

JLBC Fiscal Note

BILL # HB 2134

SPONSOR: Kupper

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TITLE: critical infrastructure; foreign adversaries; prohibition

STATUS: House Engrossed - Revised

REVISED

Explanation of Revision

This revised note includes feedback from the Department of Emergency and Military Affairs (DEMA).

Description

The bill would prohibit software used for critical communications infrastructure in Arizona from being produced by a Chinese company in the Peoples Republic of China. The bill provides a list of qualifying conditions to be considered as a Chinese company. The bill would limit governmental entities and critical infrastructure service providers use of certain electronic equipment, vendors, and contracts. The Arizona Corporation Commission (ACC) is given certification and publication responsibilities under the bill. DEMA is required to establish a secure communications channel for critical infrastructure in the state.

Estimated Impact

We estimate that the bill would increase state and local government costs. There would be ongoing costs for ACC and DEMA associated with their responsibilities under the bill. In addition, to the extent existing equipment owned by state entities would need to be replaced, the bill would generate additional one-time capital costs.

To perform their functions required under the bill, the ACC estimates a fiscal impact of \$4.0 million annually and 15 new FTE Positions. The ACC estimate includes costs for personnel, information technology and infrastructure, contractual services, office space, and equipment. We cannot validate the ACC estimate based on available information. The workload will depend on the amount of software and equipment that is determined to be covered by the bill.

To perform their functions required under the bill, DEMA estimates a one-time cost of \$10.4 million to \$12.0 million as well as \$760,000 to \$5.9 million ongoing. DEMA estimates that the cost will depend on whether the bill requires the establishment of voice only communication infrastructure (lower cost range) or a secure voice-to-data communication infrastructure (higher cost range). We cannot validate the DEMA estimate.

The League of Cities and Towns reports that the fiscal impact to local governments could be substantial but is unable to estimate the total impact until a list of prohibited equipment is available. We have asked the Department of Public Safety (DPS), Arizona Department of Transportation (ADOT), the Arizona Department of Administration (ADOA), and the County Supervisors Association for their estimated impact of the bill and are awaiting a response.

Analysis

Our estimate assumes the following:

- 1) DEMA notes they already have access to a secure communications channel to connect with military installations in the state. If this channel can be shared with government entities and infrastructure providers, DEMA estimates \$10.4 million one-time in radio purchase costs and \$760,000 ongoing in maintenance costs. If a new channel is required, DEMA estimates \$12.0 million one-time in tower construction costs and \$5.9 million ongoing in maintenance costs. DEMA's estimate assumes 1,300 companies and government agencies would require access to the channel.
- 2) DEMA reports that costs could be passed on to companies and government agencies participating in the secure communications channel. However, their estimate assumes these costs would be covered by the state.
- 3) Prior year input from DPS and ADOT states that neither of these agencies believe any of their current telecommunications equipment and software is out of compliance with the bill. However, we did not receive input last year from ADOA. If existing equipment owned by state entities would need to be replaced, the bill would generate additional one-time capital costs.