1-7   COMMITTEE VOTE

1-8	Yea	Nay	Absent	PNV
1-9 Schwertner	X			
1-10 King	X			
1-11 Blanco	X			
1-12 Campbell	X			
1-13 Creighton	X			
1-14 Johnson	X			
1-15 Kolkhorst	X			
1-16 Menéndez	X			
1-17 Middleton	X			
1-18 Nichols	X			
1-19 Zaffirini	X			

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 1964   By: King

1-21   A BILL TO BE ENTITLED
1-22   AN ACT

1-23 relating to the regulation and use of artificial intelligence
1-24 systems and the management of data by governmental entities.
1-25   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-26   SECTION 1. Section 2054.003, Government Code, is amended by
1-27 adding Subdivisions (1-a), (2-b), (2-c), (6-a), and (11) to read as
1-28 follows:
1-29   (1-a) "Artificial intelligence system" means a
1-30 machine-based system that for explicit or implicit objectives
1-31 infers from provided information how to generate outputs, such as
1-32 predictions, content, recommendations, or decisions, to influence
1-33 a physical or virtual environment with varying levels of autonomy
1-34 and adaptiveness after deployment.
1-35   (2-b) "Consequential decision" means a decision that
1-36 has a material, legal, or similarly significant effect on the
1-37 provision, denial, or conditions of a person's access to a
1-38 government service.
1-39   (2-c) "Controlling factor" means a factor generated by
1-40 an artificial intelligence system that is:
1-41   (A) the principal basis for making a
1-42 consequential decision; or
1-43   (B) capable of altering the outcome of a
1-44 consequential decision.
1-45   (6-a) "Heightened scrutiny artificial intelligence
1-46 system" means an artificial intelligence system specifically
1-47 intended to autonomously make, or be a controlling factor in
1-48 making, a consequential decision. The term does not include an
1-49 artificial intelligence system intended to:
1-50   (A) perform a narrow procedural task;
1-51   (B) improve the result of a previously completed
1-52 human activity;
1-53   (C) perform a preparatory task to an assessment
1-54 relevant to a consequential decision; or
1-55   (D) detect decision-making patterns or
1-56 deviations from previous decision-making patterns.
1-57   (11) "Principal basis" means the use of an output
1-58 produced by a heightened scrutiny artificial intelligence system to
1-59 make a decision without:
1-60   (A) human review, oversight, involvement, or

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2-1 intervention; or
2-2   (B) meaningful consideration by a human.
2-3   SECTION 2. Section 2054.068(b), Government Code, is amended
2-4 to read as follows:
2-5   (b) The department shall collect from each state agency
2-6 information on the status and condition of the agency's information
2-7 technology infrastructure, including information regarding:
2-8   (1) the agency's information security program;
2-9   (2) an inventory of the agency's servers, mainframes,
2-10 cloud services, artificial intelligence systems, including
2-11 heightened scrutiny artificial intelligence systems, and other
2-12 information technology equipment;
2-13   (3) identification of vendors that operate and manage
2-14 the agency's information technology infrastructure; and
2-15   (4) any additional related information requested by
2-16 the department.
2-17   SECTION 3. Section 2054.0965, Government Code, is amended
2-18 by amending Subsection (b) and adding Subsection (c) to read as
2-19 follows:
2-20   (b) Except as otherwise modified by rules adopted by the
2-21 department, the review must include:
2-22   (1) an inventory of the agency's major information
2-23 systems, as defined by Section 2054.008, and other operational or
2-24 logistical components related to deployment of information
2-25 resources as prescribed by the department;
2-26   (2) an inventory of the agency's major databases and
2-27 applications;
2-28   (3) a description of the agency's existing and planned
2-29 telecommunications network configuration;
2-30   (4) an analysis of how information systems,
2-31 components, databases, applications, and other information
2-32 resources have been deployed by the agency in support of:
2-33   (A) applicable achievement goals established
2-34 under Section 2056.006 and the state strategic plan adopted under
2-35 Section 2056.009;
2-36   (B) the state strategic plan for information
2-37 resources; and
2-38   (C) the agency's business objectives, mission,
2-39 and goals;
2-40   (5) agency information necessary to support the state
2-41 goals for interoperability and reuse; [and]
2-42   (6) an inventory and identification of the artificial
2-43 intelligence systems and heightened scrutiny artificial
2-44 intelligence systems deployed by the agency, including an
2-45 evaluation of the purpose of and risk mitigation measures for each
2-46 system and an analysis of how each system supports the agency's
2-47 strategic plan under this subchapter; and
2-48   (7) confirmation by the agency of compliance with
2-49 state statutes, rules, and standards relating to information
2-50 resources and artificial intelligence systems, including the
2-51 artificial intelligence system code of ethics developed under
2-52 Section 2054.702, and minimum standards developed under Section
2-53 2054.703.
2-54   (c) Local governments shall complete a review of the
2-55 deployment and use of heightened scrutiny artificial intelligence
2-56 systems and provide the review to the department in the manner the
2-57 department prescribes.
2-58   SECTION 4. Section 2054.137, Government Code, is amended by
2-59 adding Subsection (a-1) and amending Subsection (c) to read as
2-60 follows:
2-61   (a-1) A state agency with 150 or fewer full-time employees
2-62 may:
2-63   (1) designate a full-time employee of the agency to
2-64 serve as a data management officer; or
2-65   (2) enter into an agreement with one or more state
2-66 agencies to jointly employ a data management officer if approved by
2-67 the department.
2-68   (c) In accordance with department guidelines, the data
2-69 management officer for a state agency shall annually post on the

3-1 Texas Open Data Portal established by the department under Section
3-2 2054.070 at least three high-value data sets as defined by Section
3-3 2054.1265. The high-value data sets may not include information
3-4 that is confidential or protected from disclosure under state or
3-5 federal law.
3-6   SECTION 5. Chapter 2054, Government Code, is amended by
3-7 adding Subchapter S to read as follows:
3-8   SUBCHAPTER S. ARTIFICIAL INTELLIGENCE
3-9   Sec. 2054.701. DEFINITION. In this subchapter, "unlawful
3-10 harm" means any condition in which the use of an artificial
3-11 intelligence system results in a consequential decision that causes
3-12 harm to an individual who is a member of a state or federally
3-13 protected class in violation of law. The term does not include a
3-14 developer's or deployer's offer, license, or use of a heightened
3-15 scrutiny artificial intelligence system for the sole purpose of
3-16 testing the system before deployment to identify, mitigate, or
3-17 otherwise ensure compliance with state and federal law.
3-18   Sec. 2054.702. ARTIFICIAL INTELLIGENCE SYSTEM CODE OF
3-19 ETHICS. (a) The department by rule shall establish an artificial
3-20 intelligence system code of ethics for use by state agencies and
3-21 local governments that procure, develop, deploy, or use artificial
3-22 intelligence systems.
3-23   (b) At a minimum, the artificial intelligence system code of
3-24 ethics must include guidance for the deployment and use of
3-25 artificial intelligence systems and heightened scrutiny artificial
3-26 intelligence systems that aligns with the Artificial Intelligence
3-27 Risk Management Framework (AI RMF 1.0) published by the National
3-28 Institute of Standards and Technology. The guidance must address:
3-29   (1) human oversight and control;
3-30   (2) fairness and accuracy;
3-31   (3) transparency, including consumer disclosures;
3-32   (4) data privacy and security;
3-33   (5) public and internal redress, including
3-34 accountability and liability; and
3-35   (6) the frequency of evaluations and documentation of
3-36 improvements.
3-37   (c) State agencies and local governments shall adopt the
3-38 code of ethics developed under this section.
3-39   Sec. 2054.703. MINIMUM STANDARDS FOR HEIGHTENED SCRUTINY
3-40 ARTIFICIAL INTELLIGENCE SYSTEMS. (a) The department by rule shall
3-41 develop minimum risk management and governance standards for the
3-42 development, procurement, deployment, and use of heightened
3-43 scrutiny artificial intelligence systems by a state agency or local
3-44 government.
3-45   (b) The minimum standards must be consistent with the
3-46 Artificial Intelligence Risk Management Framework (AI RMF 1.0)
3-47 published by the National Institute of Standards and Technology and
3-48 must:
3-49   (1) establish accountability measures, such as
3-50 required reports describing the use of, limitations of, and
3-51 safeguards for the heightened scrutiny artificial intelligence
3-52 system;
3-53   (2) require the assessment and documentation of the
3-54 heightened scrutiny artificial intelligence system's known
3-55 security risks, performance metrics, and transparency measures:
3-56   (A) before deploying the system; and
3-57   (B) at the time any material change is made to:
3-58   (i) the system;
3-59   (ii) the state or local data used by the
3-60 system; or
3-61   (iii) the intended use of the system;
3-62   (3) provide to local governments resources that advise
3-63 on managing, procuring, and deploying a heightened scrutiny
3-64 artificial intelligence system, including data protection measures
3-65 and employee training; and
3-66   (4) establish guidelines for:
3-67   (A) risk management frameworks, acceptable use
3-68 policies, and training employees; and
3-69   (B) mitigating the risk of unlawful harm by

4-1 contractually requiring vendors to implement risk management
4-2 frameworks when deploying heightened scrutiny artificial
4-3 intelligence systems on behalf of state agencies or local
4-4 governments.
4-5   (c) State agencies and local governments shall adopt the
4-6 standards developed under Subsection (a).
4-7   Sec. 2054.704. EDUCATIONAL OUTREACH PROGRAM. (a) The
4-8 department shall develop educational materials on artificial
4-9 intelligence systems to promote the responsible use of the systems
4-10 and awareness of the risks and benefits of system use, explain
4-11 consumer rights in relation to the systems, and describe risk
4-12 mitigation techniques.
4-13   (b) The department shall develop training materials for
4-14 state and local government employees and the general public. The
4-15 training materials must be made available on the department's
4-16 public Internet website.
4-17   (c) The department shall host statewide forums and training
4-18 sessions on artificial intelligence systems best practices for
4-19 state and local government employees.
4-20   (d) The department may:
4-21   (1) use money appropriated to the department to
4-22 produce materials required by this section; and
4-23   (2) contract with a vendor to produce those materials.
4-24   Sec. 2054.705. PUBLIC SECTOR ARTIFICIAL INTELLIGENCE
4-25 SYSTEMS ADVISORY BOARD. (a) A public sector artificial
4-26 intelligence systems advisory board is established to assist state
4-27 agencies in the development, deployment, and use of artificial
4-28 intelligence systems.
4-29   (b) The advisory board shall:
4-30   (1) obtain and disseminate information on artificial
4-31 intelligence systems, including use cases, policies, and
4-32 guidelines;
4-33   (2) facilitate shared resources between state
4-34 agencies;
4-35   (3) consult with the department on artificial
4-36 intelligence systems issues;
4-37   (4) identify opportunities:
4-38   (A) for state agencies to implement artificial
4-39 intelligence systems to reduce administrative burdens; and
4-40   (B) to streamline the state procurement process
4-41 for artificial intelligence systems; and
4-42   (5) recommend elimination of rules that restrict the
4-43 innovation of artificial intelligence systems.
4-44   (c) The department shall provide administrative support for
4-45 the advisory board.
4-46   (d) The advisory board is composed of eight members as
4-47 follows:
4-48   (1) six members representing state agencies,
4-49 including one member representing an agency with fewer than 150
4-50 employees, appointed by the governor or the governor's designee;
4-51 and
4-52   (2) two public members with expertise in technology,
4-53 appointed by the governor or the governor's designee.
4-54   (e) Advisory board members serve two-year terms. Advisory
4-55 board members may be reappointed.
4-56   (f) Advisory board members are not entitled to compensation
4-57 or reimbursement of expenses for service on the advisory board.
4-58   Sec. 2054.706. ARTIFICIAL INTELLIGENCE SYSTEM SANDBOX
4-59 PROGRAM. (a) In this section:
4-60   (1) "Eligible entity" means an eligible customer under
4-61 Section 2054.0525.
4-62   (2) "Program" means the program established by this
4-63 section that is designed to allow temporary testing of an
4-64 artificial intelligence system in a controlled, limited manner
4-65 without requiring full compliance with otherwise applicable
4-66 regulations.
4-67   (3) "Vendor" means a person registered with the
4-68 department as a contractor to provide commodity items under Section
4-69 2157.068.

5-1   (b) The department shall establish and administer a program
5-2 to support eligible entities in contracting with vendors to engage
5-3 in   research,   development,   training,   testing,   and   other
5-4 pre-deployment   activities   related   to   artificial   intelligence
5-5 systems to effectively, efficiently, and securely assist the entity
5-6 in accomplishing its public purposes.
5-7   (c) The department shall create an application process for
5-8 vendors to apply to participate in the program. The application
5-9 process must include:
5-10   (1) a   detailed   description   of   the   artificial
5-11 intelligence system proposed for participation in the program and
5-12 the system's intended use;
5-13   (2) a risk assessment of the system that addresses
5-14 potential impacts on the public; and
5-15   (3) a plan for mitigating any adverse consequences
5-16 discovered during the system's testing phase.
5-17   (d) A vendor participating in the program shall, with
5-18 oversight by the department, provide eligible entities with secure
5-19 access to an artificial intelligence system used in the program.
5-20   (e) The department shall provide to vendors and eligible
5-21 entities   participating   in   the   program   detailed   guidelines
5-22 regarding the exemption from compliance with otherwise applicable
5-23 regulations provided by the program.
5-24   (f) The   eligible   entities   and   vendors   shall   submit
5-25 quarterly reports to the department that include:
5-26   (1) performance   measures   for   the   artificial
5-27 intelligence system;
5-28   (2) risk   mitigation   strategies   implemented   during
5-29 system testing;
5-30   (3) feedback on program effectiveness and efficiency;
5-31 and
5-32   (4) any   additional   information   the   department
5-33 requests.
5-34   (g) Not later than November 30 of each even-numbered year,
5-35 the department shall produce an annual report and submit the report
5-36 to the legislature summarizing:
5-37   (1) the   number   of   eligible   entities   and   vendors
5-38 participating in the program and the program outcomes; and
5-39   (2) recommendations for legislative or other action.
5-40   (h) Notwithstanding Section 2054.383, the department may
5-41 operate   the   program   as   a   statewide   technology   center   under
5-42 Subchapter L.
5-43   Sec. 2054.707. DISCLOSURE REQUIREMENTS.   (a)   A state
5-44 agency that procures, develops, deploys, or uses a public-facing
5-45 artificial intelligence system shall provide clear disclosure of
5-46 interaction   with   the   system   to   the   public   as   provided   by   the
5-47 artificial intelligence system code of ethics established under
5-48 Section 2054.702. The disclosure is not required if a reasonable
5-49 person   would   know   the   person   is   interacting   with   an   artificial
5-50 intelligence system.
5-51   (b) A vendor contracting with a state agency to deploy or
5-52 operate an artificial intelligence system must also provide the
5-53 disclosure required under Subsection (a).
5-54   Sec. 2054.708. IMPACT ASSESSMENTS. (a) A state agency that
5-55 deploys or uses an artificial intelligence system or a vendor that
5-56 contracts with a state agency for the deployment or use of a system
5-57 shall conduct a system assessment that outlines:
5-58   (1) risks of unlawful harm;
5-59   (2) system limitations; and
5-60   (3) information governance practices.
5-61   (b) The state agency or vendor shall make a copy of the
5-62 assessment available to the department on request.
5-63   (c) An impact assessment conducted under this section is
5-64 confidential and not subject to disclosure under Chapter 552. The
5-65 state agency or department may redact or withhold information as
5-66 confidential under Chapter 552 without requesting a decision from
5-67 the attorney general under Subchapter G, Chapter 552.
5-68   (d) The department shall take actions necessary to ensure
5-69 the confidentiality of information submitted under this section,

6-1 including restricting access to submitted information to only
6-2 authorized personnel and implementing physical, electronic, and
6-3 procedural protections.
6-4   Sec. 2054.709. ENFORCEMENT. (a) If a state agency or
6-5 vendor becomes aware of a violation of this subchapter, the agency
6-6 or vendor shall report the violation to the department, if
6-7 applicable, and the attorney general.
6-8   (b) The attorney general shall:
6-9   (1) review a report submitted under this section or a
6-10 complaint reported through the web page established under Section
6-11 2054.710; and
6-12   (2) determine whether to bring an action to enjoin a
6-13 violation of this subchapter.
6-14   (c) If the attorney general, in consultation with the
6-15 department, determines that a vendor violated this subchapter, the
6-16 attorney general shall provide the vendor with a written notice of
6-17 the violation.
6-18   (d) If a vendor fails to respond or cure the violation
6-19 before the 31st day after the date the vendor receives the written
6-20 notice under Subsection (c), the state agency shall provide the
6-21 vendor with a notice of intent to void the contract. The vendor may
6-22 respond and seek to cure the violation before the 31st day after the
6-23 date the vendor receives the notice of intent.
6-24   (e) If the vendor fails to cure the violation before the
6-25 31st day after the date the vendor receives the notice of intent to
6-26 void the contract under Subsection (d), the state agency may void
6-27 the contract without further obligation to the vendor.
6-28   (f) If the department determines that a vendor has had more
6-29 than one contract voided under Subsection (e), the department shall
6-30 refer the matter to the comptroller. Using procedures prescribed
6-31 by Section 2155.077, the comptroller may bar the vendor from
6-32 participating in a state agency contract.
6-33   Sec. 2054.710. ARTIFICIAL INTELLIGENCE SYSTEM COMPLAINT
6-34 WEB PAGE. (a) The attorney general shall, in collaboration with
6-35 the department, establish a web page on the attorney general's
6-36 Internet website that allows a person to report a complaint
6-37 relating to artificial intelligence systems, including:
6-38   (1) instances of an artificial intelligence system
6-39 allegedly unlawfully infringing on the person's constitutional
6-40 rights or financial livelihood; or
6-41   (2) the use of an artificial intelligence system that
6-42 allegedly results in unlawful harm.
6-43   (b) A complaint submitted on the web page created under
6-44 Subsection (a) must be distributed to the department.
6-45   (c) A person who submits a complaint on the web page created
6-46 under Subsection (a) may request an explanation from the
6-47 department.
6-48   (d) The attorney general shall post on the attorney
6-49 general's Internet website information that:
6-50   (1) educates persons regarding the risks and benefits
6-51 of artificial intelligence systems; and
6-52   (2) explains a person's rights in relation to
6-53 artificial intelligence systems.
6-54   (e) If the attorney general, in consultation with the
6-55 department, determines that the complaint is substantiated and a
6-56 violation of this chapter occurred, the attorney general may seek
6-57 enforcement under Section 2054.709.
6-58   (f) Not later than November 30 of each even-numbered year,
6-59 the attorney general shall submit to the legislature a report
6-60 summarizing the complaints received under this section, the
6-61 resolutions of the complaints, and any enforcement actions taken.
6-62   Sec. 2054.711. STANDARDIZED NOTICE. (a) Each state agency
6-63 and local government deploying or using an artificial intelligence
6-64 system that is public-facing or that is a controlling factor in a
6-65 consequential decision shall include a standardized notice on all
6-66 related applications, Internet websites, and public computer
6-67 systems.
6-68   (b) The department shall develop a form that agencies must
6-69 use for the notice required under Subsection (a). The form must

7-1 include:
7-2   (1) general information about the system;
7-3   (2) information about the data sources the system
7-4 uses; and
7-5   (3) measures taken to maintain compliance with
7-6 information privacy laws and ethics standards.
7-7   Sec. 2054.712. RULES. The department shall adopt rules to
7-8 implement this subchapter.
7-9   SECTION 6. (a) As soon as practicable after the effective
7-10 date of this Act, the Department of Information Resources shall:
7-11   (1) adopt rules necessary to implement Subchapter S,
7-12 Chapter 2054, Government Code, as added by this Act; and
7-13   (2) develop the outreach program and form required by
7-14 Sections 2054.704 and 2054.711, Government Code, as added by this
7-15 Act.
7-16   (b) As soon as practicable after the effective date of this
7-17 Act, the office of the attorney general shall establish the web page
7-18 as required by Section 2054.710, Government Code, as added by this
7-19 Act.
7-20   SECTION 7. This Act takes effect September 1, 2025.

7-21   * * * * *