

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB 174 enacts the Chatbot Safety Act, establishing safety and transparency standards for companion AI products and declaring violations as unfair or deceptive trade practices under the Unfair Practices Act. The bill defines key terms (e.g., “companion artificial intelligence product,” “crisis intervention protocol,” “operator,” “minor”) and sets design prohibitions, user safeguards, and liability standards. Enforcement authority rests with the Attorney General, with delegation to district attorneys permitted. The effective date is January 1, 2027.

Key provisions include:

- **Prohibited Design Features:** Operators cannot deploy AI products that use variable reinforcement schedules to maximize engagement, generate unsolicited emotional distress messages, or misrepresent identity or capabilities.
- **Required Safeguards:** Mandatory disclosure notifications during interactions, persistent for text-based and periodic for other modalities; crisis intervention protocols with immediate access to national and state hotlines; annual review by mental health professionals.
- **Enforcement & Liability:** Violations constitute unfair trade practices; immunity under Section 230 of the federal Communications Decency Act does not apply; harmful outputs or design defects are actionable under product liability standards.

FISCAL IMPLICATIONS

For DoIT, fiscal impact is limited to policy harmonization with existing Generative AI Use Guidelines and advisory support for agencies deploying AI systems. No direct appropriation is required, but staff time for compliance guidance and interagency coordination will increase. For the Attorney General, enforcement responsibilities may require additional legal and technical expertise, though costs are indeterminate.

SIGNIFICANT ISSUES

HB 174 addresses consumer protection gaps in AI deployment by prohibiting manipulative design and requiring crisis response protocols. These measures align with DoIT’s AI governance principles but introduce statutory obligations that may overlap with existing policy, necessitating harmonization. The bill’s explicit exclusion of Section 230 immunity signals a strong stance on accountability, which could influence vendor risk assessments and contract terms for state agencies.

PERFORMANCE IMPLICATIONS

Implementation will improve transparency and user safety in AI interactions, particularly for minors and vulnerable populations. Success depends on operator compliance, effective enforcement, and public awareness. DoIT’s role in policy alignment and technical guidance will support consistent application across state systems.

ADMINISTRATIVE IMPLICATIONS

DoIT must update its Generative AI Use Guidelines to incorporate HB 174 requirements, including notification standards, crisis protocols, and design prohibitions. Coordination with the Attorney General and other agencies will be necessary to clarify enforcement boundaries and compliance expectations.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 174 complements HB 28 (Artificial Intelligence Transparency Act) by focusing on companion AI safety rather than decision-making transparency. Both bills advance consumer protection and AI governance but require policy integration to avoid redundancy.

TECHNICAL ISSUES

The bill should clarify notification frequency for non-text interactions and define minimum standards for crisis protocol implementation. Guidance on data privacy during crisis intervention and operator verification processes would strengthen compliance clarity.

OTHER SUBSTANTIVE ISSUES

Operators may face increased compliance costs, particularly for implementing crisis protocols and annual reviews. Smaller vendors could require technical assistance to meet standards without undue burden.

ALTERNATIVES

Consider phased implementation or safe harbor provisions for operators adopting industry best practices ahead of the effective date.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Without HB 174, users remain vulnerable to manipulative AI design, lack clear disclosure during interactions, and face inadequate safeguards against crisis scenarios. The absence of statutory standards could erode public trust and expose consumers to psychological harm and unfair trade practices.

AMENDMENTS