

OFFICE OF FISCAL ANALYSIS

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sSB-2

AN ACT CONCERNING ARTIFICIAL INTELLIGENCE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Attorney General	GF - Cost	480,000	640,000
Consumer Protection, Dept.	GF - Cost	207,000	252,000
Office of Workforce Strategy	GF - Cost	100,000	100,000
State Comptroller - Fringe Benefits ¹	GF - Cost	462,000	548,000
Public Health, Dept.	GF - Cost	50,000-200,000	None
Board of Regents for Higher Education	GF - Cost	50,000	50,000
Department of Administrative Services	GF - Cost	None	Up to 25,000
Human Rights & Opportunities, Com.	GF - Potential Cost	154,000	235,000
State Comptroller - Fringe Benefits ²	GF - Potential Cost	63,000	85,000
Resources of the General Fund	GF - Potential Revenue Gain	Minimal	Minimal
Judicial Dept. (Probation); Correction, Dept.	GF - Potential Cost	Minimal	Minimal
Department of Economic & Community Development	GF - Cost	See below	See below

Note: GF=General Fund

Municipal Impact: None

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.25% of payroll in FY 25.

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Explanation

The bill makes various changes regarding artificial intelligence resulting in the fiscal impacts described below.

Sections 1-9 create a regulatory structure for the artificial intelligence market and task the Office of the Attorney General (OAG) and the Department of Consumer Protection (DCP) with regulating and enforcing³ the requirements of the bill resulting in costs to both agencies.

To meet the requirements of the bill DCP will have to hire three additional employees⁴ for a salary and other expenses cost of \$207,000 in FY 25⁵ and \$252,000 in FY 26, along with associated fringe benefits costs of \$78,000 in FY 25 and \$104,000 in FY 26. The additional employees are needed to regulate the market, monitor compliance, and receive and investigate complaints.

The OAG will require additional staffing to fulfill the bill's regulatory requirements related to the new and expanding field of artificial intelligence. Due to the anticipated, potential workload requirements and technical expertise, up to seven additional staff members would be necessary, including: three assistant attorneys general; two IT specialists; one program manager; and one paralegal specialist. The annualized personnel cost associated with these positions, including fringe benefits, is approximately \$0.9 million.

Section 10 - 15 creates a new category of discriminatory practice and results in a potential cost of \$154,000 in FY 25 and \$235,000 in FY 26 to the Commission on Human Rights and Opportunities (CHRO) for two positions⁶ and \$63,000 in FY 25 and \$85,000 in FY 26 for fringe benefits to address anticipated complaints resulting from the bill.

³Per section 9 of the bill, violations constitute an unfair trade practice which are investigated and enforced by the OAG and DCP.

⁴The new employees consist of two special investigators and one staff attorney.

⁵FY 25 costs reflect 9 months of salary due to the bill's October 1, 2024 effective date.

⁶Positions include one Human Rights Attorney 3 with an annual salary of \$93,567 and an IT Analyst 3 with an annual salary of \$111,475. Also included is \$30,000 for legal consultants with expertise in artificial intelligence.

The bill also results in potential revenue from fines assessed by CHRO. Fines can be between \$3,000 and \$7,000.

Section 16 establishes an Artificial Intelligence Advisory Council resulting in no fiscal impact to the state because the Council has the expertise to meet the requirements of the bill.

Sections 17 and 19 create new misdemeanors and felonies which result in a potential cost to the Department of Correction and the Judicial Department for incarceration or probation and a potential revenue gain from fines. On average, the marginal cost to the state for incarcerating an offender for the year is \$3,300⁷ while the average marginal cost for supervision in the community is less than \$800⁸ each year for adults and \$1,000 each year for juveniles.

Section 20, which requires DAS, in conjunction with state agencies, to submit a report to the legislature concerning potential uses of AI results in no fiscal impact.

Section 21, which requires DAS to develop and provide training to state employees on the use AI tools and mitigate potential issues by July 1, 2025, will provide a cost of less than \$25,000 beginning in FY 26. The cost has the potential to grow to less than \$200,000 per year based on increased usage.

Section 22 results in an annualized cost of \$137,125 by requiring the Office of Workforce Strategy (OWS) to design and implement an outreach program to promote broadband access service.

It is anticipated that OWS will require at least one full-time equivalent staff at a cost of \$90,000 in salary and \$37,125 in fringe costs

⁷Inmate marginal cost is based on increased consumables (e.g., food, clothing, water, sewage, living supplies, etc.) This does not include a change in staffing costs or utility expenses because these would only be realized if a unit or facility opened.

⁸Probation marginal cost is based on services provided by private providers and only includes costs that increase with each additional participant. This does not include a cost for additional supervision by a probation officer unless a new offense is anticipated to result in enough additional offenders to require additional probation officers.

plus an additional \$10,000 in other expenses to administer and promote this program. There is no anticipated cost to develop the program to the extent that the various agencies noted in the underlying bill as well as the Office of Telecommunications and Broadband in the Department of Energy and Environmental Protection, unnamed in the bill, may provide expertise on broadband access services.

Section 22 also requires OWS to incorporate AI training in workforce training programs. There is no anticipated impact as OWS already collaborates their workforce development initiatives with programs that provide high-skilled technology training opportunities such as the Tech Talent Accelerator.

Section 23 requires the Board of Regents (BOR) to establish the Connecticut Citizens Academy. It is anticipated that this will result in a cost of approximately \$50,000 annually, beginning in FY 26. The annual costs are: (1) Up to \$25,000 for course development and formatting and (2) \$25,000 for updating BOR's existing Learning Management System and overseeing course registration.

Section 24 requires BOR to establish various AI certificate programs at CT State community college. This is anticipated to result in a one-time cost, in FY 25, of less than \$50,000 to create the various non-credit certificate programs, including curriculum development and IT upgrades. Additionally, Section 24 could result in an annual revenue gain to BOR due to students paying to engage in the certificate coursework beginning in FY 26. Non-credit course fees range from \$40 - \$200. The corresponding revenue gain would be dependent on the set fee and number of participants.

Section 25 results in a cost of \$132,125 annually to the Department of Economic and Community Development (DECD) to establish a state-wide research collaborative among health care providers to develop advanced AI with ethical considerations. It is anticipated that DECD will require one full-time equivalent staff at an annualized cost of \$90,000 in salary, \$37,125 in fringe benefits, and \$5,000 in other expenses to administer the collaborative.

This section results in an additional one-time cost of \$25,000 by requiring DECD to host the “CT AI Symposium” amongst academia, government and industry to establish and promote AI businesses in this state. The actual cost will depend upon the number of participants and the location of the event.

This section also requires DECD to develop a plan to offer high-performance computing services to businesses and researchers in this state by December 1, 2024. It is anticipated that DECD can develop the plan within existing resources.

Section 26 results in a cost to DECD to administer a competitive grant program to fund pilot studies regarding using AI to reduce health inequities in the state. The bill caps each grant at \$20,000 but does not limit the number of grants that may be awarded. The actual cost will therefore be dependent upon the number of grants awarded.

In order to implement this program, it is anticipated that DECD will require 1.5 full-time equivalent staff at an annualized cost of \$187,156 (\$132,500 in salary and \$54,656 in fringe). This includes one economic development agent to administer the program and 0.5 fiscal administrative officer to process the grants.

Section 27 results in a cost to DECD to administer a competitive grant program to fund pilot programs on clinically integrating algorithms or utilizing virtual trainings. The bill caps each grant at \$75,000 but does not limit the number of grants that may be awarded. The actual cost will therefore be dependent upon the number of grants awarded.

In order to implement this program, it is anticipated that DECD will require 1.5 full-time equivalent staff at an annualized cost of \$187,156 (\$132,500 in salary and \$54,656 in fringe). This includes one economic development agent to administer the program and 0.5 fiscal administrative officer to process the grants.

Section 28 has no fiscal impact by requiring DECD to designate an employee as a point of contact for economic development in AI. The

Chief Innovation Officer (CIO) position within DECD should be able to act as point of contact in their capacity as CIO.

Section 30 results in a one-time FY 25 Department of Public Health cost estimated between \$50,000 and \$200,000 for a study of governance standards for the use of artificial intelligence by health care providers as the department lacks required expertise.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to employee wage increases, the number of fees and fines collected, the number of grants distributed, and inflation.

The costs associated with section 21 can grow to up to \$200,000 per year based on increased usage.

The costs associated with section 24 are one-time and do not continue into the out years.