

By: Parker

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), (6-a), and (6-b) to read as follows:

(1-a) "Artificial intelligence system" means a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environment. Different artificial intelligence systems vary in their levels of autonomy and adaptiveness after deployment.

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

(i) the principal basis for making any 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;

(ii) capable of altering the outcome of a any 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; and

(iii) is generated by an artificial

1 intelligence system.

2 (6-a) "Heightened scrutiny artificial intelligence
3 system" means an artificial intelligence system that is
4 specifically intended to autonomously make, or be a substantial
5 controlling factor in making, any decision that has a material
6 legal or similarly significant effect on the provision, denial, or
7 conditions of a person's access to a government service. The term
8 does not include an artificial intelligence system intended to:

9 (i) perform any narrow procedural task;

10 (ii) improve the result of a previously
11 completed human activity;

12 (iii) perform a preparatory task to an
13 assessment relevant to a any decision that has a material legal or
14 similarly significant effect on the provision, denial, or
15 conditions of a person's access to a government service; or

16 (iv) detect decision-making patterns or
17 deviations from previous decision-making patterns

18 (6-b) "Principal basis" means the use of an output of a
19 heightened scrutiny artificial intelligence system to make a
20 decision without:

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

23 (B) meaningful consideration by a human.

24 SECTION 2. Section [2054.068](#)(b), Government Code, is amended
25 to read as follows:

26 (b) The department shall collect from each state agency
27 information on the status and condition of the agency's information

1 technology infrastructure, including information regarding:

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

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

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

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

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

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

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

20 (2) an inventory of the agency's major databases and
21 applications;

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

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

27 (A) applicable achievement goals established

under Section 2056.006 and the state strategic plan adopted under Section 2056.009;

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

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

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

(6) an inventory and identification of the artificial intelligence systems and heightened scrutiny artificial intelligence systems deployed by the agency, including an evaluation of the purpose of and risk mitigation measures for each system and an analysis of how each system supports the agency's strategic plan under Subchapter E; and

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

(c) Local governments shall complete a review of the deployment and use of a heightened scrutiny artificial intelligence system and provide the review to the department, in a manner described by the department.

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

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

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

5 (2) enter into an agreement with another state agency
6 or agencies to jointly employ a data management officer if approved
7 by the department.

8 (c) In accordance with department guidelines, the data
9 management officer for a state agency shall annually post on the
10 Texas Open Data Portal established by the department under Section
11 [2054.070](#) at least three high-value data sets as defined by Section
12 [2054.1265](#). The high-value data sets may not include information
13 that is confidential or protected from disclosure under state or
14 federal law.

15 SECTION 5. Chapter [2054](#), Government Code, is amended by
16 adding Subchapter S to read as follows:

17 SUBCHAPTER S. ARTIFICIAL INTELLIGENCE

18 Sec. 2054.701. DEFINITION. In this subchapter, "unlawful
19 harm" means any condition in which the use of an artificial
20 intelligence system results in any decision that has a material
21 legal or similarly significant effect on an individual who is a
22 member of a state or federally protected class's denial, or
23 conditions of a government service in violation of law. The term
24 does not include a developer's or deployer's offer, license, or use
25 of a heightened scrutiny artificial intelligence system for the
26 sole purpose of testing the system before deployment to identify,
27 mitigate, or otherwise ensure compliance with state and federal

1 law.

2 Sec. 2054.702. ARTIFICIAL INTELLIGENCE SYSTEM CODE OF
3 ETHICS. (a) The department by rule shall establish an artificial
4 intelligence system code of ethics for use by state agencies and
5 local governments that procure, develop, deploy, or use a
6 heightened scrutiny artificial intelligence system.

7 (b) At a minimum, the artificial intelligence system code of
8 ethics must include the following principles for state agencies to
9 guide the adoption of heightened scrutiny artificial intelligence
10 systems and that align with the National Institute of Standards and
11 Technology's Artificial Intelligence Risk Management Framework on:

12 (1) Human oversight and control;

13 (2) Fairness and Accuracy;

14 (3) Transparency;

15 (4) Consumer disclosures;

16 (5) Data privacy and security;

17 (6) Accountability and liability;

18 (7) Continuous evaluation and improvement;

19 (8) Public redress.

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

26 (b) The minimum standards must be consistent with the
27 Artificial Intelligence Risk Management Framework (AI RMF 1.0)

1 published by the National Institute of Standards and Technology and
2 must:

3 (1) establish accountability measures, such as
4 required reports describing the use of, limitations of, and
5 safeguards for the heightened scrutiny artificial intelligence
6 system;

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

10 (A) before deploying the system;

11 and

12 (C) at the time any material change is made to:

13 (i) the system;

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

15 system; or

16 (iii) the intended use of the system;

17 (3) provide resources to local governments to advise
18 on the management of heightened scrutiny artificial intelligence
19 system procurement and deployment, data protection measures, and
20 employee training; and

21 (4) establish guidelines for:

22 (A) risk management frameworks, acceptable use
23 policies, and training employees; and

24 (B) mitigating the risk of unlawful harm by
25 contractually requiring third party vendors to implement risk
26 management system frameworks when deploying heightened scrutiny
27 artificial intelligence systems on behalf of state agencies or

1 local governments.

2 (c) State agencies and local governments shall both adopt
3 the code of ethics developed under Section 2054.702 and the
4 standards developed under Subsection (b).

5 Sec. 2054.704. EDUCATIONAL OUTREACH PROGRAM. (a) The
6 department shall develop educational materials on artificial
7 intelligence systems to promote the responsible use of the systems
8 and awareness of the risks and benefits of system use, explain
9 consumer rights in relation to the systems, and describe risk
10 mitigation techniques.

11 (b) The department shall develop training materials for
12 state and local government employees and the general public. The
13 training materials must be made available on the department's
14 public Internet website.

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

18 (d) The department may:

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

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

22 Sec. 2054.705. PUBLIC SECTOR ARTIFICIAL INTELLIGENCE
23 SYSTEMS ADVISORY BOARD. (a) A public sector artificial
24 intelligence systems advisory board is established to assist state
25 agencies in the development, deployment, and use of artificial
26 intelligence systems.

27 (b) The advisory board shall obtain and disseminate

1 information on artificial intelligence systems, including use
2 cases, policies, and guidelines, facilitate shared resources
3 between state agencies, and consult with the department on
4 artificial intelligence systems issues.

5 (c) The department shall provide administrative support for
6 the advisory board.

7 (d) The advisory board is composed of eight members as
8 follows:

9 (1) six members representing state agencies,
10 including one member representing an agency with fewer than 150
11 employees, appointed by the governor; and

12 (2) two public members, appointed by the governor or
13 the governor's designee, with technology expertise.

14 (e) Advisory board members serve two-year terms. Advisory
15 board members may be reappointed.

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

18 (g) The advisory board shall direct state agencies to:

19 (1) Identify opportunities to implement AI solutions
20 that reduce administrative burdens;

21 (2) Recommend the elimination of regulations that
22 unnecessarily restrict AI innovation; and

23 (3) Identify opportunities to streamline procurement
24 processes to enable AI adoption.

25 Sec. 2054.706. ARTIFICIAL INTELLIGENCE SYSTEM SANDBOX
26 PROGRAM. (a) In this section:

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

1 Section 2054.0525.

2 (2) "Program" means the program established by this
3 section that is designed to allow temporary testing of an
4 artificial intelligence system in a controlled, limited manner
5 without requiring full compliance with otherwise applicable
6 regulations.

7 (3) "Vendor" means a person registered with the
8 department as a contractor to provide commodity items under Section
9 2157.068.

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

16 (c) The department shall create an application process for
17 vendors to apply to participate in the program. The application
18 process must include:

19 (1) a detailed description of the artificial
20 intelligence system proposed for participation in the program and
21 the system's intended use;

22 (2) a risk-assessment of the system that addresses
23 potential impacts on the public; and

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

26 (d) A vendor participating in the program shall, with
27 oversight by the department, provide eligible entities with secure

1 access to an artificial intelligence system used in the program.

2 (e) The department shall provide to vendors and eligible
3 entities participating in the program detailed guidelines
4 regarding the exemption from compliance with otherwise applicable
5 regulations provided by the program.

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

8 (1) performance measures for the artificial
9 intelligence system;

10 (2) risk mitigation strategies implemented during
11 system testing;

12 (3) feedback on program effectiveness and efficiency;
13 and

14 (4) any additional information the department
15 requests.

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

19 (1) the number of eligible entities and vendors
20 participating in the program and the program outcomes; and

21 (2) recommendations for legislative or other action.

22 (h) Notwithstanding Section 2054.383, the department may
23 operate the program as a statewide technology center under
24 Subchapter L.

25 Sec. 2054.707. DISCLOSURE REQUIREMENTS. (a) A state
26 agency that procures, develops, deploys, or uses an artificial
27 intelligence system shall provide clear disclosure of the system to

1 the public as provided by the artificial intelligence system code
2 of ethics established under Section 2054.702.

3 (b) A vendor contracting with a state agency to deploy or
4 operate an artificial intelligence system must also provide the
5 disclosure required under Subsection (a).

6 Sec. 2054.708. IMPACT ASSESSMENTS. (a) A state agency that
7 deploys or uses an artificial intelligence system or a vendor that
8 contracts with a state agency for the deployment or use of a system
9 shall conduct a semiannual system assessment that outlines:

10 (1) risks of unlawful harm;

11 (2) system limitations; and

12 (3) information governance practices;

13 (b) The state agency or vendor shall submit make available a
14 copy of the assessment to the department upon request.

15 (c) The impact assessments created under this section are
16 confidential and not subject to disclosure under Chapter 552. The
17 state agency or department may redact or withhold the information
18 as confidential under Chapter 552 without requesting a decision
19 from the attorney general under Subchapter G, Chapter 552.

20 (d) The Department shall take all necessary steps to ensure
21 the confidentiality of Submitted Information, including but not
22 limited to, restricting access to submitted information to
23 authorized personnel only and implementing physical, electronic,
24 and procedural safeguards to protect submitted information.

25 Sec. 2054.710. ENFORCEMENT. (a) If a state agency or
26 vendor is made aware that a violation of this subchapter has
27 occurred, the agency or vendor shall report the violation to the

1 department, if applicable, and the attorney general.

2 (b) The attorney general shall:

3 (1) review a report submitted under this section or a
4 complaint reported through the webpage established under Section
5 2054.711; and

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

8 (c) If the attorney general determines that a vendor
9 violated this subchapter, the attorney general shall provide the
10 vendor with a written notice of the violation. The vendor shall have
11 30 days from the date of the notice to cure the violation.

12 (d) If the vendor fails to cure the violation within the
13 30-day period specific in subsection (c), the state agency may void
14 the contract without further obligation to the vendor. The state
15 agency shall provide the vendor with a 30-day notice of its intent
16 to void the contract, during which time the vendor may address any
17 remaining issues to the satisfaction of the state agency.

18 (e) If the vendor does not satisfactorily address the issues
19 within the 30-day notice period specified in subsection (d), the
20 state agency may void the contract without further obligation to
21 the vendor.

22 (d) If the department determines that a vendor has had more
23 than one contract voided under Subsection (c), the department shall
24 refer the matter to the comptroller. Using procedures prescribed
25 by Section 2155.077, the comptroller may bar the vendor from
26 participating in a state agency contract.

27 Sec. 2054.711. ARTIFICIAL INTELLIGENCE SYSTEM COMPLAINT

1 WEBPAGE. (a) The attorney general shall, in collaboration with the
2 department, establish a webpage on the attorney general's Internet
3 website that allows a person to report a complaint relating to
4 artificial intelligence systems, including:

5 (1) instances of an artificial intelligence system
6 allegedly unlawfully infringing on the person's constitutional
7 rights or financial livelihood; or

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

10 (b) A complaint submitted on the webpage created under
11 Subsection (a) must be distributed to the department.

12 (c) A person who submits a complaint on the webpage created
13 under Subsection (a) may request from the department an explanation
14 as provided by Section 2054.702(b)(1)(D).

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

17 (1) educates persons regarding the risks and benefits
18 of artificial intelligence systems; and

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

21 (e) Not later than November 30 of each even-numbered year,
22 the attorney general shall submit to the legislature a report
23 summarizing the complaints received under this section, the
24 resolutions of the complaints, and any enforcement actions taken.

25 Sec. 2054.712. STANDARDIZED NOTICE. (a) Each state agency
26 and local government that deploys or uses an artificial
27 intelligence system that the public directly accesses or that is a

1 controlling factor in a any decision that has a material legal or
2 similarly significant effect on the provision, denial, or
3 conditions of a person's access to a government service shall
4 include a standardized notice on all related applications, Internet
5 websites, and public computer systems.

6 (b) The department shall develop a form that agencies must
7 use for the notice required under Subsection (a). The form must
8 include:

- 9 (1) general information about the system;
10 (2) information about the data sources the system
11 uses; and
12 (3) measures taken to maintain compliance with
13 information privacy laws and ethics standards.

14 Sec. 2054.713. RULES. The department shall adopt rules to
15 implement this subchapter.

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

- 18 (1) adopt rules necessary to implement Subchapter S,
19 Chapter 2054, Government Code, as added by this Act; and
20 (2) develop the outreach program and form required by
21 Sections 2054.704 and 2054.712, Government Code, as added by this
22 Act.

23 (b) As soon as practicable after the effective date of this
24 Act, the office of the attorney general shall establish the webpage
25 as required by Section 2054.711, Government Code, as added by this
26 Act.

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