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## **OLR Bill Analysis**

### **SB 1249**

#### ***AN ACT ADDRESSING INNOVATIONS IN ARTIFICIAL INTELLIGENCE.***

#### **SUMMARY**

This bill establishes various artificial intelligence (AI)-related reviews, programs, and funds. It also specifies that it is generally not a defense to any civil or administrative claim or action that an AI system committed or was used in furthering the act or omission the claim or action is based on.

Specifically, the bill requires the following:

1. the chief data officer to review the inventory of high value data and identify and publish any that could be useful for AI systems, machine learning, and other statistical means of data analysis;
2. the economic and community development (DECD) commissioner to develop a plan to establish an AI regulatory sandbox program (i.e. one that allows for temporary testing of products or services with fewer legal requirements); and
3. Connecticut Innovations, Inc. (CI) to establish the “Artificial Intelligence and Quantum Technology Investment Fund” to invest in Connecticut companies developing, manufacturing, using, or deploying AI systems or quantum technology.

EFFECTIVE DATE: July 1, 2025, except the defense prohibition provision is effective October 1, 2025.

#### **§ 1 – HIGH VALUE DATA ANALYSIS FOR AI USE**

By January 1, 2026, the bill requires the chief data officer, in consultation with agency data officers, to review the inventory of high value data that executive branch agencies are required to have or collect

under existing law. Under existing law, “high value data” is any data that the department head determines:

1. can increase an agency’s accountability and responsiveness, improve public knowledge of an agency and its operations, further its core mission, or create economic opportunity;
2. is critical to the agency’s operation or used to satisfy any legislative or other reporting requirements; or
3. is frequently requested by the public or responds to a need and demand identified through public consultation.

Under the bill, the chief data officer must identify and publish any data that could be useful for AI systems, machine learning, and other statistical means of data analysis. He must do so to create economic opportunity and support state economic development goals, through private businesses, nonprofit organizations, and other entities that will use the data consistent with applicable laws and regulations.

In reviewing the data, the chief data officer and agency data officers must:

1. identify appropriate data to make available for use by AI systems, machine learning, and other statistical means of data analysis;
2. develop policies and procedures for data quality and governance to ensure data are appropriate for the intended purpose and do not lead to any unlawful discrimination against any person or group of people or disparate impact on any individual or group based on any actual or perceived differentiating characteristic outlined in state law (e.g., age, race, disability);
3. determine any needed aggregation, redaction of individually identifiable information, or use of other techniques needed to ensure and preserve privacy and to satisfy all applicable state or federal laws and regulations for publicly disclosing data; and

4. determine the procedures for agencies to publish their data on the online repository that the Office of Policy and Management operates and maintains under existing law.

## **§ 2 – AI REGULATORY SANDBOX PROGRAM**

The bill requires the DECD commissioner, in consultation with the banking, health strategy, public health, and insurance commissioners, to develop a plan to establish an AI regulatory sandbox program. The program must allow an applicant to temporarily test an innovative product or service on a limited basis under reduced licensure, regulatory, or other legal requirements.

The plan must be developed to make Connecticut’s business environment competitive, relative to other places, for developing and deploying AI technologies.

Not later than January 1, 2026, the DECD commissioner must submit recommendations for any required legislative proposals for implementing the plan to the governor and the Commerce, Banking, Insurance and Real Estate, and Public Health committees.

## **§ 3 – DEFENSE TO CIVIL OR ADMINISTRATIVE ACTION**

The bill specifies that it is generally not a defense to any civil or administrative claim or action that an AI system committed or was used in furthering the act or omission the claim or action is based on.

These claims or actions include tort or contract claims; Connecticut Unfair Trade Practices Act (CUTPA) claims or actions; unauthorized practice of any licensed, certified, or registered profession, trade, business, or occupation claims or actions; or discrimination claims or actions under the human rights and opportunity laws.

For this provision, an “AI 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.

**Exception**

However, it can be a defense to a claim or action when a person (i.e. individual or entity) giving someone access to a generative AI system, or prompting or causing an individual to interact with these systems, gives certain disclosures to the individual.

The person must clearly and conspicuously disclose that the individual is interacting with a generative AI system and not a human being (1) when the individual requests the disclosure, or (2) orally at the beginning of an oral interaction or, for written interactions, by an electronic message delivered to the individual before the interaction begins.

If the system is provided by a credentialed person delivering services within the scope of the applicable licensed, certified, or registered profession, trade, business, or occupation, they must also disclose that the interaction between the individual and the system is not intended to give any advice that only a person acting within their credential's scope may give.

Under the bill, a "generative AI system" means any AI system that (1) is trained on data; (2) interacts with any individual through text, audio, or visual communication; and (3) generates non-scripted outputs similar to human outputs with limited or no human oversight.

**§ 4 – ARTIFICIAL INTELLIGENCE AND QUANTUM TECHNOLOGY INVESTMENT FUND**

The bill requires CI to establish a fund to be known as the "Artificial Intelligence and Quantum Technology Investment Fund" for the purpose of investing in Connecticut companies, or companies relocating significant operations to Connecticut, which develop, manufacture, use, or deploy AI systems or quantum technology.

For the purposes of this fund, an "AI system" has the same meaning as described above. And "quantum technology" means the use of the laws of quantum physics for the (1) storage, transmission, manipulation, computing, or measurement of information, or (2) development or manufacturing of machinery, hardware, materials, or pharmaceuticals.

Under the bill, CI or its subsidiary must serve as the fund's general partner or managing member and determine the fund's organizational and operating structure. CI may (1) capitalize the fund by drawing from existing assets and (2) invest up to \$50 million in the fund. The fund may make investments or co-investments in Connecticut companies and those relocating significant operations to the state. The investments or co-investments may include seed, start-up, early, first-stage, or expansion financing.

## **BACKGROUND**

### ***Related Bills***

sSB 2, favorably reported by the General Law Committee, establishes a framework for regulating artificial intelligence and includes other AI-related provisions, including establishing a regulatory sandbox (§ 12).

sSB 10, § 5, favorably reported by the Insurance and Real Estate Committee, prohibits health carriers from using artificial intelligence or algorithms in place of a clinical peer to evaluate the clinical appropriateness of an adverse determination.

sSB 1484, favorably reported by the Labor and Public Employees Committee, imposes limits on an employer's use of high-risk AI systems to make consequential decisions by, among other things, requiring employers to have an impact assessment before deploying it and giving employees certain information about the systems and how they are used.

HB 6846, favorably reported by the Government Administration and Elections Committee, generally makes it a crime for a person to, 90 days before an election or primary, (1) distribute certain communication with deceptive synthetic media or (2) enter into an agreement to distribute it.

## **COMMITTEE ACTION**

General Law Committee

Joint Favorable

Yea    20    Nay    1    (03/21/2025)