

SMITHSONIAN INSTITUTION

GOVERNANCE REFORM AND A

REPORT BY THE SMITHSONIAN'S INDEPENDENT REVIEW COMMITTEE

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TUESDAY, JUNE 26, 2007

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

The Committee met, pursuant to notice, at 10:03 a.m., in Room SR-301, Russell Senate Office Building, Hon. Dianne Feinstein, Chairman of the Committee, presiding.

Present: Senators Feinstein, Bennett, and Cochran.

Staff Present: Howard Gantman, Staff Director; Adam Ambrogi, Counsel; Natalie Price, Professional Staff; Matthew McGowan, Professional Staff; Sue Wright, Chief Clerk; Mary Jones, Republican Staff Director; and Abbie Platt, Republican Professional Staff.

OPENING STATEMENT OF CHAIRMAN FEINSTEIN

Chairman Feinstein. I am going to begin the hearing because the Ranking Member, Senator Bennett, is speaking in the Budget Committee at the moment. I would wait except for the fact that we have two cloture votes at 11:30, and I would like to finish the

hearing by 11:30 because I think it is unfair to everybody to have to wait. We have to do one vote after the other.

So I think I will begin the hearing, and hopefully Senator Bennett will be along shortly, and when he does come, we will just stop and allow him the opportunity to make his statement. One of the problems here is too many things to do at one time. I think Congresswoman Matsui knows that.

I would like to welcome the witnesses here today: Congresswoman Matsui; Charles Bowsher, the former Comptroller General and Chairman of the Independent Review Committee; Roger Sant, the Chair of the Executive Committee of the Smithsonian; Cristian Samper, the Acting Director of the Smithsonian; and Diana Aviv, Member of the Smithsonian Governance Committee. We will hear from each one of them. Each has been working very hard, and we look forward to their views.

On April the 18th, the Committee held a hearing that focused on a number of serious issues facing the Smithsonian. They ranged from a \$2.5 billion backlog in facilities maintenance to the former Secretary's compensation package and lavish spending practices that were allowed to continue unchecked by the Board of Regents throughout his tenure. The circumstances that led to the crisis are well documented and were further illuminated this week

by the report of the Independent Review Committee.

Unfortunately, it appears that the former Secretary was able to take advantage of weak oversight by the Smithsonian Board of Regents to run the institution with little regard for critical advice or input. That is a situation that clearly must change. And I know the Board is aware of it, and hopefully they will make the necessary changes.

In April, I asked the Board to provide the Committee a report in writing on the changes that they were contemplating to address this crisis of leadership. And, on the whole, the Governance Committee report that was issued last week demonstrates a dedication to making the necessary changes. However, there remained several issues, and I would like to tick them off.

How rapidly should a new Secretary and Deputy Secretary be selected? Under the current scenario, the Board will not even decide on a possible compensation range until at least September 22nd. Is this adequate? Candidly, I think not.

Two, should the Board be expanded?

Three, should the Board meet at least six times a year, as recommended, instead of the 4 years recommended by the Governance Committee?

Should the role of the Congressional Regents be changed?

Should they accept full fiduciary responsibility?

Should Congressional Regents recuse themselves from acting on and voting on measures involving the Smithsonian's authorization and appropriations?

Should the Chief Justice and Vice President become ex officio members without a vote?

Should the ban on serving on outside boards be implemented immediately rather than on September 1?

Should the Smithsonian conduct a top-to-bottom audit of the expenses and compensation package of Mr. Small and his wife?

And, finally, why has the IG's report on the Smithsonian's Business Venture expenses now been delayed for several months? And should there be an independent, comprehensive review of the Business Venture unit?

So those are nine specific issues which remain on my mind, and hopefully during this testimony we can clear them up.

Now, I had hoped to begin with Mr. Bowsher's testimony, but I understand that Congresswoman Matsui has a time problem, so if members that are testifying today could limit their testimony to 5 minutes, we will have an ample opportunity to go back and forth.

It is a great pleasure for me to welcome Congresswoman Doris Matsui. She hails from the Sacramento area of California and has

been a member of the Smithsonian Board, and we will turn it over to you. Please proceed.

**STATEMENT OF HON. DORIS O. MATSUI, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA; MEMBER,
SMITHSONIAN BOARD OF REGENTS; AND MEMBER, SMITHSONIAN
GOVERNANCE COMMITTEE**

Ms. Matsui. Thank you, Madam Chair. Let me begin by saying it is an honor to have the opportunity to represent a historical institution like the Smithsonian, certainly a national treasure, before my esteemed colleagues. Although I am a new member to the Smithsonian Board of Regents, I was asked to be part of the newly formed Governance Committee because of my experience inside the Federal Government as an elected and appointed official. I also bring expertise and experience from throughout my career where I served on numerous nonprofit boards, such as the public television station of Sacramento and here in D.C. on such boards as the Meridian International Center, the Woodrow Wilson Center, and the Arena Stage.

The purpose of the Committee was to review the Smithsonian Institution's governance practices, compare them to the best practices of similar institutions, and provide recommendations based on the shortcomings we found. We were vigorous and thorough

in our investigation.

Throughout this process, the Board of Regents have been informed by leaders and experts in the nonprofit sector. One of these outside advisers is fond of quoting Charles Kettering, who said, "Problems are the price of progress. Don't bring me anything but trouble. Good news weakens me."

The Governance Committee has tried to embody this sense of full disclosure and fact finding into all that we have done. Let me say a few words about the origins and the nature of our work these past 12 weeks. Even before Secretary Small resigned in March, the Board of Regents determined to conduct an internal and external review of the Board and management. The Governance Committee and the Independent Review Committee were charged with these investigative reviews.

During 12 weeks of extensive fact finding, discussion, and deliberation, the Governance Committee scrutinized the inner workings of the Regents and the oversight function. We set up an aggressive weekly schedule, often meeting up to 4 hours at a time, and in addition to these meetings, we spent countless hours reviewing documents and materials on best practices, landscape analysis of comparable institutions, and current Smithsonian policies.

These 3 months of intense effort culminated in 25 recommendations. In our opinion, each is a critical part in revitalizing and reforming the Smithsonian's Board as well as the senior management to ensure effective oversight, accountability, and transparency. Let me list several key proposals, most of which have already been implemented.

Our report recommends creating guidelines to establish a unified Federal and trust executive compensation system. We have also recommended a new policy that prohibits senior staff from serving on corporate boards. We recommended that the Smithsonian follow the Freedom of Information Act. Other changes include adopting a Smithsonian-wide leave policy and strengthening direct access to the Regents from the Institution's gatekeepers: the Inspector General, the General Counsel, and the Chief Financial Officer. We recommended that the Institution create and maintain a website that makes available the Board meetings' agendas and minutes. We have also recommended that the Smithsonian convene a public forum each year.

These recommendations are just a start. We plan to work closely with the Smithsonian staff, Members of Congress, and the public to ensure these reforms are fully implemented. The Governance Committee has already created our agenda for moving

forward with some of our recommendations that require further action, including reviewing the composition of the Board to determine if the current structure is the most effective one for the Institution. We are going to continue meeting to ensure further action is taken in a timely and reasonable manner.

As a Regent, I consider it an honor and part of my public service to do all that I can to ensure that the Smithsonian functions in the most effective way possible. Quite honestly, I treat this every bit as seriously as I do my Committee assignments. I serve on the Smithsonian Board of Regents because it is a personal and public priority of mine, and I believe that all my fellow Board members feel the same.

Madam Chairman and Senator Bennett, allow me to conclude my remarks with these thoughts:

The Smithsonian plays a unique role in preserving the rich history and culture of America. I know there is a lot at stake right now, and I am proud to be part of the Governance Committee and the Board of Regents during this challenging time. We are swiftly taking the necessary steps to create a better governing board that follows the best Federal and nonprofit practices, guided by high ethical standards and a commitment to transparency and accountability.

When James Smithson drew up his will in 1829 and left his estate to the United States of America, he had one caveat: that it be used for the increase and diffusion of knowledge. Our goal with this report is to preserve and promote this mission into the 21st century, and I believe it does.

I thank you very much.

[The prepared statement of Ms. Matsui follows:]

Chairman Feinstein. Thank you very much, Congresswoman Matsui.

Mr. Bowsher, I think we should turn to you now. Charles Bowsher is the Chairman of the Independent Review Committee. He is the former Comptroller General of the United States and has also served for 4 years as the Assistant Secretary for the Navy for Financial Management.

Mr. Bowsher, if you would proceed. Thank you.

**STATEMENT OF CHARLES BOWSHER, FORMER COMPTROLLER GENERAL
OF THE UNITED STATES, AND CHAIRMAN, INDEPENDENT REVIEW
COMMITTEE; ACCOMPANIED BY A.W. "PETE" SMITH, JR.,
MEMBER, INDEPENDENT REVIEW COMMITTEE**

Mr. Bowsher. Thank you very much, Madam Chairman, and it is a pleasure to be here, and also, Senator Bennett, it is good to see you again.

I am pleased to summarize the findings of our Independent Review Committee. I was joined on this Committee by two outstanding individuals: Pete Smith, who is with me here today, who was President of the Private Sector Council and was an expert in compensation in his own career in the private sector; and also Steve Potts, who is Chairman of the Ethics Resource Center and was the former Director of the U.S. Office of Government Ethics under both President George H.W. Bush and President Clinton. We were also assisted by counsel from the law firms of Williams & Connolly and Arnold & Porter.

Now, let me begin by saying that the Committee came to its task with a very deep affection for the Smithsonian Institution. It is our hope that our work will help restore the people's trust in this great Institution and bring to an end the adverse media attention and other problems of the past few months.

The Committee recognizes that the Board of Regents, through its Committee on Governance, as Congresswoman Matsui has just explained, has begun the process of developing an initial set of reform measures, and we are very pleased with that.

We spent 10 weeks on this study, and I will just summarize very briefly our findings because I think they have been so well publicized, and I would like to get to the recommendations. But

there is no question that Mr. Small's compensation was reported to the public as \$330,000 initially when it was really considerably more because of the housing allowance and other parts of it, and it rose to over \$900,000. The expenses that the Cotton firm reported were quite extensive, and the time away by Mr. Small and by his Deputy, Ms. Sheila Burke, was really quite extraordinary.

So these were the major problems that we saw, and these are the problems that we think basically are the problems that were found in the failure of governance and management--governance being the Board of Regents' oversight, and management being kind of the senior management of the Smithsonian. And so we think these problems are very fixable, and we are very pleased that it appears that the Board of Regents is moving out in trying to do it.

I would like to just summarize our recommendations very quickly. One is we do believe that the expenses of Mr. Small and his wife need to be subject to an audit for reasonableness and also to see if there are any tax implications. This was the original intent of the Cotton review, but it was then reduced down to a different type of a review, and we think that a more detailed review needs to be done. And we think it can be done fairly quickly because the Cotton firm has done so much of the work.

The second recommendation we have is that the compensation of the Secretary should be reasonable, it should be competitive, it should be transparent, and it should take into account the Smithsonian's unique nature.

The third one is that the Smithsonian should follow the Federal regulations that foster openness, transparency, and effective governance. In other words, we think for many years "The castle knows best" was kind of the response that most people got when they raised questions; and I think that in this day and age secrecy is no longer acceptable in the area of governance of even for-profit corporations, public corporations, or now for nonprofits, and it has to be an open and transparent governance structure.

The salary structure should be generally consistent with the Government pay schedules. We recognize that there are certain positions, maybe as many as 40 to 50 positions, that need to be above what the current Government pay schedules are. But we really do believe that an overall pay schedule that is consistent would be much better, and we are pleased that the Governance Committee has already taken note of that recommendation.

The Smithsonian now, we believe, also needs a very active governing board with a chairman who can provide enough time and

enough effort for proper oversight--not to rely anymore on just an Executive Committee or on the role of the Chief Justice as Chancellor. But we do not believe that in recommending that the Chief Justice not have a fiduciary role we wanted him just to have a ceremonial role, as has been reported in the press. We really do see the Chief Justice as bringing a lot of wisdom and a lot of prestige historically, and we think with Justice Roberts it would continue for the Smithsonian. And so that is why we believe that they should continue in that position but not have a fiduciary responsibility, and this would mean not voting on the individual issues. At the same time we believe that the Congressional Regents, six of them, have to accept fiduciary responsibility as full members of the Board of Regents.

The next recommendation is that the Board should be expanded or reorganized to allow for some additional Regents with some needed expertise. Like in the financial management area, we think the Audit Committee should be staffed by people that have financial management background. We think in the compensation area and some of the museum expertise and building expertise, this is what is needed. And we think it can be done with several options being recommended. One would be to add a couple members to the Board. Or maybe some of the current members wish to step

down. Or maybe we would go from six to four members of the Congressional Regents. This I think the Board is now considering and deciding in that, but we do believe that a certain amount of expertise that is not there now has to be brought onto the Board of Regents.

In the area of internal controls and the audit functions, the roles of the General Counsel, the Inspector General, and the CFO, they should be strengthened. In other words, we said in our report that these are the positions that were somewhat marginalized, were not allowed to speak freely to the Board of Regents. And these are your key gatekeepers. In other words, I have often been asked the question--I remember Arthur Levitt when he was Chairman of the SEC often spoke about the fact that Board members are only part-time and how do you know what is going on. Well, you have to have a good dialogue with the key people that are in your management, and that is your CFO, that is your internal auditor, that is your external auditor, and certainly your general counsel. And so we think this all should be opened up and the information should flow very freely. And I believe that the Board of Regents has already decided that that is exactly what is going to happen in the future.

We believe also the next recommendation is that the

Smithsonian employees should be allowed to participate only in nonprofit board activities, subject to prior approval by the Board of Regents. This I believe has already been adopted.

The selection of the next Secretary must reflect these governance challenges that are facing the Institution at this time, and we believe the last item that we put in--oh, let me just speak to the SBA report that you raised, because that was not in our recommendation. It is in our report. We were asked by Senator Grassley to look at that. We did not think that we had the expertise to look at that because basically what you need there is merchandising and entertainment expertise and everything like that. That is an area, we believe, that has to be dealt with by the management, by the Board of Regents. It is not going to be easy, but I think they might also have to bring in outside expertise to help them with that area. And, of course, we are all waiting for the report that is now several weeks old. So that is an issue that does have to be dealt with. We just did not think it was appropriate for our group to be coming with recommendations in that area.

The last recommendation we have is really an overall recommendation on nonprofit organizations, because we really believe that after you have looked at such things as the Stanford

University, American University, United Way, Red Cross, and others, why, you see a pattern here where in many large nonprofit organizations you have these problems in governance and senior management. And I do believe that it is really incumbent upon the nonprofit organizations' leadership, both management and the boards, to start to recognize that in the public corporations we have had a lot of progress since the Sarbanes legislation was passed in improving those oversight responsibilities. And I would hope it would happen with the nonprofit organizations, especially the large ones. If it does not, I think eventually you will see Government action, either through legislation or regulation or something like that.

So, again, let me just say that we are very pleased that the Board of Regents has accepted most of our recommendations. We had a very good working relationship with the Smithsonian people as we went through this 10-week review, and we are very pleased that the Governance Committee has come with a group of recommendations, an initial group of recommendations, and now I think it is important that the Congress watch over and see how they are being implemented in the next 6 months.

With that, I would like to conclude, but I would be open to questions at whatever time you deem appropriate.

[The prepared statement of Mr. Bowsher follows:]

Chairman Feinstein. Thank you very much, Mr. Bowsher, and I trust you stand by your written statement, which is somewhat stronger than what you have said today.

Mr. Bowsher. Yes.

Chairman Feinstein. I appreciate that.

The next witness is Roger Sant. Mr. Sant was appointed to the Smithsonian Board of Regents in 2001. He serves as Chair of the Executive Committee. He also chairs the Audit and Review Committee and the Ad Hoc Committee on Facilities Revitalization, and he sits on the Compensation and Human Resources Committee.

Mr. Sant, we are pleased to hear from you.

**STATEMENT OF ROGER W. SANT, MEMBER, SMITHSONIAN BOARD OF
REGENTS**

Mr. Sant. Thank you, Madam Chairman, Senator Bennett, and Senator Cochran. I am going to discard my prepared remarks just so we will have time to address the nine questions that you raised at the beginning of this, because I think those all deserve an answer. I will try to address a couple of those.

Before doing so, I just have to thank Chuck Bowsher, Steve Potts, and Pete Smith for the work they did on the Independent Review Committee. Chuck was a hard sell on doing this in the

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first place, but they really devoted the time to doing something that I think will be a lasting contribution to the Smithsonian and to the Board of Regents.

We are sobered, obviously, by their findings, but we were remarkably surprised to find that the Governance Committee work coincided so closely with the recommendations of the Independent Review Committee, even though both of them came from an entirely different point of view. One was sort of a discovery, investigative approach; the other was just comparing best practices. And I think our Governance Committee, so ably chaired by Patty Stonesifer, really made a remarkable contribution to the work that we have to do. So thanks to both of them, thanks to the people on the Governance Committee for devoting so much time, and thanks to Chuck and his team for doing such a great job.

Now may I try to address a couple of your questions. The first one you led with was: How rapidly should the Secretary be chosen? I have a little different view than the one you expressed, and I think that the choice of a new Secretary may be the most important work that the Regents do in the next several years. It is the most important job that we have to do right now, and I believe we need to take the time to do it right. We owe it to our staff, we owe it to Congress, we owe it to the public, we

owe it to our donors to make sure we have scoured the countryside for the best person we could possibly get. And every bit of evidence we can find is that the best searches seem to take no less than 6 months and maybe as much as a year to happen. So I would at least like to present that as a point of view we have and the way we are going about our work.

The second issue that you raised had to do with the size of the Board. You and I have had a chance to talk about that. I think the data we look at says that the size of the Board is not the problem the Smithsonian has run into. We need to supplement this Board, certainly, and we need to look at the advisory boards that we have around the Smithsonian to find better ways of engaging them in the process of governance at the Smithsonian. But I think all the data we see in the nonprofit sector--and Diana Aviv hopefully can speak to that a little later--tell us that the size of the Board is about right. We just need to have more engagement, and that certainly goes to your question of whether the two ex officio members of our Board should have a vote. That is certainly a possibility. The Chief Justice has made clear that he would be open not to and so certainly it is one of those things we would like to look at.

So that is just a chance to get started, Chairman Feinstein,

on the questions that you have asked, and I hope that we have time through the rest of these proceedings to address some of the other questions.

Thank you very much.

[The prepared statement of Mr. Sant follows:]

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

Mr. Samper? Well, let me introduce you properly. Dr. Samper has been serving as Acting Secretary of the Smithsonian for 3 months. He joined the Institution in 2001 as a deputy director and staff scientist at the Smithsonian Tropical Research Institute in Panama, and he has served as the Director of the Smithsonian's National Museum of Natural History since 2003.

Dr. Samper, welcome.

**STATEMENT OF CRISTIAN SAMPER, ACTING SECRETARY,
SMITHSONIAN INSTITUTION**

Mr. Samper. Thank you very much, Senator, for this opportunity to testify again before the Senate Committee on Rules and Administration. Ever since I became Acting Secretary 3 months ago, I have focused on three priorities: strengthening the public trust in the Smithsonian; working with the Board of Regents to improve governance, communication and accountability; and making sure that we advance our mission through our programs and

strategic priorities.

I have held more than 25 town hall meetings across the Smithsonian, met with most of the advisory boards of our museums, and contacted Members of Congress and other key supporters. And it is clear to me that everyone has deep affection and respect for the Smithsonian. That is why I know that our reform efforts will be successful.

As you have heard, the Board of Regents adopted 25 recommendations last week addressing a number of issues relating to the governance and operations of the Smithsonian Institution. Some of these have been outlined by Congresswoman Matsui.

We also received the report of the Independent Review Committee that was just mentioned by Mr. Bowsher, and it is important to note that the majority of the recommendations from the Independent Review Committee are included in the decisions adopted by the Board of Regents. I do want to highlight that the Independent Review Committee found that the Smithsonian remains a strongly ethical institution.

The Smithsonian is moving forward with a vigorous and thorough reform agenda. Our work is not yet done, but we have definitely turned a corner, and in my view, there will be no turning back. We have entered into a new era of oversight,

transparency, accountability, and cooperation with Congress. Our goal is much more than to fix past problems. Our goal is to become a leader in good governance. We have started down that path, and my commitment as Acting Secretary is to work with the Board of Regents and my colleagues at the Smithsonian to make sure that we emerge a stronger Institution.

I would like to thank our staff and volunteers for their ongoing dedication and commitment to our mission--the increase and diffusion of knowledge. Thanks to them, the vital work of the Smithsonian in areas of research and education continue. To highlight a few recent examples:

The scientists at the National Zoo have monitored the sharp decline of bird populations across the Eastern United States as a result of West Nile virus. The National Museum of Natural History has announced a partnership to launch an online Encyclopedia of Life, a Web page for every species available to every student across America and the world. Our team at the Smithsonian Astrophysical Observatory continues to find new extra-solar planets, expanding our understanding of the universe.

Our latest exhibit, "Encompassing the Globe: Portugal and the World in the 16th and 17th Centuries," just opened 2 days ago at both the Sackler Gallery and the National Museum of African

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Art. The renovations for the National Museum of American History and our plans for the National Museum of African American History and Culture are moving ahead as planned. And tomorrow we open our 41st Annual Smithsonian Folklife Festival, which will highlight three programs--the Mekong River, Northern Ireland, and the Roots of Virginia. I would like to invite all of you to join us over the next two weekends at this very important event.

In cooperation with Congress, the Smithsonian will move ahead with its ambitious plans and continue to safeguard America's treasures, to lead pioneering research, and to provide new educational experiences to the American people and our visitors from around the world. The Smithsonian tells the story of what it means to be an American, and it also provides a window of America to the world.

Again, thank you for this opportunity to testify, and I will be happy to address the questions that you have asked as part of this dialogue.

[The prepared statement of Mr. Samper follows:]

Chairman Feinstein. Thank you, Dr. Samper.

Now our final witness prior to questions, Diana Aviv. She is the President and CEO of Independent Sector, a national leadership forum for charitable organizations. Ms. Aviv is a noted expert on

the major issues affecting the national nonprofit and philanthropic community and was asked to participate as a non-Regent member of the Smithsonian Governance Committee.

Welcome, Ms. Aviv.

STATEMENT OF DIANA AVIV, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INDEPENDENT SECTOR, AND MEMBER, SMITHSONIAN GOVERNANCE COMMITTEE

Ms. Aviv. Thank you so much, Chairman Feinstein, Senator Bennett, and members of the Rules and Administration Committee. I appreciate the invitation to testify today about how the Board of Regents Governance Committee has been strengthening the governance and management of the Smithsonian. As you have just said, I was invited to join the Governance Committee as a non-Regent because of my experience in the nonprofit community. I am the President and CEO of Independent Sector, which is a nonpartisan coalition of America's charities, foundations, and corporate giving programs. I am also the Executive Director of the Panel on the Nonprofit Sector, an independent panel of nonprofit leaders convened in 2004 at the encouragement of the Senate Finance Committee leadership. The panel's charge was to recommend to Congress and to the nonprofit community ways to strengthen transparency, ethical conduct, and accountability of charitable organizations. With my

written testimony are copies of the panel's reports.

The panel is currently finalizing principles relevant to all charitable organizations in the areas of good governance, transparent conduct, strong financial oversight, and responsible fundraising practices. To develop these principles, the panel consulted experts and practitioners from the nonprofit community. The final draft has been one of the key tools used by the Smithsonian Governance Committee to guide its work. The principles have also been welcomed by numerous leaders of major nonprofit organizations across the United States.

As one of the many people within the nonprofit community who are deeply committed to good governance and ethical conduct, I was saddened to learn of the seriousness of the Smithsonian's management and governance problems. Since its creation 3 months ago, the Governance Committee has worked intensively to address those shortcomings. We have analyzed the governance history and relevant documents, learned from the experience and practice of other nonprofit organizations, and consulted with experts in the field of nonprofit governance.

The Governance Committee found many weaknesses in the Smithsonian's governance and oversight functions and responded with 25 recommendations to strengthen the Institution immediately,

all of which were adopted by the Board of Regents. I would like to highlight a few of these recommendations.

Some clarify responsibilities and enhance accountability by separating the position of Chancellor and Chair of the Board; adopting a formal list of duties and responsibilities for all Regents and committees; requiring that the General Counsel, Chief Financial Officer, and Inspector General have direct access to the Board.

Some recommendations implement needed safeguards against future abuse by following a rigorous, independent, and transparent executive compensation system; following a strict code of ethics; establishing a hotline procedure to alert management and the Board to ethical and compliance issues; and strengthening financial and internal controls.

And some recommendations protect the Smithsonian from conflicts of interest by prohibiting senior executives from serving on paid, for-profit boards and requiring Smithsonian Business Venture to follow the same rules as the rest of the Institution with rare, defensible, and transparent exceptions.

The changes the Regents have already adopted are an important first step in ensuring that the Smithsonian's governance is as exceptional as its programs. But the job is not yet done. In the

coming months, the Governance Committee plans to study the structure and composition of the Board. It will consider whether the Board is an appropriate size, particularly since the trend in the nonprofit community has been to trim the size of boards to ensure that every board member fulfills his or her governance and fiduciary responsibilities.

The Committee also will examine the best way for the Board to draw on the expertise of non-Regents. It will analyze whether the Board's committees should be expanded to include additional non-Regents. It will look at how other large institutions have engaged additional key community leaders, possibly through advisory committees, and consider how to benefit from the wealth of talent found among the more than 600 advisory board members.

Through his bequest more than 150 years ago, James Smithson sought to establish an institution where all Americans can gain new knowledge and enrich their lives through our vast cultural resources. By embracing the Governance Committee's ideas for effective, responsible stewardship of Smithson's vision, the Regents can help maintain the Institution's treasured place in the hearts and minds of the American people.

Thank you.

[The prepared statement of Ms. Aviv follows:]

Chairman Feinstein. Thank you very much, Ms. Aviv.

My understanding is that Mr. Smith is going to join the table now. I will introduce him. And also my understanding is that he will be available to respond to questions.

Mr. Smith is a member of the Independent Review Committee. He is a retired executive with significant management experience in both private and public sectors. He served as the CEO of the Private Sector Council. That is a nonprofit for improving the management of the Federal Government. Previously he has served as President and Chief Executive Officer of Watson Wyatt Worldwide, human resource consultants, where he worked for 30 years.

I would like to begin. I am not as interested in the jargon of nonprofits and charitable organizations as I am in moving aggressively to correct what I see as real problems, one of which is an absence of top-level leadership in the number one and number two positions as well as the Business Venture. It is my view that if these are not filled for a year and 6 months, which I estimate to be the present timeline, this represents significant jeopardy to the Institution. And I have a hard time understanding why these positions cannot be filled quickly.

I would be prepared right now to write down a salary that it seems to me is where you are going to come out. I do not know why

it takes all this time to come out at that point. So I would be very happy to have anyone respond.

Let me begin with Mr. Bowsher. This is an Institution which is a great Institution, maybe America's greatest, and it is huge. And when the cat is away, the mice play, to some extent. And, therefore, having strong leadership on board, in charge, working with employees in what are 19 big institutions, seems to be a dramatic, necessary mandate.

Could you respond to that?

Mr. Bowsher. Sure. I would be happy to, Madam Chairman. There is no question that you have put your finger on the three most important aspects of what I think the Board of Regents has to accomplish: They have to find the right person in the number one position. They have to find a person in the number two position that is going to be the Chief Operating Officer and the Deputy, and those people have got to be working full-time, 12 hours a day, to get the job done at the Smithsonian, not away at other places like that. And then you have got to get some people in to figure out what are the problems at the SBA, and that has got to be done as fast and as quickly as possible. But you have to make the right choices. In other words, I think sometimes moving too fast sometimes gets you the wrong person.

So it is a mixture here, but I think in 6 months--

Chairman Feinstein. Well, let me stop you there. Would you advise a contract, say a shorter contract, to move quickly, have some shorter contracts with people so you might be able to evaluate their performance? Because, you know, the Smithsonian has such a prime role, it seems to me that anybody that is interested in the head will make themselves known to the proper authority. And so I have a hard time understanding why we need this huge search period.

Mr. Bowsher. Well, you need a good search. How long it takes, I am not quite sure. But I think it can be done here, and I think it has been activated already. Hasn't it?

Mr. Sant. Yes, yes.

Mr. Bowsher. Yes. So I think that they should move forward, and they should pick people. I always remember when we interviewed former Congressman Mineta, who had served for many years on the Board of Regents of the Smithsonian, he claimed when he got a call whether he wanted to come back to the Cabinet, why, he said, "I will be on the next plane." In other words, just like you are saying, if somebody gets the opportunity to be considered to be the head of the Smithsonian, if they are the right people, I think they will want to come, and come very quickly.

Chairman Feinstein. Thank you. Now, where there is a small conflict--and, that is, in the meeting times of the Board--you have advised six times a year.

Mr. Bowsher. Yes.

Chairman Feinstein. It is my understanding that what the Board is saying is four times a year, as recommended by the Governance Committee. Could you be more specific on the rationale for six times a year?

Mr. Bowsher. Well, we think six times a year--in other words, we think this is a billion-dollar operation, the Smithsonian, and I think you have to meet as often as you need to meet to oversee a billion-dollar operation. And you are going to have some problems when you are running a billion-dollar operation.

So the Board of Regents, it seems to me, like any large organization, has to meet frequently and often. We picked six as a number just to kind of make sure everybody understood we thought four was not enough.

I think also in the next six months they are going to have to meet fairly frequently here, either in committee or as a full board, to really get on top of these problems and to move ahead. In other words, I am very pleased with what the Acting Secretary

is saying here. They want to be a leader in the area of governance and management, and I think that that is exactly what they should be working towards, and I think the Board of Regents has got to be willing to meet.

I remember I was on a board when I first left Government in 1997 that was one of the major steel companies, and we ran into a problem, a big problem. And our Audit Committee had to meet 17 times in the next 6 months to get that straightened out. That is the kind of commitment you have to make, I think, when you have these kind of problems. And I think that is what we are recommending to the Board of Regents, and I hope they will meet it.

Ms. Matsui. Madam Chair?

Chairman Feinstein. Thank you very much.

Congresswoman Matsui, except I would like to, if I could, turn to Senator Bennett and allow him as much time as he would like.

Ms. Matsui. Certainly

Chairman Feinstein. Because he did not have an opening statement. Would you like to speak now or--

Ms. Matsui. Oh, I am sorry. I just wanted to make a comment in the sense that the Governance Committee recommended at least

four meetings, four full-day meetings, with the understanding that it would be more likely to be much more than that.

What I see with this Governance Committee and the Regents is that they are willing to do whatever it takes. And I understand what Mr. Bowsher has said. We are not going to be a lackadaisical Board of Regents. There is an urgency here. And we already know that we are going to have more than four Board meetings. It will likely be six or seven.

I just wanted to say that. Thank you.

Chairman Feinstein. I appreciate that very much. Thank you.

Senator Bennett, I will turn it over to you.

Senator Bennett. Thank you very much, Madam Chairman.

Let me turn to what I think are the immediate problems. And, Dr. Samper, may I make it clear that I honor your leadership and thank you for your willingness to step in here. I think you are doing an extraordinarily outstanding job as the Acting Secretary, and we in the country and the Smithsonian as an Institution are grateful that you have taken on what may be a somewhat daunting sort of task. But you are carrying forward in a worthwhile fashion.

Mr. Samper. Thank you, Senator.

Senator Bennett. As I look through your report, Mr. Bowsher,

I see two areas of great concern and a third area of perception that could be concern. The two areas of great concern are Mr. Small's activities and the Smithsonian Business Ventures. The area that I am a little less concerned about--and I will be completely up front about it; it comes from my acquaintance with her--is Sheila Burke's performance, because while Sheila Burke was not there, she was not on vacation. I know her work ethic. She was in contact with BlackBerry or phone or whatever. She was never isolated from the Smithsonian even as she was doing her work at Harvard and the other places where she had a variety of nonprofit activities, all of which were approved by her supervisor.

Mr. Bowsher. Do you want me to comment on that?

Senator Bennett. Yes, quickly.

Mr. Bowsher. We made those points in the report. In other words, there was no question that she is a very hard-working person. She was always in touch. She could be reached and everything like that. We just thought that for a number two person, you have to be there more.

Senator Bennett. I agree with you. I am saying looking now at the areas of the greatest difficulty, I see a vacuum in the Secretary's slot, an area of perception that should be changed in

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the Chief Operating Officer slot, and then a fairly significant problem with the Smithsonian Business Ventures.

Dr. Samper is filling the vacuum, I think quite well, in the Secretary's slot. I am not quite sure what you are going to do with the COO slot in the interim, and that goes to Senator Feinstein's question about how long does it take to find somebody. And I guess you say you do not want to fill the COO spot until you have found the CEO spot. But it does create an additional burden for the Acting Secretary to have a vacuum in the number two slot.

Mr. Bowsher. Right.

Senator Bennett. And then you have, apparently, a fairly significant problem with Smithsonian Business Ventures.

I am satisfied--indeed, "gratified" is the word--at your finding, Mr. Bowsher, that the Smithsonian as an Institution has survived this ethical lapse at the top and remains an ethical institution all the way through. You have not had an endemic problem that stems from what happened during Mr. Small's tenure. But you do have a fairly immediate kind of problem, Dr. Samper, in SBV. And I am pleased to hear you say you have held town meetings, you have gone around, you are building public trust. That is exactly what you should be doing for the overall Institution. But you have an immediate problem that requires,

apparently, not just a change of leadership but a whole change of culture, because it seems that the culture of that particular entity was hermetically sealed from the rest of the Smithsonian and did not partake, if I am right, Mr. Bowsher, of the overall culture of the Smithsonian that remains very high and very noteworthy. This was an area where you had some fairly serious problems.

So I will focus on that, leaving these other two questions because we have spent enough time on them, but I will focus on that. What can be done to turn SBV into a significant source of income and, just as important, given the fact that this is the Smithsonian we are talking about, a significant instrument of outreach? I think it is just as important that what you do with the Business Ventures has a role in building the Smithsonian's mission as that it makes money. If its sole purpose was to make money, we would sell chocolate chip cookies, and we would call in Mrs. Field or whatever it might be. But instead it is the magazine, it is the kind of things that are sold at the shops. They are not just chocolate chip cookies. They are things that are adding to the mission, and it requires a combination of a businessman or -woman who is smart enough to know how to make money, motivate employees, organize a structure that works, and at

the same time mesh the activities of the Business Ventures with the mission of the Smithsonian as a whole.

I see that as a fairly challenging kind of management assignment, and I have not seen in anybody's testimony anything that people are working on to go in that direction. So if I could move away from the conversation about boards and so on, which my Chairman is handling more than adequately, and get some reactions, Dr. Samper, you are on the line for this, but, Mr. Smith and Mr. Bowsher or Mr. Sant, if you have any contribution to make to this discussion, I would appreciate it.

Mr. Samper. Thank you very much, Senator. I would be very happy to address that. I think you have put your finger exactly on the issue: the role of these kinds of business ventures within an organization like the Smithsonian. And I think one of the problems that we have had in the past is that it has focused too much on generating income and not enough in terms of the direct contribution to the mission.

Senator Bennett. And did not generate as much income as it perhaps--

Mr. Samper. I agree with you wholeheartedly, and just for full disclosure, as Director of the largest of the Smithsonian museums, I have been one of the harshest critics of Smithsonian

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Business Ventures and some of the issues there, and I think one key element moving forward is building a very strong partnership between the Business Ventures and the museums, the scientists, the curators, the collection managers, to really make it a partnership moving forward.

Being acutely aware of this problem, I felt that it was important to take a couple of steps there. One was a change in the leadership. As we have announced, Mr. Gary Beer, the founding CEO, will be stepping down. We will be appointing a new CEO for Smithsonian Business Ventures. I am currently reviewing potential internal and outside candidates for this. But, the other very important step is that we have as part of this review found that there were certain policies and practices where Smithsonian Business Ventures was not following the general policies and practices of the Smithsonian Institution.

One of the recommendations of the Governance Committee addresses that. We have now set a whole process in motion to address that issue and make sure that the policies and practices be brought in line with the rest of the Smithsonian.

Going forward, what I have decided to do as Acting Secretary is to appoint a task force that will assist me with reviewing Smithsonian Business Ventures and the options for the future and

whether they should actually continue to exist as a separate or semi-autonomous unit within the Smithsonian or whether we want to bring it more closely into the fold. That group will include expertise in the critical areas of Smithsonian Business Ventures outside the Smithsonian, areas like retail, publishing, communications--all of the areas that are critical, which, as you point out, can make a major contribution to the mission of the Smithsonian.

Take two examples: the Smithsonian Magazine, which has a print run of 2 million copies and is read by 6 million people every month, is an extraordinary opportunity to highlight the collections and the work of the Smithsonian. And as we move forward with our plans to launch the Smithsonian Demand television channel, we are looking potentially at reaching 25 million households, which is, again, an extraordinary opportunity in terms of outreach in addition to any financial benefits.

So my steps right now are changing the leadership, appointing a task force to help us review the options, presenting those options to the Smithsonian Board of Regents, and making sure that the policies and practices are brought in line with the Smithsonian.

Senator Bennett. You have outlined a management assignment

that in some ways will be more difficult to fill than the Secretary. And I say that quite seriously because you are talking about an executive who has public relations experience, who has retailing experience, who has marketing experience, as well as standard management, and at the same time a sensitivity towards and understanding of the mission of this unique institution. And that is a set of skills that is going to be pretty hard to find.

Are you, all of you, taking the executive search for this position as seriously as you are the Secretary? Or are you just going to let Dr. Samper wallow in the responsibility and then hold him accountable for what happens?

Mr. Sant. First of all, let me say that the Regents totally endorse what the Acting Secretary is doing. You know, there really was a mismatch of culture with the existing SBV, and we now know that better than we knew it before. Certainly the revenues we have been getting are not what the Institution needs. Certainly we are taking that as seriously. You know, when we talk about the top three positions, we see it exactly the same way.

So the search is underway as well, but we have to do something immediate, and so there will be an Acting President of the Smithsonian Business Ventures appointed as well.

Senator Bennett. I do agree that you need to do something

immediate, and echoing my Chairman's comment, I think this is one position that probably should not wait for a year. I do understand your motives as saying we want to be able to say we turned over every rock, we looked behind every bush, we opened every door to make sure nothing was left out so that we came up with the final choice. Nobody could say, "Yes, but you did not look here."

I can understand that. I share some of the Chairman's impatience with that, but I can at least understand that for the top position. This one is specialized enough, there are not that many candidates who have that kind of expertise, and this is one that, with the Board's help, I would think Dr. Samper should be incented to move as rapidly as possible to get that one filled, because the eventual choice as Secretary will be--it is not a policy kind of thing like the COO position is where you have got to have the two of them in sync. This is one where you have got to have a particular set of skills in place as soon as possible. And I would think the eventual Secretary would be well served by having that problem under control.

Thank you, Madam Chair.

Chairman Feinstein. Thank you very much, Senator, and I think you have raised some very good points. I appreciate them

very much.

Senator Cochran?

Senator Cochran. Madam Chairman, thank you. Let me thank the members of this panel for helping us understand the status of the operations of the Smithsonian and particularly your being here this morning to answer questions that this Committee may have.

I have been very impressed with the way in which Roger Sant and Doris Matsui and others have taken responsibility for really managing a transition so that we have responsible and talented leadership managing the affairs of the Smithsonian Institution. I do not think the average person really comprehends the breadth and depth of this responsibility, all the museums and the activities that come under the purview of the CEO, in effect, a job that Dr. Samper has assumed, is quite enormous. It requires a lot of management skill, but overall a real dedication to seeing that this is a successful transition.

I wonder, in that connection, are we seeing visitation and the other activities that would show public support for the Institution? Has there been any major change in that since this development arose? And all the attention that has been focused on the Smithsonian is suggesting negative aspects of things. Is there anything positive? Is there any good news in all of this?

Dr. Samper?

Mr. Samper. Senator Cochran, thank you for your question. There is plenty of good news at the Smithsonian, as I highlighted a few in terms of our programs and our core mission. You addressed in particular visitation, and I am very pleased to report that visitation across the whole Smithsonian is up compared to last year. We are actually seeing in some of our museums increases of 30 percent over last year. So, overall, the attendance, the American public is coming. We have new offerings, new exhibits within some of our museums that are continuing to expand our mission and to expand the offerings and showcase our collections.

So I am very proud that even in the midst of all of these transitions that we see going on in terms of governance, my colleagues, the staff of the Smithsonian are working hard, and the American people are benefiting from our work. So I have not seen any short-term signals that seem to be impacting our core activities in research and education.

Senator Cochran. Thank you. I wonder, Mr. Sant, if you have had an opportunity monitor the replacement of other employees that might have left--the Sheila Burke position? Are we making progress? Is the Board making progress or the management making

progress in making sure that all the jobs are being done now?

Mr. Sant. Well, as has been mentioned before, and you know this--

Chairman Feinstein. Could you speak up, please? And move the microphone a little closer.

Mr. Sant. You have mentioned before the importance of Under Secretary Burke, and she will be a hard person to replace. And, fortunately, she has agreed to stay on until the end of September. But it is not a foregone conclusion that a Chief Operating Officer is the role. I should really let the Acting Secretary talk about that. But there are other models. As you know, the COO position is a relatively new position in the Smithsonian and has not existed before about 2 years ago. So it is not altogether clear to all of us that that is the way you have to go. That position could be split up into several--maybe two or three other positions. But that is really up to the Acting Secretary, and I know he is dwelling on that right now and searching hard for people that can step into those roles and be responsible, even if they report directly to him in the interim.

So I think he is doing an extraordinary job. I do not think we could have been more fortunate to have chosen an Acting Secretary who has sort of hit the ground running and been able to

do so many things to sort of restore the confidence and the morale of the staff.

Senator Cochran. Well, I am very pleased to know that Sheila Burke is continuing to work with Dr. Samper and others to help manage the Smithsonian. I have a very high opinion of her and the quality of her work. I was pleased that my friend from Utah mentioned that in the early part of the hearing, and we express our appreciation to her for continuing to work and help make sure that things go right at the Smithsonian.

Dr. Samper?

Mr. Samper. If I may, Senator Cochran, certainly, the departure of Deputy Secretary Sheila Burke will generate an important void in the Smithsonian. I, more than anyone, am acutely aware of this. What I have been doing is working with her and some of the directors of the programs and museums that report to her right now, looking at the best way to structure these moving forward.

My current feeling is that the portfolio that is currently reporting to her is way too large. My intention is to split it into at least two areas--one focusing more on the programmatic side related to history and culture, and another one focusing more on the administration and finance support. And we are looking at

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a transition from that point of view is exactly what led me, when these changes were happening, to ask Deputy Sheila Burke to stay on for a couple of months to help me ensure a smooth transition. That is my commitment as Acting Secretary: to make sure the Smithsonian can make it through this transition and be a strong Institution. And I am very grateful that she has accepted to stay on for a couple months to help us with this.

Senator Cochran. Thank you.

Thanks, Madam Chairman.

Chairman Feinstein. Thank you very much, Senator Cochran.

Just to add a view to this, I look at the number two as a vital spot. The way I see the Secretary of the Smithsonian as being kind of the intellect, the academician, concerned with the mission, the outside person that moves around and does just what Dr. Samper has been doing. People have respect for the intellect, and the number two being the inside person who actually sees that the trains run on time, maintains the budgetary aspects, the tight management aspects of running all these facilities. But I would like to ask some specific questions now.

The first is: Why has the IG's report on the business ventures expenses been delayed for now at least a couple of months? And when are we going to see that report? Mr. Sant?

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Mr. Sant. I probably can answer that the best. We got a preliminary report from her about a month ago. Several of us on the Board of Regents raised all sorts of questions about the legal and tax implications of what that report said and felt it was not complete yet in terms of having the tax counsel part of that incorporated. And so that is what has been delaying it, going on and getting that.

We just want to be sure when that report is published that we have looked at all of the aspects of this. It is certainly not going to be good news. There certainly are some violations of travel policy there, and I do not think anyone is trying to hide those in any way. But we want to be sure what the individual tax consequences are of some of the things that we are suggesting to do.

Chairman Feinstein. And when should the public have access to that document?

Mr. Sant. You know, I do not have an exact date. I know that the IG is here, Sprightley Ryan is here, and she may have a better answer. But we are expecting it anytime now. It has been enough time.

Chairman Feinstein. All right. Thank you.

Mr. Bowsher, do you believe the Smithsonian should conduct an

actual top-to-bottom audit of expenses and compensation of Mr. Small and his wife?

Mr. Bowsher. Basically, on the expenses, we think that it should be a full audit, and especially the tax implications should be looked at very carefully. And we do not think it would take too much time to do that based on the work that the Cotton firm has already done.

Chairman Feinstein. Thank you.

Mr. Sant, could you respond to that, please?

Mr. Sant. Yes, we agree completely. I think it is one of the things that we are trying to go to school on now because there are some fairly complicated questions regarding spouse travel and travel that exceeds guidelines and unauthorized travel and so on, and that the tax implications there are quite clear but rather complicated.

So that is why we are taking some time along with following their recommendation that we completely audit the former Secretary's expenses.

Chairman Feinstein. Thank you.

Mr. Bowsher, you have made some recommendations about the Congressional Regents. Would you go into them just a bit and particularly on accepting fiduciary responsibility?

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Mr. Bowsher. Yes. We believe that if you are going to have six Members of Congress on the Board of Regents--and we do believe many of them, as Congresswoman Matsui certainly makes clear today, are very interested in working hard here to get things straightened out at the Smithsonian--why, they have to then accept the full responsibility, the fiduciary responsibility that goes along with serving on the Board. And our lawyers--and we had some top lawyers working on this review--certainly brought that out to us.

So if anybody in the Senate or the House of Representatives accepts an appointment to the Smithsonian Board, they really do have to recognize that that is part of the responsibility. And that includes time. That includes putting in enough time to do it. That is part of your--

Chairman Feinstein. How do you define "fiduciary responsibility" as it would affect an elected Representative?

Mr. Bowsher. Well, you basically have the duty of loyalty, you have the duty of time, and you have the duty of inquiry. And those are the main duties that I think any board member, especially when you have trust fund money, has to be willing to give and do it right.

Chairman Feinstein. And you believe that they should recuse

themselves from acting on or voting on measures involving the Smithsonian's authorization and appropriations?

Mr. Bowsher. Yes. We think that that is important because we think that you do not want a conflict of interest or even an appearance of conflict of interest. And I think if you are then coming up before the Congress to be reviewed, it would be better if they have not voted on the appropriations or in the oversight.

Chairman Feinstein. Mr. Sant, do you have a view on that?

Mr. Sant. I think we are almost in sync here. I think that Congressional Regents feel very strongly that they ought to have the same fiduciary responsibility as the Citizen Regents, or else they ought not to serve. And I think that is throughout that Congressional Regents have agreed to that. So there is not any difference of opinion about that.

The whole conflict-of-interest question is an interesting one that they have raised that we are trying to evaluate. Certainly I have not seen any evidence of that kind of abuse previously. Senator Cochran was Chairman of the Appropriations Committee, and yet he was a Regent. I do not think there was any evidence of that, but certainly the appearance of that is something we ought to take seriously, and I think the Congressional Regents are willing to try to work with that recommendation.

Chairman Feinstein. Yes, I think that is something the Rules Committee is going to need probably to take a look at, too, then because, for example, I have just gone on the Kennedy Board, and I serve as both an appropriator and an authorizer. So, you know, what is sauce for the goose would be sauce for the gander, essentially. So I think it would be very interesting to see where it is you do go with that because it will have a wider impact as well.

Should the Chief Justice and Vice President become ex officio members without a vote?

Mr. Sant. Why don't I turn it over to Congresswoman Matsui? I think that certainly, as I mentioned earlier, is something we are considering and the Chief Justice is not pushing back at all on. It may be the appropriate way to handle their roles, still keep them involved but not have a vote as a fiduciary member.

Chairman Feinstein. Congresswoman?

Ms. Matsui. Madam Chair, we were discussing this certainly in the Governance Committee, certainly just on the aspect of the fact of the time involved for the Chief Justice and the Congressional Regents. We are putting ourselves in the same box.

However, having said this, the Chief Justice serves a role in a sense, a historical and a symbolic role, as does the Vice

President. The Chief Justice is always present at our meetings, and he is a presiding officer, as stated by the charter itself, as Chancellor now. In the by-laws, it also states that he is Chair, which we are trying to at this point separate, and we are doing that, the role of the presiding officer and the Chair, because in practice, the Chief has essentially been the presiding officer, and he really did not vote unless there was a tie. And then the Chair is the Chair of the Board, in essence, who would handle developing the agenda and have oversight responsibilities. We believe that is the best way to go forward.

The Chief himself does feel very comfortable with his role. He is also very much understanding that we are going to be looking at this, the role of the Chief, the role of the Vice President, the role of the Congressional Regents, and the Citizens Regents. That is our charge in the next 6 months, and we may come back with some recommendations there as to what we believe, if there should be something further, some further action.

And as far as, you know, conflict of interest, that is certainly something that we looked at and thought, my goodness, so many of us understand individual conflicts of interest, but we are here appointed to serve as a representative of Congress, as this charter has, in essence, designated us. So we are looking at this

and trying to figure out, in fact, does that apply to us. We certainly broadly understand this, so this is something that we will be looking at also.

I understand, too, there are various other Members of Congress serving on other boards such as this. So I, as you, understand that it has wider implications, and I think we should probably have some conversation about this as we move forward.

Chairman Feinstein. Thank you very much.

One last thing: the \$2.5 billion shortfall. I had asked at an earlier meeting that you submit in writing a plan to remedy this, and when might I expect that plan?

Mr. Sant. We are so excited that you are excited about this issue, you know, it has been hard to get attention on what may be the biggest issue facing the Smithsonian. And so the fact that you are interested, we just say thank you very much.

We created a formal Committee on Facilities Revitalization in part of the governance report. We have appointed now Regent Bob Kogod to head that committee, and he is gearing up now to try to get you a proposal. Certainly we accept some of the notions you have about private funding and that, and we are trying to get our hands around that whole thing.

We accept, that committee accepts your deadline of the end of

the year. When you said let us have a solution in place by the end of the year, we adopted that as our goal and hope together we can get there.

Chairman Feinstein. Well, I raise that question, Mr. Sant, because we have just done the Interior appropriations bill. It has just passed out of the Appropriations Committee. And as I looked at the bill, our allocation, which is the gross amount of dollars we could apportion, is such that I see no way that that \$2.5 billion shortfall is ever going to be picked up by the public sector. The pressure on the dollars in that particular allocation is just too great. The House is well over \$1 billion over the allocation, and that is not going to happen, most likely.

So I just sort of send out the danger signal that depending on a public response may not be the thing to do.

Mr. Sant. And, last, we are grateful for the \$18 million that you added to this year's appropriation in that direction. And remember the gap is not \$2.5 billion. It is probably more like half of that because half of it is being funded now. So the gap is somewhere in the 1.2 range.

Nonetheless, we accept your premise that this is going to be a difficult time to get Federal monies. We hope that we could separate the revitalization piece, which the public seems to be

interested in and has historically funded, from the plumbing and the electricity and so on.

Chairman Feinstein. Right. What I am trying to do is push you into the mode of coming up with a program that solves the problem instead of doing it piecemeal year by year. Here is what we are going to do, here is how we are going to do it, and here is who is going to do it. And then if Congress and the Senate enter into it in some way, we know how long it is going to take and what we can expect to happen over the period of time.

So I think I look at that as being a very large and substantial outstanding issue, and every day I drive by this closed building on my way to and from work. I think, you know, what a terrible shame it is, and that hopefully we together will be able to see that that ends.

Mr. Sant. We accept the challenge.

Chairman Feinstein. In any event, I think I have had my questions answered, and if anybody has a last comment they would care to make, why don't I open the floor to you. Otherwise, we will end the hearing.

Mr. Sant. Well, can I just say that we appreciate your interest in this whole issue. I think in the last several months the Regents have turned the page, and we are really willing to do

and want to do everything possible to answer the questions of trust that have been brought up by the Independent Review Committee and others. And certainly we feel like we are doing that currently, but you should continue your oversight of us and make sure we do not miss a beat.

Thank you very much.

Chairman Feinstein. Thank you all very much for coming this morning.

The hearing is adjourned.

[Whereupon, at 11:20 a.m., the Committee was adjourned.]