1   AN ACT

2 relating to the regulation and use of artificial intelligence

3 systems and the management of data by governmental entities.

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

5   SECTION 1. Section 2054.003, Government Code, is amended by

6 adding Subdivisions (1-a), (2-b), (2-c), (6-a), and (11) to read as

7 follows:

8   (1-a) "Artificial intelligence system" means a

9 machine-based system that for explicit or implicit objectives

10 infers from provided information a method to generate outputs, such

11 as predictions, content, recommendations, or decisions, to

12 influence a physical or virtual environment with varying levels of

13 autonomy and adaptiveness after deployment.

14   (2-b) "Consequential decision" means a decision that

15 has a material legal or similarly significant effect on the

16 provision, denial, or conditions of a person's access to a

17 government service.

18   (2-c) "Controlling factor" means a factor that is:

19   (A) the principal basis for making a

20 consequential decision; or

21   (B) capable of altering the outcome of a

22 consequential decision.

23   (6-a) "Heightened scrutiny artificial intelligence

24 system" means an artificial intelligence system specifically

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intended to autonomously make, or be a controlling factor in making, a consequential decision. The term does not include an artificial intelligence system intended to:

(A) perform a narrow procedural task;

(B) improve the result of a previously completed human activity;

(C) perform a preparatory task to an assessment relevant to a consequential decision; or

(D) detect decision-making patterns or deviations from previous decision-making patterns.

(11) "Principal basis" means the use of an output produced by a heightened scrutiny artificial intelligence system to make a decision without:

(A) human review, oversight, involvement, or intervention; or

(B) meaningful consideration by a human.

SECTION 2. Section 2054.068(b), Government Code, is amended to read as follows:

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

(1) the agency's information security program;

(2) an inventory of the agency's servers, mainframes, cloud services, artificial intelligence systems, including heightened scrutiny artificial intelligence systems, and other information technology equipment;

(3) identification of vendors that operate and manage

1 the agency's information technology infrastructure; and

2   (4) any additional related information requested by

3 the department.

4   SECTION 3. Section 2054.0965, Government Code, is amended

5 by amending Subsection (b) and adding Subsection (c) to read as

6 follows:

7   (b) Except as otherwise modified by rules adopted by the

8 department, the review must include:

9   (1) an inventory of the agency's major information

10 systems, as defined by Section 2054.008, and other operational or

11 logistical components related to deployment of information

12 resources as prescribed by the department;

13   (2) an inventory of the agency's major databases and

14 applications;

15   (3) a description of the agency's existing and planned

16 telecommunications network configuration;

17   (4) an   analysis   of   how   information   systems,

18 components, databases, applications, and other information

19 resources have been deployed by the agency in support of:

20   (A) applicable achievement goals established

21 under Section 2056.006 and the state strategic plan adopted under

22 Section 2056.009;

23   (B) the state strategic plan for information

24 resources; and

25   (C) the agency's business objectives, mission,

26 and goals;

27   (5) agency information necessary to support the state

1 goals for interoperability and reuse; [and]

2   (6) an inventory and identification of the artificial

3 intelligence   systems   and   heightened   scrutiny   artificial

4 intelligence systems deployed by the agency, including an

5 evaluation of the purpose of and risk mitigation measures for each

6 system and an analysis of each system's support of the agency's

7 strategic plan under this subchapter; and

8   (7) confirmation by the agency of compliance with

9 state statutes, rules, and standards relating to information

10 resources and artificial intelligence systems, including the

11 artificial intelligence system code of ethics developed under

12 Section 2054.702, and minimum standards developed under Section

13 2054.703.

14   (c) Local governments shall complete a review of the

15 deployment and use of heightened scrutiny artificial intelligence

16 systems and, on request, provide the review to the department in the

17 manner the department prescribes.

18   SECTION 4. Section 2054.137, Government Code, is amended by

19 adding Subsection (a-1) and amending Subsection (c) to read as

20 follows:

21   (a-1) A state agency with 150 or fewer full-time employees

22 may:

23   (1) designate a full-time employee of the agency to

24 serve as a data management officer; or

25   (2) enter into an agreement with one or more state

26 agencies to jointly employ a data management officer if approved by

27 the department.

4

1   (c) In accordance with department guidelines, the data
2 management officer for a state agency shall annually post on the
3 Texas Open Data Portal established by the department under Section
4 2054.070 at least three high-value data sets as defined by Section
5 2054.1265. The high-value data sets may not include information
6 that is confidential or protected from disclosure under state or
7 federal law.

8   SECTION 5. Chapter 2054, Government Code, is amended by
9 adding Subchapter S to read as follows:
10   SUBCHAPTER S. ARTIFICIAL INTELLIGENCE
11   Sec. 2054.701. DEFINITION. In this subchapter, "unlawful
12 harm" means any condition in which the use of an artificial
13 intelligence system results in a consequential decision that causes
14 harm to an individual who is a member of a state or federally
15 protected class in violation of law. The term does not include a
16 developer's or deployer's offer, license, or use of a heightened
17 scrutiny artificial intelligence system for the sole purpose of
18 testing the system before deployment to identify, mitigate, or
19 otherwise ensure compliance with state and federal law.
20   Sec. 2054.702. ARTIFICIAL INTELLIGENCE SYSTEM CODE OF
21 ETHICS. (a) The department by rule shall establish an artificial
22 intelligence system code of ethics for use by state agencies and
23 local governments that procure, develop, deploy, or use artificial
24 intelligence systems.
25   (b) At a minimum, the artificial intelligence system code of
26 ethics must include guidance for the deployment and use of
27 artificial intelligence systems and heightened scrutiny artificial

1 intelligence systems that aligns with the Artificial Intelligence

2 Risk Management Framework (AI RMF 1.0) published by the National

3 Institute of Standards and Technology. The guidance must address:

4   (1) human oversight and control;

5   (2) fairness and accuracy;

6   (3) transparency, including consumer disclosures;

7   (4) data privacy and security;

8   (5) public   and   internal   redress,   including

9 accountability and liability; and

10   (6) the frequency of evaluations and documentation of

11 improvements.

12   (c) State agencies and local governments shall adopt the

13 code of ethics developed under this section.

14   Sec. 2054.703. MINIMUM STANDARDS FOR HEIGHTENED SCRUTINY

15 ARTIFICIAL INTELLIGENCE SYSTEMS. (a) The department by rule shall

16 develop minimum risk management and governance standards for the

17 development, procurement, deployment, and use of heightened

18 scrutiny artificial intelligence systems by a state agency or local

19 government.

20   (b) The minimum standards must be consistent with the

21 Artificial Intelligence Risk Management Framework (AI RMF 1.0)

22 published by the National Institute of Standards and Technology and

23 must:

24   (1) establish accountability measures, such as

25 required reports describing the use of, limitations of, and

26 safeguards for the heightened scrutiny artificial intelligence

27 system;

1   (2) require the assessment and documentation of the

2 heightened scrutiny artificial intelligence system's known

3 security risks, performance metrics, and transparency measures:

4   (A) before deploying the system; and

5   (B) at the time any material change is made to:

6   (i) the system;

7   (ii) the state or local data used by the

8 system; or

9   (iii) the intended use of the system;

10   (3) provide to local governments resources that advise

11 on managing, procuring, and deploying a heightened scrutiny

12 artificial intelligence system, including data protection measures

13 and employee training; and

14   (4) establish guidelines for:

15   (A) risk management frameworks, acceptable use

16 policies, and training employees; and

17   (B) mitigating the risk of unlawful harm by

18 contractually requiring vendors to implement risk management

19 frameworks when deploying heightened scrutiny artificial

20 intelligence systems on behalf of state agencies or local

21 governments.

22   (c) State agencies and local governments shall adopt the

23 standards developed under Subsection (a).

24   Sec. 2054.704. EDUCATIONAL OUTREACH PROGRAM. (a) The

25 department shall develop educational materials on artificial

26 intelligence systems to promote the responsible use of the systems

27 and awareness of the risks and benefits of system use, explain

1 consumer rights in relation to the systems, and describe risk

2 mitigation techniques.

3 (b) The department shall develop training materials for

4 state and local government employees and the general public. The

5 training materials must be made available on the department's

6 public Internet website.

7 (c) The department shall host statewide forums and training

8 sessions on artificial intelligence systems best practices for

9 state and local government employees.

10 (d) The department may:

11 (1) use money appropriated to the department to

12 produce materials required by this section; and

13 (2) contract with a vendor to produce those materials.

14 Sec. 2054.705. PUBLIC SECTOR ARTIFICIAL INTELLIGENCE

15 SYSTEMS ADVISORY BOARD. (a) A public sector artificial

16 intelligence systems advisory board is established to assist state

17 agencies in the development, deployment, and use of artificial

18 intelligence systems.

19 (b) The advisory board shall:

20 (1) obtain and disseminate information on artificial

21 intelligence systems, including use cases, policies, and

22 guidelines;

23 (2) facilitate shared resources between state

24 agencies;

25 (3) consult with the department on artificial

26 intelligence systems issues;

27 (4) identify opportunities:

1   (A) for state agencies to implement artificial

2   intelligence systems to reduce administrative burdens; and

3   (B) to streamline the state procurement process

4   for artificial intelligence systems; and

5   (5) recommend elimination of rules that restrict the

6   innovation of artificial intelligence systems.

7   (c) The department shall provide administrative support for

8   the advisory board.

9   (d) The advisory board is composed of eight members as

10   follows:

11   (1) six members representing state agencies,

12   including one member representing an agency with fewer than 150

13   employees, appointed by the governor or the governor's designee;

14   and

15   (2) two public members with expertise in technology,

16   appointed by the governor or the governor's designee.

17   (e) Advisory board members serve two-year terms. Advisory

18   board members may be reappointed.

19   (f) Advisory board members are not entitled to compensation

20   or reimbursement of expenses for service on the advisory board.

21   Sec. 2054.706. ARTIFICIAL INTELLIGENCE SYSTEM SANDBOX

22   PROGRAM. (a) In this section:

23   (1) "Eligible entity" means an eligible customer under

24   Section 2054.0525.

25   (2) "Program" means the program established by this

26   section that is designed to allow temporary testing of an

27   artificial intelligence system in a controlled, limited manner

without requiring full compliance with otherwise applicable

regulations.

(3) "Vendor" means a person registered with the

department as a contractor to provide commodity items under Section

2157.068.

(b) The department shall establish and administer a program

to support eligible entities in contracting with vendors to engage

in research, development, training, testing, and other

pre-deployment activities related to artificial intelligence

systems to effectively, efficiently, and securely assist the entity

in accomplishing its public purposes.

(c) The department shall create an application process for

vendors to apply to participate in the program. The application

process must include:

(1) a detailed description of the artificial

intelligence system proposed for participation in the program and

the system's intended use;

(2) a risk assessment of the system that addresses

potential impacts on the public; and

(3) a plan for mitigating any adverse consequences

discovered during the system's testing phase.

(d) A vendor participating in the program shall, with

oversight by the department, provide eligible entities with secure

access to an artificial intelligence system used in the program.

(e) The department shall provide to vendors and eligible

entities participating in the program detailed guidelines

regarding the exemption from compliance with otherwise applicable

1   regulations provided by the program.

2   (f) The eligible entities and vendors shall submit

3   quarterly reports to the department that include:

4   (1) performance measures for the artificial

5   intelligence system;

6   (2) risk mitigation strategies implemented during

7   system testing;

8   (3) feedback on program effectiveness and efficiency;

9   and

10   (4) any additional information the department

11   requests.

12   (g) Not later than November 30 of each even-numbered year,

13   the department shall produce an annual report and submit the report

14   to the legislature summarizing:

15   (1) the number of eligible entities and vendors

16   participating in the program and the program outcomes; and

17   (2) recommendations for legislative or other action.

18   (h) Notwithstanding Section 2054.383, the department may

19   operate the program as a statewide technology center under

20   Subchapter L.

21   (i) The department shall share information and resources

22   for the program with any other department program established to

23   allow a person, without holding a license or certificate of

24   registration under the laws of this state, to test an artificial

25   intelligence system for a limited time and on a limited basis.

26   Sec. 2054.707. DISCLOSURE REQUIREMENTS. A state agency

27   that procures, develops, deploys, or uses a public-facing

1   artificial intelligence system shall provide clear disclosure of

2   interaction with the system to the public as provided by the

3   artificial intelligence system code of ethics established under

4   Section 2054.702. The disclosure is not required if a reasonable

5   person would know the person is interacting with an artificial

6   intelligence system.

7   Sec. 2054.708. IMPACT ASSESSMENTS. (a) A state agency that

8   deploys or uses a heightened scrutiny artificial intelligence

9   system or a vendor that contracts with a state agency for the

10 deployment or use of a heightened scrutiny artificial intelligence

11 system shall conduct a system assessment that outlines:

12   (1) risks of unlawful harm;

13   (2) system limitations; and

14   (3) information governance practices.

15   (b) The state agency or vendor shall make a copy of the

16 assessment available to the department on request.

17   (c) An impact assessment conducted under this section is

18 confidential and not subject to disclosure under Chapter 552. The

19 state agency or department may redact or withhold information as

20 confidential under Chapter 552 without requesting a decision from

21 the attorney general under Subchapter G, Chapter 552.

22   (d) The department shall take actions necessary to ensure

23 the confidentiality of information submitted under this section,

24 including restricting access to submitted information to only

25 authorized personnel and implementing physical, electronic, and

26 procedural protections.

27   Sec. 2054.709. ENFORCEMENT. (a) If a state agency or

1 vendor becomes aware of a violation of this subchapter, the agency

2 or vendor shall report the violation to the department, if

3 applicable, and the attorney general.

4   (b)   The attorney general shall:

5   (1)   review a report submitted under this section or a

6 complaint reported through the web page established under Section

7 2054.710; and

8   (2)   determine whether to bring an action to enjoin a

9 violation of this subchapter.

10   (c)   If the attorney general, in consultation with the

11 department, determines that a vendor violated this subchapter, the

12 attorney general shall provide the vendor with a written notice of

13 the violation.

14   (d)   If a vendor fails to respond or cure the violation

15 before the 31st day after the date the vendor receives the written

16 notice under Subsection (c), the state agency shall provide the

17 vendor with a notice of intent to void the contract. The vendor may

18 respond and seek to cure the violation before the 31st day after the

19 date the vendor receives the notice of intent.

20   (e)   If the vendor fails to cure the violation before the

21 31st day after the date the vendor receives the notice of intent to

22 void the contract under Subsection (d), the state agency may void

23 the contract without further obligation to the vendor.

24   (f)   If the department determines that a vendor has had more

25 than one contract voided under Subsection (e), the department shall

26 refer the matter to the comptroller. Using procedures prescribed

27 by Section 2155.077, the comptroller may bar the vendor from

1 participating in a state agency contract.

2   Sec. 2054.710. ARTIFICIAL INTELLIGENCE SYSTEM COMPLAINT

3 WEB PAGE. (a) The attorney general shall, in collaboration with

4 the department, establish a web page on the attorney general's

5 Internet website that allows a person to report a complaint

6 relating to artificial intelligence systems, including:

7   (1) instances of an artificial intelligence system

8 allegedly unlawfully infringing on the person's constitutional

9 rights or financial livelihood; or

10   (2) the use of an artificial intelligence system that

11 allegedly results in unlawful harm.

12   (b) A complaint submitted on the web page created under

13 Subsection (a) must be distributed to the department.

14   (c) A person who submits a complaint on the web page created

15 under Subsection (a) may request an explanation from the

16 department.

17   (d) The attorney general shall post on the attorney

18 general's Internet website information that:

19   (1) educates persons regarding the risks and benefits

20 of artificial intelligence systems; and

21   (2) explains a person's rights in relation to

22 artificial intelligence systems.

23   (e) If the attorney general, in consultation with the

24 department, determines that the complaint is substantiated and a

25 violation of this subchapter occurred, the attorney general may

26 seek enforcement under Section 2054.709.

27   (f) Not later than November 30 of each even-numbered year,

1 the attorney general shall submit to the legislature a report

2 summarizing the complaints received under this section, the

3 resolutions of the complaints, and any enforcement actions taken.

4   Sec. 2054.711. STANDARDIZED NOTICE. (a) Each state agency

5 and local government deploying or using an artificial intelligence

6 system that is public-facing or that is a controlling factor in a

7 consequential decision shall include a standardized notice on all

8 related applications, Internet websites, and public computer

9 systems.

10   (b) The department shall develop a form that agencies must

11 use for the notice required under Subsection (a). The form must

12 include:

13   (1) general information about the system and data

14 sources the system uses; and

15   (2) measures taken to maintain compliance with

16 information privacy laws and ethics standards.

17   (c) For the purposes of this section, any health care

18 service by an academic medical center, state owned hospital, public

19 hospital or hospital district organized under Article IX of the

20 Texas Constitution or under Texas Health and Safety Code may

21 satisfy their disclosure requirements by including a generalized

22 statement in the patient consent forms that an artificial

23 intelligence system may be used in the course of their treatment.

24   Sec. 2054.712. EFFICIENT USE OF RESOURCES. The department

25 shall coordinate the activities under this subchapter and any other

26 law relating to artificial intelligence systems to ensure efficient

27 system implementation and to streamline the use of department

1 resources, including information sharing and personnel.

2   Sec. 2054.713. RULES. The department shall adopt rules to

3 implement this subchapter.

4   SECTION 6. (a) As soon as practicable after the effective

5 date of this Act, the Department of Information Resources shall:

6   (1) adopt rules necessary to implement Subchapter S,

7 Chapter 2054, Government Code, as added by this Act; and

8   (2) develop the outreach program and form required by

9 Sections 2054.704 and 2054.711, Government Code, as added by this

10 Act.

11   (b) As soon as practicable after the effective date of this

12 Act, the office of the attorney general shall establish the web page

13 as required by Section 2054.710, Government Code, as added by this

14 Act.

15   SECTION 7. This Act takes effect September 1, 2025.

_____   _____
　　　President of the Senate　　　　　　　　　 Speaker of the House

　　　I hereby certify that S.B. No. 1964 passed the Senate on April 28, 2025, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendments on May 30, 2025, by the following vote: Yeas 30, Nays 1.

                                         _____
                                         　　　Secretary of the Senate

　　　I hereby certify that S.B. No. 1964 passed the House, with amendments, on May 28, 2025, by the following vote: Yeas 104, Nays 6, one present not voting.

                                         _____
                                         　　　Chief Clerk of the House

Approved:

_____
　　　　　　Date

_____
　　　　　Governor