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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548



GENERAL GOVERNMENT
DIVISION

OCT 29 1976

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The Honorable Leonor K. Sullivan
House of Representatives

Dear Mrs. Sullivan:

Your July 13, 1976, letter asked us to determine how grants, authorized under Public Law 93-441, to Eisenhower College at Seneca Falls, New York, and the Samuel Rayburn Library in Bonham, Texas, were used.

As you know, the amount of funds involved depended on the sale of silver \$1 proof coins bearing President Eisenhower's likeness. The law authorized appropriations of up to \$10 million, one-tenth of which was to go to the library. The college and library received \$8,399,747 and \$933,305, respectively. No additional grants can be made under existing legislation.

The grants were unconditional; the college and library were not restricted in their use of the funds. As of June 30, 1976, the college funds had been used as follows:

Investments	\$3,451,700
Operating expenses	2,346,047
Capital projects	<u>2,602,000</u>
Total	<u>\$8,399,747</u>

The library invested all \$933,305 and uses some of the income received for general expenses.

NO LEGISLATIVE RESTRICTIONS

Public Law 93-441 (Oct. 11, 1974) amended the Bank Holding Act Amendments of 1970 and authorized the Secretary of the Treasury to transfer to the college the lower of either \$10 million or one-tenth

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of all moneys from the sale of \$1 Eisenhower proof coins. The act provided for the college to transfer 10 percent of funds received to the library. The Supplemental Appropriations Act of 1975 appropriated \$9 million, and the Treasury, Postal Service, and General Government Appropriations Act of 1976 appropriated \$1 million.

In testimony before the House Subcommittee on Consumer Affairs on May 3, 1973; the House Special Subcommittee on Education on December 3, 1973; and the Senate Banking, Housing and Urban Affairs Committee on May 19, 1972, college officials requested Government funds and made varying representations as to how the funds would be used. However, Public Law 93-441 did not specify or establish guidelines concerning how the funds were to be spent.

COLLEGE EXPENDITURES

The college received a total of \$8,399,747--\$7,499,747 in December 1974 and \$900,000 in December 1975. The following breakdown of how these funds were used as of June 30, 1976, is based on statements of college officials, financial statements of the college, and minutes of meetings of the board of trustees and executive committee.

Investments

The college had investments of \$3,451,700 as follows:

- \$1.9 million in certificates of deposit.
- \$900,000 (the last part of the grant) in Treasury notes.
- \$651,700 in bonds of Standard Oil of Ohio, Chase Manhattan, and the Ford Motor Company.

The college business manager said the income from these funds is to support student-aid program, which supplies over \$500,000 in grants to need students each year.

You asked whether the student body has expanded significantly as a result of the grants. The acting president said that since the college spoke of its financial difficulties to the Congress, enrollments have dropped because prospective students thought that the college would not survive. Enrollments for the last few years were as follows:

<u>Year</u>	<u>Fall enrollment</u>
1973-74	779
1974-75	605
1975-76	583
1976-77	405

College officials believe the low point in enrollment has been reached and are actively recruiting new students.

Operating expenses

The college used \$2,346,047 of the grant funds to meet its general and administrative expenses. The college combined the grant funds with other moneys, thus we could not identify the specific purposes for which the grant funds were used.

You specifically asked whether any grant funds were used to raise salaries. The business manager said that on July 1, 1974, before the grant funds were received, the faculty and staff took salary cuts of 1 to 20 percent. In December 1974--the month the college received the first grant installment--the salary cuts were restored at a cost of about \$85,000. In February 1975 the board of trustees gave the faculty and staff an average 6-percent salary raise retroactive to July 1, 1974. For the 1975-76 school year the faculty and staff received an average 5-percent salary raise. Costs of the raises, including fringe benefit increases, were \$115,000 and \$90,000, respectively. For the 1976-77 school year all salaries were frozen.

Although we cannot be certain that grant funds were used to raise salaries, available Federal funds probably made the salary increases possible.

Capital projects

The college spent \$2,602,000 for capital projects. The business manager said these included:

- upgrading the sewage plant,
- constructing a library and an administrative-student lounge-cafeteria building,
- improving the athletic fields, and
- purchasing lawn equipment.

You asked whether a large construction loan had been repaid with grant funds. Before receiving the grant, the college had a \$2 million construction loan on which it was paying 20-percent annual interest to a private contractor. In October 1974 the college borrowed \$2 million from New York State to pay off the loan. The college promised to repay the

State with the first unrestricted funds. After receiving the grant funds in December 1974, the college repaid New York \$2,027,000.

LIBRARY EXPENDITURES

The library received a total of \$933,305--\$833,305 in December 1974 and \$100,000 in December 1975. The secretary-treasurer of the Sam Rayburn Foundation (sole owner of library) said the board of trustees invested the entire grant. Since the grant funds were combined with other moneys we cannot specifically identify how the funds were invested. As of December 31, 1975, the foundation's investments were as follows:

Savings accounts and certificates of deposit	\$ 540,779.45
Corporate stocks	14,436.78
Trust fund	199,888.33
Investment account #1	502,650.00
Investment account #2	<u>497,187.30</u>
Total	<u><u>\$1,754,941.86</u></u>

The foundation employed two financial management companies to handle the two investment accounts. The investments made by these companies include Treasury notes, savings accounts, corporate bonds, and common stocks. The foundation's investments resulted in about \$81,000 in income during calendar year 1975, part of which was used for operating expenses.

Salaries for operating the foundation in 1975 amounted to \$35,000. Other major expenses were \$3,800 for utilities and \$3,100 for professional fees. Total expenses amounted to about \$59,000.

JOINT STUDY PROGRAM

You asked whether any students were sent to the library from the college to study. The business manager said that the college was considering sending some of the students under the Rayburn Library Cooperative Program. He added, however, that the college cannot implement the program unless additional grant funds are received.

The college is expecting an additional \$600,000 from the sale of the Eisenhower dollars based on the difference between its share of the \$9 million appropriated in 1975 (\$8.1 million) and the amount received (\$7.5 million). The money, however, will not be forthcoming under existing legislation.

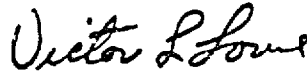
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The Treasury, based on sales of the dollars, could not expend the full \$9 million appropriated in 1975. Since then, although sales have provided adequate funds to cover the difference between the amount appropriated and the amount paid, the appropriation authority to pay the money has expired. Treasury has paid to the college its share (\$900,000) of the \$1 million appropriated in 1976.

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In accordance with your instructions, we have not obtained Treasury's comment on this report.

Sincerely yours,



Victor L. Lowe
Director