

California Senate Bill SB 1047: Another Stifling Blow to Silicon Valley AI Startups

New AI regulations could hinder innovation, favoring big tech and challenging smaller firms in Silicon Valley

DUBAI, UNITED ARAB EMIRATES, May 24, 2024 /EINPresswire.com/ -- In a move that many in the tech industry fear will stifle innovation and entrench the dominance of large tech corporations, the California Senate has passed SB 1047. Introduced by State Senator Scott Wiener, the bill aims to impose rigorous safety and regulatory measures on the development of large-scale artificial intelligence (AI) systems. While proponents hail it as a necessary step to ensure AI safety, critics argue it places an undue burden on startups and smaller tech firms, potentially crushing the very innovation that has made California a global leader in technology.



Talal Thabet, CEO and co-founder, Haltia.AI

SB 1047 sets out strict requirements for "covered models," defined as AI systems that exceed a computational threshold of 10 to the 26th floating-point operations (FLOPs) or demonstrate capabilities similar to state-of-the-art models. Developers of these models must conduct extensive safety testing and obtain certifications before deployment. These provisions, according to the bill, are designed to ensure that AI systems do not possess hazardous capabilities that could pose significant risks to public safety and security.

However, the financial and operational burdens imposed by these requirements are seen as prohibitive for startups. Todd O'Boyle from the Chamber of Progress, a center-left tech industry policy coalition, criticized the bill, stating, "Wrapping up new AI models in red tape effectively cements the biggest tech players as winners of the AI race". The compliance costs associated with the mandatory safety assessments and third-party testing protocols are expected to be substantial, potentially driving smaller companies out of the market or preventing them from



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innovating in high-risk, high-reward areas of AI development.

Notably, the bill’s impact on startups is compounded by its provisions on cybersecurity and the implementation of a “kill switch” for AI systems. These measures, while aimed at preventing misuse, add another layer of complexity and cost that startups may find difficult to bear.

Supporters of SB 1047 argue that such measures are

necessary to prevent the misuse of powerful AI technologies. Senator Wiener, for instance, has highlighted the potential risks associated with unchecked AI development and the need for strong safety protocols to mitigate these risks. The bill also includes initiatives like CalCompute, a public cloud-computing resource intended to support startups and researchers by providing access to significant computational power which remains a point of contention. This state-owned resource is positioned and designed to support research and development in AI according to the State Senate. While the claimed intent is to provide equitable access to computing resources, critics argue that this initiative could inadvertently favor larger, well-established tech companies that have the resources to navigate the complex regulatory landscape. According to The Register, CalCompute aims to ensure that AI development aligns with California’s values and safety standards, but startups fear that the high compliance costs and bureaucratic hurdles could impede their ability to innovate.

Despite these marketed supportive measures, critics point out the potential conflicts of interest among the bill’s supporters. Several senators who voted for the bill have notable connections to large tech companies that stand to benefit from the increased regulatory burden on smaller competitors. For instance, Senator Wiener has received campaign contributions from major tech firms like Google, raising questions about the influence of big tech in the legislative process. The Center for AI Safety Action Fund, a sponsor of SB 1047, has ties to major industry players who stand to benefit from the increased regulatory oversight that might limit competition from smaller startups. This has fueled skepticism about the bill’s true intentions and fairness in promoting innovation across the board.

Several influential figures in the tech industry have voiced concerns about the potential negative impact of SB 1047 on startups. Evan Conrad, founder of the San Francisco Compute Company, and Eric Ries, co-founder of Answer.AI, have both expressed apprehension about the bill’s implications for smaller companies. They argue that while safety precautions are necessary, the stringent requirements could place an undue burden on startups, stifling their growth and innovation potential. Prominent AI researchers, such as Geoffrey Hinton and Yoshua Bengio, have endorsed the bill, emphasizing the importance of safety in AI development. However, this support does not alleviate the concerns of smaller firms struggling to navigate the complex and costly regulatory landscape imposed by SB 1047.

The passage of SB 1047 represents a significant shift in California's approach to AI regulation, one that critics argue could stifle the very innovation that has driven the state's tech industry to global prominence. The high compliance costs and rigorous safety standards could favor larger tech companies, thereby reducing the competitive landscape that fosters technological advancements. Is this by design? Many argue that it is. What I do know for sure is that it will limit choice. What if one does not want to be on the cloud? One wants to remain on device?

As the bill moves towards implementation, it remains to be seen how smaller AI developers will adapt to these new challenges and whether California can maintain its position as a hub of technological innovation in the face of increased regulatory scrutiny. For now, we are already seeing the effects of the EU regulatory decisions resulting in an exodus of founders to other more welcoming jurisdictions like the UAE after reading Arto Bendiken's Open Letter responding to Marc Andreessen's Techno Optimist Manifesto. Will we see the same in California? That remains to be seen but is increasingly likely.

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