

MIT floats new bond issue

By Paul Schindler

For the second time in three years, MIT is offering over ten million dollars worth of bonds through the Massachusetts Health and Educational Facilities Authority. The issue was released for bidding May 2, according to Jack Currie, Assistant Comptroller.

The current issue, series B, is for 10.4 million dollars, which will be used for three projects: the Chemical Engineering building, the renovation of Ashdown, and the re-financing of a mortgage on Baker, Burton and Ashdown.

The 4.2 million dollar mortgage on the three dorms is held by the MIT Corporation; the \$125,000 per year debt service by the dorms only pays the 3% interest, and has not yet dented the principal. Under Massachusetts law, however, the endowment money cannot just be written off: it has to be replaced. Part of the series B issue will be used to pay off the mortgage, so the Corporation may more profitably invest the money. The bonds will then be paid off by the dormitories (and other sources) over 30 years, without increased cost, according to Currie.

The money for the Chemical

Engineering building is made necessary by the speed with which the fund for the building was raised. Many pledges are for a five year period, yet the building will be completed in two years, by which time most of the funds will be needed. Thus it is necessary to raise the money with a bond issue, to be repaid when the pledges come in.

The payoff of the bonds will occur annually, at a rate of about \$730,000 per year (the final figure depends on the interest rate which is bid by the underwriters). The repayment schedule was made to resemble that of a mortgage, with heavy interest payments and light principal payments at first, then light interest payments and heavy principal payments, until retirement of the bonds in 2003.

The Authority, as a result of sponsoring the bond issue, will now hold a mortgage on the Chemical Engineering building, Ashdown and Baker. When the bonds are retired, the mortgage will be cancelled. The Authority was formed in 1968 to "provide assistance for non-profit institutions for higher education... in the construction, financing and re-financing of projects..." Since the original 1970 issue was for Westgate II as well as chilled

water and heating plant improvements, it is clear that the Authority can help issue bonds to build dorms.

Currie was asked why MacGregor II (the new West Campus dorm) could not be built with money from such bonds. "We cannot borrow the full construction cost and still keep rents reasonable," he stated. "We need gift capital." He said it would be possible to build a new dorm without having the full cost in hand; there are a couple of ways to get the rest of the funds needed, including selling bonds.

The problem of debt service out of dorm rents has been complicated by the death of an HUD program which previously subsidized such bond issues, reducing their effective interest from (in the case of the 1970 issue) 6 3/4% to 3%. There is a slim chance of congressional revival of the program, but it is just that: a slim chance. "The new dorm would get built a lot quicker if there was still a subsidy," Currie said.

Richard Sorenson, Assistant to the Vice President for Operations, said that what money HUD has has been "frozen" by President Nixon, and that there are no new funds in the FY 74 budget for such interest subsidies.



Kaleidoscope, held last Friday, was capped by the Sha-Na-Na Concert/Beer Blast (see photo essay, pages 6 & 7). Another attraction was the Big Screw contest, won by Paul Barrett (who received \$44 in votes), Physical Plant Superintendent for Engineering and Construction. Barrett was reportedly sponsored by East Campus residents who were upset by plans to pile-drive for the new Chemical Engineering Building during finals week. Professor of Physics A. P. French, head of the ever popular 8.01 physics option, was runner-up with \$35. The contest netted \$155, which will go to the Community Service Fund. Photo by Dave Green

Youth fares discontinued

By Drew Jaglom

The Civil Aeronautics Board last week ordered an end to domestic youth fares as well as several other discounts offered by the country's airlines. The CAB order calls for a three-state phase-out of the discount fares, beginning this June 1, and ending on June 1, 1974.

The final fate of youth fares, however, is by no means settled. On May 8 the Senate Commerce Committee is slated to begin hearings on legislation which would require youth fares to be made available by the airlines. The proposed legislation would also call for reduced air fares for the elderly and the handicapped. This legislation, if adopted, would override the CAB's decision which found youth fares

unfairly discriminatory (see story in *The Tech*, April 6.).

The CAB also changed its mind on a previous ruling that the increased revenue to the airlines from the elimination of the youth fares and other similar discount plans would be redistributed through reductions in all air fares. Last week's ruling allows the airlines to retain the additional revenue themselves.

The current youth fare rates are two-thirds of full fare for stand-by passengers, and 80% of the full rates for positive space. The new ruling by the CAB would raise these to 78% and 83% respectively on June 1, 1973, and to 89% and 92% on December 1 of this year. The ruling also allows for complete elimination of the youth fares as

of June 1, 1974. Similar phase-out schedules are set for the discount family plan and "Discover America" excursion fares.

International youth and student fares, as well as military discounts and discounts for children under twelve years of age are left unaffected by the CAB decision.

Finboard sets new budget

By Barb Moore

Over \$28,000 has been allocated to student activities for the fiscal year '74 (ends in June 1974) by the Undergraduate Association Finance Board, a decrease of \$4000 from last year's appropriation.

The allocations for 21 student activities, as well as the Undergraduate Association, were made at the annual budget hearings. The total Finboard budget for the next fiscal year is \$67,280, a 6% decrease from last year. The cut in the annual budget is part of an Institute-wide, across-the-board cut in all expenditures.

The total budget includes allocations for the Undergraduate Association (\$28,280), Association of Student Activities (\$22,895), activities competition fund (\$6750), capital equipment fund (\$150), and unallocated funds (\$9205).

The activities competition fund is a new addition to the Finboard budget, and will go to paying expenses incurred by student groups in traveling to tournaments and competitions. \$4700 from the fund will go to the Debate Society, though during the budget hearings Finboard members decided to eliminate food expenses from those covered by the competition fund. The other organization receiving

a high percentage of the total grant from the competition fund is the Chess Club (\$1200).

Prior to the budget hearings, all student activities were asked to submit requests for the year. WTBS and the Debate Society both made requests which Finboard decided it could not grant. The radio station received only one-third of the total requested grant. Robert Elkin, a member of the Finance Board, explained that the request from WTBS was

largely for equipment needed to meet the station's expansion, and that the Board can not make grants for that purpose. He admitted that a financial strain will probably be placed on the station, but added that they could go to the Activities Development Board (ADB) for funds for new equipment.

The Debate Society received \$5500 of a request for \$7700. The main reason behind the de-

(Please turn to page 2)

BREAKDOWN OF ACTIVITY FUNDING

Organization	1972-3 grant*	1973-4 request	1973-4 budget allocation
African Students Association	300	3600	600
Automobile Club	---	1720	100
Bridge Club	---	350	350
Chess Club	1200	1200	1200
Chinese Students Club	200	1465	200
Committee for Right to Choose	---	360	310
Dance Workshop	370	375	375
Debate Society	6850	7715	5500
Ecology Action	150	450	450
Electronics Research Society	75	580	430
Pershing Rifles	---	150	150
Plant Club	---	261	50
Rocket Society	700	700	700
Science Fiction Society	800	800	250
Soaring Association ¹	---	2000	---
Strategic Games Society	115	160	120
Technology Community Assoc.	7725	7535	7535
Tiddlywinks Assoc.	450	450	450
Tropical Plant Club	125	75	75
Urban Action	2575	4000	4000
WTBS	5000	19,664	7000

*1972-73 grant — as budgeted last May, 1972. Additional, unlisted grants made from Unallocated Fund during course of year.

¹Soaring Association — request to overcome cash liquidity problem. Finboard suggested they come back for no-interest loan.

College accounting needs to be clearer

By Paul Schindler

Would the MIT community have reacted more strongly in 1971 if the operating gap for that fiscal year had been reported as 22.9 million dollars,

These and other questions are implied in a report entitled "University Accounting: Alternative Measures of Ivy League Deficits," written by two Cornell professors, Harold Bierman and Thomas Hostedt. They studied the financial reporting of the Ivies, along with MIT and

Rochester, to conclude that there are vast disparities in meaning between reported gaps at various schools.

Bierman told *The Tech* that the difference between the announced figure and the one mentioned in his report was the result of "adjustments, including gifts and investment income." Jack Currie, Assistant Comptroller pointed out that all the information necessary was available in the treasurer's report.

Bierman also noted that his report did not conclude that "anyone had robbed the bank or made stupid decisions. All we ask is clarity."

Currie stated that all the information the report called for was already reported by MIT. "We are working on presentation," he said, "and we've modified the '72 report to make it a little clearer."

In the article "MIT Plans Sports Center" in Friday's issue, the first sentence gave the mistaken impression that the Planning Office suppressed the report. They did not: the members of the administration who asked for the study did. *The Tech* regrets the error.