

AI UNDER WATCH: NEW DEVELOPMENTS IN NEW YORK AND CALIFORNIA PUSH BUSINESSES TOWARD AI TRANSPARENCY AND COMPLIANCE

Insights
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AI is reshaping the workplace, and two of the nation's most influential states – California and New York – are making sure businesses take accountability. California's Attorney General issued **sweeping advisories** on Monday warning that AI-driven decisions must align with existing laws on consumer protection, discrimination, privacy, and competition. Meanwhile, New York's Governor announced on Tuesday that **NY will become the first state to require businesses to disclose AI-related layoffs**, signaling a growing expectation that employers must track and justify AI's impact on workers. Employers in both states must take immediate steps to ensure compliance, transparency, and workforce readiness – and employers across the country should take note given that your state may soon follow.

California's AI Crackdown: Compliance is Not Optional

California Attorney General Rob Bonta issued **two separate legal advisories** on January 13 reinforcing that **AI is already subject to existing laws** – a warning shot to businesses that compliance obligations are in full effect. "AI might be changing, innovating, and evolving quickly," he said, "but the fifth-largest economy in the world is not the wild west."

- **AI Must Comply With Consumer, Privacy, and Civil Rights Laws** – **AI-driven decisions in hiring**, lending, healthcare, and advertising are not exempt from anti-discrimination and privacy laws, the first advisory says. If AI systems generate biased, deceptive, or harmful outcomes, businesses can be held liable.

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- **AI Use in Healthcare Under the Microscope – [An industry-focused advisory](#) targets AI-driven healthcare decisions, stating that insurers and providers cannot use AI to deny care, override doctors, or impose discriminatory barriers to healthcare access.**

New York’s AI Layoff Reporting: The First of Its Kind

While California is focusing on AI compliance and liability, New York is taking a different approach – tracking AI’s impact on employment. Governor Kathy Hochul’s executive action announced during her January 14 State of the State address will soon expand New York’s Worker Adjustment and Retraining Notification (WARN) Act to require **businesses with 50+ employees to report AI-driven layoffs**. The move will make **New York the first state to demand transparency on how AI is replacing human jobs**. “New York is poised to lead the nation in the responsible use of artificial intelligence,” Hochul declared.

- **Companies will soon need to disclose if AI automation leads to job cuts.** The timing is not yet clear on when this obligation will kick in.
- **The state WARN Act** requires at least 90 days’ notice to the Department of Labor if an employer plans to close facilities, relocate, or lay off 25 or more employees – and this will soon be extended to require transparency about AI use.
- **Employers face increased scrutiny on workforce reductions** linked to AI-driven efficiencies.
- **This could set a national precedent**, leading other states to adopt similar measures.

What Employers Must Do Now

These developments **increase compliance burdens for businesses using AI**, particularly in **hiring, employment decisions, healthcare, and automation**. Employers should take the following actions immediately:

- ✓ **Audit AI Systems for Compliance Risks** – Ensure AI-driven decisions align with anti-discrimination, consumer protection, and privacy laws.
- ✓ **Prepare for AI Layoff Reporting (NY Employers)** – Companies operating in New York should begin tracking and



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disclosing AI-driven job reductions in anticipation of the impending change to the state's WARN Act.

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✓ **Strengthen Transparency and Explainability** – Businesses should clearly communicate how AI is used in employment, healthcare, and financial decisions.

✓ **Invest in Reskilling and Workforce Planning** – AI isn't just replacing jobs—it's transforming them. Companies that retrain workers will avoid regulatory pressure and talent shortages.

✓ **Monitor AI Regulations in Other States** – New York and California are leading the way, but expect other states to introduce similar laws. Read our [Comprehensive Review of AI Workplace Law and Litigation as We Enter 2025](#) for the full picture.

The Bigger Picture: A Nationwide Trend?

The regulatory pressure on AI is only beginning. California's enforcement-first stance and New York's workforce-tracking approach suggest that businesses should expect more AI regulations across the country. Companies that fail to plan for AI transparency and compliance now will face legal and reputational risks later. Employers must stay ahead of the curve — audit AI systems, refine workforce strategies, and prepare for increased regulatory oversight. The AI revolution is here, and compliance is no longer optional.

Conclusion

We will continue to provide the most up-to-date information on AI-related developments, so make sure you are subscribed to [Fisher Phillips' Insight System](#). If you have questions, contact your Fisher Phillips attorney, the authors of this Insight, any attorney in our [AI, Data, and Analytics Practice Group](#), [Government Relations Practice Group](#), or in our [New York](#) or [California](#) offices.