Almanac

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Trustees: December 9 Report

Two major announcements at the December 9 meeting of the Executive Board of the Trustees were (1) Trustee Sam Ballam Jr.'s report that the University hospitals now have a five-year contract with Blue Cross, though without provision for recovery of indigent-care costs; and (2) A report from D. Bruce Johnstone, executive assistant to the president, that the U.S. Department of Health, Education and Welfare has accepted the University's Affirmative Action Plan. Full text of the Affirmative Action Plan will be published next term in *Almanac*.

Also at the meeting, the first open executive-board session held under the new Sunshine Law, Trustee Charles Dickey was elected to his second five-year term. The Trustees were told that two new Young Alumni Trustees will be elected in time for the January 9-10 meeting of the full body. Trustee John Eckman, chairman of the Development Operation Committee, said the proposed development drive is moving steadily toward the creation of a nucleus fund and toward public announcement of a campaign around Commencement time.

HOLIDAY HOURS

Purchasing: Closed December 25-January 1. The department's newsletter of December 3 reminds that "requisitions for funds to be committed before the end of the calendar year must be received before December 19."

Recreation: All buildings close 9 p.m. December 20, reopen noon January 12. *Hutchinson Gym* will be open January 6-10, noon-6 p.m., and January 11, noon-5 p.m.

Van Pelt-Dietrich Libraries: December 20, 8:45 a.m.-5 p.m. Open weekdays (except Christmas and New Year's Day) December 23-January 14, 9 a.m.-5 p.m. Closed weekends. Regular hours resume January 15. *Rosengarten Reserve Library* closed December 21-January 14.

Campus Bus: The last day buses operate is December 20. No bus service: December 21, 22, 24, 25, 28, 29, 31, January 4, 5, 11. One bus covers both campus routes December 23, 26, 27, 30, January 2, 3, 6-10. Regular schedule resumes January 12.

FEW BUILDINGS HEATED: SEE PAGE 5

THREE-WEEK HIATUS FOR ALMANAC

In order to make our 3% budget cut with the least loss of service to the campus, *Almanac* not only will suspend publication on Christmas Eve and New Year's Eve (the normal suspension caused by printers' holidays) but also expects to skip the January 7 issue. A look at past years shows that we normally have very small issues the first week back, carrying little content because most authors prefer to hold significant material until the campus population is back to normal. If urgent information needs to be communicated we will of course produce an issue January 7; otherwise, expect no *Almanac* until January 14. Have a nice rest.

SEARCH FOR DEAN OF ADMISSIONS

The consultative committee to advise on the selection of a new dean of admissions has begun its deliberations, under a charge to review certain questions as to future operation of the admissions office and to recommend three to five candidates for the position. We shall not be reviewing admissions policy itself—which is properly left to the Council committee responsible—but will be considering such questions as these: Should we look for more technical strength in the admissions process, or for a suitable faculty member whose strength is in understanding educational goals? To what extent should we spread our efforts nationally as against improving the regional pool and increasing its yield? And, how should our resources be apportioned between recruitment and selection, given that it is hard to envision full emphasis on both at a time when educational programs are cut to the bone? We shall seek the most able candidates from outside the University as well as inside it, and to that end invite nominations from all members of the University community. Nominations and supporting materials may be sent to the chairman at 4N36 DRL (E1).

—Norman Oler, chairman

The Committee:

Bernard Anderson, assistant professor of industry
David DeLaura, professor of English
Louis R. Escareno, FAS '76
Nancy Geller, assistant professor of stat/operations research
J. Douglas Minyard, assistant professor of classical studies
Norman Oler, chairman
William Owen, secretary of the corporation
John Winkleman, Wharton '75

Fordham Chair: Clyde Summers

Clyde W. Summers, described by Dean Bernard Wolfman as "the leading active labor law scholar in the U.S. today," has been named the first Jefferson B. Fordham Professor of Law at Penn, effective July 1, 1975. Professor Summers is now Garver Professor of Law at Yale University.

"He has been in the forefront of newly emerging fields such as public employment and the legal problems arising out of the internal affairs of unions," Dean Wolfman said. "In addition, he has emerged as an intellectual and academic force in the field of local government law."

An active member of New York and Connecticut state boards, commissions and agencies since the early 1960's, Professor Summers is the author of numerous articles and books including *Cases and Materials on Labor Law* (with H. Wellington). A 1939 graduate of the University of Illinois, he took his Juris Doctor degree there in 1942 and his Doctor of Juridical Science degree at Columbia in 1952. He has been a University Fellow at Columbia, a Guggenheim Fellow, and a Ford Faculty Fellow. He was on the University of Toledo law faculty from 1942-49, and on the University of Buffalo law faculty from 1949 until he joined Yale in 1956.

The Fordham Professorship was created by the Trustees in 1973 to honor Jefferson B. Fordham, who was Professor of Law and Dean of the Law School from 1952 to 1970. Emeritus Dean Fordham is currently Distinguished Professor of Law at the University of Utah.

LETTERS

ON RETIREMENT

In your issue of the *Almanac* dated October 29, 1974, there is a detailed statement on voluntary faculty early retirement, in which it is stated that "The early supplemental benefit will be paid quarterly in advance as a gratuity . . . As a gratuity, it will have no effect on social security benefits" I have some reason, as a long-time student of Social Security, to question this statement, which I was assured at the Senate meeting of October 30th was made on the authority of University Counsel.

The implementation of the plan set out by the Personnel Office *may* affect a retiree's benefit under the Social Security Act and Regulations in one aspect and *certainly will* affect a retiree's benefit in at least one aspect—as follows:

1. Eligibility. While the legal interpretation of "gratuity" in the Act is a matter for legal definition, the hard administrative reality is likely to be that as soon as the IRS computer records taxable income in excess of $2,520 in 1975 and thereafter the individual will be automatically declared ineligible for social security benefits in that year, whatever the correct legal interpretation of the Act may be—which will take a great deal of time and money to establish. This may also affect eligibility for Medicare and Medicaid and Blue Cross 65+ medical coverage. Until a retiree has written assurance and tangible evidence in action from the Social Security Administration that these "supplemental payments" will not produce immediately ineligible status under OASDHI, it would be unwise to jeopardise his/her position by becoming involved in the plan now proposed.

2. Benefit Rates. The benefit rate for each individual member of the faculty under OASDHI will be based on the average monthly contribution rate under the FICA from 1951 to the date of active retirement. As the contribution rate is, in 1974, $772 p.a. from the employer and $772 p.a. from the employee and in 1975 will be $825 p.a. from the employer and $825 p.a. from the employee, as compared with much smaller amounts in earlier years (1951-1968) the impact of early retirement at this time will certainly lead to an incalculable loss in an individual's benefit rate under OASDHI retirement benefits.

Incidentally, experience has shown that some employee records (especially of senior faculty members) of FICA contributions for previous years are not accurately stored in the computer memory of the Old Age Security Fund. This can produce some odd results for the individual in both eligibility status and benefit rates.

I therefore urge:

1. That every faculty member, and especially those in senior positions, should *at once* check his/her Social Security contribution *record* for accuracy.
2. That every faculty member contemplating voluntary early retirement should study very carefully the implications of their positions on both eligibility and benefit rates under Social Security (OASDHI) before coming to any irrevocable decisions.

In a proposal which relies as heavily as this one does on the benefits of Social Security legislation, the faculty are in need of more expert guidance on personnel matters than has been indicated in the present plan.

—John S. Morgan
Kenneth L. M. Pray Professor of Social Policy

RESPONSE

Dr. Morgan raises some serious issues in his letter concerning the Faculty Voluntary Early Retirement Program and Social Security benefits. I have sought the advice of our legal counsel at Drinker Biddle and Reath and would like to share with *Almanac* readers the essential parts of their response:

1. Risk of Temporary Loss of Social Security Benefits.

"Eligibility of the early retiree for social security benefits is not dependent upon the fact that the early retirement benefit is a gratuity, but on the fact that the individual is retired. A retired individual can have many forms of taxable income, including pensions, which do not cause a loss or reduction in social security benefits. The key test is whether the individual has *earned* income. Under the early retirement program, no further services are to be performed by the individual for the University, so that clearly the income is not earned income.

2. Automatic Reduction of S. S. Benefits.

"The payment of the individual will be reported to the Internal Revenue Service and Social Security Administration on a Form W-2P, rather than on the regular Form W-2. The fact that the payment is reported on a W-2P indicates that the payment is a pension payment and therefore not earned income.

"Dr. Morgan also expresses a concern as to loss of Medicare benefits. First, as stated above, I do not believe that the early retirees will incur a significant risk of loss of social security benefits merely as a result of receipt of the early retirement benefit. Moreover, even if an early retiree were to receive earned income from some other source, he would still be entitled to Medicare benefits upon appropriate application, provided only that he is over age 65 and has had sufficient quarters of social security coverage."

3. Benefit Rates.

"Dr. Morgan is, of course, correct in stating that post-age 65 earnings can be substituted for pre-65 low earnings years in computing the benefit rates. This can, indeed, substantially increase the benefit rates. A second advantage of continuing to work after age 65 is the fact that there is an increase of 1/12 of one percent in the old age benefit of a worker (though not of his dependents) for each month worked past age 65. (This latter rule applies only to months worked after December 31, 1971).

"At the bottom of page 2 of his letter, Dr. Morgan suggests the possibility that it may be more advantageous for a faculty member to retire at December 31 rather than July 1. Obviously, from the University's standpoint, a December 31 retirement is not practical. Moreover, the benefit to the individual of delaying retirement until December 31 is not as great as suggested by Dr. Morgan. While the income earned in the first six months of the year of retirement will not be taken into account in determining the social security benefit for the year of retirement, it will be taken into account under an automatic recomputation provision, for all years after the year of retirement."

These responses are helpful but I do concur with Dr. Morgan's opinion that each of us should seek the advice of the Social Security Administration directly. The regulations are often complex and specific financial information for an individual is available only through one of the Social Security Administration's offices.

Finally, each of us should periodically ask for an audit of our records. As I understand the regulations, only errors made in the last three years can be corrected.

—Gerald L. Robinson
Executive Director of Personnel Relations

RESOLUTION ON DEAN WOLFMAN

Following is the text of a motion adopted unanimously by the Law School Faculty:

Considering that:

1. Efforts to convince our colleague Bernard Wolfman that he should continue as Dean have not prospered when confronted with his determination to return full-time to teaching and scholarship, and our disinclination to exert undue influence on one who has given so much of his time, energy and skills to matters of university governance;

2. Bernard Wolfman has served us with distinction, effectiveness, wisdom and friendship as Dean;

3. Bernard Wolfman will continue as a colleague and as a member of the law school community;

Now, therefore, be it resolved by the faculty of the Law School of the University of Pennsylvania that:

1. With a deep sense of loss, but with understanding and gratitude, we acquiesce in our colleague's decision;

2. The minutes of this meeting shall carry this resolution;

3. We plan on an appropriate occasion to symbolize and express formally the sentiments and convictions expressed herein.

The Financial Situation of the University

Council meeting of November 13, 1974.

MARTIN MEYERSON

For our report and discussion on the financial situation of the University, I would like to provide an overview of our finances and then call on several of my colleagues to supplement that overview before opening the meeting for discussion. Let me begin with some history, because I think it is very important that we understand what has been happening at our university and also at others.

The Trustees of the University, a few months before I took office, passed a resolution as follows: that the budget of the University must be balanced for 1972-73, and that the combined deficits for 1969-70, 1970-71 and 1971-72 were to be limited to a total of $4 million. They adopted that resolution because it became very clear during the course of 1969-70 that the University was using up all of its reserves and would have a rather substantial deficit over and above the use of those reserves. This situation was not exclusive to the University of Pennsylvania; we had gone through a rather extraordinary decade in which federal funds had become more and more available for research and for certain training grants, in which state funds for the University were more generous than before, and in which gifts had increased through the capital drive.

Then in the late sixties came that extraordinary push on the *cost* side in the American university, reflecting the fact that universities are among the most labor-intensive activities. A university such as ours has as a principal function a kind of custom approach to whatever it does: the customization of education, of research, of hospital and other services. When such functions are dependent on scarce labor, as is true in all universities, costs inevitably rise at a very rapid rate. So by the late sixties the American universities, including ours, were faced by a combination of rapidly rising costs and a sudden slowdown in the rate of increase in revenues which we had enjoyed in the middle of the decade. The Trustees passed this resolution, and to our great pleasure we lived up to it, so that we had a year in 1972-73 in which we broke even as requested (we even had a tiny surplus) and we kept our accumulated deficit to the $4 million that was requested (we ran over by just a few thousand). That $4 million sounds tiny compared to the accumulated deficits of other universities, one of which has well over $70 million of accumulated deficit. It is still a very serious worry. But at any rate, all that was 18 months ago.

We went into the last fiscal year with an intention to have a balanced budget. But we did not have a balanced budget in 1973-74; we were shy about $200,000—and we would have had a much larger deficit if we had not applied the sale of real estate—the profitable sale of real estate—to our operating account. (I mentioned the last because it was a very substantial sum, roughly $1.6 million. But let us recognize that every year we apply gains from the sale of securities and real estate, and from investments and gifts to the University to pay for the difference between our normal income and our costs.)

But that $200,000 deficit did not include two other items: the hospitals of the University and the high-rise residence halls. Both have a set of accounts that over time have to balance out, and that are properly considered quite apart from the normal budgets of the University. The high-rises, for example, have to break even over a 40-year period, which is the time span over which they have been financed. The planned schedule for amortization of the high-rise debt called for annual revenues to equal annual costs for the first time in 1978. At the moment that looks very unlikely. The schedule in fiscal 1973 called for approximately $500,000 of costs in excess of income. Last year, that amount should have gone down. Instead it went up to $600,000. And it went up to over $600,000 from what should have been something lower than $500,000 because of changes in utility costs—electricity and steam.

For the hospitals, the University's operating account last year incurred something close to a $700,000 deficit, all of which was due to an uncovered deficit in the Graduate Hospital. But the uncovered part of a hospital deficit—that which impacts the University's deficit—is a misleading indicator of the real financial status of our two hospitals. In fact, the University Hospital is in more serious financial difficulty than Graduate Hospital. But that gets obfuscated by the fact that there have been very substantial inherited reserves for University Hospital from the past. As those reserves get used up, the difficulties of HUP are apt to become more and more serious. These problems, too, are being faced by all teaching hospitals. Columbia-Presbyterian Hospital, by the end of December of this year, will have a deficit of something on the order of $6 million, and no easy way to deal with it. At a later point I will get into why the hospitals are in some of the difficulties they are in now, but I am trying for the moment, in the light of a several-year history, to give a clear sense of this past fiscal year.

For the current year, which began July 1, the Trustees some months ago agreed to a budget with about a half-million dollar deficit. In light of events since that time, there is no conceivable way of our adhering to that half-million dollar deficit without the most serious cuts in quality and programs of the University. So the Trustees were informed by me with no pleasure that instead of a half-million dollar deficit for the current year, there will be an additional $1.5 million deficit for a total deficit of roughly $2 million.

The largest single factor making for this deficit is an expected reduction in income on investments of about $1.5 million. We use the concept of total return on investments, as do most institutions—that is, a combination of interest, dividends and realized capital gains. However, we are now at a point where there are no realized capital gains in our portfolio or almost anybody's portfolio. We are at a point where at least a few weeks ago the book value of our securities was greater than the market value. Again, this is not a problem unique to us. The Provost and I were at a foundation this week where the difference between the book

value and the market value of their holdings was so great it gave me the kind of almost wicked sense of pleasure that an architect gets when another architect's roof leaks. But at any rate, we have about a $1.5 million reduction in anticipated income from investments that we had been counting on.

In addition, our veterinary school was expecting a very substantial amount from the State of New Jersey that has not materialized. In light of the high cost of veterinary education and the truly extraordinary costs of our building a brand new school, the State of New Jersey, which has no school of its own, was going to join with us in the operation of ours. The New Jersey Senate had virtually unanimously agreed to join in this effort, but the Assembly turned it down. I believe the Assembly is ill advised and the cooperative arrangement may be revived when New Jersey realizes fully the cost of building their own veterinary school. If not, a number of other states have been seeking similar arrangements, any one of which would virtually solve the financial problems of our vet school. But for the current year, that school will be some hundreds of thousands of dollars short of their expected income.

You know that the Provost, the Vice President for Management, the Vice President for Health Affairs, and I, with the help of all the deans and heads of the major indirect cost centers are attempting out of our total budget of about a quarter of a billion dollars to find savings of about $1 million within this current fiscal year. However, that $1 million in contingency savings will not reduce the $2 million deficit of which I speak. The $1 million savings will serve only one function: to pay the largest part of increased utility bills over and above the 30 percent increase in utilities we provided for this fiscal year. We have in our Commonwealth a Public Utilities Commission that in its wisdom believes the utilities should be allowed to pass on to their customers a fuel surcharge that each month causes us increasing difficulties. So despite our cutbacks in the use of power, heat, and such things as lights in Franklin Field (they may have to go for a good part of the time, and we may have to wear our sweaters in our classes and our offices) we expect an unforeseen expenditure this year that may be as high as $1.3 million above the 30 percent increase we had budgeted for last spring based on projections at that time.

How Do We Respond?

How do we approach a set of problems of this kind? One approach would be to begin making large scale cuts in every part of the University; some institutions have taken that path. I think such a path makes sense only if we are convinced that we have entered quite a protracted period of economic recession with a greater disparity in prices, incomes, employment and other measures of economic health between our national potential and our actuality. My colleagues and I are going on a rather different assumption. We believe that if we are entering the kind of major depression the 1930's saw, not only this university but all universities and all of our institutions will be periled in ways that are far more serious than any of the matters I have been discussing today. We are going on that assumption, not because we have a special wisdom or any crystal ball not available to others, but because we believe that the only realistic approach to maintain in a university such as ours is to build upon our quality and to assume that the underlying strength of our economy, with the combination of imaginative free enterprise and wise governmental intervention will reverse these worrisome economic trends within a couple of years if not sooner. Now I may be very, very wrong in this assumption, but as I say, if I'm wrong the very social fabric of the country will undergo a transformation of the most extraordinary kind, and the financial health of our universities may be the least of our worries.

Going on the assumption that we have a relatively temporary situation, lasting perhaps a couple of years, we will resist incurring major quality deficits to overcome all money deficits. It's a bit easier for us to do this because we are in a slightly better historic financial position than other universities. Our accumulated deficit, outside of accounts that have to break even over the years, is only about $4.5 million—an amount less than at other comparable institutions, and indeed less than what some universities will suffer in this fiscal year alone. So our aim must be to economize, to seek all possible sources of income, and to sharpen our priorities, cutting some programs which are marginal even as we strengthen those that are most important. But most of all we must and shall maintain and augment the quality of the University and do so even as we stabilize our financial situation.

Let us look now at a number of factors which can affect our financial, and ultimately our academic, fortunes. We have tried to keep the size of the University constant, and our aim for now is to continue to do so. The number of degrees granted over the past few years have been generally constant, and our aim for now is to try to keep the University at that steady state.

Turning to our support from the Commonwealth: in the past few years, the increases provided by the state (not to us alone, but to all the institutions) have been significantly less than inflation would warrant. Our aim has been to persuade the governor, the legislature, the commissioner and others that the least that ought to happen is for the state to provide for inflation. The funds we get from the Commonwealth—about $15 million—are a relatively low proportion of our total quarter billion dollar budget, but a much greater proportion of our core operations (leaving out hospitals and residence halls and other auxiliary enterprises) and a very significant portion of the University's generally unrestricted income. We must work as diligently as we can to meet inflation and hopefully do a bit better. It is going to be very, very rough doing this; there is a growing sense among a good many legislators that we are an institution of high quality, but they are concerned with their constituents—and what good does it do their constituents if we are an institution of high quality, but our students come from and go to other states and even other countries? I don't believe we want it any other way, but we have to convince those in Harrisburg that we are setting a standard without which every institution in the Commonwealth would suffer.

Tuition is becoming increasingly painful for many of our students and their families. I could have boasted, until a year or two ago, that by and large in our university and in other similar universities, tuition minus student aid (that is, the net cost to the average student on aid) had risen at a rate roughly comparable to the increases in family income. If you add to that room and board, family income was rising at a more rapid rate than the total cost to the student. We believe this is still true, but in the last year or two, as family income has suffered a variety of jolts due to inflation and now recession, what had been a long-term trend for over 20 years is beginning to falter. How serious that faltering is, we don't know, but this is a very great worry. Some of you have heard me say before that for the first time we are beginning to see, in families and students admitted to the University of Pennsylvania, sometimes even admitted with a modest amount of student aid, the feeling that they must go to Penn State or in New Jersey to Rutgers or in New York to one of the SUNY or CUNY campuses, choosing the public sector as against the private or the mixed economy one that we have.

Turning to student aid: we have less money in endowment for student aid than many other universities, but by and large we have kept up with them in the total aid made available to our students in need. Almost half of our students, as you know, receive some kind of aid. Our loan programs are very extensive: about $23 million of University funds are now outstanding. We are very proud of our accomplishments in making Pennsylvania financially accessible to qualified students, but there is no question that student aid, despite being comparable to other institutions, is not keeping up with costs, and this is a fact of university life in the United States today.

On faculty salaries: again we have to distinguish between what has been happening historically, what is happening here, and what the prospects hold. Some studies have shown the American professoriate with a higher standard of living in 1905 than they had in 1945. There was almost no professional group other than the professoriate about which this could be said. A change took place in the years after the Second World War by which salaries of professors rose to the point where they reached and then exceeded the standard of living enjoyed by professors in the early part of this century. But there has been since then an erosion, particularly in the last year or two, that is very, very serious. In our university, I am very proud that we have moved our faculty salaries in the past four years well up within the Ivy group, from being the next to the bottom (with Dartmouth, entirely an undergraduate school at the bottom) to being close to the top, and in some ranks at the very top, of the Ivy group. I am proud we did this in a few years, but we must also recognize that our faculty salaries, even though comparing very favorably to Ivy institutions and other major private institutions, have still not kept up with inflation in the past year or two. Inflation is not an affliction which all professions feel equally; medical doctors, lawyers, engineers, architects and businessmen are not suffering in the same way that professors are. In the next few years, I see nothing at our University and at comparable universities that will prevent that erosion from continuing, but I am determined that we do as well as anyone and better than almost all.

Turning to federal funds, most of which are earmarked for research and training grants: because of the quality of our faculty and some of the other attributes of the University, we have not seen the same kinds of declines that a good many other institutions have seen. We surely will have something well over $50 million in federal funds this year. Those federal funds, though we cherish and need them, do not relieve the basic budgetary difficulties of the University. This is hard to compute; there are even those who say that they compound the other difficulties of the University, because the federal government will give a private research firm something like two to three times the salary and related costs in payment for indirect costs and general overhead.

FEW BUILDINGS HEATED DURING HOLIDAYS

After reviewing proposals for allowing for additional time off or modified working hours for energy-cost reasons, the administration has decided to maintain the traditional holiday schedule (the special vacation period of Wednesday, December 25, through Wednesday, January 1, as outlined in Personnel Department Bulletin No. 129).

During this period most buildings will be maintained at very low temperature levels to conserve heat. Exceptions are being made for buildings where essential functions take place (e.g., admissions, payroll, controllership), or where laboratories, animal colonies, and other technical facilities requiring heat are located. A list of exempted buildings follows:

College Hall	Museum
Dietrich Library	Palestra
Franklin Bldg.	New Biology Bldg.
Grad Hospital	Rittenhouse Labs
HUP	Van Pelt Library
Leidy Lab	Vance Hall

All buildings housing animals: Medical, Dental, Veterinary Schools; Psychology Bldg.

If we have overlooked a building in which essential functions must be conducted during the special vacation period, the Dean responsible for the building should contact the Provost. It should be understood, however, that buildings will not be heated in order to accommodate individual convenience or personnel who may be working on a drop-in basis.

Eliot Stellar and Paul Gaddis

The amount they will provide a university is much less. The universities of the country have, in certain ways, been subsidizing the nation in the research they have undertaken; they have done this because they have been so eager to do that research anyway. But let us recognize that with the great record we have here, the impact on our general financial statement will be slight.

I said I would get back to the hospitals, and let me now suggest some of the biggest difficulties. Not all universities own hospitals. In HUP we have the first university-owned hospital in the country and it is a very distinguished one. Graduate Hospital has had an extraordinary history of its own. But hospitals these days are different from the past, different in many respects. For the matters I have been talking about, the two most important differences are the following: just as for much of this century colleges and universities (and their students) were subsidized by the extraordinarily low salaries and poor working conditions of the professoriate, so hospitals have—or at least had—been subsidized by the interns, residents and other low-paid professionals who worked round the clock for next to nothing. Although these people are probably still not paid commensurate with their training or capacities, they are getting at least enough so that they can get married, so they can live in ways that they were not able to live even a very few years ago.

The second change is the shift of payment of hospital bills from the patients directly to third-party payers—e.g., Blue Cross, private insurance companies, and to some extent the government. A consequence of the enormous importance of the third-party payer has been a leveling effect. The costs of services in our hospitals—and the appropriate third-party payments—ought properly to be compared with the leading teaching hospitals of the country: that is, Billings in Chicago, the University of California Medical Center in San Francisco, Mass General in Boston, Columbia-Presbyterian in New York and Johns Hopkins in Baltimore. Instead, third-party payments for our hospitals are being based on costs for hospitals that are much more local in their character. We can deal with renal diseases in ways that perhaps no other institution in the country can. The costs of that are fantastic. Yet the third-party payers are not taking that into account. This is true with Blue Cross; it is even more true in the unreimbursed patient care—most often for indigent patients—for whom we are probably spending close to $3 million. The Commonwealth of Pennsylvania pays us about $6 for an out-patient in Philadelphia; New York State pays its major hospitals $32. We have a moral obligation, an ethical obligation, to the sick and the needy, and yet unless the state recognizes its responsibility—a responsibility quite apart from state aid for education—we are going to suffer greatly. We don't have the $25 million accumulated deficit that Temple has for its teaching hospital, but the financial strain of our hospitals upon the rest of the University is a very, very serious matter.

Two points before I turn to my colleagues: one, as we economize, we are not going to do so across-the-board. Whether in salaries, student aid, or other expenses, we have to be selective. Selectivity ultimately involves the judgment of very few people. We need advice from the widest number of sources and we have been getting this advice. But we are going to have to make very selective judgments.

Two, we seem to be doing reasonably well in raising private funds in a time when it is extraordinarily difficult to do so. However, about 80 percent of the significant gifts that the University gets are normally in appreciated stock, and when people don't have appreciated stock private giving becomes even more difficult for them than it would otherwise be. When our Trustees met in October, they were by and large enthusiastic about an upcoming fund raising drive, even though their own contributions may have to be significantly lower than they had imagined they would have to be, and significantly lower than they might have been even a year ago. But I think it's fair to say that their enthusiasm continues, and that that enthusiasm is a very

necessary, a very benign one for us.

The two most significant opportunities for us, then, are: first, an increase in income, partly from public sources and more importantly from private sources; and second, the savings that we have to make in order to reduce future expenditures. With this overview, I would like to turn briefly to Eliot Stellar, to Paul Gaddis, to Mark Levitan, and to John Hobstetter.

ELIOT STELLAR

Given our fiscal situation, we face twin challenges now: one is a challenge to our wisdom, and that is how to preserve the quality of the University; the other is a challenge to our ingenuity and that is how we can control costs so that we can remain in a reasonably solvent position. Both are necessary so we can go forward with our fund-raising campaigns successfully. This is an extraordinarily difficult balance to achieve.

For the faculty, we have had a situation of virtual zero population growth in recent years; I think it has to be that way. As the President said, we are not expanding the student body; and we will not be expanding the faculty. There may be growth in some parts of the University where it is called for; but there will have to be contraction in other parts. I think this has to be done in terms of selective excellence and in terms of our own priorities within schools and departments. Where an opportunity arises to make a new appointment, it cannot be a simple add-on; it has to be a replacement of something of lesser priority, either within that school or possibly elsewhere in the University. This is what zero population growth means; this is a principle that the Faculty Reinvestment Committee gave us. The concept is one of replacing low priority items, in your budgets and in your appointments, with higher priority items. Even as new funds are brought in with the Development Campaign, we cannot by and large add-on, but rather we must use new resources for existing important activities or, for new activities that are replacements for old activities. I think this applies both to faculty and to programs as well. This is the literal interpretation of selective excellence. If we are fortunate we will have a relatively short period of a few years of hardship to bridge in this fashion. If not, we shall have to rethink our whole situation.

This is the view with which we are approaching the challenge of these times: to preserve quality in faculty and in programs, but at the same time to reduce costs. This means being more efficient and more productive in ways I'm not sure I could specify for you right now, but I have faith that all of us working together and with suggestions and ideas coming from faculty members, deans and others, that we can achieve.

PAUL O. GADDIS

Mr. President, Mr. Moderator, I've been asked to report to you on the cost-saving activities of the University. I would like at the outset to make a couple of generalizations about cost-saving activity. We are not pointing with significant pride to accomplishments that we have achieved in this area, because we have to believe that cost-saving is an integral part of the management of any operation, and particularly one that is as large as this university. However, we do want to report to you on these activities, because you might not learn about them through any other means.

I might add a disclaimer: a question, "Are we doing enough cost-saving?" comes up, and I believe sincerely that the answer is by definition "No." There are really unlimited opportunities in a $250 million budget for cost savings; we are limited only by our ingenuity, by our innovativeness and by our management diligence in approaching these areas. We must welcome suggestions from any sincere source, and I might remark in connection with that that Professor Paul Taubman's subcommittee of the budget committee has already reviewed three or four of our major activities in the administration and has rendered some significant suggestions which are being applied for further cost savings. You might also ask, "Are all of our administrative units sharing equally in the burden of cost saving? Are they sharing equally in the initiative of cost saving?" The answer is again "No." There are some activities doing a better job than others, but we are urging those that are behind to join in the parade to achieve cost savings.

Cost-saving units tend to be very mundane when viewed separately. If we change a purchasing habit of 15 years in the University and save $15,000 a year, how can that be very important in the total budget of the University? But of course it's in the aggregate that these savings become less mundane and in fact very interesting.

We used to talk about *cost reduction.* But in this era of hyperinflation, the term has become, very generally, cost containment. When you see energy increases in the United States of 40 percent per annum, or up to double that in some areas for some fuels; when you see paper costs rising, for example, on the average of 40 percent a year; and when you see energy costs even at this institution in the last year or so rising at increments of a million dollars a year; then another question comes up, "Why be concerned with these small savings?" But of course when the aggregate savings are something over $500,000 a year, the figures you must compare them with are stated bottom-line effects of recent years, ranging from break-even to deficits of up to a couple of million dollars. In those terms, $500,000 savings or more which are achievable become quite significant, and make it all the more important that we actually intensify our efforts now.

I want to give you an overview of some of our specific activities in cost saving. The purchasing program of the University, under George Kidd and Bob Ferrell, has been engaged in an assiduous three-year program, changing its habits of purchasing from many prior years. One of their devices has been the annual supply agreement, in which one consolidates and predetermines—or, in some cases, guarantees—his volume of purchase for a year. In the field of major scientific and laboratory supplies (of which the University is a major buyer), for example, the savings last year were $166,000. This year, they are by now partly achieved; they are estimated at a total of $117,000. What do I mean by this $117,000 figure? I mean specifically that if prior purchasing methods had continued, we would have spent $117,000 more in this present fiscal year to buy the same things that we are now buying for the lesser amount. The same approach is being taken with maintenance contractors; for example, we are giving up *manufacturers'* maintenance contracts (as in the case of IBM, which is our bulk supplier of typewriters) and going to specialized independent maintenance contractors. The purchasing office will save about $25,000 this year in that kind of purchasing. There are many other examples. The aggregate of the kind of dollar savings in purchasing for the present fiscal year, however, will be about $253,000.

Let me take another example—publication services. This gets in to the copy center usage around the University, because Curtis Barnes of Publications is also chairman of our copy center committee. We have a vast number of copiers on the campus. We have an experiment going now in the Franklin Building and in College Hall, where we have removed a net of six machines. There is less convenience, but not substantially so, and there are cost savings *just in this experiment* of $10,000 a year. Not significant, perhaps, but expandable to all the other areas of the University, with significant savings to be realized.

I mentioned that paper prices, which are certainly critical to a university, have gone up by 40 percent. The procurement activity that Curtis Barnes has initiated in the brief time since he's been here for paper, for typesetting and for printing have saved us already $60,000 a year (again, over what the prior practices were), and I believe most sincerely we have improved the quality of these services. Those of you who have seen the recent admissions

package done for the Office of Admissions* would join with me in that particular judgment. And it was only a year-and-a-half or so ago that we closed the University printing office, which was costing us well over $100,000 a year deficit—a deficit that we now do not have to bear in these times.

We have a new payroll system going into the University, though not exclusively to save money. We are putting it in primarily because we must efficiently and reliably pay our University personnel. This payroll amounts to $100 million a year in round terms; it is a very complex undertaking, but the savings which will come from this are going to be very substantial. We can estimate a couple of areas: we've been in the habit, an indefensible habit, of paying Blue Cross premiums for people who have terminated, sometimes because we don't get correct inputs, sometimes because of system errors. We have been in the habit of continuing federal Social Security payments upon occasion for personnel on sick leave when they are not required, again because of input errors from the field or because the system breaks down. Now in those two areas alone, the improvements that will go into effect this year will save us at least $50,000 a year.

We have covered only a very few of our cost containment actions here. In conclusion, these kind of actions add up to at least $500,000 a year, and that number can be expanded. For my last remark on the subject, I will say again that we welcome all cogent and sincere suggestions for cost-saving possibilities because they are unlimited on the campus.

MARK LEVITAN

For those of you who may not be aware, the budgets for the hospitals for the fiscal year ending June 30, 1975, were projected to show a combined deficit of almost $2.5 million after depreciation charges. Included in those projections is approximately $1 million of nonoperating income, and as you will recall from President Meyerson's earlier remarks, we believe that income will be cut almost in half so that the projected deficit might be even larger.

I am pleased to report that through the first quarter the Hospitals have performed better than budget. In fact the deficit through September 30 is $400,000 less than projected to date. We are working on revised estimates for the year and anticipate that results for the year will be better than those originally budgeted.

There are a number of studies underway in which we are reviewing the costs incurred by the institutions and the programs of the institutions. We are reviewing each department and its function, quality of service, systems, scheduling activities, interdepartmental relationships, staffing levels, space requirements, and equipment requirements. We're attempting to do this in a way that is sensitive to the needs of the patient for quality care, to the needs of the faculty and students within the institution, and to the program requirements of the institution. In some specific areas we have had some outstanding successes to date, but I am reluctant to talk about specific savings only because of the complex reimbursement formulae under which the hospitals are paid. Under these formulae, savings, to a large extent, are returned to the third party purchasers rather than being retained by the hospital. We have realized substantial savings in the food service and housekeeping departments. We anticipate savings in data processing, communications, and some of our general administrative activities. There will be other savings as new reviews move forward in other departments.

We are taking steps to improve the quality of our financial and management reporting so we can pinpoint our problem areas rapidly and improve the hospitals' cash flow. Cash flow will also be improved by increased reimbursement. The Commonwealth of Pennsylvania has increased the Medicaid payment for outpatient services from $6 to $9 per visit effective August 1. This increase was not contemplated in the original budget and will increase net revenues. A new Blue Cross contract will provide some improvement in reimbursement from Blue Cross. We are also undertaking some steps to improve our credit and collections activities which will also help improve the general cash picture of the hospitals.

A more complete report will be made to the January meeting of the Trustees with regard to the status of the hospitals.

JOHN N. HOBSTETTER

I can be brief because the news is bad, and I think bad news should not be prolonged. During the last few months, we've managed to develop a new and considerably more sophisticated way of analyzing the University's budget, which shows its explicit dependence on various kinds of income and expense. This analysis permits us to assess on one hand the effects of various external parameters on the budget, and on the other, the effects of alternative internal decisions the University can make, showing how these will affect the budget outcome for next year. By external parameters I mean the things over which the University itself has little direct control such as the return on its investments, the level of gifts and grants to the University including those from the Commonwealth, the costs of utilities and other essential goods and services we buy. We have estimated these external parameters as best we can for next year, taking a prudent view of investments in the light of current experience on investment returns; recognizing that the trajectory of gifts and grants to the University is at least keeping up with the cost of living (and we hope will continue to be so) and taking account of the extraordinary utility cost increases which are already some 55 percent ahead of last year. Fixing these as best we can, we then looked at the internal alternatives: such matters as enrollments in the University, tuition, the packaging of student aid, and the number and compensation of the personnel employed by the University. We have sought some guidance in this latter area, particularly from the Wharton Economic Forecasting Associates, with regard to what kinds of increases in family income they foresee between the mid-point of this year and the mid-point of next year; what kinds of costs of living changes they foresee for that same period of time. These numbers are now projected at about 8.5 percent each. We feel these give us some guidance, and only some guidance, on possible tuition levels—related on one hand to family income and on the other to compensation changes really needed if our personnel are to keep abreast of what the cost of living will do.

Straddling these forecast numbers, we have explored tuition increases ranging from 6-10 percent and compensation changes in the same range of 6-10 percent. We have made an initial assumption that enrollments and the size of the faculty and staff of the University would remain essentially constant. To be utterly brief and brutal, I must tell you that there is no combination of tuition and compensation within these ranges that leads to a balanced budget for next year; most of the combinations show a budget very sizably out of balance. It is therefore clear that if the deficit of the University is to be kept to a moderate level, which I assume will be our most feasible target, then some things will have to give: some moderate, selective, increases in enrollment where this can be done; some selective decreases in program levels or personnel levels, paying attention to quality to the maximum extent we can, etc.

These are the kinds of things that have to be explored. During the next few days we have the difficult task of advising the deans of our various schools, and the directors of the other major centers, that the general income of the University simply will not be large enough next year to fund subventions from the central university as large as they were this year. This is going to make for a very difficult problem for the deans, but we will be working with them in every way to minimize the impact on quality of the decisions they will have to make.

*See page 12.

Planning for The Financial Future of the University

by D. Bruce Johnstone

Planning for the financial future of any university begins with the simple principle: *operating expenditures must, over time, remain in balance with available revenues.* To spend in excess of available revenue—that is to incur an operating deficit—is to live off the future, either: (1) by eroding the endowment base and irrevocably reducing future endowment income; (2) by borrowing and adding debt service and amortization to the costs of future operations; or (3) by deferring maintenance and other necessary but temporarily deferrable expenditures, adding those costs (at inflated prices) to the obligations of some future operating budgets.

Financial responsibility, then, is a necessary condition for continued academic viability. In times of extraordinary financial stress, we may have to absorb a short-run dollar deficit to avoid a far more damaging quality deficit. But vigorous steps must be taken to eliminate the cause of the deficit and to replace the funds (or repay the debts) which were drawn upon in the lean years. In general, we will not liquidate assets given to the University by many generations of donors. We will not burden students, faculty, staff and Trustees of the future with the costs of our deficit financing. And we will not allow the physical plant to deteriorate to a point which not only impairs the academic mission but increases the costs of maintenance and repair when finally provided.

To translate these principles of financial responsibility into budgetary guidelines or longer-range financial plans, we would need only to estimate probable increases in major categories of expenditures (e.g., wages and salaries, current expense, and student aid) and of revenue (e.g., tuition and fees, state appropriations, endowment income, and annual giving) and devise ways of keeping aggregate expenditures and revenues in balance. However—and herein enters the extraordinary complexity of budget-making and financial planning—most of these financial elements are highly *uncertain* and many are, at least to some degree, *uncontrollable.*

On the income side, the Commonwealth appropriation, which forms only about 6 percent of our total operating budget, but about 15 percent of all restricted revenues and 65 percent of general University (as opposed to responsibility center) revenues, is often unknown until the start (and occasionally the middle) of the fiscal year. The Commonwealth appropriation one, three, or five years hence will undoubtedly be a function of the state of the economy, the financial health of the Commonwealth, and the political climate for higher education in general and for the University of Pennsylvania in particular. Obviously, we will do all we can to maintain and even to increase our support from the Commonwealth. But beyond a hope that appropriations will increase in accord with costs (themselves uncertain), it is foolish to predict, and sheer folly to count on, any specific dollar amount from the state.

Income from investments, needless to say, is even more uncontrollable, and is vastly more unpredictable. No one a year ago foresaw the extent of the current depression in the stock market, particularly in conjunction with the continued acceleration of virtually all other prices. We believe our investment returns this year may fall as much as $1.5 million short of the amounts we estimated last spring (conservatively, it was thought at the time) for the current year's operations. In estimating next year's investment income, against which expenditure commitments will be made, the only prudent course is a conservative estimate which minimizes the "down-side risk." Longer-range estimates for the purposes of financial planning can do little more than hope for a rate of return on investment commensurate with the real rate of growth of the economy generally.

Turning to the cost side, we find similar uncertainties and constraints. Utilities may be up 50 percent or more this year over last, and can reliably be expected to continue to increase at least as fast as the rate of increase in prices generally—whatever that rate might be! Costs of paper, books, journals, scientific equipment, telephone, and other items of current expense will probably increase next year by 8 to 10 percent—although nearly all projections have underestimated the extent of our current inflation, and we find it difficult to place much confidence in this year's best estimates.

It is true, of course, that even though such prices are almost unpredictable, their aggregate impact on the University is not altogether uncontrollable; some things we can get along without, with less, or with less quality. In fact, we have been doing just this for a number of years by holding most current expense budgets constant and requiring schools, departments, administrative offices and programs to absorb price increases by reducing the real (i.e., constant dollar) level of expenditures. Obviously, our capacity to control explosive utilities rates in this way is severely limited, as is our capacity to absorb further cuts in maintenance. Increasingly, the failure of income to keep pace with rising costs will force us to look for the elimination of low priority activities and programs.

One major cost and one major source of revenue are controllable at least within relatively narrow bands, and are thus predictable at least in the short run. Some 67 percent of our total expenditures are in wages and salaries. Although wages and salaries should keep pace with the cost of living (and desirably should reflect any real growth in the economy), they are still under the direct control of the University. During a relatively short period of financial adversity, the rate of increases in total expenditures on wages and salaries can be held below the rate of increase of prices generally either by holding down the average increase in compensation or by reducing the number of faculty and/or staff. Either approach has its own costs: the former, a loss of morale and a possible loss of valued faculty and staff; the latter, a loss of programs and services. Wages and salaries, however, must bear a major burden of any significant budget reductions.

The one major source of revenue which is controllable (within limits) is tuition. Tuition revenue represents about 22 percent of all University revenues, but about 51 percent of unrestricted revenues. It is probably inevitable that tuition revenues increase at least in accord with the rate of increase in costs. It may also be possible to increase tuition revenue at a somewhat greater rate—

either through even higher tuitions or through more students enrolled—to compensate for short-falls in other less controllable revenues.

Either device, again, has both constraints and costs. An increase in tuitions in excess of the increase in family incomes may well drive potential students to lower-cost public institutions with a commensurate decline in the academic quality and the desirable socioeconomic mix of the student body. An increase in the number of students enrolled may also dilute the quality of the student body and reduce the numbers of small classes and other academic and social amenities which presumably make the high cost of a private institution worthwhile. Although tuition revenue is controllable, then, and can bear some of the burden of budget balancing on the income side, the range of tolerable increases in tuitions or enrollments remains relatively small.

Given all of these caveats and uncertainties, we must still make certain *financial projections* for the University. *A "projection," however, is neither a prediction nor a plan.* With each major category of revenue and expenditure itself so unpredictable, it would be foolish (and would serve no useful purpose) to purport to "predict" the University's budget three or five years hence. Indeed, recent experience suggests that the budget formally submitted and approved less than two months prior to the start of the budget year may bear little resemblance to the budget a few months into the year and almost none to the accounts when closed after the fiscal year end.

More important, a "projection" tells what will (possibly) happen on the basis of past trends *without regard to future actions which can and will be taken to prevent those "happenings" that are unacceptable.* Almost any projection of incomes and expenditures made today will show substantial—and quite unacceptable—budget deficits unless actions are taken to significantly increase incomes, reduce expenditures, or both. Such actions, however, *will* be taken even though we cannot reliably predict far into the future what their magnitude will have to be, or what sources of expenditures or revenues can best be altered to change the projected outcome.

Financial planning, then, combines principles, projections, and analyses in the following activities:

1. *The articulation and communication of basic principles of financial operation:* E.g., incomes and expenditures will balance over time; tuitions should not exceed projected increases in median family income; and salaries should attempt to preserve the real incomes of faculty and staff.

2. *The establishment of certain expected relationships among key financial variables:* If the rate of inflation (measured by the G.N.P. implicit price deflator is X, and the growth of real per capita national income is Y, and expenditures and revenues grow at their "natural" rates [i.e., with no major policy intervention such as cutting the real level of current expenditures or reducing programs and staffs] we can *normally* expect: (a) current expenses to grow at X + percent [allowing a bit extra for our heavy proportion of utilities costs]; (b) investment income to yield X + Y percent; (c) government and philanthropic revenues to grow at X - percent; and (d) wages and salaries and tuition to grow at about X + Y percent).

3. *The projection of present trends and/or "best guess" assumptions about key financial variables:* What are likely trends in wages and salaries, utilities costs, government aid, and the like, and what impact could such projections have on the University's operating surplus or deficit?

4. *The identification of certain revenue and expense categories worthy of special attention:* These might include the special problem of utilities costs, the need to make extra efforts to maintain annual giving, the need to find new sources of aid to compensate the dependence of a normal yield on investments upon a "normal" securities market—which today's most decidedly is not.

5. *The simulation of alternative policies or the consequences of other assumptions on key financial variables:* What would be the effect on the "bottom" line if income from investments and annual giving remained constant, income from the Commonwealth increased by 5 percent, and tuitions and all expenditures increased 8 percent? By how much would annual giving and the state appropriation have to increase to prevent a deficit if current expenses were to increase by 10 percent, wages by 8.5 percent, and tuitions by 8 percent but with 200 additional students?

All of this is more art than science, and we must not allow the seeming objectivity and precision of numbers to obscure their frail foundation. But even if such activities cannot determine our financial future, they can help us better to prepare for that future.

Dr. Johnstone is executive assistant to the President.

Five-Year Projections

DO NOT READ THE NUMBERS BELOW . . .

. . . as predictions of the University's deficits in years just ahead, because the object of making such calculations is to see more clearly what must be done in order to *avoid* reaching them.

The table below is only one of many projections made over the past few months as the University has correlated its known financial position with forecasts of external economic changes and then asked "what would happen if . . " a wide range of internal decisions were made with respect to income and expense. To establish the "ridiculous extremes" that could be arrived at, Assistant to the President Donald Murray recently ran (1) a projection showing effects of doing everything both students and faculty have asked with respect to tuition and salaries and (2) a projection concentrating on the barest financial necessities without regard to academic excellence or other desirables. The first yielded a "projected deficit" over $45 million, and the second about $6 million.

Two of the assumptions used to arrive at the figures in the table below were these:

That tuition increases would be similar to projected rises in family income, forecast at 8.1 percent per year.

That Penn salary and wage increases would be similar to national increases, projected to *average* about 6.5 percent per year (the high point forecast is about 8.5 percent in 1976-77, with lesser increases in subsequent years).

Two things that were not assumed were: the availability of additional funds from the forthcoming development campaign; and cost containment through reductions in staff or program.

For the central University, the basic question is what choices will be made to change the projections shown, with emphasis on decreasing the gap between income and expenses as soon as possible in order to avoid the waste of compound interest on debt. Part of the answer will come from analysis of the choices made by heads of responsibility centers and indirect cost centers as they return (later this month) their "first round" budget estimates for 1975-76.

PROJECTIONS OF FUNDS REQUIRED IN OPERATING AREAS UNDER CERTAIN ASSUMPTIONS
1974-75 to 1978-79

(Thousands of Dollars)

Year	*Net Core Operations Deficit*	*Repair and Rehab.*	*High-Rise Dormitory Operations*
To 7/1/74	4,256		1,183
1974-75	2,195		500
1975-76	3,116	949	400
1976-77	2,356	1,565	300
1977-78	1,201	1,722	200
1978-79	(859)		(100)
Total	**12,265**	**4,236**	**2,483**

A Report from the Chairperson of the Parent Advisory Board, Penn Children's Center

Day Care at the University of Pennsylvania

by Rosalie Acquista

After reading the recent article, "Women at Penn: Where Are We Now?" in *Almanac* November 19, it is appropriate to address one of the issues raised: day care at Penn. Currently, the Women's Center operates day care on a small scale (staffed by volunteers) for use by women involved in their programs, students have organized a variety of cooperative care centers, and the University has established the Penn Children's Center—perhaps the only truly formalized day care institution on campus and certainly the only officially sanctioned day care center on campus. Despite these efforts, day care remains inadequate, serving only a fraction of those who need it.

One of the purposes of day care is to release parents during their daytime hours, allowing them time to pursue such meaningful activities as a career or an education. Oftentimes it is only through having day care facilities available that many women (and sometimes men) can enter the job market or registrar's rolls. Considering the University's interest in affirmative action for employment and continuing education of women on campus, it would seem that the University would consider an investment in day care as a means of achieving this goal. To date, the University has not taken such an approach and the only University established center, Penn Children's Center, is facing an uncertain future.

The Penn Children's Center has been operating since September 5, 1973. The opening of the Center reflected the efforts of a dedicated group of people led by Dr. Eileen Gersh, who believed that day care services were an unmet need on the University of Pennsylvania campus. They began work in 1971 (see *Almanac* Sept. 26, 1972—"Day Care: Chronology of Indecision" by Drs. Eileen and Isidore Gersh) and their efforts were partially rewarded two years later.

In March of 1973, Paul Gaddis, Vice President for Management, representing President Meyerson and the Board of Trustees, confirmed the approval of a proposal for a day care center on campus. The Center would be open to the entire community and would not be restricted to those families having some affiliation with the University. Mr. Gaddis stated that the center would be a "multi-disciplinary training center for day care professionals". He indicated that the University would provide space in the Class of 1920 Commons until June 30, 1976, and that the University would also provide $17,500 as start-up money and to cover the initial costs of renovations.

The day care program of Penn Children's Center accommodates 35 children between the ages of three to five. A cultural, racial, socioeconomic, and sexual mix is maintained. Currently, 15 of the children are Caucasian, 20 are non-Caucasian; 12 of this number are Black, the other eight reflecting a racial mix. The infant/toddler program which was in the original proposal for the Center and which was to serve 15 children under the age of three could not be implemented. Families willing to care for the younger group could not be found. Applicants were numerous, resources scarce. However, the established program has been met with much enthusiasm by parents, children and staff.

The Center currently employs a full time director, a social worker, two head teachers, two assistant teachers, and a variety of part-time child-care givers including work-study participants. To date, the only school using the Center for formal training is the School of Social Work. Four master's degree candidates have been placed at the Center to give supportive services and to be trained in day-care-related fields of interest. Other schools on campus have used the Center for research and observation and it is hoped that this area will expand as more people become aware of the resources available at the Center.

The educational philosophy of the Penn Children's Center is based on the Bank Street model of day care. Maximum attention is given to the child as an individual. Central to the Bank Street philosophy are concepts of competence, interpersonal relatedness, individuality and creativity. Penn Children's Center is not a babysitting environment—it is truly an educational facility serving the children enrolled and their parents.

Programs have been developed along these guidelines. Social services are available to parents seeking help in understanding their children, themselves, or related problem areas. A Single Parents' Group was run in the fiscal year 1974 and was very successful. The group plans to continue and to broaden its scope. The Center is also working toward developing a cultural awareness program for the children to be a part of the regular curriculum. The aim of the program is to achieve an appreciation of and respect for cultural differences, an awareness of cultural similarities, and a personal pride in one's own cultural heritage.

The enrollment of the Center is not restricted to the University, nor is the educational program. In an attempt to extend themselves to all parts of the community, the teachers have arranged visits for the children to see their parents at work or at home, and to see various community areas of interest.

The direct facilities available to the Center are housed in the 1920 Dining Commons basement area and adjoining yard. A great deal of staff and parent effort has made the Center a suitable environment for creative day care. Climbers have been designed and built for each classroom. A jungle gym, a playhouse, and a sandbox are featured in the yard. A play area of cable spools, railroad ties, telephone poles and a variety of donated odds and ends is now under construction.

The administration of the Center is done jointly by the School of Social Work (Dean Shoemaker and Assistant Dean Dorsey), the

Director of the Center, Betty Nemeth, and an elected Parent Advisory Board. The Parent Advisory Board has been very active in organizing work parties for facilities and maintenance work, formulating Day Care Center policies, and overseeing general operations of the Center. In the last year, the Board has grown to be an aware, responsibile, and integral part of the administration of the Center. Much of the work involved in finding funding and insuring the on-going character of the Center has been taken up by the Parent Advisory Board.

Provisions for the continuation of day care at Penn are as inadequate as is day care. Hence the continuity and expansion of Penn Children's Center are dubious propositions. Although the University promised the Center a space in 1920 Dining Commons till June 30, 1976, no provisions have been made as yet to assure space after that date. The other concern is budgetary. Penn Children's Center draws an annual income of $51,000 from the families it serves. Although the average fee of $29 a week per child (there is a sliding fee scale of $20-$40 a week per child) is one of the highest in this area, fees are not adequate to cover the operating expenses of $71,000 per annum. A $20,000 deficit must be absorbed by the University. The Center is already operating under very stringent budget cuts and can not hope to operate without a deficit.

In an attempt to make the Center financially self-sustaining, the Parent Advisory Board and the School of Social Work are working together to find sources of funding ranging from the level of bake sales to that of major grant proposals for federal or foundation funds.

The groundwork has been laid for model day care at the University of Pennsylvania. The established program offers services to children and parents and to all the schools at Penn as a research and training center for professionals. With time it could expand and become an integral part of the University and community. The University is academic in its orientation. To date emphasis has not been placed on early childhood education and development. These are areas which could be expanded with the aid of the Children's Center. We are now looking towards the various schools on campus to see how best we may serve them as a learning/training environment. We hope that this article will draw the attention of the University and community, encourage individuals to come and see the Center and elicit some positive feedback for the direction of day care on this campus.

RECYCLING: TOYS AND OTHER THINGS

December 18 is the deadline for giving toys to the Purchasing Department's annual collection of playthings for a local orphanage. Notices of this year's drive were sent around several weeks ago, but if you have a donation, bring it tomorrow to the Purchasing Department, P-204 Franklin Building.

The Free Women's School of the Women's Center is planning a fund-raising auction for the end of January and needs all kinds of articles—furniture, appliances, plants, etc.—to sell. Bring items to the Women's Center, 112 Logan Hall, or call Ext. 8611 for a pick-up.

TREATMENT FOR AGING

The HUP Psychiatry project that offers treatment for loss of mental functioning due to aging is open to relatives and friends of the University family. The project is designed for patients in the early stages of disability, not institutionalized but still in the home setting or among friends, who will cooperate in the experimental care being offered. The program makes use of oxygen therapy techniques and in some cases new drug approaches that have been tested with patients under institutional conditions. Grants support the program's costs for each patient; normal outside check-ups are not covered by the program but may be covered by the patient's own Medicare or Medicaid benefits. Inquiries should go to Dr. Reuben Kron, 227-2823.

OPENINGS

The following listings are taken from the Personnel Office's weekly bulletin and appear in ALMANAC *several days after they are first made available via bulletin boards and interoffice mail. Those interested should contact Personnel Services, Ext. 7285, for an interview appointment. Inquiries by present employees concerning job openings are treated confidentially.*

The University of Pennsylvania is an equal opportunity employer. Qualified candidates who have completed at least six onths of service in their current positions will be given consideration for promotion to open positions.

Where qualifications for a position are described in terms of formal education or training, significant prior experience in the same field may be substituted.

The three figures in salary listings show minimum starting salary, maximum starting salary (midpoint) and top of salary scale, in that order.

ADMINISTRATIVE/PROFESSIONAL (A-1)

ASSISTANT DIRECTOR, Houston Hall (12/10/74).

DEAN OF ADMISSIONS (11/26/74).

DEPARTMENT HEAD I to develop and implement policy for Library of Congress fast cataloging unit; coordinate unit with all other library technical processing departments; coordinate University libraries' on-line cataloging with area colleges and Ohio College Library in Columbus; supervise nonprofessional and student staff. *Qualifications:* B.A. and M.L.S. degrees. Professional experience in technical processing/cataloging areas of academic library and in staff supervision; familiarity with Library of Congress classification system; Ohio College Library Center on-line cataloging system; knowledge of several European languages preferred. $10,675-$13,275-$15,875.

DIRECTOR OF ADMINISTRATIVE SERVICES (11/26/74).

EDUCATIONAL COORDINATOR, Morris Arboretum (12/10/74).

FISCAL AND BUDGET COORDINATOR (11/26/74).

FISCAL EDP COORDINATOR (11/19/74).

JUNIOR RESEARCH SPECIALIST, biochemistry (9/3/74).

NURSE PRACTITIONER to identify patients' medical and psychological needs; develop and assist in execution of policies, medical program planning and management of nursing care system. *Qualifications:* B.S. from accredited nursing school, state registration certificate or degree from approved ANA program for nurse practitioners. Three years' experience in specialty; experience in administration or teaching desired. $12,300-$15,325-$18,350.

OFFICE MANAGER, medical research area (11/19/74).

PROGRAMMER ANALYST, Phila. Social History Project (12/10/74).

RESEARCH SPECIALIST, Phila. Social History Project (12/10/74).

RESEARCH SPECIALIST, biochemistry (11/12/74); surgical research lab (9/24/74).

SUPPORT STAFF (A-3)

CLERK II. *Qualifications:* Accurate typing skills required. Two years' experience helpful. Ability to work with figures and deal effectively with people, both in person and by telephone. $5,300-$6,225-$7,150.

COMPUTER OPERATOR for second shift, 4 p.m.-12 a.m. *Qualifications:* Experience with IBM OS 360 or 370 operating systems. Thorough knowledge of all phases of computer machine operations. Ability to supervise others. $6,550-$7,925-$9,300.

DENTAL ASSISTANT II to prepare and assist in all dental treatment. *Qualifications:* High school and dental assistant course graduate. Experience as chairside assistant. $7,000-$8,300-$9,575.

(continued)

OPENINGS CONTINUED

DRAFTSPERSON (12/10/74).

JUNIOR ACCOUNTANT (11/26/74).

MEDICAL SECRETARY/RECEPTIONIST, Medical School (12/10/74).

PSYCHOLOGY TECHNICIAN II to assist section chief in formulating and running computer programs, preparing, checking and analyzing data; develop statistical programs and protocols for drug addiction and other research projects. *Qualifications:* B.A. or M.A. in psychology; two or three years' research experience; familiarity with computers. $8,925-$10,800-$12,600.

RESEARCH LABORATORY TECHNICIAN II, enzyme assays (11/26/74).

RESEARCH LABORATORY TECHNICIAN III. Six positions announced September 3 through December 10, including tissue cultures, enzyme assays, hormone immunoassays, blood gas and amino acid analyses.

SECRETARY II (4); SECRETARY III (2) (10/29/74).

SENIOR MAINTENANCE ENGINEER, New Bolton Center (10/29/74).

TECHNICAL SECRETARY (12/10/74).

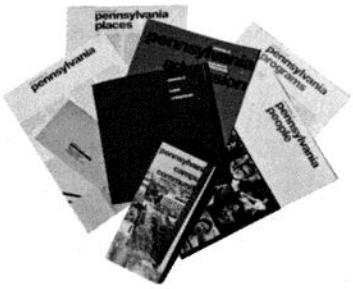
TECHNICAL TYPIST (12/10/74).

HOURLY RATE (A-4)

Hourly rate is negotiable on the basis of qualifications.

SECRETARY for internal auditor, 2 days/wk (12/10/74).

STORE CASHIER, Bookstore, full-time, to operate cash register and assist in selling cameras and calculators. *Qualifications:* Knowledge of cameras.



Penn took a new and in some ways unique approach in its admissions literature this year, working out an integrated "package" of printed materials both pictorial and informative. The most novel element is the Penn Poster series—four brightly colored sheets called *Penn People, Penn Places, Penn Programs* and *The Decision Tree.* They incorporate essentially what used to be in a 60-odd page booklet for prospective students. "While other schools have used posters to attract attention," said Undergraduate Admissions Director C. Scott Palmer, "as far as we know this is the first time anyone has turned an entire catalog of information into a series of posters."

Other elements in the revamped information system: redesigned catalogs, streamlined application forms, and a pocket-sized campus guidebook, *The Campus and the Community.*

The light-weight and plentiful posters are sent out in response to general inquiries early in the year; the more expensive guidebook is sent to those who complete and return applications; and the very detailed catalog (complete with course descriptions) is provided as an academic resource once a student is admitted.

The experimental package was developed by the Admissions Office and the Publications Office with the aid of an outside graphics design group, Murphy, Levy, Wurman of Philadelphia, after a survey of some 500 guidance counselors at secondary schools both locally and across the nation.

STATE INCOME TAX WITHHOLDING RATE

Effective January 1, 1975, the withholding rate for Pennsylvania Personal Income Tax will be increased to 2.0 percent from the current rate of 1.85 percent.

SOCIAL SECURITY WAGE BASE

Effective January 1, 1975, the Social Security wage base will be increased to $14,100, an increase of $900 over this year's maximum of $13,200.

The increase in taxes payable on 1975 earnings for individuals who earn more than $13,200 will range up to a maximum of $52.65. The maximum Social Security Tax for 1975 will be $824.85. The current maximum is $772.20.

The current Social Security Tax rate of 5.85 percent will remain unchanged for 1975.

FOR 65-SPECIAL SUBSCRIBERS

The Pennsylvania Insurance Department has granted a rate increase to Blue Cross and Blue Shield for 65-Special subscribers effective January 1, 1975. The Blue Cross rate will be increased 70 cents to $4.35 per month, while the Blue Shield rate has been increased 85 cents to $3.35 per month.

The new rates will be reflected in payroll deductions for December, as December's deduction covers January's premium.

—William J. Drye, Jr., Assistant Comptroller

HOTLINE TO CGS: EXT. 7329

The College of General Studies and Summer Sessions offices have three telephone extensions, 7327-8-9; but, especially during registration periods, all three lines can be tied up by outside calls, making it difficult for other campus offices to reach CGS by phone. So CGS and Summer Sessions have reserved one incoming telephone line for University calls, Ext. 7329. Calls can not be automatically switched from 7327 or 7328 to 7329; dial that extension directly or whenever the other two lines are busy.

CORRECTIONS

In the November 19 issue, the last line of Table I in Dr. Lucy Creevey Behrman's article should have said "other majors" instead of "sciences (other)".... In the November 26 issue, the Bookstore's best-seller list incorrectly lists Random House as the publisher of *Joy of Cooking;* Bobbs Merrill is the publisher.

A-3 ASSEMBLY: DECEMBER 19

The A-3 Assembly will sponsor another Q&A session at its meeting this month, this time with the Assembly's coordinating committee members answering questions. Bring lunch—coffee will be provided at the meeting this Thursday in the Ivy Room, Houston Hall, from 1 p.m.-2 p.m.

RENAISSANCE CHRISTMAS: DECEMBER 22

Christmas music for voices and instruments by Praetorius, Dufay and other composers will be performed at a special concert in the Mosaic Gallery at the Museum this Sunday at 3:30 p.m. Musicians will use authentically restored instruments, such as the viola da gamba, krummhorn and sackbut, from the Museum collections. Admission: $2.50, students $1.

RESTORING ISFAHAN

Models and plans for the restoration of Isfahan, the glorious Iranian capital created by a sixteenth-century Shah, are on display in the Museum's second-floor gallery until December 23. Textiles, books, ceramics and architectural fragments augment the exhibit, which was organized by Dr. Renata Holod of the art history department here.

ALMANAC: 515 Franklin Building (16) Ext. 5274
Editor ..... *Karen C. Gaines*
Assistant Editor ..... *Margaret M. McIlmoyl*
Distribution ..... *Jane Wilson*