



State Actions in Response to Russian Invasion of Ukraine

March 2022

State legislatures have been quick to respond to the Russian Federation's invasion of Ukraine in February 2022. As of mid-March, approximately 40 states had introduced resolutions condemning the Russian invasion and expressing support for the continued sovereignty of Ukraine. Perhaps more significantly, legislation has been introduced in 19 states either seeking to divest public funds from companies domiciled in Russia or that support the Russian federation or terminating contracts with Russian companies.

While divestment legislation has been introduced rapidly throughout the states, the complexities involved in the proposed actions will likely result in significant delays in their passage. Legislation which has moved quickly through the legislative process has done so either because it is narrow in scope and application, or it has been amended to provide specificities which would allow for a more efficient application of its requirement. Notably, the inclusion of language which would restrict divestment to funds directly held and managed by state authorities appears to have propelled legislation forward in a number of states. Additionally, a handful of states have merged legislation addressing divestment of public funds with legislation requiring the termination of contracts to provide a more forceful response to Russian actions in Ukraine. Below is a list of some the more notable legislation which has appeared in recent weeks and an analysis of its status and impact.

Divestment and Termination of Contracts

- Idaho HCR 41 – Adopted 3/15/22
 - HCR 41 was introduced and adopted rapidly in mid-March becoming the first piece of adopted state legislation directly addressing divestment from Russia. The resolution merely advises the Endowment Fund Investment Board, which manages the investment of proceeds generated by endowment lands in the state, to divest from Russian governmental assets and other certain assets.
- New Jersey S 1889 – Adopted 3/9/22
 - The most significant piece of legislation that has passed to date in regard to divestment from Russia, S 1889 both prohibits persons or companies engaged in activities that support the Russian state from registering as public works contractors in the state of New Jersey or receiving or applying for any future contracts. Additionally, this bill prohibits any direct investment of public funds in the Department of Treasury's list of people or companies engaged in prohibited activities in Russia. It requires the Division of Investment to sell, redeem, divest or withdraw any relevant investments within 12 months of passage. Note – this only applies to direct investments, not investments managed as part of an index fund, mutual fund or any other passive investment.
- Illinois HB 5704 & 5705 - Introduced 2/24
 - Illinois House Bills 5704 and 5705 amend the Deposit of State Moneys Act and the Pension code, respectively, to prohibit the investment of public funds in any investment instrument based in or tied to Russia. This legislation would only affect holdings directly managed by state systems. If passed, this would



- require retirement systems and other state agencies to instruct investment advisors to sell, redeem, divest, or withdraw in “an orderly and fiduciarily responsible manner” within 12 months.
- Maryland S 1005 – Introduced 3/2; Passed First Chamber
 - Currently in House Appropriations Committee and looking likely to be adopted in the coming weeks, this bill would require the Board of Trustees for the State Retirement and Pension system to divest funds in eligible accounts that are invested in Russia restricted investments. It is important to note that eligible accounts only include accounts that are actively managed at the direction of the Board of Trustees and not indexed funds, private equity funds, real estate funds or other passively managed funds. It also requires that any divestment take place in a manner consistent with fiduciary responsibilities.
 - Minnesota H 4615 – Introduced 3/10
 - Minnesota H 4615 appears to have broad bipartisan support and is moving rapidly through the committee process. It would require the State Board of Investment to divest all securities issued by a company domiciled in Russia or Belarus, all securities issued by Russia or Belarus and all currency issued by Russia or Belarus. At least 50 percent of holdings must be removed within 9 months, with 100 percent removed within 15 months. Again, this legislation only applies to direct holdings of the state and not to managed investment funds. However, it does require the State Board to submit letters to investment fund managers requesting they consider removing Russian and Belarussian associated assets from the funds.
 - Ohio S 308 – Introduced 3/8
 - Ohio S 308 creates a state investment policy board and requires that the board identify all companies based in Russia in a timely manner and provide this information to all public authorities within the state. Furthermore, it requires all public authorities within the state to divest direct holdings associated with Russia in a manner that is consistent with its fiduciary duties.