



Legislative Fiscal Office
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Bill Title: Relating to sustainable investing.

Government Unit(s) Affected: State Treasurer, Oregon Health and Science University, Department of Justice, Public Employees Retirement System, Cities, Counties, School Districts, Higher Education Coordinating Commission

Summary of Fiscal Impact

2025-27 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Oregon State Treasury	\$ -	\$ -	\$ 2,670,700	\$ -	\$ 2,670,700	5	4.40
Total Fiscal Impact	\$ -	\$ -	\$ 2,670,700	\$ -	\$ 2,670,700	5	4.40

2027-29 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Oregon State Treasury	\$ -	\$ -	\$ 2,960,497	\$ -	\$ 2,960,497	5	5.00
Total Fiscal Impact	\$ -	\$ -	\$ 2,960,497	\$ -	\$ 2,960,497	5	5.00

Measure Description

The measure establishes the Public Pension Protection Act, which requires fiduciaries to bypass all nonpecuniary considerations to maximize returns on investments, restricting consideration of environmental, social, and governance (ESG) factors. ESG factors shall only be considered if they present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories. The measure stipulates fiduciaries may not follow recommendations of proxy advisory firms or service providers unless they follow proxy voting guidelines that are consistent with the fiduciary's obligation to act based only on pecuniary factors.

The measure permits the Attorney General to enforce violations.

Fiscal Analysis

The total estimated fiscal impact of the measure is \$2,670,700 Other Funds and five positions, (4.40 total FTE) in the 2025-27 biennium, which includes \$342,282 in standard position-related services and supplies costs and \$29,280 for external legal counsel. After phasing in of the positions, the measure has an estimated fiscal impact of \$2,960,497 Other Funds for continuation of the five positions (1.00 FTE each) and legal services in 2027-29 and each subsequent biennium.

Oregon State Treasury

The Oregon State Treasury (OST) maintains fiduciary responsibility for managing investments for the State of Oregon trust funds including the Oregon Public Employee Retirement Funds, Industrial Accident Fund, Common School Fund, Consumer and Business Services Fund, etc.

The measure has an estimated fiscal impact on OST. It restricts Treasury's evaluation of an investment to pecuniary factors only which reverses one of OST's current investment objectives, which is promoting climate conscious investing. The measure significantly limits consideration of Environmental, Social, and Governance (ESG) factors. OST reports the requirements of the measure could breach statutory contracts related to state trust funds. The measure may create barriers to global investment management opportunities and add complexity to existing investment frameworks.

The Treasury anticipates the following impacts and expenditures to address the workload:

- One permanent, full time Investment Officer 1 position for the Investment Management Division to amend policy statements with external investment managers so they meet the requirements of the measure.
- One permanent, full time Investment Officer 1 position for the Investment Management Division for compliance work to ensure external investment managers meet the requirements of the measure on an ongoing basis.
- Required changes to the use of proxy advisory firms will require OST to do more work internally. The agency estimates they need two permanent, full-time Investment Officer 1 positions and one permanent, full-time Investment Analyst 3 position to do the work in house. Additionally, without the use of advisory firms, proxy voting on international investments will require extra hours of external legal counsel that the agency estimates to total \$29,280 per biennium.

OST anticipates utilizing existing revenue streams from asset management fees authorized under ORS 293.718 to fund the expenditures associated with this measure, which will require an expenditure limitation increase and position authority.

Other Entities

The measure has an estimated minimal fiscal impact on the Public Employees Retirement System (PERS), Department of Justice, and local governments.

The measure has no fiscal impact on public universities and school districts.

Relevant Dates

The measure takes effect on January 1, 2026.