



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

AMENDED
FACT SHEET FOR S.B. 1123

critical infrastructure; prohibited agreements

Purpose

Prohibits a business or government entity in Arizona from entering into an agreement with a company if the company would be able to access or control critical infrastructure in Arizona and is owned or controlled by citizens or the government of, or headquartered in, China, Iran, North Korea or Russia. Exempts a company from the outlined prohibition if the federal Committee on Foreign Investment in the United States (CFIUS) determines that there are no unresolved national security concerns.

Background

The Department of Public Safety (DPS) operates the statewide critical infrastructure information system and makes critical infrastructure information available to all state, local, federal and tribal law enforcement agencies, certain state agencies and other organizations, as necessary to safeguard the personnel and property in Arizona. The critical infrastructure information program is implemented based on the state-wide assessment of threat and vulnerability by the Arizona Counterterrorism Information Center under DPS (A.R.S. §§ [41-1802](#) and [41-1803](#)).

Current statute stipulates that loans, guarantees, investment management agreements and investment contracts that are entered into by the Public Safety Personnel Retirement System Board of Trustees (Board) are contracts memorializing obligations or interests in securities that the Board has concluded, after thorough due diligence, do not involve investments in Sudan or Iran or otherwise provide support to terrorists or in any way facilitate illegal immigration into the United States ([A.R.S. § 38-848](#)).

CFIUS is charged with conducting investigations of the effects of a covered transaction on the national security of the United States if the transaction would result in control of any critical infrastructure of or within the United States by or on behalf of any foreign person. If CFIUS determines that the transaction could impair national security, and that such impairment to national security has not been mitigated, CFIUS must take any necessary actions in connection with the transaction to protect the national security of the United States. *Covered transactions* include but are not limited to, investments by a foreign person in any unaffiliated U.S. business that owns, operates, manufactures, supplies or services critical infrastructure ([50 U.S.C. § 4565](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Prohibits a business or governmental entity in Arizona from entering into an agreement with a company if the agreement involves critical infrastructure in Arizona and if both of the following apply:
 - a) under the agreement, the company, directly or remotely, would be able to access or control critical infrastructure in Arizona, except for access that is specifically allowed for product warranty and support purposes; and
 - b) the company is owned by or controlled by either:
 - i. the citizens of China, Iran, North Korea or Russia; or
 - ii. a company or other entity, including a governmental entity, that is owned or controlled by citizens of or is directly controlled by the government of China, Iran, North Korea or Russia or that is headquartered in China, Iran, North Korea or Russia.
2. Exempts a company from the prohibition if CFIUS or its successor committee determines that there are no unresolved national security concerns regarding the transaction that created the company's ownership or allowed the company to operate within the United States.
3. Exempts a person who is a dual citizen of either China, Iran, North Korea or Russia and the United States from the prohibition.
4. Allows the Governor, in consultation with DPS, to designate a country as a threat to critical infrastructure in Arizona.
5. Defines *company* as a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership or limited liability company, including a wholly owned subsidiary majority-owned subsidiary, parent company or affiliate of those entities or business associations that exists to make a profit.
6. Defines *critical infrastructure* as systems and assets, whether physical or virtual, that are so vital to Arizona and the United States that the incapacity or destruction of those systems and assets would have a debilitating impact on security, economic security, public health or safety.
7. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

- Exempts a person who is a dual citizen of either China, Iran, North Korea or Russia and the United States from the outlined prohibition on critical infrastructure.

Senate Action

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Prepared by Senate Research

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