

CALIFORNIA'S NEW AI EXECUTIVE ORDER LAYS GROUNDWORK FOR EMPLOYERS AND BUSINESSES: YOUR 10-STEP ACTION PLAN

Insights
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California Governor Gavin Newsom issued a groundbreaking executive order today charting a course for the business community given the explosion of artificial intelligence use across all industry sectors – and employers should use this development to take their own steps to prepare for a new tomorrow. The mandate not only calls on state agencies to perform risk assessments and create ethical guidelines for AI usage, but also urges state lawmakers to formulate new policies and regulations. What do you need to know about today's executive order and what are the 10 steps you should take as a result?

Main Takeaways from the Executive Order

Newsom's Executive Order won't immediately impact private employers, but it will have a spillover effect you need to know about. Here are some main takeaways from the [September 6 Executive Order](#).

- It directs **state agencies to study the development, use, and risks of generative AI**.
- The order calls on state departments to perform a **joint analysis** on how AI could affect various aspects of life in the state, from the energy sector to vulnerable communities.
- It also calls for **guidelines on the ethical development and usage** of AI technology, as well as employee training within state government on how to best utilize these new tools.

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- The order specifically instructs state agencies to create **risk assessment reports**, focusing on the technology's implications for California's economy, energy consumption, and ethical considerations.
- State agencies are also required to devise **policies and regulations for AI**, setting the stage for California to become a model for how governments can integrate AI into their operations.

If the state government adopts and endorses AI technologies as this order anticipates, it could serve as a major revenue stream for both large and small AI enterprises looking to monetize their products, including chatbots and image generators. It could also set a precedent that influences AI adoption and regulation in other jurisdictions, potentially opening up more markets for AI services.

Your 10-Step Plan in Response to California's AI Executive Order

- 1. Conduct an AI Audit:** To start, you should assess your current and potential use of AI (particularly GenAI) to help you understand both the risks and opportunities associated with integration into your operations. This includes an assessment to ensure you understand how AI could affect your operations, both positively and negatively. Work with your Fisher Phillips attorney or [any member of our AI Practice Group](#) to get started.
- 2. Engage Critical Stakeholders:** You should consider creating a multi-stakeholder committee that includes representatives from various departments, including HR, IT, Legal, and DEI, to oversee your organization's AI adoption and usage. This committee could also liaise with external experts and regulators, ensuring that your practices are not only compliant but also socially responsible and aligned with your organization's commitment to diversity.
- 3. Develop an AI Strategy:** Create a strategic plan for AI adoption that aligns with your organization's goals and the potential regulations that could be introduced in California (and elsewhere). If you haven't done so yet, you should start preparing for a significant shift towards the use of AI regardless of your industry sector, especially if you operate in California. This transformation might range from rethinking administrative or data entry tasks to more

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complex functions like information analysis and customer engagement.

4. **Employee Training:** To stay ahead of the curve, you should consider rolling out training programs to improve your employees' proficiency in AI-related skills. Upskilling your employees in AI is becoming increasingly important, and this order is your latest sign that the time to jump on the bandwagon is now.
5. **Coordinate With Counsel:** To prepare for possible regulation around AI, you consult with legal advisors to understand how future laws might impact your business operations and what preemptive steps can be taken to proactively address the main concerns.
6. **Create Comprehensive AI Policies.** You can start by using [our firm's model template AI policy for employers](#). From there, adjust the policy for your particular business. You should make sure your policies cover ethical guidelines, data privacy concerns, confidentiality issues, necessary restrictions, and your overall company best practices. For a full review of how to craft your policies, [read this Insight on the 10 things you should include in any AI workplace policy](#).
7. **Beef Up Your Data Protection Measures:** Given that AI often requires the use of significant amounts data, you should ensure you have robust data protection and privacy measures in place – and that they have been adapted where necessary to contemplate the use of AI. This is especially relevant if you use AI for customer-facing operations.
8. **Review Procurement Policies:** In line with the guidelines to be created by the California state agencies, you should revisit your procurement policies to ensure that any AI tools or services you purchase comply with ethical and possibly upcoming regulatory standards.
9. **Deploy Pilot Testing:** Before a full-scale implementation of new AI tools, consider running a “sandbox” test, similar to what the California state agencies will be doing. This will allow you to identify any potential issues in a controlled environment and make necessary adjustments.
10. **Monitor Regulatory Updates:** Stay updated on California's AI legislative environment and adapt your policies and

practices accordingly. This is particularly important for employers in highly regulated sectors like healthcare, financial services, and life sciences.

What's Next?

The coming months are likely to see the release of comprehensive reports and guidelines that will influence not just California but potentially set a standard for AI governance across the country. Given that the executive order urges legislative bodies to create new AI policies, you should stay alert to new laws and regulations that could affect your business operations.

The best way to do that? We recommend you subscribe to [Fisher Phillips' Insight System](#) to gather the most up-to-date information on AI.

Conclusion

If you have questions, contact your Fisher Phillips attorney, the author of this Insight, or any attorney in our [Artificial Intelligence Practice Group](#).