THIRD READING

Bill No: AB 1018
Author: Bauer-Kahan (D), et al.
Amended: 8/28/26 in Senate
Vote: 21

SENATE JUDICIARY COMMITTEE: 11-2, 7/15/25
AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab, Weber Pierson, Wiener
NOES: Niello, Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/29/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 50-16, 6/2/25 - See last page for vote

SUBJECT: Automated decision systems

SOURCE: TechEquity Action

DIGEST: This bill regulates the use of “automated decision systems” (ADS). It places obligations on developers and deployers of such systems designed or used to help make “consequential decisions.”

Senate Floor amendments of 8/28/26 change various definitions, remove state agencies from the scope of the bill, alter the transparency requirements, exempt smaller employers from some provisions, narrow enforcement authority to only the Attorney General, insert a right to cure, add a number of exemptions, and make clarifying and technical changes.

Senate Floor amendments of 8/21/26 add various exemptions and significantly narrow the bill by, among other things, removing requirements to conduct risk assessments and audits, and limiting certain rights to “adverse outcomes.”

Senate Floor amendments of 9/5/25 narrow the scope of this bill by, in part, carving out certain generative artificial intelligence (AI) systems and adding several exemptions. The amendments also reduce the burden on developers and deployers by, in part, reducing the document retention timeline and including factors for courts to consider in assessing civil penalties.

ANALYSIS:

Existing law:

1) Establishes the California Consumer Privacy Act (CCPA), which grants consumers certain rights with regard to their personal information, including enhanced notice, access, and disclosure; the right to deletion; the right to restrict the sale of information; and protection from discrimination for exercising these rights. It places attendant obligations on businesses to respect those rights. (Civil (Civ.) Code § 1798.100 et seq.)

2) Establishes the Consumer Privacy Rights Act (CPRA), which amends the CCPA and creates the California Privacy Protection Agency (PPA), which is charged with implementing these laws, promulgating regulations, and carrying out enforcement actions. (Civ. Code § 1798.100 et seq.; Proposition 24 (2020).)

3) Establishes the Civil Rights Department, and sets forth its statutory functions, duties, and powers. (Government (Gov.) Code § 12930.)

4) Establishes the Fair Employment and Housing Act (FEHA). (Gov. Code § 12900 et seq.)

5) Establishes the Unruh Civil Rights Act. (Civ. Code § 51.)

6) Defines "trade secret" under the Uniform Trade Secrets Act as information, including a formula, pattern, compilation, program, device, method, technique, or process, that meets specified criteria. (Civ. Code § 3426.1(d).)

7) Requires the California Department of Technology (CDT) to conduct a comprehensive inventory of all high-risk ADS that have been proposed for use, development, or procurement by, or are being used, developed, or procured by, any state agency. It defines the relevant terms. (Gov. Code § 11546.45.5.)

This bill:

1) Requires a developer that sells, licenses, or otherwise transfers a covered ADS to a potential deployer to provide the deployer with specified information.

2) Dictates the process and form that any documentation required to be provided to a deployer by a developer must take.

3) Requires a deployer, before it finalizes a consequential decision made or facilitated by a covered ADS, and after it finalizes such a decision that results in an adverse outcome, to provide any subject of that decision with specified disclosures and the ability to request further information. A deployer that employs more than 25 employees must also provide the subject with an opportunity to correct any incorrect personal information used and to appeal the adverse consequential decision according to specified processes. Dictates the process and form that documentation required to be provided to a subject by a deployer must take.

4) Provides that a deployer's collection, use, retention, and sharing of personal information from a subject of a consequential decision shall be reasonably necessary and proportionate to achieve the purposes for which the personal information was collected and processed, or for another disclosed purpose that is compatible with the context in which the personal information was collected, and not further processed in a manner that is incompatible with those purposes.

5) Provides the conditions under which a deployer assumes the responsibilities of a developer.

6) Imposes retention requirements on developers and deployers with respect to specified documentation.

7) Allows for the redaction of certain information revealing trade secrets, as provided, but requires disclosure of such withholding and the basis for it.

8) Authorizes enforcement actions against developers or deployers to be brought solely by the Attorney General. It further provides a limited right to cure until January 1, 2030.

9) Authorizes a court to award a prevailing plaintiff in such actions specified remedies, including a civil penalty of up to $25,000 per violation. It provides courts with relevant circumstances to be considered in assessing the civil penalty.

10) Provides certain exemptions from specified requirements, including for deployers subject to the federal Family Educational Rights and Privacy Act, the federal Equal Credit Opportunity Act, and the federal Fair Credit Reporting Act; entities regulated by HIPAA; a developer subject to the federal Gramm-Leach-Bliley Act; medical devices; laboratory testing; ADS used to support development of drugs, biological products, and medical devices; and ADS to the extent they are used to protect against things such as spam or money laundering.

11) Clarifies the relevance of compliance, or the failure to comply, with these provisions in actions pursuant to the Unruh Civil Rights Act and FEHA.

12) Defines AI, ADS, trade secret, adverse outcome, and personal information in accordance with existing law and defines other relevant terms.

Background

ADS, especially those powered by AI, are being increasingly deployed in a multitude of contexts, including employment, housing, education, and health care. Major transparency and fairness concerns have been raised about the use of ADS to make consequential decisions, essentially determinations with significant legal or other material effect on people's lives.

This bill seeks to regulate the development and deployment, by both public and private actors, of "covered ADS," essentially ADS designed for or used by a deployer to help make "consequential decisions," defined broadly to include decisions, determinations, or any other actions made about a person that *relates to* the provision of, access to, or the eligibility, selection, or compensation for, certain specified goods, services, or decisions, as provided. Developers are required to provide deployers certain information, and deployers are required to provide certain notices to subjects of consequential decisions and afford certain rights to them.

This bill is sponsored by TechEquity Action. It is supported by a variety of labor, consumer, privacy, and other advocacy groups, including Common Sense Media and Consumer Reports. It is opposed by a number of industry associations, including the Consumer Technology Association and the American Staffing Association. For a more thorough discussion, please see the Senate Judiciary Committee analysis of this bill, which is incorporated by reference herein.

Comments

According to the author:

> The use of automated decision systems (ADS) has become prevalent among Californian's daily lives and used within various sectors – including, housing, employment, and even in criminal justice sentencing and probation decisions. However, the algorithms that power ADS are often vulnerable to issues such as unrepresentative data, faulty classifications, and flawed design. These shortcomings can result in biased, discriminatory, or unfair outcomes. Rather than solving systemic problems, poorly designed ADS can worsen the very harms they aim to address—ultimately hurting the people they are meant to help. AB 1018 provides the necessary guardrails by regulating the development and deployment of an ADS used to make consequential decisions. Additionally, the current role that an ADS plays in a consequential decision is hidden from consumers. Fundamentally, consumers should have the right to be well informed of how these ADS are used in life altering decisions. AB 1018 calls for transparency on the usage of ADS by requiring notice to consumers by deployers before and after a consequential decision. It is crucial that we take the necessary steps to ensure the technology is used responsibly and can be trusted. Well-intentioned but flawed technology is a matter of state concern. Guardrails and accountability are needed to ensure that technology does not further marginalize communities or broaden inequities.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- Unknown, potentially significant costs (local funds, General Fund) to local agencies that deploy ADS to make consequential decisions and must comply with the above-described requirements, possibly in the hundreds of millions of dollars annually statewide. For example, counties will be required to review all of their systems for compliance—including tools used for online testing, hiring, permitting, case management, risk assessments, and property management. They will also incur costs of audits, training, staffing, disclosures, appeals process, data retention, sending out notices, and potential legal exposure. If developers raise their cost as a result of this bill, these costs will be passed onto the counties. Counties may claim reimbursement of those costs if the Commission on State Mandates determines that this bill creates a new program or imposes a higher level of service on local agencies.

- The State Controller's Office (SCO) reports that it, and all other state governmental entities would be considered a "deployer," of an ADS, as defined in the bill. If SCO implemented one or multiple ADS systems that meet the criteria for oversight in AB 1018, SCO would anticipate needing the following General Fund Resources:

    - 2025-26: $1,408,000 for 7.0 two-year limited-term positions and one-time costs;
    - 2026-27: $1,384,000 for 7.0 two-year limited-term positions; and,
    - 2027-28 and ongoing: $761,000 for 4.0 permanent positions.

  SCO indicates that these estimates reflect the requirements for a large, complex agency such as the SCO managing sensitive personal and financial data across automated systems. Actual staffing may be adjusted depending on the complexity and scale of the deployed ADS. Some functions may overlap or be handled by existing staff with appropriate upskilling, while external contractors could augment capacity for short-term surges, such as during initial implementation or major audits. If AB 1018 becomes law, the SCO would need 5–7 information security staff—including a dedicated supervisor—for the initial implementation of AB 1018, with 3–4 (including the supervisor) required for ongoing security and compliance operations related to automated decision systems.

- Costs (special fund) of an unknown but potentially significant amount to the Labor Commissioner to enforce Labor Code violations, possibly in the millions of dollars, annually. Actual costs will depend on the number of enforcement actions and the amount of workload associated with each action.

- The Department of Justice (DOJ) estimates a fiscal impact of $2.5 million or less (General Fund, Unfair Competition Law Fund). The DOJ notes that implementation of this bill will be dependent upon the appropriation of funds. The DOJ will be unable to absorb the costs to comply with or implement the requirements of the bill within existing budgeted resources. The Consumer Protection Section (CPS), Civil Rights Enforcement Section (CRES) and Healthcare Rights & Access Section (HRA) within the Public Rights Division of the DOJ anticipate increased workloads in enforcing this bill beginning on January 1, 2026, and ongoing. The workload includes investigating and prosecuting violations. The Sections will require the following additional resources:

  - CPS: 1.0 Deputy Attorney General (DAG); 1.0 Associate Governmental Program Analyst (AGPA); 1.0 Legal Secretary (LS); and, $250,000 for External Consultant for expert witness services to support investigation and prosecution;

  - CRES: 1.0 Deputy Attorney General (DAG); 1.0 Associate Governmental Program Analyst (AGPA); 1.0 Legal Secretary (LS); and, $250,000 for External Consultant for expert witness services to support investigation and prosecution; and,

  - HRA: 1.0 Deputy Attorney General (DAG); 1.0 Associate Governmental Program Analyst (AGPA); 1.0 Legal Secretary (LS); and, $250,000 for External Consultant for expert witness services to support investigation and prosecution.

- The Civil Rights Department (CRD) estimates a fiscal impact over $2 million (General Fund). CRD notes that this bill places requirements on ADS developers and deployers. It also provides the CRD with the authority to bring a civil action to enforce compliance with this bill. CRD anticipates requesting eight positions, including researchers/ research data specialists, associate governmental program analysts, and attorneys, approximately $2.2 million for FY 26-27, and $2.1 million for FY 27-28 and ongoing. In addition to covering the costs of the new positions, these resources would also fund an ongoing contract with an expert consultant, IT and other administrative costs, and a one-time job analysis that would be required for one of the research positions. These resources would be necessary to support the complex legal and technological analysis required to enforce the components of this bill.

- The State Water Board estimates a significant fiscal impact (General Fund, special funds) likely in the millions of dollars per year. The State Water Board reports, as written, this bill's definition of automated decision system is vague, ambiguous, and could encompass many current tools used, like excel workbooks. These tools are used broadly across Water Boards programs, and many are used to inform actions that could be considered consequential actions under the bill. To meet the bill's provision, the State Water Board estimates significant cost pressures, likely in the millions of dollars per year. Costs would allow the State Water Board to fulfill several requirements regarding each of these covered systems. This would include facilitating and conducting a performance evaluation, contracting with an independent third party to perform audits on any systems the Water Boards develops, notifying those impacted by the consequential decision about the use of the ADS, and providing an appeal process. Taking these steps for each covered system, if feasible at all, would require significant additional staff and contract resources in the millions of dollars annually, impacting all Water Boards' fund sources. Alternatively, State Water Board programs would need to find ways to store, process, and analyze data to make decisions without using any tool which would qualify as an automated decision system. Costs would be incurred from all eligible State Water Board fund sources.

- UC Health estimates a fiscal impact of $42 million in one-time costs and approximately $24 million in ongoing costs to implement AB 1018. Compliance costs for the University's health systems include expenses related to implementing required audits, administrative processes, staff training, and system modifications.

- The California Department of Health and Human Services (CalHHS) reports a significant fiscal impact (General Fund, special funds). The Office of Technology and Solutions Integration (OTSI) estimates costs, across the 12 CalHHS departments, in the low millions up to low tens of millions (Total Fund) annually as solutions applicable under the bill are expected to grow in use over the coming years. These costs are estimated and attributable due to legal and security resources for monitoring and enforcement, compliance oversight, IT development and staffing necessary for governance and appeals management. This bill could impact many of the Agency's information systems and data solutions as Generative AI solutions are being built into many of the tools used. Evaluation and governance will become ongoing cost-pressure as it becomes necessary to review not just risk/compliance related to AI components of solutions, but applicability to the requirements of this bill. This bill would require programming and processing revisions, stakeholder engagement, development and operation of an appeal process in all cases, along with a third-party audit (beginning in 2030). The costs to implement this bill depends on the number of solutions and complexity of developing and resourcing the appeals processes that are yet to be determined. This estimate does not include potential increased contracting costs due to vendors including costs for conducting the assessment and other requirements.

- The California Department of Corrections and Rehabilitation (CDCR) reports that it does not currently use platforms it considers to be Automated Decision Systems (ADS). As a result, CDCR does not anticipate immediate costs associated with the requirements in AB 1018. However, should the department choose to implement or develop systems in the future that meet the bill's definition of an ADS, there could be costs associated with compliance. These may include but are not limited to performance evaluations, third-party audits, disclosure and documentation requirements, and staff oversight responsibilities outlined in the bill. It should be noted that CDCR uses several risk assessment tools, including, but not limited to, the Static-99R to assess every eligible sex offender prior to release on parole, the California Static Risk Assessment tool to assess the risk of reoffending, the Correctional Offender Management Profiling for Alternative Sanctions (COMPAS) to assess an incarcerated individuals needs and target those needs, and the Automated Reentry Management System (ARMS). If this bill is interpreted to apply to these tools, CDCR, and other correctional agencies, could potentially incur a significant fiscal impact.

- The Department of Finance (DOF) reports potential unknown costs (General Fund) and indicates that that this bill may apply to its ongoing pilot using generative artificial intelligence to assist with bill analyses.

- Unknown, potentially significant costs to the Judicial Council, likely in the hundreds of millions annually. This bill could hamper the ability of trial courts and their justice partners to use several tools, including SARATSO for sex offenders, and many others, such as pretrial risk assessment tools minimize bias in pretrial detention situations. Developers of these tools, including nonprofits, universities, and even the state of Virginia, are unlikely to make any adjustments as would be required under this bill. As such, the entire judicial branch could potentially lose the use of all pretrial risk assessment tools, as their developers do not necessarily have a strong financial incentive to adhere to this bill's stringent requirements. Courts also use tools such as MyCitation, which would also be affected. MyCitation is a tool created by the Judicial Council pursuant to AB 143 (Committee on Budget) Stats. 2021, ch. 79, designed as an easy-to-use option for defendants to provide relevant financial information for the court to consider reductions in infraction fines and fees owed.

- Unknown, potentially significant costs to the state funded trial court system (Trial Court Trust Fund, General Fund). By authorizing a new civil penalty with statutory damages, this bill will likely lead to additional case filings that otherwise would not have been commenced, with attendant workload and resource costs to the court. This bill may result in additional trial court costs to the extent that cases are brought to litigate its constitutionality. The fiscal impact of this bill to the courts will depend on many unknowns, including the number of cases filed and the factors unique to each case. An eight-hour court day costs approximately $10,500 in staff in workload. This is a conservative estimate, based on the hourly rate of court personnel including at minimum the judge, clerk, bailiff, court reporter, jury administrator, administrative staff, and jury per-diems. If court days exceed 10, costs to the trial courts could reach hundreds of thousands of dollars. While the courts are not funded on a workload basis, an increase in workload could result in delayed court services and would put pressure on the General Fund to fund additional staff and resources and to increase the amount appropriated to backfill for trial court operations.

- Costs (General Fund, special funds) of an unknown but significant amount to each state agency that deploys ADS to make or contribute to consequential decisions and must comply with this bill’s notice, opt-out, correction, appeal, and, if applicable, audit requirements. In the aggregate, for all affected state agencies, costs may be in the hundreds of millions of dollars annually ongoing.

SUPPORT: (Verified 8/30/26)

TechEquity Action (source)
ACCE Action (Alliance of Californians for Community Empowerment)
American Federation of Musicians, Local 7
Asian Americans Advancing Justice Southern California
California Center for Movement Legal Services
California Civil Liberties Advocacy
California Community Foundation
California Employment Lawyers Association
California Federation of Labor Unions, AFL-CIO
California Immigrant Policy Center
California Initiative on Technology and Democracy
California National Organization for Women
California Professional Firefighters
California School Employees Association
California Women's Law Center
CFT – a Union of Educators & Classified Professionals, AFT, AFL-CIO
Child Care Law Center
Citizen’s Privacy Coalition
Common Sense Media
Consumer Attorneys of California

Consumer Federation of America
Consumer Federation of California
Consumer Reports
Courage California
East Bay Community Law Center
Economic Security California Action
Electronic Privacy Information Center
End Child Poverty California Powered by Grace
Equal Rights Advocates
Fair Housing Advocates of Northern California
Felony Murder Elimination Project
Greenlining Institute
Housing Now!
Justice2jobs Coalition
Kapor Center
LA Defensa
LAANE (Los Angeles Alliance for a New Economy)
Lawyers Committee for Civil Rights of the San Francisco Bay Area
Mujeres Unidas Y Activas
Northern California District Council of the International Longshore and Warehouse Union
Oakland Privacy
Parent Voices
Powerswitch Action
Privacy Rights Clearinghouse
Public Citizen
Restoring Hope California
Rubicon Programs
SEIU California
Smart Justice California
Surveillance Resistance Lab
Tech Oversight Project
UDW/AFSCME Local 3930
UFCW - Western States Council
Vision Y Compromiso
Women's Foundation California
Working Partnerships USA
Worksafe

OPPOSITION: (Verified 8/30/26)

Advanced Medical Technology Association
Aerospace and Defense Alliance of California
American College of Obstetricians & Gynecologists - District Ix
American Financial Services Association
American Innovators Network
American Property Casualty Insurance Association
American Staffing Association
America's Physician Groups
Associated General Contractors of California
Association of California Life and Health Insurance Companies
Association of Independent California Colleges and Universities
Association of National Advertisers
Business Software Alliance
Business Software Association
Calbroadband
Calcom Association
California Association of Clerks & Election Officials
California Association of Health Plans
California Chamber of Commerce
California Community Banking Network
California Credit Union League
California Dental Association
California Department of Insurance
California Financial Services Association
California Fuels and Convenience Alliance
California Hospital Association
California Land Title Association
California Manufacturers and Technology Association
California Medical Association
California Mortgage Bankers Association
California Radiological Society
California Retailers Association
California Staffing Professionals
Chamber of Progress
Civil Justice Association of California
College Board
Computer and Communications Industry Association
Connected Commerce Council
Consumer Data Industry Association

Consumer Technology Association
Contra Costa County
County of Ventura
CTIA
Delta Dental of California
El Dorado County Chamber of Commerce
El Dorado Hills Chamber of Commerce
Elk Grove Chamber of Commerce
Family Business Association of California
Financial Technology Association
Folsom Chamber of Commerce
Hollywood Chamber of Commerce
Innovative Lending Platform Association
Internet Works
Internet.works
Judicial Council of California
Kaiser Permanente
Lincoln Chamber of Commerce
Los Angeles County
Los Angeles County Business Federation
Mortgage Bankers Association
National Association of Mutual Insurance Companies
Ochin, INC.
Orange County Business Council
Personal Insurance Federation of California
Psinapse Techology
Public Risk Innovation, Solutions, and Management
Rancho Cordova Chamber of Commerce
Receivables Management Association International
Rocklin Area Chamber of Commerce
Roseville Area Chamber of Commerce
Santa Maria Valley Chamber of Commerce
Securities Industry and Financial Markets Association
Security Industry Association
Shingle Springs/cameron Park Chamber of Commerce
Silicon Valley Leadership Group
Society for Human Resource Management
Software Information Industry Association
STAR Staffing
Sutter Health

Techca
Technet
The Payments Coalition
United Chamber Advocacy Network Ucan
University of California
Valley Industry and Commerce Association
Yuba Sutter Chamber of Commerce

ARGUMENTS IN SUPPORT: A broad coalition, including the sponsor, TechEquity Action, write: While the advent of generative AI and large language models has been a new piece of the puzzle, ADS have long existed in our communities. ADS have been woven into the daily lives of our community members—increasingly these tools are dictating access to and the quality of housing, healthcare, employment, credit, and many other critical services Californians need. The potential harms and biases of these systems have been well documented—from banks using lending models that were twice as likely to deny Black applicants compared to White applicants with the same financial profile,[1] to healthcare providers using ADS that significantly underestimated the healthcare needs of Black patients compared to White ones.[2] Technology should not be a pass to violate our civil and labor rights, this legislation regulates the misuse of automated systems.

AB 1018 would enact common-sense guardrails to help ensure that developers and deployers of these tools are testing for discriminatory outcomes prior to utilizing the tool and ensuring that consumers have the information they need to understand the role that an ADS is playing in critical decisions and what rights they have when these systems impact critical areas of their lives.

ARGUMENTS IN OPPOSITION: The Chamber of Progress writes:

> While the recent amendments are a small step in the right direction, businesses that deploy covered automated decision systems would still be subject to significant costs in the form of time, energy, and money for the following: identify covered systems, determine which decisions and outcomes trigger the statute, implement pre-decision and adverse-outcome notices, establish correction and appeal processes, modify IT and operational workflows, train personnel, maintain documentation, and manage ongoing legal and compliance risk.

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[1] **https://themarkup.org/denied/2021/08/25/the-secret-bias-hidden-in-mortgage-approval-algorithms**.
[2] **https://www.theguardian.com/society/2019/oct/25/healthcare-algorithm-racial-biases-optum**.

AB 1018 as written still mandates that online platforms inform any "natural person" who is affected by a consequential decision when an automated decision tool is employed to make such a determination. However, the bill does not define this term, despite referencing it continually for the sake of applicability. Such ambiguity risks stifling consumer welfare-enhancing innovations.

ASSEMBLY FLOOR: 50-16, 6/2/25
AYES: Addis, Aguiar-Curry, Alvarez, Arambula, Ávila Farías, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Papan, Patel, Pellerin, Quirk-Silva, Celeste Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Stefani, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Castillo, Chen, Davies, DeMaio, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa
NO VOTE RECORDED: Ahrens, Alanis, Bains, Carrillo, Flora, Pacheco, Petrie-Norris, Ramos, Ransom, Michelle Rodriguez, Soria, Valencia, Wallis

Prepared by: Christian Kurpiewski / P., D.T., & C.P. / (916) 651-1548
8/30/26 15:50:18

****** END ******