

# Fueling the Mighty Beast

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A never-ending delight of researching Academies history came recently with the discovery in a yellowing file containing contracts and correspondence between Culver's purchasing department and its fuel providers between 1931 and 1966. It provided a revealing look at Depression-era economics, including enrollment issues, New Deal economic planning, wartime shortages, and, alas, the ever increasing price of fuel.

For purposes of an economic base line, enrollment in 1931 stood at 557 cadets, tuition was \$1,500 annually, and produced gross revenues of \$835,500. The annual coal consumption was about 4,000 tons at \$1.05 per ton, \$4,200 annually, and with an assessment of \$7.54 per student for fuel.

By 1933, the first year of operation for The Culver Educational Foundation, Depression-dominated enrollment had skidded to 331 cadets and the Academy was operating at a deficit. Tuition revenues had skidded to \$496,000, fuel costs were up slightly to \$4,400, and the student's fuel assessment was \$13.29. Reductions in faculty and employee layoffs mitigated some of the negatives, but fuel costs remained a major and ongoing problem.

New Deal policies also created major financial concerns for the trustees. Officials at the Sterling-Midland Coal Company in Terre Haute, Ind. complained to the Academy purchasing director, H.L. Henning, in April of 1933 that they were hamstrung in quoting Culver a price per ton.

The National Recovery Administration Coal Code, the company noted, had not been finalized and until new rates were announced in October, a contractual agreement with the Academy would have to wait. Sterling-Midland was apologetic and thanked Culver for "the patience you have shown and the cooperation given us in these trying times."

Henning, nevertheless, ordered 4,000 tons of two-inch Glendora screenings from the Sterling-Midland's mine at Latta, Ind., at a "yet-to-be" established price. The Academy had to have coal, regardless of cost, and it was delivered at \$1.10 per ton.

In 1934, Henning attempted to lock in a price for 5,000 tons from a new supplier, the Maumee Collieries, in Terre Haute. His effort was to no avail. "No one can tell what will happen in the way of coal prices under the NRA," General Sales Manager E.B. Dudley wrote Henning. "Production costs in Indiana have increased from 30 cents to 40 cents per ton since the NRA code went into effect."

When the rates were finally published, the Academy found that its new cost per ton was \$1.35, an increase of 25 cents. Tuition, however, remained frozen at \$1,500, while enrollment had dropped by 77 boys to 348. The cost per student for heating and lighting neared \$20.

In 1935, The Culver Educational Foundation, desperate to maintain existing enrollments and, perhaps, win a few more students, slashed tuition by \$400. The Culver family funded the losses from its own resources and the cuts had a dramatic effect. When the Academy opened in September, the Culvers were delighted when enrollment increased by 102 and the corps numbered 450 boys. Though long-term prospects remained hazy, a measure of hope had been restored.

The Academy operated during the 1935-36 season without a coal contract, but the Maumee Collieries agreed to supply *all* of the Academy's needs at the NRA established price of \$1.35 per ton. This loose arrangement worked well and continued through the remainder of the decade.

By 1942-43, and with enrollment at 688, the Academy's coal consumption had increased to 7,000 tons annually. Henning noted that wartime controls froze prices at \$1.40 per ton and, with the increase in enrollment, the individual cadet assessment dropped to \$14.24 per individual.

Post-World War II fuel increases were harsh and reflected the end of price controls. A ton of coal jumped to \$1.95 per ton in the fall of 1945 and Henning's concerns were heightened even further in 1946 when his order for 7,000 tons of 1½" dusted screenings was quoted at \$2.08 per ton. With enrollment at 631, the annual student share for heat and electricity was up to \$23.07. Where was the end to the spiral?

Fuel contracts always were negotiated in the early spring and in March of 1947, the Maumee Collieries wrote that, "Although it is doubtful that there will be any labor trouble on April 1<sup>st</sup>, we agree that the best thing to do is

play safe and have some coal in storage." The price for the requisite 7,000 tons had increased to \$2.45 per ton, a frightening 17½ percent in one year.

The trustees, fearful of pricing potential students out of the Culver market, chose to maintain the annual tuition at \$1,100 from 1935 thru 1942 and not until the 1942-43 school year did they succumb to economic realities and agree to a \$100 increase. The \$1,200 fee held for the next four years. Not until 1946-47 did the trustees agree to raise tuition to \$1,350 per year. For those responsible for the daily operation of the Academy, these meager increases did not begin to address their overall operational costs.

Each year brought price increases for coal and each year the Academy grabbed its bootstraps and pulled. Energy conservation and enrollment increases by World War II baby boomers helped mitigate the problem, but new construction and an ever-enlarging campus offset the savings. The administration was also ill-disposed to cut programs it believed essential to its educational, military, and athletic mix.

Facing the realities of a fast changing world, the trustees, at the urging of Superintendent Major General D.T. Spivey reluctantly authorized the establishment of an annual giving program under the umbrella of "Investment in Youth" in 1956. By 1958, Spivey had succeeded in establishing a Development Department with the objective of increasing the Academy's endowment.

The menace of inflation continued to be evident when, in 1966, the Purchasing Department ordered the annual coal supply, now up to 8,000 tons, from a new supplier, the Peabody Coal Company, and found the price at \$4.50 per ton. Fortunately, a record enrollment of 844 boarding students and new monies from annual giving offset some of the fuel costs, but tuition income was, nevertheless, being billed an energy cost of \$42.65 for every student.

Before the 1960s had ended, the Pennsylvania Railroad abandoned service to the Academy and, with coal delivery no longer available, the Academy entered into an agreement with the Northern Indiana Public Service Company for natural gas for heating and for electricity. The Erie coal-fired steam boiler that had served the school since 1938 was converted to gas and, with prices low, the trustees thought they had finally emerged from the thicket of high energy costs.

Believing that prices would remain steady – or go even lower – they rejected the opportunity to sign a long-term contract with NIPSCO in the early 1970s. It was a decision that proved a grievous error. When the Mid-Eastern oil embargo was applied in 1973, The Academies faced a 15 month period of soaring energy costs and continuing energy inflation. Recently, however, a page has been taken from Henry Harrison Culver's operational philosophy and The Academies have recaptured a part of its independence from outside suppliers.

In the mid-1990s, the ageing Erie boiler was removed from the powerhouse and replaced with two Superior 400 horsepower fire tube natural gas boilers capable of producing the high-pressure steam required to service the laundry, dining hall, swimming pool, hockey rinks, and showers while low-pressure steam provides campus-wide heating for many of the buildings.

Further independence from commercial power distributors has followed with the recent installation of natural gas reciprocating engines that drive two electric generators. Their production of one megawatt of electric power is enough to provide The Academies with about 75 percent of its annual requirements.

Seventy years ago, tuition was \$1,500, enrollment stood at 557, the annual bill for coal was \$4,200, and the cost per-student for heat and electricity (the Academy produced its own power) was \$7.54. In 2001, tuition had risen to \$22,250, enrollment was 703, and the cost of natural gas, (including 75% of electric power requirements) was \$420,000. The assessment against tuition for each student was \$597.

For those who enjoy the challenges of numbers – which I don't – Alan Bunner, the former head of the Mathematics Department – and someone who loves the mystery of numbers, notes a 14-fold increase in tuition since 1931, and a 78-fold increase in energy costs for the same period.

Taking heart with the puzzler I posed, Bunner determined that in terms of dollars adjusted for inflation since 1931, the tuition at Culver has gone up about 30%, while energy costs, also adjusted for inflation for the same period, have increased by about 600%! Fueling the mighty beast has indeed become a major element in the day by day operation of The Academies.