

- 7) Authorizes public prosecutors to bring civil actions for civil penalties of up to \$5,000 per affected child for negligent violations, \$15,000 per affected child for intentional violations, plus punitive damages, injunctive or declaratory relief, and attorney's fees. Authorizes children who suffer actual harm (or parents on their behalf) to bring private civil actions for actual and punitive damages, injunctive relief, and attorney's fees.

FISCAL EFFECT:

- 1) Costs (General Fund) of an unknown but potentially significant amount, likely in the low hundreds of thousands of dollars at a minimum, to the Department of Justice (DOJ) for one-time rulemaking to adopt regulations on or before January 1, 2028, governing third-party audits, including professional and ethical standards for auditors, auditor eligibility requirements, audit procedures, and audit report content. Additional unknown, but potentially significant costs, to DOJ for enforcement actions against operators for negligent or intentional violations, including investigatory workload and litigation costs. Actual costs will depend on whether the Attorney General pursues enforcement actions, and, if so, the level of additional staffing DOJ needs to handle the related workload. If DOJ hires staff to handle enforcement actions authorized by this bill, the department would incur significant costs, likely in the low hundreds of thousands of dollars annually at a minimum. If DOJ does not pursue enforcement as authorized by this bill, the department would likely not incur any costs. Potential offsetting revenues (General Fund) from civil penalties collected pursuant to enforcement actions. The DOJ was unable to provide a cost estimate at the time this analysis was written.
- 2) Cost pressures (Trial Court Trust Fund, General Fund) of an unknown but potentially significant amount to the courts to adjudicate civil enforcement actions and cases filed under the private right of action created by this bill. Actual costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund.

The state budget provides annual General Fund backfills to the Trial Court Trust Fund to offset revenue reductions, totaling approximately \$117.3 million in 2025-26. The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year beginning in the 2027-28 fiscal year.

COMMENTS:

- 1) **Purpose.** According to the author:

AB 2023 would establish a comprehensive framework to address the risk of chatbot interactions by children. Some of these guardrails would include: protocols to address suicidal ideation, sycophancy, and isolation; default settings for children; parental controls; noticing requirements; crisis response protocols; prohibitions on advertising and the selling, sharing; prohibition on the usage of children's private information; robust oversight and enforcement framework including through a public incident reporting mechanism; third-party audits; the

development of auditing standards by the attorney general; and including a private right of action.

- 2) **Background.** SB 243 (Padilla), Chapter 677, Statutes of 2025, requires chatbot platforms to establish protocols for suicidal ideation and self-harm, disclose that minors are interacting with AI, provide periodic break reminders, and prevent sexually explicit material. AB 1064 (Bauer-Kahan, 2025) would have prohibited making available to minors companion chatbots foreseeably capable of specified harmful behaviors; the Governor vetoed AB 1064 but committed to building on the SB 243 framework. Earlier this year, Common Sense Media and OpenAI introduced a ballot initiative for comprehensive chatbot regulation; that effort has been paused, and this bill (along with SB 1119 by Senator Padilla) seeks to enact comparable protections through the legislative process. This bill establishes a substantially more comprehensive child safety framework than SB 243, including risk assessments, default settings, parental controls, prohibited outputs, third-party audits, and dual public/private enforcement. The bill builds on the age-verification infrastructure created by AB 1043 (Wicks), Chapter 675, Statutes 2025 — operators may use AB 1043 age signals or apply child-protective measures to all users. In analyzing this bill, the Assembly Committee on Privacy and Consumer Protection explored possible First Amendment implications. To the extent this bill is challenged in court, any defense costs will be borne by the Department of Justice.
- 3) **Support and Opposition.** Supporters, including Common Sense Media, argue chatbots present documented and growing risks to children — including suicide, self-harm, sexual exploitation, and “chatbot psychosis” — and that comprehensive regulation is essential. Opponents, led by the California Chamber of Commerce and TechNet, have an oppose-unless-amended position, arguing the bill’s audit and risk assessment requirements are overly prescriptive and burdensome, the definition of psychological harm to a “reasonable child” is difficult to operationalize, and the liability framework is excessively punitive.
- 4) **Related Legislation.** SB 1119 (Padilla) is a substantively parallel measure currently in the Senate. The bill is pending in the Senate Appropriations Committee.

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