

HB 3936 -1 STAFF MEASURE SUMMARY

Joint Committee On Information Management and Technology

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Meeting Dates: 4/18, 5/9

WHAT THE MEASURE DOES:

House Bill 3936 prohibits any hardware, software or service that uses artificial intelligence from being installed or downloaded onto or used or accessed by state information technology assets if the artificial intelligence is developed or owned by a corporate entity that is incorporated or registered under the laws of a foreign country.

Fiscal impact: *May have fiscal impact, but no statement yet issued.*

Revenue impact: *May have revenue impact, but no statement yet issued.*

Detailed Summary

- Expands the definition of a "Covered product" to be prohibited from installation, download, use or access by state information technology assets, as used in ORS 276A.340 to 276A.344 relating to state agencies, ORS 276A.346 relating to the Secretary of State, and ORS 276A.348 relating to the State Treasurer, to include:
 - Any hardware, software or service that uses artificial intelligence and the artificial intelligence is developed or owned by a corporate entity that is incorporated or registered under the laws of a foreign country.

ISSUES DISCUSSED:

- Concerns about the introduced measure and its proposed ban on the use of artificial intelligence related hardware, software or services developed or owned by corporate entities registered or incorporated under the laws of a foreign country.
- Need for establishment of clear standards for state agency use of artificial intelligence.
- Discussion of the -1 Amendment.
- Updating existing statute to include a definition of artificial intelligence.
- Recognizing the potential opportunities and conversely the cybersecurity risks related to hardware, software or services that utilize artificial intelligence.
- Need to ensure consistent risk management practices regarding the acquisition, deployment and use of systems enabled by artificial intelligence across state government.
- Threats and risks of cyberattacks to the state of Oregon and the nation, both foreign and domestic.

EFFECT OF AMENDMENT:

-1 The amendment defines the term "artificial intelligence" and proposes the inclusion of the same definition in sections 1, 3, and 4 of the measure. The amendment modifies the definition of a "covered product," by removing reference to the development or ownership of artificial intelligence enabled hardware, software or services by "a corporate entity that is incorporated or registered under the laws of a foreign country" and instead relies on the existing statutory definition of a "covered vendor." The amendment proposes this same change to be made in sections 1, 3, and 4 of the measure.

BACKGROUND:

Oregon House Bill 3127 (Chapter 256, Oregon Laws 2023) prohibits the installation, download or use of software, hardware or services from specific vendors (a.k.a. "covered vendors") onto state information technology assets. It requires the state to remove existing installations and downloads of these products and implement all measures necessary to prevent further installation, download or use of these products on state information technology

assets. The measure included an exception for state agencies that use the products of these vendors for carrying out law enforcement activities and requires these agencies adopt risk mitigation standards and procedures. Finally, the measure directed the State Chief Information Officer to adopt rules and processes for assessing whether corporate entities pose or do not pose a threat to national security and for the designation of additional covered vendors to these prohibitions.

The State Chief Information Officer has adopted the required Oregon Administrative Rules (OAR 128-020-0005 - 128-020-0035) and a complimentary Statewide Covered Products and Vendors policy (107-004-155) and procedure (107-004-155_PR). The Covered Vendor/Product list was originally established on May 22, 2024, and was recently updated on February 12, 2025 to add DeepSeek (which includes DeepSeek AI).