LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 22, 2025

TO: Honorable Charles Schwertner, Chair, Senate Committee on Business & Commerce

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2818** by Capriglione (relating to the artificial intelligence division within the Department of Information Resources.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2818, Committee Report 2nd House, Substituted: a negative impact of ($8,140,645) through the biennium ending August 31, 2027.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2026	($3,333,999)
2027	($4,806,646)
2028	($4,806,646)
2029	($4,806,646)
2030	($4,806,646)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	*Change in Number of State Employees from FY 2025*
2026	($3,333,999)	9.0
2027	($4,806,646)	9.0
2028	($4,806,646)	9.0
2029	($4,806,646)	9.0
2030	($4,806,646)	9.0

Fiscal Analysis

The bill would require the Department of Information Resources (DIR) to establish an artificial intelligence (AI) division, authorizing DIR to hire, including through institutions of higher education, personnel necessary to administer the duties of the division.

The bill would require the division to assist state agencies and other entities that use DIR's services to implement generative AI technology for modernization projects and other projects appropriate for the use of generative AI technology as determined by DIR. It would authorize DIR to use generative AI to complete the projects. It would also authorize DIR to contract with a vendor to use generative AI technology, requiring a

majority of the work be completed by the vendor's generative AI technology.

The bill would require the division to prepare a cost analysis report for each project completed that includes a summary of time, money, and resources saved and cost efficiencies achieved by using generative AI technology.

The bill would require DIR to coordinate activities under any law related to AI systems to ensure efficient system implementation and use of resources.

DIR would adopt rules as necessary to implement the legislation.

Methodology

It is assumed that DIR would require 9.0 additional FTEs as follows to implement the legislation: 5.0 Systems Analyst VIIs to train, support coding efforts, help craft statements of work and evaluations, and understand risk components of code security, bias, and privacy; 1.0 Data Analyst V to to act as a data research specialist knowledgeable in AI tools and data management; 1.0 Contract Specialist V to support the procurement and contract coordination between DIR's Shared Technology Services and Cooperative Contracts Program, and other state agencies; and 2.0 Program Management Specialist IIIs to act as project management/technical writers knowledgeable in agile application development practices. Total personnel costs would be $3,640,645 for the biennium, and $1,806,646 in each subsequent fiscal year.

Technology

DIR estimates the total technology cost would be $1,500,000 in fiscal year 2026 and $3,000,000 in each subsequent fiscal year. This includes $1,000,000 in fiscal year 2026 and $2,000,000 in each subsequent fiscal year in professional service costs for AI assessments, data analysis and cleansing, model testing, and prompt engineering. It also includes $500,000 in fiscal year 2026 and $1,000,000 in each subsequent fiscal year for cloud services to establish generative AI environments to support various technologies.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 313 Department of Information Resources

LBB Staff: JMc, RStu, LCO, CSmi, NV