STANFORD UNIVERSITY

BUDGET PLAN 2009/10

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This Budget Plan was approved by the Stanford University Board of Trustees June 11, 2009. Distribution of this document is made in the interest of greater understanding of the University's Budget and the processes through which it is annually determined.

This publication can also be found at:
http://www.stanford.edu/dept/pres-provost/budget/plans/plan10.html

EXECUTIVE SUMMARY

To The Board of Trustees:

The global economic downturn has led to one of the most challenging budget years for Stanford University in recent memory. As a consequence, a great deal of effort and care has gone into preparing both the Budget and the Capital Plan for 2009/10. Difficult choices were made and even more difficult actions initiated to carry out those choices. Despite many painful adjustments, however, I remain confident that Stanford will maintain its leadership position among the great universities in the world.

This document presents Stanford's 2009/10 Budget Plan for Trustee approval. The Budget Plan has two parts. The first is the Consolidated Budget for Operations, which includes all of Stanford's anticipated operating revenue and expense for next year. The second is the Capital Budget, which is set in the context of a multi-year Capital Plan.[1]

Some highlights of the Budget Plan:

- The Consolidated Budget for Operations projects a surplus of $38.6 million on $3.72 billion of revenues, $3.59 billion in expenditures, and $92.2 million in transfers. Revenues are expected to drop by 0.4% over the projected 2008/09 year-end results. This is due principally to a 16% reduction in investment income offset by a projected 10% increase in sponsored research funding and a 6% increase in student income. Expenses are up 3.3% due to increased sponsored research activity, financial aid, and benefits costs.
- The Consolidated Budget includes $863.3 million in general funds, of which $152.0 million flow to the Graduate School of Business, the School of Medicine, and the Continuing Studies and Summer Session Programs in accordance with previously agreed-upon formulas. After transfers and other adjustments, there remains $703.4 million in general funds to be allocated directly by the provost. Non-formula budget units have taken $79.5 million in base budget reductions, yielding a $40.4 million budgeted surplus for 2009/10 and a projected balanced budget in 2010/11. The 2009/10 surplus will be used to provide bridging funds to those units needing two years to fully implement their budget reductions.
- The Capital Budget calls for $646.7 million in expenditures in 2009/10. These expenditures are in support of a three-year Capital Plan that, if fully completed, will require approximately $1.8 billion in total project expenditures. The Capital Plan has been reduced from last year's approximately $2.8 billion plan by delaying or suspending a number of projects. Principal expenditures in 2009/10 will be directed toward:
    - The Knight Management Center and associated parking structure
    - The Lorry I. Lokey Stem Cell Research Building
    - The Jen-Hsun Huang Engineering Center
    - The Center for Nanoscale Science and Technology

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[1] The budgets for the Stanford Hospital and Clinics (SHC) and the Lucile Packard Children's Hospital at Stanford (LPCH), both separate corporations, are not included in this Budget Plan.

- The Li Ka Shing Center for Learning and Knowledge
- The East Campus Dining Commons
- Law School Clinics and Faculty Office Building
- The Bing Concert Hall

- This Budget Plan also presents the projected 2009/10 results in a format consistent with Generally Accepted Accounting Principles, as reported in the university's annual financial report. The projected Statement of Activities shows a $25.6 million deficit.

STRATEGIC CONTEXT

During the past year we have had to respond to a challenging and rapidly evolving set of financial circumstances. Investment income had grown from 20% of our consolidated revenue in 2000 to 29% at its peak a year ago, moving from our third largest revenue source to our largest and providing over a billion dollars in revenue in the current fiscal year. During 2008/09 the value of Stanford's endowment is projected to drop by 30%, the largest single year decline in our history. As a result, we now anticipate absorbing a $300 million reduction in revenue as we adjust to this decline over the next few years.

To address this problem, we are now engaged in the largest budget adjustment effort in Stanford's recent history. In developing our response, we were guided by several principles: 1) give wide latitude and support to individual schools and administrative units to find the best way to meet their budget challenges; 2) encourage structural and strategic changes to achieve budget reductions within the units; 3) adjust to the new baseline revenue projections as quickly as possible, accelerating Stanford's return to a period of stability and growth; 4) protect our financial aid programs, for both undergraduate and graduate students, to the extent possible; 5) make sufficient reductions so that, under reasonable assumptions, we can forecast balanced budgets for the next several years.

Actions

- For many years Stanford has used a smoothing formula to protect the budget against fluctuations in the market value of the endowment. Under the provisions of this formula, it would take five to six years before the budget fully absorbed the impact of a 30% drop in endowment value. The most significant action we took in the budgeting process was to suspend the endowment smoothing formula for the next two years. Instead, we plan to be more aggressive in reducing the payout from the endowment than the smoothing rule would dictate. Our goal is to absorb most of the impact of the endowment decline in two years, placing us in a better position for future growth. We will reduce endowment payout to the budget by 10% in 2009/10 and by an additional 15% in 2010/11. The smoothing rule would yield reductions of about 7.5% in each of these years.

- The general funds component of the consolidated budget was faced with significant shortfalls due to two factors: the decline in endowment payout and the loss of income from the Tier 1 Buffer, a pool of unrestricted endowment funds that serve to buffer investment losses in the Expendable Funds Pool. Our projections indicated the need to identify approximately $150 million in base budget adjustments over the next three years to balance our general funds budget and place the university in a strong position for the future.

- The salary increase program for faculty and staff for 2009/10 was eliminated, with some minor exceptions for faculty promotions and other circumstances. This generated general funds savings of $16.5 million for 2009/10, growing to $17.9 million in 2011/12.

- Several additional central actions were taken to increase general funds revenue, including the implementation of a health services fee to all students; the reduction of the base budget operating reserve from $20 million to $15 million; and reducing support for small facilities and lab renovations from $12 million to $10 million. These actions will generate or free up $18.8 million in base revenues in 2009/10, growing to $20.4 million by 2011/12.
- We identified $79.5 million in general funds base budget cuts in the schools and administrative units, approximately 15% of the total general funds allocations to these units. These reductions will grow to over $90 million in base general funds savings by 2011/12.
- We have delayed about $1.1 billion of last year's ambitious $2.8 billion capital plan in order to save on debt service and operating costs, and to ease pressure on fundraising and university reserves. This will reduce anticipated general funds costs by $4.8 million in 2009/10, increasing to $9.8 million in savings by 2011/12.
- Stanford has maintained its undergraduate financial aid program. Stanford-funded aid is projected to increase next year by 7.9%, to $111.5 million. Over the past five years, financial aid to undergraduates has almost doubled.

Results

- We project balanced budgets for the next three years, assuming conservative growth in salaries, endowment returns, tuition, and research. The future could obviously bring a further worsening of the economic forecast, but our goal has been to develop plans that will avoid the need for additional reductions, particularly in the general funds budget.
- The general funds cuts, combined with reductions in the formula and auxiliary units, will unfortunately result in approximately 350 staff layoffs and the freezing of 49 faculty searches.
- Most units receiving general funds allocations took cuts of 15% and plan to implement those cuts prior to entering the 2009/10 fiscal year. There will be some modest amount remaining to be done during the course of the 2009/10 year.
- An analysis of the general funds reductions reveals the following:
    - By expense type: About 50% came from non-salary reductions; 39% from staff reductions; 5% from unfilled, but budgeted, faculty positions; and the remaining 6% from lecturers, other teaching, and professional services.
    - By function: 57% came from general administration, both centrally and within the schools; 13% in direct teaching and research; 13% in information technology; and 7% in outreach and development.
- The schools are affected by revenue reductions in different ways, depending on how much they rely on endowment and gift support:
    - Almost 50% of the Business School's budget is supported by gifts and endowment, and as a result the school has had to make significant cuts in administrative and support staff. In January the school cut 12% of its staff and eliminated unfilled positions and most contract and fixed-term jobs.
    - The School of Education, with 25% of its budget from endowment, is slowing its growth plans and redirecting revenue sources to navigate the downturn. It will eliminate two unfilled faculty positions in an effort to preserve what it views as minimal levels of service.

- The School of Engineering has only 14% of its consolidated budget supported by endowment, but it will still need to make large reductions in department administrative services, alumni relations and development. They will also freeze some faculty positions and scale back on curricular development and on the assistance provided to faculty as they seek to move into new areas of research.
- The School of Humanities and Sciences relies on endowment to support 34% of its budget. Consequently, it is planning a wide range of cuts, including: a 10% reduction in staff salary and support costs to departments, a reduction in facilities projects, and a freeze in faculty hiring and graduate aid funding. Some of these efforts are not sustainable in the long-term and will need to be reevaluated over time.
- The Law School has a large fraction (50%) of its consolidated budget supported by endowment. It will reduce administrative services, school events, and some clinical and public service programs, but will maintain its faculty hiring program.
- The School of Earth Sciences also has a large fraction of its budget supported by endowment (54%) and projects the largest drop in consolidated revenues, at almost 11%, of any of Stanford's schools. It will be cutting all discretionary activities, reducing administrative support across the school, and freezing faculty searches.
- The Medical School will be the only school at Stanford to see its consolidated budget grow in 2009/10. This is due to a projected 14% increase in sponsored research and inflationary growth in health care services revenue. Endowment is about 10% of the school's revenue, and its decline will be offset by growth in the other revenue categories.

Impacts

Sections 2 and 3 of this Budget Plan address the impacts of these reductions on the academic and administrative units of the university. The impacts vary, depending on each school or unit's particular mix of revenue sources, as well as the strategic decisions made by the unit's leadership. To a certain extent, the budget reduction process allowed us to reassess what we do, and to make many salutary changes that will yield a stronger and leaner institution. But it is clear that there will be noticeable impacts on campus. In particular, the level of administrative support will likely decline; course and research offerings to undergraduates will diminish slightly; there will be fewer faculty for several years as hiring lags below the replacement rate; the level of building maintenance will drop; and some student services will be affected. We anticipate, however, that these impacts will be partly offset by improvements in productivity as we find new ways to do more with less, and as innovative and more cost effective approaches are found to deliver services.

CONSOLIDATED BUDGET FOR OPERATIONS

The table on page vii shows the main revenue and expense line items for 2009/10 and compares those numbers to the projection of actual results for the current year. These figures incorporate the reductions noted above. Some highlights of both income and expense follow.

Revenue

Student Income – This figure is the sum of tuition, room and board income and is expected to grow by 5.7%. Tuition and fee income is projected to grow 5.4% over the projected 2008/09 actuals as the result of a 3.75% increase in the general undergraduate and graduate tuition rates, and increases between 3.5% and 4.9% in the professional schools. In addition, growth is driven by the implementation of the health fee, an increase in application fees, and modest

Consolidated Budget for Operations, 2009/10

[in millions of dollars]

2007/08 Actuals	2008/09 Projected Actuals		2009/10 Consolidated Budget	Percent Change
		Revenues		
581.4	609.9	Total Student Income	644.8	5.7%
		Sponsored Research Support:		
526.8	529.4	Direct Costs-University	566.5	7.0%
351.0	325.1	Direct Costs-SLAC	370.2	13.9%
169.0	172.6	Indirect Cost	192.5	11.5%
1,046.8	1,027.1	Total Sponsored Research Support	1,129.2	9.9%
418.1	461.5	Health Care Services	472.5	2.4%
185.0	150.0	Expendable Gifts In Support of Operations	150.0	0.0%
1,017.9	1,057.2	Investment Income	886.4	(16.2%)
353.5	357.8	Special Program Fees and Other Income	364.8	2.0%
92.3	75.0	Net Assets Released from Restrictions	75.0	0.0%
3,695.0	3,738.5	Total Revenues	3,722.7	(0.4%)
		Expenses		
1,723.2	1,859.9	Salaries and Benefits	1,903.2	2.3%
350.8	325.1	SLAC	370.2	13.9%
176.5	205.6	Financial Aid	218.3	6.2%
1,081.5	1,085.1	Other Operating Expenses	1,100.2	1.4%
3,332.0	3,475.7	Total Expenses	3,591.9	3.3%
363.0	262.8	Operating Results	130.8	
(264.4)	(179.9)	Other Transfers	(92.2)	
98.6	82.9	Operating Results after Transfers	38.6	

growth in graduate student numbers. Room and board income is projected to increase 7.6%, due to the 2.5% increase in the undergraduate room and board rate and the opening of the Munger Graduate Residences.

Sponsored Research – Total sponsored research is expected to increase by 9.9% over 2008/09 year-end results. This significant increase comes in marked contrast to recent years in which research has been flat. The growth is due to a 13.9% increase at SLAC and an expected 14% increase in the Medical School. In each case the growth is due to federal stimulus funding. Other research growth is projected to be 1%. Indirect cost recovery is budgeted to increase 11.5%, due to growth in direct costs and an increase in the effective recovery rate.

Health Care Services Income – Revenue from health care services is projected to increase 2.4% in 2009/10, due to increases in the amount paid to the Medical School by Stanford Hospital and Clinics and Lucile Packard Children's Hospital for physician services by its faculty.

Expendable Gifts – The Office of Development anticipates that revenue from non-capital gifts available for current expenses will be flat in 2009/10 at $150 million. This is down from prior year highs of approximately $200 million due to the economic downturn. This does not include gifts to endowment or for capital projects, which do not appear in the Consolidated

Budget for Operations. In addition, net assets released from restrictions—including payments made on prior year pledges and prior year gifts released for current use—are expected to be flat at $75 million.

Investment Income – This category consists of income paid out to operations from the endowment and from other investment income, principally the Expendable Funds Pool. Overall, investment income is expected to decrease by $170.7 million, or 16.2%, a significant reduction. Income from the endowment itself is expected to decrease next year by 11.1%. Other investment income will drop by 54%, primarily due to the loss of the Expendable Funds Pool payout.

Expense

Salaries and Benefits – We anticipate total salaries and benefits expense to increase 2.3% over 2008/09 year-end results. Although both faculty and staff salaries have been frozen, we expect some salary growth due to promotions and retentions; in addition, there will be a substantial increase in the benefits rate from 28.1% to 30.5%. We expect headcount itself to remain flat, due to reductions in general funds and endowment-supported staff, on the one hand, offset by increases in research staff funded on sponsored projects, on the other hand.

Financial Aid – This includes need-based financial aid, athletic aid, and graduate student aid. The 6.2% increase is being driven by a 7.9% growth in undergraduate aid.

Other Operating Expenses – This line item is the amalgam of operations and maintenance costs, utilities, capital equipment, materials and supplies, travel, library materials, subcontracts, and professional services. We are budgeting a growth of 1.4% for these expenses.

GENERAL FUNDS BUDGET

The central focus of the budget process this year was the development of the general funds component of the consolidated budget. The $863 million in general funds can be used for any university purpose and supports most of the core academic and administrative activities of the university.

Due to the decline in the financial markets, general funds revenue from investment income will drop significantly over the next three years. In June 2008, we had been forecasting essentially balanced general funds budgets for the next three years. With the market drop, we were faced with an annual, base budget shortfall growing to $150 million by 2011/12.

Through an intense budget planning process involving the deans, principal administrative officers, and the University Budget Group, we identified a series of central actions that reduced the 2009/10 shortfall by $39 million (growing to $48 million by 2011/12), and also identified $80 million in cuts from the budget units (increasing to $91 million by 2011/12). We project that these actions will produce a $40 million general funds surplus in 2009/10, and essentially balanced budgets in the following two years. Barring further major reductions in the value of the endowment, we hope to avoid additional budget reductions.

Half of the general funds budget reductions will be in salary expense and half will come from non-salary expenditures. Major restructuring has taken place in the Office of the Vice Provost for Undergraduate Education, in Lands, Buildings and Real Estate, in the Office of Development, in Public Affairs, and in the Alumni Association. There will be some programmatic losses, including fewer undergraduate seminars, a reduced number of graduate students in some schools, and less outreach, both centrally and in the schools. Many unnecessary or low-priority functions were eliminated across the university, and several units are cooperating to eliminate duplicative services. We believe the impacts on our core teaching and research missions will be manageable.

CAPITAL BUDGET AND PLAN

The Capital Budget and three-year Capital Plan are based on a projection of the major capital projects that the university intends to pursue to further its academic mission. The three-year Capital Plan spans 2009/10 to 2011/12; the Capital Budget represents anticipated capital expenditures in the first year of the plan. The three-year plan includes projects that were initiated prior to 2009/10, as well as projects that will commence within the rolling three-year period through 2011/12. The Capital Budget and Capital Plan are subject to change based on funding availability, budget affordability, and evolving university priorities.

In 2009/10, Capital Budget expenditures are expected to total $646.7 million, continuing the unprecedented amount of construction that began in 2008/09. The major projects within the 2009/10 Capital Budget include five of the eight Science, Engineering and Medical Campus (SEMC) buildings, which respond to the pressing need to upgrade the university's aging science, medicine, and engineering infrastructure, and account for $222.3 million of next year's costs. In addition, the plan includes the Graduate School of Business's Knight Management Center, the Bing Concert Hall, and the new Law School Clinics and Faculty Office building, which together account for $252.6 million in 2009/10 expenditures.

The three-year Capital Plan includes $1.8 billion in construction and infrastructure projects and programs. This reflects a 36% decrease from last year's plan, largely resulting from the delay or suspension of projects totaling approximately $1.1 billion. The three-year Capital Plan will be funded from $425.7 million in current funds, $883.1 million in gifts, $175.6 million in auxiliary and service center debt, $262.5 million in academic debt, and $53.6 million from other sources. The projects included in the plan can be readily accommodated within the constraints of the General Use Permit given Santa Clara County's approval of Stanford's Sustainable Development Study in April 2009. When complete, the plan will add $31.7 million in annual debt service and $25.7 million in incremental operations and maintenance (O&M) costs to the Consolidated Budget.

Needless to say, the economic downturn has significantly affected the university's ability to fund incremental O&M costs on new buildings and debt service on both new and renovated buildings. In response, we initially delayed or suspended $1.3 billion of capital projects, but due to unique circumstances, several of these projects have been reactivated: the Bing Concert Hall ($133 million); the Scientific Research Computing Facility ($46.6 million); Stanford Avenue Faculty Homes ($30.9 million); and the East Campus Dining Commons ($20 million). This leaves $1.1 billion in delayed or suspended projects. Estimated deferral of debt service and O&M on the delayed projects are $44.9 million and $20.4 million, respectively.

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a university-level perspective on Stanford's programmatic and financial plans for 2009/10. We seek approval of the planning directions, the principal assumptions, and the high-level supporting budgets contained herein. As the year unfolds, we will provide periodic variance reports on the progress of actual expenses against the budget. In addition, we will bring forward individual capital projects for approval under normal Board of Trustees guidelines.

This document is divided into four sections and two appendices. Following the overview of budgeting at Stanford, Section 1 describes the financial elements of the plan, including details on the Consolidated Budget for Operations and the projected Statement of Activities for 2009/10. Section 2 addresses program issues in the academic areas of the university. Section 3 provides a similar view of the administrative and auxiliary units. Section 4 contains details on the Capital

Budget for 2009/10 and the Capital Plan for 2009/10–2011/12. The appendices include budgets for the major academic units and supplementary financial information.

LOOKING AHEAD

In last year's Budget Plan I wrote: "The university has never been stronger, whether measured by academic reputation, program quality, student selectivity, alumni support, or financial resources." The events of the past year have taken a toll on the university's financial resources, but along every other dimension, Stanford's strength continues to increase. In this year's *U.S. News & World Report* ranking of graduate programs, all 17 Stanford programs that are ranked fall in the top ten, 16 of 17 rank in the top five, and a stunning 13 of 17 are ranked number one or two in their field: a record matched by no other university. This fall, our undergraduate admissions office received more than 30,000 applications, a 20% increase over last year. As a consequence, we could offer admission to only 7.6% of the applicant pool, the lowest admit rate in university history. We also received a record 13,000 applications to our doctoral programs, a 15% increase over last year, and admitted a smaller percentage than ever before. Alumni donations continue to be remarkably strong, given the economic turmoil's effect on individual wealth and personal peace of mind. Though down about 20%, our alumni's continued generosity reveals a truly gratifying level of support.

Stanford is an exceedingly robust institution. If we react quickly and wisely to the fiscal crisis, I am confident that our position among the great universities of the world will not be diminished. But it is essential to have no illusion that we can avoid significant reductions in hopes that our endowment will recover its previous level in a year or two. A 30% drop in endowment principal requires investment returns of 43% above inflation to return the endowment to its value before the drop. With a 5.5% annual payout and 3% inflation, even a somewhat optimistic forecast of 10% average annual investment returns leaves a 25-year recovery process. But whether it takes 10 years, 25 years, or longer to return to previous endowment levels, this is no temporary decline to be weathered for a brief period. We must acknowledge and adjust to a new baseline in the university budget.

This is why we have accelerated the reduction of our endowment payout. A series of five or more years of smaller endowment cuts might appear less painful now, but would be harmful to the institution in two ways. First, it would be damaging to morale to have to shave the budget year after year, even long after the economy has begun to recover. A faster reduction allows us to arrive more quickly at the point where endowment payout once again keeps up with inflation, and so provides stable, ongoing support to our programs. But even more important, requiring a long series of smaller cuts does not encourage strategic thinking about the budget and where we want the institution to be when we arrive at the new baseline. To wisely adjust to a 25-30% endowment drop, we need to focus on reductions of that scale, not simply manage through five or more separate 5% reductions.

As important as it is to acknowledge the new revenue baseline, it is equally important not to think that full recovery requires a return to endowment levels of recent years. Make no mistake, the university will recover long before the endowment reaches last year's level. Indeed, this will be the case as soon as we get budget reductions behind us, as our continuing revenue streams again keep up with inflation, and as our entrepreneurial faculty begin launching new initiatives in partnership with our many supporters. With strong action to stabilize the budget, we can achieve full recovery in two to three years.

In last year's Budget Plan, I wrote: "This is an exciting time to be at Stanford." The events of the past year have not changed that in the least.

ACKNOWLEDGEMENTS

This has been an extraordinarily challenging year for budget planning. The President and I are deeply grateful for the advice and support of many people in preparing the Budget and Capital Plan described in this document, beginning with members of the Board of Trustees, the Executive Cabinet, and the outstanding staff of our central budget and capital planning offices. I would particularly like to thank Jim Coulter for the wise counsel and support he has offered throughout a difficult year. Two hard-working advisory groups assist in developing the general funds budget and capital plan. The University Budget Group consists of Margaret Brandeau, Adam Daniel, Harry Elam, Patti Gumport, Stephen Hinton, Randy Livingston, Maureen McNichols, Steve Olson, Dana Shelley, Bob Simoni, Buzz Thompson, and Tim Warner. The Capital Planning Group consists of Jack Cleary, Megan Davis, Stephanie Kalfayan, Bob Reidy, Suzanne Sangervasi, Craig Tanaka, Bob Tatum, and Tim Warner. The university, and I personally, owe both groups a special debt of gratitude for the many hours they put into the budget and capital planning process, and for the difficult decisions they helped me make.

John W. Etchemendy
Provost
June 2009

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INTRODUCTION: BUDGETING AT STANFORD

Budgeting at Stanford is a continuous process that takes place throughout the year and occurs at nearly every level within the university. The cycle starts with planning that considers programmatic needs and initiatives, continues with the establishment of cost drivers such as the approved salary program and fringe benefits rates, and is tempered by available funding sources. Stanford's "budget" is an amalgamation of thousands of smaller budgets, including everything from an individual faculty member's budget for a sponsored grant from the National Institutes of Health, to the budget for the Department of Psychology, to the budget for the School of Engineering, to the total of the Consolidated Budget for Operations. These budgets are created and managed by the areas that are governed by them, with oversight by the provost, the chief budget officer of the university. There are general principles and guidelines to which the budgets must adhere, but schools and other units are allowed tremendous freedom in the development and execution of their budgets.

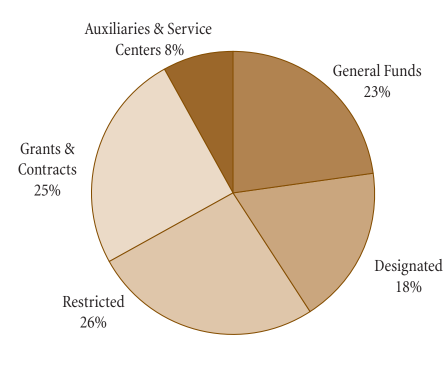
Fund Accounting

Stanford's budgets are developed and managed according to the principles of fund accounting. Revenue is segregated into a variety of fund types, and the use of the revenue is governed by the restrictions of the fund. For example, each expendable gift is put into an individual fund, and the recipient must use the funds in accordance with the wishes of the donor. Gifts of endowment are also put into separate funds, but the corpus itself is not usually spent. An annual payout on the endowment fund is spent, and as with gift funds, only in accordance with the restrictions imposed by the donor. The segregation of each gift allows the university to ensure that the funds are spent appropriately and to report to donors on the activities that their funds support. Monies received from government agencies, foundations, or other outside sponsors are also deposited in separate, individual funds to ensure strict adherence to the terms of the grants and/or contracts that govern the use of the funds. Non-gift and non-sponsored research revenue also reside in funds, but this type of revenue may be commingled in a single fund. Often, however, departments may choose to combine unrestricted monies into separate funds for a particular program, for a capital project, or to create a reserve. Stanford's consolidated revenues by fund type are shown below.

Budget Management

So how does Stanford budget and manage its roughly 15,000 expendable funds (with balances) and 7,000 endowment funds? It goes without saying that the university uses a sophisticated financial accounting system to set up the individual funds, to record each financial transaction, and to track fund balances. But nearly all of the decision-making for the use of Stanford's funds is made at the local level, consistent with the decentralized and entrepreneurial spirit of the university. Unlike a corporation, Stanford is closer to a collection of disparate, autonomous businesses with widely varying cost structures and resources. As such, each principal investigator is accountable for the responsible use of his/her grant funding, each gift recipient must ensure that the gift funds are used in accord with the donor's wishes, and each school must fulfill the expectations for teaching and scholarship within its available resources.

2009/10 Consolidated Revenues by Fund Type



Budget Control

The primary control on local unit budgets at Stanford is available funding. Except for general oversight and policies governing the appropriate and prudent use of university funds, the central administration does not place additional limits on spending. For example, if a faculty member needs to hire a postdoctoral fellow to help carry out a particular research project, and if grant funding is secured to cover this expense, the university does not second-guess this decision. Conversely, two aspects of central budget control are faculty billets and space charges.

Because the majority of Stanford's funding is under the direct control of a faculty member, a department, or a school, these entities are able to support programs as long as they maintain a positive fund balance. This, however, does not mean that the programs must operate with a surplus during any particular fiscal year. In fact, a "deficit" is usually reflective of a planned use of prior year fund balances. A simple example of this is when a department receives a gift of $5.0 million to be spent over five years. If the funds are spent evenly over the time period, the program will show a surplus of $4.0 million in the first year and will generate an ending fund balance of $4.0 million. In each of the next four years, this program will receive no revenue, will expend $1.0 million dollars, and will thus generate an annual deficit of $1.0 million while drawing down the fund balance of the gift.

The Consolidated Budget for Operations, the aggregate of all of Stanford's smaller budgets, is therefore not centrally managed in the corporate sense. Nonetheless, a great deal of planning goes into the development of the individual unit budgets that aggregate into the Consolidated Budget of the university.

Development of the Consolidated Budget & the Role of General Funds

The concepts of fund accounting and restricted funds were explained above. Another key element in the development of the units' budgets and the Consolidated Budget are university general funds, which are funds that can be used for any university purpose. General funds play a particularly important role in the overall budget, because they cover many expenses for which it is difficult to raise restricted funds, such as administration and campus maintenance. The main sources of general funds are tuition income, indirect cost recovery, unrestricted endowment income, and income from the expendable funds pool.

Each school and administrative unit receives general funds in support of both academic and administrative functions. The process for allocating general funds is controlled by the provost and aided by the Budget Group, which includes representation from both faculty and administration. The critical elements of the process are a forecast of available general funds, a thorough review of each unit's programmatic plans and available local funding, and an assessment of central university obligations such as building maintenance and debt service. Balancing the needs and the resources is the ultimate goal of the Budget Group. The general funds allocation process is described in more depth in Section 1.

SECTION 1

CONSOLIDATED BUDGET FOR OPERATIONS

In this section we review the details of the 2009/10 Consolidated Budget for Operations, describe the general funds allocation process and results, and present a forecasted Statement of Activities.

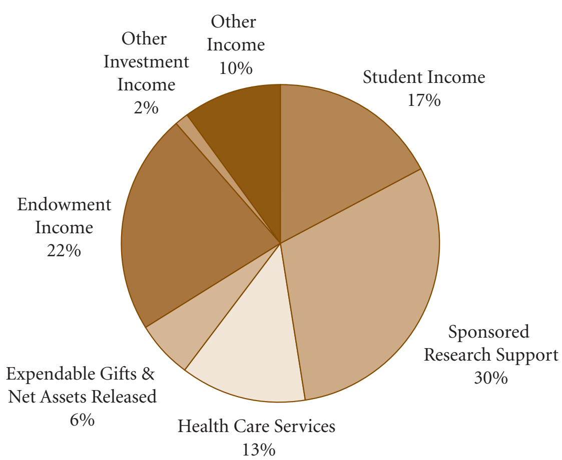
CONSOLIDATED BUDGET FOR OPERATIONS

The Consolidated Budget for Operations provides a management-oriented overview of all non-capital revenues and expenditures for Stanford University in the fiscal year. It is based on forecasts from the schools and administrative areas. These forecasts are then merged with the general funds budget forecast and adjusted by the University Budget Office for consistency. The Consolidated Budget includes only those revenues and expenses available for current operations. It does not include plant funds, student loan funds, or endowment principal funds, although it does reflect payout of endowment income.

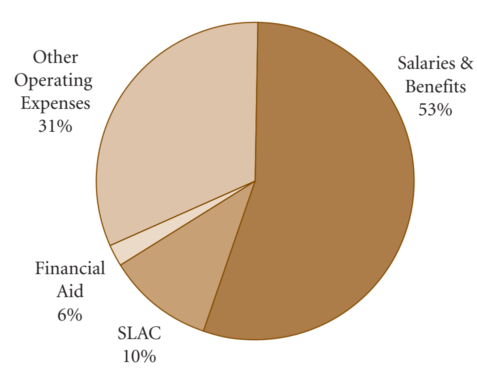
The 2009/10 Consolidated Budget for Operations shows total revenues of $3,723 million and expenses of $3,592 million, resulting in a net operating result of $131 million. However, after estimated transfers, primarily to plant funds, the Consolidated Budget shows a surplus of $38.6 million.

Total revenues in 2009/10 are projected to be virtually unchanged from the expected 2008/09 levels, decreasing by only $16 million. However, the real story of revenue change is revealed when the individual sources of revenue are considered. Total sponsored research is expected to increase substantially with the availability of federal stimulus funds; student income will rise at levels comparable to previous years; special program fee income will remain fairly constant; and expendable gifts and investment income are expected to decrease substantially. These changes are described in the revenue section below. Total expenses are expected

2009/10 Consolidated Revenues: $3,722.7M [1]



2009/10 Consolidated Expenses: $3,591.9M



[1] Net Revenues after Transfers: $3,630.5M

Consolidated Budget for Operations, 2009/10

[in millions of dollars]

2007/08 Actuals	2008/09 Budget June 2008	2008/09 Projected Actuals		General Funds	Designated	Restricted	Grants and Contracts	Auxiliary & Service Center Activities	Total
			Revenues						
			Student Income:						
241.3	251.6	252.4	Undergraduate Programs	265.6					265.6
235.1	243.1	247.6	Graduate Programs	256.9	4.0				260.9
105.0	107.6	109.9	Room and Board					118.3	118.3
581.4	602.3	609.9	Total Student Income	522.5	4.0			118.3	644.8
			Sponsored Research Support:						
526.8	555.3	529.4	Direct Costs–University				566.5		566.5
351.0	318.4	325.1	Direct Costs–SLAC				370.2		370.2
169.0	185.9	172.6	Indirect Costs	192.5					192.5
1,046.8	1,059.6	1,027.1	Total Sponsored Research Support	192.5			936.7		1,129.2
418.1	418.3	461.5	Health Care Services	21.6	378.5	11.3		61.1	472.5
185.0	200.0	150.0	Gifts In Support of Operations	2.0		148.0			150.0
92.3	80.0	75.0	Net Assets Released from Restrictions			75.0			75.0
			Investment Income:						
881.5	977.1	933.1	Endowment Income	113.2		716.4			829.6
136.4	136.0	124.1	Other Investment Income	2.0	49.2	4.9	0.7		56.8
1,017.9	1,113.1	1,057.2	Total Investment Income	115.2	49.2	721.3	0.7		886.4
353.5	350.7	357.8	Special Program Fees and Other Income	9.5	243.0	0.9		111.4	364.8
3,695.0	**3,824.0**	**3,738.5**	**Total Revenues**	**863.3**	**674.7**	**956.5**	**937.4**	**290.8**	**3,722.7**
			Expenses						
1,723.2	1,851.8	1,859.9	Salaries and Benefits	498.0	474.6	396.2	327.3	207.1	1,903.2
350.8	318.4	325.1	SLAC				370.2		370.2
176.5	204.0	205.6	Financial Aid	11.1	4.0	185.2	18.0		218.3
1,081.5	1,144.8	1,085.1	Other Operating Expenses	213.2	236.6	195.3	194.7	260.4	1,100.2
3,332.0	**3,519.0**	**3,475.7**	**Total Expenses**	**722.3**	**715.2**	**776.7**	**910.2**	**467.5**	**3,591.9**
363.0	**305.0**	**262.8**	**Operating Results**	**141.0**	**(40.5)**	**179.8**	**27.2**	**(176.7)**	**130.8**
			Transfers						
(0.8)	(6.4)	(79.2)	Additions to Endowment Principal	0.6	(16.5)	38.5		0.8	23.4
(296.9)	(193.9)	(140.3)	Other Transfers to Assets	(14.4)	(65.0)	(55.2)			(134.6)
33.3	25.4	39.6	Net Internal Revenue / Expense	(86.8)	115.5	(159.5)	(27.3)	177.2	19.0
(264.4)	**(174.9)**	**(179.9)**	**Total Transfers**	**(100.6)**	**34.0**	**(176.2)**	**(27.3)**	**178.0**	**(92.2)**
98.6	**130.1**	**82.9**	**Operating Results after Transfers**	**40.4**	**(6.5)**	**3.6**	**(0.1)**	**1.3**	**38.6**
			Beginning Fund Balances	59.8	957.7	776.0	(4.0)	4.8	1,794.3
			Ending Fund Balances	100.2	951.2	779.6	(4.1)	6.1	1,832.9

to grow by 3.3% over the estimated year-end results for 2008/09 due to increased sponsored research activity and financial aid. But total transfers are expected to be down by nearly fifty percent, allowing for the forecast surplus. The table on the facing page shows the projected consolidated revenues and expenses for 2009/10. For comparison purposes, it also shows the actual revenues and expenses for 2007/08 and both the budget and the year-end projections for the current fiscal year, 2008/09. In addition, definitions of key terms are provided below.

The Consolidated Budget by Principal Revenue and Expense Categories

Revenues

Student Income

Student income is expected to increase by 5.7% in 2009/10 to $644.8 million. Increases in student charges for next year were guided by a number of considerations: the impact of the economic downturn on Stanford's budget, the impact of the economy on the families of our students, and our pricing position against our peers.

Tuition and fees – Stanford expects to generate $526.5 million in tuition and fee revenue in 2009/10, a 5% increase over 2008/09. This increase is higher than the 3.75% general tuition rate increase due to a small increase in student numbers and the implementation of a health service fee for students.

Starting with the fall 2009 quarter, Stanford will charge all resident students a Campus Health Service Fee of $167 per quarter. The mandatory fee will apply to all undergraduate and graduate students—as well as visiting researchers—enrolled at the university. This includes students participating in high school summer programs that result in course credit at Stanford. The fee will cover basic services at Vaden Health Center, including primary care medical visits, psychological evaluation and short-term therapy, and access to health and wellness programs. Fees for campus health services are common at many universities, including many of Stanford's peer institutions.

Tuition and fees represent only 17.3% of Stanford's total revenue but 61% of general funds. In addition to supporting faculty and staff salaries and other direct academic program needs, tuition plays a crucial role in funding infrastructure, support services, and other operational activities.

The general tuition rate increase for 2009/10 is 3.75%, which results in a rate of $37,380 for undergraduates and most graduate students, and was approved by the Board of Trustees in February. While the rate increase

KEY TERMS

General Funds: Unrestricted funds that can be used for any university purpose. The largest sources are tuition, unrestricted endowment, and indirect cost recovery.

Designated Funds: Funds that come to the university as unrestricted but are directed to particular schools and departments, or for specific purposes by management agreement.

Restricted Funds: Includes expendable and endowment income funds that can only be spent in accordance with donor restrictions.

Grants and Contracts: The direct component of sponsored research, both federal and non-federal. Individual principal investigators control these funds.

Auxiliaries: Self-contained entities such as Residential & Dining Enterprises and Intercollegiate Athletics that generate income and charge directly for their services. These entities usually pay the university for central services provided.

Service Centers: Entities that provide services primarily for internal clients for which they charge rates to recover expenses.

Net Assets Released from Restrictions: Under GAAP, gifts and pledges that contain specific donor restrictions preventing their spending in the current fiscal year are classified as "temporarily restricted," and are not included in the Consolidated Budget for Operations. When the restrictions are released, these funds become available for use and are included as part of the Consolidated Budget on the line Net Assets Released from Restrictions. These funds include cash payments on prior year pledges and funds transferred from pending funds to gift funds.

Financial Aid: Includes expenses for undergraduate and graduate student aid. Student salaries, stipends and tuition allowance are not considered to be financial aid and are included in other lines in the Consolidated Budget.

Formula Areas: Budget units whose allocations of general funds are predetermined by a formula agreed to by the provost and the unit. Principal formula units include the Graduate School of Business, the School of Medicine, and the Hoover Institution.

is slightly higher than the previous year, we expect it will not significantly affect our position relative to the competition. After a 3.5% tuition increase in 2008/09, Stanford moved down five positions to 43rd in a ranking of tuition charges in a survey of 95 private institutions by Cambridge Associates. Among the tuition rates of the highly selective private colleges and universities that comprise the Consortium on Financing Higher Education (COFHE), Stanford's tuition currently ranks 15th among the 17 COFHE universities. The 3.75% increase applies to the undergraduate tuition rate, the general graduate rate, and the full-time tuition rates for graduate students in the schools of Engineering, Law, and Medicine. The Graduate School of Business (GSB) will increase the rate for entering MBA students by 4.9%, continuing its practice of holding second year MBA tuition constant. For the third consecutive year, terminal graduate registration (TGR) will not increase.

Tuition revenue from undergraduate programs is expected to grow 5.2%, and graduate program revenue is expected to increase by 5.4%. Total fee income will increase from $10.3 million in the current year to $16.9 million in 2009/10, a 63.8% increase.

Room and Board – In February, the Trustees approved a combined room and board rate increase of 2.5% for 2009/10, bringing the undergraduate rate to $11,463. The room rate will increase by 3.4%, and the board rate will increase by 1.4%. We expect that these rates will sustain Stanford's cost of housing ranking in the lower quartile of the COFHE institutions and will continue to lower Stanford's dining ranking, bringing it closer to the median. The lower combined room and board rate will provide a greater perceived value to students and parents. The 2009/10 recommended increases in room and board rates were developed under the following Residential and Dining Enterprises (R&DE) guiding principles and operational goals: sustain operations with a reserve-to-expense ratio of at least 2.0%; fund modest increases for the asset renewal and preservation program; and renovate and repurpose Crothers Hall and Crothers Memorial Hall in support of the Housing Master Plan. The proposed rates will allow R&DE to operate with a balanced budget, but only after they make a number of budget reductions that will be roughly comparable to those of other organizations in the university. Overall room and board revenue will grow by 7.6%, driven up by the impact of the new 600-bed Munger Graduate Residences.

Sponsored Research Support and Indirect Cost Recovery

The budget for sponsored research support is projected to be $1,129.2 million in 2009/10. This figure includes the direct costs of externally supported grants and contracts ($566.5 million for university research and $370.2 million for SLAC), as well as partial reimbursement for indirect costs ($192.5 million) incurred by the university in support of sponsored activities. Sponsored research is projected to generate 30% of the university's consolidated operating revenues in 2009/10, significantly higher than the 27% ratio projected for 2008/09. Unfortunately, part of the reason sponsored research revenues will be a larger share of total revenues is that the largest source of non-sponsored revenue (investment income) is expected to decline in 2009/10. Still, as shown in the chart on the next page, non-SLAC research volume is expected to experience a healthy 7% increase in 2009/10, following a handful of years with declining or essentially flat sponsored research activity.

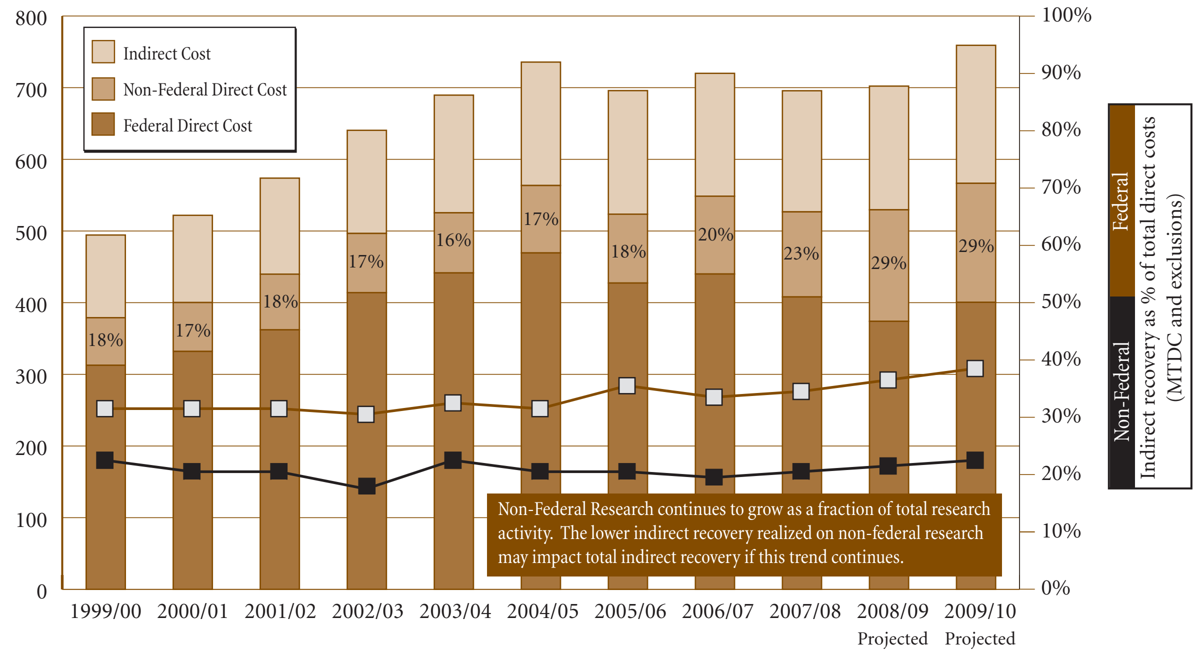
The federal economic stimulus bill, the American Recovery and Reinvestment Act (ARRA), is a major driver in the projected upsurge in sponsored research volume. ARRA funding flowing through the National Institutes of Health (NIH) is expected to increase research activity in the School of Medicine, and SLAC has already received a $68 million allocation of stimulus funds from the Department of Energy. Other units are less sanguine about their opportunities for ARRA funding, partly due to limits on the number of proposals that can be submitted from each institution.

One bright spot in the realm of non-federal support is the California Institute for Regenerative Medicine (CIRM), from which the School of Medicine has received new awards for stem cell research. With this CIRM funding and the NIH stimulus funding mentioned above, the school is anticipating a nearly 14% increase in research volume in 2009/10. The medical school comprises nearly 60% of non-SLAC research; the large increases there will counterbalance the modest growth (approximately 1%) in Non-Medicine direct research, leading to the overall direct research increase of 7%.

The chart on the next page shows Stanford's non-SLAC research funding over the past ten years and highlights a recent trend: the increasing percentage of direct research support coming from non-federal sources. That ratio was 17% as recently as 2004/05

University Sponsored Research Activity (Excluding SLAC)

[in millions of dollars]



but is expected to be 29% in the current year. We do not expect the fraction to continue to increase in 2009/10 because of the declines in granting foundations' endowments and the offsetting availability of federal stimulus funding. Nonetheless, this shift could have important implications on future indirect cost recovery, as most non-federal research sponsors either pay no or greatly reduced indirect costs compared to the federally negotiated rate. In the short run, we expect stronger indirect recovery for two reasons: 1) the federal indirect recovery rate on new awards increased from 58% to 60% in 2008/09, so an increasing percentage of research activity will recover indirect costs at this higher rate in 2009/10, and 2) the increases in overall direct research volume mentioned above. The combination of these factors will yield non-SLAC indirect cost recovery in 2009/10 of $192.5 million, an 11% increase over 2008/09.

The Department of Energy continues to provide virtually all of the funding for SLAC (97%). Total direct costs for SLAC are expected to increase by about $45 million in 2009/10, which means that absent $68 million of stimulus funding, SLAC research volume would be decreasing. This decline is not unexpected, though, as recent volume was inflated by the construction of the Linac Coherent Light Source facilities. SLAC research activity is discussed in more detail in Section 2.

Health Care Services

Health Care Services income is budgeted to be $472.5 million in 2009/10, a 2.4% increase over the projection for 2008/09. The majority of this income ($421.6 million) is in the School of Medicine, including $356.8 million paid by Stanford Hospital and Clinics and Lucile Packard Children's Hospital related to the clinical practices of the faculty and $11.3 million paid by Lucile Packard Children's Hospital for the Children's Health Initiative Gift and Match programs. Another $35.8 million is generated by the Stanford Blood Center. Also included are $17.7 million of hospital payments to the Medical School for rent and use of the library and other non-clinical programs and services. In addition, the hospitals pay the university for a number of university provided services, including $16.7 million to Business Affairs IT primarily for communications services; $7.2 million to the Office of the General Counsel for legal services; $11.6 million to Land, Buildings and Real Estate for operations and maintenance and utilities; and $15.4 million to the central administration for items such as debt service and general overhead payments.

Expendable Gifts

Expendable gift income in support of operations is expected to total $150.0 million in both the current year and 2009/10, a drop of nearly 20% from the actual gift revenue in 2007/08. The drop in gift receipts reflects the current economic climate and our expectation of a slow recovery. Expendable gifts are those immediately available for purposes specified by the donor and do not include gifts to endowment principal, gifts for capital projects, gifts pending designation, or non-government grants.

Net Assets Released from Restrictions

This category represents funds previously classified as temporarily restricted that will become available for spending as specific donor restrictions are satisfied. These include cash payments on pledges made in prior years and pending gifts whose designation has been determined. In 2009/10, we anticipate that schools and departments will be able to use $75.0 million of gifts and pledges received in previous years that had been classified as temporarily restricted.

Investment Income

This is a complicated category to project in the current economic environment due to the uncertainty of the financial markets and to the intricacies of both Stanford's internal financial policies and how donor restrictions affect payout in a down market.

Endowment Income – Endowment payout to operations in 2009/10 is expected to be $829.6 million, a decrease of 11.1% over 2008/09. In 2008/09 Stanford's endowment is expected to lose at least 30% of its market value, the largest single year decline in our recent history. For many years Stanford has used a smoothing formula to dampen the impact on the budget of large annual fluctuations in the market value. While the smoothing rule would slowly force the payout to decrease commensurate with the decline in the endowment market value, the full effect of the decline would be drawn out over the next five years, even with a return to normal investment returns. Due to the severity of the drop in the market value and the likelihood of a slow recovery, we suspended use of the smoothing rule for the next two years. Because a reduction in the payout of 25-30% is all but inevitable given the decline in market value, we believe it is wiser to take more of the decrease in the early years, so that we can reach a new baseline as quickly as possible. Therefore, we set the payout per share from funds invested in the Merged Pool so that endowment payout will decrease 10.0% for an individual fund. It is currently our intention to recommend a further decrease in the payout in 2010/11 of 15%, resulting in a two-year decline of roughly 25%.

Another factor affecting endowment payout in a down market is the potential loss of payout from funds whose market value drops below the historic value of the original gift. These "underwater" funds may only yield the fraction of the approved payout that is generated from current income, since there is no appreciation in the fund to make up the remainder of the payout. It is not unusual for a new fund in its first year to have insufficient appreciation to make the full, approved payout. However the recent investment losses have spread this problem to older funds as well. Approximately 1,000 funds are projected to be underwater in the current year, creating a projected shortfall in payout in the current year of about $70 million.

Recent changes in the California law relating to endowment funds allow the university to distribute the full payout from an endowment fund regardless of the amount of income and appreciation in the fund, provided the gift terms do not otherwise prohibit such action. We are in the process of contacting donors to request payout from their funds according to the new funds management act. We expect this effort will take time, so we have assumed 25% of currently underwater funds will be able to pay out fully in 2008/09, and 50% will make full payout in 2009/10, reducing the payout shortfall to $50 million.

Total endowment income includes payout from funds invested in the Merged Pool as well as specifically invested endowments and rental income from the Stanford Research Park and other endowed lands. Total endowment income is also impacted by new gifts to endowment. Gifts to endowment are expected to decline to $210 million in 2008/09 and to reach $225 million in 2009/10.

Of the total endowment income, $113.2 million, or 13.6%, is unrestricted. The fraction of endowment that is unrestricted will drop significantly in 2009/10 with the assumed loss of the Tier I Buffer. The Tier I Buffer is a collection of unrestricted funds functioning as endowment valued at roughly $550 million at the end of 2008/09. These funds serve as a buffer against shortfalls in investment returns in the expendable funds pool (EFP). Due to this years' investment loss we expect them to be exhausted to make whole the EFP payout in the current year and to maintain the value of the funds invested in the EFP. Elimination of the Tier I Buffer will result in the loss of $42.1 million in unrestricted endowment payout in 2009/10. More detail on the university's EFP payout policy and the financial impact on the consolidated budget are in the next section.

Unrestricted endowment income includes payout from unrestricted merged pool funds as well as most of the income generated from Stanford endowed lands. The unrestricted portion of endowment payout is expected to decrease by 32.6% in 2009/10, due to the loss of the Tier I Buffer payout and the 10% decline in the remaining unrestricted merged funds

Other Investment Income – Other investment income comes from four main sources of income: the payout on the expendable funds pool (EFP), income earned on unexpended endowment payout separately invested in the endowment income funds pool (EIFP), income on the Stanford Housing Assistance Center (SHAC) portfolio, and investment income distributed to support the Stanford Management Company and the real estate division of Land, Buildings and Real Estate. The EFP comprises the university's general operating funds, non-government grants, expendable gifts, and designated funds belonging to various schools and departments, as well as student loan funds, plant funds, and other short-term funds. This pool of funds represents a significant component of university investment capital, with a current average balance of approximately $2.0 billion.

Payout from the EFP is governed by a trustee policy with recently approved revisions effective September 1, 2009. Under the new policy between 70% and 90% of the EFP will be cross-invested in the merged pool, with the remaining portion invested in money market instruments. The full policy is outlined in the Expendable Funds Investment, Payout and Buffer Policy adopted by the Board of Trustees in April 2009.

Approximately 75% of the funds in the EFP receive no payout directly to the fund. Rather, a variable payout of 0% to 5.5% on these zero-interest accounts is paid to general funds both centrally and in the formula schools. The rate paid is based on the actual EFP investment returns during the prior fiscal year. Certain types of funds invested in the EFP receive an annual payout equal to a money-market return. These so-called money-market accounts include the debt recycling pool, insurance and benefits reserves, student loan funds, plant funds, agency funds, gifts pending designation, and certain restricted gifts. Differences between the stipulated payout and actual investment returns are buffered by the Tier I and Tier II Buffers.

EFP payout is expected to drop 6.2% to $78.4 million in 2008/09 under the current payout policy, which guarantees a payout rate of 5.5% on the zero-interest accounts. The decline in payout is due to a drop in the rate paid to the money-market accounts. In 2009/10 total EFP payout drops precipitously to $8.8 million under the revised payout policy, due to the losses in the EFP anticipated in 2008/09.

The EIFP is approximately $200 million and is invested entirely in money market instruments. Income from this source is budgeted at $4.4 million in 2009/10 assuming a money-market rate of 2.0%. Remaining investment income, including SHAC and the Stanford Management Company, is expected to add $48.0 million in 2009/10.

Total other investment income is expected to decrease by 54.2% to $56.8 million in 2009/10.

Special Program Fees and Other Income

This category includes the revenues from several different types of activities, such as technology licensing income, conference and symposium revenues, fees from the executive education programs in the Graduate School of Business and the Stanford Center for Professional Development, fees from travel/study programs, and revenues from corporate affiliates, mostly in the schools of Earth Sciences and Engineering. Another major component of this category is the revenue from auxiliary activities, other than student room and board fees. This includes revenues from conference activity, concessions, rent, and other operating income in Residential & Dining Enterprises, athletic event ticket sales and television income, HighWire Press, the University Press, Stanford West Apartments, and several other smaller auxiliaries. Total special program fees and other income are budgeted at $364.8 million in 2009/10, a modest increase of 2.0% over the expected level in 2008/09.

Expenses

Salaries and Benefits

The salary and benefits line in the Consolidated Budget for Operations represents total compensation, which includes academic, staff, and bargaining unit salaries, fringe benefits, tuition benefits for research and teaching assistants, and other non-salary compensation such as bonuses and incentive pay. Total compensation in 2009/10 is budgeted to be $1,903.2 million, a 2.3% increase over the year-end projection of $1,859.9 million. The salaries and benefits line does not include

$199.7 million of salaries and benefits that are included in the total for the Stanford Linear Accelerator Center (SLAC), which is discussed on the next page.

Salaries – Total salary expense is expected to grow by 1.3% in 2009/10 to $1,352.3 million. We expect total employee headcount to remain flat as the result of layoffs due to budget reductions, offset by anticipated increases in staff supported by additional research funding.

Due to the severity of the budget outlook, the competitive merit salary program was eliminated for both faculty and staff. However, a small amount of funding is budgeted for faculty promotions and retentions. Ordinarily, the annual salary program is guided by the university's compensation philosophy, which is to set faculty salaries at a level that will maintain Stanford's competitive position both nationally and internationally for the very best faculty and to set staff salaries to be competitive within the local employment market. We do not expect, however, that the salary freeze will significantly impact our competitive position in the current economic environment.

Fringe Benefits – The benefits rate for regular benefits-eligible employees, which covers most university employees and comprises most of Stanford's benefits costs, is projected to increase from 28.1% to 30.5% in 2009/2010. The underlying rate, without carry-forward, is projected to increase by 1.6 points. The rate for post-doctoral affiliates will increase from 20.7% to 21.6%. The rate for graduate research and teaching assistants will increase from 4.6% to 5.0%. The rate for contingent employees will increase from 7.7% to 8.5%.

The increase in the benefits rate for regular benefits-eligible employees in 2009/2010 is mainly due to the continuing increase in health care costs, which will add nearly 1.3 points to the rate in 2009/2010. The medical cost for active regular employees is expected to increase by 10% or $10.3 million. The retiree medical insurance cost is expected to grow from $15.3 million to $22.8 million.

The costs for the retirement programs are expected to grow by 6% or $11.3 million, which results in an increase in the rate of 0.3 points. Contributions to the Stanford Contributory Retirement Program (SCRP) are expected to grow by 5% or $4.4 million. Stanford's basic contribution to the retirement program begins at 1% after one year of employment and increases 1% per year until it reaches 5%. The increase in retirement costs is mainly due to the continued increase in the basic contributions and the increase in the 403(b) contribution cap. The Faculty Retirement Incentive Plan is expected to increase by 48% or $3.9 million as a result of a one-time transition retirement program implemented in February 2009, which provides an additional six months to one year of salary to faculty who retire before March 2010, depending on years of service. There is also an increase in Social Security taxes due to a slight growth in the employee population and an increase in the Social Security earning cap from $106,800 to $109,500.

The increase in the benefits rate for post-doctoral research affiliates is primarily due to increased health insurance costs, along with smaller increases in workers' compensation and other health and welfare benefits (dental, disability, vision, life).

The increase in the benefits rate for contingent (casual or temporary) employees is mainly due to an increase in workers' compensation and Social Security taxes.

The increase in the benefits rate for graduate research and teaching assistants is due to an increase in health insurance costs. The cost of Cardinal Care is projected to increase by about 4.8% in the coming year. This benefit will continue to fund half the cost of Cardinal Care insurance for RAs and TAs with appointments of 25% or more, with a smaller contribution for appointments between 10% and 25%. Other student salaries such as pay for part-time clerical work during the school year do not incur benefits.

The negotiated 2008/09 and the recommended 2009/10 fringe benefits rates are as follows:

Fringe Benefits Rates

	2008/09 Negotiated Budget	2009/10 Projected Rates
Regular Benefits-Eligible Employees	28.1%	30.5%
Post-Doctoral Research Affiliates	20.7%	21.6%
Casual/Temporary Employees	7.7%	8.5%
Graduate RAs and TAs	4.6%	5.0%
Other Students	0.0%	0.0%
Average Blended Rate	25.9%	28.1%
Tuition Grant Program Recovery Rate	1.75%	1.4%

The Tuition Grant Program (TGP) is charged separately against regular benefits-eligible salaries only. In order

Financial Aid Awarded to Undergraduates Who Receive Need-Based Scholarship Aid
[in millions of dollars]

Source of Aid	2004/05 Actuals	2005/06 Actuals	2006/07 Actuals	2007/08 Actuals	2008/09 Projected	2009/10 Budget
Department Funds and Expendable Gifts	1.9	1.1	0.9	2.0	2.1	1.2
Endowment Income	32.7	37.2	45.0	67.9	73.9	68.2
President's Funds	9.5	9.8	10.3	5.3	26.4	42.0
General Funds	14.3	12.7	10.2	0.0	0.0	0.0
Subtotal Stanford Funded Scholarship Aid	58.4	60.8	66.4	75.2	102.3	111.5
Government and Outside Awards	13.8	12.1	12.1	12.4	12.2	12.7
Total Undergraduate Scholarship Aid	72.2	72.9	78.5	87.6	114.6	124.2
General Funds as a Share of Total Aid	20%	17%	13%	0%	0%	0%
President's Funds as a Share of Total Aid	13%	13%	13%	6%	23%	34%
Endowment funds as a Share of Total Aid	45%	51%	57%	77%	65%	55%
Number of Students	2,870	2,789	2,769	2,811	3,130	3,235

to comply with OMB Circular A-21, all government-sponsored accounts are exempt from the charge. Academic service centers are also exempt.

SLAC

Total SLAC costs in 2009/10 are expected to be $370.2 million, about $45 million higher than the projection for 2008/09, due to SLAC's receipt of $68 million of stimulus funds from the American Recovery and Reinvestment Act. The funding will enable SLAC to accelerate the schedule for the Linac Coherent Light Source (LCLS) Scientific Instruments project and deliver LCLS science to the users sooner. Also, an accelerator research project called FACET, that uses the first two-thirds of the Linac to study plasma wakefield acceleration, will move forward. These two projects are of tremendous strategic importance to the Laboratory. Other stimulus funds will be targeted towards seismic upgrades and utilities infrastructure modernization that have been long in the planning, thereby enhancing site infrastructure and safety. The total SLAC budget consists of $199.7 million in salaries and benefits, a 9.0% increase from the $183.2 million projected for 2008/09, and of $170.5 million in other operating expenses, a 20.2% increase from the current year's level.

Financial Aid

Stanford expects to spend a total of $218.3 million on student financial aid for undergraduate and graduate students in 2009/10, $11.1 million of which will come from general funds. Designated and restricted funds ($189.2 million) and grants and contracts ($18.0 million) will support the remainder. The total financial aid numbers are 6.2% above the projected total for 2008/09. This increase is driven by the increases in tuition rates for both undergraduate and graduate students and the impact of the economic downturn on the families of our students.

Undergraduate Aid – This Budget Plan reflects Stanford's long-held commitment to need-blind admissions supported by a financial aid program that meets the demonstrated financial need of all admitted undergraduate students, and we are retaining all of the enhancements made to our financial aid program in 2008/09. We estimate that in 2009/10 Stanford students will receive $124.2 million in need-based scholarships, of which $111.5 million will be from Stanford resources, an increase of 7.9% over the projected year-end. The remaining $12.7 million will come from government and outside awards, a slight increase over the current year. It is important to note that undergraduate aid has almost doubled over the past five years, entirely from internal Stanford funds.

While Stanford's financial aid program remains unchanged, we anticipate a substantially larger increase in the cost of the program in 2009/10 than the increase in the cost of attendance. The impact of the challenging economic times on our families means

2009/10 Financial Aid and Other Graduate Student Support from Stanford Resources

[in millions of dollars]

Projected 2008/09 Year-End		General Funds	Designated and Restricted	Grants & Contracts	Total
	Student Financial Aid				
110.1	Undergraduate		111.7	8.0	119.7
17.6	UG Athletic		17.8		17.8
77.9	Graduate	11.1	59.7	9.9	80.8
205.6	Total	11.1	189.2	18.0	218.3
	Other Graduate Support				
52.6	Stipends	7.4	29.2	17.8	54.3
57.1	Tuition Allowance	34.9	6.1	18.3	59.3
72.4	RA/TA Salaries & Benefits	8.4	31.0	35.4	74.8
182.2	Total	50.7	66.3	71.4	188.3
75.6	Postdoc Support	0.6	22.7	54.7	78.0
463.4	Total Student Support	62.5	278.1	144.0	484.6

that we will have more students on aid than ever before: 3,235 students, 105 more than in 2008/09. In addition, simply maintaining our current scholarship programs in 2009/10 will require a 7.9% increase in overall funding, but the mix of that funding will change dramatically. Restricted endowment income is projected to decrease 7.7%, requiring a nearly 60% increase in presidential funds from the Stanford Fund and the Tier II Buffer. Once again, general funds will not be used to support the scholarship budget.

The table on the previous page shows the detail of undergraduate need-based scholarship aid. Schedules 7 and 8 in Appendix B provide supplemental information on undergraduate financial aid.

Athletic scholarships, which are not need-based, will be awarded to undergraduate students in the amount of $17.8 million, an increase that reflects the cost of tuition.

Graduate Aid – Stanford provides several kinds of financial support to graduate students that are expected to total $269.1 million in 2009/10. As the table above indicates, this includes the tuition component of fellowships in the amount of $80.8 million, which is reflected in the Financial Aid line of the Consolidated Budget. Financial aid for graduate students is expected to increase by 3.7%, consistent with the planned increases in tuition in the various graduate programs. The table also includes funding, not shown in the Financial Aid line of the budget, for stipends, tuition allowance, and RA and TA salaries of $188.3 million. Consistent with the presentation of Stanford's financial statements, tuition allowance (tuition benefits for RAs and TAs) and RA and TA salary expenses are in the Salaries and Benefits line, and the stipend amount is in the Other Operating Expenses line of the Consolidated Budget for Operations on page 4. The minimum rate for TA and RA salaries and stipends will increase by 3.2% in 2009/10; tuition allowance expense is expected to increase by 3.75%.

Graduate student support is funded by all of Stanford's various fund types, with the exception of auxiliary funds. In aggregate, unrestricted funds (general funds and designated funds) contribute a little less than 29%, restricted funds support about 41%, and grants and contracts supply the remaining 30%. However, the patterns of funding vary substantially within the schools. Not surprisingly, grants and contracts provide a significantly higher proportion of graduate student funding in the research-intensive schools like Medicine and Engineering. The professional schools rely almost exclusively on restricted funds.

Schedule 5 in Appendix B shows graduate student support by source of funds.

Other Operating Expenses

This expense category includes all external non-salary expenditures in the Consolidated Budget for Operations except financial aid, which is detailed separately above. It does not include the internal charges between units (such as the internal billings for IT services and utilities), although it does include the internal allocations of principal amortization and interest expense which are transferred from plant funds. This category makes up about one-third of the total expenditures in the Consolidated Budget and is projected to increase slightly by 1.4% to just over $1.1 billion in 2009/10. The principal components include: materials and supplies ($288 million, of which about one-third are laboratory supplies); contracted outside services, which includes research subcontracts ($249 million); internal debt service ($144 million); food, entertainment, and travel ($88 million); capital equipment and library materials purchases ($70 million); external payments for telecommunications and utilities for campus buildings ($50 million); student stipends ($54 million); services purchased from the hospitals ($44 million); external payments for facilities and equipment operations and maintenance ($30 million); rentals and leases ($29 million); and employee-related expenses ($13 million).

Utilities and Operations & Maintenance – The delivery of utilities to the campus involves three significant components: 1) purchased utilities from outside of the university; 2) capital expenditures; and 3) other expenditures.

Purchased utilities include electricity and natural gas from Cardinal Cogen for generating steam, chilled water, and electricity. Domestic water is purchased from the San Francisco Water District. These purchased utilities represent approximately 58% of the total utilities cost.

Capital expenditures are necessary for system expansion, replacement, controls, and regulatory requirements. The amortization on these capital projects represents approximately 18% of the total utilities cost.

Other expenditures include maintenance, materials, supplies, and staff to operate the utilities systems. These expenses are about 24% of the utilities costs.

Fluctuations in utilities costs are largely related to purchased utilities prices and changes in consumption. Utilities consumption is impacted by weather variations, campus growth, and conservation efforts. Historically, depreciation and other cost components have remained relatively stable.

For 2008/09, budgeted campus utilities of $71.3 million were reforecasted to $63.2 million due to recent significant decreases in the purchase prices of natural gas and electricity. For 2009/10, budgeted campus utilities are expected to increase to $67.7 million. This increase is due to an expected rise in natural gas prices. While electricity prices have increased slightly, the natural gas market remains volatile and difficult to predict over the long-term.

Operations and Maintenance (O&M) includes grounds maintenance, custodial, trash, recycling, elevator repair, gutter maintenance, re-lamping, and other services along with preventive and reactive maintenance on buildings, roads, and infrastructure. Total budgeted O&M for the university is $82 million in 2008/09 and forecasted to be $84 million in 2009/10.

Several areas oversee O&M campus-wide. Land, Buildings and Real Estate (LBRE) provides most of the grounds services for the campus, approximately 54% of the building maintenance and 100% of the infrastructure maintenance (e.g. storm drains and roads). Residential & Dining Enterprises (R&DE) provides the operations and maintenance for approximately 29% of the campus, School of Medicine (SoM) for about 11%, and the Department of Athletics, Physical Education and Recreation (DAPER) for approximately 6% of the campus.

The 2009/10 budget reductions and their impact on O&M vary by group. LBRE plans to reduce the cost of O&M without compromising service levels. Goals to achieve these cost reductions include outsourcing warehouse operations, implementing a new system to drive efficiencies through improved maintenance scheduling, and reducing overtime on reactive maintenance.

R&DE anticipates increased O&M as a result of the completion of the Munger Graduate Residences. These increases will be largely offset with cost savings and efficiency strategies, the implementation of which will not affect student life safety and health in the residences.

The budget reductions will adversely impact DAPER's O&M expenditures, bringing them below 2005/06 levels.

An incremental $3.4 million was allocated in general funds for maintenance and utilities for new buildings and renovations. Included in this amount is funding for the Huang Engineering Center and the Center for Nanoscale Science and Technology (including connective elements), the Gunn Building, the Peterson Renovation, the Visitor Center/Track Bleachers, the Automotive Innovation Facility, and other facilities.

Internal Debt Service – The 2009/10 internal debt service is projected to be $143.8 million, a 4.0% increase over 2008/09. It excludes debt service incurred to bridge finance the receipt of gifts and annual lease payments. The year-over-year increase is due primarily to the debt service on the Rosewood Sand Hill Hotel and the completion of the Munger Graduate Residences.

The university issues debt in the public markets to finance capital projects and programs. Internal loans are then applied to projects, which amortize the debt over the project life in equal installments (principal and interest). The budgeted interest rate used to calculate internal debt service is a blended rate of all interest expense on debt Issued for capital projects, bond issuance costs, and administrative costs, and is reset annually. The projected blended rate for 2009/10 is 5.0%, which is a decrease from the current year's rate of 5.2%.

Debt for Liquidity – In order to ensure adequate liquidity and working capital in light of the estimated decline in the overall value of the university's investments, Stanford issued $1.0 billion of new taxable debt in late April. While the proceeds are not required today, having them available provides the university with the capacity to address potential changes in economic conditions. Approximately $200 million of the $1.0 billion will be used to convert taxable commercial paper to fixed rate debt, which will restore capacity to the $350 million authorized taxable commercial paper program. The $800 million balance will be invested in an instrument, separate from other university funds, which is expected to earn a modest income and partially offset the $36 million of incremental debt service. Because the specific funding source for the amount of debt service not offset by the investment income has not yet been identified, neither the income nor the debt service expense is included in the forecast for the Consolidated Budget for Operations.

Transfers

Once current expenses are netted from current revenues, funds are also transferred between units, between fund types, and out of the Consolidated Budget for Operations. The end results are the changes in fund balances, representing what is expected to happen to available fund balances.

The schools, administrative departments, and central administration authorize movements of funds out of operations to create other types of assets. These assets include student loan funds, funds functioning as endowment (FFE), capital plant projects or reserves, and funds held in trust for independent agencies such as the Howard Hughes Medical Institute, the Carnegie Institution, and the Associated Students of Stanford University. These transfers to and from Assets vary widely from year to year, and a single transaction can greatly affect these numbers. Using information provided by budget units, and combining that information with our own knowledge of central administration commitments, the Consolidated Budget for Operations adds or subtracts these transfers from the operating results (revenues less expenses).

- Additions to Endowed Principal: This line includes transfers of either expendable funds to endowment principal which creates funds functioning as endowment (FFE), or withdrawals of FFE to support operations. In 2009/10 we are projecting that a net $23.4 million will be withdrawn from FFE to support current operating needs. This compares to a projected $79.2 million transfer from current funds to FFE in 2008/09, a swing of $102.6 million. The 2009/10 amount represents $24.5 million of current funds or fund balances transferred to FFE, offset by an anticipated $45 million needed to be transferred from the president's Tier II Buffer for a variety of university priorities. The majority of the $24.5 million transferred to FFE are in the School of Medicine, where $18.0 million is expected to be transferred primarily from designated funds (including $10.0 million of Capital Facilities Fund to be invested in FFE), with another $4.5 million being transferred by the Hoover Institution, and $2.5 million transferred from the School of Earth Sciences (representing reinvestment of Pooled Income Fund income). The difference from 2008/09 is primarily attributable to three things: there is no anticipated drawdown of Tier II Buffer principal to cover commitments for 2008/09; $20 million was transferred in 2008/09 from the Google Proceeds to create an endowed chair and there is no anticipation for this in 2009/10; and the School of Medicine is projecting a transfer of $31.3 million in 2008/09, compared to the $18.0 million figure for 2009/2010.

- Other Transfers to Assets: The transfers in this category are primarily to plant for capital projects. Total transfers of $134.6 million to plant and other assets are planned for 2009/10. Transfers to Plant will decrease slightly from the amount projected for 2008/09. Included in this is $20.0 million in anticipated transfer from the Central Facilities Fund (CFF) to support plant projects (see more on the CFF in Section 4). Additionally, the President and Provost anticipate transferring $50.0 million from their discretionary funds (principally the Tier II Buffer income fund) to support plant projects. Land, Buildings and Real Estate traditionally transfers about $9.0 million from the Planned Maintenance Program into plant improvement projects, while the School of Medicine expects to transfer over $17.1 million in funds for FIM #1 Building design, Freidenrich Center planning and design, Academic Walk, and strategic capital projects. The remainder is made up of a $9.1 million general funds transfer for Academic Facilities Renovation, $7.0 million transferred by the School of Engineering, $7.5 million transferred by the Graduate School of Business, $5.0 million transferred by the School of Humanities & Sciences, $4.5 million transferred by the Dean of Research, and $3.0 million transferred by the School of Law.

The combination of these two types of transfers from current funds to other forms of assets in 2009/10 at $111.2 million is down substantially from our projection of $219.5 million in 2008/09, due to the significant difference in Transfers to or from Endowment Principal.

- Net Internal Revenue & Expense: Internal revenue and internal expense are generated from those charges that are made between departments within the university for services provided through chargeout mechanisms. Communication services provided by Business Affairs-IT to university departments is one example of internal revenue and expense. Another is the charge that the Department of Project Management (the group that manages construction projects on campus) allocates to capital projects that use their services. These charges contribute to the revenue and expense of individual departments and fund types but, ultimately, are netted against each other in the presentation of the Consolidated Budget to avoid double counting. There is, however, a net $19.0 million of internal revenue flowing into the Consolidated Budget, primarily from capital plant funds, which are outside the Consolidated Budget, into service centers and other funds within the Consolidated Budget. Additionally, this line includes movements of current funds between different operating fund types, principally movements of general funds to designated funds.

GENERAL FUNDS

The general funds budget is a critical component of the Consolidated Budget because general funds can be used for any university purpose, and they provide the necessary administration and infrastructure for all core activities at the university. The main sources of these funds are student tuition, indirect cost recovery from sponsored activity, unrestricted endowment income, and income from the expendable funds pool. Every university unit receives general funds, which support both academic and administrative functions. Total general funds revenue in 2009/10 is projected to be $863 million of which $151 million flows to the formula schools per the negotiated formula arrangements.

Last year we foreshadowed the current economic downturn when we projected a decline in the growth rate of general funds for 2008/09, and, indeed, the year-end projection shows a modest 2.5% increase over the 2007/08 actual general funds. However, because most of the sources of general funds are based on rates and other factors that are set in advance of the fiscal year, the full impact of the decline in the financial markets and other economic indicators will not be felt until 2009/10, when total general funds are projected to decrease $62 million or 6.7%. It is significant to note that the general funds for the formula areas, most notably the Graduate School of Business and the School of Medicine, are expected to increase by 16% led by tuition increases in both schools and substantial growth expected in indirect cost recovery in the School of Medicine. While tuition and indirect cost recovery are expected to grow modestly in the non-formula schools as well, it is the loss of $58 million in expendable funds pool income and a sharp drop in unrestricted endowment that are the cause of the decline in non-formula general funds for 2009/10. The EFP income loss will be offset by redirection of funds that would otherwise have been allocated to the Capital Facilities Fund, in accordance with the new EFP policy.

Non-Formula General Funds

The university uses a long-range forecasting model (the LRF) to estimate future years' non-formula general funds. The model projects the sources of general funds and the base expenses they support. A year ago the LRF projected a $2.4 million surplus in general funds for 2009/10 and shortfalls of $5.7 million in 2010/11 and $10.1 million in 2011/12, respectively. The outlook for 2009/10 worsened significantly when the financial markets collapsed, signaling the need to plan for reductions in the general funds allocation to budget units. The table below summarizes the impact on the bottom line of revenue and expense changes that occurred during the planning process and the ultimate size of the general funds shortfall to be solved.

Non-Formula General Funds Forecasted Shortfall
[in millions of dollars]

	Forecast		
	2009/10	2010/11	2011/12
Bottom Line Forecast – June 2008	**2.4**	**(5.7)**	**(10.1)**
Revenue Forecast Changes	(79.3)	(122.7)	(142.3)
Expense Forecast Changes	(1.4)	(1.5)	(1.1)
Total Problem to be Solved	**(78.2)**	**(129.8)**	**(153.5)**
Central Actions	39.1	44.8	48.1
Reductions to Budget Units	79.5	85.0	90.7
Bottom Line Forecast – June 2009	**40.4**	**0.0**	**(14.7)**

Central Actions

Several actions were taken centrally to mitigate the size of the gap to be closed. First, salary increases for staff were eliminated, and faculty salary increases were limited to promotion raises and retention cases, saving $16.5 million. Second, delays in the capital plan reduced the call on general funds for operations and maintenance, utilities, and debt service for new buildings in 2009/10 ($4.8 million). We also reduced allocations for minor facilities projects, the faculty housing reserve, and the university's central reserve, which is used to fund one-time initiatives ($8.6 million). Finally, we introduced a mandatory campus health service fee so that basic, vital services at Vaden could be maintained ($7.2 million). In total, central actions reduced the expected deficit in 2009/10 by $39 million.

Planning Process and Budget Reductions

Initially, units were asked to plan for three scenarios of general funds reductions: 3%, 5%, and 7%. Before the end of the 2008 calendar year, the targets were increased to 5%, 7%, and 10% for 2009/10 and an additional 5% in 2010/11. Throughout the winter, budget units met individually with the Budget Group, which comprises representatives from both faculty and administration, to discuss the details of their reduction scenarios and the impact they would have on their respective organizations. Units also brought forward requests for incremental general funds for unavoidable expenses, most of which were compliance related.

Most of the academic units support their operations with a combination of funding sources. They do this through the mechanism of the operating budget, wherein they can pool different resources for like expenses. The operating budget funds the unit's core, on-going expenses. For example restricted endowment for faculty salaries is generally brought into the operating budget and pooled with general funds to support the school's faculty salary budget.

Because of the importance of the operating budget, all sources of funds supporting it must be considered when general funds allocation decisions are made. In the planning for 2009/10, the expected decline in unrestricted endowment income affected available general funds, but the loss of restricted endowment payout used by the schools to support core expenses made the general funds allocation process more complex and difficult. Ultimately, the provost decided to mitigate the impact of the expected loss of restricted endowment supporting the operating budget with an allocation of $20 million in base general funds. The mitigation funds were distributed almost entirely to the academic units, since other units do not rely on restricted endowment for their core operations. The general funds reduction scenarios described above were applied to each unit's base general funds adjusted for price inflation and mitigation of endowment losses.

By the end of the process, it became evident that the overall size of the problem required deeper cuts sooner than had been anticipated. Moreover, the Budget Group and the provost decided that it was essential to take more base reductions than would be required to balance the general funds budget in 2009/10 in anticipation of shortfalls in the following years. As a

Summary of 2009/10 General Funds Reductions and Additions (Excludes Formula Units)

[in thousands of dollars]

	2008/09 Base GF Allocation	Inflation and Other Additions[1]	GF Mitigation of endowment payout decline	Reductions	2009/10 Base GF Allocation	2008/09 to 2009/10 Change
School of Earth Sciences	2,030	120	1,589	(455)	3,284	1,254
School of Education	12,099	295	452	(1,713)	11,133	(966)
School of Engineering	48,682	1,225	1,853	(7,764)	43,997	(4,686)
School of Humanities & Sciences	119,301	4,264	10,877	(16,394)	118,049	(1,252)
School of Law	12,899	1,143	2,959	(2,448)	14,552	1,654
Vice Provost and Dean of Research	32,874	942	55	(3,801)	30,070	(2,803)
Vice Provost for Graduate Education	3,865	1,107	56	(705)	4,323	458
Vice Provost for Undergraduate Education	15,717	508	1,406	(2,142)	15,489	(228)
Stanford University Libraries	44,324	931	814	(5,551)	40,518	(3,806)
Total - Academic	291,791	10,536	20,062	(40,973)	281,416	(10,376)
Office of Admission and Financial Aid	9,510	182		(1,316)	8,375	(1,135)
Student Affairs	22,746	872	26	(3,079)	20,566	(2,180)
Office of the President & Provost	16,317	222	8	(2,275)	14,272	(2,045)
Office of Public Affairs	6,056	127		(784)	5,399	(657)
Business Affairs[2]	53,476	1,817		(5,373)	49,920	(3,556)
Business Affairs - Information Technology	59,967	1,490		(9,111)	52,347	(7,621)
Development and Alumni Association	42,237	1,201	6	(6,255)	37,189	(5,048)
Land, Buildings and Real Estate[2]	53,608	1,004	4	(8,275)	46,340	(7,267)
Other Administrative Units[3]	13,726	841		(2,046)	12,522	(1,205)
Total - Administrative	277,643	7,757	43	(38,514)	246,929	(30,714)
Incremental O&M and Utilities		3,434			3,434	3,434
Debt Service	32,439	(1,993)			30,446	(1,993)
Central Obligations[4]	87,682	(7,369)			80,313	(7,369)
Total - Other	120,120	(5,928)	0	0	114,193	(5,928)
Total Non-Formula Units	689,555	12,365	20,105	(79,487)	642,538	(47,017)
Unallocated Surplus	6,169				40,268	34,099
Capital Facilities Fund	85,220				20,586	(64,634)
Total Non-Formula General Funds[5]	780,944				703,392	(77,552)

Notes:

[1] Inflation and Other Additions includes $8.6 million of price and salary inflation, $5.3 million of unavoidable base additions, $3.4 million of incremental O&M and utilities expenses, and a $5.0 million reduction in the university reserve.

[2] For this table, insurance, fire contract, and utilities allocations have been moved to Central Obligations.

[3] Other Administrative Units includes general funds allocations for General Counsel, Hoover, SLAC, Athletics, Stanford University Press, and the Stanford Faculty Club.

[4] Central Obligations include tuition allowance, and the university reserve. In addition, for this table, utilities, insurance and fire contract allocations have been included in this line.

[5] Includes $23 million of internal revenue from the infrastructure charge.

result, the decision was made to take the full 15% (10% requested in 2009/10 and 5% requested in 2010/11) in 2009/10 from most units in an effort to avoid further cuts in 2010/11. Even with these cuts, we are forecasting a $15 million deficit in general funds in 2011/12.

In total we eliminated $79.5 million from the non-formula general funds budget in 2009/10 increasing to $90.7 million by 2011/12. These reductions will result in the loss of roughly 350 staff positions and the freezing of 49 faculty searches. There will be no faculty layoffs. Half of the reductions will be in salary expense, and half will come from non-salary. Within the non-salary, significant cuts will be made in expenditures on food, travel, and general supplies, and many units will eliminate paper publications in favor of on-line editions. Significant restructuring will take place in VPUE and in Land, Buildings and Real Estate, with smaller efforts occurring across campus. There will be some programmatic losses including a reduction in undergraduate seminars, and undergraduate research grants, and less outreach by Admissions, Development, and the Alumni Association. Reductions were also made in IT infrastructure and systems development funding. Sections 2 and 3 include more detail on the impact of the reductions on individual budget units.

PROJECTED STATEMENT OF ACTIVITIES

Stanford University, as a not-for-profit institution and a recipient of restricted donations, manages itself internally according to the principles of fund accounting. To comply with external reporting requirements, Stanford also presents a Statement of Activities, prepared in accordance with Generally Accepted Accounting Principles (GAAP) to comply with external reporting requirements. The Statement of Activities summarizes all changes in net assets during the year (both operating and non-operating) and is similar to a corporate income statement. The Consolidated Budget for Operations follows the principles of fund accounting. It includes only current funds, and reflects the sources and uses of current funds on a modified cash basis that more closely matches the way that the university is managed internally. Within these current funds, funds are further classified by their purpose and level of restriction.

The table on the facing page compares the Consolidated Budget for Operations with the projected operating results section of the Statement of Activities. Cash resources are classified into fund groups, which are subject to different legal and management constraints.

There are four different categories of funds:

1) Current Funds, which include revenue to be used for operating activities — e.g., tuition revenue, sponsored research support, endowment payout, and other investment income;

2) Endowment Principal Funds, which include all of Stanford's endowment funds, both those restricted by the donor, and those designated as endowment funds by university management;

3) Plant Funds, which include all funds to be used for capital projects, such as construction of new facilities or retirement of indebtedness; and

4) Student Loan Funds, which include those funds to be lent to students.

The Consolidated Budget for Operations follows the principles of fund accounting. It includes only current funds, and reflects the sources and uses of current funds on a modified cash basis that more closely matches the way that the university is managed internally. Within these current funds, funds are further classified by their purpose and level of restriction. The Consolidated Budget also reflects the transfer of current funds for investment in other fund groups: funds functioning as endowment, student loan funds, and plant funds. For example, a school may choose to transfer operating revenue to fund a future capital project. Similarly, a department may decide to move unspent current funds to the endowment, either to build capital for a particular purpose, or to maximize the return on those funds as a long-term investment. In both these instances, these funds are no longer available for other use to support operations, so they decrease the Consolidated Budget for Operations operating results. These transfers, however, have no impact on the Statement of Activities operating results, as the net assets of the university have not changed.

Converting the Consolidated Budget into the Statement of Activities

To convert the Consolidated Budget to the Statement of Activities under GAAP, certain revenue and expense reclassifications, transfers, and adjustments are necessary.

The following adjustments are made to the Consolidated Budget to convert it to the GAAP basis Statement of Activities:

Comparison of Consolidated Budget and Statement of Activities, 2009/10
Unrestricted Net Assets
[in millions of dollars]

Statement of Activities				Fiscal Year 2009/10		
2007/08 Actual	2008//09 June 2008 Budget	2008/09 Projected Year-End		Projected Consolidated Budget	Adjustments	Projected Statement of Activities
			Revenues and Other Additions			
			Student Income:			
241.3	251.6	252.4	Undergraduate Programs	265.6		265.6
235.0	243.1	247.6	Graduate Programs	260.9		260.9
105.0	107.6	109.9	Room and Board	118.3		118.3
(176.4)	(204.0)	(205.6)	Student Financial Aid[e]		(218.3)	(218.3)
404.8	398.3	404.3	Total Student Income	644.8	(218.3)	426.5
			Sponsored Research Support:			
555.9	555.3	529.4	Direct Costs—University	566.5		566.5
351.0	318.4	325.1	Direct Costs—SLAC	370.2		370.2
169.0	185.9	172.6	Indirect Costs	192.5		192.5
1,075.9	1,059.6	1,027.1	Total Sponsored Research Support	1,129.2		1,129.2
372.1	388.7	410.5	Health Care Services[f,k]	472.5	(54.8)	417.7
182.4	200.0	150.0	Expendable Gifts In Support of Operations	150.0		150.0
92.3	80.0	75.0	Net Assets Released from Restrictions	75.0		75.0
			Investment Income:			
881.6	981.8	933.1	Endowment Income	829.6		829.6
110.9	103.5	97.8	Other Investment Income[g]	56.8	(27.3)	29.5
992.5	1,085.3	1,030.9	Total Investment Income	886.4	(27.3)	859.1
355.4	359.4	362.8	Special Program Fees and Other Income[j]	364.8	5.0	369.8
3,475.5	**3,571.3**	**3,460.6**	**Total Revenues**	**3,722.7**	**(295.4)**	**3,427.3**
			Expenses			
1,706.1	1852.6	1,895.4	Salaries and Benefits[d,g,j]	1,903.2	23.6	1,926.8
350.8	318.4	325.1	SLAC	370.2		370.2
			Capital Equipment Expense[b]	70.3	(70.3)	
223.1	224.0	224.0	Depreciation[c]		235.4	235.4
			Financial Aid[e]	218.3	(218.3)	
895.8	974.1	907.7	Other Operating Expenses[f,g,h,j]	1,029.9	(109.4)	920.5
3,175.9	**3,369.1**	**3,352.2**	**Total Expenses**	**3,591.9**	**(139.0)**	**3,452.9**
299.6	**202.2**	**108.4**	**Revenues less Expenses**	**130.8**	**(156.4)**	**(25.6)**
			Transfers			
			Additions to Assets[a]	(111.2)	111.2	
			Net Internal Revenue/Expense[i]	19.0	(19.0)	
		0.0	**Total Transfers**	**(92.2)**	**92.2**	**0.0**
299.6	**202.2**	**108.4**	**Excess of Revenues Over Expenses After Transfers**	**38.6**	**(64.2)**	**(25.6)**

a) Eliminate Fund Transfers. The Consolidated Budget includes transfers of $111.2 million of current funds to other fund groups, including plant, student loans, and funds functioning as endowment.

b) Remove Capital Equipment purchases. The Consolidated Budget includes the projected current year's purchases of capital equipment as expense. For GAAP purposes, the cost of capital equipment is recorded as an asset on the Statement of Financial Position. As a result, $70.3 million is eliminated from Consolidated Budget expenses.

c) Record Depreciation expense for the current year's asset use. The Statement of Activities includes the current year's depreciation expense related to capital assets being depreciated over their useful lives. Depreciation expense includes the depreciation of capital equipment and other capital assets, such as buildings and land improvements. This adjustment adds $235.4 million of expense.

d) Adjust Fringe Benefit expenses. The Consolidated Budget reports the fringe benefits cost based on the fringe benefit rate charged on all salaries; the rate may include over- or under-recovery from prior years. The Statement of Activities reflects actual expenses for fringe benefits, so the over- or under-recovery amount has to be removed from Salaries and Benefits. The Statement of Activities also includes accruals for certain benefits, such as pension and post-retirement benefits that are required by GAAP to be shown as expense in the period the employee earns the benefit. For 2009/10, GAAP expenses are expected to be higher than budgeted expenses by $42.3 million.

e) Reclassify Financial Aid. GAAP requires that the tuition portion of student financial aid be shown as a reduction of revenue. In the Consolidated Budget, financial aid is reported as an operating expense. Accordingly, $218.3 million of student financial aid expense is reclassified as a reduction of revenues in the Statement of Activities.

f) Adjust Health Care Services. For GAAP purposes, Health Care Services revenues received from the hospitals are reported net of expenses that the university charges the hospitals. The Consolidated Budget presents these revenues and expenses on a gross basis. This adjustment reclassifies $43.5 million from Other Operating Expenses to Health Care Services revenues.

g) Adjust for Internal Investment Management Expenses. Included in the Consolidated Budget revenues and expenses are $27.8 million of internal expenses of the Stanford Management Company, Real Estate Operations, and the Investment Accounting department. For GAAP purposes, these expenses incurred as part of the generation of investment returns are netted against investment earnings. This adjustment reduces Other Investment Income, as well as reducing $21.2 million from compensation and $6.6 million from non-compensation expenses, with no net change in the bottom line.

h) Adjust Other Operating Expenses. The Consolidated Budget includes all debt service. It reflects as Other Operating Expenses the use of funds to cover repayment of the principal component of indebtedness. On a GAAP basis repayments of debt are reported as reductions in Notes and Bonds Payable in the Statement of Financial Position. Therefore, Other Operating Expenses must be reduced by the amount of debt principal amortization. In addition, adjustments must be made to account for the difference between internal and external interest payments. These adjustments reduce expense by $50.9 million.

i) Eliminate Net Internal Revenue/Expense. The Statement of Activities excludes all internal revenues and expenses. However, the Statement of Activities includes the activity of all fund types, while the Consolidated Budget does not include plant funds. Therefore, the net inflow of $19.0 million from plant funds into the Consolidated Budget for purchases of internal services must be eliminated.

j) Include Stanford Sierra Camp. The Statement of Activities includes the revenues and expenses of the Sierra Camp that the Alumni Association runs as a separate limited liability corporation. $5.0 million in revenues and $5.0 million in expenses gets added ($2.5 million in Salaries and Benefits and $2.5 million in Other Operating Expenses).

k) Eliminate Hospital Equity transfers: Payments received from the hospitals for which no services are required to be provided by the University are considered transfers of equity between the University and the Hospitals and are not included in operating revenue in the Statement of Activities. In the Consolidated Budget, these show as health care services income. This adjustment removes $11.3 million of revenue.

In summary, the impact of these adjustments decreases the Consolidated Budget's projected $38.6 million surplus by $64.2 million, resulting in a projected deficit of $25.6 million in the Statement of Activities.

ACADEMIC UNITS

OVERVIEW OF ACADEMIC UNITS

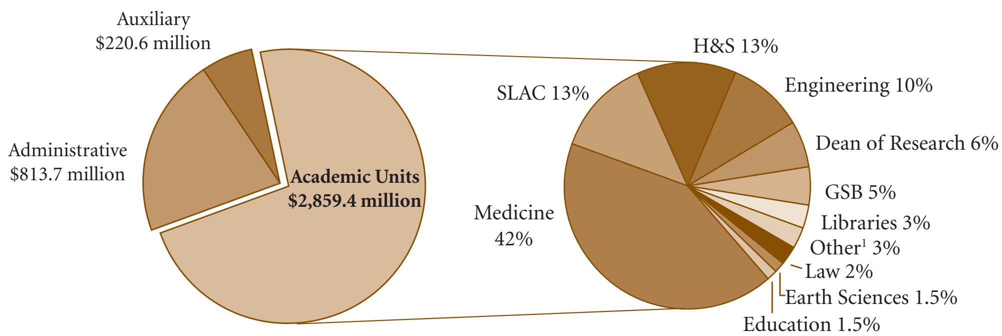
This section summarizes programmatic and financial activity for each academic unit. It offers a particular focus on the impacts of the economic downturn in each unit. Overall, the academic units are projecting an operating surplus of $65 million. However, after transfers to facilities and endowment, the units will draw down expendable fund balances and run a deficit of $5.7 million.

Consolidated Budget for Operations, 2009/10: Academic Units

[in millions of dollars]

Academic Units:	Total Revenues and Transfers	Total Expenses	Result of Current Operations	Transfers (to)/from Assets	Change in Expendable Fund Balance
Graduate School of Business	148.0	142.4	5.6	(7.5)	(1.9)
School of Earth Sciences	45.8	42.7	3.1	(2.5)	0.6
School of Education	33.8	33.5	0.3	(1.0)	(0.7)
School of Engineering	292.1	282.7	9.4	(7.3)	2.1
School of Humanities and Sciences	378.8	366.6	12.2	(5.4)	6.8
School of Law	61.1	56.5	4.7	(4.5)	0.2
School of Medicine	1,245.4	1,207.5	38.0	(35.1)	2.8
Vice Provost Dean of Research	156.3	166.4	(10.0)	(4.0)	(14.0)
Vice Provost for Undergraduate Education	39.3	37.6	1.7		1.7
Vice Provost for Graduate Education	4.2	5.9	(1.6)		(1.6)
Hoover Institution	44.1	42.1	2.0	(4.3)	(2.2)
Stanford University Libraries	95.7	95.4	0.2	0.8	1.0
SLAC National Accelerator Laboratory	379.8	380.2	(0.5)		(0.5)
Total Academic Units	2,924.4	2,859.4	65.0	(70.7)	(5.7)

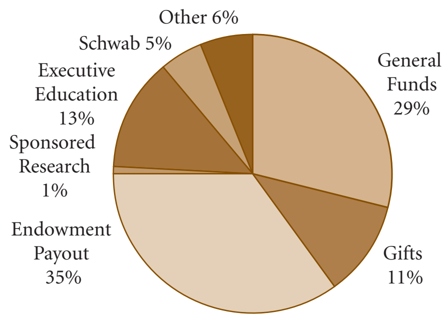
2009/10 Consolidated Expenses by Academic Units



[1] Other is Hoover, VP for Undergraduate Education, and VP for Graduate Education.

GRADUATE SCHOOL OF BUSINESS

2009/10 Consolidated Revenues
$148.0 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	153.3	153.4	148.0
Expenses			
Salaries and Benefits	84.0	93.1	94.1
Non-Salary	59.2	53.1	48.4
Total Expenses	143.2	146.3	142.4
Operating Results	10.1	7.1	5.6
Transfers From (to) Endowment & Other Assets	(9.1)		
Transfers From (to) Plant	0.0	(7.5)	(7.5)
Surplus / (Deficit)	1.1	(0.4)	(1.9)
Beginning Fund Balances	62.9	64.0	63.6
Ending Fund Balances	64.0	63.6	61.7

The Graduate School of Business (GSB) continues to focus on refining the new MBA curriculum, expanding and deepening collaborations with the rest of Stanford, and completing the new Knight Management Center (KMC) campus, scheduled to open for the 2010/11 academic year. While the GSB is committed to all three of these areas, the challenging economic situation has forced the reevaluation of certain goals.

Impact of Economic Downturn

The economic downturn that began in the fall of 2008 has had an impact on finances at the GSB. It is expected to reduce total revenues approximately $5 million for 2009/10. The major sources of revenue affected—the endowment, expendable giving, and executive education—make up approximately two-thirds of all GSB revenues. These revenue impacts are expected to continue over several years. In response, a process was established to reduce the operating budget for 2008/09 to bring expenses into alignment with projected revenues.

The GSB decided to focus its financial resources on its core programs: faculty teaching and research, the new MBA curriculum (now in its second year), and maintenance of the quality of the student experience in all four academic programs (MBA, PhD, the Sloan Masters Program, and executive education).

The GSB believes that 110 tenure-line faculty (up from 102 during 2008/09) are needed to sustainably and successfully offer the new MBA curriculum. Another goal is to have the PhD program be about the same size (110 students). Plans have been modified to reach these numbers more gradually than originally intended. Certain elements of the new curriculum are being reevaluated. Work has been done, for example, to make the Global Experience Requirement less costly in 2009/10 than in 2008/09. There will be a faculty review of the new curriculum during the summer, and the plan is to implement any major changes recommended for the 2010/11 academic year.

The size of the MBA class has slightly increased for fall 2009/10 and is expected to grow a bit more, along with the Sloan Masters Program, once the new campus is complete. Applications for the MBA program continue to increase, in part because of demographics and in part because of the innovative new curriculum offered. Investments are being made in student and alumni career services to help GSB graduates find jobs in a very difficult environment. Expenses associated with executive education have been reduced substantially to mirror the drop in participants and revenues.

Senior leadership of the school conducted a thorough and thoughtful evaluation of operating budget reductions. Due to the magnitude of the revenue shortfall, reductions will be needed in both program expenses and headcount. Although the budget reductions impact the entire school, they are not across the board. Budget managers identified the savings that could result from both programmatic and headcount reductions. Senior management of the school evaluated these potential savings. A midyear staff reduction was decided upon, and a layoff reduced overall staffing levels about 12% in January. Headcount was reduced another 7% by eliminating unfilled positions as well as most contract and fixed-term positions.

The plans put into place during 2008/09 are intended not only to help with the current budget shortfall, but also to preserve the long-term financial stability of the school. This is important not only for operations but also for the funding plan of the new campus, which requires the school to obtain both short-term and long-term debt financing.

Construction of the KMC will continue as planned, as it is critical for the future success of the GSB and is financed with dedicated funds. Fundraising continues, although much of it was completed prior to project approval in June 2008. The KMC is tracking well on both cost targets and schedule. The underground parking garage is under construction, and a great deal of site work for utilities and grading is under way in preparation for the first building construction to begin in late spring. Favorable bids from subcontractors have been obtained due to the economic slowdown. This has resulted in project cost reductions and improvements in the quality of materials and subcontractors.

Consolidated Budget Overview

GSB expenses are projected to decrease about 3% from the 2008/09 year-end projection to $142.4 million in 2009/10. This decrease is primarily due to the full-year impact of the staffing reductions and programmatic cuts implemented in 2008/09. The largest driver of expenses is faculty and staff salaries. The provost decided that there would be no salary program for 2009/10, which helps to limit expense growth. Another factor driving overall expense levels is that few net new faculty will be added, which helps keep salary and other faculty related expenses flat.

The GSB expects its 2009/10 revenues to decrease 4% from the revised budget plan for 2008/09. It expects tuition revenue for degreed programs to increase 8.7%. While tuition rates have increased about 5%, the school will have more students than in 2008/09. Tuition for first-year MBA students will increase 4.9%, second-year students' tuition will be flat, and Sloan students' tuition will increase 5.0%. The school forecasts executive education revenues to decrease 5% year over year due to the continued economic downturn.

Endowment income is expected to decrease 10%. Last year, the endowment provided 35% of overall funding for the school, particularly in the areas of teaching, research, and fellowships. In addition, the school expects a decrease of 15% in expendable gifts due to the economic climate.

The school expects 2009/10 reserves to be flat relative to the projected balance for 2008/09. Although a modest operating surplus is planned, the school continues to fund surge space for the former Serra Street occupants at a cost of about $5 million per year. This impact is to reserves rather than to the operating budget. In addition, there are plans to set aside $15 million in capital toward the new campus over two years as a continuation of the Capital Facilities Fund (CFF) started last year.

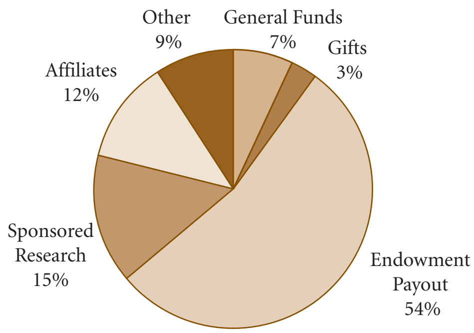
Capital Plan

The KMC is integral to the school's plans for leadership in business education. The new campus will be completed in 2011 at a board-approved budget of $374.3 million.

The KMC is designed to earn a Platinum Certification under the U.S. Green Building Council's LEED rating system. This is the highest rating a building can receive and represents a substantial commitment to sustainable design. The campus will also satisfy and, in some cases, exceed the university's space planning guidelines.

SCHOOL OF EARTH SCIENCES

2009/10 CONSOLIDATED REVENUES
$45.8 MILLION



[IN MILLIONS OF DOLLARS]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	58.3	51.3	45.8
Expenses			
Salaries and Benefits	23.8	27.6	28.0
Non-Salary	25.7	16.1	14.7
Total Expenses	49.5	43.7	42.7
Operating Results	8.8	7.6	3.1
Transfers From (to) Endowment & Other Assets	(3.2)	(3.8)	(2.5)
Transfers From (to) Plant			
Surplus / (Deficit)	5.7	3.8	0.6
Beginning Fund Balances	24.8	30.5	34.3
Ending Fund Balances	30.5	34.3	34.9

IMPACT OF ECONOMIC DOWNTURN

Planning Directions

The current economic downturn has come in the midst of Earth Sciences' efforts to transform itself into a twenty-first-century school focused on the study of planet Earth: its mantle and crust, atmosphere, climate, oceans, land and water systems, and energy resources. This transformation began with the strategic plan of 2005 and has yielded a remarkable shift across the organization, including ten new faculty hires in the last few years. The challenge for the school now is how to continue working toward its vision and goals with substantially fewer resources during this turbulent time.

Overall, Earth Sciences is committed to completing its transformation, albeit more slowly than desired. Several key principles will guide the school's decisions over the next few years: focus resources on junior faculty; support successful shared facilities; continue efforts to diversify our student, faculty, and staff population; continue efforts to improve use of school space; and finally, protect the school's ability to return to faculty hiring within the next three years.

Budget Reductions

Earth Sciences' budget reduction plans have been formulated with the above principles in mind. Efforts are being made to keep budget cuts away from junior faculty and shared analytical facilities that provide critical infrastructure to research and graduate student activities. And while aggressive plans for increasing diversity are on hold, activities are still planned to make headway in this area despite limited resources.

Reductions in the operating budget will be spread across the school in a variety of ways. A number of planned faculty searches have been put on hold indefinitely, including two searches that were unsuccessful in 2008. There will be spending cuts on all discretionary activities (travel, food, nonessential equipment) and modest staff reductions in administrative support in each department. Additionally, it is likely that several positions in the school's central office will be eliminated. One planned faculty retirement will also provide one-time savings, as the billet will be held open for several years.

Additional savings will come from reductions in faculty annual allocations, and discretionary funding to department chairs. These are seen as one time savings to help with a large total of outstanding commitments, primarily stemming from faculty start-up expenses for recent hires. The school will also change the way it pays out start-up packages, establishing a four year declining schedule that will allow a slower draw of school resources.

Endowment Shortfall Implications

Earth Sciences relies heavily on endowment income as the primary source of revenue for both its operating budget (86%) and its graduate student aid budget. The anticipated decline in endowment income in 2009/10 and 2010/11 is having a substantially negative effect on faculty hiring and graduate student admissions. The school anticipates overall losses of $2.4 million in endowment income in 2009/10 and an additional $3.2 million in 2010/11. With fewer resources it will be difficult to maintain graduate student enrollment at current levels without a significant change in the school's student funding model. Options are being explored to see what other sources of funding can be brought to bear to mitigate this situation, since the school's application numbers are at a high. Just as demand is increasing for graduate training, internal resources to support these students will decline precipitously.

Long-Term Outlook

The long-term outlook for the school is still strong, assuming a reasonable economic recovery. While the full transformation of Earth Sciences into a true twenty-first-century school will not be realized as quickly as had been hoped, it is well on its way. The infusion of new faculty over the last several years has substantially reinvigorated the school already. The slowdown in hiring will not prove disastrous, so long as hiring can be resumed within a few years. If, however, endowment income continues to decline beyond current projections, the impact on the school will be more serious and will force significant backsliding in areas where many gains have been made since 2004/05.

Consolidated Budget Overview

The year-end projection for 2008/09 shows a year-end balance of $34.3 million, with an overall increase of $3.8 million across all fund types. Gift fund balances are projected to grow by $1.2 million due to a number of graduate fellowship gifts received midyear (and not spent) and increased revenue from PIF transferred from endowment to gift. Endowment balances are projected to grow by $1.6 million, reflecting the planned 2008/09 growth in endowment income (6.2%), the shift from endowment support to gift support for a number of graduate aid packages, and support for 2008/09 faculty hires that were not made. Finally, $500,000 in designated balances is due to increases in corporate affiliate income, and $500,000 in operating funds is due to unspent graduate incidental expenses.

Looking ahead to 2009/10, Earth Sciences will welcome five new faculty members, three of whom were hired before the economic downturn. Because of the planned and irreversible nature of these budget increases, the school's operating budget will decline less dramatically than it otherwise would. In 2009/10 Earth Sciences is projecting consolidated expenses of $42.7 million, a net decline of $1 million from the 2008/09 year-end estimate. The net result is a projected modest increase of $600,000 in fund balances, due primarily to increases in faculty start-up balances. Across all fund types, the school is projecting a balance of $34.9 million.

Capital Plan

As mentioned above, Earth Sciences is at a crossroad and requires an investment in facilities. The school's capital plan funded from the facilities reserve for 2009/10 has three components: improved space utilization, gathering and conference spaces, and laboratory renovations.

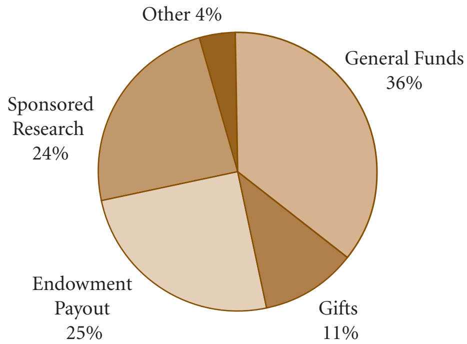
The school's need to accommodate program growth within its current footprint is an important factor driving the need for improved space utilization. As a result, the school developed a master plan in the spring of 2008 intended to bring its office spaces into alignment with the university's space guidelines. A particular focus of the plan is to provide student and faculty offices that will address the school's expected growth. Additionally, the plan outlines approaches for improved gathering and meeting places to encourage interaction among faculty, students, and staff.

The school's planning also focused on the Branner Earth Sciences Library, located in the Mitchell Building. The library was built in the 1970s and does not meet current research needs. During 2008/09, working closely with Stanford University Libraries and Branner Library staff, the school developed a strategy to bring Branner into the twenty-first century, so that its space and services support the school's teaching and research needs well into the future. A Branner Library study also addressed size and relocation options. Further study is required before actual implementation.

Finally, the school's 2009/10 capital investment will include laboratory renovations in support of new faculty through consolidation of senior faculty space. Many new faculty are experimentalists with substantial wet lab needs that are unique and thus require alterations to existing facilities. In addition, faculty with significant computational research needs will put new demands on the school's computing infrastructure, requiring capital investment in this area as well.

SCHOOL OF EDUCATION

2009/10 Consolidated Revenues
$33.8 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	34.9	36.6	33.8
Expenses			
Salaries and Benefits	21.8	22.8	23.3
Non-Salary	9.8	11.0	10.2
Total Expenses	31.6	33.8	33.5
Operating Results	3.3	2.8	0.3
Transfers From (to) Endowment & Other Assets	(0.9)	(1.0)	(1.0)
Transfers From (to) Plant		0.3	
Surplus / (Deficit)	2.3	2.0	(0.7)
Beginning Fund Balances	22.7	25.1	27.1
Ending Fund Balances	25.1	27.1	26.4

Impact of Economic Downturn

The recent economic downturn has impacted the School of Education on many levels. The school's general funds allocation, endowment payout, gift revenue, and research activity will all be adversely affected.

For the past several years, the school has engaged in a number of initiatives to improve schools and community contexts for youth. These include the K–12 charter school in East Palo Alto, the Stanford Education Leadership Institute, and the John W. Gardner Center for Youth and Their Communities. The K–12 initiative has spawned the Center for the Support of Excellence in Teaching, the Center for Research on Education Policy, and an executive education program for principals. Another exciting initiative is the "open access" project, whereby faculty will broaden access to research and scholarship by making their scholarly articles available for free to the public.

The challenge for the School of Education is to keep these important programs moving forward in the face of diminishing resources. While the school has developed a plan to address much of the shortfall in revenue that supports the operating budget, programs that rely almost entirely on restricted funds have planned layoffs and will need to reduce their scope of work until new sources of funding are secured.

General Funds

For 2009/10, the school will absorb a 13% cut to its allocation of general funds, which constitutes 36% of its consolidated budget. This has put significant strain on the budget and forced the school to make difficult decisions. It has focused on two directly related priorities: (1) maintaining the prominence of the faculty and the quality of graduate programs, and (2) sustaining an appropriate level of service and support to faculty.

The full School of Education faculty had input into the budget reduction plan following a presentation of all budget-cutting options. The presentation and ensuing discussion helped the faculty understand the trade-offs necessary in this budgetary climate and yielded a clear understanding of their priorities. The plan includes a combination of items, including giving up two faculty positions, reducing staff through attrition, and shifting resources planned for other purposes to cover ongoing operational needs. School units are also required to significantly reduce all discretionary spending. Elimination of the two faculty billets means abandoning plans to expand into critical new areas of research, such as cognitive neuroscience. However, the alternative was to further stretch an already lean staff, which has grown only modestly over the past decade despite strong growth in faculty over that period.

Endowment

Endowment payout represents roughly one-quarter of the school's consolidated budget. About half of this $9 million supports faculty salaries, programs, and general school operations, while the other half supports graduate students. A 25% decline in endowment payout over the next two years will significantly strain the school's ability to support its graduate students at the current level. Just this year, in response to several years of very strong endowment growth, the school elected to increase graduate aid allocations for its masters programs in an effort to expend accumulated fund balances. It will retreat to historic funding levels for these students beginning in 2009/10.

With the precipitous drop in endowment market value, the school now has over a dozen "underwater" endowed funds with a cumulative shortfall of nearly $1 million. This figure would have been much higher if not for quick work to change the language on one very large fund that supports student loans. Though it hopes to have similar success in loosening payout restrictions on other underwater funds, the school is budgeting conservatively to reflect the full shortfall from these endowments. It plans to reduce expenditures supported by underwater funds but also to bridge the shortfall with use of accumulated balances until those funds yield full payout.

Sponsored Research

The School of Education is unique in that about two-thirds of its grants and contracts income comes from nongovernment sources. As foundations have seen their endowments decline dramatically, the school anticipates less funding for its principal investigators, at least for the next several years. However, the school is increasingly looking to access federal funds; in particular, NSF or NIH.

Gifts

The School of Education has benefited greatly in recent years from many generous gifts not just in support of new initiatives, which are essential, but also for faculty chair and graduate aid endowments that have relieved pressure on unrestricted school funds. Without these new sources of revenue, the school would be in a much worse position to address the operating shortfall. Though fundraising may be more challenging in the coming years, the school remains committed to finding new sources to support operations.

Consolidated Budget Overview

The school projects a consolidated budget surplus of $2 million in 2008/09 after net transfers to assets. About half of this surplus will occur in the operating budget, where the school enjoyed significant salary savings due to several vacant faculty and staff positions. The remaining surplus is primarily unspent endowment payout (unusable this year due to restrictions) and growth in faculty expendable funds, which include start-up packages that are expended over a number of years.

In 2009/10, revenue is expected to decrease 9.5% and expenditures to drop slightly. This combination results in a planned consolidated budget deficit of close to $700,000, a $2.7 million decline from the strong 2008/09 surplus. Through both conservative fiscal management and very successful fundraising, the school managed to build up a sizable reserve over the past few years, and it is prepared to leverage those balances during this difficult period while still maintaining appropriate reserve levels.

On the expense side, reductions in discretionary spending and savings from staff attrition will be offset by fewer vacant faculty positions due to recent hires. The school will continue to assess staffing levels, graduate student funding, and academic priorities.

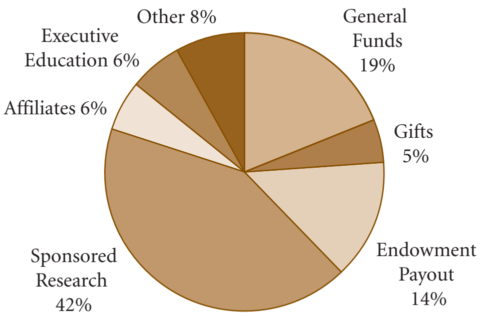
Capital Plan

To provide leadership in academic programs and to attract outstanding students, staff, and faculty, the School of Education hopes to continue to upgrade and improve its existing spaces, but funds that were expected to be available for facilities improvements are being repurposed to cover budgetary shortfalls. In summer 2009, the School of Education building will undergo the first phase of a planned seismic retrofit. This phase will address unreinforced masonry issues with the entrances and arcades as well as the Cubberley Library. The library mezzanine will be demolished, and the library will undergo upgrades and reconfiguration to allow more efficient space use and conformity with current library standards.

The school is working to reconfigure its office space to comply with university space guidelines. A master planning study completed in 2008 includes plans for improved space utilization for faculty, administration, and students, which the school will be pursuing in 2009/10.

SCHOOL OF ENGINEERING

2009/10 Consolidated Revenues
$292.1 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	303.3	302.3	292.1
Expenses			
Salaries and Benefits	154.7	167.0	164.1
Non-Salary	117.2	120.1	118.5
Total Expenses	271.9	287.1	282.7
Operating Results	31.4	15.2	9.4
Transfers From (to) Endowment & Other Assets	(9.2)	(0.2)	(0.3)
Transfers From (to) Plant		(4.5)	(7.0)
Surplus / (Deficit)	22.2	10.5	2.1
Beginning Fund Balances	162.4	184.6	195.1
Ending Fund Balances	184.6	195.1	197.2

Impact of Economic Downturn

The School of Engineering has maintained a consistent strategic focus for the last several years, emphasizing interdisciplinary research, innovative teaching and maintaining core competencies. Its initiatives in information technology, nanoscience and nanotechnology, energy and the environment, bioengineering and curriculum innovations have progressed well this year. Several important developments are worthy of particular mention. The school is in collaboration with other units on campus in the pursuit of equipment grants for shared facilities in the Nano Center building, currently under construction and planned to open in fall 2010. The Bioengineering department will begin offering an undergraduate major in 2009-10. Both the Hasso Plattner Institute for Design and the Stanford Technology Ventures Program continue to receive prestigious awards and recognition for their innovative approach to teaching and helping students acquire a mix of skills (from "design thinking" to securing funding for entrepreneurial ventures) needed to round out traditional academic study and prepare them for leadership roles.

While the current economic situation has not affected the school's strategic focus, it is significantly constraining the resources available to pursue it. The combined effects of a cut to the school's general funds allocation and accelerated declines in endowment income payout in 2009/10 and 2010/11 amount to nearly a 10% reduction in the school's operating budget compared with 2008/09 and a nearly 21% reduction in those operating budget expenditures which may feasibly be cut. In response, the school has made some very difficult choices for 2009/10. The school's faculty will see significantly reduced administrative services and support in the Dean's Office and departments. Teaching assistantships will be reduced. Some of the school's vacant billets may also be "frozen" until new funds can be raised to support the associated salary. Many new programs, such as initiatives to renew the teaching curriculum or assist faculty with transitioning into new areas of research, have been eliminated. Development efforts and alumni relations activity will be substantially scaled back. Additional endowment income will be directed to the operating budget, reducing the school's available funds for faculty start-up packages and new initiatives.

The endowment shortfall for the School of Engineering in 2008/09 is forecast to be approximately $5.1 million, of which $1.8 million will affect the operating budget. Budget cuts to reduce the 2009/10 operating budget will be taken in the latter part of 2008/09 and will help to address this issue, along with one-time reserves and efforts by the Office of Development to explore with donors the possibility of using more of the fund principal to meet payout.

It is fortunate that the School of Engineering entered this unforeseen economic crisis in very sound financial condition and with a strong fundraising track record. Sustaining core operations will be extremely challenging in the near-term, with fewer resources and more constraints on innovation, but in the long run, the school expects to rebuild or extend its programs through fundraising and a return to stronger levels of endowment payout.

Consolidated Budget Overview

The School of Engineering projects a consolidated operating surplus of $15.2 million in 2008/09, leading to a $10.5 million surplus after $4.7 million in transfers to assets. This is down 37% over the budgeted $24.2 million surplus, due primarily to the drop in endowment income. Sponsored research continues to be a major contributor to the School's budget, representing 39% of revenues in 2008/09. Federal grants and contracts are projected to have a lower success rate than expected but non-federal research will likely post stronger gains, with overall research results falling short of the 2008/09 budget by 2.9% but still up 3.4% from 2007/08.

In 2009/10, revenues and transfers are forecast to decrease from a projected $302.3 million in 2008/09 to $292.1 million, down 3.4%, due primarily to reductions relative to 2008/09 in general funds (-15%), loss of endowment income (-11%) and reduced expendable gift receipts, as a result of the more challenging fundraising climate (-25%). However, sponsored research is expected to increase by 2.6% and federal stimulus package awards represent a potential upside beyond this. Designated income is expected to stay roughly flat, with slight declines in revenue from the Stanford Center for Professional Development's programs offset by new contributions from affiliate programs.

Expenditures are forecast to decrease from a projected $287.1 million in 2008/09 to $282.7 million in 2009/10, down 1.5%. This is comprised of a decrease of 2.7% attributable to non-sponsored sources of funds relative to projected 2008/09 results (down from $162.5 million to $154.8 million) and an increase of 1.2% attributable to sponsored project revenue and offsetting expenditure (up from $124.6 million to $127.9 million). As a result of these combined effects in revenue and expenditure for 2009/10, operating results are forecast at $9.4 million, down 38% from the projected $15.4 million 2008/09 operating results.

The school anticipates a $2.1 million surplus in 2009/10, leading to forecast ending fund balances of $197 million. About 60% of balances fall within the school's definition of reserves, with about 20% controlled at the school level. Approximately 65% of endowment income fund balances are controlled at the school level and a large percentage of these are for endowed Chairs, faculty and student support. Plans have already been made to direct some accrued endowment income balances to capital projects in an attempt to offset the loss in the Stanford Engineering Venture Fund quasi-endowment principal, which had been the intended source for these expenditures. 48% of designated fund balances are controlled by faculty and divisions or laboratories within departments, and 71% of expendable fund balances are controlled by faculty or divisions and laboratories. A substantial percentage of expendable and designated funds are earmarked for research.

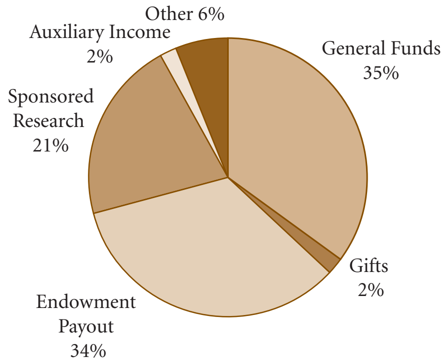
Capital Plan

The School of Engineering has an ambitious strategic objective of housing all of its departments in "21st-century" facilities by 2012. Four of the new buildings in the Science, Engineering and Medicine campus (SEMC) are major elements in meeting this objective and are proceeding well, with the Jen-Hsun Huang Engineering Center (HEC) expected to open by fall 2010. The Automotive Innovation Facility and renovation of the Peterson building to house the Hasso Plattner Institute of Design will be complete by fall 2009. Regretfully, the school has had to suspend a number of capital projects due to the loss in market value of reserve funds intended to finance construction. The Green Dorm, the new Mechanical Engineering building (on the site of Building 630) and Panama Mall renovation projects in Buildings 02-520, 02-524, 02-560 and Durand, all previously identified as forecasted construction projects in the 2008/09-2010/11 Capital Plan, have been placed on hold and appear in the Suspended Projects table in Section 4.

Sustainability is central to the School of Engineering's approach to both new buildings and renovations. The early success of the Yang and Yamazaki Environment and Energy Building has led to more ambitious goals for increased efficiency of energy and water use for the additional buildings in the SEMC. The Jen-Hsun Huang Engineering Center is being designed to reduce peak energy demand by 37% (including plug loads) compared with a similar building of more traditional design. The installation of infrastructure for solar panels to enable on-site power generation may enable further utility savings in the future. The school is also employing sustainable materials for the interior and exterior finishes of the HEC.

SCHOOL OF HUMANITIES & SCIENCES

2009/10 Consolidated Revenues
$378.8 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	388.0	396.1	378.8
Expenses			
Salaries and Benefits	211.1	224.5	224.7
Non-Salary	131.3	140.3	141.9
Total Expenses	342.4	364.9	366.6
Operating Results	45.7	31.3	12.2
Transfers From (to) Endowment & Other Assets	(13.2)	0.7	(0.3)
Transfers From (to) Plant		(6.9)	(5.0)
Surplus / (Deficit)	32.4	25.0	6.8
Beginning Fund Balances	174.0	206.4	231.4
Ending Fund Balances	206.4	231.4	238.2

Impact of Economic Downturn

The current economic downturn presents opportunities to continue the prioritization and optimization processes that have improved the school's position during the past two years. 2009/10 base general funds were reduced by $16.4 million. Endowment payout will decrease by 10%, reducing funding by an additional $14.2 million. A portion of the endowment payout decrease will be funded by additional general funds from the provost, offsetting $8.5 million of this endowment decrease. The total impact of these changes is a $22.1 million decrease in H&S funding streams – 6.1% of the school's consolidated total.

In addition, endowments with market values that are less than book value are projected to create payout shortfalls of $22.9 million. $18.5 million of the projected shortfall is in Dean's Office-controlled endowments: primarily Hewlett, endowed chairs, and graduate aid funds. The majority of the $4.4 million department and program shortfalls are localized in a few programs that are almost entirely supported by endowment. Budgets in these programs are under evaluation to balance support of an adequate level of activity with long-term conservation of endowment principal. 2008/09 and 2009/10 projections assume full use of payout where donors have adopted the new prudent payout rule and assume that 80% of remaining donors will also adopt the new language, leaving unfunded shortfalls of $2.5 million.

Endowment payout is projected to decrease an additional $19.9 million (15%) in 2010/11. While some portion of this decrease will be mitigated by additional general funds, H&S is already beginning the planning process for dealing with a significant additional decrease.

The school is embarking on a number of immediate and longer-term budget reduction plans. Staff salary and EM&S funding to H&S departments will be reduced by 10% while interdepartmental programs will take larger cuts. Overall the school projects a reduction of 25 staff positions through layoffs and attrition. The Dean's Office will reduce expenditures through staff reductions and funding decreases to functional areas, facilities projects, and other support programs. Longer term, the school will evaluate the consolidation of several interdisciplinary programs, achieving some savings by moving administrative responsibilities to departments. These changes will be difficult but should serve the school well over the long run. During the short term, the school has also put a moratorium on faculty hiring. The resulting net decrease in H&S faculty will achieve significant savings in salaries and one-time startup costs. The school has also frozen graduate aid funding in order to achieve a balanced budget, shifting $3 million of costs to department-controlled endowment flows and accumulated balances. Both of these areas are strategic priorities for the school and reductions are neither in the school's long-term interest nor are they sustainable. These actions will be reevaluated as the school develops additional reduction plans responding to the most recent downturn in endowment payout.

Consolidated Budget Overview

H&S projects a $6.8 million consolidated budget surplus for 2009/10 after transferring $5 million to plant. Consolidated expenses are projected to rise marginally over 2008/09 forecast levels while salary expenses decrease $2.4 million as a result of faculty searches put on hold and staff layoffs. Consolidated fund balances are projected to total $238.2 million at year-end. Designated fund balances are projected to grow $1.9 million, slowing significantly from 2008/09 rates. Transfers of recruitment and retention packages to faculty support accounts have been adjusted downward to more closely match actual spending rates. For several years, transfers were made at a predetermined rate, which exceeded actual spending patterns. This change conserves Dean's Office resources and halts the growth of support account balances that has been experienced for the past four years. An additional $2 million of designated reserves will provide operating budget support, replacing funding from endowments with payout shortfalls.

Endowment balances are projected to increase by $2.3 million. In previous years much of the school's consolidated fund balance growth has been in endowments – primarily department and program-controlled funds and smaller amounts in restricted endowed chairs in the Dean's Office. Endowment balances grew by $4.9 million in 2007/08, but reflected capitalization of $13 million of accumulated balances. 2009/10 growth is projected to decrease because of reduced payout amounts, underwater funds with payout shortfalls, and increased use of flows and balances to support continuing operating budget expenses. Departments and programs are projected to increase use of endowment payout by $2 million to continue operating activities that were previously supported by Dean's Office endowments and general funds. Operating budget support from Dean's Office endowments is projected to decrease by 10% since useable endowments are being fully used.

Capital Plan

The school has initiated a significant facilities planning effort for Biology and Chemistry, including a new Biology building and combined Biology and Chemistry undergraduate teaching labs. The Art and Art History Department (including the new Film and Media Studies Program) is planned to move to a new facility on the site of the old Anatomy building adjacent to the Cantor Arts Center. H&S is also a partner with the President's Office in planning the new Bing Concert Hall. These new facilities support significant academic initiatives of the Stanford Challenge. The school continues to undertake a range of laboratory and other renovations each year in support of new faculty recruitment, program growth and development, and ongoing needs.

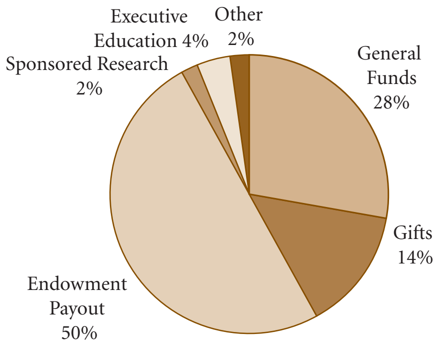
Recently, H&S completed an extensive reallocation and reconfiguration of academic space in many areas of the Main Quad. This project helped the school accomplish pressing programmatic goals and better meet the University space guidelines. Additional moves on the Main Quad will continue to pursue the goal of efficiently using the space that the school currently occupies, while also planning for future needs.

The school has begun a project to renovate space within Jordan Hall for the Psychology Department to house the new Cognitive and Neurobiological Imaging Center (CNI). The construction of the center will include installation of a MRI scanner, associated equipment and support spaces. The center will provide resources for researchers and students concerning imaging principles and methods used in cognitive and neurobiological sciences.

The impact of the economic downturn on funding and budget constraints has resulted in a delay of the new Biology (SEMC) building and Art building (Old Anatomy Renovation). These projects are included on the Suspended Projects table, found in Section 4, Capital Budget and three-year Capital Plan.

SCHOOL OF LAW

2009/10 Consolidated Revenues
$61.1 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	59.6	62.0	61.1
Expenses			
Salaries and Benefits	36.2	38.5	37.3
Non-Salary	16.8	19.8	19.2
Total Expenses	53.0	58.3	56.5
Operating Results	6.6	3.6	4.7
Transfers From (to) Endowment & Other Assets	(2.7)	(1.5)	(1.5)
Transfers From (to) Plant		(4.5)	(3.0)
Surplus / (Deficit)	3.9	(2.4)	0.2
Beginning Fund Balances	21.4	25.3	22.9
Ending Fund Balances	25.3	22.9	23.1

Impact of Economic Downturn

Economic disruptions are never welcome. They are especially challenging when an organization is in the midst of a sweeping programmatic transformation, as the Stanford Law School (SLS) is. With that in mind, three overarching principles were diligently applied to the 2009/10 SLS budget process, striking a delicate balance between continuing program evolution and the extreme budget ramifications of the severe global economic downturn.

For four straight years, Stanford Law School has been making unprecedented, rapid, and dramatic changes to its program. While steadily growing, the school has been careful to reduce unnecessary expenditures and to make operations more efficient. Hence, recent years' budgets have incorporated savings from the elimination or reallocation of resources. One consequence is that ineffective SLS programs no longer exist. As a result, creativity and flexibility are needed to reduce the school's budget while maintaining the momentum generated by successful new programs.

The first principle guiding the 2009/10 budget process is minimization of change in interdisciplinary, clinical, and public service programs. Without question, these are the most important new developments in the SLS curriculum, and the school has reaped substantial benefits from inaugurating or enhancing them; it would be a serious mistake to sacrifice these now. This is particularly true in 2009/10, the year SLS makes the long-awaited full transition to the quarter system. Many of the advantages this system offers students, faculty, and alumni are connected to these three programs, and failure to deliver would be devastating—particularly as the economic downturn is already exacerbating the greatest risk associated with changing to quarters, namely, limitation of opportunities in the summer job market.

The second guiding principle is that budget reductions need to be achieved without slowing the efforts to increase the school's faculty. Peer law schools are not changing their faculty hiring plans or practices, and SLS cannot deviate in this respect. A hiring freeze or even a significant slowdown of faculty recruitment would, among other things, make SLS more vulnerable to lateral losses.

Third, budget reductions should be spread throughout the school, so all faculty and staff share the hardships.

These three guiding principles explain much of what SLS has done—and not done—in the 2009/10 Consolidated Budget Plan. While it has reduced expenses in the law clinic and public service program, for instance, it has kept these cuts to a minimum. Similarly, the curriculum advising project and funding for joint degree and graduate students have not been impacted. SLS has, moreover, proposed income enhancements in addition to budget reductions to ensure adequate funding for faculty hiring. Also, some of the smaller reductions, such as modest cuts in faculty research accounts, were incorporated into the budget to ensure that everyone shares the burden of resource constraints. In other words, there is an overarching budget plan, one designed to meet the university's requirements while enabling SLS to continue to flourish in the years to come.

Finally, Stanford Law School is continuing to devote significant financial and staffing resources to the new Academic and Clinic Building, both by transferring assets to plant and by focusing considerable new effort on fundraising for the building. Additionally, the dean is endeavoring to work with faculty leaders of academic program centers to use associated available restricted funds first, thereby unburdening unrestricted funds for direction toward the building.

Consolidated Budget Overview

The enormity of the global economic downturn has negatively impacted SLS's 2009/10 Consolidated Budget, which in many ways is a continuation of the measures the school commenced in 2008/09 to ensure long-term financial prosperity. The economic situation has permeated both revenue and expense in a devastating manner that seemed unfathomable only months ago.

Without question, the most unpredictable component of the budget plan is endowment income. Endowment market value has declined approximately 30%, which will reduce payout 10% to approximately $31 million. However, these figures are still tenuous given the uncertain state of the global markets, and are further complicated by the classification of newer endowment funds as underwater due to the precipitous decline of the endowment. The exact amount of the endowment reduction is still unknown, but its impact on the school's budget is crucial.

SLS is projecting a slight surplus in 2009/10. Consolidated revenues are $61.1 million, down $821,000 from 2008/09 projected year-end revenue. Consolidated expenses have declined to $56.5 million, down $1.8 million from 2008/09 anticipated year-end expense. After accounting for transfers to plant ($3 million) and transfers to student loan ($1.5 million), SLS projects a surplus of about $183,000. This leaves the school's fund balances relatively constant at $23 million. Nevertheless, it is quite possible that prolonged economic uncertainty, especially pertaining to revenue, along with unforeseen capital expenditures, would require continuation of the erosion of SLS fund balances that began in 2008/09.

Capital Plan

The Munger Residence Hall is near completion. This facility, planned to open in 2009/10, will house 600 students and include a Great Hall that seats 250, a full catering kitchen to support the Great Hall and Café, a convenience store, and meeting rooms for both student use and executive education programs.

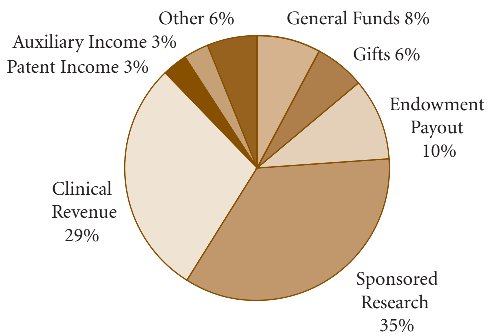
Sustainability features in the Munger project include water conservation technologies, a high level of natural lighting, and drought-tolerant landscaping. The most significant sustainability strategy has been efficient land use planning involving higher-density development. The project also will bring commuting law students to the campus to live (reducing traffic and carbon output) and provide local amenities (a café, convenience store, and meeting space) to support a live-learn environment on campus.

SLS plans to break ground on a new Academic and Clinic Building in summer 2009. This facility will provide specialized space needed for planned expansion of clinical activities and for work in empirical legal studies. This three-story building will cost approximately $71 million, including both the demolition of Kresge Auditorium and the construction of a connective quad and site elements. In addition, the school is developing a phased strategy for the renovation of Crown Quadrangle to repurpose its facilities and maximize space efficiencies.

The design for the new building incorporates natural light and exterior views along with exterior courtyards to maximize daylighting. Energy conservation features, including operable windows, lighting and HVAC controls, and sun-shading options, are integral parts of the project design, as are water conservation measures. The design team's objective is to meet or exceed the university goals for a 30% reduction in energy demand.

SCHOOL OF MEDICINE

2009/10 Consolidated Revenues
$1,245.4 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	1,137.2	1,188.0	1,245.4
Expenses			
Salaries and Benefits	634.3	677.2	710.7
Non-Salary	442.8	459.2	496.7
Total Expenses	1,077.1	1,136.4	1,207.5
Operating Results	60.1	51.6	38.0
Transfers From (to) Endowment & Other Assets	(20.8)	(32.3)	(18.0)
Transfers From (to) Plant	(53.9)	(13.4)	(17.1)
Surplus / (Deficit)	(14.7)	5.8	2.8
Beginning Fund Balances	458.3	443.7	449.5
Ending Fund Balances	443.7	449.5	452.3

Impact of Economic Downturn

The global events and worsening recession since the fall of 2008 have had unprecedented negative impacts on the school's endowment, interest income, and financial reserves. Several not-for-profit foundations that provide research support have reduced or delayed grant funds. However, with the passage of the federal stimulus act, our faculty are applying for NIH "stimulus" grants, which will expand research activities over the next two years.

Academic medical centers serve as the wellspring of discovery and innovation. They educate and train physicians and healthcare professionals for the future. These difficult times present challenges and require hard choices. The school has joined the university in eliminating salary increases for faculty and staff in 2009/10, although promotions will continue in select cases. The school will implement 10% program reductions in selected areas by scaling back non-compensation expenses and by reducing a limited number of staff The school will continue to focus on its strategic goals, set by faculty, students, and staff over the past eight years. These goals have redefined the school and established an institutional agenda to preserve and advance interdisciplinary and translational research and education, and to advance excellence in patient care.

In education, the various changes include the following highlights:

- ongoing implementation of a new curriculum (introduced in the fall of 2003)
- improved support for graduate student tuition and education
- the Masters of Science in Medicine program for PhD students, which is a training ground for the next generation of researchers focusing on translating discoveries into patient therapies and cures
- the Advanced Residency at Stanford program, which allows clinical fellows to help develop physicians with comprehensive research training

In research, the school recently received the "Clinical and Translational Science Award" from the National Institutes of Health (NIH), and during the same year became a National Cancer Institute–designated Cancer Center. It continues to promote translational and interdisciplinary research and to pursue translational medicine through the Stanford Institutes of Medicine and Strategic Centers, and the growth and development of Bio-X and the Department of Bioengineering.

Consolidated Budget Overview

In 2009/10, the school is projecting an overall surplus of $2.8 million based on a surplus from operations of $38.0 million and a transfer of $35.1 million to plant and endowment. The school is fortunate in that its research and clinical missions are continuing to grow. Key components of the 2009/10 plan include the following:

- Expenses are projected to increase 6.3% over the projected 2008/09 results, while revenues and transfers are projected to increase 4.8%.
- Of the school's total revenue and transfers, sponsored research generates 34.7%; revenues from clinical operations and tuition contribute 25.4% and 3.4%, respectively. Expendable gifts, endowment income, and other designated income, such as patent income, constitute the majority of the remainder.
- The school plans to set aside $10.0 million in the Capital Facilities Fund (CFF) for future capital projects, including the Foundations in Medicine (FIM) #1 Building and the Freidenrich Center for Translational Research.

Revenue Growth

Revenue and transfers are projected to increase 4.8% for 2009/10 over the projected 2008/09 results, from $1,188.0 million to $1,245.4 million. Key drivers of the revenue growth are the following:

- Federal and nonfederal sponsored research revenue is projected to grow 13.6%, reflecting the effect of ARRA incremental funding to the NIH, a higher indirect cost rate on NIH grants, incremental faculty, and new awards from the California Institute of Regenerative Medicine.
- Clinical professional service agreement and service payment revenues are projected to grow 2.5%, primarily as a result of clinical programs expansion, including the opening of the Stanford Medicine Outpatient Center in Redwood City in February 2009 and increases in the payments from Lucile Packard Children's Hospital.
- These increases are offset by substantial declines in both endowment income and investment income. Endowment income is projected to decrease 7.6%, reflecting a 10% payout decrease on existing assets offset by a modest influx of new gifts. Due to the anticipated change in the Board of Trustees policy on expendable funds pool income, the school is projecting no income from zero-interest fund balances, resulting in a $17.4 million, or 93.5%, drop in income, from $18.6 million in 2008/09 to $1.2 million in 2009/10.
- Gift revenue is expected to remain flat at the 2008/09 level, which was substantially lower than the level in 2007/08.

Expense Growth

The school's 2009/10 budget plan includes the projected net recruitment of 43 incremental faculty – 25 from the Medical Center line and 20 from the university tenure line – and their associated program and staff support. The incremental faculty will be recruited primarily for the interdisciplinary institutes, bioengineering, genetics/genomics, and the cancer center, and to support growth in the clinical practices.

Expenses are projected to increase 6.3%, or $71.1 million, compared to projected 2008/09 results. The major components of this increase are:

- A $17.8 million increase in annual compensation for academic and staff salaries and net vacation is primarily from the associated compensation related to the recruitment of incremental faculty
- A $15.7 million increase in employee benefits and other compensation for academic and staff employees reflecting primarily the benefit rate increase
- A $37.7 million increase in non-compensation expenditures, primarily driven by a net payment to the hospitals for the school's usage of hospital space for academic and research purposes, incremental sponsored research expenses, and increases in operations and maintenance project expenses

Transfers to Plant, Endowment, and Other Assets

The projected transfers to plant of $17.1 million include $4.3 million for FIM #1 Building design, $3.0 million for Freidenrich Center planning and design, $2.0 million for Academic Walk, and $2.7 million to fund strategic capital projects. The remaining portion ($5.1M) will be spent on various smaller projects. The projected transfer totals $18.0 million, with $10.0 million going to the Capital Facilities Fund. Transfers to endowment are the balance, and include investments in quasi endowment totaling $8.0 million.

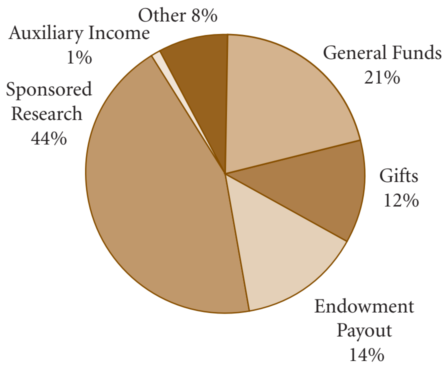
Capital Plan

The Li Ka Shing Center for Learning and Knowledge (LKSC) is planned to open in winter 2010. This facility will provide space to satisfy critical program requirements related to medical and graduate education, including simulation-based classrooms and conference facilities.

In addition, the Lorry I. Lokey Stem Cell Research Building (formerly the Stanford Institutes of Medicine #1 building) will be completed by summer 2010.

VICE PROVOST AND DEAN OF RESEARCH

2009/10 Consolidated Revenues
$156.3 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	231.6	165.4	156.3
Expenses			
Salaries and Benefits	78.7	86.4	88.4
Non-Salary	82.5	88.4	78.0
Total Expenses	161.2	174.8	166.4
Operating Results	70.4	(9.4)	(10.0)
Transfers From (to) Endowment & Other Assets	(75.5)	(19.7)	0.5
Transfers From (to) Plant		(2.5)	(4.5)
Surplus / (Deficit)	(5.1)	(31.5)	(14.0)
Beginning Fund Balances	383.6	378.5	347.0
Ending Fund Balances	378.5	347.0	333.0

The Office of the Vice Provost and Dean of Research (DoR) is responsible for the development and oversight of research policy; oversight of the independent laboratories, institutes and centers; and management of the Offices of Environmental Health and Safety, Research Compliance, Science Outreach, Sexual Harassment Policy and Technology Licensing.

Impact of Economic Downturn

DoR's laboratories, institutes and centers are striving to minimize the impact of the economic downturn. They are typically funded by a combination of sponsored research, gifts, endowments, base and one-time general funds, and are impacted by the decline in all funding sources. Some units with diverse sources of income will be able to shift expenses to alternative funding sources to support programs and operations while others will need to reduce staff and programs. Core programs will be maintained although some elements, such as workshops and symposia will be reduced in scope and frequency; reductions will limit research fellowships that are a major activity of several centers, e.g. the Stanford Humanities Center (SHC) and the Center for Advanced Study in the Behavioral Sciences (CASBS). All of the independent labs and centers will have to reduce the seed funding they are able to provide for pilot research projects. The Dean's office will offer increased services to its units to make up for anticipated shortfalls in staff for human resources, finance and research administration, which will have an impact on central DoR activities. In addition, the independent laboratories are continuing efforts to share staff between laboratories to increase efficiencies and to take advantage of expertise within the laboratories.

The DoR general funds allocation for fiscal year 2009/10 is reduced by $3.8 million. As a result, the independent laboratories will reduce expenses and staff, shift expenses to alternative fund sources or will spend prior year funds, including reserves. Because the administrative units are primarily funded by general funds, they have limited opportunities to use alternative funds and will therefore reduce expenses and staff. Operations will be curtailed and they will focus on life safety, laboratory safety, and regulatory compliance.

The reduced endowment payout and projected shortfall will limit the ability of units to shift expenses previously funded by general funds to endowments. There are also centers that rely solely on endowment and gifts. The independent institutes and centers most affected are the Freeman Spogli Institute for International Studies (FSI), the Stanford Institute for Economic Policy Research (SIEPR), CASBS, SHC, and the Woods Institute. These units will need to reduce expenses and spend reserves while attempting to maintain their core missions.

The short term outlook for sponsored research is potentially favorable in some fields due to stimulus funding opportunities. Even though faculty are in a strong position to submit proposals as the agencies announce requests for proposals, it is unclear how much funding will be available for new research proposals. Some of the agencies are funding proposals previously submitted but not funded. It is expected that a limited number of laboratories will be successful in obtaining stimulus funding specifically for facilities and instrumentation grants due to the limit of proposals that can be submitted from each institution. Although the long-term outlook is unclear, DoR anticipates that the independent laboratories, institutes, centers and administrative units will emerge strong and focused on their core missions. Stanford's research programs reflect expertise, creativity and initiative of the faculty who set the research agenda, and who have a long tradition of engaging with their colleagues and students to work across disciplines. New initiatives continue to break down the academic boundaries and bring together collaborative teams of experts to address major societal issues, such as those related to human health, environmental sustainability and international peace and security.

Consolidated Budget Overview

DoR units are projecting a planned deficit of $14 million in 2009/10. Some independent laboratories receive gifts for multiple years in advance. These gifts are spent over several years. Adding to the planned deficit is the Dean's contribution towards building fit-up and equipment for shared facilities. In addition, due to the $3.8 million reduction in general funds, some units will spend more gift and endowment fund balances than usual.

Total revenue is projected to decrease approximately 5% ($9 million), from $165 million in 2008/09 to $156 million in 2009/10. This is mainly due to projected decreases in externally sponsored research activity, including funding received and distributed for internal research awards, and endowment revenue. Gift revenue is projected to remain approximately the same.

DoR total expenses are projected to decrease approximately 5% ($8 million), from $175 million in 2008/09 to $166 million in 2009/10. Operating budget expenses are projected to decrease while gift and endowment expenses are projected to increase. Externally funded research expenses are projected to decrease 2%, from $70.5 million in 2008/09 to $69 million in 2009/10. This includes federal research expenses which are projected to remain approximately the same at $39 million and non-federal research expenses which are projected to decrease 4% from $31 million to $30 million. Compensation expenses are projected to increase 2% ($2 million), from $86 million in 2008/09 to $88 million in 2009/10, primarily for academic salaries. Non-compensation expenses are projected to decrease approximately 12% ($10.4 million). Adjusting for two large equipment purchases for shared facilities in 2008/09, the decrease in non-compensation expenses is projected to be approximately 3% ($2.7 million).

Capital Plan

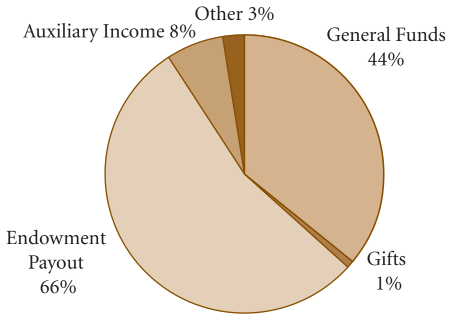
Capital facilities play a key role in DoR's support of Stanford's research goals. In addition to being integrally involved in the development of SEQ II, DoR is working on a new building for SIEPR, the John and Cynthia Fry Gunn Building (due to be completed in fall 2009), a Stanford in China Center (due to open in 2010), a renovation of Encina Commons for the International Initiative, and a range of laboratory and academic space renovations for new and expanding independent laboratories and research programs. The Center for Nanoscale Science and Technology building will house the Ginzton laboratory and shared facilities to support multidisciplinary research teams using the most advanced equipment available for investigations at the nanoscale level. The Gunn Building will provide specialized research laboratories along with conference facilities.

Sustainability goals have been key design criteria for SEQ II. For example, the Center for Nanoscale Science and Technology is designed to reduce peak energy demand by a minimum of 18% dependent upon the extent of equipment plug loads. Like the Jen-Hsun Huang Engineering Center, the Center for Nanoscale Science and Technology will rely upon natural ventilation to reduce the size of mechanical ventilation units for non-laboratory spaces. Utility systems will be right-sized to reduce energy consumption in the laboratories, and potable water consumption will be reduced by 65% by using lake water for irrigation and blowdown water from the university's Central Energy Facility for plumbing fixtures.

The impact of the economic downturn on funding and budget constraints has resulted in an anticipated delay of the renovation of Encina Hall complex as an objective of the International Initiative. The Encina Renovation, previously identified as a Forecasted Construction Project in the 2008/09-2010/11 Capital Plan, is included in the Suspended Projects table, found in Section 4 - Capital Budget and three-year Capital Plan.

VICE PROVOST FOR UNDERGRADUATE EDUCATION

2009/10 Consolidated Revenues $39.3 Million*



*Revenue excludes $9.0 million transferred to schools in support of undergraduate education, primarily for undergraduate research and introductory seminars.

[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	38.8	35.9	39.3
Expenses			
Salaries and Benefits	22.3	25.8	23.4
Non-Salary	14.4	13.7	14.1
Total Expenses	36.7	39.5	37.6
Operating Results	2.2	(3.6)	1.7
Transfers From (to) Endowment & Other Assets	(2.1)		
Transfers From (to) Plant			
Surplus / (Deficit)	0.1	(3.6)	1.7
Beginning Fund Balances	17.2	17.3	13.7
Ending Fund Balances	17.3	13.7	15.4

The Office of the Vice Provost for Undergraduate Education (VPUE) continues to build upon the strategic goals of the past few years while adjusting current and future spending plans to cope with the economic downturn. VPUE is developing a leaner organization that will protect the flagship programs that have been the hallmark of Stanford's renaissance in undergraduate education and will extend the hard-fought gains in undergraduate advising. Where possible VPUE will also continue to innovate and develop new or enhanced programs that further enrich our students' experiences.

Impact of Economic Downturn

Planning Directions

As VPUE began the normal budgeting cycle in the fall of 2008 it became aware that many of its financial assumptions would change significantly from those of recent years. VPUE modeled extensively the three broad areas of revenue reductions it would confront: (1) a reduced allocation of general funds, (2) declining endowment income due to sharply reduced portfolio values, and (3) near-elimination of income from "underwater" endowment funds. VPUE also modeled the effects of various valuations of the dollar against foreign currencies, given their powerful role in the budget of the Bing Overseas Studies Program (BOSP).

In a series of cabinet meetings, VPUE identified the core missions and program elements established over the past decade. Later in the process VPUE consulted with its internal advisory board, the Undergraduate Advisory Council, to validate its decisions. VPUE also began an extensive planning exercise designed to identify all possible administrative efficiencies and cost savings. Approximately fifteen VPUE directors and managers participated in these intensive and broad-based efforts.

Budget Reductions

All VPUE programs were scrutinized for possible reconfiguration, reduction, or elimination. VPUE concluded that the following programs would be spared from budget–based reductions: (1) Freshman Seminars; (2) the Large-Course Enhancement Program, a partnership with Mathematics, Chemistry, Economics, and Psychology; and (3) the academic-quarter-length overseas campus programs offered through BOSP. VPUE projects no material reductions in the scale of these programs during 2009/10.

VPUE has reduced the funds available to several "scalable" programs, including Sophomore Seminars, Overseas Seminars, Sophomore College, Undergraduate Research, and a variety of curriculum development and enhancement grants. Reductions of 10% to 20% are typical. VPUE believes that it will continue to offer some of the largest and best programs in education despite these reductions.

Consistent with the founding of an extended professional advising team, VPUE has de-emphasized peer advising and moved to eliminate several tiers of paid student workers. VPUE has also notified the continuing volunteer advising core, comprising faculty and academic staff, that it will no longer provide the small honoraria of the past few years.

Staff reductions have been an unfortunate but required outcome of this work. Eight positions have been attrited and another 16 eliminated by layoff. At the same time, the extensive administrative and programmatic consolidation and reorganization has created six new positions. Thus VPUE plans a net reduction of 18 staff, from a base of approximately 110 (exclusive of some 70 lecturers in the Program in Writing and Rhetoric and Introduction to the Humanities).

Endowment Shortfall Implications

Driven by its heavy reliance on endowment income, VPUE has successfully sought to establish a reasonable level of reserves, opening the year with an aggregate balance of more than $17 million on a consolidated budget of $51 million. VPUE will prudently deploy these reserves, but of course deployment will deplete them. Facing the possibility of a $10.5 million reduction in endowment income in 2008/09 (due to underwater funds) and a similar projection for 2009/10, VPUE recognized quite early the need for significant expenditure reductions despite its reserves. The need to maintain a prudent level of reserves, coupled with its best estimates of income, drives the level of expense reductions VPUE will seek.

VPUE is working closely with the Office of Development to investigate the possibility of relief from underwater endowments. Thankfully, after a thorough review of VPUE fund authorizations, Development has identified funds that, although technically underwater, may nevertheless provide full payout, totaling nearly $3 million of relief. VPUE's modeling assumes that its remaining funds will see 25% relief at the end of 2008/09 and 75% relief in subsequent years. The combination of these factors will decrease VPUE's 2008/09 endowment income shortfall to $5.8 million.

Long-Term Outlook

VPUE does not expect to see an inflation-adjusted return to the buying power of its 2007/08 budget for six to ten years. VPUE has been aggressive in seeking administrative efficiencies and has sought to protect as much as possible those experiences that help define Stanford's unique undergraduate experience.

Consolidated Budget Overview

2009/10 Bottom-Line Projection

VPUE projects a consolidated surplus of $1.7 million in 2009/10, enabled by two main drivers. The first is VPUE's implementation of significant budget reductions through administrative efficiencies, reductions in scalable programs, and staff layoffs. These actions will decrease total expenditures $4 million from the prior year, although with inflation expenditures will only decrease $2 million. The other main driver is the projected 75% relief from underwater endowments.

2009/10 Budget versus 2008/09 Projection

In 2008/09, VPUE benefited from $800,000 in term funding from the president and provost for academic enhancements, such as interdisciplinary course development, increased undergraduate research, enhanced residence programs, additional academic directors, and writing and rhetoric course work. Funding for these items ended in 2008/09 and has been assumed by VPUE's operating budget. New funding of $300,000 for a September "Arts Intensive" program and $380,000 for creation of the BOSP South Africa program will come from the president in 2009/10.

Expense control will be paramount in 2009/10. VPUE's plans encompass very specific actions, some of which are already under way. The 2009/10 plan will deliver the same high-quality, unique, and enriching undergraduate experience, but in a much more focused manner through a much leaner organization.

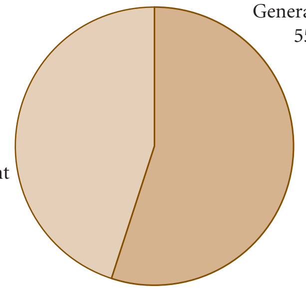
Capital Plan

The university's tightly constrained space situation motivated a significant internal renovation of Sweet Hall, completed in December 2008. This renovation provided a more inviting and engaging physical presence for students, VPUE staff, and visitors, while permitting more than 70 VPUE employees housed in the Main Quad to vacate their spaces for redeployment to the School of Humanities and Sciences.

This is an important demonstration project for Stanford, as models drawn from it will be used across the campus to test ideas about efficiency of building systems, application of space guidelines, sustainability, and functional use of space. For example, only 20% of individual spaces in Sweet Hall are private offices, while 80% are within shared offices or cubicles.

VICE PROVOST FOR GRADUATE EDUCATION

2009/10 Consolidated Revenues
$4.2 Million*



*Revenue excludes $29.1 million in Stanford Graduate Fellowships transferred to schools but includes $3.7 million of presidential endowment funding not reflected in table at right.

[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	10.9	10.6	4.2
Expenses			
Salaries and Benefits	1.3	2.0	1.8
Non-Salary	1.0	3.4	4.1
Total Expenses	2.3	5.3	5.9
Operating Results	8.6	5.3	(1.6)
Transfers From (to) Endowment & Other Assets	(0.2)		
Transfers From (to) Plant			
Surplus / (Deficit)	8.4	5.3	(1.6)
Beginning Fund Balances	20.0	28.4	33.7
Ending Fund Balances	28.4	33.7	32.1

Initiatives and Priorities

The Office of the Vice Provost for Graduate Education (VPGE) works across all seven schools at Stanford University to enhance the quality of graduate education, so that Stanford remains at the forefront of innovation and excellence in graduate education around the world. The VPGE Office also helps address systemic challenges in graduate education through collaborative problem-solving across the university.

Having completed its second year, the VPGE Office has focused on intensive planning, expanding pilot programs that address critical university priorities in graduate education, and—where possible—increasing direct funding to graduate students. As a new unit with a broad mandate and a lean staff, VPGE has inherent flexibility to be responsive to needs around the university. In order to make the requested budget reductions, VPGE has selectively reduced funds to current programs, placed "on hold" the roll out of new programs, and identified efficiencies across all programs and operations.

VPGE provides leadership, expertise, and resources for the following six priorities.

Graduate Diversity

VPGE develops programs and events targeted for university-wide recruiting, enhancing the educational experience of current students, and promoting academic careers. VPGE supports a variety of recruitment activities to increase the attractiveness of Stanford graduate programs to a broadly defined diverse population.

In order to better prepare graduate students from diverse backgrounds for academic careers, the VPGE has developed a $4.5 million four-year pilot program to provide two-year fellowships, faculty mentors and seminars on the academic profession to 36 advanced doctoral students. The new program, known as the DARE—Diversifying Academia, Recruiting Excellence—Fellowship Program, will also require $1 million to support four fellows serving in one-year acting assistant professor appointments after completing the program and their PhDs. DARE was launched this year with 104 applications competing for the first cohort of 12 fellowships.

Cross-school Learning Opportunities

VPGE is creating activities that promote students' exploration beyond their disciplines. These programs encourage students to engage in cross-disciplinary dialogues and networks.

The Stanford Graduate Summer Institute (SGSI) provides courses for matriculated graduate students to attend at no cost to them. These week-long sessions create collaboration among students who learn about topics such as Global Warming, Green Buildings, Managing Teams, and Design. The Stanford Institute for Entrepreneurship (SIE), offered by the GSB for graduate students in non-business fields, provides a month long course for graduate students and tuition is supplemented by VPGE. Focus group interviews reveal many benefits, ranging from networking and learning about new fields to individual gains in motivation and productivity. Over 220 students have participated in SGSI and SIE each summer.

Innovation in Graduate Education

To maintain excellence in graduate education at Stanford, core graduate degree-granting programs are supported to develop new educational practices. VPGE provides resources in two pilot programs with funds allocated on a competitive basis.

The Strengthening the Core (SCORE) Innovation Fund offers funding to academic departments to respond to challenges facing disciplines and departments. Student Projects for Intellectual Community Enhancement (SPICE) funds give students the opportunity to initiate projects that enhance the intellectual community of their department or their interdisciplinary area.

Graduate Fellowship Programs

The Stanford Graduate Fellowships (SGF) Program in Science and Engineering annually awards more than 115 three-year fellowships providing tuition support and stipend to outstanding students pursuing a doctoral degree in the sciences and engineering. In 2008/09, 495 students are supported for a total of $23 million.

The Stanford Interdisciplinary Graduate Fellowships (SIGF) Program is a new university-wide program to award three-year fellowships to outstanding doctoral students engaged in interdisciplinary research.

Problem Solving in Graduate Student Funding

VPGE supports university efforts to address challenges, primary among them graduate student funding. The immediate goal is twofold: to identify funding sources to replace general funds; and to provide short-term tuition supplements for students funded by two federally-funded programs, National Science Foundation Graduate Fellowships and National Institutes of Health Training Grants. The impact is substantial. VPGE's graduate student funding commitments more than doubled in two ways: from a total of $14 million supporting about 430 students in 2006/07, to $29 million supporting about 900 students in 2008/09.

Interpreting Policy and Data

VPGE is responsible for setting university-wide administrative and financial policies for graduate education, such as recommending minimum salaries for research assistants and teaching assistants.

Consolidated Budget Overview

VPGE is projecting a surplus of $5.3 million in 2008/09. This surplus is derived from budget reductions as well as endowment income for the SGF program, which is greater than current program needs, due to the change in endowment payout rate. Total net revenue, after transfers to graduate fellowship support to the schools, is expected to be $10.6 million, and total expense is budgeted at $5.3 million.

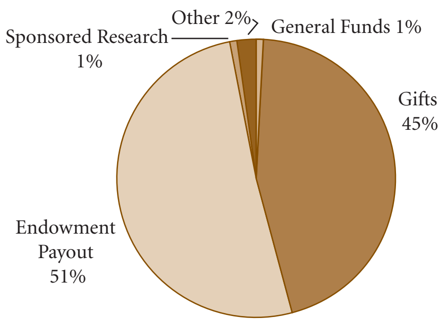
Of the $5.3 million, there will be a $1.9 million surplus in the VPGE operating budget and $113,000 in designated funds. The surplus reflects planned reductions in the operating budget and increases in direct graduate student funding, VPGE has selectively reduced funds to current program such as SGSI, SCORE, SPICE and mentoring programs and placed on hold the roll out of new programs for leadership and diversity. Designated funds held by VPGE are committed for direct graduate student support and will be used in 2009/10 and beyond to support programs like DARE. VPGE will increase the direct support to graduate students from $985,000 to $1.8 million in 2009/10. The cohorts for CSRE and DARE are doubling in 2009/10. The surplus will assist in covering the increase in direct graduate student funding. Since graduate student support is a multi-year commitment of $200,000 for each fellow, the funds provide needed reserves for future years.

The $2.3 million surplus in endowed funds is restricted to fellowship programs. VPGE increased the direct support provided to fellowship recipients over the last two years. Given the projection for reduced income, the surplus will be used in the next few years for current multi-year commitments. VPGE continually reviews the number of fellowship recipients to keep the expenses in line with endowment income while maintaining adequate reserves.

The $915,000 surplus in expendable funds projected for 2009/10 include President's funds that will be used to support the SIGF program. The remaining expendable funds provide support for leadership programming that will be slowly rolling out in 2009/10.

HOOVER INSTITUTION

2009/10 Consolidated Revenues
$44.1 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	55.7	46.9	44.1
Expenses			
Salaries and Benefits	24.4	27.2	26.5
Non-Salary	16.1	16.6	15.6
Total Expenses	40.5	43.8	42.1
Operating Results	15.2	3.1	2.0
Transfers From (to) Endowment & Other Assets	1.1	(7.2)	(4.3)
Transfers From (to) Plant		(1.4)	
Surplus / (Deficit)	16.3	(5.6)	(2.2)
Beginning Fund Balances	19.1	35.5	29.9
Ending Fund Balances	35.5	29.9	27.7

Impact of Economic Downturn

The Hoover Institution is a public policy research center, library and archives devoted to advanced study of politics, economics, political economy and international affairs. The Institution houses a notable fellowship and an extensive archival collection in order to promote ongoing programs of policy-oriented research, that place the Institution as a prominent contributor to the world marketplace of ideas defining a free society. Hoover fellows focus on society's approach to collective concerns while balancing the demands of freedom and order. The Library and Archives strive to create an accessible historical record of this balance.

The Institution is funded primarily through two sources of revenue that are sensitive to the economic climate: endowment payout and expendable gifts. Payout on most funds is assumed to decline by 10% in 2009/10 and decline a further 15% in 2010/11. However, projecting aggregate payout for the Institution is complicated by uncertainty surrounding the ultimate outcome of reviews being undertaken by the Office of Development (OOD) and discussions with our donors on Pool A funds and underwater accounts. Assuming a 25% decline in endowment market value during 2008/09, the Institution's exposure on payout from underwater accounts is $1.2 million in 2009/2010. Further, the Institution is foregoing payout on Pool A funds of $1 million per year. The maintained projection for payout in 2009/10 is $22.6 million and does not assume any positive impact from the OOD reviews. This would represent a $5 million decline in payout from 2008/09. The current projection for payout in 2010/11 is $20.9 million.

The Institution projects a decline in expendable giving which approximates the decline in financial markets of 25% to 30% in 2008/09. Further, the Institution does not anticipate a quick return to previous levels of giving. The maintained perspective is that the collapse of the markets over the last year is likely to have a one-time wealth effect on supporters to the Institution. In essence, this year may define a new lower base for giving from which only modest growth is expected going forward. The Institution projects a drop in expendable giving for the base budget of over $4 million from the 2008/09 budget.

Budget projections made in the summer of 2008 included funds for programmatic growth and budget surpluses of roughly 5%. The revised revenue outlook implies that deficits in 2010/11 and 2011/12 could well reach $8 million per year if no action was taken to reduce expenses. In response to the changed revenue outlook the Institution is undertaking a plan to reduce expenses by $8 million from the projection last summer over the next two years, or almost 20% of the budget. The total planned reductions are designed to bring the Institution's budget into balance by 2009/10, notwithstanding idiosyncrasies in the timing of revenue and expenses. Three-quarters of these reductions will be achieved in 2008/09 and 2009/10.

The budget reductions will be strategic rather than across the board. The Institution will look to achieve efficiencies in operations, but certainly reductions of this magnitude cannot be achieved through efficiency alone. The Institution is examining functions and programs to see how each fits into the core mission and operations of the Institution. It is anticipated that some programs and functions will be pared back or eliminated. However, as personnel costs account for 70% of the Institution's expenses a reduction in headcount will be necessary. Reductions in the Institution's headcount will make up approximately 50% of the $8 million cost reduction. One-time costs associated with the reduction in headcount will lead to a draw on reserves, largely in 2009/10. The reserve position of the Institution is sufficient to cover these costs.

The balance of the cost reductions will be achieved by the Institution through program cuts and cancellation of programmatic and personnel growth previously planned. The Institution aims to balance the core operations budget in 2009/10 and then to keep it in balance in future years. Acting immediately to move the budget towards balance and maintain a comfortable reserve will provide some degree of protection should the revenue outlook continue to degenerate.

Consolidated Budget Overview

Given the current climate, the Institution is currently projected to end 2008/09 in a relatively strong position. The Institution began the year with more than $35 million in fund balances. And, although revenue declines have been significant, particularly for expendable giving in the current year, discipline on the expense side has minimized the need for a substantial draw on reserves.

The Institution's original budget projection called for an $8.6 million increase in reserves for 2008/09. This increase was related to two factors: $3.9 million in operating surplus and $4.7 million resulting from augmented endowment payout earmarked for facilities purposes. Since the budget was originally submitted, revenue projections have declined by $6 million and expenses have been reduced by $1 million. The result is that the Institution is now planning a draw on reserves of approximately $1 million to cover operating expenses in the current year. A total of $1.4 million in augmented payout was transferred to plant to cover current capital projects. The remaining augmented payout was invested as funds functioning as endowment for use in future years. An additional $4.5 million remaining from augmented payout in 2007/08 was also transferred to the endowment in the current fiscal year. Thus, current fund balances are projected to decline by more than $5.5 million at year-end, consisting of the $1 million needed to cover operating expenses and the $4.5 million in augmented payout remaining from 2007/08.

Overall revenues to the Institution are expected to decline 5% in 2009/10 relative to the current year-end projection, or 16% relative to the 2008/09 budget. Expenses are expected to decline by more than 10% relative to the 2008/09 budget, net of one-time costs associated with reductions in headcount. Fund balances in 2009/10 are expected to decline by more than $2 million. The expected change in fund balances is accounted for by two factors: costs associated with the aforementioned reductions in headcount and project expenses for several multi-year programmatic projects. Multi-year programmatic project budgets are balanced over the life of the project and proceed only after sufficient funding commitments have been secured. Therefore, deficits in 2009/10 are compensated by surpluses on restricted reserves achieved in prior years. Additional budget reductions are scheduled for 2010/11 to offset anticipated decreases in revenue and to keep the Institution's ongoing operations in balance.

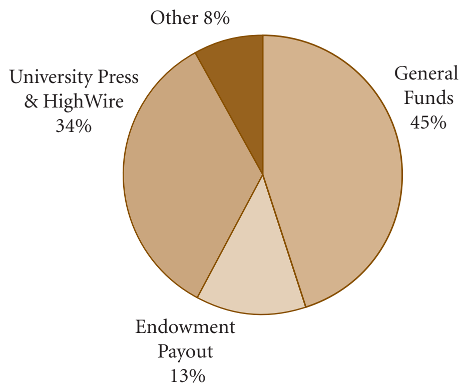
Capital Plan

Due to the significant impact of the economic downturn on funding and budget constraints, the Cummings replacement building has been delayed. This project, previously identified as a Forecasted Construction Project in the 2008/09-2010/11 Capital Plan, is listed on the Suspended Projects table, found in Section 4, Capital Budget and three-year Capital Plan.

The Cummings replacement building, currently projected to begin construction in 2014, will provide office space and technology-enhanced conference and meeting spaces.

STANFORD UNIVERSITY LIBRARIES & ACADEMIC INFORMATION RESOURCES

2009/10 Consolidated Revenues
$95.7 Million



[in millions of dollars]

	2007/08 Actuals	2008/09 Projection	2009/10 Plan
Total Revenues	98.3	102.0	95.7
Expenses			
Salaries and Benefits	56.8	62.4	58.1
Non-Salary	40.8	40.8	37.3
Total Expenses	97.6	103.2	95.4
Operating Results	0.7	(1.2)	0.2
Transfers From (to) Endowment & Other Assets	0.8	0.8	0.8
Transfers From (to) Plant			
Surplus / (Deficit)	1.5	(0.4)	1.0
Beginning Fund Balances	9.0	10.5	10.2
Ending Fund Balances	10.5	10.2	11.1

Impact of Economic Downturn

Collections and Support of Teaching, Learning, and Research

For 2009/10, SULAIR will experience another reduction in the purchasing power of the library materials budget. It will also see an absolute reduction in both general fund and endowment income allocations. The combination will result in a reduction of approximately 20% in purchases for Stanford library collections. Having more or less continuously weeded our serial subscriptions over the past decade or more, serials in particular are not targeted for cuts in spending. SULAIR will continue selective weeding of serial subscriptions. Spending on monographs will be reduced, particularly in the sciences and engineering, where spending was already limited. Virtually no large sets of monographs will be added in the coming years in any discipline absent an expressed requirement from a specific faculty program. In addition, purchasing on certain regions of the world will be eliminated where our current collections support only the most basic inquiries. For instance, no spending will occur on South Asian books in 2009/10 and beyond. In general, collection development programs in the humanities and social sciences will be highly tuned to the immediate needs of Stanford's faculty and students.

To compensate for these reductions, SULAIR is engaging in a very aggressive analysis with our colleagues in the General Library of the University of California at Berkeley. Together we will identify areas in which one of the two institutions will develop research-level collections and the other will maintain collections that support only basic inquiry. Redundant purchasing of certain titles of use to advanced researchers will be reduced. Faculty (and perhaps graduate students) at the two institutions will easily query both online catalogs and order books from the distant collection for delivery within 48 hours. Once the analysis is complete, the faculty advisory committees will verify our conclusions before the implementation of this aggressive collaborative collection development program.

Strategic Directions

Work will continue, although at a slower pace, on the development of a well-functioning digital library prototype, with particular attention to features identified by Stanford's Academic Senate Committee on Libraries as essential. Efforts will focus on the use of open-source technologies that are robust and characterized by a growing list of possibilities; among the technologies of interest are Blacklight and Fedora. The size and operations of the Stanford Digital Repository will continue, as will the Google Book Program. Availability for keyword searching on the Google site of a collection of more than seven million volumes has increasingly visible benefits for both the

Stanford community. Our technical infrastructure will be refreshed at longer intervals, and its growth will slow considerably.

Planning for new and renovated library facilities will continue as well, but given the need for dedicated funding in advance of design and construction, the time horizons are now moved into the future by at least five years. SAL3 will reach capacity in late 2010 but work on alternatives continues. The quandary of relocating the East Asia Library, which has experienced a renaissance in its offerings since its realignment from the Hoover Institution, remains. Until tactical decisions on existing strategic directions are made on such matters as additional modules of SAL3, the demolition of Meyer Library, the construction of an academic computing building, and the assembling of a combined science library, SULAIR will engage in a series of short-term steps to deal with immediate needs and problems. All of this will of course be done with faculty input on policies and action items.

Staff reductions will lead to a number of programmatic changes that will bring ever more self-sufficiency to our clients (both students and faculty). Perhaps the most visible is the incorporation of the Physics Library into the new Engineering Library. The former Physics Library will be repurposed by the Physics Department. The reorganization of SULAIR staff across all divisions will involve staff transfers, alterations of services offered, and reduced levels of support for academic programs. We will continue our programs of instruction for freshman and sophomore required courses.

Programmatic Plans

SULAIR will reduce its staff count by over 70 positions, mostly in specialist positions. As a result, some of our professionals will lose the support they have had in the past. Fewer specialists will mean less service. In addition, there will be reduced funding for hiring students as part-time workers. Opening hours during academic terms as well as breaks and holiday periods will be shortened. SULAIR's staff will do much less traveling. Outreach to our donors, our clients, and the community at large will be smaller. The digitization program will be cut back. Customization for specific clients and their programs will be reduced, and instead common solutions will be sought.

Consolidated Budget Overview

SULAIR projects an operating surplus of $1.0 million across all funds in 2009/10, comprising $493,000 in endowment income that will be held in reserve to offset the projected 15% decrease in payout in 2010/11, and a $460,000 surplus for HighWire Press. This will increase SULAIR's fund balances from $10.2 million to $11.1 million. SULAIR's operating budget will be balanced at $56.6 million; its auxiliaries, HighWire Press, Stanford University Press, and LOCKSS (Lots of Copies Keep Stuff Safe), project combined revenue of $32.9 million, a slight increase over 2008/2009.

SULAIR reduced its structural deficit 90% in 2008/09 by freezing vacant positions and by reducing spending on equipment, maintenance, and services. Continued pursuit of such methods in 2009/10 will reduce the remaining minor structural deficit to zero.

SULAIR's operating budget of $56.6 million comprises $42.4 million in general funds, reflecting a $5.6 million base cut from 2008/09, and $14.2 million in restricted funds. The base cut consists of $2.9 million in salaries and benefits, $1.4 million in operational expenses, and $1.3 million in library materials acquisitions. Endowment income is projected to be $12.8 million, down 10% from 2008/09 levels. Designated revenue is expected to be $2.0 million, and gifts are expected to remain stable at $300,000.

SULAIR's operating budget includes $34.3 million for compensation expenses, $15.1 million for library materials, and $7.2 million for other operating expenses. The auxiliaries project combined expenses of $33.2 million. Restricted funds expenses include $4.4 million for library materials and $600,000 for other expenses.

SLAC NATIONAL ACCELERATOR LABORATORY

Impact of Economic Downturn

Under the federal stimulus package, SLAC will receive $68 million in funding from the allocation to the Office of Science of the Department of Energy (DOE). The funding will enable SLAC to accelerate the schedule for the Linac Coherent Light Source (LCLS) Scientific Instruments project and deliver LCLS sooner. Also, an accelerator research project called the Facility for Accelerator Science and Experimental Test Beams (FACET), which uses the first two-thirds of the linac to study plasma wakefield acceleration, will move forward. These two projects are of tremendous strategic importance to the laboratory. Other stimulus funds will be targeted towards seismic upgrades and utilities infrastructure modernization that have been long in the planning, thereby enhancing site infrastructure and safety.

Program Initiatives

As a National User Facility and a multipurpose laboratory of DOE, SLAC continues to provide world-class, state-of-the-art electron accelerators and related experimental facilities to about 3,000 scientists from all over the world in the research programs of photon science, astrophysics, particle physics, and accelerator science.

SLAC will be operating two major DOE Basic Energy Sciences (BES) user facilities, LCLS and the Stanford Synchrotron Radiation Lightsource (SSRL). SSRL provides x-rays from the SPEAR3 storage ring and associated beam lines with advanced instrumentation that serve research needs in many areas of science, engineering, and technology. Applications range from energy storage and environmental remediation to drug discovery and magnetism in thin films. In 2010, SPEAR will operate with improved performance with high current, up to 500 mA. The new Beam Line 14 with two branch lines will become available for users.

LCLS, the world's first x-ray free electron laser, is expected to begin experimental operations in summer 2009. A suite of four instruments specifically designed for LCLS ultrafast science is being built. The 2009 stimulus funding will accelerate the completion of the instruments. The LCLS science program is complementary to that of SSRL and will open completely new frontiers of scientific discovery in areas that include atomic physics, imaging of non-periodic nanoscale materials, ultrafast structural and electron dynamics, and matter under extreme conditions. Novel techniques using LCLS x-ray laser beams will for the first time enable the simultaneous investigation of the electronic and structural properties of matter on the size (subnanometer) and time (femtosecond) scales that determine function and properties of nanostructured materials.

The photon science program at SLAC will see a period of growth in the multidisciplinary research areas driven by the capabilities of SPEAR3 and the upcoming LCLS. In addition to the Photon Ultrafast Laser Science and Engineering Center (PULSE) and the Stanford Institute for Materials and Energy Science (SIMES), structural biology is another growing interdisciplinary area at SLAC.

Stimulus funding also provides for the construction of FACET, which uses the SLAC linac to provide unique high-energy high-peak current electron and positron beams. These ultra-intense beams will enable an experimental effort to study the beam-plasma interactions with both electrons and positrons as well as studies of beam instrumentation for ultra-bright beams and studies of THz radiation resulting from the extremely high beam fields. The experiments with plasma acceleration are expected to begin in 2011.

SLAC is also a leading contributor to R&D on the accelerator and detector for the International Linear Collider, a planned future facility for colliding electrons and positrons at TeV energies as a precision instrument for elucidating properties of physics at the high-energy frontier. SLAC performs this R&D in close collaboration with other laboratories and universities as a partner in major international scientific ventures.

SLAC has been a member of the ATLAS experiment and the Accelerator R&D program associated with the Large Hadron Collider (LHC) at CERN, the European High Energy Physics Laboratory in Switzerland. First physics data are expected in fall 2009. The LHC will be the flagship high-energy frontier facility for the next decade, with opportunities for major discoveries that could fundamentally change our understanding of nature. SLAC will also serve as a Tier 2 ATLAS Physics Analysis Center in the western United States.

The Kavli Institute for Particle Astrophysics and Cosmology is involved with the Fermi Gamma-ray Space Telescope (FGST) and the R&D efforts for proposed Dark Energy experiments, the ground-based Large Synoptic Survey Telescope (LSST) and the Joint Dark Energy Mission (JDEM). The FGST has embarked on a decade-long program of space-based gamma-ray observations, which will transform our understanding of the high-energy universe. SLAC hosts the Instrument Science Operations Center for the FGST-Large Area Telescope. LSST and JDEM have been designed to probe the properties of dark matter and dark energy, allowing us to better understand the "dark" universe and its dominant components.

Consolidated Budget Overview

The DOE Office of Science provides 97% of the funding for SLAC, primarily from the Offices of BES and High Energy Physics.

From the 2009 Omnibus Appropriations Bill, SLAC is expected to receive funding of about $320 million, close to what was proposed for 2008/09. ARRA provides an additional $68 million. All of the stimulus funding is going towards research equipment, research facilities, and infrastructure upgrades.

SLAC has not received the details of its budget within the U.S. government's proposed budget for 2009/10. The expectation is that it will be about $310 million. The reduction is a result of lower funding for LCLS in 2010 as the project completes its construction phase. However, a great deal of uncertainty always remains prior to the passage of the Energy and Water Development Appropriations Bill. Based on the budgetary assumptions, total SLAC costs in federal grants and contracts in 2009/10 are expected to be $375 million, about $45 million higher than the projected costs in 2008/09, primarily due to the expected expenditure profile of the ARRA-funded capital projects as they progress towards completion in 2011. The overall costs for SLAC (including funds outside of federal grants and contracts) are expected to be $380 million.

Capital Plan

Linac Coherent Light Source

The DOE-funded construction of the world's first x-ray electron laser will be completed in 2010. The total estimate for the construction is $352 million, with funding of $37 million in 2008/09 and $15 million in 2009/10. The project includes experimental halls, beam line tunnels and facilities, service buildings, utilities, and the technical components.

PULSE Building Renovation of Central Lab

SLAC has initiated an $11 million renovation, funded by DOE, of the two-story wing of the Central Laboratory Building to house offices and laser laboratories for the PULSE Center. The renovation will be completed in 2010.

Research Support Building and Infrastructure Modernization (RSB)

As part of the DOE's Office of Science goal to modernize the infrastructure of its labs, SLAC is expected to receive funding in 2009/10 to begin the design of a new 58,000-square-foot modern office building and the renovation of ~60,000 square feet of existing space in three major buildings. Approximately 35 trailers and substandard buildings will be demolished. The RSB project is estimated to cost $96 million and will be completed in 2013.

ADMINISTRATIVE & AUXILIARY UNITS

ADMINISTRATIVE UNITS

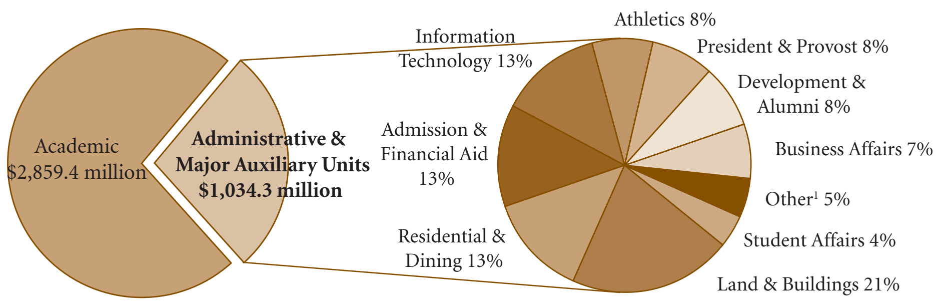
This section focuses on initiatives and priorities in the administrative and auxiliary units of the university. These units provide the needed administrative, academic, and student support that allow faculty and students to do their best work.

CONSOLIDATED BUDGET FOR OPERATIONS, 2009/10: ADMINISTRATIVE & MAJOR AUXILIARY UNITS

[IN MILLIONS OF DOLLARS]

	Total Revenues and Transfers	Total Expenses	Results of Current Operations	Transfers (to)/from Assets	Change in Expendable Fund Balance
Administrative Units					
Business Affairs	74.8	74.8			
Business Affairs - Information Technology	127.0	131.5	(4.5)		(4.5)
Development	47.2	47.4	(0.2)		(0.2)
General Counsel	29.4	29.4			
Land, Buildings and Real Estate	221.2	212.2	8.9	(9.0)	(0.1)
President and Provost Office	80.7	80.3	0.4		0.4
Public Affairs	7.3	7.3			
Stanford Alumni Association	34.0	34.9	(0.9)	0.8	(0.1)
Stanford Management Company	20.6	20.6			
Student Affairs	38.0	38.4	(0.5)	(0.4)	(0.8)
Undergraduate Admission and Financial Aid					
Financial Aid Component	127.9	127.9			
Operations	11.2	8.8	2.4		2.4
Major Auxiliary Units					
Athletics					
Financial Aid Component	17.6	17.6			
Operations	64.7	63.6	1.1		1.1
Residential & Dining Enterprises	139.4	139.4	0.1		0.1
Total Administrative & Auxiliary Units	1,041.0	1,034.3	6.7	(8.5)	(1.8)

2009/10 CONSOLIDATED EXPENSES BY ADMINISTRATIVE & MAJOR AUXILIARY UNITS



[1] Other is Stanford Management Company, General Counsel, and Public Affairs.

BUSINESS AFFAIRS (EXCLUDING INFORMATION TECHNOLOGY)

Business Affairs projects a balanced budget for 2009/10. A surplus from operations of $2–$2.5 million is projected for year-end 2008/09 as a result of not making planned hires in the year and of expeditiously taking 2009/10 budget reductions. The surplus will be placed into reserves to be used for one-time critical projects that could not otherwise be accomplished with the reduced general funds allocations in 2009/10 and 2010/11.

Business Affairs, which includes most of the central administrative units for the university, has focused continuously on process improvement and reallocation of resources for several years. Over the past decade, it has supported university faculty and staff growth of 45% and absorbed numerous new compliance mandates with only a 5% increase in its staff. As other groups cut back their own staff due to budget reductions, they are looking for more support from Business Affairs. The primary focus in 2009/10 is to provide better service with fewer resources and to pursue savings for Business Affairs and across the university.

General funds account for over 75% of all Business Affairs funding. The general funds base budget reduction in 2009/10 is $6 million (9.5%). This reduction will be achieved by restructuring workgroups or services, eliminating discretionary budgets for professional services and other non-salary expenses, negotiating reduced fees from vendors, and reducing staff. Non–general fund revenues are expected to be flat over the prior year. They include property and liability insurance contributions and income for services provided from the hospitals, the School of Medicine, Stanford Management Company, Will Call, and e-Commerce programs.

In January 2009 the Department of Public Safety (DPS) began reporting to the Office of the General Counsel (OGC), and the Procurement Department began reporting to the Vice President for Business Affairs. These reporting changes are reflected in the budget for 2009/10 and represent net reductions in general funds of $10 million, in total revenues and expenses of $15 million, and in fund balances of $1.2 million.

BUSINESS AFFAIRS – INFORMATION TECHNOLOGY

Business Affairs – Information Technology (BA-IT) forecasts a consolidated deficit of $4.5 million for 2009/10. The deficit is primarily attributable to IT project spending exceeding the reduced general fund allocation and the use of reserves to fund the Stanford Electronic Research Administration (SeRA) project. BA-IT project activities span fiscal years and use or create reserve funds annually, depending on the projects undertaken in a given period. Funds for SeRA have been accumulated for several years in anticipation of peak spending in 2009/10 and 2010/11. The service center will have a deficit of $900,000 as well, using its reserve funds as offset. Departmental operating budgets are projected to break even.

BA-IT's three primary organizations work collaboratively to provide seamless solutions and support throughout the campus.

- IT Services (ITS) delivers core IT infrastructure services and support, including networking, telecommunications, data center management, and help desk services, and represents $91 million in operating budget and service center activities, 72% of the 2009/10 consolidated budget.
- Administrative Systems (AS) provides development, support, and enhancement for enterprise applications. Its 2009/10 operating budget of $27 million in base general funds is 21% of the consolidated budget.
- IT and Research Systems Projects has a base budget of $6.7 million, 5% of the consolidated budget for 2009/10. Project activities span fiscal years and carry forward fund balances between years. In 2009/10 these projects will likely include SeRA; enterprise asset management for Land, Buildings and Real Estate (LBRE); data protection and security initiatives; server virtualization for reducing data center costs; and financial reporting projects.

IT service center revenue accounts for nearly 55% of total BA-IT funding, and general funds account for over 40%. The general fund base budget reduction in 2009/10 is $8.3 million (14%). This reduction will be made by continuing to focus on (1) delivering and supporting core computing functions (networking, email, storage, help desk services, etc.); (2) reducing overhead expenses that do not directly contribute to delivering or improving operational capabilities; and (3) enhancing administrative processes while reducing administrative burdens through efficiency gains and resource sharing (i.e., delivering systems initiatives that provide timely information, streamline processes, and reduce costs). Staff reductions, elimination of some services, and technology changes make up the majority of the budget cuts. In addition to the operating budget reductions, service center rates will be held flat in 2009/10.

Several university business units plan to purchase more services from ITS to reduce their local spending and achieve budget reduction targets. Units are discussing ways to leverage central data center services, storage and backup solutions, desktop support resources available through Computer Resource Consulting, and 24x7 dispatch functions. AS is in discussions with DoR, LBRE, and Residential & Dining Enterprises (R&DE) about taking over management of their enterprise systems. It has also worked with the Budget Office and other groups to eliminate multiple separate software licenses where they are no longer necessary. SLAC is considering eliminating its separate HR and financial systems and migrating to the university's PeopleSoft and Oracle applications.

BA-IT will continue to work with the faculty committee identified to steer decisions regarding requirements and models in support of scientific research computing needs. In light of current budget realities, this strategy is being reformulated to significantly reduce impact to the university's capital budgets and plans. DoR, in conjunction with ITS/AS, is proposing a modular, scalable, energy-efficient, high-density facility that will support the research computing requirements of both SLAC and main campus–based research programs.

OFFICE OF DEVELOPMENT

The general funds reductions affected the Office of Development (OOD) greatly in 2009/10 due to the heavy reliance on those monies. Because OOD is in the midst of the Stanford Challenge (a $4.3 billion campaign launched in October 2006), however, it also receives significant one-time funding for campaign-related costs. Campaign expenses account for approximately 29% of the total budget in 2009/10. OOD also receives funding from Stanford Hospital to cover the costs of the Office of Hospital Development (which accounts for all income in the "Healthcare Services" category). Other modest funding sources include internal revenue from the Stanford Fund's Student Calling Program, income from a number of events, and endowment payout.

The overall budget for 2009/10 represents a decrease of 3% from projected actual costs for 2008/09 and of 8% from the planned budget for 2008/09. Projected year-end expenses for 2008/09 are significantly less than originally planned because OOD took steps to reduce expenses in anticipation of cuts to general funds in 2009/10. The projected year-end surplus provides OOD with additional operating budget funds, and it is considering how best to use some of those funds for possible one-time costs to mitigate the impact of the budget reductions. For instance, the office is looking into technology enhancements to streamline our gift processing efforts, which would require some up-front investments but allow us to reduce ongoing expenses.

Much time and effort went into planning the reductions that would be most strategic and allow OOD to successfully generate revenue for the university's highest priorities. As OOD decided what activities or positions to cut, it considered ways to organize more efficiently, eliminate redundancies, and leverage technology to enhance our outreach to donors and prospects. All units within OOD were impacted, but reductions are not uniform across the board. It made some programmatic changes, but staffing changes account for the majority of the required reductions. More than 80% of OOD's base budget is personnel-related, so the reductions required the elimination of positions through attrition, reduced work schedules, and ultimately layoffs. OOD's budget cuts reduced its total headcount about 17%. These decisions were difficult, to say the least, but we believe OOD enters 2009/10 in a strong position to be successful going forward.

The first priority in the year ahead is to sustain the core of excellence: preserving the investments made in our faculty over the past decade, upholding the commitment to the enhanced undergraduate financial aid program, and supporting graduate students through increased fellowship funding. Leading Matters, the main campaign outreach event, will take its message to Denver, New York, Singapore, Taipei, Orange County, Chicago, and the Peninsula in 2009/10. These events have been incredibly well attended, proving that alumni continue to engage with the university even in the declining economy.

History shows a strong relationship between donor giving and both stock market performance and GDP. Giving may well be tempered until positive changes occur on those fronts. In the meantime, OOD will focus on sustaining faculty and students, meeting the original needs of the campaign, and finding support for new ideas that will help fulfill the university's commitment to seek solutions to global problems and educate leaders for the twenty-first century. In addition, OOD will continue to look for ways to work and organize to operate most efficiently and make the most of its reduced resources.

OFFICE OF GENERAL COUNSEL

The Office of General Counsel (OGC) is projecting a $475,000 surplus in 2008/09, largely due to early implementation of the budget cuts and some reallocation of costs from the OGC budget to the self-insurance reserve for a seven-month period. Some of the savings achieved in 2008/09 will be sustainable, although not all of the reallocation of costs will occur every year. OGC expects additional budget cuts to result in savings in 2009/10 that will account for a permanent reduction of 15% of its general funds budget. The proposed level of general funds along with anticipated client retainers is expected to cover operating expenses absent any unanticipated extraordinary matters. OGC expects that it has adequate reserves to backstop a shortfall should one occur.

OGC has cut operational costs by reducing library, seminar, and research expenses; eliminating one .25 FTE file clerk position; reducing another support staff position by .5 FTE; moving from proprietary IT servers to central shared servers; eliminating the cost of office events and meetings; reducing the cost of various office supplies; and reducing accrued vacation.

OGC does not anticipate any significant increase in any of its operational costs in 2009/10 other than increased rates for outside counsel. Although OGC negotiated no change in rates for outside counsel for calendar year 2009, it is unrealistic to expect that will continue in 2010. OGC will continue to look for ways to mitigate the cost of the rate increase by reducing the amount of service provided by outside counsel. OGC will continue its effort to maintain an optimal balance between inside and outside counsel to provide efficient, high-quality service.

OGC will continue to focus on its main strategic priorities: proactively trying to constrain costs by increasing efficiency; identifying risk; and implementing mitigation strategies, including preventative counseling, more comprehensive client training, and early resolution of disputes.

OGC anticipates providing legal services at the required level, via prioritizing risk and careful elimination of non-strategic services.

LAND, BUILDINGS AND REAL ESTATE

Land, Buildings and Real Estate (LBRE) is responsible for implementing the university's $1.8 billion capital plan; managing commercial real estate on endowed lands; managing campus utilities, grounds, and parking and transportation; providing stewardship for 8,180 acres; and operations and maintenance for 340 academic buildings totaling over nine million square feet, Hopkins Marine Station, Stanford in Washington, and other off-campus facilities. Annually, LBRE completes 200 planned projects and 130,000 work orders in support of maintenance and renewal efforts.

The $215 million 2009/10 consolidated budget for LBRE comes from a variety of sources, the largest of which is service center revenues ($107 million, or 50%). Service centers are staffed to meet demand and must break even (within 5%). General funds provide partial revenue for both service center operations (Utilities and Grounds) as well as 100% funding for areas including Zones, the Planned Maintenance Program, and some administrative areas. Parking permits fund Parking & Transportation Services.

In its budget reduction exercise, LBRE examined each of its departments regardless of funding source. The goal was to find efficiencies that would reduce costs without cutting service levels or compromising the Investment in Plant building renewal program.

LBRE's reduction strategy includes five major business process changes that should yield significant cost savings without significant impact on the facilities renewal program. These strategies include reorganization of the maintenance customer service area, reduction of overtime and restructuring of maintenance work to reduce service center rates, outsourcing of warehouse operations, conversion of current systems to Oracle for better integration, and implementation of energy consumption reduction programs to reduce utility costs. Additionally, LBRE will reduce staff where appropriate and comply with the salary freeze policy.

Projected 2009/10 expenditures are anticipated to be 3%, or $7.1 million, lower than the $222.4 million projected for year-end 2008/09. The 2009/10 expenditures include $2.2 million of bridge (one-time) funding to allow time to implement the strategic business process changes.

If the anticipated savings are not realized, LBRE will unfortunately need to cut the Investment in Plant program. This move would not meet the goal of identifying permanent cuts, as deferred maintenance would build over time. The Investment in Plant model currently shows enough funding to meet maintenance needs in 2009/10 and 2010/11, however an average annual deficit of $2.5 million is projected over the next ten years.

PRESIDENT AND PROVOST OFFICE

The President and Provost Office (PPO) comprises the President and Provost Office, the Board of Trustees, Continuing Studies and Summer Session, Procurement, Institutional Research/Decision Support, the University Budget Office, Diversity and Access, Faculty Development and Diversity, Faculty Affairs, Foundation Relations, the Academic Secretary, the Office of Religious Life, and Faculty/Staff Housing. The procurement department will be moving to Business Affairs in 2009/10.

PPO units achieved the 15% target budget reductions for 2009/10. First, the president, the provost, and several senior staff members took immediate reductions in their base salaries. Second, key layoffs occurred in 2008/09. Finally, each unit, when possible, proposed further reductions in addition to the non-salary decrease by eliminating programs.

Despite the economic downturn, PPO projects a slight increase in revenue for 2009/10. The proposed level of general funds, along with a much stronger rental market than anticipated and increased revenue (in large part from a commitment to the Online High School over the next three years and from the Memphis program under the direction of the Educational Program for Gifted Youth) is expected to cover operating expenses. Any unanticipated expenses will be covered with external income, internal income, and reserves, which have grown over time. PPO does not anticipate any significant investments or capital needs in 2009/10.

A key initiative that began early in 2008/09 is the Expanding College Opportunities project to increase the pool of well-qualified low-income students through collective efforts by colleges and universities. The president's office, in collaboration with SIEPR, will have oversight over this project. We are fortunate to have received modest funding for the demonstration phase from the Spencer Foundation and the Andrew W. Mellon Foundation. In addition, we will receive modest programmatic support for this initiative from individual colleges and universities.

PUBLIC AFFAIRS

The Office of Public Affairs (OPA) is a group of organizations that includes Government and Community Relations, Stanford Events, Stanford Ticket Office, and University Communications. University Communications is the communication hub for Stanford, providing professional news reporting for the campus, the Stanford home page, press releases, speechwriting for the President and Provost, and internal/external communications support for the entire university. In addition, OPA is responsible for managing government and community relations on all levels, helping Stanford achieve its research funding goals, lobby for legislation that serves the interests of higher education, and proceed with capital projects as Stanford expands in service to its core mission. Stanford Events oversees university public ceremonies including Commencement, high profile special events, and those hosted by the President/Provost. Stanford Events also sets event policies and procedures in conjunction with risk management and public safety. Along with the Stanford Ticket Office, it is a major touch point for most of the university's interactions with the campus community and beyond.

OPA is projecting a net decrease in funds of $100,000 in 2009/10 with an expected ending balance of approximately $450,000 due to carryforwards from vacant positions in 2008/09. Of this amount, about $175,000 is unrestricted for operating expenses, $115,000 is restricted for Stanford iTunes and for lobbying expenses, and $160,000 belongs to two restricted endowment funds.

Total expenditures are expected to decrease 15% to $7.3 million in 2009/10. Of this amount, $5.8 million is for compensation expenses, a decrease of 14% from 2008/09 and representing 80% of OPA's budget. Nonsalary expenditures are decreasing 19% to $1.5 million. University funds are decreasing 10% to $5.5 million and will cover approximately 75% of the budget. The remaining budget will be covered with earned income ($1.7 million) and reserves ($0.5 million).

To achieve these severe cuts in funding and expenses, OPA is reorganizing several departments and eliminating or reducing programs and nonessential expenses. This will mostly be accomplished by reducing staff 19% (11 FTE). Three of these FTE are currently vacant positions and three are voluntary, while the remaining five are department layoffs. The largest restructuring will be in University Communications followed by a consolidation of financial and administrative operations across OPA. Program eliminations include the discontinuation of the Aurora Forum, Documentary Film productions, and Community Day.

Under the leadership of the new Assistant VP/Director, University Communications will move from a print-oriented, newspaper model to an electronic media model. Several positions will be eliminated while responsibilities of others are expanded and printing/distribution expenditures for several publications are reduced, most notably the Stanford Report, which will no longer be printed beginning in Fall 2009. To fully transition to this new model will require additional one-time expenditures, which OPA plans to fund with savings from currently open positions that will be eliminated as part of the reduction plan, as well as enacting layoffs as soon as they are determined.

OPA is consolidating its financial and administrative operations by eliminating some of the redundancies found across several departments. Ultimately, there will be a net reduction of two FTE (three positions are being eliminated, but a new one will be created) and responsibilities of the remaining financial and administrative staff will be redistributed across individual departments to meet the needs of OPA.

In Government and Community Relations, the currently vacant state relations position will not be filled, leaving Stanford without dedicated state representation for legislative matters affecting the university. Consultants will be used when needed if funding is available.

Stanford Events is reducing expenses in its printed collateral materials associated with Parents' Weekend and Commencement, and trimming as much as possible without sacrificing the integrity and safety of the major events on campus. No staffing reductions are planned at this time.

The implementation of these extensive budget reductions will prove quite challenging to OPA's ability to advance its mission and transition its news service, website, and communications efforts from the traditional print model to the electronic focus required of all present-day media organizations, but it also presents an opportunity to streamline operations and find efficiencies to help achieve OPA's and Stanford's goals.

STANFORD ALUMNI ASSOCIATION

The consolidated fund balance for the Stanford Alumni Association (SAA) is expected to decrease $127,400, largely because reserves will be used to bridge softness in business revenue. SAA will continue to withdraw funds from the life membership endowment fund to underwrite the Web 2.0 project, scheduled for completion in 2009/10.

SAA's forecast reflects continuing alumni outreach efforts with an emphasis on focused, scalable offerings that provide unique benefits to Stanford alumni. SAA also continues to pursue greater efficiencies in its operations.

In response to the revenue decline forecasted for 2009/10, which is attributable to both declining university funds and anticipated softness in SAA business revenue, SAA is pursuing measures to decrease salary and non-salary expense. These cuts are designed to have the smallest impact possible on the alumni community and support SAA's long-term ability to achieve its mission of reaching, serving, and engaging all alumni. Through these cuts and the release of SAA reserves, operations are expected to break even in 2009/10.

STUDENT AFFAIRS

Student Affairs' operating budget will sustain cuts of nearly $3.3 million in general and room rent funds. The division's leadership established several criteria to guide its reduction process and decisions:

- Core services to students would be protected from budget reductions as much as possible.

- Priority would be given to programs and services that focus on student health, safety, and well-being; compliance obligations and risk management; and academic success.
- Budget cuts would be sustainable and would not be uniform across the division because it is important to balance unit needs with those of the larger organization.

The reductions affect programs and staff in all areas of the division. Layoffs or reduced work schedules will affect 25% of staff. Other savings will be achieved by reducing weekend service hours at the Vaden Health Center; deferring replacement of classroom technology; eliminating print versions of publications such as the Stanford Bulletin and quarterly time schedules; and reducing funds for programming, travel, and staff training. The new directors of the Haas Center and the Office of Residential Education will review their respective organizations and strategic initiatives to identify other opportunities for operational efficiencies.

Overall, Student Affairs fund balances will decline by $809,000 to total $16.9 million at year-end, based on total revenues and transfers of $39.0 million and net operating expenses of $38.9 million. Endowment balances will decrease by $381,000 due to decreased payout rates and to underwater endowments for the Office of Accessible Education's Schwab Learning Center and several Haas Center public service programs. Operating budget and designated fund balances will total $1.4 million and $9.2 million, respectively, at year-end, a net total decrease of $411,000 for both fund types, due to drawdown of operating budget and reserve fund balances and to continued decline in revenues collected by Vaden clinics and Career Development Center career fairs. Expendable gift fund balances will remain stable, though gift income is expected to decline slightly. Tresidder Union capital and operating reserves will also change minimally, totaling $2 million.

Additional budget highlights include the following:

- Student Affairs was allocated base funding to support the Community Assistant (CA) program in the graduate residences (managed by the Graduate Life Office). Previously supported with one-time funds, CAs fulfill several important roles for the resident graduate student community, serving as local resources for university programs and policies, including emergency preparedness. Base funding of these positions will allow expansion of CA duties and responsibilities, particularly in graduate student mental health and personal well-being.
- In previous years, Student Affairs was allocated president's funds to support major student events and initiatives. These funds were significantly reduced for 2009/10.
- Vaden continues to experience uncontrollable cost escalation for external medical services.
- Building on recommendations of the Student Mental Health and Well-Being Task Force, Vaden continues to lead efforts to evaluate and seek opportunities to enhance student mental health resources and programs.
- In the fall of 2009, the university will implement a campus health service fee of $167 per quarter. The mandatory fee will apply to all undergraduate and graduate students enrolled on campus, including visiting researchers and students participating in high school summer programs that result in course credit at Stanford. The fee will cover many services provided by Vaden, including primary care medical visits, psychological evaluation and short-term therapy at Counseling and Psychological Services, and health and wellness programs.
- Fees for applying to graduate programs (other than in the Schools of Law, Medicine, and Business) and the one-time document fee assessed to all matriculated students will also be increased in 2009/10.
- The division will continue to move aggressively to centralize IT infrastructure, including server/desktop and Web support services, better leveraging economies and efficiencies of scale.
- In 2009/10, Student Affairs will institute a new policy to reduce financial liabilities from unused vacation leave. All staff will need to use vacation hours the year they earn them.

UNDERGRADUATE ADMISSION, FINANCIAL AID, AND VISITOR INFORMATION SERVICES

Since 2006 the offices of Undergraduate Admission (UGA), Financial Aid (FAO), and Visitor Information Services (VIS) have received support to develop a premier organization to attract and yield the best and brightest undergraduate students. While Stanford was already a household name in the West, over time awareness had diminished significantly in the rest of the country and the world, and Stanford was not competing effectively on a global scale. Since 2006 outreach has increased by a factor of four, and Stanford now has presence and momentum nationally and internationally. In addition, substantial improvements in financial aid have made access to students from low-income and middle-class backgrounds an important institutional priority.

Stanford has benefited from these efforts to significantly increase prospective students' understanding of the extraordinary opportunities available to them as undergraduates. For the class of 2013, applications increased 20% over last year and set a record for the university.

Over this period there have been increases in allocations both to the operating budget, including additional FTEs, and to financial aid for undergraduates. However, for 2009/10, UGA, FAO, VIS, and their central administration have determined that reductions are needed in both salary and non-salary areas.

Salary reductions will include the following:

- Freezing salary for the entire staff
- Laying off six FTEs (8% of total staff). All four units will be impacted by these reductions, and two will be restructured.

Non-salary reductions will include the following:

- Making fewer school visits; there will no longer be customized travel to all states every year, and international outreach will be scaled back.
- Conducting fewer Stanford-unique programs in major markets and curtailing the hosting of visiting groups (e.g., school counselors and nonprofit student workshops)
- Withdrawing from certain professional and nonprofit organizations where partnerships have been formed to provide access to lower-income students
- Eliminating most advertising and development of additional marketing pieces and forestalling additional Web applications targeting prospective students
- Scaling back the Admitted Student Weekend by a full day and night, hence diminishing the comprehensive introduction to the campus that has been acknowledged as one of the best yield events in the country
- Significantly scaling back professional development as well as attendance at national events conducted by professional associations
- Reducing operations expenditures, such as by significantly lowering postage fees and relying more on Web delivery of communications
- Delaying the replacement of internal technology hardware and software and not renewing some software that augments outreach activity
- Scaling back the promotion of alumni volunteers worldwide, including any significant expansion of an interview program; greater activity with prospective and admitted students; and development of more robust interactive technology to support efforts and manage 6,000–10,000 volunteers

In 2008/09 Stanford implemented a new undergraduate financial aid program under which families with annual income under $100,000 are not expected to pay for tuition and parents with income under $60,000 are not expected to contribute at all. Students are asked to support their expenses through summer and academic-year job earnings as well as assets held in their names but are not asked to borrow to meet educational costs. The announcement of the enhanced program in February 2008 met with positive response around the country as well as from applicants and the families of our current students. The difficulty of predicting its effect, coupled with a weakened economy, caused the actual need for scholarship dollars to be roughly $5 million more than anticipated. For 2009/10, the commitment to the need-based scholarship program has been maintained. Factoring in increased costs and potentially an increased number of families demonstrating need for aid, the demand for institutional sources of scholarship dollars has increased 15% over the amount originally budgeted for 2008/09.

MAJOR AUXILIARY UNITS

The budget lines for the School of Medicine, Graduate School of Business, Humanities and Sciences (H&S), VPUE, and Libraries include auxiliary revenues and expenses. These auxiliary operations include Medical School Blood Center, the Schwab Center of the GSB, HighWire Press and Stanford University Press in Libraries, Bing Overseas Studies in VPUE, and Stanford in Washington and Bing Nursery School in H&S. These items are separately identified in the Schools' Consolidated Forecasts in Appendix A, although HighWire Press and Stanford University Press are also discussed in this section. The major independent auxiliaries are Athletics and Residential & Dining Enterprises.

ATHLETICS

As with the rest of the University, the Department of Athletics, Physical Education, and Recreation (DAPER) has experienced significant budget challenges in 2008/09 that are expected to continue and likely worsen for the next few years. Several steps have been taken to address this issue, many of which have impacts well beyond 2008/09. In February 2009 the department announced the elimination of 22 positions. Additionally, the department mandated the usage of annual vacation accruals and made significant cuts in facilities expenses, travel expenses, and various services. In total, over $1.6 million in expense cuts were made in 2008/09. For 2009/10, the department has made even deeper cuts, freezing all salaries, making significant additional cuts in travel expenses, and recognizing additional facilities savings. The total incremental budget savings identified so far for 2009/10 total nearly $3.5 million. The result of all of these cuts is to produce projected surpluses in both 2008/09 and 2009/10. However, the cuts will also have significant impacts on all of DAPER's 35 sports and 20 administrative units.

Operating Budget

Projected revenues and transfers are $59.6 million and projected expenses are $58.5 million, for a surplus of approximately $1 million. The surplus has been built in to recognize the uncertainty of many of our revenue sources in these difficult economic times as well as to prepare for potential deficits in 2010/11 and beyond. This compares to projected 2008/09 revenues of $62.5 million and expenses of $62.3 million. The key driver of the decrease in revenues is the significant decrease in the endowment payout that will be available to cover operating needs. DAPER's actual revenues for the year will largely be determined by the success of football ticket sales and broadcast revenues and the success of annual fundraising efforts. While significant expense reductions have been recognized as described above, several key facilities projects will come on line or be operational for a full year for the first time in 2009/10 and will require incremental funding. These include the Practice Facility and Varsity Weight Room, the Olmsted Housing Project, and the Track Bleacher Expansion.

Financial Aid

DAPER's financial aid endowment is still very strong. In fact, as a result of the change in the endowment payout rate in 2007/08, the payout from DAPER's financial aid endowments will significantly overfund financial aid needs in 2009/10. DAPER has been and is continuing to work with donors to loosen restrictions on some of these funds to allow more dollars to be devoted to operating needs. For 2009/10, projected Financial Aid revenues are $17.6 million and projected expenses are $17.6 million, for a balanced budget. This compares to projected 2008/09 revenues and expenses of $17.3 million.

RESIDENTIAL & DINING ENTERPRISES

The Residential & Dining Enterprises (R&DE) budget for 2009/10 projects an operating surplus of $100,000, with revenues and transfers of $139.4 million (including $8.5 million from the new 600-bed Munger Graduate Residence) and expenses of $139.3 million.

R&DE's budget will provide incremental funding for its continued stewardship of five million square feet of student living and dining space to ensure that these environments are kept comfortable, safe, attractive, and conducive to learning, recreation, and personal development. This plan includes an anticipated decrease in sales and a significant reduction in operating expenses.

External market conditions will be offset by R&DE's budget reduction plan. These conditions include the implementation of the Housing Master Plan; lower revenue growth projections for retail, executive dining, catering, and conference services; and the escalating costs of construction/renovation and expendable materials and supplies.

Savings are anticipated from continued labor optimization efforts (including elimination of 50 staff positions), strategic management of long-term purchasing contracts, reductions in travel and EM&S, improved technological business solutions, deferral of capital improvement projects, reduced annual growth in asset preservation programs, and partnerships with students in ongoing sustainable energy conservation initiatives. Budget reductions of this scale will result in some unavoidable service impacts on students and the campus community. Anticipated impacts include changes in menu offerings and hours of operation in dining halls and cafés, changes in the housing front-desk and after-hours maintenance service model, and elimination of weekend custodial service. These planned reductions will allow R&DE to respond to the current economic conditions.

Despite the substantial challenge presented by the modest combined room and board rate increase of 2.5%, R&DE's budget reduction strategies will enable it to:

- Absorb the $1.7 million loss of graduate housing income due to the implementation of the Housing Master Plan
- Pay a substantial benefits rate increase
- Fund the second living-wage increase for temporary and casual labor
- Sustain operations and maintain reserves of at least 2% of revenues
- Continue funding for Residential Education programs, the Graduate Life Office, and Residential Computing
- Absorb additional maintenance costs due to deferral of capital improvement projects
- Continue funding a modest increase for asset renewal/preservation to manage deferred maintenance and continue addressing seismic retrofit needs, Americans with Disabilities Act (ADA) upgrades, and subsystem replacements
- Fund debt service of $23.5 million for 2008/09 capital improvement projects including:
  - Renovation, repurposing, and management of crowding within Crothers Hall and Crothers Memorial Hall to house undergraduates in support of the Housing Master Plan
  - Housing Master Plan space reconfiguration in eight undergraduate residences
  - Wilbur Hall port-per-pillow installation, bathroom upgrades to replace end-of-life failing assets, and fire sprinkler/alarm upgrades (Cedro and Arroyo)
  - Stern Hall bathroom upgrades (Phase 2 of 2)
  - Row House kitchen replacement (Phase 3 of 7)
  - Escondido Village slab heat systems replacement (Phase 6 of 12)
  - Quillen roof replacement
  - Toyon food service minor upgrade
  - Implementation of card-based door access system in freshman residences
- Fund capital projects scheduled for 2009/10:
  - Wilbur Hall bathroom/fire sprinkler renovation (Junipero and Okada)
  - Escondido Village slab heat systems replacement (Phase 7 of 12)

STANFORD UNIVERSITY PRESS

Like most university presses, SUP has introduced an array of initiatives to offset the impact of the recession on its revenue in 2008/09. These include listwide price increases on the backlist, rotating Web-based sales on selected clusters of titles, use of print-on-demand technology to bring out-of-print titles back into print, acceleration of the e-book program (especially in the form of Kindle editions), aggressive rights selling, reciprocal links to Google Books, and ongoing sale of the workflow management system to other publishers. In 2009/10 the press will continue all these revenue-generating initiatives. In addition, it will reduce output from 165 to just over 150 titles (but with a slightly higher anticipated yield per title based on an ongoing shift in the list mix to books with a broader market potential). This will reduce the strain on product throughput and marketing, allowing the operation to run at a slightly lower headcount. Revenue is expected to increase 3%.

Also in 2009, the program of streamlining the production process was expanded, and new manufacturing cost scales were negotiated. As a result, the gross margins should achieve an all-time high of 65% this year. While annual increases for paper and some third-party production services would normally increase manufacturing costs, these initiatives will allow recovery of these increases and achieve a gross margin of 67% in 2010.

Possibly the greatest cost recovery in 2008/09 has been in overhead. All departments have contributed to the savings, with marketing making the greatest contribution. Fortunately, new initiatives such as e-mail marketing, restructured and retargeted direct marketing campaigns, and innovative publicity strategies have prevented loss of marketing momentum. With the market downturn continuing, all of these initiatives will continue in 2009/10, with total overhead costs being held to 2009 levels.

As in 2008/09, the press will hold steady, and no major investment will be made in infrastructure or systems. Revenue is expected to be $6,749,000; expense is projected to be $7,539,000. The operating deficit of $790,000 will be covered by a planned draw down from the Press Sustaining Fund, which is projected to be approximately $530,000 at the end of 2009/10.

HIGHWIRE PRESS

HighWire Press was founded in 1995 to actively address the challenges of scholarly communication in the digital age. HighWire's mission is to ensure the continuing success of independent, society-based, and other scientific and scholarly publishers in their efforts to disseminate high-quality content worldwide. HighWire builds both the community and the technological environment that such publishers require to thrive within the challenging business of electronic publishing. With its publishing partners, HighWire develops and explores new ideas and emerging technologies to innovate sustainable solutions that meet the ongoing challenges of research communication. Some of the world's highest-impact scholarly content is hosted by HighWire Press, including the Oxford English Dictionary, Science, Proceedings of the National Academy of Sciences, and the Journal of Biological Chemistry, to name but a few.

In spite of continuing competitive pressures and general economic conditions, HighWire succeeded in winning new customers at the rate of approximately one per month in 2008/09. The content of the Mayo Clinic Proceedings and the publications of the Royal Society, founded in London in 1660, were placed online at HighWire. In addition, existing long-term relationships with Sage Publications and the British Medical Journal Publishing Group were recommitted.

As planned, in 2008/09 HighWire used existing reserves to fund investment in a new technology platform (HighWire 2.0, aka H2O), and that self-funded investment will continue in 2009/10. Due to careful resource management, targeted expense reductions, and a market expanding into the hosting of books as well as journals, HighWire projects a modest operating surplus of approximately $500,000 for 2009/10. This surplus is based on revenue of $25.5 million (up 4.5% from 2008/09), operating expenses of $24.5 million (down 1%), and a transfer of $500,000 to Stanford University Libraries. The operating surplus will add to the reserve position and leave a projected $4.0 million in reserves as of August 31, 2010. Reserve levels are expected to continue to grow in future years.

Throughout the balance of calendar 2009 and 2010, HighWire will continue to implement the H2O platform, migrating its approximately 140 publishing customers and more than 1,200 sites to the new functionality. HighWire will also focus on growth through the acquisition of strategically compatible customers.

Expenses are being managed prudently so that HighWire is poised for any need to respond to any downturn in our customers' businesses; however, there do not appear to be significant leading indicators signaling such a downturn. If anything, scholarly publishers may respond to the economic challenges by reducing print publications and placing even more emphasis on their online presence.

CAPITAL BUDGET AND THREE-YEAR CAPITAL PLAN

The university's Capital Budget and three-year Capital Plan are based on a projection of the major capital projects that the university intends to pursue related to its academic mission. The Capital Budget represents the anticipated capital expenditures in the first year of the rolling three-year Capital Plan. The Capital Plan includes projects that are in progress or are expected to commence during that three-year period. Both the Capital Budget and the Capital Plan are subject to change based on funding availability, budget affordability, and university priorities.

The Capital Plan continues to reflect the substantial investment that Stanford University makes in its facilities. It is driven by the academic priorities for teaching, research, and related activities described in Section 2, and the initiatives of the administrative and auxiliary units that support the academic mission, described in Section 3. This section includes a discussion of the 2009/10 Capital Budget, provides an overview of the capital planning process, describes current and long-term strategic initiatives, and presents the 2009/10 – 2011/12 Capital Plan and its constraints.

THE CAPITAL BUDGET, 2009/10

The 2009/10 Capital Budget at $646.7 million reflects the university's significant capital initiatives, including expenditures for five of the eight Science, Engineering, and Medical Campus (SEMC) buildings, the new Graduate School of Business (GSB) Knight Management Center (KMC), the new Bing Concert Hall, the new Law School Clinics and Faculty Office building, and various infrastructure projects and programs. The projected 2009/10 expenditures reflect only a portion of the total costs of the capital projects, as most projects span more than one year. The following table highlights the major capital projects in the plan, the project costs that will be incurred in the 2009/10 Capital Budget, as well as the percentage of the project that is expected to be completed by the end of 2009/10.

The magnitude of the Capital Budget is based on the assumption that funding availability will align with approved project schedules. It is the policy of the university to have the funding identified before beginning construction. As a result, the Capital Budget has historically been substantially higher than actual spending. In fact, actual expenditures have averaged only 65% of the budget over the past eight years. These lower than planned expenditures are mostly due to project deferrals caused by funding gaps. Most of the projects in the 2009/10 Capital Budget have funding identified, staff assigned, and have received preliminary

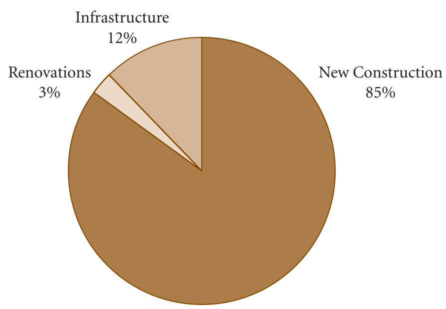
Major Capital Projects – Percent of Completion 2009/10

[in millions of dollars]

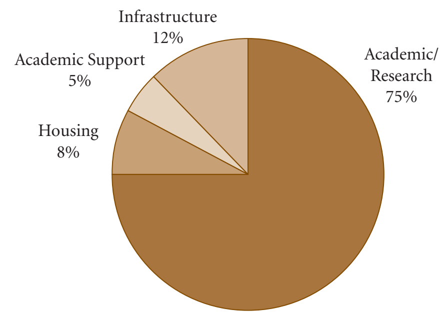
	Capital Budget 2009/10	Estimated Project Cost	Estimated Percent Complete 2009/10
GSB New KMC Campus and Parking Structure (PS7)	185.0	374.3	77%
Lorry I. Lokey Stem Cell Research Building	95.0	202.9	100%
Jen-Hsun Huang Engineering Center and the Center for Nanoscale Science & Technology	66.0	194.6	100%
Li Ka Shing Center for Learning and Knowledge	43.2	144.2	100%
Law School Clinics and Faculty Office Building	37.0	70.6	82%
Bing Concert Hall	30.6	133.0	23%
Center for Nanoscale Science and Technology Fit-up	18.1	20.1	100%
East Campus Dining Commons	17.4	20.0	73%
Stanford Avenue Faculty Homes (39 units)	14.4	30.9	60%
Infrastructure Projects	80.9	294.0	Various
Other projects	59.1	316.0	Various
	646.7	1,800.6	

The Capital Budget 2009/10: $646.7 Million

Uses of Funds by Project Type



Uses of Funds by Program Category



Board of Trustees approval. Therefore, the expectation is that the actual expenditures in 2009/10 will be much closer to the budget than in the past.

Sources and Uses

Sources of funds for the Capital Budget are anticipated to be a combination of current funds (which include the Capital Facilities Fund, existing reserves, and fund balances), gifts, debt, and other sources (which represent funds from the California Institute of Regenerative Medicine, Peking University donations, and funds from the hospitals). The university typically uses debt on projects as the last source of funds. The mix of funds will be impacted by the timing of gift receipts.

Of the $646.7 million in the overall Capital Budget, 75% will be spent on Academic/Research projects. Infrastructure, Housing, Academic Support, and Athletics/Student Activities will represent 12%, 8%, 5%, and less than 1%, respectively. An estimated 85% of the budget will be spent on new construction projects. The majority of these expenditures are for the SEMC buildings, the Knight Management Center and Parking Structure 7, the Law School Clinics and Faculty Office Building, and the Bing Concert Hall. Another 12% will be spent on infrastructure projects and programs, including the Investment in Plant Maintenance Program and the Capital Utilities Program (CUP). The remaining 3% will be spent on renovation projects for Crothers Hall/Crothers Memorial Hall, the School of Education Building, and the Cognitive and Neurobiological Imaging Center for the School of Humanities and Sciences.

Capital Facilities Fund

A crucial source of funds for capital projects is the Capital Facilities Fund (CFF). In June 2007, the Board of Trustees approved an increase in the target endowment payout rate from 5.0% to 5.5%. The additional payout frees up unrestricted funds, which have been sequestered in the CFF to support major facilities projects.

Transfers to the CFF will be $130.2 million in 2008/09 and $122.4 million in 2009/10, with commitments of $40.8 million in 2008/09 and $86.4 million in 2009/10, as shown in the table on the next page. The 2009/10 total includes the anticipated use of $58.2 million to cover the EFP payout shortfall in accordance with the new EFP policy described in Section 1.

Non-formula CFF funds are allocated for projects that are difficult to support through restricted sources, and thus reduce the call for general funds serviced debt. Among other uses, non-formula CFF is funding the enhanced sustainability features of several of the SEMC buildings.

The formula units determine uses of their CFF funds according to their highest priority.

Capital Budget Impact on 2009/10 Operations

The 2009/10 Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2009/10. Additionally, this budget includes an incremental increase in debt service and O&M expenses for projects completing in 2008/09 which were operational for less than 12 months.

Capital Facilities Fund (CFF)

Funding Sources and Committed Uses of Funding

[in millions of dollars]

	2008/09	2009/10
Sources of Funding		
Formula Units		
School of Medicine	16.1	16.7
Graduate School of Business	7.5	7.5
Hoover Institution	4.7	4.5
Presidential Funds	16.7	15.0
Non-formula	85.2	78.7
Total Funding	**130.2**	**122.4**
Committed Uses of Funding		
EFP potential shortfall		58.2
Stanford Avenue Faculty Homes	11.3	8.3
School of Education Building	5.2	
Visitor Information Center	3.7	
Munger Graduate Residences	2.9	
Redwood City Campus	2.0	
Bioengineering & Chemical Engineering		5.0
Emergency Power Program		3.0
GSB Knight Management Center construction financing	7.5	7.5
Medical School projects	6.1	4.0
Hoover facilities projects	2.0	
Other projects	0.1	0.4
Total Commitments	**40.8**	**86.4**
Annual Uncommitted Balance	89.4	36.0
Uncommitted Balance	107.9	143.9

Capital projects are partially funded from internal loans which are amortized over the asset life in equal installments (principal and interest). The budgeted interest rate (BIR) used to calculate internal debt service is a blended rate of interest expense on debt issued for capital projects, bond issuance costs, and administrative costs. The BIR is reset annually. The projected BIR for 2009/10 is 5.0%.

The projected incremental internal debt service funded by unrestricted funds, including formula units, in 2009/10 is $3.3 million. This amount includes the additional debt service on the energy retrofits of Gilbert Biology, the Beckman Center, Stauffer II, the Center for Nanoscale Science and Technology, the Lorry I. Lokey Stem Cell Research Building, the School of Medicine Connective Elements, and other smaller capital projects and programs, offset by a reduction of 0.2% in the budgeted interest rate. It excludes debt service incurred to bridge finance the receipt of gift and annual lease payments. This additional debt service brings the total annual internal debt service borne by the unrestricted university budget to $47.4 million, 3.1% of unrestricted revenues, general funds, and designated funds.

Consolidated internal debt service, including that borne by formula units, auxiliaries, service centers, Faculty Staff Housing, and real estate investments is projected to increase from $139.3 million to $149.0 million. In addition, annual lease payments are projected at $19.5 million and debt service incurred to bridge finance the receipt of gifts under construction is estimated at $2.6 million.

The university will incur additional O&M costs in 2009/10 of approximately $5.5 million, $2.1 million of which will be funded by the School of Medicine. The incremental costs are mostly due to the completion of the Lorry I. Lokey Stem Cell Research Building, the Jen-Hsun Huang Engineering Center, the Li Ka Shing Center for Learning and Knowledge, the Center for Nanoscale Science and Technology, the John A. and Cynthia Fry Gunn Building (SIEPR), the Visitor Information Center/Track Bleachers Expansion, the Automotive Innovation Facility, and smaller infrastructure maintenance costs.

CAPITAL PLANNING OVERVIEW

Capital Planning at Stanford

Stanford's Capital Plan is a three-year rolling plan with budget commitments made for the first year and then only for projects with fully identified and approved funding. Cash flow expenditure forecasts for these projects extend beyond the three-year period. Budget impacts for operations, maintenance, and debt service commence at construction completion. The plan includes tables forecasting both cash flow and budget impacts by year, demonstrating the longer than three-year impact of the plan.

The Capital Plan is set in the context of a longer-term capital forecast for the university. The details of this longer-term forecast, particularly funding sources and schedules, are less clear than those of the three-year plan, as all of the needs and funding sources that may emerge over the long-term horizon are difficult to anticipate. Additionally, plans tend to change over time as some projects prove more feasible than others given evolving funding realities and academic priorities.

At approximately $1.8 billion, this year's Capital Plan is 35% lower than the prior year's approximate $2.8 billion plan. This significant decrease reflects the delay or suspension of approximately $1.1 billion in projects in response to the economic downturn.

Stanford has been in the midst of the largest construction program in its history. The Capital Plan addresses the need to replace and upgrade many of the university's aging facilities for science, medicine, and engineering. Additionally, the plan includes a new campus for the Graduate School of Business, a Law School clinics and faculty office building, a concert hall, and several housing projects.

The current economic downturn has had a significant impact on the university's ability to fund incremental operations and maintenance (O&M) on new buildings, and debt service on both new and renovated buildings as they are occupied. O&M expenses include: planned and reactive/preventive maintenance, zone management, utilities, contracts, grounds, and outdoor lighting. The university had originally delayed or suspended $1.3 billion of capital projects. Subsequently $230.5 million in projects were re-activated and are included in the plan, reducing the delayed and suspended projects to $1.1 billion as detailed in the table below. For the delayed or suspended projects, estimated deferral of debt service and O&M are $44.9 million and $20.4 million respectively. The future timing of all delayed or suspended projects will be re-evaluated annually as part of the capital planning process.

Delayed and Suspended Projects

[in millions of dollars]

	Estimated Project Cost	Debt Service	Operations & Maintenance
Redwood City Campus Master Plan Phase 1	379.0	18.5	8.9
Foundations in Medicine (FIM) 1	142.7	5.4	3.6
Biology (SEMC project)	108.3	4.5	2.4
Art Building	64.6	3.1	1.4
Memorial Auditorium Renovation	57.8	1.5	
Encina Renovation	56.7	2.7	
Old Chemistry	47.7	2.8	1.1
Academic Computing Building (Meyer Library Replacement)	46.1	2.4	
Cummings Replacement	45.6	2.3	1.1
Maples Parking Structure	40.0		0.2
Panama Mall Renovations	20.8		0.1
Buildings 02-520 and 02-524 Renovations ($12 million)			
Durand Phase 4 ($6.8 million)			
Building 02-560 ($2 million)			
Public Safety Building	15.7	0.6	0.3
Mechanical Engineering (Building 630 Replacement)	14.9		0.4
Stanford Auxiliary Libraries (SAL) 3 - Phase 2	14.0		0.5
Green Dorm (47 beds)	12.7	0.3	0.1
Access Control Enterprise System (ACES) - Phase 2	11.7		
Golf Club House, Pro Shop, Cart Barn	8.7	0.5	0.1
Madera Grove East Campus Child Care Center 2	5.4		0.1
Multiple Non-Board of Trustee Level Projects	16.5	0.2	0.1
Total Delayed and Suspended Projects*	**1,108.8**	**44.9**	**20.4**

*Initially delayed and suspended total was $1.3 billion.

Last year, 17% of the Capital Plan was dependent on "Gifts to Be Raised," compared to just 7% this year. Likewise, 15% of last year's Capital Plan was dependent on "Resources to Be Identified," compared to less than 1% this year. For any projects relying on gifts to be raised, the Office of Development has determined that fundraising plans are feasible, although the time frames could change. "Resources to be Identified" includes funds yet to be fully identified, with the expectation that funds will come from a combination of gifts and/or school, department, and university reserves.

STRATEGIC INITIATIVES

The following current and long-term strategic initiatives are integral to this year's Capital Plan and are described in more detail below.

Current

- Science, Engineering, and Medical Campus (SEMC)
- Housing

Long-Term

- Redwood City Campus
- Sustainability and Energy Management

Current

Science, Engineering, and Medical Campus

The SEMC consists of eight new buildings:

- Astrophysics (completed in 2006)
- Jerry Yang and Akiko Yamazaki Environment and Energy Building (Y2E2) (completed in 2007)
- Lorry I. Lokey Stem Cell Research Building (SIM 1) (under construction)
- Jen-Hsun Huang Engineering Center (under construction)
- Center for Nanoscale Science and Technology (under construction)
- Li Ka Shing Center for Learning and Knowledge (LKSC) (under construction)
- Bioengineering/Chemical Engineering (BioE/ChemE) (in planning)
- Biology (delayed)

This year's Capital Plan includes five of the eight SEMC buildings, together with associated connective elements, utilities, and demolition projects. It also includes a line item for contingency risk. SEMC project costs included in this plan are $683.6 million, or 38% of the total plan expenditures.

The following are descriptions of the SEMC buildings currently under way:

Lorry I. Lokey Stem Cell Research Building (SIM 1)

The School of Medicine long-range plan calls for the development of new research facilities that will focus on five Institutes of Medicine to be housed in three new buildings. The Stanford Institutes of Medicine (SIM 1) building, the first of three institute-based buildings planned by the school, will house the Stem Cell Biology and Regenerative Medicine Institute (SCBRM) and the Cancer Center. Researchers from other School of Medicine Institutes will also occupy the building.

The Lokey Stem Cell Research Building will encompass 200,000 gross square feet, with a basement and three above grade floors of research labs and other support facilities. The Lokey Building has extensive sustainability features as described in the School of Medicine Academic Unit write-up in Section 2.

Jen-Hsun Huang Engineering Center

The Jen-Hsun Huang Engineering Center, at the heart of the new SEQ 2, will be the headquarters for the School of Engineering. The project began construction in 2008 and will be completed in 2010.

The Huang Engineering Center is located on the southern portion of the former HEPL building site. The 129,000 gross square feet building will house administrative units, academic departments and institutes, classrooms, an auditorium, a library, and collaborative spaces. The building skin, architectural elements, and sustainable design features are being carried forward from the Y2E2 building.

Center for Nanoscale Science and Technology (Nano Center)

The Center for Nanoscale Science and Technology is located on the northern portion of the former HEPL building site. The project began construction in 2008 and will be completed in 2010. The 102,000 gross square feet building will house a broad spectrum of laboratories. The Nano Center will support the Ginzton Laboratory and the proposed Institute for Nanoscience and Technology.

Using the most advanced equipment available, the Nano Center will make these labs available to approximately 70 researchers from all over campus, including leaders in the natural and physical sciences, engineering, and medicine. Natural ventilation and day-lighting strategies will be employed throughout the Nano Center. Sustainability goals for the building are covered in the Dean of Research Academic Unit write-up in Section 2 of this book.

Li Ka Shing Center for Learning and Knowledge (LKSC)

The Li Ka Shing Center for Learning and Knowledge is currently under construction on the site cleared by the Fairchild Auditorium demolition. The project began construction in 2008 and is anticipated to be completed in 2010. The 118,000 gross square feet LKSC building will house a conference center, classrooms, student study and social areas, and medical simulation and virtual reality environments.

The LKSC will be an active hub for the School of Medicine, providing supportive environments for learning, knowledge development, and public assembly, with an emphasis on access to information resources throughout. A cornerstone of the new education space will be the flagship facility of the Center for Immersive and Simulation-based Learning. The center aims to provide an integrated environment for hands-on learning of clinical, procedural, cognitive, and interpersonal skills. Sustainability features of the LKSC are covered in the School of Medicine Academic Unit write-up in Section 2.

Housing

Stanford University prides itself in having a housing program that provides a wide range of choices for its students. The long-range vision for academic housing builds on this program by providing a physical framework that would offer a variety of living options.

The plan for undergraduate housing east of the Main Quad develops a series of neighborhoods, anchored by new quadrangles, which would accommodate a collection of freshman and upper class dorms as well as academic theme houses. Centralized dining and academic program facilities serve as the hub for these neighborhoods and allow students to migrate among different housing venues while still residing in the same "community".

On the west side of campus the long-range vision strengthens Santa Theresa as a streetscape of student dorms by replacing parking lots with dorms that will all face and activate the street. In the spirit of providing choices, the housing venues on this side of campus focus less on a quadrangle system, and more on individual dorms and houses in a natural setting.

Working towards achieving this long-range vision and meeting the needs of our faculty and staff, the following projects are included in the Capital Plan.

Crothers Hall and Crothers Memorial Hall Renovation – These buildings comprise a total of 104,000 gross square feet of coeducational dormitory space that currently houses 244 graduate students. With the opening of the Munger Graduate Residences, both Crothers Hall and Crothers Memorial Hall will be used for undergraduate housing. The renovated buildings are anticipated to house 376 undergraduate students. A new Resident Fellow apartment will be added as part of the renovation as will some housing offices and support spaces. The Mark Taper Law Student Center will be converted into an administrative center linking the Crothers buildings into one Crothers complex.

The buildings will be renovated to be consistent with the characteristics inherent in the original design and building type. The building colors, materials, and overall design elements will respond to the Central Campus Design Guidelines. The scope will bring the structures up to code and seismic performance standards. The central courtyard between Crothers Hall and Crothers Memorial Hall will be maintained as the main public central space for large community gatherings and events.

East Campus Dining Commons – The construction of a new 26,000 square foot dining commons on Escondido Road will support Stanford Dining's commitment to provide quality meals and excellent service to the 376 undergraduate students that will be housed in the renovated residences at Crothers Hall and Crothers Memorial Hall, together with staff, faculty, conferees, and other guests. The new facility will also serve as a regional dining facility, which will offer an alternative dining location for students housed in Toyon Hall.

To enhance the residence hall's living and learning experience, the new facility will provide a unique, innovative, attractive, and exciting dining alternative. The new facility will follow a "culinary studio" approach in its design and showcase "just-in-time" cooking concepts and flexible cooking stations and seating areas. The menu will be multi-cultural and diverse. The Dining Commons will not only be state of the art, but also comfortable for students, with a warm ambience.

Stanford Avenue Faculty Homes – The availability of high-quality affordable housing on or close to campus plays a critical role in recruiting and retaining Stanford faculty. In recent decades, the desirable but increasingly expensive housing in the greater Stanford area has challenged the university to assist faculty in identifying suitable, affordable housing opportunities. The Stanford Avenue Faculty Homes project was developed as an option to address this issue. The project was approved by the Board of Trustees in 2007 and is expected to be completed by 2011.

The project entails the construction of 39 single-family detached homes on a 6.7 acre parcel located between Stanford Avenue and Olmsted Road in the southeastern area of campus, adjacent to Escondido Village graduate student housing and the College Terrace neighborhood. The homes will range from 1,820 to 2,400 square feet. The units are clustered around shared private courtyards. The homes have been designed to integrate with the existing fabric of the adjacent College Terrace neighborhood. The site plan will provide for a public access jogging trail and public sidewalks along Stanford Avenue and Olmsted Road.

Olmsted Road Staff Rental Housing - The Department of Athletics, Physical Education, and Recreation (DAPER) has become more reliant on using mortgage subsidies and housing assistance in recruiting and retaining coaches in a very competitive environment. In lieu of providing a subsidy for the purchase of homes, DAPER plans to construct rental on-campus housing for coaches and staff.

The Olmsted Road Staff Rental Housing project will construct 25 units of staff housing – 17 single-family detached homes and four duplexes on a three-acre site bounded by El Camino Real, Stanford Avenue, Olmsted Road, and the expansion site of the new child care center. The architectural styles of the homes will take cues from College Terrace residences in terms of massing, scale, proportion, detail, and color. The collection of homes conforms to the setback and buffer requirements of the El Camino Plan. Although primary access to the housing will be via Olmsted Road, there will be pathway connections to El Camino Real and the university.

Long-Term

Redwood City Campus

A conceptual master plan has been completed for the development of a new campus located in Redwood City on 35 acres owned by the university. The current plan is to redevelop the site to provide up to 1.5 million square feet of professional staff, amenity, and research space. Phase I of the Stanford Redwood City Campus, approximately 558,000 square feet, has received concept and site approval from the Board of Trustees. A project application has been submitted to Redwood City, and the project entitlement and EIR process is moving forward. Entitlement approval is targeted for fall 2009 or early 2010. Several non-academic campus programs plan to relocate to the new campus. Due to the current economic downturn, it is not clear when the site work and redevelopment will begin.

Sustainability and Energy Management

Stanford is committed to advancing sustainability in the design, construction, and operation of campus facilities. The reduction of overall energy consumption and the use of cleaner energy sources are integral to creating a sustainable campus. Stanford continues a decade-long commitment to energy conservation and efficiency.

Current energy-saving strategies are expected to decrease energy consumption through 2011. In 2012, additional demand from new buildings may require enhanced conservation efforts. While Stanford produces energy from an efficient natural gas-fired combined heat and power plant, the university is exploring renewable energy solutions.

Stanford is also pursuing various approaches to reduce the use of non-renewable resources and minimize environmental impacts.

- Energy Demand and Water Use Reductions: As of February 2008, Stanford has instituted sustainability standards that require all new buildings to establish the goal of achieving a reduction in energy demand by 30% below the American Society of Heating, Refrigerating, and Air-Conditioning

Engineers (ASHRAE) standard 90.1 (2004 edition) and a reduction in water usage to 25% below that of comparable campus buildings.

- 12 Building Energy Study: Stanford's comprehensive energy reduction program has identified 12 of the largest energy-intensive buildings on campus. As reported in the section on the Building Energy Retrofit Program (see the Infrastructure section of the Capital Plan), the large-scale projects are in varying stages of implementation and require a capital investment of approximately $16 million.
- Existing Building Retrofits: Through minor capital and operational improvements, Stanford plans to continue programs to reduce energy and water use in existing buildings. Examples include the Energy Retrofit Program (ERP), the Energy Conservation Incentive Program (ECIP), and other capital retrofit projects.
- Energy Supply Options: Stanford is aggressively working to identify energy supply options that reduce Stanford's dependence on fossil fuel.

A major effort to identify and prioritize options for a long-term reduction of campus greenhouse gas (GHG) emissions is expected to be completed in 2009. The GHG reduction plan will incorporate advanced efficiency standards for new buildings, improvements to existing buildings, and potential long-term changes to campus energy supply strategies.

Sustainability Working Teams are focusing on advancing sustainability across campus operations. These working teams bring together campus operations leaders with knowledge of water resources, green purchasing, food service, recycling, and transportation.

The recently completed Y2E2 building exemplifies Stanford's commitment to sustainability. The building is projected to use 56% less energy and 90% less potable water for fixtures than comparable buildings. The building also used fly ash (a by-product of making cement) as a construction material, incorporated the use of recycled steel and renewable wood, included uncarpeted floors in many areas, and employed photovoltaic panels on portions of the roof.

THE CAPITAL PLAN, 2009/10 – 2011/12

Stanford's central campus, including the Medical School but excluding the hospitals, has more than 700 buildings providing more than 14.2 million gross square feet of physical space. The physical plant has a historical cost of $5.3 billion and an estimated replacement cost in excess of $7 billion.

The Capital Plan includes a forecast of Stanford's annual programs designed to restore, maintain, and improve campus facilities for teaching, research, housing, and related activities. The plan also outlines Stanford's needs for new facilities. The Capital Plan is compiled, reviewed, and approved in a coordinated manner across the university. The plan carefully balances institutional needs for new and renovated facilities with challenging constraints of limited development entitlements, available funding, and budget affordability.

Projects listed in the Capital Plan are those which have been approved by the Provost and have an estimated cost of $5 million or more. Many of the projects are under the purview of the Board of Trustees. Criteria established for the Board of Trustee-level approval are any of the following:

- Total project cost of $10 million and above
- New building construction
- Projects that use 5,000 or more new square feet within the Academic Growth Boundary
- Changes in land use
- Projects with major exterior design changes

Expenditures in the 2009/10–2011/12 Capital Plan, which includes major construction projects in various stages of development and numerous infrastructure projects and programs, total $1.8 billion. The table below provides a comparison of the last three Capital Plans.

Comparative Capital Plans

[in millions of dollars]

	2007/08	2008/09	2009/10
Design/ Construction	1,377.4	2,068.3	1,427.0
Forecasted Projects	739.7	420.0	79.6
Infrastructure	252.1	280.0	294.0
Total	2,369.2	2,768.3	1,800.6

Projects in Design and Construction

Projects in Design and Construction represent $1.4 billion (79% of the plan). Construction of these projects is contingent on fundraising of $110.2 million (8%).

Seventeen projects are listed in this category, as shown in the related table at the end of this section.

Project costs in Design and Construction have decreased by $641.3 million from 2008/09. Accounting for this significant decrease is $577.3 million in delayed or suspended projects including: Redwood City Campus Master Plan Phase 1 ($379 million), Biology Building ($108.3 million), Maples Parking Structure ($40.0 million), Mechanical Engineering Building ($14.9 million), Durand Renovations - Phase 4 ($6.8 million), and three other smaller projects totaling $23.4 million. Additionally, $289.9 million in projects are rolling off of the Capital Plan as they will be completed by 2009/10, the largest of which is the Munger Graduate Residences ($227 million). Offsetting these decreases is the move of $175 million in projects from "Forecasted" to "Design & Construction," including: Bing Concert Hall ($133 million), Crothers Hall/Crothers Memorial Hall Renovation ($22 million), and East Campus Dining Commons ($20 million). Two new projects to the plan are the Center for Nanoscale Science and Technology Fit-up ($20.1 million) and the Jen-Hsun Huang Engineering Center Fit-up ($14 million).

Forecasted Projects

Forecasted projects are those anticipated to receive Board of Trustees approval over the next three years. These projects total $79.6 million (5% of the plan). As with the projects in Design and Construction described above, these projects are contingent on funding. For this group of projects, a total of $15 million, or 19% remains to be fundraised.

Project costs within this category have decreased by $340.4 million from 2008/09, as a number of projects have been delayed or suspended. The delayed or suspended projects total $192.1 million and include: Art Building ($64.6 million), Encina Renovation ($56.7 million), Cummings Replacement ($45.6 million), Stanford Auxiliary Libraries 3 Phase 2 ($14 million), Green Dorm ($12.7 million), and Panama Mall Renovations ($9 million).

Projects totaling $205 million have moved to Design and Construction, including: Bing Concert Hall (previously forecasted at $163 million), East Campus Dining Commons (previously forecasted at $22 million), and Crothers Hall/Crothers Memorial Hall Renovation (previously forecasted at $20 million). Offsetting these decreases are two new projects: Scientific Research Computing Facility ($46.6 million) and Cognitive and Neurobiological Imaging Center ($10 million). The 800 Welch Road (Blood Center) project remains on the plan and has been renamed the Jill and John Freidenrich Center for Translational Research ($23 million).

Infrastructure

Stanford's ongoing efforts to renew its infrastructure are reflected in a budget of $294 million (16% of plan). Infrastructure programs include: Investment in Plant Maintenance Program, Capital Utilities Program (CUP) and projects, R&DE's Capital Improvement Program, Stanford Infrastructure Program (SIP), Building Energy Retrofit Program, Information Technology & Communications Systems, GUP Mitigation Program, and Storm Drain projects. GUP mitigation and SIP projects are funded through construction project surcharges.

Infrastructure costs have increased in this year's Capital Plan by $14 million. This increase is largely due to the inclusion of the Cooling Tower #5 and Chiller Building ($12.7 million). See the Capital Utilities Programs and Projects sections below for further discussion.

Investment in Plant – Maintenance Program

This program includes deferred and planned maintenance for building subsystems. The planned costs and funding total $93.3 million and are detailed by area on page 79.

Capital Utilities Program and Projects

The three-year plan allocates a total of $43.6 million to the Capital Utilities Program (CUP) to improve electrical, steam, water, chilled water, and wastewater utility systems. This CUP program covers the areas of system expansion, system replacement, controls, and regulatory (compliance) issues and is an annual capital program.

In addition to the ongoing CUP program, there are three capital utilities projects totaling $67.7 million. These projects include a Replacement Central Heating Plant ($30 million) that will allow decommissioning and removal of four existing boilers in the Central Energy Facility (CEF), a Cooling Tower and Chiller building ($12.7 million) planned at the CEF to support the increased cooling capacity needs of SEMC buildings, and the new Searsville Substation ($25 million), which will address the university's projected electrical demand growth requirements for the next 50 years.

These projects represent capital investments required under a "business-as-usual" arrangement in which the university continues to utilize the Cardinal Cogeneration plant (a third-party owned and operated 100% fossil-fueled cogeneration facility, operating since 1987) for its long-term energy supply. The current Cardinal Cogeneration plant contract expires in April 2015, at which time the plant will be at or near the end of its useful life. To meet state-mandated greenhouse gas emission reduction requirements (and anticipated Federal requirements currently moving through Congress), significant rehabilitation to the Cardinal Cogeneration would be required.

For these reasons and with a long-range view towards sustainability, a year-long planning effort has been underway to identify new energy supply options to reduce both the university's long-term cost and greenhouse gas emissions from its operations, and to achieve increased cost stability by reducing the reliance on fossil fuel. These energy supply options are now under review. With the approval of a new energy supply, the proposed $67.7 million in capital utilities projects discussed above will be significantly altered. In essence, these projects represent only a placeholder for the business-as-usual case, rather than the anticipated new long-term strategy.

R&DE Capital Improvement Program

The Residential & Dining Enterprises Capital Improvement Program (CIP) is intended to address life and health safety, seismic upgrades, code compliance, energy conservation and sustainability measures, and major programmatic improvements in the student housing and dining physical plant. CIP projects anticipated over the next three years total $46.8 million. The plan includes continuation of the code compliance upgrades of various Row Houses, repairs to the Escondido Village slab heating system and infrastructure, as well as bathroom renovations. The Crothers Hall/Crothers Memorial Hall project and the East Campus Dining Commons are in addition to these CIP totals and are listed on the Projects in Design and Construction table.

Stanford Infrastructure Program (SIP)

The SIP consists of planning and transportation projects and programs for the improvement and general support of the university's academic community, hospitals, and physical plant. SIP expenditures are expected to total $13.5 million over the next three years. SIP projects include the construction of campus transit improvements, parking lot infrastructure improvements, site improvements, landscape design and enhancements, bicycle, cart and pedestrian paths, lighting, signage, and outdoor art.

Building Energy Retrofit Program

In the first phase of a comprehensive energy reduction program, Stanford's largest energy-intensive buildings were studied with the goal of energy consumption reductions. The buildings selected for retrofit represent $15.9 million of energy expenses per year, or nearly 36% of the total campus energy expense. Figures are based on average consumption in 2006/07 and 2007/08 multiplied by the 2008/09 energy rates. The studies resulted in a range of recommendations from less costly (<$100,000) to large-scale energy retrofit projects. Most of the less costly retrofits have already been implemented through Sustainability & Energy Management (SEM) department programs. The large-scale projects are in varying stages of implementation and are expected to require a capital investment of about $16 million.

The table on the following page summarizes the status of these projects, expected annual savings, and early results. It should be noted that early results may not be indicative of expected long-term improvements due both to the imprecise nature of estimating potential energy savings from major renovations as well as the time needed for the changes to take full effect. Some projects will return higher than expected savings and some less than expected due both to the nature of the work and potential changes in expected building occupancy, equipment, tenant improvements, operating schedules, or weather patterns. Where results vary significantly from expectations (more than ±5%) and after at least one full annual building cycle has passed, troubleshooting will continue until any identified problems are fixed and expectations are met or exceeded. This troubleshooting will be undertaken unless unforeseen building changes or weather patterns, though unlikely, materially affect the design intent of the retrofit. Note that the Herrin Hall-Biology retrofit was cancelled due to the limited expected life of this building.

Though not included in the Capital Plan, a second group of 14 buildings have been identified for the energy retrofit studies and implementation program. These 14 buildings together consume $10.7 million in

Building Energy Retrofit Program — 12 Building Energy Study

Project	Retrofit Status	Estimated Annual Savings	Early Results
Stauffer I – Chemistry	Complete	41%	46%
Gordon & Betty Moore Materials Research	Complete	32%	11%
Paul Allen Center for Integrated Systems (CIS)	Complete	15%	11%
Forsythe (George) Hall[1]	Complete	5%	0%
Stauffer II - Physical Chemistry	Complete	38%	46%
Gates Computer Science	Complete	29%	21%
Beckman Center for Molecular and Genetic Medicine	Construction	43%	
Gilbert Biological Sciences	Program/Design	34%	
Cantor Center for Visual Arts	Program/Design	TBD	
Center for Clinical Sciences Research (CCSR)[2]	Delayed to 2012/13	TBD	
Lucas Center[2]	Delayed to 2011/12	TBD	
Herrin Hall – Biology[3]	Cancelled		

[1] Considering additional work in the server area to improve consumption savings results.

[2] Delayed in order to benefit from lessons learned on the Beckman Center retrofit currently in progress.

[3] Scheduled for demolition.

energy each year, or an additional 24% of Stanford's total energy usage. The estimated capital investment for this group of buildings is $15 million. The group includes: Green Library West, Clark Center, Mitchell, Jordan Hall, Green Earth Sciences, Varian, Mechanical Engineering Laboratory, Center for Educational Research (CERAS), Packard Electrical Engineering, Arrillaga Alumni, Green Library East, Sweet Hall, Meyer Library, and Tresidder.

In addition to the large-scale retrofits listed above, two medium-sized energy retrofits have been implemented. An energy retrofit of the Avery pool is nearly completed and a 56% savings in energy costs is expected. An energy retrofit of the Keck Science Building has been completed and yielded measured savings of 31%.

Information Technology and Communication Systems

The university's communications and networking systems provide voice, data, and video services to all buildings on campus. Over time, these systems must be replaced and/or improved so that a consistently high level of service can be maintained. Additionally, new technologies are implemented that provide more efficient, faster, and/or more cost effective solutions. A total of $9.6 million has been allocated for upgrades to network and communication systems.

GUP Mitigation

Stanford reached agreement with Santa Clara County on the implementation of the required trails in the County and other jurisdictions. Santa Clara County segments were permitted for construction and began in 2005. Construction was suspended when the Committee for Green Foothills sued the County and Stanford over the adequacy of the EIR. The litigation is expected to be resolved in 2009 or 2010 by a California Supreme Court ruling. The Capital Plan provides for $8.3 million in capital expenditures for this mitigation. Funding is generated by an internal fee levied on capital projects that increase school/department campus space allocations.

Storm Drains

The ongoing storm drain program includes projects for installing detention facilities that will mitigate increased peak flow runoff from development of the West Campus, projects to recharge groundwater, and projects to improve minor drainage deficiencies and restore capacity in the existing storm drain system. In addition, new storm water quality regulations require site design measures and new runoff treatment facilities to minimize contamination conveyed to natural water bodies from small storms.

Other Stanford Entities

In an effort to present a comprehensive view of university planned construction, the capital planning process has included real estate investments, Stanford Hospitals and Clinics (SHC), Lucile Packard Children's Hospital (LPCH), and the SLAC National Accelerator Laboratory. Although the Capital Plan tables at the end of this section do not include these other entities, brief descriptions of their capital programs follow:

Real Estate Investments

Sand Hill Road Hotel/Office Building – The development of an office complex and 123-room hotel on Sand Hill Road is complete. The Rosewood Sand Hill Hotel, operated by Rosewood Hotels and Resorts, opened in April 2009. Office leasing of the donor-funded 100,000 square foot office complex has exceeded original expectations, with 75% of the office space currently leased. The first office tenant moved in November 2008.

Stanford Research Park – The Research Park continues to be a desirable location for a variety of corporations, creating a dynamic environment throughout boom and bust real estate cycles. Under an approved land use development agreement, known as the Mayfield Agreement, the Real Estate division will be master planning the conversion of some commercial sites on the edges of the Research Park to residential sites by the year 2013, when the underlying ground leases expire.

Stanford Hospitals and Clinics and Lucille Packard Children's Hospital

The university, SHC, and LPCH are requesting entitlements in Palo Alto to create a new hospital zone, which would allow development of approximately 1.3 million square feet of net new hospital, clinic, and medical office space. In addition, the new zone would allow for an increase in the height limit from 50 feet to 130 feet.

Since the fall of 2006, representatives from the two hospitals, the School of Medicine, and university administration (including Land, Buildings and Real Estate (LBRE), Public Affairs, and Office of the General Counsel) have worked together to manage the entitlement process. The formal project application was submitted in August 2007. The City Council hearing on the final Environmental Impact Report (EIR) and approval of the Development Agreement are now targeted for late 2009 or early 2010. The ability to meet targeted environmental review and ultimate entitlement dates will be a significant challenge given the discretionary nature of this process.

SLAC National Accelerator Laboratory

Currently, the SLAC National Accelerator Laboratory is updating its Long-Range Development Plan with a vision to consolidate research science activities, upgrade infrastructure, and/or demolish and renovate facilities. Recent Capital Plan efforts have focused on the Linac Coherent Light Source (LCLS) project, a project totaling $315 million, funded by the Department of Energy. A remaining effort involves the renovation of office space for staff and users of the LCLS facility. This work is scheduled to be completed in 2010. Additionally, projects totaling $97.1 million (funded by the Department of Energy) are underway on a Research Support Building (RSB) and infrastructure modernization. These projects include the construction of a new 60,000 gross square foot building to house accelerator research staff at the RSB, renovation of three mission-support buildings, and the demolition of 57,000 square feet of substandard buildings and trailers.

Overall Summary

A summary table of the 2009/10-2011/12 three-year Capital Plan appears on the next page.

To differentiate between the estimated costs of the three-year Capital Plan and the forecasted spending to complete its projects and programs, an additional table (Capital Plan Cash Flows) is included along with the Capital Plan Summary. This table forecasts the expenditure outflow of the Capital Plan based on project and program schedules. Included are projects and programs in Design or Construction, Forecasted, and Infrastructure projects that are anticipated to commence in the next three years. Related cash expenditures are anticipated to be spent over a period extending through 2014/15.

Operating (including utilities), maintenance, and debt service costs will impact the operating budget once the construction is substantially complete. Although the Capital Plan Summary shows the full budget impact of all completed projects, it is important to note that this impact aligns with the project completion schedule and will be absorbed by the university budget over a period of six years (through 2014/15) based on actual project completion dates. The Capital Plan Impact on Budget table has been included along with the Capital Plan Summary and Capital Plan Cash Flows

Summary of Three-Year Capital Plan 2009/10–2011/12

[in millions of dollars]

			Project Funding Source							Annual Continuing Costs	
				Gifts		University Debt					
	Estimated Project Cost	Capital Budget 2009/10	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Resources To Be Identified[3]	Debt Service	Operations, Maintenance & Utilities[4]
Projects in Design & Construction	1,427.0	554.7	310.4	749.9	110.2	13.5	199.5	43.5		14.1	23.9
Forecasted Projects	79.6	11.2	10.0	8.0	15.0		46.6			3.1	1.5
Total Construction Plan	1,506.6	565.9	320.4	757.9	125.2	13.5	246.1	43.5		17.2	25.4
Infrastructure Programs	294.0	80.9	105.3			162.1	16.4	0.4	9.7	14.5	0.4
Total Three-Year Capital Plan 2009/10 – 2011/12	1,800.6	646.7	425.7	757.9	125.2	175.6	262.5	43.9	9.7	31.7	25.7

1 Includes funds from university and school reserves, the CFF, and the GUP and SIP programs.

2 "Other" represents funds from government grants, Peking University, and the hospitals.

3 Anticipated funding for this category is through a combination of gift raising and school, department, and university reserves yet to be identified.

4 Operations and Maintenance includes: planned and reactive preventative maintenance, zone management, utilities, contracts, grounds, and outdoor lighting

Capital Plan Cash Flows

[in millions of dollars]

	2009 & Prior	2009/10	2010/11	2011/12	20012/13	2013/14	2014/15 & Thereafter	Total
Projects in Design & Construction	512.4	554.7	260.8	98.0	1.2			1,427.0
Forecasted Projects	4.9	11.2	34.6	28.9				79.6
Total Construction Plan	517.3	565.9	295.4	126.9	1.2			1,506.6
Infrastructure Programs	1.8	80.9	77.0	106.0	14.0	13.5	0.9	294.0
Total Three-Year Capital Plan 2009/10 – 2011/12	519.1	646.7	372.3	232.9	15.1	13.5	0.9	1,800.6

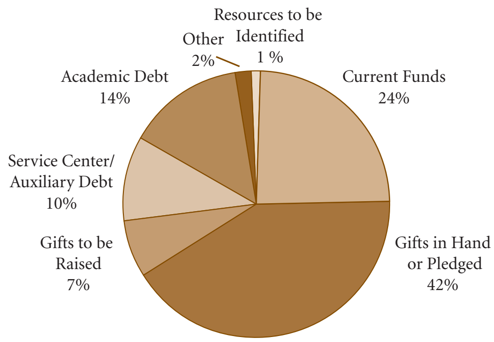
Capital Plan Impact on Budget

[in millions of dollars]

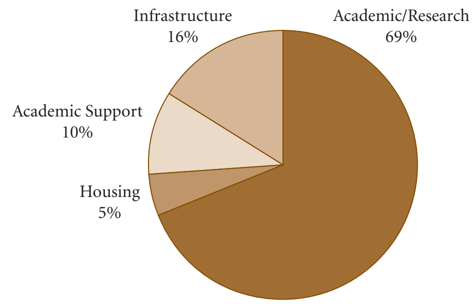
	2010/11	2011/12	2012/13	2013/14	2014/15 & Thereafter	Total
Debt Service						
General Funds	1.9	0.5	0.1	4.5		7.0
Formula and Other Schools	2.4	7.0	0.1			9.5
Auxiliary	1.9	1.6	2.0			5.5
Service Center	1.5	1.5	2.5	2.3	2.0	9.7
Total Debt Service	7.7	10.5	4.7	6.7	2.0	31.7
Operations and Maintenance						
General Funds	5.4		2.5	4.1		11.9
Formula and Other Schools	6.4	6.6				13.0
Auxiliary	0.2	0.3				0.5
Service Center			0.4			0.4
Total Operations and Maintenance	12.0	6.9	2.8	4.1		25.7

The Capital Plan 2009/10 – 2011/12: $1.8 Billion

Sources of Funds



Uses of Funds by Program Category



to forecast the budget impact by area of responsibility (e.g., general funds, formula schools, etc.).

The tables at the end of this section provide a detailed list of the projects included in the Capital Plan. The text summarizes these projects in order to present a comprehensive view of all planned construction on Stanford lands.

The following section addresses the Capital Plan's funding sources: the uses of funds by program category (e.g., Academic/Research, Housing, etc.), by project type (e.g., new construction, renovation, etc.), and resource constraints.

Capital Plan Funding Sources

As the chart above shows, Stanford's Capital Plan relies on several funding sources: current funds (which include the Capital Facilities Fund, existing reserves and fund balances), gifts, debt, and other (which represent funds from the California Institute of Regenerative Medicine, Peking University donations, and funds from the hospitals). Depending upon fundraising realities and time frames, some projects will prove more difficult than others to complete. As a result, it is possible that additional projects on the Capital Plan—beyond those already delayed or suspended—will have to be cancelled, delayed, or scaled back in scope. As illustrated in the chart, 42% of the plan is anticipated to be funded from gifts in hand or pledged and 7% is from gifts to be raised, for a total of 49%. This is consistent with last year's trend, where 46% of the plan came from these fundraising categories.

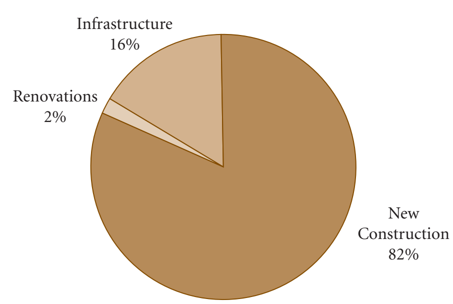
Uses of Funds by Program Category

As the chart above shows, the Capital Plan is divided into the following program categories: Academic/Research, Infrastructure, Academic Support, and Housing. The majority of this year's Capital Plan funds are allocated to Academic/Research programs at 69%, compared to last year's Capital Plan at 60%. The nearly 9% change is largely due to the Redwood City Campus Master Plan Phase 1, categorized as Academic Support, being moved to a delayed/suspended status.

Uses of Funds by Project Type

The following chart classifies projects as new construction, renovation, or infrastructure. The vast majority of the Capital Plan's projects fall into the new construction category (82% consistent with last year's plan at 80%). Infrastructure constitutes 16% and renovations 2%.

2009/10 – 2011/12
Uses of Funds by Project Type: $1.8 Billion



Capital Plan Constraints

Affordability

The incremental internal debt service expected at the completion of all projects commencing in the three-year plan period (completion dates range from 2008/09 to 2014/15) totals $31.7 million annually (excluding debt service for debt backstopping the receipt of gifts). Of this amount, $7 million will be serviced by general funds, $15.2 million by auxiliary or service center operations, and $9.5 million by formula schools (the GSB and the SoM).

The additional O&M costs expected at the completion of all projects commencing in the three-year period total $25.7 million per year. Of this amount, $11.9 million will be serviced by general funds, $0.9 million by auxiliary and service center operations, and $13 million by the formula schools. O&M and debt service on capital projects compete directly with other academic program initiatives.

Debt Capacity

As of May 1, 2009 the university had approximately $517 million of debt available to fund capital projects and faculty mortgages, including $273 million of taxable commercial paper, $212 million of tax-exempt commercial paper, and $32 million of unexpended taxable and tax-exempt bond proceeds. In addition, through fiscal year-end 2009/10, $107 million from internal amortization on debt-funded projects will become available to lend to projects and $161 million in forecasted pledge payments will retire debt issued to bridge finance the receipt of gifts.

The Capital Plan will require a total of $882 million of debt:

- $302 million to complete projects already approved or under construction,
- $121 million for projects forecast to be approved in 2009/10,
- $428 million to bridge finance the receipt of gift pledges for projects under construction, and
- Approximately $31 million to finance construction on the Rosewood Sand Hill Road Hotel and office buildings.

Additional debt will be required to finance the Faculty and Staff Housing program. As of March 31, 2009 the portfolio of debt-subsidized mortgages had increased by $22 million to $349 million.

Projects identified in the three-year Capital Plan commencing after 2009/10 will require an additional $217 million in permanent debt. Debt for these projects has not been committed and allocations will be evaluated in the context of debt capacity, affordability, and the viability of the funding plan and GUP limitations.

Entitlements

The Stanford campus comprises 8,180 acres, which fall within six jurisdictions. Of this total, 4,017 acres, including most of the central campus, are within unincorporated Santa Clara County.

In December 2000, Santa Clara County approved a General Use Permit (GUP) that allows Stanford to construct up to 2,035,000 additional gross square feet of academic-related buildings on the core campus. The GUP also allows the construction of up to 2,000 new student housing units and over 1,000 units of housing for postdoctoral fellows, medical residents, faculty, and staff.

Conditions of approval include the following:

- The creation of an academic growth boundary to limit the buildable area to the core campus.
- The approval of a sustainable development study (SDS) before new construction is developed beyond one million gross square feet. (The SDS was approved by Santa Clara County in April 2009.)
- The construction of 605 units of housing for each 500,000 gross square feet of new academic building.

Given the stringent requirements imposed by the GUP and the increasingly difficult entitlement environment, Stanford carefully manages the allocation of new growth. The total GUP square footage allocation was originally projected to be expended over 15 years at an average rate of approximately 135,000 gross square feet per year. Subsequent experience has lengthened this projection.

The Capital Plan includes 723,010 gross square feet of GUP square feet currently in Design and Construction and no net GUP square feet in forecasted projects. In addition, 28,027 GUP square feet is shown in the Infrastructure category, for the Replacement Boiler Plant and the Cooling Tower #5 and Chiller Building projects. This square footage, along with gross square feet previously allocated, brings the total GUP 2000 gross square feet expended or planned to approximately one million. Given the university's longer-term capital forecast, coupled with funding and affordability challenges and ongoing scrutiny of expansion, the current GUP allocation may endure until 2025.

Regarding the housing requirement, with the completion of Crothers Hall/Crothers Memorial Hall Renovation, Olmsted Road Staff Rental Housing, and other housing projects, Stanford will have added 1,307 net new student beds since approval of the GUP and 2,400 units since 1999. The completion of these units will enable the university to construct up to 1,499,999 gross square feet of new academic space under the GUP.

CAPITAL PLAN PROJECT DETAIL

The tables on the following three pages show projects grouped within three categories: Projects in Design and Construction, Forecasted Construction Projects, and Infrastructure Projects and Programs.

2009/10–2011/12 Capital Plan
Projects in Design & Construction
[in millions of dollars]

					Project Funding Source							Annual Continuing Cost	
						Gifts		University Debt					
	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2009/10	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Resources to be Identified[3]	Debt Service	Operations & Maintenance[4]
Science, Engineering and Medical Campus (SEMC) Projects [5]													
Lorry I. Lokey Stem Cell Research Building	SOM	2008-10	202.9	95.0	26.8	109.5	17.9		9.5	39.2		0.6	4.3
Jen-Hsun Huang Engineering Center and the Center for Nanoscale Science and Technology	SOE	2005-10	194.6	66.0	39.4	105.7	24.5		25.0			1.7	4.9
Li Ka Shing Center for Learning and Knowledge	SOM	2006-10	144.2	43.2	72.4	46.5	7.3		18.0			1.2	2.1
Bioengineering / Chemical Engineering	SOE	2005-13	136.9	11.4	5.0	99.5	2.4		30.0			2.0	2.6
Contingency			5.0	1.0		5.0							
Knight Management Center and Parking Structure (PS7)	GSB	2006-11	374.3	185.0	32.5	241.5	25.4		75.0			5.0	5.2
Bing Concert Hall	PRES/PROV	2009-12	133.0	30.6	54.6	66.4	12.0						2.5
Law School Clinics and Faculty Office Building	SLS	2008-11	70.6	37.0	4.7	18.1	17.8		30.0			2.0	1.5
John and Cynthia Fry Gunn (SIEPR) Building	DOR	2007-10	32.0	6.5	0.5	31.4	0.2						0.5
Stanford Avenue Faculty Homes (39 units)	LBRE	2008-11	30.9	14.4	30.9								
Crothers Hall/Crothers Memorial Hall Renovation	R&DE	2008-10	22.0	8.0				10.0	12.0			1.5	
Center for Nanoscale Science and Technology Fit-up	DOR/H&S/ SOE/SOM	2009-10	20.1	18.1	20.1								
East Campus Dining Commons	R&DE	2009-11	20.0	17.4	2.5	14.0		3.5				0.2	0.3
Olmsted Road Staff Rental Housing (25 units)	DAPER	2008-10	14.8	9.7		12.4	2.4						0.2
Jen-Hsun Huang Engineering Center Fit-up	SOE	2009-11	14.0	7.0	14.0								
School of Education Building Renovation	SUSE	2008-10	6.5	1.3	6.5								
Stanford in China	DOR	2008-10	5.2	3.0	0.6		0.3			4.3			
Subtotal – Projects in Design & Construction			1,427.0	554.7	310.4	749.9	110.2	13.5	199.5	43.5		14.1	23.9

[1] Includes funds from university and school reserves, the CFF, and the GUP, and SIP programs.

[2] "Other" represents funding from the California Institute for Regenerative Medicine and Peking University donations.

[3] Anticipated funding for this category is through a combination of gift raising and school, department, and university reserves yet to be identified.

[4] Operations & Maintenance includes: planned and reactive/preventive maintenance, zone management, utilities, contracts, grounds, and outdoor lighting.

[5] Associated connective elements, utilities, and demolitions are included in each project budget.
Excludes the completed Astrophysics and Y2E2 (Environment & Energy) buildings and the delayed Biology project.

2009/10–2011/12 Capital Plan
Forecasted Construction Projects

[in millions of dollars]

					Project Funding Source							Annual Continuing Cost	
						Gifts		University Debt					
	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2009/10	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other	Resources to be Identified[2]	Debt Service	Operations & Maintenance[3]
Scientific Research Computing Facility	DOR/ITS	2010-12	46.6	1.9					46.6			3.1	1.5
Jill and John Freidenrich Center for Translational Research	SOM	2010-12	23.0	2.8		8.0	15.0						
Cognitive and Neurobiological Imaging (CNI) Center	H&S	2009-10	10.0	6.5	10.0								
Subtotal – Forecasted Projects			79.6	11.2	10.0	8.0	15.0		46.6			3.1	1.5
SUBTOTAL – CONSTRUCTION PLAN			1,506.6	565.9	320.4	757.9	125.2	13.5	246.1	43.5		17.2	25.4

1 Includes funds from university and school reserves, the CFF, and the GUP and SIP programs.
2 Anticipated funding for this category is through a combination of school, department and university reserves yet to be identified .
3 Operations & Maintenance includes: planned and reactive/preventive maintenance, zone management, utilities, contracts, grounds, and outdoor lighting.

2009/10–2011/12 Capital Plan
Infrastructure Projects & Programs
[in millions of dollars]

					Project Funding Source							Annual Continuing Cost	
						Gifts		University Debt					
	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2009/10	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Resources to be Identified[3]	Debt Service	Operations & Maintenance[4]
Investment in Plant (Planned Maintenance)													
Non-Formula/Admin	LBRE	2010-12	45.9	12.8	45.9								
Formula	SOM/GSB	2010-12	21.2	11.3	17.9						3.3		
R&DE[5]	R&DE	2010-12	19.5	5.7	19.5								
DAPER	DAPER	2010-12	6.4	3.8							6.4		
Utilities[6]	LBRE	2010-12											
Roads	LBRE	2010-12	0.2	0.1	0.2								
Subtotal-Investment in Plant (Planned Maintenance)			93.3	33.6	83.5						9.7		
Capital Utilities Program (CUP)													
System Expansion	LBRE	2010-12	22.9	5.8				22.9				2.2	
System Replacement	LBRE	2010-12	14.4	4.0				14.4				1.4	
Controls	LBRE	2010-12	2.5	0.7				2.5				0.2	
Regulatory	LBRE	2010-12	3.7	3.3				3.7				0.4	
Subtotal-CUP			43.6	13.7				43.6				4.2	
Capital Utilities Projects													
Replacement Central Heating Plant	LBRE	2010-15	30.0	0.3				30.0				2.0	
Searsville Substation	LBRE	2011-13	25.0					25.0				1.7	
Cooling Tower #5 and Chiller Building	LBRE	2006-12	12.7	5.0				12.3		0.4		0.8	0.4
Subtotal-Capital Utilities Projects			67.7	5.3				67.3		0.4		4.5	0.4
R&DE Capital Improvement Program[5]	R&DE	2010-12	46.8	5.7				46.8				3.8	
Stanford Infrastructure Program (SIP)	LBRE	2010-12	13.5	4.0	13.5								
Building Energy Retrofit Program	Various	2006-12	10.3	7.8					10.3			1.0	
Information Technology & Communications Systems	ITS	2010-12	9.6	2.3				4.5	5.1			0.9	
GUP Mitigation Program - C1 Trails	LBRE	2005-12	8.3	8.3	8.3								
Storm Drains	LBRE	2010-12	1.0	0.3					1.0			0.1	
Subtotal – Infrastructure Projects & Programs			294.0	80.9	105.3			162.1	16.4	0.4	9.7	14.5	0.4
Total Capital Plan			**1,800.6**	**646.7**	**425.7**	**757.9**	**125.2**	**175.6**	**262.5**	**43.9**	**9.7**	**31.7**	**25.7**

[1] Includes funds from university and school reserves, the CFF, and the GUP and SIP programs.

[2] "Other" represents funding from hospitals.

[3] Anticipated funding for this category is through a combination of school, department, and university reserves yet to be identified.

[4] Operations & Maintenance includes: planned and reactive/preventive maintenance, zone management, utilities, contracts, grounds, and outdoor lighting.

[5] R&DE Capital Improvement Program generally includes program and code upgrades vs. Planned Maintenance which includes subsystem replacement.

[6] Included under CUP - System Replacement below.

Appendix A

CONSOLIDATED BUDGETS FOR SELECTED UNITS

Consolidated Budget for Operations by Unit, 2009/10

Academic Units

- Graduate School of Business
- School of Earth Sciences
- School of Education
- School of Engineering
- School of Humanities and Sciences
- School of Law
- School of Medicine
- Vice Provost and Dean of Research
- Vice Provost for Undergraduate Education
- Vice Provost for Graduate Education
- Hoover Institution
- Stanford University Libraries and Academic Information Resources

Auxiliary Units

- Athletics
- Residential & Dining Enterprises

CONSOLIDATED BUDGET FOR OPERATIONS BY UNIT, 2009/10

[IN MILLIONS OF DOLLARS]

	Total Revenues and Transfers	Total Expenses	Result of Current Operations	Transfers (to)/from Assets	Change in Expendable Fund Balance
Academic Units:					
Graduate School of Business[1,2]	148.0	142.4	5.6	(7.5)	(1.9)
School of Earth Sciences	45.8	42.7	3.1	(2.5)	0.6
School of Education	33.8	33.5	0.3	(1.0)	(0.7)
School of Engineering	292.1	282.7	9.4	(7.3)	2.1
School of Humanities and Sciences[1]	378.8	366.6	12.2	(5.4)	6.8
School of Law	61.1	56.5	4.7	(4.5)	0.2
School of Medicine[1,2]	1,245.4	1,207.5	38.0	(35.1)	2.8
Vice Provost Dean of Research	156.3	166.4	(10.0)	(4.0)	(14.0)
Vice Provost for Undergraduate Education[1]	39.3	37.6	1.7		1.7
Vice Provost for Graduate Education	4.2	5.9	(1.6)		(1.6)
Hoover Institution	44.1	42.1	2.0	(4.3)	(2.2)
Stanford University Libraries[1]	95.7	95.4	0.2	0.8	1.0
SLAC National Accelerator Laboratory	379.8	380.2	(0.5)	0.0	(0.5)
Total Academic Units	2,924.4	2,859.4	65.0	(70.7)	(5.7)
Administrative Units					
Business Affairs	74.8	74.8			
Business Affairs – Information Technology	127.0	131.5	(4.5)		(4.5)
Development	47.2	47.4	(0.2)		(0.2)
General Counsel	29.4	29.4			
Land, Buildings and Real Estate	221.2	212.2	8.9	(9.0)	(0.1)
President and Provost Office	80.7	80.3	0.4		0.4
Public Affairs	7.3	7.3			
Stanford Alumni Association	34.0	34.9	(0.9)	0.8	(0.1)
Stanford Management Company	20.6	20.6			
Student Affairs	38.0	38.4	(0.5)	(0.4)	(0.8)
Undergraduate Admission and Financial Aid	139.1	136.7	2.4		2.4
Major Auxiliary Units					
Athletics (Operations and Financial Aid)	82.3	81.2	1.1		1.1
Residential & Dining Enterprises	139.4	139.4	0.1		0.1
Total Administrative & Auxiliary Units	1,041.0	1,034.3	6.7	(8.5)	(1.8)
Internal Transaction Adjustment[3]	(305.5)	(282.5)	(23.0)	23.0	
Indirect Cost Adjustment[4]	(192.5)	(192.5)			
Grand Total from Units	3,467.3	3,418.6	48.7	(56.2)	(7.5)
Central Accounts[5]	174.9	173.3	1.7	(36.0)	(34.3)
Central Adjustment[6]	80.4		80.4		80.4
Total Consolidated Budget	3,722.7	3,591.9	130.8	(92.2)	38.6

Notes:

1 The budget lines for the School of Medicine, Graduate School of Business, Humanities and Sciences (H&S), VPUE, and Libraries include auxiliary revenues and expenses. These auxiliary operations include Medical School Blood Center, the Schwab Center of the GSB, HighWire Press and University Press in Libraries, Bing Overseas Studies in VPUE, and Stanford in Washington and Bing Nursery School in H&S. These items are separately identified in the Schools' Consolidated Forecasts in Appendix A.

2 This budget reflects a direct allocation of tuition revenue in those units operating under a formula funding arrangement.

3 Internal revenues and expenses are included in the unit budgets. This adjustment backs out these internal activities from the Consolidated Budget to avoid double counting them. There is a net $23.0 million balance in internal activity due to payments from Plant funds.

4 The academic unit budgets include both direct and indirect sponsored income and expenditures. Indirect cost funding passes through the schools and is transferred to the university as expenditures occur. At that point, indirect cost recovery becomes part of unrestricted income for the university. In order not to double count, indirect cost recovery of $192.5 million received by the schools is taken out in the "Indirect Cost Adjustment" line.

5 Central Accounts encompass funds not belonging to any particular budget unit that are used for university-wide activities, such as academic debt service payments, research assistant and Stanford Graduate Fellowship tuition allowance payments, and miscellaneous university expense; Presidential and Provostial discretionary funds; and the general funds surplus.

6 The $80.4 million of revenue is based on historical experience and reflects the expectation that the university will receive additional unrestricted and/or restricted income that cannot be specifically identified by unit at this time.

Graduate School of Business (Includes Schwab)
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues							
35,766	38,792	General Funds Allocation	43,195						43,195
111,343	109,496	Restricted Revenues		27,986	17,000	51,071	900	2,747	99,703
5,950	5,077	Internal Revenue		74				5,003	5,077
264		Operating Transfers	78,436	(12,113)	(25,431)	(40,891)			
153,323	153,365	Total Revenues	121,631	15,946	(8,431)	10,180	900	7,749	147,975
		Expenses							
33,039	38,285	Academic Salaries	34,019	4,292					38,311
30,789	31,669	Staff Salaries	27,246	3,253	70			690	31,259
20,139	23,193	Benefits & Other Compensation	21,613	2,407	241			220	24,481
42,533	40,476	Non-Salary Expenses	17,144	3,544	254	13,405	733	1,808	36,887
16,684	12,648	Internal Expenses	3,927	2,268	237			5,032	11,463
143,184	146,271	Total Expenses	103,949	15,764	802	13,405	733	7,749	142,402
10,139	7,094	Operating Results	17,682	182	(9,234)	(3,225)	167	0	5,573
(9,058)		Transfers From (to) Endowment & Other Assets							
	(7,500)	Transfers From (to) Plant		(7,500)					(7,500)
1,080	(406)	Surplus / (Deficit)	17,682	(7,318)	(9,234)	(3,225)	167	0	(1,927)
62,937	64,018	Beginning Fund Balances	12,154	28,641	16,830	5,989	0	(2)	63,612
64,018	63,612	Ending Fund Balances	29,836	21,323	7,597	2,764	167	(3)	61,684

Notes:

- This schedule does not include endowment principal, student loan funds, and plant funds.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Earth Sciences
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues							
3,353	3,974	General Funds Allocation	3,284						3,284
50,149	43,858	Restricted Revenues	1	5,800	1,200	24,874	6,694		38,568
(161)	(131)	Internal Revenue	2	(202)				19	(181)
4,994	3,640	Operating Transfers	15,676	906	2,750	(16,200)	1,000		4,132
58,335	51,341	Total Revenues	18,963	6,504	3,950	8,674	7,694	19	45,803
		Expenses							
13,658	14,853	Academic Salaries	7,262	2,146	740	2,521	2,691		15,360
4,172	4,891	Staff Salaries	3,809	414	117		129		4,469
5,937	7,859	Benefits & Other Compensation	4,056	948	338	1,719	1,151		8,212
24,005	14,239	Non-Salary Expenses	3,283	2,201	1,534	1,541	4,211	18	12,787
1,719	1,875	Internal Expenses	1,028	351	360	54	80	2	1,875
49,491	43,717	Total Expenses	19,439	6,059	3,090	5,834	8,261	20	42,702
8,844	7,624	Operating Results	(476)	445	860	2,840	(567)	(1)	3,101
(3,164)	(3,794)	Transfers From (to) Endowment & Other Assets				(2,500)			(2,500)
		Transfers From (to) Plant							
5,680	3,830	Surplus / (Deficit)	(476)	445	860	340	(567)	(1)	601
24,788	30,468	Beginning Fund Balances	476	11,483	10,029	12,309	0	0	34,298
30,468	34,298	Ending Fund Balances	0	11,928	10,890	12,649	(567)	(1)	34,899

Notes:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Education
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2009/10 Total
		Revenues						
12,014	13,316	General Funds Allocation	12,219					12,219
20,538	23,322	Restricted Revenues		725	3,541	8,483	8,205	20,955
28	43	Internal Revenue		43				43
2,279	(89)	Operating Transfers	6,847	700	(781)	(6,210)		556
34,859	36,591	Total Revenues	19,066	1,468	2,760	2,273	8,205	33,773
		Expenses						
10,277	10,299	Academic Salaries	7,928	204	745	32	1,974	10,882
6,106	6,639	Staff Salaries	3,279	240	510	332	1,853	6,213
5,418	5,864	Benefits & Other Compensation	3,956	202	431	128	1,469	6,186
8,940	9,868	Non-Salary Expenses	3,673	739	1,302	487	2,810	9,011
842	1,171	Internal Expenses	412	305	298	46	100	1,160
31,584	33,841	Total Expenses	19,247	1,691	3,284	1,025	8,205	33,453
3,275	2,750	Operating Results	(181)	(223)	(524)	1,249	0	320
(926)	(997)	Transfers From (to) Endowment & Other Assets				(1,000)		(1,000)
	270	Transfers From (to) Plant						
2,350	2,024	Surplus / (Deficit)	(181)	(223)	(524)	249	0	(680)
22,742	25,092	Beginning Fund Balances	5,893	8,436	7,696	5,088	4	27,116
25,092	27,116	Ending Fund Balances	5,711	8,212	7,172	5,336	4	26,436

Notes:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Engineering
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues							
49,016	60,106	General Funds Allocation	56,786						56,786
221,330	216,198	Restricted Revenues		35,000	15,000	39,778	121,812		211,590
3,008	28	Internal Revenue		(1,400)				1,241	(159)
29,987	25,966	Operating Transfers	35,930	(598)	2,545	(20,094)	6,077		23,859
303,341	302,298	Total Revenues	92,716	33,002	17,545	19,684	127,889	1,241	292,076
		Expenses							
85,427	93,943	Academic Salaries	36,272	7,536	5,388	2,390	40,871		92,457
26,698	26,013	Staff Salaries	12,101	4,462	848	1,033	4,704	803	23,951
42,583	47,035	Benefits & Other Compensation	21,337	4,490	2,632	1,172	17,853	252	47,734
103,933	108,057	Non-Salary Expenses	18,647	8,696	5,151	12,467	61,474	172	106,606
13,295	12,025	Internal Expenses	4,359	1,921	2,053	573	2,988	25	11,919
271,936	287,073	Total Expenses	92,716	27,105	16,071	17,634	127,889	1,252	282,667
31,405	15,225	Operating Results	0	5,897	1,474	2,049	0	(11)	9,409
(9,220)	(233)	Transfers From (to) Endowment & Other Assets		(35)	(7)	(250)			(292)
	(4,522)	Transfers From (to) Plant		(6,000)		(1,000)			(7,000)
22,185	10,470	Surplus / (Deficit)	0	(138)	1,468	799	0	(11)	2,118
162,432	184,617	Beginning Fund Balances	292	72,917	66,785	54,959	21	112	195,087
184,617	195,087	Ending Fund Balances	292	72,779	68,253	55,759	21	101	197,205

Notes:
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Humanities and Sciences
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues							
114,107	133,250	General Funds Allocation	133,251						133,251
231,888	233,256	Restricted Revenues	445	2,729	8,032	129,568	76,885	3,482	221,142
6,370	5,888	Internal Revenue	5	222	17			5,818	6,061
35,645	23,752	Operating Transfers	105,736	26,592	4,230	(120,070)	949	910	18,347
388,010	396,146	Total Revenues	239,437	29,543	12,279	9,498	77,835	10,210	378,801
		Expenses							
119,765	125,502	Academic Salaries	90,620	10,235	2,057	1,332	19,463	391	124,099
37,298	40,595	Staff Salaries	29,960	1,277	920	290	3,727	3,431	39,605
53,995	58,433	Benefits & Other Compensation	45,744	3,976	1,481	557	8,004	1,234	60,995
114,020	123,941	Non-Salary Expenses	55,699	10,631	5,596	4,340	43,932	4,865	125,064
17,280	16,401	Internal Expenses	11,090	1,065	1,091	666	2,708	212	16,831
342,358	364,872	Total Expenses	233,113	27,184	11,145	7,185	77,835	10,133	366,594
45,652	31,274	Operating Results	6,324	2,359	1,134	2,313	0	77	12,208
(13,225)	650	Transfers From (to) Endowment & Other Assets	(8)	(463)	132	(9)			(348)
	(6,944)	Transfers From (to) Plant	(5,013)						(5,013)
32,427	24,980	Surplus / (Deficit)	1,303	1,896	1,266	2,304	0	77	6,847
173,982	206,410	Beginning Fund Balances	5,139	86,766	52,097	87,157	0	232	231,390
206,410	231,390	Ending Fund Balances	6,442	88,662	53,363	89,461	0	309	238,237

Notes:

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- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Law
2009/10 Consolidated Budget Plan
[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2009/10 Total
		Revenues						
13,792	15,300	General Funds Allocation	16,974					16,974
46,046	47,528	Restricted Revenues		4,363	8,640	30,870	1,152	45,025
(225)	(160)	Internal Revenue		(160)				(160)
(46)	(709)	Operating Transfers	34,000	(1,926)	(4,316)	(28,460)		(702)
59,567	61,958	Total Revenues	50,974	2,277	4,324	2,410	1,152	61,137
		Expenses						
16,979	18,740	Academic Salaries	17,603	14	230	120	320	18,288
10,593	10,512	Staff Salaries	8,640	72	472	132	120	9,436
8,655	9,261	Benefits & Other Compensation	8,877	45	402	77	126	9,527
15,369	18,271	Non-Salary Expenses	15,120	1,025	802	437	586	17,970
1,413	1,545	Internal Expenses	733	100	320	80		1,233
53,009	58,328	Total Expenses	50,974	1,256	2,227	846	1,152	56,454
6,558	3,630	Operating Results	0	1,022	2,097	1,564	0	4,683
(2,669)	(1,500)	Transfers From (to) Endowment & Other Assets				(1,500)		(1,500)
	(4,500)	Transfers From (to) Plant		(1,000)	(2,000)			(3,000)
3,889	(2,370)	Surplus / (Deficit)	0	22	97	64	0	183
21,368	25,257	Beginning Fund Balances	460	2,429	14,005	5,994	0	22,888
25,257	22,888	Ending Fund Balances	460	2,450	14,103	6,058	0	23,071

Notes:

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- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Medicine
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Designated Clinics	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues								
78,578	84,700	General Funds Allocation	101,992							101,992
991,672	1,058,909	Restricted Revenues		63,618	361,373	77,425	118,715	432,639	42,787	1,096,557
47,502	48,307	Internal Revenue		27,679					22,719	50,398
19,421	(3,963)	Operating Transfers	83,205	34	(45,379)	(5,577)	(34,968)		(821)	(3,506)
1,137,174	1,187,954	Total Revenues	185,197	91,331	315,994	71,848	83,748	432,639	64,684	1,245,441
		Expenses								
300,960	329,435	Academic Salaries	17,216	20,053	139,987	17,349	21,249	122,848	6,737	345,439
135,291	139,716	Staff Salaries	47,256	10,576	25,405	5,989	5,384	24,754	22,217	141,581
198,020	208,020	Benefits & Other Compensation	24,176	12,559	116,712	7,615	9,184	43,823	9,659	223,729
366,293	388,322	Non-Salary Expenses	73,316	34,404	14,705	23,353	27,327	226,396	23,979	423,481
76,517	70,859	Internal Expenses	23,233	3,465	19,184	7,726	2,517	14,819	2,303	73,247
1,077,082	1,136,352	Total Expenses	185,197	81,057	315,994	62,032	65,662	432,639	64,896	1,207,477
60,092	51,602	Operating Results	0	10,274	0	9,816	18,086	0	(211)	37,964
(20,810)	(32,336)	Transfers From (to) Endowment & Other Assets		(16,000)			(2,000)			(18,000)
(53,941)	(13,442)	Transfers From (to) Plant		(17,138)						(17,138)
(14,659)	5,824	Surplus / (Deficit)	0	(22,864)	0	9,816	16,086	0	(211)	2,826
458,315	443,656	Beginning Fund Balances	0	171,592	4,208	159,340	114,318	0	22	449,480
443,656	449,480	Ending Fund Balances	0	148,727	4,208	169,156	130,404	0	(189)	452,306

Notes:

- This schedule does not include endowment principal, student loan funds, and plant funds.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

Vice Provost and Dean of Research and Graduate Policy
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues							
31,526	35,710	General Funds Allocation	32,469	1,100					33,570
194,248	123,000	Restricted Revenues	557	5,532	18,370	22,092	69,301		115,852
3,051	2,992	Internal Revenue	1,448	336				1,365	3,149
2,825	3,718	Operating Transfers	19,769	2,196	(3,807)	(14,195)	(187)		3,776
231,649	165,419	Total Revenues	54,243	9,165	14,563	7,898	69,114	1,365	156,347
		Expenses							
29,722	32,810	Academic Salaries	5,949	2,449	5,637	2,460	16,737	587	33,819
30,267	32,687	Staff Salaries	23,502	2,103	2,207	1,032	3,319	120	32,282
18,707	20,904	Benefits & Other Compensation	9,569	1,457	2,492	1,080	7,507	214	22,319
73,831	79,193	Non-Salary Expenses	12,211	4,183	8,444	4,367	39,265	416	68,887
8,699	9,230	Internal Expenses	3,382	566	1,802	1,036	2,284	18	9,088
161,225	174,824	Total Expenses	54,613	10,758	20,583	9,974	69,112	1,355	166,394
70,424	(9,405)	Operating Results	(370)	(1,593)	(6,020)	(2,077)	2	10	(10,047)
(75,517)	(19,674)	Transfers From (to) Endowment & Other Assets			690	(142)			548
	(2,451)	Transfers From (to) Plant		(4,520)					(4,520)
(5,093)	(31,530)	Surplus / (Deficit)	(370)	(6,113)	(5,330)	(2,218)	2	10	(14,019)
383,635	378,542	Beginning Fund Balances	2,561	287,414	25,852	31,120	3	62	347,011
378,542	347,011	Ending Fund Balances	2,191	281,301	20,522	28,901	5	72	332,992

Notes:

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- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

Vice Provost for Undergraduate Education
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Auxiliary & Service Center	2009/10 Total
		Revenues						
15,509	17,416	General Funds Allocation	17,364					17,364
31,133	28,834	Restricted Revenues	414	713	580	26,054	3,167	30,927
(42)	(57)	Internal Revenue		(57)				(57)
(7,760)	(10,265)	Operating Transfers	16,063	(158)	(377)	(24,321)	(186)	(8,979)
38,840	35,928	Total Revenues	33,841	498	203	1,733	2,980	39,255
		Expenses						
6,798	7,240	Academic Salaries	6,516					6,516
10,287	12,471	Staff Salaries	10,997					10,997
5,226	6,094	Benefits & Other Compensation	5,915					5,915
12,490	11,894	Non-Salary Expenses	8,638	330	74	310	2,980	12,332
1,863	1,812	Internal Expenses	1,775		6	25		1,806
36,664	39,511	Total Expenses	33,841	330	80	335	2,980	37,567
2,176	(3,584)	Operating Results	0	168	122	1,398	0	1,689
(2,051)		Transfers From (to) Endowment & Other Assets						
		Transfers From (to) Plant						
124	(3,584)	Surplus / (Deficit)	0	168	122	1,398	0	1,689
17,157	17,281	Beginning Fund Balances	2,278	6,130	1,305	3,985	0	13,698
17,281	13,698	Ending Fund Balances	2,278	6,298	1,427	5,383	0	15,387

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.

Vice Provost for Graduate Education
2009/10 Consolidated Budget Plan
[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues							
641	6,776	General Funds Allocation	4,323						4,323
27,272	28,271	Restricted Revenues				25,414			25,414
(3)		Internal Revenue							
(17,015)	(24,430)	Operating Transfers	41	1,850	1,713	(29,122)			(25,518)
10,896	10,617	Total Revenues	4,364	1,850	1,713	(3,708)			4,219
		Expenses							
242	321	Academic Salaries	238						238
777	1,184	Staff Salaries	1,019	74	20				1,113
325	461	Benefits & Other Compensation	420	20	6				447
907	3,188	Non-Salary Expenses	1,920	1,599	80	453			4,052
44	168	Internal Expenses			5				5
2,295	5,323	Total Expenses	3,597	1,694	111	453			5,855
8,600	5,294	Operating Results	767	156	1,602	(4,161)			(1,636)
(206)		Transfers From (to) Endowment & Other Assets							
		Transfers From (to) Plant							
8,395	5,294	Surplus / (Deficit)	767	156	1,602	(4,161)			(1,636)
20,009	28,404	Beginning Fund Balances	2,519	2,911	1,839	26,428			33,698
28,404	33,698	Ending Fund Balances	3,286	3,068	3,441	22,267			32,062

Notes:

- 2008/09 is the first year of Vice Provost for Graduate Education Operations.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.

Hoover Institution
2009/10 Consolidated Budget Plan
[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2009/10 Total
		Revenues						
802	851	General Funds Allocation	564					564
54,969	46,025	Restricted Revenues		750	20,025	22,550	250	43,575
24		Internal Revenue						
(101)		Operating Transfers	41,301	(750)	(18,001)	(22,550)		
55,694	46,876	Total Revenues	41,865	0	2,024	0	250	44,139
		Expenses						
11,512	13,157	Academic Salaries	12,237				100	12,337
7,368	7,650	Staff Salaries	6,275				50	6,325
5,479	6,365	Benefits & Other Compensation	7,803				48	7,851
14,643	15,298	Non-Salary Expenses	14,225				52	14,277
1,461	1,325	Internal Expenses	1,325					1,325
40,463	43,794	Total Expenses	41,865	0	0	0	250	42,115
15,230	3,082	Operating Results	0	0	2,024	0	0	2,024
1,079	(7,243)	Transfers From (to) Endowment & Other Assets			(4,250)			(4,250)
	(1,400)	Transfers From (to) Plant						
16,309	(5,561)	Surplus / (Deficit)	0	0	(2,226)	0	0	(2,226)
19,143	35,453	Beginning Fund Balances	20	921	27,451	1,500	0	29,892
35,453	29,892	Ending Fund Balances	20	921	25,225	1,500	0	27,666

Notes:
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 17.

Stanford University Libraries and Academic Information Resources
2009/10 Consolidated Budget Plan

[in thousands of dollars]

2007/08 Actuals	2008/09 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2009/10 Total
		Revenues							
43,609	47,031	General Funds Allocation	42,363					491	42,854
47,074	49,420	Restricted Revenues	806	2,000	300	12,812	163	32,277	48,358
120	86	Internal Revenue		(29)				15	(14)
7,513	5,472	Operating Transfers	13,466	(1,427)	(145)	(7,566)		124	4,453
98,316	102,009	Total Revenues	56,635	544	155	5,245	163	32,907	95,650
		Expenses							
7,515	8,343	Academic Salaries					2	110	112
36,383	39,864	Staff Salaries	25,724				53	17,909	43,686
12,920	14,202	Benefits & Other Compensation	8,572				16	5,758	14,346
35,323	36,866	Non-Salary Expenses	21,335	500		4,400	92	7,333	33,660
5,446	3,891	Internal Expenses	1,004		162	352		2,127	3,646
97,587	103,165	Total Expenses	56,635	500	162	4,752	163	33,237	95,450
728	(1,155)	Operating Results	0	44	(7)	493	0	(330)	201
751	800	Transfers From (to) Endowment & Other Assets						790	790
		Transfers From (to) Plant							
1,480	(355)	Surplus / (Deficit)	0	44	(7)	493	0	460	991
9,029	10,509	Beginning Fund Balances	18	3,319	1,049	2,222	0	3,546	10,154
10,509	10,154	Ending Fund Balances	18	3,363	1,043	2,715	0	4,006	11,144

Notes:

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Auxiliary Activities
2009/10 Consolidated Budget Plan
[in thousands of dollars]

ATHLETICS

	2007/08 Actuals	2008/09 Projection	2009/10 Total
Operating			
Revenues			
Intercollegiate	16,249	18,054	20,060
Gifts/Endowments	11,525	12,806	14,229
University Funds	8,161	9,067	10,075
Auxiliaries	6,262	6,958	7,731
Other	3,413	3,792	4,214
Transfer from			
Scholarship Endowments	1,951	2,168	2,409
Camps	694	771	857
Total Revenues	48,256	53,617	59,575
Expenses			
Compensation	24,932	27,702	30,780
Travel/Entertainment	6,182	6,868	7,632
Facilities/Maintenance	5,743	6,382	7,091
General Services	3,281	3,646	4,051
General Supplies	3,039	3,377	3,752
Other	3,009	3,344	3,715
Debt Service	901	1,001	1,112
Capital Expenditures	330	366	407
Total Expenses	47,417	52,685	58,539
Operating Gain/(Loss)	839	932	1,035
Financial Aid			
Revenues	14,220	15,800	17,555
Expenses	14,220	15,800	17,555
Financial Aid Gain/(Loss)	0	0	0

RESIDENTIAL & DINING ENTERPRISES

	2007/08 Actuals	2008/09 Projection	2009/10 Total
Revenues			
Student Payments	97,932	102,091	110,888
Student Payments: Off Campus	1,244	1,846	1,221
Stanford Guest House	2,881	2,690	2,517
Conferences Housing & Dining	11,211	11,256	11,518
Other Operating Income	16,714	14,942	14,701
Interest Income	999	787	708
Total Revenue	130,981	133,612	141,553
Transfers			
Grad Housing Subsidy:			
Off Campus	809	1,512	1,328
Debt Service Subsidy: Grad Housing	3,000	3,000	3,000
Miscellaneous Transfers	1,206	2,926	37
Transfer to Residential Education	(6,299)	(6,602)	(6,498)
Total Transfers	(1,284)	836	(2,133)
Total Revenue and Transfers	129,697	134,448	139,420
Expenses			
Salaries and Benefits	39,767	42,819	40,686
Food Cost	9,056	8,644	8,307
EM&S	15,367	12,896	13,683
Rental & Leases: Off Campus	1,887	2,978	2,251
Utilities & Telephone	8,893	9,128	9,942
Repair & Maintenance	15,820	15,745	17,036
Debt Service	31,856	34,496	39,590
Distribution of G&A Expenses	6,603	7,339	7,867
Total Expenses	129,249	134,045	139,362
Operating Gain/(Loss)	448	403	58

APPENDIX B

SUPPLEMENTARY INFORMATION

The tables and graphs in this Appendix provide historical and statistical data on enrollment, tuition and room and board rates, financial aid, faculty, staff, selected expenditures, and the endowment. The short summaries below serve as an introduction to the schedules and point out interesting trends or historical occurrences.

Schedule 1 – Student Enrollment

Undergraduate enrollment continues to increase slowly, and 2008/09 produced the largest undergraduate student body ever. The number of TGRs (Terminal Graduate Registration) increased markedly in the late 1990s, primarily because changes in Federal policy requiring payment of the tuition of Research Assistants directly from research contracts and grants provided a strong incentive for eligible graduate students to register as TGRs. This increase appears to be slowing, as there was an increase of only 4 TGRs in 2008/09. Graduate student enrollment continues to increase (by 138 students in 2008/09) leading to the largest graduate student body ever.

Schedule 2 – Freshman Student Apply/ Admit/Matriculate Statistics

The number of applicants for the present freshman class increased again to 25,299, the largest pool in Stanford's history. Only 9.5% of applicants were accepted, as Stanford has become increasingly selective over the past ten years. Stanford's yield rate, at 71%, is very strong and is among the highest in the country.

Schedule 3 – Graduate Student Apply/admit/ enroll Statistics

The number of applicants to Stanford's graduate and professional programs rose 2.8%, from 33,623 in 2007/08 to 34,566 in 2008/09. The admit rate for Stanford's graduate programs continues to decline steadily, and only 12.6% of all applicants were admitted in 2008/09. The yield for graduate admits was 54.7% and has averaged just under 55% the past five years.

Schedule 4 – Post-doctoral Scholars

The post-doctoral scholar population, which includes medical fellows in the School of Medicine, increased by 38% over the past ten years. After a 17% increase from 1999/2000 to 2000/01, the annual rate of growth has never exceeded 6%. The School of Medicine has by far the largest share, with typically about 70% of the university's post-doctoral scholars.

Schedule 5 – Graduate Student Support

Stanford supports its graduate students and postdoctoral fellows with a variety of fund sources. Teaching Assistants and Research Assistants earn salaries as part of their appointment and most also receive an allowance applied against their tuition charges as part of their compensation. Graduate Fellows receive grants that cover some or all of their tuition charges, and many receive stipends that help cover living expenses. Postdoctoral students, over two-thirds of whom reside in the School of Medicine, also receive salaries as part of their appointment. Many also receive living expense stipends. Grants and contracts cover much of the research assistant expenses, while university and school unrestricted (or general use) funds and expendable and endowment funds restricted specifically to graduate student aid cover the remaining expenses.

Schedule 6 – Tuition And Room & Board Rates

The 2009/10 total cost of Undergraduate Tuition plus Room & Board is projected to increase by 3.5% over the previous year. In real terms, the average annual increase over the past decade has been 2.5%. These results are due to the university committing (in the early 1990s) to restraining tuition growth, which continues today, despite increased budget pressure.

Schedule 7 – Undergraduate Financial Aid by Source of Funds and Type of Aid

This schedule shows the total amount of financial aid from all sources (including non-need based scholarship aid for athletics) awarded to undergraduate students. The last row shows Stanford tuition plus room and board. Total scholarships and grants increased by almost 9% in 2007/08, due mainly to a 22% increase in gift and endowment income. In 2007/08, no unrestricted funds were used for scholarships and grants, completing a multi-year decreasing trend. Loan amounts have decreased for the last four years, while the work component, by far the smallest component of financial aid, also decreased.

Schedule 8 – Needs And Sources, Including Parental And Student Contributions

This schedule shows the total needs and sources of support for undergraduate students who receive need-based financial aid. The total needs are driven by the growth in the student budget and by the number of students on aid. The total student budget will increase 3.5% in 2009/10, but total needs will increase by 8.3% due to 105 more students expected to receive need-based aid. Significant enhancements in the financial aid program, aimed at helping middle-income families, will result in more students qualifying for aid and a considerable drop in average family contribution. This is coupled with an expected drop in endowment income and expendable gifts. The extra costs will primarily be met with an increase in the allocation of President's funds to the financial aid program.

Schedule 9 – Students Housed On Campus

The percent of undergraduates housed on-campus has been about 90% for most of the past decade, several percentage points higher than the level during the mid-1990s due to a tighter and more expensive local rental market. The percent of graduate students housed by Stanford grew rapidly from 1997/98 through 2002/03, coincident with the availability of subsidized off-campus housing. Stanford has, over the past several years, begun to eliminate the off-campus subsidized housing program and replace it with more on-campus housing. Thus, the percentage of graduate students housed on campus has declined, when the subsidized housing is included in the calculation.

Schedule 10 – Total Professorial Faculty

The total professoriate has increased by 47 (less than 2.6%) since last year to a total of 1,876. The number of tenure-line faculty has increased by 47 in the last five years (almost 4%), while the non-tenure line faculty (consisting mostly of Medical Center Line faculty) has increased by 50 (almost 10%) over the same period.

Schedule 11 – Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty

This schedule provides a disaggregated view of the data in Schedule 10 over the last three years. Schedule 11 shows that the total number of tenured faculty in the schools has increased by 33 in the past three years, and the number of non-tenured faculty has barely changed (increased by 1). The number of non-tenure line faculty has increased by 35.

Schedule 12 – Number of Non-Teaching Employees

This schedule shows the number of regular (defined in the first footnote in the Schedule) non-teaching employees by activity. To maintain consistency in this data over time despite reorganizations, the activity categories have been defined broadly, and the table contains footnotes explaining various shifts across the categories or other changes over the period. The number of employees increased by 2.5% in 2008. The new employees are fairly evenly distributed throughout the university. SLAC lost 221 employees, mainly due to layoffs announced in January of 2008.

Schedule 13 – Staff Employees Outside Medicine and SLAC

This graph shows the relative numbers and growth of staff employees who work in primarily academic versus administrative areas. Over the period shown, the number of academic and administrative staff grew an average of 4.1%. The number of employees in administrative areas increased by 3.7% in 2008. Employment in the schools and independent labs has increased steadily each year.

Schedule 14 – Staff Benefits Detail

The fringe benefits rates provide a mechanism to support the various components of non-salary compensation provided to employees. Stanford has four distinct fringe benefits rates for (1) regular benefits-eligible employees, which includes most faculty and staff, (2) postdoctoral research affiliates, (3) casual/temporary employees, and (4) graduate research and teaching assistants. Schedule 14 shows the programs and costs that contribute to the weighted average of the four individual benefits rates. Retirement programs and health insurance costs are the primary drivers of the benefits rates. Medical insurance costs have increased dramatically in the past few years, and are expected to increase by about 11.0% in 2009/10. Retirement medical costs are also expected to increase, by 21%. These cost increases are slightly mitigated by decreases in Worker's Comp/LTD/Unemployment Insurance (budgeted to decrease by 10%) and severance pay (budgeted to decrease by 18%). Overall, total staff benefits program costs are expected to increase by 3.4%.

Schedule 15 – Sponsored Research Expense by Agency And Fund Source

In 2007/08 direct expense from research sponsored by the federal government decreased for the third consecutive year, by $19.1 million (almost 5%). Meanwhile, direct expense from research sponsored by non-federal sources increased 12.2% in 2007/08 over the previous year. Non-federal sponsored research typically makes up between 13%-20% of total sponsored research expense. This schedule does not include SLAC.

Schedule 16 – Plant Expenditures

This schedule shows expenses from plant or borrowed funds for building or infrastructure projects related to various units. General Plant Improvement expenses are included in the "All Other" category. To the extent possible, expenditures for equipment are excluded from these calculations. Plant expenditures increased by $161 million in 2007/08, due in large part to the construction of the new Graduate School of Business campus, the Law School's Munger Residence halls, the School of Medicine's Li Ka Shing Center for Learning and Knowledge, and the Science and Engineering Quad buildings. The details behind these plant expenditures can be found in "Section 4, Capital Budget three-year Capital Plan".

Schedule 17 – Endowment Value and Mergerd Pool Rate of Return

The annual nominal rate of return for the Merged Pool in 2007/08 was 6.2%. The nominal return on invested funds has been positive for all years in the table except for 2000/01 and 2001/02. The target payout rate is 5.5%.

Schedule 18 – Expendable Fund Balances at Year-End

This schedule shows total fund balances (excluding sponsored research) by academic unit over the past decade. The large increase in Dean of Research a few years ago is due to Google funds, which leads with 23.5% average annual percent change, with the next largest percentage change in School of Education at 11.9%. Outside of the Dean of Research, the School of Medicine shows the largest dollar growth over the decade, with Ending Fund balance expected to grow $145 million between 2000/01 and 2009/10.

SCHEDULE 1

Student Enrollment for Autumn Quarter 1999/00 through 2008/09

	Undergraduate			Graduate				
Year	Women	Men	Total	Women	Men	Total	TGR[1]	Total
1999/00	3,238	3,356	6,594	2,332	4,370	6,702	923	14,219
2000/01	3,243	3,305	6,548	2,405	4,348	6,753	947	14,248
2001/02	3,255	3,382	6,637	2,329	4,188	6,517	1,020	14,174
2002/03	3,301	3,430	6,731	2,305	4,109	6,414	1,194	14,339
2003/04	3,245	3,409	6,654	2,282	4,220	6,502	1,298	14,454
2004/05	3,250	3,503	6,753	2,363	4,408	6,771	1,321	14,845
2005/06	3,204	3,501	6,705	2,384	4,424	6,808	1,368	14,881
2006/07	3,240	3,449	6,689	2,389	4,492	6,881	1,320	14,890
2007/08	3,313	3,446	6,759	2,382	4,439	6,821	1,365	14,945
2008/09	3,384	3,428	6,812	2,450	4,509	6,959	1,369	15,140

Source: Registrar's Office third week enrollment figures

[1] Terminal Graduate Registration (TGR) allows students to register at a reduced tuition rate while they work on a dissertation, thesis, or department project.

SCHEDULE 2

Freshman Apply/Admit/Enroll Statistics
Fall 1999 through Fall 2008

	Total Applications		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
Fall 1999	17,919	(5.1%)	2,689	15.0%	1,749	65.0%
Fall 2000	18,363	2.5%	2,425	13.2%	1,599	65.9%
Fall 2001	19,052	3.8%	2,406	12.6%	1,615	67.1%
Fall 2002	18,599	(2.4%)	2,368	12.7%	1,639	69.2%
Fall 2003	18,628	0.2%	2,343	12.6%	1,640	70.0%
Fall 2004	19,172	2.9%	2,486	13.0%	1,648	66.3%
Fall 2005	20,195	5.3%	2,426	12.0%	1,633	67.3%
Fall 2006	22,333	10.6%	2,444	10.9%	1,648	67.4%
Fall 2007	23,958	7.3%	2,464	10.3%	1,723	69.9%
Fall 2008	25,299	5.6%	2,400	9.5%	1,703	71.0%

SCHEDULE 3

New Graduate Student Apply/Admit/Enroll Statistics
Fall 1999 through Fall 2008

	Total Applications		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
Fall 1999	28,295	(2.0%)	4,525	16.0%	2,387	52.8%
Fall 2000	27,095	(4.2%)	4,422	16.3%	2,288	51.7%
Fall 2001	27,201	0.4%	4,271	15.7%	2,175	50.9%
Fall 2002	30,500	12.1%	4,202	13.8%	2,185	52.0%
Fall 2003	32,503	6.6%	4,443	13.7%	2,300	51.8%
Fall 2004	30,630	(5.8%)	4,361	14.2%	2,378	54.5%
Fall 2005	30,381	(0.8%)	4,356	14.3%	2,405	55.2%
Fall 2006	31,583	4.0%	4,323	13.7%	2,337	54.1%
Fall 2007	33,623	6.5%	4,352	12.9%	2,400	55.1%
Fall 2008	34,566	2.8%	4,350	12.6%	2,379	54.7%

SCHEDULE 4

Post-doctoral Scholars by School[1]
1999/00 through 2008/09

School	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09[2]
GSB	1	0	0	0	0	0	0	0	0	0
Earth Sciences	14	14	15	21	24	27	22	30	32	26
Education	3	5	6	9	8	4	5	10	10	10
Engineering	74	61	93	101	107	129	127	117	144	158
H & S	162	179	241	269	277	297	268	263	283	284
Law	0	0	0	0	1	1	1	0	0	1
Medicine	840	1,022	993	1,010	995	1,006	968	1,042	1,037	1,033
TOTAL	1,094	1,281	1,348	1,410	1,412	1,464	1,391	1,462	1,506	1,512

Data Source: Registrar's Office third week enrollment figures

[1] The post-doctoral scholar population includes medical fellows in the School of Medicine.

[2] Approximately 40% of postdocs are female.

SCHEDULE 5

Graduate Student and Postdoc Support

[in millions of dollars]

	2006/07					2007/08					2006/07 to 2007/08 Change	
	General/School Fungible Funds[1]	Designated Funds	Restricted Student Aid Funds	Grants & Contracts	Total	General/School Fungible Funds[1]	Designated Funds	Restricted Student Aid Funds	Grants & Contracts	Total	Amount	Percent
Graduate Student Support												
Salaries												
Teaching Assistants	14.6	0.2	1.1	0.1	16.0	16.3	0.2	0.6	0.1	17.2	1.2	7.6%
Research Assistants	4.6	6.1	8.8	32.2	51.6	2.8	4.9	11.3	29.7	48.7	(3.0)	(5.8)%
Other Salaries	0.2	0.8	0.2	0.4	1.6	0.2	0.7	0.2	0.1	1.2	(0.3)	(21.7%)
Benefits	0.4	0.0	0.7	1.2	2.3	0.6	0.1	0.6	1.2	2.5	0.2	7.5%
Total Salaries & Benefits	19.8	7.1	10.7	33.9	71.5	19.8	5.9	12.7	31.2	69.6	(1.9)	(2.7%)
Tuition Allowance	29.9	4.1	2.9	16.5	53.3	35.1	2.5	1.1	14.9	53.6	0.4	0.7%
Fellowship Tuition	10.4	2.3	40.8	10.2	63.7	20.4	2.6	41.1	9.8	73.9	10.2	16.0%
Stipends	7.0	1.7	19.0	14.9	42.6	4.1	1.5	26.5	15.7	47.8	5.2	12.1%
Fees	1.1	1.9	3.0	1.1	7.2	2.0	2.0	2.5	1.3	7.8	0.6	8.6%
Total Graduate Student Support	68.1	17.1	76.5	76.6	238.3	81.4	14.5	84.0	72.8	252.7	14.4	6.0%
Percent of Total	28.6%	7.2%	32.1%	32.2%	100.0%	32.2%	5.7%	33.2%	28.8%	100.0%		
Postdocs												
Salaries	0.3	6.0	5.6	28.9	40.7	4.5	4.5	2.7	30.8	42.5	1.7	4.2%
Benefits	0.1	1.1	1.1	5.6	7.9	0.9	1.1	0.6	6.2	8.7	0.8	10.7%
Tuition	0.2	0.1	0.4	0.0	0.6	0.2	0.1	0.1	(0.0)	0.4	(0.2)	(35.3)%
Stipends	0.1	1.5	4.7	12.2	18.4	2.8	1.2	2.6	12.5	19.1	0.7	3.7%
Total Postdoc Support	0.5	8.7	11.7	46.6	67.6	8.5	6.9	5.9	49.4	70.7	3.0	4.5%
Percent of Total	0.8%	12.9%	17.4%	68.9%	100.0%	12.0%	9.7%	8.4%	69.9%	100.0%		

[1] General/School fungible funds are General Funds and some Gift Funds and Endowed Funds that can be used for any purpose within a school.

SCHEDULE 6

Undergraduate Tuition and Room & Board Rates
1980/81 through 2009/10

Year	Undergraduate Tuition	Percent Change from Previous Year	Room & Board	Percent Change from Previous Year	Total Cost	Percent Change from Previous Year
1980/81	6,285	12.3%	2,636	12.0%	8,921	12.2%
1981/82	7,140	13.6%	2,965	12.5%	10,105	13.3%
1982/83	8,220	15.1%	3,423	15.4%	11,643	15.2%
1983/84	9,027	9.8%	3,812	11.4%	12,839	10.3%
1984/85	9,705	7.5%	4,146	8.8%	13,851	7.9%
1985/86	10,476	7.9%	4,417	6.5%	14,893	7.5%
1986/87	11,208	7.0%	4,700	6.4%	15,908	6.8%
1987/88	11,880	6.0%	4,955	5.4%	16,835	5.8%
1988/89	12,564	5.8%	5,257	6.1%	17,821	5.9%
1989/90	13,569	8.0%	5,595	6.4%	19,164	7.5%
1990/91	14,280	5.2%	5,930	6.0%	20,210	5.5%
1991/92	15,102	5.8%	6,160	3.9%	21,262	5.2%
1992/93	16,536	9.5%	6,314	2.5%	22,850	7.5%
1993/94	17,775	7.5%	6,535	3.5%	24,310	6.4%
1994/95	18,669	5.0%	6,796	4.0%	25,465	4.8%
1995/96	19,695	5.5%	7,054	3.8%	26,749	5.0%
1996/97	20,490	4.0%	7,337	4.0%	27,827	4.0%
1997/98	21,300	4.0%	7,557	3.0%	28,857	3.7%
1998/99	22,110	3.8%	7,768	2.8%	29,878	3.5%
1999/00	23,058	4.3%	7,881	1.5%	30,939	3.6%
2000/01	24,441	6.0%	8,030	1.9%	32,471	5.0%
2001/02	25,917	6.0%	8,304	3.4%	34,221	5.4%
2002/03	27,204	5.0%	8,680	4.5%	35,884	4.9%
2003/04	28,563	5.0%	9,073	4.5%	37,636	4.9%
2004/05	29,847	4.5%	9,500	4.7%	39,347	4.5%
2005/06	31,200	4.5%	9,932	4.5%	41,132	4.5%
2006/07	32,994	5.8%	10,367	4.4%	43,361	5.4%
2007/08	34,800	5.5%	10,808	4.3%	45,608	5.2%
2008/09	36,030	3.5%	11,182	3.5%	47,212	3.5%
2009/10	37,380	3.7%	11,463	2.5%	48,843	3.5%

Average Annual Tuition Increase, 1980/81-2008/09:	6.7%
Average Annual Tuition Increase, 1999/00-2008/09 (10 years):	5.0%
Average Annual Tuition Real Increase[1], 1980/81-2008/09:	3.2%
Average Annual Tuition Real Increase[1], 1999/00-2008/09 (10 years):	2.5%
Average Annual CPI Increase, 1980/81-2008/09:	3.3%
Average Annual CPI Increase, 1999/00-2008/09 (10 years):	2.5%

[1] Real growth calculated using tuition adjusted to 2009 dollars using US Annual CPI-U (Consumer Price Index) values.

SCHEDULE 7

Undergraduate Financial Aid by Source of Funds and Type of Aid[1]
1998/99 through 2007/08
[in thousands of dollars]

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Scholarships and Grants										
Stanford Unrestricted Funds	13,420	8,954	4,568	10,349	13,561	13,848	14,281	12,672	4,982	
Gifts and Endowment Income: Non-Athletic[2]	23,235	26,871	35,660	35,711	38,317	41,357	43,749	47,983	61,026	74,487
Athletic Awards	8,614	8,874	9,842	10,627	11,331	11,809	12,687	13,393	14,999	15,227
Departmental Awards	2,016	2,238	3,263	3,766	3,853	4,712	4,783	4,937	5,823	6,344
Trademark Income							158	108	240	357
External Grants[3]	15,343	16,713	16,383	17,824	20,431	21,361	21,367	18,361	19,102	19,215
Subtotal for Scholarships and Grants	62,629	63,649	69,717	78,278	87,493	93,087	97,025	97,453	106,174	115,630
Loans										
University Funds	600	666	612	9		22				
External Funds	12,354	11,279	9,987	11,159	11,690	12,544	12,271	11,549	10,761	9,589
Subtotal for Loans	12,953	11,946	10,599	11,168	11,690	12,567	12,271	11,549	10,761	9,589
Jobs										
University Funds[4]	2,387	2,252	1,120	1,408	1,458	1,839	1,236	1,368	1,503	1,458
External Funds	859	476	736	686	871	1,724	2,014	2,417	2,172	1,875
Subtotal for Jobs	3,246	2,728	1,857	2,094	2,329	3,563	3,250	3,785	3,675	3,333
Grand Total	78,828	78,323	82,173	91,540	101,511	109,216	112,546	112,787	120,610	128,551
Stanford Tuition plus Room and Board	29,878	30,939	32,471	34,221	35,884	37,636	39,347	41,132	43,361	45,608

[1] Figures are actual expenses and are in thousands of dollars. The data includes all funds awarded to undergraduate students administered through the Financial Aid Office, including aid that is not need-based.

[2] Includes support from the Stanford Fund.

[3] All grants from Federal, state, or private sources.

[4] Includes university match of funds from outside sources.

SCHEDULE 8

Undergraduate Financial Aid Projected 2009/10 Needs and Sources, including Parental and Student Contributions[1]

[in thousands of dollars]

	2007/08 Actuals	2008/09 Projected	2009/10 Budget	2008/09 to 2009/10 Change Amount	2008/09 to 2009/10 Change Percentage
Needs					
Tuition, Room & Board	125,807	145,084	154,926	9,842	6.8%
Books and Personal Expenses	10,172	12,709	15,887	3,178	25.0%
Travel	1,947	2,233	2,427	194	8.7%
Total Needs	137,926	160,026	173,240	13,214	8.3%
Sources					
Total Family Contribution (includes parent contribution for aided students, self-help, summer savings, assets, etc.)	50,294	45,473	48,868	3,395	7.5%
Endowment Income[2]	67,866	73,925	68,225	(5,700)	(7.7%)
Expendable Gifts	1,026	1,310	650	(660)	(50.4%)
Stanford Fund/President's Funds	5,305	26,369	42,012	15,643	59.3%
Federal Grants	4,515	4,789	4,950	161	3.4%
California State Scholarships	3,827	2,958	3,057	99	3.4%
Outside Awards	4,096	4,457	4,676	219	4.9%
Department Sources	997	745	802	57	7.7%
Unrestricted Funds	0	0	0		
Total Sources	137,926	160,026	173,240	13,214	8.3%
Number of Students on Need-Based Aid	2,811	3,130	3,235	105	3.4%

1 In this table, sources of aid other than the family contribution include only aid awarded to students who are receiving scholarship aid from Stanford. Thus, the sum of the amounts for scholarships and grants will not equal the figures in Schedule 7.

2 Endowment income includes reserve funds and specifically invested funds.

SCHEDULE 9

Students Housed on Campus
1993/94 through 2008/09

Year	Undergraduates Housed On-Campus	Percent of Undergraduates Housed On-Campus	Graduate Students Housed On-Campus	Graduate Students Housed in Off-Campus Subsidized Apartments	Percent of Graduate Students Housed by Stanford
1993/94	5,799	88%	3,069		41.3%
1994/95	5,734	87%	3,132		41.9%
1995/96	5,819	88%	3,090		41.4%
1996/97	5,749	88%	2,980		41.0%
1997/98	5,864	88%	3,320		44.6%
1998/99	5,917	90%	3,717	250	52.5%
1999/00	5,955	90%	3,408	584	52.4%
2000/01	5,969	91%	3,887	687	59.4%
2001/02	6,199	93%	3,748	932	62.1%
2002/03	6,138	91%	3,828	932	62.6%
2003/04	6,067	91%	4,013	632	59.6%
2004/05	6,046	90%	4,391	553	61.1%
2005/06	6,116	91%	4,218	430	56.8%
2006/07	6,050	90%	4,255	356	56.2%
2007/08	6,087	90%	4,421	130	55.6%
2008/09	6,160	90%	4,319	138	53.5%

SCHEDULE 10

Total Professorial Faculty[1]
1977/78 through 2008/09

	Professors	Associate Professors	Assistant Professors[2]	Tenure Line Total	Non-Tenure Line Professors	Grand Total
1977/78	586	199	287	1,072	86	1,158
1978/79	600	211	292	1,103	91	1,194
1979/80	620	210	286	1,116	94	1,210
1980/81	642	205	279	1,126	104	1,230
1981/82	661	200	294	1,155	103	1,258
1982/83	672	195	284	1,151	116	1,267
1983/84	682	195	286	1,163	129	1,292
1984/85	691	194	272	1,157	135	1,292
1985/86	708	191	261	1,160	135	1,295
1986/87	711	192	262	1,165	150	1,315
1987/88	719	193	274	1,186	149	1,335
1988/89	709	200	268	1,177	147	1,324
1989/90	715	198	265	1,178	146	1,324
1990/91	742	195	278	1,215	161	1,376
1991/92	756	205	263	1,224	182	1,406 [3]
1992/93	740	209	245	1,194	214	1,408
1993/94	729	203	241	1,173	225	1,398
1994/95	724	198	252	1,174	256	1,430
1995/96	723	205	241	1,169	287	1,456
1996/97	731	205	239	1,175	313	1,488
1997/98	750	213	231	1,194	341	1,535
1998/99	758	217	237	1,212	383	1,595
1999/00	771	204	255	1,230	411	1,641
2000/01	764	198	268	1,230	440	1,670
2001/02	768	204	274	1,246	455	1,701
2002/03	771	202	259	1,232	481	1,713
2003/04	783	196	269	1,248	498	1,746
2004/05	792	193	280	1,265	514	1,779
2005/06	789	210	263	1,262	511	1,773
2006/07	807	210	261	1,278	529	1,807
2007/08	813	217	261	1,291	538	1,829
2008/09	821	224	267	1,312	564	1,876

Data Source: Provost's Office

[1] Some appointments are coterminous with the availability of funds.

[2] Assistant Professors subject to Ph.D. are included.

[3] Beginning in 1991/92, Medical Center Line and Senior Fellows in policy centers and institutes are included.

SCHEDULE 11

Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty[1]
2006/07 through 2008/09

School Unit or Program	2006/07 Tenured	2006/07 Non-Tenured	2006/07 Non-Tenure Line	2006/07 Total	2007/08 Tenured	2007/08 Non-Tenured	2007/08 Non-Tenure Line	2007/08 Total	2008/09 Tenured	2008/09 Non-Tenured	2008/09 Non-Tenure Line	2008/09 Total
Earth Sciences	33	9	3	45	33	8	4	45	32	9	6	47
Education	34	8	4	46	36	6	4	46	35	10	3	48
Engineering	158	54	19	231	162	57	20	239	166	51	22	239
Humanities and Sciences	380	124	20	524	380	124	18	522	388	119	19	526
(Humanities)	(160)	(47)	(9)	(216)	(158)	(51)	(9)	(218)	(159)	(51)	(10)	(220)
(Natural Sciences & Math)	(122)	(28)	(6)	(156)	(122)	(28)	(5)	(155)	(125)	(24)	(5)	(154)
(Social Sciences)	(98)	(49)	(5)	(152)	(100)	(45)	(4)	(149)	(104)	(44)	(4)	(152)
Law	37	6	5	48	37	5	5	47	39	5	5	49
Other	7	1	12	20	9	1	14	24	0	0	16	16
Subtotal	649	202	63	914	657	201	65	923	660	194	71	925
Business	67	28	1	96	64	27	2	93	69	34	1	104
Medicine	244	60	462	766	251	62	468	781	256	62	487	805
SLAC	25	3	3	31	25	4	3	32	33	4	5	42
Total	985	293	529	1,807	997	294	538	1,829	1,018	294	564	1,876

[1] Population includes some appointments made part-time, “subject to Ph.D.,” and coterminous with the availability of funds.

SCHEDULE 12

Number of Non-Teaching Employees
As of December 15 Each Year[1]
1999 through 2008

Activity	1999[2]	2000	2001	2002	2003	2004	2005	2006	2007	2008
School of Medicine[2]	2,194	2,260	2,421	2,471	2,819	2,910	2,973	3,020	3,146	3,360
Other Schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law	1,350	1,375	1,493	1,506	1,576	1,641	1,705	1,764	1,841	1,940
Dept of Athletics, Physical Education and Recreation	117	131	128	123	127	130	141	147	151	167
Dean of Research	373	375	391	427	448	437	464	480	497	531
Stanford Linear Accelerator Center	1,287	1,286	1,385	1,415	1,432	1,496	1,456	1,512	1,604	1,383
Student Services: Student Affairs, Admissions & Financial Aid	249	237	257	248	266	261	265	291	294	303
Libraries[3]	372	377	456	466	515	515	528	541	562	572
Administrative Systems/Information Technology	409	436	518	498	457	430	394	400	432	428
Office of Development	136	147	156	153	155	170	196	216	242	280
University Lands and Buildings[4]	350	340	376	375	389	392	405	422	467	503
Residential & Dining Enterprises	331	338	373	404	488	521	508	531	534	538
Stanford Alumni Association[5]	76	88	108	113	98	104	108	114	116	124
Stanford Management Company	53	54	63	69	62	62	66	69	58	61
Other Academic: Hoover[3], Learning Technology and Extended Education (through 2001/02), VPUE (1998/99-present) VPGE (starting in 2006)	230	242	219	205	160	248	175	255	277	292
Administration[2]: Business Affairs, President's Office, Provost's Office, General Counsel, Press (until 2003/04), VP for Public Affairs (2003/04-present)	685	699	716	698	642	698	757	751	775	785
TOTAL	8,212	8,385	9,060	9,171	9,634	10,015	10,141	10,513	10,996	11,267
Percent Change	1.9%	2.1%	8.1%	1.2%	5.0%	4.0%	1.3%	3.7%	4.6%	2.5%

Notes

1 Does not include students, or employees working less than 50% time.

2 Due to a programming change, 86 staff members not previously included in these counts are included in the 1999 numbers. This primarily affects the School of Medicine (20) and Administration (30). These are not new staff members.

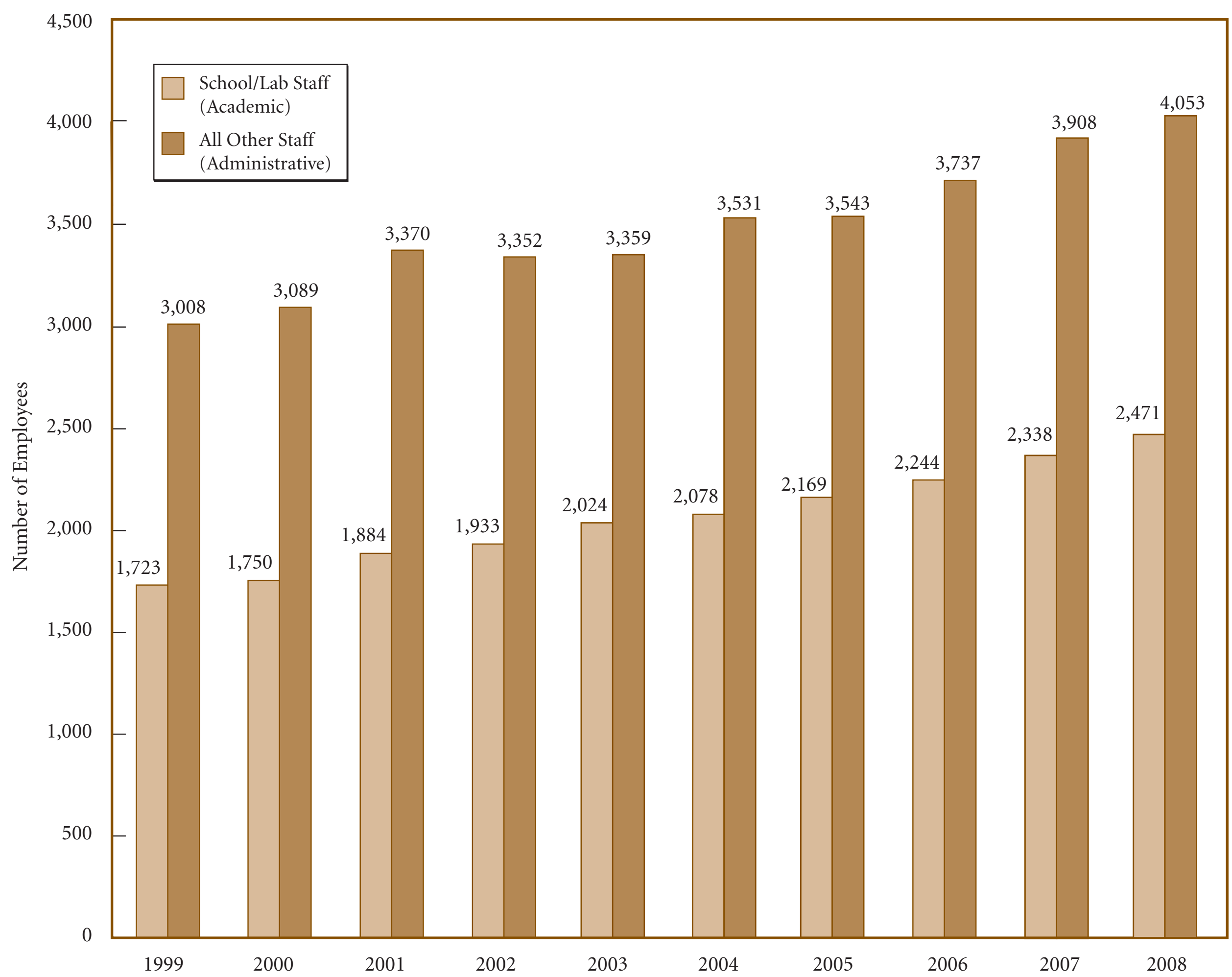
3 The Hoover Libraries staff moved to the University Libraries organization in 2000/01. The Libraries also acquired Media Solutions, and the University Press in 2002/03.

4 Lands and Buildings included Environmental Health and Safety, Public Safety and Procurement for 1994/95-1998/99 and Procurement again in 2001/02. Environmental Health and Safety (approximately 85 people) moved to the Dean of Research. Procurement (approximately 32 people) and Public Safety (approximately 52 people) moved to Business Affairs in 1999/00.

5 The Stanford Alumni Association was an outside organization prior to 1998/99.

SCHEDULE 13

Staff Employees in Units Other than Medicine or SLAC
1999 through 2008, as of December 15 of Each Year



SCHEDULE 14

2009/10 Projected Consolidated Budget Fringe Benefits Detail

[in thousands of dollars]

Fringe Benefits Program	2006/07 Actual Expenditures	2007/08 Actual Expenditures	2008/09 Negotiated Budget	2008/09 Projected Year-End	2009/10 Projected Budget	2008/09 to 2009/10 Change Amount	2008/09 to 2009/10 Change Percentage
Pension Programs							
University Retirement	89,418	92,656	94,661	96,918	99,045	2,127	2.2%
Social Security	82,794	87,460	93,793	94,342	97,604	3,262	3.5%
Faculty Early Retirement	8,787	8,270	8,126	12,419	12,020	(399)	-3.2%
Other	558	418	653	223	191	(32)	-14.3%
Total Pension Programs	181,557	188,804	197,233	203,902	208,860	4,958	2.4%
Insurance Programs							
Medical Insurance	71,473	85,206	102,362	101,794	112,743	10,949	10.8%
Retirement Medical	11,602	16,585	15,342	18,846	22,848	4,002	21.2%
Worker's Comp/LTD/ Unemployment Ins	5,743	17,294	13,140	19,209	17,292	(1,917)	-10.0%
Dental Insurance	10,674	11,295	12,380	12,762	13,970	1,208	9.5%
Group Life Insurance/Other	12,343	13,225	14,124	15,889	15,060	(829)	-5.2%
Total Insurance Programs	111,835	143,605	157,348	168,500	181,913	13,413	8.0%
Miscellaneous Programs							
Severance Pay	3,818	11,839	4,030	10,009	6,197	(3,812)	-38.1%
Sabbatical Leave	13,287	14,047	14,477	14,861	14,682	(179)	-1.2%
Other	11,596	11,697	13,893	12,797	12,425	(372)	-2.9%
Total Miscellaneous Programs	28,701	37,583	32,400	37,667	33,304	(4,363)	-11.6%
Total Staff Benefits Programs	322,093	369,992	386,981	410,069	424,077	14,008	3.4%
Carry-forward/Adjustment from Prior Year(s)	6,300	(6,702)	(10,841)	(10,841)	475	11,316	-104.4%
Total with Carry-forward/Adjustment	328,393	363,290	376,140	399,228	424,552	25,324	6.3%
Budgeted Staff Benefits Rate	25.7%	26.4%	25.9%	27.4%	28.1%		

Note:

The University has four rates for 2009/10, and the single rate shown just above is the weighted average of those rates. The four rates are 30.5% for regular employees, which includes all faculty and staff with continuing appointments of half-time or more, 21.6% for post-doctoral scholars, 8.5% for contingent (casual or temporary) employees, and 5.0% for graduate teaching and research assistants.

SCHEDULE 15

Sponsored Research Expense by Agency and Fund Source[1]
2001/02 through 2007/08
[in thousands of dollars]

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
US Government							
Subtotal for US Government Agencies	432,967	488,110	545,525	577,623	542,316	537,232	511,629
Agency[2]							
DoD	52,571	55,381	55,421	59,958	60,037	58,600	56,439
DoE (Not including SLAC)	22,391	24,496	20,957	25,591	25,584	28,102	23,160
NASA	67,069	87,311	97,727	94,606	61,338	47,704	39,092
DoEd	2,278	1,123	2,006	1,922	1,280	1,246	1,359
HHS	227,167	256,049	299,235	317,604	322,937	331,206	324,737
NSF	41,580	44,070	56,593	63,083	58,544	60,874	60,920
Other US Sponsors[3]	19,911	19,680	13,585	14,858	12,596	9,499	5,923
Direct Expense-US	319,559	364,036	405,342	427,900	396,225	392,153	373,067
Indirect Expense-US[4]	113,408	124,074	140,183	149,598	146,091	145,089	138,562
Non-US Government							
Subtotal for Non-US Government	84,390	87,352	96,001	105,143	108,254	117,438	132,628
Direct Expense-Non US	68,519	72,632	77,088	85,814	89,086	96,799	108,586
Indirect Expense-Non US	15,871	14,719	18,914	19,329	19,168	20,638	24,042
Grand Totals-US plus Non-US							
Grand Total	517,356	575,461	641,526	682,766	650,570	654,669	644,257
Grand Total Direct	388,077	436,668	482,430	513,714	485,311	488,953	481,653
Grand Total Indirect	129,279	138,793	159,097	168,928	165,259	165,727	162,604
% of Total from US Government	83.7%	84.8%	85.0%	84.6%	83.4%	82.1%	79.4%

1 Figures are only for sponsored research; sponsored instruction or other non-research sponsored activity is not included. In addition, SLAC expense is not included in this table.

2 Agency figures include both direct and indirect expense. Agency names are abbreviated as follows:
DoD=Department of Defense
DoE=Department of Energy
DoEd=Department of Education
HHS=Health & Human Services
NASA=National Aeronautics and Space Administration
NSF=National Science Foundation

3 Prior to 2004, NSF contracts are included in the "Other" category

4 DLAM = Department of Laboratory Animal Medicine indirects are included in this figure.

SCHEDULE 16

Plant Expenditures by Unit[1]
2000/01 through 2007/08
[in thousands of dollars]

Unit	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
GSB	1,173	2,993	161		129	309	2,023	17,902
Earth Sciences	511	941	132	204	227	647	458	771
Education	587	(50)	128		583	2,626	1,934	2
Engineering	2,696	15,541	7,361	1,258	2,873	1,838	6,273	28,169
H&S	32,934	17,927	39,412	16,830	16,774	10,763	7,802	8,796
Law	1,838	6,586	1,475	2,319	1,429	992	19,595	64,256
Medicine	6,716	14,240	11,143	16,900	22,631	13,769	31,908	57,759
Libraries	3,267	6,483	11,485	3,809	332	1,131	219	457
Athletics	13,803	5,708	10,583	16,098	25,691	83,362	28,875	8,753
Residential & Dining Enterprises	29,195	40,255	35,434	14,144	10,308	14,054	17,568	13,101
All Other[2]	140,327	154,837	135,229	53,744	61,105	165,127	142,782	220,724
Total	233,048	265,460	252,541	125,305	142,080	294,618	259,436	420,692

Source: Schedule G-5, Capital Accounting

1 Expenditures are from either Plant or borrowed funds, and are for building construction or improvements, or infrastructure.

2 Includes General Plant Improvements expense.

SCHEDULE 17

Endowment Market Value and Merged Pool Rate of Return 1997/98 through 2007/2008

Year	Market Value of the Endowment (in thousands)[1]	Merged pool (for 12 months ending June 30) Annual Nominal Rate of Return	Annual Real Rate of Return[2]
1997/98	4,774,888	1.3%	0.3%
1998/99	6,226,695	34.8%	33.3%
1999/00	8,885,905	39.8%	37.9%
2000/01	8,249,551	(7.3%)	(9.6%)
2001/02	7,612,769	(2.6%)	(3.7%)
2002/03	8,613,805	8.8%	7.2%
2003/04	9,922,041	18.0%	15.4%
2004/05	12,205,035	19.5%	17.0%
2005/06[3]	14,084,676	19.5%	16.2%
2006/07	17,164,836	23.4%	20.7%
2007/08	17,214,373	6.2%	4.0%

Source: Stanford University Annual Financial Report

[1] In addition to market value changes generated by investment returns, annual market value changes are affected by the transfer of payout to support operations, new gifts, and transfers to other assets such as plant funds.

[2] The real rate of return is the nominal rate less the rate of price increases, as measured by the Gross Domestic Product price deflator.

[3] Beginning in 2005/06, living trusts are no longer included in the reported value of the endowment. The effect is to lower the market value for 2005/06 and beyond. For comparison, the restated value for 2005/06 would have been about $14.7 million.

SCHEDULE 18

Expendable Fund Balances at Year-End: 1999/00 through 2009/10

[in millions of dollars]

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Projected 2008/09	Plan 2009/10	Avg Annual % Change 1998/99-2008/09
Academic Units:												
Graduate School of Business	38.7	37.6	33.3	41.7	40.2	43.5	62.8	62.9	64.0	63.6	61.5	4.7%
School of Earth Sciences	18.9	21.3	22.8	23.7	26.1	26.0	24.1	24.8	30.5	34.3	35.5	6.5%
School of Education	8.6	9.3	10.1	10.6	15.7	18.3	18.1	22.7	25.1	27.1	26.4	11.9%
School of Engineering	109.0	112.3	114.3	122.4	130.0	149.0	153.9	162.4	184.6	195.1	197.2	6.1%
School of Humanities & Sciences	86.0	112.2	140.0	138.3	140.3	138.8	142.4	174.0	206.4	231.5	238.2	10.7%
School of Law	10.4	12.4	14.7	16.5	18.3	20.7	21.1	21.4	25.3	22.9	23.1	8.3%
School of Medicine	270.2	307.0	325.1	354.0	350.7	372.6	427.3	459.0	443.7	449.5	452.3	5.3%
VP for Undergraduate Education	7.4	9.2	9.2	11.1	10.6	15.0	19.1	17.2	17.3	13.7	15.4	7.6%
Dean of Research	40.5	51.2	62.0	65.3	72.2	84.3	422.4*	383.6	378.5	347.0	333.0	23.5%
VP for Graduate Education								20.0	28.4	33.7	32.1	
Hoover Institution	22.0	24.8	26.0	23.3	13.5	11.3	16.1	19.1	35.5	29.9	27.7	2.3%
University Libraries	4.8	7.4	8.0	6.5	9.5	4.0	10.0	9.0	10.5	10.2	11.1	8.8%
Total Academic Units (excluding SLAC)	616.5	704.6	765.5	813.4	827.1	881.5	1,317.3	1,376.3	1,449.8	1,458.5	1,453.5	9.0%

* Includes $336 million in proceeds from sale of Google equity.

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Design by: Pat Brito, Design & Print Services