To: Berkeley 2025 AI Policy Hackathon Committee
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RE: CalSandbox and the CLEAR AI Act: A State-Led Vision for Responsible AI Governance

Policy Memorandum

Executive Summary

In response to increasing worries about how to properly regulate AI, this policy memo suggests the California Law for Ethical and Accountable Regulation of Artificial Intelligence (CLEAR AI) Act. This act is supported by both political parties and focuses on managing risks while ensuring public safety, fairness, and maintaining California's role as a leader in innovation worldwide. Drawing on the structure of the EU AI Act and lessons from California legislation Senate Bill (SB) 53 and SB-1047, the CLEAR AI Act offers a contextual, use-focused regulatory framework that resists overregulation but addresses directly the real harms and risks AI systems pose.

The CLEAR AI Act also combines new California-first concepts such as CalSandbox, a supervised startup and research sandbox, within existing initiatives such as CalCompute, a public-access computing infrastructure to democratize high-performance computing. With a public AI transparency dashboard, tax incentives for responsible innovation, and robust individual protections, CLEAR AI serves to offer a more comprehensive and innovative policy solution based on ethics, pragmatism, and ingenuity.

Background

Artificial intelligence (AI) is transforming nearly every sector of society at a rapid pace, from healthcare and education to climate science and education. Alongside its benefits, AI has pressing risks: algorithmic bias in hiring and housing decisions, deep fakes and misinformation spread, mass surveillance through facial recognition, and unequal access to the computational infrastructure needed to participate in AI. California, home to industry leaders like OpenAI, Google DeepMind, and Anthropic, is uniquely positioned to lead the world in setting forward-thinking AI governance. Yet recent policy efforts have been inconsistent. SB-1047, which proposed regulating large-scale models based on compute, was vetoed in 2024 for being overly rigid (Safe and Secure Innovation for Frontier Artificial Intelligence Models Act, 2024). SB-53, introduced in 2025, provided important tools such as public computing access and whistleblower protections but stopped short of delivering a comprehensive regulatory framework (CalCompute: Foundation Models: Whistleblowers, 2025).

The CLEAR AI Act closes this gap through a risk-based, context-specific approach that strikes a balance between international practices and California's unique role in AI innovation. It draws from the European Union AI Act's proportional regulation model, California's own legislative groundwork, and wide-ranging academic literature that emphasizes data transparency. Additionally, the memorandum incorporates analyses of international sandbox initiatives beyond the United States, which offer effective models for testing. The comparative policy analysis also revealed gaps in equity, transparency, access, and accountability, all conclusions that informed the CLEAR AI Act's basic structure: an enforceable, scalable framework designed to facilitate innovation while protecting the public good.

Policy Recommendation

To adequately address the growing tensions between AI development and the secure testing of such technologies, the CLEAR AI Act seeks to build upon CalCompute, established in SB-53, to promote safe innovation through the creation of CalSandbox. Similar to the tiered, use-based oversight approach in the EU Artificial Intelligence Act — the world's first comprehensive AI regulation framework —

CalSandbox is grounded in the principle that higher-risk AI requires proportionate, supervised testing requirements, not blanket restrictions (*High-Level Summary of the AI Act*, 2025).

In Singapore, the first GenAI Sandbox for small and medium-sized enterprises (SMEs) was launched in 2024 in order to reduce accessibility barriers in AI development (*Singapore Ministry of Digital Development and Information*, 2024). The program's early success led to the launch of GenAI 2.0 later that year, deepening participation and deepening regulatory collaboration (*Building on the success of Singapore's first Generative AI Sandbox for SMEs, IMDA launches Generative AI Sandbox for SMEs v2.0 to help SMEs adopt GenAI solutions*, 2024). Likewise, the United Kingdom's Financial Conduct Authority (FCA) Sandbox has shown that regulatory experimentation zones can accelerate innovation while also safeguarding public interest (*Regulatory Sandbox*, 2022). These international models inform California's vision for a forward-looking, equity-centered AI governance framework.

Existing CalCompute measures help to limit barriers associated with the high cost of compute; by building on these measures through CalSandbox, California will be able to foster a climate around AI that successfully balances equity, innovation, and regulation. CalSandbox will serve as an online regulatory safe zone where institutions, researchers, and startups may test high-risk AI systems under government supervision. Individuals and entities will be able to apply for regulatory waivers, which will allow them to experiment with potential high-risk technologies, consequently satisfying the need for innovative outlets for AI exploration. Similarly, government-identified experts in the fields of ethics, cybersecurity, data privacy, machine learning, and more will be engaged in all steps of the waiver and oversight process, ultimately enhancing safety mechanisms and mitigating the risks associated with the malfunction or misuse of high-impact AI.

Feasibility

Regarding the feasibility of successfully implementing the CLEAR AI Act, the policy, in line with the results of other sandbox and incentivization initiatives internationally, is projected to be largely doable. The largest obstacle to feasibility involves economic barriers, particularly relating to the cost of computation and inaccessibility of AI technology, which may prevent groups and entities from fully reaping the benefits of the CLEAR AI Act. To support future responsible development, CalSandbox participants will be eligible to earn a Certified Responsible AI credential, part of CLEAR AI Act's Responsible AI Incentive Program. This voluntary certification rewards developers who demonstrate exemplary ethical practices — including third-party audits, fairness testing, and transparency reports — with access to public tax credits, a seat on the California Responsible AI Leaderboard, and express entry to state tools like CalCompute and CalSandbox. Together, the sandbox and incentive program work in tandem: one lowering the barriers to safe experimentation, the other encouraging developers to go beyond compliance and actively build public trust. These measures, in conjunction with one another, will combine flexible regulation with incentivization to ensure that the CLEAR AI Act not only makes responsible AI development possible, but also achievable, inclusive, and competitively awarded.

Conclusion

As advancements in AI pose growing concerns for governments at the local, state, national, and international levels, California is in need of a solution that places transparency and accountability at the forefront of all policies pertaining to the regulation of AI technology. Rather than attempting to restrict AI development, which has previously proved both unsuccessful and unfeasible, the CLEAR AI Act provides a forward-thinking approach, offering security measures and incentives to promote appropriate AI usage without stifling technological innovation. As California positions itself as a leader in the emerging field of AI, the CLEAR AI Act and its provisions offer a comprehensive framework designed to strategically address existing regulatory gaps while centering clarity, ethics, and safety at the core of its AI governance model.

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