### MINUTES OF SPECIAL MEETING OF THE
### STATE BOARD OF HIGHER EDUCATION HELD
### APRIL 24, 1987

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STATE BOARD OF HIGHER EDUCATION
MINUTES OF SPECIAL MEETING HELD BY
CONFERENCE TELEPHONE CONNECTION

April 24, 1987

At the call of the President of the Board, a special meeting of the State Board of Higher Education was held by conference telephone connection.

ROLL CALL

The meeting was called to order at 2:00 p.m., April 24, 1987, by the President of the Board, Mr. James C. Petersen. On roll call, the following answered present:

- Mr. Robert R. Adams
- Mr. John W. Alltucker
- Mr. Gene Chao
- Mr. F. David Crowell
- Mr. Mark S. Dodson
- Mr. Richard F. Hensley
- Mrs. Janet S. Nelson
- Mr. Louis B. Perry
- Mr. George E. Richardson, Jr.
- Mr. James C. Petersen

Absent: Mr. Michael W. Hermens was not available at the time of the call due to commitments with classes.

OTHERS PRESENT

Centralized Activities--Chancellor William E. Davis; Secretary Wilma L. Foster; W. T. Lemman, Executive Vice Chancellor; Larry Pierce, Vice Chancellor for Academic Affairs; Jim Sellers, Director of Communications, Public Affairs; Karen McCumsey, Secretary to the Chancellor.

Media Representatives--Nancy McCarthy of The Oregonian; Ann Portal of The Register-Guard.

The Chancellor said Mrs. Edith Green, a former member of the Board, had passed away on April 21, 1987. He presented the following resolution in honor of Mrs. Green:

RESOLUTION HONORING
EDITH GREEN

The Oregon State Board of Higher Education joins other Oregonians in expressing sadness at the loss of Edith Green, former member of Congress, former member of the Board (1979-81), and long-time friend of education. Earning the title "Mrs. Education," Edith Green was author of three federal higher education acts, of the National Quality Education Act of 1972, and of Title IX equal opportunity legislation.
A graduate of the forerunner to Western Oregon State College, Edith Green was a respected and articulate leader who changed minds, improved education, and reduced discrimination. She will be missed, but the impact of her work will benefit Americans for generations.

The Board adopted the resolution as presented by the Chancellor, with the following voting in favor: Directors Adams, Alltucker, Chao, Crowell, Dodson, Nelson, Perry, Richardson, and Petersen. Those voting no: None. Director Hensley was absent from the meeting at this time.

Mr. Chao said the Board had taken a position in 1977 on divestiture of securities of companies doing business in certain countries of South Africa. There has been some interest in moving ahead with divestiture, and Mr. Chao said it would be appropriate for the Board to consider reaffirming its previous resolution.

Mr. Lemman indicated a bill relating to divestiture was under consideration in the Legislature and then presented the following proposed resolution:

RESOLUTION

WHEREAS, on November 18, 1977, the Board of Higher Education adopted a motion to instruct its investment managers in the following respects:

"1. Proceed in an orderly manner to sell all endowment investments in the companies identified by the Vice Chancellor for Administration as presently having substantial activity in southern Africa; and

"2. Not to acquire investments in any company which employs more than 50 persons in southern Africa; earns more than $500,000 from business operations in southern Africa; or has investments in excess of $500,000 in fixed assets or loan portfolios in southern Africa.

"Southern Africa refers to three countries: South Africa, Rhodesia, and Namibia. Further, in carrying out this action, investment managers are requested to act prudently and in a manner which would not jeopardize the integrity of the endowments."

and

WHEREAS, since the above motion was adopted, it has neither been implemented nor retracted; rather, opinions of the Attorney General and, thereafter, litigation, have prevented implementation of the motion; and
WHEREAS, the Board continues to oppose the policies of apartheid of the government of South Africa; and

WHEREAS, the Board maintains that divestiture from the Board's endowment of corporate securities of companies doing business in South Africa, if accomplished in a prudent manner, would be an appropriate expression of the Board's disapproval of the policies of apartheid;

NOW, THEREFORE, BE IT RESOLVED BY THE OREGON BOARD OF HIGHER EDUCATION as follows:

1. The Board reaffirms its opposition to apartheid policies of the government of South Africa and continues to support the concept of divestiture from the Board's endowment of the corporate securities of companies doing substantial business in countries which have adopted and enforced apartheid laws.

2. That the Executive Vice Chancellor report to the Board at an early date the holdings in the Board's endowment that would be affected by implementation of a divestiture resolution.

3. That the Executive Vice Chancellor request an opinion from the Attorney General to resolve whether, in light of the intervening events, including the litigation arising out of the Board's original resolution of 1977, the Attorney General's previous opinion regarding the power of the Board to implement the divestiture resolution is still valid.

Board Discussion and Action

Mr. Lemman explained that the original opinion of the Attorney General with respect to divestiture was that the Board did not have the authority to instruct the Oregon Investment Council concerning investments and divestiture. The Board, therefore, was unable to implement the policy adopted for divestiture, and this provoked the law suit. The trial court has held that the Board would have the authority to instruct the Oregon Investment Council to divest but divestiture might be in violation of the prudent investor rule.

The staff is proposing to ask the Attorney General whether the Board does have that authority because there are indications that the present Attorney General probably would rule that the Board does have authority to divest, or to instruct the Oregon Investment Council to divest, as long as the divestiture was not contrary to the prudent investor rule. He said the bill in the
Legislature would set forth the conditions under which divestiture of state funds could occur and still meet the prudent investor rule.

Mr. Hensley inquired as to the Board's exposure in the event it advised on investment and divestiture and the Board's holdings had lower earnings than other funds in which there was no divestment.

Mr. Lemman said he understood the investment rules being proposed by the Legislative Assembly would specify an orderly disposition over a period of four years. The Oregon Investment Council, in ordering divestiture, still would be bound by the prudent investor rule and would be required to show that the alternative investments would approximate what is being divested in terms of safety and yield.

Mr. Chao commented that in discussing this with The Common Fund personnel over the past several months, experience has shown that the risk is quite minimal, particularly since several major corporations have reduced or eliminated their activities in South Africa.

Mr. Perry said he had voted against the previous resolution but had done so on investment grounds rather than because of his position on apartheid. He asked about the effect of the proposed resolution and whether future Board action would be required after a ruling by the Attorney General.

Mr. Lemman said if the Board were to reaffirm its previous statement without any modification or retraction, the 1977 statement would be the position of the Board of Higher Education. Then if the Attorney General ruled that the Board had the authority to divest, Mr. Lemman said it would be his responsibility to move ahead with the Board's policy. If the Attorney General ruled that the Board did not have the authority, the policy still could not be implemented.

Mr. Petersen said it would seem to be an appropriate time for the Board to reaffirm its policy because of the present climate with respect to divestiture and the pending bill in the Oregon Legislature.

Mr. Perry said if the proposal incorporated the "prudent man" principle, he could vote for it. Otherwise, his position would be the same as it was in 1977. In response to this statement, Mr. Lemman read the language in the original resolution stating that investment managers were requested to act prudently and in a manner which would not jeopardize the integrity of the endowments.
Mr. Chao moved that the Board adopt the resolution, and Mr. Dodson seconded the motion.

Mr. Alltucker said he was still puzzled by the necessity for action.

Mr. Lemman responded that the Board's prior resolution was the policy of the Board. It has not been possible to carry out the policy because of a 1978 opinion by the Attorney General and subsequent litigation. The litigation recently has been concluded. It is believed the current Attorney General would rule that the Board has the authority to enforce its 1977 policy. For that reason, he said the question before the Board was whether it wished to reaffirm the policy and ask the staff to seek another Attorney General's opinion or wished to leave the issue unresolved.

In response to a question from Mr. Adams concerning the Legislature's attitude toward the legislation, Mr. Lemman said the House had voted 53 to 7 to adopt the language of HB 2001, as amended. This included the orderly divestiture and the prudent person requirement. The bill has not yet been heard in the Senate.

Mr. Crowell read a statement describing the bill which indicated that the investment of funds should be achieved without monetary loss and accomplished in a reasonable and prudent manner by investment at comparable rates and returns.

Mr. Richardson said consideration of the importance of the Board's action in helping to bring about a change in the deplorable conditions that exist in South Africa was as important as consideration of the prudent man theory in discussing the adoption of this resolution.

Mr. Alltucker said his position on apartheid was that the Board should do everything possible to help the black people of South Africa improve their economic, social, and political freedom. However, he said it was hard for him to understand how it would help them to remove their economic base. He said he wanted to accomplish change without bloodshed but he believed that the net result of removing the economic base would be a bloody uprising. He said he knew of only one black leader who was willing to accomplish his purposes by bloody revolution, and no black leaders were urging that the economic base be removed.

Mr. Chao said he did not think divestiture was taking the economic base away. In fact, with a passive approach, it is unlikely anything will remain in a few years. Most of the major companies have pulled out of South Africa, so the economic impact is much less than it was a few years ago.
Mrs. Nelson and Mr. Petersen said Mr. Richardson's comments had been an excellent reminder of the real meaning behind the proposed action.

The Board approved a motion to adopt the resolution as presented. The following voted in favor: Directors Adams, Chao, Crowell, Dodson, Hensley, Nelson, Perry, Richardson, and Petersen. Those voting no: None. Director Alltucker abstained.

In a letter explaining his abstention, Mr. Alltucker said he had done so because he did not understand fully the probable consequences. He said his objectives were for the Board to do all it could to help black South Africans to gain very soon their fair share of control over the political, social and economic life of their country and to minimize the motivation for bloodshed during the transition. He said well-fed people tend to negotiate their differences and starving people tend to take up their swords.

Mr. Alltucker said he was not well enough informed on this issue to know whether divestiture would add to the economic miseries of those people and for that reason he had abstained from voting.

Mr. Lemman said the education subcommittee of Ways and Means had concluded hearings on the operating budget for the State System. Mr. Lemman reviewed briefly the Governor's budget request and the budget discussions which were reported to the Board previously.

He said throughout the budget discussions, the subcommittee had approved the four increments for the statewide public services units. It was reluctant to include more than $2.9 million for enrollment adjustments. The subcommittee favored the Centers of Excellence but did not have the resources to fund them in terms of its own priorities. It previously reduced the operation and maintenance of new buildings by $700,000.

The action taken by the subcommittee at the conclusion of the budget discussions was to recommend:

1. An appropriation of $3 million for the Centers of Excellence, to be apportioned 30% to the University of Oregon; 40%, or $1.2 million, to Oregon State University; and 30%, or $900,000, to Portland State University.

2. The restoration of the full amount of the new building operation and maintenance at $1.9 million.
3. An increase in the enrollment package to $6 million, approximately $300,000 short of the Board's request, but $3.1 million more than the subcommittee had proposed earlier.

In addition, the subcommittee approved a supplemental package of directed appropriations to regional schools and universities aimed at trying to give the subcommittee some say in the direction and focus at the institutions. They included program enhancement items related to both instruction and research.

The subcommittee recommended total additional dollars in the amount of $16.2 million. It had $4.2 million of its own funds allocated by the leadership to be put into this budget, leaving $12 million to be financed from other sources. These other sources include $1 million from year-end balances in the Education and General portion of the State System budget and the Crippled Children's Division; $600,000 from a reduction in the retirement assessments from the Retirement Board; $900,000 attributable to lower prices for energy; and a reduction of $1.5 million in the state appropriation for University Hospital as a result of the effort to move the General Fund subsidy of the hospital for indigent care to the appropriation of Adult and Family Services. About $7.8 million remains as a general reduction which must be absorbed, and $1.8 of that will be put back into these programs. The budget cut now is about $6 million from the base, and the subcommittee was persuaded to let the staff and the Board make the reductions. A plan will be submitted to the Board.

The cut of $1.5 million in the budget of University Hospital and $7.8 million in higher education generally is in clear view in the event any additional funds become available.

The only caveat with respect to the budget reductions was that they not be taken from instructional faculty in the institutions. The reductions may come from any other staff or any other portion of the budget.

Mr. Lemman mentioned that a number of items related to research were still important and highly desirable although no funding is available. When the new dean of agriculture is appointed at Oregon State University and selects a director of the Experiment Station, all of the agriculture and research programs are to be reviewed with particular attention to marketing of commodities. A report of the findings is to be made to the Emergency Board with a possible request for state funds for those things which are expected to have a fast payback in the economic recovery or in economic development. Matching funds to establish an endowed chair in wheat research could be included in the request if the Wheat Commission has its share of the money in hand or pledged.
Mr. Hensley inquired how the shortage in the enrollment request would affect the agreement the Board made last year with the University of Oregon on its enrollment adjustment. Mr. Lemman responded that the full commitment for enrollment increases to the University of Oregon, Portland State University, and Western Oregon State College could be met for both years of the biennium.

The Chancellor commented that the Budget Notes were still outstanding and several other bills of interest were in process at the present time.

It was indicated the Legislature would not take any action with respect to the semester system although there are still some things unresolved on articulation between higher education and the community colleges.

Mr. Richardson said he would like to commend the Chancellor, Mr. Lemman, and members of their staffs for the excellent job they have done in working with the Governor and the Legislature on the budget and in keeping the Board apprised of any of the developments and issues relating to the budget.

Mr. Petersen concurred and said he understood Senator Thorne had played a major role in resolving the issues and was very helpful in serving both the Legislature’s and higher education’s interests.

The Chancellor indicated Senator Thorne was the key person and had implemented the discussions which led to a resolution of these problems. He thanked the Board members who testified and the presidents of the institutions who were very effective in their explanations of the particular institutional points.

The Chancellor referred to the earlier conversation with the Board about a minority scholarship program. In order to have a specific proposal to present to the Board at its next meeting, the Chancellor requested that the President of the Board appoint a committee on minority affairs, to be chaired by Mr. Richardson. He suggested Mr. Chao and Mr. Crowell be members of the committee and that it meet with the leadership throughout the state, but particularly in the Portland area, to get comments and suggestions before a proposal was finalized for presentation to the Board.

Mr. Petersen appointed the recommended individuals to the Ad Hoc Committee on Minority Affairs. The Chancellor said Dr. Pierce, Mr. Gary Christensen, and Dr. James Payne would work with the ad hoc committee.
Report on Teacher Education Hearings

Mr. Petersen and Dr. Pierce reported concerning the hearings on the teacher education proposal. Dr. Pierce said some major revisions to the plan were being drafted in the areas of elementary education, special education, and early exposure to classroom situations. It will be necessary also to address the matter of calling the first year a master's program.

ADJOURNMENT The Board meeting was adjourned at 2:50 p.m.

James C. Petersen, President Wilma L. Foster, Secretary