

1-1 By: Capriglione, et al. H.B. No. 149
1-2 (Senate Sponsor - Schwertner)
1-3 (In the Senate - Received from the House April 24, 2025;
1-4 April 24, 2025, read first time and referred to Committee on
1-5 Business & Commerce; May 21, 2025, reported adversely, with
1-6 favorable Committee Substitute by the following vote: Yeas 11,
1-7 Nays 0; May 21, 2025, sent to printer.)

1-8 COMMITTEE VOTE

1-9		Yea	Nay	Absent	PNV
1-10	Schwertner	X			
1-11	King	X			
1-12	Blanco	X			
1-13	Campbell	X			
1-14	Creighton	X			
1-15	Johnson	X			
1-16	Kolkhorst	X			
1-17	Menéndez	X			
1-18	Middleton	X			
1-19	Nichols	X			
1-20	Zaffirini	X			

1-21 COMMITTEE SUBSTITUTE FOR H.B. No. 149 By: Campbell

1-22 A BILL TO BE ENTITLED
1-23 AN ACT

1-24 relating to regulation of the use of artificial intelligence
1-25 systems in this state; providing civil penalties.

1-26 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-27 SECTION 1. This Act may be cited as the Texas Responsible
1-28 Artificial Intelligence Governance Act.

1-29 SECTION 2. Section 503.001, Business & Commerce Code, is
1-30 amended by amending Subsections (a) and (e) and adding Subsections
1-31 (b-1) and (f) to read as follows:

1-32 (a) In this section:

1-33 (1) "Artificial intelligence system" has the meaning
1-34 assigned by Section 551.001.

1-35 (2) "Biometric [~~, "biometric"~~] identifier" means a
1-36 retina or iris scan, fingerprint, voiceprint, or record of hand or
1-37 face geometry.

1-38 (b-1) For purposes of Subsection (b), an individual has not
1-39 been informed of and has not provided consent for the capture or
1-40 storage of a biometric identifier of an individual for a commercial
1-41 purpose based solely on the existence of an image or other media
1-42 containing one or more biometric identifiers of the individual on
1-43 the Internet or other publicly available source unless the image or
1-44 other media was made publicly available by the individual to whom
1-45 the biometric identifiers relate.

1-46 (e) This section does not apply to:

1-47 (1) voiceprint data retained by a financial
1-48 institution or an affiliate of a financial institution, as those
1-49 terms are defined by 15 U.S.C. Section 6809;

1-50 (2) the training, processing, or storage of biometric
1-51 identifiers involved in developing, training, evaluating,
1-52 disseminating, or otherwise offering artificial intelligence
1-53 models or systems, unless a system is used or deployed for the
1-54 purpose of uniquely identifying a specific individual; or

1-55 (3) the development or deployment of an artificial
1-56 intelligence model or system for the purposes of:

1-57 (A) preventing, detecting, protecting against,
1-58 or responding to security incidents, identity theft, fraud,
1-59 harassment, malicious or deceptive activities, or any other illegal
1-60 activity;

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

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

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

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

(2) the penalties associated with a violation of this section.

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

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

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

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

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

SECTION 4. Title 11, Business & Commerce Code, is amended by 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;

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

(3) provide transparency regarding risks in the

development, deployment, and use of artificial intelligence systems; and

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

CHAPTER 552. ARTIFICIAL INTELLIGENCE PROTECTION

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 552.001. DEFINITIONS. In this chapter:

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

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

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

(d) A disclosure under Subsection (b):

(1) must be clear and conspicuous;

(2) must be written in plain language; and

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

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

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

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

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

(2) harm another person; or

(3) engage in criminal activity.

Sec. 552.053. SOCIAL SCORING. A governmental entity may not use or deploy an artificial intelligence system that evaluates or classifies a natural person or group of natural persons based on social behavior or personal characteristics, whether known, inferred, or predicted, with the intent to calculate or assign a

social score or similar categorical estimation or valuation of the person or group of persons that results or may result in:

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

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

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

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

(b) A governmental entity may not develop or deploy an artificial intelligence system for the purpose of uniquely identifying a specific individual using biometric data or the targeted or untargeted gathering of images or other media from the Internet or any other publicly available source without the individual's consent, if the gathering would infringe on any right of the individual under the United States Constitution, the Texas Constitution, or state or federal law.

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

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

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

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

(2) "Insurance entity" means:
(A) an entity described by Section 82.002(a), Insurance Code;

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

(C) the developer of an artificial intelligence system used by an entity described by Paragraph (A) or (B).

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

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

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

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

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

Sec. 552.057. CERTAIN SEXUALLY EXPLICIT CONTENT AND CHILD

PORNOGRAPHY. A person may not:

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

(A) visual material in violation of Section 43.26, Penal Code; or

(B) deep fake videos or images in violation of Section 21.165, Penal Code; or

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

SUBCHAPTER C. ENFORCEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 552.104. NOTICE OF VIOLATION; OPPORTUNITY TO CURE. (a) If the attorney general determines that a person has violated or is violating this chapter, the attorney general shall notify the person in writing of the determination, identifying the specific provisions of this chapter the attorney general alleges have been or are being violated.

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

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

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

(A) cures the identified violation; and

(B) provides the attorney general with a written

statement that the person has:

(i) cured the alleged violation;
 (ii) provided supporting documentation to show the manner in which the person cured the violation; and
 (iii) made any necessary changes to internal policies to reasonably prevent further violation of this chapter.

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

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

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

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

(b) The attorney general may bring an action in the name of this state to:

(1) collect a civil penalty under this section;

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

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

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

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

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

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

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

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

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

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

(D) if the defendant substantially complies with the most recent version of the "Artificial Intelligence Risk Management Framework: Generative Artificial Intelligence Profile" published by the National Institute of Standards and Technology or another nationally or internationally recognized risk management framework for artificial intelligence systems, an internal review process.

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

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

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

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

(b) Sanctions under this section may include:

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

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

7-1 CHAPTER 553. ARTIFICIAL INTELLIGENCE REGULATORY SANDBOX PROGRAM

7-2 SUBCHAPTER A. GENERAL PROVISIONS

7-3 Sec. 553.001. DEFINITIONS. In this chapter:

7-4 (1) "Applicable agency" means a department of this
 7-5 state established by law to regulate certain types of business
 7-6 activity in this state and the people engaging in that business,
 7-7 including the issuance of licenses and registrations, that the
 7-8 department determines would regulate a program participant if the
 7-9 person were not operating under this chapter.

7-10 (2) "Department" means the Texas Department of
 7-11 Information Resources.

7-12 (3) "Program" means the regulatory sandbox program
 7-13 established under this chapter that allows a person, without being
 7-14 licensed or registered under the laws of this state, to test an
 7-15 artificial intelligence system for a limited time and on a limited
 7-16 basis.

7-17 (4) "Program participant" means a person whose
 7-18 application to participate in the program is approved and who may
 7-19 test an artificial intelligence system under this chapter.

7-20 SUBCHAPTER B. SANDBOX PROGRAM FRAMEWORK

7-21 Sec. 553.051. ESTABLISHMENT OF SANDBOX PROGRAM. (a) The
 7-22 department, in consultation with the council, shall create a
 7-23 regulatory sandbox program that enables a person to obtain legal
 7-24 protection and limited access to the market in this state to test
 7-25 innovative artificial intelligence systems without obtaining a
 7-26 license, registration, or other regulatory authorization.

7-27 (b) The program is designed to:

7-28 (1) promote the safe and innovative use of artificial
 7-29 intelligence systems across various sectors including healthcare,
 7-30 finance, education, and public services;

7-31 (2) encourage responsible deployment of artificial
 7-32 intelligence systems while balancing the need for consumer
 7-33 protection, privacy, and public safety;

7-34 (3) provide clear guidelines for a person who develops
 7-35 an artificial intelligence system to test systems while certain
 7-36 laws and regulations related to the testing are waived or
 7-37 suspended; and

7-38 (4) allow a person to engage in research, training,
 7-39 testing, or other pre-deployment activities to develop an
 7-40 artificial intelligence system.

7-41 (c) The attorney general may not file or pursue charges
 7-42 against a program participant for violation of a law or regulation
 7-43 waived under this chapter that occurs during the testing period.

7-44 (d) A state agency may not file or pursue punitive action
 7-45 against a program participant, including the imposition of a fine
 7-46 or the suspension or revocation of a license, registration, or
 7-47 other authorization, for violation of a law or regulation waived
 7-48 under this chapter that occurs during the testing period.

7-49 (e) Notwithstanding Subsections (c) and (d), the
 7-50 requirements of Subchapter B, Chapter 552, may not be waived, and
 7-51 the attorney general or a state agency may file or pursue charges or
 7-52 action against a program participant who violates that subchapter.

7-53 Sec. 553.052. APPLICATION FOR PROGRAM PARTICIPATION. (a)
 7-54 A person must obtain approval from the department and any
 7-55 applicable agency before testing an artificial intelligence system
 7-56 under the program.

7-57 (b) The department by rule shall prescribe the application
 7-58 form. The form must require the applicant to:

7-59 (1) provide a detailed description of the artificial
 7-60 intelligence system the applicant desires to test in the program,
 7-61 and its intended use;

7-62 (2) include a benefit assessment that addresses
 7-63 potential impacts on consumers, privacy, and public safety;

7-64 (3) describe the applicant's plan for mitigating any
 7-65 adverse consequences that may occur during the test; and

7-66 (4) provide proof of compliance with any applicable
 7-67 federal artificial intelligence laws and regulations.

7-68 Sec. 553.053. DURATION AND SCOPE OF PARTICIPATION. (a) A
 7-69 program participant approved by the department and each applicable

agency may test and deploy an artificial intelligence system under the program for a period of not more than 36 months.

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

Sec. 553.054. EFFICIENT USE OF RESOURCES. The department shall coordinate the activities under this subchapter and 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 personnel.

SUBCHAPTER C. OVERSIGHT AND COMPLIANCE

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

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

- (1) poses an undue risk to public safety or welfare;
- (2) violates any federal law or regulation; or
- (3) violates any state law or regulation not waived under the program.

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

(b) The report shall include:

- (1) metrics for the artificial intelligence system's performance;
- (2) updates on how the artificial intelligence system mitigates any risks associated with its operation; and
- (3) feedback from consumers and affected stakeholders that are using an artificial intelligence system tested under this chapter.

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

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

(b) The report shall include:

- (1) the number of program participants testing an artificial intelligence system in the program;
- (2) the overall performance and impact of artificial intelligence systems tested in the program; and
- (3) recommendations on changes to laws or regulations 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 of artificial intelligence systems;

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

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

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

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

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

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

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

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

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

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

(1) three members of the public appointed by the governor;

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

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

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

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

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

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

(1) artificial intelligence systems;

(2) data privacy and security;

(3) ethics in technology or law;

(4) public policy and regulation;

(5) risk management related to artificial intelligence systems;

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

(7) anticompetitive practices and market fairness.

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 read as follows:

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

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

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

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

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

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

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

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

(6) the extent to which the jurisdiction of the agency and the programs administered by the agency overlap or duplicate those of other agencies, the extent to which the agency coordinates with those agencies, and the extent to which the programs administered by the agency can be consolidated with the programs of other state agencies;

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

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

(9) the extent to which the agency has complied with:
(A) federal and state laws and applicable rules regarding equality of employment opportunity and the rights and privacy of individuals; and

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

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

(11) the extent to which the agency complies with Chapters [551](#) and [552](#) and follows records management practices that enable the agency to respond efficiently to requests for public information;

(12) the effect of federal intervention or loss of

11-1 federal funds if the agency is abolished;

11-2 (13) the extent to which the purpose and effectiveness
11-3 of reporting requirements imposed on the agency justifies the
11-4 continuation of the requirement; ~~and~~

11-5 (14) an assessment of the agency's cybersecurity
11-6 practices using confidential information available from the
11-7 Department of Information Resources or any other appropriate state
11-8 agency; and

11-9 (15) an assessment of the agency's use of artificial
11-10 intelligence systems, as that term is defined by Section 551.001,
11-11 Business & Commerce Code, in its operations and its oversight of the
11-12 use of artificial intelligence systems by persons under the
11-13 agency's jurisdiction, and any related impact on the agency's
11-14 ability to achieve its mission, goals, and objectives, made using
11-15 information available from the Department of Information
11-16 Resources, the attorney general, or any other appropriate state
11-17 agency.

11-18 SECTION 6. Section 2054.068(b), Government Code, is amended
11-19 to read as follows:

11-20 (b) The department shall collect from each state agency
11-21 information on the status and condition of the agency's information
11-22 technology infrastructure, including information regarding:

11-23 (1) the agency's information security program;

11-24 (2) an inventory of the agency's servers, mainframes,
11-25 cloud services, and other information technology equipment;

11-26 (3) identification of vendors that operate and manage
11-27 the agency's information technology infrastructure; ~~and~~

11-28 (4) any additional related information requested by
11-29 the department; and

11-30 (5) an evaluation of the use or considered use of
11-31 artificial intelligence systems, as defined by Section 551.001,
11-32 Business & Commerce Code, by each state agency.

11-33 SECTION 7. Section 2054.0965(b), Government Code, is
11-34 amended to read as follows:

11-35 (b) Except as otherwise modified by rules adopted by the
11-36 department, the review must include:

11-37 (1) an inventory of the agency's major information
11-38 systems, as defined by Section 2054.008, and other operational or
11-39 logistical components related to deployment of information
11-40 resources as prescribed by the department;

11-41 (2) an inventory of the agency's major databases,
11-42 artificial intelligence systems, as defined by Section 551.001,
11-43 Business & Commerce Code, and applications;

11-44 (3) a description of the agency's existing and planned
11-45 telecommunications network configuration;

11-46 (4) an analysis of how information systems,
11-47 components, databases, applications, and other information
11-48 resources have been deployed by the agency in support of:

11-49 (A) applicable achievement goals established
11-50 under Section 2056.006 and the state strategic plan adopted under
11-51 Section 2056.009;

11-52 (B) the state strategic plan for information
11-53 resources; and

11-54 (C) the agency's business objectives, mission,
11-55 and goals;

11-56 (5) agency information necessary to support the state
11-57 goals for interoperability and reuse; and

11-58 (6) confirmation by the agency of compliance with
11-59 state statutes, rules, and standards relating to information
11-60 resources.

11-61 SECTION 8. Not later than September 1, 2026, the attorney
11-62 general shall post on the attorney general's Internet website the
11-63 information and online mechanism required by Section 552.102,
11-64 Business & Commerce Code, as added by this Act.

11-65 SECTION 9. This Act takes effect January 1, 2026.

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