

STATE OF [STATE NAME]
[LEGISLATIVE CHAMBER] — [SESSION YEAR]

Bill No. _____

THE RESPONSIBLE AI ADOPTION AND WORKER PROTECTION ACT

AN ACT

To establish comprehensive standards for the responsible adoption of artificial intelligence technologies within the state; to protect workers from displacement without adequate notice, severance, and transition support; to require mandatory AI literacy education for all employees; to mandate compliance with ISO/IEC 42001:2023; to establish vendor accountability for third-party AI systems; to address agentic AI and law enforcement AI use; to prohibit algorithmic discrimination in consequential decisions; to protect consumer rights, data privacy, and student data; to require environmental disclosure; to establish enforcement mechanisms, AI liability insurance requirements, public participation rights, and a state AI oversight body; to align with future federal AI legislation; and for other purposes.

BE IT ENACTED BY THE [LEGISLATURE] OF THE STATE OF [STATE NAME]:

ARTICLE I — GENERAL PROVISIONS

SECTION 1. SHORT TITLE.

This Act shall be known and may be cited as the "Responsible AI Adoption and Worker Protection Act."

SECTION 2. FINDINGS AND PURPOSE.

The Legislature finds and declares the following:

- (a) Artificial intelligence technologies are being rapidly adopted by businesses operating within this state, with profound implications for the workforce, consumers, students, and the public interest.
- (b) A significant gap exists between the pace of AI adoption and the protections afforded to workers, consumers, students, and communities affected by these systems.

- (c) Surveys indicate that a substantial majority of the American public expresses greater concern than excitement about AI, reflecting a fundamental crisis of public trust that must be addressed through responsible governance.
- (d) Workers face displacement without adequate notice, severance, or retraining resources, undermining economic stability and community wellbeing.
- (e) AI systems have demonstrated patterns of algorithmic bias that perpetuate discrimination against protected classes in lending, housing, employment, healthcare, and other consequential decisions.
- (f) Environmental impacts of AI infrastructure, including substantial energy consumption and water use, require transparency and public accountability.
- (g) International standards, including ISO/IEC 42001:2023, provide a proven framework for responsible AI management that businesses of all sizes can implement.
- (h) Many businesses rely on third-party AI vendors whose systems may introduce risks and biases requiring shared accountability between vendors and deploying entities.
- (i) Emerging agentic AI systems that take autonomous actions present distinct risks requiring explicit regulatory attention.
- (j) The use of AI systems by law enforcement implicates fundamental civil rights and requires enhanced oversight proportionate to its impact on individual liberty.
- (k) The purpose of this Act is to build public trust in AI technologies by establishing clear standards for responsible adoption, protecting workers and consumers, preventing discrimination, ensuring environmental accountability, and creating meaningful mechanisms for public participation in AI governance.

SECTION 3. DEFINITIONS.

As used in this Act, the following terms shall have the meanings ascribed:

- (a) "Artificial Intelligence" or "AI" means any machine-based system that can, for a given set of objectives, make predictions, recommendations, decisions, or take autonomous actions influencing real or virtual environments, including but not limited to machine learning systems, large language models, generative AI systems, automated decision systems, agentic AI systems, and algorithmic tools.
- (b) "Agentic AI" means an AI system that takes autonomous actions, executes multi-step tasks, initiates communications, or executes transactions on behalf of a person or organization without requiring human authorization for each individual action.
- (c) "AI-Related Layoff" means any reduction in force in which an AI system performs, automates, augments, or replaces a substantial portion of the functions previously performed by a human employee, as determined by the preponderance of evidence. This definition shall not apply to layoffs based solely on documented individual employee performance deficiencies unrelated to

AI displacement, provided that the covered entity maintains contemporaneous written documentation of the performance basis for each such separation.

- (d) "Consequential Decision" means any decision made, materially influenced, or autonomously executed by an AI system that affects a person's access to credit, housing, employment, insurance, healthcare, education, government services, or other significant life opportunities.
- (e) "Covered Entity" means any business, organization, government agency, or other entity operating within the state that employs one or more persons and uses, develops, deploys, or procures AI systems.
- (f) "Small Business" means a covered entity with fewer than ten (10) full-time equivalent employees.
- (g) "Mid-Size Business" means a covered entity with ten (10) to four hundred ninety-nine (499) full-time equivalent employees.
- (h) "Large Business" means a covered entity with five hundred (500) or more full-time equivalent employees.
- (i) "ISO 42001" means the international standard ISO/IEC 42001:2023, Artificial Intelligence Management System, or its most current equivalent as published by the International Organization for Standardization.
- (j) "Bias Detection Tool" means a validated software system or methodology, certified pursuant to Section 18(e) of this Act, capable of identifying differential outcomes in AI-generated decisions correlated with protected characteristics or proxies thereof.
- (k) "Proxy Discrimination" means the use of input variables that are not protected characteristics under applicable law but are statistically correlated with such characteristics, including but not limited to zip code, surname, educational institution attended, or length of credit history.
- (l) "Human-in-the-Loop" means a system design requiring meaningful human review, evaluation, and authorization by a Qualified Human Reviewer before an AI-generated decision is finalized or an agentic AI action with consequential effect is confirmed.
- (m) "Qualified Human Reviewer" means a person who: (i) possesses sufficient subject-matter training and organizational authority to meaningfully evaluate, modify, and override the recommendation or action of the AI system under review; (ii) has not been involved in the configuration, training, or direct operation of the AI system being reviewed in the matter at hand; and (iii) conducts their review independently without being directed toward a particular outcome by automated systems or supervisors with a financial interest in the AI system's recommendation.
- (n) "AI Vendor" means any third-party entity that develops, licenses, sells, or provides AI systems or AI-powered products or services to a covered entity for deployment within the state.
- (o) "State Oversight Agency" means the [State Department of Commerce / Attorney General's Office / designated agency] responsible for enforcement of this Act.

SECTION 4. SCOPE AND APPLICABILITY.

This Act applies to all covered entities operating within the state that use, develop, deploy, or procure artificial intelligence systems in connection with their operations, employees, customers, or constituents. This Act applies to AI systems affecting state residents regardless of where the covered entity is incorporated or headquartered. This Act is intended to regulate conduct occurring within the state and its effects on state residents, and shall be construed to avoid undue burdens on interstate commerce consistent with applicable constitutional requirements.

ARTICLE II — MANDATORY AI LITERACY EDUCATION

SECTION 5. MANDATORY AI EDUCATION REQUIREMENT.

- (a) All covered entities that use AI systems in their operations shall provide AI literacy training to all employees within ninety (90) days of the effective date of this Act, or within ninety (90) days of a new employee's hire date, whichever is later.
 - (b) AI literacy training shall be updated and repeated on an annual basis.
 - (c) Training content shall include, at minimum:
 - (i) A plain-language explanation of how AI systems function, including their capabilities and known limitations, and an honest account of categories of tasks where AI systems demonstrate inconsistent, unreliable, or unpredictable performance;
 - (ii) The organization's specific AI tools and how they are used in the workplace;
 - (iii) Employee rights under this Act, including the right to human review of AI-affected decisions;
 - (iv) Data privacy and security protocols, including what categories of information employees may and may not input into AI systems, with specific reference to personally identifiable information, proprietary business data, and confidential client or patient information;
 - (v) How to identify and report AI errors, biases, or malfunctions to the designated internal compliance contact and, where appropriate, the State Oversight Agency.
 - (d) Small businesses shall be provided at no cost with state-developed AI literacy training materials, online modules, and access to certified trainers through the State Workforce Development Agency.
 - (e) Covered entities shall maintain records of employee training completion for a minimum of three (3) years and shall make such records available to the State Oversight Agency upon request.
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ARTICLE III — WORKFORCE PROTECTION

SECTION 6. LIMITATION ON AI-RELATED LAYOFFS.

- (a) No covered entity shall lay off more than ten percent (10%) of its total workforce due to AI-related displacement within any twelve (12) month period.
- (b) The ten percent (10%) limitation applies to the covered entity's total full-time equivalent workforce as of the beginning of the applicable twelve (12) month period.
- (c) This section applies to all employees regardless of title, classification, tenure, or compensation level.
- (d) A covered entity bears the burden of demonstrating that a layoff is not AI-related. A rebuttable presumption of AI-relatedness arises when an AI system performs, augments, or replaces functions previously performed by the laid-off employee.
- (e) This section shall not apply to layoffs based solely on documented individual employee performance deficiencies unrelated to AI displacement, provided the covered entity maintains contemporaneous written documentation of the specific performance basis for each such separation and makes such documentation available to the State Oversight Agency upon request.

SECTION 7. NOTICE REQUIREMENTS.

- (a) Covered entities shall provide a minimum of ninety (90) days written notice to any employee subject to an AI-related layoff.
- (b) Notice shall be provided simultaneously to the affected employee, the State Oversight Agency, and any applicable labor organization representing the employee.
- (c) Notice shall include: the anticipated layoff date; a plain-language description of the AI system replacing or augmenting the employee's functions; information on available retraining and transition resources; and a summary of the employee's rights under this Act.

SECTION 8. MANDATORY SEVERANCE.

- (a) Any employee displaced due to an AI-related layoff shall receive a severance package regardless of their title, classification, or length of service.
- (b) Mandatory severance shall be calculated as follows:
 - (i) A minimum of two (2) weeks of base pay per year of service, with a minimum of four (4) weeks for any employee regardless of tenure, and a maximum of fifty-two (52) weeks regardless of total years of service;
 - (ii) Continuation of employer-sponsored health insurance coverage for a period equal to the severance period or until the employee obtains comparable coverage through new employment, whichever occurs first, at the employer's expense;
 - (iii) Full vesting and payment of any accrued but unused paid time off;

- (iv) Outplacement services or equivalent career transition support, valued at not less than one thousand five hundred dollars (\$1,500).
- (c) Severance shall be paid in a lump sum within thirty (30) days of the employee's last day of employment, unless the employee elects in writing to receive installment payments.
- (d) Any agreement or contract provision waiving an employee's severance rights under this section, executed prior to the occurrence of an AI-related layoff, shall be void and unenforceable as against public policy.

SECTION 9. PRIORITY REHIRING RIGHTS.

- (a) Any employee displaced due to an AI-related layoff shall have priority rehiring rights for any position at the covered entity for which they are qualified for a period of twenty-four (24) months following their separation date.
- (b) Covered entities shall provide written notification to all former AI-displaced employees of any open position for which they may qualify within five (5) business days of posting such position.

SECTION 10. HARDSHIP EXEMPTION PROCESS.

- (a) A covered entity experiencing genuine financial hardship may apply to the State Oversight Agency for a temporary modification of the compliance requirements of Sections 6, 7, and 8 of this Act.
- (b) An application for hardship exemption shall include: audited or reviewed financial statements for the two (2) most recent fiscal years; a detailed description of the financial hardship and its relationship to the compliance requirements; and a proposed alternative compliance timeline not to exceed twelve (12) months.
- (c) The State Oversight Agency may grant modified compliance requirements for a period not to exceed twelve (12) months, subject to renewal upon demonstration of continuing hardship. All hardship exemption grants shall be posted publicly on the State Oversight Agency website.
- (d) A hardship exemption shall not relieve a covered entity of the obligation to provide the minimum four (4) week severance required under Section 8(b)(i), nor of the ninety (90) day notice requirement under Section 7(a).

ARTICLE IV — ISO 42001 COMPLIANCE

SECTION 11. MANDATORY ISO 42001 ADOPTION.

- (a) All covered entities that develop, deploy, or utilize AI systems shall adopt and implement an Artificial Intelligence Management System consistent with ISO/IEC 42001:2023 or its most

- current equivalent.
- (b) Compliance shall be demonstrated within eighteen (18) months of the effective date of this Act for existing covered entities, and within twelve (12) months of commencing AI operations for newly formed covered entities.
 - (c) ISO 42001 compliance shall include, at minimum:
 - (i) Establishment of a written organizational AI policy approved by the covered entity's senior leadership or governing body;
 - (ii) Designation of specific roles and responsibilities for AI oversight, accountability, and incident response;
 - (iii) Documented risk assessments conducted prior to the deployment of any AI system;
 - (iv) Continuous monitoring procedures and periodic review of all AI systems in operation;
 - (v) A documented incident response procedure for AI system failures, errors, or harms;
 - (vi) Documented alignment of AI systems with applicable legal obligations, this Act, and the covered entity's stated organizational values.

SECTION 12. TIERED COMPLIANCE VERIFICATION.

- (a) Small businesses shall comply through annual self-certification using state-provided ISO 42001 templates, submitted to the State Oversight Agency.
- (b) Mid-size businesses shall comply through annual self-certification accompanied by a written AI management policy and documented risk assessments, submitted to the State Oversight Agency.
- (c) Large businesses shall comply through an independent third-party audit conducted by an accredited auditor every two (2) years, with audit results submitted to the State Oversight Agency and made available for public inspection.
- (d) The State Oversight Agency shall develop and publish, at no cost to covered entities, tiered compliance guidance, template AI management policies, risk assessment frameworks, and educational resources to assist covered entities of all sizes.

ARTICLE V — VENDOR ACCOUNTABILITY

SECTION 13. AI VENDOR CONTRACTUAL REQUIREMENTS.

- (a) Any covered entity that procures an AI system from an AI vendor for use in consequential decisions affecting state residents shall require, by written contract, that the AI vendor:
 - (i) Provides documentation demonstrating that the AI system complies with ISO 42001 or an equivalent internationally recognized standard;

- (ii) Discloses all known material limitations, failure modes, and bias risks of the AI system at the time of contracting and upon any material update;
 - (iii) Provides bias audit data and cooperates with the covered entity's compliance obligations under this Act;
 - (iv) Promptly notifies the covered entity of any material change to the AI system that may affect the covered entity's compliance with this Act; and
 - (v) Agrees that the State Oversight Agency may contact the vendor directly in connection with investigations under this Act.
- (b) A covered entity shall not be relieved of its compliance obligations under this Act by reason of an AI vendor's failure to perform its contractual obligations, except as provided in Section 13(c).
- (c) A covered entity shall qualify for a limited safe harbor from civil monetary penalties where the covered entity demonstrates that: (i) the violation was caused solely by the AI vendor's undisclosed failure or material misrepresentation; (ii) the covered entity had contractual protections in place as required by this section; (iii) the covered entity took prompt corrective action upon discovery; and (iv) the covered entity reported the incident to the State Oversight Agency within seventy-two (72) hours. The safe harbor shall not apply to violations resulting in physical or serious financial harm to any individual.
- (d) The State Oversight Agency may pursue enforcement actions directly against AI vendors whose products cause violations of this Act within the state, regardless of the vendor's place of incorporation.

ARTICLE VI — TRANSPARENCY AND CONSUMER RIGHTS

SECTION 14. RIGHT TO KNOW.

- (a) Any person who is subject to a consequential decision made, materially influenced, or autonomously executed by an AI system shall be notified of that fact in plain language at the time the decision is communicated to them.
- (b) Notification shall include: (i) a plain-language description of the role AI played in the decision; (ii) the primary factors considered by the AI system; and (iii) a clear statement of the person's right to request human review under Section 15 of this Act.
- (c) Employees shall be notified in writing whenever an AI system is used to evaluate their performance, attendance, productivity, or fitness for promotion, disciplinary action, or termination.
- (d) Where an agentic AI system takes an autonomous action on behalf of a covered entity that directly affects a third party, the affected third party shall be notified in writing that the action was AI-initiated within five (5) business days of the action.

SECTION 15. RIGHT TO HUMAN REVIEW AND APPEAL.

- (a) Any person adversely affected by a consequential AI decision shall have the right to request human review within sixty (60) days of receiving notice of the decision. The State Oversight Agency may, by rule, establish a longer review request period for specific decision categories affecting vulnerable populations, including elderly persons, persons with disabilities, and non-English-speaking residents.
- (b) Human review shall be conducted by a Qualified Human Reviewer as defined in Section 3(m), with full organizational authority to overturn, modify, or uphold the AI-generated decision independently.
- (c) The covered entity shall respond to a request for human review within fifteen (15) business days with a written explanation of the outcome and the reasoning of the Qualified Human Reviewer.
- (d) If the outcome of human review remains adverse to the requestor, the person may file a complaint with the State Oversight Agency, which shall review the complaint within sixty (60) days.
- (e) Nothing in this section limits a person's right to pursue any legal remedy available under applicable state or federal law.

SECTION 16. DATA PRIVACY AND SECURITY.

- (a) All data submitted by covered entities to the State Oversight Agency pursuant to this Act shall be maintained in a secure system and used solely for enforcement, oversight, rulemaking, and aggregate public reporting under this Act.
- (b) Proprietary business information and trade secrets submitted for compliance verification shall be treated as confidential pursuant to applicable state trade secret and public records laws and shall not be disclosed to the public except in redacted or aggregated form.
- (c) The State Oversight Agency shall establish and publish cybersecurity standards for information submitted under this Act within one hundred eighty (180) days of the effective date.
- (d) Covered entities shall adopt data minimization practices in their AI systems, collecting and retaining only the personal data of state residents that is strictly necessary for the stated operational purpose of the AI system.
- (e) Covered entities shall not use personal data collected for one stated AI purpose for a materially different AI purpose without obtaining fresh informed consent from the individual whose data is at issue.

SECTION 17. GOVERNMENT AGENCY AI STANDARDS.

- (a) All state and local government agencies using AI systems shall comply with the requirements of this Act to the same extent as private covered entities, except as otherwise specified in this section.

- (b) Government agencies shall publicly disclose all AI systems in operational use through an annually updated registry maintained by the State Oversight Agency and available free of charge to the public.
- (c) AI systems shall not be used as the sole or primary basis for decisions affecting a person's liberty, custody of children, termination of public benefits, denial of housing assistance, or other fundamental rights without mandatory review by a Qualified Human Reviewer who documents their independent reasoning in writing.
- (d) AI systems used by law enforcement agencies, including predictive policing tools, recidivism scoring instruments, and suspect identification systems, shall be subject to the enhanced bias auditing requirements of Section 18(g) and shall require Qualified Human Reviewer authorization for all decisions affecting individual liberty.
- (e) Facial recognition AI shall not be used by government agencies for real-time identification of individuals in public spaces without prior judicial authorization, except in exigent circumstances involving an imminent and documented threat to public safety, in which case judicial authorization shall be sought within twenty-four (24) hours of use.

ARTICLE VII — ALGORITHMIC BIAS PREVENTION

SECTION 18. MANDATORY BIAS DETECTION.

- (a) Any covered entity using AI to make, inform, or influence consequential decisions shall deploy a certified Bias Detection Tool operating in real time alongside all such AI systems.
- (b) The Bias Detection Tool shall be capable of identifying differential outcomes correlated with race, color, religion, sex, national origin, age, disability, familial status, sexual orientation, gender identity, and any other characteristic protected under applicable state or federal civil rights law.
- (c) The Bias Detection Tool shall also test for Proxy Discrimination as defined in Section 3(k) of this Act.
- (d) Covered entities shall conduct and document an independent bias audit of all AI systems used in consequential decisions prior to initial deployment and at least annually thereafter.
- (e) For purposes of this Act, a "certified" Bias Detection Tool means a tool validated by an accredited independent third-party auditor, or recognized by the State Oversight Agency as meeting minimum technical performance and reliability standards established by rule within one hundred eighty (180) days of the effective date. The State Oversight Agency shall maintain a public registry of tools meeting this standard.
- (f) Bias audit results shall be filed with the State Oversight Agency. For large businesses, bias audit results shall additionally be made available for public inspection on the State Oversight Agency's website.

- (g) AI systems used in law enforcement applications shall be subject to enhanced bias auditing conducted every six (6) months by an independent third-party auditor. Audit results shall be submitted to the State Oversight Agency and published on the relevant agency's public website within thirty (30) days of completion.

SECTION 19. MANDATORY HUMAN INTERVENTION UPON BIAS FLAG.

- (a) When a Bias Detection Tool flags a potential discriminatory outcome, the AI-generated decision shall be automatically suspended and shall not be communicated to the affected person pending completion of human review.
- (b) A Qualified Human Reviewer shall independently evaluate the flagged decision without access to or reliance upon the AI system's recommendation.
- (c) The Qualified Human Reviewer shall document their independent reasoning and the basis for their determination in writing before the decision is finalized.
- (d) The affected person shall be notified that their matter was subject to human review. Upon the person's written request, the covered entity shall provide a copy of the Qualified Human Reviewer's written reasoning, redacted as necessary to protect third-party privacy.
- (e) Covered entities shall maintain complete records of all bias flags, human interventions, reviewer identities, and outcomes for a minimum of five (5) years and shall make such records available to the State Oversight Agency upon request.
- (f) Covered entities shall submit quarterly bias audit reports to the State Oversight Agency including: total number of AI-generated decisions; total number and rate of bias flags; demographic breakdown of flagged versus non-flagged decisions; and outcomes of human interventions by demographic category.

SECTION 20. COVERED DECISION CATEGORIES.

The bias detection and mandatory human intervention requirements of this Article shall apply to AI systems used in the following sectors and decision types:

- (a) Banking and finance, including loan origination, credit scoring, interest rate determination, account approval or closure, and debt collection decisions;
- (b) Insurance, including premium pricing, underwriting decisions, claims processing, and coverage approvals or denials;
- (c) Housing, including rental applications, mortgage approvals and denials, and property insurance;
- (d) Employment, including applicant screening, hiring, performance evaluation, promotion determinations, and termination decisions;
- (e) Healthcare, including clinical treatment recommendations, insurance coverage and prior authorization decisions, and resource allocation;

- (f) Education, including admissions decisions, financial aid determinations, academic tracking and placement, and disciplinary decisions;
 - (g) Government services, including public benefits eligibility determinations, professional licensing, business permitting, and law enforcement applications.
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ARTICLE VIII — AGENTIC AI STANDARDS

SECTION 21. REQUIREMENTS FOR AGENTIC AI SYSTEMS.

- (a) Any covered entity that deploys an Agentic AI system shall implement Human-in-the-Loop oversight for all autonomous AI actions that:
 - (i) Execute or commit to financial transactions above a monetary threshold established by the State Oversight Agency by rule;
 - (ii) Enter into, modify, extend, or terminate contractual obligations on behalf of the covered entity or a third party;
 - (iii) Communicate consequential decisions to individuals as defined in Section 3(d) of this Act;
 - (iv) Affect critical infrastructure systems, public safety systems, or essential public services; or
 - (v) Collect, share, or process sensitive personal data of state residents.
 - (b) Covered entities shall maintain a complete, tamper-evident audit log of all autonomous actions taken by Agentic AI systems for a minimum of five (5) years.
 - (c) Any third party adversely affected by an Agentic AI action shall have the right to request human review of that action pursuant to the procedures established in Section 15 of this Act.
 - (d) Covered entities shall incorporate a specific Agentic AI governance framework within their ISO 42001 AI management policy, identifying: the authorized scope of agentic operations; the human oversight mechanisms in place; monetary and operational limits on autonomous action; and escalation procedures when autonomous actions exceed authorized parameters.
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ARTICLE IX — STUDENT AND YOUTH PROTECTIONS

SECTION 22. PROTECTIONS FOR MINORS.

- (a) No covered entity providing educational products or services to students under the age of eighteen (18) shall use AI systems to collect, process, or retain student data beyond what is strictly necessary for the specific educational purpose for which it was collected, as disclosed to parents or guardians at the time of collection.
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- (b) AI systems shall not be used as the sole or primary basis for disciplinary decisions affecting students, including suspension, expulsion, or referral to law enforcement.
- (c) AI systems used in educational settings shall be subject to bias audits as described in Article VII of this Act, with particular attention to differential outcomes based on race, gender, disability status, and English language learner status.
- (d) Parents and guardians shall receive written notice of all AI systems used in their child's educational environment on an annual basis and shall have the right to opt their child out of AI-driven assessment or surveillance systems where a reasonable non-AI alternative exists.
- (e) All AI-generated content presented to students as educational material shall be clearly and conspicuously labeled as AI-generated prior to the student engaging with such content.
- (f) Student behavioral, academic, biometric, and personally identifiable data collected through AI systems shall not be sold, licensed, shared, or transferred to any third party for commercial, marketing, or non-educational purposes.

ARTICLE X — ENVIRONMENTAL ACCOUNTABILITY

SECTION 23. ENVIRONMENTAL DISCLOSURE.

- (a) Large businesses operating AI systems within the state shall disclose annually to the State Oversight Agency:
 - (i) Estimated total energy consumption attributable to AI operations, measured in kilowatt-hours, calculated using the standardized methodology established under Section 23(d);
 - (ii) Estimated water consumption attributable to AI-related data center cooling operations, measured in gallons, calculated using the standardized methodology established under Section 23(d);
 - (iii) Carbon emissions attributable to AI operations, measured in metric tons of CO₂ equivalent, calculated using the standardized methodology established under Section 23(d);
 - (iv) Any energy efficiency measures, renewable energy contracts, or carbon offset investments implemented to reduce or offset AI-related environmental consumption.
- (b) All AI infrastructure deployments within the state shall comply with applicable state energy efficiency, air quality, and water use standards.
- (c) Large businesses shall include AI-related environmental disclosures in their annual public sustainability or corporate responsibility reports where such reports are produced.

- (d) The State Oversight Agency, in consultation with the State Environmental Agency and the State AI Environmental Impact Commission established under Section 24, shall publish a standardized methodology for calculating AI-attributable energy, water, and emissions figures within one hundred eighty (180) days of the effective date. Covered entities that use this methodology in good faith shall not be subject to penalties for estimation error alone.

SECTION 24. STATE AI ENVIRONMENTAL IMPACT COMMISSION.

- (a) There is hereby established the State AI Environmental Impact Commission, consisting of nine (9) members appointed by the Governor within ninety (90) days of the effective date of this Act, including representatives from: the State Environmental Agency; the State Energy Office; the technology sector; academic institutions conducting AI or environmental research; organized labor; and community advocacy organizations representing communities hosting or adjacent to data center facilities.
- (b) The Commission shall study the environmental impacts of AI infrastructure within the state and shall submit a comprehensive report with specific, actionable recommendations to the Governor and the Legislature within twelve (12) months of the effective date of this Act.
- (c) The Commission's report shall include recommendations for: enforceable environmental performance standards for AI infrastructure; tax incentive structures to encourage energy-efficient and water-efficient AI deployments; mitigation measures for communities disproportionately affected by AI infrastructure; and a green AI procurement preference for state government AI contracts.

ARTICLE XI — AI INCIDENT REPORTING

SECTION 25. MANDATORY INCIDENT REPORTING.

- (a) Covered entities shall report to the State Oversight Agency any significant AI system failure, error, malfunction, or unintended output that results in: physical or financial harm to a person; discriminatory outcomes affecting a member of a protected class; an unauthorized breach or disclosure of personal information; or a decision or autonomous action that materially affects public safety or critical infrastructure.
- (b) Initial incident reports shall be filed within seventy-two (72) hours of the covered entity becoming aware of the incident, with a complete written incident analysis submitted within thirty (30) days.
- (c) The State Oversight Agency shall maintain a publicly accessible database of AI incidents reported under this section with personal identifying information and proprietary business information redacted prior to public posting.

- (d) The State Oversight Agency shall analyze patterns in reported incidents and publish an annual AI Incident Trends Report identifying systemic risks, common failure modes, and recommended preventive measures.

SECTION 26. WHISTLEBLOWER PROTECTIONS.

- (a) No covered entity shall take any adverse employment action against any employee who, in good faith, reports a violation of this Act to the State Oversight Agency, participates in an investigation or proceeding under this Act, refuses to participate in an activity the employee reasonably believes violates this Act, or files a complaint under this Act.
- (b) An employee who suffers retaliation in violation of this section shall be entitled to: reinstatement to their prior position; back pay for all wages lost due to the retaliation; full restoration of benefits; compensatory damages for emotional distress; and reasonable attorney's fees and costs.
- (c) An employee who voluntarily provides original information to the State Oversight Agency that leads to a successful enforcement action resulting in the collection of civil penalties shall be eligible for a whistleblower award of up to fifteen percent (15%) of civil penalties collected in that action, as determined by the State Oversight Agency.

ARTICLE XII — WORKER RETRAINING AND TRANSITION FUND

SECTION 27. ESTABLISHMENT OF RETRAINING FUND.

- (a) There is hereby established the AI Worker Transition and Retraining Fund, administered by the State Workforce Development Agency.
- (b) The Fund shall be supported by: (i) an annual assessment on large businesses operating AI systems within the state, in a percentage amount not to exceed one-tenth of one percent (0.1%) of annual gross revenues attributable to AI-driven operations, to be established by rule; and (ii) civil penalties collected under Section 30 of this Act. The State Oversight Agency shall publish a standardized safe harbor methodology for calculating AI-attributable gross revenues within one hundred eighty (180) days of the effective date.
- (c) The Fund shall provide:
 - (i) Free or substantially subsidized retraining programs for workers displaced by AI-related layoffs, in fields with demonstrated employer demand;
 - (ii) Partnership agreements with community colleges, accredited vocational schools, and accredited online education providers for AI skills training and adjacent technical programs;
 - (iii) Living stipends for eligible displaced workers enrolled in qualifying retraining programs, in an amount not less than sixty percent (60%) of the worker's prior weekly base wage, for

- the duration of the program, not to exceed twenty-four (24) months;
 - (iv) Priority job placement services connecting retrained workers with covered entities seeking qualified, AI-literate employees; and
 - (v) Childcare and transportation assistance for eligible displaced workers enrolled in qualifying retraining programs.
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ARTICLE XIII — ENFORCEMENT

SECTION 28. STATE OVERSIGHT AGENCY.

- (a) The [designated state agency] is hereby designated as the State Oversight Agency responsible for implementation and enforcement of this Act.
- (b) The State Oversight Agency shall promulgate all rules and regulations necessary to implement this Act within one hundred eighty (180) days of the effective date.
- (c) The State Oversight Agency shall establish an AI Advisory Board consisting of not fewer than fifteen (15) members serving staggered three-year terms, including experts in artificial intelligence, labor relations, civil rights law, consumer protection, data privacy, cybersecurity, environmental science, and representatives of small businesses and the general public.
- (d) The AI Advisory Board shall include not fewer than three (3) members representing communities that have historically experienced the disproportionate effects of algorithmic discrimination, including communities of color, persons with disabilities, and low-income communities.
- (e) No more than one-third of AI Advisory Board members shall be employed by or hold financial interests in covered entities subject to this Act, to ensure independence of advisory functions.

SECTION 29. PUBLIC PARTICIPATION.

- (a) The State Oversight Agency shall hold not fewer than two (2) public hearings annually, held in geographically diverse locations representing urban, suburban, and rural communities across the state, to receive community input on the implementation, impact, and emerging issues under this Act.
- (b) Public hearings shall be held in accessible locations compliant with the Americans with Disabilities Act, shall be conducted in English and the most prevalent non-English languages spoken in the host region, and shall be made available via live stream and maintained as a publicly accessible recorded archive.
- (c) The State Oversight Agency shall establish and maintain an online public comment portal through which any state resident may submit complaints, concerns, reports of potential violations, and recommendations regarding AI use by covered entities at any time.

- (d) The AI Advisory Board shall publish an annual plain-language State of AI Report summarizing: the state of AI adoption within the state; enforcement actions taken; public complaints received and resolved; emerging AI risks identified; and the Board's recommendations to the Legislature, made available free of charge in print and digital formats.

SECTION 30. CIVIL PENALTIES.

- (a) The State Oversight Agency may impose civil penalties for violations of this Act as follows:
 - (i) Small businesses: up to five thousand dollars (\$5,000) per violation per day;
 - (ii) Mid-size businesses: up to twenty-five thousand dollars (\$25,000) per violation per day;
 - (iii) Large businesses: up to one hundred thousand dollars (\$100,000) per violation per day.
- (b) Each calendar day a violation continues after the covered entity has received written notice of the violation from the State Oversight Agency constitutes a separate and distinct violation.
- (c) Willful violations, or violations that are repeated within three (3) years of a prior violation, may result in penalties up to five (5) times the applicable daily amounts stated in Section 30(a).
- (d) In determining the appropriate penalty amount, the State Oversight Agency shall consider: the severity of the violation and the actual harm caused; the number of individuals affected; the covered entity's prior compliance history; the covered entity's demonstrated good-faith efforts to comply; and the covered entity's financial resources.
- (e) Civil penalties collected under this section shall be deposited into the AI Worker Transition and Retraining Fund established under Section 27 of this Act.

SECTION 31. PRIVATE RIGHT OF ACTION.

- (a) Any person harmed by a violation of this Act shall have a private right of action in any court of competent jurisdiction within this state.
- (b) Available remedies shall include: actual damages sustained; injunctive or declaratory relief; statutory damages of not less than one thousand dollars (\$1,000) and not more than ten thousand dollars (\$10,000) per violation; and reasonable attorney's fees and litigation costs.
- (c) A class action may be maintained under this section where the requirements of applicable rules of civil procedure are met.
- (d) The statute of limitations for claims under this section shall be four (4) years from the date the violation was discovered or, in the exercise of reasonable diligence, should have been discovered by the affected person.

SECTION 32. AI LIABILITY INSURANCE.

- (a) Large businesses that deploy AI systems used in consequential decisions shall obtain and maintain AI liability insurance coverage in minimum amounts determined by the State Oversight Agency

- by rule, established in consultation with the State Insurance Commissioner, and sufficient to provide reasonable compensation for foreseeable harms arising from AI system failures, errors, discriminatory outcomes, or unauthorized data disclosures.
- (b) Proof of current AI liability insurance coverage shall be filed annually with the State Oversight Agency. Failure to maintain required coverage shall constitute a violation subject to civil penalties under Section 30 of this Act.
 - (c) The State Oversight Agency shall consult with the State Insurance Commissioner to study the feasibility of a state-administered AI liability risk pool available to mid-size businesses, and shall report findings and recommendations to the Legislature within twenty-four (24) months of the effective date.
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ARTICLE XIV — MISCELLANEOUS PROVISIONS

SECTION 33. SUNSET AND LEGISLATIVE REVIEW.

- (a) This Act shall be subject to mandatory legislative review every three (3) years from the effective date to ensure its provisions remain appropriate, effective, and consistent with advances in AI technology and federal law.
- (b) The State Oversight Agency shall submit a comprehensive review report to the Legislature not less than ninety (90) days prior to each review date, including: compliance rates by covered entity size and sector; enforcement actions taken and outcomes; AI incidents reported and trends identified; workforce displacement data; environmental disclosure summaries; bias audit outcomes; and specific recommendations for legislative amendments.
- (c) The AI Advisory Board shall submit its own independent findings and recommendations to the Legislature as part of each review cycle, separate from the State Oversight Agency's report.

SECTION 34. FEDERAL ALIGNMENT.

- (a) In the event that the United States Congress enacts federal legislation governing artificial intelligence, the provisions of this Act shall remain in full effect to the fullest extent permitted by federal law.
- (b) The State Oversight Agency shall, within one hundred eighty (180) days of the enactment of any relevant federal AI legislation, promulgate rules: (i) identifying any provisions of this Act that are expressly superseded by federal requirements; and (ii) identifying any provisions that continue in effect as supplementary state protections affording greater protection to state residents than federal law requires.
- (c) The Legislature hereby declares its intent that this Act serve as a floor of protection for state residents, and that federal preemption shall not be construed to reduce protections afforded under

this Act unless Congress expressly and unambiguously requires such reduction.

SECTION 35. SEVERABILITY.

If any provision of this Act or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the remainder of the Act and the application of its provisions to other persons or circumstances shall not be affected thereby. Each section, subsection, and paragraph of this Act is hereby declared to be independently enforceable, and no invalidity of one provision shall affect the enforceability of any other provision.

SECTION 36. PREEMPTION AND CONSTRUCTION.

- (a) This Act shall be construed broadly to effectuate its remedial purposes of protecting workers, consumers, students, and the public from harms arising from unaccountable AI systems, consistent with applicable constitutional limitations.
- (b) Nothing in this Act shall be construed to limit, reduce, or eliminate any right or remedy available to any person under applicable federal law, including but not limited to the Civil Rights Act of 1964, the Fair Housing Act, the Equal Credit Opportunity Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family Educational Rights and Privacy Act, the Health Insurance Portability and Accountability Act, or any other applicable federal statute or regulation.
- (c) Where any provision of this Act conflicts with existing state law, the provision more protective of workers, consumers, students, or the public interest shall control. Where existing state law establishes a higher standard of protection than this Act, the higher standard shall apply.

SECTION 37. EFFECTIVE DATE AND IMPLEMENTATION SCHEDULE.

This Act shall take effect one hundred eighty (180) days after the date of its enactment into law, subject to the following implementation schedule:

- (a) Immediately upon enactment: The State Oversight Agency shall commence rulemaking proceedings and may accept public comment on proposed rules.
- (b) Within ninety (90) days of enactment: (i) The AI Advisory Board shall be constituted; (ii) The State AI Environmental Impact Commission shall be constituted; (iii) The State Oversight Agency shall publish interim compliance guidance.
- (c) Within one hundred eighty (180) days of enactment: The State Oversight Agency shall publish final rules, standardized compliance templates, safe harbor calculation methodologies, and the public comment portal.
- (d) Within eighteen (18) months of enactment: ISO 42001 compliance required for all existing covered entities.

(e) Within twenty-four (24) months of enactment: AI liability insurance requirements take effect for large businesses.

SIGNATURES

Introduced by:

_____ Date: _____

[Primary Sponsor Name], [Title], [District]

_____ Date: _____

[Co-Sponsor Name], [Title], [District]

_____ Date: _____

[Co-Sponsor Name], [Title], [District]

— END OF BILL — | The Responsible AI Adoption and Worker Protection Act | Version 2.0