



May 3, 2024

The Honorable Brian Fernandez  
Arizona State Senate  
1700 W Washington St  
Phoenix, AZ 85007

**RE: Opposition to House Bill 2436; state contracts; foreign adversary; prohibition**

Senator Fernandez,

On behalf of CTIA®, the trade association for the wireless communications industry, I am writing in opposition to House Bill 2436 and related potential amendments. CTIA opposes this bill because specific to the telecommunications industry, it is unworkable, overly broad and unnecessary given that existing federal law already seeks to achieve the same policy goals. If enacted, this bill risks impeding nationwide “rip and replace” efforts and negatively impacting telecommunications providers and customers.

At a time of exploding consumer demand for wireless services, our industry is working hard to deploy and upgrade infrastructure and create jobs and economic growth for Arizona communities. The wireless industry employs approximately 133,000 residents and contributes \$11.3 billion to the state’s GDP annually. This success is possible because Arizona has long supported pro-growth policies that foster investment in networks. Unfortunately, this bill would move the state in the wrong direction and significantly inhibit the wireless communications industry’s ability to continue this growth.

First, it is important to understand the degree to which the U.S. government is already seeking to achieve the policy goals of this bill, rendering state action unnecessary. In 2020, at the express direction of Congress, the Federal Communications Commission (FCC) launched and has since implemented a comprehensive “rip and replace” program to remove telecommunications equipment made by companies posing an unacceptable risk to the national security of the U.S. or its citizens. As a part of this program, the FCC allocated \$1.9 billion for providers of advanced communications services to be reimbursed for expenses incurred in the removal, replacement and disposal of communications equipment and services produced or provided by two Chinese companies, Huawei and ZTE.

The FCC has also adopted rules prohibiting the use of federal Universal Service funds to purchase communications equipment from these and other companies posing a national security threat. This list of companies developed by the FCC is known as the “Covered List.” The FCC places entities on the Covered List in consultation with numerous national security-related agencies, including several of the sources enumerated in House Bill 2436’s definition of “federally banned corporation” as well as the Departments of Defense and Homeland Security, among many others. Given this background, state action is not needed to achieve the goal of ensuring state contracts are not awarded to a “covered company” outlined in this bill that may supply equipment for Arizona’s telecommunications grid.

Second, beyond this bill being unnecessary, it includes a range of burdensome provisions that are misaligned, incongruent with and significantly exceed federal requirements. This includes defining the



scope of a “covered company” far beyond the FCC’s “Covered List” designation; requiring disclosure of two years of business operations and contract information from both the bidder and its subsidiaries; and excessive penalties that include a five-year bidding ban and no cure period or good-faith process. House Bill 2436 would thus put in place compliance and enforcement policies that are both excessive and misaligned with existing federal activity, which again is already sufficient on its own to achieve the policy goals of this legislation.

Finally, possible amendments to the bill to modify various disclosure and “covered company” language as well as add provisions related to artificial intelligence would not alter our opposition. Shifting to a broader term of “foreign adversary company” is needlessly excessive and still goes far beyond the FCC’s “Covered List” designation. Additionally, new inclusion of language related to artificial intelligence is not directly relevant to the policy issue at question in the original bill and should instead be addressed through other legislative vehicles if deemed necessary.

Given the significant and complicated work already underway across the country to address the safety and security of critical telecommunications infrastructure, it is not necessary for Arizona to create a duplicative state-specific regime as outlined in this bill. Doing so would merely cause confusion, create compliance challenges and hinder the wireless communications industry’s efforts to improve connectivity for consumers in Arizona. For these reasons, we respectfully oppose House Bill 2436.

Sincerely,

Jeremy Crandall  
Assistant Vice President  
State Legislative Affairs