

Minutes of the regular quarterly meeting of the Board of Trustees, University of Kentucky, for Monday, April 18, 1932.

The Board of Trustees of the University of Kentucky met in regular quarterly session in the President's office at the University on Monday, April 18, 1932, at 10:30 a. m. The following members were present: Dr. W. W. Wash, Mr. Louis E. Hillenmeyer, Mr. Robert G. Gordon, Mr. J. B. Andrews, Mr. James Park, Judge Richard C. Stoll, Mr. E. B. Webb, and Mr. J. R. Rash. Meeting with the Board were Frank L. McVey, President of the University, and Wellington Patrick, Secretary of the Board.

The minutes of the meeting of the Board for the month of December, 1931, and the minutes of the Executive Committee for January, February and March, 1932, were all approved as published.

(1) Report of the Business Agent. The report of the Business Agent for the month of March was presented and a motion was made, seconded and carried that the report be entered in the minutes. The report was as follows:

EXHIBIT "B"

State of Income and Expenditures
Month of March 1932

	<u>Previously Reported</u>	<u>Current Month</u>	<u>Fiscal Year To Date</u>
General Fund Income			
Federal Appropriation	42,750.00		42,750.00
Vocational Ed. Bd.	5,879.62		5,879.62
State Tax	761,768.42	14,390.69	776,159.11
Int. on Liberty Loan			
Bonds	850.00		850.00
Int. on Endowment Bonds	8,644.50		8,644.50
Student Fees	146,373.88	1,683.96	148,057.84
Student Fees - Sum. Sch.	46,861.90		46,861.90
Student Fees - U.H.S.	10,180.00	30.00	10,210.00
Student Fees - El. Tr. Sch.	11,871.05	1,165.00	13,036.05
Student Fees - Un. Ext.	20,918.63	4,226.99	25,145.62
Misc. Receipts	18,596.13	1,979.20	20,575.33
Special Agr. Appro.	2,253.26		2,253.26
Rentals	2,590.40	246.50	2,836.90
Men's Dormitories	17,395.74	219.75	17,615.49
Total	<u>1,096,933.53</u>	<u>23,942.09</u>	<u>1,120,875.62</u>

Expenditures			
Instruction	639,852.15	6,798.60	646,641.75
Adm. Exp. & Maint.	271,126.57	15,893.67	287,020.24
Add. & Betterments	106,508.67	1,038.95	107,547.62
Total	<u>1,017,487.39</u>	<u>23,722.22</u>	<u>1,041,209.61</u>
Excess of Income over Expenditures	<u>79,446.14</u>	<u>219.87</u>	<u>79,666.01</u>
Patterson Hall Income			
Board	48,068.33	2,362.20	50,430.53
Misc. Receipts	154.35	58.55	212.90
Room Rent - Summer Sch.	4,777.75		4,777.75
Total	<u>53,000.43</u>	<u>2,420.75</u>	<u>55,421.18</u>
Expenditures			
Expense	34,718.78	5,824.10	40,542.88
Add. & Betterments	8,844.25		8,844.25
Total	<u>43,563.03</u>	<u>5,824.10</u>	<u>49,387.13</u>
Excess of Income over Expenditures	<u>9,437.40</u>	<u>(3,403.35)</u>	<u>6,034.05</u>
General Fund Income	1,149,933.96	26,362.84	1,176,296.80
General Fund Expend.	<u>1,061,050.42</u>	<u>29,546.32</u>	<u>1,090,596.74</u>
Excess of General Fund Income over Expenditures	88,883.54	(3,183.48)	85,700.06
Excess of Receipts over Expenditures for General Ledger accounts	<u>89,522.15</u>	<u>(33,167.95)</u>	<u>56,354.20</u>
Excess of Receipts over Expenditures for the fiscal year to date - General Fund	<u>178,405.69</u>	<u>(36,351.43)</u>	<u>142,054.26</u>
Excess of Receipts over Expenditures for the fiscal year to date - General Fund			142,054.26
Cash in Bank July 1, 1931 - General Fund			<u>(107,858.56)</u>
Cash in Bank March 31, 1932 - General Fund			<u>34,105.70</u>

3.

Trust Fund Income			
Student Loan Fund	2,057.15	149.11	2,206.26
Student Notes Paid	3,449.80	256.63	3,706.43
Total Receipts	<u>5,506.95</u>	<u>405.74</u>	<u>5,912.69</u>
Expenditures			
Expense	425.57	42.00	467.57
Student Notes	4,300.00	728.00	5,028.00
Total	<u>4,725.57</u>	<u>770.00</u>	<u>5,495.57</u>
Excess of Receipts over Expenditures	<u>781.38</u>	<u>(364.26)</u>	<u>417.12</u>
Excess of Receipts over Expenditures for the fiscal year to date - Trust Fund			417.12
Cash in Bank July 1, 1931 - Trust Fund			<u>1,417.64</u>
Cash in Bank March 31, 1932 - Trust Fund			<u>1,834.76</u>
Experiment Station Income			
Hatch - Fed. Appro.	11,250.00		11,250.00
Milk and Butter - Cash Receipts	8,326.08	873.92	9,200.00
Beef Cattle Sales	1,076.35		1,076.35
Dairy Cattle Sales	198.81		198.81
Sheep Sales	424.93		424.93
Swine Sales	710.14	50.62	760.76
Poultry Sales	2,151.30	179.37	2,330.67
Farm Produce Sales	1,679.69	39.76	1,719.45
Horticultural Sales	1,180.05	19.70	1,199.75
Seed Test	22.00		22.00
Rentals	3,203.36	171.57	3,374.93
Miscellaneous	2,641.86	338.51	2,980.37
Fertilizer - Fees	8,191.00	10,473.00	18,664.00
Public Service - State Appro.	5,499.99	1,833.33	7,333.32
Public Service - Misc.	39.60		39.60
Feeding Stuffs - Fees	22,242.15	2,212.76	24,454.91
Adams - Federal Appro.	11,250.00		11,250.00
Serum - Sales	2,181.13	185.82	2,366.95
Serum - Virus Sales	100.35	11.10	111.45
Serum - Supply Sales	123.55	21.25	144.80
Serum - Misc. Receipts	53.41		53.41
State Appropriation	12,340.03	5,673.37	18,013.40
Creamery - License Fees	5,555.00	49.50	5,604.50
Creamery - Testers' Lic.	1,812.00	46.00	1,858.00
Creamery - Glassware Tested	211.44	36.29	247.73
Robinson - St. Appro.	5,202.16	1,529.28	6,731.44
Robinson - Misc. Rec.	500.09		500.09

West Ky. St. Appro.	5,581.28	1,576.86	7,158.14
West Ky., Misc. Rec.	208.49	249.59	458.08
Purnell - Fed. Appro.	45,000.00		45,000.00
St. Appro. - Patterson Farm Pur.	25,000.00		25,000.00
Nursery Inspection - Fees	1,430.00	115.00	1,545.00
Nursery Inspection - St. Appro.	682.96	352.90	1,035.86
Poultry Improvement	1,630.00		1,630.00
Cream Grading	6,150.00	300.00	6,450.00
Blood Test	1,126.25	109.25	1,235.50
Total	<u>194,975.45</u>	<u>26,448.75</u>	<u>221,424.20</u>

Expenditures			
Expense	261,950.06	29,162.05	291,112.11
Add. & Betterments	2,409.39	234.96	2,644.25
Total	<u>264,359.45</u>	<u>29,396.91</u>	<u>293,756.36</u>
Excess of Expendi- tures over Income	(69,384.00)	(2,948.16)	(72,332.16)
1930-1931 Accounts Pay- able liquidated during Current Year	<u>(16,511.37)</u>		<u>(16,511.37)</u>
Excess of Expenditures over Receipts	<u>(85,895.37)</u>	<u>(2,948.16)</u>	<u>(88,843.53)</u>
Excess of Expenditures over Receipts for the fiscal year to date - Experiment Station			(88,843.53)
Cash in Bank July 1, 1931 - Experiment Station			<u>60,174.95</u>
Cash in Bank March 31, 1932 - Experiment Station			<u>(28,668.58)</u>

Extension Division Income			
Federal Smith-Lever	148,310.55		148,310.55
Federal Add. Co-op.	31,000.00		31,000.00
Fed. Supp.	53,091.74		53,091.74
Federal Capper-Ketcham	36,801.18		36,801.18
State Smith-Lever	18,793.12	17,726.59	36,519.71
State Capper-Ketcham	3,920.07		3,920.07
Urban Garden Fund	5,000.00		5,000.00
County and Other	1,624.19	138.76	1,762.95
Total	<u>298,540.85</u>	<u>17,865.35</u>	<u>316,406.20</u>

Expenditures			
Expense	<u>286,529.88</u>	<u>38,020.88</u>	<u>324,550.76</u>

Excess of Expenditures over Income	<u>12,010.97</u>	<u>(20,155.53)</u>	<u>(8,144.56)</u>
Excess of Expenditures over Income for the fiscal year to date - Exten. Div.			(8,144.56)
Cash in Bank July 1, 1931 - Extension Div.			<u>6,905.79</u>
Cash in Bank March 31, 1932 - Exten. Div.			<u>(1,238.77)</u>

Summary

General Fund Income	1,149,933.96	26,362.84	1,176,296.80
Trust Fund Income	2,057.15	149.11	2,206.26
Exper. Sta. Income	194,975.45	26,448.75	221,424.20
Exten. Div. Income	<u>298,540.85</u>	<u>17,865.35</u>	<u>316,406.20</u>
Total	<u>1,645,507.41</u>	<u>70,826.05</u>	<u>1,716,333.46</u>
General Fund Expenditures	1,061,050.42	29,546.32	1,090,596.74
Trust Fund Expend.	425.57	42.00	467.57
Exp. Station Expend.	264,359.45	29,396.91	293,756.36
Exten. Div. Expend.	<u>286,529.88</u>	<u>38,020.88</u>	<u>324,550.76</u>
Total	<u>1,612,365.32</u>	<u>97,006.11</u>	<u>1,709,371.43</u>
Excess of Income over Expend.	33,142.09	(26,180.06)	6,962.03
1930-1931 accounts Payable liquidated during Current Year	(16,511.37)		(16,511.37)
Excess of Receipts over Expenditures for General Ledger Accounts	89,522.15	(33,167.95)	56,354.20
Student Loan Fund - Notes	<u>(850.20)</u>	<u>(471.37)</u>	<u>(1,321.57)</u>
Excess of Receipts over Expenditures for the fiscal year to date - Combined Fund	<u>105,302.67</u>	<u>(59,819.38)</u>	<u>45,483.29</u>
Excess of Receipts over Expend. for the fiscal year to date - Combined Fund			45,483.29
Cash in Bank and on hand July 1, 1931 - Combined Fund			<u>(37,360.18)</u>
Cash in Bank and on hand March 31, 1932 - Combined Fund			<u>8,123.11</u>

Abstract of item shown on Statement of Income and Expenditures as "Excess of Receipts over Expenditures for General Ledger Accounts \$56,354.20."

	<u>Debit</u>	<u>Credit</u>
Accounts Receivable		32,524.19
Insurance Paid in Advance	3,682.27	
Sundry Accounts	_____	_____
	3,682.27	27,512.28
		60,036.47

		3,682.27
		56,354.20

2. Agreement With Lexington City Schools for Training School. President McVey presented to the Board a communication from Dr. H. H. Hill, City Superintendent of Schools of Lexington, making a proposed modification in the arrangement for the instruction of Lexington City pupils who are assigned to the Training School. The matter was considered and referred to the President and Executive Committee with power to act.

3. Professional Services Rendered by Dr. W. W. Dimock. A communication was read from Dean Cooper indicating that at a meeting of the Executive Committee last year arrangements were made whereby Dr. W. W. Dimock, Head of the Department of Veterinary Science should receive compensation for certain types of professional services rendered by him, the compensation to be paid by persons receiving such service, it being distinctly understood that such service shall not interfere with Doctor Dimock's official duties at the University. A motion was made, seconded and carried that the privilege be continued for the year 1932.

4. Payment to Combs Lumber Company. A bill for \$600.00 to Combs Lumber Company, for preparing a schedule of sound values on all University buildings and the buildings of the Experiment Station was read, and on motion duly seconded, ordered paid.

5. Dr. A. G. McFarlan Appointed Director of Mineral and Topographical Survey. On recommendation of President McVey, Dr. A. C. McFarlan, Head of the Geology Department at the University, was appointed Director of Mineral and Topographical Survey, in accordance with the recent act of the General Assembly creating such a department and placing it at the University.

6. Purchase of Coal. A communication was read from Mr. M. J. Crutcher, Superintendent of Buildings and Grounds, as follows:

The total coal tonnage delivered to the University, Experiment Station and Dormitories amounts to approximately 4000 tons per annum. Under our present arrangement we are paying two profits on this coal, first, the dealer's profit on the mine price, and second, the dealer's charge for hauling. These amounts are as shown:

Dealer's profit on 4,000 tons @ .60	\$2400.00
" hauling charges on 4,000 tons @ .75	3000.00
Total savings	<u>\$5400.00</u>

Now that we have our own siding I feel that we can contract directly with the mines and handle our own deliveries without any difficulty. This scheme will also give us absolute control over every lump of coal from the time it leaves the car until it is thrown into our bins. I have never been quite satisfied with our present system of coal handling. There are too many wide open opportunities for substitution, leaks and losses.

In order to place this scheme in operation it would be necessary to purchase two two-ton second-hand or slightly used dump trucks. I know where two such trucks can be purchased for a sum between \$1,000.00 and \$1400.00. A statement of our cost for the first year would be approximately as follows:

2 2-ton used dump trucks	\$1400.00
Hauling cost on 4000 tons @ .30 ..	<u>1215.00</u>
	\$2615.00

Net saving for the year approximately	\$2785.00
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The matter was discussed by members of the Board and on motion duly made and seconded, referred to the Executive Committee with power to act.

7. Sale of Warrants. Mr. Peak reported sale of warrants as follows:

The following warrants have been sold, three at ninety-four and one-half and the last named at ninety-two and one-half per cent and accrued interest:

No. 3384 -	\$ 283.33 -	Nursery Inspection, Experiment Sta.
No. 4014 -	1,399.49 -	Western Ky. Sub-Experiment Station
No. 5160 -	1,392.55 -	" " " " "
No. 1076 -	1,234.67 -	Robinson Sub-Experiment Station

Will you have the Board approve these sales?

On motion, duly seconded, the sale was approved and ordered recorded.

President McVey reported to the Board that the University College Section has approximately \$93,000 in State warrants and an additional amount of Experiment Station warrants which have been placed at the Security Trust Company, Lexington, Kentucky, as collateral for a loan for the payment of operating expenses. The matter was discussed and a motion was made, seconded, and carried, authorizing the Business Agent of the University, with the approval of the President of the University and Chairman of the Executive Committee to sell warrants at the current market price when it seems desirable to do so.

8. Renewal of Loan at Security Trust Company. President McVey reported to the Board that it had been necessary at a previous meeting of the Executive Committee to borrow from the Security Trust Company \$100,000 to meet necessary operating expenses of the University. He stated that the note will soon fall due and that the Security Trust Company now holds as collateral state warrants considerably in excess of the loan. He stated that it is necessary to have some authority from the Board to renew the loan. The matter was discussed and the Business Agent of the University was authorized to renew the note for the loan either in whole or in part.

9. Granting of Degrees. At the end of the first semester on February 1, the University Senate recommended that degrees be conferred on a number of persons finishing their courses at that time. Authority for conferring the degrees was passed on by a special committee of the Executive Committee, consisting of Judge Stoll and Mr. Park. A motion was made, seconded, and unanimously adopted that conferring degrees on the following persons be approved.

COLLEGE OF ARTS AND SCIENCES

Candidates for the Degree of Bachelor of Arts

Margaret Louise Alexander	Alvin McGary
Mary Susan Armstrong	Pearl Louise McIntyre
Nannie Louise Best	Kermit Allen Pack
Malinda Owsley Bush	Mabel Aleene Palmore
Richard Coleman Carr	Rosena Catherine Rogers
Milton James Cavana	Lizzie Mary Shipley
Ellen Langino Goode	Thomas Lee Smith
Fred Morgan Gross	Charles Thomas Stewart
Sarah Lillian Jones	Mary Frances Young
Robert Joseph Kee	

Candidates for the Degree of Bachelor of Science

William Paul Haller
Claude Lynn Nesbitt
Travis Bun Pugh, Jr.

COLLEGE OF AGRICULTURE

Candidate for the Degree of Bachelor of Science in Agriculture

Noble Everette Bailey

Candidates for the Degree of Bachelor of Science in Home Economics

Martha Juanita Chapman
Julia Ann Dugan
Mary Hood Gillaspie
Eudelah Hamby
Sarah Jane Wheeler

COLLEGE OF LAW

Candidates for the Degree of Bachelor of Laws

Oliver Lander Bright
William Napier Dixon
Martin Richardson Glenn
Harry Ligon Green
Rufus Lisle

COLLEGE OF EDUCATION

Candidates for the Degree of Bachelor of Arts in Education

Vivian Mae Burke	Katherine Robert Shivell
Lucille Genevieve Finneran	Soris Dee Smith
Ada King Fishback	Benjamin Stark
Frances Cunningham Herndon	Kathryn Elinor Watson
Adelia Williamson Jackson	Helen Dorothy Weber
Sallie Joe Bodkin Lawrence	Madalyn Ruth White
Jane Lyle Rhorer	George Wallace Whitlow

COLLEGE OF COMMERCE

Candidates for the Degree of Bachelor of Science in Commerce

Elden Edwin DuRand, Jr.
Wilbert Wesley Holtzclaw
Philip Michael Minor
Corinne Cassell Moore
Douglas Druin Nunn
Glenn Frederick Weinman

GRADUATE SCHOOL

Candidate for the Degree of Master of Arts

English - Sam Jackson Denney
Education - Albert Robinson Evans
Education - Thomas Neville Warwick Fincel
Education - Hallie Katterjohn Griffin
English - Cora Katherine Megibben
Education - Clarence Nickell
Political Science - Pemberton Johnson Ross, Jr.

Candidate for the Degree of Master of Science

Agricultural Economics - Thomson Ripley Bryant

Candidate for the Degree of Civil Engineer

Elgan Brooks Farris

Candidates for the Degree of Mechanical Engineer

Robert W. Spicer
Ernest Allen Welch.

Candidate for the Degree of Doctor of Philosophy

Education - Oscar Fitzgerald Galloway

10. Report of the President. President McVey made the following report to the Board which was read and ordered recorded in the minutes:

At the April meeting of the Board of Trustees the budget for the coming year is usually presented. The annual budget is worked out in detail for every division and department of the University before consideration by the Board. I am unable to make such a presentation at this meeting. The situation differs materially from that of any other year in the history of the University. Declining revenues and complicated legislation pointing to some uncertainty as to whether there will be any income at all, leave budget making a very difficult matter. It is with that background I present the situation to the Board of Trustees, under three headings: (1) The Present; (2) Next Year; and (3) The Dilemma.

I. THE PRESENT

In the year 1930-1931, the University of Kentucky received from the proceeds of the inheritance tax and general property tax on real estate and intangibles, the sum of \$1,137,000. Anticipating a decline in the amount that would be received this year, the estimated income was reduced \$203,000, leaving the budgeted income from such sources at \$930,000, as compared with \$1,137,000 which had been received from the state in the year before.

Up to date of this year, the receipts from the same sources have amounted to approximately \$800,000. There may be some additional amounts that will come in before the close of the year. The University finished the previous year with a deficit of \$107,000, due to the building program that had been carried on. As a consequence of the decline in revenues, the University was brought face to face with a situation at the first of March as to whether it could actually pay salaries for the remainder of the year. At the meeting of the Executive Committee, held in February, it was decided to cut salaries ten per cent. Since then, upon my own action, full payments were made on all salaries of less than \$100 per month, and \$100 on all salaries above that sum. Money was forthcoming to meet this salary list.

The University has borrowed \$100,000 from the Security Trust Company and deposited state warrants with it as collateral. It will be necessary to make payments on the loan, and the proceeds which may come from the selling of warrants will meet most of this loan. But the Division of Colleges owns \$93,000 of these warrants, which with the discount now running on warrants will leave \$15,000 to be found elsewhere. The rest of the warrants have been issued to meet federal funds and must be used to offset those funds. This may leave the University in a position where it may not be able to pay salaries for the

remainder of the year on a fifty per cent basis.

The amount required to carry on the University in the form of light, water, telephone and labor bills amounts to \$45,000.

The situation, therefore, may be recorded as follows:

Loan, Security Trust Company.....	\$100,000
Monthly operation costs, three months....	45,000
Salary balance on April first.....	35,000
Balance Salaries, 10% out, three months..	<u>225,000</u>
	\$405,000

To offset this sum there is as follows:

Warrants on deposits.....	93,626.93
Balance in bank	17,000.00
Expectations of income from state --	
April, May, June	<u>50,000.00</u>
	\$160,626.93

This sum is inadequate to meet salaries. The Security Trust Company loan and operation costs will take \$145,000 leaving \$15,000 for salaries. Borrowing is the only way out, if borrowing can be resorted to.

A CREDIT UNION

The failure on the part of the University to pay salaries due March first, even in part, left members of the staff in a difficult situation. Some of them were reduced to no funds at all. I presented the situation at a meeting of the staff on March 30. The way in which this dis-spiriting news was received was a matter of great comfort to me personally. There was a fine spirit of cooperation and understanding manifested by all the members of the staff. At that time I told them that the University might not be able to pay salaries due April first. On April 2, the situation had changed somewhat and I was able to tell the members of the staff that those receiving \$100 or less per month, would be paid in full for March and that all others would receive \$100 of their salaries. Recognizing the necessity of rendering some assistance to members who might be in need of it, a conference was called the evening of March 30, and the conclusion was reached that some provision should be made to organize an agency by which loans could be made to members of the staff. A second conference, with twenty citizens outside the University added to the committee, was called Friday evening, April 1. A plan for a credit union was presented, and after discussion, adopted, and \$10,000 raised at the meeting. A committee of the Board of Commerce called a meeting of citizens at the Phoenix Hotel, where the plan was presented. At this meeting the amount previously subscribed

was increased to \$25,000. Since then an agreement has been drawn up, forms and blanks provided, and a loan committee formed consisting of Messrs. Peak, Gillis and Melcher. The Board of Commerce has appointed J. E. McFarland and Fred Bryant trustees of the fund. The fund is expected to reach \$40,000 or \$50,000. A number of applications has been received by the committee. This credit union will undoubtedly prove very helpful, though it necessitates the pledging of salaries now due or due in the future, as collateral for loans.

II. THE NEXT YEAR

It is unnecessary to review the legislative situation in detail, but certain phases of it ought to be pointed out, so that the position of the University may be clearly understood. In the Budget Bill, known as House Bill No. 378, provision was made for the purpose of operating the University during the biennium by appropriating for the general University fund \$970,000.00 annually, for agricultural instruction \$25,500.00 annually. The Summer Session had an appropriation of \$10,000.00; library stacks \$17,000; for the operation of the Experiment Station, \$50,000.00. For the substations at Princeton and Quicksand there was appropriated \$25,000 each, for the construction of an abattoir, \$14,000; for the agricultural extension work, \$179,531.00. This bill passed both houses and reached the governor, ^{who} because of the failure of the legislature to provide adequate revenue, struck out the amount appropriated for the general operation of the University, cut out the Summer Session appropriation of \$10,000; reduced the amount for library stacks to \$15,000; reduced the amounts for the substations at Quicksand and Princeton to \$20,000 each; struck out the amount for the abattoir and reduced the appropriation for agricultural extension to \$120,000. The position taken by the Governor was that if the main item for the University was stricken out, the University would return to its previous support which was from the inheritance tax and 6.7% of the tax on real estate and intangibles. There was left in the bill, however, under Section 112, a statement which says, "All annual and or continuing appropriations not provided for in this Act and all other laws and parts of laws in conflict herewith are hereby repealed." I shall leave this section for further discussion.

Item 46 (k-1) provides that "In addition to the various appropriations made to the University of Kentucky out of the general expenditure fund of the state, there are hereby appropriated to the University all fees, rentals, and other operating receipts of various units as now, or as may hereafter be provided by law. All fees, rentals and receipts of all kinds of the University, the Experiment Station or the Extension Division shall be paid into the State Treasury and credited to the department or division from which received and paid out only upon warrants of the Auditor of Public Accounts, as needed from month to month and when proper vouchers have been presented to and approved by the Auditor."

The fiscal year of the State begins July 1 and taxes are not paid in any amount until the following January and February. The expenses of this period have been met in the past by borrowing from the bank in anticipation of future income. If the University goes back to the inheritance tax and mill tax very little in the form of receipts will be received by the State and consequently, the question arises as to how expenditures will be met between the first of July and the payment of taxes. Will the auditor be authorized to set up an estimated sum for these institutions and issue to them the check of the State on vouchers in anticipation of these incomes? Or, if he issues warrants, what proportion of the warrants will the University receive when sold on the market, or to what extent can banks accept these warrants in return for actual cash?

The section also provides that these expenditures shall be presented to and approved by the auditor. The auditor is thus in a position to determine educational policies, matters of income and other expenditures. I think it may be said good sense would indicate the wisdom of not doing this, but I bring this to the attention of the Board of Trustees to show that the situation is an extremely complicated one and since the power of carrying on the University has been placed in the Board of Trustees, it should insist upon administering the University and determining its policy.

I am pointing out in an abbreviated form the possible income of the University under the inheritance tax and real property tax, and am also pointing out the reduced expenditures that may be set up in the budget. The inheritance tax is in a questionable position. Thus far the auditor under the direction of the attorney general, has continued to pay the receipts from that source, but if the tax is questioned in the courts and the problems of refunds raised it would be very difficult to determine what the income of the University would be from this source.

III. THE DILEMMA

There is a definite dilemma in the situation in which the University finds itself. (1) If the amended Budget Bill is accepted and not questioned in the courts, what will the income of the University be for this fiscal year? (2) Will the auditor, treasurer and governor cooperate with the University in the fullest degree in the payment of the inheritance tax receipts? (3) If a case is brought into the courts on the question of refunds, will these refunds be paid out of inheritance taxes or be made a charge against the general fund of the State? (4) Is it likely the auditor will pay to the educational institutions the receipts arising from the inheritance tax, and the tax on real estate and intangible property when there is a question as to the validity of certain phases of the budget act? Is he not likely to raise the question as to his power to pay out receipts to these institutions without jeopardizing his bondsmen? He is likely, therefore, to ask whether he is authorized to make such a payment:

and it is quite likely we shall have to think of the University and the teachers' colleges being without receipts of any kind, as a result of the complications that have arisen.

On the other hand, there is this phase of the matter, namely; whether the amounts appropriated for the support of the institutions under the Budget Bill can be stricken out and have substituted therefor the inheritance taxes and the general property taxes. It will be recalled that Section 112 of the Budget Bill provided for the repeal of all other appropriations and continuing appropriations.

I am including in this discussion an analysis that has been made of the situation from the legal point of view. This analysis is not my own. It was handed to me as a memorandum and I do not know who the author is, but it has such clearness of statement upon the points involved that I am including it.

1. Section 88 - Ky. Constitution - Veto power.

"The Governor shall have power to disapprove any part or parts of appropriation bills embracing distinct items, and the part or parts disapproved shall not become laws unless reconsidered and passed, as in case of a bill."

2. The Governor of the Commonwealth vetoed Sec. 44-H. B. 37⁰ - (general appropriation bill) 1932 Ky. General Assembly.

Q. What is the status of appropriations for the Western Kentucky State Teachers College for the fiscal years ending June 30, 1933, and June 30, 1934?

A. The Governor states that this institution will revert to the appropriation received for the fiscal year ending June 30, 1932, which is derived from the millage and inheritance allotments. He states that in his opinion the institution will receive that amount of money which millage and inheritance allotments will yield for each of the fiscal years next ensuing. The Chairman of the Tax Commission expresses the same opinion. The opinions of the Governor and the Tax Commissioner are based on an interpretation of Sec. 1992a-26 Carroll's Ky. Statutes which they have stated in published interviews refers to millage allotments. We believe, however, that this interpretation is open to question for reasons which will be stated below.

3. Q. Is the appropriation to the Western Kentucky State Teachers College for the fiscal year 1931-1932 a continuing appropriation?

A. Chapter 152, Act 1930, states that millage and inheritance allotments are for specific years and expire June 30, 1931

and June 30, 1932. In this connection reference to the appropriation acts of the General Assembly to the Western Kentucky State Teachers College for the fiscal years ending June 30, 1921, 1925, and 1929 (Acts.) show that the millage allotments and inheritance tax allotments were altered from time to time and have been in all cases enacted for specific fiscal years. On the basis of these facts it would seem that the millage and inheritance allotments to the Western Kentucky State Teachers College for the Fiscal year ending June 30, 1932, do not constitute a continuing appropriation. In further support of this contention Sec. 110 of H. B. 378, (general appropriation bill), 1932 General Assembly specifically repeals all annual and or continuing appropriations not provided for in the act. The appropriation to the Western Kentucky State Teachers College in this bill is a specific amount and not a millage allotment.

4.

Q. Can the Governor, through the exercise of the veto power continue an appropriation act of a previous General Assembly beyond the date of expiration specified by that General Assembly?

A. It would seem that he cannot. No such power is expressed or implied in Sec. 88 of Kentucky Constitution. Should he have the power to do so, he would have the power to legislate without the approval of the General Assembly.

5. Q. On what basis does the Governor claim that millage and inheritance allotments of 1931-32 to the Western Kentucky State Teachers College shall continue through the ensuing years of the next biennial period?

A. Sec. 1992a-26 Ky. Stat. Baldwin's Rev. Ed. 1930, provides revenue for budget units in case of Governor's veto of appropriation made by the legislature to any budget unit that has had a previous existence in the State government. No other provision is made for appropriations in case of Governor's veto.

6. Q. Does Sec. 1992a-26 provide for the continuance of the specific appropriations (millage and inheritance allotments) to the Western Kentucky State Teachers College the fiscal year ending June 30, 1932, in the case of the Governor's veto?

A. We do not think so. Sec. 1992a-26 Carroll's Ky. Statutes 1930, Baldwin's Rev. Ed. is as follows: In the event that the general assembly should fail to make an appropriation or appropriations for the fiscal year or years next ensuing or the governor shall veto an appropriation or item, then and in that event an appropriation equal in amount

to the appropriation made for each budget unit for the fiscal year next preceding, exclusive of appropriations for capital outlays, is hereby made and shall continue available from year to year until an appropriation shall have been made as is provided herein and shall become effective. In case the appropriation made for any budget unit is applicable alike for capital outlays and other expenditures, the budget commission shall determine what proportion of such appropriation shall continue available for the maintenance and operation of the budget unit, as hereinbefore provided in this section, until an appropriation shall have been made by the general assembly. (March 27, 1926), c. 170, page 764, g. 26.)

It will be noted that this section does not state that the specific appropriation of such preceding year shall continue in effect in the event the General Assembly fails to appropriate or of the Governor's veto. The language used is "Appropriation equal in amount."

Section 15 of Chapt. 12, Acts, 1918, repealed by Art. 1a Chapt. 59 Ky. Stat., states that "in event the General Assembly shall fail or refuse to make appropriation for the ensuing biennium then the appropriations for such preceding year for each of said departments, etc., shall continue until changed by the General Assembly." The intent of this section is to continue the specific appropriation made to each budget unit.

The chief difference between the language of the Act of 1918 shown above and that of 1926 is that in the former the specific appropriation is continued while in the latter an appropriation equal in amount is made. In order to interpret the language of 1926 as meaning millage and inheritance allotments in the case of the five state institutions and the public schools it is necessary to hold that the language "appropriation equal in amount" means millage in one case while it means dollars and cents in the case of budget units receiving flat appropriations, since only the five state institutions, the public schools and certain appropriations for the highway commission are made on the millage basis. It seems unlikely that language so specific as "appropriation equal in amount" is open to two different interpretations.

7. Q. Can an appropriation equal in amount to the appropriation of the fiscal year next preceding be made to any budget unit by continuing millage and inheritance allotments?

A. Only by chance. As total distributable revenue fluctuates, moneys derived from a percentage allotment must also fluctuate. Example: Income derived by the Western Kentucky State Teachers College for fiscal year ending June 30, 1932, from 2 19/30 real estate tax, etc., plus $\frac{1}{4}$ of income derived from inheritance tax is approximately \$400,000.00. Estimated revenue accruing to the Western Kentucky State Teachers College from these sources on the basis of millage and inheritance allotments for the fiscal year ending June 30, 1933, is approximately \$250,000.00*

It is obvious that the continuance of the millage and inheritance allotments of the fiscal year ending June 30, 1932, as a source of revenue for the Western Kentucky State Teachers College for the fiscal year ending June 30, 1933, cannot constitute an appropriation equal in amount to that of the fiscal year next preceding but according to best estimates available the millage and inheritance allotments will produce between \$100,000.00 and \$150,000.00 less for the fiscal year ending June 30, 1933, than for the fiscal year ending June 30, 1932.

In this connection it should be observed that if Sec. 1992a-26 is construed to mean that millage and inheritance allotment shall continue to constitute the basis for computing the amount of money accruing to the Western Kentucky Teachers College for the fiscal years 1932-33 and 1933-34, then the governor may, through the exercise of the veto either decrease or increase specific appropriations according to whether the distributable funds from which millage and inheritance allotments are made shall decrease or increase during the succeeding biennial period.

* Refund of inheritance tax accruing to the state after July 1, 1932, to be applied to refund of claims of non-residents to the amount of \$450,000.00 or \$500,000.00. Decision U. S. Supreme Court. Opinion of the Attorney General of Kentucky as to how refund shall be made.

8. Q. What did the General Assembly have in mind in enacting Sec. 1992a-26 Ky. Statutes.
- A. The failure of the General Assembly to pass an appropriation measure or to appropriate funds for the continuance of a specific budget unit is not intended to be an act abolishing or discontinuing any or all budget units for which no appropriation or appropriations are made unless the General Assembly by specific legislative enactment so decides. In drafting the Budget appropriation bill, a specific budget unit or units might be omitted by accident or otherwise. It might occur that neither the General Assembly nor the affected budget unit or units would have any knowledge of this omission until after the General Assembly had adjourned. In the event the General Assembly fails to pass an appropriation bill (as might easily have occurred in the recent General Assembly) then and in that event the affairs of the government shall be carried on through making appropriations equal in amount to that of the next preceding year.

In the event the Governor vetoes all or any item of an appropriation measure, provided the budget unit or units so effected have had a previous existence in the state government, under the provisions of Sec. 1992a-26 an appropriation equal in amount is made in order that the Governor may not through his veto destroy a budget unit which has been found necessary to the welfare of the state and which the legislature deemed wise to continue. Except for provisions of this section the Governor might through veto close the asylums, penitentiaries, public schools, state colleges, the courts, or any other arm of the state government. In the event the Governor shall veto an appropriation for a commission or institution which has had no previous existence in the state government, as in the case of appropriation for abattoir at Kentucky University, the vetoed section is in the same category as that of the veto of any other bill.

9. Q. Is Sec. 1992a-26 in conflict with Sec. 88 of the Constitution (Veto Power of the Governor).
- A. This case has not been passed upon by the courts, but since Section 1992a-26 does not restrict the power of veto but instead defines the procedure to be followed by the Commonwealth in dealing with the affected budget unit in the event of veto, it would not seem to be in conflict with Section 88 of the constitution.

10. Q. Does H. B. 378, Sec. 110, repeal millage and inheritance allotments and other standing appropriations?
- A. Yes, according to a statement of Senator Perry B. Gaines, Chairman of the Joint Appropriations Committee of the House and Senate. Senator Gaines states it was the intention of the bill to repeal all annual and/or continuing appropriations. As pointed out above, millage allotments automatically expire with the close of the fiscal year for which the allotments are made.
11. Q. Does Sec. 110 of H. B. 378 repeal Sec. 1992a-26?
- A. This point will have to be decided. So far as is known, no budget unit has previously operated under the provisions of Sec. 1992a-26. If, however, the disbursement of state funds on the basis of millage is valid under the provisions of this section, the disbursement on the basis of amount is likewise valid. If the intent of the General Assembly in enacting this section is considered, it seems reasonable to assume that Sec. 1992a-26 is not an annual blanket and/or continuing appropriation of the nature or kind which Sec. 110 of H. B. 378 seeks to repeal but is an emergency provision, administrative in nature, intended to protect the Commonwealth or any of its existing and necessary boards, commissions, institutions, etc., from being rendered inoperative through the failure of the General Assembly to appropriate funds or in the event the Governor shall veto all or any part of an appropriation measure made to previously existing budget units.
12. Q. In the event that the Western Kentucky State Teachers College should be placed on the basis of the amount of money received during the fiscal year 1931-1932 and other budget units similarly effected should be placed on a corresponding basis, from what source might funds be derived to satisfy these appropriations.
- A. Decisions of Kentucky Court of Appeals rendered in the interpretation of Section 49 of the State Constitution have held, on different occasions, that the necessary running expenses of the state government shall not be regarded as a debt in the terms of the constitutional limitation of indebtedness. According to these decisions it would seem that the auditor would be required to issue warrants for the amount of the appropriations to the several budget units.

The above is not intended as an opinion on the case at hand, but is submitted as a study of some of the questions that will arise should it be deemed desirable to pursue the investigation further.

CONCLUSION

The problems which confront the Board of Trustees are:

1. What can be done to pay salaries in whole or in part during the remainder of the University year?

2. What legal steps should be taken, if any, in the complicated and chaotic situation in which the University finds itself?

3. What arrangements should be made to clear up possible difficulties that may arise between the auditor, treasurer and institution in the conduct of affairs next year?

4. What provision can be made to pay back salaries from any receipts that may be available next year?

11. Closing the University's Books Due to Decline in Revenue and Failure to Pay Salaries in Full. The following communication from L. H. McCain, Accountant of the University, was read and discussed. The communication was ordered entered in the minutes and a motion made, seconded, and carried that a notation be made on the books, indicating that these back payments in salary be made when, as, and if collected from the State.

Before the close of business June 30, 1932, the salary pay rolls for March, April, May and June should be charged on the books of the University and distributed to the different departments. The amount paid by check would be charged to the Treasurer's Account and the amount due but unpaid would be charged to Accounts Payable.

It is necessary to do this in order to show on schedule of classified expenditures the correct amount of expenses incurred during the fiscal year, and to bring our records into accord with the report of the audit, as the Auditor will unquestionably set up in his balance sheet the amount of salaries accrued but unpaid.

12. Workmen's Compensation Insurance. The question of workmen's compensation insurance now carried by the University on all employes was brought up for discussion. A motion was made, seconded, and carried that at the expiration of the present policy, this insurance not be renewed; and also that the Business Agent be authorized to notify all employes of this action.

13. Boiler Insurance. A motion was made, seconded, and carried that all insurance on boilers be cancelled at such time as the President of the University may designate.

14. Insurance on Buildings. President McVey, Mr. Peak, and Mr. Webb, recently appointed to submit a statement of the value of buildings for insurance purposes, reported that the Combs Lumber Company, Lexington, Kentucky, had at the request of the committee, made an estimate of the value of buildings. This report was published in the minutes of the Executive Committee for March, 1932. A motion was made by Mr. Gordon, and duly seconded, requesting the committee to report at the next meeting the details as to the particular kind of insurance to be placed on the respective buildings.

15. Printing of Government Bulletins. President McVey reported to the Board that a number of complaints from federal authorities regarding the delay in printing such publications had been received. The matter was discussed and a motion was made, seconded, and carried, authorizing President McVey to take up direct with the state printers the printing of such bulletins.

16. Police Authority for Night Watchman. President McVey reported that he had received from Mr. Crutcher a statement suggesting that some arrangements be made for police authority for the night watchman. Whereupon a motion was made, seconded, and carried that the President of the University be authorized to take up with the proper authorities the matter of police service, on the University campus.

17. Fees for Summer Session. A motion was made, seconded, and carried fixing the fees for the summer session at \$22.50 per term.

18. Fees for Regular Session. The question of an increase in fees for the coming year was discussed. On recommendation of President McVey, a motion was made, seconded, and carried, fixing the fees for next year at \$47.00 per semester in all colleges for students residing in the State, except the College of Law, which is \$50.00, and at \$60.00 per semester for non-resident students.

19. Rental on Rooms in Dormitories. The question of rental in the dormitories was taken up and discussed and a motion was made, seconded, and carried authorizing the President to fix the rental to be paid in the dormitories, or to make such changes as in his judgment may be advisable.

20. Budget for 1932-33. President McVey presented to the Board a proposed budget for the year 1932-33. The matter was discussed but no action taken awaiting the determination of the legal status of the budget act and the return of University income to the previous act.

21. Honorary Degrees. On recommendation of the faculty, the Board authorized that the honorary degree of LL.D be conferred on Mr. J. Irvine Lyle of the class of 1896, and Mr. Matson B. Jones of the class of 1894, it being understood that these degrees are to be conferred at the regular spring commencement.

22. The Faculty Loan Fund. A resolution was offered, seconded and adopted, expressing appreciation for the action of the business men of Lexington in providing a loan fund of \$45,000 for the members of the University staff who have not received their full salaries.

23. Resolutions for Attitude of Faculty. A resolution was offered expressing appreciation to the members of the University faculty for the attitude, morale, manifested in their expression of confidence in the University authorities in the present financial difficulty.

24. The Financial Situation. The after/^{noon}session of the Board was devoted to a careful discussion of the financial situation at the University. The Business Agent of the University met with the members and presented a carefully prepared statement of income and necessary operating expenses for the rest of the year. Meeting with the Board was Mr. J. Pelham Johnston, attorney of Lexington, who was requested to look into the legal aspects of the situation. A lengthy discussion of the whole situation took place and on motion duly made and seconded, the matter was referred to the Executive Committee with the request that they meet at once and work out some plan on which the University may operate for the rest of the year.

25. Appointments, Changes in Status, etc. The following list of appointments and changes in status of employes was presented by President McVey and approved by the Board:

Leave of absence without pay for Miss Rebecca Averill for the second semester, 1932-33, was granted.

The appointment of Miss Maude Freeland as stenographer in the Department of University Extension, to take the place of Mrs. Kirkpatrick, resigned, was approved, effective May 1, 1932, at a salary of \$100 a month.

The resignation of Miss Charlotte Smith, as part-time employee in the Department of Political Science, was accepted effective March 1, 1932. Miss Gardia Cottle was appointed on full time to do the work formerly done by two part-time persons.

A communication was read from Brinkley Barnett, assistant professor of electrical engineering, asking that under the present financial conditions, he desires to withdraw his application for leave of absence. The Board allowed the request to be withdrawn.

The resignation of A. M. Harrison, assistant county agent, Graves County, recently resigned, effective March 15, 1932, was accepted as of March 15.

26. Aid for Tobacco Growers. A communication from Dean Thomas P. Cooper indicating that a plan is now under way by which the Experiment Station and United States Department of Agriculture will jointly work out a plan for charging fees for grading tobacco, transmit a certain percentage of the funds to Washington, and use the remainder to pay salaries of graders. On motion duly made and seconded, Dean Cooper was authorized to enter into such an arrangement.

Respectfully submitted,

Wellington Patrick
Secretary of the Board