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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4779

04/07/2022 Authored by Koznick, Lucero, Erickson, Heinrich, Franson and others
The bill was read for the first time and referred to the Committee on State Government Finance and Elections

1.1 A bill for an act
1.2 relating to state government; prohibiting the State Board of Investment from
1.3 investing in certain assets that exclude Minnesota-based energy or natural resources
1.4 companies or Minnesota-based agricultural or livestock companies; requiring
1.5 divestment of these assets; prohibiting certain types of discrimination in financial
1.6 services; providing civil penalties; requiring annual reports; proposing coding for
1.7 new law in Minnesota Statutes, chapters 11A; 46.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. [11A.245] INVESTMENTS THAT DISCRIMINATE AGAINST CERTAIN
1.10 MINNESOTA-BASED ENERGY OR NATURAL RESOURCES, AGRICULTURAL,
1.11 OR LIVESTOCK COMPANIES.

1.12 Subdivision 1. Investments that discriminate against certain Minnesota-based energy
1.13 or natural resources, agricultural, or livestock companies; divestment required. (a)
1.14 The state board must not invest in assets that intentionally exclude Minnesota-based energy
1.15 or natural resources companies or Minnesota-based agricultural or livestock companies to
1.16 further the asset's environmental-, social-, or governance-based grade or rating. The state
1.17 board must sell, redeem, or withdraw, in a fiscally prudent manner and consistent with
1.18 applicable laws and regulations not in conflict with this section, all direct holdings of assets
1.19 not in compliance with this requirement.

1.20 (b) At least quarterly, the director must report to the state board on the status of any
1.21 actions taken under this subdivision.

1.22 Subd. 2. Schedule. To the extent practicable, the sale, redemption, or withdrawal of
1.23 assets under subdivision 1 must be completed according to the following schedule:

2.1 (1) at least 50 percent of any direct holdings must be removed from the state board's  
 2.2 assets under management by nine months after the effective date of this section; and

2.3 (2) 100 percent of any direct holdings must be removed from the state board's assets  
 2.4 under management within 15 months after the effective date of this section.

2.5 Subd. 3. **Excluded securities.** Subdivision 2 does not apply to indirect holdings in  
 2.6 actively managed investment funds. The state board must submit letters to the managers of  
 2.7 investment funds containing assets that would otherwise be subject to sale, redemption, or  
 2.8 withdrawal under subdivision 1 requesting the managers to consider removing those assets  
 2.9 from the fund or to create a similar actively managed fund with indirect holdings that do  
 2.10 not include those assets. If a manager creates a similar fund, the state board shall promptly  
 2.11 replace all applicable investments with investments in the similar fund consistent with  
 2.12 prudent investing standards. For purposes of this section, private equity funds shall be  
 2.13 deemed to be actively managed investment funds.

2.14 Subd. 4. **Report.** By January 15 of each calendar year, the state board shall submit a  
 2.15 report to the chairs and ranking minority members of the legislative committees and divisions  
 2.16 with jurisdiction over the state board. The report must include:

2.17 (1) a list of all investments sold, redeemed, or withdrawn in compliance with subdivision  
 2.18 1; and

2.19 (2) a description of any progress made under subdivision 3.

2.20 Subd. 5. **Other legal obligations.** The state board, including its executive director and  
 2.21 staff, is exempt from any statutory or common law obligations that conflict with actions  
 2.22 taken in compliance with this section, including all good-faith determinations regarding  
 2.23 companies as required by this section and any obligations regarding the choice of asset  
 2.24 managers, investment funds, or investments for the state board's securities portfolios.

2.25 Subd. 6. **Severability.** The provisions of this section are severable. If any provision of  
 2.26 this section or its application is held invalid, that invalidity does not affect other provisions  
 2.27 or applications that can be given effect without the invalid provision or application.

2.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.29 Sec. 2. **[46.36] DISCRIMINATION PROHIBITED.**

2.30 Subdivision 1. **Discrimination prohibited.** (a) A bank, credit union, financial institution,  
 2.31 payment processor, savings and loan association, or trust company shall not refuse to provide  
 2.32 financial services of any kind to, refrain from continuing to provide existing financial

3.1 services to, terminate existing financial services with, or otherwise discriminate in the  
3.2 provision of financial services against a person solely based on the following:

3.3 (1) the person's political affiliation; or

3.4 (2) any value-based or impact-based criteria, including but not limited to social credit  
3.5 scores or environmental, social, and governance credit factors.

3.6 (b) Notwithstanding any other provision to the contrary, a financial institution may offer  
3.7 investments, products, or services to a potential customer or investor based on subjective  
3.8 standards only if the standards are fully disclosed and explained to the potential customer  
3.9 or investor before entering into a contract for the investment, product, or service. The  
3.10 financial institution shall obtain a signature from the potential customer or investor attesting  
3.11 that the financial institution has disclosed and explained the subjective standards being used  
3.12 by the financial institution.

3.13 (c) This section must not be construed in any manner that would interfere with a financial  
3.14 institution's ability to discontinue or refuse to conduct business with a person when the  
3.15 action is necessary for the physical safety of the financial institution's employees.

3.16 (d) The legislature declares that the practice of discriminating against a person or entity  
3.17 in this state based upon the person's or entity's social credit score or any other valuation  
3.18 based on environmental, social, and governmental credit factors is a matter of statewide  
3.19 concern and that discrimination based on such scores and metrics is not only a threat to the  
3.20 rights and proper privileges of this state's inhabitants but menaces the institutions and  
3.21 foundation of a free democratic state and threatens the peace, order, health, safety, and  
3.22 general welfare of this state and its inhabitants.

3.23 Subd. 2. **Civil penalty.** A person who is refused services by a bank, credit union, financial  
3.24 institution, payment processor, savings and loan association, or trust company as described  
3.25 in subdivision 1 may bring an action for injunctive relief and a civil penalty of \$10,000. If  
3.26 a court finds a violation of subdivision 1, the court must assess a civil penalty of \$10,000  
3.27 on the bank, credit union, financial institution, payment processor, savings and loan  
3.28 association, or trust company.