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DEPARTMENT *of* ADMINISTRATION



South Carolina State Agencies

Artificial Intelligence Strategy

June 2024

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South Carolina State Agencies Artificial Intelligence Strategy

South Carolina State Agencies AI Vision

South Carolina state agencies have established a vision to lead its artificial intelligence (AI) journey. This vision defines our collective aspiration and goals for guiding AI initiatives that we will identify and pursue to benefit the citizens and businesses within the state.

As a supplement to the vision statement, the South Carolina state agencies have defined three cornerstones, detailed below, that will shape state government's AI journey and how we will operate to achieve our defined vision.

Vision Statement

South Carolina state agencies will responsibly harness the power and potential of AI to drive an era of greater prosperity for all citizens.

Figure 1. Cornerstones Shaping the AI Journey

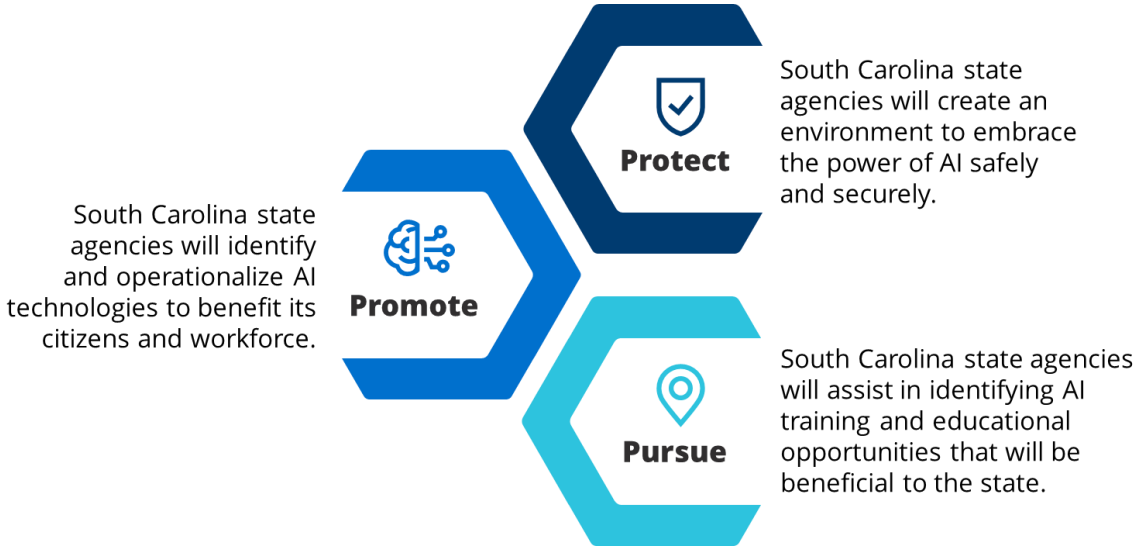


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Letter from Leadership

Technology plays a vital role in the delivery of government services that support the citizens of South Carolina. The future of our state government depends on how well we adopt innovative technologies to meet the evolving needs of South Carolinians. One such technology that is shaping the future is artificial intelligence (AI). AI has the potential to significantly improve how citizens interact with state agencies and transform how services are delivered to meet their needs.

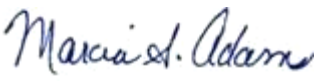
AI is one of the most significant technological advances in modern computing, and state government must manage its benefits and associated risks thoughtfully and purposefully. AI is not a passing technology fad; it is here to stay and is becoming interwoven into our daily lives. As a state, South Carolina must be prepared to leverage AI to maximize its benefits while minimizing potential challenges associated with misuse, discrimination, bias or inaccuracy.

Under the direction of the State Chief Information Officer and Chief Information Security Officer, a working group led by the South Carolina Department of Administration and leadership from 10 other state agencies has developed an AI strategy to codify our collective commitment to use this technology in a beneficial, ethical and trustworthy way. This strategy outlines the vision, guiding principles, goals and actions that will be executed for the productive, responsible use of AI for state agencies.

This is a three-year strategy that recognizes AI is a rapidly evolving technology and sets the foundation for state agencies to use and govern AI to improve the access to government services for our citizens. We understand that as AI changes, so must this strategy and how the technology is used. The South Carolina Department of Administration will support and work with state agencies to revise this strategy and use AI technologies to enable continuous improvement for state agencies and, ultimately, citizens of this state.

I look forward to advancing the uses of AI and collaborating with state agencies and key stakeholders to further enable the success of this strategy and state government.

Sincerely,



Marcia S. Adams
Executive Director
South Carolina Department of Administration

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1.0 Executive Summary

State of South Carolina State Agencies' Vision for Artificial Intelligence

South Carolina state agencies will responsibly harness the power and potential of AI to drive an era of greater prosperity for all citizens.

The explosion of AI presents our state with many opportunities to harness its power to provide enormous benefits to our citizens and services. This strategy sets our path forward, establishing guidelines for adoption and overarching goals we aim to achieve when pursuing AI technologies. Through this measured approach, we will establish the foundational responsible and ethical practices through adherence to our AI guiding principles. The strategy focuses on three key areas: **protecting** citizens' rights and privacy; **promoting** the adoption and integration of AI technologies across state government; and **pursuing** opportunities assist in identifying AI training and educational opportunities that will be beneficial to state agencies.

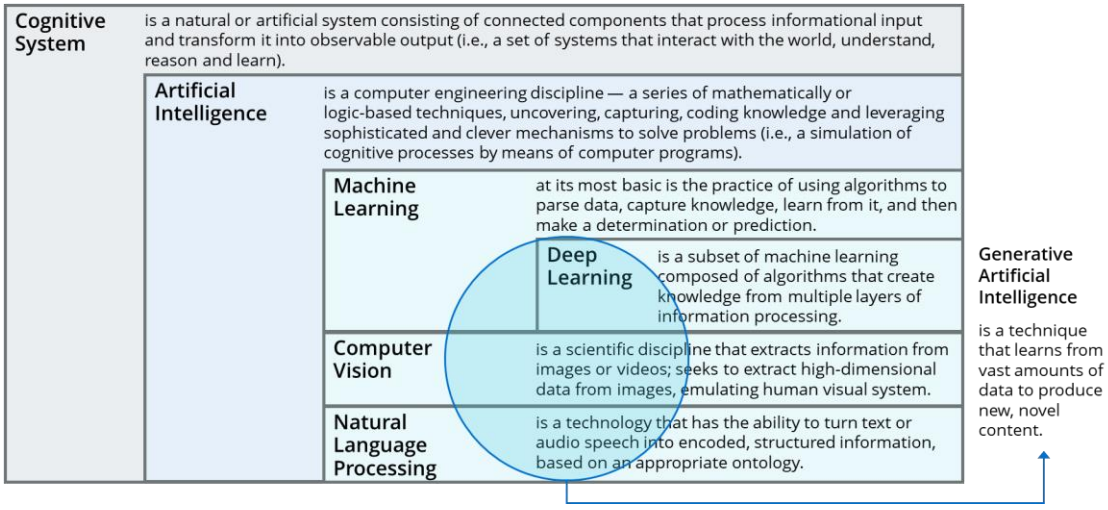
The strategy's long-term goals, near-term focus areas and associated actions set the direction for how we will develop our foundational AI capabilities. These goals and focus areas detail how we will invest our resources to deliver the required capabilities to achieve our AI vision and provide benefits across the state.

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2.0 Introductory Information

AI is a transformational, paradigm-shifting technology that can significantly impact how government agencies function. AI encompasses a broad range of advanced analysis and logic-based techniques rooted in insights from mathematics, computer science, physics, biology, social science and ethics. It can be used to predict or interpret events, support and automate decisions, deliver experiences and execute a wide variety of processes. These techniques include applications of machine learning (ML) such as neural networks, out of which generative AI models have recently emerged to engage the public interest, proliferate access to powerful AI capabilities, and present both compelling opportunities and challenges to citizens and state governments.

Figure 2. Artificial Intelligence Techniques



To better understand AI, it helps to break the term down into its two components, “artificial” and “intelligence.” Beginning with “intelligence,” while other technologies replicate processes conducted by humans, AI is designed to replicate human thought, which is complex and unpredictable. AI is more likely to adapt and change to redefine itself compared to other technologies. While it can be used to intelligently execute processes, organizations may also find it helpful to use AI to perform duties that require some level of nuanced judgment. The second component is “artificial.” Whereas individual human intelligence is developed naturally, through years of passive and active learning, an AI tool’s intelligence is, at its origins, human-made. Consequently, the strength of the intelligence itself reflects the parameters, directions and specifications imposed upon it by its creators and by how it is governed and deployed.

AI has wide-ranging implications for the state of South Carolina, including impacts from private-sector and citizen use, the safe and effective delivery of citizen services, to workforce and economic development. AI also introduces new opportunities for state agencies to operate more effectively and efficiently, while improving the delivery of citizen services, such as:

Figure 3. AI Benefits for the State



AI also poses risks due to potential misuse, flawed design, inadequate governance and other factors. Without proper governance and security controls, some uses of AI can lead to unintended results, including data privacy or cybersecurity vulnerabilities, ethical or civil rights violations and disparate impacts. Moreover, the technical aspects of many AI application mechanics are not fully understood, and this poses a unique challenge to state agencies that serve the public. As a state, we are taking a proactive approach to determine how the potential harmful consequences of AI can be mitigated and how it can be used to benefit the citizens of this state.

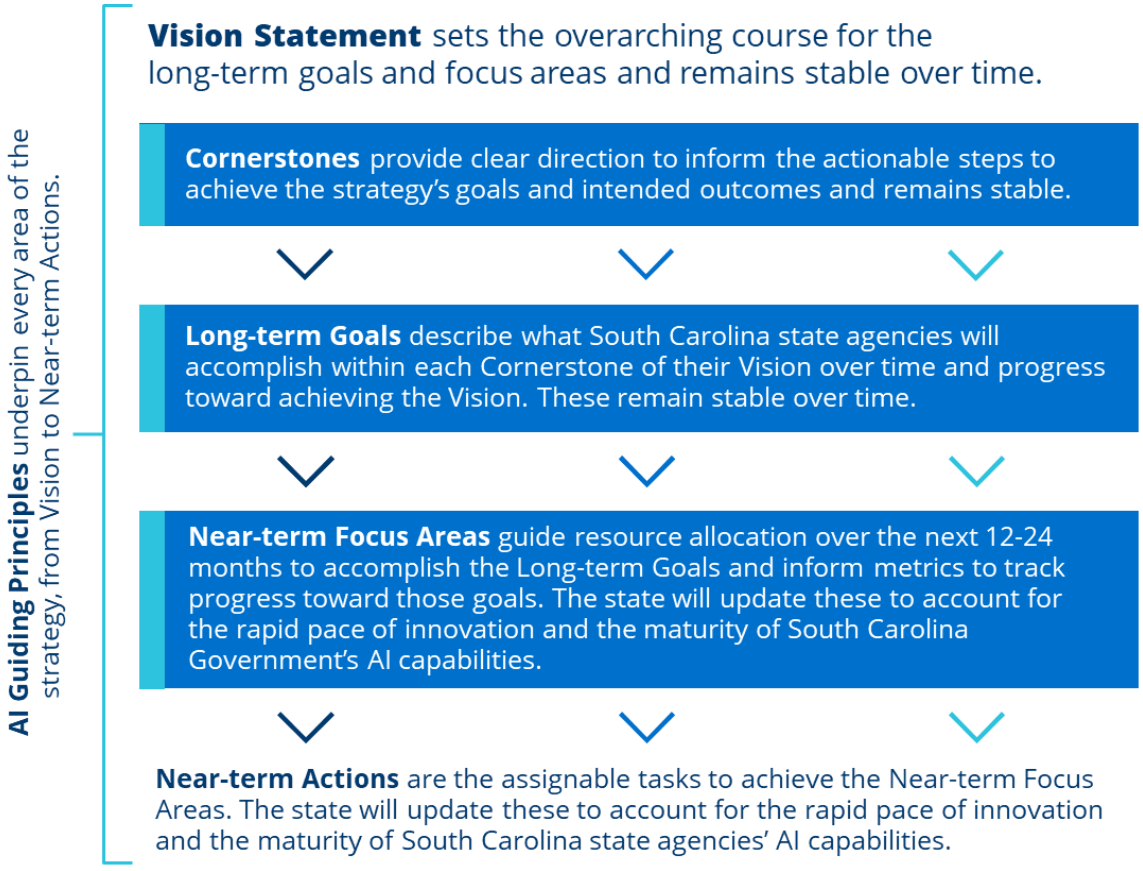
South Carolina's AI strategy defines the role of this technology in supporting state agencies, establishes the goals and principles South Carolina state agencies will follow in using AI and connects those with specific actions to capture its benefits for the citizens of South Carolina, while addressing emerging risks. The South Carolina Department of Administration's Office of Technology and Information Services (OTIS) and Division of Information Security (DIS) engaged more than 80 agencies statewide, conducted one-on-one interviews and partnered with key governance and legislative committees to develop this strategy as an output of the state's collective efforts. While the goals and principles outlined in the strategy are designed to remain

stable, this strategy is intended to be reviewed annually, with action items assessed for updates to account for the rapid pace of innovation and the maturity of South Carolina state agencies' AI capabilities.

This strategy defines the goals state government sets out to achieve and charts a clear path forward. It also outlines the AI vision and the guiding principles the state plans to use in deciding where and how to use AI in state government. The strategy also defines focus areas for South Carolina state agencies' use of AI, the outcomes expected by the state for each focus area, and the specific actions planned by the state to achieve those outcomes.

The intended audience for this strategy includes South Carolina state agencies that seek to better apply AI to their missions; state government technology practitioners that seek to enhance their delivery of technology solutions; public bodies that seek to leverage the state of South Carolina's technology best practices to improve their own organizations; vendor partners that seek to provide technology goods, software and services for procurement purposes; and citizens that seek to understand how South Carolina state agencies intend to responsibly use AI in their state.

Figure 4. Strategy Framework

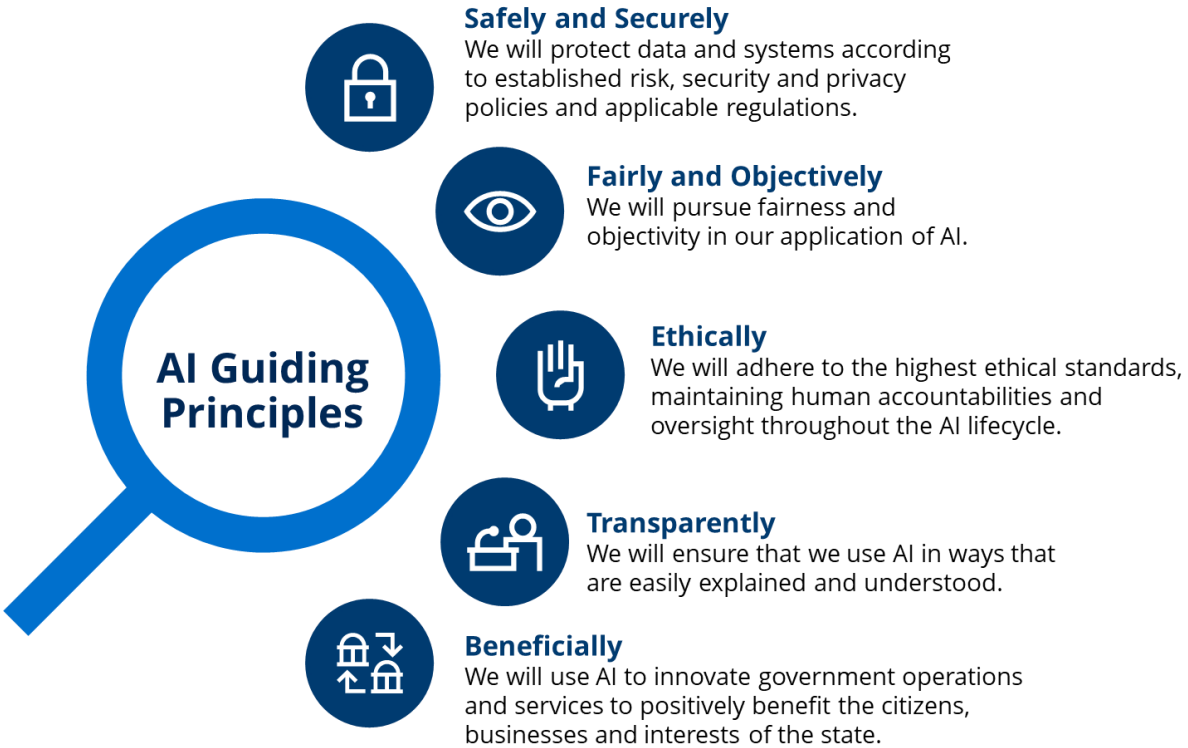


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3.0 Guiding Principles

We have established guiding principles to set the boundaries for AI adoption across state agencies. South Carolina state agencies will develop and use AI technologies according to the following guiding principles.

Figure 5. AI Guiding Principles

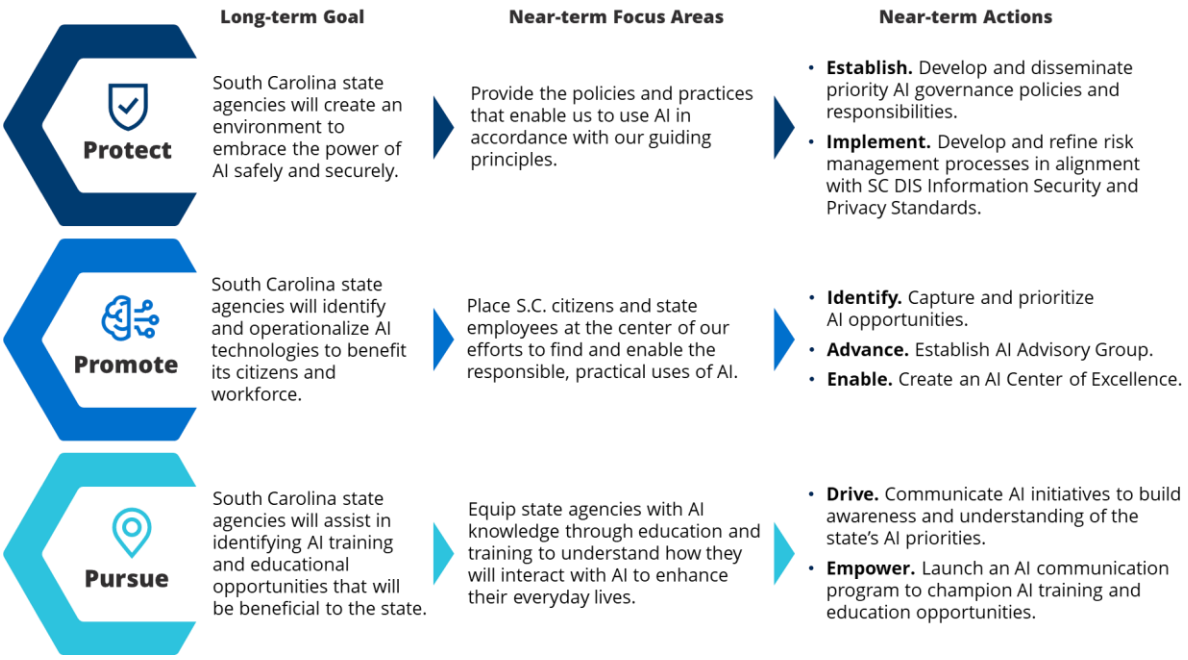


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4.0 Goals and Focus Areas

South Carolina state agencies have set long-term goals aligned to our AI cornerstones as the outcomes we aim to achieve over the next three years. These goals will be achieved through near-term focus areas and actions. The near-term focus areas define the steps that will be taken to achieve the goals while near-term actions describe the activities that will be taken to achieve the focus areas. This construct provides alignment between the goals, focus areas and actions so results can be monitored, tracked and reported, and corrective actions can be taken, if necessary, to achieve these goals and vision. The next section provides additional details for these near-term focus areas and actions.

Figure 6. AI Goals and Focus Areas



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5.0 Near-term Focus Areas and Actions

This section provides clear direction on actionable steps to achieve the strategy's near-term focus areas and informs the expected outcomes from those actions. While the guiding principles and goals in this strategy are intended to remain constant, we will review the strategy annually and assess our progress and anticipate new developments in the field of AI. We will update our action items and outcomes based on the completion of these items, changes in strategic direction and the rapid pace of innovation in AI technologies.

The following sections provide additional details, outline best practices and describe actionable steps for each focus area.

5.1 Focus Area 1: Protect

Overview

Along with new opportunities, AI also brings new risks that South Carolina state agencies must address to protect citizens, businesses and government agencies. These new risks will require South Carolina to continually evaluate its existing risk management process and, if needed, build new security competencies to meet these challenges. South Carolina government will continue to grow its strong security practices and guardrails to protect citizens from the potential risks of AI.

Initial Outcomes

Determine the need for state agency guidance that addresses the trustworthiness and fairness of AI applications, while ensuring those applications are secure and that data is protected. Establish statewide governance, risk management methods and practices to ensure vendor accountability through ongoing collaboration with the State Fiscal Accountability Authority (SFAA).

Best Practices

- **Ethical considerations:** Engage expertise to assist in the creation of guidance related to ethical considerations throughout the AI lifecycle. Verify that AI systems are designed, developed and deployed in a manner that respects privacy, fairness, accountability and transparency by working collaboratively with SFAA. Ensure state procurement provisions that provide for the assessment and mitigation of biases and discriminatory outcomes that may arise from AI algorithms.

- **Risk management and compliance:** Develop a comprehensive risk management strategy that identifies and addresses potential risks associated with AI adoption as required through use case evaluation. Verify compliance with relevant regulations, standards and industry best practices in alignment with the South Carolina Department of Administration's Division of Information Security's (DIS) Information Security and Privacy Standards. Ensure procurement provisions and vendor management alignment that implements mechanisms for monitoring and auditing AI systems to detect and mitigate risks in a timely manner.

Actions

Action 1.1. Establish — Develop and Disseminate Priority AI Governance Policies and Responsibilities

- **Prioritize the areas for initial policy development:** Develop a statewide policy for state agencies on the acceptable use of AI, AI technology procurement and data protection for sensitive/regulated data as defined by the South Carolina Department of Administration's DIS's Information Security and Privacy Standards.
- **Develop and publish initial policies and identify next steps:** Assign leads for policy development and stewardship. Communicate completed policies to relevant stakeholders. List and prioritize additional policies and standards to be developed as AI-related projects begin implementation.
- **Assign roles and responsibilities:** Determine coordination, collaboration and enforcement relationships with state agencies with respect to policies.

Action 1.2. Implement — Develop and Refine Risk Management Processes

- **Develop a process to identify and evaluate potential AI risks:** Begin with an intake form submitted by state agencies through the ITPS to understand and capture AI drivers and risk categories. Determine the state agency personnel and roles that will be responsible for monitoring and managing these risks.
- **Establish the foundations to formalize the AI risk management process:** Build and formalize foundational AI risk management processes in alignment with South Carolina State Agencies' current risk management processes using the South Carolina Department of Administration's DIS's Information Security and Privacy Standards framework.

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5.2 Focus Area 2: Promote

Overview

South Carolina state agencies recognize the potential for AI to support improvement to the services it provides citizens in areas such as responsiveness, accessibility and efficiency. To position the state to obtain the greatest potential benefits from AI, we will need a coordinated effort to identify the business scenarios of highest impact for the state to effectively allocate resources and focus. South Carolina state agencies will actively seek innovative AI solutions that align with our vision and guiding principles and promote the adoption and use of AI across state agencies. We believe that empowering key stakeholders to leverage AI will lead to improved efficiency, productivity, and citizen experience for all South Carolinians.

Initial Outcomes

Through a deliberate process, we will identify appropriate AI technologies and potential new uses that align with state government's vision and goals. By advancing these technologies, we will embrace capabilities that have the potential to address state government efficiencies. We will also regularly assess and update these technology priorities and use cases to align with the latest advances in AI and to reflect South Carolina state Agencies' progress in implementing this technology.

South Carolina state agencies will bring IT professionals, academic partners, business representatives and government agencies together to collaborate and extend our efforts, in alignment with our strategic vision and guiding principles. We will do so while defining clear objectives and actions, clearly communicating our intentions and measuring outcomes of AI adoption against our stated goals.

Best Practices

Best practices represent the collective wisdom and experience of the technology industry. Utilizing those practices reduces risk and accelerates progress. We will follow best practices in the implementation of this strategy to achieve the vision and goals.

- **Engage with stakeholders:** We will involve state agency and private sector stakeholders to seek and gather their input and feedback to ensure that the selected AI technologies and applications truly address their needs and provide value for South Carolina state agencies.

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- **Design AI governance:** Establish and implement a fit-for-purpose AI governance framework prioritized to deliver strategic outcomes for state agencies and provide guidance for the responsible and ethical use of AI. AI governance defines the roles and responsibilities that will oversee the development of policies, guidelines and procedures to guide AI implementation, ensuring alignment with organizational values, ethics and legal requirements.
- **Initiate and refine pilot projects:** We will start with small-scale pilot projects to test the feasibility and effectiveness of AI technologies and applications. Using the insights gained from these pilots, we will refine and iterate upon the solutions before scaling them up across the state government.
- **Foster collaboration and partnerships:** We will establish collaborations with academic institutions, industry experts and state agencies to benefit from their expertise and insights. This collaborative approach can help in identifying emerging AI technologies, sharing knowledge and fostering innovation.

Actions

Action 2.1. Identify — Capture and Prioritize AI Opportunities that will Benefit State Government

- **Develop and maintain a use case inventory:** Develop a process and recurring cadence for identifying common problems and scenarios where AI can be used beneficially (use cases). Monitor and evaluate AI use cases submitted through the Information Technology Planning System (ITPS) to support awareness, prevent duplication of effort and promote information sharing and visibility.
- **Prioritize use cases:** Determine a methodology for the prioritization and review of AI use cases and include factors such as potential cost savings, improved service delivery and enhanced citizen experience. Prioritize use cases that have common applicability across state agencies to enable economies of scale and achieve greater outcomes/return on investment.

Action 2.2. Advance — Establish an AI Advisory Group to Oversee AI Pursuits

- **Establish Advisory Group with external partnerships (institutions, industry, academia):** Provide the ability to gather diverse perspectives and insights to evolve/mature the state's use of AI.

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Action 2.3. Enable — Create an AI Center of Excellence to Coordinate AI Efforts across State Government

- **Establish an AI Center of Excellence (COE):** The COE, comprising IT leaders from South Carolina, would take over the responsibilities of the AI Strategy project team and provide leadership, best practice insight, evaluation and ongoing collaboration related to AI projects.
- **Launch AI governance communications:** Where appropriate, the COE will establish and foster ongoing communication and outreach to facilitate collaboration and knowledge sharing between South Carolina state agencies. This activity could include email lists and regular virtual or in-person meetings.

5.3 Focus Area 3: Pursue

Overview

South Carolina state agencies will drive AI excellence and provide state agencies with the foundational AI knowledge needed to responsibly use AI. The ability to achieve AI excellence requires two foundational efforts. First, strategic communications to build awareness and gain buy-in. Second, a concerted effort to build agencies' understanding of AI and ability to use and interact with AI technologies (developing our collective AI literacy). This AI literacy includes understanding the implications, risks and resulting business value from the use of different types of AI. It will also extend to understanding the fundamental principles of AI, technology and applications, analytical and algorithmic methods, data sources and ethical considerations.

Initial Outcomes

South Carolina state agencies will develop a communication process to promote the ongoing development of AI technologies, policies and guidance.

Best Practices

- **Define objectives and audiences for communications:** Identify and document why the communications are important, including an overall goal for what the communications aim to achieve. Understand who the target audience is to ensure tailored messaging.
- **Establish training goals and stakeholders:** Determine the need to promote AI training opportunities.

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Actions

Action 3.1. Drive — Communicate AI Initiatives to Build Awareness and Understanding of State Government's AI Priorities

- **Establish clear goals for communications:** Identify the initial objectives for strategic communications to drive awareness and support for the AI strategy and associated initiatives such as AI pilot plans. Assign an accountable party for AI communications to lead related efforts.
- **Define stakeholder groups, messaging and delivery methods:** Define stakeholders to be made aware of decisions and upcoming changes related to state government's adoption and use of AI based on the impact of those decisions and related changes. Refine the messages and delivery methods based on communications goals and stakeholder groups.
- **Launch initial communications:** Develop a communications plan to include timing, frequency, content and applicable communication channels. Develop and deploy initial communications to drive awareness for South Carolina state agencies' AI initiatives.

Action 3.2. Empower — Launch an AI Communication Program to Champion AI Training and Education Opportunities

- **Establish the initial target audience:** Define key AI stakeholders and determine potential for AI training opportunities.
- **Communicate learning opportunities:** Evaluate available opportunities to partner with knowledge providers to offer training on required topics such as AI foundations (e.g., data and analytics foundations, AI techniques, the design and use of AI applications, responsible AI) and advanced concepts (e.g., AI engineering, model-based approaches, AI agents, AI ethics), as required.

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6.0 Next Steps

South Carolina state agencies are excited to embark upon its AI journey. This strategy marks the official beginning of our journey to ensure the use of AI across state agencies is utilized in a secure, ethical and purposeful manner. We acknowledge there is a considerable amount of work to accomplish and achieve the vision and goals stated within this plan; however, the South Carolina Department of Administration is developing a detailed roadmap to begin executing the statewide strategy. As the statewide lead for IT and information security, the South Carolina Department of Administration's Office of Technology and Information Services (OTIS) and Division of Information Security (DIS) will be responsible for executing the roadmap and developing foundational capabilities to achieve the cornerstones of the AI strategy; to **protect, promote** and **pursue**.

The South Carolina Department of Administration looks forward to working with state agencies and other partners to achieve the AI goals defined in this strategy.



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7.0 Appendix

7.1 AI Workgroup Membership

The state's AI Workgroup supported the development of the South Carolina State Agencies AI Strategy. Membership of the AI Workgroup was comprised of IT leadership from 11 state agencies — diverse in both size and scope — that represented the perspectives of their respective agencies.

The AI Workgroup consisted of the following members:

- SC Department of Administration
- SC Department of Commerce
- SC Department of Corrections
- SC Department of Education
- SC Department of Health and Human Services
- SC Department of Labor, Licensing and Regulation
- SC Department of Motor Vehicles
- SC Department of Public Safety
- SC Department of Revenue
- SC Department of Social Services
- State Law Enforcement Division