# Artificial Intelligence in Government

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## Introduction

Artificial intelligence (AI) refers to software programs that attempt to simulate human intelligence. These programs carry promises of increased efficiency and improved work outcomes in many different sectors. The proprietors of AI tools are private enterprises, but the benefits of AI apply to governmental entities as well. A 2024 report indicated that fifty-one percent of respondents who were employees of local, state, and federal agencies used AI tools daily or several times per week.[1] Since that data was collected, the number of employees using artificial intelligence tools at work has likely increased alongside the frequency of use.

AI adoption promises gains in efficiency and responsiveness of government services, but its use also carries numerous risks. This memorandum provides an overview of the various ways that states and the federal government are beginning to incorporate artificial intelligence and address attendant concerns.

## Background

Artificial intelligence primarily takes the form of large language models (LLMs). An LLM is a series of artificial neurons making up a neural network that imitates the structure and function of a human brain, specifically with respect to how we process, interpret, and produce language. Just as a reader's brain is following along by rapidly processing each word and anticipating the next one, so too does an LLM when a person engages with it.

A person could read the preceding sentence aloud, and because a listener would not be expecting to hear anything relating to a victory, the listener would hear *one* instead of its homophone *won.* The correct word is obvious because of its grammatical function in the context of the sentence, as a reader would be anticipating a noun like *one* rather than the simple past-tense *won*. This language processing occurs automatically and all the time based on the context of the communication a person is engaged in moment to moment. An LLM performs a similar calculus, assigning "weight" to certain words that usually occur next to each other in the data the model was trained by, while constantly recalibrating based on new data and probability calculations. In short, "the task of [a large] language model is to estimate the probability of a word given its history."[2]

While LLMs are designed to reproduce the language functions of a human brain, models can be tweaked to favor certain kinds of output, such as image or video creation. Since LLMs work like brains but are not subject to the same biological limitations that brains are, they can be used for myriad applications and tasks. But LLMs do come with limitations.

LLMs differ from other types of programs in that LLMs are more grown than they are built. With a typical software program, an engineer can review the code and alter the code to fix specific issues. With an LLM, the model learns and adapts on its own. This aspect allows the LLM to get better at carrying out tasks that a human routinely requests of it, but it also makes correcting problems more difficult.



[1] Sanam Hooshidary, Chelsea Canada, William Clark, *Artificial Intelligence in Government: The Federal and State Landscape*, National Conference of State Legislatures, 2025.

[2] Wei Xu, Alex Rudnicky, *Can Artificial Neural Networks Learn Language Models?,* paper presented at the 6th International Conference on Spoken Language Processing, Beijing, China, October 16-21, 2000.

The most serious problem plaguing every LLM is the tendency to hallucinate. An LLM is said to have hallucinated when it gives a user information that is factually incorrect or implausible. Because of the way LLMs work and the math involved, hallucinations are an inevitability: "Numerous studies have demonstrated that hallucinations are an inherent characteristic of LLMs."[3] Advances like retrieval-augmented generation (RAG), do show promise for reducing hallucinations, but can only be implemented in certain models that are more specialized and trained on a smaller amount of data. RAG is being implemented in AI models that focus on performing legal work, where hallucinations occur more frequently and carry heavy consequences. A Stanford University study found that general-purpose chatbots hallucinated "between fifty-eight and eighty-two percent of the time on legal queries."[4] Researchers at the Stanford University Institute for Human-Centered Artificial Intelligence found that even custom AI legal tools made for specific purposes, like those developed by Westlaw and Lexis Nexis for legal research, still hallucinated more than thirty-four percent and seventeen percent of the time, respectively.[5]

While AI tools can benefit employees and the people they serve, the literature suggests that procedures and policies must be in place to ensure that hallucinations and erroneous information do not appear in finished products. Many of the current state-level legislative efforts are aimed at preventing AI tools from performing actions autonomously. A 2024 survey of federal, state, and local government employees indicated that the top three obstacles to AI expansion in government were unclear governance or ethical frameworks at forty-eight percent; lack of technology infrastructure at thirty percent; and the failure of AI applications to align with current agency needs at thirty percent.[6]

Because artificial intelligence adoption in government has been widespread but largely individual, many are expressing concerns about data privacy and security. LLMs like OpenAI's ChatGPT and Anthropic's Claude are "public" in that the input from a query is added to the model's data, which then makes it possible for that input to become part of an output for another person's query. An enterprise agreement allows agencies to use a given LLM while protecting their input data from becoming part of the public corpus of data. Requiring that government employees use their agency's enterprise LLM is particularly important when sensitive personal information is involved, such as might be found in the Department of Social Services and the Department of Health.

The Bureau of Human Resources and Administration recently published a Generative AI policy for executive branch agencies. The policy states:

The use of GenAI tools brings about serious security, privacy, accuracy, and intellectual property risks that must be taken into consideration when using these tools. These include uncertainty about ownership of AI-created content and the potential for data to be retained, used, or made public by the tool provider. In addition, content may be inaccurate, misleading, outdated, or fabricated.[7]

Currently, the Bureau of Information and Technology has enterprise licenses for Microsoft's Copilot and Google's Gemini models.

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[3] Mark Russinovich, Ahmed Salem, Santiago Zanella-Beguelin, Yonatan Zunger, *The Price of Intelligence,* Communications of the ACM, vol. 68, no. 9, September 2025, doi:10.1145/3749447

[4] Stanford University, *AI on Trial: Legal Models Hallucinate in 1 out of 6 (or more) Benchmarking Queries,* May 23, 2024.

[5] *Id.*

[6] *Id., supra* note 1.

[7] Bureau of Human Resources and Administration, *State of South Dakota Generative Artificial Intelligence Acceptable Use Policy*, https://www.sd.gov/bhra?id=cs_kb_article_view&sysparm_article=KB0044679&sys_kb_id=21e2888497f90350b369b94de053af30&spa=1

The Generative AI policy from the Bureau of Human Resources and Administration goes on to outline appropriate use. It provides that an individual may use AI tools for work only after obtaining approval from the individual's agency leadership. AI use is also subject to other limitations:

1. GenAI tools may be used to aid in tasks such as drafting documents, generating ideas, summarizing information, writing code, and conducting data analysis.
2. GenAI-created content must be considered as a starting point. The content must be reviewed for accuracy, clarity, spelling, proper grammar, and contextual appropriateness before relying on it for work purposes. GenAI-created content is not a replacement for a User's professional judgment and creativity.
3. Users must follow all applicable agency guidelines and policies regarding the handling of Sensitive or Confidential data.[8]

## State Responses

Each state has responded differently to the proliferation of LLMs, with approaches ranging broadly. Some states are trying to establish policies that set forth acceptable uses. Others are forming partnerships with technology companies that assist in implementing LLMs on various levels.

Alabama, California, Colorado, Connecticut, Delaware, Maine, Maryland, Mississippi, Vermont, and West Virginia have all enacted legislation that either asks state agencies to inventory and report AI use in their work or forms a commission or task force to study artificial intelligence use.[9] The following are examples of state legislative efforts to ensure that AI use in government is both responsible and beneficial.

### *Nevada*

In response to concerns regarding the effect that AI has on children and youth, Nevada enacted 2025 A.B. 406. This legislation prohibits public schools from using artificial intelligence to perform those functions and duties of a school counselor, school psychologist, or school social worker that are directly related to administering care. The schools are not prohibited from using AI for scheduling appointments, managing records, billing, analyzing data, and organizing notes. The act also instructs the Department of Education to implement a policy that guides the use of AI in mental and behavioral health services provided in schools.

Additionally, Nevada enacted A.B. 325 to ensure that a natural person—not artificial intelligence—makes final decisions in emergency response planning and resource allocation.

### *North Dakota*

North Dakota enacted 2025 HB 1613, which prohibits a law enforcement agency from using a robot to operate a lethal weapon, unless the weapon is remote-controlled and is not activated or deployed autonomously. The legislation makes exceptions for using autonomous weapon-equipped drones to protect the public from possible harm caused by an inanimate object at risk of exploding or causing an immediate threat to public safety or property.

[8] *Id., supra* note 7.
[9] *Id., supra* note 1.

*Montana*

Montana enacted 2025 HB 178, which aims to control some of the ways artificial intelligence systems are deployed in state agencies. Section two of the legislation states that a government entity or state officer may not use an artificial intelligence system:

1. for the cognitive behavioral manipulation of a person or group;
2. to classify a person or group based on behavior, socioeconomic status, or personal characteristics resulting in unlawful discrimination or a disparate impact on a person or group based on an actual or perceived differentiating characteristic;
3. for a malicious purpose; or for surveillance purposes, except . . . to locate a missing, endangered, or wanted person . . . .

The legislation also requires certain disclosures regarding the use of AI. Section three states:

> [I]f a government entity or state officer publishes material produced by an artificial intelligence system that is not reviewed by a human in an appropriate responsible position, the material must be accompanied by a disclosure that the material was produced by an artificial intelligence system . . . and if a government entity or state officer has an interface with the public that uses an artificial intelligence system, the use of the artificial intelligence system in the interface must be disclosed.

*Utah*

Utah enacted 2025 S.B. 180, which states "a law enforcement agency shall have a policy concerning the use of generative artificial intelligence by employees of the law enforcement agency in the course and scope of the law enforcement agency's work."

The law also stipulates that:

> "A written police report or other law enforcement record that was created wholly or partially by using generative artificial intelligence shall:
>
> a. contain within the report or record a disclaimer that the report or record contains content generated by artificial intelligence; and
> b. include a certification by the author of the report or record that the author has read and reviewed the report or record for accuracy."

*Vermont*

2022 H.410 created the Division of Artificial Intelligence within the Agency of Digital Services to "conduct an inventory of all automated decision systems that are being developed, used, or procured by the State."[10] The legislation also directs for a report to be submitted to the House Committee on Energy and Technology and the Senate Committees on Finance and on Government Operations, to include, "the state code of ethics… [and] what policies the state should have for a third-party entity to disclose potential conflicts of interest prior to purchasing or using the entity's technology and how the state should evaluate those conflicts with respect to how the state intends to implement the technology."

Additionally, the legislation prescribes that recommendations for a clear use and data management policy for state government be submitted to the legislature, including how and when an AI system would be deployed, whether the technology will be operated continuously or used only under specific circumstances, whether the automated

[10] *Id, supra* note 1.

decision system notifies an individual who may be effected by the AI system and what information should be provided to the individual, whether a human verifies or confirms decisions made by the AI system, and how an individual can contest any decision made by the automated decision system, among others.

## Federal Action

The National Conference of State Legislatures suggests that the adoption of LLMs in the federal government is higher than in state governments.[11] In July 2025, the Trump administration released America's AI Action Plan,[12] which aims to ensure that the United States maintains and grows its advantage in AI development over other countries. America's AI Action Plan is made up of three pillars:

- Accelerate AI innovation;
- Build American AI infrastructure; and
- Lead in international AI diplomacy and security.[13]

The Action Plan calls for accelerating AI adoption in government as part of the first pillar and recommends several policy actions to achieve this, notably by mandating that "all federal agencies ensure—to the maximum extent practicable—that all employees whose work could benefit from access to frontier language[14] models have access to, and appropriate training for, such tools."[15] The first pillar also sets out other priorities for accelerating AI innovation, including removing red tape and regulation, enabling AI adoption, empowering American workers, supporting next-generation manufacturing, investing in AI-enabled science, building world-class scientific data sets, advancing the science of AI, building an AI evaluations ecosystem, driving adoption within the Department of Defense, protecting commercial and government AI innovations, and combating synthetic media in the legal system.

To support AI development and adoption by building infrastructure, pillar two of the plan includes recommendations for creating streamlined permitting for data centers and semiconductor manufacturing facilities, developing an energy grid to match the pace of AI innovation, restoring American semiconductor manufacturing, building high-security data centers for military and intelligence community usage, training a skilled workforce for AI infrastructure, bolstering cybersecurity for critical infrastructure, promoting secure-by-design AI technologies and applications, and promoting mature federal capacity for AI incident response.

To lead in international AI diplomacy and security, pillar three of Trump's AI Action Plan calls for exporting American AI to allies and partners, countering Chinese influence in international governance bodies, strengthening AI compute export control enforcement, plugging loopholes in existing semiconductor manufacturing export controls, aligning protection measures globally, ensuring that the US government is at the forefront of evaluating national security risks in frontier models, and investing in biosecurity.



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[11] *Id.*

[12] Executive Office of the President of the United States, *Winning the Race: America's AI Action Plan,* July 2025, https://www.whitehouse.gov/wp-content/uploads/2025/07/Americas-AI-Action-Plan.pdf

[13] *Id.*

[14] Frontier models are the biggest, use the most computing power, and are the most capable models. OpenAI's ChatGPT, Anthropic's Claude, and Google's Gemini are all "frontier" models.

[15] *Id., supra* at 12.

## Conclusion

LLMs are essentially predictive algorithms trained on massive data sets from the internet, and they are changing the way people in every sector perform their work. Inherent in the way LLMs work are some risks that can be mitigated with recent advances in design, but those risks cannot be totally eradicated. Government agencies at local, state, and federal levels are becoming aware of these risks. Because citizens expect governments to be run with minimal waste and maximum efficiency, the risks associated with AI use in government work are potentially magnified compared to uses in the private sector. Many state legislatures are focused on ensuring that AI use in government benefits the people whom agencies serve while also mitigating risk by: permitting AI tools to be a starting point for work but prohibiting AI use for a final work product without human oversight; restricting the use of AI tools in situations that might jeopardize a person's freedom, privacy, or safety; and by forming task forces, commissions, and new departments that are responsible for assessing risks and studying the development of AI and its uses.

AI systems can improve government operations in areas like law enforcement, satellite imagery and cartography, military logistics, healthcare administration, and others. Federal and state agencies can be expected to continue finding novel and useful ways to implement AI. Because of the rapidly changing landscape of LLMs and their capabilities, legislatures will be challenged to ensure that statutory and regulatory efforts will keep pace with, and appropriately address, the rapid advances in this technology.



The Legislative Research Council provides nonpartisan legislative services to the South Dakota Legislature, including research, legal, fiscal, and information technology services. This issue memorandum is intended to provide background information on the subject. For more information, please contact Ben Vukovich, Research Analyst.