

SENATE AMENDMENTS
2nd Printing

By: Capriglione, et al. H.B. No. 2818

A BILL TO BE ENTITLED

AN ACT

relating to the artificial intelligence division within the
Department of Information Resources.

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

SECTION 1. Chapter 2054, Government Code, is amended by
adding Subchapter S to read as follows:

SUBCHAPTER S. ARTIFICIAL INTELLIGENCE DIVISION

Sec. 2054.701. ESTABLISHMENT AND ADMINISTRATION OF
DIVISION. (a) The department shall establish an artificial
intelligence division within the department.

(b) The executive director shall direct the administration
and oversight of the artificial intelligence division, including
the division's organization within the department.

(c) The department may hire the personnel necessary to
administer the duties of the division, including hiring personnel
through institutions of higher education, as defined by Section
61.003, Education Code.

Sec. 2054.702. GENERATIVE ARTIFICIAL INTELLIGENCE
TECHNOLOGY. (a) The division shall assist state agencies and other
entities that use the department's services in the implementation
of generative artificial intelligence technology for:

(1) projects to modernize or replace legacy systems,
as defined by Section 2054.571; and

(2) other projects appropriate for the use of

generative artificial intelligence technology as determined by the department.

(b) In assisting agencies and entities with projects under Subsection (a), the division may:

(1) use generative artificial intelligence technology developed or procured by the department to complete the project; or

(2) contract with a vendor to use generative artificial intelligence technology to complete the project.

(c) If the division contracts with a vendor under Subsection (b) to complete a project, the vendor's generative artificial intelligence technology must complete a majority of the work required to complete the project.

Sec. 2054.703. COST ANALYSIS REPORT. The division shall prepare a cost analysis report for each project completed under Section 2054.702 that includes:

(1) a summary of the time, money, and resources saved by using a generative artificial intelligence technology compared to the time, money, and resources that would have been required using traditional systems to perform equivalent tasks; and

(2) a concise overview focused on information demonstrating the cost and time efficiencies achieved by using generative artificial intelligence technology for the project.

Sec. 2054.704. RULES. The department may adopt the rules necessary to establish and administer the division.

SECTION 2. As soon as practicable after the effective date of this Act, the Department of Information Resources shall adopt the rules necessary to implement Subchapter S, Chapter 2054,

H.B. No. 2818

1 Government Code, as added by this Act.

2 SECTION 3. This Act takes effect September 1, 2025.

ADOPTED

MAY 26 2025

Lately Spaw
Secretary of the Senate

By: Tan Parker H.B. No. 2818
Substitute the following for H.B. No. 2818:
By: Phil King C.S. H.B. No. 2818

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and oversight of the artificial intelligence division, including
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(2) a concise overview focused on information demonstrating the cost and time efficiencies achieved by using generative artificial intelligence technology for the project.

Sec. 2054.704. EFFICIENT USE OF RESOURCES. The department shall coordinate division activities under this subchapter and the activities under any other law relating to artificial intelligence systems to ensure efficient system implementation and to streamline the use of department resources, including information sharing and

1 personnel.

2 Sec. 2054.705. RULES. The department may adopt the rules
3 necessary to establish and administer the division.

4 SECTION 2. As soon as practicable after the effective date
5 of this Act, the Department of Information Resources shall adopt
6 the rules necessary to implement Subchapter S, Chapter 2054,
7 Government Code, as added by this Act.

8 SECTION 3. This Act takes effect September 1, 2025.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 27, 2025

TO: Honorable Dustin Burrows, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2818** by Capriglione (Relating to the artificial intelligence division within the Department of Information Resources.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2818, As Passed 2nd House: 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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
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:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	<i>Change in Number of State Employees from FY 2025</i>
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 VIIIs 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 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, SD, RStu, LCO, CSmi, NV

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.

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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.

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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

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 19, 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.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2818, As Engrossed: 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.

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Source Agencies: 313 Department of Information Resources

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

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 29, 2025

TO: Honorable Giovanni Capriglione, Chair, House Committee on Delivery of Government Efficiency

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 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2818, Committee Report 1st House, Substituted: a negative impact of (\$8,140,645) through the biennium ending August 31, 2027.

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Local Government Impact

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Source Agencies: 313 Department of Information Resources

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

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 25, 2025

TO: Honorable Giovanni Capriglione, Chair, House Committee on Delivery of Government Efficiency

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2818** by Capriglione (Relating to the artificial intelligence division within the Department of Information Resources.), **As Introduced**

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

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