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February 21, 2022

Hello House Capital Investment Committee Members,

Minnesota Historical Society uses Bonding/Capital Investment funds to promote its nonprofit agenda. Please keep in mind, **MNHS is a nonprofit corporation**, IRS Employer Identification Number (EIN) [41-0713907](#). State statute does not address MNHS's conflict of interest regarding management of state property and the nonprofit's management of similar MNHS-owned properties.

[Statutes rewritten in 1993](#) did not account for MNHS's manner of promotion, operation, and management of the State Historic Site Network. The Network includes state-owned and MNHS-owned historic sites that receive Capital Investment dollars based on MNHS's sole discretion.

MNHS's abuse of capital funds was made apparent during MNHS's use of \$15 million appropriated in 2018 for Historic Fort Snelling Revitalization project. For 3 ½ years, I have watched MNHS's actions through the lenses of a federal signatory to the project's federal Section 106 Process and as a Minnesota resident. I was forced to enter the federal process to gain access documents that MNHS authored but declined to share. **MNHS uses its nonprofit status to avoid transparency.** MN Chapter 13 provides shelter to nonprofits from public review of documents at the nonprofit's decision.

Although MNHS Director Kent Whitworth testified to the State Government Conference Committee in May 2021, that MNHS would resolve the situation, I have yet to receive requested documentation. I have made numerous requests since Director Whitworth's words; still no action.

Observations of MNHS's abuse of funds and conflicting statements show **this nonprofit deserves nothing** from the 2022 capital investment/bonding bill.

The remaining narrative addresses MNHS's 2022 asset preservation request in detail and briefly on the County and Local request. My experience under the federal process serves as support. It is important to know that no federal Process deals with financing or state statute. **MNHS is the only common denominator between the federal Process and state statutes/funding.**

Bottom line: Somebody lied.

MNHS's presentation highlights all its requests for 2022. The Governor recommends two of MNHS's three priorities at lesser amounts in his 2022 [Capital \(Bonding\) proposal](#):

Priority 1 - Asset Preservation

General Obligation Bonds:	9.9 million	(MNHS request is 13.310)
General Fund	275 thousand	(same)

Priority 3 - County and Local Preservation Grants

General Obligation Bonds:	750 thousand	(MNHS request is 1mil)
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Priority 2 - **The Governor does not support MNHS's request** for predesign (\$500,000) for the History Center.

MNHS asks for its routine, generic County and Local Preservation Grants. Page 17 of the Proposal identifies "competitive matching basis" but does not offer the matrix used to determine what projects will be funded, who will make the decision nor **how this capital funding differs from Legacy funding** that MNHS also administers under the Legacy Amendment. The description also classifies the projects as "those that are listed on the National Register of Historic Places." MNHS has no control of the National Register within Minnesota as that function is served by the MN Department of Administrations State Historic Preservation Office. **SHPO moved to state control in 2018; therefore, there is no reason a nonprofit needs to be paid for services the State can do.**

Governor Walz supports County and Local Historic Preservation Grants be moved to the Office of Grants Management on page 17: "Since recipients of county and local preservation grants are required to fully match state funds, this project provides the best possible return on the state's investment." The state's existing OGM already services other matching grants, there is no reason the state pay a nonprofit to perform the same duties, especially a nonprofit that carries no authority over the state's National Register requirements.

MNHS has a conflict of interest, too. MNHS owns historic properties on the National Register. By ownership, **MNHS should not be making decisions in a competitive grant process** where the rules are set and reviewed by MNHS, not the state. OGM risks no job security in its selection of grant recipients whereas MNHS employee job security may depend on an MNHS-owned site's grant. Even volunteers who serve on MNHS-appointed boards that evaluate applications run the risk of caving to MNHS pressure to protect their own project interests and goals or advance other projects close to their personal beliefs. **OGM employees are not elected and are required by statute to disclose conflicts of interest.**

Legally, MN Statute [43A.02 subd. 22](#) excludes MNHS from the state employee ethics by definition. **Morally**, MNHS has a duty to adhere to professional standards and ethics that state no services are to be performed when there is “an actual, apparent, or reasonably foreseeable conflict of interest”. (National Council on [Public History Code of Ethics and Professional Conduct](#). 2007.)

MNHS’s 2022 bonding first priority has a **strange but ever present funding** separation. Buried within MNHS’s request is a small expenditure in terms of bonding projects. [The Governor’s Proposal on page 9](#) shows \$275,000 is requested from the “**general fund**” for visitor center exterior and warehouse preservation at Lower Sioux Agency Historic Site. The trick here is understanding GO vs GF. Improvements made using capital GO funds have strings. One string is the property cannot be declared “surplus” and sold or given away. **As long as improvements are made with general fund proceeds, there is no capital improvement string attached.**

[HF2613](#) was introduced in May 2021. If passed the bill will declare Lower Sioux Agency Historic Site “**surplus**” **property, remove the property** from all state taxes and place the land into possession of a federally recognized Indian tribe. MNHS has been pursuing passage of different forms of this bill for years. In 2017, MNHS did the same thing with the property surrounding this Historic Site. The 2017 property and the remaining property **contain unmarked graves of 1862 massacre victims** (documentation available). Oddly, MNHS claimed the 2017 land transferred to the Tribe was the property of the nonprofit. However, the property was purchased with funds secured by the state from federal funds available only to states in a transaction and according to Russell Fridley, long time MNHS CEO, the nonprofit acted on behalf of the state. Today, MNHS says it purchased the property over several different transactions. When asked for the documentation, MNHS has taken no action.

Sneaky. Sad. True. MNHS continues to trade Minnesota’s irreplaceable historic sites and state-owned properties. **It is unknown what benefits the nonprofit has received in its questionable transaction.** Again, MNHS is a nonprofit protected by Minnesota’s Data Practices Act (Chapter 13). Likewise, its transactions and any deals are protected.

Something that MNHS keeps hidden from its presentation is which historic sites the nonprofit owns and which sites are state-owned. Also missing from MNHS’s bonding request is **how much will be spent on state-owned assets and how much will be spent on the nonprofit’s assets.** The bonding bill doesn’t require a

match be made from a nonprofit unless it is specified in the bill. Lumping MNHS-owned assets in with state-owned assets has advantages for MNHS over other 501c3 units.

It's important to know if state-owned assets will be overlooked in favor of MNHS-owned properties. MNHS's presentation slide with the [water drop](#) does not identify **how much of the "water" is a state asset** and how much of the "water" is owned by MNHS. It makes a difference!

Another item, MNHS does not address is the difference between rehabilitation, preservation, and maintenance. You'll see that the water drop slide doesn't include rehabilitation. **Rehabilitation does not mean preservation.**

Rehabilitation makes use of the historic building for another purpose – not necessarily related to history. An old warehouse can be rehabilitated for housing. *Preservation* keeps the historic building in its intended or existing state; preserves.

Rehabilitation and Preservation and what properties MNHS owns reveals a **conflict of interest that MNHS has not acknowledged**. MNHS is a 501c3 corporation taking advantage of its contract with the State of Minnesota by concealing its ownership of assets that are or can be used for practices that do not reflect the character of the State of Minnesota.

MNHS does not separate the state-owned from MNHS-owned properties in its presentation's summary charts. Consider MNHS's January 28, 2022 letter to MMB Commissioner Jim Schowalter and legislators; the bonding request is the same as July 15, 2021. Looking at the request in terms of state-owned and MNHS-owned properties, the division is disturbing. Further division between state and MNHS properties seeking preservation vs rehabilitation funding creates more frustration.

Not including three items totaling \$825,000 (general fund request and statewide lumped areas), **MNHS is requesting \$4,000 for its own properties** claiming those are state properties. That is near **30% of the request** from a nonprofit corporation who already receives over 50% of its operating budget from the State of Minnesota. MNHS has an unfair advantage to receive funds without having to match those dollars as other entities would be expected to do or at least show the attempt to match. **Deceptive.**

MNHS seeks \$3 million for Historic Fort Snelling Building 22 Preservation in 2024. The work was already in progress in July 2021! Further, MNHS

destroyed the historic building without permission from the legislature and against SHPO (State Historic Preservation Office) advice as outlined in state statutes including chapters 138, 16A and B (just a sampling).

Building 22 was part of the Fort Snelling Revitalization Project. In 2018, MNHS requested bonding of \$30 million and got \$15 million. In a dance of numbers, MNHS pursued the remaining amount under 2019's [HF 228](#) - that bill was introduced at House Capital Investment Committee during the week of February 11, 2019. The bill did not go beyond introduction and presentation. A month later, **March 12, 2019**, MNHS satisfied its obligations under statute [16B.335 subd. 1](#) and **notified the legislature of significant changes** to the Fort Snelling construction project. MNHS *totally* removed Building 22 from the project citing unfulfilled funding as the reason.

MNHS began major renovations on Building 22 after it directly told the legislature that the state-owned asset would not be touched. MNHS has never sent a letter with updated information.

MNHS continued to change designs under federal processes. Federal documents urged MNHS to alter its designs regarding building 18 as well. An April 29, 2019, letter from Minnesota's SHPO staff repeated that Office's **continued concern of MNHS's treatment of Building 18, a state owned building and asset.** The April 29 letter read, in part, "However, we (SHPO) still have major concerns regarding the proposed new entry sequence and treatment of interior spaces. Both the exterior and interior entry sequences and historic character are proposed to be significantly modified." Again, these words were written after the March 12, 2019 letter to the legislature citing major construction changes required by statute.

Not only did MNHS not comply with [16B.335 subd. 1](#), **MNHS failed to follow the rest of 16B.335 and other statutes were ignored in full.**

[16A.695](#) addresses state bond financed property and related agreements. Kent Whitworth, MNHS CEO, remarked no grant agreement is required because the bond was appropriated directly to MNHS. "Since the MNHS is the recipient of a direct appropriation for the Historic Fort Snelling Revitalization project, as specifically named in the 2018 Capital Budget bill for work that will be done by the MNHS, **there is not a need for a grant agreement.** Grant agreements are made between state agencies, which administer state funds, and public entities." (22 July 2020)

The rationalization does not apply to statute [16A.695](#) sub. 5 Program funding or [16A.695](#) Sub. 9 Grant agreement. Subd. 1(c) Definitions includes “Minnesota Historical Society” in the definition of “Public Officer or Agency.” However, neither subdivision 5 or 9 uses the phrase public officer or agency. Instead, **subdivision 5 refers only to “recipients” and “private nonprofit organization”** meaning **MNHS *is* responsible** for addressing the nature outlined in subdivision 5 referencing how the bond improved program/facility will be supported by the nonprofit/recipient. The fact that MNHS is/is not directly named in the bond is irrelevant. **To date, MNHS has yet to comply with subdivisions 5 Program funding and 9 Grant agreement of [16A.695](#).** The latter, subd. 9, requires “all general obligation grants must be evidenced by a grant agreement...”; MNHS has not entered into any agreement.

This is just a glimpse of MNHS’s treatment of statutes and state assets. MNHS is paid to conduct services that state offices are licensed and equipped to handle without any conflict of interest and in accordance with state statute. SHPO, Office of the State Archaeologist and Office of Grants Management are three areas of Administration better equipped to service Minnesota’s historic sites and asset preservation bonding and, at the same time, **keep state funds in state accounts** in transparent view of the public.

MNHS has proven it no longer aligns itself with state statute and does not promote state-owned properties with unbiased, accurate, and honest representation. It is time **state-owned historic sites be set apart and cared for as state-owned properties**, treated separately from MNHS-owned properties and given opportunities that are **free from conflicts of interest** from individual, group or corporate pressures either real or perceived.

MNHS has exhausted the \$15 million appropriation from 2018 according to the nonprofit’s submission to MMB. MNHS even **refuses to share** the “wayfinding” and signage referring to nonprofit protection privileges (Chapter 13). Transparency is absent; accountability, responsibility, and truth do not enter into any description of MN Historical Society either.

This is a lot to digest. **Returning to the bottom line, somebody lied.** MNHS has not been transparent or honest. 2018’s bonding appropriation has been mismanaged and the project hasn’t been completed.

I have no professional relationship or financial gain to profit from by writing to you. I am interested in MNHS’s activities as a result of their refusal to share

documents related to the Historic Fort Snelling Revitalization. Hundreds of **documents show MNHS's deceit and intentional misuse of public funds**. If MNHS does not offer the federal document collection to you, please ask SHPO for access. I offer whatever assistance I can provide, too.

MNHS needs to be **held financially and professionally accountable for damage** done to state assets that MNHS did not have proper statutory approval for. Future bonding appropriations involving state-owned properties and all properties within the Historic Site Network must be approved, allotted to and supervised by the state Department of Administration to **eliminate misuse and abuse** of Chapter 13 and MNHS's conflicts of interest.

Thank you for your time and changing how state assets are treated by MNHS and for giving all bonding project applicants **fair and equal opportunity**, especially projects requiring matching funds.

Sincerely,

Stephanie Chappell
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PS – MNHS didn't bother to add an updated version of Fort Snelling. In the bottom right corner of the picture on the [presentation's last slide](#), the sign says 'Fort Snelling Visitors Center.' Over two years ago, the name was changed to "Plank Museum and Visitors Center." MNHS has not responded to requests to explain the name change.