



Smithsonian Institution



An exhibition of works by the Japanese artist Katsushika Hokusai (1760–1849) opened at the Arthur M. Sackler Gallery in March 2006. It includes the iconic woodblock print shown above, Beneath the Wave Off the Coast of Kanagawa, better known as The Great Wave.

Semiannual Report to the Board of Regents for Fiscal Year 2006

May 2006

Public Impact

Visits to the Smithsonian

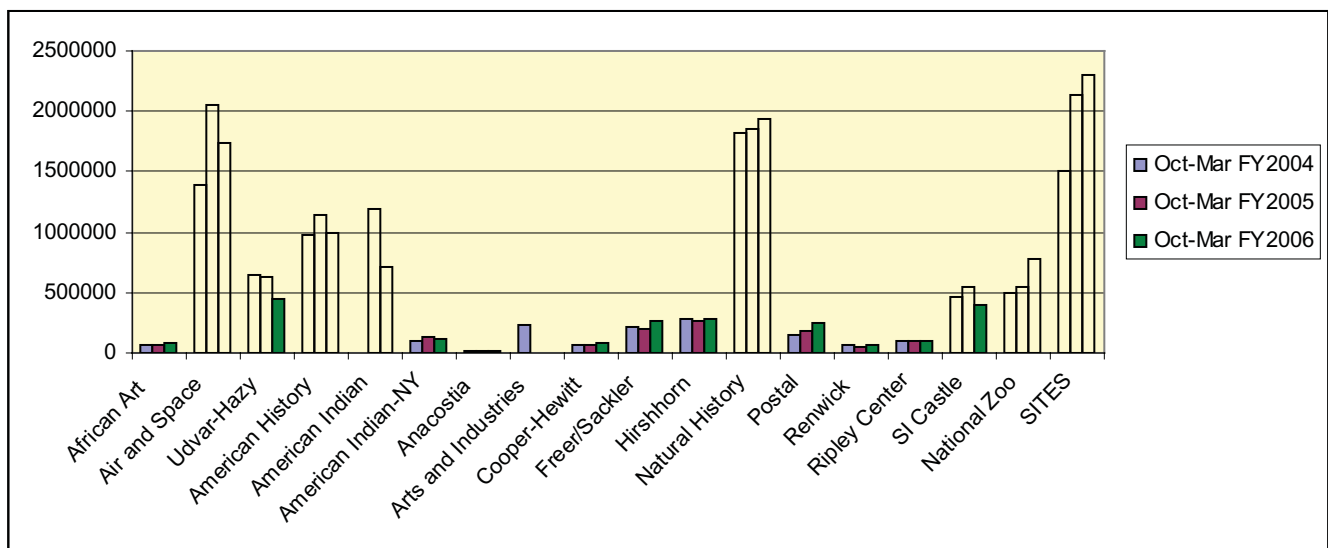
In the first half of fiscal year 2006, the Institution counted **10.5 million** visits to its museums, traveling exhibitions, and National Zoo. This was divided as follows:

- **8.2 million** visits to Smithsonian museums in Washington and New York, plus the National Zoo and Udvar-Hazy Center—down 8 percent from the comparable period in the previous fiscal year;
- **2.3 million** visits to traveling exhibitions mounted by the Smithsonian Institution Traveling Exhibition Service—up 7 percent from the comparable period in the previous fiscal year.

The slight overall decrease in visitation to Smithsonian museums and the Zoo can be explained by the declines at three popular venues: the National Museum of the American Indian (down 39 percent); the Udvar-Hazy Center (down 29 percent); and the Smithsonian Castle (down 27 percent). The first two of these reflect the inevitable loss over time of the “novelty factor” at new museums, and the decline in Castle visitation reflects construction.

By contrast, visitation to the National Zoo increased by 46 percent, thanks to the public debut of the Zoo’s celebrity panda cub, Tai Shan. The National Postal Museum, Arthur M. Sackler Gallery, and Anacostia Museum also saw very substantial increases in visitation. Fluctuations in visitorship to other units were within the range to be expected on the basis of year-to-year changes in programming. For the first half of fiscal year 2006, the National Museum of Natural History edged out the National Air and Space Museum Mall facility as the most-visited Smithsonian museum.

Visits to Smithsonian Museums and Traveling Exhibitions
First Six Months of Fiscal Years 2004, 2005, and 2006



Smithsonian Online

The figure of **73.1 million visitors** to the Smithsonian's wide range of online offerings for the first half of fiscal year 2006 is a **42 percent** increase over the same period of fiscal year 2005. Much of this rise can be attributed to a fourfold jump in visitors to the National Zoo's website (to **17.2 million**)—a reflection of the “panda-mania” gripping the public since the arrival of the Zoo's panda cub, Tai Shan.

The **Archives of American Art** launched a redesigned site in November 2005, and the *Smithsonian magazine website* was re-launched in February 2006 with a new design. The **National Museum of African Art** also unveiled a dramatically redesigned website in November 2005, featuring selections of African music from Smithsonian Global Sounds. For the second year, African Art's website was selected as a National Endowment for the Humanities' *EDSITEment* online resource.

The Smithsonian Center for Education and Museum Studies (SCEMS) website **SmithsonianEducation.org** also was honored by the National Endowment for the Humanities, and another SCEMS website—the newly-launched **SmithsonianSource.org**, which offers primary sources from Smithsonian collections for classroom use—was chosen a “site of the day” by Federal Resources for Educational Excellence.

The National Museum of the American Indian launched a website to accompany its new exhibition *Listening to Our Ancestors*. It features a searchable gallery of the more than 400 objects. The National Postal Museum launched virtual exhibitions for its new shows: *John Lennon: The Lost Album*; *War Letters*; *Networking a Nation*; and *Airmail in America*. In addition, five new games were added to the Museum's online Activity Zone.

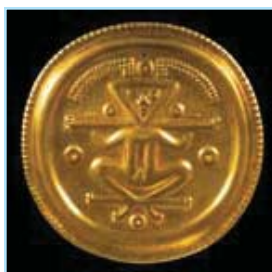
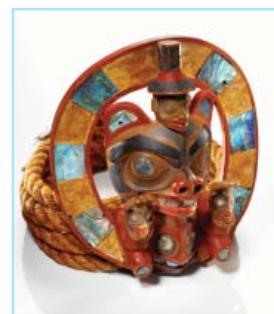
In December 2005, the **National Air and Space Museum** launched an online collections database. Information on over 16,000 of the Museum's nearly 40,000 artifacts is now available via the Web.

Exhibition Highlights

On December 8, 2005, the public finally got a chance to meet **Tai Shan**, the National Zoo's giant panda cub, when the Zoo opened his exhibit space for limited public viewing for the first time since his birth on July 9, 2005.

Listening to Our Ancestors: The Art of Native Life Along the North Pacific Coast opened at the National Museum of the American Indian on February 3 and will run through January 2, 2007. It features more than 400 objects, representing 11 tribes of the Pacific Northwest region.

An exhibition exploring color as a design element in Western clothing, *Fashion in Colors*, was on display at the Cooper-Hewitt, National Design Museum from December 9, 2005, to March 26, 2006. It proved popular; over 4,000 visitors toured it during the week between Christmas and New Year's Day.



The Spirit of Ancient Colombian Gold, an exhibition of pre-Columbian gold treasures from Colombia's Museo del Oro, opened at the National Museum of Natural History on November 9, 2005, and will run through May 10, 2006. The exhibition brings together artifacts covering more than 2,500 years, many of which have never before left Colombia.

Over 37,000 visitors filed into the International Gallery between October 21, 2005, and January 8, 2006, to see the Washington, D.C., run of the National Portrait Gallery's *Retratos: 2,000 Years of Latin American Portraits*, a collaboration with the Smithsonian Institution Traveling Exhibition Service.

The Sackler Gallery presented two blockbuster shows. *Style and Status: Imperial Costumes from Ottoman Turkey* (October 29, 2005–January 22, 2006) featured sumptuous Turkish imperial robes (*kaftans*) from the collection of the Topkapi Palace in Istanbul. *Hokusai* (March 4–May 14) offers an unprecedented display of more than 180 works by the renowned Japanese artist Katsushika Hokusai (1760–1849), whose woodblock print *The Great Wave* is one of the most recognized images in the art world.

It was a busy period for new exhibitions at the National Postal Museum. *John Lennon: The Lost Album* (October 6, 2005–April 10, 2006) featured Lennon's boyhood stamp collection. *War Letters: Lost and Found* (November 11, 2005–November 13, 2006) presents original letters from the Civil War, World War I, World War II, the Korean War, and the Vietnam War. *Networking a Nation: The Star Route Service*, a permanent exhibition that opened on February 21, explores the complex transportation web that moves the mail. The permanent show *Airmail in America*, which opened on February 22, highlights the critical role the postal system played in the creation of the U.S. commercial aviation industry.

The Renwick Gallery's *Grant Wood's Studio: Birthplace of 'American Gothic'* (March 10–July 11) presents Wood's decorative art and design work within the context of his paintings, drawings, and prints. The show includes the iconic painting *American Gothic*, which is rarely lent by the Art Institute of Chicago. A preview reception on March 9 was attended by First Lady Laura Bush.

The National Museum of African Art's *African Art Now: Masterpieces from the Jean Pigozzi Collection* (November 16, 2005–February 26, 2006) offered a stunning selection of contemporary African art from around the continent. This popular show fueled a 61 percent increase in Museum attendance over last year's figures for January and February.



Hiroshi Sugimoto, a career survey of one of Japan's most important contemporary artists, is running from February 16 through May 14 at the Hirshhorn Museum and Sculpture Garden. This collaboration with Tokyo's Mori Art Museum presents a rich selection of Sugimoto's photographic works.



The story of African American midwives is presented in the Anacostia Museum's *Reclaiming Midwives: Pillars of Community Support*. The exhibition, which opened on November 13, 2005, and runs through August 6, 2006, traces this story from the 17th century to the present.

Three shows opened at the Heye Center of the National Museum of the American Indian in New York City. *Born of Clay: Ceramics from the National Museum of the American Indian* (November 5, 2005–April 30, 2007) showcases 301 pieces spanning 5,000 years and four regions; *Expeditions of the Spirit* (January 29–April 9), the final installation in the *New Tribe: New York* series, features the art of Lorenzo Clayton (Navajo); and *Arctic Transformations: The Jewelry of Denise and Samuel Wallace* (March 2–July 23) is a retrospective featuring works that reflect Denise Wallace's Chugach Aleut heritage.

Collections Highlights

In October 2005, the National Museum of American History announced it had acquired an unparalleled collection of fire-fighting artifacts, the **Historical Collection of the Insurance Company of North America**. The collection, which also includes maritime history objects, was a gift from the **CIGNA Corporation**. It contains nearly 4,000 pieces, some dating back more than 250 years.

The Archives of American Art recently acquired the papers of American art collector **Emily Hall Tremain** (c. 1900–1989), who built one of the nation’s most important collections of 20th-century art.

Education, Event, and Program Highlights

In October 2005, the National Portrait Gallery named former Senator Howard H. Baker, Jr., and presidential journalist Hugh Sidey as recipients of its **2005 Paul Peck Presidential Awards**, which honors excellence in presidential service and portrayal.

In February, the **Freer Gallery** held the first in a yearlong series of special events marking the centennial of Charles Lang Freer’s gift to the nation.

On March 7, the Smithsonian Environmental Research Center and partners conducted an electronic field trip, **Tree-mendous**, from Carson, Washington. Two 90-minute live satellite broadcasts reached 35 million middle-school children in 49 states and 4 countries.

On November 10, 2005, an educational video by the Lemelson Center of the National Museum of American History, **Lewis Latimer: Renaissance Man**, was broadcast by the Fairfax Networks via satellite to over 23,000 schools with a combined enrollment of over 14 million students.

During the National Museum of the American Indian’s annual **Holiday Week** between Christmas and New Year’s Day, 70,000 visitors enjoyed seven performing groups and seven craft demonstrators.

In January, the Cooper-Hewitt’s exhibition *Josef + Anni Albers: Designs for Living* won the International Art Critics Association’s award for Best Architecture or Design Show. Two Hirshhorn shows also were honored: *Ana Mendieta* was named Best Monographic Exhibition and *Visual Music* was named Best Exhibition Featuring Video, Film, or Performance Art.

In November, the Hirshhorn Museum and Sculpture Garden unveiled **Black Box**, a new space for film and video works. Also in November, the Hirshhorn hosted **After Hours**, an evening program featuring a lecture by artist Jim Hodges, special tours of the collections, and cocktails.

On January 26, the IMAX film *Roving Mars* premiered at the Lockheed Martin Theater of the National Air and Space Museum.

In March, the National Science Resource Center reached agreement with the **New York State Department of Education** to provide consultation services in all aspects of science education reform to the school districts of Albany, Buffalo, New York City, Rochester, and Syracuse.

On January 13, the Anacostia Museum presented its **21st Annual Martin Luther King, Jr., Program**. Charles J. Ogletree, Jr., presented the keynote address, “The Betrayal of Dr. King’s Dream.”

National Outreach

Smithsonian Affiliations

In the first half of fiscal year 2006, Smithsonian Affiliations signed agreements with **five new Affiliates**. There are currently **143 Affiliates** in 39 states, the District of Columbia, Puerto Rico, and Panama. A total of **72 Affiliates** (50 percent) are now fully implemented, with significant collaborations in place. Overall, Smithsonian Affiliations coordinated participation in nearly **40 events** around the country. A number of members of Congress attended two of these events and state governors attended two others.

Smithsonian Center for Education and Museum Studies (SCEMS)

SCEMS has developed a collaboration between the Smithsonian and the **Council of Chief State School Officers** to develop educational programs and resources. Deputy Secretary Sheila Burke and Under Secretary for Science David Evans will co-chair the steering committee.

In October, **Smithsonian Teachers' Night 2006** welcomed 2,000 educators to an open house at the National Postal Museum, as well as several hundred more at a simultaneous event at the Durham Western Heritage Museum in Omaha, Nebraska, a Smithsonian affiliate.

Smithsonian Institution Traveling Exhibitions Service (SITES)

During the first half of fiscal year 2006, SITES circulated **49 exhibitions** to **118 locations** in 39 states, plus the District of Columbia. Attendance was approximately 2.3 million. Four new SITES exhibitions went on the road in this period:

- ***Documenting China: Contemporary Photography and Social Change*** premiered in New York City on November 2, 2005; it explores the most populous nation on earth through the works of seven Chinese photographers.
- ***In Focus: National Geographic Greatest Portraits*** opened in Lake Charles, Louisiana, on November 5, 2005; it features 56 striking color and black-and-white photographs of human subjects.
- ***381 Days: The Montgomery Bus Boycott Story*** opened in Montgomery, Alabama, on December 1, 2005, to mark the 50th anniversary of Rosa Parks's arrest, which touched off the civil rights movement.
- ***Covered Bridges*** opened in Harrisburg, Pennsylvania, on March 4, 2006; it offers an engaging exploration of the history, architecture, and engineering of these enduring symbols of the rural landscape.



The Smithsonian Associates (TSA)

During the first half of fiscal year 2006, TSA created a variety of educational programs for learners of all ages and interests. Washington, D.C.-based programs featured such outstanding personalities as actors John Travolta and Kelly Preston, author Michael Crichton, former CIA director Stansfield Turner, journalist Marvin Kalb, St. Louis Cardinals manager Tony LaRussa, financial advisor Jane Bryant Quinn, astrophysicist Mario Livio, author Karenna Gore Schiff, and dancer/choreographer Maurice Hines. TSA's Regional Events program reached into 12 communities around the country with programs that brought Smithsonian experts into local schools, museums, universities, libraries, and civic organizations. The **Smithsonian Kite Festival**, presented by TSA and the National Air and Space Museum, celebrated its 40th anniversary in March.

Focused, First-Class Science

National Air and Space Museum Center for Earth and Planetary Studies (CEPS)

CEPS scientists are on the science teams for four spacecraft exploring Mars and one exploring Mercury. Their work includes ongoing mission operations planning, as well as data validation and analysis.

National Museum of Natural History (NMNH)



A team of scientists led by NMNH's Scott Wing has found that a period of rapid global warming 55 million years ago caused major changes in the geographic distribution of plants in North America. Their research, based on fossil plants found in Wyoming, was published as the cover story in *Science*.

At the annual American Academy of Forensic Sciences conference in Seattle, NMNH's Doug Owsley presented key findings on the mysterious Kennewick Man—one of the oldest human skeletons to be found in the Americas (yet possibly not of Native American origin). Owsley will coordinate more than 20 researchers in the next phase of study to unlock Kennewick Man's secrets.

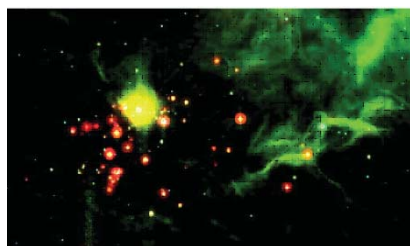
Smithsonian Tropical Research Institute (STRI)

As of late March, STRI reported 117 publications for the fiscal year, including four books, five articles in *Science*, three articles in *Nature*, and two articles in *Proceedings of the National Academy of Sciences*.

In a ceremony on November 30 in the Castle, the Smithsonian celebrated Dolores R. Piperno's election to the American Academy of Arts and Sciences and the National Academy of Sciences.

STRI's Center for Tropical Forest Science has big plans to expand its system for monitoring biodiversity in the world's tropical rain forests. A challenge grant of \$10 million has been offered by Frank Levinson to help convert the Center's complex of 18 large-scale forest-research sites into an "Earth observatory" to monitor the state of the world's tropical forests in real time.

Smithsonian Astrophysical Observatory (SAO)



Using the Infrared Array Camera (IRAC) on the Spitzer Space telescope, a team of SAO astronomers led by Paula Teixeira discovered a cluster of 17 young stars distributed along dust and gas filaments arranged like radial spokes, suggesting that star formation tends to occur within linear structures that subsequently disperse. These findings help to explain how stars form and why many move away from their birthplaces.

SAO's Adam Bolton led a team in a groundbreaking search for gravitational lenses comprised of massive galaxies. Bolton's team discovered 19 new gravitational lensing galaxies with the Hubble Space Telescope.

National Zoological Park (NZP)

On March 2, NZP elephant experts and a team of German veterinary scientists performed an artificial insemination on Shanthi, a 30-year old Asian elephant at the Zoo. It will be four months before Zoo scientists can confirm through hormonal analyses that Shanthi has conceived.

Smithsonian Center for Materials Research and Education (SCMRE)

SCMRE staff have been busy preparing for the opening of the Donald W. Reynolds Center for American Art and Portraiture in the historic Patent Office Building. Carol Grissom worked on two pieces each for the National Portrait Gallery and the Smithsonian American Art Museum, including William Rimmer's

plaster model for his seminal work *The Falling Gladiator* (1861). Marion Mecklenburg has been working closely with the Office of Facilities Engineering and Operations on structural issues.

SCMRE, the National Museum of the American Indian, and the National Museum of Natural History are collaborating with the Environmental Protection Agency and the National Institute of Standards and Technology to develop standards for detection of heavy metal pesticide residues on museum collections.

Smithsonian Environmental Research Center (SERC)

From October 1, 2005, through March 17, 2006, SERC submitted 31 research grant proposals totalling \$12.7 million and received 22 new awards totaling \$3.63 million.

Management Excellence

Leadership Milestones



John G. Roberts, Jr., Chief Justice of the U.S. Supreme Court, was elected chancellor of the Smithsonian by the Board of Regents on November 9, 2005. He succeeds the late William Rehnquist.

Camille Giraud Akeju became director of the Anacostia Museum on December 12, 2005. She previously served as president and CEO of the Harlem School of the Arts in New York City.



Major Construction and Renovation Projects

National Museum of American History, Kenneth E. Behring Center

Central core: 120,000 gross sq. ft. \$85.1 million total project cost

The \$85.1 million total cost includes design and construction costs for infrastructure and architectural enhancements to the central core and Star-Spangled Banner exhibit. The Federal contribution is \$4 million for design and \$41.9 million for public space renewal; the remainder will be Trust-funded.

35 percent design documents, reflecting an extensive value-engineering effort, were received in March 2006 and construction is planned to start in fall 2006. The building will remain closed for 20 months and will reopen in early summer 2008 (with the Star-Spangled Banner exhibit slated to reopen in September 2008). Private funds have been raised for the central core enhancements, and fund raising continues for the Star Spangled Banner exhibit. The fiscal year 2007 Federal budget request of \$13.5 million will complete Federal funding for the central core project.

National Zoological Park

\$111 million total estimated cost for Asia Trail, Phases I and II

The Asia Trail, a Federal/private partnership, will upgrade nearly 25 percent of the developed area of the Zoo. Asia Trail I will provide new homes for the giant pandas, sloth bears, fishing cats, red pandas, giant salamanders, small clawed otters, and clouded leopards. The total projected cost of Asia Trail I is

\$52.7 million—\$45.2 million Federal and \$7.5 million Trust. Construction is nearly 80 percent complete, with the opening planned for September 2006.

The Asia Trail II project that follows will renovate the historic elephant house and create an expanded outdoor environment for the elephants. The total projected cost for phase II is \$58.3 million, of which \$35.8 million is Federal. The fiscal year 2006 appropriations bill provided \$9 million for the elephant facility and an additional \$4.5 million for other Zoo facilities revitalization projects. The fiscal year 2007 request contains \$13 million for the elephant trails project.

Donald W. Reynolds Center for American Art and Portraiture

384,000 gross sq. ft. \$298 million total estimated project and program cost



The Donald W. Reynolds Center in the historic Patent Office Building will reopen to the public on July 1, 2006. The physical plant renewal project is about 90 percent complete and exhibitions are being installed.

The anticipated opening date for the privately funded courtyard enclosure is late fall 2007. A delay occurred when the National Capital Planning Commission (NCPC) rejected the final design submission at its June 2005 hearing; a revised design was approved by the NCPC in September.

The interior landscape, exterior landscape, and F Street stairs were reviewed by the NCPC on April 6.

The \$298 million total project cost includes \$166 million in Federal funds for revitalization of the original building; \$72.6 million in Trust funds for the courtyard enclosure, landscape, and F Street stairs; and the Trust-funded remainder for exhibits, programs, and support costs.

National Museum of African American History and Culture

Total project and program cost to be determined

On January 30, 2006, the Board of Regents designated a site on the National Mall bounded by Constitution Avenue, Madison Drive, and 14th and 15th Streets, NW, as the location for the new National Museum of African American History and Culture (NMAAHC). This site is currently under the jurisdiction of the National Park Service and will be transferred to the Smithsonian under the terms of the legislation establishing NMAAHC. Pre-project planning and pre-design services, including an environmental impact statement, historic preservation research, and architectural programming, will be initiated in coordination with the Museum's director. A new competitive process will be undertaken to select a design team.



Museum Support Center, Pod 5

119,500 gross sq. ft. \$42.7 million total estimated project cost

Construction of a fifth storage pod at the Museum Support Center (MSC) in Suitland, Maryland, began in October 2005. Pod 5 will house most of the collections preserved in alcohol at the Natural History building and all of the collections housed at Pod 3 at MSC. This will eliminate a major safety concern by removing approximately 365,000 gallons of alcohol from non-code-compliant facilities. Congress has provided \$37.3 million of the total project cost of \$42.7 million through fiscal year 2006, with

the remaining \$5.4 million included in the facilities capital budget request for fiscal year 2007. The construction is 20 percent complete and on schedule to be finished in April 2007.

National Museum of Natural History, Ocean Hall Exhibit

Exhibition area: 39,000 gross sq. ft. \$43.9 million total estimated project and program cost

The National Museum of Natural History is in the midst of its largest renovation of public space in the last 40 years, involving seven major halls. Installation of the Ocean Hall exhibition will begin upon completion of the public space renewal project in March 2007. The total estimated cost of the Ocean Hall project is \$43.9 million: \$21.7 million from Smithsonian Federal funding for fiscal years 2002 through 2006 and \$22.2 million from a NOAA grant. The construction of the Federally funded portion is 38 percent complete. The target for opening the Ocean Hall exhibition is September 2008.

Arts and Industries Building (AIB) Staff and Programs Relocation and Building Closure

200,000 gross sq. ft. \$34 million total project cost

In March 2006, the Smithsonian Institution Traveling Exhibitions Service moved to L'Enfant Plaza. The objective for 2006 is to relocate all staff that remain in the Arts and Industries Building. Spaces are under construction for the May–August moves of the Smithsonian Institution Archives, Office of Facilities Management and Reliability (OFMR), Office of Protection Services headquarters, Office of the Chief Information Officer near-Mall operations, and Office of Policy and Analysis (all to Capital Gallery); the Office of the Chief Information Officer data center (to Herndon, Virginia); the Accessibility Office (to the American History building); and Smithsonian Affiliations (to L'Enfant Plaza). Several other tenants are scheduled for September 2006 moves to the Quadrangle and Capital Gallery.

Permanent Physical Security Barriers—Multi-facility, Mall and off-Mall

\$55 million total project and program cost

Temporary perimeter security barriers installed after September 11, 2001, will be replaced with permanent barriers. These will be phased over several years, with Mall facilities taking precedence. Mall-wide, 35 percent design is complete. Project funding to date has come from \$8 million in Federal anti-terrorism supplements. Security modifications to the perimeter of the National Museum of the American Indian were funded as part of the construction program and are 100 percent complete. Perimeter security improvements at the National Air and Space Museum are 50 percent complete and scheduled to be finished in summer 2006.

The fiscal year 2006 appropriations bill provided an additional \$7.9 million for design and construction of security barriers around the National Museum of Natural History. Design documents are 95 percent complete and the construction contract will be awarded this summer. Included is \$1 million for design of National Museum of American History barriers; final design documents will be completed in spring 2006. No funding is included in the fiscal year 2007 Federal request for these programs.

Victor Building Staff Relocation and Consolidation

213,000 gross sq. ft. \$13 million total project cost

The sale of the Victor Building in late 2005 requires relocation of approximately 750 staff to leased space and consolidation of remaining staff on lower floors of the Building. The Regents have approved relocation/consolidation funding out of the sale proceeds, with the total project cost not to exceed \$13 million. Approximately 75,000 square feet have been leased near the Mall for those offices whose

mission requires such proximity and an additional 50,000 square feet will be leased in nearby Virginia, within reasonable commuting distance of the Mall. Plans are being developed for these spaces, with all moves to be complete by January 31, 2007. The projected rent for space in Virginia, near the Mall, and in the Victor Building for those units remaining there will not exceed the rent currently being paid for Victor Building occupants.

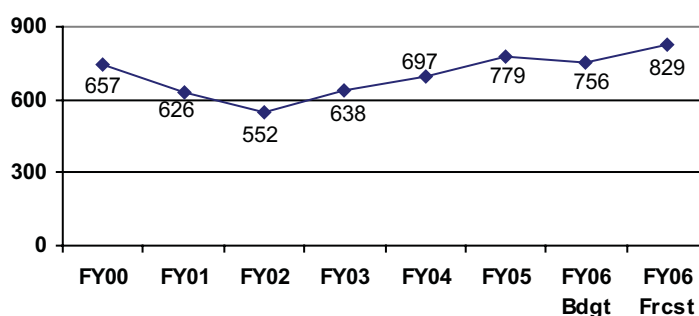
Financial Strength

The Smithsonian continues to engage in an all-out effort to revitalize its aging physical infrastructure and eliminate a burgeoning \$2.3 billion facilities capital and maintenance funding requirement. Its most pressing financial challenge is insufficient Federal funding to reduce maintenance and repair backlogs.

At mid-year, the Institution reports a sound private-sector financial position. The Institution's Endowment has performed well, outperforming the Institution's benchmark, and philanthropic giving to the Smithsonian continues to be strong. Net income from non-Federal retail businesses is forecast to be below the target established at the Institutional level, but is still healthy.

An important bellwether of the Institution's financial health, the Endowment's market value (including additions to the Endowment) is forecast to exceed budget by \$73 million by fiscal year-end. The total return on the Endowment over the last five years (5.2 percent) has exceeded the market return (4.2 percent). At year-end, the Endowment is forecast to total \$829 million after payout, fees, and additions.

Smithsonian Institution Year-End Endowment Value (\$ in millions)



Financial Performance

For fiscal year 2006, the Institution once again is absorbing the impact of the unfunded portion of a Congressionally mandated pay raise, across-the-board cuts imposed by Congress, and the government-wide transit benefit. This continued underfunding will inevitably result in the loss of Federal staff and the elimination of mission-oriented programs.

Revenues for fiscal year 2006 are forecast to be under budget by \$3 million. This budget variance is due to a decrease in Federal revenues for operations (reflecting the across-the-board reductions in appropriations imposed by Congress after the budget was prepared) and a decrease in SBV net gain (due to an incorrect budget assumption about the loss of revenue from the affinity credit card program, which

was terminated in fiscal year 2005). These were partially offset by an increase in interest earned on the Institution's short-term investments and an increase in other miscellaneous income generated largely through unit-raised royalties, special events, and unit-sponsored business activities.

Expenses for fiscal year 2006 are forecast to be under budget by \$9 million, due largely to the decrease in spending associated with the across-the-board reductions in appropriations imposed by Congress after the budget was prepared. It also reflects a decrease in the non-cash depreciation charge for the Victor Building, which was sold in November 2005.

The largest variance in the forecast is due to the greater-than-budgeted proceeds from the sale of the Victor Building and the sale of a warehouse property in northern Virginia that had been expected to occur late in fiscal year 2005. These two sales produced a gain of \$68 million—a positive budget variance of \$27 million. Taken together with other minor activities (for example, the net proceeds from the next revenue stamp auction), the Institution forecasts a net worth increase of \$167 million—\$34 million better than budgeted.

Smithsonian Institution Financial Performance for Fiscal Year 2006
(\$ in millions)

	FY2006 Budget	FY2006 Actual	Variance to Budget
Revenues	929	926	(3)
Expenses	852	843	9
Endowment Return Reinvested	20	21	1
Other	36	63	27
Growth in Net Assets	133	167	34

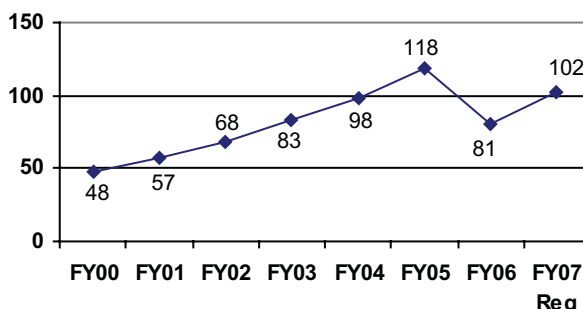
Financial Summary

Fiscal year 2006 has been enormously productive as the Institution continues to make progress on its stated goals. The excitement is growing about the openings of the Donald W. Reynolds Center for American Art and Portraiture in July 2006 and the first phase of Asia Trail at the National Zoo in fall 2006. Major capital projects, including the Ocean Hall and the revitalization of the National Museum of American History, provide evidence of the progress being made in facilities revitalization. Additionally, work on enhancing security, modernizing information technology, and improving financial management is under way, despite considerable staff shortfalls and resource constraints.

Unfortunately, the facilities capital appropriation for fiscal year 2006 has declined by 31 percent from the prior year. In April 2005, the Government Accountability Office (GAO) issued a report that validated the Institution's facilities and maintenance requirement of \$2.3 billion for the nine-year period of fiscal years 2005–2013. While the 2001 Congressionally mandated National Academy of Public Administration report established an average annual facilities revitalization funding requirement of \$150 million, the GAO added institutional maintenance and construction requirements to an updated inventory of facilities revitalization projects (including the Udvar-Hazy Center and the National Museum of the American Indian) and established a more comprehensive annual figure of \$255 million.

Without at least \$150 million annually for facility revitalization, the Smithsonian cannot expect to get ahead of the problem of its aged physical plant. Although funding for revitalization has doubled since fiscal year 2000, it must grow another 50 percent to reach the levels recommended by GAO and NAPA.

Funding for Smithsonian Facilities Revitalization (\$ in millions)
(Enacted funding through fiscal year 2006; fiscal year 2007 level pending before Congress)



External Affairs

This year, fund-raising activity on the Mall has been focused on completing Phase Two of the Steven F. Udvar-Hazy Center; completing the Reynolds Center funding for the opening of its two museums; and ongoing work for the Ocean Science Initiative, Asia Trail, and the endowment of unit chairs. In addition, fund raising has been initiated for the proposed butterflies and Star-Spangled Banner exhibitions, as well as to support the groundwork for the National Museum of African American History and Culture.

The strong growth demonstrated by the James Smithsonian Society last year continues this year, a result of increased marketing efforts. The James Smithsonian Society Annual Gala Weekend will be held May 12–14, and its Saturday night Gala Dinner will be held in the National Air and Space Museum’s Milestones of Flight Gallery.

Members of the Smithsonian National Board hosted receptions for the Secretary in Tucson and Phoenix in February. At the receptions, local civic and business leaders met the Secretary and were encouraged to become engaged with the Smithsonian. .

Smithsonian Business Ventures (SBV)

Museum Retail Operations—one of SBV’s two principle lines of business, along with the Smithsonian Magazine Group—are on plan, despite a drop in visitation to Mall museums where SBV operates by 9 percent from 2005. While raising advertising revenue remains a challenge, *Smithsonian* magazine is meeting its earnings target year-to-date.

A joint venture was established in December with Showtime Networks, a division of CBS, to create a Smithsonian television programming service. Efforts are under way to launch the service, **Smithsonian On Demand**, by the end of this year. SBV has appointed a coordinator to manage access to content and provide production assistance, and Showtime has selected David Royle, a former National Geographic Television executive and Emmy Award–winning producer, as head of programming. The venture is now assembling approximately 40 hours of programming for the launch. Smithsonian On Demand will be offered initially as a video-on-demand service for digital cable television subscribers, and Showtime also expects to distribute it via Internet broadband service providers and other new media platforms.

A new initiative, offering popular films for family audiences after regular museum hours, has already attracted over 40,000 people to Smithsonian IMAX Theaters. Based on the success of screenings of *Harry Potter and the Goblet of Fire* and *The Polar Express*, SBV plans to establish a year-round schedule.

The **Smithsonian Books** co-publishing program with HarperCollins Publishers released its first trade books in the fall and is on track to meet its goal of 100 books in its first year. Early successes include

Washington's Secret War (a selection of both the Military Book Club and the Book of the Month Club), *My Battle of Algiers*, and *Smithsonian Baseball*, which has sold more than 75,000 copies.



The **Smithsonian Museum Store** at Ronald Reagan Washington National Airport, the first offsite store established by SBV in 1999, reopened after a complete refurbishment. Year-to-date sales are up 12 percent over 2005.

A new food service opened in February in the main hall of the **Castle**, offering a bistro-style menu and seating for 60. The public response has exceeded projections by as much as 40%.

SBV will operate 2,600 square feet of retail space in two locations in the reopened **Donald W. Reynolds Center**, and two food service locations are planned: a Courtyard Café (175 seats) and a seasonal outdoor facility (48 seats) on the South Portico.

The **New York Mint** and the Smithsonian have released the first in a series of Smithsonian collectible coins, a \$100 piece that has proven popular with numismatists. It was designed in the late 1800s by renowned coin designer George T. Morgan, but never put into production. The faithful reproduction is available in both silver and gold.

