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State Fiscal Debates to Watch in 2024: ESG Investing

States differ on the benefits, risks of environmental, social, and governance investment strategies

[Environmental, social, and governance \(ESG\) investment strategies](#) continue to gain popularity among investors and financial institutions, but with their rising prominence has come a growing divide in state attitudes about the ESG approach. ESG approaches consider the impacts that various investments have on people and the planet. They also can illuminate material risks and opportunities—such as a company’s record on employee relations or compliance with environmental regulations—that should be considered as part of any financial decision-making.

In recent years, four states—[Colorado](#), [Illinois](#), [Maine](#), and [Maryland](#)—enacted legislation encouraging public pension funds to include ESG factors in investment decisions, while in 2023 alone, [14 states adopted laws discouraging ESG](#) considerations or banning ties to financial companies that do so. Most of this state legislation has focused on public pension investments, although [some bills have encompassed other aspects](#) of government finance, including banking, contracts, and borrowing.

Moreover, several states that have proposed but not passed ESG-related legislation—such as [Arizona](#) and [Missouri](#)—have introduced bills again in 2024. And lawmakers in California are still considering legislation that would [require the state’s pension systems to divest from fossil fuels](#) by July 2031.

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The Pew Charitable Trusts

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