

PERFORMANCE AUDIT

NATIVE AMERICAN CULTURAL AND EDUCATIONAL AUTHORITY

For the period July 1, 2003 through June 30, 2012



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
Native American Cultural and Educational Authority**

**For the Period
July 1, 2003 through June 30, 2012**



Oklahoma State Auditor & Inspector

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October 17, 2012

TO THE CITIZENS OF OKLAHOMA:

Our audit finds that the Native American Cultural and Educational Authority (NACEA) has faced many internal and external obstacles since its inception, from inconsistent funding to inadequate budgeting. Though the governing board (Board) experienced its share of difficulties due to improper planning, some of these were caused and exacerbated by a mixed message from the Legislature.

Our audit found no lack of dedication to the project from the Board. On the contrary, they show an enthusiastic passion for the mission. The vision of the American Indian Cultural Center and Museum (AICCM) as a world-class facility, one that will provide a comprehensive history of our native citizens, is a source of great pride and accomplishment for Board members. However, the same pride and desire to construct such a multisensory masterpiece resulted in unrealistic expectations from the Board and Legislature alike.

The Board self-imposed certain challenges; the Legislature requested neither a world-class facility nor one that would draw hundreds of thousands of both international and domestic tourists to the southern side of Bricktown in Oklahoma City. The Board chose "the Vision Plan," the most elaborate and expensive of the options provided by the project architects in 2004. Projects on such a grand scale require substantial funding, however, and at no time has the Board's available funding closely approached its projected expenditures. It is reasonable to expect that funding shortfalls might lead to a reevaluation of the plans by the Board; if an everyday citizen loses his or her job, he or she might eliminate cable service, a gym membership, or weekly pizza night. The Board has taken the opposite approach, and rather than evaluating less costly options that would still allow construction of a world-class facility, has maintained their vision, with an expectation that taxpayers will foot the bill.

AICCM cost estimates range from \$100 million to \$171 million. Some increases can be attributed to plan adjustments from the Board and architects, some to project duration and cost inflation. The Legislature never openly objected to the escalating costs. At best, the Legislature's approach could be described as passive acceptance. Auditors could find no evidence of any public hearing in which expenditures or cost estimates were questioned. Only when the NACEA staff approached the Legislature during the last three sessions did the Legislature respond negatively via unheard or defeated bond measures.

The Legislature assigned the Board the monumental tasks of creating and operating a state agency and constructing and operating a museum, despite Board members' lack of experience in both areas. These responsibilities were assigned without the proper support and tools, such as more comprehensive board membership criteria, greater oversight and project leadership.

The Board does not appear to have managed the AICCM efficiently and effectively to this point, and has yet to develop an operating budget for the museum in which future state subsidies are realistically estimated. However, a change in the attitudes of decision makers, a commitment to completion within a given budget, and a shift in the direction of the project in the short run might salvage the project in the long run. Board modifications and legislative involvement should incentivize private participation, and greater accountability and transparency should encourage more efficient operations.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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**Native American Cultural and Educational Authority
Performance Audit**

PURPOSE

This audit was conducted at the Governor's request in accordance with 74 O.S. § 213.2.B.

OBJECTIVE

To review those elements of the Native American Cultural and Educational Authority (NACEA or the Agency) and American Indian Cultural Center and Museum (AICCM) operations pertaining to management, oversight of operations, and expenditures, and to assess the efficiency, effectiveness, and reasonableness of those elements.

**AUDIT SCOPE &
METHODOLOGY**

The audit period covered July 1, 2003 through June 30, 2012, unless otherwise noted in the body of the report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. §24.A.1 et seq.), and shall be open to any person for inspection and copying.

In order to better understand the project's history, we met with NACEA and museum staff, and gathered extensive information from those parties. We also interviewed members of the current NACEA Board (the Board). We performed a thorough review of Agency financial data, work papers of the Agency's external financial auditors, board minutes, and certain vendor contracts and amendments.

To gain some perspective regarding state agencies that operate in conjunction with fundraising organizations, especially those involved in large capital projects, we interviewed other state agency personnel with experience in public-private projects and fundraising.

As consultants play such a prominent role in this project, we conducted interviews with as many contract personnel as possible,

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though the out-of-state location of some precluded meeting with them. We also read a variety of vendor reports provided by the Agency, including studies by Lord Cultural Resources dated 2000, 2006, and 2009, and Applied Economics, dated September 2009, but did not verify the accuracy of the information contained therein. These studies are referenced throughout the report.

NACEA is also closely associated with the American Indian Cultural Center Foundation (the Foundation), which serves as a non-profit fundraising arm for the museum. Though these two entities are legally separate, contracts, accounting standards, and common board membership bind them together, warranting inclusion of the Foundation within our audit scope.

Finally, we examined best practices to aid in assessment of NACEA's budgeting and planning processes and Board membership.

BACKGROUND INFORMATION

Agency Mission and Vision

According to its website, NACEA's mission is "to create an awareness and understanding for all people of the Oklahoma American Indian cultures and heritage." Its founding statement says, "The NACEA will collaborate with state, tribal, federal, city and county governments, as well as educational and cultural organizations to promote a deeper understanding and appreciation among all people of the diverse American Indian cultures of Oklahoma."

The AICCM has a separate mission statement: "To serve as a living center for cultural expression promoting awareness and understanding for people regarding Oklahoma American Indian cultures and heritage." The vision for the AICCM is to function on three levels: to serve as a living center for contemporary American Indian culture, to communicate the story of American Indians in Oklahoma, and to provide a center for the study of American Indian culture and history.¹

Oversight is provided by a Board consisting of seven appointed members of federally recognized American Indian Tribes located within the State, four appointed members from the business community, and six ex officio members who represent various state

¹ "Statements," AICCM, 2012, <http://www.theamericanindiancenter.org/mission-vision--foundation-statements>.

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agencies or Executive Cabinet positions. Appointed members serve staggered terms between three and seven years.

Board members include:

Governor Bill Anoatubby Chairman
Greg Wadley. Vice Chairman
Dan Batchelor..... Secretary-Treasurer
David Campbell..... Member
Don Dillingham. Member
Ken Fergeson..... Member
Enoch Kelly Haney..... Member
Kirk Humphreys..... Member
Dr. Henrietta Mann..... Member
Terry Mason Moore..... Member
Bill Shoemate..... Member
Betty Price..... Member Emeritus

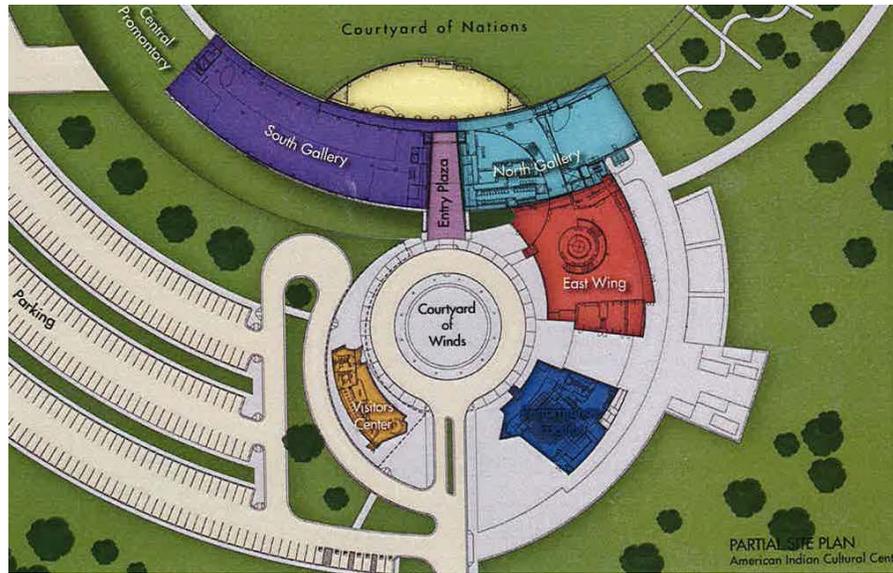
Ex Officio members include:

Kim Baker Executive Director, Oklahoma Arts Council
Dr. Bob Blackburn Director, Oklahoma Historical Society
Jacque Hensley..... Oklahoma Native American Liaison
Todd Lamb Lieutenant Governor
Dave Lopez..... Secretary of Commerce
Deby Snodgrass Executive Director, Oklahoma Tourism
& Recreation Department

AICCM Facilities Description

The 210-acre plan for the AICCM encompasses many different elements, including commercial development, a park, and the museum itself. The 40-acre museum and cultural center complex includes an Entry Plaza, North and South Galleries, an East Wing, a Performance Facility, a Hall of the People, and a Visitors Centers as interior facilities, and a Courtyard of nations, a Courtyard of Winds, and a Promontory Mound on the exterior.

Bird's Eye Plan
View



Source: *Business Plan and Legislative Information*, AICCM, 2012.

Aerial
View



Source: "Site History," AICCM, 2012, <http://www.theamericanindiancenter.org/site-history>.

Funding History

The project has received funding to date from various sources, including the state, the federal government, individuals and American Indian tribes. State funding is used for two purposes – project construction and agency operations – whereas other sources are generally used for construction. State funding for construction has been obtained through three separate bond issues.

Analysis of the NACEA’s externally-audited financial statements for fiscal years 2004 through 2011 yielded the following information on funds raised to date for project construction:²

<u>Source</u>	<u>Amount</u>
State	\$71,069,761
Federal	\$15,678,354
<u>Other</u>	<u>\$8,279,895</u>
<i>Total</i>	<u>\$95,028,010</u>

In addition to state funding from bond issues, NACEA also receives state appropriations for agency operations and to pay the debt service on the project bonds. These appropriations totaled \$26,162,656 from fiscal years 1997 through 2012.³

² The state funding figure reflects three bond issues totaling \$63 million, interest earned on bond revenue, and \$2 million from the Centennial Commission for the purchase of steel. The “other” figure excludes \$40 million in private pledges contingent upon future state match.

³ The agency received no operations funding prior to fiscal year 1997. Fiscal years 1997 through 2003 fall outside the audit period and therefore were not examined in detail.

AICCM Timeline

1994 - SB 746 (74 O.S. § 1226 through 1226.2) establishes the Native American Cultural and Educational Authority and provides for the creation of the Board. Board appointments are made, the design and planning team are selected, concept development begins, and site investigation and selection process begins.

1996 - NACEA begins receiving state appropriations for operational funding (Section 2, Chapter 272, O.S.L. 1996).

1998 - Construction site is selected, with known issues including existence within a floodplain and an abandoned oilfield, and having limited access from main thoroughfares; HB 3066 (73 O.S. § 301) authorizes \$5 million bond issuance on behalf of NACEA through the Oklahoma Capitol Improvement Authority.

2000 - NACEA conducts an Environmental Conditions Assessment, begins site clean-up.

2003 - SB 73 (73 O.S. § 304) authorizes \$33 million bond issuance for the AICCM.

2005 - The City of Oklahoma City donates the site land to the State under a special warranty deed.

2006 - Construction begins, including site preparation, basement excavation of the gallery building and Promontory Mound preparation.⁴

2008 - SB 1374 (73 O.S. § 304.1) authorizes \$25 million bond issuance for the AICCM.

2012 - Construction is suspended pending additional funding.

⁴ "Site Development," AICCM, 2012, <http://www.theamericanindiancenter.org/site-development>.

OBSERVATIONS

Through our procedures, we found a number of inconsistencies and deficiencies that can be attributed to improper planning by both the NACEA Board and the Legislature. These inconsistencies and deficiencies have negatively impacted the AICCM, as evidenced in the project budgeting, overall vision, management, oversight, funding strategy, fundraising strategy, and the conflicting interests of stakeholders.

Deficient and Inconsistent Funding Strategy

Public budgeting best practices stipulate the importance of budget development consistent with approaches to achieve project goals.⁵ An accurate, realistic budget would enable the Board to properly analyze the long-term financial implications of the proposed project. Though the Agency was created in 1994, began receiving operational funding in 1996, and obtained its first infusion of bond financing in 1998, it appears a project budget was not created until April 2001. According to one project contractor, the April 2001 budget of \$169 million was not developed to reflect actual project costs, but solely to secure federal funding. This budget formation methodology appears to demonstrate a piecemeal funding strategy and ineffective planning, which could impair the Board's ability to accomplish its objective.

Ineffective planning may have impaired the Board's ability to accomplish its objective.

Best practices also dictate the need to monitor, measure, and evaluate budgetary performance through consistent budget-to-actual comparisons of revenues, expenditures, cash flow and fund balances. Consistent evaluation in a budget document available to stakeholders provides evidence of regular performance monitoring, which is necessary to demonstrate accountability and allow the Board to remedy major deviations in budget-to-actual results.⁶ None of the six revisions to the April 2001 budget appear to provide the necessary comparisons, possibly impeding Board members' and legislators'

⁵ "Best Practices in Public Budgeting," GFOA, 2000, <http://www.gfoa.org/services/nacslb>.

⁶ Ibid.

abilities to make informed decisions regarding the future of the project.⁷

The Board attributed budget increases to external factors such as rising materials costs. However, the dollar variances among the revisions could appear excessive, and the inconsistent formats of the revised budgets⁸ could confuse readers.

There exists a perception that funding requests will never end.

Best practices further recommend analysis of revenue sources to minimize the potential impact that fluctuations in these resources may have on ongoing construction.⁹ The only funds secured in 2001, at the time of the adoption of a \$169 million project budget, were \$5 million in state bonds. Federal funds had yet to be obtained and no substantial private investment had been secured. Without adequate funding, it would have been very difficult for the Board to develop necessary contingency plans or a meaningful budget for planning purposes.

Further inconsistencies and deficiencies in NACEA's funding strategy are evidenced in the Board's proposal of a \$100 million project budget in 2003. This budget figure was based on a federal authorization, rather than actual appropriation, of \$33 million, and a hypothetical commitment of \$66 million from state and other sources, of which only \$38 million had been provided by the state in 2003. The proposed project budget increased to \$136 million in 2004 with approximately \$2 million in secured federal funding and no definitive increase in the state's contribution. Actual construction began in 2006 with only 29.5 percent of the required funding for project completion having been secured.

A piecemeal approach to funding and construction ensued, whereby certain elements of the museum were scheduled for completion based on available funding and structural priority. This approach resulted in phased construction and increased project costs. During interviews, NACEA staff and project consultants acknowledged the

⁷ The original construction budget totaled \$169 million. Documents provided by NACEA, including Board minutes, show six revisions in the following amounts: \$100 million (November 2003), \$136 million (August 2004), \$135 million (February 2008), \$162.5 million (December 2008), \$162 million (March 2010) and \$168 million (January 2012). For consistency, line items for a museum endowment have been excluded from all budget figures

⁸ See project budgets in Appendix III.

⁹ "Best Practices in Public Budgeting," GFOA, 2000, <http://www.gfoa.org/services/nacslb>.

ineffectiveness of this piecemeal method, and one contractor identified as much as a 10 percent potential budget increase as a result of phased construction.

This inconsistent approach has also caused some to perceive the Agency's repeated funding requests as a signal that rising project costs and subsequent requests will never end.¹⁰ Such opinion, frequent budget revisions, and unsubstantiated claims of financial commitments could negatively affect the credibility of the NACEA Board and staff to the detriment of the AICCM, as the Legislature has no assurance that additional funding will lead to project completion.¹¹

Insufficient planning has clearly negatively affected construction of the AICCM over the course of eighteen years, as the Agency has yet to mitigate the risk of inadequate funding to meet requirements for project completion. Insufficient planning also threatens the Agency's ability to secure the required funding to operate the museum once complete. Board members do not appear to have a consistent understanding of future operational funding needed, which might result in a greater state obligation than the Board anticipates.

Vision of a "World-Class" Project

The notion of the AICCM as a world-class project has been widely touted by Board members and on the AICCM website. Though it is not immediately clear what the Board considers to constitute "world-class," the Board provides support for their vision by citing an economic study claiming the AICCM and surrounding economic development could generate up to \$3.8 billion in economic activity over the next twenty years.¹² Not only does the Board maintain this vision for the project in the present, but has opted for such an idea since the project's inception. In August 2004, the main project architects presented the Board with the following six construction project options and corresponding cost estimates:

¹⁰ "Proposed \$40 million bond for American Indian cultural center debated," *Tulsa World*, 13 May 2011, http://www.tulsaworld.com/news/article.aspx?subjectid=504&articleid=20110513_16_A1_ULNSah928330.

¹¹ Following the approval of \$25 million in bonds for the museum in May 2008, the Agency issued a press release saying the \$25 million, in addition to the \$50 million already committed, would ensure that construction would continue and that the remaining \$75 million (of the \$150 million total estimated cost) "will come from private sources, including American Indian tribes." Though never formally retracted, the Board later claimed staff was not authorized to make the statement.

¹² Applied Economics, *Economic and Revenue Impacts of the Oklahoma City American Indian Cultural Center and Museum and Surrounding Commercial Development*, 2009.

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Options	Total Estimated Budget
1. Minimal Plan	\$53.5 million
2. Minimal Plan, alternate #1	\$63.4 million
3. Minimal Plan, alternate #2	\$69.6 million
4. Preferred Plan	\$85.3 million
5. Preferred Plan, alternate #1	\$91.9 million
6. Vision Plan	\$136.1 million

Source: NACEA board meeting minutes, August 26, 2004

The Board chose option six, the Vision Plan.

Choices made by the Board and project architects to fit the Vision Plan appear to have determined the budget, rather than vice versa. The use of public funds for the project should have warranted a more responsible view of expenditures, one in which the Board supplies its contractors with a set budget and asks what options are available within that budget. Best practices support this notion, requiring budget development prior to capital improvement planning.¹³

Furthermore, no specific economic evidence was provided to support the Board's budget choices. Studies commissioned by the Board speak to the overall project budget, attendance projections, and associated commercial development, but do not justify the project budget by identifying why project elements could not be achieved on a scaled budget or correlating total project budget and anticipated long-term economic impact.¹⁴ Board minutes from August 2004 reflect a discussion of the various budget options, but the Board subsequently voted on the Vision Plan without appearing to give due consideration to the remaining options. Best practices suggest that when acquiring capital assets, evaluating the alternatives helps to ensure that choices made align with the needs of the community.¹⁵ There appears to have been no in-depth economic analysis of the alternative plans, or evidence that the quality of the AICCM would have diminished with use of less costly options.

¹³ "Best Practices in Public Budgeting," GFOA, 2000, <http://www.gfoa.org/services/nacslb>.

¹⁴ Studies include those by Lord Cultural Resources dated 2000, 2006, and 2009, and Applied Economics, dated September 2009. The latter states, "Although construction represents a non-recurring source of economic impacts, this level of expenditures does create a significant impact during the construction period... 63 percent (of increased economic activity) would be attributed to the AICCM itself."

¹⁵ "Best Practices in Public Budgeting," GFOA, 2000, <http://www.gfoa.org/services/nacslb>.

What qualifies as “world class,” whether it is determined by square footage, materials used, or total expenditures, is subject to interpretation. The Board appears to have equated cost with quality, with ensuing decisions based on this premise. While this cost may have been statutorily permissible, it may or may not be regarded as reasonable by state taxpayers and officials.

Project choices appeared to determine the budget, contrary to best practices.

A Board and Staff Lacking Relevant Experience

Original legislation created a Board with six appointed members and five ex-officio members, all of whom had voting power. Ex-officios included state officials such as the director of the Historical Society and the executive director of the Oklahoma Arts Council. In 2000, SB 1256 made a number of modifications to the Board, including adding the requirement that members must be part of a federally recognized American Indian tribe and removing ex-officio voting rights, thus preventing state officials from directly influencing board actions.

Analysis of governing boards by the U.S. Government Accountability Office supports the notion that board members should have diverse knowledge, but also notes the importance of this knowledge targeting the needs of the organization.¹⁶ The AICCM has a wide variety of needs in terms of knowledge of financing, fundraising, and American Indian history, but also regarding state agency and institutional operations. The outside experience of Board members suits some of these needs; careers in the banking industry, higher education, geology, investments, and the legal field have brought useful knowledge to the project. However, once ex-officio voting abilities were removed, none of the remaining voting members had experience in creating and operating a state agency or a world-class museum. A 2006 study commissioned by the Board further acknowledges the importance of enhancing Board member criteria, recommending that the Board enter into discussions with the Legislature to modify state statutes to allow for an increase in the number of voting members on

¹⁶ U.S. Government Accountability Office, *Pension Benefit Guaranty Corporation: Governance Structure Needs Improvements to Ensure Policy Direction and Oversight*, July 2007, <http://www.gao.gov/products/GAO-07-808>.

the Board in order to support governance requirements and involve broader participation locally and nationally.¹⁷

The staff was similarly lacking in experience. From 1994 until 2005, NACEA employed approximately three staff members, none of whom had agency administration, project management, or museum experience, to our knowledge. Only around 2007 did the Agency begin to add employees in response to increased operational needs and in anticipation of the museum opening.

The Board contracted with consultants for over \$18.7 million.

The Board compensated for this lack of internal experience by hiring multiple consultants, including architecture firms, project managers, geotechnical consultants, attorneys, design developers, and institutional planning services. Multiple Board members justified the use of consultants of excellent caliber by referring to their expertise in particular areas of museum development, again citing what should be required of a “world class” facility. During the audit period, the Board contracted with these consultants for over \$18.7 million.¹⁸

Insufficient Legislative Oversight

Although NACEA is a state agency, appropriations for operations during the audit period flowed through the Department of Commerce. According to NACEA, the Agency has recently attempted to separate from the Department of Commerce, but unsuccessfully. It remains NACEA’s goal to function autonomously in the future.

The AICCM is currently estimated to cost over \$170 million, with the state having already invested \$63 million for the building, and having provided over \$26 million to the Agency for operations and bond interest payments. With the bulk of the operational funding passed through Commerce, there are relatively few opportunities for the general population to receive project updates in public forums normally provided by the Legislature. The Legislature does have the authority to provide oversight via public hearings and pursuant to the

¹⁷ Lord Cultural Resources, *American Indian Cultural Center Implementation Plan and Budget*, 2006.

¹⁸ Expenditures do not yet total contracted amounts, as some work remains for project completion. Approximately \$17.2 million of these expenditures will have been paid by state and federal sources, and \$1.5 million by the Foundation.

requirements of the Oklahoma State Finance Act, which requires certain evaluation reports.¹⁹ With Commerce serving as NACEA's agency administrator, the Legislature would not normally require NACEA to attend an independent hearing or provide performance evaluation information. Even in hearings on Commerce, information that has been shared has been fairly minimal; a budget hearing document provided by the State Senate shows FY-12 projected FTE and revenue sources for NACEA, but does not provide any status updates.

Given the magnitude of public funds invested in the project, it appears plausible that the Legislature would exercise authority over the Agency regarding an accounting of how the funds were spent. However, neither the Senate nor the House fiscal staffs could recall ever requesting NACEA's attendance at an independent hearing. House staff believes the extent of communication on the project occurred in private meetings between Agency personnel and members of the Legislature. This method of updating does not imply that the Agency was not forthcoming with information when it was requested, but simply that the Legislature did not regularly request it. It appears the Legislature did not fully utilize all oversight tools at its disposal.

Inadequate Differentiation between NACEA and the Foundation

The purpose of the Foundation mirrors that of other state agencies' foundations: to provide private fundraising support for its associated state institution. The difference between the NACEA Foundation and other foundations lies in its membership; though the Foundation supposedly functions separately from the Agency, membership of each Board is identical, creating a questionable legal issue wherein meetings of the Foundation could be interpreted to fall under the Open Meetings Act.²⁰ Identical membership also potentially impacts the public's view of the Foundation as an independent entity.

¹⁹ 62 O.S. § 34.95 requires the House and Senate to evaluate an agency's performance, programs, and management each year, and to file an annual evaluation report with their respective Chief Clerk's offices.

²⁰ Meetings of state agencies are subject to provisions of the Open Meetings Act, (25 O.S. § 301 et seq.), which defines "meeting" as the conduct of business of a public body by a majority of its members being personally together or together pursuant to a videoconference. NACEA's legal counsel claims that as a private not-for-profit corporation, the Foundation is not subject to the Open Meeting Act, but also says that NACEA has treated Foundation meetings the same as it would Board meetings regarding notice of both regular and special Board meetings filed with the Secretary of State and the posting of agendas in compliance with the requirements of the Open Meeting Act.

The Oklahoma Historical Society (OHS) and the Oklahoma Educational Television Authority (OETA) offer an alternative to the NACEA Foundation model. OHS and OETA have clearly defined relationships with their respective fundraising arms, in that these Foundations' main purpose is to support operations of the associated state agency with independence while maintaining clear communication. For both OHS and OETA, the foundations enable citizens to donate to the agency's cause without concern about the future status of that donation as state property. Without this assurance, potential donors might worry as to whether the state may use the funds for purposes other than for which they were specifically donated. Hence, the appearance of the Foundation as an independent entity becomes critical to optimizing fundraising capabilities.

An independent foundation is critical to maximizing fundraising.

Multiple reports commissioned by the Board emphasize the need for ongoing financial support from private, endowment, and government sources,²¹ indicating the importance of fundraising for the museum's success. Despite this reality and the Board's stated goal for the Foundation to serve as a viable fundraising and support organization for NACEA and the museum, NACEA fundraising efforts appear to have yielded a minimal return prior to 2012. During the latter part of 2011 and the first months of 2012, NACEA secured \$40 million in private pledges, contingent on state matching funds, to complete the museum. Private donations up to and through the audit period, excluding the \$40 million, have amounted to \$8.3 million. These returns could indicate the need for change in the Foundation. Moreover, though the recent fundraising success represents a positive change, future fundraising ability is still uncertain. Best practices suggest members should have a range of characteristics that further the organization's mission of fundraising. These may include knowledge of fundraising, knowledge of creating a network of donor prospects, and experience in marketing the organization's services.²²

At multiple points during the audit period, NACEA and Foundation Board minutes reflect the Board's recognition of the need to modify Foundation Board membership, but actions toward this end have yet to take place.

²¹ Lord Cultural Resources, *Native American Museum and Cultural Center Cultural Program Brief, Phase 1 Report*, 2000; Lord Cultural Resources, *American Indian Cultural Center and Museum Updated Analyses Leading to Attendance Projections*, 2009.

²² BoardSource. *The Nonprofit Board Answer Book*, Second Edition. Jossey-Bass, 2007.

Conflicting Interests of Stakeholders

Involvement in this project comes from many groups, including the State of Oklahoma, the City of Oklahoma City, the 39 federally-recognized Indian tribes within Oklahoma, and of course the citizens and taxpayers of the state. Stakeholder interests may be financial, economic, or cultural in nature, but these interests do not always align.

A study performed by Applied Economics, commissioned by NACEA, asserts that the State of Oklahoma could financially benefit from the museum and surrounding economic development in the amount of \$3.8 billion over the course of the next two decades.²³ That same study suggests that local sales, property and transient lodging taxes could total more than \$141.1 million and state sales taxes \$92.8 million during the same time period. Though the City is evidently the greater beneficiary in this regard, Board members and Agency employees argue that this is a state project by virtue of NACEA being a state agency, and the state is therefore responsible for its completion. Conversely, there are certain members of the Legislature who disown such a responsibility, saying the state has already committed enough funding, and would like to see greater tribal involvement financially.²⁴ While the tribes may feel anxious to tell their stories, certain tribes also view the project as being a state responsibility.²⁵ The question concerning who is responsible for the remaining funding has yet to be answered.

Stakeholders' opinions conflict on the state's obligation to the project.

The potential financial benefits to stakeholders are tangible, with the city and state directly benefiting as the primary collectors of tax revenue and the citizens indirectly benefiting from the revenue via state infrastructure, education, and other public services. Intangible benefits include allowing the tribes to tell their story and enhancing the overall image of Oklahoma through a world-class facility.

²³ Applied Economics, *Economic and Revenue Impacts of the Oklahoma City American Indian Cultural Center and Museum and Surrounding Commercial Development*, 2009, p.4.

²⁴ "Proposed \$40 million bond for American Indian cultural center debated," *Tulsa World*, 13 May 2011, http://www.tulsaworld.com/news/article.aspx?subjectid=504&articleid=20110513_16_A1_ULNSah928330; and "Future of American Indian museum project uncertain," *Native American Times*, 24 May 2011, <http://www.nativetimes.com/culture/art/5448-future-of-american-indian-museum-project-uncertain>.

²⁵ *Native American Times*, Ibid.

Problems arise when the various stakeholders have conflicting views on the level of value to assign to these intangible benefits.

RECOMMENDATIONS

Before the Board can determine the future direction of the museum, the following changes are advised with the goal of improving the overall operations and gaining greater buy-in from stakeholders.

Recommendation #1: Develop a Comprehensive Budget

A clear, consistent view of the project budget would demonstrate accountability and enable the Board to more effectively evaluate project and budget performance. The budget should include budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances. The comprehensive budget should be made readily available to project stakeholders, which might improve outsiders' perceptions of the Board and their ability to fulfill financial promises.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

We agree with the recommendation contained in your audit, noting that in recent months and years the form and usefulness of AICCM budgets has, we believe, been enhanced. Nonetheless, it is our intention to fully carry out your recommendation.

Recommendation #2: Enhance Legislative Oversight via NACEA Independence

The scale of the project, combined with the lack of relevant experience of the Board and staff, should have warranted a significant level of legislative involvement. Aside from years in which bond funding was approved, legislative involvement appears to have been minimal. A comparison of the Governor's Executive Budget to the legislative budget even shows a number of years where the Governor recommended action regarding NACEA or the AICCM and the Legislature demonstrated inaction.²⁶

²⁶ See Appendix II, comparison of State Budget to Executive Budget Recommendations.

We recommend NACEA pursue independence as an agency in order to enable legislative oversight and public involvement. As one Board member noted, the project is in need of some leadership and no entity is in a better position to provide it than the state. The benefits of this approach are threefold: NACEA no longer depends on the Department of Commerce, operational independence enhances NACEA's accountability, and greater legislative involvement could lead to increasing interest in the AICCM and its completion.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

This is a matter to be considered and resolved by the Legislature.

Recommendation #3: Modify Board Membership

Board membership should be statutorily modified to provide a more comprehensive skill set with regard to vendor performance assessment, museum operations, curating, and state agency administration. To this end, the Board and Legislature may consider reinstating ex officio members' voting rights. Amendatory language might also include specific criteria or qualifications that additional Board members must possess. Such modification could mitigate risks associated with the current Board makeup while maintaining a positive relationship between the state and tribes. Also, given the magnitude of their stake in the project, it seems reasonable that Oklahoma City should have representation on the Board.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

This is a matter to be considered and resolved by the Legislature. The members of the NACEA Board ("Board") are appointees of the Governor, the President Pro Tempore of the Senate or the Speaker of the House of Representatives, or serve ex-officio, per statute.

Recommendation #4: Differentiate Governance of the NACEA Board and the Foundation Board

As noted by two outside entities, the appearance and perception of independence of the fundraising organization is critical in order to optimize fundraising capabilities. Foundation Board members should possess a range of characteristics in order to support the Foundation's

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fundraising goals.²⁷ We therefore recommend additional appointments to the Foundation Board as soon as possible.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

We agree with your recommendation. Toward that end, on August 24, 2009 the Foundation Board approved the following amendment to its Bylaws:

No more than one-third (1/3) of the Directors may be Directors of the Native American Cultural and Educational Authority.

Effectuation of this provision awaits identification of prospective Foundation Board members who, by reason of civic reputation and experience, will aid fundraising and operational efforts of the Foundation. Recruitment of additional Foundation Board members possessing these characteristics is challenging prior to stakeholder agreement on a practical plan for completion of the AICCM.

Recommendation #5: Develop a Realistic Business Operating Plan

The Board should develop and present to stakeholders business plans which demonstrate the Board's efforts to ascertain the levels of financial support needed to operate the completed facility, including the amount and time frame of state subsidies.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

We agree that a realistic business operating plan is essential to the success of the AICCM. In the last year, enhanced business plans have been developed, and further enhancements of our business plan will be undertaken in furtherance of the goals contained in your recommendation.

²⁷ BoardSource. *The Nonprofit Board Answer Book*, Second Edition. Jossey-Bass, 2007.

MOVING FORWARD

With consideration given to these recommendations, we also present the following options regarding the future of the project. This list is not meant to be all-inclusive, and portions of some options could potentially be combined. As illustrated by the costs and benefits, some options are more viable than others.

Option #1: Additional Legislative Funding

The Board has received \$40 million in private donor commitments, contingent on \$40 million in matching state funding. The Board and staff claim the combined \$80 million²⁸ will be sufficient to complete the AICCM. Whether the funding comes from cash sources, General Revenue, or another bond issue, the Legislature should consider this funding proposal in the greater context of the state budget and thereafter decide which source would optimally suit the Legislature's and the AICCM's needs.

Benefits: This approach acknowledges the politically sensitive nature of the relationships among stakeholders, the difficulties of securing the funding up to this point, and the realities of the present economic impact on individual donors. If the state demonstrates its continued commitment, it could provide the impetus needed by AICCM to encourage others to donate in the hopes of creating an endowment fund and lessening the burden on the state in the future.

With \$63 million in state funds already committed to the AICCM, an additional \$40 million would raise the total to \$103 million. If projections of Board-commissioned studies prove accurate, this investment (or one that results in AICCM completion) is anticipated to yield up to \$92.8 million in state tax collections over the next twenty years.

Costs: Board membership, as it currently stands, poses risks regarding funding finality, ability to complete construction, and future museum operations. The Board's past promise not to request additional funding begs the question whether \$80 million will actually complete the AICCM, and the Legislature appears to have little faith in the Board's ability to accomplish that goal, as evidenced by the lack of legislative support during the 2012 session. Likewise, the Legislature's willingness and ability to approve \$40 million is uncertain. Furthermore, neither the Board nor NACEA staff has

²⁸ See breakdown of \$80 million figure in the January 2012 Completion Plan, final page of Appendix III.

estimated future operating costs. Without a realistic business operating plan, the cost to run the AICCM is unknown and may result in long-term and perhaps perpetual requests for state subsidies.

Option #2: Phased Implementation

Remaining expenditures are estimated to total \$80 million, but this option contemplates the possibility of using \$50 million to complete interior and exterior construction, then pursuing the additional \$30 million at a later time to complete exhibit fabrication and site improvements. Phasing would require changing the matching terms for the \$40 million in private funding to allow the state to supplement those funds with \$10 million, rather than \$40 million, and to use the funds for the purpose described.

Benefits: Under this scenario, the most immediately visible portion of the AICCM is completed, possibly renewing interest in the project. Renewed interest might facilitate securing the remaining funds.

Costs: This approach continues the Board's past practices regarding phased completion, and thus does not mitigate any of the known risks. It is also unknown whether private donors will accept new pledge terms. Finally, delaying exhibit fabrication and any remaining improvements increases the risk of cost inflation for those elements, impacting the validity of the \$30 million estimate.

Option #3: Scale Back Remaining Construction

To scale the project means reducing the amount or cost of remaining work, and therefore the amount of funding required. Adopting this approach would require modification of the original vision for the museum in terms of materials and labor. The project's construction manager has indicated this option is possible, as options are available to reduce the total cost should the Board choose to consider them.

Benefits: This approach encourages the Board to practice value engineering to reduce the total project cost. Assuming private pledges remain at \$40 million, a lower cost lessens the state's burden and might improve NACEA's chances of securing additional funding from the Legislature.

Costs: The costs of this option are minimal, but one remaining consideration is whether the Board could alter the project vision,

given their adherence to the most elaborate alternative from the beginning. Scaling the project would also require donor acceptance of new pledge terms for the \$40 million awaiting state match.

Option #4: Discontinue Funding and Operations

This option involves complete withdrawal from the AICCM. The Legislature would dissolve NACEA, discontinue all project funding (except for bond debt service), and abandon the site. Under the terms of the agreement with Oklahoma City, the City has the ability to call a breach of contract and reclaim the land, entitling the city to any facilities that remain. Though not the most politically viable option, the termination of all construction and operations is a distinct possibility given the project's current construction status.

Benefits: The Legislature would absolve itself of construction and future funding obligations.

Costs: This option represents the loss of the current value of the building. Though eliminating future funding requests, this approach does not absolve Oklahoma of its obligation to pay the debt service on the existing bond issues, which total approximately \$5.2 million annually. Assuming no refinancing occurs during the interim, debt service will total \$75.6 million over the course of the next fifteen years.²⁹

Legislators must also consider potential opportunity cost. Aside from the estimated \$7.5 million annual economic benefit to the state and \$8.9 million benefit to the city,³⁰ the AICCM represents the loss of certain unquantifiable elements. Commercial development, perceived political commitment, and potential cultural enhancement all represent possible points of value.

Option #5: Transfer AICCM Management to another State Agency

One possibility involves the state maintaining ownership of the facility, but transferring management to another state agency. We have identified the Oklahoma Historical Society (OHS) as the most capable candidate, with experience managing museums across the

²⁹ FY-11 NACEA externally audited financial statements.

³⁰ Applied Economics, *Economic and Revenue Impacts of the Oklahoma City American Indian Cultural Center and Museum and Surrounding Commercial Development*, 2009, p.16.

state and constructing the Oklahoma History Center in Oklahoma City. The OHS may want to consider contracting with the Department of Tourism and Recreation or a private firm to determine the best course for optimizing the AICCM's promotional strengths and attracting potential visitors to the site.

Benefits: With an established governance structure and business model, the OHS could assume responsibility for the facility and future operations through application of their existing framework. The OHS director has described his agency's abilities to develop a capital budget without the need for major modifications and to achieve architectural and fundraising expertise in internal personnel. Though subject to changes to fit the OHS model, the AICCM has a high likelihood of being completed under this scenario, enabling the AICCM to begin functioning and providing a return on the state's investment.

A secondary consideration is that the OHS had already agreed to share Native American exhibit materials with the AICCM, which has no collections of its own. Closer ties between the OHS and the AICCM could facilitate the open exchange of these collections.

Costs: To give OHS full governance authority would require severe modification of NACEA Board duties. The OHS Board would likely have both short- and long-term goals, the former pertaining to construction completion and the latter pertaining to operating the AICCM, that may not immediately align with those of the NACEA Board, requiring the NACEA Board to assume a secondary role. The NACEA Board would have to serve in an advisory capacity while the OHS Board retained the authority to make final construction decisions. Weakening NACEA Board control could lessen the American Indian tribes' support of the project.

Option #6: Modify or Transfer AICCM Ownership

Under this scenario, the state relinquishes sole ownership of the AICCM and develops an arrangement whereby it shares responsibility for the asset with another entity, such as the City of Oklahoma City or Oklahoma County. A trust authority serves as an example to fit this description. Though the City represents a likely candidate for a Trust arrangement because of its stake in the AICCM, a private entity could also serve in this role. Aspects negotiated

between the State and any other parties would include the extent of the ownership and any financial benefits to both parties.

Benefits: This shared-responsibility approach offers many benefits to the Legislature and the AICCM. Benefits to the state are mainly long-term, in that the State will mitigate its future funding risks if ownership is shared with another entity. An example in the state-city context is one in which the state agrees to fund the remaining construction costs, or a portion thereof, if the city were to accept future operating responsibilities. With two or more stakeholders working together, the AICCM has a greater chance of completion.

Costs: The state may still face some costs in order to gain the potential long-term benefits of having the AICCM operational, depending on negotiations.

CONCLUSION

As a state agency, NACEA has used taxpayer funds for its operations and for the construction of the AICCM. Though the Board points to commissioned studies to support its claims that its vision for the AICCM will benefit our state's economy, there appear to be omissions in this argument. If the anticipated economic activity is predicated on the world-class vision, stakeholders might expect to see evidence that the most costly product is necessary to achieve the mission, but our audit found no such evidence, even in the face of funding shortfalls and outside opposition.

Adherence to the vision is an indicator of the overall unreasonable expectations and inadequate planning of the Board. Inconsistent funding, disregard for best practices, and inadequate Board and staff expertise have negatively impacted the project as well. Moreover, the Legislature exhibited its share of unreasonable expectations and inadequate planning in creating a project of such a scale, entrusting it to a Board lacking the necessary experience, and not demonstrating long-term dedication to the AICCM.

Nevertheless, the project has existed in some form for eighteen years, during which time more than \$97 million in state funding has been used for its purpose. It is incumbent on the Agency and the Legislature to serve as good stewards of the taxpayers' money, and even a well-managed project of this magnitude should cause those responsible to question the vision and associated expenditures. While its expectations may have been too great given the project's existing resources, the Legislature now has the opportunity to best resolve the future of the AICCM to the benefit of all stakeholders.

APPENDIX I: Statutory References

Statutory references to the Native American Cultural and Educational Authority can be found in 74 O.S. §1226 et seq., but sections pertaining to the creation and governance of the Authority include:

- **74 O.S. § 1226** creates the Native American Cultural and Educational Authority “in order to promote the history and culture of Native Americans for the mutual benefit of the State of Oklahoma and its Indian and non-Indian citizens.” The Authority is authorized and empowered to construct, maintain, repair and operate a Native American cultural center, museum and theme park, along with commercial facilities as defined by 74 O.S. § 1226.3. The Authority is also authorized to issue revenue bonds payable solely from revenues to pay the cost of such projects, with the stipulation that “no state appropriations shall be used to pay costs of financing or constructing commercial facilities, except for commercial elements within and incidental to the Cultural Center.”

- **74 O.S. § 1226.2** establishes the governing board, to consist of seven members who are members of a federally recognized American Indian Tribe located within the state, six ex-officio members and four appointed members from the business community. The Department of Commerce is also required under this section to assist the Authority in fulfilling the Authority’s responsibilities.

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**APPENDIX II: Comparison of Legislative Funding to Executive Budget Recommendations
by Year**

Fiscal Year	Operations Funding	Increase/ (Decrease)	State Bond Funding	Executive Budget Recommendation
1996	-	-		No recommendation
1997	\$ 250,000	\$ 250,000		No recommendation
1998	500,000	250,000		No recommendation
1999	500,000	-	\$ 5,000,000	No recommendation
2000	2,000,000	1,500,000		No recommendation
2001	500,000	(1,500,000)		No recommendation
2002	1,147,007	647,007		\$858,000 for Operations
2003	867,638	(279,369)	33,000,000	\$868,000 for Operations
2004	643,282	(224,356)		No adjustments
2005	724,954	81,672		\$33 million bond issue; Funding moved to the Historical Society, with OHS performing same duties as Commerce
2006	802,510	77,556		Funding moved to the Tourism Department; Tourism performing same duties as Commerce
2007	1,402,510	600,000		\$500,000 increase in preparation for museum opening
2008	3,902,510	2,500,000	25,000,000	\$2,532,000 increase for bond debt service
2009	5,008,388	1,105,878		\$2,300,000 increase for operations in preparation for museum opening
2010	6,548,766	1,540,378		No adjustments
2011	6,822,404	273,638		Unknown
2012	6,784,354	(38,050)		Unknown
	<u>\$ 38,404,323</u>		<u>\$63,000,000</u>	
	-\$12,241,667 *			
<i>Total</i>	\$ 26,162,656			

* This amount represents the total principal payments through Fiscal Year 2012 on the three bonds. These unaudited amounts were provided by Oklahoma Capitol Improvement Authority.

Most operational funding amounts for the audit period were obtained from NACEA's externally audited financial statements; the FY 2012 amount was derived from HB 2170. Amounts for years prior to the audit period were produced by House Staff and verified to relevant appropriation bills.

Executive recommendations (which may or may not have been implemented) were obtained from the governor's executive budgets for years 1996 through 2010. Executive budgets years 2011 and 2012 do not provide detail for NACEA. The Budget Division of the Office of State Finance clarified that those two years did not provide specific recommendations for NACEA and are therefore unknown.

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Appendix III: AICCM Project Budgets

The following budgets were provided in the AICCM Expenditures Plan Report prepared by ADG Inc., July 24, 2012. Two additional budget figures approved by the Board included no detail: \$100 million in November 2003 and \$136.1 million in August 2004.

Reformatted and updated budget originally dated February 28, 2001, update as of July 1, 2012:

PRELIMINARY ESTIMATE PROJECT CONSTRUCTION BUDGET "OPENING DAY" PROJECT		PRELIMINARY ESTIMATE PROJECT DESIGN FEES "OPENING DAY" PROJECT
BUILDINGS	Construction Cost	Design Fees
Museum and Cultural Center	\$58,515,000	\$9,337,000
Visitor's Center	\$2,800,000	\$224,000
Subtotal Museum and Cultural Center Buildings	\$61,315,000	\$9,561,000
Arts and Crafts Village	\$7,500,000	\$600,000
Arts and Crafts Village "tenant improvements"	\$3,750,000	\$300,000
Lodge and Council Center	\$20,250,000	\$2,025,000
Amphitheater and Large Powwow Arena	\$2,500,000	\$200,000
R V Park Support Buildings supporting outbuildings	\$320,000	\$19,200
R V Park Support Buildings supporting outbuildings	\$1,200,000	\$72,000
Subtotal Other Buildings	\$35,520,000	\$3,216,200
TOTAL BUILDINGS	\$96,835,000	\$12,777,200
LANDSCAPING		
Prairie Landscape	\$2,940,300	\$235,224
Woodland Landscape	\$6,534,000	\$522,720
Riverine Landscape	\$1,089,000	\$87,120
Wetland Landscape	\$1,633,500	\$130,680
Developed Landscape (near bldgs)	\$9,801,000	\$980,100
Spiral Mound Landscaping	\$7,840,800	\$627,264
Parking Landscaping	\$3,920,400	\$313,632
Total Landscape	\$33,759,000	\$2,896,740
INFRASTRUCTURE		
General Site Grading (ave. 1 ft. deep)	\$584,833	\$29,242
Mound Building	\$400,000	\$20,000
River Excavation	\$625,000	\$31,250
River Bank Reinforcement	\$150,000	\$7,500
R V Park Site Development	\$2,123,550	\$127,413
Principal Roads	\$1,500,000	\$75,000
Services Roads, Trails	\$500,000	\$25,000
Boardwalks	\$500,000	\$25,000
Parking	\$1,200,000	\$60,000
Utilities	\$3,000,000	\$150,000
Total Infrastructure	\$10,583,383	\$550,405
TOTAL SITEWORK	\$44,342,383	\$3,447,145
Total "Opening Day Project" Construction Budget	\$141,177,383	\$16,224,345
Contingency @ 20%	\$28,235,477	\$3,244,869
Total "Opening Day Project" with Contingency	\$169,412,860	\$19,469,214
	Cost with Contingency	
Contingency @ 20%	\$28,235,477	
Total Construction Cost - Phase 1	\$169,412,860	
design	\$19,469,214	
project management	\$1,500,000	
surveys, legal, title fees, permits, etc.	\$3,000,000	
Total "Soft Costs"	\$23,969,214	
fundraising costs	\$7,764,971	
Total Consulting Costs	\$7,764,971	
Total Project Costs	\$201,147,045	
inflation @ 5%	\$20,114,704	
years to complete (median) 2		
Total Project Costs with Inflation	\$221,261,749	

**Native American Cultural and Educational Authority
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(Appendix III continued: Project Budgets)

Summary of Costs, February 21, 2008:

Project Budget Overview				
	Site & Building	Institutional & Content Development	Endowment	TOTAL
Under Contract	\$45.0	\$5.0	\$0.0	\$50.0
Balance to Finish	\$68.0	\$17.0	\$15.0	\$100.0
TOTAL	\$113.0	\$22.0	\$15.0	\$150.0

Source of Funds			
	Received to date	Future Funding	TOTAL
State	\$40.0	\$45.0	\$85.0
Centennial	\$0.0	\$2.5	\$2.5
City	see note 1. below	\$12.0	\$12.0
Federal	\$7.0	\$0.0	\$7.0
Private/Tribes	\$3.0	\$40.5	\$43.5
TOTAL	\$50.0	\$100.0	\$150.0

NOTES:

1. The City of OKC has provided the project site, approximately 250 acres, at the junction of I-35 & I-40.
2. All numbers expressed in millions of dollars.
3. Future phase Site and Shoreline Development \$35 million.

Native American Cultural and Educational Authority Performance Audit

(Appendix III continued: Project Budgets)

Proposed Sources and Uses of Funds, December 3, 2008:

PHASE I Completed		\$50,000,000
1	Site Remediation / Development	
2	Promontory	
3	Visitors Center	
4	Horizontal Plan	
PHASE II UNDER CONSTRUCTION		
5	Gallery / Structural	\$5,700,000
6	Gallery / Skin	\$6,700,000
7	Gallery/MEP	\$4,000,000
8	Hall of People / Structural	\$3,900,000
9	Construction Fees	\$2,900,000
10	Exhibits	\$1,700,000
11	Contingency	\$2,600,000
	subtotal	\$27,500,000
PHASE III		
12	East Wing / Structural	\$2,900,000
13	East Wing / Skin	\$3,700,000
14	East Wing / MEP & Int. Improv.	\$11,700,000
15	Construction Fees	\$1,200,000
	subtotal	\$19,500,000
EAST WING COMPLETE - READY FOR OCCUPANCY		
PHASE IV		
16	Hall of People / Skin	\$9,100,000
17	Hall of People / MEP & Int. Improv.	\$3,200,000
18	Gallery / MEP & Int. Improv.	\$17,000,000
19	Performance Facility	\$9,000,000
20	Outdoor Improv. / Landscaping	\$4,000,000
21	Commissioning	\$1,000,000
22	Exhibits	\$7,000,000
23	Construction Fees	\$3,200,000
24	Contingency	\$2,000,000
	subtotal	\$55,500,000
ALL BUILDINGS COMPLETE - READY FOR OCCUPANCY		
PHASE V FUTURE		
25	Exhibits	\$10,000,000
26	Endowment	\$15,000,000
	subtotal	\$25,000,000
Grand Total		\$177,500,000

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Performance Audit**

(Appendix III continued: Project Budgets)

Proposed Sources and Uses of Funds, March 25, 2010:

PHASE I COMPLETED		\$50,000,000
1	Site Remediation / Development	
2	Promontory	
3	Visitors Center	
4	Horizontal Plan	
PHASE II TO BE COMPLETED - JUNE 2010		\$32,000,000
5	Gallery / Structural	
6	Gallery / Skin	
7	Gallery/MEP	
8	Hall of People / Structural	
12	East Wing / Structural	
13	East Wing / Skin	
9	Construction Fees	
10	Exhibits	
11	Contingency	
	<i>subtotal</i>	
PHASE II A		
19	Performance Facility Exterior	\$3,500,000
15	Construction Fees	\$500,000
11	Contingency	\$500,000
	<i>subtotal</i>	\$4,500,000
PHASES III through V		
16	Hall of People / Skin	\$9,100,000
17	Hall of People / MEP & Int. Improv.	\$3,200,000
14	East Wing / MEP & Int. Improv.	\$11,700,000
18	Gallery / MEP & Int. Improv.	\$17,000,000
19	Performance Facility MEP & Int. Improv.	\$5,000,000
20	Outdoor Improv. / Landscaping	\$4,000,000
21	Commissioning	\$1,000,000
22	Exhibits	\$19,000,000
23	Construction Fees	\$3,500,000
24	Contingency	\$2,000,000
	<i>subtotal</i>	\$75,500,000*
Construction Total		* \$162,000,000
PHASE V FUTURE		
26	Endowment	\$15,000,000
	<i>subtotal</i>	\$15,000,000
Grand Total		* \$177,000,000

* Capitalized interest in the amount of \$8 million is not included in the above figures.

**Native American Cultural and Educational Authority
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(Appendix III continued: Project Budgets)

Completion Plan, January 23, 2012:

PHASES I & II	
PRIOR & CURRENT FUNDING	
TOTAL PHASES I & II	\$91 million

PHASE III			
Contingent on the authorization of State Funding of \$40 million during the 2 nd Session of the 53 rd Legislature			
PROPOSED FUNDING			
Duration	Non-State	State	Total
Package 1 Mar 12 to Oct 13	\$6 Mar 12 (FY 12)	\$0	\$6 M
Package 2 Jul 12 to Oct 13	\$20 Jul 12 (FY 13)	\$0	\$20 M
Package 3 Feb 13 to Sept 14	\$10 Feb 13 (FY 13)	\$20 Jul 13 (FY 14)	\$30 M
Package 4 Jul 13 to Feb 15	\$4 Jul 13 (FY 14)	\$20 Jul 13 (FY 14)	\$24 M
TOTAL PHASE III	\$40	\$40	\$80 M

PRIOR & CURRENT EXPENDITURES		\$91 million
<ol style="list-style-type: none"> 1 A&E Fees 2 Other Consultant Fees 3 Site Remediation 4 Site Development <ul style="list-style-type: none"> Fill to elevate site out of flood plane Engineered Fill for Promontory West Passage Removal/Abandonment of utilities and pipelines Development of roads and parking Utility services to building locations 5 Construction of Core/Shell – 130,000 S.F. <ul style="list-style-type: none"> Hall of the People (Structural) North Gallery South Gallery East Wing Performance Facility Lower Level Infrastructure/Archive Physical Plant Visitors Center 6 Finish Construction <ul style="list-style-type: none"> Visitors Center Physical Plant 		
TOTAL PHASE		\$91 million

PROPOSED EXPENDITURES		\$80 million
<ol style="list-style-type: none"> 1 Interior Construction (Partial) <ul style="list-style-type: none"> East Wing Lower Level Infrastructure 2 Construction of Core & Shell <ul style="list-style-type: none"> Hall of the People (Exterior Enclosure) Interior Construction (Partial) <ul style="list-style-type: none"> Hall of the People East Wing North Gallery (Partial) Performance Facility Lower Level Archives Exhibit Development 3 Interior Construction (Finish) <ul style="list-style-type: none"> North Gallery (Partial) South Gallery Exhibit Development 4 Completion of Project <ul style="list-style-type: none"> Exhibit Fabrication and Installation Finish Site Improvements 		<p>\$6 million</p> <p>\$20 million</p> <p>\$30 million</p> <p>\$24 million</p>
TOTAL PHASE		\$80 million

TOTAL \$171 million
Note: Above figures include consultant fees and contingencies



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