

State of Arkansas *As Engrossed: H2/10/25 H2/17/25 S2/26/25*

95th General Assembly

## A Bill

Regular Session, 2025

HOUSE BILL 1307

By: Representatives McAlindon, R. Burkes

By: Senator J. Bryant

### For An Act To Be Entitled

AN ACT TO ENSURE RESPONSIBLE FUND MANAGEMENT; TO  
AMEND THE UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL  
FUNDS ACT (2006); AND FOR OTHER PURPOSES.

### Subtitle

*TO ENSURE RESPONSIBLE FUND MANAGEMENT;  
AND TO AMEND THE UNIFORM PRUDENT  
MANAGEMENT OF INSTITUTIONAL FUNDS ACT  
(2006).*

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

*SECTION 1. Arkansas Code § 28-69-802 is amended to read as follows:*

*28-69-802. Definitions.*

*In this subchapter:*

(1) "Charitable purpose" means the relief of poverty, the advancement of education or religion, the promotion of health, the promotion of a governmental purpose, or any other purpose the achievement of which is beneficial to the community.

(2) "Endowment fund" means an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for its own use.

(3) "Gift instrument" means a record or records, including an institutional solicitation, under which property is granted to, transferred to, or held by an institution as an institutional fund.

(4) "Institution" means:



1 (A) a person, other than an individual, organized and  
2 operated exclusively for charitable purposes;

3 (B) a government or governmental subdivision, agency, or  
4 instrumentality, to the extent that it holds funds exclusively for a  
5 charitable purpose; or

6 (C) a trust that had both charitable and noncharitable  
7 interests, after all noncharitable interests have terminated.

8 (5) "Institutional fund" means a fund held by an institution  
9 exclusively for charitable purposes. The term does not include:

10 (A) program-related assets;

11 (B) a fund held for an institution by a trustee that is  
12 not an institution; or

13 (C) a fund in which a beneficiary that is not an  
14 institution has an interest, other than an interest that could arise upon  
15 violation or failure of the purposes of the fund.

16 (6)(A) "Materially negative financial impact" means a materially  
17 negative financial impact on the institutional fund's total net investment  
18 performance, considering all financial returns received by the fund and all  
19 costs paid by the fund.

20 (B) "Materially negative financial impact" does not  
21 include the government institution's administrative costs that are not paid  
22 by the fund.

23 ~~(6)~~(7) "Person" means an individual, corporation, business  
24 trust, estate, trust, partnership, limited liability company, association,  
25 joint venture, public corporation, government or governmental subdivision,  
26 agency, or instrumentality, or any other legal or commercial entity.

27 ~~(7)~~(8) "Program-related asset" means an asset held by an  
28 institution primarily to accomplish a charitable purpose of the institution  
29 and not primarily for investment.

30 ~~(8)~~(9) "Record" means information that is inscribed on a  
31 tangible medium or that is stored in an electronic or other medium and is  
32 retrievable in perceivable form.

33 (10) "Service provider" means a person, including without  
34 limitation an affiliate, offering or providing financial services to the  
35 institutional fund, including without limitation:

36 (A) an investment manager, investment company, securities

1 broker or dealer, investment advisor, or subadvisor; or  
2 (B) a proxy advisor, including any person who provides  
3 corporate governance ratings, proxy research and analyses, proxy voting  
4 advice, or other similar services, for compensation and for the purpose of  
5 advising a shareholder on how to vote on measures under consideration by  
6 shareholders or proxy voting on behalf of a shareholder.

7  
8 SECTION 2. Arkansas Code § 28-69-803, concerning the standard of  
9 conduct in managing and investing in an institutional fund, is amended to add  
10 additional subsections to read as follows:

11 (f) Except as provided under subsection (h) of this section, in  
12 managing and investing an institutional fund, an institution under § 28-69-  
13 802(4)(B), including without limitation a two-year or four-year state  
14 supported institution of higher education, shall not:

15 (1) Consider any of the goals under subdivisions (f)(2)(A)  
16 through (f)(2)(F) of this section, except as required to comply with  
17 subdivision (f)(2) of this section, regarding:

18 (A) A possible investment by the institutional fund;

19 (B) The selection of a service provider; or

20 (C) The voting of shares by the institutional fund; or

21 (2) Direct or allow any service provider, in connection with its  
22 duties to the institutional fund, to act in a way that is aligned with any of  
23 the following goals beyond what is required by controlling law:

24 (A) Directly or indirectly eliminating, reducing,  
25 offsetting, or disclosing a reduction target for greenhouse gas emissions,  
26 including without limitation by restricting the exploration, production,  
27 utilization, transportation, sale, or manufacturing of timber, mining,  
28 agriculture, or fossil-fuel-based energy;

29 (B) Instituting a corporate board or employment  
30 composition target or criterion that incorporate a characteristic protected  
31 in this state under the Arkansas Civil Rights Act of 1993, § 16-123-101 et  
32 seq.;

33 (C) Providing access to or facilitating an abortion,  
34 gender-reassignment, or sex-reassignment medication or procedure;

35 (D) Restricting public access to a firearm, ammunition, or  
36 a component part or accessory of a firearm, including without limitation by

1 restricting the distribution, sale, manufacturing, importing, marketing, or  
2 advertising of a firearm, ammunition, or a component part or accessory of a  
3 firearm;

4 (E) Reducing the amount of business conducted with any  
5 entity for the purpose of advancing any of the goals under this subdivision  
6 (f)(2); or

7 (F) Advancing the purposes of any international agreement  
8 related to any of the goals under this subdivision (f)(2).

9 (g) Subdivision (f)(2) of this section shall not apply if the  
10 institution under § 28-69-802(4)(B) determines that subdivision (f)(2) of  
11 this section would require the selection of a service provider that would  
12 have a materially negative financial impact on the institutional fund,  
13 provided that the institution under § 28-69-802(4)(B):

14 (1) Contracts with a service provider that most closely meets  
15 the requirements of subdivision (f)(2) of this section and would not have a  
16 materially negative financial impact on the institutional fund;

17 (2) Documents the determination of the institution under § 28-  
18 69-802(4)(B), along with documenting evidence supporting its determination  
19 through a description of the services of at least three (3) alternative  
20 service providers that were consulted and including without limitation a  
21 description of:

22 (A) Fees;

23 (B) Historical investment performance; and

24 (C) Evidence of compliance with subdivision (f)(2) of this  
25 section; and

26 (3) Publicly posts notice seeking a service provider that would  
27 comply with subdivision (f)(2) of this section at the following times:

28 (A) No later than sixty (60) days after the selection of a  
29 service provider that does not meet the requirements of subdivision (f)(2) of  
30 this section;

31 (B) No later than sixty (60) days before the beginning of  
32 any following procurement period under which that service provider could be  
33 replaced; and

34 (C) As part of any following procurement announcement  
35 under which that service provider could be replaced; and

36 (4) Reevaluates its determination at least annually under

1 subdivisions (g)(1) – (3) of this section.

2 (h) The requirements under subsection (f) of this section shall not  
3 apply to the investment and management of special gifts for which the intent  
4 of a donor was:

5 (1) Contrary to subsection (f) of this section; and

6 (2) Expressed in the gift instruction before January 1, 2024.

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8 /s/McAlindon  
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