

November 30, 1961

Mr. Paul Scherer
Associate Director, Administration
National Science Foundation
Washington 25, D. C.

Dear Mr. Scherer:

We wish to propose that the annual management allowance under Contract NSF - C160 be increased to \$200,000. effective 1 July 1962. The present management allowance of \$50,000 per annum was negotiated at the inception of the contract on 1 June 1960. This sum was intended to defray management expenses prior to the establishment of the National Center for Atmospheric Research. The principal expenses involved during that period were for the travel of UCAR trustees to meetings of the Board, the Executive Committee and of the several working committees. It has been our experience that the \$50,000. fee was adequate for the management expenses contemplated at the time this fee was negotiated. Now that the National Center has been established management expenses have grown and now exceed the \$50,000. per annum rate.

A major step will occur during the fiscal year beginning 1 July 1962 when a nearly seven-fold increase in the budget is planned. This will mark the beginning of the major research effort at the National Center and also the start of construction on the permanent site. This represents a clear change-over from the planning phase to the operational stage. The management responsibilities of UCAR will correspondingly increase and change. It is therefore appropriate to consider the management fee in the light of these new responsibilities rather than from a simple extrapolation of past expenses.

It is our contention that the management allowance should provide for the following needs, all of which we deem essential to the prudent and effective management of the National Center.

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1. Ordinary corporate expenses including travel expenses of Trustees and officers, legal expenses, secretarial and book-keeping assistance and the like. The present management allowance was intended to take care of this class of expense. If, as now appears probable, it is necessary to operate an office of the Corporation, additional funds will be required.

2. Expenses necessary to the proper management of, and to the prosecution of the program of, the National Center but which for some reason are not proper charges against the contract. A number of such expenses has arisen already and it is largely for this reason that the current rate of corporate expenses exceeds the management allowance. It is clear that expenses of this sort will continue and will probably increase in amount.

3. To ensure financial stability of an enterprise of the size of the projected National Center it is essential that the Corporation build up a reserve fund. Over a period of a few years this fund should become large enough, as a minimum, to cover the operating costs of the Center for one month and a larger amount would be prudent. It is the Corporation's responsibility to honor its commitments to the staff of the Center in the event of an unavoidable delay in governmental funding.

4. Funds should be available to permit the UCAR Board to take the initiative to lend immediate support to activities that will further the National goals in the atmospheric sciences but which are not specifically covered by the contract. An example would be the initial support of a novel research concept that did not fall within the scope of the current financial plan. The Board of Trustees consists of the leading university atmospheric scientists and a very able group of university administrations strongly motivated by a common desire to advance the atmospheric sciences. If the Board is given an opportunity to exercise initiative it will continue to be a vital factor; otherwise it may well degenerate into a routine administrative body.

It is neither possible nor appropriate to present a formal budget for the management allowance. In arriving at the total we propose, we have made estimates of the sums needed under each of the four categories above. It seems appropriate to share this with you although our formal proposal refers only to the total.

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1. Ordinary corporate expenses	70,000
2. For necessary expenses not chargeable to contract	30,000
3. Contribution to reserve fund	70,000
4. "Opportunistic" fund	<u>30,000</u>
Total	\$200,000

Although we arrived at the total of \$200,000 independently we have had the opportunity of comparing this with the management allowances of certain other non-profit corporations that manage national laboratories. We presume that you have access to similar information. Taking account of the inevitable differences we feel that our proposal is not out of line with the management allowances of similar corporations. It is generally accepted that the management allowance should bear some relation to the total budget of the laboratory. We are proposing a four-fold increase in management allowance in comparison to either a fourteen-fold (based on initial \$500,000 budget) or a seven-fold increase in the budget (based on the current fiscal year budget).

I am prepared to discuss this proposal with you by mail or in person as you may desire.

With my kindest personal regards,

Sincerely yours,

Henry G. Houghton
Chairman of the Board

cc: H.R. Byers
M.A. Farrell
R. Wilkinson
J.L.J. Hart
W.O. Roberts