

SENATE COMMITTEE ON SOCIAL CONCERNS  
MINUTES OF MEETING  
DECEMBER 8, 2003

[In these minutes: Committee Charge, Lehman Brothers, Divestment from Israel, Energy Subcommittee Update]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Assembly; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration or the Board of Regents.]

PRESENT: Margaret Kuchenreuther chair, Jennifer Oliphant, Ruth Taylor, Karen Holtmeier, Ravi Norman, Susan Von Bank, Julie Sweitzer, Thomas Augst, Robert Blair, Kenneth Heller, Twyla Treanor, Kara Ferguson, Bobak Ha'Eri, Joel Helfrich, Brian Wachutka, Melissa Williams

REGRETS: Michelle Dawson, Mani Subramani, Sarah Keller

ABSENT: Barbara Boysen, Greg Schooler, Joseph Nowak

OTHERS: Michal Haimov, Koby Nahmias, Ted Held

GUESTS: Sam Sharma, Katie Tharp

I). Professor Kuchenreuther called the meeting to order.

II). The Committee reviewed proposed changes to its charged and unanimously adopted the following amendments:

**SOCIAL CONCERNS COMMITTEE**

The Social Concerns Committee is primarily concerned with the interrelationship between the University and the broader social community. It is concerned with the nature and extent of the University's response to social ~~problems~~ concerns.

## Membership

The Social Concerns Committee shall be composed of 7 faculty members, 3 academic professional members, 7 students, 3 civil service staff members, 3 alumni representatives, and ex officio representation as specified by vote of the Senate. Faculty/academic professional and student members shall be nominated by the Committee on Committees with the approval of the Senate. Civil service members shall be appointed by the Civil Service Committee. The alumni members shall be appointed by the president in consultation with the director of alumni relations.

## Duties and Responsibilities

a. To make recommendations to the Senate for the University's response to social ~~problems~~ concerns and to advise the president and senior academic officers with respect to these matters.

b. To initiate on a regular basis campus fora on current controversial issues.

c. To annually determine which of the University's investments have shareholder resolutions that should be of concern to the University and to recommend specific votes on these resolutions.

e. d. To recommend to the Senate Consultative Committee such actions or policies as it deems appropriate.

III). Professor Kuchenreuther introduced Sam Sharma representing MPRIIG. Mr. Sharma distributed information to members concerning Lehman Brothers, a major higher education bond underwriter. According to Mr. Sharma, Lehman Brothers makes millions of dollars from students by underwriting hundreds of millions of dollars in bonds and uses this money to sustain its interest in the for-profit prison industry.

Mr. Sharma comes before the Social Concerns Committee to:

1. Request the Committee become involved in this issue, and/or

2. Endorse the MPRIG resolution petitioning the University to dissolve its financial relationship with Lehman Brothers until it agrees to no longer support the for-profit prison industry.

Mr. Sharma highlighted the following information:

- A list of groups that have given their endorsement to the Lehman Brothers resolution drafted by MPRIG e.g. Students Against War/Students for Global Justice (SAW), Socialist Alternative (SA), Students for Justice in Palestine (SJP), Queer Student Cultural Center (QSCC), GAPSA, etc.
- MPRIG recently initiated a petition drive concerning this issue and has received over 300 signatures of support already.
- Mr. Sharma believes the letter from Lehman Brothers to the University stating they have not been involved in the tax-exempt financing of private prisons for over two years and that the investment banker who led their municipal private prison financing efforts no longer works at their firm, was designed to appease and confuse administrators.
- Next, Mr. Sharma highlighted a list of alleged abuses that Lehman Brothers has been involved in related to the private prison industry since 2000. According to Mr. Sharma, for Lehman Brothers to imply in their correspondence to the University that they have had no recent involvement in the private prison industry is in no way accurate.
- Mr. Sharma highlighted other socially irresponsible activities that Lehman Brothers have participated in dating back to 1997. Examples included private military affiliations, predatory lending practices, etc.

Mr. Sharma concluded his presentation and solicited questions from Committee members. Questions and comments from members included:

- How large is Lehman Brothers? Lehman Brothers is the 5<sup>th</sup> largest national higher education bond underwriter.
- What percentage of Lehman Brothers investments are in private prisons? While Lehman Brothers invests in private prisons, they are primarily involved in higher education and municipal bond underwriting. Therefore, the goal is to pressure Lehman Brothers through its education and municipal bond underwriting activities to not invest in the private prison industry. MPRIG believes the University is a socially responsible institution accountable to the community. As a

result, the University should not be associated with an industry that is raked with abuse and violence.

- Are public prisons being overloaded? If so, is Lehman Brothers, by investing in private prisons, responding to a need? According to Mr. Sharma, Lehman Brothers is creating a need for private prisons by:
  - Building 'on-speculation' prisons.
  - Playing an active role in providing states with model legislation including three strike laws etc. that put more people in prisons every year and for longer periods of time.
- One member agreed it seems clear that Lehman Brothers is actively involved both legislatively and financially in promoting the creation of private, for-profit prisons as well as a population to fill them.
- A member stated there exists a fundamental question of which are better, private or state run prisons. This is a very complex social issue with social causes and implications the University should address. Is Lehman Brothers doing anything wrong? Are private prisons egregiously worse than other kinds of prisons?
- Another member stated how prisoners in this country are treated is very important and something the Social Concerns Committee should look at.
- Whether private prisons or state run prisons are better should not be the issue but rather what should the University's role be in this matter. There is a compelling reason for addressing this issue but it needs to be addressed more narrowly.
- What alternatives would the University have as far as other major higher education bond underwriters should it choose not to do business with Lehman Brothers? Will other underwriters have less questionable involvement in socially irresponsible activities? Mr. Sharma said if a decision were made to replace Lehman Brothers, research would need to be done to find a socially responsible investment banker to replace them. He acknowledged that the reason the University does business with Lehman Brothers is because they are the best at what they do in terms of their underwriting work. Investment bankers, in general, are not noted for their socially responsibly investing. However, if the University terminated its business relationship with Lehman Brothers at least it would be taking a stand against the private prison industry.

- If the University terminates its business relationship with Lehman Brothers, will other investment bankers be leery of doing business with the University? Because the University purchases several million dollars in bonds every year, most investment bankers would welcome the opportunity to do business with the University stated Mr. Sharma. By terminating its business relationship with Lehman Brothers, the University could set a precedence with other investment bankers in terms of the type of socially responsible investing it wants to be associated with. The University can affect change by not dealing with certain companies.
- Have any other higher education institutions divested from Lehman Brothers because of the private prison issue? This undertaking started off as a campaign in 2001 against Sodexo Marriott, a food and facilities management service. Approximately 15 institutions of higher education were successful in getting their administrations to terminate their business relationship with Sodexo Marriott. Sodexo Marriott was at one time the primary stockholder for CCA (Criminal Corporation of America), which they later divested from as a result of this campaign. So far, no universities or colleges have divested from Lehman Brothers. This is a relatively new campaign.
- Why is the MPRIG resolution so narrowly focused on the private prison industry? The resolution is narrowly focused because this is a campaign targeting the private prison industry. The resolution can be changed to address other social issues as well.
- If the University divests from Lehman Brothers, would that mean that the University no longer does any business at all with Lehman Brothers or that only future bonds will be written by a different investment banker? This is something that would need to be discussed and decided on in conjunction with the budget office stated Mr. Sharma.

Professor Kuchenreuther asked members how they would like to proceed on this issue. Some options include:

- Collect and research information on this issue. Professor Kuchenreuther believes one should always be suspect of information that is handed to them as if it is the only information that exists.

- Accept the information provided by MPRIG representatives, Mr. Sam Sharma and Ms. Katie Tharp and endorse the resolution they have brought forward to the Committee.
- Vote to not take a stand either way on this issue.

Members discussed their options and ultimately agreed to collect and research this issue further. Professor Kuchenreuther asked for volunteers to spearhead this issue. Volunteers and their assignments included:

- Melissa Williams agreed to contact Vice President for Finance Richard Pfutzenreuther to determine what precipitated Mr. Pfutzenreuther's request for a response from Lehman Brothers concerning their involvement in the private, for-profit prison industry.
- Kara Ferguson agreed to research and contrast the private and public prison industry. Mr. Sharma referred members to the following URL for additional information on this topic:  
<http://www.notwithourmoney.org/>.
- Professor Thomas Augst agreed to contact Carol Fleck, Director of Debt Management, to discuss alternative investment banking firm options and the implications divesting from Lehman Brothers would have on the University.

Members who are not in attendance today will receive copies of the information distributed at today's meeting, which Mr. Sharma agreed to forward to Ms. Dempsey. Professor Kuchenreuther requested that all members review the materials received today so they can ask informed questions at future meetings with respect to this topic.

IV). The Committee spent a considerable amount of time discussing how it plans to proceed with the divestment from Israel issue. After much debate and discussion, the Committee passed a motion to create a subcommittee with representation from members with diverse viewpoints to organize a forum on this issue, which will be held in the spring of 2004. As part of its charge the subcommittee was instructed to carefully word the title of the forum in order to avoid singling out and pointing fingers at Israel. How the forum is framed and its title will be extremely important.

The following individuals agreed to serve on the subcommittee: Susan VonBank, Bobak Ha'Eri, and Kara Ferguson. Greg Schooler, who was unable to attend today's meeting, was nominated to serve as well. Professor Kuchenreuther asked members of the subcommittee to plan on providing the full Committee with a progress report at its next meeting on January 26, 2004. A member requested that the subcommittee make a concerted effort to consult with all the various stakeholder groups as they organize this forum.

Melissa Williams formally withdrew the divestment from Israel resolution that had been on table. She did so with the understanding that the Committee will hold a forum on this topic in the spring of 2004 as a means to better educate the University community and Committee members on this issue. She also announced that it is very likely that another divestment from Israel resolution will be brought to the Social Concerns Committee during the 2004 - 2005 academic year.

V). ENERGY SUBCOMMITTEE UPDATE: Brian Wachutka reported that there are several groups at the University working on renewable and clean energy projects. The goal of the energy subcommittee is to:

- Link the various groups dealing with energy issues on all four campuses.
- Draft a resolution promoting the use of renewable/clean energy at the University.
- Talk to Facilities Management about what they are doing in terms of renewable/clean energy initiatives on each of the campuses.
- Create a clearinghouse website for renewable energy information.

Professor Kuchenreuther suggested that Mr. Wachutka also contact the President's Office to gather information about an energy conservation and sustainability task force that was fairly recently established. It was also mentioned that Mr. Wachutka may want to pursue contacting the Rochester Campus because someone there is dealing with the Mayo Clinic on energy issues.

Mr. Wachutka agreed to provide the Committee with another progress report at its January 26<sup>th</sup> meeting.

VI). OTHER BUSINESS:

- A suggestion was made for the Social Concerns Committee to have a retreat in August 2004 before the academic year begins to handle some of the preemptive business that occupies a lot of the Committee's time during the regular academic year.
- Professor Kuchenreuther crafted an email message to the chair of the Research Committee, Professor Gary Balas, outlining options for the two Committees to meet to discuss and share information concerning Mount Graham. Once Professor Kuchenreuther receives a reply from Professor Balas she will direct Renee Dempsey, Senate staff, to send out an email message to members letting them know what has been decided.
- Another agenda item for the January meeting will be proxy resolutions.

VII). Hearing no further business, Professor Kuchenreuther adjourned the meeting.

Renee Dempsey  
University Senate