

ARKANSAS STATE GOVERNMENT SPENDING ON RESTRICTED TECHNOLOGY

APRIL 2023

Overview

- Between 2015 and 2023, the state of Arkansas spent \$7,090,199 on restricted Chinese technology from Lenovo, Inc. and Lexmark, Inc. Just a few of the agencies holding sensitive information that have purchased these products include:
 - The Legislative Auditor's Office
 - The State Police
 - The Crime Information Department
 - The Court of Appeals

The Problem

- Chinese government-owned technology manufacturers Lenovo and Lexmark have been restricted from U.S. military and intelligence agencies due to their connection to the Chinese government and military. While federal policy directs information security at the federal level, states must determine their own security standards making states vulnerable to intrusion through the purchase of these risky Chinese technology products. For more detail on these two manufacturers and others, see our briefing paper at www.StatesStopChinaTech.com.

2023 Progress, But Changes Needed in 2024

- On April 19, Governor Sarah Huckabee signed into law HB1798 which was intended to prohibit contracts with companies owned or operated by the Government of China.
- However, one significant loophole presented during the legislative process renders the new law powerless and must be corrected in 2024. (Arkansas' legislature has adjourned for 2023.) As introduced by Rep. Mindy McAlindon, the bill would have been a powerful tool to protect residents, infrastructure and government offices and agencies. Unfortunately, an amendment changed the definition from any vendor-company with partial RPC ownership to instead one owned *in whole or with a majority ownership* by the government of the PRC.
- While bills in many other states, like [Georgia law SB 346](#), broadly define scrutinized companies as those "owned or operated by the Government of China," Arkansas' new

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law will fail to curb virtually all companies that pose a threat since few if any of the companies restricted by U.S. defense and intelligence agencies are majority-owned by the PRC. For example, [CTT's February research paper](#) provides brief dossiers on four such companies (Lenovo, Lexmark, DJI, and Hikvision), *none of which would qualify under Arkansas' new law*. Even Huawei – the posterchild for suspect PRC technology – could sell unimpeded to the state.

- CTT applauds Rep. McAlindon, Sen. Stubblefield and Governor Sanders for joining the [nearly 20 other states](#) taking action, but urges Arkansas lawmakers to revisit this law in the next session to close this loophole.

The Process

- In January 2023, China Tech Threat (CTT) obtained Arkansas' detailed financial records of payments to Lexmark and Lenovo, showing payment amounts, dates and check numbers, payor agencies or departments, and descriptions of services, through Arkansas.gov Spending Transparency, an online database administered by the Comptroller and made available to improve transparency.
- However, purchases of restricted technology through third-party resellers, which can be significant, are not yet captured in our research. For example, the National Association of State Procurement Officers identifies the following [qualified resellers](#) in Arkansas: CDWG, GovConnection, SHI, Next Step, and Complete Computing. Any future efforts to identify and restrict purchases of Chinese-owned technology manufacturers should include resellers.

Lenovo

Between 2015 and 2023, the state of Arkansas spent \$6,954,507 on Lenovo technology.

In 2023, \$1,456,932 of Lenovo technology purchased, including:

- The Legislative Auditor Office: \$565,394
- The State Police: \$156,201
- The Crime Information Department: \$53,745

In 2022, \$1,554,386 of Lenovo technology purchased, including:

- The Department of Health: \$1,309,857
- Department of Finance and Administration: \$79,677
- Select purchases made by the Legislative Auditor Office.

In 2021, \$2,873,434 of Lenovo technology purchased, including:

- The Department of Health: \$2,797,584

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- The Legislative Auditor Office: \$71,532
- Select purchases made by the Department of Labor and Licensing.

In 2020, \$750,355 of Lenovo technology purchased, including:

- The Department of Health: \$239,577
- The Legislative Auditor Office: \$464,340
- The Administrative Office of the Courts: \$13,317

In 2019, \$84,923 of Lenovo technology purchased, including:

- The Department of Information Systems: \$26,924
- The Administrative Office of the Courts: \$13,438
- Select purchases made by the State Board of Pharmacy.

In 2018, \$130,106 of Lenovo technology purchased, including:

- The Administrative Office of the Courts: \$65,212
- The Department of Health: \$18,613
- Select purchases made by the State Supreme Court.

In 2017, \$77,280 of Lenovo technology purchased, including:

- The Department of Information Systems: \$51,167
- The Court of Appeals: \$20,474
- Select purchases made by the State Insurance Department

In 2015, \$27,091 of Lenovo technology purchased, including:

- The Department of Information Systems: \$13,836
- The Department of Health: \$7,142
- Select purchases made by the Administrative Office of the Courts.

Lexmark

Between 2015 and 2021, the state of Arkansas spent \$135,692 on Lexmark technology.

In 2021, \$5,368 of Lexmark technology purchased, including:

- All purchases were made by the Department of Corrections.

In 2020, \$5,368 of Lexmark technology purchased, including:

- All purchases were made by the Department of Corrections.

In 2019, \$43,337 of Lexmark technology purchased, including:

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- The Department of Disability Determination: \$15,128
- The Department of Information Systems: \$11,593
- Select purchases made by the Department of Corrections.

In 2017, \$58,542 of Lexmark technology purchased, including:

- The Department of Finance and Administration: \$26,246
- The Department of Information Systems: \$10,600
- Select purchases made by the Department of Corrections.

In 2015, \$23,077 of Lexmark technology purchased, including:

- The Department of Corrections: \$15,831
- Select purchases made by the Department of Finance and Administration.