

**412. Consolidation of Funds from the 1884 Federal Land Grant and Designation of the Income from a Portion of Those Funds and of the Income from Future Mineral Royalties for Trustee-Sponsored Chairs and Library Support at UA**

I. Preamble:

WHEREAS, in 1884 The University of Alabama received a federal land grant of two townships, the proceeds from which, according to the language of the patents, "are first to be applied, as far as may be necessary, to the erection of suitable buildings for said university, and to the restoration of the library and scientific apparatus destroyed by fire, and then to the Endowment of said university, and to no other purpose whatsoever ..;" and

WHEREAS, as of September 30, 1977, there existed in the currently designated Unrestricted Endowment in the Quasi-Endowment Fund the sum of \$5,776,682.27 and in the Annuity and Retirement Fund, which was created by the Board from this fund, \$3,782,890.15 (including a deficit of \$104,203.20 which will be replaced by UA on or before September 30, 1979). In addition the sum of \$116,281.15 which represents an unamortized capital loss to be amortized through the year 1981 as authorized by the Board will be added to the principal for a total of \$9,675,853.57, which funds have accumulated primarily from income from the sale of coal, clay, and timber from the aforesaid endowment lands; and

WHEREAS, the Annuity and Retirement Fund has been used to support the UA TIAA-CREF retirement program but does not presently generate adequate income for this purpose and this program is supplemented at UA and paid entirely by UAB and UAH from current funds, and this Board deems it advisable to combine the principal of this fund with the aforesaid \$6,178,209.39 since the income from these funds is presently applied to current UA operations; and

WHEREAS, the approximately 27,000 acres remaining from this grant contain significant deposits of coal from which substantial royalties can be expected within the next several years; and

WHEREAS, it is fitting that, in a state whose history and wealth have in large measure been shaped by its mineral deposits, income from those mineral royalties should be used for the academic advancement of the University; and

WHEREAS, at the suggestion of Chancellor Volker, Dr. Mathews commissioned a study of the most effective manner in which these funds could be used and has now forwarded a proposed plan to the Chancellor and to the Board for the use of these funds to provide substantial financial assistance for The University of Alabama Library and for the creation of eight academic chairs; and

WHEREAS, the Board concurs in the general purpose outlined in that plan and in the specific provisions of the Chancellor's endorsement thereto (copies of which are attached and made a part hereof).

II. Policy and Procedures

The premises considered, the Board directs the following:

- A. That the present Annuity and Retirement Fund be dissolved and the principal balance therein (\$3,782,890.15 as of Sept. 30, 1977) be transferred into the present Unrestricted Endowment Fund (\$5,776,682.27 as of Sept. 30, 1977) for a combined total of \$9,675,853.57 as of Sept. 30, 1977, which, together with the remaining lands from the federal land grant with a book value of \$600,000, constitute land and the proceeds therefrom under the 1884 Federal Land Grant to the State of Alabama for The University of Alabama.
- B. That the net proceeds from the lease or sale of such lands, to include sale of timber and mineral leases from the remaining lands in the 1884 Federal Land Grant (approximately 27,000 acres) and to include real property exchanged for or purchases out of the proceeds from said lands, shall be paid into the principal of the Unrestricted Endowment Fund with the income from said fund to be annually budgeted by the Board.
- C. That in light of the historic origins of the lands upon which mineral royalties are being paid, it is the Board's desire to use a portion of these funds to establish a program of support at UA which shall be dedicated to the academic betterment of the University.
- D. That as the initial step in this sustained effort to build upon the academic strength of the Tuscaloosa campus, the Board confirms the action of the Executive Committee on June 13, 1978, in establishing a sponsored research chair of finance and economics in The University of Alabama College of Commerce and Business Administration and in designating the chair the Bidgood Chair of Finance and Economics in honor of Lee Bidgood, who was the first Dean of the College and who also served as Interim President of The University of Alabama, which chair shall be funded as set forth below.
- E. That upon recommendation of the President of UA and of the Chancellor there shall be annually appropriated from earnings of the Unrestricted Endowment Fund representing mineral royalties already received:
  1. An amount equal to earnings on \$750,000 for the support of The University of Alabama Library.

2. An amount equal to earnings on \$750,000 for the support of the Bidgood Chair of Finance and Economics in The University of Alabama College of Commerce and Business Administration.
  3. An amount equal to the earnings on \$563,000 to supplement earnings on the John Sparkman Chair of Law and World Commerce Fund in the principal sum of \$187,000 to provide earnings on a total of \$750,000 to be used for the support of the John Sparkman Chair of Law and World Commerce effective October 1, 1979. If additional contributions materialize, the allocation of designated coal royalties will be reduced by a like amount.
- F. That from mineral royalties received after October 1, 1978, and upon recommendation of the President of UA and the Chancellor and upon approval of the Board, there may be created, at the rate of not more than one per year, seven additional Trustee-sponsored academic or research chairs and additional support equivalent to one chair for The University of Alabama Library through annual appropriations from the earnings of the Unrestricted Endowment Fund as follows:
1. An amount equal to earnings on \$750,000 for the support of The University of Alabama Library for a total library support of income on \$1.5 million.
  2. An amount equal to earnings on \$750,000 each for the support of seven Trustee-sponsored academic or research chairs for a total of \$5,250,000. (These chairs shall bear the generic title "University Chair" and shall not be named for specific individuals.)
- G. That it is the Board's intent that the income from the above described funds shall be used for as long as needed for the purpose outlined above; but that since not every financial exigency nor every changing need can be anticipated, the Board shall periodically review the use to which these funds are being put and may consider and make alternative uses of these and future such funds, if it deems such to be in the best interest of the University.
- H. That upon recommendation of the President of The University of Alabama, Tuscaloosa, and of the Chancellor, the Board shall designate the specific chair and its holder or other use to which the funds for a given year are designated.

## **ATTACHMENT TO BOARD RULE 412**

THE UNIVERSITY OF ALABAMA  
COAL LEASE REVENUES AS ENDOWMENTS

An Historical Perspective

The destruction of The University of Alabama near the close of the Civil War had devastating and long-term effects on the evolution of the “Seminary of Learning” provided for by act of the Legislature of the State of Alabama in 1820. In the year immediately after the War, the economy of the State, and, hence, the financial health of the University, was so depressed that the University could not reopen until 1871. Throughout the 1870’s the financial status of the University improved very little and this fact led to numerous appeals to Congress that the institution be indemnified for war losses. The appeals went unheeded until 1884 when Congress granted 46,080 acres of public lands in “An Act to Increase the Endowment of the University of Alabama from the public land in said state.” The act stated that the revenue from these lands was to be used to rebuild the University including the restoration of the library and replacement of scientific apparatus destroyed by fire. More precisely, the revenues from these lands were to be used to enhance the academic programs of the University during its rebirth and evolution.

Throughout the University’s history since 1884, the Board of Trustees of the institution’s several presidents have steadfastly adhered to the intent of that original land grant. The record will show that great care was taken by the original land commissioners (Eugene A. Smith, A. C. Hargrove, and J. Burns Moore) to select acreage rich in coal deposits. Further, they cautioned the Board of Trustees to move slowly and carefully in disposing of its new wealth.

It is important to note that revenues from this endowment have helped the University through several periods of financial stress including the years following the Great Depression. Revenues have always been used either directly or indirectly to maintain and upgrade the programs that evolved out of the ashes of April 4, 1865.

It is only fitting and proper that revenues from the same lands granted to the University in 1884 continue to be used to maintain and strengthen many of the same programs that were destroyed 113 years ago.

### Purpose

History makes it abundantly clear that the purpose of the University's "land endowment" is to strengthen the institution's total academic program. This endowment can be expected to yield maximum benefits when dedicated to specific program areas which have a distinctive history in the institution and which represent sole and unique academic resources for the publics served by the institution. The University of Alabama has several areas which constitute both historical strengths and special program opportunities. These areas could, with timely financial assistance, rise to national prominence. It is for these reasons that the coal royalties generated through leases should be established as endowment funds to support the two purposes set forth below.

### Library Endowment

In commenting on the destruction of the library by General Croxton's men, James B. Sellers in History of The University of Alabama noted that "Professor Andre DeLoffre made a brave attempt to save the library . . . He appealed to the officer in charge of the raiding squad to spare one the finest libraries in the whole South."

The University of Alabama library is today a fine library and, were it not for its untimely destruction in 1865 and the subsequent financial difficulties attending its rebirth, it might today be the finest library in the "whole South." Nevertheless, the University library remains the largest library in the State of Alabama with the total number of volumes exceeding 1.2 million. It is the only library in the State holding membership in the Association of Research Libraries. The Association is a selective, professional group of institutions emphasizing research and graduate instruction at the doctoral level and supporting large, comprehensive collections of library materials. The library not only boasts extensive special collections related to Alabama and the Deep South, rare editions, Confederate imprints, and the like, but it also serves

as the regional depository for United States Government publications.

Thus, the library is in a real sense the foundation of the University's academic program. This fact, coupled with the tremendous inflation rate of library materials dictates that the University should take special steps to assure the continued strength and viability of the library. This objective can be achieved by dedicating to the library in each of two years during the next five-year period the estimated coal royalty corpus of \$750,000 per year as a permanent endowment. This corpus would generate an estimated earning of \$60,000 per year or a total increment to the materials budget of the library of approximately \$120,000 during the five-year period.

### Endowed Chairs

While the library is the foundation of any educational institution, the faculty must rank as the very heart and life blood of a university. The creation of endowed chairs is one of the most effective means of recruiting truly outstanding faculty leadership. In simplest terms, endowed chairs are designed to foster learning in the university community. Although a great deal of learning is derived from the teaching process, it results also from the quest for new knowledge. It follows, then, that the chairholder must be both a master teacher and a leader-mentor who fosters the pursuit of scholarship and intellectual creativity of the highest order.

The University has many disciplines which could be strengthened by the addition of a distinguished chairholder. The several areas selected for high-priority consideration were chosen in a year-long planning process that involved faculty, department heads, and deans.

The specific academic areas to receive first-priority consideration for chairs will be those areas which constitute either unique historical strengths of the University or acute programmatic needs of the public. The priorities listed in the last section are precisely areas of this sort. One of these areas, the library, has already been touched on in terms of its historical importance. It remains a vital force in the academic life of Alabama by leading, for example, all libraries in the State in volume of interlibrary loans. Its special collections constitute another service area receiving heavy demand from

all corners of the State. An endowed chair in the important area of geology would not only build on one of the strongest areas of the pre-Civil War University, it would also help to address the needs of an area crucial to the future minerals and energy needs of the State and region. Similarly, law has long been an important professional program in the University and continues as the only state-supported school of law in Alabama.

#### Source of Funds

It is proposed that these chairs be funded at a level of \$750,000 from the coal royalties generated through leases. It is possible that some funds for this purpose can be identified from accumulated royalties. Successful management of the leasing program over the next several years should make it possible to fund the chairs from new monies at the rate of one per year. It is estimated that the \$750,000 of corpus would generate earnings at the rate of \$60,000 per year, a sum which should be adequate to fund a chair (including associated support items) in most if not all high-priority areas.

#### Endowment Areas

The following is a list of areas recommended to receive coal royalty income over the next ten years. These will be designated at the rate of one per year in roughly the order listed depending upon the availability of candidates and other factors that may need to be considered.

Library. Two years of endowment support.

International Business. The rapidly expanding level of international business activity in the State of Alabama has created new responsibilities for higher education, especially in terms of service and service-related research.

Geology. This area must be given high-priority consideration in view of the many positive factors involved in our situation: (1) importance and abundance of mineral resources in the State and region; (2) national energy considerations; (3) paucity

of doctoral-level programs in the region; and  
(4) healthy demand for graduates.

Law and Public Policy. A chair in this area  
Science (and the Bureau of Public  
Administration), Social Work (social  
policy), and related areas.

Humanities. A chair in the humanities is  
vital in order for this area to achieve its  
rightful position of influence in  
contemporary higher education. This  
chair will serve a twofold function: (1) as  
the focal point in organizing the humanities  
curricula to become a more important  
influence in technical and professional  
curricula and (2) as a catalyst in the  
development of humanities curricula whose  
graduates can make important vocational  
contributions of their own.

Accounting. Unlike several areas in the  
College of Commerce and Business  
Administration, this nationally recognized  
area does not have a chair. The addition of  
such a position could certainly solidify, if  
not enhance, its strong position.

Energy. This is an area of increasing  
importance. A person with an economics or  
energy policy orientation might be  
especially desirable. The two afore-  
mentioned chairs, coupled with the chair in  
Mineral Engineering, would constitute a  
core of tremendous strength for the School  
of Mines.

Communication. The School of Communication  
has made rapid progress and is already gaining  
attention on a national scale. The appointment of  
a distinguished figure in this area, coupled with  
completion of the facilities renovations and a few  
additional faculty appointments, would make the  
University the leader in the region. Again, the  
chair might have an interdisciplinary favor (e.g.,  
communication law).

Public Administration. The Bureau of Public Administration, through the Department of Political Science, has long extended valuable service and research-related service to governmental bodies in the State. The expanding complexity of government at all levels places an increasing need for public policy oriented services. This chair would help to meet this need while strengthening the public policy instructional area in the Department of Political Science.

July 3, 1978

Dr. David Mathews  
President  
The University of Alabama  
Box B  
University, Alabama 35486

Dear David:

As you know, I have shared the plan for using the University's coal royalties with the Board and have now had the opportunity to reflect further upon both the general purposes and the details of the plan. I fully support the general purposes of the plan, as does the Board. I recognize that some of the details – the determination of specific fields for the chairs and the particular order in which they will be funded – will be worked out as we proceed year by year.

Upon reflection, I believe that the plan would be strengthened if it were accompanied by the following understandings. Some of these points, I am sure, are implicit but unarticulated in the plan, others are obvious but perhaps should be stated explicitly.

1. The creation of chairs in fields of disciplines which are a major or primary responsibility of another campus within the System (for

example, medicine and nursing at UAB or solar energy at UAH) should be avoided.

2. There should be neither a prohibition nor a disinclination to place more than one chair in a given field, especially in those fields or disciplines which the University (University) has programs unique to the public institutions in the State (such as law), programs that are clearly preeminent, or programs that are closely related to the origin of the funds (the mineral and earth sciences, for example).
3. If portions of these funds can be used to stimulate substantial named gifts from the private sector to accomplish the purposes of the plan, such should be presented to the Chancellor and Board for consideration, keeping in mind the desire of the Trustees to maintain maximum flexibility of the Endowment Fund-Unrestricted in event of financial need.
4. I believe that the faculty of the University will recognize that, because of the unusual rank structure of the University and the likely state of the academic market over the next decade, the opportunity for this campus to move forward could not come at a more propitious time. It is an opportunity that, to my knowledge, is unique among the state universities of this region. For that reason, there should be no limit to our aspiration or effort to attract candidates of extraordinary caliber from throughout the nation – quite literally, some of the nation’s leading scholars in the selected fields. I know that in some fields resources beyond the amounts anticipated here – for laboratory or library resources and for other research-related expenses – may be required to attract top-flight people. Again, I want to offer my services in any way both in the recruitment for these positions and in the identification and cultivation of other sources of income to augment the funds provided under this plan.

If these understandings are acceptable, please let me know.

Sincerely,

s/Joe  
Joseph F. Volker

JFV/rtw

Dear Joe:

Thank you for your letter of July 3, which comments on our proposal to the Board for use of the coal royalties.

I find the points you have made to be acceptable extensions of the proposal. As you noted, the points are logical extensions of the document as originally presented. We all appreciate your support of this plan and thank you for your counsel.

Most cordially,

s/David  
David Mathews  
President

July 6, 1978

DM/gp

(Adopted August 23, 1978 as Rule 441; amended September 22, 1979, and April 21, 1995; renumbered December 5, 1997; correction October 1, 2013.)