

By: Capriglione

H.B. No. 149

Substitute the following for H.B. No. 149:

By: Bhojani

C.S.H.B. No. 149

A BILL TO BE ENTITLED

AN ACT

relating to regulation of the use of artificial intelligence systems in this state; providing civil penalties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. This Act may be cited as the Texas Responsible Artificial Intelligence Governance Act.

SECTION 2. Section 503.001, Business & Commerce Code, is amended by amending Subsections (a) and (e) and adding Subsections (b-1) and (f) to read as follows:

(a) In this section:

(1) "Artificial intelligence system" has the meaning assigned by Section 551.001.

(2) "Biometric [~~," "biometric"~~] identifier" means a retina or iris scan, fingerprint, voiceprint, or record of hand or face geometry.

(b-1) For purposes of Subsection (b), an individual has not been informed of and has not provided consent for the capture or storage of a biometric identifier of an individual for a commercial purpose based solely on the existence of an image or other media containing one or more biometric identifiers of the individual on the Internet or other publicly available source.

(e) This section does not apply to:

(1) voiceprint data retained by a financial institution or an affiliate of a financial institution, as those

terms are defined by 15 U.S.C. Section 6809; or

(2) the training, processing, or storage of biometric identifiers involved in artificial intelligence systems, unless the training, processing, or storage is performed for the purpose of uniquely identifying a specific individual.

(f) If a biometric identifier captured for the purpose of training an artificial intelligence system is subsequently used for a commercial purpose, the person possessing the biometric identifier is subject to:

(1) this section's provisions for the possession and destruction of a biometric identifier; and

(2) the penalties associated with a violation of this section.

SECTION 3. Section 541.104(a), Business & Commerce Code, is amended to read as follows:

(a) A processor shall adhere to the instructions of a controller and shall assist the controller in meeting or complying with the controller's duties or requirements under this chapter, including:

(1) assisting the controller in responding to consumer rights requests submitted under Section 541.051 by using appropriate technical and organizational measures, as reasonably practicable, taking into account the nature of processing and the information available to the processor;

(2) assisting the controller with regard to complying with requirements ~~[the requirement]~~ relating to the security of processing personal data, and if applicable, the data collected,

1 stored, and processed by an artificial intelligence system, as that
2 term is defined by Section 551.001, and to the notification of a
3 breach of security of the processor's system under Chapter 521,
4 taking into account the nature of processing and the information
5 available to the processor; and

6 (3) providing necessary information to enable the
7 controller to conduct and document data protection assessments
8 under Section 541.105.

9 SECTION 4. Title 11, Business & Commerce Code, is amended by
10 adding Subtitle D to read as follows:

11 SUBTITLE D. ARTIFICIAL INTELLIGENCE PROTECTION

12 CHAPTER 551. GENERAL PROVISIONS

13 Sec. 551.001. DEFINITIONS. In this subtitle:

14 (1) "Artificial intelligence system" means machine
15 learning and related technology that uses data to train statistical
16 models for the purpose of enabling computer systems to perform
17 tasks normally associated with human intelligence or perception,
18 such as computer vision, speech or natural language processing, and
19 content generation.

20 (2) "Consumer" means an individual who is a resident
21 of this state acting only in an individual or household context.
22 The term does not include an individual acting in a commercial or
23 employment context.

24 (3) "Council" means the Texas Artificial Intelligence
25 Council established under Chapter 554.

26 Sec. 551.002. APPLICABILITY OF SUBTITLE. This subtitle
27 applies only to a person who:

1 (1) promotes, advertises, or conducts business in this
2 state;

3 (2) produces a product or service used by residents of
4 this state; or

5 (3) develops or deploys an artificial intelligence
6 system in this state.

7 Sec. 551.003. CONSTRUCTION AND APPLICATION OF SUBTITLE.
8 This subtitle shall be broadly construed and applied to promote its
9 underlying purposes, which are to:

10 (1) facilitate and advance the responsible
11 development and use of artificial intelligence systems;

12 (2) protect individuals and groups of individuals from
13 known and reasonably foreseeable risks associated with artificial
14 intelligence systems;

15 (3) provide transparency regarding risks in the
16 development, deployment, and use of artificial intelligence
17 systems; and

18 (4) provide reasonable notice regarding the use or
19 contemplated use of artificial intelligence systems by state
20 agencies.

21 CHAPTER 552. ARTIFICIAL INTELLIGENCE PROTECTION

22 SUBCHAPTER A. GENERAL PROVISIONS

23 Sec. 552.001. DEFINITIONS. In this chapter:

24 (1) "Deployer" means a person who deploys an
25 artificial intelligence system for use in this state.

26 (2) "Developer" means a person who develops an
27 artificial intelligence system that is offered, sold, leased,

1 given, or otherwise provided in this state.

2 Sec. 552.002. CONSTRUCTION OF CHAPTER. This chapter may
3 not be construed to:

4 (1) impose a requirement on a person that adversely
5 affects the rights or freedoms of any person, including the right of
6 free speech; or

7 (2) authorize any department or agency other than the
8 Department of Insurance to regulate or oversee the business of
9 insurance.

10 Sec. 552.003. LOCAL PREEMPTION. This chapter supersedes
11 and preempts any ordinance, resolution, rule, or other regulation
12 adopted by a political subdivision regarding the use of artificial
13 intelligence systems.

14 SUBCHAPTER B. DUTIES AND PROHIBITIONS ON USE OF ARTIFICIAL
15 INTELLIGENCE

16 Sec. 552.051. DISCLOSURE TO CONSUMERS. (a) In this
17 section, "health care services" means services related to human
18 health or to the diagnosis, prevention, or treatment of a human
19 disease or impairment provided by an individual licensed,
20 registered, or certified under applicable state or federal law to
21 provide those services.

22 (b) A governmental agency that makes available an
23 artificial intelligence system intended to interact with consumers
24 shall disclose to each consumer, before or at the time of
25 interaction, that the consumer is interacting with an artificial
26 intelligence system.

27 (c) A person is required to make the disclosure under

1 Subsection (b) regardless of whether it would be obvious to a
2 reasonable consumer that the consumer is interacting with an
3 artificial intelligence system.

4 (d) A disclosure under Subsection (b):

5 (1) must be clear and conspicuous;

6 (2) must be written in plain language; and

7 (3) may not use a dark pattern, as that term is defined
8 by Section 541.001.

9 (e) A disclosure under Subsection (b) may be provided:

10 (1) by using a hyperlink to direct a consumer to a
11 separate Internet web page; or

12 (2) for an artificial intelligence system related to
13 health care services, as part of any waivers or forms signed by a
14 patient at the start of service.

15 Sec. 552.052. MANIPULATION OF HUMAN BEHAVIOR. A person may
16 not develop or deploy an artificial intelligence system in a manner
17 that intentionally aims to incite or encourage a person to:

18 (1) commit physical self-harm, including suicide;

19 (2) harm another person; or

20 (3) engage in criminal activity.

21 Sec. 552.053. SOCIAL SCORING. A governmental entity may
22 not use or deploy an artificial intelligence system that evaluates
23 or classifies a natural person or group of natural persons based on
24 social behavior or personal characteristics, whether known,
25 inferred, or predicted, with the intent to calculate or assign a
26 social score or similar categorical estimation or valuation of the
27 person or group of persons that results or may result in:

1 (1) detrimental or unfavorable treatment of a person
2 or group of persons in a social context unrelated to the context in
3 which the behavior or characteristics were observed or noted;

4 (2) detrimental or unfavorable treatment of a person
5 or group of persons that is unjustified or disproportionate to the
6 nature or gravity of the observed or noted behavior or
7 characteristics; or

8 (3) the infringement of any right guaranteed under the
9 United States Constitution, the Texas Constitution, or state or
10 federal law.

11 Sec. 552.054. CAPTURE OF BIOMETRIC DATA. (a) In this
12 section, "biometric data" means data generated by automatic
13 measurements of an individual's biological characteristics. The
14 term includes a fingerprint, voiceprint, eye retina or iris, or
15 other unique biological pattern or characteristic that is used to
16 identify a specific individual. The term does not include a
17 physical or digital photograph or data generated from a physical or
18 digital photograph, a video or audio recording or data generated
19 from a video or audio recording, or information collected, used, or
20 stored for health care treatment, payment, or operations under the
21 Health Insurance Portability and Accountability Act of 1996 (42
22 U.S.C. Section 1320d et seq.).

23 (b) A governmental entity may not develop or deploy an
24 artificial intelligence system for the purpose of uniquely
25 identifying a specific individual using biometric data or the
26 targeted or untargeted gathering of images or other media from the
27 Internet or any other publicly available source without the

individual's consent, if the gathering would infringe on any right of the individual under the United States Constitution, the Texas Constitution, or state or federal law.

(c) A violation of Section 503.001 is a violation of this section.

Sec. 552.055. POLITICAL VIEWPOINT DISCRIMINATION. (a) A person may not develop or deploy an artificial intelligence system with the intent for the artificial intelligence system to:

(1) limit an individual's ability to express beliefs or opinions or receive the expression of another individual's beliefs or opinions based solely on the individual's political beliefs, opinions, or affiliations; or

(2) otherwise infringe on an individual's freedom of association or ability to freely express the individual's beliefs or opinions.

(b) A person may not use an artificial intelligence system on an interactive computer service, as defined by Section 323.001, to intentionally:

(1) block, ban, remove, deplatform, demonetize, debank, de-boost, restrict, or otherwise limit an individual;

(2) engage in behavior described by Subsection (a); or

(3) modify or manipulate content posted by an individual for the purpose of censoring the individual's political speech.

(c) Subsection (b) applies regardless of whether the interactive computer service is automated or overseen by an individual.

(d) This section does not apply to speech that:

(1) is illegal under state or federal law;

(2) constitutes a credible threat of violence or incitement to imminent lawless action;

(3) contains material that is obscene, as defined by Section 43.21, Penal Code;

(4) contains a deep fake video produced or distributed in violation of Section 21.165, Penal Code;

(5) violates intellectual property rights; or

(6) violates a developer's or deployer's publicly available terms of service.

(e) This section shall be construed in a manner consistent with applicable federal law, including 47 U.S.C. Section 230 and the United States Constitution.

Sec. 552.056. UNLAWFUL DISCRIMINATION. (a) In this section:

(1) "Insurance entity" means:

(A) an entity described by Section 82.002(a), Insurance Code;

(B) a fraternal benefit society regulated under Chapter 885, Insurance Code; or

(C) the developer of an artificial intelligence system used by an entity described by Paragraph (A) or (B).

(2) "Protected class" means a group or class of persons with a characteristic, quality, belief, or status protected from discrimination by state or federal civil rights laws, and includes race, color, national origin, sex, age, religion, or

1 disability.

2 (b) A person may not develop or deploy an artificial
3 intelligence system with the intent to unlawfully discriminate
4 against a protected class in violation of state or federal law.

5 (c) For purposes of this section, a disparate impact is not
6 sufficient by itself to demonstrate an intent to discriminate.

7 (d) This section does not apply to an insurance entity for
8 purposes of providing insurance services if the entity is subject
9 to applicable statutes regulating unfair discrimination, unfair
10 methods of competition, or unfair or deceptive acts or practices
11 related to the business of insurance.

12 Sec. 552.057. CERTAIN SEXUALLY EXPLICIT VIDEOS, IMAGES, AND
13 CHILD PORNOGRAPHY. (a) A person may not develop or distribute an
14 artificial intelligence system with the sole intent of producing,
15 assisting or aiding in producing, or distributing:

16 (1) visual material in violation of Section [43.26](#),
17 Penal Code; or

18 (2) deep fake videos or images in violation of Section
19 [21.165](#), Penal Code.

20 (b) A court determining the sole intent of a person under
21 this section shall consider marketing materials or terms of use
22 associated with the artificial intelligence system.

23 SUBCHAPTER C. ENFORCEMENT

24 Sec. 552.101. ENFORCEMENT AUTHORITY. (a) The attorney
25 general has exclusive authority to enforce this chapter, except to
26 the extent provided by Section 552.106.

27 (b) This chapter does not provide a basis for, and is not

1 subject to, a private right of action for a violation of this
2 chapter or any other law.

3 Sec. 552.102. INFORMATION AND COMPLAINTS. The attorney
4 general shall create and maintain an online mechanism on the
5 attorney general's Internet website through which a consumer may
6 submit a complaint under this chapter to the attorney general.

7 Sec. 552.103. INVESTIGATIVE AUTHORITY. (a) If the
8 attorney general receives a complaint through the online mechanism
9 under Section 552.102 alleging a violation of this chapter, the
10 attorney general may issue a civil investigative demand to
11 determine if a violation has occurred. The attorney general shall
12 issue demands in accordance with and under the procedures
13 established under Section 15.10.

14 (b) The attorney general may request from the person
15 reported through the online mechanism, pursuant to a civil
16 investigative demand issued under Subsection (a):

17 (1) a description of the purpose, intended use,
18 deployment context, and associated benefits of the artificial
19 intelligence system with which the person is affiliated;

20 (2) a description of the type of data used to program
21 or train the artificial intelligence system;

22 (3) a description of the categories of data processed
23 as inputs for the artificial intelligence system;

24 (4) a description of the outputs produced by the
25 artificial intelligence system;

26 (5) any metrics the person uses to evaluate the
27 performance of the artificial intelligence system;

1 (6) any known limitations of the artificial
2 intelligence system;

3 (7) a description of the post-deployment monitoring
4 and user safeguards the person uses for the artificial intelligence
5 system, including, if the person is a deployer, the oversight, use,
6 and learning process established by the person to address issues
7 arising from the system's deployment; or

8 (8) any other relevant documentation reasonably
9 necessary for the attorney general to conduct an investigation
10 under this section.

11 Sec. 552.104. NOTICE OF VIOLATION; OPPORTUNITY TO CURE.

12 (a) If the attorney general determines that a person has violated
13 or is violating this chapter, the attorney general shall notify the
14 person in writing of the determination, identifying the specific
15 provisions of this chapter the attorney general alleges have been
16 or are being violated.

17 (b) The attorney general may not bring an action against the
18 person:

19 (1) before the 60th day after the date the attorney
20 general provides the notice under Subsection (a); or

21 (2) if, before the 60th day after the date the attorney
22 general provides the notice under Subsection (a), the person:

23 (A) cures the identified violation; and

24 (B) provides the attorney general with a written
25 statement that the person has:

26 (i) cured the alleged violation;

27 (ii) notified the council and, if

technically feasible, the consumer who submitted the complaint under Section 552.102 that the violation has been addressed;

(iii) provided supporting documentation to show the manner in which the person cured the violation; and

(iv) made any necessary changes to internal policies to reasonably prevent further violation of this chapter.

Sec. 552.105. CIVIL PENALTY; INJUNCTION. (a) A person who violates this chapter and does not cure the violation under Section 552.104 is liable to this state for a civil penalty in an amount of:

(1) for each violation the court determines to be curable or a breach of a statement submitted to the attorney general under Section 552.104(b)(2), not less than \$10,000 and not more than \$12,000;

(2) for each violation the court determines to be uncurable, not less than \$80,000 and not more than \$200,000; and

(3) for a continued violation, not less than \$2,000 and not more than \$40,000 for each day the violation continues.

(b) The attorney general may bring an action in the name of this state to:

(1) collect a civil penalty under this section;

(2) seek injunctive relief against further violation of this chapter; and

(3) recover attorney's fees and reasonable court costs or other investigative expenses.

(c) There is a rebuttable presumption that a person used reasonable care as required under this chapter.

(d) A defendant in an action under this section may seek an

expedited hearing or other process, including a request for declaratory judgment, if the person believes in good faith that the person has not violated this chapter.

(e) A defendant in an action under this section may not be found liable if:

(1) another person uses the artificial intelligence system affiliated with the defendant in a manner prohibited by this chapter; or

(2) the defendant discovers a violation of this chapter through:

(A) feedback from a developer, deployer, or other person who believes a violation has occurred;

(B) testing, including adversarial testing or red-team testing;

(C) following guidelines set by applicable state agencies; or

(D) if the defendant substantially complies with the most recent version of the "Artificial Intelligence Risk Management Framework: Generative Artificial Intelligence Profile" published by the National Institute of Standards and Technology or another nationally or internationally recognized risk management framework for artificial intelligence systems, an internal review process.

(f) The attorney general may not bring an action to collect a civil penalty under this section against a person for an artificial intelligence system that has not been deployed.

Sec. 552.106. ENFORCEMENT ACTIONS BY STATE AGENCIES. (a) A

1 state agency may impose sanctions against a person licensed,
2 registered, or certified by that agency for a violation of
3 Subchapter B if:

4 (1) the person has been found in violation of this
5 chapter under Section 552.105; and

6 (2) the attorney general has recommended additional
7 enforcement by the applicable agency.

8 (b) Sanctions under this section may include:

9 (1) suspension, probation, or revocation of a license,
10 registration, certificate, or other authorization to engage in an
11 activity; and

12 (2) a monetary penalty not to exceed \$100,000.

13 CHAPTER 553. ARTIFICIAL INTELLIGENCE REGULATORY SANDBOX PROGRAM

14 SUBCHAPTER A. GENERAL PROVISIONS

15 Sec. 553.001. DEFINITIONS. In this chapter:

16 (1) "Applicable agency" means a department of this
17 state established by law to regulate certain types of business
18 activity in this state and the people engaging in that business,
19 including the issuance of licenses and registrations, that the
20 department determines would regulate a program participant if the
21 person were not operating under this chapter.

22 (2) "Department" means the Texas Department of
23 Information Resources.

24 (3) "Program" means the regulatory sandbox program
25 established under this chapter that allows a person, without being
26 licensed or registered under the laws of this state, to test an
27 artificial intelligence system for a limited time and on a limited

1 basis.

2 (4) "Program participant" means a person whose
3 application to participate in the program is approved and who may
4 test an artificial intelligence system under this chapter.

5 SUBCHAPTER B. SANDBOX PROGRAM FRAMEWORK

6 Sec. 553.051. ESTABLISHMENT OF SANDBOX PROGRAM. (a) The
7 department, in consultation with the council, shall create a
8 regulatory sandbox program that enables a person to obtain legal
9 protection and limited access to the market in this state to test
10 innovative artificial intelligence systems without obtaining a
11 license, registration, or other regulatory authorization.

12 (b) The program is designed to:

13 (1) promote the safe and innovative use of artificial
14 intelligence systems across various sectors including healthcare,
15 finance, education, and public services;

16 (2) encourage responsible deployment of artificial
17 intelligence systems while balancing the need for consumer
18 protection, privacy, and public safety;

19 (3) provide clear guidelines for a person who develops
20 an artificial intelligence system to test systems while certain
21 laws and regulations are waived or suspended; and

22 (4) allow a person to engage in research, training,
23 testing, or other pre-deployment activities to develop an
24 artificial intelligence system.

25 (c) The attorney general may not file or pursue charges
26 against a program participant for violation of a law or regulation
27 waived under this chapter that occurs during the testing period.

1 (d) A state agency may not file or pursue punitive action
2 against a program participant, including the imposition of a fine
3 or the suspension or revocation of a license, registration, or
4 other authorization, for violation of a law or regulation waived
5 under this chapter that occurs during the testing period.

6 (e) Notwithstanding Subsections (c) and (d), the
7 requirements of Subchapter B, Chapter 552, may not be waived, and
8 the attorney general or a state agency may file or pursue charges or
9 action against a program participant who violates that subchapter.

10 Sec. 553.052. APPLICATION FOR PROGRAM PARTICIPATION. (a)
11 A person must obtain approval from the department before testing an
12 artificial intelligence system under the program.

13 (b) The department by rule shall prescribe the application
14 form. The form must require the applicant to:

15 (1) provide a detailed description of the artificial
16 intelligence system the applicant desires to test in the program,
17 and its intended use;

18 (2) include a benefit assessment that addresses
19 potential impacts on consumers, privacy, and public safety;

20 (3) describe the applicant's plan for mitigating any
21 adverse consequences that may occur during the test; and

22 (4) provide proof of compliance with any applicable
23 federal artificial intelligence laws and regulations.

24 Sec. 553.053. DURATION AND SCOPE OF PARTICIPATION. (a) A
25 program participant approved by the department may test and deploy
26 an artificial intelligence system under the program for a period of
27 not more than 36 months.

1 (b) The department may extend a test under this chapter if
2 the department finds good cause for the test to continue.

3 SUBCHAPTER C. OVERSIGHT AND COMPLIANCE

4 Sec. 553.101. COORDINATION WITH APPLICABLE AGENCY. (a)
5 The department shall coordinate with all applicable agencies to
6 oversee the operation of a program participant.

7 (b) The council or an applicable agency may recommend to the
8 department that a program participant be removed from the program
9 if the applicable agency finds that the program participant's
10 artificial intelligence system:

- 11 (1) poses an undue risk to public safety or welfare;
12 (2) violates any federal law or regulation; or
13 (3) violates any state law or regulation not waived
14 under the program.

15 Sec. 553.102. PERIODIC REPORT BY PROGRAM PARTICIPANT. (a)
16 A program participant shall provide a quarterly report to the
17 department.

- 18 (b) The report shall include:
19 (1) metrics for the artificial intelligence system's
20 performance;
21 (2) updates on how the artificial intelligence system
22 mitigates any risks associated with its operation; and
23 (3) feedback from consumers and affected stakeholders
24 that are using an artificial intelligence system tested under this
25 chapter.

26 (c) The department shall maintain confidentiality regarding
27 the intellectual property, trade secrets, and other sensitive

information it obtains through the program.

Sec. 553.103. ANNUAL REPORT BY DEPARTMENT. (a) The department shall submit an annual report to the legislature.

(b) The report shall include:

(1) the number of program participants testing an artificial intelligence system in the program;

(2) the overall performance and impact of artificial intelligence systems tested in the program; and

(3) recommendations on changes to laws or regulations for future legislative consideration.

CHAPTER 554. TEXAS ARTIFICIAL INTELLIGENCE COUNCIL

SUBCHAPTER A. CREATION AND ORGANIZATION OF COUNCIL

Sec. 554.001. CREATION OF COUNCIL. (a) The Texas Artificial Intelligence Council is created to:

(1) ensure artificial intelligence systems in this state are ethical and developed in the public's best interest;

(2) ensure artificial intelligence systems in this state do not harm public safety or undermine individual freedoms by finding issues and making recommendations to the legislature regarding the Penal Code and Chapter 82, Civil Practice and Remedies Code;

(3) identify existing laws and regulations that impede innovation in the development of artificial intelligence systems and recommend appropriate reforms;

(4) analyze opportunities to improve the efficiency and effectiveness of state government operations through the use of artificial intelligence systems;

1 (5) make recommendations to applicable state agencies
2 regarding the use of artificial intelligence systems to improve the
3 agencies' efficiency and effectiveness;

4 (6) investigate and evaluate potential instances of
5 regulatory capture, including undue influence by technology
6 companies or disproportionate burdens on smaller innovators caused
7 by the use of artificial intelligence systems;

8 (7) investigate and evaluate the influence of
9 technology companies on other companies and determine the existence
10 or use of tools or processes designed to censor competitors or users
11 through the use of artificial intelligence systems;

12 (8) offer guidance and recommendations to the
13 legislature on the ethical and legal use of artificial intelligence
14 systems;

15 (9) conduct and publish the results of a study on the
16 current regulatory environment for artificial intelligence
17 systems;

18 (10) monitor the regulatory sandbox program under
19 Chapter 553 in coordination with the Texas Department of
20 Information Resources; and

21 (11) make recommendations for improvements to the
22 regulatory sandbox program under Chapter 553.

23 (b) The council is administratively attached to the Texas
24 Department of Information Resources, and the department shall
25 provide administrative support to the council as provided by this
26 section.

27 (c) The Texas Department of Information Resources and the

council shall enter into a memorandum of understanding detailing:

(1) the administrative support the council requires from the department to fulfill the council's purposes;

(2) the reimbursement of administrative expenses to the department; and

(3) any other provisions necessary to ensure the efficient operation of the council.

Sec. 554.002. COUNCIL MEMBERSHIP. (a) The council is composed of 10 members as follows:

(1) four members of the public appointed by the governor;

(2) two members of the public appointed by the lieutenant governor;

(3) two members of the public appointed by the speaker of the house of representatives;

(4) one senator appointed by the lieutenant governor as a nonvoting member; and

(5) one member of the house of representatives appointed by the speaker of the house of representatives as a nonvoting member.

(b) Voting members of the council serve staggered four-year terms, with the terms of four members expiring every two years.

(c) The governor shall appoint a chair from among the members, and the council shall elect a vice chair from its membership.

(d) The council may establish an advisory board composed of individuals from the public who possess expertise directly related

1 to the council's functions, including technical, ethical,
2 regulatory, and other relevant areas.

3 Sec. 554.003. QUALIFICATIONS. Members of the council must
4 be Texas residents and have knowledge or expertise in one or more of
5 the following areas:

- 6 (1) artificial intelligence systems;
- 7 (2) data privacy and security;
- 8 (3) ethics in technology or law;
- 9 (4) public policy and regulation;
- 10 (5) risk management related to artificial
11 intelligence systems;
- 12 (6) improving the efficiency and effectiveness of
13 governmental operations; or
- 14 (7) anticompetitive practices and market fairness.

15 Sec. 554.004. STAFF AND ADMINISTRATION. The council may
16 hire an executive director and other personnel as necessary to
17 perform its duties.

18 SUBCHAPTER B. POWERS AND DUTIES OF COUNCIL

19 Sec. 554.101. ISSUANCE OF REPORTS. (a) The council may
20 issue reports to the legislature regarding the use of artificial
21 intelligence systems in this state.

22 (b) The council may issue reports on:

- 23 (1) the compliance of artificial intelligence systems
24 in this state with the laws of this state;
- 25 (2) the ethical implications of deploying artificial
26 intelligence systems in this state;
- 27 (3) data privacy and security concerns related to

artificial intelligence systems in this state; or

(4) potential liability or legal risks associated with the use of artificial intelligence systems in this state.

Sec. 554.102. TRAINING AND EDUCATIONAL OUTREACH. The council shall conduct training programs for state agencies and local governments on the use of artificial intelligence systems.

Sec. 554.103. LIMITATION OF AUTHORITY. The council may not:

(1) adopt rules or promulgate guidance that is binding for any entity;

(2) interfere with or override the operation of a state agency; or

(3) perform a duty or exercise a power not granted by this chapter.

SECTION 5. Section [325.011](#), Government Code, is amended to read as follows:

Sec. 325.011. CRITERIA FOR REVIEW. The commission and its staff shall consider the following criteria in determining whether a public need exists for the continuation of a state agency or its advisory committees or for the performance of the functions of the agency or its advisory committees:

(1) the efficiency and effectiveness with which the agency or the advisory committee operates;

(2)(A) an identification of the mission, goals, and objectives intended for the agency or advisory committee and of the problem or need that the agency or advisory committee was intended to address; and

1 (B) the extent to which the mission, goals, and
2 objectives have been achieved and the problem or need has been
3 addressed;

4 (3)(A) an identification of any activities of the
5 agency in addition to those granted by statute and of the authority
6 for those activities; and

7 (B) the extent to which those activities are
8 needed;

9 (4) an assessment of authority of the agency relating
10 to fees, inspections, enforcement, and penalties;

11 (5) whether less restrictive or alternative methods of
12 performing any function that the agency performs could adequately
13 protect or provide service to the public;

14 (6) the extent to which the jurisdiction of the agency
15 and the programs administered by the agency overlap or duplicate
16 those of other agencies, the extent to which the agency coordinates
17 with those agencies, and the extent to which the programs
18 administered by the agency can be consolidated with the programs of
19 other state agencies;

20 (7) the promptness and effectiveness with which the
21 agency addresses complaints concerning entities or other persons
22 affected by the agency, including an assessment of the agency's
23 administrative hearings process;

24 (8) an assessment of the agency's rulemaking process
25 and the extent to which the agency has encouraged participation by
26 the public in making its rules and decisions and the extent to which
27 the public participation has resulted in rules that benefit the

1 public;

2 (9) the extent to which the agency has complied with:

3 (A) federal and state laws and applicable rules
4 regarding equality of employment opportunity and the rights and
5 privacy of individuals; and

6 (B) state law and applicable rules of any state
7 agency regarding purchasing guidelines and programs for
8 historically underutilized businesses;

9 (10) the extent to which the agency issues and
10 enforces rules relating to potential conflicts of interest of its
11 employees;

12 (11) the extent to which the agency complies with
13 Chapters 551 and 552 and follows records management practices that
14 enable the agency to respond efficiently to requests for public
15 information;

16 (12) the effect of federal intervention or loss of
17 federal funds if the agency is abolished;

18 (13) the extent to which the purpose and effectiveness
19 of reporting requirements imposed on the agency justifies the
20 continuation of the requirement; ~~and~~

21 (14) an assessment of the agency's cybersecurity
22 practices using confidential information available from the
23 Department of Information Resources or any other appropriate state
24 agency; and

25 (15) an assessment of the agency's use of artificial
26 intelligence systems, as that term is defined by Section 551.001,
27 Business & Commerce Code, in its operations and its oversight of the

1 use of artificial intelligence systems by persons under the
2 agency's jurisdiction, and any related impact on the agency's
3 ability to achieve its mission, goals, and objectives, made using
4 information available from the Department of Information
5 Resources, the attorney general, or any other appropriate state
6 agency.

7 SECTION 6. Section 2054.068(b), Government Code, is amended
8 to read as follows:

9 (b) The department shall collect from each state agency
10 information on the status and condition of the agency's information
11 technology infrastructure, including information regarding:

12 (1) the agency's information security program;

13 (2) an inventory of the agency's servers, mainframes,
14 cloud services, and other information technology equipment;

15 (3) identification of vendors that operate and manage
16 the agency's information technology infrastructure; ~~and~~

17 (4) any additional related information requested by
18 the department; and

19 (5) an evaluation of the use or considered use of
20 artificial intelligence systems, as defined by Section 551.001,
21 Business & Commerce Code, by each state agency.

22 SECTION 7. Section 2054.0965(b), Government Code, is
23 amended to read as follows:

24 (b) Except as otherwise modified by rules adopted by the
25 department, the review must include:

26 (1) an inventory of the agency's major information
27 systems, as defined by Section 2054.008, and other operational or

1 logistical components related to deployment of information
2 resources as prescribed by the department;

3 (2) an inventory of the agency's major databases,
4 artificial intelligence systems, as defined by Section 551.001,
5 Business & Commerce Code, and applications;

6 (3) a description of the agency's existing and planned
7 telecommunications network configuration;

8 (4) an analysis of how information systems,
9 components, databases, applications, and other information
10 resources have been deployed by the agency in support of:

11 (A) applicable achievement goals established
12 under Section 2056.006 and the state strategic plan adopted under
13 Section 2056.009;

14 (B) the state strategic plan for information
15 resources; and

16 (C) the agency's business objectives, mission,
17 and goals;

18 (5) agency information necessary to support the state
19 goals for interoperability and reuse; and

20 (6) confirmation by the agency of compliance with
21 state statutes, rules, and standards relating to information
22 resources.

23 SECTION 8. Not later than September 1, 2026, the attorney
24 general shall post on the attorney general's Internet website the
25 information and online mechanism required by Section 552.102,
26 Business & Commerce Code, as added by this Act.

27 SECTION 9. This Act takes effect January 1, 2026.