

OVERSIGHT HEARING ON THE OPERATIONS AND GOVERNANCE
OF THE SMITHSONIAN INSTITUTION

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WEDNESDAY, APRIL 11, 2007

United States Senate,
Committee on Rules and Administration,
Washington, D.C.

The Committee met, pursuant to notice, at 10:00 a.m.,
in Room SR-301, Russell Senate Office Building, Hon. Dianne
Feinstein, Chairman of the Committee, presiding.

Present: Senators Feinstein, Bennett, Cochran, and
Alexander.

Staff Present: Howard Gantman, Staff Director;
Veronica Gillespie, Elections Counsel; Adam Ambrogi,
Counsel; Natalie Price, Professional Staff; Christopher Shunk, Director
of Administration and
Policy; Matthew McGowan, Professional Staff; Mary Jones,
Republican Staff Director; Matthew Petersen, Republican
Chief Counsel; Shaun Parkin, Republican Deputy Staff
Director; Abbie Platt, Professional Staff; and Michael Merrell,
Professional Staff.

OPENING STATEMENT OF CHAIRMAN FEINSTEIN

Chairman Feinstein. Since the Ranking Member, Senator
Bennett, is present, I believe that we will begin the
hearing. I will be asking members as they come in to make a
comment, an opening comment, if they wish. We do the early-
bird rule here, which is first come, first up for questions,
alternating sides, so one Democrat, one Republican, one
Democrat, one Republican. And I will just make a few brief
opening remarks and then turn it over to Senator Bennett.

Let me just begin by saying good morning. We are here
today at the first of a series of hearings that I hope to
schedule in both the Rules and the Interior Appropriations
Committees. Rules is the authorizing Committee and Interior
Appropriations the appropriating Committee for the
Smithsonian.

I would like to welcome the witnesses who have agreed
to testify today. I think we all share a common commitment
to ensuring that the great Smithsonian remains the crown
jewel of America's steadfast commitment to science, culture,
and the arts.

But serious issues have brought us here today. This
hearing had originally been scheduled to examine the
spending practices and compensation practices of Smithsonian
Secretary Lawrence Small, which included a number of
unapproved expenses from 2000 to 2005; a very extraordinary
housing allowance based on hypothetical calculations,
including "an imputed 8.32 percent mortgage interest" even
though there was no mortgage; and \$203,000 in maintenance
charges and \$12,000 in payments for the upkeep of a swimming
pool.

The reason this all becomes very relevant is because
the Smithsonian is a public institution. It is not a
private institution. It raises money in the private sector.
It also receives funding from the Federal Government. And
it is one of the great heritages of the United States.

The Secretary has submitted his resignation, so hopefully we can concentrate this hearing on where we go from here, where we go to develop a superior management team with strong Board of Regents oversight over the some 19 museum facilities and other enterprises which comprise the Smithsonian.

The Board of Regents has named an independent review committee to examine not only Mr. Small's compensation package and expenses, but also the Regents' response and actions. I believe we need to dig deeper and examine how and why this state of affairs came to be.

How did we reach the point where there is a backlog of over \$2.5 billion in revitalization, construction, and maintenance projects, which have forced the closure of the Arts and Industries Building and have left many of the Smithsonian buildings in a state of serious disrepair?

I do not believe that the Board can simply come to Congress and hope to receive the \$2.5 billion. This funding gaps needs to be addressed much more creatively, and there are suggestions that have been made as early as 2005--nine of them--on how to meet this funding gap. But the only one that has been exercised is the one that says, "Obtain more appropriations."

The Regents have named a new Governance Committee, and I look forward to engaging them in a meaningful discussion about how we can establish a governance structure that will provide vigorous and transparent oversight and accountability for the Smithsonian.

Despite the remarkable growth and expansion of the Smithsonian, the Board of Regents has not substantially changed since 1846. The Chief Justice of the United States still serves as Chancellor. Six Members of Congress and the Vice President still sit on the Board.

I think the time has come to examine whether there is a structure that might better fit this institution at this time.

The Congressional Regents, the Vice President, and the Chief Justice all add unique and important perspectives to the Board, and I know they are providing an invaluable public service. But given their day jobs, I wonder if they can dedicate the time, attention, and expertise that is so greatly needed at the Smithsonian at this time.

Comparable museums, like the Met, for example, have five public officials that serve ex officio, but that is in addition to a robust board of 40 that include experts in museum management, fundraising, and the law.

We need to strive for this level of diversity and commitment among the Smithsonian's Regents, and I am afraid that this Board, which some might say is largely honorific, is really the last thing the institution needs right now.

This Board is well meaning, it is dedicated, but I am not really convinced that the current structure has the capacity to perform the fiduciary responsibility required. For instance, in testimony submitted by the Inspector General, we will learn that the current Regents were apparently not fully aware of the provisions of the former Secretary's employment agreement, especially the questionable housing allowance.

We need Board members and a Secretary with not only political acumen, not only financial expertise and fundraising skills, but with good management capacities and who are actively engaged in building the Smithsonian back to its rightful place as the preeminent research and museum complex in the Nation and the world.

I am hopeful that this hearing and the reports by the Governance Committee and the External Review Committee will inform Smithsonian leadership and Congress on the best course of action to take in the future. We should do all we can to ensure that this great American treasure once again regains its position on the cutting edge of American research and culture.

Now I would like to turn it over to the Ranking Member, with whom I am really delighted to work. We have worked together before on the Appropriations Committee, and it is really very pleasant for me to have him as Ranking Member of this Committee. Senator Bennett?

OPENING STATEMENT OF SENATOR BENNETT

Senator Bennett. Thank you very much, Madam Chairman, not only for your kind words, but for the history that goes behind them, where we have indeed worked well together and continue to do that.

I congratulate you on holding these hearings. This is an issue of great public interest. There has been a lot of newspaper ink spilled on it, a lot of television time devoted to it, and I think the American people expect the Congress to take a good, hard look at this.

The Smithsonian has been called "the Nation's attic," but it is clearly much, much more than that. It is not a place where we store things, like we do in our attic, and occasionally go up and rummage through them. It has become the world's largest museum complex. It holds a vast collection of artifacts and specimens and artwork. And the challenge of hanging onto these things and preserving them in a proper fashion for future generations and at the same time making the decisions as to which ones will be displayed now and how, and in as attractive a manner as possible, is, as you have suggested, a very significant management challenge.

It is interesting that for that reason the Smithsonian, unlike some other Government organizations, has morphed, if you will, into a combination of a Government agency and a private management organization. And they reached out for the kind of chief executive that a corporation would look for and found one in Lawrence Small. I do not have the details, but it is my guess that he took a fairly significant cut in compensation to come on board the Smithsonian, even at a level that is staggering for those of us who live on Government salaries.

I have a little sympathy for that. I took a cut, too, when I came to work for the Senate. And when people say to me, "Gee, I wish I had all the perks you have as a Senator," my reaction is I wish I had all the perks I had before I became a Senator.

It is recognition of the fact that the Smithsonian has become what it is, that its governing body decided to reach

out into the management pool of talent and search for that kind of executive and make a compensation package available that would attract that kind of executive.

So I have some sympathy for Mr. Small, coming from the corporate world of high compensation and a high set of perks into a situation where he is viewed through the lens of the Government world where we want him to be almost cloistered in terms of the kinds of things he can do and the kinds of compensation that he received.

He may very well have lost track of the public perception of his assignment, and he has now stepped down so that we can look at this without having to go through the lens of his own situation. But the fact that the situation arose is an indication that these hearings are overdue, and an examination of exactly where the Smithsonian is going and what we want it to be is a logical examination to take.

So I commend you for the hearings. I look forward to the witnesses, and I hope we will take the kind of long view that you have outlined in your opening statement:

What kind of a Smithsonian do we want from here on? What kind of a legacy do we want to preserve from the tremendous contribution the Smithsonian has made in the past? What kind of such do we want to leave in place that will see to it that our children and grandchildren continue to have the sort of marvelous opportunities that come to us now when we go to the Smithsonian and poke around the attic?

Thank you very much, Madam Chairman.

Chairman Feinstein. Thank you very much, Senator, for those comments, and I see we are joined by Senator Lamar Alexander. Senator, do you have some opening comments you might like to make?

Senator Alexander. Thank you, Madam Chairman. I am here to listen, but thank you for the courtesy.

Chairman Feinstein. Thank you very, very much.

Then we will begin with our first panel. There will be two panels. The first panel comprises Mr. Roger W. Sant. He is the Chairman of the Executive Committee of the Smithsonian, a member of the Board of Regents. I will ask him please to come forward and take a chair. And Ms. Patty Stonesifer, member of the Board of Regents, and I believe head of the Governance Committee.

Roger Sant was appointed to the Smithsonian Board of Regents in 2001. He serves, as I said, as Chair of the Executive Committee. He also chairs the Audit and Review Committee and the Ad Hoc Committee on Facilities Revitalization and sits on the Compensation and Human Resources Committee. Mr. Sant is the Chairman of the Summit Foundation and is a noted author and expert on energy conservation.

At this time I will introduce Patricia Stonesifer as well. Patricia Stonesifer was appointed to the Smithsonian Board of Regents in 2001. She serves as the Chair of the newly formed Committee on Governance. She also chairs the Nominating Committee and sits on the Audit and Review Committee. Ms. Stonesifer is the Chief Executive Officer of the Bill and Melinda Gates Foundation.

Mr. Sant, we will begin with you. I would like to ask

if you both could confine your remarks to 5 minutes. We would like to have a back-and-forth for as much of the time as we possibly can.

So we will ask the clocks to be turned on, and we will begin with Roger Sant. You have to press your "talk" button on the microphone. Good.

STATEMENT OF ROGER W. SANT, MEMBER, BOARD OF
REGENTS, SMITHSONIAN INSTITUTION, WASHINGTON, D.C.

Mr. Sant. Thank you. Good morning and thank you for inviting us here. Senator Bennett, Senator Alexander. I am very pleased to--

Chairman Feinstein. Pull the mike a little bit closer. Thank you very much. Helpful television cameraman. Appreciate it.

[Laughter.]

Mr. Sant. I am very pleased to be here today to address the recent concerns about expenditures and governance at the Smithsonian. As you mentioned, I have been a member of the Board of Regents since October 2001.

My fellow Board member Patty Stonesifer and I want to state right from the beginning that we hear clearly the concerns of you, others in the Congress, and the public. We deeply regret the circumstances that have led to a loss of confidence in the Regents' oversight of the Smithsonian.

We are here to describe three important steps the Board has taken, some of which you have already mentioned. It is abundantly clear that the public faith and interest in the Smithsonian, including its important work in science and the humanities, provide the institution with its essential vitality. Even before the Secretary's resignation, we created, as you mentioned, the Independent Review Committee to examine the Regents' responses to the Inspector General's audit of the Secretary's compensation and expenses.

The Board appointed three independent-minded and widely respected members of this Committee, chaired by the former Comptroller General, Charles A. Bowsheer. We have asked this Committee to report to the Regents at our Board meeting this coming June 11th.

We also created a new permanent Regents Committee on Governance, and the Chairman of that Committee, Patty Stonesifer, will speak next and describe to you the work of her Committee. She will also describe certain interim steps the Executive Committee has taken at the request of her members to enhance strong oversight and controls on spending.

And, finally, upon receiving Secretary Small's resignation, the Regents appointed Dr. Cristian Samper, the able Director of the National Museum of Natural History and a highly respected scientist, to serve as Acting Secretary. You will hear from Dr. Samper in the next panel.

Senator Feinstein, when Secretary Small resigned last month, you noted three important issues to be discussed at today's hearing. The first two were the need for an active and engaged Board interested in vigorous oversight of the Smithsonian and the need for careful review of the compensation and spending practices of the Secretary and

other top staff members. The Board hopes that we have demonstrated by our actions so far that we are in full agreement about the importance of those two Regent functions.

Madam Chairman, you also asked us to address the need for a plan to fund the \$2.3 billion backlog--I believe you said \$2.5 billion--required to fix and maintain the Institution's buildings and facilities. Your figure is probably more correct. The Smithsonian's collections and exhibits, live and inanimate, face dire circumstances as the infrastructure falls further into disrepair. The Board is and has been extremely concerned about the threat to the Institution posed by the eroding quality of its facilities. Together we have made some progress, but about 60 to 70 percent of the problem remains unaddressed.

I know, Senator--and you mentioned it this morning--that you believe we must look for sources of funding beyond additional Federal funds. Both Ms. Stonesifer and I agree with you but, again, cannot emphasize enough the severity and urgency of the problem. I hope we can sit down with you and work out a plan.

So as we move forward to enhance governance at the Smithsonian and pick a new Secretary, I want to stress the importance that all the Regents, including our six congressional Regents, place on working cooperatively and closely with your Committee and others in Congress. We need your help if we are to realize a dream we all share and one you mentioned earlier this morning: that the Smithsonian achieve its full potential to increase and diffuse knowledge, and for Americans everywhere to be justifiably proud of this totally unique Institution.

After Ms. Stonesifer speaks, I would be happy to answer any questions you have. Thank you, Madam Chairman and members of the Committee.

[The prepared statement of Mr. Sant follows:]

Chairman Feinstein. Thank you, Mr. Sant.
Ms. Stonesifer?

STATEMENT OF PATRICIA Q. STONESIFER, MEMBER, BOARD
OF REGENTS, SMITHSONIAN INSTITUTION, WASHINGTON,
D.C.

Ms. Stonesifer. Thank you also for inviting me to testify on what the Board of Regents is doing to strengthen governance at the Institution.

As you mentioned, I have been a Regent since December of 2001, but just 3 weeks ago I became Chair of the new Governance Committee. I live in Seattle, Washington, where I have spent the last 11 years as the CEO of the Bill and Melinda Gates Foundation.

On behalf of all the Regents, I want to join Roger in acknowledging the seriousness of the issues that confront the Smithsonian and the Smithsonian Board. There is clearly a confidence gap with the Congress and with the American people, and I want you to know that we hear your concerns and have a strong commitment to getting things right. We are determined to address the concerns about spending

practices at the Smithsonian, but also recognize that good governance involves far more than expenditure control.

One guide our Governance Committee is using cites 12 principles of good governance, and I will mention just a few: a commitment to a culture of inquiry; an ethos of transparency that would ensure not just Regents but key stakeholders have access to appropriate and accurate information; integrity; ethical values; and an approach that ensures the full Board and Institution stay strategic, mission-driven, results-oriented, and continually revitalize its oversight and best practices. We plan to use these principles, as well as other tools, like the Panel on the Nonprofit Sector's Recommendations on Good Governance, to guide us in our work.

Although the Smithsonian is understandably proud of that 160-year history, it does not exempt it from continuing to monitor and improve how it is governed today. I believe in hindsight that while the Regents have been exceptionally engaged and involved in mission, strategy, and big resource issues facing the Smithsonian, there are several aspects of good governance that we must work together to strengthen. My fellow Regents welcome the recommendations.

I consider excellence in Government at the Smithsonian a particularly interesting challenge. Unlike the executive and legislative branches, the Smithsonian and its Board are not subject to the oversight that an election brings; and unlike a private company, we do not have a market process to discipline us. The Smithsonian's unique blend, as you mentioned, of public and private and the very broad range of museums, programs, and research that fall under this one Institution means that we cannot rely on a single good-governance template from some other great institution. We are not just a museum, just a science and research organization, or just an education organization. We need to learn from the best of each, but develop our own path forward.

The Committee is now meeting weekly through June to get a fast start on these issues. There are four members: three Regents--Congresswoman Doris Matsui, Dr. Walter Massey, and Robert Kogod. We are joined by a non-Regent member, Diana Aviv, President and CEO of the Independent Sector, who has helped move the whole nonprofit sector these past few years to a whole new level of good governance.

Here is some of what the Committee is doing right now.

First, our immediate focus has been to revise policies and restrict the use of funds for travel, entertainment, housing, and other similar expenses that may or appear to be personal in nature. We felt it was important to do this right away. On Monday, the Executive Committee approved those recommendations, and Dr. Samper and his staff have begun the process of implementing them.

Second, our mid-term work plan is to review the Institution's overall management and governance practices: the charter, the by-laws, the governance structure, governance policies, its dual status as a Federal and trust fund Institution, operation and oversight of Federal and trust fund accounts, and the composition of the Board. We

will examine best practice at comparable institutions and also plan to understand and incorporate the findings of the Independent Review Committee and then propose to the full Regents a set of new governance recommendations by midsummer.

Finally, over the long term, the Standing Committee on Governance will begin an ongoing effort to recommend changes to the Board of Regents to ensure the kind of exceptional governance practices that can further strengthen this important Institution's mission. We are grateful to the Congress and the public for funding more than 70 percent of the Smithsonian's operation and realize that brings a particular set of responsibilities with it. But the Smithsonian would look quite different without private donations.

Whether you love pandas or Whistler, want to study triceratops or entomology, or learn the history of aviation or of the galaxy, the Smithsonian needs private donations to provide these unique experiences. We need to retain our ability to attract private donations and at the same time work with this Committee and other congressional Committees to keep members fully informed and to seek your advice as we balance the important Federal support with the needs for private giving.

Clearly, we are at a critical time, but I believe we will emerge from this a stronger Institution, even more beloved by the American people. I am committed to doing everything I personally can to make that happen.

I want to thank the Committee, and especially you, Senator Feinstein, for this opportunity and say once again that the Regents are committed to ensuring that the management and governance of the Smithsonian remain worthy of the confidence of the Congress and of the American people.

[The prepared statement of Ms. Stonesifer follows:]

Chairman Feinstein. Thank you very much.

Before we go to questions, I notice that we are joined by a Regent in the form of a United States Senator, namely, Thad Cochran. Do you have opening comments you might like to make?

OPENING STATEMENT OF SENATOR COCHRAN

Senator Cochran. Madam Chairman, thank you very much for the recognition. I am happy to be a member of the Rules Committee and appreciate very much the attendance and cooperation of our witnesses in this hearing which you have scheduled. I am pleased to make the observation, if it has not already been made, that as soon as the questions begin being discussed publicly and with great fanfare and publicity about the handling of Smithsonian executive duties by Secretary Larry Small and others on the staff and officials of the Committee.

Our Board of Regents reacted quickly to appoint and give responsibilities to an independent auditor who conducted a review over the past 6 years of the Secretary's expenditures and carrying out of duties as Secretary of the

Institution. Recommendations from that audit were acted upon by the Board of Regents. Modifications of the Secretary's employment agreement were approved by the Board. And since then, the Board has moved to establish a new permanent Standing Committee on Governance and has appointed an External Review Committee chaired by the former Comptroller of the United States, Charles Bowsher, and more recently the Secretary who was appointed has resigned. Mr. Samper, the Director of the National Museum of Natural History, has been appointed by the Board as Acting Secretary.

I think this review by the Committee is entirely appropriate, and I am pleased to be able to attend the hearing, and thank you for your leadership, Madam Chairman. And especially I want to thank the officials of the Smithsonian for the way in which they have cooperated not only with our Committee but with others who have had inquiries and raised questions about the activities of the Board and the officials at the Smithsonian.

Chairman Feinstein. Thank you very much, Senator Cochran.

What I would like to do with my questions is, first, go to the compensation package of your former Secretary and then on to some bigger issues.

When I looked at the compensation package, to me it was very strange because it was convoluted. It was not straightforward. My question to you, whichever one of you wishes to answer it, is: How was the compensation package negotiated? Who negotiated it?

Mr. Sant. Let me start, Patty. I think I have got the facts right, that in 1999 Secretary Small was recruited to serve as Secretary, and at that time an employment agreement was written, principally under the direction of former Senator Howard Baker, Chief Justice Rehnquist, and Barber Conable, who were members of the Executive Committee at that time. That contract was written probably before many of us had thought about some of the issues we think about today because a lot has happened in terms of governance, but, nonetheless, that was the origin of his employment agreement, and those are the principles under which he worked.

Chairman Feinstein. All right. I am not going to go into the details. Other Senators may want to, but what I am interested in is what changes have you now made in that process. You are going to be hiring a new Secretary. You are going to be faced with negotiating an agreement. You have a big need to raise money in the private sector as well. How are you going to take this lesson of the past and apply it to the future?

Mr. Sant. Well, certainly we will be informed a great deal by the Independent Review Committee that will review all of our practices in the past. My own personal opinion is that we were fairly rigorous in terms of looking at the Secretary's salary and trying to always make sure that it was less than the 50th percentile of the comparable set of chief executives of other institutions--other institutions being universities and museums. And so we achieved that

result fairly well.

What we did not do a very good job on is the housing allowance, which you mentioned earlier. Right now, as Patty mentioned, we have eliminated the housing allowance for the Secretary. We are not sure that that is the long-term policy that we should undertake because we may need to recruit someone where that would be important. But, nonetheless, we were less than rigorous in terms of comparing because that data was very hard to get from the other 25 institutions that we looked at as to what a housing allowance at Harvard, for instance, would amount to because you would just get a house.

But, nonetheless, we think that that was the piece that we probably did not do as good a job as we did on the rest of the compensation package.

Chairman Feinstein. Let me put this question this way: Would it be helpful to you if we legislatively capped the salary?

Ms. Stonesifer. I think it would not be helpful, but I do think that rather than trying to figure out what we need for any individual candidate, we have to have a process to decide what compensation package is appropriate for someone to get the best person in the world to run this public--as you note, this important public Institution.

And so the process that we use today with senior executives of stacking up and comparing against four, six, sometimes more organizations that we consider comparable, that we consider the quality that we look for in the Smithsonian needs to be done proactively as the Search Committee begins its work and determine what the parameters of a Smithsonian Secretary's compensation package should be to recognize this unique responsibility with 70-plus percent funding from the Federal resources, yet also get someone who can continue to lead an Institution that relies on private funding.

So I think we need to build that practice before we even go further with the search.

Chairman Feinstein. It is my understanding, now to move to the management issues quickly before my time is up, that this is a huge Institution. And the question arises whether a Board of Regents can do it justice in anything other than token if you meet only four times a year, unless you meet in these other facilities, unless you have a strong management team in place, unless you yourself have subcommittees that would manage and look at--not manage but provide the oversight for the management of each of the facilities.

Have you given that any thought?

Ms. Stonesifer. I do not think there is anyone on the Regents who would disagree with you that the fact that this number of institutions underneath the umbrella of the Smithsonian and the important research mission puts a significant burden for how does such a Board appropriately address mission. And so the Governance Committee really considers that on the table, to ensure that whether through the subcommittee structure--which much of our work is done in committee. Do we have the right committees? Are they

composed and conducted correctly? And do we have the right overarching Regent structure to really address this pretty far-flung and very complex mission?

Yet it does come back together with this idea around the increase and diffusion of knowledge, and that is what we look for when we choose Regents, and I think the team we have in the Governance Committee looking at this will keep that in mind.

Chairman Feinstein. Thank you very much. My time is up.

Senator Bennett?

Senator Bennett. Thank you. I do not want to dwell too much on the compensation package, but I am interested in your answer with respect to the housing allowance.

Suppose you hire somebody who does not have a \$3 million house? That was the whole problem with Lawrence Small. He had a \$3.5 million house that he did not want to move out of. If I had one, I do not think I would want to move out of it either. Where would he live? You talk about Harvard, you talk about other universities. I know the President of the University of Utah told me when he was being interviewed they took him through the house, and his wife, who was fairly equivocal about moving to Utah, turned to him and said, "Michael, I want this house." And it had a great deal to do with their decision to accept the presidency of that university.

Do you have a house available for the Secretary if he does not have a \$3.5 million home of his own?

Mr. Sant. We do not, Senator. There is not a Smithsonian Secretary's home per se. But I understand the importance of your question.

Senator Bennett. It seems to me this is one of the areas where you got into trouble, because I understand previous Secretaries were provided with a house.

Mr. Sant. They were.

Senator Bennett. And here he says, "Okay, I am going to open mine up for Smithsonian functions," and that is clearly a burden, that is clearly an intrusion, for which he ought to be compensated.

Now, we can argue that he was overcompensated or undercompensated, and that is a useless kind of conversation in terms of where we are going. But I would just, without going any further in it, suggest that as you look to the future you address this question so that there is not the sort of ad hoc solution to the problem that there was with Secretary Small for any future candidate, that a future candidate will know, yes, I am going to get this kind of housing, or I am going to have to accept an intrusion into my private life of dinners, fundraising activities, whatever it is, around the pool, the place has got to be cleaned up more often than it is when we live here because of all of the folks that are coming through that have got to have a good impression of the Smithsonian.

I just suggest to you that this is not a minor issue in your compensation and recruitment activity. It is something you ought to add institutionally rather than on an ad hoc basis.

Ms. Stonesifer. We agree.

Mr. Sant. Thank you very much.

Senator Bennett. Talk to me about the Board. I understand that the Regents meet four times a year and that attendance is pretty good. I have been told that, with the exception of the times of his illness, Chief Justice Rehnquist was always there. The congressional Regents are almost always there. The Vice President, a little more sporadic. I understand Vice President Gore was only there twice during his term and Vice President Cheney has not been there at all.

Do you feel the need for people who dealing with attend more often? Do you feel the need for more meetings as you look at that governance issue? What is your gut feeling now in response to the Chairman's concern about this?

Mr. Sant. I think you characterize well the attendance record of everyone who is on the Board of Regents. Certainly the Chief Justice, as you say, was only absent during the last months of his illness. Chief Justice Roberts has attended every meeting he has been asked to attend so far, and he even attends Executive Committee meetings, which are held outside of the regular meetings.

Senator Feinstein certainly raises a good point, that an Institution of this complexity may need more. Certainly at this point Patty and I would say we do not have any more to give, but there is certainly more that you could say is needed to understand completely the complexity of this Institution. And one of the options is for us to have a more dedicated staff to help us go through some of the intricacies so that when we do meet we have more of the background. I think the Inspector General is mentioning that maybe we have not gotten all of the information we should receive.

But I just want to say up front that I have never seen a better and more dedicated Board than I have this one. That certainly, in the context of the criticisms that we have received, is probably hard to take, but, nonetheless, it has not been because of lack of dedication and time and commitment.

Senator Bennett. Well, my time is up. I would just make this last observation. Again, comparing this to a corporate board, one of the issues we have gone through as we have discussed corporate governance in other committees is the role of the outside directors, and I think you have here a glittering galaxy of interested and competent outside directors as any corporation could ever want. And the fact that they do come and they do participate is a demonstration of their commitment to the Smithsonian.

What you are talking about, I think, in terms of staff is some inside directors that would serve on the Board and give you the sort of balance that you automatically have in a corporate setting, and maybe that is what has been lacking.

Mr. Sant. At least an inside staff.

Senator Bennett. Thank you very much.

Chairman Feinstein. Thank you, Senator.

Senator Cochran?

Senator Cochran. Madam Chairman, thank you.

First of all, I want to reiterate my appreciation and thanks to Roger Sant and Patty Stonesifer for being here today and also for their hard work in volunteering, in effect--maybe under a little pressure--to assume the responsibility for looking into the allegations, the charges, the rumors, and to find out what the facts really are and were with respect to the management of the Smithsonian.

It is a national treasure, truly. It houses our national treasures as well. And it is a source of pride for our Nation. The visitation to the museums is enormous by any standard of comparison with other nations and with other facilities in our country. And the Board is really a group of volunteers who are asked to serve. They do not seek these jobs. But they do volunteer when contacted and requested to serve. And we have some of the finest, most respected people on the Board of any group of any organization anywhere in the country, and I think we should take notice of that and express our appreciation for their dutiful service, which I am doing now.

I am hopeful that we will all learn from this experience, however, and as the tone has been set this morning by Roger and Patty, of doing a better job, of concentrating personally and more aggressively maybe in the supervision of the Smithsonian.

But the day-to-day operation of this Institution has to lie with those who are the officers and the chief staff members of the Smithsonian, and my impression of them has been very good. I am impressed with Sheila Burke, for example, who has been on the staff there as Deputy Secretary and in other capacities for a good while, has done a wonderful job, in my opinion. And she is no stranger to this Committee or to the United States Senate. She was here as a member of our staff for a long time, is well known to most Senators. And there are many others I could single out, but the heads of the individual museums are talented and selected because of their experience, their proven commitment to the jobs that they are assuming, the recommendations of others who have known them in a professional way for a long time, and on whom we have to depend for their advice and counsel.

So I am happy that we are having the hearing, and I want to make that point clear, too, because I think it will serve to help acquaint Senators more thoroughly with the operation of the Smithsonian and the quality and caliber of the people who are running it.

Chairman Feinstein. Thank you very much.

If it is agreeable with you, Senator Bennett, I would like to have another round.

Senator Bennett. Of course.

Chairman Feinstein. In response to Senator Cochran's comments, I think no one doubts the quality of the membership of this Board. It is extraordinary. There is no question about that, and it is very high level. The question comes, you have an endangered Institution now. You have an Institution that is clearly underfunded. It is not

able to maintain itself. It has got real problems that need to be solved because they are only going to compound and get worse. No matter how highly qualified a board is, if it meets but four times a year and the meeting on January 29th, my understanding is, lasted an hour and a half, followed by an Executive Committee meeting, I do not know how, if you have meetings like this four times a year, you come to grips with the everyday problems of this museum, which has increasing water damage from leaks. I was reading about numerous water emergencies, deteriorating facilities, certain management issues involving personnel.

Unless there is close oversight, I do not know how you justify public funding. And obviously we justify public funding because of the nature of the facilities. So my own view is that the whole oversight structure has to be re-thought in view of where this is.

In reading, for example, page 7 of Mr. Goldstein's report, "The Smithsonian has taken some steps to address our recommendation and develop and implement a funding strategy," and it points out the nine various recommendations that were made in 2005. And then it points out that the only recommendation that was used was to ask for more public money.

This is a very serious set of recommendations, and it would seem to me that every single one of them bears intensive examination, written findings, an analysis in writing as to whether the Smithsonian wants to accept them or reject them. And I do not believe that has happened. It is kind of we do as we do.

I think it is a problem. I think it is a problem to have a dinner for Regents that amounts to \$20,000 following a Board meeting. Now, I know you have invited guests, I assume, but that is an extraordinary amount of money for a Board of Regents that is as small as yours. Actually, it is the smallest Board of virtually any major museum anywhere. I looked at the numbers.

I would really like you to respond to these comments. I do not make them in any kind of an adverse way except I believe they are factual.

Ms. Stonesifer. You raise many good points. The facilities focus needs to be central--I know that I am speaking for Roger and myself--and we believe all of those ideas should be on the table and looked at vigorously. We were presented with first-pass recommendations. We need to continue. We do need support from the Congress to increase funding for revitalization and maintenance, but we need to continue to look at every possible way to close that gap.

Chairman Feinstein. Let me stop you for a minute, Ms. Stonesifer. It is my understanding you are asking for \$100 million a year.

Ms. Stonesifer. Increase.

Chairman Feinstein. Increase. And the President's budget has \$44 million in it. I do not know what our allocation is going to be in the Appropriations Committee, but it is probably not going to be possible to meet that amount and--

Senator Bennett. Pardon my ignorance, but what is the

top line, the total annual budget for the Smithsonian? What percentage of the total is \$44 million?

Mr. Sant. The total is roughly \$680 million, \$650 million, in that range, so the 44--

Senator Bennett. Per year.

Mr. Sant. Per year.

Senator Bennett. So you are asking for another \$100 million on top of \$650 million, roughly?

Mr. Sant. That is correct.

Senator Bennett. Okay. Thank you, Madam Chair.

Chairman Feinstein. And the President's budget has \$44 million on top, right.

Senator Bennett. Take the extra time.

Chairman Feinstein. Thank you. That is all right. Please go ahead. I think we ought to have--

Senator Bennett. You can take whatever time you want. You are the Chairman.

[Laughter.]

Ms. Stonesifer. So, obviously, what does happen is that things get delayed, priorities are shuffled and cut, and we are making some progress on both the revitalization and the maintenance. But you are right, there is a substantial gap. And like I said earlier, I think that we both believe that besides looking to increases to revitalize and maintain these important facilities, we need to look at other ways to finance that gap.

That said, you can imagine that private donors have far less interest in leaky roofs than they do in a new mammals exhibit or a new oceans exhibit. And the vast majority of the private donations come in earmarked and are required to be put against a particular opportunity to exhibit or to do research that speaks to the values of that donor. And so while there are over \$800 million in the endowment, by far the majority of that money is earmarked and can only be used against the intention that that donor gave it.

So we have to look at other ways to increase flows, including in partnership with the Congress, to put against the important issues of revitalization and maintenance.

Mr. Sant. Just a comment on the Board and its meeting. When the Smithsonian was set up, it was required that the Board meet at least once a year. That has increased over time now, and we meet four times a year, and you rightly say, Is that enough?

I would at least like to make one comment about the time that we spend. You mentioned the meeting only lasted an hour and a half. Actually, we met all day. We met from 9 o'clock in the morning until about 4 o'clock in the afternoon. We have an hour and a half where we do just the business of the Board, but the rest of the time is spent in open discussion about the issues that we have, which is supplemented by Committee meetings.

Nonetheless, your point is well taken. Is that enough time to really understand? And is there anything we could do with busy people to get the benefit of busy people to serve on these boards and still have, you know, the oversight that you are looking for?

We think there are some things we can look at in the

Governance Committee, and we are certainly doing that. Could we supplement the Board with some staff that would be devoted to the Board members? Could we get more use out of the 680-some members of advisory boards around the Smithsonian? There is really a remarkable array of people that we think that we could possibly get more benefit from their wise counsel and advice, so we are looking at the possibility of them looking more specifically at issues relating to their particular museums.

Chairman Feinstein. Thank you.

Senator Bennett?

Senator Bennett. Thank you very much.

Let me go back to the numbers here. I asked you the top line, and you say \$635 million. That is the Federal appropriations. What is your annual take from contributions? Give me the top line for your total expenditures on an annual basis.

Mr. Sant. It is roughly \$1.1 billion.

Senator Bennett. Okay. So the Feds put up a little more than half.

Mr. Sant. More like two-thirds, and then there are some grants that we get from NIH where we compete, our scientists compete for those grants, so that increases the amount of Government spending.

Senator Bennett. Okay. So the \$635 million is augmented by additional Federal money from places like NIH.

Mr. Sant. Yes.

Ms. Stonesifer. Yes, significant grants.

Senator Bennett. So of the \$1.1 billion, you say it is two-thirds instead of--

Ms. Stonesifer. Yes. Between 70 and 80 percent comes from essentially taxpayers' dollars one way or the other, through grants or through the appropriations process.

Senator Bennett. Okay. Well, because it is free, I am fine with taxpayer dollars going into because taxpayers are the ones who get the benefit out of it, and I can see that correlation. I can also see a benefit of the private connection, aside from the money, because as long as you are reaching out to private people to give you money, you have to pay attention to what the private market is. And, frankly, that makes your offerings more attractive. More people will come to see something that is current, something that has an interest in it, than will come to see something that the curator himself or herself thinks should be interesting. There is a nice mix here.

So I am willing to pay for the upgrade with public money as long as I am satisfied that the public who is coming is getting what they need. But I would think that would be the strategic conversation that should take place in the Board, not, "Gee, do we need a new roof?" But, "Okay, out of our \$1.1 billion are we going in the right direction in terms of what the public wants?" Because the opportunities are endless. If you had an open-ended source of money, you could spend \$3 billion or \$5 billion or \$10 billion, and still say, well, we are not meeting this need or that. There has got to be a prioritizing situation, and as I look at this, I have the feeling that it is that

process that has probably broken down, and that in the process there was not enough push on the Regents from the staff to say, Wait a minute, before you enthusiastically endorse this wonderful new program, you have got to set aside some money for the roof that is leaking, and we cannot expect Congress always to bail us out.

I am just kind of reacting to what I have heard here this morning. As my father would say, I am "running off at the mind," which is probably not a good thing. But as I listen to what you are saying and how you are responding to the Chairman, I think those are the kinds of management issues that ought to be raised in Board meetings and talked about. Be aware of what your top-line opportunity is and be aware of what your long-term responsibilities are, and then start to tailor the one to meet the other.

I have no further damage to do, Madam Chairman.

Mr. Sant. Those are very well-taken comments and, in essence, recognize the complexity of coming out one way or another on those. And I think we struggle with that all the time. But we have just got to get it better than what we have it right now.

Chairman Feinstein. Thank you for that. I want to call on Senator Alexander. But my experience in Government has been that you can privately raise money for facilities improvements. I did it as mayor in the private sector. So it has to be done on a much greater scale here, but I believe it can be done, and I think there are companies and corporations and individuals that understand the crisis need who would be willing to contribute. And I think there are also ways of putting a percentage of various things that must go for the O&M of the operation. But we will get to some of that.

Senator Alexander is up next.

Senator Alexander. Thank you, Madam Chairman. I would like to pick up on your comment about private fundraising, and I have a couple of suggestions which I would be interested in your reaction to or that of the next panel.

One of my passions is to help put back into its rightful place in our school curricula the teaching of United States history and civics. There is a lot of talk about math and science these days, and I am usually in the middle of the talk. But the worst subject high school seniors have in America today is not math, not science. It is United States history. And for a country that bases its unity on a few principles and a common language rather than ethnicity, not to know our history means we do not have any unity anymore. There are many ways we could do that, but the Smithsonian, with its 23 million visitors and its reputation has a wonderful opportunity to do that.

And so suggestion number one is that as you get past the immediate crisis that we are talking about today and think big again for the future. Take a look at what President Bush has recommended for the National Parks 100th Anniversary, which is a very bold program with a lot of new Federal money, and \$100 million a year each year for 10 years to be matched by at least \$100 million of private

money each year for 10 years. And I know down in the Great Smokies they are already scurrying around figuring out what the project will be, and they will no doubt raise the money. It was this Federal leadership that inspired that, and I could see the Smithsonian maybe combining with the National Park System, which has nearly 400 locations, and taking one of its immediate missions, which is to help Americans -- those prospective citizens and young people coming along, to learn more about our country.

Take the Andrew Johnson home in Greenville, Tennessee. That is a National Park property. Maybe that could become a summer academy for outstanding teachers and students of American history. Maybe the Smithsonian could be a part of that. Maybe that could be a part of a Smithsonian 10-year plan to put Federal money in to fix the buildings and private money to help do some of these big things.

So I wanted to suggest that sort of thinking, and the President's Centennial Objective for National Parks, as not just a model but as a possible partner. As these dozens of new projects are being recommended to the Secretary of Interior, he or she might consider that some of them might be in cahoots with the Smithsonian.

And as a part of that, it would seem to me that the Smithsonian has an opportunity through the new African American History Museum to help us do a better job of making a proper understanding of African American history a part of our history. For a long time we ignored it. Then we only looked at it as oppression. And now we are beginning to think about it better. For example, in Memphis, there is the new Civil Rights Museum, which is where Martin Luther King was killed, and there is an enormous amount of interest there. I do not know if it already hooked up with the Smithsonian and with the new African American Museum, but clearly it should be consulted in some important way.

And only 60 miles away is Alex Haley's grandmother's home, and at the foot of those steps he heard the stories from his great aunts that became the story of "Roots," which is the only television program to outsell the Super Bowl for commercials over a period of time.

As a part of this United States history emphasis over the future, I would hope that you might have ways of using the African American Museum, and particularly institutions like the Memphis Civil Rights Museum, the Alex Haley Home, and other places around the country such as the Underground Railroad home in Ohio, to help build those places up around the country and turn your 23 million visitors into a much larger number of people who enjoy the Smithsonian.

I just wanted to make those suggestions to you and give you something happy to think about in the midst of all these other issues that you are having to deal with, because it is an exciting prospect.

Mr. Sant. Those are great suggestions, Senator, and I would just add that I hope you can take a look at what we are doing in the American History Museum, the refurbishment of that.

Senator Alexander. Well, I came over last year, about

10 months ago.

Mr. Sant. Good. The whole change of that really goes to the Chairman's remarks about you can raise money when you have a purpose like that, and that museum is being transformed. And I hope it will meet some of your criteria for civics and history lessons that are, you know, so much a part of the Smithsonian tradition. But your other suggestions I take to heart.

Senator Alexander. Madam Chairman, I see my time is up, but my experience around Washington is that most ideas fail for lack of the idea, not lack of politics. And I really believe that if you laid out some big 10-year goal for the Smithsonian, you would have people standing in line to support it.

Chairman Feinstein. I agree.

Ms. Stonesifer. We are very much in agreement on that. There is a big opportunity for this Institution to get its message out even better and to address the issues that are not just pressing on us today, but the bigger issues of increasing the outreach and the education opportunities. We do an awful lot today, and I am sure that Dr. Samper will tell you far more about the work that is going on already in these networks.

I do have to say that Congressman Regula, with his excitement and belief in the Park System, continuously brought us the best ideas and practices, but that sounds like an effort that we really should be understanding more about that kind of partnering between the Federal increase and the private monies.

Chairman Feinstein. Thank you very much, Senator.

Senator Cochran?

Senator Cochran. Madam Chairman, thank you.

Let me again thank our witnesses for being here today and for the work they have done not only at the Smithsonian but for this Committee and helping us better understand the actions that are being taken, the steps that are being undertaken to help improve the operation of the Smithsonian, and also the understanding of the Smithsonian and the challenges that we face there in terms of funding. I think these hearings are going to serve to bring to the attention of more Americans the importance of support for institutions and museums like the Smithsonian.

Thank you.

Chairman Feinstein. Thank you very much.

Before I end this panel, you know, I think maybe when people work on something, they do not realize nationally what an impact it has. The Smithsonian--I did not know these things about it. I did not know the \$2.5 billion backlog of maintenance. I did not realize that glorious building is closed because it might fall down on someone's head.

I think if people really knew this, if there was a kind of campaign that you brought about, people and the private sector would respond.

Just a small, little thing. When I was mayor, the local match for a grant to rehabilitate the cable car system we raised in the private sector, and we did it very easily.

It was not that much, \$10 million, but it was for operations and maintenance and repair because people loved the system and wanted to keep it going.

People love the Smithsonian nationally, and I think it is easy to dismiss maintenance and operations by saying, well, people do not want to contribute to it, they want to contribute to a brilliant new gallery or something like that to have their name on it. I really have a different view of that.

I am going to ask you if as a product of all that has been going on, Mr. Sant and Ms. Stonesifer, if you would put in writing to this Committee those changes that you are contemplating so that we might know, in governance, in transparency, in changes to your system, compensation system, oversight provided by the Board. We can legislate. However, I think it is highly desirable for the Institution to change itself if that is at all possible.

So I would like to know, let's say within the next 3-month period, exactly, to the extent you can tell us, what your intentions are, and if you would do that in a written form, it would be very much appreciated.

Ms. Stonesifer. I think that very much aligns with the timeline that we have been thinking for this comparison to other best practices, really reaching out to a lot of experts to get advice, and we accept that and actually welcome the opportunity to put in writing what the Governance Committee and the Regents see as opportunities.

Chairman Feinstein. I think that would be very useful, and then the Committee can look at it and contemplate and come to some conclusion whether they believe it is sufficient or not, and if not, what next step we would then take.

Is that agreeable, Mr. Sant?

Mr. Sant. Absolutely.

[The information follows:]

/ COMMITTEE INSERT

Chairman Feinstein. Thank you very much. Let me thank you both of you for being here today. It is very much appreciated. I hope you will stay for the next panel.

Ms. Stonesifer. Of course, yes.

Chairman Feinstein. Thank you.

I would like to now call up panel number two: Cristian Samper--I hope I pronounced that correctly. Dr. Samper is the newly appointed Acting Secretary of the Smithsonian. He joined the Smithsonian in 2001 as the Deputy Director and Staff Scientist at the Smithsonian Tropical Research Institute in Panama--so this is one indication of how far-reaching the Smithsonian is, in Panama, no less--and has served as Director of the Smithsonian's National Museum of Natural History since 2003.

Mark Goldstein is the Director of the Physical Infrastructure Team at the GAO, the Government Accountability Office. His work at the GAO includes the April 2005 studies of facilities management at the Smithsonian.

And Sprightley Ryan was appointed Inspector General of the Smithsonian last month. She has worked for the IG's

office since October 2003 and previously held the positions of Counsel to the Inspector General and Assistant Inspector General for Investigations.

So we welcome the three of you, and perhaps, Mr. Samper, would you rather go first or would you rather have the others go first and then reflect on what they say? It is your call.

Mr. Samper. Thank you, Madam Chair. If it is all right with you, I would like to make an opening statement.

Chairman Feinstein. Please. Please proceed.

STATEMENT OF CRISTIAN SAMPER, ACTING SECRETARY,
SMITHSONIAN INSTITUTION, WASHINGTON, D.C.

Mr. Samper. Thank you very much, and thank you for the invitation to join this Committee.

I am honored to come before you as the Acting Secretary of the Smithsonian Institution. I am committed to doing all that I can to ensure that the Smithsonian emerges from this challenging time as a strengthened, improved institution. Working together with the Congress, I believe that we can do just that. Without the continued support of the administration and of the Congress, the Smithsonian would not survive as we know it.

Historian David McCullough recently described the Smithsonian as a "storehouse of ideas." It is that and much more. The Smithsonian stands out as a unique entity, a leader in education, science, history, art, and culture. It is an international institution, active around the globe.

I want to assure you and the American people that the valuable work of the Smithsonian continues with as much energy and excellence as ever. I am very grateful to our experienced and dedicated staff, volunteers, and donors who, as I do, care deeply about the Smithsonian and all that it stands for.

In recent weeks, I have met with many of our people, and all are united in their commitment to our mission: the increase and the diffusion of knowledge. To their credit, they have not wavered one bit. As I am, they are determined to move forward and to serve the public.

Now, how we move forward is very important, and how we govern the Smithsonian is just as important.

The Smithsonian Board of Regents, as you have heard, has chosen an Independent Review Committee to review the Inspector General's reports on compensation and expenses at the Smithsonian and the Regents' response to those reports. The Board of Regents, as you have also heard, has also created a new permanent Committee on Governance to assess the Smithsonian policies relating to best practices and to make recommendations. We look forward to their findings.

One of the biggest obstacles that we face, as you have pointed out, Madam Chair, is facilities maintenance. Our museums, galleries and research centers house some of America's greatest treasures. Much like it has with the Library of Congress and the National Archives, historically the Federal Government has recognized its responsibility to ensure that the Smithsonian's treasures are housed, preserved, and exhibited in facilities that are adequate to

the task and safe for employees and for millions of visitors. We are very grateful for all the Federal support that we have received to correct this problem.

The Smithsonian has so much to offer the public in terms of education, outreach, exploration, research, exhibitions, and much more. We have built up great momentum, and one of my top priorities as Acting Secretary is to ensure that our ambitious plans move forward.

We tell the story of what it means to be an American. We are creating a new home for the Star Spangled Banner and new exhibitions to explore the oceans and our human origins. Our scientists are studying the effects of global change, the path of avian flu, and the origins of the universe. We have implemented a strategic plan for science and begun one for art. As you know, some of the greatest works of art in the world are housed at the Smithsonian.

Our traveling exhibitions will reach nearly 5 million people this year in 44 States. We now have 153 affiliate museums located in 39 States, Panama, Puerto Rico, and Washington, D.C. Last year alone we had more than 23 million visitors to our museums and over 150 million visits to our many websites. Our influence is vast, varied, and vital.

The Smithsonian is a public trust. It belongs to every American, young and old. I am particularly interested in the younger audience because they are America's future. We educate and inspire the next generation of astronauts, scientists, artists, explorers, and historians. Once we reach them, the Smithsonian is in their hearts and their minds for life.

The Smithsonian is the keeper of our Nation's historic, scientific, artistic, and cultural heritage. There is tremendous potential for cross-pollination among these disciplines to create new ways of looking at our world, generating new knowledge, new insights, and gaining new wisdom. In renewed cooperation with Congress, the Smithsonian will move ahead with its ambitious plans.

Thank you.

[The prepared statement of Mr. Samper follows:]

Chairman Feinstein. Thank you, Mr. Samper.
Mr. Goldstein?

STATEMENT OF MARK GOLDSTEIN, DIRECTOR, PHYSICAL
INFRASTRUCTURE TEAM, U.S. GOVERNMENT
ACCOUNTABILITY OFFICE, WASHINGTON, D.C.

Mr. Goldstein. Good morning. Thank you, Madam Chairman and members of the Committee. Thank you for the opportunity to task force before you today on our work regarding the Smithsonian Institution's facilities management and funding challenges. Since its founding in 1846, the Smithsonian has evolved into the world's largest museum complex and research organization, with more than 660 owned and leased buildings and other structures. The age of the Smithsonian's structures, the past inattention to maintenance needs, and high visitation levels have left its facilities in need of revitalization and repair.

Facilities' problems include the structural deterioration of aging buildings, heating, cooling, and electrical systems that are well past their normal life expectancy, leaks from roofs and pipes that jeopardize the collections, inadequate exhibition and storage space, and maintenance levels that have not kept pace with the wear and tear from millions of visitors every year.

In my statement today, I will focus on our 2005 study of the Smithsonian's facilities and some preliminary results from an ongoing study of the Smithsonian's real property management at the request of this Committee and the House Interior Appropriations Subcommittee.

In summary, one, in our 2005 report, we found that facilities-related problems at the Smithsonian had resulted in a few building closures and access restrictions and posed a serious long-term threat to the collections. For example, the 1881 Arts and Industries Building on the National Mall was closed to the public in 2004 for an indefinite period over concern about its deteriorating roof structure and pending the repair or replacement of its weakened roof panels and aging systems, such as heating and cooling. In addition, we found that these problems were indicative of a broad decline in the Smithsonian's aging facilities and that in some cases items in the Smithsonian's collections had been damaged by water.

Two, preliminary results from our ongoing work show that as of March 30, 2007, the Smithsonian estimates it will need about \$2.5 billion for revitalization, construction, and maintenance projects identified from fiscal year 2005 through fiscal year 2013, an increase of about \$200 million from its 2005 estimate of about \$2.3 billion for the same period. In our previous work, we recommended that the Smithsonian develop and implement a strategic funding plan to address its facilities needs.

Three, preliminary results also suggest that the Smithsonian has taken some steps to address our recommendation to develop and implement a strategic funding plan. In June 2005, the Board of Regents established an Ad Hoc Committee on Facilities to explore options to address the \$2.3 billion for facilities projects at that time. After reviewing nine options, the Ad Hoc Committee decided in 2006 to request an additional \$100 million annually in Federal funds for facilities over its current appropriation for 10 years, to reach a total of an additional \$1 billion.

In September 2006, several members of the Board of Regents and the Secretary of the Smithsonian met with the President of the United States to make this request. The President's fiscal year 2008 budget proposal, however, indicates an increase of about \$44 million over the Smithsonian's fiscal year 2007 appropriation, and it is not clear how much of this increase would be used to support facilities. Some of these funds could be used to support research, collections, and exhibitions, among other things. Moreover, Congress may choose to modify the President's budget proposal when funds are appropriated for the fiscal year.

Four, the Smithsonian's estimate for revitalization,

construction, and maintenance needs has increased at an average of about \$100 million a year over the past 2 years. Therefore, the Smithsonian's request for an additional \$100 million a year may not actually reduce the Smithsonian's estimated facilities needs, but only offset the increase in its estimate. Absent significant changes to the Smithsonian's funding strategy or significant increases in funding from Congress, the Smithsonian faces greater risk to its facilities and collections over time.

We are continuing to evaluate the Smithsonian's efforts to strategically manage, fund, and secure its real property. We are also examining how other similar institutions, such as other museums and university systems, strategically manage, fund, and secure their real property, and we expect to report on these issues to the Committee later this year.

Since our work is still ongoing, it remains unclear why the Smithsonian has only pursued one of its nine options for increasing funds to support its significant facilities needs. At this time we still believe our recommendation that the Smithsonian explore a variety of funding options is important to reducing risk to the Smithsonian's facilities and collections.

In conclusion, Madam Chairman, I wish to note that the GAO's discussion of the amount of the facilities backlog is not an endorsement that this monetary amount should be appropriated, as has been intimated in a number of Smithsonian reports and memos. GAO has simply validated and agreed with Smithsonian that there is a significant and growing backlog. The matter of how this backlog is dealt with is a matter of policy for the Board of Regents and Congress to decide and is among the reasons that GAO originally recommended that the Regents examine sustainable funding options for managing its facilities issues.

I would be happy to respond to any questions for you or other members. Thank you.

[The prepared statement of Mr. Goldstein follows:]

Chairman Feinstein. Thank you very much, Mr. Goldstein.

Ms. Ryan?

STATEMENT OF A. SPRIGHTLEY RYAN, INSPECTOR
GENERAL, SMITHSONIAN INSTITUTION, WASHINGTON, D.C.

Ms. Ryan. Good morning, Madam Chairman, members of the Committee.

Chairman Feinstein. Could you pull that microphone right over so that--

Ms. Ryan. Good morning. Can you hear me better?

Chairman Feinstein. Much better. Thank you.

Ms. Ryan. Today I would like to comment briefly on a few governance issues at the Smithsonian that came to our attention during our recent review of the former Secretary's expenses. What we saw were impediments to effective oversight. In particular, accountability and transparency, which are critical to good governance of a public Institution like the Smithsonian, need to be improved.

For example, in conducting our review, we could not

easily determine what Smithsonian rules governed the Secretary's expenditures. For some expenditures, such as on office remodeling, there seemed to be no rules or limits, and without clear rules accountability is more difficult.

Our review also led us to question whether the Board of Regents had adequate information for meaningful oversight. It became apparent, for example, that until we did our review of the Secretary's expenses, the current Regents were not necessarily aware of the provisions of the Secretary's employment agreement, especially those about his housing allowance.

In addition, in some instances it seemed that what information the Regents received was limited and polished by the Secretary's office and Smithsonian management, and before our office reported directly to the Regents, our ability to let them know about problems was limited.

Our review also revealed that the Institution's Office of General Counsel is underused in shaping and advising on significant policies regarding expenditures, compensation, and administration. And the General Counsel's access to the Regents was also limited by the Secretary.

Finally, we noted a pervasive problem, one also evident from our two recent audits on executive compensation at the Institution. The Institution did not always sufficiently consider how its nonprofit and trust status should affect how it uses its trust funds. It seems transparency is regarded as an intrusion into the Smithsonian's internal affairs rather than as a way to promote confidence in the Institution.

The Institution zealously maintains the distinction, an important one, between federally appropriated funds and the Institution's trust funds. However, it needs to understand and to emphasize to those who spend on behalf of the institution that the principles of transparency and accountability that apply to spending Federal dollars apply at least as much to spending trust dollars. In an era of severe budget constraints and increasing scrutiny of nonprofits, all components of the Smithsonian need to understand that the Institution's limited assets are to be used prudently and solely for the benefit of the Institution and the public we all serve.

The Regents have recently taken significant positive steps to enhance their oversight and improve accountability and transparency. Indeed, they were the ones who requested the review of the Secretary's expenses. And as you have heard, they have now created a permanent Committee on Governance, which has already begun to develop strong policy reforms.

The independence of our office and our ability to provide the Regents with unvarnished information was greatly enhanced last summer when the Office of Management and Budget, at the prompting of Senator Grassley and with the support of Senator Leahy, changed our reporting relationship so that we now report directly to the Board rather than to the Secretary, as we had previously.

As your former colleague Senator Fred Thompson once remarked, Inspectors General can serve as the eyes and ears

of the Congress. We expect that this reporting relationship will help us to serve as the eyes and ears of the Regents as well and that we can thereby help improve governance at this great public institution.

Thank you again for the opportunity to testify today.

[The prepared statement of Ms. Ryan follows:]

Chairman Feinstein. Thank you very much.

Now let me begin with some difficult questions.

Serious questions have been raised about the Smithsonian's joint venture contract with Showtime, specifically that the contract limits access to the Smithsonian's cultural materials that rightfully belong to the American people. The GAO has pointed out that the Smithsonian has not been clear on its criteria for making decisions about filming requests or about the contract's impact in general.

My question is: Can the Smithsonian add to the report I am asking with a list of filming requests that have been denied by the Smithsonian on grounds that they could compete with this private joint venture along with some documentation of the reasons behind the decisions?

Mr. Samper. Thank you, Madam Chair. As you point out, the Showtime contract has generated some debate about this, and my understanding at this point is that as of the time that contract was signed, there have been 167 requests for filming. There have been only two instances in which they have been declined. We can certainly provide--

Chairman Feinstein. Could you repeat that? There have been two instances--

Mr. Samper. Out of 167 instances and requests for filming, there have only been two--two out of 167--that have been declined because of any potential conflicts with provisions in that contract.

I should add that there are other instances where the Smithsonian may decline filming requests for reasons completely unrelated to this, where we feel that the access or the content is inappropriate. But, overall, the impact has been minimal, and we will be very happy to provide additional information.

Chairman Feinstein. Thank you. That is very helpful.

Now to the IG, the Washington Post reported today that both former Secretary Small and the Deputy Secretary held highly paid seats on the board of the Chubb Group, whose half-million-dollar contract for insurance services was renewed by the Smithsonian last year.

From your point of view, is there a question of a conflict of interest?

Ms. Ryan. There certainly is an appearance of a conflict of interest, and we would very much like to look into that.

Chairman Feinstein. Mr. Samper, would you like to comment on that?

Mr. Samper. Thank you, Madam Chair. The general issue of serving on corporate boards is one of the issues that, of course, the Governance Committee of the Regents is looking at. The existing policy of the Smithsonian and the contract that was awarded to Secretary Small did provide for him serving on corporate boards. As far as I can tell, with

what I have reviewed in the last few days, they did follow the general policies and procedures.

Having said that, and moving forward, clearly I believe this is one of the issues that we will be reviewing with the Governance Committee of the Regents.

Chairman Feinstein. So what you are telling me is effectively the Board has approved this.

Mr. Samper. The employment contract that was done with Secretary Small did provide for his service on two corporate boards. I should also add that all Smithsonian--the Secretary, the Directors of Museums, like myself and others, are actually required to submit an annual financial disclosure. These corporate boards by both Secretary Small and Deputy Secretary Burke were included in those financial disclosure forms.

Chairman Feinstein. And that would be with a corporate board as a member of a board of directors of a company that is competing for bids with the Smithsonian.

Ms. Ryan. Thank you, Madam Chair. The employment contracts themselves did not address that particular issue. The general Smithsonian policies do address real or perceived conflict of interest.

From the information I have received in the last couple of days looking into this matter, it is my understanding that the issues that were raised this morning, those contracts were awarded through our Treasurer for the Smithsonian. There was no direct involvement by either Secretary Small or Deputy Secretary Burke.

Chairman Feinstein. Thank you.

Mr. Goldstein, let me go to page 7 of your written comments, which I mentioned, which contain the nine recommendations that have been made. Let me see if I can get it here.

It is really a very complete list of options, which are very good options. Did you ever have an opportunity to discuss these with the Board or make a presentation to the Board on these options?

Mr. Goldstein. No, ma'am. We do know that the Smithsonian presented these options to the Board. The staff did write papers on these various pieces and presented them to the Board for their analysis in response to our recommendation in our 2005 report. What we have not completed doing yet because this work is still ongoing is to analyze those individual papers and to compare the kinds of things that the Smithsonian found and the reasons they made the decisions they made with how other museums and similar institutions would have reacted in that situation. That is part of what we will be doing in our ongoing work for the Committee.

Chairman Feinstein. I think that comparison would really be very useful, how other museums make up operations. You have this special exhibition fee program. You have a number of innovative things here--

Mr. Goldstein. I agree. That is absolutely right.

Chairman Feinstein. --which I really hope, Mr. Sant and Ms. Stonesifer, that the Board will take up because I am really concerned letting this big backlog of operations and

maintenance--I checked and I believe you have had between 2002 and 2005--now this is 2007--19 water emergencies. That is a serious situation in a museum.

Mr. Goldstein. Those water emergencies were only at the Archives. There were other kinds of water emergencies in other facilities.

Chairman Feinstein. Oh, well, could you just--what other kind of water emergencies?

Mr. Goldstein. Leaks from roofs that damaged planes in the Air and Space Museum. There were back-ups in drains and other facilities. There are a number of different kinds of water emergencies beyond just--

Chairman Feinstein. So this 19 is only just a portion of that.

Mr. Goldstein. That is correct.

Chairman Feinstein. Okay. Thank you. My time is up. Senator Cochran, do you have questions?

Senator Cochran. Madam Chairman, yes.

I notice in the Inspector General's statement submitted to the Committee there is a comment about the fact that the Institution seemed to consider the Office of Inspector General as something that ought to be heard rather than seen and that one example of this was moving the offices of the Inspector General to another location out in Crystal City.

Maybe I first should ask Mr. Samper, what is your recollection? Was there another reason for moving the offices of the Inspector General, or was it to get them out of the way so you wouldn't have to fool with them as much?

Mr. Samper. Thank you, Senator. As you know, I was not involved in that process, having been in my job just for 2 weeks. But from what I have read and from my conversations with the Inspector General, there is a broader context.

The Smithsonian has been looking at consolidating facilities and optimizing the use of facilities, as you are aware as a Regent. One of those decisions is that we have relocated many of our financial and contracting operations. We have moved people to buildings in Crystal City and other facilities. And as part of that, the Institution made the decision to relocate the office of the Inspector General, along with hundreds of other employees.

My understanding is that the decision was made trying to look for placing the office of the Inspector General next to some of those functions where we felt it was important, like contracting and finance and other issues.

Now, I clearly recognize that the functions of the Inspector General go beyond those issues and other elements of audit, and this is one of the issues that the Inspector General and I have discussed last week.

Senator Cochran. Well, let me ask now if there seems to be a change in attitude, or is this a current ongoing problem with the Inspector General's office? Do changes still need to be made to reassure the office that it is respected and welcomed?

Ms. Ryan. Changes have definitely occurred, particularly as a result of the change in our reporting relationship, that we report directly to the Regents. So I

would say the attitudes have changed for the better, for the most part, and our office needs to do more work.

Senator Cochran. Well, as I understand it, these are ongoing activities, and there is no indication that you were being kept from doing your job, as contemplated in the Inspector Generals Act that was passed by Congress.

Ms. Ryan. No, certainly not deliberately, we were not being kept from doing our job. I think moving us to Crystal City stemmed from a misunderstanding of our role, as Dr. Samper pointed out. We do not just do financial audits. Our mandate is much broader, and, in fact, the majority of our work has nothing to do with finance and contracts. It has to do with performance audits, investigations of wrongdoing that require our visibility and accessibility in the main centers of the Institution.

Senator Cochran. Well, I could ask the witness who presented the reports from the audits that were done in 2005, I think was the beginning of the audit effort of the Smithsonian by your office?

Mr. Goldstein. I am sorry, sir. I do not understand the question.

Senator Cochran. I think I heard you say that the report that we are receiving now was actually begun in 2005.

Mr. Goldstein. What we have talked about this morning is a report that we completed in 2005 as well as some preliminary results from an ongoing study that we are doing right now for this Committee as well as the House.

Senator Cochran. Right. Well, that was my question, really. What is your impression of the response of the Smithsonian following that 2005 report? Has there been an effort to address some of the issues that were raised as problems that needed to be corrected, or has the report been ignored or shunted aside? What is your impression?

Mr. Goldstein. Senator, I think in two ways, I think that the Smithsonian has definitely responded to the kinds of issues we brought up. The Smithsonian, we think, has done a very good job in centralizing and improving and professionalizing the facilities management of the Smithsonian and its operations over the last couple of years. And, in fact, as the Chair indicated earlier in wondering why some of the numbers have been increasing in the estimates, it is because of the professionalization and the better accuracy of developing the numbers and the true figures of what it is going to cost to take care of the problems.

On the other hand, as my testimony indicates, we still do not feel that the recommendation regarding the process for determining viable funding options has been fully carried out. So in that regard, while it has not been ignored, we think there is still more work to do.

Senator Cochran. In connection with the effort to close the gap between the needs and the availability of funds to do the repairs and to bring to the state of respectability of the Institution's properties, did you make any specific recommendations in your report of options that have not been considered that should be considered, or steps that should be taken that have not been taken by the

Smithsonian?

Mr. Goldstein. Senator, not at this point. What we will be doing is taking a look at all the options that the Smithsonian Board of Regents has examined. We will compare them with options that other museums and similar institutions in this situation have dealt with and how they grappled with it and try to come up with some sorts of conclusions and some approaches that might further help the Smithsonian.

Senator Cochran. Have there been any instances, to your knowledge, where the Smithsonian has tried to prevent you from doing your job or has denied you access or information that you have requested at GAO?

Mr. Goldstein. No, sir. They have been extremely helpful and forthcoming in all of our work. They have been terrific. They have provided us access to everyone we have needed to see. We have been able to enter--we have an ongoing activity right now where we are meeting with directors of most of the museums. No, they have been quite hospitable.

Senator Cochran. Thank you.

Thank you, Madam Chair.

Chairman Feinstein. Thank you, Senator Cochran.

Let me clarify that last question with Ms. Ryan. You note in your testimony that you find that--and this is a quote--"transparency at the Smithsonian is regarded as an intrusion into the Institution's affairs." And this is a sentiment that was echoed in yesterday's Washington Post article by Robert Johnson, a former criminal investigator for the IG's office, who said, and I quote again, "The top people at the Smithsonian didn't want the Office of the Inspector General looking into what they considered their affairs."

Is this the attitude?

Ms. Ryan. Well, first let me say that Agent Johnson left before I got there, and I am not familiar with his views of the Institution.

I think there might have been some of that attitude. I do not really see that right now, especially in light of everything that has happened in the last few months.

Chairman Feinstein. Good.

Ms. Ryan. There has been a recognition that it has to be open. And I also would like to say that when our office started reporting to the Regents and I started meeting regularly with Mr. Sant and he came to understand what an IG is--because it is not something most people are familiar with--he and the rest of the Board were extremely supportive of our work and of making our work public.

Chairman Feinstein. So you were then satisfied that you will be able to continue to do your work, report directly to the Board, and have full transparency from where you are located.

Ms. Ryan. Yes.

Chairman Feinstein. Thank you. That is very helpful.

Let me go into yesterday's Washington Post, since we are clearing the air here. It outlines an unreleased April 2003 IG report that managers at the Air and Space Museum

asked employees to do outside work on personal projects during business hours. Can you explain the circumstances behind this report and what the Smithsonian policy is today with respect to that issue, and that is, employees doing outside work during office hours?

Ms. Ryan. I would be glad to offer what explanation I can from the vantage point of someone who was not here. Again, when that report came out, I had not yet started at the Smithsonian. But I have read it, and addressing your last item first, there has always been a policy in the Standards of Conduct, sort of the Institution's ethics rules, that you cannot use Smithsonian resources for your own personal benefit, and that remains the rule today. That has not changed. I believe what that investigation found was that these particular individuals had, in fact, violated that rule.

Chairman Feinstein. I beg your pardon?

Ms. Ryan. That they had violated that rule; they had, in fact, used Smithsonian resources for their own personal benefit.

Chairman Feinstein. All right. But no administrative action was taken. Is that correct, Mr. Samper?

Mr. Samper. Madam Chair, it is my understanding there were actions taken at the time. I am not familiar with the details of that report, of course, since this was an event that happened 4 years ago. I believe that it was looked into. Most of the people involved are no longer with the Institution, and in one case, actually, where there were some questions, there was restitution as well. So that is my understanding.

Chairman Feinstein. All right. Now, I work with Senator Grassley on the Judiciary Committee, and I know his concerns about whistleblowers. So let me be a small imitation of him with this question.

The Washington Post noted that the whistleblower, Michael Cross, who brought these allegations to light, was reinstated by the Merit Board, who ruled that he was fired illegally for his whistleblowing activities. The story goes on to say that he is currently being paid \$38,000 annually but is not allowed to return to work.

Is this correct? And how does the Smithsonian justify this?

Mr. Samper. Madam Chair, again, I am not entirely familiar with the details. It is my understanding that the Merit Board currently is looking into this matter. It is my understanding that he is on the payroll during this process.

Chairman Feinstein. But is he working?

Mr. Samper. Not physically at the Air and Space Museum. My understanding is he is not.

Chairman Feinstein. Well, how many years has it been?

Mr. Samper. I do not know that at this point, Madam Chair.

Chairman Feinstein. Can anyone comment on that from the Smithsonian? Because this was 2003. Perhaps I could ask that question and get an answer in writing, then.

Mr. Samper. Madam Chair, I will be very happy to look into that and give you that information.

Chairman Feinstein. Thank you.

[The information follows:]

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Chairman Feinstein. I believe I have covered my questions. Senator, do you have other questions?

Senator Cochran. Madam Chairman, I have no other questions. Thank you.

Chairman Feinstein. All right. Thank you.

Let me just indicate that I would hope that we can have a close and productive relationship between this Committee and the Smithsonian. Obviously, we have Regents who work with you, and I very much appreciate the work that Senator Cochran and the other two Regents do. I really think it is important that we resolve both the governance problem, Mr. Sant and Ms. Stonesifer, this year and that we resolve the facilities maintenance backlog this year, with a plan to raise a substantial amount of money. And as I said earlier, I think the best thing would be for the Institution to do this by its own initiative, and so I hope in the next 3 months we can have a very active discussion back and forth, the Ranking Member and I, and anyone else on the Committee who would like to participate is certainly welcome, but see if we cannot get some extraordinary action to remedy some of these problems as quickly as possible.

Do you agree, Mr. Samper?

Mr. Samper. Yes, Madam Chair. We are looking forward to working with you and the Congress.

Chairman Feinstein. Thank you. And let me thank everybody for being here today. It is very much appreciated, and the meeting is adjourned.

[Whereupon, at 11:44 a.m., the Committee was adjourned.]