

Dr. Hotchkiss Discusses Finances, Future Plans

(Editor's note: In this, the second half of the first general report presented by Dr. Willard E. Hotchkiss to the Board of Trustees, the president discusses the financial standing of the Institute, the plans for a future site and plant, the future position of the institution in the Chicago area, and the administration's policy of student loans and scholarships.)

Finance and Deficit

In times like the present there is naturally a measure of anxiety concerning finance, which the faculty shares with the trustees and the administration. However, an operating deficit of \$50,000 for the current year compared with the deficit of past years is distinctly reassuring.

Reference has already been made to gifts of \$45,000 in fulfillment of previous pledges during the second semester of 1932-33 when the present administration began. This amount constituted in the main final payment upon contributions to a maintenance fund which had been raised to carry the Institute through a five-year period from July 1, 1926, to June 30, 1931. Alumni, faculty, and students contributed a substantial amount to finance the work of the development committee, to which reference was made early in this report. Together, the maintenance fund and the development fund totaled nearly a million dollars contributed roughly in the ratio of two-thirds from large individual contributors and one-third from alumni, faculty and students.

Due to extraordinarily careful management, the maintenance fund actually covered annual deficits for a period of seven years ending July 30, 1933, instead of the five years originally contemplated. The annual operating deficits from July 1, 1926, when the maintenance fund became available to the present time have been as follows:

1926-27	\$148,600
1927-28	146,700
1928-29	136,200
1929-30	143,300
1930-31	147,700
1931-32	165,800
1932-33	144,700
1933-34	129,000*
1934-35	50,000

*In 1933 the ending of the fiscal year was changed from June 30 to August 31. This amount, therefore, relates to a period of fourteen months.

The problem confronting the Institute is immediately and definitely to underwrite this year's deficit; and following that, to adopt and carry through a workable plan for the future.

Future Site and Plant

The most pressing item in any program looking toward the future is provision for a suitable site and plant. In a report to the Board of Trustees during the summer of 1933 some of the serious consequences that have come from the deterioration of the neighborhood in which Armour is located were set forth in detail. Since that time, the following possibilities for meeting the problem of an operating plant have been or are being explored.

1. Temporary move of a major portion of the Institute to a downtown building, leaving the heavy laboratories for the time being at 2300 Federal Street.

An extensive survey of available buildings in or near the loop and of the considerations that would be involved in moving a part of the Institute down town has led to the conclusion that this is probably not the best solution of our problem.

2. Acquisition of an existing building which would house practically all of the Institute's activities.

There are buildings on the near north side which would house comfortably all of the major activities of the Institute, with near-by space available for the balance. One such building and fee can probably be secured for considerably less than a million dollars. If this amount were forthcoming,

acquisition of the property in question would be a satisfactory present solution of our plant problem. The location of the property makes it probable from a real estate standpoint that it could be sold without loss after an occupancy of ten or fifteen years.

3. Purchase of a suitable site and erection of new buildings on it.

A large number of available vacant properties have been inspected, and there is one such property which seems especially suitable for our purposes. In order to give a measure of definiteness to the investigation, provisional plans have been drawn without burdening the budget for a main Institute building on the site in question.

All these approaches involve provision either for an early disposition of our present property or else turning it to some income-bearing use. With this thought in mind steps are being taken to ascertain what profitable use might be made of the property by an eleemosynary foundation or by some public body, but they have not yet proceeded far enough to indicate where they may lead.

It is recommended that the Board of Trustees take official action to insure an early and thorough exploration of the subject of a future site.

Contemplated Self Support

Progress to date with the development of industrial research, the encouraging pick-up in evening school registration, and a net increase of about \$25,000 from a fifty dollar increase in tuition, suggests that the Institute is well on its way to self-sufficiency, in respect to its normal educational program even after these years of depression. Our present plant places a fixed limit on attendance, but the deficit of \$50,000 this year compared with the vastly greater deficits of past years registers distinct progress in the direction of self-support. It is probable with a plant capable of carrying the load that day registration could soon be stepped up to cover 1,000 students without changing the general character of the school or impairing the quality of the student body; nor would such a moderate increase be likely to overstock the market for graduates.

A suitable plant would also permit the development of a well-rounded summer school and the expansion of the evening school to provide for a comprehensive program of adult education. These developments in themselves, without the aid of industrial research, which a favorable location and plant would greatly stimulate, would easily carry their own load and provide the necessary teaching staff to reduce the present emergency overload on the faculty.

Future Opportunities

In approaching these questions of the future, our location in the industrial capital of a great empire is an outstanding asset. With a population of some five million within commuting distance and with the advantages which accrue to students from securing their engineering education in an important industrial, scientific and technical center, the potential community service of a large engineering school like Armour with its entrenched good-will is difficult to measure.

Even with relatively high tuition, the great majority of our students are receiving their education at a cost which they could not begin to match at a school so located that they would be compelled to live away from home. Eighty to ninety percent of Armour students year in and year out come from the immediate metropolitan area. The fact that twenty-five percent of them regularly earn all or a part of their tuition and that many of them earn their entire expenses is an indication of what it means to these young men to have such a school at their doors.

In these circumstances, it is unthinkable that the leaders of Chicago business and philanthropy will take so short-sighted a view of their

own interests as to fail to meet these young men, and those who are to follow them, at least half way. Meeting them half way involves underwriting the present modest deficit and it involves also providing a suitable plant in which to operate.

Covering the deficit can easily be accomplished by contributions from a considerable number of men of moderate resources, like many of those who have already contributed. Provision for a new plant will probably require the tapping of somewhat more concentrated wealth. With the Institute as now organized and directed, any one who builds a monument in the form of an endowed physical plant for it may do so in full confidence that it will not require other large contributions to provide for current operation.

In spite of monetary difficulties the members of the staff are assured that the outstanding ability and resources resident in the Board of Trustees will be amply equal to the task in hand, and that others who have the interests of Chicago at heart will come to their aid, once the significance of the Institute in the life of this community commands their attention.

Providing a plant and establishing instruction on a cost-of-service basis will put the future of the Institute beyond jeopardy, but it will not exhaust opportunities for service by public spirited citizens. An important adjunct of cost-of-service operation should be provision for adequate scholarships and loan funds.

Scholarships

For some years Armour awarded one freshman scholarship to each public high school in Chicago. Since 1933 freshman scholarships have been awarded by competitive examination held at the Institute in May. Competition for these scholarships is now open to students from accredited high schools regardless of location; in 1934 two scholarships were awarded to students outside of Illinois.

Competitive examinations result in securing high grade students and the publicity connected with them is also advantageous. Nearly two hundred students entered the competition this year. The cost of these scholarships is borne by the regular budget. There is great need of endowment for these and additional scholarships available for freshmen.

The Institute has a small endowment for scholarships available for upper classes, but there has been such a shrinkage of income from the funds that only three half-scholarships to seniors could be awarded for 1934-35. It is hoped that this condition may soon be remedied by additional scholarship endowments.

For several years a group of fire insurance companies, acting through the Western Actuarial Bureau, has

awarded scholarships covering tuition and fees for four years in the Department of Fire Protection Engineering. Eight such scholarships were awarded in 1933 and the same number in 1934. The total number now in effect is thirty-three. Beginning this year the value of these scholarships was increased to cover the full cost of instruction. This increase generously recognizes the fact that the regular tuition is far below that cost.

Funds for scholarships in all departments from now on should cover the full cost of instruction. There is no more fruitful way in which generous individuals can support higher education than by meeting the full cost of instruction for students, who, through competitive examination or otherwise, show themselves worthy of such aid. Encouraging persons of means in underwriting a course of study for promising students should become an important item in our financial program.

Student Loans

In many cases it is more desirable to assist students by means of loans than through outright stipends which do not require repayment. As higher education is gradually placed on a cost-of-service basis it will become increasingly essential to provide adequate loan funds for students whose records make them good risks. About the only sound criticism that can be made against the cost-of-service basis for financing education is the fact that worthy but impecunious students cannot unaided bear this cost. From the standpoint of the community and of the motives assumed to dominate private philanthropy it is highly important that opportunity for higher education in privately controlled schools should not become an exclusive privilege of the well-to-do. This danger may be forestalled through scholarships for students of exceptional merit and through adequate loan funds for students of distinct ability and promise to whom scholarships are not available.

At Armour the Faculty Loan Fund, the Alumni Association Loan Fund, and the Henry Strong Educational Foundation have for some time helped materially in making it possible for worthy students to continue in school. In the fall of 1933 the Armour Tech Athletic Association voted unanimously to make a considerable portion of its surplus funds available for student loans. A general Institute Loan Committee, under the able chairmanship of Professor Benjamin B. Freud, has recently been created to supervise the granting of loans and to unify practice and procedure in this important branch of Institute administration.

The history of loan funds, both at Armour and elsewhere, indicates that when loans are judiciously

made and sound business procedure is consistently followed in making collections, losses become negligible. Assuming that periods of relative social stability will recur in the future as they have in the past, a student whose record justifies him in having faith in himself and his future may regard properly budgeted borrowing for an education as a sound investment. Public spirited individuals with available funds may likewise regard investment in an interest-bearing student loan fund as sound.

It may be that the Board of Trustees will wish to consider the organization of a separate corporation as an agency for securing and administering a foundation to provide loans for Armour students. Be that as it may, it is earnestly recommended that they include provision for an adequate loan fund as an important item in their financial planning.

Board of Trustees

The Board of Trustees has been materially strengthened during the past year by the following additions to its membership: Alfred L. Eustice; Edwin O. Griffenhagen; Howard L. Krum; George S. Allison; Homer H. Cooper; George I. Haight; and James O. McKinsey. Messrs. Eustice, Griffenhagen and Krum were designated by the alumni.

The membership of the standing committees is as follows:

Executive Committee

James D. Cunningham, Chairman; Alfred S. Alschuler, Homer H. Cooper, George I. Haight, Chas. W. Hills, Jr., Willard E. Hotchkiss, Sterling Morton.

Instruction and Research Committee
James O. McKinsey, Chairman; Alfred L. Eustice, Robert B. Harper, Ernest A. Henne, Russell Wiles.

Public Relations Committee
Harold W. Munday, Chairman; George S. Allison, Alfred S. Alschuler, James D. Cunningham, Paul H. Davis, Lawrence A. Downs, Alfred L. Eustice, Edwin O. Griffenhagen, George I. Haight, Robert B. Harper, Roy M. Henderson, Charles W. Hills, Jr., Willard E. Hotchkiss, Howard L. Krum, Joseph J. Merrill, John J. Mitchell, William S. Monroe, C. Paul Parker, George W. Rossetter, John J. Schommer, Bernard E. Sunny, George G. Thorp, Charles R. Tuttle.

Recognition

It must be recorded that two distinguished members of the Board of Trustees have been taken by death during the past year. Mr. Lester L. Falk died only a few days after the annual meeting a year ago; and Mr. Leo F. Wormser was killed in an automobile accident during the past summer. Appropriate resolutions of sympathy and of appreciation for the great service these men

have rendered have been passed by the Board of Trustees, presented to the families and associates of these deceased members and made matters of permanent record.

This report should not close without an expression of appreciation for the services which the Board of Trustees, its Chairman, and the members of the Executive, Development and Public Relations Committees have rendered in keeping the ship afloat in heavy seas. Appreciation is also due to the Alumni Association under the presidency of John J. Schommer for the manner in which many difficult problems have been met and advanced toward solution.

Faculty's Patience Recognized

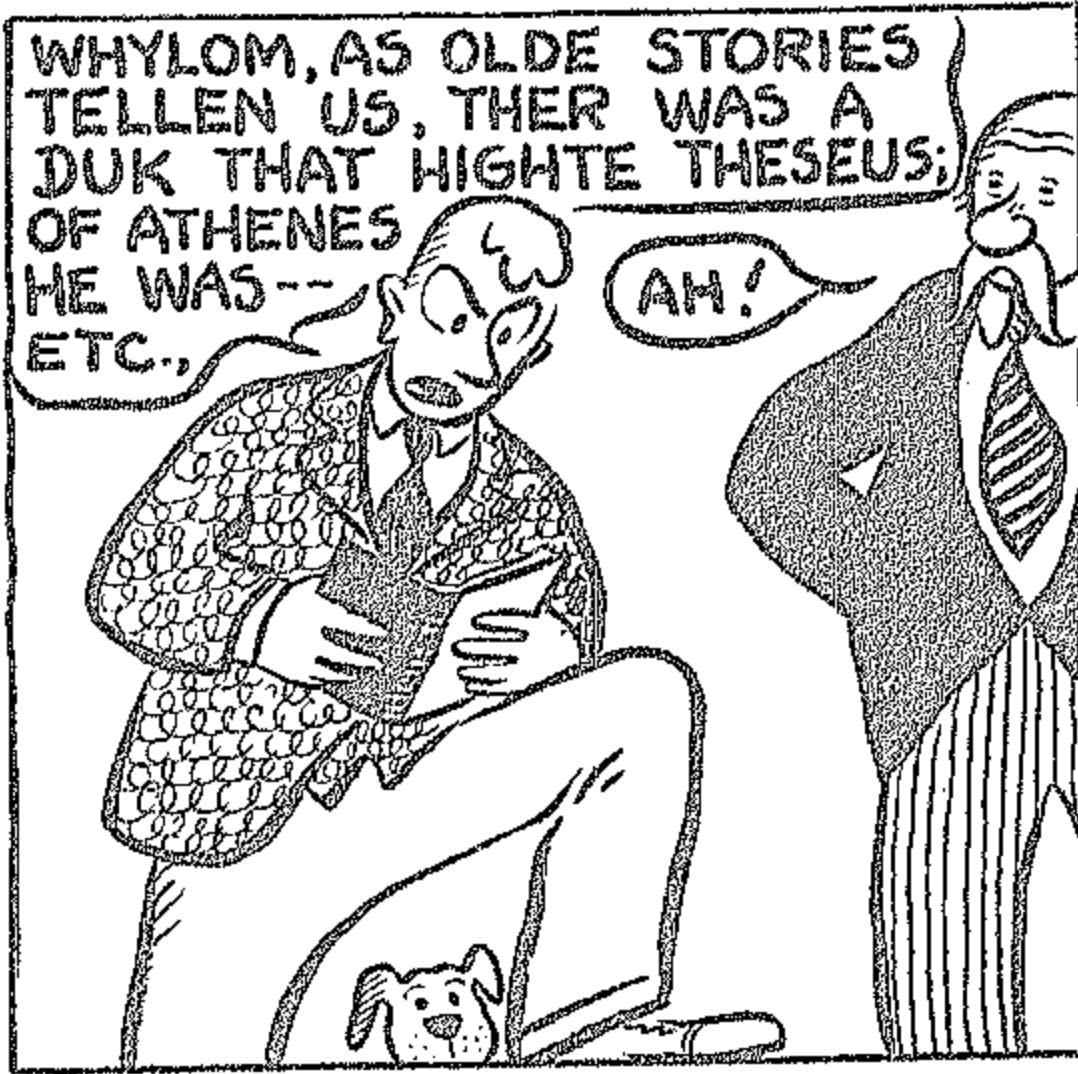
Recognition is due and overdue to the members of the faculty who under the most disquieting conditions have preserved a scholarly poise and have assumed cheerfully the added burdens which it became necessary for them to carry. The faculty has collaborated in every possible way with the administration and the Board of Trustees in helping to direct the course of the Institute so that the present difficulties may work no loss of vitality nor impairment of educational results.

Another source of encouragement, tempered with inevitable regret, is the way in which some of the members of the faculty who have had to be placed on a part-time schedule and even some of those whose appointments could not be renewed have recognized the exigencies of the situation and expressed their loyalty. Such evidence of devotion makes it all the more a matter of keen regret that during past years no provision was made for continuing stipends to members of the faculty who are retired. It is hoped that at an early date our plans will have so far progressed that this crying need may be met.

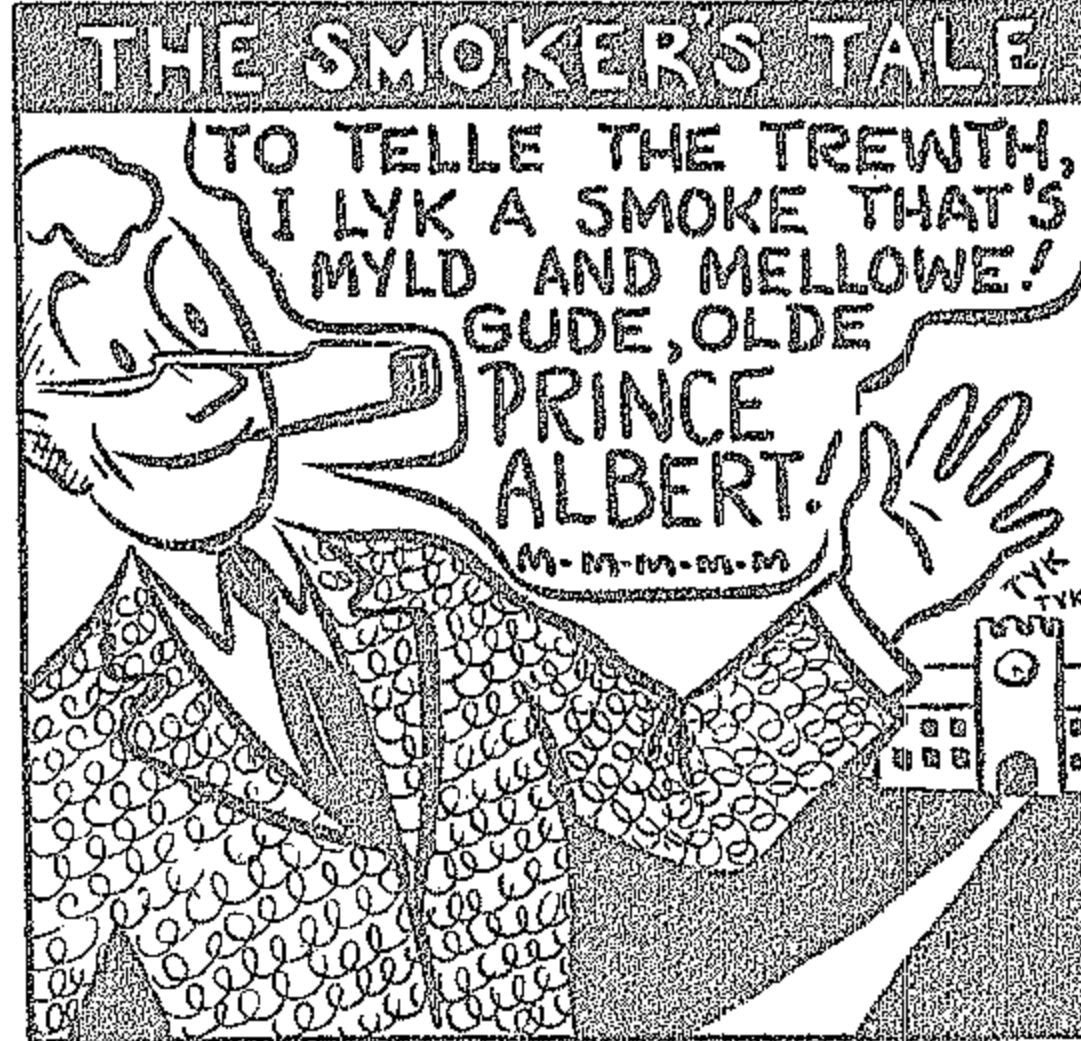
Praises Allison's Work

Among those whose services should be particularly recognized in this report is our Treasurer. With unflinching fidelity and zeal he has conserved our scanty resources. He has also shown consummate skill during this period of deep depression in granting students necessary indulgence in their payments. He has followed deferred payments with such friendly persistence in collections that losses have been negligible. With concessions made to more than twenty percent of students last year and with over-due bills amounting to nearly \$14,000 at one time, the amount still uncollected is less than \$500 and most of this will be paid. Concessions in payment this year are being made to over twenty-five percent of the students without any serious danger of important losses.

On the strength of this record and of his long service and devotion to the Institute, on recommendation of the President and the Executive (Continued on page 5)



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