

SALARIES AND EXPENSES

FY 2006 Appropriation	\$516,568,000
FY 2007 Current CR level	\$517,094,000
FY 2007 Request	\$537,394,000
FY 2008 Estimate	\$571,347,000

For FY 2008, the Institution requests \$571.3 million in the Salaries and Expenses account. To meet required CR reductions in FY 2007, if held to the FY 2006 level, the Institution would defer lower priority maintenance projects to FY 2008; implement a federal hiring freeze; eliminate all employee cash awards and bonuses; delay key financial systems improvements; delay replacement of outdated desktop computers; and reduce base funding for travel, research equipment, and office equipment. Within the total FY 2008 increase requested, approximately 64 percent is attributable to mandatory costs for sustaining base operations (e.g., pay, utilities, rent, etc.), and the remainder is for priority program requirements within the Institution.

SALARY AND RELATED COSTS — The Institution requests an increase of \$11,406,000 for higher projected salary and benefits costs in FY 2008, as described below. This request is limited to the unfunded portion and annualization of the 2007 pay raise, the proposed 2008 pay raise, and an increase in Workers' Compensation costs. The Institution must absorb the two extra workdays in FY 2008 (\$2,766,000). The following details the pay required:

Salary and Related Costs:

▪ Unfunded 2007 pay raise (2.64% vs. 2.2%)	\$1,132,000
▪ Annualization of 2007 pay raise (1/4 year at 2.64%)	2,307,000
▪ 2008 pay raise (3/4 year at 3.0%)	7,913,000
▪ Workers' Compensation	<u>54,000</u>
Total	\$11,406,000

- **Unfunded Portion of 2007 Pay Raise (+ \$1,132,000)** — Funds the anticipated January 2007 pay raise differential (2.64% vs. 2.2%) between the amount requested in the FY 2007 submission to Congress and the current pay raise estimate.
- **Annualization of 2007 Pay Raise (+ \$2,307,000)** — Funds the annualization of the anticipated 2.64 percent January 2007 pay raise for the first quarter of FY 2008.
- **Proposed 2008 Pay Raise (+ \$7,913,000)** — Funds the anticipated 3.0 percent January 2008 pay raise for three-quarters of a year.

- Workers' Compensation (+ \$54,000)** – Supports the provisions of Section 8147(b) of Title 5, *United States Code*, as amended by Public Law 94-273. The Workers' Compensation bill for FY 2008 is \$3,270,000, based on actual costs incurred from July 1, 2005 through June 30, 2006, as provided by the U.S. Department of Labor. With an amount of \$3,216,000 in its FY 2007 base, the Institution requests an increase of \$54,000 for FY 2008.

FY 2008 Increased Pay Costs
(Dollars in Thousands)

Line Item	FY 2007 Unfunded/ Annualization	FY 2008 Pay Raise	Total
Anacostia Community Museum	14	31	45
Center for Folklife and Cultural Heritage	16	37	53
National Museum of African American History and Culture	20	46	66
National Museum of American History, Behring Center	187	434	621
National Postal Museum	7	14	21
National Museum of the American Indian	222	512	734
Archives of American Art	18	39	57
Arthur M. Sackler Gallery/Freer Gallery of Art	45	102	147
Cooper-Hewitt, National Design Museum	25	60	85
Hirshhorn Museum and Sculpture Garden	36	81	117
National Museum of African Art	31	71	102
National Portrait Gallery	49	115	164
Smithsonian American Art Museum	82	189	271
National Air and Space Museum	155	362	517
National Museum of Natural History	385	889	1,274
National Zoological Park	171	395	566
Smithsonian Astrophysical Observatory	151	348	499
Museum Conservation Institute	27	62	89
Smithsonian Environmental Research Center	32	71	103
Smithsonian Tropical Research Institute	97	225	322
Outreach	58	130	188
Communications	21	31	52
Office of Exhibits Central	27	63	90
Museum Support Center	13	32	45
Smithsonian Institution Archives	14	29	43
Smithsonian Institution Libraries	73	169	242
Administration	276	642	918
Office of Inspector General	15	36	51
Facilities Maintenance	263	605	868
Facilities Operations, Security, and Support	909	2,093	3,002
Total Increased Pay Costs	3,439	7,913	11,352

UTILITIES, COMMUNICATIONS, AND RENT (+ \$10,373,000) — For FY 2008, the Institution requests a net increase of \$10,373,000 for utilities, communications, and rent costs for increases in consumption, rate and inflationary increases, and project needs. The following table displays estimates from FY 2006 through FY 2008. Detailed explanations of each line item follow.

**Federal Utilities, Postage, Communications, and Rent
FY 2006–FY 2008**
(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Estimate	Change
Utilities:				
Electricity	17,858	18,034	20,351	2,317
Chilled Water	5,827	5,802	6,344	542
Steam	7,821	7,453	9,492	2,039
Natural Gas	4,589	4,265	4,839	574
D.C. Gov't Water/Sewer	2,199	3,853	2,753	-1,100
Other Water and Fuel	618	770	664	-106
Subtotal, Utilities	38,912	40,177	44,443	4,266
Postage	1,322	2,071	2,071	0
Communications	8,860	9,668	10,088	420
Rent	15,113	19,175	24,862	5,687
Total	64,207	71,091	81,464	10,373

- **Electricity (+ \$2,317,000)** — Electricity is used to operate the Smithsonian's large infrastructure. The major consumer of electricity is the air-conditioning system that cools Smithsonian facilities, ensuring the comfort of staff and visitors and providing essential climate control to protect the priceless national collections. The net estimate includes anticipated increases for a 75 percent price increase at Virginia facilities due to the expiration of the regulatory rate cap in FY 2007 (+ \$745,000) and two percent price inflation on all electricity accounts in FY 2008 (+ \$360,000); unanticipated increases for consumption in excess of projections at the leased Herndon, Virginia, Data Center and the Donald W. Reynolds Center (+ \$485,000); and contracted price increases above the FY 2006 appropriated and FY 2007 estimated levels (+ \$342,000). In addition, the request includes the last increment of funding for the Smithsonian Astrophysical Observatory's VERITAS Phase II project in Arizona, the Donald W. Reynolds Center's courtyard enclosure, the National Zoological Park's Asia Trail Phase II operations, and the National Museum of American History's Public Space Renewal (+ \$492,000).

These increases are offset by reductions in costs from the closure and relocation of staff previously housed in the Arts and Industries Building (AIB) (-\$77,000) and anticipated increased reimbursements (-\$30,000).

- **Chilled Water (+ \$542,000)** — Chilled water costs represent both the annual cost of the fixed, 15-year debt service for the joint project between the General Services Administration (GSA) and the Smithsonian to supply chilled water from GSA's central plant to the Smithsonian's south Mall facilities and the variable cost for actual chilled water usage. The FY 2008 request includes an anticipated two percent price increase in FY 2008 (+ \$59,000) and unanticipated price increases above the appropriated FY 2006 and estimated FY 2007 levels, due to the effect of electricity costs on chilled water generation (+ \$300,000). The request also includes increased chilled water usage due to the deteriorating building infrastructures at the Hirshhorn Museum and Sculpture Garden and at the NASM Mall Museum (+ \$200,000). Offsetting the increases are further savings from the closure and relocation of staff in the AIB (-\$10,000) and anticipated increased reimbursements (-\$7,000).
- **Steam (+ \$2,039,000)** — The Smithsonian uses steam for heating and humidification, and to produce hot water in facilities on the Mall and in New York City. The estimate includes increases for an anticipated 5 percent price increase in FY 2008 (+ \$460,000) and unanticipated 46 percent price increases above the FY 2006 appropriated and FY 2007 estimated levels (+ \$2,715,000). Offsetting the increases are further savings from decreases in consumption due to conservation efforts that began in late FY 2006 (-\$872,000) the closure and relocation of staff in AIB (-\$104,000), and anticipated increased reimbursements (-\$160,000).
- **Natural Gas (+ \$574,000)** — The Smithsonian uses natural gas for heating and generating steam. The estimate includes increases for anticipated two percent inflation for FY 2008 (+ \$103,000) and unanticipated price increases above the appropriated FY 2006 and estimated FY 2007 levels (+ \$340,000). The request also provides for increased consumption at the Donald W. Reynolds Center (+ \$134,000). Offsetting the increases are anticipated increased reimbursements (-\$3,000).
- **D.C. Water and Sewer (-\$1,100,000)** — Funds provide for both water and sewer services provided by the District of Columbia Water and Sewer Authority (DCWSA). The request includes a reduction of \$1,100,000 to the budget estimate to reflect rate and billing adjustments identified by the DCWSA.

- **Other Water and Fuel (-\$106,000)** — Funds provide water for facilities outside of Washington, DC, and fuel oil used in dual-fuel boilers, as a backup to natural gas. The request includes an anticipated eight percent price increase in FY 2008 (+ \$37,000), which will be offset by actual water and fuel use lower than projected (-\$143,000).
- **Postage** — Funds provide for all official domestic and international mail services. The Institution is not seeking an increase in FY 2008 for postage.
- **Communications (+ \$420,000)** — The communications base supports operations, maintenance, and equipment for the Institution’s voice and data telecommunications requirements. The requested increase supports the leased communications lines for the leased space at Capital Gallery and L’Enfant properties in Washington, DC and Crystal City, Virginia.
- **Rent (+ \$5,687,000)** — The request includes increases for a replacement lease (+ \$3,900,000); annual rent escalations for existing leases (+ \$807,000); and program lease requirements (+ \$980,000), as follows:
 - **Replacement Lease (+ \$3,900,000)** — Provides additional base rent funds (\$2,100,000) and one-time move and fit-out costs (\$1,800,000) to relocate Smithsonian offices from 1111 North Capitol St., Washington, DC, to other leased space that will be identified to meet the Smithsonian’s needs. The current lease expires in 2011 and includes a mutual termination provision beginning October 1, 2008 whereby either party may terminate the lease with a 15-month written notice. Based on discussions with the landlord and the fact that the North Capital Street corridor is very attractive for development, the Smithsonian anticipates that the landlord will invoke the mutual termination provision, thereby forcing the Smithsonian to relocate staff, storage, and workshop activities to other leased space. The request will provide for six months of lease costs for an estimated 150,000-square-foot replacement facility at an anticipated higher annual rent than the 1111 North Capitol St. space. FY 2009 and following years, the \$2,100,000 will be used to offset the annualized rental costs of the replacement lease.
 - **Escalation (+ \$807,000)** — Provides for annual rent increases in accordance with the actual terms of current lease contracts (+ \$578,000) and restoration of funds reduced by rescissions in the FY 2006 appropriations bill that are required to meet lease obligations (+ \$229,000). Among the contracts, the escalation rate

for base rent averages two percent and operating and real-estate taxes average eight percent.

- ***Garber Facility Buildings (+ \$740,000)*** — Provides for leased collections-storage space to relocate American History artifacts from asbestos-laden Buildings 15 and 18 at the Garber facility in Suitland, Maryland, to leased storage facilities that will be identified. Although the asbestos in Buildings 15 and 18 has been temporarily contained, the artifacts and staff are still at a high risk of exposure. In FY 2009, the Smithsonian plans to demolish Buildings 15 and 18 and will not rebuild them. The requested funds will provide for an estimated 24,000 square feet of collections-storage space in a climate-controlled storage facility to relocate the artifacts that are currently stored in these buildings. The leased facility will prevent further contamination and deterioration of the artifacts and will provide a safer environment for staff. Funds to move the artifacts are requested in the Facilities Capital section of this request.

- ***Cooper-Hewitt, National Design Museum (CHNDM) (+ \$240,000)*** — Provides for one-half of the annual lease cost for collections-storage space to relocate the CHNDM collections to space that will be identified to meet the required needs. Trust funds will provide for the one-half balance required for the annual lease cost. In FY 2008, CHNDM will undergo a privately funded \$40 million renovation to increase exhibition space. Master plans include consolidating the collections in an off-site central storage and conservation facility. The requested funds will enable CHNDM to lease an estimated 15,000 square feet of space to house CHNDM collections, thus allowing for expansion of exhibition space at the Museum.

SUMMARY OF PROGRAM CHANGES — The Institution requires funding for the following programs in FY 2008. Details are provided in the line-item narratives for each respective program.

- **Security/Anti-Terrorism (+ \$1,381,000, + 2 FTEs)** — This request provides for the minimum security improvements recommended by the Inspector General’s evaluation of the Institution’s employee and contractor security check and badging systems.
- **New Museum (+ \$9,893,000, + 28 FTEs)** — Provides resources to support the requirements of the National Museum of African American History and Culture. Continues developing and refining plans for exhibitions, public programs, educational programs, collections acquisition, technology, and capital fund raising.
- **Science Priorities (+ \$600,000, + 3 FTEs)** — Provides funding at the National Zoo for increased efforts related to animal welfare and staff safety and for support of daily operations, including pest management control, as recommended by the American Zoo and Aquarium Association.
- **Other Program Changes (+ \$300,000, + 1 FTE)** — Provides for other institutional priorities in key areas of Institution-wide support, as follows:
 - ***Office of the Inspector General (+ \$100,000, + 1 FTE)*** — Provides support for workload requirements, including adequate oversight of the Institution’s IT and facilities capital programs.
 - ***Human Resource Workforce Restructuring (+ \$200,000)*** — Provides resources to continue implementing key human capital initiatives such as performance and succession management and employee development.

NO-YEAR AND TWO-YEAR FUNDING — The following table provides the FY 2008 Salaries and Expenses request for No-Year and Two-Year funding.

No-Year and Two-Year Funding Request
(Dollars in Thousands)

Salaries and Expenses	FY 2007 Request	FY 2008 Request
No-Year Funds		
National Museum of African American History and Culture	2,973	12,932
National Museum of Natural History:		
Exhibition Reinstallation	1,013	1,013
Repatriation Program	1,646	1,671
Major Scientific Instrumentation	3,886	3,886
Collections Acquisition	466	466
Total, No-Year	\$9,984	\$19,968
Two-Year Funds		
Outreach: Office of Research and Training Services	1,578	1,578
Total, Two-Year	\$1,578	\$1,578