The Stanford University Budget Plan 1999/2000

Submitted for Action to the
Board of Trustees
June 10–11, 1999

This publication can also be found on the World Wide Web at:
http://www.stanford.edu/dept/pres-provost/budget/plans/plan00.html

Executive Summary

To the Board of Trustees:

I am pleased to submit the 1999/00 Stanford University Budget Plan for your approval.

This Budget Plan is presented in two parts. It contains the Consolidated Budget for Operations, which reflects all of Stanford's anticipated non-capital revenue and expense. It also presents the University's Capital Budget for next year in the context of a three-year Capital Plan. (This Budget Plan does not reflect the budgets for UCSF Stanford Health Care, a separate corporation.)

The 1999/00 Consolidated Budget for Operations shows revenues and transfers of $1.647 billion and expenditures of $1.640 billion, resulting in a bottom line surplus of $7.0 million, or 0.4% of total expenditures. The projected surplus is the smallest forecast in several years, due primarily to transfers of funds from the Engineering, Medical, and Business Schools to the plant division in support of the Capital Budget.

The Capital Budget for 1999/00 reflects the completion of virtually all of the goals set forth in the first multi-year capital plan in 1993. This work has included the seismic strengthening of many buildings, the development of the Science and Engineering Quad, deferred maintenance and code compliance work, and the renovation of much of the student housing system. With the implementation of this Capital Budget, the physical renewal of Stanford's infrastructure will be nearly complete. Planning for the University's future physical facilities needs, however, cannot stand still. To respond to those needs we have developed a plan for projects beginning in 2000/01 and 2001/02.

This is my final budget submission to you as Provost. I would like to use this Executive Summary to briefly review the last six years of budgetary matters and to identify key issues of concern for the future.

A RETROSPECTIVE ON BUDGETING

From 1989 to 1993 the University had reduced operating expense by $42 million in the general funds budget. By the end of the academic year 1993/94, we still faced the need to cut an additional $18 million to free up funds for reallocation and to provide for a modest contingency reserve. There were other challenges identified at that time, as well, including:

- Facilities Renovation and Expansion – In 1993/94 a $700 million five-year Capital Plan was developed to address deferred maintenance, seismic retrofit, and expansion and improvements in science and engineering facilities, the libraries, and student housing.
- Investments in Undergraduate Education – The Commission on Undergraduate Education called for a number of enhancements to the undergraduate program, many with budgetary implications.
- Computing – Initial estimates indicated it would cost $60 million to replace aging administrative systems and to upgrade much of Stanford's networking capabilities.
- Regulatory and Compliance Issues – Regulatory burdens continued to grow.

In addition to these challenges, we also faced the ordinary budget issues that arise in the course of developing an annual budget: maintaining a competitive salary program, meeting the financial aid needs of our students, and providing support to the University's infrastructure. In addition, this has been a period of rapidly rising local housing costs and a local inflation rate that has outpaced national inflation.

In recent years we have made good progress in addressing many of those challenges, particularly in the following areas:

Program Initiatives – There have been a number of programmatic initiatives implemented:

- The budget for undergraduate education initiatives has grown from $4 to $14 million since 1994, with $6 million of that increment coming from unrestricted funds.
- Using school, department, and central funds, we have strengthened budgets for faculty support and graduate students. These initiatives include funds for faculty housing supplements, graduate student salaries and housing, recruitment, and lab set-up costs.
- The Stanford Graduate Fellowships program has been implemented and will enroll its third class of outstanding graduate students in the Fall.
- The Center for Research on Economic Development has been created.

Facilities – The Stanford campus has been largely renovated and rebuilt during the past seven years. The results are impressive and position us well for the future. These enhancements have, however, added $30 million in annual costs to the Consolidated Budget for Operations for debt service, planned maintenance, and maintenance on new facilities.

Compliance – As was anticipated in 1993, the cost of regulation has continued to grow. Since then our budgets have had to absorb the cost of removing tuition remission from the benefits pool, the addition of staff in the Health and Safety Office, and annual supplements to cover relentless government audit requirements.

Systems – From 1993-99 we have invested about $75 million in systems. About half has gone to new administrative systems, including financial, budget, financial aid, and development systems. The remainder went principally to academic and administrative infrastructure projects, including network upgrades, database products, and security.

Restructuring – We cut $18 million from the unrestricted budget from 1994 to 1996. In addition, there have been other important restructuring initiatives:

- We have budgeted an unrestricted base reserve against the possibility of future income shortfalls.
- We have merged the Alumni Association into the University and completed the merger of UCSF Stanford Health Care.
- Our method of budgeting has changed from an expense driven allocation model to one built from our best projections of revenue. Operationally, this has meant that the first dollars of revenue have been dedicated to the creation of the reserve, as noted above, and to the funding of several fixed cost categories (e.g., faculty salaries, undergraduate aid, and debt service). Remaining revenue has been allocated based on judgments of programmatic strength and the importance of the function to the university, as well as the units' abilities to contribute locally-controlled funds to their programs.

Our best managerial efforts at addressing these challenges have been helped considerably by strong investment markets and low inflation. In addition, the supplemental 1/2% increase in the endowment payout rate has permitted us to cover a portion of our facilities and infrastructure costs. Lastly, the friends of the University have supported us generously.

THE BUDGET PLAN FOR 1999/00

The Budget Plan for 1999/00 continues to address many of these issues and priorities that have been before us over the past six years. Its principal highlights include:

Consolidated Budget for Operations:

- As noted above, the bottom line surplus of $7 million reflects principally an excess of restricted revenue over expense. The surplus would be larger were it not for planned transfers to plant to support facilities renovations. Specifically, the Medical School will be transferring $53.4 million to plant to renovate the E.D. Stone Buildings and to pay for improvements to the library, student labs, and classrooms. The Graduate School of Business (GSB) will be transferring $5 million to plant to cover renovation costs of the GSB building. These transfers will create budget shortfalls and require these two schools to draw down reserves to fund their operations during 1999/00. In addition, the School of Engineering will transfer $5.5 million to the plant division but is not expected to draw down its reserves to cover this transfer.
- The Budget Plan continues the planned buildup of support for undergraduate education initiatives, including the creation of the freshman/sophomore college, further enhancement of the seminar programs, and expansion of research opportunities for undergraduates.
- Several new and renovated facilities, most notably the Science and Engineering Quad McCullough Annex and the Center for Clinical Sciences Research (CCSR) will become fully operational in 1999/00.
- One of our key priorities in this budget was to fund salary increases that exceeded the very modest increases of recent years. For the past several years, budgeted growth for continuing salary expense did not increase as fast as local inflation. Our salary program growth rate will exceed projected inflation next year and will target supplemental increases to employee groups that are significantly below market.
- Supplemental Endowment Payout for Infrastructure – In February, the Trustees approved a three year continuation of the 1/2% endowment payout supplement. This will provide the capacity to pay debt service on seismic strengthening and infrastructure. To preserve the long term purchasing power of the endowment while incorporating this 1/2% supplement into the budget, the Trustees stipulated that increases in continuing costs supported by the non-formula general funds component of the Consolidated Budget be held at 1% over inflation. Our planned expense growth for this component of the budget is 3.7%. National inflation is 2.3% and local inflation is 4.6% (April 1998 to April 1999). Given our local expense base, we are operating within the constraint.
- The Budget Plan includes an unrestricted budget base reserve of $13.2 million to provide a buffer against future income shortfalls. This has been an important priority in recent years, and I am pleased that we have been able to increase the size of the reserve from $12.2 million last year.

- In October, 1998, the Trustees voted to dedicate half of the income from the Stanford endowed lands (previously reinvested in the endowment) to support housing. This will generate approximately $30 million over a three-year period which will be used to help younger faculty and graduate students afford to live in this high cost area.
- The budget for undergraduate financial aid continues our policy of meeting the financial need of all admitted students. In February the Trustees approved—and we have included in this budget—$500,000 in additional financial aid to improve our ability to attract two groups of students: those at the lowest income levels, and those who are Presidential Scholars.

Capital Budget:

- The Capital Budget calls for $300.6 million for capital construction expenditures in 1999/00. The following are the key elements of the Capital Budget:
  - Construction Expenditures on Approved Projects – This category of projects, totaling $139 million, includes the remaining work ($41 million) on the Center for Clinical Science Research (CCSR), $40 million of construction on the $67 million Escondido Village graduate student housing project, and $20 million of construction on the $33 million Alumni Center project.
  - Infrastructure – The Capital Budget contains $39.7 million in infrastructure projects. This is split, approximately, into three equal amounts: renovation and expansion of our utility systems, information systems, and the Stanford Infrastructure Program, which includes landscaping, transportation, and parking projects.
  - Planned Construction Projects – A number of projects are in various stages of planning and are all subject to individual funding approval by the Trustees. We expect to spend $122 million on such projects in 1999/00, the largest of which is $79 million for the Stone buildings at the Medical School.
- The Capital Budget affects the Consolidated Budget for Operations by adding debt service costs and the costs of operating and maintaining the facilities. In addition to debt service for CCSR and the McCullough Annex, the Budget Plan reflects a full year of debt service for the Green Library and the Mudd Chemistry upgrade project, which are to be completed in 1999. Incremental debt service resulting from the Capital Budget totals $5.9 million for 1999/00 for academic, auxiliaries, and service center projects. These facilities will require $2.7 million in maintenance costs, of which $1 million was already budgeted in 1998/99. By Trustee policy, internal debt service repayment on capital projects (exclusive of SLAC, auxiliaries, and service centers) may not exceed 5% of unrestricted funds. For 1999/00 this figure stands at 3.1%.

FUTURE PROSPECTS

Stanford is well positioned as one of the best research universities in the world. Looking ahead, there are several issues to which we must pay particular attention. The first is the impact of market volatility on the endowment payout to the budget. A drop in the market, particularly a sustained one, could have a very negative impact on future budgets. While we have a diversified investment strategy, a conservative endowment payout smoothing formula, and a reserve to buffer the budget, we are not immune to the effects of a major or long-term drop in the market. We must be cognizant of our exposure and, where able, accumulate supplemental reserves in order to avoid the prospect of programmatic disruptions.

The second issue pertains to the various constraints on capital facilities. With the implementation of the Capital Budget and the three-year Capital Plan described in this document, we are pushing the limits of our debt capacity. By 2001/02, based on our Capital Plan, our debt service payments as a fraction of unrestricted revenues will rise to 4.2%. We are also constrained by Santa Clara County's General Use Permit. Given that it will be more difficult to build incremental space, we must continue to make better use of the space we have and seek to maximize the potential of existing facilities close to the campus.

Third, we need to build our budgets to provide adequate faculty support. Salary pressures, housing costs, and lab setup charges combine to make the cost of faculty recruitment and retention, particularly in Silicon Valley, very expensive. Yet providing adequate support to faculty is absolutely essential to the future of the University.

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a university-level perspective on Stanford's programmatic and financial plans for 1999/00. We seek approval of the planning directions, the principal assumptions, and the high level supporting budgets contained here. As the year proceeds, we will make periodic reports, as necessary, on the progress of actual expenditures against budget. In addition, we will bring forward individually, for more detailed consideration, specific capital projects under normal Trustee guidelines.

This document is divided into three sections and two appendices. Section 1 describes the principal financial elements of the Plan, including the Consolidated Budget for Operations and the projected Statement of Activities for 1999/00. Section 2 addresses a number of programmatic issues in the academic and support areas of the University. Section 3 contains details on the Capital Budget for 1999/00 and the multi-year Capital Plan. The appendices contain the individual budgets of the major academic units and supplementary financial information.

CONCLUSION

I would particularly like to thank the deans and other faculty members who have advised me over the past six years and to acknowledge the considerable work of many staff members from across Stanford who work on budget issues. Without their commitment and goodwill, the management of this large and complex budget would not have been possible. I am delighted that John Hennessy will now bring his extraordinary talent to the Office of University Provost. Finally, I am grateful to you, the Trustees, for your commitment to Stanford. I have benefited from your advice and counsel and wish you well in your continuing service to the University.

Condoleezza Rice
Provost
June, 1999

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SECTION 1
FINANCIAL OVERVIEW

INTRODUCTION

The purpose of this section is to review the principal financial components of the Budget Plan. The programmatic elements are addressed in the next section. Specifically, we will discuss:

- The Consolidated Budget for Operations
- The Capital Budget
- The Projected Statement of Activities

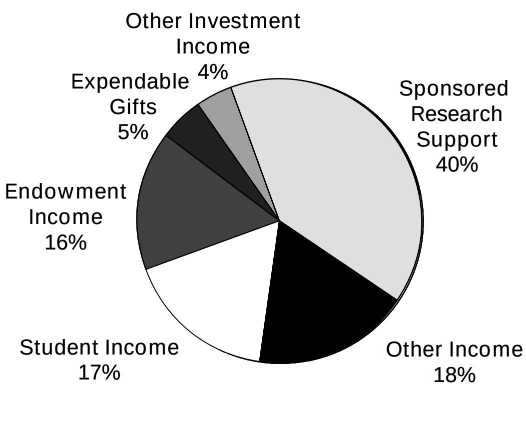
THE CONSOLIDATED BUDGET FOR OPERATIONS

The Consolidated Budget for Operations includes all non-capital revenues and expenditures. It is based on forecasts from the schools and the administrative areas. These forecasts are then merged with the general funds budget forecast and adjusted by the University Budget Office for consistency. The table on the next page shows the projected consolidated revenues and expenditures for 1999/00. For comparison purposes, this table also shows the actual revenues and expenditures for 1997/98, the budget for the current fiscal year (1998/99), and the estimated year-end projections for 1998/99. Definitions of key terms are provided.

In this section we will review the Consolidated Budget from three perspectives: through an analysis of revenues and expenditures, by type of funding source (e.g., general funds, restricted funds, etc.), and by organizational unit.

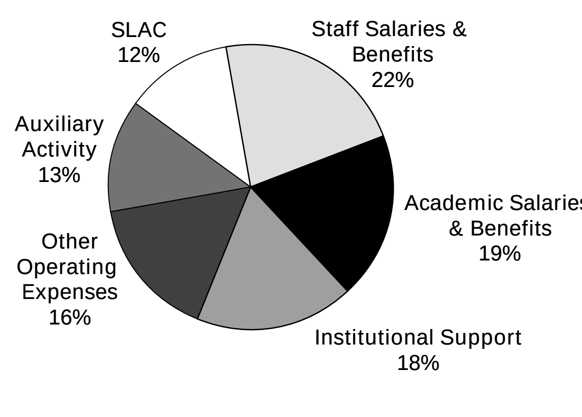
It is important to note that the Consolidated Budget for Operations is presented essentially in a "cash format." In other words, it shows only those revenues and expenditures available for current operations. It does not include plant funds, student loan funds, or endowment principal funds, although endowment income is reflected in this budget. Later in this section, we

1999/00 Consolidated Revenues: $1,710.8M[1]



1 After accounting for transfers, the total of Revenues and Transfers is $1,647.0M

1999/00 Consolidated Expenditures: $1,640.0M



Projected Consolidated Budget for Operations, 1999/00
(in millions of dollars)

1997/98 Actuals	1998/99 Budget June, 1998	1998/99 Projected Yr-End Actuals		General Funds	Designated	Restricted	Grants and Contracts	Auxiliaries/ Other	Total Current Funds
			Revenues and Other Additions						
			Student Income:						
142.9	143.3	146.4	Undergraduate Programs	153.0					153.0
134.8	146.6	144.4	Graduate Programs	149.8					149.8
57.0	57.3	60.6	Room and Board					59.5	59.5
(69.0)	(100.7)[1]	(71.4)	Student Financial Aid	(14.1)	(2.1)	(51.5)	(7.6)		(75.3)
265.7	246.5	280.0	Total Student Income	288.6	(2.1)	(51.5)	(7.6)	59.5	287.0
			Sponsored Research Support:						
350.7	357.8	371.2	Direct Costs—University				388.3		388.3
187.2	171.8	177.0	Direct Costs—SLAC				193.0		193.0
97.7	98.5	106.6	Indirect Costs	111.2					111.2
635.5	628.1	654.8	Total Sponsored Research Support	111.2			581.3		692.5
77.6	80.0	80.0	Expendable Gifts In Support of Operations	2.0		78.0			80.0
			Investment Income:						
229.7	237.8	250.7	Endowment Income	73.4		196.8		0.3	270.5
52.8	54.9	72.7	Other Investment Income	27.5	25.6	11.3	0.2	0.6	65.2
(7.9)			Unrealized Gain						
274.7	292.7	323.4	Total Investment Income	100.9	25.6	208.1	0.2	0.9	335.7
			Other Income:						
131.7	87.7	140.0	Special Programs Fees		122.0				122.0
116.2	105.8	142.8	Auxiliaries (excl. Room & Board)					153.4	153.4
32.6	42.9	38.0	Other Income	26.3	19.4	(5.2)	(0.3)		40.3
280.5	236.4	320.8	Total Other Income	26.3	141.4	(5.2)	(0.3)	153.4	315.7
1,534.0	**1,483.7**	**1,659.0**	**Total Revenues**	**528.9**	**164.9**	**229.4**	**573.8**	**213.8**	**1,710.8**
			Transfers and Other Adjustments						
33.1	15.0	34.0	Net Assets Released from Restrictions			25.5			25.5
			Transfers to Unrestricted University Reserves	(13.2)	13.2				
			Transfers to Designated Funds	(4.7)	4.7				
(17.5)	(16.0)	(32.0)	Additions to Funds Functioning as Endowment		(1.4)	(10.4)			(11.8)
(80.2)	(54.5)	(54.5)	Transfer to Plant/Student Loan	(11.9)	(62.2)	(3.4)			(77.5)
8.6			Other Transfers						
1,478.0	**1,428.2**	**1,606.5**	**Total Revenues and Transfers**	**499.0**	**119.1**	**241.2**	**573.8**	**213.8**	**1,647.0**
			Expenditures						
295.8	287.8	299.2	Academic Salaries and Benefits	114.2	32.9	76.0	87.0		310.1
300.1	296.0	359.8	Staff Salaries and Benefits	176.4	48.0	47.2	102.9		374.5
187.2	171.8	177.0	SLAC				193.0		193.0
172.9	163.7	202.3	Auxiliary Activity					213.3	213.3
286.1	288.2	281.7	Institutional Support	116.3	33.9	27.6	113.7		291.5
209.5	203.9	248.5	Other Operating Expenses	92.1	30.0	58.3	77.2		257.6
1,451.6	**1,411.4**	**1,568.4**	**Total Expenditures**	**499.0**	**144.8**	**209.0**	**573.8**	**213.3**	**1,640.0**
26.3	**16.8**	**38.0**	**Surplus/(Deficit)**		**(25.7)**	**32.2**		**0.5**	**7.0**

1. In the 1998/99 Consolidated Budget, the Student Financial Aid line also included $26.3 million in Graduate Tuition Allowance. This amount has been re-categorized in the 1999/00 Budget into the Academic Salaries and Benefits line.

make a series of adjustments to the Consolidated Budget to convert it from a cash basis to an accrual basis in order to produce a Projected Statement of Activities. This Statement of Activities is consistent with how Stanford's audited financial statements are developed and displayed in the Annual Financial Report.

The 1999/00 Consolidated Budget for Operations projection shows revenues and transfers of $1.647 billion and expenditures of $1.640 billion, resulting in a bottom line surplus of $7.0 million, or 0.4% of total expenditures. The projected surplus is the smallest forecast in several years due primarily to transfers of funds to the plant division in support of the Capital Budget. This drives the deficit projected in the Designated Funds column of the Consolidated Budget for Operations on the next page. We anticipate that strong endowment performance will result in a net excess of restricted income over expense. Grants and contracts are expected to be in balance.

Total revenues and transfers in 1999/00 are projected to increase 2.5% over the expected 1998/99 levels. Adjusting for SLAC, revenues and transfers are expected to grow only 1.7% over projected actuals. This minimal growth, compared to prior years, results from a significant decrease in special program fees resulting from the expiration of the Cohen Boyer patent. Total expenditures are expected to grow by 4.6% over the estimated year-end results for 1998/99; adjusting for SLAC, expenditures are expected to grow at 4.0%. Since expenditures are expected to increase at a rate somewhat faster than revenues and transfers, the total surplus in 1999/00 is expected to be significantly smaller than that projected for the current year.

KEY TERMS

General Funds: Funds which can be used for any University purpose, the largest sources of which are tuition, unrestricted endowment income, and indirect cost recovery.

Designated Funds: Funds which come to the University as unrestricted but are directed to specific purposes by the Trustees or the administration.

Restricted Funds: Includes expendable and endowed funds which can only be spent in accordance with donor restrictions.

Grants and Contracts: The direct cost of sponsored research, both federal and non-federal.

Auxiliaries/Other: Self-contained entities, such as Housing and Dining Services or the Athletics Department, that charge directly for their services and pay the University for any central services provided.

Net Assets Released from Restrictions: Under Financial Accounting Standards Board reporting standards, 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 satisfied, these funds become available to cover expenses. At that time, they are "released from restrictions" and are included in the Consolidated Budget in the line Net Assets Released from Restrictions.

Financial Aid: Includes expenses for undergraduate and graduate student aid. In accordance with the University financial statements format, these expenses are shown as an offset to student income. Student stipends and tuition allowance are not considered to be financial aid and are included in the expense side of the budget.

Formula Unit: Budget units whose unrestricted revenues are determined by a formula agreed to by the Provost and the unit and, in most cases, is tied to tuition and indirect cost recovery generated by the unit. The formula units include the Graduate School of Business, the School of Medicine, the research program of the Hoover Institution, and Continuing Studies/Summer Session.

The Consolidated Budget by Principal Income and Expenditure Categories

INCOME (REFER TO TABLE ON PAGE 2)

Student Income

Increases in student charges are guided by a number of considerations. The most important are our programmatic needs, the affordability of a Stanford education, the effectiveness of our financial aid program, our market position, and price inflation in the local and national economies.

TUITION – The general tuition increase for 1999/00, which was approved by the Trustees in February, is 4.3%. This increase was the result of several factors.

- The most important factor was the financial requirement of the budget. As the largest source of unrestricted income to the budget, tuition supports important initiatives. Tuition revenue also pays for the ongoing but essential activities of the university for which restricted funds are not generally available. These include faculty and staff salaries, student services, building maintenance costs, and debt service on new and renovated facilities. For 1999/00 it was particularly important to provide unrestricted funds to enhance the competitiveness of our salary program.
- A second factor considered in the tuition decision was the affordability of a Stanford education. The tuition increase, together with a 1.4% growth in room and board charges, will yield a total increase in student charges of 3.5%, a figure we expect will approximate the growth in family income. In combination with our financial aid program, we believe this increase will keep Stanford affordable to a wide range of families.
- A final factor considered was our price level compared to other institutions. Historically, Stanford's student charges have been 5% (about $1600) below those of our principal competitors, Harvard, Princeton, Yale, and MIT. Based on the approved actions at those institutions for 1999/00, our position relative to those institutions will stay approximately the same.

ROOM AND BOARD – The 1.4% increase in room and board is the lowest increase since 1970. It reflects a 3% increase in room charges and

1999/00 Student Financial Aid and Other Graduate Student Support from Stanford Resources
(in millions)

FY99 Projected Year-End Actuals		General Funds	Designated and Restricted	Grants and Contracts	Total
	Student Financial Aid				
$37.4	Undergraduate	$12.9	$23.9	$3.4	$40.2
9.1	Undergraduate Athletic		10.0		10.0
24.9	Graduate	1.2	19.7	4.2	25.1
71.4	Total	14.1	53.6	7.6	75.3
	Other Graduate Student Support				
44.5	Stipends	$7.2	19.2	20.0	46.4
41.5	Tuition Allowance	22.0	7.9	13.2	43.1
62.6	RA and TA Salaries	11.6	15.6	39.8	67.0
148.6	Total	40.8	42.7	73.0	156.5
$221.0	Total Student Support	$54.9	$96.3	$80.6	$ 231.8

Financial Aid Awarded to Undergraduates Who Receive Need-Based Scholarship Aid
(in millions)

Source of Aid	1994/95 Actual	1995/96 Actual	1996/97 Actual	1997/98 Actual	1998/99 Projected	1999/00 Budget
Restricted	$14.0	$13.3	$15.9	$18.5	$19.5	$20.8
Stanford Fund/Presidential Funds	1.3	3.3	4.5	4.3	6.3	6.5
General Funds	16.6	17.5	13.7	12.2	11.2	12.9
Subtotal Stanford Funded Financial Aid	31.9	34.1	34.1	35.0	37.0	40.2
Govt. and Outside Awards	8.7	8.3	8.0	8.9	8.6	8.6
Total Undergraduate Financial Aid	**$40.6**	**$42.4**	**$42.1**	**$43.9**	**$45.6**	**$48.8**
Number of Students	2,698	2,705	2,584	2,610	2,575	2,600
General Funds as a Share of Total Aid	41%	41%	33%	28%	23%	26%
General Funds and Stanford Fund as a Share of Total Aid	44%	49%	43%	38%	36%	40%

no increase in the board plan. This minimal price increase results from cost reduction and productivity enhancements across Housing and Dining Services and a decline in interest rates on debt paid to support facility construction and renovation.

Student Financial Aid – Stanford expects to spend a total of $75.3 million in financial aid for undergraduate and graduate students, $14.1 million of which will come from general funds. The remainder will be supported by designated and restricted funds ($53.6 million) and grants and contracts ($7.6 million). The total financial aid numbers are 5.5% above the projected total in the current year, due to increases in tuition and a modest expansion of the undergraduate aid program.

Undergraduate aid – This Budget Plan reflects Stanford's long-held commitment to meeting the demonstrated financial need of its undergraduate students. We estimate that in 1999/00, Stanford resources will provide $48.8 million in scholarships, of which $40.2 million will be need based. Of the $40.2 million, $12.9 million will come from general funds.

In February, the Trustees approved two policy enhancements to the financial aid program: aid supplements to those at the lowest income levels, and those students who are President's Scholars. This aid will help raise the yield rate for these groups to the yield rate for the rest of the entering class. The incremental $500,000 for these changes is included in this Budget Plan.

The table above shows the detail of undergraduate need-based student aid. We anticipate a slight increase in the number of students receiving scholarship aid next year after recording a drop in that number in 1998/99. The supplemental aid for low income students, noted above, accounts principally for this increase. The share of undergraduate aid from general funds has dropped from 41% to 26% over the last several years. This is due to the growth of restricted funds supporting financial aid and to support from the Stanford Fund and Presidential funds. All of these funding sources have combined to keep pace with the growth in student and family demonstrated need for undergraduate scholarship aid. Appendix B (Schedules 5 and 6) includes additional information on undergraduate financial aid.

Graduate aid – Stanford provides several kinds of financial support totaling $181.6 million to graduate students. As the table on page 5 indicates, this includes fellowships of $25 million, which are reflected in the student financial aid line of the budget. It also includes funding, not shown in the student financial aid line of the budget, for stipends, tuition allowance, and research and teaching assistant salaries of $156.6 million. Consistent with the presentation of Stanford's financial statements, the tuition allowance and RA (Research Assistant) and TA (Teaching Assistant) salaries expenses are in the Academic Salaries and Benefits line, and the stipend amount is in the Other Operating Expense line of the Consolidated Budget for Operations on page 2.

Of particular note, the Stanford Graduate Fellowship program will reach its full complement of students in 1999/00. This Budget Plan includes $10 million of funding for 325 students. This funding will come from a combination of restricted endowment income and funds from a Presidential reserve.

Sponsored Research Support and Indirect Cost Recovery

The total budget for Sponsored Research Support is expected to be $692.5 million in 1999/00, or 40% of the total revenues projected in the Consolidated Budget for Operations. Included in this figure are the total direct costs of externally supported grants and contracts ($388.3 million for University research and $193.0 million for SLAC) as well as reimbursement for the indirect costs ($111.2 million) incurred by the University in support of sponsored activities.

Direct research volume in the Medical School, which makes up about half of the University's total volume, has experienced double digit growth in each of the last three years, including the current year's growth rate of 14.2%. Medical School research volume is expected to grow 6.0% in 1999/00, a strong but somewhat slower pace than in recent years. Research volume in the non-medical area declined in 1997/98 but is on pace for a 5.0% growth in the current year. We are budgeting a 3.5% growth in non-medical research volume next year.

The Department of Energy (DOE) has historically provided almost all of the funding for SLAC. Beginning in 1998/99, however, a significant amount of funding came from the National Institutes of Health (NIH). The NIH has entered into an agreement with the DOE for enhancing the capabilities at the Stanford Synchrotron Radiation Laboratory to provide better support to the structural molecular biology community. This program comprises only $5.0 million of the 1998/99 SLAC direct costs, but it will contribute $20.0 million in the 1999/00 budget.

The University's recovery of indirect costs associated with sponsored activities depends on the indirect cost rate and the direct research volume on which the rate is applied. Stanford management and staff have been working to negotiate a *predetermined* indirect cost rate with the federal government. In the past, Stanford has operated most years under a *fixed with carryforward* rate, where the University charges an annually negotiated fixed rate for an entire year. At the end of the year, there is an audit to determine the actual indirect costs incurred in support of research. The difference between the recovery of indirect costs through the negotiated fixed rate and the actual allowable costs is considered either over- or under- recovery and is called carryforward. The carryforward is then added to the expected indirect costs allocable to research in the next rate calculation. A predetermined rate is a fixed rate without a carryforward provision. The advantage to this type of rate is that there is no audit of actual costs required. It is Stanford's hope to negotiate, up front, predetermined rates for more than one year, thereby reducing the costs associated with after-the-fact audits. The negotiation of the 1999/00 rate is in process.

Investment Income

Endowment Income – The largest part of investment income is endowment income. The estimate of endowment income is a product of a forecast of the endowment market value at the beginning of the coming budget year and the approved smoothed payout rate. Stanford uses a smoothing rule to dampen the impact on the budget of large annual fluctuations in the market value, thereby providing stability to budget planning. The smoothing rule sets the coming year's payout rate to be a weighted average of the target rate and the actual rate in the current year. The projection of the coming year's market value is based on the long-term assumption that total return on the endowment will be 6.25% above inflation. The smoothed payout rate projected for 1999/00 is 5.28%, which includes the supplemental component for infrastructure support described below.

Endowment income in 1999/00 is expected to total $270.5 million, an increase of 7.9% over 1998/99. This includes income from the merged endowment pools, specifically invested endowment, and rental income from the Stanford Research Park and other endowed lands. Of the total endowment income, $73.4 million, or 27%, is projected to support the unrestricted budget. The unrestricted amount includes all of the income generated from Stanford endowed lands. Over the past several years, the Stanford Management Company has put considerable effort into generating income from the Research Park, and this budget reflects the results of that continued effort. The total net rental income from Stanford lands has increased from $7.7 million in 1996/97 to $15.4 million in 1997/98 to an expected $18.7 million in 1998/99. Income from this activity is projected to be $20.9 million in 1999/00. Until recently, Board policy required that one-half of the net income from Stanford endowed lands be reinvested in endowment principal. At its December 1998 meeting, the Board authorized the University to allocate all of the rental income to current operating income, effective January 1, 1999, and continuing for a period of three years. The change in allocation policy was made to alleviate the housing crisis that has been brought about largely by the dramatic increase in Bay Area land values. Half of the net rental income during the approved period will be used to fund a reserve to address housing issues for both faculty and graduate students.

Supplemental Payout Increase – Beginning in 1995/96, the Board of Trustees approved a supplemental 0.5% increase in the endowment payout rate to help pay for increased infrastructure expenses such as debt service on seismic restoration projects, deferred maintenance, and administrative support systems. We have used these funds to offset the continuing costs of debt service as well as the one-time costs that were spent. At its February 1999 meeting, the Trustees approved a three-year extension of the supplemental payout.

Other Investment Income – Other investment income consists primarily of earnings on the Expendable Funds Pool (EFP), the investment pool for non-endowment funds. The Expendable Funds Pool consists of the University's general operating funds, non-governmental grants, expendable gifts belonging to various schools and departments, and other short term funds. The investments of the EFP are allocated approximately 40% to the endowment and 60% to fixed income and money market instruments. By Trustee policy, the University guarantees the value of deposits in the EFP and a minimum payout of 4% annually. If actual earnings on the pool exceed 4%, an additional amount up to 2% may be used to support the unrestricted budget. If total return on the EFP is less than 4%, then a buffer reserve, which consists of unrestricted funds functioning as endowment, will be used to supplement the actual earnings of the EFP so that the 4% can be paid out. The 1999/00 Consolidated Budget assumes a 5% return will be achieved. Total income from this source is expected to be $65.2 million.

Expendable Gifts

Non-capital gift income is expected to total $80.0 million in 1999/00. This amount does not include gifts to endowment principal, gifts for capital projects, or gifts that are temporarily restricted. Gift receipts in support of current operations declined from $100.3 million in 1994/95 to $77.6 million in 1997/98. We have assumed that gift income will be flat at $80.0 million in both the current year and in 1999/00.

Other Income

Other Income includes three components: (1) *Special Program Fees*; (2) *Auxiliary Income*, excluding Room and Board income which is shown separately in the Student Income section; and (3) *Other Income*.

SPECIAL PROGRAM FEES – These fees are comprised of a wide range of income sources generated by a variety of programs across the University. One of the largest components is patent and royalty income, which is projected to be about $40 million. 1999/00 will be the first year in which we will receive no income from the Cohen Boyer patent, which produced $21.1 million in the current year, 1998/99. Special program fees also include $16 million from corporate affiliates, mostly in the schools of Earth Sciences and Engineering. There is also $11.8 million from the executive education programs in the Graduate School of Business, $7.4 million from the Stanford Center for Professional Development, and over $5 million from summer camps sponsored by Athletics. Overall, special program fees are projected to be $122.0 million in 1999/00, an $18.0 million decrease over the expected amount for the current year.

AUXILIARY INCOME – Auxiliary income, excluding room and board fees, is projected to be $153.4 million. It includes anticipated payments by UCSF Stanford Health Care to cover faculty and staff services provided by the Medical School for clinical care, and other auxiliary receipts such as conference fees, athletic event ticket sales, and television income. It also includes the activities of the Stanford Alumni Association.

OTHER INCOME – Other income is projected to be $40.3 million. This category includes reimbursements for central support services provided to auxiliary organizations ($9.9 million) and income generated by the infrastructure charge ($4.6 million). A large portion of Other Income comes in to the Medical School as designated funds ($19.4 million). These are payments from affiliated institutions such as Santa Clara Valley Medical Center, Lucille Packard Children's Hospital, or UCSF Stanford Health Care, for strategic support or physician services from the faculty of the Medical School.

TRANSFERS AND OTHER ADJUSTMENTS

Several adjustments and transfers need to be made to reflect accurately the net income available for operations.

- Transfers to University Reserves: This is a general funds reserve of $13.2 million set aside to cushion Stanford against potential income shortfalls, particularly research and investment income.
- Transfers to Designated Funds: $4.7 million of unrestricted funds are projected to be transferred into schools' and departments' reserves by those units for future new initiatives or for contingency.
- Additions to Funds Functioning as Endowment: This line reflects our assumption that individual budget units will continue the practice of transferring some excess of revenue over expense in restricted gift funds to Funds Functioning as Endowment (FFE). These funds are invested with the merged endowment pool. We expect a total of $11.8 million will be transferred to FFE.
- Transfer to Plant: These funds will move to the plant division to be used for capital projects. The total amount projected for next year, $77.5 million, is substantially larger than in previous years in keeping with the overall level of the capital program. In particular, we are budgeting $8.4 million in

unrestricted funds for academic facilities renovation; the Medical School is projecting a transfer to plant of $53.8 million which is described on page 19; and both the School of Engineering and the Graduate School of Business are anticipating transfers in excess of $5.0 million to plant funds.

- Net Assets Released from Restrictions: University gifts and pledges that contain specific donor-imposed restrictions preventing their spending in the current fiscal year are classified as temporarily restricted and are not included in the Projected Consolidated Budget for Operations. Each year, a portion of funds previously classified as temporarily restricted will become available for spending as specific restrictions are satisfied. In 1999/00, we anticipate that schools and departments will be able to use approximately $25.5 million of gifts received in previous years that had been classified as temporarily restricted.

Expenditures (refer to table on page 2)

Academic Salaries

The recommendation for faculty salary increases is based on a review of data supporting particular recommendations from each school, internal comparisons, comparisons with peer universities using data that are publicly available, and consideration of available resources. The goal is to set faculty salaries at a level that will maintain Stanford's competitive position both nationally and internationally for the very best faculty.

The average salary program in 1999/00 for faculty salaries is 3.0%. We believe that this increase, when applied appropriately by deans, will be sufficient to maintain Stanford's current competitive position. In addition to the broad-based salary program, specific allocations for faculty salary increments have been made in the schools of Engineering and Law.

While the nominal increase in faculty salaries is planned to be 3.0%, total expenses for academic salaries and benefits are expected to increase 3.6% in 1999/00. This is due, in part, to increases in the number of faculty billets in several schools. Moreover, tuition allowance for research and teaching assistants is included in this expense category and is expected to rise with the 4.3% growth of tuition. Also included in this line of the budget are supplemental payments to faculty participating in various housing assistance programs.

Staff Salaries

For the past several years Stanford's aggregate staff salary program has lagged salary growth in the Silicon Valley employment market where we must compete for staff employees. We have barely maintained our historical mid-market position, and our competitive position has deteriorated. In some high demand job groups, particularly information technology, finance, and administrative support positions, we have lost considerable ground to the local market. In this Budget Plan we are making an effort to maintain, if not to improve, our market position.

The staff salary program for 1999/00 includes growth of 3.0% in our cost base, an additional allocation for internal equity and general market adjustments, and an additional variable allocation for job groups that are significantly below market. Our expectation is that these allocations will minimize the loss of further ground against the local market.

In addition to this salary allocation, there will be an authorization for units to award one-time, non-base performance bonuses up to 1% of the unit's continuing salary base, in situations where a unit has reserves to draw upon.

This year we have introduced a different approach to salary management. Unlike previous years, managers have been given salary allocation guidelines that may be applied more flexibly in both timing and amount, based on performance. Managers have been encouraged to move away from thinking of the salary program as a cost-of-living entitlement and, rather, to think of the program as one that recognizes market changes and differentiates salary increases on the basis of productivity and performance.

By 2000/01 we expect to have in place a comprehensive new program that will provide greater management flexibility for allocating salary dollars, reward quality of performance versus years of service, and move from a rigid September 1 focal point salary increase to individualized evaluation and salary adjustment periods. Such changes are expected to help managers optimize the impact of our salary program allocations. Included in this new salary program will be broad market-based salary bands, supported by a standardized performance evaluation system.

Benefits

The most significant change in the fringe benefits program in 1999/00 will be the way the faculty/staff children's Tuition Grant Program (TGP) is handled. Because of a change in OMB (Office of Management and Budget) Circular A-21, which regulates costs charged to the federal government under sponsored agreements, TGP may no longer be included in the fringe benefits pool, starting in 1999/00. (A non-allowable charge to support TGP will be made against non-federally funded salaries, as described below.)

In the two years since the University implemented multiple benefits rates in 1997/98, TGP has been among the costs included in the pool for faculty, other teaching, and regular staff employees (post-doctoral affiliates and contingent employees do not qualify for the program). Removal of TGP from the pool will result in a reduction of about 0.9 points in the rate charged against these regular benefits-eligible employees' salaries, in comparison to the revised budget for 1998/99.

The Staff Tuition Reimbursement Program (STRP), a tuition assistance program for employees, will be added to the Staff Development Program in 1999/00, but the cost of the first year is projected to be modest. Its steady-state cost is projected at just under $1 million per year.

Other notable changes in benefits costs are reflected in Schedule 11 of Appendix B and are described here.

- Costs of retirement programs and Social Security are expected to increase 4.5%, following the increase in the salary base and reflecting a slight (2%) increase in employee headcount across the University.
- Faculty early retirement costs are expected to drop by almost 20% as more of the participants in the original Faculty Early Retirement Program leave the program and are not replaced.
- Medical and dental insurance costs, which are rising at 6.5% and 10.5%, respectively, reflect the projected growth in employees as well as anticipated premium price increases of 5% for medical insurance and 8% for dental insurance.
- The cost of Stanford's contribution to retiree medical insurance is expected to drop by 11.6% because our liability is approaching full funding, thereby reducing the requirement to fund the outside trust maintained by Stanford for retiree health insurance.
- Other miscellaneous benefits programs are expected to increase in cost by 10%. This is mainly due to the first year of expenditures on the new Staff Tuition Reimbursement Program.

The TGP rate of 1.45% will be charged separately against regular benefits-eligible salaries only. In order to comply with Circular A-21, all federal government-sponsored accounts will be exempted from the charge. Academic service centers will also be exempted. Other than these exclusions, the TGP charge will look just like another fringe benefits charge against salaries. Therefore, regular benefits-eligible salaries charged to non-federally funded accounts will receive two benefits charges, one allowable and one unallowable. The TGP rate is expected to remain flat for the next several years.

The actual 1998/99 and the recommended 1999/00 staff benefits rates are as follows:

Staff Benefit Rates

	1998/99 Rates	1999/00 Rates
Regular Benefits-Eligible Employees	24.8%	24.1%
Post-Doctoral Research Affiliates	13.6%	13.2%
Casual/Temporary Employees	8.4%	8.4%
Students	0.0%	0.0%
Average Blended Rate	23.9%	23.3%
TGP Recovery Rate		1.45%

Institutional Support and Other Operating Expenses

Together these two major cost categories total $549.1 million and comprise one-third of the expenses of the Consolidated Budget for Operations. The principal components include: materials and supplies ($93 million), maintenance and utilities for campus buildings ($76 million), equipment purchases ($75 million), student stipends ($47 million), administrative and professional services ($63 million), travel ($22 million), library materials ($17 million), and administrative computing costs ($10 million). A few of these areas warrant comment here.

Maintenance and Utilities for Campus Structures – The operations and maintenance expense for the Stanford campus is significant, at $75.7 million. This amount is impacted not only by the ongoing costs of these services but by the renewal and development of the campus. The impact of the Capital Plan on the Consolidated Budget in 1999/00 includes an incremental $2.7 million for the O&M and utilities associated with the completion of the SEQ McCullough Annex, CCSR in the Medical School, and the Stanford Infrastructure Program campus landscaping projects.

Administrative Systems – This Budget Plan includes $10.4 million in costs for administrative systems replacement and infrastructure next year, down substantially from the annual amounts in each of the last several years as the number of active projects declines. Work will continue on the Core Financial Systems project, and implementation of the new student system, known as Axess 2000, will move ahead. This budget will also pay for networking and infrastructure projects supporting both academic and administrative computing. The majority of this expense is reflected in the Capital Budget.

Debt Service

The 1999/00 debt service is projected to be $76.9 million. This number reflects the total University principal and interest payments on notes and bonds, exclusive of commercial paper. For internal purposes, however, the University charges its units for the use of debt according to the Debt Policy approved by the Board of Trustees in December 1997. This policy redefined limits on the University's overall debt ratios and revised internal accounting procedures for debt-funded projects. These projects are now funded from a central pool of available debt and make payments amortized over the useful life of the project based on a single, blended interest rate. The table on the following page details the different components of debt service.

The $76.9 million for total debt service is included in the Consolidated Budget for Operations in several categories, depending on the specific uses of debt and consistent with the University's annual financial statements format. Principal payments for capital projects are budgeted in the Transfer to Plant line and interest payments are budgeted in the other Operating Expenses line. Debt service for Auxiliary projects is budgeted in the Auxiliary Activity line. Debt service for projects associated with Service Centers, such as utilities and

Sources of Funds for Debt Service, 1997/98 - 1999/00
(in millions)

	1997/98 Actuals	1998/99 Forecast	1999/00 Budget
Annual Debt Service Cost Excluding Commercial Paper	**$63.2**	**$77.0**[1]	**$76.9**[2]
Internal Repayments			
Academic Projects (Completed)	13.8	17.0	20.1
Auxiliaries	16.1	18.7	19.3
Service Centers (Utilities/ITSS)	12.5	12.6	15.0
Subtotal	42.4	48.3	54.4
Other[3]	20.8	28.7	22.5
	$63.2	**$77.0**	**$76.9**

1 The difference between the $77.0 million in this report and the $72.4 million projected in the 1998 Annual Report is additional debt service for Medium Term Notes 2 - $1.4 million, CEFA P - $2.4 million, CEFA O - $0.3 million, and CEFA L-6 - $0.5 million.

2 The difference between the $76.9 million in this report and the $65.7 million projected in the 1998 Annual Report is additional debt service for Medium Term Notes 2 - $3.0 million, CEFA P - $8.1 million, CEFA O refunding of CEFA I reduction of ($1.0) million and CEFA L-6 and L-7 - $1.1 million.

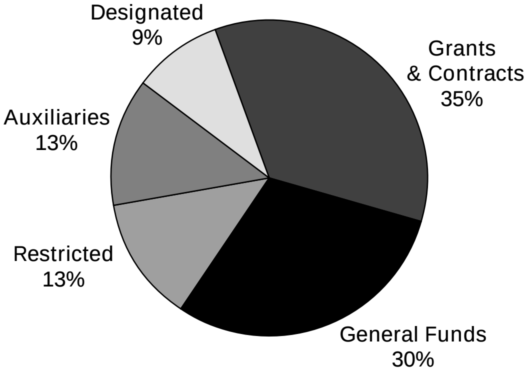
3 Includes investment earnings on unused debt, refinancing to cover principal payments, and reimbursements by miscellaneous small projects.

networking, is included in the Institutional Support line.

The Consolidated Budget by Fund Type

In this section, we describe the budget by type of funding source. The main fund types are general funds, designated funds, restricted funds, grants and contracts, and auxiliaries. The relative share of the budget attributable to each fund type is shown in the pie chart below.

1999/00 Consolidated Expenditures by Fund Type



General Funds Budget

The general funds budget is an important subset of the Consolidated Budget, because these funds can be used for any university purpose. The main sources of general funds are Tuition and Fees, Indirect Cost Recovery, Unrestricted Endowment Income, Other Investment Income, and Unrestricted Gifts. Total general funds revenue is projected to be $528.9 million in 1999/00. As shown in the Consolidated Budget for Operations, the general funds budget includes a University Reserve of $13.2 million in 1999/00. This base reserve is a continuation of the reserve we established in the budget in 1996/97. The reserve is the first guard against potential shortfalls in indirect cost recovery and investment income and is used on a one-time basis to fund a variety of short-term commitments.

1999/00 General Funds Allocations

The process of allocating general funds to budget units begins with a forecast of available

Summary of 1999/00 General Funds Allocations (excluding Formula units)
(in thousands)

	Fully Funded Base Calculation[1]	Reductions[2]	Incremental Programmatic Additions[3]	Actual General Funds Allocation
School of Earth Sciences	$2,272	($74)		$2,198
School of Education	7,473	(91)	$135	7,516
School of Engineering	30,309	(419)	668	30,558
School of Humanities and Science	76,800		441	77,242
Undergraduate Education	5,270		700	5,970
School of Law	9,962	(271)	205	9,896
Dean of Research	7,242		145	7,387
Hoover Institution	4,155	(195)		3,960
Academic Subtotal	143,484	(1,051)	2,294	144,727
Stanford University Libraries	27,932		241	28,173
Student Affairs	31,728	(175)	257	31,810
Academic Support Subtotal	59,660	(175)	498	59,983
President/Provost	10,020	(50)	373	10,344
Development	11,688		100	11,788
Business Affairs	28,218		250	28,468
ITSS	30,547		900	31,447
Institutional Planning and Operations	22,243	(500)	12	21,755
Utilities and O&M	44,421		850	45,271
Debt Service	13,052		3,115	16,167
Other Administrative Units[4]	7,154	(85)	40	7,109
Central Obligations[5]	29,669		350	30,019
Administrative Subtotal	197,013	(635)	5,990	202,368
Total	$400,157	($1,861)	$8,782	$407,078

1 Base general funds allocations support the continuation of ongoing academic and administrative programs.

2 A *fully funded* allocation receives a pre-determined percentage increase on certain fixed and non-fixed expenses. In the 1999/00 allocation, many units did not receive increases on any *non-fixed* expenses. Therefore the actual allocation may be lower than the fully funded base calculation.

3 Incremental Programmatic Additions are funds allocated for implementation of new academic or administrative programs which are anticipated to be ongoing, starting in 1999/00.

4 Other Administrative Units includes General Counsel, and the general funds allocations to Athletics, Press, and SLAC.

5 Central Obligations include tuition allowance, the housing allowance program, and research support mitigation.

revenue. Then an estimate is made of the 1999/00 continuing base budget for each unit, assuming growth factors for salaries, student aid, library acquisitions, operations and maintenance, and other expenses. For the last several years, no growth factor has been applied to general non-salary expense. These calculations yield an estimated fully funded general funds budget for each non-formula unit. To balance the expected available general funds and the overall expense estimate, unit budgets may not be fully funded. However, certain categories of expense are considered to be fixed costs and have been fully funded in every unit. These include faculty salaries and benefits, student aid, library acquisitions, utilities, and insurance.

Other expenses, including staff salaries and benefits, may not be fully funded in each unit. The table above shows the reductions in general funds allocations from fully funded budgets. These were taken mostly in the school budgets where restricted funds are available.

Incremental general funds were allocated selectively where programmatic plans were pressing within the constraints of available resources. General funds were also allocated to cover University obligations such as incremental debt service, operations and maintenance and utilities on new structures, and investments in technology. The general funds allocations for each unit are detailed in the table below, and some of the incremental allocations are highlighted in the description that follows.

- $1.1 million has been allocated for faculty billets in the schools of Education, Engineering, Humanities and Sciences, and Law. Another $288,000 has been allocated in the Schools of Engineering, Humanities and Sciences, and Law for faculty salary supplements and replacement teaching for junior faculty on sabbatical.
- $700,000 has been allocated to the Vice Provost for Undergraduate Education as part of the planned build-up of this area's base budget.
- Incremental general funds of $145,000 have been allocated to the Office of the Dean of Research to support the research compliance office.
- The Vice Provost of Student Affairs will receive an additional $107,000 to support new initiatives in financial aid as well as the new judicial affairs system.
- $900,000 has been allocated to ITSS for improvements in residential computing and for on-going support of administrative infrastructure services that are being developed for the new systems applications. In the same manner as last year, additional technology investments are also being made for Information Resource Specialists in the Libraries ($141,000) and for classroom technology improvements ($150,000).
- Additional allocations to administrative areas include $250,000 for the Controller's office, $100,000 for the Office of Development, and $373,000 to the Office of the President and Provost for campus relations, the budget office, the news service, and university communications.
- New and renovated buildings expected to come online in 1999/00 require incremental general funds allocations of $850,000 for utilities and maintenance and $3.1 million for debt service. These amounts are only a subset of the total charge resulting from Capital Budget projects, as some of the expenses were pre-funded in the 1998/99 budget and a portion is paid from auxiliary, service center, and formula school budgets.

Designated and Restricted Funds Budget

Funds in these budgets are controlled for management purposes primarily by the schools, departments and programs, and individual faculty members. Of the total combined revenue of $394.3 million, $196.8 million is endowment income and $122.0 million is special program fees, such as patent and royalty income, corporate affiliates, and executive education programs. The budgeted expenses reflect the combined forecasts of the schools. These budgets support faculty salaries and research programs, equipment purchases, and a variety of other costs. In addition, designated funds will be used in several schools to support capital projects.

Grants and Contracts Budget

The grants and contracts budget of $573.8 million represents the sum of the direct sponsored activity under the direction of individual faculty principal investigators ($380.8 million, net of student aid) and the direct costs for SLAC ($193.0 million). The total for University direct costs builds upon a higher than budgeted amount for the current year due to strong research volume in the Medical School since 1996/97. Total University research volume is expected to grow by 4.6% in 1999/00.

Auxiliaries/Other Budgets

The principal Auxiliary Operations are Housing and Dining Services (H&DS), Stanford University Press, and Athletics. In addition, the professional services arrangements of the Medical School are included in this group of budgets, as is the Stanford Alumni Association. Each of these operations is essentially a self-contained financial entity supporting the broader purposes of the University. As such, these organizations charge both internal and external clients/customers for their services and programs. They also pay the University for central services provided.

Total Auxiliary Activity, 1999/00
(in millions)

	Revenues and Transfers	Expenditures	Excess of Revenues Over Expenditures
Housing & Dining Services	$67.1	$66.7	$0.4
Athletics	29.6	29.6	
Medical Center	97.6	97.6	
Alumni Association	28.9	28.9	
Press	3.8	3.7	0.1
Other	18.8	18.8	
Total	$245.8	$245.3	$0.5

NOTE: This table represents gross expenditures and revenues. When incorporated into the Consolidated Budget, interdepartmental transactions of $32.0 million have to be netted out, resulting in net total revenues of $213.8 million and expenditures of $213.3 million.

Housing and Dining Services – Housing and Dining is budgeting a surplus of $349,000 for 1999/00 on revenues of $67.1 million. This surplus will be transferred to reserves and used as part of the H&DS long term Capital Improvement Program (CIP) for the renovations of Stanford's student residences. H&DS is midway through the 15-year CIP program and in 1999/00 plans to begin work on the renovation of the Toyon/Branner complex. The H&DS budget also includes reductions in operating expenses in Dining Services which made possible the Trustee decision in February to hold the growth rate of room and board to 1.4% overall, with the board rate showing no increase.

Athletics – Athletics is projecting a balanced consolidated budget after a transfer of $326,000 from its operating budget to its financial aid budget. The operating budget includes an increase in football gate receipts due to a favorable home schedule. In addition, the Golf Course's contribution to Athletics will rise due to fee increases. Athletics is benefiting from the additional financial aid endowment funds that have been created in recent years. This income is necessary to keep pace with the continued increases in tuition, room and board, and the new scholarships which have been added in recent years. The total number of full scholarships has increased in the last several years from 270 to 280.

Stanford University Press – The Press plans a $92,000 surplus next year, which is net of the long-standing University subsidy of $470,000. In addition, the Press will be allocated $249,000 in a supplemental one time allocation to support strategic initiatives in book production and the expansion of editorial capacity in business and economics.

Alumni Association – After operating as a separate entity for over a century, the Stanford Alumni Association (SAA) has been successfully integrated with the University. The Alumni Association's budget for next year will show a small deficit of $45,000 on revenues of $28.9 million. The primary revenue sources are travel programs, membership dues, seminars, donations from the Sierra Camp subsidiary company, and investment income. The SAA has begun an ambitious program to expand and enhance alumni activities and services.

The University has allocated $3.3 million of incremental funding over the next three years to assist with this expansion. SAA will cover its operating shortfall through its reserves, which are projected to stand at $3.6 million at the start of the 1999/00 fiscal year.

Medical School Professional Services – This category includes the cost of purchased services of physicians and staff by UCSF Stanford Health Care of $80.4 million, including Pediatrics and other children's services, $4.1 million for Primary Care, and $13.1 million for the Blood Center. Faculty who provide clinical services are at the same time involved in both research and education. All academic plans and initiatives are intertwined with the finances of this and other budget categories within the School. Nearly 73% of the expenses and income are for faculty or physician salaries and benefits; another 19% is for staff support. With the introduction of the new funds flow approach and the current lack of clinical financial and productivity information, this source of funds to pay faculty compensation is at greater risk now than has been the case in the past. The School is taking steps to establish departmental, as well as School, contingency reserves that will be necessary to cover the losses likely to occur in some of the departments that have previously been unable to meet their needs without subsidies.

The Consolidated Budget by Organizational Unit

The table on the facing page shows the Consolidated Budget for Operations displayed by organizational unit. Detailed budgets by unit are found in Appendix A. A brief discussion of the budgets of the seven schools follows.

Earth Sciences – As in previous years, Earth Sciences continues to maintain a healthy financial position. Financial support comes from a broad spectrum of sources: federal grants and contracts (29%); endowment (25%); industrial affiliate programs (22%); gifts and other grants (12%); and university general funds (12%). The School's continued reliance on affiliate income for staff salaries and graduate student support is a potential area of concern. Many affiliate members are from the oil industry, which is undergoing a significant economic downturn. Projecting a 5% decrease in affiliate revenue, the School is pursuing alternative funding sources while considering a slowdown on certain affiliate-funded research projects.

School of Education – The School of Education consolidated budget projects an excess of revenues over expenditures of $438,000. This small surplus will be combined with existing School reserves to support the following: faculty recruitment, continued student support during funding gaps, capital improvements, and funding for new initiatives.

Engineering – The School of Engineering consolidated budget continues to reflect a strong overall position. The consolidated plan projects a $9.7 million surplus, primarily attributed to increased faculty reserves and a modest increase in restricted endowment. During 1999/00 the School expects to spend approximately $5 million for new construction and laboratory renovations.

Engineering continues to track its financial reserves at each level of the organization as well as by department. In the aggregate, the School is financially healthy, although closer examination shows signs of weakness in some parts of the School. Fortunately, the greatest financial strength is in those departments with the greatest financial exposure, Electrical Engineering and Computer Science. But several departments are experiencing financial difficulties, and the Dean's Office is working with them to better understand the sources of their financial stress and to develop plans to improve their financial stability.

School reserves, as a percentage of total expenditures, have declined slightly over the past three years. Since expenses related to faculty recruitment and facilities have been higher than normal, this trend is not unexpected. In light of the School's major financial commitment to the

Projected Consolidated Budget for Operations by Unit, 1999/00
(in millions)

	Revenues and Transfers	Expenditures	Excess of Revenues Over Expenditures
Academic Units:			
School of Earth Sciences	$22.2	$22.0	$0.3
School of Education	21.2	20.8	0.4
School of Engineering	171.0	161.3	9.7
School of Humanities & Sciences[1]	192.6	188.4	4.2
Undergraduate Education	14.3	15.0	(0.7)
School of Law	31.7	29.7	2.0
Dean of Research	114.1	114.9	(0.8)
Graduate School of Business[1]	60.7	66.3	(5.6)
School of Medicine[1]	379.3	422.8	(43.5)
Hoover Institution	25.1	25.1	
Total Academic Units	1032.2	1066.2	(33.9)
Academic Support Units:			
Stanford University Libraries	45.2	45.2	
Student Affairs	79.2	78.1	1.1
Total Academic Support Units	124.5	123.4	1.1
Total Administrative[2]	243.0	230.5	12.5
Auxiliaries	213.8	213.3	0.5
SLAC	193.0	193.0	
Indirect Cost Adjustment[3]	(111.2)	(111.2)	
Student Financial Aid Adjustment[4]	(75.3)	(75.3)	
Grand Total from Units	**1,620.1**	**1,639.9**	**(19.8)**
Other Anticipated Income[5]	26.9		26.9
Total Consolidated Budget	**$1,647.0**	**$1,639.9**	**$7.1**

NOTES:

This budget does not reflect a direct allocation of tuition revenue in those units not operating under a formula funding arrangement.

1 The budget lines for the School of Medicine, Graduate School of Business, and H&S do not include auxiliary income and expenses. These items are shown in the Auxiliaries line. These auxiliary operations include Medical School professional services, the Schwab Center of the GSB, and Stanford in Washington and Bing Nursery School in H&S. These auxiliary revenues and expenses can be seen in more detail in the Schools' Consolidated Budgets in Appendix A.

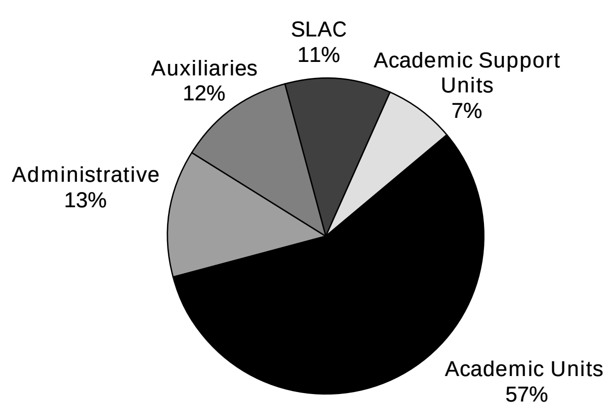
2 The surplus of $12.5 million in Administrative Units consists mainly of the $13.2 million transfer to Unrestricted University Reserves. Without this transfer, the Administrative Units would be showing a $0.6m deficit, due to a planned drawdown of designated funds in ITSS for site licensing and modifications to legacy systems.

3 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 $111.2 million received by the schools is taken out in the "Indirect Cost Adjustment" line.

4 In accordance with the University financial statement format, certain types of student financial aid are shown as negative income against student income in the Consolidated Budget. Because it appears in the revenue and expense of the academic units, it is taken out in the "Student Financial Aid Adjustment" line.

5 The $26.9 million shown in Other Anticipated Income is based on historical experience and reflects our belief that the University will receive additional income that we cannot specifically identify by unit at this time.

1999/00 Consolidated Expenditures by Unit



planned Mechanical Engineering Laboratory Building, however, the total unrestricted reserve is small. This fact highlights the School's critical need for successful fundraising for the addition and renovation of critical laboratory facilities.

Humanities and Sciences – On a consolidated basis, H&S fund balances are projected to grow by $4 million. While overall fund balance growth implies financial health for the School, many of the same cost and budgetary challenges facing H&S in the current year are hidden in the detail.

Expenses related to faculty recruitment and retention increased significantly during 1998/99 and are projected to increase further in 1999/00. The high cost of housing, start-up funding and lab setup, particularly for the large number of senior hires in these years, will require the school to use $6.0 million of designated and $2.5 million of endowment funds to balance the 1999/00 operating budget. Senior recruitment activities are projected to diminish after 1999/00, returning this expense stream to a more manageable level.

This use of designated funds is masked by a $4.75 million projected year-end transfer of operating budget funds to designated funds for carryforward of unused graduate aid and departmental operating budget savings. The sum of all these transactions equals the $2.0 million net decrease in designated fund balances shown on the School's consolidated budget in Appendix A.

Despite a $2.5 million transfer to the operating budget, endowment fund balances are projected to grow by $5 million during 1999/00. While this increase indicates strong endowment return and growth in the number of funds, it is also reflective of several internal factors. A number of incremental endowed chairs have not yet been filled, creating an accumulation of payout that cannot be used. In addition, a relatively large number of H&S endowments have highly restrictive donor authorizations, which make funds difficult to use. This year, the H&S Dean's office will be working closely with departments to analyze fund authorizations, historical uses, and how funds can be better used in the future to support school priorities.

Faculty renewal activities have significantly increased the number of H&S billets over the past several years. Billet growth, coupled with increased responsibility and complexity, has created significant strain on the school's administrative staff, which has not grown concomitantly with faculty increases. Administrative restructuring projects addressing these issues are projected to come online during 1999/00 and will add additional costs to the school's budget.

Law School – The Law School consolidated forecast reflects the anticipated receipt of a $12 million endowment gift from an estate and other significant gifts related to the School's fundraising campaign. The revenue from this endowment and anticipated expendable gifts results in a projected surplus of almost $2 million. The school is waiting for the transition of deans to prioritize how those funds will be allocated among its many needs, including faculty salaries, faculty support, computer and systems upgrades, facilities, and maintenance.

Moreover, the total needs far exceed the estimated surplus. Faculty salaries continue to lag behind our peer schools; recruiting faculty to this area is difficult due to housing costs. The Law School's classrooms have not been upgraded since the building was built over 25 years ago.

Graduate School of Business – The Graduate School of Business consolidated forecast shows a deficit of $5.6 million, reflecting a planned draw down of reserves to complete the renovation of the 30-year old GSB building. This project, to be completed in early 2000, is funded by budget savings and other designated reserves as well as by some gifts. In addition to this investment in facilities, the forecast includes increased support to doctoral students and proposed ongoing significant investment in technology.

School of Medicine – As anticipated, the program investment reflected in the School of Medicine's 1999/00 Consolidated Plan involves significant growth in expenses and substantial use of the School's accumulated reserves. The Consolidated Plan projects revenues and transfers of $476.9 million (including professional services), use of reserves of $43.5 million, and total expenses of $520.4 million. The 1999/00 Consolidated Plan assumes a 7.5% increase in revenues and transfers and a 13.3% increase in expenses over the 1998/99 Consolidated Plan.

Revenue Growth: The increases in revenues and transfers are related principally to refined approaches to forecasting income in the designated and restricted funds, substantial growth in sponsored research activities, and increased investment in programs and new faculty. Year-end projections for 1998/99 show sponsored activities almost 10% higher than the 1998/99 budget, and the School's 1999/00 Consolidated Plan anticipates an additional increase of more than 6%.

Expense Growth: While the expenses related to sponsored activities make up less than 44% of total expenses, the growth in sponsored activities accounts for approximately 50% of the overall expense growth. O&M and utilities costs are expected to increase by almost 16.5% in 1999/00. Some of the O&M and utility cost increases over the 1998/99 forecast have already occurred in the current year with additional leases required to provide necessary research space off-campus; O&M costs will increase with the activation of CCSR in the spring of 2000. Incremental investments in programs include approximately $9 million to satisfy commitments made to newly appointed or soon to be appointed department leaders, approximately $0.5 million to address issues related to the new faculty compensation plan, and almost $1 million to pay for fund-raising costs for the new Children's Health Initiative. The School expects to recruit approximately 26 new tenure line faculty during 1999/00, and the related expenses, including incremental support and research staff, are included in the Consolidated Plan. This anticipated increase in faculty and staff, when added to annual salary increases and changes in benefits rates, accounts for more than 73% of the anticipated increase in expenses in the 1999/00 Consolidated Plan.

Use of Reserves: The School expects to use some of its accumulated reserves for program development and facilities revitalization. This is largely due to the integrated approach that the School has taken to capital planning and the initiation of a number of capital projects as part of a facilities master plan to improve critical education and research space and revitalize the E.D. Stone buildings. The 1998/99 capital plan anticipated a need to transfer approximately $24.2 million to plant to begin funding capital projects. The School now expects to need to transfer no more than $9.4 million (of the anticipated $24.2 million) during the course of this fiscal year. The remaining $14.8 million included in the anticipated 1998/99 transfers is now carried forward to and included in the 1999/00 projected transfer to plant of $53.8 million. The anticipated transfers in 1999/00 will partially fund the following projects:

- Improvements to the library, student labs, and classrooms at $15.2 million,
- Critical replacement of mechanical and electrical infrastructure in the E.D. Stone Buildings at $6.4 million,
- Projects related to the completion of CCSR at $10.7 million,
- The first phase of the revitalization of the Stone Buildings including offices and laboratories that will meet commitments made to the new chairmen of Surgery and Pathology at $15.6 million, and
- Approximately $18.3 million to fund improvements to Building 4 on the campus of the Palo Alto Veterans Administration Medical Center.

Funding the capital budget, planned maintenance, and departmentally initiated and funded projects will also require debt of approximately $13 million and gifts yet to be raised of approximately $18 million. As a result of this combination of current investments in planned programs and slower growth in revenues, the School anticipates using approximately $43.5 million of the $225 million of expendable reserves or funds functioning as endowment currently held by the School. The School anticipates that $20 to $30 million of funds functioning as endowment would need to be liquidated next year as part of this plan, and it will return to the Board for specific approval at that time.

IMPACT OF THE CAPITAL BUDGET ON THE CONSOLIDATED BUDGET FOR OPERATIONS

Next year's Capital Budget calls for $300.6 million in expenditures on capital projects. The impact of these expenditures on the Consolidated Budget for Operations is shown in two places. The first is $5.9 million in incremental debt service for those projects that will be coming online in 1999/00 or which had less than a full year of debt service in 1998/99. The second is $2.7 million for the incremental operations, maintenance, and utilities costs required to run those facilities.

The details of the Capital Budget for 1999/00 are included in Section Three of this document.

PROJECTED STATEMENT OF ACTIVITIES

In order to provide a consistent and clear linkage between the Consolidated Budget for Operations and the various annual financial documents presented to the Stanford Community, we are including a projected 1999/00 Statement of Activities, shown on the facing page, that highlights the University's operations within the total unrestricted net assets.

The Statement of Activities (analogous to a corporate profit/loss statement) is found in the audited annual financial report. In 1996, the University adopted Statement of Financial Accounting Standards (SFAS) 116 and 117. Under the provisions of SFAS 116 and 117, net assets, revenues, expenses, gains, and losses are classified into one of three categories: Unrestricted, Temporarily Restricted, and Permanently Restricted.

- Unrestricted Net Assets are expendable resources used to support the University's core activities of teaching and research. Although these net assets are classified as "Unrestricted" under the new accounting standards, they may be designated by the University for specific purposes or be subject to contractual agreements with external parties or to donors' restrictions.
- Temporarily Restricted Net Assets contain donor-imposed restrictions that cannot be met during the fiscal year in which they are received.
- Permanently Restricted Net Assets are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity. Note that funds invested in the endowment because of a University decision, which are often referred to as funds functioning as endowment, are included in Unrestricted Net Assets, and not in Permanently Restricted Net Assets like the pure endowment funds.

Temporarily and Permanently Restricted Net Assets are not reflected in the budget, since they cannot be used for the current year operations. Therefore, the table on page 21 represents only the revenues and expenses in the Statement of Activities for Unrestricted Net Assets.

Converting the Consolidated Budget into the Statement of Activities

The following key points explain the connections between the Consolidated Budget for Operations and the *operations* component of the Statement of Activities for Unrestricted Net

Comparison of Consolidated Budget and Projected Statement of Activities, 1999/00 for Unrestricted Net Assets
(in millions of dollars)

1997/98 Actuals	1998/99 Budget		Projected Consolidated Budget	Adjustments	Projected Statement of Activities
		Revenues and Other Additions			
		Student Income:			
142.9	143.3	Undergraduate Programs	153.0		153.0
134.8	146.6	Graduate Programs	149.8		149.8
57.0	57.3	Room and Board	59.5		59.5
(69.0)	(100.7)	Student Financial Aid	(75.3)		(75.3)
265.7	246.5	Total Student Income	287.0		287.0
		Sponsored Research Support:			
350.7	357.8	Direct Costs—University	388.3		388.3
187.2	171.8	Direct Costs—SLAC	193.0		193.0
97.7	98.5	Indirect Costs	111.2		111.2
635.5	628.1	Total Sponsored Research Support	692.5		692.5
77.6	80.0	Expendable Gifts In Support of Operations	80.0		80.0
		Investment Income:			
229.9	237.8	Endowment Income	270.5		270.5
34.4	59.9	Other Investment Income[a]	65.2	1.0	66.2
264.3	297.7	Total Investment Income	335.7	1.0	336.7
		Other Income:			
131.7	87.7	Special Programs Fees	122.0		122.0
116.2	105.8	Auxiliaries (excl. Room & Board)	153.4		153.4
33.2	42.9	Other	40.3		40.3
281.1	236.4	Total Other Income	315.7		315.7
1,524.2	**1,488.7**	**Total Revenues**	**1,710.8**	**1.0**	**1,711.8**
		Transfers			
34.2	15.0	Net Assets Released from Restrictions	25.5		25.5
		Additions to Funds Functioning as Endowment[b]	(11.8)	11.8	
		Transfer to Plant/Student Loan[c]	(77.5)	77.5	
1,558.4	**1,503.7**	**Total Revenues and Transfers**	**1,647.0**	**90.3**	**1,737.3**
		Expenditures			
295.8	287.8	Academic Salaries and Benefits	310.1		310.1
300.3	296.0	Staff Salaries and Benefits	374.5		374.5
91.1	92.6	Depreciation[d]		96.8	96.8
187.2	171.8	SLAC	193.0		193.0
172.9	163.7	Auxiliary Activity	213.3		213.3
287.6	288.1	Institutional Support	291.5		291.5
142.4	136.5	Other Operating Expenses[d]	257.6	(72.2)	185.4
1,477.3	**1,436.5**	**Total Expenditures**	**1,640.0**	**24.6**	**1,664.6**
81.1	**67.2**	**Surplus/(Deficit)**	**7.0**	**65.7**	**72.7**

Assets.[1] There are two main differences between the Statement of Activities and the Consolidated Budget for Operations. First, the Consolidated Budget for Operations reflects only funds used for *current* operations while the Statement of Activities is a summary of all unrestricted net assets, including current, plant, student loans, and funds functioning as endowment. Therefore, in the Statement of Activities, a transfer from current funds to Funds Functioning as Endowment (FFE) or the plant division has a net effect of zero. Second, the Consolidated Budget for Operations is essentially built on a cash basis, while the Statement of Activities is built on an accrual basis. Therefore, moving from one to the other requires the following adjustments:

Adjustments to Move from Current Funds[2] to All Types of Funds:

a) Other Investment Income: This $1.0 million represents interest earned by the Plant and Student Loan funds and is added to the Consolidated Budget investment income to equate to the Statement of Activities.

b) Additions to Funds Functioning as Endowment: The Consolidated Budget for Operations forecasts that the schools will transfer $11.8 million to the endowment division, as funds functioning as endowment to be invested in the merged endowment pool. As explained above, endowment division is part of total Unrestricted Net Assets, therefore transfers from current funds to FFE have a net effect of zero in the Statement of Activities. To create the Statement of Activities, these transfers are added back in.

c) Transfer to Plant: $77.5 million is expected to be transferred from current funds to the plant division to fund capital expenditures. These transfers are added to the Consolidated Budget for the same reason as in (b), above.

Adjustments to Move from a Cash Basis to an Accrual Basis:

d) Expenditures for Equipment vs. Depreciation: $72.2 million of expenses for equipment are included in Other Operating Expenses in the Consolidated Budget for Operations. In the Statement of Activities, equipment purchases are capitalized and depreciated over their useful lives. Total depreciation is projected at $96.8 million. Therefore, two adjustments are made. The first is to remove the $72.2 million for equipment from the Other Operating Expenses line. The second is to add $96.8 million to the Depreciation line.

The impact of capitalization and the flow of funds for plant purposes described above result in a change in the bottom line of $65.7 million, from a $7.0 million surplus in the Consolidated Budget projection to a $72.7 million surplus in the Statement of Activities projection. The comparable adjustment in 1997/98 was $54.8 million between the $26.3 million bottom-line for the Consolidated Budget and the $81.1 million bottom line in the Statement of Activities.

1 Certain non-operating components of Unrestricted Net Assets, such as UCSF Stanford Health Care or gains in funds functioning as endowment, are not included in the Statement of Activities on page 21.

2 Current funds are resources that are expendable for the primary instruction and research mission of the University, within accounting and donor restrictions, if any. Endowment principal, student loan funds, and plant funds are not considered current funds, as they are held for other specific purposes.

SECTION 2
ACADEMIC INITIATIVES AND PLANS

In this section, we focus on the programmatic elements of the Budget Plan by describing the principal planning issues in each of the major academic and academic support units.

SCHOOL OF EARTH SCIENCES

The School of Earth Sciences is completing several faculty searches, which will result in the addition of five new faculty for 1999/00. Of these, two new assistant professors will complete the School's Ocean Margins initiative, and combined with the senior appointment in the field made in 1997, will allow the School to expand its teaching and research efforts in the area of oceans and ocean/continent interactions. The other new hires will expand the School's expertise in soil science, geostatistics, and seismic interpretation.

Working closely with Hopkins Marine Station and Stanford's Learning Lab, the School is developing a new undergraduate course sequence focused on the oceans, which will likely become a track within the Earth Systems Program. The substantial investment in technology infrastructure and collaboration between the School and Hopkins is expected to result in an exciting educational initiative.

Teaching and curriculum development continue to be the focus of much faculty attention. Earth Sciences faculty are major contributors to the Science, Math, and Engineering core sequence, and a large number of faculty participate in the Sophomore College, teach sophomore seminars, and serve as undergraduate advisers. While Earth Systems is the primary source for undergraduate majors within the School, expansion of undergraduate course offerings in individual departments will be a natural outcome of the expanded faculty capacity. Student recruitment has also become a priority, with outreach efforts at both the undergraduate and graduate level.

Twenty percent of the faculty population has turned over in the last several years. The School is now looking closely at retirement rates for the next five to ten years, and is developing a strategy to capitalize on these vacancies and build new strengths for the future. In addition, it is striving to increase collaboration among disciplines within the School and to foster additional links with entities across campus and outside the university.

Expenditures on new faculty, including housing assistance and lab set-up costs, will be high for the next several years, as commitments made during recruitment are realized. The School will be engaged in laboratory renovations over the next year, but is fortunate to be able to accommodate the increased need within existing facilities. Funding for these expenses will come from existing reserves, and should not impact the School's abilities to meet its base budget needs.

SCHOOL OF EDUCATION

The School of Education is in an intensive period of faculty recruitment that will lead to a replacement of over 50% of the faculty during the period 1995-2001. Current and recent searches are in the areas of mathematics education, higher education, organizational theory, education leadership, English education, economics of education, technology and education, and a "cluster" search in social diversity and common values which seeks a combination of historians, philosophers, and sociologists. The School's recruitment plan addresses its academic needs and balances theory and practice as well as discipline-trained and professional school-trained scholarship.

The new initiative in Learning Design and Technology launched in 1997/98 will expand from a master's program to doctoral preparation over the next several years. This past year, the School invested in a new multi-media classroom and a video laboratory, and preliminary plans are underway to create a Learning Technology Center on the first floor of CERAS.

The School of Education is playing a leadership role in the Bay Area and is working closely with local educators on school restructuring and education reform. To this end, the School has committed to a multi-level approach.

- Establish four to five Professional Development Schools for the preparation of teachers in the Stanford Teacher Education Program. These schools will present an opportunity for local schools and School of Education faculty to work collaboratively on a school reform agenda.
- Establish a set of Study Groups at the School of Education, composed of local school teachers and administrators and School of Education faculty and graduate students to work on key issues confronting school reform and the State's education agenda.
- Expand the Summer Leadership Institute which brings together education administrators (locally and from across the nation) to address challenges confronted by changing demographics, technology, and school reform.
- Build up the School of Education's newly formed Superintendent's Forum that brings superintendents together to solve problems confronting their districts.

Under the direction of Professor Linda Darling-Hammond, the School is redesigning the Stanford Teacher Education program. The redesign will include curricular and structural changes as well as reflect changes in California teacher certification requirements. Part of the redesign may include expanding into elementary education.

In 1998/99 the School embarked on a major initiative, "Communities and Children," to study teaching-learning environments that maximize educational benefits for culturally, ethnically, linguistically, and economically diverse students. Involving urban and rural communities across the country, the newly created Gardner Center offers programs in community leadership, supports community research partnerships and serves as a national resource in higher education for development of policy makers, researchers, and other practitioners who work with and on behalf of children and youth.

SCHOOL OF ENGINEERING

1997/98 saw significant progress on many of the goals set in the three-year plan submitted to the Provost two years ago. The biggest factor in the School's progress has been its success in faculty recruiting. Sixteen of the School's seventeen faculty offers this past year were accepted. 1997/98 was, by far, the largest and most successful faculty recruitment year of the past decade. This group includes five women and two minority faculty members who will contribute to the diversity of the faculty.

Engineering plans to capitalize on several initiatives and make significant progress on others that have begun recently. Over the next several years, the School intends to 1) build a world-class bioengineering program, 2) enhance its leadership in information technology (particularly in networking and information infrastructure), 3) develop strategic plans for smaller departments that will enable them to enhance their reputation and achieve national leadership, and 4) maintain strong research leadership in key areas that face turnover from retirements. These initiatives are discussed briefly below.

Creation of a strong bioengineering program requires attention to facilities requirements, organizational challenges, recruiting strategies, and development opportunities. The School of Engineering is actively engaged in each of these areas, with particular attention to building critical faculty strength in the most promising bioengineering fields. Progress has been made, especially in biomechanical engineering and biotechnology. Additional appointments in Electrical Engineering, Computer Science, and Mechanical Engineering will be crucial.

The School's strength in information technology has been enhanced by the addition of four new faculty. The School's networking and telecommunications initiative has received strong interest and industrial support. Major challenges remain in senior recruiting and in meeting the space needs of this growing area.

In its 1997 three-year academic plan, the School of Engineering articulated a strategy to enhance the strength of its four smallest departments through the addition of faculty. These plans are nearly complete in Chemical Engineering, Engineering-Economic Systems & Operations Research, and Industrial Engineering & Engineering Management, while several active searches remain in Materials Science.

The School continues to encounter major challenges in faculty recruitment and retention, including 1) local housing costs, 2) funds for renovating laboratory facilities, and 3) competitive salaries at the upper decile for associate and full professors. The School, in partnership with the Provost's office, is addressing these issues, although the financial consequences are significant.

As the Electrical Engineering building nears completion and the new Mechanical Engineering Laboratory approaches the construction phase, the School is creating a comprehensive plan for the use of existing and planned facilities. Several departments spread across multiple facilities will have more rational and contiguous space while others are improving existing space to meet current and future needs. These and other major facilities improvements, representing a decade of careful planning and financial investment, will allow the School to continue its academic leadership well into the future.

SCHOOL OF HUMANITIES AND SCIENCES

In the Humanities, the incremental Presidential Professorships created in 1997 have encouraged departments to think ambitiously. Two appointments have been made, and plans are proceeding to fill the remaining two professorships. H&S is examining the structure of the small Humanities graduate programs as well as the allocation of resources to identify ways to enhance the vitality of these programs. The Irvine Foundation has provided seed money to establish the Institute for Diversity in California Art, a collaboration between the Departments of Art, Drama and Music. Preparations are under way for next year's external review of the six departments within the Division of Languages, Cultures and Literatures.

In the Natural Sciences, access to appropriate amounts and types of research and laboratory space is a major challenge. Current needs include space for synthesis research for Chemistry, modern space for Biological Sciences to replace the Herrin Building, and additional space for Chemistry and Biological Sciences to accommodate the current number of faculty. A major task will be to coordinate the academic and space planning of H&S natural science departments with the interdisciplinary Bio-X initiative that is drawing faculty from Medicine, Engineering and H&S. With support from the President's Fund and with the Dean of Research, the School will do a systematic study of overall research infrastructure support needs.

In the Social Sciences, many of the departments will soon undergo major transitions because of the anticipated retirements of some of the most eminent faculty. Recruiting and retaining faculty has become especially challenging given the salaries and resources that some major competitors are offering and the high cost of housing at Stanford.

The evolution of the newly established Anthropological Sciences and Cultural and Social Anthropology Departments continues with the recruitment of faculty and definition of curricula at the undergraduate and graduate levels. A new program in Archaeology that will build bridges between the humanities and social sciences is being established with seed money from the President's Fund.

VICE PROVOST FOR UNDERGRADUATE EDUCATION (VPUE)

The budget plan for VPUE in 1999/00 sustains the fully established Stanford Introductory Studies (SIS) programs for freshmen and sophomores, supports the development of complementary new initiatives in advising and the residences, and strengthens the education of juniors and seniors. The plan also reflects the efficiencies gained by the new administrative reconfiguration for VPUE.

Faculty participation in Freshman Seminars, Sophomore Seminars and Dialogues, and Sophomore College has reached almost 300. For 1999/00, 115 Freshman Seminars will offer spaces for all 1600+ freshmen. Sophomore Seminars and Dialogues afford second-year students the opportunity to explore potential majors in small-class settings, and to develop close relationships with Stanford faculty. Space for more than 1200 sophomores will be available in 1999/00. Together with Sophomore College, which will serve over 450 students, all sophomores will have the opportunity to enroll in a specially designed sophomore program.

The Area One Program administers the Senate-mandated requirement, Introduction to the Humanities (IHUM), which will be fully implemented in 1999/00. All first-year students enroll in an interdisciplinary, team-taught fall quarter course followed by a winter-spring course sequence organized around a humanities theme. Faculty teaching IHUM courses come from a wide range of the humanities fields, with scholars forging intellectual connections across departments. Post-doctoral scholars selected through a national search teach the sections, which have an average enrollment of 15 students.

New initiatives for 1999/00 include the following:

- The Freshman-Sophomore College is a new residence designed to serve students committed to active intellectual exploration in the liberal arts and sciences. It will serve approximately 90 first-year and 90 second-year students. Entering students will have the opportunity to live for two years in this residence. The College Dean is a member of the senior faculty who is responsible for charting the intellectual direction for the College and for involving faculty peers in its activities. He will conduct informal faculty and student gatherings and live in a separate family residence located near the College. The curricular component of the College is the Introductory Seminar.
- The Advising Seminars for Freshmen program builds on the success of the Sophomore Advising Seminars. Rather than being assigned an advisor through the residential system, freshmen may elect as their advisor the faculty member teaching their freshman seminar.

  Stanford Introductory Studies prepares students so that they may, as upperclass students, undertake creative scholarship under faculty direction. The 1999/00 budget supports programs that encourage juniors and seniors to take full advantage of educational resources in their major and minor fields of concentration.
- The Incentives for Independent Study program, initiated in 1998/99 by the Vice Provost and Dean of Research, will be expanded to enable additional departments to provide research and mentoring for juniors and seniors in ways that complement

or enhance existing successful programs, such as Undergraduate Research Opportunities and Honors College. The program helps departments to engage faculty and students in common research projects, to identify local obstacles that prevent undergraduates from conducting independent study, and to assess and deploy resources to overcome these obstacles.

- The Stanford Honors Studies initiative will improve coordination of Honors Programs and reinforce linkages with SIS. Currently, students seeking to perform independent research and honors projects are referred to a number of offices, among them the Undergraduate Research Opportunities, which provides advising and funding for students doing independent research; the Honors College, a residential academic program for 17-18 departments; and the Summer Science Fellowship program. The Stanford Honors Studies initiative will establish a solid infrastructure for undergraduate research and honors work at Stanford

SCHOOL OF LAW

As of April 1999, with five months remaining in the Campaign for Stanford Law School, gifts and pledges of $85 million have been secured, surpassing the revised Campaign goal of $75 million. This success makes it possible for the School to consider reaching the original targeted needs of $93 million during the final months of the Campaign.

The major objective of the Campaign has been to rebuild the faculty and to bring faculty salaries into line with those at peer law schools. With respect to academic year salaries, Stanford is now within range of all but two schools: Chicago and Yale. It is increasingly becoming the practice for peer schools to offer faculty summer support of between 1/9th and 2/9th of their academic year salaries. Stanford lags considerably in this respect, and will need resources beyond the current Campaign to close the gap.

Eight new faculty members joined the Law School in the past two years. For many of these recruitments, the School depended on an individual donor's gift of a $1 million housing loan fund. Similar resources will be necessary to recruit faculty and staff in the future.

The Law School's curriculum in law and business and its program in negotiation and dispute resolution are unsurpassed. It has a small but strong program in environmental and natural resources law and policy, and a growing program in law, science, and technology, which should be a natural strength for the School. The Law School has interdisciplinary ties with every other part in the University, including the Hoover Institution and Institute for International Studies.

The success of the Campaign and the addition of new faculty make it realistic to undertake a broad exploration of the skills, knowledge, and values that Stanford Law School graduates will need in the coming century. This project, undertaken by a task force composed of faculty, students, and alumni, has led to the Initiative in Law, Business, and Public Policy. The School has received a $1 million grant from the James Irvine Foundation to support the Initiative in its first three years, as well as other funding from alumni and friends.

VICE PROVOST AND DEAN OF RESEARCH AND GRADUATE POLICY

The Office of the Vice Provost and Dean of Research and Graduate Policy has several important functions: the development and oversight of research policy, management of the Office of Technology Licensing, oversight of eight Independent Laboratories, Centers, and Institutes, and policy development and oversight of Stanford's graduate education program.

The Stanford Graduate Fellowship Program has been a major focus of the Office over the past several years. In 1999/00 the third class of students will enroll at Stanford, bringing the total to approximately 325 outstanding graduate students in science, engineering and the social sciences. In addition, the program increases the stipends of students who have three-year National Science Foundation or similar grants. Of the students chosen as Stanford Graduate Fellows, 61 also earned nationally competitive fellowships and are honored as joint fellows. The Office of Development is raising endowment funds in support of the program, with the hope that it will be fully funded by the end of December 2000.

The Dean's Office has also become involved in fostering opportunities for undergraduate involvement in research. In the Summer and Fall quarters of 1998, an experimental program enabled four departments to provide incentives for faculty and undergraduate students to work together. In 1998/99 and 1999/00, other departments will be invited to propose plans to involve undergraduates in research. The program will be evaluated toward the end of the second year, and if it has been successful, fund-raising efforts will seek to provide long-term permanent support for the program.

In 1998/99 the Center for Materials Research (CMR) will move back into the newly renovated McCullough Building. That building, along with the new Laboratory Annex, will house the faculty, staff, students, and facilities of the Laboratory for Advanced Materials. Faculty from two schools and seven departments will create a multidisciplinary center to make novel materials, characterize them, and study their properties or applications repeatedly until their scientific secrets are revealed or their utility successfully demonstrated. The current CMR program, a National Science Foundation Materials Research Science and Engineering Center, will be a part of the new center and will provide facilities support and research funding for the broader materials community.

The W. W. Hansen Experimental Physics Laboratory (HEPL) and the E. L. Ginzton Laboratory each have new directors who are working with the faculty to ensure continued programmatic strength. One constraint is the aging facilities that house these laboratories, and planning has begun to renovate and/or replace them. HEPL continues its leadership in space-based science, experimental astrophysics, accelerator physics, and precision measurement science, and remains predominantly supported by NASA. The Ginzton Lab remains strong in quantum electronics, optoelectronics, micromachined sensors and instruments, superconductivity, theoretical matter physics, and acoustic and optical devices.

The humanities and social sciences centers and institutes continue to play a vital role, both internal and external to Stanford. The Stanford Humanities Center (SHC) recently received a challenge grant from the National Endowment for the Humanities, and the Office of Development is seeking the matching funds. The Mellon Foundation continues its strong support of the workshop program, and long-term funding for this popular program is being sought. Applications to SHC's external fellowship program have increased 70% for the third year in a row, a sure sign of the Center's excellent national reputation for scholarship and innovation. The Center hopes to introduce a modest post-doctoral fellowship program to enhance the fellowship mix at the Center with funds related to the National Endowment for the Humanities Challenge Grant.

In 1999/00, the Institute for International Studies plans to develop two new inter-School honors programs on international peace and security and on comparative political economy, as well as to begin a new program to provide funds to support undergraduate research assistantships.

The Stanford Institute for Economic Policy Research (SIEPR) received authorization to make senior fellow appointments. These Academic Council appointments will provide SIEPR with a larger group of senior scholars with diverse interests to be part of new centers within SIEPR or as part of the larger SIEPR research program. In 1996/97, the new Center for Research on Economic Development and Policy Reform was created within SIEPR, and in 1997/98 the Center for Employment and Economic Growth was established. These centers will continue SIEPR's success in encouraging effective economic policy research by allowing for interaction between policy makers, researchers, and the public.

The Center for the Study of Language and Information is examining the integration of its traditional focus on cognitive science with new roles in media issues related to human-computer interaction. In the course of building up its Industrial Affiliates program, CSLI is investing in areas that are attractive to both the Stanford faculty and to industry. The Education Program for Gifted Youth and the English Resource Grammar Online program, part of the Cognitive Science Center, are very strong, and there are several new ventures underway.

GRADUATE SCHOOL OF BUSINESS

As the Graduate School of Business (GSB) welcomes a new dean, Robert Joss, it faces a number of key challenges:

- Competition for faculty among the top business schools continues. Thus far the GSB has been reasonably successful at retention but salary pressures show no sign of abating.
- The information technology infrastructure is stable and the significant investment in web-based support for student processes, teaching, application to graduate programs, and internal coordination of activities is changing the way faculty, students, and staff interact with each other and with the School. In late spring, support for alumni activities also will be available.
- The School has two new executive programs: Managing Technology and Strategic Innovation, and Market and Credit Risk.
- The Littlefield Management Center addition and site work to integrate the School's two buildings will be completed in April 2000.
- Renovation and refurbishing of the GSB building began with classroom improvements and renovation of the Sloan Program facilities last summer. The remainder of the project will improve the student computer space, remodel Arbuckle Lounge and the student area above it, renovate the central courtyard, and refurbish and rewire most other areas of the building. The project will effectively combine reinvestment in building systems and upgrades to code with changes that compare well with facilities investments being made by other business schools.
- The $75 million fundraising campaign in honor of the School's 75th anniversary has met with great success and is nearing achievement of its goal.
- Investment in support for faculty research and course development includes hiring a research associate to manage the behavioral research laboratory used by an increasing number of faculty and a manager of casewriting services to support faculty in developing cases. Two CD-based, interactive "courseware" projects in negotiations and in systems are nearing completion.

The 1999/00 consolidated budget plan also assumes that several additional activities will undertaken: aggressive efforts to recruit and retain the best faculty, a significant increase in support for doctoral students, implementation of "thin client" computers on desktops in Schwab Center rooms, continued investment in IT infrastructure and staffing, and a series of 75th anniversary activities and events to honor academic contributions and alumni.

Executive Education will continue to develop new public and custom programs to fill 50 rooms in Schwab Center during the academic year and 280 rooms during the summer. (Ten of the initial 60 rooms for executive programs during the academic year were made available to graduate students this year to help alleviate the student housing crisis.) The number of faculty is expected to increase slowly to 100 and the doctoral program will increase by several students, as the number of students recovers to prior levels with the proposed increase in doctoral student support. The MBA and Sloan programs will stay at approximately the current levels (360 and 47 students per class, respectively), with the understanding that the scale of the School may be on the agenda of the new dean.

The successful fundraising effort to honor the School's 75th anniversary will provide a significant balance of funds for investments that might be undertaken by the new dean over the next few years. The operations of the School and the major construction projects will be funded by a combination of gifts and unrestricted fund balances that have accumulated over the last several years. The second installment of gift funding for the Littlefield extension is expected later this year or early in 1999/00, with the third installment expected a year later.

SCHOOL OF MEDICINE

The School of Medicine has made substantial progress on a number of major initiatives in recent years. The focus of these initiatives has been to translate the School's mission as a world class center for education, biomedical research and innovative clinical care into activities that support these missions. These investments should position the School to respond to the opportunities and challenges of the changing scientific and economic environment.

Recruiting and retaining high quality faculty continues to be a critical factor in the School's success. In 1998/99, the School completed the recruitment and appointment of chairs in the Departments of Surgery and Pathology. Investments in those departments will continue for several years as the new chairs recruit additional faculty and build programs. Investments are continuing in Medicine, Molecular Pharmacology, Neurology and Neurological Sciences, and Ophthalmology, as recently appointed chairs realize their recruitment and program plans. Within the next year, the School will appoint new leadership in the Department of Anesthesia.

A major challenge in each of these leadership changes has been local housing costs. These have been met thus far by a new faculty relocation loan program to defray some of the costs of entering this market. The high cost of housing is also a retention issue for some younger faculty with growing families who are being recruited by other leading institutions in areas where the cost of living is lower. The School's ability to offer competitive salaries is the key to retention of some outstanding faculty who recently have been offered substantially higher compensation than indicated in the national salary survey. This challenge will continue as the School develops outstanding young faculty in a climate of compensation resources limited by government-imposed salary caps and tightening clinical services reimbursement.

The School's performance in research was strong in 1997/98 with 14% growth in direct research expenditures for the second consecutive year. Growth in the current year is substantial, with projected direct research expenditures 13% higher than those in 1997/98. The School anticipates that research expenditures will remain strong for 1999/00. Space to accommodate growing research activities continues to be a major focus of planning in the School. The Center for Clinical Sciences Research (CCSR) is under construction and will be occupied in 1999/00. This will provide almost 134,000 net assignable square feet of state-of-the-art research facilities, but it will not provide enough incremental space to allow the School to vacate expensive off-campus leased space nor to house new faculty and programs.

The opening of CCSR will free up space within the E.D. Stone buildings that is in serious need of revitalization. This 40-year old complex was designed to serve as the core facility for teaching, research, and clinical care in the School. Buildings have been added to provide patient care spaces and research facilities, yet less than half of the Stone Buildings has been brought up to the modern standards required for a world class teaching and research institution. The School's master plan maps a path through the revitalization of most of the aging Stone Buildings, including the seismic stabilization of the Edwards building. Given sufficient resources, plant revitalization completed within the next four years will provide central, convenient space for cutting edge educational facilities as well as research and faculty offices. The revitalization of teaching and library space is a critical element of this plan in light of the concerns noted by the Liaison Committee on Medical Education in the accreditation review last year.

The School also needs to provide incremental research space over the next three to five years if it is to recruit faculty and develop programs that build on Stanford's strengths. Interdisciplinary teams of faculty are working to identify opportunities to advance science across multiple disciplines in the areas of Cardiovascular Biology, Cancer, Neurosciences, Biomedical Engineering, Children's Health and Genetics, Functional Genomics, and Biocomputation. Their ideas will provide the focus for construction to house such programs as the proposed BioX initiative. The School is investing in the preliminary stages of a five- to seven-year development campaign to raise funds for these programs.

At a recent School retreat, approximately 100 faculty members examined the future of the education of students in the biomedical sciences. They identified several potential curricular changes that would prepare the School's students to be future leaders in academic medicine. Several faculty task forces will look specifically at redefining the curriculum for medical students and for graduate students, at facilities needs associated with a redefined curriculum, and at opportunities for educational outreach and distance learning. The School expects to implement significant curricular changes by fall of 2001.

The School is at a critical juncture in the development of the merged clinical enterprise, UCSF Stanford Health Care. The integration of various sites has proved more costly and more difficult than anticipated and, despite significant growth in clinical activity, the promise of growth in clinical revenue that was realized in 1997/98 has not continued into 1998/99. The implementation of a new approach to the flow of clinical funds to the School, coupled with a lack of clinical financial and productivity information, has made it difficult for the School's clinical departments to manage their professional service programs. There has been substantial uncertainty around how and whether strategic support funding provided to the School in the past will continue to be available. This uncertainty has a destabilizing effect within the clinical departments and will likely affect not only clinical practice but also the School's ability to provide a quality clinical experience for its students. Until the financial issues of UCSF Stanford Health Care are resolved, the School and its faculty leaders must remain vigilant in ensuring that the goals and mission of the School in clinical activities are preserved. While each entity – Stanford and UCSF – has an obligation for fiscal responsibility, decisions regarding the flow of funds and financial incentives cannot be made unilaterally or without a clear plan as to the potential impact on each institution.

Because the risk for losses related to professional services has effectively been shifted to the School by the new funds flow approach, contingency reserves must be established at the department and School levels. These reserves will be necessary to cover the losses almost certain to occur in some departments that have previously been unable to meet their needs without subsidies, but are critical to the medical school mission. Given the financial status of UCSF Stanford Health Care, it is uncertain whether that entity will be able to continue to help meet some of these academically important needs.

HOOVER INSTITUTION

The Hoover Libraries and Archives expenditures during 1999/00 will focus on acquisition in three key areas: transition to democracy and economic freedom, history of communism in the Soviet Union from the Bolshevik revolution to the collapse of the USSR, and Islamic movement and its conflict with the West. These subjects present extraordinary collecting opportunities for the Hoover Institution.

The campaign will also produce new funding for the preservation program. The preservation challenge for the Hoover Library and Archives is especially acute. Approximately 50% of the books, 60% of the pamphlets and other ephemera, and more than two million archival documents are considered brittle and vulnerable to damage from further use. To insure their preservation, the Institution must double the resources currently devoted to preservation over the next four to five years.

In 1998/99 the Institution appointed a new senior fellow whose specialty is American politics. During the next three years, the Institution plans to hire five more resident fellows in domestic and international fields. Several affiliated fellows, with part-year appointments, will also be recruited.

In addition to the traditional research projects undertaken by Hoover fellows in the areas of American Institutions and Economic Performance, Global Cooperation and International Rivalries, and Democracy and Free Markets, fellows are actively involved in institutional projects, including conferences and symposia that typically lead to paperback book publications. These projects have the full financial and institutional support of Hoover. There are currently more than 25 Hoover-supported institutional book projects in varying degrees of completion. All address important public policy issues.

In 1998/99, the Institution launched an ambitious K-12 Education Initiative. With the commitment of significant multi-year funding from a number of donors, the initiative will bring talent from within Hoover and Stanford together with policy experts from around the country to collect facts, analyze the current education environment, and address possibilities for meaningful reform. The results will be symposia, conferences, and publications.

A capital project is underway to retune and recast the 35 bells of the carillon in the Hoover Tower and to repair the automatic drum-player mechanism that was damaged in the 1989 Loma Prieta earthquake. Restricted funds have been raised for this project, which will be completed in FY00.

STANFORD UNIVERSITY LIBRARIES AND ACADEMIC INFORMATION RESOURCES (SUL/AIR)

The reoccupation of Green Library West will be completed during Fall, 1999. Opening ceremonies are planned for October, 1999, coincidentally, the 10th anniversary of the Loma Prieta Earthquake, which closed the Green Library for repairs costing an estimated $55 million.

The Green Library West will feature subject-area based research services with supporting collections shelved nearby. New entrances to the building will give patrons more convenient access to collections and services. The University has provided a permanent addition to the base budget to provide additional collection security required by the remodeled facility.

SUL/AIR will also open a new Information Center on the first floor of the Green Library East with funds provided by the Fletcher Jones Foundation, and a line of credit provided by the University for construction as necessary. The Information Center will bring together reference, current periodicals and information access services in new and exciting ways, with special attention paid to the needs of undergraduates.

In FY00, the University will break ground on a major addition to the Stanford Auxiliary Library (SAL) storage facility. When completed, this addition will permit the University to consolidate in one location library materials that are now scattered among several storage sites, and alleviate overcrowding now experienced in a number of branch libraries.

In the fall of 1999, and in partnership with the American Association for the Advancement of Science, SUL/AIR will launch the first online 'knowledge environment' in the life sciences. A 'knowledge environment' is a set of web sites that provide an in-depth information resource for students and researchers in a specific discipline or field. The development of a knowledge environment in the field of cellular signal transduction has been generously supported by a grant from the Pew Charitable Trusts.

Also in the fall of 1999, SUL/AIR will complete the digitization of the entire backset of monographs produced by the Stanford University Press in the field of Latin American Studies. This project, supported by the Mellon Foundation, will demonstrate various techniques for digitizing, organizing and providing online access to a large group of monographs and other materials from the Library collections.

In the spring of 2000, and in accordance with a recently signed agreement with Oxford University Press, SUL/AIR will launch an online version of the Oxford English Dictionary (OED). The OED Online will be available around the world through the World Wide Web, and could lead to other exciting reference work projects.

STANFORD LINEAR ACCELERATOR CENTER

SLAC conducts experimental and theoretical research in elementary particle physics using electron beams. SLAC also performs a broad program of research in atomic and solid state physics, chemistry, biology, and medicine using synchrotron radiation. SLAC has active programs in the development of accelerators and detectors for high-energy physics research and instrumentation for synchrotron radiation research.

The high energy physics program at SLAC will soon begin a detailed study of CP violation in B-meson decays with the newly completed PEP-II B Factory, which produces elusive particles of matter and anti-matter called B-mesons. The upgrade of the PEP electron-positron collider to a high-luminosity asymmetric B Factory was successfully completed in July 1998 and has made rapid progress in its commissioning runs. The associated B-meson particle detector (BaBar detector), which was built by a collaborative effort of 70 institutions in nine countries, was moved onto the PEP-II beamline. The 1,200-ton BaBar detector analyzes the way mesons decay within a thousand billionths of a second, and their differing decay modes could explain why there has been far more matter than anti-matter in the Universe ever since the Big Bang.

Another important element in the high energy physics program is an extensive research and development (R&D) effort aimed at the eventual construction of a large electron-positron linear collider (NLC) which will make possible unique experimental investigations at the TeV energy scale. The NLC R&D program is being carried out in collaboration with SLAC's sister lab KEK (Japan's National Laboratory for High Energy Physics). The U.S. collaboration now includes Lawrence Berkeley National Laboratory, Lawrence Livermore National Laboratory, and Fermi National Laboratory. It is expected that given Department of Energy (DOE) approval after a review in May 1999, the activities will move into the conceptual design phase. However, the progress of the NLC program will be constrained given the FY2000 President's Budget.

A relatively new direction for SLAC's high energy physics program is a move into space research, in conjunction with the Physics Department and HEPL, and in cooperation with NASA and several foreign institutions. Funding from DOE for fabrication of the Gamma-ray

Large Area Space Telescope (GLAST) is expected to begin in 1999/00. Current efforts are focused on developing technologies for the instrument.

The FY2000 President's Budget includes $2.0 million for a new Research Office Building. It will provide additional conference space and offices for the influx of BaBar users. It will also allow for the demolition of some sub-standard temporary buildings on site.

The synchrotron radiation program under the Stanford Synchrotron Radiation Lab (SSRL) plans to operate SPEAR (SLAC Positron-Electron Asynchronous Ring) for users for about nine months, similar to its length of operation in 1998/99. Various new experimental stations at SPEAR are being built. A new beam line, the molecular environmental science beam line, is scheduled to be commissioned in 1999 with a new side station (funded by Stanford and Scripps) for protein crystallography. An existing experimental station is being modified for deep etch lithography for micromechanical systems. The funding for these modifications is being provided by Jet Propulsion Laboratory (JPL) and Sandia.

A major upgrade of the SPEAR facility called "SPEAR3" will be initiated in 1998/99 with $14 million from the National Institutes of Health (NIH). Additional funding will be provided by NIH and DOE in the next three years to complete the upgrade. The SPEAR3 upgrade will increase the brightness of the synchrotron radiation beam for the experimenters at SSRL.

The second major initiative of SSRL is the R&D program for an x-ray free-electron laser called the LINAC Coherent Light Source (LCLS) which utilizes a part of the linear accelerator. DOE has agreed to fund a three-year R&D program beginning in 1998/99 to support the U.S. collaborating institutions which include SLAC, Argonne, Lawrence Livermore National Labs, Los Alamos National Labs, and the University of California at Los Angeles.

SECTION 3
1999/00 CAPITAL BUDGET

INTRODUCTION

The 1999/00 Capital Budget is produced in the context of a three-year Capital Plan. The Capital Plan represents the ongoing efforts of the University to restore, maintain, and improve campus facilities for teaching, research, and related activities. It encompasses projects that will begin between 1999/00 and 2001/02. The Stanford campus is a unique resource that helps shape and define much of University life. Our principal goals in capital planning are to protect and extend the useful life of existing facilities; create appropriate new facilities, where necessary, to support the work of faculty, students, and staff; and integrate facilities and support systems into a coherent, effective, and attractive campus.

As Stanford's academic programs evolve, demands for new and improved facilities continually arise. Proposals for new capital projects come into the planning process in a variety of ways. Many are developed as part of on-going maintenance and enhancement programs. Other projects arise because of issues relating to new building codes or changes of use. Still other projects develop out of new programmatic initiatives of the faculty and, occasionally, the interest of donors.

Institutional Needs

Among the issues that dominate capital planning in the coming years are the need for new and improved technical facilities for scientific and medical research, the requirement by Santa Clara County to complete seismic compliance of unreinforced masonry (URM) buildings by 1999/00, and the high demand for graduate student housing. These academic and institutional needs must be met for Stanford to remain at the forefront of teaching and research, as detailed below.

NEW AND IMPROVED SCIENCE RESEARCH AND TEACHING FACILITIES – Stanford's academic excellence stems, in part, from the new and improved technical research and teaching facilities that are built in response to evolving faculty initiatives. The three-year Capital Plan includes several capital projects related to changing and growing programs, as well as innovations in scientific and medical research methods.

The Bio-X Project will foster the integration of leading-edge research in basic, applied, and clinical sciences, while enhancing collaboration among researchers from the schools of Humanities and Sciences, Engineering, and Medicine. Additionally, the Mechanical Engineering Department Project and the Chem/Bio Project will provide facilities for intensive research to be conducted in class H-8 level environments. Both of these projects will be financed primarily by University debt and gifts and will provide additional program space for the Mechanical Engineering, Chemistry, and Biology Departments.

As a result of changes in curriculum and educational models, several teaching facilities and laboratories in the School of Medicine have become outdated for their principal function or have reached the end of their current life. The Grant, Alway, Lane and Edwards (GALE) projects propose to renovate several laboratories, provide enhanced teaching and student library facilities, and improve administrative space in the School of Medicine.

These renovations will extend the useful lives of the oldest buildings in the Medical Center complex.

Seismic Compliance – In accordance with our agreement with Santa Clara County following the 1989 Loma Prieta earthquake, Stanford plans to retrofit or vacate all unreinforced masonry (URM) buildings by 1999/00. The Capital Plan includes several seismic renovations, including the Art Gallery, Building 360, Building 160, and the Bakewell Building.

Demand for Housing – The high cost of housing in the Bay Area has created substantial problems for the University's graduate students, post-doctoral students, medical residents, and faculty members. In the Capital Plan, the Escondido Village Housing Project will provide 508 additional graduate student housing units on which construction will begin this year. With an additional 231,776 square feet of housing units, this project utilizes a major portion of the remaining development capacity permitted by Santa Clara County.

Constraints

The Capital Plan reflects careful balancing of these needs within the constraining factors of limited entitlements, debt capacity, and affordability.

Entitlements – Limitations on new development on Stanford's campus were established by Santa Clara County in 1989 under the General Use Permit (GUP). The GUP governs the extent to which Stanford is entitled to build on campus (measured by additional gross square footage) and to add to its daily population (students, faculty, staff, visitors, etc.). The three-year Capital Plan fully allocates the remaining 474,000 permitted additional gross square feet. Negotiations with Santa Clara County and the City of Palo Alto are currently underway to allow for the construction of future facilities after the present GUP expires.

Debt Capacity – The Board of Trustees limits the University's overall annual debt level. The Debt Policy limits the debt to an amount which is the lesser of: 1) a total debt level up to 20% of the Unrestricted and Temporarily Restricted Net Assets, or 2) a total debt level on which interest payments are less than 5% of Total Revenue. Because the bond markets are in a period of historically low interest rates and because of the economies of scale of large bond offerings, management has anticipated the need for debt by issuing bonds for academic capital projects and the Sand Hill Road project. Management estimates that the first Debt Policy limit described above could be a constraint in 1999/00 and is monitoring the limit closely.

In addition to the overall debt limits, the Debt Policy imposes an internal constraint, for management purposes, on the level of internal debt service repayments on academic capital projects (exclusive of SLAC, auxiliaries and service centers) to 5.0% of unrestricted revenues (i.e., general funds revenues plus designated revenues). For 1999/00, these internal repayments for debt service on academic projects will be $21.7 million, including debt service on commercial paper. This equals 3.1% of unrestricted revenues. The proposed three-year plan includes $134.0 million of debt to pay for academic projects. At the substantial completion of the proposed three-year plan, these internal repayments of debt service will be $33.2 million, or 4.2% of unrestricted funds. The impact of this internal constraint is that the University will have approximately $77 million in remaining debt capacity for projects supported by central funds after funding the three-year Capital Plan. Over time, additional capacity will be developed as debt is paid down and unrestricted funds increase. The three-year Capital Plan is the result of management's efforts to balance the need for new facilities with available debt capacity.

Affordability – The debt service on projects financed by debt and the operations, maintenance and utility costs (O&M) on capital projects are expenditures partially paid for by the general funds of the University. Capital-related costs compete directly for this limited resource against academic program initiatives. The additional debt service costs expected for academic projects in 1999/00 are $3.2 million, and the additional continuing debt service costs expected at the completion of the three-year plan are $10.7 million. These costs are borne by the unrestricted budget. (Total debt service, including auxiliaries and service centers, will increase $5.9 million in 1999/00.) The additional O&M costs expected for 1999/00 are $2.7 million, and the additional continuing O&M costs expected for the three-year plan are $13.2 million. An assessment of the financial impact of all capital projects is performed to ensure affordability in relation to the available general funds of the University.

CAPITAL PROGRAM FINANCING

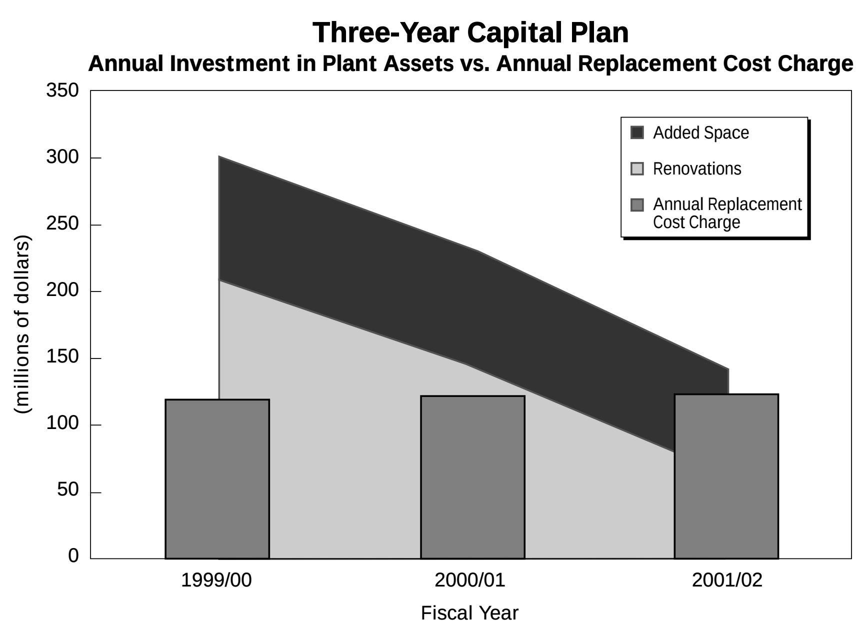
The 1999/00 Capital Budget totals $300.6 million. The tables on pages 38-40 detail all capital projects and infrastructure programs along with their total project costs, project schedule, and projected 1999/00 expenditures.

The first table, "1999/00 Capital Budget Projected Expenditures and Sources of Funds," details the sources of funds for the 1999/00 expenditures for these projects and programs and the amount of University debt financing ($42.0 million) needed to fund the balance. Construction financing is used to cover the debt portion until the project is complete. At completion, the project is financed with long-term debt.

The tables on pages 41-42 refer to the Three-year Capital Plan. They show those capital projects anticipated over the next several years along with anticipated funding sources. The tables also include the budget impact of this long-range plan on both University debt service and O&M costs. The projects are divided into three major categories: Projects in Design & Construction ($341.3 million), capital projects related to the University's Infrastructure Programs ($104.9 million), and Planned Construction Projects ($393.8 million), for a total three-year Capital Plan of $840 million.

Total Investment in Plant (refer to graph below)

We are often asked how much we are investing in the plant relative to how much would be required on a replacement cost basis. Depreciation charges in our financial statements are based on the historical cost of the asset and use the average life of a broad class of assets. We have developed a proxy for the annual replacement charge based on a combination of market values for each asset, and depreciation schedules which reflect the useful life of each type of facility.



1999/00 Capital Budget Projected Expenditures and Sources of Funds
(in millions)

Expenditures	Project Schedule	Estimated Project Cost	Projected 1999/00 Expenditures
Projects in Design and Construction			
Aquatics Complex - Phase I	1999-00	$12.5	$10.0
Art Gallery Seismic Renovation	1999-01	7.5	5.0
Building 360 Seismic & West Gate Renovation	1998-00	4.0	4.0
Center for Clinical Science Research (CCSR)	1996-00	108.7	40.7
CIP Program Year 7 under $3 million	1999	1.7	1.7
Encina Central/IIS Consolidation	1999-00	6.0	0.3
Escondido Village Graduate Housing - Phase I	1999-00	67.5	40.0
Escondido Village Renovations - CIP Program Year 7	1999	5.7	5.0
Graduate School of Business - Main (Bldg. 350)	1999-00	16.5	0.1
Lake Houses Renovations - CIP Program Year 7	1999	10.5	1.0
McCullough Annex	1996-00	27.0	4.0
Mechanical Engineering Dept. Laboratory	1999-03	33.5	4.0
Mudd Chemistry Interim Upgrade	1999	2.2	
Athletics Boathouse	1999-00	5.0	3.0
Stanford Alumni Center/Office of Development	1998-01	33.0	20.0
Subtotal-Projects in Design and Construction		341.3	138.8
Infrastructure Programs	2000-02	104.9	39.7
(See Table on page 39)			
Planned Construction Projects	1998-03	393.8	122.1
(See Table on page 40)			
Total Capital Budget		**$ 840.0**	**$ 300.6**

Sources of Funds	
Current Funds and Reserves	$ 130.0
Gifts	56.0
Debt	
Auxiliaries/Service Centers	72.6
University	42.0
Total Sources of Funds	**$ 300.6**

In 1999/00, the estimated annual replacement cost is $119 million compared to an annual investment in facilities of $300 million. This investment in plant includes the work funded through the Capital Budget, as well as the ongoing and planned maintenance costs in the Consolidated Budget for Operations.

1999/00 Capital Budget Projected Expenditures - Infrastructure Program Detail
(in millions)

Infrastructure Programs	Project Schedule	Estimated Project Cost	Projected 1999/00 Expenditures
Capital Utilities Program (CUP)			
Wear-Out	2000-02	$ 11.2	$ 2.9
Controls	2000-02	2.9	1.3
System Expansion	2000-02	12.6	8.3
Regulatory	2000-02	1.7	0.7
Subtotal-CUP		28.4	13.2
Systems			
Applications	2000-02	15.0	8.1
Infrastructure	2000-02	4.5	1.5
Communications Facilities	2000-02	10.9	3.5
Subtotal-Systems		30.4	13.1
Compliance and Other			
ADA Upgrades	2000-02	6.0	2.0
Emergency Generators	1999-02	2.8	0.7
Stores Renovation	2000	2.2	2.2
Storm Drains	1999-00	1.5	0.5
Subtotal-Compliance and Other		12.5	5.4
Stanford Infrastructure Program (SIP)			
Campus Landscaping and Planning Projects			
Circulation Projects	2000-02	8.0	3.9
Landscape Projects	2000-02	5.2	2.1
Outdoor Lighting Systems	2000-02	0.2	0.2
Outdoor Art Program	2000-02	0.1	0.1
Subtotal-Campus Landscaping and Planning Projects		13.5	6.3
Parking and Transportation Services			
Parking System	2000-02	18.1	1.7
Transit Related	2000-02	2.0	0.0
Subtotal-Parking and Transportation Services		20.1	1.7
Subtotal-SIP		33.6	8.0
Total Infrastructure Programs		**$ 104.9**	**$ 39.7**

1999/00 Capital Budget Projected Expenditures - Planned Construction Projects Detail
(in millions)

Expenditures	Project Schedule	Estimated Project Cost	Projected 1999/00 Expenditures
Planned Construction Projects[1]			
Aquatics Complex - Phase II	2000-01	$ 3.3	
Bakewell Seismic Renovation and CPPC Demolition	2001-03	5.0	
Bio-X - Phase I	1999-02	110.0	0.3
Branner Seismic Renovation - CIP Program Year 9	2001	8.0	
Bridge Demolition	2001	1.0	
Building 160 Seismic Upgrade & TI's (Learning Lab)	1999-03	25.0	5.0
CCSR Core Labs Buildout	2000	3.0	2.8
Chem/Bio - Phase I	1999-01	30.0	5.0
CIP Program Year 8 under $3 million	2000	2.1	
CIP Program Year 9 under $3 million	2001	1.7	
Cowell Health Center Seismic Renovation	2000-02	7.0	1.0
Encina Gymnasium Renovation	2000-02	12.0	3.0
Encina West - Poli Sci Renovations	1999-00	5.0	5.0
Escondido Village Renovations - CIP Program Year 8	2000	6.0	
Escondido Village Renovations - CIP Program Year 9	2001	6.0	
Grant/Alway/Lane/Edwards Renovations	2001-03	135.0	79.0
High Wire Press Relocation (off-site)	2000-02	9.0	4.0
HRP Anatomy Wings Demolition	2001	2.0	
Jasper Ridge	2000-01	5.0	1.0
Knoll Seismic Renovation	2000-02	8.0	1.5
Lab Renovations	2000-01	5.0	5.0
Library Collections Storage	1999-00	9.3	7.0
Old Chem Building Demolition	2000	3.0	0.5
Stern Kitchen Consolidation - CIP Program Year 9	2001	4.0	
Tower House Renovation and Bing Nursery School	2000-02	2.0	2.0
Toyon/Branner Dining Halls Upgrade-CIP Program Year 9	2001	2.5	
Toyon Eating Clubs Demolition	2001	1.0	
Toyon Eating Clubs Replacement - CIP Program Year 9	2001	2.5	
Toyon Seismic Renovation - CIP Program Year 8	2000	9.0	4.0
Wilbur Kitchen Consolidation - CIP Program Year 8	2000	4.0	4.0
Wilbur Modulars Removal	2001	1.0	
Less: Stanford Infrastructure Surcharge[2]		(33.6)	(8.0)
Total Planned Construction Projects		**$ 393.8**	**$ 122.1**

1 These projects are in various stages of planning. Scope, schedule, and estimates may be revised. These projects are all subject to funding approval.

2 Represents 9% surcharge on capital projects. See Infrastructure Programs for project expenditures.

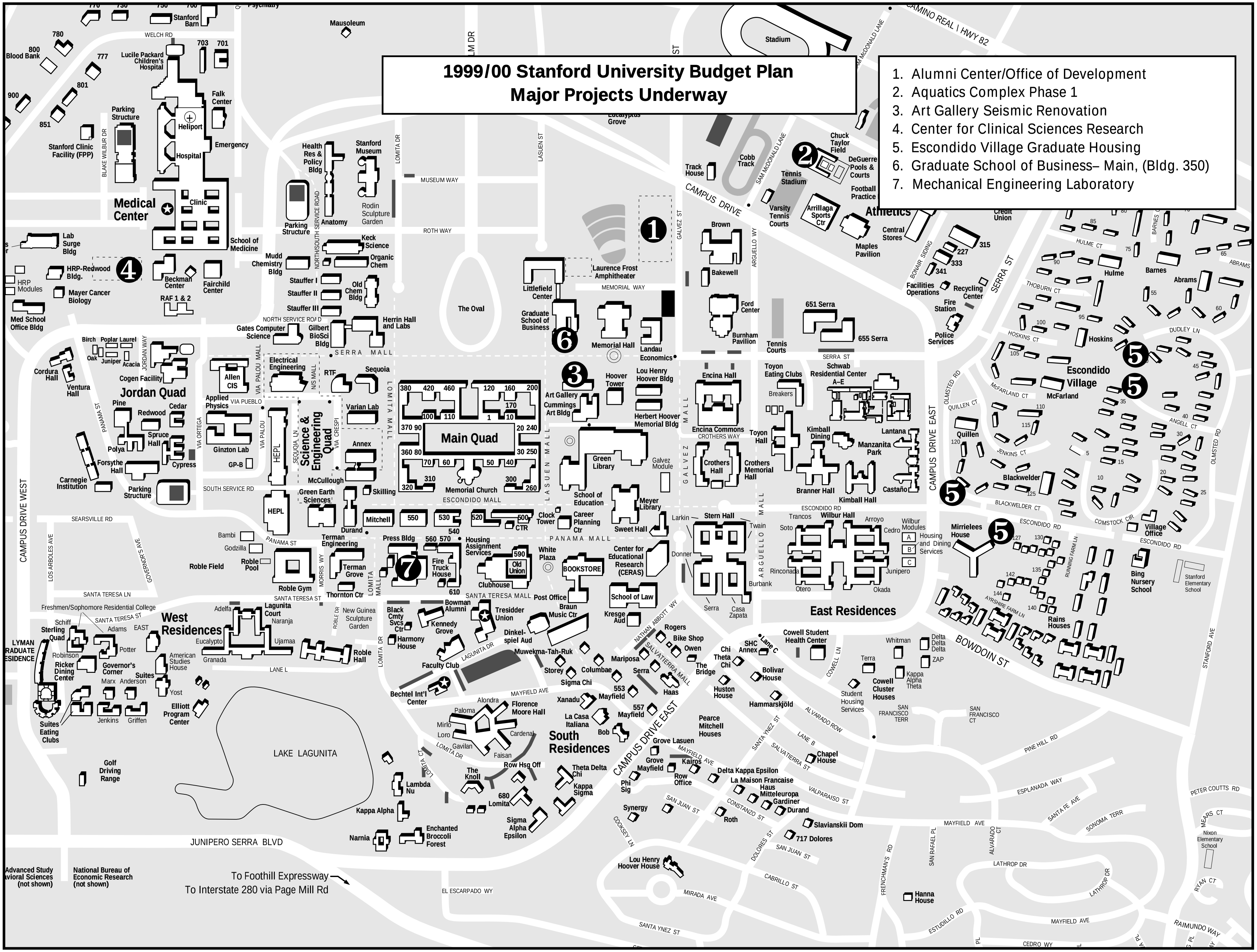
Three-Year Capital Plan Detail, 1999/00 - 2001/02
(dollars in millions)

Construction Plan	Project Schedule	Estimated Project Cost	Project Funding Source: Current Funds[1]	Gifts[2]	Serv Ctr/Aux Debt	University Debt	Annual Continuing Costs: University Operations & Debt Service	Maintenance
Projects in Design and Construction								
Aquatics Complex - Phase I	1999-00	12.5	3.5	9.0				0.5
Art Gallery Seismic Renovation	1999-01	7.5	1.5			6.0	0.5	
Building 360 Seismic & West Gate Renovation	1998-00	4.0				4.0	0.4	
Center for Clinical Science Research (CCSR)	1996-00	108.7	22.6	76.1		10.0	0.8	3.4
CIP Program Year 7 under $3 million	1999	1.7			1.7			
Encina Central/IIS Consolidation	1999-00	6.0	5.0	1.0				
Escondido Village Graduate Housing - Phase I	1999-00	67.5			67.5			0.3
Escondido Village Renovations - CIP Program Year 7	1999	5.7			5.7			
Graduate School of Business - Main (Bldg. 350)	1999-00	16.5	16.5					
Lake Houses Renovations - CIP Program Year 7	1999	10.5			10.5			
McCullough Annex	1996-00	27.0		20.8		6.2		1.2
Mechanical Engineering Dept. Laboratory	1999-03	33.5	0.5	15.0		18.0	1.4	0.6
Mudd Chemistry Interim Upgrade	1999	2.2				2.2	0.2	
Athletics Boathouse	1999-00	5.0			5.0			0.2
Stanford Alumni Center/Office of Development	1998-01	33.0	3.0	30.0				0.9
Subtotal		341.3	52.6	151.9	90.4	46.4	3.3	7.1
Planned Construction Projects								
Aquatics Complex - Phase II	2000-01	3.3	1.5	1.8				
Bakewell Seismic Renovation and CPPC Demolition	2001-03	5.0				5.0	0.4	
Bio-X - Phase I	1999-02	110.0		110.0				3.6
Branner Seismic Renovation - CIP Program Year 9	2001	8.0			8.0			
Bridge Demolition	2001	1.0	1.0					
Building 160 Seismic Upgrade & TI's (Learning Lab)	1999-03	25.0		15.0		10.0	0.9	
CCSR Core Labs Buildout	2000	3.0	3.0					0.1
Chem/Bio - Phase I	1999-01	30.0		10.0		20.0	1.5	1.4
CIP Program Year 8 under $3 million	2000	2.1			2.1			
CIP Program Year 9 under $3 million	2001	1.7			1.7			
Cowell Health Center Seismic Renovation	2000-02	7.0	4.0		3.0			
Encina Gymnasium Renovation	2000-02	12.0		12.0				
Encina West - Poli Sci Renovations	1999-00	5.0	5.0					
Escondido Village Renovations - CIP Program Year 8	2000	6.0			6.0			
Escondido Village Renovations - CIP Program Year 9	2001	6.0			6.0			
Grant/Alway/Lane/Edwards Renovations	2001-03	135.0	95.0			40.0	3.6	0.3
High Wire Press Relocation (off-site)	2000-02	9.0	9.0					
HRP Anatomy Wings Demolition	2001	2.0	2.0					
Jasper Ridge	2000-01	5.0		5.0				0.1
Knoll Seismic Renovation	2000-02	8.0		8.0				
Lab Renovations	2000-01	5.0	5.0					
Library Collections Storage	1999-00	9.3	9.3					0.2
Old Chem Building Demolition	2000	3.0	3.0					
Stern Kitchen Consolidation - CIP Program Year 9	2001	4.0			4.0			
Tower House Renovation and Bing Nursery School	2000-02	2.0		2.0				
Toyon/Branner Dining Halls Upgrade-CIP Program Yr 9	2001	2.5			2.5			
Toyon Eating Clubs Demolition	2001	1.0	1.0					
Toyon Eating Clubs Replacement-CIP Program Yr 9	2001	2.5			2.5			
Toyon Seismic Renovation - CIP Program Year 8	2000	9.0			9.0			
Wilbur Kitchen Consolidation - CIP Program Year 8	2000	4.0			4.0			
Wilbur Modulars Removal	2001	1.0	1.0					
Less: Stanford Infrastructure Surcharge[3]		(33.6)	(33.6)					
Subtotal		393.8	106.2	163.8	48.8	75.0	6.4	5.7
Total Construction Plan		735.1	158.8	315.7	139.2	121.4	9.7	12.8
Infrastructure Programs (See Table on page 42)	2000-02	104.9	55.3	6.0	31.0	12.6	1.0	0.4
Total Three-Year Capital Plan		**840.0**	**214.1**	**321.7**	**170.2**	**134.0**	**10.7**	**13.2**

1 Includes funds from University and school reserves, and the Stanford Infrastructure Program.
2 Includes gifts that have been identified, pledged and those gifts to be raised.
3 Represents 9% surcharge on capital projects. See Infrastructure Programs for project expenditures.

Three-Year Capital Plan Detail for Infrastructure Programs, 1999/00 – 2001/02
(in millions)

Infrastructure Programs	Project Schedule	Estimated Project Cost	Funding Source: Current Funds	Funding Source: Gifts	Funding Source: Serv Ctr/ Auxiliary	Funding Source: University Debt	Budget Impac: University Debt Service	Budget Impac: Operations & Maintenance
Capital Utilities Program (CUP)								
Wear-Out	2000-02	$11.2			$11.2			
Controls	2000-02	2.9			2.9			
System Expansion	2000-02	12.6			12.6			
Regulatory	2000-02	1.7			1.7			
Subtotal-CUP		28.4			28.4			
Systems								
Applications	2000-02	15.0	$15.0					
Infrastructure	2000-02	4.5	4.5					
Communications Facilities	2000-02	10.9		$6.0	2.6	$2.3	$0.2	
Subtotal-Systems		30.4	19.5	6.0	2.6	2.3	0.2	
Compliance and Other								
ADA Upgrades	2000-02	6.0				6.0	0.5	
Emergency Generators	1999-02	2.8				2.8	0.2	
Stores Renovation	2000	2.2	2.2					
Storm Drains	1999-00	1.5				1.5	0.1	
Subtotal-Compliance and Other		12.5	2.2			10.3	0.8	
Stanford Infrastructure Program (SIP)								
Campus Landscaping and Planning Projects								
Circulation Projects	2000-02	8.0	8.0					$0.1
Landscape Projects	2000-02	5.2	5.2					0.2
Outdoor Lighting Systems	2000-02	0.2	0.2					
Outdoor Art Program	2000-02	0.1	0.1					
Subtotal-Campus Landscaping		13.5	13.5					0.3
Parking and Transportation Services								
Parking System	2000-02	18.1	18.1					0.1
Transit Related	2000-02	2.0	2.0					
Subtotal-Parking and Transportation Services		20.1	20.1					0.1
Subtotal-SIP		33.6	33.6					0.4
Total Infrastructure Programs		**$104.9**	**$55.3**	**$6.0**	**$31.0**	**$12.6**	**$1.0**	**$0.4**


1999/00 Stanford University Budget Plan
Major Projects Underway
1. Alumni Center/Office of Development
2. Aquatics Complex Phase 1
3. Art Gallery Seismic Renovation
4. Center for Clinical Sciences Research
5. Escondido Village Graduate Housing
6. Graduate School of Business– Main, (Bldg. 350)
7. Mechanical Engineering Laboratory
Main Quad
Medical Center
Jordan Quad
Science & Engineering Quad
East Residences
West Residences
South Residences
Escondido Village
Athletics
LAKE LAGUNITA
CAMPUS DRIVE
CAMPUS DRIVE EAST
CAMPUS DRIVE WEST
JUNIPERO SERRA BLVD
To Foothill Expressway
To Interstate 280 via Page Mill Rd

PROJECTS IN DESIGN AND CONSTRUCTION

A number of significant capital projects, currently in the design or construction phases, are described below. Projects are reported at various stages of completion. The scope and final cost of a project are not fully defined until the Santa Clara County agencies have approved all plans and a general contractor has submitted a *guaranteed maximum price* for the project. Projects reported to the Board of Trustees for construction approval have the necessary controls in place to report a dependable price or budget. Projects in all other phases of delivery are reported with the best information available at the time and are subject to change. Please refer to the map on the previous page for site locations.

AQUATICS COMPLEX – PHASE I

This project will provide for a new 50-meter training pool with moveable bulkhead, a new diving pool with two one-meter diving boards, two three-meter diving boards, and a diving tower with platforms at the one, three, five, seven and one-half, and 10 meter levels. The new diving tower design provides for widened platforms to allow for future competition use by synchronized divers. Phase I of this project, totaling $12.5 million, has been made possible by gifts to the Department of Athletics and is scheduled to be completed in December of 2000. The second phase of the Aquatics Complex is scheduled for completion in 2001 and will include the replacement of the existing short-course competition pool, decking, and filter and chemical control systems.

ART GALLERY SEISMIC RENOVATION

The Art Gallery was constructed in 1916 and has always housed the Art Department, including studios and classrooms, photography labs, and gallery space. It is a one-story unreinforced masonry (URM) building with a partial basement, totaling approximately 13,000 gross square feet. The County of Santa Clara requires that the Art Gallery be upgraded seismically or vacated by the year 2000. In addition to the seismic upgrade, the gallery space will be renovated, the HVAC system will be upgraded to meet the ventilation needs of the photography labs, and ADA (Americans with Disabilities Act) access to the Gallery will be constructed. The historical arcades will be restored. This project, currently estimated at $7.5 million, will be largely financed by University debt.

CENTER FOR CLINICAL SCIENCES RESEARCH (CCSR)

The Center for Clinical Sciences Research will provide critically needed academic space for the School of Medicine's teaching and research programs in Cancer, Immunology, Human Gene Therapy, and Human Anatomy. In this facility, the faculty will be uniquely positioned to function at the boundaries between basic scientific research and clinical research, and to provide fundamental new insights into the nature of disease and develop new techniques of treatment. Construction began in the summer of 1997 and will be completed in Spring 2000. We are currently in negotiations with a new general contractor which may have financial implications on the forecasted project costs.

ESCONDIDO VILLAGE GRADUATE HOUSING – PHASE I

The availability of affordable housing on campus is essential to the University's ability to recruit graduate students and researchers.
In response to the immediate demand for on-campus housing, the Provost made the provision of additional graduate student housing a high priority this year. The Escondido Village Graduate Housing project will add 508 housing units within the existing Escondido Village. This additional 231,776 square feet is currently estimated at a project cost of $67.5 million and will be completed in 2000. In the future, Phase II will add another 508 units of in-fill graduate student housing to Escondido Village.

Graduate School of Business – Main (Building 350)

This project involves the renovation of the existing Graduate School of Business main structure, including the expansion of the computer lab, addition of an internal service elevator and hall, and upgrade of the Arbuckle Cafeteria Lounge. Additionally, plans include improvements to the student and faculty services offices, expansion of the entry lobby, renovation of the student lounge, and provision of acoustical attenuation of the primary corridors and Bishop Auditorium lobby. The first floor will be updated to accommodate relocated News & Publications, Human Resources, and accounting departments. The second floor requires minor remodeling and general low-level renovations at selected locations. The renovated areas will also be brought up to current ADA and building code standards where required. Construction work will be completed during the summer of 1999.

Mechanical Engineering Department Laboratory

The proposed new Mechanical Engineering Department Laboratory is intended primarily to house research programs that will position the department for leadership in critical emerging fields of mechanical engineering. The research areas that have been targeted are Advanced Manufacturing and Design, Bio-Mechanical Engineering, Combustion Science and Engineering, Microscale Engineering, Project-Based Instruction and Undergraduate Research and Collaborative Research. The two-story building will be built on a portion of the existing Press Building site, totaling 48,000 gross square feet and will be completed by 2002. The new building resolves the existing code compliance problems in Building 570 by providing H2/H7 space for research, which requires large inventories of toxic and/or flammable gases, and completes seismic and mechanical code upgrades. Building 500 shop and engine lab and Building 510 back lab will be vacated by Mechanical Engineering and returned to the Provost. The seismic strengthening of Building 570 has been staged to allow continued occupancy of the space. This entire project is expected to be completed in 2003.

Stanford Alumni Center/Office of Development

The new Alumni Center will provide contiguous offices for the Alumni Association and the Office of Development (OOD), enhancing collaboration between the organizations and providing major public space for alumni. The Alumni/OOD Building complex is composed of three connected building elements of three stories each, with hospitality, administrative, and office space. The main building will serve as the welcoming entrance for University alumni. Inside, alumni will find hospitality areas, including a great hall (which can accommodate 400-450 people for reunion dinners, donor events, wedding receptions, etc.), a reading room, history room, cafe, and a business/conference center. This project has been made possible by gifts raised by the Office of Development. The building is scheduled for completion in the fall of 2000.

Capital Improvement Plan in Housing and Dining Services

In 1999/00, year eight of the 15-year Capital Improvements Plan (CIP), Toyon Hall will undergo seismic retrofit, and Wilbur Dining Hall will be remodeled. Additionally, as in previous CIP years, 170 Escondido Village apartments are planned for seismic retrofits and renovation. These projects are anticipated to total $19.2 million.

The CIP renovation program is intended to reduce the differences in quality between older residences and those built in the past eight to ten years. This is accomplished by replacing finishes and furnishings, attending to critical code compliance and deferred maintenance issues, providing aesthetic and landscape improvements where possible, and providing functional improvements such as in-room access to SUNet and dining services upgrades as applicable.

Infrastructure Programs

Stanford's on-going effort to renew its infrastructure is managed through the programs described below.

Capital Utility Program

The Capital Utility Program (CUP) contains projects that will improve and enhance electrical, chilled water, steam, water, and sewage systems. Projects meet one of four criteria: system wear-out, regulatory issues and code compliance, system expansion, and system controls. The budget for the CUP program in 1999/00 is $13.2 million. The largest portion of this, approximately $8.3 million, will be used for system expansion to accommodate growth in the campus and increased demand for utilities.

Systems

As new buildings and major renovations come online, new utilities are needed to service those buildings. In addition to traditional utilities such as electricity and chilled water, an increasingly important utility is the Infrastructure and Communications Facilities, which supply voice, data, and video communications to the buildings. This portion of the 1999/00 Capital Budget includes $3.5 million to cover the costs for conduit, inter-building and intra-building cabling for all communications.

The budget for systems infrastructure programs also includes $9.6 million for information systems applications and infrastructure development.

Stanford Infrastructure Programs

The Stanford Infrastructure Program (SIP) consists of projects and programs proposed and developed for the improvement and general support of the University's academic community and physical plant. The campus infrastructure is in direct support of the academic missions of teaching and research and the overall vitality of the institution. SIP is supported by a 9% charge on most building projects, and is subdivided into 5% for the SIP-Campus Program and 4% for SIP-Transportation programs.

The SIP-Campus Program proposes to spend up to $6.3 million in 1999/00, which will be spent on improvements to roads, paths, storm drains, outdoor art, outdoor landscaping and signs, as well as advance planning efforts that support each of these.

The SIP-Parking and Transportation Program proposes to spend up to $1.7 million in 1999/00 for the implementation of a revised transportation plan which provides for the construction of additional parking, including planning for at least one parking structure, campus transit improvements, parking lot infrastructure improvements, and enhancements to support bicycle use.

Appendix A
Consolidated Budgets for Schools, Academic Support Areas, and Auxiliaries

Schedules are shown for:

Academic Units

- School of Earth Sciences
- School of Education
- School of Engineering
- School of Humanities & Sciences
- Vice Provost for Undergraduate Education
- School of Law
- Vice Provost and Dean of Research and Graduate Policy
- Graduate School of Business
- School of Medicine
- Hoover Institution

Academic Support Units

- Stanford University Libraries and Academic Information Resources
- Vice Provost for Student Affairs

Auxiliary Enterprises

- Housing and Dining Services
- Athletics
- Stanford University Press
- Stanford Alumni Association

School of Earth Sciences
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	2,592					2,592
Restricted Revenues		3,751	788	8,010	6,683	19,232
Transfers within Current Funds	4,824		(260)	(4,164)		400
Transfers (to)/from Endowment						
Transfers (to)/from Plant/Student Loan						
Total Revenues and Transfers	7,416	3,751	528	3,846	6,683	22,224
Expenditures						
Academic Salaries	3,362	1,335	69	103	1,743	6,612
Staff Salaries	1,191	636	37	69	849	2,782
Total Benefits	1,069	314	17	35	327	1,762
Total Non-Salary Expenditures	1,794	1,828	722	2,695	3,764	10,803
Total Expenditures	7,416	4,113	845	2,902	6,683	21,959
Excess of Revenue over Expenditures		(362)	(317)	944		265
Beginning Operating Equity		5,495	2,414	5,663		13,572
Ending Operating Equity		5,133	2,097	6,607		13,837

Notes:
- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. Operating equity may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- Current funds are resources that are expendable for the primary instruction and research mission of the University, within accounting and donor restrictions, if any. Endowment principal, student loan funds, and plant funds are not considered current funds, as they are held for other specific purposes.

School of Education
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	7,914					7,914
Restricted Revenues		175	806	1,915	10,432	13,328
Transfers within Current Funds	1,595	435	(235)	(1,795)		
Transfers (to)/from Endowment						
Transfers (to)/from Plant/Student Loan						
Total Revenues and Transfers	9,509	610	571	120	10,432	21,242
Expenditures						
Academic Salaries	4,413	61	95	13	1,678	6,260
Staff Salaries	1,565	96	35		1,820	3,516
Total Benefits	1,383	39	9	1	667	2,099
Total Non-Salary Expenditures	2,149	256	165	92	6,266	8,929
Total Expenditures	9,509	453	304	106	10,432	20,804
Excess of Revenue over Expenditures		157	267	14		438
Beginning Operating Equity		2,549	2,993	386		5,927
Special Investments		(400)				(400)
Ending Operating Equity		2,306	3,260	400		5,965

Notes:
- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for specialpurposes. Operating equity may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- Current funds are resources that are expendable for the primary instruction and research mission of the University, within accounting and donor restrictions, if any. Endowment principal, student loan funds, and plant funds are not considered current funds, as they are held for other specific purposes.

School of Engineering
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	33,735					33,735
Restricted Revenues		20,337	20,295	11,778	83,110	135,520
Transfers within Current Funds	11,649	1,531	250	(5,580)		7,850
Transfers (to)/from Endowment		(158)	(300)	(167)		(625)
Transfers (to)/from Plant/Student Loan		(4,350)	(1,000)	(138)		(5,488)
Total Revenues and Transfers	45,384	17,360	19,245	5,893	83,110	170,992
Expenditures						
Academic Salaries	27,204	1,868	3,411	347	21,061	53,891
Staff Salaries	6,812	3,937	1,029	117	9,831	21,726
Total Benefit	6,663	1,180	567	53	3,982	12,445
Total Non-Salary Expenditures	4,705	5,872	11,300	3,116	48,236	73,229
Total Expenditures	45,384	12,857	16,307	3,633	83,110	161,291
Excess of Revenue over Expenditures		4,503	2,938	2,260		9,701
Beginning Operating Equity		47,306	38,568	11,646		97,520
Ending Operating Equity		51,809	41,506	13,906		107,221

Notes:

- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. Operating equity may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- Current funds are resources that are expendable for the primary instruction and research mission of the University, within accounting and donor restrictions, if any. Endowment principal, student loan funds, and plant funds are not considered current funds, as they are held for other specific purposes.

School of Humanities & Sciences (Includes Overseas Studies Program)
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Auxiliary Income/Exp	Total
Revenues and Transfers							
General Funds Allocation	81,888						81,888
Restricted Revenues		2,463	10,253	40,379	42,491	3,380	98,965
Transfers within Current Funds	43,344	2,601	(1,701)	(28,580)		(96)	15,568
Transfers (to)/from Endowment							
Transfers (to)/from Plant/Student Loan		(250)	(250)				(500)
Total Revenues and Transfers	125,232	4,814	8,302	11,799	42,491	3,284	195,921
Expenditures							
Academic Salaries	52,554	1,494	1,107	1,055	8,647		64,857
Staff Salaries	12,989	180	788	552	5,361	1,092	20,963
Total Benefits	14,846	432	309	315	2,527	264	18,693
Total Non-Salary Expenditures	44,843	4,718	4,985	4,741	25,955	1,928	87,171
Total Expenditures	125,232	6,823	7,189	6,663	42,491	3,284	191,684
Excess of Revenue over Expenditures		(2,010)	1,113	5,136			4,238
Beginning Operating Equity		17,896	32,442	30,547			80,884
Ending Operating Equity		15,886	33,555	35,683			85,122

Notes:
- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. Operating equity may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
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Vice-Provost for Undergraduate Education
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	6,661					6,661
Restricted Revenues			3,779	1,224	31	5,034
Transfers within Current Funds	8,176	(184)	(4,157)	(2,283)		1,552
Transfers (to)/from Endowment				1,055		1,055
Transfers (to)/from Plant/Student Loan						
Total Revenues and Transfers	14,837	(184)	(378)	(4)	31	14,302
Expenditures						
Academic Salaries	6,513					6,513
Staff Salaries	1,661				25	1,686
Total Benefits	1,679		100		6	1,785
Total Non-Salary Expenditures	4,984					4,984
Total Expenditures	14,837		100		31	14,968
Excess of Revenue over Expenditures		(184)	(478)	(4)		(666)
Beginning Operating Equity (beginning balance 9/1/99)		550	1,100	650		2,300
Ending Operating Equity (ending balance 8/31/99)		366	622	646		1,634

Notes:
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School of Law
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	10,348					10,348
Restricted Revenues		1,091	8,850	11,700	200	21,841
Transfers within Current Funds	16,491	(491)	(6,000)	(10,000)		
Transfers (to)/from Endowment						
Transfers (to)/from Plant/Student Loan			(500)			(500)
Total Revenues and Transfers	26,839	600	2,350	1,700	200	31,689
Expenditures						
Academic Salaries	8,550	50	350		20	8,970
Staff Salaries	5,000	150	350	20	65	5,585
Total Benefits	3,489	51	180	5	22	3,747
Total Non-Salary Expenditures	9,800	349	981	175	93	11,398
Total Expenditures	26,839	600	1,861	200	200	29,700
Excess of Revenue over Expenditures			489	1,500		1,989
Beginning Operating Equity		300	7,500	2,500		10,300
Ending Operating Equity		300	7,989	4,000		12,289

Notes:

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Vice Provost and Dean of Research and Graduate Policy
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	7,418					7,418
Restricted Revenues		23,539	12,316	4,590	84,439	124,884
Transfers within Current Funds		(7,890)	(10,700)	385		(18,205)
Transfers (to)/from Endowment Principal						
Transfers (to)/from Plant						
Transfers (to)/from Student Loan						
Total Revenues and Transfers	7,418	15,649	1,616	4,975	84,439	114,097
Expenditures						
Academic Salaries	1,306	1,100	625	1,094	6,861	10,986
Staff Salaries	2,968	3,934	549	632	9,534	17,617
Total Benefits	1,091	1,189	257	292	3,092	5,921
Total Non-Salary Expenditures	2,053	6,296	3,736	3,345	64,952	80,382
Total Expenditures	7,418	12,519	5,167	5,363	84,439	114,906
Excess of Revenue over Expenditures		3,130	(3,551)	(388)		(809)
Beginning Operating Equity		15,827	15,583	9,350		40,760
Ending Operating Equity		18,957	12,032	8,962		39,951

Notes:

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Graduate School of Business (with Schwab)
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Auxiliary Schwab	Total
Revenues and Transfers							
General Funds Allocation	23,875						23,875
Restricted Revenues		13,272	12,100	15,908	455	4,742	46,477
Transfers within Current Funds	33,530	(5,254)	(12,100)	(15,908)		(268)	
Transfers (to)/from Endowment							
Transfers (to)/from Plant/Student Loan		(4,200)	(1,000)				(5,200)
Total Revenues and Transfers	57,405	3,818	(1,000)		455	4,473	65,151
Expenditures							
Academic Salaries	16,524	1,581			255		18,360
Staff Salaries	10,452	756				225	11,434
Total Benefits	6,600	602			66	57	7,325
Total Non-Salary Expenditures	23,828	5,457			134	2,754	32,173
Debt Service <optional>						1,437	1,437
Total Expenditures	57,404	8,396			455	4,473	70,728
Excess of Revenue over Expenditures		(4,578)	(1,000)				(5,577)
Beginning Operating Equity		8,389	13,098	1,549	431		23,467
Ending Operating Equity		3,811	12,098	1,549	431		17,890

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School of Medicine
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Auxiliary Activities	Total
Revenues and Transfers							
General Funds Allocation	63,959						63,959
Restricted Revenues		155,669	24,763	41,788	227,783	12,815	462,818
Transfers within Current Funds	32,292	(90,000)	(6,280)	(20,801)		84,789	
Transfers (to)/from Endowment		5,495	(1,500)				3,995
Transfers (to)/from Plant/Student Loan		(53,396)	(429)	(48)			(53,873)
Total Revenues and Transfers	96,251	17,768	16,554	20,939	227,783	97,604	476,899
Expenditures							
Academic Salaries	11,187	24,209	2,360	4,594	28,474	59,311	130,135
Staff Salaries	20,884	8,156	4,457	1,250	45,843	13,787	94,377
Total Benefits	7,449	6,950	1,530	1,466	16,218	17,996	51,609
Total Non-Salary Expenditures	24,981	23,001	10,705	7,381	135,734	5,797	207,599
Library Acquisitions	1,072		11	995			2,078
Utilities	9,736	379	263	91	508	382	11,359
O&M	17,228	327	175	48	995	330	19,103
Debt Service	3,714	435			12		4,161
Total Expenditures	96,251	63,457	19,501	15,825	227,783	97,604	520,421
Excess of Revenue over Expenditures		(45,689)	(2,947)	5,114			(43,522)
Beginning Operating Equity		98,104	78,118	62,856			239,078
Ending Operating Equity		52,415	75,171	67,970			195,556

Notes:

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Hoover Institution
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	4,048					4,048
Restricted Revenues		460	8,286	12,155	120	21,021
Transfers within Current Funds	20,571	(130)	(8,286)	(12,155)		
Transfers (to)/from Endowment						
Transfers (to)/from Plant/Student Loan						
Total Revenues and Transfers	24,619	330			120	25,069
Expenditures						
Academic Salaries	4,845					4,845
Staff Salaries	7,498				20	7,518
Total Benefits	3,040					3,040
Total Non-Salary Expenditures	8,006	330			100	8,436
Library Acquisitions	1,230					1,230
Total Expenditures	24,619	330			120	25,069
Excess of Revenue over Expenditures						
Beginning Operating Equity			17,224	21		17,245
Ending Operating Equity			17,224	21		17,245

Notes:

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Stanford University Libraries and Academic Information Resources
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	28,622					28,622
Restricted Revenues		8,584	747	5,700		15,030
Transfers within Current Funds	2,283	894	(147)	(1,461)		1,569
Transfers (to)/from Endowment						
Transfers (to)/from Plant/Student Loan						
Total Revenues and Transfers	30,905	9,478	600	4,239		45,222
Expenditures						
Academic Salaries						
Staff Salaries	17,283	4,230				21,513
Total Benefits	4,450	1,090				5,540
Total Non-Salary Expenditures	945	4,158	550	374		6,027
Library Acquisitions	8,227		50	3,865		12,142
Total Expenditures	30,905	9,478	600	4,239		45,222
Excess of Revenue over Expenditures						
Beginning Operating Equity		100	2,700	1,200		4,000
Ending Operating Equity		100	2,700	1,200		4,000

Notes:
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Vice Provost for Student Affairs
1999/00 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contract	Total
Revenues and Transfers						
General Funds Allocation	31,860					31,860
Restricted Revenues		5,104	5,399	21,069	13,348	44,920
Transfers within Current Funds	4,685	(1,688)		(542)		2,455
Transfers (to)/from Endowment						
Transfers (to)/from Plant/Student Loan						
Total Revenues and Transfers	36,545	3,416	5,399	20,527	13,348	79,235
Expenditures						
Academic Salaries	27					27
Staff Salaries	9,590	216	67	100	167	10,140
Total Benefits	2,344	42	16	15	42	2,459
Total Undergraduate Aid	14,925	350	5,000	19,849	5,600	45,724
Total Graduate Aid	228	1,000	145	113	7,384	8,870
Total Non-Salary/Non-Aid Expenditures	9,431	826	197	311	155	10,920
Total Expenditures	36,545	2,434	5,425	20,388	13,348	78,140
Excess of Revenue over Expenditures		982	(26)	139		1,095
Beginning Operating Equity		5,973	1,730	1,875		9,578
Ending Operating Equity		6,955	1,704	2,014		10,673

Notes:

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Auxiliary Enterprises Projected Budgets, 1999/00
(dollars in thousands)

Housing and Dining Services

Income	
Student Housing	47,912
Dining Services	20,390
Conference Services	3,698
Interest Income	924
Transfer to Plant	(5,866)
Sub-Total Income	67,058
Expenses	
Student Housing	44,491
Dining Services	19,527
Conference Services	2,691
Sub-Total Expenses	66,709
Operating Gain/(Loss)	349

Athletics

Income	
Intercollegiate	13,319
Unrestricted Funds	3,335
Golf Course	4,592
General Funds	3,482
Restricted Funds	4,258
Faculty-Staff Recreation	950
Transfers	(326)
Sub-Total Income	29,610
Expenses	
Compensation	12,833
Sport Programs	6,011
Facilities & Events	3,688
Student Services	1,037
Administration	4,582
University Overhead	1,171
Other Non-Salary	289
Sub-Total Expenses	29,610
Operating Gain/(Loss)	0

Financial Aid

Income	
Restricted funds	9,702
Transfer from Operating Budget	326
Sub-Total Income	10,028
Expenses	10,028
Operating Gain/(Loss)	0

Auxiliary Enterprises Projected Budgets, 1999/00
(dollars in thousands)

Stanford University Press

Income	
Net Income	5,050
Cost of Sales	(2,374)
Other Income	400
University Subsidy	469
Strategic Initiatives	250
Sub-Total Income	3,795
Expenses	
Editorial	725
Production & Design	293
Marketing	875
Distribution	631
Accounting	198
Office & General	711
University Overhead	271
Sub-Total Expenses	3,704
Operating Gain/(Loss)	91

Alumni Association

Income	
Program Revenue	22,404
Advertising	480
Annual membership	240
General Funds	741
President's Funds	1,110
Life Membership Revenue	967
Transfer from Membership Fund	1,804
Less: Net Life Membership Revenue	(435)
Donations	781
Interest Income	369
Interdepartmental Charges	280
Miscellaneous Income	222
Transfer to Plant Reserves	(123)
Sub-Total Income	28,841
Expenses	
Salaries and Benefits	7,161
Part-time and Temporary Help	206
Participant and Staff Expenses	883
Outside Services	13,271
Materials and Supplies	7,282
Repairs and Maintenance	85
Sub-Total Expenses	28,888
Operating Gain/(Loss)	(46)

Appendix B
Supplementary Information

The tables and graphs in this Appendix include data that are useful in providing a general picture of where Stanford is and, in some instances, how it got here. The short annotations below serve as an introduction to the schedules and note some interesting trends or historical occurrences.

Schedule 1 - Student Enrollment

Women undergraduates outnumbered men in the previous two years, but we had a larger proportion of men in 1998/99. The number of students registered as TGR (Terminal Graduate Registration) increased markedly a year ago, primarily because changes in Federal policy, which require payment of the tuition of Research Assistants directly from research contracts and grants, provided a strong incentive for encouraging graduate students eligible for TGR status to register as such. The total number of graduate students again increased by about 100 in 1998/99.

Schedule 2 - Freshman Student Apply/Admit/ Matriculate Statistics

The number of applicants jumped over 12% last year to a record level. As a result, just over one of every eight applicants was accepted. The marked increases in the yield rate the last three years are the result of our early decision program(s). Because of these programs, current yield rates are not directly comparable with periods before 1996.

Schedule 3 - Tuition and Room & Board Rates

In the late 1970's and early 1980's, tuition at Stanford rose by at least 9% each year. The rates of increase slowed after that, and in the last five years the rates of increase in total expense (tuition plus room and board) have been the lowest in the period covered by the table. In fact, the increases in tuition the last three years have been the lowest since the late 1960's, a time in which Stanford increased tuition every other year rather than annually.

Schedule 4 - Tuition and Fee Income

Undergraduate and graduate tuition income are expected to increase at rates just about equal to the increase in their respective tuition rates, and so is total tuition revenue. Application fees, the primary source of fee income, are expected to grow substantially relative to last year's budget figure because our actual application fees last year were well above the budget figure. (This was due to an unexpected 12% increase in the number of undergraduate applicants).

Schedule 5 - 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 over 7% last year, primarily because we adjusted our financial aid award formulas related to the treatment of self-help and home equity. Loans jumped a little after essentially being flat the three previous years.

Schedule 6 - Needs and Sources, Including Parental and Student Contributions

This schedule shows the total expense and sources of support for undergraduate students who receive need-based financial aid. The last row shows the number of students who receive need-based aid. The expected need amount increases by more than the tuition, room, and board increase for next year because we expect slightly more students to be aided. On the "Sources" side for 1999/00 the expected family contribution is only projected to increase by about 1% because of our decision to exclude outside scholarships when calculating financial need. The main increases on this side of the ledger are endowment and unrestricted funds. The latter is the source that is used to make up the difference between need and all other sources, so it must increase disproportionately when the other sources are expected to grow less than need, as is the case for next year.

Schedule 7 - Total Professorial Faculty

The total professorate has increased by over 100 (about 7%) over the last three years, and in contrast to the recent past, about 40% of that growth has been in the tenure line faculty. However, the non-tenure line faculty continues to grow at a rapid rate, fueled by increases in Medical Center Line faculty in the School of Medicine.

Schedule 8 - Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty

This schedule provides a disaggregated view of the data in Schedule 7 over the last four years. In the previous table we noted that tenure line faculty have increased over this four year period in contrast to being stagnant in the few years before that. Schedule 8 shows that over this period of growth, the number of tenured faculty has grown while the number of tenure line faculty who have not obtained tenure has fallen. Note, though, that this is entirely due to a significant decrease in the number of the latter in the School of Medicine. In turn, much of this decrease represents untenured tenure line faculty who have opted to move from the tenure line to the Medical Center Line.

Schedule 9 - 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. The activity categories do not track well to the current reporting relationships among administrative units, but to keep any semblance of consistency in these data over time in the face of reorganizations, the activity categories have to be defined broadly. Even with these broad categories, the table has a number of footnotes indicating shifts across the categories or other changes over the period. Medicine is particularly affected by organizational changes.

The number of employees increased by almost 400 in the present year. About 120 of those are in the School of Medicine. In addition, as the last footnote says, employees in the Alumni Association are counted this year for the first time, and that adds about another 100. That still leaves an increase of about 200 in the non-medical parts of the University.

Schedule 10 - Staff Employees Outside Medicine and SLAC

This graph shows the relation between two series of numbers of employees since 1985. The first is staff employees in the schools (except Medicine) and independent laboratories - the sum of employees in the categories labeled "Other Academic" and "Institutes and Research Labs" in the previous schedule. The second is a measure of "core" administrative staff who are paid almost entirely from general funds. This category excludes those employed in the schools and labs, SLAC, and the auxiliary activities in the previous schedule (Athletics, Housing and Food Service, and Tresidder and the Faculty Club).

The number of core staff trended down and declined by about 16% between 1989 and 1995 until increasing 2% in 1996, 4% in 1997, and another 4+% in 1998 (after factoring out the Alumni Association). This number is still below its 1989 peak, but is trending upward. Employment in the schools and independent labs peaked somewhat earlier and did not decline nearly as much. After factoring in an estimate of the effect of the movement of SSRL to SLAC, the decline in this category from its 1987 peak to its nadir was about 3.5%, but it has jumped almost 13% since 1994, is now well above the 1987 peak, and is also growing at a reasonably substantial rate. Much of this growth is related to a steady growth in sponsored research (see Schedule 12).

Schedule 11 - Staff Benefits Detail

To support the various components of non-salary benefits provided to employees, a benefits rate is assessed to all salary and wage transactions. After momentous changes in 1997/98 (multiple benefit rates introduced, the disallowance of tuition remission, and the change to a contributory retirement plan for all non-union employees), the changes for 1998/99 were much more mundane. For 1999/00 the programmatic change of note is that the faculty/staff tuition grant program will no longer be charged to staff benefits. The changes in Insurance Programs categories, as well as any other noticeable increases and decreases, are due to rate changes, more employees utilizing particular existing benefits, or complicated issues related to how we have to fund these various programs.

Schedule 12 - Sponsored Research Expense by Agency and Fund Source

(Note that research at SLAC is not included in this Schedule.) Direct expense from research sponsored by the Federal government increased each year except 1992/93, a year impacted by the movement of SSRL to SLAC. The amount of government sponsored research did not grow as fast this year as last, but still increased by about 4%. Non-US Government sponsored research reached 13.4% of total research expense last year, the highest percentage in the years covered by this table. For years charitable foundations and corporations each supplied about one-third of the total of research funds from non-US agencies, but in the last two years corporations have sponsored about 40% of this total.

Schedule 13 - 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. These expenses have more than doubled in the last two years, with a substantial portion of the expense related to the Science and Engineering Quad and various seismic upgrade and earthquake repair projects such as Green Library, the Museum, and Encina. Two other noticeable factors are the first phase of the Neuroscience & Cancer Research facility and the capitalized expense attributable to computer systems changes such as Core Financials.

Schedule 14 - Endowment Value and Rate of Return

The nominal return on invested funds has been positive each of the years shown and has generally exceeded 10% per annum. The target for annual real return on endowment funds is 6.25%, net of management fees. The average annual real return over the entire period of the table has clearly exceeded that figure, and the figure itself has been met in all but three years in the table. Historically, this period has produced exceptional market returns for both stock and bond investments, and the market value of our endowment has obviously benefited.

Last year was something of an anomaly in that the general stock market suffered a severe downturn in August 1998, just as our fiscal year ended, which had the effect of reducing our market value at the precise time it was benchmarked. However, the market recovered that decline and much more by December 1998, and so did the endowment market value.

SCHEDULE 1

Student Enrollment for Autumn Quarter 1989/90 through 1998/99

	Undergraduate			Graduate				
Year	Women	Men	Total	Women	Men	Total	TGR	Total
1989/90	2,830	3,675	6,505	1,791	4,375	6,166	683	13,354
1990/91	2,917	3,638	6,555	1,791	4,407	6,198	688	13,441
1991/92	2,947	3,580	6,527	1,884	4,436	6,320	702	13,549
1992/93	3,020	3,544	6,564	1,994	4,555	6,549	780	13,893
1993/94	3,073	3,500	6,573	2,030	4,571	6,601	828	14,002
1994/95	3,133	3,428	6,561	2,117	4,509	6,626	844	14,031
1995/96	3,267	3,310	6,577	2,186	4,424	6,610	857	14,044
1996/97	3,283	3,267	6,550	2,094	4,279	6,373	888	13,811
1997/98	3,332	3,307	6,639	2,204	4,254	6,458	987	14,084
1998/99	3,281	3,310	6,591	2,253	4,312	6,565	988	14,144

Source: Registrar's Office third week enrollment figures

SCHEDULE 2

Freshman Apply/Admit/Enroll Statistics
Fall 1988 through Fall 1998

	Total Applications		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
Fall 1988	15,828	-6.3%	2,524	15.9%	1,602	63.5%
Fall 1989	14,912	-5.8%	2,626	17.6%	1,567	59.7%
Fall 1990	12,954	-13.1%	2,874	22.2%	1,600	55.7%
Fall 1991	13,528	4.4%	2,715	20.1%	1,526	56.2%
Fall 1992	13,209	-2.4%	2,912	22.0%	1,595	54.8%
Fall 1993	13,604	3.0%	2,926	21.5%	1,607	54.9%
Fall 1994	14,707	8.1%	2,942	20.0%	1,590	54.0%
Fall 1995	15,485	5.3%	2,908	18.8%	1,597	54.9%
Fall 1996	16,478	6.4%	2,634	16.0%	1,610	61.1%
Fall 1997	16,842	2.2%	2,596	15.4%	1,648	63.5%
Fall 1998	18,885	12.1%	2,505	13.3%	1,606	64.1%

SCHEDULE 3

Undergraduate Tuition and Room & Board Rates
1978/79 through 1998/99

Year	Undergraduate Tuition	Percent Change from Previous Year	Room & Board	Percent Change from Previous Year	Total Cost	Percent Change from Previous Year
1978/79	$5,130	9.3%	$2,169	10.1%	$7,299	9.5%
1979/80	5,595	9.1%	2,354	8.5%	7,949	8.9%
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%

SCHEDULE 4

Breakdown of Tuition and Fee Income
Projected 1999/00 Budget
(In thousands)

	1998/99 Budget	Projected 1999/00 Budget	Change 1998/99 to 1999/00	Percentage Change 1998/99 to 1999/00
Tuition:				
Undergraduate	$141,287	$147,544	$6,257	4.4%
Graduate	115,639	120,726	5,087	4.4%
Other	11,571	12,143	572	4.9%
Summer	17,410	17,961	551	3.2%
Total Tuition	$285,907	$298,374	$12,467	4.4%
Miscellaneous Fees:				
Application Fees	$2,912	$3,239	$327	11.2%
Other Fees	1,100	1,100		0.0%
Total Fees	$4,012	$4,339	$327	8.2%
Total Tuition and Fee Income	**$289,919**	**$302,713**	**$12,794**	**4.4%**

SCHEDULE 5

Undergraduate Financial Aid by Source of Funds and Type of Aid[1]
1990/91 through 1997/98
(In thousands)

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Scholarships and Grants								
Stanford Unrestricted Funds	$14,443	$15,834	$16,420	$17,736	$16,593	$17,452	$13,737	$12,201
Gifts and Endowment Income:								
Non-Athletic[2]	7,468	6,868	10,936	12,355	14,762	15,692	20,027	22,526
Athletic Awards	5,141	5,252	5,603	5,639	6,328	6,626	7,471	8,232
Departmental Awards	123	98	782	566	455	415	1,372	1,743
External Grants[3]	8,516	8,884	8,983	9,448	10,407	11,477	13,757	15,541
Subtotal for Scholarships and Grants	$35,691	$36,936	$42,724	$45,744	$48,545	$51,662	$56,364	$60,243
Loans								
University Funds	$2,112	$1,529	$1,333	$1,382	$1,157	$1,290	$1,233	$787
External Funds	7,318	8,181	9,234	9,763	11,389	11,453	11,519	12,778
Subtotal for Loans	$9,430	$9,710	$10,567	$11,145	$12,546	$12,743	$12,752	$13,565
Jobs								
University Funds[4]	$1,764	$1,473	$1,869	$3,897	$4,175	$3,602	$3,295	3,255
External Funds	224	110	128	396	367	438	457	691
Subtotal for Jobs	$1,988	$1,583	$1,997	$4,293	$4,542	$4,040	$3,752	$3,945
Grand Total	**$47,109**	**$48,229**	**$55,288**	**$61,182**	**$65,633**	**$68,445**	**$72,868**	**$77,753**
Stanford Tuition plus Room and Board	$20,210	$21,262	$22,850	$24,310	$25,465	$26,749	$27,827	$28,857

1 Figures are actual expenses and include 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 6

Undergraduate Financial Aid
Projected 1999/00 Budget Needs and Sources, Including Parental and Student Contributions[1]
(In thousands)

	1997/98 Actual	1998/99 Year End Projection	Increment from 1998/99 to 1999/00	1999/00 Proposed Budget	Percent Change from 1998/99 to 1999/00
Needs					
Tuition, Room & Board	$72,542	$74,241	$3,385	$77,626	4.6%
Books and Personal Expense	6,938	7,067	247	7,314	3.5%
Travel	1,423	1,446	47	1,493	3.3%
Total Needs	**$80,903**	**$82,754**	**$3,679**	**$86,433**	**4.4%**
Sources					
Total Family Contribution (Includes parent contribution for aided students, self-help, summer savings, assets, etc.)	$36,933	$37,209	$405	$37,614	1.1%
Endowment Income[2]	17,606	18,450	1,378	19,828	7.5%
Expendable Gifts	473	500		500	0.0%
Stanford Fund[3]	4,338	6,300	200	6,500	3.2%
Federal Grants	3,387	2,889		2,889	0.0%
California State Scholarships	3,218	3,340	(154)	3,186	-4.6%
Outside Awards	2,303	2,400	100	2,500	4.2%
Department Sources	444	500		500	0.0%
Unrestricted Funds	12,201	11,166	1,750	12,916	15.7%
Total Sources	**$80,903**	**$82,754**	**$3,679**	**$86,433**	**4.4%**
Number of Students on Need-Based Aid	2,610	2,575	25	2,600	1.0%

1 Sources other than the family contribution include only aid awarded to students who receive scholarship aid from Stanford. Thus, the sum of the amounts for scholarships and grants will not equal the figures in Schedule 5.

2 Endowment income includes reserve funds and specifically invested funds.

3 Stanford Fund includes the President's Fund in applicable years.

SCHEDULE 7

Total Professorial Faculty[1]
1973/74 through 1998/99

	Professors	Associate Professors	Assistant Professors[2]	Tenure Line Total	Non-Tenure Line Professors	Grand Total
1973/74	547	194	299	1,040		1,040
1974/75	556	193	284	1,033		1,033
1975/76	565	186	295	1,046		1,046
1976/77	571	194	304	1,069		1,069
1977/78	586	199	287	1,072	86	1,158 [3]
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 [4]
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

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 1977/78, non-tenure line Professors are included.

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

SCHEDULE 8

Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty[1] 1996/97 through 1998/99

School Unit or Program	1996/97 Tenured	1996/97 Non-Tenured	1996/97 Non-Tenure Line	1996/97 Total	1997/98 Tenured	1997/98 Non-Tenured	1997/98 Non-Tenure Line	1997/98 Total	1998/99 Tenured	1998/99 Non-Tenured	1998/99 Non-Tenure Line	1998/99 Total
Earth Sciences	28	5	4	37	31	4	4	39	33	3	4	40
Education	34	5		39	34	4		38	33	6	1	40
Engineering	146	29	28	203	150	31	28	209	153	40	27	220
Humanities and Sciences	354	119	17	490	360	120	17	497	362	124	18	504
(Humanities)	(149)	(58)	(7)	(214)	(154)	(55)	(8)	(217)	(153)	(52)	(7)	(212)
(Sciences & Math)	(104)	(30)	(8)	(142)	(105)	(33)	(7)	(145)	(105)	(32)	(8)	(145)
(Social Sciences)	(101)	(31)	(2)	(134)	(101)	(32)	(2)	(135)	(104)	(40)	(3)	(147)
Law	33	5	1	39	35	5	1	41	39	5	1	45
Other			8	8	1		9	10	1		9	10
Subtotal	595	163	58	816	611	164	59	834	621	178	60	859
Business	56	28	1	85	55	29	1	85	54	30	1	85
Medicine	232	78	248	558	244	65	277	586	248	55	318	621
SLAC	21	2	6	29	21	5	4	30	20	6	4	30
Total	**904**	**271**	**313**	**1,488**	**931**	**263**	**341**	**1,535**	**943**	**269**	**383**	**1,595**

Data Source: Provost's Office

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

SCHEDULE 9

Number of Non-Teaching Employees
As of December 31 of Each Year[1]
1991 through 1998

Activity	1991	1992	1993	1994	1995	1996	1997	1998
School of Medicine[2]	1,867	1,950	2,073	1,614	1,563	1,670	1,880	2,008
Other Academic: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law	1,006	1,024	1,040	1,042	1,115	1,119	1,194	1,243
Physical Education and Athletics	90	82	83	84	98	104	110	111
Institutes and Research Labs[3]	467	365	369	364	358	384	388	371
Stanford Linear Accelerator Center[3]	1,160	1,301	1,240	1,355	1,311	1,310	1,300	1,271
Student Services: Admissions, ASSU, Bechtel International Center, Dean of Student Affairs, Financial Aids, Graduate Division, Memorial Church, Overseas Studies, Placement Center, Haas Center for Public Service, Registrar, Residential Education, Student Health, NSI	291	258	252	233	232	237	226	241
Libraries: Includes personnel from all Libraries, Art Galleries, and Museums	583	574	558	569	567	573	604	651
Central Information Services[4]: Information Resources, Data Center, Networking and Communication Systems	234	245	264	274	359	366	386	408
Development Office	196	197	175	134	136	135	126	127
Plant Construction, Protection, and Maintenance: Facilities Project Management, Health and Safety, Health Physics, O&M, Planning, Procurement, Public Safety, Risk Management	462	473	455	449	446	470	504	487
Housing and Food Service	259	271	255	272	271	284	301	337
Tresidder and Faculty Club[5]	36	32	31	21	21	1		
Administration:[4,6,7] Finance, President's Office, Provost's Office, Faculty/Staff Services, Public Affairs, University Counsel, Press, Events & Services, Alumni Association	649	665	672	634	557	563	590	734
TOTAL	**7,300**	**7,437**	**7,467**	**7,045**	**7,034**	**7,216**	**7,609**	**7,989**

1 Does not include students or employees working less than 50% time. Does include all other employees (i.e., Deans, Administrators, Secretaries, etc.) attached to that unit.

2 The School of Medicine's decline in staff in 1994 primarily reflects the integration of the Faculty Practice Plan and some clinics into Stanford Health Services (SHS). The increase in 1997 is in part due to the shifting of some staff back into the School of Medicine as part of the UCSF merger.

3 SSRL shifted from Institutes and Research Labs into SLAC in 1992.

4 The staff members in BISA were counted in Administration prior to 1995. That function is now in Information Services.

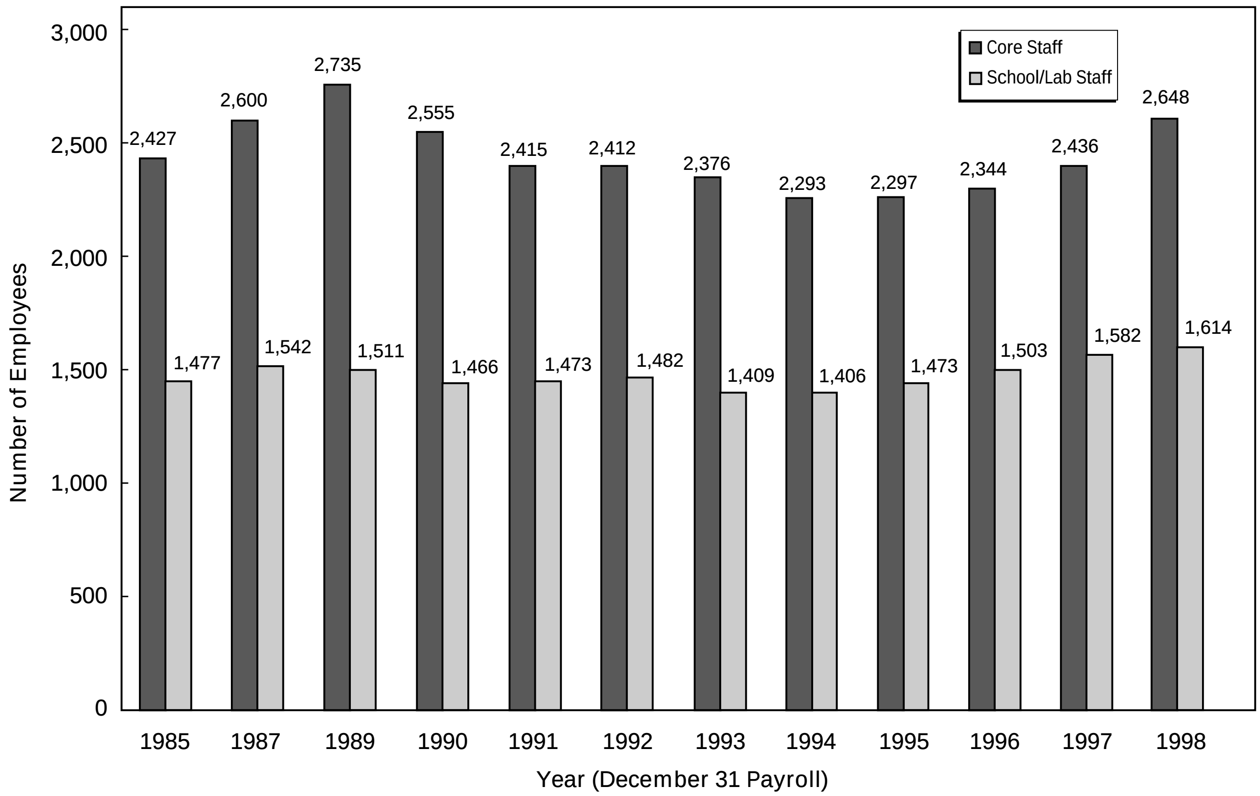
5 Faculty Club and Tresidder services have been contracted to outside companies.

6 Administration includes the University Press and Events and Services in all years.

7 Administration includes the Alumni Association in 1998 and beyond.

SCHEDULE 10

Staff Employees in Units Other than Medicine or SLAC[1]
1985 through 1998



1 SSRL was removed from the Labs in 1993 in this graph. This change reduced Lab staff by about 85.

SCHEDULE 11

1999/00 Projected Consolidated Budget Staff Benefits Detail
(In thousands)

Staff Benefits Program	1996/97 Actual Expenditures	1997/98 Actual Expenditures	1998/99 Revised Budget	1999/2000 Projected Budget	Increase (Decrease) 1998/99 to 1999/00	
Pension Programs:						
University Retirement	$37,852	$42,471	$45,952	$48,020	$2,068	4.5%
Social Security	37,732	41,226	45,274	47,436	2,162	4.8%
Faculty Early Retirement	6,067	7,460	6,457	5,175	(1,282)	-19.9%
Other	1,366	1,135	1,265	1,359	94	7.4%
Total Pension Programs	$83,017	$92,292	$98,948	$101,990	$3,042	3.1%
Tuition Waiver Programs:						
Faculty/Staff Tuition Grant Program	$5,203	$5,351	$5,638	$0	($5,638)	-100.0%
Research Assistants and Postdocs	29,981					N/A
Teaching Assistants	8,861					N/A
Total Tuition Waiver Programs	$44,045	$5,351	$5,638	$0	($5,638)	-100.0%
Insurance Programs:						
Medical Insurance	$16,913	$18,747	$21,126	$22,495	$1,369	6.5%
Retirement Medical	7,013	5,455	2,988	2,642	(346)	-11.6%
Worker's Comp/LTD/ Unemployment Insurance	4,810	4,556	6,118	7,353	1,235	20.2%
Dental Insurance	4,832	5,123	5,282	5,839	557	10.5%
Group Life Insurance/Other	3,130	3,848	4,620	4,451	(169)	-3.7%
Total Insurance Programs	$36,698	$37,729	$40,134	$42,780	$2,646	6.6%
Miscellaneous Programs:						
Severance Pay	$4,142	$4,165	$4,200	$4,339	$139	3.3%
Sabbatical Leave	7,917	8,595	7,457	7,852	395	5.3%
Other	4,447	5,155	5,144	5,660	516	10.0%
Total Miscellaneous Programs	$16,506	$17,915	$16,801	$17,851	$1,050	6.2%
Total Staff Benefits Programs Expense	**$180,266**	**$153,287**	**$161,521**	**$162,621**	**$1,100**	**0.7%**
Carryforward/Adjustment from Prior Year(s)	(7,180)	(1,571)	(858)	1,366	2,224	-259.2%
Total Expense with Carryforward/Adjustments	**$173,086**	**$151,716**	**$160,663**	**$163,987**	**$3,324**	**2.1%**
Budgeted Staff Benefits Rate	28.6%	24.5%	23.9%	23.3%		

Note: The University moved to a system with three separate benefit rates in 1997/98. The single rate shown just above for 1999/2000 is the weighted average of the three rates, which are 24.1% for regular employees (all faculty and staff with continuing appointments of half-time or more), 13.2% for post-doctoral scholars, and 8.4% for contingent (casual or temporary) employees.

SCHEDULE 12

Sponsored Research Expense by Agency and Fund Source[1]
1991/92 through 1997/98
(In thousands)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
US Government							
Subtotal for US Government Agencies	$267,449	$256,713	$271,326	$275,580	$298,149	$336,661	$347,109
Agency[2]							
DoD	$36,133	$41,972	$40,384	$44,390	$48,185	$53,984	$53,593
DoE (Except SLAC)[3]	24,558	10,328	9,216	9,049	7,958	8,309	10,523
NASA	62,925	53,892	57,394	58,728	66,626	84,449	77,707
DoEd	819	172			301	2,173	2,433
HHS	111,180	117,077	129,306	125,440	132,754	141,897	155,643
NSF	23,840	24,539	25,436	28,230	29,969	32,730	34,050
Other US Sponsors	7,994	8,733	9,590	9,743	12,356	13,119	13,160
Direct Expense-US	201,742	185,314	192,758	199,908	215,828	252,806	263,674
Indirect Expense-US[4]	65,707	71,399	78,568	75,672	82,321	83,855	83,435
Non-US Government							
Subtotal for Non-US Government	$35,946	$35,982	$40,566	$41,245	$44,307	$48,836	$53,941
Direct Expense-Non US	29,083	28,791	32,640	33,280	35,804	39,430	43,671
Indirect Expense-Non US	6,863	7,191	7,926	7,965	8,503	9,406	10,270
Grand Totals-US Government plus Non-US Government							
Grand Total	$303,395	$292,695	$311,892	$316,825	$342,456	$385,497	$401,050
Grand Total Direct	$230,825	$214,105	$225,398	$233,188	$251,632	$292,236	$307,345
Grand Total Indirect	$72,570	$78,590	$86,494	$83,637	$90,824	$93,261	$93,705
% US Government (Total)	88.2%	87.7%	87.0%	87.0%	87.1%	87.3%	86.6%

1 Figures are only for sponsored research. 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
NASA=National Aeronautics and Space Administration
DoEd=Department of Education
HHS=Department of Health and Human Services
NSF=National Science Foundation

3 The decline in 1992/93 in research sponsored by DoE is primarily due to the migration of SSRL to SLAC.

4 VSC (Veterinary Service Center) indirect costs are included in this figure.

SCHEDULE 13

Plant Expenditures by Unit[1]
1991/92 through 1997/98
(In thousands)

Unit	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
GSB	$1,834	$437	$90	$116	$1,124	$2,767	$9,499
Earth Science	6,325	12,792	3,288	793	284	1,754	3,703
Education				161	187	1,127	3,478
Engineering	593	2,253	9,293	32,839	40,626	26,509	44,076
H&S	5,776	12,676	15,488	22,445	26,448	28,576	34,023
Law			129	7	34	391	1,208
Medicine[2]	22,760	21,408	12,479	3,160	2,346	10,908	22,821
Libraries	2,505	6,544	413	1,852	5,783	10,000	16,216
Athletics	521	4,502	18,542	2,399	3,968	7,856	6,369
Housing	10,012	11,562	11,944	26,567	21,424	43,398	20,023
All Other[3]	25,007	28,634	20,300	14,864	21,664	54,004	98,339
TOTAL	**$75,333**	**$100,808**	**$91,966**	**$105,203**	**$123,888**	**$187,290**	**$259,755**

Source: Schedule G-5 in the Annual Financial Report

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

2 Includes the Faculty Practice Program when separately identified.

3 Includes General Plant Improvements expense.

SCHEDULE 14

Endowment Market Value and Rate of Return 1987/88 through 1997/98

Year	Market Value of the Endowment (in thousands)[1]	Annual Nominal Rate of Return	Annual Real Rate of Return[2]
1987/88	1,710,198	-5.2%	-8.9%
1988/89	2,083,916	23.5%	19.0%
1989/90	2,060,305	0.3%	-3.8%
1990/91	2,299,483	17.3%	13.3%
1991/92	2,428,491	7.8%	5.2%
1992/93	2,853,366	19.0%	16.4%
1993/94	3,034,533	8.5%	6.5%
1994/95	3,402,825	15.2%	13.5%
1995/96[3]	3,779,420	20.2%	18.2%
1996/97	4,667,002	23.4%	21.2%
1997/98	4,774,888	1.3%	0.3%

Source: Stanford University Annual Financial Report

1 Includes endowment funds subject to living trust agreements.

2 The real rate of return is the nominal rate less the rate of price increases. The latter is measured by the Gross Domestic Product price deflator.

3 The method of valuing some assets changed in 1995/96. The effect was to lower the market value for 1995/96 and beyond. For comparison the restated value for 1994/95 under the new methodology would have been $3.225 billion.