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Smithsonian Institution

Office of General Counsel

VIA US MAIL

November 14, 2012

Re: Your Request for Smithsonian Records (request number 38717)

This responds to your request dated October 28, 2012, and received in this Office on October 31, 2012, for the Board of Regents meeting minutes from the calendars years of 2003, 2004, and 2005. The Smithsonian responds to requests for records in accordance with Smithsonian Directive 807 - Requests for Smithsonian Institution Information (SD 807) and applies a presumption of disclosure when processing such requests. The policy is posted on our website at www.si.edu/about/FOIA.

Enclosed are the records you requested, which total ninety-six pages. Please be advised that the dollar amount of two donor gifts has been redacted consistent with SD 807 under Exemption 6. The remainder of the records are provided in their entirety.

This concludes the Smithsonian's response to your request. Thank you for your interest in the Smithsonian.

Best Wishes,

A handwritten signature in black ink, appearing to read "Sanet".

Jessica Sanet
Assistant General Counsel

Enclosures

You have the right to appeal a partial or full denial of your request. Your appeal must be in writing, addressed to the Smithsonian Institution Office of General Counsel at the address below, and made within sixty days from the date of this response letter. Your letter must explain your reason(s) for the appeal. The Smithsonian Under Secretary for Finance and Administration will decide your appeal and will respond to you in writing, specifying the reason(s) for granting or denying the appeal.

Summary Proceedings of the Board of Regents

January 6, 2003

REPORT OF THE PERSONNEL COMMITTEE

The Personnel Committee of the Board of Regents reviewed senior management's confidential statements of employment and financial interests for calendar year 2001 and unanimously decided that there are no conflicts of interest to be reported to the Regents. The Committee also found that the financial reporting procedures for additional key staff who must report have functioned in accordance with established guidelines.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

The Smithsonian National Board, chaired by Frank Daniels, Jr., convened its fall meeting October 17-19, 2002, in Washington, DC and will meet again on January 30-February 1, 2003, in Washington, DC. The Regents were provided a report on progress on National Board initiatives from the perspective of the Chair, including an update on its multifaceted activities (in education, national programs, and development) and proposals for reappointments and the appointment of three new members, Californians Claudia Ream Allen and Frank H. Levinson and Rodney E. Slater of Washington, DC.

***VOTED** that the Board of Regents reappoints to the Smithsonian National Board Richard O. Campbell, Jean Case, Pete Claussen, Laurel Cutler, Robert Donnelley, Frank Martucci, Charles Moore, S. Davis Phillips, and Helen B. Spaulding for three-year terms expiring in 2006 and appoints Claudia Ream Allen, Frank H. Levinson, and Rodney E. Slater for three-year terms expiring in 2006.*

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

***VOTED** that the Board of Regents appoints Reed Krakoff to the Board of Trustees of Cooper-Hewitt, National Design Museum for a three-year term expiring in 2005.*

***VOTED** that the Board of Regents reappoints Charles L. Frankel, Barry Hecht, and Robert F. Thompson to the National Museum of African Art Board for three-year terms expiring in 2005.*

***VOTED** that the Board of Regents appoints Charlene Jones to the National Museum of the American Indian Board of Trustees for a three-year term expiring in 2006.*

***VOTED** that the Board of Regents appoints Shirley Sherwood to the National Museum of Natural History Board for a three-year term expiring in 2006 and reappoints Emilio F. Moran and Yolanda T. Moses for three-year terms expiring in 2006.*

VOTED that the Board of Regents appoints Heribert Stumpf to the Winton M. Blount Center Council of the National Postal Museum for a two-year term expiring in 2004.

VOTED that the Board of Regents appoints to the Smithsonian American Art Museum Commission Norma Lee FUNGER and Clarice R. Smith for four-year terms expiring in 2006 and reappoints Ruth Sulzberger Holmberg and Jesús Morales for four-year terms expiring in 2006.

VOTED that the Board of Regents reappoints to the Smithsonian Business Ventures Board of Directors M. Ronald Ruskin and Anthony Welters for three-year terms expiring in 2005; Thomas M. Kenney for a two-year term expiring in 2004; and Gary M. Beer and John R. Dailey for one-year terms expiring in 2003.

VOTED that the Board of Regents reappoints to the Smithsonian Environmental Research Center Advisory Board James R. Gosz to a three-year term expiring in 2006 and appoints Barbara Bedford, Frank Chaney, Diane Ebert-May, and Wayne Rogers for three-year terms expiring in 2006.

ANNUAL LITIGATION REPORT

January - November 2002

The Secretary briefed the Regents on a legal dispute over the ownership of a collection currently housed in the Huntington Free Library of New York. The Smithsonian has been vying for ownership since 1990 on the grounds that the books and documents are associated with the objects that formed the foundation for the George Gustav Heye collection. As of October 2002, the trial court ordered the trustees of the Library to refrain from selling and instructed the trustees to recommend to the court the institution best able to service the collection. The Smithsonian is prepared to submit its proposal to retain the book collection in the George Gustav Heye Center in New York.

LEGISLATIVE ACTIVITIES

The Secretary explained to the Regents that with permanent continuing contract authority the Smithsonian would have greater flexibility in long-term financial planning of large construction projects. Without objection, the following motion was adopted:

VOTED that the Board of Regents asks its Congressional members to introduce and support legislation to extend permanent continuing contract authority to the Smithsonian Institution.

PROPOSED NAMING OF A SPACE: THE YUP'IK GALLERY

In the National Museum of the American Indian's Our Universe Gallery

As the Secretary explained to the Regents, this naming proposal, involving a new gallery in the National Museum of the American Indian-Mall Museum, is the first one coming to the Board under the new guidelines established by the *ad hoc* Committee on Donations and Executive Compensation. The gift, donated by the Rasmuson Foundation, is in accordance with the guidelines and is an example of the template of information to be submitted to the Regents henceforth. One Regent, although in agreement on the new guidelines and the template, noted that the percentage of cost required to be covered by a money gift for a gallery, in particular, should be carefully assessed for fairness in each case.

***VOTED** that the Board of Regents recognizes the generosity and dedication of the Rasmuson Foundation to the National Museum of the American Indian and gratefully names the Yup'ik Gallery in the Museum's Our Universe Gallery in honor of Elmer and Mary Louise Rasmuson.*

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Chief Financial Officer Maroni reported to the Board that the Audit and Review Committee met on November 12, 2002, to discuss the nationwide debate on financial governance reform and the implications of the Sarbanes-Oxley legislation for the Smithsonian. The Committee also heard status reports from the Inspector General and the independent auditors.

Ms. Maroni discussed the Committee's recommendation to renew the Smithsonian's contract with KPMG. She described the contract deliverables, noting that the contract is renewable yearly at the pleasure of the Board of Regents for a period of no more than ten years with cost increases limited to about 4% each year. The Committee suggested that it is advantageous to remain with KPMG considering its extensive experience with non-profit organizations and its familiarity with the Institution's financial records, especially at a time when the Smithsonian is integrating a new financial system. It was also noted that KPMG changed its audit partners recently and remains fresh in its perspective on the Institution. In discussion, a Regent suggested that in the future the Committee might consider a thorough review of the contract after five years.

As recommended by the Committee, the Board of Regents approved the following motion:

***VOTED** that the Board of Regents accepts the recommendation of the Audit and Review Committee with respect to contracting for external audit services as follows: that the firm of KPMG LLP be engaged under contract on a yearly basis, renewable at the pleasure of the Board or Committee for no more than ten years without further competitive bidding.*

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

The Report of the Finance and Investment Committee included a year-end report on fiscal year 2002 reflecting tight Federal and Trust fund budgets, substantial fund raising, better-than-budget performance from Smithsonian Business Ventures, and an increase in the Institution's net assets; a report on the fiscal year 2004 Federal budget request, including a statement of the Smithsonian's needs and the passback from the Office of Management and Budget (OMB); and an analysis of current investment and payout policies. Also included were the minutes of the Finance and Investment Committee's December 3, 2002 meeting, which reflect the Committee's decision to adhere to the Endowment payout policy, which is to pay out five percent of the five-year rolling average of the Endowment's value.

Chief Financial Officer Maroni described the Institution's 2002 financial position, noting that while the net worth of the Endowment is at an all-time high, weak markets have kept it essentially flat over the past three years. The poor performance of the stock market in the fourth quarter, while not projected in the budgets, was offset by the strong fund raising and solid support on both the public and private sides for the large capital projects. The Facilities Capital Program was at record high levels but unfortunately was not funded nearly enough to make headway against the enormous backlog of repair and restoration that is needed. Ms. Maroni added that management has significantly reduced unrestricted Trust expenses to deal with the dramatic decline of revenue in fiscal year 2002 and is on track to strike a balance starting in 2004.

Ms. Maroni pointed out that the Institution faces a projected budget shortfall in 2004 that could be twice the size of the problem it faces in 2003. Unfortunately, this projection comes on the heels of two major analyses, done separately by the Science Commission and human resources consultants, which conclude that the Smithsonian is under staffed. Ms. Maroni explained that the Federal funding base has undergone years of erosion while programming and visitation have increased considerably; nearly twenty percent fewer employees are now paid from Federal appropriations at the five most visited venues.

Finally, Ms. Maroni noted that Federal funding in support of facilities in the fiscal year 2004 budget is \$80 million, about 18% more than that of 2002. Unfortunately, this is an inadequate amount for facilities maintenance, repair, and renovation, and it does not provide for the security upgrades the Institution has already started. The longer maintenance work is put off, the more expensive it will eventually be to complete it. She added that this could lead to the closing of portions of the Smithsonian's oldest buildings.

The following motion was approved:

***VOTED** that the Board of Regents authorizes the Secretary to submit to Congress a Federal budget for fiscal year 2004 as part of the President's budget in an amount to be negotiated with OMB and authorizes the Secretary to fully inform OMB and Congress about the implications of the President's budget for the mission and priorities of the Institution.*

REPORT OF THE NOMINATING COMMITTEE

Chairman Spoon noted that the Nominating Committee had recently reviewed membership and processes for appointment of the various Committees as requested by the *ad hoc* Committee on Governance. Mr. Spoon reported with gratitude that all members have agreed to serve in their new committee assignments. The Committee recommended that the length of service of Regents Emeritus should be limited to a period of three years. The following motion was approved:

***VOTED** that the Board of Regents accepts the Report of the Nominating Committee and approves the proposed appointment of members to the Regents' committees for calendar year 2003.*

REPORT OF THE *AD HOC* COMMITTEE ON GOVERNANCE

The Chancellor commended the work of the *ad hoc* Committee on Governance and the *ad hoc* Committee on Donations and Executive Compensation, saying "...In a short time, these two committees have made recommendations that have enhanced the way that the Board of Regents operates. As a result of the work of the members of these two committees, we are now operating under improved bylaws, more up-to-date procedures, and a new set of ethics guidelines. On behalf of the Board of Regents, I want to thank each of you for your hard work and dedication."

Chairman Massey summarized the Committee's report, noting that in accordance with the discussion during the previous Regents' meeting the Ethics Guidelines were revised by the Committee. As well, upon review of Committee charges and procedures, the Executive Committee was requested to review its own procedures and to recommend changes, if any, to the *ad hoc* Committee on Governance. Mr. Williams mentioned that the Executive Committee drafted a charter, in counsel with the *ad hoc* Committee, that describes its functions. It also includes updated procedures such as the use of electronic communications.

The following motions were approved:

***VOTED** that the Board of Regents adopts the proposed Ethics Guidelines for the Board of Regents.*

***VOTED** that the Board of Regents approves the proposed Charter for the Regents' Executive Committee.*

REPORT OF THE *AD HOC* COMMITTEE ON DONATIONS AND EXECUTIVE COMPENSATION

The Report of the *ad hoc* Committee on Donations and Executive Compensation referred to a presentation on Smithsonian Fund Raising Principles, Policies, and Procedures; a template and model for proposing donor recognition; a proposal to name the Gallery of Early Flight for Samuel P. Langley; a statement on the philosophy and procedures on executive compensation; a charter for the proposed Committee on Compensation and Human Resources; and, finally, a letter to the Chairman and Ranking Minority Member of the House Committee on Appropriations.

Committee Chairman Gray discussed revisions to the materials considered at the meeting of the Committee of the Whole that morning. She added that the proposed motion is drafted to match the questions posed by Congressman Obey, who has requested replies by February 1.

The following motions were approved:

***VOTED** that the Board of Regents affirms the Smithsonian's responsibility to maintain impeccable ethical standards to protect the Smithsonian's reputation, integrity, and independence. In that regard, it (1) adopts the Smithsonian's principles, policies, and procedures for soliciting, accepting, and recognizing donations as proposed and codified herewith by the ad hoc Committee on Donations and Executive Compensation; (2) finds that the major gifts and support received over the last two fiscal years were properly grounded in established policies and procedures in effect at that time; and (3) approves the Institution's compensation philosophy and procedures and establishes a standing Committee on Compensation and Human Resources to report to the Board at least once a year in accordance with the proposed Charter for this Committee.*

***VOTED** that the Board of Regents proudly honors the Smithsonian's third Secretary and pioneering aviator by naming the National Air and Space Museum's hall on early aviation The Samuel P. Langley Gallery of Early Flight.*

REPORT OF THE SMITHSONIAN SCIENCE COMMISSION

The Regents met with Smithsonian Science Commission Chair Jeremy Sabloff and Vice Chairs James Baker and Yolanda Moses during the morning meeting of the Committee of the Whole. Following a presentation on the Commission's findings and recommendations, the Regents, the Secretary, and the Commission members discussed the full range of issues presented in the report.

The Chancellor remarked on behalf of the Board, "The members of the Science Commission have done an excellent job exploring all of the important issues raised by the Board of Regents. The Commission's findings are clear and its recommendations are thoughtful and far-reaching, yet realistic. The members of the Commission have made a lasting contribution to the future of

science in the Smithsonian Institution, and, on behalf of the Board of Regents, I would like to express our gratitude to each of them.” Without objection, the following motion was adopted:

***VOTED** that the Board of Regents accepts with deep gratitude the Report of the Smithsonian Institution Science Commission. The Board expresses its total support for the Commission’s work and shares in the consensus reached, endorses the vision and direction embodied in the Report, and asks the Secretary to report regularly on progress in the exciting and needed implementation of the Commission’s findings.*

REPORT OF THE EXECUTIVE COMMITTEE

On December 19, 2002, the Executive Committee approved the agenda proposed for the January 6 Regents’ meeting with the understanding that certain revisions to the agenda materials will be made. In that regard, the Committee specifically requested that its Report be placed at the end of this agenda to facilitate its consideration in the planned executive session of the Regents’ meeting.

Meeting also to consider materials prepared by management for Compensation Committee review, the Committee voted to approve recommended compensation adjustments for the senior executive staff within a total pool of 3.4%.

REGENTS’ DINNER AND MONDAY EVENTS

The previous evening, in the Janet Annenberg Hooker Hall of Geology, Gems & Minerals in the National Museum of Natural History, the Regents enjoyed cocktails in the Harry Winston Gallery and dinner in the Eberly Mineral Hall. Special guests included Smithsonian Science Commission representatives Sabloff, Baker, and Moses, as well as Regents Emeritus former Senator Robert Morgan, Jeannine S. Clark, and former Senator Charles “Mac” Mathias (who were retired from their assignments on Regents’ Committees and were honored for their decades of service).

During the luncheon held for the Regents, their assistants, and selected senior management, a special illustrated talk entitled “Why Basic Research?” was given by Irwin Shapiro, Director of the Smithsonian Astrophysical Observatory.

Summary Proceedings of the Board of Regents

May 5, 2003

REPORT OF THE EXECUTIVE COMMITTEE

On April 24, 2003, the Executive Committee approved the agenda proposed for the May 5 Regents' meeting. The Secretary, at the Committee's request, agreed to provide brief oral introductions to the matters of information and actions with potential policy implications.

The Committee discussed in depth the proposal for Smithsonian Business Ventures' initiative with Liberty Media to form and operate a Smithsonian educational television channel. The Committee noted how carefully the initiative has been developed, how well it fits within the Smithsonian's mandate, and how the interests of the Institution are reasonably well safeguarded. The Committee agreed with the Secretary's suggestion that the agenda for the Monday morning, May 5, meeting of the Committee of the Whole should be shaped by two major topics: (1) the revitalization of the National Museum of American History, Behring Center, and (2) the mid-year financial review.

The Secretary led the Committee through its consideration of the recommendations of the Commission for a National Museum of African American History and Culture. In addition, the Secretary briefed the Committee on the status of the Smithsonian's relations with several major donors, and he also suggested waiving a provision of the Smithsonian's special events policy to enable the Cooper-Hewitt, National Design Museum to compete better for non-appropriated funds with other museums in New York City. The Committee encouraged the Secretary to brief the Regents on the special events issue.

It should be noted that on March 11 the Committee met with the Secretary for an informal briefing on a wide variety of Smithsonian developments, including the House Administration Committee's oversight hearing of March 5, the management of the National Zoo, the return of unspent funds to the Catherine B. Reynolds Foundation, and more. The Committee noted with regret that Senator Frist resigned from the Audit and Review Committee and asked the Nominating Committee to propose the appointment of another Regent to chair that Committee.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

VOTED that the Board of Regents appoints Bradford M. Freeman to the Smithsonian National Board for a term of three years expiring in 2006.

* * * * *

The Smithsonian National Board, chaired by Frank Daniels, Jr., convened its mid-winter meeting in Washington, DC on January 30 through February 1, 2003. The National Board will convene a spring meeting in Washington, DC, May 16-17, 2003, as a previously scheduled Study Tour to China has been postponed due to travel advisories for the region. The Regents were provided a report, from the perspective of the Chair, on progress in its activities (in education, national programs, and development) and a biographical sketch on a nominee for appointment, Bradford M. Freeman of Los Angeles.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

***VOTED** that the Board of Regents appoints Ralph T. Coe to the Archives of American Art Board of Trustees for a three-year term expiring in 2006.*

***VOTED** that the Board of Regents appoints Irvine Rafael MacManus, Michael Maharam, Ruth Ann Stewart, and Esme Usdan to the Board of Trustees of Cooper-Hewitt, National Design Museum for three-year terms expiring in 2005.*

***VOTED** that the Board of Regents appoints Susan Beningson, Catherine Glynn Benkaim, Lee Folger, Farhad Hakimzadeh, Hassan Khosrowshahi, and Masako Shinn to the Freer Gallery of Art and Arthur M. Sackler Gallery Board for four-year terms expiring in 2007.*

***VOTED** that the Board of Regents appoints Max C. Chapman, Jr., to the National Air and Space Museum Board for a three-year term expiring in 2006.*

***VOTED** that the Board of Regents appoints Ian Fowler to the Board of the National Museum of African Art for a three-year term expiring in 2005.*

***VOTED** that the Board of Regents appoints Leonard Schaeffer to the National Museum of American History Board for a three-year term expiring in 2006.*

***VOTED** that the Board of Regents appoints George Muñoz and Gloria Rodriguez to the Smithsonian National Board for Latino Initiatives for three-year terms expiring in 2006.*

***VOTED** that the Board of Regents appoints George Gwynn Hill to the Smithsonian Institution Libraries Board for a three-year term expiring in 2006.*

AMENDMENTS TO BYLAWS OF SMITHSONIAN ADVISORY BOARDS

***VOTED** that the Board of Regents approves the proposed revisions to the Bylaws of the Cooper-Hewitt, National Design Museum.*

***VOTED** that the Board of Regents approves the proposed revisions to the Bylaws of the National Museum of American History, Behring Center Board.*

***VOTED** that the Board of Regents approves the proposed revisions to the Bylaws of the Smithsonian Institution Libraries Board.*

ESTABLISHMENT OF THE UDVAR-HAZY ENDOWMENT

***VOTED** that the Board of Regents authorizes the Secretary to establish, as part of the Institution's endowment funds, a Quasi-Donor Designated fund to be known as the Udvar-Hazy Center Endowment and to authorize the transfer the monies identified for this purpose.*

DONOR RECOGNITION AND CORPORATE SUPPORT

The Secretary recalled for the Regents that at their meeting on January 6 they approved policies and procedures developed by the *ad hoc* Committee on Donations and Executive Compensation. The following naming opportunities all adhere to those policies and the information provided conforms to the requirements stipulated by the procedures set forth by the *ad hoc* Committee. After discussion and without objection, the following motions were adopted:

VOTED that the Board of Regents, in recognition of the generous support of Nancy and Edwin Marks to the Cooper-Hewitt, National Design Museum, gratefully names the Museum Collections Gallery in the Museum's Music Room in honor of Nancy and Edwin Marks.

VOTED that the Board of Regents recognizes the generosity of Rolex Watch, USA to the National Air and Space Museum's Steven F. Udvar-Hazy Center and accepts the terms of this agreement.

VOTED that the Board of Regents recognizes the generous support of Bombardier to the National Air and Space Museum's Steven F. Udvar-Hazy Center and gratefully names the Welcome Center in the Steven F. Udvar-Hazy Center in honor of Bombardier.

VOTED that the Board of Regents of the Smithsonian Institution recognizes the generosity and dedication of the Akaloo Resource Foundation to the National Museum of the American Indian and gratefully names the Outdoor Fire Pit as the "Akaloo Fire Pit."

VOTED that the Board of Regents recognizes the generosity and dedication of the Northern Ute Indian Tribe, the Southern Ute Indian Tribe, and the Ute Mountain Ute Tribe to the National Museum of the American Indian and gratefully names the four information kiosks at the Museum on the National Mall in honor of these tribes.

VOTED that the Board of Regents recognizes the generosity and dedication of Virginia Outwin Boochever to the National Portrait Gallery and gratefully names the national portrait competition which it supports "The Outwin Boochever Portrait Competition at the National Portrait Gallery."

VOTED that the Board of Regents recognizes the generosity and dedication of Robert L. McNeil, Jr., to the National Portrait Gallery and, as he requests, gratefully names the scholarly symposium which his gift supports "The Edgar P. Richardson Symposium on Portraiture at the National Portrait Gallery."

VOTED that the Board of Regents, in recognition of the generous support of the Clay family to the Smithsonian Astrophysical Observatory, gratefully names the postdoctoral fellowships funded by the family "The Clay Postdoctoral Fellowships."

PROPOSED NAME CHANGE OF "THE FORD GALLERY"

In the National Postal Museum Atrium

The Secretary explained that the Ford Motor Company requested to make a modification to their original gift agreement, which was approved by the Regents in January of 2001. During the course of working with the Museum, the Company decided to be more involved with

educational outreach activities and the following name change is a result of a new agreement reached.

Accordingly, the following motion was adopted:

***VOTED** that the Board of Regents recognizes the generosity and dedication of the Ford Motor Company to the National Postal Museum and gratefully names the agreed upon space in the Atrium of the National Postal Museum as the "Ford Education Center."*

REPORT OF THE GENERAL COUNSEL

The General Counsel reported on litigation, administrative claims, the return of unspent funds from the Catherine B. Reynolds Foundation gift, and modifications to staff financial disclosure statements.

LEGISLATIVE ACTIONS AND ISSUES

A report from the Office of Government Relations covered Smithsonian-sponsored legislation, Smithsonian-related legislation, and changes in the membership and leadership of the Smithsonian's authorizing and appropriations committees in the 108th congress.

During the morning executive session, the Secretary drew the Regents' attention to the forthcoming Senate Rules Committee oversight hearing and described the current controversy over the exhibition of photographs from the Arctic National Wildlife Refuge entitled *Seasons of Life and Land* at the National Museum of Natural History.

STATUS REPORT ON THE SCIENCE COMMISSION RECOMMENDATIONS

Under Secretary Evans reported that one of the biggest priorities set by the Science Commission recommendations has been achieved with the recent appointment of Dr. Cristián Samper as the new Director of the National Museum of Natural History. He also noted that a search has already begun to find a replacement for Dr. Irwin Shapiro, who will be retiring from his position as Director of the Smithsonian's Astrophysical Observatory. At the Board's September meeting, Dr. Evans will report in greater detail on the implementation of the full suite of Commission recommendations.

UPDATE ON SMITHSONIAN SECURITY

A report briefed the Regents on Institution-wide security readiness and improvements.

REPORT OF THE NOMINATING COMMITTEE

Chairman Spoon proposed the appointment of Roger W. Sant as Chairman of the Regents' Audit and Review Committee. He reported that in the spirit of the Board's review of good governance practices, the Nominating Committee continues to assess its own activities, including the creation of its charter. Accordingly, Mr. Spoon asked the Regents to consider the Nominating Committee charter, as circulated. The following motions were adopted:

***VOTED** that the Board of Regents approves the appointment of Roger W. Sant as Chairman of the Regents' Audit and Review Committee, effective April 21, 2003.*

VOTED that the Board of Regents approves the proposed Charter for its Nominating Committee.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Chairman Sant noted that the Committee met for the first time with its new membership roster on April 21, decided to modify its meeting schedule, and asked the independent auditors KPMG LLC to move the time of their review closer to the fiscal year's end. The Committee agreed to review the personal financial interest statements of the Secretary and his direct reports. The Committee is confident that the appointment of Catheryn C. Hummel as Comptroller will result in a substantial improvement in the quality of management information.

Finally, Mr. Sant reported that the staff is working diligently to close the books monthly, a goal they anticipate reaching by fiscal year 2005. In fiscal year 2004, the books will be closed quarterly. The Committee endorsed its draft charter, and the following motion was adopted:

VOTED that the Board of Regents approves the proposed Charter for the Audit and Review Committee.

THE FINANCE AND INVESTMENT COMMITTEE'S MID-YEAR FINANCIAL REVIEW

Chairman Williams stated that the Finance and Investment Committee met on April 23 and covered three topics: the Endowment payout rate, the draft Committee charter, and the Institution's mid-year financial report. He noted also that the Regents heard Chief Financial Officer Maroni's presentation on the mid-year financial condition at the morning meeting of the Committee of the Whole.

He explained that for fiscal year 2004, the Committee recommended a payout of \$36 per share for a total estimated annual payout of \$34.4 million from the Endowment. After a comprehensive discussion, the Committee agreed that while the formula for configuring the payout is appropriate, it will reconsider the matter as the economic environment warrants.

Mr. Williams noted that the proposed Committee charter contains relevant provisions from the Regents' Bylaws as well as clarification of Committee operations and responsibilities.

Addressing the financial position of the Smithsonian, CFO Maroni reported that the Institution is in a "best of times/worst of times" situation. More than \$1 billion in facilities work is under way across the Institution, while the Administration and Congress continue to give unprecedented support. However, museum visitation is down 22% and the projected level of unrestricted funds and revenues is below expectations. She added that despite these challenges, the projected year-end net asset figure is below budget by only about 1%. At mid year, a \$37 million operating deficit is projected, along with a \$144 million non-operating surplus. That results in an estimated increase of \$107 million or 6.7% in the Institution's net assets, assuming the Endowment increases for the rest of the year at its long-term rate of return.

Ms. Maroni highlighted the Institution's growing need for more funding and cited three recent studies that support this conclusion: (1) the National Academy of Public Administration reported that Smithsonian facilities are in critical need of revitalization; (2) the Science Commission lauded Smithsonian science as 'second to none' but suffering from underfunding; (3) the workforce analysis performed by independent consultants concluded that the Smithsonian is understaffed for its mission.

She also reported that management is working diligently to balance unrestricted Trust budgets, in part, by making tough but necessary cuts in Trust-funded positions. Ms. Maroni added that the fiscal year 2004 budget request, still under review in Congress, is nearly

\$30 million less than what is required to sustain ongoing operations and the Institution is already preparing for cuts on the Federal side.

VOTED that the Board of Regents accepts the recommendation of the Finance and Investment Committee and approves a payout rate of \$36.00 per share for all endowment funds for fiscal year 2004.

VOTED that the Board of Regents approves the proposed Charter for the Finance and Investment Committee.

PROPOSED FORMATION AND OPERATION OF SMITHSONIAN EDUCATIONAL TELEVISION CHANNEL

The Secretary referred to the *Associates* Magazine, a monthly catalog of courses, seminars, and discussions which are offered by The Smithsonian Associates and enjoyed by about 350,000 participants in the greater Washington metropolitan area. He added that *Smithsonian* Magazine alone reaches about eight million readers nationally each month. Building on these two outreach initiatives, Smithsonian Business Ventures' proposal for the formation and operation of a Smithsonian educational television channel supports the Institution's core mission of "the diffusion of knowledge" and could likely reach nearly 30 million people.

He noted that Smithsonian Business Ventures' CEO Gary Beer has been in negotiations with StarzEncore/Liberty Media Group, one of the major media companies in the United States, which would invest the money to film select events already included in the *Associates* schedule. Rather than the cable subscriber paying for individual programs, the cable distributors would offer a Smithsonian channel of programming to subscribers. The subscriber would turn to the Smithsonian On Demand Channel and use a remote control to choose from a variety of 40-50 programs offered each month. StarzEncore/Liberty Media Group has offered to invest up to \$40 million and to pay to the Smithsonian 5% of the revenue as a licensing fee, with the Institution owning 20% of the venture.

Mr. Beer assured the Board of Regents that this is a strong and unanimous recommendation of the Smithsonian Business Ventures Board of Directors, and Regent Spoon also assured the Regents that he would consult with Business Ventures in the development of the final business arrangement. He added that the Smithsonian maintains its rights to all the activities it normally would do for educational purposes and for the non-commercial users of the content, like news and governmental agencies. Already built into the project is the free offering of video programming to colleges and universities, and appropriate usage for grades K-12 is being reviewed.

VOTED that the Board of Regents authorizes the Secretary to enter into a licensing and joint venture agreement as proposed with StarzEncore/Liberty Media Group for the formation and operation of a Smithsonian educational television channel.

REVITALIZATION OF THE NATIONAL MUSEUM OF AMERICAN HISTORY, BEHRING CENTER

During the morning meeting of the Committee of the Whole, Under Secretary Burke and Director Brent Glass gave a presentation on the status of the Blue Ribbon Commission recommendations, as well as an overview of renovation plans for the Museum.

REPORT ON MANAGEMENT OF THE NATIONAL ZOOLOGICAL PARK

Under Secretary Evans explained that while the Zoo remains accredited by the American Zoo and Aquarium Association (AZA) for another year, its five-year re-accreditation remains "tabled" until Zoo management completes a series of tasks, many of which are under way. In particular, an AZA mentor is already working with Director Lucy Spelman, to assist her in deciding the order in which items must be accomplished to become fully accredited.

Also being addressed is the concern raised in the media regarding animal care. At the request of Congress, the National Academy of Sciences is negotiating with the Institution the establishment of a panel to review the practices at the Zoo. The panel will provide an interim report in six months and a final report in one year. It will review the animal deaths that have been identified as having particular concerns as well as generally assess nutrition practices at the Zoo.

Under Secretary Evans remarked that Federal funding has increased by \$12 million since fiscal year 2000, enabling the first phase of the major renewal, the Asian Trail, to begin. Work on the "Kid's Farm" is also under way. As Dr. Spelman mentioned to the Regents in her strategic plan last June, the renewal process anticipates tearing down old facilities and replacing them with more modern ones while the animals remain on display. Nonetheless, significant increases in funding are needed, in addition to developing public-private partnerships, like that of the Asian Trail, in order to continue along the trajectory that has been established. One hundred years worth of deferred maintenance cannot be fixed before next March. Therefore, cautious optimism must be coupled with the continued effort to build up funding.

REPORT OF THE COMMISSION FOR A NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

The Regents discussed this matter with the Secretary and Under Secretary Burke in the executive session during the morning. The consensus of the Regents was that the Board would continue to favor the placement of the Museum in the Institution on terms of governance comparable to that of the National Museum of the American Indian.

REGENTS' DINNER AND MONDAY EVENTS

The previous evening, in the Arts and Industries Building, the Regents and special guests, including highest-level donors to the National Museum of the American Indian and the National Air and Space Museum's Steven F. Udvar-Hazy Center, enjoyed cocktails and dinner and were given a special viewing of the spectacular exhibition *Nature's Jewels: A Living Exhibit of Orchids and Butterflies*.

During the luncheon held on Monday for the Regents, their assistants, and selected senior management, a presentation and demonstration entitled "The Magic of Stradivarius" was given by Kenneth Slowik, internationally renowned cellist, *viola da gamba* player, and conductor, and the Classical Music Specialist in the Division of Cultural History at the National Museum of American History, Behring Center.

Summary Proceedings of the Board of Regents

June 16, 2003

OPENING REMARKS

The Secretary recalled the Regents' interest in having an additional meeting each year devoted to long-range planning and noted that this is the second of such meetings. He said that the Directors of the museums in the International Art Museums Division (the Cooper-Hewitt, National Design Museum; the National Museum of African Art; the Freer Gallery of Art and Arthur M. Sackler Gallery; and the Hirshhorn Museum and Sculpture Garden) will make brief presentations and engage the Regents in discussion of major issues stemming from materials distributed in advance.

Director of the International Art Museums Division Tom Lentz gave the Regents an overview of the Division and its overarching goals: (1) achieve world-renowned collections, exhibitions, and scholarly publications surpassing today's level of quality; (2) earn the high regard of the public and achieve greater visibility with the media; (3) within five years be visited by a significantly higher number of people than 2003 levels and have evidence that visitor experiences are highly satisfactory; and (4) dramatically increase private-sector resources to offset rising costs and diminishing Federal support. He noted that although the four museums are modest in size they are national leaders within their respective fields and hold international importance as well. Challenges that remain for the museums are primarily improving financial management and increasing outreach. Dr. Lentz added that many favorable factors will help the museums better harness their largely unexploited potential, such as new and forward-thinking leadership, facilities that are in good physical condition, world-renowned resources for research, and an established record of collaboration within both the Division and the Institution.

COOPER-HEWITT, NATIONAL DESIGN MUSEUM

Director Paul Thompson outlined the strengths of the Cooper-Hewitt, National Design Museum, its collections, facilities, and programs. He emphasized the success of the Museum's fund-raising activities, despite the recent economic downturn. Looking forward to 2008, he noted that the Cooper-Hewitt aspires to become the foremost authority in design in the United States, with an international reputation for its collections, programs, and web-based educational materials. Highlights from the Museum's long-range strategies include increasing marketing activities, curatorial staff, scholarly publications, and outreach programs; renovating portions of its facilities; and expanding and diversifying its funding base.

In response to Regents' questions, Dr. Thompson discussed how the Cooper-Hewitt compares to other well-known design museums. He noted that the Master's Degree Program the only one of its kind within the Smithsonian Institution is under new leadership and will seek to increase its profile and promote its unique objects-based approach in order to increase enrollment. Dr. Thompson also discussed future plans for international exchanges and partnerships. Dr. Lentz commented that, in general, all of the international art museums also participate in the Smithsonian Affiliations program to lend objects from their collections.

Responding to a Regent's statement, that the Cooper-Hewitt's goal to increase its earned income from 12 percent to 20 percent is quite ambitious, Dr. Thompson indicated that the goal was achievable and stressed that his main focus will be on establishing an endowment. He added that the recent policy exemption to permit the use of the garden for wedding receptions will provide more private funding opportunities in the near future.

The Regents expressed interest in the Museum's experience with charging admission. Dr. Thompson noted that this remains a necessary tactic to offset the comparatively low level of Federal support it receives. He added that these funds total less than \$300,000 a year.

Discussion turned to how much emphasis should be placed on increasing attendance figures. The Secretary and Dr. Lentz stressed that the figures are analyzed according to the priorities of the particular museums. A Regent added that while increasing marketing and outreach helps to fulfill the Smithsonian's mission, potential overcrowding could dampen the individual visitor's experience. Another Regent added that attendance levels for the Smithsonian's international art museums are relatively good, considering their largely specialized areas of focus. This strong attendance is due, in part, to repeat visitors, who could be better targeted and accounted for in the future. It was also suggested that the Smithsonian could expand its audience by broadening its scope and taking the lead in cultivating the interest and education of younger audiences in the arts.

NATIONAL MUSEUM OF AFRICAN ART

Director Sharon Patton remarked that the National Museum of African Art is the premier museum of its kind in the United States. Housed in a completely modern facility, the Museum offers excellent resources for research. She noted that one of her greatest challenges for the next five to ten years is not only increasing the number of Americans who take advantage of the Museum's program, but also relating to visitors better and enriching their experience at the Museum. Her strategy includes enhancing the aesthetics of the physical structure, revamping exhibitions, increasing and better targeting outreach initiatives, launching an ambitious fund-raising campaign, and making more archival resources available to the public.

Addressing a Regent's question, Dr. Patton remarked that although the Museum does not yet have the resources to provide distance-learning services, she sees them as a priority for the Museum's future goals. She also sees them as an opportunity to address a growing void in publicly supported arts education.

Responding to another Regents' question, Dr. Patton expressed enthusiasm for the planned African-American Museum and considers any potential collaboration an opportunity to expand the African Art Museum's own outreach.

To generate more interest in the Museum in the coming year, the galleries will be reconfigured, with possible educational extensions added on, while recent acquisitions will be rotated more often. Generally, interest in African Art is strong, but degree programs are decreasing nationally. The Museum will seek to facilitate a connection from elementary through post-secondary levels, not only to counteract the downward trend in academic participation but also to balance generally negative news coverage about Africa.

Dr. Patton noted that the Museum plans to compete for private collections and support by emphasizing its stature as a national museum; promoting its outstanding resources for research, which are continually expanding; and creating more geographic diversity among its Board members. She added that the Museum continues to accept about 70 new pieces, on average, each year, and is considering including video and other innovative types of work. A Regent suggested that the Directors take note of a not-for-profit endeavor to digitize collections for scholarly and public use, which is being underwritten by the Mellon Foundation and is still in development.

FREER GALLERY OF ART AND ARTHUR M. SACKLER GALLERY

Director Julian Raby highlighted the strengths of the Freer and Sackler Galleries, its sound physical structures, well-established endowment funds, world-renowned collections and scholarly programs, and its relatively high visitation. He also described the challenge of unlocking the full potential of such markedly different galleries that happen to share a common mandate. His strategy will include revamping leadership and financial management, reorganizing the Board and revising its bylaws, developing more exhibitions, increasing collaboration with other museums and programs, increasing outreach, and revitalizing the facilities themselves.

A Regent's question prompted a discussion on the status of the Freer's fellowship program, which has fared well amidst drastic Trust fund reductions. Dr. Raby remarked that he intends to bolster an existing partnership with the University of Michigan and to increase support for undergraduate through post-doctoral participation at the Galleries. He also added the University's scholarly journal *Ars Orientalis* is being revived and that this partnership will serve as a model for future collaborations.

When asked about the role of contemporary Asian art at the Galleries, Dr. Raby explained that in order to entice interest and energize the individual's experience, he intends to maximize the contrast between the modern, lively nature of the Sackler Gallery and the more sacral environment within the Freer Gallery.

HIRSHHORN MUSEUM AND SCULPTURE GARDEN

Director Ned Rifkin described the history of the Smithsonian's only museum dedicated to modern and contemporary art. He noted that his guide for directing the Hirshhorn for the future lies in making art accessible for truly anyone and positioning the Museum as an inviting and inspiring meeting place for such interaction. Such a broad mandate is supported by an original collection of wide variety and scope, as well as endowed funds for acquisitions over which the Hirshhorn Board has governing responsibilities. His strategy also entails plans for cultivating more outreach initiatives such as public events and educational programs, making renovations to the facade that increase gathering spaces, providing opportunities for new artists, improving financial management, and reshaping staff leadership.

Addressing the Hirshhorn's financial situation, Dr. Rifkin remarked that while the Museum is not running any deficits at this time there is no mechanism in place for fund raising. He noted that one of his greatest challenges will be to create a development staff in the midst of Trust fund cuts. Leniency on the use of Federal funds for development would substantially help to improve the Hirshhorn's financial stability.

The issue of impermanence in many works of modern art was also raised. Dr. Rifkin mentioned that the Museum tries its best to respect the intended life span of each piece and that the funds allocated for preservation are used very judiciously.

Dr. Rifkin discussed the dynamics of the Hirshhorn's relationship with the National Gallery of Art, noting that the curatorial staffs have established good communications with respect to collections and acquisitions. Collaboration is foreseeable for future events, for sharing related pieces and cross-promoting, not only with the National Gallery but also with other museums within the Smithsonian.

Dr. Rifkin described his metrics for gauging the Museum's success, which include using visitor surveys and enlisting the help of marketing firms. The Secretary noted that the Office of Policy and Analysis conducts such surveys which ultimately provide valuable subjective data, such as

how the visitor describes his or her recent experience at the museums or in particular exhibitions. Other ideas offered in discussion included installing information kiosks to collect data and having guests sign up for an electronic newsletter. Dr. Rifkin also mentioned that he intends to create more dynamism in the collections and exhibitions to boost repeat visitation among local audiences.

ADJOURNMENT

This meeting of the Board of Regents was concluded at about 12:00 p.m.

REGENTS' DINNER AT THE HIRSHHORN MUSEUM AND SCULPTURE GARDEN

The previous evening, the Regents, members of senior management, and the presenting Directors enjoyed a casual supper in the Lerner Room of the Hirshhorn Museum and Sculpture Garden.

Summary Proceedings of the Board of Regents

September 22, 2003

REPORT OF THE EXECUTIVE COMMITTEE

On September 11, 2003, the Executive Committee approved the agenda proposed for the September 22 Regents' meeting with the understanding that certain revisions to the agenda materials will be made.

The Committee noted that the reports of selected advisory boards are being brought to the Regents' attention for the first time. The Executive Committee agreed that Regents should express their views on these reports so the Secretary can convey back to the advisory board chairmen that the Regents have gratefully received and taken an interest in these reports.

The Committee reviewed with the Secretary the anticipated agendas for the meeting of the Committee of the Whole and the Executive Session, both scheduled for the morning of September 22. The Committee felt that reports on the condition of selected Smithsonian buildings, which Executive Committee members saw in draft form, warrant grave concern on the part of the Regents.

The Secretary discussed personnel matters which he intends to raise again with the Committee on Compensation and Human Resources before bringing them to the attention of the Board of Regents in January 2004.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

VOTED that the Board of Regents appoints to the Smithsonian National Board Paul L. Cejas, Irene Y. Hirano, Richard D. Kinder, H.F. (Gerry) Lenfest, and Beatrice R. Taylor for three-year terms expiring in 2006.

* * * * *

The Smithsonian National Board, chaired by Frank Daniels, Jr., convened its Spring Meeting in Washington, DC on May 16-17, 2003. The Regents were provided a report on progress in its activities (in education, national programs, and development) and a biographical sketch on five new members, Paul L. Cejas, Irene Y. Hirano, Richard D. Kinder, H.F. (Gerry) Lenfest, and Beatrice R. Taylor.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents appoints to the Advisory Council of the Center for Folklife and Cultural Heritage Deborah Kodish, Worth Long, Libby O'Connell, and Robert Santelli for three-year terms expiring in 2007 and that the Board of Regents reappoints Barbara Kirshenblatt-Gimblett and Ricardo Trimillos for three-year terms expiring in 2005.

VOTED that the Board of Regents reappoints to the Board of Trustees of Cooper-Hewitt, National Design Museum Kathleen B. Allaire, Harvey M. Krueger, Barbara A. Mandel, and Richard M. Smith for three-year terms expiring in 2006.

VOTED that the Board of Regents appoints to the National Museum of American History Board Michael Beschloss, Charles F. Bryan, Jr., Tommy Morrison, and Andrew Unanue for three-year terms expiring in 2006.

VOTED that the Board of Regents appoints to the National Museum of the American Indian Board of Trustees Valorie J. Johnson for the completion of the final year of a three-year term and an additional three-year term expiring in 2008 and reappoints Charles M. Diker, Henrietta Mann, and Allen V. Pinkham for three-year terms expiring in 2007.

VOTED that the Board of Regents appoints to the National Museum of the American Indian National Council Robert McCormick Adams, Richard Cohen, Charles M. Diker, Brian C. McK. Henderson, William Hensley, Julie Johnson Kidd, Bruce S. Lane, Marilyn Norris, Sargent Shriver, Robert N. Snyder, C. Howard Wilkins, Randall Willis and Teresa Willis for three-year terms expiring in 2006; that the Board of Regents appoints Elizabeth Alexander, Uschi Butler, Barber Conable, Jr., Lynn G. Cutler, John L. Ernst, George Gund III, I. Michael Heyman, Gene Keluche, Eugene Mercy, Constance Berry Newman, Robert Redford, Albert H. Small, and Eugene V. Thaw for four-year terms expiring in 2007; and that the Board of Regents appoints James A. Block, Peggy Cooper Cafritz, Jayne Fawcett, Keller George, John Guevremont, LaDonna Harris, Gale G. Kohlhagen, Steven W. Kohlhagen, Dorothy McSweeney, William McSweeney, Alice Rogoff Rubenstein, and Stewart Udall for five-year terms expiring in 2008.

VOTED that the Board of Regents reappoints to the National Museum of Natural History Paul Barton, Peter Crane, David Dilcher, and Edward Gaylord for three-year terms expiring September 2006.

VOTED that the Board of Regents appoints to the National Portrait Gallery Commission David M. Childs, Sally G. Chubb, Robert Dallek, and Jill Krentz for four-year terms expiring in 2007.

VOTED that the Board of Regents appoints to the National Postal Museum's Council of Philatelists Harvey Bennett, James E. Kloetzel, Van Koppersmith, Thomas C. Mazza, Wade E. Saadi, Phillip T. Wall, and Richard F. Winter for three-year terms expiring in 2006.

VOTED that the Board of Regents appoints to the National Zoological Park Advisory Board Clinton A. Fields and W. Clark Bunting for three-year terms expiring in 2006 and reappoints Helen Runnells DuBois, Laura Hoffman, and Franchon Smithson for three-year terms expiring in 2006.

VOTED that the Board of Regents appoints to the Advisory Board of the Smithsonian Environmental Research Center Russell Faucett for a three-year term expiring in 2006.

VOTED that the Board of Regents appoints to the Smithsonian Institution Libraries Board Hope Layton Furth for a three-year term expiring in 2006.

AMENDMENTS TO BYLAWS OF SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Freer Gallery of Art and the Arthur M. Sackler Gallery Board.

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the National Zoological Park Advisory Board.

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Smithsonian American Art Museum Commission.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

The Chancellor directed the Regents' attention to the Discussion and Resolution portion of the agenda, changing the order of the discussion to accommodate those Regents who needed to leave the meeting early.

Chairman Williams reported to the Regents that the Finance and Investment Committee met to review the plan for financing the National Air and Space Museum's Udvar-Hazy Center, projected Smithsonian financial results fiscal year 2003, the Federal and Trust budgets for fiscal year 2004, and the Institution's budget request to the Office of Management and Budget for fiscal year 2005. The Committee also discussed the Smithsonian Business Ventures Capital Program. He noted that during the morning's Executive Session, two matters of serious concern were addressed the structural deterioration of the Arts and Industries Building and of certain facilities at the National Zoological Park. The Regents decided to put forth two additional motions to respond appropriately to these matters.

Without objection the following motions were approved:

VOTED that the Board of Regents directs the Secretary, in light of the recent confirmation of serious weaknesses in the physical infrastructure of the Arts and Industries Building, to use all available means to secure the additional Federal funds necessary in fiscal year 2004 to allow for the immediate closure of the building and the relocation of all staff and functions.

VOTED that the Board of Regents directs the Secretary, in light of the recent decision by the American Zoo and Aquarium Association to suspend reaccreditation of the National Zoological Park, due in large part to the "unacceptable" rating of the Zoo's facilities, to secure additional Federal funds in fiscal year 2004 to accelerate the planned revitalization of the Zoo.

VOTED that the Board of Regents approves the budget of appropriated funds for fiscal year 2004 when signed into law by the President 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.

VOTED that the Board of Regents approves the institutional budget for Trust funds for fiscal year 2004 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.

VOTED that the Board of Regents approves the Smithsonian Institution budget request for appropriated funds for fiscal year 2005 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.

REPORTS OF SELECTED ADVISORY BOARDS FROM AMERICAN MUSEUMS AND NATIONAL PROGRAMS

The Secretary noted that in January 2002 the Office of Policy and Analysis completed an extensive analysis of 25 of the Institution's advisory boards and surveyed hundreds of participating members. Among the many issues covered in the survey, the ability to communicate with the Board of Regents was a top priority. The solution was to present to the Board of Regents reports on activities from advisory boards on a rotating basis. Within two years, at least 25 boards will have submitted reports and the cycle would begin again. The Secretary added that he will send letters to the individual boards thanking them for their participation and service and informing them that this information was presented to the Board of Regents.

Executive Committee Chairman Williams acknowledged that these reports are, in large measure, a response to the work done by the Regents' *ad hoc* Committee on Governance. He also requested that any comments on the board reports included in the briefing materials be submitted by the Regents in writing to the Office of the Secretary.

The Regents discussed the reports from the Commission of the Smithsonian American Art Museum, the Commission of the National Portrait Gallery, and the Board of Trustees of the Archives of American Art.

REPORT OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE

The Secretary mentioned that this Committee was created by the Board of Regents on the recommendation of the *ad hoc* Committee on Governance. The Regents decided that the Compensation and Human Resources Committee would meet two times a year and would examine not only executive compensation issues but also the overall human resources environment of the Institution and work with senior management on a variety of related issues, such as manpower planning. The first meeting of the Committee took place on June 16 and was chaired by Hanna Gray. The Committee was presented with a study included in the Regents' briefing materials that provided background information on the Smithsonian workforce and an examination of the issues that relate to both the Federal- and Trust-funded staff. Chairman Gray and the Committee worked with senior management to establish a format for giving them further information about Smithsonian executive staffing and will meet again in December to consider proposed compensation adjustments for the 125-150 members of the Smithsonian's senior staff.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Chairman Sant reported that this Committee met this morning, just prior to the Committee of the Whole meeting. The Committee first heard from the independent auditors KPMG LLP, regarding their plan for the audit of the financial statements for the fiscal year ending September 3, 2003. KPMG will be able to move the process up by five months as requested. The statements will be ready to review in January, and by next year the Committee anticipates their completion in December, more current with the closing of the fiscal year.

The Committee also heard from Chief Financial Officer Maroni on the financial challenges confronting the Institution. She noted that the Smithsonian has been closing the books just once a year and with improvements in the computer-based accounting system the staff will aim to close the books four times a year in fiscal year 2004 and every month after that. Mr. Sant remarked that Comptroller Hummel and the Secretary are also fully engaged in this activity.

The Institution is in the process of renewing insurance policies for fiscal year 2004 and Chairman Sant noted that the Committee listened to the Treasurer's presentation on insurance for museums and their collections.

Inspector General Blair discussed with the Committee his most recent report to Congress and an executive session was held with him on his role and authority at the Smithsonian.

LEGISLATIVE ACTIONS AND ISSUES

A report from the Office of Government Relations covered Smithsonian-sponsored legislation (Smithsonian Facilities Authorization Act), and Smithsonian-related legislation (American History and Civics Education Act, Charles Peter Conrad Astronomy Awards Act, Commuter Transit Subsidies, Foreign Relations Authorization Act, Fiscal Years 2004 and 2005, Global Change Research and Data Management Act of 2003, National Invasive Species Legislation, and the National Slave Memorial Act), and a visit by Congressman James Greenwood (R-PA), and staff of the House Oceans Caucus to the Smithsonian Tropical Research Institute.

REPORT OF THE GENERAL COUNSEL

The Secretary briefly noted that a judgement was rendered against the United States in a case of a car accident involving a Smithsonian vehicle in 1998 and damages of \$20 million were awarded to the plaintiff. The money to pay this award will not come from the Institution's funds but rather from the Department of Justice's Judgement Fund. It is also possible that the Justice Department will decide to appeal the matter.

The General Counsel's Report also included the details of a case involving Buzz Aldrin's wristwatch, which was worn by the astronaut during the famous lunar walk and later donated to the Smithsonian by NASA.

UPDATE ON THE SMITHSONIAN EDUCATIONAL TELEVISION CHANNEL

The Secretary recalled that the Regents gave him the authority at their May meeting to enter into a preliminary, non-binding agreement with StarzEncoreGroup, which is part of Liberty Media, to form an educational, on-demand cable channel. The estimated date for signing a definitive agreement had been September 27. Business Ventures Chief Executive Officer Beer noted that that it will take a few more weeks to close and resolve the long form agreements at this point. In response to a Regent's question, he assured the Board that Regent Spoon, who has been an advisor to this process, will be kept informed and that the Board will be notified of any substantive issues that need further discussion.

STATUS REPORT ON THE SCIENCE COMMISSION RECOMMENDATIONS

Under Secretary Evans remarked that many of the Commission recommendations have already been accomplished and the others are well under way. Regarding personnel issues, Dr. Evans noted that Dr. Cristián Samper has taken the helm at the National Museum of Natural History, while the former Associate Director, Ross Simons, has become the full-time Director of the Smithsonian Environmental Research Center. Dr. Lambertus Van Zelst retired from the Director's position at the Smithsonian Materials Research Center, and a search is under way to find his replacement. A joint search committee with Harvard University is vigorously

conducting a search for a new Director the Smithsonian Astrophysical Observatory as Irwin Shapiro intends to step down.

Dr. Evans turned the Regents' attention to the goal of achieving quality and substance in the ranks. In a time of offering buy-outs to Federal and Trust employees, his focus has been not only financial stability but also restructuring the workforce in a strategic way. Many of the senior scientists at the Natural History Museum have taken the opportunity to retire, thus freeing slots for new recruitments. Under Secretary Evans read a letter written by two retiring scientists who laud the efforts of the Museum's new Director as "changes in the right direction" and extol his decisionmaking as having "brought stability, openness, and a sense of fairness to this old place." They also acknowledged the wisdom in this restructuring process by adding that their "retirements are significant votes of confidence" in him.

Dr. Evans sensed a significant improvement in morale in the Smithsonian's science units and that the Commission's recommendations, once they are implemented, will likely lead to a healthier overall attitude, more productive units, and an improvement in the scholarship of the Institution.

NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

Under Secretary Burke reported that legislation to authorize the establishment of a National Museum of African American History and Culture is still pending in the House of Representatives and that it had passed the Senate prior to the August recess. The House has indicated that they hope to get the bill passed Congress prior to Thanksgiving. The issue of the Museum's location is holding up the process. The legislation did not specify one site but noted four possibilities, and it is still unclear whether the Regents should decide the issue.

The Secretary mentioned that legislation to establish a Latino Museum will be introduced in the House on September 23 and will need the Regents' consideration in the near future.

DONOR RECOGNITION AND CORPORATE SUPPORT

The Secretary commented that each proposed donor recognition and corporate sponsorship has been scrutinized in accordance with the policies established by the Regents in January 2003. The Secretary was commended for providing the Board with thorough details and ample time to review the terms of these gift agreements.

Accordingly, the following motions were approved:

VOTED that the Board of Regents recognizes the generosity and dedication of Warren and Jan Adelson to the Archives of American Art, and gratefully creates an endowment to fund an internship, and names it in honor of Raymond J. Horowitz and Rita Rich Fraad, as the Adelsons have requested.

VOTED that the Board of Regents recognizes the generosity and dedication of Charles M. and Valerie Diker to the National Museum of the American Indian and gratefully names the Gallery Hall on the Fourth Floor in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of James A. and Barbara Block to the National Museum of the American Indian and gratefully names the Outdoor Performance Area in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of The Mashantucket Pequot Tribal Nation to the National Museum of the American Indian and gratefully names the Potomac space in that building in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of the Mohegan Tribe of Indians of Connecticut to the National Museum of the American Indian and gratefully names the Third Floor in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of the Oneida Indian Nation to the National Museum of the American Indian and gratefully names the Fourth Floor in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Robert N. and Judy Snyder to the National Museum of the American Indian and gratefully names the Fourth Floor Conference Center Reception Area in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Running Strong for American Indian Youth to the National Museum of the American Indian and gratefully names the Lakota Area in the Our Universes Gallery in honor of Billy Mills.

VOTED that the Board of Regents recognizes the generosity and dedication of James F. Dicke II to the Smithsonian American Art Museum and gratefully establishes an endowment by means of his gift. Further, this endowment is to be named the James F. Dicke Endowment for Contemporary Art in his honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Arthur J. Levin to the Smithsonian American Art Museum and gratefully establishes an endowment for the Smithsonian American Art Museum by means of his bequest. Further, this endowment is to be named the Edith S. and Arthur J. Levin Endowment in their honor.

VOTED that the Board of Regents accepts the terms of the agreement with The Coca-Cola Company.

VOTED that the Board of Regents accepts the terms of the agreement with Subway.

VOTED that the Board of Regents recognizes the generosity and dedication of Guenther and Siewchin Yong Sommer to The Smithsonian Associates and gratefully establishes an endowment for its Discovery Theater by means of their gift of (b) (6). Further, this endowment is to be named the Guenther and Siewchin Yong Sommer Endowment for the Discovery Theater in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Guenther and Siewchin Yong Sommer to the Smithsonian Institution Traveling Exhibition Service and gratefully establishes an endowment by means of their gift of (b) (6). Further, this endowment will be named the Guenther and Siewchin Yong Sommer Endowment for the Smithsonian Institution Traveling Exhibition Service in their honor.

OPENINGS AND DEDICATIONS OF SCIENCE FACILITIES

The Secretary mentioned that two exciting science research center openings will be taking place this fall, one in Bocas del Toro, Panama, and the other on Mount Mauna Kea in Hawaii, which has a base facility in Hilo also to open.

OPENINGS OF MAJOR EXHIBITIONS

The Secretary recalled that detailed presentations were given during the meeting of the Committee of the Whole on the opening of the Mammal Hall Exhibition at the Natural History Museum, the Transportation Hall at the American History Museum, and the National Air and Space Museum's Steven F. Udvar-Hazy Center at Dulles.

REGENTS' DINNER AND MONDAY MORNING EVENTS

The previous evening, the Regents and special guests enjoyed a casual dinner at the Steven F. Udvar-Hazy Center at Dulles, where many of the vintage aircraft and aviation artifacts have already been installed.

The Regents had the opportunity on Monday morning to view the exhibition *The Splendor of Diamonds* in the Harry Winston Gallery of the Janet Annenberg Hooker Hall of Geology, Gems, and Minerals in the Natural History Museum.

During the luncheon held on Monday for the Regents, their assistants, and selected senior management, Dr. Carla J. Dove gave a presentation entitled "Bird Aircraft Strike Hazards," which illustrated the benefits of basic research based on the Smithsonian collections. Dr. Dove, a Research Scientist in the Department of Ornithology at the Natural History Museum, works in the specialized field of microscopic identification of feathers, which has an important application in the field of aviation safety.

Proceedings of the Board of Regents

January 5, 2004

REGENTS' TRIBUTE TO BARBER B. CONABLE, JR.

VOTED that the members of the Board of Regents express their deep sense of sorrow at the passing of their esteemed friend and colleague Barber B. Conable. The Board asks the Chancellor to sign the following Tribute for presentation to the Conable family.

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The Regents approved a draft tribute to the late Barber B. Conable, Jr., commending his lifelong commitment to public service as a marine in World War II and Korea, as a member of the U.S. House of Representatives, as President of the World Bank, as a Smithsonian Regent, and in numerous various leadership roles within the Institution. The Regents instructed that the tribute be prepared for signature by the Chancellor and presented to the Conable family.

REPORT OF THE EXECUTIVE COMMITTEE

On December 16, 2003, the Executive Committee approved the agenda proposed for the January 5 Regents' meeting. The Committee noted that, with the enactment of the authorization for a National Museum of African American History and Culture within the Smithsonian, the Board of Regents will have significant additional responsibilities in the foreseeable future. As the Secretary pointed out, the Regents will need to select members of the Museum's advisory board at its meeting in May 2004 and determine the location of the Museum within a year. The Committee reviewed the anticipated agenda for the meeting of the Committee of the Whole and discussed the Report of the Compensation and Human Resources Committee.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

VOTED that the Board of Regents appoints Patricia Frost as Chair of the Smithsonian National Board and Jane Eisner, Elizabeth S. MacMillan, and Henry R. Muñoz, III, as Vice Chairs of the Smithsonian National Board each for the term of January 2004 - January 2005.

VOTED that the Board of Regents appoints Frank A. Daniels, Jr., as an Honorary Member of the Smithsonian National Board in recognition and appreciation for his service to the Smithsonian National Board and his contributions to the Smithsonian Institution.

VOTED that the Board of Regents reappoints to the Smithsonian National Board Kenneth E. Behring and Richard T. Schlosberg, III, for three-year terms expiring in 2007.

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The Smithsonian National Board, chaired by Frank A. Daniels, Jr., convened its Fall Meeting in Washington, D.C. on October 16-18, 2003. In advance of the Board of Regents' meeting, the

National Board provided a progress report on its activities. The Development Committee reported on total contributions by or attributed to Board members in 2003 as well as three \$75,000 grants, in support of major exhibitions across the Institution, which the Board authorized and distributed. The Education Committee assisted in convening the Smithsonian Education Task Force in July and the Smithsonian Across America Committee is well under way planning the second annual Smithsonian National Board Congressional Reception on Capitol Hill in late January.

The Regents approved the election of a new Chair, Patricia Frost, while making Mr. Daniels an Honorary Member. Three members were appointed as Vice Chairs, Jane Eisner, Elizabeth S. MacMillan, and Henry R. Munoz, III, while members Kenneth E. Behring and Richard T. Schlosberg, III, were reappointed to three-year terms.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents appoints to the Center for Folklife and Cultural Heritage Advisory Council Michael Doucet for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the National Air and Space Museum Board Steven R. Loranger for a three-year term expiring in 2006.

VOTED that the Board of Regents appoints to the National Museum of African Art Board Timothy J. Bork and Henry Thaggert, III, for three-year terms expiring in 2006 and reappoints James L. Gibbs, Jr., and Robert H. Nooter for three-year terms expiring in 2006.

VOTED that the Board of Regents appoints to the National Museum of American History Board Riley K. Temple and Patricia Head Summit for three-year terms expiring in 2007.

VOTED that the Board of Regents reappoints to the National Museum of Natural History Board Kenneth E. Behring for a three-year term expiring February 2007.

VOTED that the Board of Regents appoints to the National Museum of the American Indian National Council Vincent R. Castro and Catherine Ann Stevens for three-year terms expiring in 2007.

VOTED that the Board of Regents appoints Daniel Okrent as Chair of the National Portrait Gallery Commission for a one-year term expiring in 2005 and reappoints to the National Portrait Gallery Commission Joan A. Mondale and Roger Mudd for six-year terms expiring in 2009.

VOTED that the Board of Regents appoints to the Smithsonian American Art Museum Commission Richard A. Brodie, L. Hardwick Caldwell, and Jean B. Mahoney for four-year terms expiring in 2007 and reappoints James F. Dicke, II, Elizabeth Gosnell Miller, Charles Moore, and Rita Pynoos for four-year terms expiring in 2007.

VOTED that the Boards of Regents reappoints to the Smithsonian Business Ventures Board of Directors Gary M. Beer, Jack R. Dailey, and Alice C. Maroni for one-year terms expiring in 2004, and Adolfo Marzol and Donald J. Steiner for three-year terms expiring in 2006.

VOTED that the Board of Regents reappoints to the Smithsonian National Board for Latino Initiatives Gil Cardenas, Miriam Cruz, Abel Lopez, H. Bert Peña, Carlos Tortolero, Joseph Wiscovitch, and Fernando Zazueta to three-year terms expiring in 2005, and Alejandro Aguirre, Gema Hernandez, J. Michael Trevino, Sam Verdeja for three-year terms expiring in 2006.

VOTED that the Boards of Regents appoints to the Smithsonian Environmental Research Center Advisory Board Diana MacArthur for a three-year term expiring in 2006 and reappoints Wendy Rieger for a three-year term expiring in 2006.

REPORTS OF SELECTED ADVISORY BOARDS FROM AMERICAN MUSEUMS AND NATIONAL PROGRAMS

With emphasis on the areas of public impact, financial strengths, management excellence, and accomplishments of the boards, reports were submitted by the National Museum of the American Indian Board of Trustees and the George Gustav Heye Center Board of Directors, the Center for Folklife and Cultural Heritage Council and the Folkways Advisory Board, and the National Portrait Gallery Commission.

The Secretary noted that these reports are the second installment in a series of regular updates, which was recommended by a January 2002 study by the Office of Policy and Analysis to create better communication between the Regents and the advisory boards from around the Institution. These reports show the boards are fully engaged and enthusiastic about contributing. The Secretary welcomed any individual comments by the Regents which he would include in his own correspondence to the individual boards thanking them for their service. From the ensuing discussion, the Secretary was encouraged to ask the advisory boards to address areas of concern as they prepare their reports on accomplishments.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Chairman Sant noted that Regent Ibáñez joined the Committee for the first time when they met this morning in the National Museum of Natural History. He remarked that the meeting was productive and that written minutes would be distributed once they were approved.

The Committee heard from Chief Financial Officer Maroni, who offered a detailed review of the financial operations and the implementation of the new financial system, which is not going as well as expected due to problems with training and troubleshooting in the initial stages. Mr. Sant noted, however, that these are major steps for any organization, and the Smithsonian's experience has not been unusual. The Committee will continue to monitor this process closely. The Committee looks forward to the future participation of Deputy Secretary Burke.

Chairman Sant noted that the independent auditors KPMG did not complete the Institution's audit by today's meeting, as was hoped; however, the Committee does expect a report within two weeks. While this represents an improvement in the reporting schedule of the past, the Committee is still working towards closing the books quarterly in 2004 and monthly in 2005. The Chairman remarked that the implementation of the new financial system has delayed the auditing process but the staff remains committed to their goal.

The Committee also heard from Inspector General Blair, who outlined his audit plan for the year, which they will continue to monitor. Mr. Blair was also asked to give the Committee a briefing on how he deploys his staff and applies resources.

Chairman Sant noted that the Committee was briefed on the A-133 audit, which is a special review process for grant and contract awards accounting for about 10% of the Institution's budget. It is now in the beginning stages and will be done after the regular audit is completed.

In response to a Regent's question regarding Committee procedures, Chairman Sant said that while the approved Committee charter is in place, the Committee continues to review its best practices for areas in need of improvement, as was recommended by the Regents' *ad hoc* Committee on Governance.

LEGISLATIVE ACTIONS AND ISSUES

A report from the Office of Government Relations covered Smithsonian-related legislation, including the American History and Civics Education Act, the Charles Peter Conrad Astronomy Awards Act, Commuter Transit Subsidies bills, and the National Invasive Species (NISA) Legislation.

REPORT OF THE GENERAL COUNSEL

Calendar Year 2003

The Secretary referred to the one major item regarding the Internal Revenue Service's routine audit of the Institution's tax year 1998. The Report submitted in advance of the Regents' meeting offers details on the seven "Notices of Proposed Adjustment" in which the IRS presented to the Institution their proposed assessments of additional taxes, and they anticipate issuing one more. The Institution is hopeful that all matters upon which the parties can either agree or settle will be resolved, if not negotiated, within the next few months.

STATUS OF THE CABLE TELEVISION INITIATIVE

The Secretary reported that, in November 2003, the Liberty Media Board of Directors chose not to proceed with the investment requested by their StarzEncore Group to launch a cable television service with the Smithsonian. It would appear that the Smithsonian project was a casualty of the unfolding financial challenges of StarzEncore's core business.

Regent Spoon, a close advisor to this process, added that this is an endeavor worth pursuing. He observed that the industry's infrastructure is primed for cable on-demand and that the Smithsonian's much-appreciated brand will be well-regarded as a leading product for video on-demand.

FIRST ANNUAL REPORT ON THE IMPLEMENTATION OF THE SCIENCE COMMISSION RECOMMENDATIONS

and Update on the National Zoological Park Accreditation

Under Secretary for Science Evans, Director of the National Museum of Natural History Cristián Samper, and Director of the National Zoological Park Lucy H. Spelman briefed the Regents at the earlier meeting of the Committee of the Whole on the implementation of the Science Commission recommendations and progress towards gaining multi-year accreditation for the National Zoo.

A written report provided in advance of that discussion offered highlights on the priority recommendations. Those with pan-Institutional implications included updates on grant

competition, recruitment for leadership positions, strategic planning, oversight and review, fellowships, development, information technology, and science advisors. With regard to the Natural History Museum, the report discussed such issues as the new Director's organizational strategies and collections management and accessibility. The National Zoo's accreditation plan, which was developed in collaboration with an advisor from the American Zoo and Aquarium Association, is scheduled to be submitted in February 2004. An interim report of the the National Academy of Sciences review of the Zoo is expected in late January and a final report is due in June.

DONOR RECOGNITION AND CORPORATE SUPPORT

The Secretary and the Director of External Affairs concurred with a Regent's remark that the \$25,000 minimum for establishing an endowment seems low. The Secretary further noted that the amount would be reviewed and revised minimum levels will be recommended for Regents' consideration in the near future. In response to a Regent's concern, the Secretary assured the Regents that the nature of the organization units' support constituencies will be considered in the process of reviewing whether to vary minimum donation levels.

The detail of the donation report was commended, but it was also mentioned that, when appropriate, it would be useful to include what proportion of space a donation represents.

The following motions were adopted:

VOTED that the Board of Regents recognizes the generosity and dedication of the Lemelson Foundation to the Smithsonian's National Museum of American History Jerome and Dorothy Lemelson Center for the Study of Invention and Innovation and gratefully names the Directorship of the Center the Jerome and Dorothy Lemelson Director for Invention and Innovation.

VOTED that the Board of Regents recognizes the generosity and dedication of Evelyn and Herbert Axelrod to the Smithsonian and, in particular, to the National Museum of American History and gratefully names the Hall of Musical Instruments in their honor.

VOTED that the Board of Regents recognizes the generosity of the American Association of Railroads Foundation to the National Museum of American History's exhibition America on the Move, and accepts the terms of this agreement.

VOTED that the Board of Regents recognizes the generosity of ExxonMobil to the National Museum of American History's exhibition America on the Move and accepts the terms of this agreement with ExxonMobil.

VOTED that the Board of Regents of the Smithsonian Institution recognizes the generosity and dedication of the Agua Caliente Band of Cahuilla Indians of California to the National Museum of the American Indian and gratefully names the Children's Center in their honor.

VOTED that the Board of Regents of the Smithsonian Institution recognizes the generosity and dedication of the Rasmuson Foundation to the National Museum of the American Indian and gratefully names the Theater in honor of Elmer and Mary Louise Rasmuson.

VOTED that the Board of Regents of the Smithsonian Institution recognizes the generosity and dedication of Sealaska Corporation to the National Museum of the American Indian and gratefully names the Second Floor Lounge in its honor.

VOTED that the Board of Regents of the Smithsonian Institution recognizes the generosity and dedication of Bernard Selz to the National Museum of the American Indian and gratefully names a vitrine exhibition case in the Diker Arts and Cultural Gallery in his honor.

VOTED that the Board of Regents recognizes the generosity and dedication of the Friends of the National Zoo and gratefully names the Clinton A. Fields Conservation Plaza on the Asia Trail in his honor.

VOTED that the Board of Regents recognizes the generosity and dedication of the William Randolph Hearst Foundation to the Smithsonian American Art Museum and gratefully establishes an endowment by means of this gift. Further, this endowment is to be named the William Randolph Hearst Endowment for America's Artistic Heritage.

VOTED that the Board of Regents recognizes the generosity and dedication of Clarice and Robert Smith to the Smithsonian American Art Museum and gratefully names The Clarice Smith Distinguished Lectures in American Art in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Thelma and Melvin Lenkin to the Smithsonian American Art Museum and gratefully honors them by naming the Thelma and Melvin Lenkin Gallery in the Smithsonian American Art Museum and by establishing an education endowment. Further, this endowment is to be named the Thelma and Melvin Lenkin Education Endowment.

VOTED that the Board of Regents recognizes the generosity of the Ford Motor Company Fund to the Smithsonian Center for Latino Initiatives for its support of Our Journeys/Our Stories: Portraits of Latino Achievements, and accepts the terms of this agreement.

VOTED that the Board of Regents recognizes the generosity and dedication of Juliane K. and Robert D. Bailey to the Smithsonian Institution Libraries and gratefully establishes an endowment. Further, this endowment is to be named the Bailey Family Endowment Fund at the Libraries in honor of Juliane and Robert Bailey.

VOTED that the Board of Regents recognizes the generosity and dedication of Brian J. Heidtke to the Smithsonian Institution Libraries and gratefully establishes an endowment. Further, this endowment is to be named the Brian J. and Darlene Heidtke Preservation Endowment at the Libraries.

VOTED that the Board of Regents recognizes the generosity and dedication of C. Michael Gooden to the Smithsonian Institution Libraries and gratefully establishes an endowment. Further, this endowment is to be named the C. Michael Gooden and Diane Oksanen-Gooden Endowment Fund at the Libraries.

VOTED that the Board of Regents recognizes the generosity and dedication of Margery F. and Edgar M. Masinter to the Smithsonian Institution Libraries and gratefully establishes an endowment. Further, this endowment is to be named the Cooper-Hewitt, National Design Museum Library Acquisitions Fund at the Libraries in honor of Margery and Edgar Masinter.

VOTED that the Board of Regents recognizes the generosity and dedication of Shelby Shapiro to the Smithsonian Institution Libraries and gratefully establishes an endowment. Further, this endowment is to be named the Jean Axelrod Acquisitions Endowment at the Libraries.

VOTED that the Board of Regents recognizes the generosity and dedication of Margery F. and Edgar M. Masinter to the Smithsonian Institution Libraries and gratefully establishes an endowment. Further, this endowment is to be named the Margery and Edgar Masinter Fund for the Acquisition and Preservation of Illustrated Books at the Libraries.

VOTED that the Board of Regents recognizes the generosity and dedication of Nancy E. Gwinn and John Y. Cole to the Smithsonian Institution Libraries gratefully establishes an endowment. Further, this endowment is to be named the Nancy E. Gwinn and John Y. Cole Endowment Fund at the Libraries.

STATUS OF THE NATIONAL MUSEUM OF THE AMERICAN INDIAN ON THE NATIONAL MALL – CONSTRUCTION, EXHIBITIONS, OPENING

The Regents were informed through a written report that construction of the National Museum of the American Indian on the National Mall is, as of the Regents' meeting, 70% completed. Work on the exhibitions is well under way and security, facilities, exhibit support, technology, and collections management personnel are scheduled to occupy some of the basement and the gallery areas of the 3rd and 4th floors by January 15. The Museum is slated to open on September 21, 2004, and will be launched by a Native Nations Procession starting near the Washington Monument and heading eastward towards the U.S. Capitol. Events to mark the opening of the Museum will continue through September 26.

UPDATE ON THE FALL'S MAJOR OPENINGS AND DEDICATIONS

The Regents received highlights in a written report on the opening festivities and attendance for *The Wright Brothers & the Invention of the Aerial Age* exhibition at the National Air and Space Museum, the Submillimeter Array Telescope on Mauna Kea in Hawaii, the *America on the Move* exhibition in the National Museum of American History, the National Museum of Natural History's Hall of Mammals, the Bocas del Toro Facilities in Panama, and the Steven F. Udvar Hazy Center at Dulles.

NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

In advance of their meeting, the Regents were provided a report on the status of H.R. 3491, a bill to create within the Smithsonian Institution a National Museum of African American History and Culture.

The President signed the bill into law on December 16 but the final appropriation for the Smithsonian for fiscal year 2004 contained no funding for this project and it is unclear whether the President will request funds for fiscal year 2005. Senator Sam Brownback (R-KS), a member of the Interior Appropriations Subcommittee, approached members of the Appropriations Committee to request \$3.9 million in fiscal year 2004, to fund the site selection process, the search for a Director, hiring of development staff, and various other planning and administrative tasks.

Under Secretary Burke has convened an internal working group to begin planning for the Museum so as to be ready to take action when additional funding is received.

NATIONAL MUSEUM OF THE AMERICAN LATINO

The Secretary reported that, H.R. 3292, the legislation for the National Museum of the American Latino, has been proposed but has made no progress yet in Congress.

The bill closely resembles the legislation that created the "National Museum of African American History and Culture Plan for Action Presidential Commission" and would provide funding for the establishment of a 23-member Commission as well as guidelines for developing and implementing the Commission's plan of action for a National Museum of the American Latino.

REPORT OF THE NOMINATING COMMITTEE

Chairman Spoon reported that the Committee met on December 10 and has been active on revising the various committee rosters and doing the preliminary work of filling Regents positions.

Considering the death of Regent Conable and the term expirations of Regents Gray and Williams in April 2005, the Committee has been discussing the broad criteria for considering promising candidates. Among the desired qualities are: a commitment and enthusiasm for the intellectual and educational mission of the Smithsonian; an expertise in organizations with complexity comparable to that of the Smithsonian; a sophistication about the Washington, D.C. milieu in which the Institution lives with respect to its funding; the energy and appetite for supporting the Smithsonian's mission and activities; and a fresh perspective or diverse background, vision, or expertise. Committee members will begin in late January to seek broad input from the Board of Regents and others on possible candidates. With regard to finding a replacement for Regent Conable, the Committee will act swiftly to bring a recommendation to the Board by its May meeting, if not sooner.

The following motion was adopted:

VOTED that the Board of Regents accepts the Report of the Nominating Committee and approves the proposed appointment of members to the Regents' committees for calendar year 2004.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

Chairman Williams gave the Regents a summary of the Committee's December 16 meeting. Treasurer Anand reported to the Committee that the financing of the Steven F. Udvar-Hazy Center was completed in the first week of December and consisted of a \$77 million tax-exempt debt offering issued by the Fairfax County Economic Development Authority. The Secretary noted that the Treasurer did a superb job describing the new complex to the rating agencies, which resulted in a strong triple-A rating from Standard and Poor's and Moody's.

The Chairman reported that the Committee made a change in bond investment guidelines. Specifically, the Committee agreed to allow an increase in the percentage of triple-B rated debt in the total bond portfolio from a maximum of 10% to 15%. This change was prompted by recent changes in the Lehman Aggregate index which the Institution uses to measure the performance of its fixed income managers.

The Committee also reviewed the Institution's finances at length. They received an update on actions taken by management in the wake of the two resolutions passed at the Board of Regents' meeting in September, which addressed the physical infrastructure needs of the National Zoo and the Arts and Industries Building (A&I). In response to the Secretary's appeal, the Congress appropriated additional money for the Zoo in fiscal year 2004 but none for A&I. The Secretary reported to the Board that the exhibitions in A&I will be closed by January 11 since the roof over the main halls is most vulnerable to failure.

Deputy Secretary Burke noted that \$2.6 million has been reprogrammed from existing funds to begin the moving process, which will involve 21 units and more than 400 staff members and will ultimately cost about \$32 million. This amount is slightly higher than anticipated due to the Regents' decision in September to accelerate the planning already under way. The plan includes moving all activities and staff, beginning with the Early Enrichment Center in September 2004, which will be moved to modular facilities outside the American History Museum and later to a permanent site. At the same time, the Discovery Theater will move to the Quadrangle facility. Preliminary in-house planning and schematic designs are under way on all other relocations. Ms. Burke also mentioned that the plan calls for targeting existing free space in the museums first and then existing leased space that is freeing up, as with the American Indian Museum offices at L'Enfant Plaza, making sure to consolidate staff as much as practicable. Although \$2.6 million has been identified in existing funds for the relocation, \$25 million has been included in the fiscal year 2005 budget request, for which management remains hopeful. Ms. Burke also noted that it's particularly challenging to find a new permanent space for the Smithsonian Archives and the Office of Information Technology, due to the amount of staff, the load-bearing specifications, and the communications infrastructure they require. Complete vacancy of A&I is planned for the end of 2005.

Chairman Williams noted that negotiations for the Institution's Federal budget request for fiscal year 2005 resulted in a 4.7% increase over fiscal year 2004, as enacted on November 10, 2003. Although it is not adequate, it does show remarkable effort by those who advocated on behalf of the Smithsonian with the Office of Management and Budget. The facilities budget request is 22% greater than in 2004, but revitalization is still short of the \$150 million annual funding goal at \$120 million. Mr. Williams also observed that salary increases will be required as matter of law but remain underfunded in the budget request.

The following motion was suggested and approved:

VOTED that the Board of Regents authorizes the Secretary to submit to Congress a Federal budget for fiscal year 2005 as part of the President's budget in the amount negotiated with OMB and authorizes the Secretary to fully inform OMB and Congress about the implications of the President's budget for the mission and priorities of the Institution.

DEACCESSION OF THE NATIONAL POSTAL MUSEUM'S DUPLICATE REVENUE STAMPS

Deputy Secretary Burke outlined the implications of deaccessioning 7.3 million out of 7.8 million revenue stamps in the National Philatelic Collection. Issued by the Internal Revenue Service from 1872 to 1962, the revenue stamps indicated pre-payment of taxes on a variety of goods, such as legal documents, customs fees, stock transfers, alcohol, and narcotics, among others. Approximately 1,800 varieties and about 50,000 of each variety were transferred to the Smithsonian Institution between 1964 and 1978 to be used as revenue for such needs as acquisitions and providing for the direct costs of maintaining the national collection. The National Postal Museum aims to retain a sufficient amount to be used as a reference collection but wishes to sell as many of the remaining copies as possible and, in so doing, establish a fund

that will allow the existing gaps in the philatelic collections to be filled. The IRS and the philatelic community are comfortable with the deaccession strategy and an internal steering committee will continue to guide the process.

Regarding the auction strategy, Deputy Secretary Burke remarked that only a certain number of the stamps will be retained for the collections. By positioning this as a single opportunity for the public to acquire stamps of a unique nature, the Institution hopes to secure the highest values for them.

The Secretary noted that this issue was brought before the Regents to prepare them for any publicity the Institution may prompt by selling off at auction such stamps as those which represent the sale of narcotics. Deputy Secretary Burke also remarked that the deaccession may arouse suspicion that suddenly the Institution is selling off 60% of the Postal Museum's collections. Public perception is a concern, and a media strategy is in place.

A Regent mentioned that a large deaccession could be viewed by stamp collectors as a depression in the market. The Secretary noted that it will be made very clear that these stamps are unique to the collections; nonetheless, the collecting community is being consulted so as to be very selective and to avoid flooding in the market.

The following is adopted:

VOTED that the Board of Regents approves the proposed deaccession and disposition by the National Postal Museum of selected revenue stamps from the National Philatelic Collection.

EXECUTIVE SESSION AND ADJOURNMENT

This meeting of the Board of Regents was adjourned at 3:15 p.m., having been preceded by an Executive Session. During the Executive Session, the Regents discussed several matters including the status of the National Museum of African American History and Culture and approved the recommendations of the Compensation and Human Resources Committee, the Secretary's proposed re-organization, and a 4.41% adjustment in the Secretary's compensation.

REGENTS' DINNER AND MONDAY MORNING EVENTS

The Regents and senior officers gathered on Sunday evening in the newly opened Steven F. Udvar-Hazy Center at Dulles for a guided tour, cocktail reception, and casual dinner.

On the following Monday morning, the Regents and spouses enjoyed a continental breakfast and viewing of *America on the Move* in the National Museum of American History, followed by a tour of the Behring Hall of Mammals in the National Museum of Natural History.

During their luncheon, the Regents heard a wide-ranging and highly interesting presentation on *New Frontiers in Anthropology* by Dr. William Fitzhugh, the Director of the Natural History Museum's Arctic Studies Center and the 2003 Secretary's Distinguished Research Lecturer.

Proceedings of the Board of Regents

May 3, 2004

REPORT OF THE EXECUTIVE COMMITTEE

On April 22, 2004, the Executive Committee approved the agenda proposed for the May 3 meeting of the Board of Regents. The Committee discussed the Report of the Nominating Committee and Chairman Spoon indicated his wish to encourage the Regents to prepare their own thoughts on candidates for appointment to the Council of the National Museum of African American History and Culture.

AMENDMENT OF THE BYLAWS OF THE BOARD OF REGENTS

VOTED that the Board of Regents adopts the proposed revisions to Sections 5.03 and 5.06 of the Bylaws of the Board of Regents.

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The revisions bring the Bylaws of the Board of Regents into alignment with the most recent reorganization which, in part, established a new position of Deputy Secretary and Chief Operating Officer.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

VOTED that the Board of Regents appoints to the Smithsonian National Board Richard W. Herbst and Chris E. McNeil, Jr. to three-year terms expiring in 2007, and reappoints Michael R. Haverty, Dorothy G. Lemelson, Edgar M. Masinter, Paul L. Peck, and Susan Lynch Ruddy to three-year terms expiring in 2007.

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The Smithsonian National Board, chaired by Patricia Frost, convened its Mid-Winter (January 29 - 31) and Spring (April 1 - 3) meetings in Washington, D.C. and New York, respectively. In advance of the Board of Regents meeting, the National Board gave a progress report on its activities.

The Development Committee reported that Board members have contributed \$940,000 through the Board Annual Fund, of which \$360,000 is unrestricted. Overall year-to-date giving attributable to Board members in fiscal year 2004 is \$6.8 million. The Board also authorized three grants (up to \$50,000) in 2004 from unrestricted funds and will fund a \$75,000 grant in fiscal year 2004 that was authorized in fiscal year 2003 for the Smithsonian Center for Education and Museum Studies. The Alumni Committee is reenergizing under new leadership. The Education Committee is looking into producing a Grandparents' Guide to the Smithsonian. The Nominating Committee recommended the appointment of two new members, Richard W. Herbst and Chris E. McNeil, Jr., and the reappointment of five members, Michael R. Haverty, Dorothy G. Lemelson, Edgar M. Masinter, Paul L. Peck, and Susan Lynch Ruddy.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents appoints to the Cooper-Hewitt, National Design Museum Board of Trustees Eric Green for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the Freer Gallery of Art and Arthur M. Sackler Gallery Board Sunandini (Nunda) P. Ambegaonkar, Shirley Z. Johnson, and Diane H. Schafer for four-year terms expiring in 2008.

VOTED that the Board of Regents appoints to the National Air and Space Museum Board Charles B. Thornton for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the National Museum of American History Board Victor Cabral for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the National Museum of Natural History Board Michael J. Collins, William H. Luers, and Roger W. Sant for three-year terms expiring in 2007.

VOTED that the Board of Regents appoints to the Smithsonian Business Ventures Board Frank Daniels for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the Board of the Smithsonian Institution Libraries Mary Falvey, Jay Stobbs, and Anton Valukas for three-year terms expiring in 2007.

AMENDMENTS TO THE BYLAWS OF SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the National Portrait Gallery Commission.

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Smithsonian Environmental Research Center Advisory Board.

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The National Portrait Gallery Board's Bylaws changes are suggested to update the appointment process for officers, which will no longer require Board of Regents approval. The suggested revisions to the Bylaws of the Smithsonian Environmental Research Center Advisory Board provide for the Board's role in advising the Director on land stewardship activities in addition to increasing the length of membership terms.

REPORTS OF SELECTED ADVISORY BOARDS

The Regents considered reports from the advisory boards of the National Air and Space Museum, the National Museum of American History, and the Smithsonian Center for Latino Initiatives. The Secretary remarked that this is the third installment of a regular, rotating schedule of updates from nearly 35 advisory boards throughout the Institution. These reports provide the boards with an outlet for communication with the Board of Regents, and the Regents are encouraged to offer comments which the Secretary will include in his own responses to the individual boards. Under Secretary Evans commented on the extraordinary success of the Udvar-Hazy Center,

noting that 835,000 people have visited in the first four months and revenues from the shop, food, and parking fees exceed projections.

Deputy Secretary and Chief Operating Officer Burke noted that the National Museum of American History, Behring Center, is going through a revitalization both in physical structure and content. The Museum is currently planning to mark the 50th Anniversary of the landmark Supreme Court case of *Brown v. Board of Education* with a special exhibition, *Separate Is Not Equal*. In addition to showing a representation of a divided classroom, the exhibition will also showcase the Woolworth lunch counter from the 1960 sit-in protest in Greensboro, North Carolina, and Thurgood Marshall's Supreme Court robe, among many other objects.

Design and space clearing are under way for *The Price of Freedom* exhibition, which is scheduled to open in November 2004 and will tell the story of the military's role in American history from the Revolutionary War to the present day. The History Channel is producing a variety of videos for the 18,000 sq.ft. exhibit, which will also explore the role and meaning of the Medal of Honor and display many remarkable objects such as a Vietnam War period combat Huey helicopter.

Deputy Secretary Burke noted that the Center for Latino Initiatives is sustaining its rebirth under new leadership and a revitalized board. Director Cabral is working to expand the reach of its activities within the Institution and the larger community. Most recently, the exhibition *Our Journeys, Our Stories: Footprints of Latino Achievement* enjoyed great success at the American History Museum.

The Secretary and the Regents agreed that, while the reports from the advisory boards are most welcome, it would be more useful for the boards to report on their own perspectives and activities, particularly with reference to, "What are the big issues they see, and what are they doing to address them?" This would be preferable to giving the Regents the type of performance statistics they already get from Smithsonian management.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Chairman Sant commented that, regrettably, the implementation of the new information technology-based financial management system (ERP) is behind schedule. Both Chief Financial Officer Maroni's and Inspector General Blair's investigations have indicated a number of problems. In order to address these problems, funds that were in the Chief Information Officer's budget to implement the system are being transferred to the CFO's budget to create a dedicated team of functional experts. The project's management and budget oversight is also being restructured and the Committee will be briefed monthly on its status. The schedule and budget have also been revised.

The Committee also discussed the acceleration of the financial statement, which was approved in February.

The Committee learned that Comptroller Hummel resigned to pursue other interests. CFO Maroni hopes to select a replacement by the end of May.

After noting that the value of collections is not expressed in auditable terms, the Committee had asked why Smithsonian collections are not accounted for as financial assets. At this meeting, the Committee learned that collections are held for only educational purposes at the Smithsonian and at most other museums and that widely accepted accounting conventions call for museum collections not to be included in the Institution's balance sheet. The Committee learned the Institution is in the process of producing a major study on the issues of collections management and agreed not to pursue further discussions about collections in accounting terms.

Chairman Sant also noted that the IRS audit of tax year 1998 is nearing conclusion. Most of the issues will be settled for less than \$100,000. Two remaining issues may be appealed for another 18 months and may total about \$1 million.

LEGISLATIVE ACTIONS AND ISSUES

Deputy Secretary Burke reported on the success represented by the Office of Management and Budget's endorsement of a 5.3% increase for the Smithsonian for fiscal year 2005 appropriations but warned the current budget climate could result in allocations to House and Senate appropriations committees far below the OMB request. She and Director of Government Relations Payne are working diligently to secure the 5.3% increase and hope to facilitate an even larger appropriation which would come closer to covering the operational costs of the Institution. The assistance of Congressional Regents in this process may be solicited.

A report from the Office of Government Relations covered Smithsonian-related legislation, including authorization to construct the central control building and site infrastructure to support the Smithsonian Astrophysical Observatory's Very Energetic Radiation Imaging Telescope Array System, the American History and Civics Education Act, the Charles Peter Conrad Astronomy Awards Act, Commuter Transit Subsidies, National Invasive Species Legislation, and the Federal Acknowledgment Process Reform Act. The report also noted that key Congressional Members and staff with science/research jurisdictions and legislative focus will visit the Smithsonian Environment Research Center (Edgewater, Maryland) in mid-May; the Smithsonian Tropical Research Institute (Panama) in late May; and the Smithsonian Astrophysical Observatory (Cambridge, Massachusetts) in early June.

REPORT OF THE GENERAL COUNSEL: JANUARY -MARCH 2004

The Secretary reported that the Institution has ultimately lost the battle to gain custody of George Gustav Heye's library, an important component of his collection that never came to the Smithsonian since it was separately housed and accounted for at the Huntington Free Library. General Counsel Huerta noted that the Library sold the collection to a university in New York and the Smithsonian intends to approach that university to acquire a part of the collection.

The report also stated that there were approximately 24 administrative EEO complaints, four Rehabilitation Act advice matters, and 19 administrative tort claims which have required the active involvement of the Office of the General Counsel attorneys including representation in administrative hearings. During January through March 2004 there were 23 active cases, 15 of which were employment cases and three of which were tort claims to which the Smithsonian Institution was a named party. Two cases involved personal property and two involved contracts. There were three new cases and four cases that were completed. The Department of Justice represents the Smithsonian in each case.

UPDATE ON THE SMITHSONIAN CABLE INITIATIVE

Regent Spoon briefed the Regents on the Smithsonian cable television initiative, noting that there's renewed interest among a more multilayered array of partners. As previously indicated to the Board, this venture involves no financial investment by the Smithsonian. Obviously, the Institution's name would be associated with the initiative making it paramount to ensure the programming adheres to the highest standards of quality. He reiterated his continued confidence in this endeavor and its potential to extend the work and treasures of the Smithsonian beyond the Mall.

DONOR RECOGNITION AND CORPORATE SUPPORT

The Secretary commented that the majority of these naming proposals are for Native American tribes in support of the building and opening of the National Museum of the American Indian on the National Mall, and that all the proposals are in accordance with the Regents' established policy and procedures on fund raising.

The following motions were adopted:

VOTED that the Board of Regents recognizes the generosity and dedication of the Cow Creek Band of Umpqua Tribe to the National Museum of the American Indian and gratefully names the Resource Center Reading Room in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of the Eastern Band of Cherokee Indians to the National Museum of the American Indian and gratefully names the Fourth Floor North Pause Area in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of the Seneca Nation of Indians to the National Museum of the American Indian and gratefully names the Temporary Exhibition Gallery A in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Randall and Teresa Willis to the National Museum of the American Indian and gratefully names the Third Floor West Pause Area in honor of Nicole and Tatum Willis (Cayuse/Nez Perce/Yakama/Oglala Lakota).

VOTED that the Board of Regents recognizes the generosity and dedication of Theodore J. Slavin to the Smithsonian American Art Museum and gratefully names the second floor, corner gallery in his honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Wahleah Faulkner Davis to the National Museum of the American Indian and gratefully names the west directional marker in the Four Directions Ceremonial Circle Dance Floor in her honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Stanford C. Stoddard to the Archives of American Art and gratefully names the Stoddard-Fleischman Fund for the History of Rocky Mountain Area Artists in his and Lawrence Fleischman's honor.

VOTED that the Board of Regents recognizes the service of Barbara Novak and the generosity and dedication of the Commissioners of the National Portrait Gallery and gratefully names the Barbara Novak Acquisitions Fund in her honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Mary Marvin Breckinridge Patterson to the Smithsonian Women's Committee and gratefully establishes an endowment for the Smithsonian Women's Committee by means of her bequest, to be called the Smithsonian Women's Committee Legacy Fund, with the understanding that the proceeds of this endowment shall be used by the Committee for its annual grant program.

NATIONAL ZOO: NATIONAL ACADEMY OF SCIENCES INTERIM REPORT AND AMERICAN ZOO AND AQUARIUM ASSOCIATION ACCREDITATION

Under Secretary Evans reported on the re-accreditation of the Zoo and on the progress of work which will lead to a full report by the National Academy of Sciences sometime this summer. The Zoo has adopted an action plan to address all areas of concerns noted by the Academy, and Under Secretary Evans is confident that the Zoo will be able to execute all of the items. The plan is analogous to that created for the American Zoo and Aquarium Association, which led to the Zoo's full five-year re-accreditation. He added that the search for a new Director of the Zoo, prompted by Director Spelman's announcement she will resign by year's end, is under way.

MALL-WIDE PHYSICAL SECURITY ENHANCEMENTS

During the morning meeting of the Committee of the Whole, Director of Facilities Engineering and Operations Brubaker gave an illustrated presentation on Mall-wide Security Enhancements which showed the design elements and planning process both of which won the exceptional acclaim the National Capital Planning Commission and the Commission on Fine Arts.

SMITHSONIAN MILESTONES CALENDAR 2004-2010

In advance of their meeting, the Regents were given an annotated calendar of selected major openings planned for the next six years.

TRIBUTE TO A GENERATION: NATIONAL WORLD WAR II REUNION

Deputy Secretary Burke gave an update on the work being done by the Smithsonian's Center for Folklife and Cultural Heritage for the Memorial Day weekend World War II Reunion celebration on the National Mall, which is being produced by the Smithsonian. To commemorate the World War II Memorial dedication, the American History Museum will have a special photography exhibit and another, *So Proudly We Hail*, which will display the flag raised at Iwo Jima. Smithsonian Folkways is producing a recording of the Smithsonian jazz orchestra performing period music and Smithsonian Press will publish a volume on the Memorial.

2004 SMITHSONIAN FOLKLIFE FESTIVAL

Haiti, Latino Music, Mid-Atlantic Maritime

Deputy Secretary Burke also noted the 2004 Folklife Festival is expected to draw upwards of one million people this year, showcasing the cultural contributions of Haiti, Latino music, and mid-Atlantic maritime traditions. Haiti, now in its bicentennial year of independence, will be represented with support of the State Department and USAID, the U.S. Embassy in Port-au-Prince, the government of Haiti (both old and new), UNESCO, and the Inter-American Development Bank. The Latino music program, which will recur as a Festival theme for the next four years, will cover musical traditions from Texas, California, New Mexico, Puerto Rico, Dominican Republic, Florida, and New York, among others. The third topic of the Festival will be the mid-Atlantic maritime program showcasing music, food, and industry traditions along waterways from North Carolina to New York.

BUILDING A NATIVE PLACE

Construction, Visitor Services, Public Programs Progress of the National Museum of American Indian on the National Mall

Deputy Secretary Burke distributed the latest construction photos of the new Museum on the National Mall, which is 85% complete and will have full occupancy in July. The Museum is within budget and on schedule to open on September 21. To date, more than 5,400 tickets have been reserved for timed admittance, and those for opening day are sold out. The Kennedy Center will host an open house and prelude festival featuring native American performances. The Smithsonian will also have an international symposium on the Museum. Opening-day processions and activities will be followed by a six-day festival.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

Chairman Williams noted that the Committee unanimously recommended that the Board of Regents approve a payout of \$36.25 per share for all endowment funds for fiscal year 2005, which is 5% of the average market value per share over the previous five years, consistent with the Institution's payout policy.

Chief Financial Officer Maroni reported that the Smithsonian is on track to meet its budget for the year. Revenues are forecast above budget due mostly to increased support for the Smithsonian Astrophysical Observatory from NASA. Fiscal year 2005 Federal Salaries and Expenses, if kept at the levels in the President's budget request currently before Congress, will be insufficient to support on-going programs.

Federal support for maintenance and revitalization has doubled in five years to \$98 million in fiscal year 2004; \$120 million has been approved by OMB for fiscal year 2005, which is almost three times the Institution's 1999 appropriation for maintenance and revitalization but still remains short of the \$150 million needed to meet the goal annually. The Development Office is on track to raise more restricted Trust funds this year, and unrestricted Trust funds are expected to be in balance due to Smithsonian Business Ventures' increased contribution, slightly increased endowment income, and enhanced cost control.

The Regents discussed alternative investments in their morning meeting of the Committee of the Whole. The concept was outlined in a written report, covering such topics as real estate investments, and private equity funds, among others. The Finance and Investment Committee asked David Silfen to conduct a study and report back to the Committee.

Accordingly, the following was approved:

VOTED that the Board of Regents accepts the recommendation of the Finance and Investment Committee and approves a payout rate of \$36.25 per share for all endowment funds for fiscal year 2005.

SPACE PLANNING ISSUES AND ARTS AND INDUSTRIES BUILDING RELOCATIONS

Deputy Secretary Burke briefed the Regents on space planning and the relocation of staff from the Arts and Industries Building (A&I) during the morning meeting of the Committee of the Whole. She assured the Regents that staff is being moved out of A&I as quickly as possible with existing space and financial resources. She indicated that the ultimate solutions for the major moves haven't yet been decided, but acquiring additional space, which might involve leases or lease-purchase arrangements, remains an option.

PLANNING FOR THE NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

Deputy Secretary Burke commented that, in advance of appropriations, the Smithsonian is taking on its responsibility to establish the groundwork for the new Museum. The development of the Museum's advisory Council is under way and the Smithsonian will facilitate the Council's first meeting to take place later this year, as long as the money to fund the meeting has been appropriated by Congress. The Smithsonian will also search for the first Director. The critical question remains, however, where to locate the Museum. In order for the Regents to make that choice, as provided in law, the Smithsonian needs money to be appropriated to study the four proposed sites (the Arts and Industries Building, west of the National Museum of American History, the Liberty Loan Building, and the Banneker site). Such a study is planned for this fall, and its recommendations will be brought to the Regents in January 2005.

EXECUTIVE SESSION: REPORT OF THE NOMINATING COMMITTEE

Committee Chairman Spoon reported that during the morning meeting of the Committee of the Whole the Regents discussed the Nominating Committee's recommendations. Based on that discussion, he proposed the nomination of Eli Broad of Los Angeles, California, for service as a member of the Board of Regents for a statutory term of six years, succeeding the late Barber B. Conable, Jr..

Similarly, Chairman Spoon proposed approval of a list of 34 potential appointees to the Council of the National Museum of African American History and Culture and authorizing the Secretary to recruit a total of 17 members of the Council from that list, subject to the final approval of the Board of Regents. The Committee also recommended the designation of Wesley S. Williams, Jr., as the Board's representative on the Council. Furthermore, Mr. Spoon suggested that the Secretary should be authorized to designate a member of the Council to be its convener, and the Secretary should be asked to work toward the establishment of a committee to advise the Council and Director of the National Museum of African American History and Culture on matters of programming and content.

Accordingly, the following motions were approved:

VOTED that the Board of Regents nominates Eli Broad for service as a member of the Board of Regents for a statutory term of six years, succeeding the late Barber B. Conable, Jr., and asks its Congressional members to introduce and support legislation to this effect as soon as practicable.

VOTED that the Board of Regents approves the foregoing list of 34 potential appointees to the Council of the National Museum of African American History and Culture and authorizes the Secretary to recruit a total of 17 members of the Council from said list, subject to the final approval of the Board of Regents. The Board of Regents designates Wesley S. Williams, Jr., as its representative on the Council. Furthermore, the Secretary is authorized to designate a member of the Council to be its convener, and the Secretary is asked to work toward the establishment of a committee to advise the Council and Director of the National Museum of African American History and Culture on matters of programming and content.

REGENTS' DINNER AND MONDAY MORNING EVENTS

The Regents, senior officers, and special guests gathered on Sunday evening for cocktails in the Arthur M. Sackler Gallery to view the exhibition *The Return of the Buddha: The Quingzhou Discoveries*. Dinner followed in the South Gallery of the Freer Gallery of Art.

On Monday morning, from 9:00 a.m. until 12:00 noon, the Regents' Committee of the Whole met in the Regents' Room. As noted above, the Regents discussed the recommendations of the Nominating Committee and had the opportunity to consider space planning, Mall-wide security enhancements, and alternative investments.

Also on Monday, the Regents listened to a lunch-time presentation from Dr. John A. Grant entitled "Exploring Mars: A View from the Front Seat." Dr. Grant is a geologist with the National Air and Space Museum's Center for Earth and Planetary Studies, a member of the Science Team for the ongoing Mars Exploration Rover mission, and Co-chair of the group that helped select the landing sites.

Summary Proceedings of the Board of Regents

June 14, 2004

This long-range planning meeting of the Board of Regents was held in the Regents' Room of the Smithsonian Institution Building.

THE SECRETARY'S AND UNDER SECRETARY'S INTRODUCTIONS

The Secretary mentioned that this is the third annual long-range planning session the Regents have held in fulfillment of one of the key recommendations from the Regents' *ad hoc* Committee on Governance. He added that this appears to be the first time the Institution has produced a strategic plan for science since its establishment 158 years ago. Noting that the plan, submitted separately, is based on four areas of emphasis — four really big ideas to be articulated to attract support from the Federal government and other large funding entities — the Secretary asked the Regents to consider these as the kinds of ideas and directions that are likely to garner support.

Under Secretary for Science Evans provided an overview of the activities that led to this point. Dr. Evans emphasized that the Smithsonian, with its high degree of credibility and name recognition and its unparalleled capability for the “diffusion” of knowledge, provides a highly desirable place to do science. He showed a list of the practical outgrowths of basic scientific research at the Smithsonian to make the point that they typify unintended applications of research in the four thematic areas that the Institution is engaging.

Dr. Evans discussed the mission and vision of Smithsonian science. He noted that the Smithsonian has a fundamental obligation to improve scientific literacy through its wide array of public programs, and he added that the Institution has the opportunity to educate the public on the way science is conducted, how scientists think, and what the public should do with the information presented to them.

Dr. Evans described the organization of the strategic plan for Smithsonian science around the four basic themes: the origin and nature of the universe, the formation and evolution of Earth and similar planets, the discovery and understanding of life's diversity, and the study of human diversity and cultural change. He then turned to introducing presenters of specific, representative examples of scientific goals within three of these four areas of interest.

PRESENTATIONS BY DRs. MURRAY, CAMPBELL, AND SAMPER

After describing astrophysicists' methods of “seeing” or sensing the universe, Dr. Murray discussed the challenges inherent in studying the vast preponderance of space known as “dark matter.” He talked about the technologies employed and what will be needed to understand “dark energy,” namely the Giant Magellan Telescope, from which he predicted changes in our fundamental understanding of the universe will emerge. He discussed the Smithsonian's role in a highly collaborative consortium to build that telescope, the largest of its kind in the world, for about \$400 million.

Dr. Campbell reminded the Regents that there is a high degree of public interest in studies on Mars, and he stated at the outset that the Center for Earth and Planetary Studies is in pursuit of the “follow-the-water” theme to find out how much water is there, where it was in the past, where it is today, where it comes close to the surface, etc. The Center is developing radar-based means of tracking suspected subsurface river channels to learn more about where the water once may have flowed, and it aspires to advance its mapping mission by putting a radar system in orbit

around Mars. He added that the Center will take advantage of its location in the most-visited National Air and Space Museum to bring a sense of these discoveries to public attention.

Dr. Samper engaged the Regents' attention with a hypothetical future visit to a tropical rainforest in which the non-scientist visitor seeks information on species through the use of a hand-held electronic device linked by satellite to a computer holding the Encyclopedia of Life. This "field guide to the third millennium," as he called it, could be equally useful to customs agents, backyard naturalists, and school children, and it takes advantage of 200 years of systematic inventorying of biodiversity, much of which is based on Smithsonian collections. The Encyclopedia of Life project is a collaborative effort with universities and scientists around the United States and the world which promises to transform the way natural science is performed, diffused, and applied to practical progress.

EXECUTIVE SESSION: IMPLEMENTATION OF THE SCIENCE STRATEGY AND OTHER MATTERS

In a planned executive session, the Secretary and Dr. Evans briefed the Regents on practical considerations with respect to the implementation of the science strategy. Dr. Evans gave an overview of the funding of Smithsonian science, presently at \$276 million in fiscal year 2004, and the Secretary assured the Regents that reaching the goal of doubling this funding in five years is feasible if the Smithsonian competes successfully for it primarily in non-appropriated funds.

The Secretary took this opportunity to report on progress on several initiatives since the Regents' May 3 meeting. Nearly all of the individuals asked thus far have agreed to accept the Regents' invitation to serve on the advisory Council of the National Museum of African American History and Culture, and efforts are well under way with respect to others on the list approved on May 3. The nomination of Eli Broad to serve on the Board of Regents passed the Senate and awaits action in the House of Representatives. The Udvar-Hazy Center has welcomed its first millionth visitor, and the World War II Memorial Dedication and associated activities went extremely well. The Secretary added that the Smithsonian has responded to Senator Grassley that it never provided a valuation of Mr. Axelrod's donation of Stradivarius string instruments to either the donor or to the Internal Revenue Service.

Summary Proceedings of the Board of Regents

September 20, 2004

REPORT OF THE EXECUTIVE COMMITTEE

On September 13, 2004, the Executive Committee approved the agenda proposed for the September 20 meeting of the Board of Regents. The Committee noted for the record that, as approved by the Committee on June 15, the Regents voted unanimously by mail in favor of the following motion:

VOTED that the Board of Regents awards the Joseph Henry Medal to Irwin Shapiro in grateful recognition of his contributions to the Smithsonian Institution as Director of the Smithsonian Astrophysical Observatory, 1983–2004.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

Chaired by Patricia Frost, the Smithsonian National Board continues to effectively advocate for the Smithsonian in communities across America and abroad. The National Board submitted a progress report on its activities in advance of the Board of Regents meeting.

In May and June, 2004, the Study Tours and Travel Committee led a group of Board members and invited guests to Cambodia and China, where they agreed to support exchange programs through the activities of the Freer and Sackler Galleries. The Development Committee reported that Board members have contributed almost \$1.5 million through the 2004 Board Annual Giving Campaign, of which \$430,000 is unrestricted. Overall year-to-date giving attributable to Board members in fiscal year 2004, including pledge payments, is over \$11 million. Board members continue to support the Smithsonian through leadership gifts as well, including a \$4 million challenge grant in an effort to raise \$10 million overall for the Conservation Center in the restored Patent Office Building. Initiatives by individual Board members include the support of the *WW II Photographic Perspectives* exhibit and private fund-raising and networking events. The Board is also seeking to reengage a national alumni group. The Education Committee reported its support of the first Smithsonian educational program that requires collaboration between Smithsonian units, a basis in education research, and a formal evaluation component. At their fall meeting the Committee will also acknowledge the Innovative Lives Program at the Jerome and Dorothy Lemelson Center for the Study of Invention and Innovation and Dorothy Dunn at the Cooper-Hewitt, National Design Museum as the recipients of two new education awards for innovation and achievement.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

The following motions were approved:

VOTED that the Board of Regents appoints to the Archives of American Art Board of Trustees Donna Kemper Rosen for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the Cooper-Hewitt, National Design Museum Board of Trustees James A. Rosenthal for a three-year term expiring in 2007.

VOTED that the Board of Regents reappoints to the Freer Gallery of Art and Arthur M. Sackler Gallery Board Ann R. Kinney and Paul Marks for four-year terms expiring in 2008.

VOTED that the Board of Regents appoints to the National Air and Space Museum National Board Lloyd W. Newton for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the National Museum of American History, Behring Center Board Curt Bradbury, Ellsworth H. Brown, Emilio Fernandez, Francine LeFrak, and Charles T. Manatt for three-year terms expiring in 2007.

VOTED that the Board of Regents reappoints to the National Museum of Natural History Board Paul G. Risser for a three-year term expiring in 2007.

VOTED that the Board of Regents appoints to the Council of Philatelists Roger S. Brody, Hubert N. Hoffman, III, Todd P. Leavitt, Harvey Mirsky, Charles F. Shreve, Herbert Allen Trenchard, Scott R. Trepel, and Alan Warren for three-year terms expiring in 2007.

VOTED that the Board of Regents reappoints to the National Zoological Park Advisory Board Stanley E. Freimuth and Adrienne Mars for three-year terms expiring in 2007.

VOTED that the Board of Regents appoints to the Smithsonian American Art Museum Commission Tania G. Evans and William I. Koch for four-year terms expiring in 2008.

VOTED that the Board of Regents appoints to the Smithsonian National Board for Latino Initiatives of the Smithsonian Center for Latino Initiatives Ivelisse Estrada and Jesus Rangel for three-year terms expiring in 2007.

VOTED that the Boards of Regents appoints to the Smithsonian Environmental Research Center Advisory Board Scott W. Nixon, Charles G. Rose, III, and Nina E. Selin for three-year terms expiring in 2007 and reappoints William Sweeney for a three-year term expiring in 2007.

REPORTS OF SELECTED ADVISORY BOARDS

The Regents considered reports from the advisory committees of the National Zoological Park, the Smithsonian Environmental Research Center, and the National Museum of Natural History. The Secretary noted that the three reports submitted for review are part of a regular, rotating schedule of updates from nearly 35 advisory boards throughout the Institution. These reports

provide the boards with an outlet for communication with the Board of Regents, and the Regents are encouraged to offer comments which the Secretary will include in his own responses to the individual boards. Under Secretary for Science David Evans briefly commented on each report as these boards report to units under his purview.

Under Secretary Evans noted that the Advisory Board of the National Zoological Park initiated the collaboration of the three different advisory groups within its Board. The Board met with Friends of the National Zoo and the Center for Research and Conservation Foundation to foster a single advisory source for the Zoo and have been actively engaged in the search for a new director for the National Zoo.

Under Secretary Evans mentioned that the evolving role of the Board of the Smithsonian Environmental Research Center (SERC) is reflected in their report. Whereas the Board was previously tasked with the scientific and educational oversight of SERC, its responsibilities now include the development of financial support for the Center. It was noted that the Board is still working to define the scope of its new role. Chairman Sweeney's efforts to build a financially supportive Board were also mentioned.

The report of the Board of the National Museum of Natural History enthusiastically notes the positive developments since the appointment of Director Cristián Samper. The Board has directly supported the search for the new director of exhibits and other personnel, including the recent hires of six curators. The Board's support for the Museum's collections was also noted. Under Secretary Evans added that the Natural History Board has successfully embraced its new development responsibilities and that their positive report reflects the upbeat attitudes within the Museum.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Chairman Sant stated that the KPMG audit plan is on schedule to finish for the January meeting and that it did not present any surprises. The Chairman also noted that the Institution is working with KPMG to complete the Federal portion of the audit by mid-November in order to meet the November 18 accelerated Federal audit deadline established by the Treasury Department.

The Chairman then offered an overview of the morning's meeting with Chief Financial Officer Alice Maroni, who had presented three separate topics.

The Chief Financial Officer first reviewed the implementation status of the Institution's financial system, which had been noted as behind schedule at the prior Regents' meeting. Since that time, the process has been modified, the budget and its schedule have been revised, and an implementation team has been formed to support the documentation, training, and system updates that are needed. Chairman Sant reported that, although further work remains to be done, the project's direction is clear and on track and that the Audit and Review Committee will now receive quarterly updates.

The Chief Financial Officer's second topic was the ongoing effort to reform the Institution's financial management operation. Significant progress was noted, including the appointment of the new Controller, Andy Zino, who was introduced to the Committee.

The third topic addressed by the Chief Financial Officer was a review of the Institution's hot line, the Inspector General's confidential phone line that is available for staff to report possible evidence of waste, fraud, and abuse. There were approximately 30 such complaints last year, although none were of notable significance. The Chairman noted the Committee's satisfaction with the establishment and use of the hot line.

Director of the Office of Planning, Management, and Budget Bruce Dauer and Director of the Office of Contracting John Cobert were introduced to the Committee during the morning meeting. Director Dauer offered an overview of the responsibilities and processes of his office and the Committee was similarly updated by Director Cobert.

The Committee concluded its morning meeting with two Executive Sessions. In the first Session, the General Counsel reviewed the financial disclosure filings of the Institutions' senior staff and Regents and no exceptions were noted. During the second Session, the Inspector General succinctly reviewed his agenda to the satisfaction of the Committee.

LEGISLATIVE ACTIVITIES AND ISSUES

The Secretary expressed his appreciation to the Congressional Regents for their support for the successful appointment of Eli Broad as a Regent, as well as their support on the VERITAS project. A written report detailed progress on those legislative initiatives among several additional Smithsonian-related ones.

REPORT OF THE GENERAL COUNSEL

In a written presentation, General Counsel John Huerta addressed administrative claims and litigation. He also provided background on Smithsonian Standards of Conduct, including the Confidential Statement of Employment and Financial Interests and the Conflict of Interest Declaration. Furthermore, he noted that an updated set of standards will become final during fiscal year 2005.

DEACCESSION OF THE NATIONAL POSTAL MUSEUM'S DUPLICATE REVENUE STAMPS

Deputy Secretary Burke reported that the sale of the duplicate revenue stamps has been greeted enthusiastically by most collectors and stamp dealers. The planned destruction of some 1.6 million excess stamps (of the approximately 7.3 million stamps under discussion) has produced some limited debate among some revenue stamp dealers, including three dealers who individually offered to purchase all of the revenue stamps or just those duplicates scheduled for destruction. Deputy Secretary added that one in fact put forth two resolutions to the American Philatelic Society to oppose the stamps' destruction and that both resolutions were defeated by the Society.

The Deputy Secretary explained that the offers were declined, as they are contrary to the Institution's goal to offer the stamps to as many collectors as possible. To that end, the Office of Contracting is evaluating proposals from auction houses, with plans to begin the auction process by the end of the year. Deputy Secretary Burke confirmed that the Institution will retain thousands of copies of each stamp and that the value of the stamps will be maintained under the deaccession plan.

DONOR RECOGNITION AND CORPORATE SUPPORT

The Secretary opened the discussion by recognizing the contributions of the late Barber Conable. He then confirmed that all of the proposals for donor recognition or corporate support opportunities were developed in accordance with the fund-raising principles, policies, and procedures approved by the Board of Regents. Mr. Sant excused himself during the vote regarding the establishment of the Sant Chair in Marine Science and the Sant Endowment.

The following motions were adopted:

VOTED that the Board of Regents recognizes the generosity and dedication of the Lunder Foundation, and Peter and Paula Lunder, to the Smithsonian American Art Museum and gratefully approves the naming of the Patent Office Building's new conservation facility the Lunder Conservation Center in their honor, conditional upon the terms of their challenge gift being met.

VOTED that the Board of Regents recognizes the generosity and dedication of Robert and Arlene Kogod to the Smithsonian Institution and gratefully names the Courtyard of the Patent Office Building in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication to the Smithsonian's National Museum of the American Indian of the Bristol Bay Native Corporation, Calista Corporation, Chugach Alaska Corporation, Cook Inlet Region, Inc., Doyon, Limited, Koniag, Inc., and 13th Regional Corporation, and gratefully names the two museum shops in the National Mall museum in honor of these Alaska Native Corporations and all Alaska Natives.

VOTED that the Board of Regents recognizes the generosity and dedication of Victoria P. and Roger W. Sant to the Smithsonian Institution and gratefully establishes the Sant Chair in Marine Science at the National Museum of Natural History, named in their honor, and creates and names the Sant Endowment in support of it, also named in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Carolyn L. Rose to the Smithsonian's National Museum of Natural History's Department of Anthropology and gratefully establishes an endowment. Further, this endowment is to be named the Carolyn L. Rose Endowment in her honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Anne J. van Biema to the Freer Gallery of Art and the Arthur M. Sackler Gallery and gratefully creates and names the Anne van Biema Endowment and the Anne van Biema Fellowship Endowment in her honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Nancy Fessenden to the Freer Gallery of Art and the Arthur M. Sackler Gallery and gratefully creates an endowment by means of this gift. Further, this endowment is to be named the Nancy Fessenden Endowment.

VOTED that the Board of Regents recognizes the generosity and dedication of the 1923 Fund and its Trustee David A. Cofrin to the Smithsonian Tropical Research Institute and gratefully establishes an endowment with its gift. Further, this endowment is to be named the David A. Cofrin Endowment.

VOTED that the Board of Regents recognizes the generosity and dedication of Alan and Lois Fern and gratefully names the Alan and Lois Fern Acquisition Fund in their honor.

VOTED that the Board of Regents recognizes the generosity and dedication of Enid and Lester Morse to the Cooper-Hewitt, National Design Museum and gratefully establishes an endowment by means of their gift. Further, this endowment is to be named the Enid and Lester Morse General Operating Endowment Fund, in their honor.

VOTED that the Board of Regents approves in concept the corporate sponsorship proposed by Masterfoods USA, a subsidiary of the Mars Corporation, to produce and market a collectible M&M bi-plane dispenser and to purchase advertising in Smithsonian Institution magazines.

BUILDING A NATIVE PLACE: OPENING THE NATIONAL MUSEUM OF THE AMERICAN INDIAN

Noting the enthusiastic response to the new National Museum of the American Indian during the prior evening's Regents' dinner, the Secretary briefly outlined the week's scheduled celebrations for its opening and praised the efforts of Director Rick West and his colleagues. Mr. Sant then proposed a formal motion to acknowledge the efforts of the Secretary, the Deputy Secretary, Director Rick West, and all of the people involved in the 14-year development and creation of the Museum.

Accordingly, the following motion was approved:

VOTED that the Board of Regents expresses its gratitude to Secretary Small, Deputy Secretary Burke, and Director West for their extraordinary efforts and great achievements in fulfilling the mandate to establish the Smithsonian's National Museum of the American Indian on the National Mall.

PROPOSAL TO BUILD PHASE II OF THE UDVAR-HAZY CENTER

Under Secretary for Science Evans emphasized that Phase II construction of the Udvar-Hazy Center's non-public area will advance in self-contained financial and construction units. The Under Secretary added that the desire to commence Phase II is fueled by both the desire to encourage additional donations and to help minimize projected construction increases by securing building materials as soon as possible.

The following motion was approved:

VOTED that the Board of Regents approves the construction of Phase II of the National Air and Space Museum's Steven F. Udvar-Hazy Center in fully funded increments, as proposed.

SMITHSONIAN TROPICAL RESEARCH INSTITUTE LAND ACQUISITION

In response to questions regarding the purchase of additional Smithsonian property during a period of institutional budgetary constraints, Under Secretary for Science Evans explained that the acquisition of the identified property in Gamboa will be consummated only when funding is secured through either Federal appropriations or private funding. The Under Secretary added that both the reputation of and interest in the work of the Smithsonian Tropical Research Institute (STRI) are notable, as are the facility's fund-raising capabilities, and that securing private funding is a strong possibility for this initiative.

Accordingly, the following motion was approved:

VOTED that the Board of Regents approves the purchase of 13 acres of property in Gamboa, Republic of Panama, for the purpose of enhancing the work of the Smithsonian Tropical Research Institute when either Federal funds have been appropriated or private donations for this purpose have been secured.

PLANNING FOR THE NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

Deputy Secretary Burke updated the Board about planning initiatives for the new National Museum of African American History and Culture (NMAAHC). Topics of note included the lack of appropriated funds to date, anticipated funding in the fiscal year 2005 appropriations bill, and the possible impact of operating under a Continuing Resolution; the search for a founding director for the Museum and the confirmation of the NMAAHC Council; and current staffing needs, especially in the area of development, which raised comparisons to similar staffing increases for the creation of both the National Museum of the American Indian and the Holocaust Museum. As the creation of the new Museum is not based upon an existing collection, the Board was apprised of efforts to identify and index African-American objects currently held by the Institution. Discussion of a collections management strategy for anticipated

donations also highlighted the role that the new director and board will share in identifying and advancing the Museum's mission.

REPORT OF THE COMMITTEE ON COMPENSATION AND HUMAN RESOURCES

On behalf of Committee Chair Regent Gray, the Secretary noted that during their June meeting the Committee especially examined the issue of management succession planning and the cultivation of bench strength. He added that the Committee will review executive compensation issues during their December 2004 meeting; their findings will be presented to the Board during the January 2005 meeting.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

Chairman Williams introduced the Report of the Finance and Investment Committee. He noted that the substance of the Committee's September 13 meeting was conveyed by Chief Financial Officer Alice Maroni to the Committee of the Whole during its morning meeting. Discussions included the financial position of the Smithsonian at the conclusion of fiscal year 2004 and the fiscal year 2005 outlook for appropriated and Trust funds, both of which are expected to be strained due to the mandated, yet unfunded pay increase for Federal employees and a continuing soft economy. Director of Planning Management and Budget Bruce Dauer also reviewed the fiscal year 2006 appropriations request to the Office of Management and Budget.

Accordingly, the following motions were approved by the Board:

VOTED that the Board of Regents approves the budget of appropriated funds for fiscal year 2005 when signed into law by the President 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.

VOTED that the Board of Regents approves the institutional budget for Trust funds for fiscal year 2005 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.

VOTED that the Board of Regents approves the Smithsonian Institution budget request for appropriated funds for fiscal year 2006 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.

Chairman Williams then discussed the Smithsonian Business Ventures' Capital Budget, which was still being finalized and did not require action. He also discussed the Committee's investigation of alternative investment strategies. The Committee asked David Silfen to form an investment advisory committee, composed of both Regents and investment experts, to form

strategies for the successful creation and monitoring of alternative investments for endowments funds. The Chairman assured the Regents that they will be updated about the advisory committee's progress at their January meeting.

THE PRICE OF FREEDOM: AMERICANS AT WAR

National Museum of American History

During the morning meeting of the Committee of the Whole, Director of the National Museum of American History Brent Glass gave an engaging audiovisual presentation of the upcoming exhibition. The Committee discussed the title of the exhibition and the possible need to clarify its meaning; the use and possible impact of video technology in installations that include objects from the Museum's outstanding permanent collection; and the inclusion of an anti-war perspective in the exhibition. The perceived role of donor Kenneth Behring was also considered. Although the exhibition is funded in part with his generous support, its content and direction have been developed without his influence.

REPORT OF THE NOMINATING COMMITTEE

The Board reviewed the report and recommendations of the Nominating Committee. Chairman Spoon reported the Committee will meet again in the fall to work out proposed committee membership rosters for the 2005 calendar year. He added that the Nominating Committee has reduced its working list of potential new Regents and intends to submit formal recommendations to the Board of Regents at the January meeting.

The following motions were approved, with select Regents absenting themselves from votes of personal relevance:

VOTED that the Board of Regents elects Roger W. Sant as Chairman of its Executive Committee, effective January 25, 2005, and requests Mr. Sant to join the Executive Committee's meetings in the meantime for transition purposes.

VOTED that the Board of Regents appoints Patricia Q. Stonesifer as Chairman of its Nominating Committee, effective January 1, 2005; Alan G. Spoon as Chairman of its Finance and Investment Committee, effective January 1, 2005; and Walter E. Massey as Chairman of its Compensation and Human Resources Committee, effective January 1, 2005. The Regents request all of these appointed Chairmen to work with their current Chairmen to ensure effective transitions.

VOTED that the Board of Regents appoints the following individuals to the Council of the National Museum of African American History and Culture for the specific initial terms indicated: James I. Cash, Jr., James A. Johnson, Ann Dibble Jordan, E. Stanley O'Neal, Franklin D. Raines, and Anthony Welters for terms ending in October 2005; Kenneth I. Chenault, Robert L. Johnson, Michael L. Lomax, Samuel J. Palmisano,

Linda Johnson Rice, and Oprah Winfrey for terms ending in October 2006; and Ann Marie Fudge, Quincy D. Jones, Homer A. Neal, Richard D. Parsons, and H. Patrick Swygert for terms ending in October 2007.

EXECUTIVE SESSION

The Regents concluded their meeting with a 20-minute Executive Session, which was held without the Secretary.

REGENTS' DINNER AND MONDAY MORNING EVENTS

On Sunday evening, the Regents, senior officers, and special guests dined with major donors and Trustees of the National Museum of the American Indian at the Museum's new facility on the National Mall, two days prior to its public opening.

On Monday morning, the Regents' Committee of the Whole met in the Regents' Room from 9:00 until 11:45 a.m. As noted above, Director Brent Glass offered an audiovisual presentation of the upcoming exhibition *The Price of Freedom: Americans at War* and Chief Financial Officer Alice C. Maroni updated the Board about the deliberations of the Finance and Investment Committee. The Secretary also discussed the budget projections for 2006 and beyond and the Institution's ongoing commitment to revitalize its facilities and exhibitions, particularly in light of other mandates.

During lunch, the Regents were given an illustrated presentation about the history of the Castle by Cynthia Field, the Director of the Smithsonian's Office of Architectural History and Historic Preservation.

Summary Proceedings of the Board of Regents

January 24, 2005

WELCOME TO NEW REGENT

On behalf of the entire Board of Regents, Mr. Williams extended a warm welcome to California resident Eli Broad, who was attending his first Board of Regents' meeting since his August 2004 confirmation as a citizen Regent.

REGENTS' TRIBUTE TO ROBERT T. MATSUI

VOTED that the members of the Board of Regents express their deep sorrow and sense of loss over the passing of their esteemed friend and colleague Robert T. Matsui. The Board asks the Chancellor to sign the following tribute for presentation to the Matsui family.

* * * * *

The Regents approved a draft tribute to the late Robert T. Matsui, commending the Regent's lifelong commitment to public service. In addition to his significant contributions to the Smithsonian's Board of Regents, Mr. Matsui also was a lawyer, a member of the Sacramento City Council, and a member of the U.S. House of Representatives. The Regents instructed that the tribute be prepared for signature by the Chancellor and presented to the Matsui family.

REPORT OF THE EXECUTIVE COMMITTEE

The Regents' Executive Committee met on January 13, 2005, and approved the proposed agenda for the January 24, 2005, meeting of the Board of Regents. During the Committee's review of the anticipated agenda for January 24 meeting of the Committee of the Whole, the Secretary outlined the Smithsonian's extraordinary accomplishments in fiscal year 2004 and the daunting challenges faced by the Institution, both of which were discussed at length during the meetings on January 24.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

The Smithsonian National Board convened its fall meeting on October 14–16, 2004, in Washington, D.C. Concurrent with the meeting of the Board, the Alumni Relations Committee hosted an inaugural alumni reunion that drew 25 alumni from 15 states and generated plans for a second reunion in October 2005. The Education Committee noted that the first Smithsonian Education Excellence grants were awarded to the Innovative Lives Program at the Jerome and Dorothy Lemelson Center for the Study of Invention and Innovation and Dorothy Dunn at the

Cooper-Hewitt, National Design Museum. As reported by the Development Committee, members raised nearly \$600,000 in unrestricted funds for the Smithsonian and made more than \$17 million in additional gifts and pledge payments to Institutional priorities in all areas. The Smithsonian Across America Committee detailed its ongoing cultivation of relationships with community leaders across America through a number of special events hosted by National Board members in their home communities.

Upon the recommendation of the National Board's Nominating Committee, the Regents approved the following motion:

VOTED that the Board of Regents appoints Wilmer S. Cody, James Dicke, and Judy Huret and reappoints George A. Didden, III, John Herzog, Peter Lunder, Amy Sarah McCombs, Augustus Miller, and Howard Milstein to the Smithsonian National Board for three-year terms effective October 2005.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents reappoints Kurt Dewhurst, Anthony Gittens, and Judy Mitoma to the Advisory Council of the Center for Folklife and Cultural Heritage for three-year terms effective January 24, 2005.

VOTED that the Board of Regents appoints Elizabeth Ainslie, Kurt Andersen, Michael R. Francis, and John Maeda and reappoints Alice Gottesman, Paul Herzan, and Enid W. Morse to the Board of Trustees of the Cooper-Hewitt, National Design Museum for three-year terms effective January 24, 2005.

VOTED that the Board of Regents appoints Dr. Bennetta Washington Jules-Rosette and reappoints Edward J. Casselle, Elliot Lawrence, and Brian S. Leyden to the Board of the National Museum of African Art for three-year terms effective January 1, 2005.

VOTED that the Board of Regents appoints Dr. Peter Buck, Dr. Rita R. Colwell, and Jerold J. Principato, M.D., to the Board of the National Museum of Natural History for three-year terms effective January 24, 2005, and reappoints Paula Apsell and Robin Martin for three-year terms effective May 31, 2005.

VOTED that the Board of Regents appoints Elouise C. Cobell to the Board of Trustees of the National Museum of the American Indian for a one-year term effective February 1, 2005.

VOTED that the Board of Regents appoints H.P. "Pete" Claussen, Mallory Walker, and John Wilmerding to the Commission of the National Portrait Gallery for four-year terms effective September 1, 2004.

VOTED that the Board of Regents reappoints Shelby M. Gans, Ken Hakuta, and Samuel G. Rose to the Commission of the Smithsonian American Art Museum for four-year terms effective January 1, 2005.

VOTED that the Board of Regents reappoints Gary M. Beer, John R. Dailey, and Alice C. Maroni and appoints Sheila P. Burke to the Board of Directors of Smithsonian Business Ventures for one-year terms effective October 1, 2004.

AMENDMENTS TO THE BYLAWS OF SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the National Museum of African Art Board.

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Smithsonian Business Ventures Board of Directors.

* * * * *

The Regents approved the proposed amendments to the bylaws of two Smithsonian units. Revisions to the Bylaws of the Board for the National Museum of African Art will facilitate conformance with the Regents' Guidelines on Advisory Boards and provide for a more effective mode of operations, in addition to adding a new standing committee, renaming two committees, increasing flexibility in the election of officers, and clarifying committee memberships. Changes to the Bylaws of the Smithsonian Business Ventures Board of Directors will increase the size of the Board by one member and include the positions of Deputy Secretary and Chief Operating Officer and Chief Financial Officer on the Board.

DESIGNATION OF HANNA H. GRAY AND WESLEY S. WILLIAMS, JR., AS REGENTS EMERITUS

VOTED that the Board of Regents confers the title of Regent Emeritus on Hanna H. Gray and Wesley S. Williams, Jr., effective April 13, 2005, with heartfelt gratitude for the outstanding service they have provided to the Smithsonian Institution.

* * * * *

With the exception of Mr. Williams, who excused himself from the vote, the motion was unanimously approved.

REPORTS OF SELECTED ADVISORY BOARDS

Reports from the advisory boards of Smithsonian Business Ventures (SBV) and the Smithsonian Institution Libraries (SIL) were reviewed as part of an ongoing effort to facilitate communication between the Smithsonian's advisory boards and its Board of Regents. The value of both reports

was noted by the Secretary. The report from SBV Board Chairman Adolpho Marzol said that the Board is engaged in an extensive five-year review of SBV's results, the results of which will be shared upon completion, and praised the collaborative efforts of SBV management. In response to SIL Board Chair Rosemary Ripley's commitment to enhancing the understanding and visibility of the Libraries, the Regents welcomed the Secretary's proposal of a future presentation to the Regents about the Libraries' mission, scope, and initiatives.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

The Audit and Review Committee met on January 24, 2005, prior to the meeting of the Committee of the Whole. Guided by Chairman Sant, the Committee discussed the Smithsonian's fiscal year 2004 audit as conducted by external auditors KPMG LLP. The Institution's audit did not note any material weaknesses and was completed as planned on an accelerated schedule, offering the Committee its first-ever opportunity to conduct the January review with audited actuals. The Regents discussed the Smithsonian's auditing process and its movement towards a corporate-based model and, with respect to the Smithsonian's internal auditing process, the Chairman noted that the search for a successor to Inspector General Blair is close to completion. During its Executive Session with KPMG, the Committee discussed two items of concern: the recent delay in the implementation schedule of the PeopleSoft financial system and the paucity of staff in the Office of the Comptroller.

LEGISLATIVE ACTIVITIES AND ISSUES

Smithsonian-Related Legislation

The report from the Office of Government Relations noted that Public Law No. 108-331 was signed into law on October 16, 2004, authorizing the construction of facilities to support the Smithsonian Astrophysical Observatory's Very Energetic Radiation Imaging Telescope Array System (VERITAS) at Kitt Peak, Arizona. Funding (\$990,000) for the project was included in the final fiscal year 2005 Omnibus Appropriations Act.

Other legislative actions of interest to the Smithsonian include the Commission to Establish the National Museum of the American Latino Act of 2004, which remained pending in the House at the adjournment of the 108th Congress; the American History and Civics Education Act, which stalled in the House due to external objections unrelated to the Smithsonian; the Charles Peter Conrad Astronomy Awards Act, which was passed by the House but remains pending in the Senate; Commuter Transit Subsidies, which remains on the House calendar but was not amended in Committee to provide funding to offset the estimated \$4 million annual cost to the Smithsonian; and the National Invasive Species (NISA) Legislation, which died upon adjournment but will be reintroduced early in the 109th Congress.

REPORT OF THE GENERAL COUNSEL

January–December 2004

During calendar year 2004, the Office of the General Counsel reported approximately 31 administrative EEO complaints, 12 Rehabilitation Act advice matters, and 40 administrative tort claims that required the active involvement of the Office of the General Counsel attorneys. During this period there were 28 active litigation cases, of which seven were new, 11 were closed, and 15 will carry over into 2005. The report from the General Counsel also offered highlights of the Smithsonian's Indemnification Policy for the Regents' review.

OVERVIEW OF PUBLISHING VENTURE BETWEEN SMITHSONIAN INSTITUTION AND HARPERCOLLINS PUBLISHERS

Smithsonian Business Ventures (SBV) has developed a no-risk strategic partnership with HarperCollins Publishers (HCP) to co-brand and -publish over 100 non-fiction and popular reference titles per year. Scheduled to launch in fall 2005, the venture combines the financing and infrastructure of HCP with the editorial perspective of the Smithsonian. HCP has committed to fund all of the acquisition, manufacturing, and sales and marketing costs associated with the publishing program, in addition to addressing the licensing fees and distribution components of the commercially viable portion of the Smithsonian's library of backlist titles. The Smithsonian's scholarly publications division will remain under the purview of the Under Secretary for Science.

DONOR RECOGNITION AND CORPORATE SUPPORT

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 previously authorized by the Board of Regents:

VOTED that the Board of Regents recognizes the generosity of Barbara G. Fleischman to the Archives of American Art and, in so doing, gratefully creates an endowment and names it in honor of her late husband. In addition, the Board of Regents further recognizes Mrs. Fleischman's generosity by naming the Archives of American Art's gallery in the Patent Office Building in honor of her late husband.

VOTED that the Board of Regents recognizes the longstanding involvement, generosity, and dedication of the Upton Trust and its advisors, the Tupper family, and, by means of their gift, gratefully creates an endowment to benefit the Smithsonian Tropical Research Institute. Further, this endowment is to be named the Upton Trust Chair. In addition, the Board grants the Upton Trust the future right to recommend the renaming of the endowment with the subsequent consent of the Board of Regents and confirms that any approved name will be associated with the endowment in perpetuity.

VOTED that the Board of Regents recognizes the generosity and dedication of an anonymous donor and, by means of the donor's gift, gratefully creates an endowment to benefit the National Museum of American History, Behring Center. Further, this endowment is to be named the Director's Endowment Fund. In addition, the Board grants the donor the future right to recommend the renaming of the endowment with the subsequent consent of the Board of Regents and confirms that any approved name will be associated with the endowment in perpetuity.

VOTED that the Board of Regents recognizes the generosity and dedication of Frederick M. Bayer to the Smithsonian Institution Libraries and gratefully establishes an endowment by means of this gift. Further, this endowment is to be named the Frederick M. Bayer Endowment for Natural History Acquisitions.

VOTED that the Board of Regents recognizes the generosity and dedication of Dr. Bruce B. Collette to the Smithsonian Institution Libraries and gratefully establishes an endowment. Further, this endowment is to be named the Bruce Collette Fishes Acquisitions Fund.

VOTED that the Board of Regents recognizes the generosity of Morgan Stanley to the National Museum of American History, Behring Center, for its support of the temporary exhibition Azucar!: The Life and Music of Celia Cruz and a subsequent traveling exhibition and accepts this marketing sponsorship agreement.

RELOCATING OCCUPANTS AND PROGRAMS FROM THE ARTS AND INDUSTRIES BUILDING

During its morning meeting, the Committee of the Whole discussed the closing of the Arts and Industries Building (AIB) and the planned relocation of its occupants. It was reported that plans have been developed for all moves necessary to vacate the AIB and that long-term lease agreements have been negotiated that offer a projected savings of 10 million dollars.

PLANNING FOR THE NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

During both the morning meeting of the Committee of the Whole and the afternoon Board of Regents' meeting, the Regents reviewed the benchmarks achieved towards the realization of the National Museum of African American History and Culture (NMAAHC). The Secretary submitted that the search for the Museum's director was close to completion, the inaugural meeting of the Museum's Council was pending, and that four potential construction sites are under evaluation and will be reviewed by Council members during their meeting. Also noted were the ongoing efforts by the Office of the Deputy Secretary to coordinate resources from within and outside of the Smithsonian to advance the development of the new museum.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

In the absence of Committee Chairman Spoon, Mr. Sant gave the Regents a summary of the Committee's January 11, 2005, meeting and reported on the creation of the Committee's new subcommittee on alternative investments. Also reviewed were the Institution's fiscal year 2004 report and the outlook for Federal funding for fiscal years 2005 and 2006.

Because of an accelerated audit schedule, the fiscal year 2004 review was completed with audited actuals. During fiscal year 2004, the Smithsonian realized a number of extraordinary accomplishments, such as the opening of two new museums; the dedication of two major scientific research facilities; the celebration of three nationally recognized events on the Mall; and the premiere of two major, state-of-the-art permanent exhibits. The Smithsonian's net worth increased by \$148 million, as the performance of both the Endowment and Smithsonian Business Ventures surpassed expectations and the non-Federal component of the Institution's budget ended the year with a surplus (although the uncertainty of unrestricted Trust resources again prompted management to reduce unrestricted Trust expenses). Federal funding for the revitalization of physical facilities represented a marked increase over prior years but remains insufficient for the Institution's needs and can not address the findings of the Congressionally mandated report by the National Academy of Public Administration (NAPA). Major capital projects remained on schedule and on budget during fiscal year 2004, and other upgrades (financial, security, and phone systems) continued apace, despite staff shortfalls and resource constraints.

The Smithsonian's fiscal year 2004 achievements are especially noteworthy given the fiscal challenges created by the war on terrorism and the growth of the Federal deficit. The outlook for sizeable increases in Federal appropriations, however, is poor and the ever-present threat of domestic terrorist activity dampens the Smithsonian's prospects of returning to the visitation levels enjoyed prior to September 11, 2001. Looking forward, it remains an enormous—yet critical—challenge to secure adequate Federal funding and to sustain long-term support for it.

The recently signed omnibus appropriations bill for fiscal year 2005 includes a modest 3.1% increase for the Smithsonian. This funding (including a net increase of only \$236,000 for salaries and expenses) is essentially flat in comparison to the fiscal year 2004 appropriation and will require some serious cutbacks at the Institution in order to meet all essential Smithsonian needs.

Despite funding approval for select line items, the Institution is facing a \$7.0 million across-the-board reduction in allocated funds. Furthermore, Congress mandated a 3.5% pay raise for fiscal year 2005, although funding was not included in the Smithsonian's budget. This decision requires the Institution to absorb an additional \$11 million in salary increases, which comes on top of \$9.3 million in unfunded pay increases during fiscal years 2003 and 2004. All of these non-funded mandatory pay increases mean that the Institution must continue to reduce its funded staff, which will be addressed through targeted reductions.

In contrast to the overall decline in funding for salaries and expenses, appropriated funds for fiscal year 2005 include a 17% increase in facilities capital funding. This increase does not reach the Institution's goal of \$150 million* per year for facilities revitalization, but does continue progress toward that target and signals the growing recognition of the poor condition of

Smithsonian facilities. Numerous challenges, however, remain: continuing the renewal at the National Zoo, revitalizing the infrastructure at Natural History and American History to complement exhibit renewals, and the rehabilitation of the historic Arts and Industries Building, just to name a few. (**This amount was determined by the Congressionally mandated NAPA report, which notably did not anticipate the addition of post-9/11 security requirements and new museums such as those of the American Indian and African American History and Culture.*)

In light of the ongoing war on terrorism and record Federal budget deficits, fiscal year 2006 was expected to be a very difficult year for the Smithsonian's Federal budget and, indeed, the Office of Management and Budget (OMB) initially recommended a 3.4% reduction in Smithsonian funding. However, based on the Smithsonian's appeal and strong Regent support, OMB agreed to support a fiscal year 2006 budget request of \$615 million for Smithsonian, which is even with its fiscal year 2005 appropriation. The OMB-approved funding for fiscal year 2006 will continue progress in meeting the Institution's most critical facility revitalization needs, albeit at a slower pace than in fiscal year 2005 and not at the \$150 million annual level recommended by NAPA. Furthermore, the funding is well short of what is needed to sustain the Institution's facilities, fix the Institution's obsolete information technology systems, or make further progress on improving the Institution's science infrastructure.

Given the current budget climate, a Smithsonian budget that holds fiscal year 2006 funding at the fiscal year 2005 level is not ideal but is better than that faced by many non-defense government agencies. The Regents therefore approved the following motion:

VOTED that the Board of Regents authorizes the Secretary to submit to Congress a Federal budget for fiscal year 2006 as part of the President's budget in the amount negotiated with OMB and authorizes the Secretary to inform OMB and Congress fully about the implications of the President's budget for the mission and priorities of the Institution.

REPORT OF THE NOMINATING COMMITTEE

The Nominating Committee met on November 15, 2004, to formulate its recommendations with respect to memberships of the Regents' committees in 2005 and the selection of nominees for appointment as "citizen" members of the Board of Regents. Mr. Williams commended the efforts of the Nominating Committee and similarly praised the outstanding list of candidates presented for consideration to fill the pending vacancies on the Board of Regents. After acknowledging that additional appointments may be considered later this year, the Regents approved the following motions:

VOTED that the Board of Regents accepts the Report of the Nominating Committee and approves the appointment of members to the Regents' committees for calendar year 2005, as proposed.

VOTED that the Board of Regents nominates Robert P. Kogod, of Washington, D.C., and Shirley Ann Jackson of Troy, New York, for statutory terms of six years, succeeding Wesley S. Williams, Jr., and Hanna H. Gray, respectively, effective April 13, 2005. Furthermore, the Board asks its Congressional members to introduce and support legislation to this effect as soon as possible.

INSTITUTIONAL FUND-RAISING PRIORITIES

The Secretary emphasized the positive momentum generated by the Smithsonian's achievements in fiscal year 2004 and noted that these successes are part of a continuum of significant initiatives, many of which remain open and in need of funding. The Smithsonian has therefore established a pan-Institutional fund-raising goal of \$86 million for fiscal year 2005. As outlined by the Secretary, the current and upcoming fund-raising priorities for the Smithsonian include: the successful completion of the Patent Office Building renovation; additional fund raising for the restoration of the Star Spangled Banner; construction of the Udvar-Hazy restoration, library, and archive facilities; launching the new Ocean Science Initiative (which will be larger than the current Hall of Mammals); completing upgrades at the National Zoo; and initiating a long-overdue update to Natural History's Hall of Dinosaurs. Additionally, funds have yet to be raised for the creation of a *Human Origins* exhibition at Natural History, which is currently estimated to cost \$26.7 million. Fund raising in the private-sector also will be critical to the successful launch of the new National Museum of African American History and Culture, and an expanded program of endowed directorships for the Institution's museums and research centers will be needed to support the Institution's mandate to support the "increase and diffusion of knowledge."

HIGHLIGHTS OF THE SMITHSONIAN INSTITUTION'S ACCOMPLISHMENTS

A Report of Fiscal Year 2004 Achievements

During the morning meeting of the Committee of the Whole, Deputy Secretary Burke gave a comprehensive overview of the Smithsonian's achievements during fiscal year 2004 and the challenges that lie ahead in fiscal years 2005 and 2006. The Deputy Secretary noted that the Smithsonian dramatically increased the public's engagement with the Institution by opening two new museums, revitalizing several significant exhibition halls, and staging three major events on the National Mall. The Institution strengthened scientific research by opening two new research facilities, gaining re-accreditation for the Zoo, and furthering scientific discoveries. Management excellence was advanced by reorganizing leadership, revitalizing facilities, modernizing IT and financial systems, developing exhibition standards, and reviewing collections management systems. Additionally, the financial strength of the Smithsonian was enhanced by exceeding goals in fund-raising and business activities, securing record levels of grants and contracts, achieving a surplus in unrestricted central Trust funds, and realizing improved endowment growth.

Looking ahead, numerous challenges await in fiscal years 2005 and 2006. Increasing Federal support for operating expenses is a critical challenge, in addition to reshaping the Smithsonian workforce and keeping pace with post-9/11 security demands. Other targeted goals include the

elimination of facilities maintenance backlogs; raising private funds for museum enhancement; upgrading substandard information systems; reopening two closed buildings; planning for the new National Museum of African American History and Culture; and continuing to deliver new museum exhibitions on time. The Smithsonian also continues to face visitation problems in the post-9/11 environment and must improve upon its business net gains and endowment returns.

EXECUTIVE SESSION, INCLUDING THE REPORT OF THE COMMITTEE ON COMPENSATION AND HUMAN RESOURCES, AND ADJOURNMENT

During the Executive Session of the Meeting of the Whole, the Regents reviewed the recommendations of the Committee on Compensation and Human Resources, which had met on December 8, 2004. The compensation packages contained in the Committee's report were based in part on the comparability findings of the independent consultant group Watson Wyatt. The Committee's recommendations were approved without further discussion at the afternoon Board of Regents meeting, which concluded at 2:15 p.m., after which a brief Executive Session was held without the Secretary.

REGENTS' DINNER AND MONDAY MORNING EVENTS

A small, casual dinner was held on Sunday evening at the Steven F. Udvar Hazy Center to honor Regents Williams and Gray, whose second terms expire in April 2005. Unfortunately, Ms. Gray could not attend due to inclement weather.

On Monday morning, the Regents met at the American History Museum for a 9:00 a.m. tour of *The Price of Freedom: Americans at War* led by Museum Director Brent Glass. The Regents then moved to the Regents' Room in the Smithsonian Castle for the meeting of the Committee of the Whole.

During lunch, an illustrated lecture entitled "What Does It Mean to be Human?" was offered by Rick Potts, the director of the Smithsonian's Human Origins Program and curator of anthropology at the National Museum of Natural History. Dr. Potts guided the Regents and senior Smithsonian managers through a fascinating summary of human origins and the influence of environmental instability on human development.

Summary Proceedings of the Board of Regents

May 9, 2005

WELCOME TO NEW REGENTS

The new members of the Board of Regents, Congressional Regent Xavier Becerra of California, citizen Regent Shirley Ann Jackson of New York, and citizen Regent Robert P. Kogod of the District of Columbia, were extended a warm welcome by Executive Committee Chair Roger W. Sant, who officiated at this plenary meeting of the Smithsonian's Board of Regents. Also introduced were new and current assistants to the Congressional Regents, and Sally Rider, assistant to the Chief Justice, who was thanked for her years of dedicated service.

REPORT OF THE EXECUTIVE COMMITTEE

The Regents' Executive Committee met on April 19, 2005, and approved the proposed agenda for the May 9, 2005, meeting of the Board of Regents and reviewed the anticipated agenda for the May 9 meeting of the Committee of the Whole. Secretary Lawrence M. Small and the Committee discussed the upcoming presentations to the Regents on significant financial matters, real-estate transactions, and major developments at the Smithsonian's National Museum of American History and National Museum of Natural History.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

The Smithsonian National Board (SNB) held its mid-winter meeting on January 27–29, 2005, in Washington, D.C., where it reconvened on April 14–16 for its spring meeting. In January, the Education Committee met with the Council of Chief State School Officers (CCSSO) to discuss national educational goals and objectives that the Smithsonian is well-positioned to address. The Committee subsequently examined two issues — essential critical thinking skills and competencies — during its spring meeting. The Education Committee also noted that the Lemelson Education Initiative, a program underwritten by SNB member Dorothy Lemelson and designed to recognize excellence in science education, had awarded a grant to Smithsonian educators Jennifer Buff (Conservation and Research Center), Paul Dewey (National Zoological Park), and Mark Haddon (Smithsonian Environmental Research Center) for their collaborative efforts.

As reported by the Development Committee, members raised \$575,912 in unrestricted funds for the Smithsonian and made almost \$10 million in additional gifts and pledge payments to Institutional priorities in all areas. The Development Committee also noted that, as a result of making a minimum unrestricted gift to the Institution, each Smithsonian National Board member has become a member of the James Smithson Society. The Smithsonian Across America Committee detailed its ongoing cultivation of relationships with community leaders across

America through a number of special events hosted by National Board members in their home communities.

The Alumni Committee reported that it is actively planning the Second Annual Alumni Reunion, which will be held in conjunction with the October 2005 Smithsonian National Board Meeting, and that a number of former SNB members have renewed their commitment to the Smithsonian.

Upon the recommendation of the Smithsonian National Board's Nominating Committee, the Regents approved the following motion:

VOTED that the Board of Regents appoints Peggy Paulson Burnet, Sakurako D. Fisher, and Steven G. Hoch to the Smithsonian National Board for three-year terms effective October 2005 and reappoints Claudia Allen for a three-year term effective January 2005.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents appoints Wendy Jeffers to the Board of Trustees of the Archives of American Art for a three-year term effective October 18, 2005.

VOTED that the Board of Regents appoints Michael E. Feng and Martin J.G. Glynn and reappoints Jeffrey P. Cunard and Mary Ebrahimi to the Board of the Freer Gallery of Art and Arthur M. Sackler Gallery for four-year terms effective September 2005.

VOTED that the Board of Regents appoints Robert J. Mittman to the Board of the National Air and Space Museum for a three-year term effective March 2005.

VOTED that the Board of Regents appoints Judah Best to the Commission of the Smithsonian American Art Museum for a four-year term effective June 30, 2005.

VOTED that the Board of Regents appoints Midgett S. Parker, Jr., to the Advisory Board of the Smithsonian Environmental Research Center for a three-year term effective March 30, 2005.

VOTED that the Board of Regents appoints Deborah A. Widener to the Board of Directors of Smithsonian Business Ventures for a two-year term effective September 30, 2005.

AMENDMENTS TO THE BYLAWS OF THE BOARD OF TRUSTEES OF THE HIRSHHORN MUSEUM AND SCULPTURE GARDEN

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Board of Trustees of the Hirshhorn Museum and Sculpture Garden.

The amendments to the Bylaws of the Board of Trustees of the Hirshhorn Museum and Sculpture Garden are intended to clarify the roles of the officers, establish and/or rename several committees, and facilitate modern communications so that the Board is better positioned to fulfill its mission to provide advice and assistance to the Board of Regents of the Smithsonian Institution on matters relating to the administration, operation, maintenance, and preservation of the Hirshhorn Museum and Sculpture Garden.

REPORTS OF SELECTED ADVISORY BOARDS

As part of an ongoing effort to facilitate communication between the Smithsonian's advisory boards and the Board of Regents, the Regents reviewed reports from the advisory boards of the Cooper-Hewitt, National Design Museum; the Freer and Sackler Galleries; the Hirshhorn Museum and Sculpture Garden; and the National Museum of African Art. The Secretary noted that the reports reflect both the differences and the burgeoning levels of energy and participation within the 35-some advisory boards to the Institution.

Paul Herzan, president of the Cooper-Hewitt, National Design Museum Board of Trustees, highlighted the Board's commitment to supporting the Museum's dual challenge of expanding its facilities and securing the resources to do so; its focus on increasing the size, quality, and content of the Museum's physical and virtual visitorship; and its interest in maximizing Smithsonian resources and networks, in addition to participating in the creation of a strategic plan for the arts at the Smithsonian.

Jeffrey P. Cunard, chairman of the Board of Trustees of the Freer Gallery of Art and the Arthur M. Sackler Gallery, detailed the increased engagement of that Board with the galleries, their staff, and, notably, Freer and Sackler Galleries Director Julian Raby. The content and frequency of the meetings of the Board and its committees have expanded as the Trustees actively address issues currently confronting the galleries, such as the decrease of Federal appropriations, while also supporting initiatives to best position the galleries for the future, such as plans for the upcoming centennial of Charles Lang Freer's gift to the nation.

J. Tomilson Hill, the chairman of the Board of Trustees of the Hirshhorn Museum and Sculpture Garden, reported on the Board's increased efforts to strengthen the short- and long-term financial health and management stability of the Museum. The Board is also engaged in the Museum's year-long "envisioning project," during which artist Olafur Eliasson will work with the Hirshhorn staff and Board leadership as a creative consultant; efforts to address difficulties with the Smithsonian's accounting system; and a systematic review of the Board's own governing process.

The report from Chairman of the National Museum of African Art Commission J. Thomas Lewis noted the Commission's concern about the ongoing impact of the events of 9/11 on the Museum's visitorship; the effect of Federal funding shortfalls, which are acutely felt by the Museum; and, without the managerial authority over personnel and financing, the difficult task of developing an effective Commission for the Museum.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

The Audit and Review Committee met on April 20. Chief Financial Officer Alice C. Maroni reviewed several key financial issues, including the success of the ongoing acceleration of the financial statement. Less success was reported with the new financial system which, as a consequence of cuts by the Office of Management and Budget in the Institution's budget request for fiscal year 2006, will not be implemented until, at the earliest, fiscal year 2009. Nonetheless, it was reported that monthly reporting is improving, monthly closings are cleaner and faster, and the account reconciliation process for the general ledger and banking functions is notably better. The Committee received an update on the Institution's phased review of internal controls, and it was noted that no material weaknesses were revealed in any of the examined controls. The current decentralization and complexities of the Institution's banking activities and the Institution's Compliance Review Program were discussed with Comptroller Andrew J. Zino, after which a short Executive Session was held with Inspector General Debra S. Ritt.

LEGISLATIVE ACTIVITIES AND ISSUES

Smithsonian-Related Legislation

The Secretary thanked the Congressional Regents and their respective offices for their tireless efforts to support the successful nominations of citizen Regents Jackson and Kogod. He then discussed Congressional Regent Xavier Becerra's proposed legislation to create a commission to study and report on the establishment of a National Museum of the American Latino Community.

Other Federal legislative activities reviewed included the introduction of H.R. 1283 (the "Federal Transit Benefits Act"), which directs certain Federal agencies, including the Smithsonian, to provide full tax-free transit benefit to employees in the National Capital Region (although the legislation does not authorize appropriations to offset the program's costs) and H.R. 1023 (the "Charles 'Pete' Conrad Astronomy Awards Act"), which authorizes the National Aeronautics and Space Administration (NASA) to establish an awards program to recognize discoveries by amateur astronomers of asteroids with near-earth orbit trajectories. Also considered were H.R. 1057 (the "True American Heroes Act of 2005"), which authorizes a single Congressional gold medal to be awarded (and placed on permanent display in the Smithsonian) in honor of all Federal and state government workers who died while responding to the September 11, 2001, attacks and H.R. 687 (the "Commission for the Sesquicentennial Commemoration of the Civil War"), which would create a commission to commemorate the sesquicentennial of the American Civil War, in addition to authorizing the establishment of a grant program to support the efforts of museums and other institutions to commemorate the role of African Americans in the Civil War.

Finally, Deputy Secretary Sheila P. Burke said that the Smithsonian-related legislation in the House Appropriations Bill would go before the Full Committee on May 12, noting that essentially no cuts made to the President's request and that limited funds in fact were added. She then gratefully acknowledged Congressman Regula's efforts on behalf of the Institution.

REPORT OF THE GENERAL COUNSEL

January – March 2005

During the opening discussion of the Report of the General Counsel, the Regents were reminded of their obligation to complete their Annual Disclosure Statements, after which Under Secretary for Science David L. Evans reported that work on the project site for the Smithsonian Astrophysical Observatory's Veritas telescope project has been temporarily halted pending a more thorough consultation with the local Indian tribe. It was then noted that during January through March 2005 there were approximately 16 administrative complaints, three Rehabilitation Act advice matters, and 71 administrative tort claims that required the active involvement of the Office of the General Counsel staff. During this period, there also were 18 active cases, of which three were new and none were closed. In closing, the Regents were updated about recent clarification of Federal immunity coverage for Smithsonian management during the litigation of copyright issues.

UPDATE ON SMITHSONIAN BUSINESS VENTURES

It was noted that Smithsonian Business Ventures (SBV), buoyed by retail activities in the museums, will likely surpass its budget for the year and net approximately \$30 million. Discussion followed regarding the proposed joint venture between the Institution and Showtime Networks/Viacom, Inc. to provide a stand-alone programming service. (Regent Patricia Q. Stonesifer, a board member of Viacom, recused herself from this portion of the meeting.) Under the proposed terms of the agreement, a library of Smithsonian video programs will be produced and distributed by Showtime as a strategic partner of the Institution. Negotiations for this "video-on-demand" service seek to establish a mutually beneficial agreement that protects the intellectual property and trademark rights of the Institution while offering a viable investment opportunity for Showtime/Viacom.

The Board then approved the following motion to support the development of this venture:

VOTED that the Board of Regents authorizes its Executive Committee to empower the Secretary to enter into definitive agreements with Showtime Networks/Viacom, Inc. to form a joint venture to develop, launch, and operate an educational Smithsonian-branded video-on-demand cable and satellite television programming service.

DONOR RECOGNITION AND CORPORATE SUPPORT

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 previously authorized by the Board of Regents:

VOTED that the Board of Regents recognizes the generosity and dedication of PACCAR Inc to the National Museum of the American Indian and gratefully approves the naming of Meeting Room Three in its National Mall museum in the donor's honor.

VOTED that the Board of Regents recognizes the generosity and intellectual enthusiasm of Dr. Frank Levinson to the Smithsonian Tropical Research Institute and, by means of this gift from the Frank Levinson Family Foundation and consistent with Dr. Levinson's wishes, gratefully creates an endowment to benefit scientific research at the Smithsonian Tropical Research Institute. In addition, this endowment is to be named in perpetuity the Frank Levinson Family Foundation Endowment, in accordance with the wishes of Dr. Levinson.

VOTED that the Board of Regents recognizes the generosity and dedication of the Smithsonian Environmental Research Center's Advisory Board and other donors and gratefully establishes an endowment to benefit the Center's mission of coastal zone environmental research and education. The endowment is to be named the Smithsonian Environmental Research Center Endowment. In addition, the Board authorizes the transfer of funds identified for this endowment.

VOTED that the Board of Regents recognizes the generosity and dedication of Mark Pigott to the National Museum of the American Indian on the National Mall and gratefully approves the installation of a plaque in the building's Tlingit Conference Room that recognizes the Pigott family. The plaque will remain in place for 10 years or until the next comprehensive renovation of the space, whichever first occurs.

VOTED that the Board of Regents recognizes the generosity and dedication of the Harrah's Foundation to the National Museum of the American Indian on the National Mall and gratefully approves the installation of a panel in the building's Conference Center Overlook that recognizes the Foundation.

ADMINISTRATIVE AND COLLECTION STORAGE SPACE UPDATE

During the morning meeting of the Committee of the Whole, the Deputy Secretary gave a comprehensive overview of the Smithsonian's ongoing efforts to address space-planning and real-estate issues in order to maximize the efficient and functional use of space for the Institution. These issues include the necessary relocation of tenants from the deteriorating Arts and Industries Building; the anticipated move of the Smithsonian Institution Service Center from the 1111 North Capitol Street site, which is also in poor condition; the prospective sale of underutilized storage space at the Cinderbed Road facility in Fullerton, Virginia; and the deteriorating conditions at the Institution's leased space in Columbia, Maryland. Also considered were options to address the identified need for approximately 70,000-square feet of space for collections storage and other storage needs over the next three years. The Office of Facilities Engineering and Operations (OFEO) will continue discussions with units requesting additional administrative space and work towards identifying sources of funding for additional relocations, fit-out, and lease costs.

REPORT OF THE GOVERNMENT ACCOUNTABILITY OFFICE ON SMITHSONIAN FACILITIES

During its morning meeting, the Committee of the Whole discussed the report of the Government Accountability Office (GAO) on Smithsonian facilities, which was not released from the House Committee on Transportation and Infrastructure until the end of May. Entitled “Smithsonian Institution: Facilities Management Reorganization is Progressing, But Funding Remains a Challenge,” the report concludes that it is of vital importance to correct the deteriorating conditions of the Smithsonian’s facilities. The report went on to recommend that the Smithsonian Secretary establish a structured process to explore various funding options to address these problems, including those that may require legislative authorization, and that this effort culminate in the development and implementation of a strategic funding plan. The Institution, which already has been aggressively analyzing the issues of facilities revitalization and funding solutions to address this critical problem, concurs with both the conclusions and recommendations of the GAO report.

PLANNING FOR THE NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE

The Deputy Secretary reported on the significant milestones that have been reached in the development of the Smithsonian’s newest museum. Lonnie Bunch will assume his position as the Museum’s first director on July 1, 2005; additional staff is being hired and, using existing resources and fiscal year 2005 appropriations, Museum programs, research, and publicity are being initiated; the Museum’s Advisory Council held its first meeting on February 8, 2005; and a pan-institutional survey of the Smithsonian’s collections is under way. Evaluations of four potential sites for the Museum are being conducted by an outside contractor, whose final report is scheduled to be presented in October 2005. Although the final selection of the Museum’s site will be made by the Board of Regents during its January 2006 meeting, the Regents agreed that the recommendation of the Museum’s Advisory Council, in addition to feedback gathered during a lengthy public review process, will help inform the Board’s decision.

STATUS OF PATENT OFFICE BUILDING’S RENOVATION AND ENHANCEMENT PROJECT

Deputy Secretary Burke reported that construction of the Patent Office Building’s base building is within the Federal construction budget and on schedule for its July 4, 2006, opening. Phased beneficial occupancy will begin this summer, the solicitation of private funding for the completion of the building and its interior courtyard is ongoing, and the final dispersal of the Federal appropriations has been made. The Deputy Secretary added that construction delays in the courtyard enclosure project, which are largely due to necessary design adjustments, will necessitate a later opening than that for the base building.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

During the morning meeting of the Committee of the Whole, Chief Financial Officer Maroni presented the Smithsonian's mid-year financial update. Stating that "cautious optimism" best characterizes the financial picture of the Smithsonian, Ms. Maroni noted that the Smithsonian is largely on track to meet its budget. The Endowment continues to perform well; fund raising and philanthropic giving continues to be strong; Smithsonian Business Ventures continues to forecast growth in its net gain (to the benefit of critical mission areas supported by unrestricted dollars); and museum visitation continues to show slow, but steady recovery from the impact of 9/11. A number of notable transactions not anticipated in the budget, such as the successful sale of the National Museum of the American Indian's Bronx warehouse property, were also responsible for the positive variance in the Institution's forecast.

While emphasizing the considerable progress that the Institution has made in achieving its stated goals, the Chief Financial Officer detailed the impact of the fiscal year 2005 budget imposed by Congress and the significance of the Smithsonian's fiscal year 2006 budget (as approved by the Office of Management and Budget [OMB] and pending before Congress), which proposes to further reduce facilities capital funding by 28%. To emphasize the implications of this figure, Ms. Maroni noted that two-thirds of the Institution's support is in the form of Federal appropriations, which are not dependent on the success of business operations or fund raising.

Total revenues for fiscal year 2005 are now forecast to be under budget by \$21 million. This shortfall is due primarily to a nearly \$15 million decrease in Federal revenues from across-the-board reductions in appropriations imposed by Congress after the budget was prepared, in addition to delays in construction and staff relocations. Total expenses for fiscal year 2005 are also forecast to be under budget by \$15 million, reflecting both a slower rate of work performance on certain government awards and decreased spending in response to the uncertainty of management-imposed Federal and Trust hiring freezes (implemented in reaction to Congress's cuts) and the workforce planning process. Total *Federal* revenues (which are not recognized until spent) and expenses for fiscal year 2005 are forecast to fall short of the budget by nearly \$15 million because of the aforementioned Congressional cuts, delays in construction and staff relocations, and management's attempts to slow spending.

As Federal spending for operations, which includes pay and benefits, is the largest category of the Institution's budget, the fiscal year 2005 budget approved by Congress was not adequate to support the Institution's goals. Budgeted Federal spending increases in fiscal year 2005 were used predominantly for Congressionally mandated — but unfunded — pay increases for Federal employees; funding for the development of the new National Museum of African American History and Culture; and improved collections care at the National Museum of Natural History and pest control at the National Zoo.

The fiscal year 2006 budget now pending before Congress contains the funds required to pay for the Federal civilian salary increase proposed by the Administration (2.3%). In all probability, however, the budget will fall short of the salary increase likely to be approved (currently anticipated to be 3.1%). In combination, the fiscal year 2005 and fiscal year 2006 budget shortfalls clearly threaten the stability of the Institution's workforce, which already has sustained

a 22% reduction in its Federal ranks since fiscal year 1993, in addition to presenting a grim forecast for the Institution's facilities capital program.

The Smithsonian is dependent on Federal support for the revitalization and basic maintenance of its physical infrastructure. However, funding for Smithsonian facilities continues to be inadequate and falls well short of industry standards and the recommendation of the National Academy of Public Administration (NAPA). Moreover, funding for facilities revitalization efforts only promises to get worse in fiscal year 2006 and, as these problems remain inadequately or wholly unaddressed, the physical effects from this backlog will exponentially increase, as will the future expenditure of resources for their repair. The regrettable closing of the Arts and Industries Building is but one example of the effect of insufficient funding for the Smithsonian's facilities capital program.

Turning from the Federally funded portion of the Smithsonian's budget, the Chief Financial Officer updated the Regents on the status of Trust-based annual support, which comprises one-third of the Institution's budget. Trust-based funds in the Institution's budget are derived from both private-sector contributions and grants, and Federal agencies' contract and grants. These monies are divided into two categories: restricted and unrestricted Trust funds, which comprise, respectively, approximately 80% and 20% of the sum Trust budget. To date, overall fund raising at the Institution is ahead of its mid-year forecasted budget, though restricted Trust revenues and expenses for fiscal year 2005 are forecast to be under budget, in large part due to unanticipated performance decreases in sponsored-work projects.

The largest source of unrestricted Trust budget funds, which provide support for the central administration of the Institution, is revenue from Smithsonian Business Ventures (SBV). SBV reported that, on a consolidated basis, its "net gain" at mid-year was ahead of last year and ahead of the SBV budget for fiscal year 2005. Also, retail sales were higher than budgeted at all museums. The unrestricted payout from the Endowment, the other source of unrestricted Trust budget funds, projected a modest surplus at mid-year.

In her summary to the Committee of the Whole, the Chief Financial Officer emphasized that management remains steadfast in its dual commitment to meet budget and pursue its stated goals, adding that the Institution's accomplishments have been particularly significant in light of recent cuts in Federal funding. While highlighting the Institution's successful efforts to enhance its Trust budget funds, however, she made clear that those funds can in no way make up for shortfalls in Federal appropriations and that the Institution's revitalization backlog remains its biggest challenge. The Smithsonian's leadership is therefore single-minded in its pursuit of the Administration's and Congress's support for increased facilities capital funding, as that support is critical to fulfilling the Institution's mission.

During the afternoon meeting of the Board of Regents, Committee Chairman Spoon offered the report from the Finance and Investment Committee, including the unapproved minutes from its April 19 meeting, and presented a progress report on the activities of the Investment Subcommittee. During its inaugural meeting in March, the Subcommittee discussed ways to reduce volatility; improve returns; carefully change asset allocations and fund profiles; establish,

implement, and monitor guidelines; and define the investment vehicles that best fulfill the Institution's mission, in addition to the recruitment of good asset managers.

The Committee also reviewed the proposed Endowment payout and reaffirmed the Institution's policy, which provides for a five-percent payout on the five-year average market value of the Endowment. Accordingly, the Board of Regents approved the Committee's recommendation for the fiscal year 2006 Endowment payout:

VOTED that the Board of Regents accepts the recommendation of the Finance and Investment Committee and approves a payout rate of \$35.90 per share for all endowment funds for fiscal year 2006.

The presentation of the Finance and Investment Committee concluded with a review of the real-estate motion presented during (and subsequently revised after) the morning meeting of the Committee of the Whole. During that meeting, Deputy Secretary Burke presented an overview of the Institution's real-estate assets that comprise a critical study of best-use rationalization. To best enable the Secretary to advance such rationalization efforts, and to define the scope of his actions, the Board of Regents then approved the following motion:

VOTED that the Board of Regents supports the efforts of the Secretary to rationalize the real-estate holdings of the Institution and authorizes the Secretary to negotiate in the Smithsonian's best interest with the understanding that (1) all real-estate transactions with a net present value of \$10 million or more will require the approval of the full Board of Regents, (2) real-estate transactions with a net present value of \$5 million or more (but less than \$10 million) may be approved by the Executive Committee on behalf of the Board of Regents, and (3) all transactions likely to create public debate and/or having broad policy implications should be brought to the full Board of Regents.

REPORT OF THE NOMINATING COMMITTEE

Committee Chair Stonesifer reported the members' enthusiastic support of Regent Walter E. Massey as the designated representative of the Regents to the Advisory Council of the National Museum of African American History and Culture. It was duly noted that Regent Massey, a member of the Nominating Committee, absented himself from its discussions. The Regents then approved the following motion:

VOTED that the Board of Regents, in accordance with the Charter of the National Museum of African American History and Culture, designates Walter E. Massey as its representative on the Museum's Council, effective April 13, 2005.

Regarding upcoming openings on the Board of Regents, Regent Stonesifer shared the Committee's efforts to identify the key attributes, such as a passion for the Smithsonian and its mission, of ideal Board candidates. It was agreed that updated biographical summaries of current Regents will be provided to the Board to support their deliberations. The Regents also decided that, in light of the recent appointments of three new members to the Board of Regents,

Committee assignments would be reviewed during the September 2005 meeting, instead of waiting until January 2006.

EXECUTIVE SESSION

The Regents concluded their meeting at 2:45 p.m., after which a short Executive Session was held without the Secretary.

REGENTS' DINNER AND MONDAY MORNING EVENTS

On Sunday evening, the Regents attended a reception in the Enid A. Haupt Garden and dined in the renovated Castle Commons with major donors to the Smithsonian's science organizations, senior officers of the Institution, and spouses. In his remarks, Secretary Small presented commemorative plaques to each donor.

On Monday morning, the Committee of the Whole met at 9:00 a.m. in the Regents' Room in the Smithsonian Castle. As previously noted, Chief Financial Officer Alice C. Maroni gave a comprehensive, illustrated presentation of the Smithsonian's mid-year financial review and Deputy Secretary Sheila P. Burke reviewed the Institution's recent, pending, and potential real-estate transactions with another illustrated presentation. Under Secretary for Science David L. Evans then gave an illustrated introduction to the upcoming "Oceans" exhibition at the National Museum of Natural History; his talk included a video-animated virtual walkthrough of the exhibition. The meeting concluded with a review of renovation plans for the National Museum of American History, including its atrium and reinstallation of the Star-Spangled Banner. The Committee of the Whole then met for a brief Executive Session before adjourning for lunch.

During lunch, geologist and curator Dr. Jeffrey E. Post gave an illustrated introduction to the U.S. National Gem and Mineral Collection in the National Museum of Natural History's Department of Mineral Sciences. In addition to the dazzling slides of some of the nation's most prized gem and mineral specimens, Dr. Post presented some of the actual objects in the collection, including the recently gifted Carmen Lúcia Ruby.

Summary Proceedings of the Board of Regents

June 13, 2005

OPENING REMARKS

Mr. Sant noted in his opening remarks that this was the Regents' annual meeting to take a comprehensive look at the future. Mr. Sant first asked Secretary Small to update the Board about recent events that have impacted the construction schedule for the enclosed courtyard of the Patent Office Building.

UPDATE ON THE PATENT OFFICE BUILDING

Secretary Small briefly spoke of the history of the Patent Office Building, the home of the Smithsonian American Art Museum and the National Portrait Gallery. The third-oldest Federal building and the oldest building in the Institution, it was never completely restored until late 1999, when it was closed to begin infrastructure repairs and, ultimately, a massive revitalization at a cost of over \$200 million.

To enhance the building's usefulness as a center for artistic displays and events, the Institution decided to enclose its interior courtyard and construct the building's first auditorium underneath it. Acclaimed British architect Sir Norman Foster's design for a "floating" glass canopy roof received overwhelming support from the Commission of Fine Arts and from two preliminary votes by the National Capital Planning Commission (NCPC). At the NCPC's meeting in early June 2005, the proposition lost by one vote. As Deputy Secretary Burke explained, the Smithsonian is assessing architectural options to move the approval process forward, considering the potential impact of such changes on the project's costs and construction schedule, and consulting widely to determine the best strategies for resubmission to the NCPC in the fall.

FISCAL YEAR 2010: GOALS AND ASSUMPTIONS

Secretary Small opened the morning's deliberations with a brief introduction. Referring to his 2000 statement of the Institution's goals for this century's first decade, he asserted that those goals were still viable. He added, though, that he had been unaware of the full extent of the Smithsonian's physical disrepair at that time. The deterioration of the Institution's facilities was not properly documented until 2001, when a report by the National Academy of Public Administration (NAPA) confirmed that the Institution's facilities were in critical need of attention. Moreover, the report's estimated budget to address this overarching issue was far greater than expected, a fact that has been validated repeatedly by other studies, including the most recent estimate of \$2.3 billion by the Government Accountability Office (GAO).

The Secretary explained that the growing maintenance and revitalization backlog of the Smithsonian's facilities has become an all-consuming problem for the Smithsonian. He said that the Smithsonian is competing against Federal funding for defense and security and countervailing efforts to balance the national budget. If left unaddressed, however, the condition

of the Smithsonian's facilities will deteriorate exponentially and lead eventually to catastrophic failure. The Secretary then called upon the Regents to turn their full attention towards addressing this critically important issue.

THE SMITHSONIAN IN FISCAL YEAR 2010: GOOD NEWS/BAD NEWS

Deputy Secretary Burke framed the morning's discussions by outlining the demographic trends that will be shaping the United States — and the Smithsonian — in fiscal year 2010. The number and variety of Smithsonian visitors will increase by 2010, as well as the modes by which they interact with the Institution, such as the Internet. In response, the Smithsonian will continue to develop new ways to reach out to different audiences and compete for their attention. In addition, the Patent Office Building will reopen, along with a variety of new and exciting exhibitions throughout the Institution.

By 2010, the Institution will show notable changes in the occupational balance of its workforce, although the overall number of Federal and Trust employees will not change significantly. There will be added pressure on existing programs as the Institution increases the necessary number of facilities and security people and staff for new museums, in addition to paying for Federally mandated (but typically unfunded) pay raises. To fund these positions, the Smithsonian will be forced to decrease staffing for curatorial work, conservation, and research and anticipates that a significant number of currently filled positions will be eliminated by 2010, either through attrition or by closing down certain operations.

The most pressing challenge to the Smithsonian in fiscal year 2010, however, will remain its facilities maintenance and revitalization backlog, an overarching problem that has been independently verified by both the GAO and NAPA. Both reports cite the need for substantially increased Federal support to repair the Institution's aging infrastructure, without which the backlog will continue to grow, falling at least \$100 million short on an annualized basis by 2010.

As summarized by the Deputy Secretary, the Smithsonian is effectively anticipating the challenges it will face in 2010 and has launched a number of proactive initiatives. Examples of such actions include the development of its management structure; the expansion of the Regents' roles; the implementation of strategic planning and progress measurement initiatives; the improvement of human resource management practices; the launch of succession planning and management systems; and the initiation of an Institution-wide workforce planning process. Nevertheless, the combined effect of deteriorating facilities and chronic underfunding will remain the single biggest threat to the Smithsonian and its progress as a whole.

FISCAL YEAR 2010: BALANCED BUDGETS/CHRONIC UNDERFUNDING

The financial context for the meeting's discussions was provided by Chief Financial Officer Maroni, who stated that the word "paradox" best characterizes the Institution's financial forecast for fiscal year 2010. Whereas principal objective measures of the Smithsonian's financial health indicate that it will continue to be financially strong, it is evident that the anticipated growth of

the Institution's budget will not address its funding requirements and that critical financial realities will threaten the Smithsonian's performance of its mission.

The fiscal year 2010 forecast indicates that the net worth of the Smithsonian will increase by 50 percent over a 10-year period. The value of the endowment will rise to almost \$1 billion; the Institution's donation base will grow; Washington, D.C.-based visitation largely will rebound to 29 million annual visits; and Smithsonian Business Ventures' net gain will reflect the success of its new initiatives. Moderate growth in Federal funding is also anticipated.

Despite such projections, in fiscal year 2010 the Institution will face a projected \$2.3 billion shortfall in funding for facilities maintenance and revitalization, and Federal funding for operations will continue to be inadequate. The estimated facilities maintenance and revitalization backlog, which was validated in the 2005 report of the GAO, is comprised of a revitalization requirement of \$1.5 billion (as established in the 2001 NAPA report), plus \$800 million in ongoing deferred-maintenance costs (as noted in the GAO report). While facilities maintenance and revitalization has always been Federally funded, it was noted that the combined assets of the Institution's Trust budget and the net proceeds from Smithsonian Business Ventures could never address the Institution's projected shortfall.

To appropriately revitalize and maintain its current facilities, the Smithsonian requires \$255 million in average annual funding, which is a Federal obligation and cannot be addressed with non-Federal funds. Federal funding for facilities revitalization and maintenance has been consistently insufficient and, as was previously noted by the Deputy Secretary, by fiscal year 2010 will fall nearly \$100 million a year short of the requirements supported by the GAO report — despite the Institution's successful arrest of the growth of its facilities revitalization backlog since fiscal year 2000. Furthermore, the GAO report did not consider the routine facilities requirements demanded by the Smithsonian's new, Congressionally legislated museums, such as the National Museum of the American Indian and the National Air and Space Museum's Steven F. Udvar-Hazy Center.

In addition to inadequate funding for facilities, the Smithsonian will continue to experience a chronic shortfall in Federal funding for operations. Federal staffing for core activities will experience a significant decline by 2010. These unfortunate but necessary reductions have been and will continue to be used to help fund Congressionally mandated (but largely underfunded) Federal pay raises; routine facilities support for new, Congressionally legislated museums (which was not considered in the GAO report); and new requirements, such as post-9/11 security upgrades.

In response to this forecast, the Smithsonian is working aggressively to reshape its future. The Institution is conducting a best-use survey of its owned and leased space; aggressively working with the Administration and Congress on fiscal year 2006 funding for facilities; employing a workforce planning process to establish staffing priorities and limit growth; actively seeking additional government grants for scientific research; and exploring legislation to convert some Federally funded scientific positions into grant-funded jobs. With respect to the Trust budget, the Institution's fund raising is being raised to the next level, Smithsonian Business Ventures is

cultivating initiatives to further increase the Trust budget's net gain, and profound changes in the management of the endowment are expected to increase its long-term returns.

In summarizing her remarks, Ms. Maroni emphasized that the most pressing challenge confronting the Institution is and will continue to be its facilities revitalization problem. She also stressed the Institution's essential dependence on Federal support for basic facilities maintenance. While noting the tremendous strides that the Institution has made and will continue to make, she concluded that the Smithsonian's very mission is jeopardized by the lack of Federal support for the revitalization and maintenance of its facilities.

SMITHSONIAN BUSINESS VENTURES: FISCAL YEARS 2000–2010

Smithsonian Business Ventures (SBV) Chief Executive Officer Beer reviewed the status of and goals for SBV. In addition to its four lines of business (consumer magazine publishing, museum retail operations, mail-order and online catalogs, and consumer-product licensing), SBV launched two initiatives in 2005 (educational travel tours and a trade-book co-publishing venture). On a consolidated basis, SBV will generate about \$175 million in revenues this year and is expected to deliver \$30 million in net gain back to the Institution, which is about an 11 percent improvement over last year.

In fiscal year 2000, SBV achieved a near-record high of \$28 million in net gain, fueled primarily by *Smithsonian* magazine's advertising. In 2001, museum retail operations experienced a 42 percent drop as museum visitation plummeted after 9/11, and *Smithsonian* magazine was affected by the worst recession in the advertising industry since World War II. SBV's recovery began in 2003 and its decline in advertising and museum sales was reversed by 2004. New museum openings helped an overall five-point improvement in SBV's net gain in 2004, and performance continues to improve in 2005.

Based on a positive view of external market factors, SBV forecasts an annual growth rate of about eight percent over the next five years, with the net gain from operations rising from \$30 million to \$44 million in 2010. The projected \$14 million net gain will come from museum retail operations, *Smithsonian* magazine, and incremental gains generated by Smithsonian Journeys and Smithsonian Books. Two strategic partnerships under development could increase SBV's forecast net gain for 2010: an expansion of SBV's current media business beyond its magazines and an increase of the Smithsonian's share of D.C. tourism. Mr. Beer added that maintaining and enhancing the magazines' circulation will remain a top priority for SBV and emphasized the tremendous financial potential offered by the Institution's consumer "touch points" and intellectual property, including the authority and integrity of the Smithsonian brand.

FUND RAISING: FISCAL YEARS 2000–2010

Director of the Office of External Affairs Clark reviewed the Smithsonian's fund-raising efforts over the previous five years and projected where such initiatives will position the Institution in fiscal year 2010. The Institution has raised about \$900 million since the year 2000. Having secured about \$117 million thus far this year, the Smithsonian has surpassed its 2005 fund-

raising goal of \$90 million and will reach about \$130 million by the end of the year. The primary foci of the Institution's fund-raising efforts since 2000 have been buildings and construction, which have received about 35 percent of all directed funds, although a significant number of gifts also have been received this year for acquisitions and Smithsonian programs.

During the past five years, the sum value of significant gifts received from both corporations and foundations closely matched that from individuals, who were the source of about 49 percent of aggregate gifts to the Institution. By comparison, a recent national study of philanthropic giving indicated that individuals are responsible for about 82 percent of overall philanthropic giving, 76 percent of education-directed gifts, and about 35 percent of gifts to museums. Although the Smithsonian's rate of individual giving is higher than the national average for museums, the Institution will increasingly target the enormous potential of individual philanthropic support and aims to increase that share of total fund sources from 49 to 66 percent.

The Institution is projected to raise over \$1.5 billion for the 2000–2010 timeframe through the accelerated development of fund-raising programs at all levels. The primary beneficiaries will be the endowment, exhibits, and such programs as research centers and fellowships. The fund-raising forecast does not include gifts over the \$20 million level, although Ms. Clark noted that fund-raising efforts to obtain such gifts will continue and that the new National Museum of African American History and Culture will likely secure one or two extraordinary gifts.

While acknowledging that the Institution's private sector fund-raising efforts are not meant to address its looming \$2.3 billion shortfall of Federal facilities revitalization funds, Ms. Clark outlined the ongoing endeavors to cultivate donor opportunities. The Smithsonian has increased its visits to foundations and its proposal submission rate. Ms. Clark emphasized that, although unrestricted gifts are the most expensive and difficult to raise, they have proven to be the foundation for future larger gifts. Therefore, the Institution's leading unrestricted fund-raising programs —Contributing Membership Program and Planned Giving — are projected to increase by 20 percent and 400 percent, respectively, over the next five years.

REGENTS' DISCUSSION

The morning's presentations elicited focused discussions by the Board of Regents. The Regents were assured that the Institution continues to effectively secure funding, control spending, and maximize its resources.

The Smithsonian's intellectual and physical resources are unrivaled. The deferred maintenance and revitalization of its facilities, however, have been and will continue to be impacted by ongoing cuts in non-defense spending by the Federal government and the cumulative deterioration of its physical plant.

Recognizing that the deferred maintenance and revitalization problems present an ever-growing threat to the Institution's ability to sustain its mission, the Regents reviewed the viability of different funding options to address this critical issue. The Regents' discussion included the acceleration and/or development of private fund-raising initiatives and the impact of branding on

such efforts; the exploration of special financing alternatives; and the increase in Federal appropriations through special legislative authorization.

It was proposed that an ad hoc committee be formed to consider the Institution's projected \$2.3 billion shortfall and recommend funding alternatives. Composed primarily of Regents, the committee would present its recommendations to the Board for approval in nine months and implementation within one year. The actions of the committee would follow the schedule of Congress and in particular its appropriation process.

Accordingly, the Regents approved the following motion:

VOTED that the Board of Regents establishes an ad hoc Committee on Facilities Revitalization for the purpose of exploring options to address the anticipated \$2.3 billion shortfall in funding for the revitalization and maintenance of the Smithsonian physical plant. The ad hoc Committee membership will be appointed during the next meeting of the Board. Furthermore, the Committee will be expected to keep the Regents informed and to make recommendations to the Board for action in a year's time.

Summary Proceedings of the Board of Regents

September 19, 2005

REGENTS' TRIBUTE TO WILLIAM H. REHNQUIST

VOTED that the members of the Board of Regents express their deep sorrow and sense of loss over the passing of their esteemed friend and leader William H. Rehnquist. The Board asks the Secretary to sign the following tribute for presentation to the Rehnquist family.

Following a moment of silence, the Regents approved a draft tribute to the late Chancellor of the Smithsonian William H. Rehnquist, who served as a Regent of the Smithsonian from 1986 until his recent passing. During his nineteen years of service as Chancellor, and twelve years as a member of the Regents' Executive Committee, he fulfilled his statutory responsibilities as the presiding officer of the Institution and Chairman of the Board of Regents with characteristic devotion and commitment. The Regents instructed that the tribute be prepared for signature by the Secretary and presented with heartfelt sympathies to the Rehnquist family.

REPORT OF THE EXECUTIVE COMMITTEE

The Regents' Executive Committee met on September 7, 2005, and approved the proposed agenda for the September 19, 2005, meeting of the Board of Regents. The Executive Committee, exercising its authority under the Regents' motion of May 9, 2005, also passed a motion to approve the sale of the Cinderbed Road storage facility in Newington, Virginia.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

The Smithsonian National Board (SNB) held its 2005 Spring Meeting on April 14–16 in Washington, D.C. As National Board members have resolved to include membership in the James Smithsonian Society as a component of SNB members' annual giving commitment, a number of SNB members then attended the 2005 James Smithsonian Gala as new James Smithsonian Society members.

The Development Committee reported that SNB members exceeded their fiscal year 2005 goal and raised \$625,000 in unrestricted funds for the Smithsonian. SNB members made over \$11.5 million in gifts and pledge payments to Institutional priorities in all areas this fiscal year. SNB members also have continued to raise the Smithsonian's visibility in their local communities by hosting events for the Secretary and other Smithsonian staff in their homes.

Continuing its efforts to reestablish communications and relationships with former members, the Alumni Committee noted that it was hosting the second annual Alumni Reunion on October 20–22, 2005, in conjunction with the SNB Fall Meeting. The Study Tours and Travel Committee also reported on the forthcoming SNB Study Tour to Northern India in late March 2006, which will highlight Smithsonian activities in India and include a tour of the painting collections from Jodhpur that will be part of a forthcoming Freer/Sackler exhibition.

Upon the recommendation of the Smithsonian National Board, the Regents approved the following motion:

VOTED that the Board of Regents appoints L.H. Caldwell, III to the office of vice chair of the Smithsonian National Board for a one-year term effective immediately.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

VOTED that the Board of Regents reappoints Kurt Dewhurst, Tony Gittens, and Judith Mitoma to the Advisory Council of the Center for Folklife and Cultural Heritage for three-year terms effective January 1, 2006.

VOTED that the Board of Regents appoints Michele Gerber Klein and Karen A. Phillips and reappoints Nancy Marks and Abigail Rose 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 James M. Guyette and John L. Plueger to the Board of the National Air and Space Museum for three-year terms effective October 1, 2005.

VOTED that the Board of Regents appoints Arthur Ubaka Mbanefo to the Board of the National Museum of African Art for a three-year term effective immediately.

VOTED that the Board of Regents appoints Lesley Herrmann, John F.W. Rogers, Arthur Rothkopf, Gail Berry West, and Judy Woodruff to the Board of the National Museum of American History for three-year terms effective October 20, 2005.

VOTED that the Board of Regents appoints Michael N. Harreld to the Commission of the National Portrait Gallery for a four-year term, and reappoints the following members to the Commission: Joan Kent Dillon and Daniel Okrent for four-year terms; Anthony C. Beilenson for a three-year term; and Jon B. Lovelace, Robert B. Morgan, and Barbara Novak for two-year terms, all effective immediately.

VOTED that the Board of Regents appoints Charles Di Como, Helen Galatan-Stone, Hugo Goeggel, Allen D. Jones, Robert Rose, Harlan Stone II, Ann Triggler, Charles Verge, and Alan Whitman to the Council of Philatelists of the National Postal Museum for three-year terms effective October 1, 2005.

REPORTS OF SELECTED ADVISORY BOARDS

As part of an ongoing effort to facilitate communication between the Smithsonian's advisory boards and the Board of Regents, the Regents reviewed reports from the advisory boards of the Archives of American Art, the National Portrait Gallery, and the Smithsonian American Art Museum. The Secretary noted that these reports present forthright observations that will benefit the efforts of the Institution's management and advisory boards.

REPORT OF THE GENERAL COUNSEL

January – August 2005

The Secretary updated the Regents on the status of the Smithsonian Astrophysical Observatory's Veritas telescope project and the Federal District Court's recent dismissal of a claim from a local Indian tribe. It was then noted that during January through August 2005 there were approximately 27 administrative complaints, 14 Rehabilitation Act advice matters, and 38 administrative tort claims that required the active involvement of the Office of the General Counsel staff. During this period, there also were 23 active cases, 15 of which were employment cases and two of which were tort claims to which the Institution was a named party. Two cases involved contracts, two intellectual property matters, and one other matter. In all, there were seven new cases and seven completed cases.

LEGISLATIVE ACTIVITIES AND ISSUES

Smithsonian-Related Legislation

The Secretary noted two Smithsonian-related actions of particular significance to the Institution: the Federal Transit Benefits Act (H.R. 1283) and the National Aeronautics and Space Administration and Jet Propulsion Laboratory's 50th Anniversary Commemorative Coin Act (H.R. 68). The Secretary explained that the Federal Transit Benefits Act will require the Institution to reimburse commuting expenses incurred by Smithsonian Federal employees using public transportation, adding that the Institution is especially concerned that Federal funds will not be appropriated to cover this legislated expense. H.R. 68, which is currently pending in the Senate Committee on Banking, Housing, and Urban Affairs, includes language regarding the establishment of a "new stand-alone national Museum of Money." The Institution is addressing the feasibility of such an initiative, including redirecting such efforts towards support for the numismatics collection at the National Museum of American History.

Other Federal legislative activities reviewed included the introduction of S.970 and H.R. 3581, which would establish, in association with the National Museum of African American History and Culture, the African Burial Ground National Historic Site and African Burial Ground International Memorial Museum at a location in Lower Manhattan. The provisions of H.R. 2066, a bill designed to enhance the independence of Inspectors General and create a Council of Inspectors General on Integrity and Efficiency within the Executive Branch, would apply to the Smithsonian's Inspector General. The Senate Commerce, Science, and Transportation

Committee favorably reported S. 1281, the National Aeronautics and Space Administration (NASA) Authorization Act of 2005, amended to include the text of H.R. 1023, known as the “Charles ‘Pete’ Conrad Astronomy Awards Act,” which recognizes, based on the recommendations of the Smithsonian’s Minor Planet Center, discoveries by amateur astronomers of asteroids with near-earth orbit trajectories.

Also introduced were S. 770 and H.R. 1592, which would amend and reauthorize the National Invasive Species Act to broaden and enhance research to combat the invasion and impact of aquatic invasives. Each bill recognizes the role of the Smithsonian Environmental Research Center (SERC) in monitoring and assessing non-indigenous aquatic invasions, and outlines an ecological and pathway research program to be established by the National Oceanographic and Atmospheric Administration, the U.S. Geological Survey (USGS), and SERC. The House approved H.R. 1057, the “True American Heroes Act of 2005,” which would authorize a single Congressional Gold Medal to be awarded and placed on permanent display in the Smithsonian in honor of all the Federal and state government workers who died while responding to the September 11, 2001, attacks. H.R. 687, which is currently pending in the House Committee on Government Reform, would establish a Commission to commemorate the sesquicentennial of the American Civil War and authorize the establishment of a grant program to commemorate the role of African Americans in the Civil War. The pending legislation would require the Secretary of the Smithsonian or his designee would serve on the Commission.

REPORT OF THE GOVERNMENT ACCOUNTABILITY OFFICE ON MALL SECURITY ENHANCEMENTS

The Secretary updated the Regents on the assessments by the Government Accountability Office (GAO) of both planned and implemented physical security enhancements to Federal grounds and facilities on the National Mall, including the Smithsonian. The GAO’s review of the Institution’s ongoing efforts to protect its visitors and properties was markedly positive and, as noted by the Secretary, the success of the design (and subsequent approval) of physical security enhancements to Smithsonian sites on the National Mall have been achieved through careful consultations with key stakeholders, such as the National Capital Planning Commission; the thoughtful integration of aesthetic considerations; and attention to enhanced public access, all of which support the fulfillment of the Institution’s mission.

STATUS OF THE PATENT OFFICE BUILDING’S RENOVATION AND ENHANCEMENT PROJECT

The Regents were pleased to discuss the positive resolution of the disputed design of the Patent Office Building’s enclosed courtyard. A modified design was presented to, and subsequently approved by, the National Capital Planning Commission (NCPC) on September 8, 2005, and construction of the courtyard now is anticipated to conclude in late 2007 or early 2008. The costs related to the NCPC-related delays are estimated to be an additional \$8 to \$10 million.

The efforts of Deputy Secretary and Chief Operating Officer Sheila Burke were integral to the successful outcome of the courtyard design's approval. Consequently, the Secretary's "Gold Medal for Exceptional Service" was presented to Ms. Burke in appreciation for her actions on behalf of the Institution, not only for the Patent Office Building, but also for her oversight of the construction of the Udvar-Hazy Center and the National Museum of the American Indian.

DONOR RECOGNITION AND CORPORATE SUPPORT

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 previously authorized by the Board of Regents:

VOTED that the Board of Regents recognizes the generosity and dedication of Michael J. Collins to the National Museum of Natural History and gratefully approves the installation of a plaque on the future coral reef tank in the Museum's Ocean Hall to honor the Michael J. Collins Family. The plaque will remain in place for the duration of the Hall's existence.

VOTED that the Board of Regents recognizes the generosity and dedication of the Daniels Fund to the National Air and Space Museum and gratefully approves the recognition of the late Bill Daniels, as proposed.

VOTED that the Board of Regents recognizes the generosity and dedication of the Walt Disney Company to the Smithsonian and its National Museum of African Art and gratefully approves naming the space in which the Walt Disney-Tishman African Art Collection shall be displayed as the Disney-Tishman Collection.

VOTED that the Board of Regents recognizes the generosity and dedication of the Ryna and Melvin Cohen Family Foundation to the Smithsonian American Art Museum and, by means of its gift, gratefully creates an endowment in honor of the donors and their family. The endowment is to be named in perpetuity the Ryna and Melvin Cohen Family Foundation Endowment.

VOTED that the Board of Regents recognizes the generosity and dedication of the William R. Kenan, Jr. Charitable Trust to the Smithsonian American Art Museum and, by means of its grant and consistent with its intended purposes, gratefully creates an endowment and names it the William R. Kenan, Jr. Endowment Fund.

VOTED that the Board of Regents gratefully establishes the National Museum of American History Library Endowment Fund. Further, the fund is to be so-named in perpetuity. In addition, the Board authorizes the transfer of funds identified for this endowment.

VOTED that the Board of Regents recognizes the generosity of the late Kenneth L. Otten and, by means of his gift, gratefully establishes an endowment to benefit the National Air and Space Museum. The endowment is to be named the Marjorie Wardwell and Kenneth L. Otten Memorial Endowment. In addition, the Board authorizes the transfer of funds identified for this endowment.

VOTED that the Board of Regents recognizes the generosity and dedication of Wanda Shalett to the National Museum of American History and, by means of her gift, gratefully creates and names an endowment to benefit the Museum's Political History Collection. Further, the endowment is to be known as the Lew and Wanda Shalett Memorial Fund, as the donor intended.

VOTED that the Board of Regents recognizes the generosity and dedication of Bernard Edward Stadiem to the Smithsonian American Art Museum and, with his gift, gratefully creates an endowment to support the acquisition and exhibition of photography as an art form, and related programs and activities, at the Smithsonian American Art Museum. Further, the Board names this endowment the Bernie Stadiem Endowment Fund.

VOTED that the Board of Regents recognizes the extraordinary generosity of the Donald W. Reynolds Foundation to the Smithsonian and the National Portrait Gallery and, in addition to establishing the Donald W. Reynolds Center for American Art and Portraiture, which action was previously taken by the Board on May 31, 2005, gratefully approves the Foundation's request to rename the gallery in which the Lansdowne portrait will be displayed as the Fred W. Smith Gallery.

VOTED that the Board of Regents recognizes the generosity and dedication of Guenther and Siewchin Yong Sommer to the National Portrait Gallery and, by means of their gift, gratefully establishes an endowment for the maintenance of the Patent Office Building gallery currently identified as Room E 141. The endowment is to be named the Guenther and Siewchin Yong Sommer Endowment for the National Portrait Gallery. In addition, the gallery is to be named in perpetuity the Guenther and Siewchin Yong Sommer Gallery.

VOTED that the Board of Regents recognizes the generosity and dedication of Guenther and Siewchin Yong Sommer to the National Museum of Natural History and, by means of their gift, gratefully establishes an endowment for the maintenance, operations, and improvements of the Museum's Ocean Hall and its Journey Through Time exhibition area. The endowment is to be named the Guenther and Siewchin Yong Sommer Endowment for the National Museum of Natural History Ocean Hall. Further, a plaque recognizing the donors will be placed in the Journey Through Time exhibition area of the Ocean Hall for the duration of the Hall's existence.

VOTED that the Board of Regents recognizes the generosity and dedication of the GRAMP Foundation and Dr. Paul Hertelendy to the Smithsonian Astrophysical Observatory and, by means of this gift and consistent with the donor's intent, gratefully creates an endowment to fund an annual lecture by a young scientist at the Harvard-Smithsonian Center for Astrophysics. Further, the endowment is to be named the pH Lecture Fund and the lecture is to be named the pH Lecture.

VOTED that the Board of Regents recognizes the generosity and dedication of the Terra Foundation for American Art to the Smithsonian American Art Museum and, in grateful recognition of its grant, names the fellowships the Terra Foundation for American Art Fellowships.

VOTED that the Board of Regents recognizes the generosity of Rolex Watch, USA to the National Air and Space Museum's Steven F. Udvar-Hazy Center and accepts the terms of this corporate sponsorship agreement.

VIDEO ON DEMAND: UPDATE

The Secretary and Smithsonian Business Ventures Chief Executive Officer Gary Beer discussed the state of the final negotiations for a video-on-demand partnership with Showtime Networks, Inc.

PROPOSED DEACCESSION OF ARTIFACTS FROM THE NATIONAL AIR AND SPACE MUSEUM COLLECTIONS

The National Air and Space Museum (NASM) proposed the deaccession of two objects from its permanent collections: a Horten Ho II L aircraft, of which three will remain in the collection of the Aeronautics Division, and a Skylab Trainer Complex, which is considered redundant to the Museum's permanent exhibits. Accordingly, the Regents approved the following motion:

VOTED that the Board of Regents approves the proposed deaccession of the Horten Ho II L aircraft and the Skylab Trainer Complex from the collections of the National Air and Space Museum.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Mr. Sant, chairman of the Audit and Review Committee, gave an overview of the primary agenda topics covered during the Committee's meeting on September 12. He said that the fiscal year 2005 audit plan presented by KPMG is unremarkable in its content and that the audit process will be performed in a manner consistent with the Institution's commitment to moving up its closings. A small problem was noted regarding the Defense Contract Audit Agency, which has not committed to performing its audit in the same timely fashion. As reported by Mr. Sant, Inspector General Debra Ritt outlined for the Committee her audit plan, which targets for audit high-interest activities, large-dollar programs, prominent areas of the Institution's strategic plan, and performance and accountability challenges. Chief Financial Officer Alice Maroni also updated Committee members on ongoing financial management reforms and the status of the new financial systems' implementation.

REPORT OF THE COMMITTEE ON COMPENSATION AND HUMAN RESOURCES

Committee Chairman Walter E. Massey reported on the Committee's deliberations during its meetings on June 13 and August 24, 2005. During its meeting on June 13, the Committee reviewed its Charter and considered employee compensation adjustments and executive compensation packages for the coming year; it also discussed the Institution's Succession Management and Workforce Analysis programs and the Office of Human Resources' application

of PeopleSoft technology. Additionally, the Committee was briefed on the Institution's interest in proposed legislation designed to modernize the Federal civil service program.

The Committee next convened via telephone conference on August 24 to review a senior official's proposed employment agreement, which was prepared in accordance with procedures contained in recent Internal Revenue Service regulations on "intermediate sanctions." Accordingly, the Regents approved a motion to endorse the proposed employment agreement during the Executive Session following the meeting of the Board of Regents.

REPORT OF THE NOMINATING COMMITTEE

The Nominating Committee met via telephone conference on September 12, 2005, to discuss amendments to the Regents' committee assignments for the remainder of 2005 and through 2006. Its deliberations produced the following proposed appointments: Shirley Ann Jackson to the Finance and Investment Committee; Robert P. Kogod to the Audit and Review Committee; and Alan G. Spoon to the Nominating Committee. Accordingly, the Board of Regents approved the following motion during its meeting on September 19, 2005:

VOTED that the Board of Regents approves the amended list of committee memberships for calendar years 2005–06 or until further action of the Board.

The Nominating Committee also proposed the nomination of Alan G. Spoon for a second term on the Board of Regents; the Board of Regents approved the following motion:

VOTED that the Board of Regents nominates Alan G. Spoon to serve an additional statutory six-year term as a citizen member of the Board of Regents, effective May 5, 2006, and asks its Congressional members to introduce and support such legislation in January 2006.

During their meeting on September 19, the Board of Regents also discussed the development and desired outcome of pending discussions with the new Chief Justice regarding his election to the position of Chancellor and to membership on the Regents' Executive Committee. Additionally, the Board reviewed the ongoing process of determining suitable candidates to replace Regents Ibáñez and d'Harnoncourt upon the conclusion of their second, and final, terms on the Board of Regents in, respectively, May 2006 and December 2007. The Committee anticipates that it will present a suitable candidate for the first vacancy to the full Board for its consideration at the Regents' January 2006 meeting.

APPOINTMENTS TO THE *AD HOC* COMMITTEE ON FACILITIES REVITALIZATION

As discussed during its long-range planning meeting on June 13, 2005, the Board of Regents agreed that the most critical issue facing the Institution is its anticipated \$2.3 billion funding shortfall for facilities maintenance and revitalization. At that time, the Board approved the creation of a new *ad hoc* Committee on Facilities Revitalization. The Committee was scheduled

to meet following the September 19 Executive Session of the Board of Regents. Accordingly, the Regents approved the following motion:

VOTED that the Board of Regents appoints to the ad hoc Committee on Facilities Revitalization Xavier Becerra, Thad Cochran, Richard G. Darman, Sam Johnson, Robert P. Kogod, Patrick Leahy, Roger W. Sant, and Patricia Q. Stonesifer, with Mr. Sant to serve as chair.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

In the absence of Committee Chairman Alan Spoon, the Secretary offered the Report of the Finance and Investment Committee, which met on September 7, 2005. Although the Committee did not have a quorum that day, all issues were communicated subsequently with the rest of the Committee before the following motions were voted on by mail-in ballot.

Deputy Secretary Burke was first asked to present to the Regents an overview of a pending real estate transaction designed to buttress the financial condition of the Institution. As discussed during the previous meeting of the Board, the administration of the Smithsonian has been undergoing an extensive analysis of the Institution's real estate holdings in order to determine the best-use status of each property and to establish the current value of certain assets in relation to the present real estate market. During the prior Regents' meeting, it also was agreed that potential real estate transactions with a net present value of more than \$10 million would be presented to the Board of Regents for full approval.

As such, the proposed sale with a partial leaseback of the Institution's Victor Building for \$157.5 million was endorsed by the Regents' Finance and Investment Committee. This gross sales figure represents an appreciated value of over 30 percent since the building's purchase in 1999 and the net sale proceeds, following the payment of all move-out expenditures, in turn will offer funds to either pay down existing public debt or back up short-term funding for the Patent Office Building. It also was noted that the Executive Committee, which is authorized to approve real estate transactions with a net present value of between \$5 and \$10 million, had approved two other real estate transactions since the last Regents' meeting: the sale of the Cinderbed Road warehouse facility in Newington, Virginia, and the sale of the Institution's purchase option on its 1111 North Capitol Street property in Washington, D.C. The Board then approved the following motion:

VOTED that the Board of Regents approves the proposed sale of the Victor Building and authorizes the Secretary to complete the transactions to that effect.

The Regents next discussed the Investment Committee's review of the Institution's investment strategies. As previously discussed with the Board, the Committee supports the modernization of the Institution's portfolio through the controlled introduction of alternative investments. The Committee reported that it is in the process of securing appropriate investment advisors to advance this process.

The Regents then reviewed the fiscal year 2005 financials. As highlighted by the Secretary, fiscal year 2005 has been a very solid year for the Institution: museum visitation dramatically improved over the prior year; private-sector giving was strong; net income from retail business exceeded projections for fiscal year 2005; and the Endowment continued to perform well, outperforming the Institution's market benchmarks. With one notable exception — the Patent Office Building's courtyard construction project — ongoing major capital projects have been on budget and on schedule. Likewise, work has continued apace on enhancing security, modernizing telephone systems and computers, and upgrading the Institution's financial control infrastructure, despite considerable staffing shortfalls that resulted from insufficient Federal funding. A modest budget surplus of unrestricted Trust funds is also anticipated by year's end, albeit as a result of a fiscal year 2005 hiring freeze on unrestricted Trust positions. Despite ongoing fiscal challenges, the Institution has made considerable progress in achieving its stated goals for fiscal year 2005.

The Regents next considered the fiscal year 2006 budget approved by Congress. While the Institution is positioned to meet its fiscal year 2006 budget, it is clear that Federal funding — which comprises two-thirds of the Institution's budget — will remain inadequate to meet the Smithsonian's needs and Trust funds will remain scarce. The Federal budget deficit and the Administration's focus on the war on terrorism will continue to negatively impact future increases in Federal appropriations for the Institution, which receives more than two-thirds of its support in that form. Moreover, additional across-the-board cuts may be imposed through subsequent appropriations legislation.

Fiscal year 2006 revenues are projected to decline by 1% from fiscal year 2005, reflecting the Institution's anticipation that it will not receive a mega-gift such as that received in fiscal year 2005; a decrease in Federal revenues recognized for capital projects; and a budgeted decrease in funding for government grants and contracts. This decrease in revenues will be offset by increases in Federal revenues for operations, rent, new museums, and security; short-term investment income; and net income from Smithsonian Business Ventures.

Expenses for fiscal year 2006, when compared to fiscal year 2005, are budgeted to increase by 1%, reflecting rises in Federal spending, the non-cash charge for depreciation, and unrestricted Trust spending associated with mandatory programs. This increase in expenses will be offset by decreases in restricted Trust funds recognized as revenue in prior years (according to the principles of non-profit accounting) and reductions in funding for government grant and contracts.

The Institution's fiscal year 2006 budget projects a rise in the Endowment's market value, based on the Institution's long-term earnings benchmark of an 8% return. The budget also forecasts the completion of several real estate transactions that reflect the Institution's ongoing effort to rationalize property holdings and reduce external debt. Consequently, an overall increase in the Institution's net worth is forecast for fiscal year 2006.

The Federal component of the Institution's budget is divided between spending on operations and spending on the facilities capital program. The former, Federal spending for operations, is the largest category of the Smithsonian's budget and provides for, among other things,

compensation and facilities maintenance costs. Congressional action on the fiscal year 2006 budget indicates, however, that Congress again will mandate a Federal civilian pay raise but will not allocate the monies needed to fund its directive. Consequently, the unfunded portion of the pay raise must be absorbed by each Smithsonian unit through the Institution's ongoing Workforce Analysis Program.

Federal funding for the Smithsonian's facilities capital program continues to fall short of the Institution's demonstrated needs. In fact, the fiscal year 2006 facilities budget reflects a 31% decline from the previous year's budget. Moreover, the announcement of this reduction in facilities funding was followed by a May 2005 report from the Government Accountability Office (GAO) that established a comprehensive average annual funding requirement of \$255 million — \$105 million more than the previous funding requirement presented in the 2001 Congressionally mandated report by the National Academy of Public Administration. In light of these stark figures, it is clear that the Institution can not get ahead of the core problem of its aged physical plant, despite its successful arrest of the growth of the overall facilities backlog. The efforts of the Regents' new *ad hoc* Committee on Facilities Revitalization will prove to be invaluable as the Institution searches for the means to address this overarching problem of ongoing Federal funding reductions and its impact on the revitalization and maintenance of the Institution's physical plant.

Regarding Trust-based support for fiscal year 2006, which comprises one-third of the Institution's overall 2006 budget, these funds are further divided into two categories: restricted and unrestricted Trust funds. The majority of Trust funds budgeted for fiscal year 2006 are restricted and, as such, are generally designated for specific projects. Although the Institution is on target to exceed its fund-raising goals for fiscal year 2005 and the development of donor prospects is proceeding apace, restricted Trust revenues are budgeted to decline in fiscal year 2006. Unrestricted Trust funds, which provide support for the central administration of the Institution, as well as other important activities for which funds are not easily raised, comprise nearly 22% of the fiscal year 2006 Trust fund budget and are forecast to exceed unrestricted Trust expenses by \$3.0 million. Unrestricted Trust expenses have been and will continue to be carefully controlled through the ongoing management of Trust expenses and institutional hires.

The single-largest source — nearly 48% — of unrestricted Trust budget revenue is from Smithsonian Business Ventures (SBV). (Twenty-three percent of unrestricted Trust budget revenue is derived from the Endowment's unrestricted payout, which provides critical support for ongoing programs.) By the end of fiscal year 2005 third quarter, SBV's net gain, on a consolidated basis, was ahead of budget with retail sales surpassing their budgets at the majority of the museums. The fiscal year 2006 budget for SBV is based on the forecast year-end net gain for fiscal year 2005, although its actual 2006 operating budget will be considered and approved by the SBV Board the final week in September.

As fiscal year 2006 begins on October 1, 2005, the Finance and Investment Committee reviewed the Institution's budget for Federal and Trust funds for fiscal year 2006 and presented two motions to the full Board of Regents. To approve the expenditure of funds in accordance with the budget presented, the Regents then approved the following:

VOTED that the Board of Regents approves the budget of appropriated funds for fiscal year 2006 when signed into law by the President 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.

VOTED that the Board of Regents approves the Institutional budget for Trust funds for fiscal year 2006 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 then reviewed the proposed fiscal year 2007 Federal budget for the Smithsonian Institution to be submitted to the Office of Management and Budget (OMB) in September 2005. As expected, prospects for a major increase in Federal funding remain grim and budget increases outside of the Administration's targeted priorities — the war on terrorism, homeland security, and stimulating the economy — will be extremely difficult to obtain. For fiscal year 2006, OMB required Smithsonian to submit to Congress a budget with no increase from fiscal year 2005. Although OMB has not yet offered such guidance in regard to the Institution's fiscal year 2007 budget, it is anticipated that, given the President's priorities, such a directive again will be issued. If so directed, the resulting budget cuts will force the Institution to further reduce staff and support services in order to cover mandatory rent and utility costs and an anticipated Federally legislated pay raise.

Nonetheless, the Institution will continue apace in its efforts to secure the funding increases needed to address such critical priorities as the \$2.3 million backlog in overdue facility maintenance, repairs, and rehabilitation. Accordingly, it will follow the Board of Regents' advice and submit a realistic fiscal year 2007 budget designed to address the essential maintenance and operational needs of the Institution.

Prior to the Regents' vote on the final motion submitted from the Finance and Investment Committee — the fiscal year 2007 budget request — the Secretary noted that the Treasurer had presented the Smithsonian Business Ventures' (SBV) capital budget to the Finance and Investment Committee for its consideration. The capital budget reflects pending SBV initiatives, such as the launch of an additional airport retail store, the opening of new facilities at the Patent Office Building, and the revitalization of an existing museum store.

The Board of Regents then approved the following motion:

VOTED that the Board of Regents approves the Smithsonian Institution budget request for appropriated funds for fiscal year 2007 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.

STATUS OF THE NATIONAL MUSEUM OF AFRICAN AMERICAN HISTORY AND CULTURE SITE DESIGNATION PROCESS

During the morning meeting of the Committee of the Whole, the Regents considered the future location of the National Museum of African American History and Culture and toured the four sites under consideration: the Arts and Industries Building; the “Monument Site” (the area bounded by Constitution Avenue, Madison Drive, and 14th and 15th Streets, N.W.); the “Liberty Loan Site” (sited on 14th Street, S.W., south of the Bureau of Engraving and Printing and facing the Jefferson Memorial,); and the “Banneker Overlook Site” (at the foot of L’Enfant Plaza, facing the Washington Channel). In October 2005, Smithsonian staff and outside consultants will complete for the Regents’ consideration a detailed analysis of each site, including assessments of physical capacity, order-of-magnitude site-development costs, and relative opportunities and constraints. The evaluation process has included a series of meetings with the National Capital Planning Commission and the Commission of Fine Arts and representatives of transportation and utility agencies, in addition to ongoing informal discussions with other interested organizations and citizens.

The Advisory Council of the National Museum of African American History and Culture will review the site evaluation report in the fall and prepare its own recommendation for the Regents’ consideration. The Regents then will issue a final decision regarding the site selection at the January 2006 Board of Regents’ meeting.

EXECUTIVE SESSION

The Regents concluded their meeting at 2:30 p.m., after which a half-hour Executive Session was held, which included the Secretary, the Deputy Secretary, the General Counsel, and outside counsel.

REGENTS’ DINNER AND MONDAY MORNING EVENTS

On Sunday evening, the Regents, senior officers, and spouses attended a casual reception on the roof of the National Museum of American History. As previously mentioned, the Regents toured the prospective sites for the future National Museum of African American History and Culture during the Monday morning meeting of the Committee of the Whole. A brief Executive Session followed that tour.

A special luncheon presentation, “Renewal: The National Portrait Gallery, Smithsonian American Art Museum, and Patent Office Building,” was offered in the Castle Library by museum directors Marc Pachter of the National Portrait Gallery and Betsy Broun of the Smithsonian American Art Museum. The speakers presented an illustrated history of the Patent Office Building, in addition to an overview of its comprehensive revitalization project.