

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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REVISED

Bill Number: HB797H1

Patron: Hayes

Bill Title: Virginia Information Technologies Agency; artificial intelligence; independent verification organizations.

Bill Summary: Creates a framework for any person or entity seeking to act as an independent verification organization (IVO) in order to assess artificial intelligence systems' or applications' adherence to standards reflecting best practices for the prevention of personal injury and property damage to apply for an IVO license from the Virginia Information Technologies Agency (VITA). The bill also requires the Chief Information Officer of VITA to establish and appoint members to the Artificial Intelligence Safety Advisory Board for the purpose of advising and assisting VITA in licensing and auditing IVOs.

Budget Amendment Necessary: Yes

Items Impacted: Item 80

Explanation: See Below

Fiscal Summary: There will be a fiscal impact to the Virginia Information Technology Agency (VITA) due to the provisions of this bill. The fiscal impact is due to the increase in oversight of AI as well as the establishment of the Artificial Intelligence Safety Advisory Board.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VITA	-	\$1,000,000	-	-	-	-
TOTAL		\$1,000,000				

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VITA	-	\$860,000	\$960,000	\$1,080,000	\$1,224,000	\$1,396,800
TOTAL		\$860,000	\$960,000	\$1,080,000	\$1,224,000	\$1,396,800

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VITA		2	2	2	2	2
TOTAL		2	2	2	2	2

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Fiscal Analysis: The cost shown above encompasses personnel costs, Artificial Intelligence Safety Advisory Board costs, systems creation and management, and review of Artificial Intelligence systems and applications.

Personnel Costs: VITA is requesting \$300,000 for 2 FTE to support procurements for IVO onboarding, define rules and processes that the AI Safety Advisory Council (AISAC) will operate within, updates to the AI Registry, technology management to support the AISAC and IVO document storage, and create processes to vet the AI use cases by risk categories. The costs associated with the 2 positions include updates to the AI registry and other technological support.

To fund the AISAC, VITA will need \$5,000 annually for 12 members for a total of \$60,000 a year. The 12 members with the support of the two positions requested will be advising and monitoring licensing and auditing IVO's.

\$500,000 of the requested \$860,000 NGF is based on current IVO cases in the Commonwealth for FY26 as well as 20% growth in cases VITA is seeing each year. Funding is also needed for developers and deployers to certify compliance with existing frameworks like NIST AI Risk Management Framework, ISO/IEC standards for AI, or industry-specific standards. Currently there are 20 medium-to-high-risk AI use cases, and the agency expects it will continue to increase like other project types. VITA is estimating the cost per project to be approximately \$25,000. The funding is necessary for VITA to track and record updates on AI registry use cases to factor risk type and development status.

The one-time \$1,000,000 General Fund is requested for startup costs of the program. This is seed money to build the program, including the licensing and enforcement system, prior to VITA receiving licensing revenue to fund operations. Revenue collection would lag by one fiscal year as VITA would need time to create regulations and get them approved through the regulatory process. VITA would also need time to build the system as well as onboard IVO organizations.

Other: N/A