

1 State of Arkansas  
2 95th General Assembly  
3 Regular Session, 2025  
4

# A Bill

HOUSE BILL 1352

5 By: Representative Beaty Jr.  
6 By: Senator B. Johnson  
7

## For An Act To Be Entitled

8  
9 AN ACT TO AMEND VARIOUS LAWS CONCERNING ACTIONS  
10 RELATED TO CERTAIN FOREIGN ENTITIES; TO WITHHOLD  
11 FUNDING FOR STATE-SUPPORTED INSTITUTIONS OF HIGHER  
12 EDUCATION WITH A CONFUCIUS INSTITUTE OR SIMILAR  
13 INSTITUTE RELATED TO THE PEOPLE’S REPUBLIC OF CHINA;  
14 TO PROHIBIT A STATE-SUPPORTED INSTITUTION OF HIGHER  
15 EDUCATION FROM INVESTING IN CHINESE FUNDS; TO  
16 PROHIBIT THE ESTABLISHMENT OF SISTER CITIES WITH  
17 CERTAIN PROHIBITED FOREIGN PARTIES; TO PROHIBIT THE  
18 INVESTMENT OF RETIREMENT AND PENSION FUNDS IN CHINESE  
19 FUNDS; AND FOR OTHER PURPOSES.  
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21

## Subtitle

22  
23 TO AMEND VARIOUS LAWS CONCERNING ACTIONS  
24 RELATED TO CERTAIN FOREIGN ENTITIES.  
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26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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28 SECTION 1. Arkansas Code Title 6, Chapter 60, Subchapter 1, is amended  
29 to add additional sections to read as follows:

30 6-60-123. Prohibited institutes.

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

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

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7 6-60-124. Prohibited investments.

8 A state-supported institution of higher education shall not invest in  
9 Chinese funds and shall follow all requirements of a public investment fund  
10 under § 25-1-1301 et seq.

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

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

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

16 (1) Citizen or resident of a country subject to International  
17 Traffic in Arms Regulations, 22 C.F.R. § 126.1, as existing on January 1,  
18 2025;

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

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

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

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

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

33 Subchapter 13 – Investment of Funds in Chinese Company

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35 25-1-1301. Definitions.

36 As used in this subchapter:

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

4                   (i) Is domiciled, incorporated, issued, or listed in  
 5 the People’s Republic of China;

6                   (ii) Is headquartered in the People’s Republic of  
 7 China;

8                   (iii) Has its principal place of business in the  
 9 People’s Republic of China;

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

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

20           (B) “Chinese company” does not include a parent company  
 21 that has one (1) or more subsidiaries or affiliates that meet the definition  
 22 under subdivision (1)(A) of this section if the parent company does not:

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

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

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

34           (3) “Control” means:

35                   (A) The same as defined in the Investment Company Act of  
 36 1940, 15 U.S.C. § 80a-2, as it existed on January 1, 2025; or

1                   (B) Involvement in an entity’s governance structure,  
2 monitoring, or internal human resources decisions of an entity consistent  
3 with the objectives set out in the Opinion on Strengthening the United Front  
4 Work of the Private Economy in the New Era issued by the General Office of  
5 the Central Committee of the Communist Party of China (2020) or a successor  
6 or similar document;

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

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

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

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

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

18                   (6) “Private equity” means an asset class consisting of equity  
19 securities or debt in operating companies that are not publicly traded on a  
20 stock exchange;

21                   (7) “Public investment entity” means:

22                   (A) A state or local board, political subdivision, or  
23 other governing body within the state that is responsible for investing or  
24 managing a state or local fund, including without limitation public pension  
25 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 endowments, trusts, or  
30 a qualified tuition program under 26 U.S.C. § 529, as it existed on January  
31 1, 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  
36 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:

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           Within six (6) months of the effective date of this subchapter and at  
18 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; or

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

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

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2 25-1-1304. Mandatory divestment.

3 (a)(1) If a public investment entity reports an investment in a  
4 Chinese company or a restricted investment product under § 25-1-1303, the  
5 public investment entity shall establish a plan to divest from the Chinese  
6 company or restricted investment product.

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

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

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

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

19 (2) The cost over the next five (5) years to the public  
20 investment entity of divesting from the restricted investment product is  
21 greater than one percent (1%) of the value of the restricted investment  
22 product.

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24 25-1-1305. Exemption for private equity and venture capital  
25 investments.

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

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

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34 25-1-1306. Conflicts.

35 With respect to an action taken in compliance with this subchapter,  
36 including without limitation all good faith determinations regarding

1 investing in a Chinese company or restricted investment product, a public  
2 investment entity is exempt from any conflicting statutory or common law  
3 obligations, including without limitation an obligation regarding the choice  
4 of an asset manager, investment fund, or investment of a fund investment  
5 portfolio.

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7 25-1-1307. Immunity.

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

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

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20 25-1-1308. Severability.

21 If any provision of this subchapter or the application of this  
22 subchapter to any person or circumstance is held invalid, the invalidity  
23 shall not affect other provisions or applications of this subchapter which  
24 can be given effect without the invalid provision or application, and to this  
25 end, the provisions of this subchapter are declared severable.

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