

1-1 By: Metcalf, et al. (Senate Sponsor - Hughes) H.B. No. 34
1-2 (In the Senate - Received from the House April 30, 2025;
1-3 May 5, 2025, read first time and referred to Committee on State
1-4 Affairs; May 15, 2025, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 11, Nays 0;
1-6 May 15, 2025, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	Hughes	X		
1-10	Paxton	X		
1-11	Bettencourt	X		
1-12	Birdwell	X		
1-13	Hall	X		
1-14	Hinojosa of Nueces	X		
1-15	Middleton	X		
1-16	Parker	X		
1-17	Perry	X		
1-18	Schwertner	X		
1-19	Zaffirini	X		

1-20 COMMITTEE SUBSTITUTE FOR H.B. No. 34 By: Hughes

1-21 A BILL TO BE ENTITLED
1-22 AN ACT

1-23 relating to prohibiting the investment of state money in certain
1-24 countries and in certain private business entities in those
1-25 countries.

1-26 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-27 SECTION 1. Section 2270.0001, Government Code, is amended
1-28 by adding Subdivisions (2-a) and (2-b) and amending Subdivision (9)
1-29 to read as follows:

1-30 (2-a) "Control" means the power to exercise a
1-31 controlling influence over the management or policies of a company,
1-32 including involvement in the company's governance structure,
1-33 monitoring, or internal human resources decisions, unless such
1-34 power is solely the result of an official position with the company.

1-35 (2-b) "Country of concern" means:

1-36 (A) China, Iran, North Korea, or Russia; or

1-37 (B) a country designated by the governor under
1-38 Section 2270.0121.

1-39 (9) "Scrutinized company" means:

1-40 (A) a company that:

1-41 (i) engages in scrutinized business
1-42 operations described by Section 2270.0052; or

1-43 (ii) has been complicit in the Darfur
1-44 genocide during any preceding 20-month period;

1-45 (B) a company that engages in scrutinized
1-46 business operations described by Section 2270.0102; ~~and~~

1-47 (C) a company that is a scrutinized company under
1-48 Section 2270.0124; and

1-49 (D) a company that engages in scrutinized
1-50 business operations described by Section 2270.0152.

1-51 SECTION 2. Section 2270.0002, Government Code, is amended
1-52 to read as follows:

1-53 Sec. 2270.0002. EXCEPTION. Notwithstanding any other law,
1-54 a company that the United States government affirmatively declares
1-55 to be excluded from its federal sanctions regime relating to Sudan,
1-56 its federal sanctions regime relating to Iran or another country of
1-57 concern, or any federal sanctions regime relating to a designated
1-58 foreign terrorist organization is not subject to divestment or
1-59 investment prohibition under this chapter.

1-60 SECTION 3. Chapter 2270, Government Code, is amended by

adding Subchapter C-1 to read as follows:

SUBCHAPTER C-1. GENERAL PROVISIONS RELATING TO INVESTMENTS IN COUNTRIES OF CONCERN

Sec. 2270.0121. DESIGNATION AS COUNTRY OF CONCERN. (a) The governor, after consultation with the public safety director of the Department of Public Safety, may designate a country as a country of concern for purposes of this subchapter.

(b) The governor shall consult the Homeland Security Council, established under Subchapter B, Chapter 421, to assess the status of a country of concern for purposes of making a designation under this section.

Sec. 2270.0122. PROHIBITION ON INVESTMENT IN COUNTRY OF CONCERN. An investing entity may not acquire a security issued by a country of concern or an entity owned or controlled by or subject to the jurisdiction of a country of concern.

Sec. 2270.0123. PROHIBITION AGAINST INVESTMENT OR DEPOSIT IN CERTAIN BANKS. An investing entity may not invest or make a deposit in a bank with a principal place of business located in a country of concern.

Sec. 2270.0124. SCRUTINIZED COMPANIES IN COUNTRIES OF CONCERN. (a) Except as provided by Subsection (b), a company is a scrutinized company if:

(1) the company is organized under the laws of, is headquartered in, or has its principal place of business in the territory of a country of concern;

(2) the company is controlled by a country of concern, the government of a country of concern, the ruling political party of a country of concern, or the military of a country of concern; or

(3) the majority of stock or other ownership interest of the company is held or controlled by a country of concern or individuals who are citizens of a country of concern.

(b) A scrutinized company does not include a company that:

(1) is a U.S. person, as defined by 15 C.F.R. Section 772.1; or

(2) receives not more than 50 percent of its total annual global revenue from a country of concern, regardless of whether it has one or more subsidiaries or affiliates that are companies described by Subsection (a).

SECTION 4. Sections 2270.0201(a) and (b), Government Code, are amended to read as follows:

(a) The comptroller shall prepare and maintain a list of all scrutinized companies. The list must be categorized according to:

(1) companies that are scrutinized companies under Section 2270.0001(9)(A);

(2) companies that are scrutinized companies under Section 2270.0001(9)(B); ~~and~~

(3) companies that are scrutinized companies under Section 2270.0001(9)(C); and

(4) companies that are scrutinized companies under Section 2270.0001(9)(D).

(b) In maintaining the list of scrutinized companies under Subsection (a), the comptroller may review and rely, as appropriate in the comptroller's judgment, on publicly available information regarding companies with business operations in Sudan, in Iran or another country of concern, or with designated foreign terrorist organizations, as applicable, including information provided by the state, nonprofit organizations, research firms, international organizations, and governmental entities.

SECTION 5. Subchapter E, Chapter 2270, Government Code, is amended by adding Section 2270.02035 to read as follows:

Sec. 2270.02035. ACTIONS RELATED TO LISTED COMPANY OWNED OR CONTROLLED BY OR LOCATED IN COUNTRY OF CONCERN. (a) For each listed company identified under Section 2270.0202 that is a scrutinized company under Section 2270.0124, the investing entity shall send a written notice informing the company of its listed company status and warning the company that it may become subject to divestment by investing entities.

(b) The notice shall offer the company the opportunity to, not later than the 90th day after the date the company receives

notice under this section, change its organizational or ownership structure or location so as to not be a scrutinized company as described by Section 2270.0124 in order to avoid qualifying for divestment by investing entities.

(c) If, during the time provided by Subsection (b), the company makes any applicable changes required by that subsection, the comptroller shall remove the company from the list of scrutinized companies and this chapter will no longer apply to the company unless the company later again becomes a scrutinized company as described by Section 2270.0124.

(d) Notwithstanding Section 2270.0207, if, after the time provided by Subsection (b) expires, the listed company continues to operate as a scrutinized company as described by Section 2270.0124, the investing entity shall sell, redeem, divest, or withdraw all publicly traded securities of the company, except private equity funds described by Section 2270.0207, according to the schedule provided by Section 2270.0206.

SECTION 6. Not later than January 1, 2026, the comptroller of public accounts shall include on the list maintained under Section 2270.0201(a), Government Code, as amended by this Act, the companies described by Subsection (a)(3) of that section.

SECTION 7. This Act takes effect September 1, 2025.

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