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MEMORANDUM

To: Reporters and Editors
Re: Smithsonian spending, governance
Da: Monday, Feb. 26, 2007

Sen. Chuck Grassley, ranking member of the Committee on Finance, with jurisdiction over tax policy including tax-exempt groups, continues to question the Smithsonian secretary's spending and board governance. Today, Grassley sent letters to the House and Senate leaders and Vice President Cheney on these issues, following his letter last week to Chief Justice John G. Roberts Jr., who serves as chancellor of the Smithsonian Institution. Grassley has been conducting a broad-based review of tax-exempt organizations to look out for the credibility of tax-exempt status since 2001. He made the following comment on today's letters. The text of the letters follows.

“It seems to me the Smithsonian has some of the same problems I've seen at other charities. The top executive appears to have arranged a sweet deal for himself, apparently charmed his board of regents into signing off on that deal, and done a lot of it without any effective oversight from a permanent, independent inspector general. The Smithsonian can find money to give the director \$1.15 million to make his house available for official functions, but can't protect national treasures from a leaky roof. Adding insult to injury, the Smithsonian tried and nearly succeeded in keeping its inspector general's assessment of the secretary's spending abuses under lock and key. That's unheard of from a governmental entity that receives 70 percent of its funding from taxpayers. In the next few days and weeks, I plan to see what I can do to stop spending abuses and improve public accountability from the Smithsonian. One idea is whether the upcoming federal budget resolution should limit or redirect Smithsonian funding. Maybe the secretary's 'slush fund' needs to protect national treasures from snow melt. I worry that the Smithsonian is more concerned about funding private planes for executives than protecting the Wright brothers' plane for posterity. Another idea is introducing legislation to improve governance from the board of regents, similar to my legislation on the Red Cross. As far as I can tell, Congress hasn't taken a serious look at the Smithsonian's governing statute in a hundred years.”

February 26, 2007

The Honorable Nancy Pelosi
Speaker
House of Representatives

Washington, D.C.

The Honorable Harry Reid
Majority Leader
U.S. Senate
Washington, D.C.

Dear Madam Speaker and Leader Reid:

I am writing to you regarding the Smithsonian Institution and its Board of Regents. I recently wrote to the Board of Regents, highlighting serious problems regarding the compensation of the Secretary of the Smithsonian and reimbursement for his expenditures that was exposed by the Inspector General.

The problems at the Smithsonian of private planes, first class travel, and a \$193,000 housing allowance to live in a house you own, read more like what we expect from out-of-control CEOs in the private sector, not a public charity established by Congress that receives hundreds of millions of federal dollars.

In the last election, there was much time and energy spent decrying salaries and perks of CEOs and boards that were only too happy to rubber-stamp executive compensation. Thus, I am all the more concerned that by statute it is members of Congress who make up a significant part of the Board of Regents. The majority of those congressional Board of Regents members are effectively appointed by the Speaker of the House and Senate Majority Leader.

The new Congress has a real chance to show that its promises are not empty words when it comes to jaw-dropping executive compensation and perks. The Smithsonian is the rare example of Members of Congress sitting on the board of a major organization – Congress is involved in running this train. I encourage you to discuss with the Members of Congress you have named to the Board of Regents of ways business as usual can be changed at the Smithsonian's executive suites. I believe this is a real opportunity for Congress to show leadership in the area of executive compensation and send the right signals.

Thank you for your time and courtesy in considering this matter.

Cordially yours,

Charles E. Grassley
Ranking Member

cc: Chairman Baucus

February 26, 2007

The Honorable Richard B. Cheney
The Vice President of the United States
The White House

Washington, D.C.

Dear Mr. Vice President:

I am writing to you regarding the Smithsonian Institution and the Board of Regents. I recently wrote to the Board of Regents highlighting serious problems regarding the compensation of the Secretary of the Smithsonian and reimbursement for expenditures exposed by the Inspector General.

The problems at the Smithsonian -- private planes, first class travel, and a \$193,000 housing allowance to live in a house you own -- read more like what we expect from out-of-control CEOs in the private sector not a public charity, established by Congress that receives hundreds of millions of federal dollars.

The President has been a leader in the area of charities, particularly through the faith-based initiative. I have been proud to work with the President and you to see important incentives that encourage charitable giving included in legislation signed by the President last year. There is no question that the President's leadership has brought real benefits to the charitable sector.

However, I have found in my oversight that there is a very real problem of governance in the charitable sector. Thus, it is vital to not only encourage charitable giving, but also ensure that charities are spending the money they receive effectively and appropriately. I applaud the fact that the Internal Revenue Service has recently put forward for public discussion best practices for charities and charitable governance.

By statute, the Vice President sits on the Board of Regents at the Smithsonian. I recognize that your duties for Vice President are vitally important. However, protecting our nation's treasures, while a very different job, is also important. I encourage you in your role to ensure that the administration sends a clear signal that serving on the board of a charity is an important and serious undertaking. I ask that you and your staff review the Smithsonian in general, and the payments it makes for executive compensation and perks in particular, to see that the Smithsonian conforms with the best practices in the nonprofit sector. Such leadership will do much to advance the President's goals of a vibrant and effective charitable community.

Thank you for your time and courtesy on this important matter.

Cordially yours,

Charles E. Grassley
Ranking Member

cc: Chairman Baucus