
States Take a More Measured Approach to ESG Mandates.

There's great recognition—on both sides of the issue—that strict pro- and anti-environmental, social and governance investing strategies can lead to unintended costs and administrative challenges.

State policymakers across the political spectrum have increasingly created rules and mandates targeting environmental, social and governance investment strategies in recent years. In 2024 alone, more than two dozen ESG bills have been introduced—some favorable to the concept but most oppositional—and six so far are now law.

ESG investment strategies have traditionally focused on the long-term impacts of investing in industries that could be economically, environmentally, or politically undesirable—with the bottom-line goal of limiting financial exposure to potential risks. In contrast, some state policymaker efforts around ESG have conflated this traditional use with what is known as impact investing, a strategy that aims to achieve certain social or environmental outcomes.

This year, for example, Idaho lawmakers joined those in more than a dozen other states, including Texas and Florida, in prohibiting government entities from doing business with certain companies that use ESG considerations in their investing approach. On the other end of the spectrum, Oregon's pension fund is planning to divest from coal after lawmakers enacted legislation as part of an effort to have a net-zero pension portfolio by 2050.

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Route Fifty

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