

Summary Proceedings of the Board of Regents

September 18, 2006

REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee had a non-agenda meeting on June 13, 2006, the day after the Board of Regents' long-range planning meeting about the Smithsonian's collections, and continued to discuss the management of the Institution's holdings. In August, the Committee voted by mail to recognize Fuji Film's support for a scientific residency at the National Zoo.

VOTED that the Executive Committee, acting on behalf of the Board of Regents in accordance with Section 301 of the Bylaws of the Board of Regents, approves the proposed donor recognition amendment to the gift agreement between Fujifilm Fuji Photo Film Co., Ltd., and the Smithsonian Institution, the National Zoological Park, and the Friends of the National Zoo for the naming of the Fujifilm Curatorial Residency in Animal Care at the National Zoological Park.

The Committee next met on September 6 and approved the agenda for the September 18, 2006, Regents' meeting. The Committee also approved a motion to distribute a list of approved agenda topics to Congressional committees in advance of Board of Regents' meetings. This step supports the Regents' desire to increase the transparency of the Board's actions.

VOTED that the Executive Committee of the Board of Regents supports the enhancement of communications with Congress by providing a list of agenda topics for all regularly scheduled business meetings of the Board of Regents to the House and Senate committees charged with jurisdiction over the Smithsonian Institution. The list of agenda topics will be so distributed as soon as is practicable following each Executive Committee meeting wherein final agenda topics are approved. This change will become effective with the September 2006 meeting of the Board of Regents.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

The Smithsonian National Board held its spring 2006 meeting on May 11–13 in Washington, D.C.. Outgoing Board Chair Patricia Frost presented their report and thanked the Regents for the privilege of serving the Smithsonian. The Regents expressed their gratitude to Ms. Frost for her contributions to the Institution and its governing body, as well as her dedicated leadership of the National Board. Accordingly, motions to appoint L. Hardwick ("Hacker") Caldwell as the new chair of the National Board and Ms. Frost as an honorary member of the National Board were approved:

VOTED that the Board of Regents appoints L. Hardwick Caldwell as chair of the Smithsonian National Board for a single year term effective October 22, 2006.

VOTED that the Board of Regents appoints Patricia Frost as an Honorary Member of the Smithsonian National Board in grateful recognition of and appreciation for her service to the Smithsonian National Board and her contributions to the Smithsonian Institution, effective October 22, 2006.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents appoints Jeannine Smith Clark, Arrington Dixon, Samuel Gilliam, Frederick D. Gregory, Gloria B. Herndon, and Anas Shallal to the Advisory Board of the Anacostia Community Museum for three-year terms effective October 1, 2006.

VOTED that the Board of Regents reappoints Gilbert S. Edelson, Alan D. Levy, and August O. Uribe to the Board of Trustees of the Archives of American Art for three-year terms; reappoints Suzanne Denbo Jaffe, Frank Martucci, Philippa Polskin, and John R. Robinson to the Board for two-year terms; and reappoints Leslie K.S. Fogg, Helen I. Jessup, Samuel C. Miller, Rona Roob, and Marilyn Schlain to the Board for one-year terms, all effectively immediately.

VOTED that the Board of Regents appoints Claudia Kotchka and reappoints Barbara A. Mandel and Richard M. Smith to the Board of Trustees of the Cooper-Hewitt, National Design Museum for three-year terms effective immediately.

VOTED that the Board of Regents appoints Javier F. Arango and Thomas F. Pumpelly to the National Board of the National Air and Space Museum for three-year terms effective October 1, 2006.

VOTED that the Board of Regents reappoints Kenneth I. Chenault, Robert L. Johnson, Michael L. Lomax, Samuel J. Palmisano, Linda Johnson Rice, and Oprah Winfrey to the Advisory Council of the National Museum of African American History and Culture for three-year terms effective October 1, 2006.

VOTED that the Board of Regents appoints Philip Lader and David M. Rubenstein to the Board of Directors of the National Museum of American History, Kenneth E. Behring Center, for three-year terms effective October 6, 2006.

VOTED that the Board of Regents appoints David H. Koch and Patrick Leahy to the Board of the National Museum of Natural History for three-year terms effective September 1, 2006. Also, that the Board of Regents reappoints Paul B. Barton and Peter R. Crane for three-year terms effective October 1, 2006.

VOTED that the Board of Regents appoints Frederick E. Hoxie, Bryon I. Mallot, Jackie Old Coyote, Tina Marie Osceola, Freda Porter, Randall L. Willis, and Phyllis Young for three-year terms and Shelly C. Lowe for a two-year term to the Board of Trustees of the National Museum of the American Indian, all effective January 1, 2007.

VOTED that the Board of Regents appoints Michael Aldrich, Alfred Kugel, Robert P. Odenweller, and Steven J. Rod to the Council of Philatelists of the National Postal Museum for three-year terms effective immediately.

VOTED that the Board of Regents appoints Sheila C. Johnson, John W. Marriott III, Thomas Nides, Joseph E. Robert, Jr., Ronald Rosenfeld, and J. Scott Wilfong to the Advisory Board of the National Zoological Park for three-year terms effective September 19, 2006.

VOTED that the Board of Regents appoints Jeanne M. Grasso and Brenda P. Robinson to the Advisory Board of the Smithsonian Environmental Research Center for three-year terms effective August 1, 2006.

VOTED that the Board of Regents appoints Phyllis Kay Dryden to the Board of the Smithsonian Institution Libraries for a three-year term effective January 1, 2007.

RESOLUTION OF APPRECIATION FOR SALLY M. RIDER ***Administrative Assistant to the Chief Justice, August 2000 to September 2006***

The Regents expressed their appreciation to Sally Rider, departing administrative assistant to the Chief Justice of the United States, for her dedicated support for the Smithsonian Institution, including its governing Board of Regents and Chancellor. Accordingly, the following motion was approved and presented to Ms. Rider:

VOTED that the Board of Regents thanks Sally M. Rider for her service to the Smithsonian Institution as Administrative Assistant to the Chief Justice of the United States from August 2000 until September 2006. In this role, she supported the Chief Justice's efforts as Chancellor of the Smithsonian Institution, assisted the late Chancellor Rehnquist, ensured a smooth transition between Chancellors, contributed to a sound orientation for Chancellor Roberts, and provided immeasurable support to the Institution and its governing body. In gratitude, the Board expresses its heartfelt gratitude to Sally Rider, a most willing and able assistant to the Smithsonian Institution, and extends its support and best wishes for her future endeavors.

DESIGNATION OF WILLIAM H. FRIST, M.D., AS REGENT EMERITUS

The Regents expressed their gratitude to Senator William H. Frist, whose decision not to seek reelection to the United States Senate will conclude his service as a Congressional Regent. As demonstrated by his efforts to secure the recent meeting between representatives of the Board and President Bush, Senator Frist's dedication to the Smithsonian and the Board of Regents was unequalled during his nearly 10 years of membership on the Board. The Regents moved to confer upon Senator Frist the title of Regent Emeritus and the following motion was approved:

VOTED that the Board of Regents confers the title of Regent Emeritus on William H. Frist, M.D., effective January 1, 2007, with heartfelt gratitude for the outstanding service he has provided to the Smithsonian Institution.

REPORTS OF SELECTED ADVISORY BOARDS

The Board of Regents regularly receives updates from Smithsonian advisory boards to facilitate communications between the boards and the Regents. During this meeting, the Regents reviewed reports from the advisory boards of the National Museum of Natural History; the

National Zoological Park; the Friends of the National Zoo; and the Smithsonian Environmental Research Center.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Committee Chair Roger Sant reported on the Audit and Review Committee's September 12, 2006, meeting and a proposed amendment to the Committee's charter. This change would establish, through the Committee, a direct line of reporting from the Smithsonian's Inspector General to the Board of Regents. During the meeting of the Board of Regents, the proposed amendment was modified further to state that the Board will hear directly from the Inspector General at least once a year. Accordingly, the following motion was approved:

VOTED that the Board of Regents approves amendments, as further modified during the meeting, to the charter of the Audit and Review Committee to establish the Smithsonian's Inspector General as a direct report to the Board through its Audit and Review Committee.

The Institution's independent auditors, KPMG, updated the Committee on the independent audit plan for fiscal year 2006. The plan is anticipated to be completed on time and was characterized as unremarkable. The filing of the A-133 audit will be delayed as the review remains dependent upon an outside agency.

The Committee then met with Acting Inspector General Sprightley Ryan, who reviewed high-risk areas that require audit attention and uncompleted audits her office will carry forward. In addition, she summarized the audit plan's context. The Committee commended Ms. Ryan's work and discussed concerns about understaffing in the Office of the Inspector General.

Chief Financial Officer Alice Maroni discussed the Institution's financial operations with the Committee. She reported that the revised implementation schedule for financial system changes appears to be on track. The Committee also reviewed elements of enterprise risk, financial organization issues, and the ongoing search for an Inspector General. Regarding enterprise risk, Mr. Sant praised the Institution's excellent response to the June 2006 flooding that devastated many offices throughout the metropolitan area.

REPORT OF THE COMMITTEE ON COMPENSATION AND HUMAN RESOURCES

At its meeting on June 20, 2006, the Committee on Compensation and Human Resources reviewed a draft compensation philosophy and a proposed timeline to develop compensation recommendations for the Regents' consideration. The Committee resolved to increase its collaboration with Watson Wyatt, the third-party firm that conducts the Institution's compensation analyses and reviews. The firm will attend the Committee's December meeting when the results of this year's review will be discussed. Copies of the Office of Human Resources' updated guides for new employees also were distributed to the Regents.

LEGISLATIVE ACTIVITIES AND ISSUES

Smithsonian-Related Legislation

The report on Smithsonian-related legislation included information about the possible application of enhanced-use leasing to help address, within the constraints of the current budget climate, the Institution's real property requirements and challenges.

SPECIAL REPORT OF THE GENERAL COUNSEL

General Counsel John Huerta prepared an overview of the unique status and legal framework of the Smithsonian. The report included Congress's rationale for creating the Institution outside of the executive branch of the government and the extent of the Regents' authority over the national collections.

DONOR RECOGNITION AND CREATION OF ENDOWMENTS

The Regents approved the following resolutions for donor recognition and corporate support, which were developed in accordance with the fund-raising principles, policies, and procedures approved by the Board of Regents and applicable Smithsonian directives:

VOTED that the Board of Regents recognizes the generosity of the W.M. Keck Foundation to the Smithsonian Astrophysical Observatory and gratefully approves naming the three, three-year fellowships made possible by its grant the W.M. Keck Postdoctoral Fellows.

VOTED that the Board of Regents recognizes the generosity and dedication of David H. Koch to the National Museum of Natural History and gratefully names its first-floor exhibition hall in his honor.

VOTED that the Board of Regents recognizes the generosity and dedication of L. Hardwick Caldwell III and Katherine Caldwell to the Smithsonian American Art Museum and gratefully approves the naming of the Museum's second-floor gallery E 235 in the Donald W. Reynolds Center for American Art and Portraiture in their honor. The gallery will be named the Hacker and Kitty Caldwell Gallery, at least until the next major renovation of the Museum is required.

VOTED that the Board of Regents recognizes the generosity and dedication of Donald J. and Helen D. Douglass to the Smithsonian American Art Museum and gratefully names a Museum gallery in the Donald W. Reynolds Center for American Art and Portraiture in their honor. The gallery will be named the Helen D. and Donald J. Douglass Gallery, at least until the next comprehensive renovation of the Museum is required.

VOTED that the Smithsonian Board of Regents approves the creation of the Secretary's Distinguished Scientific Research Fellowship Endowment and the funding of it with monies identified for that purpose.

VOTED that the Board of Regents approves the creation of the Persian Art Programs Endowment to support Persian art programmatic initiatives of the Freer Gallery of Art and the Arthur M. Sackler Gallery, as determined by their Director. Further, the endowment will be funded by gifts identified for that purpose.

VOTED that the Board of Regents recognizes the generosity of Rose J. Bratton and, by means of her bequest and consistent with her wishes, gratefully creates two endowments, the first to support the decorative arts and craft program at the Smithsonian American Art Museum, and the second to benefit programmatic initiatives of the Cooper-Hewitt, National Design Museum. The endowments are to be named, respectively, the Decorative Arts and Craft Endowment and the Cooper-Hewitt Endowment Fund.

VOTED that the Board of Regents approves the creation of the National Museum of the American Indian Library Endowment Fund. Further, the Board authorizes the transfer of funds identified for this endowment.

VOTED that the Board of Regents approves the creation of the Cooper-Hewitt, National Design Museum Library Endowment Fund. Further, the Board authorizes the transfer of funds identified for this endowment.

VOTED that the Board of Regents recognizes the generosity and dedication of Abigail Rose and Michael J. Blum to the Cooper-Hewitt, National Design Museum and gratefully approves the creation and naming of The Abigail Rose and Michael J. Blum General Endowment Fund, an endowment to support the general operating needs of the Museum.

VOTED that the Board of Regents recognizes the generosity of the Ehrenkranz Family Foundation to the Cooper-Hewitt, National Design Museum and gratefully approves the creation and naming of the Ehrenkranz Fund, an endowment for curatorial purposes. As defined by the gift agreement, curatorial purposes are expenses associated with curatorial programs, including exhibitions, research, publications, and curatorial salary expenses.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

Finance and Investment Committee Chair Alan Spoon introduced the Committee's report with an update on the activities of its advisory Investment Committee. Progress was reported in the restructuring of the endowment portfolio, as alternative asset classes have been integrated to reduce risk and improve returns. The recent appointment of Amy Chen as director of the Office of Investments, a newly created position, also promises increased support for the endowment. The Regents agreed to review the Investment Committee's goals with Committee member David Silfen at a future meeting of the Board.

Chief Financial Officer Alice Maroni reported on the Institution's financial status for fiscal year 2006. Programmatically and financially, the Institution had a good year. At fiscal year-end, fund raising is expected to exceed budget, the endowment is forecast to reach a record-high level, and Smithsonian shops and restaurants continue to be profitable, although income from retail businesses is below budget. Federal support in 2006, however, continues to lag, especially in the crucial area of facilities revitalization.

Ms. Maroni noted that Congress had not yet approved the Institution's proposed Federal budget for fiscal year 2007. While the Senate fully supported the Institution's request, the House of Representatives proposed a budget reduction in response to the Institution's joint venture with CBS Showtime. The Smithsonian is working hard to hold the budget to its requested level with the support of the Congressional Regents, for which the Institution is grateful.

The proposed Federal budget for fiscal year 2007 includes an increase in funding for facilities revitalization. Although the total facilities revitalization budget of \$100 million is considered an appropriate expectation of what Congress will approve, the facilities revitalization budget remains considerably below the \$150 million average annual facilities revitalization funding requirement established by the National Academy of Public Administration (NAPA) in 2001.

The proposed fiscal year 2007 budget also shows an increase in the Institution's net worth, based in part on a fund-raising goal of \$115 million as well as a rise in Smithsonian Business Ventures' net gains. In addition, the unrestricted budget anticipates a small increase in the 2007 endowment payout. A small decrease in government grants and contracts reflects the anticipated decline in awards from NASA to the Smithsonian Astrophysical Observatory.

The following motions then were approved:

VOTED that the Board of Regents approves the budget of appropriated funds for fiscal year 2007 when signed into law by the President and authorizes expenditures by the Secretary in accordance therewith. Any material changes in program plans incorporated into the budget signed into law by the President shall be made only with the approval of the Board of Regents or its Executive Committee.

VOTED that the Board of Regents approves the institutional budget for Trust funds for fiscal year 2007 reflected in this report and authorizes expenditures by the Secretary in accordance therewith. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee.

The Regents next reviewed the Institution's proposed budget for fiscal year 2008 and discussed an additional modification to a pending motion. The first draft of the proposed budget presented an increase of \$781 million, or about 21%, over the fiscal year 2007 budget. Forty-four percent of the increase was devoted to mandatory items, such as pay, rent, and utilities, and an additional 42% was earmarked for facilities revitalization.

On September 14, 2006, after the Board received the proposed budget's first draft, a delegation of Regents had a promising meeting with President Bush. They discussed the Institution's well-documented backlog of long-overdue facilities repair projects that threaten the safety of the nation's collections and visitors. While President Bush did not make a commitment, his thoughtful response indicated that a positive momentum might develop to address this critical issue.

In light of renewed hope for increased Federal support, the proposed fiscal year 2008 budget subsequently was amended to reflect the funding requirement validated by the 2005 GAO report. Although the line item for facilities revitalization had been consistent with GAO's

recommendation, the maintenance budget in the proposed budget was not. It therefore was agreed to increase the maintenance budget and raise the fiscal year 2008 budget request to \$795 million. To affect this change, the Regents agreed to amend the original motion, as well as supporting documents. The following motion then was approved:

VOTED that the Board of Regents approves the Smithsonian Institution budget request for appropriated funds for fiscal year 2008, as revised to reflect the facilities funding requirements validated by the Government Accountability Office, for presentation to the Office of Management and Budget. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee.

The Regents then discussed the report on the capital budget for Smithsonian Business Ventures (SBV), which was scheduled to be reviewed and presumably approved later in the month by the Smithsonian Business Ventures Board. It was noted that, compared to previous years, SBV's capital budget request was relatively modest.

SMITHSONIAN ON DEMAND PROGRESS REPORT

Deputy Secretary Burke presented an update on the Smithsonian On Demand video initiative, which is anticipated to launch by March 2007 with a first-year goal of 30 to 40 programming hours. The program planning phase for the first season is complete and a pan-institutional Smithsonian On Demand Committee has been created. Chaired by Director of the Smithsonian Center for Folklife and Cultural Heritage Richard Kurin, the Committee will engage the Institution's programmatic experts and facilitate the factual review of the programs' content. It also will ensure that the reputation of the Institution is being upheld. Ms. Burke, who reviews each outside filming request received by the Institution, noted that nearly all outside parties have been granted access to Smithsonian collections or curators since the launch of the venture. She added that the Smithsonian also has committed, within the terms of the venture agreement, to partner with groups outside of the venture to develop programs that will advance the interests of the Institution.

Under the provisions of the contract, the Venture will produce, at no cost to the Institution, 15 programs that the Institution determines to be mission-critical. The Regents were enthusiastic about the range and depth of the first negotiated set of mission-critical programs.

SMITHSONIAN BUSINESS VENTURES INITIATIVES

Secretary Small offered an update on two Smithsonian Business Ventures (SBV) initiatives. The first, a co-branded licensing agreement with EF Travel, will expand the Institution's existing adult educational travel business to include student-study tours. The second initiative is an affinity credit card and marketing program with American Express, which replaces a prior arrangement with MBNA. Both are intended to enhance the visibility of the Institution while buttressing its financial base; the travel initiative also will advance the Institution's mission to diffuse knowledge. Accordingly, the following motion was approved:

VOTED that the Board of Regents authorizes the Secretary to enter into an agreement with American Express, based in principal on the terms of the Letter of Intent, to develop a co-branded affinity credit card program.

UPDATE ON THE REPORT OF THE SMITHSONIAN EXTERNAL ART REVIEW COMMITTEE

During the morning meeting of the Committee of the Whole, Under Secretary for Art Ned Rifkin reported on the progress of the External Review Committee (ERC) on Smithsonian Arts. Mr. Rifkin described the goals of the ERC, the credentials of its members, and the assessment process currently under way. The Committee's report and recommendations will be presented to the Regents at their January 2007 meeting.

PROPOSED SMITHSONIAN INSTITUTION GOALS FOR FISCAL YEAR 2007

Deputy Secretary Burke presented the Institution's fiscal year 2007 goals during the morning meeting of the Committee of the Whole. During that discussion, it was agreed to modify the goals to include increased contractual oversight of Smithsonian On Demand, as well as pan-institutional outreach for and participation in the initiative. Accordingly, the following motion was approved:

VOTED that the Board of Regents approves the Smithsonian Institution goals for fiscal year 2007, as further modified during the meeting.

STATUS REPORT OF THE *AD HOC* COMMITTEE ON FACILITIES REVITALIZATION

Mr. Sant presented the report of the *ad hoc* Committee on Facilities Revitalization, which focused on the September 14, 2006, meeting with President Bush. The Regents were heartened by President Bush's response to their grave concern about insufficient Federal funding for facilities and maintenance needs. The Board also was encouraged by the fact that the White House subsequently assigned a representative to follow up with the Regents on this critical issue. The Board then discussed actions by which they could continue to engage the attention of the administration, as well as achieve a positive outcome to this overarching problem faced by the Smithsonian.

EXECUTIVE SESSION

The plenary meeting of the Board of Regents adjourned at 2:50 p.m., after which the Regents met in executive session.

REGENTS' DINNER AND MONDAY MORNING EVENTS

On Sunday, September 17, the Regents and their spouses hosted a dinner at the new Donald W. Reynolds Center for American Art and Portraiture to honor major public-sector contributors to the Center. The event also was attended by senior officers and their spouses.

On the morning of Monday, September 18, the Regents met at the National Zoo's Panda House for a walking preview of the first phase of the new Asia Trail. They next convened in the Regents' Room of the Smithsonian Castle for a meeting of the Committee of the Whole and an executive session. Members of senior staff joined the Regents for lunch in the Castle Library, during which Douglas Owsley, curator of physical anthropology at the National Museum of Natural History, presented an illustrated lecture, "Written in Bone: Stories of Life and Death in the Colonial Chesapeake." Dr. Owsley, whose bioarchaeological and osteological research is recognized internationally, is conducting groundbreaking studies of human skeletal remains from 17th-century colonies on the Chesapeake. The results of his research will be presented to the public in a 2008 exhibition at the National Museum of Natural History.