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TRUMP SIGNS AI EXECUTIVE ORDER TARGETING STATE LAWS: EMPLOYER FAQ

Insights
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President Trump just signed a sweeping new executive order directing the federal government to file lawsuits and cut funding for states that regulate artificial intelligence, a move that could dramatically impact the use of AI in the workplace. Yesterday's order sets up an aggressive federal effort to challenge and ultimately preempt state AI regulation, including employment-focused laws governing hiring, monitoring, and workplace decision-making. But the EO faces challenges from state leaders across the country, and employers might feel caught in the middle. You have questions about what still applies, what may be challenged, and what to do next. We break down your biggest questions and our answers in the FAQs below.

What is the Executive Order trying to do (in plain English)?

The EO, which you can read here, seeks to reduce the impact of state AI regulation by:

- Directing the Commerce Department to identify "onerous" state AI laws and refer some to DOJ for challenge

- Creating a DOJ "AI Litigation Task Force" to challenge certain state AI laws as unconstitutional, preempted, or otherwise unlawful

- Using federal leverage (especially broadband funding and potentially other discretionary grants) to discourage states from enacting/enforcing certain AI laws

- Setting in motion FCC and FTC actions that could preempt some state requirements

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- Pushing Congress to enact a federal preemption framework

Does the EO immediately invalidate state AI laws?

No. All current and pending state and local AI laws will remain enforceable unless and until a court blocks them through an injunction, or Congress passes a federal law that preempts them.

Should employers stop complying with state AI hiring/monitoring rules now?

No. As of today, all state and local laws remain enforceable unless specifically blocked. The best way to think of the EO is a directive to Executive Branch officials to kick off a process of federal pressure and litigation against the states, and not a regulatory action in and of itself.

What's the EO's stated policy objective?

The EO states it is US policy to "sustain and enhance" US global AI dominance through a "minimally burdensome national policy framework."

Why is Colorado specifically mentioned?

The EO's text calls out Colorado's "algorithmic discrimination" law (set to take effect in June 2026) as an example, arguing it could pressure models to produce "false results" to avoid differential treatment/impact.

What other state/local employment AI laws are in the crosshairs?

Besides Colorado's law, here are some other workplace-related statutes and regulations that would fall directly within the EO's target zone:

- California's disclosure mandates

- New York City's bias audit rules

- Illinois's notice and anti-bias requirements

- Virginia's anticipated AI law covering healthcare

The Commerce Department's evaluation will be the first official list of what the administration considers "onerous," but you can expect to see these – and more – on its list.

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What happens in the next 30 days?

Within 30 days, the Attorney General must establish an AI Litigation Task Force whose "sole responsibility" is to challenge state AI laws inconsistent with the EO's policy.

What happens in the next 90 days?

The EO contains several major 90-day triggers:

- Commerce must publish an evaluation identifying "onerous" state AI laws and laws that should be referred to DOJ's task force

- Commerce must issue a policy notice tying a state's eligibility to receive funding through the Broadband Equity Access and Deployment (BEAD) Program to the presence/absence of "onerous" state AI laws

- FTC must issue a policy statement on applying the FTC Act (UDAP) to AI models and when state laws requiring "truthful output" alterations are preempted

- FCC is directed (after Commerce's identification is published) to initiate a proceeding on a federal reporting/disclosure standard for AI models that could preempt conflicting state laws

What is BEAD and why is it in an AI EO?

BEAD is a major federal broadband funding program. The EO directs Commerce to issue a policy notice making states with "onerous" AI laws ineligible for non-deployment funds (to the maximum extent allowed by law), tying AI policy to broadband program eligibility, particularly due to AI's reliance on high-speed broadband networks.

Are employers likely targets of DOJ's "AI Litigation Task Force"?

The EO is framed around challenging state laws (i.e., lawsuits aimed at states or state officials enforcing laws). For now, there is no indication that the federal government will take aim at employers that use AI in the workplace.

What are the legal vulnerabilities of the EO?

Opponents have already lined up to indicate they will challenge the reach of the EO. Several of the likely

arguments that will be raised include:

- **Federalism / 10th Amendment:** States traditionally regulate employment, civil rights, and consumer protection. There is little doubt that states like California and New York will take issue with the federal government's attempts to supplant state authority.

- **Spending Clause limits:** States will likely contend that conditioning federal funds on state behavior is coercive or not sufficiently related to the funding program's purpose.

- **Agency preemption:** If FCC/FTC actions attempt broad preemption without clear statutory authority, we'll likely see litigation over this attempt at administrative power.

Are Republican lawmakers in lockstep agreement with this EO?

No. The Washington Post reports that Florida Gov. Ron DeSantis and Sen. Josh Hawley (R-MO) have been critical of federal attempts to block state AI laws, and it appears that other conservative leaders may also come out in opposition to this move.

Does the EO include carve-outs aimed at easing that opposition?

Yes. The EO's legislative recommendation is instructed not to propose preempting otherwise lawful state AI laws relating to:

- Child safety

- AI compute/data center infrastructure (with a limited exception)

- State government procurement/use of AI

- Other topics as determined

Notably, those carve-outs do not clearly protect employment-related state AI laws, which is why workplace rules remain a likely battleground.

What will Congress likely do?

The EO explicitly calls for a legislative recommendation from Congress, but the path to actual federal law remains uncertain. As recently as last week, an effort to insert AI

[preemption into the federal NDAA failed](#), despite President Trump explicitly asking Congress to block AI laws through legislative maneuvering.

If state AI laws end up being blocked or preempted, will employers be immune from employment discrimination risk while using AI?

No. The EO targets state AI laws; it does not repeal Title VII, the ADA, the ADEA, other federal EEO frameworks, or state antidiscrimination laws. So even if a state AI statute is weakened, employers can still face [disparate treatment or disparate impact allegations](#), failure-to-accommodate issues where algorithms screen out disabled individuals, claims challenging automated decision-making as discriminatory, and other similar arguments.

What should employers do now?

Despite all the uncertainty, there are some practical steps you can take to best position your organization for the near future.

- **Stay the course on state-law compliance.** Colorado, California, Illinois, New York, and other state requirements are still on track unless and until courts say otherwise.

- **Build an internal inventory of AI tools.** Focus especially on hiring, promotion, monitoring, scheduling, productivity scoring, sentiment or voice analysis, safety prediction tools, and other similar tools.

- **Strengthen AI governance and documentation.** Even under a federal standard, you'll benefit from data retention plans, bias testing protocols, human-in-the-loop controls, clear vendor documentation, and risk assessments for high-stakes use cases. [You can start here](#).

- **Update vendor contracts.** Ensure you can pivot if state rules remain in effect, a new federal standard emerges, or vendors want to adjust compliance language. [Check out some guidance here](#).

- **Monitor the next three federal deliverable dates – and Congress.** The DOJ Task Force (30 days), Commerce "onerous law" list (90 days), and BEAD policy notice (90 days) will come online in early 2026. As for Congressional action? It's anyone's guess at this point. Make sure you are

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Conclusion

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