

HB 1267-FN - AS INTRODUCED

2024 SESSION

24-2047

10/02

HOUSE BILL ***1267-FN***

AN ACT relative to prohibiting environmental, social, and governance standards in the selection of government investments.

SPONSORS: Rep. Belcher, Carr. 4; Rep. Panek, Hills. 1; Rep. Corcoran, Hills. 44

COMMITTEE: Executive Departments and Administration

ANALYSIS

This bill prohibits the investment of funds of the state treasury, executive branch agencies, and the state retirement system in investments which consider environmental, social, and governance (ESG) criteria.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Four

AN ACT relative to prohibiting environmental, social, and governance standards in the selection of government investments.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Subdivision; State Investment Policy. Amend RSA 6 by inserting after section 47 the
2 following new subdivision:

3 State Investment Policy

4 6:48 State Investment Policy.

5 I. Executive branch agencies shall prioritize investment decisions that maximize financial
6 returns and minimize risk, as part of their fiduciary duty to act in the best interest of the state and
7 the beneficiaries of the state's trust funds.

8 II. Executive branch agencies that are permitted to invest funds shall review their
9 investments and pursue any necessary steps to ensure that no funds or state- controlled investments
10 are invested with firms that invest New Hampshire funds in accounts with any regard whatsoever
11 based on environmental, social, and governance (ESG) criteria.

12 III. The New Hampshire retirement system shall adhere to their fiduciary obligation and
13 not invest with any firm that will invest state retirement system funds in investment funds that
14 consider environmental, social, and governance (ESG) criteria, as the investment goal should be to
15 obtain the highest return on investment for New Hampshire's taxpayers and retirees.

16 IV. The state treasurer and the New Hampshire retirement system shall each report on an
17 annual basis to the governor and the relevant legislative committees regarding compliance with the
18 duty to make investment decisions based upon the fiduciary duty to maximize short or long term
19 financial benefits for the state. The report shall note the existence of any investment funds that may
20 have mixed, rather than pure, fiduciary interest investment motivations.

21 V. It shall be a felony punishable by not less than one year, and not more than 20 years
22 imprisonment to violate the provisions of this section by investing state or taxpayer funds knowingly
23 in a manner violating fiduciary duty concerning environmental, social, and governance (ESG)
24 criteria

25 2 Retirement System; Management of Funds; Investments. Amend RSA 100-A:15, VIII(a) to
26 read as follows:

27 VIII.(a) The management, investment, and reinvestment practices for the assets held in
28 trust by the board pursuant to this section shall be subject to *the requirements of RSA 6:48 and*
29 review by the legislature.

30 3 Effective Date. This act shall take effect January 1, 2025.

**HB 1267-FN- FISCAL NOTE
AS INTRODUCED**

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FISCAL IMPACT: State County Local None

Estimated State Impact - Increase / (Decrease)				
	FY 2024	FY 2025	FY 2026	FY 2027
Revenue	\$0	Indeterminable	Indeterminable	Indeterminable
<i>Revenue Fund(s)</i>	General Fund Various Agency Funds			
Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable
<i>Funding Source(s)</i>	General Fund Various Agency Funds			
Appropriations	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

- Does this bill provide sufficient funding to cover estimated expenditures? N/A
- Does this bill authorize new positions to implement this bill? N/A

Estimated Political Subdivision Impact - Increase / (Decrease)				
	FY 2024	FY 2025	FY 2026	FY 2027
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable

***The New Hampshire Retirement System states it is not able to separate the fiscal impact of this legislation between county and local government, therefore the fiscal impact is shown together as political subdivisions.**

METHODOLOGY:

This bill prohibits the investment of funds of the state treasury, executive branch agencies, and the state retirement system in investments which consider environmental, social, and governance (ESG) criteria.

The Treasury Department states the bill restricts executive branch agencies from investing in firms that use ESG criteria in any capacity, possibly conflicting with laws and executive orders

directing the State Treasurer to maximize financial benefits for the State. Additionally, the legislation's requirement for annual reporting on investment decisions duplicates existing quarterly reports mandated by Chapter 132, Laws of 2023, and Executive Order 2023-03.

The impact on the State's revenues and expenditures is indeterminable. Banning investments with ESG-focused firms might affect revenue and incur transition costs if service providers change. Current investments prioritize objectives like asset preservation and liquidity, with no consideration for ESG criteria. The potential exclusion of certain financial institutions might raise costs or miss earnings opportunities, but the specifics are uncertain resulting in an indeterminable impact to state revenue and expenditures starting in FY 2025.

The New Hampshire Retirement System states the proposed investment restrictions could potentially reduce investment returns, but it's uncertain whether this would affect employer contribution rates financially.

The Department of Administrative Services states they do not have a role in any investment decisions or policy and have no information to give.

It is assumed the fiscal impact would not occur until FY 2025.

AGENCIES CONTACTED:

Treasury Department, Department of Administrative Services and New Hampshire Retirement System