Ohio Senate Finance Committee
Opposition Testimony on SB 6
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Chair Dolan, Vice Chair Cirino, Ranking Member Sykes, and members of the Ohio Senate Finance Committee:

Thank you for the opportunity to testify today. My name is Cathy Cowan Becker, and I am the Responsible Finance Campaign Director for Green America, the nation's leading green economy organization. Founded in 1982, Green America provides the economic strategies, organizing power, and practical tools for businesses, investors, and consumers to solve today's social and environmental problems.

I am also a proud graduate of The Ohio State University's John Glenn College of Public Affairs and School of Environment and Natural Resources. And because I worked at Ohio State for 14 years, I have a sizable investment in the Ohio Public Employee Retirement Systems (OPERS). So I have a lot of reasons, both personal and professional, to care about environmental, social, and governance investing in Ohio.

I am here to speak in opposition to Senate Bill 6, which would curtail the ability of my alma mater and other public universities and community colleges in Ohio to invest as they determine best meets the needs of the university and community. It would also prohibit universities and community colleges from accepting gifts by donors who want to use the money to fulfill the mission of improving the well-being of our local, state, regional, national and global communities.

SB 6 prohibits the members of public employee retirement systems such as OPERS from making investment decisions for the primary purpose of influencing any social or environmental policy or attempting to influence the governance of any corporation. The bill specifies that public pension boards must make investment decisions with the sole purpose of maximizing the return on investments.

One thing I would like to convey to your committee is that ESG investing always has the core purpose of conducting due diligence and maximizing return on investment in keeping with the investor's goals. Also known as responsible investing or sustainable investing, ESG investing has been around for decades and is a well-established principle of financial management.

ESG investing in no way requires investors to sacrifice return. Rather, it expands the ability of investors to fulfill their fiduciary duty of maximizing return on investment by helping them take all information about risk and return into account.

For example, if a company is abusing its employees or polluting the communities in which it works, employees are less likely to do quality work and consumers are less likely to buy from that company, making it a poor investment. Likewise, if a company offers solutions to pressing issues regarding our health and environment, its products -- and its stock -- are more likely to do well over time.

Unlike some anti-ESG bills in other states, SB 6 does not require public employee retirement systems to divest from a set of blacklisted funds they are already invested in. But where SB 6 is most problematic is in Section 3345.161, regarding boards of trustees tasked with overseeing the endowment and donations to institutions of higher education such as universities and community colleges.

Here, the bill would prohibit boards of trustees from:

- Accepting a financial gift if the donor requests the gift be used for purposes related to environment, social welfare, or corporate governance.
- Permitting any entity to which it delegates the management of part or all of its endowment portfolio to take ESG considerations into account.

These two points are very troublesome. Suppose a donor to The Ohio State University wants to fund a scholarship for students majoring in Environment, Economy, Development and Sustainability – one of the most popular programs at the university. Would the university have to turn down such a donation? As this bill is currently written, the answer seems to be yes.

Because SB 6 never defines what environmental, social, and governance investing actually is, a donation to support any environmental program – including the College of Environment and Natural Resources where I obtained my master's degree in 2019 -- would likely be prohibited.

It is also extremely problematic to require a university endowment to divest from any entity that employs ESG considerations in any of its investment decisions. As I mentioned previously, responsible investing has been around for a long time, with a solid track record of performance, and most investment firms use these principles.

To require a university endowment to divest from any asset manager that uses any form of ESG decision making at any point in their process would hamstring the ability of a university to manage its endowment. It would likely cost the endowment a great deal of money to divest from all investments that ever use some form of ESG and find investments legal under this legislation.

It is also a direct interference of government in the free market, and as such is not something our state legislature should be dictating to free market agents.

Thank you again for allowing me to testify in opposition to SB 6. I would be happy to try to answer any questions.