SENATE THIRD READING
SB 813 (McNerney)
As Amended August 26, 2026
Majority vote

SUMMARY

Requires the Government Operations Agency to establish and publish *application requirements for designation as an IVO, qualification* criteria, and oversight procedures for independent verification organizations (IVOs) that conduct artificial intelligence (AI) audits, and requires *designated IVOs be financially independent* and annually report their auditing standards and methodologies to the agency.

Major Provisions

1) Defines the following terms:

   A) "AI auditor" means a person, partnership, academic institution, nonprofit, or corporation that conducts a covered audit on behalf of a third party.

   B) "Covered AI audit" means an audit conducted to assess internal controls, processes, or systems implemented for an AI system or model that are necessary for compliance with state law.

   C) "Independent verification organization" or "IVO" means an AI auditor that is designated by the agency as having demonstrated expertise in assessing the risks posed by an AI system or model and identifying the metrics and methodologies that form the basis for that assessment.

2) Requires the Government Operations Agency to do all of the following:

   A) Develop *application requirements for designation as an IVO*, including information an applicant IVO is required to submit.

   B) Develop procedures for determining whether to suspend or terminate the *designation* of an IVO.

   C) Develop criteria for determining whether an AI auditor qualifies as a *designated* IVO.

   D) Publish all of the above on the agency's internet website.

3) Provides that an IVO may accept payment from a party being assessed at reasonable market rates but shall not accept terms which condition any payment or the amount of any payment on the results of their assessment.

4) Requires *designated IVOs* to submit an annual report to the Government Operations Agency and the Legislature outlining the IVO's standards and methodologies.

COMMENTS

Background. Artificial intelligence systems are increasingly being deployed across high-impact sectors in California. While several prior or pending bills have proposed independent auditing requirements, no such requirement has yet been enacted in California.

What this bill would do. SB 813 would require the Government Operations Agency to establish and publish registration requirements, qualification criteria, and oversight procedures for independent verification organizations (IVOs) that conduct AI audits, and would require registered IVOs to annually report their auditing standards and methodologies to the agency.

Analysis. The development of GenAI is creating exciting opportunities to grow California's economy and improve the lives of its residents. GenAI can generate compelling text, images and audio in an instant – but with novel technologies come novel safety concerns. Most AI systems remain "black boxes" whose design elements and efficacies are held as trade secrets, making it difficult for the public to evaluate whether these systems are being used legally and ethically. Testing these systems becomes challenging when only customer-facing outputs are accessible, especially as the number of variables involved increases.

Audits are commonplace in numerous fields, and the idea of auditing an algorithm itself is not new. Independent evaluation can reveal risks that would otherwise remain hidden from the public, regulators, and even downstream users – but only if auditors have the expertise, independence, access, and standards necessary to conduct meaningful reviews.

According to the Author

California is a world leader in AI development, so it is incumbent on our state to ensure that the use of artificial intelligence is safe and beneficial. To do so, it is imperative that we establish strong yet workable standards — standards created by independent, third-party experts and academics who can nimbly adapt to evolving technology.

SB 813 is an innovative and pragmatic approach to ensuring that artificial intelligence is developed responsibly. With the public-private governance concept, we can advance high-level standards to improve consumer awareness and safety.

Arguments in Support
Fathom, the sponsor of this measure, writes in support of a previous version of the bill:

> An outcome-based, IVO-centered approach offers four decisive advantages over traditional regulatory models. First, it moves at the speed of innovation. IVOs are structured to continuously evolve their standards and evaluation methods as the underlying technology develops. Second, it elevates expertise. IVOs place subject matter experts at the center of standard-setting and verification, ensuring that criteria are technically sound, evidence-based, and non-arbitrary. Third, it creates a race to the top. By earning verification from an IVO registered in California, AI companies that adhere to best practices gain a market advantage over competitors — transforming safety and accountability from regulatory burdens into genuine competitive strengths. Fourth, it is designed to scale. Just as professional licenses and standards bodies operate across state lines while recognizing each other's credentials, the IVO model can create a de facto national standard in the absence of federal action, enabling California once again to lead the nation on technology governance.

Arguments in Opposition
The California Chamber of Commerce takes an "oppose unless amended" position on a previous version of the bill, writing:

> We are [concerned] that SB 813 moves California toward a state-specific auditing and standards framework at a time when governments, standards bodies, and industry participants are working to develop globally interoperable approaches to AI governance. Creating separate California-specific criteria for auditor qualifications, audit methodologies, and safety standards risks fragmenting these efforts, increasing compliance costs, and reducing interoperability. This concern is particularly significant for small and medium-sized businesses that may lack the resources to navigate multiple overlapping audit regimes while seeking to operate nationally or internationally. California should instead prioritize alignment with nationally and internationally recognized frameworks wherever possible rather than creating a parallel standards-development process.

FISCAL COMMENTS

Unknown.

VOTES

SENATE FLOOR: 31-7-2
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Seyarto, Strickland
ABS, ABST OR NV: Niello, Ochoa Bogh

ASM PRIVACY AND CONSUMER PROTECTION: 11-2-2
YES: Bauer-Kahan, Bryan, Irwin, Lowenthal, McKinnor, Ortega, Pellerin, Petrie-Norris, Ward, Bennett, Wilson
NO: Macedo, DeMaio
ABS, ABST OR NV: Hoover, Patterson

ASM APPROPRIATIONS: 11-3-1
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Dixon, Ta, Tangipa
ABS, ABST OR NV: Hoover

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