

DATE: May 9, 2024

RE: Colorado SB 205 – Consumer Protections for Artificial Intelligence

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### Overview of SB 205

During state sessions this spring, many state legislatures focused on addressing the potential risks associated with artificial intelligence (AI) and social media, especially as Congress continues to delay regulating tech policy.

On Wednesday, May 8, the Colorado General Assembly passed the nation's first bill aimed at broadly regulating the private sector's use of artificial intelligence. Titled *Consumer Protections for Artificial Intelligence*, [Senate Bill 205](#) seeks to safeguard consumers from the potential harms of AI, particularly in industries such as employment, finance, and healthcare.

The bill mandates that developers and deployers of high-risk AI systems, such as those implementing risk management frameworks and conducting impact assessments, exercise reasonable care to prevent algorithmic discrimination. It also requires companies to disclose to consumers when AI is being used, especially in decision-making scenarios. Additionally, the legislation includes oversight rules that would apply to systems used by law enforcement and schools and grants enforcement authority to the attorney general. Many of the regulations outlined in the bill align with those established in the [AI Act](#), passed last year in the European Union.

### Connecticut's Framework

The Colorado bill is very similar to [legislation](#) introduced by Democratic state Senator James Maroney in Connecticut. However, that bill failed to pass after Connecticut Governor Ned Lamont threatened to veto it. While the Democratic governor commended Maroney for his efforts on AI, he stated that the bill was "too much, too soon." Gov. Lamont proposed that his state collaborate closely with others, like Colorado, and make decisions collectively. He expressed concern about businesses potentially relocating elsewhere.

### Industry Perspective

The software industry generally supports certain measures, such as impact assessments, according to Craig Albright, Senior Vice President of U.S. Government Relations at BSA, which advocates on behalf of software companies. "Technology advances more rapidly than the law, but there are benefits when regulations catch up. This helps companies understand their responsibilities, and consumers can place greater trust in the technology," says Albright. He noted that the Colorado bill "rightly focuses on high-risk uses of AI and mandates the use of meaningful tools like impact assessments and risk management programs to address discrimination," but he expressed concern about aspects of the legislation that may not adequately account for the varying roles of different businesses in the AI supply chain. The U.S. Chamber of Commerce wrote a [letter](#) urging Gov. Polis to veto the bill, claiming such a law could cause adverse effects on the positive future of AI and stifle businesses and innovation.

### Next Steps

The bill now awaits approval from Democratic Governor Jared Polis, who has not indicated if he will sign or veto it. A press secretary for Polis stated, "This is a complex and emerging technology, and we need to be thoughtful in how we pursue any regulations at the state level." She added that the governor will carefully review the language before making a decision on whether to sign it. Gov. Polis has until June 7<sup>th</sup> to sign or veto the bill, or it becomes law without being signed. If the bill becomes law, it will go into effect on February 1, 2026.

### **Potential Impact**

As is typical in state legislatures, we will likely see other states replicate the bill, or at least parts of it, in the coming months and years. State lawmakers are increasingly interested in regulating AI at the state level rather than waiting for federal action. In 2023, fifteen states passed 20 laws on AI, and over 20 states have introduced AI-related bills so far in 2024.