

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 26 \$	FY 27 \$
Department of Economic & Community Development	GF - Cost	At least 1.4 million	Up to 250,000
Board of Regents for Higher Education	OF - Cost	500,000	500,000
Attorney General	GF - Cost	485,000	640,000
State Comptroller - Fringe Benefits ¹	GF - Cost	259,957	333,038
Policy & Mgmt., Off.	GF - Cost	Up to 225,000	Up to 450,000
Department of Administrative Services; Various State Agencies	GF - Cost	200,000 to 600,000	None
Labor Dept.	GF - Cost	1,000	1,000
Judicial Dept. (Probation); Correction, Dept.; Legislative Mgmt.	GF - Potential Cost	See Below	See Below
Resources of the General Fund	GF - Potential Revenue Gain	Minimal	Minimal
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below
Various State Agencies	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes various changes regarding artificial intelligence

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 40.71% of payroll in FY 26.

resulting in the impacts described below.

Sections 1-10 create a regulatory structure for the artificial intelligence market and task the Office of the Attorney General (OAG) with regulating and enforcing² the requirements of the bill resulting in a cost to the agency.

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 workload requirements and required technical expertise, the OAG will need to hire seven additional employees for a cost of \$485,000 in FY 26³ and \$640,000 in FY 27, along with associated fringe benefit costs of \$188,714 in FY 26 and \$251,618 in FY 27. The new employees consist of three assistant attorney generals, two information technology analysts, one program manager, and one paralegal specialist.

Section 11 allows legislative leaders to request a liaison from the Connecticut Academy of Science and Engineering (CASE) resulting in a potential cost to the Office of Legislative Management (OLM)⁴ to the extent legislative leaders request a liaison and CASE increases their contract fee with OLM.

Section 12 results in a cost of \$105,533 in FY 26 and \$140,710 in FY 27 and annually thereafter by requiring the Department of Economic and Community Development (DECD) to design, establish, and administer an AI regulatory sandbox program. It is anticipated that DECD will require one full time program manager at a cost of \$105,533 in FY 26 (\$75,000 in salary and \$30,533 in fringe benefits) and \$140,710 annually thereafter (\$100,000 in salary and \$41,710 in fringe benefits) to administer the program.

²Per section 10 of the bill, violations constitute an unfair trade practice which are investigated and enforced by the OAG.

³FY 26 costs reflect 9 months of expenditures due to these sections having a 10/1/25 effective date.

⁴OLM contacts with CASE for their services and paid them \$212,000 in FY 25.

Section 13 results in an estimated cost of \$500,000 annually beginning in FY 26 to the Board of Regents for Higher Education (BOR). It requires BOR to develop several types of courses and initiatives related to artificial intelligence (AI) at Charter Oak State College (COSC), as part of the Connecticut AI Academy.

It is anticipated that COSC will incur costs to substantially expand its course offerings to meet the bill's provisions. These costs, estimated to be \$500,000 annually, are associated with hiring staff and instructors to administer the program, and for marketing. COSC currently offers one five-week online AI course.

Section 14 requires the Department of Labor (DOL) to provide a notice about the courses and services offered by the Connecticut AI Academy, which the bill creates, to each individual who makes a claim for unemployment compensation. This results in a cost to DOL of \$1,000 in FY 26 related to vendor costs needed to make changes to ReEmployCT to include such notice.⁵

Section 17 results in one-time cost of up to \$100,000 to the Department of Economic and Community Development (DECD) to develop a plan to establish a technology transfer program and submit a report to the committees of cognizance by January 1, 2026.

DECD will require consulting services to complete the plan that the bill requires by January 1st. The cost may be partially mitigated to the extent that the staff at Charter Oak State College and Connecticut Innovations are able to assist with the study.

Section 18 results in cost of up to \$240,710 in FY 26 and \$140,710 annually thereafter to the Department of Economic and Community Development (DECD) to establish a confidential computing cluster by December 25, 2025. It is anticipated that DECD will require one full time program manager at an annual cost of \$140,710 (\$100,000 in salary and

⁵ Currently, individuals apply for unemployment benefits via ReEmployCT, DOL's unemployment tax and benefits system.

\$40,710 in fringe) and a one-time cost of \$100,000 in FY 26 in computer and software equipment to develop and administer the cluster. The bill allows the Connecticut Confidential Computing Cluster Policy Board to apply for and administer any federal, state, local or private appropriations or grant funds which may potentially mitigate any cost to the state for the operation of the computing cluster.

This section also establishes the Connecticut Confidential Computing Cluster Policy Board within DECD for administrative purposes only. It is anticipated that DECD can accommodate the Board within existing resources.

Section 19 has no fiscal impact. It expands the possible uses of the computer science education account, but does not change the funding source for the account, or the amount of expenditures from the account. The account is not currently funded.

Sections 20 - 21 repurposes the Technology Talent and Advisory Committee by requiring them to develop programs in the field of artificial intelligence.

Future General Fund debt service costs may be incurred sooner under the bill to the degree that it causes authorized General Obligation (GO) bond funds authorized for the Manufacturing Assistance Act, available to the Technology Talent and Advisory Committee, to be expended more rapidly than they otherwise would have been. The bill does not change GO bond authorizations relevant to the program.

Section 22 results in a one-time cost of \$25,000 by requiring DECD to host the “CT AI Symposium” amongst academia, government and industry members 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.

Section 23 requires each state agency to study how generative AI may be incorporated to improve efficiencies and develop a pilot program to obtain generative AI if deemed appropriate. The agencies

are then required to submit their findings and any potential pilot programs to the Department of Administrative Services (DAS). DAS is then required to analyze each report and proposed pilot program and submit their findings to the General Assembly (CGA) by February 1, 2026. These requirements will cost the state \$200,000 to \$600,000 in FY 26 to perform the studies, develop pilot programs, analyze the studies and pilot programs, and submit the findings to the CGA. Costs are dependent upon the number of state agencies seeking a pilot program.

Section 24 results in a cost of up to \$225,000 in FY 26 and up to \$450,000 in FY 27 to the Office of Policy and Management (OPM) for three AI technology fellows. Each AI fellow is estimated to result in a cost of \$150,000 a year. The initial appointment will run from January 1, 2026, to January 31, 2029.

This may also result in a potential cost to other various state agencies as it is expected that any other agencies involved will help with the cost of this program. This may partially reduce the cost to OPM.

The section does not result in impact to Connecticut Innovations (CI) by allowing CI to expand the pre-market testing program to include an AI system. It is anticipated that CI can accommodate this expansion within existing resources of the program.

Section 26 adds generative AI to the training DAS is required to develop and provide state employees concerning the use of AI. This results in no additional cost to DAS.

Section 27 results in one-time cost that is anticipated to be at least \$1 million to the Department of Economic and Community Development (DECD) to design an algorithmic computer model to simulate and assess various public policy decisions or proposed ones and the actual or potential effects of these decisions.

DECD will require consulting services to develop the model as it does not have the expertise required to create the model as outlined by the bill. Ongoing costs of up to \$50,000 annually are anticipated to maintain

and update the model.

Section 28 expands a class A misdemeanor and a class D felony for disseminating certain intimate images, which results in a potential cost to the Department of Correction and the Judicial Department for incarceration or probation and a potential revenue gain to the General Fund from fines.⁶ 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 \$600⁸ each year for adults and \$450 each year for juveniles.

The bill also makes various changes regarding artificial intelligence resulting in no fiscal impact to the state.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to employee wage increases, the number of violations, subject to the terms of any bonds issued, and inflation. One-time only impacts noted above will impact FY 26 only.

The impact to OPM for the AI fellowship program may result in a cost of up to \$450,000 in FY 28 and up to \$225,000 in FY 29 for a half year appointment. Any future costs will be dependent on if additional terms for AI fellows are filled.

⁶ In FY 23- FY 24, 97 charges were recorded and \$500 in associated revenue collected under CGS § 53a-189c.

⁷ Inmate 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.

⁸ Probation 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.