

Material Supporting Minutes of the
Board of Regents of The University
of Texas, at El Paso, Texas
October 14 and 15, 1955

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BOARD OF REGENTS
of
THE UNIVERSITY OF TEXAS

Committee of the Whole

Library Building, Texas Western College

El Paso, Texas

October 14, 1955

9 a. m.

I. Reports of Standing Committees

A. Academic and Student Affairs Committee - Regents Sorrell, (Mrs.)
Devall, Lockwood, and Minter

Students' Report Concerning Restriction on Automobiles

B. Developmental Affairs and Public Relations Committee - Regents
Lockwood, (Mrs.) Devall, and Johnson

Architects

C. Executive Committee - Regents Voyles, Jeffers, Lockwood, Oates,
and Sorrell

1. Statement of Administrative Organization
2. Fiscal Regulations
3. Negro Housing
4. Selective Admissions

D. Land and Investment Committee - Regents Jeffers, Johnson, Sorrell,
and Voyles

1. College Housing Loan Program (Report for Information)
2. Special Committee Regarding Constitutional Amendment
3. Cavness Plan re Permanent Fund

E. Board for Lease of University Lands - State Land Commissioner J.
Earl Rudder, Regents Johnson, and Lockwood

F. Medical Affairs Committee - Regents Oates, Minter, Jeffers, and
Sorrell

1. Central Administration
 - a. Vice-President for Medical Affairs
 - b. Private Practice for Full-time Doctors
2. Medical Branch
 - a. Directorship
 - b. Supplement for John Sealy Hospital from The Sealy and Smith Foundation
 - c. R. Waverley Smith Pavilion
 - (1) Policy re Patient Service
 - (2) Formula for Allocating Cost and Income in Operation
3. M. D. Anderson Hospital
 - a. Wall Report
 - b. University Cancer Foundation
 - c. Doctor Harle's Complaint
4. Postgraduate School of Medicine
Proposed Agreement with St. Luke's Hospital

II. Special Items

- A. Budget Policies 1956-57
- B. Report on Segregation Correspondence (For information only)
- C. Schedule of Great Issues Speakers (For information only)
- D. Management Survey Report
 - 1. Release
 - 2. Faculty and Staff Comments
- E. OASI Report
- F. Nuclear Reactor
- G. Special Committee - Teacher Retirement Procedures (Report)
- H. Sidney E. Mezes Award
- I. Main University Salary Increases

BOARD OF REGENTS
of
THE UNIVERSITY OF TEXAS

Library Building, Texas Western College
El Paso, Texas
October 15, 1955
9 a. m.

- I. Approval of Minutes
 - A. May 13 and 14, 1955
 - B. July 8, 1955

- II. Reports of Standing Committees
 - A. Executive Committee - Regents Voyles, Jeffers, Lockwood, Oates, and Sorrell
Interim Actions
 - 1. Changes in Budget Memoranda
 - 2. Uniform Interpretation of Budget Memoranda
 - 3. Refund of The Ellane W. Mosely Grant No. 15 from Southwestern Medical School
 - 4. Approval of Small Classes, Main University, Second Semester SS
 - 5. Non-University Use of Van de Graaff Generator
 - 6. Midland Rental Contract

 - B. Academic and Student Affairs Committee - Regents Sorrell, (Mrs.) Devall, Lockwood, and Minter

 - C. Developmental Affairs and Public Relations Committee - Regents Lockwood, (Mrs.) Devall, and Johnson
 - 1. Main University
 - a. Approval of Acceptance of Dormitory for Women
 - b. Approval of Acceptance of Dormitory for Men and Cafeteria
 - c. Approval of Acceptance of English Building
 - d. Ratification of Approval of Preliminary Plans for R. O. T. C. Building
 - e. Award of Contracts for Press Box Elevator at Texas Memorial Stadium
 - f. Removal and Sale of Residence on Site of New R. O. T. C. Building
 - ~~g. Priority of Future Buildings and Improvements~~
 - 2. Texas Western College
 - a. Ratification of Approval of Final Plans and Specifications on Administration Building
 - b. Award of Contract for Administration Building
 - c. Report on Trade of Property by Texas Western College and City of El Paso
 - e. Proposed Expansion of Union Building
 - 3. Medical Branch
 - Remodeling and Repairing of Children's Hospital: Report and Ratification of Choice of Architect, Approval of Plans and Specifications, and Award of Contract
 - 4. Southwestern Medical School
 - a. Ratification of Contract with the Board of Hospital Managers of the Dallas County Hospital District for Tunnel Connection between Clinical Science Building and Parkland Memorial Hospital

*will
be
up*

- 4
- b. Ratification of Contract for Removal of Temporary Buildings
 - c. Appointment of Special Committee to Give Final Approval of Final Plans and Specifications for Clinical Science Building
 - 5. Dental Branch *M. O. Anderson*
Proposed Parking Lot

D. Land and Investment Committee - Regents Jeffers, Johnson, Sorrell and Voyles

- 1. Permanent University Fund
 - a. Investment Matters
 - Report of Purchases of Securities
 - b. Land Matters
 - (1) Application for Pipe Line Easement No. 721, Gulf Refining Company, Ector County, Texas. (Renewal of Easement No. 248)
 - (2) Application for Power Line Easement No. 722, Gulf Refining Company, Ector County, Texas. (Renewal of Easement No. 249)
 - (3) Application for Pipe Line Easement No. 723, Humble Pipe Line Company, Andrews County, Texas.
 - (4) Application for Pipe Line Easement No. 724, Humble Pipe Line Company, Andrews County, Texas.
 - (5) Application for Pipe Line Easement No. 725, Humble Pipe Line Company, Andrews County, Texas.
 - (6) Application for Pipe Line Easement No. 726, El Paso Natural Gas Company, Upton County, Texas.
 - (7) Application for Pipe Line Easement No. 727, Texas Gas Products Corporation, Upton County, Texas.
 - (8) Application for Pipe Line Easement No. 728, Texon Gas, Inc., Reagan County, Texas.
 - (9) Application for Power Line Easement No. 729, West Texas Utilities Company, Crane County, Texas. (Renewal of Easement No. 246)
 - (10) Application for Residence Site Easement No. 730, C. M. Escue, et al, (seven Lessees), Ector County, Texas.
 - (11) Application for Residence Site Easement No. 731, H. M. Smith and J. W. Painter, Ector County, Texas.
 - (12) Application for Business Site Easement No. 732, P. O. Vanderhorst, Pecos County, Texas. (Renewal of Easement No. 255)
 - (13) Application for Pipe Line Easement No. 733, Southern Union Gas Company, Ward County, Texas. (Renewal of Easement No. 250)
 - (14) Application for Business Site Easement No. 734, Estes Construction Company, Reagan County, Texas. (Easement No. 539 on same tract, held by Stephenson and Craig, terminated as of July 31, 1955)
 - (15) Application for Pipe Line Easement No. 735, Phillips Petroleum Company, Crane County, Texas.
 - (16) Assignment of Grazing Lease No. 580, Pecos County, Texas, from Clayton W. Williams to Buck Harris.
 - (17) Release of Part of Acreage Held in Camp Site Easement No. 401, Gulf Oil Corporation, Ector County, Texas.
 - (18) Relinquishment of Water Lease Contract No. 49, Stanplind Oil and Gas Company, et al, Andrews County, Texas.

- (19) Application for Pipe Line Easement No. 736, Empire Southern Gas Company, Andrews and Martin Counties, Texas. (Renewal of Easement No. 251)
- (20) Application for Pipe Line Easement No. 737, Texas Gas Products Corporation, Upton County, Texas.
- (21) Application for Pipe Line Easement No. 738, Phillips Petroleum Company, Ector and Crane Counties, Texas.
- (22) Application for Business Site Easement No. 739, R. S. Meroney, Reagan County, Texas. (Easement No. 660 on same tract, held by Carl Bewick, permitted to expire by its terms on July 31, 1955)
- (23) Application for Power Line Easement No. 740, El Paso Electric Company, El Paso County, Texas.
- (24) Application for Grazing Lease No. 703, Scharbauer Cattle Company, Andrews and Gaines Counties, Texas. (Renewal of Part of Grazing Lease No. 564)
- (25) Application for Grazing Lease No. 704, Arnold P. Scharbauer, Andrews, Martin, Gaines and Dawson Counties, Texas. (Renewal of Grazing Lease No. 565 and part of Grazing Lease No. 564)
- (26) Application for Revision of Pipe Line Right-of-Way under Easement No. 53, Pasotex Pipe Line Company, Hudspeth County, Texas.

2. Trust and Special Funds

a. Investment Matters

- (1) Report of Purchases, Sales and Redemption of Securities
- (2) M. D. Anderson Hospital and Tumor Institute - Proposed Conversion of Wm. Heuermann Fund from Temporary Fund to Permanent Endowment Fund for Cancer Research.

b. Bequest and Estate Matters

- (1) Medical Branch, A. C. McLaughlin Estate - Proposed Fee to Be Paid to C. K. Richards for Services Rendered in Connection with Settlement of the Estate.
- (2) Medical Branch, A. C. McLaughlin Estate - Proposed Compromise Settlement of State of Colorado inheritance Tax.
- (3) Texas Western College, Cash Bequest under Will of Bertha M. Fuller, Deceased
- (4) M. D. Anderson Hospital and Tumor Institute, Estate of Sophie Caroline Steves, Deceased.

c. Real Estate Matters

- (1) Hogg Foundation: W. C. Hogg Memorial Fund - Proposed Joinder by Board of Regents in Mineral Lease to C. E. Murdock, as Trustee, on Certain Lands in Union County, Arkansas.
- (2) Texas Western College - Ratification of Ground Lease to Western GMC Trucks, Inc., on Cotton Estate Property, El Paso, Texas.
- (3) Hogg Foundation: Varner Properties - Ratification of Filing of Supplement "U" Income Tax Return for Fiscal Year Ended July 31, 1955.
- (4) Hogg Foundation: Varner Properties - Report on Status of Documentary Stamp Ruling on Conveyances by Board of Regents.
- (5) Hogg Foundation: Varner Properties - Adoption of Resplution on Sale of Magnolia Fee Property and Assignment of Sternenberg Leasehold. (Sale approved March 12, 1955)

- (6) Edith Fly Hildebrand Estate - Offer of Malcolm Gescheidle for Purchase of 299-Acre Tract in Gonzales County, Texas.
 - (7) Caroline Mills Wood Estate - Proposed Joinder by Board of Regents as Contingent Remainderman in the Sale to St. Louis Southwestern Railway Lines of a 25-foot Strip of Land in Navarro County, Texas.
 - (8) Hogg Foundation: Thomas E. Hogg Estate - Proposed Joinder by Board of Regents in Release and Relinquishment to D. B. Victor of Right to Use Surface of Farm Tract No. 9, Block H, Burton and Danforth Farm Tracts, San Patricio County, Texas, for Mineral Exploration, Development and Operating Purposes.
3. Special Reports
- a. Proposed Revision of "Required Operating and Reporting Procedures under University Oil and Gas Leases and Geophysical Exploration Permits."
 - b. Strip in Controversy Lying On the North Side of Blocks 4, 5, and 6, University Lands, Andrews and Gaines Counties, Texas.
 - c. Common Stock Review - With Recommendations re Addition of Ten New Stocks to Purchase List and Sale of Certain Stocks Held.
 - d. Special Financing for Construction of Permanent Improvement
 - (1) Medical Branch - Resolution Terminating the Loan Agreement with the Housing and Home Finance Agency for Project Tex. 41-CH-11.
 - (2) Texas Western College - Proposed Bank Note to Finance Construction of Permanent Improvements from Ad Valorem Tax Revenues under Article VII, Section 17, of the Constitution of Texas; and Adoption of Resolution for Issuance of Bank Note.
 - (3) Texas Western College - Ratification of Use of Legal Services of McCall, Parkhurst and Crowe in Connection with Issuance of Bank Note.

E. Medical Affairs Committee - Regents Oates, Minter, Jeffers, and Sorrell

Spurred by J. C. ...

\$953 - in minutes

III. Special Items

A. Central Administration

Approved by

- 1. Ratification of Depository Agreements
- 2. Report on Insurance Survey, The University of Texas System
- 3. Approval of Docket (See III D-1)
- 4. Limitation on Courses of Study

B. Main University

Appointment of Regent to Confer with Faculty Committee Concerning Plans of Faculty Club

C. Texas Western College

Approval of Small Classes, Texas Western College, Second Semester, SS

D. Medical Branch

- 1. Budget of Auxiliary Enterprises (See III A-3)
- 2. Contract with the City of Galveston
- 3. Babe Didrickson Zaharias, Inc. Fund (Report for information)

E. Dental Branch

F. M. D. Anderson Hospital

G. Southwestern Medical School

H. Postgraduate School of Medicine
Grant from M. D. Anderson Foundation (In Docket)

I. Schedule of Board Meetings

1. Austin Chamber of Commerce Invitation - March 23 and 24
2. Reservations, December Meeting - Free Conference Rooms
Shamrock Hotel

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

October 5, 1955

MEMORANDUM

TO: REGENTS' ACADEMIC AND STUDENT AFFAIRS
COMMITTEE

Although I was supplied only two copies of the student report concerning restrictions on automobiles, and hence have not sent copies to you for study in advance of the El Paso meeting, Mr. Scirell's letter of October 4 causes me to realize that you should be supplied with this information. Accordingly, I have obtained extra copies and am herewith distributing them to you for your study prior to the meeting. My own opinion is that the alternate parking plan proposed by the students is not feasible at this time.

Logan Wilson

LW:k
Encl.

Miss Thedford

Student Parking Report to the Regents

A great majority of students are opposed at this time to the freshman parking ban even though they are not affected by it. The Student Assembly has gone on record as being opposed to such a ban. In the following pages, we have tried to catalog some of the main reasons for this student opinion. Because these facts greatly affect students, we would appreciate any consideration given to this report by the Board of Regents.

Also included herein is an Alternate Plan which will substantially give the same results as to parking relief, but avoid those parts of the ban which would create new problems and raise undue hardships.

Conditions At The University of Texas Which Make Parking
Ban Impractical

The University of Texas is a metropolitan college which has problems unlike many other colleges which might more equitably restrict students from possessing and maintaining cars.

A. University of Texas Housing

The unique situation of the University of Texas may best be shown by the following statistics:

1. Only 22% of the University men will be able to be housed in University or private dormitories in 1955-56. This figure includes those men living in the two new dorms. Consequently, 78% of the men next year will have to live in private rooming houses or fraternities. It will be noted that fraternities rarely have room for freshmen in their houses.
2. In reserving rooms in these University Dormitories, incoming

freshmen have the last priority rating under the present system. That should leave no more than 50% of the dormitory space available to freshmen. Discounting private dorms, that should leave about 85% of our foot-loose freshmen reliant on a liberally construed "walking distance" of the campus. Even if such space were available, bear in mind that the Dean's office can exercise virtually no control over the prices of the private living accommodations, and the landlords will be free to charge a great deal more than the present traffic will bear.

B. Transportation

1. Austin is probably the most inaccessible state capitol in the United States with respect to public transportation. Students in the freshmen and sophomore classes will be hard pressed to move only their clothing and equipment up before and after the school term, to say nothing of the travel back and forth on holidays. An example is the extreme dearth of train facilities to Austin from the western areas of the state. Even better for illustrative purposes is the student from Houston, the largest city in the south, who can only reach the state capitol by bus or plane.
2. The size of our state sets us apart from other schools where similar measures are enforced. The distances from Austin to other areas of the state are often too great a deterrent for the other school's semi-annual procedure of parental trips in the family car for the purpose of carrying their children's belongings to and from Austin.
3. Inter-city transportation is entirely inadequate to provide transportation to school for those students forced to live far from the campus.

4. The commuter student, who lives beyond the limit of the bus service, will need facilities to provide his transportation to school.

C. Enforcement

We believe any worth-while parking plan requires adequate enforcement to be practicable.

1. The cost of effectively enforcing this ban is quite substantial. The Parking, Traffic, and Safety Committee has conservatively estimated a minimum cost of \$40,000 will be necessary for proper enforcement.
2. This ban will tend to promote personal dishonesty. Before a freshman is admitted to the University he will be forced to sign a pledge to abide the parking regulations. While at school, there are many practical necessities that will encourage a student not to abide by this pledge.
3. Exceptions - - there will be a definite need for exceptions to this freshmen ban rules. These exceptions, though broad, are necessary; but they will tend to greatly diminish the effectiveness of eliminating cars from the campus. The exceptions we feel will be necessary are included in the following:
 - a. Married students
 - b. Commuters
 - c. Persons with whom an automobile is essential to employment
 - d. Physically handicapped
 - e. Regent's exception for those freshmen living within Travis County
 - f. Undue personal hardship

After taking these exceptions into account, the number of cars prevented from parking on the campus under the freshmen ban will have been small. Also, the work involved in the administration of these exceptions will be staggering.

D. Personal Hardship

Many personal hardships will occur if the freshman driving ban is rigorously enforced.

1. Student-relative relations in the Austin area.
2. Shopping outside of the drag area.
3. Library work at night for women students for whom it would be unsafe to walk
4. Picking up laundry and dry cleaning.
5. Eating in locations away from the drag area.

E. Bad Public Relations

The actual consideration given to the parking problem by the Traffic, Parking and Safety Committee was disposed of in slightly more than four hours during the course of two meetings. The committee had very few pertinent facts to work with regarding the local situation. A great many questions raised could not be answered. For example, no one knew how many cars this ban would involve. Although information of this nature is answered on the Dean's form during registration, it was never presented to the committee. Certain members of the committee that voted for the proposal apparently did not intend a "final" decision such as the one which the Regents issued. The merit of the proposal was considered highly questionable, and some felt it was only a "stop-gap" measure, that would be effective only until a proper appraisal of the facts could be made. The committee, largely because of their feeling that this was a temporary measure, expressly excluded the sophomore ban from their recommendation. The statement of the President that the action of the Regents had been approved by the Parking, Traffic and Safety Committee was erroneous in this respect.

- 5 -

Poor public relations with the citizens of the state is certain to be promoted by the freshman ban. Although the University is not obligated to provide parking spaces for cars for students, many parents and friends would feel that it would be unjust for a state supported institution to prohibit the operation of cars by students. Even though this ban appears to be legal, there is a clear-cut distinction between restricting a person from parking, and restricting him from operating an automobile.

F. The Alternate Parking Plan

Under the proposed Alternate Parking Plan, freshman students will be restrained from parking in the official University areas, but will still be allowed to maintain and operate an automobile in Austin. This plan, as approved by the Student Assembly on June 23, 1955, is included in the following Parking Resolution:

WHEREAS, the Board of Regents of the University of Texas has adopted a freshman ban for operating and maintaining automobiles; and,

WHEREAS, we feel this ban would create more problems than it would solve, now,

THEREFORE BE IT RESOLVED BY THE STUDENT ASSEMBLY OF THE UNIVERSITY OF TEXAS that the following Alternate Parking Plan be given careful consideration by the Board of Regents:

- I. Parking space on the University of Texas campus shall be divided into two designated areas, which shall be called the unrestricted area and the restricted area.
 - a. The restricted area shall consist of that parking area which at the present time is limited to faculty and a small number of qualified students.
 - b. The unrestricted area shall consist of that parking area outside of the restricted area.
- II. All cars owned and/or operated by the University of Texas students shall be required to be registered.
 - a. Freshman shall not be eligible for a parking permit for any of the two designated areas.

- b. Any student living within a specified distance of the campus shall not be eligible for a parking permit for any of the two designated areas.
 - c. Students possessing cars and living at a distance from the University greater than that specified shall be eligible for an unrestricted parking area permit.
 - d. Any student living in official University of Texas dormitories shall be given a dorm parking permit. This dorm permit shall enable the student to park in his own dorm area only.
- III. All cars owned and/or operated by staff members shall be required to be registered. Staff members shall file application for a parking area permit (if desired) and shall be given either a permit in the restricted area, or the unrestricted area.
- IV. Requirements for faculty and staff to receive a permit for the restricted area shall be examined, so that the most efficient use of the restricted area may be made.
- V. All cars, including those owned and/or operated by students, faculty, and staff shall possess either a restricted or an unrestricted parking area decal to be eligible to park on the University of Texas campus.

BE IT FURTHER RESOLVED that the Student Assembly recommends adoption of this proposed Alternate Parking Plan.

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This resolution passed the Student Assembly by a favorable vote of 20-4.

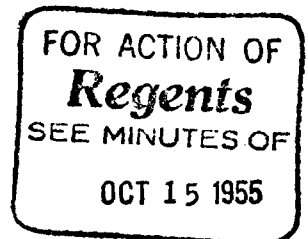
In comparing the Alternate Parking Plan to the plan of banning freshman cars, we feel the Alternate Plan is more equitable and just to all students, and at the same time is more effective in eliminating cars from the campus. This plan is more comprehensive in that it also restricts all students from parking on the campus who live within a certain distance from the campus, and it does not create problems that would occur under the freshman ban policy. Also, many of the exceptions that have been listed would not be necessary if freshman students were allowed to maintain and possess a car, but not to park on the campus.

5

DOCKET ENTRY

REGENTS' MEETING, OCTOBER 14-15, 1955

**Recommended plan concerning revised administrative
organisation of The University of Texas system, together
with a statement of the responsibilities of certain
administrative officers.**



THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

September 19, 1955

MEMORANDUM

TO: THE BOARD OF REGENTS

For your study in advance of the El Paso meeting, I am enclosing a copy of our revised scheme of administrative organization. This revision was made after careful study of management survey recommendations and as a result of several conferences during the summer. It will appear on the docket as an item for your approval or disapproval.

Logan Wilson

LW k
Encl.

cc: Miss Betty Anne Thedford

17

THE UNIVERSITY OF TEXAS
ADMINISTRATIVE ORGANIZATION

General Statement

The President of the University is the chief administrative officer of The University of Texas system. The chief administrative officer of each component unit in the system, acting in a line capacity for the operations of his entire unit, reports only to the President, and is responsible only to the President.

Officers of the Central Administration serve primarily as staff officers for the entire system. In that capacity, each officer is responsible for planning and policy formulation in his particular field and each serves as advisor in his area to the President. In addition, each Central Administration officer is expected to advise and consult with the officials of the component units in his particular field of competence.

The principal officers of the Central Administration staff are: President (ex officio), Assistant to the President, Vice-President for Academic Affairs, Vice-President for Developmental Services, Vice-President for Medical Affairs, Vice-President for Fiscal Affairs, Comptroller, Endowment Officer, and Budget Officer.

The chief administrative officers of the component units are: Vice-President of the Main University, Director of the Medical Branch at Galveston, President of Texas Western College, Director of the M. D. Anderson Hospital and Tumor Institute, Dean of the Dental Branch, Dean of the Southwestern Medical School, and Dean of the Postgraduate School of Medicine.

The duties and responsibilities of these officers are outlined below.

President

The President of The University of Texas is the chief administrative officer of the University system. He advises and counsels with the Board of Regents in establishing and promulgating basic policies for the government and operation of the University. Specifically, his responsibilities include:

1. Acting as executive agent of the Board of Regents in implementing policies of the Board.
2. Recommending budgets for the operation of the University system.
3. Nominating to the Board of Regents the officers of Central Administration and the chief administrative officers of the component institutions.

4. Acting as the official medium of communication between the Board of Regents and the officers, staffs, faculties, and students of the component institutions of the University.
5. Representing the University with the Legislature.
6. Serving as an ex officio member of all institutional faculties of The University of Texas.

The President Reports to and is responsible to the Board of Regents.

Assistant to the President

The Assistant to the President is a staff officer who acts as executive assistant to, and personal representative of, the President. At the direction of the President, he represents the University in its relations with the Legislature, state agencies, and other educational institutions. He performs such additional general and special duties as the President may delegate to him.

Vice-President for Academic Affairs

The Vice-President for Academic Affairs is a staff officer whose primary responsibility is to advise the President on academic matters relating to The University of Texas system or any of its component institutions. He has, in addition, such other duties as the President may designate.

The Vice-President for Academic Affairs reports to and is responsible to the President.

Vice-President for Developmental Services

The duties and responsibilities of the Vice-President for Developmental Services include both staff and administrative functions.

As a staff officer his general function is to advise the President on developmental planning and public relations for the University system. Specifically, he is expected to assist in (a) the formulation of policies and procedures, and (b) the development of improved practices in:

1. Long-term planning of facilities and programs.
2. Public and alumni relations.
3. Private fund development.
4. Administrative organization.

As an administrative officer, he has supervisory line responsibility over the following offices: (a) News and Information Service, (b) Director's Office, University Development Board, (c) Studies and Planning Office. Subject to delegation by the President, he has executive authority for:

1. Coordinating and collecting planning information; direction of specific planning studies.
2. Coordinating private fund development activities; conducting negotiations for private funds.
3. Maintaining liaison with the University Development Board and the Ex-Students' Association.
4. Supervision of developmental publications.

The Vice-President for Developmental Services reports to and is responsible to the President.

Vice-President for Medical Affairs

The basic function of the Vice-President for Medical Affairs is to advise the President concerning programs and activities in medical and dental education. As a member of the President's staff, he consults with the chief administrative officers of the health education units and recommends procedures for coordinating and systematizing policies and practices.

His responsibilities as a staff officer include giving advice, counsel, and guidance with regard to:

1. Long-range planning of medical and dental education programs, including staffing and physical facilities, to minimize duplication and maximize resource utilization in meeting service needs.
2. Development of fiscal policies; operational procedures; program analysis and evaluation.

His specific responsibilities as a line officer include serving as a deputy of the President when so designated and undertaking special assignments for the President's Office.

The Vice-President for Medical Affairs reports to and is responsible to the President.

Vice-President for Fiscal Affairs

The duties and responsibilities of the Vice-President for Fiscal Affairs include both staff and administrative functions.

As a staff officer, his general function is to advise the President as to all fiscal and business management activities of the University system. Specifically, he is expected:

1. To formulate procedures governing the preparation of and review of all budgets and to develop an effective method of presenting approved budgets to state agencies.
2. To plan an effective system of expenditure control by means of regulations, internal audits, and periodic financial reports.

- 3. To aid in developing improved practices and procedures in all areas of business management.

As an administrative officer, he has supervisory line responsibility over the following offices in Central Administration: University Lands - Legal and Surveying, Endowment Office, and Office of the Comptroller. With respect to these offices, he recommends budgets and changes in approved budgets for the consideration of the President.

The Vice-President for Fiscal Affairs reports to and is responsible to the President.

Comptroller

The duties and responsibilities of the Comptroller include both staff and administrative functions. As a staff officer, his general function is to advise and consult with the Vice-President for Fiscal Affairs and the President, with reference to all business operations of The University of Texas system which are not specifically assigned to the Endowment Office. These business operations include:

- 1. Accounting, auditing and reporting, and budgetary control.
- 2. Receipt, disbursement and custody of moneys.
- 3. Procurement and purchasing.
- 4. Operation and maintenance of physical plant and management of auxiliary and service enterprises.
- 5. Advice and consultation with the chief executive officer of each component institution, the Vice-President for Fiscal Affairs, and the President, with reference to the appointment or removal of the Business Manager of each component institution and the Auditor of the Main University.

As an administrative officer he has direct supervisory responsibility over certain business activities. These activities include:

- 1. Administration and general supervision of new construction and other permanent improvements, including repair and remodeling projects involving the proposed expenditure of \$20,000 or more; consultation, advice and working with the consulting and associate architects employed by the Board of Regents, subject to the terms and conditions of contracts entered into by the Board of Regents with these architects; and service as an ex officio member of the Faculty Building Committee of each component institution.
- 2. Supervision, with the assistance of the Branch College Auditor, of post-auditing and accounting system work at each component institution.
- 3. Supervision of the Workmen's Compensation insurance program and all other staff benefit programs.

4. Direct responsibility for the following specific duties: approval of all accounting records, forms, procedures, or financial reports; negotiation of all depository agreements with banks; approval and signing of lease contracts for building space; approval of insurance policies; review and recommendatory approval of the business aspects and overhead rates in research and other contracts with outside agencies; and joint custodianship with the Main University Auditor of securities owned by University of Texas Funds which are not on deposit in the State Treasury.

The Comptroller reports to the Vice-President for Fiscal Affairs, and through that officer to the President.

Endowment Officer

The Endowment Officer is the business officer of The University of Texas in immediate charge of the following areas of administration:

1. The investment of all funds owned by the University.
2. The management and supervision of all endowment properties of The University of Texas, including University Lands.
3. The investment of and administration of all trust funds and other properties held in trust by the Board of Regents of The University of Texas.
4. The issuance of bonds or other evidence of indebtedness of The University of Texas as authorized by law.

The Endowment Officer reports to and is responsible to the Vice-President for Fiscal Affairs and through that officer to the President.

Budget Officer

In general, the work of the Budget Officer is concerned with improving and standardizing budgetary procedures of the University system. Specifically, his duties and responsibilities include:

1. Recommending procedures to be followed (a) in scheduling budget preparation, (b) in compiling budgets to assure uniformity of coverage and format, and (c) in providing effective review of budgets at all administrative levels.
2. Preparing and recommending budget-writing instructions and forms.
3. Developing more effective methods of presenting completed budgets.
4. Assisting in processing all budgets submitted by the institutional heads.

- 6 -

5. Conducting budget research studies in such areas as: salary supplementation, maintenance and equipment allocations, and physical plant expenditures.
6. Assisting in devising more effective methods of expenditure control.
7. Planning financial report forms designed to reveal periodically the current rate of spending from budgeted funds at each component unit.

The Budget Officer reports to and is responsible to the Vice-President for fiscal Affairs.

Auditor

The Auditor, Main University, is the accounting officer for the Main University and for Central Administration. Specifically, his duties and responsibilities include:

For Main University --

1. Collection, custody, and disbursement of institutional funds.
2. Maintenance of accurate accounting records and control of expenditures in accordance with approved budgets and University regulations.
3. Maintenance of an effective program of internal audit.
4. Preparation of periodic financial reports; and continuing study to improve practices and procedures.
5. Assisting in the preparation of budgets as directed by the institutional head.

For Central Administration --

1. Custody of, accounting for, and financial reporting of, all funds handled by the Auditor's Office for the component institutions outside of Austin, and for Central Administration, Permanent University Fund, and Available University Fund.
2. Joint custodianship with the Comptroller of securities owned by University of Texas Funds which are not on deposit in the State Treasury.

On Main University matters the Auditor, Main University, reports to and is responsible to the Business Manager of the Main University and through him to the Vice-President of the Main University; on other matters he reports to and is responsible to the Comptroller and through him to the Vice-President for Fiscal Affairs.

Chief Administrative Officers of Component Units

Vice-President of the Main University

The Vice-President of the Main University serves as the chief administrative officer of the Main University (including the Institute of Marine Science and the McDonald Observatory) under the direction of the President. In cooperation with the President he:

1. Develops, with faculty assistance, plans and policies for the program and the administration of the Main University in accordance with policies of the Board of Regents.

2. Interprets University policy.
3. Develops and administrates student welfare policies.
4. Recommends appropriate budgets, and supervises expenditures under approved budgets.
5. Nominates all members of the faculty and staff, except as otherwise delegated; and recommends removal of any staff member for cause.
6. Ensures that the business affairs and physical property under his general supervision are properly managed.
7. Serves as ex officio member of all faculties of the Main University, and presides at meetings of the General Faculty and the Faculty Council at the request of the President.
8. Appoints all faculty and staff committees unless otherwise provided.

The Vice-President of the Main University reports to and is responsible to the President.

Other Component Units

The chief administrative officer of each component unit serves under the direction of the President, and has access to the Board of Regents through the President. Within the policies and regulations of the Board of Regents and under the supervision of the President, the chief administrative officer of each unit has general authority and responsibility for the administration of that unit.

Specifically, the chief administrative officer is expected, with appropriate participation of the staff, to:

1. Develop and administer governing policies for the program, organization, and operations of the unit.
2. Interpret University policy to the staff, and interpret the unit's program and needs to the President and to the public.
3. Recommend appropriate budgets and supervise expenditures under approved budgets.
4. Nominate and recommend for retention or dismissal all members of faculty and staff, and maintain efficient personnel programs.
5. Establish proper management of services to students or patients.
6. Ensure efficient management of business affairs and physical property; recommend additions and alterations to the physical plant.

7. Serve as presiding officer at official meetings of faculty and staff of the unit, and as an ex officio member of each college or school faculty (if any) within the unit.
8. Cause to be prepared and submitted to the President, and through him to the Board of Regents, statutes and amendments thereto for the governance of the unit.
9. Assume initiative in developing long-term plans for the program and physical facilities of the unit.

The chief administrative officer of each component unit reports to and is responsible to the President.

Business Manager

The general function of the Business Manager of each component institution, acting under the direction of the chief administrative officer, is to conduct all business activities of his particular institution. Specifically, his duties and responsibilities include:

1. Collection, custody, and disbursement of institutional funds.
2. Maintenance of accurate accounting records, and control of expenditures in accordance with approved budgets and University regulations.
3. Maintenance of an effective program of internal audit.
4. Procurement and purchasing.
5. Operation and maintenance of physical plant⁽¹⁾.
6. Supervision of auxiliary and service enterprises.
7. Preparation and processing of government research and other contracts⁽²⁾.
8. Preparation of periodic financial reports; and continuing study to improve business practices and procedures.
9. Assisting in the preparation of budgets as directed by the institutional head.

The Business Manager reports to and is responsible to the Chief administrative officer of his component institution, except at the Medical Branch, Galveston, where he reports to and is responsible to the Hospital and Facilities Administrator.

(1) At the Medical Branch at Galveston, this function is the responsibility of the Hospital and Facilities Administrator.

(2) At the Main University government research contracts are processed by the Office of Government Sponsored Research.

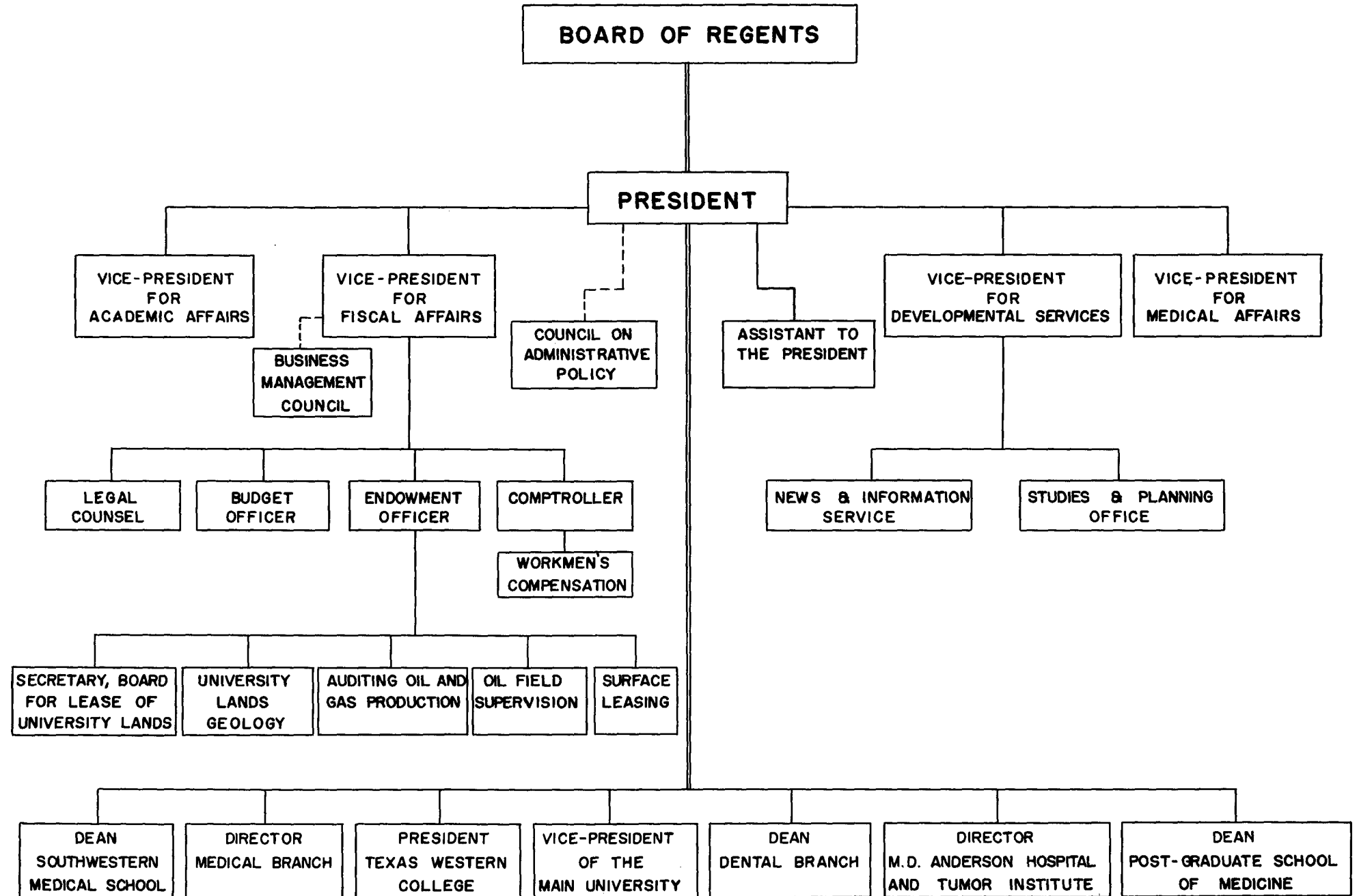
Advisory Councils

1. Council on Administrative Policy. To advise with the President at periodic intervals upon matters of system policy, the Council on Administrative Policy is established. It is composed of the President (the Chairman), the chief administrative officer of each component unit, the Vice-Presidents, the Assistant to the President, and the Comptroller. Meetings are held at the call of the President, who prepares the agenda.

2. Business Management Council. To advise the Vice-President for Fiscal Affairs in his area of staff responsibility for budgeting, business management, physical plant operation, and systems of expenditure control, the Business Management Council is established. It is composed of the Vice-President for Fiscal Affairs, (Chairman), the Business Manager of each component unit, the Comptroller, the Endowment Officer, the Budget Officer, and the Auditor (Main University). Meetings are held at the call of the Vice-President for Fiscal Affairs, who prepares the agenda.

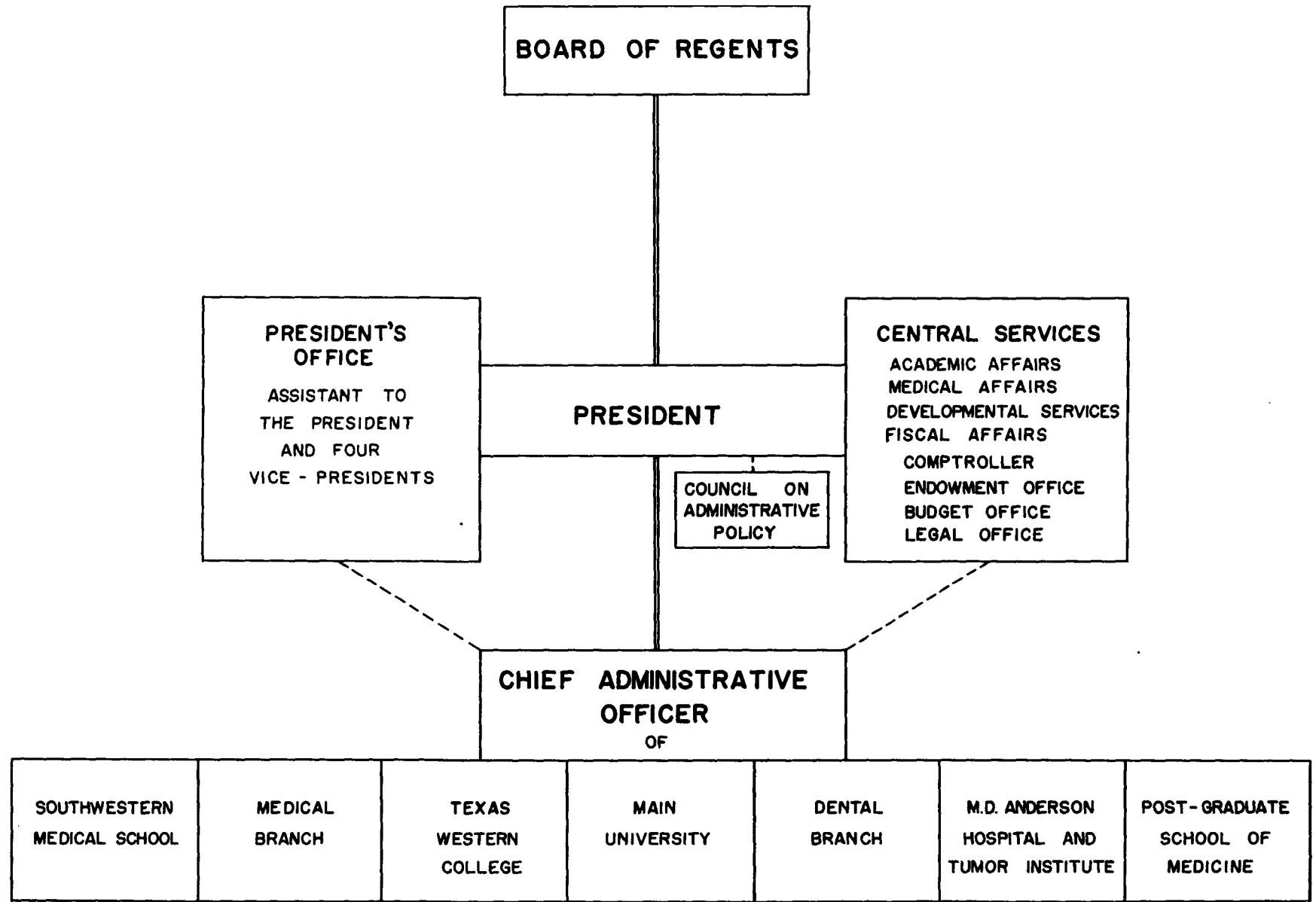
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CHART OF ADMINISTRATIVE ORGANIZATION



----- CONSULTATIVE

SCHEMATIC DIAGRAM
FLOW OF AUTHORITY AND RESPONSIBILITY



----- CONSULTATIVE
——— LINE

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

FISCAL REGULATIONS
OF
THE UNIVERSITY OF TEXAS

Prepared by
The Central Administration Staff

September 1, 1955

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FISCAL REGULATIONS

THE UNIVERSITY OF TEXAS

I. GENERAL

Organization

The government of The University of Texas is, by law, vested in the Board of Regents, composed of nine members nominated by the Governor of Texas and approved by the Senate. Three members are named each two years for six-year terms each. The Board elects a Chairman from its number and exercises all powers and authority imposed upon it by law.

Component Institutions

The University of Texas consists of the following component institutions: The Main University, Austin; the Medical Branch, Galveston; the Dental Branch, Houston; the M. D. Anderson Hospital for Cancer Research, Houston; Southwestern Medical School, Dallas; Texas Western College, El Paso; and the Postgraduate School of Medicine, with headquarters in Houston and divisions elsewhere in the State as authorized by the Board of Regents. The McDonald Observatory, Fort Davis, and the Institute of Marine Science, Port Aransas, are under the supervision of the Vice-President of the Main University.

The officers of The University of Texas are:

Central Administration

President of The University of Texas

Vice-President for Academic Affairs*

Vice-President for Fiscal Affairs

Comptroller

Endowment Officer

Vice-President for Developmental Services

Assistant to the President

Vice-President for Medical Affairs

Component Institutions

Vice-President of the Main University*

President of Texas Western College

Director of the Medical Branch

Dean of the Dental Branch

Director of the M. D. Anderson Hospital and Tumor Institute

Dean of the Southwestern Medical School

Dean of the Postgraduate School of Medicine

*One person holds both positions

All Central Administration officers, exclusive of the President, serve in a staff capacity except as otherwise specified. The heads of the component institutions report to the President.

The President is elected to serve at the pleasure of the Board. All other officers are elected by the Board of Regents upon recommendation of the President.

University Policies

The policies of The University of Texas are made by the Board of Regents. Authority may be conferred in advance upon administrative officials to bind the institution in carrying out the policies. Changes of policy require approval by the Board, usually pursuant to recommendation of the institutional head and/or the President.

Gifts to the University

The acceptance of gifts to the University is by the Board of Regents. The power to accept gifts is delegated to each institutional head when the gift is to a fund or enterprise already approved by the Board of Regents or is a continuation of a series. Such gifts are reported to the Board by the dockets of each component institution. Recommendations for the acceptance of gifts showing details as to value, form, stipulations regarding use, and provisions for custody and disbursement of funds are transmitted on forms provided by the Office of the President by the institutional head to the President and by him, with recommendations, to the Board of Regents.

These provisions do not apply to contracts with government agencies, the details of which are given in Section XI, below. Further, the current Appropriation Bill prohibits the acceptance of gifts of real property except for establishing scholarships, professorships, or other trust funds for educational purposes and then only on condition that such gifts must not later require legislative appropriations for maintenance, repair or construction of buildings.

Fellowships, Scholarships and Loan Funds

After gifts for fellowships, scholarships and loan funds have been accepted by the Board of Regents, as indicated previously, they are administered jointly by designated committees and the business office of each component institution.

In the case of scholarships and fellowships, the appropriate committee, or designated individual, receives applications, makes the necessary inquiries, and determines the award. The committee advises the institutional head of the award and he, in turn, approves and forwards the notice of award to the

business office. Payments on scholarships and fellowships are made through the business office of the component institution.

In the case of loan funds, the appropriate committee receives applications for loans, makes the necessary inquiries, and approves or declines the original loan as well as all renewals and extensions. The chairman notifies the business office of the granting of loans, and all records including notes, cash, accounts and collections are thereafter handled by that office. The principal of loan funds is kept intact so far as is possible. The chairman of the awarding committee may be requested by the business office to assist in collection of past due interest or principal.

Fiscal Year

The fiscal year of the University is September 1 through August 31 of each year.

II. ACCOUNTING, AUDITING, REPORTING AND BUDGETARY CONTROL

Types of Funds

General Funds

General Funds are those unrestricted, operating funds which are available for any purpose. They are expended in accordance with the budgets and appropriations approved by the Board of Regents. General Budget Funds balances are not reappropriated from one fiscal year to another unless specific approval is given the institutional head and the business officer to do so by the President and the Board of Regents.

Special Activities Funds

Special Activities Funds are general funds restricted by the University; the income and expenditures are ordinarily related to a particular department. With few exceptions, expenditures are limited to the income derived from the project. They are subject to the same restrictions as General Budget Funds although balances are automatically reappropriated at the end of each fiscal year.

Current Restricted Funds

Current Restricted Funds are those received from individuals, firms, agencies, corporations, etc. or income derived from private endowments, to be used only for a particular purpose or project, specified by the donor, such as research, conferences, scholarships, fellowships, etc. The period of use is usually designated in the agreement approved by the Board of Regents. Balances at the end of a fiscal year are carried forward to the succeeding year unless otherwise specified.

Agency Funds

Agency Funds are, just as the name implies, funds handled through the institutional business office as the agent of the owner, after approval by the institutional head. Balances are carried forward from year to year unless otherwise designated.

Accounting

The financial accounts of the University are kept in accordance with the recommendations of the National Committee on the Preparation of a Manual on College and University Business Administration, as set forth in Volume I of "College and University Business Administration" (1952) published by the American Council on Education. Where those recommendations conflict with statutes applicable to the University, the recommendations may be changed where necessary to permit compliance with the statutes. All accounting records and procedures are subject to the approval of the institutional business officer and the Comptroller.

The business office of each component institution is the central office for accounting control for all financial transactions of the institution. The institutional business officer confers with departmental and administrative officials and instructs them concerning the records of financial transactions to be kept by the departments.

Each departmental head keeps an account of funds and property for which he is responsible, as detailed as necessary to supplement the business office records and to furnish accurate information on receipts, credits, expenditures, and other charges. Records are kept for each fiscal year. All expenditures must be in accordance with the approved budget.

Statements of departmental accounts are prepared monthly by the business office and are sent periodically to the department heads who compare their records with those of the business office and report any differences promptly to the business office.

A person in each department may be designated by the department head, with the approval of the institutional head, to sign vouchers, requisitions, etc. in his absence. These designations expire at the end of a fiscal year, or sooner if specified, and must be renewed each year.

Auditing

The institutional business officer is initially responsible for the pre-audit of all business items. Financial transactions concerning the receipt, custody, and disbursement of moneys are pre-audited to the extent necessary under the institutional accounting procedures and system of internal control, the fiscal regulations, and statutes or laws applicable to the University.

The pre-audit of disbursements and other transactions is a part of the regular accounting procedures of the business offices. Post-audits of various units and departments are performed as directed by the institutional business officer or the Comptroller.

Although the Comptroller is responsible for the internal post-auditing of business transactions affecting the component institutions, this work is actually done under the supervision of the business officers of the component institutions and the Branch College Auditor. The business records of accounts and other records are verified and authenticated within the budgets, regental actions, and statutory requirements.

The Branch College Auditor, under the supervision of the Comptroller, is initially responsible for the post-audit of business activities at the component institutions, except the Main University. He conducts the audits in accordance with accepted auditing standards, including necessary tests of the records. He makes a written report of each audit, calling attention to any transactions which may not be in accord with legal requirements, institutional accounting principles, and institutional policies and regulations.

The State Auditor, under State law, is responsible for the external audit of the University's books.

Reporting

Financial reports are prepared in accordance with the provisions of the statutes and the directives of the Board of Regents and in conformity with the Manual, "College and University Business Administration," referred to above. The forms are approved by the institutional business officer and the Comptroller.

Two reports, both of which are prepared under the direction of the institutional business officer and the Comptroller, are prepared annually by the University:

1. Annual Financial Report. On or before December 29, printed financial reports, set up in accordance with the forms recommended in Volume I, "College and University Business Administration" (1952) are filed with the Texas Commission on Higher Education. The certificate of audit of the State Auditor is included if his report has been completed.

2. Salary Payment Report. On or before November 30, an itemized schedule is prepared of salaries and wages paid all employees for services during the preceding fiscal year out of any funds from any source or character

under the control and/or custody of the Board of Regents, showing for each employee the total amount paid from each source during the twelve months of the fiscal year, the title of the position held or kind of service rendered, and a summary of all expenditures by departments.

A monthly financial report is prepared by each business office and distributed to administrative officials.

Quarterly financial reports reflecting income receipts, approved budget changes, and expenditures are prepared by each business office and submitted to Central Administration.

Other reports, such as the quarterly report to the Bureau of the Census, are made from time to time as well as internal reports pertaining to estimates of income, budgets, etc., but only those considered essential to effective administration are requested from the institutional business office.

Annual Budgets

Annual budgets for all the component institutions are approved by the Board of Regents within the budget estimates of income prepared by the institutional business officer and the institutional head. General policies for the budget preparation are recommended by the President to the Board of Regents and are followed in preparing the budgets. The institutional head issues instructions and furnishes forms to the budget recommending officials. Their recommendations for salaries, maintenance and equipment, travel and other pertinent items are reviewed by the institutional head and transmitted, with his recommendations, to the President for review and final recommendation to the Board. Memoranda concerning general budgets applicable to all departments and agencies are also included in the completed budgets.

All academic personnel, except part-time Instructors, clinical assistants, teaching assistants or teaching fellows, and student assistants or graders are shown as line items in the budget. Full-time classified and non-teaching employees whose monthly salary rate is \$500 or above and all personnel who are employed in more than one department are shown as line items. All other classified and non-teaching salaries are either itemized or grouped in like position lump sum departmental salary accounts.

Lump sum reserves or unallocated accounts to provide for additional positions or increases in salaries and supplements to maintenance and equipment, are included in most of the budgets. As indicated in the Memoranda included in each budget having such an account, some of the commitments of these funds may be made by the institutional head and reported in the regular dockets, whereas other expenditures of the funds may be made only after recommendation of the institutional head and approval of the President and the Board of Regents.

Departments are expected to operate within the budget as finally adopted and any recommendations for transfers within accounts, or increases to meet emergencies, unless otherwise provided for in the Memoranda, are prepared on a standard change-request form and sent through administrative channels.

Biennial Budget Requests

The University submits biennial budget requests to the Texas Commission on Higher Education, to the Legislative Budget Board, and to the Executive Budget Office in the form prescribed, usually during the summer before a Regular Session of the Legislature. These requests are prepared in conformity with the same general procedures as outlined above for the annual budgets: (1) approval of budget writing policies by the Board of Regents

upon recommendation of the President; (2) preparation of the budget of expenditures in conformity with these policies by the institutional head; and (3) approval of the finished budget by the President and the Board of Regents. The estimates of income from all sources are prepared by the institutional business officer and the institutional head.

After the close of the fiscal year in which the biennial budgets are prepared, information as to expenditures for that year is furnished the State agencies listed above.

III. RECEIPT, CUSTODY, AND DISBURSEMENT OF MONEYS

Receipts, Cash Registers, and Admission Tickets

No department, division, or individual staff member is authorized to receive money in the name of the University without prior approval of the institutional business officer and institutional head.

An official receipt in the form prescribed by the institutional business officer is issued for all moneys received. Usually such receipts are numbered. Where the volume of sales justifies their use, cash registers are used with recording tapes listing the amount of each sale. When cash registers are not used, cash sales tickets or receipts include, if practical, the name of the purchaser, itemization and price of the articles sold. Admission tickets are pre-numbered, except for certain athletic events where the section, row and seat number are shown. Admission tickets and coupon books are purchased for delivery to the institutional business office and issued to the department concerned. Unused tickets or books are returned to the business office and all receipts from such sales are deposited in the business office as outlined later.

Deposits with Institutional Business Office

Money received by all departments from all sources is deposited in the institutional business office using an official form. The deposits are made daily if the receipts are \$50 or more, and weekly even if the accumulation is less than \$50. When cash is included, the deposit should be made in person by a departmental representative to whom an official receipt is issued.

Cash overages are deposited in the business office; notations pertaining

to cash over or short are included on the deposit form.

Petty cash funds for making change are provided only on approval of, and by arrangement of, the department with the institutional business officer. Petty cash funds from which disbursements will be made require the approval of the institutional head as well.

Deposits With the State Treasurer

The Appropriation Bill requires that all cash receipts at the Main University and at Texas Western College be deposited in the State Treasury with the exception of those from auxiliary enterprises, non-instructional services, agency and restricted funds, endowment funds, student loan funds, and Constitutional College Building Amendment Funds.

To facilitate the transferring of institutional receipts to the State Treasury, it is provided that each institution may open a clearing account in a local depository bank to which it deposits all such receipts daily. Not less than every five days, the institutional business officer makes remittances to the State Treasury in the form of checks drawn on the clearing account. The money deposited in the State Treasury is paid out via State warrants.

At its option, the University uses its local depository General Funds bank accounts instead of the special clearing account within the general requirements for deposits and transfers to the State Treasury.

The University, by law, is authorized with the approval of the State Comptroller to maintain Revolving Funds to facilitate the payment of nominal expenses - to pay bills within cash discount periods. When

authorized by the State Comptroller, the University may use the revolving fund for regular monthly payrolls as well as for weekly and special payrolls. Disbursements from the revolving funds are reimbursed from state appropriations on claims filed with the State Comptroller under regularly prescribed procedures. One voucher and one warrant may cover a number of claims for this purpose. Reimbursement claims must meet the same requirements as other claims against state appropriations. Each institution prepares a reimbursement claim as of the close of business on the last day of each month or more often as may be expedient to avoid maintaining large revolving funds.

The amounts of the revolving funds are determined by the Board of Regents, who designate a depository bank for each such fund, specifying persons authorized to sign checks drawn on such funds. Depository banks secure such revolving fund deposits as provided by law.

Local Institutional Funds

All local income, not required to be deposited in the State Treasury must by law be deposited in local depository banks for safekeeping. Depository agreements with the local banks are negotiated by the Comptroller with the assistance of the institutional business office and the institutional head and are submitted to the President and Board of Regents for approval.

Depository banks selected furnish adequate surety bonds or securities to assure safety of these funds. Local funds are deposited in the depository banks within five days from the date of collection. Such funds are usually carried as demand deposits; however, they may be carried as time deposits at a negotiated interest rate.

The Board of Regents and the institutional heads may not, by law, borrow money from any person, firm, or corporation to be repaid from local funds except as specifically authorized by the Legislature.

Charge Sales

The University is not allowed, by law, to sell property or service on credit.

Sales to Staff Members

Sales of University property may be made to staff members only after authorization by the Board of Regents with necessary details recorded in the Minutes.

Medical and Hospital Services

Medical or hospital service is not provided by component institutions without compensation or reimbursement to the institution, except in certain hospitals operated by the University which are open to the general public. In such hospitals, free or partly free medical and hospital services may be rendered but only to persons who are indigent and who offer proof that they are financially unable to pay all or part of their hospital or medical expense.

Vouchers for Expenditures

Vouchers for disbursement of funds are prepared in the departmental

offices at the Main University. They are signed by the head of the department, or someone recommended by him in writing and appointed by the Vice-President of the Main University, and such vouchers are approved by an authorized person in the auditor's office. At the other component institutions, vouchers are prepared in the business offices. They are prepared on State of Texas

Purchase Voucher Form, P-1, consisting of five copies as follows:

- No. 1. For State Comptroller (if paid from State funds)
- No. 2. For Board of Control (if purchased through Board of Control)
- No. 3. For Institutional Business Office
- No. 4. For Institutional Department (file copy)
- No. 5. For return with check to vendor (sent by business office with payment)

Vouchers are coded in the business offices within the approved expenditure codes and, if payable by warrant from the State Treasurer, with the proper expenditure classifications furnished by the State Comptroller.

If two or more invoices from the same vendor and chargeable to the same account are to be paid, payment may be by one voucher, even though covered by more than one requisition and/or purchase order except (1) separate vouchers are prepared for contract and non-contract invoices on purchases through the Board of Control; and (2) separate vouchers are prepared for invoices for purchases made through the Purchasing Division and Printing Division of the Board of Control.

Cash discounts and credits are shown in full on the vouchers and include the amount and number of the invoice, less discount or other credits, and the net amount. Explanations are made for all deductions. A red "Rush - Discount" tag is attached to the face of the voucher and, in such cases, they are handled separately from other vouchers in the business office.

Vouchers Payable from State Funds

When materials, supplies, and other items are purchased through the Board of Control, four copies of the Voucher Form are submitted to the business office and Copy No. 1 (or the attached invoice) must be notarized if the amount is more than \$50.

When purchases are not made through the Board of Control, all copies excepting Nos. 2 and 4 are submitted and Copy No. 1 (or the attached invoice) must be notarized, regardless of the amount.

Vouchers Payable from Local Funds

When materials, supplies, etc. are purchased through the Board of Control, Copy No. 3 becomes the original and Copy No. 1 need not be submitted. Notarization is required.

When materials are not purchased through the Board of Control, only Copies Nos. 3 and 5 are submitted, with Copy No. 3 as the original and notarization is needed.

Outstanding Checks

Outstanding checks are carried on the official accounting records for the two fiscal years following the year in which they are issued. (Example: if issued in 1953-54 they would be carried through August 31, 1956) Those still outstanding at the end of the second fiscal year after issue are cancelled and written off the official accounting records. Each business office is expected to make diligent effort to minimize the number of such outstanding

checks, particularly those in excess of \$10.

Institutional Membership Dues

University funds are used to pay membership fees only in educational, scientific or other associations of which the University is an institutional member, with the memberships approved by the institutional heads.

Payrolls

There are three general types of payrolls, those for (1) regular salaried employees; (2) weekly salaried employees; and (3) hourly salaried employees.

At the Main University payrolls for all regular salaried employees, except those for Auxiliary Enterprises, are prepared in the Payroll Division of the Auditor's Office. Vouchers and payrolls for weekly and hourly employees, and regular salaried employees in Auxiliary Enterprises, are prepared in triplicate on proper forms by the department concerned. They are approved by the head of the department, or someone authorized to sign for him, and include the name of the payee, accurate calculations of pay, as well as the account to which charge is made. Those covered by Workmen's Compensation Insurance are so indicated. Two copies are transmitted to the Payroll Division for processing.

At the other component institutions, all payrolls are prepared in the business office from regular budgets, appointment, forms and letters, time cards, etc.

If payment for regular salaried employees is for less than a month, the salary is figured proportionately on the actual number of days in a given

month, e. g., 28, 30, 31.

Deductions for income tax and teacher and employees retirement are made where applicable on all payrolls. At some institutions, hospitalization insurance is also deducted if approved by the Board of Regents.

Dates for distribution of salary checks vary at the component institutions and are announced by the business office.

Traveling Expenses

Authorization for travel at the expense of the University from the place at which officers or employees are regularly stationed is granted only when travel is on official business and when appropriate arrangements can be made for the work of the individual to be carried on without additional expense to the institution. Official business is defined to include specifically the formal presentation of original research before a national, regional, or state learned society, if approved in advance by the institutional head. However, travel expense authorization to attend such meetings or any other professional conference is limited to three persons from any one component institution, with certain exceptions in the case of multi-field scholarly organizations. Staff members whose usual duties do not require travel secure permission for official travel as follows:

1. The request for in-state travel for a week or less is sent, with reasons stated, through the departmental chairman or administrative official to the appropriate dean or administrative official for approval, if at the Main University. At the other component institutions, the request is sent through proper administrative channels for approval by the institutional heads.

2. The request for in-state travel for more than one week but not exceeding two weeks is sent through proper administrative channels for approval by the institutional heads.

3. The request for out-of-state travel not exceeding two weeks is sent through proper administrative channels to the President for approval and submission to the Board of Regents in the dockets.

4. The request for any travel in excess of two weeks is sent through proper administrative channels to the President and Board of Regents for prior approval by the whole Board or the Executive Committee of the Board.

Expenses are reimbursed only from funds appropriated or authorized for travel expenses and only after the travel has been authorized by the appropriate administrative official. Institutional heads are required to plan all authorized travel so as to realize a maximum in economy and efficiency.

Reimbursable travel expenses include transportation and a statutory per diem allowance in lieu of actual expenditures for meals and lodging. If travel is by personal car, reimbursement is at the rate of 7¢ per mile, computed on the basis of the shortest practical distance between the starting point and the destination. If travel is by public carrier, reimbursement is for the actual cost of the transportation, excluding federal taxes. A paid receipt for such transportation must be taken from the public carrier, whether payment is by cash or courtesy card, and this receipt must be attached to the travel expense voucher.

The statutory per diem in lieu of actual expenses for meals and lodging is fixed at \$7 per day for travel within the state and at \$9 per day for travel outside the state. For the purpose of this reimbursement, a day is defined as the 24-hour period from midnight to midnight. If travel is for a

period of less than 24 hours and does not involve an overnight stay, a partial per diem allowance is reimbursed at the rate of \$1 for breakfast, \$1 for lunch, and \$2 for dinner, the total not to exceed \$4. If travel is for a period of more than 24 hours, any fractional per diem allowance is reimbursed for one-quarter of the full per diem for each 6-hour period of time involved, beginning with the period from midnight to 6:00 a.m. A minimum of 2 hours of travel status is required for reimbursement for any one such quarter period.

In the case of out-of-state travel, the per diem reimbursable allowance of \$9 per day begins at the time of crossing the state line on the outward trip and ends at the time of recrossing the state line on the inward trip.

All travel reimbursement claims are submitted on standard expense account vouchers prepared by the State Comptroller. These vouchers report for each approved trip the point of origin and the destination, the mileage actually traveled (if by personal car), the exact time of departure and return, and the purpose of the travel. At the Main University, vouchers for travel expense reimbursement are prepared in the departmental offices in quadruplicate when payable from state funds and in duplicate when payable from local funds. Three copies of the state fund travel expense voucher are submitted to the business office with the original notarized and attached to the receipt for public carrier transportation (if any). One copy of the local funds expense voucher is submitted to the business office with the required receipt (if any) attached. At the other component institutions, the vouchers are prepared in the business offices from detailed information furnished by the person authorized to travel.

Freight and Express, Advertising, Postage and Box Rent, Telephone,
Telegraph and Subscription Vouchers

Vouchers for freight and express charges are, if practicable, made payable to the local agent but in the name of the transportation company. A careful check is made for damages or shortages and, if any, notation is made on the receipt of the transportation company before the shipments are accepted. The vendor is notified in writing when damages or shortages occur and a copy of the notification is attached to the voucher when deductions are made on the invoice. In general, charges for freight and express are made against the same accounts as those charged for the purchase of the related materials.

Transportation charges for purchases at delivered prices (f.o.b. destination) cannot be paid by the University. An acceptance is, therefore, not given the transportation company unless such charges are prepaid.

A copy of the advertisement, as well as the invoice and affidavit of the publisher, showing rates in conformity with State laws, are attached to vouchers for advertisements.

Vouchers for postage and postal box rent are made payable to the United States Postmaster. Postage stamps are available at a central supply center at most institutions. Where a postage meter is used by the institution, the use of stamps is limited.

Payment for telephone charges is handled at the Main University through the Office of the Director of Physical Plant. Inter-departmental vouchers are sent to the department being charged and all long distance calls are carefully checked in the department before the vouchers are sent to the Business Office. At the other component institutions, the vouchering and

checking is handled through the business offices. Personal long distance calls must not be paid from institutional funds.

An itemized statement from Western Union showing the person to whom the message was sent and person sending it is attached to the voucher for payment.

Subscriptions to publications are vouchered after the first copy is received. This is noted on the voucher or invoice for payment, as well as the period covered by the subscription.

Supplies and Equipment

At most of the component institutions, stationery, office supplies and some other general supplies and equipment may be secured through an institutional supply center. Payment for such purchases is by inter-departmental transfer vouchers which originate in the office furnishing such materials. When supplies and equipment are purchased through the Board of Control, or are payable from local funds, the general regulations for preparation of vouchers are as outlined above.

IV. PURCHASING

Authority to Obligate Funds

Except for contracts signed by authorized administrative officials, the official purchasing agents have sole authority to obligate funds of the institution for purchases unless other arrangements are made and approved for the component institutions. The University can, therefore, assume no liability for payment of obligations made except as authorized.

Purchasing Ethics

All qualified, reputable bidders are given equal opportunity to submit bids on a uniform basis when competition is possible. No bidder receives special consideration or is allowed to revise his bid after the date for opening bids. Purchasing agents and their staffs may not accept gratuities or become obligated to individuals or firms seeking business.

Purchases of Supplies and Equipment

Purchases of supplies and equipment are made through the official purchasing agents of the component institutions unless otherwise authorized or as listed below. Purchases are made through the State Board of Control, except those payable (or reimbursable) from federal funds, trust funds, and auxiliary enterprise funds which are made direct if it is in the interest of the institution to do so. Such direct purchases are made through the official purchasing agents of the component institutions in the usual manner unless specific authorization to do otherwise is granted by the head

of the institution. An "Awards Book" of contracts entered into for supplies and equipment is published by the State Board of Control. Copies of this book, or information from it, can be secured from the purchasing agents, who also render assistance in securing bids as well as in preparing and processing requisitions.

Contacts with the State Board of Control

All contacts, whether oral or written, with the State Board of Control and with vendors are handled through the official purchasing agents unless advance written authorization is obtained from them or the business officers for other persons to do so.

Requisitions

Separate requisitions are made for: (1) State contract items purchased through the Printing Division of the State Board of Control; (2) State contract items purchased through the Purchasing Division of the State Board of Control; and (3) items to be purchased in the open market by competitive bids or otherwise.

Requisitions for supplies and equipment are prepared on the official departmental requisition form, approved by the chairman of the department, or other administrative official, and the original forwarded to the business office or other designated office for approval as to availability of funds and to the official purchasing agent for approval of the purchase. Requisitions show an actual or estimated cost and are numbered consecutively. Separate requisitions are made for purchases on the open market for each

class of items, such as hardware, electrical supplies, chemical supplies, etc. The department is furnished a copy of each purchase order issued against its funds by the purchasing agents.

Requisitions are not required for perishable items, automobile repairs which include both material and labor, and service charges which include only labor.

Requisitions for Space Leases

Space leases involving buildings must, by law, be approved by the State Board of Control and may not extend beyond the current biennium. A requisition is submitted to the purchasing agent and the lease completed prior to occupancy of any space for office, storage, or other purposes. The requisition must show: (1) type of space and purpose of its use; (2) approximate number of square feet; (3) location; (4) whether janitor service and/or utilities will be furnished by the lessor; (5) period of the lease; and (6) any other requirements. Proposals for space leases require approval by the President and the Board of Regents and lease contracts are signed by the University Comptroller.

Rental of Machines and Equipment

Requisitions for rental of all machines and equipment are required, by law, to be placed with the State Board of Control. They are submitted through the purchasing agents and payment of the rentals can be made only after approval of the requisitions by the Board of Control.

Purchase of Air Conditioning Equipment

It is the policy of the Board of Regents that expenditures for purchase of any new or additional air conditioning equipment are to be approved in advance by the Board or the President on recommendation of the executive head of the component institution. Because the installation or replacement of air conditioning equipment frequently involves special electrical installations, departments should secure the approval, in writing, of the Director of Physical Plant and/or the Business Officer before initiating a request for such equipment. When departmental funds are the source of the original purchase, installation costs, as well as maintenance and repair costs, are to be paid from departmental budgets.

Purchase of Stationery, Office Supplies, Stenographic Services, Mimeograph and Multilith Work, Printing, Books, Periodicals, and Magazine Subscriptions

Stationery, office supplies, stenographic services, mimeograph and multilith work are purchased by departments and administrative offices from the Stenographic Bureau at the Main University or from a central source of supply at the other component institutions. The department authorizes, in writing, certain persons to make such purchases.

Printing at the Main University is usually purchased by requisition from the Purchasing Agent to the University Printing Division, and at the other component institutions purchases are made as designated by the business officer.

Books, periodicals and magazine subscriptions, if payable from general budget funds, are purchased at the Main University through the University Library by the use of a book order card. Purchases from other funds at the

Main University and purchases at the other component institutions, are made by requisition through the purchasing agents.

Purchases from Employees

Purchases are not permitted from any officer or employee of the University unless the cost is less than that from any other known source and until approved by the institutional heads, the President, and the Board of Regents. Details of such transactions are incorporated in the docketts or Minutes of the Board.

V. PERSONNEL

Fidelity Bond

As approved by the Board of Regents, the University carries a blanket position (fidelity) bond which covers all component institutions. There is coverage of \$5,000. each for all employees and certain specific excess coverage for administrative and business officials. The premium for the bond is prorated to the component institutions on the basis of the number of employees covered.

Faculty and Classified Personnel

Appointments to the faculties of the component institutions are made upon recommendation of the chairmen and/or deans and approval of the institutional head, the President and the Board of Regents.

At the Main University such appointments are subject to the tenure rule providing professors and associate professors continuing appointment, except for unusual circumstances, and definite terms for assistant professors and instructors who, unless appointed prior to November 1, 1945, are subject to the "Up or Out Rule" as approved by the Board of Regents.

Appointments to the faculty in the summer sessions are made annually for a specified period and salary. No promotions, either in salary rate or rank are provided in the summer session and appointment extends only for the specified period.

A classified personnel system has been established for all the component institutions, except the Postgraduate School of Medicine which has a very small staff, covering all positions not entailing significant instructional responsibilities or responsibilities for administration of instructional or research

activities. The inclusiveness of these systems is determined by the institutional heads. The classified personnel systems include a schedule of class titles, job specifications for each class, a schedule of pay ranges, and policies and rules relating to personnel administration. There is a personnel officer at each institution, with the Director of Classified Personnel at the Main University serving as the general coordinator of all the programs.

Appointments of classified personnel are made on recommendation of the appropriate administrative officials and approval of the personnel officer and the institutional head or, within certain limitations, someone designated by him.

Affidavit

Every employee is required by law to execute an oath or affirmation to the effect that (1) he is not, and has never been, a member of the Communist Party; (2) he is not, and during the preceding five year period, has not been a member of an organization, etc. which has been designated by the Attorney General of the United States as totalitarian, fascist, communist or subversive; and (3) he is not, and during the preceding five year period, has not been a member of any "Communist Political Organization" or "Communist Front Organization."

It is the responsibility of the institutional business officer, and through him the responsibility of the institutional head, to ascertain that each new employee has executed the oath before assuming the duties of his position or receiving compensation. The copies of the executed oaths are kept accessible at all times for public inspection.

Political Aid and Legislative Influence

Each employee, under State law, is furnished a copy of the following paragraphs from the current Appropriation Bill by the institutional heads:

"Sec. 4. Political aid and legislative influence prohibited.

None of the moneys appropriated by this Act, regardless of their source or character, shall be used for influencing the outcome of any election, or the passage or defeat of any legislative measure. This prohibition, however, shall not be construed to prevent any official or employee of the State from furnishing to any member of the Legislature, or to any other State official or employee, or to any citizen, any information or facts pertinent to the official duties and responsibilities of the State agency he represents.

"No employee of any State agency shall use any State-owned automobile except on official business of the State, and such employees are expressly prohibited from using such automobiles in connection with any political campaign.

"Any employee who violates any of the provisions of this section shall be dismissed immediately from any employment by the State."

The bill also provides that a receipt for the above statement must be taken from each new employee. Failure of the institutional heads to take such receipts or have them accessible for public inspection is declared malfeasance in office by the bill.

Physical Examination

Each applicant for a regular salaried position is required by the Regents Rules and Regulations to furnish a report of a pre-employment physical examination and chest x-ray indicating physical fitness for the position for which he is applying. The chest x-ray is furnished by the component institution.

Withholding Exemption Certificate

Every employee must execute and file with the institutional business officer an Employees' Withholding Exemption Certificate before compensation can be paid, since the United States Treasury Department, Internal Revenue Service, requires collections of Income Tax on wages at the source. The deductions for taxes withheld is authorized by State law on payroll forms prescribed by the State Comptroller.

Employment of Aliens

Employees, other than those paid from trust funds, must be citizens of the United States, or have instituted naturalization proceedings, in order to be appointed for a longer period than 90 days unless their appointment is (1) for instructional purposes; (2) they are regular students appointed as student assistants or minor employees; or (3) they are appointed as nurses and medical or dental technicians at the Medical Branch, Southwestern Medical School, Dental Branch, or the M. D. Anderson Hospital.

"A regular student as a minor employee" is any student currently registered in the University who is subject to the Quantity of Work rule.

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Indebtedness to the University or the State

Neither salary payments nor any other payments may be made to an employee, his agent or assignee, who is indebted to the University or to the State until such debt is paid.

Nepotism - Employment of Relatives

The employment of relatives within the second degree of affinity or the third degree of consanguinity to any officer or member of any board making, voting for, or confirming the employment is prohibited by State law unless the person has been continuously employed for two years prior to membership of the relative on the board.

The University has imposed further restrictions on the appointment of relatives within the first degree of affinity and the second degree of consanguinity, according to the common law, as follows:

1. ~~Part~~time appointments. No relative of an administrative official concerned or of a person holding the position of Instructor or above in the department concerned may be appointed to a part-time position. No relative of a person holding a position of Instructor or above may be appointed to a part-time position with a monthly salary above the maximum rate for a Teaching Assistant, currently \$177.77 per month.

2. Full-time appointments. (1) No person may be initially appointed, even temporarily, when it is the duty of a relative on the University staff to act in some official capacity upon the appointment.

(2) No person, any relative of whom occupies a position of the rank of Instructor or higher, may be appointed even temporarily to the position of Instructor or higher.

(3) No person may be initially appointed, even temporarily, in any

department or similar subdivision if he has a relative in that department or subdivision holding the position of Instructor or higher rank.

(4) Where appointments are barred by the above regulations, relationship brought about by marriage after appointment is no bar to continuance of employment, except that, if a person of the rank of Instructor or higher marries another employee, after August 31, 1936, both positions may not be retained beyond the current fiscal year. Relationship brought about by marriage before September 1, 1936 is no bar to continued employment. Marriage of a staff member to a person who is not on the staff but is a relative of a staff member has no effect on either tenure or promotion.

Relationship is not a bar to honorary or non-remunerative positions.

These provisions apply to all programs administered by the Board of Regents, equivalence in salary being regarded as equivalence in rank.

Under these regulations, a person occupies his position from the date on which his employment begins until his connection with the institution is formally terminated and, in the case of 9 months' employment, includes the period between the close of a long session and the opening of the next long session as well as any period covered by a leave of absence.

Institutional heads, acting upon the affirmative advice of the Administrative Council at the Main University or the corresponding committee at the component institutions, are authorized to suspend these regulations in an emergency, with the suspension limited to the end of the current fiscal year. In extraordinary cases where the interest of the University will best be served, the Board of Regents may suspend the rule upon the recommendation of appropriate administrative officials except as to the appointment of a relative of a Regent, the President, or the institutional head.

Holidays With Pay

Faculty members on a nine months' basis observe the holidays for students as listed annually in the official calendars.

Regular salaried classified employees and other non-teaching personnel are allowed the following as holidays, plus such additional days as are provided in the Appropriation Bill and as approved annually by the President and the Board of Regents: New Year's Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. When any of these days falls on Sunday, the Monday following is observed as the holiday. When any of these days falls on Saturday, that Saturday is observed as the holiday. If employees are required to work on a holiday, it is considered overtime and the regulations there govern.

Employees on an hourly basis who have been employed continuously for six months or longer may be given the same holidays as regular monthly employees.

Vacations

Faculty members on a nine months' basis are regularly on duty during the long session except for periods listed in the official calendars of the institutions. Between long sessions they are not on duty except for summer appointments or emergencies but are expected to keep the institutional head advised of their addresses.

The vacation of classified and other non-teaching personnel on regular salaried basis is two calendar weeks for each full year of service. Individuals must serve six months before being entitled to any vacation allowance. Vacations are taken during the fiscal year in which they accrue, but unused vacation of any

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year may be taken the following fiscal year if such an arrangement is approved in advance by the administrative official and the institutional head. When a scheduled holiday falls in the vacation period, it is not charged to vacation allowance, and when proper notice of resignation is given, unused vacation is allowed in determining the date of termination. Unused vacation is retained upon transfer within the University or to another State agency if employment with the State is uninterrupted.

At the Medical Branch, special arrangements are made for hourly rated employees as approved by the Board of Regents.

Sick Leave

When a faculty member who has been employed a year or longer is ill, and it becomes necessary to employ a substitute for all or part of his work, appropriate arrangements are made through his chairman and dean with the institutional head.

In the Central Administration, the Main University, the Medical Branch, the M. D. Anderson Hospital, and the Texas Western College regular salaried classified and other non-teaching personnel are entitled to sick leave with pay, after six months' service, of one day for each full month's work. After continuous service of one year or longer, they are entitled to sick leave with pay to a maximum of 60 days in any one period of illness if the remaining staff in the department can carry the work load and if the sick leave does not exceed the total number of months of employment.

At the Dental Branch and the Southwestern Medical School, the rate is 12 hours for each full month's work, after six months service, with a maximum of 36 days, after a year or longer, and not to exceed the total of one and one

half times the total number of months of employment.

Each institution has its own procedure for reporting such absences.

Leave for Military Duty

A leave of absence not to exceed fifteen calendar days in any one calendar year is granted faculty or staff members who, as members of the National Guard or Official Militia of Texas, or members of any of the Reserve Components of the Armed Forces, are engaged in field or coast defense training, parade or encampment as ordered or authorized by proper authority. During such periods, the employee is absent without loss of efficiency rating or vacation time, or salary, and is restored to the position and status he previously held when relieved from military duty.

The institutional heads may prescribe forms and procedures for such requests.

Jury Leave

Necessary time off for jury duty is allowed without loss of pay or vacation leave.

Leaves of Absence Without Pay

With the interests of the University being given first consideration, and for good cause, leaves of absence without pay may be granted within the term of appointment. For a faculty member such leaves do not usually extend beyond two consecutive academic years, and for a classified or other non-teaching employee beyond the end of the fiscal year. Such leaves are

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requested through the departmental chairman and dean or appropriate administrative officials.

Leaves of Absence With Pay

There is no provision for leaves of absence with pay except as provided for holidays, vacation, jury duty, military leave, and sick leave.

Special permission to be absent on State's business may be secured by members of the faculty and staff whose usual duties do not require travel.

(See section on Attendance at Meetings) This permission to travel is obtained as follows:

- a. At the Main University requests for travel for one week or less (1) for in-state or out-of-state travel without expense to the University, or (2) for in-state travel, with expense to the University, to be reimbursed only from those funds appropriated or authorized for traveling expenses, are transmitted, with reasons therefor, through the departmental chairman or administrative superior to the appropriate dean or administrative officer for approval. At the other component units of the University such requests for travel are handled as under "b" following.
- b. Requests for travel for more than one week but not in excess of two weeks (1) for in-state or out-of-state travel without expense to the University or (2) for in-state travel, with expense to the University, are transmitted through proper administrative channels to the executive head of the component institution for approval.

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- c. Requests for out-of-state travel not in excess of two weeks, with expense to the University are transmitted through proper administrative channels to the President for approval and submission to the Board of Regents by the docket.
 - d. Requests for travel for a period in excess of two weeks, with or without expense to the University, are transmitted through the proper administrative channels to the President and to the Board of Regents for prior approval either by the Executive Committee of the Board or the whole Board.

Attendance at Meetings

Faculty and staff members whose usual duties do not require travel may attend meetings and conferences without loss of pay when such absence is on State's business and when appropriate provisions are made to carry on the duties of the individual without additional expense to the University. In general, not more than three persons from any one component institution may be approved for travel to any one conference or meeting. Permission for such travel, both in the State and out-of-state, is obtained in the manner outlined in the preceding section.

Office Hours

The work load of faculty members is arranged within academic schedules by the deans and institutional heads.

The work load of classified or other non-teaching employees on a full-time basis is a minimum of 40 hours per week, with all offices open from

8 a.m. to 12 noon and 1 to 5 p.m. Mondays through Fridays, except holidays, or such periods as defined by the classification of the position held and approved by the institutional head. Some offices may be open on Saturday mornings from 8 a.m. to 12 noon within the discretion of the institutional head.

Overtime

The schedule of activities is so organized that employees are not required to work in excess of established work periods except when operating necessities demand it. Equivalent compensatory time off for required over-time of at least one hour or more above established work periods is given employees whose salaries are below the minimum for a full-time instructor at all institutions except the M. D. Anderson Hospital and the Southwestern Medical School where definite salary limits are set. Overtime equivalent to a regular work week may be accumulated and compensatory time taken at a mutually convenient time, or payment may be made to eligible employees on a straight time basis from the budget of the subdivision in which the work is performed, upon approval of the appropriate administrative officials.

Full-time faculty members of the rank of Instructor or above are permitted to work a maximum of 10 hours per week overtime in government research projects upon recommendation of the chairman and dean of their respective departments, schools, or colleges, and with the approval of the project director and the head of the component unit and to receive extra compensation for such work at a pro rata of their regular full-time teaching salary rate.

Part-time faculty members of the rank of Instructor or above may be similarly approved for overtime work in government research projects subject

to a maximum combined (teaching and research) work load of 50 hours per week, compensation in the research project to be at a pro rata of the regular full-time teaching salary rate.

With rare exceptions, full-time employees on a twelve month salary basis are not permitted overtime employment on government research or other projects. In the event that such employment is approved, it is governed by the limitations stated above.

Outside Employment

Outside employment on a continuing basis for full-time faculty and staff members may be allowed when approved by the dean or administrative official and institutional head before the duties are assumed. This employment must be arranged so that it will not interfere with University duties, it must not adversely affect legitimate private agencies, and it must not be contrary to the interests of the State. Permission is requested and received for each fiscal year of such employment, and a report is made annually giving such details as requested within the institution. Faculty members on a nine months' basis are excepted from this regulation in the summer when they are not on duty, as well as professional staff members of the medical and dental institutions for whom special policies have been approved by the Board of Regents.

Outside employment is considered to be all employment to be compensated out of funds not under the control of the administrative and business officers of the University, whether paid by state warrants or University checks.

Acceptance of Money from Students

Faculty members of the rank of Instructor or higher may not accept pay from students for extra instruction. They may not collect fees or charges for institutional purposes nor sell books, notes, and supplies to students without advance approval of the Board of Regents. Teaching Assistants may, on recommendation of the departmental chairman to the dean and after his approval, receive pay for extra-class instruction in courses with which they have no connection.

Use of Textbooks Written by Faculty Members

Textbooks, notebooks, manuals, and other materials for use by students which are written or prepared by a member of a faculty of the University may not be prescribed for use or sold to students until after they have been approved, with reasons given, by the departmental faculty, the dean, and the institutional head. The request for approval must show the proposed prices and profits to the author, and approval must be secured for each fiscal year of use.

Employees as Students

Employees in the Classified Personnel programs in the teaching institutions may be granted permission to audit courses closely related to improvement of present or potential service to the University without payment of fees and during working hours upon approval of appropriate administrative officials.

If a full-time employee, enrollment for credit is permitted upon payment

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of fees and during working hours, and upon approval of appropriate administrative officials, up to a maximum of three semester hours during each semester of a long session and two semester hours in a summer term (three semester hours at Texas Western College) if the class hours can be conveniently arranged within working schedules. Regular employees who are on a part-time working basis may register for increasing course loads of six semester hours if three-fourths time; nine semester hours if half-time; and twelve semester hours if one-fourth time.

At the Main University, the Vice-President may make exceptions for faculty members if the registration is for a single course. Other exceptions must be approved by administrative officials and the Board of Regents.

Student Employment

The employment of students as Teaching Assistants and Assistants at the Main University is effected through the appropriate departmental chairman, dean and Vice-President in accordance with the Quantity of Work rule. The employment of students as classified personnel is handled through that office; notices of work available are listed with the Student Employment Bureau. That rule provides that the combined study and work load of an employed student may not exceed sixty hours per week, or sixty-five hours per week for a student whose grade average has been B or better in his previous semester or summer term of work. In arriving at the total combined work load, each class hour of course work carried is valued at three clock hours. Exceptions to this rule are rarely made and then only upon specific recommendation of the student's academic dean.

Such employment as is available to students at the medical and dental institutions is through appropriate channels under the personnel director or the institutional head.

Patent Policy

The following policy applies to patents by University employees where no specific contract to the contrary has been approved by the Board of Regents.

The title to the patent for a discovery or invention by a University employee belongs to the employee subject to the following provisions:

1. When total net royalties, or other compensations, are less than \$1,000, no payment to the University is required.
2. When net royalties, or other compensations, amount to more than \$1,000 but less than \$5,000, 10% of the excess of such royalties or other compensations over \$1,000 is paid to the University.
3. When net royalties, or other compensations, amount to more than \$5,000, the royalty or other compensation paid the University will be 10% on the amount above \$1,000 but less than \$5,000, and 20% on all amounts of \$5,000 or more.
4. Where contributions have been made to research projects by private donors, non-exclusive licenses on all inventions or discoveries resulting from such research are issued on a reasonable basis without discrimination in favor of or against those making contributions in aid of the research.

The institutional head prescribes forms for making such reports.

Proportional Salary Payments

Employees who distribute their time and duties between administration, activities relating to instruction, instruction and/or the management of auxiliary enterprises may receive their total salaries in proportional parts from such activities.

Full-time employees on a twelve months' basis may receive not more than \$750 for correspondence and/or extension center teaching and may not receive additional salary for summer teaching. Full-time employees on a nine months' basis may receive not more than \$750 per year for correspondence course teaching during the fiscal year and/or extension center teaching during the nine months.

Changes of Status, Promotions, Resignations, and Dismissals

Changes of status and promotion of faculty members are ordinarily made only when the annual budget is adopted by the Board of Regents upon recommendation of the appropriate budget council or departmental head, dean and institutional head. A faculty member who resigns is expected to give at least sixty days notice of intention to resign. In case of dismissal, the procedure for hearings, etc. will be that prescribed by the Board of Regents.

Changes of status and promotion of classified and other non-teaching personnel, though ordinarily made when the annual budget is adopted, may be made when vacancies occur or new positions are created on recommendation by the appropriate administrative officials and approval by the personnel officer and the institutional head. Employees are expected to submit resignations in writing to their administrative officials at least two calendar weeks prior to

the effective date of resignation stating their reasons for resigning. In case of dismissal or demotion for good cause, the employee may appeal the action within a specified time for investigation by the personnel officer and report to the institutional head.

VI. STAFF BENEFITS

Modified Service

A plan for modified service, approved by the Board of Regents, for voting and non-voting members of the staff after the age of seventy has been in effect since 1937. A person is required to go on modified service at the beginning of the fiscal year following the year in which his seventieth birthday occurs. After twenty years service and after attaining the age of sixty he may elect to go on modified service. Persons appointed after the age of fifty and those who waived membership in the Teacher Retirement System are permitted to go on modified service after seventy only after specific approval by the Board of Regents, such approval being on a year to year basis.

A person on modified service is required to carry no more than one-half of his duties while on full-time employment. He may not serve on a budget council, he does not teach in summer sessions except to meet unusual department needs, and he may not have major administrative duties.

During the fiscal year in which the employee's seventieth birthday occurs and before the budget is prepared for the following year, and each year thereafter until full retirement, the budget council of his department, or the Administrative Council at the Main University or its counterpart at the other component institutions if he is not a member of a teaching department, reports to the dean or administrative official as to his fitness to fulfill his duties.

The annual salary for modified service is one-half the average full-time salary rate of the five years preceding the year modified service begins. Adjustments in rates are made for general changes in salary schedules when

approved from time to time by the Board of Regents.

In deciding when a person should retire from all University service and pay, consideration is given to his current capacity to work, service to the University, and amount of the annuity which he can receive from any state or federal retirement system then operative.

Teacher Retirement System

There are two types of members in the Teacher Retirement System:

1. Teacher members - employees occupying positions as teachers, clerks, administrators, supervisors and related occupations in educational institutions; and
2. Auxiliary employees - all other employees of educational institutions otherwise eligible, such as building attendants, carpenters, etc.

All employees of the University employed on a regular, full-time salary are required by law to participate in the Teacher Retirement System, which became effective for teacher members September 1, 1937 and for auxiliary members September 1, 1949, except persons eligible at those times who executed waivers within the period allowed by law and have not revoked such waiver if later permitted, and members of the Employees Retirement System about which information is given later.

Annual membership dues in the Teacher Retirement System are \$1 which amount is deducted from the first full monthly salary payment in a fiscal year. Members contribute five per cent of their salary up to and including \$3,600 per year, with a maximum contribution of \$180 per year, which amount is deducted from the monthly salary payment. The contributions are sent monthly by the Business Offices to the Teacher Retirement System. Each year members receive a statement from the Teacher Retirement System, through the

business offices, of their total contributions, plus accumulated interest through August 31 of the preceding year. Within the provisions of the law, the State also contributes to the member's account. The total of the member's contribution, plus accumulated interest, plus the amount contributed by the State is used to determine actuarially the annuity payable at retirement.

When a member leaves the employ of the public schools of Texas, he may withdraw the amount of his contribution, plus accumulated interest, upon application, or he may leave the funds at interest for not more than five out of six consecutive years during which period he pays the annual membership dues of \$1. If a member dies before retirement, his contributions, plus accumulated interest, are paid to his beneficiary or estate.

Eligibility for retirement benefits is as follows:

1. With 20 years creditable service upon reaching age 60;
2. With 25 years creditable service, a member who has permanently left the employ of the public schools of Texas is eligible at age 60;
3. With 30 years creditable service regardless of age. The law also provides that any member with thirty years creditable service, even though he has not retired, may designate a beneficiary and select a retirement option which shall become effective and payable immediately in the event of the member's death while still engaged in active service with his institution.

Creditable service consists of membership service and prior service. For teacher members, prior service is that before September 1, 1937, and membership service that earned since that date. For auxiliary employees, prior service is that earned before September 1, 1949 and membership service that earned since that date.

There are several options under which retirement benefits may be drawn which take into account the member's total credits from his contributions plus accumulated interest and the contributions of the State including his prior service allowance. The details of these plans are complicated and changes

from the original law have been made in various legislative sessions since the effective date of the program. Therefore, specific information on these points should be secured from the Executive Secretary of the Teacher Retirement System, although the business offices will provide such assistance as is possible.

An act providing for a system of reciprocal service between members of the Teacher Retirement System and the Employees Retirement System was passed by the 54th Legislature, which gave effect to a State Constitutional amendment passed at the November, 1954 General Election. This act permits a member of either retirement system to accumulate retirement credits for eligible service rendered under both retirement systems. Information concerning the procedure to be followed in securing such retirement credits may be obtained from either retirement system office or the institutional business office.

Employees Retirement System

There are relatively few employees of the University who are members of the Employees Retirement System since they are no longer eligible for initial membership in this system. Only those who were eligible between September 1, 1947 and August 31, 1949, and who did not waive membership as of September 1, 1947, are now members. Beginning September 1, 1949, new employees who would previously have been eligible for this plan became eligible for membership in the Teacher Retirement System as auxiliary employees.

Annual membership dues in this system are \$2 which sum is deducted from the first monthly salary payment in a fiscal year. Contributions of

employees are five per cent of the salary up to and including \$3,600 per year, with a maximum of \$180 per year deducted from monthly salary payments. The University contributes an amount equal to that of employees, payable from the same source as the salary. All contributions are deposited monthly with the Employees Retirement System and by law are deposited by that agency with the State Treasurer.

Members' deposits are handled in the same way as in the Teacher Retirement System.

Provisions for membership and retirement requirements and benefits are quite similar to those for the Teacher Retirement System although fewer years of service are required for retirement. Prior service in this system is all creditable service prior to September 1, 1947, and membership service that which was earned since that date. Details as to retirement plans can be secured through the Employees Retirement System although the business offices will provide such assistance as is possible.

See last paragraph of preceding section for statement of reciprocity between the Teachers and the Employees Retirement Systems.

Group Life Insurance

The University carries a master group life insurance policy, covering all institutions, with the Aetna Life Insurance Company for a "One Year Term Plan." Premiums are payable annually, in advance, increase for each person with each year of age, and are payable entirely by the individual. The program is optional but is available only to full-time employees; new employees are notified of their eligibility by the business offices immediately after employment.

The amount of insurance available is equal to the annual salary, or nine months' salary for faculty members on that basis, to the nearest \$100, with a minimum of \$500 and a maximum of \$5,000, renewable annually by the individual. Coverage is adjusted with salary changes, at the option of the employee at the beginning of a fiscal year, but mandatory within the limits above on February 2 of each year, the anniversary date of the policy.

No medical examination is required if application is made for insurance within 90 days from the date of employment. After the 90 day period, an "Evidence of Insurability" form, prepared by the company and available through the business offices, is required. No medical examination is required if this form is accepted by the company after review, but, if it is not so accepted, the applicant must have a medical examination at his expense. Coverage is usually the date the application form is accepted by the business office but is subject to the conditions indicated above.

The annual rate for this insurance has for many years been 34% of standard rates. Examples of the present annual premium rate for each \$1,000 of insurance are as follows:

At age 20	\$ 3.87
At age 30	4.24
At age 40	5.18
At age 50	9.09
At age 60	19.40
At age 70	43.12

Premiums are collected by the business office according to statements sent to the policy holders from that office. Premiums must be paid before January 31 each year.

Beneficiaries are designated by the policy holders on the application forms and may be changed during the life of the policy upon application to the business offices. Each policy holder receives a certificate issued by

the company and transmitted through the business offices.

Policy holders who go on modified service under the Rules and Regulations of the Board of Regents may continue the policy in the amount held at the time of going on modified service or may have it reduced to conform to the modified service salary. The plan selected at that time cannot be changed later.

A policy holder who is less than 60 years of age and who becomes permanently and totally disabled, may receive the face amount of the policy in accordance with one of several options. There are no disability benefits after age 60.

Benefits at death are payable according to one of several options. Upon notification of the death of a policy holder, the business office assists in the preparation of the required records to be sent to the company.

Participation in the Group Life Insurance Program automatically terminates when employment terminates unless the policy holder retires under the provisions of the Teacher Retirement System or the Employees Retirement System or unless he converts the group policy into one for regular individual life insurance. This conversion may be made, without a medical examination within 31 days of termination of employment, to any regular individual life insurance policy, except term insurance, customarily issued by the company.

Group Hospitalization Insurance

All employees who are working at least half-time are eligible for the group hospital, medical and surgical care insurance, and the catastrophic illness endorsement carried with the Group Hospital Service, Inc., Dallas. Blue Cross hospital insurance is the basic coverage to which Blue Shield for medical and surgical benefits, and catastrophic illness endorsement may be

added at the member's option.

Participation in the plan is voluntary and enrollment is at a specified time at each institution. Definite information as to the date of such enrollment is available from the business offices.

An employee and his dependents (wife or husband and unmarried children between the ages of 45 days and 18 years) are classed as members and unmarried children between the ages of 19 and 25 are classed as sponsored dependents. A medical examination is not required, but the benefits are not available for treatment for physical conditions existing before membership.

A membership agreement is sent members by the company showing the type of insurance, effective date of coverage, and number covered. Membership continues without renewal application as long as employment at the University continues and premiums are paid, although it may be terminated by the member with thirty days notice and by the company at the end of a contract year. It may continue after the member leaves the institution or retires when appropriate arrangements are made. Premium payments are by payroll deductions monthly or by semi-annual payments to the business offices as determined at the component institutions.

Benefits may be received at any hospital registered with the American Medical Association with some restrictions on those in Texas which are not members of the Blue Cross Plan. Benefits are listed on the membership agreement and are available to each member for 30 days, with one-half the benefits available for an additional 90 days, in each contract year, except for maternity care which is limited to 10 days in each contract year.

Workmen's Compensation Insurance

The Workmen's Compensation Insurance Program is on a university-wide, self-insuring basis, financed by setting aside not more than two per cent of the annual payroll of covered employees, and provides certain benefits for injuries sustained on the job. These benefits include payments for reasonable medical aid, hospitalization, etc.; total or partial incapacity; specific losses; and death.

The Director of Workmen's Compensation Insurance, in cooperation with other university officials, investigates accidents and injuries, and endeavors to develop, publish, and enforce safety rules and regulations. His office keeps a complete record of all injuries on the job and is responsible for reporting on them to the Industrial Accident Board.

All employees whose names appear on the payrolls are eligible except:

1. Administrative staff, including officers of the administration;
2. Teaching staff, research staff, clerical and office employees and supervisory staffs unless hazardous work is required, such as handling or working in close proximity with dangerous chemicals, materials, machinery or equipment; working in a dangerous area; performing manual labor; traveling regularly; or being exposed to hazards of occupational disease; and
3. Persons paid on a piece work basis or any basis other than by the hour, day, week, month or year.

Eligible employees who do not wish coverage may waive all rights to the benefits at the time of appointment. However, the waiver may be revoked at any time during continuous employment and the employee covered by insurance 30 days after the application form is signed, upon taking the necessary physical examination and being certified as physically fit.

A physical examination by a designated physician is required for all persons to be covered and, before the individual's name can be placed on the payroll, the executed original of the examination form must be filed in the

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Workmen's Compensation Insurance Office. The Director furnishes a list of physicians for these examinations which is approved by the Board of Regents. A fee of \$3 is paid for each examination. Persons who fail to pass the physical examination cannot be covered by the insurance. They may be employed only after signing a waiver of all rights and if the institutional head and nominating official approve.

A notice of coverage is signed by all employees who are covered, with the original filed in the Director's office before a name is placed on the payroll. All personnel forms and payrolls include pertinent information on Workmen's Compensation Insurance by a symbol or other notation.

The percentage of the annual payroll, within the two per cent mentioned above, is approved by the Board of Regents, and the amount is set aside from available appropriations other than itemized salary appropriations. Each business officer prepares and sends to the Comptroller of the University at Austin a monthly report of covered employees showing the source of their salaries and, if from local funds, enclosing a check for the amount due. The Comptroller of the University deposits these checks in a local depository bank and requests the State Comptroller to transfer the amounts due on payrolls paid from State funds to the Workmen's Compensation Insurance Fund in the State Treasury.

Physicians are designated for treatment and care of injured employees upon recommendation of the Director and approval of the President and the Board of Regents and are called for treatment when possible though other competent physicians may be authorized for treatment at the request of the employee. Emergency treatment, however, may be provided by any available physician and at any hospital, including institutional health centers or

hospitals. The physician in charge chooses the hospital except as indicated for emergency treatment. The designated physician authorized to treat injured employees files a Surgeon's Report with the Director when treatment is first given. Fees for services rendered should be reasonable and fair commensurate with services performed. They are, by law, subject to control of the Industrial Accident Board.

The supervisor of a covered employee, injured during the course of employment, must file a complete report with the Director whether or not time is lost from work. If time is lost, a supplemental report is filed when the employee returns to work. When the time lost is over 60 days, this report is filed at the end of each 60 day period. The same form is used if the employee is disabled later due to the original injury. In the event of death of the injured employee, the form is filed immediately.

The supervisor is also responsible for keeping in close touch with injured employees and their attending physicians and investigating medical attention to see that unnecessary aid and visits are avoided. He approves the statement from the physician as to services rendered although not actual charges for treatment.

Compensation paid is in lieu of salary and wages and the employee's name is therefore dropped from the payroll when he is unable to work after injury, and is not returned to the payroll until he is back on the job after certification by the attending physician.

The compensation for a covered employee injured in the course of his work is equal to 60% of the average weekly earnings for the 12 months immediately preceding injury though not more than \$25 nor less than \$9 per week. Compensation to an employee on less than a full work day basis is not more than 60%

of his average weekly earning, with the same maximum of \$25. Compensation is not paid for incapacity of less than one calendar week unless incapacity continues for 28 days at which time the compensation is paid for the first seven days. Benefits may be paid for no longer than 401 weeks from date of injury for total incapacity and no longer than 300 weeks for partial incapacity for work. For specific injuries, the Director has information available on request. In case of death, benefits are computed on the basis of 360 weeks from injury.

Payment for physical examinations, medical aid, hospitalization and compensation is through the Workmen's Compensation Insurance Office.

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VII. PHYSICAL PROPERTIES

Use of University Property

University property is to be used only for official business. Only Library books and other items of similar nature of well-established use may be used for the personal benefit or pleasure of employees. A Property Manager is designated at each institution.

Inventories

An actual physical inventory of University property is made each fiscal year in accordance with the Law enacted by the 52nd Legislature. The institutional head is responsible for forwarding a statement describing the method of verifying the inventory within 45 days after the inventory date set for the University.

Department heads are initially responsible for all University property in their care and for the taking of the inventory on the prescribed record forms. The report is prepared in the department in triplicate, one copy being kept for departmental files and the original and one copy forwarded to the business office or other designated office.

Inventories as of August 31 include all equipment on hand and vouchered for payment, listed at cost plus freight. All non-consumable property valued at \$5 or more per unit is equipment subject to inventory. Items which are worn out or discarded are listed as charged off in accordance with instructions furnished.

Additional information with reference to inventory procedures may be obtained from the Business Office.

Motor Vehicles

Any motor vehicles permitted under State law to be owned and operated by the University are used only on official University business. Each vehicle carries an inscription on both sides as prescribed by law. As required by statutes, a daily report is prepared by the person using the vehicle on the forms approved by the State Auditor and is filed with the office of the institutional head within ten days after use of the vehicle. The operators of University-owned vehicles must hold, at their expense, an appropriate license for the type of vehicle operated. University-owned vehicles are subject to the compulsory inspection required by law. All regulations must be strictly complied with since there are penalties in varying amounts for violations.

Insurance on University Property

Policies with reference to insuring University properties are established by the Board of Regents. These policies determine both the perils to be insured and the types of properties to be covered. Individual insurance policies are negotiated by the Business Manager subject to approval by the Comptroller.

Use of Physical Facilities

Use of the physical facilities of the University is governed by the following policies: permission to use such facilities is granted only on specific approval of the institutional head and, when granted, involves joint sponsorship of the project or program by the University; in general,

only those programs are jointly sponsored which contribute directly to the educational objectives of the University; projects intended primarily to realize profit or private gain by a non-University group are not jointly sponsored; and projects involving political or sectarian gatherings are not jointly sponsored.

In each case where the University jointly sponsors a program or project, the fees, if any, to be paid for the use of an auditorium, gymnasium, lecture hall or other facility are determined by negotiation in accordance with an approved schedule and are specified in the agreement of joint sponsorship.

Keys to Buildings, Offices, Etc.

Keys to buildings, offices and other facilities are issued to the employee upon authorization by his chairman or administrative official. The Director of Physical Plant, or some other authorized person, has the immediate responsibility for handling keys and he issues instructions and outlines procedures as approved by the business offices and the institutional heads. A deposit is usually required for keys which sum is in turn deposited in the business office or auditor's office. The cooperation of the department heads is requested in requiring that keys are turned in at the termination of employment. Where a deposit has been required, refund is made to the employee upon turning in the keys.

Safe and Vault Combinations

The combinations to all vaults and safes used by the University are filed under seal with the institutional business officer or other authorized person designated by the institutional head.

Watchmen and Security Officers

Watchmen and other security officers are employed at the component institutions to protect and safeguard the property of the University. At the Main University, the watchmen carry clocks which are punched periodically each night during the course of their rounds. They are assigned specific buildings, with the supervisor cruising by car and checking on outlying buildings and grounds. The watchmen check for hazards of all kinds: fire, theft, vandalism, open doors and windows after hours, etc. Employees are urged to cooperate in the security program by exercising caution to safeguard the equipment and supplies in their offices.

Telephones

The Director of Physical Plant, and/or the institutional business officer, is responsible for the installation of telephones and the administration of all telephone facilities. University telephones are not to be charged for personal toll calls. Charges for telephones and toll calls are under the supervision of the persons named above.

Disposal of University Property

The Board of Regents must approve the sale or disposal of property valued in excess of \$500. The proceeds from such sales become the property of the University, as provided in the appropriation bill. Sale or disposal of property valued at \$500 or less is approved by the business office and/or the institutional head.

Transfer of Property

Property may be transferred from one State agency to another when it becomes surplus. The purchasing agents can advise departments and administrative offices as to the procedure to be followed in disposing of or acquiring property by this means.

VIII. PLANT IMPROVEMENTS

New Construction

New construction is approved by the Board of Regents upon recommendation of its Building Committee, the President, the Comptroller, the institutional heads and the faculty building committees. Since 1948, the Board has had a contract with a consulting architect for all new construction at the Main University and the Medical Branch. As occasion warrants at all component institutions, appointment of architects and/or associate architects is made by the Board.

The faculty building committees at most of the institutions study their needs and make recommendations through administrative channels as to the priority of buildings, location of buildings, suggestions as to size, style, mechanical equipment, etc. The Comptroller is ex-officio a member of all faculty building committees.

After the Board of Regents approves the construction of a new building, appropriates funds for that purpose, and authorizes the preparation of preliminary plans, the procedures are as follows:

1. The institutional head appoints a representative of the department or division concerned to serve as a member of the faculty building committee in planning the building.
2. The faculty building committee prepares an outline of the needs of the building, with the consulting architect or his representative meeting with the group to discuss plans when necessary.
3. The consulting architect prepares preliminary studies, including plans, elevations, exterior designs, cost estimates, etc.

4. The Board of Regents approves the preliminary plans and estimates of costs upon recommendation of the faculty building committee, the department or division concerned, the institutional head, the Comptroller and the President, and, with the advice of the consulting architect, the Comptroller and other administrative officials, selects an associate architect to prepare final plans and specifications.

5. The associate architect meets with the faculty building committee, the Comptroller and others, the consulting architect or his representative being present on occasion.

6. The Board of Regents approves final plans and specifications, through recommendation of their Building Committee, after approval by the faculty building committee, the department or division concerned, the consulting architect, institutional head, Comptroller, and President, and authorizes the Comptroller to advertise for bids. Advertisements for bids for permanent improvements must, under State law, be carried for four consecutive weeks.

7. The Comptroller receives and opens the bids, and then he together with the consulting architect, associate architect and others tabulate and study bids at the appropriate time and make recommendations to the Board of Regents through their Building Committee.

8. The Board of Regents awards contracts, and the contract documents are prepared by the associate architect, checked and approved by the Comptroller and the University Attorney, and signed by all contractors involved and the Chairman of the Board of Regents. Work orders are then issued by the associate architect.

9. The Comptroller approves contractors' estimates, signs change orders, and provides general supervision of all new construction for the University.

He advises the Board of Regents, through its Building Committee, if developments during construction require additional funds or other decisions are required of the Board.

10. The Board of Regents appoints a committee from its membership and/or administrative officials to inspect the completed building and recommend final acceptance.

11. Final payment is made to the contractors only after approval of the above committee, the associate, and the consulting architects.

Minor Repairs and Remodeling

Minor repairs and remodeling of the physical plant are made under the supervision of the Director of Physical Plant and/or the institutional business officer at the component institutions, with the approval of the institutional head.

Major Repairs and Remodeling

Contemplated major repairs and remodeling of the physical plant which involve proposed expenditures of \$20,000 or more are handled as follows:

1. Recommendation by the Director of Physical Plant or business officer to the institutional head;
2. Recommendation to the President upon approval by the institutional head; and
3. The report, showing the approval of the President and the institutional head, is sent to the Comptroller to be forwarded, with his recommendation, to the Building Committee of the Board of Regents for action and recommendation to the full Board.

Expenses for such major repairs and remodeling are not to be incurred until after project approval by the Board of Regents except in emergencies when the above procedure may be waived by written authorization of the Chairman of the Board of Regents, the President or the institutional head.

IX. INVESTMENTS

The Permanent University Fund is the principal of the institution's endowment derived from University Lands and is invested, as required by the State Constitution, in U.S. Government Bonds, State of Texas Bonds, and certain types of Texas Municipal Bonds. The income from these investments is divided two-thirds to The University of Texas and one-third to the Texas A. & M. College after deduction of expenses of administration of the investments, supervision, geologizing, etc. The University's share of this income, plus the income from surface leasing on University Lands, constitutes the Available University Fund which is the only source of money for new buildings at the Main University and the Medical Branch at Galveston. The Available Fund, however, may also be used to meet operating expenses of these two institutions.

The investment of the Permanent University Fund is under the supervision of the Endowment Officer, the Vice-President for Fiscal Affairs, the President, and the Board of Regents.

Other trust and endowment funds from gifts and grants to the University for scholarships, research projects, and other purposes are also under the supervision indicated above. General investment policies and specific securities to be purchased for these accounts are recommended by the Endowment Office and approved by the Land and Investment Committee of the Board of Regents and the whole Board. A common trust fund has been established and is in operation for the collective investment of certain small trust funds, the income from this investment portfolio being allocated at regular intervals in proportion to the principal of the various accounts in the fund. Details as to trust funds can be secured from the Endowment Office.

X. AUXILIARY ENTERPRISES

Auxiliary Enterprises are those operated primarily for service to students and staff which are expected to be entirely self-supporting. Examples are residence halls, dining halls, student hospitals, student unions, and bookstores. Annual budgets for these activities are prepared and submitted through regular administrative channels and expenditures are within budgets approved by administrative officials and the Board of Regents. Income of Auxiliary Enterprises is not deposited with the State Treasurer, however, and any balances or deficits at the end of a fiscal year may be reappropriated for the succeeding year.

With the exception of intercollegiate athletic departments, to which the general and special provisions of the appropriation bill do not apply, the same regulations and applicable laws govern as apply to the budgeting and expenditure of general funds unless otherwise specifically authorized. The Board of Regents, upon recommendation of appropriate administrative officials, approves the regulations for the management and operation of athletic departments.

Rentals and related rates for dormitories and housing facilities are approved in advance by the institutional head, the President, and the Board of Regents. Rules and regulations for the administration of dormitories, other housing facilities, dining halls, and other eating facilities, are promulgated by administrative officials and the institutional head at the institution concerned. The money values of meals, lodging, and other services which employees are authorized to receive in lieu of additional wages or salary, are recommended to the institutional head by the business manager and approved by the President and the Board of Regents.

XI. RESEARCH CONTRACTS

Research contracts with outside agencies are recommended by the institutional head, and the Comptroller, and approved by the President or his designated representative before final ratification by the Board of Regents. Funds are not encumbered or expended under government contracts without the approval of the President or his designated representative.

Applications for research and development contracts, whether with government agencies or industry, are initiated by the faculty member who will direct the work. However, all such applications must be approved by designated administrative officials. If the work is to be financed by government agencies, the negotiations are handled with the advice and assistance of the Office of Government Sponsored Research and the applications are approved by the Director of that office. Under State law, a copy of all contracts between the University and the Federal Government is filed with the Secretary of State except those contracts classified in the interest of national security, in which case only a statement of the research project is filed.

Information as to overhead rates applicable to the type of contract to be entered into should be secured from the Office of the Comptroller or the Office of Government Sponsored Research if with government agencies and otherwise from the business officers.

Before final approval of any government-sponsored research contract, the Comptroller examines and recommends approval of the proposed overhead rate therein contained. Proposals as to overhead rates on cost-reimbursed contracts with the Army, Navy, and Air Force which are negotiated through the Army Audit Agency or other cognizant agency are worked out in preliminary form by the business manager concerned and are reviewed and approved by the Comptroller before being submitted.

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

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*No action -
Heavy docket and not a full
membership of Board.*

September 15, 1955

CONFIDENTIAL MEMORANDUM

TO: THE BOARD OF REGENTS

Dr. Boner has received the attached memorandum from Mr. Landrum, our Business Manager here at the Main University, and Dr. Boner has commented on it to me in his own memorandum as follows:

This matter, I believe, is one for the Board of Regents to determine. At present, San Jacinto Dorm's D and F are authorized for negro housing (unsegregated) and 2512 Whitis for negro women. Opening apartments to negroes would set a new pattern and pose certain social problems among the married students and their children. Similar questions occur as to dormitory space for undergraduate negroes. It is possible that admitting them to regular dormitories will make it difficult to fill the dormitories. This possibility is particularly serious in view of the coming of Kinsolving Dormitory and its large capacity.

All of this poses a problem which the Regents will need to discuss in executive session at El Paso. Incidentally, I am not entering this matter on the formal docket.

Logan Wilson

LW k
Encl.

MEMORANDUM
FROM
OFFICE OF THE BUSINESS MANAGER
MAIN UNIVERSITY

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PRESIDENT'S OFFICE, U OF T
ACKNOWLEDGED _____ FILE _____
REC'D SEP 14 1955
REFER TO _____
PLEASE ANSWER _____
PLEASE READ AND RETURN _____

DATE: September 14, 1955

TO: Dr. C. P. Boner, Vice-President
Main University

SUBJECT: APARTMENT HOUSING FOR NEGRO STUDENTS

Mr. McConnell has advised me that he has received an application from a negro for housing in University owned apartments.

I have advised Mr. McConnell to notify the applicant that we have no apartments available at this time.

We have a waiting list on our University operated apartments, and we do not have apartments available for white applicants. As you know, The Board of Regents have designated certain temporary buildings as dormitories for negro graduate students. The Board of Regents have not passed on the question about designating an apartment building for the housing of negro students.

It appears to me that this question should be discussed with The Board of Regents, and if it is found desirable, as a matter of policy, to designate a specific apartment building for the housing of negro students, then we would suggest that building #383, located at the southeast corner of the Deep Eddy site be designated for this purpose. If it is felt that additional apartment buildings should be assigned for use of negroes, then we should probably designate buildings #384 and #385.

So far as I know, the application received by Mr. McConnell is the first applicant we have had who is a negro, but I am sure this is only the beginning. If we are to house negroes in our apartment buildings, it is my recommendation that specific buildings be assigned for their use.

We would appreciate receiving instructions as to how we should proceed in the future in handling requests for apartments from negro students.



G. W. Landrum

cc: Mr. F. C. McConnell
Captain H. Y. McCown

GWL:sh

THE UNIVERSITY OF TEXAS
THE BOARD OF REGENTS

Copy

TOM SEAL, CHAIRMAN
MCCOY BUILDING
P. O. BOX 600
MIDLAND, TEXAS

VT

August 23, 1955

*Summarized
Proposed Policies*

Mr. J. Lee Johnson, III, Member
Board of Regents
The University of Texas
W. T. Waggoner Building
Fort Worth, Texas

Dear Lee:

Your most interesting letter concerning the nature of the entrance examinations to be given freshman students and student transfers in the fall of 1956 and subsequent years was received during my absence on vacation, and I am just now able to reply to it.

After reading the minutes of the faculty meeting of July 18, 1955, as referred to in your letter, I was just as concerned as you are about the tentative decision of the Faculty Council to limit the examination to an aptitude test instead of making the examination a composite of aptitude tests and subject matter examinations.

I immediately telephoned Dr. Wilson, who advised me that the Faculty Council minutes did not perhaps reflect the full intent of the council, and who assured me that while the proposed examination might be listed generally as an aptitude test, a substantial portion of the test would involve a subject matter examination.

A rough draft of the Faculty Council's proposed examination will be available for our study and scrutiny on or prior to our October meeting in El Paso, and all of us will have a full opportunity to go into the subject and to make certain that the text of the examination when completed in its final form will reflect the Board's over-all policy and intention as expressed at our last meeting.

I am sure the other members of the Board share your interest and mine, and Logan assured me that the aptitude test would include questions which would be in the nature of subject matter examinations on English, mathematics and science.

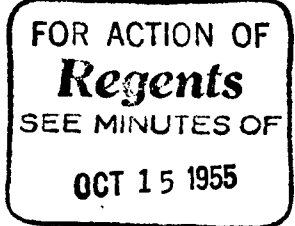
With personal regards.

Sincerely yours,

Tom Seal
Tom Seal

TS:
cc: All Regents;
Dr. Logan Wilson

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12



October 4, 1955

MEMORANDUM

TO: THE BOARD OF REGENTS

For your study in advance of the El Paso meeting, I am enclosing pertinent materials concerning proposed implementation of the selective admissions program. Please bring these materials to the meeting with you, with notations concerning any questions you wish to discuss in further detail.

Logan Wilson

LW k
Encl.

ADMISSIONS TESTING

INDEX OF DOCUMENTS, EVENTS AND PLANS

1. Adoption of new policy by Board of Regents, July 8, 1955. Minutes of Board of Regents, Meeting No. 548, pages 2 and 3; or excerpt quoted as part of Committee Report, page 1, submitted herewith.
2. Adoption by Faculty Council, July 18, 1955, and General Faculty of recommendations relating to new requirements.
3. Mailing to high schools and colleges of leaflets entitled:
 - (a) Preliminary Announcement of Revised Admission Requirements, dated August 10, 1955, Addendum C.
 - (b) Aptitude Tests for College Transfers, dated August 16, 1955, Addendum D.
 - (c) Aptitude Tests for High School Seniors and Graduates Who Apply for Admission to the University, Addendum E.
4. Report of special committee, dated September 30, 1955, including:
 - (a) Possible Effects of Selective Admissions on Enrollment, Addendum A.
 - (b) Copy of the proposed Bulletin of Information which will be sent to high schools and to applicants for test, Addendum B.
 - (c) Addenda C, D and E listed above.
5. Plans for the testing program, to be put into operation upon administrative approval.
 - (a) A letter will be sent to approximately 50 high schools or high schools and junior colleges asking cooperation in establishing testing centers. See Addendum B for tentative selection of centers.
 - (b) When testing centers are known, the Bulletin of Information will be printed. This in turn will be sent to all Texas high schools with one Test Application Blank, a covering explanation, and a blank for reply.
 - (c) When replies have been received from high schools, Bulletins of Information and Test Application Blanks will be sent in sufficient number for all applicants.
 - (d) As application blanks are returned a Test Center Assignment Card will be sent to each applicant.
 - (e) Tests will be given at successive dates in a decreasing number of centers as shown in Addendum B.
 - (f) Test results will be reported to students, to their high schools, and to the University Admissions Office.

REPORT OF COMMITTEE ON ADMISSIONS TESTING

Action of the Regents--

The following is quoted from the Minutes of the Board of Regents, Meeting No. 548, July 8, 1955, pages 2 and 3.

By adoption of this recommendation, it would become the expressed intention of The University of Texas to formulate a policy of selective admissions, based on merit and applied equally to all regardless of racial origin, and to institute this policy beginning with the academic year 1956-57. This policy of selective admissions - which will probably be based in part on entrance examinations given to all prospective students - is not intended to fix any overall student enrollment limitation figure but is designed to regulate the phenomenal yearly increase in enrollment in order that we may continue to procure and maintain a competent professional staff and physical facilities adequate for our enrollment without impairment of University standards in teaching, research and public services. Unless some kind of fair and equitable enrollment restriction is adopted, it definitely will be a financial impossibility and probably even a physical impossibility to cope with our rapidly increasing enrollment without seriously jeopardizing our educational standards with a resultant mediocrity in our education; such result would be unfair to those Texas boys and girls who have the ability and initiative and the required incentive to get the most out of a university education.

Proposed new requirements--

The General Faculty has recommended that (a) a satisfactory rank in high school graduating class, and (b) an acceptable score on a uniform aptitude test be added to existing requirements for admission to the University as an undergraduate.

The purpose of the new requirements is to exercise the control over enrollment voted by the Regents, and in accomplishing this purpose to provide a better basis for judging the probability that applicants for admission to the University will be successful in their work if admitted. The probability of success, in turn, will be a determining consideration in admitting or rejecting an applicant. Admission will be denied to applicants who have the least probability of success as far as this can be judged on the basis of available evidence. The cutting point between admission and rejection will vary with the number and qualifications of applicants and with the number to be admitted at any time.

The precise method to be employed by the Admissions Office in using the class standing and the test scores will be decided upon when studies to be made this fall have been completed. It is likely that most students with the lowest qualifications will decide not to apply on the basis of the new information to be given them, and that as a result in the next year or two, relatively few will have to be turned away by the Admissions Office.

Abilities measured by the tests--

It will be observed that the admissions tests are described as aptitude tests rather than achievement tests. As a matter of fact, however, the

tests do test achievement, but it is achievement which cuts across subject matter lines. Instead of testing abilities in each subject separately, the tests are directed toward measuring abilities which many subjects have in common. The abilities measured by the tests are roughly indicated by the terms usually applied to them--(a) verbal or linguistic and (b) numerical, quantitative or mathematical. They are abilities to do certain kinds of intellectual work. The test samples in Addendum B show concretely the nature of the abilities.

Although the tests measure learning in broad fields of intellectual activities, they are properly called aptitude tests when they are used as a basis for predicting future performance. They are useful because the abilities which they measure are essential for the kind of work which the University offers, and because of the tendency for performance in courses to vary with scores on the tests. Class standing is useful for the same purpose. Thus in 1953-54 nearly nine-tenths of the freshmen from the highest quarter of their high school graduating class passed minimum requirements, while only one-third from the lowest quarter made a similar record. In a study of another freshman group it was found that 89 per cent of the students having aptitude scores in the highest one-fifth of the class passed eleven or more hours of work, but that only 38 per cent of the students in the lowest tenth passed eleven or more hours.

The use of tests which yield comparable scores adds a great deal to the information which comes from the high school or previous college record. The tests serve as a kind of common denominator for all students. Previous record is very important but it is not sufficient. It is well known that programs of study vary widely and that marks from different schools and colleges have different values. Another contribution of the tests is that they call attention to able students who for one reason or another have not had an outstanding high school record.

Why not tests in specific subjects?--

The General Faculty discussed the use of uniform tests in specific subjects like algebra and chemistry for admission, but approved the use of aptitude tests instead. There is good reason for this. If used with aptitude tests, subject matter tests would give additional useful information, but it would not be in proportion to the expenditure of time and money necessary for such a program. Nor would subject matter tests be a good substitute for aptitude tests. If subject matter tests alone were used, it would be difficult to find a satisfactory common basis for judging the relative qualifications of applicants with different course backgrounds. There might be some difficulty also in predicting achievement in one field from achievement in another. If both types of tests were used, the program would be more complicated and more expensive than necessary. The program recommended is designed to provide at reasonable expense a common minimum basis for judging the qualifications of applicants to enter the University.

Tests in specific subjects are useful for guidance and placement. When used for this purpose, they may be administered after students come to the campus and may be chosen for the purpose which they are to serve. English and modern languages now make some use of subject matter tests for placement. English uses an aptitude test also. Chemistry uses aptitude tests without a subject matter test. Engineering uses a pre-engineering ability test especially constructed for its own field. If a state-wide testing program could be arranged in which various colleges and high schools would cooperate and share expenses, both aptitude and subject matter tests might be given in the high schools at reasonable cost.

There is another compelling reason for using subject matter tests for guidance and placement rather than for admission. The inclusion of these tests in an admissions program would be unfortunate from the standpoint of public relations. Better cooperation of high schools and colleges can be secured through the use of aptitude tests.

Trends in admission testing--

The action of the Faculty in choosing aptitude tests in the admission program is in line with practice and trends elsewhere. This is illustrated by practices of colleges and universities with reference to the College Board Tests. A tabulation of the use of College Board Tests by 154 "member colleges" shows the following "customary College Board Test requirements" for admission:

- (a) 93 (60%) require the scholastic aptitude test; an additional 59 (38%) require or recommend the scholastic aptitude test for certain candidates; only two do not use the aptitude test for admissions, and one of these two administers its own test;
- (b) 38 (25%) require one or more achievement tests; an additional 50 (32%) require or recommend achievement tests for certain candidates; 66 (43%) do not use achievement tests for admission. Thirty of the 38 requiring one or more achievement tests are located in the New England and Middle Atlantic States.

The National Merit Scholarship Foundation, recently organized and given wide publicity, will use aptitude tests only in awarding scholarships.

College Board Tests as a substitute for our tests--

Consideration has been given to the possible use of the College Board Tests instead of the University-administered tests. If the College Board Aptitude Tests were used, the University would be free from the task of administering the program, and the expense of the test (currently \$6.00) would be borne by the applicant. Such a solution is not as easy as it sounds. Undoubtedly, if taking the College Board Tests were made compulsory, there would be great opposition over the State, perhaps even to the point of legislative concern. In addition, the trouble and expense would probably discourage a considerable number of even good students from applying for admission. In competition for better students there should be no hurdles which seem unreasonable. This means that an applicant should be able to qualify for admission with the least possible inconvenience. Under the plan adopted by the Faculty an applicant may substitute the College Board Test for the University Test if he prefers to do so, but most students will probably find the University Test more convenient than the other.

College transfers--

During the first year at least, it is planned to accept for transfer students the results of approved aptitude tests administered in the regular program of the colleges from which the students are transferring. This will greatly reduce the problem of setting up testing centers and conducting tests under University auspices. Isolated cases can be handled by sending out a test to be given by a special examiner, who will be paid if at all by the applicant. If this plan proves unsatisfactory it can be changed as experience indicates.

Testing centers for high school students --

Testing centers will be established at convenient points over the state for high school seniors and graduates who wish to apply for admission to the University. The plan is for local schools (in some cases junior colleges instead of high schools) to provide testing rooms free of charge and to recommend examiners. The examiners will be paid a small honorarium (probably \$8.00) by the University. Three testing dates (February 4, May 12, and August 10, 1956) have been set. Addendum B gives a description of the testing program as it is being presented to high school students, their families and their advisers.

Addendum A lists some possible effects that selective admissions may have on University enrollment.

Estimates of cost --

The use of tests for admission will increase the cost of the University testing program. In the first place a shift in the purpose of tests from guidance and placement to admissions makes it necessary to take new measures to maintain the security and confidential nature of the materials. The Testing and Guidance Bureau will need more different test forms to provide for a more frequent change of materials than would be necessary if security were a less important consideration. It is more expensive also to administer tests at many centers over the State than it is to administer them on the campus.

In estimating costs it should be noted that the new program will transfer only a part of the testing to outside centers. Guidance and placement tests will still be administered to students after they arrive in Austin. In testing time the new plan will leave about one-half day of testing to be done on the campus, and of course at less expense.

The costs of testing during the current year will be abnormally high for the reason that it includes both our present campus program (augmented by the testing of transfers) and the beginning of the new program. The Bureau will have to stock additional supplies (some of them reusable in later years) and conduct the off-campus tests, all on this year's budget.

The costs of the admissions tests will be spread over different activities of the Testing and Guidance Bureau and some of them would be hard to segregate. To find the true cost it would be necessary also to compute the saving in the campus program. It seems adequate for present purposes simply to indicate the additions to the Testing and Guidance budget which the total program needs during the current year, and this is what has been done. The relation of the items to the new program will be obvious.

One other point needs to be made. The costs have been estimated with careful attention to two considerations: (a) the necessity for strict economy and (b) the need for a program that will be both adequate for the purpose it is to serve and also productive of favorable attitudes on the part of students, school administrators, and the public. For example, special attention has been given to a booklet to be widely distributed as an interpretation of the tests (Addendum B). It is planned that a large number of testing centers be established in order to avoid as far as possible the criticism that students have too far to travel and that students from small high schools are discriminated against. As applications come in, additional centers may be needed.

New funds needed--

The following new funds will be needed:

I. Add to Account 28202 (Test Scoring, Supplies and Miscellaneous)

1. For 6,000 Bulletins of Information	\$250.00
2. For Electrographic Pencils (These must be used with machine-scoring answer sheets.)	370.00
3. For Test Booklets, Answer Sheets and Biographical Data Sheets (Materials for testing 4,000 applicants. Includes a second-year supply of certain answer sheets which must be specially printed.)	1,000.00
4. Envelopes, wrapping materials, etc.	<u>50.00</u>
Subtotal	\$1,670.00

II. Add to Account 28203 (Office and Travel Expenses)

1. For IBM Cards and Tabulation Sheets	\$250.00
2. For communication, postage, and carriage of materials	1,200.00
3. For Sorter and Tabulator Rental Bureau of Business Research	200.00
4. Travel	<u>600.00</u>
Subtotal	\$2,250.00

III. Add to Account 28201 (Clerical Assistants)

1. For assistance in test scoring, clerical and office work	\$2,000.00
2. For examiners and assistants	<u>1,000.00</u>
Subtotal	\$3,000.00

GRAND TOTAL \$6,920.00

To keep the program going the Testing and Guidance Bureau will need a new staff member in test construction and statistics. The next budget will include a recommendation for this position.

The foregoing estimates of costs apply only to the Testing and Guidance Bureau and do not include any additional costs resulting from selective admissions in the Office of the Registrar, where admissions are handled. High School admissions requirements have in the past been

so simple that administration was primarily of a clerical nature. Now supervision on a higher level will be required to administer selective admissions. This change will result in some added costs which can best be determined at a later date on the basis of experience.

Committee:

L. D. Haskew
H. Y. McCown
H. T. Manuel
H. H. Ransom
W. Byron Shipp (Chairman)

Addendum A

Possible Effects of Selective Admissions on Enrollment

The long term results to be secured from selective admissions are quite firmly established. The experience of other schools indicates that selective admissions results in an actually larger supply of well qualified students.

It is impossible to predict with accuracy the immediate results of inaugurating a selective admissions policy. Listed below are some of the possibilities which can ensue:

- (1) The announcement of selective admissions and of the testing program may attract many of the better students who would normally go out of the State.
- (2) High school students who make an acceptable score on the test would be encouraged to come to the University because of the evidence that they can succeed.
- (3) The testing program can center a new degree of attention by students and high school principals upon The University of Texas.
- (4) The policy of selective admissions has already received, and should continue to excite, favorable editorial comment in newspapers.
- (5) Although some students will be denied admission, with accompanying dissatisfaction on their parts, the total number of denials will quite likely be very small. The University at the present time attracts a very small proportion of the poorest students.
- (6) The very thought of taking a test is frightening to some students. Also, a procedure such as that being announced will seem strange and forbidding to many students. At first, some able high school students may prefer to go to another college rather than take the University tests.
- (7) The testing procedures are new. It may not be possible to get high school students to take the tests on schedule the first year. However, experience in other states indicates that this difficulty will be overcome in later years.
- (8) It must be realized that those who wish to charge that "The University of Texas does not want high school graduates to enter" can use the requirement of tests to illustrate their charge. It is within the realm of possibility that a considerable body of opinion to that effect may be generated.

- (9) Tests of the character to be employed by the University are more familiar to students in larger high schools than to those in smaller schools. For a time it may well be that students from smaller schools will not take the tests in large numbers.
- (10) In estimating the effect of selective admissions upon freshman enrollment, it must be borne in mind that the available supply of high school graduates in Texas will not increase markedly before 1958-59. This statement does not take into account the fact that Negro undergraduates will become eligible for admission for the first time in September 1956. Some increase in enrollment will undoubtedly result from this new source.
- (11) One immediate effect seems certain. The new procedure will eliminate the possibility that the University may be swamped by a flood of poorly-qualified new students.

1955-56

ADDENDUM B

(Preliminary Draft of Bulletin to Be
Sent to High Schools and to Applicants for Admission)

THE UNIVERSITY OF TEXAS

ADMISSION TESTS FOR HIGH SCHOOL SENIORS
AND GRADUATES

BULLETIN OF INFORMATION

Testing and Guidance Bureau

The University of Texas

Austin 12, Texas

SUMMARY

WHAT A STUDENT NEEDS TO DO

There are four simple steps for a student who has a possible interest in attending The University of Texas:

1. Secure from the High School Principal or write directly to the Director of the Testing and Guidance Bureau, The University of Texas, Austin 12, for a Test Application Blank.
2. Give the information requested on the Test Application Blank and send it to the Director of the Testing and Guidance Bureau. The student will then receive a Bulletin of Information and a Test Center Assignment Card.
3. Examine carefully the Bulletin of Information in preparation for the tests.
4. Report to the assigned test center at the time set for the tests, present the Test Center Assignment Card to the examiner, and take the tests. A report of the results will be sent to the Student and to the Admissions Office of the University.

These steps have to do only with taking the tests. Correspondence concerning admission to the University may be begun either before or after the tests and should be addressed to the Director of Admissions.

CALENDAR

Testing Dates

The testing dates are Saturday, February 4, 1956; Saturday, May 12, 1956; Friday, August 10, 1956. The tests will be given in the forenoon of each testing date. Students will report at 8:30 A.M., and the tests will begin at 9:00. The centers in which the tests will be given are listed on pages .

Application blanks

Test application blanks will be distributed to high schools and will be sent to individual students on request.

Application dates

	For Test of Feb. 4	For Test of May 12	For Test of Aug. 10
Applications may be sent beginning.....	Dec. 1 1955	March 1 1956	June 1 1956
Registration for the test closes*.....	Jan. 23 1956	April 30 1956	July 30 1956

(*Applications for taking the tests at the University center in Austin will be received in emergency cases up to the day preceding the test.)

Correspondence

Address all correspondence concerning tests to Director, Testing and Guidance Bureau, The University of Texas, Austin 12.

TO THE STUDENT

General statement

Beginning in the fall of 1956, in addition to meeting other requirements, applicants for admission to the Main University must take aptitude tests. The aptitude tests will be used along with other information in selecting students who have, on the basis of the available evidence, the greatest probability of success in the University.

What tests will be given?

The University has its own series of aptitude tests for those who plan to apply for admission to the freshman class. Tests from this series will be given at University expense on the days listed in centers distributed over the State.

Results of the College Board Aptitude Test (administered by the Educational Testing Service, Princeton, N. J.) taken at the expense of the applicant will be accepted in place of the University aptitude tests.

A student who would be handicapped by blindness, paralysis, or similar disability in taking the test, and a student who through prolonged illness is unable to take the test at any of the dates specified should present a statement from the high school principal explaining fully the circumstances. The Director of the Testing and Guidance Bureau will explain the procedure to be followed in each special case.

What the tests measure

The tests are designed to measure two very general abilities needed in academic work. The first ability (known as verbal or linguistic) is the ability to work with words, to understand their meanings, and to see relations between the ideas which they express. The second ability (known as numerical or quantitative or mathematical) is the ability to work with numbers, to do simple mathematical operations, and to solve problems. You have been developing these abilities in your high school work and you will need them at the college level. They cut across different subject-matter fields and measure your achievement in more general terms than would examinations in separate subjects.

The use of this type of test does not mean that achievement in the subjects which you have studied is of less importance. On the contrary, what you have accomplished is a good indication of your future work, and full consideration will be given to your high school record. There is, however, considerable variation in schools and in the courses studied. The University aptitude tests permit you, your counselors, and the University to consider you and other applicants against a common background and with information on abilities useful in many subjects. The University prefers to use tests of subject matter for guidance and placement in the University rather than for admission.

Who should take the tests?

All high school seniors and graduates who plan to apply for admission to the University as freshmen should take the tests. Students who are undecided but

are considering the University are encouraged to take the tests. Students who plan to enroll in another college and to transfer later to the University should follow one of two plans. (a) If they plan to transfer to the University with less than a semester of college work or if they plan to attend a non-accredited college, they should apply for and take the University aptitude tests in the senior high school year. (b) If they plan to attend an accredited junior or senior college for a semester or more, they should take an approved aptitude test in the regular freshman testing program of the college which they attend. If later they decide to transfer to the University, they may use the results of this test, or they may take the University aptitude test for college transfers.

Which is the best date for the tests?

To give time for careful consideration of your college plans or for a retest if the first score seems too low, you should choose the earliest testing date listed. Then, too, since the number of centers is reduced after the first test, you may avoid unnecessary travel by choosing the earliest date. The possibility of having a retest and the fact that the test date will be recorded with your score should remove any fear that those who are examined later will have an advantage over you. The questions used on one test will not be made public for use in preparing for a later test. The sample questions listed later in this booklet will be sufficient introduction to any of the tests.

How to apply for the tests

Test application blanks will be distributed to high schools and will be sent to individuals on request. If you plan to apply for admission or if you have already applied for admission to the University, you should send in a test application. Remember that taking the test and applying for admission to the University are two separate activities and are handled by different offices. Furthermore, it is not necessary to wait for the tests before applying for housing.

When your application for the test is received, you will be sent a card authorizing you to take the tests at one of the testing centers. You should present

this card to the examiner when you report for the tests. The examiner will have a roster of the names of those to whom cards have been sent.

How scores are expressed

Scores of the different tests are converted into common units and expressed as a University Aptitude Test Score. These scores run from about 20 to about 140. They are not IQ's, and they are not percentages of the number of questions. You may get a rough idea of what they mean from the fact that the average University freshman in the fall of 1955 received a score of 80, and that the middle two thirds of the scores of this group ran from about 60 to 100. A score below 50 was in the lowest 7 per cent of the group, and a score above 110 in the top 7 per cent of the group.

If the percentile (not per cent) equivalent of a score is given, it shows your relative standing in some particular group. Thus if you are at the 10th percentile, your score is equal to or better than any score in the lowest 10 per cent of the group; if you are at the 25th percentile, your score is equal to or better than any score in the lowest 25 per cent of the group. If you are at the 50th percentile, your score is average; and so on.

Reports of test scores

The results of the tests are confidential. The University will give no publicity which will identify the scores of an individual student or school. Each student will receive a report of his own standing, and a report on the performance of their students will be made to high schools.

How test scores are to be used

The admission of students is the responsibility of the Admissions Office. The Testing and Guidance Bureau conducts the required tests and reports the results to the Admissions Office. There the test scores are considered along with other information to help select from the total number of applicants those who have the greatest probability of success.

Because different factors are considered in estimating the probability of success, care should be taken in interpreting the effect of any one factor. A low test score, for example, may be offset by a good high school record. Similarly, a high test score may call attention to students who because of handicaps have not been outstanding in their high school work.

Your use of the tests

The University wishes the tests to be of assistance to you in your own planning. It much prefers that students with the help of their families and advisors, make their own choice of the college or university which seems to offer the opportunities from which they can profit most. If you are in doubt and feel that it would be helpful to talk to a counselor in the Testing and Guidance Bureau before making a decision, you are most cordially invited to do so.

Here are some facts which may help you when considering the University of Texas. (These facts are based upon specific studies and will vary somewhat from year to year.)

1. Approximately three-fourths of our freshmen come from the upper half of their high school classes. Less than ten per cent come from the lowest quarter.
2. Only about one-third of the lowest-quarter students pass minimum requirements in their University work.
3. Students with low aptitude scores tend to drop out sooner and to make lower marks in their courses. In one group studied, 37 per cent of those whose aptitude scores were in the lowest one-tenth withdrew before the end of the first year. In the fall semester 62 per cent of the same lowest one-tenth passed less than four-fifths of a normal course load. Of those who were in the lower half of their high school class and also in the lowest one-fifth on the aptitude test, 73 per cent failed to make a satisfactory grade average in four-fifths of a normal course load.

The positive side

The high school record and the aptitude test score have a reassuring value also. Most of the students who will submit their records and take the tests will easily demonstrate that they are qualified for University work. Although there

is no definite line to separate those who have academic abilities high enough for satisfactory work and those who do not, the probabilities of success rise with an increase in abilities. To be conservative, one could say that a student can be confident of his ability to succeed with University work if he is in the upper three-fifths of his high school class and makes a score of 75 or more on the University Aptitude Test. (These figures are not intended to suggest a definite cutting point. Many students who have a somewhat lower standing will do well.) Success cannot be guaranteed to anyone; there are too many unknown factors. Some very able students fall by the wayside for one reason or another. More often than not it is, at least in part, a matter of motivation - the able student who fails simply wants to do something else more than he wants to study.

Motivation is partly a matter of growing up emotionally, partly a matter of having a long-time goal into which the University work fits, partly a matter of choosing work adapted to abilities and interests, and partly still other things. The Testing and Guidance Bureau is ready to help you choose long-time goals and fields of study adapted to your needs.

The admission tests are part of the effort of the University to continue and improve the high quality of its service to students and to the State. The University wants students, as many as its resources will permit, and it offers a warm welcome to those who enroll. It wants students of widely different backgrounds and interests who have in common a deep desire to make the most of their educational opportunities. It wants their stay here to be a satisfying and profitable experience.

TESTING CENTERS

Tests are scheduled for administration in the following centers on the dates checked.

(Note: No publicity should be given to these tentative choices. As yet no arrangements have been made.)

<u>Feb. 4</u>	<u>May 12</u>	<u>Aug. 10</u>	<u>City</u>	<u>Place</u>
X	X		Abilene	High School
X	X	X	Amarillo	High School
X	X	X	Austin	The University of Texas
X	X		Bay City	High School
X	X		Beaumont	High School
X			Bonham	High School
X			Breckenridge	High School
X	X		Bryan	High School
X			Childress	High School
X			Coleman	High School
X			Columbus	High School
X	X	X	Corpus Christi	Ray High School
X			Corsicana	High School
X	X		Cuero	High School
X			Dallas	Hillcrest High School
X	X		Dallas	Woodrow Wilson High School
X	X	X	Dallas	Highland Park High School
X			El Paso	High School
X			Ft. Stockton	High School
X	X		Ft. Worth	Arlington Heights H. S.
X	X		Ft. Worth	R. L. Paschal H. S.
X	X		Galveston	High School
X			Greenville	High School
X	X		Harlingen	High School
X	X	X	Houston	Lamar High School
X	X		Houston	San Jacinto H. S.
X			Houston	Stephen F. Austin H. S.

<u>Feb. 4</u>	<u>May 12</u>	<u>Aug. 10</u>	<u>City</u>	<u>Place</u>
X			Houston	Phyllis Wheatley H. S.
X			Kerrville	High School
X			Laredo	High School
X			Lampasas	High School
X	X		Lubbock	High School
X			Lufkin	High School
X			Marshall	High School
X			McAllen	High School
X	X		Midland	High School
X			Mt. Pleasant	High School
X			Palestine	High School
X			Pampa	High School
X			Port Arthur	High School
X			San Angelo	High School
X			San Antonio	Alamo Heights H. S.
X			San Antonio	Breckenridge H. S.
X	X	X	San Antonio	Jefferson H. S.
X			Snyder	High School
X	X		Temple	High School
X	X		Tyler	High School
X	X		Uvalde	High School
X	X		Waco	High School
X	X		Wichita Falls	High School

TAKING THE TESTS

General Directions

To give every student an opportunity to do his best and to provide uniform

conditions, the procedure for the tests has been carefully outlined. Students are expected to report promptly and to follow the directions given by the examiner.

Procedure

The examiner will tell you when to begin and when to stop work on a test. If you wish to keep track of the time within a test, you should bring your watch.

No test may be given at any time except that scheduled for the test. If you must leave the room during a test, you should secure permission from the examiner, but you will not be given additional time for the test. If the test cannot be continued, you may apply for a test at a later date.

Students are not permitted to bring books, papers, notebooks, or slide rules to the examination room. Scratch paper will be provided by the examiner. Special pencils and answer sheets must be used and will be distributed with other test materials.

Students will, of course, do their own work on the tests. If a student gives or receives assistance, the circumstances will be reported to the University.

Students must hand in all test materials, all scratch paper, and all written matter of any kind. No memoranda may be taken from the examination room.

Samples of test materials

The University will use a number of test forms differing in details but yielding comparable results. The following pages contain samples of materials such as will be found in the tests.

You will note that the samples of test materials represent a variety of approaches to the measurement of verbal and numerical abilities, and that questions relating to the same abilities are presented in different forms. More forms are given than will appear in the tests used in one testing period, but you should make sure that you understand all of them. Your purpose should be to

become so familiar with the mechanics of test-taking that you can give your full attention to the tasks set by the tests.

Use of separate answer sheets

The answers will be recorded on a separate answer sheet by marking up and down in the right place with a special pencil provided by the examiner. Suppose one test item is like this:

1. To inquire means to --
 (A) leave (B) tell (C) injure (D) ask (E) explain

On the answer sheet you would find blank spaces like this:

1.	A	B	C	D	E
	A	B	C	D	E
2.	||	||	||	||	||

Your first job is to read the question in the booklet, then to find the answer, and finally to record the answer on the answer sheet.

The question is number 1, and the answer is D (ask); so the answer sheet would be marked like this:

1.	A	B	C	D	E
				█	
				█	
	A	B	C	D	E
2.	||	||	||	||	||

Since the papers will be scored by machine, the marks must be heavy and glossy, and there should be no stray marks which the machine might count wrong.

How to do your best

When you are taking the test try to find the balance of speed and accuracy that seems best for you. There is no virtue in making mistakes fast. On the other hand, when there is considerable material to cover you should not waste your time. If you have more time than you need, you may go back and check your work. If you seem to be blocked on a particular question, you may go on and come back to it later.

Do not worry if you cannot answer all of the questions in the time allowed. No one is expected to make a perfect score. Remember also that your score on the test is only one of the factors to be considered by the Admissions Office. The best test score for you and for the University is simply the score which represents your best effort.

In taking multiple-choice tests such as these, many students are puzzled whether to guess. A good rule to follow is to avoid wild guessing (which may lower your score), but to take a chance when you have some basis for thinking an answer is correct even if you are not quite sure.

Preparation for test

Be sure you understand each type of exercise shown below and get some practice in using a separate answer sheet. Beyond this, there is nothing to do by way of preparation for the test - except to keep in good condition. Do not worry or get your feelings in such a state that you cannot give your full effort to the test when it comes.

Samples

The following are samples of materials such as are found in the University aptitude tests. Each item is given a number so that you can locate the answer and see how it would look on the answer sheet (p.). Remember that these are only samples, some easy and some hard, to show you the kind of questions to expect. They are not taken from the tests.

Word-meaning

In the first two questions, the task is to find the word which means the same as the first word:

1. just - (A) false (B) deep (C) fair (D) brave (E) young
2. paradigm - (A) pattern (B) parade (C) parable (D) plaque (E) platform

Sometimes a test requires one to find the word which means the same or the opposite of the first word:

3. swift - (A) long (B) queer (C) tired (D) pure (E) rapid
4. passive - (A) ancient (B) active (C) modern (D) sad (E) loyal
5. nigh - (A) far (B) agile (C) new (D) strange (E) famous
6. mild - (A) steady (B) thin (C) usual (D) gentle (E) happy

A word-meaning question may be written in such a way that the word to be found completes a sentence:

7. Water is a chemical compound; hydrogen and oxygen are called --
(1) mixtures (2) elements (3) molecules (4) atoms (5) electrons
8. The written document containing the basic laws of a state or nation is known as a (an) --
(1) statute (2) charter (3) declaration (4) constitution (5) ordinance
9. A statement exaggerated for effect is a (an) --
(1) hyperbole (2) analogy (3) anagram (4) hypothesis (5) fallacy

In other questions you may be asked to find a word that fits a definition:

10. Part of the germ plasm determining hereditary characteristics --
(1) cortex (2) medulla (3) mesoderm (4) petal (5) gene
11. A figure having many sides --
(1) ellipse (2) arc (3) polygon (4) angle (5) quadrant
12. The part of speech used to join sentences, clauses, phrases, and words --
(1) preposition (2) adverb (3) adjective (4) conjunction (5) substantive

Language usage: active vocabulary

Sometimes you are asked to think of a word which is identified in the answer only by the first letter of the word. Thus, instead of listing a number of possible responses as in the question --

Question: We drive nails with a --

- (1) saw (2) hammer (3) pencil (4) cup (5) book,

we might have used this pattern --

13. We drive nails with a --

(1) S (2) H (3) P (4) C (5) B

(The answer would be (2) H, for hammer.)

Now, try these:

14. The name given to frozen water is --

(1) L (2) I (3) R (4) O (5) C

15. The school subject devoted to a record and explanation of past events is called --

(1) B (2) K (3) R (4) T (5) H

16. The ability to read and write --

(1) L (2) W (3) H (4) N (5) D

17. The highest point of a mountain --

(1) G (2) Y (3) Q (4) P (5) E

In questions like these the numbers of the responses may be omitted and only the initial letters shown on the answer sheet:

18. The coldest season of the year -- F A R W S

19. A line showing the points on a map which have the same elevation --
C I S E T

Reading comprehension

The ability to read with understanding may be tested by having you read a paragraph and then answer questions on it. For example --

Probability is an important principle of everyday life. When we cannot be sure of a future event, we often make our plans on the basis of the probability that it will occur. Probability in turn is based upon past experience. Use of the principle of probability is illustrated by admission requirements. A medical school, for example, which can take only some of those who apply for admission will want to choose those whose

records and aptitude tests show the greatest probability of success.

20. According to the above paragraph, what is the basis for estimating the chances that an event will occur?
- (1) consultation of an authority (2) past experience
(3) waiting for it to happen (4) study of logical relations
21. Which of the following is the best reason for using the principle of probability?
- (1) It is mathematical (2) It is easy to apply (3) It gives a useful prediction of the future.
22. According to the paragraph, what interest does a medical school have in aptitude tests?
- (1) for estimating probable success of applicants (2) for counseling its students (3) for placing its students in sections according to ability (4) for giving scholarships.
23. Do most students who enter a medical school make high marks?
- (1) Yes (2) No (3) The question cannot be answered from the facts stated in the paragraph.

The ability to understand what you read may be tested by having you think of key words which have been omitted from sentences: Thus --

24. Obviously, the danger of a large (?) floating in the ocean disappears when it melts.
- (1) mine (2) iceberg (3) wreck (4) barge
25. The (?) of a word is sometimes of greater significance than its explicit meaning.
- (1) spelling (2) definition (3) opposite (4) connotation
26. We speak of a finished gentleman and in similar favorable language of (?) happiness.
- (1) consummate (2) pensive (3) oblivious (4) sagacious

Relations of words and figures --

In word relations (sometimes called analogies) the first word is to the second word as the third is to the fourth. Thus --

Air is to airplane as water is to boat.

In the following find the missing word:

27. Mother is to daughter as father is to (?)

- (1) man (2) home (3) boy (4) work (5) son

28. Pen is to write as knife is to (?)

- (1) sharp (2) cut (3) buy (4) carry (5) fork

29. Today is to yesterday as present is to (?)

- (1) time (2) tomorrow (3) past (4) future (5) soon

30. Happiness is to happily as care is to (?)

- (1) carefully (2) carelessly (3) careless (4) careful (5) carry






Figure analogies are based on the same principle: Thus:

Problem:  is to  as  is to 

The second figure was made from the first by turning it over; in the same way the fourth figure was made from the third by turning it over.

Remember that in items of this kind the fourth is made from the third in the same way that the second is made from the first. Now in each of the following find the figure which should go where the (?) is:






31.  is to  as  is to (?)

- (1)  (2)  (3)  (4)  (5) 

32.  is to  as  is to (?)

- (1)  (2)  (3)  (4)  (5) 

33.  is to  as  is to (?)

- (1)  (2)  (3)  (4)  (5) 

Numerical and mathematical questions

In the following series of numbers, notice how the series is formed and find the number which would come next:

34. 5, 10, 15, 20, 25, 30, (?)
(A) 31 (B) 32 (C) 33 (D) 35 (E) 40
35. 1, 6, 4, 9, 7, 12, 10, 15, (?)
(F) 13 (G) 14 (H) 16 (J) 18 (K) 20
36. 2, 4, 4, 6, 8, 8, 10, 12, (?)
(A) 12 (B) 13 (C) 14 (D) 15 (E) 16
37. 4, 5, 10, 11, 22, 23, 46, (?)
(F) 92 (G) 69 (H) 57 (J) 49 (K) 47
38. Subtract: 1.15 from 4.065
(A) 2.915 (B) 3.050 (C) 3.810 (D) 3.910 (E) 3.955
39. Multiply: $\frac{6}{9} \times \frac{3}{2}$.
(F) $\frac{1}{2}$ (G) $\frac{18}{11}$ (H) 1 (J) 2 (K) 3
40. Divide: $\frac{5}{2}$ by $\frac{2}{5}$.
(A) 1 (B) $\frac{10}{7}$ (C) $\frac{7}{10}$ (D) $\frac{5}{4}$ (E) $\frac{25}{4}$
41. Five is what per cent of 40?
(F) 8% (G) 12.5% (H) $\frac{1}{8}\%$ (J) 2% (K) 2.5%
42. If $a = 6$ and $b = 2$, find the value of X in the equation: $X = \frac{2a}{3b} (a-b)$
(A) 8 (B) $11\frac{2}{3}$ (C) 24 (D) 32 (E) 144
43. If oranges sell at two for 9 cents, what will $1\frac{1}{2}$ dozen cost?
(F) 72 cents (G) 76 cents (H) 81 cents (J) \$1.26 (K) \$1.62
44. Find the value of X in the equation: $3a - 6b = -3X$
(A) $a - 2b$ (B) $2b - a$ (C) b (D) $\frac{2b}{3}$ (E) $-\frac{2b}{3}$

45. Into how many 40 minute periods can you divide the time from 8:00 A.M. until noon?

(F) 4.5 (G) 5.25 (H) 5.5 (J) 6 (K) 8

(Following this will be an illustration of an answer sheet with correct answers indicated.)

**PRELIMINARY ANNOUNCEMENT
OF
REVISED ADMISSION REQUIREMENTS**

**THE UNIVERSITY OF TEXAS
AUSTIN 12**

August 10, 1955

Effective September 1, 1956, The University of Texas at Austin will require of applicants for admission as freshmen or college transfers a satisfactory standing in their previous high school or college work and an acceptable score on tests of scholastic aptitude. Other requirements, such as fifteen units of high school work, including certain required subjects, will remain unchanged.

Balancing Numbers and Resources

The reasons for this change are very simple. First, under present admission requirements the University is faced in the near future with enrollments which will exceed its resources. Second, the waste involved in admitting students who will be unsuccessful and disappointed should be avoided.

The University cannot maintain the quality of service which it believes the people want it to maintain unless it limits the number of students whom it tries to serve. The increased number to be expected without some limitation would require increased staff and increased building far beyond financial resources presently available.

The policy of limiting enrollment is thus a carefully considered move to continue and improve the educational service of the University to the State. It is the best solution which the University has been able to devise for a perplexing problem. It is a solution in which consideration has been given to the State educational system as a whole.

Addendum C

The Use of Previous School Record and Aptitude Test

Having adopted a policy of limiting the admission of students, the University next faced the problem of finding a plan for admitting students which would be fair to all and which would best serve the needs of higher education in the State. The answer in general terms was easy enough. Of the applicants for admission, it seemed entirely reasonable that the University should give preference to those who by the best available evidence had the greatest probability of success in the kind of work which the University offers. Such a plan bases opportunity on probability of success, a principle widely used in everyday life and generally recognized as consistent with democratic principles.

Estimating probability of success is inherently difficult—partly because some of the conditions which will develop cannot be known in advance. The best that can be done anywhere is to base a judgment on the evidence which can be made available. To sharpen its estimates of the probable success of applicants for admission, the University is adding to present requirements a statement of the quality of previous work and results of aptitude tests. Our own records, as well as experience elsewhere, show the relation of these factors to achievement. We have found that a large percentage of students who come to the University from the lowest quarter of their high school class or who rank lowest on aptitude tests fail to pass minimum requirements. Incidentally, their failure here does not indicate that they are hopeless students. As a matter of fact, all high school graduates belong to a selected group. What each one needs is an opportunity suited to his own abilities and needs. Through proper guidance many who would fail in one situation can undoubtedly be helped to success in another.

Motivation is one of the most important factors in college success. It is also one of the most difficult to judge objectively. Without motivation even the highest talent goes undeveloped, and with motivation less able people attain a high level of achievement. But motivation cannot do everything; abilities also must be considered. The University is aware of the role of motivation, and to the extent of its resources

will give opportunities to every applicant whose chances for success here are favorable, as judged on available evidence at the time of application for admission. Nor is a first failure final. A student may have a second test, and even if then the evidence of probable success here is insufficient, he will have another opportunity to qualify after satisfactory work elsewhere.

Tests to be Used

The tests to be used for admission are tests of scholastic aptitude, not tests in particular subjects like algebra, history or chemistry. They emphasize general factors which are related to academic success—ability to work with language and ability to work with number. They are not based on specific curriculum content. Nor will they yield intelligence quotients. They will simply test abilities which are essential to the kind of work which the University requires. No special preparation for the tests will be required. In supplementary testing, achievement tests will continue to be used for placement, guidance and advanced standing, but the tests to be used for admission purposes will be tests of general abilities which cut across subject matter lines.

Administration of Program

The tests for admission to the freshman class and for college transfers will be administered at University expense in centers distributed over the State. The first series of examinations will probably be held in January, 1956. Detailed plans are being formulated and will be fully announced at a later date.

If students or their families prefer, they may present results of the College Entrance Board Aptitude Test, a test administered in specified centers by the Educational Testing Service.

The program of admissions will be administered with the utmost consideration for the applicant. The purpose of the entire program is to give the greatest possible help to the individual student. In the testing every effort will be made to give every applicant an opportunity to do his very best. If a student has unusual handicaps such as blind-

ness or paralysis, special provisions will be made for handling his case. To relieve anxiety, and to equalize opportunities, an explanation of the tests with sample exercises will be distributed in advance.

After the tests have been given, the results will be treated as confidential information. There will be no publicity which will identify the scores of an individual applicant, school or college.

It will be observed that consideration of both high school record (or college record) and test score provides a useful balance of opportunity. Some students will do better on one than on the other. The tests will help to discover hidden talent among those who have worked through high school under difficulties, and a good record, even in a small high school, will help to balance a less favorable test score.

The effect of the revised admission requirements will be felt only gradually. It is not expected that during the first year, 1956-1957, the additional requirements will result in the rejection of any large number of applicants.

Special Provision for Students Entering Colleges in 1955-1956

Students who enter another college in the Fall or Spring Semester of 1955-1956 and who take the American Council Psychological Examination for College Freshmen (published by the Educational Testing Service, Princeton, New Jersey) in the regular testing program of their college may submit the results of this test in lieu of the University test if later they apply for admission to The University of Texas.

Further Information

Detailed announcements will follow in due time. In the meantime, inquiries concerning admission should be directed to the Director of Admissions, and concerning the testing program to the Director of the Testing and Guidance Bureau.

THE UNIVERSITY OF TEXAS
AUSTIN 12

August 16, 1955

Aptitude Tests for College Transfers

This memorandum is addressed to junior and senior college administrators and counselors to explain the procedures which the University will follow in administering the requirement of an aptitude test for college transfers. It applies to all applicants for admission to the Main University at Austin (except to the Law School or the Graduate School) who are seeking to transfer to the University from another college.

General Statement of Requirement

The requirement is simply that beginning in the fall of 1956 the applicant must present, in addition to the record of work at the college from which he is transferring, a score on an approved aptitude test. Both the college record and the aptitude test score will be used in selecting students who have, on the basis of the available evidence, the greatest probability of success.

Administration of Testing Program

1. The University will have its own series of aptitude tests for college transfers. A test in this series will be arranged at the University upon application by the candidate, or arrangements may be made to take the test at another college. If taken at the University, there will be no charge to the applicant. If taken by special arrangement at another college, the only charge (if any) will be that made at the college administering the test.
2. The University will accept in lieu of its own test the College Board Aptitude Test administered by the Educational Testing Service, Princeton, N.J.
3. The University will accept in lieu of its own test the score achieved on an approved aptitude test administered under standard conditions in the regular freshman testing program of any junior or senior college accredited by the Association of Texas Colleges or by one of the regional accrediting agencies. If the aptitude test score taken at the freshman level is for some reason too low and yet the record of the student in the college in which he enrolls is satisfactory for admission to the University, he will have an opportunity to remove the test barrier by taking at a later time the aptitude test which the University provides for transfers.

Addendum D

4. The University will announce as promptly as possible from time to time any changes in policy or administration which conditions dictate so that students who wish first to enroll in other colleges and later to transfer to the University may do so without fear that changes will be adverse to their interests.

5. Students who enrolled in another college prior to the fall of 1955 and who later apply for admission to the University will be exempt from the requirement of an aptitude test.

6. Students who enter another college in the Fall or Spring Semester of 1955-1956 and who take the American Council Psychological Examination for College Freshmen (published by the Educational Testing Service, Princeton, New Jersey) in the regular testing program of their college may submit the results of this test in lieu of the University test if later they apply for admission to the University of Texas. For guidance purposes only, counselors may assume that a score of 75 or above will constitute no barrier to admission. (It is recommended that for security reasons no publicity be given to the name or source of the test to be used or to any "cutting score.")

7. Recommendations of approved aptitude tests to be used after 1955-1956 under paragraph 3 above will be made at a later time.

Tests for Guidance

It is hoped that the aptitude test required by the University will be useful in helping students find educational opportunities suited to their needs. With better matching of need and opportunity, a student may look forward to a more satisfying college experience. With numbers limited to its resources and with students selected on the basis of probability of success, the University, in turn, may look forward to a greater service both to those who are enrolled and to the State.

Additional Information

Correspondence concerning admission should be addressed to the Director of Admissions and concerning the tests to the Director of the Testing and Guidance Bureau.

THE UNIVERSITY OF TEXAS
AUSTIN 12

August 16, 1955

**Aptitude Tests for High School Seniors and Graduates
Who Apply for Admission to the University**

This memorandum is addressed to high school administrators and counselors to explain the procedure which the University will follow in administering the requirement of an aptitude test for seniors and graduates who apply for admission to the University.

General Statement of Requirement

Beginning in the fall of 1956, in addition to meeting other requirements, applicants for admission to the Main University from high schools must take an aptitude test. It will be a test of general scholastic aptitude rather than of ability in particular subjects like algebra and history. Both the high school record and the aptitude test score will be used in selecting students who have, on the basis of the available evidence, the greatest probability of success.

Administration of Testing Program

1. The University will have its own series of aptitude tests for those who plan to apply for admission to the freshman class. A test in this series will be given at University expense (a) in thirty or forty centers distributed over the State at a date tentatively set for Saturday, February 4, (b) in a different edition and in a smaller number of centers at a date tentatively set for Saturday, May 12, and (c) in a still smaller number of centers in August at a date to be announced. Students who plan to take the test must have their test application blank in the Testing and Guidance Bureau of the University at least two weeks in advance of the test date. Test application blanks will be distributed to high schools and will be sent to individual students on request.
2. Results of the College Board Aptitude Test (administered by the Educational Testing Service, Princeton, N.J.) taken at the expense of the applicant will be accepted in place of the University aptitude test.
3. A student who would be handicapped in taking the test through blindness, paralysis, or similar disability should present a statement from his principal, and suitable provision will be made for him.

Addendum E

4. Students who plan to enroll in another college and to transfer later to the University should follow one of two plans. (a) If they plan to transfer to the University with less than a semester of college work or if they plan to attend a non-accredited college, they should apply for and take the University aptitude test as a high school senior. (b) If they plan to attend an accredited junior or senior college for a semester or more, they should take an approved aptitude test in the regular freshman testing program of the college which they attend. If later they decide to transfer to the University, they may use the results of this test, or they may take the University aptitude test for college transfers.

5. To allow ample time for guidance or for a re-test if the first score is low, applicants for admission to the University from the high school should take the aptitude test at the earliest testing date.

6. Before each test, applicants will be sent a description of the test with sample exercises.

Tests for Guidance

It is hoped that the aptitude test required by the University will be useful in helping students find educational opportunities suited to their needs. With better matching of need and opportunity, a student may look forward to a more satisfying college experience. With numbers limited to its resources and with students selected on the basis of probability of success, the University, in turn, may look forward to a greater service both to those who are enrolled and to the State.

Additional Information

Correspondence concerning admission should be addressed to the Director of Admissions and concerning the tests to the Director of the Testing and Guidance Bureau.

Hand out at meeting.

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Association for Higher Education

August 12, 1955

*This was reported at
the meeting Oct. 15, 1955*

CONGRESS LIBERALIZES COLLEGE HOUSING LOAN PROGRAM

Reduces Interest Rate to 2.75%; Adds
\$200 Million to Program

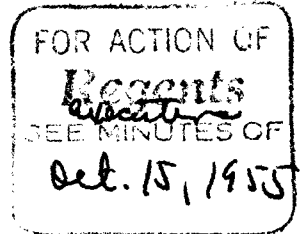
Title III of the Housing Amendments of 1955 (P.L. 345), as passed by Congress, and signed by the President on August 11, authorizes the continuation and expansion of the present college housing loan program to provide housing facilities for students.

According to the new bill, the Housing and Home Finance Agency can now make loans for service facilities such as dining halls, cafeterias, student unions, etc., closely related to dwelling facilities. The rate of interest on all college housing loans is set at 2 and 3/4 per cent, or one-fourth of 1 per cent above the rate which HHFA pays to the Secretary of the Treasury, whichever is higher. At the present 2 and 3/4 per cent is the higher.

The loan fund was raised from \$300 million to \$500 million with \$100 million of this amount available for auxiliary facilities. Loans may now be made to non-profit corporations specifically established by eligible institutions to provide housing or other educational facilities for students and faculty.

Senator Fulbright introduced this bill on April 20. As evidence of the need for such a measure, he cited the resolutions adopted at the Tenth National Conference on Higher Education, sponsored by the Association for Higher Education, at Chicago on March 2, 1955.

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12



September 8, 1955

MEMORANDUM

TO: Mr. Tom Sealy

The attached will be entered as a docket
item for the October meeting.

Sincerely yours,

Logan Wilson

LW k
Encl.

FOR AGENDA, REGENTS' MEETING

October 14-15, 1955

At the last meeting of the Council of State College Presidents it was agreed that each institutional head would request his Board of Regents as promptly as possible to name a regental committee or regental member to represent it on a steering committee in connection with measures necessary to assist in passage of the Constitutional Amendment concerning the investment of the Permanent Fund. It would be advisable at the October meeting to have an individual or committee named for this purpose. (There also should be discussion by the Regents of the so-called "Cavniss Plan" concerning the Permanent Fund, and what course of action, if any, the Regents wish to pursue with reference to it.)

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THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

October 6, 1955

See
Executive
Minute of Bd.
of Regents
10/15/55

Mr. Leroy Jeffers
Esperson Building
Houston 2, Texas

Dear Leroy:

Attached is a brief statement of the proposed plan by Mr. Cavness, State Auditor, to reduce the need for new taxes, together with a digest of comments made by the administrative staff in analysis of its effect upon the University.

I have expressed publicly my personal reservations and objections to the proposal, but it is my feeling and that of the members of the staff that it is desirable for the Board to make clear the official position of the University. The Austin papers have run several columns and editorials favorable to the Cavness Plan, and other papers over the State may do likewise. A strong position taken by the Board would certainly tend to discourage premature expressions in favor of the plan made without an understanding and appreciation of the facts and consequences. The Cavness Plan may be seized upon by opponents of our Constitutional Building Amendment as a means of defeating it. Certainly the public will be confused unless all the facts are clearly presented.

This matter is on the agenda for discussion at the meeting next week. I hope that these comments will be helpful in your own analysis.

Sincerely yours,

Logan Wilson

LW:jm
Enclosure

Letter sent to all Regents

cc: Miss Thedford ✓
Mr. Cox

SOME OBSERVATIONS CONCERNING
THE CAVNESS REPORT

Cavness recommends --

Carrying to the Available Fund

1. All oil and gas bonuses
2. All lease rental payments
3. $72\frac{1}{2}\%$ of all royalty payments (Remaining $27\frac{1}{2}\%$ to Permanent Fund representing depletion)

Purpose --

To reduce tax levies, needed to support --

The Public School System
The University and A. and M. College

To provide more money for these institutions

For support and/or buildings

Justification (by Mr. Cavness) --

Federal Government considers as taxable income to private owners --

All oil and gas lease rentals
 $72\frac{1}{2}\%$ of lease bonus payments
 $72\frac{1}{2}\%$ of royalty payments

We are now inconsistent --

Grazing lease rentals are deposited in the Available Fund while oil lease rentals go to Permanent Fund.

Oil revenues from lands owned by other state agencies are treated as expendable, e.g., Prison System, State Parks Board, etc.

COMMENTS ON THE CAVNESS REPORT

1. The Permanent University Fund is the endowment Fund of The University of Texas and A. and M. College, and the principal must be protected and continued in this function.

Until the Permanent Fund reaches a sum which will yield, when properly invested, annual earnings adequate to pay for both permanent improvements and annual operations, it should not be tampered with.

Lands owned by other state agencies (e.g., the Prison System, State Parks Board) are not endowments and consequently, the handling of revenues from these lands is not comparable.

2. Oil and gas reserves are "wasting assets."

Oil and gas reserves exist under University lands in finite quantities, and when exploited, are gone forever. Accordingly, revenues derived from these resources should be treated as a part of the Permanent Fund in the same manner as the proceeds from sale of the surface land. Returns from oil and gas leases are not a yield from the lands but a sale of the lands.

3. Revenues from the University oil and gas reserves will diminish and eventually terminate.

Our oil and gas reserves are not unlimited, and as they are depleted, the revenues derived will eventually diminish to a point of insignificance.

Also to be considered, and definitely more imminent, is the effect of the development of new sources of power and energy which may substantially reduce the demand for and the value of oil and gas. On the basis of developments during the past fifteen years, it is certainly within the realm of possibility that within the next twenty-five years atomic energy and other new sources of power will materially curtail the demand for oil and gas. Such an eventuality would materially decrease the revenue derived from this source.

4. The stated purpose of the Cavness Plan is to reduce tax levies needed to support the University and A. and M. College; but --

The present state tax burden is well below the average for the forty-eight states. Texas ranked 38th in 1953 and 39th in 1954 in state taxes paid per capita and was tied for 35th-37th place in the per cent of per capita income paid in state taxes.

The tax bill for higher education has become proportionally less of the total tax burden. In 1941 the expenditure for higher education represented 12.4% of the total state expenditures. This increased to 15.2% in 1947, but declined to 10.7% in 1953 and 9.7% in 1954.

Expenditures for higher education represented a smaller per cent of the per capita income in 1953 (.53%) than in any year since 1945, and were even slightly less in 1954.

Per capita expenditures for higher education are less in Texas than in any of its neighboring states.

5. Since the economy of Texas is based to a very material extent either directly or indirectly on the petroleum industry, any circumstances (e.g., increased oil imports or extensive development of atomic energy or other sources of power and energy) curtailing the use of oil and gas would jeopardize our whole economy and substantially reduce tax revenue. A reasonable conclusion: The need for tax relief is probably less now in this present period of prosperity than it may be ten to twenty years from now.
6. The practical consequences of the Cavness proposal, if adopted, would be as follows:

The Permanent University Fund would increase by only \$2,500,000 to \$3,000,000 a year as compared to the increase in 1954 of \$25,554,186. The Available Fund would increase substantially. In fiscal 1954 the University's share of the Available Fund was \$3,849,114. Under the Cavness proposal it would have amounted to \$18,973,806. Adoption of this plan would mean the reduction or even elimination of general revenue appropriations to the University.

Since the amount of bonus payments for leases cannot be known in advance, financial planning and budgeting would become uncertain and highly speculative.

When oil revenues declined, it would be most difficult to get the Legislature to make, or increase, general revenue appropriations to make up the losses. The failure of the Legislature to increase general revenue appropriations to replace Federal funds following the decrease of Veterans' enrollment after 1948 is a recent example of what may well occur in the future.

Since the Cavness proposal contemplates making the University substantially dependent on the Available Fund, the Board for Lease of University Lands would be forced to auction leases primarily to raise money rather than with the object of the most economical development of property.

Royalty income is variable, depending on production, proration, and prices.

Royalty income and lease rental alone would be inadequate, requiring substantial sums to be raised from bonus sales.

For fiscal 1954, our two-thirds share on a $72\frac{1}{2}\%$ basis would have amounted to \$5,039,226 from royalties. Oil lease rental amounted to a total of only \$324,697. The budget for 1954-55 was over \$10,000,000.

Adoption of an amendment embodying the Cavness Plan would set a precedent for further amendments which could divert all oil revenues to operating income or even allocate existing principal to income.

7. The Cavness Plan is in conflict with the pending Constitutional Amendment which anticipates an increased Available Fund based on an improved earning rate on a steadily increasing capital.
8. The basis of division of oil royalties between capital and income advocated in the Cavness Plan is without reasonable basis. The Federal depletion allowance of $27\frac{1}{2}\%$ for income tax purposes is not relevant. This is an arbitrary rate which can be changed or abolished by any Congress, and its primary purpose is to provide under the income tax law incentive for the development of new oil reserves.
9. Texas should profit by the experience of other states. If the school lands originally belonging to the various states of the nation had been protected as the Permanent Fund has been protected, it was estimated in 1953 that their yield would have paid for all school building in that year in those states. For every dollar diverted from the Permanent Fund to the Available Fund, the taxpayers will lose from 3 to 4 cents in interest each year thereafter. For this reason, diversion of these funds to pay current operating costs, as proposed, rather than for permanent improvements would be even more unjustifiable.
10. In short, the Cavness Plan is a proposal whose only justification is expediency.

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

See Executive
Minutes, Bd of Regents
10/15/55

August 1, 1955

MEMORANDUM

TO: HIGHERS' COMMITTEE ON MEDICAL AFFAIRS

You will recall that at the last Regents' meeting it was suggested that we raise the proposed salary figure for the Vice-President for Medical Affairs and that I again got in touch with Dr. Marshall E. Lapham. I did this several weeks ago, but he wanted some time to think the matter over. He has had some sort of dick trouble in his neck which has been causing him severe pain, and has just written to me that he is going to Boston for a further consultation, with perhaps an operation in the offing. In his letter he went on to comment, "It will be several weeks before I can return if I do have an operation. I do not want to delay you in making a selection for the position which you have offered me and, therefore, I feel you should go ahead on the basis that I cannot consider it. On the other hand, if after I have recovered you would still like to have me consider the position, I feel that at this time I am still interested....I want you to know how appreciative I am of your interest in having me come to Texas, and I think the position would be a very interesting and challenging one."

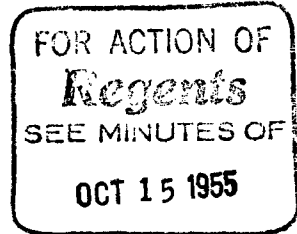
Although I feel it is important for us to fill this key post as soon as possible, I am writing Dr. Lapham to the effect that we presently have nobody else in view and, unless the situation changes within the near future, we would like to keep the door open as far as he is concerned.

Logan Wilson

LN k

cc: Mr. Tom Sealy
Miss Betty Anne Thetford ←

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12



July 19, 1955

*Also see
Executive Minutes*

MEMORANDUM

To: Mr. Tom Sealy
Regents' Medical Affairs Committee
Dr. R. Lee Clark, Jr.
Dr. A. J. Gill
Dr. Chauncey D. Leake
Dr. Grant Taylor

Dr. Truman Blocker recently called to my special attention the attached statement taken from pp. 366-67 of the Texas State Journal of Medicine, June 1955. Nothing has officially been brought to the attention of this office by the Texas Medical Association with reference to any further action by the Association. The report is followed by the notation from Vice-Speaker Hardwicke, as follows: "This report will be referred to the Board of Councilors as a reference committee."

I shall take this matter up at the next meeting of the Advisory Council with the heads of our medical units. The Regents' Medical Affairs Committee may wish also to look into the matter.

Logan Wilson

LW k

cc: Miss Betty Anne Thedford

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955
to the board

Tax Paid "Full-Time" Doctors in Private Practice

The Committee recognizes the fact that the money available to the board of regents of the University of Texas through legislative appropriation is not sufficient to afford reasonable compensation for top-flight physicians employed on a theoretically full-time basis by the Medical Branch of the University of Texas at Galveston, the Southwestern Medical School at Dallas, and the M. D. Anderson Hospital at Houston. As this situation is not likely to change materially, the Committee further recognizes that private practice must be allowed to retain men of suitable caliber.

However, it has come to the attention of the Committee that there are flagrant abuses of this situation. These abuses constitute:

1. An infringement on the private practice of medicine through the use of offices and attendants at state expense; the unlimited preferment of an individual through the prestige of a state operated institution; the unethical referral by state and private agencies of private patients who are able to pay and who reside in areas where adequate competent care is available.
2. A threatened neglect of the duties for which the physicians receive a salary, hence an imposition on the hiring institution and a breach of trust.
3. An imposition on the taxpayers of this state in the utilization of state funds for private profit.

In view of the situation, this Committee recommends to the House of Delegates that it take the following action:

1. Strongly recommend to the board of regents of the University of Texas that it adopt a uniform set of rules applicable to all three institutions embodying these points: (a) Set a reasonable maximum level of income from private practice done at such a time as not to interfere with official duties -- a level which would be just to the employed physician without damage to the institution. (b) Demand that this private practice be done through an office set-up not in the institution and paid for by the physician out of his own funds.
2. Demand of public health units that they not refer from areas where adequate attention is available those patients able to pay.
3. Request of the Texas Heart Association, Texas Division of the American Cancer Society, and similar state-wide organizations and their local components that they adhere to the same restriction.

Veterans Administration Hospitals

It is becoming increasingly clear that the Veterans Administration shapes the policies concerning its hospitals, personnel, and the care of veterans with a liberal interpretation of the law, a sensitive finger on the political pulse of the country, and a benevolent feeling for the liberals, fellow travelers, and the like in and out of government.

According to the Committee's information, there are full-time V. A. doctors doing private practice. V. A. hospitals are taking industrial injuries, treating them by using private physicians, and billing for the usual or more than the usual rate for such care. Many cases treated in the V. A. hospitals are well able to pay, and their disabilities admittedly having no connection with their service. Attempts to get detailed information from a V. A. hospital concerning these things only meet the typical bureau-run-around.

It is time plus that something besides talk be directed against the abuses of the Veterans Administration. Medical organizations have resolved before concerning them. Many of these abuses are kept in action by the participation and collaboration by our own members. Some of these doctors are not fully aware of what they are doing to themselves and medicine in general. The abuses of the V. A. and all other similar branches of our government would stop in a week if doctors fully understood and withdrew their support.

This Committee has been trying to promote action at the component county society level and recommends that an intensive effort along this front be continued. The effort should be against the undesirable V. A. practices on all levels and of those who persist in helping to maintain these practices.

Respectfully submitted,

J. T. Billups, Chairman,
Neil D. Buie,
E. A. Rowley,
Mal Rumph.

From: Texas State Journal of Medicine,
June 1955, pp. 366-67.

September 21, 1955

Dr. A. J. Gill, Dean
The University of Texas
Southwestern Medical School
5323 Harry Hines Boulevard
Dallas 19, Texas

Dear Dr. Gill:

In response to your letter of September 16 regarding reports on outside employment, I want to say that this office is not interested in receiving individual reports. You may recall, however, in Section 14, Article V, page 203, in the Supplement to the House Journal, it reads as follows:

Private Practice of Medicine. None of the moneys appropriated by this Article for medical schools, the dental school, and for the M. B. Anderson Hospital and Tumor Institute, may be expended for the salary of any faculty or staff member who does not comply with policies established by The University of Texas Board of Regents respecting earnings from the private practice of medicine and the use of State facilities.

The augmentation policy for full-time personnel at the Southwestern Medical School, as adopted by the Board of Regents, July 11, 1952, sets supplementation limits as follows: full professor, \$10,000; associate professor, \$7,500; assistant professor, \$5,000. There is the further statement, "The administration feels no one has reached maximum levels so far. There is no technique for actually checking on maximums reached and it is operated on an honor system." I believe this mode of checking is a little bit too loose to satisfy the Legislative requirement. Accordingly, I want to suggest that you call for individual reports, in accordance with my memorandum of September 12, from faculty members directly to you. The only further step necessary on your part will be a statement to me certifying that you have made a systematic check with reference to all of your full-time faculty personnel and find that they

Dr. A. J. Gill

2

September 21, 1955

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are all complying with the policy established by our Board of Regents "suspecting earnings from the private practice of medicine and the use of State facilities."

By a copy of this letter to Dr. Lee Clark, I am likewise advising him that I think such a report should be forwarded from his institution. One reason for our particular concern about this is that we had a query only the other day from Senator Lock with reference to this whole matter.

Sincerely yours,

Logan Wilson

LW k

cc: Dr. R. Lee Clark, Jr.
Dr. J. C. Bailey

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

See
Executive Minutes
10/10/55.

September 12, 1955

Dr. Francis M. Forster, Dean
Georgetown University
School of Medicine
Washington 7, D. C.

Dear Dr. Forster:

I am pleased to have your letter of September 8, in which you express a desire to be nominated for the post of Director of the Medical Branch at Galveston of The University of Texas. I am circulating a copy of your Curriculum Vitae to the members of our Regents' Medical Affairs Committee and am indicating to them that you have a very impressive looking bibliography consisting of more than a hundred items.

You may be interested to know that the other day when I was in Galveston I picked up some very favorable comments from various faculty persons there concerning the fine impression you made on them during your recent visit. We certainly appreciated your taking the time and trouble to come down to confer with us, and I hope that within the very near future we may be able to reach a final conclusion concerning this important post.

Sincerely yours,

Logan Wilson

LW k

cc: Regents' Medical Affairs Committee

CURRICULUM VITAE

Name: Francis Michael Forster
 Born: February 14, 1912 - Cincinnati, Ohio.

UNIVERSITY AND DEGREES:

Xavier University, Cincinnati, Ohio	1930-1932
University of Cincinnati, Cincinnati, Ohio	B.S. 1935
University of Cincinnati, Cincinnati, Ohio	B.M. 1936
University of Cincinnati, Cincinnati, Ohio	M.D. 1937
Xavier University, Cincinnati, Ohio	L.L.D. (Hon.) 1955

HOSPITAL TRAINING APPOINTMENTS:

Rotating Intern, Good Samaritan Hospital Cincinnati, Ohio	1936-1937
Houseofficer in Neurology and Neurosurgery Boston City Hospital	1937-1938
Fellow in Psychiatry, Pennsylvania Hospital Philadelphia, Pa.	1938-1939
Resident in Neurology, Boston City Hospital	1939-1940

TEACHING APPOINTMENTS:

Assistant in Neurology, Harvard Medical School	1939-1940
Rockefeller Foundation Research Fellow in Physiology, Yale University School of Medicine	1940-1941
Instructor in Neurology, Boston University School of Medicine	1941-1943
Assistant Professor of Neurology, Jefferson Medical School, Philadelphia, Pa.	1943-1947
Associate Professor of Neurology, Jefferson Medical School	1947-1950
Professor of Neurology and Director of the Department of Neurology, Georgetown University School of Medicine, Washington, D.C.	1950-
Dean, Georgetown University School of Medicine	1953-

AMERICAN BOARD OF PSYCHIATRY AND NEUROLOGY

In Neurology	1942
In Psychiatry	1943
Associate Examiner	1944-1952
Director and Representative of the American Neurological Association to the Board	1952

MEDICAL AND SCIENTIFIC SOCIETIES:

American Neurological Association	1947
Association for Research in Nervous and Mental Diseases	1941
American Physiological Society	1948
American Academy of Neurology	1948
American Association of Neuropathologists	1946
American Psychiatric Association	1944
American Association of Electroencephalographers	1948
A.A.A.S.	1947
Society of the Sigma Xi	1948
American Association of University Professors	1952
Eastern Association of Electroencephalographers	1948
Philadelphia Neurological Society	1943
Philadelphia Psychiatric Society	1944-1950
Philadelphia Physiological Society	1948
Philadelphia College of Physicians, Fellow	1948
State Medical Society of Pennsylvania	1948-1950
Massachusetts State Medical Society	1942-1943
Boston Society of Neurology and Psychiatry	1942-1943
Fellow, A.M.A.	1948
District of Columbia Medical Society	1951
Cosmos Club, Washington, D.C.	1952
Southern Association of Electroencephalographers	1952
Honorary Member, Philippine Society of Neurology and Psychiatry	1952
Alpha Omega Alpha, Charter Member, Georgetown Chapter	1954
New York Academy of Sciences	1954
Cuban Society of Psychiatry and Neurology, Corresponding Member	1955
Academy of Medicine of Washington	1955

OFFICES IN SOCIETIES:American Medical Association

Section on Nervous and Mental Diseases	
Secretary	1948-1952
Chairman	1952-1953
Member of Executive Committee	1952-1955
Alternate Delegate to House of Delegates	1955
Council on Mental Health	
Committee on Neurology of Standard Nomenclature of Disease and Operations	1953
Member, Advisory Committee to Council on Physical Medicine and Rehabilitation	1955

District of Columbia Medical Society

Member of Program Committee	1953-1955
Chairman of Mid-Winter Seminar	1955
Chairman Section on Neurology and Psychiatry	1955-1956

OFFICES IN SOCIETIES:(Con't.)American Academy of Neurology

Chairman, Survey Committee	1948-1951
Member, Editorial Board of <u>Neurology</u>	1950-
Secretary,	1951-1953
Vice-President	1953-1955
President-Elect	1955-1957
President	1957-1959

American Neurological Association

Representative to the National Research Council	1950-1953
Chairman, Research Grants Committee	1952
Chairman, Committee on International Collaboration	1954-1955

American Epilepsy League

Vice-President, American Branch International Physicians League Against Epilepsy	1950-1951
President, American League Against Epilepsy	1951-1953

Other Offices

Chairman, Joint Committee on Neurologic Education (A.A.N. & A.M.A.)	1954
Member of Commission, Association for Research in Nervous and Mental Diseases	1952
Member American Board of Electroencephalography Qualification	1952
Chairman, Epilepsy Panel, AFPH National Conference	1952
Chairman, Study Section in Neurology, National Institutes of Health, Bethesda, Md.	1952
Member of Training Grants in Neurology Committee, National Institutes of Health	1953

Voluntary Health Organizations

National Multiple Sclerosis Society	
Member Medical Advisory Board	
Chairman, Committee on Biochemistry and Pharmacology	
Member Committee on Fellowships	
Muscular Dystrophy Association of America	
Member Medical Advisory Board	
D.C. Chapter, Muscular Dystrophy Association	
Member Medical Advisory Board	
D.C. Chapter, Multiple Sclerosis Society	
Member Medical Advisory Board	
D.C. Chapter Polio Foundation	
Member Medical Advisory Board	

GUEST LECTURESHIPS:

University of Minnesota	February 1948
University of Iowa	October 1948
University of Iowa	November 1948
University of Iowa	November 1950
University of Iowa	November 1952
University of Philadelphia	February 1952
University of Santo Tomas, Phillipines	April 1952
University of Havana	January 1955
Visiting Professor of Neurology,	July &
University of Havana, Summer Session	August 1955

CONSULTANTSHIPS:

Consultant in Neurology, V.A. Hospital Coatesville, Pennsylvania	1946-1950
Consultant in Neurology, U.S. Naval Hospital, Philadelphia, Pennsylvania	1949-1950
Area Consultant in Neurology, Veterans Adm. Washington Area	1950-
Consultant in Neurology, U.S. Naval Hospital, Bethesda, Maryland	1950-
Consultant in Neurology, Walter Reed Hospital, Washington, D.C.	1951-
Consultant, Institute of Mental Health, Study Group	1951-1953
Senior Consultant in Neurology, Mt. Alto V.A. Hospital, Washington, D.C.	1951-
Consultant, Institute of Mental Health, Neurological Diseases and Blindness	1952-
Consultant to the Surgeon General, U.S. Air Force	1954-

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

August 9, 1955

Dr. Charles T. Stone, Chairman
Faculty Advisory Committee concerning the
Executive Directorship
The University of Texas - Medical Branch
Galveston, Texas

Dear Dr. Stone:

Dr. Francis M. Forster, Dean of the Georgetown University School of Medicine, called me this morning to let us know that he would arrive in Houston Sunday afternoon, August 21, at 1:55 on an Eastern Air Lines flight from Washington. He expects to depart from Houston on Tuesday, August 23, at 5:00 for San Francisco. I have just talked with Doctors Gates and Winter and it would be more convenient for the three of us to interview him in Houston Tuesday afternoon, instead of coming all the way to Galveston. By a copy of this letter to Dr. Forster, I am indicating to him that we will expect to meet with him in the Conference Room at the M. D. Anderson Hospital at 2:00 p.m. on Tuesday, August 23.

I should appreciate it if you would write directly to Dr. Forster to let him know about transportation arrangements between Houston and Galveston and about any general plans you would have for his visit with you. As I recall, Dr. Currie said that he would attempt to make a reservation for him at the Jack Tar.

Sincerely yours,

Logan Wilson

LW k

cc: Dr. G. A. W. Currie
Dr. Francis M. Forster
Secretary, The Board of Regents ←

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

See Appendix
Minutes
Oct. 15, 1955

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July 14, 1955

Mr. John W. McCullough
Sealy and Smith Foundation
Galveston, Texas

Dear Mr. McCullough:

Thank you again for your letter of July 1, in which you enclose a "certified copy of resolution setting out formally and for the record, the willingness of this Foundation to supplement its contribution to the John Sealy Hospital in an amount not more than \$140,000.00 for each of the fiscal years, September 1, 1955--August 31, 1957, if it is determined by the Board of Regents that these additional funds will be needed for hospital operations."

Although we may have to call on you later, we have attempted to draw up a balanced budget for the John Sealy Hospital for the coming year. In our conversations with you and the other directors of the Sealy and Smith Foundation for the John Sealy Hospital, Dr. Dolley and I indicated in a general way the recommendations we intended to make to the Regents at their July meeting. In accordance with our recommendations, the Regents took the actions indicated on the attached memorandum drawn up from their minutes.

I realize that your Foundation "must live within the limits" of its Charter and that "it must be more carefully determined hereafter that funds provided by this Foundation are used within such terms, particularly 'for the people of the City of Galveston.'" You can certainly count on our full cooperation in this regard and I want to assure you also that the administration and Regents of the University have taken all steps possible at this juncture to reduce Hospital expenses and increase income sufficiently to eliminate an operating deficit.

I am keeping one copy of your Resolution in this office and having one for the record filed in the Board of Regents office concerning the \$140,000 appropriation you have agreed to supply, if necessary, for each of the next two fiscal years, upon formal request by our Board of Regents.

Sincerely yours,

Original Signed by
LOGAN WILSON

Logan Wilson

LW k

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THE SEALY & SMITH FOUNDATION
FOR THE JOHN SEALY HOSPITAL
Galveston, Texas

BE IT RESOLVED that because of the failure of the Legislature adequately to provide funds for the operation and maintenance of the John Sealy Hospital for the fiscal years September 1, 1955, to August 31, 1957, this Board goes on record as agreeing to supply additional funds to the Board of Regents of The University of Texas for the maintenance and operation of the John Sealy Hospital in an amount not exceeding \$140,000.00 per year for each of the said fiscal years, provided, however, that such funds shall be so provided only upon the request of the Board of Regents of the University of Texas and provided that the amounts so given shall in no event exceed \$140,000.00 per year for the two fiscal years above described over and above the present contribution now being made for the same purpose by this Board, and, provided, that this is a temporary measure only and this obligation shall cease on August 31, 1957 and there shall be no obligation either express or implied thereafter to furnish such additional funds.

* * * * *

The above is a correct copy of a resolution adopted by the Board of Directors of The Sealy & Smith Foundation for the John Sealy Hospital at a meeting held June 16, 1955, as shown by the Minutes of said meeting in my custody and control.

/s/ A. H. Peek
Assistant Secretary of The Sealy &
Smith Foundation for the John Sealy
Hospital.

7-1-55

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

*No
Action*

April 13, 1955

Dr. G. A. W. Currie
Administrator of Hospitals and Facilities
The University of Texas - Medical Branch
Galveston, Texas

Dear Dr. Currie:

This is just to remind you that pursuant to the recent meeting in Austin of the Medical Committee of the Board of Regents, you were asked to recommend to the Board of Regents the formula for allocating to the Waverly Smith Pavilion its proportionate part of all costs incurred in the operation of the John Sealy Hospital and the income attributable thereto. Please let me have your recommendation sufficiently in advance of the May meeting of the Regents in Galveston so that I may circulate it to them for their study.

You will also recall the agreement that you were to come forward at an early date with a specific plan for the immediate emergency correction of the maintenance situation on equipment at the John Sealy Hospital. This plan was to include any recommended changes in personnel or authority of personnel that you may desire to make. Such plan was also to include a statement of the additional requirements in personnel for the immediate correction of the situation, with specification of the budgetary considerations involved.

Sincerely yours,

Logan Wilson

LW k

THE UNIVERSITY OF TEXAS
THE BOARD OF REGENTS

no action

March 4, 1955

Mr. Tom Sealy, Chairman
The Board of Regents
The University of Texas
Petroleum Life Building
Midland, Texas

Dear Tom:

Pursuant to our telephone conversation yesterday, I am sending you a copy of Dr. E. Sinks McLarty's letter pertaining to the Waverly-Smith Pavilion of the John Sealy Hospital at Galveston. I am also sending a copy to Logan and other members of the Board for their consideration prior to our meeting on March 11.

The dissatisfaction over this situation is not entirely in Galveston alone, for I have had calls and correspondence from other doctors over the state, who are of the same opinion as Dr. McLarty.

Yours sincerely,

L. S. Oates, M. D.

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P
Y

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McLARTY CLINIC
1906 21st Street Hotel Galvez
Galveston, Texas

No action

February 15, 1955

L. S. Oates, M. D., Member
Board of Regents University of Texas Medical Branch,
Center, Texas

Dear Doctor:

The following is in no manner an expression of official opinion as an Officer of The Academy of General Practice but is purely an observation from a general practitioner, licensed under the State laws. Now to the statement:

It is a matter of record that the Board of Regents recognize members of the TAGP by their endorsement of the Preceptor Program. The records will reflect that this program is a pre-requisite for graduation the same as any other course given by the medical school.

The Waverly-Smith Pavilion, if I understand correctly, was originally intended to be a separate hospital unit for the "non-indigent" of the community. It is my further understanding that this unit was to have a bookkeeping and accounting system separate and apart from John Sealy Hospital. It is established that John Sealy Hospital is being used by the Board of Regents in the teaching program of the University of Texas Medical School, Galveston Branch.

Due to economic measures the Waverly-Smith Pavilion is housed in the John Sealy Hospital proper and is truly parasitic when viewed in the light of food, examining rooms, surgical rooms, etc. Due to this technicality, the very same local men who have been trusted with the teaching of the medical students, are barred from admitting and treating patients in the Waverly-Smith Pavilion. This seems to me contradictory and a travesty of justice. It is very difficult for the lay group of this locale to understand why a Doctor who is assigned the direct responsibility and duty of bringing a student into his office for the extension and application of his education, would not be allowed to take patients to the Waverly-Smith Pavilion. This status would imply - and is generally accepted by the layman - that we as general practitioners are incompetent to practice in any part of this institution. Although we have access to another institution, we feel that our patients should have freedom of choice and we, as licensed physicians, should have the privilege of using this institution if they and/or we so desire.

As to a cure for this most evident discrimination I feel that the Board should recognize the Academy as a responsible organization in the same manner that they have recognized it in the Preceptor program. My assumption is that they would have to change one or two of their rulings and allow Staff to be organized for the Waverly-Smith Pavilion. The Staff, so organized, could properly regulate medical practice comparable to any other well organized hospital. I would call to your attention hospitals in other localities that are connected with a teaching program wherein they recognize other services. In our local case such a service could be designated "Open Service." By creating this service the local general practitioners would share equal privileges of ~~the service~~

the Waverly-Smith Pavilion with the Doctors on the Staff. I sincerely feel that this would be advantageous to the hospital by the increase in private "pay" patients. A better descrip corp would be developed thereby eliminating considerable Backering which is now present among members of our Profession.

The General Practitioner of this community does not care to encroach upon the teaching regime of the school but if the school wishes to call upon them to help, we will gladly do so, conforming to all rules and regulations as set forth by them.

It is my urgent request that you submit this letter to the Board of Regents for their equitable and respected consideration.

Respectfully submitted,

E. Sinks McLarty, M. D.

McL:GmM

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

No action

May 4, 1955

MEMORANDUM

TO: President Logan Wilson
FROM: James C. Dolley
SUBJECT: Statement of Income and Expense for the
R. Waverly Smith Pavilion

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED _____	FILE _____
REC'D MAY 9 - 1955	
REFER TO <u>DK W</u>	
PLEASE ANSWER _____	
PLEASE READ AND RETURN _____	

On the morning of May 3 Mr. C. H. Sparenberg and I discussed at some length the income and expense statement of the Pavilion for the first two quarters of the current year. Two separate schedules of expenditure had been prepared by Mr. Cappleman. One included the entire floor space in the Pavilion, and the other excluded the floor space on the 1st and 6th floors, which floors are not used for actual patient care. Inspection of the schedules indicates:

1. A substantial reduction in the operating deficit of the current year as compared with the operating deficit of the preceding year, the actual deficit, including the 1st and 6th floors, for the first six months of 1954-55 being \$13,581.25.
2. If the 1st and 6th floors of the Pavilion are excluded from the computation of the indirect cost the Pavilion operated at a loss of \$3,712.78 for the first quarter of the current year and at a profit of \$1,643.28 for the second quarter, or a net loss of \$2,069.50 for the first half of 1954-55.

Dr. Currie points out that some further improvement in the earning power of the Pavilion could be expected (1) from better utilization of the twelve beds allocated to obstetrical care, which utilization is being arranged and (2) from a modest increase in rates for service, which would require approval by the Board of Regents. He believes the possibility to be good that the Pavilion can be made to operate in the black.

Both Mr. Sparenberg and I concur in Dr. Currie's recommendations as follows:

1. That we make no changes in accounting procedures at this time. A decision as to any change in the method of allocating indirect costs should be deferred until after the operating experience of the second half of the current year is at hand.
2. That proper accounting procedure requires that the space on the 1st and 6th floors of the Pavilion should be included in the formula employed by allocating indirect costs to the Pavilion operation.

Miss Thedford

100

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

No action

April 27, 1955

MEMORANDUM

TO: Mr. Tom Sealy
Medical Committee, Board of Regents

For your information and study in advance of the Galveston meeting, I am enclosing Dr. Currie's statement of income and expense for the R. Waverly Smith Pavilion. Between now and the time of the meeting I shall ask Dr. Bolley and Mr. Sparenberg to make a careful study of this report and we shall have a recommendation ready for your consideration on May 12.

LW
Logan Wilson

LW k
Encl.

cc: Dr. J. C. Bolley
Mr. C. H. Sparenberg

THE UNIVERSITY OF TEXAS — MEDICAL BRANCH
GALVESTON

No Action

THE SCHOOL OF MEDICINE
THE SCHOOL OF NURSING
THE TECHNICAL CURRICULA
THE POST-GRADUATE PROGRAM

THE JOHN SEALY HOSPITAL
THE CHILDREN'S HOSPITAL
THE PSYCHOPATHIC HOSPITAL
THE ROSA AND HENRY ZIEGLER HOSPITAL

April 25, 1955

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED _____	FILE _____
REC'D APR 26 1955	
REFER TO _____	
PLEASE ANSWER _____	
PLEASE RETURN _____	

Dr. Logan Wilson, President
The University of Texas
Austin 12, Texas

Dear Doctor Wilson:

I am enclosing herewith statements of income and expense for the R. Waverly Smith Pavilion for the period September 1, 1954 through February 28, 1955. At my request, Mr. Cappianna prepared two statements, one including the entire square foot area of the Pavilion and the second one excluding the first and sixth floor square foot areas in allocating indirect operating expenses of the Housekeeping and the Physical Plant Departments. You will recall, that the reason we discussed excluding the first and sixth floors is that these floors are not used for the actual care of patients in this building. These figures speak for themselves and you will see that when the first and sixth floors are excluded from the calculation we find the Waverly Smith Pavilion operating practically on an even basis, with a profit for the period December 1, 1954 through February 28, 1955.

We also discussed the possibility of trying to arrive at a ceiling for laboratory and X-ray charges which are admittedly high in the teaching type of hospital. However, I have been unable to devise a method whereby this can be calculated unless it is done in a purely arbitrary way and I do not believe this would be considered an acceptable accounting method by our auditors.

The income and expense statements point up some interesting facts. On page 2 Mr. Cappianna has presented some per cent increase and decrease figures which I think need to be taken into consideration before we arrive at any final decision about changing our method of compiling income and expense in the Pavilion. You will note that there was an increase of 21% in total income against 13% increase in total operating expense. As Mr. Cappianna has pointed out, one factor which accounts for this improvement is an increase in the inclusive rate; however, it appears that the Pavilion operation is starting to stabilize and that it is going to pretty nearly pay its way.

There are two other things to consider: first, that the twelve private obstetrical beds have run a consistently low occupancy and we have now put the Department of Obstetrics on notice that these beds will be used for other types of patients in order to keep them full. This low census figure has undoubtedly hurt us on the income side and the expenses have been proportionately high, as well. If this factor is corrected, it will further improve the operation of the Pavilion. Secondly, there is always the possibility that a minor adjustment in room rates might be made which would also have quite an important effect on the amount of income derived from the Pavilion. You will recall that when the building first opened the rates recommended for the various accommodations were somewhat higher than those approved by the Regents. In summary, it appears to me that there is a good possibility that from here on the Pavilion may operate satisfactorily.

In view of all these factors, I am wondering if it is necessary to exclude the first and sixth floors from our calculation? If we do it, will it really measure up to sound accounting practices? It seems to me that the Regents must settle these questions with the Board of the Sealy & Smith Foundation. It appears to me that there is a good possibility that the Private Pavilion will stand on its own feet from now on, providing the demand is maintained and I have no reason to think there will be any falling off of demand for accommodations in this building. By better utilization of the obstetrical beds and, perhaps, by closing a Nursing Station on the Obstetrical Unit, income will be increased and efficiency improved. In view of these factors, I think that we should, if possible, observe this operation unchanged for the next six months before a change in accounting methods is made, if such seems indicated.

Yours very truly,

ORIGINAL SIGNED BY
G. A. W. CURRIE, M. D.
ADMINISTRATOR OF HOSPITALS

G. A. W. Currie, M. D.
Hospital & Facilities
Administrator

GANC:sib

THE UNIVERSITY OF TEXAS - MEDICAL BRANCH

STATEMENT OF INCOME AND EXPENSES FOR THE R. WAVERLY SMITH PAVILION
(Including 1st and 6th floors)

For the period
September 1, 1954 through February 28, 1955

Prepared by

E. N. Cappleman, Business Manager

April 20, 1955

Dr. G. A. W. Currie
Hospitals and Facilities Administrator
The University of Texas Medical Branch
Galveston, Texas

Dear Dr. Currie:

There is submitted herewith two Statements of Income and Expense for The R. Waverly Smith Pavilion for the period from September 1, 1954 to February 28, 1955. These statements are prepared to reflect results of financial transactions separately for the first and second quarters of the fiscal year. These statements include indirect operating expenses for the Housekeeping and Physical Plant departments distributed on a square foot basis. All other indirect costs are distributed on patient day basis. The first of these statements includes the entire square foot area of the Pavilion, including the first and sixth floors and the second statement excludes the square foot area of the first and sixth floors in allocating indirect operating expenses of the Housekeeping and Physical Plant departments.

A comparative summary of these statements is as follows:

	SEPT. 1, 1954 THROUGH NOV. 30, 1954	DEC. 1, 1954 THROUGH FEB. 28, 1955	TOTAL
<u>INCLUDING FIRST AND SIXTH FLOORS</u>			
INCOME:			
From Patients	\$ 93,236.96	\$112,907.39	\$206,144.35
Other Sources	2,069.99	2,394.49	4,464.48
Total	<u>\$ 95,306.95</u>	<u>\$115,301.88</u>	<u>\$210,608.83</u>
OPERATING EXPENSES:			
General Administration and general Expense	\$ 6,214.75	\$ 6,485.99	\$ 12,700.74
Professional Care of Patients	60,598.60	64,285.41	124,884.01
Independent Divisions	9,163.32	11,136.16	20,299.48
General Services:			
Housekeeping	5,944.29	6,468.25	12,412.54
Other	8,979.73	15,837.73	24,817.46
Operation and Maintenance of Physical Plant	<u>14,528.33</u>	<u>14,547.52</u>	<u>29,075.85</u>
Total Operating Expenses	<u>\$105,429.02</u>	<u>\$118,761.06</u>	<u>\$224,190.08</u>
OPERATING LOSS	<u>\$ 10,122.07</u>	<u>\$ 3,459.18</u>	<u>\$ 13,581.25</u>
<u>EXCLUDING FIRST AND SIXTH FLOORS</u>			
INCOME			
	<u>\$ 95,306.95</u>	<u>\$115,301.88</u>	<u>\$210,608.83</u>
OPERATING EXPENSES:			
General Administration and General Expense, Professional Care of Patients and Independent Divisions	<u>\$ 75,976.67</u>	<u>\$ 81,907.56</u>	<u>\$157,884.23</u>
General Services:			
Housekeeping	4,273.95	4,695.51	8,969.46
Other	8,979.73	15,837.73	24,817.46
Operation and Maintenance of Physical Plant	<u>9,789.38</u>	<u>11,217.80</u>	<u>21,007.18</u>
Total	<u>\$ 99,019.73</u>	<u>\$113,658.60</u>	<u>\$212,678.33</u>
OPERATING PROFIT/LOSS*	<u>\$ 3,712.78*</u>	<u>\$ 1,643.28</u>	<u>\$ 2,069.50*</u>

As indicated above when the first and sixth floors are included in the square foot area of the private pavilion in allocating indirect expenses for the Housekeeping and Physical Plant departments the operating loss is reduced from \$10,122.07 for the first three months to \$3,459.18 for the second three months or a total loss of \$13,581.25 for the six months period. When the square foot area for the first and sixth floors are excluded the operating loss for the first three months is \$3,712.78 and a profit of \$1,643.28 is realized for the second three months leaving an operating loss for the six months period of \$2,069.50.

The two schedules are presented upon request in order that a final decision may be reached regarding the method of preparing the operating statements. Obviously, to exclude the square foot area of the first and sixth floor will materially effect the profit or loss reflected by the operating statements. It is of extreme importance, however, that the methods agreed upon conform to good accounting practice for to adjust accounting methods to produce desired results can never be considered in the interest of wisdom.

A statement comparing the Income and Expense for the two three month periods ended November 30, 1954 and February 28, 1955 may be helpful to you in evaluating the trends in revenues and costs. This statement is as follows:

	FOR THE THREE MONTHS ENDED		INCREASE DECREASE	PER CENT INCREASE DECREASE*
	NOV. 30, 1954	FEB. 28, 1955		
INCOME:				
Private Room Patients	\$ 32,174.95	\$ 37,033.68	\$ 4,858.73	15%
Semi-Private Room Patients	31,546.54	36,519.97	4,973.43	16%
Inclusive Service	29,515.47	39,353.74	9,838.27	33%
Other Revenue	<u>2,069.99</u>	<u>2,394.49</u>	<u>324.50</u>	<u>2%</u>
Total Income	\$ <u>95,306.95</u>	\$ <u>115,301.88</u>	\$ <u>19,994.93</u>	<u>21%</u>
OPERATING EXPENSES:				
General Administration and General Expense	\$ 6,214.75	\$ 6,485.99	\$ 271.24	4%
Professional Care of Patients	60,598.60	64,285.41	3,686.81	6%
Independent Divisions	9,163.32	11,136.16	1,972.84	21%
General Services	14,924.02	22,305.98	7,381.96	49%
Operation and Maintenance of Physical Plant	<u>14,528.33</u>	<u>14,547.52</u>	<u>19.19</u>	<u>—</u>
Total Operating Expenses	\$ <u>105,429.02</u>	\$ <u>118,761.06</u>	\$ <u>13,332.04</u>	<u>13%</u>
LOSS on Operations	\$ <u>10,122.07</u>	\$ <u>3,459.18</u>	\$ <u>6,662.89*</u>	<u>65%</u>

From the foregoing it can be seen that the income for the second three months was increased by approximately \$20,000.00 over the first three months or 21% while the operating expenses have increased by only \$13,000.00 or 13%. The increase in revenue was due to a large extent to an increase in inclusive service charge of 33%. This increase was due to an increase in the rates charged and to a shorter patient stay.

Very truly yours,

E. N. Cappelman
E. N. Cappelman
Business Manager

THE UNIVERSITY OF TEXAS-MEDICAL BRANCH
STATEMENT OF INCOME AND EXPENSES FOR THE R. WAVERLY SMITH PAVILION
(Including 1st and 6th floors)

	SEPT. 1, 1954 THROUGH NOV. 30, 1954	DEC. 1, 1954 THROUGH FEB. 28, 1955	SEPT. 1, 1954 THROUGH FEB. 28, 1955
INCOME			
From Patients:			
Private Room Patients	\$ 32,174.95	\$ 37,033.68	\$ 69,208.63
Semi-Private Room Patients (2 beds)	31,546.54	36,519.97	68,066.51
Inclusive Service Charge	29,515.47	39,353.74	68,869.21
Total Income from Patients	<u>93,236.96</u>	<u>112,907.39</u>	<u>206,144.35</u>
Other Sources:			
Rent of Cots	361.25	237.75	599.00
Guest Trays	42.25	15.75	58.00
Special Funds	1,666.49	2,140.99	3,807.48
Total Income	<u>\$ 95,306.95</u>	<u>\$115,301.88</u>	<u>\$210,608.83</u>
OPERATING EXPENSES			
General Administration and General Expense:			
Administration and Business Office	\$ 5,882.05	\$ 6,094.47	\$ 11,976.52
Workmen's Compensation Insurance	332.70	391.52	724.22
Total General Administration and Expense	<u>6,214.75</u>	<u>6,485.99</u>	<u>12,700.74</u>
Professional Care of Patients:			
Nursing Service	47,556.69	49,900.77	97,457.46
Surgical Operating Room Service	3,295.72	4,129.35	7,425.07
Medical House Staff	6,946.85	7,566.15	14,513.00
Medical Records	1,245.04	1,245.21	2,490.25
Medical Case Service	790.54	803.64	1,594.18
Nurses Home	763.76	640.29	1,404.05
Total Professional Care of Patients	<u>60,598.60</u>	<u>64,285.41</u>	<u>124,884.01</u>
Independent Divisions:			
Allergy Clinic	65.29	69.30	134.59
Audiology and Speech Clinic	78.56	60.85	139.41
Blood Bank and Hematology	669.27	851.74	1,521.01
Blood Bank (Special)	415.88	431.82	847.70
Anesthesia Service	499.93	767.73	1,267.66
Clinical Psychology	34.45	47.24	81.69
Clinical Pathology Laboratory	2,160.86	2,264.16	4,425.02
Dental Clinic	157.83	153.02	310.85
Electroencephalography Service	101.92	145.91	247.83
Endocrine Clinic	14.06	84.15	98.21
Epilepsy Clinic	.24	.01	.25
Fever Therapy Service	53.78	56.74	110.52
Hearing Clinic	--	3.27	3.27
Heart Station	412.57	470.14	882.71
Rehabilitation Clinic	837.03	935.24	1,772.27

(Continued)

THE UNIVERSITY OF TEXAS-MEDICAL BRANCH
STATEMENT OF INCOME AND EXPENSES FOR THE R. WAVERLY SMITH PAVILION
(Including 1st and 6th floors)
(Continuation)

	SEPT. 1, 1954 THROUGH NOV. 30, 1954	DEC. 1, 1954 THROUGH FEB. 28, 1955	SEPT. 1, 1954 THROUGH FEB. 28, 1955
<u>OPERATING EXPENSES (Continued)</u>			
Independent Divisions: (Continued)			
Radiology Service	\$ 2,516.61	\$ 3,334.46	\$ 5,851.07
Radiology (Special)	1,084.46	1,417.63	2,502.09
Tumor Clinic	60.58	42.75	103.33
Total Independent Divisions	<u>9,163.32</u>	<u>11,136.16</u>	<u>20,299.48</u>
General Services:			
Pharmacy	765.04	910.31	1,675.35
Personnel Clinic	143.49	162.48	305.97
Housekeeping	5,944.29	6,468.25	12,412.54
Laundry	1,280.18	1,651.16	2,931.34
Dietary Service	6,092.46	12,320.34	18,412.80
General Stores	338.15	370.13	708.28
Mail and Telephone Service	236.16	293.32	529.48
Print Shop	124.25	129.99	254.24
Total General Services	<u>14,924.02</u>	<u>22,305.98</u>	<u>37,230.00</u>
Operation and Maintenance of Physical Plant	<u>14,528.33</u>	<u>14,547.52</u>	<u>29,075.85</u>
Total Operating Expense	<u>105,429.02</u>	<u>118,761.06</u>	<u>224,190.08</u>
OPERATING PROFIT/LOSS*	<u>\$ 10,122.07*</u>	<u>\$ 3,459.18*</u>	<u>\$ 13,581.25*</u>
<u>SUMMARY OF EXPENDITURES</u>			
I. Salaries			
(a) Direct Salaries			\$ 75,009.32
(b) Allocated Salaries			83,121.24
Total Salaries			<u>158,130.56</u>
II. Maintenance, Equipment and Support			
(a) Direct Maintenance, Equip- ment and Support			20,372.30
(b) Allocated Maintenance, Equipment and Support			45,687.22
Total Maintenance, Equipment and Support			<u>66,059.52</u>
TOTAL EXPENDITURES			<u>\$224,190.08</u>

THE UNIVERSITY OF TEXAS-MEDICAL BRANCH
STATEMENT OF INCOME AND EXPENSES FOR THE R. WAVERLY SMITH PAVILION
(Excluding 1st and 6th floors)

	SEPT. 1, 1954 THROUGH NOV. 30, 1954	DEC. 1, 1954 THROUGH FEB. 28, 1955	SEPT. 1, 1954 THROUGH FEB. 28, 1955
INCOME			
From Patients:			
Private Room Patients	\$ 32,174.95	\$ 37,033.68	\$ 69,208.63
Semi-Private Room Patients (2 beds)	31,546.54	36,519.97	68,066.51
Inclusive Service Charge	29,515.47	39,353.74	68,869.21
Total Income from Patients	<u>93,236.96</u>	<u>112,907.39</u>	<u>206,144.35</u>
Other Sources:			
Rent of Cots	361.25	237.75	599.00
Guest Trays	42.25	15.75	58.00
Special Funds	1,666.49	2,140.99	3,807.48
Total Income	<u>\$ 95,306.95</u>	<u>\$115,301.88</u>	<u>\$210,608.83</u>
OPERATING EXPENSES			
General Administration and General Expense:			
Administration and Business Office	\$ 5,882.05	\$ 6,094.47	\$ 11,976.52
Workmen's Compensation Insurance	332.70	391.52	724.22
Total General Administration and Expense	<u>6,214.75</u>	<u>6,485.99</u>	<u>12,700.74</u>
Professional Care of Patients:			
Nursing Service	47,556.69	49,900.77	97,457.46
Surgical Operating Room Service	3,295.72	4,129.35	7,425.07
Medical House Staff	6,946.85	7,566.15	14,513.00
Medical Records	1,245.04	1,245.21	2,490.25
Medical Case Service	790.54	803.64	1,594.18
Nurses Home	763.76	640.29	1,404.05
Total Professional Care of Patients	<u>60,598.60</u>	<u>64,285.41</u>	<u>124,884.01</u>
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Allergy Clinic	65.29	69.30	134.59
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Blood Bank and Hematology	669.27	851.74	1,521.01
Blood Bank (Special)	415.88	431.82	847.70
Anesthesia Service	499.93	767.73	1,267.66
Clinical Psychology	34.45	47.24	81.69
Clinical Pathology Laboratory	2,160.86	2,264.16	4,425.02
Dental Clinic	157.83	153.02	310.85
Electroencephalography Service	101.92	145.91	247.83
Endocrine Clinic	14.06	84.15	98.21
Epilepsy Clinic	.24	.01	.25
Fever Therapy Service	53.78	56.74	110.52
Hearing Clinic	--	3.27	3.27
Heart Station	412.57	470.14	882.71
Rehabilitation Clinic	837.03	935.24	1,772.27

(Continued)

THE UNIVERSITY OF TEXAS-MEDICAL BRANCH
STATEMENT OF INCOME AND EXPENSES FOR THE R. WAVERLY SMITH PAVILION
(Excluding 1st and 6th floors)
(Continuation)

	SEPT. 1, 1954 THROUGH NOV. 30, 1954	DEC. 1, 1954 THROUGH FEB. 28, 1955	SEPT. 1, 1954 THROUGH FEB. 28, 1955
<u>OPERATING EXPENSES (Continued)</u>			
Dependent Divisions: (Continued)			
Radiology Service	\$ 2,516.61	\$ 3,334.46	\$ 5,851.07
Radiology (Special)	1,084.46	1,417.63	2,502.09
Tumor Clinic	60.58	42.75	103.33
Total Independent Divisions	<u>9,163.32</u>	<u>11,136.16</u>	<u>20,299.48</u>
General Services:			
Pharmacy	765.04	910.31	1,675.35
Personnel Clinic	143.49	162.48	305.97
Housekeeping	4,273.95	4,695.51	8,969.46
Laundry	1,280.18	1,651.16	2,931.34
Dietary Service	6,092.46	12,320.34	18,412.80
General Stores	338.15	370.13	708.28
Mail and Telephone Service	236.16	293.32	529.48
Print Shop	124.25	129.99	254.24
Total General Services	<u>13,253.68</u>	<u>20,533.24</u>	<u>33,786.92</u>
Operation and Maintenance of Physical Plant	<u>9,789.38</u>	<u>11,217.80</u>	<u>21,007.18</u>
Total Operating Expense	<u>99,019.73</u>	<u>113,658.60</u>	<u>212,678.33</u>
OPERATING PROFIT/LOSS*	<u>\$ 3,712.78*</u>	<u>\$ 1,643.28</u>	<u>\$ 2,069.50*</u>
<u>STATEMENT OF EXPENDITURES</u>			
Salaries			
(a) Direct Salaries			\$ 75,009.32
(b) Allocated Salaries			76,169.98
Total Salaries			<u>151,179.30</u>
Maintenance, Equipment and Support:			
a) Direct Maintenance, Equip- ment and Support			20,372.30
b) Allocated Maintenance, Equipment and Support			<u>41,126.73</u>
Total Maintenance, Equipment and Support			<u>61,499.03</u>
EXPENDITURES			<u>\$212,678.33</u>

Wall Report

EXISTING POLICIES AT THE ANDERSON HOSPITAL

FOR ACTION OF
Regents
SEE MINUTES OF
10/15/55

HOSPITAL

The State of Texas appropriates in excess of \$3,000,000 per year for the operation of the M. D. Anderson Hospital for Cancer Research and Tumor Institute with a threefold purpose for that operation: research, education of doctors, and treatment of patients. The 310 bed Anderson Hospital is divided into two sections: (1) 150 beds or 49% designated for private patients, and (2) 160 beds or 51% designated for charity patients. To date a total of only 160 beds has been opened.

PRIVATE HOSPITAL

When the hospital opened in March, 1954, 150 beds were to be designated as private. I was told by the director that the funds for building and furnishing the private section of the hospital were donated from private sources earmarked for that specific purpose. I have never, however, seen the figures supporting this fact. He further told me that the private beds are self-supporting. This I do not understand in view of the integration of the private hospital with all other sections of the state supported institution. There has been much publicity recently on the need of outside support for private hospitals to maintain their daily operations.

The private hospital is used almost exclusively by the full time staff personnel. The only exception to this is its use to a far lesser degree by the few part time men on the staff whom the director has not yet replaced with full time staff. In support of this I am enclosing "Schedule of Admissions for Surgery" for the week of April 18, 1955, which is prepared by the Anderson Hospital. On it there will be notation as to full time staff, part time staff with no full time staff man available. There is no indication on the sheet as to the classification of the patients. It would appear that the State of Texas is furnishing a large amount of tax funds to support a private hospital for the personal use of the director and the full time men who have all been brought into the state by the director. All professional policies for the operation of the private hospital are set from recommendations of the director advised only by his full time men. The State of Texas has in fact set up a state institution to engage in the active practice of medicine in direct competition with private practice. This has been done under the guise of Education. However, outside men are not working in the institution in significant numbers and those who are still there are being replaced by imported full time men as rapidly as possible. This is a very serious precedent in chronic illness.

Of the total 160 beds now available at the Anderson Hospital, I do not know the ratio actually used by the private as compared with the charity patient. I do know, however, there have been many private patients at the Anderson Hospital.

CHARITY HOSPITAL

It is my understanding that when the hospital opened in March, 1954, 160 beds were to be designated as charity beds to be supported from tax funds of the State of Texas. Since there are now only a total of 160 beds both private and charity, this obviously has not been done. To my knowledge all patients are classified: (1) indigent, (2) insurance - full pay, (3) insurance - part pay, or (4) private. I do not know which classifications other than indigent are designated for the charity hospital.

There should be available a month by month breakdown since March, 1954, indicating the classification of patients in the four categories mentioned above. This would have to contain names and locations of patients to determine the number of patients admitted from Harris County in each category. Competition with private practice in this community could be clearly demonstrated by such figures.

The professional fee from the insurance policies of all patients at the Anderson Hospital is assigned to the full time men, regardless of who performs the medical or surgical benefits. In the absence of a full time man in a section where professional fee insurance money is forthcoming the policy is variable and at the discretion of the director, as I understand it.

DIRECTOR

The director of the \$9,000,000 Anderson Hospital has the following positions in addition to his duties as director: (1) Surgeon in Chief of the Anderson Cancer Hospital and Tumor Institute, which permits him to participate in the use of the private hospital as well as the professional fee distribution; (2) Directing Medical Editor of the Cancer Bulletin (salary unknown to me); (3) Editor of the Heart Bulletin (salary unknown to me); (4) Associated Editor of the Psychiatric Bulletin, or Editor of the Psychiatric Bulletin (I do not know which), salary unknown to me.

The director seeks advice for professional policies from a group composed totally of full time men, none of whom are native Texans or University of Texas graduates. All of these men have been selected by the director. There is no participation in development of professional policies by any of the medical profession in Texas other than the full time staff of the hospital.

FULL TIME MEN

From the last Annual Report, there are 44 full time men on the Anderson Hospital staff, none of whom are native Texans or University of Texas graduates. These men have been brought into the state by the director to man the full time places as heads of departments and sub-heads of sections. These are the only men with whom the director consults for determination of professional policies to report to the Board of Regents. The full time men have never

practiced medicine in Texas and are totally unfamiliar with medical problems of Texas. They are paid a base salary by the University of Texas of \$12,000 per year as head of a department. As for the individual salaries, this I do not know nor do I know how to learn. The availability of tax funds to maintain a 310 bed hospital with a full time staff would appear impossible on the present budget.

The full time men are allowed to do private work at the Anderson Hospital. All private patients sent to the Anderson Hospital are assigned to the full time men unless no full time man has yet been secured in the particular section. The director is still attempting to secure full time men for places as heads of sections where part time men are now adequately serving. The ultimate goal as told me by the director is for every section and department to be headed by a full time man. In this way all private patients (1/2 of the hospital facilities) referred to the Anderson Hospital would in turn be assigned to the full time men.

PART TIME MEN

There are 26 part time men as contrasted to 44 full time men on the staff of the Anderson Hospital from the last Annual Report. A large percentage of these men who are Houston private physicians started with the hospital when it was in its infancy and there were few full time men. As the director has appointed full time men, the part time men have been subordinated and given less to do. The part time men have NO participation in an advisory capacity to the director or the professional policy making staff meetings of the institution. They are included only in the monthly staff meetings as required by the Hospital Association where dinner is served, a scientific program is given, and professional policies are not discussed. The part time man is not assigned any private patients referred to the hospital except in the sections where full time men have not yet been obtained. The part time man can participate in the hospital only to the degree of the wishes of the director and the full time men. The part time men are allowed to use the private hospital for their private patients as the director decides in each specific case. In questioning this policy I have received such indefinite and varied answers that I cannot be sure that there is a specific policy.

For the reasons stated above the Houston physicians have been so discouraged in their participation in the hospital that they now make no effort to be a part of the institution and receive little advice to benefit their private cancer patients unless the patients are turned over to the full time men in the institution. This is in general; I am sure there are a few specific exceptions but the number would be few.

In November I asked the director for an answer in writing to the following question: "What are the present and future plans for the part time man at the

Anderson Hospital?" He told me that he could not give me an answer in writing; that "they" were working on it. He told me that he would have the information for me soon. In February I again asked for an answer to this question with the same reply. To date I have not received an answer. I am now on a three months leave of absence. I have spent almost half my time for nine years as a part time man believing that work and accomplishment was assurance of tenure. When I learned that this was not true, I felt I must have written assurance that plans for the use of the talents of the part time men who are Houston private physicians are in keeping with the plans for the full time men.

VISITING MEN

The visiting men as submitted in the Annual Report have no active participation in the Anderson Hospital. So far as I can determine their only function is to receive notices of the monthly staff meetings as stipulated for accreditation by the Hospital Association where dinner is served, a scientific program is presented and policies are not discussed. The attendance of the visiting men at the monthly staff meetings is very small.

RESIDENTS AND INTERNS

There are 56 residents and interns at the Anderson Hospital as submitted in the Annual Report. These men do a tremendous amount of work in the hospital. About 25% of these men are foreigners, many of whom will go back to their country to practice medicine. These men will never contribute to the advancement of cancer treatment for patients in the State of Texas.

PROFESSIONAL FEES

In November, 1954, I submitted to the director a request for a written answer to the following question: "What is the policy as to the disposition of professional fees in the Anderson Hospital?" He said that he could tell me but could not give me a written answer. He further told me "they" were working on this problem and he would give me a written answer soon. Again in February, 1955, I asked for this information with the same answer. To date I have not received a written answer to this question. It is evident that my information must be from personal experience and knowledge. It is my understanding that for the past five years the money collected from private patients and insurance from professional fees has been divided through a separate fund by a group of men. I do not know who participates in this fund nor do I know to what extent. I understand the full time men are principal participants. At various times I have received money from a fund. The money has been simply a check with no statement of any kind attached to explain where the money came from. When it was given to me, I was told that it was "my share". I could never learn the working of this fund. In the past five years many times I have questioned the director about the professional fee distribution with the answer that this problem

was being worked on. He further told me the professional policy as to the distribution of fees was approved by the Board of Regents as a temporary measure. Until the move in the new hospital the private patients on the Gynecological service were the rare exceptions. The money I received apparently came from insurance professional fees. This I must surmise; I do not know. I was promised by the director that a complete explanation and adoption of a definite policy would be forthcoming. After the move in March, 1954, into the new building, the private patients were becoming a larger part of the institution. As a part time man in charge of Gynecology, I felt all of the part time men on the Gynecological service should have the privilege of participation in the private professional fees and patients if I was to be so "favored" for they did much of the work. I have never known which patients were classified as private, insurance, or charity. I did not necessarily care to know for I was interested in the Anderson Hospital solely for the purpose of the development of the treatment of the cancer patients. This fact I made known to the director on many occasions and told him I was not interested in the money in any way. In October for the first time I received a check with a statement of names and amounts attached which was questionable to me. At this time I questioned the director as to the right of the other part time men on the Gynecological service to collect professional fees and received no specific answer. In late October I learned to my surprise that the director intended to change the organization of the Gynecological service from that of a section to a department and had nominated as Gynecologist, with a base salary of \$12,000 per year, a full time man who had been my subordinate as a part time man for five years. I opposed this move and explained my position in a letter to the director. The change, however, was consummated December 1. My salary was and still is \$3,600 annually.

In January for the second time I received a statement of names and amounts attached with a check. Again on April 15 a statement of names and amounts with a check was sent to me. This statement is so questionable by me that to discuss it would be a lengthy discourse. The money I have received has always been questionable to me but I have known no one other than the director to question; however, I have never put all of these facts together until recently.

CONSTITUTION AND BY-LAWS

In November I asked the director if I might see a copy of the Constitution and By-Laws of the Anderson Hospital. He said they were not assembled in a fashion that could be read. He told me again the proverbial "they" were working on this. He told me that I could see them soon. Again in February I asked for this information and received the same answer. To date I have no knowledge that a Constitution and By-Laws is in existence. This accounts for the omnipotence of the director and is explanation as to why only full time men attend any executive sessions of the institution.

ENLARGEMENT OF HOSPITAL

At the present time only 160 beds or 51% of the hospital is open. However, the radiotherapy department is working to full capacity. A very large percentage of cancer patients require radiotherapeutic treatment in connection with the disease. It seems it will be necessary to enlarge these facilities with regard to x-ray equipment and personnel before opening additional beds to any large extent.

EDUCATION

There are no plans at the Anderson Hospital for the active participation of the doctors in Texas in the actual treatment of cancer. Doctors must be encouraged to work in the hospital in order to learn the methods of treatment and the progress made. Outside doctors are not encouraged to participate in clinical work. On the contrary, Houston doctors have been discouraged from participation due to (1) the small amount and type of work they were allowed to do, and (2) as full time men have been brought into the state the Houston doctors have been subordinated. These factors have been partially responsible for the decreasing interest in the participation on the part of the Houston doctors. I know of no provisions for the education of doctors through actual participation.

Wall Report

POLICIES AS I WOULD RECOMMEND FOR ANDERSON HOSPITAL

HOSPITAL

It is my idea that there should be a complete change in the allocation of beds in the Anderson Hospital. I feel that the hospital is overbuilt for the treatment of patients. Radiotherapy which is a vital part of the treatment of almost every cancer patient is taxed to capacity with only 160 beds open at this time. My recommendation would be: 50 private beds for the private cases of cancer; 160 beds for indigent and complete insurance pay of cancer treatment; and 100 beds for terminal cases of cancer. These divisions would be outlined as follows.

The 50 private beds should be for private cancer patients who require treatment unavailable at other private hospitals. People classified as private should be (1) full pay and (2) patients who have insurance but are financially capable of paying additional amounts to the extent of the scheduled private hospital and professional fees. There should be a posted professional fee scale for every type of procedure in the hospital approved by the medical society representatives which all patients in the private section of the hospital should be charged. If a patient would like to pay more, he can make a donation to one of two funds: (1) research, or (2) maintenance and operation of the indigent section. Outside doctors should have the privilege of the use of the hospital if the doctor is capable of giving the patient the best treatment. All referred private patients should be referred in writing by the doctor to the physician of choice in the Anderson Hospital regardless of full time or part time affiliation. All private patients should be cancer cases or there should be reasonable evidence of suspected cancer.

The 160 bed charity section of the hospital should be for indigent patients and patients with insurance who do not have means to pay additional charges required in private hospitals. The professional fee from the insurance policy in this section of the hospital should be put in a fund to help pay the salaries of the residents and interns and reduce this cost to the state of Texas. The patient in this part of the hospital should be entitled to the same type of care and treatment as patients in the private wing. All cases treated in this section should have cancer or reasonable evidence of suspected cancer.

The 100 bed terminal case section of the hospital would be a service to the people of the state. There is no definite place provided for indigent terminal cancer patients. This section would not require the expensive nursing service for the only treatment these patients would require would be palliative. The terminal cancer hospital would be of great value to the research and education functions of the institution. Patients would be available for autopsies to evaluate those who had been treated unsuccessfully.

DIRECTOR

The director of the Anderson Hospital should devote his entire time to his position as director. He should not be allowed to receive professional fees. He should be well compensated for his job and substantiation of his salary should not be necessary.

The director should have an advisory committee for establishing and maintaining professional policies. This committee should consist of two representatives each from the Harris County Medical Society, Texas State Medical Association, part time staff of the Anderson Hospital and full time staff of the Anderson Hospital. Each man should serve for a term not to exceed two years. This would allow participation from every phase of the medical profession interested in the progress of the state supported cancer hospital.

FULL TIME MEN

Full time men should serve where necessary and should have representation on the professional advisory committee to the director. These men should be selected from men who are interested in institutional work rather than the competition and insecurity of private practice. They should be paid a salary commensurate with their training, background, and professional ability. The salary should be of sufficient amount to eliminate the dependence on private work to supplement their incomes. The full time men should participate in the retirement program as set up by the University of Texas. The full time men should chiefly devote their time to research, education and treatment of patients in the charity hospital. In conjunction with part time and visiting men they should participate in a Tumor Board for the service of private doctors as well as for cancer patients from the state and make recommendations to the doctor. In this manner private doctors can have advantage of specialized knowledge for treatment of private or charity patients in other hospitals. This has been outlined in the Manual for Cancer Programs, Committee on Cancer, American College of Surgeons, and is planned as a means of education of doctors by free discussion of diagnostic and therapeutic problems. The full time men should be encouraged to actively participate in the County Medical Society, to promote professional good will to the hospital, and to better understand the medical problems in the county, state, and nation.

PART TIME MEN

There should be a large number of part time men who would have representation on the professional advisory committee to the director. These men should be selected from men in the community who are interested in actively participating in the treatment of patients on the charity service at the hospital. They should serve without pay. They should be encouraged to participate in research, education, and active treatment of patients. There are a vast number of well

trained physicians in every phase of medicine in Houston who would be an addition to the hospital and if given an opportunity to participate in both professional and policy setting functions would be willing to donate their services as they do in other Houston hospitals. This would now have to be done through an appeal to the doctors to help the state establish a hospital in which all doctors would be encouraged to participate. There should be a ratio at the Anderson Hospital of at least 5 participating part time men for each full time man. This would provide the state with a tremendous amount of medical talent and service which is in evidence in other hospitals maintaining a private as well as an indigent service.

VISITING MEN

The visiting men at the Anderson Hospital should have representation on the professional advisory committee to the director through his County and State Medical Societies. These men should be men who are interested in the welfare of the hospital but not in active participation. They should have the same standing as men on the Courtesy Service in general hospitals.

RESIDENTS AND INTERNS

Residents and interns should be responsible to the full time and part time men. In this way their training would be broadened. Where professional qualifications are equal, preference should be given citizens of Texas and particularly those who indicate their intention to practice medicine in the state of Texas. Every effort should be made to attract residents and interns from Texas. This would be a means of realizing a significant return on the investment by the citizens of Texas in this institution.

PROFESSIONAL FEES

There should be a written policy describing the disbursement of professional fees. This should be made available to all doctors as well as laymen of the state of Texas who are taxed to support this institution. This should be an incidental part of the hospital and should be approved by the advisory committee to the director as specified in the description of the director. The state supported cancer hospital should never be competitive with the private practice of medicine. The private facilities should serve to benefit the private physicians as well as their patients. Every doctor regardless of affiliation should send his own bill for his portion of medical care so the patient will know to whom each professional fee is being paid. This is in keeping with medical ethics.

Participation of each type of physician in professional fees should be as follows.

The full time man should be allowed to send his separate bill in accordance with the fee scale just as any other doctor does for professional services rendered in the private wing of the hospital. The full time man should have the privilege of consultation and treatment of private patients provided they have been referred to him in writing by a professional colleague.

The part time man should be allowed to send his own separate bill according to the fee scale for professional services rendered in the private wing of the hospital which entails consultation and treatment provided the patient has been properly referred as stated above. He should also be allowed to treat his own private patients admitted for diagnosis and treatment as is done in routine private practice.

The visiting man should be allowed to send his own separate bill according to the fee scale for any private patient he might bring into the hospital.

The professional fee from insurance in the charity part of the hospital or the terminal part of the hospital should be put in a residents or interns fund to help pay their salaries and in this way decrease the amount necessary from tax money.

A list of all active participating doctors regardless of full or part time status with appropriate titles should be furnished every doctor in the state of Texas so he can choose to whom he wishes to send his private patients. This would encourage all doctors in the institution to write papers, attend meetings and participate in the medical activities outside of the Anderson Hospital.

CONSTITUTION AND BY-LAWS

There should be a copy of the Constitution and By-Laws on file in the following places:

- (1) Board of Regents.
- (2) University of Texas in Austin State Medical Association.
- (3) Harris County Medical Society.
- (4) Anderson Hospital.
- (5) Texas State Medical Association.

This information should be available to any taxpayer in the state upon request.

EDUCATION

Doctors should be encouraged to actively participate in the treatment and research of the hospital according to their ability. Sincere effort should be made to share the facilities of the institution with doctors in the state of Texas for studies in which they are interested. It should be stressed that the

hospital is the cancer research center for ALL doctors in the state of Texas.

Good will of the doctors must be promoted to encourage the private doctors to participate and in this way learn of new advances developed at the Anderson Hospital. This would benefit patients who must be treated elsewhere.

Research must be supported by Federal and State aid as well as private grants and endowments. The tremendous costs of modern research cannot be directly supported by monetary return.

Men who are dedicated to fundamental research rarely participate in clinical practice of medicine. They should, therefore, not participate in professional fees derived from treatment of patients.

Education of physicians implies that they make practical clinical application of facts established in the research laboratories.

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

September 8, 1955

Dr. R. W. Kinbro
The Kinbro Clinic
Cleburne, Texas

Dear Dr. Kinbro:

The attached Verifax copy of a letter from Mr. Leroy Jeffers, a member of our Regents Committee on Medical Affairs who, as you may recall was present at the August 23 meeting at the Anderson Hospital, is enclosed for your attention as a correction and addendum to the notes I sent you.

Sincerely yours,

Logan Wilson

LW:k
Encl.

cc: Regents' Committee on Medical Affairs

THE UNIVERSITY OF TEXAS
THE BOARD OF REGENTS

September 8, 1955
Copy

LEROY JEFFERS
ESPERSON BUILDING
HOUSTON 2, TEXAS

Dr. L. S. Oates
Rogers Building
Center, Texas

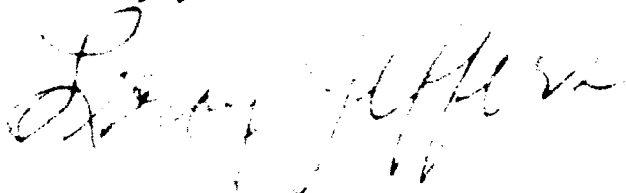
Dear Steve:

I approve the proposal contained in Dr. Minter's letter of September 1 that the Director of The University of Texas M. D. Anderson Hospital be advised that he has the approval of the Medical Committee of the Board of Regents to take such action as he may determine advisable with reference to the leave of absence of Dr. John Wall which expired on September 1.

I also have examined the notes of the meeting of the Medical Committee of the Board of Regents, held August 23, which were sent out with President Wilson's letter of September 1. I believe that there are some very vital omissions from these notes which should be added if they are to be delivered to Dr. Kimbro for his use in presenting the matter to the Texas Medical Association. The most important omission is that it was pointed out in the very beginning of the meeting that it was the firm policy of the Board of Regents that no patient would be accepted except upon written referral by an outside private physician and that we had never been presented any evidence of any definite violations of this rule. Dr. Kimbro admitted that he had no such evidence and that he knew of no specific cases of patients admitted without such written referrals.

With best regards, I am

Sincerely yours,



59:43A

2 - Dr. L. S. Oates

September 6, 1955

cc: Dr. Merton M. Minter
Nix Professional Building
San Antonio 5, Texas

cc: Mr. J. R. Serrell
2001 Driscoll Building
Corpus Christi, Texas

cc: Dr. Logan Wilson
The University of Texas
Austin 12, Texas

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

Miss Thelma Hill

September 1, 1955

MEMORANDUM

To: Members of the Board of Regents

From: Logan Wilson

A meeting of the Regents' Committee on Medical Affairs was set in Houston last week to interview Dean Furster (Georgetown University Medical School), a prospect for the Directorship of Galveston. Since all members of the Committee were able to be present, it was decided to discuss several other matters during the day, including criticisms emanating from the Wall Report and other sources concerning the Anderson Hospital. Dr. Robert W. Kimbro of Cleburne, Texas, Chairman of the Board of Trustees of the Texas Medical Association, and Dr. Benjamin B. Wells, a former member of the staff of Anderson Hospital, were invited to attend the morning meeting to lay certain criticisms before the Committee.

Mr. Cox took notes on the discussion, and at the suggestion of the Committee, I am circulating these notes to all Regents as a matter of information.

It should be observed that Dr. Kimbro made his comments not necessarily as his own opinions based on factual evidence, but in an effort to summarize impressions, whether right or wrong, held by many doctors in the state. Both he and Dr. Wells expressed high regard for Dr. Lee Clark, but said that some of the emphases needed to be changed and that Texas doctors need more firsthand information about the policies and procedures of the Anderson Hospital. Neither Dr. Kimbro nor Dr. Wells was fully up-to-date in his information about Anderson Hospital, but both individuals impressed me as being acute and reasonably objective in their thinking. I am informed by Dr. Lee Clark, however, that Dr. Wells spent a great deal of his time working up a textbook rather than doing basic research while he was associated with the Anderson Hospital.

Dr. Clark heard about this conference, which took place while he was away on vacation, and came up to see me Monday. Without going into particulars or dealing in personalities, I indicated to him the broad nature of the criticisms, and he agreed with me that it would be useful to have some expert outside evaluations of our teaching and research programs there. Some of these apparently have been made in the past year by several medical committees, and I requested that he have their reports made available. Likewise, we are assembling pertinent information concerning the policies and procedures for Dr. Kimbro to distribute for us in connection with an oral presentation he will make to the doctors who are to be in Austin for an Association meeting in the Middle of September.

Logan Wilson

LW:jm
Enclosure

COPY

THE UNIVERSITY OF TEXAS
THE BOARD OF REGENTS

September 1, 1955

MERTON M. MINTER, M.D., F.A.C.P.
NIX PROFESSIONAL BUILDING
SAN ANTONIO, TEXAS

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED	FILE
REC'D SEP 2 - 1955	
REPLY TO	
MAIL ROOM	

Dr. Logan Wilson
Office of the President
The University of Texas
Austin, Texas

Dear Logan:

I am enclosing letters from Doctors Kimbro and Wells.

I had written each of them thanking them for their appearance before the Medical Committee of the Board of Regents regarding the M. D. Anderson Hospital operations.

I, too, feel that it was very worthwhile to have Doctors Kimbro and Wells with us. I am sure that we gained something from their discussion and that they have a better insight into the overall operations than they had previously. I feel quite sure that Doctor Kimbro can and will help us greatly in combatting erroneous and unfounded criticism of not only the Anderson Hospital but also the medical branches.

If you think it is worthwhile I would appreciate your having these letters verified and sent to the Board of Regents.

With my kindest personal regards, I am

Sincerely yours,



Merton M. Minter, M. D.

MM:mc
Enclosures (2)

COPY

THE KIMBRO CLINIC

CLEBURNE, TEXAS

August 26, 1955

R. W. KIMBRO, M. D. F.A.C.P.
 CON. S. HAMILTON, M. D.
 INTERNAL MEDICINE
 W. R. WHITEHOUSE, M. D. F.A.C.P.
 JOHN B. RICE, M. D. F.A.C.P.
 SURGERY
 GLENN R. WRIGHT, M. D.
 OBSTETRICS

J. W. PICKENS, M. D.
 EYE, EAR, NOSE AND THROAT
 J. E. CURTIS, D. D. S.
 H. D. MORETON, M. D. F.A.C.R.
 RADIOLOGY
 JAMES F. HOOKER, M. D.
 PEDIATRICS

Merton M. Minter, M. D.
 Mix Professional Building
 San Antonio, Texas

Dear Merton:

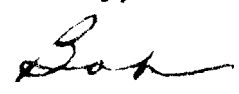
It was nice seeing you again in Houston on Tuesday, and I appreciate very much the opportunity to appear before the Board of Regents. I am very happy that you also included Dr. Wells in your invitation.

I sincerely hope that the meeting was of mutual benefit to both the Board of Regents and the Texas Medical Association; and I can assure you that I will discuss these problems in greater detail at our next meeting. I would like to tell them, certainly, that the attitude of the Board of Regents is such that they have no fear that the University of Texas Medical Branches will ever encroach upon the private practice of medicine.

Thank you again for your thoughtfulness in allowing us to appear before the Board of Regents.

With kindest personal regards,

Sincerely,



R. W. Kimbro, M. D.

RWK:ls

COPY

187

THE CREIGHTON UNIVERSITY
OMAHA, 2, NEBRASKA

SCHOOL OF MEDICINE

29 August 1955

Dr. Merton M. Minter
Nix Professional Building
San Antonio, Texas

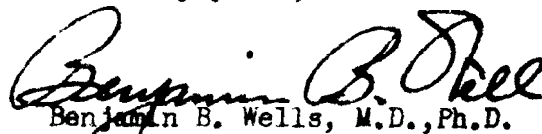
Dear Doctor Minter:

It was a pleasure to visit with you and your colleagues. It is very kind of you to suggest that I may have done some good. Frankly, I felt rather uneasy. I have spent a large part of my professional life in the study of institutional problems, but I am certainly no expert in such matters as were under discussion. When Bob Kimbro mentioned the Anderson Hospital question to me some months ago, I expressed a genuine interest, but I thought that my contacts and information were so remote that I could add nothing to an investigation. I was quite surprised when Dr. Wilson called me. I had previously expressed my opinion that Dr. Wall's report seemed intended for the good of no one. I appreciated Bob's willingness to leave this out of comment. In any event, our institutions and educational administrators have a hard time making progress. I hate to see them in needless pressures.

I remain very much interested in the development of medical and educational affairs in Texas, and shall be pleased to help in any way that I can. In point of fact, however, I have been so busy during recent years that it is quite impossible to maintain basic information upon which to base valid suggestions.

Kindest personal regards.

Sincerely yours,



Benjamin B. Wells, M.D., Ph.D.
Professor of Medicine

BBW/1J

MEETING OF THE MEDICAL COMMITTEE OF THE BOARD OF REGENTS
AT THE M. D. ANDERSON HOSPITAL
TUESDAY, AUGUST 23, 1955

Present: Dr. Oates, Chairman, Dr. Minter, Mr. Sorrell, Mr. Jeffers, of the Committee; and President Wilson, Dr. Kimbro, Dr. Wells, Mr. Cox

Dr. Oates called the meeting to order at 9:20 a.m. and asked Dr. Kimbro if he would make a statement.

Dr. Kimbro: The majority of the doctors of Texas felt that M. D. Anderson was invading the private practice of medicine. Their complaints were:

1. Many patients were handled without referrals, and the out-patient clinic was the open door to the hospital without the necessity of a referral.
2. There was too much advertising. M. D. Anderson was being represented as the only place in Texas where cancer could be treated.
3. Too much money was being spent.
4. Not enough doctors were being trained at Anderson. The post-graduate teaching, intern, and resident programs were inadequate.
5. For the amount of money being spent, the care of patients and research were inadequate.
6. The income of doctors at Anderson was criticized and was thought to be entirely out of bounds on occasion.
7. There was serious question as to the productivity of the research at Anderson.
8. It appeared that the primary purpose at Anderson was treatment rather than diagnosis or research. In regard to treatment there was a question as to whether the treatment at M. D. Anderson was superior to the treatment from private doctors. The doctors of the state did not know the types of cancer that Anderson was interested in. There should be more advertising among the doctors and less among laymen.

Dr. Minter: The Board should set as a policy that M. D. Anderson should refuse to accept patients where treatment would not enhance the research or teaching function. Such patients should be referred back to the referring doctor.

Dr. Kimbro: About three years before, a letter had been sent by Anderson to the doctors of the state saying, in effect, "Send all your chest cases to us." This was a wrong approach and had been resented by surgeons.

Dr. Wells: He did not know of any cases of lack of referral while he was on the staff of Anderson. Dr. Clark and his staff were very careful about this. He pointed out that it was very difficult not to take referrals.

In reply to a question by Mr. Sorrell, he stated that in his opinion, M. D. Anderson was not primarily run as a teaching and research institution. The basic function was practice. He had left the institution after one and a half years because he had found that teaching and research were not the primary functions of the institution. The Director of Research post had changed hands frequently. There was a large staff turnover (naming several names). Many left because they were primarily interested in teaching and research. Some stayed because they liked institutional work, others because of the splendid facilities. People believe that facts have been misrepresented. They came to the staff believing that the primary purpose of the institution was teaching and research, then learned that such was not the case.

In reply to a question by Dr. Oates as to what facilities were better at Anderson, Dr. Wells listed the radiology equipment and more available special laboratory facilities. The laboratory facilities were not necessarily better, but patients received more detailed laboratory study. That could be done because cost was not too important.

When he was at Anderson, he had thought quite a little general medicine and surgery was being done. It was largely diagnostic, but he considered it a more serious threat to the private practice of medicine than cancer work. He estimated a thousand cases a month of general work had been handled.

Dr. Minter: Dr. Hartman had stated that Anderson does refer back patients. In his opinion, the referring doctor should be required to state that the patient had reasonable probability of a malignant disease.

Dr. Wells: At the time he was at the institution, the out-patient clinic was the front door to the hospital.

Dr. Minter: Dr. Clark had told him that all out-patients were referrals.

Dr. Wells: In reply to a question by Mr. Sorrell as to what percentage of the patients being treated had any teaching or research value, Dr. Wells replied that he would have to generalize. The institution had little teaching function, and what teaching was done included general medicine; therefore, every patient had some teaching value. A relatively small number of patients had research value, probably 15 to 20 per cent at the very most, but in defense he pointed out that an institution would be lucky to get a higher percentage. You had to screen the patients, and many times it was difficult to tell before treatment whether a patient had research value.

Dr. Kimbro: It was his understanding that no Texas men were in internship or residency at Anderson. He thought there was a lack of liaison between the medical branches of the University and M. D. Anderson on the one hand and the

medical profession on the other. He thought that a representative of the Texas Medical Association should sit, without vote, in discussions of problems of the medical branches.

Dr. Wells: (Upon being handed a list of research projects at M. D. Anderson and being asked to comment on them.) He recognized fully one-half of the projects as continuing from the time when he had been on the staff. Most of them were static and not active projects. The statistical projects had brought nothing but criticisms and had tended to discredit M. D. Anderson. They were "busy work". Many of the projects were just clinical studies or observations rather than research.

Dr. Kimbro: M. D. Anderson should be a teaching and research center, emphasizing post-graduate teaching and training. There definitely should be a closed staff; all men should be full-time.

Dr. Wells: Agreed very strongly with Dr. Kimbro. The part-time man was dangerous. He was, in effect, in both camps, with divided loyalties.

Dr. Kimbro: He understood that on numerous occasions diagnostic work had been done at Anderson and then operations had been performed at private hospitals where the doctor collected a full fee. He understood that this was being done all the time.

Dr. Wells: This was standard practice when he was at Anderson.

Dr. Minter: Any doctor referring a patient to M. D. Anderson should be required to sign the following certification: "This is to certify that I have adequately examined this patient and that in my opinion the patient has or is suspected of having a neoplastic disease." (The consensus was that this or very similar language should be required in all referrals.)

Dr. Minter was of the opinion that not all of the responsibility was on the referring doctor. The institution should have the responsibility if they did not find a neoplastic disease of sending the patient back to the referring doctor; and in any case, if the patient's case would not contribute to research and teaching, the patient should be referred back. In reply to a question by President Wilson as to the situation of charity patients, Dr. Minter stated that the conflict was solely as to pay-patients and that charity patients should be taken on the basis of their research and teaching value.

Dr. Kimbro: In reply to a request by President Wilson for further comments on his previous statement that M. D. Anderson did too much advertising, Dr. Kimbro stated that Dr. Clark was an outstanding person, but that it was a mistake for him to act as editor of the heart and psychiatric bulletins. Although the name of M. D. Anderson was not used in these bulletins, the fact that Dr. Clark's name appeared as editor tied them to Anderson, and this was a mistake. He was of the opinion that doctors should pay for these bulletins and the cancer bulletin.

Dr. Minter: The cancer bulletins should continue to be published by M. D. Anderson, but the heart bulletins should be taken over by the Heart Association and the psychiatric bulletins by some psychiatric group. (All agreed that this should be done.) In refutation to Dr. Kimbro's previous statement of a lack of liaison between doctors and the University's medical units and the lack of representation of doctors in decisions on medical matters, Dr. Minter pointed out that two members of the Board of Regents of The University of Texas were practicing physicians.

Dr. Kimbro: In his opinion there was no unethical publicizing being done by M. D. Anderson. More informational material should be directed to Texas doctors. There was not enough post-graduate teaching and not enough post-graduate seminars. This work should be more widely advertised to attract more doctors. Information should be directed to the doctors and not the laymen.

President Wilson: Dr. Kimbro was requested to comment on how to counteract the opinion among doctors that too much was being spent at Anderson.

Dr. Kimbro: Information on costs was needed. Criticisms were based on the amount appropriated to Anderson as compared to the amount appropriated to the Main University at Austin.

Dr. Minter: The amount of money spent at Anderson was out of proportion to what was being spent at Galveston. He asked Dr. Kimbro if he thought too much was being spent at Anderson.

Dr. Kimbro: Not too much was being spent at Anderson, but certainly not enough was being spent at Galveston. A senator had told him that it appeared that there would have to be a senate investigation at Anderson.

In reply to a request by President Wilson for further comment on the personal income of the doctors at M. D. Anderson, Dr. Kimbro stated that his previous statement was not a personal criticism, but was the general consensus of doctors in Texas. Upon a suggestion by President Wilson that he would be glad to supply him with full information as to salaries and salary supplementation, Dr. Kimbro stated that he would be glad to give such information to an executive council meeting of the Texas Medical Association to be held in Austin in September.

When requested to comment on the question of the productivity of research at Anderson, Dr. Kimbro passed the problem to Dr. Wells.

Dr. Wells: It would be valid to ask an outside group to evaluate the research being done. The National Cancer Society would be glad to furnish people to do it.

Mr. Sorrell: Thought the report when made should be given general release whether it was good or bad.

Dr. Minter: Thought it favorable to give the findings to a committee of the Texas Medical Association for its information and appraisal.

President Wilson: He thought there was an obligation on the part of the doctors of Texas to channel their questions and complaints through proper committees. To be required to answer all individual questions or complaints consumed time and energy which could otherwise be devoted to constructive achievements. In his opinion there should be an over-all evaluation of M. D. Anderson, including teaching, as well as research. Several groups might be needed to accomplish this. Certainly a medical education group should evaluate the teaching.

Dr. Kimbro: In his opinion, the solution to the problems of M. D. Anderson was in a closed staff.

A discussion of post-graduate education followed.

Dr. Kimbro: The doctor himself should pay for post-graduate education.

Dr. Wells: In reply to the question from Dr. Oates as to the desirable staff-resident ratio, Dr. Wells observed that generally there was one resident for every twenty to thirty beds in a general program, but that this ratio should probably not be as large in a specialized field. He thought the residency program at Anderson should be integrated with a general program, such as perhaps Galveston.

President Wilson: In his opinion, it would be desirable to print up and mail to the doctors of Texas the Constitution and rules of operation of M. D. Anderson Hospital. This would not only give them immediate information as to the basis of operating the M. D. Anderson Hospital, but it would permit referral to the Constitution or rules when later questions might arise.

Dr. Kimbro: At the September meeting of the committee of the Texas Medical Association in Austin, the presidents, secretaries, and public relations chairmen of the various local medical associations would be present. Between 150 and 200 would be in attendance. He would be glad to distribute whatever information was available to this group and would report the results of this conference. In his opinion, the meeting was highly successful, and he was gratified and pleased at the attitude evidenced by the members of the Regents' Committee.

The meeting recessed at 11:45 for an inspection of the Dental Branch building and lunch.

8/24/55

FLC: jm

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THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

August 17, 1955

MEMORANDUM

TO: RIGHTS' COMMITTEE ON MEDICAL AFFAIRS

As a result of suggestions from Doctors Minter and Oates, I am scheduling several meetings in Houston this coming Tuesday, August 23, in the Conference Room next to Dr. Clark's office at the M. B. Anderson Hospital. Dr. Clark will not be back from his vacation by then, but I have cleared with his secretary to have the space reserved for us.

At nine o'clock we shall meet with Dr. Bob Kishro, of Cleburne, Chairman of the Board of Trustees of the Texas Medical Association, in order for him to present his information regarding the Anderson Hospital. At the suggestion of Dr. Minter, Dr. Benjamin B. Willis, formerly a staff person at the Anderson Hospital and presently a member of the Medical School faculty at the University of Nebraska, will also be present. This will enable us to devote the entire morning, if necessary, to a discussion of the Wall report and related matters.

Dr. Grant Taylor has requested that we delay any meeting with the trustees of St. Luke's Hospital, but would like to talk with us about the proposed affiliation. I am setting up our meeting with him at 1:30 in the Conference Room. This will be followed by our interview with Dr. Francis M. Forster, Dean of the Georgetown University Medical School, who, as you perhaps know, is a prospect for the directorship at Galveston. Incidentally, Dr. Forster will spend Sunday and Monday in Galveston talking with the people there. He has to catch a plane at 5:00 pm but we probably shall not need to spend over an hour with him.

Logan Wilson

LW k

cc: Mr. Tom Sealy
Miss Betty Anne Theiford ←

MEMORANDUM

TO: Dr. Logan Wilson, President, and Members of the Board of Regents - The University of Texas

FROM: Dr. R. Lee Clark, Jr., Director - The University of Texas M. D. Anderson Hospital and Tumor Institute

The memorandum criticizing the policies and practices of The University of Texas M. D. Anderson Hospital and Tumor Institute, stated to have been written by Dr. John A. Wall and presented to the Board of Regents by Dr. Merton Minter, was forwarded to me in the stipulated time following the last meeting of the Board of Regents.

This is in reply to the subject memorandum.

Background information relating to development and organization of medical staff

It is perhaps pertinent to outline the sequence of events in the development of the staff of the M. D. Anderson Hospital and Tumor Institute to better orient the Board in regard to the rather disorganized document that they have received.

When the present Director was appointed and reported for duty at the temporary quarters of the M. D. Anderson Hospital in August, 1946, there were 22 employees, among whom was one full-time Ph. D. in research and three part-time physicians. There were, in addition, approximately 30 volunteer physicians associated with the institution. The Director was the first full-time physician appointed by the Board of Regents. The policy as outlined to the Director at the time of his appointment was:

- (1) That patients should be referred to the hospital by a physician.
- (2) That the hospital was primarily a research and educational institution.
- (3) That full-time men should be appointed to the key positions in the institution.

- (4) That there should be some limit on the earning power of the full-time staff from any referred pay practice they might carry out in the institution. The Director was asked to recommend to the Board a policy for the control of this practice.
- (5) All professional appointees to the hospital on a full-time basis were to have the privilege of private consultation but were not to have outside offices. There was no formal resolution of the Board regarding this, but it was freely discussed with the Medical Committee of the Board and by members of the Board of Regents themselves.

It was on this basis that the Director of the hospital and the Dean of the Dental Branch presented a plan to the Board of Regents in January of 1947 that was approved by them as a temporary policy for the augmentation of income for the staff of both the cancer hospital and the dental branch. This action of the Board of Regents is presented in Appendix A.

It was freely discussed and generally understood by all members of the staff that full-time men would be appointed to the key positions as the finances and growth of the institution permitted. The part-time and volunteer staff were evaluated as to their suitability for a full-time appointment. None of them were desirous of full-time affiliation with the growing hospital but preferred to continue their private practice and to have some appointment with the institution that would bring them to the attention of the community as being especially interested in cancer care.

At this time there were less than twelve new patients weekly. Only a small per cent of these were pay patients but the pay patients who did come to the institution were seen by the part-time and volunteer staff as private patients and treated by them in their offices and in the private hospitals in Houston.

When it was considered advisable to appoint a full-time man to a position held by a part-time or volunteer member of the staff, the proposed appointment was discussed with him. If his qualifications were suitable, he was offered the first opportunity to have the full-time position. During the years from 1946 to 1954 when the new hospital was being planned, financed and constructed, at least twelve physicians in Houston and Texas were offered the opportunity to become members of our full-time staff. They declined as they were not motivated toward research and education but toward the private practice of medicine.

Although the full-time men restricted their earnings markedly during this period in order to comply with the spirit of the 1947 action of the Board of Regents, and also to maintain good will with the practicing physicians of the community, many of the volunteer and part-time men utilized their association with the Anderson Hospital to help build or carry on very lucrative private practices. One of these was Doctor Wall.

The full-time men shared their earnings and none received over fifty per cent of his base pay during this interval. The part-time and volunteer staff sent their own bills to the private patients that they cared for and the patients paid their own way in Hermann and Methodist Hospitals. All income of any kind received for the professional care of the indigent patients, such as insurance fees and small partial payments by relatives, was carefully recorded in the name of the physician who rendered the service and these monies, less ten per cent for expenses, given to him at periodic intervals.

Since the move to the new hospital in 1954, all patients referred to the Anderson Hospital have been treated within this institution except in a few instances where Doctor Wall requested patients to go to another hospital. All patients have been classified according to their ability to pay as per the schedule in Appendix B and this information made available to every professional person interested.

The professional fees for the care of the patients have been recorded by careful bookkeeping procedures under the name of the man carrying out the treatment, each of whom has received quarterly settlements on earnings with the deduction of ten per cent for handling charges (Appendix C). The income for the full-time men has been handled as outlined in the Augmentation Plan approved by the Board of Regents on June 27, 1953 and January 28, 1955. Every physician has access to the information concerning his own accounts and there has been no disagreement with the policy except in the case of Doctor Wall.

There has been a minimal use of the pay beds by the part-time men, as the majority of their patients can be handled in any one of six hospitals in Houston and the Texas Medical Center. Because there has been only an average of twenty pay beds available in the institution, due to the shortage of nurses, and because the full-time men are limited to the Anderson Hospital in their hospital work, priority has been given theoretically to these men for the use of these beds for referred pay patients. However, no patient has been refused admission to a service conducted by other than a full-time man because of this need. It is obvious that if the full-time men are to be restricted in their

earnings and in carrying out their referred practice in the Anderson Hospital alone, they must be provided with beds without competition with the part-time and volunteer staff who can take their patients to other hospitals.

There are many instances when the part-time man can fulfill a mission in the program in a most useful fashion and every opportunity to utilize his services should be secured. However, part of his remuneration is the privilege of using the educational and research facilities that are provided and he should expect to conduct his routine private practice of medicine in the associated hospitals in the community. His affiliation with the University, specialty hospital should be utilized to help with the care of his difficult cases and to secure such treatment for them that cannot be given elsewhere. It is obviously impossible to allow the unrestricted use of the facilities by the more than one thousand members of the Harris County Medical Society.

Sequence of events relating specifically to appointment of full-time head of the Section of Gynecology

As to the specific appointment of a full-time man in charge of the Section of Gynecology, Doctor Wall, along with all other members of the staff, has been acquainted with the fact that a full-time man was to be selected for this position since the beginning of his association with the hospital. He was advised that he could assume this position on repeated occasions.

When reminded in the Spring of 1954 that it was necessary because of the large volume of gynecological cases in the institution, to appoint a full-time man, he declined the position stating that he could not financially afford to accept it. He had been asked to help secure someone for this position but stated that in his own opinion he did not feel that a full-time man was necessary and that he himself "could do more work in the institution in two days than any full-time man could do in a whole week".

It was not until October, 1954 that Dr. Felix Rutledge stated that he would like to be considered for the position as full-time head of the Section of Gynecology. He is the best qualified man for this position of any in the State, in our opinion, having spent a number of years in graduate training at Johns Hopkins University and having been associated with our staff for approximately five years. This was good news to all of us and we were of the opinion that it would be particularly welcome by Doctor Wall as the two men had been operating the service jointly for five years. A memorandum outlining the proposed arrangement is Appendix D, dated November 29, 1954.

This was drawn up after several hours of conference with Doctor Wall, and although he did not prefer to have a full-time man appointed, he agreed that the memorandum was a fair one and he promised to abide by it. The appointment of Doctor Rutledge was made following this memorandum.

Doctor Wall's present contention is that he should be allowed to have the complete control of the Gynecological Service in the Anderson Hospital without restrictions as to any private earnings, without regard to the rules and regulations of the Board of Regents, without regard to the supervision of the Director of the hospital, and without consideration of the full-time men and their prerogatives. It is his feeling, and he so states, that an exception should be made in his case if in no other, regardless of the fact that there are now 25 full-time M. D.'s on the staff whose livelihood and source of security must come from the proper control of the professional practice in the Anderson Hospital as approved in the Augmentation Plan by the Board of Regents.

Origin or "state citizenship" of members of medical staff

It is to be remembered that until this institution was activated after World War II, there were no qualified centers for training cancer specialists in the State of Texas. Therefore, it has been necessary to recruit most of our staff from training centers in other parts of the nation. We do not feel, however, that there is any state or national boundary on knowledge. Texas has benefited greatly from the training centers in medicine in the other parts of the world. As a matter of fact, approximately half of the physicians who are licensed in Texas annually come to this state from other training centers and other states (Journal of the American Medical Association). Certainly we are using knowledge emanating from every teaching frontier in the world in all of our medical and scientific endeavors and we have, in turn, an obligation to carry out training programs that include representatives from other states and other countries if we are to be a great center ourselves.

In this connection, one might inquire, "When does a person become a Texan?". Can a person be a Texan only if his family has been in this state for over a hundred years, such as my own? Or should he be called a Texan if he has moved to Texas, and in numerous instances has married in our state, has raised his family and made his home here, such as many of our staff and approximately half of the practicing physicians in the State of Texas have done?

Appendix E lists the number of staff members in the various categories who are Texans or are graduates of Texas schools.

Also, it should be noted that it is required of all members of the staff that they be members of the County and State medical associations and that they have a Texas license to practice medicine in order to participate in the pay practice of the institution. Not only is the institution well represented by actual membership in the regional medical societies, but there is unusual representation in the outstanding national medical organizations, in which many of the staff are officers and policy committee members.

Comment

It is a very fundamental question that has been raised by the memorandum. This question is whether a specialty, university teaching-research hospital shall be run and operated principally for the private practitioner of medicine or whether it shall be operated as a research and educational institution with its service function to patients making it possible to give a controlled and careful demonstration of the proper and best patient care as a teaching medium. In a community which has just recently become a medical center, the orientation of the private practitioner is not toward research and education, but for his private practice. It is difficult for him to make an adjustment, particularly when he sees the many advantages that accrue to his own earning power if he can be recognized by the general public as being affiliated with the advanced practices of a growing medical center and at the same time can maintain all of his prerogatives as a private practitioner of medicine. In order to operate a teaching and research institution, it is necessary to have properly motivated and trained individuals who will devote the larger part of their medical activities to the furtherance of knowledge rather than to the private practice of medicine. It is further desirable that there be no element of economic competition within the institution itself, and it is for this reason that a uniform earning power of the group practicing in the Anderson Hospital on a full-time basis is provided by the Augmentation Plan.

That you may know that this institution is being used to the fullest possible extent for research and education, your attention is invited to Appendices F, G and H.

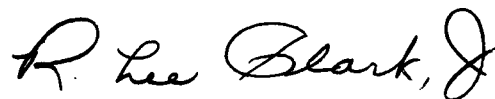
It must be pointed out here that all constituted authority in this institution and the University has been disregarded by Doctor Wall in his pursuit of his own personal desires. This has included bypassing the Head of the Department of Surgery and disregard of the advice and recommendations of the Director of the institution, and proceeding in his own manner to

contact the Board of Regents, the Governor, members of the State Legislature (during the time the appropriation to this institution was under final consideration), members of the Texas Medical Association in political positions in that organization, the Trustees of the M. D. Anderson Foundation, and other influential friends of the institution.

The memorandum in question, unsigned and undated, has been sent to me by friends of the institution from three different sources. I am informed that several hundred copies have been printed and distributed by its author. The impropriety of such action by a medical colleague and staff member, in disregard of a sense of justice or loyalty to the institution that has greatly furthered his own medical knowledge and his private income, is considered to be as regrettable as it is illuminating.

When the copy of the memorandum (Appendix I) was received from the President of the University, the chiefs of the professional services of the M. D. Anderson Hospital, with the Assistant Director, were asked to constitute a Committee (Appendix J) to review the statements and to make a reply as they saw fit. Their report is attached as Appendix K, and their conclusions, as Appendix L.

There are many statements in the memorandum which are either not factual or are so worded as to give an impression that is false. If the Board wishes a specific answer to any one of the points not covered by the information in this document and its appendices, we shall be pleased to provide it.



R. Lee Clark, Jr., M. D.
Director

APPENDICES

- A Approval of temporary Augmentation Plan by Board of Regents in 1947
- B Pay classification of patients
- C Collection and distribution of professional fees
- D Appointment of full-time head of the Section of Gynecology, November 29, 1954
- E State of birth and of medical training of staff members
- F Summary of educational and research activities
- G Weekly schedule of activities
- H Approved research projects
- I Subject memorandum
- J Memorandum authorizing formation of Committee to answer subject memorandum
- K Report of Committee on subject memorandum
- L Conclusions of Committee

THE UNIVERSITY OF TEXAS

Excerpts from minutes of the Board of Regents meeting of

January 8 and 10, 1947

M. D. ANDERSON HOSPITAL

* * * * *

POLICIES FOR FULL-TIME CLINICAL MEN AT SCHOOL OF DENTISTRY AND M. D. ANDERSON HOSPITAL FOR CANCER RESEARCH: Upon motion of Dr. Scherer, seconded by Mr. Kirkpatrick, the Board approved the following resolution.

Be it resolved that the Board of Regents of The University of Texas does hereby express its approval in principle of a plan whereby full-time clinical employees of the M. D. Anderson Hospital for Cancer Research and the Dental College, may have their base salaries augmented in the amount to be determined by the Director, or Dean, of said institutions with the approval of the President and the Board of Regents for services rendered private patients, where such patients are willing and able to pay for such services. Contemplated is the creation of a separate and distinct professional organization in Houston, Texas, which organization may determine and fix a schedule of reasonable fees and charges to be made and collected under its supervision for professional services rendered by the officers and employees of said institutions in the diagnosis and treatment of patients therein. When the total of such fees exceeds the maximum augmentation agreed upon (after deduction of administrative costs) then any balance remaining shall be deposited in special departmental or general funds of the institutions concerned, as determined by the Board of Regents.) *)

* * * * *

* Revision necessary in accordance with letter from Judge Gaines to the Chairman of the Board of Regents, January 7, 1947.

CLASSIFICATION OF PATIENTS

Upon admission to the Out-Patient Clinic or to the hospital In-Patient Service and as part of his registration, a financial review is conducted to determine the pay classification of the patient.

The factors considered in the evaluation interview are, amount of income, has income been interrupted due to present illness, will the patient be able to resume work, his net worth, including property holdings, cash on hand, et cetera, the number of dependents, available assistance from relatives, insurance coverage, and recent medical expenses.

Following is a definition of the pay classifications.

	<u>Hospital Services</u>	<u>Professional Fees</u>
A. FULL PAY	All hospital and clinic charges.	Full professional fees.
B. SEMI-PAY	All hospital and clinic charges.	Modified professional fees.
C. PAY	All hospital and clinic charges.	Nominal or no professional fees.
D. PART PAY	Adjusted clinic and hospital charges.	No professional fees.
I. INSURANCE ONLY	Insurance benefits only.	Insurance benefits only.
X. SERVICE	Free of all cost.	

The "C" and "D" classifications require close scrutiny by the credit office throughout the patient care period due to the limited financial ability of patients in these classifications. Re-classification is often necessary, especially in those instances of prolonged diagnosis and treatment. Oftentimes it is necessary to re-classify them as "X" patients.

June 15, 1955

MEMORANDUM

TO: Dr. R. Lee Clark, Jr.
Director

SUBJ: Collection and Distribution of Professional Fees.

In October, 1948, our Patients Accounts office was developed. One of the functions of this office was to interview new patients for the purpose of evaluating their economic status and assigning a pay classification in accordance with their ability to pay for services rendered.

Concurrently there was developed a Department of Appointments and Admissions. Requests for admissions from referring physicians are received by the Correspondence Section of this department and forwarded to the Chief of Clinics who approves or disapproves admission on the basis of medical information submitted. After approval by the Chief of Clinics, an appointment is made by the Appointments and Admissions office and the patient and referring physician are so notified.

The patient's economic status is not evaluated until the date of admission. Therefore, the Chief of Clinics has no knowledge of the patient's pay classification.

In many instances the attending physician has no knowledge of the patient's pay classification. Some professional fees are collected through insurance benefits and in those cases the attending physician does not know there is a professional fee collected until he receives his quarterly remittance.

When the care of a patient in the pay classification is concluded, regardless of whether he is attended by a consultant, part-time or full-time physician, the bookkeeper of the Consultation Services sends him a notice listing the patient's name, diagnosis and surgical and medical procedure and a brief statement of the patient's economic status. This form is returned to the bookkeeper with the amount of fee to be charged stipulated by the attending physician.

The policy and procedure for the management of pay patients' professional fee collections has been reviewed with all participating physicians, whether consulting, part-time or full-time. I have discussed these policies and procedures with Dr. Wall on several occasions and have had lengthy conferences with him no less than twice each year during the past five years. In addition, there arose many occasions when it was necessary to confer with him specifically

regarding the management of professional fees for pay patients he had attended. The only change made in the management of the professional fee collections and distribution since its inception in 1949-50 was the change in name to "M. D. Anderson Association of Physicians" on January 1, 1955, as authorized by the Board of Regents.

Careful accounting of all professional fees collected has been maintained, with an individual account for each participating physician. At the end of each quarter, that is, March 31, June 30, September 30 and December 31, checks are drawn in favor of the participating physicians for whom collections are made. His check is for the gross amount collected for him, less an agreed 10% collection fee to defray expense of managing the service.

At the end of each calendar year a statement is sent to each participating physician for income tax purposes showing his quarterly receipts from the Consultation Services. In January, 1955, we established a policy of rendering additional service to the attending physician by listing the names of the patients from whom professional fees were received and the amount collected from each.

Attached is an itemized statement of the periodic disbursements made to Dr. John Wall, together with the annual salary paid to him since his appointment in 1946.



Arthur F. Kleifgen
Administrator
Division of Patient Care

DISTRIBUTION OF INCOME TO DR. JOHN A. WALL

I. Collections and Disbursements - Consultation Services.

<u>Period</u>	<u>Collections</u>	<u>Net Paid</u>	<u>Date Paid</u>	
8-31-50 to 12-31-50	\$ 330.00	\$ 297.00	1-3-51	(Check requested)
1-1-51 to 3-31-51	-0-	-0-		
4-1-51 to 6-30-51	75.00	67.50		reserve
7-1-51 to 9-30-51	625.00	562.50	"	
10-1-51 to 12-31-51	290.00	<u>261.00</u>		
	Total	\$ 891.00	12-28-51	(Check requested)
1-1-52 to 3-31-52	315.00	283.50	5-27-52	" "
4-1-52 to 6-30-52	267.50	240.75	7-16-52	" "
7-1-52 to 9-30-52	432.50	389.25	10-16-52	" "
10-1-52 to 12-31-52	364.35	327.91	1-7-53	" "
1-1-53 to 3-31-53	65.00	58.50	4-1-53	" "
4-1-53 to 6-30-53	233.00	209.70	6-20-53	" "
7-1-53 to 9-30-53	845.00	760.50	9-30-53	" "
10-1-53 to 12-31-53	927.50	834.75	12-31-53	" "
1-1-54 to 3-31-54	655.00	589.51	4-7-54	" "
4-1-54 to 6-30-54	207.50	186.75	10-5-54	" "
7-1-54 to 9-30-54	477.50	429.75	10-5-54	" "
10-1-54 to 12-31-54	546.25	491.62	1-8-55	" "
1-1-55 to 3-31-55	<u>250.00</u>	<u>225.00</u>	4-8-55	" "
Total Collections			\$ 6,906.10	
Less 10% Collection Service Charge			<u>690.61</u>	
Total Net Professional Fees Paid			\$ 6,215.49	

II. Salary Income by Fiscal Year.

<u>Year</u>	<u>Salary</u>
1-1-46 to 8-31-46	\$ 1200.00
9-1-46 to 8-31-47	1917.88
9-1-47 to 8-31-48	1800.00
9-1-48 to 8-31-49	1912.50
9-1-49 to 8-31-50	3600.00
9-1-50 to 8-31-51	3600.00
9-1-51 to 8-31-52	3600.00
9-1-52 to 8-31-53	3600.00
9-1-53 to 8-31-54	3600.00
	<hr/>
Total Salary Income	\$ 24,830.38

November 29, 1954

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Subject: The Gynecological Service at The University of Texas M. D. Anderson Hospital and Tumor Institute. (Conclusions from several discussions with Doctors Wall and Rutledge, October and November, 1954)

To: Chiefs of the Medical Clinic and Surgical Clinic--
Doctors Howe and White
The Gynecological Service--Doctors Wall and Rutledge

The gynecological service has been one of the most active in the hospital since its inception. In the new hospital, with the opening of additional beds, it will grow quite rapidly and certainly will continue to be one of our major activities. While the basic program in patient care has developed excellently and the activities in clinical investigation and teaching are at present in progress, this active service has not had the needed representation in administrative council and policy formation that a full-time appointee would be able to give it. In addition to the natural growth of the service, there is contemplated an active program in fundamental research in connection with gynecological problems of normal growth and malignant disease. In order to accomplish this, it is essential that a full-time man be appointed to this service.

In discussion with Doctors Wall and Rutledge, Doctor Wall has declined to devote his full time to the institution while Doctor Rutledge will undertake such an affiliation. We feel that this affiliation is most fortunate as Doctor Rutledge has been working with both Doctor Wall in gynecological surgery and Doctor Fletcher in gynecological radiation therapy for several years and has an appreciation and understanding of the program that has been developed. His appointment, then, in nowise should change or interrupt this program.

A new position will be created for Doctor Rutledge as full-time Gynecologist at the Anderson Hospital. He will assume the administrative duties in connection with the further development of this section of the surgical department. Doctor Wall will continue his association with the title of Clinical Gynecologist, part-time.

The years of excellent service rendered Anderson Hospital by Doctor Wall are greatly appreciated and it is not expected that this new arrangement will interfere with his intimate association and continued work on the gynecological service. He will continue to have access to the accumulated information which now affords some nine years of records on the results of the gynecological care in this institution. The facilities for research will be available to him both in clinical investigation and in fundamental research. Teaching will remain a prime part of his program and it is contemplated that both these activities will be expanded with a full-time man devoting his time to the organization and administrative duties.

It is contemplated that in regard to the details of the operation of the service such as scheduling of clinics, assignment of operative time,

participation in the care of patients, selection of personnel, and evaluation of clinical work, Doctor Rutledge will make the administrative decisions after conference with Doctor Wall. It is paramount to the successful accomplishment of this cooperative endeavor that adequate consideration be given Doctor Wall's interests and prerogatives and that he, in turn, give his loyal support to both Doctor Rutledge and the service.

The administration believes that this service is, and can continue to be, one of the outstanding activities of the Anderson Hospital. To be so the cooperative endeavor of several talented men is required. The administration will back this activity wholeheartedly and will continue to devote a large portion of its resources to this endeavor. In return, it expects the loyal cooperation of the individuals concerned and the free resort to conferences and discussion of the various problems until a working solution is reached in each instance.

R. Lee Clark, Jr., M. D.
Director

RLC:pl

The provisions contained in this memorandum became effective December 1, 1954.

PROFESSIONAL STAFF

	Born in Texas	Texas Medical School
Full-time (Medical)	1	0
Part-time (Medical)	15	14
Full-time (Research)	4	4
Consultant	17	22
Volunteer	5	5
	<hr/>	<hr/>
TOTAL	42	45

Summary of Educational and Research Activities

One of the three principal functions of the M. D. Anderson Hospital since its establishment has been its program of education. Instruction and training activities are in progress throughout the institution daily with specially scheduled meetings and conferences held at frequent intervals during the year.

Among these might be mentioned the following:

Residency and fellowship training program - During the year 1953-54 forty-eight residents and fellows received training in the medical specialties and basic sciences.

Instruction to medical students - Medical students from Baylor University College of Medicine are assigned regularly for instruction in diagnosis and treatment with particular emphasis on surgery, pathology, radiotherapy and chemotherapy.

Daily clinics and conferences - Schedules are published and distributed weekly announcing time and place of clinics and conferences to physicians in the community. Visiting physicians from Texas, other states and other countries are frequent participants.

Education in pathology - A research tumor registry and an educational slide set service to pathologists of Texas are maintained, and a tumor board of pathologists from different areas of the State meets regularly. Clinicopathologic and autopsy conferences are held frequently.

Guest lecturers - Eminent scientists from many medical centers are featured speakers for staff meetings frequently during the year.

Annual Symposium - An annual Symposium on Fundamental Cancer Research has been held for the past nine years, with increasing attendance from this and other states and foreign countries.

THE CANCER BULLETIN - Members of the staff serve in editorial advisory capacity for THE CANCER BULLETIN, a journal for general practitioners of medicine with a circulation of 45,000 in this and other countries, including all physicians in Texas.

Addresses and publications - Over 190 addresses were made and 111 scientific papers were published during the past year by staff members.

A sample weekly schedule of activities follows as Appendix G.

In research, seventy-eight research projects are presently under investigation in the fields of biochemistry, biology, electron microscopy, epidemiology, gynecology, immunology, medicine, experimental medicine, psychosomatic medicine, pathology, pediatrics, physics and radiology. A list of these projects follows as Appendix H.

THE UNIVERSITY OF TEXAS POSTGRADUATE SCHOOL OF MEDICINE
AND THE
M. D. ANDERSON HOSPITAL AND TUMOR INSTITUTE

MONDAY, July 4

HOLIDAY

TUESDAY, July 5

7:00 - 4:00 Clinical anesthesia, 4th Floor Operating Room Suite
8:00 Planning Clinic
8:00 Gynecology Clinic
10:00 - 12:00 Hematology Clinic
12:30 - 1:30 Journal Club: Department of Physics
1:00 - 4:00 Medical Clinic
1:00 - 2:00 Gynecology Pathology Conference
2:00 Anesthesiology Conference: 3rd Floor Conference Room
2:00 Disposition Clinic: Departments of Gynecology, Radiotherapy
and Physics
2:00 - 4:00 Neurosurgery Clinic
4:00 Radiology Film-reading Conference: Department of Radiology

WEDNESDAY, July 6

7:00 - 4:00 Clinical anesthesia, 4th Floor Operating Room Suite
8:00 Head and Neck Clinic
1:00 Conference on current surgical pathology with Senior Pathologist:
Department of Pathology
1:00 - 5:00 Surgery Clinic
4:00 - 5:00 Head and Neck Conference
5:15 CLINICO_PATHOLOGIC CONFERENCE

THURSDAY, July 7

7:00 - 4:00 Clinical anesthesia, 4th Floor Operating Room Suite
8:00 Planning Clinic: Department of Radiology
8:00 Conference on current autopsy pathology with Senior Pathologist
8:00 - 12:00 Gynecology Clinic
9:00 - 12:00 Thyroid Clinic
9:30 Microscopic Surgical Pathology Conference: Department of Pathology
10:00 - 12:00 Hematology Clinic
10:30 Gross Pathology Conference: Department of Pathology
1:00 - 5:00 Medical Clinic
1:00 - 5:00 Female Endocrine Clinic
1:00 - 2:00 Gynecology Pathology Conference
2:00 Disposition Clinic: Departments of Gynecology, Radiotherapy
2:00 - 4:00 Neurosurgery Clinic
3:30 Dosimetry Conference: Departments of Gynecology, Radiotherapy
and Physics

4:00 Radiology Film-reading Conference: Department of Radiology
 4:00 - 6:00 PHYSICS SEMINAR
 5:00 Tumor Board (Microscopic Review)

FRIDAY, July 8

7:00 - 4:00 Clinical anesthesia, 4th Floor Operating Room Suite
 8:00 Immunology Research Meeting
 9:00 - 12:00 Male Endocrine Clinic
 10:00 - 12:00 Hematology Clinic
 10:00 - 12:00 Head and Neck Clinic
 12:00 - 1:00 Medical Clinic
 2:00 - 4:00 Journal Club: Department of Medicine
 3:00 - 4:00 Meeting of Department of Experimental Medicine
 3:00 - 4:00 Immunology Journal Club
 4:00 - 5:00 IMMUNOLOGY SEMINAR

SATURDAY, July 9

10:00 Surgical Pathology Review: Department of Pathology

May 30, 1955

Department or Section	Project Designation	Projects	Investigator	
APPROVED RESEARCH PROJECTS				
BIOCHEMISTRY	BC-1	Controlling Factors in Protein Metabolism A- Endocrine Factors B- Biochemical Factors	Dr. Awapara	
	BC-2	Blood and Urinary Proteins in Relation to Cancer A- Denaturation of Proteins B- Characterization of Proteins	Dr. Jirgensons	
	BC-7	Protein Metabolism in Tumors	Dr. Kit	
	BC-8	Relation of the Pituitary to Liver Nucleic Acid Metabolism During Azo Dye Carcinogenesis	Dr. Griffin	
	BC-9	Compounds Affecting Ultraviolet Skin Carcinogenesis	Dr. Griffin	
	BC-10	Endocrine Effects on the Development and Growth of Melanomas	Dr. Griffin M. A. O'Neal	
	BC-11	Effect of Exposure to Cigarette Smoke on Carcinogenesis and on the Chemical Composition of the Lungs	Dr. Griffin	
	BIOLOGY	B-1	Effect of Adrenalectomy and Ovariectomy Upon the Development and Growth of Spontaneous Mouse Mammary Adenocarcinomas	Dr. Kirschbaum
		B-2	Mechanism of Induction of Ovarian Tumors by X-Ray	Dr. Kirschbaum
		B-3	A Genetic Study of Negative Ionization Effects	Dr. Fuerst
		B-4	Virus and DNA Studies in Transformation and Transduction Experiments	Dr. Fuerst
B-5		A Genetic Study of Free Intracellular Amino Acids	Dr. Fuerst	
ELECTRON MICROSCOPY	EM-1	Investigation of the Nature of the Mammary Tumor Inducing Agent	Dr. Dnochowski Dr. Griffin	
	EM-2	Study of Spontaneous and Induced Leukemia in Mice	Dr. Dnochowski	
	EM-3	Electron Microscope Study on the Embryonic Thyroid of the Chick During its Developmental Period	Dr. Dnochowski Dr. Trunnell	
	EM-4	Structure of Normal Eyes and of Early and Advanced Carcinoma of the Eye in Herefordshire Cattle	Dr. Dnochowski	
EPIDEMIOLOGY	E-1	Establishment of the Texas Statewide Cancer Record Registry A- Construction of Record Register of Cancer Abstracts from January 1944 in each of the over-50 bed hospitals in Harris County	Miss Macdonald	

Department or Section	Project Designation	Projects	Investigator
EPIDEMIOLOGY	E-1	<p>B- Construction of Record Register of Cancer Abstracts from January 1944 in each of the over-50 bed hospitals in Bexar County</p> <p>C- Construction of Record Register of Cancer Abstracts from all over-50 bed hospitals in Tom Green County</p> <p>D- Construction of Record Register of Cancer Abstracts from January 1944 in the John Sealy Hospital, Galveston</p> <p>E- Establishment of Follow-up Services in one 20,000 square mile Hospital District in Texas</p> <p>F- Construction of Record Register of Cancer Abstracts at Midland Memorial Hospital</p>	Miss Macdonald
	E-2	<p>M. D. Anderson Hospital Indices and Codes</p> <p>A- Construction of Cancer Record Register, Index and Follow-up System at the M. D. Anderson Hospital for Cancer Research to Serve as a Pilot for Similar Installations in all over-50 bed General Hospitals in Texas</p> <p>B- Anticipatory Coding and Tabulation of all the Charts in the M. D. Anderson Hospital for Epidemiological Investigation into Possible Etiological Factors</p> <ol style="list-style-type: none"> 1. Application of Identical Anticipatory Coding and Tabulation to all Abstracts from all Hospitals in Register <p>C- Development of Activity Code for Measurement of Daily Volume of Activity in Each Branch of a Research Hospital</p> <ol style="list-style-type: none"> 1. Inpatient by service, age, sex, etc. 2. Outpatient by service, age, sex, etc. 3. Histologic IBM visible index of Anderson Hospital Accessions 4. Cross Index of medical conditions according to New International 5. Index of surgical procedures from March 1944 <p>Processing and Analysis of 50,000 Cancer Abstracts in the Texas Cancer Record Registry from Five Population Centers Inclusive 1944-1950</p>	Miss Macdonald
	E-3	<p>Epidemiological Investigations</p> <p>A- Incidence of Malignant Melanoma Among Residents of Texas</p> <p>B- Study of Autopsied Cases by Site, by Histologic Type to determine Routes of Metastasis</p> <p>C- Organization of Pediatric Tumor Record Register from the General Hospitals in Texas in 1944</p> <p>D- A Study of Tobacco as an Etiologic Agent in the Production of Carcinoma. An Analysis and Review of the Reported Literature, Epidemiological Investigation of a Series of Causes and Controls</p>	Miss Macdonald

Department or Section	Project Designation	Projects	Investigator
EPIDEMIOLOGY	E-4	A Survey of the Facilities in Texas for the Diagnosis and Treatment of Cancer	Miss Macdonald
SURGERY/ GYNECOLOGY	S/G-1	Transabdominal Lymphadenectomy Following Supervoltage Therapy	Dr. Rutledge Dr. Fletcher
IMMUNOLOGY	I-1	Application of Immunologic Approach to Problems of Tissue Transplantation and Metastasis	Dr. Makari
	I-2	Possible Use of the Immunologic Approach in the Therapy of Cancer	Dr. Makari
	I-3	Detection of Soluble Antigens in the Sera of Patients with Carcinoma Using the Schultz-Dale Test	Dr. Makari
MEDICINE	M-2	Study of Prothrombin Consumption in Correlation with Various Levels of the Platelet Count	Dr. Shullenberger
MEDICINE EXPERIMENTAL	M/EX-1	Study of Factors Affecting Growth and Metabolism of Normal and Neoplastic Thyroid Tissue	Dr. Trunnell
		A- Continuation of Efforts to Increase Total Uptake and to Improve Homogeneous Distribution of Iodine-131 in Metastatic Thyroid Cancer	
		B- Continuation of Studies of Different Metabolic Behaviors of Thyroid Cancer Versus Normal Thyroid Tissue	
		C- Study of the Pathologic Physiology of Graves' Disease	
		D- Study of the Influence of Pituitary and Steroid Hormones on Iodine Metabolism by the Normal Thyroid	
E- Study of the Influence of Tissue Organizers in the Chick Embryo, Using Iodine-131			
	M/EX-2	Continued Study of Mechanism Whereby Estrogens, Androgens and Progesterone Control Malignancies of the Breast and Prostate Glands	Dr. Trunnell
	M/EX-2	A- Comprehensive Metabolic Study of Patients with "Hormone Sensitive" Neoplasms	
		B- Study of Interrelationships Existing Between Steroids and Trace Nutritional Substances	
	M/EX-3	Skin Allergy to Hormones in Patients with Malignancies	Dr. Meltzer Dr. Trunnell
MEDICINE PSYCHOSOMATIC	M/P-1	Social Psychological Study of Cancer Patients in Connection with Behavior of Delaying, Refusing and Detouring to Non-Medical Sources for Treatment	Dr. Cobb
	M/P-2	An Evaluation of Psychological Alteration Following Administration of Sex Hormones	Dr. Cobb

Department or Section	Project Designation	Project	Investigator
MEDICINE PSYCHOSOMATIC	M/P-2	A- In Women with Malignant Tumors of the Breast B- In Prostate Patients Treated with Estrogen Therapy C- In Patients with Thyroid Disease D- In Patients with Melanoma	
	M/P-3	Personal Counseling as Adjunct to Medical Therapy with Cancer Patients	Mr. Krasnoff
PATHOLOGY ANATOMICAL	PA/A-2	Distribution of Thyroid Cancer in Thyroid Gland	Dr. Russell
	PA/A-4	Application of Quantitative Methods to Exfoliative Cytology	Dr. Foraker
	PA/A-5	Whole Organ Studies of the Uterus by Subserial Sections	Dr. Russell
	PA/A-6	Cervical Carcinoma in Situ, A Study by Subserial Sections	Dr. Russell
	PA/A-8	Cytochemical Orientation of Intra-Epithelial Carcinoma of the Cervix Uteri	Dr. Foraker
	PA/A-9	Pathologic-Anatomic Study of Cellular Changes in Human Lungs	Dr. Old Dr. Bensch
	PA/A-10	Histochemical Study of Selected Human Tumors	Dr. Russell
	PA/A-11	The Growth and Distribution Pattern of Primary Carcinoma in the Larynx	Dr. Old
PATHOLOGY EXPERIMENTAL	PA/EX-1	Physiological Studies on Spore Germination in Certain Clostridium Species	Dr. Wynne
	PA/EX-3	Microbiological Assays of Blood from Cancer Patients	Dr. Wynne
	PA/EX-6	Studies of Bovine "Cancer Eye" A- Studies of Possible Inheritance Patterns in Ocular Carcinoma of Bovines (so-called "Cancer Eye") with Particular Reference to Eye Pigmentation B- Studies of Ocular Squamous Cell Carcinoma and Related lesions in Bovines with Particular Reference to Possible Viral Etiology	Dr. Russell Dr. Wynne Dr. Lush Dr. Oliver Dr. Russell
	PA/EX-7	Cytochemical and Biochemical Diagnosis of Melanoma	Dr. Russell Dr. T. B. Fitzpatrick (U. of Oregon Medical School)
	PA/EX-8	Chemotherapy of Malignant Melanoma	Dr. Clark Dr. Russell Dr. Griffin

Department or Section	Project Designation	Project	Investigator
PATHOLOGY EXPERIMENTAL	PA/EX-9	Pigment Production and Biological Behavior in 380 cases of Malignant Melanoma	Dr. Guraieb
PEDIATRICS	P-1	Clinical Documentation; General Outline	Dr. Taylor Dr. Sutow
PHYSICS	PH-1	The Investigation and Development of Methods of Measurement in Radiological Physics	Dr. Sinclair
	PH-2	The Development of Radiation Dosimetry Procedures in Relation to Clinical Radiotherapy	Dr. Shalek
	PH-3	The Development of Methods for the Clinical Application and Dosimetry of the Cobalt-60 Irradiator and the 22 Mev Betatron	Dr. Richardson Dr. Fletcher
	PH-4	The application of Radioactive Isotopes to Clinical Work	Dr. Sinclair
	PH-5	Development of Methods for the Dosimetry of Radium, Cobalt-60 and Cesium-137 Needles	Dr. Fletcher Dr. Sinclair
	PH-6	Studies on the Importance of Inhomogeneity of Radiation Dose in Tissues	Dr. Sinclair Dr. Fletcher
	PH-7	The Relative Biological Effectiveness of Different Radiations, Particularly in Relation to the Betatron 22 Mev X-rays as compared with Cobalt-60 Gamma Rays or 250 Kv X-rays	Dr. Sinclair
	PH-8	Investigation of Radiation Hazards and Personnel Protection	Dr. Sinclair
	PH-9	The Radioactivity of Natural Climatic Phenomena	Dr. Sinclair
	PH-10	The Formation of Hydrogen Peroxide in Water by Radiation	Dr. Shalek
	PH-11	The Effect of Radiation on Protein Molecules	Dr. Shalek
RADIOLOGY THERAPEUTIC	RT/2	Investigation of Difference of Skin Reaction with Open Portals and Masks Built Up with Wax to Insure Homogenous Medium When Using Oblique Fields	Dr. Fletcher
	RT/3	Development of Wedge Filters Used with Oblique Portals	Dr. Fletcher
	RT/4	Investigation of Clinical Dosimetry in Order to Determine the Tumor Dose and Correlate it with Clinical Results	Dr. Fletcher
	RT/5	Clinical Investigation of the Use of Preoperative Irradiation in Breast Tumors	Dr. Fletcher

Department or Section	Project Designation	Project	Investigator
RADIOLOGY THERAPEUTIC	RT/6	Clinical Significance of Dose Distribution Around Cobalt-60 Needles	Dr. Fletcher
	RT/7	Differential Loading of Radium Sources in Radium Therapy of Cancer of the Cervix	Dr. Fletcher
	RT/8	Clinico-physical Investigation of Radioactive Gold in the Treatment of Malignant Effusions	Dr. Bloedorn
SURGERY EXPERIMENTAL	S/EX-2	Determination of Blood Volume by Means of Radioactive Tagged Albumin	Dr. Ballantyne
PROJECTS PENDING FINAL APPROVAL			
PEDIATRICS		Studies on Urinary Amino Acid Excretion in Children with Acute Leukemia	Dr. Sutow Dr. Awapara
		Transplantation and Transmission of Leukemia in Mice	Dr. Ida Dr. Kirschbaum
		Effect of Leukemia Sera on the Uptake of Labeled Glycine by Rabbit Reticulocytes	Dr. Sutow Dr. Trunnell
MEDICINE PSYCHOSOMATIC		Hospital Intra-Personnel Relations Research A- Dr.-Patient Relationship B- Nurse-Patient Relationship C- Family member-Patient-Doctor Relationship	Dr. Cobb
		Psychological Factors in Host-Resistance with Malignant Melanoma Patients	Mr. Krasnoff
		Psychophysiological Correlations with Stress in Patients with Cancer	Dr. Wheeler Dr. Cobb Dr. Trunnell
MEDICINE EXPERIMENTAL		Estrogen Phosphates: A Study of Their Synthesis and of Their Physical and Biological Properties	Dr. Patton
BIOCHEMISTRY		Endocrine Factors in Pigmentation in the Origin and Growth of Tumors	Dr. Griffin Dr. Johnston Dr. Robertson Dr. Ward
		A Study of Metabolism of Sulfur Amino Acids and Related Compounds	Dr. Awapara
		A Study of the Radiation Chemistry of Proteins	Dr. Shalek Dr. Jirgensons
SURGERY EXPERIMENTAL		Calcium Metabolism in Relation to Diagnosis and Therapy in Cancer Metastatic to Bone	Dr. Eckles Dr. White Dr. Collins

Department or Section	Project Designation	Projects	Investigator
PROJECTS COMPLETED SINCE REVISION OF APRIL, 1954			
EPIDEMIOLOGY	E-5	The Role of Heredity in Gastric Cancer: A Study of 100 Individuals and Their Traceable Family Tree for Presence of Gastric Cancer or Other Neoplasia	Miss Macdonald
PATHOLOGY ANATOMICAL	PA/A-3	Quantitation of Cell and Nucleus Size as Criteria in Making Histologic Diagnosis	Dr. Moraker
PATHOLOGY EXPERIMENTAL	PA/EX-5	Studies on the Cultivation of Tumors in the Embryonated Chicken Egg A- Interference Phenomenon Between Tumors in the Yolk Sac of the Embryonated Chicken Egg B- Cultivation of Human Tumors in the Yolk Sac of Embryonated Chicken Eggs	Dr. Wynne
RADIOLOGY DIAGNOSTIC	R/D-1	Further Investigation of the Soft Tissue Techniques and Tomography in Diagnosis of Head and Neck Tumors with Special Reference to Indications for Surgery versus Radiotherapy	Dr. Fletcher
RADIOLOGY THERAPEUTIC		Clinical Investigation of a 22 Mev Betatron in the Treatment of Cancers Infrequently Curable by Conventional Radiotherapy Techniques Influence of Sheath Design on Energy Absorbed by Tissue Around Cobalt-60 Sources and Its Clinical Significance	Dr. Fletcher

PROJECTS DISCONTINUED SINCE REVISION OF APRIL, 1954

PATHOLOGY ANATOMICAL	PA/A-1	Histopathologic Study of Normal and Cancer Tissue Following Various Types of Therapy A- Following Graded Doses of Radiant Energy B- Carcinoma of the Breast Following Estrogenic and Androgenic Therapy (This project is inactive but not completely abandoned)	Dr. Old
	PA/A-7	Histochemical Studies on Rapid Cell Growth (in the placenta) in physiologic states and in response to injury, for comparison and neoplasia	Dr. Foraker

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EXISTING POLICIES AT ANDERSON HOSPITAL

HOSPITAL

The State of Texas appropriates in excess of \$3,000,000 per year for the operation of the M. D. Anderson Hospital for Cancer Research and Tumor Institute with a threefold purpose for that operation: research, education of doctors, and treatment of patients. The 310 bed Anderson Hospital is divided into two sections: (1) 150 beds or 49% designated for private patients, and (2) 160 beds or 51% designated for charity patients. To date a total of only 160 beds has been opened.

PRIVATE HOSPITAL

When the hospital opened in March 1954, 150 beds were to be designated as private. I was told by the director that the funds for building and furnishing the private section of the hospital were donated from private sources earmarked for that specific purpose. I have never, however, seen the figures supporting this fact. He further told me that the private beds are self-supporting. This I do not understand in view of the integration of the private hospital with all other sections of the state supported institution. There has been much publicity recently on the need of outside support for private hospitals to maintain their daily operations.

The private hospital is used almost exclusively by the full time staff personnel. The only exception to this is its use to a far lesser degree by the few part time men on the staff whom the director has not yet replaced with full time staff. In support of this I am enclosing "Schedule of Admissions for Surgery" for the week of April 18, 1955, which is prepared by the Anderson Hospital. On it there will be notation as to full time staff, part time staff with no full time staff man available. There is no indication on the sheet as to the classification of the patients. It would appear that the State of Texas is furnishing a large amount of tax funds to support a private hospital for the personal use of the director and the full time men who have all been brought into the state by the director. All professional policies for the operation of the private hospital are set from recommendations of the director advised only by his full time men. The State of Texas has in fact set up a state institution to engage in the active practice of medicine in direct competition with private practice. This has been done under the guise of Education. However, outside men are not working in the institution in significant numbers and those who are still there are being replaced by imported full time men as rapidly as possible. This is a very serious precedent in chronic illness.

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Of the total 160 beds now available at the Anderson Hospital, I do not know the ratio actually used by the private as compared with the charity patient. I do know, however, there have been many private patients at the Anderson Hospital.

CHARITY HOSPITAL

It is my understanding that when the hospital opened in March 1954 160 beds were to be designated as charity beds to be supported from tax funds of the State of Texas. Since there are now only a total of 160 beds both private and

charity, this obviously has not been done. To my knowledge all patients are classified: (1) indigent, (2) insurance-full pay, (3) insurance, -part pay, or (4) private. I do not know which classifications other than indigent are designated for the charity hospitals.

There should be available a month by month breakdown since March, 1954 indicating the classification of patients in the four categories mentioned above. This would have to contain names and locations of patients to determine the number of patients admitted from Harris County in each category. Competition with private practice in this community could be clearly demonstrated by such figures.

The professional fee from the insurance policies of all patients at the Anderson Hospital is assigned to the full time men, regardless of who performs the medical or surgical benefits. In the absence of a full time man in a section where professional fee insurance money is forthcoming the policy is variable and at the discretion of the director, as I understand it.

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DIRECTOR

The director of the \$9,000,000 Anderson Hospital has the following positions in addition to his duties as director: (1) Surgeon in Chief of the Anderson Cancer Hospital and Tumor Institute, which permits him to participate in the use of the private hospital as well as the professional fee distribution; (2) Directing Medical Editor of the Cancer Bulletin (salary unknown to me); (3) Editor of the Heart Bulletin (salary unknown to me); (4) Associate Editor of the Psychiatric Bulletin, or Editor of the Psychiatric Bulletin (I do not know which) , salary unknown to me.

The director seeks advice for professional policies from a group composed totally of full time men, none of whom are native Texans or University of Texas graduates. All of these men have been selected by the director. There is no participation in development of professional policies by any of the medical profession in Texas other than the full time staff of the hospital.

FULL TIME MEN

From the last Annual Report, there are 44 full time men on the Anderson Hospital staff, none of whom are native Texans or University of Texas graduates. These men have been brought into the state by the director to man the full time places as heads of departments and sub-heads of sections. These are the only men with whom the director consults for determination of professional policies to report to the Board of Regents. The full time men have never practiced medicine in Texas and are totally unfamiliar with medical problems of Texas. They are paid a base salary by the University of Texas of \$12,000 per year as head of a department. As for the individual salaries, this I do not know nor do I know how to learn. The availability of tax funds to maintain a 310 bed hospital with a full time staff would appear impossible on the present budget.

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The full time men are allowed to do private work at the Anderson Hospital. All private patients sent to the Anderson Hospital are assigned to the full time men unless no full time man has yet been secured in the particular

section. The director is still attempting to secure full time men for places)
 as heads of sections where part time men are now adequately serving. The ulti-)
 mate goal as told me by the director is for every section and department to be
 headed by a full time man. In this way all private patients (1/2 of the hospital
 facilities) referred to the Anderson Hospital would in turn be assigned to the
 full time men.

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PART TIME MEN

There are 26 part time men as contrasted to 44 full time men on the staff of the Anderson Hospital from the last Annual Report. A large percentage of these men who are Houston private physicians started with the hospital when it was in its infancy and there were few full time men. As the director has appointed full time men, the part time men have been subordinated and given less to do. The part time men have NO participation in an advisory capacity to the director or the professional policy making staff meetings of the institution. They are included only in the monthly staff meetings as required by the Hospital Association where dinner is served, a scientific program is given, and professional policies are not discussed. The part time man is not assigned any private patients referred to the hospital except in the sections where full time men have not yet been obtained. The part time man can participate in the hospital only to the degree of the wishes of the director and the full time men. The part time men are allowed to use the private hospital for their private patients as the director decides in each specific case. In questioning this policy I have received such indefinite and varied answers that I cannot be sure that there is a specific policy.

For the reasons stated above the Houston physicians have been so discouraged in their participation in the hospital that they now make no effort to be a part of the institution and receive little advice to benefit their private cancer patients unless the patients are turned over to the full time men in the institution. This is in general; I am sure there are a few exceptions but the number would be few.

In November I asked the director for an answer in writing to the following question: "What are the present and future plans for the part time man at the Anderson Hospital?" He told me that he could not give me an answer in writing; that "they" were working on it. He told me that he would have the information for me soon. In February I again asked for an answer to this question with the same reply. To date I have not received an answer. I am now on a three month leave of absence. I have spent almost half my time for nine years)
 as a part time man believing that work and accomplishments was assurance of)
 tenure. When I learned that this was not true, I felt I must have written as-)
 surance that plans for the use of the talents of the part time men who are
 Houston private physicians are in keeping with the plans for the full time men.

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VISITING MEN

The visiting men as submitted in the Annual Report have no active participation in the Anderson Hospital. So far as I can determine their only

function is to receive notices of the monthly staff meetings as stipulated for accreditation by the Hospital Association where dinner is served, a scientific program is presented, and policies are not discussed. The attendance of the visiting men at the monthly staff meeting is very small.

RESIDENTS AND INTERNS

There are 56 residents and interns at the Anderson Hospital as submitted in the Annual Report. These men do a tremendous amount of work in the hospital. About 25% of these men are foreigners, many of whom will go back to their country to practice medicine. These men will never contribute to the advancement of cancer treatment for patients in the State of Texas.

PROFESSIONAL FEES

In November 1954 I submitted to the director a request for a written answer to the following question: "What is the policy as to the disposition of professional fees in the Anderson Hospital?" He said that he could tell me but could not give me a written answer. He further told me "they" were working on this problem and he would give me a written answer soon. Again in February 1955 I asked for this information with the same answer. To date I have not received a written answer to this question. It is evident that my information must be from personal experience and knowledge. It is my understanding that for the past five years the money collected from private patients and insurance from professional fees has been divided through a separate fund by a group of men. I do not know who participates in this fund nor do I know to what extent. I understand the full time men are principal participants. At various times I have received) money from a fund. The money has been simply a check with no statement of any) kind attached to explain where the money came from. When it was given to me, I) was told that it was "my share". I could never learn the working of this fund. In the past five years many times I have questioned the director about the professional fee distribution with the answer that this problem was being worked on. He further told me the professional policy as to the distribution of fees was approved by the Board of Regents as a temporary measure. Until the move in the new hospital the private patients on the Gynecological service were the rare exceptions. The money I received apparently came from insurance professional fees. This I must surmise, I do not know. I was promised by the director that a complete explanation and adoption of a definite policy would be forthcoming. After) the move in March 1954 into the new building, the private patients were becoming) a larger part of the institution. As a part time man in charge of Gynecology,) I felt all of the part time men on the Gynecological service should have the privilege of participation in the private professional fees and patients if I was to be so "favored" for they did much of the work. I have never known which patients were classified as private, insurance, or charity. I did not necessarily care to know for I was interested in the Anderson Hospital solely for the purpose of the development of the treatment of the cancer patients. This fact I made known to the director on many occasions and told him I was not interested in the money in any way. In October for the first time I received a check with , a statement of names and amounts attached which was questionable to me. At this) time I questioned the director as to the right of the other part time men on the

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Gynecological service to collect professional fees and received no specific answer. In late October I learned to my surprise that the director intended to change the organization of the Gynecological service from that of a section to a department and had nominated as Gynecologist, with a base salary of \$12,000 per year, a full time man who had been my subordinate as a part time man for five years. I opposed this move and explained my position in a letter to the director. The change, however, was consummated December 1. My salary was and still is \$3,600 annually.

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In January for the second time I received a statement of names and amounts attached with a check. Again on April 15 a statement of names and amounts with a check was sent to me. This statement is so questionable by me that to discuss it would be a lengthy discourse. The money I have received has always been questionable to me but I have known no one other than the director to question; however, I have never put all of these facts together until recently.

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CONSTITUTION AND BY-LAWS

In November I asked the director if I might see a copy of the Constitution and By-Laws of the Anderson Hospital. He said they were not assembled in a fashion that could be read. He told me again the proverbial "they" were working on this. He told me that I could see them soon. Again in February I asked for this information and received the same answer. To date I have no knowledge that a Constitution and By-Laws is in existence. This accounts for the omnipotence of the director and is explanation as to why only full time men attend any executive sessions of the institution.

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ENLARGEMENT OF HOSPITAL

At the present time only 160 beds or 51% of the hospital is open. However, the radiotherapy department is working to full capacity. A very large percentage of cancer patients require radiotherapeutic treatment in connection with the disease. It seems it will be necessary to enlarge these facilities with regard to x-ray equipment and personnel before opening additional beds to any large extent.

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EDUCATION

There are no plans at the Anderson Hospital for the active participation of the doctors in Texas in the actual treatment of cancer. Doctors must be encouraged to work in the hospital in order to learn the methods of treatment and the progress made. Outside doctors are not encouraged to participate in clinical work. On the contrary, Houston doctors have been discouraged from participation due to (1) the small amount and type of work they were allowed to do, and (2) as full time men have been brought into the state the Houston doctors have been subordinated. These factors have been partially responsible for the decreasing interest in the participation on the part of the Houston doctors. I know of no provisions for the education of doctors through actual participation.

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POLICIES AS I WOULD RECOMMEND
FOR ANDERSON HOSPITAL

HOSPITAL

It is my idea that there should be a complete change in the allocation of beds in the Anderson Hospital. I feel that the hospital is overbuilt for the treatment of patients. Radiotherapy which is a vital part of the treatment of almost every cancer patient is taxed to capacity with only 160 beds open at this time. My recommendation would be: 50 private beds for the private cases of cancer; 160 beds for indigent and complete insurance pay of cancer treatment; and 100 beds for terminal cases of cancer. These divisions would be outlined as follows.) 13

The 50 private beds should be for private cancer patients who require treatment unavailable at other private hospitals. People classified as private should be (1) full pay and (2) patients who have insurance but are financially capable of paying additional amounts to the extent of the scheduled private hospital and professional fees. There should be a posted professional fee scale for every type of procedure in the hospital approved by the medical society representatives which all patients in the private section of the hospital should be charged. If a patient would like to pay more, he can make a donation to one of two funds: (1) research, or (2) maintenance and operation of the indigent section. Outside doctors should have the privilege of the use of the hospital if the doctor is capable of giving the patient the best treatment. All referred private patients should be referred in writing by the doctor to the physician of choice in the Anderson Hospital regardless of full time or part time affiliation. All private patients should be cancer cases or there should be reasonable evidence of suspected cancer.) 14

The 160 bed charity section of the hospital should be for indigent patients and patients with insurance who do not have means to pay additional charges required in private hospitals. The professional fee from the insurance policy in this section of the hospital should be put in a fund to help pay the salaries of the residents and interns and reduce this cost to the state of Texas. The patient in this part of the hospital should be entitled to the same type of care and treatment as patients in the private wing. All cases treated in this section should have cancer or reasonable evidence of suspected cancer.) 15

The 100 bed terminal case section of the hospital would be a service to the people of the state. There is no definite place provided for indigent terminal cancer patients. This section would not require the expensive nursing service for the only treatment these patients would require would be palliative. The terminal cancer hospital would be of great value to the research and education functions of the institution. Patients would be available for autopsies to evaluate those who had been treated unsuccessfully.) 13

DIRECTOR.

The director of the Anderson Hospital should devote his entire time to his position as director. He should not be allowed to receive professional fees. He should be well compensated for his job and substantiation of his salary should not be necessary.

- 2 -

The director should have an advisory committee for establishing and maintaining professional policies. This committee should consist of two representatives each from the Harris County Medical Society, Texas State Medication Association, part time staff of the Anderson Hospital and full time staff of the Anderson Hospital. Each man should serve for a term not to exceed two years. This would allow participation from every phase of the medical profession interested in the progress of the state supported cancer hospital.) 16

FULL TIME MEN

Full time men should serve where necessary and should have representation on the professional advisory committee to the director. These men should be selected from men who are interested in institutional work rather than the competition and insecurity of private practice. They should be paid a salary commensurate with their training, background, and professional ability. The salary should be of sufficient amount to eliminate the dependence on private work to supplement their incomes. The full time men should participate in the retirement program as set up by the University of Texas. The full time men should chiefly devote their time to research education and treatment of patients in the charity hospital. In conjunction with part time and visiting men they should participate in a Tumor Board for the service of private doctors as well as for cancer patients from the state and make recommendations to the doctor. In this manner private doctors can have advantage of specialized knowledge for treatment of private or charity patients in other hospitals. This has been outlined in the Manual for Cancer Programs, Committee on Cancer, American College of Surgeons, and is planned as a means of education of doctors by free discussion of diagnostic and therapeutic problems. The full time men should be encouraged to actively participate in the County Medical Society, to promote professional good will to the hospital, and to better understand the medical problems in the county, state, and nation.

PART TIME MEN

There should be a large number of part time men who would have representation on the professional advisory committee to the director. These men should be selected from men in the community who are interested in actively participating in the treatment of patients on the charity service at the hospital. They should serve without pay. They should be encouraged to participate in research, education, and active treatment of patients. There are a vast number of well trained physicians in every phase of medicine in Houston who would be an addition to the hospital and if given an opportunity to participate in both professional and policy setting functions would be willing to donate their services as they do in other Houston hospitals. This would now have to be done through an appeal to the doctors to help the state establish a hospital in which all doctors would be encouraged to participate. There should be a ratio at the Anderson Hospital of at least 5 participating part time men for each full time man. This would provide the state with a tremendous amount of medical talent and service which is in evidence in other hospitals maintaining a private as well as an indigent service.

VISITING MEN

The visiting man at the Anderson Hospital should have representation on the professional advisory committee to the director through his County and State Medical Societies. These men should be men who are interested in the welfare of the

hospital but not in active participation. They should have the same standing as men on the Courtesy Service in general hospitals.) 17

RESIDENTS AND INTERNS

Residents and interns should be responsible to the full time and part time men. In this way their training would be broadened. Where professional qualifications are equal, preference should be given citizens of Texas and particularly those who indicate their intention to practice medicine in the state of Texas. Every effort should be made to attract residents and interns from Texas. This would be a means of realizing a significant return on the investment by the citizens of Texas in this institution.) 18

PROFESSIONAL FEES

There should be a written policy describing the disbursement of professional fees. This should be made available to all doctors as well as laymen of the state of Texas who are taxed to support this institution. This should be an incidental part of the hospital and should be approved by the advisory committee to the director as specified in the description of the director. The state supported cancer hospital should never be competitive with the private practice of medicine. The private facilities should serve to benefit the private physicians as well as their patients. Every doctor regardless of affiliation should send his own bill for his portion of medical care so the patient will know to whom each professional fee is being paid. This is in keeping with medical ethics.) 19
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Participation of each type of physician in professional fees should be as follows.

The full time man should be allowed to send his separate bill in accordance with the fee scale just as any other doctor does for professional services rendered in the private wing of the hospital. The full time man should have the privilege of consultation and treatment of private patients provided they have been referred to him in writing by a professional colleague.) 20

The part time man should be allowed to send his own separate bill according to the fee scale for professional services rendered in the private wing of the hospital which entails consultation and treatment provided the patient has been properly referred as stated above. He should also be allowed to treat his own private patients admitted for diagnosis and treatment as is done in routine private practice.) 20

The visiting man should be allowed to send his own separate bill according to the fee scale for any private patient he might bring into the hospital.) 20

The professional fee from insurance in the charity part of the hospital or the terminal part of the hospital should be put in a residents or interns fund to help pay their salaries and in this way decrease the amount necessary from tax money.

A list of all active participating doctors regardless of full or part time status with appropriate titles should be furnished every doctor in the state of Texas so he can choose to whom he wishes to send his private patients. This would encourage all doctors in the institution to write papers, attend meetings and participate in the medical activities outside of the Anderson Hospital.

CONSTITUTION AND BY-LAWS

There should be a copy of the Constitution and By-Laws on file in the following places:

- (1) Board of Regents
- (2) University of Texas in Austin State Medical Association.
- (3) Harris County Medical Society.
- (4) Anderson Hospital
- (5) Texas State Medical Association.

This information should be available to any taxpayer in the state upon request.

EDUCATION

Doctors should be encouraged to actively participate in the treatment and research of the hospital according to his ability. Sincere effort should be made to share facilities of the institution with doctors in the state of Texas for studies in which he is interested. It should be stressed that the hospital is the cancer research center for ALL doctors in the state of Texas.

Good will of the doctors must be promoted to encourage the private doctors to participate and in this way learn of new advances developed at the Anderson Hospital. This would benefit patients who must be treated elsewhere.

Research must be supported by Federal and State aid as well as private grants and endowments. The tremendous costs of modern research cannot be directly supported by monetary return.

Men who are dedicated to fundamental research rarely participate in clinical practice of medicine. They should, therefore, not participate in professional fees derived from treatment of patients.) 21

Education of physicians implies that they make practical clinical application of facts established in the research laboratories.

M E M O R A N D U M

May 27, 1955

FROM: Dr. R. Lee Clark, Jr., Director

TO: Dr. R. C. Heflebower, Assistant Director
Dr. G. H. Fletcher, Chief, Department of Radiology
Dr. C. D. Howe, Chief, Department of Medicine
Dr. W. O. Russell, Chief, Department of Pathology
Dr. E. C. White, Chief, Department of Surgery

The above are appointed a committee to carefully review the statements made by Doctor John A. Wall in the attached, and to make such comments as the committee deems to be appropriate.

In the event that any of the criticisms merit corrective action, it is requested that the committee make recommendation in connection therewith.

R. L. C.

Copy to Dr. Logan Wilson

TO: Dr. R. Lee Clark, Jr.
Director

SUBJECT: Document Prepared by Dr. John A. Wall

(Document reproduced for reference in Appendix I)

The committee appointed by you to study and comment upon the document, which bears neither signature nor date, but which was apparently prepared by Dr. John A. Wall, has carefully reviewed each and every statement.

Statements not found to be in accord with the facts, and opinions expressed which are in conflict with established law, regulations or policy, have been identified by placing a numeral in the right-hand column of the pages. Comments concerning these follow, and the number given each comment corresponds to the numerical identifications above mentioned.

Other parts of the document are historical accounts, elaboration of points commented upon by the committee, matters relatively unimportant, or opinions purely personal and not supported, so far as the committee is aware, by experience or precedent. No comment concerning these was considered necessary.

1. The statements made here and elsewhere are an inference that the Director has assumed rights and prerogatives which do not properly belong to him, this especially on page 5, where the phrase "omnipotence of the Director" is used. House Bill 268, Chapter 548, Forty-fifth Legislature, which established the Anderson Hospital provided for a "superintendent" and specifically prescribed his duties and responsibilities. Subsequently, the Board of Regents has adopted the title of "Director" for the position "superintendent". Extracts from this Act follow:

"Shall have charge of the operation and conduct of said institution and such other powers, duties, and obligations as may be conferred upon him by said Board of Regents."

"The Medical Staff of said institution shall be selected and employed by the Board of Regents on the recommendation of the superintendent, and may be discharged in like manner."

"Admission to said institution and to said substation shall be subject to such rules and regulations as may be promulgated by the superintendent from time to time."

"A schedule of minimum fees and charges shall be established by the superintendent."

There is no provision of Law or rule of the Board of Regents requiring that the Director consult with members of the staff concerning the establishment of policies or the making of appointments. However, several year's ago, he voluntarily set up committees on Professional Care of Patients, on Research, and on Education to advise him with regard to these functions. In addition,

there was established a Coordinating Committee, on which the three other committees are represented, to advise with respect to those matters which involved two or all three of the functions named.

2. Since State Law requires that no patient be admitted to the Hospital unless referred by a physician, the Hospital cannot be said to be in direct competition with the private practice. If, in the case of referred patients who are financially able to reimburse the State for the full costs of their care and maintenance and to pay a fee for professional services, no such professional fee were charged, then this might well be claimed to be unfair and unethical competition. Further, the collection of professional fees in such cases permits the augmentation of salaries within the limits established by The Board of Regents of The University and thus makes possible the maintenance on the Staff of more highly specialized and qualified physicians than would otherwise be obtainable.

3. There is no assignment of professional fees from insurance policies. All such fees go into a special fund to be prorated among those participating in private practice, both full and part-time, according to rules approved by the Board of Regents.

4. This paragraph contains several statements which are such radical departures from the actual facts that a much distorted picture is presented. It is, therefore, necessary to discuss them in detail. It should be borne in mind that this discussion relates to the 44 persons referred to as named in the last Annual Report and does not show the situation as it presently exists.

The first sentence declares that according to the last Annual Report "there are 44 full-time men on the Anderson Hospital staff, none of whom are native Texans or University of Texas graduates". The Annual Report showed that during the fiscal year, there had been a total of 44 full-time members of the staff but distinctly showed that five of this number had resigned during the year, and thus the statement "there are 44" is inaccurate. There is nothing in the State Law or the Board of Regents regulations which requires that a full-time staff member be a native Texan or a University of Texas graduate, but actually, among the 44 names listed, there are some who can so qualify, and hence, the statement "none of whom" is not in accord with the facts.

The second and third sentences are similarly distorted statements. Of the total of 44 referred to, some are neither heads of departments or sections. Further, as discussed below, 20 of the 44 would never be consulted "for determination of professional policies" unless the term "professional" were intended to include educational and research activities.

"The full-time men have never practiced medicine in Texas and are totally unfamiliar with medical problems of Texas. They are paid a base salary by the University of Texas of \$12,000 per year as head of a department." No conclusion here is possible other than the writer is still referring to the "44 full-time men on the Anderson Hospital Staff", and thus, the statement that "the full-time men have never practiced medicine" presents a greatly distorted view since 20 of these 44 are not Doctors of

Medicine and have nothing, whatsoever, to do with the actual practice of medicine. Of the 24 Doctors of Medicine, six do not engage in clinical activities-- one being an administrator, one a visiting instructor, and four being engaged in laboratory activities exclusively. Of the remaining 18, a majority are licensed to practice in the State of Texas and are members of the Harris County Medical Society, while some others, due to the short length of time they had been here, had not yet obtained their licenses. It is the established rule that no member of the Medical Staff not licensed in the State of Texas can participate in the distribution of professional fees collected by The Association of Physicians; consequently, the statement that "full-time men are allowed to do private work at the Anderson Hospital" is misleading. The inference that "44 full-time men on the Anderson Hospital staff" are "paid a base salary by the University of Texas of \$12,000 per year" is, to say the least, a gross exaggeration. The "last Annual Report" referred to was that for the fiscal year September 1, 1953 - August 31, 1954, and during that year, exclusive of the Director and Surgeon in Chief, only nine of the 44 were "paid a base salary by the University of Texas of \$12,000 per year".

5. "The Director is still attempting to secure full-time men for places as heads of sections where part-time men are now adequately serving". The question of "adequacy" does not confine itself to considerations of patient care but must include administration, research, and education, which are all essential functions of the heads of departments and sections in a teaching hospital. The decision as to whether or not a part-time man can adequately fill any such position is one which is the sole responsibility of the Director, subject only to approval by the Board of Regents. In the case of the Section of Gynecology, the need for a full-time head was concurred in by the heads of the four major departments of the Medical Staff and was approved by the Board of Regents.

6. Relative "assurance of tenure", neither full or part-time men have such. All appointments are made from year to year.

7. The statements made are contradictory. One says, "At various times, I have received money from a fund, the money has been simply a check with no statement of any kind attached to explain where the money came from". Later on the same page appears the statement, "In October, for the first time, I received a check with the statement of names and amounts attached". Again on page 5, appears the statement, "In January, for the second time, I received a statement of names and amounts attached to a check".

8. Statement, "the private patients were becoming a larger part of the institution" is not in accord with the facts. The number of patients paying professional fees has never been as much as 15 per cent of the total number of inpatients.

9. Statement is incomplete and so gives an entirely false picture. As stated in paragraph 5 supra, decision was made to employ a full-time Gynecologist, this after discussions of several weeks in some of which the author participated. Position was offered to the author, who was the Senior, and he declined. Appointment of the second man on the staff in Gynecology to head the section was then made.

Statement "that the director intended to change the organization of the Gynecological service from that of a section to a department" is in error, although the then head of this section, who is the author of the attached document, has repeatedly argued that it should be given departmental status. At this hospital, as in many if not most others, Gynecology is a section of the Department of Surgery.

10. The Anderson Hospital has no "Constitution and By-Laws" as an institution, except the State Laws and Board of Regents Rules and Regulations, which govern it. What the writer evidently has reference to is the "Constitution and By-Laws of the Medical Staff" which is required by the Joint Commission on Accreditation of Hospitals. A group of the Medical Staff has been working with the Director for several months in an effort to so set up the Medical Staff organization that it will be within the framework of State law and Board of Regents Rules and Regulations, and at the same time, meet the requirements of the Accreditation Commission.

11. Personnel and equipment are being added in Radiotherapy as rapidly as possible in keeping with increased demands. It is solely a shortage of nursing personnel which prevents the opening of the hospital to its full capacity, and not in any respect a shortage of Radiotherapy facilities.

12. It should be obvious that the hospital cannot fulfill its moral and legal obligations if it permitted any and all physicians to "actively participate in the actual treatment of cancer". The Director is by law responsible to the Board of Regents for the operation and conduct of the hospital, and paramount in this responsibility is the insurance that the care of the patient meets the highest standards in the light of present knowledge. To accomplish this latter goal, the Director must at all times retain control and delegate to those of his choice the matter of "actual treatment".

The hospital has always welcomed the attendance of physicians and afforded them every opportunity to observe all of its activities. The effort to encourage them to do so has been intensified since moving into the new building where the needed space is available. A "guidebook" has been published which lists the places and times of the various Clinics, Conferences, Seminars, and Ward Rounds, as well as all of the Research Projects currently going on; and also shows the various floor plans to facilitate easy access to the activity in which the individual may be interested. The introduction to this pamphlet makes it clear that all physicians and researchers are welcome to visit any of the hospital's activities insofar as the ethics of the medical profession permits. One formally organized program of clinics, to which all of the physicians of the State were invited, has been conducted, and others of this type are contemplated. Further, in cooperation with The University of Texas Postgraduate School of Medicine, courses in varying subjects have been and are being conducted, in the hospital. Physicians wishing to learn about any particular phase of cancer treatment have been and are welcome to spend time at the hospital and every opportunity to accomplish their desires is afforded.

13. To devote 100 beds of the hospital's capacity to terminal cases would not only constitute an expense to the State far greater than such cases could be cared for in an institution far less expensively equipped,

but would deprive that same number of cases, who might be cured or have their lives lengthened, of the necessary treatment. The statement, "The terminal cancer hospital would be of great value to the research and educational functions of the institution" is debatable. Certainly the case which offers hope of cure will be of far greater value, both from the standpoint of education and research, particularly if only "palliative" treatment were administered the terminal cases. While the established policy of the hospital prohibits the primary admission of a terminal case, many of the patients do finally reach the terminal stage, and there are always a number of such cases in the hospital. These are undergoing chemotherapy treatment and are a source of educational and research information.

14. A policy of permitting referring physicians to refer cases "to the physician of choice in the Anderson Hospital" would not only be conducive of producing intense competition among members of the Medical Staff (both full and part-time) but would seriously interfere with, if not entirely break down, the established policy of the "team approach". It is the fundamental belief that the best results can be obtained if the team of surgeon, internist, and radiotherapist decide upon the treatment to be resorted to. Should the case be the private patient of a specified member of the staff, he alone would have the right to make the final decision and it is obvious that this might not always conform to the policy of the institution.

15. The author attempts to define the terms "indigent" and "private patients". Such determinations are not within the province of either the Board of Regents or the Director; they are a matter of State Law. Section 6 of the Act establishing the hospital reads:

"The provisions of House Bill No. 326, Chapter 152, Acts of the Regular Session of the Forty-fifth Legislature, insofar as the same are not in conflict with other provisions set out herein, shall govern and control with reference to the admittance of patients*****, their support, and other matters relating hereto"

House Bill No. 326, above referred to, is "An Act defining indigent and non-indigent patients in State and Psychopathic Hospitals; providing for their support; and that the State be reimbursed for the support, maintenance, and treatment of non-indigent patients".

16. The suggestion that there be an advisory committee of eight, two of whom should be members of the Harris County Medical Society, would afford Harris County physicians an undue influence in the conduct of a State Institution, especially since a majority of the full-time Medical Staff are members of that society and all part-time staff members would be likewise and according to the author's recommendation the latter group would have two representatives on the advisory committee. The Anderson Hospital is a State Institution and the fact that it is located in Harris County does not give the physicians of the County any preferential rights and privileges in connection with it. If any such advisory committee were needed or desirable it should be constituted of representatives of all and not one of the County Societies.

17. In the recommended schemes of organization for the medical staffs of general hospitals, municipal hospitals, and teaching hospitals (MacEachern) neither the members of the Honorary, Consulting, Associate, or Courtesy Staffs have any say in the Staff government.

18. Reference is made here and elsewhere to "interns". The hospital has never had any such, and being a specialty hospital, could not qualify for such training.

19. There is a written policy governing the distribution of professional fees which has been formally adopted by the Board of Regents of The University.

20. To permit each full-time, part-time, and visiting member of the staff "to send his own separate bill" would be to create disastrous competition and actually chaos. It was to prevent this and to control the amount of augmentation of salaries paid by the State that the Augmentation Plan was adopted and fixed limits set by the Board of Regents upon the additional amounts which any staff member might earn.

21. This is the practice at Anderson Hospital. Only those men who are licensed to practice in the State of Texas, and who are engaged in the clinical practice of medicine, participate in the Augmentation Plan.

In conclusion, we are of the opinion that no change in the State law, the Rules and Regulations of the Board of Regents governing the hospital, nor in the organization, general policies, and procedures of the hospital, itself, is indicated or desirable at the present time; therefore, no recommendations in this regard are made. Obviously, the present situation is not static; changes will be found to be desirable with the passage of time. But, as has been the practice in the past, any future changes should be the result of experience and sound judgment and not be predicated upon the personal opinions of but one or even a few individuals.

The hospital has been unconditionally approved by the Joint Committee on Accreditation of Hospitals after an investigation of its organization, policies, and procedures. It is our considered opinion that it is being conducted and administered in accord with the law establishing it, in keeping with the standards of a first-class University-teaching hospital, and in the best interests of the people of the State of Texas.

Roy C. Heflebower

Roy C. Heflebower, M. D.
Assistant Director

Clifton D. Howe

Clifton D. Howe, M. D.
Chairman Dept. of Medicine

Gilbert H. Fletcher

Gilbert H. Fletcher, M. D.
Chairman Dept. of Radiology

William O. Russell

William O. Russell, M. D.
Chairman Dept. of Pathology

Edgar C. White

Edgar C. White, M. D.
Chairman Dept. of Surgery

C O N F I D E N T I A L

June 3, 1955

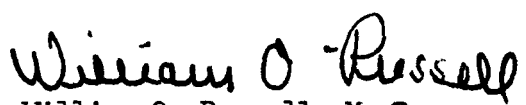
TO: Dr. R. Lee Clark, Jr.
Director

The committee appointed by you to consider the written statements of Dr. John A. Wall concerning the Anderson Hospital, after a most meticulous study of the text, has reached the conclusion that Doctor Wall is out of sympathy with, if not antagonistic to, the provisions of the law establishing the Hospital, certain regulations of the Board of Regents of the University pertaining to the Hospital, and some of the established policies and procedures of the Hospital, itself. Further, he has demonstrated a similar attitude regarding the conception and interpretations of the Medical Staff in regard to their prerogatives, privileges, and methods of procedure under the aforementioned laws, regulations and policies.

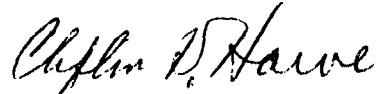
Such an attitude and frame of mind, in the case of a staff member, does not make for harmony but rather the opposite, and so is not in the best interest of the Hospital or of the people of Texas, whom the Hospital serves. It is, therefore, recommended that Dr. John A. Wall not be reappointed to the position of Clinical Gynecologist (part-time) on the Medical Staff of this Hospital for the fiscal year beginning September 1, 1955, until which date, he is on leave of absence.



Roy C. Heflebower, M. D.
Assistant Director



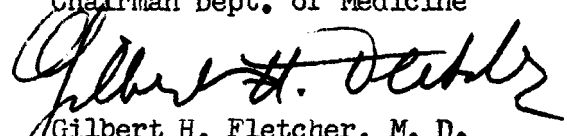
William O. Russell, M. D.
Chairman Dept. of Pathology



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Chairman Dept. of Medicine



Edgar C. White, M. D.
Chairman Dept. of Surgery



Gilbert H. Fletcher, M. D.
Chairman Dept. of Radiology

Miss Thelford

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THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

September 26, 1955

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

Dr. R. Lee Clark, Jr.
Director
The University of Texas
M. D. Anderson Hospital and Tumor Institute
Texas Medical Center
Houston 25, Texas

Dear Dr. Clark:

I referred your letter concerning the University Cancer Foundation, together with the accompanying document and other letters, to Dr. J. C. Dolley. He advises as follows:

The Minutes of the January 1955 meeting of the Board report approval of the Anderson Hospital Augmentation Plan but are silent as to the Cancer Foundation.

The document has Judge Gaines' approval and appears to be in order. If you approve, it should go to the Board for consideration. Assuming Board approval, it should be submitted to the Bureau of Internal Revenue to determine tax exempt status before final execution.

I can see no objection to your proposal concerning the establishment of the University Cancer Foundation, except to call attention to Dr. Dolley's comment with reference to the first sentence under Articles, regarding the fact that the bracketed part is not in the Minutes. I am therefore recommending this proposal for favorable consideration by our Regents' Committee on Medical Affairs, with the request that they study it in advance of the El Paso meeting so that the entire Board can take action on it at that time. Verifax copies of your letter, Judge Gaines' letter, Mr. Simmer's letter, and the Draft are being sent out today to members of this Committee.

Sincerely yours,

Logan Wilson

LW k

cc: Regents' Committee on Medical Affairs
Dr. J. C. Dolley



THE UNIVERSITY OF TEXAS
M. D. ANDERSON HOSPITAL
AND TUMOR INSTITUTE

TEXAS MEDICAL CENTER
HOUSTON 25

20 September 1956

PRESIDENT'S OFFICE, U.C.F.

ACKNOWLEDGED

RECORDED & INDEXED

Dr. Logan Wilson, President
The University of Texas
Austin 12
Texas

Dear Doctor Wilson:

I am enclosing a final draft of the University Cancer Foundation along with letters from Mr. Scott Gaines, University Land Attorney, and Mr. L. Keith Simmer, legal associate of the Fulbright, Crooker, Freeman, Bates and Jaworski law firm of Houston. Both of these men have followed our Augmentation Plan since its inception in 1947, and we have incorporated their suggestions and changes in this draft. In addition, as was discussed with you, we have had the opportunity to review it with Mr. Jeffers and make such corrections as he has suggested.

In general it is patterned after the other Trust Fund Foundations created by the Board of Regents in the University System. There are some modifications that have been added out of consideration for the Federal tax problem involved, the constitution of the State of Texas, and to comply with the accepted code of medical ethics. Paramount in its organization has been the decision of the Board of Regents concerning the type of Foundation they feel is considered suitable for a unit of The University of Texas system.

There yet remains the opinion of the Bureau of Internal Revenue on the tax status of the Foundation. It is perhaps best that we have a final review of the University Cancer Foundation in its present form by the Board of Regents before we proceed with the request for a ruling from the Bureau of Internal Revenue.

Will you please give us your opinion on the context of the proposed Foundation and our future procedure for final adoption and activation?

Sincerely yours,

R. Lee Clark, Jr.

R. Lee Clark, Jr., M. D.
Director

cc: Board of Regents
Anderson Foundation

C O P Y

May 30, 1955

Dr. R. Lee Clark, Jr., Director
M. D. Anderson Hospital and Tumor Institute
The University of Texas
Texas Medical Center
Houston 25, Texas

Dear Dr. Clark:

In accordance with your letter of May 23, 1955, we are in receipt of the revised copy of the Articles of the University Cancer Foundation, and have made a careful examination of the same.

It seems to us that these articles are now in proper form, and accordingly, receive our approval as to form for the accomplishment of the purpose of the Foundation.

However, the phrase "contracting agency" appearing at the end of the first paragraph on page 6 thereof appears to us to be a little restrictive and should be enlarged in scope to include not only a contracting agency but any other contracting party. Consequently, I would suggest adding the phrase "or other party" at the end of said paragraph.

Yours sincerely

Scott Gaines

SG:r

C O P Y

August 19, 1955

RE: Dr. R. Lee Clark General - M. D. Anderson Hospital
Augmentation Plan

Dr. R. Lee Clark
Director, M. D. Anderson Hospital
Texas Medical Center
Houston, Texas

Dear Dr. Clark:

Since I received the last copy of your Augmentation Plan and your request that I advise you concerning same, I have enlisted the aid of one of our tax experts, Mr. C. W. Wellen. Mr. Wellen has spent considerable time in reviewing the course of development of your project, and he is one hundred percent in sympathy with the objectives outlined in your latest brochure.

I am now getting ready to leave the city, and I will be gone a little over two weeks. Mr. Wellen also will soon be on his way to Washington for some little time. However, it is our thinking that before any final and irrevocable agreements are entered into, the whole situation should be submitted to the Bureau of Internal Revenue for a ruling as to the exemption from tax of the Hospital and the University of Texas as to the fees paid by private patients.

I would like to have you meet Mr. Wellen and have the two of you discuss the necessary papers to be sent in for a tax ruling. This can probably be arranged about the middle of September. Upon my return to work, I will try to fix a more definite time and will then communicate with you further.

Yours very truly,

L. Keith Simmer

LKS:mt

April 29, 1955
As amended
September 6, 1955

DRAFT

THE UNIVERSITY CANCER FOUNDATION

ARTICLES

President Wilson presented the final draft of the Augmentation (and University Cancer Foundation) Plan as recommended by Dr. R. Lee Clark, Jr., and approved by Judge Scott Gaines, for The University of Texas M. D. Anderson Hospital and Tumor Institute.

Upon motion of Mr. Jeffers and duly seconded, the Board adopted the plan as presented with the following amendment by Mr. Jeffers - that the first sentence on Page 12 include the following: "to be established by the Board of Regents and by which the Board of Regents shall be Trustees". (Meeting of the Board of Regents, Dallas, Texas, January 28-29, 1955)

* * * * *

WHEREAS, there exists a clear and specific need for means to finance research and education in medicine and its related fundamental sciences at The University of Texas M. D. Anderson Hospital and Tumor Institute in addition to regular budgetary provisions, and

WHEREAS, it is the desire of interested persons to set up the facilities to encourage and assist in such financing,

IT IS NOW RESOLVED, that the Board of Regents of The University of Texas approves the establishment of, and hereby establishes, The University Cancer Foundation to more effectively carry out the purposes and objectives of the M. D. Anderson Hospital and Tumor Institute. The University Cancer Foundation shall be a University Trust Foundation, a non-profit organization for educational and scientific purposes of which the Board of Regents shall be Trustees.

*checked
not in the
minutes*

April 29, 1955

AND FURTHER, that the purposes of said foundation shall be:

1. To organize and perform educational functions in order to create and disseminate knowledge of health, especially as it pertains to neoplastic and allied diseases to lay, professional, scientific, and ancillary professional persons of our own and other pertinent populations.
2. To promote, organize, conduct, support, and otherwise encourage medical and scientific investigation that may result in health benefits to mankind. Especial emphasis is placed on research that may relieve humanity of the burden of neoplastic and chronic diseases.

AND FURTHER, that the purposes, in addition, shall be to foster and promote the growth, progress and development of research and graduate study in medicine and its related fundamental sciences, and to encourage the making of gifts to the University Cancer Foundation by deed, grant, will, or otherwise, for purposes agreeable to the Board of Regents, and the obtaining of contracts for any purpose appropriate to the work of The University of Texas M. D. Anderson Hospital and Tumor Institute, subject to the approval of the Board of Regents upon recommendation of its duly constituted officers or agencies.

AND FURTHER, that the Board of Regents agrees to accept in trust any and all money or property, real or personal, given to or subscribed for The University Cancer Foundation of The University of Texas under circumstances acceptable to the Board of Regents subject to the provisions hereinafter set out.

While the Board of Regents of The University of Texas shall be the Trustees of the Foundation, there shall also be a Board of Visitors composed of persons especially interested in the objectives of the Foundation and the activities of The University of Texas M. D. Anderson Hospital and Tumor Institute, and a Medical Board made up of not less than five, or more than nine, members of the Executive Council of the M. D. Anderson Association of Physicians.

The Board of Visitors shall have duties pertaining to public relations, securing gifts, grants, bequests and donations, and shall assist in furthering the purposes of the Association of Physicians and the Foundation in regard to research, education and patient care. They shall have other duties as delegated to them by the Board of Regents of The University of Texas upon the recommendation of the Medical Board. The members of the Board of Visitors shall be appointed by the Board of Regents of The University of Texas upon recommendation of the Medical Board. Five members shall be appointed each year after the appointment of the first members to the Board. Five of the members first appointed shall serve

for one year, five for two years, and five for three years, and any appointments may be renewed. Appointments made after the appointments of the first members shall be for a term of three years.

The Medical Board shall have duties pertaining to the recommendations for the disposition and use of all monies that have accumulated for the use of the University Cancer Foundation. This shall include the internal disposition of monies to The University of Texas M. D. Anderson Hospital and Tumor Institute as well as the approval and recommendation for the use of any gifts or grants for other educational agencies or individuals.

The Medical Board shall recommend to the Director of The University of Texas M. D. Anderson Hospital and Tumor Institute an annual budget for the expenditures of money in the Foundation and for any use that may arise during the course of the year that has not been previously budgeted.

While the Board of Visitors shall be apprised of the proposed use of funds and their general consultation and advice procured for the use of said funds, the final approval of the disposition of the funds shall be obtained on the recommendation of the Director of The University of Texas M. D. Anderson Hospital and Tumor Institute to the Board of Regents of The University of Texas.

It is the intent of the Association of Physicians to convey any surplus from its operation to the University Cancer Foundation in recognition of, and as just compensation for, the tangible and intangible benefits

April 29, 1955

that have been utilized by the Association of Physicians in the operation of the referred practice and the use of the facilities of The University of Texas M. D. Anderson Hospital and Tumor Institute. These funds along with the other funds of the Foundation shall be devoted solely to the furtherance of research and study in medicine (undergraduate, graduate and postgraduate) and its related fundamental sciences at The University of Texas M. D. Anderson Hospital and Tumor Institute, and in other educational and research institutions, and in field work and travel as it promotes development of the research programs of members of the Association of Physicians. They shall not be used for the ordinary expenses of The University of Texas M. D. Anderson Hospital and Tumor Institute.

A donation to the Foundation may be made for a specific purpose and may be given the name of the donor or other designation specified by the donor; e.g., the Richard Doe Fund of the University Cancer Foundation; or may be given as undesignated funds which shall be used in accordance with the provisions hereinafter set out.

The Board of Regents, upon the recommendation of the Medical Board of the University Cancer Foundation, shall hold, manage, control, sell, exchange, lease, convey, mortgage, or otherwise encumber, invest, reinvest, and generally shall have power to dispose of in any manner and for any consideration and on any terms, the said gifts, funds, or property in their discretion and shall from time to time pay out of the income, or

April 29, 1955

if the income is incurred
and all expenditures incurred in furthering the purposes of the trust,
except as otherwise indicated in agreements between the Board of
Regents and a contracting agency, or other party. (Per Judge Gaines'
letter of May 30, 1955)

Neither any donation to the University Cancer Foundation nor
any fund or property arising therefrom in whatever form it may take
shall ever be any part of the Permanent University Fund nor shall the
Legislature have power or be in anywise authorized to change the pur-
poses thereof or to divert such donation, fund, or property from those
designated purposes.

See Report
Minutes 10/15/55. 230

September 28, 1955

Doctor J. B. Harle
Roensch-Harle-Neely Clinic
Bellville, Texas

Dear Doctor Harle:

This will acknowledge receipt of your letter dated September 26, 1955, addressed to the Board of Regents of The University of Texas. This communication will be processed through the regular channels and called to the attention of the Board.

Sincerely yours

Betty Anne Thedford

BAT:eb

SENT TO MEMBERS OF THE MEDICAL AFFAIRS COMMITTEE
FOR INFORMATION. LW

THE UNIVERSITY OF TEXAS
POSTGRADUATE SCHOOL OF MEDICINE



Office Of The Dean

Texas Medical Center
Houston 25

Miss Theford
PRESIDENT'S OFFICE, U OF T
ACKNOWLEDGED FILE
REC'D AUG 26 1955
REFER TO

253

August 25, 1955.

Mr. Wright Morrow, President,
Board of Trustees,
St. Luke's Hospital,
Commerce Building,
Houston, Texas.

Dear Mr. Morrow:

Dr. Logan Wilson, President of The University of Texas, called a meeting of the Medical Affairs Committee of The Board of Regents at the M. D. Anderson Hospital and Tumor Institute at 2:00 p.m., August 23, 1955. The subject of this meeting was to discuss the proposed affiliation between St. Luke's Hospital and The University of Texas Postgraduate School of Medicine. Those present were Dr. L. S. Cates, Chairman; Dr. Logan Wilson; Dr. Lanier Cox; Dr. Merton Minter; Mr. J. R. Serrells and Mr. Leroy Jeffers.

I was asked to introduce the subject and Dr. Mavis P. Halsey of the St. Luke's Hospital medical staff was asked to give the background information. I was authorized by the committee to proceed with the negotiations pertinent to an agreement. It was suggested that these negotiations be carried forward with a representative of your Board, a representative of the St. Luke's medical staff, a representative of The Texas Medical Center and the Dean of Baylor University, College of Medicine.

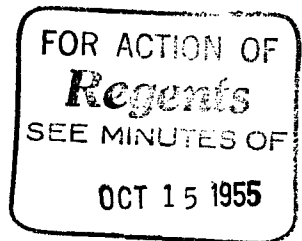
I propose that you set a date convenient to you and a representative of the St. Luke's staff. As soon as I am informed of this date I shall make arrangements so that Dr. Stanley Green of Baylor University, College of Medicine and Dr. Frederick Elliott of The Texas Medical Center, can be present. I shall also invite Mr. Leroy Jeffers, a member of The Board of Regents of The University of Texas.

Sincerely yours,

Grant Taylor, M. D.

GT:jm
cc President Logan Wilson

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12



July 25, 1955

Dr. Grant Taylor, Dean
The University of Texas
Postgraduate School of Medicine
Texas Medical Center
Houston 25, Texas

Dear Dr. Taylor:

Although the proposed agreement of affiliation between the Trustees of St. Luke's Hospital and the University of Texas Postgraduate School of Medicine seems to me generally to be well drawn up, I would suggest in Section 3, both Paragraphs a) and b) the substitution of the phrase, "after due consultation with" for the phrase, "with the concurrence of." If the Postgraduate School of Medicine finds it necessary and desirable administratively to have a connection with St. Luke's Hospital as a teaching hospital, then the proposed agreement would have my general approval in principle, but I want to refer this to the individual members of our Regents' Committee on Medical Affairs for their reactions before any further step is taken.

Sincerely yours,


Logan Widdon

EW:k

cc: Mr. Tom Sealy
Regents' Medical Affairs Committee
Miss Betty Ann Theford

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THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

July 25, 1955

CONFIDENTIAL MEMORANDUM

To: Dr. Grant Taylor

Somehow the working copy of the proposed agreement got lost in my files and I frankly must acknowledge that I had forgotten all about it until you called today. I trust that my attached letter of July 25 will be sufficient for your purposes to show to the Trustees of St. Luke's.

I asked Dr. Bolley to review this proposed contract and an enclosing for your information, as well as the information of our Regents' Committee on Medical Affairs, a copy of his memorandum.

I am inclined to agree with Dr. Bolley in the questions he raises about the real need for such an agreement from the point of view of our Postgraduate School. It is clear that affiliation with the University of Texas undoubtedly would enhance the prestige of St. Luke's Hospital, but, looking at the other side of the coin, I wonder what difficulties we might be getting ourselves into. My impression from what you have told me is that we have assumed much less responsibility in the instances of the other hospitals over the state with which we already have rather loose, broad agreements.

Moreover, our Postgraduate School of Medicine has special purposes not comparable with those of medical schools engaged in producing M.D.'s and I seriously question whether we should willingly assume the same kind of responsibilities with reference to affiliated hospitals.

It is clear that from your point of view you ought not to assume any responsibility without the abundant authority needed to discharge it properly - yet it should be borne in mind that you have virtually no paid staff in the Postgraduate School of Medicine to share with you the responsibility and authority which in a regular medical school undoubtedly would be spread over a number of members of the regular staff in instances of this kind.

I am sending to each member of the Regents' Committee a copy of the proposed agreement, your letters of June 17, Dr. Bolley's memorandum, and my communications to you of this date.

Logan Wilson

LW:k

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

June 22, 1955

MEMORANDUM

TO: Dr. Logan Wilson, President

FROM: J. C. Dolley, Vice-President

SUBJECT: Proposed Contract between the Postgraduate School of Medicine and St. Luke's Hospital in Houston

The proposed contract involves no direct financial expenditure on the part of the University. However, it does provide that the Postgraduate School of Medicine will assume the following administrative responsibilities in connection with the operation of St. Luke's Hospital:

1. Appointments (all?) to the regular Medical Staff of the Hospital will be made by the Hospital Board upon recommendation of the School, concurred in by the Chief of Service concerned and the Executive Committee.
2. Appointment of the Chief of a Service of the Hospital will be made by the Hospital Board on recommendation of the School, concurred in by the Executive Committee and the Administrator.
3. Membership of the Executive Committee will include the Dean of the School and two other representatives appointed by him (also a representative from the Dental School). The Executive Committee will function for the Medical Staff of the Hospital and will recommend to the Hospital Board the professional policies to be put into effect.

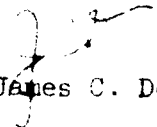
The above administrative connections probably are necessary if St. Luke's Hospital is to serve effectively as a teaching hospital for the Postgraduate School of Medicine. However, I find it difficult to visualize the need of the School for a teaching hospital facility. I am under the impression that the function of the School is to conduct short (1, 2, 3 days) courses for the practicing profession in various cities and towns throughout the State. I would not expect many of these intensive courses to be taught in Houston. Further, I would not expect the nature of the courses taught to be

Dr. Logan Wilson

- 2 -

June 22, 1955

such as would require the use of hospital clinical material for teaching purposes. However, if such necessity does actually exist, the proposed contract would appear to be in order and would probably serve as a model for similar contracts to be negotiated with a number of hospitals in other towns and cities of the State.


James C. Dolley

JCD:JJ

THE UNIVERSITY OF TEXAS
POSTGRADUATE SCHOOL OF MEDICINE



Office Of The Dean

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED	FILE
REC'D JUN 20 1955	
REFER TO	
DATE	NUMBER

Texas Medical Center
Houston 25

June 17, 1955.

President Logan Wilson,
The University of Texas,
Austin 12, Texas.

Dear President Wilson:

I am enclosing a copy of a proposed affiliation agreement between the trustees of the St. Luke's Hospital in Houston, Texas and the University of Texas Postgraduate School of Medicine for your consideration. A copy of this tentative agreement has been placed in the hands of Mr. Barry York of the Board of Trustees of the St. Luke's Hospital. A copy of my letter to him is also enclosed.

I am sending this material to you at this time as I am hopeful that we will have an opportunity to discuss this when I visit Austin next week.

Sincerely yours,

Grant Taylor
Grant Taylor, M. D.

GT:jm

Enclosures: 2

AN AFFILIATION AGREEMENT BETWEEN THE
TRUSTEES OF ST. LUKE'S HOSPITAL AND THE
UNIVERSITY OF TEXAS POSTGRADUATE SCHOOL
OF MEDICINE, LOCATED IN THE CITY OF HOUSTON
AND HARRIS COUNTY, TEXAS

This agreement made and entered into this _____ day of _____
19 ____, A.D., by and between the Board of Trustees of St. Luke's Hospital
located in the City of Houston, Harris County, Texas, hereinafter referred to
as the Hospital Board, and The University of Texas Postgraduate School of
Medicine acting by and through the Board of Regents of The University of
Texas, duly authorized, a body corporate, hereinafter referred to as The
University of Texas Postgraduate School of Medicine, both organized and existing
under the laws of the State of Texas, Witnesseth:

WHEREAS, it is universally recognized that hospitals and medical schools
have certain general objectives in common, namely, (a) the advancement of
medical service through professional care of the sick, (b) training of medical
and ancillary personnel, (c) advancement of medical knowledge through investi-
gation, and (d) promotion of personal and community health, and

WHEREAS, it is recognized that the hospital can accomplish these objectives
in larger measure and more effectively in close affiliation with a medical
school, and

WHEREAS, it is the desire of the Hospital Board to obtain the benefits of
affiliation with a medical school and The University of Texas Postgraduate
School of Medicine has expressed a willingness to extend its cooperation in
making available its facilities to this end.

NOW THEREFORE, for and in consideration of the foregoing and in further
consideration of the premises hereinafter set forth, the parties hereto agree
as follows:

1. That the Hospital Board acting for its institution shall retain all jurisdictional powers incident to separate ownership, including the power to determine the general and fiscal policy of the institution, selection of the directing head of the hospital, and the determination of the acceptability and desirability of members of the Hospital Medical Staff within the terms of the agreement.

2. That the Board of Regents of The University of Texas acting for its Postgraduate School of Medicine shall retain all jurisdictional powers incident to separate ownership, including the power to determine the general and fiscal policy of the institution and the selection of its administrative and faculty personnel.

3. a) That appointments to the regular Medical Staff of the St. Luke's Hospital shall be made by the Hospital Board upon recommendations of the University of Texas Postgraduate School of Medicine with the concurrence of the Chief of the Service concerned and the Executive Committee. Appointments shall be initiated through the Chief of the Service.

b) That the appointment of the Chief of a Service of the St. Luke's Hospital shall be made by the Hospital Board upon recommendations of the University of Texas Postgraduate School of Medicine with the concurrence of the Executive Committee and the Administrator.

4. That an Executive Committee shall be established which shall be composed of the officers of the Medical Staff, certain Chiefs of Service which are designated in the Bylaws of the Medical Staff to serve on the Executive Committee, the Administrator of the Hospital, the Dean of the University of Texas Postgraduate School of Medicine and two representatives whom he shall appoint, a representative from the Dental Branch of the University of Texas appointed by the Dean of that institution and the Director of Nurses, Ex-Officio. The Chairman shall be the President of the Medical Staff and the Hospital Administrator shall

be the Secretary. The Executive Committee shall function for the Medical Staff of the Hospital and shall recommend to the Hospital Board the professional policies to be followed in the hospital.

5. As other teaching institutions enter the Medical Center and it becomes necessary for them to secure clinical facilities and patients for teaching, the parties hereto agree to reopen this agreement and in cooperation with other hospitals and teaching institutions in the Medical Center and with the Medical Center Board to endeavor to work out satisfactory arrangements by which all teaching institutions in the Medical Center may have available teaching patients and clinical facilities and the spirit of the covenants with the Medical Center carried out. In connection with this paragraph it is recognized that the provisions hereof may require the cancellation or modification of this agreement and the making of other agreements.

6. That all admissions of patients to the hospital shall be under the direction of the Hospital Board and full and complete direction of the administration and expansion of the hospital shall at all times be retained by the

7. That all expenses incurred for the operation of the hospital shall be paid by the Hospital Board, and all expenses incurred for the operation of the Postgraduate School of Medicine shall be paid by The University of Texas Postgraduate School of Medicine.

8. Both parties agree to cooperate in good faith in carrying out a program for:

- (a) The advancement of medical service through professional care of the sick,
- (b) Training of medical and ancillary personnel.
- (c) Advancement of medical knowledge through investigation.
- (d) Promotion of personal and community health.

9. This present agreement shall continue in force and effect for a period of thirty (30) years from the date of execution hereof, subject to the provisions of paragraph 5 hereof and provided, however, that (a) this agreement may be terminated at any time by mutual consent of the parties hereto, or, (b) by either party giving the other party eighteen (18) months written notice of termination.

ST. LUKE'S HOSPITAL

THE UNIVERSITY OF TEXAS

President
Board of Trustees

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

Reported
A. H. H. Minutes
Oct. 15, 1955

September 19, 1955

MEMORANDUM

TO: THE BOARD OF HONORS

At my request, Professor H. M. Macdonald has supplied me with a schedule of Great Issues speakers. For your information, I am enclosing a copy of the list. You will note that the Committee is in communication with Vice President Nixon as their first preference for the October 12 date.

Logan Wilson

LW k
Encl.

THE UNIVERSITY OF TEXAS
DEPARTMENT OF GOVERNMENT
AUSTIN 12

September 16, 1955

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED _____	FILE _____
REC'D SEP 16 1955	
REFER TO _____	PLEASE ANSWER _____

MEMORANDUM

From: H. Malcolm Macdonald
 To: President Logan Wilson
 Subject: Schedule of Great Issues Speakers

Listed below is a schedule of Great Issues speakers as of this date. You will note that all places have been filled and acceptances received except for the October 12 date.

General Topic: American Economic Policy and Its Effect on Our Relations with Other Powers

- September 28 - America, the Economic Colossus
Adlai Stevenson, Former Democratic Nominee for the Presidency
- October 12 - American Economic Policies and Asia
Open date. Requests will be sent to the following persons:
 - ~~Richard Nixon~~, Vice President of the United States
 - Professor W. W. Rostow, Department of Economics, MIT ✓
- October 26 - American Economic Policies and the Middle East
T. Cuyler Young, Institute of Middle Eastern Studies, Princeton University
- November 9 - American Economic Policies and Western Europe
Professor Milton Katz, Harvard Law School and Formerly Associated with the Development of the Marshall Plan
- December 6 - American Economic Policies and Latin America
Professor Frank Tannenbaum, Columbia University
- December 15 - American Economic Policies: and Summations and Conclusions (brother of the late Senator Taft)
Charles P. Taft, Foreign Operations Administration:
Advisory Committee on Voluntary Foreign Aid

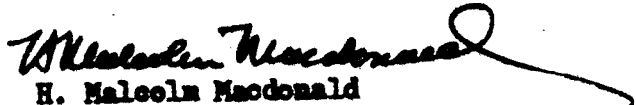
- 2 -

September 16, 1955

I shall advise you when the date of October 12 has been filled.

Season tickets will be sold to non-students at \$4.00; individual seats at \$1.25. Mail orders should be addressed to the Great Issues Committee, Texas Student Union, The University of Texas, and should include an additional 25¢ to cover handling and mailing charges.

Security safeguards surrounding the appearance of Mr. Adlai Stevenson have been referred to Chief Thorpe of the University Security Police.


H. Malcolm Macdonald

HSM:pas

THE UNIVERSITY OF TEXAS
THE BOARD OF REGENTS

See Executive Minutes
10/15/55

TOM SEALY, CHAIRMAN
MCCLINTIC BUILDING
P. O. BOX 670
MIDLAND, TEXAS

September 21, 1955

Miss Betty Anne Thedford, Secretary
Board of Regents
Box 8008
University Station
Austin 12, Texas

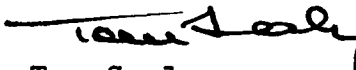
Dear Betty Anne:

Mr. Fred Moore, a Trustee of Texas Tech and an executive with Magnolia Petroleum Company, telephoned me this morning to inquire generally about the results of our management survey and to request a copy of the survey for their Board's confidential use as and when we were willing to release the same.

I will appreciate it if you will put this matter on our agenda for discussion at the October 15 meeting.

As I recall, we already have this subject on the agenda for the purpose of determining whether or not we will be ready to release these publications to some of our State officers.

Sincerely yours,


Tom Sealy

TS:ap
cc: Dr. Logan Wilson

BUREAU OF BUSINESS RESEARCH
THE UNIVERSITY OF TEXAS
AUSTIN 12

Passed out at 267
Exec. Meeting
Oct. 15, 1955

OFFICE OF THE DIRECTOR

August 23, 1955

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED	FILE
AUG 24 1955	
REMOVED	

Dr. C. P. Boner
Vice President
The University of Texas

Dear Dr. Boner

This is the comment you requested on three items in the management survey concerning the operations of the Bureau of Business Research.

1. Should the subscription price of the Texas Business Review cover the total cost of publishing the magazine?

The purpose of the Review is the distribution of the data collected by the Bureau of Business Research among Texas businessmen, and among certain businessmen in other states. Usually the distribution outside of Texas is among concerns that are already doing business in the state or that are contemplating it. The collection of the basic data published in the Review is paid for out of the appropriation for the Bureau of Business Research, and there is probably good reason for arguing that the cost of printing the information collected is also properly paid for out of state funds. In fact, from my acquaintance with other bureaus of business research I have observed that they almost without exception send their bulletin to residents of the state without charge.

The University of Texas Bureau of Business has charged for the Texas Business Review since 1936. From 1936 to 1947 the subscription price was \$1.00 per year, and since March 1947 it has been \$2.00. Copies are sold to two Texas banks for distribution to their list of names at \$1.00 per subscription.

The revenue from subscriptions pays approximately one-half of the cost of printing the Review. Most of the remaining circulation is to cooperators who furnish data needed in the statistical programs. The major programs include the collection of monthly data on retail sales from approximately 1,800 retailers, bank debits and deposits from 175 banks, building permits from 330 building inspectors, rail shipment of livestock from 1,500 railroad shipping points, electric power sales from 10 power companies, postal receipts from 125 post offices, and dairy products manufactured from 28 plants. There are a number of small programs, but the above represent the major monthly projects. A subscription to the Review is offered each of these cooperators in payment for his supplying the data. Not all of the cooperators request the subscription, but they can have it if they want it, and it appears to be a major factor in maintaining this list of reporting firms. In spite of the resistance of business concerns to government questionnaires, we collect monthly reports from this considerable list of cooperating firms on a purely voluntary basis.

Dr. C. P. Boner

-2-

August 23, 1955

It is my opinion that the cost of the Reviews sent to the cooperating firms is state money well spent. The information is collected at state expense for the use of businessmen of the state, and it does not seem out of proportion to give a subscription to the Review to each business that supplies information and to consider it part of the cost of collecting the data.

2. Should the Bureau of Business Research own and operate a stencil duplicator? (At the present time we have a Gestetner stencil duplicator, purchased in 1953 for \$540.00.)

The duplicator is almost as essential an office machine as a typewriter. We make very little use of carbon copies of material, since it is cheaper and much more satisfactory to duplicate copies. We have established the fact that it costs less to cut a stencil and run ten copies than to make ten carbon copies.

For example, in writing Economics of Natural Gas in Texas, we duplicated the manuscript instead of typing it. In this way we have plenty of copies for review. All of the contracts for research made during the past 6 years have agreed to deliver duplicated copies of the report. Previously we had agreed to furnish typed copies. The number we could produce was limited, and the carbons were never very satisfactory.

We formerly sent a typewritten copy of the material written for the Texas Business Review to the News and Information Service for release to the newspapers. Now we cut a stencil for the Review copy, send a duplicated copy to the Printing Division, and have all the copies needed for release to the newspapers. Whereas formerly the News and Information Service cut stencils from our typewritten copy, we now use the one stencil for all purposes.

I realize that the policy of centralizing all duplicating in the Stenographic Bureau is a matter of University policy, and if the decision is made not to permit individual departments to own their own duplicating equipment, the Bureau of Business Research should be treated the same as all other departments. However, I wish to urge strongly that such a policy be given very careful consideration before it is adopted, for I believe that it is much more efficient to permit a department with a large enough volume of work to have its own machine. The Bureau of Business Research has enough work to wear out a machine before it becomes obsolete.

Dr. C. P. Boner

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In general, I believe that the departments now operating their own duplicating equipment are doing the work cheaper than would be the case if the Stenographic Bureau were expanded to take care of all this work. To do the work that we need would require practically the full time of one machine in the Stenographic Bureau, and I can see no way in which it would be possible to reduce the costs below what we are now spending for this work. If our case is typical of the situation throughout the University, I believe it would increase costs for a central office to give all departments the same kind of duplicating service they are now supplying with their own machines.

3. Should all printing for the Bureau of Business Research be done at the University Printing Division?

I believe the answer to this question is in the affirmative, and in fact the bulk of our major printing is now being done in the Printing Division. The past history of the printing done in the Bureau of Business Research, and how the policy has been changed recently, is outlined below.

Until recently the Printing Division did not have facilities for offset printing, and since the decade of the 1930's the Bureau of Business Research has owned a small offset press. (The present machine is a Multilith, Model 1250, purchased in 1946 for \$1,723.60.)

A great deal of our work lends itself to offset printing, but now that the Printing Division has equipment to do this type of work, as well as for doing the photographic work and plate-making, it is not necessary for us to do our own work. In 1950 we bought two Vari-type machines to do composition work needed for our offset printing, but these machines are practically worn out, and we sold one this summer to another department. We intend to keep the other since it has depreciated to the point that it has very little resale value, and we can find enough work to do on it to justify keeping it. But we have practically completed shifting our printing from our own offset press to the Printing Division, either letterpress or offset.

The Texas Business Review has been printed at the Printing Division since the October 1927 issue. Economics of Natural Gas in Texas was printed in 1952, and a statistical supplement to this volume is now being printed at the Printing Division. Type is now being set on a study by Dr. John Hazard on coastal shipping. The next edition of the Directory of Texas Manufacturers will be printed by the Printing Division. The last two editions of the Directory were printed on our offset machine, but this job is now so large that it will be more economical to have it printed at the Printing Division, and plans have already been made to do it. Last week we had samples of type set to decide on the format, and the next edition will be out early next year.

Dr. C. P. Boner

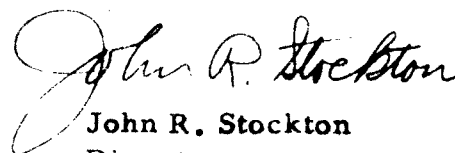
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The decision to shift all of our major printing to the Printing Division was based on a number of factors. The study made for the Publication Committee by Mr. Rockefeller was one of the factors. The fact that the Printing Division had acquired an offset press was, of course, also an important factor. But probably the most important factor of all was the fact that our Multilith press is wearing out and is rapidly becoming obsolete. Replacing it with a machine capable of doing our expanded printing would require a capital investment greater than we can afford.

It is recommended that we keep the old Multilith and continue to use it as we are now doing, chiefly as a supplement to the stencil duplicator. In many ways this machine is comparable to a stencil duplicator, although it is considerably more versatile. It is particularly useful in reproducing graphs and forms, and we have a great deal of use for this type of material. If departments are permitted to retain their stencil duplicators, it would be logical for us to retain the Multilith also for use on this kind of work. If the University policy is established that all such duplication should be done in the Stenographic Bureau, we will be able to supply nearly a full time load for a machine similar to our Multilith, as well as the work previously mentioned for the stencil duplicator.

Sincerely yours

A handwritten signature in cursive script that reads "John R. Stockton". The signature is written in dark ink and is positioned above the typed name and title.

John R. Stockton
Director

JRS:jv

THE UNIVERSITY OF TEXAS
 DIVISION OF EXTENSION
 AUSTIN
 August 29, 1955

OFFICE OF THE DEAN

BUREAUS

EXTENSION TEACHING AND FIELD SERVICE
 INDUSTRIAL AND BUSINESS TRAINING
 PACKAGE LOAN LIBRARY
 PUBLIC SCHOOL SERVICES
 VISUAL INSTRUCTION

PRESIDENT'S OFFICE, U OF T

ACKNOWLEDGED _____ FILE _____

REC'D AUG 30 1955

REFER TO _____

PAGE ANSWER _____

Dr. Paul Boner, Vice President
 The University of Texas
 Austin, Texas

Dear Dr. Boner:

For several months we have been studying Section IV. of the Management Survey, which pertains to the Extension Division. We have had a number of meetings of the Directors and key personnel and have carefully analyzed the report. As might be expected, we find many discrepancies and errors due to the fact that any person making such a study would not have time to become acquainted with the work of the respective bureaus to the extent that the report could be more accurate. On the other hand, we found many very fine ideas in the report.

We would like to discuss the report on the basis of each major comment, problem, and recommendation contained therein and finally to present our recommendations.

Physical Plant of the Division of Extension. We want to agree heartily with the paragraph at the top of page 10 in the report in regard to physical facilities. From the time I joined the staff of the Division of Extension we have been planning how we could coordinate, consolidate and make our activities more effective and efficient through the use of a new building. There is no question in my mind that over a 15 year period we could pay for the cost of a new building through improved operational procedures. We have taken buildings which were originally designed and built for a state blind school and have attempted to make conference rooms, classrooms, offices and administrative units of them. The floor space is difficult to utilize efficiently and I am sure the cost of maintenance and upkeep is tremendous on buildings of this type.

The Division of Extension has, through its own staff, painted and maintained much of the buildings to keep them in a state of repair that would make a reasonable presentation to the general public. Much of the proposed organization cannot be carried out until we have new facilities, so the number one problem for the Division of Extension is the matter of the physical facilities.

I would like to emphasize that although we are the point of contact annually for thousands of adult citizens, we can engender only limited public respect because of the quarters which we occupy.

Dean's Span of Control. I think that all of us will agree that the span of control in the Dean's Office is excessive, and certainly I, as Dean, will admit it. However, through certain changes we hope to improve upon this. Since last year, services pertaining to the Motor Pool and to mail and messenger activities all report directly to the Administrative Secretary in the Dean's office, and the Dean does not concern himself with these functions, except as a matter of establishing policy to be followed by the Administrative Secretary. The Printing and Instructional Materials Departments have been combined and report through the head of the Instructional Department to the Dean. The Photographic Department still reports to the Dean, but we hope in the near future to have this department report to the Director of the Audio Visual Instruction Bureau. Dr. Tiemann and I have been working on this problem for the last two years, and we are making progress toward placing this department under his supervision.

Duty Assignments Are Not Well Planned. At the present time the Associate Dean has the problem of signing and performing related activities involved in processing innumerable vouchers, requisitions and other incidental forms. This takes a professional educator away from his functions as an educator and makes a clerk out of him. We hope in the near future to change this. In our recommendations at the end of this proposal you will find one that will propose assignment of these duties that he now has for all this paper work, thus allowing him to devote that time to other activities. We also believe that the Associate Dean should be responsible for the immediate supervision and direction of those bureaus that deal directly with the faculty on the campus, and that those bureaus that do not deal directly with the faculty would continue to report directly to the Dean. This would split the supervisory load in half, and at the same time would parallel the work of the Associate Dean in dealing with faculty personnel in regard to off-campus activities.

Mention is made of the idleness of clerical and stenographic staff and of the duplication of accounting functions. With the buildings divided into small compartments, separated rooms with no inter-connecting hallways, it is impossible to set up any kind of a stenographic pool, and while the Directors all are of the opinion that adequate work is left to keep personnel busy when they are out of the office, yet there can be no question but that some idleness exists when the Director or some staff member is not present to supervise the group. The matter of accounting and keeping of records we have recognized for some time as an important item in any plan for reorganization. Twice we have had representatives over from the business office of the University to make recommendations and we have attempted in each case to carry out these recommendations.

Texas Western College. Page 6 of the report mentions the coordination of extension activities between the Main University and Texas Western College. Three years ago this fall, I called upon Dr. Elkins at El Paso and discussed the possibilities of how we could cooperate. I was informed, in a very pleasant but firm manner, that Texas Western College resented any form of control or cooperation with the Main University, and that it would be impossible, because of faculty feelings, to cooperate. At that time we were talking about how Dr. Knight's department could assist them in the conduct of extension courses in the El Paso area, giving proper credit to Texas Western. For these reasons no plans were ever evolved for a program of cooperation with Texas Western.

Some comment was also made as to a program in May, 1954, starting classes for retail grocers conducted in El Paso. These courses which were vocational extension courses were conducted through the El Paso Public Schools, rather than through Texas Western. They were conducted as a result of a request from the El Paso Public Schools.

Vocational Programs. The next several paragraphs of the survey are devoted to the organization and conduct of programs of vocational nature. In 1944 when I was employed by the University, one of my functions, as set forth by the President's office, was to develop industrial and business extension training programs to meet the training needs of operating, supervisory and managerial personnel, in a similar manner to which Texas A & M provides programs for agricultural groups. This resulted in a statewide program of extension training which was, in a large part, reimbursed by State and Federal vocational funds. The report says that the cost of the vocational educational work would exceed 50% of the Division's total budget if all costs were included. It overlooks one serious fact. The expenditures, as listed on page 9, indicate \$50,273.00 of the University funds allocated for the Bureau of Industrial and Business Training. Of this amount, over \$30,000.00 has to be charged to the function of teacher training, and has nothing to do with vocational extension work.

For 38 years The University of Texas has been an approved teacher training agency for the conduct of college courses to prepare vocational, industrial and distributive teachers for teaching certificates. The University began this service in 1917 and has continued it ever since. This is a normal University function--the training and preparation of teachers for our public schools, and in order to do this work we receive a supplemental appropriation in the amount of \$33,000.00 which must be and always has been, matched by University money dollar for dollar. This is a non-income producing function, except for registration fees which are minor. If you deduct the expenditures for teacher training from the University funds for the Bureau of Industrial and Business Training, you will find that less than \$20,000.00 goes into the vocational extension program. For the amount of service rendered to business and industry this is a very small sum. The balance of the funds comes from reimbursement and from income from fees. It is interesting to note that during the past year we have had an increase of approximately 30% in the income from fees from this bureau. This has been brought about by the increase in charges, as well as expansion of the program. We are now making plans so that next year's budget for the Industrial Business Training Bureau will show the teacher training functions separate and apart from the extension function.

The growth of the work of the Extension Division in this particular field would seem to indicate that the University must be fulfilling a very definite need. This latter thought is borne out by the numerous letters of appreciation and by the resolutions passed by the various state associations commending the University for this excellent assistance to their business groups.

Relationship of the Extension Division to the Main University Structure. One section is devoted to the relationship of the Extension Division to the Main University's structure as not being clearly defined. However, comments in this section indicate that cognizance has been given to the Administrative

Council's action of five years ago, defining the relationship in fairly clear terms. These comments also state that there has been a disregard for the existing policy, but we would like to hasten to say that we feel tremendous progress has been made in gaining cooperation of the various groups. We believe this is a matter of education and that in time the policies will be completely implemented. The Division of Extension is now cooperating with every College and School on the campus, except Law, in some manner, and we are quite proud of the tremendous progress we have made in the last four years in gaining this type of cooperation. We certainly believe that the span of cooperation will continue to increase to permit our achieving the objectives as set forth in those policies within the next four or five years.

Proposals for Changes Suggested in Survey Report. The changes suggested in the organizational pattern are not too clearly thought out. Such instances as separation of correspondence study from records and registration would be impossible, because of the method of procedure involved where lessons are issued only on receipt of other lessons and where the records must be maintained in such a manner as to indicate time factors, payment of specific fees and other matters which control the issuing of correspondence study courses. Likewise, the separation of preparing instructional material from teacher training services is not possible or practical, inasmuch as the immediate supervision of the preparation of this instructional material, which is to be used by teachers, comes under the teacher trainer.

The proposal in regard to the establishment of a Bureau of Educational Services under the Associate Dean would not reduce span of control inasmuch as that person would have all of the staff personnel now reporting to the Dean reporting to him, in addition to the ever-increasing load of "off-campus services" which he coordinates.

We believe that the same benefits can be gained through delegation of responsibilities, rather than through reorganization of bureaus and departments. As was mentioned before, we believe that those bureaus having direct faculty sponsored functions should be coordinated under one person. The responsibility for these bureaus would be assigned to the Associate Dean. This means that the Visual Instruction Bureau, the Extension Teaching Bureau and the Correspondence Study Bureau would report to the Associate Dean, and he would be responsible for their activities under the general policies that are established by the staff.

The second proposal regarding the Business Service Bureau is one that should be given careful thought. For a number of years we have felt such a centralized business service department should be established and, as mentioned before, have had several surveys over the past four years to attempt to determine what could be done. We would like to call attention to one error in reasoning, and that is in regard to savings accruing to the University funds from reduction of secretaries, clerk typists, etc. Almost one-third of the positions that were listed in that report are paid out of income from sources other than University funds, and the saving which was listed there would not accrue to University funds. In fact, the payment of these positions out of earned income, to a certain extent, demonstrates their necessity. The statement in regard to pooling of clerical employees is well taken,

providing physical facilities would permit such a pool. Because of the specialized nature of the work of each bureau, pooling can only be done to a minimum, rather than to a maximum amount. However, this minimum amount of pooling of clerical and stenographic help could render a real saving, providing we had physical facilities which would permit such a set-up.

Special attention is paid to the so-called Printing Department. This is really a duplication department, using multilith and mimeograph machines. While the report says that if this is done away with, a saving in the amount of \$6,728.00 would be effected, yet if a study of the budget is made, only \$1,824.00 of this is assigned to University funds and all the balance is from income from sale of the material which is produced. In any case, the cost of printing material would still have to be paid for from the sale thereof, regardless of who prints it. Actually, this department duplicates instructional material in small quantities of from 100 to 500 copies for use by high school students in vocational classes, and this material is sold at approximately cost plus overhead charges to the public schools. The cost of maintaining and replacing duplicating equipment is charged against this income. To assign this work to The University Press would not result in any saving, but would actually result in an increased cost to the public schools.

Over the past year we have assigned certain items to The University Press for preparation and like items to our duplicating department. In each case we have found The University Press costs are approximately 50% more than the costs for our own department. The costs of similar manuals, including allowance for overhead and equipment amortization, has run \$2.20 per copy at the "Press" and only \$1.41 per copy in our shop. The reasons for the difference in costs of production are due - (1) to the fact that the equipment used by the "Press" costs fifteen to twenty times as much as our duplicating equipment, hence higher overhead charges; (2) the equipment at the "Press" is designed for mass production and this makes the costs of small "runs" such as 200 to 500 copies extremely high; (3) this type of equipment requires union journey-men printers for satisfactory operation and results in higher wage costs.

Another factor in regard to our shop is that at least fifty percent of its work is in producing loose leaf material for use by extension teachers. This type of work can only be done satisfactorily on duplicating equipment which is under the control of the Division of Extension.

For over 30 years the Extension Division has always used a full-time mimeograph operator. We now use two full-time duplicating operators, using small, \$2,000 to \$3,000 machines of the multilith type. Our policies are that when small quantities of materials are to be produced, and can best be produced on this type of equipment, they are produced in the duplicating department. When the manuals can be produced more effectively in the University Print Shop they are sent to that department. According to Mr. Eads, we are, with the exception of the Registrar's Office, the best customer from the standpoint of dollar volume of work that the University Press has. For services during the past year we have already paid to the "Press" \$50,308.00. This indicates that our assignment of work to the University Press must be tremendous.

From the comments we have made above, it is obvious we do not believe that a Technical Service Bureau such as was recommended would be at all possible. The services which have been lumped together under this one head are all functions of other departments, and if separated from the other departments,

Dr. Paul Boner

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would become useless. The production of slides, strip films and other educational photographic and graphic devices must be done under the immediate supervision of some trained educator who is developing this material for specific purposes. To separate this function would mean that there would be a lack of coordination and no professional supervision. Therefore, we think it best to leave each of the technical services to the respective bureaus to which they are now assigned.

We agree with the point made in the report on page 15 regarding the desirability of more clearly defining some of the major policies governing the activities of the Extension Division. We will make a special staff study on this problem this fall, and will carry out plans which we have already begun for involving the standing committee on extension activities in this undertaking. During the fiscal year we will make a report to the Administration regarding these matters.

In regard to special services being properly financed this matter has been under study for several years and we are continuing to do everything possible to make the charges equitable. In no cases are services rendered to a special industry at the cost of tax money, but services are rendered to a statewide group of industries in the same manner as services are rendered to the same industries in the training of engineers and professional personnel. We see nothing incompatible between the work of the Extension Division in this manner and the other educational functions that are state supported. All of our great state universities have assumed definite responsibilities for the adult education beyond the formal degree programs. To limit the responsibilities of a state university only to that work done under degree programs would deny the people of the state educational opportunities for cultural, civic and economic advancement which are rightfully theirs.

The last section in regard to records and reporting systems, of course, is most interesting. We would welcome the adoption of some of these suggestions, but all of our reports and records are controlled by outside agencies. There has been a continuous "battle" for many years in regard to this matter. The Texas Education Agency demands certain reports, certain associations demand certain reports; other reports are required under the law. For these reasons we do not believe much can be done in the simplification of reports, but we heartily agree with the idea that there should be a standardized annual report form to be made to the Administrator and Board of Regents. This is being given study at the present time, and during this year we hope to come out with a recommended standardized annual report for this Division.

Recommendations: We recommend that the business services of the Division be centralized to that degree which will insure a maximum of economy and efficiency. To achieve this purpose it is requested that an accountant, recommended by the Office of Business Manager, be employed on an annual basis in the Division of Extension to be head of a Department of Business Services. He will have assigned to his department such personnel as now are employed and needed to carry out the business services.

The first three or four months would be used to make a detailed study of all business records maintained by the various bureaus and to perfect a plan for centralizing those functions that lend themselves to such a set-up. It is estimated that approximately \$5,000.00 will be necessary for the salary of

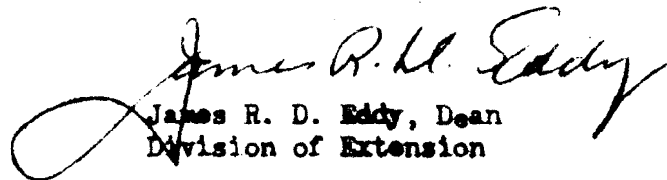
this person, and approximately \$1,000.00 necessary to buy certain bookkeeping machines and equipment. It is recommended that this sum of \$6,000.00 be provided by re-appropriating this amount from balances left in Accounts 3047, 3048, and 3055 as of August 31, 1955, to an account titled Central Business Services.

In the establishment of a business services bureau which assumes the accounting, fiscal, and routine business services of existing bureaus, it is expected that personnel reductions will be effected through normal attritions so that over the period of the biennium some three or four positions will be eliminated.

It is recognized that the implementation of a system for centralizing business services in the Division of Extension will require an initial expenditure of additional funds and that fiscal savings accruing from such a reorganization will not begin until the next fiscal year.

This general report on the findings of the management survey team concerning the Division of Extension is submitted to give you a statement of the actions we are taking, our appraisal of the survey, and our immediate recommendations. We shall continue to analyze the survey and to keep you informed of changes which we make or recommend. Your comments on our actions in this matter are desired and welcome.

Yours very truly,


James R. D. Eddy, Dean
Division of Extension

JRDE:HM



UNIVERSITY OF TEXAS PRESS
PEARCE HALL 12 · AUSTIN 12, TEXAS

September 9, 1955

Dr. C. P. Boner, Vice President
University of Texas
M.B. 101B

Dear Dr. Boner:

You have asked me to reduce to writing my comments on the section of the Management Survey which concerns the University of Texas Press. I shall try to confine my remarks to the important issues which appear to be involved.

As you already know, I have a very low opinion of the Management Survey as it relates to the Press. Very little of it is helpful. Most of it is based upon inaccurate assumptions. If its recommendations were followed by the Administration, the University of Texas Press would be killed.

The main trouble with the section of the Survey which deals with the Press is that, despite protestations to the contrary, it deals with the Press almost exclusively as a business enterprise which should not be subsidized by the University but which should stand on its own feet. Nowhere is there any recognition of the basic fact that the principal reason for the existence of university presses as a class is to extend the boundaries of knowledge by publishing worthwhile books which cannot pay their own way. University presses have a clearly recognized educational function and render a tremendously important service--indeed a vital service--to scholarship. But all this is brushed aside in cavalier fashion by the Survey, which apparently is interested only in how the Press can be operated to save the University money. The methods they propose would not enable the Press to operate successfully without being a "drain" on University finances. However, these recommendations if followed would result in substantial savings to the University because they would kill the Press and eliminate the "drain" entirely. I might point out that even more substantial savings would result from eliminating all research programs and refraining from purchasing any more books for the library.

I don't mean to imply that the report is all bad. The section on Accounting Procedures contains many criticisms which were quite valid at the time the survey was conducted, and a few which are still uncomfortably applicable. The Survey also contains several other points of criticism which are well-taken; I shall mention them when we come to them. But the basic

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assumptions of the report are false and the basic recommendations are irresponsibly unsound.

I have discussed the report in a general way thus far. I shall now proceed to more specific matters.

BASIC ASSUMPTIONS

The basic assumptions of the report can be summarized as follows: 1. The Press is a relatively aimless enterprise without fixed policies and objectives to guide it; 2, the cost of producing books by the Press is extravagantly high; 3, accounting procedures are totally inadequate. There are other minor assumptions, but these are the important ones. I shall discuss them briefly before proceeding to a discussion of specific recommendations.

1. The Press has no fixed policies to guide it. The Survey states "It is difficult to evaluate the performance of the Press because of the lack of fixed policies and statements of objectives." This is not true. The objectives of the Press are comparatively simple and relatively well-defined. The Director, the staff, and the Faculty Advisory Board are well aware of these objectives, and so, I think, is the University Administration. I summarized these objectives for the benefit of the survey team as follows: 1, to provide a service to scholarship by making the fruits of scholarly research available to as wide an audience as possible; 2, to provide a service to the state of Texas by publishing regional books of general significance, and 3, to provide an effective instrument of prestige for the University of Texas everywhere our books are distributed. Despite the fact that the Management Survey quotes these objectives at the outset, it concludes later on that "the basic purpose of the Press is to increase the prestige of the University" and states categorically that the University should not continue to support the Press financially except as an "institutional promotional expense." It seems obvious that the surveyors concluded that the Press lacks adequate policies and objectives because they themselves were unable to appreciate these objectives.

I submit that the general policies and objectives of the Press are quite as clearly defined as are the policies and objectives of most divisions of the University. It is quite true that some of our operational policies need to be more specifically delineated. We are a new press and we have done quite a bit of experimenting in order to determine what type of program is best suited to the needs of the University. We are now entering into a state of our development where operational policies and procedures can be much more firmly fixed than has been the case heretofore. But we know

what we are trying to accomplish.

2. The cost of producing books is extravagantly high. If the Survey has a single assumption which is basic to its major conclusions and recommendations, this is it. Therefore we must examine this assumption very carefully indeed.

On page VII-12, the Survey points out that the Press's policy is to edit books in accordance with high standards and to strive for "excellence of printing style and composition," by which I infer that they mean we strive to make our books attractive in appearance. "As a result of the high standards," the Survey goes on, "manufacturing costs for the four completed years of operation have been 95 per cent of net sales during this period. This can be compared with a general average of 47 per cent for 10 other large university presses over a recent 10 year period." (This figure was obviously derived from the Kerr Report, published in 1949.)

This would indeed be a serious situation if the analogy presented were at all valid. It contains, however, several basic fallacies which should be immediately apparent to anyone who is acquainted with the facts of life in regard to scholarly publishing. I shall list these fallacies:

(1) The 10 year period referred to ended in 1948. Manufacturing costs for books during the period that the University of Texas Press has been operating have been at least 50 per cent higher than the average from 1938 to 1948.

(2) It is standard practice among large university presses to apply specific subsidies to reduce their manufacturing costs, a procedure which our accounting division is unwilling for us to follow. California, for instance, receives over \$100,000 per year in specific subsidies for the publication of research by members of their faculty; all of this is applied in the reduction of manufacturing costs in their accounting reports. I cannot be entirely certain, but it is probable that the figures of most of the 10 presses referred to above are not comparable with ours because of this difference in accounting practices.

(3) During the 10 year period referred to, American university presses as a whole derived 51 per cent of their total income from the sale of back-list books. In other words, a substantial portion of their sales income was undoubtedly derived from books manufactured and paid for in years which were not covered by the report. California, for instance, has more than 2,000 titles currently in print, and Harvard, Yale, Columbia, Chicago, and Princeton have many more than that. Texas, on the other hand, is a new press with only a trickle of income from publications paid for prior to 1951.

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This basic assumption--that the cost of manufacturing our books is excessive--is supported by no evidence except the grossly misleading comparison cited above. No attempt was made to compare our manufacturing costs with those of other presses or to analyze our specifications to determine if they were extravagant. I shall have to return to this point later while discussing specific recommendations of the Survey, but it should be kept clearly in mind that the Survey team made no real effort to find out whether our manufacturing costs were high or not and that everything they have to say on this score can therefore be discounted.

3. Accounting procedures are wholly inadequate. As I have already indicated, much of the Survey's criticism of our accounting procedures was valid at the time of the Survey. However, I cannot understand the failure of the surveyors to mention the fact that we had already clearly recognized the deficiencies of our accounting system and had taken steps to correct them. Almost at the beginning of our program I requested President Painter to have the Auditor's Office install a standard University Press accounting system along the lines recommended by the Association of American University Presses; I brought with me the AAUP's Kerr Report and a detailed account of the model accounting system at the University of North Carolina and turned these over to the Auditor's Office. While some progress was made in the next several years in installing an accounting system, there were many gaps which had to be plugged. In December, 1953, I wrote to President Wilson requesting permission to bring in an expert, Mr. R. L. Goodell, to make a survey of our accounting practices and to install a new system. This permission was granted and his visit was scheduled to take place in the spring of 1954, but it had to be postponed because of my illness. It was rescheduled for July, 1954, only a week or two after the Management Survey team visited us. I discussed the deficiencies of our accounting system at length with Mr. John Davis of the Survey and told him of the impending reorganization of accounting procedures. I offered to make available to him Mr. Goodell's report when it was received, which offer was declined on grounds that there wouldn't be time to consider it. It seems to me extremely unfair to present our accounting deficiencies as points concerning which the management of the Press was unaware. Apparently the surveyors in this instance were more interested in demonstrating what sharp boys they were than in dealing justly with the Press.

I am glad to report that much has been done during the past year to improve our accounting situation. Most of the recommendations made by Mr. Goodell in his report and by the Management Survey have already been put into effect. There are, however, several specific recommendations made by the Management Survey in regard to accounting which deserve a close look. I shall discuss them in a moment.

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GENERAL RECOMMENDATIONS

The Survey report makes the following general suggestions (page 15):

1. "The principal function of the press should be the encouragement of learned writing and research by the university's faculty through the publication of worthy writings and the results of worthy research." This is certainly one of the most important objectives of the Press; it is clearly implied in the statement of objectives which I quoted earlier. If, however, it were considered our sole objective, or even our "principal function," the result might be a rather narrow and circumscribed view of our mission. It would be easy for the Press to degenerate into a high-toned vanity publishing house which exists principally for the purpose of providing an outlet for the second-class scholarship of members of our faculty; you may depend on it that their first class books will go elsewhere unless we are able to maintain a program which commands national respect. And we can't command national respect if our program is too inbred and our outlook too provincial.

2. "The writings and research results selected should be published at the lowest possible cost consistent with reasonable standards of production for the use of the intended audiences." I can state categorically that this is being done now. It will continue to be our policy.

3. "Sales prices should be fixed at the lowest possible level to permit maximum sales to the restricted readership involved, but sales prices should be realistic enough to reimburse the press for all its costs within the sales volume forecast."

Whether or not I agree with that statement depends on the interpretation of the phrase "all its costs." If, as it appears from subsequent pronouncements of the Survey, "all costs" include all salaries and overhead expenses, then what they propose is manifestly impossible; most of our titles would be priced completely out of the market. What they are describing is a commercial publishing enterprise; such a principle is applicable only in a limited way to university publishing.

SPECIFIC RECOMMENDATIONS

1. The Press should be placed under normal budget controls (page 16). I shan't attempt to quote this recommendation in detail. In essence, it appears to propose that the Press no longer operate on a revolving fund system, but that it should present to the administration annually a complete budget based upon all costs and anticipating all income expected.

6-CPB

All I can say about this is that nearly all important university presses operate on a revolving fund basis and that the few which don't feel that they are in an administrative strait jacket. . . Every press finds it frequently necessary to change its publication schedule; books expected to be produced cannot be published because manuscripts are not received on time, or because of editorial difficulties, or for other reasons; other timely titles are received which must be added to the list. If we worked on an annual budget basis detailing all expenditures we would have to be constantly revising our budget to meet circumstances which arise. The operation of the Press is not comparable to any other activity in which the University engages; it cannot be forced into the same administrative and fiscal patterns without damage. I could elaborate on this point at some length. We do, of course, prepare an internal budget anticipating all income and expenditures for the year.

This discussion of budget controls ends (page 17) with the statement that "the general policy of the Press should be to operate without university subsidy within two years. The University should reduce the contribution of the subsidy by one-half for two years and discontinue the total appropriations thereafter."

This recommendation is both reckless and ignorant. There is no university press in the United States which operates without some subsidy from the parent institution, and many are subsidized far more heavily than we are. Such subsidies take many forms. It is a generally recognized fact that most commercial publishers would not be able to make ends meet under present conditions if it were not for the sale of secondary rights; to suggest that a university press should attempt to be entirely self-sustaining is to suggest the impossible. It is conceivable that we could operate a program without subsidy, but it would not be a university press program.

Operating expenses should be reduced materially (page 16).

I agree that this is a desirable objective. One of the objects of our present reorganization of the Press, concerning which you have been informed, is to bring about more efficient and economical operation. However, there are certain well-defined limits beyond which we can not and should not go in cutting costs if our program is to reflect credit on the University and fulfill the objectives toward which it is addressed.

There are, says the Survey, four principal ways in which expenses can be reduced. Let us examine each in turn.

1. Manufacturing costs per volume should be reduced (page 16). As I mentioned before, the surveyors had no idea as to whether or not our manufacturing costs are too high. However they state

7-CFB

positively that they are, apparently deducing this conclusion from the false comparison between our costs and those of other presses which I have already discussed, and from the fact that we have won a number of prizes for excellence in typography and design.

"A principal function of the production assistant," they say, should be to reduce manufacturing costs rather than to design fine editions to compete for 'typographical art prizes.'" The reduction of manufacturing costs has always been a primary objective of our design and production planning. We do not "design books to compete for typographical art prizes." Such prizes, incidentally, are not based upon lush formats and luxury materials but on readability, appropriateness, excellence of design and printing, and the greatest economy which is consistent with the purposes of the book. As a matter of fact, unnecessarily expensive formats and materials count heavily against you in such competition.

With the exception of three books which were designed primarily as gift items, we have stuck to economical formats and modestly priced materials. We get as many words to a page as is consistent with readability (far more than many presses do).

We should avoid, the Survey says, "the use of heavy paper, heavy leading, and expensive bindings, which characterize books presently published." This statement is simply not true, as anybody who knows books can tell you. In over forty of our fifty books we have used Warren's Olde Style paper, which is a good, cheap standard grade of book paper. We buy it when possible in large quantities and pay from 16 to 19 cents per pound for it. You can't buy cheaper paper without getting exceedingly sleazy stock. If we printed our books on the sorriest and cheapest trash which is available for book use we couldn't save more than two or three cents per volume and our books would look shoddy, whereas now they present an excellent appearance. I can't understand the reference to "heavy" paper unless they refer to several volumes which were printed on Novel Antique, a cheap high-bulking paper which makes a short book look bigger than it is and probably appears heavy to the layman, although it is not. We have used a premium grade of paper on only one book, the Dialogues of Cervantes de Salazar, which was published as a compliment to the University of Mexico on its 400th anniversary and was deliberately planned as a collector's item.

Our bindings likewise are inexpensive, although carefully planned. For the most part we use A and B grades of book cloth. We buy our cases ready-made on competitive bids from some of the biggest binderies in the country; the average cost of each case completed and stamped on the last ten jobs which we have done is less than nineteen cents. There just isn't any room for appreciable savings in that respect.

8-CPB

As for our books being heavily leaded, that is a joke. With two exceptions, none of our books has carried more than two points of leading and about half of them are set in 11 point Baskerville with only one point of leading. I can demonstrate that we get more words to the page than do most university presses, and most commercial publishers, too, for that matter. The surveyors just didn't know what they were talking about.

It of course would be possible for us to pay too much for printing and binding despite economical formats, but I don't really think that is the case. Most of our books are printed and bound by the University Printing Division. We frequently check their quotations by getting bids from leading book manufacturers elsewhere, in Texas and in the great Eastern publishing centers. We know that what we pay for printing is not out of line with prices which all other publishers in the country are paying. Of course printing costs are too high these days, but so are the costs of groceries, automobiles, and everything else.

"The offset process should be used as a regular rather than as an infrequent means of printing," the Survey states. Unless the publication is such that typewriter or varityper composition can appropriately be employed, the use of offset printing increases rather than lowers costs, since you add the expense of photography and plate-making to the usual costs of composition and presswork. We have used offset printing on two jobs where it was necessary to effect a close marriage of text and illustrations throughout, and on two reprints. If we ever get a book which lends itself to typewriter composition, we will print it by offset. But few books which are published in our type of program could conceivably be handled in this fashion. Here again I am sure that the surveyors didn't quite know what they were talking about.

1. Royalty expenses should be reduced (page 17). I am in full agreement with this as a general principle. I know that our royalty costs have been too high in the beginning years of the Press. This has been the result of deliberate policy, which I believe has served its purpose well. Mr. Davis of the Survey team asked me about this point. I replied in writing as follows:

"Until the imprint of a new university press gains prestige (i.e. until it comes to signify quality books attractively produced to those who see it), such a press is at a distinct disadvantage in getting manuscripts of top quality. In these the first years of our program, we have sometimes made better royalty arrangements with authors than most university presses would make, better indeed than we expect to offer after our imprint is firmly established. A large proportion of our early books did not come to us unsolicited; we went out and got them because they were the kind of books we needed for our program."

9-CPB

For the past year we have been leveling off on royalty expenses. For the most part we are now writing contracts which provide for royalty payments only after the sale of a specified number of copies, usually 750 to 1,000.

I am strongly opposed to the proposal that we pay no royalties to members of the University of Texas faculty. This could only result in their taking their more attractive manuscripts elsewhere and offering to us only those manuscripts for which they cannot readily find other publishers.

3. The size of press-runs should be reduced. During the past eighteen months we have reduced the size of our press-runs on most titles from one-quarter to one-third in comparison with printings which we formerly ordered for comparable books; this is definitely in line with the recommendations of the Survey. More often than not our former policy of larger printings has paid off, but it has accentuated our storage problems. For a full discussion of this point see my letter to Mr. Davis of the Survey team which is attached.

I am strongly opposed to the proposal that we keep our books in print only three years. One of the marked ways in which university presses differ from commercial presses is that they recognize the obligation to keep their important books in print and available to scholars and libraries as long as possible. Leading university presses keep literally thousands of titles in print and derive a substantial portion of their income from their sales. The principles which the Survey proposes in this connection are applicable to commercial press operations; they would be most unfortunate if applied to university presses.

We over-printed on approximately ten of our first fifty books, which is not too bad a record, I think. The Survey says that "if one-third less had been printed in 1952-53, more than \$10,000 could have been saved." I categorically deny that statement which is, when analyzed, based upon an entirely unsubstantiated guess. I also contradict flatly the statements on page 17 concerning the experience of university presses with the continuing sale of backlist items; I have already pointed out that the Kerr report revealed that over half of the total income of leading presses is derived from the sale of back-list.

4. Editorial work should be reduced in scope. The Survey here touches upon a point which has long been a source of concern to me. I attended a session of the AAUP this summer which was devoted almost entirely to the problem of the extent to which presses should go in editing manuscripts. There were as many opinions expressed as there were people present, but all agreed that it is an exceedingly complex and difficult question. I agree

in general that we have invested too much editorial time in the books which we have published thus far, but the Survey's suggested remedies represent a rather naïve over-simplification of the problem.

Eventually we plan to prepare our own style book with detailed instructions for authors in the preparation of manuscripts. At present we follow the Chicago Manual of Style and instruct our authors to do so also. But most manuscripts come to us already written and, unless they are to be re-written, such instructions are too late to do much good. Then, too, the best of scholars make many careless errors and a man when reviewing his own manuscript sees what he expects to see rather than what is actually there. Careful editorial work is necessary if high standards of accuracy and style are to be maintained and if our imprint is to carry the prestige in the world of scholarly publishing which we covet for it.

The suggestion that we charge authors for editorial work on their manuscripts is unworkable in most cases. We can, however, give a more thorough editorial check for accuracy, etc., prior to the acceptance of manuscripts and this is being contemplated in connection with the reorganization of our internal procedures which is now in process. I hope that we can reduce the amount of editorial work per title considerably in the future. This will enable us to handle more titles with our present limited staff, and will reduce the cost per title, improving our general financial picture. We await the arrival of our new chief editor before definitely settling upon the editorial procedures which will be followed.

One thing is dead certain, however: there will always be a need for careful editorial work on manuscripts, regardless of who the authors are. Without such careful handling our imprint will not stand for the best type of publishing.

Accounting practices should be improved. I am happy to report that most of the recommendations embodied in this section are already being carried out. The only suggestion concerning accounting to which we are opposed is the proposal that all indirect costs should be allocated by formula to the new titles published in a given year; this would distort our inventory values and make it impossible for us to obtain any accurate comparison of the operating figures of our press with those of other leading university presses. As of September 1 we are keeping a record of all editorial, proofreading, and production supervision time which is expended on each title and these figures will be embodied in our title accounting. There is a very serious question as to the wisdom of including costs other than manufacturing in our unit costs for inventory purposes (most presses don't), but the figures will be available on our books at all times and will be reported by titles. Such a break-down of editorial, proofreading and production supervision costs per title will be very valuable to

11-CPB

us in analyzing our program.

Book inventories should be reduced (page 21). We are watching our book inventories very carefully. It is quite natural that there should be a rapid rise in inventory values in the case of a press beginning and expanding its program. There is nothing like as much unsaleable stock on hand as the Survey team appears to think. It is too early in the Press's history to embark on any substantial program of remaindering, although this is being considered now in connection with three titles. Again, for reasons already cited, I protest the statement that we should not place important emphasis on back-list sales.

Work on the Social Science Quarterly should be fully compensated (page 21). As well as I can tell now, we are already fully compensated for our work on the Southwestern Social Science Quarterly. At the end of the current year, with a complete break-down of editorial, proofreading, and production overhead costs at our disposal, we will be able to tell exactly.

I have already commented on all of the statements which are embodied in the Survey's "Summary" on page 21. Every statement made therein is unrealistic and misleading. The claim that the entire University appropriation for the Press would be eliminated in two years by following the recommendations of the Survey is, however, quite correct, for the Press itself would be eliminated and there would be no need for further appropriations.

SUMMARY

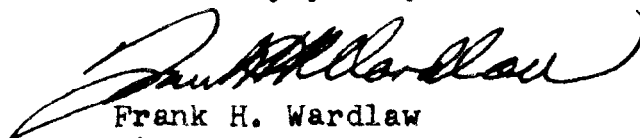
The thing that irks me about this Survey is that it places us on the defensive about a program concerning which I feel we have a right to be proud. I know that there have been many things wrong with our program. We are constantly trying to pin them down and correct them. For one thing, our internal organizational procedures have developed rather haphazardly and badly need to be reorganized and standardized to provide for more efficient operation and a more even flow of work. As you know this problem was recognized by us months ago and vigorous steps are being taken to solve it. (Incidentally, we got no help from the Management Survey about these problems of management). We must schedule our work more effectively so that our books in general will come out on time. We must strengthen our sales program; our foreign sales except in Great Britain are pitifully low considering the potentialities of our books, and we have been handicapped in our domestic sales program by failure to meet many publication dates and by failure to have sales materials ready in time. All of these deficiencies and many more are recognized by us and specific steps are being taken to correct them.

12-CPB

But we are not apologetic about what our program has accomplished. While our financial picture looks bad in comparison with those of long-established presses, it is not at all bad for a new press. We have made as much progress in our first five years as any press in the country has made. Our books have been thoroughly creditable and have gained wide and favorable critical notice. They have been edited, designed, and produced in accordance with the highest professional standards. Many valuable services to scholarship and to the region have been performed, and the University has reaped as much prestige both in this country and abroad from the program of the Press as it has from any comparable investment in any other program.

We welcome responsible, constructive criticism, but the Management Survey's recommendations concerning the Press are, for the most part, destructive and irresponsible. They should be generally ignored by the Administration.

Cordially yours,



Frank H. Wardlaw
Director

FHW:W
Encl

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

See App.
minutes
Oct. 15, 1955-

September 19, 1955

President J. C. Matthews
North Texas State College
Denton, Texas

Dear President Matthews:

At the recent meeting of the Council, each institutional head was asked to have his governing board name a committee to advise with the Council of State College Presidents concerning changes in Teacher Retirement procedures. Mr. Sealy has named from our Board Mr. Claude W. Voyles, 609 Perry-Brooks Building, Austin, and Mr. J. R. Sorrell, 2001 Driscoll Building, Corpus Christi, Texas.

Sincerely yours,

Logan Wilson

LW k

cc: Mr. Tom Sealy
Mr. J. R. Sorrell
Mr. Claude W. Voyles

THE UNIVERSITY OF TEXAS
AUSTIN 12

SCHOOL OF LAW

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

August 22, 1955

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED _____	FILE _____
REC'D AUG 23 1955	
REFER TO _____	<i>Shapp</i>
PLEASE ANSWER _____	
PLEASE _____	

Dr. Logan Wilson
President, The University of Texas
Main Building 101
Austin, Texas

De check

Dear Dr. Wilson:

The Mezes Faculty Donation Committee begs to report that it has decided to recommend award out of the small balance of income of the fund in its charge for this fiscal year (Auditor's Office Account No. 8536): The sum of \$28.71 to Professor William R. Neville of the School of Pharmacy, the sum of \$18.27 to Dr. Jaroslav E. Zivney of the Department of Slavonic Languages and the sum of \$18.27 to Dr. Nathaniel L. Kaderly of the School of English. If you find it convenient, please authorize the immediate payment of these amounts in accordance with the amended rules governing the fund and at the time the matter comes before the Board of Regents, please handle it as before, in such a way to omit from the minutes of the Regents the names of the awardees.

yes

We beg to suggest that, for accounting reasons, the checks for the payment of these amounts be issued before the end of the fiscal year.

In order that each recipient may receive an explanation of the payment at the time it is transmitted we respectfully request that the enclosed letters accompany what is sent to them respectively by the Auditor's Office.

With esteem,

Yours most cordially,

Robert W. Stayton
Robert W. Stayton, Chairman,
Sidney E. Mezes Faculty
Donation Committee

RSW:lw
Enclosures

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THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

August 25, 1955

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

Dean A. J. Gill
The University of Texas
Southwestern Medical School
5323 Harry Hines Boulevard
Dallas 19, Texas

Dear Dr. Gill:

The members of the Regents' Executive Committee have given their approval to my recommendation dated August 18, 1955, copy of which you have, regarding the Ellene W. Mosely Grant Number 15.

It is, therefore, now in order for you to notify the Southwestern Medical Foundation that you are returning the grant funds amounting to \$4,412.27 and that new arrangements between the donor and Dr. Hill may be made.

Sincerely yours,

Original Signed by
LOGAN WILSON

Logan Wilson

cc: Mr. C. H. Sparenberg
Mr. E. A. Gall
→ Miss Betty Anne Thedford

LW:hj

Miss Thelford

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THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

August 18, 1955

MEMORANDUM

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

TO: REGENTS' EXECUTIVE COMMITTEE

RE: "THE ELLANE W. MOSELY GRANT #15"

I should appreciate it if you would give your approval to the attached recommendation for the return of this grant to the Southwestern Medical Foundation for them to work out new arrangements. If you desire further information, in addition to Dr. Gill's letter and Mr. Sparenberg's memorandum, kindly let me know.

Original Signed by
LOGAN WILSON

Logan Wilson

LW k
Encl.

cc: Dr. A. J. Gill
Mr. C. H. Sparenberg

THE UNIVERSITY OF TEXAS

OFFICE OF THE COMPTROLLER
AUSTIN 12

FOR ACTION OF
Regents
MEMORANDUM MINUTES OF
OCT 15 1955

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED	FILE
REC'D AUG 17 1955	
REFER TO	<i>OK W</i>
PLEASE ANSWER	
PLEASE READ AND RETURN	

August 12, 1955

* *Docket*
Exec. Com.

To: Dr. Logan Wilson, President

Subject: DR. GILL'S LETTER TO YOU OF AUGUST 8, 1955, IN REGARD TO "THE ELLANE W. MOSELEY GRANT #15"

I quote the following paragraph from the letter above indicated:

"At the time of transfer of grants and assets from Southwestern Medical Foundation to The University of Texas in 1949, one of the grants, entitled "The Ellane W. Moseley Grant #15", in the amount of \$4,412.27 was transferred and became part of the Current Restricted Funds of The University of Texas Southwestern Medical School. This grant was given for the use of Dr. J. M. Hill without any restrictions. Dr. J. M. Hill has not been a member of the faculty of this medical school since 1951. He lives here in Dallas and I believe that we should try to work out some means for making these funds available to him, since it does not appear that there is any provision for them to be used by anyone else under the terms of the grant."

This fund was included among many other items in a document dated the 2nd day of December, 1949, by which the Southwestern Medical Foundation assigned and delivered unto the Board of Regents of The University of Texas "the following described items and amounts of money subject to the expenditure and use thereof by the Board of Regents of The University of Texas in connection with, and incidental to, the conduct and operation of The Southwestern Medical School of The University of Texas, at Dallas, Texas," The fund under discussion was listed on this legal instrument as

"15. Ellane W. Moseley, for Dr. Joseph M. Hill \$4,412.27"

Page fifteen of The University of Texas Southwestern Medical School Trial Balance as of July 31, 1955, lists this fund under Current Restricted Funds and shows that the balance is still \$4,412.27.

Considering all of the circumstances, it is my recommendation that this \$4,412.27 be returned to the Southwestern Medical Foundation, with the understanding that the Foundation will work out new arrangements in regard to this grant satisfactory to both the donor and Dr. J. M. Hill. I have been informed that Mrs. Moseley is still living, and I think in Dallas.

Memorandum to Dr. Logan Wilson, August 12, 1955, page two

I believe that this recommendation, if approved by you, will probably also require the approval of the Board of Regents of The University of Texas before the money is actually refunded to the Foundation.

I have discussed this matter with Judge Gaines and Mr. Stewart and they concur in my recommendation.


Charles H. Sparenberg
Comptroller

CHS:ms

Copies to Dr. Logan Wilson (2)
Judge Scott Gaines
Mr. William W. Stewart

THE UNIVERSITY OF TEXAS
SOUTHWESTERN MEDICAL SCHOOL
5323 HARRY HINES BOULEVARD
DALLAS 19, TEXAS

OFFICE OF THE DEAN

August 8, 1955

PRESIDENT'S OFFICE, U OF T
ACKNOWLEDGED FILE
REC'D AUG 10 1955
REFER TO
F. W. LAMSON

Dr. Logan Wilson, President
The University of Texas
Austin, Texas

Dear Dr. Wilson:

For some time we have been aware of a rather unusual situation which I believe we should now resolve.

At the time of transfer of grants and assets from Southwestern Medical Foundation to The University of Texas in 1949 one of the grants, entitled "The Elliott W. Hoosey Grant #15", in the amount of \$4,412.27 was transferred and became part of the Current Restricted Funds of The University of Texas Southwestern Medical School. This grant was given for the use of Dr. J. M. Hill without any restrictions. Dr. J. M. Hill has not been a member of the faculty of this medical school since 1951. He lives here in Dallas and I believe that we should try to work out some means for making these funds available to him, since it does not appear that there is any provision for them to be used by anyone else under the terms of the grant.

If there is some legal means by which this can be done, we wish to recommend it.

With best good wishes, I am

Sincerely yours,



A. J. Gill, M.D.
Dean

AJG/cs

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

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PRESIDENT'S OFFICE, U OF T
ACKNOWLEDGED _____ FILE _____
REC'D AUG 14 1955
REFER TO _____
PLEASE ANSWER _____
PLEASE READ AND RETURN _____

August 15, 1955

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

Mr. Claude Wyles, Chairman
Mr. Leroy Jeffers
Mr. Lee Lockwood
Dr. L. B. Gates
Mr. J. R. Serrall
Executive Committee of the
Board of Regents
The University of Texas

Gentlemen:

Attached is a copy of the Main University report on small classes, which must be approved by you before it is submitted by the University to the Texas Education Agency. Since the report should be sent in at an early date, it is preferable for us to obtain your approval now instead of waiting for the next Regents' meeting in October. Please let me hear from you at your early convenience.

Sincerely yours,

LW

Logan Wilson

LW:jm
Enclosure

cc: → Mr. Tom Sealy

OK Sealy

FOR ACTION OF
Regents
SEE MINUTES OF
OCT 15 1955

THE UNIVERSITY OF TEXAS
Main University
Second Term 1955 Summer Session

Undergraduate Organized Classes Having Fewer Than Twelve Students
As of the Twelfth Class Day

I. Classes which cannot be larger because of equipment and/or space limitations.

Mus. s262.3 (Advanced Conducting-Chorus) - 10 students

II. Highly specialized courses required for professional degrees.

Ger. s330L (Lessing) - 8 students

J. s824b (News Editing) - 8 students

Fr. s328L (Introduction to French Literature: The Eighteenth and Nineteenth Centuries) - 9 students

Spe. s367.5 (Advanced Speech: Speech Pathology and Voice Science) - 7 students

Ed. P. s371 (Educational Statistics: Beginning Course) - 10 students

III. Courses in small departments which offer the minimum number of courses consistent with having at least an acceptable, balanced program.

Arc. s401b (Drawing 2) - 11 students

Arc. s335L (Steel Construction) - 10 students

Bot. s370K (Laboratory Techniques in the Teaching of Biology) - 6 students

Gk. s624a (Advanced Greek Reading) - 3 students

Lat. s312 (Virgil's "Aeneid") - 6 students

Grg. s314 (Conservation of Natural Resources) - 5 students

Grg. s224 (Geography of North America) - 9 students

Soc. s271L (Proseminar) - 11 students

IV. Courses which a large department regards as necessary for a rounded program.

Eco. s236K (The Economics of Social Security) - 9 students

Gov. s235K (Government and Fundamental Human Rights) - 10 students

M. s322L (Differential Equations and Applications) - 10 students

M. s371L (Topics in Modern Algebra) - 8 students

M. s667a (Introduction to Modern Projective Geometry) - 7 students

Fr. s367 (Voltaire) - 11 students

Ed. P. s277L (Selection and Utilization of Audio-Visual Aids for Elementary Education) - 7 students - meets with Ed. P. s277P (Selection and Utilization of Audio-Visual Aids for Secondary Education) - 4 students - total of 11 students

Music s411b (Dictation and Sight-singing) - 8 students

Undergraduate Classes - Page 2

IV. Continued

- Music s413b - (Theory of Music) - 9 students
Music s225M - (18th Century Counterpoint) - 2 students
Music s363 - (Radio Music) - 8 students
Music s370 - (Song Literature) - 11 students (Fee recommended - not listed
in catalogue)
Music s269L.2 (Advanced Orchestration) - 4 students - meets with Music s226K
(Orchestration and Instrumentation) - 2 students - total 6 students

V. Courses for which students pay a supplementary fee for Fine Arts instruction.

- | | |
|--|---------------------------|
| Music s200.2 - (<u>Class Instruction in Applied Music</u>) | - Percussion - 4 students |
| Music s200.4 - " " " " " | - Woodwind - 4 students |
| Music s200.10 - " " " " " | - Brass - 2 students |
| Music s200J.5 - " " " " " | - Piano - 5 students |
| Music s200b.1 - " " " " " | - Strings - 1 student |
| Music s200b.3 - " " " " " | - Voice - 3 students |
| Music s210K.8 - " " " " " | - Cello - 1 student |

THE UNIVERSITY OF TEXAS
Main University
Second Term 1955 Summer Session

Graduate Classes Having Fewer Than Twelve Students
As of the Twelfth Class Day

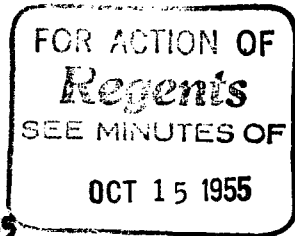
I. Graduate Classes of six to eleven. This number is regarded as a reasonable size for a graduate class.

- Bac. s389 (Problems in Bacterial Physiology) - 11 students
 E. s296K (Studies in Victorian Literature) - 8 students
 E. s297K (Studies in Comparative Literature) - 11 students
 Gov. s393 (Seminar in American Government and Politics) - 11 students
 H. E. s390 (Recent Advances in Nutrition) - 10 students
 M. s684b (Analytic Functions) - 7 students
 M. s684Ma (Infinite Processes) - 10 students
 Phl. s283 (Seminar in Theory of Knowledge) - 9 students
 Phy. s388 (Electric Wave Filters) - 9 students
 Pay. 288K.1 (Modern Systems of Pay.) - 9 students
 Psy. 288K.2 (Modern Systems of Pay.) - 9 students
 Spn. s288L - (History of the Theatre in Mexico) - 8 students
 Sta. s381 (Sampling and Correlation) - 8 students
 Man. s380 (Seminar: Personnel Administration Problems) - 11 students
 Ed. C. s388 (Current Problems in Business Education) - 9 students
 Ed. C. s388T (Advanced Course in Curriculum and Instruction in Science in the Elementary School) - 8 students
 Ed. C. s391 (Conference-Laboratory in Elementary Education) - 8 students
 Ed. A. s380L (Problems of School Support) - 9 students
 Ed. A. s383J (Problems in Junior College Administration) - 9 students
 Ed. A. s391M (Seminar in College Administration) - 7 students
 Ed. P. s382L (Psychology of Learning) - 7 students
 Ed. P. s383M (Adjustment Counseling) - 6 students
 Ed. P. s286 (Problems of Audio-Visual Instruction and Supervision) - 8 students
 P. Ed. s383 (The Administration of Health Education) - 11 students
 Mus. s384K (Seminar in Music Education: Secondary Schools) - 10 students
 L. S. s391 (Cataloguing and Classification) - 8 students

II. Graduate classes having less than 6 students.

- Lat. s683z.i. (Tacitus, Annals) - 5 students - necessary for graduate degree - only graduate course during the term.
 His. s295 (Bibliographical Guides to the Sources and Literature of United States History) - 5 students - only graduate course being offered this term and is necessary for the graduate program.
 H. E. s395 (Understanding Young Children) - 2 students. These two students registered for the express purpose of taking this course.
 M. s383K (Continued Fractions and Applications) - 5 students - necessary for rounded program.

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12



September 27, 1955

Dr. C. P. Boner
Main Building 101
The University

Dear Dr. Boner:

I referred the recommendation concerning non-University use of the Van deGraaf Generator to the Executive Committee of the Board of Regents for their approval. I now have written communications from a majority of the Committee giving such approval. Please convey this information to Dr. Halspeth.

For the record, I am filing with the Office of the Secretary of the Board of Regents a copy of the proposed plan, together with a copy of this letter indicating regental approval of it.

Sincerely yours,

Logan Wilson

LW k

cc: Miss Betty Anne Thadford

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THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

September 23, 1955

Mr. Claude Vyles, Chairman
Mr. Larry Jeffers
Mr. Lee Lockwood
Dr. L. S. Gutes
Mr. J. R. Sorrell
Executive Committee of the
Board of Regents

Gentlemen:

Attached is a proposed plan for non-University use of the Van deGriff Center. Will you please indicate on the bottom of this letter your approval or disapproval and return to me at your early convenience?

Sincerely yours,

Logan Wilson


LW:vt
Encl.

Copy: Mr. Tom Sealy

Approved _____

Disapproved _____

Betty Anne: The 7th copy on the verifax did not work, so I will furnish you a copy of the proposed plan later - i.e., maybe one will come back from one of committee!



vt

THE UNIVERSITY OF TEXAS
AUSTIN 12

DEPARTMENT OF PHYSICS

Original Signed by
LOGAN WILSON

Original signed by
C. P. Boner

September 16, 1955

FOR ACTION OF
Regents
SEE MINUTES OF

OCT 15 1955

Dr. C. P. Boner
Vice President
The University

Subject: A Proposed Plan for Non-University Use of
the Van de Graeff Generator

Dear Dr. Boner:

Occasionally there have been inquiries regarding possible use of the Van de Graeff generator by non-University research groups. It is therefore thought desirable to establish a general policy governing this point. The following recommendations were drawn up after consultation with various persons concerned with the problem and after consideration of the charges in effect at High Voltage Engineering Corporation in Cambridge, Massachusetts (where machine time may be rented).

It is recommended that:

- (1) The electrostatic generator of the University of Texas be made available, under conditions set forth below, to interested and competent research groups outside the University;
- (2) Such use shall be so arranged and co-ordinated with the ordinary use of the machine as to cause no essential disruption of the University's own program; it is anticipated that non-University use of the machine will be only a few per cent of the total use;
- (3) The machine shall be operated by an authorized University employee; the charge per hour for such use (including the operator) shall be \$20. Payments shall be deposited in Account No. 15810, "Other Miscellaneous Income." From this account, one-half of all such collections shall be credited to Account No. 15922, "Purchase of Van de Graeff Machine." Request for credit to Account No. 15922 shall originate with the Director of the Nuclear Physics Laboratory, and the Appropriation credits will come from the unallocated Maintenance & Equipment Appropriation. *Keyf*

Dr. C. P. Boner

2

- (4) Each user of the machine shall enter into a standard agreement with the University, the nature and wording of such standard agreement to be initially established and approved by the appropriate legal counsel for the University.
- (5) The standard agreement shall be signed by the Director of the Nuclear Physics Laboratory and by an authorized representative of the non-University research group; the agreement must then be approved, on behalf of the University, by the Chairman of the Department of Physics, the Business Manager of the University, and the Vice President of the University.

Very sincerely yours,



Emmett L. Hudspeth
Director
Nuclear Physics Laboratory

Approved:

ORIGINAL SIGNED BY
M. Y. COLBY

M. Y. Colby, Chairman
Department of Physics

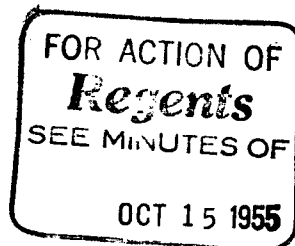


G. W. Landrum
Business Manager

THE UNIVERSITY OF TEXAS
Office of the Comptroller
Austin 12

August 10, 1955

Mr. Tom Sealy, Chairman
Mrs. Charles Devall
Mr. Leroy Jeffers
Mr. J. Lee Johnson, III
Mr. Lee Lockwood
Dr. Merton M. Minter
Dr. L. S. Oates
Mr. J. R. Serrell
Mr. Claude W. Voyles
(Members, Board of Regents of The University of Texas)



Subject: REPORT ON INSURANCE SURVEY FOR THE UNIVERSITY OF TEXAS SYSTEM

Mrs. Devall and Gentlemen:

Enclosed with this letter we are sending each of you a copy of the report on the Insurance Survey for The University of Texas System, prepared by the Insurance Audit and Inspection Company of Indianapolis, Indiana.

On August 5, 1955, Dr. Dolley and I, together with several of our University staff members stationed here in Austin, went over this report at considerable length with Mr. A. R. Massey, the Texas representative of the Insurance Audit and Inspection Company, who is stationed in Dallas. We expect to go into the various details of this report still further at a meeting of the Branch Business Managers of The University System, which is to be held here in Austin Friday, August 26, 1955.

We hope to have final recommendations in regard to this insurance survey report ready for the Board of Regents not later than the October meeting.

Very truly yours

C. H. Sparenberg
Charles H. Sparenberg
Comptroller

CHS:ms

Encl.

Copies to Dr. Logan Wilson
Dr. James C. Dolley
Miss Betty Anne Theford

INSURANCE AUDIT AND INSPECTION COMPANY
INDIANAPOLIS

INSURANCE REPORT
FOR
THE UNIVERSITY OF TEXAS
AUSTIN, TEXAS

JUNE 1955

INSURANCE AUDIT AND INSPECTION COMPANY

INCORPORATED 1901
HUME MANSUR BUILDING
INDIANAPOLIS 4, INDIANA

307

June 23, 1955

The University of Texas
Austin, Texas

Gentlemen:

As independent auditors and insurance consultants, we have completed our study of the insurance program of the University of Texas and submit the following report.

This report is predicated upon inspections of the principal properties at each component institution of the University system, review of values and other records relevant to insurance, policy analyses, and finally research into statutory and legal requirements. It includes property valuation data, recommendations for property improvements based upon Mr. Massey's inspection reports, consideration of general problems in placing and administering insurance, comments on present insurance policies with particular attention to defects in need of immediate correction, alternative plans for a sound property insurance program, and recommendations for adequate casualty insurance.

Following the report, we shall be available for consultation on any insurance matter either through correspondence or by personal conference with our local representative, Mr. A. R. Massey. It is our purpose to be of continuing assistance to you as you study and develop your insurance program.

Over Fifty Years of Service.

INSURANCE AUDIT AND INSPECTION COMPANY
INDIANAPOLIS

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Section A

PROPERTY VALUATIONS

Fundamental to any consideration of insurance are accurate and accessible records of property values. This is true whether full insurance, catastrophe insurance, or no insurance is carried. One of the most important assignments in this survey, therefore, has been the development of values data suitable for insurance.

It is generally considered that value for insurance purposes means current replacement cost less depreciation, rather than market value, book value, acquisition cost, or any other valuation basis. Therefore, in order to measure insurable value you must know today's replacement cost and actual depreciation. This latter is measured by the age of the property, by its physical condition, and by remaining years of useful life. The maximum depreciation generally allowable for insurance on buildings is 40 per cent, except where there is marked deterioration and obsolescence in which case a higher percentage is proper.

In compiling these values data, we have started with the University's excellently maintained records of original building costs and equipment inventory. These figures, however, will not serve without modification as a measure of insurable value, because even on more recent units replacement costs today are substantially higher than when these buildings were constructed or the equipment purchased. It is said that construction and equipment costs have become almost jet propelled, the construction cost index having risen 120 per cent in 10 years.

Using your detailed cost records, we have applied a percentage increase to each building according to national indexes. On equipment we have applied an average increase factor to the equipment inventory total for each Division to produce the estimated replacement cost of all University properties as of March 31, 1955. The next step was to deduct estimated depreciation on each building unit and on all equipment. Here again we have had to rely upon national average percentages as reported for the various classes of property.

The detail of these computations is submitted in Exhibit A which shows original costs, taken from your records, increase factors applied to each unit, today's replacement cost, estimated depreciation, and estimated sound value. This

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INDIANAPOLIS

detail is set out for the buildings of the Main University group, the Medical Branch of Galveston, the Old Plant of the Dental Branch at Houston, and Texas Western College at El Paso.

We have not attempted to include detailed computations on the M. D. Anderson Hospital properties at Houston because we are advised that the old plant has been largely abandoned and the operation removed to the new Medical Center buildings. It is assumed that in the very near future the University will have no further interest in the M. D. Anderson Foundation Hospital properties.

Similarly, we have omitted detailed computations on Southwestern Medical School properties in Dallas because we understand the present plant is temporary and that, as soon as the second fire resistive building is completed in the new Medical Center area, the entire operation will be removed to that location. The life of the present plant is presumably limited so that no insurance revaluation to current index is justified.

Following detailed Exhibit A, we are submitting a Summary of estimated sound values on each Division of the University, including both buildings and contents. Here again the values are based upon replacement cost less depreciation, except that we have included recently completed plants on the basis of construction costs. This is on the theory that while there would in the last year or two have been some slight rise in reproductive cost, this would have been offset by accruing depreciation so that the original cost figures are, we think, acceptable for our purposes here.

In considering adequacy of the insurance now maintained on different properties, a further step was required in the valuation process. From the estimated present depreciated value, ten per cent has been deducted for those items commonly excluded from insurance, the value of which does not have to be taken into account in arriving at insurance requirements; for example, underground foundations of buildings, underground flues, piping and drains and cost of excavations.

The result of this final step in the valuation process as set out in Exhibit B is the sound insurable value, and this is shown only on those properties which are presently insured. If you should decide to extend the insurance to other properties, this sound insurable value can readily be figured on them.

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INDIANAPOLIS

It is our opinion these estimates are as accurate as could be developed other than by a complete detailed appraisal of the entire property. Nevertheless we should point out that our figures may be open to criticism and admittedly lack the presumption of accuracy which a professional appraisal would have. Even if we assume that original cost figures are complete and accurate, the use of percentage increase and depreciation factors may lead to results which would vary from those found by appraisal. However, you are undoubtedly aware that a professional appraisal of property so extensive as yours would be prohibitive in cost or, at least, the cost would be wholly disproportionate to your need for appraisals.

Finally, while the exhibits which follow set out, we believe, the best values data for insurance purposes, short of a professional appraisal, insurable value is constantly changing due not only to continuing expansion and modernization of the various University plants, but also to the inevitable change in property values by way of appreciation and depreciation. However, once the values records are set up on a proper basis, they can be adjusted from year to year to reflect additions and removals, and net appreciation.

It is Mr. Massey's opinion that these values records can be compiled in such a way as to make them readily accessible and easily adjustable so as to indicate at any annual period the value of all University buildings and contents.

EXHIBIT A

ESTIMATES OF VALUE - BUILDINGS AND EQUIPMENT

MAIN UNIVERSITY GROUP

<u>Buildings</u>	<u>Increase Factor</u>	<u>Original Cost</u>	<u>Estimated Cost Today</u>	<u>Estimated Depreciation</u>	<u>Estimated Sound Value</u>
Main Building & Library Additions	3.55	\$ 964,300	\$ 3,423,300	\$ 753,100)	\$ 6,436,000
Architecture	2.56	1,772,300	4,537,000	771,200	793,400
Texas History Center	3.55	286,500	1,017,100	223,700	678,900
Biology Building	3.00	323,300	969,900	291,000	716,900
Biology Greenhouse	2.50	415,200	1,037,900	321,000	54,700
Chem. Engineering	2.50	36,500	91,200	36,500	450,700
Chemistry	2.12	241,700	512,400	61,700	1,687,500
Drama	2.58	872,100	2,250,000	562,500	229,500
Engineering	5.00	91,800	459,000	229,500	229,500
Engineering, 2nd Unit	2.53	235,100	594,800	160,600)	1,537,400
Exper. Sciences	3.55	398,400	1,414,300	311,100)	4,290,000
Garrison Hall	1.06	4,129,800	4,377,600	87,600	657,500
Geology Building	2.50	370,400	926,000	268,500	715,500
Home Economics	3.55	258,400	917,300	201,800	857,500
Journalism	3.55	309,700	1,099,400	241,900	586,200
Little Campus	1.04	565,900	592,200	6,000	200,000
Music	2.50	170,000	425,000	225,000	928,300
Pearce Hall	2.12	497,600	1,054,900	126,600	387,300
Petroleum Engr.	4.82	148,800	717,200	329,900	384,300
Pharmacy	2.12	206,000	436,700	52,400	1,147,200
Physics	1.04	1,114,200	1,158,800	11,600	1,268,200
Defense Research	3.55	458,000	1,625,900	357,700	67,000
Speech	1.25	56,600	71,300	4,300	232,500
Sutton Hall	5.00	93,000	465,000	232,500	642,900
Batts-Benedict- Mezes Halls	3.63	281,100	1,020,400	377,500	2,306,100
Townes (Law) Hall	1.04	2,239,800	2,329,400	23,300	2,043,800
Univ. Junior High	-	2,043,800	2,043,800	-	863,900
	3.24	337,500	1,093,500	229,600	

(Continued on next page)

MAIN UNIVERSITY GROUP (Continued)

<u>Buildings</u>	<u>Increase Factor</u>	<u>Original Cost</u>	<u>Estimated Cost Today</u>	<u>Estimated Depreciation</u>	<u>Estimated Sound Value</u>
Waggoner Hall	2.97	361,100	1,072,500	246,700	825,800
Littlefield Home	2.82	24,000	67,700	33,800	33,900
Casis Grade School	1.08	182,700	197,300	5,900	191,400
Veterans Educational Facilities (18 Bldgs)	1.37	609,600	835,200	334,000	501,200
Balcones Research Ctr	1.27	1, 246,900	1,583,500	316,700	1,266,800
Gregory Gymnasium	2.58	536,500	1,384,200	346,000	1,038,200
Women's Activities	2.97	401,400	1,191,300	297,800	893,500
Central Cooling Stat.	1.04	888,800	924,400	9,200	915,200
Old Power Plant	4.82	73,200	352,800	176,400	176,400
Power Plant Division	2.51	287,000	720,400	187,300	533,100
Misc Garage-Tool House	3.24	4,500	14,600	3,600	11,000
Greenhouse	2.96	10,200	30,200	6,000	24,200
Kerbey Place Dwelling	2.50	18,500	46,200	16,200	30,000
House-Brackenridge Lds	-	5,000	5,000	-	5,000
President's Home	1.04	36,200	37,600	800	36,800
Radio Station	2.53	19,700	49,800	25,000	24,800
Hogg Mem. Auditorium	3.55	204,400	725,600	159,600	566,000
Service	1.04	786,500	818,000	8,200	809,800
University Club	1.06	2,500	2,700	200	2,500
Old Wesleyan College	-	15,000	15,000	-	15,000
Brackenridge Hall	3.55	185,000	656,700	144,500	512,200
Cliff Courts	1.61	89,300	143,800	71,900	71,900
Little Campus Dorm	2.50	90,000	225,000	100,000	125,000
Roberts Hall	2.79	219,800	613,200	110,400	502,800
Prather Hall	2.56	234,000	599,000	101,800	497,200
Hill Hall	2.97	175,800	522,100	120,100	402,000
Littlefield Hall	2.53	380,800	963,400	260,100	703,300
Andrews Hall	2.79	237,000	661,200	119,000	542,200
Carothers Hall	2.56	251,800	644,600	109,600	535,000
Women's Housing (3)	1.04	336,400	349,800	3,500	346,300
Emergency Housing					
Veterans Various	1.37	3,566,800	4,886,500	1,954,600	2,931,900

(Continued on next page)

MAIN UNIVERSITY GROUP (Continued)

<u>Buildings</u>	<u>Increase Factor</u>	<u>Original Cost</u>	<u>Estimated Cost Today</u>	<u>Estimated Depreciation</u>	<u>Estimated Sound Value</u>
Student Union	2.50	470,900	1,177,200	235,400	941,800
Univ. Tea House	2.50	46,700	116,700	35,000	
Addition	-	17,100	17,100		98,800
Student Health Center	1.08	1,428,800	1,543,100	46,300	1,496,800
Vet Educ. Cafeteria	1.37	75,100	102,900	50,000	52,900
W H McDonald Observa- tory - Mt Locks	2.79	412,400	1,150,600	322,200	828,400
Marine Biological Lab, Mustang Island	1.37	65,800	90,100	13,500	76,600
TOTAL BUILDINGS		\$32,915,000	\$61,198,300	\$12,469,400	\$48,728,900
Equipment	1.70	<u>15,011,123</u>	<u>25,518,900</u>	<u>10,207,600</u>	<u>15,311,300</u>
GRAND TOTALS		\$47,926,123	\$86,717,200	\$22,677,000	\$64,040,200

MEDICAL BRANCH

Ashbel Smith	5.00	90,400	452,000	226,000	226,000
Exper. Lab and Animal Hos.	3.00	52,600	157,800	63,100	94,700
Physiology & Animal	2.00	7,900	15,800	7,900	7,900
Pharmacology Lab	2.50	19,300	48,200	14,500	33,700
Pathology Chem Lab	2.50	11,500	28,700	14,300	14,400
Wm Keiller	2.50	847,800	2,119,500	529,900	1,589,600
Gail Borden	1.04	1,434,400	1,491,800	14,900	1,476,900
State Hospital - Crippled Children	2.50	225,700	564,200	84,600	479,600
Stewart Home	1.61	172,400	277,600	27,800	249,800

(Continued on next page)

MEDICAL BRANCH (Continued)

<u>Buildings</u>	<u>Increase Factor</u>	<u>Original Cost</u>	<u>Estimated Cost Today</u>	<u>Estimated Depreciation</u>	<u>Estimated Sound Value</u>
Old Sealy Hospital	5.00	357,000	1,785,000	892,500	892,500
Women's Hospital	3.00	114,300	433,000	173,000	260,000
Isolation Hospital	3.00	24,700	74,100	29,600	44,500
Psychopathic Unit	3.00	31,300	93,900	37,600	56,300
Out-Patient Clinic	3.50	604,900	2,117,100	465,800	1,651,300
Psychiatric Unit	3.00	106,600	319,800	128,000	191,800
Rebecca Sealy Home	3.00	367,300	1,191,900	476,800	715,100
Miller Prop. Home	1.97	25,100	49,400	20,000	29,400
Negro Hospital	2.50	282,900	707,300	120,200	587,100
Special Surgical Unit	1.27	141,000	179,000	89,500	89,500
Power Plant & Laundry	2.50	443,900	1,109,700	288,500	821,200
Garbage House	2.50	200	500	200	300
Gardner's Building	1.31	1,500	2,000	500	1,500
Time Office	1.31	2,400	3,100	700	2,400
Laundry Annex	1.31	3,400	4,500	1,100	3,400
Emergency Rooms	1.31	18,400	24,100	5,700	18,400
Paint Shop (Gen. Store)	1.31	18,300	24,000	5,700	18,300
Cafeteria	1.27	52,700	66,900	3,500	63,400
Ice House	1.27	4,700	6,000	1,200	4,800
Warehouse No. 1	1.19	18,300	21,800	2,200	19,600
Warehouse No. 2	1.19	26,800	31,900	3,200	28,700
Warehouse No. 3	1.06	36,900	39,100	2,000	37,100
Greenhouses	1.19	2,400	2,900	300	2,600
New John Sealy Hosp.	-	9,658,900	9,658,900	-	9,658,900
State Psychopathic Hosp.	1.75	378,300	662,000	53,000	609,000
Ziegler Hospital	-	773,900	773,900	-	773,900
TOTAL BUILDINGS		\$16,388,100	\$24,537,400	\$ 3,783,800	\$20,753,600
Improvements other than Bldg.		306,400			
Dorms under construction		421,231			
Equipment	1.70	6,955,699	11,825,000	4,730,000	7,095,000
GRAND TOTALS		\$24,071,430	\$36,362,400	\$ 8,513,800	\$27,848,600

(Continued on next page)

DENTAL BRANCH - OLD PLANT

<u>Buildings</u>	<u>Increase Factor</u>	<u>Original Cost</u>	<u>Estimated Cost Today</u>	<u>Estimated Depreciation</u>	<u>Estimated Sound Value</u>
Main	2.05	40,000	82,000	18,000	64,000
Anatomical	2.05	5,000	10,300	2,300	8,000
Temp. Adminis.	1.97	5,200	10,400	2,100	8,300
Temp. Laboratory	1.87	27,600	51,600	9,300	42,300
East Bldg.	1.19	13,200	15,800	1,300	14,500
Carpenter Shop	1.19	1,000	1,200	100	1,100
Alcohol Storage	1.08	400	500	50	450
TOTAL BUILDINGS		92,400	171,800	33,150	138,650
Equipment	1.70	<u>236,818</u>	<u>402,590</u>	<u>161,036</u>	<u>241,554</u>
GRAND TOTALS		329,218	574,390	194,186	380,204

TEXAS WESTERN COLLEGE

Physics	3.63	67,700	249,100	74,700	174,400
Burges Hall	3.63	50,074	184,400	55,300	129,100
Geology (Old)	3.63	29,515	108,600	32,600	76,000
Geology (Addition)	2.82	20,347	57,400	5,800	51,600
Power House	3.63	15,147	55,800	16,700	39,100
Kelly Hall	1.98	40,346	80,700	24,200	56,500
Seamon Hall	3.24	45,050	112,500	22,500	90,000
Old Women's Bldg.	3.55	1,996	7,100	3,500	3,600
Holliday Gym	3.24	57,612	186,600	18,600	168,000
Garage & Stores	2.59	7,300	18,500	1,800	15,700
Engineering	2.79	116,490	325,000	58,500	266,500
Museum	2.79	49,846	138,900	25,000	113,900
Benedict Hall	2.79	65,691	183,300	33,000	150,300
Worrell Hall	2.79	44,490	124,200	22,400	101,800

(Continued on next page)

TEXAS WESTERN COLLEGE (Continued)

<u>Buildings</u>	<u>Increase Factor</u>	<u>Original Cost</u>	<u>Estimated Cost Today</u>	<u>Estimated Depreciation</u>	<u>Estimated Sound Value</u>
Library & Admin.	2.59	149,598	387,500	62,000	325,500
Swimming Pool, etc.	1.61	31,822	50,100	5,100	45,000
Cotton Mem.	1.37	220,641	300,000	21,000	279,000
Student Union	1.26	242,370	305,400	18,300	287,100
R O T C Hall	1.26	34,944	44,100	8,800	35,300
Hudspeth Hall	1.26	199,679	251,600	15,100	236,500
Bell Hall	1.26	196,639	247,700	14,900	232,800
Dining Hall	1.26	94,989	119,700	17,200	102,500
Magoffin Auditorium	1.19	548,014	652,100	26,100	626,000
Science	1.19	367,231	437,000	17,500	419,500
Miner's Hall	1.19	180,365	214,700	8,600	206,100
Women's Gymnasium	1.08	125,244	135,200	4,000	131,200
Duplex Residence	1.00	17,637	17,637	-	17,367
Dean's House	1.98	6,823	13,600	3,600	10,000
President's Home	1.98	13,999	35,000	10,000	25,000
Adobe Stables		6,705	15,000	7,500	7,500
Temp. Class Rooms		2,027	5,000	2,500	2,500
Temp. Barracks		3,932	10,000	5,000	5,000
Temp. Housing Units (19)		180,000	270,000	135,000	135,000
House Trailers		2,000	5,000	2,500	2,500
BUILDING TOTALS		3,236,263	5,348,437	780,400	4,568,037
Equipment	1.70	1,131,670	1,923,839	769,539	1,154,300
GRAND TOTALS		\$4,367,933	\$7,272,276	\$1,549,939	\$5,722,337

SUMMARY OF EXHIBIT A
ESTIMATED SOUND VALUES

MAIN UNIVERSITY GROUP

Estimated cost of Buildings new	\$61,198,300	
Less accrued depreciation	12,469,400	\$ 48,728,900
Estimated cost new equipment	\$25,518,900	
Less maximum depreciation	<u>10,207,600</u>	<u>15,311,300</u>
TOTAL SOUND VALUES		64,040,200

M. D. ANDERSON HOSPITAL, HOUSTON

New building to date	8,232,700	
Old Plant Buildings \$255,700		
Less Depreciation <u>127,850</u>	<u>127,850</u>	8,360,550
Equipment accounts at cost		<u>1,407,850</u>
TOTAL SOUND VALUES		9,768,400

DENTAL BRANCH IN HOUSTON

New building to date	4,266,700	
Old Plant Buildings \$171,800		
Less Depreciation <u>33,100</u>	<u>138,700</u>	4,405,400
Equipment accounts at cost		<u>236,800</u>
TOTAL SOUND VALUES		4,642,200

SOUTHWESTERN MEDICAL SCHOOL DALLAS

New Building to date	2,014,400	
Old Plant carried unadjusted	176,540	
Equipment accounts unadjusted	<u>597,400</u>	
TOTAL SOUND VALUES		2,788,340

MEDICAL BRANCH IN GALVESTON

Estimated Cost of Buildings new	24,537,400	
Less accrued depreciation	3,783,800	20,753,600
Estimated cost new equipment	<u>11,825,000</u>	
Less maximum depreciation	<u>4,730,000</u>	<u>7,095,000</u>
TOTAL SOUND VALUES		27,848,600

TEXAS WESTERN COLLEGE AT EL PASO

Estimated cost of buildings new	5,348,437	
Less accrued depreciation	780,400	4,568,037
Estimated cost new equipment	<u>1,923,839</u>	
Less maximum depreciation	<u>769,539</u>	<u>1,154,300</u>
TOTAL SOUND VALUES		<u>5,722,337</u>

GRAND TOTAL ESTIMATED SOUND VALUES		\$114,810,077
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EXHIBIT B

ESTIMATED SOUND INSURABLE VALUES

	<u>Depreciated Value</u>	<u>Total Insur- able Value</u>	<u>Insurance in Force</u>
<u>MAIN UNIVERSITY GROUP</u>			
Buildings	\$48,728,900		
Less 10%	4,872,900		
	<u>43,856,000</u>		
Equipment	<u>15,311,300</u>	\$59,167,300	\$3,387,000
<u>M. D. ANDERSON HOSPITAL IN HOUSTON</u>			
New Building	8,232,700		
Less 10%	823,270		
	<u>7,409,430</u>		
Old Plant Equipment	127,850 <u>1,407,850</u>	8,945,130	None
<u>DENTAL BRANCH IN HOUSTON</u>			
New Building	4,266,700		
Less 10%	426,670		
	<u>3,840,030</u>		
Old Plant Bldgs. Equipment	138,700 <u>236,800</u>	4,215,530	276,000
<u>SOUTHWESTERN MEDICAL SCHOOL IN DALLAS</u>			
New Building	2,014,400		
Less 10%	201,440		
	<u>1,812,960</u>		
Old Plant Bldgs. Contents	176,540 <u>597,400</u>	2,586,900	415,800
<u>MEDICAL BRANCH IN GALVESTON</u>			
Buildings	20,753,600		
Less 10%	2,075,360		
	<u>18,678,240</u>		
Contents	<u>7,095,000</u>	25,773,240	801,750
<u>TEXAS WESTERN COLLEGE</u>			
Buildings	4,568,037		
Less 10%	497,300		
	<u>4,070,737</u>		
Contents	<u>1,154,300</u>	<u>5,225,037</u>	<u>448,000</u>
GRAND TOTALS		\$105,913,137	\$5,328,655

Ratio of insurance to value - 5.03%

Section B.

REPORT ON PROPERTY INSPECTIONS

Inspections of the physical plant at all component institutions of the University of Texas system have been completed, including the Main University at Austin, the McDonald Observatory at Fort Davis and Institute of Marine Science at Port Aransas; the Medical Branch, including the John Sealy Hospital and other hospitals at Galveston; the Dental Branch at Houston; M. D. Anderson Hospital for Cancer Research, Houston; Southwestern Medical School, Dallas; and Texas Western College of El Paso. Mr Massey did not inspect all dwellings and miscellaneous properties of minor value at Corpus Christi. With these exceptions, however, all of the physical properties have now been inspected.

The purpose of this part of our work was to survey the risk and analyze the loss exposures to which the University is subject, to measure the maximum probable loss in each instance as a basis in fact for determining which hazards should be insured and which can safely be uninsured, to establish a realistic basis upon which to predicate sound and economical insurance, to point out safeguards and corrective measures for preventing loss of life or property destruction and to reduce insurance costs where insurance is to be placed or continued.

In general, we found the properties of the University of Texas to be of superior construction and excellently maintained. This is universally true of all newer units and those in the construction and planning stages. Necessarily, some older buildings which are either standard or sub-standard in construction and fire protection are being used and where they are to be continued in active use for any considerable period, it may be wise to consider substantial improvements, not only to preserve the useful life of the property, but more important, to minimize the risk of loss of life.

In order to present our findings as graphically as possible, we submit the following detailed Inspection Reports, covering the Main University Group, the Medical Branch, School of Dentistry and Texas Western College, and listing the principal buildings of each group, their estimated value, type of construction and our observations. We call your attention particularly to the specific recommendations for

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correction of defective conditions discovered at each plant. For the Medical Branch, in Galveston, we include also an estimate of the maximum probable loss in relation to total value.

Since our purpose here is not insurance rating, we have classified as "fire resistive" not only the buildings which would be rated as "fireproof" by the Texas Fire Insurance Division, but also those which are for practical purposes "fire resistive". For example, a building where there are exposed steel frames or trusses in roof structures would be rated as fireproof although such a building is clearly fire resistive.

Following the Inspection Reports is a general discussion of conditions at each Branch, including the four mentioned above, and the McDonald Observatory, Marine Biological Laboratory, M. D. Anderson Hospital and Southwestern Medical School. General recommendations for improvements in construction or fire protective devices are also submitted.

PROPERTY INSPECTION REPORTS

MAIN UNIVERSITY GROUP

<u>Building</u>	<u>Est. Value</u>	<u>Observations</u>
1 & 2 Admin. and Library	\$6,436,000*	Fire-resistive; fire protective equipment; no exposure.
3 Barker History	678,900*	Fire-resistive; no fire doors at stairwells.
4 Sutton Hall	642,900*	Fire-resistive; risers; open stairs; exposed steel attic.
5 Architecture	793,400*	Fire-resistive; no fire doors at stairwells.
6 Student Union	941,800*	Fire-resistive; no proximate exposure.
7 Drama	229,500	Fire-resistive; no fire doors at stairwells.
8 Hogg Memorial	566,000*	Fire-resistive; auditorium being air conditioned.
9 Biology	716,900*	Fire-resistive; no fire doors at stairwells; some laboratories.
10 Greenhouses	54,700*	Frame-stucco-glass.
11 Physics	1,268,200*	Fire-resistive; laboratories.
12 Chemistry	1,687,500*	Fire-resistive; no serious exposure, fire doors at stairwells; usual laboratories.
13 Printing Div.	176,400	Heavy masonry-steel frame; wood floors and roof.
14 Speech	232,500	Fire-resistive; old type construction; no fire doors at stairwells.
15 Geology	715,500	Fire-resistive; fire doors at stairwells.
16 Waggener Hall	825,800*	Fire-resistive; fusible links on fire doors missing.
17 Garrison Hall	657,500	Fusible links on stairwells missing.
18 Pearce Hall	387,300	Semi-fire-resistive; older heavy construction; no fire doors at stairwells.
19 Benedict Hall)	2,306,100*	Fire-resistive; fire doors at stairwells.
20 Mezes Hall		
21 Batts Hall		
22 Music	928,300*	Fire-resistive; fire doors at stairwells.
25 Journalism	586,200*	Fire-resistive; fire doors at stairwells; air conditioned; no chemical extinguishers.
26 Home Economics	857,500*	Fire-resistive; fire doors at stairwells; chemical extinguishers in order.
27 Exper. Science	4,290,000*	Fire-resistive; fire doors at stairwells; some chemical extinguishers; laboratories.

(Continued on next page)

<u>Building</u>	<u>Est. Value</u>	<u>Observations</u>
28 Pharmacy	1,147,200*	Fire-resistive; fire doors at stairwells.
29 Women's Activities	893,500*	Fire-resistive; exposed steel trusses in roof structures.
30 Student Health	1,496,800.	Fire-resistive; fire doors at stairwells; automatic alarm.
31 Engineering	1,537,400*	Fire-resistive; with exposed steel frame; soda acid extinguishers found.
32 Power	533,100*	Fire-resistive or Iron clad metal; 4 turbo-generators total 15,125 KVA; 4 gas fired W.T. boilers.
33 Chem. Engineering	450,700*	Fire-resistive; fire doors at stairwells; chemical extinguishers; laboratories.
34 Petrol Engr.	384,300*	Fire-resistive; fire doors at stairwells; chemical extinguishers; laboratories.
35 Gregory Gym	1,038,200*	Semi-fire-resistive; exposed steel trusses and frame.
36 Service Bldg.	809,800*	Fire-resistive; carpenter and paint divisions may constitute interior exposure.
37 Townes Law Hall	2,043,800*	Fire-resistive; no fire doors at stairwells.
40 Littlefield Home	33,900.	Joisted brick formerly dwelling; 2½ story, very old; used as Naval ROTC; may constitute interior exposure; near Radio House exposure.
41 Littlefield Barn (Radio House)	24,800	Brick, stucco; 2 story; chemical extinguishers; not a good risk; central steam heat.
42 Andrews Dorm	542,200*	Fire-resistive.
43 Carothers Dorm.	535,000*	Fire-resistive.
44 Littlefield Dorm.	703,300*	Fire-resistive.
45 Women's Dorms.	346,300*	Fire-resistive.
50 Hill Hall	402,000.	Fire-resistive.
51 Brackenridge	512,200*	Fire-resistive.
52 Roberts	502,800.	Fire-resistive.
53 Prather	497,200*	Fire-resistive.
54 Home Ec Tea	98,800.	Masonry and frame.
55 Defense Research	67,000	Brick veneer & stucco, substandard; may be exposed by temporary buildings; Fire-resistive.
58 Texas Mem. Stadium		
59 Univ. Junior High	863,900	
Little Campus Bldgs.	200,000	Brick, ordinary; 1-2-3 story; obsolescent and obsolete.

* No insurance.

(Continued on next page)

MAIN UNIVERSITY GROUP (Continued)

Buildings

- 11 Physics
- 13 Printing Div.
- 16 Weggener Hall
- 17 Garrison Hall
- 31 Engineering
- 25 Journalism
- 27 Exper. Science
- 35 Gregory Gym
- 40 Littlefield Home
- 55 Defense Research
- Little Campus Bldgs.

Recommendations

Tetra-chloride extinguishers should be provided at the generator sets. If this building is to be continued in use, consider fireproofing.

Fusible links on fire doors must be replaced promptly.

Chemical extinguishers should be provided. The number of chemical extinguishers should be increased. Automatic closers on the fire doors should be replaced immediately. Constitutes exposure to other property and should be abandoned as quickly as possible.

Nearby temporary buildings may constitute an exposure. Unless this building is essential, removal should be considered.

Since these are largely obsolete, their abandonment should be expedited.

MEDICAL BRANCH

<u>Buildings</u>	<u>Est. Value</u>	<u>Observations</u>	<u>Est. Maximum Probable Loss</u>
1 Ashbel Smith	\$ 226,000	Brick joisted; no serious occupancy exposure	100%
2 Wm. Keiller	1,589,600	Semi-fire-resistive; old type; no fire doors at stairwells; laboratory	25%
29 Gail Borden	1,476,900*	Fireproof; laboratory exposure	10%
8 Pharm. Lab	33,700		
16 Pat. Chem. Lab	14,400		
17 Exper. Lab	94,700	light frame, stucco; older, some temporary, non fire-resistive; laboratories	100%
18 Phys. & Animal	7,900		
3 Old John Sealy Hosp.	892,500	Joisted frame with masonry walls, light occupancy	100%
4 Attached women's bldg. (Cent Adm)		Fireproof and well cut off.	20%
31 Attached Zeigler Psycho. Hosp.	773,900*	Fireproof; slightly sub-standard	25%
19 State Psycho. Hosp.	609,000*	Fireproof and well cut off	30%

(Continued on next page)

MEDICAL BRANCH (Continued)

<u>Buildings</u>	<u>Est. Value</u>	<u>Observations</u>	<u>Est. Maximum Probable Loss</u>
7 Negro Hosp.	587,100	Fireproof, rather old	30%
4-15 Power Plant and Laundry	821,200	Excellent fire-resistive throughout.	15%
13 Nurses Res.	715,100	Fireproof	10%
21 Res. Dorm		Frame	100%
26-27-28 General Stores & Storage	85,400*	Fire-resistive with exposed steel; used for storage.	30%
33 Greenhouses	2,600*	Frame	100%
5 Psychiatric Unit	191,800	Fire-resistive; older; no fire doors at stairwells	40%
6 Psycho. Unit	56,300*	Stucco-concrete; non-standard	70%
9 Paint shop, etc.	18,300*	Fireproof with joisted additions; some occupancy hazard.	50%
20 Various - rented to Texas A & M	89,500*	War-type temporary construction.	100%
30 New John Sealy Hosp.	9,658,900*	Fireproof, modern fire protection	10%
12 Out-patient Bldg.	1,651,300	Adjoins new hospital, 1 fire risk	10%
11 Children's Hosp.	479,600	Adjoins new hospital, 1 fire risk	10%
24 Temp. Emergency Rms. Stewart Conv. Home		Frame; light hazard; adjacent to No. 12 Out in county - not active.	100%

* No insurance

Recommendations

1 Ashbel Smith
3 Old John Sealy Hosp }
21 Res. Dorm } All are considered to be total loss possibilities and because of the occupancy and use all possible fire protective devices should be carefully maintained. Replacement of these sub-standard units will, of course, be made eventually and should be expedited.

(Continued on next page)

TEXAS WESTERN COLLEGE

<u>Buildings</u>	<u>Est. Value</u>	<u>Observations</u>
1 ROTC	30,300*	All steel quonset, some wood partitions. Two temporary wood prefab units in general area. Subject to total loss but unexposed.
2 Holliday Hall	151,200*	Fire-resistive; wood floor on concrete for playing area.
3 Burges Hall	116,200*	Fire-resistive, older type.
4 Kelly Hall	50,850*	
5 Math & Physics	156,950*	Fire-resistive.
6 Geology	114,850*	Entirely fire-resistive.
7 Engineering	239,850*	Fire-resistive; new addition being added, extending to within 5' of 2-story frame classroom bldg. to the south. Loss by fire with adverse wind could cause moderate damage to steel sash and glass windows, interior wall finish and lighting systems.
8 Engine Room	35,200*	Entirely fire-resistive.
9 Seamon Hall	81,000*	Entirely fire-resistive.
10 Carpenter Shop & Whs	14,100*	All concrete frame, some interior frame and frame sheathing in roof; gas stoves well installed; moderate exposure.
11 & 12 Temp. Classrooms	2,500	Two-story hutments - war time.
13 Former Women's Gym		Masonry and stone walls, frame roof.
14 Magoffin Aud.	563,400*	Fire-resistive; air conditioned.
15 Library & Admin.	293,000*	Entirely fire-resistive.
16 Cotton Mem.	251,000*	Excellent fire-resistive.
17 Miner's Hall	185,500*	Fire-resistive.
18 Worrell Hall	91,600	Fire-resistive.
19 Hudspeth Hall	212,900	Fire-resistive.
20 Temp. Housing Area	135,000*	Frame cantonment type; 18 four apartments each; one single unit; not unduly crowded; normal loss confined to one building except in windy seasons.
22 New Women's Gym	118,100*	Entirely fire-resistive.
23 Swimming Pool	5,000*	Stone and masonry.
24 Museum	102,500*	Entirely fire-resistive.

(Continued on next page)

TEXAS WESTERN COLLEGE (Continued)

<u>Building</u>	<u>Est. Value</u>	<u>Observations</u>
25 Ball Hall	209,500	Entirely fire-resistive.
26 Dining Hall	92,250*	Fire-resistive.
27 Benedict Hall	135,300	Fire-resistive.
29 President's Home	25,000	Stucco
30 Student Union	258,400*	Entirely fire-resistive.
31 Science Hall	377,500*	Entirely fire-resistive.
32 Dean's Home	10,000*	Frame and masonry.

* No insurance

Recommendations

1 ROTC }
 11 & 12 Temp. Class-rooms } Being prefabricated units, should be replaced promptly.
 20 Temp. Housing Area }

While not unduly crowded, there is a catastrophe loss possibility in this area. The units should be replaced as quickly as possible.

SCHOOL OF DENTISTRY

<u>Building</u>	<u>Est. Value</u>	<u>Observations</u>
Main	64,000	Brick veneer, two story
Anatomical	8,000	Two-story.
East Bldg. (Lab. Research)	14,500	One-story asbestos clad; laboratory
Dental Lab	42,300	One-story frame
Admin.	8,300	One-story frame
Carpenter Shop	1,100	Frame.
Alcohol Storage	450	Iron-clad.
New Dental Bldg. under construction	8/31/54 Com- pleted cost \$4,266,728*	Modern and fire-resistive; Private fire protective equip- ment; Power Plant at Cancer Hosp.

* No insurance.

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SCHOOL OF DENTISTRY (Continued)

Recommendations

Old Plant

This plant is in congested area with adjacent temporary, prefabricated buildings constituting an exposure which, if the plant were to be continued, should be eliminated.

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In addition to the specific corrective measures listed in the foregoing Inspection Reports, we have given careful consideration to more general improvements which are, we believe, worthy of consideration regardless of whether insurance is to be maintained.

First, we encourage you to continue the replacement of old sub-standard units with fireproof structures and we suggest that a close liaison be maintained between the Insurance Committee of the Board of Regents and those responsible for planning new construction, so that every reasonable safety measure can be incorporated into the new plants.

Second, wherever new buildings or units are being considered it would be prudent to submit preliminary plans to expert fire insurance engineers. This would be a gratis service of your insurers; but even where you decide not to insure we suggest that you consider employing the services of a fire engineer, unless your architects and contractors have a well qualified service of this kind. In many instances we have observed that colleges and universities sacrifice unnecessarily the complete fireproof quality of a plant because of failure to consult fire insurance engineers while the plant is on the drawing board. Architects and builders are naturally interested more in design and fitness for purpose than in fire prevention.

Third, we suggest that wherever possible the abandonment of temporary frame or other sub-standard buildings be expedited. For example, on the Main Campus at Austin there are still war development units, spotted over the campus, which create exposures to excellent fire-resistive units thus jeopardizing the permanent, high-valued properties.

Fourth, Mr. Massey reports that all new plants are of fireproof construction and equipped with the latest and best fire protective devices. For example, all stairwell openings are equipped with automatically closing, approved fire doors which would retard or stop the spread of fire. It would, of course, be impractical to consider this kind of improvement in the older units many of which, while fire resistive, have open stairwells. Wherever the building is used for laboratory or research in which chemicals, explosives or other hazardous materials are regularly required, fire doors are almost imperative.

Fifth, while excellent fire protective devices are installed in all the newer buildings, we urge you to establish

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a definite program for regular inspections of this equipment so that it can be kept in perfect working order. This is perhaps a fixed duty of the physical plant or maintenance department and, if so, it should be scrupulously and regularly performed.

The following suggestions are offered for each Division of the University system. No doubt, some have had your prior consideration, but if further information should be needed, Mr. Massey will be glad to supply it when he next visits you.

Main University Group, Austin

It was observed that in some instances the fusible links in the fire door installations were gone or in imperfect condition, thus impairing your fire protection. Immediate inspections and repairs are recommended.

Frame and combustible units should be done away with as quickly as possible and during their continuance should be protected by all practical private fire protective equipment. Even where the building itself is of little value or importance, you have in some instances extremely valuable and useful contents in them. Consideration should be given in these instances to removing the contents and operation to safer locations. If this is not feasible, then the utmost care should be used in arrangement and storage of the contents and in the "housekeeping" or maintenance of the premises.

The Veterans Educational Facilities, some 18 frame buildings scattered about the main campus, should be abandoned and removed as quickly as substitute or new facilities can be found. We are not certain whether the Defense Research Building is purely experimental and a war project, in which case it would not be prudent to expend any considerable sum in improvements. However, if the operation is to be permanent, then it would seem wise to consider removing it to an incombustible building in a less congested area.

The University Press and Printing Building, while not fire-resistive, is of high value and usefulness. The estimated total value of the building and contents, belonging to the University Printing Division, is approximately \$450,000. This equipment and operation could not be readily transferred to any other building. Unless, therefore, you have plans for the early construction of a new printing plant, we suggest that some consideration be given to fireproofing your old building. Admittedly, with heavy masonry construction and

steel frame, but with wood on the second floor and wood frame in the roof, fireproofing would be difficult and no doubt costly. However, this possibility should be explored.

Balcones Research Center, on the outskirts of the city, is, we understand, a former magnesium plant essentially slow-burning if not fireproof. It is now equipped with private fire protection and soon to be within city limits under city fire protection. There may be extra hazardous occupancy because of war research projects, and if so expert advice on loss prevention measures could be obtained from any of the larger insurance companies upon request of your agents. Insurers have developed skill in safety engineering in defense industries and might have practical suggestions for you.

W. H. McDonald Observatory

You are planning and may already have started construction of a new Dome and Telescope, and while auxiliary units are somewhat scattered and not subject to catastrophe loss, the domes themselves will be susceptible to hail damage. There is no appreciable exposure to windstorm loss.

The principal need here is better water distribution and a booster pump. The Dome Building has sufficient carbon-dioxide fire extinguishers, but no satisfactory water protection. Sometime ago a supply of hose was sent to the Observatory but, unfortunately, there is no adequate pressure at the Dome. Water is forced from the well in the valley below the summit of Mount Locke, but the static pressure from the 30,000 gallon reservoir atop the mountain will provide only nominal pressure at the Dome and moderate pressure at the dwelling level below the summit. Because of the extremely dry weather and high winds at certain seasons, and the 30,000 or more tourists and visitors each year, the danger of grass fire is acute. Thus far the only method of combatting them has been the use of wet sacks or other manual means.

We recommend installation of a booster pump, which would draw from the concrete reservoir atop the mountain. There should also be a number of two-inch hose valves on a three-inch underground main or loop, connected to discharge of the booster pump for emergency use. Only this kind of equipment would provide adequate pressure to fight grass and brush fires since there is no city fire protection nor even volunteer fire departments within twenty miles. With the new Dome and Telescope you will have a substantial value at this location, so that the expense of fire protective measures would seem to be justified.

Marine Biological Laboratory

The properties making up this unit are well spaced and the fire hazard is, therefore, relatively unimportant. The property is in the hurricane belt, but there are no practical loss prevention measures for this hazard.

Medical Branch

The buildings comprising this plant range in age from 1890 to the present, and in construction from old type, heavy mill joisted construction with masonry walls to modern fire-resistive. There are, of course, some units of temporary construction put up during World Wars I and II, and perhaps the practical remedy here would be to eliminate them.

Progressively construction has improved but even the older fire-resistive buildings are in excellent order, although under Texas insurance rules they would not be rated as fireproof because of the exposed steel work and lack of fire doors and retarding devices in halls and stairwells. Most of the plant, however, consists of slow-burning or fire-resistive construction with only moderate chemical or occupational exposures. Electrical wiring and installation has been modernized, with minor exceptions. Work is now in progress in the Sealy Hospital, Women's Building, Out-Patient Clinic and Children's Hospital so that we have no suggestions for improvement in this Division.

In the foregoing Inspection Reports, however, we have set out for this plant the estimated loss potential and you will note that a few units represent total loss possibilities. Unfortunately, in some of these, the property loss would be relatively unimportant in comparison with the potential loss of life. With the new Sealy Hospital and other new units in progress, these bad risks will no doubt be eliminated ultimately.

School of Dentistry

The old plant of the School of Dentistry is badly congested with temporary or prefabricated buildings immediately adjacent to the two-story brick veneer main plant division. Also, there is some apartment and brick mercantile exposure to the properties, although the plant itself is its own worst hazard. However, a new fire-resistive, air-conditioned and thoroughly modern plant is nearing completion and the abandonment of the old one is imminent. It presumably will be

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dismantled and disposed of in some way, so that there would seem to be no need for considering improvements or protection in the old area.

At the new plant you will have the ultimate in fire-resistive and superior construction and devices. Even the power plant has been constructed in connection with the M. D. Anderson Hospital so that the Dental building will not have this exposure, power being transmitted through the tunnel from the Hospital.

M. D. Anderson Hospital

No inspection was made of the old plant at 2310 Baldwin in Houston since only a minimum of equipment remains there and the entire operation has been removed to the new fire-resistive building in the Medical Center area of Houston. The old plant will, we understand, be returned to the M. D. Anderson Foundation and the University presumably will have no further interest in it.

The new plant is entirely fire-resistive and unexposed. Kitchens are all electrical and the power plant is standard as to fire requirements. We have no recommendations for this plant.

Southwestern Medical School

Here again the present plant is more or less temporary and with the completion of the new fire-resistive plant on Harry Hines Boulevard, half of the school will be removed to the new location. The removal will be completed when the second fire-resistive building in the new Medical Center area is ready. This, we understand, is just now in the planning stage. It will be of superior construction and with all possible fire protective devices and equipment.

With the life of the present plant presumably of short duration, we have no recommendations for improvement, except that normal good housekeeping procedures and loss prevention measures should be exercised in the congested area.

Texas Western College

This plant is modern and essentially of fire-resistive construction. Even the oldest college buildings are of reinforced concrete construction with slab floors and roof structure. Stairwells are unprotected but installation of fire doors would, of course, not be feasible.

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Except for the extension of the Engineering Building to within five feet of the two-story frame temporary classroom building, all units are well spaced. In this one instance, there is some exposure in event the frame unit should burn. However, we believe that the most severe damage would be to window glass in the new fireproof addition and there might be some explosion hazard. Here again, therefore, the best remedy would be the removal of the frame building as quickly as possible. Otherwise, we have no recommendations for improvement.

Section C.

GENERAL CONSIDERATIONS CONCERNING
PROPERTY INSURANCE

1. Legal Obligations of the
University of Texas in Respect
to Insurance on Property

Insurance for the University of Texas, as for any state institution or agency, must be reviewed in the light of the laws under which it operates. The University of Texas was founded by Article VII of the Texas Constitution of 1876, which directed the legislature to establish a university of first class with government vested in a Board of Regents. Land was appropriated and maintenance of the University provided for, and pursuant to the Constitution, the Board of Regents has very broad powers and jurisdiction.

Title to University property is by statute vested in the State of Texas or the Board of Regents, a principle confirmed by judicial decision, and by legislative enactment the Board is invested with sole and exclusive management and control, with few constitutional or legislative limitations on its administration.

In respect to insuring University properties, the Board has apparently proceeded upon the assumption of unlimited jurisdiction, and, in our opinion, properly so.

We have carefully searched the Constitution and statutes, all concurrent resolutions of the legislature and Attorney General's opinions to discover whether express powers and limitations in respect to property insurance have been stipulated. Except for Senate Concurrent Resolution No. s, in 1921, we find no significant provision. That resolution was as follows:

"Resolved, by the Senate of the State of Texas, the House of Representatives concurring herein, that hereafter it shall be and is the fixed policy of this State that the State shall carry its own insurance upon State buildings and contents, and that no insurance policies shall be taken out upon any of the public buildings of this State, nor upon the contents thereof. . . . Provided, however, this resolution, or any part of its provisions

shall not apply to or affect the University of Texas, and its branches, and that it is the fixed policy of the State that all buildings and the contents thereof belonging to the University of Texas, and its branches, shall be kept insured at all times against any loss by fire or tornado."

This concurrent resolution undoubtedly has considerable weight and authority but while the effect of a concurrent resolution in Texas is not clearly defined either by statute or case law, the consensus, we believe, is that it would have only limited legal effect. According to general principles of statutory construction, it is a less formal and, therefore, less authoritative expression of legislative action than statutory law. These general principles have been applied by the courts in the State of Texas. Furthermore, it has been specifically held that rules established by the Board of Regents of the University of Texas in exercise of its delegated powers are of the same force and effect as statutes.

All of this authority seems to support the position the Board has taken for many years in respect to property insurance. In summary, this position can, we think, be defined thus. The Board is established by and operates directly under the State Constitution, in which very broad powers in respect to University property and administration are delegated to the Board. Second, there has been no limitation nor reversal of these delegated powers by subsequent legislative enactment, either statute or resolution. Third, there is good authority to the effect that rules of the Board of Regents in exercising its delegated powers have the full force and effect of statute. Fourth, the concurrent resolution in 1921 to which we have referred above states a fixed policy of not insuring state property, but specifically excepts property of the University on which the resolution states the fixed policy is to insure all property against fire and tornado. Fifth, without attempting to resolve the legal question of whether a concurrent resolution will nullify or abrogate a ruling or a policy established by the Board of Regents, we submit that this concurrent resolution is a directive but without sanction.

In addition to the legal aspects, as reviewed above, there are contract obligations in respect to insurance, imposed by indenture, income bonds and certain contracts with the Government of the United States. In every instance we have

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found that insurance has been carried as required by these indentures and bonds, for full value of the property and covering fire and the extended coverage perils, and also business interruption to cover interest and principal payments. Our audit disclosed some such insurance being continued after the obligation was fulfilled, but has since been terminated.

In general, defense and other contracts with the Federal Government do not require the contractor to insure government properties. Your contracts with the government impose certain insurance obligations in respect to employees and members of the public. These have been carefully analyzed and will be discussed in a later section. It is our opinion that your insurance procedure meets the stipulations of the government contract.

2. Selection of Perils to be Insured

For an institution as large and complex as the University of Texas it would be impractical, even if it were possible, to carry insurance against every exposure to loss. The selection of those risks against which insurance should be carried, however, must be carefully considered.

Our judgment is that where property insurance is to be maintained, it should cover the perils which, though remote, might cause crippling or disastrous loss. Lesser risks, even though more likely to occur, can safely be uninsured. For example, on those properties now insured you are covering fire loss which, of course, is one of the most severe hazards. On only a few and for the most part minor properties you insure against windstorm. In one or two cases, you use the extended coverage endorsement which includes windstorm, hail, explosion (except by steam boilers), riot, riot attending a strike, civil commotion, aircraft, vehicles and smoke damage.

Generally speaking, the principal causes of severe property loss are fire, windstorm and explosion, either from boilers or pressure equipment, or from inherent and sometimes undiscovered causes. That fire may be the cause of disastrous loss even to property of fireproof or fire resistive construction has been tragically illustrated in a number of cases in recent years. Similarly, windstorm damage in areas where destructive winds had been unknown for many years has occurred in disastrous proportions. It may be, of course, that because of the almost prohibitive rates for windstorm insurance in coastal areas, this insurance is not feasible.

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Boiler explosions even of low pressure heating boilers and particularly in school properties have also produced catastrophe property losses.

Certainly on properties which you decide to insure you should cover these catastrophe risks. In addition, there are other hazards which may cause sizable loss. There have been a few instances of major loss due to falling aircraft and some of your properties are located in areas where air traffic is heavy. Where you add the extended coverage endorsement to your fire policies you will have insurance against this risk. Also, that endorsement includes riot and civil commotion, although this does not seem to us to be a serious hazard in respect to university property.

Vandalism losses have increased somewhat in frequency and severity in recent years, due in part to rowdiness, but more often to labor difficulties. Where properties are occupied or under surveillance most of the time and not exposed to labor strife, we see no serious risk of heavy damage by vandals. Such malicious damage as may be expected can, we think, be considered as normal wear and tear and we do not recommend vandalism insurance. One exception to this statement, however, is builder's risk policies which should, we think, include vandalism coverage. Buildings and materials therefor during the course of construction are particularly susceptible to this kind of loss.

There is also some possibility of severe property loss due to explosion other than boiler and pressure vessel explosion. This would be particularly true in the case of chemical or other laboratories and war research projects. In normal occupancies such as classrooms, dormitories, and the like, the explosion hazard would presumably be negligible.

Some of your properties are doubtless exposed to loss by water damage which is insurable, but only to the extent of the accidental discharge, leakage or overflow of water or steam from plumbing systems, water storage tanks, heating systems, refrigerating and air conditioning systems, and by rain or snow through defective roofs or doors, windows, or skylights. This is an extremely limited form of insurance and the cost is, in our judgment, wholly disproportionate to the hazard. Flood insurance also is prohibitive in cost and where there is any actual risk the insurance is difficult, if not impossible to obtain.

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You do not insure earthquake loss, but, except on the West Coast, this risk is generally considered negligible and probably would not justify premium expenditure.

Finally, war risk insurance is not being written to any considerable extent at present, although legislation has been pending for some years in Congressional Committee, and, should an emergency develop, we have no doubt that the government would act quickly to set up or reactivate an agency for the writing of this insurance. In that case broader coverage could undoubtedly be obtained at much less cost than would be possible through private carriers.

In conclusion, when a decision has been reached as to what properties are to be insured, we would suggest that the hazards of fire, steam boiler explosion and possibly windstorm be insured. Whether you should go further and add the extended coverage endorsement (which would include windstorm and inherent explosion as well as other perils) would depend upon the cost of the insurance in relation to the risk involved. Rate quotations would have to be obtained and the hazard weighed against the insurance cost. We shall, of course, be available for consultation on any of these risks and the insurance on the market to cover them.

3. Selection of Insurers

Since the Board of Regents occupies a position of public trust in respect to University properties, it is imperative that insurance be placed only in companies of unquestionable financial stability, excellent management, and good loss-paying reputation. Many insurance buyers became complacent in recent years because of the profitable underwriting record of insurance companies generally, but due to increasing administrative costs and increasing losses, there have been some casualties among insurance companies. It becomes important, therefore, to examine critically all carriers used or considered by the University and to establish some criterion by which companies can be selected.

All companies found in your portfolio have been checked by our staff and, with very few exceptions, are approved. Supplementary to this report we are attaching confidential financial statements on these few exceptions. In the future we suggest that you instruct all agents who are authorized to place insurance for the University to submit only those companies which have top financial and policyholder's ratings in Alfred M. Best & Company's Insurance Reports. We suggest this measure because

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it is impartial and professional and, furthermore, has the practical advantage of being readily available to all agents.

Generally speaking, there are four types of insurers:
(1) Companies organized on a capital stock basis with capital stock available as a reserve for loss payments; (2) mutual companies organized without capital subscriptions and with resources for loss payments provided largely from premiums and investment income; (3) reciprocals or inter-exchanges in which the members become both insureds and insurers; and (4) individual or syndicates of underwriters operating under Lloyd's plans in which the underwriter or syndicate for a premium assumes the insured risk.

The University of Texas is restricted by legal and practical bars to the use of stock insurers. A provision of the Texas Constitution (Article III, Section 52) has been construed by the courts in at least two cases as prohibiting any subdivision of the State from insuring in a mutual or reciprocal organization. The Constitution states that the legislature shall have no power to authorize any county, city, town or other political corporation or subdivision of the State to "lend its credit or to grant public money or thing of value in aid of, or to any individual, association, or corporation whatsoever, or to become a stockholder in such corporation, association or company."

This construction of the Constitutional provision has been severely criticised and was not followed in Attorney Generals' opinions between 1932 and 1939. It seems clear, however, that since the highest state court has so ruled, the University is presently precluded from insuring in any mutual company. It is, we think, clear that reciprocals would come within the same prohibition.

While we find no bar in the Constitution or laws of the State of Texas as to insurance with Lloyd's of London, and admittedly the London market often provides special forms not available in the domestic market, the University will, we believe, prefer to rely upon companies licensed to operate in the State of Texas. Fortunately, there is ample insurance capacity in excellently rated stock insurance companies to satisfy all insurance requirements of the University, even if it should elect to insure a much higher ratio to value than at present.

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Insurance on various University properties was at the time of Mr. Massey's audit placed in more than 300 separate policies, written through some 75 agents (not including those on Texas Western College, which are all written through one agency nor the casualty insurance policies). An average annual premium of approximately \$22,650 is involved and premiums paid to individual agents range from \$2.50 to \$4,500 or more a year

This distribution of insurance among such a great number of agents who, in turn, divide their allocated amount into separate policies, is extremely inefficient and may even be impairing the security of your insurance. The following table, compiled from our records of your property insurance, illustrates the distribution of your property insurance, the amounts by each agent and the estimated annual premium paid to each agent. We note in your Insurance Report, dated August 31, 1954, the distribution of total insurance and premiums by agents differs from our table, but we believe this is due to the fact that you may have paid one agent who, in turn, divided with others. Also, the total premium shown in your report is for term, rather than the average annual amount.

The effect of this multiplicity of policies is, first, a tremendous and unnecessary clerical and accounting burden upon the University staff in processing this great number of separate policies with varying expirations, amounts and premiums. Second, it inevitably leads to technical discrepancies, nonconformities, clerical errors and possibly even gaps or overlapping coverages. Third, with the parceling out of insurance among many agents, no one derives a sufficient commission income to warrant the interest and expenditure of time required to service your insurance correctly. In fact, there are only about three agents who retain a sufficient premium to justify any service, as will be noted in the following Distribution of Insurance.

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Distribution of Property Insurance and Premium

<u>Agent</u>	<u>Amount</u>	<u>No. of Policies</u>	<u>Average Annl. Premium</u>
Adriance	\$ 57,250.00	6	\$ 74.75
Arnold	51,069.82	5	60.62
Austin	119,526.41	15	627.56
Barclay	90,000.00	1	397.44
Barrow	15,000.00	2	11.78
Becker	7,250.00	1	5.42
Berryman	5,000.00	1	31.42
Boddeker	33,466.41	9	82.25
Burton	108,289.81	18	1,216.42
Blum	10,000.00	2	148.96
Chiles	201,094.00	16	512.26
Clement	43,000.00	2	189.89
Cochran's	45,000.00	4	262.55
Coleman	12,000.00	1	84.22
Crow	17,000.00	1	75.07
Davidson	3,000.00	1	210.00
DeViney	15,000.00	2	63.07
Dexter	25,000.00	2	163.17
Dorsey	402,850.00	33	4,432.88
Dunagan	20,000.00	2	79.16
Fletcher	10,000.00	1	7.99
Freund	39,500.00	3	180.97
Galveston	37,000.00	4	35.73
Garrett	91,000.00	3	331.01
Greaves	32,000.00	3	211.20
Graham	42,000.00	1	185.47
Grigg	52,083.78	10	69.41
Harris	30,000.00	3	187.08
Harrison	106,000.00	12	331.32
Hawkins	5,000.00	1	4.10
Haynie	109,500.00	8	573.45
Heidrick	20,000.00	1	79.16
Henck	18,750.00	2	53.53
Henderson	33,000.00	3	174.09
Hervey	7,500.00	1	6.15
Hildebrand	39,500.00	8	44.93
Hofheinz	47,000.00	2	189.55
Hulsey	52,500.00	3	45.53
Jahn	10,000.00	1	36.65
Junemann	13,460.00	1	9.15

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<u>Agent</u>	<u>Amount</u>	<u>No. of Policies</u>	<u>Average Annl. Premium</u>
Kirkpatrick	\$ 20,000.00	1	\$ 138.74
Lange	61,000.00	1	367.71
Langham	251,000.00	7	2,571.15
Mallinson	60,000.00	3	395.26
Maxson	20,000.00	1	135.03
McCall	200.00	1	25.00
McKenzie	7,500.00	1	26.94
Millican	89,750.00	9	352.50
Morris	110,000.00	4	437.08
Murchison	10,000.00	1	69.42
Northern	35,550.00	10	40.08
Owens	99,700.00	3	382.66
Page	25,500.00	2	114.09
Parker	132,100.00	9	346.70
Pearlstone	103,500.00	4	558.91
Priddy	30,800.00	3	203.28
Rankin	20,000.00	2	27.82
Ricker	66,700.00	3	236.93
Robbins	2,630,000.00	15	1,962.90
Rogers-Texas Western	Various		1,575.77
Schepps	20,000.00	1	128.38
Schlankey	31,583.78	5	56.74
Seekatz	30,000.00	2	136.00
Seinsheimer	81,826.78	7	113.34
Shelton	7,500.00	1	39.41
Smith	10,000.00	2	68.91
Strickland	10,000.00	1	8.35
Sunseri	3,000.00	1	2.50
Texas	29,500.00	4	111.73
Tobin	342,000.00	7	274.78
Verkin	46,463.21	4	55.95
Wendlandt	52,000.00	4	214.20

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We urgently recommend that you proceed promptly to consolidate such property insurance as you may decide to place or continue with three, and certainly not more than five, good agencies. If this is done, you would have every reason to expect the normal service which a business or industrial risk receives from its insurance agent. This would include rate engineering and possibly loss prevention and safety engineering, and even valuation service, at least on minor properties.

If the University or any of its divisions should find it absolutely necessary to award complimentary orders to certain agents who would perform no service, then the principal agents should be responsible for correct policy writing and all clerical matters, merely allocating the commission for these complimentary orders.

Mr. Massey reports that you recognize the inefficiency of the present arrangement and have given thought to consolidation. We urge you to select promptly three competent and interested agencies, who maintain trained personnel and can provide complete and satisfactory service, to be responsible for the entire body of property insurance. You should then transfer to these agencies all of the property insurance as it comes up for renewal, instructing them to issue as few separate policies as possible. In most instances each group of insurance can be consolidated into a very few contracts.

Some complaints will be received from the agents who will be deprived of their portion, but the increased efficiency and easing of the clerical burden will justify the University's procedure. Furthermore, the majority of these agents have not received a sufficient premium income to cover the cost of issuing their policies, so they have benefitted, if at all, only by the prestige of the University account.

It is interesting to note that Texas Western College is handling its insurance in this way, with the result that the coverage is more compact and generally more accurately written.

Section D

COMMENTS ON PRESENT PROPERTY INSURANCE POLICIES

In this section of our report, we are commenting upon the property insurance policies in force at the time of Mr. Massey's audit and offering specific suggestions so that you may correct technical defects in the present insurance and be guided as to placings in the immediate future. In the following section, we shall consider alternative plans for a sound property insurance program, but the development of such a program will require deliberation and probably some exploration of insurance markets. In the meantime, the following specific comments on present insurance are submitted.

1. Term and Expiration Date

Your property insurance is now for one, three, or five year periods, the policies expiring on various dates. This is a faulty and inefficient procedure. We recommend a three year term with premium paid in advance. In most instances, this permits a discount of $16 \frac{2}{3}\%$ (i.e. three years' coverage at $2\frac{1}{2}$ times the annual rate). The three year term thus gives you a substantial premium discount, but does not tie you to going forms and rates for an unduly long period. This has been particularly true in recent years when the trend has been toward broadening coverages and reduced rates. You lose the advantage of some of these unless going policies are cancelled midterm with a penalty.

There is a less tangible benefit in the three year term in that insurance does not lie dormant for the longer period, but is brought up for review each three years and defects or omissions can be brought to light and corrected.

There is a slight additional premium saving in the five year term over three years; that is, 20% as opposed to $16 \frac{2}{3}\%$. This negligible premium saving for the longer term does not offset the advantages mentioned above. We suggest, therefore, that in renewing present policies or placing new insurance you consider converting all property insurance to the three year term.

We recommend further a common expiration date for all property insurance. In this way, the clerical and accounting work can be done at one time and with less wasted effort. A date should be selected which will coincide with your fiscal year or the best accounting period. An incidental

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advantage of a common expiration date is that the entire property insurance will be subject to periodic review as a whole. The expirations can be staggered so that the entire property insurance premium does not fall due in one year. Your agents will be able to work out a plan so that approximately one-third of the total premium will be paid in each of the three years. These two suggestions, the three year term and common expiration date, will improve the mechanics of your property insurance program, ease the administrative and accounting burden, and increase the general efficiency of the coverage.

2. Blanket Versus Specific or Scheduled Form

There is no uniformity in your present property insurance in respect to form and admittedly complete uniformity would be neither advisable nor possible. However, you should, we think, consider in general the advantages and disadvantages of each. A blanket form (i. e. one covering on a building and its contents, or upon all buildings and their contents within a described area, or at all enumerated locations) is generally considered more efficient than a scheduled or itemized form, since it permits the entire amount of insurance to be available for loss at any one location and to either buildings or contents, or both. It is in effect floating insurance over the entire insured property.

In Texas there is a particular advantage in blanket coverage for school properties since it is permitted to blanket a building and its contents and use the lower building rate for the entire value. It applies to all school property including even dormitories, but not to hospitals. We note particularly that at the Texas Western Branch your agent has written four dormitories specifically and with separate items applying to contents of each building, the contents item being at about double the building rate. Obviously this is an inefficient and disadvantageous method of insuring these properties and, unless bonds require it, it should be discontinued.

3. Coinsurance Clause and Inventory Waiver

The coinsurance clause which is used in many of your fire policies is a warranty by the insured that in consideration of a reduced rate the amount of insurance will be maintained at or above the specified ratio of actual cash or sound insurable value. If this warranty is not complied

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with, then when loss occurs the insured must contribute proportionately to the amount of the loss according to his deficit below the coinsurance level.

It must be borne in mind that for insurance and coinsurance purposes actual cash or sound insurable value means replacement cost new, at price levels prevailing on the day of loss, less physical depreciation, so that to use coinsurance safely dependable valuations should be available and the insurance adjusted accordingly. In the Schedule of Insurance following Topic 5 of this section, our estimates of sound insurable values are presented.

The principal advantage of coinsurance is the very substantial credit in fire and extended coverages rates for its use. In many instances the insured can buy two or perhaps three times the amount of insurance under a coinsurance form which the same premium would buy without coinsurance. With highest rate credits applied to fire-resistive or semi fire-resistive structures, it may be prudent to consider coinsurance as a means of providing more adequate coverage for sizeable losses with the same dollars of premium that you now spend for token amounts.

Furthermore, the coinsurance form includes the inventory waiver clause stipulating that where the loss is less than \$10,000 and also less than 5% of the total amount of insurance no inventory or appraisal of the undamaged property shall be required. While this clause does not supersede the coinsurance clause, it does permit the insured in most cases to collect small losses without the question of coinsurance being raised. The insurers, of course, have the right to appraise or inventory the undamaged property, but where it is extensive the cost of such an appraisal would deter the companies. We recommend, therefore, that when the Board has determined a policy as to what properties are to be insured careful consideration be given to the use of coinsurance forms on the fire-resistive or semi fire-resistive units. Your selected agents will be able to quote comparative rates with and without coinsurance on each property which is to be insured.

4. Policy Provisions

The standard Texas fire form will be mandatory on much of your property. It is, of course, entirely satisfactory and contains most of the essential terms of the standard fire form used in other states. However, there is one provision

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which should be included and which was not found in all policies at the time of our audit. The debris removal clause provides that the insured may recover as part of any fire, windstorm or other insured loss the cost of removing debris from the insured premises. This clause is available without additional cost and should be incorporated into all fire and windstorm policies.

The title of the insured in all policies should be identical with legal title to the insured property. Most of your policies issue to the Board of Regents of the University of Texas and this, we believe, is correct since the Board would stand in the position of the University or the State of Texas in this capacity. All policies for the Medical Branch at Galveston issue to the "Chairman, Board of Regents, University of Texas". Where there is a joint interest or title, the policies may name all interests involved. For example, at the Mount Locke Observatory the policies issue to the Regents of the University as Trustees of the W. J. McDonald Fund, which seems to be correct. Similarly, a fine arts floater policy issues to Mr. L. M. Hollander and the Board of Regents, and we assume this is consistent with legal title to or interest in the subject of the insurance. However, the following policies appear to be incorrect in this respect:

Equitable F and M policy 911158, covering athletic field tarpaulin, issues to the Athletic Council.

National policy 35475, covering on Knick-O-Type plates, etc., issues to Littlefield Board of Trustees.

Finally, where a considerable number of policies is used on one plant or location, the insured would normally be required to give written notice of loss to each company or its agent. Sometimes a special loss adjustment clause can be used permitting the insured to give notice of loss to one general adjustment office rather than separately to each insurance company. Any one of your principal agents would be able to investigate this possibility for you.

5. Properties now Selected to be Insured

It has been the general policy of the Board of Regents not to insure fire-resistive buildings and their contents except where income bonds require it or, in a few instances, where the property is exposed by frame or other substandard units. However, both on the Main Campus and at the Medical Branch, there is considerable scattered insurance

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on fireproof units. Without reference here to the soundness of this policy, a subject which will be discussed in the following section of this report, we believe careful scrutiny of the present selection of property to be insured will reveal inconsistencies and probably unwise premium expenditure.

In the Schedule of Insurance which follows, we have listed the property insurance as found during the course of Mr. Massey's audit, together with the estimated insurable values, average annual premium cost and ratio of insurance warranted, if any. You will note that in some instances there are serious coinsurance deficits, which would mean that your recovery of loss would be partial and disappointing. In others, the insurance, while not subject to coinsurance, is in token amount sufficient only to cover very small losses.

We have not attempted a detailed valuation for insurance purposes of contents nor an allocation to specific buildings. Where contents values are referred to in this report, the figures used are taken from your cost records without adjustment for appreciation or depreciation. Furthermore, we have omitted in the following Schedule reference to the Southwestern Medical School and the M. D. Anderson Hospital; no detailed revaluation having been made due to the anticipated early abandonment of the old plants.

SCHEDULE OF INSURANCE

MAIN UNIVERSITY GROUP

<u>Building</u>	<u>Fire Insurance</u>	<u>Sound Insur- able Value</u>	<u>Average Anl. Prem.</u>	<u>Ratio Warranted</u>
Defense Research Lab	15,000 B	60,300	76.79	None
Drama	55,000 B & C	206,550	66.88	None
Driskill House	25,000 B & C		124.10	80%
<u>Temporary Units:</u>				
A. Hall	24,000 B & C	13,300		80%
Art Hall	168,000 C	71,500		"
Band Hall	25,000 C	22,500		"
Cafeteria Annex	80,000 C	55,500		"
C. P. Hall	90,000 C	44,700		"
E. D. Hall	132,000 C	62,700		"
Ceramics Hall	64,000 C	17,700		"
M. Hall	51,000 C	27,500		"
R. Hall	31,000 C	17,400		"
S. Hall	43,000 C	22,200		"
V. Hall	71,000 C	38,000		"
X. Hall	24,000 C	15,300		"
Y. Hall	24,000 C	13,600		"
Z. Hall	22,000 C	12,600	3,739.18	"
ROTC Bldg.	28,000 B & C	21,200		"
ROTC Rifle Range	12,000 B & C	13,200	158.33	"
TOTALS	889,000	468,900	3,897.51	
Garrison Hall (1)	50,000 B & C	591,750	41.80	80%
Geology (1)	50,000 B & C	643,950	42.75	"
Hill Hall (1)	96,000 B (2)	361,800		"
	5,000 C		90.33	None
Home Ec Nursery School	10,000 B		37.50	None
Home Management House	8,000 B		16.08	None
	3,000 C (3)		7.28	None

(Continued on next page)

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MAIN UNIVERSITY GROUP (Continued)

<u>Building</u>	<u>Fire Insurance</u>	<u>Sound Insur- able Value</u>	<u>Average Anl. Prem.</u>	<u>Ratio Warranted</u>
Institute of Marine Science				
Caretakers Cottage	12,000 B	17,000)		None
Library, etc.	8,000 B	15,800)	131,40	"
Pier	18,000 B	38,900)		"
Little Campus Sched A	150,000 B & C	180,000	770.87	None
Littlefield Home	25,000 B & C	30,500	77.24	80%
Pearce Hall (1)	100,000 B & C	348,570	76.20	50%
Brick Smokestack	10,000 B		3.80	None
Press Bldg.	30,000 B & C	158,760 B	198.43	None
Press Bldg.	40,000 C	276,135 C	163.46	80%
Radio House	20,000 B & C (2)	24,800	96.88	80%
Speech Building (1)	20,000 B & C	209,250	27.36	None
Student Health Ctr	1,160,000 B (2)	1,347,100)		80%
	120,000 C (2)		939.52	80%
University Club	15,000 B (2)	2,500	185.46	None
	3,500 C (2)		48.04	None
Univ. High School (1)	300,000 B (4)	777,500	125.00	50%
President's Home	30,000 B (2)	36,800)		None
	3,000 C (2)		145.82	None
Dwelling 603 W. 28th	5,000 B (2)	5,000	20.73	None
Main Power Plant	100,000 C		38.00	None
Home Ec Tea House	20,000 B & C	98,800	158.85	None
W.J.McDonald Observatory				
Dwellings A,B,C & H	31,500 B (2)		171.50	None
Addl. Dwelling shop & Comfort Station	-			None
Observatory				
Building and Dome	150,000 (4)	723,100)	168.000	50%
Telescope, etc.	300,000 (4)			"
Building and Dome	150,000 (5)		75.000	"
Telescope, etc.	500,000 (6)		283,00	80%

B - Buildings (2) Fire & Extended Coverage
 C - Contents (3) Fire and Explosion
 (1) - May have been cancelled (4) Windstorm
 since audit. (5) Earthquake
 (6) All Risk

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SCHEDULE OF INSURANCE (Continued)

MEDICAL BRANCH

<u>Building</u>	<u>Fire Insurance</u>	<u>Sound Ins. Value</u>	<u>Ratio Warranted</u>
Ashbel Smith	\$150,000 B 120,000 C	\$203,400	None
Exp. Lab & Animal	9,000 B 750 C	85,200	None
Phys. Lab & Animal	5,000 B 500 C	7,100	None
Pharmacology Lab	10,000 B 6,000 C	30,300	None
Wm. Keiller	25,000 B 40,000 B (1) 10,000 C 10,000 C (1)	1,430,600	None
State Hosp. Children	35,000 B 4,000 B (1) 8,750 C	431,600	None
Old John Sealy Hosp.	300,000 B 5,000 B (1) 33,850	803,300	None
Women's Hospital	90,000 B 5,000 B (1) 10,000 C	234,000	None
Isolation Hospital	5,000 B 3,500 C	40,000	None
Psychiatric Unit	75,000 B 5,000 B (1) 10,000 C	172,600	None
Out-Patient Clinic	10,000 B 5,000 B (1) 15,000 C	1,486,200	None

(Continued on next page)

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MEDICAL BRANCH (Continued)

<u>Building</u>	<u>Fire Insurance</u>	<u>Sound Ins. Value</u>	<u>Ratio Warranted</u>
Rebecca Sealy Nurses Home	10,000 B 5,000 B (1) 10,000 C	643,600	None
Miller Property Home	19,000 B (2) 6,000 C	29,400	None
Garage	750 B (2) 250 C		
Negro Hospital	40,000 B 4,000 B (1) 7,500 C 1,000 C (1)	528,400	None
Power Plant & Laundry	10,000 B 20,000 C	739,100	None
Warehouses (3)	60,000 C (2)		None
Dwelling-Book Store	10,000 C		None

- B - Building
 C - Contents
 (1) - Windstorm
 (2) - Fire and Extended Coverage

TEXAS WESTERN COLLEGE

<u>Building</u>	<u>Fire Insurance</u>	<u>Sound Insurable Value</u>	<u>Average Anl. Prem.</u>	<u>Ratio Warranted</u>
Benedict Hall	59,000 B (1) 5,000 C (1)	135,300		50%
Worrell Hall	59,000 B (1) 5,000 C (1)			91,600	None
Hudspeth Hall	123,000 B (1) 10,000 C (1)	212,900		50%
Bell Hall	123,000 B (1) 15,000 C (1)			209,500	None
			529.82	None

(Continued on next page)

TEXAS WESTERN COLLEGE (Continued)

<u>Building</u>	<u>Fire Insurance</u>	<u>Sound Insur- able Value</u>	<u>Average Annl. Premium</u>	<u>Ratio Warranted</u>
Bookstore	20,000 C (1)	25,000)	28.00	80%
President's House	11,000 B (1)		44.80	None
	7,000 C (1)	7,500		64.00	None'
Adobe Stables	8,000 B (1)		2,500		18.00	None
Temporary Class Rooms (Two)	3,000 on one			

B - Buildings

C - Contents

(1) - Fire and Extended Coverage.

DENTAL BRANCH

<u>Building</u>	<u>Fire & Ext. Coverage Insurance</u>	<u>Sound Insur- able Value</u>	<u>Average Annl. Premium</u>	<u>Ratio Warranted</u>
Dental College	\$85,000 B)	\$57,600		None
	80,000 C)			"
East Building	13,500 B)	13,050		"
	16,000 C)			"
Dental Laboratory	25,000 B)	38,070		"
	33,000 C)			"
Administration	7,500 B)	7,470	\$1,737.88	"
	5,000 C)			"
Anatomical	5,000 B)	7,200		"
	1,500 C)			"
Carpenter Shop	1,000 B)	990		"
	3,000 C)			"
Alcohol Storage	500 B)	405		"

B - Buildings

C - Contents

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Main University Group

Insurance on Andrews Dormitory, Prather Hall, Roberts Hall, Carother Dormitory and Alice Littlefield Dormitory, all fire-resistive, in force at the time of Mr. Massey's audit was cancelled when it was discovered that income bonds requiring insurance had been retired. We have indicated on the foregoing other fireproof units on which insurance may have been terminated. However, this will still leave a few such properties insured and possibly correctly so. For example, the Student Health Center will have to be insured because of bond requirements.

The University Junior High School Building is insured for windstorm and hail damage only, although we know of no particular hazard which would justify this insurance. On the other hand, you do have a very substantial value in the Experimental Sciences Building and its contents and the Central Cooling Station, all of which must be considered as one exposure as to fire, and more important, explosion. At present no insurance is carried on either unit.

Present insurance on the Press Building and contents is not only inadequate in amount but poorly arranged and should be immediately corrected. We estimate that the sound insurable value of the building is not less than \$160,000. You have \$30,000 of fire insurance on the building and contents, other than those of the University Press, not subject to coinsurance. Since this unit is not fireproof, a major fire loss is entirely possible. You could, therefore, recover loss up to \$30,000.

Contents belonging to the University Press are separately insured for \$40,000, but here there is an 80 per cent coinsurance warranty. Based upon your cost records of these presses, linotype machines and other machinery, office furniture and fixtures, you are insuring not the required 80 per cent to value, but more nearly 15 per cent. This means even on small losses you could not recover in full, but only that proportion of the loss which the amount of insurance then in force bears to 80 per cent of value. According to our valuation, you would stand to recover only about 18 cents on each dollar of loss.

Either this insurance should be increased to the required 80 per cent to value, or written without coinsurance. This latter would require the use of the gross rate, probably at least doubling your present premium. You are, therefore, in the dilemma of either removing the 80 per cent coinsurance

clause on the present amount of insurance but substantially increasing the premium, or raising the amount of insurance to \$220,000 (80 per cent of the estimated value) in which case you would continue the same rate as you are now paying, but your premium would be $5\frac{1}{2}$ times the present cost. Since the present amount of insurance is adequate only for very nominal loss and since this building and its contents are in active and vital use, we would prefer to see you insure building and contents under the blanket form permitted in Texas for school properties on an 80 per cent basis. With a substantial value subject to major, if not total, loss it seems to us imprudent not to carry reasonably adequate insurance. If this plant could be rated as "semi-fireproof", you could insure it on a fifty per cent coinsurance basis with a forty per cent credit in rate. This might be more attractive than the 80 per cent basis.

Coming now to the frame or non-fire-resistive units, we note that the Little Campus Buildings (essential since they house the Extension University) are insured in the total amount of \$150,000 against fire and lightning, written in separate items. Some question might be raised as to whether this insurance should be continued in view of the low ratio of insurance to value, high premium, obsolescence of the property, and the fact that no replacement would be made after fire loss.

Similarly, the Veterans' Educational Facilities, some 18 buildings and their contents, are insured in a substantial amount, \$849,000, which exceeds our estimate of the total value. Since these are war development and temporary units and presumably no longer of interest to the Government, the insurance could, we think, very well be terminated. It involves a very heavy premium outlay and the buildings would not be replaced in like kind if they should be destroyed. Your insurance recovery on the present basis would be only a token payment in comparison with the cost of replacements. The Defense Research Building is so underinsured in relation to actual value that the insurance should be terminated. This is particularly true if the building is purely experimental.

Probably these are the considerations upon which the Balcones Research Center has been left uninsured. On the other hand while of slow-burning, if not fireproof construction, this unit may be hazardous because of war research projects which would suggest that insurance should be carried if the property has a future in the University's plans.

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Insurance on the University Tea House was in only a token amount at the time of Mr. Massey's audit and in view of the contents value of about \$100,000, it was agreed to increase the insurance to \$50,000. This would presumably cover any normal loss since there is no coinsurance clause in these policies. Coinsurance is not recommended here because the credit in rate on non-fireproof properties is negligible.

Emergency Veteran's Housing is mostly self-insured, with three-fourths of one per cent of cost being reserved each year for the payment of loss. We suggest that you continue your practice of self-insuring these units, but we see no reason to divert further income to the reserve fund.

No comment appears to be necessary on the numerous minor items including dwellings, University Club Home Management House, Nursery School and the like on which insurance is now carried. The ratios of insurance to value on these miscellaneous properties are substantially in line with our estimates of the insurable value.

Diversified personal properties, including cameras, dictaphones, the tarpaulin at the athletic field and outdoor clock at the same location, athletic equipment at the stadium and a Ludwig-Neuner Berlin violin, are insured in separate floater forms covering in most cases all risks of loss. We raise the question whether such minor values widely distributed and in no case exposed to the same loss are a proper subject for insurance. In some cases, insurance may be justifiable where numerous small losses have occurred or where property donors request that insurance be maintained. We suggest that you reconsider the following miscellaneous coverages:

<u>Property</u>	<u>Amount</u>	<u>Average Anl. Prem.</u>
Knick-O-Type Plates, Finished Paper Pages and Paper Stock	\$11,000	\$28.38
Dictaphone & Portable Typewriters	772	15.44
Photographic Equipment	2,222	40.00
Ludwig-Neuner Berlin Violin	200	8.33
Tarpaulin	4,000	41.67

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<u>Property</u>	<u>Amount</u>	<u>Average Anl. Prem.</u>
Outdoor Clock	\$ 600	\$12.50
Athletic Equipment	1,500	3.60
Athletic Equipment	8,000	14.29
Launch Atchafalaya	3,000	210.00

Of the five buildings at the Marine Biological Laboratory, you insure three including the covered dock. It appears that you may have capitalized the newer units and insure them, but failed to cover the older ones. Strangely enough, the insurance covers fire loss only which would seem to be the least serious hazard at this location. It is in the hurricane belt and if insurance is to be carried, windstorm coverage would seem to be more important.

However, due to the good spacing of these units and the relatively small individual values, we suggest that you consider self-insuring. If you wish to insure at least the pier, the highest valued unit, an all risk marine form should be used.

At the W. H. McDonald Observatory you carry not only fire but also extended coverage insurance on a schedule of dwellings in amounts consistent with original cost, but without allowance for appreciation. We are not clear as to the reason for extended coverages.

On the Observatory Building including the revolving dome, you carry windstorm and hail insurance only in the amount of \$150,000, subject to 50 per cent coinsurance. This is below the estimated coinsurance requirement and since windstorm loss to this type of property is likely to be partial, you would, no doubt, suffer some coinsurance penalty in your loss adjustment. You also carry earthquake insurance on these same items in the sum of \$150,000 subject to 50 per cent coinsurance. We question the need for this type of insurance unless your own experts have reported some particular risk.

On the telescope, mirror and accessories you carry \$300,000 of windstorm and hail insurance on the 50 per cent basis and an all risk floater policy (but excluding fire, lightning, windstorm and hail, infidelity of employees, mechanical breakdown, strike, riot, civil commotion, and war

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perils) in the amount of \$500,000, subject to 80 per cent coinsurance. No fire insurance is found. We suggest that since these are very valuable properties they be insured under an all risk floater form, amended to delete the exclusions mentioned above, and the separate windstorm coverage cancelled. /

While we understand you had not planned to place insurance on the new dome and telescope now being constructed, this might very well be combined with the above properties under an all risk floater form should you decide the properties warrant insuring. Our own judgment is that the fire risk, unless additional fire protective devices are installed, at this location is probably more serious than any other hazard for reasons discussed in the Inspection Reports.

Medical Branch, Galveston

While presumably the same policy as to property insurance should prevail here as at Austin, there has been considerable diversity of opinion with unfortunate results. There is, however, no coinsurance warranty involved so that you would be able to recover any loss up to the limits of the insurance, as shown in the Schedule on pages 44 and 45. There is a good deal of scattered insurance which, if you are to be consistent with the general policy of self-insuring fire-resistive property, should be cancelled as follows:

	<u>Buildings</u>	<u>Contents</u>
Women's Hospital (Now Administration Offices Bldg.)	\$90,000	\$10,000
Children's Hospital (Now part of John Sealy Hospital)	35,000	8,750
Psychiatric Building	75,000	10,000
Negro Hospital	40,000	7,500
Power Plant & Laundry	10,000	20,000
Wm. Keiller Bldg.	25,000	10,000
Out-Patient Clinic (Now part of John Sealy Hospital)	10,000	15,000
Rebecca Sealy Nurses Home	10,000	10,000

In addition to the above, there are other items which are of doubtful value for insurance, and we suggest you consider cancellation of the following amounts:

	<u>Buildings</u>	<u>Contents</u>
Warehouses 1, 2 & 3		\$60,000 Fire & E.C.
Old John Sealy Hospital	\$5,000	
Women's Building	5,000	
Psychiatric Building	5,000	
Out-Patient Clinic	5,000	
Rebecca Sealy Nurses Home	5,000	
Wm. Keiller Building	40,000	10,000

All of the above insurance except Item 1 covers the peril of wind and hail.

The non-fire-resistive buildings at the Medical Branch comprise only \$1,772,000 of the total estimated depreciated value of all buildings of \$20,753,600. Unfortunately, however, there are two large non-fireproof units - the Ashbel Smith Building, used as a Medical College, and the Old John Sealy Hospital, now being remodeled for various occupancies but not for hospital use. These buildings, if destroyed, would not be replaced as such, but new fire-resistive plants would be substituted. Insurance on the Ashbel Smith Building is about 75 per cent of the total value, but the Old John Sealy Hospital is insured for only about 37 per cent of its value. We suggest, rather than increasing these coverages to the actual value of the buildings since they would not be replaced as such, that you consider self-insuring them.

The older temporary frame and stucco buildings are not insured and this has our approval. Dormitories under construction will be fire-resistive and will, of course, have to be insured during the life of the income bonds.

An all risk floater policy on radium is carried in the amount of \$8,970, but with this amount divided to apply in very small amounts on each unit. If this policy is to be continued, blanket insurance would be preferable.

Texas Western College

Most of this plant is of excellent fire-resistive construction and no insurance will be maintained, according to the present policy of the Board of Regents, except where income bonds are still in effect. The present insurance, however, is not blanketed and the contents rates, which are much higher than building rates, are used. The blanket form at the building rate should be used. The following is a comparison of the present form and the recommended form:

	<u>Present Form</u>		<u>Recommended Form</u>
Bell Hall - Building	\$123,000		Building & Contents -
Contents	15,000		\$138,000
Hudspeth - Building	\$123,000		Building & Contents -
Contents	10,000		\$133,000
Benedict - Building	\$ 59,000		Building & Contents -
Contents	5,000		\$ 64,000
Worrell - Building	59,000		Building & Contents -
Contents	<u>5,000</u>		<u>\$ 64,000</u>
TOTALS	\$399,000		\$399,000

Contents of the book store in the Student Union, a fire-resistive building, should be terminated in line with your usual practice.

We note that only one dwelling is insured, the Dean's House, and the new brick duplex for employees being uninsured. You may wish to consider insuring these units since they are not fire-resistive although the value is not substantial. Other minor values uninsured and on which we do not recommend insurance are: Temporary Class Room No. 11, Carpenter Shop and Storage No. 10, Women's Activities Building No. 13, Housing and Trailer Units of temporary nature, temporary war buildings at the Athletic Field, and ROTC Quonset near the Field.

Dental Branch

The new fire-resistive plant is nearing completion and no insurance is to be carried on it. The old plant which includes some brick construction but is primarily sub-standard will, we understand, be dismantled eventually. Until that time, however, you will, no doubt, wish to continue the present insurance and if so the blanket form should be substituted for the present itemized scheduled form.

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Southwestern Medical School

You have, we understand, completed the new plant on Harry Hines Boulevard and no insurance will be placed. With about 50 per cent of the equipment removed, we suggest that the present fire insurance on the old plant of \$251,500 be reduced proportionately with the reduced value. If you do not plan to vacate this plant in the immediate future, then the insurance should be carefully revised. It is not now well arranged and only part of it has been written under blanket form. We recommend that such coverage as is to be continued be rewritten, blanketing buildings and contents at the building rate.

M. D. Anderson Hospital

The old plant was, at the time of Mr. Massey's audit, being abandoned and the operation removed into the new fire-resistive plant at the Medical Center. This new plant will not require insurance, in line with your general policy of self-insuring fire-resistive properties and, presumably, you will have no further interest in the old plant.

New Construction and Improvements

New projects under construction and in process are insured against fire and the extended coverage perils by the contractor. Presumably, this insurance is written under builder's risk form and the amount adjusted as value accumulates. We do not know what form of policy your contractors use, but would suggest the completed value form which covers the estimated final cost of the building but at 55 per cent of the usual rate is preferable to the reporting form which must be increased from month to month as the building progresses. Because of the possible lag in tabulating the increased value the reporting form may find you underinsured when loss occurs.

Our judgment is that builder's risk insurance should include not only fire and the extended coverage perils but also vandalism and malicious mischief. This is particularly true, we understand, in Houston and Galveston because of the risk of labor difficulties, but we would recommend this coverage at all locations. With all of these perils insured, you will still not be protected in event of damage as a result of collapse or negligence on the part of the contractor or sub-contractor. Mr. Massey reports you have required contractors to carry liability insurance, but this would not cover damage to the building under construction unless a

special form or endorsement is used. Since very serious damage can be caused by the contractor particularly where heavy equipment is used, this should be carefully considered. You should, we think, stipulate in all major contracts that such damage is to be insured.

On the air conditioning installation for Hogg Auditorium, the contractor was required to buy fire and extended coverage insurance on the present structure in the amount of \$200,000 with 50% coinsurance in order to cover damage which might result from the contractor's work. This does not seem to us to be an efficient method and obviously the amount was grossly inadequate to meet the 50% coinsurance requirement. We suggest in the future this kind of risk be insured under a liability form specially written to cover the property being worked upon or improved.

Miscellaneous Forms of Insurance

In addition to insurance on properties, the University has carried business interruption insurance at the locations where income bonds were required. Certainly we would not recommend this kind of insurance except as absolutely necessary to meet the bond obligation. It is intended to cover the loss of profit and indemnify the insured for fixed continuing expenses during the period required to reconstruct a building after fire or other insured damage. Except for the dormitories and perhaps a few other operations, the University is a non-profit enterprise and this form of insurance seems to be wholly incompatible with the general insurance philosophy of the Board of Regents.

Somewhat akin to this form of insurance is a policy maintained to cover loss of compulsory fees for hospital service collected from students when such loss results from damage by fire or extended coverage perils to the property at West 26th Street and Ann Avenue in Austin. If these fees would have to be returned to your students in event of loss or damage to this particular building, then the insurance might be justifiable. Even then, however, we are inclined to doubt the necessity for it. Some question might be raised as to whether, if this particular coverage is warranted, you should not also insure all student fees.

Automobiles owned by the University are generally not insured against loss by fire, theft, or collision and this is approved. The maximum value subject to loss at any one time would be insignificant and can, we think, safely be uninsured. However, we note the School of Dentistry is carrying physical damage insurance on two Chevrolet trucks, and we suggest this policy be allowed to lapse at expiration September 1, 1955.

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Section E

SUGGESTED PLANS FOR PROPERTY INSURANCE PROGRAM

We submit for your study four alternative plans for a sound program of insurance and self-insurance on University properties. While only a broad outline of each plan is offered, the details can be developed gradually. This may require exploratory work by your staff, perhaps with the cooperation of selected agents and certainly of Mr. Massey and this office.

Plan 1

A modification of your present general policy of insuring burnable units and not insuring fire-resistive or semi fire-resistive units, except where income bonds require it, may well be considered. There should, however, be a more distinct delineation of this policy than now appears in your insurance and, if established, the policy should be consistently followed by all branches of the University system. At present there is a rather complete lack of uniformity, both on fire-resistive and non-fire-resistive coverages.

On the substandard frame and masonry, wood joisted units where loss possibility is high, you have generally carried insurance even where the value is not substantial. It is at this point that modification of your present policy ought to be considered. We suggest placing insurance only on those substandard units which would be replaced if they should be destroyed by fire, wind or other insurable cause. For example, new units such as the University Tea House and Cafeteria, while frame, would be replaced after fire with identical construction and arrangement. Rather full insurance to value covering both fire and windstorm loss on this type of property would, we believe, be logical.

Certainly low valued units where, for instance, the maximum value subject to one loss would be \$10,000 or less might well be uninsured. You now insure scattered properties valued in some cases at as little as \$250 (i. e. contents at Children's Hospital in Galveston; contents of the garage at Doctor's Home in Galveston). In our opinion even where the value may be more substantial, but the building would not be replaced, the University could assume its own risk of fire and windstorm loss as, for example, the war properties, the Little Campus buildings at Austin, dwellings, ROTC units, and probably other scattered properties. It is conceivable that destruction of these units would be beneficial in making way for

modern, fire-resistive structures. If so, insurance recovery on the destroyed unit would be insignificant in amount and hardly seems to justify the premium and administrative cost of insurance. Bear in mind that these are the high rated properties so that the premium dollar buys relatively little coverage.

We summarize this suggested Plan 1 as follows:

(a) Carry no insurance on fire-resistive or semi-fire-resistive buildings or their contents, except:

(1) Where insurance is required by indenture or income bonds, or;

(2) Where there is an exposure from adjacent inferior property or hazardous occupancy.

(b) Insure substandard (i. e., frame, brick, wood-joisted, stucco and the like) buildings:

(1) If they would be replaced in like kind, or possibly;

(2) If the value subject to one loss exceeds, say, \$10,000.

Plan 2

The fundamental defect of your present property insurance even if modified as suggested under Plan 1 is the uninsured catastrophe loss possibility. Obviously it is not likely that a fireproof unit would be subject to total or even major loss, but a single loss by fire or windstorm of \$2,000,000 is not inconceivable. If uninsured, this might work a hardship upon the University and possibly subject the Board of Regents to criticism.

Under Plan 2, all University property could be insured in a reasonable ratio to value under a blanket form. Admittedly, the annual premium cost would be substantial although not prohibitive if a coinsurance form were used. For example, at Austin you have a total sound insurable value in the main University group of roughly \$60,000,000. Blanketing all of this property would require 90% to value, or about \$54,000,000. An average rate would have to be developed by the rating authorities, but on all units classified as fireproof and semi-fireproof the rate would be credited 55% on buildings and 30% on contents. Since these classes of buildings comprise the major portion of the property, you would have considerable rate advantage.

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We do not suggest considering an overall blanket for all divisions because the mechanics of administering such insurance would be cumbersome and, also, because we see no particular need for such a form. At those units where the plant is completely fireproof or semi-fireproof, a 50% coinsurance form could be used which would give you a 40% rate credit on building items and no credit on contents, but would produce a lower premium cost than the 90% arrangement because of the lower amount of insurance. Even at 50% to value, however, you would have ample coverage for any conceivable loss in a fireproof plant.

Finally, at Austin and also at Galveston where there is considerable substandard property, the cost could be very greatly reduced by omitting from a blanket form all substandard units. These are of relatively low value and would not be replaced, but at the same time including them in the blanket would adversely affect the blanket rate.

Under either a 50% or 90% coinsurance clause you would have the advantage of the inventory waiver clause. This provides that in event of a loss under \$10,000 and under 5% of the total insurance, the insured is not required to inventory or appraise the undamaged property after loss. The practical effect of this provision is that small losses are paid without raising the question of compliance with the coinsurance warranty. Even on losses somewhat in excess of the limitation it is not likely that the University would be forced to appraise undamaged property since it would, we think, stand in a favorable position in any loss adjustment. This has been the experience of another State University of comparable size which has for many years used a blanket coinsurance form.

If this plan is of any interest to the Board, we suggest that one of your principal agents be asked to explore the possibilities and perhaps obtain an average rate on at least one plant. You can then select the amount of insurance and coinsurance percentage which will be most advantageous from a cost standpoint.

Plan 2, offered without recommendation and for information and consideration only, is summarized thus:

- (a) Insure all property (except substandard units of low value, say \$10,000 or less) of each division under blanket forms.
- (b) Use 90% coinsurance where required because different locations are involved, probably at Austin and Galveston.

(c) On any single fireproof plant, such as the new Southwestern Medical School, School of Dentistry, and M. D. Anderson Hospital, use 50% coinsurance.

Plan 3

Under a "superior" form, the University could insure all property, both real and personal, at all locations without the restriction of a coinsurance warranty and under very broad insuring language. This superior insurance treatment, however, is available only through two associations of insurance companies neither of which is, we believe, now available to you. The Factory Insurance Association made up of over 100 excellent stock companies, many of which now participate in your insurance, is not officially entered in Texas although it does insure some properties and may eventually be licensed. The Associated Factory Mutual, an organization of equally excellent mutual companies, is licensed in Texas but presumably would not be available to you because of prohibition of mutual insurance for state institutions.

While we cannot estimate the exact rate, we have on similar property seen this type of insurance provided for as low as five cents per \$100 of coverage. The principal advantage is that the amount of insurance can be negotiated and there is no stipulation as to a fixed percentage to value.

The eventual possibility of superior coverage should not be disregarded since it would give the University the best possible insurance protection, including not only coverage but loss prevention services and valuation work all at minimum cost.

Plan 4

Still in the pioneering stage but in considerable demand is the "excess of loss" or deductible plan by which the insured "retains" the first portion of any loss and the insurers carry the excess of loss. This is essentially catastrophe insurance, that is, insuring only the catastrophe loss and self-insuring a major portion of large losses and all small losses. It is the exact opposite of the present policy of the University. We believe, however, it is sound in principle for large and scattered values and we think it is particularly sound in its application to the University.

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Large fireproof structures can be destroyed or heavily damaged by fire, explosion and possibly windstorm. Tragic illustrations have been reported by the press in the last few years. In the event of such a disaster, a special appropriation or the use of special funds would be required. On the other hand, moderate losses either in fireproof or in sub-standard units could be handled as repair or maintenance expenses.

The cost of an ample amount of insurance to cover maximum possible loss in any single disaster can be held to a reasonable level only if the insured agrees to a substantial retention or deductible. Attractive premium discounts are offered in consideration for the deductible. Unfortunately, there is no standard or readily available market for this type of insurance. Lloyd's of London could be approached on your behalf by any well know and influential Lloyd's brokerage office in this country. Where a large amount of insurance or special form is required, the prestige and influence of the broker may be very persuasive to the underwriters.

In this country, the Insurance Company of North America located in Philadelphia has initiated excess of loss coverage for large risks with other stock companies participating. While most companies are unwilling to write deductible insurance on the average risk, many of them are willing to participate in such a plan where the property was previously uninsured and where the risk is attractive. We believe, therefore, it is distinctly possible for the University to obtain an excess of loss coverage.

Perhaps a somewhat more liberal treatment could be obtained from Lloyd's of London particularly in respect to the amount of insurance. For example, you probably could purchase excess of loss possible with a limit of \$3,000,000 in excess of a retention of \$100,000. We would not hazard a guess as to the cost of such a plan. If a domestic carrier is used, you would probably be required to insure in the ratio of approximately 80% to value and to retain \$100,000 of each loss; but the rate would be about 60% of the board rate.

We suggest the Board of Regents or its Insurance Committee consider carefully the principle of excess of loss plan; and if it seems worth exploring either Mr. Massey or this office will be glad to work with you or refer you to proper sources.

Section F.

BOILER AND MACHINERY INSURANCE

1. General Considerations

It is, we think, clear that the Board of Regents of the University of Texas, acting under authority invested in it by the Constitution, may in its discretion insure University property against any perils. We have referred above to the statement of fixed policy set out in Senate Concurrent Resolution #3, 1921, in which mention is made of boiler insurance, but even without directive from the Legislature, it is, we think, clearly within the powers of the Board to place such coverage.

It is interesting to note that effective April 29, 1955, the Legislature amended the Steam Boiler Inspection Act to include specifically boilers having less than 15 pounds' pressure, located in public schools, colleges, or universities, or county court houses, because they endanger the lives of the public. As amended, the statute requires annual inspection of all steam boilers in colleges or universities. Boilers inspected by insurance companies authorized to do business in Texas are exempt from any other inspection.

All of the above refers to insurance on properties. The boiler policy, however, includes also liability insurance which is not only not required by the University as a state agency, but probably is also illegal. This, of course, derives from the governmental immunity, and according to Attorney Generals' opinions there is no authority to expend state funds for liability insurance. The injury liability section of the boiler policy, for which a separate premium charge is made, should, therefore, be excluded.

In addition to this, the policy also provides, if there is indemnity remaining in the policy after payment of the insured's own property loss, coverage for liability to property of others. However, since no premium charge is made for this coverage, we see no particular reason for its deletion.

2. Present Insurance

At the time of audit, five boiler insurance policies were in force, covering (1) loss or damage to property of the University; (2) additional expense up to \$1,000 of ex-

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pediting repairs; (3) liability for damage to property of others; (4) liability for injury to non-employees; (5) cost of defense, settlement, and supplementary payments. Boilers were insured under broad form, including not only explosion, but also bulging, burning, or cracking of cast iron parts. Boiler piping was included where necessary.

The following schedule lists the objects insured and limits afforded for direct damage.

Schedule of Boiler Insurance

<u>Insurance-Co.</u>	<u>Location</u>	<u>Limit</u>	<u>Scheduled Objects</u>	
Hartford Steam Boiler	Austin	\$1,000,000	Boilers, condensers, steam turbines	
	Balcones Research Center	200,000	Boilers, storage water heaters	
	John Sealy Hospital	250,000	Boilers, sterilizer tank	
	M.D.Anderson Hospital	250,000	Boilers, coil and fired water heaters, refrigerating systems, centrifugal compressors and pumps, gear sets, motors	
	Southwestern Medical School, Dallas (New Plant) (a)		Boilers	
	McDonald Observatory (b)	25,000	Engine, generator	
	School of Dentistry (c)	50,000	Boiler, air tank	
	Southwestern Medical College (Old Plant) (d)	25,000	Boilers	

Maryland
Casualty

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American Employers Texas Western College (e) \$25,000 Boilers

- (a) Added since our audit, limit not known.
- (b) Premium paid by University of Chicago. We suggest a limit of \$50,000 because of the possibility of damage to nearby buildings from flying debris. The additional premium would be about \$6.00 per year.
- (c) Policy to be cancelled when premises vacated.
- (d) Premium paid by Southwestern Medical Foundation and policy to be continued as long as premises occupied.
- (e) Included in policy at Austin, February 1, 1955.

3. Recommendations

Boiler insurance at all locations where the University of Texas pays the premium should be combined into one policy for greater efficiency and economy. Premium in excess of \$3,000 for three years would then be subject to a 25% gradation discount. On the basis of your present cost, the savings would be approximately \$500.00.

(a) Objects to be Insured

You are now insuring not only steam boilers but also air tanks, water heaters, and other miscellaneous equipment which is not considered particularly hazardous. We suggest that you insure only those objects which might cause severe loss, such as boilers, steam turbines, and large motors. This, of course, should be referred to your own engineers and possibly verified by the boiler insurance company engineers.

(b) Limits

Based upon estimated values we suggest, subject to the approval of your Superintendent of Physical Plant, the following limits:

Main Power Plant, Austin . . .	\$1,000,000
Main Power Plant, Galveston. .	\$1,000,000
All other locations.	\$ 250,000

At the M.D Anderson Hospital, property value is estimated at over \$8,000,000. While we cannot measure the exact loss potential, it would appear that a \$250,000 limit may not be adequate and we suggest a careful review. The increase in premium for higher limits is negligible, approximately 3% for increasing from \$250,000 to \$1,000,000.

(c) Blanket Group Plan

We suggest that, rather than the schedule form now used, a blanket group plan be adopted. This would cover enumerated groups of equipment without specifically listing each object, and would include newly installed objects of the same classes at covered locations. Premium is adjusted annually on a pro rata basis.

(d) Automatic Coverage

The automatic coverage section of the boiler policy should be included so as to extend to new locations for a ninety-day period.

(e) Replacement Coverage

Boiler insurance may now be written on the basis of actual replacement cost, rather than depreciated value of any insured object. This optional coverage should be considered, if at all, only for boilers on which there would be a high percentage of depreciation, possibly those in use at least ten years.

Section G

LIABILITY TO EMPLOYEES

Obligation of the University of Texas with respect to injuries to employees is fixed by statute or by contract. We see no reason to question or criticize your present procedures in this connection.

Review of the Workmen's Compensation Act and the United States Government Research Contract requirements indicates that a separate plan for covering injury or death claims by employees is necessary for each of the three groups as follows:

Employees who are "workmen" within the Workmen's Compensation Act.

Employees engaged in government research.

All other employees.

Employees Within the Workmen's Compensation Act

The Compensation Act for the University of Texas employees provides benefits for "workmen" who are defined as "every person in the service of the University under any appointment or expressed contract of hire, oral or written, whose name appears on the Payroll" except administrative staff and officers; teaching or research staff not required to handle or work in close proximity to dangerous chemicals, machinery or equipment; clerical employees not required to travel regularly or work in dangerous areas; supervisory staff having predominately administrative and clerical duties with no manual labor or work in dangerous areas, and persons paid on piece work or a basis other than by the hour, day, week, month or year. Payments under the Act are the sole remedy of the injured "workman" or any party claiming through him for injuries, including death, occurring in the course of employment.

Pursuant to statutory authority, the Board of Regents has established a fund for the payment of all costs, administrative expenses, benefits and awards to employees covered by the Workmen's Compensation Act. For successful, efficient and economical operation of the fund there must be a competent staff trained to investigate and handle all claims promptly and make settlements strictly according to

statutory provisions. Accurate and complete records must be maintained. Loss data must be analyzed so as to discover and eliminate dangerous conditions.

Employees on Government Research Projects

The United States Government has, we understand, waived its usual requirement that its contractors carry standard workmen's compensation insurance and has agreed to accept coverage under your self-insurance fund for employees in research projects who are "workmen" as defined by the Compensation Act.

To cover claims of research employees who are not "workmen" as defined by statute under the self-insurance fund, the United States Government requires employer's liability insurance. You have satisfied this requirement by a policy with limits of \$50,000 per person and \$100,000 for all claims from one accident.

All employees engaged in government research are properly covered, therefore, either under the self-insurance fund or the employer's liability policy.

All Other Employees

For employees who are not within the definition of "workmen", such as the administrative staff or officers and teaching, research, supervisory and clerical staff whose duties are non-hazardous, the Board of Regents is authorized to require as a condition of employment acceptance of coverage under a group life and accident insurance plan. This plan is not mandatory, being left to the discretion of the Board of Regents.

However, any group insurance plan which may be adopted must comply with a separate statute which provides (a) that all employees of any class or classes shall be eligible, (b) that premium is to be paid wholly by deduction from employees wages and 75 per cent of the eligible persons must elect to be covered, (c) that the policy must cover at least 25 persons, and (d) that the amount of insurance must be based upon some plan precluding individual selection by the employees.

Section H

LIABILITY FOR INJURIES TO NON-EMPLOYEES AND DAMAGE TO PROPERTY

1. General Principles of Liability

The common law doctrine of immunity of the State and any Agency thereof from tort liability for any governmental function is well established and affirmed in Texas by judicial decisions and numerous Attorney General opinions. Education is without question a governmental function as evidenced by the constitutional provision for establishment of the University.

Except for provisions pertaining to workmen's compensation for state employees, we find in the Constitution and Statutes of Texas no provision waiving or abrogating the immunity of the State. Therefore, we conclude that the Board of Regents has no authority to expend funds for liability insurance.

2. Insurance Required by Government Contracts

Liability insurance is required for certain research projects under contracts with the Federal Government. Here, however, the premium is paid by the Government and not out of University Funds and the policy provisions and limits are as prescribed by the contracts. We, therefore, have no criticism of this coverage.

At the time of our audit, two automobile and general liability policies were in force covering various research projects. A third policy afforded protection and indemnity coverage and a fourth collision liability coverage, all in connection with the operation of a Navy picket boat. Bodily injury liability limits of \$50,000 for one person and \$100,000 for one accident, and property damage limits of \$5,000 for one accident and an aggregate of \$25,000 would not generally be considered adequate. However, we understand these limits conform with your contract requirements and that the U. S. Government assumes liability for judgments in excess of the policy limits.

3. Insurance for Specific Hazards

Despite the University's immunity from tort claims, a few liability insurance policies were in force at the time

of our audit. One issues to the Athletic Council and covers liability resulting from operation of hired automobiles used for transporting athletic teams. Others issuing to the Board of Regents cover liability resulting from operation by the Athletic Council of three Chevrolet Sedans. We are advised these policies were secured for public relations and possibly to protect the driver of the vehicle, probably a coach, team member, or manager, from law suit.

Assuming the Athletic Council is an Agency of the University, the legality of premium expenditure for these coverages might be questioned. Athletic activities are generally considered to be a part of the educational program and, therefore, a governmental function immune from tort liability. No abrogation nor modification of this principle was found in Statutes or Attorney General opinions in your State. Furthermore, the very fact that liability insurance is carried has in some cases been held to constitute a waiver of immunity although no such judicial decision was found in the State of Texas.

An automobile liability policy covering the truck which is assigned to the resident in Genetics at Galveston may be required by the terms of the grant, and we understand the premium is paid by the Rockefeller Foundation so that continuance of this policy is approved. Similarly, a policy covering liability in connection with the stadium at Texas Western College is also approved because of the interest of the City of El Paso in the underlying ground. No doubt, the insurance is a condition of the ground lease.

Except for these two policies, our conclusion is that the liability insurance should be discontinued since the University can and should rely upon its immunity. On these two and any other policies which are to be continued, the limits of liability are not considered adequate. Furthermore, on any liability policy which the University may carry, there should be endorsed on to the policy an agreement by the insurers not to use the defense of governmental immunity unless requested to do so by the insured.

Section I.

CRIME INSURANCE

1. General Considerations

The University of Texas is unquestionably exposed to loss of money, securities or other property as a result of criminal or dishonest acts, and probably the maximum possible loss would be substantial. Defalcations, widely publicized in recent years, have been ingeniously contrived and large in amount. One state university suffered a loss of approximately \$30,000 through embezzlement of a cashier. Robbery and burglary loss potentials can be more accurately measured by the funds kept on hand. Fidelity losses, however, are almost immeasurable.

It is, we think, clear that the Board of Regents is authorized under its broad Constitutional powers to purchase insurance for these risks, and, therefore, the Board should exercise its own discretion as to risks and amounts to be insured. Some forms of crime insurance have been maintained but, if continued, considerable improvement can be effected.

2. Comments on Present Insurance

(a) Fidelity Bond

The University of Texas, Central Administration and Available University Fund, Texas Memorial Museum, Medical and Dental Branches, M. D. Anderson Hospital, Southwestern Medical School and Texas Western College are jointly insured by a blanket fidelity bond, with a limit of \$5,000 on each employee. Excess insurance is afforded for selected positions, in amounts ranging from \$5,000 on certain bookkeepers and assistants, to \$45,000 each on the Controller and Auditor.

(b) Money and Securities

Robbery and burglary losses only are covered at locations described as Galveston and the John Sealy Hospital in one policy. Six policies cover loss of money and securities within or outside the premises at other locations, as follows:

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<u>Location</u>	<u>Limits</u>	
	<u>Within</u>	<u>Without</u>
Austin	\$50,000	\$50,000
Galveston	9,000	10,000
School of Dentistry	5,000	5,000
M.D.Anderson Hospital	9,000	9,000
Southwestern Medical School	2,140	2,651
Texas Western College	5,000	5,000

Limits are increased in several instances during the period when unusual amounts are at risk, with \$245,000 available at Austin at the beginning of the first semester, \$175,000 for the second semester, and \$76,500 for the first summer session. Similar but lesser increases are effected at Southwestern Medical and Texas Western College.

The coverage shown above at the Galveston Campus specifies that as to John Sealy Hospital it is excess over the separate robbery policy mentioned above.

3. Recommendations

Assuming that crime insurance is to be carried by the University, we suggest the following improvements and consolidation of coverage.

(a) Fidelity Insurance

Fidelity insurance should be consolidated under one blanket form. However, we suggest that the blanket position form be continued as primary coverage of \$5,000 on each employee, and excess coverage under a primary commercial blanket form with a limit of \$100,000 for each loss. The single limit for each loss under excess coverage eliminates the need of proving the exact loss caused by each employee. Also, it covers the unusual or prolonged and excessive loss. Admittedly, no one can foresee the extent of possible loss from dishonesty, nor is it possible to determine in advance with any degree of accuracy which person or position will cause a loss. The single limit excess coverage would relieve the Board of Regents of the burden of guessing which positions will require excess coverage.

(b) Money and Securities

The present plan of insuring money and securities

under separate policies for each location is neither efficient nor economical. Coverage should be combined into one broad form policy to insure loss by mysterious disappearance, wrongful abstraction or destruction, with blanket limits for all locations. This would not increase the cost because the premium is determined by actual exposure at each location, and may even reduce the cost because of discounts allowed for multiple locations.

To have proper coverage at the best possible cost, it will be necessary for each branch of the University to prepare accurate and complete data showing actual exposures at registration periods and also throughout the remainder of the year. This will permit computation of premium according to actual risk, although the blanket limit would, of course, be determined by the maximum risk, presumably at Austin.

Finally, the policy can be broadened to include coverage of money in the custody of ticket agencies and armored car services, wherever needed.

(c) Forgery

Except for protection under the fidelity bond for forgery by employees, we find no insurance to indemnify the University for loss due to forgery or alteration of checks or similar negotiable instruments. Generally, banks are responsible for accepting forged instruments, but there are conditions under which they will not be liable. The cost of such insurance is nominal, if employee losses are excluded.

(d) Consolidation

We recommend that all crime insurance be combined into one comprehensive policy. This is not only for reasons of administrative efficiency, but also of sound insurance practice.

With different insurers on the several risks it is always possible that losses may occur in such circumstances that the original cause is indeterminable. For example, there may be no adequate proof that a loss of funds was due to dishonesty of an employee, in which case the fidelity insurer could properly deny liability on the grounds that no fidelity loss was proved. The other insurer carrying the money and securities policy might also deny liability, claiming that it

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was a fidelity loss. If the same carrier is on both risks there is, of course, no area of dispute.

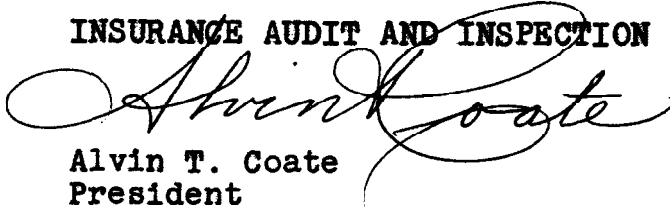
We recommend a comprehensive crime policy written for a three-year term, affording fidelity and money and securities coverages as outline above, and with forgery insurance included for a nominal limit if the Board decides this is a properly insurable risk.

Conclusion

We shall welcome the opportunity to be of further service to you and if additional information is needed on any comment or recommendation in the foregoing report, please write us. Information on insurance markets, companies, forms, rates, or any other relevant matter will be furnished promptly upon request. Mr. Massey will review the report with Mr. Sparenberg and your Insurance Committee at your convenience and be available to assist you in all matters related to insurance.

Respectfully submitted,

INSURANCE AUDIT AND INSPECTION CO.



Alvin T. Coate
President

ATC

INSURANCE AUDIT AND INSPECTION COMPANY
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This is attached to
Docket of Med. Branch which
was approved at Oct. 15, 1955,
meeting. Except this includes

THE UNIVERSITY OF TEXAS

MEDICAL BRANCH

AUXILIARY ENTERPRISES

4% figures.

BUDGET FOR 1955-56

AUXILIARY ENTERPRISES

SUMMARY OF ESTIMATED INCOMES AND EXPENDITURES

1955-56

	Estimated Income	Budget	Unbudgeted Income
Cafeteria	\$162,000	\$141,051	\$ 20,949
Hospitality Shop No. 1	162,000	140,908	21,092
Hospitality Shop No. 2	18,000	17,316	684
Bookstore	107,500	106,019	1,481
Dormitories and Apartments	102,816	65,800	37,016
Rebecca Sealy Nurses Residence	58,500	42,504	15,996
Nurses Residence 1001-1005 Strand - Prairie View Affiliates	6,560	2,971	3,589
	<u>\$617,376</u>	<u>\$516,569</u>	<u>\$100,807</u>

<u>AUXILIARY ENTERPRISES</u>	1953-54	1954-55	1955-56
<u>Administration</u>			
Director of Auxiliary Enterprises Elmer T. Stephens	\$. . .	\$ 4,200	\$ 5,220
0020 Secretary \$190-242 (1)	. . .	2,400	2,400
Maintenance, Equipment and Support	<u>. . .</u>	<u>. . .</u>	<u>500</u>
Total Expenditure	\$. . .	\$ 6,600	\$ 8,120
Total Budget	. . .		

Distribution:

Cafeteria	\$ 2,111
Hospitality Shop No. 1	2,111
Hospitality Shop No. 2	162
Bookstore	1,463
Dormitories and Apartments	1,380
Rebecca Sealy Nurses Residence	812
Nurses Residence 1001-1005 Strand - Prairie View Affiliates	<u>81</u>
	\$ <u>8,120</u>

<u>AUXILIARY ENTERPRISES (Continued)</u>	1953-54	1954-55	1955-56
<u>Cafeteria</u>			
Income:			
Gross Sales	\$195,385	\$168,624	\$162,000
Cost of Goods Sold	<u>108,459</u>	<u>91,116</u>	<u>89,100</u>
Gross Profit	\$ <u>86,926</u>	\$ <u>77,508</u>	\$ <u>72,900</u>
Expense:			
<u>Salaries</u>	\$ 59,534	\$. . .	\$. . .
Cafeteria Manager			
Dorothy Dunn	. . .	3,480	3,648
4105 Food Service Supervisor			
\$200-254 (1)	. . .	2,520	2,520
4100 Food Service Worker			
\$132-171 (11)	. . .	14,500	14,500
4200 Custodial Worker			
\$118-162 (11)	. . .	19,000	19,000
0000 Clerical Assistant			
\$154-200 (1)	. . .	1,872	1,872
Maintenance, Equipment and Support	<u>6,025</u>	<u>5,402</u>	<u>8,300</u>
Total Expenditure	\$ 65,559	\$. . .	\$. . .
Total Budget	<u>. . .</u>	\$ <u>46,774</u>	\$ <u>49,840</u>
Net Profit	\$ 21,367	\$ 30,734	\$ 23,060
Less: Pro-rata of Administrative Expense . . .	. . .	. . .	<u>2,111</u>
ADJUSTED NET PROFIT	. . .	. . .	\$ <u>20,949</u>
Net Profit Ratio	10.9%	18.2%	13.0%

<u>AUXILIARY ENTERPRISES (Continued)</u>	1953-54	1954-55	1955-56
<u>Hospitality Shop No. 1</u>			
Income:			
Gross Sales	\$. . .	\$158,268	\$162,000
Cost of Goods Sold	<u>. . .</u>	<u>96,000</u>	<u>101,185</u>
Gross Profit	<u>\$. . .</u>	<u>\$ 62,268</u>	<u>\$ 60,815</u>
Expense:			
<u>Salaries</u>			
Store Manager			
Margaret Woodard	\$. . .	\$ 3,648	\$ 4,020
4100 Food Service Worker			
\$132-171 (1)	. . .	14,196	1,704
0000 Clerical Assistant			
\$154-200 (5)	. . .	3,852	9,984
4200 Custodial Worker			
\$118-162 (1)	. . .	5,868	1,320
4101 Food Preparation Worker			
\$164-190 (10)	. . .	2,064	15,384
Maintenance, Equipment and Support	<u>. . .</u>	<u>4,584</u>	<u>5,200</u>
Total Expenditure	\$
Total Budget	<u>. . .</u>	<u>\$ 34,212</u>	<u>\$ 37,612</u>
Net Profit	\$. . .	\$ 28,056	\$ 23,203
Less: Pro-rata of Administrative Expense	<u>2,111</u>
ADJUSTED NET PROFIT	<u>\$ 21,092</u>
Net Profit Ratio		17.7%	13.0%

<u>AUXILIARY ENTERPRISES (Continued)</u>	1953-54	1954-55	1955-56
<u>Hospitality Shop No. 2</u>			
Income:			
Gross Sales	\$. . .	\$. . .	\$ 18,000
Cost of Goods Sold	<u>. . .</u>	<u>. . .</u>	<u>11,242</u>
Gross Profit	<u>\$. . .</u>	<u>\$. . .</u>	<u>\$ 6,758</u>
Expense:			
<u>Salaries</u>			
4100 Food Service Worker			
\$132-171 (1)	\$. . .	\$. . .	\$ 1,620
4200 Custodial Worker			
\$118-162 (1)	1,620
0000 Clerical Assistant			
\$154-200 (1)	2,172
Maintenance, Equipment and Support	<u>. . .</u>	<u>. . .</u>	<u>500</u>
Total Expenditure	\$
Total Budget	<u>. . .</u>	<u>. . .</u>	<u>\$ 5,912</u>
Net Profit	\$. . .	\$. . .	\$ 846
Less: Pro-rata of Administrative Expense	<u>162</u>
ADJUSTED NET PROFIT	<u>\$ 684</u>
Net Profit Ratio			3.8%

<u>AUXILIARY ENTERPRISES (Continued)</u>	1953-54	1954-55	1955-56
<u>Bookstore</u>			
Income:			
Gross Sales	\$98,220	\$107,500	\$107,500
Cost of Goods Sold	<u>79,159</u>	<u>85,300</u>	<u>85,300</u>
Gross Profit	\$19,061	\$ 22,200	\$ 22,200
Less: Rebates on Sales	<u>7,634</u>	<u>10,216</u>	<u>10,216</u>
	<u>\$11,427</u>	<u>\$ 11,984</u>	<u>\$ 11,984</u>
Expense:			
<u>Salaries</u>			
Store Manager			
Caroline O'Bryant	. . .	3,648	4,020
0010 Clerk-Typist			
\$180-231 (1)	. . .	2,280	2,520
Part-time Employees	\$. . .	\$. . .	\$ 300
Maintenance, Equipment and Support	1,055	1,000	1,000
Rental	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total Expenditure	\$ 7,885	\$. . .	\$. . .
Total Budget	<u>. . .</u>	<u>\$ 8,128</u>	<u>\$ 9,040</u>
Net Profit	\$ 3,542	\$ 3,856	\$ 2,944
Less: Pro-rata of Administrative Expense	. . .	. . .	<u>1,463</u>
ADJUSTED NET PROFIT	. . .	. . .	<u>\$ 1,481</u>
Net Profit Ratio			1.4%

<u>AUXILIARY ENTERPRISES (Continued)</u>	1953-54	1954-55	1955-56
<u>Dormitories and Apartments</u>			
Income:			
Apartments	\$. . .	\$. . .	\$ 27,000
Dormitories	<u>. . .</u>	<u>. . .</u>	<u>75,816</u>
Total Income	\$ <u>. . .</u>	\$ <u>. . .</u>	\$ <u>102,816</u>
Expense:			
<u>Salaries</u>			
4200 Custodial Worker			
\$118-162 (8)	\$. . .	\$. . .	\$ 13,000
Maintenance, Equipment and Support:			
Utilities	20,220
Physical Plant Maintenance	23,000
Insurance	1,200
Supplies and Miscellaneous	<u>. . .</u>	<u>. . .</u>	<u>7,000</u>
Total Expenditure	\$. . .	\$. . .	\$. . .
Total Budget	<u>. . .</u>	\$ <u>. . .</u>	\$ <u>64,420</u>
Net Profit	\$. . .	\$. . .	\$ 38,396
Less: Pro-rata of Administrative Expense	<u>1,380</u>
ADJUSTED NET PROFIT	\$ <u>37,016</u>
Net Profit Ratio			36.0%

<u>AUXILIARY ENTERPRISES (Continued)</u>	1953-54	1954-55	1955-56
<u>Rebecca Sealy Nurses Residence</u>			
Income	\$. . .	\$. . .	\$ <u>58,500</u>
Expense:			
<u>Salaries</u>			
4240 Housekeeper			
\$210-267 (1)	\$. . .	\$. . .	\$ 2,760
4200 Custodial Worker			
\$118-162 (11)	16,432
0200 Telephone Operator			
\$171-220 (4)	6,500
Maintenance, Equipment and Support	\$	<u>16,000</u>
Total Expenditure	\$
Total Budget	<u>. . .</u>	<u>. . .</u>	\$ <u>41,692</u>
Net Profit	\$. . .	\$. . .	\$ 16,808
Less: Pro-rata of Administrative Expense	<u>812</u>
ADJUSTED NET PROFIT	<u>\$ 15,996</u>
Net Profit Ratio			27.4%

<u>AUXILIARY ENTERPRISES (Continued)</u>	1953-54	1954-55	1955-56
<u>Nurses Residence 1001-1005 Strand</u>			
<u>Prairie View Affiliates</u>			
Income	\$. . .	\$. . .	\$ <u>6,560</u>
Expense:			
<u>Salaries</u>			
4200 Custodial Worker			
\$118-162 (1)	\$. . .	\$. . .	\$ 1,390
Maintenance, Equipment and Support	<u>. . .</u>	<u>. . .</u>	<u>1,500</u>
Total Expenditure	\$. . .	\$. . .	\$. . .
Total Budget	<u>. . .</u>	<u>\$. . .</u>	<u>\$ 2,890</u>
Net Profit	\$. . .	\$. . .	\$ 3,670
Less: Pro-rata of Administrative Expense	<u>81</u>
ADJUSTED NET PROFIT	<u>\$ 3,589</u>
Net Profit Ratio			55%

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

*Reported at
Exec. Meeting
10/15/55*

September 10, 1955

MEMORANDUM

TO: THE BOARD OF REGENTS

Several days ago the attached letter came to me from Dr. Moore and it was followed by a call from Mr. McCullough and from Dr. Blocker urging that I come down to Galveston for some ceremonies in connection with the formal launching of the Babe Didrikson Zaharias Fund, Inc.

I went down to Galveston yesterday and ascertained, to my relief, that the Fund was not to be a hybrid organization, having a loose connection with the Medical Branch there. As you can see from the attached copy of the Charter, it is set up as a private corporation, with several members of the medical faculty among the initial list of Directors. The expectation of the founders is that they will succeed in raising a considerable amount of money for the purposes designated and that most, if not all the funds, would be made available to the Medical Branch. During the informal exercises at the John Sealy Hospital, Mr. John McCullough presented a check for \$1,000 from the Sealy and Smith Foundation.

Since public notice concerning the establishment of this Fund may not give these particulars, I am sending you this information in order that you may be fully informed.

Logan Wilson

LW k
Encl.

cc: Dr. L. D. Haskew
Miss Betty Anne Thedford ←

GALVESTON

THE SCHOOL OF MEDICINE
 THE SCHOOL OF NURSING
 THE TECHNICAL CURRICULA
 THE POST-GRADUATE PROGRAM

THE JOHN SEALY HOSPITAL
 THE CHILDREN'S HOSPITAL
 THE PSYCHOPATHIC HOSPITAL
 THE ROSA AND HENRY ZIEGLER HOSPITAL

Sept. 7

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED	FILE
REC'D SEP 8 - 1955	
REFER TO	
PLEASE ANSWER	
PLEASE RETURN	AND RETURN

Dr. Logan Wilson, President,
 The University of Texas,
 Austin 12, Texas

Dear Doctor Wilson:

At the meeting of the Interim Executive Committee of the Medical Branch yesterday it was suggested that I write you about a matter which may very possibly develop to the stage that your approval and that of the Regents would be needed.

Babe Zaharias, the golfer, (Mrs. Mildred Didrickson Zaharias) has been a patient at the John Sealy Hospital for several months. X-rays have finally revealed apparent bone recurrence of the rectal cancer for which I operated upon her in Beaumont in April 1953. Her husband, George, has also been present most of the summer, and the two of them have become greatly interested in doing something for the Medical School and the John Sealy Hospital in the Babe's name. Dr. Paley, who has been so active in organizing the Medical Research Foundation of Texas, Inc., is working with them on the idea, and they are in consultation with their New York publicity manager and their attorneys.

George and Babe believe that they would be able to raise a half million dollars (or more) in short order through a national campaign for endowment of a Babe Zaharias Foundation in connection with this Institution. Many of us here believe this would be entirely possible in view of her national name, her connection with prominent television programs, and their professed intention to enlist the services of such famous friends as Bob Hope, Bing Crosby and Ben Hogan. At the moment a trial charter is being drawn up which describes the purposes of the proposed Foundation as "fostering scientific advances in detection and treatment of cancer." To date they have chiefly in mind (1) the support and expansion of the present John Sealy Hospital Tumor Clinic (perhaps renamed "The Babe Zaharias Tumor Clinic of the John Sealy Hospital"), and (2) expansion and improvement of facilities for irradiation therapy in the Department of Radiology. It might be entirely possible that they can raise so large a sum as would also provide a new hospital wing designed for these purposes. They have asked that the Board of Directors of the proposed Foundation include a number of Faculty members, representatives of the Sealy and Smith Foundation, and representatives of the Board of the Medical Research Foundation of Texas, Inc.; also themselves, their professional publicity manager, their attorney, several prominent golfers and entertainers, et cetera.

Dr. Logan Wilson

-2-

Sept. 7, 1955

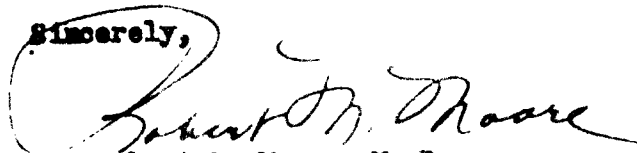
Since I came to know Babe and George in 1953 I have found them to be very steadfast people, and it now appears to me that they are completely sincere in this matter. Babe, often called "the greatest woman athlete of all time," is a Texan, and states she would like to leave a memorial in Texas "more dignified and worthwhile than the Oklahoma monument to Jim Thorpe." There are great possibilities in the proposed project if it materializes. Of course the Damon Runyan Fund or some other national foundation might yet spirit them away from us!

We thought you should have some advance knowledge that this possibility is "in the wind" here. We would welcome any advice or suggestions you or Mr. Sealy would care to offer. Should the matter develop much further it would be presented to you and to the Regents in a concrete form. We presume the correct procedure would be similar to that followed in the case of the Medical Research Foundation of Texas, Inc.

If there is continued progress in this matter you will hear from us again.

With best personal regards,

Sincerely,



Robert M. Moore, M. D.
Professor of Surgery

RMM:f

cc: Dr. Blocker

THE STATE OF TEXAS KNOW ALL MEN BY THESE PRESENTS;
COUNTY OF GALVESTON

That we the undersigned, two or more of whom being residents and citizens of the State of Texas do hereby voluntarily associate ourselves together for the purpose of forming a private corporation under and by virtue of the laws of the State of Texas, and under the terms and conditions hereinafter set out, as follows, to-wit:

I.

The name of the corporation shall be
THE BABE DIDRIKSON ZAHARIAS FUND, INC.

II.

The purposes for which this corporation is formed are to promote and support a benevolent and educational undertaking.

The method and means by which such purposes are to be accomplished is that this corporation will seek to acquire and accumulate money and other property through contributions and gifts, testamentary and otherwise, absolutely or in trust, which will be used within the discretion of its Board of Directors to encourage and advance methods of detection and treatment of cancer and other malignant diseases, or otherwise as hereinafter provided for, and under conditions as provided from time to time in the by-laws of this corporation.

III.

The Board of Directors of this corporation shall have the power to expend or disburse the funds and property of the corporation for purposes other than studies in methods of detection and treatment of cancer and other malignant diseases, as provided from time to time in the by-laws of this corporation, provided however, that such other purposes shall be to encourage and advance scientific investigation into medical and/or related subjects.

IV.

The places where the business of this corporation is to be transacted are Galveston in Galveston County, Texas, and elsewhere in accordance with the laws of said State, and its principal place of business is to be in Galveston in Galveston County, Texas.

V.

This corporation shall exist for a term of fifty (50) years; but by action of its Board of Directors this term may be extended or renewed as often and for such additional periods as at the time of the action may be lawful.

VI.

This corporation shall transact its business without profit, and shall have no stockholders, and shall have no capital stock. This corporation does not now have any cash, chattels, land rights or credits. Its funds shall be used only for public purposes. No director or member shall be eligible for any benefits, nor shall any such person receive any funds from the corporation or any monetary

return from the operation of the corporation, except such compensation as may be allowed for services actually rendered.

VII.

The business and affairs of this corporation shall be managed by a Board of Directors, the members of which shall be of number not less than five (5), and not more than eleven (11), not less than three (3) of which number shall be active members of the Board of Directors of The Medical Research Foundation of Texas, Inc., to be appointed in the number, manner and for the terms, as may be provided in the by-laws, and as may be provided from time to time as the by-laws may be amended. Should The Medical Research Foundation of Texas, Inc., cease to exist within the existence of this corporation, the Board of Directors existing at that time shall make appropriate provisions for selecting their successors, to be provided for in the by-laws of this corporation.

VIII.

The number of directors who shall serve for the first year, or until a new and full board may be selected in accordance with the by-laws, shall be eleven (11) and their names and residences are as follows:

Mildred Didrikson Zaharias	Tampa, Hillsborough County, Florida
George Zaharias	Tampa, Hillsborough County, Florida
Robert M. Moore	Galveston, Galveston County, Texas
Frederick J. Corcoran	Manhattan, New York City, New York County, New York
John L. Otto	Galveston, Galveston County, Texas
John H. Childers	Galveston, Galveston County, Texas
Hyman W. Paley	Galveston, Galveston County, Texas
John W. McCullough	Galveston, Galveston County, Texas
Charles G. Dibrell	Galveston, Galveston County, Texas
V. W. McLeod	Galveston, Galveston County, Texas
Martin Schneider	Galveston, Galveston County, Texas

In WITNESS WHEREOF, we have hereunto subscribed our names this ninth day of September, 1955.

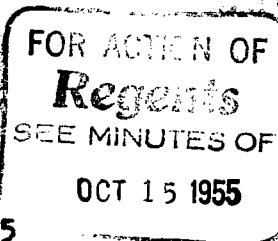
THE STATE OF TEXAS
COUNTY OF GALVESTON

Before me, the undersigned authority, on this day personally appeared Mildred Didrikson Zaharias and George Zaharias, each known to me to be persons whose names are subscribed to the foregoing instrument and also known to me to be citizens of the State of Florida, and Robert M. Moore, John L. Otto, John H. Childers, Hyman W. Paley, John W. McCullough, Charles G. Dibrell, V. W. McLeod, and Martin Schneider, each and all known to me to be persons whose names are subscribed to the foregoing instrument and also known to me to be citizens of the State of Texas, and each acknowledged to me that he executed the same for purposes and consideration therein expressed.

In testimony whereof, I hereunto subscribe my name and affix the seal of my office, this ninth day of September, 1955.

M. L. Frost, a Notary Public
in and for Galveston County, Texas

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12



September 20, 1955

MEMORANDUM

TO: REGENTS' DEVELOPMENTAL AFFAIRS AND
PUBLIC RELATIONS COMMITTEE

For your information and study in advance of the El Paso meeting, I am enclosing a copy of an inquiry from President Holcomb with reference to a proposed expansion of the Student Union at Texas Western College, together with Dr. Dolley's memorandum on this subject.

In accordance with Dr. Dolley's suggestion, there will appear on the agenda of the Developmental Affairs and Public Relations Committee a request for authorization to prepare preliminary plans of the proposed expansion and estimates of the total cost involved. I am recommending that the requested appropriation of \$3,000 from the Unappropriated Surplus to employ the firm of Davis and Foster to draw up the preliminary plans be considered by this Committee and referred to the Regents for action.

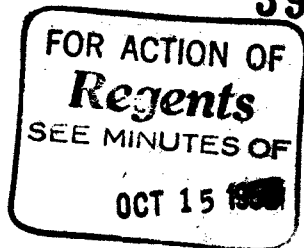
W
Logan Wilson

LW k

cc: Board of Regents
Dr. Dolley
Dr. Holcomb
Mr. Sparenberg
Miss Thedford ←
Mr. Stewart

THE UNIVERSITY OF TEXAS
OFFICE OF THE PRESIDENT
AUSTIN 12

September 19, 1955



MEMORANDUM

TO: Dr. Logan Wilson, President

FROM: James C. Dolley, Vice-President for Fiscal Affairs

SUBJECT: Proposal of Texas Western College for an Expansion of the Student Union

Senate Bill 359 authorizes the Board of Regents to issue revenue bonds secured by a compulsory fee levied on students for the purpose of constructing and equipping a new student activities building or an improvement of an existing facility of this type. This statute fixes the maximum permissible fee to be levied for this purpose at \$4.00 per Semester or Summer Session per student.

In this latter connection and with reference to Dr. Holcomb's last inquiry, it is my opinion that it would be necessary to levy such a required fee uniformly against every individual student registered, regardless of the semester hourage for which he was registered. This being the case, it would be in order for Dr. Holcomb to give consideration to the possible desirability of conducting a student referendum on this matter before making final decision. No such referendum is legally necessary; it is merely a question of policy with reference to student relations.

The first step in initiating this project is to request Board approval of authorization to prepare preliminary plans of the proposed expansion and estimates of the total cost involved. If you approve, the item of a requested appropriation of \$3,000 from Unappropriated Surplus to employ the firm of Davis and Foster to draw up preliminary plans should be placed on the agenda of the Building and Grounds Committee (I understand that this change in committee name is to be made) for the October meeting. This item of business, of course, clears through Mr. Sparenberg's office and thereafter the procedure will follow the established routine for handling a new construction project. In the meantime, Dr. Holcomb should provide our Endowment Office with estimates of student enrollment by Semesters and Summer Sessions for the period during which the proposed revenue bond issue will be outstanding. In addition, estimates of the annual cost of operating the expanded facility should be prepared and submitted if it is planned that these costs will come from the proposed compulsory student fee. The Endowment Office then will prepare tables indicating the amount of revenue bonds which could be serviced at varying interest rates and maturity schedules, which information is essential before final approval of the project is possible.

JCD:jj

James C. Dolley

cc: Mr. C. H. Sparenberg
Mr. Wm. W. Stewart

Texas Western College

OF THE UNIVERSITY OF TEXAS



Office of the President

at El Paso

September 14, 1955

Dr. Logan Wilson, President
The University of Texas
Austin 12, Texas

Dear Dr. Wilson:

PRESIDENT'S OFFICE, U OF T	
ACKNOWLEDGED _____	FILE _____
REC'D SEP 16 1955	
REFER TO _____	
PREPARED BY _____	

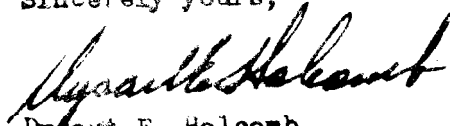
The Student Union Building at Texas Western College was constructed to take care of the needs of a student enrollment of approximately 1,000 to 1,500 students. The facilities of the Student Union Building are entirely inadequate for the present enrollment and anticipated future enrollments.

We have been giving consideration to the possibility of expanding the Student Union Building with the financing of an expansion being carried out under the authority granted by Senate Bill No. 359 as passed by the last session of the Legislature. This Bill gives the governing board the authority to levy a fee not to exceed \$4.00 per semester or \$4.00 for a summer session, the proceeds from which can be used to retire bonds or notes. If such a fee had been in effect for all full-time students at Texas Western College during the past long session and summer session the income would have been \$20,000. In view of our steady increase in enrollment from year to year we could anticipate the income from such fees would be in the order of \$25,000 per year within the next two or three years. Although we have not given serious consideration to the amount which might be invested in the expansion of the Student Union Building, I would anticipate that it would be somewhere between \$200,000 \$300,000. With a fee of \$4.00 per semester we could retire the indebtedness in from ten to twenty years depending upon the initial investment.

I am submitting this matter for your consideration for approval as an item for the October meeting of the Board of Regents. There is some question in my mind as to whether a request for a compulsory fee should be made first, or a request for an appropriation of \$3,000 from the Unappropriated Surplus to pay the architectural fees for preliminary plans and specifications for the proposed expansion. If the Board is agreeable to the proposed expansion we would like to retain the services of the architectural firm of Davis and Foster to draw up preliminary plans and specifications with the understanding that the initial fee paid to them would not exceed 1% of the estimated cost of the building. If possible, we would also like to return the \$3,000 to the Unappropriated Surplus at such time as the financing of any expansion of the Student Union has been completed.

We would also like an expression of opinion of the Board as to whether the proposed fee would apply only to full-time students (twelve semester hours or more) or if it might be levied on a prorated basis for students taking less than twelve semester hours each semester. If these suggestions meet with your approval we would like to request that they be included on the agenda for the next meeting of the Board.

Sincerely yours,



Dysart E. Holcomb
President