# Department of Legislative Services
## Maryland General Assembly
### 2025 Session

## FISCAL AND POLICY NOTE
### First Reader

Senate Bill 704             (Senator Hester)

Education, Energy, and the Environment

### State Department of Education and Department of Information Technology - Evaluation on Artificial Intelligence in Public Schools

This bill requires the Maryland State Department of Education (MSDE) to conduct an evaluation of the use and potential uses of artificial intelligence (AI) in public schools. By August 1, 2025, MSDE must distribute a survey that contains specified elements to each local board of education, including Baltimore City. The completed surveys must be returned by October 1, 2025. In addition to the survey, MSDE's evaluation must include a review and analysis of available systems that use AI, as specified. The Department of Information Technology (DoIT) must assist MSDE in completing the review by evaluating the relative costs and benefits of available AI systems, as specified. MSDE must submit (1) by January 1, 2026, an interim report on the results of the survey and (2) by December 15, 2026, a final report on the results of the evaluation. **The bill takes effect June 1, 2025, and terminates June 30, 2027.**

## Fiscal Summary

**State Effect:** No effect in FY 2025. General fund expenditures increase by $478,100 in FY 2026 and by $199,100 in FY 2027 for contractual staff. Future years reflect the elimination of the contractual positions in FY 2027, after the final report is due. No effect on revenues.

| (in dollars) | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|---|---|---|---|---|---|
| Revenues | $0 | $0 | $0 | $0 | $0 |
| GF Expenditure | 478,100 | 199,100 | 0 | 0 | 0 |
| Net Effect | ($478,100) | ($199,100) | $0 | $0 | $0 |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

**Local Effect:** Local school systems can complete and return the required survey using existing resources. Revenues are not affected.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** "Artificial Intelligence" means a machine-based system that (1) can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments; (2) uses machine and human-based inputs to perceive real and virtual environments and abstracts those perceptions into models through analysis in an automated manner; and (3) uses model inference to formulate options for information or action.

Generally, MSDE must survey local school systems on the use and potential use of artificial intelligence in public schools, including policies on student use; integration into curricula; current AI systems aiding student learning; preparedness for AI implementation; commonly used AI systems; and how MSDE can assist local school systems in utilizing AI to meet staff and student needs.

In completing its review of available AI systems, MSDE must analyze the pedagogical value of available AI systems and administrative aspects with which the AI systems are able to assist.

In addition to conducting a survey, MSDE must evaluate available AI systems that:

- assist with student learning;
- aid in creating curricula, lesson plans, and teaching materials;
- help evaluate student work; and
- support administrators and educators in school administration.

DoIT must assist MSDE in evaluating the costs and benefits of:

- AI systems identified by local school systems;
- additional AI systems that meet specified objectives;
- implementing one or more statewide AI systems for public schools, in alignment with policies developed by the Governor's Artificial Intelligence Subcabinet.

**Current Law:** There are no State laws specific to AI and public education.

*Artificial Intelligence – State Agencies*

Chapter 496 of 2024 expanded the responsibilities of the Secretary of Information Technology and DoIT as they relate to the procurement and use of AI by State agencies

and codified the Governor's AI Subcabinet that was established by Executive Order 01.01.2024.02. Broadly, among other things, the Act:

- requires DoIT to adopt policies and procedures, in consultation with the Governor's AI Subcabinet, concerning the development, procurement, deployment, use, and ongoing assessment of systems that employ high-risk AI by a unit of State government;
- prohibits units of State government from procuring or deploying a new system that employs AI unless the system complies with the policies and procedures adopted by DoIT;
- requires each unit of State government to conduct a data inventory to identify data that meets criteria established by the Chief Data Officer and that is (1) necessary for the operations of the unit or otherwise required to be collected as a condition to receive federal funds or by federal or State law and (2) in a form prescribed by the Chief Data Officer, including when the data is used in AI; and
- requires each unit of State government to conduct an inventory of systems that employ high-risk AI.

**State Expenditures:** MSDE advises that two full-time contractual positions – an AI education director and an AI technical specialist – are needed to conduct the survey and lead the evaluation. DoIT has also determined that two full-time contractual positions with expertise in AI and education are necessary to fulfill its requirements under the bill. However, the Department of Legislative Services advises that three full-time contractual staff are sufficient to meet the bill's requirements – two at MSDE and one at DoIT. These contractual positions, which require above-average salaries, are necessary to attract specialists with expertise in the emerging AI field, education and pedagogy, and survey design.

As a result, general fund expenditures increase by $335,896 for MSDE and $142,169 for DoIT in fiscal 2025, reflecting the costs of hiring three full-time contractual employees. This estimate assumes a July 1, 2025 hire date (accounting for the surveys being sent out on August 1, 2025) following the bill's June 1, 2025, effective date and includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This estimate assumes no expenditures in fiscal 2025 despite the June 1, 2025 effective date.

| | |
|---|---|
| Contractual Positions | 3.0 |
| Salaries and Fringe Benefits | $455,130 |
| Operating Expenses | 22,935 |
| **Total FY 2026 State Expenditures** | **$478,065** |

Future year expenditures reflect termination of the contractual positions on December 15, 2026, when the final report is due.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

## Additional Information

**Recent Prior Introductions:**  Similar legislation has not been introduced within the last three years.

**Designated Cross File:**  HB 981 (Delegate Ebersole, *et al.*) - Ways and Means.

**Information Source(s):**  Department of Information Technology; Maryland State Department of Education; Baltimore City Public Schools; Montgomery County Public Schools; Department of Legislative Services

**Fiscal Note History:**  First Reader - February 19, 2025
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