

AN ACT

relating to regulation of the use of artificial intelligence systems in this state; providing civil penalties.

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

SECTION 1. This Act may be cited as the Texas Responsible Artificial Intelligence Governance Act.

SECTION 2. Section 503.001, Business & Commerce Code, is amended by amending Subsections (a) and (e) and adding Subsections (b-1) and (f) to read as follows:

(a) In this section:

(1) "Artificial intelligence system" has the meaning assigned by Section 551.001.

(2) "Biometric [~~,"~~ ~~"biometric"~~ identifier" means a retina or iris scan, fingerprint, voiceprint, or record of hand or face geometry.

(b-1) For purposes of Subsection (b), an individual has not been informed of and has not provided consent for the capture or storage of a biometric identifier of an individual for a commercial purpose based solely on the existence of an image or other media containing one or more biometric identifiers of the individual on the Internet or other publicly available source unless the image or other media was made publicly available by the individual to whom the biometric identifiers relate.

(e) This section does not apply to:

1 (1) voiceprint data retained by a financial
2 institution or an affiliate of a financial institution, as those
3 terms are defined by 15 U.S.C. Section 6809;

4 (2) the training, processing, or storage of biometric
5 identifiers involved in developing, training, evaluating,
6 disseminating, or otherwise offering artificial intelligence
7 models or systems, unless a system is used or deployed for the
8 purpose of uniquely identifying a specific individual; or

9 (3) the development or deployment of an artificial
10 intelligence model or system for the purposes of:

11 (A) preventing, detecting, protecting against,
12 or responding to security incidents, identity theft, fraud,
13 harassment, malicious or deceptive activities, or any other illegal
14 activity;

15 (B) preserving the integrity or security of a
16 system; or

17 (C) investigating, reporting, or prosecuting a
18 person responsible for a security incident, identity theft, fraud,
19 harassment, a malicious or deceptive activity, or any other illegal
20 activity.

21 (f) If a biometric identifier captured for the purpose of
22 training an artificial intelligence system is subsequently used for
23 a commercial purpose not described by Subsection (e), the person
24 possessing the biometric identifier is subject to:

25 (1) this section's provisions for the possession and
26 destruction of a biometric identifier; and

27 (2) the penalties associated with a violation of this

1 section.

2 SECTION 3. Section 541.104(a), Business & Commerce Code, is
3 amended to read as follows:

4 (a) A processor shall adhere to the instructions of a
5 controller and shall assist the controller in meeting or complying
6 with the controller's duties or requirements under this chapter,
7 including:

8 (1) assisting the controller in responding to consumer
9 rights requests submitted under Section 541.051 by using
10 appropriate technical and organizational measures, as reasonably
11 practicable, taking into account the nature of processing and the
12 information available to the processor;

13 (2) assisting the controller with regard to complying
14 with requirements [~~the requirement~~] relating to the security of
15 processing personal data, and if applicable, the personal data
16 collected, stored, and processed by an artificial intelligence
17 system, as that term is defined by Section 551.001, and to the
18 notification of a breach of security of the processor's system
19 under Chapter 521, taking into account the nature of processing and
20 the information available to the processor; and

21 (3) providing necessary information to enable the
22 controller to conduct and document data protection assessments
23 under Section 541.105.

24 SECTION 4. Title 11, Business & Commerce Code, is amended by
25 adding Subtitle D to read as follows:

SUBTITLE D. ARTIFICIAL INTELLIGENCE PROTECTION

CHAPTER 551. GENERAL PROVISIONS

Sec. 551.001. DEFINITIONS. In this subtitle:

(1) "Artificial intelligence system" means any machine-based system that, for any explicit or implicit objective, infers from the inputs the system receives how to generate outputs, including content, decisions, predictions, or recommendations, that can influence physical or virtual environments.

(2) "Consumer" means an individual who is a resident of this state acting only in an individual or household context. The term does not include an individual acting in a commercial or employment context.

(3) "Council" means the Texas Artificial Intelligence Council established under Chapter 554.

Sec. 551.002. APPLICABILITY OF SUBTITLE. This subtitle applies only to a person who:

(1) promotes, advertises, or conducts business in this state;

(2) produces a product or service used by residents of this state; or

(3) develops or deploys an artificial intelligence system in this state.

Sec. 551.003. CONSTRUCTION AND APPLICATION OF SUBTITLE. This subtitle shall be broadly construed and applied to promote its underlying purposes, which are to:

(1) facilitate and advance the responsible development and use of artificial intelligence systems;

1 (2) protect individuals and groups of individuals from
2 known and reasonably foreseeable risks associated with artificial
3 intelligence systems;

4 (3) provide transparency regarding risks in the
5 development, deployment, and use of artificial intelligence
6 systems; and

7 (4) provide reasonable notice regarding the use or
8 contemplated use of artificial intelligence systems by state
9 agencies.

10 CHAPTER 552. ARTIFICIAL INTELLIGENCE PROTECTION

11 SUBCHAPTER A. GENERAL PROVISIONS

12 Sec. 552.001. DEFINITIONS. In this chapter:

13 (1) "Deployer" means a person who deploys an
14 artificial intelligence system for use in this state.

15 (2) "Developer" means a person who develops an
16 artificial intelligence system that is offered, sold, leased,
17 given, or otherwise provided in this state.

18 (3) "Governmental entity" means any department,
19 commission, board, office, authority, or other administrative unit
20 of this state or of any political subdivision of this state, that
21 exercises governmental functions under the authority of the laws of
22 this state. The term does not include:

23 (A) a hospital district created under the Health
24 and Safety Code or Article IX, Texas Constitution; or

25 (B) an institution of higher education, as
26 defined by Section 61.003, Education Code, including any university
27 system or any component institution of the system.

Sec. 552.002. CONSTRUCTION OF CHAPTER. This chapter may not be construed to:

(1) impose a requirement on a person that adversely affects the rights or freedoms of any person, including the right of free speech; or

(2) authorize any department or agency other than the Department of Insurance to regulate or oversee the business of insurance.

Sec. 552.003. LOCAL PREEMPTION. This chapter supersedes and preempts any ordinance, resolution, rule, or other regulation adopted by a political subdivision regarding the use of artificial intelligence systems.

SUBCHAPTER B. DUTIES AND PROHIBITIONS ON USE OF ARTIFICIAL
INTELLIGENCE

Sec. 552.051. DISCLOSURE TO CONSUMERS. (a) In this section, "health care services" means services related to human health or to the diagnosis, prevention, or treatment of a human disease or impairment provided by an individual licensed, registered, or certified under applicable state or federal law to provide those services.

(b) A governmental agency that makes available an artificial intelligence system intended to interact with consumers shall disclose to each consumer, before or at the time of interaction, that the consumer is interacting with an artificial intelligence system.

(c) A person is required to make the disclosure under
Subsection (b) regardless of whether it would be obvious to a

1 reasonable consumer that the consumer is interacting with an
2 artificial intelligence system.

3 (d) A disclosure under Subsection (b):

4 (1) must be clear and conspicuous;

5 (2) must be written in plain language; and

6 (3) may not use a dark pattern, as that term is defined
7 by Section 541.001.

8 (e) A disclosure under Subsection (b) may be provided by
9 using a hyperlink to direct a consumer to a separate Internet web
10 page.

11 (f) If an artificial intelligence system is used in relation
12 to health care service or treatment, the provider of the service or
13 treatment shall provide the disclosure under Subsection (b) to the
14 recipient of the service or treatment or the recipient's personal
15 representative not later than the date the service or treatment is
16 first provided, except in the case of emergency, in which case the
17 provider shall provide the required disclosure as soon as
18 reasonably possible.

19 Sec. 552.052. MANIPULATION OF HUMAN BEHAVIOR. A person may
20 not develop or deploy an artificial intelligence system in a manner
21 that intentionally aims to incite or encourage a person to:

22 (1) commit physical self-harm, including suicide;

23 (2) harm another person; or

24 (3) engage in criminal activity.

25 Sec. 552.053. SOCIAL SCORING. A governmental entity may
26 not use or deploy an artificial intelligence system that evaluates
27 or classifies a natural person or group of natural persons based on

1 social behavior or personal characteristics, whether known,
2 inferred, or predicted, with the intent to calculate or assign a
3 social score or similar categorical estimation or valuation of the
4 person or group of persons that results or may result in:

5 (1) detrimental or unfavorable treatment of a person
6 or group of persons in a social context unrelated to the context in
7 which the behavior or characteristics were observed or noted;

8 (2) detrimental or unfavorable treatment of a person
9 or group of persons that is unjustified or disproportionate to the
10 nature or gravity of the observed or noted behavior or
11 characteristics; or

12 (3) the infringement of any right guaranteed under the
13 United States Constitution, the Texas Constitution, or state or
14 federal law.

15 Sec. 552.054. CAPTURE OF BIOMETRIC DATA. (a) In this
16 section, "biometric data" means data generated by automatic
17 measurements of an individual's biological characteristics. The
18 term includes a fingerprint, voiceprint, eye retina or iris, or
19 other unique biological pattern or characteristic that is used to
20 identify a specific individual. The term does not include a
21 physical or digital photograph or data generated from a physical or
22 digital photograph, a video or audio recording or data generated
23 from a video or audio recording, or information collected, used, or
24 stored for health care treatment, payment, or operations under the
25 Health Insurance Portability and Accountability Act of 1996 (42
26 U.S.C. Section 1320d et seq.).

27 (b) A governmental entity may not develop or deploy an

1 artificial intelligence system for the purpose of uniquely
2 identifying a specific individual using biometric data or the
3 targeted or untargeted gathering of images or other media from the
4 Internet or any other publicly available source without the
5 individual's consent, if the gathering would infringe on any right
6 of the individual under the United States Constitution, the Texas
7 Constitution, or state or federal law.

8 (c) A violation of Section 503.001 is a violation of this
9 section.

10 Sec. 552.055. CONSTITUTIONAL PROTECTION. (a) A person may
11 not develop or deploy an artificial intelligence system with the
12 sole intent for the artificial intelligence system to infringe,
13 restrict, or otherwise impair an individual's rights guaranteed
14 under the United States Constitution.

15 (b) This section is remedial in purpose and may not be
16 construed to create or expand any right guaranteed by the United
17 States Constitution.

18 Sec. 552.056. UNLAWFUL DISCRIMINATION. (a) In this
19 section:

20 (1) "Financial institution" has the meaning assigned
21 by Section 201.101, Finance Code.

22 (2) "Insurance entity" means:

23 (A) an entity described by Section 82.002(a),
24 Insurance Code;

25 (B) a fraternal benefit society regulated under
26 Chapter 885, Insurance Code; or

27 (C) the developer of an artificial intelligence

1 system used by an entity described by Paragraph (A) or (B).

2 (3) "Protected class" means a group or class of
3 persons with a characteristic, quality, belief, or status protected
4 from discrimination by state or federal civil rights laws, and
5 includes race, color, national origin, sex, age, religion, or
6 disability.

7 (b) A person may not develop or deploy an artificial
8 intelligence system with the intent to unlawfully discriminate
9 against a protected class in violation of state or federal law.

10 (c) For purposes of this section, a disparate impact is not
11 sufficient by itself to demonstrate an intent to discriminate.

12 (d) This section does not apply to an insurance entity for
13 purposes of providing insurance services if the entity is subject
14 to applicable statutes regulating unfair discrimination, unfair
15 methods of competition, or unfair or deceptive acts or practices
16 related to the business of insurance.

17 (e) A federally insured financial institution is considered
18 to be in compliance with this section if the institution complies
19 with all federal and state banking laws and regulations.

20 Sec. 552.057. CERTAIN SEXUALLY EXPLICIT CONTENT AND CHILD
21 PORNOGRAPHY. A person may not:

22 (1) develop or distribute an artificial intelligence
23 system with the sole intent of producing, assisting or aiding in
24 producing, or distributing:

25 (A) visual material in violation of Section
26 [43.26](#), Penal Code; or

27 (B) deep fake videos or images in violation of

1 Section 21.165, Penal Code; or

2 (2) intentionally develop or distribute an artificial
3 intelligence system that engages in text-based conversations that
4 simulate or describe sexual conduct, as that term is defined by
5 Section 43.25, Penal Code, while impersonating or imitating a child
6 younger than 18 years of age.

7 SUBCHAPTER C. ENFORCEMENT

8 Sec. 552.101. ENFORCEMENT AUTHORITY. (a) The attorney
9 general has exclusive authority to enforce this chapter, except to
10 the extent provided by Section 552.106.

11 (b) This chapter does not provide a basis for, and is not
12 subject to, a private right of action for a violation of this
13 chapter or any other law.

14 Sec. 552.102. INFORMATION AND COMPLAINTS. The attorney
15 general shall create and maintain an online mechanism on the
16 attorney general's Internet website through which a consumer may
17 submit a complaint under this chapter to the attorney general.

18 Sec. 552.103. INVESTIGATIVE AUTHORITY. (a) If the
19 attorney general receives a complaint through the online mechanism
20 under Section 552.102 alleging a violation of this chapter, the
21 attorney general may issue a civil investigative demand to
22 determine if a violation has occurred. The attorney general shall
23 issue demands in accordance with and under the procedures
24 established under Section 15.10.

25 (b) The attorney general may request from the person
26 reported through the online mechanism, pursuant to a civil
27 investigative demand issued under Subsection (a):

1 (1) a high-level description of the purpose, intended
2 use, deployment context, and associated benefits of the artificial
3 intelligence system with which the person is affiliated;

4 (2) a description of the type of data used to program
5 or train the artificial intelligence system;

6 (3) a high-level description of the categories of data
7 processed as inputs for the artificial intelligence system;

8 (4) a high-level description of the outputs produced
9 by the artificial intelligence system;

10 (5) any metrics the person uses to evaluate the
11 performance of the artificial intelligence system;

12 (6) any known limitations of the artificial
13 intelligence system;

14 (7) a high-level description of the post-deployment
15 monitoring and user safeguards the person uses for the artificial
16 intelligence system, including, if the person is a deployer, the
17 oversight, use, and learning process established by the person to
18 address issues arising from the system's deployment; or

19 (8) any other relevant documentation reasonably
20 necessary for the attorney general to conduct an investigation
21 under this section.

22 Sec. 552.104. NOTICE OF VIOLATION; OPPORTUNITY TO CURE.

23 (a) If the attorney general determines that a person has violated
24 or is violating this chapter, the attorney general shall notify the
25 person in writing of the determination, identifying the specific
26 provisions of this chapter the attorney general alleges have been
27 or are being violated.

1 (b) The attorney general may not bring an action against the
2 person:

3 (1) before the 60th day after the date the attorney
4 general provides the notice under Subsection (a); or

5 (2) if, before the 60th day after the date the attorney
6 general provides the notice under Subsection (a), the person:

7 (A) cures the identified violation; and

8 (B) provides the attorney general with a written
9 statement that the person has:

10 (i) cured the alleged violation;

11 (ii) provided supporting documentation to
12 show the manner in which the person cured the violation; and

13 (iii) made any necessary changes to
14 internal policies to reasonably prevent further violation of this
15 chapter.

16 Sec. 552.105. CIVIL PENALTY; INJUNCTION. (a) A person who
17 violates this chapter and does not cure the violation under Section
18 552.104 is liable to this state for a civil penalty in an amount of:

19 (1) for each violation the court determines to be
20 curable or a breach of a statement submitted to the attorney general
21 under Section 552.104(b)(2), not less than \$10,000 and not more
22 than \$12,000;

23 (2) for each violation the court determines to be
24 uncurable, not less than \$80,000 and not more than \$200,000; and

25 (3) for a continued violation, not less than \$2,000
26 and not more than \$40,000 for each day the violation continues.

27 (b) The attorney general may bring an action in the name of

1 this state to:

2 (1) collect a civil penalty under this section;

3 (2) seek injunctive relief against further violation
4 of this chapter; and

5 (3) recover attorney's fees and reasonable court costs
6 or other investigative expenses.

7 (c) There is a rebuttable presumption that a person used
8 reasonable care as required under this chapter.

9 (d) A defendant in an action under this section may seek an
10 expedited hearing or other process, including a request for
11 declaratory judgment, if the person believes in good faith that the
12 person has not violated this chapter.

13 (e) A defendant in an action under this section may not be
14 found liable if:

15 (1) another person uses the artificial intelligence
16 system affiliated with the defendant in a manner prohibited by this
17 chapter; or

18 (2) the defendant discovers a violation of this
19 chapter through:

20 (A) feedback from a developer, deployer, or other
21 person who believes a violation has occurred;

22 (B) testing, including adversarial testing or
23 red-team testing;

24 (C) following guidelines set by applicable state
25 agencies; or

26 (D) if the defendant substantially complies with
27 the most recent version of the "Artificial Intelligence Risk

1 Management Framework: Generative Artificial Intelligence Profile"
2 published by the National Institute of Standards and Technology or
3 another nationally or internationally recognized risk management
4 framework for artificial intelligence systems, an internal review
5 process.

6 (f) The attorney general may not bring an action to collect
7 a civil penalty under this section against a person for an
8 artificial intelligence system that has not been deployed.

9 Sec. 552.106. ENFORCEMENT ACTIONS BY STATE AGENCIES. (a) A
10 state agency may impose sanctions against a person licensed,
11 registered, or certified by that agency for a violation of
12 Subchapter B if:

13 (1) the person has been found in violation of this
14 chapter under Section 552.105; and

15 (2) the attorney general has recommended additional
16 enforcement by the applicable agency.

17 (b) Sanctions under this section may include:

18 (1) suspension, probation, or revocation of a license,
19 registration, certificate, or other authorization to engage in an
20 activity; and

21 (2) a monetary penalty not to exceed \$100,000.

22 CHAPTER 553. ARTIFICIAL INTELLIGENCE REGULATORY SANDBOX PROGRAM

23 SUBCHAPTER A. GENERAL PROVISIONS

24 Sec. 553.001. DEFINITIONS. In this chapter:

25 (1) "Applicable agency" means a department of this
26 state established by law to regulate certain types of business
27 activity in this state and the people engaging in that business,

1 including the issuance of licenses and registrations, that the
2 department determines would regulate a program participant if the
3 person were not operating under this chapter.

4 (2) "Department" means the Texas Department of
5 Information Resources.

6 (3) "Program" means the regulatory sandbox program
7 established under this chapter that allows a person, without being
8 licensed or registered under the laws of this state, to test an
9 artificial intelligence system for a limited time and on a limited
10 basis.

11 (4) "Program participant" means a person whose
12 application to participate in the program is approved and who may
13 test an artificial intelligence system under this chapter.

14 SUBCHAPTER B. SANDBOX PROGRAM FRAMEWORK

15 Sec. 553.051. ESTABLISHMENT OF SANDBOX PROGRAM. (a) The
16 department, in consultation with the council, shall create a
17 regulatory sandbox program that enables a person to obtain legal
18 protection and limited access to the market in this state to test
19 innovative artificial intelligence systems without obtaining a
20 license, registration, or other regulatory authorization.

21 (b) The program is designed to:

22 (1) promote the safe and innovative use of artificial
23 intelligence systems across various sectors including healthcare,
24 finance, education, and public services;

25 (2) encourage responsible deployment of artificial
26 intelligence systems while balancing the need for consumer
27 protection, privacy, and public safety;

1 (3) provide clear guidelines for a person who develops
2 an artificial intelligence system to test systems while certain
3 laws and regulations related to the testing are waived or
4 suspended; and

5 (4) allow a person to engage in research, training,
6 testing, or other pre-deployment activities to develop an
7 artificial intelligence system.

8 (c) The attorney general may not file or pursue charges
9 against a program participant for violation of a law or regulation
10 waived under this chapter that occurs during the testing period.

11 (d) A state agency may not file or pursue punitive action
12 against a program participant, including the imposition of a fine
13 or the suspension or revocation of a license, registration, or
14 other authorization, for violation of a law or regulation waived
15 under this chapter that occurs during the testing period.

16 (e) Notwithstanding Subsections (c) and (d), the
17 requirements of Subchapter B, Chapter 552, may not be waived, and
18 the attorney general or a state agency may file or pursue charges or
19 action against a program participant who violates that subchapter.

20 Sec. 553.052. APPLICATION FOR PROGRAM PARTICIPATION. (a)
21 A person must obtain approval from the department and any
22 applicable agency before testing an artificial intelligence system
23 under the program.

24 (b) The department by rule shall prescribe the application
25 form. The form must require the applicant to:

26 (1) provide a detailed description of the artificial
27 intelligence system the applicant desires to test in the program,

1 and its intended use;

2 (2) include a benefit assessment that addresses
3 potential impacts on consumers, privacy, and public safety;

4 (3) describe the applicant's plan for mitigating any
5 adverse consequences that may occur during the test; and

6 (4) provide proof of compliance with any applicable
7 federal artificial intelligence laws and regulations.

8 Sec. 553.053. DURATION AND SCOPE OF PARTICIPATION. (a) A
9 program participant approved by the department and each applicable
10 agency may test and deploy an artificial intelligence system under
11 the program for a period of not more than 36 months.

12 (b) The department may extend a test under this chapter if
13 the department finds good cause for the test to continue.

14 Sec. 553.054. EFFICIENT USE OF RESOURCES. The department
15 shall coordinate the activities under this subchapter and any other
16 law relating to artificial intelligence systems to ensure efficient
17 system implementation and to streamline the use of department
18 resources, including information sharing and personnel.

19 SUBCHAPTER C. OVERSIGHT AND COMPLIANCE

20 Sec. 553.101. COORDINATION WITH APPLICABLE AGENCY. (a)
21 The department shall coordinate with all applicable agencies to
22 oversee the operation of a program participant.

23 (b) The council or an applicable agency may recommend to the
24 department that a program participant be removed from the program
25 if the council or applicable agency finds that the program
26 participant's artificial intelligence system:

27 (1) poses an undue risk to public safety or welfare;

1 (2) violates any federal law or regulation; or
2 (3) violates any state law or regulation not waived
3 under the program.

4 Sec. 553.102. PERIODIC REPORT BY PROGRAM PARTICIPANT. (a)
5 A program participant shall provide a quarterly report to the
6 department.

7 (b) The report shall include:

8 (1) metrics for the artificial intelligence system's
9 performance;

10 (2) updates on how the artificial intelligence system
11 mitigates any risks associated with its operation; and

12 (3) feedback from consumers and affected stakeholders
13 that are using an artificial intelligence system tested under this
14 chapter.

15 (c) The department shall maintain confidentiality regarding
16 the intellectual property, trade secrets, and other sensitive
17 information it obtains through the program.

18 Sec. 553.103. ANNUAL REPORT BY DEPARTMENT. (a) The
19 department shall submit an annual report to the legislature.

20 (b) The report shall include:

21 (1) the number of program participants testing an
22 artificial intelligence system in the program;

23 (2) the overall performance and impact of artificial
24 intelligence systems tested in the program; and

25 (3) recommendations on changes to laws or regulations
26 for future legislative consideration.

CHAPTER 554. TEXAS ARTIFICIAL INTELLIGENCE COUNCIL

SUBCHAPTER A. CREATION AND ORGANIZATION OF COUNCIL

Sec. 554.001. CREATION OF COUNCIL. (a) The Texas Artificial Intelligence Council is created to:

(1) ensure artificial intelligence systems in this state are ethical and developed in the public's best interest;

(2) ensure artificial intelligence systems in this state do not harm public safety or undermine individual freedoms by finding issues and making recommendations to the legislature regarding the Penal Code and Chapter 82, Civil Practice and Remedies Code;

(3) identify existing laws and regulations that impede innovation in the development of artificial intelligence systems and recommend appropriate reforms;

(4) analyze opportunities to improve the efficiency and effectiveness of state government operations through the use of artificial intelligence systems;

(5) make recommendations to applicable state agencies regarding the use of artificial intelligence systems to improve the agencies' efficiency and effectiveness;

(6) evaluate potential instances of regulatory capture, including undue influence by technology companies or disproportionate burdens on smaller innovators caused by the use of artificial intelligence systems;

(7) evaluate the influence of technology companies on other companies and determine the existence or use of tools or processes designed to censor competitors or users through the use

1 of artificial intelligence systems;

2 (8) offer guidance and recommendations to the
3 legislature on the ethical and legal use of artificial intelligence
4 systems;

5 (9) conduct and publish the results of a study on the
6 current regulatory environment for artificial intelligence
7 systems;

8 (10) receive reports from the Department of
9 Information Resources regarding the regulatory sandbox program
10 under Chapter 553; and

11 (11) make recommendations for improvements to the
12 regulatory sandbox program under Chapter 553.

13 (b) The council is administratively attached to the
14 Department of Information Resources, and the department shall
15 provide administrative support to the council as provided by this
16 section.

17 (c) The Department of Information Resources and the council
18 shall enter into a memorandum of understanding detailing:

19 (1) the administrative support the council requires
20 from the department to fulfill the council's purposes;

21 (2) the reimbursement of administrative expenses to
22 the department; and

23 (3) any other provisions necessary to ensure the
24 efficient operation of the council.

25 Sec. 554.002. COUNCIL MEMBERSHIP. (a) The council is
26 composed of seven members as follows:

27 (1) three members of the public appointed by the

1 governor;

2 (2) two members of the public appointed by the
3 lieutenant governor; and

4 (3) two members of the public appointed by the speaker
5 of the house of representatives.

6 (b) Members of the council serve staggered four-year terms,
7 with the terms of three or four members expiring every two years.

8 (c) The governor shall appoint a chair from among the
9 members, and the council shall elect a vice chair from its
10 membership.

11 (d) The council may establish an advisory board composed of
12 individuals from the public who possess expertise directly related
13 to the council's functions, including technical, ethical,
14 regulatory, and other relevant areas.

15 Sec. 554.003. QUALIFICATIONS. Members of the council must
16 be Texas residents and have knowledge or expertise in one or more of
17 the following areas:

18 (1) artificial intelligence systems;

19 (2) data privacy and security;

20 (3) ethics in technology or law;

21 (4) public policy and regulation;

22 (5) risk management related to artificial
23 intelligence systems;

24 (6) improving the efficiency and effectiveness of
25 governmental operations; or

26 (7) anticompetitive practices and market fairness.

27 Sec. 554.004. STAFF AND ADMINISTRATION. The council may

hire an executive director and other personnel as necessary to perform its duties.

SUBCHAPTER B. POWERS AND DUTIES OF COUNCIL

Sec. 554.101. ISSUANCE OF REPORTS. (a) The council may issue reports to the legislature regarding the use of artificial intelligence systems in this state.

(b) The council may issue reports on:

(1) the compliance of artificial intelligence systems in this state with the laws of this state;

(2) the ethical implications of deploying artificial intelligence systems in this state;

(3) data privacy and security concerns related to artificial intelligence systems in this state; or

(4) potential liability or legal risks associated with the use of artificial intelligence systems in this state.

Sec. 554.102. TRAINING AND EDUCATIONAL OUTREACH. The council shall conduct training programs for state agencies and local governments on the use of artificial intelligence systems.

Sec. 554.103. LIMITATION OF AUTHORITY. The council may not:

(1) adopt rules or promulgate guidance that is binding for any entity;

(2) interfere with or override the operation of a state agency; or

(3) perform a duty or exercise a power not granted by this chapter.

SECTION 5. Section [325.011](#), Government Code, is amended to

1 read as follows:

2 Sec. 325.011. CRITERIA FOR REVIEW. The commission and its
3 staff shall consider the following criteria in determining whether
4 a public need exists for the continuation of a state agency or its
5 advisory committees or for the performance of the functions of the
6 agency or its advisory committees:

7 (1) the efficiency and effectiveness with which the
8 agency or the advisory committee operates;

9 (2)(A) an identification of the mission, goals, and
10 objectives intended for the agency or advisory committee and of the
11 problem or need that the agency or advisory committee was intended
12 to address; and

13 (B) the extent to which the mission, goals, and
14 objectives have been achieved and the problem or need has been
15 addressed;

16 (3)(A) an identification of any activities of the
17 agency in addition to those granted by statute and of the authority
18 for those activities; and

19 (B) the extent to which those activities are
20 needed;

21 (4) an assessment of authority of the agency relating
22 to fees, inspections, enforcement, and penalties;

23 (5) whether less restrictive or alternative methods of
24 performing any function that the agency performs could adequately
25 protect or provide service to the public;

26 (6) the extent to which the jurisdiction of the agency
27 and the programs administered by the agency overlap or duplicate

1 those of other agencies, the extent to which the agency coordinates
2 with those agencies, and the extent to which the programs
3 administered by the agency can be consolidated with the programs of
4 other state agencies;

5 (7) the promptness and effectiveness with which the
6 agency addresses complaints concerning entities or other persons
7 affected by the agency, including an assessment of the agency's
8 administrative hearings process;

9 (8) an assessment of the agency's rulemaking process
10 and the extent to which the agency has encouraged participation by
11 the public in making its rules and decisions and the extent to which
12 the public participation has resulted in rules that benefit the
13 public;

14 (9) the extent to which the agency has complied with:

15 (A) federal and state laws and applicable rules
16 regarding equality of employment opportunity and the rights and
17 privacy of individuals; and

18 (B) state law and applicable rules of any state
19 agency regarding purchasing guidelines and programs for
20 historically underutilized businesses;

21 (10) the extent to which the agency issues and
22 enforces rules relating to potential conflicts of interest of its
23 employees;

24 (11) the extent to which the agency complies with
25 Chapters 551 and 552 and follows records management practices that
26 enable the agency to respond efficiently to requests for public
27 information;

1 (12) the effect of federal intervention or loss of
2 federal funds if the agency is abolished;

3 (13) the extent to which the purpose and effectiveness
4 of reporting requirements imposed on the agency justifies the
5 continuation of the requirement; ~~and~~

6 (14) an assessment of the agency's cybersecurity
7 practices using confidential information available from the
8 Department of Information Resources or any other appropriate state
9 agency; and

10 (15) an assessment of the agency's use of artificial
11 intelligence systems, as that term is defined by Section 551.001,
12 Business & Commerce Code, in its operations and its oversight of the
13 use of artificial intelligence systems by persons under the
14 agency's jurisdiction, and any related impact on the agency's
15 ability to achieve its mission, goals, and objectives, made using
16 information available from the Department of Information
17 Resources, the attorney general, or any other appropriate state
18 agency.

19 SECTION 6. Section 2054.068(b), Government Code, is amended
20 to read as follows:

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

- 24 (1) the agency's information security program;
25 (2) an inventory of the agency's servers, mainframes,
26 cloud services, and other information technology equipment;
27 (3) identification of vendors that operate and manage

the agency's information technology infrastructure; ~~and~~

(4) any additional related information requested by the department; and

(5) an evaluation of the use or considered use of artificial intelligence systems, as defined by Section 551.001, Business & Commerce Code, by each state agency.

SECTION 7. Section 2054.0965(b), Government Code, is amended to read as follows:

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

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

(2) an inventory of the agency's major databases, artificial intelligence systems, as defined by Section 551.001, Business & Commerce Code, and applications;

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

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

(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

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

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

5 (6) confirmation by the agency of compliance with
6 state statutes, rules, and standards relating to information
7 resources.

8 SECTION 8. Not later than September 1, 2026, the attorney
9 general shall post on the attorney general's Internet website the
10 information and online mechanism required by Section 552.102,
11 Business & Commerce Code, as added by this Act.

12 SECTION 9. (a) Notwithstanding any other section of this
13 Act, in a state fiscal year, a state agency to which this Act
14 applies is not required to implement a provision found in another
15 section of this Act that is drafted as a mandatory provision
16 imposing a duty on the agency to take an action unless money is
17 specifically appropriated to the agency for that fiscal year to
18 carry out that duty. The agency may implement the provision in that
19 fiscal year to the extent other funding is available to the agency
20 to do so.

21 (b) If, as authorized by Subsection (a) of this section, the
22 state agency does not implement the mandatory provision in a state
23 fiscal year, the state agency, in its legislative budget request
24 for the next state fiscal biennium, shall certify that fact to the
25 Legislative Budget Board and include a written estimate of the
26 costs of implementing the provision in each year of that next state
27 fiscal biennium.

1 SECTION 10. This Act takes effect January 1, 2026.

President of the Senate

Speaker of the House

I certify that H.B. No. 149 was passed by the House on April 23, 2025, by the following vote: Yeas 146, Nays 3, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 149 on May 30, 2025, by the following vote: Yeas 121, Nays 17, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 149 was passed by the Senate, with amendments, on May 23, 2025, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor