

By: Parker
(Capriglione)

S.B. No. 1964

Substitute the following for S.B. No. 1964:

By: Capriglione

C.S.S.B. No. 1964

A BILL TO BE ENTITLED

AN ACT

relating to the regulation and use of artificial intelligence systems and the management of data by governmental entities.

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

SECTION 1. Section 2054.003, Government Code, is amended by adding Subdivisions (1-a), (2-b), (2-c), (6-a), and (11) to read as follows:

(1-a) "Artificial intelligence system" means a machine-based system that for explicit or implicit objectives infers from provided information a method to generate outputs, such as predictions, content, recommendations, or decisions, to influence a physical or virtual environment with varying levels of autonomy and adaptiveness after deployment.

(2-b) "Consequential decision" means a decision that has a material, legal, or similarly significant effect on the provision, denial, or conditions of a person's access to a government service.

(2-c) "Controlling factor" means a factor generated by an artificial intelligence system that is:

(A) the principal basis for making a consequential decision; or

(B) capable of altering the outcome of a consequential decision.

(6-a) "Heightened scrutiny artificial intelligence

1 system" means an artificial intelligence system specifically
2 intended to autonomously make, or be a controlling factor in
3 making, a consequential decision. The term does not include an
4 artificial intelligence system intended to:

5 (A) perform a narrow procedural task;

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

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

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

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

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

17 (B) meaningful consideration by a human.

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

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

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

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

1 (3) identification of vendors that operate and manage
2 the agency's information technology infrastructure; and

3 (4) any additional related information requested by
4 the department.

5 SECTION 3. Section 2054.0965, Government Code, is amended
6 by amending Subsection (b) and adding Subsection (c) to read as
7 follows:

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

10 (1) an inventory of the agency's major information
11 systems, as defined by Section 2054.008, and other operational or
12 logistical components related to deployment of information
13 resources as prescribed by the department;

14 (2) an inventory of the agency's major databases and
15 applications;

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

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

21 (A) applicable achievement goals established
22 under Section 2056.006 and the state strategic plan adopted under
23 Section 2056.009;

24 (B) the state strategic plan for information
25 resources; and

26 (C) the agency's business objectives, mission,
27 and goals;

1 (5) agency information necessary to support the state
2 goals for interoperability and reuse; ~~and~~

3 (6) an inventory and identification of the artificial
4 intelligence systems and heightened scrutiny artificial
5 intelligence systems deployed by the agency, including an
6 evaluation of the purpose of and risk mitigation measures for each
7 system and an analysis of each system's support of the agency's
8 strategic plan under this subchapter; and

9 (7) confirmation by the agency of compliance with
10 state statutes, rules, and standards relating to information
11 resources and artificial intelligence systems, including the
12 artificial intelligence system code of ethics developed under
13 Section 2054.702, and minimum standards developed under Section
14 2054.703.

15 (c) Local governments shall complete a review of the
16 deployment and use of heightened scrutiny artificial intelligence
17 systems and, on request, provide the review to the department in the
18 manner the department prescribes.

19 SECTION 4. Section 2054.137, Government Code, is amended by
20 adding Subsection (a-1) and amending Subsection (c) to read as
21 follows:

22 (a-1) A state agency with 150 or fewer full-time employees
23 may:

24 (1) designate a full-time employee of the agency to
25 serve as a data management officer; or

26 (2) enter into an agreement with one or more state
27 agencies to jointly employ a data management officer if approved by

1 the department.

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

9 SECTION 5. Chapter 2054, Government Code, is amended by
10 adding Subchapter S to read as follows:

11 SUBCHAPTER S. ARTIFICIAL INTELLIGENCE

12 Sec. 2054.701. DEFINITION. In this subchapter, "unlawful
13 harm" means any condition in which the use of an artificial
14 intelligence system results in a consequential decision that causes
15 harm to an individual who is a member of a state or federally
16 protected class in violation of law. The term does not include a
17 developer's or deployer's offer, license, or use of a heightened
18 scrutiny artificial intelligence system for the sole purpose of
19 testing the system before deployment to identify, mitigate, or
20 otherwise ensure compliance with state and federal law.

21 Sec. 2054.702. ARTIFICIAL INTELLIGENCE SYSTEM CODE OF
22 ETHICS. (a) The department by rule shall establish an artificial
23 intelligence system code of ethics for use by state agencies and
24 local governments that procure, develop, deploy, or use artificial
25 intelligence systems.

26 (b) At a minimum, the artificial intelligence system code of
27 ethics must include guidance for the deployment and use of

artificial intelligence systems and heightened scrutiny artificial intelligence systems that aligns with the Artificial Intelligence Risk Management Framework (AI RMF 1.0) published by the National Institute of Standards and Technology. The guidance must address:

- (1) human oversight and control;
- (2) fairness and accuracy;
- (3) transparency, including consumer disclosures;
- (4) data privacy and security;
- (5) public and internal redress, including accountability and liability; and
- (6) the frequency of evaluations and documentation of improvements.

(c) State agencies and local governments shall adopt the code of ethics developed under this section.

Sec. 2054.703. MINIMUM STANDARDS FOR HEIGHTENED SCRUTINY ARTIFICIAL INTELLIGENCE SYSTEMS. (a) The department by rule shall develop minimum risk management and governance standards for the development, procurement, deployment, and use of heightened scrutiny artificial intelligence systems by a state agency or local government.

(b) The minimum standards must be consistent with the Artificial Intelligence Risk Management Framework (AI RMF 1.0) published by the National Institute of Standards and Technology and must:

- (1) establish accountability measures, such as required reports describing the use of, limitations of, and safeguards for the heightened scrutiny artificial intelligence

1 system;

2 (2) require the assessment and documentation of the
3 heightened scrutiny artificial intelligence system's known
4 security risks, performance metrics, and transparency measures:

5 (A) before deploying the system; and

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

7 (i) the system;

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

9 system; or

10 (iii) the intended use of the system;

11 (3) provide to local governments resources that advise
12 on managing, procuring, and deploying a heightened scrutiny
13 artificial intelligence system, including data protection measures
14 and employee training; and

15 (4) establish guidelines for:

16 (A) risk management frameworks, acceptable use
17 policies, and training employees; and

18 (B) mitigating the risk of unlawful harm by
19 contractually requiring vendors to implement risk management
20 frameworks when deploying heightened scrutiny artificial
21 intelligence systems on behalf of state agencies or local
22 governments.

23 (c) State agencies and local governments shall adopt the
24 standards developed under Subsection (a).

25 Sec. 2054.704. EDUCATIONAL OUTREACH PROGRAM. (a) The
26 department shall develop educational materials on artificial
27 intelligence systems to promote the responsible use of the systems

1 and awareness of the risks and benefits of system use, explain
2 consumer rights in relation to the systems, and describe risk
3 mitigation techniques.

4 (b) The department shall develop training materials for
5 state and local government employees and the general public. The
6 training materials must be made available on the department's
7 public Internet website.

8 (c) The department shall host statewide forums and training
9 sessions on artificial intelligence systems best practices for
10 state and local government employees.

11 (d) The department may:

12 (1) use money appropriated to the department to
13 produce materials required by this section; and

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

15 Sec. 2054.705. PUBLIC SECTOR ARTIFICIAL INTELLIGENCE
16 SYSTEMS ADVISORY BOARD. (a) A public sector artificial
17 intelligence systems advisory board is established to assist state
18 agencies in the development, deployment, and use of artificial
19 intelligence systems.

20 (b) The advisory board shall:

21 (1) obtain and disseminate information on artificial
22 intelligence systems, including use cases, policies, and
23 guidelines;

24 (2) facilitate shared resources between state
25 agencies;

26 (3) consult with the department on artificial
27 intelligence systems issues;

1 (4) identify opportunities:

2 (A) for state agencies to implement artificial
3 intelligence systems to reduce administrative burdens; and

4 (B) to streamline the state procurement process
5 for artificial intelligence systems; and

6 (5) recommend elimination of rules that restrict the
7 innovation of artificial intelligence systems.

8 (c) The department shall provide administrative support for
9 the advisory board.

10 (d) The advisory board is composed of eight members as
11 follows:

12 (1) six members representing state agencies,
13 including one member representing an agency with fewer than 150
14 employees, appointed by the governor or the governor's designee;
15 and

16 (2) two public members with expertise in technology,
17 appointed by the governor or the governor's designee.

18 (e) Advisory board members serve two-year terms. Advisory
19 board members may be reappointed.

20 (f) Advisory board members are not entitled to compensation
21 or reimbursement of expenses for service on the advisory board.

22 Sec. 2054.706. ARTIFICIAL INTELLIGENCE SYSTEM SANDBOX
23 PROGRAM. (a) In this section:

24 (1) "Eligible entity" means an eligible customer under
25 Section 2054.0525.

26 (2) "Program" means the program established by this
27 section that is designed to allow temporary testing of an

1 artificial intelligence system in a controlled, limited manner
2 without requiring full compliance with otherwise applicable
3 regulations.

4 (3) "Vendor" means a person registered with the
5 department as a contractor to provide commodity items under Section
6 [2157.068](#).

7 (b) The department shall establish and administer a program
8 to support eligible entities in contracting with vendors to engage
9 in research, development, training, testing, and other
10 pre-deployment activities related to artificial intelligence
11 systems to effectively, efficiently, and securely assist the entity
12 in accomplishing its public purposes.

13 (c) The department shall create an application process for
14 vendors to apply to participate in the program. The application
15 process must include:

16 (1) a detailed description of the artificial
17 intelligence system proposed for participation in the program and
18 the system's intended use;

19 (2) a risk assessment of the system that addresses
20 potential impacts on the public; and

21 (3) a plan for mitigating any adverse consequences
22 discovered during the system's testing phase.

23 (d) A vendor participating in the program shall, with
24 oversight by the department, provide eligible entities with secure
25 access to an artificial intelligence system used in the program.

26 (e) The department shall provide to vendors and eligible
27 entities participating in the program detailed guidelines

1 regarding the exemption from compliance with otherwise applicable
2 regulations provided by the program.

3 (f) The eligible entities and vendors shall submit
4 quarterly reports to the department that include:

5 (1) performance measures for the artificial
6 intelligence system;

7 (2) risk mitigation strategies implemented during
8 system testing;

9 (3) feedback on program effectiveness and efficiency;
10 and

11 (4) any additional information the department
12 requests.

13 (g) Not later than November 30 of each even-numbered year,
14 the department shall produce an annual report and submit the report
15 to the legislature summarizing:

16 (1) the number of eligible entities and vendors
17 participating in the program and the program outcomes; and

18 (2) recommendations for legislative or other action.

19 (h) Notwithstanding Section 2054.383, the department may
20 operate the program as a statewide technology center under
21 Subchapter L.

22 (i) The department shall share information and resources
23 for the program with any other department program established to
24 allow a person, without holding a license or certificate of
25 registration under the laws of this state, to test an artificial
26 intelligence system for a limited time and on a limited basis.

27 Sec. 2054.707. DISCLOSURE REQUIREMENTS. A state agency

1 that procures, develops, deploys, or uses a public-facing
2 artificial intelligence system shall provide clear disclosure of
3 interaction with the system to the public as provided by the
4 artificial intelligence system code of ethics established under
5 Section 2054.702. The disclosure is not required if a reasonable
6 person would know the person is interacting with an artificial
7 intelligence system.

8 Sec. 2054.708. IMPACT ASSESSMENTS. (a) A state agency that
9 deploys or uses a heightened scrutiny artificial intelligence
10 system or a vendor that contracts with a state agency for the
11 deployment or use of a heightened scrutiny artificial intelligence
12 system shall conduct a system assessment that outlines:

- 13 (1) risks of unlawful harm;
14 (2) system limitations; and
15 (3) information governance practices.

16 (b) The state agency or vendor shall make a copy of the
17 assessment available to the department on request.

18 (c) An impact assessment conducted under this section is
19 confidential and not subject to disclosure under Chapter 552. The
20 state agency or department may redact or withhold information as
21 confidential under Chapter 552 without requesting a decision from
22 the attorney general under Subchapter G, Chapter 552.

23 (d) The department shall take actions necessary to ensure
24 the confidentiality of information submitted under this section,
25 including restricting access to submitted information to only
26 authorized personnel and implementing physical, electronic, and
27 procedural protections.

1 Sec. 2054.709. ENFORCEMENT. (a) If a state agency or
2 vendor becomes aware of a violation of this subchapter, the agency
3 or vendor shall report the violation to the department, if
4 applicable, and the attorney general.

5 (b) The attorney general shall:

6 (1) review a report submitted under this section or a
7 complaint reported through the web page established under Section
8 2054.710; and

9 (2) determine whether to bring an action to enjoin a
10 violation of this subchapter.

11 (c) If the attorney general, in consultation with the
12 department, determines that a vendor violated this subchapter, the
13 attorney general shall provide the vendor with a written notice of
14 the violation.

15 (d) If a vendor fails to respond or cure the violation
16 before the 31st day after the date the vendor receives the written
17 notice under Subsection (c), the state agency shall provide the
18 vendor with a notice of intent to void the contract. The vendor may
19 respond and seek to cure the violation before the 31st day after the
20 date the vendor receives the notice of intent.

21 (e) If the vendor fails to cure the violation before the
22 31st day after the date the vendor receives the notice of intent to
23 void the contract under Subsection (d), the state agency may void
24 the contract without further obligation to the vendor.

25 (f) If the department determines that a vendor has had more
26 than one contract voided under Subsection (e), the department shall
27 refer the matter to the comptroller. Using procedures prescribed

1 by Section 2155.077, the comptroller may bar the vendor from
2 participating in a state agency contract.

3 Sec. 2054.710. ARTIFICIAL INTELLIGENCE SYSTEM COMPLAINT
4 WEB PAGE. (a) The attorney general shall, in collaboration with
5 the department, establish a web page on the attorney general's
6 Internet website that allows a person to report a complaint
7 relating to artificial intelligence systems, including:

8 (1) instances of an artificial intelligence system
9 allegedly unlawfully infringing on the person's constitutional
10 rights or financial livelihood; or

11 (2) the use of an artificial intelligence system that
12 allegedly results in unlawful harm.

13 (b) A complaint submitted on the web page created under
14 Subsection (a) must be distributed to the department.

15 (c) A person who submits a complaint on the web page created
16 under Subsection (a) may request an explanation from the
17 department.

18 (d) The attorney general shall post on the attorney
19 general's Internet website information that:

20 (1) educates persons regarding the risks and benefits
21 of artificial intelligence systems; and

22 (2) explains a person's rights in relation to
23 artificial intelligence systems.

24 (e) If the attorney general, in consultation with the
25 department, determines that the complaint is substantiated and a
26 violation of this subchapter occurred, the attorney general may
27 seek enforcement under Section 2054.709.

1 (f) Not later than November 30 of each even-numbered year,
2 the attorney general shall submit to the legislature a report
3 summarizing the complaints received under this section, the
4 resolutions of the complaints, and any enforcement actions taken.

5 Sec. 2054.711. STANDARDIZED NOTICE. (a) Each state agency
6 and local government deploying or using an artificial intelligence
7 system that is public-facing or that is a controlling factor in a
8 consequential decision shall include a standardized notice on all
9 related applications, Internet websites, and public computer
10 systems.

11 (b) The department shall develop a form that agencies must
12 use for the notice required under Subsection (a). The form must
13 include:

- 14 (1) general information about the system;
15 (2) information about the data sources the system
16 uses; and
17 (3) measures taken to maintain compliance with
18 information privacy laws and ethics standards.

19 Sec. 2054.712. EFFICIENT USE OF RESOURCES. The department
20 shall coordinate the activities under this subchapter and any other
21 law relating to artificial intelligence systems to ensure efficient
22 system implementation and to streamline the use of department
23 resources, including information sharing and personnel.

24 Sec. 2054.713. RULES. The department shall adopt rules to
25 implement this subchapter.

26 SECTION 6. (a) As soon as practicable after the effective
27 date of this Act, the Department of Information Resources shall:

1 (1) adopt rules necessary to implement Subchapter S,
2 Chapter 2054, Government Code, as added by this Act; and

3 (2) develop the outreach program and form required by
4 Sections 2054.704 and 2054.711, Government Code, as added by this
5 Act.

6 (b) As soon as practicable after the effective date of this
7 Act, the office of the attorney general shall establish the web page
8 as required by Section 2054.710, Government Code, as added by this
9 Act.

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