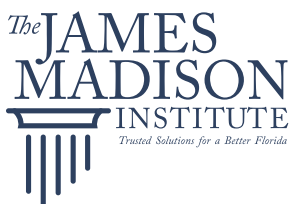# The $38 Billion Mistake:
Why AI Regulation Could Crush Florida's Economy

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The Regulatory Patchwork Problem: When 50 States Create 50 Different Rules

On May 17, 2024, Governor Jared Polis signed Colorado's Senate Bill 24-205 into law, making it the nation's first comprehensive AI regulation.[1] While proponents of AI oversight celebrated this milestone—alongside similar legislative efforts in California (ultimately vetoed), Virginia (also vetoed), Connecticut, and New York—critics argue that this emerging patchwork of state AI laws effectively creates a de facto national regulatory framework that raises compliance costs for businesses, confuses consumers, and raises potential Commerce Clause violations, as the constitutional provision designed to prevent states from interfering with interstate commerce may be implicated when state regulations effectively govern national AI practices.

In response to concerns about the growing number of states passing their own comprehensive AI legislation and the emerging patchwork of regulatory frameworks, language was included in the House version of the *One Big, Beautiful Bill* that would have imposed a 10-year moratorium on state-level AI regulation. Specifically, the House language would have prevented states from regulating artificial intelligence models, "artificial intelligence systems," or "automated decision systems."[2]

States will, however, be free to continue to regulate the harms associated with AI use, such as discrimination, as well as free to continue to regulate the emergence of data centers or the ability of states to regulate social media platforms – a concern of many critics.[3]

Florida's $38 Billion Wake-Up Call

Just like other states that have sought to pass AI regulations, Florida has considered new rules to regulate artificial intelligence (AI). While states like California, Texas, and New York have sought to pass comprehensive measures, Florida has sought a more piecemeal approach. For example, lawmakers considered a digital provenance bill that would have required Generative AI tools to make available their provenance data.[4]

This study examines the potential costs to the state's economy of those and similar rules. The results are concerning: stricter AI rules, either in state, out of state, or a combination of both could significantly harm Florida's economic growth, reduce jobs, and lower wages for workers across the state.

Our model suggests that if Floridians need to comply with stringent AI regulations, the state could lose $38 billion in economic activity annually for the next decade. That's roughly equivalent to losing all economic activity from a major metropolitan area.[5] The regulations would also eliminate about 54,000 jobs annually and reduce average wages by 1.4% each year. It's also important to recognize that, as one of 50 states in an economic union, if any state passes measures that restrict the use of AI, it will inevitably impact the ability of Florida companies to operate.

Crunching the Numbers Behind the Nightmare Scenario

We used an economic model that simulates how the entire U.S. economy works, then focused on what would happen specifically in Florida, taking into account its economic position. The model predicts how changes in one part of the economy ripple through everything else.[6]

We made two key assumptions about how AI regulations would hurt productivity. First, we assumed that businesses would become 1% less efficient because regulatory red tape would prevent them from using AI tools effectively. Second, we assumed that individual workers would also become less productive, with the biggest impact on high-earning professionals who rely heavily on AI tools.

Why would high earners be hurt more? Think about it this way: a lawyer using AI to research cases or a financial analyst using AI to spot market trends gets much more benefit from these tools than someone working in a restaurant or driving a truck. So when regulations limit AI use, the white-collar professionals lose more productivity.

We think these assumptions are actually conservative – the real damage could be worse than what our model predicts because AI systems are and will be widespread.

Breaking Down the Billion-Dollar Breakdown

Lost Economic Output: The $38 billion annual loss represents nearly 2% of Florida's economic output. To put this in perspective, that's like losing the entire economic contribution of Naples-Marco Island and Lakeland-Winter Haven.[7] This money represents goods not made, services not provided, and innovations not developed.

Job Losses: Losing 54,000 jobs every year might not sound significant in a state with 11.2 million workers,[8] but these losses would concentrate in Florida's most valuable industries. We're talking about high-paying jobs in technology, finance, healthcare, and professional services – the jobs that drive economic growth and attract talented people to the state.

Lower Wages: When workers become less productive due to regulatory constraints, employers can afford to pay them less. The 1.4% annual wage decline would compound over time, meaning workers would fall further and further behind what they could have earned without the regulations.

The Red Tape Trap: How Good Intentions Create Bad Economics

Compliance Costs: New regulations don't enforce themselves. Companies that use AI need to hire compliance officers, install monitoring systems, conduct audits, and potentially redesign their AI systems. All of this costs money that could otherwise go toward productive activities like hiring workers, developing products, or expanding operations.

Innovation Slowdown: When regulations make it harder to experiment with AI, companies become more cautious about developing new AI applications. Over time, this means Florida businesses would fall behind competitors in other states who can freely innovate with AI technology.

Uncertainty Problems: Businesses hate uncertainty. If AI regulations are unclear or keep changing, companies might simply avoid AI investments altogether rather than risk violating the rules. This ultra-conservative approach prevents businesses from gaining the productivity benefits that AI can provide.

Competitive Disadvantage: If Florida restricts AI while other states don't, Florida businesses would be competing with one hand tied behind their backs. A Florida marketing firm limited in its AI use would struggle to compete with a Texas firm that can use AI freely to serve clients better and faster.

The Hit List: Industries in the Regulatory Crosshairs

Technology Companies: Technology firms that develop or heavily use AI would face the biggest challenges. This includes software companies, data analytics firms, and AI startups.

Financial Services: Banks, insurance companies, and investment firms increasingly rely on AI for fraud detection, risk assessment, and customer service. Regulations could make these companies less competitive and effective.

Healthcare: Hospitals and medical practices use AI for diagnosis, treatment planning, and administrative tasks. Regulatory constraints could slow medical innovation and reduce the quality of patient care.

Professional Services: Law firms, consulting companies, and accounting practices that use AI to research, analyze data, and serve clients more efficiently would lose significant competitive advantages.

Small Businesses: Small and medium-sized enterprises across Florida would be disproportionately impacted by AI regulations. Unlike large corporations with dedicated compliance teams and legal resources, small businesses often lack the infrastructure to navigate complex regulatory frameworks. They rely heavily on accessible AI tools for essential operations like automated customer service, inventory management, marketing optimization, and basic data analysis. Regulatory compliance costs could force many small businesses to abandon AI solutions entirely, putting them at a severe disadvantage against larger competitors who can absorb these expenses.

Manufacturing: Factories use AI for quality control, predictive maintenance, and supply chain management. Regulations could force manufacturers to use less efficient methods, increasing costs and reducing reliability.

When Bad Economics Gets Worse: The Domino Effect

The economic damage wouldn't stop at the direct effects. When major employers become less productive and start laying off workers, those unemployed people spend less money at restaurants, stores, and service businesses. This creates a ripple effect that spreads the economic pain throughout the community.

Additionally, if Florida becomes known as an anti-AI state, it could have trouble attracting new businesses and talented workers. Young professionals and innovative companies may choose to relocate to states that embrace AI technology rather than restrict it.

Your Wallet, Your Job, Your Future: The Personal Cost

These economic projections aren't just abstract numbers – they would affect real families and communities across Florida, reflected in:

Fewer Job Opportunities: With 54,000 fewer jobs created each year, it would become harder for Floridians to find work, especially in high-paying professional fields, undercutting the state's robust economy and job market.

Slower Wage Growth: Even people who keep their jobs would see their paychecks grow more slowly than they would have without the regulations.

Higher Costs: If Florida businesses become less efficient due to AI restrictions, they might need to charge higher prices for their products and services to maintain profitability.

The Tip of the Iceberg: Why Reality Could Be Even Worse

Our study assumes relatively modest productivity losses from AI regulation. In reality, the damage could be much worse for several reasons:

AI is Becoming More Important: AI technology is advancing rapidly and becoming essential for competitiveness in more industries. Today's restrictions could create significantly larger competitive gaps in the future.

Network Effects: Many AI applications become more valuable when widely adopted. If regulations prevent widespread AI adoption in Florida, the state could miss out on these network benefits entirely.

Talent and Investment Flight: High-skilled workers and companies who rely on AI tools might move to other states with fewer restrictions, creating a brain drain that compounds the economic damage.

The Choice: Innovation Leader or Regulatory Loser

This economic analysis reveals that stringent AI regulations would inflict severe damage on Florida's economy while delivering questionable benefits. The quantitative evidence demonstrates that such regulatory overreach would eliminate billions in economic output, destroy tens of thousands of high-paying jobs, and undermine Florida's competitive position in the technology sector.

The Economic Reality

The data presents a stark choice for policymakers. Florida stands at a critical juncture where regulatory decisions will determine whether the state captures the immense economic opportunities of the AI revolution or falls behind competitor states that embrace technological innovation. States implementing restrictive AI frameworks risk creating regulatory deserts that drive investment, talent, and innovation to more business-friendly jurisdictions.

The productivity gains from AI adoption across industries—

from healthcare and finance to manufacturing and logistics—represent a once-in-a-generation opportunity for economic expansion. Regulatory barriers that impede these advances don't merely slow progress; they actively diminish Florida's long-term economic prospects and quality of life for residents.

A Path Forward

Rather than pursuing state-level restrictions that fragment the regulatory landscape and create compliance burdens, Florida's leaders at both the federal and state level should advocate for a coherent federal AI governance framework that prevents a patchwork of conflicting state regulations. This approach would protect the state's economic interests from in-state and out-of-state burdens while ensuring appropriate oversight occurs at the national level, where it can be most effective and least disruptive to interstate commerce.

The evidence suggests that Florida's prosperity depends on positioning itself as a leader in AI adoption, as well as the creation of a national uniform standard that would prevent one state from imposing an economic burden on other states.

Table 1. Projected percent change in Florida macroeconomic variables from extra Florida AI regulation: 2026-2035

VARIABLE	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Avg. annual 2026- 2035
FL GDP	-1.90	-1.91	-1.91	-1.92	-1.92	-1.94	-1.95	-1.96	-1.97	-1.98	-1.94
Capital Stock	-1.37	-1.45	-1.50	-1.57	-1.64	-1.71	-1.77	-1.83	-1.88	-1.94	-1.66
Employment	-0.63	-0.59	-0.55	-0.52	-0.50	-0.48	-0.46	-0.44	-0.42	-0.41	-0.50
Wage	-1.28	-1.33	-1.36	-1.40	-1.43	-1.47	-1.50	-1.53	-1.56	-1.58	-1.44
FL GDP ($Bil chg)*	-$33.9	-$34.8	-$35.5	-$36.5	-$37.4	-$38.4	-$39.4	-$40.5	-$41.6	-$42.7	-$38.1
Employment (thousands chg)	-64.1	-61.1	-57.8	-55.6	-53.7	-52.1	-50.7	-49.5	-48.4	-47.5	-54.1

Note that row 5, "FL GDP ($Bil chg)" is a billions of dollars change rather than a percent change. We used Gross State Product baseline projections from the state and then used the percent changes from the model to get the dollar change. Row 6, "Employment (thousands, chg)" is thousands of workers rather than a percent change.

Endnotes

1   Colorado General Assembly. "SB24-205 · Concerning consumer protections in interactions with artificial intelligence systems." 2024 Regular Session. Available at: https://leg.colorado.gov/bills/sb24-205

2   Julia Edinger, "State AI Regulation Ban Clears U.S. House of Representatives," GovTech, May 23, 2025. Available Online: https://www.govtech.com/artificial-intelligence/state-ai-regulation-ban-clears-u-s-house-of-representatives

3   Cristiano Lima-Strong, "The State AI Laws Likeliest To Be Blocked by a Moratorium." *Tech Policy Press*, June 6, 2025. Available Online: https://www.techpolicy.press/the-state-ai-laws-likeliest-to-be-blocked-by-a-moratorium/.

4   *Florida House of Representatives*. "CS/CS/CS/HB 369: Provenance of Digital Content." Florida Legislature, 2025. Available Online: https://www.flsenate.gov/Session/Bill/2025/369.

5   *U.S. Bureau of Economic Analysis*. "Gross Domestic Product by County and Metropolitan Area, 2023." Washington, DC: U.S. Department of Commerce. December 4, 2024. https://www.bea.gov/sites/default/files/2024-12/lagdp1224.pdf.

6   We used the open source macroeconomic model OG-USA, the details of which are in Richard W. Evans, "Macroeconomic Costs of AI Regulation in Florida", Substack, June 26, 2025. Available Online: https://rickecon.substack.com/p/macro-costs-of-ai-reg-fl

7   *Federal Reserve Bank of St. Louis.*. "Total Real Gross Domestic Product for Naples-Immokalee-Marco Island, FL (MSA)" [RGMP34940]. FRED, Federal Reserve Economic Data. Last updated December 4, 2024. Available Online: https://fred.stlouisfed.org/series/RGMP34940; *Central Florida Development Council*. 2025. "Data & Research." Accessed June 24, 2025. Avaliable Online: https://www.cfdc.org/resources/data-research/

8   *U.S. Bureau of Labor Statistics*. "Florida." Economy at a Glance. Accessed June 24, 2025. Available Online: https://www.bls.gov/eag/eag.fl.htm.

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