
I. Call to Order and Approval of the Minutes

The minutes of the meeting of 19 March were approved as written by the Secretary.

II. Report of the Chairman

A. Mr. Miller reported that as of 10 April subscriptions and bequests for the 1980-1981 academic year totaled $43.3 million, putting the University $8 million ahead of schedule in its drive toward a $46-million goal. "Not only are we 23 percent ahead of projections for mid-April in total receipts," he said, "but contributions to Annual Giving come to $300,000 more than we had in hand at this time last year." Cash and securities actually received thus far total $34.5 million, which suggests that cash receipts for FY'81 will be well in excess of $40 million.

B. The chairman then introduced a resolution on liaisons to Trustee committees. He noted that in providing for two faculty and student liaisons in accordance with the recommendation of the 1970 and 1979 Task Force reports, it specifically excluded the Audit Committee but not the Executive Board, and he called for an amendment to the resolution also excluding the latter. Dr. Kaysen observed that the need to discuss confidential financial and personnel matters at Executive Board meetings made liaisons inappropriate.

1. Action: An amendment to the Resolution on Liaison Members for Trustee Committees excluding the Executive Board as well as the Audit Committee was approved by the Trustees.

2. Action: A Resolution on Liaison Members for Trustee Committees was approved as follows:

Secretary
Intention:

The Executive Board of the Trustees on April 28, 1980 authorized the appointment of faculty members and students as non-voting liaison members of Trustee committees, following in principle the recommendations of the 1978 Task Force on University Governance and confirming a practice which was begun in the spring of 1979. In accordance with the Task Force recommendation, one faculty member and one student were appointed to each Trustee committee, with the exceptions that no liaison members were placed on the Audit Committee and two students were named to the Student Life Committee. These numbers were specified by the Task Force report for at least the first year of operation; if the mechanism proved to be successful, the liaison members were to be increased to the two faculty members and two students on each committee recommended by the 1970 Task Force, again with the exception of the Audit Committee.

Faculty members and students have now served as liaison members with Trustee committees for nearly two years, and their presence at meetings has generally proved to be beneficial to the operation of the committees. On April 14, 1981, the University Council recommended to the administration that the Trustees be asked to implement fully the 1970 and 1978 Task Force recommendations by appointing the full complements of faculty and student liaison members and by authorizing the related activities (circulation of agenda of Trustee committee meetings to the Steering Committee of the University Council, Senate Executive Committee, and the student assemblies prior to committee meetings and provision of reports of proceedings by liaisons to the same groups following meetings) specified in the reports to support the liaison relationships.

RESOLVED, that two faculty members and two students (one undergraduate and one graduate/professional student) be appointed as non-voting liaison members of each Trustee committee with the exception of the Executive Board and the Audit Committee; that the liaison members be selected by a group consisting of the chairman of the Trustees, the president of the University, the Secretary of the University, the chair of the Faculty Senate, and the chairpersons of the Undergraduate Assembly and the Graduate and Professional Student Assembly from nominations presented by the appropriate constituencies; that the liaison members be appointed to one-year terms effective June 1 each year and serve a maximum of three years; and that the University administration be encouraged to undertake the related measures specified in the Task Force reports to support the liaison relationships.

III. Report of the President

A. Dr. Hackney commented that he had been engaged in a long series of consultations in the process of creating a new Academic Planning and Budget Advisory Committee. "Everyone who has an interest in this issue now has had a chance to speak several times," he said, and I've "benefited enormously" from the dialogue. The president noted that the final composition of the committee will differ slightly from the composition outlined in the proposal published in Almanac, reflecting in its membership and in other ways the advice offered him.

The essential idea of bringing together academic planning and resource allocation receives "widespread and enthusiastic endorsement from all groups on campus," he continued, and I think "it will be a major step forward."

The president went on to say that the University was nearing the end of its search for a new dean of the School of Engineering and Applied Science. He then commented upon campus discussion of race relations within the Pennsylvania community, noting that it was an issue which concerns him a great deal. Although "I have talked with many faculty members and students," he said, "I don't yet have a total understanding of how serious a problem we have or, indeed, if we have a serious problem." But race relations, he continued, is on minds of a good many people in the University community.

Secretary
Dr. Hackney then observed that a column in The Daily Pennsylvanian by Dom Manno had stirred up a "great deal of feeling" on campus and attracted a "great deal of attention around the country. The mail is running hot and heavy," he said, "but I continue to believe that my initial response, expressing strong disagreement with the content of Manno's article while upholding free speech, is correct and will, in the end, be widely enough understood so Penn won't be too embarrassed by the incident." He said Manno had called him to offer an apology.

B. In turning to the vice president for budget and finance for a budget update, the president said that Dr. Strauss's departure for the University of Southern California would be a great loss to Penn. Dr. Strauss observed that he did not "leave lightly," then went on to review the shape of the problem the University had faced during the year in preparing a balanced budget for FY'82. The potential $9.5-million gap between income and expenses which the administration confronted in January was down to $2 million, he said, and "we are on target for reducing it to zero by the 14 May meeting of the Trustee Committee on Budget and Finance." The balance which the administration is confident of achieving will be a "precarious balance", he continued, as it is one lacking the flexibility built into past budgets. Asked by Mr. Miller about this year's budget, Dr. Strauss replied that the University would be "successful in operating within it."

C. The president next asked Dr. Spady to introduce a discussion of the impact of proposed federal budget cuts in FY'82. The director of the office of the president began by saying that at Dr. Hackney's request he was chairing an administrative task force charged with assessing the effect of the likely reductions. "We've got it reasonably straight what President Reagan is suggesting," Dr. Spady continued, "but it is exceedingly difficult to make guesses about what Congress will do." The task force's study is, therefore, properly classified as a "rolling contingency study." But a report will be made public, the director of the president's office said, by the end of the semester.

He identified the four areas of potential impact as 1) federal research contracts, 2) federally-funded student aid programs, 3) income from programs, such as Medicaid, which is indirectly derived from the federal government, and 4) state allocations which could be cut because of reductions in general federal aid to the Commonwealth. "Research is the area of our greatest exposure," Dr. Spady said. But he concluded that because of the relative immunity from budget slashing of the agencies from which Penn receives most of its funds and because of the entrepreneurial nature of the faculty in terms of its solicitation of grants, the risk is not great. There is "substantial risk" of losing student aid monies, he continued, and it is too early to assess with any accuracy either the impact of proposed cuts on programs, such as Medicaid, which provide income to the University derived indirectly from Washington or the potential loss in state appropriations. "The situation is serious," Dr. Spady concluded, but the consensus is that there is no cause for panic.
Dr. Heeger concurred with this analysis. He pointed out that the budget of the National Institutes of Health, the agency from which Penn received more than 60 percent of its research funds, would actually be increased by 8 percent next year. And while the National Science Foundation (NSF) is facing cuts, funds for the hard sciences, where the University's exposure is greatest, will also be increased. In science education, the acting vice provost for research said, Penn could lose up to $100,000 in NSF monies. In the social sciences, he presented a worst-case scenario of a potential $500,000 loss. But he concluded that the worst case "is far too pessimistic" given the aggressiveness of a faculty which has submitted 10 percent more research proposals this year than last for a 38 percent increase in two years.

Dr. Langfitt then shared with the Executive Board his impression of the mood in Washington where he recently testified before the Senate Committee on Labor and Human Resources and met with administrators. "They feel that the most potentially damaging forces at work in the United States are economic stagnation and inflation," he said, and they believe these "must be fought at all costs." Still the proposed cuts have not been presented as across the board slashes, the vice president for health affairs observed, and in turning to the reaction of Congress to the President's budget, he said "what's liable to happen now is anybody's guess. The Senate and the administration are absolutely in concert. I suspect the House is going to put up a significant battle."

Mr. Schilling agreed that the situation was very fluid, saying the word he gets from Washington on the various student aid programs changes from week to week. He pointed out that there was to be some reduction in the basic grants that Penn students receive. The National Direct Loan program faces a one-year slump, he said, but the Reagan budget for FY'82 restored a $100-million cut made in FY'81. He suggested that some decrease in social security benefits for college students was likely, and that continuation of the guaranteed student loan program in its present form is "very much in doubt." But he added that "we may have a program that is little different from what we have now except that students who clearly have no need would not be able to get subsidized loans. If they are the only students affected, it shouldn't hurt much."

Dr. Kaysen commented that the Sloan Commission had recommended the discontinuation of the National Direct Student Loan and the Guaranteed Student Loan programs, and he went on to ask how the Financial Aid Office obtained current information on government activity in its area of concern. Mr. Schilling replied that Penn's sources included the American Council of Education, American Association of Universities, the National Association of Student Financial Aid Officers in Higher Education and the Consortium on Financing Higher Education, as well as personal communications from Congressional staff members. Recently emerging as a group of considerable influence and an excellent source of information, Dr. Langfitt added, is the Joint Health Policy Committee of the Association of American Universities, and the Land Grant Colleges and Universities Group. Dr. Kaysen commented that it was clear to him that whatever the fate of individual programs, colleges and universities are going...
to be in the "day-to-day lobbying business" in Washington to a greater extent than ever before. The situation presents "the kind of organizational problem that worries me," he concluded.

Mr. Ballam observed that one aspect of the potential impact of federal cutbacks in Medicaid which is being studied by the University Hospital is the possibility that patients would be unable to gain admission to extended care facilities thereby aggravating the problem of limited hospital beds.

D. In the absence of the acting provost, Dr. Clelland presented a resolution on promotions, leaves and appointments. He called attention to the change in status of Vincent J. Cristofalo, whom he described as a "distinguished biochemist" chosen to head Penn's new Center on Aging. Turning to three faculty members receiving tenure in the School of Engineering and Applied Science, he observed that O. Peter Buneman is an expert in pattern recognition and functional languages for handling data bases, that Eduardo D. Clandt is noted for his work in thermodynamics and statistical mechanics, and that Peter W. Scherer specializes in explaining the hydrodynamics of the bronchial area. Dr. Kaysen added that Professor Scherer held both an M.D. and Ph.D., and observed that his appointment was "an interesting sign" of where bioengineering was headed.

**Action:** The Resolution on Promotions, Leaves, and Appointments was approved as found on pages 1 through 10 in the Graybook.

E. Action: A Resolution on Appointments to the Board of Overseers of the School of Veterinary Medicine was approved as follows:

RESOLVED, that David E. Rogers and Charles E. Wismer, Jr. be appointed to the Board of Veterinary Overseers for terms of three years, effective 1 April 1981.

IV. Student Petition

Mr. Miller then recognized a delegation of students. Charles Rich, the 1980-81 vice chairman of the Undergraduate Assembly, read the following petition:

WHEREAS is his years as the first Dean of the Faculty of Arts and Sciences and as Provost of the University, Vartan Gregorian has made historic contributions to the University of Pennsylvania; and

WHEREAS undergraduates have been the special beneficiaries of Vartan Gregorian's integrative and humanistic approach to education and

WHEREAS we are the last undergraduate student body able to express the gratitude, admiration and special affection he has earned from this and preceeding generations

THEREFORE be it resolved that the undergraduate residential tower now bearing the designation High Rise North, be named Gregorian House in honor of a Beloved Dean and Provost who served so ably during our college years.

Cheryl Saban, head of the Student Activities Council, Jeffrey Leiserowitz, chair of the High Rise North Residency Advisory Board, and Elizabeth Cooper, chair of the 1981-82 Undergraduate Assembly, spoke in support of the petition. Mr. Rich then voiced the belief that High Rise North was supported entirely by room rents. Mr. Miller thanked him for his comments. He said
the Executive Board would take the petition under advisement and give it every consideration, but he noted that University policy was to name buildings only after donors, those whom donors wish to commemorate, or past presidents. Mr. Eckman added that there was not "much of a basis" for saying that the high rise dormitories were self-supporting. "They are not independent of the University," he said, and $1.5 million is still owed on them. The chairman then noted that the affection the students had expressed for Dr. Gregorian was a credit to them and to him.

V. Trustee Committee Reports

A. As chairman of the Trustee Board of the Hospital of the University of Pennsylvania, Mr. Ballam introduced a resolution which he reported had the approval of his committee.

Action: A Resolution on University Guarantee of Final Take-Down By the Graduate Hospital of Proceeds of A Loan from IVB was approved as follows:

Intention:

In connection with the "spin off" of the Graduate Hospital from the University in 1977 and to facilitate Graduate Hospital's financing of the renewal of its facilities, the University committed itself to guarantee the repayment of certain loans which the Industrial Valley Bank and Trust Company might thereafter make to the Graduate Hospital up to an aggregate of $1,300,000. The documents contemplate that the loans to be guaranteed by the University should be advanced prior to June 30, 1980 and contain provisions designed to limit loans to which the guarantee is to apply, namely, (i) loans of no more than $500,000 to be used to purchase real estate and (ii) loans for working capital purposes. Although the Graduate Hospital prior to June 30 initiated procedures looking toward the final take-down of $564,300 under these loan and guarantee agreements, the take-down has not yet occurred. The delay has been occasioned at least partially because University officials, who were designated to approve the loans as coming within the guarantee agreement, discovered that the certifications previously received with respect to use of the proceeds of prior advances were not in strict accord with the terms of the basic loan documents. In view of the University's involvement in the delay, written assurances were given to the Graduate Hospital that the University would make its guarantee applicable to the final take-down (assuming other conditions to the University's commitment are fulfilled) despite the fact that the final advance did not take place prior to June 30, 1980.

The Executive Director of the University Hospital, the Vice President for Health Affairs, and the Chairman of the Trustee Board of the University Hospital concur in the opinion that the proposed final advance of $564,300 complies in all material respects with the spirit and intent of the conditions of the University's formal commitment to guarantee the repayment of these loans and recommend, confirm, and authorize all action necessary to make such guarantee effective.

RESOLVED, that the Executive Board hereby authorizes and confirms the waiver of the conditions contained in a Working Capital and Capital Expenditure Loan Agreement and a Working Capital and Capital Expenditure Limited Guarantee Agreement among the Graduate Hospital, the IVB and the University, each dated September 19, 1977, relating to (i) the date by which advances to be guaranteed by the University under such agreements must be made and (ii) the use of the proceeds, to the extent necessary to make the guarantee of the University applicable with respect to the final take-down in the amount of $564,300, to be made pursuant to such agreements; provided, however, that nothing herein contained shall be construed to authorize a deviation concerning the conversion as of July 1, 1980 of the Advance Notes into a Term Loan or a waiver of the repayment provisions (since July 1, 1980) with respect to such Term Loan.

SECRETARY
B. Reporting for the Investment Board, Mr. Neff announced that the total market value of the Associated Investment Fund (AIF) as of 9 April was $157.1 million. Cash equivalents represented 11 percent of investments, fixed-income securities 26 percent, and equities 63 percent or nearly $100 million. Since 31 December 1980, he said, the common stock portion of the AIF has appreciated 9.5 percent on a total return basis versus a gain in the Standard & Poor 500 Stock Average (S & P) of 0.5 percent. On a per share basis, the value of the AIF has increased 6.5 percent in the same period. Since the 30 June 1980, Mr. Neff continued, equities are up 26.1 percent compared with 22.3 for the S & P, and since 31 December 1979, the common stock portion of the AIF has increased 40.3 percent versus an S & P gain of 33.1 percent, an edge of 7 points.

The market so far this year, he said, "is pretty much a mirror image of last year where technology and energy stocks ruled the waves." Now interest-sensitive and consumer stocks are riding high, and Penn "has benefited accordingly." The only part of the market that really has not been embraced to date by investors is the area of long-term bonds, the chairman noted, and there "we cling tenaciously to our position." He said it seemed to him that the fixed-income securities market is behind other security markets, but fundamentals are moving in a positive direction, which would make a better reading on the consumer price index. "Our income has increased more moderately than last year," he concluded, "but last year should be viewed as a quantum jump" over past returns and "we still hope to garner an increase of 9 or 10 percent."

Mr. Miller observed that the AIF was at an all-time dollar high, and he pointed out that between 31 March 1980 and 31 March 1981, the common stock portion of the University portfolio had shown a 49.5-percent increase following a late 1979-early 1980 dip in the market. He said that the results of the 30 June 1980 National Association of College and University Business Officers (NACUBO) Comparative Performance Study just received indicated that in the statistical universe measured by NACUBO, Penn's standing had increased very consistently since the five years ending in 1976. In relation to all endowment pools over 50 million dollars and to those reporting on a total return objective basis, he reported, the University's rank was as follows:

(please turn over for chart)
The progress we're making is encouraging," Mr. Miller concluded.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University