

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5323H.011
Bill No.: HB 2032
Subject: Children and Minors; Science and Technology; Sexual Offenses
Type: Original
Date: March 19, 2026

Bill Summary: This proposal establishes age verification measures for artificial intelligence chatbots.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*It is assumed any fines collected by the AGO could exceed \$250,000 annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§1.2058 – Implementation of Age Verification Measures for AI Chatbots

Officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **Department of Social Services** and **Office of the State Courts Administrator** assume the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes that §1.2058.3(2) and .4(2) provides that any person who violates subdivision (1) shall be fined not more than \$100,000 per offense. In addition, the Attorney General may bring a civil action for each violation of .5 or .6 as provided under §1.2058.7. Oversight assumes there will be some amount of fine revenue collected from violations of this statute and that it is possible it could exceed \$250,000 annually.

Oversight further assumes the AGO would enforce the provisions of this proposal and any civil fines collected by the AGO would be deposited in General Revenue.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding

for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Gain – AGO (\$1.2058)</u> Potential fines/penalties collected p.3	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposal could directly impact small businesses involved in AI.

FISCAL DESCRIPTION

This bill establishes the "Guidelines for User Age-Verification and Responsible Dialogue Act of 2026" or the "GUARD Act".

The bill provides definitions for, among other terms, "AI companion", "artificial intelligence chatbot", and "covered entity".

The bill makes it unlawful to design, develop, or make available an artificial intelligence chatbot knowing or with reckless disregard for the fact that the chatbot poses a risk of soliciting, encouraging, or inducing minors to engage in, describe, or simulate sexually explicit conduct, or create or transmit a visual depiction of sexually explicit conduct. A violation of this provision is no more than \$100,000 per offense.

The bill additionally makes it unlawful to design, develop, or make available an artificial intelligence chatbot knowing or with reckless disregard for the fact that the chatbot encourages, promotes, or coerces suicide, self-injury, or imminent physical or sexual violence. A violation of this provision is no more than \$100,000 per offense.

The bill requires a covered entity to require each individual accessing a companion AI chatbot to make a user account. For each account that exists as of August 28, 2026, the covered entity is required to freeze the account and, in order to restore the account's functionality, require that the user verify his or her age using a commercially available method or process designed to ensure accuracy. Using this information, the covered entity then must classify each user as a minor or an adult. If a user is classified as a minor, a covered entity must prohibit the minor user's use or access any AI companion owned, operated, or made available by the covered entity.

When an individual creates a new user to account to use or interact with a companion AI chatbot, a covered entity is responsible for verifying the age of the user and classifying each such user as a minor or adult. The bill permits covered entities to contract with a third party to employ reasonable age verification measures.

A covered entity is responsible for maintaining and protecting the confidentiality of the age information provided for verification.

The bill establishes certain conditions that must be met by each artificial intelligence chatbot made available to users, including certain programming requirements and disclosures to users that the chatbot is artificial intelligence and not a human being.

The Attorney General can initiate a civil action in the case of a violation of the provisions of this bill, and may promulgate all necessary rules for the administration of these provisions.

Any person violating the age verification provisions of this bill will be subject to a civil penalty of not more than \$100,000 per violation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Department of Social Services
Office of the State Courts Administrator
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
March 19, 2026
HWC:LR:OD



Jessica Harris
Assistant Director
March 19, 2026