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Client Alert

Illinois Enacts New Law Implementing AI Safety Measures

WHAT'S NEW: Illinois Governor J.B. Pritzker recently signed the Artificial Intelligence Safety Measures Act (SB 315) into law, making Illinois one of the first states to establish a comprehensive AI safety framework focused on the development of advanced artificial intelligence models. **The law takes effect January 1, 2027**, and imposes significant transparency, auditing, reporting, and compliance requirements on certain large AI developers.

WHY IT MATTERS: While the law's direct requirements apply primarily to a limited group of large "frontier" AI developers, employers and businesses that procure, deploy, or rely on AI technologies should pay close attention. The law signals Illinois' increasing focus on AI regulation and may serve as a foundation for broader AI compliance requirements in future legislative sessions. Key provisions include:

- **Applies Primarily to Large Frontier Developers:** The law is targeted primarily toward companies developing the most advanced AI systems. "Frontier developers" are entities that train frontier AI models exceeding specified computing thresholds. Core compliance obligations apply primarily to "large frontier developers" with at least $500 million in annual gross revenue. Most employers will not be directly regulated by the Act but may be indirectly impacted through their relationships with AI vendors and service providers.
- **Transparency Requirements:** Covered AI developers must create and maintain a public transparency framework describing:
  - How the developer applies industry-recognized AI safety standards
  - How the developer evaluates AI model capabilities and assesses potential catastrophic risks
  - How the developer identifies, mitigates, and responds to AI safety incidents
  - The developer's overall risk management and safety governance practices
- **Mandatory Third-Party Audits:** Illinois is the first state to require independent annual audits of covered AI developers. On an annual basis, large frontier developers must retain third-party auditors to evaluate compliance with the law's safety and transparency requirements. The requirement is intended to provide independent oversight rather than relying solely on developer self-assessments.
- **Incident Reporting Obligations:** Covered developers must report certain AI-related safety incidents to state authorities. Critical safety incidents must generally be reported within 72 hours of discovery. If an incident presents an imminent risk of death or serious physical injury, reporting must occur within 24 hours. Reports must be submitted to the Illinois Emergency Management Agency and the Illinois Attorney General. Additional notifications may be required to law enforcement or public safety agencies where appropriate.
- **Whistleblower Protections:** The law includes protections for employees (employees responsible for assessing managing or addressing the risk of critical safety incidents) and others who report potential AI safety concerns, risks, or violations.

- **Significant Penalties for Noncompliance:** Enforcement authority rests with the Illinois Attorney General. Civil penalties may reach up to $1 million for a first violation. Penalties may increase to $3 million for subsequent violations. The Attorney General's office has indicated that AI safety enforcement will remain a priority as the regulatory landscape evolves.

WHAT EMPLOYERS SHOULD DO: Employers should use the lead time before January 1, 2027, to evaluate their AI governance practices and vendor management procedures. Specifically:

- Reviewing contracts with AI vendors and technology providers to ensure appropriate compliance, indemnification, and risk-allocation provisions are in place.
- Evaluating internal policies governing the procurement and use of AI tools, particularly those involving employee data, recruiting, hiring, performance management, or other HR functions.

As state AI regulation continues to evolve, employers should expect increased scrutiny of AI systems and the vendors that develop them. Proactive planning now can help organizations manage compliance risks and remain prepared for future regulatory developments.

If you have any questions, please contact your HR Business Partner/Consultant.