The Committee on Educational Policy wishes to call the attention of the Board to the problems connected with our approach for funds.

1. The current political impasse as to State tax legislation has focused attention upon the importance of State support to the University.

2. There is currently no generally accepted rationale for State appropriations to the University, nor are there any objective criteria for determining the amounts of the annual appropriations. These deficiencies contribute to the uncertainty surrounding the regularity and the adequacy of the State’s annual allocations to the University.

3. The dependence of intelligent academic planning upon a reasonably firm estimate of the funds likely to be available to support academic programs suggests that the University’s traditional approach to the negotiation of State appropriations may no longer be adequate. There is also an increasing demand upon the part of legislators for justification of the University’s claim upon State support, in the context of the growing needs of all colleges and universities—public and private—and in the light of other urgent claims upon available State funds.

4. Legislative consideration of the State appropriation to the University for 1970-71 will begin with the delivery of the Governor’s budget message, which may be expected shortly after the current tax legislation question is resolved.

5. It follows that the University should be prepared to suggest to the Legislature a rationale and criteria which will justify the appropriation to the University. Ideally, both the rationale and the criteria should:
   A. Be readily understandable.
   B. Be clearly in the public interest
   C. Provide adequate support for the University without exerting undue influence upon the direction of the University’s academic planning. That is, criteria should be broad enough to permit the University to pursue its mission as it perceives it, without forfeiting State support.
   D. Be applicable to the support of all independent institutions of higher learning, thus opening the prospect of a logical and equitable system of State support for all private colleges and universities if and when this is financially feasible for the Commonwealth.

6. The State Board of Education in its Master Plan for Higher Education, published in 1966, recommended State support for graduate and professional education through grants to independent universities on the basis of $5,000 per doctoral candidate enrolled. The concept has not generated widespread support, due largely to the fact it would not offer any hope of State assistance to those institutions without doctoral programs.
7. The State Board of Education currently is studying the feasibility of basing appropriations to the State-Related Universities (Penn State, Pittsburgh, and Temple) upon a cost-per-credit-hour formula. Essentially, this would reimburse the institutions for their net cost per credit hour taught, with the varying costs at the undergraduate, graduate, and professional levels taken into consideration. This suggests the possibility of an application of this approach to determination of the University's appropriation. An appropriation to the University of Pennsylvania based on a fraction of the credit hour cost to the State-Related universities would serve to reassure the State that it is continuing to receive a financial bargain in the services rendered by the University. This approach would thus provide a basic rationale and objective criteria, and would have the merit of potential extension to other independent institutions.

8. Studies as to financial implications of the cost-per-credit-hour approach are being pursued by the University's financial offices.

9. Other approaches acceptable to the University and agreeable to the State may possibly be developed. In the light of the current questioning of the University's claim to State support, however, it appears imperative that the University move promptly to ascertain the Legislature's reaction to proposals for determination of the University's appropriation on the basis of a stated rationale and objective criteria.

January 16, 1970

Secretary