REPORT

TO: The Senate Committee on Government Operations, the Senate Committee on Finance, the

House Committee on Energy and Digital Infrastructure, and Agency of Digital Services (ADS)

Secretary Denise Reilly-Hughes

FROM: The Vermont Council on Artificial Intelligence and the ADS Division of Artificial

Intelligence.

DATE: January 15, 2025

SUBJECT: 2025 Report on the Future of the AI Council

Overview
Pursuant to Act 132 (2022) on or before January 15, 2025 the Artificial Intelligence (AI) Council (the Council, the AI Council) is required to submit recommendations regarding, (1) whether the scope of the Division should be expanded to include AI outside State government; (2) whether there should be any changes to the structural oversight, membership, or powers and duties of the Council; (3) whether the Council should cease to exist on a certain date; and (4) whether there are any other additional tasks the Division should complete.

This report focuses on answering the questions outlined in statute and includes the Council's recommendations pursuant to this statutory charge. Each section of this report reflects the Council's recommendations based on the specific issues outlined above.

Introduction: The current landscape & future of AI in Vermont
The AI Council recognizes that both the risk and opportunities of AI have just begun to unfold. Right now, the focus is on Generative AI[1], and we are only beginning to see its integration into consumer products. Across the globe, businesses are reporting significant productivity gains thanks to AI, and Vermont businesses and employees are developing new work paradigms as well. It will take the current generation of AI capabilities in business and consumer products several years to stabilize.

AI is revolutionizing businesses by streamlining operations, enabling data-driven decisions and fostering innovation. However, the AI Council recognizes that AI's rapid advancement also brings

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[1] Generative AI refers to a class of AI that is used to create "content" (ie: predictive text, audio, video).

significant challenges. In Vermont and beyond, businesses and their workforces are adapting to these changes.

One notable development on the horizon is Agentic AI, which are AI systems that use multiple specialized AI tools to accomplish a specific task, with the ability to refine their output and adapt to changing conditions using the perspectives and capabilities of several autonomous "Agents." The Division expects AI tools using agentic models to become more capable of handling perception-focused tasks, which is crucial for resilient application of AI tools in changing environments and will enable the State and businesses to apply AI in additional areas.

Vermont should continue to explore ways to prepare the existing and upcoming workforce to effectively work with AI tools. Vermont businesses can be leaders in adoption of AI in a truly Vermont way – centering the use of AI around doing good for people, communities, and the environment. Before Vermont clearly starts to see the benefits of AI application, it is likely that businesses will need guidance and support, especially as they continue to explore ways to integrate AI into their businesses and workforce.

While Vermonters are experiencing a variety of benefits from the use and application of AI, disruptions are still painful. Vermonters are also experiencing the impact of poorly implemented and governed AI systems in use in the private sector, and malicious use of AI by criminals and foreign adversaries. The AI Council and Division recognizes the need for further, and carefully crafted, policy at the state, regional, and federal levels to ensure protections from these negative impacts. This year, the Council built on its Code of Ethics and AI Operations Guidance and reviewed proposed regulatory legislation from a number of states, trends in AI-powered cybercrime, and envisioned what a Vermont AI regulatory structure could look like.

1. *Shall the scope of the Division be expanded to include AI outside State Government?*

The Council recommends expanding the focus of the AI Division and Council to serve as a hub and educational body to collect, create and share best practices and a recommended governance framework for AI use outside of state government. This step will position the AI Division and Council well to support any specific expanded public facing role recommended in the future.

The AI Council, per statutory charge, oversees and explores the way that AI is being adopted and used in state government, and supports AI educational activities. The Council's membership represents a diverse range of perspectives, but it is currently focused as an advisor to the executive branch. If there is a desire to expand the scope of the AI Council outside of state government, funding, staff, rule-making authority, regulatory authority, and permanent staffing would likely need to be addressed.

Additionally, the AI Division was created with a single position, and while ADS has carved out fractional FTEs to do the work accomplished so far, more positions will be needed with different skillsets than ADS' current technologists to accomplish an expanded and statewide scope of work.

Artificial ontelligence overlaps with many other emerging technology areas including data privacy, consumer protection, criminal activity, and cybersecurity. At this time, the Council does not have a specific recommendation on where in state government any AI specific regulatory authority should be housed, because models for AI and technology regulation continue to evolve. There are a few models available for this work that the AI Council is exploring as it relates to AI, the scope of the Council and future recommendations.

2. *Shall there be any changes to the structural oversight, membership or powers and duties of the AI Council?*

Yes. The AI Council was created to support and advise the work of the AI Division and its Director. The AI Council is recommending that it continue to advise and support the Division in its delivery of the above developed "tasks."

The Council envisions the completion of its mission with two milestones:
1) Once the Division is no longer inventing new practices, uses, and procedures, the Council's input and oversight will be less necessary, and the Council's mission relative to AI use in State Government will be complete. The AI Council does not foresee this specific milestone being met in the immediate future, as AI and technologies continue to emerge, evolve and disrupt workforces across an array of business sectors. As part of its charge, the AI Council will continue to assess the progress towards this milestone.
2) If in the future the State moves towards developing a regulatory body on emerging technology, the Council believes it will need to continue to provide oversight and would need to function as a distinct body less closely aligned to the several agencies of State government.

Membership Changes
The Council recommends that additional members be added to supplement the perspectives already represented:
- A member appointed by the Secretary of Human Services with experience in health care delivery;
- A member appointed by the Secretary of Education;
- A member appointed by the Commissioner of the Department of Financial Regulation;
- A member appointed by the Vermont Arts Council with experience in copyright;
- A member appointed by the Commissioner of the Department of Economic Development representing small businesses; and
- A member appointed by the Vermont Technology Alliance who is an expert in digital privacy.

Council Tasks
The Council would like the statutory authority to form subcommittees, including of non-council members, to provide analysis and recommendations on particular topics.

3. *Shall the Council cease to exist on a certain date?*

No. Given that the AI landscape continues to evolve rapidly, the Council finds that its mission should continue for at least the next several years. The Council proposes a 2-year cycle, with automatic renewal unless the Legislature takes action to terminate the Council. Additionally, the Council would be enabled to recommend its dissolution at any time. With the proposed extension of the Council's mission, the Council recommends that its appointed members serve 2-year terms.

4. *Are there additional tasks the Division should complete?*

Yes. The Council proposes the Division collect, create, and house best practices and policies related to AI use, function and application. The Division, acting as a "hub" for these resources and information, will be able to serve the Legislature, Vermont businesses and other institutions with support on best practices by collecting and sharing the work of the Council and other bodies and jurisdictions relating to AI.

Additionally, the Council will hold updates as necessary or requested as content is added in specific domain areas for the Legislature, Vermont Businesses, and other institutions to familiarize them with the work of the Division and the Council. This additional task is within the scope of work that exists for the Division currently and does not require legislative action.[2]

Specifically, the Division will focus on these three tasks:

1) The Division will initially focus on the following questions:
   a. Are there opportunities for AI education, and if so, at what levels?
   b. Are there opportunities to use AI for solving intractable government problems?
   c. Are there opportunities for using AI to address Vermont's workforce and demographic challenges?
   d. How could an emerging technology regulatory body be constructed within the State of Vermont?
2) Community Engagement on AI policy and best practices. This will require additional resources to do meaningfully. This community engagement will ensure the hub accounts for diverse perspectives and identifies emerging risks of AI use.
3) Develop a procurement and monitoring process for AI within State Government.

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[2] *Act No. 132 (2022): "There is established the Artificial Intelligence Advisory Council to provide advice and counsel to the Director of the Division of Artificial Intelligence with regard to the Division's responsibilities to review all aspects of artificial intelligence systems developed, employed, or procured in State government…"*