

State of Arkansas

As Engrossed: H3/3/25

95th General Assembly

## A Bill

Regular Session, 2025

HOUSE BILL 1352

By: Representative Beaty Jr.

By: Senator B. Johnson

### For An Act To Be Entitled

AN ACT TO AMEND VARIOUS LAWS CONCERNING ACTIONS  
RELATED TO CERTAIN FOREIGN ENTITIES; TO WITHHOLD  
FUNDING FOR STATE-SUPPORTED INSTITUTIONS OF HIGHER  
EDUCATION WITH A CONFUCIUS INSTITUTE OR SIMILAR  
INSTITUTE RELATED TO THE PEOPLE'S REPUBLIC OF CHINA;  
TO PROHIBIT A STATE-SUPPORTED INSTITUTION OF HIGHER  
EDUCATION FROM INVESTING IN CHINESE FUNDS; TO  
PROHIBIT THE ESTABLISHMENT OF SISTER CITIES WITH  
CERTAIN PROHIBITED FOREIGN PARTIES; TO PROHIBIT THE  
INVESTMENT OF RETIREMENT AND PENSION FUNDS IN CHINESE  
FUNDS; AND FOR OTHER PURPOSES.

### Subtitle

TO AMEND VARIOUS LAWS CONCERNING ACTIONS  
RELATED TO CERTAIN FOREIGN ENTITIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 6, Chapter 60, Subchapter 1, is amended  
to add additional sections to read as follows:

#### 6-60-123. Prohibited institutes.

(a) The state shall withhold funding for a state-supported institution  
of higher education that has a Confucius Institute or similar institute  
related to the People's Republic of China, including without limitation a  
Chinese cultural center.

(b)(1) A state-supported institution of higher education shall certify  
annually that the state-supported institution of higher education does not



1 have a prohibited institution described in subsection (a) of this section.

2 (2) A state-supported institution of higher education shall  
3 abolish any existing Confucius Institute or similar institute related to the  
4 People's Republic of China by December 31, 2025.

5 (3) If a state-supported institution of higher education does  
6 not certify that it does not have a prohibited institution as required by  
7 subdivision (b)(1) of this section, state funding for the state-supported  
8 institution of higher education shall be withheld.

9  
10 6-60-124. Prohibited investments.

11 A state-supported institution of higher education shall not invest in a  
12 Chinese company or a restricted investment product consistent with § 25-1-  
13 1301 et seq.

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15 SECTION 2. Arkansas Code Title 14, Chapter 1, Subchapter 1, is amended  
16 to add an additional section to read as follows:

17 14-1-111. Certain sister cities prohibited – Definition.

18 (a) As used in this section, "prohibited foreign party" means a:

19 (1) Citizen or resident of a country subject to International  
20 Traffic in Arms Regulations, 22 C.F.R. § 126.1, as existing on January 1,  
21 2025;

22 (2) Foreign government formed within a country subject to  
23 International Traffic in Arms Regulations, 22 C.F.R. § 126.1, as existing on  
24 January 1, 2025; or

25 (3) Party other than an individual or a government that is  
26 created or organized under the laws of a foreign government within a country  
27 subject to International Traffic in Arms Regulations, 22 C.F.R. § 126.1, as  
28 existing on January 1, 2025.

29 (b) A municipality shall not form a sister city with a prohibited  
30 foreign party.

31 (c) A sister city formed between a municipality and a prohibited  
32 foreign party before the effective date of this section shall be terminated.

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34 SECTION 3. Arkansas Code Title 25, Chapter 1, is amended to add an  
35 additional subchapter to read as follows:

36 Subchapter 13 – Investment of Funds in Chinese Company

1  
2 25-1-1301. Definitions.

3 As used in this subchapter:

4 (1)(A) "Chinese company" means a company, other than a United  
5 States person or United States subsidiary as defined by 15 C.F.R. § 772.1, as  
6 it existed on January 1, 2025, that:

7 (i) Is domiciled, incorporated, issued, or listed in  
8 the People's Republic of China;

9 (ii) Is headquartered in the People's Republic of  
10 China;

11 (iii) Has its principal place of business in the  
12 People's Republic of China;

13 (iv) Is controlled by the government of the People's  
14 Republic of China, the Communist Party of China, the People's Liberation  
15 Army, or any instrumentality thereof, including without limitation the State-  
16 owned Assets Supervision and Administration Commission of the State Council  
17 or the National Social Security Fund; or

18 (v) Is majority-owned by an entity controlled by the  
19 government of the People's Republic of China, the Communist Party of China,  
20 the People's Liberation Army, or any instrumentality thereof, including the  
21 State-owned Assets Supervision and Administration Commission of the State  
22 Council or the National Social Security Fund.

23 (B) "Chinese company" does not include a parent company  
24 that has one (1) or more subsidiaries or affiliates that meet the definition  
25 under subdivision (1)(A) of this section if the parent company does not:

26 (i) Meet the criteria in subdivision (1)(A); and

27 (ii) Recognize more than fifty percent (50%) of the  
28 total annual global revenue of the parent company and subsidiaries from The  
29 People's Republic of China and Hong Kong Special Administrative Region  
30 combined;

31 (2) "Company" means a sole proprietorship, organization,  
32 association, corporation, partnership, joint venture, limited partnership,  
33 limited liability partnership, limited liability company, or any other entity  
34 or business association, including without limitation all wholly-owned  
35 subsidiaries, majority-owned subsidiaries, and parent companies, or an  
36 affiliate that exists for the purpose of making a profit;

1           (3) “Control” means:

2                   (A) The same as defined in the Investment Company Act of  
3           1940, 15 U.S.C. § 80a-2, as it existed on January 1, 2025; or

4                   (B) Involvement in an entity’s governance structure,  
5           monitoring, or internal human resources decisions of an entity;

6           (4) “Fiduciary” means a person who:

7                   (A) Exercises authority to invest or manage the assets of  
8           a state or local fund;

9                   (B) Provides investment advice for a fee or other direct  
10          or indirect compensation with respect to the assets of a state or local fund  
11          or has authority or responsibility to provide investment advice; or

12                  (C) Is a member of a public investment entity;

13          (5) “Investment product” means a commingled fund or a collective  
14          investment, including without limitation a mutual fund or an index fund, in  
15          which a public investment entity, state fund, or local fund together with one  
16          (1) or more other investors share ownership or interest in the investments;

17          (6) “Private equity” means an asset class consisting of equity  
18          or debt in companies or real property that are not publicly traded on a  
19          listed stock exchange, whether owned directly by a public investment entity  
20          or indirectly through a limited partnership or other company;

21          (7) “Public investment entity” means:

22                  (A) A state or local board, political subdivision, or  
23          other governing body within the state other than an individually directed  
24          defined contribution plan that is responsible for investing or managing a  
25          state or local fund, including without limitation public pension funds;

26                  (B) Public retirement funds;

27                  (C) City, county, or other local or municipal entity  
28          investment funds;

29                  (D) Institution of higher education public funds or a  
30          qualified tuition program under 26 U.S.C. § 529, as it existed on January 1,  
31          2025;

32                  (E) The Treasurer of State; and

33                  (F) Other state-sponsored funds;

34          (8) “Restricted investment product” means an investment in a  
35          Chinese company or an investment product that holds one (1) or more publicly-  
36          traded investments in a Chinese company; and

1           (9) "Venture capital" means an investment of capital to a  
2 business at any stage of its development before the business makes a public  
3 offering of stock.

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5           25-1-1302. Prohibited investments.

6           (a) Notwithstanding any other statutes, except as provided in § 25-1-  
7 1305, this subchapter restricts the investment and financial decisions of all  
8 public investment entities.

9           (b) A public investment entity, a service provider contracted by a  
10 public investment entity, and all other fiduciaries shall not knowingly:

11           (1) Invest state or local funds in a Chinese company or  
12 restricted investment product after the effective date of this subchapter; or

13           (2) Deposit state or local funds in a Chinese company that is a  
14 bank or financial institution after the effective date of this subchapter.

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16           25-1-1303. Reporting requirements.

17           (a) Within six (6) months of the effective date of this subchapter and  
18 at least annually each year before July 1, a public investment entity shall:

19           (1) Make a good faith effort to identify all investments in a  
20 Chinese company or restricted investment product.

21           (A) The good faith effort to identify all investments  
22 required under subdivision (1) of this section shall include at least one (1)  
23 of the following:

24           (i) A review of publicly available information on  
25 where companies are incorporated, headquartered, and conduct business,  
26 including without limitation information provided by non-profit  
27 organizations, research firms, and government entities;

28           (ii) Contact with asset managers or other applicable  
29 service providers contracted by the public investment entity for information  
30 on investments the service provider has made on behalf of the public  
31 investment entity;

32           (iii) Use of an independent research firm for  
33 assistance; or

34           (iv) Reliance on the representations of an  
35 investment manager, investment advisor, or investment index provider as to  
36 the identification of a Chinese company within an investment product; and

1                   (2) Publish a report listing all the Chinese companies or  
2 restricted investment products in which the public investment entity  
3 currently has investments.

4                   (b) If a public investment entity has determined the public investment  
5 entity has no investments required to be reported under subsection (a) of  
6 this section, the public investment entity shall file a report indicating  
7 that there are no investments to report.

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9                   25-1-1304. Mandatory divestment.

10                  (a)(1) If a public investment entity reports an investment in a  
11 Chinese company or a restricted investment product under § 25-1-1303, the  
12 public investment entity shall establish a plan to divest from the Chinese  
13 company or restricted investment product.

14                  (2) The public investment entity shall complete the divestment  
15 required under subdivision (a)(1) of this section as soon as financially  
16 prudent.

17                  (3) Notwithstanding subdivision (a)(2) of this section, a public  
18 investment entity shall remove one hundred percent (100%) of investments in a  
19 Chinese company or a restricted investment product from a fund's assets  
20 within twelve (12) months after the public investment entity first reports  
21 the investment in the Chinese company or restricted investment product.

22                  (b) Divestment as required by subsection (a) of this section is not  
23 required from a restricted investment product if:

24                   (1) Less than one percent (1%) of the value of the restricted  
25 investment product is made up of investments in Chinese companies; and

26                   (2) The cost over the next five (5) years to the public  
27 investment entity of divesting from the restricted investment product is  
28 greater than one percent (1%) of the value of the public investment entity's  
29 total investment portfolio.

30                  (c)(1) If an investment is subject to divestment under this subchapter  
31 but is locked into a maturity date and an early divestment would result in a  
32 financial penalty or loss and cause a negative financial impact to the state,  
33 the investment is exempt from divestiture under this subchapter in order to  
34 prevent financial harm to the state and to ensure that the fiduciary duty for  
35 the state is met.

36                  (2) Exemption from divestiture under subdivision (c)(1) of this

1 section shall extend no more than twelve (12) months after the maturity date  
2 or after the date on which the divestment would not result in a financial  
3 penalty or loss, whichever occurs first.

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5 25-1-1305. Exemption for private equity and venture capital  
6 investments.

7 (a) This subchapter does not restrict a private equity or venture  
8 capital investment made in a Chinese company before the effective date of  
9 this subchapter.

10 (b) After the effective date of this subchapter, a public investment  
11 entity, a service provider contracted by a public investment entity, or any  
12 other fiduciary shall not enter a private equity or venture capital  
13 investment in a Chinese company.

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15 25-1-1306. Conflicts.

16 With respect to an action taken in compliance with this subchapter,  
17 including without limitation all good faith determinations regarding  
18 investing in a Chinese company or restricted investment product, a public  
19 investment entity is exempt from any conflicting state statutory or common  
20 law obligations, including without limitation an obligation regarding the  
21 choice of an asset manager, investment fund, or investment of a fund  
22 investment portfolio.

23  
24 25-1-1307. Immunity.

25 (a) The state and its officers, agents, and employees and a public  
26 investment entity and its board members, executive director, officers,  
27 agents, and employees are immune from civil liability for any act or omission  
28 related to the removal of an asset from a fund under this subchapter.

29 (b) In addition to the immunity provided under subsection (a) of this  
30 section, an officer, agent, and employee of the state and a board member,  
31 executive director, officer, agent, and employee of a public investment  
32 entity are entitled to indemnification from the public investment entity for  
33 all losses, costs, and expenses, including without limitation reasonable  
34 attorney's fees associated with defending against a claim or suit relating to  
35 this subchapter.

1       25-1-1308. Severability.

2       If any provision of this subchapter or the application of this  
3 subchapter to any person or circumstance is held invalid, the invalidity  
4 shall not affect other provisions or applications of this subchapter which  
5 can be given effect without the invalid provision or application, and to this  
6 end, the provisions of this subchapter are declared severable.

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