PA 13-162—HB 5358
Government Administration and Elections Committee

AN ACT PROHIBITING STATE CONTRACTS WITH ENTITIES MAKING CERTAIN INVESTMENTS IN IRAN

SUMMARY: This act prohibits state and quasi-public agencies from entering into, renewing, or amending a large state contract with any "entity" that (1) fails to certify that it has not directly invested $20 million or more in Iran's energy sector or (2) certifies that it has made, renewed, or increased such an investment. The prohibition applies to investments made on and after October 1, 2013 and to prior investments increased or renewed on and after that date.

Under the act, an "entity" is any corporation, general partnership, limited partnership, limited liability partnership, joint venture, nonprofit organization, or other business organization whose principal place of business is outside the U.S., except U.S. subsidiaries of foreign corporations. A large state contract is one valued at more than $500,000 in a calendar or fiscal year for building construction, procurement, or service contracts; leases; or licensing agreements. Iran's energy sector, as defined by federal law, includes activities to develop petroleum or natural gas resources or nuclear power in Iran.

The act does not apply to any contract of the state treasurer in her role as trustee of the Connecticut retirement plans and trust funds. By law, the treasurer must divest and not invest further in any Iranian-issued security or investment. She may divest, or decide against future investments of, state funds in any company doing business in Iran after various considerations.

Lastly, the act requires the secretary of the state to notify the U.S. attorney general of the act's requirements within 30 days of its passage, as required by federal law.

EFFECTIVE DATE: October 1, 2013, except that the provision requiring notification by the secretary of the state is effective upon passage.

CERTIFICATION REQUIREMENT

Bidders and proposers that are covered by the act must submit the certification before submitting a bid or proposal for a large state contract. The certification must be sworn as true to the entity's best knowledge and belief, subject to the penalties for false statement. Agencies must include notice of these requirements in bid specifications or requests for proposals (RFP) for such contracts.

The act exempts from the penalty for false statement affiants who make a good faith effort to verify whether they have made a prohibited investment. It specifies that a good faith effort includes determining that the entity does not appear on a list, published by the California Department of General Services, of people who have made prohibited investments.

BACKGROUND

Federal Law

The 2010 federal Comprehensive Iran Sanctions, Accountability, and Divestment Act (P.L. 111-195) allows state and local governments to divest or prohibit the investment of assets in certain entities that do business with or invest in Iran's energy sector. The state or local government must (1) determine, using credible information available to the public, that an entity has done business with or invested in Iran's energy sector and (2) give such an entity 90 days' written notice before divesting or prohibiting the investment of assets.

OLR Tracking: TA:RP:PF:RO