUSINESSES.

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