

House Engrossed

cybersecurity; data encryption; pilot program

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2736

AN ACT

AMENDING TITLE 26, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY
ADDING SECTION 26-108; RELATING TO CYBERSECURITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 26, chapter 1, article 1, Arizona Revised
3 Statutes, is amended by adding section 26-108, to read:

4 26-108. Cybersecurity assessments; audits; requests;
5 authorization; procedures

6 A. ON REQUEST OF THE LEGISLATIVE BRANCH OF GOVERNMENT, THE
7 DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS CYBERSECURITY TEAM SHALL
8 CONDUCT AN ASSESSMENT OF ANY TECHNOLOGY PRODUCT THAT IS OR MAY BE
9 PURCHASED BY A GOVERNMENT AGENCY.

10 B. THE CYBERSECURITY TEAM MAY PERFORM THE FOLLOWING SECURITY
11 EVALUATION DURING AN ASSESSMENT PURSUANT TO SUBSECTION A OF THIS SECTION:

12 1. PENETRATION TESTING TO IDENTIFY VULNERABILITIES AND ASSESS THE
13 ROBUSTNESS OF CYBERSECURITY DEFENSES.

14 2. HARDWARE NONDESTRUCTIVE TESTING TO EVALUATE THE INTEGRITY AND
15 SECURITY COMPLIANCE OF PHYSICAL TECHNOLOGY COMPONENTS.

16 3. VENDOR-CAPABILITY VERIFICATION TO CONFIRM THAT A VENDOR THAT
17 CONTRACTS WITH THE GOVERNMENT AGENCY IS ABLE TO MEET A CONTRACT'S
18 TECHNICAL OBLIGATIONS AND CYBERSECURITY STANDARDS.

19 C. BEFORE THE GOVERNMENT AGENCY MAKES A PROCUREMENT DETERMINATION
20 TO PURCHASE A TECHNOLOGY PRODUCT, THE CYBERSECURITY TEAM MAY CONDUCT AN
21 AUDIT, SECURITY REVIEW AND COMPLIANCE VERIFICATION FOR THE GOVERNMENT
22 AGENCY. THE GOVERNMENT AGENCY MAY HAVE THE CYBERSECURITY TEAM CONDUCT AN
23 AUDIT TO ASSESS THE COST FOR THE ENTITY TO PURCHASE AND USE A DATA
24 ENCRYPTION SYSTEM ON ALL OF THE ENTITY'S INFORMATION TECHNOLOGY SYSTEMS.

25 D. THE RESULTS OF THE AUDIT SHALL BE MADE AVAILABLE TO THE PUBLIC
26 ON THE DEPARTMENT'S WEBSITE WITHIN FORTY-EIGHT HOURS AFTER THE AUDIT'S
27 COMPLETION.

28 Sec. 2. Data encryption and cybersecurity study;
29 implementation and system requirements; audit and
30 testing; reports; delayed repeal

31 A. The Arizona department of homeland security shall implement a
32 seven-year data encryption and cybersecurity study that is designed to
33 protect information technology data against unauthorized access through
34 the use of a software and hardware solution and to upgrade the
35 cybersecurity infrastructure of information technology systems in this
36 state.

37 B. In fiscal year 2025-2026, if monies are appropriated for this
38 study, the Arizona department of homeland security shall create a plan,
39 choose a vendor and begin the seven-year study. The study shall be
40 implemented by the following entities in the following fiscal years:

41 1. In fiscal year 2026-2027, the assessing entity shall perform a
42 study of the cybersecurity needs of the secretary of state's office and
43 prepare a report with proposed solutions, cost estimates, and model
44 implementing legislation, for review by the president of the senate, the

1 speaker of the house of representatives and the house of representatives
2 and senate committees with jurisdiction over elections.

3 2. In fiscal year 2027-2028, the assessing entity shall perform a
4 study of the cybersecurity needs of the department of revenue and prepare
5 a report with proposed solutions, cost estimates, and model implementing
6 legislation, for review by the president of the senate, the speaker of the
7 house of representatives and the house of representatives and senate
8 committees with jurisdiction over taxation.

9 3. In fiscal year 2028-2029, the assessing entity shall perform a
10 study of the cybersecurity needs of the department of administration and
11 prepare a report with proposed solutions, cost estimates, and model
12 implementing legislation, for review by the president of the senate, the
13 speaker of the house of representatives and the house of representatives
14 and senate committees with jurisdiction over state government.

15 4. In fiscal year 2029-2030, the assessing entity shall perform a
16 study of the cybersecurity needs of the legislature and prepare a report
17 with proposed solutions, cost estimates, and model implementing
18 legislation, for review by the president of the senate and the speaker of
19 the house of representatives.

20 C. Any proposed data encryption system must meet all of the
21 following criteria:

22 1. Have source code that is only accessible for review and audit by
23 the auditor general.

24 2. Be owned by this state.

25 3. Be created and maintained by a company located in the United
26 States that is only owned by United States citizens and has no foreign
27 owners or investors.

28 4. Have a shareable code for transparency and audit purposes that
29 is accessible for review and audit by the auditor general.

30 5. Have a key-connected password system that is quantum encryption
31 proof or future proof to other encryption breaking methodologies.

32 6. Be encryption agnostic. For the purposes of this paragraph,
33 "encryption agnostic" means the system can use any encryption as long as
34 the encryption can follow key-connected passwords.

35 7. Be able to reset, including password resets, without having to
36 go to a third party for key resetting.

37 8. Have an audit trail for any key reset.

38 9. Have a master key that can be exchanged or recreated on demand
39 with a signed and encrypted audit trail for all changes.

40 10. Allow each key package to contain a signed and encrypted audit
41 trail.

42 11. Use technology that is protected by a unique United States
43 patent.

44 12. Have United States department of defense-level security that is
45 evidenced by penetration testing. For the purposes of this paragraph,

1 "penetration testing" means a simulated cyber attack that is authorized to
2 evaluate the security of the system.

3 13. Be purchased from a vendor that:

4 (a) Collaborates with the state agency that is implementing the
5 encryption system to ensure seamless integration and compliance with all
6 state and federal cybersecurity standards.

7 (b) Provides a United States-sourced encryption system.

8 (c) Is located and managed in the United States by United States
9 citizens and that does not have any foreign owners or investors.

10 (d) Possesses a unique United States patent for the encryption
11 system.

12 D. The auditor general may audit the encryption system at each
13 stage of the implementation and operation of the data encryption system.
14 After the implementation of the data encryption system is complete, the
15 auditor general shall conduct an annual audit for seven years beginning in
16 fiscal year 2026-2027 to ensure ongoing compliance with security standards
17 and to identify potential security vulnerabilities with the data
18 encryption system.

19 E. The Arizona department of homeland security shall submit to the
20 legislature an annual report beginning in fiscal year 2026-2027 and
21 continuing for five additional fiscal years. The report must include the
22 status of the data encryption system implementation, the results of any
23 security assessments that were completed and whether any implementation or
24 operation issues were encountered in the previous year. In fiscal year
25 2031-2032, the Arizona department of homeland security shall submit a
26 final report to the legislature that summarizes the overall effectiveness
27 and security of the data encryption system.

28 F. This section is repealed from and after June 30, 2034.