

SMITHSONIAN INSTITUTION

The President's Proposal:

- Completes federal funding for construction of the National Museum of the American Indian and continues restoration of the Patent Office Building;
- Upgrades security for national treasures;
- Provides funding to decrease the large backlog of required maintenance by six percent; and
- Assesses the opportunity for competition in scientific research.

Smithsonian Institution

Lawrence Small, Secretary

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Number of Employees: 4,560

2002 Spending: \$548 million

Facilities: 15 museums, plus the National Zoo and three major scientific centers

The Smithsonian Institution's mission is "the increase and diffusion of knowledge." The Smithsonian fulfills both parts of its mission through scientific research and by operating 15 museums in New York City and Washington, D.C., as well as the National Zoo. More than perhaps any federal establishment, the Smithsonian must maintain its facilities to safeguard the nation's priceless collections. The Smithsonian receives about two-thirds of its annual operating funds from federal appropriations. The remaining one-third comes from the Smithsonian Trust funds,

which include donations, income from the Trust endowment, proceeds from Smithsonian business ventures, grants, and contracts. Over the past five years, federal appropriations have increased 24 percent, providing a total of \$2.2 billion. On the Trust side, funding has risen 20 percent, providing a total of \$1.1 billion.

Museums

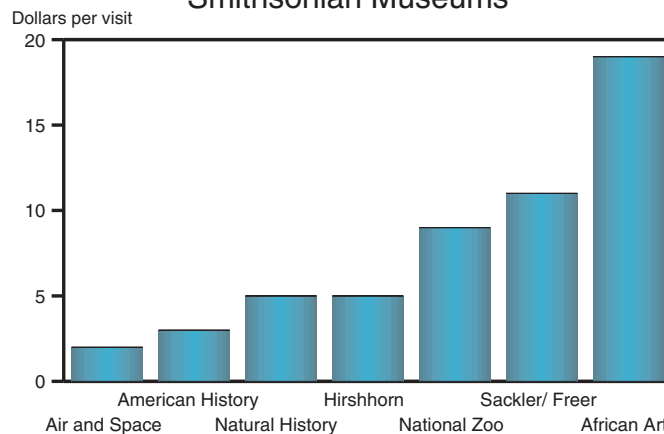
Overall performance. Smithsonian museums educate and entertain the public. If the number of visits is used as a yardstick for overall performance, the Smithsonian has three of the four top-performing museums in the United States. Five of the Smithsonian museums and facilities—Air and Space, Natural History, American History, the Castle, and the National Zoo—receive over 85 percent of all Smithsonian visitors. The remaining 11 welcome less than 15 percent of the visitors,

yet consume over 35 percent of the Smithsonian's operating costs. Moreover, these museums will require over 50 percent of future capital project costs.

Just as important as measuring the number of visitors, their enjoyment and learning, is the cost of providing those services. This can be measured by the dollars per visit spent operating the museums. Looking across the Smithsonian's museums, there are great differences in the efficiency of providing museum services. As the accompanying chart shows, the cost to taxpayers of a visit to a Smithsonian museum ranges from about \$2 to nearly \$20.

Improving performance. The Institution will continue to improve efficiency, and will expand its performance data to determine cost per visit at each of its museums in 2003. Beginning in 2003, Institution performance also will be measured by visitor assessments of enjoyment and learning.

Cost per Visit Varies Across Smithsonian Museums



Research



Smithsonian researchers utilize the vast collection of fossil plants belonging to the Institution.

Overall performance. Scientific research at the Smithsonian is as vast and varied as its collections, and ranges from paintings and insects to artifacts to animal reproduction. In addition to its collections-based research, the Smithsonian operates a trio of scientific research centers.

The Smithsonian recently appointed a commission to review its science programs. The charge to this commission is to answer the question: How should the Smithsonian set priorities for scientific research in the years ahead and, in general, carry out its historic mission more effectively? This commission will provide its report later in 2002.

In general, a merit-based, competitive process should govern the investment of federal research funds. For decades, the scientific community has agreed that such a process produces the highest quality science and the most innovative research. This approach is consonant with the Administration's emphasis on better management of federal programs. The President's Management Agenda, released in August 2001, calls for a results-oriented government that promotes innovation through competition. While most federal research and development agencies allocate at least some of their federal funds through merit-based competition, the Smithsonian does not.

Improving performance. An outside group will be appointed to recommend how much of the funds directly appropriated to the Smithsonian for scientific research should be awarded competitively. The review will encompass all Smithsonian scientific research. It will focus on enabling Smithsonian scientific research to compete on a level playing field with other potential performers of the research, where that potential exists. Following the review, if appropriate, the Administration will submit its request to transfer necessary amounts from the Smithsonian to the National Science Foundation. Any transferred funds would be available directly to the Smithsonian to ease the transition in 2003 and then made available for competition in future years.

Facilities



The National Museum of the American Indian will occupy the last remaining space along the National Mall in Washington, D.C.

Overall performance. The Smithsonian must maintain over 400 buildings, and currently has commitments to build two more: the National Museum of the American Indian, and the Udvar-Hazy extension of the Air and Space Museum at Dulles Airport near Washington, D.C. These new buildings will increase the size of the Smithsonian’s museums by nearly 20 percent, from 4.5 million to 5.5 million square feet.

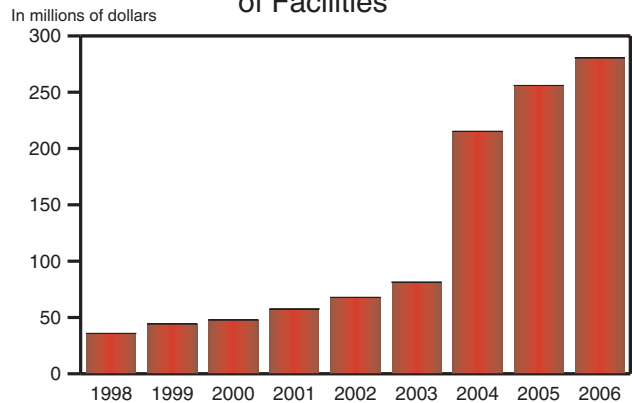
The Smithsonian has not stayed within cost estimates for significant projects. Estimates for the cost of construction of the American Indian Museum and the restoration of the Patent Office Building (where the American Art Museum and the Portrait Gallery are housed) have nearly doubled since 1999. Substantial improvement in the Smithsonian’s ability to estimate costs is expected from its use of new cost estimating techniques and management controls that were recently endorsed by the National Academy of Public Administration (NAPA). In addition, the Smithsonian has hired new management staff in this area.

At the same time, deterioration of existing buildings over the past decade at the expense of expansion and new museums has created a huge maintenance and restoration backlog (see accompanying chart). In 1995, the Commission on the Future of the Smithsonian indicated that \$50 million per year for the subsequent decade would be needed. After steady budget increases, that level was reached in 2001. However, a new assessment indicates more is needed, due to more deterioration than was previously realized. A recent report from the National Academy of Public Administration estimated the total cost of repair, restoration, and alterations over the next decade at \$1.5 billion. Based on these

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Maintenance & Restoration Costs of Facilities



Source: Smithsonian Institution.

projections, the Smithsonian’s maintenance and restoration budget would need to increase fourfold within five years. Because such massive funding increases will not be possible under current budget constraints, the Smithsonian will set priorities within the Institution for repair and restoration.



Improving Performance. The 2003 Budget addresses some of the Smithsonian’s most significant performance challenges. The budget increases resources for maintenance, boosting funds to reduce the large backlog of currently identified revitalization needs by six percent from 2001. The budget completes the federal commitment to construct the National Museum of the American Indian and provides funds for the ongoing restoration of the Patent Office Building. The budget addresses physical security for both collections and visitors, correcting currently identified hazardous conditions. In addition, it provides funding for improvements in financial management.

Making the Smithsonian Safe and Secure

Keeping collections of plants and animals requires that they be preserved for future study. Certain kinds of animal samples are preserved in potentially hazardous solvents such as alcohol. Currently, the Smithsonian has a significant amount of alcohol on hand to store and preserve scientific specimens. The budget provides funding to design a separate offsite building to store these collections. In addition, the budget provides \$20 million to address immediate security concerns following the events of September 11th.

Strengthening Management

Aggressive implementation of the President’s Management Reform Agenda is central to improving government performance. For each initiative, the scorecard below describes how well the Smithsonian is executing the management initiatives, and where it scored in 2001 against the overall standards for success.

Initiative	2001 Status
<p>Human Capital—The Smithsonian does not have an adequate plan for managing its workforce. Total federal FTEs at the Institution in 2002 stood at 4,560. In addition, the Smithsonian’s trust side supports approximately 1,400 FTEs. The Institution will provide a workforce plan to control costs and improve management with the 2004 Budget.</p>	
<p>Competitive Sourcing—The Smithsonian produced an inventory that lists 1,146 positions (25 percent) as potentially performing commercial activities. Of that group, however, all but 36 were categorized as exempt from the cost comparison process. Among the exempt was the Institution’s security workforce of 628. However, the U.S. Holocaust Memorial Museum has outsourced its security workforce and is satisfied with its performance. The Smithsonian has a timeline for completing a competitive sourcing plan by June 2002.</p>	

Initiative	2001 Status
<p>Financial Management—Although it has received clean opinions on its audited financial statements, the Smithsonian is concerned that the unqualified opinion may be in jeopardy due to the inadequacy of its accounting system. The recent NAPA report notes that “the Smithsonian’s accounting system provides useful information only at the summary level and does not support either federal requirements for obligation and outlay information or the Smithsonian’s internal project management requirements.” A recent congressional request for obligations and outlay information for repair projects required a labor-intensive effort by the Smithsonian budget office staff. Replacement of the financial management system is a high priority, and funds for it are included in the 2003 Budget request.</p>	●
<p>E-Government—Information Technology (IT) investment at the Smithsonian includes a request for \$64 million in 2003. Considerable effort has been poured into justifications and business cases for two of the investments: Enterprise Resource Planning and Managed IT Infrastructure (totaling \$14 million of the 2003 request). A review of the IT portfolio indicates duplicative system efforts. Over the next year, the Smithsonian will assess this issue and craft a strategy for unifying and simplifying business processes and systems.</p>	●
<p>Budget/Performance Integration—To date, the Smithsonian has not finalized an updated Strategic Plan or a Performance Plan. In previous years, the Smithsonian’s budget request was based on incremental funding increases, such as pay raises and increases in utilities costs, with no information on performance. For 2003, the budget shows some improvement in performance measures. Performance information will be much more integrated with the budget request in 2004.</p>	●

Smithsonian Institution

(In millions of dollars)

	2001 Actual	Estimate	
		2002	2003
Spending:			
Discretionary Budget Authority:			
Salaries and Expenses	406	418	455
Capital Projects	68	98	93
Subtotal, Discretionary budget authority adjusted ¹	474	516	548
Remove contingent adjustments.....	-19	-19	-20
Available from prior years	—	—	14
Total, Discretionary budget authority, gross	455	497	542
Total, Discretionary budget authority, net	455	497	528
Emergency Response Fund, Budgetary resources.....	—	22	—

¹ Adjusted to include the full share of accruing employee pensions and annuitants health benefits. For more information, see Chapter 14, "Preview Report," in *Analytical Perspectives*.