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(III)
LEGISLATIVE EFFORTS TO REFORM THE U.S. OLYMPIC COMMITTEE

WEDNESDAY, JULY 16, 2003

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2322, Rayburn House Office Building, Hon. Cliff Stearns (chairman) presiding.

Members present: Representatives Stearns, Shimkus, Shadegg, Terry, Schakowsky, Stupak, McCarthy, and Strickland.

Also present: Representative Buyer.

Staff present: Brian McCullough, majority professional staff; Ramsen Betfarhad, majority counsel; William Carty, legislative clerk; and Chris Knauer, minority investigator.

Mr. STEARNS. Good morning. The subcommittee on Commerce, Trade and Consumer Protection is in order. And if we can just have the door closed, we will get started.

There is overwhelming consensus that the United States Olympic Committee has stumbled recently in fulfilling its mission. It is not necessary, I think this morning, to recount the lapses that have tarnished this organization in recent years, but it is nevertheless the reason why we are here today.

The concerns have been voiced from all corners so passionately about the need to right the ship that carries countless hopes, countless dreams, and inspiration that the time to act is now.

So I commend everyone involved in the effort to examine the United States Olympic Committee and provide us with their recommendations. The 5 volunteers recommended by our Senate colleagues and the 10 members of the USOC’s internal task force, including the co-chairs of the Commission and Task Force are here today, have sacrificed their valuable time and energy over the past several months to serve this cause. I understand Mr. Fehr and Dr. Schiller even went so far as to make a special trip last week for a meeting to discuss concerns regarding one of the more complicated issues involved in reform. Additionally, Ms. Ramo has altered her schedule to participate today. My colleagues, their dedication is emblematic of the level of commitment of each member of this Independent Commission, the Task Force, and everyone else involved who has given their time to this effort and to that we are extremely grateful.
The importance of the Olympic movement and our efforts to make appropriate changes cannot be underestimated. We endeavor to take measured steps ensuring achievement of the desired results, which is meaningful reform. We are aware of the time sensitivities associated with having a revamped USOC structure in place. Accordingly, working in a bipartisan manner, we have drafted legislation today based upon the recommendations provided by the Commission and the Task Force. At the suggestion of our Democratic colleagues, we have included a provision to establish a compliance program with the expectation it will prevent future problems. Based largely on the information we receive today we will incorporate any necessary changes into the draft, introduce it, and prepare to move it expeditiously after the August recess.

At the outset of our efforts to understand where reforms are necessary, we held a hearing to receive the views of those intimately familiar with the USOC and its shortcomings. We posed the question: What was responsible for the increasingly frequent lapses of our Olympic Committee. The answers were nearly unanimous. The two reasons presented to this committee as the foremost sources for these failings were: (1) the unwieldy governance structure of more than 120 directors that often led to a cultural counterproductive politics and divisiveness that hindered effective management; and (2) the scope of the USOC's mission was so broad that it undermined its ability to achieve its full potential. The recommendations of both groups confirm these two areas were ripe for reform as there was a consensus that they must be changed.

I agree with the recommendations to streamline the governance structure and narrow the mission of the USOC to transform it into a more effective organization with a single focus. Among the similarities in the recommendations, both the Commission and the Task Force have proposed a dramatic reduction in the size of the Board while increasing the role of independent directors, eliminating the current Executive Committee, empowering the CEO to make all the management decisions, and focusing the mission of the organization on the athletes themselves.

Although there is general consensus on these recommendations, the committee does not need to call a hearing to discuss the issues where there is agreement. Rather, there are details contained in the recommendations where the respective groups diverge and the committee requires further information before making final decisions for legislation.

Given the relationship to the International Olympic Committee Charter that recognizes the USOC as our National Olympic Committee, many of the recommendations have been made with the intention of remaining consistent with the Charter and must be evaluated in that context. Were it not for these external constraints the task would be far easier.

So my colleagues, I am anxious, as I know you are, to hear from our witnesses today as we seek to understand the nuances of the recommendations and determine the tradeoffs involved in each of the proposed reforms. I have specific questions related to the role of the Assembly, the proposed position of the Speaker, and the relationship to the IOC charter.
So I look forward to continuing a productive dialog so that we may all feel confident that we have improved this wonderful, great organization.

And with that, the ranking member, welcome.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman. I want to thank you for holding this hearing to examine the recommendations on how to restructure the U.S. Olympic Committee.

I also want to thank Mr. Stupak for his interest and leadership on this issue.

We all love the Olympics. They are special because they are a global tradition that Americans share in. The Olympics can transcend political divisions, racial and ethnic divisions, geographical and economic divisions. In every Olympic year, athletes around the world train hard with one common goal in mind, and that’s an Olympic medal. The rest of us wait expectantly for the personal stories of athletes from around the world who have overcome seemingly insurmountable hurdles to become Olympians, we wait for the upsets, the dreams come true, the world records. And we wait for the tears of joy and the tears of defeat that come with tough competition. These are all part of the wonderful Olympic experience.

And yet, if the Olympics are to remain a positive experience for American athletes, coaches, trainers and fans it is important that our governing body be free from scandal and doubt.

I agree with the Chairman that it is important that we examine the U.S. Olympic Committee and take steps to reform it so that it can be an effective and ethical committee. Reform is critical in order to keep alive the dreams and hopes of all potential athletes, from young children watching the Olympics on TV to those who are already of world class caliber.

I am eager to hear from each of you about your recommendations on how to reform this committee. I agree that it should be much smaller than it currently is and that the organization’s governance and funding must be more transparent and accountable to all of its constituents.

I am especially curious to learn more about the issue of the ombudsman, which I understand is an important tool for amateur athletes who are navigating through a variety of Olympic rules and regulations and for athletes who need an outside voice to help resolve problems.

I am also interested in exploring the idea of having a representative from the Paralympic sports on the Board.

I would like to thank all the witnesses for being here and for all of your work and dedication to the Olympic movement.

Thank you, Mr. Chairman.

Mr. STEARNS. I thank my colleague.

The vice chairman of the subcommittee, Mr. Shadegg from Arizona.

Mr. SHADEGG. Thank you, Mr. Chairman. And thank you for holding this important hearing.

For millions of Americans and individuals around the world, the Olympics inspire hope and patriotism and encourage team work. My daughter just over a year ago inspired our family to go to the Olympics in Salt Lake City, and we had a tremendous experience
there. And I think it was very rewarding for her and her brother
and a wonderful experience for our entire family.

In recent years, however, we have seen the noble ideals of the
Olympics clouded by some ethical and financial concerns. It is im-
portant, both to our Nation and to our Nation’s athletes, that the
U.S. Olympic Committee carry out its mission of encouraging and
supporting the athletes who represent their Nation at the highest
level of sports.

I want to thank the members of the USC Governance and Ethics
Task Force and the Independent Commission. Your efforts, I be-
lieve, will steer the USOC back to its proper course and instill a
new focus and direction.

I also want to thank you, Mr. Chairman, for your continued dedi-
cation to this issue and for your efforts to ensure that Congress
meets its responsibilities to the USOC and to our Nation’s athletes.

I believe that both the Task Force and the Commission have
made a number of important recommendations. First and foremost,
I am pleased that both have narrowed the mission of the USOC.
Currently the USOC is serving a significant number of diverse pur-
poses and stakeholders, all of which are competing for the limited
time and resources of the USOC. This has resulted in a USOC that
is in direct contrast to the disciplined and focused athletes it
serves.

I look forward to hearing from our witnesses and to working with
you, Mr. Chairman, on this issue. While I do not want Congress
to involve itself in the day-to-day management of the USOC, we
have an opportunity to set some direction for the committee so it
can return to its mission and do its job for our Nation and our Na-
tion’s athletes.

Again, thank you, Mr. Chairman. I look forward to hearing from
our witnesses.

Mr. STEARNS. I thank my colleague.

Mr. STUPAK. Thank you, Mr. Chairman. And I want to thank you
and ranking member Schakowsky for their interest in this issue
and their commitment to moving forward with real and positive
changes to the U.S. Olympic Committee.

As I mentioned in the March hearing, this subject has held a
special interest for me, in large part, because of the Olympic Edu-
cation Center at Northern Michigan University in my District. I
would like to be able to go back to my district and tell the hard
working athletes that train at Northern, to tell them that we are
working to make the USOC work better for them and their Olym-
ic ideals and dreams can become a reality. That is why I am
pleased to work with the Chairman and ranking member on this
legislation to restructure the USOC.

I agree with many of the findings of the Task Force, the Ethics
and Governance Task Force formed by the USOC, and the Inde-
pendent Commission that was requested by the Senate and the
changes that are necessary to reform the USOC. This legislation
and hearing are excellent steps toward achieving the necessary
changes to the USOC.
I also strongly support the compliance program included in this legislation to ensure that past excesses and violations do not reoccur despite the best intentions.

I look forward to hearing from the witnesses today with regards to any changes or modifications that may be necessary to make this legislation an even better product.

We have had a good dialog on this issue and I am sure that today’s hearing will result in some good positive feedback.

Thank you, and I yield back the balance of time.

Mr. Stearns. I thank the gentleman.

And we are also delighted to welcome Mr. Steve Buyer. He has an avid interest in this, and any comments he would like to have, I would be glad to offer him an opportunity.

Mr. Buyer. All right. Thank you, Mr. Chairman. I appreciate you allowing me to sit on the subcommittee. And I would like to compliment you, Mr. Chairman, for your conducting two hearings on the issue.

I would like to send a special note of thank you to Dr. Harvey Schiller, a fellow graduate, and for his contributions over the years to accomplishing the Olympic goals.

I would also like to recognize John Smyth. John is the Director of the Olympic Training Center and he was the intermural director while I was a cadet there with my brother. And he is a class act.

On January 11 of this year, my wife and I, Joni, were in San Diego, California. And I had read an article in the local paper about the ARCO training facility, and also I had been keeping track in the press clippings of the concerns and some of the self-dealing allegations and conflicts of interest. And all of it was very concerning to me. And I thought, you know, here I sit on the Commerce Committee and I wonder what jurisdiction we have over this particular issue. And I think what I need to do is go out and have a visit.

So we placed that phone call. And Steve Bull, I appreciate your help. He is the Director of the Government Relations with USOC Washington office, arranged a tour. Now why was that tour important? It is important because I had never been around Olympians before. I had never seen the facility. And you want to talk a fresh air; just talking to the Olympians.

I remember my wife and I walking into one of the training facilities. I think they were sisters, they may have been twins, kayak or canoe, and they were so positive. And you turn around and you meet another Olympian and it is hi, how are you? How you doing today? And Joni and I looked at each other and it is like, “What did they have for breakfast. I want what they had for breakfast.” And everyone there was so positive, not only the staff and the trainers and there was just such an incredible positive atmosphere. It is like no negative vibes were permitted at the Olympic Training Center.

And I walked away from that tour very enthusiastic, and actually very proud. Proud of the efforts, proud of the vision of a lot of people.

And when you think about our society and that for which we place on the pedestal; Americans place Olympians right up there
at the top because they sacrifice so much in the pursuit of excellence. And America recognizes that. And so when there is anything that begins to tarnish that or somebody tries to take advantage toward some self-interest or self-dealing or conflicts of interests, I think the American people have a right to be concerned.

And when you see these Olympians living out their dreams and it shows on their faces, and you also see that commitment of the facility's staff to excellence, that is what the Olympic spirit is all about.

And so I came back and I spoke to Cliff Stearns and said we really need to do something about this, after also having some discussions with Steve Bull. And, Steve, I want to thank you because you will be tremendously valuable imprint in what you have done in your contact with us. It did not take a lot of persuasion with Chairman Stearns because he also had mutual interests and said yes, we are going to take this up and let us have at it.

And I think it is important that both bodies, not just the Senate, but also the House have a voice. And so we take your recommendations. We leave an imprint. And we work with the Senate. And, hopefully, we can come to a conclusion that is satisfactory to everyone, and more in particular the Olympic spirit.

So, I appreciate the work that all of you have done. And I think it is very appropriate that we focus now on the differences. I do not think it is appropriate at all to focus on some of the problems of the past. The only thing that it will help us is, perhaps, be a beacon. You say, “My gosh, Steve, how can some of these allegations be a beacon?” No, because we do not want to repeat those problems of the past.

And I concur with your recommendations for a smaller governing body. I find it quite interesting to figure out how this assembly is actually going to work, so I am going to be a good listener here to your recommendations. Because I can see more problems than you ever anticipated by having such a large assembly. But I will be a good listener.

And, Mr. Chairman, I want to thank you for your leadership on the issue.

Mr. STEARNS. I thank my colleague.

Mr. BUYER. I yield back.

Mr. STEARNS. Mr. Terry.

All right.

[Additional statements submitted for the record follow:]

PREPARED STATEMENT OF HON. BARBARA CUBIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

Thank you, Mr. Chairman, for holding this hearing. I would like to welcome the distinguished witnesses before us today. Your insight will be tremendously valuable in the continuing discussion on how best to govern the U.S. Olympic Committee (USOC).

The U.S. Olympic program exudes the very essence of the American Spirit. It provides enormous opportunities to any man, woman or child who dares to dream big enough. The message is clear to all with the ambition—your hard work, determination and God given talents can soar here.

In recent months, troubling factors within the USOC have come to light. It is now time to focus on how to avoid future discrepancies as the USOC’s governing body is reorganized. The panelists before us today have been in the trenches, working diligently to examine the current situation and outline exactly what a more effective structure would entail.
It is my hope that the testimony heard today will further illuminate the pathway to a stronger Olympic movement in our country. I look forward to hearing from the Governance and Ethics Task Force and the Independent Commission representatives. Collectively, we can work to ensure the most effective conclusions are drawn and implemented on all levels.

Thank you, Mr. Chairman and I yield back the remainder of my time.

PREPARED STATEMENT OF HON. W.J. “BILLY” TAUZIN, CHAIRMAN, COMMITTEE ON ENERGY AND COMMERCE

Mention the Olympics, and visions of breathtaking performances and inspirational stories of athletes in pursuit of greatness flash into our minds. Unfortunately, mention the US Olympic Committee lately, and the feelings aren’t as warm or inspirational. As our witnesses know very well, too many of the headlines the USOC has garnered in recent years involve management breakdowns, ethical scandals, and personnel problems.

It is with much regret that we have arrived at the point where all experts and individuals involved in the US Olympic movement agree that Congress must act to restore the integrity and confidence in this organization. However, I believe it is a positive sign that the individuals and groups within the USOC have acknowledged and embraced the need for drastic reforms. The USOC could have taken an alternative direction after the most recent problems surfaced. Instead, it took the admirable step to form its own Task Force and propose very credible reforms. It is definite improvement over past decisions made by the USOC and bodes well for the future of the organization.

It is rare to see anyone give up power in exchange for the betterment of the organization. The willingness of the current USOC membership to voluntarily recommend a diminished role for itself and cede control speaks volumes about the importance of this organization to so many people and is the reason we are committed to enacting meaningful reform.

I think I speak for everyone as I thank each of you here today—and those involved who are not here—for your service to this cause. You have made great personal sacrifices to volunteer your time and energy for the betterment of an organization that will serve future generations of American athletes and inspire our nation. It is a selfless act of public service that deserves our praise and appreciation. We value your insight and depend upon your expertise to get this right.

I look forward to a productive dialogue as the Committee develops legislation to restore the US Olympic Committee as a universal standard.

Mr. STEARNS. We would like to welcome the witnesses. I tell my colleagues that we have two people from the Independent Commission that Senator McCain was instrumental in getting pointed. And then we have two folks from the Task Force at the USOC. So it is unique this morning in that we have two independent voices here that we have an opportunity to hear from.

So I want to welcome the witnesses. Ms. Roberta Cooper Ramo, the attorney for Modrall, Sperling, Roehl, Harris & Sisk; Dr. Harvey W. Schiller, Ph.D., President and CEO of Assante US. Both of those from the Independent Commission.

Then we have from the Task Force we have: Mr. Frank Marshall, Co-Chair, USOC Governance and Ethics Task Force Director of The Kennedy/Marshall Company, and; Ms. Cameron A. Myler, attorney, Milbank, Tweed, Hadley & McCloy, and; Mr. Kirk Bauer, Executive Director Disabled Sports USA.

So it was a sacrifice, I am sure, for many of you to get here, but I appreciate you doing it and we will have great opportunity to hear from you.
So I welcome, Ms. Ramo, why do you not start. And we will go from my left and to my right. Just make sure your speaker is on.

STATEMENTS OF ROBERTA COOPER RAMO, MODRALL, SPERLING, ROEHL, HARRIS & SISK; HARVEY W. SCHILLER, PRESIDENT AND CEO, ASSANTE US; FRANK MARSHALL, CO-CHAIR, USOC GOVERNANCE AND ETHICS TASK FORCE, DIRECTOR, KENNEDY/MARSHALL COMPANY; CAMERON A. MYLER, MILBANK, TWEED, HADLEY & McCLOY; AND KIRK M. BAUER, EXECUTIVE DIRECTOR, DISABLED SPORTS USA

Ms. Ramo. Ah, the resonance that I've always wanted.

Mr. Stearns. The power.

Ms. Ramo. I do not know about the power, just the resonance.

Thank you, Mr. Chair, and members of the committee.

We very much appreciate your inviting Dr. Schiller and I to testify here today. I want the committee to know that we are joined by Donna D. Verona, a member of our committee an Olympic Gold Medalist who is here with us. We are very appreciative; Dick Ebersol of NBC Sports who is a member of our Commission and Don Fehr were completely unable to get here. Don came in, I think, about midnight last night into New York from England. So they asked us to please apologize to you for their absence.

In March, as you know, we were asked by the United States Olympic Committee at the request of Congress, the five of us, to undertake a review of the current culture and structure and state of the U.S. Olympic Committee and to make recommendations for reform based on the combined enormous experience of our Commission with both the Olympic movement and with for profit and nonprofit boards of varying kinds, particularly paying attention to governance issues. Though we came to this Commission together from varied points of views, our findings are solidly unanimous on all points.

First, we find the culture and organizational mechanics of the USOC, the architecture that is, disastrously out of order and in its present state irreparable. The result, we think, of the over politicized culture has been to put personal and political agenda ahead of the good of the entire movement and appropriate support of the athletes. The last few years there has been constant upheaval at the top with regular resignations of both presidents and CEOs. The trust of the American people and our athletes in our view has been completely wasted.

With the Athens Olympics and really 1 year virtually from today, we believe that change must be immediate and wholesale and are very grateful that with all else that this House has to do, you understand the important significance of this matter to the American people and to the world.

We believe that change must be immediate and wholesale. In our report, which you have, we make a series of extremely detailed recommendations. Part of the reason that we spent so much time in detail is because the organizational enterprise is such a complex enterprise we felt if we didn't weigh out how all the pieces fit together from the perspective of people who knew a great deal about the Olympic movement and about nonprofit governance, particu-
larly because additionally we are part of an international move-
ment, that it would be very difficult for there to be real change.

Following this review of the way things are and following, by the
way, the principles of Sarbanes-Oxley, or I guess in this House bet-
ter Oxley-Sarbanes, we recommend as follows; this is just a sum-
mary:

First, that the current 124 member Olympic Committee and Ex-
ecutive Committee be replaced with a 9 member board with a ma-
jority, and this is very important to us, a majority of independent
directors. Without a working majority, well recognized independent
leaders with the agenda, only the agenda of the American people
and the athletes as their brief, we believe that no real change will
be possible.

Additionally, we recommend, and several of you asked questions
about this in your opening statements, that the current U.S. Olym-
pic Committee become an assembly with the deletion of all of the
former officers to make it slightly smaller. It's currently, I think,
124. But we actually believe that there is an omission from the cur-
cent USOC which should definitely be a part of the assembly, and
that are Olympic alumni; that is our former Olympic athletes have
so much to contribute. As Representative Buyer indicated, their ex-
perience in both training for and participating in the international
Olympic events gives us a kind of wellspring of goodwill and infor-
mation that we think would be very valuable to the movement as
a whole.

In our view and in our report we said that the assembly would
elect its own speaker who would sit as an ex-officio member of the
board. However, after extensive individual consultations with the
internal commission and others, we now believe that the speaker
should be in a non-voting ex-officio role.

The U.S. Olympic movement is a part of a large and complex
international movement and we understand and endorse with ap-
propriate voting controls that the members of the International
Olympic Committee who are from the United States should be ex-
officio members of the U.S. Olympic Committee Board. We rec-
ommend that the new board retain a CEO who will have extensive
power under the policy guidance of the board to manage the day-
to-day affairs of the U.S. Olympic Committee and to implement the
policies of the board. In our report we suggest financial trans-
parency. In fact, reporting to this body whistleblower protection
and a profound contraction of committees which have, I think,
causd a good deal of upheaval of the USOC itself and also cost an
enormous amount of money.

Because of the emergent nature of the current situation we ask,
understanding all else that you all have to do, that the Congress
implement our recommendations as swiftly as possible so that the
nominating committee we recommend can be in place by September
1 and an entirely new board sitting and in charge no later than
January 1, 2004. The five of us have spent countless hours in our
efforts because we each believe, especially in today's world, of the
importance of the international Olympic movement, of its ideals,
and we all believe that the United States Olympic governing body
should be the best governance, embody the best governance prac-
tices of the 21st century and be an organization that lives up to the magnificent performance of its athletes.

In conclusion, Mr. Chair, I would just like to read 2 or 3 sentences from our report. “The U.S. Olympic Committee is in turmoil. It has breached the trust of the American people and betrayed the Olympic ideals that it has pledged to preserve. The USOC must be reformed immediately by putting in place a small board of directors with five highly qualified independent directors, an empowered accountable chief executive officer, a representative assembly that gives voice to the myriad volunteers comprising the Olympic movement in the United States.”

Thank you very much.

[The prepared statement of Roberta Cooper Ramo follows:]

PREPARED STATEMENT OF ROBERTA COOPER RAMO, CO-CHAIR INDEPENDENT COMMISSION OF U.S.O.C.

Mr. Chair and members of the Committee: Thank you for inviting Dr. Schiller and I to testify today. We are joined by Donna De Varronna, an Olympic gold medal swimmer, and a member of our commission Dick Ebersol could not be here today and my co-chair Don Fehr arrived in New York late last night from England and was unable to be here first thing this morning.

In March, at the request of Congress we were asked by the U.S.O.C. to undertake an independent review of the current state of the U.S.O.C. and to make recommendations for reform based on the combined enormous experience our Commission has with the Olympic movement, the U.S.O.C. and both for profit and non-profit governance. Though we come from varied points of view, our findings and recommendations are solidly unanimous on all points.

We find the culture and organizational structure of the U.S.O.C. disastrously out of order and irreparable in its present state. The result of its highly politicized culture has been to put personal and political agendas ahead of the overall good of the Olympic movement and appropriate support of the athletes. During the last few years, there has been constant upheaval at the top with regular resignations of both Presidents and CEO’s. The trust of the American people and our athletes has been wasted. With the Athens Olympics in one year we believe that change in the U.S.O.C. structure and personnel must be immediate and wholesale.

Our report makes a series of detailed recommendations which I would like to summarize for you very briefly. Following the important principles of the Sarbanes/Oxley legislation and the recommendations of the New York Stock Exchange, we recommend that the current 124 member U.S. Olympic Committee and its Executive Committee be replaced by a nine member board with a majority (five) of Independent Directors. Having a majority of Independent Directors is the keystone of our recommendations and a significant difference between our recommendations and those of the Internal Task Force. No real change will be possible without a working majority of well recognized independent leaders, with only the Olympic agenda of the American people and its athletes as their brief.

Secondly, we recommend that the current USOC become an Assembly with the deletion of former Officers and the addition of three Olympic Alumnae. This Assembly would elect its own Speaker who would sit as an ex Officio member of the Board. The Assembly will give an important voice to the volunteer movement, the athletes, and the National Governing Boards of sports that together make up the Olympic family in the United States. However, after extensive individual consultations with the Internal Commission and others we now believe that the Speaker should be in a non-voting Ex Officio member of the board.

The U.S. Olympic movement is a part of the large and complex International Olympic movement. We understand and endorse, with appropriate voting controls, that U.S. Members of the IOC should be ex officio members of the newly constituted U.S.O.C. Board with limited voting rights.

We further recommend that the new Board retain a CEO who, under the policy control of the Board, will have extensive powers to manage the day to day affairs of the U.S.O.C. and to implement policies of the Board. In our report, we also suggest financial transparency through frequent reports to Congress, whistle blower protection and a profound contraction of committees.

Because of the urgent nature of the current situation we ask, with respect for all else you have to do, that the Congress implement our recommendations and report
as swiftly as possible. To properly prepare for the Athens Olympics, a nominating committee should be in place by September 1st and a totally new Board sitting and in charge by January 1, 2004.

The five of us have spent countless hours because we each believe in the importance of the Olympic ideals. We believe that the U.S. Olympic Committee should embody all of the best governance practices of the 21st Century. The U.S.O.C is a body created by the Congress. Our report describes detailed independent recommendations for change that we unanimously believe are required now to change both the results obtained by the Committee for our athletes and the reputation of the United States Olympic Committee. Thank you ladies and gentlemen for your time and concern about this important matter.

Mr. STEARNS. I thank the gentlelady.
Dr. Schiller.

STATEMENT OF HARVEY W. SCHILLER

Mr. SCHILLER. Thank you, Chairman Stearns, respected members of the U.S. House Subcommittee on Commerce, Trade, and Consumer Protection, ladies and gentlemen, thank you for the opportunity to appear today to discuss the United States Olympic Committee, its governance and organization.

I want to thank fellow Citadel graduate, Representative Buyer again, for his comments.

And I also want to make quick comment about the gentleman sitting on my left. He’s the producer of the new movie coming out next week “Seabiscuit.” And so I know he took a time from things that he should be marketing the film to be here today. So thanks for doing that, Frank.

As you may know, I previously served as Executive Director USOC from 1989 through 1994 and now serve as Chair of the Management Committee of the US bid city for the 2012 Olympic Games, New York 2012.

I agree that there has been enough discussion regarding the numerous missteps of the USOC these past months. I hope that our attention will now be focused on creating a system of governance that is effective in carrying out the stated mission of the Olympic Committee as well as providing for the protection of a resource so important to every American.

I believe the specific recommendations made by both the USOC internal task force as well as those of our committee will meet the expectations of those who are charged with the oversight of the Olympic Movement in the United States.

The board structure and voting provisions contained in our recommendations will insure independent consideration of the matters important to the success of America’s athletes. I would like to restate that independence and endorse the Senate version of the proposed legislation that recommends five independent members as members of the board. It provides for a continuing voice from those representing Olympic sport bodies, athletes, international representatives, and the American public. Our assembly provisions will allow a continued representative body of sport in the United States meeting annually to discuss the role of community based organizations, disabled sports groups, the armed forces, the school and college communities, Olympic athletes past and present as well as those speaking on behalf of the public. Neither body, the board or the assembly, can accommodate a specific representative of each and every organization participating in sport in this country. That
is impossible. The breakdown of the system we are trying to repair was caused, in the main, by the parochial interests of those claiming to do what was best for all but truly only serving themselves.

We all need to recognize as well is that the U.S. Olympic Committee is an organization of limited financial resources. It can serve to provide the leadership necessary to establish goals for athletic activity, but it cannot—it cannot meet the financial needs of each and every sport organization in this country. Without enormous government support, even the needs of Olympians and Paralympians remain a challenge. The protection of the Olympic name and marks are the main source of funding to the U.S. Olympic Committee and must not be diluted. The new governance structure suggested to your Committee allows the Board of Directors to speak in an independent manner consistent with the best interests of the organization. In addition, we all must insure that those selected to serve, staff and volunteer alike, are of the highest quality possible and their efforts are appreciated by all.

I urge the members of this Committee to consider the recommendations of the two task forces in the most serious manner and move the legislation through the Congress as soon as possible.

I do want to say that there are potentially some minor changes that may be necessary to comply fully with the IOC Charter.

Thank you.

[The prepared statement of Harvey W. Schiller follows:]
out enormous government support, even the needs of Olympians and Paralympians remain a challenge. The protection of the Olympic name and marks are the main source of funding to the USOC and must not be diluted. The new governance structure suggested to your Committee allows the Board of Directors to speak in an independent manner consistent with the best interests of the organization. In addition, we all must insure that those selected to serve, staff and volunteer alike, are of the highest quality possible and their efforts are appreciated by all.

I urge the members of this committee to consider the recommendations of the two task forces in the most serious manner and move the needed legislation through the Congress as soon as possible. Thank you.

Mr. STEARNS. Thank you, gentleman.
Mr. Marshall, welcome.

I think I’m going to see “Seabiscuit” this week or next over with Jack Valenti. He’s invited the Commerce Committee over. So we welcome you.

STATEMENT OF FRANK MARSHALL

Mr. MARSHALL. Thank you very much, Mr. Chairman and member of the Committee, and thank you for the “Seabiscuit” plug.

My name is Frank Marshall. I am the Vice President-Treasurer of the United States Olympic Committee. As you know, I am a movie producer and serve on the board of directors of the Los Angeles Sports Council and the UCLA Foundation Board of Governors. Before becoming USOC Vice President in 2000, I served on its Board of Directors as a public sector member for 8 years. During the past 5 months, I have had the significant pleasure and privilege of serving as a co-chair of the USOC’s Governance and Ethics Task Force.

The top level recommendations of the Independent Commission and the USOC Task Force are very similar. However, there are fundamental differences with respect to certain recommendations, and we believe those differences are not simply not matters of degree but go to the core of how the USOC is and should be governed.

The most significant difference is the concept and treatment of the Olympic Assembly. Both the Commission and the Task Force agree that it is important to have a mechanism for USOC leadership, officers, and committee members, to communicate with the many diverse organizations in the Olympic family in the United States once annually through the creation of an Olympic Assembly. However, the Commission has recommended that the Olympic Assembly be of nearly the same size as the current board and the USOC pay for all of the costs of its meetings, that the Olympic Assembly vote on substantial matters concerning the USOC’s governance, including all “Olympic matters.” The Commission also would have the Olympic Assembly elect a presiding officer who will be a member of the new board and will have a voice as a spokesperson for the USOC.

In effect, the Commission has recommended that the current 124 member USOC Board, with minor differences (such as eliminating officers and changing the name), will remain a governing body, just with a somewhat reduced set of governance responsibilities. Those are all functions that the Task Force believes must not be performed by a body of more than 110 people, but rather must be functions of the smaller, 11-member, 9-vote Board that we recommend.
The Task Force has estimated that these governance recommendations could result in over a $1 million per year in administrative cost savings. For the USOC to continue to underwrite the costs of the annual Olympic Assembly, as recommended by the Commission, that estimated cost figures would have to be reduced by at least $250,000 per year and the Commission has left its Assembly with so many governance responsibilities that the more than 110-person Assembly may need more than one meeting a year, thereby creating additional expense.

Additionally, there will be a substantial administrative burden on the USOC’s CEO and the staff if they have to organize and run an assembly that will be conducting elections and voting on governance issues. For the Olympic Assembly to vote on anything will require the creation of complex rules and regulations concerning who can vote and the extent to which various constituents’ votes will be weighted. The assembly the Commission recommends would subject all Olympic issues to the constituent-based decisionmaking and the politics that have plagued the USOC for the past 20 years.

The Commission’s assembly would also create constant heated disputes about what are Olympic issues and would constantly put the USOC board against the assembly as they debate these issues that should be submitted to the 100 member board before being decided.

The Task Force envisioned the Olympic assembly as an important forum and business meeting for the board and all the organizations and the individuals involved in the Olympic family. If the Olympic assembly is also given governance responsibility and the need to elect a speaker, that will take the time and focus away from the proper functioning of that group. Importantly, as we know from USOC’s current Board of 124, the Olympic Assembly is simply too large a body for there to be meaningful education or debate and decisions cannot be made on a timely basis by such a large group that meets only once a year.

It is essential that Congress not mandate the USOC continue with a governance body of more than 100 people. The entire concept of reform was to place all management in the hands of the CEO with governance in a small and effective board.

The USOC is not an organization that requires volunteers to function. In fact, volunteer involvement now detracts from efficient management, interferes with staff functioning and often overlaps staff authority. This must stop for the USOC to be effective and well run.

The Commission’s recommendations create the speaker of the assembly position, an individual who will serve on the board and will speak on behalf of the USOC family. That threatens the success of the one voice strategy of the USOC, creates a position that competes with the chair and the CEO, unnecessarily creates an additional position on the board and potentially threatens the USOC achievement of its mission.

The Task Force also disagrees with the Commission recommendation that the board must consist of a majority of independent directors. Contrary to arguments of the Commission, the principles of Sarbanes-Oxley simply do not apply here. Underlying Sarbanes-Oxley is the notion that shareholders for in-profit cor-
porations need to be protected from improper conduct by directors who are also part of management. Here, under both sets of recommendations, there will not be any member of the management on the Board, so the notion that somehow having the Board. Under both recommendations, all directors will be independent of management as defined in the for-profit sector. Using Sarbanes-Oxley metaphor here misperceives the purpose of independent directors, which is to rid the USOC of directors loyal only to their constituencies.

In addition, the Task Force is concerned about having a group of independent directors who may or may not be knowledgeable about Olympic sport with a majority of votes while the directors who are knowledgeable about Olympic sport, the athlete, the NGB, the IOC members of the Board, have a minority of those votes. We believe the IOC is also concerned about this issue.

The Task Force has recommended that the new ethics committee should consist completely of independent individuals who are not board members. The Commission has recommended that the entire ethics committee be members of the board. It would seem obvious that an ethics committee of board members would not be sufficiently independent to review issues of ethics related to members of the board or members of management who deal with the board members on a regular basis.

Likewise, the Task Force recommends that the initial Nominating and Governance Committee, which selects the initial members of the new board, should be composed of independent members, while the Commission recommends that the current constituent groups should select the initial board members.

The Task Force believes that we need to show that the old culture is gone, create a break with the past and select board members who will be best able to govern the USOC. We do not believe that the constituencies are as likely to select the top quality board members as would the committee of independent individuals. We fear that the candidates for the board will be subjected to enquiries or unstated assessments about what constituencies they support or favor as part of the selection process.

The Task Force recommends that the USOC’s mission be changed as it exists in the current statute but the Commission does not. The Task Force thinks it is important that the seeming entitlements for various groups and perspectives set forth in the statute should be eliminated to allow the USOC and its NGBs to focus on the overall mission. The purposes that would be removed, while generally good things for the United States, should not be responsibilities given to the USOC, especially since the Commission and Task Force agree that the USOC does not have the time or the resources to achieve them and their inclusion distracts from the USOC’s primary mission of serving the——

Mr. STEARNS. Mr. Marshall, just to interrupt you just to see if you could sum up if you could.

Mr. MARSHALL. I understand. Thank you.

Mr. STEARNS. Good.

Mr. MARSHALL. Once again, I would like to thank you for allowing me to testify today, and I think you for your diligence in insuring that the USOC cleans up its act. We are now realizing the sil-
ver lining of the storm cloud that was hanging over the organization earlier this year. The job is far from done and the next step is the implementation of the appropriate recommendations of these two groups.

Thank you for being willing to see this process through.

[The prepared statement of Frank Marshall follows:]

PREPARED STATEMENT OF FRANK MARSHALL, VICE PRESIDENT-TREASURER, UNITED STATES OLYMPIC COMMITTEE

Mr. Chairman, and members of the Committee, thank you for providing the chance for me to appear and speak to you today.

My name is Frank Marshall. I am the Vice President-Treasurer of the United States Olympic Committee. I am a movie producer and serve on the board of directors of the Los Angeles Sports Council. Before becoming USOC Vice President in 2000, I served on its Board of Directors as a public sector member for several years. During the past 5 months, I have had the significant pleasure and privilege of serving as a co-chair of the USOC’s Governance and Ethics Task Force.

USOC President Bill Martin had the tremendous foresight in early February 2003 to appoint a cross section of 10 USOC and outside persons and 4 outside consultants of substantial character to review the USOC’s governance process and recommend changes to improve the USOC’s governance. My fellow members of the task force were co-chair Bill Stapleton, and members Gwendolyn Baker, Robert Balk, Fraser Bullock, Chris Duplanty, Gordon Gund, James McCarthy, Cameron Myler, and Lisa Voight, and outside consultants John and Miriam Carver, George Cohen, and Mal Wakin. I am pleased that the organization, with few exceptions, continues to demonstrate its commitment in this area. Mr. Chairman, unless there is objection, I would like to place in the record along with this written statement the report of the Task Force.

The recommendations of the Independent Commission and the USOC Task Force are, at the top level, very similar. Both groups recommend that the organization’s mission become focused on athletes and athletic performance, first and foremost. Both groups recommend that the USOC’s governance must shrink dramatically to bring the USOC into line with modern best practices of good governance for organizations of the size and stature of the USOC. Both groups recommend dramatically reduced Board sizes, with the Commission recommending a new board with 10 votes and 13 members, and the Task Force recommending a new board with 9 votes and 11 members. Both groups recommend that the USOC must take substantial steps toward breaking down the structures and incentives for the culture of political quid pro quo that had heretofore existed at the USOC. Both groups also recognized the need to clearly define the roles of the governance and staff functions in the organization. I am pleased that two groups examining this organization were able to agree on so much, yet do so independently of each other.

However, as you might expect, there are differences in what the two groups recommend, though I am pleased to say that those differences are generally in the details rather than in the top line recommendations. The Task Force attempted to come to agreement with the Commission on the differences between the two reports during the past three weeks, but the differences remain unresolved.

The most significant difference is in how the Olympic Assembly is treated. There has been general agreement that it is important for there to be a mechanism for USOC leadership, officers, and committee members, to communicate with the many diverse Olympic organizations that comprise the Olympic family in the United States and that these groups should be able to communicate once annually with the USOC through the creation of an Olympic Assembly.

The Task Force has very strong feelings about the Commission’s view of the role of the Olympic Assembly, and those thoughts differ substantially from the Commission’s view. The differences are not merely theoretical; they have substantial governance and transaction costs associated with them, with the Task Force’s recommendations reducing both.

The Commission has recommended that the Olympic Assembly be of nearly the same size as the current Board, that the USOC pay for all of the costs of its meetings, that the Olympic Assembly vote on substantial matters concerning the USOC’s governance, including amending the USOC Constitution, and that the Olympic Assembly elect a presiding officer who will be a voting member of the new Board and who will have a voice as a spokesperson for the USOC in communicating with the outside world. In effect, the Commission has recommended that the current 124 member USOC Board, with minor differences (such as eliminating the officers and
changing the name), will remain a governing body, just with a somewhat reduced set of governance responsibilities. The Commission's Olympic Assembly would remain, like the current Board, a body that elects a spokesperson (called the Speaker instead of the President), decides whether the USOC goes to the Olympic Games, whether the USOC will propose that one of our cities host the games, will select the US bid city, will approve all changes in the USOC Constitution, and decide all other Olympic matters. Those are all functions that the Task Force believes must not be functions performed by a body of more than 110 people, but rather must be functions of the smaller, 11-member, 9-vote Board.

We believe the Commission may have retained this larger, governing Olympic Assembly because of concern that the IOC's Olympic Charter might require it, but it is clear from our discussions with the IOC and from the text of the Olympic Charter that the Task Force's proposal, to let the Olympic NGBs and athletes vote on certain, very limited Olympic-related issues is likely to be sufficient. Nothing in the Olympic Charter requires the large governance body called for by the Commission. In fact, to have such a body vote on Olympic matters is contrary to the IOC's Olympic Charter. As the Commission's report references, to continue the Assembly as a voting, governing body, will require elections, provisions about terms of office for the members of the Assembly, and provisions about removing Assembly members. It is the strongly-held view of the members of the Task Force that the Assembly will be unable to fulfill the Task Force's goals of facilitating communication between the USOC Board and CEO on the one hand, and the constituent groups that are represented in the Assembly if the Assembly also must continue to perform all the governance functions the Commission recommends leaving in that 110-member body.

The Task Force devoted substantial time and attention to the question of whether the USOC should pay the costs for representatives of member organizations to attend the annual Olympic Assembly. The Task Force believes that the Olympic Assembly should be valuable to the members of the Assembly and that those members should only attend if they share the view that attendance at the Assembly is valuable to them, as indicated by their willingness to pay the travel costs for their representatives. If the Olympic Assembly is not worth the travel costs to send a representative, perhaps the Olympic Assembly should be improved and enhanced, but the solution is not for the USOC to underwrite the costs of bringing people to attend an Olympic Assembly that they do not believe is worth the cost. However, the Task Force understands that there has not been an Olympic Assembly, so it may be difficult to assess its value without attending the first annual session. Therefore, the Task Force recommends that the USOC pay the members' travel costs to the first annual Olympic Assembly, to be held in 2004, and in subsequent years the USOC should do whatever is possible to arrange group rates or discounted travel, but NGBs and PSOs and members of the Multi-Sport Organizations should be required to pay their own travel costs associated with the Olympic Assembly, starting in 2005. The Task Force has estimated that implementation of its governance recommendations could result in over $1 million per year in governance administrative costs savings. For the USOC to continue to underwrite the costs of the annual Olympic Assembly, as recommended by the Commission, that estimated savings figure would have to be reduced by at least $250,000 per year and the Commission has left its Assembly with so many governance responsibilities that the Commission's report anticipates in several places that the more than 110-person Assembly may need more than one meeting each year, thereby causing additional expense for each meeting.

It is the strongly held view of the Task Force that it would be the wrong direction for the Olympic Assembly to be an organization that votes on any issues relating to the governance of the USOC. First, for the Olympic Assembly to vote on anything will require the creation of complex rules and regulations concerning who can vote and the extent to which various constituents' votes will be weighted. Similarly, there will have to be a much more formalized process to assess whether additional organizations associated with the Olympic movement in the United States will be permitted to become members of the Olympic Assembly because the Olympic Assembly members voting to add organizations to membership may suffer a reduced voting share as a result of voting to add those organizations.

Second, if as the Commission recommends, the Olympic Assembly were to be called upon to vote on issues relating to the governance of the USOC, such as selection of bid cities or the participation of the USOC in the Olympic Games or the composition of the USOC Constitution, that would subject those decisions to the constituent-based decision making and the politics that have plagued the USOC for the past twenty years. Rather than be subject to a vote on the merits, or on the basis of what would serve the best interests of the USOC, using a process based on solid
governance principles, those decisions could become once again the victim of block voting, votes exchanged for other benefits, and other distortions that have been the source of many of the problems identified in this Report. To allow the Olympic Assembly to vote on any issues will effectively leave the current 124-member Board in place with all of its problems and costs and with much of the same authority and responsibility.

Third, the Olympic Assembly and the council meetings associated with that meeting should be an integral part of moving the USOC, the NGBs, the athletes, and the other organizations in the Olympic Assembly toward the Olympic Mission. The Olympic Assembly will be focused on cooperation between and among athletes, NGBs and the members of the Multisport Organization Council to advance the Mission. It will also be an important forum for the exchange of information and ideas between the Board and all the organizations and individuals involved in the Olympic Assembly. If the Olympic Assembly is also given governance responsibility or the power to vote and make decisions on limited issues, that will take time and focus away from the proper functioning of that group. It will also mean that the over 110 members of the Olympic Assembly will spend months in advance of each meeting on the telephone and communicating by email, politicking and lobbying one another about the issues to be voted upon in the upcoming meeting of the Olympic Assembly, again distracting those individuals and their organizations from what they should be doing to advance the Olympic Mission.

Fourth, as we know from current experience with the USOC's current Board of 124 individuals, the Olympic Assembly is simply too large a body for there to be meaningful education of the membership or meaningful debate at the meetings of that group. And, many of the decisions the Commission would assign to the Assembly need to be made on a timely basis. The fact that the Assembly is only supposed to meet once a year means the proper functioning of the USOC would continue to be delayed while the organization waits for the annual meeting of the Olympic Assembly to spend an additional $250,000 on a special meeting of the Olympic Assembly (special meetings also place enormous administrative burdens on the USOC) or the decisions would have to be made pursuant to relatively meaningless mail ballots sent to the over 110 people on the Olympic Assembly.

Fifth, the creation of an Olympic Assembly with legislative and other decision making authority would create an entity that might interfere or compete with the ability of the Board and CEO to focus on the USOC's achievement of its mission. It will take issues that are central to the Mission away from the CEO and the Board, and leave the organization in a position where one part of the organization may make decisions or take actions that will be contradicted by other parts of the organization. That is precisely one of the problems that led to the commencement of the governance reform process in which we now find ourselves.

The Task Force examined the creation of a role for an individual to oversee the functioning of the Olympic Assembly and determined that this individual should be drawn from the Board, and not be an individual who has a new position on the Board or otherwise has rights or obligations to speak on behalf of the USOC or the Olympic Assembly or any other group. The Commission's recommendations set up a position for an individual which position will serve on the Board and will have rights to speak on behalf of the US Olympic family. The creation of the position of speaker of the Olympic Assembly with a visible, public role and a vote on the new Board of Directors is contrary to the view of the role of the Olympic Assembly. This threatens the success of a one voice public relations strategy at the USOC, creates a position that competes with the Chair and the CEO, unnecessarily creates an additional position on the Board, and otherwise potentially threatens the USOC's achievement of its mission.

The Commission recommends that its Speaker of the Assembly share a fractional vote with the International Olympic Committee members from the United States. While the Task Force recommends in its report providing fractional voting to the IOC members among themselves only, the Task Force would view it as consistent with its recommendations if the IOC members were to be given one vote apiece and the rest of the Board members had their votes weighted upward by a factor of at least 3, though we would have to ensure that any increases in IOC members from the United States would not dilute the athletes' 20% voting power percentage.

The Task Force has recommended that one member of the Board, perhaps rotating among the Board membership as determined by the Board, shall serve as the Chair of the Olympic Assembly each year. It is the view of the Task Force that this individual should consult with the chairs of each of the three councils and should be responsible for the organization and conduct of the Assembly, but this individual shall have no separate or special functions as a result of this person serving as Chair of the Olympic Assembly. This individual would be answerable to the overall
USOC Board, not all the constituent groups of the Olympic Assembly. To do as
the Commission suggests would invite a return to the many media and governance
problems that the USOC saw during January and February of this year.

In short, the Olympic Assembly should be a business meeting of the USOC, collect-
ing all of the individuals involved in the Olympic business in the discussion and
communication of issues that affect them; it should not be a new form of the bully
pulpit or a political apparatus focused on things not related to the business of the
U.S. Olympic family. The Task Force disagrees with the idea that the USOC must
have an Olympic Assembly that is used as a tool for keeping volunteers involved
in the organization or that the USOC even needs to be concerned with that to be-
come better governed. The USOC is not an organization dependent on volunteers
for its functioning, and in fact volunteers have often stood in the way of efficient,
effective governance of the organization currently. While there is an important role
for volunteers in the organization, it is not because the organization is dependent
on them for its functioning.

The Task Force also disagrees with the recommendation of the Commission that
the Board should consist of a majority of independent directors. Contrary to the ar-
guments of the Commission, the principles of the Sarbanes-Oxley statute simply do
not apply here. Underlying Sarbanes-Oxley is the notion that shareholders in for-
profit corporations need to be protected from improper conduct by directors who are
also part of management. Here, under both sets of recommendations, there will not
be any management involved on the Board, so the notion that somehow having the
Board consist of a majority of individuals who meet the specific definition of inde-
pendent director set forth by either group is compliant with Sarbanes-Oxley simply
is a misplaced metaphor. Under both recommendations, all of the directors on the
new Board will be independent as that is defined in the for-profit sector. Using the
Sarbanes-Oxley metaphor here misperceives the purpose of independent directors in
these proposals, which purpose is to rid the organization of individual directors loyal
only to their constituencies, not to somehow deal with the issues at the heart of the
distinction between outside and inside directors in for-profit institutions.

With respect to giving one identifiable group of directors a majority, the Task
Force believes that no one group should be able to control the outcome of any single
vote. Rather, the Task Force believes that it is healthy for governance to have each
group of directors have to negotiate and build consensus with some other group to
be able to accomplish things. In addition, the Task Force is concerned about having
a group of independent directors, who may or may not be knowledgeable about
sport, have a majority of votes and having the directors who are knowledgeable
about sport, the athlete, NGB, and IOC members of the Board, have a minority of
those votes, which we also understand is a concern of the International Olympic
Committee.

The Task Force also disagrees fundamentally with the Commission that the
Board’s officer, the Chair, should only be drawn from among directors considered
“independent”. In effect, this creates a caste system among Board members if a sub-
stantial majority of them are not able to run for this office. The Task Force rec-
ommends that all members of the Board should be eligible to run for the office of
Chair, except for the members of the Board who are also International Olympic
Committee members. The reason for the Task Force distinction for the IOC mem-
bers is that by the terms of the Olympic Charter they owe their loyalty to the IOC.
As a result, they could not simultaneously serve as the organization’s leader without
constantly running afoul of conflict of interest rules. The athlete and NGB nomi-
nated directors under the Task Force’s model would be independent in many ways
since they would have had to have given up all of their ties to the organization
nominating them upon taking office, so they should also be eligible to stand for elec-
tion as Chair.

There are other areas in which the Task Force has divergent views on the details
of the Commission’s report, particularly on the subject of the Commission’s rec-
ommendation for the continuation of two sets of organic documents, a Constitution
and Bylaws, with the Board being able to change one and the Olympic Assembly
being able to approve changes to the other. The Task Force is recommending simpli-
ifying those complicated and often redundant documents into a single, clear, less
complex document that is subject to amendment only by the Board.

The Task Force and the Commission disagree on the composition of the new Eth-
ics Committee, with the Task Force recommending that that committee consist com-
pletely of non-Board members and the Commission recommending that that com-
mittee consist of all Board members. An ethics committee of Board members will
not be sufficiently independent to review issues of ethics related to members of the
Board or members of management who deal with the Board members on a regular
basis. The Task Force also recommends some great detail for reforming the ethics
and compliance process at the USOC, and the Commission's recommendations in these areas are very general. The Task Force believes that the ethics and compliance process, including education, must be changed, that it must become a vibrant and important part of the way the organization conducts itself, and that the USOC must commit to a standard of ethical conduct that is a model for all nonprofit organizations going forward.

Similarly, the Task Force recommends that the initial Nominating and Governance Committee, which selects the new directors, should be composed of independent members, while the Commission recommends that the current constituent groups should select the initial Board members and that the Commission should select the chair of the committee, which in the view of the Task Force would create a bad political process not as likely to yield Board members who will best be able to govern the USOC. The Commission has also recommended that the subsequent Nominating and Governance Committee, which will select Board members in the future, consist of all Board members, while the Task Force has recommended that the Committee consist of a majority of independent, non-Board members, to avoid the many concerns expressed about a self-perpetuating Board, with the Board members possibly selecting their friends and allies to fill the vacant seats and to succeed them.

The Task Force proposes a stronger definition of independence for directors than does the Commission, with the Task Force definition excluding from service all current members of the USOC Board unless they are nominated by the NGBs or the AAC. In essence, the Task Force recommendations have caused all of the members of the Task Force to take themselves out of the ability to run for office as independent directors in the new Board, but the Commission recommendations would permit that. The Task Force believes that this is an important symbol of the organization's commitment to the independence of the new Board, as the Commission's recommendation would make it possible for all of the supposedly independent members of the new Board, along with the IOC members, and the members nominated by the AAC and the NGB Council to be individuals who have been serving on the current USOC Board during all the recent problems. The Task Force believes that would send the wrong message. The independent members of the new Board need to be independent of the old Board, as well.

The Commission appears to have recommended a greater role for the Board in overseeing various aspects of USOC operations, including the hiring and firing of certain USOC staff which would in a traditional corporation be the prerogative of the CEO, while the Task Force recommendations make a very clear and bright line distinction between what are operational concerns within the province of the CEO and what are governance concerns within the province of the Board. The Task Force also recommends that the international relations function of the USOC be managed completely by the CEO, consistent with policies set by the Board and oversight of the Board, while the Commission suggests that the Board may be directly involved, independent of the CEO, in various aspects of the international relations activities of the USOC. This conflict in roles as engendered in the USOC's current organic documents is what led in part to the USOC's current governance problems, so we do not recommend continuing this.

There are a couple of other areas where the Commission has made recommendations that the Task Force considered as well, but rejected because the governance experts with whom we have consulted were clear with us that those types of recommendations are issues that should be left to the new Board.

The Task Force generally supports the Commission's recommendation on the creation of an advisory group to assist in the transition from the current governance structure to a new one, but the Task Force believes that the composition and role of that advisory group should be defined by the new Board.

The Task Force recommends that the USOC's mission be changed as it exists in the current statute but the Commission does not. The Task Force thinks it is important that the seeming entitlements for various groups and perspectives set forth in the statute must be changed to allow the USOC, and its NGBs, to focus on the overall mission. The purposes that would be removed, while generally good things for the United States, should not necessarily be given to the USOC or its NGBs to be responsible for them, unless they further the USOC's mission.

How should we resolve the differences between the two sets of recommendations? I think that answer is clear, but first I must emphasize that we are sure we can work out any differences in a manner that will satisfy any timeline set by Congress for doing so. The Task Force did not recommend that substantial legislation about governance processes be put in the statute, because making those things the subject of legislation makes it difficult for the organization to respond should its operating environment change. However, the Congress could legislate very general principles
on which the Commission and the Task Force agree as a way to express the will of Congress and protect against the organization backsliding. Those areas could include the size and general composition of the Board and the fundamental roles of the CEO and the Board. Congress could also legislate the organization’s mission statement, and basic parameters about “independence” as needed for directors serving on the USOC Board. However, Congress should stay away from becoming too detailed in its legislation, in part because that is where the two groups differ and in part because that is where the new Board should have some opportunity to determine its own direction. The USOC itself is able to change its own organic documents to address some of these detail issues, and the USOC intends to do so in a manner that is consistent with whatever the legislative process yields, and the USOC will do so by the deadline later this week for making submissions for changing its organic documents. The Task Force will be submitting its recommendations for consideration by the USOC Board at the October 2003 Board of Directors meetings; we are unsure of the intentions of the Commission in this regard.

I would like to thank you for allowing me testify today and I thank you for your diligence in ensuring that the USOC cleans up its act. We are now realizing the silver lining the storm cloud that was hanging over the organization earlier this year. The job is far from done and the next step is the implementation of the appropriate recommendations of these two groups. Thank you for being willing to see this process through.

Mr. STEARNS. Ms. Myler, welcome.

STATEMENT OF CAMERON A. MYLER

Ms. MYLER. Thank you. Thank you.

Good morning, Mr. Chairman and members of the Subcommittee. I thank you for the opportunity to appear here today and to address issues concerning the pending reform of the United States Olympic Committee. My name is Cameron Myler and I appear before you as a member of the United States Olympic Committee's Governance and Ethics Task Force. I am currently an attorney with Milbank, Tweed, Hadley and McCloy in New York, but perhaps more importantly in this context, I am an athlete and a four time Olympian in the sport of luge. I am also a member of the USOC's Athletes' Advisory Council, the Board of Directors, and a number of other USOC committees.

I am extremely proud of the work accomplished by the Task Force, and am equally impressed by the efforts of the Independent Commission. Although there are differences in the details, the overall governance structure recommended by each group fulfills the objective of establishing an organization that will be more transparent, independent, and accountable to all of its constituents. I would like to address several differences between the reports of the Task Force and the Independent Commission. While those differences may seem inconsequential on their face, they are of the utmost importance to the future of the USOC and the athletes that it serves.

The first point of difference relates to the athlete ombudsman, a position that was established by the 1998 amendments to the Ted Stevens Olympic and Amateur Sports Act of 1978. One of the most important functions of the ombudsman is providing independent advice to athletes at no cost above the relevant provisions of the Sports Act particularly the provisions relating to an athlete's right to compete.

The ombudsman has been and continues to be an invaluable resource not only to athletes, but to the USOC and the national governing bodies in aiding in dispute resolution and in ensuring that the rights afforded to athletes by the Sports Act are protected.
The process for hiring, firing, and overseeing the conduct of the ombudsman was intentionally structured to support independence of action, while simultaneously integrating the ombudsman into the operational structure of the USOC. This has allowed the ombudsman to be an effective and fully informed voice on behalf of the athletes. This structure and a reporting relationship provides both insulation and organizational inclusion, and is working well. It is working so well in fact, that this is an issue that was not addressed by the Task Force. However, the Independent Commission has recommended that instead of reporting to the chief executive officer of the USOC and the AAC, the ombudsman should report directly to the board. While the Commission’s intention underlying this recommendation may have been to provide more independence to the Ombudsman, this change will have the practical impact of divorcing the Ombudsman both from the operational activities of the organization both from the operational activities of the organization—via contact with the CEO—and more importantly from the athletes through contact with the AAC. I respectfully recommend that the ombudsman continue to report and operate under the current arrangement.

A second area of difference between the reports relates to athlete representation on the new board of directors. The Sports Act and the USOC Constitution and Bylaws require that athletes must have no less than 20 percent of both membership and voting power on all USOC and National Governing Bodies’ Boards of Directors and other committees. In any of the scenarios proposed if the new board has 11, 12 or 13 members athletes will have less than 20 percent voice. Despite this, the Athletes’ Advisory Council fully supports this change because it is one founded on the principle that a smaller board is necessary for and results in better governance. The athletes have recognized for years that having a role in an ineffective governance structure dominated by politics and secret dealings among various constituencies is not useful or productive and is not in the best interests of the organizations or the athletes it serves.

In an effort to serve and protect the interests of the entire organization, the AAC will support a very narrow exception to the requirement for 20 percent membership, an exception that would apply only to the USOC Board of Directors and only if athletes on the Board retain 20 percent of the vote. It is the AAC’s unwavering belief that the voice and vote requirement must continue to apply to all other committees and task forces of both the USOC and NGBs. The 20 percent voice and vote granted by the Sports Act has played a critical role in helping the USOC and NGBs fulfill their respective missions by keeping those organizations connected to the life-blood of the Olympic Movement—athletes.

A third area of difference between the reports relates to the composition of the nominating and governance committees. This seemingly small difference could have an enormous impact on the USOC.

First of all, both the Independent Commission and the Task Force recommend that the nominating committee consist of five members. However, the Commission has recommended that the five members be appointed, one each, by the Athletes’ Advisory
Council, the NGB Council, the public sector board members of the current board of directors, the Task Force and the Independent Commission. Under the Commission's recommendation it is possible for all of those individuals to be members of the current board of directors. This means that the individuals who have been involved in the USOC that we are trying to jettison could be the very people selecting the new board of directors. The Task Force has recommended a much more independent initial nominating committee. The AAC, NGB Council Public Sector Board Members, Task Force and Independent Commission would each still be able to appoint a member but no current board members would be eligible to serve.

Furthermore, the Independent Commission has recommended that any subsequent nominating committee consist wholly of then current board members. This would allow for a self perpetuating board with board members in the position to select their friends and allies to fill vacant seats and to and to succeed them, the very type of behavior the USOC has been criticized for in the past. The Task Force instead recommendations that all subsequent nominating committee consist of a majority of independent non-board members. This measure is necessary to ensure that the board is an effective and dynamic body and that the nominating committee retains an appropriate levels of independence.

A fourth related area is the composition of the ethics committee. The Task Force recommends that there be a committee comprised of five members who meet the definition of independence, and none of whom serve on the board of directors. The Independent Commission, however, recommends an ethics committee comprised entirely of members of the board.

This is a time when we must ensure that there are no real or perceived questions regarding any ethical matter, included among them the possibility of even the perception of “insider” misdealing or conflicts of interest. All ethical questions must be addressed by a group that is totally independent in both appearance and facts. This is in the best interests not only of the institution whose reputation we are endeavoring to restore, but for the protection of the new board members from whom we will be asking so much of their time and energy in guiding the USOC back to a position of integrity and prestige. This function must be backed up by a vigorous internal compliance staff function with an appropriate reporting relationship and appropriate resources to ensure that the USOC becomes a model of corporate compliance going forward.

My last issue relates to the proposed assembly. The Athletes’ Advisory Council in particular is extremely concerned that the Independent Commission’s recommendation that the Assembly, which is essentially the current Board of Directors with minor changes in membership, will continue to make major governance decisions concerning the USOC. This recommendation of the Commission will prevent much of the benefit of the major reforms recommended by the Task Force and, to a lesser extent, the Commission from taking place. In effect, the Commission’s recommendations would make the new Board a subset of the Assembly, subject to review and oversight in areas potentially of bid selection, changes in the USOC Constitution, and all other “Olympic issues.” The politics, cam-
paigning, promises exchanged for votes, and decisions being made by a body too large to effectively govern the USOC would continue. These are the cement boots that have been drowning the USOC for decades.

Mr. STEARNS. Ms. Myler, I will need you just to sum up.

Ms. MYLER. Certainly.

I would like to thank everyone involved with this effort to restore the United States Olympic Committee to a position worthy of the respect and confidence of the American people and this Congress. I particularly would like to commend the members of the Independent Commission and the Task Force for their excellent work. I believe the few adjustments recommended by the Task Force to the new governance structure that will allow the USOC to fulfill its objectives, and ensure that the affairs of the United States Olympic Movement are characterized by unquestioned integrity, professionalism, and dedication to America's athletes whom the organization was created to serve.

[The prepared statement of Cameron A. Myler follows:]

PREPARED STATEMENT OF CAMERON MYLER

Good morning, Mr. Chairman and members of the Subcommittee. Thank you for the opportunity to appear here today and to address issues concerning the pending reform of the United States Olympic Committee (USOC). My name is Cameron Myler and I appear before you as a member of the United States Olympic Committee's Governance and Ethics Task Force (the "Task Force") that developed recommendations for a new governance structure for the USOC. Although I am currently an attorney with Milbank, Tweed, Hadley and McCloy in New York City, I have a considerable amount of experience in the Olympic Movement, first as an athlete and a four-time Olympian in the sport of luge, and subsequently as a member of the USOC's Athletes' Advisory Council (AAC), the USOC's Board of Directors, as well as a number of other USOC committees and task forces. I currently serve the USOC as an At-Large member of the AAC and as a member of the Board of Directors.

I am extremely proud of the work accomplished by the USOC Task Force, and equally impressed by the efforts of the Independent Commission. Although there are differences in some of the details, the overall governance structure recommended by both groups fulfills the objective of establishing an organization that will be more transparent, independent, and accountable to all of its constituents, not the least of which is this Congress, and will better serve our most important constituents, America's Olympic athletes.

Assuming, then, that the recommendations for the overall structural changes will be adopted with perhaps minor adjustments, let me address a few areas where there are differences between what was recommended by the Task Force and the Independent Commission. While these may seem to be secondary details, they are of utmost importance to the future of the USOC and the athletes that it serves.

The first point of difference between the reports of the Independent Commission and the Task Force relates to the athlete Ombudsman, a position that was established by the 1998 amendments to the original Amateur Sports Act of 1978. The Ombudsman is responsible for providing independent advice to athletes at no cost about the applicable provisions of the Ted Stevens Olympic and Amateur Sports Act (the "Act"), and the constitution and bylaws of the USOC, the National Governing Bodies (NGB), Paralympic Sports Organizations, International Federations of sport, the International Olympic Committee, the International Paralympic Committee, and the Pan-American Sports Organization. The Ombudsman also provides athletes with independent advice relating to the resolution of any dispute involving the opportunity of an athlete to participate in the Olympic Games, the Paralympic Games, the Pan-American Games, world championship competition or other protected competition as defined in the constitution and bylaws of the USOC. Furthermore, the Ombudsman assists innumerable athletes navigate the ever-changing policies and requirements of the U.S. Anti-Doping Agency and the World Anti-Doping Agency.

The Ombudsman is an invaluable resource not only to the athletes, but also to the USOC and the NGBs in aiding in dispute resolution and in ensuring that the rights afforded to athletes by the Act are protected. Since the position was created,
the Ombudsman has far exceeded expectations on everyone’s part, even winning over skeptics who doubted the necessity for creating this position in the first place.

The process for hiring, firing, and overseeing the conduct of the Ombudsman is structured to support independence of action, while simultaneously integrating the Ombudsman into the operational structure of the USOC as an effective and fully informed voice on behalf of the athletes. It is a structure and a reporting relationship that provides both insulation and organizational inclusion, and is working well, so well in fact, that it was not even addressed by the Task Force. However, the Commission appears to have some concerns which I feel are unfounded and, if their proposed changes are implemented, could weaken the effectiveness of the Ombudsman.

Specifically, the Commission recommends that the current reporting relationship be shifted so that instead of reporting to the Chief Executive Officer (CEO) and the AAC, the Ombudsman would report to the Board. While I understand that the Commission’s intention underlying this recommendation may have been to provide more independence to the Ombudsman, this change will have the practical impact of divorcing the Ombudsman both from the operational activities of the organization (via contact with the CEO), and more importantly from the athletes (via contact with the AAC). I respectfully recommend that the Independent Commission’s proposal in this area be rejected and that the Ombudsman continue to report and operate under the current arrangement.

A second area of difference between the reports relates to athlete representation on the proposed new Board of Directors. The Act and the USOC Constitution and Bylaws stipulate that athletes must have no less than 20 percent of both membership and voting power on all USOC and National Governing Bodies’ Boards of Directors and all other committees and task forces. This provision has been critical to ensure that athletes have both representative voice and voting authority on all matters affecting athletes.

The membership of the AAC fully recognizes that the recommended size of the new USOC Board of Directors—11 members as proposed by the USOC Governance and Ethics Task Force and 13 members as recommended by the Independent Commission—is founded on the principle that a smaller board is necessary for, and results in, better governance. The AAC also recognizes that both groups were faced with satisfying at least five additional requirements: 1) the International Olympic Committee (IOC) provision that all members of the IOC from the United States serve on the “executive organ” of the USOC, 2) the IOC provision that Olympic sport representatives (which may include athlete representatives) have a majority of the vote on Olympic sport matters, 3) the recognized governance principle that Boards be comprised of a majority of independent directors, 4) the provision of the Act requiring that athletes must have at least 20 percent of both membership and voting power, and 5) the prevailing wisdom that there should be an equal balance in membership between athletes and NGBs from Olympic sports.

The AAC recognizes that in the proposals of both the Independent Commission and the Task Force, athletes would have less than 20 percent voice. The concept of voice and vote is one that is critically important to athletes, and has been the foundation for athlete involvement in the Olympic Movement. It is the AAC’s unwavering belief that the voice and vote requirement must continue to apply to all other committees and task forces of both the USOC and NGBs. The 20 percent voice and vote granted by the Act has played a critical role in helping the USOC and NGBs fulfill their respective missions by keeping those organized connected to the life-blood of the Olympic Movement—athletes.

We encourage further review by the House Commerce, Trade, and Consumer Protection Subcommittee of this specific change after 2004, since the number of IOC members from the United States may have changed by that time, and the IOC requirements relating to Board membership may have changed as well. Lastly, we en-
courage the Subcommittee and the USOC to consider a Board size that will allow 
America’s athletes to retain as close to 20 percent membership on the USOC Board 
of Directors as possible with the assumption that the voting power of athletes is al-
ways at least 20 percent.

The AAC is completely aware that by giving governance of the organization com-
pletely to either an eleven or thirteen member Board, many athletes will lose their 
role in governance, because over twenty members of the current Board are athletes. 
However, athletes have recognized for years that having a role in an ineffective gov-
ernance structure, dominated by politics and secret dealings among various con-
stituencies is not useful or productive and is not in the best interests of the organi-
zation or the athletes it serves. Furthermore, the new structure provides for input 
from many and governance by few—a principle which is inherently endorsed by both 
the Independent Commission and the Task Force in their reports and was embraced 
by the members of the AAC at its most recent meeting.

A third area of difference between the two reports relates to the composition of 
the Nominating and Governance Committee, where a seemingly small difference 
could have an enormously negative effect on the USOC. Both the Independent Com-
misson and the Task Force recommend the creation of an initial five-person com-
mmittee to select the first directors of the newly-constituted USOC Board of Directors. 
The Commission has recommended that the initial Nominating and Governance 
Committee consist of five members, appointed one each by the AAC, NGB Council, 
Public Sector Board members, the Task Force, and the Independent Commission. 
Under the Commission’s recommendation, all of the individuals on the initial Nomi-
nating and Governance Committee could be members of the current USOC Board. 
In addition, though they do not provide reasons, the Commission recommends that 
the chair of the initial Nominating and Governance Committee be appointed by the 
Independent Commission.

The Task Force, on the other hand, has recommended a more independent initial 
Nominating and Governance Committee, with the initial committee being appointed 
one apiece by each of the above groups but with no current board members eligible 
to serve. The Task Force also believes that the initial committee should be able to 
select its own chair from among its members.

Furthermore, the Independent Commission has recommended that the subsequent 
Nominating and Governance Committee, which will select future Board members, 
consist wholly of then-current Board members. In keeping with principles of inde-
pendence, the Task Force has recommended that such a Nominating Committee 
consist of a majority of independent, non-Board members, to avoid the many con-
cerns expressed about a self-perpetuating Board, with the Board members possibly 
selecting their friends and allies to fill the vacant seats and to succeed them. The 
Task Force’s preliminary recommendations, which proposed that just three of the 
five members of the Nominating and Governance Committee be members of the 
Board, received a strong negative reaction throughout the Olympic community on 
this particular point. The Task Force listened to the concerns of all constituent 
groups, including the AAC, who recommended that it was not just desirable, but 
necessary that the Nominating Committee be comprised of a majority of independent 
members. However, the Independent Commission has moved in a direction that 
would allow an ineffective Board to perpetuate itself by not bringing in new, dy-
namic individuals necessary to increase the organization’s performance and effec-
tiveness.

A fourth related area is the composition of the Ethics Committee. The Task Force 
recommends that there be a committee comprised of five members who meet the 
definition of independence, and none of whom serve on the Board of Directors. The 
Independent Commission recommends an Ethics Committee comprised entirely of 
members of the Board. I believe this is a mistake.

The Task Force, and most observers of the Olympic Movement agree with the 
Independent Commission’s finding on page seven of their report that “there is a 
wide spread loss of confidence in the USOC,” and later on, on page ten, where they 
oberse that “there are inherent conflicts of interest on the Board of Directors.”

This is a time when we must ensure that there can be absolutely no question regar-
ding any ethical matter, included among them the possibility of even the percep-
tion of “insider” misleading or conflict of interest. Regardless of the character and 
quality of the new Board members, which I trust will be of the highest caliber, it 
should be mandatory that all ethical questions be addressed by a group that is to-
ally independent in both appearance and fact. This is in the best interests not only 
of the institution whose reputation we are endeavoring to restore, but for the protec-
tion of the new Board members from whom we will be asking so much of their time 
and energy in guiding the USOC back to a position of integrity and prestige. Con-
sequently, I advocate that the Task Force’s recommendation for the composition of
the Ethics Committee guide the legislation that will ultimately reform the USOC. This function must be backed up by a vigorous internal compliance staff function with an appropriate reporting relationship and appropriate resources to ensure that the USOC becomes a model of corporate compliance going forward. The Task Force has made a number of recommendations concerning this area that we hope you will consider including in the forthcoming legislation.

A fifth concern relates to the proposed Olympic Assembly. The AAC is extremely concerned about the Independent Commission’s recommendation that the Olympic Assembly, which is essentially the current Board of Directors with minor changes in membership, will continue to make major governance decisions concerning the USOC. This recommendation of the Independent Commission will prevent much of the benefit of the major reforms recommended by the Task Force (and, to a lesser extent, the Independent Commission) from taking place. In effect, the Independent Commission’s recommendations would make the new Board a subset of the Assembly, subject to review and oversight in areas of bid selection, changes in the USOC Constitution, and all other “Olympic issues.” The politics, campaigning, promises exchanged for votes, and decisions being made by a body too large to effectively govern the USOC would continue. These are the cement boots that have been drowning the USOC for decades. In addition, there cannot be one voice of the USOC if a “Speaker of the Assembly” and the Assembly itself will be allowed to compete with the Board and the CEO as the official spokesperson for the USOC. Again, the AAC fully supports the recommendations of the Task Force.

Finally, I would like to say that not only as a Task Force member, but more importantly as an Olympian, I agree with all of the comments made by Frank Marshall in his testimony today concerning other areas of differences between the reports of the Independent Commission and the Task Force.

I wish to conclude by thanking everyone concerned with this effort to restore the United States Olympic Committee to a position worthy of the respect and confidence of the American people and of this Congress. I particularly want to commend the members of the Independent Commission and the Task Force for all of their hard work, which resulted in excellent recommendations. I believe that the few adjustments recommended by me and our Task Force Chairman Frank Marshall will result in a structure that will allow the USOC to achieve its objectives, and ensure that the affairs of the United States Olympic Movement are characterized by unquestioned integrity, professionalism, and dedication to America’s athletes whom the organization was created to serve.

Mr. STEARNS. I thank the gentlelady.

Mr. BAUER. Mr. Chairman, can you hear me okay.

Mr. STEARNS. I can hear you, yes. Good.

Mr. BAUER. Mr. Chairman, thank you very much for the opportunity to testify. My name is Kirk Bauer, I am Executive Director of Disabled Sports USA. I have been involved with the disabled sports movement since 1970, 33 years, since I lost my leg from a hand grenade during an ambush in Vietnam while I was serving in the U.S. Army there.

I also want to commend Frank Marshall for his new movie. My wife read the book and she’s bugging me about being the first one in line to watch the movie, so I am going to get dragged along on that. And I do wish you best of success on that.

As part of the paralympic movement, first of all I want to say that we commend both reports and both the Task Force and the Independent Commission for their work. And in the large picture, we agree with most of the recommendations that they have made. And I will go over that later, but at the risk of sounding redundant and of running out of time, I would like to say the one major area where we disagree. And that is representation on the board of directors for paralympic sport.

Mr. STEARNS. I thank the gentlelady.
The Paralympics during the 1996 Games were and are billed as the second largest sporting events in the world behind the Olympic. It’s internationally recognized by the International Olympic Committee, the IOC flag flies over the Paralympic Games.

When you have an amputee that runs at a 10.9 second 100 meter dash, just 1 second behind the fastest man in the world, I think we begin to realize the superb level of athletic ability and excellence of these fine athletes.

In addition to that, the Congress in its wisdom has seemed to legislate two purposes for the U.S. Olympic Committee. In 1978 they were designated the National Olympic Committee to represent the USA. And in 1998 in the Ted Stevens Olympic and Amateur Sports Act Amendments they were designated to be the National Paralympic Committee. So we believe for all of these reasons that it’s very important that the board of directors have on its membership those individuals, those constituents for which the organization exists. And we would liken this to, in short a good strong analogy, if you started an Hispanic rights organization, would you think about not including on the board of directors, on the governing board, someone of Hispanic origin? And for a variety of reasons, symbolically and substantially, we think it is important to have both voices on the board. The board needs that knowledge base so they can understand the Olympic movement and the paralympic movement and when they make decisions they have peers who can provide the kind of necessary input that they will need to make intelligent decisions.

And symbolically we think it is important that they have a voice that we be empowered.

The U.S. Olympic Committee has taken great pains and the Task Force and the Commission reiterate that, that the primary objective and mission of the USOC is the Olympic. We understand that. But they also have a mission to be the paralympic organization and the Independent Commission says that they should be promoting Olympic and Paralympic athletes. And so we think it’s a major omission to recognize all this and then say you are going to have Olympic and organizational and athlete representation, but not Paralympic organizational and athlete representation.

I would like to, though, address some of the other issues because I think we want to make straight for the record that this Committee understands that we concur with the vast majority both the Task Force and the Commission’s work. We definitely believe that the board should be drastically downsized. We definitely believe that it should have a majority of independent directors drawn from the corporate business world, from the broadcasting world and from the sports world. But the broadcasting and sports world business side so people that understand how to run a business can help USOC run like a business. They are a $100 million a year business.

We also believe that nine is not this large number, nine voting members. Some guru got hired and said nine is the magic number. We believe it should be small, but we do not think that that should be at the expense of important voices on the committee that represent the constitute groups. And I cite in my testimony AT&T, Motorola, General Motors, IBM, Compaq, Brunswick, Black &
Decker; all of which have more than nine members on their board of directors and they seem to be doing just fine, thank you.

We also agree with the accountability and the transparency that is necessary for an efficient operation of this entire organization. And we would like to see more transparency in how the money is spent. It is very difficult to get information about where it goes.

And finally comment is just to say, again, we understand the priority of the Olympic. The USOC has made that very clear. They spent $.97 of every dollar on the Olympics. They spend $.03 of every dollar on the Paralympics. So right there that statement is clear enough. But we do believe that on the board there should be a voice for the Paralympics sports movement.

[The prepared statement of Kirk M. Bauer follows:]

PREPARED STATEMENT OF KIRK M. BAUER, DIRECTOR OF DISABLED SPORTS USA

Thank you for the opportunity to provide information to the The Committee on Energy and Commerce, Subcommittee on Commerce, Trade and Consumer Protection, U.S. House of Representatives, as it considers the mission and reorganization of the USOC. I am Kirk M. Bauer, JD, and I represent Disabled Sports USA, a Community-Based Organization Member of the USOC. I have been involved with Disabled Sports USA since 1970, after losing my leg from a hand grenade during an ambush in Vietnam in 1969, while serving in the U.S. Army. I have been executive director of DS/USA since 1982. (BA Political Science, University of California, Berkeley (1974); Juris Doctor, Boston University (1978); member U.S. Disabled Ski Team (1980); Disabled Vietnam veteran. Resume attached.)

SUMMARY

The committee has received two reports addressing the need to reorganize the governance structure and focus of the U.S. Olympic Committee. They are the USOC Governance and Ethics Task Force and the Independent Commission on Reform of the USOC. I will refer to them as the "Task Force" and "Independent Commission" for brevity.

Both reports are very long and detailed. To summarize and keep this response short and to the point, Disabled Sports USA (DS/USA) agrees with most of the recommendations from both reports. This includes the need for a narrower focus of the USOC mission to produce competitive Olympic and Paralympic athletes; to drastically reduce the size of the USOC governing body; to include more independent and business oriented board members; and to eliminate constituent based governance and replace it with a more independent business-oriented structure. The USOC is now a $100+ million per year operation and needs to be run like a business.

DS/USA also supports both reports’ recommendations to establish a strong CEO staff structure with responsibility, authority and accountability to make day to day decisions to carry out the USOC mission. Again, DS/USA agrees with report language, seeking implementation of a strong ethics structure with the goal of eliminating conflict-of-interest and self-dealing problems; and providing protection for those who attempt to report or address ethics problems.

DS/USA also agrees that there needs to be more performance-based standards tied to USOC funding given to member organizations of the USOC; and for more public transparency in funding allotments and spending. However, DS/USA strongly disagrees with both reports on the following issue: The newly restructured governing board should include representation from Paralympics Sports. Neither report recommends this.

NEW, SMALLER BOARD NEEDS “CONSUMER” REPRESENTATION

The Congress has thought it important enough to provide federal legislation to task the USOC to carry out two missions. One is to be the National Olympic Committee of the USA (Amateur Sports Act of 1978); and, secondly, to be the National Paralympic Committee of the USA (1998 Ted Stevens Olympic and Amateur Sports Act Amendments).

The two reports recognize these two roles and recommend that the USOC in its narrowed mission include both Olympic and Paralympic Sports. However, inconsistently, both reports recognize the need for, and recommend directors on the new
board, to represent only Olympic National Governing Bodies and Olympic athletes; but not Paralympic Sports and Paralympic athletes.

No matter what size board, any nonprofit board needs some “consumer” representation, those who represent the constituents for which the nonprofit exists. This is important both substantially and symbolically. The governing entity needs to include peers from the sport who can inform and provide background and experience to enhance the decision-making of the entire board. In the give and take of decision-making at a board meeting, the entire board must have the knowledge base that only these groups can provide. This is not to encourage special interests, but to provide critical background knowledge and information, to assist in all board members’ decision-making. It is also important, symbolically, to have represented constituents for whom the nonprofit exists. This is a form of representation and empowerment for those whom the board serves. An analogy would be to imagine a nonprofit organization that advocates for Hispanic interests, not having anyone of Hispanic origin on its governing board of directors.

Both reports realize the importance of board representation from those who represent the purpose for which the nonprofit exists. But they stop at Olympic Sports. USOC also represents Paralympic Sports.

I agree with this rationale of having some consumer representation on the board, but maintain that since the USOC is federally mandated to be both The National Olympic Committee and The National Paralympic Committee for the USA, both constituent groups need representation on the new board of directors. DS/USA recommends a director from the Paralympic Athletes and one drawn from U.S. Paralympics and Disabled Sports Organizations.

Although not mandated by federal law, I also believe that a representative on the board from the Community-Based Organizations would improve the board’s governing capabilities. They serve a vital interest for millions of potential Olympians and Paralympians in communities across the country. At the very least they should have non-voting status on the board.

MISSION OF USOC SHOULD BE NARROWED

Presently, the USOC is trying to be too many things to too many constituents. It should be narrowed from the thirteen “purposes” that now exist. Primarily, its task should be...” To support the Olympic and Paralympic athlete in achieving sustained excellence...” (Independent Commission Report, page 20).

ROLE FOR ALL MEMBERS OF THE USOC IN THIS TASK

That being said, there is a role for ALL of the members of the USOC in achieving this goal. Keeping this goal as primary, the Olympic National Governing Bodies and the Community-Based Organizations, including the Disabled Sports Organizations, can be tasked to achieve it. In fact, many Olympic and Paralympic athletes are identified and trained through the programs offered by the Disabled Sport Organizations and other members of the CBO’s including the Armed Services. Their support is a crucial part in achieving the mission of the USOC.

One simple example can illustrate this. Most recruitment for Olympic Sport athletes is through community and school programs. On the other hand, most recruitment for Paralympic Sport comes about because of contact the Disabled Sport Organizations make with the 7000 plus rehabilitation hospitals in the country. That is where most athletes with disabilities originate.

Even if the National Olympic Sport Governing Bodies were to all adopt a policy of developing Paralympic athletes within their own programs tomorrow, they would not have the infrastructure and “pipeline” to immediately tap the rehab hospitals and develop thegrass roots programs to bring these athletes along. This is one example of where the role of the DSOs’ remains so important.

MISSION OF USOC TO INCLUDE PARALYMPIC SPORT

Both the Task Force and The Independent Commission Report include a recommendation for the USOC to govern and support Paralympic Sport and athletes. DS/USA agrees that this should be one of the primary missions of a refocused USOC and Board.

The USOC assumed the role and responsibility as the National Paralympic Committee by board vote in the mid-1990s. Subsequent to that, The 1998 Ted Stevens Olympic and Amateur Sports Act provided federal legislation for the USOC to serve as the National Paralympic Committee for the USA.
SUPPORT REORGANIZATION OF USOC BOD: SMALLER/SETS POLICY

The USOC board of directors should be reorganized into a radically smaller number, which formulates and defines policy, approves the budget and hires the executive director. Concurrently, there needs to be a strong executive director with the authority, responsibility and accountability to implement the policy and budget decisions of the board; and is responsible for the day-to-day operation of the USOC without undue interference from the board of directors or USOC volunteer entities. This model has consistently proven to be the most effective one for nonprofit organizations.

SMALLER BOARD BUT NO MAGIC NUMBER IN “9”: FORTUNE 500 HAVE MORE

The USOC hired a management guru who claims that the board should be no more than nine members to function efficiently. The Independent Commission has accepted this as “gospel” and structured the new board so radically that important constituent representation and input has been excluded.

There is definitely a need for a smaller board, but DS/USA maintains that this should not be at the expense of some constituent or consumer representation. Hundreds, if not thousands, of major public corporations have boards with more than nine members and they are doing fine, thank you. To mention a few: Motorola Corporation, General Motors, IBM, AT&T, Compaq/HP Computer Corporation, Brunswick Corporation, and Black & Decker, all have more than nine members on their boards, some as many as 18.

DS/USA is not committed to an exact number, but does believe that it should be 15 or under. Either reports recommendations of between 9 and 11 members will be an improvement, but there needs to be Paralympic representation.

RECOMMEND BOARD HAVE MAJORITY PRIVATE SECTOR BUSINESS INTERESTS

DS/USA agrees with the Independent Commission recommendation that the reconstituted board should include a majority of voting members who have strong private sector business expertise and are not tied into any one of the sport organizations that are members of the USOC. The present structure, where sport interest members hold a majority-voting bloc, is dysfunctional, fragmented and too subject to the individual self-interest of member organizations.

The new board members should be those with access to resources that will assist the USOC in increasing its funding. In the nonprofit field, we call this the “Three Gs”. “Give, Get or Get Out”. This might include representatives of the top funding sources of USOC. Some might consider this a conflict. I would argue that they would be good stewards of the funds they committed, and in determining how these funds could be spent most effectively to develop the best Olympic and Paralympic athletes in the World.

ANY CHANGE OF THE PRESENT STRUCTURE WOULD BE AN IMPROVEMENT

From the point of view of Disabled Sport USA, the present governance structure has resulted in a lack of focus on Paralympic Sport; no development of clear goals and objectives for Paralympic Sport; no development of an effective marketing and fundraising plan; and drastic underfunding of the Paralympics.

ANY change from the present structure will be an improvement. The USOC needs to move toward a board that can look at the big picture, set achievable goals and then hold the professional staff and member organizations accountable for implementing those goals.

ACCOUNTABILITY FOR ALL SPORTS BODIES WITHIN USOC

Disabled Sports USA agrees with both reports that demand accountability for funds given to members of the USOC to develop Olympic and Paralympic Sport, including more transparency in how funds are spent and the results. If funding is provided to National Governing Bodies to develop Paralympic athletes and training programs, then those NGBs must be accountable for how funds are used in an effective manner.

Presently, Disabled Sports Organizations, including Disabled Sports USA must be accountable for their expenditures and report on specifics of how they reach and train Paralympians and Paralympic hopefuls. Similar imposition of standards for NGBs does not exist and there is no adequate public accounting of how the funds provided by USOC and US Paralympics are spent. This has resulted in at least one instance in which an NGB received a $250,000 grant from US Paralympics, and did not increase funding for an existing
program serving Paralympic athletes in that year. It also did not have to report on how it served the Paralympic athletes.

PARALYMPIC SPORTS NEEDS GREATER SHARE OF USOC FUNDING

Presently, all spending on Paralympic Sport by the USOC amounts to about 3% of total funding. The Disabled Sports Organizations have had their funding cut by 50% or more and are being told that no funding will be available after 2004 and that 2004 funding is in question. Yet no system is in place to replace the vital role that DSOs play in identification, recruitment and training of Paralympic hopefuls. Even the present funding, is inadequate to fund efforts to participate in the “second largest” sporting event and program in the world behind the Olympic Games. In the past, the Disabled Sports Organizations have presented proposals that support a commitment of approximately 10% of USOC budget to make a serious attempt to develop Paralympic sports and athletes in the USA. This still leaves 90% funding for what the USOC acknowledges is its “primary” responsibility, the Olympic Sport movement. Whatever the number, the present support is inadequate and deprives the majority of top Paralympic athletes with the resources to train, to receive benefits like health insurance and to obtain the same status as Olympic athletes in access to USOC training programs and facilities.

ROLE OF U.S. PARALYMPICS

The U.S. Paralympics should be tasked with the goal of working with the Olympic National Governing Bodies and other groups to implement plans to include Paralympic athletes in NGB programs. This should include access for Paralympic athletes in all USOC programs, including medical insurance, the Olympic Gold Program, priority access to U.S. Olympic Training Centers and other services provided to Olympic athletes.

U.S. Paralympics should not create new individual Paralympic Sport Organizations. This would be an expensive, duplicative and inefficient manner to develop Paralympic Sport. The Olympic National Governing Bodies should be the primary and preferred vehicles for this effort.

In fact, that is what was intended when the 1998 Ted Stevens Olympic and Amateur Sport Act states that Paralympic athletes should be included in the programs of the NGBs whenever “feasible”. The Independent Commission report recommends this course of action (page 58) and Disabled Sports USA supports that recommendation.

INCLUSION IS ACHIEVABLE AND PRACTICAL

In this process of working to include Paralympic athletes in National Governing Body programs, we need to keep in mind practical considerations such as cost and time to implement these plans. These are challenges but they are manageable. This process will take many years to complete but we all need a clear plan and agreement on where we are going. We don’t have that now. To keep things in perspective, there are half as many (21) sports on the Paralympic compared to the Olympic agenda. So we are only talking about affecting half the Olympic Sport structures.

Two NGBs, U.S. Sailing and U.S. Tennis Association, have assumed responsibility for developing elite Paralympic athletes. U.S. Ski and Snowboard Association has adopted the U.S. Disabled Ski Team, but we are constantly hearing rumors, that certain powerful people within USSA want to kick the USDST out of its programs. Because there is no clear requirement to prevent any NGB to move in this direction, we fear that this could happen at any time.

In addition, other NGBs have begun to develop programs and have indicated a commitment to include Paralympic athletes. This includes USA Cycling, USA Volleyball, U.S. Track & Field, and USA Swimming. This makes a total of at least seven NGBs who are moving toward developing plans and including Paralympians and Paralympic Sport into their programs. This is one-third of the total number of NGBs who have Paralympic Sports. They have developed models that can be used for other sports. This process needs to continue; but we first need a clear agreement that the end results is Paralympic athletes participating in training and sports competitions conducted by National Governing Bodies.

NEEDS CLEAR MANDATE TO OLYMPIC NATIONAL GOVERNING BODIES TO INCLUDE PARALYMPIANS: CLEAR DEFINITION OF WHAT “FEASIBLE” MEANS

The 1998 Ted Stevens Olympic and Amateur Sports Act states that Paralympic athletes should be integrated into the programs of the Olympic National Governing Bodies “whenever feasible”.

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What is needed is a clear set of standards and goals and a requirement, as part of the conditions of membership as an NGB, that NGBs develop and implement plans for incorporating Paralympians and Paralympic Sport into their programs.

At the very least, USOC needs to develop a clear definition of what “feasible” means so that it doesn't come to a simple decision that the NGB doesn't want to include Paralympians. Five years after the passage of the 1998 Amendments, the USOC has still not defined what “feasible” means in terms of the requirement of the NGBs to include Paralympic Sport. Without these conditions, NGBs are free to just say they don't want to assume Paralympic responsibility and there is no recourse to change this decision.

WAYS TO INCREASE FUNDING AND "GROW THE PIE"

A: U.S. Paralympics and resource development: independent marketing

In order to increase funding to benefit all, the U.S. Paralympics needs to be set free to develop a marketing package to brand and sell the Paralympics and identify funding sources independent of Olympic funding sources. Right now there is no clear direction on this. Some Olympic sponsors seem to assume that they also sponsor the Paralympics. There is no clear mandate for USP to go after non-Olympic sponsors, even when the Olympic sponsors refuse to provide support for use of the Paralympic name and effort.

If necessary, we recommend that this option for U.S. Paralympics be mandated by federal legislation. Only in this way can US Paralympics “Grow-The-Pie” of funding so that there is a financial incentive for Olympic National Governing Bodies to develop and support Paralympic Sport.

B: Federal funding as a possibility

The USOC does not seek direct federal funding for Olympic Sport. This should not prevent the U.S. Paralympics or Community-Based Organizations from seeking federal funding to make Olympic programs accessible. These initiatives could be developed to provide funds for special adaptive sports equipment, architectural modifications and sports specific training for coaches and officials in disability adaptations to the sport. Perhaps the U.S. Olympic Foundation could be a vehicle to develop and apply for federal funding initiatives for Paralympic Sport and/or combined programs of the Community-Based Organizations.

Funding initiatives might be sought under the special recreation projects program conducted by the Rehabilitation Services Administration, Department of Education; health initiatives under the National Institutes of Health and the Centers for Disease Control; or other agency programs. I urge the newly constructed USOC and its board to consider these options for funding; and thus provide a means to expand and include Paralympic Sport into the Olympic agenda.

CONCLUSION AND SUMMARY

Reconstitute the Board of Directors of the USOC to a smaller body; with a majority private sector, business-oriented, independent representation. Include Olympic, Paralympic and Community-Based Representation to represent those constituents for which the USOC exists. Narrow the mission of the USOC “To support the Olympic and Paralympic athletes in achieving sustained excellence...” (Independent Commission, page 20). Use all of the member organizations of the USOC, including Disabled Sport Organizations and Community-Based Organizations, to achieve that goal.

Develop Paralympic Sport through the existing programs of the Olympic National Governing Bodies of the USOC. At the same time, allow the U.S. Paralympics to develop and implement an independent marketing and fundraising campaign for Paralympic Sport. Increase USOC allotment of resources from the present 3% of total funding to 10%. Explore new sources of funding including non-Olympic sponsors for Paralympics and federal funding for achieving Paralympic Sport inclusion and development.

Mr. STEARNS. I thank the witnesses. And I just would like to say before we start the questioning, I make unanimous consent for all members on the Subcommittee to put their opening statements as part of the record or any questions they may have thereof.

Let me just start with the general principle in my line of questioning. As a result of what we saw, we have seen how things are broken down, and of course I think there’s equal blame to go around, would you all agree that every aspect of the current struc-
ture should be on the table for consideration or is there anything in your mind that is sacrosanct that we cannot touch? Because as legislators we want to hear from you, and I am presuming that you will agree that every aspect of the current structure on the table for discussion is something we could look at. If anybody disagrees with that or everybody agree with that? Mr. Marshall?

Mr. MARSHALL. Yes, I agree with that. The way we approached it in the Task Force was to have a clean sheet of paper.

Mr. STEARNS. Right.

Mr. MARSHALL. And provide for what would be the best governance that we could come up with.

Mr. STEARNS. Right.

Mr. MARSHALL. And provide for what would be the best governance that we could come up with.

Mr. MARSHALL. Okay. Now, just looking at this from the outside, it looks to me the biggest disagreement is with the assembly; that is the voting rights. We have this assembly and then we have, whether it is 13 members or 9 members, the Independent Commission has voting rights and the Task Force does not have voting rights. Am I correct there? No?

Ms. RAMO. Actually, Mr. Chair, if I could just spend a few minutes explaining the assembly?

Ms. RAMO. In our initial report we did suggest that the speaker of the assembly have certain small voting rights. But as I said in my testimony, as extensive discussion with the internal group and other group we come today to recommend to you that that not be the case. So the speaker would not in our current view have to have voting rights at the board level.

But I do want to point out that much of what was said about the assembly I think is not a close reading of our report. Our report gives full control over the governance and the business issues of the U.S. Olympic Committee to the small board. If you look at our report, and we discuss the responsibilities of the assembly, I will just read one sentence to you because I think it explains it best.

“The Assembly will convene annually to advise the USOC Board on issues facing the U.S. Olympic Movement and its athletes, and to bring proposals and concerns of the various represented constituencies to the attention of the Board and the chief executive officer.”

We do believe that the huge and important and vibrant volunteer movement that supports all Olympic athletes and a lot of amateur athletes from childhood, really, with boys and girls clubs needs to have an opportunity to get together.

Mr. STEARNS. Okay, so now you are saying the assembly will have no voting rights?

Ms. RAMO. Well, what we are saying are two things. We are suggesting that the speaker of the assembly by an ex-officio member of the board.

Mr. STEARNS. Oh, I understand.

Ms. RAMO. But without a voting right.

Mr. STEARNS. Yes, I understand that.

Ms. RAMO. And that the assembly itself, you are quite right, not be really a governing body except as absolutely required by——

Mr. STEARNS. Okay. So let us say you have the actual working constitution of the U.S. Olympic Committee, does the assembly vote on that at all?
Ms. RAMO. Under our suggestion, Mr. Chair, what would happen is that the board, only the board, could actually bring to the assembly any changes in the constitution or the bylaws.

Mr. STEARNS. So let us say that they brought it to them, would they need the assembly concurrence before the board could act?

Ms. RAMO. This is just on the issue of constitution and bylaws.

Mr. STEARNS. Right. Right. Just in that.

Ms. RAMO. The assembly would vote yes, but if they voted no things would stay the same. In other words, the assembly does not have the ability to change the constitution or bylaws itself.

Mr. STEARNS. So the board says we need to change the constitution. We need to change the language.

Ms. RAMO. Right.

Mr. STEARNS. So they say, okay, we are going to go to the assembly. And the assembly says we vote on it and we say no changes. And that is what you are saying?

Ms. RAMO. Right.

Mr. STEARNS. Okay. Now, how about you folks? Tell me from your standpoint how that would work. If the board decides they want to change the constitution, what rights do you give the assembly? Mr. Marshall?

Mr. MARSHALL. No voting rights.

Mr. STEARNS. No voting. So that the board itself could change the constitution themselves?

Mr. MARSHALL. Yes, sir.

Mr. STEARNS. Okay. Now, that is a very distinctive difference between the two of you. So I guess we as legislators have to ultimately decide.

Mr. SCHILLER. If I may make a comment, Mr. Chair?

Mr. STEARNS. Sure.

Mr. SCHILLER. I think there's actually a comprise here.

Mr. STEARNS. Okay. That is what we are always looking for.

Mr. SCHILLER. I believe that the intent of our proposal was to meet requirements of the International Olympic Committee Charter. And that Charter says that when it comes to those specific issues, the bodies that govern sport in the country, the national governing bodies, combined with the athlete votes must be in the majority. And what we tried to do in terms of our recommendations specific to the assembly so as not to confuse the board's action was to say for certain things that were truly Olympic in nature, that that would allow——

Mr. STEARNS. So you are just making a distinction in the issues?

Mr. SCHILLER. What could be done is to give the board back the items that could be approved by the assembly and use weighted votes so that the majority of votes on those issues——

Mr. STEARNS. I would say you are getting a little complicated because your position might be a little bit not as strong. I mean, that is my interpretation.

I understand you went to Lucerne yourself to speak to the International Olympic Committee?

Mr. SCHILLER. Yes.

Mr. STEARNS. What did they tell you?

Mr. SCHILLER. Well, their initial position was contrary to all of ours.
Mr. STEARNS. Oh, really? Well, you might just share what they said.

Mr. SCHILLER. I think what they wanted to ensure was that on truly Olympic matters that the sport bodies in line with the Charter have the majority vote. And what we presented back to them was on all other matters the independent members should have the majority vote within the board structure.

Mr. STEARNS. Okay. Let us say we went with what Dr. Marshall and what these folks came up with, how would your feeling be if we as legislators decide that, you know, if we start to open up the tent and let the no’s get in, it might just start opening this whole thing again?

Mr. SCHILLER. Personally I believe that moving that back to the board I support.

Mr. STEARNS. Okay. So the board would have a real governing authority absolute under their approach. And your issue try to give the assembly sort of an opportunity to have some say so with the constitution and legislative side? We are just trying to wrestle with this whether, you know——

Mr. SCHILLER. Yes, sir. The disconnect is going to be with the Charter.

Mr. STEARNS. Yes.

Mr. SCHILLER. And that is where we have to be careful.

Mr. STEARNS. Okay.

Mr. SCHILLER. And as long as in certain issues—in certain issues as we discussed when we were in Lucerne last week, that the majority of the sport bodies exercising no voting majority would only be for very, very specific issues relating to things that were truly Olympic in nature. For example, an example was given, the decision to boycott the games, which historically——

Mr. STEARNS. Ah. That is a very important decision.

Mr. SCHILLER. Historically in this country caused an enormous amount of dissention among organizations and government.

Mr. STEARNS. Yes.

Mr. SCHILLER. In that particular case should not the sport bodies themselves make that decision or should it be the independent members?

Mr. STEARNS. Okay. Mr. Bauer, I am just going to close and ask you this question. You have made a strong case for the disabled to have voting rights on the board. Does the organization you are talking about include people who cannot hear? Is that include in the disabled, hearing loss? Just yes or no.

Mr. BAUER. The Paralympic Games do not include athletes who have hearing impairment.

Mr. STEARNS. Okay. And what about who are blind?

Mr. BAUER. Yes.

Mr. STEARNS. It does? And what about mental disabilities?

Mr. BAUER. No. It is primarily for physical disabilities relating to mobility. That is spinal cord injury, orthopedic impairments like amputations and visual impairments and the like.

Mr. STEARNS. But you indicated that a person with hearing loss is not part of your——

Mr. BAUER. It is part of the Olympic movement.

Mr. STEARNS. But not part of your——
Mr. BAUER. The Federal legislation that established the USOC as the National Paralympic Committee deals with the Paralympics.

Mr. STEARNS. I think we all are empathetic, and particularly in your case since you have made the ultimate sacrifice that very few of us have ever made, but I just submit that if you start to give your organization the opportunity, then what happens as an elected official I see then the other people come to me and say “Well, why not me” people who have lost hearing or then the people who say I can run the 9½ or 10 minute 100 yards but I have a mental disability. I mean, I am just saying that it starts to move forward, and I just hope you will be sensitive to the fact as we try to reorganize this, it is going to take a lot of skill on us to come up with a bill and get the Democrats and the Republicans and independents together. So your particular case is going to be very sensitive to us, but I am not sure how we will handle it, but it is difficult.

So my time has expired.

Ms. MYLER. Could I respond to that?

Mr. STEARNS. Sure.

Ms. MYLER. Thank you.

The representatives on the board of directors from the Athletes’ Advisory Council and the National Governing Body Council were not intended to exclude any paralympic athletes or paralympic representatives. Should paralympic sports organizations come into existence, those individuals certainly could have a seat on the board through the NGB Council. And, in fact, right now on the Athletes’ Advisory Council there are 2 paralympic athletes. So those athletes could be one of the representatives designated by the AAC. And a number of national governing bodies have taken the paralympic aspects of their sport inside their organizations. So that opens up another avenue of opportunity.

Ms. RAMO. Mr. Chairman, could I make a quick comment about that also?

One of the reasons that we feel that the assembly is so important is because that body does give us an opportunity to continue to have the voices of each of those groups heard. And they will have through the assembly an opportunity to make clear to the board what their individual needs are on an annual basis. So that is one of the reasons we believe so strongly in having the assembly.

Also, there is nothing in anything that we have said that would keep one of the independent directors from actually being somebody who fell in one of those categories. And, in fact, our hope is that people who are independent directors will have the feeling that they represent all of those constituencies on the board.

Mr. STEARNS. My time has expired.

Gentleman from Michigan.

Mr. BAUER. I would like to respond to what was just said.

Mr. STEARNS. Sure.

Mr. BAUER. Yes, in theory what Cameron stated is correct. The reality is that the paralympic movement does not have at this point in time an effective voice on either the NGB Council or on the Athletes’ Advisory Council. When you are talking about 40 plus athletes and after 5 years of negotiating getting 2 athletes on; that is the kind of treatment, quite frankly, that the paralympic movements gets within the Olympic movement. And what we are saying
is that the USOC is both the Olympic Committee and the Paralympic Committee of the United States and we believe that they should have representation on the board.

In a practical manner, yes, in theory they could move up through the NGBs, in theory they could get on through the Athletes' Advisory Committee but their representation at this time is token and does not have any meaningful significance. So that is why we are maintaining that we need that voice.

Mr. STEARNS. The gentleman from Michigan.

Mr. STUPAK. Well, thank you.

I understand the concern that another group may come, but the Paralympics look like it is the second largest event. I would think that they would have at least some kind of representation on the board. However, how did you come up with nine people and eliminate it to nine? Can anyone answer that? I mean, 10 does not seem unreasonable to me.

Ms. RAMO. Part of what we did, Representative, was we felt very strongly that we should maintain, first of all, the 20 percent representation of the athletes. Also, many of us have served on many boards of varying kinds and we recognize that in order to move this forward we needed a very small board. But the other part that we thought was very important was that aside from the athletes and the national governing bodies, that you could not start adding individual constituencies, as you heard, for example, the Paralympics do not include the deaf movement, without enlarging the board so much that it would be impossible to move forward. So we believe that the independent directors should represent all of those groups and that the assembly is really the proper place because there you do have room for everybody with their individual constituent concerns to speak.

Mr. STUPAK. And the board of directors comes from the assembly?

Ms. RAMO. No, it does not.

Mr. STUPAK. So it comes from, according to this, independent, two will come from the AAC and two come from——

Ms. RAMO. Right. Two athletes, two national governing boards.

Mr. STUPAK. National governing boards?

Ms. RAMO. Exactly.

Mr. STUPAK. Who decides those people?

Ms. RAMO. Our recommendation is in nominating, the original nominating process we actually agree with the internal commission, and that is that for the athletes and the national governing board that each of those groups propose a slate to the nominating committee. In our configuration of it, and I think it is not much different from the internal commission, they would propose a slate of six from which the nominating committee would choose two each. The independent directors would be chosen by the nominating committee as a whole.

Mr. STUPAK. Well, I do not think there is anything magical about nine, so I would suggest you look at especially the Paralympics. They are just a large part of it and a large part of the Olympic movement.

Ms. MYLER. Could I follow up on that?

Mr. STUPAK. Sure.
Ms. MYLER. I would like to reenforce one of the points that Roberta made, and I think ultimately it is not so much a distinction between 9 or 10 people, but that the new board of directors is based on the principles of good governance and that each one of those board members has at their interest the USOC, that they are not there to represent a constituent group. And the members that come from either the Athletes' Advisory Council or the National Governing Bodies will have to relinquish their positions on each of those bodies.

Mr. STUPAK. But we all come to a board or as a Member of Congress with certain ideas we would like to push. And just because you go to a board of directors, you do not automatically lose that preference you may have or the ideas you would like to push. I mean, really I would like to see the USOEC, Olympic education centers, be represented on here. I mean, I am not advocating that, but that is what I would like to see.

I mean, if you read this testimony on page 63 you talk about funding being dramatically increased, and then we go on page 2 here and you talk about funding again here of these reports, the cost may be disproportionate to the value and organization, constant meddling by people, but yet the Olympic Education Centers do not have any money to stay open. I mean, you have got so much money here. So I mean, we can argue this all day, and I do not mean to argue it all day, but I think Paralympics certainly should have a spot and should, hopefully, can do something on this board of director thing.

But anyone else want to add before we go on?

Mr. SCHILLER. Yes, sir. And I have been a supporter of the Educational Center.

Mr. STUPAK. Yes, I know you have been.

Mr. SCHILLER. And continue to be. We would not have had some additional success in winter sports especially.

Mr. STUPAK. Including the luge.

Mr. SCHILLER. Especially winter sports.

One of the dramatic changes we made from the previous board was the exclusion of both the community based organization and the educationally based group, the NCA specifically, which is the No. 1 provider of athletes into the system. And I would just like to reiterate what the other people have said. It does become somewhat parochial to have specific representation and adding to that. And I recognize the role of the paralympics in the world and how well they have done.

Mr. STUPAK. Sure. Well, hopefully that is something we can continue to discuss.

You know, a lot of us sat on the oversight investigation, we did the Atlanta and Salt Lake Games, and all the problems we had there. And in the House version we have the compliance programs. So let me just ask a little bit about the compliance program. And I think a lot of problems with Atlanta, and some of them could have been handled if we had professional staff that is retained from year-to-year to assure that we have compliance. And that is sort of the purpose behind the compliance program that is in the House bill.
And the purpose of the new compliance program is to provide the USOC with the tools to constantly monitor its own participants and to address problems before they become outright scandals, as we have seen. Essentially what is envisioned is that we will have a senior managing director responsible at the highest level for policing the organization and responding in the allegations that get reported through a formal hotline. He or she will have a small staff to both investigate the problems, audit problem areas and help correct systemic difficulties when discovered.

What are your thoughts of our attempt to add the compliance program to the USOC? Good idea, bad idea, suggestions?

We will start, Mr. Marshall, maybe?

Mr. MARSHALL. Well, we totally agree that the USOC and its member organizations should have a complete commitment to compliance with the ethics policies. I believe that our recommendation of the Task Force is to create an ethics oversight committee of independent directors.

Speaking as the treasurer, I would like not to create something that adds more administrative costs to USOC. But I think with the new code of ethics and an ethics compliance officer that we should be able to deal with any situations that come up and be in compliance with your suggestions.

Mr. STUPAK. Who would be staffing then? Who would do the investigation if there is a complaint or a problem that is developing if you have a professional staff?

Mr. MARSHALL. Well, the ethics officer would do the investigations and handle any——

Mr. STUPAK. So it would be a one person office?

Mr. MARSHALL. Yes, and then there would be a committee that would investigate anything that turned out to be more serious.

Mr. STUPAK. The committee would be volunteers?

Mr. MARSHALL. Volunteers, yes.

Mr. STUPAK. Okay. All right.

So, Ms. Ramo?

Ms. RAMO. Yes. I was on the committee that did the investigation of the Salt Lake City bid oversight, so I am very familiar with all of those problems in implicit detail.

I have not had an opportunity, because I just saw it very late last night, to really look at the compliance part. But I think that the important issues are addressed by having a majority of independent directors.

One of the things that we suggested is that the internal auditor report directly to the audit committee and the internal directors. And that we allow the board to really set out a whole series of whistleblower opportunities for people.

I do worry somewhat about both the cost of having an organ that does nothing but constantly investigate itself; not only a cost in terms of dollars, but the cost in terms of the functioning of the organization. Among other things, we require or suggest that you require that the CEO and the CFO of the U.S. Olympic Committee have to certify the financial results. And I think that will go a long way toward making sure that the kinds of things that you are concerned about in compliance really work to everybody’s advantage and are transparent.
Mr. STUPAK. Yes, but does not the board investigate itself? Is that not the same problem we have had with all the corporate problems? And then Mr. Marshall says actually Sarbanes does not apply to the USOC because it is not a private shareholder company? So I think we need some kind of compliance there with some teeth in it that can do it. Because Salt Lake City was not bad, you ought to look at Atlanta if you want to see a bad situation.

Ms. RAMO. Well, actually one of the things that we say in our report because we agree with you about that very much, is that the restrictions that we recommended the USOC put in, which they did, in terms of what goes on both cities be continued. So there would be no change in that regard. And I disagree, although I think Mr. Marshall is correct as a legal matter, that Sarbanes-Oxley does not apply. Our whole point was that the ideals of Sarbanes-Oxley should apply to this group. It is an enormous business opportunity. It is a federally chartered corporation and we believe that the principles of Sarbanes should apply. So we absolutely agree with you about that.

Mr. SHADEGG [presiding]. The time of the gentleman has expired.

The Chair should explain, that Chairman Stearns was called to the floor. He has an obligation there. He expects to be back fairly soon. We will proceed through questioning and, if time allows, we will have a second round.

At this time the Chair would like to call on the gentleman from Nebraska for 8 minutes.

Mr. TERRY. Thank you, Acting Chairman.

Two thoughts keep running through my mind as we discuss the composition of the new board and the desire for a majority, not arguing the number, but that a majority of that number be independent.

It struck me when Mr. Bauer was talking, and I do not want to get into what the definition of ‘is’ is, but what is the definition of independent? It seems to me that if we put a broadcaster in there and their network is bidding on the Olympic, they are not independent anymore.

So, Ms. Ramo, what do you think independent should mean in regard to this particularly bill?

Ms. RAMO. Actually, in our report those are very important questions. Somebody bidding on the Olympics could not be a member of the board. We are very clear that you cannot do business in any material way. In fact, we define specifically about what can be in your family and we are quite specific about that. So that could actually not arise, not only in terms of the independent directors but that would be true of the board of directors as a whole.

Additionally, even when it comes to things like the International Olympic Committee members we provide that there are many things on which there might be a conflict in which they could not vote as well.

So our definition of independent is set out in our report and it includes all of the—in fact, this also relates I think to Mr. Stupak’s concerns. It includes all of the things that you cannot do. And additionally we note that there might be something that would be not material at the time. It requires a disclosure of everyone annually that they say that they are not, that they have no business rela-
tionships at all and that their immediate family has no business relationships at all. And they have to certify every member of the board of that annually, and that is part of what would be disclosed to the Congress.

Mr. TERRY. All right. It seems to me there would also be some, as well as you are trying to report to create an objectivity in relation to independent, there seems to be some inherent subjectivity to independence as well. If you are not on a checklist, is there a way to determine whether somebody is truly independent just because they do not have a family or an obvious business connection, where it is something that was not initially thought about? Is there a check and balance built into the system?

Mr. SCHILLER. I think time will tell. I think the issue that you bring up is extremely important. I think that trying to establish independence, I think there is an element of disclosure where people are part of that, and knowing that there can be some evaluation of whether they can act. But how they act after that. Keep in mind that the assembly is made up of groups that incorporate the Armed Forces, school and college community, religious organization, community based organizations and so forth. So any individual in this country could be a member of the Church of Latter Day Saints, which is a member of the community based organization or Jewish Community Centers, or Catholic Youth Organization, or Boys or Girls Club, or high schools or colleges, or park and recs, or YMCAs; they are all part of that community base. So we are not expecting that people would not come in with that kind of experience. It really is a demonstration of how involved they are at the operating level of those organizations.

Mr. TERRY. That is a very good point.

The other thing that struck me is that we talked about or you talked about it, really tweaking or even maybe a major overhaul of the mission statement or charter statements of the USOC. I am just curious, is that specifically set forth in your report? What would you encourage just sitting here today, what would be your one or two sentence mission statement?

We will start with you, Ms. Ramo?

Ms. RAMO. We actually do propose a mission statement. I am sort of searching for it here, Representative.

Let me just say that we thought that all of the purposes in the Ted Stevens Amateur Athletic Act are all excellent purposes and that it was a problem, really, of priorities. And that the board had been unable, because of the politics of things, to really exercise the kind of priorities that are necessary. And I am looking right here to find——

Mr. TERRY. So there is a proposed change then to the mission statement?

Ms. RAMO. Yes, there is. The current mission statement focuses on it being the world’s best Olympic Committee. We think that has the emphases on the wrong syllable; that is really not what it is about at all. And what we recommend that the mission statement be is the new USOC board should adopt the following mission: “To support U.S. Olympic and Paralympic athletes in achieving sustained competitive excellence while preserving the Olympic ideals.”

Mr. TERRY. Very good.
Anyone else that think that the mission statement should be slightly different?

Ms. Myler. What the Task Force proposed is slightly different. It reads: “Help U.S. Olympic and Paralympic athletes achieve sustained competitive excellence and preserve the Olympic ideals, and thereby inspire all Americans.”

Mr. Terry. So it is similar, although worded differently, but philosophically it shifts it away from making the committee better to placing the right emphasis on the athletes. I think that is the right direction.

Mr. Bauer. If I may add to that comment?

Mr. Terry. Yes, sir.

Mr. Bauer. We agree, particularly with the Commission’s language, but both of them are very good. I think the whole point here, though, is not to give the USOC a checklist of very specific things. This is a broad statement that is consistent with the Olympic mission. And then it is the duty of the newly reconstituted board to do what it is supposed to do, and that is set policy, set priorities, set the budget and run a business. And that is where you leave it up to the board to decide how to implement that mission. And that is what we are all trying to say here is it needs to be done and is not being done right now.

Mr. Terry. Well, let us follow up on that. Because Mr. Stupak broached this area. In regard to the board, it seems like there would be tremendous power brought to that board. In a corporate setting the shareholders are the check on the board of directors. Here there is no philosophical equivalent to shareholders. You have an assembly, but you have reduced their powers, in essence. So what should be the proper oversight to ensure that the board remains true to the mission statement?

Ms. Ramo?

Ms. Ramo. This is one of the reasons that we do believe that the assembly is important, because its voice would certainly be heard in this body along with the rest of the world if the board itself was not being successful in anyway, was not being independent and was not being appropriate.

I also point to two other things. First of all, our recommendation is that there be a report to the Congress annually, in the Senate version it is every 2 years. I think that would probably be a better idea just because we expect the report to be quite extensive and so the idea would be that there would be annual financial reporting and biannual reporting of everything that went on.

Additionally, we recommended, and I believe the internal commission does not disagree with this, that we know what would be the best organizational operative system today we think. But we suggest that this be a 10 year test and that there be a requirement that the entire U.S. Olympic Committee be reviewed again in its functioning in 10 years. Because just as no one could have predicted Enron I think 10 years ago, we feel that although we know what in today’s climate would work the best, we certainly cannot see that far ahead and recommend that there be a 10-year review by this body.

Mr. Terry. All right. Anybody else?
Mr. Marshall. Yes. I would like to also comment on one of the ways that we got here. And that is that the Stevens Act sets out a whole menu of purposes of the corporation that really the USOC to become all things to all people. And I think it's a good idea to prioritize, but it would be a better idea to modify the Act to take out some of the issues and some of the purposes that are listed there so that the board knows what to focus on. The board knows that we are focused on the Olympics. We are really focused on getting our athletes to the podium. And not focused on things like getting overweight Americans off the coach. And that is really how we got here.

There are too many things for us to do in this Act and we should modify the Act to narrow the focus so that the board knows what they are doing.

Mr. Terry. We appreciate that.

Mr. Shadegg. The time of the gentleman has expired. The Chair would like to call on the gentleman from Illinois, Mr. Shimkus, for 5 minutes.

Ms. Myler. Could I add one more thing, please?

Mr. Shadegg. Certainly.

Ms. Myler. A couple of other ways in which there is oversight over the board. By the recommendation of the Task Force the nominating and the governance committee would consist of a majority of independent not directors of board, but individuals outside of the board. So there is external oversight over what the board is doing. And then certainly through the American people by means of Congress.

Mr. Schiller. Mr. Chairman, just one more thing.

One of the issues that we have in this country is we actually have no national sport body aside from the U.S. Olympic Committee. So I think we have to be very, very careful about restricting the kind of considerations that something like the Olympic Committee should or should not be considering.

There are issues of diversity, there are issues of stimulation and how you get people involved, there are health issues and so forth. We are an organization of limited resources. You cannot do everything. But I think it still remains as the single body in the United States that has an overall view of athletic activity in this country.

Mr. Shadegg. The gentleman from Illinois.

Mr. Shimkus. I am glad I was going to give Dr. Schiller, I saw you wanted to answer. I was going to give you some of my time so I am glad you got in there because, obviously, the Olympic movement is a great movement and it does inspire people, and a vast majority of them, a vast majority of them will never get to the podium. But to minimize the importance of the aspirations for the whole body, I would hope that we have a major health crises in this country and it is the lack of physical activity and obesity of our children. Everybody knows it. And I would think that the Olympic movement could be helpful in sustaining that. And I would not be supportive of just limiting it to the world class athletes and the focus. Because we preach leadership by example, at least that is in my educational background and there's no greater examples. And we have got some Olympic athletes that, just like the whole world,
we might question whether they are going to be good examples, but that is the way life is.

I was really interested in this assembly talk. And then also I got focused on the, what do we call them, the delegates, the board, however we want to term them. And it reminded me of, I serve on the NATO Parliamentary Assembly. And the NATO Parliamentary Assembly are members of legislative branches from around the country of NATO countries, and we are advisory to the NATO Council. The NATO Council are Ambassadors that are seated in Brussels. And we meet three times a year to discuss NATO policies, to draft up resolutions, to present to the NATO Council for them to do whatever they do. They probably disregard many of them, but hopefully they get a sense of what the legislative branch of the—actually, the governments that actually are paying for that and our appropriations begin in the House of Representatives, our concerns. And especially with the ramifications of NATO in the past year, it is a great sounding board for problems, discussions, concerns. And we have any real authority. It is advisory. But it is very, very important.

So, to my colleagues, I am intrigued by that and I think it is a pretty good proposal. And I would be one that would not believe that has merit. Because I think you got to put and responsibility. You got to hold them accountable. And you got to have transparency. So that if you have this other body that is giving recommendations, whether they really do. But I have seen in this form, I think it has been very helpful in our relationships with our NATO allies. So maybe you can take that back with you.

And I am sorry I missed the beginning. But this nine or whatever number of these board of directors, how are they going to be appointed?

Ms. RAMO. Our recommendation is as follows: First of all, we believe that this first board has to be appointed by someone. And the internal commission we thought came up with a very excellent idea, which is an initial nominating committee that is composed of one member from their group, one member from our group, a member of the athletes, a member of the National Governing Board and a member of the public sector. And that would be the initial nominating committee. It would nominate in our proposal the five independent directors and it would choose the two athlete representatives from a slate of 6 that would be presented by the Athletes’ Advisory Council. And the two National Governing Board members would be nominated equally from a slate of six to be presented by the National Governing Board. So that’s how the initial group would take place.

One of the changes also is that we suggest term limits and we suggest staggered terms. The U.S. Olympic Committee operates an enormous complex business and you do not want everybody turning over all at once. Because if you had wholesale turnover, it would really be a disaster for the group. So we also suggest staggered terms.

We also recommend, Representative, that the initial nominating committee nominate a chair of the board to start with as well. I think this whole operation and the transition will be so complex that all five of us really feel strongly that you are going to have
to go out almost and recruit somebody to be the chair because of the time that will be considered.

After the first board and chair have been selected, and again this is a change from our initial proposal, we believe that any member of the nine could now be nominated as chair. Initially we suggested that it be one of the independents. But, again, after consultation with the internal group we think it could be any of the nine.

Mr. Shimkus. And that will be elected by the board members themselves?

Ms. Ramo. By the board. There will be a nominating committee of the board. In our formulation we have set out who it is. It would be one athlete, one National Governing Board slot and three members of the nominating committee.

Mr. Shimkus. How long would be a term, and then what are the term limits and then what are the staggered years?

Ms. Ramo. Right. We propose that no one with one exception be allowed to serve for longer than 6 years. The exception is that if the chair, we propose a 4-year term for the chair, and if the chair is at the end of his or her 6 years, they would be allowed to serve 2 more years if they were in the middle of the chair’s term. We recognized as we started talking about that if you didn’t do that, you would have to have as chair someone who had just started on the board.

In order to comply with the International Olympic Committee rules we had originally suggested staggered terms. They operate on a 4-year basis and so we recommend and hope that in your bill you would be able to do 4-year term with a 2-year extension, which we think would comply with the IOC and not really change the heart of what we are doing.

Mr. Shimkus. And I do not want to take advantage of too much time, but I’m a term limits proponent. I think here in Washington those who believe in that have come to the realization that 6 years for here is really too short. I am a 12-year guy. I think that is good. I would just throw that at.

And the other thing I have experienced in knowledge is that the disadvantage of the lame duck aspect of term limits. It really does, even when there is a rumor of someone leaving, it does impact on the ability of an individual to be as assertive or for people to follow with that hanging over folks’ heads. And so I applaud it, although you may want to look at some of the revisions. Especially with the Olympic cycle being 4 years, I mean a board member is going to be one real cycle and then they are out.

Ms. Ramo. It is sort of a cycle and a half now that the Olympics are every 2 years.

Mr. Shimkus. Right.

Ms. Ramo. So it worked out fairly well that way.

I would just say in my own experience on several corporate boards in which there is an age limitation, I have not noticed any diminution of authority. In fact, I think people really look very carefully at the people who have been there the longest. And in my experience in volunteer and nonprofit organizations, I would say the same thing is really true. You are very grateful to have anybody who has been there for the full time and they really serve as educators of the brand new people on the board as well.
But like you, I feel in this case there are many wonderful Americans who could serve and a term limit of some sort is very important to keeping everything refreshed and independent.

Mr. Shimkus. Thank you, Mr. Chairman.

Mr. Shadegg. The time of the gentleman has expired.

The Chair would call upon the gentleman from Indiana, Mr. Buyer.

Mr. Buyer. Dr. Schiller, you had recently had a meeting with the IOC to discuss some of their concerns with the Commission’s proposals. Could you explain their concerns and how we might address them?

Mr. Schiller. Thank you.

The Chair of the committee, Don Fehr, who is head of the Baseball Players Association. I traveled to Lucerne last week to meet with President Rogge, the President of the International Olympic Committee, to address a small number of issues that were brought forward by the IOC, both to the Congress and to the leadership of the USOC that regard compliance with the Charter in several areas. One was the length of time that people served. I think we can work around that.

The Charter has some specific requirements that terms coincide with the quadrennial period, the 4-year period. I think that is something that would be easily covered within this legislation.

The more important matter was the votes of the International Olympic Committee members on the suggested boards from both the internal and on the external commission. The IOC held that they did not like the IOC members having fractional votes and weighted votes and asked that they have individual votes.

They also asked that in matters that relate to Olympics, as I mentioned earlier in the testimony, specifically for things like boycotting the games and so forth, that the votes among the board members be weighted in such a fashion that the sport bodies have the majority of the vote and with that, the votes of the athlete members and the IOC members be in the majority beyond the independent members.

I think those are the major issues that we discussed.

Mr. Buyer. Earlier there was a comment by Ms. Ramo that Sarbanes-Oxley does not apply. One of the nice things about being in Congress is that we have this; it is the power of the pen or the pencil. So if you say to us it does not apply, we can make it apply, right?

So not just we are to follow the ideals, well while we are drafting legislation if you think it is a good idea that we actually pen that in, tell us right now.

Ms. Ramo. Thank you, Representative Buyer. I am acutely aware in my profession of the power of both the pencil point and the erase part of your pencil of this particular body.

What I meant to say and what our committee genuinely believes, is that the ideals of Sarbanes in which an organization as important to this country as the U.S. Olympic Committee, those ideals of Sarbanes which require a majority of independent director. Actually, Sarbanes does not actually require a majority of independent directors, but the new SEC rules, I believe, interpreting Sarbanes do.
We feel the idea of independence is the most important part of what we are doing here. Because that way the board would have as its constituents the right constituent, and that is the American people and the athletes as a whole. And so we hope that in your formulation you will follow our recommendation as to a majority of independent directors.

Mr. Buyer. This is what is bothering me.

Ms. Ramo. Sure.

Mr. Buyer. What is bothering me is two things. I have this—and I did not come to this hearing with this feeling, but now all of a sudden I have it. That there is an appearance of wholesale change, an appearance. So what we are going to do is we are going to reduce the board from 124, we are going to reduce it to a smaller number. We are going to create an assembly. We are still going to try to be all things to all people. We are going to try to make as many people as we possibly can. We are also going to add aesthetics to this to give the appearance that we are really making changes and, gee, we are going to place greater emphasis on the independent and less emphasis on the athletes. Understand how I feel at the moment, and that does not necessarily make me feel very comfortable.

So if it is all about the athletes, I think those athletes need that voice at the board. Now, I do not want to create a large board, but I sure do not like the idea of saying that independent voices are required to have a majority because we are going to have the aesthetics appearance of the American people that we are going to change. And I just am not feeling very comfortable.

Dr. Schiller, put me in a comfort zone, and I would like to hear from the athletes.

Mr. Schiller. Well, I think there is one specific issue that I think all of the recommendations and the suggested legislation fix, and that is defining the authority between the volunteer members of the organization and the staff as a start. And I think we would not have been in the situation that we have been today had that been defined in a better way before.

Now as regards to your particular position, I think it is absolutely important that the focus be on the athletes. I do not want to misread on that. Keep in mind if you look at the National Governing Body representatives, typically they have had athletic experience. Many of them that provide the leadership of the National Governing Bodies today have been Olympians or world class athletes.

In addition to the athlete members, the IOC members. Of the three IOC members from the United States today, two have accomplished much, much in the international world in both the Olympic world and the in the world championship world. The other individual is a representative of a sport in a different manner. And it is not meant to exclude the independent members of having athletic experience, either.

So I think, you know, to get a well rounded board with a range of experiences, the majority of those people will have been athletes as such.

Ms. Myler. As an athlete and as a member of the current board, who will soon disappear and gladly so, I have a couple of points.
First, I do not believe that it is necessary to have a majority of independent directors on the board. The independence provides by four directors on a board of nine would certainly provide perspective from the outside, from the American public and provide a balance to the board of directors. The other individuals on the board certainly will have some experience, more experience with the Olympic movement with the governance and the business of sports. And the idea of the Task Force’s proposal was that no one group of people would have a majority. So it would be necessary for athletes to work with NGBs and to work with the independent directors to form a consensus and make decisions that are for the good of the organization. And there is certainly independence in our proposal of the nominating committee. And we believe that that is a critical part of maintaining independence in the board.

And another point about Sarbanes-Oxley, which the definition of independence there relates more to independence from management. And when Mr. Marshall said that that did not apply to the construct of the USOC, I think in that particular respect he is right. We are certainly not opposed to the concept of independence and, in fact, we have created our recommendations around that.

Ms. RAMO. May I respond to this also, just on one point.

Mr. BUYER. Yes.

Ms. RAMO. The best analogy I can think of is a great public university, of which you have several in our state. And that is what athletes need, and I think this is why we have had support from the athletes of the general ideas of both of our Task Force and report from the five major governing bodies that govern the major Olympic sports in terms of number is because the complexity and the money, and the needs of all of the training facilities, the training of the athletes and raising money are so great that what everyone wants is to provide a first rate in terms of quality board in a size small enough to run the enterprise in a very serious way so that the athletes at all levels have the benefit of this enormous amount of money and can succeed.

Mr. BUYER. Thank you.

Mr. SHADEGG. The time of the gentleman has expired.

I believe the Chairman of the subcommittee is on his way back. But at this time, as previously announced, we will begin the second round of questioning for any members who want to have a second round.

At this time the Chair would recognize Mr. Stupak.

Mr. STUPAK. Thank you, Mr. Chairman.

First of all, Ms. Ramo, would you provide your testimony to the committee? Yours is the only testimony we do not have.

Ms. RAMO. Yes, I apologize. I will see that you have it in the next day.

Mr. STUPAK. Okay. Thanks.

And getting back to this compliance section, and I know Mr. Buyer was hitting that up there a little bit. In the best universities with the best boards it does not guarantee problems do not occur. And the problems we have had with the Olympics, as I said we have been on O&I now for 10 years, has been ethical lapses. And even the best boards have those problems, and the Enrons. We have been all through that. And if I take a look at it, I am looking
at this document, the report of the U.S. Olympic Committee Governance and Ethics Task Force, you had at page 95 for your ethics officer, and when I read this through, it is about a page long, most of it this person does is to certify that everyone has submitted their ethics disclosure form and did not find any conflicts of interests. And when I look at it, if I read this right, the ethics officer is going to have to take care of all USOC members, which could be as many as 500 people, the bid committee members, volunteers, athletes, host city employees. So this poor ethics officer if he or she is doing this, is just going to be spending their whole year going through all these disclosure forms to make sure people have submitted them and that they are filled out and look for conflict of interest.

So what do you do if you just have an ethics officer and you do not have the compliance section, that work portion, if you have a complaint from the bid city up in New York or you have a sexual harassment case up at the USOEC up in Northern Michigan, or a volunteer complains about something that happens in Colorado Springs?

One frustration that was voiced to us throughout this was people made complaints but nothing was ever done. And unless you have some staff who is going to actually do this and try to bring some compliance to your new ethics, I am afraid you are going to be right down the same old rocky road.

Mr. MARSHALL. May I answer that?

Mr. STUPAK. Sure.

Mr. MARSHALL. Yes. It is not just the ethics officer. The ethics officer will work in conjunction with the general counsel and their staff. We are also proposing an ethics education program and additional provisions in the constitution and bylaws dealing with ethical situations.

Mr. STUPAK. But this general counsel, is that going to be a full time employee of USOC?

Mr. MARSHALL. Yes.

Mr. STUPAK. And what kind of staff are they going to have?

Mr. MARSHALL. They will have a staff of 3 or 4 people, as far as I know.

Mr. STUPAK. The intent of the language that we are trying to do is to make sure that we formalize this procedure so we are not guessing on who has to do it. I mean, if you are going to go to Enron and all that, I think someone said no one could anticipate Enron. As soon as the Private Security Litigation Reform Act of 1995 passed, most of us said you are going to have scandals in the country, those of us who voted against this, more than 85 of us, because you took away the aiding and abetting statute. You took away a statute of limitation. You took away—required to certify the corporate statement or the forward looking statement, but after you certify it and you just say based upon my best knowledge and belief this is true, and then you can lie on every page thereafter and you cannot be actionable. The burden of proof standard was changed.

So you got to have some compliance there, we have got to have something formalized there, not just an ethics officer who is looking at disclosure forms and a general counsel, who I am sure will be
looking at contracts for bids and everything else. And I am just concerned that we do not have enough compliance there.

Let me shift gears a little bit, though, if I can. Dr. Schiller, you had indicated that IOC had some concerns about how this is all going to work out. For the record, why do the IOC members have to be on the USOC board in the first place?

Mr. SCHILLER. From the viewpoint of the International Olympic Committee they feel that the Olympic marketing and the Olympic designations and the Olympic movement are really something that they award as a franchise to national Olympic committees, to nations.

Mr. STUPAK. So they use the franchising or marketing, we have to have people on there?

Mr. SCHILLER. Yes.

Mr. STUPAK. Well, would these people then who are IOC but will be on USOC, will they take the oath in first the IOC or to the USOC?

Mr. SCHILLER. No one is required to take an oath to the USOC. The IOC members take an oath to the IOC. And that creates some of the conflict that was brought up Roberta that on certain matters they should be excluded from the considerations.

Mr. STUPAK. Well, if you do this weighted voting system, it seems like on some things the IOC wanted weighted voting on things like, I think you said if we are going to boycott an Olympics, only the athletes could vote on that one, right?

Mr. SCHILLER. The intent was that the majority of the votes would be held by the sports bodies.

Mr. STUPAK. Yes.

Mr. SCHILLER. The National Governing Body.

Mr. STUPAK. But whether or not to boycott if there is going to be country policy, would that not be an athletic decision? Well, what about doping? Let us say doping in the Olympics, is that—you start getting these weighted—where sometimes you get the weight here and sometimes you get a majority here. There are no real clean lines of distinction on some of these issues.

Mr. SCHILLER. You are absolutely right. And I think that one of the points that we have discussed is that there really needs to be a definition of those matters in a better way and there needs to be some way to resolve disputes on those matters within the organization.

Mr. STUPAK. You guys do not have, like IOC does not have anything like a parliamentarian or anything like that, like past precedent that you refer to on the IOC that we use quite a bit?

Mr. SCHILLER. Not that I am aware of.

Mr. STUPAK. Thank you.

Mr. MARSHALL. I would like to make a comment on that, if I may?

Mr. STUPAK. Sure.

Mr. MARSHALL. The Task Force has suggested a compromise to hopefully comply with the IOC Charter in that we are a created body that is comprised of the Olympic sport NGBs, the ACC members of those sports and a board of directors to deal with these Olympic only matters. And that would reduce the number of people
and only Olympic people that would be involved in voting on Olympic matters and take it away from the larger assembly.

Mr. STUPAK. Well, on this voting thing, should IOC members then have full voting rights on the USOC or shall we weight their votes on our board of directors?

Mr. MARSHALL. In our proposal they would have one vote, but the rest of the board members would have three votes.

Mr. STUPAK. So they have a third of a vote because there is three?

Mr. MARSHALL. Yes.

Mr. STUPAK. Okay. The rest of you agree with that, a third of a vote versus one vote? Dr. Schiller or Ms. Ramo?

Mr. SCHILLER. Our proposal was different. But initially we had given the IOC members a weighted vote within the organization, that is they would all add up to one.

Mr. STUPAK. Okay.

Mr. SCHILLER. That has been challenged by the International Olympic Committee who felt that they should have an individual vote.

Mr. STUPAK. Three then, in other words?

Mr. SCHILLER. Yes.

Mr. STUPAK. Yes. Okay.

Ms. RAMO. If I cold, Mr. Stupak? In the way that it would actually work in the bill that has been proposed by the Senate, 90 percent of the vote would be held by the other groups, although we have no control over the actual number of bodies that sit from the IOC, so that is one of the problems with it. And so this is the way to contain the vote. And additionally, we set out very specifically a laundry list of things upon which they would not vote. But on matters of Olympic sport they would vote in that weighted fashion.

Mr. STUPAK. Thank you.

And thank you, Mr. Chairman.

Mr. STEARNS. I thank you.

Well, I think when I was asking questions, it seemed like the Independent Commission now indicates that you recommend the speaker that would be on the board but it had non-voting rights? That is where you are at today.

Let me ask you a question. We heard Mr. Buyer talk. Do you think maybe that a compromise would be to let the Paralympics be on the board with non-voting rights? Just yes or no.

Ms. RAMO. There is nothing that prohibits a member of the Paralympic group from being one of the independent directors, one of the NGB directors or one of the athlete directors. But we do not think that constituent based, then we would ask, I think, about the Special Olympics or any of the other groups. And so we think it is that kind of constituent based designation on the board that has caused the problems.

Mr. STEARNS. What effect does a non-voting member on a board have? I mean, I was trying to think of that. Everybody sits down. You have a non-voting member. Does anybody look for his nod or not? I mean, what effect does a non-voting—and I do not know in the corporate world that they have non-voting members. Ms. Myler?
Ms. Myler. I think the concept of the speaker of the assembly could seriously complicate relations between the board and the assembly. First of all, the speaker will have to be elected by the assembly. So there certainly will be, I think, politicking.

Mr. Stearns. So you know where his allegiance will be. I know where mine is; the people who elect me.

Ms. Myler. And if there is an issue of, as the Commission proposed, the assembly voting on Olympic issues, then the speaker’s presence on the board would certainly be able to influence what issues are Olympic related, what issues aren’t Olympic related. And I think there will be a constant that will really create a tension between the two groups.

Mr. Stearns. Mr. Bauer, do you want to comment on what my question was?

Mr. Bauer. Well, certainly. First of all, our whole position is that if both task forces and the Congress are going to recognize that the missions of the USOC are to promote the Olympics and the Paralympics, that as a minimum there needs to be that consumer representation on the Board. That is our position.

Mr. Stearns. You would not accept a non-voting.

Mr. Bauer. Let me, if I may, continue.

Mr. Stearns. Sure.

Mr. Bauer. To be frank with you, anything is an improvement. Okay. You know, we have been dealing with these small steps for 25 years. And so the longer answer to your question is anything is an improvement. And is there an effect when you have a non-voting member? We think there is because, again, that person is considered a peer on the board, he’s in there or she is in there listening and talking and exchanging and providing information and——

Mr. Stearns. And depending upon the personality of the person, it could be very influential.

Mr. Bauer. Well, and the knowledge. And the knowledge. So that is where the give and take in a board meeting is so important to have those people there instead of hearing about it after the fact, behind closed doors, “oh, what did so-and-so-say, well what was their position, well how did our position get put forward.” You know that kind of thing.

Mr. Stearns. If nothing else, he or she could go back to the assembly and then the assembly could start a lobby job based upon what the speaker said. Yes. Okay.

Ms. Myler. If I could just follow up——

Mr. Schiller. Mr. Chair?

Mr. Stearns. Yes, Dr. Schiller?

Mr. Schiller. I continue to be supportive of the disabled sports organizations across the board; those that are part of the Paralympics and those that are not. I think that the opportunities that those multi-sport competitions give for individuals in terms of competing and having that opportunity to be on the victory stand is somewhat unique. And this country has done more than any other country to provide that opportunity.

The concern that I have and continues to be in terms of the representation specifically of one group versus another, is how diverse
that has to be to satisfy so many. And I think that continues to be the challenge.

And just another reminder again that it can be that the independent members, the athlete members and certainly the governing body members, could come from that organization. And in addition, several national governing bodies have very, very strong disabled programs that support the Paralympics. Sking is an example as one of them.

Ms. RAMO. If I might comment on the issue of ex-officio members of boards. I have been on many boards that have ex-officio members and I have been an ex-officio member myself on a board. In terms of the speaker issue, I personally do not see any harm and much good that would come from an election by this variety of people that include Paralympics, the deaf and all the community based organizations of the speaker.

In our formulation now we recommend that they be ex-officio but without a vote. What I think what that does is it gives a wonderful opportunity for the board itself to hear the concerns of those many groups certainly filter through a leader that they have either chosen or that you suggest be chosen in another way. They have absolutely no vote or power in that way, but I think it very much helps with the openness, which I know that this body is trying to achieve and we are trying to achieve in terms of the relationship of the governing board of the Olympic family as a whole in the United States.

Mr. STEARNS. Let me change the subject a little, Ms. Myler. This is dealing with the ombudsman. How is this person selected? Again explain that to me.

Ms. MYLER. Their recommendation is made by the Athletes' Advisory Council.

Mr. STEARNS. Okay.

Ms. MYLER. And then the board, I believe, votes on that.

Mr. STEARNS. You had expressed in your testimony when we read it over regarding the proposed change of reporting of this individual from the CEO to the board. So the question I have since you are an athlete, just give us an example some of the issues that come up where we need to have this connection between this individual and the CEO. Just give me some idea of these issues that you are very concerned about.

Ms. MYLER. Well, a number of the issues that the ombudsman deals with relate to the Sports Act, to athlete's rights to compete, to doping issues. And I think it is really important that the ombudsman report to the CEO, who is involved in the day-to-day operations of the organization, has contact with U.S. Doping Agency, the world anti-doping agency and it allows the ombudsman to be an integral part of the management of the organization. It is critical that he or she is up to speed on all of the issues that might effect athletes.

Second, I do not know that it should be the purview of the board to oversee what the ombudsman is doing on a daily basis. I think both groups, the Independent Commission and the Task Force, have recommended that the board set policy and deal with the budget and do more long term planning and then the staff and CEO will implement that.
So I do not think that the board should be overseeing the ombudsman for that reason, too.

Mr. STEARNS. And do you see an issue of independence for the ombudsman reporting to paid staff?

Ms. MYLER. I spoke with the ombudsman before preparing for this testimony, and he indicated that there is not an issue of independence relating to his independence. He is able to accomplish what he needs to, interact with athletes and provide advice that is independent.

Mr. STEARNS. Independent.

Ms. MYLER. Independent of the USOC.

Mr. STEARNS. Okay. Someone else? Yes, Ms. Ramo?

Ms. RAMO. Mr. Chair, I wanted to say that we are completely supportive of the idea that the board should not interfere with the day-to-day operations of what the ombudsperson is going to do. The reason that we made the suggested change was really to strengthen their independence to make sure that just as with the internal auditor and the general counsel, there is an opportunity if there is a problem with the CEO for an ombudsperson to go directly to the board. And that was the sole purpose of doing that.

Mr. STEARNS. Okay. Anyone else on that issue?

Mr. MARSHALL. Well, if it ain't broke do not fix it.

Mr. STEARNS. Okay. I see.

Well, let me just conclude my comment. Dr. Schiller, when you were over talking to the IOC, let us say we are somehow able to get the Task Force and Independent Commission together and we come up and we have a piece of legislation. And I think we have a bill right now that we are starting to circulate, a draft bill, and I know Senator McCain is going to have a similar bill. Is there anything right now that the IOC would say hold it, you know, you are all wrong? I mean, do you see any conflict with them based upon you have had two hearings now on this? Is there anything in the back of your mind that we should be a little aware of here before we march out here without maybe even contacting the IOC as legislators to be sure that we are all on the same page and so that for once now we have an agreement and we can all go forward together here and they feel more confident, and so forth?

Mr. SCHILLER. We have tried to be in constant contact with them on the issue, but I continue to mention during this hearing, and that is on specific Olympic matters that the majority—that is their issue—that the majority of the voters be represented by the sports bodies in this country on the board. That is really the main issue.

Mr. STEARNS. That is the main issue?

Mr. SCHILLER. Yes, sir.

Mr. STEARNS. Okay. My time has expired. And we have had 2 rounds.

Mr. Buyer is obviously very interested and we would be glad to offer him an opportunity for questions.

Mr. BUYER. Thank you, Mr. Chairman.

Dr. Schiller, in your testimony you stated that the U.S. Olympic Committee is an organization with limited financial resources. It can serve to provide the leadership necessary to establish goals for a lot of the activity, but it cannot meet the financial needs of each and every sport organization in this country. I would like for you
to explain that to me, and how do the Commission's proposed governing structure protect against any problems that arise for the clash of all these parochial interests, mostly revolving around the funding issues?

Mr. Schiller. Well, it is the statement it is all about money, and it continues to be, I think. It has been in the past and it will be going forward. But in comparison to many other major nations of the world on how they are funded compared to the U.S. Olympic Committee, ranging from Italy where they have a national lottery that provides perhaps more than $1 billion a year to their sports programs, to others that may have direct subsidies, in this country the annual budget of the U.S. Olympic Committee is approximately $100 million or so right now. But those monies are needed to run educational centers, training centers, the staff, a variety of things, drug testing and so forth. The monies that are left over for direct athlete support, of course logistically sending the team for the games, the Pan American Games, the Olympic Games and others, outfitting the team, providing medical support and so forth; leaves a very small amount that would be used for athlete support. And my comment was really made to say that each and every organization ranging from those that represent disabled organizations to deaf, to Special Olympics, to seniors; there are things called the Transplant Games, to the Gay Games, to others all make requests of funds to support their organizations. And it is incumbent upon the new board and the new governance structure within the recommendations of the staff and the CEO to ensure that the monies are allocated in the right and a proper way, and provide some priority. And that should be done with experience and what the major mission of the organization is.

Mr. Buyer. Mr. Marshall, you are a board member. Are you comfortable with the present structure that this is going to resolve a lot of these differences? The proposed structure?

Mr. Marshall. Yes. I think we have some minor differences to work out, but I do believe that the best governance is a very small board that sets the long range strategy and goals for the USOC. I do feel that they need to really be Olympic related and that we cannot be all things to all people, and we must really focus in on what is important for the athletes.

Ms. Ramo. Mr. Buyer?

Mr. Buyer. Yes, ma’am.

Ms. Ramo. On one point. When we look at what the whole pot of money is, overwhelmingly it comes from television revenue. And it was surprising to me to see how little money had actually been raised by the U.S. Olympic Committee above that amount.

One of the prime things that I think a brand new top notch board should do is focus itself on raising more money independently from the television revenues so that some of these things can be taken care of in a more adequate fashion.

Mr. Buyer. Well, I am going to remain a good listener. And I am most hopeful that you mean it when yo say you want to empower a CEO. When you empower that CEO, then you can begin to act like a board rather than being involved in so much of the day-to-day operations.
I also will go back and digest this. And I want to work with you, Mr. Chairman, on the constitution of the board and the numbers.

Mr. Chairman, I sort of continue to be uncomfortable about this quest for an esthetics appearance of independence and right now I kind of fell down on the number of four independent directors rather than saying well we must have this majority just for the appearance of change. I do not think we can do it just based on that. But I want to work with you, Mr. Chairman.

Mr. STEARNS. I welcome your participation.

Mr. BUYER. Thank you.

I yield back.

Mr. STEARNS. We have concluded our hearing. I want to thank all of you. I know you took a lot of your valuable time. Of course, all the activity and work you did on your study is appreciated.

So we will conclude our hearing.

I would say, Mr. Marshall, that I come from Ocala, Florida. We have almost 500 horse farms in Ocala. So you will have a big turnout for your movie in Ocala, Florida.

I do not know how many times I can say this, but we wish you the best and we thank all of you for attending.

Mr. MARSHALL. Thank you very much.

Ms. RAMO. Thank you very much, Mr. Chair.

Mr. STEARNS. The subcommittee is adjourned.

[Whereupon, at 12:10 p.m., the subcommittee was adjourned.]