

MEETING OF THE BOARD OF TRUSTEES

OF THE

UNIVERSITY OF ILLINOIS

May 15, 1933



A special meeting of the Board of Trustees of the University of Illinois was held at 10 o'clock a. m. (Chicago time) on Monday, May 15, 1933, at the Palmer House, in Chicago, pursuant to the following notice which was sent out by the Secretary on May 8, 1933:

On the call of the President, Mr. Edward E. Barrett, a special meeting of the Board of Trustees of the University of Illinois will be held at the Palmer House, in Chicago, at 10 o'clock a. m. (Chicago time) on Monday, May 15, 1933, to consider budgetary matters and particularly the attitude of the Board to certain proposed legislation to require the payment of fees and other receipts of the University into the State Treasury.

The following members were present: President Barrett, Mr. Armstrong, Mr. Barr, Mrs. Hopkins, Mr. Karraker, Dr. Meyer, Mr. Williams.

President Chase was present; also Judge Johnson and Professor Morey.

MATTERS PRESENTED BY PRESIDENT CHASE

The Board considered the following matters presented by the President of the University.

**HOUSE BILL 828 (DEPOSIT OF UNIVERSITY FUNDS
IN STATE TREASURY)**

(1) A statement concerning House Bill 828 presented by Representative Devine on May 2, 1933, and referred to the Revenue Committee.

On motion of Dr. Meyer, the following resolution was unanimously adopted.

WHEREAS, House Bill 828 will, if enacted into law, seriously affect the operations of the University of Illinois,

NOW, THEREFORE, BE IT RESOLVED: That the Revenue Committee of the House, to which House Bill 828 was referred, be requested, in connection with the consideration of the bill, to make full and complete inquiry into the methods adopted by the Board of Trustees of the University of Illinois for carrying on its business operations and for the safeguarding of funds in its custody, to the end that the action of the Revenue Committee on this Bill may be in accordance with the best interests of the state as a whole.

The Board hereby tenders the Revenue Committee complete access to its records bearing on the matter under consideration and offers full cooperation to the Committee so that all pertinent facts may be made available for its use.

HANDLING OF FINANCES

(2) The following statement:

MANAGEMENT OF UNIVERSITY FINANCES

Funds received by the University of Illinois come from various sources. There are State appropriations which make up by far the largest share of its revenue. These funds remain in the State Treasury and are paid out only on specific requisitions for definite stated purposes made by the Board of Trustees. Two items are included in the funds appropriated by the State which are paid to the University in lump sums. These are, first, the annual interest on the land-grant endowment of the University by the Federal Government, the principal of which was taken over by the State nearly forty years ago with the understanding that interest at five per cent should be paid to the University on this fund given the University by the Federal Government. This amounts to \$32,451 annually. Second, there is an item of \$50,000 assigned annually for the University by the Federal Government, which is appropriated by the Federal Government to the State on the understanding that it will be reappropriated to the University. These funds are all shown in the appropriation bill.

In addition to the above, the University has funds from the following sources: Receipts from student fees, from its experimental farms, its dairy, the cafeteria operated by the students in its Department of Home Economics, from room and board in its Residence Halls for Women; from gifts for specific purposes by individuals; and federal funds for specific purposes appropriated directly to the University by the Federal Government and amounting last year to \$376,000. Excluding these federal funds, which are available only for specific purposes in accordance with acts of Congress, the funds available to the University from other sources than its State appropriation will, it is estimated, amount next year to approximately \$1,100,000, of which about \$800,000 will be in student fees. Detail of these receipts for 1931-32, the last complete fiscal year, is shown in Schedule A, attached.

The income available for general use is calculated by the University, and the State is asked to appropriate only the balance necessary to make up the

University budget after all such sources of revenue are taken into account. The income from the sources above referred to is not handled through the State Treasury, but by a treasurer selected by the Board of Trustees. The Board of Trustees of the University of Illinois is and always has been a corporation under the laws of the State with the usual corporate rights and responsibilities. Among the responsibilities imposed on it by its charter is that of selecting a treasurer for the custody of University funds other than those appropriated by the State.

The trustees have exercised the utmost care in the handling of these funds. The University has come through the disturbed banking conditions of the last few years without loss and with an item of only \$37,006.87 temporarily tied up on account of the closing, in January, 1932, of the First National Bank of Champaign, in which it kept its funds. This amount is safeguarded in two ways: first, by the participation of the University in the payment of further dividends from the predecessor bank, and second, by the personal bond for \$2,000,000, still in force, and executed by five responsible citizens. Furthermore, except for an item of \$10,000 this amount is made up of trust funds which are on any interpretation the corporate property of the University itself.

In view of the disturbed financial conditions in recent years the Board has steadily sought to safeguard funds in the hands of its Treasurer by more and more stringent provisions. Prior to 1930 the Board followed the then prevailing practice of requiring a sufficient personal bond from thoroughly responsible people. When Mr. A. M. Burke was re-elected Treasurer in March, 1929, he tendered a personal surety bond of \$1,500,000, signed by nine citizens of the community whose aggregate worth was more than five million dollars. Mr. Burke selected the Citizens State Bank of Champaign, of which he was an officer, as the depository of funds in the custody of the Board of Trustees.

In December, 1929, the Citizens State Bank of Champaign was taken over by the First National Bank of Champaign. Had this not been the case the Board would still have had what at that time was a thoroughly good personal bond for the entire amount on deposit with the Citizens Bank, and there is no reason to believe that the University would have suffered any loss.

Mr. Hazen S. Capron, Vice-President of the First National Bank of Champaign, was elected Treasurer to succeed Mr. Burke on December 12, 1929. He submitted bonds in the penal sum of two million dollars, executed by two responsible surety companies, insuring among other things that the Treasurer would account for all moneys and properties belonging to the Board which might come into his custody as Treasurer. Mr. Capron selected the First National Bank of Champaign as his depository. In March, 1931, on the occasion of Mr. Capron's re-election as Treasurer the following arrangement was made. The depository bank was required and did deposit as collateral Government bonds to cover the deposit, and in addition, a personal bond for \$2,000,000 was taken, signed by five responsible residents of the community of Champaign-Urbana.

In January, 1932, the First National Bank of Champaign closed. The Government securities deposited as collateral were taken over by the Board and sold, the arrangement having been upheld by the Comptroller of the Currency. From this sale and from payments made by the reorganized bank was realized an amount sufficient to cover the entire deposit with the exception of the \$37,006.87 above referred to, which as explained above, is still covered by personal bond and by segregated assets of the predecessor bank.

In February, 1932, Mr. Frank M. Gordon, Vice-President of the First National Bank of Chicago, was elected Treasurer of the University. The substance of the agreement between him and the Board protects the deposits of the University, first, by a bond in the sum of one million dollars, executed by a surety company, and, second, by the deposit of securities of the United States Government of the market value equivalent to the full amount of the University deposit in the bank. These securities are in the custody of the First Union Trust & Savings Bank of Chicago and are subject to the control of the University itself insofar as withdrawals of securities are concerned.

Operations carried on by the University are checked as follows:

Money collected in any department of the University, for any purpose, is turned in daily to the Bursar, of the Comptroller's Office. The Bursar is required to deposit his total receipts at once to the credit of the Treasurer in the depository bank selected as already described. The transactions of the Bursar and of all departments collecting money are subjected to continuous check by a separate division of the Comptroller's Office.

Money deposited to the credit of the Treasurer cannot be drawn against by the latter. It is disbursed by the bank on warrants drawn against the Treasurer payable at the bank. These warrants are issued only in payment of bills incurred in accordance with assignments of funds made by the Board of Trustees, and are signed by the President and the Secretary of the Board or responsible deputies. All employees who handle money or sign warrants are under bond. The account of the Treasurer is verified monthly by the Comptroller, and quarterly by independent public accountants reporting directly to the Board.

Securities representing the investment of permanent funds are deposited with a trust company for safekeeping. This company collects interest and principal and deposits the same at the depository bank in the same manner as other receipts. These matters are verified regularly in the same manner as are the accounts of the Treasurer. No security may be disposed of except as a result of action of the Board of Trustees and notice by it to the trust company.

Quarterly reports are made by the University Comptroller to the Governor under oath, showing the disposition of all funds, regardless of source, whether State appropriations or the above described general funds of the University.

SCHEDULE A

	<i>Receipts for</i> 1931-32
Student fees	\$1 074 340
Sales of products of experimental farms.....	109 531
Receipts of experimental dairy, and of cafeteria operated by Home Economics Department (both of these activities are self-supporting).....	82 842
Receipts of Medical and Dental clinics.....	68 785
Federal Smith-Hughes Fund for vocational education.....	15 370
Miscellaneous sources	72 531
<i>Total</i>	<u>\$1 423 399</u>

The Board of Trustees also receives and handles certain funds which may be used only for certain purposes designated by outside parties:

Federal grants for agricultural research and extension.....	\$ 376 573
Gifts for research and other special purposes, and income on endowments for special purposes.....	203 660
<i>Total restricted income</i>	<u>\$ 580 233</u>

In addition to the above, the University operates three residence halls housing about ten per cent of its women students. The income from these halls is applied mainly to their operation. A small hospital for students and faculty, built by private gift, is also maintained. The gross receipts from these activities for 1931-32 were \$165,125.

Repayments of student loans created by private gift, together with interest from the same, and proceeds of sales or maturities of investments of endowment funds created by private gift, are also handled through the University treasury.

This statement was approved and adopted. It was the sense of the Board that a copy of this statement be sent to each member of the General Assembly.

PRESIDENT'S HOUSE

(3) The following statement:

THE PRESIDENT'S HOUSE*Historical*

For many years it had been felt by the Board of Trustees of the University that there should be provided a house which would serve, not alone as a personal residence for the President, but as the official headquarters of the University for various public affairs. With its large faculty and student body and its many visitors from outside, it was felt that the University was in need of such a building, and for two or three years prior to the construction sums were set aside from unexpended balances from University income other than from State sources toward the cost of such a house.

At the January, 1928, meeting of the Board of Trustees the building of such a house was definitely agreed on as the result of the report of a special committee which had been studying the matter for some time. At that time a report was adopted stating that a President's House should be provided and that the University's Supervising Architect and Mr. Charles A. Platt should prepare preliminary plans for such a house. Mr. Platt was retained by the Board as a consulting architect in 1921 because he is one of the outstanding authorities on the type of architecture which the Board had selected for the new buildings which have been erected since that time. The President's House being a part of a campus group of buildings, it was of course desirable that it should harmonize architecturally with other University buildings.

Work was begun on the plans, and on the 15th of November, 1929, preliminary plans and sketches for the house were presented by the Supervising Architect. On March 11, 1930, revised plans were submitted and the Supervising Architect was authorized to take bids.

The location of the house, which was determined by the Board, was on the basis of the fact that the Department of Horticulture at the University has long been planning to develop a twenty-acre tract south of the Campus as a laboratory for landscape gardening, floriculture, etc., and it was felt that the house should be placed where it could have the advantage of being located in conjunction with such a landscaping development.

On September 17, 1930, the final detailed drawings were presented to the Board, developed without any material change—either in plan or design—from the studies formerly presented. In the meantime, in July, 1930, a Trustees' Committee on Furnishings for the building was appointed.

Financial

The total cost of the house was \$152,176.22. Contracts were let to the lowest bidders and are a matter of record in the published minutes of the Board. The cost of all furnishings amounted to \$43,324.36. In arranging for the furnishings, bids were received by the Trustees' Committee on Furnishings from numerous sources. The suggested lay-outs in each case were examined by the Committee and the contracts placed with regard to price, quality, and character of materials submitted. The total cost of the house and furnishings thus ran to \$195,500.58. The cost of the furnishings is in normal proportion to the cost of the house. In the case of small private homes the proportion of the cost of the furnishings to the cost of the house is often larger than in the case of the President's House.

A total of \$11,738.21 was also expended in developing that part of the horticultural tract just around the house as the beginnings of the development above referred to, which was the deciding factor in the location of the house. Funds would have been expended for this purpose, whether or not a house was built, since the horticultural interests need an arboretum for their teaching and research work. However, if the above charge is included in the expenditures of the house the total becomes \$207,238.79.

The above figures include all architectural charges, both at Urbana and the charges of the Consulting Architect's Office, both amounting to a total of \$17,557.79. It should be stated that the amounts allocated to the University's Super-

vising Architect's Office in this connection were not in addition to the salaries received by the men in this office, but that it has been the custom of the University during the years when its building program was going forward to distribute the salaries paid for architectural services rendered by that office among the costs of the projects under construction.

Uses of the House

The University has few facilities outside this house for special functions, and it was, first of all, the University's recognition of that fact and for the need of such facilities which led to the development of plans for the house. Since its occupancy the house has been used for the entertainment of distinguished official guests who have come to the University for one reason or another from California on the west to France and Germany on the east.

It has been open every Monday afternoon, and on these occasions have come week by week anywhere from thirty to one hundred and fifty or two hundred people, representing the faculty and community and near-by places, and including both men and women.

Faculty and student functions of many kinds have been held there. In addition, large groups, representing State-wide or more than local interests have been entertained, for example, Farm and Home Women, State Business and Professional Women, Rotary Clubs, Chambers of Commerce, etc. Attendance at some of these gatherings has run up to five hundred people. Furthermore, the house has from time to time been put at the disposal of special faculty, or faculty and community groups, who desired on some special occasion a place for a social meeting, the groups in such instances making their own arrangements and taking care of expenses.

Naturally the house would be too large and too expensive to maintain were it to be considered simply as a personal residence for the President. It is primarily in terms of official uses that the Board has always conceived it and that the attempt has been made to use it.

This statement was approved and adopted. It was the sense of the Board that a copy be sent to each member of the General Assembly.

APPROPRIATION BILLS

- (4) A statement concerning the appropriation bills.

This statement was received for record.

The Board adjourned.

H. E. CUNNINGHAM
Secretary

EDWARD E. BARRETT
President