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Analysis: State Anti-ESG Laws Could Cost Taxpayers Hundreds of Millions.

State-level efforts to penalize companies for use of environmental, social or governance (ESG) goals in investments could cost taxpayers over $708 million, according to a study published by the nonprofit Sunrise Project.

ESG incorporates environmental and social factors into investment decisions along with traditional financial metrics. Conservative critics of the practice have argued it introduces a political agenda to what should be a purely financial decision.

Eighteen states have either proposed or passed legislation restricting the state from doing business with companies that practice ESG, and Kentucky Attorney General Daniel Cameron (R) has announced an investigation into the use of ESG in state pension funds. These bills are based on model legislation written by the American Legislative Exchange Council, a conservative nonprofit that creates draft bills for state legislatures.

In the study, researchers analyzed a Wharton School of Business paper on Texas's anti-ESG law, which linked the state law to $532 million in higher interest payments on municipal bonds. Sunrise Project analysts extrapolated this to six other states — Florida, Kentucky, Louisiana, Missouri, Oklahoma and West Virginia — and estimated the same impacts would cost taxpayers a total of $708 million over the past 12 months.

The range of potential additional costs varies state by state, according to the study.

Florida has both the widest range and highest ceiling, with a range of $97 million to $361 million. While Gov. Ron DeSantis (R) has proposed an anti-ESG rule for state pension funds and pulled $2 billion in assets from BlackRock over its use of ESG, the state does not have a law that would specifically affect bond issuance.

"Setting aside the implications of politics interfering in financial decisions, there is the question of how removing major, proven financial companies from the marketplace will affect competition," the authors wrote. "Restrictions on financial market participants, (and in this analysis we look at large investment banks), alter the outcomes of municipal bond market transactions and modify contractual engagements with state governments."

THE HILL

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