# Stanford University Budget Plan

## 2005/06

**Submitted for Action to the Board of Trustees**
**June 6–7, 2005**

This publication can also be found on the World Wide Web at:
http://www.stanford.edu/dept/pres-provost/budget/plans/plan06.html

# Executive Summary

## To The Board of Trustees:

I am pleased to submit Stanford University's 2005/06 Budget Plan for your approval. The Budget Plan has two parts. The first is the Consolidated Budget for Operations, which includes all of Stanford's anticipated operating revenue and expense for next year. The second is the Capital Budget, which is set in the context of a multi-year Capital Plan.[1]

### Some of the Highlights of the Plan:

- The Consolidated Budget for Operations reflects an anticipated surplus of $49.2 million on $2.9 billion of revenues, $2.8 billion in expenditures, and $50 million of transfers. The Consolidated Budget revenues are expected to grow by 7.6% over the projected 2004/05 actual results, driven principally by growth in investment income, health care services, and research.
- The Consolidated Budget includes $746 million in general funds, of which $127 million flows to the Graduate School of Business, the School of Medicine, the Hoover Institution, and the Continuing Studies Program in accordance with previously agreed-upon formulas.
- The general funds allocations controlled directly by the Provost are expected to grow by $51 million in 2005/06. Of this, $10.6 million is being held as an unallocated reserve.
- The Capital Budget calls for $373 million in expenditures next year. These expenditures are in support of a three-year Capital Plan that, if fully completed, would require $1.3 billion in total project expenditures. Major facilities under construction next year will include the Munger Graduate Residences, the Astrophysics building, renovation of the Old Union complex, and the Environment and Energy building.
- In this Budget Plan we show the projected 2005/06 results consistent with the Generally Accepted Accounting Principles format displayed in the university's annual financial statements. The projected Statement of Activities shows a $27.4 million surplus.

## PRIORITIES

The Budget Plan for 2005/06 reflects a number of key institutional priorities:

- Compensation – Our compensation programs for faculty and staff will allow Stanford to maintain a competitive position in the relevant markets. We have also allocated funds to address those categories of faculty and staff where we are less competitive. On the benefits side, we anticipate the overall benefits rate for regular employees will remain flat at 30.5%. The component of the rate for health benefits will increase from 7.4% to 8.2%, but is offset by lower rates for employee and retiree health insurance costs and the defined benefit pension and worker's compensation plans.

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

- **Infrastructure Charge** – We plan to implement the new infrastructure charge policy, with a rate of 8%, on most designated revenue and restricted funds expenditures. The infrastructure charge will provide additional funding for facility maintenance and renewal, and for administrative support both centrally and at the department level.

- **Planned Maintenance** – In response to the Investment in Plant analysis described in the Capital Plan section of this book, we have added $2 million to the planned maintenance budget, which provides for the maintenance of campus infrastructure and the scheduled renewal of major building subsystems. This is the second year of a multi-year plan to add $6 million to this budget, an amount that, along with currently budgeted amounts, should allow us to avoid deferred maintenance on the academic campus.

- **Compliance Costs** – We are addressing a number of new compliance needs in this budget. There is increased funding for research compliance staff, for environmental health and safety, and for occupational health programs. We are also providing increased funding to the Business Affairs operation to support the Controller's Office and the Office of Research Administration in their compliance work.

- **Academic Initiatives** – This budget reflects, in many areas, the expansion and enhancement of important academic priorities.

  - Under the auspices of the schools of Medicine and Engineering, the Bioengineering Department will continue its orderly growth next year with the addition of two new faculty members.

  - Earth Sciences is building two new centers: the Center for Computational Earth and Environmental Sciences will be a multidisciplinary research center, and the Groundwater Evaluation and Management Center will focus on the challenging issues of finding and maintaining clean sources of water.

  - Engineering will also continue to advance the new Design Institute, an interdisciplinary program that blends engineering innovation and business and manufacturing issues into a single curriculum.

  - The Law School will focus on enhancing its clinical education programs and expanding selectively its numerous interdisciplinary research, teaching, and policy programs.

  - The Medical School will build upon the recent creation of the Stanford Institutes of Medicine and three strategic research centers. The institutes and centers create bridges between the basic and clinical science communities and between the school and other areas of the university.

  - In Humanities and Sciences, several renovation and new facilities projects will be operating in 2005/06, including the Archaeology Center in Building 500, the Center for Computer Research in Music and Acoustics, and the new Astrophysics building.

  - Now in its tenth year, the Office of the Vice Provost for Undergraduate Education will develop a plan to assess its past effectiveness and future directions. However, there will be no letup in the continuing effort to improve offerings for undergraduates: efforts to enhance advising will continue, and funding will be provided for the final year's implementation of the requirement in the Program in Writing and Rhetoric.

- **Development** – The development office will increase staff in order to build a higher level of support for the anticipated upcoming capital campaign. Additional funding will also be allocated to enhance the stewardship function.

- **Financial Aid** – Stanford continues to offer one of the most generous financial aid programs in the country. Next year's budget provides adequate funding to maintain our policy of admitting undergraduate students without regard to their ability to pay and to provide financial aid based on their demonstrated need.
- **Student Housing** – Student housing continues to be an important institutional priority, and the 2005/06 budget reflects costs for the planning phases of the Munger Graduate Residences project and the Manzanita III facility. Construction for these facilities is expected to begin during the 2005/06 fiscal year.

## CONSOLIDATED BUDGET FOR OPERATIONS

The table on page vi shows the main revenues and expenses for 2005/06 and compares those numbers to the forecast of actual results for the current year. These figures include the incremental costs for the programs and initiatives noted above. Some highlights of both revenues and expenses follow.

### Revenue

**Student Income** – This figure is the sum of tuition and room and board income. Tuition is projected to grow 3.4% over the projected 2004/05 actuals, as the result of increases in the tuition rate (4.5% for undergraduates and general graduate tuition), and a modest drop (1.5%) in the numbers of graduate students. Graduate students have been increasing 2-3% in recent years, so a reduction will bring us closer to a longer term sustainable level. Room and board income is projected to increase by 3.3%, due to a 4.5% increase in the standard undergraduate room and board rate and the reduction in need for off-campus housing subsidies for graduate students.

**Sponsored Research** – We are budgeting an 8.3% growth in sponsored research. This growth is driven by a 20.9% increase at SLAC, where the construction of the Linac Coherent Light Source accounts for most of the growth. Direct research outside of SLAC is forecasted to grow at 4.2%, a more modest growth compared to the growth rates of recent years. Indirect cost recovery is expected to be up by 2.5%, as a result of the increase in direct activity, offset partially by a reduction in the negotiated overhead rate from 57% to 56%.

**Expendable Gifts** – The Office of Development anticipates that revenue from non-capital gifts available for current expenses will grow by 4.0% in 2005/06 to $130 million. (This line does not include gifts to endowment or for capital projects.) In addition, net assets released from restrictions—primarily payments made on prior year pledges—are expected to remain constant at $50 million.

**Investment Income** – This category includes income paid out to operations from the endowment and from the Expendable Funds Pool (EFP). Overall, investment income is expected to increase by 10.2%. Endowment income is expected to increase next year by 11.0%, including payout from $290 million in projected new gifts to the endowment. The spending rates approved by the Board of Trustees in February 2005 yield a smoothed payout rate of 4.44% compared to our target rate of 5.00%. Other investment income is expected to grow approximately 6.4% over the 2004/05 projected year-end actuals.

### Expense

**Salaries and Benefits** – We anticipate total salaries and benefits expense to increase 5.8% over the projected year-end actuals. Academic salaries are expected to increase by 5.5%, driven by a competitive salary program and a small increase in the number of faculty. Staff salary expense

**Consolidated Budget for Operations, 2005/06**

[in millions of dollars]

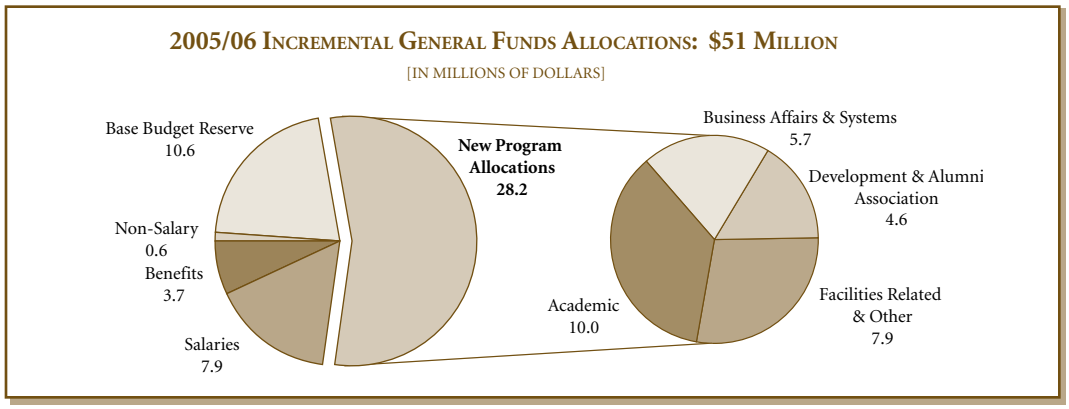
| 2003/04 Actuals | 2004/05 Projected | | 2005/06 Consolidated Budget | 2004/05 to 2005/06 Percent Increase |
|---|---|---|---|---|
| | | Revenues and Other Additions | | |
| 460.5 | 496.5 | Student Income | 513.3 | 3.4% |
| 923.5 | 1,003.0 | Sponsored Research Support | 1,086.1 | 8.3% |
| 243.6 | 256.4 | Health Care Services | 295.4 | 15.2% |
| 103.8 | 125.0 | Expendable Gifts in Support of Operations | 130.0 | 4.0% |
| 477.3 | 529.9 | Investment Income | 584.2 | 10.2% |
| 251.1 | 255.8 | Special Program Fees and Other Income | 263.4 | 3.0% |
| 43.5 | 50.0 | Net Assets Released from Restrictions | 50.0 | 0.0% |
| 2,503.3 | 2,716.6 | Total Revenues | 2,922.4 | 7.6% |
| | | Expenses | | |
| 1,294.1 | 1,393.1 | Salaries and Benefits | 1,474.4 | 5.8% |
| 233.8 | 263.0 | SLAC | 318.0 | 20.9% |
| 128.0 | 135.2 | Financial Aid | 142.0 | 5.0% |
| 803.9 | 855.4 | Other Operating Expenses | 888.7 | 3.9% |
| 2,459.8 | 2,646.7 | Total Expenses | 2,823.1 | 6.7% |
| 43.5 | 69.9 | Revenues less Expenses | 99.3 | |
| (8.9) | (27.6) | Transfers | (50.1) | |
| 34.6 | 42.3 | Surplus/(Deficit) | 49.2 | |

growth is budgeted to grow at 6.5% as a result of our merit program and an increase in staff headcount. The benefits rate will remain flat for 2005/06 at 30.5%. Net benefits expense is expected to increase commensurate with salaries since the principal fringe rate will remain unchanged.

**Other Operating Expenses** – This line item is composed principally of operations and maintenance (O&M) costs, utilities, capital equipment, materials and supplies, travel, library materials, subcontracts, and professional services. We are budgeting a growth of 3.9% overall for this category.

## GENERAL FUNDS BUDGET

The General Funds budget, as noted previously, is a critical component of the Consolidated Budget for Operations. The general funds allocations controlled directly by the Provost are expected to grow by $51 million next year. As shown in the chart on the next page, $10.6 million is an unallocated surplus, which will be held as a base budget reserve. Another $12.2 million of the increment is for compensation growth and price inflation. This figure includes funding for the faculty and staff salary programs and benefits increases. The remaining $28.2 million is for net incremental academic and administrative program expense. The chart also shows how the $28.2 million is distributed among the various institutional priorities and categories. Because general funds support the bulk of Stanford's administrative, compliance, fund raising, and facilities costs for the entire Consolidated Budget, it is not surprising that much of the budgeted increment covers these costs.




## CAPITAL BUDGET AND PLAN

The Capital Budget for 2005/06 has been developed in the context of a three-year Capital Plan. The three-year plan includes projects that were initiated prior to, but will not be completed by, 2005/06, as well as projects that will be started during the three-year period from 2005/06 to 2007/08. Since some projects in the plan will not be complete by the end of 2007/08, the "three-year" plan actually provides a rolling window of approximately five to six years of construction projects at the university. The Capital Budget represents those capital expenditures in the three-year Capital Plan that are expected to occur in 2005/06.

### Capital Plan, 2005/06 – 2007/08

This year's Capital Plan forecasts $1.3 billion in construction and infrastructure projects and programs that are currently underway or planned to begin over the next three years.

Although this year's plan presents a realistic view of our near-term construction outlook, we do not expect that all of the projects included in the three-year plan will be completed, or will be completed in the envisioned timeframe. The projects included in the plan can all be accommodated within the constraints of the General Use Permit, and we are reasonably certain that the debt funding assumptions are realistic. Many of the projects, however, assume substantial amounts of unidentified gift or reserve funding. These projects will only move forward when the stated funding goal is met with gifts or school reserves in hand.

The three-year Capital Plan includes a dozen major projects and numerous infrastructure projects and programs. Most of these projects are multi-year efforts and all are scheduled to be completed by the end of 2008/09. The three-year plan will be funded from $190.9 million in current funds; $706.7 million in gifts ($118.1 million is in hand or pledged, and $588.6 is to be raised); $106.6 million in auxiliary and service center debt; $244.0 million in academic debt; $49.7 million in resources to be identified; and $3.1 million from other sources.

Seven of the eight new buildings planned for the Science, Engineering, and Medical Campus initiative comprise a significant portion of the capital plan. These include Environment and Energy, the School of Engineering Center, a replacement for the Ginzton Laboratory, two Medical School buildings, Astrophysics, and Biology. The cost of these projects is almost $600 million. Another major component of the plan is the Off-Site Campus land acquisition, forecasted at $86 million. The acquisition is currently in a due diligence phase, with the transaction expected to be completed in 2005/06. A final element is housing, with $193 million in anticipated costs reflected in the capital plan. Most notable here are the Munger Graduate Residence and the Manzanita III Hall and Dining project.

At plan completion, incremental annual internal debt service is expected to be $28.1 million, of which $8.7 million will be serviced by auxiliary or service center activities, $7.5 million will be

paid for by unrestricted funds, and $2.3 million will be paid by the formula schools of Business and Medicine. The remaining $9.6 million is related to funding the SEMC projects and will be paid by a combination of unrestricted funds and formula school reserves. Incremental O&M costs are expected to total $17.7 million per year, of which $5.2 million will be paid by unrestricted funds, $9.6 million by the formula schools, and $2.9 million by auxiliaries and service centers.

**Investment in Plant –** An important area of emphasis in this year's capital planning effort was an extensive analysis of Stanford's investment in its physical plant. In the analysis, we attempted to answer three critical questions: 1) Is Stanford investing enough capital to preserve its existing facilities? 2) What is the level of investment required to replace or renovate buildings and infrastructure when they have reached the end of their useful lives? 3) What are the capital requirements for new facilities to be built under the General Use Permit?

A model has been developed that allows a thorough understanding of the investment required in each of these areas. It includes annual financial projections for the next several decades for maintenance, for renovation and replacement, and for new buildings. In the maintenance area, we will continue to allocate funds until the necessary amount is in the base budget—a goal that should be achievable in the next 2-3 years. Funding for renovation and new facilities will require additional debt and fundraising. Various academic and service areas will face different challenges in this regard. For example, the student housing area will have to rely heavily on gifts to fund major renovations and new residences. But overall, funding increases will need to come from school and department reserves, an increase in debt allocations, and a continued emphasis on fundraising. (More detail may be found in Section 3.)

### Capital Budget, 2005/06

The Capital Budget for 2005/06 represents the maximum capital expenditures anticipated for the upcoming year. This amount is $373.3 million and will be reached only if all projects are initiated at their earliest scheduled dates. These expenditures reflect only a portion of the total costs of the capital projects, as most projects have a duration exceeding one year. We categorize the projects in the 2005/06 Capital Budget in two ways:

- By Use: 45% for academic/research facilities; 23% for academic support; 16% for housing; 10% for infrastructure; and 6% for athletics/student activities.
- By Type of Space: 50% for new projects (Munger Graduate Residences, Astrophysics, Stanford Institutes of Medicine #1); 23% for the off-site acquisition, 17% for renovation projects (Old Union), and 10% for infrastructure projects.

The 2005/06 Consolidated Budget for Operations includes incremental internal debt service and operations and maintenance expenses for projects completing in 2005/06 and for projects completed in 2004/05 that were operational for less than twelve months. The projected impact of the additional internal debt service and O&M expenses is $5 million and $1 million, respectively.

## REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a university-level perspective on Stanford's financial and programmatic plans for 2005/06. We seek approval of the planning directions, the principal assumptions, and the high-level supporting budgets contained herein. As the year unfolds, we will make periodic variance reports on the progress of actual revenues and expenses against the budget. In addition, we will bring forward individual capital projects for approval under normal Board of Trustees guidelines.

This document is divided into three sections and two appendices. Section 1 describes the financial elements of the plan, including details on the Consolidated Budget for Operations and the

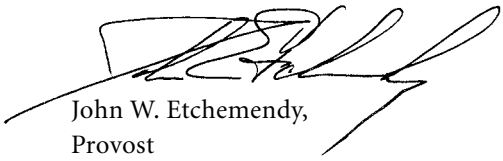
projected Statement of Activities for 2005/06. Section 2 surveys program issues in the academic areas of the university. Section 3 contains details on the Capital Plan for 2005/06 – 2007/08 and the Capital Budget for 2005/06. The Appendices include budgets for the major academic units and supplementary financial information.

## CONCLUSION

Thanks to the improved financial outlook, this year provided a welcome respite following several years of budget retrenchment and restraint. We took this opportunity to address several long-term issues that are crucial to the future health of the institution, though difficult to finance in lean budget years. Principal among these are investments in infrastructure and plant, compliance, administrative systems and support, and development and alumni relations. The budget also allows us to provide competitive salary programs for both faculty and staff, and to pursue many exciting academic initiatives throughout the university. We did not allow budget reductions taken in past years to be reversed, and required a few units to further reduce certain programs. Of $50 million in incremental general funds, we held back slightly more than $10 million as a cushion against future uncertainty.

This budget is the product of many individuals and many hours, from the hardworking budget officers in the schools and administrative units, to the outstanding staff in our central budget and capital planning offices. As always, I could not have made the multitude of decisions required in this process without the help of my two key advisory groups. The University Budget Group this year consisted of Artie Bienenstock, Patty Gumport, Rosemary Knight, Randy Livingston, Kären Nagy, Channing Robertson, Dana Shelley, Bob Simoni, and Buzz Thompson, ably led by Tim Warner, and with stellar analytic contributions from Steve Olson. This group's broad perspective and wise advice are invaluable in developing the General Funds allocations. The university owes them a debt of gratitude for their many hours of hard work. The Capital Planning Group, which develops the capital plan and budget, consisted of Megan Davis, Stephanie Kalfayan, Sandy Louie, Bob Reidy, Craig Tanaka, Bob Tatum, Tim Warner, and Mark Zoback, guided with patience and candy by Margaret Dyer-Chamberlain. The capital planning process is also supported by the Land and Buildings Development Committee (Chris Christofferson, Charles Carter, Jack Cleary, Dave Lenox, Howard Leung, Tim Portwood, and Gary Rotzin) and the CFO's Office (Odile Disch-Bhadkamkar and Randy Livingston). I am grateful for everyone's contribution to both projects.

This year three special efforts deserve particular acknowledgement. First is the work required to implement the revised infrastructure policy. This falls mainly on the Controller's Office and the Budget Office, with Suzanne Calandra and Dana Shelley shouldering most of the burden. The revised infrastructure charge is what has enabled the crucial investment in plant maintenance, campus infrastructure, and institutional compliance achieved in this year's budget. Second is the care and insight that went into the Investment in Plant study. I am convinced that through this study we have developed both data and a methodology that will serve the institution well for many decades to come. Again, many people contributed to this excellent effort, but Megan Davis deserves special thanks for her intelligent guidance of the study. Third is the extraordinary effort and long hours that the staff in Humanities and Sciences, in particular Ellie Fischbacher, Jim Henry, and Kären Nagy, have put into the school's budget plans. I join Dean Long in thanking them for their dedication to the school and university.



John W. Etchemendy,
Provost
June 2005

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# Section 1
# Financial Overview

In this section we will review the details of the 2005/06 Consolidated Budget for Operations, discuss the impact of the Capital Budget on the Consolidated Budget, and present a projected Statement of Activities.

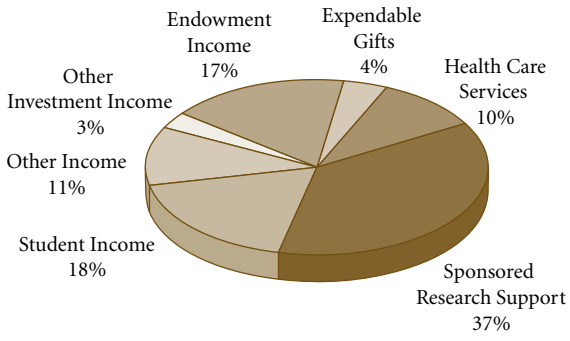
## CONSOLIDATED BUDGET FOR OPERATIONS

The Consolidated Budget for Operations provides a management oriented overview of all non-capital revenues and expenditures for Stanford University in the fiscal year. It is based on forecasts from the schools and the administrative areas. These forecasts are then merged with the general funds budget forecast and adjusted by the University Budget Office for consistency.

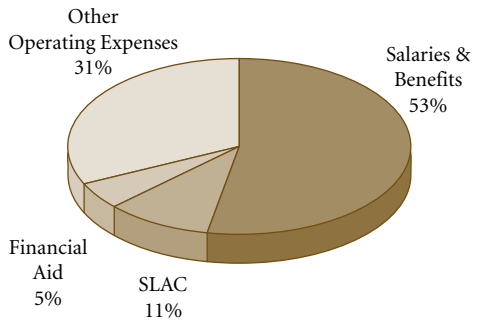
The Consolidated Budget is shown on a modified cash basis and reflects the legal restrictions of fund accounting. Unlike the Statement of Activities in the Annual Report, which is presented in accordance with Generally Accepted Accounting Principles (GAAP), the Consolidated Budget for Operations more closely reflects the uses and movements of funds as managed internally by schools and departments. It reflects capital equipment expenditures (which reduce available fund balances) rather than reflecting only the current year's depreciation charge. Also, it reflects benefits as they are charged through the benefits burden rate rather than as the actual payments to providers outside the university. The Consolidated Budget shows only those revenues and expenses available for current operations. It does not include plant funds, student loan funds, or endowment principal funds, although it does reflect endowment payout. The table on the next page shows the projected consolidated revenues and expenses for 2005/06. For comparison purposes, this table also shows the actual revenues and expenses for 2003/04 and both the budget and the year-end projections for the current fiscal year, 2004/05. In addition, definitions of key terms are provided on page 3.

The 2005/06 Consolidated Budget for Operations shows total revenues of $2,922.4 million and expenses of $2,823.1 million, resulting in excess revenues over expenses of $99.3 million. However, after estimated transfers, primarily to plant funds, the Consolidated Budget shows a surplus of $49.2 million.

**2005/06 Consolidated Revenues: $2,922.4M [1]**




**2005/06 Consolidated Expenses: $2,823.1M**




[1] Net Revenues after Transfers: $2,872.3M

## Consolidated Budget for Operations, 2005/06

[in millions of dollars]

| 2003/04 Actuals | 2004/05 Budget June 2004 | 2004/05 Projected | | General Funds | Designated | Restricted | Grants and Contracts | Auxiliary & Service Center Activities | Total Current Funds |
|---|---|---|---|---|---|---|---|---|---|
| | | | Revenues and Other Additions | | | | | | |
| | | | *Student Income:* | | | | | | |
| 191.7 | 201.7 | 205.4 | Undergraduate Programs | 213.2 | | | | | 213.2 |
| 182.3 | 196.4 | 200.3 | Graduate Programs | 206.3 | | | | | 206.3 |
| 86.5 | 93.3 | 90.8 | Room and Board | | | | | 93.8 | 93.8 |
| 460.5 | 491.4 | 496.5 | Total Student Income | 419.5 | | | | 93.8 | 513.3 |
| | | | *Sponsored Research Support:* | | | | | | |
| 525.5 | 546.1 | 564.0 | Direct Costs–University | | | | 587.7 | | 587.7 |
| 233.8 | 260.0 | 263.0 | Direct Costs–SLAC | | | | 318.0 | | 318.0 |
| 164.2 | 158.7 | 176.0 | Indirect Costs | 180.4 | | | | | 180.4 |
| 923.5 | 964.8 | 1,003.0 | Total Sponsored Research Support | 180.4 | | | 905.7 | | 1,086.1 |
| 243.6 | 274.5 | 256.4 | Health Care Services | 6.7 | 247.9 | | | 40.8 | 295.4 |
| 103.8 | 120.0 | 125.0 | Gifts In Support of Operations | 2.0 | | 128.0 | | | 130.0 |
| | | | *Investment Income:* | | | | | | |
| 400.0 | 424.8 | 443.8 | Endowment Income | 100.2 | | 392.4 | | | 492.6 |
| 77.3 | 81.6 | 86.1 | Other Investment Income | 29.9 | 55.0 | 6.5 | 0.2 | | 91.6 |
| 477.3 | 506.4 | 529.9 | Total Investment Income | 130.1 | 55.0 | 398.9 | 0.2 | | 584.2 |
| 251.1 | 248.0 | 255.8 | Special Program Fees and Other Income | 7.4 | 153.3 | 3.0 | | 99.7 | 263.4 |
| 43.5 | 50.0 | 50.0 | Net Assets Released from Restrictions | | | 50.0 | | | 50.0 |
| **2,503.3** | **2,655.1** | **2,716.6** | **Total Revenues** | **746.1** | **456.2** | **579.9** | **905.9** | **234.3** | **2,922.4** |
| | | | **Expenses** | | | | | | |
| 1,294.1 | 1,361.1 | 1,393.1 | Salaries and Benefits | 450.6 | 309.3 | 226.9 | 318.4 | 169.2 | 1,474.4 |
| 233.8 | 260.0 | 263.0 | SLAC | | | | 318.0 | | 318.0 |
| 128.0 | 141.9 | 135.2 | Financial Aid | 22.4 | 1.3 | 106.1 | 12.2 | | 142.0 |
| 803.9 | 823.8 | 855.4 | Other Operating Expenses | 153.4 | 115.4 | 157.5 | 241.6 | 220.8 | 888.7 |
| **2,459.8** | **2,586.8** | **2,646.7** | **Total Expenses** | **626.4** | **426.0** | **490.5** | **890.2** | **390.0** | **2,823.1** |
| **43.5** | **68.3** | **69.9** | **Revenues less Expenses** | **119.7** | **30.2** | **89.4** | **15.7** | **(155.7)** | **99.3** |
| | | | **Transfers** | | | | | | |
| (43.2) | (61.6) | (65.1) | Transfers to Assets (Plant, Endowment, etc.) | (15.4) | (34.6) | (13.0) | | (2.1) | (65.1) |
| 20.4 | | 15.0 | Net Internal Revenue / Expense | (77.9) | (12.6) | (18.4) | (12.8) | 136.7 | 15.0 |
| 13.9 | | 22.5 | Other Transfers | (15.8) | 23.4 | (23.1) | (2.9) | 18.4 | |
| **(8.9)** | **(61.6)** | **(27.6)** | **Total Transfers** | **(109.1)** | **(23.8)** | **(54.5)** | **(15.7)** | **153.0** | **(50.1)** |
| **34.6** | **6.7** | **42.3** | **Revenues less Expenses and Transfers** | **10.6** | **6.4** | **34.9** | | **(2.7)** | **49.2** |
| | | | **Beginning Operating Equity** | 9.9 | 387.6 | 572.0 | (0.2) | 0.6 | 969.9 |
| | | | **Ending Operating Equity** | 20.5 | 394.0 | 606.9 | (0.2) | (2.1) | 1,019.1 |

Total revenues in 2005/06 are projected to increase 7.6% over the expected 2004/05 levels, somewhat slower than the 8.5% expected growth rate for the 2004/05 levels over the 2003/04 actuals. The revenue growth in 2005/06 is once again aided by strong growth in endowment income, health care services, and SLAC. Total expenses are expected to grow by 6.7% over the estimated year-end results for 2004/05. The increase is driven by salaries and benefits and a 20.9% growth in SLAC.

To explain the different dimensions of the Stanford budget, in the following sections we will review the Consolidated Budget from three perspectives:

- By principal revenue and expense categories;
- By type of funding source (e.g., general funds, restricted funds); and
- By organizational unit.

## The Consolidated Budget by Principal Revenue and Expense Categories

### Revenues

#### *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. Overall, student income is expected to increase by 3.4% in 2005/06.

**Tuition** – The general tuition rate increase for 2005/06, which was approved by the Trustees in February, is 4.5%, the same rate of increase as approved for 2004/05. This increase applies to the undergraduate tuition rate, the general graduate rate, and the full-time tuition rates for graduate students in the schools of Engineering and Law. The School of Medicine will increase its tuition by 5.45%, and the Graduate School of Business (GSB) will increase the rate for second year MBAs by 5.8% and for first year MBAs by 8.8%. The GSB will move to a new tuition structure in which entering MBA students will pay the same tuition in each of their two years starting with the class entering in the fall of 2005. This change was requested by MBA students and is similar to the practice at Harvard. Even with these increases, the tuition rate at the GSB is expected to remain slightly below the highest priced MBA program.

Tuition revenue from undergraduate programs is expected to grow 3.8%, somewhat less than the approved increase in tuition due to an expected overall reduction in undergraduate and co-term enrollment of nearly 50 students. Similarly, graduate program revenue is expected to increase by only 3.0%, which

**KEY TERMS**

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

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

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

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

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

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

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

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

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

is substantially lower than the approved tuition rate increase, again due to a planned reduction in enrollment of nearly 150 students in H&S and the School of Engineering. These decreases follow several years of enrollment creep and reflect the schools' plans for managing the costs of graduate students.

**Room and Board –** In February, the Trustees approved a combined room and board rate increase of 4.5% for 2005/06. The room rate will increase by 5.3% and the board rate by 3.7%. The 2005/06 recommended increases in room and board rates were developed under the following Residential & Dining Enterprises (R&DE) guiding principles and operational goals: to sustain operations with a reserve-to-expense ratio of at least 2.0%; to continue to build an asset renewal/preservation program that will annually fund building infrastructure projects and improvements; to complete life safety and seismic projects as part of the ongoing capital improvement program; to rigorously manage debt obligations; and to ensure that students receive extraordinary services that are provided in a fiscally responsible manner. Overall room and board revenue will grow by only 3.3%, despite the larger approved increase in room and board rates. This is due primarily to a reduction in revenue associated with off-campus subsidies for graduate student housing as the need for these subsidies has decreased.

***Sponsored Research Support and Indirect Cost Recovery***

The budget for total sponsored research support is expected to be $1,086.1 million in 2005/06, or 37% of the total revenues projected in the Consolidated Budget for Operations. Included in this figure are the direct costs of externally supported grants and contracts ($587.7 million for university research and $318.0 million for SLAC), as well as reimbursement for the indirect costs ($180.4 million) incurred by the university in support of sponsored activities.

University direct costs are expected to grow 4.2% in 2005/06 following strong projected growth of 7.3% in the current year. Despite limited growth in federal funding, we expect that Stanford faculty will continue to compete favorably for available research dollars from both the federal government and other sponsoring agencies.

Total direct costs for SLAC are expected to increase from $263 million in 2004/05 to $318 million in 2005/06. Funding from the Department of Energy (DOE), which still provides most of the funding for SLAC, is expected to increase from $255 million in the current year to $305 million in 2005/06, including $86 million for the construction of the Linac Coherent Light Source (LCLS) project, which will become operational in 2008/09. LCLS will be the world's first x-ray free electron laser. Since the inception of SLAC, funding for the operation of the SLAC linear accelerator has been the responsibility of the DOE Office of High Energy Physics. In preparation for the operation of the LCLS in 2009, the DOE Office of Basic Energy Sciences will be providing partial funding for the operation of the linear accelerator, marking the beginning of a multi-year transition of programmatic ownership for the SLAC linear accelerator operations from the Office of High Energy Physics to the Office of Basic Energy Sciences.

The negotiated predetermined indirect cost rate will decrease from 57% in the current year to 56% in 2005/06. Even so, we expect a modest increase in indirect cost recovery due to the increase in the research base and the number of contracts that will continue into next year with the current rate.

***Health Care Services***

Health Care Services income is budgeted to be $295.4 million in 2005/06, a 15.2% increase over the projection for 2004/05. It includes $224.0 million paid to the Medical School by Stanford Hospital and Clinics and Lucile Packard Children's Hospital related to physician services of its faculty, a 16.4% increase over the expected 2004/05 level. It also includes revenue of $21.5 million by the Blood Center. Other components include $7.4 million of hospital payments to the Medical School for rent, use of the library, and research support. The hospitals also pay the university for a number of university provided services, including communications services, legal services, operations and maintenance, and utilities, totaling $42.5 million.

***Expendable Gifts***

Expendable gift income is expected to total $130 million in 2005/06. Expendable gifts are those that are immediately available for purposes specified by the donor. They do not include gifts to endowment principal, gifts for capital projects, gifts pending designation, or non-government grants. The estimate for 2005/06 represents modest growth in new expendable gifts and would result in the university's highest expendable gift totals ever.

*Investment Income*

Endowment Income – Endowment payout to operations in 2005/06 is expected to be $492.6 million, an 11.0% increase over 2004/05. The merged endowment pool has enjoyed a second consecutive year of strong growth in its market value and is the driver for the increase in endowment payout.

The estimate of payout from the merged endowment pool is a product of a forecast of the endowment market value during the coming budget year and a 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 current year's payout rate and the target rate. The smoothed payout rate trends up when the market declines and down when the market value increases. The target payout rate is 5.0%, and the smoothed payout rate projected for 2005/06 is 4.44%.

Total endowment income includes payout from funds invested in the merged endowment pool as well as specifically invested endowments and rental income from the Stanford Research Park and other endowed lands. Total endowment income is also impacted by new gifts to endowment. In 1999/00, Stanford received a record $242 million in gifts to endowment principal. Gifts to endowment are expected to be $233 million in the current year and reach a new high of $290 million in 2005/06.

Of the total endowment income, $100.2 million, or 20.3%, is unrestricted. The unrestricted endowment income includes payout from unrestricted endowment funds and most of the income generated from Stanford endowed lands. This unrestricted portion is expected to increase 5.9% over the 2004/05 amount, somewhat slower than the growth expected in total endowment income. Investments in the Research Park call for the use of $17 million of unrestricted endowment principal funds, which will reduce next year's payout. Moreover, turnover and lower rents will keep total revenue from Stanford lands nearly flat.

Other Investment Income – Other investment income consists of four main sources of income: the payout on the expendable funds pool (EFP), income earned on unexpended endowment payout, income on the Stanford Housing Assistance Center portfolio, and investment income supporting the Stanford Management Company. The largest of these sources is the EFP, the investment pool for non-endowment funds. The EFP comprises the university's general operating funds, non-government grants, expendable gifts, and designated funds belonging to various schools and departments, as well as student loan funds, plant funds, and other short-term funds. This pool of funds represents a significant component of university investment capital, with a current average fund balance of approximately $1.2 billion. The EFP is invested approximately 87.5% in the merged endowment pool and 12.5% in money market instruments. An additional $190 million in unspent endowment payout, formerly invested in the EFP and now segregated in the endowment income funds pool (EIFP), is invested entirely in money market instruments.

Total other investment income is budgeted to increase 6.4% to $91.6 million in 2005/06. The amount from the EFP and the newly segregated EIFP is projected to increase 9.0% in 2005/06 as a result of a 2.0% assumed increase in the size of the pools as well as a 20% increase in the expected money market rate of return on the EIFP. Income on the Stanford Housing Assistance Center portfolio and investment income supporting the Stanford Management Company are projected to increase by an inflationary amount.

*Special Program Fees and Other Income*

This category includes the revenues from several different types of activities, such as technology licensing income, conference and symposium revenues, fees from the executive education programs in the Graduate School of Business and the Stanford Center for Professional Development, fees from travel/study programs, and revenues from corporate affiliates, mostly in the schools of Earth Sciences and Engineering.

Another major component of this category is the revenue from auxiliary activities, excluding student room and board fees. This includes revenues from conference activity, concessions, rent, and other operating income in R&DE, athletic event ticket sales and television income, HighWire Press, the University Press, Stanford West Apartments, and several other smaller auxiliaries.

Total special program fees and other income are budgeted at $263.4 million in 2005/06, an inflationary increase of 3.0% over the expected level in 2004/05.

*Net Assets Released from Restrictions*

This represents funds previously classified as temporarily restricted that will become available for spending as specific donor restrictions are satisfied. These include cash payments on pledges and pending gifts whose designation has been determined. In 2005/06, we anticipate that schools and departments will be able to use $50 million of gifts received in previous years that had been classified as temporarily restricted. Until temporarily restricted funds are released from restrictions, they are not included in the Consolidated Budget for Operations.

## Expenses

*Salaries and Benefits*

Total salaries and benefits are budgeted to be $1,474.4 million in 2005/06, a 5.8% increase over the projected amount for 2004/05. Included in this total are academic, staff, and bargaining unit salaries, as well as fringe benefits, tuition benefits for research and teaching assistants, and other non-salary compensation such as bonuses and incentive pay.

Salaries – The 2005/06 Budget Plan includes a competitive merit salary program for faculty and staff. The program also provides special market adjustment funding for those faculty and staff groups that are below their relevant markets. 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. For staff, the salary program is designed to target salaries in the mid-range of the local employment market.

The recommendation for faculty salary increases is based on a review of data supporting particular recommendations from each school, internal comparisons, comparisons with peer institutions using data that is publicly available, and consideration of available resources. Based on this analysis, the general salary program increase in 2005/06 for faculty salaries is 3.5%. Added to this will be targeted increases to address equity and retention issues. Total academic salary expenditures, which include faculty, clinical educators, lecturers, graduate research and teaching assistants, and other academic salaries, are projected to grow by 5.5% in 2005/06, driven by the base faculty salary program, the special market adjustment funding, and modest headcount growth.

Staff salary expenditures are expected to increase by 6.5% as a result of our merit program and an increase in headcount comparable to that of the past several years. As in previous years, the approved staff salary program takes into consideration the financial condition of the university as well as the current labor market status. The approved salary program for 2005/06 is expected to allow the university to maintain its desired position in the local market. The program authorizes base merit increases, targeted funding for specific job groups that lag the market by 10% or more, and non-base performance bonus/incentive programs equal to 1.5% of each unit's approved salary base. Taken together, the 2005/06 authorizations for central and local funding offer management substantial flexibility to reward top performers, to recognize differences in individual performance, and to address the documented cases where pay for specific jobs lags the overall market.

Fringe Benefits – After several years of substantial increases, the fringe benefits rate for regular benefits-eligible employees, which covers most university employees and comprises most of Stanford's benefits costs, will remain unchanged at 30.5% in 2005/06. The rates for post-doctoral affiliates and contingent employees will decline. The rate for graduate research and teaching assistants will increase, due to the rising cost of Cardinal Care health insurance.

The rising cost of health care continues to exert upward pressure on the regular benefits-eligible rate, with health insurance for active employees increasing by 0.6 points and provisions for retiree health insurance increasing by 0.3 points. However, in 2005/06, unlike the past few years, reductions in the rate due to other programs will offset those increases. The largest single decrease is in Stanford's defined-benefit retirement plan, which will not require any funding from the university in the coming year, thereby reducing the regular benefits-eligible rate by 0.4 points. Reductions in Workers' Compensation, Long-Term Disability, and post-employment insurance (the cost of providing health and life insurance to former employees who have terminated on Long-Term Disability) also contribute to decreases in the rate.

Despite the recent announcement of an upcoming change in Stanford's contribution for future retirees' health insurance, there will be an increase in retirement medical costs. Because all current retirees, all active employees eligible to retire as of January 1, 2006, and all employees age 55 or over and eligible to retire within five years of that date will be grandfathered into the current plan, the future savings of the new plan will

not be evident for several years. This is especially true since Stanford funds the trust for retirement medical costs on a terminal funding basis, meaning that the university provides funds for future insurance premiums as employees actually retire. Until non-grandfathered employees begin to retire, the liability, and therefore the cost of funding that liability, will continue to grow.

The under-recovery of costs from prior years remains a major component of cost in the regular benefits-eligible rate for 2005/06. Normally, the rate for 2005/06 would include only the under- or over-recovery from 2003/04. However, costs in both 2001/02 and 2002/03 were so substantially under-recovered (by about $40 million in the two years together) that those carry-forwards are being spread over three years. The 2005/06 rate will include the last third of the 2001/02 under-recovery, the second third of the under-recovery from 2002/03, and all of the $2.5 million under-recovery from 2003/04. While the total carry-forward in the regular benefits-eligible rate will increase in dollar terms, it will add only 0.1 point to the rate due to increases in the salary and wage base.

The benefits rate for post-doctoral research affiliates will decline in the coming year, from 19.1% to 18.4%, in spite of the fact that health insurance costs are increasing for post-docs just as they are for regular employees. The decrease is due, in part, to more moderate workers' compensation costs, but mainly because of a small over-recovery carry-forward from 2003/04, in contrast to the under-recovery carry-forward in the 2004/05 rate. The rate for contingent (casual or temporary) employees will decline from 8.9% to 8.5%, also due to an over-recovery carry-forward from 2003/04.

The rate for graduate teaching and research assistants (RAs and TAs) will increase from 3.4% to 3.7%. This rate will continue to fund half the cost of Cardinal Care health insurance for RAs and TAs with appointments of 25% or more, with a smaller contribution for appointments between 10% and 25%. The cost of Cardinal Care, like other health care, will experience a double-digit increase in the coming year. Other student salaries, such as pay for part-time clerical work during the school year, are not charged for benefits, nor are the students holding those jobs eligible for the university contribution toward their Cardinal Care premium.

Total costs in the benefits pool are budgeted to increase 7.5% from negotiated 2004/05 costs and 5.6% from projected year-end costs.

The negotiated 2004/05 and the provisional 2005/06 fringe benefits rates are as follows:

**Fringe Benefits Rates**

| | 2004/05 Negotiated Budget | 2005/06 Provisional Rates |
|---|---|---|
| Regular Benefits-Eligible Employees | 30.5% | 30.5% |
| Postdoctoral Research Affiliates | 19.1% | 18.4% |
| Casual/Temporary Employees | 8.9% | 8.5% |
| Graduate RAs and TAs | 3.4% | 3.7% |
| Other Students | 0.0% | 0.0% |
| Average Blended Rate | 27.6% | 27.7% |
| Tuition Grant Program Recovery Rate | 1.20% | 1.45% |

The Tuition Grant Program (TGP) rate is charged separately against regular benefits-eligible salaries only. In order to comply with federal government rules, all federal government sponsored accounts are exempted from the TGP charge. Academic service centers also are exempted. The TGP rate will increase from 1.20% in 2004/05 to 1.45% in 2005/06, as the overall costs of tuition grants have outpaced the growth in Stanford's salary base.

### *Financial Aid*

Stanford expects to spend a total of $142.0 million on student financial aid for undergraduate and graduate students, $22.4 million of which will come from general funds. As the table on the next page indicates, designated and restricted funds ($107.4 million) and grants and contracts ($12.2 million) will support the remainder. The total financial aid numbers are 5.1% above the projected total for 2004/05. This increase is consistent with the increases in tuition rates for both undergraduate and graduate students.

**Undergraduate Aid** – This Budget Plan reflects Stanford's long-held commitment to need-blind admissions supported by a financial aid program that meets the demonstrated financial need of all admitted undergraduate students. We estimate that in 2005/06, Stanford students will receive $73.1 million in need-based scholarships, of which $59.8 million will be from Stanford resources. The remaining $13.3 million will come from government and outside awards. The following sources support Stanford's $59.8 million commitment:

## 2005/06 Financial Aid and Other Graduate Student Support from Stanford Resources[1]

[in millions of dollars]

| 2004/05 Projected | | General Funds | Designated and Restricted | Grants & Contracts | Total |
|---|---|---|---|---|---|
| | Student Financial Aid | | | | |
| 57.2 | Undergraduate | 12.8 | 47.0 | | 59.8 |
| 13.8 | Undergraduate Athletic | | 15.1 | | 15.1 |
| 64.2 | Graduate | 9.6 | 45.3 | 12.2 | 67.1 |
| 135.2 | Total | 22.4 | 107.4 | 12.2 | 142.0 |
| | Other Graduate Student Support | | | | |
| 70.3 | Stipends | 7.7 | 37.9 | 27.3 | 72.9 |
| 54.3 | Tuition Allowance | 31.1 | 7.4 | 18.3 | 56.8 |
| 65.7 | RA and TA Salaries | 7.1 | 27.0 | 34.0 | 68.1 |
| 190.3 | Total | 45.9 | 72.3 | 79.6 | 197.8 |
| 325.5 | Total Student Support | 68.3 | 179.7 | 91.8 | 339.8 |

[1]Excludes postdoctoral salaries

- General funds will cover $12.8 million, a welcome decrease of 9.2% over 2004/05 and the lowest level of general funds support since 2001/02. This decrease is significant and represents the anticipated impact of the Campaign for Undergraduate Education (CUE) as well as a modest expected decrease in the total number of students who will receive need-based scholarship aid. The number of students on aid has declined slightly from our high of 2,896 in 2003/04 to a projection of 2,830 in 2005/06. Although significantly higher than we saw in the late 1990s, the number appears to have leveled off.
- Restricted income will provide $37.4 million, and
- The Stanford Fund will provide $9.6 million.

Stanford restricted funding, including endowment income and the Stanford Fund, will contribute a little more than 64% of the total need-based scholarship budget, up from a low of 60% in 2003/04, but down from the high of 71% in 2000/01. The upward trend reflects the successful conclusion of CUE, and should remain at this level barring increased demand for financial aid funds.

One area of concern is that federal and state sources of undergraduate assistance are continuing to decline in relation to our costs. State grants are expected to drop 8% over 2004/05 funding due to decreases in new awards for the second year in a row. Federal authorization levels have remained constant, and changes to the formula for calculating federal aid eligibility will mean a slight decrease in Pell Grant funding.

Athletic scholarships, which are not need-based, will be awarded to undergraduate students in the amount of $15.1 million, an increase that reflects the cost of tuition and seven new scholarships.

The table on the next page shows the detail of undergraduate need-based scholarship aid. Schedules 6 and 7 in Appendix B provide supplemental information on undergraduate financial aid.

**Graduate Aid** – Stanford provides several kinds of financial support to graduate students expected to total $264.9 million in 2005/06. As the table above indicates, this includes the tuition component of fellowships in the amount of $67.1 million, which is reflected in the Student Financial Aid line of the Consolidated Budget. It also includes funding, not shown in the Student Financial Aid line of the budget, for stipends, tuition allowance, and RA and TA salaries of $197.8 million. Consistent with the presentation of Stanford's financial statements, tuition allowance (tuition benefits for RAs and TAs) and RA and TA salary expenses are in the Salaries and Benefits line, and the stipend amount is in the Other Operating Expenses line of the Consolidated Budget for Operations on page 2.

## Financial Aid Awarded to Undergraduates Who Receive Need-Based Scholarship Aid

[in millions of dollars]

| Source of Aid | 2000/01 Actuals | 2001/02 Actuals | 2002/03 Actuals | 2003/04 Actuals | 2004/05 Projected | 2005/06 Budget |
|---|---|---|---|---|---|---|
| Restricted | 25.9 | 26.4 | 29.2 | 30.6 | 33.7 | 37.4 |
| Stanford Fund/Presidential Funds | 11.5 | 9.3 | 9.5 | 10.9 | 9.4 | 9.6 |
| General Funds | 4.6 | 10.3 | 13.6 | 13.8 | 14.1 | 12.8 |
| Subtotal Stanford Funded Scholarship Aid | 42.0 | 46.0 | 52.3 | 55.3 | 57.2 | 59.8 |
| Government and Outside Awards | 10.6 | 12.3 | 12.4 | 14.0 | 13.7 | 13.3 |
| Total Undergraduate Scholarship Aid | 52.6 | 58.3 | 64.7 | 69.3 | 70.9 | 73.1 |
| General Funds as a Share of Total Aid | 9% | 18% | 21% | 20% | 20% | 18% |
| General Funds and Stanford Fund as a Share of Total Aid | 31% | 34% | 36% | 36% | 33% | 31% |
| Endowment Funds as a Share of Total Aid | 49% | 45% | 45% | 44% | 48% | 51% |
| Number of Students | 2,516 | 2,663 | 2,803 | 2,896 | 2,860 | 2,830 |
| Restricted and Stanford Fund/Presidential Funds | 71.1% | 61.2% | 59.9% | 59.8% | 60.8% | 64.3% |

The minimum rate for RA and TA salaries and stipends will increase by 3.7% in 2005/06; tuition allowance expense is expected to increase by 4.5%, the rate of increase for general graduate tuition.

### *Other Operating Expenses*

This expense category includes all non-salary expenditures in the Consolidated Budget for Operations except financial aid, which is detailed separately above. These budget expenditures make up nearly one-third of the total expenses of the Consolidated Budget and are projected to increase by 3.9% to $888.7 million in 2005/06. The principal components include materials and supplies ($137 million), administrative and professional services ($122 million), maintenance and utilities for campus buildings ($136 million), internal debt service ($117 million), research subcontracts ($83 million), equipment purchases ($56 million), student stipends ($73 million), and travel ($34 million).

**Utilities and Maintenance** – The total cost of utilities is expected to increase slightly from $57 million in 2004/05 to $59 million in 2005/06, moderated by the stability of purchased utility prices. The price of natural gas is no longer expected to spike sharply, and the budget is based on the assumption that the price will increase by only 1% over current costs. Purchased electricity prices have come down slightly in the current year and are expected to remain unchanged into 2005/06. Domestic water prices from Hetch Hetchy are expected to be flat for 2005/06, but the lake water prices are projected to increase 7% over the current costs due to the Santa Clara Valley Water District well tax. Sewer expenses from the City of Palo Alto are projected to increase 23% as they incorporate capital and system improvements into their rates. Overall utility consumption is expected to increase modestly with few new structures coming on line in 2005/06.

Maintenance and repair costs are budgeted at $77 million in 2005/06, a 9.3% increase over the current year's level. The facilities operations group within Land and Buildings provides building maintenance and repair services to nearly 60% of the campus. The School of Medicine contracts with the hospital for these services. R&DE provides the services internally. Next year's budget includes the second year in which we have added incremental funding for planned maintenance as part of a deliberate strategy to increase funding for this purpose by $6 million over the next few years. The first increment added $1 million in 2004/05 to the existing $8 million budget. In 2005/06, we furthered the effort with an incremental $2 million funded by general funds. Increases in custodial costs are also included in the 2005/06 budget resulting from a new contract that replaces one that expires at the end of 2004/05. Additions include two leased off-campus labs for the School of Medicine and incremental maintenance

costs for the Astrophysics building and the Bakewell renovation.

**Debt Service** – The 2005/06 internal debt service is projected to be $117.5 million, a $5.0 million increase over 2004/05. The university borrows funds from capital markets and uses the proceeds to fund capital projects and programs. These projects and programs are required to repay the principal and premium, if any, plus interest over the estimated useful life of the asset. These payments are known as internal debt service. The rate charged to projects is calculated annually as a blended interest rate covering all interest expense and bond issuance costs. The projected blended rate for 2005/06 is 5.74%.

### Transfers

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

- Transfers to Assets (Plant, Endowment, etc): This line includes transfers of expendable funds to both plant funds and student loan funds. It also includes the net of transfers from designated and restricted funds to funds functioning as endowment (FFE) and withdrawals from these endowment reserves. Of the total, $48.1 million is budgeted to be transferred to plant funds to be used for capital projects. We expect $15.7 million will be invested in funds functioning as endowment and an additional $1.3 million will move to the student loan division.
- Net Internal Revenue/Expense: Internal revenue and internal expense are generated from those charges that are made between departments within the university for services provided through charge-out mechanisms. Communication services provided by ITSS to university departments is one example of internal revenue and expense. Another is the charge that the Department of Project Management, the group that manages construction projects on campus, allocates to capital projects that use their services. These charges contribute to the revenue and expense of individual departments and fund types but, ultimately, are netted against each other in the presentation of the Consolidated Budget to avoid double counting. There is, however, a net $15 million of internal revenue flowing into the Consolidated Budget, primarily from capital plant funds, which are outside the Consolidated Budget, into service centers and other funds within the Consolidated Budget.
- Other Transfers: These are transfers between fund types within the Consolidated Budget for Operations. They include the transfer of Stanford lands rental income to the housing reserve and to R&DE to support faculty and graduate housing subsidies, the transfer of general funds revenue to support programs in the Alumni Association and Athletics, and other similar transfers. Because these transfers are made between fund types within the Consolidated Budget for Operations, the net is zero. However, this line also includes the academic grants that Stanford Hospital and Clinics (SHC) transferred to the School of Medicine to support the clinics in 2003/04 and 2004/05. The grants are reflected as a transfer of equity. In 2004/05 the amount is expected to be $22.5 million. The new professional services agreement under development between the School of Medicine and SHC is expected to eliminate the need for this transfer in the future.

## The Consolidated Budget by Fund Type

### General Funds

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 student tuition, indirect cost recovery from sponsored activity, unrestricted endowment income, and income from the expendable funds pool. Every unit receives general funds, which support both academic and administrative functions. Total general funds revenue is projected to be $746.1 million in 2005/06.

#### *Non-formula General Funds Allocation Process*

Two policy changes have impacted 2005/06 general funds revenues and allocations. First, under a new policy approved by the Board of Trustees, the infrastructure charge will be applied much more broadly to university designated and restricted funds, most of which reside within the schools. Also, the rate will increase from 6% to 8%, with the incremental 2% remaining locally as operating budget relief for the schools and departments. The new infrastructure policy will result in several million dollars of restricted funds being converted to unrestricted funds, which will be used to offset the facilities and administrative overhead costs associated with the activities funded by those restricted funds. Funds from the infrastructure charge flow into general funds as internal revenue in the transfer section of the Consolidated Budget.

## Summary of 2005/06 General Funds Reductions and Additions (Excludes Formula Units)

[in thousands of dollars]

| | Total 2004/05 GF Allocation | Price & Salary Inflation | Reductions | Additions | Total 2005/06 GF Allocation | 2004/05 to 2005/06 % Change |
|---|---|---|---|---|---|---|
| School of Earth Sciences | 3,301 | 162 | | 440 | 3,903 | 18.2% |
| School of Education | 9,776 | 477 | | 268 | 10,521 | 7.6% |
| School of Engineering | 42,857 | 1,916 | | 1,557 | 46,330 | 8.1% |
| School of Humanities & Sciences | 106,445 | 5,144 | | 3,974 | 115,563 | 8.6% |
| School of Law | 12,915 | 533 | | 724 | 14,172 | 9.7% |
| Undergraduate Education | 11,382 | 441 | | 205 | 12,028 | 5.7% |
| Dean of Research | 23,885 | 1,070 | | 1,481 | 26,436 | 10.7% |
| Stanford University Libraries | 37,123 | 1,241 | | 1,000 | 39,364 | 6.0% |
| Total – Academic | 247,684 | 10,984 | | 9,649 | 268,317 | 8.3% |
| Office of Admission and Financial Aid | 6,954 | 262 | | 389 | 7,605 | 9.4% |
| Student Affairs | 17,496 | 693 | 95 | 338 | 18,432 | 5.3% |
| Office of the President & Provost | 10,928 | 426 | | 664 | 12,018 | 10.0% |
| Vice President for Public Affairs | 4,896 | 168 | | 353 | 5,417 | 10.6% |
| Business Affairs[1] | 40,802 | 1,486 | 537 | 2,810 | 44,561 | 9.2% |
| ITSS | 43,315 | 1,202 | 200 | 3,402 | 47,719 | 10.2% |
| Development and Alumni Association | 21,917 | 816 | | 4,610 | 27,343 | 24.8% |
| Land & Buildings[2] | 36,731 | 1,036 | | 535 | 38,302 | 4.3% |
| Other Administrative Units[3] | 10,202 | 184 | 75 | 743 | 11,054 | 8.4% |
| Total – Administrative | 193,241 | 6,273 | 907 | 13,844 | 212,451 | 9.9% |
| Undergraduate Scholarship Aid | 18,014 | (5,199) | | | 12,815 | (28.9%) |
| Incremental O&M and Utilities | | | | 3,042 | 3,042 | |
| Debt Service | 26,787 | | | 2,191 | 28,978 | 8.2% |
| Central Obligations[4] | 76,403 | 106 | | 350 | 76,859 | 0.6% |
| Unallocated Surplus | | | | 10,600 | 10,600 | |
| Total – Other | 121,204 | (5,093) | | 16,183 | 132,294 | 9.1% |
| Total Non-Formula Units | 562,129 | 12,164 | 907 | 39,676 | 613,062 | 9.1% |

Notes:

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

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

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

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

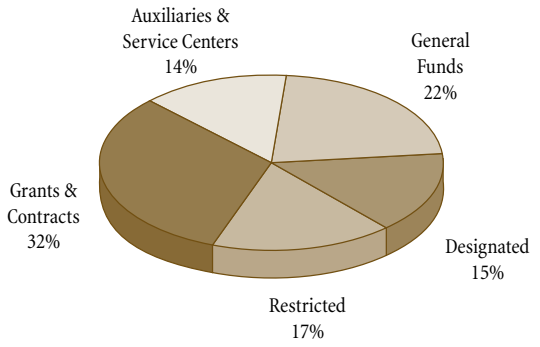
The other policy change involves the methodology by which general funds allocations to non-formula units are calculated. The impact of this change is that, during strong endowment growth years such as 2005/06, the units will now enjoy the full increase in payout rather than having some of that increase offset by a reduction in general funds. Under this new policy, non-formula units will receive over $5 million more in general funds allocations than they would have under the prior policy.

The 2005/06 budget process began with a moderate surplus in the general funds forecast, which was a sharp contrast to that of the prior three years when the university faced significant general funds shortfalls from the outset. General funds allocations controlled by the Provost are expected to grow by $51 million from 2004/05 to 2005/06. In spite of this steep growth in general funds, the university still faced the challenge of funding millions of dollars in pressing infrastructure projects – some of which were deferred during the lean budgets of recent years – as well as providing additional funding in support of vital academic initiatives.

In order to provide added flexibility during the budget allocation process (buffering against a possible downturn in the general funds revenue projection) and also to practice continued fiscal diligence, the Provost asked the administrative units to submit proposals for general funds cuts up to 2.5% of their total base allocation. For these units, this was the fourth consecutive year that they were asked to provide cut recommendations. In contrast, the academic units, which faced funding reductions of their own with the new infrastructure charge policy, were asked instead to provide a detailed assessment of the financial impact of that change on their unit and, if appropriate, submit a general funds mitigation request.

Throughout the winter, each budget unit met individually with the Budget Group, which comprises representatives from both faculty and administration, to discuss strategic plans, fund balances, and financial reports. In addition, the units presented numerous requests for incremental general funds for new programs and initiatives. As the budget process progressed, the general funds outlook continued to improve, so much so that the Provost was able to refuse all but a handful of budget cuts from the administrative units, as well as provide significant infrastructure charge mitigation funding for the academic units. Moreover, the university was able to fund over $19 million of new programs (out of a total request of $38 million), on top of the $9.5 million of increments committed in prior years.

**2005/06 Consolidated Expenses by Fund Type**




Highlights of these incremental allocations are as follows:

***Academic Units***

For 2005/06, the academic units will receive about $10 million in incremental general funds for new programs, initiatives, and other needs, including:

- $1.6 million in infrastructure charge mitigation,
- $1.4 million for research compliance support,
- $1.5 million for academic salaries above the general merit program, including funding one new Bioengineering billet,
- $1.0 million for library materials and projects, and
- $2.0 million for general support of the School of Humanities and Sciences.

Funds were also allocated in support of the Law School clinics, the Elementary Teacher Education Program, and the Division of Literatures, Cultures, and Languages, as well as dozens of other academic functions.

***Business Affairs and Systems***

A total of $6.2 million was allocated to Business Affairs and ITSS to support a broad array of core administrative needs. Included in this total is $2.5 million to provide staffing relief to the Controller's Office and the Office of Research Administration. These departments provide critical administrative services to the entire university, but have been stretched thin over the past five years as their headcount growth has significantly lagged that of the rest of the university.

Most of the remaining funds were allocated to support the production and maintenance of Stanford's new suite of administrative systems. This includes funding for projects, upgrades, enhancements, ongoing maintenance, and support.

*Facilities Related*

Land and Buildings was allocated $2 million for planned maintenance for academic buildings and infrastructure. A recent Investment in Plant analysis, discussed in Section 3, identified a $6 million shortfall in planned maintenance funding. This incremental $2 million follows a $1 million increment last year and is part of a multi-year effort to bring base funding to the level necessary to sustain Stanford's physical plant. Another $1.7 million supports additional custodial staffing, preventive maintenance, and incremental O&M and utilities for new buildings.

*Development and Alumni Association*

A total of $4.6 million was allocated to the Office of Development and the Alumni Association to support the following:

- New programs in preparation for the new campaign ($2 million),
- Centralization of stewardship and annual giving ($1.25 million), and
- The final year of a multi-year base build-up for Development ($750,000) and the Alumni Association ($610,000).

**Designated Funds**

Designated income comes into the university as unrestricted, but is directed to particular units for specific purposes by management agreement. The main sources of designated income are special program fees such as technology licensing income, corporate affiliates payments, and executive education programs; payments from the hospitals to the departments in the Medical School through the clinical practice; and other investment income, including income generated by the Stanford housing portfolio and investment income supporting the Stanford Management Company. Also included in designated funds are most activities of the Stanford Alumni Association, including all of the income and expenses associated with the travel/study programs. Other designated funds include funds set aside for university-sponsored research and cost sharing. Schools, departments, programs, and individual faculty members control the majority of the funds in these budgets, but the university manages some of these designated funds as reserves, such as self-insurance reserves.

Total designated income is expected to be $456.2 million in 2005/06, an increase of 9.4% over the 2004/05 year-end projection. This growth is fueled by a 16.4% projected growth in designated clinical revenue paid by the hospitals to the School of Medicine for physician services. The remaining designated funds are expected to grow about 3.3%. Additionally, we are projecting that $23.4 million, primarily general funds and endowment income, will be transferred into designated funds.

Total expenses charged to designated funds are budgeted to be $426.0 million. An additional $34.6 million of designated funds, primarily existing fund balances, is expected to be transferred to funds functioning as endowment and to cover plant projects. Lastly, $12.6 million of designated funds will be used to cover net internal expenses, yielding a small surplus of $6.4 million in this fund type.

**Restricted Funds**

The restricted funds budget represents income, expenditures, and transfers for both restricted expendable funds and restricted endowment income funds. Together, revenue from these sources is projected to be $579.9 million in 2005/06. Of this total, $392.4 million is from endowment income and the remaining $187.5 million is from expendable gifts, payments on prior-year pledges, and expendable funds pool payout on restricted fund balances. $490.5 million is budgeted to be spent from restricted funds for a variety of activities, including endowed professorships, fellowships, and general expense supporting research and teaching. $106.1 million of this amount will be used to cover financial aid. An additional $54.5 million in restricted funds is expected to be transferred to other fund types, including plant, endowment principal, and designated funds. Total restricted revenues less expenses and transfers net a projected surplus of $34.9 million, most of which will be added to the fund balances in the schools.

The schools, which control nearly two-thirds of the university's total expendable (designated and restricted) fund balances, have historically generated more restricted revenue than can be spent in a given year, resulting in growth in fund balances. Some of the annual revenue is not used because the terms of the funds are so restrictive as to preclude its use. Efforts continue to review and possibly ease the restrictiveness of some funds as well as to split some large endowed

chair funds, which generate much more income than is required to cover a single faculty member's salary and benefits, to allow them to support more than one faculty member.

It is regular practice to reserve designated and restricted revenue to pay for planned capital projects or other large purchases, to cover potential shortfalls in sponsored research funding, to supplement existing research funding, and to provide student support that cannot be met from other funding sources. Schedule 17 in Appendix B shows the academic area fund balances by unit.

### Grants and Contracts

The grants and contracts budget for 2005/06 of $905.9 million represents $587.7 million of direct sponsored activity under the oversight of individual faculty principal investigators and $318.0 million in direct costs for SLAC. The university direct cost totals are formulated based upon the projected year-end results for 2004/05 and through consultations with individual research areas. Total university research volume is expected to grow by 4.2% in 2005/06 with slightly higher growth in the School of Medicine than across the remainder of the campus. SLAC is projecting a 20.9% increase over its current year budget with the continued ramp up of its major construction project, the Linac Coherent Light Source.

### Auxiliary and Service Center Activities

The total budget for auxiliary and service center activities is projected to be $234.3 million in 2005/06. Auxiliary operations are self-contained financial entities supporting the broader purposes of the university. The principal auxiliary activities of the university are the Athletics department, the Blood Center, HighWire Press, Residential & Dining Enterprises, the Stanford West/Welch Road Apartments, and the Stanford University Press. In addition, there are several other small auxiliary enterprises, such as the Residential Subdivisions, the Bing Nursery School, the Stanford-in-Washington and Overseas Studies campus residences, and the Schwab Residential Center. Service Centers are entities that provide common services primarily for internal clients for which they charge rates to recover expenses. The principal service centers are the Shared Services and Computer Resource Center within ITSS, which provides telephone, internet, and computer support services; the utilities division; and the operations and maintenance shops. Together the auxiliaries and service centers are projecting a slight deficit of $2.7 million.

## The Consolidated Budget by Organizational Unit

The Consolidated Budget is the aggregation of all of the budget units that make up the university. In addition to the seven schools, there are the additional academic areas of the Dean of Research, the Vice Provost for Undergraduate Education, the Hoover Institution and University Libraries. There also are several administrative and auxiliary units. The budget plans for some of these units are highlighted in this section and in the tables on pages 15, 21, and 23.

### Graduate School of Business

The Graduate School of Business (GSB) is projected to break even for 2005/06. Revenues are expected to grow approximately 6% over the budget plan for 2004/05 via increased tuition, aggressive fundraising, and a projected 10% growth in endowment income.

Expenses are also projected to grow 6%, reaching $117 million. The growth will support market-based faculty salary adjustments, additional faculty, and faculty development. It will also address facilities issues, continue investment in centers, and allow continuing investments in student and alumni services.

### School of Earth Sciences

The School of Earth Sciences projects a $1.4 million current funds surplus for 2005/06. After $1.2 million is transferred to reserves, expendable funds will increase by approximately $200,000. A projected increase in endowment payout, higher returns on investment from specific school-managed funds, and a new formula for using endowment income as part of the general funds allocation method provide the bulk of the expected surplus. Although the budget for endowment and expendable gifts revenue is increasing, designated income from affiliate programs remains flat. As in past years, the oil and gas industries are still experiencing corporate consolidation. The result is that school affiliate programs have fewer companies participating, which puts a strain on affiliate-funded research activities.

For 2005/06, general funds will make up 12% of total income. The remainder of the budget is funded by designated income from affiliates (13%); endowment income (33%); federal and nonfederal grants and contracts (35%); expendable gifts (3%); and university research and support from other university units (4%).

Expenses are projected to be $40.2 million, up 18.2% from the 2004/05 budget. This growth can be attributed

## Consolidated Budget for Operations by Unit, 2005/06
[in millions of dollars]

| | Total Revenues and Transfers | Total Expenses | Result of Current Operations | Transfers (to)/from Assets | Change in Fund Balance |
|---|---|---|---|---|---|
| **Academic Units:** | | | | | |
| Graduate School of Business[1,2] | 110.8 | 111.0 | (0.2) | | (0.2) |
| School of Earth Sciences | 41.6 | 40.2 | 1.4 | (1.2) | 0.2 |
| School of Education | 34.0 | 33.1 | 0.9 | | 0.9 |
| School of Engineering | 227.8 | 211.0 | 16.8 | (21.9) | (5.1) |
| School of Humanities and Sciences[1] | 320.2 | 313.8 | 6.4 | (4.7) | 1.7 |
| School of Law | 44.5 | 42.5 | 2.0 | (3.7) | (1.7) |
| School of Medicine[1,2] | 933.7 | 928.2 | 5.5 | (19.2) | (13.7) |
| Vice Provost for Undergraduate Education | 26.3 | 27.1 | (0.8) | | (0.8) |
| Dean of Research | 180.2 | 177.5 | 2.7 | (0.4) | 2.3 |
| Hoover Institution | 37.1 | 37.1 | | | |
| Stanford University Libraries[1] | 56.3 | 57.6 | (1.3) | 0.9 | (0.4) |
| Total Academic Units | 2,012.5 | 1,979.1 | 33.4 | (50.2) | (16.8) |
| Total Administrative (details on page 21) | 613.9 | 609.9 | 4.0 | (7.1) | (3.1) |
| Total Auxiliary Activities (details on page 23) | 246.1 | 250.6 | (4.5) | 2.5 | (2.0) |
| SLAC | 318.0 | 318.0 | | | |
| Internal Transaction Adjustment[3] | (261.1) | (246.1) | (15.0) | 15.0 | |
| Indirect Cost Adjustment[4] | (180.4) | (180.4) | | | |
| Grand Total from Units | 2,749.0 | 2,731.1 | 17.9 | (39.8) | (21.9) |
| Central Accounts | 140.4 | 92.0 | 48.4 | (10.3) | 38.1 |
| Expectation of Additional Revenue[5] | 33.0 | | 33.0 | | 33.0 |
| Total Consolidated Budget | 2,922.4 | 2,823.1 | 99.3 | (50.1) | 49.2 |

Notes:

[1] The budget lines for the School of Medicine, Graduate School of Business, H&S, and Libraries do not include auxiliary revenues and expenses. These items are shown in the Auxiliary Activities line. These auxiliary operations include the Medical School Blood Center, the Schwab Center of the GSB, HireWire Press and University Press in the Libraries, Overseas Studies, Stanford In Washington, and Bing Nursery School in H&S. These auxiliary activities are shown in more detail in the Schools' Consolidated Forecasts in Appendix A.

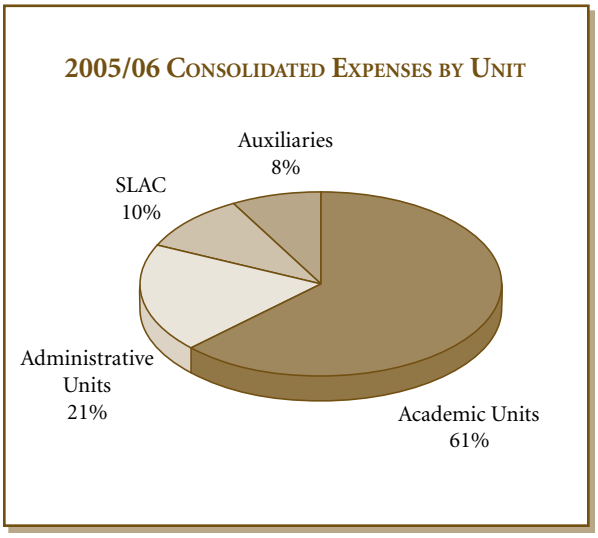
[2] This budget reflects a direct allocation of tuition revenue in those units operating under a formula funding arrangement.

[3] Internal revenues and expenses are included in the unit budgets. This adjustment backs out these internal activities from the Consolidated Budget to avoid double counting them. There is a net $15 million balance in internal activity due to payments from Plant funds.

[4] The academic unit budgets include both direct and indirect sponsored income and expenditures. Indirect cost funding passes through the schools and is transferred to the university as expenditures occur. At that point, indirect cost recovery becomes part of unrestricted income for the university. In order not to double count, indirect cost recovery of $180.4 million received by the schools is taken out in the "Indirect Cost Adjustment" line.

[5] The $33.0 million of revenue is based on historical experience and reflects the expectation that the university will receive additional unrestricted and/or restricted income that cannot be specifically identified by unit at this time.

### 2005/06 Consolidated Expenses by Unit



to two main factors. The first is the implementation of the school's strategic plan, a challenging set of goals that includes everything from a ramped-up fundraising and communications program to the establishment of two new research centers. As part of the plan, the school has begun to upgrade its physical plant, including student offices and laboratory facilities. It has also established an outreach office and increased IT support and will be providing more technical support to analytical labs. The second factor is an increase in sponsored research funding. Faculty have received two very large federal awards, resulting in several million dollars of increased spending in each of the next several years.

**School of Education**

The School of Education projects a $900,000 surplus for 2005/06. The surplus, which will be spent over the next several years, primarily represents funding for the Elementary Teacher Education Program and the John Gardner Center for Youth and their Communities. In 2005/06, a major effort will be made to raise fellowship funds, particularly for students in the teacher education programs.

Revenue is expected to increase by 6.3% over the 2004/05 year-end forecast. Increased revenues are expected for the Elementary Teacher Education Program, the Center for Educational Leadership, and the John Gardner Center for Youth and their Communities. Revenues are expected to continue to grow for non-federal sponsored research but will remain flat for federally funded research. Although the school has succeeded in raising funds to renovate the Old Bookstore (to be renamed the Barnum Family Center for School and Community Partnerships), additional gifts are expected in support of the courtyards and conference rooms. These could free up $1 million in pending funds to be directed to general school activities.

Expenses are expected to grow by 11%. The operating budget will grow by 11% as a result of salary adjustments and expenses related to the new Elementary Teacher Education Program. Faculty recruitment will remain heavy, with associated costs. Expendable gift expenses relate primarily to three areas: new fellowships for the teacher education programs and other Masters programs; expenses related to the new Center for Educational Leadership; and increased expenses related to the John Gardner Center. Non-federal sponsored project expenses will increase 8%, and federal expenses, which have decreased in the last several years, will stay flat.

**School of Engineering**

The School of Engineering is forecasting an operating surplus of $16.8 million. However, after $21.9 million is transferred to facilities and endowment principal, expendable reserves will drop by $5.1 million. The surplus is a result of a combination of successful fundraising and careful spending.

The transfers to reserves will allow the school to create a new $10 million endowment for the Design Institute and to continue to meet significant financial commitments to the Department of Bioengineering and the Institute for Computational and Mathematical Engineering. Reserves will provide partial support of major instrumentation acquisitions in the field of nanotechnology, the establishment of the Architectural Design Program, and the Research Experience for Undergraduates Program.

The school anticipates that renovations of the Panama Mall corridor for the establishment of the Design Institute, expansion of the Materials Science and Engineering Department, and moves and fit-outs of other departments will also require the consumption of reserves. In addition, as the new Science and Engineering Quad (SEQ 2) approaches the design and program phase, the school expects to use reserves for costs related to feasibility studies and benchmarking.

**School of Humanities and Sciences**

The School of Humanities and Sciences (H&S) projects a $1.7 million surplus for 2005/06, after a $4.7 million transfer to assets. The school continues to focus on providing adequate funding for operations and projects a $3 million use of dean's office reserves in the upcoming year. For several years, the school has increased the volume of faculty hiring as vacant billets have been reactivated. The associated increase in base and one-time costs, coupled with higher costs of the enhanced graduate aid program implemented two years ago, have increased the annual use of reserves to close operating budget deficits. Dean's office reserves are projected to be exhausted in 2005/06. As a result, H&S has reevaluated its faculty hiring plan and postponed twenty-nine searches to future years. Graduate admissions have also been reduced by thirty-seven students to balance overadmissions in the previous two years. Department-controlled reserves and fund flows will be used to close the remaining funding gap.

The school's finances are projected to be very tight for the next two years. In the short term, H&S is working

to strengthen existing processes to control expenditures. The school has also begun a longer-term project addressing rational allocation of consolidated resources.

H&S projects that additional endowment inflows from new Hewlett-related gifts will restore financial equilibrium in about two years, allowing greater focus on new academic initiatives. The school will carefully manage the use of total inflows to provide robust and stable support for current activities while allowing pursuit of new academic directions.

**Law School**

The Law School projects a $2 million surplus from operations. However, transfers of $3.7 million will result in a $1.7 million reduction of expendable reserves. The transfers include $1.2 million for the Loan Repayment Assistance Program, $1 million for renovation of the Crown Quadrangle, and $1.5 million in faculty housing loans for faculty recruitment and retention.

The school's estimated revenues and expenditures represent a 24% increase over the past two years. The rapid growth is the result of high endowment returns, a successful executive education program, and academic program and clinic support from law firms, corporations, and alumni.

The new revenues are focused on the academic mission of the school, particularly faculty salaries, legal clinics, and academic program offerings. The school has increased faculty salaries 12% over the past two years, but its salaries still lag as much as 8%–15% behind those of top-paying law schools such as Harvard, Chicago, and Yale—the latter two being key rivals due to similarities in size and program. The school has managed, barely, to maintain a competitive salary program, but these schools are now offering packages significantly stronger than Stanford's to attract and retain faculty. The Law School will need to continue an aggressive campaign to remain competitive.

The clinic budgets have doubled from $1.3 million in 2003/04 to over $2.6 million in 2005/06. The Law School clinics now include an Environmental Law Clinic, Cyberlaw Clinic, Criminal Prosecution Clinic, Education Advocacy Clinic, Immigrant's Rights Clinic, Supreme Court Litigation Clinic, and Community Law Clinic, all led by a new director of clinical education.

The school has been successful in fundraising for its academic programs and continues to grow the programs in Law, Economics and Business; Law, Science and Technology; Environmental Law; International Law; and Constitutional Law. The school will have nine visiting faculty next year, more than double the number in any previous year.

The Law School is budgeting over $100,000 in 2005/06 to create a new Public Interest Center. The center and its accompanying program are intended to provide in-depth training, to create opportunities for public service, and to inculcate the value of service.

**School of Medicine**

In 2005/06, the School of Medicine (SoM) is projecting a surplus from operations of $5.5 million and a transfer of $19.2 million to endowment, plant, and student aid, netting to a $13.7 million deficit. Key components of this projection include the following:

- Expenses are projected to increase 5.6% and revenues 5.1% over the projected 2004/05 results.
- Of the school's total revenue and transfers, sponsored research contributes 43%. Designated clinic income and tuition contribute 23% and 3%, respectively. Endowment income, expendable gifts, other designated income, and operating budget funds constitute the majority of the remainder.
- The school will continue to increase its investments in interdisciplinary programs, including Clark Center operations, BioX, the Department of Bioengineering, the Stanford Institutes of Medicine, the strategic centers, and the Comprehensive Cancer Center.
- The school plans to transfer $5.0 million of designated funds to funds functioning as endowment and $14.2 million to cover plant-related costs.

The dean's office and the departments have accumulated reserves to use for program and facility development and will utilize these in carefully planned strategic initiatives.

*Revenue Growth*

Revenue for 2005/06 is projected to be 5.1% greater than in 2004/05. This represents a slight slowdown in growth due to the following factors:

- A slower rate of growth of 4.5% in research activity is projected due to space constraints and slower growth of the NIH budget. In 2004/05, research activity is projected to grow 8.7% over 2003/04.

- New expendable gift revenue is projected to be 7.5% greater in 2005/06 than in 2004/05. (Expendable gift revenue does not include the anticipated increase in capital gifts, which will be a major focus of the school's development effort in 2005/06.)

Income from clinical operations is projected to increase 16.4% in 2005/06 from the projected year-end results for 2004/05. The two major components of this income stream are payments for professional services rendered to patients and service payments from the hospitals. The school expects to implement a new professional services agreement with Stanford Hospital and Clinics that will align physician productivity and hospital payments. Details of the methodology are still under development.

*Expense Growth*

The school's budget plan assumes the recruitment of approximately fifteen incremental tenure line faculty and five incremental medical center line faculty in 2005/06 and includes the costs of this recruitment, including program support and incremental staff. Several factors influence this projection, including (1) space constraints pertaining to clinical and basic sciences faculty; (2) the Provost's imposition of a cap on the school's faculty billets; (3) a projected increase in 2004/05 in the departure rate of faculty as more members reach retirement age; and (4) limitations on unrestricted resources for expansion and faculty retention.

Expenses are projected to be 5.6%, or $50.3 million, greater than the projected 2004/05 results. The major components of this increase are the following:

- $3.7 million—expenses associated with incremental tenure-line and medical center line faculty,
- $19.4 million—increases in academic and staff salaries,
- $7.6 million—increases in academic and staff employee benefits,
- $10.8 million—increases in noncompensation expenditures on sponsored projects, both direct and indirect, and
- $4.5 million—increases in space-related costs.

*Transfers to Plant, Endowment, and Other Entities*

The school and individual departments will continue to transfer funds to endowment in order to earn additional return on the funds while holding them for future investments in new faculty and programs. The projected amount of these transfers is $5.0 million in 2005/06. The projected transfers to plant of $14.2 million represent continued expenditures on planned maintenance projects plus smaller renovation projects and discretionary projects to accommodate program changes and faculty recruitment.

**Vice Provost for Undergraduate Education**

In 2005/06, the Vice Provost for Undergraduate Education (VPUE) projects a budget with a consolidated deficit of $850,000. That budget includes increased investment in ongoing initiatives, including:

- Redefining undergraduate advising: A second academic director will be appointed in 2005/06 to enhance residence-based advising, expanding on the pilot program that appointed an academic director in Wilbur Hall in 2004. Also, to bolster the active efforts to recruit faculty as academic advisors to freshmen and sophomores, the modest financial incentives offered this year to freshman advisors will also be offered to sophomore advisors.
- Implementing the new writing and oral presentation requirement in the Program in Writing and Rhetoric: Six additional lecturers will be hired in 2005/06.
- Completing a reorganization of central office staff: The addition of a director of operations is a key component of the plan to enhance the administrative operations of the VPUE and better serve an organization that has grown substantially over the last several years.
- Continuing to increase undergraduate research opportunities: Projections call for a second year of funding above historical amounts in support of these opportunities.

Almost all of these enhancements are intended to be continuing expenses, and general funds, both base and one-time, support the majority of the costs. The VPUE, however, still relies on a considerable amount of one-time funding, including the use of accumulated reserves, to support its existing operations.

The long-standing plan to replace one-time funds from the President, the Provost, and expendable gifts with new endowment gifts from the Campaign for Undergraduate Education (CUE) has progressed significantly in the past year. Even with the new CUE resources and one-time funding, though, the financial results for 2005/06 will be achieved only by implementing targeted

funding reductions of $293,000. Those reductions are a reaction to the upcoming change in the university's infrastructure charge policy. The Provost agreed to partially mitigate, on a one-time basis, the effects of that policy change, but the VPUE will absorb the entire impact starting with the 2006/07 fiscal year.

Given that the infrastructure mitigation and other one-time funding sources will expire during 2005/06, the VPUE will be challenged in future years to fund its base operations and necessary innovations. Certainly, the continued increase in CUE resources will make that challenge easier, but a blend of strategies will be required to arrive at a balanced budget in the near future. Those strategies will include the use of accumulated reserves, reallocations of existing resources, and a constant justification of existing expenses.

The VPUE will rely on endowment income—much of it from relatively new endowments—to support 48% of 2005/06 activities. A note of caution should therefore be added that the unit will remain vulnerable to substantial income fluctuations should endowment market values decline. The VPUE will seek to retain adequate reserves to guard against this potential volatility while the CUE endowments grow and become less susceptible to shortfalls.

**Dean of Research and Graduate Policy**

The Vice Provost and Dean of Research and Graduate Policy (DoR) budget anticipates a $2.7 million surplus from operations with $362,000 in transfers to reserves leaving a $2.3 million increase in fund balances. The budget relies heavily on restricted funds and sponsored research, which constitute about 70% of total projected revenue. Affiliate and gift income is expected to remain stable and endowment income is expected to increase by 11% in 2005/06. Expenditures will remain stable or grow accordingly.

University research awards distributed by independent institutes and centers, such as the Center for Study of Language and Information, the Stanford Center for Innovations in Learning, and the Stanford Institute for the Environment, are expected to increase in 2005/06. These awards are primarily funded by affiliate income, gifts, Presidential funds, and matching funds from the DoR and various schools.

Projections for federal grants and contracts at the Hansen Experimental Physics Laboratory (HEPL) are lower than in previous years. Since the launch of Gravity Probe-B (GP-B) on April 20, 2004, a major event at HEPL, expenditures on the GP-B project have been decreasing.

In general, sponsored research continues to grow in most independent laboratories, centers, and institutes. For example, the Global Climate and Energy Project's (GCEP's) operational awards (Central Management, Technical Assessment, and Energy Systems Analysis) will grow modestly in 2005/06, with growth driven mainly by salary increases and by a moderate increase in workshop and symposium activity. The major growth in GCEP will consist of new research projects coming on line in September 2005 and in April 2006, though these will be partially offset by the scheduled termination of other projects in March 2006.

**Hoover Institution**

In 2005/06, the Hoover Institution will complete a two-year effort to reduce annual expenditures by $2.5 million. Successful completion of this effort will eliminate the need to use reserves for on-going operations and will set the stage for new programmatic development. During this time of retrenchment, the Hoover Institution Library and Archives continues to respond to opportunities for undertaking a number of large collection and preservation projects. Among the collection projects are the Radio Free Europe/Radio Liberty archives, the Kuomingtang Party archives, and other collections on modern Chinese history. In addition, preservation capabilities are being enhanced by the construction and equipping of a 6,000 square foot preservation lab, scheduled for completion in 2005/06.

**SLAC**

The Department of Energy (DOE) still provides most of the funding for SLAC, although in recent years SLAC has been involved in various interagency projects such as SPEAR3 with NIH and GLAST with NASA. The Linac Coherent Light Source (LCLS), SLAC's current major construction project, is also funded by the DOE Office of Basic Energy Sciences. The project will utilize the last third of the SLAC linear accelerator (linac). LCLS will build the world's first x-ray free electron laser, a fourth generation x-ray light source. The total funding for the construction is $315 million in seven years through 2009. The project has begun the long-lead procurement phase in 2005 and conventional facilities construction will begin in 2006. It is scheduled to be operational in 2009. The projected costs for 2005/06

assume incremental funding of $86 million for the LCLS project, although this funding is still awaiting Congressional action on the 2006 Energy and Water Development Appropriations.

Because of the LCLS construction, total direct costs for SLAC are expected to be about $55 million (21%) higher in 2005/06 than in 2004/05.

Since the inception of SLAC, funding for the operation of the SLAC linac, which is currently being used as an injector for the PEP-II B Factory and other experiments, has been the responsibility of the DOE Office of High Energy Physics (DOE-HEP). In preparation for the operation of the LCLS in 2009, in 2005/06 the DOE Office of Basic Energy Sciences (DOE-BES) will be providing partial funding for the operation of the linac. This marks the beginning of a multi-year transition of programmatic ownership for the SLAC linac operations from DOE-HEP to DOE-BES.

**Stanford University Libraries and Academic Information Resources (SULAIR)**

Incremental and one-time allocations to the SULAIR 2005/06 base budget provide continued support for a course management system as a common good to the entire campus, as well as increased funding for its digital initiatives. In addition, incremental funding for the library materials budget will help to offset the dramatic decrease in the value of the U.S. dollar against foreign currencies, in which SULAIR spends well over 50% of its collections budget. However, the library materials budget continues to be stretched by the addition of new programs of teaching and research at Stanford, without equivalent decreases in other programs, and by the annual increases in the cost of academic journal subscriptions. With faculty guidance and assistance, SULAIR has selectively weeded subscriptions. There is concern, however, that Stanford now subscribes to the bare minimum number of journals, especially in the science and engineering disciplines.

SULAIR continues to have about a $2 million structural deficit, arising primarily from its inability to increase revenue for materials and supplies expenses in the 1990s, while its expenses, particularly for computers and related services, as well as for facilities and outsourcing, increased dramatically. SULAIR continues to use its diminishing fund balances to support these expenses and balance its budget, but there is now almost no reserve to apply to digital initiatives (including the Google Project), to the development of new systems and services, or to various minor capital projects.

**Dean of Student Affairs**

In 2005/06, Student Affairs will draw down fund balances by $255,000, as a major gift to the Office of Accessible Education anticipated in late 2004/05 is spent. While the gift is expected to continue beyond next year, this budget assumes gifts intended for future years will be received after 2005/06.

To meet budget reduction targets in 2005/06, the graduate application fee will increase by $5, and spending on costs other than compensation will be limited. The revised infrastructure charge policy will have a significant impact on several Student Affairs units that are heavily dependent on gift and endowment funding (such as the Haas Center) or that are supported in part by fees that have in the past been exempted from the infrastructure charge (such as the student health center). A portion of the increase in the infrastructure charge will be mitigated by an increase to general funds.

With the support of incremental general funds, Bechtel International Center will restructure and add staff to better support foreign students and scholars. Additional general funds will also cover increases in the cost of medical services for students.

**Stanford Alumni Association**

Stanford Alumni Association (SAA) is projecting a slight surplus for 2005/06. SAA anticipates a continued steady recovery in its external revenue sources, and it will use these resources to build and maintain its alumni relations activities.

In 2005/06, SAA will seek to identify new opportunities that will help it meet its governing objective to maximize alumni satisfaction and active support for the university over time. In so doing, SAA will continue to focus on its four main strategic priorities: building Stanford's presence in the regions; integrating alumni into the life of the university; strengthening class identity; and leveraging the power of communications.

SAA will also employ resources to identify and capture additional information about alumni involvement with Stanford. Using this information to segment its alumni on a behavioral basis, SAA will be able to determine where expanded alumni relations programming will achieve the greatest return on investment.

## Summary of Administrative Activities, 2005/06

[in millions of dollars]

| | Revenues and Transfers | Expenses | Results of Current Operations | Transfers (to)/from Assets | Change in Fund Balance |
|---|---|---|---|---|---|
| Land & Buildings | 172.2 | 167.7 | 4.5 | (7.0) | (2.5) |
| ITSS | 101.8 | 103.4 | (1.6) | 0.1 | (1.5) |
| Business Affairs | 73.2 | 74.4 | (1.2) | | (1.2) |
| Development | 27.5 | 27.4 | 0.1 | (0.1) | |
| Alumni Association | 33.0 | 32.8 | 0.2 | 0.8 | 1.0 |
| President and Provost Office | 29.6 | 30.4 | (0.8) | | (0.8) |
| Student Affairs | 31.4 | 31.4 | | (0.3) | (0.3) |
| Office of Admissions (Includes Financial Aid) | 85.2 | 82.8 | 2.4 | 0.5 | 2.9 |
| Stanford Management Company | 18.1 | 18.1 | | | |
| General Counsel | 8.5 | 8.4 | 0.1 | (0.1) | |
| Athletic Financial Aid and Camps | 20.3 | 19.8 | 0.5 | (1.0) | (0.5) |
| Public Affairs | 8.5 | 8.7 | (0.2) | | (0.2) |
| SLAC (Non-DOE Contract) | 4.6 | 4.6 | | | |
| Total | 613.9 | 609.9 | 4.0 | (7.1) | (3.1) |

### Land and Buildings

Land and Buildings revenues come from multiple service centers (approximately $107 million), general funds and other transfers ($55 million), and auxiliary and designated revenues ($12 million). An overall annual budget of $175 million in revenues and transfers (including $2.8 million of auxiliary activities not shown in the table above) represents an increase of 3.4% over the 2004/05 year-end projection of $169 million, mainly due to increases of $5 million in general funds and transfers and $2 million in service center revenue.

In 2004/05, the university determined that planned maintenance of university buildings was underfunded by approximately $6 million and added $1 million to the existing $8 million budget. In 2005/06, we have added another $2 million, and will continue increasing this budget in future years.

An incremental $1 million is allocated for new buildings and renovations, including the renovation of Roble Gym, which has been transferred from Athletics to the academic campus, the seismic renovation of Bakewell, and the Astrophysics building, which is expected to be completed in 2005/06.

Overall, the service centers continue to be stable and expect to break even. Expenses will be slightly higher due to salary increases related to the Bargaining Unit contract, and the university salary program. Stanford continues to assess the "Make vs. Buy" options for services provided in house through service center shops; more than half of these services are now contracted out. Although in-house maintenance shop rates are competitive with those of outside contractors, Facilities Operations focuses its in-house shops on regular maintenance that requires familiarity with the building systems.

### Information Technology and Systems Support (ITSS)

In 2004/05, ITSS Data Center and Communication Services were combined due to overlapping technology, and ITSS itself was divided into two new organizations, though they submit a combined budget. Information Technology Services provides computing, telecommunications, and networking infrastructure; academic computing services; business and administrative computing facilities; and services and technical support for departmental networks. Administrative Systems provides development, support, and enhancement

services for administrative applications (including Oracle and PeopleSoft), middleware and infrastructure services (including authority and authorization services), and reporting and data services.

For 2005/06, ITSS forecasts consolidated revenue of $101.8 million: general funds of $56.4 million and service center, rate-based funds of $45.4 million. The general funds budget was increased to accommodate the new university five-year plan for systems, which was developed to eliminate the continual requests for one-time funding.

A major goal for 2005/06 is to increase the effectiveness and efficiency of the university's administrative systems. These systems require significant enhancements to make them stronger and more consistently available to meet the critical demands of the academic units.

General funds finance the staffing, equipping, and operation of all principal university administrative systems. The Financial (Oracle) and Human Resource and Student Administration (PeopleSoft) systems consume the majority of this funding. Oracle system enhancement and refinement, particularly as related to other essential systems and functions, continues to draw significant resources. General funds are also used to provide basic IT services to all university client groups: faculty, staff, and students. These services and infrastructures are essential to delivering and supporting technology. They include networking, backbone and desktop security, help desks, and the campus card program.

ITSS rate-based services are now provided through the following three service centers:

- Shared Services ($39.4 million)—Provides voice and video communication, data communication combined with data hosting, and operations in order to ensure end-to-end connectivity and the uninterrupted delivery of voice and data traffic,
- Computer Resource Center ($5 million)—Provides desktop and server installation and maintenance to attain the highest possible level of hardware and software availability and user value,
- Technology Training ($1 million)—Provides lecture, hands-on, classroom, and Web-based training to ensure desktop and system users are able to operate and maintain software and equipment to meet their specific objectives.

### Athletics

The Department of Athletics, Physical Education, and Recreation (DAPER) projects a balanced auxiliary budget and a small surplus in its financial aid budget in 2005/06.

Auxiliary budget income will grow by 8% from 2004/05 through the addition of new areas of oversight. During 2004/05, DAPER assumed responsibility for the Red Barn Equestrian Center and the Stanford Campus Recreation Association (SCRA) facilities. These are break-even operations and result in a combined incremental income (and expense) of $1.6 million (4% of DAPER's budget). In addition, DAPER will receive increased general funds to cover the operational and staffing costs of the new Arrillaga Recreation Building, which is primarily for non-intercollegiate sports use and is projected to open in late summer 2005. Other income areas remain basically flat, though there is a small increase in contractual income from the NCAA and the Pacific 10 Conference due to a new XM Radio income stream.

DAPER's auxiliary budget expenses will include modest salary growth in 2005/06, consistent with the university's salary plan. As mentioned above, expenses will be added for the Red Barn Equestrian Center and SCRA programs and for the Arrillaga Recreation Building, which will add new programmatic offerings for the campus. Several operational areas that have been held flat the past few years will see modest 1%–3% expense increases.

The total number of full scholarships will increase from 314 in 2004/05 to 321 in 2005/06. Due to forecast growth in endowment income, DAPER expects a small financial aid surplus, even after adding seven scholarships.

### Residential & Dining Enterprises

The Residential & Dining Enterprises (R&DE) strategic financial plan projects 2005/06 to be the second of three years with a planned operating deficit. R&DE is projecting a consolidated deficit of $789,000 on revenues and transfers of $119.3 million. R&DE will use reserves to cover the shortfall.

Capital projects scheduled for 2005/06 include the second of the three-phase Roble Hall renovation to meet seismic, life safety, fire sprinkler, and other code regulations. In addition, construction of the final residence and dining hall in Manzanita Park will begin. This

## Summary Auxiliary Activities, 2005/06

[in millions of dollars]

| | Revenues and Transfers | Expenses | Results of Current Operations | Transfers (to)/from Assets | Change in Fund Balance |
|---|---|---|---|---|---|
| Athletics[1] | 41.5 | 44.3 | (2.8) | 2.8 | |
| Blood Center | 28.3 | 28.3 | | | |
| HighWire Press | 18.3 | 18.3 | | | |
| Residential & Dining Enterprises | 119.3 | 120.1 | (0.8) | | (0.8) |
| Stanford West/Welch Road | 14.9 | 15.9 | (1.0) | | (1.0) |
| University Press | 7.5 | 7.5 | | | |
| Other | 16.3 | 16.2 | 0.1 | (0.3) | (0.2) |
| Total | 246.1 | 250.6 | (4.5) | 2.5 | (2.0) |

NOTES:
[1] Financial aid activity and camps are not included.

project will be funded entirely through gifts. R&DE's $420 million Capital Improvement Program (CIP) will be in the fourteenth year of a nineteen-year plan. CIP projects planned in 2005/06 include continued seismic and life safety upgrades of Row Houses, Florence Moore kitchen infrastructure and code improvements, and Escondido Village seismic code changes.

After considerable analysis, R&DE has implemented a phased reduction in budgeted room income to reflect actual occupancy rate declines in recent years. These declines (from 98.5% to approximately 93.5%) are due in large part to greater undergraduate participation in overseas studies programs, especially during spring quarter. There have also been an increased number of resident contract terminations in recent years. It is expected that university policy changes to student contracts will help reduce contract terminations, thereby stabilizing student income.

For the first year since the SLAC Guest House opened in 2003, R&DE plans to realize the complete revenue potential from this facility, which is operated by Student Housing. The off-campus graduate student housing program, managed by Housing Assignment Services, is undergoing a phased reduction and will end in August 2007.

A new meal plan structure will provide students with more flexible dining options at both residential and retail facilities.

On the expense side, the 2005/06 pooled debt rate will increase by almost thirty-four basis points, thus raising R&DE's annual debt service payments. R&DE will also incur major expenses for increases in compensation; Student Housing's implementation of a state-of-the-art facilities management system; the first full year of Graduate Community Center operations, maintenance, and debt service; and the continuing initiative to build an asset preservation program to fund building infrastructure renewal.

### Stanford University Press

The Press is forecasting a balanced position for 2005/06. Total revenue and other income is budgeted at $7.5 million, with $5.6 million coming from book sales and $1.9 million from rights sales and other income sources. Continuing the pattern of the last three years, this income will both sustain the well-established humanities program and underwrite the accelerating growth of newer programs in anthropology, business, economics, law, politics, and sociology.

Building on the 27% revenue growth achieved in the last three years, the year-on-year sales target is again aggressive at 14%, reflecting increased total gross book sales, continued low levels of returns, and an increasingly robust backlist.

After three years of cost reduction, including a 10% cut in 2004/05, the Press expects an inflationary increase in its cost base. This will still keep expenditures at

pre-2002 levels. Costs of sales for fiscal year 2005/06 are budgeted at $2.4 million, a 3% increase over what is expected in 2004/05 despite the 14% growth in sales. Operating costs are budgeted at $4.3 million, up from the $4.1 million estimated for 2004/05. Operating expense growth stems from distribution expense, which is directly related to sales growth; presswide salary increases; and investment in marketing and acquisitions.

## IMPACT OF THE CAPITAL BUDGET ON THE CONSOLIDATED BUDGET FOR OPERATIONS

The 2005/06 Capital Budget calls for $373.3 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 $5.0 million in incremental internal debt service for those projects that will be coming on line in 2005/06 or for projects completing in 2004/05 that were operational for less that the entire fiscal year. Of this total, $2.8 million will be borne by unrestricted funds (general funds and designated funds), and the Auxiliaries and Service Centers will cover $3.1 million. These increases will be offset by a $0.9 million reduction in internal debt service in ITSS due to a decrease in capital equipment amortization. The second impact of the Capital Budget on the operations budget is $1.0 million for incremental operations, maintenance, and utilities costs, primarily for the Astrophysics building and reopening Bakewell.

## PROJECTED STATEMENT OF ACTIVITIES

The table on the next page compares the Consolidated Budget for Operations with the projected operating results section of the Statement of Activities. The Statement of Activities summarizes all changes in net assets during the year (both operating and non-operating). It is similar to a corporate income statement prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is part of the audited financial statements published in the Annual Report.

Stanford University, as a not-for-profit institution and a recipient of restricted donations, manages itself internally according to the principles of fund accounting. Cash resources are classified into fund groups, which are subject to different legal and management constraints.

There are four different categories of funds:

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

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

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

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

The Consolidated Budget for Operations follows the principles of fund accounting. It includes only current funds, and reflects the sources and uses of current funds on a modified cash basis that more closely matches the way that the university is managed internally. Within these current funds, funds are further classified by their purpose and level of restriction. The Consolidated Budget also reflects the transfer of current funds for investment in other fund groups: funds functioning as endowment, student loan funds, and plant funds. For example, a school may choose to transfer operating revenue to fund a future capital project. Similarly, a department may decide to move unspent current funds to the endowment, either to build capital for a particular purpose, or to maximize the return on those funds as a long-term investment.

### Converting the Consolidated Budget into the Statement of Activities

In addition to its requirement to manage funds in accordance with donor imposed restrictions, Stanford also has external reporting requirements. To convert the Consolidated Budget to the Statement of Activities format, certain revenue and expense reclassifications and adjustments are necessary. For example, the Consolidated Budget reports as expense the use of funds to acquire equipment. For GAAP purposes the acquisition of capital equipment is recorded as an increase in capital assets in the Statement of Financial Position (similar to a corporate balance sheet), with a corresponding annual amount of expense required to depreciate the cost of the capital equipment over its useful life in the Statement of Activities.

## Comparison of Consolidated Budget and Statement of Activities, 2005/06
## Unrestricted Net Assets
[in millions of dollars]

| Statement of Activities | | | | Fiscal Year 2005/06 | | |
|---|---|---|---|---|---|---|
| 2003/04 Actuals | 2004/05 June 2004 Budget | 2004/05 Projected | | Consolidated Budget | Adjustments | Projected Statement of Activities |
| | | | Revenues and Other Additions | | | |
| | | | *Student Income:* | | | |
| 191.7 | 201.7 | 205.4 | Undergraduate Programs | 213.2 | | 213.2 |
| 182.3 | 196.4 | 200.3 | Graduate Programs | 206.3 | | 206.3 |
| 86.5 | 93.3 | 90.8 | Room and Board | 93.8 | | 93.8 |
| (128.1) | (141.9) | (135.2) | Student Financial Aid[e] | | (142.0) | (142.0) |
| 332.4 | 349.5 | 361.3 | Total Student Income | 513.3 | (142.0) | 371.3 |
| | | | *Sponsored Research Support:* | | | |
| 525.5 | 546.1 | 564.0 | Direct Costs–University | 587.7 | | 587.7 |
| 233.9 | 260.0 | 263.0 | Direct Costs–SLAC | 318.0 | | 318.0 |
| 164.1 | 158.7 | 176.0 | Indirect Costs | 180.4 | | 180.4 |
| 923.5 | 964.8 | 1,003.0 | Total Sponsored Research Support | 1,086.1 | | 1,086.1 |
| 230.0 | 255.3 | 236.2 | Health Care Services[f] | 295.4 | (20.7) | 274.7 |
| 105.2 | 120.0 | 125.0 | Expendable Gifts In Support of Operations | 130.0 | | 130.0 |
| | | | *Investment Income:* | | | |
| 400.0 | 424.8 | 443.8 | Endowment Income | 492.6 | | 492.6 |
| 77.3 | 81.6 | 86.1 | Other Investment Income | 91.6 | | 91.6 |
| 477.3 | 506.4 | 529.9 | Total Investment Income | 584.2 | | 584.2 |
| 258.7 | 251.4 | 255.8 | Special Program Fees and Other Income[g] | 263.4 | | 263.4 |
| 46.2 | 50.0 | 50.0 | Net Assets Released from Restrictions | 50.0 | | 50.0 |
| **2,373.3** | **2,497.4** | **2,561.2** | **Total Revenues** | **2,922.4** | **(162.7)** | **2,759.7** |
| | | | **Expenses** | | | |
| 1,286.0 | 1,354.2 | 1,384.4 | Salaries and Benefits[d] | 1,474.4 | (3.3) | 1,471.1 |
| 233.8 | 260.0 | 263.0 | SLAC | 318.0 | | 318.0 |
| | | | Capital Equipment Expense[b] | 55.8 | (55.8) | |
| 197.1 | 195.0 | 190.0 | Depreciation[c] | | 192.0 | 192.0 |
| 0.0 | 0.0 | 0.0 | Financial Aid[e] | 142.0 | (142.0) | |
| 649.0 | 691.2 | 719.6 | Other Operating Expenses[f,g] | 832.9 | (81.7) | 751.2 |
| **2,365.9** | **2,500.4** | **2,557.0** | **Total Expenses** | **2,823.1** | **(90.8)** | **2,732.3** |
| | | | | | | |
| **7.4** | **(3.0)** | **4.2** | **Revenues less Expenses** | **99.3** | **(71.9)** | **27.4** |
| | | | **Transfers** | | | |
| | | | Additions to Assets[a] | (65.1) | 65.1 | |
| | | | Net Internal Revenue/Expense[h] | 15.0 | (15.0) | |
| | | | **Total Transfers** | **(50.1)** | **50.1** | |
| | | | **Excess of Revenues Over Expenses** | | | |
| **7.4** | **(3.0)** | **4.2** | **After Transfers** | **49.2** | **(21.8)** | **27.4** |

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

a) Eliminate Fund Transfers. The Consolidated Budget includes transfers of $65.1 million of current funds to other fund groups, including plant, student loans, and funds functioning as endowment. The Statement of Activities reflects operating results for all fund groups, including plant, student loan, and funds functioning as endowment.

b) Remove Capital Equipment purchases. The Consolidated Budget includes the projected current year's purchases of capital equipment as expense. For GAAP purposes, the cost of capital equipment is recorded on the Statement of Financial Position. As a result, $55.8 million is eliminated from Consolidated Budget expenses.

c) Record Depreciation expense for the current year's asset use. The Statement of Activities includes the current year's depreciation expense related to capital assets being depreciated over their useful lives. Depreciation expense includes the depreciation of capital equipment and other capital assets, such as buildings and land improvements. This adjustment adds $192 million of expense.

d) Adjust Fringe Benefit expenses. The Consolidated Budget reflects the fringe benefits cost based on the fringe benefit rate charged on all salaries. The Statement of Activities reflects accruals for certain benefits, such as pension and post-retirement benefits that are required by GAAP to be shown as expense in the period the employee earns the benefit. For 2005/06, budgeted expenses are expected to exceed GAAP expenses by $3.3 million.

e) Reclassify Financial Aid. GAAP requires that student financial aid be shown as a reduction of revenue. In the Consolidated Budget, financial aid is reported as an operating expense. Accordingly, $142.0 million of student financial aid expense is reclassified as a reduction of revenues in the Statement of Activities.

f) Adjust Health Care Services. For GAAP purposes, Health Care Services revenues received from the hospitals are reported net of expenses that the university charges the hospitals. The Consolidated Budget presents these revenues and expenses on a gross basis. This adjustment reclassifies $20.7 million from Other Operating Expenses to Health Care Services revenues.

g) Adjust Other Operating Expenses. The Consolidated Budget includes all debt service. It reflects as Other Operating Expenses the use of funds to cover repayment of the principal component of indebtedness. On a GAAP basis this transaction is reflected in the Statement of Financial Position. Therefore, Other Operating Expenses must be reduced by the amount of debt principal amortization. In addition, adjustments must be made to account for the difference between internal and external interest payments. This adjustment reduces expense by $61.0 million.

h) Eliminate Net Internal Revenue/Expense. The Statement of Activities excludes all internal revenues and expenses. However, the Statement of Activities includes the activity of all fund types, while the Consolidated Budget does not include plant funds. Therefore, the net inflow of $15.0 million from plant funds into the Consolidated Budget for purchases of internal services must be eliminated.

In summary, the impact of these adjustments decreases the Consolidated Budget's projected $49.2 million surplus by $21.8 million, resulting in a projected surplus of $27.4 million in the Statement of Activities.

# Section 2
# Academic Initiatives and Plans

This section focuses on the programmatic elements of the budget plan, describing the principal planning issues in the academic areas of the university.

## Graduate School of Business

With an accreditation review recently completed, the Graduate School of Business (GSB) has expanded its list of areas under review and development. The issues identified by the accreditation review team included faculty development, morale, and compensation; declining focus on academics in the MBA Program (common to all business schools, not just Stanford); lack of differentiation of the school's centers from those of other leading schools; an insufficiently global focus; and the need for facilities improvements. They also spoke about the new Stanford-wide initiatives to address world problems and to reform graduate education as involving both wonderful opportunities and scary possibilities for the GSB.

Continuing issues for the school include the following:

- An increase in competition for both top faculty and top students,
- A decline in open-enrollment executive education attendance, along with an increase in the number of such programs offered elsewhere,
- Pressure to offer student services comparable to those at peer institutions,
- The need to continue to invest heavily in existing and new alumni programs, due to the school's high degree of dependence on alumni support.

The GSB also faces the challenge of coordinating with the rest of the university on the upcoming fundraising campaign, given the large number of GSB alumni who have developed broad interests at the university.

Addressing all of these issues will certainly provide the GSB with great challenges during 2005/06.

**GSB Mission**

The mission of the GSB is to create ideas that advance and deepen the understanding of management, and with these ideas, develop innovative, principled, and insightful leaders who change the world. The school has identified four general management mindsets for students to learn and to use: leadership, entrepreneurship, global awareness, and social accountability.

Leadership means taking full responsibility for changing an organization for the better. To develop this skill, students must understand their own strengths and weaknesses, and learn how to motivate and inspire others. Entrepreneurship can mean starting a business; it also means acting with the perspective of an owner of a business, whether you are managing it, advising it, or investing in it. Global awareness means knowing what it takes to be a world-class organization, and how to build one that spans multiple countries, cultures, and economic or political systems. Finally, social accountability means being aware that businesses are not only economic institutions but also social institutions with responsibilities that extend beyond financial considerations. To be profitable in the long term, businesses and their leaders must continue to earn the trust and confidence of society.

**GSB Centers**

The four established research centers (Center for Entrepreneurial Studies, Center for Social Innovation, Center for Leadership Development and Research, and the Center for Global Business and the Economy) help to study and teach these mindsets. They also provide ways for faculty, students, and the community to come together around a particular area of faculty interest. GSB faculty use these centers to fund research, develop new cases and courses, collaborate with Stanford faculty outside of the GSB, and involve the communities who are interested in the work of the centers. The school believes its relatively small size will lead to better execution in the centers, which will ultimately differentiate its efforts from those of its peer institutions.

**Curriculum**

The GSB has developed a number of seminars in recent years. Often these have small enrollments that include students from other schools at Stanford. Practitioners and tenured faculty often teach together, with students generating much of the course content and engaging in project work. These seminars have proven to be very popular with both students and faculty, providing highly rewarding teaching and learning experiences. Despite the relatively high expenses due to the very low student-faculty ratios, the GSB is planning to significantly expand the number of these seminars. The school believes this will help counteract the trend away from academics and will broaden and strengthen the ties between the GSB and other schools on campus.

The Leadership Development Platform (LDP) helps MBA students to improve their leadership skills through experiential learning. It has concluded its second year quite successfully and will be expanded again next year to include more students.

**Faculty**

Many of the new programs and innovations currently under way at the GSB, including the centers, the small seminars, and the LDP, require additional faculty. The issues identified by the accrediting committee related to faculty include the need to better mentor junior faculty, the likelihood that GSB salaries are not competitive (especially in certain fields), and the greater movement among senior faculty. Identifying solutions to these issues will be an important focus for the dean's office this year.

**Global Focus**

The GSB has started, and will continue, to increase its global outreach efforts. During 2004 and early 2005, the GSB held events with faculty in China, India, and Europe. Visits were made to over twenty overseas cities for admissions, and the Career Management Center visited Europe, South America, and Asia to find companies where GSB graduates could work. The objectives of this outreach are to make courses more global, to attract more international students, and to find more international employers for GSB graduates.

**Alumni Services**

The first ever back-to-school executive education exclusively for alumni was held this past year, and there are plans to expand this program in 2005/06. Judging from the first year's results, the program is expected to engage over 1,000 alumni each year and to be very successful in reconnecting alumni with the intellectual life of the GSB.

**Executive Education**

Results have been mixed for the executive education offerings, which face tremendous competitive pressures. Several custom clients have completed their programs and have not yet been replaced. Open-enrollment programs generally continue to suffer from a decline in international participation due to worldwide tensions and security concerns. Increased marketing will try to keep this important part of the school as strong as possible. The new Summer Institute for students completing their junior or senior year in college continues to be quite popular.

**Coordination with the Rest of Stanford**

Stanford has recently initiated efforts to address key global issues such as the environment, human health, prosperity, and security. As new discoveries are made and policies created, managed institutions will play a central role in their successful application. As the place at Stanford that studies organizational effectiveness, the GSB will help develop potential approaches and solutions to some of these important problems and challenges.

## School of Earth Sciences

During 2003/04 the School of Earth Sciences undertook a strategic planning process. A clear vision for the school emerged:

As a world leader in earth and environmental sciences and engineering, the School of Earth Sciences will create, integrate, and transform fundamental understanding of earth processes, and use that knowledge to help provide energy, water, and a safe and sustainable planet.

The strategic plan for achieving this vision includes a series of goals ranging from new approaches to faculty recruiting to improved support for analytical and computational laboratories. The focus in 2004/05 was on beginning to implement the plan. This process will continue in 2005/06, focusing on several major areas.

**Educational Initiatives**

The school has requested approval to establish a new graduate Interdepartmental Program (IDP). The proposed IDP in Earth, Energy, and Environmental Sciences is the response to a clear statement of need

articulated by faculty in the strategic plan. Currently, graduate students who wish to pursue research in emerging areas of earth sciences and engineering must work within traditional departmental structures that are not always well suited to their needs. The departments often expect completion of specific disciplinary requirements that are critical to the discipline, but not germane to a more multidisciplinary focus. These students will benefit greatly from a more flexible set of requirements that will allow them to build a strong program of study by drawing on faculty and educational resources from across the school.

This new program will pair nicely with another graduate IDP, the Interdisciplinary Graduate Program in Environment and Resources (IPER), established in 2002. IPER is a "far-field" interdisciplinary Ph.D. program combining the biophysical and social sciences with law and policy. In contrast, the newly proposed program will train graduate students who can integrate knowledge from earth sciences and engineering disciplines to address cross-disciplinary questions related to the earth's resources and to the dynamics of the integrated physical, chemical, and biological components of the earth system. Like those in IPER, however, students in the new IDP will experience the rewards of being part of a cohort of young scientists exploring cross-disciplinary frontiers.

The school has begun an evaluation of its undergraduate programs. There is already broad consensus around the desire to grow these programs. One possibility is to transform the current Department of Geological and Environmental Sciences program into an Earth and Environmental Sciences program, with possible tracks in geology, geohydrology, geophysics, environmental earth sciences, modeling and simulation, energy resources, oceans, and remote sensing. Another possibility is to create a schoolwide IDP major with various tracks. Over the next academic year, there will be much more discussion of these alternatives, culminating in a recommendation from the undergraduate programs committee.

**Research Initiatives**

The school is creating a multidisciplinary center for computational research on energy, the earth system, and the environment. The Center for Computational Earth and Environmental Sciences will focus on the development of integrated models and tools for use by faculty throughout Stanford and colleagues at the U.S. Geological Survey, Department of Energy laboratories, and Carnegie Institution. This will foster interdisciplinary cooperation enabling the sharing of common earth "views" and the building of shared earth models.

In many parts of the world, finding and maintaining clean sources of water for human consumption and agricultural use is increasingly challenging. Growing populations, coupled with declining water quality, have led to increased dependence on groundwater as a primary source of potable water in both developing and developed countries. The Groundwater Evaluation and Management Center (GEM Center) was developed to focus on groundwater problems. In addition to serving as a research center, the GEM Center will educate both undergraduate and graduate students, preparing them to take leadership roles in their home communities.

Energy research and teaching is a major focus for the School of Earth Sciences. Traditional areas of energy research are stronger than ever, and work is extending into new and rapidly expanding areas such as CO2 sequestration, coalbed methane, and geothermal. New classes integrate geology, geophysics, and petroleum engineering. As a result of this trend, graduates are uniquely broad in their training and are aggressively recruited by industry.

**Faculty Recruiting**

The school has adopted a recruiting system that allows all its component parts (departments, programs, centers, and interdisciplinary teams) to identify priority needs and have a voice in the discussion about new hires. The goal is to have a school-wide picture of the kinds of positions the school hopes to bring in over a rolling three-to-four-year period, with annual (or more frequent) opportunities to modify that picture based on new opportunities, changing needs and foci, and surprises in science and teaching.

**Analytical Facilities and IT Support**

No growth is planned for the school's physical plant, yet faculty numbers and programs are growing, and evolving priorities will require new kinds of space, particularly lab configurations. Lab space must be used more efficiently. With the help of the university's Office of Capital Planning and a lab planning consultant, the school is assessing its lab facilities. The goal will be to provide the best possible research labs, to be shared whenever possible—a functional approach that facilitates coordination, cooperation, and collaboration.

Faculty and students have agreed for some time that technical support for labs is chronically inadequate. Technical support to help graduate students, ensure safety, facilitate the sharing of equipment, and generally maintain labs is almost nonexistent. As the school moves forward with shared lab facilities, it becomes more critical than ever that labs be well maintained and managed. The school expects that, once the plan for shared labs is fully implemented, it will need seven full-time lab technicians—an increase of five FTEs. In addition to potentially increasing the productivity of students and faculty, this institutional commitment to state-of-the-art scientific research facilities will help the school's competitive standing with federal funding agencies.

**Communication and Outreach**

Another result of the strategic planning process was a communications plan, including the appointment of a director of communications.

The school has recently recruited an outreach coordinator to work on educational outreach activities, such as developing curricula for use in K–12 classrooms, running workshops for teachers, and creating online tools. This individual will serve as a resource for faculty as they develop research proposals, as well as for students interested in gaining teaching experience.

## School of Education

The School of Education has multiple, but integrated, missions: to generate new knowledge; to train educational researchers and leaders; to improve educational practice; and to influence educational policy. Over the next year the School of Education will focus on three programmatic goals: (1) to make existing academic programs more efficient and effective; (2) to expand its efforts in the area of learning and technology and leadership; and (3) to plan a new charter school in East Palo Alto. The following information gives a snapshot of some current initiatives.

With a $500,000 gift from an individual donor, the school has launched the Center for Educational Leadership. The center will serve as an umbrella for degree and professional development programs with a significant education leadership component, including some that are connected to the GSB. The goal of the center is to improve education through interdisciplinary activities related to the development of leadership capacity. The center will focus on educational leadership in a broad set of contexts that affect student learning outcomes, including school districts, government agencies, unions, nonprofit organizations, and foundations. To accomplish its objectives, the center will (1) launch and support professional development programs for educational leaders; (2) develop synergies between existing School of Education degree and non-degree programs; and (3) support and disseminate interdisciplinary research to inform the training of educational leaders and the practice of leadership.

To address the literacy crisis in local schools, two faculty members, in collaboration with the Haas Center for Public Service, created the Ravenswood Tutors Program. Recent scholarship and practice demonstrate that one-on-one tutoring with well-trained, supported, and supervised tutors is one of the best interventions available. The Ravenswood Tutors Program combines the expert knowledge of the School of Education faculty with Stanford student tutors to help address the language and literacy needs of students in the district. Ravenswood English is designed to foster English language acquisition and promote a love of reading in children who currently have little or no knowledge of English. Ravenswood Reads is designed to help all children learn to read English. The assessment and evaluation component of the program serves to advance research on how particular types of tutoring programs enhance the reading skills of young children.

In the fall of 2005, the first class of students will be admitted to the new Elementary Teacher Education Program. The program's mission is to cultivate teacher leaders who share a set of core values that include commitment to social justice, understanding of the strengths and needs of a diverse student population, and dedication to equity and excellence for all students. The program takes an approach to teaching and learning that addresses the family, community, and political contexts of education, while being grounded in the study of subject matter that enables inquiry, critical thinking, and problem solving. As in the secondary teacher credential program, partnerships are being established with several local professional development schools, where both new and experienced teachers can experiment with innovative instruction and evaluate new learning approaches, programs, and technologies.

The Carnegie Foundation supported "Teachers for a New Era" initiative is expanding the involvement of the Schools of Humanities and Sciences, Earth Sciences, and Engineering faculty in teacher training at Stanford.

Ultimately the goal is to enhance the visibility of and support for teacher education in universities, and to develop a model of effective teacher preparation.

The Gardner Center for Youth and their Communities will launch a new Youth Data Archive that will help public and private organizations serving young people devise more effective programs and policies. Currently, although many groups serve the same clients, there is little information on how much they overlap, where gaps exist, and what strategies work most effectively. To address the lack of coordination and focus among various youth-serving organizations, the archive will link data from multiple sources and create information essential to coordinating and strengthening support for youth in the community.

The Center for Performance Assessment is a member of the Performance Assessment for California Teachers (PACT) consortium of teacher preparation programs at a number of California universities. These institutions have joined together to develop a portfolio assessment for improving teaching and teacher education. Successful completion of the teaching performance assessment will be required to earn a California Preliminary Multiple Subject or Single Subject Teaching Credential. In its two years of existence, the PACT consortium has developed a set of rigorous and technically defensible teaching performance assessments and disseminated best practices across its members.

The Stanford School Redesign Network has developed resources to support new school startups and districts that attempt to convert large high schools to smaller schools or small learning communities. It has also developed support networks designed to promote collaboration, mutual problem solving, and sharing of materials and best practices. The network conducts research and evaluations that document both the challenges and the opportunities of redesign, noting best and promising practices with respect to school conversions and effective small schools. The next phase of the work will seek to influence public policy on school redesign by conducting analysis and developing briefs and forums addressing key programmatic or policy issues.

Construction of the new Barnum Family Center for School and Community Partnerships begins in June 2005, with occupancy scheduled for the following summer. The historic old bookstore will be renovated and a new addition will replace an addition dating from the 1970s. The building will increase visibility for partnership programs with practitioners and community leaders, and will serve as headquarters for both school redesign efforts and the Gardner Center.

Faculty recruitment continues to be a major activity, and the school expects to engage in seven active searches over the coming year. Extensive effort and planning go into designing each faculty position as the school expands into new areas to keep up with current issues in education. The domains of inquiry include teaching and learning, preschool through adulthood; contexts for learning, including schools, families, and communities; education policy (local, state, and national); international comparison and analysis; and technology.

A major initiative for the coming year will be planning the new K–12 Charter School in East Palo Alto. Grades K through 8 will be added to the existing East Palo Alto High School, which the School of Education has been co-managing with a charter school organization, Aspire. Assuming that the charter petition is approved by the state, the new school will function as a site for professional development for teachers presently working in Ravenswood city schools, as well as students enrolled in the elementary and secondary certification programs at the School of Education. It will also serve as a site for developing innovative, evidence-based practices capable of advancing student learning and affecting urban students more generally over time.

## School of Engineering

The School of Engineering remains a world leader in engineering research and education. Initiatives in support of this mission continue to be both inter- and multidisciplinary. The school believes that these academic plans have the potential both to create technologies and engineering leaders for the future and to improve the human condition.

### Department of Bioengineering

The new Bioengineering Department is by all measures a great success and is rapidly growing. A year ago the university granted permission for Bioengineering to award graduate degrees. The department is now admitting its second class of graduate students, and again the pool is large and very strong. A Biomedical Information Science and Technology Initiative training grant was awarded in October providing several years of financial support for graduate Bioengineering students. There have also been some very significant successes in gaining research contracts to support

faculty, staff, and students in the department. Three exceptional new faculty have also been recruited and have started this year.

Led by Bioengineering faculty, researchers and students will take on the health issues that affect all of us. This will be done at both the micro and the macro levels. Using a foundation of quantitative biology, their work will include biomedical devices, imaging, drug delivery systems, and regenerative medicine. It is their vision that engineered solutions can profoundly affect human health.

**Design Institute**

The new Design Institute focuses on educational programs that blend engineering innovation, human values, and business and manufacturing concerns into a single curriculum. The school envisions this as a true interdisciplinary program that includes design methodology, the techniques of rapid prototyping to prove feasibility, and design through understanding of user needs, and intends that it will quickly be incorporated into all discipline-based engineering curricula. There is tremendous excitement about this initiative not only within the engineering school, but also in other parts of the university that will be affected. The design teams, a focus of this initiative, will include students from business, the humanities, medicine, and many other areas.

The financial support required for this new initiative is substantial. The school will need to completely renovate Building 550 on the Panama Mall and equip it for its new function as the home of the Design Institute. Since the project-based learning style of the institute will require significant staff and faculty support, the school also needs a substantial endowment to support these ongoing expenses. These financial needs have been largely met through a recent pledge. School reserves will also provide funding for this initiative.

**Institute for Computational and Mathematical Engineering (ICME)**

ICME is a new interdisciplinary program in computational mathematics. ICME's central research mission is the development of sophisticated algorithmic and mathematical tools, which affect many different applied disciplines in engineering, earth sciences, medicine, and applied science. ICME's teaching mission is to develop a core set of undergraduate and graduate courses to serve students throughout the School of Engineering and beyond. Last fall the university approved ICME's Masters and Ph.D. degree-granting ability, and it already offers both undergraduate and graduate courses in numerical methods and applied mathematics. It also provides a strong core set of advanced courses for students enrolled in its Masters and Ph.D. programs.

**Architectural Design Program**

In fall 2004, the undergraduate architectural design program moved from Urban Studies in the School of Humanities and Sciences to the Department of Civil and Environmental Engineering. In addition, an option for a concentration of architectural courses in civil engineering is offered. The program is cutting edge, with course offerings in architecture and building design emphasizing sustainability, green design, life-cycle planning, and design/construction integration.

The Architectural Design Program provides a wonderful synergy with the school's commitment to the Institute for Energy and Environment and is an outstanding opportunity for civil and environmental engineering students desiring more exposure to studio design.

**Energy and the Environment**

The Institute for the Environment and new energy technologies remain very high on the school's list of academic initiatives. Several new faculty searches have been launched in these general areas within the past year by reallocation of existing billets. Alternative energy sources, sustainable buildings, and new materials will be some of the challenges that faculty, researchers, and students investigate.

This initiative, which is supported by the Schools of Earth Sciences, Humanities and Sciences, and Law, along with the GSB, has received very strong student interest. Strong involvement and leadership by the Civil and Environmental Engineering Department will ensure its success.

**Research Experiences for Undergraduates**

The school has piloted a program for the past five years that provides the opportunity for engineering undergraduates to spend a summer working in a faculty research lab. Research Experience for Undergraduates has been very effective in giving students an early and exciting view of engineering as a career. Last summer more than 120 undergraduates in five departments participated in this program. A donation has been made to endow the program and make it accessible to

approximately 200 engineering undergraduates each summer. This makes it possible for every interested engineering undergraduate to participate in the program at least once during his or her undergraduate career.

**Nanotechnology**

The school has, over the years, invested many resources in nanotechnology. In partnership with the National Science Foundation, the Stanford Nanofabrication Facility has, for a decade, been building collaborations around nanotechnology. In collaboration with the Dean of Research, the School of Engineering will soon build a new nanocharacterization facility. These initiatives will ensure that Stanford will remain a leader in the field.

## School of Humanities and Sciences

The School of Humanities and Sciences (H&S) strengthened its faculty with forty-seven new arrivals across its twenty-eight academic departments in autumn 2004, and carried out a total of sixty-seven searches during the 2004/05 academic year. Projection of the full costs of recruitment (including salary, program support, and any required facilities renovations for new hires) resulted in a readjustment of faculty hiring plans for 2005/06, with a deferral of twenty-nine originally planned searches. The school projects approval of a modest number of searches to be carried out in 2005/06, with return to a typical search number at the traditional replacement rate for the subsequent year. Another area of adjustment during 2004/05 was in graduate admissions for autumn 2005. Following a higher-than-average yield of outstanding graduate students entering Ph.D. programs in the previous two years, H&S imposed lower admissions targets for 2005 arrivals, in order to bring the balance back for autumn 2006 arrivals.

Significant milestones occurred in the development of several H&S programs in 2004/05, including the construction of new or renovated facilities that will house them.

- The Institute for Research in the Social Sciences (IRiSS) hosted its inaugural conference, "The 2004 American Presidential Election: Voter Decision-Making in a Complex World" just one week after the November 2004 elections. The all-day conference featured some of the nation's leading analysts commenting on the outcome and implications of the election. A second major conference sponsored by IRiSS took place in spring 2005; the "Conference on Inequality" featured related sessions on criminal justice, health policy, social security, race, and gender. The mission of IRiSS is to foster and strengthen multidisciplinary research in the social sciences, enabling Stanford scholars and their collaborators to address significant challenges confronting society.
- The new Kavli Institute for Particle Astrophysics and Cosmology, founded in 2002 as a joint multidisciplinary initiative between H&S, the Dean of Research, and SLAC, sponsored its first major conference in 2004, the "22nd Texas Symposium on Relativistic Astrophysics." Talks emphasized recent developments in cosmology, high-energy astrophysics, and the frontiers between these and gravitation and particle physics.
- Stanford's Institute for Research on Women and Gender, which moved into the School of Humanities and Sciences in 2001, enjoyed a year of renewal and renaissance in 2004/05. Founded in 1974, the institute is one of the nation's oldest and most preeminent research organizations devoted to the study of women and gender, with two primary objectives: to reevaluate gender roles in universities, corporations, and society at large, and to conduct in-depth research on gender in the world of ideas, politics, and people's everyday lives. The institute's new focus is to establish a research fellowship program that initially will focus on gender in science, engineering, and technology, later moving on to the arts, humanities, business, law, and medicine. The institute's "Difficult Dialogs" series aims to provide media, policymakers, scholars, and the public with a deeper understanding of issues related to gender and ethnicity. The current forum topic, "Dual Career Couples," began in 2005 and will run through 2007.

On the facilities side, several developments occurred this year that will enhance the H&S program.

- Two long-awaited facilities renovations completed in summer 2005 will provide new spaces and research capacity for the Center for Computer Research in Music and Acoustics (CCRMA) at the Knoll and for the Archaeology Center in Building 500. The Knoll was constructed in 1918 as the residence of the university president. Since 1946 the Music Department has occupied the Knoll, and it currently houses the world-renowned CCRMA program. In 1989, the Loma Prieta earthquake damaged the building, causing closure of the third floor. At project comple-

tion, CCRMA and the Center for Computer Assisted Research in the Humanities will occupy the entire building. With attention to the historic character of the building in major public spaces, the renovation included seismic strengthening, upgrading of infrastructure systems, and construction of three new high-tech studio spaces, a classroom, and open office space. Additionally, the third floor has been converted to office and library space, and a new performance space with capacity for eighty-five people will be added.

- A portion of Building 500, just behind the Main Quad, that was recently vacated by the Mechanical Engineering Department has become the new home for the Archaeology Center, which was previously housed in several locations on campus. The renovation included seismic strengthening and the development of state-of-the-art lab facilities for faculty and graduate students. From its inception in the eighteenth and nineteenth centuries, archaeology has been linked to history and the humanities on the one hand, and to the natural sciences on the other. The Archaeology Center builds on the research interests of faculty and students in multiple academic departments (Cultural and Social Anthropology, Anthropological Sciences, and Classics) without confining the practice to any one focus.
- Located along the west side of the Hewlett and Packard Quadrangle, the existing Hansen Experimental Physics Laboratory (HEPL) is a collection of buildings built primarily during the 1940s and 1950s to house high-energy physics experiments and the university's first atomic accelerator. In its present state, HEPL serves as an independent laboratory under the Dean of Research providing high-bay space and clean rooms. Current programs in the HEPL complex include astrophysics projects, located in each of the three end station buildings, as well as administrative and dry laboratory space in the North building and Annexes A and B. Long-range plans for the area call for the demolition of HEPL to provide sites for new science and engineering buildings. The new Physics and Astrophysics Building will accommodate programs displaced from HEPL North, End Station I, and Annexes A and B, as well as the emerging Astrophysics program focus. The new facility is envisioned to encourage multidisciplinary interaction among theoretical and experimental physics, astrophysics, cosmology, and engineering. Construction on the building, which will be located on the open lawn south of the existing Varian Physics Building, began in 2005 and is expected to be completed in summer 2006. The building will have a total of 68,000 gross square feet on four floors, two above grade and two below grade.

## School of Law

The Law School sees important opportunities ahead. It is in motion on a variety of fronts, with the goal of becoming integrated more fully into the university. The school also plans improvements in clinical education, international law, and public interest law.

### Salaries

Faculty salaries are a paramount concern. Salaries lag as much as 8%–15% behind those at top-paying law schools such as Harvard, Chicago, and Yale—the latter two being key rivals due to similarities in size and program. The school has managed, barely, to maintain a competitive salary program, but these schools are now offering packages stronger than Stanford's to attract and retain faculty. The Law School will need to continue an aggressive campaign to increase faculty salaries.

### Clinical Education

One of the Law School's key priorities during the next several years is building a clinical program whose quality and reputation match those of the school generally. During the past two decades, while most law schools were building such programs, Stanford's efforts lagged.

The school is now well on the road to correcting this deficiency. The clinical programs it has launched in the past five years provide wonderful pedagogical vehicles for its students to integrate the world of legal theory into the dynamic of client representation. The Law School is confident that its clinical programs can become a national model of excellence and an important recruitment tool within the next five years.

### Public Interest Law

The Law School is committed to training lawyers equipped to diligently, imaginatively, and honorably serve their clients, their profession, and the public interest. To accomplish this mission, the school is launching a new Public Interest Law Center. The goal of the center is to provide in-depth training, to create opportunities for public service, and to inculcate the

value of service. The center will further provide a focal point for innovative scholarly activities that examine law and the legal system in a broad, interdisciplinary fashion while creating connections to the private bar, legal organizations, and government agencies. Through conferences, institutes, seminars, and symposia, the center will engage with practitioners and study how best to utilize the law for public service.

**General Challenges**

The Law School's key challenges are to continue replenishing its faculty, to enhance its newly expanded clinical education programs, and to continue to build a campus whose physical infrastructure facilitates academic interchange and collaborative study. Specifically, the Law School aims to do the following:

- Rebuild its tenure-line faculty from thirty-eight professors to its historic level of forty-five, and eventually to fifty. The school wants to emphasize the hiring of junior faculty members and specialists in underrepresented fields. These fields presently include public law (e.g., constitutional law, administrative law, and environmental and natural resources law); international law (especially "private" international law); and the empirical study of law. The Law School has existing faculty strength in this last area but views it as a field in which there is tremendous potential.
- Build its clinical faculty from three to five professors. Clinics will emphasize practical training and the development of professional responsibility in a variety of new fields while continuing to support the Stanford Community Law Clinic in East Palo Alto.
- Build a residential complex for law students adjacent to the Law School. This will create an integrated community in which collaborative study, debate, and interchange flow seamlessly from classroom to dorm room.
- Continue to build interdisciplinary research, teaching, and policy programs in law, economics, and business; law, science, and technology; environmental and natural resource law; and international law, business, and policy.

While focusing on these initiatives for future development, the Law School will need to continue providing existing programs that are essential to maintaining its competitive position in relation to peer schools. These include:

- Summer research support for faculty members,
- Housing assistance for faculty members in addition to university programs,
- Loan repayment assistance to graduates in lower-paying public interest jobs, and
- Adequate levels of student service in the Law School's independently operated offices of admissions, financial aid, registrar, career services, and public interest programs.

## School of Medicine

The School of Medicine is well positioned to enhance its many excellent programs. The highlights of the school's programs and initiatives are discussed below.

**Education**

A new medical school curriculum was launched in fall 2003. The objective is to immerse the students in an area in which they have an interest and through which they can acquire critical thinking skills and analytic research experience. The students are required to select a scholarly concentration among ten possibilities, including Clinical Research, Bioengineering, Neuroscience, Immunology, and Women's Health. Because research is an important facet of the school, the new curriculum better aligns medical students to the faculty and mission and will allow the school to train future students to be excellent clinicians and leaders in an area of medicine or bioscience. The redesign of clinical rotations will continue into 2005, incorporating the technology tools to be developed by the recently established Center for Immersive and Simulation-based Learning.

As the composition of the student body is compatible with the school's position as a research-intensive school of medicine, interdisciplinary courses and programs are being developed to encourage medical and graduate students to learn more about the challenges and opportunities in translational medicine. A question for the future is whether graduate programs in the school should become more discipline-based as compared to departmentally-anchored.

The postdoctoral fellowship program will be enhanced to enable selected fellows to pursue concomitant graduate studies if they are committed to a career in research. The postdoctoral program is a critical interface between

the laboratory and the clinic and is a key facet of the school's research engine.

**Research**

In 2004, directors for three of the four Stanford Institutes of Medicine—Cardiovascular, Cancer and Stem Cell Biology and Medicine, and Neurosciences—were appointed. In 2005, the director for the fourth institute—Immunity, Transplantation, and Infection—was appointed. To further facilitate the integration of the school's research mission, three strategic centers—Clinical Informatics, Imaging and Genomics, and Human Genetics—were formed and their directors appointed in 2005.

The institutes and centers together create a virtual bridge between the basic and clinical science communities, and between the school and other sectors of the university. They open new venues for research and opportunities to extend findings to patients at the major affiliated hospitals.

During the past year, further progress has been made in applying to become a National Cancer Institute–designated Comprehensive Cancer Center. The center's principal investigator was appointed in the fall, and the recruitment of a deputy director is close to completion. In December 2004, the school formalized an affiliation with the Northern California Cancer Center. Together with a faculty appointment, this agreement will provide the collaborative expertise that will expand the population studies component of cancer research and patient treatment programs.

The Bioengineering Department, started in 2004 as a joint endeavor of the Schools of Engineering and Medicine, successfully recruited three new faculty to help launch the department and also admitted the first group of graduate students. Plans are proceeding for additional faculty recruitments and for offering an undergraduate major in the next couple of years.

BioX continues to evolve. BioX is one of the major interdisciplinary themes of the university and includes a number of important programs, such as the Interdisciplinary Initiatives Program, the Advanced Instrumentation Program, the BioX Teaching Initiatives, and the BioX Symposia and Seminars. It brings together disciplines from across the university in ways that not only align the physical and life sciences but also create relationships with ethics, the humanities, education, and business.

**Patient Care**

The School of Medicine is one of three entities of the Stanford University Medical Center (SUMC), along with the Stanford Hospital and Clinics (SHC) and the Lucile Packard Children's Hospital at Stanford (LPCH). The school's mission is to be a premier research-intensive school that improves health in the twenty-first century through discoveries, leadership, and innovations in education, patient care, and biomedical and clinical research. The hospitals are critically important to this mission.

The three principles guiding attainment of this vision are: (1) SUMC is uniquely positioned to rapidly translate new research findings into clinical care paradigms; (2) SUMC must deliver outstanding patient care and clinical services; and (3) a sustainable financial model and its robust execution are critical.

To this end, each of the school's Institutes of Medicine has, in addition to a core mission of translational research and translational education, a clinical strategic service line counterpart. These medical center–wide strategic alignments are listed in the table on the next page.

The successful and rapid translation of knowledge from the basic sciences to its application to improve the diagnosis, treatment, and prevention of human disease will be one of the most sustainable differentiators for the school and the affiliated hospitals.

**Communications and Government Relations**

During the past year, the school's communications strategy has expanded. An integrated approach to communication, science education, and public policy is perhaps best demonstrated in the school's magazine *Stanford Medicine.* The fall 2004 issue focused on the science and politics of stem cell research, the winter 2005 issue on the "ticking time bomb" of health care in America. Both played an important role in educating policymakers and other leaders about the important issues surrounding stem cell research and the U.S. health care system.

Together with the communications efforts, government relations efforts have focused on the national debate regarding stem cell research and on the National Institutes of Health (NIH). Issues involving the NIH range from conflicts of interest to budget and reauthorization.

**Stanford University Medical Center Institutes and Clinical Centers**

| School of Medicine | SHC | LPCH |
|---|---|---|
| Stanford Institute for Cancer and Stem Cell Biology | SHC Cancer Center | LPCH Center for Cancer & Blood Diseases |
| Neurosciences Institute at Stanford | SHC Neurosciences Center | LPCH Brain and Behavior Center |
| Stanford Cardiovascular Institute | SHC Cardiac Center | LPCH Heart Center |
| Stanford Institute for Immunity, Transplantation, and Infection | SHC Liver, Kidney, and Pancreas Transplantation Center | LPCH Transplant and Tissue Engineering Center |

**Planning for Regenerative Medicine Initiatives**

The school has instituted a number of plans to organize its efforts in stem cell research in conjunction with those of the newly established California Institute on Regenerative Medicine (CIRM). The CIRM will oversee the implementation of the $3 billion approved by the state of California for stem cell research. Several committees and subcommittees are being formed within the Stanford Institute for Cancer and Stem Cell Biology. A Program in Regenerative Medicine Advisory Committee is charged with initiating and coordinating all efforts in regenerative medicine.

## Vice Provost for Undergraduate Education

The 2005/06 budget for the Office of the Vice Provost for Undergraduate Education (VPUE) reflects its ongoing commitment to recent initiatives, particularly in academic advising; to its cornerstone programs, such as Stanford Introductory Studies and Undergraduate Research, that foster collaboration between students and faculty; and to the implementation of the new requirement in Writing and Rhetoric. Created just over ten years ago, and now in its fifth and final year of a successful fundraising campaign, the VPUE is also well positioned to evaluate its own structure and organization to inform and guide its evolution over the next decade.

In 2004, a new Director of Undergraduate Advising Programs (UAP) was appointed in the VPUE. In collaboration with the Faculty Director of Undergraduate Advising, she is taking steps to redefine "academic advising" as a coordinated and often complex effort to support all students as they negotiate their particular academic paths at Stanford, and to aid them in taking full advantage of the opportunities the university affords. Toward this end, an Academic Director was appointed in Wilbur Hall in 2004, in a pilot project designed to provide coordinated, informed, and timely advice to freshman residents. The Academic Director meets with students daily and works closely with a variety of individuals and offices on campus, including Residence Deans, the Dean of Freshmen, the Registrar, the Office of Accessible Education, academic advisors, and faculty across the university, to ensure students' academic progress and well-being.

Similarly, in recognition of the challenges faced by Stanford's 700+ scholar-athletes and the support provided to them by an academic advisor in the UAP, an Academic Director position was created in the Athletic Academic Resource Center in the Department of Athletics. The immediate success of both Academic Director positions in responding to student needs for individual guidance supports the VPUE's plan to create similar positions across the campus.

In other initiatives to improve advising, the VPUE has been actively recruiting faculty to serve as academic advisors to freshmen and sophomores. Through these efforts, faculty involvement in freshman advising for the 2004/05 academic year increased by 50%. Plans are also under way, in collaboration with school deans in the Schools of H&S, Engineering, and Earth Sciences, to organize a "Majors Day" during spring quarter, when faculty and relevant departmental advisors will be available to sophomores to discuss the choice of major.

To coordinate the support and advising that freshmen receive, the Freshman Dean's Office (formerly the Office of Freshmen and Transfer Students) was incorporated into the VPUE in 2004. It works hand in

hand with the UAP. Together, the Dean and Director have initiated collaborations with units in the Office of the Vice Provost for Student Affairs, as well as with Undergraduate Admissions, to improve, for example, the support offered to students in difficulty and the process by which academic advisors are assigned to new students, and to increase the variety of rich intellectual offerings during New Student Orientation and Admit Weekend.

Potter College in Sterling Quad, created in 2004, is a pilot project designed to provide an intellectually stimulating environment for upperclass students interested in sharing their interests with their peers and faculty in informal settings. Potter is a programmatic cousin to Freshman-Sophomore College. Residents engage in weekly discussions, workshops, and seminars; participate in events both on and off campus sponsored by the faculty dean who oversees both programs; and help to organize the Symposium for Undergraduate Research in Progress during Admit Weekend.

The 2005/06 budget will support the final year's implementation of the new requirement in the Program in Writing and Rhetoric (PWR), which took effect with the class of 2007. All students must now complete, by the end of the sophomore year, a course that emphasizes writing for oral presentation and communication. Additional PWR lecturers will be hired to accommodate these students.

In recognition of its transition from a young to a more mature organization, the VPUE assumes its programs are, for the most part, in steady state. The 2005/06 budget reflects this assumption. Ten years after the Commission on Undergraduate Education created the office, it is time to review its goals and reflect on the extent to which its programs meet the changing needs of both undergraduates and faculty. The staff will be conducting a series of self-studies designed to challenge existing operational models and to identify functional, administrative, and spatial efficiencies among units and programs. This assessment process reflects both an opportunity and an obligation to sustain and invigorate the VPUE's commitment to excellence in undergraduate education.

## Vice Provost and Dean of Research

The Office of the Vice Provost and Dean of Research and Graduate Policy has responsibility for the development and oversight of research policy; oversight of the independent laboratories, centers, and institutes; policy development for Stanford's graduate education; and management of the Offices of Technology Licensing, Science Outreach, Environmental Health and Safety, and Research Compliance, and the Sexual Harassment Policy Office.

The thirteen independent laboratories, centers, and institutes reporting to the Dean of Research encourage and support Stanford's interdisciplinary research and scholarship. These units provide strong programs that both complement and supplement Stanford's departmentally based research and scholarship, in addition to attracting excellent students and external scholars. In 2003/04, the organizations reporting to the Dean of Research accounted for 19% of Stanford's research volume (excluding SLAC).

The following are examples of new initiatives designed, developed, and funded in the independent labs, centers, and institutes:

- The Stanford Center for Innovations in Learning has received National Science Foundation (NSF) funding for a research center, Learning in Informal and Formal Environments (LIFE), that seeks to understand and advance human learning through a simultaneous focus on implicit, informal, and formal learning. The LIFE Center is a cooperative effort involving Stanford University, the University of Washington, the Stanford Research Institute, and the NSF. The center was awarded $25 million for an initial five-year period. The LIFE program consists of three strands of research. The first strand, on implicit learning and the brain, explores underlying neural processes and psychological principles associated with implicit learning in cognitive, linguistic, and social domains in varied settings over the human lifespan. The second strand, on informal learning, studies cognitive, social, affective, and cultural dimensions that propel informal learning and development outside of school and sustain transfer of learning across settings. The third strand, on formal learning, develops principled and experimentally tested designs, often accompanied by innovative uses of technology, that promote the kinds of learning in formal educational settings (e.g., schools, workshops) that prepare people to continue to learn throughout their lives. The LIFE Center will also conduct across-strand collaborations. The first year's theme for these collaborations is interactivity and learning.

- The Kavli Institute for Particle Astrophysics and Cosmology (KIPAC) has established the KIPAC Enterprise Fund. Grants from the fund are intended to support particle astrophysics and cosmology projects that will develop into major research programs. Three grants were awarded to three Physics department faculty based on the following criteria: scientific merit, achievability of stated goals, potential for evolving into a major KIPAC research program, involvement of KIPAC members in the research, and involvement of researchers in neighboring institutions and other Kavli Institutes.
- The Geballe Laboratory for Advanced Materials has received funding from the NSF to establish the Stanford-IBM Center for Probing the Nanoscale. The center has five principal goals: to develop novel probes that dramatically improve the capability to observe, manipulate, and control nanoscale objects and phenomena; to apply these novel probes to answer fundamental questions in science and shed light on materials issues of economic importance to industry; to educate the next generation of scientists and engineers regarding the theory and practice of these probes; to transfer technology to industry so that corporations can manufacture and market these probes worldwide; and to inspire tens of thousands of middle school students by training their teachers at a summer institute. Participants at the center include Stanford faculty members from departments spanning the physical sciences and engineering, IBM research staff, and numerous students and postdocs.
- The Stanford Program for Bioengineering, Biomedicine and Biosciences (BioX) has received funding for a five-year program: National Center for Physics-Based Simulation of Biological Structures (Simbios). The center is one of four new national centers, funded by the NIH, established to build the computing infrastructure to support biomedical research. Physics-based simulation provides a framework for understanding biological form and function. Simulations help researchers understand the physical constraints on systems as they engineer novel drugs, drug delivery mechanisms, synthetic tissues, medical devices, or surgical interventions. The center creates and supports a simulation toolkit for users to develop and share accurate models and simulations at scales ranging from atoms to organisms. Faculty, students, and postdoctoral fellows from more than ten departments and three schools (Engineering, Humanities & Sciences, and Medicine) are participating in the program.

## Hoover Institution

The Hoover Institution is a center for scholarship, public policy research, and archival activities committed to examining and generating ideas that define a free society. Hoover fellows address how society approaches collective concerns while balancing freedom and order—economically, politically, and socially. The Hoover Institution Library and Archives seek to collect and make accessible the historical record of human endeavors to find this balance.

The institution's research program centers around institutional initiatives that embrace the pursuits contained in its mission: improving the human condition; securing and safeguarding the peace; and seeking representative, yet limited, government. These seven initiatives are:

1. Economic Prosperity and Fiscal Responsibility
2. American Educational Institutions and Academic Performance
3. Individual Freedom and the Rule of Law
4. The Growth of Government and Accountability to Society
5. American Individualism and Societal Values
6. Diminishing Collectivism and Evolving Democratic Capitalism
7. National Priorities, International Rivalries, and Global Cooperation

Within these initiatives, fellows seek to analyze the effects of government actions relating to public policy; to generate, publish, and disseminate ideas that encourage positive policy formation; to convey to the public, the media, lawmakers, and others an understanding of important policy issues; and to promote vigorous dialogue.

From the academic disciplines of economics, history, law, and political science, fellows often collaborate on multiyear efforts to examine issues requiring particularly focused and extensive inquiry. Major emphasis continues on the American Educational Institutions and Academic Performance initiative led by Hoover's Koret Task Force, which is entering its seventh year studying K–12 education in the United States.

The Hoover Library and Archives has returned to its original mission, as envisioned by Herbert Hoover:

to gather archival and special collections, to preserve these rare documents on modern history, and to serve as a repository for rare and unique materials. While the collecting efforts encompass all aspects of political, economic, and social change, emphasis is being placed on three collecting priorities: the history of communism, transition to democracy and economic freedom, and cultural conflict. Currently there is a nexus of collecting and preservation activities on modern Chinese history, including the personal diaries of Generalissimo and Madame Chiang Kai-Shek, personal papers of T.V. Soong and H. H. Kung, and a multiyear effort to microfilm and preserve the archives of the Kuomingtang party in Taiwan.

An area of special importance is the expanded effort to preserve unique materials collected during the twentieth century from damage, material deterioration, and normal wear and tear. In 2005/06 the institution will be constructing and equipping a leading-edge 6,000-square-foot preservation facility. This facility will be equipped to restore and preserve audio/visual media as well as more traditional collections. State-of-the-art digitization equipment will aid with current projects to preserve the archives of the Commonwealth Club of California and William Buckley's *Firing Line*. Ultimately these efforts will make collections safer and more readily accessible to users on site and over the Internet.

Hoover fellows and other scholars are also being encouraged and supported in their research and publication efforts based on material found in the archives. A series of books published in both English and Russian continues to be developed based primarily on original documents found in Hoover's Russian/CIS collection. Extraordinary interest in the Radio Free Europe/Radio Liberty archives has resulted in a developing international scholarly effort to understand effective means of cross-cultural cross-boundary communication. In yet another example, the developing rich archive of materials from post-World War II China and Taiwan is the basis for the formative Modern China research project.

With the increasing prominence of round-the-clock news cycles; global satellite, cable, and broadband media information access; and the heightened attention given to public policy issues, competition for audiences seeking relevant data continues to intensify. The institution's communications and outreach functions seek to promote the ideas and scholarship of Hoover fellows, publicize the holdings of the library and archives, and promote accessible dialogue on policy issues addressed by the institution.

Recent and proposed new communications activities have focused on the Internet, periodical publications, radio, and engagements with print and broadcast journalists. The Hoover Institution communications program includes the following:

- Weekly Essays, a series of op-eds by Hoover fellows that appears in a number of periodicals, is syndicated to newspapers, and distributed internationally,
- Books, essays, and articles written by Hoover scholars appearing in the popular press, newspapers, and scholarly journals, and on the Hoover website,
- Opinion articles by Hoover fellows appearing on the op-ed pages of major newspapers, magazines, and periodicals, and on the Internet,
- Television and radio appearances by fellows on national and local news, public information forums, and call-in radio programs,
- Periodical publications: *China Leadership Monitor; Hoover Digest: Research and Opinion on Public Policy; Education Next: A Journal of Opinion and Research;* and *Policy Review*®,
- The Media Fellows program, which provides working media the opportunity to interact with the circle of resident Hoover fellows on site at the Hoover Institution, and
- News releases and daily reports detailing the intellectual product of the institution via Hoover's quarterly newsletter and on the Hoover home page on the World Wide Web.

Facility enhancements are designed to support the programmatic and communication needs of the institution and the university. Construction of a "conference room in the round" has been completed. In 2005/06, this facility will be used for live, two-way video and audio teleconferencing and state-of-the-art multimedia presentations. This capability will support Hoover's efforts to build a vital scholarly community of leading intellectuals from different disciplines, vocations, and geographic areas.

## SLAC

As a National User Facility of the Department of Energy (DOE), SLAC continues to provide world-class experimental facilities to about 3,000 scientists, annu-

ally, from all over the world in the two main research programs of Particle/Astroparticle Physics and Photon Science. The accelerator facilities deliver electron and positron beam characteristics unmatched anywhere in the world. The ultra-high intensity x-ray synchrotron radiation at SPEAR3 of the Stanford Synchrotron Radiation Laboratory (SSRL) serves many areas of science including materials sciences, structural biology, chemistry, and others. The construction of Linac Coherent Light Source (LCLS) will add another unique facility by providing the world's first x-ray free electron laser. In 2006, SLAC will begin the physical contraction of the conventional facilities associated with LCLS which takes advantage of the existing infrastructure at SLAC by utilizing the last 1/3 of the existing 3 km linear accelerator. LCLS is scheduled to become operational in 2009. The $315 million construction of LCLS is funded by the DOE Office of Basic Energy Sciences.

**Photon Science**

Photon science is perhaps the most rapidly expanding element in the changing face of sciences at SLAC. It will be driven by the expansion and utilization of the SPEAR3 synchrotron light source as well as the development of a completely new class of light sources based upon electron linacs. This development has already begun with the Sub-Picosecond Pulsed Source (SPPS) which is delivering 80 fsec pulses of hard x-rays that are being used to gain first experience with the application of x-ray scattering and absorption techniques to study properties of materials on this very short time scale. The LCLS will deliver intense femtosecond coherent x-ray pulses with 10 billion times higher peak brightness than those from existing synchrotron sources. These extraordinary beams will explore previously inaccessible realms of structural dynamics in the chemical, biological, and materials sciences as well as find new applications in nanoscale phenomenology, and atomic and plasma physics.

The state-of-the-art SPEAR3 is a low emittance, high current synchrotron light source which delivers beams whose intensity and brightness are competitive with any light source in the world in its intermediate energy class. SPEAR3 has significant expansion capacity for new beam lines. The first two new beam lines are already in fabrication. The first beam line, funded by Cal Tech with a gift from the Moore Foundation, is designed for macromolecular crystallography. The second one for nanoscale research is funded by DOE. Both beam lines are expected to be completed in 2006. In the building that houses these new beam lines, about 6,000 square feet of new space will be completed in 2005 for the X-ray Laboratory for Advanced Materials (XLAM) at SSRL to provide office and laboratory space for the increased staff.

**Particle and Astroparticle Physics**

SLAC's main particle physics program is the PEP-II/BaBar B Factory which examines a cosmological mystery: the crucial matter-antimatter asymmetry that led to the existence of the visible universe. The BaBar collaboration (600 physicists from 11 countries) continues to produce physics of exceptional quality. With sufficient funding, a nine-month experimental operation is planned in 2005/06. The run will be followed by a shut down of about four months to install major improvements for the PEP-II accelerator and the BaBar detector. These improvements are the last of a series of upgrades that are focused on maximizing the BaBar data sample before the planned conclusion of the experimental operations in 2008.

The primary focus of the laboratory's future accelerator-based particle physics program is the International Linear Collider (ILC), which is also the highest priority new facility for the field of particle physics. With the adoption of the superconducting RF technology for the ILC, SLAC has refocused its efforts and will continue to be a major contributor to the development of the technologies to realize an electron-positron linear collider designed to explore the new fundamental physics at the TeV energy scale. In 2005/06, the plan is to continue R&D and pre-conceptual design on the critical elements necessary to build a linear collider at minimum cost, as part of a global effort with the U.S. and foreign partners.

In the last decade, SLAC's particle physics mission has broadened into the closely related fields of astroparticle physics and cosmology. The GLAST mission represents SLAC's first major venture into astroparticle physics. GLAST is a space-based gamma-ray telescope that will be launched in 2007. The GLAST research program will explore how cosmic accelerators work and what they are accelerating, including the study of gamma-ray bursts and observations of jets emanating from active galactic nuclei and galactic black holes. In addition, GLAST will search for Dark Matter in our galaxy. The telescope is being built at SLAC by an international collaboration led by the Stanford team (SLAC, Physics Department and HEPL). In 2006, the instrument

will be completed and shipped out for further testing prior to integration with the satellite. In addition to GLAST, the new Kavli Institute of Particle Astrophysics and Cosmology will bring new projects and research opportunities to SLAC.

**Infrastructure**

SLAC has initiated a $15.6 million project, funded by the DOE, to replace a significant portion of the aging underground mechanical utilities and to improve the seismic safety of several important research, experimental, and computing facilities. The project, currently in design, will soon begin phased construction through 2008.

## Stanford University Libraries and Academic Information Resources (SULAIR)

SULAIR continues to serve Stanford students and faculty with a wide range of information sources and resources. Numerous programs and projects begun in previous years will continue to play out in 2006, but there are some new demands.

A major concern is the cost of academic journal subscriptions. In keeping with policies in place for more than a decade, SULAIR continues to decide on each and every journal subscription at the university. Annual increases in the costs of those subscriptions have outpaced the ability to meet them. Therefore, library staff weed the subscriptions each year, always with faculty advice and assistance. SULAIR has a fairly effective document delivery service contracted to provide articles to faculty from journals to which the university does not subscribe. However, there is concern that Stanford now subscribes to the bare minimum number of journals, especially in the scientific and engineering disciplines.

SULAIR will release a scholarly communications website that will offer advice to faculty on the placement of their articles with responsible publishers and their intellectual property rights and choices.

Stanford continues to acquire large numbers of books from all around the world. The Internet revolution has not yet begun to deliver electronic books in easy-to-read formats, and the vast majority of books acquired are only in physical form. Stanford has become a partner with Google in a massive book digitization project. Books are sent to Google and the texts made suitable for local structuring and indexing. Once converted, they will be available for reading on the campus network. A major focus for 2006 will be the ingestion and conversion of digitized books.

Absorption of books and bound volumes of newspapers from the Hoover Institution Library will continue and may very well be completed in 2005/06. Numerous bibliographic records have to be changed and improved. A great many volumes, perhaps over 500,000, have to be assigned to shelves in Green Library and elsewhere in the library system.

The East Asia Library, ensconced in the fourth-floor aerie of Meyer Library, is rapidly growing so that its collections support the wide range and growing depth of academic interests in East Asian subjects. In cooperation with the new Korean Studies program, a Korean Studies librarian will be employed on a term basis to build a Korean collection very quickly. Permanent funding will be sought for support of the Korean collections in SULAIR.

In concert with numerous faculty, SULAIR will continue to add archival and rare book collections to make research, teaching, and learning distinctive at Stanford. To such recently acquired collections as the Herbert Matter design collection, the Eduardo Frei presidential papers (on CDs as a result of training and advice given by SULAIR to the Frei Fundacion in Santiago, Chile), the Stephen Jay Gould papers and library, and the Samson Copenhagen Collection of Rare Judaica books, will be added several important collections in feminist studies and various area studies.

Planning is under way for the new Engineering Center, a building in SEQ2 that will include a library devoted to engineering, physics, and computer sciences. The Dean of the School of Engineering and the University Librarian have charged a planning group with defining a program for a library without books. That committee will report its results and design work will begin in 2005/06.

Stanford Auxiliary Library (SAL) 3 is filling up. In the first eighteen months of operation, it has stored about 500,000 volumes. Every library on campus has storage needs, and the existence of SAL3 makes possible the expansion of the physical collections. Deliveries are made each day from SAL3 to Green Library and then across the campus. The loading of SAL3 will continue at this rate in 2005/06.

The Digital Services Group, newly formed in 2004/05 to optimize SULAIR for the digital future of libraries, will expand and enhance its digital production services as well as cope with the flood of files from Google of digitized books. That group is also involved with enhancing the Socrates online public access catalog, so that Stanford patrons can go directly from a catalog entry to a virtual book, regardless of location of the server containing the book. This group also has responsibility for the preservation of numerous fragile media.

Following the quite concentrated and successful effort to program the next generation of CourseWork, a locally built course management system used by more than half of Stanford's faculty, SULAIR will implement CourseWork NG in phases. The new system has more modules and is easier to use. In addition, it uses a new database structure so that instructors and students can more easily save and retrieve material. This software is open source, and already about one hundred major U.S. colleges and universities are making use of it. Course management systems help faculty make more effective use of network communications to support their courses, give tests, grade papers, and interact with students outside of classrooms. Course management systems thus allow redirection of administration time to teaching and learning. Full implementation of CourseWork NG should occur in 2006/07.

Residential Computing is working with the VPUE on plans to convert computer clusters in the student residences to technology spaces better equipped to support collaborative work by groups of students and to produce a wider variety of reports, posters, and the like for their courses. Residential Computing has been a leader in its field and continues to engage over one hundred students each year as Residential Computing Consultants who assist other students in taking full advantage of the numerous systems and services Stanford offers, mainly through SULAIR.

# Section 3
# Capital Plan and Budget

This section outlines Stanford University's 2005/06–2007/08 Capital Plan and 2005/06 Capital Budget. The Capital Plan forecasts $1,301.0 million in construction and infrastructure projects and programs that are currently under way or planned to begin over the next three years. The Capital Budget represents $373.3 million of cash outlays and associated funding of the Capital Plan for the next year.

## CAPITAL PLANNING OVERVIEW

### Capital Planning at Stanford

Stanford's Capital Plan is a three-year rolling plan with budget commitments made for the first year, and then only for projects with fully identified funding. The plan is set in the context of a longer-term (ten-year) capital forecast for the university. The details of the longer-term forecast (particularly funding sources and schedules) are less clear than those of the three-year plan, as we cannot anticipate all of the needs that may emerge over the long-term horizon. In addition, plans inevitably change over time, as some projects prove more feasible than others and as funding realities and academic priorities evolve.

As has been the case for the last several years, this year's Capital Plan has been significantly affected by affordability constraints, debt capacity limits, and challenging fundraising prospects. For several projects, large portions of the funding required are listed either as fundraising goals compiled by the Office of Development (Gifts in Hand/Pledged or Gifts to Be Raised) or as Resources to Be Identified. The Resources to Be Identified are expected to come from sources other than fundraising targets and might include additional school or departmental reserves. In some cases, it will be possible to raise all of the funds required for projects, while in others, it may not be possible to meet fundraising targets. As a result, projects may be scaled back, delayed, or even canceled.

## MAJOR INITIATIVES IN THE 2005/06-2007/08 CAPITAL PLAN

### Science, Engineering, and Medical Campus

A major part of the Capital Plan is the Science, Engineering, and Medical Campus (SEMC). This initiative consists of eight new buildings to be designed and constructed over the next decade. The buildings include Astrophysics; Biology; the School of Medicine Learning and Knowledge Center (L&KC); the Stanford Institutes of Medicine #1 (SIM #1); and four buildings to be located in a new Science and Engineering Quad (SEQ 2): Environment and Energy (E&E), the School of Engineering Center (SOE Center), the Ginzton Laboratory replacement, and Bioengineering/Chemical Engineering.

Over the last year, the university has developed a master plan for SEQ 2. The master plan addresses site limits, massing, connective elements, fenestration and color and material palettes. The plan illustrates how architectural compatibility and overall campus consistency will be achieved in this important new campus area. The plan also prescribes certain requirements for the future designers of each individual building, outlines the connective elements that define the quad, and establishes a cost and phasing strategy that will enable Stanford to achieve this vision over time. A number of building demolitions will be required to achieve the plan, and these are included in the overall costs.

The priorities for the SEQ 2 master plan were established by an ad hoc committee of the Board of Trustees. The first priority was to accommodate the functional requirements of the program; the second was to achieve a balance between cost and aesthetics; the third was to achieve a high degree of consistency among the buildings; and the fourth was to pursue a sustainable design.

In addition, Stanford has developed a site and building plan for the School of Medicine (SoM). The plan's primary purpose is to establish a sense of order and identity for the school in addition to locating two new school buildings. It addresses existing circulation, service, and delivery challenges and identifies additional future new building sites.

The $1.3 billion 2005/06–2007/08 Capital Plan includes the costs of seven of the eight SEMC buildings (all except Bioengineering/Chemical Engineering), together with associated connective elements and demolition projects. These costs total $597.7 million, or 46% of the total plan expenditures. The forecasted capital need for the buildings was determined by Stanford's cost-benchmarking process and reflects the desire to lower capital costs by setting limits and managing to desired cost outcomes.

The following table summarizes the SEMC initiative. The initiative is heavily dependent upon a successful fundraising campaign, the details of which are being developed.

### SEMC Project Summary

[in millions of dollars]

| Project | Schedule | Cost * |
|---|---|---|
| **SEQ 2 Buildings** | | |
| E&E | 2006–08 | 113.0 |
| SOE Center | 2006–09 | 60.4 |
| Ginzton Replacement | 2008–10 | 54.6 |
| Bioengineering/ Chemical Engineering | 2009–12 | 114.2 |
| Subtotal | | 342.2 |
| **School of Medicine Buildings** | | |
| L&KC | 2005–08 | 65.1 |
| SIM #1 | 2006–09 | 135.8 |
| Subtotal | | 200.9 |
| **Other Buildings** | | |
| Astrophysics | 2004–06 | 34.2 |
| Biology | 2006–09 | 60.2 |
| Subtotal | | 94.4 |
| **Connective Elements & Utilities** | | |
| SoM/Biology | 2005–08 | 41.2 |
| SEQ 2 | 2006–08 | 26.3 |
| Subtotal | | 67.5 |
| Demolitions | 2006–10 | 6.9 |
| **Total** | | 711.9 |

* Costs are escalated at 3% annually.

### Annual Investment in Plant Assets

While the majority of this Capital Plan and Budget section focuses on capital projects, it is important also to address the long term adequacy of the investment in Stanford's physical plant. The central questions from a fiduciary and management perspective are:

(1) "Are we investing enough capital to preserve and optimize the existing facilities?"

(2) "Do we understand the level of investment required to renovate buildings and infrastructure that have reached the end of their useful lives?"

(3) "What are the capital requirements for new facilities development under the General Use Permit (GUP)?"

After two years of analysis, we have developed answers to those questions that are both credible and comforting. We have a model that allows a good understanding of the investments required, and assuming continued investment at historical levels and some selective new funding, the plant will be adequately supported.

Last year's Capital Plan and Budget addressed the university's implementation of a tool capable of assessing the condition of both Stanford's facilities and its infrastructure systems. This analysis resulted in an assessment of deferred maintenance and projected planned maintenance based on the lives of building and infrastructure subsystems. It did not address the need for program changes or code upgrades. This year the analysis was expanded to include plans for long-term facilities renovation and new facilities development under the current GUP.

As a result, the Annual Investment in Plant Assets analysis currently includes average annual financial projections (in 2004/05 dollars) in the following three areas:

- Maintenance – both deferred and planned replacement of facilities subsystems (e.g., roofing, HVAC equipment/controls, electrical equipment, interior finishes)
- Renovation – the complete renovation of facilities, addressing both program and code upgrades, which are not included in Maintenance. (Note: Facilities subsystems may be updated when a building is renovated, which may result in some overlap of financial results. This overlap is eliminated from the Maintenance analysis.)

- New Development – the buildout of additional gross square feet (gsf) on campus under the GUP and the accompanying infrastructure expansion. New development occurs as a result of program expansion and may include increasing the gsf of current buildings, further improving land use efficiencies.

### Maintenance

The Maintenance projection is based on the life cycle planning method. The key concept here is that if life expectancies of facilities subsystems are known, then maintenance schedules can be predicted. In 2003/04 the university implemented a database including all campus buildings and infrastructure subsystems, assigned lives to these subsystems, and projected replacement costs when these lives ended. The result of this implementation was a Maintenance database that assesses deferred maintenance and forecasts planned maintenance for fifty years.

The Maintenance database is updated annually by "resetting the clock" on subsystem lives that were replaced during the previous year and reassessing the remaining lives of subsystems through physical inspection by facilities managers. The updated results, looking forward ten years (a time horizon consistent with long term capital planning), is an average of $42.1 million in maintenance costs per year.

### Renovation

Forecasting the need to renovate buildings that are at the end of their program or physical life was more challenging and more subjective than the Maintenance analysis. For every campus building, the Renovation analysis identified the date of original construction, building type (e.g., lab, housing, classroom), expected life, renovation costs (based on current benchmarks) and practical realities such as the preservation of historical buildings. Given the longevity of Stanford's buildings, the analysis was based on a ninety-year horizon. It forecasts an average of $84.1 million in facilities renovation costs annually over the next ninety years. Major renovations were treated as replacements, resetting the Maintenance and Renovation age clocks to zero.

### New Development

The New Development forecast was derived from the university's growth limitations under the GUP, related housing linkage conditions and the benchmark costs by project building type. Projected demolitions reduced the forecasted new development costs as the replacement requirements for these demolitions are included in the Renovation analysis above. The time horizon used was twenty-one years (or through 2025) which is when the university expects to exhaust the gsf allowed under the current GUP. The result of this analysis forecasted the funding need as an average of $69.4 million per year over those twenty-one years.

Although the analysis was performed on a university-wide basis, it was segregated into the following "campuses":

- Academic (nonformula schools and administrative units) (7,837,270 gsf),
- Residential & Dining Enterprises (R&DE) (4,267,000 gsf),
- Formula Schools (School of Medicine, Graduate School of Business, Hoover Institution) (2,054,730 gsf),
- Department of Athletics, Physical Education, and Recreation (DAPER) (547,000 gsf),
- Utilities distribution and generation (Utilities) (Infrastructure), and
- Roads, landscaping, and hardscape (Roads) (Infrastructure).

The financial responsibilities and funding sources of these campuses are as follows:

- Academic – Shared between general funds and individual schools and departments,
- R&DE, DAPER, and Formula Schools – Responsibility of the individual units,
- Utilities – Capital Utilities Program (CUP) service center, and
- Roads – General funds and the Stanford Infrastructure Program (SIP).

General funds and reserves may be used to fund projects directly or to fund debt service on debt-funded projects.

The following table summarizes the total Annual Investment in Plant Assets forecasted by campus:

**Annual Investment in Plant Assets**
[in millions of dollars]

| | Maintenance | Renovation | New Development | Average Annual Investment |
|---|---|---|---|---|
| Academic | 16.0 | 47.1 | 34.4 | 97.6 |
| R&DE | 8.0 | 10.0 | 12.0 | 30.0 |
| Formula | 8.5 | 21.4 | 18.7 | 48.6 |
| DAPER | 0.9 | 4.3 | 0.2 | 5.4 |
| Utilities | 7.1 | 1.3 | 4.1 | 12.4 |
| Roads | 1.6 | | | 1.6 |
| Total | 42.1 | 84.1 | 69.4 | 195.6 |

## Funding

### *Historical Funding*

Over the past nine years the university has invested an average of $228.5 million per year (escalated to 2004/05 dollars) in capital facilities projects. The following table shows the funding sources for this investment:

**Historical Annual Funding by Source**
[in millions of dollars]

| | Annual Average | Percent |
|---|---|---|
| Debt | 92.2 | 40.4% |
| Gifts | 83.0 | 36.3% |
| Reserves | 44.2 | 19.4% |
| Other (e.g., government grants, FEMA) | 9.1 | 4.0% |
| Total | 228.5 | 100.0% |

Though historical trends may not be indicative of the future, particularly with the Loma Prieta Earthquake influencing both the investment timing and the funding (e.g., gift raising and FEMA) in the past nine years, it is worth noting that overall the average annual investment needs are similar to the past.

Applying these historical funding trends to the projected needs of $195.6 million results in the following:

**Projected Annual Funding by Source**
[in millions of dollars]

| | Annual Average | Percent |
|---|---|---|
| Debt | 78.9 | 40.4% |
| Gifts | 71.0 | 36.3% |
| Reserves | 37.9 | 19.4% |
| Other (e.g., government grants, FEMA) | 7.8 | 4.0% |
| Total | 195.6 | 100.0% |

The university's aggregate debt capacity is projected at $84 million per year, (assuming a 9.25% MEP return, a 5.0% payout and a 20% leverage ratio) which is slightly above the projected trend of $78.9 million. Gift raising for facilities remains a high priority. Gift raising has historically been more successful for new academic buildings and more challenging for housing and renovation projects. Reserves from schools, departments, general funds, facilities reserves, and President's funds have contributed to capital projects. To a lesser extent, so have funds from the National Institutes of Health, the National Science Foundation and the Howard Hughes Medical Institute.

### *General Funds Maintenance Funding*

The Academic and Roads categories rely primarily on general funds. Total general funds contributions for these two categories were increased by $1 million in 2004/05 and another $2 million in 2005/06. Of the $16 million in Academic maintenance needs, $5.8 million represents interior finishes and built-in equipment needs that are funded by the nonformula schools and administrative units. General funds contribute $9 million, leaving a funding gap of $1.2 million. Of the $1.6 million in Roads maintenance needs, $350,000 is funded by the SIP and $650,000 is funded by general funds. The remaining funding gap is $600,000.

## Conclusion

Stanford's significant capital facilities investments in the 1990s have addressed most of the deferred maintenance on campus. The Maintenance model for the academic campus indicates a modest budgetary shortfall, which will be funded over the next few years. The other campuses will need to rely on increases in operational income and reallocation to address their Maintenance shortfalls. This is particularly the case in R&DE, Athletics, and the formula units. It will take several years of concerted effort to reach that point.

With respect to Renovation and New Development, Stanford will continue to increase funding to maintain the quality of facilities and accommodate program growth. Funding increases will likely come from increased general funds, school and department reserves, an increase in debt allocations (particularly for campuses that can service it, such as formula schools and service centers), and a continued facilities emphasis as a core element of Stanford's comprehensive gift raising campaign.

### Off-Site Campus Acquisition

Due to GUP limitations on core campus development, the university has been studying options for relocating nonacademic (administrative) programs to off-campus sites, thus reserving core campus space for Stanford's highest academic priorities and objectives. This relocation is considered a strategic objective, not an immediate need. The timing of this effort is opportunistic, due to depressed real estate values in today's market compared to historical values.

Over the past year, a search identified a number of potential sites within a fifteen-mile radius of the campus. In February, the trustees approved the concept of acquiring a site approximately seven miles from the campus at a cost of $51 million. The site includes approximately 350,000 gsf of buildings on about nineteen acres. Recent discussions have centered on expanding the initiative to include more land and buildings on adjacent parcels, the price of which is estimated at $35 million. In addition, the Stanford Hospital and Clinics (SHC) is under contract to acquire an adjacent parcel that includes approximately 360,000 gsf on eleven acres. We anticipate that redevelopment of the administrative site will be required and occur sometime over the next ten years.

The property acquisition is currently in the due diligence period, during which the university is reviewing building structures, assessing traffic impacts, reviewing environmental conditions, identifying legal and political issues, projecting costs of site redevelopment, and assessing the market feasibility of releasing the space. Assuming there are no issues that warrant termination, we expect to complete the acquisition in 2005/06. This expenditure of $86 million is included in the summary table of the three-year Capital Plan on page 51.

### Housing

One of the key conditions of approval in Stanford's 2000 GUP is that for each incremental 500,000 gsf of new academic buildings, the university must construct a minimum of 605 net new units of housing. The Munger Graduate Residences are planned to add 600 new graduate student beds on a site proximate to the Law School, along with an underground parking garage with approximately 850 parking spaces. With the construction of the Munger residences, Stanford will have added a total of 1,033 net new graduate student beds since approval of the GUP. Other housing plans include two undergraduate housing projects: Mayfield Row House (Green Dorm), with approximately 50 net new beds, and Manzanita III Hall and Dining, with approximately 125 net new beds. The completion of these projects will substantially fulfill the GUP requirement of adding 1,210 new beds, which will enable the university to construct up to 1,499,999 gsf of new academic space.

## THE CAPITAL PLAN, 2005/06 – 2007/08

Stanford's central campus, including the Medical School but excluding the hospitals, has approximately 675 major buildings providing almost fifteen million gsf of physical space. The physical plant has a historical cost of $4.1 billion and an estimated replacement cost of approximately $5.9 billion.

The Capital Plan is a forecast of Stanford's annual programs designed to restore, maintain, and improve campus facilities for teaching, research, housing, and related activities. Stanford's needs for new and improved teaching and research facilities emerge every year and are planned in a coordinated manner across the university. The Capital Plan carefully balances institutional needs for new and renovated facilities with challenging constraints of limited development entitlements, available funding, and affordability.

Expenditures in the three-year 2005/06–2007/08 Capital Plan, which includes thirty-two major construction projects in various stages of development and numerous infrastructure projects and programs, total $1,301.0 million, up from $976.8 million in last year's Capital Plan. The table below provides a comparison of the last three Capital Plans.

**Budget Plan Year**

[in millions of dollars]

| | 2003/04 | 2004/05 | 2005/06 |
|---|---|---|---|
| Design/ Construction | 173.3 | 256.7 | 275.1 |
| Forecasted | 567.0 | 594.6 | 852.5 |
| Infrastructure | 96.8 | 125.5 | 87.4 |
| Off-Site Campus Acquisition | | | 86.0 |
| Total | 837.0 | 976.8 | 1,301.0 |

#### Projects in Design and Construction

As shown in the above table, Design and Construction costs have increased by $18.4 million in this year's plan. This is largely the result of the following Forecasted

projects moving into Design and Construction: GSB classroom building ($53 million), Old Union complex renovation ($24 million), and Barnum Family Center ($5.3 million). In addition, the Munger Graduate Residences project has increased in scope by $40 million (now including underground parking and other enabling projects). These additions total $122 million; they are offset by just over $100 million in projects being completed and moved off the Capital Plan. These completed projects include Maples Pavilion, the Arrillaga Recreation Center, Lucas Center, the Knoll, Bakewell, Building 500, Center for the Study of Language and Information, and the Graduate Community Center.

### Forecasted Projects

Forecasted costs have increased by $257.9 million since last year. A variety of new projects have been added to the plan. These include SIM #1 ($135.8 million), Ginzton Replacement ($54.6 million), SoM/Biology Connective Elements/Utilities ($41.2 million), SEQ 2 Connective Elements/Utilities ($26.3 million), the Stadium ($55 million), 800 Welch Road ($19.1 million), 1050 Arastradero ($17 million), Mayfield Row House ($7 million), Public Safety ($4.4 million), Boswell Fish Facility ($4.3 million), White Plaza ($4 million), and Childcare ($3.7 million). These costs total $372.4 million. They are partially offset by Forecasted projects moving into Design and Construction (as discussed above). Upward and downward changes in project estimates and scope have largely netted themselves out.

### Infrastructure Projects

Infrastructure costs have decreased by $38.1 million. A $15 million East Campus parking structure has been deferred; this parking need will be met by the Munger underground parking. Costs for information technology and communication systems decreased $19 million as a result of the completion of the financial systems conversions. The Capital Utilities Program has been held constant, and other programs have been deferred where possible.

### Off-Site Campus Acquisition

The off-site campus acquisition, slated to cost $86 million, is described above and is new in this year's Capital Plan. This strategic acquisition will conserve core campus space for academic priorities.

### Overall Summary

A summary table of the three-year Capital Plan appears on the next page. The tables at the end of this section provide a detailed list of those projects that require approval by the Board of Trustees—that is, projects costing $3 million and above.

The Capital Plan tables do not include the capital projects of the SHC, Lucile Packard Children's Hospital (LPCH), or Stanford Management Company (SMC) due to their independent organizational structures. The text summarizes these projects in order to present a comprehensive view of all planned construction on Stanford lands.

The projects in the Capital Plan are listed in four categories:

- **Design and Construction** – The seven projects in Design and Construction represent $275.1 million (21% of the plan). Some of these projects received Board of Trustees concept approval as recently as April 2005 and now are in design. Construction of other projects is contingent on securing funding.
- **Forecasted Construction Projects** – These twenty-five proposed projects are listed by size. They will cost a total of $852.5 million (65% of the plan). Of this funding, $282.2 million, or 33%, is identified ($49.7 million in current funds, $51 million in gifts in hand or pledged, $178.4 million in debt, and $3.1 million in government and private foundation grants). There remains $530.6 million to be raised, and $39.7 million needs to be identified. Due to these funding challenges, many of these projects may not be completed for a number of years. Only those projects with an anticipated concept approval in 2005/06 and a viable funding plan are considered budget commitments in this rolling three-year plan.
- **Infrastructure Projects and Programs** – These projects and programs include the nearly complete Sand Hill Road project, as well as a number of utility systems, information technology and communication systems, compliance programs, and GUP mitigations. These projects and programs account for $87.4 million (7%) of the Capital Plan.
- **Off-Site Campus Acquisition** – The $86 million off-site campus acquisition is new to the plan this year and represents 7% of the plan.

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

## Summary of Three Year Capital Plan 2005/06-2007/08
### (in millions of dollars)

| | | | Project Funding Source | | | | | | | Annual Continuing Costs | | Project Expenditures Anticipated Cash Outlay | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Gifts | | University Debt | | | | | | | | | | |
| | Estimated Project Cost | Capital Budget 2005/06 | Current Funds[1] | In Hand or Pledged | To Be Raised | Service Center/ Auxiliary Debt | Academic Debt | Other[2] | Resources To Be Identified[3] | Debt Service | Operations, Maintenance & Utilities | Through 2004/05 | 2005/06 | 2006/07 | 2007/08 | Thereafter |
| Projects in Design & Construction | 275.1 | 110.6 | 32.6 | 67.1 | 58.0 | 58.1 | 49.3 | | 10.0 | 8.2 | 3.0 | 23.3 | 110.6 | 104.6 | 36.6 | |
| Forecasted Projects | 852.5 | 139.9 | 49.7 | 51.0 | 530.6 | 11.0 | 167.4 | 3.1 | 39.7 | 13.7 | 14.7 | 6.4 | 139.9 | 345.5 | 197.2 | 163.5 |
| Total Construction Plan | 1,127.6 | 250.5 | 82.3 | 118.1 | 588.6 | 69.1 | 216.7 | 3.1 | 49.7 | 21.9 | 17.7 | 29.7 | 250.5 | 450.0 | 233.8 | 163.5 |
| Infrastructure Programs | 87.4 | 36.8 | 22.6 | | | 37.5 | 27.3 | | | 6.2 | | 16.4 | 36.8 | 20.2 | 14.0 | |
| Off-Site Campus Acquisition | 86.0 | 86.0 | 86.0 | | | | | | | | | | 86.0 | | | |
| Total Three-Year Capital Plan 2005/06 – 2007/08 | 1,301.0 | 373.3 | 190.9 | 118.1 | 588.6 | 106.6 | 244.0 | 3.1 | 49.7 | 28.1 | 17.7 | 46.1 | 373.3 | 470.3 | 247.8 | 163.5 |

[1] Includes funds from university and school reserves, and the GUP and SIP programs.
[2] "Other" funds represent government and private foundation grants.
[3] Anticipated funding for this category is through a combination of gift raising and school, department and university reserves.

## Capital Plan Funding Sources

Stanford's Capital Plan relies on several funding sources: current funds, gifts, service center/auxiliary debt, and academic debt. For a number of projects not all of the funding sources are known. These unfunded costs are shown in the Resources to Be Identified column. Although it is our expectation that some of these funds will be identified, it is possible that they may not. As a result some projects will have to be cancelled, delayed, or scaled back in scope. The chart below outlines the funding sources for the Capital Plan.

### Current Funds

We anticipate that $190.9 million, or 15% of the Capital Plan, will be funded through current funds. These include school, department, and university reserves, as well as GUP Entitlement Fees and the SIP. GUP Entitlement Fees are assessments levied on capital projects that increase the school's/department's campus space allocation. These fees provide funding for conditions established under the 2000 GUP and the Community Plan. SIP assessments are levied on all capital projects and fund parking, transportation, and other campus infrastructure programs.

### Gifts

The Capital Plan includes gifts of $706.7 million (54% of the plan). These gifts are a combination of gifts in hand or pledged ($118.1 million, or 9%) and gifts to be raised ($588.6 million, or 45%). The Office of Development participated in the Capital Plan process and determined that the gift targets listed are feasible. However, given historical levels of annual giving for buildings, it is likely that the gift timetable will be extended.

### Debt

Debt funding reliance has dropped significantly in recent years, although debt remains one of the key financing sources for the Capital Plan. The amount of debt to be allocated was carefully considered after prioritizing university needs and assessing our ability to service the debt. Approximately 27% of projected expenditures will be funded by $350.6 million of debt. Of this amount, $106.6 million is auxiliary and service center debt, principally for R&DE and the CUP. Another $244.0 million is academic debt, serviced by unrestricted revenues.

### Other

A small portion of the total ($3.1 million) is from NIH and Howard Hughes Medical Institute grants for an SoM facility.

### Resources to Be Identified

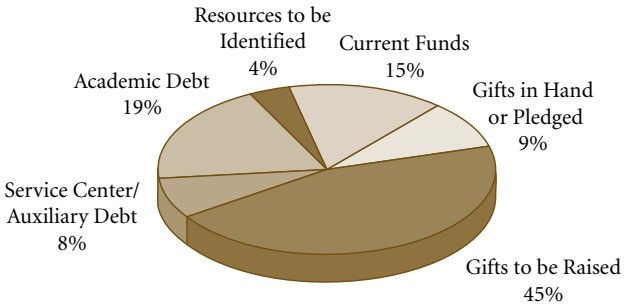
As mentioned above, given the constraints of the economic climate at this time, not all of the funding sources are known for the projects in the Capital Plan. The Resources to Be Identified category amounts to $49.7 million in the plan, or 4% of the total funding required. While it is possible that funds will be identified within this category, it is not clear at this time that this funding need will be met.

## Uses of Funds by Program Category

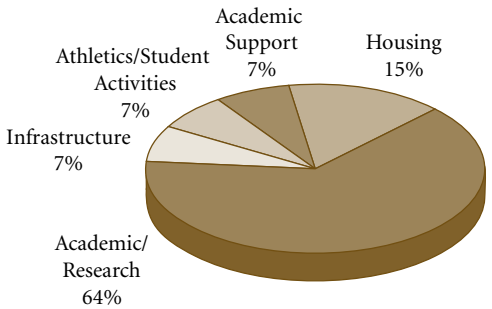
The Capital Plan is divided into the following program categories: Academic/Research, Housing, Athletics/Student Activities, Academic Support, and Infrastructure. The chart below shows the uses of plan funds by program category.

**The Capital Plan 2005/06 – 2007/08: $1,301.0 Million**

**Sources of Funds**




**Uses of Funds by Academic Category**



### Academic/Research

Academic/Research projects directly support Stanford's teaching and research mission and include buildings that have offices, classrooms, and laboratories used by faculty, students, and staff. The Academic/Research projects in the plan amount to $834.8 million, or 64% of the total.

*Projects in Design and Construction:*

The following five projects are now in Design and Construction:

- The new Graduate School of Business classroom building (81,000 gsf), designed to house classroom, gathering, and office space for the school.
- The Astrophysics building, which will house Hansen Experimental Physics Laboratory (HEPL) and Astrophysics and Physics programs in 68,000 gsf located between the current Varian building and the Moore Materials Research building. This building is part of the SEMC initiative.
- The Kavli Institute for Particle Astrophysics and Cosmology, a 25,000 gsf state-of-the-art research building being developed at SLAC.
- The Stanford-in-Washington project, a renovation and addition to the School of Humanities and Sciences' Washington, D.C., facility, which houses undergraduate programs.
- The Barnum Family Center for School and Community Partnerships, an 8,328 gsf renovation and upgrade of the Old Bookstore (the former Career Planning and Placement Center) for the School of Education.

*Forecasted Construction Projects:*

Additional Academic/Research projects planned for Trustee concept approval in the next three years include both new and renovated buildings and a major utilities project.

Forecasted SEMC buildings are the new School of Medicine L&KC (120,000 gsf requested), a new E&E building (166,565 gsf requested), the SOE Center (126,217 gsf requested), a new Biology building (100,000 gsf requested), SIM #1 (200,000 gsf requested), and the Ginzton replacement (formerly called Photonics) (101,850 gsf requested). Extensive SEMC regional utilities projects, a connective elements project, and key demolitions also are required to support this initiative.

Projects in the Medical School include a renovation of 800 Welch Road (the former Blood Center), seismic and infrastructure upgrades of the Edwards building (65,617 gsf), utilities upgrades in the Stone buildings, 72,681 gsf of renovations in the Lane and Alway buildings to accommodate L&KC program needs, a building renovation at 1050 Arastradero Road to house research space, and the Boswell Fish Facility (a 5,000 square-foot renovation of space at the Medical School for new research facilities).

Other forecasted Academic/Research projects include a renovation and upgrade of the Old Anatomy building located next to the Cantor Arts Center for the Art Department (gsf to be determined).

### Housing

Housing projects represent $193 million, or 15% of total Capital Plan expenditures. These projects reflect the efforts of the university to provide more affordable housing for graduate students and to upgrade existing facilities for both graduate and undergraduate students. The conditions of the General Use Permit also require the university to build new housing as academic space is built. Residential & Dining Enterprises' Capital Improvement Program (CIP) is intended to address deferred maintenance, seismic upgrades, code compliance, and major programmatic improvements in all areas of the student housing system. CIP projects totaling $22 million are anticipated in the next three years, although most of these projects fall below the $3 million limit and are not included in this plan.

*Projects in Design and Construction:*

The Munger Graduate Residences are planned to provide 600 units of housing for law and other graduate students, located adjacent to the Law School academic campus. This housing facility is key to the integrated learning environment that is a hallmark of the school's academic program. The project provides substantial numbers of new beds, contributing to the GUP requirements. It also includes parking and a variety of enabling projects.

*Forecasted Construction Projects*

Future housing projects include the Manzanita III Hall and Dining project, which will add 125 new undergraduate beds and a new dining facility, and a new Mayfield Row House (designed as a Green Dorm), which will add 50 new undergraduate beds. Other major projects include renovations to Roble and Crothers Halls.

### Athletics/Student Activities

The Athletics/Student Activities category covers those facilities that support campus athletics, recreation, and other nonacademic resources/services for students. Projects supporting Athletics/Student Activities represent $91.7 million, or 7% of total Capital Plan expenditures.

*Projects in Design and Construction*

In the student activities area, the planned renovation of the Old Union, Clubhouse, and Nitery (82,292 gsf) will create additional student activity and support space.

*Forecasted Construction Projects*

Projects planned in the future for Athletics include a renovation of the Golf Clubhouse and related facilities (Pro Shop and Cart Barn), and a renovation and upgrade of the Stanford Stadium. The White Plaza Landscape and Circulation Redesign, related closely to the Old Union project, will improve the White Plaza campus center outdoor space for student gathering and other activities.

### Academic Support

The Academic Support category consists of facilities that help support the academic mission of the university. This category generally includes administrative space, as well as facilities such as libraries and museums. Academic Support projects total $94.1 million, or 7% of the plan. The Off-Site campus acquisition adds significantly to this category.

*Projects in Design and Construction*

There are no academic support projects in design and construction.

*Forecasted Construction Projects*

There are two forecasted projects in this category: the Public Safety Building, a 13,000 gsf building to replace the current public safety facilities, and a new Childcare Center (estimated at 7,200 gsf) planned to be located on the eastern side of campus.

### Infrastructure

Stanford's ongoing efforts to renew its infrastructure are reflected in a budget of $87.4 million (7% of total Capital Plan expenditures). Infrastructure programs include the CUP, the Sand Hill Road extension, GUP mitigation, and SIP projects. GUP mitigation and SIP projects are funded through construction project surcharges.

*Capital Utilities Program:*

The three-year plan allocates a total of $31.4 million for CUP projects to improve electrical, steam, water, chilled water, and wastewater utility systems. The CUP is driven by four factors: system expansion, system replacement, system controls, and regulatory requirements. A $9.3 million Cooling Tower and Support building is planned to meet the increased chilled water loads predicted over the next seven years, with additional expenditures planned beyond the ten-year forecast.

*Road Systems and Parking:*

The three-year plan includes the nearly completed $22.2 million Sand Hill Road Widening project. An 850-stall underground parking garage is planned as part of the Munger Graduate Residences.

*GUP Mitigation:*

The Capital Plan provides for $18.9 million in capital expenditures for mitigation measures required by the GUP and Community Plan approved by Santa Clara County in December 2000. These expenditures relate to Campus Drive widenings, trail easements, and water conservation. Funding will be generated by an internal fee levied on capital projects that increase school/department campus space allocations. Due to potential timing differences between the collection of the fee and the scheduled expenditures, debt may be used as a short-term backstop.

*Information Technology and Communication Systems:*

A total of $11.2 million has been allocated for upgrades to networks and communication systems.

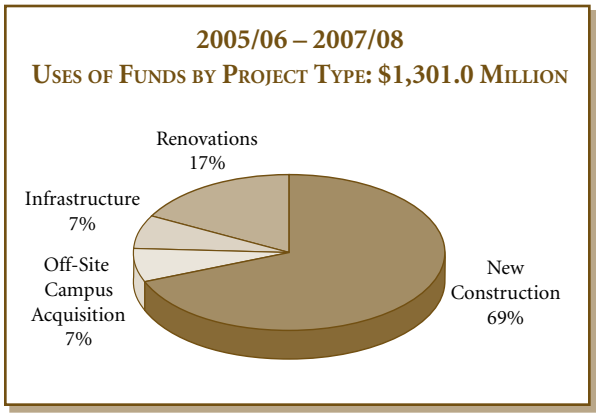
*Stanford Infrastructure Program:*

The SIP consists of planning and transportation projects and programs for the improvement and general support of the university's academic community and physical plant. SIP expenditures are expected to total $3.7 million over the next three years. SIP projects include the construction of small increments of additional parking, campus transit improvements, parking lot infrastructure improvements, site improvements, bicycle and pedestrian paths, lighting, and outdoor art.

## Uses of Funds by Project Type

### New Construction

Major construction projects account for $900.2 million or 69% of the three-year plan, ranging in size from $3.7 million to $140.0 million. These buildings




will support academic and research programs, as well as student housing, athletics/student activities and academic support facilities.

### Renovations

As illustrated in the chart above, renovation projects in the Capital Plan represent $223.4 million, or 17% of the total project costs over the three-year period. One of the renovation projects (the Barnum Family Center) is among the last unreinforced masonry structures on campus to be seismically upgraded per the requirements of the County of Santa Clara URM ordinance. The URM program has been a significant part of the Capital Plan since the 1989 Loma Prieta earthquake. Remaining seismic-related projects include major renovations of some of Stanford's older buildings, including the Old Union.

### Infrastructure

Infrastructure projects and programs costing a total of $91.4 million (including the White Plaza Landscape/Circulation Re-Design) account for 7% of Capital Plan expenditures.

### Off-Site Campus Acquisition

This acquisition, discussed in detail above, will cost $86 million (7% of plan expenditures).

## Other Stanford Entities

For the last several years, the Capital Planning process has included all Stanford entities. This Capital Plan and Budget do not, however, include projects managed by Stanford Management Company (SMC), Stanford Hospital and Clinics (SHC), or Lucile Packard Children's Hospital (LPCH) due to their independent organizational structures and specific Board delegations. Brief descriptions of these projects follow.

### Stanford Management Company

Faculty and Staff Housing – SMC continues to plan both rental and for-sale housing units for faculty and staff of the university over the next ten years.

Stanford Research Park – Although the local real estate market and economic environment have softened somewhat, the Research Park continues to be a desirable location for corporations. SMC recently completed an agreement with a major corporation to develop a thirty-two acre site. In addition, SMC is evaluating redeveloping sites on the edges of the Research Park for housing.

### SHC/LPCH

LPCH has commenced a significant interior renovation project to support current program needs. The School of Medicine, SHC, and LPCH are also engaged in a long-range planning effort that will outline and coordinate the space and program needs of the three entities over time. As discussed above, SHC is under contract to acquire a parcel adjacent to the off-site campus acquisition.

## Capital Plan Constraints

### Affordability

The additional internal debt service costs expected at the completion of all projects commencing in the three-year plan period (completion dates range from 2005/06 to 2009/10) total $28.1 million annually. Of this amount at least $7.5 million will be paid by unrestricted funds, $8.7 million by auxiliary or service center operations, and $2.3 million by formula schools (the GSB and the SoM). The remaining $9.6 million is related to funding the SEMC projects and will be paid by a combination of unrestricted funds and formula school reserves.

The additional operations, maintenance, and utilities (O&M) costs expected at the completion of all projects commencing in the three-year period total $17.7 million per year. Of this amount, $5.2 million will be paid by unrestricted funds, $2.9 million by auxiliary and service center operations, and $9.6 million by the formula schools.

General funds pay a portion of the debt service on capital projects, as well as O&M costs. These capital-related costs compete directly with other academic program initiatives. The current forecast for the general funds portion of the Consolidated Budget for Operations includes these projected costs.

### Debt Capacity

As of March 2005, the university had approximately $360 million of capacity from existing debt programs to finance capital projects, including $31 million of unexpended bond proceeds, $150 million of tax-exempt commercial paper, and $179 million of taxable commercial paper. An additional $95 million will be available through fiscal year-end 2005/06 from internal amortization on previous debt-funded projects.

A total of $210.9 million will be required to finance:

- $151.8 million to complete projects already approved or under construction, and
- $59.1 million for projects to be initiated in 2005/06.

Additional funding will be required to finance the Faculty Staff Housing mortgage portfolio. Refinancings have slowed down and the mortgage portfolio increased $4 million in 2004 and $5 million year to date to $235 million, following an $11 million decline in 2003. Rising real estate prices will continue to fuel the demand for the subsidized loan programs.

Projects identified in the three-year Capital Plan commencing after 2005/06 will require an additional $218.7 million in debt. It is important to note that these projects are not currently committed and will be evaluated in the context of debt capacity and GUP limitations.

Total university debt outstanding at fiscal year end 2004 was $1.3 billion. The pro-forma leverage ratio is in compliance with the university's debt policy.

### Entitlements

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

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

Conditions of approval include the following:

- The creation of an academic growth boundary to limit the buildable area to the core campus,
- The approval of a sustainable development study before new construction is developed beyond one million gsf, and
- The construction of 605 units of housing for each 500,000 gsf of new academic building.

Given the stringent requirements imposed by the new GUP and the increasingly difficult entitlement environment, Stanford carefully manages the allocation of new growth. We originally projected that our GUP square footage allocation would be expended over fifteen years at an average rate of approximately 135,000 gsf per year. Funding constraints have slowed this projection. The Capital Plan includes 83,337 new GUP square feet currently in Design and Construction and 531,320 net new GUP square feet in Forecasted projects. Of course, this forecast could change over time, and it presumes funding sources will be available as forecasted. Given funding challenges and closer scrutiny of the expenditure of GUP square feet, we believe the current GUP allocation will last until 2025. The strategic movement of administrative office space to the proposed off-site location will also help to conserve GUP square footage for academic priorities on the main campus.

## THE CAPITAL BUDGET, 2005/06

The 2005/06 Capital Budget represents capital expenditures of $373.3 million for the upcoming fiscal year. These expenditures reflect only a portion of the total costs of the capital projects listed, as most projects have a duration exceeding one year.

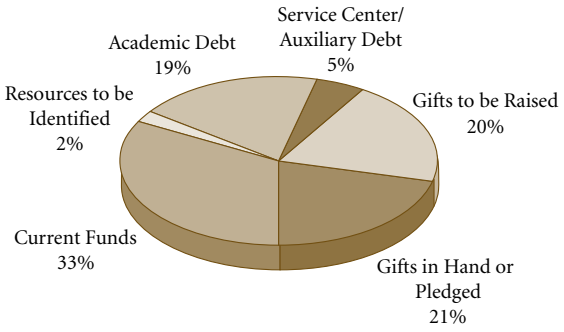
### Sources and Uses

A breakdown of the Capital Budget's sources and uses of funds is presented in the charts on the next page. Gifts and Debt represent 41% and 24% of the budget, respectively. Current funds (i.e., existing university reserves and fund balances) represent 33%, with the remaining 2% yet to be identified.

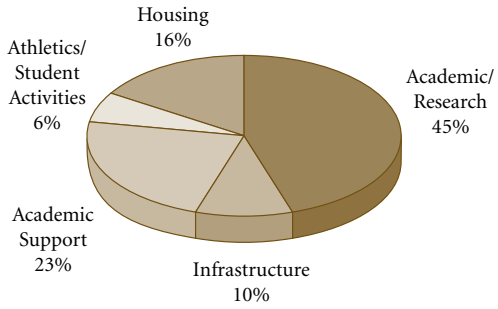
Of the $373.3 million, 45% will be spent on Academic/Research projects. Academic Support, Housing, Infrastructure, and Athletics/Student Activities will represent 23%, 16%, 10%, and 6%, respectively. An estimated 50% of the budget will be spent on new construction projects. The majority of these expenditures are to fund

### The Capital Budget 2005/06: $373.3 Million

#### Sources of Funds




#### Uses of Funds by Academic Category




the Munger Graduate Residences and the Astrophysics, SIM #1, E&E, and L&KC buildings. The off-site campus acquisition contributes 23% to the Capital Budget. Another 17% will be spent on renovation projects such as the Old Union complex and 1050 Arastradero. The remaining 10% will be spent on infrastructure projects and programs, including CUP, Sand Hill Road widening, GUP, and information technology programs.

## Capital Budget Impact on 2005/06 Operations

The 2005/06 Projected Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2005/06. Additionally, this budget includes an incremental increase in debt and O&M expenses for projects completing in 2004/05 that were operational for less than twelve months in 2004/05.

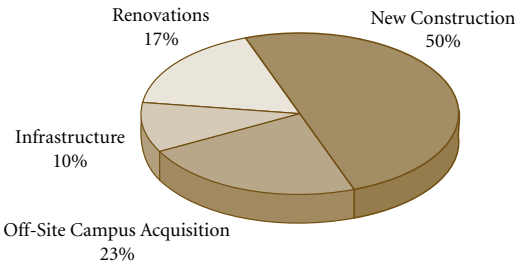
As noted in Section 1, Stanford borrows funds from capital markets and uses them to fund capital projects and programs, which repay the funds plus interest over their remaining lives. These payments are known as internal debt service. The interest rate for internal debt service is calculated annually as a blended rate of all interest expense and bond issuance costs. The projected blended rate for 2005/06 is 5.74%.

The projected incremental internal debt service funded by unrestricted funds, including the formula units, in 2005/06 is $2.8 million. This amount represents the additional debt service on ten capital projects and programs and reflects an increase in the blended interest rate from 5.40% to 5.74%. It has been reduced by allocating a portion of the Sand Hill Road extension costs to the hospitals. This additional debt service brings the total annual internal debt service borne by the unrestricted university budget to $36.6 million.

Total internal debt service, including that borne by auxiliaries and service centers, will increase from $112.5 million to $117.5 million, an increment of $5.0 million.

General funds will cover additional O&M costs of approximately $1.0 million for projects including the Bakewell Renovation and Astrophysics, which are planned to be completed in 2005/06. These additional general funds also include reactive and preventive maintenance, which are being funded for the first time.

### 2005/06 Uses of Funds by Project Type: $373.3 Million




## CAPITAL PLAN PROJECT DETAIL

Tables showing the details for projects in the Design and Construction, Forecasted, and Infrastructure categories follow on the next three pages.

## 2005/06 – 2007/08 Capital Plan
## Projects in Design & Construction
[in millions of dollars]

| | | | | | Project Funding Source | | | | | | | Annual Continuing Costs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Gifts | | University Debt | | | | | |
| | School/ Department | Fiscal Year Project Schedule | Estimated Project Cost[1] | Capital Budget 2005/06 | Current Funds[2] | In Hand or Pledged | To Be Raised | Service Center/ Auxiliary Debt | Academic Debt | Other[3] | Resources To Be Identified[4] | Debt Service | Operations Maintenance & Utilities |
| Munger Graduate Residences (600 units) and Enabling Projects | SLS | 2005-07 | 140.0 | 49.3 | 19.9 | 47.0 | 5.0 | 58.1 | | | 10.0 | 4.2 | 1.7 |
| Graduate Housing ($95.0) | | | | | | | | | | | | | |
| Underground Garage (850 spaces) ($23.0) | | | | | | | | | | | | | |
| Enabling Projects ($22.0) | | | | | | | | | | | | | |
| Graduate School of Business (GSB) Classroom Building | GSB | 2005-08 | 53.0 | 2.0 | | | 53.0 | | | | | | 1.0 |
| Astrophysics Building (formerly Varian 2) | SEMC[5] | 2004-06 | 34.2 | 25.6 | 9.9 | | | | 24.3 | | | 1.8 | 0.1 |
| Astrophysics Building ($32.0) | | | | | | | | | | | | | |
| Endstation III Buildout ($1.5) | | | | | | | | | | | | | |
| HEPL Demolition ($0.7) | | | | | | | | | | | | | |
| Old Union Complex Renovation | VPSA | 2005-06 | 24.0 | 19.2 | 1.2 | | | | 22.8 | | | 2.0 | |
| Kavli Institute for Particle Astrophysics & Cosmology | SLAC | 2003-06 | 10.7 | 5.0 | | 8.5 | | | 2.2 | | | 0.2 | 0.1 |
| Stanford in Washington (SIW) Renovation and Expansion | H&S | 2004-06 | 7.9 | 5.2 | | 7.9 | | | | | | | 0.1 |
| Barnum Family Center (formerly Old Bookstore) Renovation and Expansion | SUSE | 2005-06 | 5.3 | 4.3 | 1.6 | 3.7 | | | | | | | |
| Subtotal – Projects in Design & Construction | | | 275.1 | 110.6 | 32.6 | 67.1 | 58.0 | 58.1 | 49.3 | | 10.0 | 8.2 | 3.0 |

[1] Costs reflect Board of Trustees approvals.

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

[3] "Other" funds represent government and private foundation grants.

[4] Anticipated funding for this category is through a combination of gift raising and school, department and university reserves.

[5] SEMC represents the Science, Engineering and Medical Campus projects, a series of buildings being planned over the next several years. Funding for these projects is being planned as a combination of debt, reserves, and gifts.

## 2005/06 – 2007/08 Capital Plan
## Forecasted Construction Projects
### [in millions of dollars]

| | School/ Department | Fiscal Year Project Schedule | Estimated Project Cost | Capital Budget 2005/06 | Project Funding Source: Current Funds[2] | Gifts: In Hand or Pledged | Gifts: To Be Raised | University Debt: Service Center/ Auxiliary Debt | University Debt: Academic Debt | Other[3] | Resources To Be Identified[4] | Annual Continuing Costs: Debt Service | Annual Continuing Costs: Operations Maintenance & Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Science, Engineering and Medical Campus (SEMC)[1] Projects | SEMC | 2005-10 | 563.5 | 92.8 | 44.0 | | 386.5 | | 133.0 | | | 9.6 | 11.0 |
| Stanford Institutes of Medicine (SIM #1) ($135.8) | | | | | | | | | | | | | |
| Environment and Energy Building ($113.0) | | | | | | | | | | | | | |
| Learning and Knowledge Center (formerly SMILE) ($65.1) | | | | | | | | | | | | | |
| School of Engineering Center (SOE Center) ($60.4) | | | | | | | | | | | | | |
| Biology Building ($60.2) | | | | | | | | | | | | | |
| Ginzton Replacement (formerly Photonics) ($54.6) | | | | | | | | | | | | | |
| SOM/Biology Connective Elements/Utilities ($41.2) | | | | | | | | | | | | | |
| SEQ2 Connective Elements/Utilities ($26.3) | | | | | | | | | | | | | |
| SEMC Demolition Projects ($6.9) | | | | | | | | | | | | | |
| Stone Buildings Renovation ($84.2) | | | | | | | | | | | | | |
| L&KC Renovation - Lane & Alway Buildings Renovation | SOM | 2006-10 | 42.2 | 1.3 | | | 34.7 | | 7.5 | | | 0.6 | |
| Central Utilities | SOM | 2006-07 | 27.1 | 9.5 | | | | | 19.3 | | 7.8 | 1.7 | |
| Infrastructure & Seismic - Edwards Building Renovation | SOM | 2006-08 | 14.9 | 0.6 | | | | | | | 14.9 | | |
| Stanford Stadium Upgrades | DAPER | 2006-08 | 55.0 | 2.2 | | | 55.0 | | | | | | 0.6 |
| Art to the Old Anatomy Building | H&S | 2006-08 | 35.6 | 1.3 | | 20.0 | 15.6 | | | | | | 1.0 |
| Manzanita III Hall & Dining (125 units) | R&DE | 2006-07 | 20.0 | 6.9 | | 20.0 | | | | | | | 0.3 |
| 800 Welch Road (Blood Center) | SOM | 2006-08 | 19.1 | 0.8 | | | 19.1 | | | | | | |
| 1050 Arastradero | SOM | 2005-06 | 17.0 | 15.5 | | 10.0 | 7.0 | | | | | | 1.2 |
| Crothers and Crothers Memorial | R&DE | 2007-09 | 15.0 | | | | | | | | 15.0 | | |
| Roble Hall Renovation (Phase 2 and 3) | R&DE | 2006-07 | 11.0 | 5.3 | | | | 11.0 | | | | 1.0 | |
| Golf Club House, Pro Shop, Cart Barn Renovation | DAPER | 2008-09 | 8.7 | | | 1.0 | 7.7 | | | | | | 0.1 |
| Mayfield Row House - Green Dorm (50 units) | R&DE | 2007-10 | 7.0 | | | | 5.0 | | | | 2.0 | | 0.1 |
| Public Safety Building | PRES/PROV | 2007-08 | 4.4 | | 0.8 | | | | 3.6 | | | 0.3 | 0.1 |
| Boswell Fish Facility Renovation | SOM | 2005-06 | 4.3 | 1.1 | 1.2 | | | | | 3.1 | | | 0.2 |
| White Plaza Landscape/Circulation Re-Design | VPSA | 2006-07 | 4.0 | 1.4 | | | | | 4.0 | | | 0.5 | |
| Childcare (East Campus) | PRES/PROV | 2006-07 | 3.7 | 1.3 | 3.7 | | | | | | | | 0.1 |
| Subtotal – Forecasted Projects | | | 852.5 | 139.9 | 49.7 | 51.0 | 530.6 | 11.0 | 167.4 | 3.1 | 39.7 | 13.7 | 14.7 |
| SUBTOTAL CONSTRUCTION PLAN | | | 1,127.6 | 250.5 | 82.3 | 118.1 | 588.6 | 69.1 | 216.7 | 3.1 | 49.7 | 21.9 | 17.7 |

[1] SEMC represents the Science, Engineering and Medical Campus projects, a series of buildings being planned over the next several years. Funding for these projects is being planned as a combination of debt reserves, and gifts.

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

[3] "Other" funds represent government and private foundation grants.

[4] Anticipated funding for this category is through a combination of gift raising and school, department and university reserves.

## 2005/06 –2007/08 Capital Plan
### Infrastructure Projects & Programs
[in millions of dollars]

| | | | | | Project Funding Source | | | | | | | Annual Continuing Costs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Gifts | | University Debt | | | | | |
| | School/ Department | Fiscal Year Project Schedule | Estimated Project Cost | Capital Budget 2005/06 | Current Funds[1] | In Hand or Pledged | To Be Raised | Service Center/ Auxiliary Debt | Academic Debt | Other[2] | Resources To Be Identified[3] | Debt Service | Operations Maintenance & Utilities |
| Capital Utilities Program (CUP) | LAND AND BUILDINGS | | | | | | | | | | | | |
| System Expansion | | | | | | | | | | | | | |
| Cooling Tower 5 | | 2006-07 | 9.3 | 6.0 | | | | 9.3 | | | | 0.7 | |
| Other System Expansion Projects | | 2006-08 | 6.0 | 0.7 | | | | 6.0 | | | | 0.6 | |
| System Replacement | | 2006-08 | 12.3 | 2.5 | | | | 12.3 | | | | 1.2 | |
| Controls | | 2006-08 | 1.9 | 0.6 | | | | 1.9 | | | | 0.2 | |
| Regulatory | | 2006-08 | 1.8 | 0.2 | | | | 1.8 | | | | 0.2 | |
| Subtotal–CUP | | | 31.4 | 10.0 | | | | 31.4 | | | | 2.9 | |
| Sand Hill Road Widening & Related Improvements | SMC | 2004-06 | 22.2 | 7.2 | | | | | 22.2 | | | 2.2 | |
| GUP Mitigation Costs | LAND AND BUILDINGS | | | | | | | | | | | | |
| Campus Drive Widening | | 2006-07 | 8.5 | 4.2 | 8.5 | | | | | | | | |
| Trail Easements | | 2006 | 6.5 | 6.5 | 6.5 | | | | | | | | |
| Water Conservation System | | 2006-07 | 4.0 | 2.0 | 4.0 | | | | | | | | |
| Subtotal–GUP Mitigation | | | 18.9 | 12.7 | 18.9 | | | | | | | | |
| Information Technology & Communications Systems | ITSS | 2006-08 | 11.2 | 5.5 | | | | 6.1 | 5.1 | | | 1.1 | |
| Stanford Infrastructure Program (SIP) | LAND AND BUILDINGS | 2006-08 | 3.7 | 1.5 | 3.7 | | | | | | | | |
| Subtotal – Infrastructure Projects & Programs | | | 87.4 | 36.8 | 22.6 | | | 37.5 | 27.3 | | | 6.2 | |

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

[2] "Other" funds represent government and private foundation grants.

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

## Appendix A

# Consolidated Budgets for Selected Units

- Graduate School of Business
- School of Earth Sciences
- School of Education
- School of Engineering
- School of Humanities and Sciences
- School of Law
- School of Medicine
- Vice Provost for Undergraduate Education
- Vice Provost and Dean of Research and Graduate Policy
- Hoover Institution
- Stanford University Libraries and Academic Information Resources
- Dean of Student Affairs
- Athletics
- Residential & Dining Enterprises

## Graduate School of Business (includes Schwab)
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary & Service Center | Total |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| General Funds Allocation | 34,021 | (1,130) | | | | | 32,891 |
| Restricted Revenues | | 23,483 | 21,133 | 28,807 | 475 | 2,778 | 76,676 |
| Internal Revenues | | 3,143 | | | | 4,129 | 7,272 |
| Transfers in Support of Operations | 52,321 | (10,161) | (20,023) | (21,320) | | (817) | |
| Total Revenues | 86,342 | 15,335 | 1,110 | 7,487 | 475 | 6,090 | 116,839 |
| Expenses | | | | | | | |
| Academic Salaries | 27,782 | 3,452 | | | 261 | | 31,495 |
| Staff Salaries | 18,629 | 2,040 | 191 | | | 467 | 21,327 |
| Benefits and Other Compensation | 15,588 | 1,589 | 98 | | 42 | 154 | 17,471 |
| Non-Salary Expenses | 19,024 | 4,887 | 298 | 7,394 | 172 | 675 | 32,450 |
| Internal Expenses | 5,319 | 3,614 | 518 | 93 | | 4,794 | 14,338 |
| Total Expenses | 86,342 | 15,582 | 1,105 | 7,487 | 475 | 6,090 | 117,081 |
| Revenues less Expenses | | (247) | 5 | | | | (242) |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | | | | | | |
| Surplus / (Deficit) | | (247) | 5 | | | | (242) |
| Beginning Operating Equity | | 23,337 | 15,978 | 1,090 | (27) | | 40,378 |
| Ending Operating Equity | | 23,090 | 15,983 | 1,090 | (27) | | 40,136 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not include endowment principal, student loan funds, and plant funds.

## School of Earth Sciences
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary & Service Center | Total |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| General Funds Allocation | 4,907 | | | | | | 4,907 |
| Restricted Revenues | | 4,384 | 1,493 | 16,052 | 13,340 | 30 | 35,299 |
| Internal Revenues | | 23 | | | | 115 | 138 |
| Transfers in Support of Operations | 10,201 | 100 | 100 | (9,851) | 672 | | 1,222 |
| Total Revenues | 15,108 | 4,507 | 1,593 | 6,201 | 14,012 | 145 | 41,566 |
| Expenses | | | | | | | |
| Academic Salaries | 5,883 | 2,430 | 344 | 251 | 3,461 | 51 | 12,420 |
| Staff Salaries | 2,470 | 303 | 13 | 16 | 105 | 13 | 2,920 |
| Benefits and Other Compensation | 3,308 | 1,353 | 182 | 92 | 1,930 | 22 | 6,887 |
| Non-Salary Expenses | 2,772 | 1,219 | 602 | 3,649 | 8,362 | 45 | 16,649 |
| Internal Expenses | 718 | 256 | 70 | 92 | 155 | 16 | 1,307 |
| Total Expenses | 15,151 | 5,561 | 1,211 | 4,100 | 14,013 | 147 | 40,183 |
| Revenues less Expenses | (43) | (1,054) | 382 | 2,101 | (1) | (2) | 1,383 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | | | (1,235) | | | (1,235) |
| Surplus / (Deficit) | (43) | (1,054) | 382 | 866 | (1) | (2) | 148 |
| Beginning Operating Equity | 45 | 6,576 | 6,852 | 12,011 | | | 25,484 |
| Ending Operating Equity | 2 | 5,522 | 7,234 | 12,877 | (1) | (2) | 25,632 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## School of Education
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary & Service Center | Total |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| General Funds Allocation | 11,776 | | | | | | 11,776 |
| Restricted Revenues | | 241 | 2,980 | 4,281 | 14,093 | | 21,595 |
| Internal Revenues | | | | | | 25 | 25 |
| Transfers in Support of Operations | 4,647 | 135 | (624) | (3,566) | | | 592 |
| Total Revenues | 16,423 | 376 | 2,356 | 715 | 14,093 | 25 | 33,988 |
| Expenses | | | | | | | |
| Academic Salaries | 6,527 | 103 | 733 | | 3,095 | | 10,458 |
| Staff Salaries | 2,753 | 80 | 313 | 50 | 2,728 | 19 | 5,943 |
| Benefits and Other Compensation | 3,330 | 61 | 404 | 16 | 2,147 | 6 | 5,964 |
| Non-Salary Expenses | 3,030 | 88 | 668 | 190 | 5,681 | | 9,657 |
| Internal Expenses | 400 | 19 | 206 | 25 | 442 | | 1,092 |
| Total Expenses | 16,040 | 351 | 2,324 | 281 | 14,093 | 25 | 33,114 |
| Revenues less Expenses | 383 | 25 | 32 | 434 | | | 874 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | | | | | | |
| Surplus / (Deficit) | 383 | 25 | 32 | 434 | | | 874 |
| Beginning Operating Equity | 2,826 | 4,913 | 8,225 | 2,375 | | | 18,339 |
| Ending Operating Equity | 3,209 | 4,938 | 8,257 | 2,809 | | | 19,213 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## School of Engineering
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary & Service Center | Total |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| General Funds Allocation | 54,053 | | | | | | 54,053 |
| Restricted Revenues | | 26,705 | 24,523 | 21,183 | 100,032 | | 172,443 |
| Internal Revenues | | | | | | 1,270 | 1,270 |
| Transfers in Support of Operations | 20,559 | (2,559) | (10,000) | (8,000) | | | |
| Total Revenues | 74,612 | 24,146 | 14,523 | 13,183 | 100,032 | 1,270 | 227,766 |
| Expenses | | | | | | | |
| Academic Salaries | 29,330 | 6,197 | 4,799 | 932 | 32,418 | | 73,676 |
| Staff Salaries | 10,143 | 5,061 | 828 | 62 | 3,945 | 775 | 20,814 |
| Benefits and Other Compensation | 16,792 | 4,403 | 2,921 | 662 | 16,355 | 246 | 41,379 |
| Non-Salary Expenses | 4,206 | 5,828 | 5,525 | 5,470 | 45,525 | 173 | 66,727 |
| Internal Expenses | 4,120 | 915 | 1,133 | 309 | 1,789 | 76 | 8,342 |
| Total Expenses | 64,591 | 22,404 | 15,206 | 7,435 | 100,032 | 1,270 | 210,938 |
| Revenues less Expenses | 10,021 | 1,742 | (683) | 5,748 | | | 16,828 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | (10,021) | (6,091) | (5,631) | (155) | | | (21,898) |
| Surplus / (Deficit) | | (4,349) | (6,314) | 5,593 | | | (5,070) |
| Beginning Operating Equity | | 50,091 | 45,218 | 34,656 | | | 129,965 |
| Ending Operating Equity | | 45,742 | 38,904 | 40,249 | | | 124,895 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## School of Humanities and Sciences
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary & Service Center | Total |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| General Funds Allocation | 125,847 | 1,427 | | | | | 127,274 |
| Restricted Revenues | | 3,307 | 9,837 | 76,646 | 83,554 | 5,791 | 179,135 |
| Internal Revenues | | | | | | 7,649 | 7,649 |
| Transfers in Support of Operations | 57,487 | 14,212 | (665) | (59,050) | (1) | (139) | 11,844 |
| Total Revenues | 183,334 | 18,946 | 9,172 | 17,596 | 83,553 | 13,301 | 325,902 |
| Expenses | | | | | | | |
| Academic Salaries | 76,225 | 7,311 | 2,192 | 1,992 | 21,805 | 343 | 109,868 |
| Staff Salaries | 22,080 | 1,597 | 702 | 720 | 3,407 | 2,791 | 31,297 |
| Benefits and Other Compensation | 36,668 | 3,570 | 1,192 | 1,904 | 7,997 | 1,020 | 52,351 |
| Non-Salary Expenses | 37,409 | 9,140 | 5,221 | 6,333 | 46,148 | 8,922 | 113,173 |
| Internal Expenses | 6,288 | 741 | 467 | 921 | 4,196 | 225 | 12,838 |
| Total Expenses | 178,670 | 22,359 | 9,774 | 11,870 | 83,553 | 13,301 | 319,527 |
| Revenues less Expenses | 4,664 | (3,413) | (602) | 5,726 | | | 6,375 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | (4,664) | | | (41) | | | (4,705) |
| Surplus / (Deficit) | | (3,413) | (602) | 5,685 | | | 1,670 |
| Beginning Operating Equity | 6 | 35,101 | 40,541 | 48,048 | | 23 | 123,719 |
| Ending Operating Equity | 6 | 31,688 | 39,939 | 53,733 | | 23 | 125,389 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## School of Law
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Total |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| General Funds Allocation | 16,445 | | | | | 16,445 |
| Restricted Revenues | | 3,351 | 5,670 | 18,890 | 191 | 28,102 |
| Internal Revenues | | 1 | | | | 1 |
| Transfers in Support of Operations | 21,782 | (2,200) | (2,582) | (17,000) | | |
| Total Revenues | 38,227 | 1,152 | 3,088 | 1,890 | 191 | 44,548 |
| Expenses | | | | | | |
| Academic Salaries | 12,997 | 155 | 233 | 26 | 104 | 13,515 |
| Staff Salaries | 6,505 | 311 | 621 | 5 | 10 | 7,452 |
| Benefits and Other Compensation | 7,076 | 188 | 290 | 10 | 37 | 7,601 |
| Non-Salary Expenses | 11,095 | 935 | 659 | 423 | 42 | 13,154 |
| Internal Expenses | 554 | | 196 | 43 | | 793 |
| Total Expenses | 38,227 | 1,589 | 1,999 | 507 | 193 | 42,515 |
| Revenues less Expenses | | (437) | 1,089 | 1,383 | (2) | 2,033 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | | (2,500) | (1,200) | | (3,700) |
| Surplus / (Deficit) | | (437) | (1,411) | 183 | (2) | (1,667) |
| Beginning Operating Equity | | 2,088 | 9,599 | 3,245 | | 14,932 |
| Ending Operating Equity | | 1,651 | 8,188 | 3,428 | (2) | 13,265 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## School of Medicine
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Designated Clinics | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary & Service Center | Total |
|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | |
| General Funds Allocation | 86,461 | | | | | | | 86,461 |
| Restricted Revenues | | 65,253 | 224,020 | 54,401 | 66,643 | 404,062 | 28,794 | 843,173 |
| Internal Revenues | | 16,378 | | | | | 14,848 | 31,226 |
| Transfers in Support of Operations | 55,560 | (6,087) | (10,958) | (12,251) | (25,070) | | (23) | 1,171 |
| Total Revenues | 142,021 | 75,544 | 213,062 | 42,150 | 41,573 | 404,062 | 43,619 | 962,031 |
| Expenses | | | | | | | | |
| Academic Salaries | 11,946 | 17,084 | 99,876 | 11,095 | 11,641 | 104,147 | 4,947 | 260,736 |
| Staff Salaries | 37,389 | 10,098 | 19,891 | 4,322 | 2,864 | 28,786 | 15,330 | 118,680 |
| Benefits and Other Compensation | 20,846 | 15,686 | 74,289 | 5,677 | 5,209 | 40,750 | 6,914 | 169,371 |
| Non-Salary Expenses | 46,072 | 33,247 | 6,252 | 14,999 | 13,410 | 211,986 | 15,461 | 341,427 |
| Internal Expenses | 25,768 | 1,806 | 12,754 | 3,182 | 3,384 | 18,393 | 967 | 66,254 |
| Total Expenses | 142,021 | 77,921 | 213,062 | 39,275 | 36,508 | 404,062 | 43,619 | 956,468 |
| Revenues less Expenses | | (2,377) | | 2,875 | 5,065 | | | 5,563 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | | (14,202) | | (5,045) | | | (19,247) |
| Surplus / (Deficit) | | (2,377) | (14,202) | 2,875 | 20 | | | (13,684) |
| Beginning Operating Equity | | 140,483 | (227) | 115,259 | 99,102 | | (1,585) | 353,032 |
| Ending Operating Equity | | 138,106 | (14,429) | 118,134 | 99,122 | | (1,585) | 339,348 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not include endowment principal, student loan funds, and plant funds.

## Vice Provost for Undergraduate Education
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Total |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| General Funds Allocation | 13,993 | | | | | 13,993 |
| Restricted Revenues | | 863 | 216 | 12,189 | | 13,268 |
| Internal Revenues | | 257 | | | | 257 |
| Transfers in Support of Operations | 11,496 | (711) | (243) | (11,751) | | (1,209) |
| Total Revenues | 25,489 | 409 | (27) | 438 | | 26,309 |
| Expenses | | | | | | |
| Academic Salaries | 7,283 | | 436 | | | 7,719 |
| Staff Salaries | 6,662 | | | | | 6,662 |
| Benefits and Other Compensation | 5,227 | | 140 | | | 5,367 |
| Non-Salary Expenses | 5,192 | 40 | 12 | 15 | | 5,259 |
| Internal Expenses | 1,076 | 69 | 19 | 940 | | 2,104 |
| Total Expenses | 25,440 | 109 | 607 | 955 | | 27,111 |
| Revenues less Expenses | 49 | 300 | (634) | (517) | | (802) |
| Transfers From (to) Endowment Principal, Plant & Student Loan | (49) | | | | | (49) |
| Surplus / (Deficit) | | 300 | (634) | (517) | | (851) |
| Beginning Operating Equity | 1,634 | 1,945 | 2,262 | 9,545 | | 15,386 |
| Ending Operating Equity | 1,634 | 2,245 | 1,628 | 9,028 | | 14,535 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## Vice Provost and Dean of Research and Graduate Policy
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary & Service Center | Total |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| General Funds Allocation | 27,028 | | | | | | 27,028 |
| Restricted Revenues | | 5,832 | 10,848 | 25,624 | 117,547 | 2 | 159,853 |
| Internal Revenues | 691 | 491 | | | | 569 | 1,751 |
| Transfers in Support of Operations | 16,634 | (1,853) | (5,482) | (17,058) | (671) | | (8,430) |
| Total Revenues | 44,353 | 4,470 | 5,366 | 8,566 | 116,876 | 571 | 180,202 |
| Expenses | | | | | | | |
| Academic Salaries | 5,159 | 941 | 2,418 | 1,091 | 14,224 | 332 | 24,165 |
| Staff Salaries | 17,069 | 425 | 992 | 308 | 3,272 | 55 | 22,121 |
| Benefits and Other Compensation | 7,718 | 592 | 1,243 | 471 | 6,745 | 133 | 16,902 |
| Non-Salary Expenses | 10,363 | 1,865 | 2,367 | 1,640 | 92,635 | 46 | 108,916 |
| Internal Expenses | 3,760 | 412 | 710 | 499 | | 11 | 5,392 |
| Total Expenses | 44,069 | 4,235 | 7,730 | 4,009 | 116,876 | 577 | 177,496 |
| Revenues less Expenses | 284 | 235 | (2,364) | 4,557 | | (6) | 2,706 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | (60) | 200 | (502) | | | (362) |
| Surplus / (Deficit) | 284 | 175 | (2,164) | 4,055 | | (6) | 2,344 |
| Beginning Operating Equity | 5,732 | 25,849 | 18,411 | 30,545 | | 77 | 80,614 |
| Ending Operating Equity | 6,016 | 26,024 | 16,247 | 34,600 | | 71 | 82,958 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## Hoover Institution
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Total |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| General Funds Allocation | 672 | | | | | 672 |
| Restricted Revenues | 101 | 650 | 20,546 | 15,089 | | 36,386 |
| Internal Revenues | | | | | | |
| Transfers in Support of Operations | 36,217 | (650) | (20,478) | (15,089) | | |
| Total Revenues | 36,990 | | 68 | | | 37,058 |
| Expenses | | | | | | |
| Academic Salaries | 9,120 | | 11 | | | 9,131 |
| Staff Salaries | 6,974 | | 9 | | | 6,983 |
| Benefits and Other Compensation | 5,423 | | 6 | | | 5,429 |
| Non-Salary Expenses | 15,269 | | 36 | | | 15,305 |
| Internal Expenses | 204 | | 6 | | | 210 |
| Total Expenses | 36,990 | | 68 | | | 37,058 |
| Revenues less Expenses | | | | | | |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | | | | | |
| Surplus / (Deficit) | | | | | | |
| Beginning Operating Equity | | 1,233 | 10,256 | 976 | (39) | 12,426 |
| Ending Operating Equity | | 1,233 | 10,256 | 976 | (39) | 12,426 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not include endowment principal, student loan funds, and plant funds.

## Stanford University Libraries and Academic Information Resources
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Auxiliary Activities | Total |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| General Funds Allocation | 41,009 | | | | | | 41,009 |
| Restricted Revenues | | 2,094 | 644 | 9,229 | 1,615 | 24,269 | 37,851 |
| Internal Revenues | | | | | | 20 | 20 |
| Transfers in Support of Operations | 9,611 | (1,312) | (119) | (6,515) | | 1,525 | 3,190 |
| Total Revenues | 50,620 | 782 | 525 | 2,714 | 1,615 | 25,814 | 82,070 |
| Expenses | | | | | | | |
| Academic Salaries | 5,353 | | | 3 | 34 | 1 | 5,391 |
| Staff Salaries | 17,663 | 270 | 88 | 3 | 562 | 12,767 | 31,353 |
| Benefits and Other Compensation | 7,616 | 87 | 29 | 2 | 192 | 4,490 | 12,416 |
| Non-Salary Expenses | 18,993 | 382 | 853 | 3,624 | 705 | 6,964 | 31,521 |
| Internal Expenses | 995 | 18 | | | 122 | 1,592 | 2,727 |
| Total Expenses | 50,620 | 757 | 970 | 3,632 | 1,615 | 25,814 | 83,408 |
| Revenues less Expenses | | 25 | (445) | (918) | | | (1,338) |
| Transfers From (to) Endowment Principal, Plant & Student Loan | | | | 938 | | | 938 |
| Surplus / (Deficit) | | 25 | (445) | 20 | | | (400) |
| Beginning Operating Equity | | 499 | 3,285 | 2,300 | | 2,899 | 8,983 |
| Ending Operating Equity | | 524 | 2,840 | 2,320 | | 2,899 | 8,583 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## Dean of Student Affairs
## 2005/06 Consolidated Forecast

[in thousands of dollars]

| | Operating Budget | Designated Funds | Restricted Expendable | Restricted Endowment | Grants & Contracts | Total |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| General Funds Allocation | 19,505 | | | | | 19,505 |
| Restricted Revenues | 27 | 3,892 | 514 | 1,890 | 498 | 6,821 |
| Internal Revenues | 2 | | | | | 2 |
| Transfers in Support of Operations | 6,756 | (1,049) | 71 | (725) | | 5,053 |
| Total Revenues | 26,290 | 2,843 | 585 | 1,165 | 498 | 31,381 |
| Expenses | | | | | | |
| Academic Salaries | 995 | | 35 | 249 | 29 | 1,308 |
| Staff Salaries | 12,715 | 435 | 464 | 80 | 217 | 13,911 |
| Benefits and Other Compensation | 3,989 | 217 | 189 | 106 | 96 | 4,597 |
| Non-Salary Expenses | 6,928 | 1,686 | 343 | 343 | 133 | 9,433 |
| Internal Expenses | 1,650 | 317 | 61 | 52 | 23 | 2,103 |
| Total Expenses | 26,277 | 2,655 | 1,092 | 830 | 498 | 31,352 |
| Revenues less Expenses | 13 | 188 | (507) | 335 | | 29 |
| Transfers From (to) Endowment Principal, Plant & Student Loan | (145) | | (80) | (60) | | (285) |
| Surplus / (Deficit) | (132) | 188 | (587) | 275 | | (256) |
| Beginning Operating Equity | 820 | 6,716 | 2,444 | 2,023 | | 12,003 |
| Ending Operating Equity | 688 | 6,904 | 1,857 | 2,298 | | 11,747 |

Notes:

- Operating equity represents reserves and balances available for future uses and may include funds that are specifically invested and therefore not available for expenditure in the current period.
- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 11.

## Auxiliary Activities
## 2005/06 Consolidated Forecast
[in thousands of dollars]

### ATHLETICS

| | |
|---|---|
| Operating | |
| Revenues | |
| Intercollegiate | 15,370 |
| Unrestricted Funds | 6,741 |
| Golf Course | 5,435 |
| General Funds | 5,713 |
| Restricted Funds | 9,448 |
| Faculty-Staff Recreation | 1,636 |
| Total Revenues | 44,343 |
| Expenses | |
| Compensation | 20,013 |
| Sport Programs | 8,533 |
| Facilities & Events | 6,150 |
| Student Services | 1,612 |
| Administration | 6,630 |
| University Overhead | 1,405 |
| Total Expenses | 44,343 |
| Operating Gain/(Loss) | |
| Financial Aid | |
| Revenues | 15,082 |
| Expenses | 14,869 |
| Financial Aid Gain/(Loss) | 213 |
| Camps | |
| Revenues | 4,900 |
| Expenses | 4,600 |
| Camps Gain/(Loss) | 300 |
| Consolidated | |
| Total Revenues | 64,325 |
| Total Expenses | 63,812 |
| Consolidated Gain/(Loss) | 513 |

### RESIDENTIAL & DINING ENTERPRISES

| | |
|---|---|
| Revenues | |
| Student Payments | 85,827 |
| Student Payments: Off Campus | 3,500 |
| SLAC Guest House | 1,904 |
| Conferences Housing & Dining | 9,199 |
| Other Operating Income | 18,035 |
| Interest Income | 220 |
| Total Revenue | 118,685 |
| Transfers | |
| Grad Housing Subsidy: Off Campus | 2,000 |
| Rent Loss Reimbursement | 1,000 |
| Debt Service Subsidy: Grad Housing | 3,000 |
| Transfer to Residential Education | (5,348) |
| Total Transfers | 652 |
| Total Revenue and Transfers | 119,337 |
| Expenses | |
| Salaries and Benefits | 36,004 |
| Food Costs | 8,083 |
| EM & S | 10,780 |
| Rentals & Leases: Off Campus | 5,500 |
| Utilities & Telephone | 8,584 |
| Repair & Maintenance | 11,077 |
| Debt Service | 33,911 |
| Distribution of G&A Expenses | 6,188 |
| Total Expenses | 120,127 |
| Operating Gain/(Loss) | (790) |

# Appendix B
# Supplementary Information

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

## Schedule 1 – Student Enrollment

Male undergraduates outnumbered female undergraduates in 2004/05, as they have since 1998/99, although the magnitude of the difference has been increasing. The number of TGRs (Terminal Graduate Registration) increased markedly in 1997/98, primarily because changes in Federal policy requiring payment of the tuition of Research Assistants directly from research contracts and grants provided a strong incentive for eligible graduate students to register as TGRs. The number of TGRs continues to increase rapidly, setting a new record high in 2004/05, despite two consecutive years of large increases in TGR tuition. The number of non-TGR graduate students increased in 2004/05 by 269 students.

## Schedule 2 – Freshman Student Apply/Admit/ Matriculate Statistics

The number of applicants for the present freshman class increased again to 19,172, the largest pool in Stanford's history. Only 13% of applicants were accepted, and although this was a minor increase from last year, Stanford has become increasingly selective over the past ten years. Stanford's yield rate was down a bit in 2003/04, but is still very strong and among the highest in the country. The yield rate drop can be attributed to the change from binding early decision to non-binding early action.

## Schedule 3 – Graduate Student Apply/Admit/ Enroll Statistics

The number of applicants to Stanford's graduate and professional programs fell slightly from 32,503 in 2003/04 to 30,630 in 2004/05. Nonetheless, Stanford's graduate programs admitted only 14.2% of all applicants. The yield for graduate admits increased slowly but steadily since fall of 1992 and stabilized the last several years at around 52%, but for Fall 2004, the yield rate increased to 54.5%, a record high.

## Schedule 4 – Tuition and Room & Board Rates

Throughout the 1980s tuition grew at an average annual rate of 8.9%, and the total student budget, which includes room and board, grew even faster. The university made a commitment to restrain the growth in tuition in the early 1990s and was able to hold the annual growth to an average of 5.5%. Increases in tuition in the early 2000s were somewhat higher, reflecting increasing budget pressures. These larger increases have moderated over the past two years.

## Schedule 5 – Tuition and Fee Income

Total tuition income is expected to increase at a lower rate (3.4%) than the increase in the most common tuition rate (4.5%). The lower growth rate is because the undergraduate population, and parts of the graduate population, were much larger than expected in 2004/05. These higher populations are not expected to continue in 2005/06.

## Schedule 6 – 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 6.4% in 2003/04, as a result of a 4.5% tuition increase and a continuing sluggish economy.

The Stanford unrestricted funds portion of scholarships and grants, which had been rapidly declining in the early part of this decade, more than doubled from 2000/01 to 2001/02, as other sources, particularly gifts and en-

dowment income, increased more slowly than student need, due to poor economic conditions. Currently, however, the unrestricted funds portion of undergraduate financial aid is leveling off, and was essentially flat from 2002/03 to 2003/04. Loan amounts have been increasing since the beginning of the decade at about 6% per year. The work component of financial aid has also been increasing, and rose dramatically in 2003/04, by just over 50%. This is mostly from increased funding for federal work-study jobs.

### Schedule 7 – 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 less than the tuition, room, and board increase for next year (4.5%) because we expect fewer students to be aided, and because those who are aided have demonstrated less need. On the "Sources" side for 2005/06, the unrestricted funds required will decrease by $1.2 million, or 9%. Unrestricted funds fills the gap between need and all other sources, so the amount may increase or decrease disproportionately depending on the availability of the other sources of funds.

### Schedule 8 – Students Housed on Campus

The percent of undergraduates housed on-campus has been about 90% for the past several years, several percentage points higher than the level during the mid-1990s due to a tighter and more expensive local rental market. The percent of graduate students housed by Stanford grew rapidly from 1997/98 through 2002/03, coincident with the availability of subsidized off-campus housing. Stanford has begun to phase out the off-campus subsidized housing program, since local rents have eased and more graduate housing has been built on-campus.

### Schedule 9 – Total Professorial Faculty

The total professoriate has increased by 33 (less than 2%) since last year. The number of tenure-line faculty has increased by only 35 in the last five years (less than 3%), while the non-tenure line faculty (consisting mostly of Medical Center Line faculty) has increased by 103 (25%) over the same period.

### Schedule 10 – Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty

This schedule provides a disaggregated view of the data in Schedule 9 over the last three years. Schedule 10 shows that the total number of tenured faculty has increased by only 12 in the past three years, and the number of tenure line faculty who have not obtained tenure has increased by 21. The number of non-tenure line faculty has increased by 33, as more faculty are hired into to the non-tenure line Medical Center Line positions.

### Schedule 11 – Number of Non-Teaching Employees

This schedule shows the number of regular (defined in the first footnote in the Schedule) non-teaching employees by activity. To maintain consistency in these data over time in the face of reorganizations, the activity categories have been defined broadly, and the table contains footnotes explaining various shifts across the categories or other changes over the period. The School of Medicine has been particularly affected by organizational changes.

The number of employees increased by 4% in 2004. The new employees are scattered throughout the university. ITSS had a decrease in staff, as some projects to implement new administrative computing systems came to a close. In the "Other" category, Hoover Institution had the largest increase.

### Schedule 12 – Staff Employees Outside Medicine and SLAC

This graph shows the relative numbers and growth of staff employees who work in primarily academic versus administrative areas. Over the period shown, the number of academic and administrative staff grew an average of 3.3% and 3.6%, respectively. The number of employees in administrative areas had remained flat for three years, but increased by 5% in 2004. Employment in the schools and independent labs has increased steadily each year, consistent with the steady growth in research.

### Schedule 13 – Staff Benefits Detail

The fringe benefits rates provide a mechanism to support the various components of non-salary compensation provided to employees. Stanford has four distinct

fringe benefits rates for (1) regular benefits-eligible employees, which includes most faculty and staff, (2) postdoctoral research affiliates, (3) casual/temporary employees, and (4) graduate research and teaching assistants. Schedule 13 shows the programs and costs that contribute to the weighted average of the four individual benefits rates. Retirement programs and health insurance costs are the primary drivers of the benefits rates. Health insurance costs have increased dramatically in the past few years and are expected to increase by about 17% in 2005/06. Retiree medical insurance costs are expected to increase 15%.

### Schedule 14 – Sponsored Research Expense by Agency and Fund Source

Direct expense from research sponsored by the federal government increased each year in the table. The amount of government-sponsored research increased by 12% in 2003/04. Non-federal sponsored research typically makes up between 13%-17% of total sponsored research expense. This schedule does not include SLAC.

### Schedule 15 – Plant Expenditures

This schedule shows expenses from plant or borrowed funds for building or infrastructure projects related to various units. General Plant Improvement expenses are included in the "All Other" category. To the extent possible, expenditures for equipment are excluded from these calculations. Plant expenditures dropped dramatically in 2003/04 as several major construction projects such as the Clark Center concluded in the previous year. The details behind these plant expenditures can be found in Section 3, Capital Plan and Budget.

### Schedule 16 – Endowment Value and Rate of Return

The rate of return for the endowment in 2003/04 was 15.4%, substantially higher than the nominal long-term expected return. The nominal return on invested funds has been positive for all years in the table except for 2000/01 and 2001/02. The target payout rate is 5.00%.

### Schedule 17 – Expendable Fund Balances at Year End

This schedule shows the expendable fund balances, designated and restricted, by academic unit over the past decade.

## SCHEDULE 1

### Student Enrollment for Autumn Quarter 1995/96 through 2004/05

| | Undergraduate | | | Graduate | | | | |
|---|---|---|---|---|---|---|---|---|
| Year | Women | Men | Total | Women | Men | Total | TGR | Total |
| 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 |
| 1999/00 | 3,238 | 3,356 | 6,594 | 2,332 | 4,370 | 6,702 | 923 | 14,219 |
| 2000/01 | 3,243 | 3,305 | 6,548 | 2,405 | 4,348 | 6,753 | 947 | 14,248 |
| 2001/02 | 3,255 | 3,382 | 6,637 | 2,329 | 4,188 | 6,517 | 1,020 | 14,174 |
| 2002/03 | 3,301 | 3,430 | 6,731 | 2,305 | 4,109 | 6,414 | 1,194 | 14,339 |
| 2003/04 | 3,245 | 3,409 | 6,654 | 2,282 | 4,220 | 6,502 | 1,298 | 14,454 |
| 2004/05 | 3,250 | 3,503 | 6,753 | 2,363 | 4,408 | 6,771 | 1,321 | 14,845 |

Source: Registrar's Office third week enrollment figures

## SCHEDULE 2

### Freshman Apply/Admit/Enroll Statistics
### Fall 1994 through Fall 2004

| | Total Applications | | Admissions | | Enrollment | |
|---|---|---|---|---|---|---|
| Year | Number | Percent Change from Previous Year | Number | Percent of Applicants Admitted | Number | Percent of Admitted Applicants Enrolling |
| 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% |
| Fall 1999 | 17,919 | (5.1%) | 2,689 | 15.0% | 1,749 | 65.0% |
| Fall 2000 | 18,363 | 2.5% | 2,425 | 13.2% | 1,599 | 65.9% |
| Fall 2001 | 19,052 | 3.8% | 2,406 | 12.6% | 1,615 | 67.1% |
| Fall 2002 | 18,599 | (2.4%) | 2,368 | 12.7% | 1,639 | 69.2% |
| Fall 2003 | 18,628 | 0.2% | 2,343 | 12.6% | 1,640 | 70.0% |
| Fall 2004 | 19,172 | 2.9% | 2,486 | 13.0% | 1,648 | 66.3% |

## SCHEDULE 3

### New Graduate Student Apply/Admit/Enroll Statistics
### Fall 1992 through Fall 2004

| | Total Applications | | Admissions | | Enrollment | |
|---|---|---|---|---|---|---|
| Year | Number | Percent Change from Previous Year | Number | Percent of Applicants Admitted | Number | Percent of Admitted Applicants Enrolling |
| Fall 1992 | 25,829 | (3.6%) | 4,504 | 17.4% | 2,226 | 49.4% |
| Fall 1993 | 25,352 | (1.8%) | 4,379 | 17.3% | 2,157 | 49.3% |
| Fall 1994 | 27,621 | 8.9% | 4,323 | 15.7% | 2,150 | 49.7% |
| Fall 1995 | 28,421 | 2.9% | 4,235 | 14.9% | 2,115 | 49.9% |
| Fall 1996 | 28,160 | (0.9%) | 4,335 | 15.4% | 2,153 | 49.7% |
| Fall 1997 | 27,924 | (0.8%) | 4,480 | 16.0% | 2,323 | 51.9% |
| Fall 1998 | 28,877 | 3.4% | 4,601 | 15.9% | 2,376 | 51.6% |
| Fall 1999 | 28,295 | (2.0%) | 4,525 | 16.0% | 2,387 | 52.8% |
| Fall 2000 | 27,095 | (4.2%) | 4,422 | 16.3% | 2,288 | 51.7% |
| Fall 2001 | 27,201 | 0.4% | 4,271 | 15.7% | 2,175 | 50.9% |
| Fall 2002 | 30,500 | 12.1% | 4,202 | 13.8% | 2,185 | 52.0% |
| Fall 2003 | 32,503 | 6.6% | 4,443 | 13.7% | 2,300 | 51.8% |
| Fall 2004 | 30,630 | (5.8%) | 4,361 | 14.2% | 2,378 | 54.5% |

**SCHEDULE 4**

## Undergraduate Tuition and Room & Board Rates
## 1980/81 through 2005/06

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

## SCHEDULE 5

### Breakdown of Tuition and Fee Income
### 2005/06 Budget
[in thousands of dollars]

| | 2004/05 Budget | 2005/06 Projected | 2004/05 to 2005/06 Change | |
|---|---|---|---|---|
| | | | Amount | Percentage |
| **Tuition:** | | | | |
| Undergraduate | 197,479 | 204,934 | 7,455 | 3.8% |
| Graduate | 165,812 | 170,600 | 4,788 | 2.9% |
| Other[1] | 13,691 | 13,644 | (47) | (0.3%) |
| Summer | 23,387 | 24,969 | 1,583 | 6.8% |
| Total Tuition | 400,369 | 414,148 | 13,779 | 3.4% |
| **Miscellaneous Fees:** | | | | |
| Application Fees | 4,327 | 4,353 | 26 | 0.6% |
| Other Fees | 1,045 | 1,045 | | |
| Total Fees | 5,372 | 5,398 | 26 | 0.5% |
| **Total Tuition and Fee Income** | 405,741 | 419,545 | 13,805 | 3.4% |

[1] "Other" includes TGR (Terminal Graduate Registration) students, post-doctoral fellows, and non-matriculated students.

## Undergraduate Financial Aid by Source of Funds and Type of Aid[1]
## 1994/95 through 2003/04

[in thousands of dollars]

| | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Scholarships and Grants** | | | | | | | | | | |
| Stanford Unrestricted Funds | 16,593 | 17,513 | 13,611 | 12,201 | 13,420 | 8,954 | 4,568 | 10,349 | 13,561 | 13,848 |
| Gifts and Endowment Income: Non-Athletic[2] | 14,762 | 15,692 | 20,027 | 22,526 | 23,235 | 26,871 | 35,660 | 35,711 | 38,317 | 41,357 |
| Athletic Awards | 6,328 | 6,626 | 7,471 | 8,232 | 8,614 | 8,874 | 9,842 | 10,627 | 11,331 | 11,809 |
| Departmental Awards | 455 | 415 | 1,372 | 1,743 | 2,016 | 2,238 | 3,263 | 3,766 | 3,853 | 4,712 |
| External Grants[3] | 10,407 | 11,477 | 13,757 | 15,541 | 15,343 | 16,713 | 16,383 | 17,824 | 20,431 | 21,361 |
| Subtotal for Scholarships and Grants | 48,545 | 51,723 | 56,238 | 60,243 | 62,629 | 63,649 | 69,717 | 78,278 | 87,493 | 93,087 |
| **Loans** | | | | | | | | | | |
| University Funds | 1,157 | 1,290 | 1,233 | 787 | 600 | 666 | 612 | 9 | | 22 |
| External Funds | 11,389 | 11,453 | 11,519 | 12,791 | 12,354 | 11,279 | 9,987 | 11,159 | 11,690 | 12,544 |
| Subtotal for Loans | 12,546 | 12,743 | 12,752 | 13,578 | 12,953 | 11,946 | 10,599 | 11,168 | 11,690 | 12,567 |
| **Jobs** | | | | | | | | | | |
| University Funds[4] | 4,175 | 3,602 | 3,295 | 3,255 | 2,387 | 2,252 | 1,120 | 1,408 | 1,458 | 1,839 |
| External Funds | 367 | 438 | 457 | 691 | 859 | 476 | 736 | 686 | 871 | 1,724 |
| Subtotal for Jobs | 4,542 | 4,040 | 3,752 | 3,945 | 3,246 | 2,728 | 1,857 | 2,094 | 2,329 | 3,563 |
| Grand Total | 65,633 | 68,506 | 72,742 | 77,766 | 78,828 | 78,323 | 82,173 | 91,540 | 101,511 | 109,216 |
| Stanford Tuition plus Room and Board | 25,465 | 26,749 | 27,827 | 28,857 | 29,878 | 30,939 | 32,471 | 34,221 | 35,884 | 37.636 |

[1] Figures are actual expenses and are in thousands of dollars. The data 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 7

### Undergraduate Financial Aid
### Projected 2005/06 Budget Needs and Sources, Including Parental and Student Contributions[1]
[in thousands of dollars]

| | 2003/04 Actuals | 2004/05 Projected | 2005/06 Budget | 2004/05 to 2005/06 Change Amount | 2004/05 to 2005/06 Change Percentage |
|---|---|---|---|---|---|
| **Needs** | | | | | |
| Tuition, Room & Board | 106,321 | 109,247 | 112,409 | 3,162 | 2.9% |
| Books and Personal Expenses | 9,286 | 9,348 | 9,479 | 130 | 1.4% |
| Travel | 1,781 | 1,794 | 1,820 | 27 | 1.5% |
| Total Needs | 117,387 | 120,389 | 123,707 | 3,318 | 2.8% |
| **Sources** | | | | | |
| Total Family Contribution (Includes parent contribution for aided students, self-help, summer savings, assets, etc.) | 48,040 | 49,507 | 50,570 | 1,063 | 2.1% |
| Endowment Income[2] | 29,416 | 32,200 | 36,572 | 4,372 | 13.6% |
| Expendable Gifts | 781 | 1,160 | 500 | (660) | (56.9%) |
| Stanford Fund | 10,870 | 9,400 | 9,630 | 230 | 2.4% |
| Federal Grants | 4,328 | 4,200 | 4,148 | (52) | (1.2%) |
| California State Scholarships | 5,040 | 4,900 | 4,500 | (400) | (8.2%) |
| Outside Awards | 4,636 | 4,600 | 4,620 | 20 | 0.4% |
| Department Sources | 429 | 350 | 350 | | |
| Unrestricted Funds | 13,848 | 14,072 | 12,815 | 1,257 | (8.9%) |
| Total Sources | 117,387 | 120,389 | 123,707 | 3,318 | 2.8% |
| Number of Students on Need-Based Aid | 2,896 | 2,860 | 2,830 | (30) | (1.0%) |

[1] In this table, sources of aid other than the family contribution include only aid awarded to students who are receiving scholarship aid from Stanford. Thus, the sum of the amounts for scholarships and grants will not equal the figures in Schedule 5.

[2] Endowment income includes reserve funds and specifically invested funds.

## SCHEDULE 8

### Students Housed on Campus
### 1993/94 through 2004/05

| Year | Undergraduates Housed On-Campus | Percent of Undergraduates Housed On-Campus | Graduate Students Housed On-Campus | Graduate Students Housed in Off-Campus Subsidized Apartments | Percent of Graduate Students Housed by Stanford |
|---|---|---|---|---|---|
| 1993/94 | 5,799 | 88% | 3,069 | | 41.3% |
| 1994/95 | 5,734 | 87% | 3,132 | | 41.9% |
| 1995/96 | 5,819 | 88% | 3,090 | | 41.4% |
| 1996/97 | 5,749 | 88% | 2,980 | | 41.0% |
| 1997/98 | 5,864 | 88% | 3,320 | | 44.6% |
| 1998/99 | 5,917 | 90% | 3,717 | 250 | 52.5% |
| 1999/00 | 5,955 | 90% | 3,408 | 584 | 52.4% |
| 2000/01 | 5,969 | 91% | 3,887 | 687 | 59.4% |
| 2001/02 | 6,199 | 93% | 3,748 | 932 | 62.1% |
| 2002/03 | 6,138 | 91% | 3,828 | 932 | 62.6% |
| 2003/04 | 6,067 | 91% | 4,013 | 632 | 59.6% |
| 2004/05 | 6,046 | 90% | 4,391 | 553 | 61.1% |

## SCHEDULE 9

### Total Professorial Faculty[1]
### 1975/76 through 2004/05

| | Professors | Associate Professors | Assistant Professors[2] | Tenure Line Total | Non-Tenure Line Professors | Grand Total |
|---|---|---|---|---|---|---|
| 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 |
| 1999/00 | 771 | 204 | 255 | 1,230 | 411 | 1,641 |
| 2000/01 | 764 | 198 | 268 | 1,230 | 440 | 1,670 |
| 2001/02 | 768 | 204 | 274 | 1,246 | 455 | 1,701 |
| 2002/03 | 771 | 202 | 259 | 1,232 | 481 | 1,713 |
| 2003/04 | 783 | 196 | 269 | 1,248 | 498 | 1,746 |
| 2004/05 | 792 | 193 | 280 | 1,265 | 514 | 1,779 |

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 10

### Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty[1] 2002/03 through 2004/05

| School Unit or Program | 2002/03 Tenured | 2002/03 Non-Tenured | 2002/03 Non-Tenure Line | 2002/03 Total | 2003/04 Tenured | 2003/04 Non-Tenured | 2003/04 Non-Tenure Line | 2003/04 Total | 2004/05 Tenured | 2004/05 Non-Tenured | 2004/05 Non-Tenure Line | 2004/05 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Earth Sciences | 33 | 7 | 5 | 45 | 35 | 7 | 5 | 47 | 36 | 6 | 4 | 46 |
| Education | 33 | 9 | 3 | 45 | 35 | 10 | 3 | 48 | 35 | 8 | 3 | 46 |
| Engineering | 148 | 41 | 24 | 213 | 150 | 47 | 23 | 220 | 152 | 52 | 23 | 227 |
| Humanities and Sciences | 359 | 133 | 19 | 511 | 361 | 134 | 17 | 512 | 371 | 139 | 19 | 529 |
| (Humanities) | (146) | (52) | (9) | (207) | (149) | (49) | (8) | (206) | (155) | (52) | (11) | (218) |
| (Natural Sciences & Math) | (114) | (34) | (6) | (154) | (114) | (33) | (5) | (152) | (116) | (33) | (5) | (154) |
| (Social Sciences) | (99) | (47) | (4) | (150) | (98) | (52) | (4) | (154) | (100) | (54) | (3) | (157) |
| Law | 35 | 4 | 2 | 41 | 34 | 5 | 3 | 42 | 34 | 5 | 4 | 43 |
| Other | 3 | 1 | 13 | 17 | 3 | | 15 | 18 | 4 | 1 | 13 | 18 |
| Subtotal | 611 | 195 | 66 | 872 | 618 | 203 | 66 | 887 | 632 | 211 | 66 | 909 |
| Business | 60 | 34 | 1 | 95 | 61 | 35 | 2 | 98 | 57 | 34 | 2 | 93 |
| Medicine | 246 | 59 | 411 | 716 | 241 | 62 | 427 | 730 | 239 | 65 | 442 | 746 |
| SLAC | 24 | 3 | 3 | 30 | 25 | 3 | 3 | 31 | 25 | 2 | 4 | 31 |
| Total | 941 | 291 | 481 | 1,713 | 945 | 303 | 498 | 1,746 | 953 | 312 | 514 | 1,779 |

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

## SCHEDULE 11

### Number of Non-Teaching Employees
### As of December 15 Each Year[1]
### 1995 through 2004

| Activity | 1995 | 1996 | 1997 | 1998 | 1999[3] | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| School of Medicine[2] | 1,598 | 1,687 | 1,900 | 2,039 | 2,194 | 2,260 | 2,421 | 2,471 | 2,819 | 2,910 |
| Other Academic: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law | 1,270 | 1,272 | 1,328 | 1,353 | 1,350 | 1,375 | 1,493 | 1,506 | 1,576 | 1,641 |
| Dept of Athletics, Physical Education and Recreation | 97 | 100 | 101 | 110 | 117 | 131 | 128 | 123 | 127 | 130 |
| Dean of Research | 278 | 303 | 304 | 300 | 373 | 375 | 391 | 427 | 448 | 437 |
| Stanford Linear Accelerator Center | 1,311 | 1,310 | 1,300 | 1,271 | 1,287 | 1,286 | 1,385 | 1,415 | 1,432 | 1,496 |
| Student Services: Student Affairs, Admissions & Financial Aid | 253 | 226 | 225 | 240 | 249 | 237 | 257 | 248 | 266 | 261 |
| Libraries[6] | 309 | 326 | 342 | 374 | 372 | 377 | 456 | 466 | 515 | 515 |
| ITSS (Information Technology Systems and Services) | 354 | 369 | 391 | 407 | 409 | 436 | 518 | 498 | 457 | 430 |
| Office of Development | 135 | 138 | 126 | 129 | 136 | 147 | 156 | 153 | 155 | 170 |
| University Lands and Buildings Facilities Project Management, O&M, Procurement, Public Safety, Risk Management | 447 | 456 | 471 | 469 | 350 | 340 | 376 | 375 | 389 | 392 |
| Residential & Dining Enterprises | 267 | 277 | 285 | 323 | 331 | 338 | 373 | 404 | 488 | 521 |
| Stanford Alumni Association[4] | | | | 84 | 76 | 88 | 108 | 113 | 96 | 104 |
| Other: Hoover[6], Research Libraries Group ('93-'94) VPUE ('98-present), Stanford Management Company | 240 | 228 | 239 | 278 | 283 | 296 | 282 | 274 | 222 | 310 |
| Administration[5] Finance, President's Office, Provost's Office, University Counsel, Press (until 2003/04) VP for Public Affairs (2003/04-present) | 472 | 522 | 549 | 595 | 685 | 699 | 716 | 698 | 642 | 698 |
| TOTAL | 7,031 | 7,214 | 7,561 | 7,972 | 8,212 | 8,385 | 9,060 | 9,171 | 9,634 | 10,015 |
| Percent Change | (0.7%) | 2.6% | 4.8% | 5.4% | 1.9% | 2.1% | 8.1% | 1.2% | 5.0% | 4.0% |

Notes

[1] Does not include students, or employees working less than 50% time. Over time, university functions may move from one organization to another. For example, prior to 1998, VPUE staff were counted as part of H&S.

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

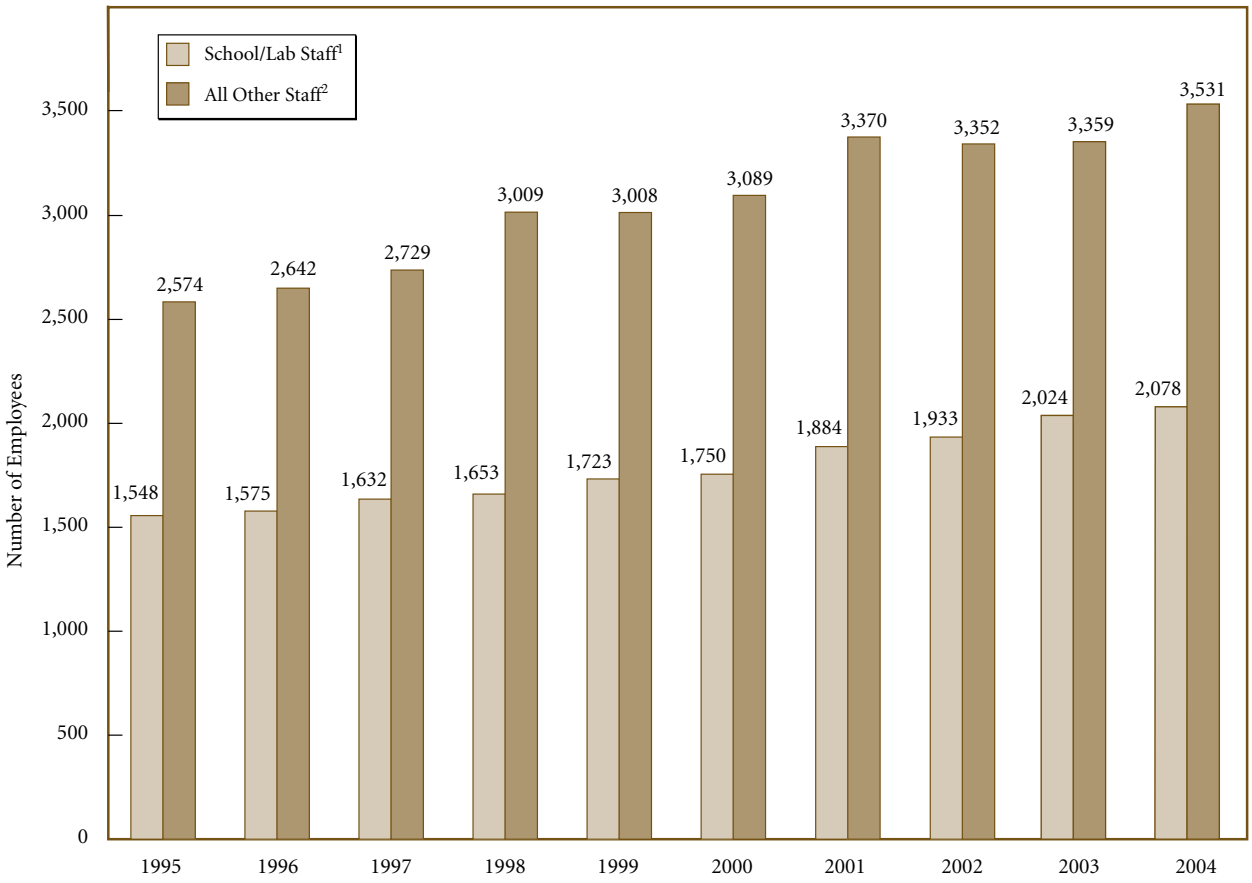
[4] The Stanford Alumni Association was an outside organization prior to 1998.

[5] The staff members in BISA (Business Information Systems Applications) were counted in Administration prior to 1995, but were moved to ITSS in 1996.

[6] The Hoover Libraries staff moved to the university Libraries organization in 2000/01. The Libraries also acquired Media Solutions and the University Press in 2002/03.

## SCHEDULE 12

### Staff Employees in Units Other than Medicine or SLAC
### 1995 through 2004, as of December 15 of Each Year




Notes

[1] School/Lab staff includes staff employees in Dean of Research and all schools, except Medicine.

[2] All other staff includes staff employees in all units other than the Schools, Dean of Research and SLAC.

## SCHEDULE 13

### 2005/06 Projected Consolidated Budget Fringe Benefits Detail

[in thousands of dollars]

| Fringe Benefits Program | 2002/03 Actuals | 2003/04 Actuals | 2004/05 Negotiated Budget | 2004/05 Projected | 2005/06 Budget | 2004/05 to 2005/06 Change Amount | 2004/05 to 2005/06 Change Percentage |
|---|---|---|---|---|---|---|---|
| **Pension Programs** | | | | | | | |
| University Retirement | 68,724 | 72,582 | 76,532 | 79,514 | 84,278 | 4,764 | 6.0% |
| Social Security | 63,538 | 66,361 | 69,405 | 69,262 | 73,462 | 4,200 | 6.1% |
| Faculty Early Retirement | 6,542 | 6,624 | 7,755 | 8,083 | 6,855 | (1,228) | (15.2%) |
| Other | 460 | 5,979 | 4,192 | 4,192 | 478 | (3,714) | (88.6%) |
| Total Pension Programs | 139,264 | 151,546 | 157,884 | 161,051 | 165,073 | 4,022 | 2.5% |
| **Insurance Programs** | | | | | | | |
| Medical Insurance | 39,440 | 45,318 | 54,652 | 55,418 | 64,875 | 9,457 | 17.1% |
| Retirement Medical | 20,450 | 18,732 | 16,363 | 17,692 | 20,371 | 2,679 | 15.1% |
| Worker's Comp/LTD/ Unemployment Insurance | 13,515 | 15,620 | 18,980 | 15,461 | 16,125 | 664 | 4.3% |
| Dental Insurance | 7,643 | 8,738 | 9,359 | 8,874 | 9,780 | 906 | 10.2% |
| Group Life Insurance/Other | 7,238 | 8,997 | 10,478 | 9,501 | 10,666 | 1,165 | 12.3% |
| Total Insurance Programs | 88,286 | 97,405 | 109,832 | 106,946 | 121,817 | 14,871 | 13.9% |
| **Miscellaneous Programs** | | | | | | | |
| Severance Pay | 6,136 | 4,476 | 3,055 | 6,322 | 4,076 | (2,246) | (35.5%) |
| Sabbatical Leave | 9,451 | 10,625 | 11,364 | 13,023 | 11,538 | (1,485) | (11.4%) |
| Other | 10,587 | 10,091 | 11,229 | 11,365 | 11,893 | 528 | 4.6% |
| Total Miscellaneous Programs | 26,174 | 25,192 | 25,648 | 30,710 | 27,507 | (3,203) | (10.4%) |
| **Total Fringe Benefits Programs** | 253,724 | 274,143 | 293,364 | 298,707 | 314,397 | 15,690 | 5.3% |
| Carry-forward/Adjustment from Prior Year(s) | (4,518) | 6,620 | 13,621 | 13,621 | 15,577 | 1,956 | 14.4% |
| **Total with Carryforward/Adjustments** | 249,206 | 280,763 | 306,985 | 312,218 | 329,974 | 17,646 | 5.6% |
| **Budgeted Fringe Benefits Rate** | 24.8% | 26.6% | 27.6% | 27.7% | 27.7% | | |

Note:

The University has four rates for 2005/06, and the single rate shown just above is the weighted average of those rates. The four rates are 30.5% for regular employees, which includes all faculty and staff with continuing appointments of half-time or more, 18.4% for post-doctoral scholars, 8.5% for contingent (casual or temporary) employees, and 3.7% for graduate teaching and research assistants.

## SCHEDULE 14

### Sponsored Research Expense by Agency and Fund Source[1]
### 1997/98 through 2003/04
[in thousands of dollars]

| | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---|---|---|---|---|---|---|
| **US Government** | | | | | | | |
| Subtotal for US Government Agencies | 347,109 | 358,942 | 371,180 | 391,156 | 432,967 | 488,110 | 545,525 |
| **Agency[2]** | | | | | | | |
| DoD | 53,593 | 54,569 | 45,689 | 49,246 | 52,571 | 55,381 | 55,421 |
| DoE (Not including SLAC) | 10,523 | 13,176 | 18,483 | 21,760 | 22,391 | 24,496 | 20,957 |
| NASA | 77,707 | 67,492 | 63,194 | 54,767 | 67,069 | 87,311 | 97,727 |
| DoEd | 2,433 | 2,489 | 2,302 | 3,618 | 2,278 | 1,123 | 2,006 |
| HHS | 155,643 | 170,403 | 186,032 | 204,461 | 227,167 | 256,049 | 299,235 |
| NSF | 34,050 | 36,303 | 39,060 | 39,112 | 41,580 | 44,070 | 56,593 |
| Other US Sponsors[3] | 13,160 | 14,509 | 16,422 | 18,193 | 19,911 | 19,680 | 13,585 |
| Direct Expense-US | 263,674 | 268,547 | 275,853 | 287,865 | 319,559 | 364,036 | 405,342 |
| Indirect Expense-US[4] | 83,435 | 90,395 | 95,327 | 103,291 | 113,408 | 124,074 | 140,183 |
| **Non-US Government** | | | | | | | |
| Subtotal for Non-US Government | 53,941 | 58,095 | 73,094 | 73,012 | 84,390 | 87,352 | 96,001 |
| Direct Expense-Non US | 43,671 | 47,022 | 58,538 | 59,209 | 68,519 | 72,632 | 77,088 |
| Indirect Expense-Non US | 10,270 | 11,073 | 14,556 | 13,803 | 15,871 | 14,719 | 18,914 |
| **Grand Totals-US plus Non-US** | | | | | | | |
| Grand Total | 401,050 | 417,037 | 444,275 | 464,168 | 517,356 | 575,461 | 641,526 |
| Grand Total Direct | 307,345 | 315,569 | 334,392 | 347,074 | 388,077 | 436,668 | 482,430 |
| Grand Total Indirect | 93,705 | 101,468 | 109,883 | 117,093 | 129,279 | 138,793 | 159,097 |
| % of Total from US Government | 86.6% | 86.1% | 83.5% | 84.3% | 83.7% | 84.8% | 85.0% |

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

[2] Agency figures include both direct and indirect expense. Agency names are abbreviated as follows:

DoD=Department of Defense
DoE=Department of Energy
DoEd=Department of Education
HHS=Health & Human Services
NASA=National Aeronautics and Space Administration
NSF=National Science Foundation

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

[4] DLAM indirects are included in this figure.

## SCHEDULE 15

### Plant Expenditures by Unit[1]
### 1996/97 through 2003/04
[in thousands of dollars]

| Unit | 1996/97 | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---|---|---|---|---|---|---|---|
| GSB | 2,767 | 9,499 | 14,400 | 11,644 | 1,173 | 2,993 | 161 | |
| Earth Sciences | 1,754 | 3,703 | 250 | 1,321 | 511 | 941 | 132 | 204 |
| Education | 1,127 | 3,478 | 454 | 297 | 587 | (50) | 128 | |
| Engineering | 26,509 | 44,076 | 40,801 | 12,221 | 2,696 | 15,541 | 7,361 | 1,258 |
| H&S | 28,576 | 34,023 | 22,409 | 14,006 | 32,934 | 17,927 | 39,412 | 16,830 |
| Law | 391 | 1,208 | 1,031 | 156 | 1,838 | 6,586 | 1,475 | 2,319 |
| Medicine[2] | 10,908 | 22,821 | 40,902 | 47,888 | 6,716 | 14,240 | 11,143 | 16,900 |
| Libraries | 10,000 | 16,216 | 17,823 | 8,937 | 3,267 | 6,483 | 11,485 | 3,809 |
| DAPER | 7,856 | 6,369 | 7,007 | 10,666 | 13,803 | 5,708 | 10,583 | 16,098 |
| Residential and Dining Enterprises | 43,398 | 20,023 | 30,317 | 57,206 | 29,195 | 40,255 | 35,434 | 14,144 |
| All Other[3] | 54,004 | 98,339 | 104,361 | 143,075 | 140,327 | 154,837 | 135,229 | 53,744 |
| Total | 187,290 | 259,755 | 279,754 | 307,418 | 233,048 | 265,460 | 252,541 | 125,305 |

Source: Schedule G-5, Capital Accounting

[1] Expenditures are in thousands of dollars, 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 16

### Endowment Market Value and Rate of Return
### 1993/94 through 2003/04

| Year | Market Value of the Endowment (in thousands)[1] | Annual Nominal Rate of Return | Annual Real Rate of Return[2] |
|---|---|---|---|
| 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% |
| 1998/99 | 6,226,695 | 34.8% | 33.3% |
| 1999/00 | 8,885,905 | 39.8% | 37.9% |
| 2000/01 | 8,249,551 | (7.3%) | (9.6%) |
| 2001/02 | 7,612,769 | (2.6%) | (3.7%) |
| 2002/03 | 8,613,805 | 8.8% | 7.2% |
| 2003/04 | 9,922,041 | 18.0% | 15.4% |

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, as 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. The restated value for 1994/95 under the new methodology would have been $3.225 billion.

SCHEDULE 17

## EXPENDABLE (DESIGNATED & RESTRICTED) FUND BALANCES AT YEAR-END: 1993/94 THROUGH 2003/04

[IN MILLIONS OF DOLLARS]

| | 1993/94 | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | Avg Annual % Change 1993/94-2003/04 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Academic Units:** | | | | | | | | | | | | |
| Graduate School of Business | 23.5 | 23.4 | 27.6 | 27.9 | 29.3 | 33.3 | 39.9 | 38.9 | 35.5 | 44.3 | 43.4 | 6.3% |
| School of Earth Sciences | 9.8 | 11.2 | 12.4 | 13.9 | 14.1 | 14.4 | 18.9 | 21.3 | 22.9 | 23.8 | 26.0 | 10.2% |
| School of Education | 4.1 | 5.1 | 5.6 | 4.7 | 4.8 | 7.1 | 8.6 | 9.3 | 10.1 | 10.6 | 13.7 | 12.9% |
| School of Engineering | 49.0 | 59.1 | 67.9 | 76.8 | 94.1 | 105.2 | 109.6 | 112.8 | 115.6 | 123.3 | 130.0 | 10.3% |
| School of Humanities & Sciences | 49.8 | 53.6 | 53.7 | 65.9 | 74.2 | 80.2 | 86.3 | 113.6 | 141.2 | 140.6 | 134.0 | 10.4% |
| School of Law | 5.3 | 5.7 | 6.2 | 8.6 | 10.9 | 10.7 | 11.3 | 13.2 | 15.9 | 17.2 | 17.3 | 12.5% |
| School of Medicine | 167.3 | 171.8 | 196.6 | 209.5 | 225.6 | 252.2 | 270.9 | 309.4 | 328.0 | 354.5 | 361.3 | 8.0% |
| VP for Undergraduate Education | | | | | 1.0 | 5.4 | 7.5 | 9.9 | 10.1 | 11.9 | 13.0 | |
| Dean of Research | 28.7 | 27.7 | 41.0 | 44.0 | 49.1 | 53.2 | 42.4 | 53.4 | 59.0 | 67.1 | 69.1 | 9.2% |
| Hoover Institution | 2.0 | 5.0 | 8.3 | 9.0 | 13.1 | 18.9 | 22.0 | 24.8 | 26.0 | 33.0 | 14.1 | 21.7% |
| University Libraries | 4.6 | 3.8 | 4.2 | 4.5 | 3.9 | 4.6 | 4.8 | 7.4 | 7.9 | 6.6 | 5.7 | 2.1% |
| Total Academic Units | 344.1 | 366.4 | 423.4 | 464.9 | 520.2 | 585.2 | 622.3 | 714.0 | 772.2 | 832.9 | 827.6 | 9.2% |