

Houston Philosophical Society

632<sup>nd</sup> Annual Meeting

Cohen House

October 15, 2009

Under the leadership of President Evelyn Keyes, the Society gathered for a reception and dinner meeting. President Keyes informed the members that two matters of business will be presented for a vote of the members at the November meeting: (1) Amendment of the Bylaws to replace the Audit Committee with a Long Range Planning Committee and (2) Approval of eight membership applications that were approved by the EC at its meeting today. She also announced the death of member Dr. June Holly, former section head and member of section F. Following dinner, Vice President Herb Ward facilitated the introduction of guests as well as new members attending for the first time since their election.

After a break, President Keyes introduced past President Robert Patten to introduce the speaker of the evening, Dr. Larry Faulkner, who now serves as the President of the Houston Endowment. Dr. Faulkner did his undergraduate work at SMU and received his PhD in Chemistry from the University of Texas Austin. After various administrative assignments he became the 27<sup>th</sup> President of the University of Texas and served from 1998 to 2006, when he became President of Houston Endowment. Dr. Patten praised Dr. Faulkner for managing up and down as well as out and excelling in all three.

The Houston Endowment is an outgrowth of the success of Jesse and Mary Gibbs Jones and is the largest foundation in Texas and nationally ranked between 30 and 35. It was established in 1937 by these two citizens of influence. Jesse was born in Tennessee in 1884. He left school at age 13 to be in charge of tobacco dealing for his family, then moved to Texas at age 8 to manage a lumber yard in Dallas. At age 24, he moved to Houston to serve as executor for his uncle.

Houston in 1900 boasted a population of 44,633 which increased by 1920 to over 138,000. During this growth period, Jones started building skyscrapers hoping to create a great city similar to Paris with a restriction on the height of buildings. The limitations on height were soon exceeded, and Jones proceeded to build a substantial part of downtown Houston. He built the Gulf Building, the Rice Hotel, the Lamar Hotel, the National Bank of Commerce, and the Houston *Chronicle* and the Houston *Post*, which he later sold to the Hobby family. In 1920 he married Mary Gibbs of Mexia, Texas.

The idea of a ship channel interested Jones, and he conceived and sold the idea of financing it on the basis of 50% federal contributions matched by 50% local contributions. This was the first such use of the idea of matching funds. The Houston Harbor Board planned and built the ship channel. One reason for the port was the apparent vulnerability of the Port of Galveston demonstrated by the great hurricane there, along with the need to connect rail and water-borne commerce.

The ship channel was Jones's first venture into public service. Through it, he came to know Colonel House who was a confidant of President Woodrow Wilson. During World War I, Jones was active in the work of the Red Cross, which provided support for the troops, and he was active in the proposal that army nurses be made officers, which was approved by President Wilson. The Joneses were friends of the Wilsons (Woodrow & Edith), and Jones led the effort to establish a pension for retired Presidents.

Jones remained active in politics and brought the 1928 Democratic convention to Houston by building a convention arena, which afterwards became the Houston Coliseum. During the Great Depression, Jones convened a meeting that led to local action to prevent bank failures in the Houston area.

Herbert Hoover appointed Jones to the Reconstruction Finance Commission, which brought the couple to Washington until 1946. Jones was appointed by President Roosevelt as chair of the RFC, which was charged with getting banks back into business utilizing as a stimulus vehicle the government's acquisition of preferred stock in banks as a means of recapitalizing them. During World War II, the RFC became a vehicle for financing armament factories. By 1940 Jones was Secretary of Commerce and served as loan administrator.

The Joneses returned to Houston in 1946, where Jesse died in 1956 and Mary Gibbs in 1962.

The Joneses interest in scholarship and support of higher education included a major scholarship program in Houston for all high schools to encourage college attendance, as well as specific support for African-American higher education, including Prairie View A&M University and Texas Southern University.

The Houston Endowment was set up to further the Joneses' philanthropic interests. The Houston Endowment is now 70 years old. It was a pass-through until the death of its founders, when their assets were assigned to the endowment. Those included operating entities like the Chronicle, the Rice Hotel, and National Bank of Commerce. By 1987, when the Chronicle was sold to Hearst for \$415,000,000 (1987 dollars), the foundation had moved out of operations. This liquidation provided 2/3 of the corpus of the endowment.

From 1991 to 2003, under Jack Blanton's leadership, the Foundation was professionalized and its procedures were regularized. This was the formative period for a strong foundation. The current small staff of 24 includes 8 or 9 in the grant area and the others in management of investments.

The Foundation is now valued at \$1,500,000,000. New grants for 2009 exceed those for 2008. By law the Foundation must dispose of 5% of the assets annually. Applicants for grants are all 501(c)(3) entities, and some 700 to 800 apply annually.

Jones Hall was built entirely by the Houston Endowment (with 1.5 years of grant making). The Mary Gibbs Jones College for Women at Rice, The Jones School of Business at Rice and TSU, the Blanton Museum at University of Texas at Austin, and Houston's Discovery Green represent other major grants.

The Houston Endowment's governance principles stress accountability. The documents do not constrain the use of the funds, and a decision has been taken to concentrate grants in the greater Houston area—a huge place with great social demands.

The areas of grants are (1) arts and culture, (2) education, (3) the environment, (4) health, and (5) human services. They range from \$5,000 to \$20,000,000. Grants above \$5,000,000 are rare.

The guidelines are evaluative, not directive. Will the proposal make a difference if realized? Who can deliver? Is there a fair experience base?

In education, the concern of the Foundation is to maximize the utilization of education and to encourage high school students to attend and graduate from college. In the arts the issue is audience development. Who will be the audiences? The Foundation supports companies and facilities in the arts. In health it strives to support a network, or pseudo network, of services enhancing capacity and lowering costs. In the environment, the emphasis is on green space and air quality, with an effort to integrate these along the bayous. In human services, food comes first as the Foundation seeks to serve people who are uncertain about the source their next meal with an emphasis on humanity and dignity.

Dr. Faulkner believes the Endowment is well matched to Houston and prepared to address problems and issues. It uses its money to help make Houston a better place.

Dr. Faulkner entertained a number of questions following his address.