



August 14, 2025

The Honorable Anna Caballero  
Chair, Senate Appropriations Committee  
California State Capitol, Room 412  
Sacramento, California 95814

**Re: Assembly Bill 1405 (Bauer-Kahan) - Artificial Intelligence - Auditors - OPPOSE**

Dear Chair Caballero, Vice Chair Seyarto, and Members of the Senate Appropriations Committee,

The Business Software Alliance appreciates the opportunity to share insights from the enterprise software sector on AB 1405, which we oppose. BSA is the leading advocate for the global software industry.<sup>1</sup> BSA members are at the forefront of developing cutting edge services, and their products are used by businesses of all sizes across every sector of the economy.<sup>2</sup>

AI is changing the way we live and work, and it has real-world benefits. Realizing the potential of AI requires trusting that the technology is developed and deployed responsibly. Crafting AI legislation that promotes responsible uses of AI and protects against misuse is one of the most important technology issues today, and one we already see governments beginning to tackle, including in the European Union and in Colorado. The most effective way to address this issue is through a single, national law. However, just as states took the lead in adopting consumer privacy laws, we recognize states are again leading with AI legislation.

As you consider how to regulate AI, we want to underscore the importance of ensuring any AI legislation creates thoughtful, clear guardrails for companies and protects consumers. While we support the goal of ensuring accountability in AI, we have concerns about the AI audit regime AB 1405 would establish. We oppose the legislation, because:

- The current AI auditing ecosystem is immature;
- This bill, combined with AB 1018, short-circuits the process of creating globally-recognized standards for AI; and

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<sup>1</sup> BSA's members include: Adobe, Alteryx, Asana, Atlassian, Autodesk, Avalara, Bentley Systems, Box, Cisco, Cohere, Dassault Systemes, Databricks, Docusign, Dropbox, Elastic, EY, Graphisoft, HubSpot, IBM, Informatica, Kyndryl, MathWorks, Microsoft, Notion, Okta, OpenAI, Oracle, PagerDuty, Palo Alto Networks, Rubrik, Salesforce, SAP, ServiceNow, Shopify Inc., Siemens Industry Software Inc., Trend Micro, TriNet, Workday, Zendesk, and Zoom Communications Inc.

<sup>2</sup> See The Business Software Alliance, Artificial Intelligence in Every Sector, *available at* <https://www.bsa.org/files/policy-filings/06132022bsaaieverysector.pdf>.

- Well-established accountability tools, like impact assessments, are better suited to encourage the responsible development and use of AI.

**First, the existing AI auditing ecosystem is immature.** While existing state law requires audits of certain public-sector high-risk automated decision systems, proposed legislation, namely AB 1018,<sup>3</sup> would require third-party audits of private-sector automated decision systems. We have concerns regarding requirements for third-party audits of private-sector AI systems because today's AI auditing ecosystem is nascent and lacks: (1) comprehensive standards for how AI audits should be conducted; (2) a robust framework for governing the professional conduct of AI auditors; and (3) sufficient resources for conducting AI audits.<sup>4</sup> And there is no guarantee that the AI auditing ecosystem will sufficiently evolve by 2027, when the bill's requirements take effect. Establishing clear mechanisms for audits of government AI systems that are already required by current law may help ensure those audits are conducted efficiently, however, we are concerned by any legislation that seeks to create auditing regimes for private-sector AI systems and encourage policymakers to consider more widely used and workable accountability tools, like impact assessments.

**Second, this bill, combined with the obligations in AB 1018, is an end-run around the well-established process used worldwide for creating global standards.** Across every industry sector, international standards organizations like the International Organization for Standardization (ISO) and Institute of Electrical and Electronics Engineers (IEEE) create new standards as needs arise. Before a new standard is proposed, there is often significant foundational work by a range of experts, including technical research, to explore the activities that ought to be standardized.

This bill short-circuits the process of creating globally-recognized standards for AI. That contravenes longstanding US policy, which supports international standards development—rather than creating country-specific standards. This position is outlined in OMB Circular A-119, which emphasizes the importance of (1) relying on private-sector leadership in international standards setting, (2) supplementing private-sector participation with government participation in discrete standardization processes, and (3) leveraging available international standards domestically once they become available. The bill's creation of state-specific standards is even more problematic than country-specific standards – and can further undermine the development of global standards.

Instead, AI standards should be created through the same international standards development process used across industries and technologies. Several international AI standards development activities are already underway. For example, the ISO/IEC JTC1/SC 42 is tasked with developing technical standards and guidelines for AI and has

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<sup>3</sup> See California AB 1018 §22756.1(a)(4), §22756.1(d)-(e), §22756.2(g), and §22756.3.

<sup>4</sup> See The Business Software Alliance, *Enhancing AI Accountability: Effective Policies for Assessing Responsible AI*, available at: <https://www.bsa.org/policy-filings/enhancing-ai-accountability-effective-policies-for-assessing-responsible-ai>.

already published more than 20 AI-related standards. Governments should support these standards development processes rather than create new laws conflicting with them.

***Third, long-used accountability tools, like impact assessments, can help ensure companies develop and deploy AI responsibly, without creating the concerns caused by third-party audits.*** We agree that accountability in AI is important, particularly for high-risk uses of AI that have the most significant impacts on consumers' daily lives. For these high-risk scenarios, new safeguards are important—and legislation can leverage tools that already exist to help companies identify and mitigate potential risks. BSA supports requiring companies that develop or deploy AI for high-risk uses to: (1) adopt risk management programs; and (2) conduct impact assessments. These measures can help companies identify and mitigate risks when AI makes important decisions about consumers—and increase trust that AI is developed and used responsibly. In particular:

- Risk management programs establish repeatable processes for companies to identify and mitigate potential risks that can arise throughout the lifecycle of an AI system. Risk management is particularly important in contexts like AI, privacy, and cybersecurity, where the combination of quickly evolving technologies and highly dynamic threat landscapes can render traditional approaches to compliance ineffective. One way for companies to establish risk management programs is by using the AI Risk Management Framework (AI RMF), developed by the National Institute of Standards and Technology (NIST). The AI RMF builds on NIST's work creating frameworks for managing cybersecurity and privacy risks. Ultimately, effective AI risk management programs should support cross-company coordination to promote the identification and mitigation of risks across the lifecycle of an AI system.
- Impact assessments are a key part of a meaningful risk management program. Both developers and deployers should use impact assessments as a tool for the responsible development and use of high-risk AI systems—and each type of company should conduct an impact assessment that reflects their role in developing or deploying the AI system. Impact assessments are already widely used in a range of other fields, including privacy, as an accountability mechanism that demonstrates a product or system has been designed in a manner that accounts for the potential risks it may pose to the public. Because impact assessments already exist today in other fields, they can be readily adapted to help companies identify and mitigate AI-related risks.<sup>5</sup>

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<sup>5</sup> See BSA, Impact Assessments: A Key Part of AI Accountability, *available at* <https://www.bsa.org/policy-filings/impact-assessments-a-key-part-of-ai-accountability>.

Thank you for allowing us to provide the enterprise software sector's perspective on AB 1405. We welcome the opportunity to further engage with you or a member of your staff on these important issues.

Sincerely,

Meghan Pensyl  
Director, Policy