
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2656 (Petrie-Norris) - Public employees: notice: artificial intelligence performing service within scope of work

Version: July 1, 2026

Policy Vote: L., P.E. & R. 5 - 0, P., D.T., &
C.P. 9 - 0

Urgency: No

Mandate: No

Hearing Date: August 3, 2026

Consultant: Robert Ingenito

Bill Summary: AB 2656 would require certain public employers to provide a recognized employee organization with no less than 45 days' written notice before developing, purchasing, or requiring the use of any generative artificial intelligence to perform a service that is within the scope of work of the job classification represented by the recognized employee organization.

Fiscal Impact:

- This bill would result in costs to the State as a direct employer, likely exceeding \$50,000 annually (General Fund and special funds), to implement the bill's employee notice requirements. The magnitude of these costs would depend on the extent to which state departments use workplace AI tools.
- In addition, the bill's notification requirements would apply to approximately 1,000 school districts and 58 county offices of education. The resulting annual costs are unknown but would be borne through Proposition 98 General Fund support.
- The Public Employment Relations Board (PERB) would incur annual General Fund costs of \$235,000 to implement the provisions of the bill.
- The bill would also impose costs on local agencies, including cities, counties, and special districts, to implement its notice requirements. If the Commission on State Mandates determines that these requirements constitute a reimbursable state mandate, the state would incur corresponding General Fund costs to reimburse local agencies. The magnitude of these costs is unknown but could exceed \$50,000 annually.

Background: Until recently, technological advances primarily automated physical tasks, such as manufacturing processes or retail self-checkout systems. Artificial intelligence (AI), by contrast, increasingly performs functions that resemble human cognitive work by using algorithms to analyze information, make decisions, and complete tasks more quickly and, in some cases, at lower cost than human workers. Generative artificial intelligence (GenAI), a subset of AI, can create new content—including text, images, audio, and software code—in response to user prompts by identifying patterns in large datasets and generating new outputs.

As AI capabilities continue to expand, concerns have grown regarding its impact on employment. Recent estimates from Goldman Sachs suggest that AI adoption could

displace approximately 6 percent to 7 percent of U.S. workers. Similarly, the Stanford Digital Economy Lab, using ADP employment data, found that entry-level hiring in occupations most exposed to AI has declined by 13 percent since the widespread adoption of large language models, with software development, customer service, and clerical occupations among the most vulnerable. At the same time, AI is increasingly being used to augment, rather than replace, employee work. A 2025 report estimated that between 115 million and 180 million people worldwide use GenAI tools daily. Within state government, a 2024 survey by the National Association of State Chief Information Officers found that 53 percent of state chief information officers reported using GenAI tools in their daily work.

Recognizing both the opportunities and risks presented by AI, Governor Newsom has issued a series of executive orders establishing California's policy framework for AI adoption in state government. Executive Order N-12-23 (September 2023) directed state agencies to deploy GenAI ethically and responsibly by developing procurement guidelines, identifying beneficial government applications, providing employee training, and conducting pilot projects to evaluate how GenAI could improve public services while supporting state employees. The order also required agencies to assess potential risks to workers, communities, and government operations.

Subsequent executive orders expanded this framework. Executive Order N-5-26 (March 2026) directed the Department of General Services and the Department of Technology to develop AI vendor certification standards requiring companies seeking to do business with the state to certify that their AI systems contain safeguards against illegal content, harmful bias, and violations of civil rights. Executive Order N-6-26 (May 2026) focused on workforce impacts by directing state agencies to develop recommendations for identifying and responding to labor market disruption caused by AI. Among other actions, the order requires agencies to monitor AI's effect on employment through reports and dashboards, evaluate updates to the California Worker Adjustment and Retraining Notification (WARN) Act, strengthen worker support programs and job training, and develop policies that encourage AI innovation while protecting workers and advancing the public interest.

The Legislature has likewise considered numerous measures addressing AI. In response to Executive Order N-12-23, SB 896 (Dodd, Chapter 928, Statutes of 2024) codified several provisions of the order by requiring the Office of Emergency Services to assess risks that GenAI poses to California's critical infrastructure and by establishing disclosure requirements when state agencies use GenAI to communicate directly with the public regarding government services and benefits. More recently, SB 7 (McNerney, 2025), which was vetoed by the Governor, would have established workplace protections governing the use of automated decision systems (ADS), including employee notification requirements, restrictions on certain uses of ADS, anti-retaliation protections, and enforcement mechanisms applicable to both public and private employers. Several additional AI-related employment measures continue to be considered by the Legislature.

Under California's public employment relations statutes, public employers are generally required to meet and confer in good faith with recognized employee organizations over matters within the "scope of representation," which includes wages, hours, and other terms and conditions of employment. Existing law also requires public employers to

provide reasonable written notice to recognized employee organizations before adopting laws, rules, resolutions, or regulations that directly affect matters within the scope of representation.

Although the use of AI or GenAI is not itself a matter of wages or hours, it may affect employees' terms and conditions of employment and therefore may constitute a mandatory subject of bargaining depending on the circumstances. PERB decisions have generally held that issues are within the scope of bargaining when they involve the employment relationship, are likely to generate conflict between management and employees, and collective bargaining is an appropriate means of resolving that conflict. At the same time, PERB has recognized that decisions involving essential managerial prerogatives remain outside the scope of mandatory bargaining. As a result, disputes regarding whether the development, purchase, implementation, or use of GenAI is subject to bargaining may ultimately be resolved through the collective bargaining process or PERB proceedings.

In addition, public employers are subject to a layered set of statutory notice and bargaining obligations. The Meyers-Milius-Brown Act and the other public employment relations statutes incorporated by this bill require employers to meet and confer over negotiable matters. Separately, AB 339 (Ortega, 2025) established additional advance-notice requirements that operate independently of those bargaining obligations.

Proposed Law: This bill would do the following:

- Require specified public employers to provide a recognized employee organization no less than 45 days' written notice before taking an action to develop, purchase, or require the use of any generative artificial intelligence to perform a service that is within the scope of work of the job classification represented by the recognized employee organization.
- Impose this requirement on public employers identified in subdivision (a) of Section 3555.5 of the Government Code.
- Define "AI" and "GenAI" as currently defined in statute, as provided.

Related Legislation:

- AB 1883 (Bryan) would prohibit an employer from using certain types of workplace surveillance tools or using workplace surveillance tools to violate or prevent compliance with laws, or infer information about a worker's legally-protected status or activities. Provides for a civil penalty, enforcement by the LC or a public prosecutor, and a private right of action. The bill is currently pending in this Committee.
- AB 1898 (Schultz) would, among other things, require an employer to provide a written notice to an employee that a workplace AI tool, as defined, was used to assist the employer in making employment-related decisions or to surveil workers in the workplace. The bill was held under submission on the Suspense File of the Assembly Appropriations Committee.

- AB 1979 (Bonta) would subject businesses offering “healthcare chatbots” to the California Medical Information Act (CMIA) and imposes guardrails around the use of automated decision systems (ADS) and other generative AI (GenAI) models in clinical decisionmaking. The bill is currently pending in this Committee.
- AB 2027 (Ward) would, among other things, prohibit an employer from using a worker’s personal information, as defined, to train an AI system to replicate, automate, or place a worker’s job, as specified. The bill was held under submission on the Suspense File of the Assembly Appropriations Committee.
- AB 2545 (Schiavo) would create the California Artificial Intelligence Worker Impact Data Assessment Project within the Employment Development Department to, among other things, establish an advisory panel consisting of labor, technology experts and employers, as specified, to study and report to the Legislature on the existing data collection systems and gaps in data collection related to the use and impact of advanced artificial intelligence systems on the labor force, as specified. The bill is currently pending in this Committee.
- SB 947 (McNerney) would, among other things, (1) prohibit an employer from using an ADS that does certain functions and would limit the purposes and manner in which an ADS may be used to make disciplinary, termination, or deactivation decisions, (2) require an employer to provide a written postuse notice when an employer has used an ADS, as specified, (3) include worker anti-retaliation provisions for exercising these rights, and (4) specify enforcement provisions including specified penalties and relief for violations. The bill is currently pending in the Assembly Appropriations Committee.
- SB 951 (Reyes) would, among other things, establish the California Worker Technological Displacement Act requiring a covered employer to provide at least a 60-day advanced written notice before any technological displacement or termination of contract affecting 25 or more workers during any 30-day period. less. The bill is currently pending in the Assembly Appropriations Committee.
- SB 1248 (Cabaldon, 2026) would, among other things, impose certain restrictions on the use of an ADS by a state agency to confer services including the issuance of professional licenses and provision of public benefits. SB 1248 was held under submission on the Suspense File of this Committee.
- AB 339 (Ortega, Chapter 687, Statutes of 2025) requires public agencies regulated by the Meyers-Milias-Brown Act (MMBA) to give a recognized employee organization no less than 45 days’ written notice regarding contracts to perform services that are within the scope of work of job classifications represented by the REO, among other provisions.
- SB 896 (Dodd, Chapter 928, Statutes of 2024) codified several provisions of EO N-12-23.

Staff Comments: As noted above, the bill would apply to the public employers identified in subdivision (a) of Government Code Section 3555.5. These employers

include the State of California; cities and counties; special districts; K–12 school districts; county offices of education; community college districts; the University of California and California State University; the Judicial Council; the state's trial courts; and certain public transit agencies and transit districts. Consequently, implementation of the bill's notice requirements would affect nearly all public agencies in California, with the majority of resulting costs likely borne by local governments.

-- END --