

CHAPTER FIVE

THE PURSE & ITS CONTROL

Getting & Managing Endowment & Appropriations

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THE FINANCIAL PROBLEM

"As the success and usefulness of the Institution, in a large measure, must depend upon its financial affairs, considerable attention ought to be directed to what will be its permanent fund," the college treasurer as conclusively as obviously observed in his report for 1867. Compared with modern times "financial affairs" then were simple in the extreme. In those days of small equipment and modest salaries, vast endowments to maintain expanding budgets were unthought of. At a time when all but one of the nation's colleges had budgets well below \$100,000, only two had over 50,000 volumes in their libraries, laboratories were restricted to a limited demonstrational equipment, and the traditions all affirmed as simple living as supposedly high thinking for the professors, financial demands were most restrained. For the new land-grant institutions particularly, extreme economy was felt to be both appropriate and feasible. There was an especial sentiment for making minimum demands upon the state—if possible nothing beyond the modest building program that the federal act made mandatory. Gue and Melendy in reporting on the Michigan Agricultural College in 1867 observed that it had realized nothing thus far from its land grant, but had "relied for support upon appropriations of the Legislature, a very uncertain and unpleasant method of procuring an endowment." Iowa's college was to remain independent of state

HISTORY OF IOWA STATE COLLEGE

support longer than most, but only by careful management of its grant.

Up to the opening of the College the income from the various sources—state appropriations, receipts from the five-section (Jasper County) grant, interest on the Story County bonds, and donations—had been expended in buildings and farm maintenance. For regular support the College was dependent upon the return from its land endowment.

SELECTION OF COLLEGE LANDS

The act of acceptance of 1862 provided for the appointment of an agent to select the lands, and Governor Kirkwood promptly designated Peter Melendy for this task, which was to prove the most important contribution of his long service for the College. His preliminary report to the Board was made in January, 1863. After receiving his commission on October 3, 1862, he spent some time in preparing maps and plots and began his field work the first of November. He traveled over a thousand miles in twenty-eight counties and made selections in twenty-three. The agent sought so far as time permitted to make observations of the physiography and resources of the various counties in which lands were chosen. He considered not only quality of soil and availability of fuel and building materials but also accessibility to markets. He was handicapped in the work by restriction to one assistant, and his selections were limited by the federal requirement that not less than 160 acres should be selected in any tract, the state prohibition on selections from uncertified swamplands, the tendency of pre-emptors to lay claim to available timber lands, and his desire to leave in every township lands equal in quality to those selected, for the inducement of settlement under the various land disposal acts.

The extent and variety of the various claims complicated and delayed the certification of college lands. Owing to conflicts over other grants, and to preemption claims, Me-

THE PURSE & ITS CONTROL

lenny's original selections were extensively revised in 1863 to meet the requirements of the federal Land Office. The lands sought within the limits of railroad grants were reduced by more than one-third. The total acreage finally certified to the State in December, 1864, for its A. and M. college, making allowance for the double minimum value of the railroad lands, was 204,309.30. The totals for the various districts stated in round numbers were: Fort Dodge, 138,400; Sioux City, 59,000; Fort Des Moines, 6,800 (in Greene, Winnebago, and Worth counties). Three adjoining counties, Kossuth in the Fort Dodge district and Palo Alto and Emmet divided between the Fort Dodge and Sioux City districts accounted for 63 per cent of the total; in Kossuth alone over 84,000 acres were selected. Woodbury, Clay, Ida, Buena Vista, Dickinson, and Plymouth in the Sioux City district, and Wright, Pochontas, Webster, Calhoun, and Humboldt in the Fort Dodge area provided the bulk of the remaining acreage. The Board approved Melendy's selections and as an evidence of their appreciation of his faithful service "at no small pecuniary sacrifice" requested the Governor to continue him as agent to present the lists to the Department of the Interior and to complete the settlement; and he subsequently conducted the negotiations to the end. Inevitably there was adverse criticism, especially in later years, of some of the selections, but under the circumstances the work seems to have been well performed.

LEASING SYSTEM

Whatever the ultimate value of the lands, the immediate problem was to secure an income from them to enable the College to function. They were for the most part inaccessible to transportation, in a timberless region, and surrounded by government lands subject to homesteading. It seemed unlikely that they could be sold for as much as \$1.00 per acre. To hold for future rise in value and secure a return from this

HISTORY OF IOWA STATE COLLEGE

potential asset, a system of long-time leases was devised by the ever alert Gue, Governor Kirkwood, and Senator Coker F. Clarkson.

The act of 1864, which assigned the grant to the Agricultural College, provided that not more than 10 per cent of the land should be sold before April, 1866, and for not less than \$1.00 per acre. The trustees were authorized to lease the lands for an annual payment of 6 per cent of the appraised valuation, which could not be less than \$1.25. The lessee had the privilege of purchase at the appraised value. Failure to pay the interest within six months after it became due involved forfeiture of the lease with the improvements made. The leasing system was modified and made more definite by the next legislature in an act of March 29, 1866. The sale and lease price of the lands was advanced 50 per cent above the 1865 valuation, and the interest rate was increased from 6 to 8 per cent. The amount to be leased to any one individual was restricted to 160 acres—a provision circumvented at times by entries of different members of a family. In any case so favorable were these terms to the settler that a historian of Kossuth County, writing in 1913, was led to assert with understandable hyperbole that “if there were any spot on earth today where such fertile lands could be procured on such extraordinary terms as they were here in that period, the whole country would become almost depopulated on account of the citizens’ rushing out to avail themselves of the privilege.”

In 1865 a land agency was established at Fort Dodge, the largest city in the vicinity of the main holdings, and an agreement was entered into with an attorney, George W. Bassett, to serve as land agent. The agent was compensated from fees, and there was no expense to the College. Bassett, who had had a distinguished war service and had been a state senator for two terms (1864-67), served continuously and faithfully until 1887, when he resigned to move to California. He was succeeded by the college treasurer, Herman Knapp, who han-

THE PURSE & ITS CONTROL

dled the loans until all lands were patented during the first decade of the new century.

INVESTMENT OF THE ENDOWMENT

By 1868 the accumulated interest was in excess of the immediate needs of the College and an investment was made in the land scrip of other states. Over 15,000 acres were secured at about \$1.05 per acre. The scrip was located in the name of a board member, J. C. Cusey, who deeded the lands to the state. The lands were subsequently appraised at from \$2.00 to \$2.50 per acre, and this made a substantial addition to the College investment. There was also a gain of about \$100,000 on increased valuation of forfeited lands. By the close of 1869 all of the lands except 150 acres—where the title was in conflict with swampland selection—had been leased at an average valuation of \$2.39 per acre. The leasing of lands was hastened by the post-war movement of settlers and encouraged by the ruling of the attorney general that the holdings were not subject to taxation while in the possession of the state. This policy was changed by a law of 1874 providing that land in future leases should be taxable.

The legislature in 1866 had given the trustees power to invest the interest from leases that accumulated in excess of current needs, but the legal restrictions on such investments constituted a serious limitation. The federal act required the investment of the permanent endowment to be in government or other safe stocks. With the accumulation of a considerable capital fund, this restriction proved hampering, as the most available investments were in farm mortgages; and in 1882 the General Assembly petitioned Congress to allow the fund to be loaned upon real estate security, and the concession was made by special act. By act of April 14, 1884, the legislature gave the trustees charge of the endowment fund, which might be invested either in stocks approved by the executive council or in real estate mortgages upon improved lands up to 40 per

HISTORY OF IOWA STATE COLLEGE

cent of the value for terms not to exceed ten years and at rates from 6 to 10 per cent. The law further authorized the appointment of a financial agent to negotiate the loans for the trustees. D. S. Sigler of Corning served in this position from 1884 to 1891, and W. A. Helsell of Odebolt from that time until the creation of the finance committee under the Board of Education. So profitable were the returns from the investments and reinvestments that from 1869 to 1890 the College received an average annual income of about \$39,000. The eventual total endowment of some \$850,000 was far in excess of early estimates. In 1863 the *State Register* predicted that "if skillfully managed the lands would bring \$200,000, a noble endowment."

INSTRUCTIONAL EXPENDITURES

In accord with prevailing standards of public and private colleges this income was fairly satisfactory, but demands for reasonable expenditures increased still more rapidly and necessitated economies that were at times restrictive. Salaries started on a relatively liberal schedule. The president received \$3,000 and the full professors \$2,000. Houses, so far as available, were provided in addition. When campus living quarters were not to be had, an allowance of \$200 was usually made for the staff members of professorial rank. In 1872 the plea was made that owing to the isolated situation of the College, the president was forced to provide an unusual amount of entertainment and, against the protests of a minority of the Board, his salary was increased to \$3,500 with a residence. For the staff the seventies marked the inauguration of a lower range of salaries—\$1,800 became the maximum for full professors, and the average was about \$1,600. Allowance of from \$150 to \$400 was made for administrative work and the conduct of chapel. This schedule was to continue until the nineties. Executive salaries fluctuated in the period. In 1878, after a five-year agitation by members of the Board with

THE PURSE & ITS CONTROL

zeal for economy, President Welch's compensation was reduced to \$3,100, and in 1882 to \$2,800. Knapp, in the combined position of president and professor of agriculture, received \$2,500 and his home. Hunt's salary was fixed at \$3,000, with \$200 additional in lieu of a residence. Chamberlain had the same base salary but with house allowance increased to \$350.

In accord with the democratic practices of the College, the earlier custom was for staff members, including those of junior grade, to petition the Board directly for increases in compensation. As a protection against such multiplying importunities the Board resolved in November, 1886, "That the practice of the Junior Professors and other employees of annually petitioning for an increase of their salaries in their reports has a tendency to hamper this Board in recognizing merit and doing justice to those who do superior work; therefore, the President of the College be requested as ask them to discontinue it so that the Board may augment their compensation on evidence of their worthiness derived from disinterested persons."

Whatever the compensation, the early staff members were subject to call at any time during the year for such services as might be assigned to them. A rule of the Board adopted in March, 1873, provided "That all Professors and annual employees of this Institution be required to perform all duties without extra pay, that the exigencies of the case may require, whether the same be in term time or vacation, unless by special contract in writing, the contrary be agreed upon." A misunderstanding over this matter of vacation employment contributed to the resignation of Professor William A. Anthony of physics, one of the ablest of the early professors. In 1878 the professor of chemistry asked for a leave of six weeks during the winter vacation to deliver lectures at Griswold College, Davenport, upon the condition that his compensation above expenses was to be used for laboratory equipment for food

HISTORY OF IOWA STATE COLLEGE

analyses. After favorable report from the executive committee the request was granted. Faculty members were in some cases elected to teach certain specified subjects and perform "such other duties" as might be assigned to them. The scope of such extra service was, theoretically at least, limited by a regulation in 1885, by which the president "was instructed to employ the services of any professor whose time may be found after full consultation to be not fully occupied, provided that the additional work shall be such as the professor assigned is qualified to perform or that shall be germane to the duties to which he has been elected by the Board." All absences had to be approved, and a pro rata reduction in salary was made unless a special leave had been granted, as for attendance at scientific meetings.

Administrative salaries aside from the president's were kept to the minimum. The librarianship was joined to other positions throughout the formative period. Students were in charge at the prevailing hourly rate of pay (from seven to nine cents) until 1876, when J. C. Arthur, '72, demonstrator in botany and zoology, was appointed librarian at a salary of \$200. During 1879-84 Professor J. K. Macomber was professor of physics and librarian. From this time the position was added to that of women teachers in mathematics, modern language, or elocution. Appropriations for books and laboratory equipment were correspondingly modest. Until the last years of the period, when special provision was made for cataloging, the total library budget was kept within a thousand dollars.

BUILDING APPROPRIATIONS

However adequate for immediate needs the income from the endowment might be, the state was obligated to provide and maintain the plant, and the enrollment of the College was limited by available accommodation. In successive reports the presidents as well as the governors pointed to the

THE PURSE & ITS CONTROL

neglected opportunity in failing to provide for all who might qualify. There were equally frantic appeals for the professors who had to seek shelter, often very unsatisfactorily, two long miles of snow or mud-bound roads distant, and thus were deprived of all social contact with the college life. With the development of the program the demands of farm and laboratory for specialized buildings were constantly increasing.

Although there were no new major building projects entered upon between 1870 and 1890, a total of \$290,305.14 was appropriated for new construction, repairs, and improvements. In comparison with the traditional liberal arts college, the varied demands of a technical institution must have seemed insatiable to the legislators. The growing needs of the main building, which was designed for too varied and inclusive functions were a great and continuing drain—for completion of the wings, heating, lighting, supplying water, sanitation, and repairs. Relatively small farm and horticultural structures absorbed considerable sums in the aggregate.

The largest single appropriation of the period was \$50,000 in 1870 for completing the wings of the main building. Twenty-five thousand were provided for a general laboratory building in 1872, and the same amount two years later for a physical laboratory. In addition half a dozen houses for professors were built or purchased, and numerous appropriations were made for rooming and boarding cottages, small barns and shops, and, inadequately, for equipment and repairs. An act of 1880 provided \$1,000 annually for repairs—a sum small in amount but dependable. For the next biennium there was a significant forecast in the provision of \$1,500 each year for experimentation in agriculture and horticulture.

FINANCIAL MISMANAGEMENT

In contrast to the success in investing the endowment and in general in utilizing the building and improvement appro-

HISTORY OF IOWA STATE COLLEGE

priations was the showing in the relatively simple task of keeping the funds. Where the trustees were guided by specific act and delegated authority to competent agents, the public interest was well served, but where the administration was left to their direct acts the performance was at times, in the early years, most negligent. For five years (1868-72) the treasurership was held by Major Samuel E. Rankin, who was at the same time serving his three terms as state treasurer by successive election. For the years 1869 and 1871 he had served without bond, the trustees, as they later alleged, being so confident of his probity that they had not given special thought to the formality. In the latter year it developed that through involvement in manufacturing and land speculations he had appropriated for his pressing creditors some \$38,000 of the college funds, covering the default by drafts upon the state treasury. With the hope that the Major's friends would rally to his support if his credit were maintained he was re-elected for another year. The aid did not come, and in December, 1872, the Board made a settlement by which the former treasurer turned over all his assets except his household furniture.

Rankin asked the legislature for an investigation of his acts, and at the special session in the winter of 1873 a joint committee held hearings and made its report. The committee, in view of the ex-treasurer's refusal to testify, questioned his good faith in seeking the investigation and concluded that "an abnormal desire on his part to grow rich by speculation" had led to his betrayal of a public trust. Hardly less condemnation was put upon the Board, and especially upon Secretary Thomson, Governor Merrill, and President Welch as ex-officio members, who were held to have been negligently indifferent. The committee recommended to the General Assembly "a complete revision of the law organizing and controlling the institution and its property."

The committee estimated from the information in their possession that not over 50 per cent of the defalcation could

THE PURSE & ITS CONTROL

be realized on the property turned over to the College, and unless collection could be made on the bond of 1870 the remaining amount would be lost. (The property was later transferred to the state as a condition of an appropriation and realized, it was claimed, an amount considerably in excess of the shortage.) As further evidence of irregularity, the committee found that the interest fund had in a number of cases been used for the purchase of land and for buildings and improvements "*without authority of any existing legislative enactment.*" Alleged understandings by trustees with members of the legislature were held to involve no legal sanction. In contrast the committee was convinced that the endowment had been "*wisely, judiciously, and honestly managed*, so far as any evidence accessible shows, and that the *leasing* of the lands was the best policy that could have been pursued, and make them available and remunerative to the College." There was no evidence to show that any college officer had ever "speculated in or appropriated to his own use, any of the funds of the college, or acted in bad faith in the management of the same."

FINANCIAL INVESTIGATION OF 1874 AND AFTERMATH

This much publicized financial irregularity became one of the major counts of the indictment against the administration of the college in the legislative investigation of 1874, which but confirmed the conclusion that the Board's business was loosely and at times irregularly conducted. The scandal was thus particularly unfortunate for the college administration at a time when its opponents were concentrating their attacks, but there was the salutary effect of demonstrating the essential soundness and honesty of purpose, in spite of negligence in details. The lesson was not lost. Men of integrity were put in charge of the funds with General J. L. Geddes as the deputy and later full treasurer, to be succeeded at his death by the ever-dependable Herman Knapp. The founding

HISTORY OF IOWA STATE COLLEGE

act of 1858 had provided that a bookkeeper and cashier should be appointed from the faculty, and Professor George Jones held this position during his connection with the College and was succeeded by General Geddes. A book store was conducted in connection with the department. Students were employed as assistants, and one of the earliest was a student who was to be honored by being handed the first diploma at the initial commencement—Edgar W. Stanton, who thus began his lifelong service with the institution. Stanton was born in 1850 on a farm in Wayne County, Pennsylvania, and had obtained his early education in a local academy, the Delaware Literary Institute at Franklin, New York, and the Eastman Business College at Poughkeepsie where he secured a diploma in the "Course of Practical Telegraphing." He had earned his way by farm labor, janitorial service, and country school teaching. At the suggestion of Professor Jones, his teacher of mathematics at Franklin, he had come to Ames and entered the sophomore class in 1870. Stanton lived with the Jones family at "the Maples" which was soon to become his permanent residence. Following his graduation with the first class in 1872, he was elected to an instructorship and soon after entered upon his continuous administrative duties. In the position of secretary of the Board, which he held from 1874 to 1909—with intermissions as acting president—he kept a careful record and close check on all the financial dealings. No other was in as strategic a position and as well qualified to advise the governing authorities. His daughter in her memorial sketch reports that he took deeply to heart the lessons of the financial negligence brought out in the investigation of 1874 and that ever after he insisted on the most careful distinctions regarding the different funds and their legal status. Stanton and Knapp, it has been well said, made a perfect team in their keeping of records and management of funds.