



AI FOR MAIN STREET LAW

# A Three-Part Guide for Practicing Attorneys

Understanding the AI for Main Street Act | Navigating SBA Funding | Advising Clients on AI Adoption

Artificial intelligence is no longer a concern exclusive to Big Law or Big Tech. Congress has moved to accelerate AI adoption for small businesses through the **AI for Main Street Act (H.R. 5764)**, while bar ethics opinions across the country simultaneously raise the compliance stakes for every attorney whose clients are experimenting with AI tools. This guide breaks the landscape into three parts: what the law does, where the money actually is, and what attorneys must now do to protect their clients and themselves.

**June 15, 2026 SBA Deadline**

Law firms that have implemented a compliant AI infrastructure may qualify for federal hardware reimbursement under the AI for Main Street Act. **Module 4 of the Sovereign Counsel program** walks through every step of the SBA application process.

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## The AI for Main Street Act -- What the Law Does

### Overview and Legislative Purpose

The AI for Main Street Act (H.R. 5764) directs the Small Business Administration's Small Business Development Centers (SBDCs) to help small businesses understand, evaluate, and adopt AI tools. Its focus is on training, technical assistance, and community outreach so that Main Street businesses are not left behind as AI reshapes every sector of the economy.

Critically, the Act is designed as an **enablement framework, not a compliance mandate**. Participation is entirely voluntary. It creates resources and guidance but does not require any small business to use AI or alter its operations. The stated goal is to reduce the knowledge and resource gap between large enterprises with dedicated AI teams and the local businesses that cannot afford them.



## What the Act Actually Directs

- **SBDC AI Counseling:** Existing Small Business Development Centers are instructed to integrate AI readiness counseling, vendor evaluation guidance, and digital-adoption training into their standard service offerings.
- **Outreach and Education:** SBA must produce plain-language resources explaining AI tools, their risks, and their legal implications -- material attorneys can point clients toward as a starting point.
- **No New Large Appropriation:** The Act largely repurposes existing SBA infrastructure and budgets rather than creating a standalone grant pool. This is critical for advising clients who believe there is a direct 'AI for Main Street grant' they can simply apply for.
- **Policy and Program Directive:** Think of the Act as the federal policy umbrella under which SBA programs, state grants, and SBDC support are now expressly authorized to address AI adoption.

## Why This Matters for Your Small-Business Clients

Many small-business clients already use AI for marketing, customer service, scheduling, or bookkeeping without fully understanding the legal implications. With the Act now directing federal support toward AI adoption, more clients will be encouraged -- by SBDCs, trade groups, and vendors -- to experiment with AI for hiring, credit decisions, pricing, and other legally sensitive applications.

That experimentation intersects directly with frameworks attorneys already advise on: privacy and data protection, consumer protection and unfair practices, discrimination in employment and lending, intellectual property, and contract formation. State-level AI, privacy, and automated decision-making laws continue to evolve alongside the federal programs the Act creates.

## The Bar Ethics Layer

For attorneys, the AI for Main Street Act does not exist in isolation. Bar ethics opinions in jurisdictions across the country -- including Florida's Opinion 24-1, as well as guidance from the ABA and state bars in California, New York, Texas, North Carolina, and Illinois -- impose independent obligations on any lawyer using or supervising the use of AI tools in practice. These obligations center on competence, confidentiality, and meaningful supervision of AI outputs. The practical effect is a two-track compliance requirement: attorneys must ensure their *own* AI use is Bar-compliant while also helping *clients* navigate the legal risks of their own AI adoption.

### Sovereign Counsel Connection

Module 1 of the Sovereign Counsel program provides the complete foundations of AI ethics compliance -- including cloud liability analysis and the supervision requirements that apply to every AI tool used in practice.



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**The Funding -- Where the Money Actually Is**

### Understanding the Funding Architecture

The AI for Main Street Act is frequently misread as a direct grant program. It is not. The Act is a **policy and service infrastructure directive** -- it tells SBDCs what to do, not how much money to distribute directly to small businesses. The real capital flows through separate SBA-administered loan and grant programs, plus state and regional initiatives that have adopted AI as an explicit eligibility criterion.

### Federal Funding Pathways

Funding Path	Key Details	What to Ask
SBA 7(a) Loan (AI-Eligible Uses)	Loans up to \$5M - Prime + 2.75% - 75-85% gov't guarantee. Software, hardware, training and implementation are all eligible uses.	Can AI software, devices, and training be bundled into a 7(a) application?
AI Grant Add-On (Forgivable)	Up to \$50,000 forgivable when a 7(a) borrower certifies at least three employees in AI management or related upskilling.	Does the client's plan include at least three certified AI supervisors?
SBDC Counseling (No-Cost)	Free AI readiness assessments, vendor evaluation, and digital-adoption planning through the SBDC network under the Act's directives.	Has the client contacted their regional SBDC for AI readiness counseling?
NSF SBIR / STTR (R&D; Grants)	Competitive federal grants for businesses building AI products -- not for internal adoption of existing software.	Is the client building an AI product vs. using one? NSF programs may apply.

**Scale of available capital:** Between 2024 and 2026, SBA has allocated approximately **\$12.7 billion** across lending and grant initiatives that explicitly support AI-related projects for small and mid-sized businesses -- covering software, hardware, and training. Attorneys should frame client conversations around accessing this existing capital infrastructure, not waiting for a standalone 'AI for Main Street' grant.

### State-by-State AI Funding Opportunities

States are layering AI-specific incentives on top of the federal SBA framework. The programs below represent the most significant opportunities across the states where IOLEBA members practice. Attorneys should verify current program terms with their state's SBDC network and economic development agencies, as funding rounds open and close on a rolling basis.



State	Key Programs	Max Available	Attorney Guidance
<b>Florida</b>	Florida Small Biz AI Grant; Florida SBDC Network AI readiness assessments; state workforce AI training credits	Up to \$100,000	Available to businesses with fewer than 50 employees. Stack with SBA 7(a) for full hardware and software coverage. June 15 SBA deadline applies.
<b>Texas</b>	Texas Enterprise Fund (TEF) technology adoption grants; Governor's University Research Initiative AI component; TX Workforce Commission AI upskilling incentives	TEF: \$50K-\$500K; Workforce: up to \$25K per cohort	TEF grants require a matching commitment and job-creation plan. Clients adopting AI that displaces manual tasks should document headcount neutrality or net new roles.
<b>California</b>	CA Competes Tax Credit (AI and tech expansion); IBank Small Business Loan Guarantee for AI hardware; California SBDC AI readiness program; EDD workforce training grants	Tax credit: varies by jobs created; IBank: up to \$2.5M loan guarantee	CA Competes requires multi-year employment commitments. IBank guarantees are especially useful for hardware-heavy AI implementations. CCPA compliance is a prerequisite for most CA grant representations.
<b>North Carolina</b>	NC GREAT AI Initiative; NC SBDC digital transformation grants; One NC Fund (technology component); NC Rural AI Workforce Development Program	One NC Fund: \$25K-\$200K; Rural AI: up to \$75K	Rural clients in NC have access to enhanced grant tiers. One NC Fund requires county-level economic development endorsement -- attorneys can assist with the documentation package.
<b>Illinois</b>	Illinois EDGE tax credit with AI hiring component; DCEO Technology Adoption Grant; Illinois SBDC network; Intersect Illinois AI cluster initiative	EDGE: up to \$10K/employee annually; DCEO grants: \$25K-\$150K	EDGE credits are tied to job creation and retention. AI implementation enabling new service lines (not just cost cuts) has the strongest application profile.
<b>New York</b>	NY Excelsior Jobs Program (tech investment credit); Empire State Development AI grants; NYC AI and Emerging Technology Program; NYSSBDC AI readiness assessments; NY Forward Main Street tech adoption	ESD grants: \$50K-\$250K; NYC program: up to \$100K; Excelsior: up to 6% of capital investment	NYC program is particularly strong for professional services firms. Excelsior requires DED approval and a 5-year job plan. NY Forward is the most accessible entry point for Main Street businesses new to state grants.

## Stacking Strategies: Combining Federal and State Funding

The most effective approach is to **stack** available funding sources rather than choosing one. A typical combination might include: (1) an SBA 7(a) loan covering hardware and implementation costs, (2) the forgivable \$50,000 AI grant add-on tied to employee certification, and (3) a state grant or tax credit covering software licensing and training. In states like New York and California, the combined package can offset



60-80% of total AI implementation costs.

- Document the AI use case and implementation plan before approaching any program -- applications describing a specific, measurable business outcome consistently outperform generic requests.
- Ensure vendor contracts are reviewed before filing: grant programs in several states require representations about data security and vendor compliance that must be verified independently.
- The SBA's forgivable grant add-on requires advance planning of the employee certification component -- this cannot be retrofitted after the loan closes.
- State economic development agencies often offer pre-application consultations that significantly improve approval rates -- attorneys can add value by attending these with clients.

**CRITICAL  
DEADLINE June  
15, 2026**

**Law firms and their clients** completing AI implementation with proper documentation may qualify for federal hardware reimbursement and the forgivable **\$50,000 SBA grant add-on**. Module 4 of the Sovereign Counsel program covers every required step -- including the employee certification component and the full documentation package. Do not advise clients to delay past this date.



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## How Attorneys Must Now Advise Clients on AI

The convergence of the AI for Main Street Act, SBA and state funding availability, and bar ethics obligations creates a clear new counseling responsibility: every small-business client conversation should now include an AI readiness component. The following framework organizes that conversation.

### Five Legal Risk Areas Clients Don't Know They're Walking Into

#### 1. Data and Privacy

Small businesses frequently use AI tools that collect or process customer and employee data in ways that implicate state privacy laws (CCPA, NYDPA, BIPA, and others), sector-specific regulations (HIPAA, GLBA), and vendor data-retention practices. Attorneys should help clients vet vendor terms, data-use policies, and cross-border data transfers, and ensure appropriate consent and notice mechanisms are in place before the tool goes live.

#### 2. Automated Decision-Making and Bias

AI systems used for hiring, credit decisions, pricing, or eligibility can raise discrimination and fairness concerns under civil rights, employment, and consumer protection laws. Counsel should guide clients on transparency requirements, mandatory human review thresholds, and documentation practices that mitigate both regulatory and litigation exposure.

#### 3. AI Vendor Contracts

Contracts with AI providers routinely allocate risk for errors, downtime, IP infringement, and data breaches in ways that severely disadvantage small businesses. Attorneys must scrutinize limitation-of-liability clauses, indemnity provisions, data ownership terms, model-training use permissions, and service-level commitments before the client signs.

#### 4. IP and Content Ownership

When clients use AI tools to generate marketing copy, product designs, software, or other deliverables, questions arise about copyright ownership, protectability, and third-party rights. Attorneys should ensure clients understand where human authorship remains legally required and how to structure AI-assisted workflows so that key outputs remain protectable.

#### 5. SBA and Grant Application Representations



When a client applies for SBA financing or state grants to fund AI adoption, the application may require representations about cybersecurity posture, recordkeeping, workforce training, and measurable business outcomes. Attorneys should review all representations before filing and confirm the client's documentation fully supports them.

## Five AI Readiness Questions for Every Client Engagement

Rather than waiting for clients to surface AI problems reactively, attorneys should integrate these questions into standard client intake, annual legal reviews, and contract renewal workflows:

### Q1. What AI tools are currently in use?

Include informal use by employees and contractors. Unauthorized AI use is among the most common sources of data breach exposure that small businesses face today.

### Q2. Does the vendor's contract allow it to train its model on client data?

Many consumer-grade AI platforms retain the right to use submitted data for model improvement. For clients with sensitive customer, health, or financial data, this is a material legal risk.

### Q3. Is there a human in the loop before AI output affects a customer or legal obligation?

Establish the review protocol before, not after, an error causes harm. Document who reviews what outputs and when.

### Q4. Is the client seeking funds to buy AI tools, train staff, or build a new AI-enabled product?

The answer determines which SBA program, state grant, or SBDC service is the right fit -- and which attorney representations are required in the application.

### Q5. Has the client engaged their regional SBDC?

Under the AI for Main Street Act, SBDCs are now expressly tasked with providing free AI readiness counseling. Many clients are unaware this resource exists and are paying vendors for guidance the government now provides at no cost.

## Positioning Your Practice as the Trusted AI Counselor

Attorneys who treat AI readiness as a standing component of client representation -- not a one-time novelty question -- will differentiate their practices and deepen client relationships. The AI for Main Street Act's stated goal is to empower Main Street businesses, and attorneys are the professionals best positioned to ensure that empowerment does not come with unmanaged legal exposure.



The combination of new federal support infrastructure, significant state grant availability across Florida, Texas, California, North Carolina, Illinois, and New York, and evolving bar ethics obligations creates a compelling practice development opportunity: attorneys who master this landscape serve existing clients more deeply while attracting new ones who need exactly this guidance.

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*This article is a support material of the Sovereign Counsel: AI Ethics and Risk Management program, published by The IOLEBA Legal Guild. It is intended for informational purposes for practicing attorneys and does not constitute legal advice. All SBA and state funding information reflects publicly available program details as of May 2026 and is subject to change. Attorneys should verify current program terms with the SBA, state agencies, and regional SBDC networks before advising clients on specific applications.*

*H.R. 5764 AI for Main Street Act | SBA 7(a) Program | FL / TX / CA / NC / IL / NY SBDC Networks | [ioleba.net](http://ioleba.net) | [tinyurl.com/ilg-news](http://tinyurl.com/ilg-news)*