STANFORD UNIVERSITY
BUDGET PLAN
2006/07

This Budget Plan was approved by the Stanford University Board of Trustees June 15, 2006. Distribution of this document is made in the interest of greater understanding of the University's Budget and the processes through which it is annually determined.

This publication can also be found at:
http://www.stanford.edu/dept/pres-provost/budget/plans/plan07.html

EXECUTIVE SUMMARY

To The Board of Trustees:

I am pleased to submit Stanford University's 2006/07 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 $62.9 million on $3.191 billion of revenues, $3.066 billion in expenditures, and $61.8 million in transfers. It is shown on a cash basis and under the principles of fund accounting. The Consolidated Budget revenues are expected to grow by 7.2% over the 2005/06 projected actual results, driven principally by growth in investment income and health care services.
- The Consolidated Budget includes $809.3 million in general funds, of which $123.6 million flow to the Graduate School of Business, the School of Medicine, and the Continuing Studies and Summer Session programs in accordance with previously agreed-upon formulas. After other transfers and adjustments, there remains $675.4 million in general funds to be allocated directly by the Provost. This represents a 9.6% increase in the non-formula general funds component of the Consolidated Budget and includes a $12.2 million budgeted surplus that we are holding in reserve for future needs.
- The Capital Budget calls for $357.6 million in expenditures next year. These expenditures are in support of a three-year Capital Plan that, if fully completed, would require $2.2 billion in total project expenditures. Major facilities under construction next year will include the Munger Graduate Residences and the Environment and Energy building.
- This Budget Plan also presents the projected 2006/07 results in a format consistent with Generally Accepted Accounting Principles, as reported in the university's annual financial report. The projected Statement of Activities shows a $44.7 million surplus.

STRATEGIC PRIORITIES

Over the past several years Stanford has conducted a series of planning efforts resulting in several important university-wide strategic initiatives. These initiatives center around Stanford's unique capabilities and potential in teaching and research to address several global issues: to advance the agenda for improving human health, to address issues facing the environment, and, in an age of globalization, to seek ways to improve international cooperation and security. In addition, we have completed a comprehensive review of graduate education under the auspices

[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.

of the Commission on Graduate Education. This effort will yield several important initiatives to strengthen our graduate programs. Another major initiative centers on the arts, where we are committed to improving both our programmatic offerings and our arts facilities. Finally, there are a number of academic initiatives based in each school. These are detailed in Section 2 of this document.

These strategic initiatives played a crucial role in the development of our budget for next year, and in particular for the multi-year capital plan. Several initiatives will require significant investment in new and renovated space. In developing the capital plan for the next several years we have fully recognized and responded to these needs. But as a result, our capital plan of $2.2 billion is twice the size of previous capital plans reported in this document. It is important to keep in mind, however, that these projects assume substantial amounts of unidentified gift or reserve funding and they will only move forward when the funding goal is met. In addition, the three-year plan reflects facilities that are already under construction and also those that we anticipate will receive concept approval from the Board within the three-year window. Consequently, some of the facilities in the plan are not scheduled to be completed for as long as six years, even under the most optimistic funding assumptions.

Throughout this document we will refer back to these planning initiatives and attempt to reflect our budget priorities within them.

BUDGETARY PRIORITIES

Next year's budget priorities reflect support for the strategic initiatives, as well as for a number of key objectives necessary to maintain the ongoing operation of the university. The most notable priorities reflected in the 2006/07 budget are:

- **Compensation** – Our compensation programs for faculty and staff will help Stanford maintain a competitive position in the relevant employment markets. In addition to a competitive merit-based program, we have allocated additional funds to address those categories of faculty and staff where we have fallen behind the prevailing market. On the benefits side, we anticipate the benefits rate for regular employees will drop from 30.5% to 29.7%, due more to slight actuarial adjustments than to any fundamental shifts in the cost structure of our insurance programs or other benefits.
- **Infrastructure** – A perennial challenge in the budgeting process is to maintain an adequate infrastructure to support a dynamic university that continues to grow and renew itself. For example, after years of major capital investments in new administrative systems, we are now building budgets to provide essential support and maintenance for these systems. We continue, as well, to provide for enhancements to the security of our systems and our capacity for academic computing.
- **Compliance Costs** – Stanford's compliance function must keep pace with the growth of research seen in recent years. Although the majority of this research is federally funded, an increasing proportion is funded by gifts and grants that do not cover indirect costs. This budget calls for an additional $2.0 million for research compliance staffing, as well as funds for environmental health and safety and other non-research based compliance areas.
- **Undergraduate Financial Aid** – As was announced in February, Stanford eliminated parental contributions for students whose family income was less than $45,000, and cut in half the parental contribution for families with incomes between $45,000 and $60,000. We have also supported an expanded outreach effort in the undergraduate admission office, in part to communicate these changes.

- **Facilities Support –** Unlike some universities, Stanford's physical plant is generally well maintained, with relatively little deferred maintenance. Two years ago, however, we committed to a multi-year effort to fully fund the maintenance budget at an incremental annual cost of $6.0 million. This budget provides $1.3 million toward meeting that goal. When completed, this effort will eliminate our deferred maintenance backlog and the potential for any future build-up.

- **Development –** The development office will increase staff in order to support the anticipated upcoming capital campaign.

- **School-Based Academic Initiatives –** This budget reflects the expansion and enhancement of important academic priorities in many areas. Some examples include:

  - The School of Earth Sciences plans to invest in enhanced analytic facilities for research and will be filling faculty positions in climate science and computational geosciences.

  - The Medical School plans to add 34 incremental faculty, most of whom will be affiliated with the new Stanford Institutes of Medicine.

  - The Law School will continue to strengthen its clinical programs and will add a non-profit general counsel clinic in next year's budget.

  - The School of Engineering will continue its build-up of faculty positions in Bioengineering, as well as supporting its other strategic initiatives in environment and energy, information technology, and nanoscience.

  - The School of Humanities and Sciences continues to face budgetary challenges due to faculty recruitment costs, salary pressures, and local housing costs for faculty. An allocation of an incremental $2.0 million in base general funds will help to address this problem. In addition, the President and Provost have provided significant one-time funds to cover immediate shortfalls.

  - The Office of the Vice Provost for Undergraduate Education will expand support for undergraduate research opportunities and residence-based advising.

CONSOLIDATED BUDGET FOR OPERATIONS

The table on page vi shows the main revenue and expense line items for 2006/07 and compares those numbers to the projection of actual results for the current year. These figures include the incremental costs for the programs and initiatives noted above. Some highlights of both income and expense follow.

Revenue

Student Income – This figure is the sum of tuition and room and board income. Tuition is anticipated to grow 5.0% over the projected 2005/06 actuals, as the result of a 5.75% increase in the general undergraduate and graduate tuition rates and increases between 4.0% and 4.9% in the professional schools. The number of undergraduate students is expected to grow slightly, with graduate enrollment remaining flat. Room and board income is projected to increase 3.2%, due to a 4.4% increase in the standard undergraduate room and board rate and a reduction in university-funded subsidies for graduate students living off campus.

Sponsored Research – Overall sponsored research is budgeted to grow 4.2% over the projected year-end actuals. This growth is driven by a 17.1% increase at SLAC, where an expansion of the facility and increase in activity account for the growth. Direct research outside of SLAC

Consolidated Budget for Operations, 2006/07

[in millions of dollars]

2004/05 Actuals	2005/06 Projected Actuals		2006/07 Consolidated Budget	Percent Increase
		Revenues and Other Additions		
493.0	518.1	Total Student Income	543.8	5.0%
		Sponsored Research Support:		
563.6	552.3	Direct Costs-University	541.3	(2.0%)
237.3	295.0	Direct Costs-SLAC	345.4	17.1%
172.2	172.2	Indirect Cost	175.6	2.0%
973.1	1,019.5	Total Sponsored Research Support	1,062.3	4.2%
282.1	322.3	Health Care Services	354.0	9.8%
143.9	145.0	Expendable Gifts in Support of Operations	152.0	4.8%
528.6	611.9	Investment Income	706.5	15.5%
291.9	285.6	Special Program Fees and Other Income	297.5	4.2%
73.9	75.0	Net Assets Released from Restrictions	75.0	0.0%
2,786.5	2,977.4	Total Revenues	3,191.1	7.2%
		Expenses		
1,397.3	1,509.7	Salaries and Benefits	1,608.7	6.6%
237.3	295.0	SLAC	345.4	17.1%
136.9	143.0	Financial Aid	152.7	6.8%
864.8	920.2	Other Operating Expenses	959.6	4.3%
2,636.3	2,867.9	Total Expenses	3,066.4	6.9%
150.2	109.5	Revenues less Expenses	124.7	
(57.3)	(48.9)	Transfers, Principally to Facilities & Endowment	(61.8)	
92.9	60.6	Surplus	62.9	

is expected to drop by 2.0%, due to a decline in research funding from federal agencies, in particular the National Institutes of Health, and to the completion of several very large projects at the Hansen Experimental Physics Laboratory (HEPL). Indirect cost recovery (ICR) is expected to grow slightly in 2006/07, since the projected decrease in direct research is mainly due to the completion of large subcontracts that do not draw ICR. The indirect cost rate is expected to remain at 56%.

Health Care Services Income – Revenue for health care services is projected to increase 9.8% in 2006/07, due primarily to an 11.1% increase in the amount paid to the Medical School by Stanford Hospital and Clinics and Lucile Packard Children's Hospital related to physician services of its faculty.

Expendable Gifts – The Office of Development anticipates that revenue from non-capital gifts available for current expenses will grow by $7 million in 2006/07 to $152 million. This does not include gifts to endowment or for capital projects, which do not appear in the Consolidated Budget for Operations. In addition, net assets released from restrictions—including payments made on prior year pledges and prior year gifts released for current use—are expected to remain constant at $75 million.

Investment Income – This category consists of income paid out to operations from the endowment and from other investment income, principally the Expendable Funds Pool (EFP). Overall, investment income is expected to increase by 15.5%. Income from the endowment itself is expected to increase next year by 12.0%, including payout on $325 million in projected new gifts to the endowment. The spending rates approved by the Board of Trustees in February 2006 yield a projected smoothed payout rate of 4.35% compared to our target rate of 5.0%. Other investment income is expected to grow by 36.6% over the projected year-end actuals, due primarily to a Board approved increase from 4.5% to 5.5% in the guaranteed payout rate on the majority of funds held in the EFP.

Infrastructure Charge – A new infrastructure charge policy, which took effect on September 1, 2005, increases the infrastructure charge from 6% to 8% for both new and existing funds. Under the new policy, 25% of the revenue generated by the charge is returned to the school where it was generated; formula schools and auxiliaries retain the full amount of the charge. We expect that revenue from the infrastructure change will increase from $7.2 million in 2004/05 to roughly $35 million in 2005/06. The general funds portion of the infrastructure charge revenue will increase from $4.4 million in 2004/05 to about $15 million in the current year.

Expense

Salaries and Benefits – We anticipate total salaries and benefits expense to increase 6.6% over the projected year-end actuals. Academic salary expense is expected to increase by 7.0%, driven by a competitive salary program and a small increase in the number of faculty. Staff salary expense growth is budgeted to grow at 5.5% as a result of our merit program and an increase in staff headcount. The benefits rate will decrease from 30.5% to 29.7% for 2006/07. Total benefits expense is expected to increase by 5.6%.

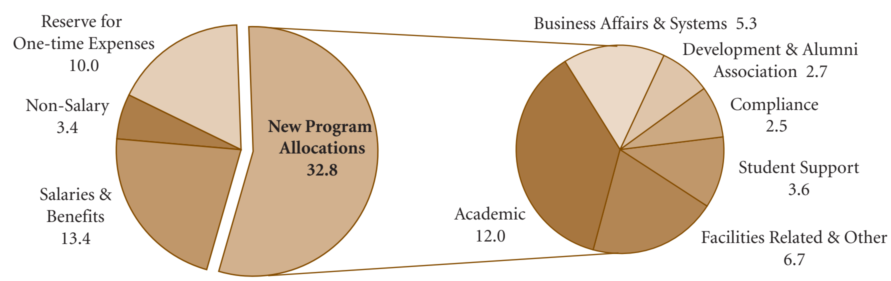
Other Operating Expenses – These line items are composed principally of operations and maintenance (O&M) costs, utilities, capital equipment, materials and supplies, travel, library materials, subcontracts, and professional services. We are budgeting a growth of 4.3% for these items.

GENERAL FUNDS BUDGET

The General Funds budget, as noted above, is a critical component of the Consolidated Budget for Operations. The general funds allocations controlled directly by the Provost are expected to grow by about $59 million, or 9.6%, next year. As shown in the chart below, $10.0 million will be added to the university reserve, which funds initiatives on a year-to-year basis and provides a buffer in case of future downturns. Another $16.8 million of the increment is for

2006/07 Incremental General Funds Allocations: $59.6 Million

[in millions of dollars]



compensation growth and price inflation on non-salary items. This figure includes funding for the faculty and staff salary programs and benefits increases. The remaining $32.8 million is for incremental academic and administrative program expense. The pie chart on the previous page also shows how the $32.8 million will be 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 must be devoted to these costs.

CAPITAL BUDGET AND PLAN

The Capital Budget for 2006/07 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, 2006/07, as well as projects that will be started during the three-year period from 2006/07 to 2008/09. Since some projects in the plan will not be completed by the end of 2008/09, 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 2006/07.

Capital Plan, 2006/07 – 2008/09

This year's Capital Plan forecasts $2.2 billion in construction and infrastructure projects and programs that are currently underway or planned to begin over the next three years. The Capital Plan has grown from last year's $1.3 billion to the projected level due to the inclusion of several major strategic initiatives: the Science, Engineering and Medical Campus (SEMC); a new campus and parking for the Graduate School of Business; the Redwood City campus redevelopment project; a performing arts center; Panama Mall renovations; and phase I of the undergraduate housing and dining master plan.

Although this year's plan presents a realistic view of our construction outlook, not all of the projects included in the Capital Plan are expected to 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. But many of the projects 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 initiated by the end of 2008/09. The three-year plan will be funded from $357.1 million in current funds; $1,100.8 million in gifts ($239.1 million is in hand or pledged, and $861.7 remains to be raised); $203.7 million in auxiliary and service center debt; $509.9 million in academic debt; and $53.2 million from other sources. An additional $96 million of debt is required to complete prior year projects no longer displayed in the three-year plan.

This Capital Plan is clearly the most ambitious in Stanford's history. It will provide facility support for the major institutional initiatives described above. Upon completion, Stanford will have upgraded its capacity to make major advances in the biosciences and bioengineering. Through the construction of the performing arts center, we will have achieved a long held goal of improving our support for the arts. In addition, the redevelopment of the Redwood City site will allow for the centralization of important university services in modern facilities off campus, thereby freeing up space on the central campus for academic expansion.

At plan completion, incremental annual internal debt service is expected to be $54.8 million, of which $16.9 million will be serviced by auxiliary or service center activities, $25.3 million will be paid for by general funds, and $12.6 million will be paid by the formula schools of Business and Medicine. Incremental O&M costs are expected to total $32.6 million per year, of which $13.6 million will be paid by general funds.

Investment in Plant – A year ago we completed an extensive analysis of the adequacy of our investment in Stanford's physical plant. The analysis attempted to answer the following questions: 1) Do we understand the level of investment required to maintain and optimize our 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?

We have developed a model that provides credible answers to these questions. We forecast that the university will need to spend at roughly historical levels of $122 million per year (in 2005/06 dollars) to maintain an appropriate level of investment. The Capital Plan projects that we will continue at least at that level over the next several years.

Building Energy Retrofit Program – A dozen of Stanford's largest energy–consuming buildings will undergo major renovations over the next several years to reduce utility use. These facilities represent $15 million of energy expense and 25% of total campus energy use. Energy savings are estimated to be $4 million per year once the renovations are completed.

Capital Budget, 2006/07

The Capital Budget for 2006/07 represents capital expenditures for the upcoming year. The amount expected is $357.6 million. Most of 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 2006/07 Capital Budget in two ways:

- By Use: 48% is devoted to academic/research facilities; housing, infrastructure, academic support, and athletics/student activities represent 25%, 15%, 9%, and 3%, respectively.
- By Type of Space: 62% of the funding is for new projects (Munger Graduate Residences, Environment and Energy); 22% for renovation projects (Old Union, 1050 Arastradero, and Roble Hall), and 16% for infrastructure projects.

The 2006/07 Consolidated Budget for Operations includes internal debt service of $128.3, which is a decrease of $4.6 million due to a one-time $10.4 million early principal repayment offset by increases for the new Astrophysics building and the renovation of the Old Union. In addition, it includes incremental O&M expenses of $1.1 million.

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a university-level perspective on Stanford's programmatic and financial plans for 2006/07. 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 2006/07. Section 2 addresses program issues in the academic areas of the university. Section 3 contains details on the Capital Plan for 2006/07– 2008/09 and the Capital Budget for 2006/07. The Appendices include budgets for the major academic units and supplementary financial information.

CONCLUSION

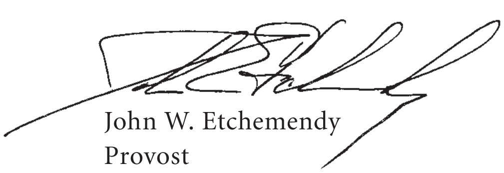
Stanford's overall financial outlook, reflected in the Consolidated Budget, continues to be extremely strong. We have been blessed with outstanding investment results over the past several years, and our alumni, parents, and friends continue to provide gratifying levels of support for exciting new ventures. The only cloud in the financial outlook has been waning federal support of sponsored research, first in the physical sciences and now in the medical and biological sciences. I remain optimistic, however, that the federal government will renew its commitment to a science and technology engine unsurpassed in the world, and will find the means to continue investing in its maintenance.

In developing the general funds portion of the Consolidated Budget we face three principal challenges. The first is the need to support the growing infrastructure demands of activities funded outside the general funds budget. The growth of restricted and designated funds continues to far outpace the growth of general funds, and yet the activities supported by these funds rely on the general funds budget to provide the infrastructure—space, utilities, administrative support—essential to their success. Since the general funds budget also supports most of the core activities of the university, the growing infrastructure demands make it increasingly difficult to provide the necessary support for this core.

The second challenge is increasing national and international competition for the very best faculty, which manifests itself not only in escalating salaries in many schools and departments, but also in burgeoning startup and retention packages, particularly in the laboratory sciences. This second challenge is exacerbated by the third, which is the cost of housing, and more generally the cost of living, in the Bay Area. To remain competitive in this environment, we must invest increasing amounts in both our housing and salary programs.

Managing these challenges within the constraints of the general funds budget is a daunting task. I am fortunate to have outstanding advice and support from many individuals, starting with the excellent staff of our central budget and capital planning offices. Two dedicated advisory groups also assist in developing the general funds budget and capital plan. The University Budget Group consists of Artie Bienenstock, Patti Gumport, Stephen Hinton, Rosemary Knight, Randy Livingston, Kären Nagy, Channing Robertson, Dana Shelley, Bob Simoni, and Buzz Thompson. The Budget Group is skillfully led by Tim Warner, with Steve Olson providing keen analytical support. The Capital Planning Group consists of Megan Davis, Stephanie Kalfayan, Sandy Louie, Maureen McNichols, Bob Reidy, Craig Tanaka, Bob Tatum, Tim Warner, and Mark Zoback, with Margaret Dyer-Chamberlain ably orchestrating the process. The university owes both groups a debt of gratitude for the many hours they put into the budget and capital planning projects.

In spite of the challenges I have highlighted, I am convinced that Stanford has never been stronger—measured by the knowledge it produces, the education it provides, and the students, faculty and staff it attracts. I have no doubt that as we implement the ambitious strategic initiatives we have set out, Stanford will continue to set the standard among the world's leading research universities.



John W. Etchemendy
Provost
June 2006

TABLE OF CONTENTS

SECTION 1

FINANCIAL OVERVIEW

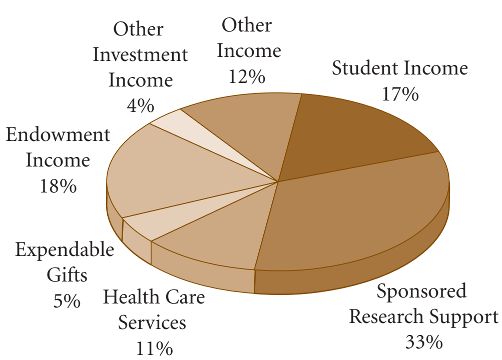
In this section we will review the details of the 2006/07 Consolidated Budget for Operations, discuss the impact of the Capital Budget on the Consolidated Budget, and present a forecasted Statement of Activities.

CONSOLIDATED BUDGET FOR OPERATIONS

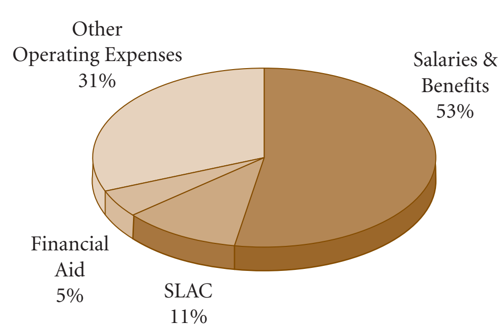
The Consolidated Budget for Operations provides a management oriented overview of all non-capital revenues and expenditures for Stanford University in the fiscal year. It is based on forecasts from the schools and the administrative areas. These forecasts are then merged with the general funds budget 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 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 2006/07. For comparison purposes, this table also shows the actual revenues and expenses for 2004/05 and both the budget and the year-end projections for the current fiscal year, 2005/06. In addition, definitions of key terms are provided on page 3.

2006/07 Consolidated Revenues: $3,191.1M [1]



2006/07 Consolidated Expenses: $3,066.4M



[1] Net Revenues after Transfers: $3,129.3M

CONSOLIDATED BUDGET FOR OPERATIONS, 2006/07

[IN MILLIONS OF DOLLARS]

2004/05 Actuals	2005/06 Budget June 2005	2005/06 Projected Actuals		General Funds	Designated	Restricted	Grants and Contracts	Auxiliary & Service Center Activities	Total
			Revenues and Other Additions						
			Student Income:						
197.8	213.2	212.4	Undergraduate Programs	224.9					224.9
204.3	206.3	210.0	Graduate Programs	220.1					220.1
90.9	93.8	95.7	Room and Board					98.8	98.8
493.0	513.3	518.1	Total Student Income	445.0				98.8	543.8
			Sponsored Research Support:						
563.6	587.7	552.3	Direct Costs--University				541.3		541.3
237.3	318.0	295.0	Direct Costs--SLAC				345.4		345.4
172.2	180.4	172.2	Indirect Costs	175.6					175.6
973.1	1,086.1	1,019.5	Total Sponsored Research Support	175.6			886.7		1,062.3
282.1	295.4	322.3	Health Care Services	15.6	289.2	4.7		44.5	354.0
143.9	130.0	145.0	Current Year Gifts in Support of Operations	2.0		150.0			152.0
			Investment Income:						
451.9	492.6	523.6	Endowment Income	111.5		474.3			585.8
76.7	91.6	88.3	Other Investment Income	47.0	61.2	12.2	0.3		120.7
528.6	584.2	611.9	Total Investment Income	158.5	61.2	486.5	0.3		706.5
291.9	263.4	285.6	Special Program Fees and Other Income	12.6	171.6	0.9	0.8	111.6	297.5
73.9	50.0	75.0	Net Assets Released from Restrictions			75.0			75.0
2,786.5	**2,922.4**	**2,977.4**	**Total Revenues**	**809.3**	**522.0**	**717.1**	**887.8**	**254.9**	**3,191.1**
			Expenses						
1,397.3	1,474.4	1,509.7	Salaries and Benefits	391.9	422.8	297.3	298.7	198.0	1,608.7
237.3	318.0	295.0	SLAC				345.4		345.4
136.9	142.0	143.0	Financial Aid	18.9	2.4	116.3	15.1		152.7
864.8	888.7	920.2	Other Operating Expenses	210.0	160.3	133.5	213.5	242.3	959.6
2,636.3	**2,823.1**	**2,867.9**	**Total Expenses**	**620.8**	**585.5**	**547.1**	**872.7**	**440.3**	**3,066.4**
150.2	**99.3**	**109.5**	**Revenues less Expenses**	**188.5**	**(63.5)**	**170.0**	**15.1**	**(185.4)**	**124.7**
			Transfers						
(107.9)	(65.1)	(81.7)	Transfers to Assets (Plant, Endowment, etc.)	(26.5)	(26.9)	(35.0)		2.8	(85.6)
16.6	15.0	15.5	Net Internal Revenue / Expense	(85.3)	(9.7)	(38.5)	(15.1)	163.6	15.0
34.0		17.3	Operating Transfers	(64.5)	88.3	(29.8)		14.8	8.8
(57.3)	**(50.1)**	**(48.9)**	**Total Transfers**	**(176.3)**	**51.7**	**(103.3)**	**(15.1)**	**181.2**	**(61.8)**
92.9	**49.2**	**60.6**	**Revenues less Expenses and Transfers**	**12.2**	**(11.8)**	**66.7**		**(4.2)**	**62.9**
			Beginning Operating Equity	68.0	728.7	654.5	(3.2)	5.0	**1,453.0**
			Ending Operating Equity	80.2	716.9	721.2	(3.2)	0.8	**1,515.9**

The 2006/07 Consolidated Budget for Operations shows total revenues of $3,191.1 million and expenses of $3,066.4 million, resulting in excess revenues over expenses of $124.7 million. However, after estimated transfers, primarily to plant funds but also converting expendable funds to funds functioning as endowment, the Consolidated Budget shows a surplus of $62.9 million.

Total revenues in 2006/07 are projected to increase 7.2% over the expected 2005/06 levels, somewhat faster than the 6.8% expected growth rate for the 2005/06 levels over the 2004/05 actuals. The revenue growth in 2006/07 is once again aided by very strong growth in endowment income, other investment income, health care services, and SLAC. Total expenses are expected to grow by 6.9% over the estimated year-end results for 2005/06.

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 5.0% in 2006/07.

Tuition – The general tuition rate increase for 2006/07, which was approved by the Trustees in February, is 5.75%, a notable increase over the rate increases during the past five years. Although tuition represents only about 14% of Stanford's total revenue, it is our largest source of unrestricted income. In the budgeting process for 2006/07 there were compelling and significant needs for incremental unrestricted funding for compliance costs, systems, enhanced student and library services, as well as important academic priorities. Moreover, Stanford has increased its prices more modestly than its competitors in recent years, and our tuition rate is relatively low when compared to the highly selective private colleges and universities that comprise the Consortium

KEY TERMS

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

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

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

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

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

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

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

Financial Aid: Includes expenses for undergraduate and graduate student aid. Student 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.

on Financing Higher Education (COFHE). While the Stanford tuition increase for 2006/07 will provide additional funding for some of the most compelling budget needs, it is likely that, based on publicly announced tuition increases, we will still be below the COFHE median for tuition. 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 4.0%, and the Graduate School of Business (GSB) will increase the rate for entering MBA students by 4.9%. Last year the GSB adopted a new tuition structure in which entering MBA students pay the same tuition in each of their two years starting with the class which entered in the fall of 2005. As a result, second year MBA students will see no increase in their tuition rate in 2006/07.

Tuition revenue from undergraduate programs is expected to grow 5.9%, slightly higher than the approved increase in the tuition rate due to a very modest increase in the total number of undergraduate students. Graduate program revenue is expected to increase by 4.8%, which reflects the lower increases adopted for the School of Medicine and the Graduate School of Business.

Room and Board – In February, the Trustees approved a combined room and board rate increase of 4.4% for 2006/07. The room rate will increase by 5.6% and the board rate by 3.0%. The 2006/07 recommended increases in room and board rates were developed under the following Residential and 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; to provide programmatic funding to support graduate and undergraduate residential education programs and residential computing initiatives; to offer simplified meal plan options; and to ensure that students receive high quality services that are provided in a fiscally responsible manner. Overall room and board revenue will grow by only 3.2%, despite the larger approved increase in room and board rates. This is due primarily to a continued reduction in revenue associated with off-campus subsidies for graduate student housing.

Sponsored Research Support and Indirect Cost Recovery

The budget for total sponsored research support is expected to be $1,062.3 million in 2006/07, or one-third 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 ($541.3 million for university research and $345.4 million for SLAC), as well as reimbursement for indirect costs ($175.6 million) incurred by the university in support of sponsored activities.

After enjoying a long stretch of very strong research growth, Stanford is facing the sobering prospect that the recent flattening or declining budgets for federal agencies that fund research activities may be impacting research volume on campus. Most dramatically, the National Institutes of Health (NIH), whose budget doubled from 1997/98 to 2002/03, has seen budget declines over the past two years. The National Science Foundation (NSF) budget also decreased from 2002/03 to 2005/06, but is expected to have a 7.9% increase in 2006/07, the first year of a planned ten-year doubling effort. It is worth noting, however, that a prior plan to double the NSF budget from 2001/02 to 2006/07 failed to materialize.

With the flow of federal research dollars stagnating, as has been the case over the past few years, it is unclear how directly this correlates to the volume of funding received by Stanford's world-class researchers. What is clear is that over the final half of 2004/05 through the first half of 2005/06, the rate of growth of research at Stanford has been at its lowest level in recent history.

Non-SLAC direct research activity is projected to decline 2.0% in both 2005/06 and 2006/07. This is in stark contrast to the over 8% average annual growth in research volume from 1999/00 to 2004/05. The Medical School is projecting a modest 2.1% growth in direct research for 2006/07, but the rest of the university is projected to decline by about 6%, primarily due to the completion of several very large projects (mostly in subcontract activity) at the Hansen Experimental Physics Laboratory (HEPL), as discussed in the insert on the next page. Aside from HEPL, non-medical direct research is expected to grow 2.0%, roughly the same rate as medical research.

The negotiated predetermined indirect cost rate is anticipated to remain at 56% for 2006/07, although negotiations with the government will not be concluded

HEPL and Fluctuations in Research Volume at Stanford

In 2004/05, Stanford had $736 million of (non-SLAC) research activity, including indirect costs. While thousands of individual research projects contributed to this total volume, four very large projects at the Hansen Experimental Physics Laboratory (HEPL) comprised about one-tenth of the university total. University research over the past several years has been buoyed by these HEPL projects. Now, as they are winding down, we see the opposite effect.

HEPL forecasts a drop of $24 million in total research volume for 2006/07 due to tightening NASA budgets and the phasing down of the four projects; Gravity Probe B (GP-B), which is coming to a close in 2005/06; the Gamma Large Area Space Telescope (GLAST) project, for which the instrument fabrication phase will be complete in 2006 and the instrument will launch in 2007; the Helioseismic and Magnetic Imager for Solar Dynamics Observatory (HMI), whose instrument fabrication is also nearing completion, with a target launch date in 2008; and the Gravitational Reference Sensor (GRS) project, which was canceled. It is important to note that while this represents a significant decrease in overall research volume as shown in the Consolidated Budget, nearly all of this decline will occur in the off-campus subcontract components of these projects. Thus, the on-campus impact will be minimal.

HEPL faculty will continue to propose projects to NASA and also to prepare large project proposals to alternate funding agencies such as NSF and the Department of Energy.

until this summer. While direct research activity is projected to decrease by 2.0% next year, this decrease is primarily due to a significant drop in subcontracts that do not draw indirect cost recovery. Thus, we project a slight increase in indirect cost recovery for 2006/07.

The Department of Energy (DOE) provides most of the funding for SLAC. Total direct costs for SLAC are expected to increase by about $50 million from $295.0 million in 2005/06 to $345.4 million in 2006/07, including $105.0 million for the ongoing construction of the Linac Coherent Light Source (LCLS) program, which will be the world's first x-ray free electron laser.

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). 2006/07 will be the second year of a four-year transition of the programmatic ownership for SLAC linac operations from DOE-HEP to the DOE Office of Basic Energy Sciences (DOE-BES). As a result of the transition, beginning in 2006/07 DOE-BES will be providing the majority of the funding to SLAC.

Health Care Services

Health Care Services income is budgeted to be $354.0 million in 2006/07, a 9.8% increase over the projection for 2005/06. It includes $269.1 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 11.1% increase over the expected 2005/06 level. It also includes revenue of $10.3 million from external healthcare entities like the Palo Alto Veteran's Administration and the Santa Clara Valley Medical Center, and $25.5 million in the Blood Center. Other components include $5.5 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 $43.6 million.

Expendable Gifts

Expendable gift income in support of operations is expected to total $152.0 million in 2006/07, about a 5% increase over the anticipated level for 2005/06. Expendable gifts are those that are immediately available for purposes specified by the donor. While total gift receipts are expected to be very strong as Stanford increases its efforts to raise funds for several large interdisciplinary programs, much of the total raised by the Office of Development is not immediately available and is not reflected on this income line. In particular, expendable gift income in support of operations does not include gifts to endowment principal, gifts for capital projects, gifts pending designation, or non-government grants. The estimate for 2006/07 represents the university's highest expendable gifts total ever.

Investment Income

Endowment Income – Endowment payout to operations in 2006/07 is expected to be $585.8 million, a 12.0% increase over 2005/06. The merged endowment pool experienced another year of strong growth in its market value and is the driver for the strong increase in endowment payout.

The estimate of endowment 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 2006/07 is 4.35%.

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. Gifts to endowment are expected to reach new highs of $295 million in the current year and $325 million in 2006/07.

Of the total endowment income, $111.5 million, or 19.1%, is unrestricted. The unrestricted endowment income includes payout from unrestricted merged endowment funds and most of the income generated from Stanford endowed lands. This unrestricted portion is expected to increase by only 3.0% over the 2005/06 amount, substantially slower than the growth expected in total endowment income. Vacancies, turnover, and lower rents are expected to produce a $5 million decrease in revenue from the Stanford Research Park.

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 separately invested in the endowment income funds pool (EIFP), 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 balance of approximately $1.5 billion. The EFP is invested approximately 87.5% in the merged endowment pool and 12.5% in money market instruments. An additional $267 million in unspent endowment payout, invested in the EIFP, is invested entirely in money market instruments.

Total other investment income is budgeted to increase substantially from $88.3 million in 2005/06 to $120.7 million in 2006/07, a 36.6% increase. There are several contributing factors to this significant increase. The first is the recently approved revision to the EFP payout policy adopted at the April 2006 Board of Trustees meeting. The revision calls for an increase from 4.5% to 5.5% in the guaranteed payout rate on the majority of funds held in the EFP. This group of funds receives no return directly into the funds themselves; rather, a return of 5.5% is paid on the prior year's average balance of these funds to support the unrestricted operations of the Graduate School of Business, the School of Medicine, and the non-formula general funds. A second change in the EFP payout policy eliminates the smoothing of the guaranteed payout, which has a significant effect on the growth in other investment income in 2006/07, because the average balance of the EFP has increased substantially due to the inclusion of the Google proceeds received through the Office of Technology Licensing.

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 Residential & Dining Enterprises, athletic event ticket sales and television income, HighWire Press, the University Press, Stanford West Apartments, and several other smaller auxiliaries.

Total special program fees and other income are budgeted at $297.5 million in 2006/07, an increase of 4.2% over the expected level in 2005/06.

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 made in prior years and pending gifts whose designation has been determined. In 2006/07, we anticipate that schools and departments will be able to use $75.0 million of gifts and pledges received in previous years that had been classified as temporarily restricted.

Expenses

Salaries and Benefits

Total salaries and benefits are budgeted to be $1,608.7 million in 2006/07, a 6.6% increase over the projected amount for 2005/06. 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 2006/07 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 2006/07 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 7.0% in 2006/07, driven by the base faculty salary program, the special market adjustment funding, and modest headcount growth.

Total staff salary expenditures are expected to increase by 5.5% as a result of increases in headcount and compensation comparable to those 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 2006/07 is expected to allow the university to maintain its competitive position in the local market. The program authorizes base merit increases, an incremental allocation to address a combination of issues including equity with the local market and within Stanford as well as retention, targeted funding for specific job groups that lag the market by 10% or more, and non-base performance bonus/incentive programs. Taken together, the 2006/07 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 – The benefits rate for regular benefits-eligible employees, which covers most university employees and comprises most of Stanford's benefits costs, will decrease, from 30.5% in 2005/06 to 29.7% in 2006/07; although the proposed rate is roughly five points higher than the 2001/02 rate. The rates for postdoctoral affiliates and graduate research and teaching assistants will increase, while the rate for contingent employees will remain unchanged.

The decrease in the regular-benefits-eligible (RBE) rate is the result of a significant drop in the carry-forward from prior years. If the fringe rate charged during the year is insufficient to recover the actual costs, the under-recovery, known as the carry-forward, is added to a future rate, usually two years forward. However, due to substantial under-recovery of actual costs in both 2001/02 and 2002/03, we distributed each of those carry-forwards over three years. The third and last year of the 2001/02 carry-forward is a part of the current year's rate and drops out of the fringe rate in 2006/07. The total carry-forward included in the RBE rate for 2006/07 is $6.6 million, a drop of $9.4 million, resulting in a decrease of nearly one point on the rate.

The underlying rate, without the carry-forward, is projected to increase by only one-tenth of a point, because total costs are increasing at roughly the same rate as the salary and wage base. However, the university's expenses for employee health insurance continue to increase at an alarming rate. The cost of health insurance for active regular employees is projected to increase 18.3% in 2006/07 and add 0.8 points on the RBE rate. This increase is offset by a 0.7 point decrease in the cost of funding Stanford's retiree medical plan, due to the actuarial assumptions used in calculating the 2006/07 costs, primarily the assumption on how many employees will retire during the coming year. All other insurance programs together will contribute an increase of 0.3 points on the rate.

The benefits rate for post-doctoral research affiliates will increase substantially in the coming year, from 18.4% to 20.2%. This is primarily due to increased health insurance costs for post-docs, with smaller increases in workers' compensation and the other health and welfare benefits (dental, disability, vision, life) offered to post-docs. The rate for contingent (casual or temporary) employees will remain unchanged at 8.5%.

The rate for graduate teaching and research assistants will increase from 3.7% to 3.8%. This rate will continue to fund half the cost of Cardinal Care insurance for RAs and TAs with appointments of 25% or more, with a smaller contribution for appointments between 10% and 25%. The cost of Cardinal Care will increase in the coming year, by just under 10%. Other student salaries, such as pay for part-time clerical work during the school year, are not charged for benefits, and the students holding those jobs are not eligible for the university contribution toward the cost of Cardinal Care insurance.

Total costs in the benefits pool are budgeted to increase 3.1% from negotiated 2005/06 costs. If there were no carry-forward from prior years holding the rate down, the increase would be 6.2%. The total salary base on which benefits are charged is projected to grow by 5.8%.

The negotiated 2005/06 and the recommended 2006/07 fringe benefits rates are as follows:

Fringe Benefits Rates

	2005/06 Negotiated Budget	2006/07 Provisional Rates
Regular Benefits-Eligible Employees	30.5%	29.7%
Postdoctoral Research Affiliates	18.4%	20.2%
Casual/Temporary Employees	8.5%	8.5%
Graduate RAs and TAs	3.7%	3.8%
Other Students	0.0%	0.0%
Average Blended Rate	27.7%	26.9%
Tuition Grant Program Recovery Rate	1.45%	1.75%

The Tuition Grant Program (TGP) rate is charged separately against regular benefits-eligible salaries only. In order to comply with OMB Circular A-21, all government-sponsored accounts are exempt from the charge. Academic service centers are also exempt. The TGP rate will increase to 1.75% for 2006/07 as the overall cost of tuition grants have continued to outpace the growth in Stanford's salary base.

Financial Aid

Stanford expects to spend a total of $152.7 million on student financial aid for undergraduate and graduate students, $18.9 million of which will come from general funds. As the first table on the next page indicates, designated and restricted funds ($118.6 million) and grants and contracts ($15.2 million) will support the remainder. The total financial aid numbers are 6.8% above the projected total for 2005/06. This increase is driven by the approved increases in tuition rates for both undergraduate and graduate students and the high growth in endowment income, which will provide for additional athletic scholarships.

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 2006/07, Stanford students will receive $78.8 million in need-based scholarships, of which $66.0 million will be from Stanford resources. The remaining $12.8 million will come from government and outside awards. The following sources support Stanford's $66.0 million commitment:

- General funds will cover $10.6 million, virtually unchanged from 2005/06 and the lowest level of general funds support since 2001/02. This decrease is significant because we are introducing two important enhancements to our need-based aid program. Families with annual incomes of less that $45,000 will no longer be expected to contribute to the cost of tuition and room and board. Moreover, the amount of parental contribution for middle-income families will be cut in half. These two enhancements, which add $3.1 million in financial aid expense, were approved as part of the overall general funds allocation process. The total general funds required to cover need-based aid are flat, however, for two reasons. The first is that endowment income is growing substantially faster than the overall scholarship budget and continues to cover an increasing share of that budget, reaching

2006/07 Financial Aid and Other Graduate Student Support from Stanford Resources[1]

[in millions of dollars]

Projected 2005/06 Year-End		General Funds	Designated and Restricted	Grants & Contracts	Total
	Student Financial Aid				
66.6	Undergraduate	10.6	55.4	4.6	70.6
14.9	Undergraduate Athletic		16.1		16.1
61.5	Graduate	8.3	47.1	10.6	66.0
143.0	Total	18.9	118.6	15.2	152.7
	Other Graduate Student Support				
70.0	Stipends	7.9	37.0	28.0	72.9
51.0	Tuition Allowance	30.2	6.1	17.3	53.6
67.8	RA and TA Salaries	7.8	28.2	34.6	70.6
188.8	Total	45.9	71.3	79.9	197.1
331.8	Total Student Support	64.8	189.9	95.1	349.8

[1]Excludes postdoctoral salaries

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

[in millions of dollars]

Source of Aid	2001/02 Actuals	2002/03 Actuals	2003/04 Actuals	2004/05 Actuals	2005/06 Projected	2006/07 Budget
Expendable Gifts	0.6	1.0	1.2	1.9	0.9	0.9
Endowment Income	25.8	28.2	29.4	32.7	38.7	44.2
Stanford Fund/Presidential funds	9.3	9.5	10.9	9.5	9.7	10.3
General Funds	10.3	13.6	13.8	14.3	10.7	10.6
Subtotal Stanford Funded Scholarship Aid	46.1	52.2	55.3	58.4	59.9	66.0
Government and Outside Awards	12.3	12.4	14.0	13.8	13.3	12.8
Total Undergraduate Scholarship Aid	58.4	64.5	69.3	72.2	73.1	78.8
General Funds as a Share of Total Aid	18%	21%	20%	20%	15%	13%
General Funds and Stanford Fund as a Share of Total Aid	34%	36%	36%	33%	28%	27%
Endowment funds as a Share of Total Aid	44%	44%	42%	45%	53%	56%
Number of Students	2,663	2,803	2,896	2,870	2,830	2,750
Restricted and Stanford Fund	61.3%	59.8%	59.8%	61.1%	67.2%	70.3%

56% in 2006/07. The second reason for the stability in general funds is that the total number of students on aid is expected to decline somewhat from 2,830 in 2005/06 to 2,750 in 2006/07;

- Restricted income will provide $45.1 million; and
- The Stanford Fund will provide $10.3 million.

Stanford restricted funding, including endowment income and the Stanford Fund, will contribute slightly more than 70% of the total need-based scholarship budget, up from 67% in 2005/06, due to the tremendous success of the Campaign for Undergraduate Education and stellar endowment returns. A continuing area of concern is that federal and state sources of undergraduate assistance are declining in relation to our costs. Federal, state and other outside awards will total $12.8 million for need-based aid, down from a high of $14.0 million in 2003/04. As a fraction of the total budget, these sources will contribute 16.2% in 2006/07, down from 20.2% in 2003/04.

Athletic scholarships, which are not need-based, will be awarded to undergraduate students in the amount of $16.1 million, an increase that reflects the cost of tuition and several new scholarships.

The second table on the prior 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 $263.1 million in 2006/07. As the first table on the prior page indicates, this includes the tuition component of fellowships in the amount of $66.0 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 $197.1 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.

The minimum rate for RA and TA salaries and stipends will increase by 4.0% in 2006/07; tuition allowance expense is expected to increase by 4.5%.

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. This category makes up nearly one-third of the total expenditures in the Consolidated Budget and is projected to increase by 4.3% to $959.6 million in 2006/07. The principal components include materials and supplies ($125 million, of which close to half are laboratory supplies), professional services ($86 million), other services ($39 million), maintenance and utilities for campus buildings ($151 million), internal debt service ($126 million), research subcontracts ($45 million), equipment purchases ($63 million) student stipends ($73 million) and travel ($45 million). Research subcontracts have decreased from $80 million in 2004/05 as Gravity Probe B and other major experiments in Hansen Experimental Physics Laboratory wind down.

Utilities and Maintenance – The total cost of utilities is expected to increase from $59 million in 2005/06 to $66 million in 2006/07, primarily due to a 36% increase in the cost of natural gas. Natural gas is used for chilled water and steam. As a result, the chilled water costs are expected to increase by 13% ($16.5 million) and steam costs by 24% ($20.0 million). The increase in natural gas was unexpected and was a result of the natural disasters in the fall of 2005 and fluctuating market conditions. Gas prices remain extremely volatile as the gas market has become more like a commodities market rife with opportunities for investor speculation.

Purchased electricity prices have stabilized and are expected to have slight increases into 2006/07 ($21 million). Domestic water prices from Hetch Hetchy are expected to increase 9% in 2006/07 ($4.6 million) over current costs, and lake water costs ($1.3 million) are expected to increase by 3% primarily related to an increase in the pump tax from the Santa Clara Valley Water District. Sewer prices from the City of Palo Alto are expected to increase 10% in 2006/07 ($2 million) and then about 5% in the following two years as they build capital and system improvements into their rates.

Maintenance and repair costs are budgeted at $85 million in 2006/07, a 3.9% increase over the current year's level. The facilities operations group within the Land and Buildings organization provides building maintenance and repair services to nearly 60% of the campus. The School of Medicine contracts with the hospital for most of these services. Residential & Dining Services provides the services internally. The budget for these services may be affected by the salary increases for the bargaining unit workers after a new three-year contract is negotiated later this summer. In addition to inflationary increases, the O&M budget will increase by $0.8 million with the addition of the completed Astrophysics building and renovations, and by $1.3 million in a continued effort to build an adequate planned maintenance reserve.

Internal Debt Service – The 2006/07 internal debt service is projected to be $128.3, a $4.6 million decrease over 2005/06. The year-over-year decrease is attributable to internal loans maturing and a one-time $10.4 million early principal repayment, offset by increases for the new Astrophysics building and the renovation of the Old Union. The university issues debt in the public markets to finance capital projects and programs. Internal loans are then applied to projects, which amortize the debt over the project life in equal installments (principal and interest). The budgeted interest rate used to calculate internal debt service is a blended rate of all external interest expense, bond issuance costs, and administrative costs, and is reset annually. The projected blended rate for 2006/07 is 5.74%, which is unchanged from the current year.

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 $85.6 million, $61.8 million is budgeted to be transferred to plant funds to be used for capital projects. We expect $21.7 million will be invested in FFE and an additional $2.1 million will move to the student loan division or agency funds.
- 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 Business Affairs-IT to university departments is one example of internal revenue and expense. Another is the charge that the Department of Project Manage-

The Role of the Infrastructure Charge

For more than ten years, Stanford has assessed a charge against some types of expenditures from restricted funds in an attempt to recover a portion of the infrastructure and administrative costs that the activities supported by these funds impose on the university. For the most part, general funds are the only source available to pay the infrastructure and administrative costs, and, over the past ten years, the growth of restricted and designated funds have outpaced the growth of general funds four to one, creating a significant general funds burden.

In October 2004, the Board of Trustees approved a revised infrastructure charge policy with several goals in mind: to generate additional general funds, to clarify and simplify the application of the charge, to reduce exceptions, and to return a portion of the funds to the schools and departments that generate the charge.

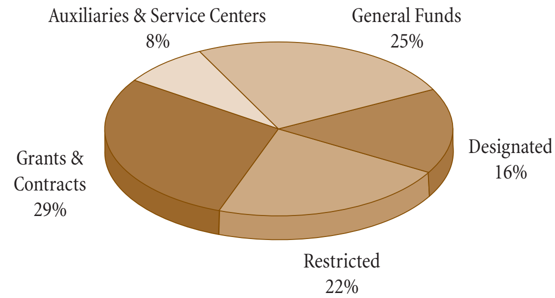
The new policy, which took effect on September 1, 2005, increases the infrastructure charge from 6% to 8% for both new and existing funds. For designated funds, the infrastructure charge is applied to all funds that are received from external sources. For restricted gifts and endowment funds, the infrastructure charge is applied at the time funds are expended or transferred. Endowment payout from funds that are restricted by the donor for faculty chairs, student aid, or undergraduate research is exempt from the infrastructure charge. Under the new policy, 25% of the revenue generated by the charge is returned to the school where it was generated; formula schools and auxiliaries retain the full amount of the charge.

We expect that revenue from the infrastructure charge will increase from $7.2 million in 2004/05 to roughly $35 million in 2005/06. The general funds portion of the infrastructure charge revenue will increase from $4.4 million in 2004/05 to about $15 million in the current year. In future years, we expect the revenue from the infrastructure charge to increase with the use of restricted funds throughout the university, approximately 9% in 2006/07.

ment (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, that 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 roughly $65 million of general funds to reserves or activities that are held primarily in designated funds. These include the transfer of $15 million from rental income from the Stanford endowed lands to a housing reserve, $11 million to the planned maintenance reserve, $11 million to a Provost reserve, $9 million to insurance reserves, $8 million for the Alumni Association, and $5 million for systems projects. The expenditures associated with these funds are reflected in the expense lines in the designated funds column. Ordinarily these transfers are made between fund types within the Consolidated Budget for Operations and net to zero. However, this line also includes $8.8 million for the academic grants that Stanford Hospital and Clinics (SHC) will transfer to the School of Medicine.

2006/07 Consolidated Revenues by Fund Type



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 university unit receives general funds, which support both academic and administrative functions. Total general funds revenue is projected to be $809.3 million in 2006/07, of which $123.6 million flows to the formula schools per the negotiated formula arrangements.

The 2006/07 budget process began with a significant projected general funds surplus, marking the second consecutive year of strong general funds growth following a three year span of general funds shortfalls and painful budget cuts. This positive outlook was due, in large part, to the strong performance of the university endowment. For 2006/07, university budget units were not required to submit general funds reduction proposals. However, in order to practice continued fiscal diligence, the Provost directed all budget units to incorporate internal reallocations and other co-investments into their funding plans for new programs and initiatives. In addition, the academic units were asked to discuss the financial impact of the new general funds allocation methodology, now in its second year. About $9 million of general funds will flow into the academic units in 2006/07 as the result of this new methodology.

During the 2005/06 budget process, the Provost set aside funds as an unallocated base surplus to serve as a buffer against any unfavorable economic developments. As 2005/06 has progressed with continued strong financial results, these funds have been used to support one-time activities. For 2006/07 the unallocated surplus will be $12.2 million. These funds will be used both as a reserve and a resource for the myriad demands on general funds. In addition, due in part to the recent revision in the EFP payout policy, which was approved after the general funds allocations to the budget units were finalized, the Provost was able to double the level of the university reserve that funds one-time commitments. In recent years, the demand for such funds has far exceeded the $10.75 million of annual funding.

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 total, the units identified over $23 million in internal

Summary of 2006/07 Base General Funds Additions (Excludes Formula Units)

[in thousands of dollars]

	2005/06 Base GF Allocation	Price & Salary Inflation	Additions	2006/07 Base GF Allocation	2005/06 to 2006/07 Increase
School of Earth Sciences	3,930	182	250	4,362	11.0%
School of Education	10,561	525	175	11,261	6.6%
School of Engineering	46,280	2,350	842	49,472	6.9%
School of Humanities & Sciences	118,284	5,986	6,863	131,133	10.9%
School of Law	14,174	985	177	15,336	8.2%
Dean of Research	26,443	945	4,014	31,402	18.8%
Undergraduate Education	12,002	493	581	13,076	8.9%
Stanford University Libraries	39,921	1,311	992	42,224	5.8%
Total - Academic	271,595	12,777	13,894	298,266	9.8%
Office of Admission and Financial Aid	7,598	270	500	8,368	10.1%
Student Affairs	18,414	675	586	19,675	6.8%
Office of the President & Provost	12,732	446	340	13,518	6.2%
Vice President for Public Affairs	5,078	191	450	5,719	12.6%
Business Affairs[1]	44,487	1,210	1,659	47,356	6.4%
Business Affairs - Information Technology	46,536	1,256	3,594	51,386	10.4%
Development and Alumni Association	30,374	1,149	2,861	34,384	13.2%
Land & Buildings[2]	41,554	1,475	1,460	44,489	7.1%
Other Administrative Units[3]	11,082	349	273	11,704	5.6%
Total - Administrative	217,855	7,021	11,723	236,599	8.6%
Undergraduate Scholarship Aid	12,814	(5,267)	3,100	10,647	(16.9%)
Incremental O&M and Utilities			1,123	1,123	
Debt Service	25,822		2,370	28,192	9.2%
Central Obligations[4]	75,525	2,290	10,550	78,365	17.0%
Unallocated Surplus	12,769		(569)	12,200	
Total - Other	126,930	(2,977)	16,574	140,527	10.7%
Total Non-Formula Units	616,380	16,821	42,191	675,392	9.6%

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, which funds one-time commitments and was doubled in 2006/07. In addition, for this table, utilities, insurance and fire contract allocations have been included in this line.

reallocations and co-investments, which enabled them to self-fund many programmatic initiatives. However, the units also requested $45 million in incremental base general funds. This large volume of requests for new funds may be the result of pent-up demand after several years of very constrained budgets.

In making its funding decisions, the Budget Group looked first at possible fundraising opportunities and then to general funds. The group was challenged to balance the desire to fund compelling academic initiatives with the need to fund necessary compliance, systems, and facilities costs. Through this process, the Provost funded about half of the $45 million requested, in addition to $10 million of prior year commitments. The total $32.8 million of incremental allocations for 2006/07 (not including the $10 million increment to the one-time reserve) represents about a 5% increase in general funds beyond the salary program and inflation cost rise.

The 2006/07 incremental general funds allocations can be grouped into the following categories.

Academic Support: About $12 million of incremental general funds will be allocated in 2006/07 for new programs, initiatives, and other support within the academic units. Of this $12 million, $5.3 million had been committed during last year's budget cycle, most of which will go to H&S for debt service on their new Astrophysics building and overall school program support. Base increases approved during this budget process include:

- $250,000 for analytic support in Earth Sciences,
- $500,000 for departmental support in Engineering,
- $190,000 for the Bioengineering Department,
- $2.0 million for faculty recruitment and retention in Humanities and Sciences,
- $400,000 for undergraduate research opportunities,
- $250,000 for the Stanford Institute for the Environment,
- $729,000 for library materials, and
- $1.2 million at the discretion of the Dean of Research in support of the most compelling needs within that unit.

Funds were also allocated in support of introductory course projects, undergraduate tutoring, Stanford in Washington, a Korean Studies cataloger, as well as dozens of other academic functions.

Compliance: Research activity at Stanford increased almost 50% from 1999/00 to 2004/05. This jump in volume, along with the Medical School's increasing emphasis on translational medicine and the increases in undergraduate, non-medical human subjects research has put tremendous strain on the Institutional Review Boards that review protocols for human and animal subjects. To address this pressing university need, $2.0 million was allocated to the Research Compliance Office. An additional $500,000 was allocated to the Dean of Research office in support of other compliance-related activities, including Environmental Health and Safety programs and conflict of interest software development.

Systems: A significant investment was made in ongoing administrative systems maintenance and support, which had previously been covered by one-time project funding. The $3.6 million of incremental funds represents part of the total projected systems base funding gap. For 2006/07, an additional $2.9 million will be provided on a one-time basis, with the intention of scrutinizing the longer-term viability of the information technology budget during the next budget cycle.

Facilities/Maintenance: $1.3 million was allocated to Land and Buildings for planned maintenance for academic buildings and infrastructure. This incremental $1.3 million follows $3 million of increments over the past two years and is part of a multi-year effort to bring base funding to the level necessary to sustain Stanford's physical plant. This effort should be completed in the next three years. Another $1.1 million supports incremental O&M and utilities for new buildings and $2.4 million will cover incremental debt service.

Development/Alumni Association: A total of $2.9 million was allocated to the Office of Development and the Alumni Association, including $1.36 million for the final installment of a multi-year build-up of base support. The remaining funds support school and unit development needs, additional staffing, and an effort to expand major and principal gifts programs.

Student Support: As discussed in the financial aid section, $3.1 million was allocated to improve Stanford's financial aid package for lower-income families. In addition, funds were provided to improve the quality of the Counseling and Psychological Services Fellows program ($130,000) and to address salary shortfalls at the Vaden Health Center ($300,000).

Other Areas: A total of about $1.1 million was allocated for various outreach activities: to prospective students (Admissions), to the greater community (Public Affairs), and to expand the *Stanford Magazine* (Alumni Association). The remaining $2.5 million supports a variety of administrative needs across campus, including $500,000 for research administration.

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 are 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 designated funds as reserves, such as self-insurance reserves.

Total designated income is expected to be $522.0 million in 2006/07, an increase of 10.4% over the 2005/06 year-end projection. This growth is fueled by a 13.1% projected growth in designated clinical revenue paid by the hospitals to the School of Medicine for physician services and a 23.3% projected increase in the budget of the Stanford Management Company. The remaining designated funds are expected to grow about 3.0%.

Total expenses charged to designated funds are budgeted to be $585.5 million, yielding an operating loss of $63.5 million. An additional $26.9 million of designated funds, primarily existing fund balances, is expected to be transferred to funds functioning as endowment and to cover plant projects, and $9.7 million of designated funds will be used to cover net internal expenses. We expect $88.3 million of operating transfers, mostly from unrestricted funds, will be transferred into designated funds, yielding a deficit of $11.8 million in this fund type, which will be covered by fund balances in the units.

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 $717.1 million in 2006/07. Of this total, $474.3 million is from endowment income and the remaining $242.8 million is from expendable gifts, payments on prior-year pledges, and EFP payout on restricted fund balances. $547.1 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. $116.3 million of this amount will be used to cover financial aid. $35.0 million in restricted funds is expected to be transferred to support plant projects and to invest in endowment principal, while an additional $68.3 million will be transferred to designated funds and auxiliary activities as well as to cover internal expenses. Total restricted revenues less expenses and transfers net a projected surplus of $66.7 million, most of which will be added to the fund balances in the schools. This sizable surplus is attributable to the fact that many restricted funds are given to the university with the expectation that they well be spent over a number of years.

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 of 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 2006/07 of $887.8 million represents $541.3 million of direct sponsored activity under the oversight of individual faculty principal investigators and $345.4 million in direct costs for SLAC. The university direct cost totals are formulated based upon the projected year-end results for 2005/06 and through consultations with individual research areas. Total university research volume is expected to decrease by 2.0% in the current year and another 2.0% in 2006/07, due to substantial decreases in subcontracts. A more detailed explanation of this decrease can be found earlier in this section under the heading Sponsored Research Support and Indirect Cost Recovery. SLAC is projecting a 17.1% 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

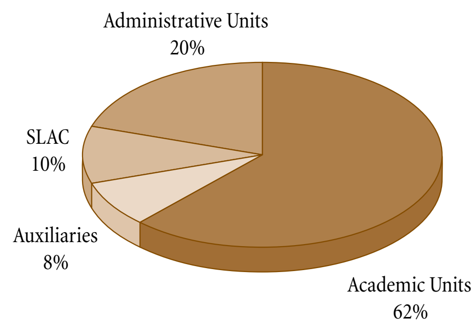
The total budget for auxiliary and service center activities is projected to be $254.9 million in 2006/07. Auxiliary operations are self-contained financial entities supporting the broader purposes of the university. The principal auxiliary activities of the university are Athletics, the Blood Center, 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 a common service, primarily for internal clients, for which they charge both internal and external clients/customers. The principal service centers are the Shared Services and Computer Resource Center within Business Affairs-IT, 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 deficit of $4.2 million.

The Consolidated Budget by Organizational Unit

The Consolidated Budget is the aggregation of all 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 tables on pages 17, 23, and 25.

2006/07 Consolidated Expenses by Unit



Graduate School of Business

The Graduate School of Business (GSB) is projecting to break even for 2006/07. Revenues are expected to grow 7.7% over the projected year-end for 2005/06 due to increased tuition, growth in executive education revenues, and a projected 14% growth in the school's endowment income.

GSB expenses are projected to be $124.0 million in 2006/07, a 5.2% increase over the 2005/06 year-end projection. The projected growth in spending will support the new Bass Seminars, additional faculty and faculty development in response to the GSB's increasingly wider role in the university, faculty salary increases, and continuing investment in its centers and its student and alumni services.

School of Earth Sciences

The School of Earth Sciences is forecasting a decline of about $1.2 million in current funds balances by the end of 2006/07. This is due in large part to donor-mandated reinvestment (approximately $2.5 million) in principal of specifically held assets. Before transfers to assets, the school forecasts to end the year with a positive balance of about $1.5 million. Restricted revenues in 2006/07 are expected to grow by about 15%, largely as a result of growth in endowment income from the merged funds pools and from funds held in the school's Petroleum Investment Fund. The school also expects an increase

Consolidated Budget for Operations by Unit, 2006/07

[in millions of dollars]

	Total Revenues and Transfers	Total Expenses	Result of Current Operations	Transfers (to)/from Assets	Change in Expendable Fund Balance
Academic Units:					
Graduate School of Business[1,2]	117.7	117.8	(0.1)	(0.1)	(0.2)
School of Earth Sciences	46.0	44.5	1.5	(2.7)	(1.2)
School of Education	33.0	33.3	(0.3)	0.4	0.1
School of Engineering	237.5	229.6	7.9	(23.9)	(16.0)
Hoover Institution	38.3	38.7	(0.4)		(0.4)
School of Humanities and Sciences[1]	341.0	326.0	15.0	(6.4)	8.6
School of Law	52.5	46.7	5.8	(7.2)	(1.4)
School of Medicine[1,2]	1,026.2	1,008.4	17.8	(23.9)	(6.1)
Dean of Research	157.7	156.8	0.9	(1.0)	(0.1)
Vice Provost for Undergraduate Education	29.9	32.5	(2.6)		(2.6)
Stanford University Libraries[1]	60.6	60.7	(0.1)	0.7	0.6
Total Academic Units	2,140.4	2,095.0	45.4	(64.1)	(18.7)
Total Administrative (details on page 23)	681.7	675.1	6.6	(8.9)	(2.3)
Total Auxiliary Activities (details on page 25)	264.8	270.7	(5.9)	1.7	(4.2)
SLAC	345.4	345.4			
Internal Transaction Adjustment[3]	(266.6)	(251.6)	(15.0)	15.0	
Indirect Cost Adjustment[4]	(175.6)	(175.6)			
Grand Total from Units	2,989.9	2,959.0	30.9	(56.3)	(25.2)
Central Accounts[5]	161.8	107.4	54.4	(5.5)	48.9
Central Adjustment[6]	39.2		39.2		39.2
Total Consolidated Budget	3,191.1	3,066.4	124.7	(61.8)	62.9

Notes:

1 The budget lines for the School of Medicine, Graduate School of Business, School of Humanities and Sciences (H&S), and Libraries do not include auxiliary revenues and expenses. These items are shown in the Auxiliary Activities line. These auxiliary operations include Medical School Blood Center, the Schwab Center of the GSB, HireWire Press and University Press in Libraries, and 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 $175.6 million received by the schools is taken out in the "Indirect Cost Adjustment" line.

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

6 The $39.2 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.

in general funds from the university in support of the school's strategic plan implementation. As in past years, income from corporate affiliate partners is projected to remain flat.

Expenses are projected to grow 17.1% over 2005/06. Much of the growth in expenses can be attributed to activities in support of strategic objectives. Specifically, the school will be investing in improved analytical facilities and staffing, new faculty hires in the areas of climate science and computational geosciences, and improvements in undergraduate teaching. Additional funds are also earmarked for the continued expansion of the school's outreach and communication program initiated in 2005/06. In addition, expenditures in sponsored research activity will pick up in 2006/07 as one major project (San Andreas Fault Observatory at Depth - SAFOD) increases activity levels after some slow down in 2005/06.

The school forecasts a nominal investment in facilities for 2006/07, although this should increase substantially in subsequent years as plans for improved laboratories and space utilization are executed. Funds from school reserves have been identified to partially support these capital activities.

School of Education

The School of Education projects a $100,000 surplus for 2006/07. Fundraising efforts will focus on new endowed chairs, general support for the Elementary Teacher Education Program, unrestricted funding for faculty research, and fellowship funds, particularly for students in the teacher education programs.

Expendable gift revenue and expenses relate primarily to four areas: new fellowships for the teacher education programs and other Masters programs; expenses related to the Center for Educational Leadership; continuing expenses for the John Gardner Center for Youth and Their Communities; and expenses related to the new Center for Educational Policy Research. Faculty recruitment will remain heavy, with associated costs. Non-federal sponsored project expenses are expected to remain constant in 2006/07 and federal project expenses will decline slightly.

School of Engineering

The School of Engineering projects a $16.0 million deficit in 2006/07 after $23.9 million in transfers to assets. Thus, the school anticipates a $7.9 million surplus from operations before transfers. Transfers include $10.2 million to plant, in anticipation of two major capital projects which will be moving from design to construction in 2006/07 (the renovation of engineering buildings in the Panama Mall corridor and the Environment and Energy building, the first of four new buildings in the Science and Engineering Quad II); $3.6 million to endowment principal, as part of a three year program in which the school agreed to match donors' gifts to endow new graduate fellowships; and $10 million for the endowment of the new Hasso Plattner Institute of Design.

2006/07 revenues are forecast at $238 million, up 4.4% from the previous year's budget. Sponsored research will constitute 49% of the school's income, up by 14.5% from 2005/06, driven by a strong showing in non-federal grants with a number of new contracts from Boeing, aided by a new master agreement between Boeing and the university. Designated funds will contribute about 11.4% of the school's income, expendable gifts 3.2%, endowment income 7.2% and general funds 23%. Expenses are projected to increase 8.8% from 2005/06, driven substantially by spending against increased research funding as well as an expansion of the fellowship program.

The school's primary financial challenges lie in continuing to rebuild departmental reserves to recommended levels, after a period of spend-down which bottomed out in 2002/03; fundraising and strategic management of reserves in support of the above-mentioned major capital projects; and fundraising for ongoing strategic academic initiatives including the Bioengineering department, the Institute for Computational and Mathematical Engineering, the Institute for the Environment, and the Nanoscience Initiative.

School of Humanities & Sciences

The School of Humanities and Sciences (H&S) projects an $8.6 million consolidated budget surplus for 2006/07 after a $6.4 million transfer to assets. The general funds component of the Consolidated Budget remains very tight. Last year, H&S successfully reduced expenditures by slowing the rate of faculty hiring and reducing the size of the incoming graduate cohort. Over the longer-term, increased revenues from new Hewlett-related gifts coupled with continued controls on expenditures will close budget gaps.

During the past year, H&S has made significant progress in instituting better cost controls in several areas. A new graduate aid program implemented for 2006/07 returns the school to a more traditional funding model that stabilizes school funding levels while increasing department control and creating incentives for the use of restricted and external funds. Faculty recruitment costs are being better managed through the reestablishment of an annual search planning process emphasizing junior-level searches and overall hiring at a rate which maintains the school's faculty. Establishment of the International, Comparative and Area Studies (ICA) division has consolidated the administration of thirteen programs and centers. Creation of the Institute for Research in the Social Sciences (IRiSS) has established a centralized social sciences funding model for multi-disciplinary research.

The school continues to deal with financial challenges that impact the operating budget and school reserves. The frequency and size of faculty retentions continue to increase dramatically, particularly with newly tenured faculty. Similarly, funding needs for faculty recruitment packages continue to increase at rates greater than university cost rise, largely driven by competing offers from other universities and Bay-Area housing costs. The Provost has provided additional base funding to H&S to begin addressing these issues. Longer term, H&S plans to set aside endowed funding sources to support these costs in order to better match revenue and expense growth rates. H&S has also received $2 million of incremental general funds to support structural deficit issues. The school will continue to analyze its infrastructure needs, and determine how to more rationally allocate funding and establish adequate reserves at the school level.

Law School

The Law School projects a $1.4 million deficit in 2006/07 due to its continuing commitment to its Loan Repayment Assistance Program (LRAP) and other transfers to assets. The cost or transfer to student loans in 2006/07 for LRAP will be $1.6 million. In addition, the Law School will transfer about $2 million to plant as it renovates the second floor of the Crown Library and starts planning for a new academic building. Lastly, the school estimates an investment of $1.5 million in faculty housing loans for recruitment and retention, and will move about $1 million to endowment principal.

The Law School's estimated revenue and expenditures represent a 20% 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 being focused on the academic mission of the school. The school has increased faculty salaries 17% over the past three years. Its salaries still lag as much as 8-15% behind top-paying law schools like 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 above Stanford's to attract new faculty and to retain their own. The Law School will need to continue an aggressive campaign to increase faculty salaries.

The school recently added two new clinics: a Capital Defense Clinic and an International Community Lawyering Clinic (through which students work with indigent populations in Ghana). A Non-Profit General Counsel Clinic will be added in 2006/07. With these additions, the school will offer a total of ten clinics. Together with the expansion of two other clinics, Prosecution Clinic and Supreme Court Litigation Clinic, the school will add an additional $700,000, increasing its clinic budget by 25%.

The Law School has been successful in fund raising 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 received a $10 million endowment to establish a new Corporate Governance Center.

School of Medicine

In 2006/07, the School of Medicine is projecting a surplus from operations of $17.5 million and a transfer of $23.9 million to plant and endowment, netting to a $6.4 million deficit. Following are key components of this projection.

- Expenses are projected to increase 6.1% over the projected 2005/06 results, while revenues are projected to increase 6.9%.
- Of the school's total revenue and transfers, sponsored research comprises 36.5%, healthcare services and tuition contribute 30.4% and 2.6% respectively. Expendable gifts, endowment income, and other designated income, such as patent income and investment income, constitute the majority of the remaining total revenue and transfers.

- The school will transfer $10.0 million from expendable gifts and $4.2 million from reserve fund balances to fund the build out of leased space for the temporary home of its interdisciplinary Institute of Stem Cell Biology and Regenerative Medicine and the Neuroscience Institute at Stanford. The school will also transfer $5.6 million to fund small capital projects for renovations and recruitments.

Revenue Growth

There are several key drivers of revenue growth.

- Expendable gift revenue is expected to increase 16.7% in 2006/07 to $84 million as a result of amplified development efforts focused in the areas of the interdisciplinary initiatives.

- Endowment income is projected to increase 19.8% from 2005/06 to 2006/07, reflecting the growth in endowment principal and an anticipated increase in the payout rate.

- EFP payout will increase from 4.5% to 5.5% in 2006/07, and is largely responsible for the 10.8% increase in the designated fund class.

- The double-digit percentage increases in expendable gift, endowment income, and investment income are balanced by a slower rate of growth of 2.1% in research revenue. Research revenue has slowed primarily due to reductions in the growth of funding from the National Institutes of Health (NIH) as a result of slowed growth in the NIH budget. The growth in research activity has slowed considerably from historical levels. The projected growth in research activity in 2005/06 from 2004/05 is 3.2%.

- Income from clinical operations is projected to increase 7.6% in 2006/07. The two major components of this income stream are the payments for professional services generated from patient care services and service payments from the hospitals.

Expense Growth

The school's 2006/07 budget plan includes the recruitment of approximately 34 incremental faculty. The expenses related to new faculty, including program support and staff, are included in the budget plan. The incremental faculty will primarily be in the interdisciplinary institutes, as well as supporting the continued growth in the clinical practices.

Expenses are projected to increase 6.1% or $59.7 million in the 2006/07 budget plan as compared to projected 2005/06 results. The major components of this increase are:

- $26.0 million – increase in annual compensation levels for academic salaries; this includes a projected average merit increase of 3.5%, plus the associated increases in compensation related to the recruitment of incremental faculty

- $8.6 million – increase in employee benefits for academic and staff employees

- $23.1 million – increase in non-compensation expenditures

Transfers to Plant, Endowment and Other Entities

The projected transfers to plant of $19.8 million include a $10.0 million gift and $4.2 million of school's reserve funds for the build out of leased space at 1050 Arastradero Road, temporary home of Stem Cell Biology and Regenerative Medicine and the Neuroscience Institute at Stanford. The remainder includes the school's continued expenditure on small capital projects to accommodate changes in program and recruitment of faculty within the existing facilities.

Vice Provost for Undergraduate Education

In 2006/07, the Office of the Vice Provost for Undergraduate Education (VPUE) will be operating for the first time since its creation without the support of one-time startup funding. The funding gap created by the exhaustion of those one-time funds will eventually vanish as pledges from the recently-completed Campaign for Undergraduate Education (CUE) are fulfilled. In the meantime, incremental base and one-time resources from the university, combined with the use of built-up reserves will allow the VPUE to sustain and further develop the enhancements in undergraduate education accomplished over the last decade and to embark on several new initiatives. The use of local reserves will lead to a consolidated deficit of $2.6 million in 2006/07.

The expanded efforts for 2006/07 will serve to augment learning opportunities for students throughout their entire undergraduate residency. For instance, the VPUE expects to provide incremental support to improve the learning environment in large, introductory courses taken early in students' careers. Undergraduate Research Programs and Bing Honors College are two opportunities largely benefiting upper-division students, and the VPUE will increase its base support of both programs in 2006/07. All undergraduates will benefit from additional resources VPUE will dedicate to support interdisciplinary course development and to help Resident Fellows increase creative, intellectually stimulating programming in their dorms.

Initiatives for 2006/07 will focus on providing academic support outside of the classroom and ensuring students are well-informed about the academic resources available to them. A new Academic Director (AD) will be appointed in Stern Hall, joining the ADs already in place in Wilbur and Florence Moore Halls and providing on-site coordinated and informed advice to the students in those residences. While continuing to improve advising about courses of study, additional academic support will be made available through new tutoring and learning skills resources.

Another exciting development for 2006/07 is the arrival of the Bing Overseas Studies Program (BOSP) in the VPUE as it moves from its former home in H&S. BOSP finances are essentially a microcosm of the VPUE as a whole. As CUE receipts continue arriving for that program, BOSP will be able to provide more overseas opportunities for students, beginning with the preparation of a new program in Spain during 2006/07.

Projected CUE receipts should lead to a balanced budget for VPUE during 2008/09. The unit must shepherd its dwindling reserves carefully in the intervening years, keeping a vigilant eye on endowment performance, maintaining fiscal discipline and carefully transitioning from one-time to base support for new initiatives only when appropriate. This will allow the improvements to date in undergraduate education to continue uninterrupted.

Dean of Research and Graduate Policy

The Vice Provost and Dean of Research and Graduate Policy (DoR) projects a slight deficit of $200,000 in fiscal year 2006/07, after $1 million in transfers to assets. The DoR budget is supported by many funding sources. More than half of the DoR income is obtained through sponsored research.

Research volume within the Dean of Research is expected to decrease 9.1% in 2005/06 and 14.3% in 2006/07 due to the phase down or completion of several very large subcontracts at the Hansen Experimental Physics Laboratory (HEPL). Aside from these subcontracts, the DoR projects about a 2% increase in sponsored research volume for 2006/07.

The DoR is excited about increasing collaborations across schools and disciplines. The Global Climate and Energy Project, the Human Sciences and Technologies Advanced Research Institute (a new institute formed by the merger of the Center for the Study of Language and Information and the Stanford Center for Innovation in Learning), Bio-X, the Woods Institute for Environment at Stanford University, and the Freeman Spogli Institute for International Studies have programs that award grants for interdisciplinary research on a competitive basis. The amount projected to be spent across the university in fiscal year 2006/07 is $17 million.

Over the past year, the Dean's Office has committed approximately $4.0 million of its reserves to fund renovations and laboratory moves, including renovation at HEPL's end station III, the move of the Gravity Probe B program, and the new Astrophysics building. The funds will be spent in fiscal years 2005/06 and 2006/07.

Hoover Institution

Hoover Institution projects a slight deficit of $400,000 in 2006/07. In response to tightening revenue streams during the last few years, the institution developed and implemented a contingency that reduced annual base budget expenditures by $2.8 million over the period 2003/04 through 2005/06. The cuts were accomplished by a smooth reduction in staff through attrition and retirement, and some curtailment of programs in research, communications and outreach. The Hoover Institution Library and Archives was not affected by these cutbacks.

The long-range outlook is for a balanced budget, with no reliance on reserves. In order to achieve this goal the contingency plan, which calls for a final $500,000 in cuts, must be completed, and fundraising must continue to grow at historical levels. Recent successful fundraising and the recovery of the endowment have allowed the institution to plan for some modest and focused growth. Included in this plan is the construction of a modern preservation facility for the Library and Archives to be completed by the fall of 2007, the expansion of collecting activities in China and elsewhere, the addition of one new Senior Fellow each year, and an upgrade of the institution's website to assist in making the research and archival holdings of the institution accessible to a wider community.

SLAC

The Department of Energy (DOE) Office of Science (DOE-SC) provides most of the funding for SLAC. As part of the President's American Competitiveness Initiative, in 2006/07 SLAC looks forward to a healthy increase in its operating budget, in addition to the increases expected for the Linac Coherent Light Source (LCLS) program. The operating budget increases will primarily be supporting the operation of SPEAR3, the pre-operations activities of LCLS, the fabrication of the LCLS Ultrafast Science Instruments (LUSI), and the R&D program for the International Linear Collider. Because of the LCLS construction and the expected increases in the operating programs, the total direct costs for SLAC are expected to be $345 million, about $50 million (17%) higher than 2005/06. However, the proposed DOE budget for SLAC awaits Congressional action on the 2007 Energy and Water Development Appropriations.

The LCLS project will utilize the last third of the SLAC linear accelerator (linac) to build the world's first x-ray free electron laser, a fourth generation x-ray light source. The total funding for construction is $315 million, with $105 million expected in 2006/07. Operation is expected to begin in 2009. The LCLS project is a collaboration with Argonne National Laboratory (ANL) and Lawrence Livermore National Laboratory (LLNL). The LCLS Project Office resides at SLAC and DOE provides all project funding to SLAC. Therefore, costs at SLAC include those costs associated with the passed through funding to ANL and LLNL.

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). The B Factory experimental operation will conclude in 2008. In preparation for the operation of the LCLS in 2009, the DOE Office of Basic Energy Sciences (DOE-BES) has been providing partial funding for the operation of the linac. 2006/07 will be the second year of a four-year transition of the programmatic ownership for SLAC linac operations from DOE-HEP to the DOE-BES. As a result of the transition, beginning in 2006/07 DOE-BES will be providing the majority of the funding to SLAC.

Stanford University Libraries & Academic Information Resources (SULAIR)

SULAIR projects a slight surplus for 2006/07. Incremental and one-time allocations to SULAIR will enable several much needed improvements. First, there will be an increase in the Library Materials Budget (LMB). In spite of this increase, SULAIR remains concerned that Stanford has not been acquiring sufficient monographs across the many fields and disciplines now in the Stanford curricular and research enterprises. Second, much needed base support for a Korean Studies library cataloger has been provided as a match to the term support provided by both SULAIR and the Korean Studies Program for a Korean Studies Librarian for collections and services.

Additionally, there is support for improvements in the digital library infrastructure, demands upon which have been accumulating. SULAIR will also make significant one-time expenditures on the next generation of CourseWork, the course management systems preferred by a substantial majority of Stanford faculty. SULAIR will invest significant one-time funds on the part of the Stanford Digital Repository devoted to ingesting the digital copies of books made as part of the Google Book Search project, and by SULAIR's own internal digitization projects in support of faculty programs.

Vice Provost for Student Affairs

Student Affairs projects a slight ($200,000) deficit in 2006/07 after $400,000 of transfers to assets. This deficit is the net result of spending down a major gift in a transition to endowment funding, use of funds carried forward from prior years, and a projected growth of medical care costs exceeding that of contracted health care income.

The 2006/07 allocation of general funds includes significant increases to help address structural funding needs and escalating student medical service costs in Vaden Health Center, and to add resources to critical safety-net services.

Operating Budget fund balances will be drawn down by about $500,000 as funds carried forward from 2005/06 to cover transactions at year-end and ongoing obligations are expended.

Endowment fund balances are projected to increase, reflecting primarily the completion of funding the endowment for the Schwab Learning Center in the Office of Accessible Education. Gifts which have supported the center to date will be spent down in 2006/07.

The Haas Center for Public Service will reinvest about $75,000 in anticipated unspent income from the Haas

Summary of Administrative Activities, 2006/07
[in millions of dollars]

	Revenues and Transfers	Expenses	Results of Current Operations	Transfers (to)/from Assets	Change in Fund Balance
Land & Buildings	188.7	179.7	9.0	(8.6)	0.4
Business Affairs - Information Technology	120.2	120.5	(0.3)		(0.3)
Business Affairs	75.8	78.7	(2.9)	(0.8)	(3.7)
Development	32.4	32.4			
Alumni Association	34.0	35.5	(1.5)	0.7	(0.8)
President & Provost Office	36.6	37.0	(0.4)		(0.4)
Student Affairs	34.0	33.8	0.2	(0.4)	(0.2)
Office of Admissions (Includes Fin'l Aid)	94.0	91.7	2.3	0.1	2.4
Stanford Management Company	25.9	25.9			
General Counsel	8.8	8.8			
Athletic Camps and Student Aid	21.3	20.6	0.7		0.7
Public Affairs	10.0	10.5	(0.5)	0.1	(0.4)
Total	681.7	675.1	6.6	(8.9)	(2.3)

Professorship, consistent with the strategy of providing adequate funding for future chair holders.

Longer-range financial issues include continued structural funding needs in Vaden Health Center, reorganization of the Student Affairs division, the operation of Tresidder and the renovated Old Union as a lively combined student union, and recommendations resulting from the review of education in the residences currently in process.

Stanford Alumni Association

Stanford Alumni Association (SAA) is projecting a $0.8 million deficit for 2006/07. SAA anticipates a continued slow and steady recovery from its many external revenue sources, and will use available resources to continue to build and maintain its alumni relations activities.

In 2006/07, SAA will make new efforts to leverage the university's alumni relations efforts across campus to maximize the benefits to both Stanford and its graduates. By coordinating and partnering with each of Stanford's seven schools, SAA will work to create a more cohesive approach to alumni relations that will better serve the university's many alumni constituencies. As an initial step, SAA will expand the circulation of *Stanford Magazine* to reach all undergraduate and graduate alumni.

SAA will continue to identify and capture valuable information about alumni interests and involvement. This information will be used to inform SAA decisions about which program investments will have the most significant alumni relations impact.

Business Affairs (excluding IT)

Business Affairs projects a deficit of $3.7 million in 2006/07, after $800,000 million in transfers to assets. This deficit is due almost entirely to the return of aggregate annual premiums paid in excess of actuarially determined reserve balances and actual claims paid during the current year. Business Affairs is funded primarily by general funds. Of the $76 million in total revenues and transfers, approximately $9 million, or 12%, is received from other internal and external sources, including the hospitals, Stanford Management Company, SLAC, trademark and royalty income, and fees for services provided.

Compensation costs represent over 60% of total Business Affairs expenses. Another $10 million (13%) is paid to third parties for the fire contract and general liability and property insurance premiums. The provision for insurance claims is $11 million for 2006/07.

A 2006/07 base general funds increase of $1.7 million and $400,000 of one-time funds will enable Business

Affairs to support growing institutional activity while maintaining current service levels and address new or expanded compliance regulations.

Other major initiatives include the following:

- The Office of Research Administration and Administrative Systems are embarking on the discovery phase for a new research administration system which encompasses proposal tracking, clinical trials, and proposal development/submission modules. Faculty and research administrators from across campus have been and will continue to be involved in the discovery and evaluation process. The forecasted cost of a new system is currently $11 - $13 million, plus $2 million of annual ongoing maintenance costs.
- Public Safety is working with Land and Buildings to design a new facility adjacent to the existing location, which will also house a new Emergency Operations Center. The Capital Budget for this project is $6 million.
- Business Affairs is also working closely with Land and Buildings and other campus departments and schools on the concept planning for the new Redwood City campus. The long term funding for the new campus, including build out, debt service, moving, and operating costs, will become a campus-wide challenge over the next few years.

Business Affairs – Information Technology

IT Services is projecting to be breakeven in the operating budget and have a slight deficit in the total Service Center Operations. The 2006/07 deficit is mostly caused by ongoing challenges in the Computer Resource Center.

Business Affairs-IT receives approximately $120 million in funding, of which 55% comes from the hospitals, students, and other external and internal customers from its service center charges. The remaining 45% of the funding comes from general funds, 55% of which is allocated to Administrative Systems to provide development, support and enhancement services for student and human resources systems, middleware and integration, financial systems, and data management and reporting. 32% of the general funds received flows to IT Services in support of campus networking, software licensing, campus card infrastructure, email, calendar, web authentication, backbone and desktop security, help desks, and academic computing services. The remaining 13% of general funds are provided to complete vendor required version upgrades, minor application enhancements, minor compliance projects, and middleware and other software infrastructure projects, as prioritized annually through the System Governance Group.

New initiatives and major goals for Business Affairs IT in 2006/07 include:

- Defining a long-term comprehensive strategy for a data center. This is vital for Stanford's continued leadership in research as well as the ability to provide efficient and robust administrative applications.
- Continuing to enhance the Oracle experience and deliver accurate, timely, and useful information to support decision-making.
- Developing a strategy for institution-wide access to administrative information.

Funding a new University Data Center, and related disaster resiliency options and plans will be a significant challenge in the upcoming years. A new data center is expected to be funded with debt and serviced by a combination of service center rates and general funds. These new costs may have a significant impact on both funding sources over time.

Athletics

The Department of Athletics, Physical Education and Recreation (DAPER) is projecting an auxiliary operating deficit of $1.7 million in 2006/07, following a projected deficit of $2.6 million in 2005/06. The renovation of the football stadium is expected to increase ticket revenue by $1.2 million. This will be offset, however, by modest expense increases for stadium operations and departmental administration.

Residential & Dining Enterprises

The Residential & Dining Enterprises (R&DE) strategic financial plan projects a planned operating deficit for 2006/07 of $1.3 million on revenues and transfers of $122.8 million. R&DE will use reserves to cover the shortfall.

The R&DE Capital Improvement Program (CIP) projects planned in 2006/07 include replacing the first two of sixteen Row House kitchens as part of a multi-year effort, the continued seismic and life safety upgrades of Row Houses (Roth), Florence Moore kitchen infrastructure and code improvements, and addressing Escondido Village seismic code issues.

Summary Auxiliary Activities, 2006/07
[in millions of dollars]

	Revenues and Transfers	Expenses	Results of Current Operations	Transfers (to)/from Assets	Change in Fund Balance
Athletics[1]	48.4	52.1	(3.7)	2.0	(1.7)
Blood Center	31.4	31.8	(0.4)		(0.4)
HighWire Press and University Press	30.1	30.1			
Residential & Dining Enterprises	122.8	124.1	(1.3)		(1.3)
Stanford West/Welch Road	15.9	16.3	(0.4)		(0.4)
Other	16.2	16.3	(0.1)	(0.3)	(0.4)
Total	264.8	270.7	(5.9)	1.7	(4.2)

Notes:
[1] Financial Aid activity and Camps are not included.

In 2005/06, R&DE implemented a phased reduction in budgeted room income to reflect actual occupancy rate declines in recent years (from 98.5% to approximately 93.5%) due in large part to greater undergraduate student participation in overseas studies programs, especially during spring quarter. There have also been more 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. Occupancy is projected at 95% in this second year of our goal to align the budget with actual occupancy rates.

Stanford University's Off-Campus Graduate Student housing program, managed by Housing Assignments, has been reduced in scope each year since 2002/03 as new construction has provided more graduate students with the opportunity to live on campus. The phase-out continues in 2006/07 and will end with the implementation of the Housing Master Plan and completion of the Munger Graduate Residences in 2008.

On the expense side, natural gas and steam rates have increased 36%, or $570,000, in 2005/06. The impact of higher rates by 2006/07 is forecast to be $925,000.

Other incremental expenses in 2006/07 include higher cost of energy and oil products, compounded by shortages that continue to increase prices; increased cost and demand for construction materials; and the continuing initiative to build an asset preservation program to fund building infrastructure renewal.

R&DE has approved $167,000 in additional programmatic funding in 2006/07 to support graduate and undergraduate residential education programs and residential computing initiatives.

Stanford University Press

The University Press projects a balanced budget for 2006/07. Press revenues are budgeted to increase by 8.7% in 2006/07 to $7.5 million from a projected $6.9 million for 2005/06. Building on anticipated growth of 12% in revenue from book sales in 2005/06, income from this source is expected to grow by a further 15.8% in 2006/07, from $5.2 million to $6.0 million, equaling the record 16% growth achieved in the 2003/04 year. At the same time, income from rights and other sources will fall by 14.6% in 2006/07.

Achievement of the $6.0 million sales target will represent cumulative sales growth of 51% over the past five years. At the same time, gross margin on sales will have risen from 51% to 60%, while production costs will have risen by only 28%, and other business expenses will have increased by only 0.5%.

As in the last few years, this income growth will allow the Press to continue investing in scholarly programs in the Humanities and Social Sciences while accelerating growth of newer programs in Law, Economics, Business, Education, and Policy.

HighWire Press

HighWire remains financially stable and projects a balanced 2006/07 budget after a transfer of $500,000 to SULAIR in support of academic initiatives. HighWire continues to experience modest increases in applications and systems programming staff in support of its publisher customers' need for continued innovation. Technology improvements have allowed the online posting of several million pages of previously digitally unavailable scholarly content without a proportionate increase in staffing levels.

In 2006/07 the organization faces the challenge of absorbing the costs of an aging physical plant while investing in innovation, launching several significant new projects on behalf of major customers, and addressing increased customer awareness of, and demand for, business continuity services. A modest (3%) price increase was implemented in September 2005, but no further increases are anticipated through September 2007. HighWire's customers remain cost-conscious; thus HighWire must continue to differentiate itself from low-cost competitors through innovation while maintaining moderate price levels.

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 and is prepared in accordance with Generally Accepted Accounting Principles (GAAP). It is part of the audited financial statements published in the university's 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.

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 $85.6 million of current funds to other fund groups, including plant, student

Comparison of Consolidated Budget and Statement of Activities, 2006/07
Unrestricted Net Assets
[in millions of dollars]

Statement of Activities 2004/05 Actuals	2005/06 June 2005 Budget	2005/06 Projected Year-End		Fiscal Year 2006/07 Projected Consolidated Budget	Adjustments	Projected Statement of Activities
			Revenues and Other Additions			
			Student Income:			
204.3	213.2	212.4	Undergraduate Programs	224.9		224.9
197.9	206.3	210.0	Graduate Programs	220.1		220.1
90.9	93.8	95.7	Room and Board	98.8		98.8
(137.2)	(142.0)	(143.0)	Student Financial Aid[e]		(152.7)	(152.7)
355.9	371.3	375.1	Total Student Income	543.8	(152.7)	391.1
			Sponsored Research Support:			
564.0	587.7	552.3	Direct Costs–University	541.3		541.3
237.3	318.0	295.0	Direct Costs–SLAC	345.4		345.4
172.1	180.4	172.2	Indirect Costs	175.6		175.6
973.4	1,086.1	1,019.5	Total Sponsored Research Support	1,062.3		1,062.3
266.9	274.7	303.1	Health Care Services[f]	354.0	(26.8)	327.2
144.3	130.0	145.0	Current Year Gifts in Support of Operations	152.0		152.0
			Investment Income:			
452.0	492.6	522.6	Endowment Income	585.8		585.8
62.3	91.6	68.2	Other Investment Income[g]	120.7	(25.9)	94.8
514.3	584.2	590.8	Total Investment Income	706.5	(25.9)	680.6
291.5	263.4	290.7	Special Program Fees and Other Income[j]	297.5	5.1	302.6
82.5	50.0	75.0	Net Assets Released from Restrictions	75.0		75.0
2,628.8	**2,759.7**	**2,799.2**	**Total Revenues**	**3,191.1**	**(200.3)**	**2,990.8**
			Expenses			
1,323.9	1,471.1	1,489.3	Salaries and Benefits[d,g,j]	1,608.7	(14.6)	1,591.1
237.3	318.0	295.0	SLAC	345.4		345.4
			Capital Equipment Expense[b]	62.6	(62.6)	
191.6	192.0	203.0	Depreciation[c]		203.0	203.0
			Financial Aid[e]	152.7	(152.7)	
746.0	751.2	784.5	Other Operating Expenses[f,g,h,j]	897.0	(93.4)	803.6
2,498.8	**2,732.3**	**2,771.8**	**Total Expenses**	**3,066.4**	**(120.3)**	**2,946.1**
130.0	**27.4**	**27.4**	**Revenues less Expenses**	**124.7**	**(80.0)**	**44.7**
			Transfers			
			Additions to Assets[a]	(85.6)	85.6	
			Net Internal Revenue/Expense[i]	15.0	(15.0)	
			Operating Transfers[a]	8.8	(8.8)	
			Total Transfers	**(61.8)**	**61.8**	
130.0	**27.4**	**27.4**	**Excess of Revenues Over Expenses After Transfers**	**62.9**	**(18.2)**	**44.7**

loans, and funds functioning as endowment, as well as $8.8 million for the academic grants that Stanford Hospital and Clinics will transfer to the Medical School.

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, $62.6 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 $203.0 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 actual expenses for fringe benefits, which includes accruals for certain benefits, such as pension and post-retirement benefits that are required by GAAP to be shown as expense in the period the employee earns the benefit. For 2006/07, GAAP expenses are expected to exceed budgeted expenses by $3.1 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, $152.7 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 $26.8 million from Other Operating Expenses to Health Care Services revenues.

g) Adjust for Stanford Management Company Activity. Included in the Consolidated Budget revenues and expenses are $25.9 million of activity of the Stanford Management Company. For GAAP purposes, these expenses incurred as part of the generation of investment returns are netted against investment earnings. This adjustment reduces revenue from Other Investment Income, as well as $19.4 million from compensation and $6.5 million from non-compensation expenses, with no net change in the bottom line.

h) Adjust Other Operating Expenses. The Consolidated Budget includes all debt service. It reflects as Other Operating Expenses the use of funds to cover repayment of the principal component of indebtedness. On a GAAP basis these transactions are 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. These adjustments reduce expense by $61.8 million.

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

j) Stanford Sierra Camp, Limited Liability Corporation (LLC). The Statement of Activities includes the revenue and expense of the Sierra Camp that the Alumni Association runs as a separate LLC. $5.1 million in revenue and $3.4 million in expense gets added ($1.7 in Salaries and Benefits and $1.7 in Other Operating Expenses).

In summary, the impact of these adjustments decreases the Consolidated Budget's projected $62.9 million surplus by $18.2 million, resulting in a projected surplus of $44.7 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

The Graduate School of Business (GSB) has four important strategic pillars for the 2006/07 academic year. Looking forward, the GSB desires to be a more important part of Stanford, becoming better at the subjects of management and leadership, continuing to innovate in teaching and learning, and designing and constructing new facilities to support this strategic vision. Efforts are under way to achieve all four pillars, and the 2006/07 year will be critical for making meaningful progress.

Stanford Initiatives

This year, the GSB has undertaken specific steps to build greater understanding of the GSB throughout the rest of the university, to participate directly in new Stanford initiatives, to develop courses and pursue research in collaboration with other schools, and to develop courses to support the initiative to improve graduate education.

The GSB has begun offering several new courses as it attempts to work across schools and disciplines and to be more managerial and experiential in some of its offerings. In the Bass Seminars, enrollments are smaller than in other courses, and students take responsibility for much of the learning. Many of these courses emphasize management. In many of them, students from the GSB work with other graduate students on project teams trying to develop real-world solutions to problems that have been previously identified in the world of practice. These courses have typically been co-taught by GSB faculty together with non-GSB faculty and have been very appealing to both students and faculty. The GSB expects to offer more of these courses over time and is currently working with faculty interested in developing them. The GSB hopes that ultimately all of its students will have an opportunity to take at least one of these seminars. Achieving this goal will require hiring additional faculty to staff these smaller classes.

This summer, the GSB will offer its first course specifically for Stanford graduate students interested in learning more about the world of management. The four-week-long Summer Institute for Entrepreneurship will be offered to up to 70 Stanford graduate students as a trial. A similar course has been offered for the past two summers to college juniors and seniors with great success. During the four weeks, students will learn about the fundamentals of business and management, and integrate these concepts as they look at a possible new business venture. The GSB will incorporate feedback from this trial as it looks to expand this kind of learning to more graduate students in future years.

Many of the Bass Seminars will provide GSB students with a more managerial emphasis in their courses. At the same time, the four centers at the GSB will continue to play important roles in facilitating research; developing courses and course materials; supporting student internships, conferences, clubs, and projects; and integrating alumni and other important members of the community into its research and teaching efforts in four key areas: entrepreneurship, social innovation, global business, and leadership. The centers and their faculty facilitate collaboration with other Stanford schools and institutes. The Center for Social Innovation has worked closely with the School of Education on several projects. The Center for Global Business and the Economy has collaborated with the Freeman-Spogli Institute for International Studies (IIS) and plans to do more of this in the future.

The centers also provide important experiential learning to GSB students. The Center for Leadership Development and Research continues to improve and increase the scope of its Leadership Development Platform for

MBA students. The Center for Entrepreneurial Studies (CES) will celebrate its tenth year this spring and continues to provide excellent opportunities for its students to learn about being a general manager—how to drive innovation, have a bias to action, and think and act like an owner, whether in a large business or a small one. Many CES courses use teams with students from other schools.

New Campus

The GSB's vision for the future of management education relies heavily on project teams, experiential learning, more participation by non-GSB students, and more collaboration with the rest of Stanford University and the outside world. The current buildings were constructed at a time when all classes had approximately sixty students and used the case study or lecture method, and collaboration with the rest of Stanford was less prevalent. The current facilities are also very inflexible, making them difficult to renovate today and to modify as needs change. To meet future programmatic needs as outlined above, the GSB is investigating the building of a new campus across from the Schwab Residential Center. This campus will have a much wider range of classrooms and other spaces than exist at present, will be more integrated with the rest of the Stanford campus, will enable much stronger collaboration within GSB and between GSB and other schools, and will be built with future flexibility in mind. The timing of its construction is uncertain, but the need for it is clear and compelling.

School of Earth Sciences

The School of Earth Sciences continues to implement its strategic plan, which was developed in 2003/04. Its strategic vision is as follows:

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.

In pursuing the strategic vision for the school, five programmatic directions have been identified for the upcoming year.

Center for Computational Earth and Environmental Sciences (CEES)

Launched in fall 2005, CEES is organized as a partnership between the School of Earth Sciences, other Stanford schools and departments, government labs, and private industry to take advantage of local excellence in computational and Earth science unequaled elsewhere in the world. Its focus is integrating Earth science with computer science by building new capabilities in computational methods better suited to solve Earth and environmental science problems. Combining scientific applications with state-of-the-art hardware and computational methods, CEES is breaking new ground in computational geoscience by engaging computer scientists and architects to design software and hardware that better address Earth science problems. The school envisions significant growth in CEES during 2006/07 as these partnerships mature. A new faculty hire in the area of computational geosciences is also anticipated in the upcoming year, which will further deepen the center's strength.

Stanford's Environmental Initiative and Institute for the Environment

Earth Sciences is uniquely positioned to play a leadership role in the university's Environmental Initiative and partner with the Woods Institute for the Environment as it establishes roots on campus. In 2005/06 the school and the institute cosponsored a very successful public lecture series, "The End of Oil?" In 2006/07, the school will continue to seek out opportunities to promote and facilitate environmental research, teaching, and outreach activities across campus. Additionally, the school and institute are jointly searching for a climate scientist to enhance Stanford's environmental research and teaching program and hope to welcome that new faculty member early in 2006/07.

Shared Analytical Facilities

The school hopes to fully launch several state-of-the-art analytical facilities for use by all Stanford faculty and students in the upcoming year. These facilities would leverage existing laboratories through renovation, relocation, and enhancement, combining equipment, processes, and staffing with the help of university funds and significant school resources. The initial goal is to establish four centers: two laboratories devoted to environmental measurements, one focused on geochronology, and one providing improved sample preparation and mineral separation. Critical to the success of these facilities will be the addition of base-supported technical staff to oversee their management, help train graduate students, and help develop new research methodologies.

Undergraduate Teaching

In 2006/07 Earth Sciences will aim to reinvigorate its undergraduate programs and increase its number of undergraduates by developing new Earth science-focused undergraduate majors that feature faculty expertise and subjects from across the school. It will also develop a series of field courses in a range of Earth and environmental science areas. There has been much discussion amongst the school's faculty as to the form these programs should take: tracks within existing departmental majors, a new interdisciplinary program that cuts across all departments, or something in between. Though no decision has yet been made, the school remains strongly committed to expanding and improving its undergraduate teaching.

Communication and Outreach

Another of the school's strategic goals is to continue to strengthen its communication with, and outreach to, the university, alumni, and the broader world. It has begun a concerted effort to educate the public on energy and environmental issues through public lectures, seminar series, and other activities of general interest which it will continue to develop. Many of these events are hosted jointly by the school and others on campus, strengthening the interdisciplinary ties amongst a broad range of university entities.

Additionally, in 2006/07 the school will continue its very successful educational outreach efforts aimed at K–12 students. One of the many goals of these activities is to bring science—and in particular Earth science—to a more diverse population of young learners. By reaching out to a broad range of public schools locally, Earth Sciences hopes to plant seeds that may, in many years, lead to a broader diversity of individuals (women and minorities) choosing the sciences as a career path.

Overlaid on top of these five programmatic directions are school-wide efforts to, through research and teaching, create and disseminate knowledge about Earth and its resources; train students and future leaders, and educate the broader public in the Earth and environmental sciences; and apply both scientific and engineering knowledge to help solve societal problems such as sustainable use of energy and water resources, mitigation of risks posed by natural hazards, and the consequences of human activities on the environment.

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 policy. Being directly involved in the practical and policy issues of education helps the school contribute to improvements in pre-K–12 education and to the community contexts in which children grow and learn. Because policies and practices are interconnected, the school needs to address issues of practice and research at multiple levels: classrooms; schools and organizations designed to support schools, such as districts and charter school management organization; the community context surrounding schools; and the larger state and federal policy environment.

Classrooms: Teacher Preparation and Professional Development and Research on Instruction

The first class of students was admitted to the Elementary Teacher Education Program for the 2005/06 academic year. This coterminal master's program for Stanford undergraduates attracts students who plan to teach in schools in economically disadvantaged communities. This new program and the Secondary Teacher Education Program have sustained relationships with a small set of professional development schools, where Stanford students do their practice teaching and faculty collaborate in efforts to improve teaching school-wide. The Stanford faculty involved with teacher training and professional development also plan the instructional program at the new charter schools and conduct research on more effective instructional approaches in schools throughout the Bay Area.

The most ambitious initiative going forward at the classroom and school level is the management of two charter schools. Through the Stanford Schools Corporation, formed last year, the School of Education oversees the management of the East Palo Alto High School. A pre-K–8 elementary school is in the planning stages. The goal is for the charter schools to serve as "teaching schools" in the sense of a teaching hospital – a resource for training new teachers and school leaders, a site for developing more effective instructional strategies and links to the community, and a model school with expert mentor teachers that can be used to support professional development for practicing teachers and administrators throughout the Bay Area.

Leadership and Organizational Change for Schools, Districts, and Charter School Management Organizations

The school manages two master's degree programs designed to prepare leaders for both the private and public sectors; one of these is a collaboration with the GSB. Last year the school launched the Center for Educational Leadership, an umbrella for degree and professional development programs with a significant education leadership component. Two professional development programs developed this year target superintendents and school board members.

Community Support for Positive Youth Development

The school addresses the larger community context of youth development primarily through the John Gardner Center for Youth and Their Communities (JGC). Faculty, students, and staff collaborate with community leaders to put research findings and promising practices into local practice. Research is embedded in the practical work being done in the communities, much as research on schools and education policy is embedded in (and informed by) Stanford's practical work with schools and practitioners. Important lessons have been learned in the last five years through JGC youth initiatives, programs, and research. The center must now more fully develop and disseminate its shared lessons, tools and models to individuals or organizations working in the field of youth development. A new initiative, the Youth Data Archive, will compile a comprehensive data set that can be used to guide youth development policies.

Federal and State Educational Policy Research and Analysis

The school's new Center for Educational Policy Research conducts discipline-based research informed by the realities of educational settings. The primary goal of the center is to engage in disciplinary–based research focused on the most pressing problems of school improvement and education. The center involves graduate students and postdoctoral fellows who are being trained to do policy-relevant research or to work in policy settings. Center-affiliated faculty currently conduct research on a wide range of policy issues, including teacher labor market dynamics; early childhood education; English-language learners; technology and schools; school accountability and testing; efficiency and adequacy in educational finance; the transition from high school to college; retention in and graduation from college; curriculum, teacher policies, and school choice from an international perspective; and district reform. The focus is on federal and state policies, but international and comparative research is also conducted to inform and give a broader perspective on U.S. policies. The center will build on links with schools, districts, and policy makers so that the research can genuinely inform the reform efforts of practitioners and policy makers.

The Barnum Family Center for School and Community Partnerships

Construction of the Barnum Family Center is expected to be completed in August 2006. The historic old bookstore will be renovated and a new addition will replace one dating from the 1970s. The building will increase visibility for partnership programs with practitioners and community leaders, and will serve as headquarters for school redesign efforts and the JGC.

New Interdisciplinary Academic Program

A new joint program with the School of Law will lead to a J.D. degree combined with an M.A. degree in Policy, Organization, and Leadership Studies.

Faculty Recruiting

Faculty recruitment continues to be a major activity, with five active searches expected in 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 of education. The goal is to hire excellent scholars who have genuine interests in education practice.

School of Engineering

The School of Engineering's mission is to nurture the brightest minds, create tomorrow's technologies, and apply them to help shape the future. A multidisciplinary, broad-based approach is central to achieving these goals. The school has launched four strategic and inherently interdisciplinary research initiatives in bioengineering, environment and energy, information technology, and nanoscience and nanotechnology. It continues to house additional interdisciplinary institutes, including the Hasso Plattner Institute of Design and the Institute for Computational and Mathematical Engineering (ICME). Finally, an ambitious capital plan is underway with the goal of providing all departments in the school with twenty-first-century facilities within the next five years.

Bioengineering

The new Bioengineering Department continues to grow rapidly. The department is now in the process of admitting its third class of graduate students, and again the pool is large and very strong. Several training grants have been awarded to faculty in the department, providing several years of financial support for students. There have also been some very significant successes in winning research contracts. Faculty recruitment has yielded exceptional results, with four new appointments in the last two years, and further searches are ongoing. In addition, several existing Stanford faculty have chosen to move half of their billets into Bioengineering.

Energy and the Environment

The Institute for the Environment and new energy technologies remain very high on the school's list of academic initiatives. The Civil and Environmental Engineering (CEE) Department has organized its teaching and research around the theme of sustainability, focusing on five areas: water, urbanization, health, the Earth's life support systems, and buildings. Faculty from CEE and other engineering departments are involved in a broad array of environmental efforts, including those conducted by the Stanford Institute for the Environment and the Freeman-Spogli IIS. Engineering faculty also actively participate in the Energy Modeling Forum, which seeks to improve analysis of energy and environment uses, and the Global Climate and Energy Project (GCEP), a multidisciplinary effort to find energy sources that are nearly or fully greenhouse gas emissions free.

One of the most visible elements of the Environmental Initiative is likely to be the proposed "green dorm" being championed by CEE. This dorm will house roughly 50 undergraduates and be a living demonstration vehicle for sustainable technologies. The basement is envisioned as a teaching laboratory for students interested in sustainable energy technologies and environmental issues. The project is currently in the feasibility stage.

Information Technology

Stanford has a long track record of generating ideas, developing prototypes, and transferring technologies to companies for commercialization. Within the School of Engineering, the field of information technology has been a pillar of excellence. Collaboration and joint appointments between the Electrical Engineering (EE) and Computer Science (CS) departments, and between the school and other areas of the university are widespread, ensuring creative and resourceful approaches to new opportunities.

Engineering faculty and research teams are involved in a wide range of projects. Some are developing the physical components that enable computation and communication, including improved chip architecture, nanowire transistors, photonic crystals, and novel materials for semiconduction and superconduction. Others use these components in complex systems performing advanced tasks to improve computer security, bolster networks, or transfer information seamlessly across wired and wireless networks. Yet other researchers concentrate on theory—game theory, information theory, communication theory—or work in artificial intelligence, cryptography, robotics, computer graphics, human-computer interactions, and computer-aided analysis and design.

Nanoscience and Nanotechnology

The ability to manipulate matter at the level of individual atoms and molecules provides exciting new opportunities in many fields of science and engineering. The school's strategic response has been to create a number of shared experimental facilities open to all Stanford faculty and students (and in some cases to external university and industry users as well). These labs provide experimental "sandboxes" in which new ideas can be explored. The first two of these facilities are the Stanford Nanofabrication Facility in the Center for Integrated Systems building and the Stanford Nanocharacterization Laboratory in the McCullough building.

Hasso Plattner Institute of Design

The new Hasso Plattner Institute of Design focuses on educational programs that advance user-centered design methodologies and design engineering teaching, blending engineering innovation, human values, business, and manufacturing concerns into a single curriculum. Design methodology, rapid prototyping to prove feasibility, and design through understanding of user needs are expected to quickly be incorporated into all discipline-based engineering curricula as a result of the institute's experience. The founding faculty come from CS, Mechanical Engineering (ME), Management Science and Engineering, and the GSB. The institute engages faculty across many disciplines as well as participants from industry. While it is housed in Engineering, it is having a campus-wide impact and may serve as a model for other interdisciplinary initiatives.

Institute for Computational and Mathematical Engineering

ICME is a new interdisciplinary program in computational mathematics. Its central research mission is the development of sophisticated algorithmic and mathematical tools which are relevant to many different applied disciplines in engineering, earth sciences, medicine, and applied science.

The institute offers a comprehensive suite of undergraduate and graduate service courses in numerical methods and applied mathematics. It also offers a strong core set of advanced courses for students enrolled in its master's and doctoral programs. These core courses have attracted many undergraduate and graduate students in the past two years, with a significant number coming from outside of engineering. A new director has been appointed, and an executive committee has been constituted with representation from the schools that currently have students involved with the institute. Over the next year, ICME will develop a comprehensive strategic plan for teaching and research.

Capital Plan—SEQ 2 and Panama Corridor

The school has the ambitious goal of placing all of its nine academic departments in twenty-first-century facilities within the next five years. State-of-the-art facilities will not only permit the school to remain at the forefront of engineering research, but will also significantly enhance its competitive position with respect to peer institutions.

The first part of this plan was realized ten years ago with Science and Engineering Quad (SEQ) 1. This set of capital projects built new homes for two departments (EE and CS). SEQ 2 will provide new facilities for four others: CEE in the Environment and Energy (E&E) building, Bioengineering and Chemical Engineering in their own new building, and Management Science and Engineering in the new School of Engineering Center. The fourth building in this new quad (the Ginzton replacement) will house EE faculty along with faculty from other departments in the school and in Humanities and Sciences. Ground breaking is expected to commence this summer on the E&E building.

The remaining three engineering departments will continue to be housed in the buildings along the Panama corridor. The overall plan for this corridor is now complete and moving to implementation. To vacate the Peterson building for renovation for the Institute of Design, Materials Science and Engineering (MSE) will move to a combination of Durand, McCullough, and Moore. This provides an opportunity to create a new department home, collocate all MSE faculty in adjacent buildings, and provide some growth potential for the department.

As part of the Panama Mall renovation plan, the ME groups currently housed in Durand will move to a new building on the site of Building 630, beside the new ME research building and more directly adjacent to their ME colleagues. Finally, the parts of Durand that house Aero/Astronautical Engineering will be renovated. This renovation will also create space for the new Stanford Center for Position, Time, and Navigation, a research center aimed at taking GPS technology to striking new levels of capability.

School of Humanities and Sciences

The School of Humanities and Sciences (H&S) welcomed sixteen new junior and senior faculty across a variety of disciplines in fall 2005, bringing the total to 500 active researchers and educators across 28 core academic departments. Faculty growth was paused in 2004/05 and 2005/06 to allow the school to stabilize its planning in alignment with near-term and future budget projections. During 2005/06, H&S altered its funding support model for allocation of graduate aid, moving from a guaranteed target cohort number for each department to fixed funding allocations to the departments. In the new model, incentives are re-established for increasing funding from external sources, grants and contracts, and fund-raising.

The focus of H&S departmental and school-level planning during this period has been twofold: to enhance evolving core strengths throughout the school and to foster multidisciplinary work, especially that relevant to the university's major initiatives on human health, the environment, international initiative, and the arts. H&S will contribute to the success of each of Stanford's multidisciplinary initiatives, providing essential foundational strength. Related to the human health initiative, H&S provides fundamental science to stretch the interdisciplinary envelope. In alignment with the environmental initiative, the school deepens the biological and chemical side of environmental study and amplifies policy and outreach through social sciences, history, philosophy, and literature. Related to the international initiative, history, language, cultural studies, and social science studies provide the subtending scholarship to provide understanding of global and local issues that is essential and complementary to policy-oriented studies.

The Arts Initiative

H&S has a special relationship to the Arts Initiative because the core arts departments and programs reside within the school: Art and Art History (which includes the recently launched Film and Media Studies program), Music, the Center for Computer Research in Music and Acoustics, Drama, Dance, and Creative Writing. The Arts Initiative aspires to strengthen the presence of the arts throughout the campus, to provide an enriched arts curriculum and experience to undergraduates, to integrate more visiting artists into student life and events, and to establish interdisciplinary arts master's and doctoral programs. An undergraduate major in Film and Media Studies was introduced in fall 2005, and by the end of its second quarter there were already thirty-one declared majors.

In fall 2006, the Art Department will offer eleven new studio art class sections, helping significantly to address the long-standing unmet demand for undergraduate access to studio art courses. Similarly, the Music Department will be able to provide more access to individual and group music lessons next fall.

Under H&S leadership, an Arts Facilities Master Planning Committee, comprising senior arts faculty and campus planners and arts administrators, is working on both a fifteen-to-twenty-year master plan for all campus arts facilities and more focused planning for two major arts buildings on the near-term horizon. A new Art, Art History, and Film Studies Building will be located adjacent to the Cantor Art Center, and a new Performing Arts Center will feature an 800–900 seat acoustically superb concert hall and a 400–500 seat theater for drama, dance, and other smaller performances. Fund-raising is under way for both of these facilities.

Some 2005/06 Program and Research Highlights

Stanford's Mathematics Research Center organizes a steady stream of conferences, workshops, and research programs that bring together leading mathematicians from around the world to explore unsolved mathematical mysteries. Some of these programs are conducted in partnership with the American Institute of Mathematics. The center also hosts an annual Distinguished Lecture Series, workshops for graduate students and postdoctoral fellows, and a summer camp for mathematically talented high school students. In parallel, the number of undergraduate mathematics majors is increasing.

A team of marine scientists from Stanford and the Monterey Bay Aquarium have concluded that tighter fishing restrictions are needed to protect the feeding and breeding grounds of Atlantic bluefin tuna, one of the most commercially valuable fish in the sea. Their study, published in *Nature*, offers substantial evidence of the need for significant changes in how these fisheries are managed internationally and in the United States.

The young Institute for Research in the Social Sciences has already achieved some noteworthy goals. In October 2007, the National Science Foundation awarded it a $7.6 million collaborative grant to fund the American National Election Studies, a joint venture with the University of Michigan. The study will examine why Americans do or do not vote and how they will select candidates in the 2008 presidential election.

Stanford in Washington Expansion

The rigorous Stanford in Washington program offers students an opportunity to study and learn in the nation's capital. In addition to attending seminars and tutorials taught by Stanford faculty and national policy experts, the students are placed in substantive internships enabling them to work closely with individuals in Washington's wide range of governmental and nongovernmental organizations. Students also have ample opportunities to interact with local alumni and to enjoy Washington's vast cultural resources. A building adjacent to Stanford's Washington Center has been acquired and is being renovated and expanded for use in fall 2006. It will add 11,244 square feet of space on four levels and will incorporate the kitchen, additional administrative offices, an expanded library, a seminar room, a computer center, a distance learning center, room to accommodate eight additional students each quarter, and a public gallery space.

School of Law

The Law School is in the first stages of a major growth spurt as it rebuilds its faculty, builds its clinical program, and integrates its operations into the greater university. The school expects this to be a significant year in faculty hiring and plans to launch a number of new centers and programs.

Salaries

Faculty salaries remain a paramount concern. Salaries still lag as much as 8%–15% behind those paid at schools like Harvard, Chicago, and Yale, the latter two being key rivals due to similarities in size and program. This gap is most pronounced among early- and mid-career faculty, who are the greatest retention risks. It is of particular concern that both Harvard and Yale have embarked on aggressive faculty growth plans, with Harvard intending to hire up to thirty new faculty members and Yale fifteen. The Law School will need to continue an aggressive campaign to increase faculty salaries.

Clinical Education

This past year was a transformative one for the school's clinical program. The school added two new clinics: the Capital Defense Clinic and the International Community Lawyering Clinic (in which students work with indigent populations in Ghana). It now offers a total of nine clinics, serving 124 students in 2005/06. There is no doubt about their positive effects both inside and outside the Law School. Only a few years ago, clinics were a major deficiency that put Stanford at a disadvantage in recruiting top-notch students.

The school intends to expand its flagship Supreme Court Litigation Clinic. In its first year, lawyers in this clinic argued four cases before the Supreme Court of the United States. This year, the clinic already has five cases before the Court—making it arguably the most active Supreme Court practice in the nation, save the Office of the Solicitor General of the United States.

The majority of Law School graduates, however, will not be litigators, and it is imperative that the clinical program address their career tracks as well. Many peer schools now have transactional clinics, and the Law School will launch one during the coming year. Ultimately, this clinic will do many things, including providing counsel to fledgling entrepreneurs in low-income communities. At first, though, it can best serve its students by acting as general counsel for small nonprofit organizations that lack the resources to hire their own. The Nonprofit General Counsel Clinic will enable students to work on a wide range of issues relating to negotiations, contracts, real estate, corporate governance, employment, intellectual property, and general regulatory processes.

Academic Centers and Programs

The school intends to launch a Public Service Center and initiate a set of courses and a fellowship program consistent with the public service agenda. The center will develop courses in public interest law and generate research opportunities (some linked to the many other public interest programs around the university).

The school will expand the recently launched Criminal Justice Center by creating a postdoctoral fellowship program, hosting an additional symposium, and creating an interdisciplinary faculty colloquium to discuss criminal justice issues and propose policy changes.

The school has added sections to its negotiation classes due to high demand. It has also created a new interdisciplinary course with students from the GSB, Earth Sciences, and Engineering. This course emphasizes and teaches cross-disciplinary teamwork.

Law, Economics & Business, the Law School's largest and most successful program, engages in many related activities. In 2006/07, a generous endowment gift of $10 million will enable it to launch a Corporate Governance Center designed to draw in faculty from the GSB and the Department of Management Science and Engineering. The center's activities will include a colloquium; course development; conferences; publications; and educational outreach to the press, to judges, and to corporate general counsels.

This program will also increase its focus on empirical research. Most legal scholarship is abstract and theoretical, requiring little in the way of resources beyond what is available in any good law library. In recent years, however, empirical legal studies—particularly analysis of complex databases using sophisticated statistical and econometric models—has emerged as a growth field. Stanford Law School has quite a few faculty with strengths in the area, and the university has even more. Accordingly, this is a field that Stanford can and should dominate. As a result, the Law School, for the first time, will need to employ statisticians and database experts to assist faculty with their work.

Law, Science & Technology encompasses centers for Law and the Biosciences, E-commerce, and Internet and Society, as well as the Cyberlaw Clinic. All of these sponsor a myriad of conferences, workshops, and other programs. New in 2006/07 will be an Intellectual Property (IP) Clearinghouse addressing the critical need for a comprehensive online resource for scholars, policy makers, industry, and lawyers. It will be modeled on the hugely successful Stanford Securities Class Action Clearinghouse, a powerful research tool that provides a detailed look into the workings of federal fraud class action litigation and has transformed the way investors, policy makers, scholars, judges, lawyers, and the media access information about securities class actions. The goal for the IP Clearinghouse is to collect detailed information about every intellectual property case filed in the federal courts. The clearinghouse will then track the lawsuits and add information about court opinions, judgments, and settlements where available.

School of Medicine

Translating Discoveries

Over the past several years, the school has organized and focused its fundamental missions in education, research, and patient care under the umbrella of "Translating Discoveries." The foundation for Translating Discoveries is the school's continued commitment to basic science research and innovation which recognizes that the lag time between basic discovery and an application to human health is often measured in years. One unique feature of basic research at Stanford is Bio-X, the initiative that creates innovative intersections among the physical, engineering, computational, and life sciences. These interdisciplinary interactions, facilitated by the close proximity of the schools, foster faculty and student interactions and willingness to engage in innovative thinking. One outcome is the development of new lines of inquiry, as already evidenced by the new Department of Bioengineering.

To enhance these interdisciplinary efforts, the Medical School has created the Stanford Institutes of Medicine (SIMs) in Stem Cell Biology and Regenerative Medicine; Cancer; Neuroscience; Cardiovascular; and Immunity, Transplantation, and Infection. Each draws faculty from throughout the university and also connects to clinical centers at both Stanford Hospital & Clinics and the Lucile Packard Children's Hospital. These connections create a bidirectional continuum between scientific discovery and improving health. They also link innovations throughout the university with opportunities for translation in the Medical Center and ultimately the nation and the world.

The California Institute for Regenerative Medicine (CIRM) was founded thanks to the vote in November 2004 of nearly 60% of Californians for Proposition 71, which will provide $3 billion of bond funding over ten years for stem cell research. Although litigation has prevented CIRM from accessing any of these funds yet, there has been considerable progress in CIRM and it is anticipated that the path will be cleared for funding at the end of 2006 or early 2007. Working groups have been formed to review grants and develop standards. Policies have been developed on grants management, intellectual property, and conflict of interest, as well as ethical standards for egg procurement. Last summer applications for training grants were reviewed and presented to the Independent Citizens' Oversight Committee for approval. While these awards have been unfunded, on April 10th it was announced that a mechanism using bond anticipation notes would provide interim financial support, and Stanford is one of the recipients. Hopefully, further progress will occur over the next year.

Following three years of planning, on February 1, 2006, the Medical School submitted its 1,200-page proposal to become a National Cancer Institute (NCI)–designated Comprehensive Cancer Center to the National Institutes of Health (NIH). This represents the first time that a proposal to become a Comprehensive Cancer Center has actually left Stanford, and it is a milestone in the evolution of the school's institutional planning in cancer research, treatment, and prevention. It is hoped that Stanford will be designated a Comprehensive Cancer Center later in 2006.

Educating and training future leaders is an essential and defining aspect of the school's capacity to translate discovery and foster innovation, and thus to improve health through research and its application to patient care. The various changes made in the school's education and training programs also contribute to the disciplinary alignments and workforce supply that will be needed to assure the future success of the school and the biomedical research enterprise. These changes have included a new curriculum, the first phase of which was introduced in fall 2003, to educate future leaders in innovation, discovery, and scholarship. These programs take advantage of the broad opportunities available at Stanford for interdisciplinary education and offer an enhancement of joint degree programs including an expansion of MD/Ph.D. programs in science as well as other disciplines.

To further foster the future of translational medicine, the school is introducing a Master's in Medicine that will enable Ph.D. students to learn more about clinical medicine and opportunities for translating discoveries. This program will also be supported by the Howard Hughes Medical Institute.

Bridging education with innovation and application is the novel Biodesign Program, which resides in the Medical School, Bio-X, and Bioengineering. Originally designed to provide the knowledge and skills essential for the early development of new biomedical technologies, the Biodesign Innovation Program has evolved as a model of innovation and collaboration. The program enhances participants' abilities to identify opportunities for innovation, assess clinical needs and market potential, and take the critical first steps in the invention, patenting, early prototyping, and development of new concepts. Since the program began in 2001, more than a dozen new technologies have been developed, and its now nineteen alumni have gone on to careers in academia as well as in both large and small biotechnology companies. The program includes a fellowship program and an elective course. The past year has seen a number of important accomplishments and additions. The fellowship program now includes two teams, Surgical Innovation and Cardiovascular Innovation.

Facilities Planning

To more fully achieve the missions of the school, the Medical Center, and the university, significant changes in facilities will be needed in the next decade. Since 1959, when the school first moved to the Stanford campus, its facilities have grown up somewhat opportunistically, without clear attention to developing an integrated medical campus. Over the past several years, the school has laid out a ten-to-fifteen-year facilities master plan to develop its campus in a manner that continues the close proximity and integration between the basic and the clinical sciences, between the school and the university, and between the school and the affiliated hospitals. There are many challenges to maintaining and enhancing this continuity. The master facilities plan, in tandem with the innovations in program development, will help transform Stanford medicine for the twenty-first century.

In addressing the education and library facilities, the school has configured a digital library plan that culminated in the proposal for the Learning and Knowledge Center (LKC). The LKC comprises a new 120,000-gasf (gross available square feet) building on the site of the Fairchild Auditorium along with extensive renovations in the Lane and Alway buildings. In addition to housing a new conference facility, classrooms, a library of the future, and a Center for Immersive and Simulation Learning, the LKC will serve as an anchor and new front door to the Medical School. It will be a comprehensive, integrated, state-of-the-art, leading-edge education and knowledge facility. LKC received "site and concept" approval from the university's Board of Trustees in October 2005, an architect firm was selected in January 2006, the design phase is commencing in 2006, and ground breaking is anticipated for 2007. The opening of the LKC in 2009 is planned to coincide with the celebration of the fiftieth anniversary of the school's move from San Francisco to the Stanford campus.

In addition to the LKC, another onsite facilities construction project is Stanford Institutes of Medicine #1 (SIM1), a 200,000-gasf research building on the parking lot south of the Center for Clinical Sciences Research, is also slated for completion in 2009/10. In addition to providing research space for faculty associated with the Stanford Institute for Stem Cell Biology and Regenerative Medicine, the Comprehensive Cancer Center, and the Neuroscience Institute, SIM1 will house a much-needed expansion of the Research Animal Facility.

In tandem with new facility planning, the school will actively explore much-needed infrastructure renovations of the facilities built in 1959 that will allow updates of wet and dry laboratories and related administrative space. These renovations are also expected to occur during the next several years. Further, the school will soon begin planning for SIM2, which it hopes to bring on line between 2010 and 2015.

A very important benefit of this planning is the opportunity to develop a far more integrated School of Medicine campus that will better align the school to both the affiliated hospitals and the university. Highly relevant to these goals are the plans for the Science and Engineering Quad 2 (SEQ 2) that are currently under development. SEQ 2 will include a new Energy and Environment Building along with engineering facilities, including a new Bioengineering Building, which relates to Bioengineering, a joint department of the schools of Engineering and Medicine. It will connect to the School of Medicine by a walking mall along what is now Via Ortega. Both Stanford Hospital & Clinics and the Lucile Packard Children's Hospital are planning revitalization and renovation projects that will offer additional opportunities to develop a more integrated Medical Center campus.

Vice Provost for Undergraduate Education (VPUE)

Since 1995, Stanford has witnessed a renaissance in undergraduate education as programs such as Undergraduate Research and Introductory Seminars bring students and faculty together in shared intellectual enterprises. The VPUE has focused its resources primarily on the faculty side of this effort through the broad support of teaching, research, and mentoring. The recent integration of the Freshman Dean's Office into the VPUE and the reorganization of academic advising have led to a more nuanced understanding of students' academic needs throughout their undergraduate years. The 2006/07 VPUE budget reflects a commitment to both maximize attention to these needs and sustain progress in undergraduate research and curricular development.

Since the inception of the Office of Undergraduate Research Programs in 2000, student demand for major grant funding has grown substantially. In addition, the number of students engaging in research through departmental and faculty grant programs has steadily increased. In total, support for undergraduate research has increased fivefold to date, transforming Stanford's undergraduate culture from the perspective of both faculty and students. Even though one-time funding sources have diminished, the VPUE looks forward to maintaining current levels of support for a program that has come to define the Stanford undergraduate experience. At the same time, it is committed to ongoing and careful analysis of funding requests in order to sustain the highest quality of proposals and to ensure access by the broadest possible constituency of students.

Bing Honors College, a three-week residential experience just prior to the start of the academic year, provides enhanced opportunities for seniors to form mentoring relationships with faculty and graduate students in their field, and to participate in an intellectual community of their peers both within and across academic disciplines. With over 100 students and twenty academic departments and programs represented, the college continues to expand as faculty recognize its role in preparing students for their capstone research projects and, for some, graduate study in their chosen disciplines.

With its role in supporting and enhancing undergraduate learning opportunities firmly established, the VPUE seeks to sustain the progress made and to respond to additional requests from faculty committed to innovation in teaching and learning. For instance, the VPUE currently funds projects to improve the learning environment in large, introductory service courses, and it expects to provide incremental support to more departments after a thorough needs assessment. The VPUE also will be positioned to fund interdisciplinary course development for undergraduates. Further, it will be in a position to provide incremental funding to those resident fellows who have indicated a desire to implement more creative, intellectually stimulating programming in their dorms, funding that has diminished substantially over the past dozen years.

In the past, Stanford's campus culture has reflected the belief that undergraduates should be responsible for their own education. But with a curriculum that has been expanding, interdisciplinary programs and centers emerging, and extracurricular opportunities proliferating, the VPUE strongly believes that its role is to assist students, to the greatest extent possible, in making sense of the infinite pathways to intellectual enrichment and success that are available to them.

To this end, in fall 2005 an academic director (AD) was appointed in Florence Moore Hall to follow the first residential AD in Wilbur Hall in an ongoing effort to improve academic advising by providing on-site, coordinated, and informed advice to residents. Based on the positive feedback received about the AD role, both from students and parents, a third AD position will be created in fall 2006. What is particularly unique and timely about the creation of these positions is its relationship to the Master Plan for Undergraduate Housing. As Stanford moves to create improved living and learning communities for all undergraduates, it anticipates including academic resources in dormitory clusters, particularly those designed primarily for freshmen.

Because undergraduate advising and research programs share the purpose of guiding students in their academic choices across their four years, the VPUE has moved to integrate these two offices into a single unit. This new organizational structure will enable advisors to integrate research and curricular considerations into advising conversations, so that a student's course of study can be contemplated in a unified way. The VPUE also welcomes the inclusion of the Bing Overseas Studies Program under its umbrella, effective September 2006. The move can only strengthen the collaboration between the academic advising and curricular programming units. A major objective for Overseas Studies in 2006/07 is the preparation of a new program in Spain that will mirror existing centers as a gateway into the intellectual resources and cultural opportunities of the host nation.

Finally, one of the VPUE's great challenges is to map the opportunities deriving from Stanford's renaissance in undergraduate education onto all of the student body. The demographics and secondary school preparation of entering students vary over a vast spectrum, and there has been an ever-expanding demand for academic support outside of the classroom. The VPUE's role in the solution to these issues lies in its efforts to provide not only individual advising about courses of study, but also support through tutoring and learning skills. As the next year approaches, the VPUE looks forward to building an improved campus-wide academic support program based on a thorough assessment of current resources and the needs of undergraduates.

Vice Provost and Dean of Research and Graduate Policy

The Office of the Vice Provost and Dean of Research and Graduate Policy is responsible for developing and overseeing research policy; overseeing the independent laboratories, institutes, and centers; developing policy for Stanford's graduate education; and managing the Offices of Technology Licensing, Science Outreach, Environmental Health and Safety, Research Compliance, and Sexual Harassment Policy.

The fifteen 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.

The Dean of Research is responsible for the facilities operations of the independent laboratories plus six additional administrative groups. This responsibility is expected to increase substantially with the construction of four new buildings within SEQ 2 over the next several years. In addition, the Stanford Institute for Economic Policy Research is actively raising funds for a new building to house its expanding program.

With the growth in the number of faculty and staff on campus and in laboratory space, Environmental Health and Safety must ensure Stanford fully meets its compliance and safety needs. A major responsibility for the Office of the Dean of Research is to ensure the necessary compliance and safety infrastructure is in place.

The federally mandated Research Compliance Office is a vital component of Stanford's medical and nonmedical human and animal subjects research programs. It staffs and manages the institutional review boards that review protocols for human and animal subjects and ensures that those protocols are actually followed. It also deals with research misconduct. Over the past five years, the number of protocols has grown as a consequence of increased NIH funding, the Medical School's increasing emphasis on translational medicine, and increases in undergraduate nonmedical human subjects research. The Research Compliance Office recently achieved full human subjects accreditation by the Association for the Accreditation of Human Research Protection Programs.

The Sexual Harassment Policy Office has ramped up to implement state-mandated supervisor training, which will be ongoing. Newly hired supervisors must meet the training requirements within six months of their hire date, and current supervisors and faculty must comply every two years.

The intellectual excitement associated with Dean of Research laboratories and programs continues to increase and to influence life on campus. For example, the Global Climate and Energy Project (GCEP) has announced several new research programs and two one-year exploratory research efforts totaling close to $8 million at Stanford and outside the university. The research will focus on solar energy, biohydrogen generation, advanced combustion, and geologic storage of carbon dioxide. This fundamental research in energy technologies is aimed at significantly reducing global greenhouse gas emissions. For the first time, GCEP announced one-year exploratory research efforts, intended to allow investigators the opportunity to evaluate the potential of their research concepts.

Two new independent laboratories are taking form, and two existing centers are merging into a new institute:

- The Center on Longevity will be an interdisciplinary research and educational enterprise. Its first main objective will be to stimulate interdisciplinary research aimed at avoiding physical and social problems associated with extended life expectancy and harnessing, for the benefit of society, the potential gains presented by that life expectancy. Its second main objective will be to initiate and sustain public dialogues nationwide about cultural transformations required to optimize added years of life, such that quality of life is improved at all ages.

- The Stanford Ultrafast Science Center will be a research center within the Photon Sciences Directorate at SLAC. It will become the home for frontier research in areas of ultrafast physics, chemistry, biology, and material science. The center will catalyze the development of new research utilizing the SLAC Linac Coherent Light Source (LCLS), the world's first x-ray free electron laser. LCLS is scheduled to begin operations in 2009, well ahead of a similar European-led effort in Germany.
- The Center for the Study of Language and Information and the Stanford Center for Innovation in Learning are merging to form the Human Sciences and Technologies Advanced Research Institute. The centers and programs will retain their identities but more formally recognize a common intellectual focus at the intersection of people and technology.

Several of the independent institutes are playing major roles in the university's research initiatives on human health, the environment and energy, international affairs, nanoscience and nanotechnology, and the arts.

- The Human Health Initiative is about translational research, bringing engineering, medicine, and life sciences together to look for ways to advance human health. Bio-X will have an important role in the initiative, serving as an incubator for pioneering interdisciplinary research activities.
- The Woods Institute for the Environment at Stanford is leading the environmental and energy initiative, a cross-campus effort designed to bring the broad resources of the faculty to bear on the environment and raise the university's visibility as a world leader in environmental research and education.
- The Freeman-Spogli IIS is leading the international initiative, which will focus on pursuing peace and security in an insecure world; reforming and improving governance at all levels of society; and advancing human health and well-being.
- Planning is under way for a nanoscience and nanotechnology initiative centered around the current Ginzton Laboratory, with the participation of the Geballe Laboratory for Advanced Materials and the Stanford Nanofabrication Laboratory.

Hoover Institution

The Hoover Institution is a center for scholarship, public policy research, and archival activities committed to examining, generating, and disseminating 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 man's endeavors to find this balance.

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

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. Multiyear efforts to examine issues requiring focused and extensive inquiry involve collaboration among the disciplines of economics, history, law, and political science.

Particular emphasis continues on the American Educational Institutions and Academic Performance initiative led by Hoover's Koret Task Force, now entering its eighth year studying K–12 education in the United States. As an outgrowth of this effort, in 2006/07 the task force will continue its efforts in preparing analyses of educational systems at a state level, to positively influence local policy decisions.

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 and the personal papers of T.V. Soong, as well as a multiyear effort to microfilm and preserve the archives of the Kuomingtang party in Taiwan.

Of special importance is the expanded effort to preserve unique materials collected during the twentieth century to insure against loss through damage, material deterioration, and normal wear and tear. The institution is currently constructing and equipping a leading-edge 6,000-square-foot preservation facility equipped to restore and preserve audio/visual media as well as more traditional collections. For example, state-of-the-art digitization equipment is being acquired to preserve archives such as those acquired from the Commonwealth Club of California and William Buckley's *Firing Line*. In 2006/07, the fruits of these efforts will be realized as collections are made 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. 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. And the growing archive of materials from post–World War II China and Taiwan is the basis for the formative Modern China research project.

The 24-hour news cycle, new media alternatives, and heightened focus on key public policy issues continue to intensify the competition for audiences seeking relevant data. Within this landscape, the objective of the institution's communications and outreach functions is to promote the ideas and scholarship of Hoover fellows, publicize the holdings of the library and archives, and promote accessible dialogue on policy issues.

The institution's communications activities focus on the Internet, periodical publications, radio, and engagements with print and broadcast journalists. It includes:

- Hoover Studies in Politics, Economics, and Society, a short book series copublished with Rowman and Littlefield
- Books, essays, and articles 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 enables working members of the media to interact with resident Hoover fellows on site at the institution
- News releases and daily reports detailing the intellectual product of the institution via a quarterly newsletter and the Hoover website

In 2006/07, the institution will continue to utilize the recently constructed "conference room in the round" for live, two-way video and audio teleconferencing and state-of-the-art multimedia presentations. This capability continues to support 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 annually, from all over the world in the two main research programs of photon science and particle astrophysics. 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 serves many areas of science, including materials sciences, structural biology, and chemistry. The $315 million construction of Linac Coherent Light Source (LCLS), funded by the DOE, will add another unique facility: the world's first x-ray free electron laser, delivering x-ray beams of unprecedented brightness in femtosecond pulses with full transverse coherence. 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. In 2006/07, SLAC will be in the midst of constructing the conventional facilities and technical components associated with LCLS, which is scheduled to become operational in 2009.

Photon science will see growth in interdisciplinary research areas driven by the capabilities of SPEAR3 and LCLS. In addition to the recently established Photon Ultrafast Laser Science and Engineering Center, growth will also involve the X-ray Laboratory for Advanced Materials, the Structural Biology Initiative, and the environmental molecular sciences program. New beam lines and instruments are being built to support the research efforts. In 2007, a new macromolecular crystallography beam line, funded by Cal Tech with a gift from the Moore Foundation, will begin commissioning; another new beam line for nanoscale research, funded by DOE, will be completed in the summer; and a third beam line is expected to be initiated. The LCLS Ultrafast Science Instruments project will develop and fabricate a suite of instruments specifically designed for studies at LCLS.

SLAC's main experimental 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 involves 600 physicists from eleven countries. A nine-month experimental operation is planned in 2006/07 after installation of major upgrades, the last of a series of upgrades to maximize the data sample before experimental operations conclude in 2008. The primary focus of the future accelerator-based particle physics program is the International Linear Collider. In 2006/07, R&D and preconceptual design will continue as an international collaboration seeks to identify the elements necessary to build a linear collider at minimum cost.

The Kavli Institute for Particle Astrophysics and Cosmology is involved with the Large Area Telescope for the GLAST mission and with R&D for two proposed dark energy experiments, LSST and SNAP. GLAST is a space-based gamma-ray telescope, built at SLAC by an international collaboration led by the Stanford team (SLAC, Physics, and HEPL), to be launched in 2007. Its research program will explore how cosmic accelerators work, including active galactic nuclei and gamma ray bursters, and search for dark matter in our galaxy.

SLAC has initiated a $15.6 million infrastructure 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 by 2009. The construction is phased to coordinate with accelerator operations.

Stanford University Libraries & Academic Information Resources (SULAIR)

Stanford students and faculty are well served by the staff, services, and collections presented in the twenty different campus libraries. The combinations of general and subject libraries, as well as physical and virtual collections with SULAIR's interlibrary loan and document delivery services, provide access to the global organized information set. Google, Yahoo, and similar Internet indexing services provide access to the global information chaos, and its librarians are expert in helping members of the Stanford community navigate that array.

In 2006/07, SULAIR will continue to struggle to make effective choices for additions to the collections, whether physical ones like books, newspapers, printed music, and maps, or virtual ones like e-journals, image databases, news and reporting services, and economic reports. Stanford continues its strategy of maintaining a lean collection of journal subscriptions, matching those commitments very closely to central academic needs with the active cooperation of faculty. Analysis for this year's budget proposals indicates that Stanford has been acquiring too few printed books in the past several years. SULAIR will examine this suspicion very closely for next year's budget.

Absorption of the Hoover Library has nearly been completed, but allocation of the combined collections across the various central campus and remote storage sites will continue to demand substantial time and attention. The growth of the collection at Stanford Auxiliary Library 3 (SAL3) in Livermore to more than 1.1 million volumes in its first three years of operation indicates the speed with which SULAIR is working, albeit against a collection of rather considerable size. It is anticipated that SAL3 will reach capacity in 2009 or 2010 and SULAIR recommends adding another module to account for continued growth of the physical collections.

During 2006/07, SULAIR, working closely with and for the Faculty Senate's Committee on Libraries, will conduct a daylong symposium for Stanford faculty on managing the intellectual property they create to better benefit themselves, their colleagues, and the university at large. This symposium follows up on Senate legislation passed a year ago.

In cooperation with H&S and Korean Studies, SULAIR has made great progress in expanding collecting programs in the East Asia Library. SULAIR's new Korean Studies librarian will be joined by a Korean cataloger and by a new librarian to collect in Chinese and Western European languages as well as to provide reference services. This growth reflects the increase in the East Asian Studies programs of the university.

Numerous and important special collections have been acquired in the past year, consistent with the strategy of providing materials that make Stanford a distinctive place for research. Those collections include:

- The Eliasaf Robinson Collection on Tel Aviv, the most important private collection documenting the early history of that Israeli city
- The archive for 1982–2005 of Cine Accion, a San Francisco–based organization showcasing independent films by and about Latinos in the United States
- Numerous additions to the Archive of Recorded Sound, including the James Quilter Collection of Irish and classical music and the Grover Sales Collection of jazz, popular, and classical music
- The archive and library of the Women's Philharmonic of San Francisco
- The Huang-Bernhardt Collection of Chinese legal documents
- The Archive of Andrei Andreevich Voznesensky
- The William Brinner Library of Arabic Literature
- The French Feminism Research Collection of Patrick Kay Bidelman
- The Paris Commune Collection

The Google Book Search Project continues at increasing rates of conversion. Presently SULAIR is focusing entirely upon works in the public domain under U.S. copyright law. In 2006/07 it will build the virtual bookshelves that will both make possible the preservation of these books in digital form and give Stanford the basis for providing an array of indexing and retrieval services beyond those offered by Google. Other digitization projects are also under consideration and under way, so that the stock of digital versions of Stanford's books will be quite large in a few years.

A new version of CourseWork will support the majority of Stanford's courses in 2006/07, guided by the Faculty Advisory Board on Course Management Systems. The prototyping done in the previous year will guide the implementation schedule and the development of Stanford-centric modules beyond the Sakai modules created by the Academic Computing staff in collaboration with those of Michigan and Indiana. Among other attributes, the next generation CourseWork includes a feature that requires assessment of copyright status for e-reserves.

In parallel with the development of digital collections and services from the several divisions of SULAIR, the Stanford Digital Repository (SDR) will come into operation in 2006/07. The development of the working version of the SDR, operated in prototype form for the National Digital Information Infrastructure and Preservation Program grants, is the product of the Digital Library Systems and Services group of Academic Computing. A new faculty advisory board will oversee the policies of the SDR. SULAIR expects rapid growth of its collection of digital objects in 2006/07 and beyond.

Planning continues on the new Engineering Library. SULAIR expects that ultimately it will be a bookless library with concomitantly fewer paraprofessional staff, but maybe more subject specialists to assist in the teaching, research, and study missions of the school. Planning for a new Art Library and a new combined biology and chemistry library is in the early stages, and the creation of other libraries is being considered.

All SULAIR units are stretched by the demands and expectations of their primary and community-wide clientele, which illustrates the vitality of its programs as well as its contributions to Stanford's goals and missions.

Vice Provost for Student Affairs

Student Affairs strives to cultivate a living and learning community that is rich in opportunities for students to discover and fulfill their academic, personal, and professional growth and development, and that empowers them to do so. It also serves to prepare them to contribute to a dynamic global community. To accomplish this, Student Affairs staff collaborate with colleagues and partners to develop quality services and programs.

In addition to cultivating this living and learning community, Student Affairs is charged with managing risk by establishing and ensuring compliance with policies and standards. It also advises and assists students with regard to their well-being and safety.

Student Affairs has adapted to changes in the student population over the relatively recent past. The Stanford undergraduate and graduate communities have grown over 4% in the last five years. The number of students living in university housing has increased nearly 10% in total and 25% for graduate students. Both the undergraduate and graduate communities are more diverse on a variety of dimensions. In addition, students now bring more complex needs to campus, and students and parents have higher expectations for prompt, individualized response.

In response to these trends, Student Affairs' highest priority for 2006/07 is improving the "safety net" of compliance and risk mitigation with enhanced programs and systems and additional staff in disability resources and graduate life. New resources will also fund redesign of the counseling fellows program, so that students from the highest-caliber counseling programs across the nation can be recruited to counsel students.

Additional priorities for 2006/07 include reorganization and restructuring of the division under the recently appointed vice provost and ongoing assessment of the services and support provided. An assessment of educational life in the residences is also in process, in collaboration with Undergraduate Education and Residential & Dining Enterprises.

The budget for 2006/07 also includes significant additional support for Vaden Health Center to catch up with cost increases insufficiently funded in recent years and to support anticipated systems and compensation costs.

Renovation of the Old Union complex, including the Clubhouse and the Nitery, will begin in mid-2006 and be completed by the end of 2006/07. The complex will be the home for student organizations, three community centers, student government, several student publications, Religious Life, the Nitery theater, and a new "living room" for student life. Together with Tresidder Memorial Union and the future renovation of White Plaza, it will help reinvigorate the center of campus as a lively, attractive focus for student life.

Office of Undergraduate Admission

The number of applications received by the Office of Undergraduate Admission continues to rise, and the new Single-Choice Early Action plan, now in its third year, has been extremely popular. Because of this increasing pool of applicants, Stanford's admit rate continues to be one of the two or three lowest in the country. However, competition with peer institutions to attract the very best students remains very high. The Office of Undergraduate Admission must increase its national outreach efforts to these students to effectively compete in this environment and proactively shape the quality of the pool of future applicants for Stanford.

During the 2006/07 year, emphasis will be placed on the following programmatic priorities: 1) to improve outreach through enhancement of existing recruitment tools and investment in new infrastructure support; 2) to increase Stanford's national presence through a significant increase in national recruitment travel and strategically implement a short and long-term international travel plan; 3) to develop a new diversity outreach agenda for undergraduate admission and financial aid, including the hiring of an Assistant Dean for Multicultural Outreach and Recruitment; and 4) to refine current yield activities to maximize impact.

Top priority activities in each of these areas includes:

1) Enhance existing recruitment tools:

- Deploy the College Board's Recruitment Plus software designed to assist admission officers in prospect management and recruitment travel planning;
- Increase the scope and breadth of College Search recruitment mailings to expand the size of the prospect pool;
- Redesign all undergraduate publications, electronic communications, and recruitment

videos to enhance the impact and relevance of Stanford's messages on its target audience and key stakeholders; and

- Expand the number of "trained cities" where Stanford alumni could represent Stanford at college fairs and regional recruitment programs.

2) Increase Stanfords national presence:

- Expand national recruitment travel by tenfold by joining with the "Exploring College Options" consortium (Georgetown, Penn, Harvard, Duke) to do over 300 programs across the country in the fall and spring; each program consists of an evening presentation for prospective students and families and a morning breakfast with high school counselors;
- Develop long-term international recruitment strategy that will begin with recruitment travel planned for fall 2006 to Europe, Latin America, Asia, and Canada; and
- Researching the possible creation of a national alumni volunteer corps for undergraduate admission that would conduct alumni interviews as part of the application process and participate in "adopt-a-school" programs on behalf of the admission office.

3) Develop new diversity outreach agenda:

- Hiring a Director for Multicultural Outreach and Recruitment to develop new strategic plan and lead the admission office's diversity outreach activities nationally; and
- Working with several not-for-profit organizations (College Summit, College Horizons), host several summer workshops on the Stanford campus for under-represented and multicultural students to help expose them to the possibilities of higher education and the processes of admission and financial aid.

4) Refine current yield activities to maximize impact:

- Energizing publications, video, and websites with new content and design;
- Initiating a "Likely" admit program for top academic and multicultural superstars in the Regular Review pool;
- Creating a new and inviting welcome center for campus visitors that will serve as a central point of contact for all visitor services (campus tours, admission information sessions, campus information, etc.);
- Conducting program evaluations of Admit Weekend and Admit Reception activities to assess effectiveness and opportunities for improvement.

These activities and priorities are just the first steps in a long-term commitment to expanding Stanford's presence and building a first-class national and international outreach program for the university. Future years will involve incorporating and strengthening the participation of key stakeholders in this outreach effort, including alumni, faculty, secondary schools, and not-for-profit educational organizations.

SECTION 3

CAPITAL PLAN AND BUDGET

This section outlines Stanford's 2006/07–2008/09 Capital Plan and 2006/07 Capital Budget. The Capital Plan forecasts $2.2 billion in construction and infrastructure projects and programs that are currently underway or planned to begin over the next three years. The Capital Budget represents $357.6 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 and approved funding. Cash flow expenditure forecasts for these projects, however, extend well beyond the three-year period. Budget impacts for operations, maintenance, and debt service commence at construction completion. The plan includes tables forecasting both cash flow and budget impacts by year, demonstrating the longer than three-year impact of the plan.

The Capital Plan is set in the context of a ten-year capital forecast for the university. The details of this longer-term forecast, particularly funding sources and schedules, are less clear than those of the three-year plan, as we cannot anticipate all of the needs and funding sources that may emerge over the long-term horizon. Additionally, plans inevitably change over time as some projects prove more feasible than others given the fact that funding realities and academic priorities evolve.

A major issue affecting the Capital Plan is the uncertainty in construction markets in the areas of materials and contractor services. Escalation over the last year has proven to be a significant risk to project budgets, particularly in the area of subcontractor labor. We also expect to see claims of escalation due to hurricanes Katrina, Rita, and Wilma, specifically related to materials such as petroleum based products (asphalt, roofing), modulars (for surge), and lumber.

According to contractors and industry experts in construction cost estimating, we can expect to see escalation range from 6% - 10% over the next year. To mitigate this risk, many of the Capital Plan's large project budgets carry a specific line for near-term escalation of 8% per year. This will likely increase the project cost per square foot for many projects compared with historical trends.

This year's Capital Plan has grown to $2.2 billion, up from $1.3 billion in the previous year. As we describe below, this growth is due to the inclusion of major strategic initiatives. Consistent with prior years, several projects show large portions of their funding sources as Gifts to Be Raised. The Office of Development has determined that these are feasible fundraising plans, although the timeframes by which they are achieved could change.

MAJOR STRATEGIC INITIATIVES

The following are the major strategic initiatives included in this year's Capital Plan.

Projects

- Science, Engineering, and Medical Campus (SEMC) – now shown in the plan with seven of the eight buildings totaling $803.6 million (Astrophysics is excluded as it will be completed in 2005/06);
- Graduate School of Business – new campus and parking structure ($275 million);
- Redwood City campus redevelopment ($180 million);
- Performing Arts Center ($98.5 million);
- Panama Mall renovations ($72.2 million); and
- Undergraduate Housing and Dining Master plan – Phase I ($67 million).

Programs

- Annual Investment in Plant Assets - Maintenance ($93.7 million); and
- Building Energy Retrofit Program ($15 million).

These initiatives are described below.

Projects

Science, Engineering, and Medical Campus (SEMC)

A significant part of the Capital Plan is the SEMC. This initiative consists of eight new buildings to be designed and constructed over the next decade. The buildings include Astrophysics (which will be completed in summer 2006); Biology; the School of Medicine Learning and Knowledge Center (LKC); 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.

This year's Capital Plan includes the costs of seven of the eight SEMC buildings, together with associated connective elements and demolition projects. It also includes budget line items for escalation and contingency risks. SEMC costs included in the Plan are $803.6 million, or 36% of the total plan expenditures.

The following table summarizes the entire SEMC initiative, including Astrophysics. The initiative is heavily dependent upon a successful fundraising campaign. The funding structure for the SEMC initiative has been designed to meet the overall needs of the projects as a group. This funding plan will likely be modified to reflect actual fundraising results. The permanent debt budgeted for the SEMC initiative, excluding Astrophysics, is $142.1 million; current funds, fundraising, and federal, state, and grant funds will support the remainder of the initiative. Depending on the results of the fundraising efforts and schedule of pledge payments, short term debt may be required to backstop gifts.

The university has developed a master plan for SEQ 2 which 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 quadrangle. 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 variety of building demolitions will be required to achieve the plan, and 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. These include: accommodating the functional requirements of the program; achieving a balance between cost and aesthetics; achieving a high degree of consistency among the buildings; and pursuing 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 buildings. It addresses existing circulation, service, and delivery challenges and identifies future building sites.

SEMC Project Summary

[in millions of dollars]

Project	Completion	Cost
SEQ 2 Buildings		
E&E	2008	113.8
SOE Center	2009	61.7
Ginzton Replacement	2009	54.5
Bioengineering/ Chemical Engineering	2011	114.8
Subtotal		344.8
School of Medicine Buildings		
LKC	2009	85.9
SIM #1	2010	162.1
Subtotal		248.0
Other Buildings		
Astrophysics	2006	34.6
Biology	2010	61.5
Subtotal		96.1
Connective Elements & Utilities		
SoM/Biology	2011	51.2
SEQ 2	2011	26.1
Subtotal		77.3
Demolitions	2011	7.4
Escalation risk		40.4
Contingency risk		24.2
Total		**838.2**

Graduate School of Business – New Campus and Parking Structure

This year's Capital Plan includes, for the first time, the vision for a new campus for the Graduate School of Business (GSB), planned for Serra Street across from the Schwab Center. The plan for this campus is to create a dynamic living/learning environment by locating the entire GSB program on a single site.

The new campus, estimated at $275 million (12% of the plan) including 340,000 gross square feet (gsf) of new buildings as well as underground parking for approximately 1,000 spaces, is in early design. An ad hoc committee has been working with the school to develop the design strategies and academic priorities for the new campus. The campus will reflect the mission and culture of the GSB by developing spaces that foster collaboration and team based education; providing multi-disciplinary educational and research opportunities within Stanford and the corporate community; stimulating entrepreneurship; and supporting Executive Education. The campus design will incorporate the spirit of Stanford architecture and create a sense of place for the school.

Detailed design development will take place on this important new campus initiative. The plan and associated issues will be presented to the Board of Trustees, leading to a concept approval request in the next year.

Redwood City Campus Redevelopment

Due to GUP limitations on core campus development, the university has studied options for relocating administrative programs to off-campus sites, thus reserving core campus space for Stanford's highest academic priorities and objectives. The timing of this effort is important and is viewed as an institutional priority.

In September of 2005, the university acquired the Mid-Point Technology Park (Mid-Point) at a cost of $78.5 million. Mid-Point is in Redwood City, approximately seven miles from the Stanford campus. The site includes 536,569 gsf, which encompasses eight buildings, on 29.4 acres. In addition, the Stanford Hospital and Clinics (SHC) has acquired an adjacent parcel that includes approximately 360,000 gsf, encompassing four buildings on eleven acres, to be developed for outpatient clinics.

Redevelopment of this site will be required and will commence over the next 3-5 years. We are currently in the early phases of campus and site planning, program scoping, and conversations with Redwood City. There will be many issues to be addressed, including the vision for this new campus, the program for the campus buildings, traffic, environmental and other community impacts, costs of site redevelopment, and phases of redevelopment over time. The $180 million redevelopment cost estimate for the university portion of the site (8% of the Capital Plan) is based on an early estimate for a first phase of development which might include about 300,000 gsf of office space, a parking garage, a community center building, and connective elements.

Redevelopment planning for this project will continue in 2006, and updates will be provided in next year's Capital Plan.

Performing Arts Center

As part of a major arts initiative, the university plans to build a new Performing Arts Center estimated at $98.5 million (4% of the Capital Plan) and encompassing 100,000 gsf. The center is envisioned to contain two performance venues designed to the latest technical and acoustical standards, capable of hosting the finest performing arts groups and individual performers from around the world. The center will be located near Frost Amphitheater, with convenient parking for patrons of its vibrant cultural and intellectual programs.

Early programming is underway for the center, and an architectural competition is likely to be undertaken in order to achieve a distinctive and elegant building design. The academic arts departments — Music, Drama/Dance, and Art/Art History (which include Film and Media Studies) — as well as Stanford's Lively Arts program, the Cantor Art Center, Stanford Events, and the Stanford Institute for Creativity and the Arts (SICA) are working collaboratively to develop the program, vision, and design for the new center.

Panama Mall Master Plan

The School of Engineering's Panama Mall master plan ($72.2 million and 3% of the Capital Plan) appears for the first time in the plan this year. This plan is related to the construction of the new School of Engineering Center (described in the SEMC section above) and has been developed to meet the needs of engineering departments located on Panama Mall. The project will renovate, update, and add to program spaces within the school in order to provide 21st century teaching and research facilities.

The plan includes the following:

- Renovation of the Durand Building for Aeronautics and Astronautics and Materials Science and Engineering;
- Renovation of McCullough and Moore Halls for existing and future Geballe Laboratory for Advanced Materials faculty;
- A replacement of Building 630 for Mechanical Engineering; and
- Renovation of the Peterson Building to house the new Hasso Plattner Institute of Design and Mechanical Engineering's Design Division which will be displaced from Terman Engineering Center (scheduled to be demolished).

The plan will also examine how to better link the buildings in the Panama Mall area by using connective elements, creating improved outdoor spaces, and linking the spaces to one another. Details of the plan, particularly related to cost and timing, will be developed over the next year.

Undergraduate Housing and Dining Master Plan - Phase 1

The key goals of the Undergraduate Housing and Dining Master Plan Phase 1 initiative include creating additional undergraduate beds, providing quality program spaces, and enhancing the spirit of the undergraduate community. Preliminary studies include a renovation of Crothers/Crothers Memorial, construction of a new east campus dorm housing 125 net additional beds and associated common space (previously known as Manzanita III), and construction of a new dining facility that ultimately could serve Toyon Hall, Crothers/Crothers Memorial and the new east campus dorm. A resident fellow unit as well as two graduate student living quarters are planned to provide program leadership for the new undergraduate facility. On the Row, the Green dorm (50 net new beds) will provide additional undergraduate housing as well. The proposed plan also includes the opportunity to develop the space between Encina Commons and Crothers/Crothers Memorial as a quad that could serve as the hub for this undergraduate community. The anticipated project cost for this initiative is $67 million. Additional details about this plan will be forthcoming as planning proceeds.

Programs

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?"

Over the past several years 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, the plant will be adequately supported. (Note: last year's Capital Plan included New Development in this program. We have refined this analysis to include existing plant only.)

With annual updates to tools capable of assessing the condition of both Stanford's facilities and its infrastructure systems, we continue to assess the university's level of deferred maintenance and projected planned maintenance based on the lives of building and infrastructure subsystems. Additionally, in order to address the need for program changes or code upgrades, the analysis continues to include plans for long-term facilities renovation.

As a result, the Annual Investment in Plant Assets analysis currently includes average annual financial projections (in 2005/06 dollars) in the following two areas:

- Maintenance – both deferred and planned replacement of facilities subsystems (e.g. roofing, HVAC equipment/controls, electrical equipment, interior finishes); and
- Renovation – the complete renovation of facilities, addressing both program and code upgrades, which are not included in Maintenance.

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 $45.9 million in maintenance costs per year.

Renovation

Forecasting the need to renovate buildings that are at the end of their program or physical life continues to be more challenging and 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 $76.1 million in facilities renovation costs annually over the next ninety years. Projected demolitions reduced the forecasted renovation costs. Major renovations were treated as replacements, resetting the Maintenance and Renovation age clocks to zero.

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

- Nonformula schools and administrative units (Nonformula/Admin) (8,123,784 gsf)
- Residential and Dining Enterprises (R&DE) (4,196,744 gsf)
- Formula Schools (School of Medicine, Graduate School of Business) (1,642,073 gsf)
- Department of Athletics, Physical Education, and Recreation (DAPER) (428,199 gsf)
- Utilities distribution and generation (Utilities) (Infrastructure)
- Roads, landscaping, and hardscape (Roads) (Infrastructure)

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

- Nonformula/Admin – Shared between general funds and individual schools and departments
- R&DE, Formula Schools, and DAPER – Responsibility of the individual units
- Utilities – Capital Utilities Program (CUP) service center
- 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 area:

Annual Investment in Plant Assets

[in millions of dollars]

	Maintenance	Renovation	Average Annual Investment
Nonformula/Admin	19.1	40.7	59.8
R&DE	12.8	10.0	22.8
Formula	4.0	16.2	20.2
DAPER	1.3	3.9	5.2
Utilities	7.1	5.3	12.4
Roads	1.6		1.6
Total	45.9	76.1	122.0

Funding

Historical Funding

Over the past ten years the university has invested an average of $139.5 million per year (escalated to 2005/06 dollars) in capital maintenance and renovation projects. The following table shows the funding sources for this investment:

Historical Annual Funding by Source

[in millions of dollars]

	Annual Average	Percent
Debt	64.5	46.2%
Gifts	19.8	14.2%
Reserves	46.6	33.4%
Other (e.g., government grants, FEMA)	8.6	6.2%
Total	139.5	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 ten 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 $122.0 million results in the following:

Projected Annual Funding by Source

[in millions of dollars]

	Average	Annual Percent
Debt	56.4	46.2%
Gifts	17.3	14.2%
Reserves	40.7	33.4%
Other (e.g., government grants, FEMA)	7.6	6.2%
Total	122.0	100.0%

The university's aggregate incremental debt capacity is projected at $107 million per year, (assuming a 9.25% MEP return, a 5.0% payout, and a 20% leverage ratio) which is 90% above the projected trend of $56.4 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, this is also true of funds from the National Institutes of Health, the National Science Foundation, and the Howard Hughes Medical Institute.

General Funds Maintenance Funding

The Nonformula/Admin and Roads areas rely primarily on general funds. Total general funds contributions for these two areas were increased by $3 million over the past two years and another $1.3 million in 2006/07. Of the $19.1 million in Nonformula/Admin maintenance needs, $6.6 million represents interior finishes and built-in equipment needs that are funded directly by the nonformula schools and administrative units. General funds contribute $10.3 million, leaving a funding gap of $2.2 million. Of the $1.6 million in Roads maintenance needs, $350,000 is funded by the SIP and $550,000 is funded by general funds. The remaining funding gap is $700,000.

Conclusion

Stanford's significant capital facilities investments in the 1990s have addressed most of the deferred maintenance on campus. The maintenance model indicates a modest budgetary shortfall, which will be funded over the next few years. The various areas within Stanford face different and sometimes difficult challenges in funding adequate plant investment.

Stanford will continue to increase funding to maintain the quality of facilities and accommodate program growth. This additional funding will likely come from general funds (for maintenance), school and department unrestricted reserves, debt allocations (particularly for areas that can service debt, such as formula schools and service centers), and a continued facilities emphasis as a core element of Stanford's comprehensive gift raising campaign.

Building Energy Retrofit Program

Stanford's twelve largest energy using buildings have been selected for energy consumption reduction projects. These twelve laboratory buildings represent over $15 million of energy expense per year, or nearly 25% of the total campus energy expense. Improvements in heating, ventilation, and air-conditioning (HVAC) technology have made it practical to retrofit these older lab buildings from constant volume air systems to variable air systems (the current standard) while maintaining occupant comfort and safety. Other projects include lighting retrofits, motor conversions, and control upgrades. The estimated energy savings is over $4 million per year.

THE CAPITAL PLAN, 2006/07 – 2008/09

Stanford's central campus, including the Medical School but excluding the hospitals, has more than 670 major buildings providing approximately fourteen million gsf of physical space. The physical plant has a historical cost of $4.2 billion and an estimated replacement cost in excess of $6 billion.

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

Expenditures in the three-year 2006/07–2008/09 Capital Plan, which includes thirty major construction projects in various stages of development and numerous infrastructure projects and programs, total $2.2 billion, an increase from last year's $1.3 billion Capital Plan. The table below provides a comparison of the last three Capital Plans.

Budget Plan Year
[in millions of dollars]

	2004/05	2005/06	2006/07
Design/ Construction	256.7	275.1	1,083.4
Forecasted	594.6	852.5	930.2
Infrastructure	125.5	87.4	211.1
Mid-Point Campus Acquisition		86.0	
Total	976.8	1,301.0	2,224.7

Projects in Design and Construction

As shown in the above table, Design and Construction costs have increased by $808.3 million in this year's plan. This is largely the result of the SEMC group of projects moving from the Forecasted category into Design and Construction (these projects total $803.6 million). Additional projects have moved into this category, including the LKC renovation ($42 million), 1050 Arastradero ($20.2 million), and Roble Hall renovation ($18 million). Projects that will be completed and will have rolled off the plan include Astrophysics ($34.6 million), Kavli Institute ($10.7 million), and Barnum Family Center ($5.8 million).

Forecasted Projects

Forecasted costs have increased by $77.7 million since last year. New projects that have been added to the plan include the GSB new campus ($275 million), Redwood City campus redevelopment ($180 million), Performing Arts Center ($98.5 million), Panama Mall renovations ($72.2 million), Cummings Replacement ($31 million), and the SIEPR building ($18.5 million). The total cost of these new projects amounts to $675.2 million; this total has been offset by the SEMC projects (listed as $563.5 million in last year's plan) moving into the Design and Construction portion of the plan, together with other more modest changes.

Infrastructure Projects

Infrastructure costs have increased by $123.7 million. This increase is due mostly to the Investment in Plant Assets program ($93.7 million), a new building energy retrofit program ($15 million), and costs of the trails construction ($20.1 million).

Redwood City Campus

The acquisition of Mid-Point was included in the 2005/06 Capital Plan, and the redevelopment of the site is included in the current plan.

Overall Summary

A summary table of the 2006/07-2008/09 three-year Capital Plan appears on the next page. As mentioned previously, the 2006/07-2008/09 Capital Plan has grown significantly from the 2005/06-2007/08 Capital Plan, due to the inclusion of major strategic initiatives described above. It is important to understand that, while these new initiatives appear in the three-year Capital Plan, their related expenditures, cash flows, and budget impacts extend well beyond the three-year period.

To differentiate between the projected value of the three-year capital plan and the forecasted spending to complete the projects and programs, a new table, Capital Plan Cash Flows, has been included along with the Capital Plan Summary. This table forecasts the expenditure outflow of the Capital Plan based on project and program schedules. Although the Capital Plan includes projects and programs in design or construction or anticipated to receive concept approval in the next three years, related cash expenditures are anticipated to be spent over a period extending beyond 2011/12.

Operating (including utilities), maintenance, and debt service costs will impact the budget once the construction is substantially complete. Although the Capital Plan summary shows the full budget impact of all completed projects, it is important to note that this impact aligns with the project completion schedule and will be absorbed by the budget over a period in excess of six years (beyond 2011/12). A new table, Capital Plan Impact on Budget, has been included along with the Capital Plan Summary and Capital Plan Cash Flows to forecast the budget impact by area of responsibility (e.g. general funds, formula schools, etc.).

Summary of Three Year Capital Plan 2006/07-2008/09

(in millions of dollars)

			Project Funding Source						Annual Continuing Costs	
				Gifts		University Debt				
	Estimated Project Cost	Capital Budget 2006/07	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Debt Service	Operations, Maintenance & Utilities
Projects in Design & Construction	1,083.4	211.6	172.7	203.6	351.7	113.0	189.2	53.2	21.8	18.8
Forecasted Projects	930.2	91.5	76.5	35.5	510.0	7.5	300.7		23.4	13.8
Total Construction Plan	2,013.6	303.1	249.2	239.1	861.7	120.5	489.9	53.2	45.2	32.6
Infrastructure Programs	211.1	54.5	107.9			83.2	20.0		9.6	
Total Three-Year Capital Plan 2006/07-2008/09	2,224.7	357.6	357.1	239.1	861.7	203.7	509.9	53.2	54.8	32.6

[1] Includes funds from university and school reserves, and the GUP and SIP programs.
[2] "Other" funds represent government and private foundation grants.

Capital Plan Cash Flows

(in millions of dollars)

	2005/06 & Prior	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 & Thereafter	Total
Projects in Design & Construction	103.3	211.6	226.5	328.9	149.5	45.1	18.5	1,083.4
Forecasted Projects	15.0	91.5	272.1	277.0	204.1	53.1	17.4	930.2
Total Construction Plan	118.3	303.1	498.6	605.9	353.6	98.2	35.9	2,013.6
Infrastructure Programs	13.4	54.5	60.3	72.9	5.0	5.0		211.1
Total Three-Year Capital Plan 2006/07-2008/09	131.7	357.6	558.9	678.8	358.6	103.2	35.9	2,224.7

Capital Plan Impact on Budget

(in millions of dollars)

	2007/08	2008/09	2009/10	2010/11	2011/12 & Thereafter	Total
Debt Service						
General Funds	2.1	3.1	2.5	14.9	2.7	25.3
Formula	0.5	2.2			9.9	12.6
Auxiliary	2.5	8.6	1.3			12.4
Service Center	1.5	1.5	1.5			4.5
Total Debt Service	6.6	15.4	5.3	14.9	12.6	54.8
Operations and Maintenance						
General Funds	0.1	2.5	2.3	6.0	2.7	13.6
Formula	1.2		3.1	4.6	5.3	14.2
Auxiliary	0.7	3.8			0.3	4.8
Service Center						
Total Operations and Maintenance	2.0	6.3	5.4	10.6	8.3	32.6

The Capital Plan schedule is dependent on the timing and success of fundraising. As a result, it is possible that some projects will have to be cancelled, delayed, or scaled back in scope, all of which could affect the Capital Plan, associated cash flows and budget impacts.

The tables at the end of this section provide a detailed list of those projects included in the Capital Plan. 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 three categories:

- Design and Construction – The fourteen projects in Design and Construction represent $1.08 billion (49% of the plan). Some of these projects received Board of Trustees concept approval as recently as April 2006 and now are in design. Construction of other projects is contingent on securing funding; $351.7 million, or 32% of these project costs, remain to be fundraised.
- Forecasted Construction Projects – These sixteen proposed projects are listed by size. They will cost a total of $930.2 million (42% of the plan). Of this funding, $420.2 million, or 45%, is in hand ($76.5 million in current funds, $35.5 million in gifts in hand or pledged, and $308.2 million in permanent debt). There remains $510 million to be raised. Due to these funding challenges, many of these projects may not be completed for a number of years and may require debt to backstop gifts. Only those projects with an anticipated concept approval in 2006/07 and a viable funding plan are considered budget commitments in this rolling three-year plan.
- Infrastructure Projects and Programs – These projects and programs include initiatives to address investment in plant and building energy retrofit projects, as well as the capital utilities program, the R&DE Capital Improvement program, and GUP mitigations. These projects and programs account for $211.1 million (9%) of the Capital 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.

Capital Plan Funding Sources

Stanford's Capital Plan relies on several funding sources: current funds, gifts, debt, and other (government, state, and grant funding). Depending upon fundraising realities and timeframes, some projects will prove more difficult than others to complete. As a result, it is possible that some projects will have to be cancelled, delayed, or scaled back in scope. The chart on the next page outlines the funding sources for the Capital Plan.

Current Funds

We anticipate that $357.1 million, or 16% of the Capital Plan, will come from 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

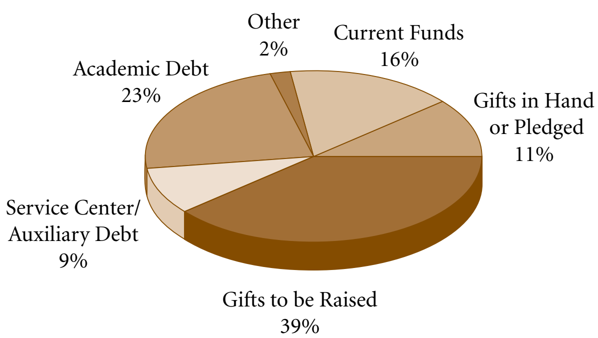
The Capital Plan includes gifts of $1.1 billion (50% of the plan). These are a combination of gifts in hand or pledged ($239.1 million, or 11%) and gifts to be raised ($861.7 million, or 39%). The Office of Development participated in the Capital Plan process and determined that the gift targets listed are feasible. However, given historical levels of annual giving for buildings, it is likely that the gift timetable will be extended, and as a result may require debt backstopping or delay projects.

Debt

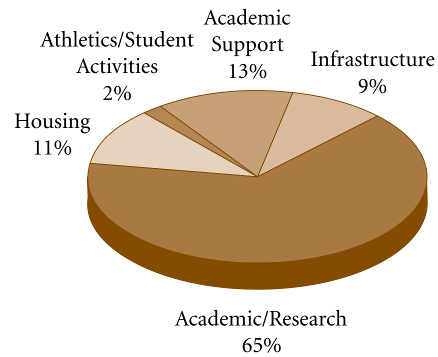
Debt funding is a key financing source for the Capital Plan. The amount of debt to be allocated takes into consideration the university's debt capacity and ability to service debt from current funds. The permanent debt component in the Capital Plan has more than doubled, to $713.6 million (up from $350.6 million in last year's plan). Debt represents 32% of the funding of the total Capital Plan. As mentioned previously in this section, this is due primarily to the large SEMC group of projects and other significant initiatives included in the plan. Of this debt amount, $203.7 million is

The Capital Plan 2006/07 – 2008/09: $2,224.7 Million

Sources of Funds



Uses of Funds by Program Category



auxiliary and service center debt, principally for R&DE and the CUP. Another $509.9 million is academic debt, serviced by unrestricted revenues. In addition, debt may be required to bridge timing differences between the receipt of gifts and capital expenditures.

Other

A portion of the Capital Plan ($53.2 million) is from Federal, State, and grant funding for School of Medicine projects. The most significant portion of this ($50 million) is Proposition 71 Stem Cell funding from the California Institute for Regenerative Medicine (CIRM).

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 above shows the uses of plan funds by program 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 $1,442.9 million, or 65% of the total.

Projects in Design and Construction:

The following eleven projects are now in Design and Construction:

SEMC Buildings:

- Stanford Institutes of Medicine (SIM #1) building, a 200,000 gsf medical research building targeted for completion in 2009/10;
- Bioengineering/Chemical Engineering building, a 158,271 gsf building for a new engineering program, targeted for completion in 2010/11;
- Environment and Energy Building, a 166,565 gsf building for interdisciplinary work on the environment, targeted for completion in 2007/08;
- Learning and Knowledge Center, a 120,000 gsf building to house state-of-the-art teaching and learning facilities for the School of Medicine, targeted for completion in 2008/09;
- School of Engineering Center, a 126,217 gsf building which will be the core teaching and learning space for the School of Engineering, targeted for completion in 2008/09;
- Biology Building, a 100,000 gsf building to house the Biology department of Humanities and Sciences, targeted for completion in 2009/10;
- Ginzton Replacement, a 101,850 gsf building which will replace the current Ginzton laboratory space with current research facilities, targeted for completion in 2008/09;
- Connective element projects and an array of building demolitions are also a part of the SEMC program in the Capital Plan.

Other Buildings:

- LKC Renovation, a 72,681 gsf renovation of the Lane and Alway buildings in the School of Medicine to provide library and other spaces linked to the new LKC building program, targeted for completion in 2010/11;
- 1050 Arastradero, a building renovation in the Stanford Research Park (73,000 gsf) to house research space for the School of Medicine;
- Stanford in Washington Renovation and Expansion, a $10.2 million project located at Stanford's academic facilities in Washington, DC;
- Boswell Fish Facility, a 5,000 square-foot renovation of space at the Medical School for new research facilities.

Forecasted Construction Projects:

Forecasted projects within the formula schools/areas include the Graduate School of Business new Campus and Parking structure; Stone complex renovations of infrastructure, seismic and utility systems in the Medical School; and a Cummings replacement for the Hoover Institution. In Engineering, Panama Mall renovations appear on the plan. In Humanities and Sciences, the Art to the Old Anatomy Building project is included in the plan; and in the Dean of Research area, the new SIEPR building is listed.

Housing

Housing projects represent $245 million, or 11% 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 and 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 and is listed this year on the infrastructure page of the plan, totaling $35.4 million (a combination of a portion of the Investment in Plant - Maintenance and CIP).

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 a substantial number of new beds, contributing to the GUP requirements. It also includes parking and a variety of enabling projects. The Roble Hall renovation project, also in Design and Construction, is an extensive renovation of this undergraduate residence hall.

Forecasted Construction Projects

Future housing initiatives include the projects listed under the Housing and Dining Master Plan Phase 1. These include a new East Campus Dorm (formerly known as Manzanita III), which will add 125 net new undergraduate beds; renovations to Crothers and Crothers Memorial; a new East side dining facility near Crothers and Crothers Memorial, and a new Mayfield Row House (designed as a Green Dorm), which will add 50 net new undergraduate beds.

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 $37.5 million, or 2% 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

In Athletics, the Golf Club House, Pro Shop, and Cart Barn will provide renovated facilities for the Stanford golf program and community. The White Plaza Landscape/Circulation Re-Design project will fundamentally improve this area of campus for student programming, circulation, and activity space.

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 $288.2 million, or 13% of the plan.

Projects in Design and Construction

There are no academic support projects in design and construction.

Forecasted Construction Projects

There are four forecasted projects in this category: the Redwood City Campus Redevelopment project, which is intended to provide key administrative space to Stanford; the Performing Arts Center, planned to add 100,000 gsf of arts space to the campus; the Public Safety Building, a 15,560 gsf building to replace the current public safety facilities, and a new Childcare Center (estimated at 8,000 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 $211.1 million (9% of total Capital Plan expenditures). Infrastructure programs include the Investment in Plant – Maintenance Program, the CUP, R&DE's Capital Improvement Program, GUP Mitigation, Building Energy Retrofit Program, Information Technology & Communications Systems, and SIP projects. GUP mitigation and SIP projects are funded through construction project surcharges.

Investment in Plant – Maintenance Program

Included for the first time in the Capital Plan is the maintenance component of the Annual Investment in Plant Assets (described in detail above). This program includes the deferred and planned maintenance plan for building subsystems. The planned costs and funding are detailed by area and total $93.7 million. This represents a three-year forecast of available funding to address the maintenance needs.

Capital Utilities Program:

The three-year plan allocates a total of $43.6 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 $12.3 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.

R&DE Capital Improvement Program

Residential & Dining Enterprises' CIP is intended to address infrastructure/deferred maintenance systems, life and health safety, seismic upgrades, code compliance, energy conservation and sustainability measures, and major programmatic improvements in the student housing and dining physical plant. CIP projects totaling $35.4 million (a combination of a portion of the Investment in Plant - Maintenance and CIP) are anticipated over the next three years. The plan includes continuation of the code compliance and seismic upgrades of five Row Houses and the Escondido Village heating system; Florence Moore kitchen and servery renovation for infrastructure and code compliance; and the beginning of a multi-year phased refurbishment of the Row House kitchens.

GUP Mitigation:

The Capital Plan provides for $20.1 million in capital expenditures for mitigation measures required by the GUP and Community Plan approved by Santa Clara County in December 2000. These expenditures are for trail construction and easements. Funding will be generated by an internal fee levied on capital projects that increase school/department campus space allocations. Short term debt may be used to bridge timing differences between the collection of the fee and the scheduled expenditures.

Building Energy Retrofit Program:

As mentioned earlier in this section, this is a $15 million energy retrofit program with an estimated energy savings of over $4 million per year.

Information Technology and Communication Systems:

A total of $6.5 million has been allocated for upgrades to networks and communication systems.

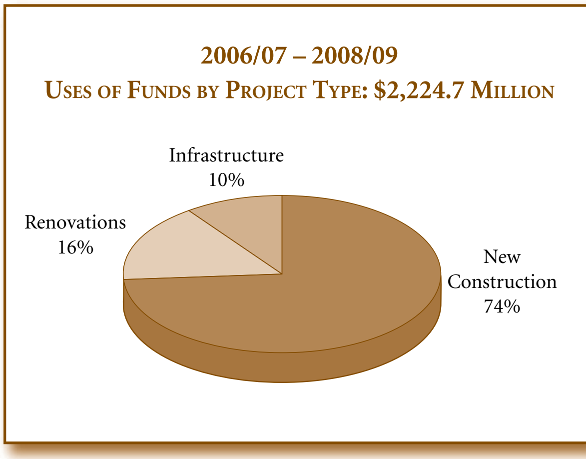
Stanford Infrastructure Program:

The SIP consists of planning and transportation projects and programs for the improvement and general support of the university's academic community, hospitals, and physical plant. SIP expenditures are expected to total $5.3 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 new construction projects account for $1,643.3 million or 74% of the three-year plan, ranging in size from $3.5 million to $275 million. These buildings



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

Renovations

As illustrated in the chart above, renovation projects in the Capital Plan represent $366.3 million, or 16% of the total project costs over the three-year period. The Old Union renovation is an extensive project designed to upgrade one of the oldest buildings on Stanford's campus. Other extensive renovations include the Stone Complex and LKC renovations at the School of Medicine, Panama Mall renovations in the School of Engineering, and the renovation of the Old Anatomy building for the Art Department.

Infrastructure

Infrastructure projects and programs, including the White Plaza Landscape/Circulation Redesign Project, totaled $215.1 million and account for 10% of Capital 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 Avenue Faculty/Staff housing is now being planned, to add approximately 40 units in this area. These units will help to meet the GUP entitlement housing linkage requirements.

Stanford Research Park – The Research Park continues to be a desirable location for a variety of corporations, creating a dynamic environment throughout boom and bust real estate cycles. Despite the relatively soft market in Silicon Valley, SMC executed an agreement in 2004 with a Research Park company to redevelop a 29-acre site with a new 460,000 square foot campus. Currently under construction, this project represents the largest office/R&D development to occur in the Silicon Valley since 2001. In addition, SMC is working in concert with another Research Park tenant to entitle a new 75,000 square foot expansion facility. Under a recently approved land use development agreement, known as the Mayfield Agreement, SMC will be master-planning the conversion of some commercial sites on the edges of the Research Park to residential in the near future.

Stanford Hospitals and Clinics/Lucile Packard Children's Hospital

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 actively developing clinic programs at the Redwood City campus.

Capital Plan Constraints

Affordability

The incremental internal debt service expected at the completion of all projects commencing in the three-year plan period (completion dates range from 2006/07 to 2011/12) total $54.8 million annually (excluding financing costs for debt backstopping). Of this amount, $25.3 million will be serviced by general funds, $16.9 million by auxiliary or service center operations, and $12.6 million by formula schools.

The additional operations, maintenance, and utilities (O&M) costs expected at the completion of all projects commencing in the three-year period total $32.6 million per year. Of this amount, $13.6 million will be serviced by general funds, $4.8 million by auxiliary and service center operations, and $14.2 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 2006, the university had approximately $293.9 million of capacity from existing debt programs to finance capital projects, including $1.4 million of unexpended bond proceeds, $150 million of tax-exempt commercial paper, and $142.5 million of taxable commercial paper. An additional $90.1 million will be available through fiscal year-end 2006/07 from internal amortization on previous debt-funded projects.

A total of $522.4 million will be required to finance:

- $201.7 million to complete projects already approved or under construction, of which $96 million is required to complete prior year projects no longer displayed in the three-year plan;
- $320.7 million for projects to be approved in 2006/07.

Additional funding will be required to finance the Faculty Staff Housing mortgage portfolio. The portfolio of subsidized mortgages increased $11 million in 2005 and $3.8 million year to date to $245.1 million. 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 2006/07 will require an additional $287.1 million in permanent and temporary debt to backstop gifts. The debt for these projects has not been committed and will be evaluated in the context of debt capacity, affordability, and the viability of the funding plan, as well as GUP limitations.

Total university debt outstanding at fiscal year end 2005 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;
- The construction of 605 units of housing for each 500,000 gsf of new academic building.

Given the stringent requirements imposed by the GUP and the increasingly difficult entitlement environment, Stanford carefully manages the allocation of new growth. 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 522,709 gsf of new GUP square feet currently in Design and Construction and 169,711 net new GUP square feet in Forecasted projects. The Cooling Tower project, listed in the infrastructure category, totals 7,500 gsf. 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 Redwood City campus will also help to conserve GUP square footage for academic priorities on the main campus.

With regard to the housing requirement listed above, the Munger Graduate Residences are planned to add 600 net new graduate student beds. 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. The Undergraduate Housing and Dining Master Plan Phase 1 is expected to add 125 net new beds in the East Campus new dorm, plus 50 net new beds in the Green Dorm. The Stanford Avenue Faculty/Staff housing plan will add 40 net new units as well. The completion of these projects will increase the total to 1,248 net new beds, which will enable the university to construct up to 1,499,999 gsf of new academic space.

THE CAPITAL BUDGET, 2006/07

The 2006/07 Capital Budget represents capital expenditures of $357.6 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

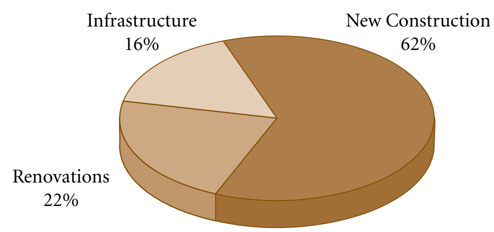
A breakdown of the Capital Budget's sources and uses of funds is presented in the charts below. Gifts and Debt represent 61% and 21% of the budget, respectively. Current funds (i.e., existing university reserves and fund balances) represent 17%, with the remaining 1% from grants.

Of the $357.6 million, 48% will be spent on Academic/Research projects. Housing, Infrastructure, Academic Support, and Athletics/Student Activities will represent 25%, 15%, 9%, and 3%, respectively. An estimated 62% of the budget will be spent on new construction projects. The majority of these expenditures are to fund the E&E building and the Munger Graduate Residences. Another 22% will be spent on renovation projects such as the Old Union complex, 1050 Arastradero and Roble Hall. The remaining 16% will be spent on infrastructure projects and programs, including Investment in Plant – Maintenance Program and CUP.

Capital Budget Impact on 2006/07 Operations

The 2006/07 Projected Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2006/07.

2006/07
Uses of Funds by Project Type: $357.6 Million

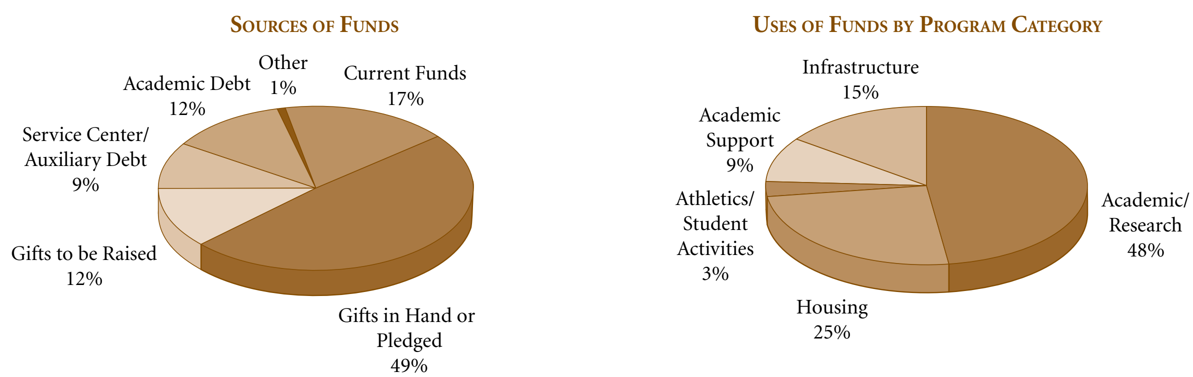


Additionally, this budget includes an incremental increase in debt and O&M expenses for projects completing in 2005/06 that were operational for less than twelve months in 2005/06.

As noted in Section 1, Stanford issues debt in the public markets to finance capital projects and programs. Internal loans are then applied to projects, which amortize the debt over the project life in equal installments (principal and interest). The budgeted interest rate used to calculate internal debt service is a blended rate of all external interest expense, bond issuance cost, and administrative costs and is reset annually. The projected blended rate for 2006/07 is 5.74%.

The projected incremental internal debt service funded by unrestricted funds, including formula units, in 2006/07 is $4.5 million. This amount represents the additional debt service on fourteen capital projects

The Capital Budget 2006/07: $357.6 Million



and programs offset by the retirement of debt on older projects. It excludes interest expense on gift backstopping and assumes no change in the budgeted interest rate of 5.74%. This additional debt service brings the total annual internal debt service borne by the unrestricted university budget to $42.3 million, 4.0% of unrestricted revenues.

Total internal debt service, including that borne by auxiliaries and service centers, will decrease from $132.9 million to $128.3 million. The decrease is attributable to internal loans maturing and a one-time $10.4 million early principal repayment offset by increases for the new Astrophysics building and the renovation of the Old Union.

General funds will cover additional O&M costs of approximately $1.1 million mainly due to the completion of the new Astrophysics building and including costs related to renovations of the Old Union Complex, the Black Community Center, Stanford in Washington, the Barnum Center, and smaller infrastructure maintenance costs.

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.

2006/07–2008/09 Capital Plan
Projects in Design & Construction
(in millions of dollars)

					Project Funding Source						Annual Continuing Cost	
						Gifts		University Debt				
	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost[1]	Capital Budget 2006/07	Current Funds[2]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt[3]	Other[4]	Debt Service	Operations, Maintenance & Utilities
Science, Engineering and Medical Campus (SEMC)[5] Projects[6]	SEMC	2005-11	803.6	104.4	150.0	138.5	323.0		142.1	50.0	9.9	14.4
Stanford Institutes of Medicine #1 ($162.1), completion 2009/10	SOM											
Bioengineering / Chemical Engineering ($114.8), completion 2010/11	SOE/SOM											
Environment and Energy Building ($113.8), completion 2007/08	DOR											
Learning and Knowledge Center ($85.9), completion 2008/09	SOM											
School of Engineering Center ($61.7), completion 2008/09	SOE											
Biology Building ($61.5), completion 2009/10	H&S											
Ginzton Replacement ($54.5), completion2008/09	DOR											
SOM/Biology Connective Elements/Utilities ($51.2), completion 2010/11												
SEQ 2 Connective Elements/Utilities ($26.1), completion 2010/11												
SEMC Demolition Projects ($7.4), completion 2010/11												
Escalation Risk ($40.4)												
Contingency ($24.2)												
Munger Graduate Residences (600 units) and Enabling Projects	SLS	2005-08	160.0	57.0	8.0	47.0	10.0	95.0			6.6	2.4
Graduate Housing ($103.5)												
Underground Garage (1227 spaces) ($35.0)												
Enabling Projects ($21.5)												
LKC Renovation - Lane & Alway Building Renovations	SOM	2006-11	42.0	1.1	5.3		16.6		20.1		1.7	
Old Union Complex Renovation	VPSA	2005-07	25.0	11.5	4.0				21.0		1.9	
1050 Arastradero	SOM	2006-07	20.2	18.9	4.2	10.0			6.0		0.5	1.2
Roble Hall Renovation[7]	R&DE	2006-07	18.0	14.1				18.0			1.2	0.7
Stanford in Washington (SIW) Renovation and Expansion	H&S	2004-07	10.2	2.8		8.1	2.1					0.1
Boswell Fish Facility Renovation	SOM	2006-07	4.4	1.8	1.2					3.2		
Subtotal - Projects in Design & Construction			1,083.4	211.6	172.7	203.6	351.7	113.0	189.2	53.2	21.8	18.8

1 Costs reflect Board of Trustee approvals.

2 Includes funds from university and school reserves, the GUP and SIP programs and $50 million from President's Funds for the SEMC Projects.

3 Includes $16.4 million from School of Medicine for the SEMC Projects.

4 "Other" funds represent government and private foundation grants.

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.

6 The Astrophysics Building ($34.2 million) will be completed in Fall 2006, so it has been removed from the SEMC group of projects. Debt service for this building has been included in debt service projections.

7 Roble Hall Renovation includes $2.9 million spent in Summer 2005 for seismic, structural and fire-life safety improvements.

2006/07–2008/09 Capital Plan
Forecasted Construction Projects
(in millions of dollars)

	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2006/07	Project Funding Source: Current Funds[1]	Gifts: In Hand or Pledged	Gifts: To Be Raised	University Debt: Service Center/ Auxiliary Debt	University Debt: Academic Debt	Other[2]	Annual Continuing Cost: Debt Service	Annual Continuing Cost: Operations, Maintenance & Utilities
Graduate School of Business - New Campus and Parking Structure	GSB	2006-11	275.0	8.3			275.0					5.6
Redwood City Campus Redevelopment	PRES/PROV	2007-10	180.0	20.0					180.0		12.6	3.6
Performing Arts Center	PRES/PROV	2007-10	98.5	8.0			98.5					1.6
Stone Complex												
Infrastructure & Seismic	SOM	2007-12	96.7	6.5	10.9				85.8		7.2	
Utilities	SOM	2007-08	27.1	8.1	0.9				26.2		2.2	
Panama Mall Renovations	SOE	2007-12	72.2	11.3	57.2	15.0						
Undergraduate Housing and Dining Master Plan - Phase I[3]	R&DE	2007-08	67.0	20.0			52.0	7.5	7.5		1.3	1.4
New East Campus Dorm (125 net new beds)												
Crothers and Crothers Memorial Renovation												
Crothers and Crothers Memorial/East Campus Dining												
Green Dorm (50 net new beds)												
Art to the Old Anatomy Building	H&S	2007-09	42.0	2.7			42.0					0.8
Cummings Replacement	HOOVER	2007-11	31.0				31.0					
Stanford Institute for Economic Policy Research (SIEPR) New Building	DOR	2007-09	18.5	1.0		14.5	4.0					0.4
Golf Club House, Pro Shop, Cart Barn Renovation	DAPER	2008-09	8.5			1.0	7.5					0.1
Public Safety Building	PRES/PROV	2007-08	6.2	2.3		5.0			1.2		0.1	0.2
White Plaza Landscape/Circulation Re-Design	VPSA	2007-08	4.0	1.0	4.0							
Childcare (East Campus)	PRES/PROV	2006-08	3.5	2.3	3.5							0.1
Subtotal - Forecasted Projects			930.2	91.5	76.5	35.5	510.0	7.5	300.7		23.4	13.8
SUBTOTAL - CONSTRUCTION PLAN			2,013.6	303.1	249.2	239.1	861.7	120.5	489.9	53.2	45.2	32.6

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

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

[3] Undergraduate Housing and Dining Master Plan also includes the Roble Hall Renovation listed on the Projects in Design & Construction page and the R&DE Capital Improvement Program listed on the Infrastructure Projects & Programs page.

2006/07–2008/09 Capital Plan
Infrastructure Projects & Programs
(in millions of dollars)

					Project Funding Source						Annual Continuing Cost	
						Gifts		University Debt				
	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2006/07	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Debt Service	Operations, Maintenance & Utilities
Investment in Plant (Maintenance)[3]												
Non-Formula/Admin	L&B	2007-09	50.7	16.9	50.7							
R&DE[4]	R&DE	2007-09	29.8	7.1	17.5			12.3			1.0	
SOM	SOM	2007-09	11.7	3.9	11.7							
DAPER	DAPER	2007-09										
Utilities[5]	L&B	2007-09										
Roads[6]	L&B	2007-09	1.5	0.5	1.5							
Subtotal-Investment in Plant (Maintenance)			93.7	28.4	81.4			12.3			1.0	
Capital Utilities Program (CUP)												
System Expansion												
Cooling Tower 5	L&B	2007-09	12.3	6.9				12.3			1.0	
Other System Expansion Projects	L&B	2007-09	12.4	1.8				12.4			1.0	
System Replacement	L&B	2007-09	14.8	2.6				14.8			1.2	
Controls	L&B	2007-09	1.9	0.6				1.9			0.1	
Regulatory	L&B	2007-09	2.2	0.3				2.2			0.2	
Subtotal-CUP			43.6	12.2				43.6			3.5	
R&DE Capital Improvement Program[4]	R&DE	2007-09	23.1	5.8				23.1			3.0	
GUP Mitigation Costs												
Trails - S1	L&B	2006-07	8.9	1.1	8.9							
Trails - C1	L&B	2009	11.2		11.2							
Subtotal-GUP Mitigation			20.1	1.1	20.1							
Building Energy Retrofit Program	Various	2006-10	15.0	1.0					15.0		1.1	
Information Technology & Communications Systems	ITS	2007-09	6.5	2.2				4.2	2.3		0.7	
Stanford Infrastructure Program (SIP)	L&B	2007-09	5.3	1.8	5.3							
Storm Drains and Other	L&B	2007-09	3.8	2.0	1.1				2.7		0.3	
Subtotal - Infrastructure Projects & Programs			211.1	54.5	107.9			83.2	20.0		9.6	

[1] Includes funds from university and school reserves, and the GUP and SIP programs.
[2] "Other" funds represent government and private foundation grants.
[3] Investment in Plant represents funding available by area.
[4] R&DE Capital Improvement Program generally includes program and code upgrades vs. Maintenance which includes subsystem replacement.
[5] Included under CUP - System Replacement below.
[6] Additional "Roads" Maintenance included in SIP Program below ($350K/year).

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
- Vice Provost for Student Affairs
- Athletics
- Residential & Dining Enterprises

Graduate School of Business (Includes Schwab)
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues							
30,283	33,328	General Funds Allocation	34,121						34,121
72,010	77,071	Restricted Revenues		28,517	18,500	34,167	475	2,795	84,454
4,296	4,708	Internal Revenues		618				4,238	4,856
22		Operating Transfers	56,842	(12,216)	(19,047)	(24,309)		(770)	500
106,611	115,107	Total Revenues	90,963	16,919	(547)	9,858	475	6,263	123,931
		Expenses							
26,254	29,851	Academic Salaries	27,727	3,954			13		31,694
20,850	23,809	Staff Salaries	21,143	2,745	218			534	24,640
16,494	18,253	Benefits and Other Compensation	17,779	2,172	97			180	20,228
27,765	31,860	Non-Salary Expenses	18,246	4,819	162	7,956	462	1,326	32,971
14,576	14,110	Internal Expenses	6,068	2,575	110	1,557		4,223	14,533
105,939	117,883	Total Expenses	90,963	16,265	587	9,513	475	6,263	124,066
672	(2,776)	Revenues less Expenses		654	(1,134)	345			(135)
		Transfers From (to) Endowment							
2,567	3,863	Principal, Plant & Student Loan			(74)				(74)
3,239	1,087	Surplus / (Deficit)		654	(1208)	345			(209)
40,234	43,473	Beginning Operating Equity		30,141	13,025	1,394			44,560
43,473	44,560	Ending Operating Equity		30,795	11,817	1,739			44,351

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
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues							
4,747	5,050	General Funds Allocation	5,579						5,579
38,510	34,240	Restricted Revenues		5,226	2,058	18,572	13,738		39,594
215	1,297	Internal Revenues		(252)			1,424	116	1,288
644	629	Operating Transfers	10,820	703	110	(12,069)	14		(422)
44,116	41,216	Total Revenues	16,399	5,677	2,168	6,503	15,176	116	46,039
		Expenses							
12,007	12,498	Academic Salaries	6,756	2,521	331	165	3,835	47	13,655
2,868	3,238	Staff Salaries	3,060	383	15		295	4	3,757
5,701	6,068	Benefits and Other Compensation	3,786	1,322	155	53	2,088	18	7,422
21,193	14,832	Non-Salary Expenses	1,999	1,462	1,551	4,424	8,801	38	18,275
1,555	1,407	Internal Expenses	869	231	108	64	157	11	1,440
43,324	38,043	Total Expenses	16,470	5,919	2,160	4,706	15,176	118	44,549
792	3,173	Revenues less Expenses	(71)	(242)	8	1,797		(2)	1,490
		Transfers From (to) Endowment							
(906)	(4,242)	Principal, Plant & Student Loan			(200)	(2,531)			(2,731)
(114)	(1,069)	Surplus / (Deficit)	(71)	(242)	(192)	(734)		(2)	(1,241)
26,144	26,030	Beginning Operating Equity	71	6,638	6,945	11,305		2	24,961
26,030	24,961	Ending Operating Equity		6,396	6,753	10,571			23,720

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 13.

School of Education
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues							
10,491	14,400	General Funds Allocation	13,320	828					14,148
19,978	19,950	Restricted Revenues		333	2,600	4,805	12,219		19,957
82	60	Internal Revenues		56				5	61
458	(1,669)	Operating Transfers	3,244	25	(490)	(3,971)			(1,192)
31,009	32,741	Total Revenues	16,564	1,242	2,110	834	12,219	5	32,974
		Expenses							
9,540	9,914	Academic Salaries	6,849	133	519	9	2,957		10,467
4,935	5,194	Staff Salaries	2,665	227	496	35	2,003	4	5,430
5,109	5,315	Benefits and Other Compensation	3,428	97	366	19	1,702	1	5,613
8,439	11,053	Non-Salary Expenses	3,361	771	1,080	229	5,154		10,595
1,100	1,152	Internal Expenses	460	59	230	4	403		1,156
29,123	32,628	Total Expenses	16,763	1,287	2,691	296	12,219	5	33,261
1,886	113	Revenues less Expenses	(199)	(45)	(581)	538			(287)
		Transfers From (to) Endowment							
685	(369)	Principal, Plant & Student Loan		400					400
2,571	(256)	Surplus / (Deficit)	(199)	355	(581)	538			113
15,738	18,309	Beginning Operating Equity	1,943	4,584	8,810	2,716			18,053
18,309	18,053	Ending Operating Equity	1,744	4,939	8,229	3,254			18,166

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 13.

School of Engineering
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues							
53,226	53,742	General Funds Allocation	52,351						52,351
182,142	179,406	Restricted Revenues		23,733	15,305	25,655	110,792		175,485
5,103	3,473	Internal Revenues		2,355				1,246	3,601
5,905	2,430	Operating Transfers	21,784	894	(7,838)	(8,747)			6,093
246,376	239,051	Total Revenues	74,135	26,982	7,467	16,908	110,792	1,246	237,530
		Expenses							
72,753	73,868	Academic Salaries	29,491	7,162	5,275	1,479	36,109		79,516
21,449	22,485	Staff Salaries	11,364	5,688	820	207	4,503	802	23,384
36,403	41,611	Benefits and Other Compensation	17,196	4,695	2,580	537	18,393	256	43,657
81,281	77,434	Non-Salary Expenses	2,682	8,589	5,490	6,718	49,635	115	73,229
11,189	9,803	Internal Expenses	3,402	1,888	1,854	439	2,152	73	9,808
223,075	225,201	Total Expenses	64,135	28,022	16,019	9,380	110,792	1,246	229,594
23,301	13,850	Revenues less Expenses	10,000	(1,040)	(8,552)	7,528			7,936
		Transfers From (to) Endowment							
(4,293)	(24,819)	Principal, Plant & Student Loan	(10,000)	(5,233)	(8,614)	(31)			(23,878)
19,008	(10,969)	Surplus / (Deficit)		(6,273)	(17,166)	7,497			(15,942)
129,974	148,982	Beginning Operating Equity	626	45,165	53,536	38,674		12	138,013
148,982	138,013	Ending Operating Equity	626	38,892	36,370	46,171		12	122,071

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 13.

School of Humanities and Sciences
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues							
133,033	122,943	General Funds Allocation	136,612						136,612
165,348	180,239	Restricted Revenues	5	2,202	9,168	90,859	82,431	3,215	187,880
9,178	9,680	Internal Revenues	408	103	(67)	(205)		9,929	10,168
(3,803)	7,534	Operating Transfers	55,907	20,226	26	(66,760)		563	9,962
303,756	320,396	Total Revenues	192,932	22,531	9,127	23,894	82,431	13,707	344,622
		Expenses							
103,995	107,312	Academic Salaries	80,060	7,049	2,020	4,000	21,855	384	115,368
30,081	33,105	Staff Salaries	22,620	1,299	585	968	3,510	2,824	31,806
49,844	51,188	Benefits and Other Compensation	39,229	2,876	1,232	2,649	8,422	1,007	55,415
109,960	109,874	Non-Salary Expenses	34,244	6,759	4,299	9,154	45,587	9,220	109,263
13,190	15,003	Internal Expenses	11,220	838	933	1,416	3,057	272	17,736
307,070	316,482	Total Expenses	187,373	18,821	9,069	18,187	82,431	13,707	329,588
(3,314)	3,914	Revenues less Expenses	5,559	3,710	58	5,707			15,034
		Transfers From (to) Endowment							
(218)	(5,880)	Principal, Plant & Student Loan	(5,559)	(7)	(293)	(544)			(6,403)
(3,532)	(1,966)	Surplus / (Deficit)		3,703	(235)	5,163			8,631
140,285	136,753	Beginning Operating Equity	5,608	40,669	38,492	50,429	14	(425)	134,787
136,753	134,787	Ending Operating Equity	5,608	44,372	38,257	55,592	14	(425)	143,418

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 13.

School of Law
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2006/07 Total
		Revenues						
14,539	15,728	General Funds Allocation	17,447					17,447
27,048	32,888	Restricted Revenues	285	4,391	7,562	22,408	90	34,736
1		Internal Revenues						
1,291	(20)	Operating Transfers	24,330	(2,030)	(2,600)	(19,420)		280
42,879	48,596	Total Revenues	42,062	2,361	4,962	2,988	90	52,463
		Expenses						
11,729	13,365	Academic Salaries	14,207	182	317	21	21	14,748
6,779	7,650	Staff Salaries	7,170	301	572	42	21	8,106
6,165	7,423	Benefits and Other Compensation	7,562	251	399	20	13	8,245
12,350	13,772	Non-Salary Expenses	12,156	1,356	786	223	35	14,556
1,232	950	Internal Expenses	751		232	26		1,009
38,255	43,160	Total Expenses	41,846	2,090	2,306	332	90	46,664
4,624	5,436	Revenues less Expenses	216	271	2,656	2,656		5,799
		Transfers From (to) Endowment						
(2,243)	(7,500)	Principal, Plant & Student Loan		(1,515)	(2,900)	(2,810)		(7,225)
2,381	(2,064)	Surplus / (Deficit)	216	(1,244)	(244)	(154)		(1,426)
18,316	20,697	Beginning Operating Equity	18	4,522	11,521	2,572		18,633
20,697	18,633	Ending Operating Equity	234	3,278	11,277	2,418		17,207

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 13.

School of Medicine
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Designated Clinics	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues								
81,455	79,282	General Funds Allocation	79,712							79,712
831,742	872,714	Restricted Revenues		51,233	290,014	85,203	86,832	386,328	31,820	931,430
31,329	41,987	Internal Revenues		29,082					16,999	46,081
2,444	2,335	Operating Transfers	71,291	(9,002)	(10,072)	(20,418)	(31,389)			410
946,970	996,318	Total Revenues	151,003	71,313	279,942	64,785	55,443	386,328	48,819	1,057,633
		Expenses								
249,001	269,498	Academic Salaries	14,285	18,815	122,667	11,338	13,441	109,756	5,237	295,539
104,988	116,406	Staff Salaries	35,856	10,999	22,800	3,994	2,421	24,832	16,031	116,933
158,018	190,380	Benefits and Other Compensation	21,028	15,623	102,545	5,178	5,514	42,907	7,626	200,421
310,267	347,656	Non-Salary Expenses	59,947	33,762	15,332	15,720	21,035	201,186	18,861	365,843
64,508	56,517	Internal Expenses	19,887	4,274	16,598	4,274	7,343	7,647	1,400	61,423
886,782	980,457	Total Expenses	151,003	83,473	279,942	40,504	49,754	386,328	49,155	1,040,159
60,188	15,861	Revenues less Expenses		(12,160)		24,281	5,689		(336)	17,474
		Transfers From (to) Endowment								
(38,229)	(12,218)	Principal, Plant & Student Loan		(9,810)		(12,000)	(2,045)			(23,855)
21,959	3,643	Surplus / (Deficit)		(27,186)		12,281	3,644		(336)	(6,381)
350,652	372,611	Beginning Operating Equity		139,314	3,955	147,024	88,613		2,313	376,254
372,611	376,254	Ending Operating Equity		112,128	3,955	159,305	92,257		1,977	369,873

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
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Auxiliary & Service Center	2006/07 Total
		Revenues						
10,771	13,811	General Funds Allocation	19,297					19,297
11,719	13,800	Restricted Revenues	157	902	298	15,663	2,157	19,177
	(72)	Internal Revenues		(72)		(10)		(82)
(3)	(6,748)	Operating Transfers	12,115	(209)	225	(18,472)	(250)	(6,591)
22,487	20,791	Total Revenues	31,569	621	523	(2,819)	1,907	31,801
		Expenses						
5,426	6,242	Academic Salaries	6,901					6,901
5,734	6,287	Staff Salaries	9,201					9,201
4,397	4,386	Benefits and Other Compensation	5,686	25				5,711
3,645	4,286	Non-Salary Expenses	8,733	302	468	27	1,907	11,437
1,311	1,060	Internal Expenses	1,095		5	2		1,102
20,513	22,261	Total Expenses	31,616	327	473	29	1,907	34,352
1,974	(1,470)	Revenues less Expenses	(47)	294	50	(2,848)		(2,551)
		Transfers From (to) Endowment						
2,423	(4,994)	Principal, Plant & Student Loan	(50)					(50)
4,397	(6,464)	Surplus / (Deficit)	(97)	294	50	(2,848)		(2,601)
10,597	14,994	Beginning Operating Equity	2,516	1,794	226	3,994		8,530
14,994	8,530	Ending Operating Equity	2,419	2,088	276	1,146		5,929

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 13.

Vice Provost and Dean of Reseach and Graduate Policy
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues							
27,866	28,866	General Funds Allocation	33,299						33,299
167,928	152,382	Restricted Revenues	(2)	5,039	12,265	29,254	84,101		130,657
1,921	1,685	Internal Revenues	871	(15)				964	1,820
(1,310)	(1,818)	Operating Transfers	11,667	1,216	(3,755)	(17,246)			(8,118)
196,405	181,115	Total Revenues	45,835	6,240	8,510	12,008	84,101	964	157,658
		Expenses							
27,028	27,656	Academic Salaries	4,925	1,444	1,980	1,259	15,247	402	25,257
21,515	23,327	Staff Salaries	19,162	1,385	1,286	258	4,005	85	26,181
16,492	17,834	Benefits and Other Compensation	7,110	1,024	1,318	558	7,532	165	17,707
111,096	97,790	Non-Salary Expenses	12,923	3,361	6,416	2,181	55,980	303	81,164
9,176	6,909	Internal Expenses	3,747	296	788	293	1,337	28	6,489
185,307	173,516	Total Expenses	47,867	7,510	11,788	4,549	84,101	983	156,798
11,098	7,599	Revenues less Expenses	(2,032)	(1,270)	(3,278)	7,459		(19)	860
		Transfers From (to) Endowment							
1,056	(2,396)	Principal, Plant & Student Loan	(34)	(350)	1,635	(2,274)			(1,023)
12,154	5,203	Surplus / (Deficit)	(2,066)	(1,620)	(1,643)	5,185		(19)	(163)
72,165	84,319	Beginning Operating Equity	6,429	26,373	22,139	34,509		72	89,522
84,319	89,522	Ending Operating Equity	4,363	24,753	20,496	39,694		53	89,359

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 13.

Hoover Institution
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2006/07 Total
		Revenues						
1,364	737	General Funds Allocation	778					778
34,135	33,315	Restricted Revenues	100	490	19,868	16,966	16	37,440
23	29	Internal Revenues		30				30
(65)	2	Operating Transfers	37,764	(3,269)	(18,370)	(16,125)		
35,457	34,083	Total Revenues	38,642	(2,749)	1,498	841	16	38,248
		Expenses						
9,720	10,034	Academic Salaries	10,824				12	10,836
6,033	6,430	Staff Salaries	6,686				1	6,687
5,470	5,257	Benefits and Other Compensation	5,844				4	5,848
12,263	14,768	Non-Salary Expenses	14,222	12			2	14,236
1,135	1,038	Internal Expenses	1,066					1,066
34,621	37,527	Total Expenses	38,642	12			19	38,673
836	(3,444)	Revenues less Expenses		(2,761)	1,498	841	(3)	(425)
(3,051)	1	Transfers From (to) Endowment Principal, Plant & Student Loan						
(2,215)	(3,443)	Surplus / (Deficit)		(2,761)	1,498	841	(3)	(425)
13,499	11,284	Beginning Operating Equity	1		6,778	933	6	7,841
11,284	7,841	Ending Operating Equity	1	(2,761)	8,276	1,774	3	7,416

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 13.

Stanford University Libraries and Academic Information Resources
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2006/07 Total
		Revenues							
39,315	42,208	General Funds Allocation	44,025					28	44,053
35,514	40,507	Restricted Revenues		3,064	664	10,483	1,174	28,835	44,220
274	(120)	Internal Revenues		(245)				20	(225)
2,256	2,568	Operating Transfers	10,444	(3,044)	(133)	(5,802)		1,232	2,697
77,359	85,163	Total Revenues	54,469	(225)	531	4,681	1,174	30,115	90,745
		Expenses							
6,155	5,826	Academic Salaries	5,702				175	2	5,879
28,713	32,627	Staff Salaries	18,790		54		500	14,887	34,231
11,267	13,395	Benefits and Other Compensation	8,301		17		215	5,378	13,911
27,170	29,945	Non-Salary Expenses	20,747	21	879	3,734	284	7,634	33,299
4,871	5,258	Internal Expenses	929		76	299		2,214	3,518
78,176	87,051	Total Expenses	54,469	21	1,026	4,033	1,174	30,115	90,838
(817)	(1,888)	Revenues less Expenses		(246)	(495)	648			(93)
		Transfers From (to) Endowment							
(4,715)	926	Principal, Plant & Student Loan			27	724			751
(5,532)	(962)	Surplus / (Deficit)		(246)	(468)	1,372			658
9,535	4,003	Beginning Operating Equity	22	713	970	1,336			3,041
4,003	3,041	Ending Operating Equity	22	467	502	2,708			3,699

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 13.

Vice Provost for Student Affairs
2006/07 Consolidated Forecast
(in thousands of dollars)

2004/05 Actuals	2005/06 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2006/07 Total
		Revenues						
19,171	19,634	General Funds Allocation	20,743					20,743
7,787	7,656	Restricted Revenues		3,935	718	2,778	505	7,936
17	(128)	Internal Revenues		(120)				(120)
4,445	5,515	Operating Transfers	7,828	(1,188)	296	(1,491)		5,445
31,420	32,677	Total Revenues	28,571	2,627	1,014	1,287	505	34,004
		Expenses						
1,227	1,344	Academic Salaries	1,229		28	221	26	1,504
13,574	14,162	Staff Salaries	13,890	547	411	53	218	15,119
4,603	4,429	Benefits and Other Compensation	4,380	253	155	87	97	4,972
8,454	9,276	Non-Salary Expenses	7,858	1,842	294	193	155	10,342
2,367	2,298	Internal Expenses	1,585	109	141	51	9	1,895
30,225	31,509	Total Expenses	28,942	2,751	1,029	605	505	33,832
1,195	1,168	Revenues less Expenses	(371)	(124)	(15)	682		172
		Transfers From (to) Endowment						
(510)	(496)	Principal, Plant & Student Loan	(157)	(23)	(67)	(134)		(381)
685	672	Surplus / (Deficit)	(528)	(147)	(82)	548		(209)
12,061	12,746	Beginning Operating Equity	1,343	7,841	2,034	2,200		13,418
12,746	13,418	Ending Operating Equity	815	7,694	1,952	2,748		13,209

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 13.

Auxiliary Activities
2006/07 Consolidated Forecast

[dollars in thousands]

ATHLETICS

Operating	
Revenues	
Intercollegiate	18,180
Unrestricted Funds	10,640
Golf Course	5,400
General Funds	5,503
Restricted Funds	9,133
Faculty-Staff Recreation	1,536
Total Revenues	50,392
Expenses	
Compensation	23,850
Sport Programs	10,440
Facilities & Events	7,862
Administration & Services	7,186
Debt Services	1,041
University Overhead	1,705
Total Expenses	52,084
Operating Gain/(Loss)	(1,692)
Financial Aid	
Revenues	16,100
Expenses	15,700
Financial Aid Gain/(Loss)	400
Camps	
Revenues	5,200
Expenses	4,900
Camps Gain/(Loss)	300
Consolidated	
Total Revenues	71,692
Total Expenses	72,684
Consolidated Gain/(Loss)	(992)

RESIDENTIAL & DINING ENTERPRISES

Revenues	
Student Payments	91,343
Student Payments: Off Campus	2,741
SLAC Guest House	1,904
Conferences Housing & Dining	9,601
Other Operating Income	17,259
Interest Income	190
Total Revenue	123,038
Transfers	
Grad Housing Subsidy: Off Campus	1,630
Rent Loss Reimbursement	500
Debt Service Subsidy: Grad Housing	3,000
Miscellaneous Transfers	630
Transfer to Residential Education	(6,039)
Total Transfers	(279)
Total Revenue and Transfers	122,759
Expenses	
Salaries and Benefits	37,142
Food Costs	8,546
EM&S	10,149
Rentals & Leases: Off Campus	4,371
Utilities & Telephone	9,777
Repair & Maintenance	13,112
Debt Service	34,211
Distribution of G&A Expenses	6,800
Total Expenses	124,108
Operating Gain/(Loss)	(1,349)

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, the endowment, and fund balances. The short summaries below serve as an introduction to the schedules and point out trends or historical occurrences.

Schedule 1 – Student Enrollment

Male undergraduates outnumbered female undergraduates in 2005/06, 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, setting a new record high in 2005/06. The number of non-TGR graduate students increased by 37 in 2005/06.

Schedule 2 – Freshman Student Apply/Admit/Enroll Statistics

The number of applicants for the present freshman class increased again to 20,195, the largest pool in Stanford's history, showing both Stanford's popularity and the increasing number of applications per high school senior. Only 12% of applicants were accepted, which was a record low. Stanford has become increasingly selective over the past ten years as the applicant pool continues to increase. Stanford's yield rate also improved, and is always among the highest in the country.

Schedule 3 – Graduate Student Apply/Admit/Enroll Statistics

The number of applicants to Stanford's graduate and professional programs fell slightly to 30,381 in 2005/06. Nonetheless, Stanford's graduate programs admitted only 14.3% of all applicants. The yield for graduate admits has increased slowly but steadily since fall 1992 and is now at a record high of 55.2%.

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. The increase for 2005/06 was 5.4%.

Schedule 5 – Tuition and Fee Income

Total tuition income is expected to increase at a slightly lower rate (5.4%) than the increase in the most common tuition rate (5.75%) due to somewhat lower tuition increases for the School of Medicine and the GSB. Undergraduate tuition is expected to grow at 6.0% due to a slight increase in the number of number of undergraduate enrollment in 2006/07.

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 4.2% in 2004/05, mostly as a result of a 4.5% tuition increase. 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 endowment 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. Loan amounts dropped by 2.3% in 2004/05. The work component of financial aid is quite small, representing less than 3% of the total.

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 will increase by less than the tuition, room, and board increase next year because we expect fewer students to be aided, and because those who are aided have demonstrated less need. On the "Sources" side for 2006/07, the unrestricted funds required will be about the same as in 2005/06. 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 from about 41% to 61% during the past ten years, reflecting the increased expense of the local housing market and the availability of cheaper alternatives offered by Stanford. Stanford has begun to phase out the off-campus subsidized housing program, as local rents have eased and more graduate housing has been built on campus.

Schedule 9 – Total Professorial Faculty

The total professoriate decreased by 6 since last year. The number of tenure-line faculty has increased by only 32 in the last five years (less than 3%), while the non-tenure line faculty (consisting mostly of Medical Center Line faculty) has increased by 71 (16%) 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 23 since 2003/04, and the number of tenure line faculty who have not obtained tenure has decreased by 9. The number of non-tenure line faculty has increased by 13, 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 total number of non-teaching employees increased by only 1.3% in 2005/06. The new employees are scattered throughout the university. Business Affairs - IT (formerly Information Technology Systems and Services) had a decrease in staff for the fourth consecutive year, as projects to implement new administrative computing systems came to a close.

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. The number of employees in administrative areas was essentially flat, increasing by only 12 in 2005/06 (less than 1%). 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 16% in 2006/07. Retiree medical insurance costs are expected to decrease 17% due to changes in the program designed to mitigate rising costs.

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 6% in 2004/05. Non-federal sponsored research typically makes up 15% 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 increased 13% in 2004/05 as several major construction projects ramped up, such as the Munger Hall Project. 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 2004/05 was 16.7%, 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 5.0%.

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 1996/97 through 2005/06

	Undergraduate			Graduate				
Year	Women	Men	Total	Women	Men	Total	TGR	Total
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
2005/06	3,204	3,501	6,705	2,384	4,424	6,808	1,368	14,881

Source: Registrar's Office third week enrollment figures

SCHEDULE 2

Freshman Apply/Admit/Enroll Statistics
Fall 1995 through Fall 2005

	Total Applications		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
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%
Fall 2005	20,195	5.3%	2,426	12.0%	1,633	67.3%

SCHEDULE 3

New Graduate Student Apply/Admit/Enroll Statistics
Fall 1995 through Fall 2005

	Total Applications		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
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%
Fall 2005	30,381	(0.8%)	4,356	14.3%	2,405	55.2%

SCHEDULE 4

Undergraduate Tuition and Room & Board Rates 1980/81 through 2006/07

Year	Undergraduate Tuition	Percent Change from Previous Year	Room & Board	Percent Change from Previous Year	Total Cost	Percent Change from Previous Year
1980/81	6,285	12.3%	2,636	12.0%	8,921	12.2%
1981/82	7,140	13.6%	2,965	12.5%	10,105	13.3%
1982/83	8,220	15.1%	3,423	15.4%	11,643	15.2%
1983/84	9,027	9.8%	3,812	11.4%	12,839	10.3%
1984/85	9,705	7.5%	4,146	8.8%	13,851	7.9%
1985/86	10,476	7.9%	4,417	6.5%	14,893	7.5%
1986/87	11,208	7.0%	4,700	6.4%	15,908	6.8%
1987/88	11,880	6.0%	4,955	5.4%	16,835	5.8%
1988/89	12,564	5.8%	5,257	6.1%	17,821	5.9%
1989/90	13,569	8.0%	5,595	6.4%	19,164	7.5%
1990/91	14,280	5.2%	5,930	6.0%	20,210	5.5%
1991/92	15,102	5.8%	6,160	3.9%	21,262	5.2%
1992/93	16,536	9.5%	6,314	2.5%	22,850	7.5%
1993/94	17,775	7.5%	6,535	3.5%	24,310	6.4%
1994/95	18,669	5.0%	6,796	4.0%	25,465	4.8%
1995/96	19,695	5.5%	7,054	3.8%	26,749	5.0%
1996/97	20,490	4.0%	7,337	4.0%	27,827	4.0%
1997/98	21,300	4.0%	7,557	3.0%	28,857	3.7%
1998/99	22,110	3.8%	7,768	2.8%	29,878	3.5%
1999/00	23,058	4.3%	7,881	1.5%	30,939	3.6%
2000/01	24,441	6.0%	8,030	1.9%	32,471	5.0%
2001/02	25,917	6.0%	8,304	3.4%	34,221	5.4%
2002/03	27,204	5.0%	8,680	4.5%	35,884	4.9%
2003/04	28,563	5.0%	9,073	4.5%	37,636	4.9%
2004/05	29,847	4.5%	9,500	4.7%	39,347	4.5%
2005/06	31,200	4.5%	9,932	4.5%	41,132	4.5%
2006/07	32,994	5.75%	10,367	4.4%	43,361	5.4%

Average Annual Tuition Growth, 1980/81-2005/06: 6.9%
Average Annual Tuition Growth, 1996/97-2005/06: 4.7%

Average Annual Tuition Real Growth[1], 1980/81-2005/06: 3.3%
Average Annual Tuition Real Growth[1], 1996/97-2005/06: 2.2%

Average Annual CPI Growth, 1980/81-2005/06: 3.5%
Average Annual CPI Growth, 1996/97-2005/06: 2.4%

[1] Real growth calculated using tuition adjusted to 2006 dollars using US Annual CPI-U values.

SCHEDULE 5

Breakdown of Tuition and Fee Income
Projected 2006/07 Budget
[in thousands of dollars]

	2005/06 Projected	2006/07 Budget	2005/06 to 2006/07 Change Amount	2005/06 to 2006/07 Change Percentage
Tuition:				
Undergraduate	205,066	217,441	12,375	6.0%
Graduate	172,664	181,299	8,635	5.0%
Other1	14,599	15,211	612	4.2%
Summer	23,845	24,718	872	3.7%
Total Tuition	416,175	438,669	22,494	5.4%
Miscellaneous Fees:				
Application Fees	5,076	5,173	96	1.9%
Other Fees	1,150	1,150		
Total Fees	6,226	6,323	96	1.5%
Total Tuition and Fee Income	**422,401**	**444,992**	**22,590**	**5.3%**

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

SCHEDULE 6

Undergraduate Financial Aid by Source of Funds and Type of Aid[1]
1995/96 through 2004/05
[in thousands of dollars]

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Scholarships and Grants										
Stanford Unrestricted Funds	17,513	13,611	12,201	13,420	8,954	4,568	10,349	13,561	13,848	14,281
Gifts and Endowment Income: Non-Athletic[2]	15,692	20,027	22,526	23,235	26,871	35,660	35,711	38,317	41,357	43,749
Athletic Awards	6,626	7,471	8,232	8,614	8,874	9,842	10,627	11,331	11,809	12,687
Departmental Awards	415	1,372	1,743	2,016	2,238	3,263	3,766	3,853	4,712	4,783
Trademark Income										158
External Grants[3]	11,477	13,757	15,541	15,343	16,713	16,383	17,824	20,431	21,361	21,367
Subtotal for Scholarships and Grants	51,723	56,238	60,243	62,629	63,649	69,717	78,278	87,493	93,087	97,025
Loans										
University Funds	1,290	1,233	787	600	666	612	9		22	
External Funds	11,453	11,519	12,791	12,354	11,279	9,987	11,159	11,690	12,544	12,271
Subtotal for Loans	12,743	12,752	13,578	12,953	11,946	10,599	11,168	11,690	12,567	12,271
Jobs										
University Funds[4]	3,602	3,295	3,255	2,387	2,252	1,120	1,408	1,458	1,839	1,236
External Funds	438	457	691	859	476	736	686	871	1,724	2,014
Subtotal for Jobs	4,040	3,752	3,945	3,246	2,728	1,857	2,094	2,329	3,563	3,250
Grand Total	68,506	72,742	77,766	78,828	78,323	82,173	91,540	101,511	109,216	112,546
Stanford Tuition plus Room and Board	26,749	27,827	28,857	29,878	30,939	32,471	34,221	35,884	37,636	39,347

[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 2006/07 Budget Needs and Sources, Including Parental and Student Contributions[1]
[in thousands of dollars]

	2004/05 Actuals	2005/06 Projected	2006/07 Budget	2005/06 to 2006/07 Change Amount	2005/06 to 2006/07 Change Percentage
Needs					
Tuition, Room & Board	110,467	112,409	115,165	2,756	2.5%
Books and Personal Expenses	9,453	9,479	9,487	8	0.1%
Travel	1,814	1,818	1,819	2	0.1%
Total Needs	121,734	123,705	126,471	2,766	2.2%
Sources					
Total Family Contribution (includes parent contribution for aided students, self-help, summer savings, assets, etc.)	49,506	50,569	47,672	(2,897)	(5.7%)
Endowment Income[2]	32,750	38,662	44,170	5,508	14.2%
Expendable Gifts	1,535	500	500		
Stanford Fund	9,474	9,662	10,340	678	7.0%
Federal Grants	4,241	4,148	4,091	(57)	(1.4%)
California State Scholarships	4,922	4,500	4,155	(345)	(7.7%)
Outside Awards	4,642	4,620	4,557	(63)	(1.4%)
Department Sources	382	350	350		
Unrestricted Funds	14,281	10,693	10,636	(57)	(0.5%)
Total Sources	121,734	123,705	126,471	2,766	2.2%
Number of Students on Need-Based Aid	2,870	2,830	2,750	(80)	(2.8%)

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 2005/06

Year	Undergraduates Housed On-Campus	Percent of Undergraduates Housed On-Campus	Graduate Students Housed On-Campus	Graduate Students Housed in Off-Campus Subsidized Apartments	Percent of Graduate Students Housed by Stanford
1993/94	5,799	88%	3,069		41.3%
1994/95	5,734	87%	3,132		41.9%
1995/96	5,819	88%	3,090		41.4%
1996/97	5,749	88%	2,980		41.0%
1997/98	5,864	88%	3,320		44.6%
1998/99	5,917	90%	3,717	250	52.5%
1999/00	5,955	90%	3,408	584	52.4%
2000/01	5,969	91%	3,887	687	59.4%
2001/02	6,199	93%	3,748	932	62.1%
2002/03	6,138	91%	3,828	932	62.6%
2003/04	6,067	91%	4,013	632	59.6%
2004/05	6,046	90%	4,391	553	61.1%
2005/06	6,090	91%	4,647	429	62.1%

SCHEDULE 9

Total Professorial Faculty[1]
1975/76 through 2005/06

	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
2005/06	789	210	263	1,262	511	1,773

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] 2003/04 through 2005/06

School Unit or Program	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	2005/06 Tenured	2005/06 Non-Tenured	2005/06 Non-Tenure Line	2005/06 Total
Earth Sciences	35	7	5	47	36	6	4	46	32	8	4	44
Education	35	10	3	48	35	8	3	46	35	8	3	46
Engineering	150	47	23	220	152	52	23	227	158	53	19	230
Humanities and Sciences	361	134	17	512	371	139	19	529	372	122	21	515
(Humanities)	(149)	(49)	(8)	(206)	(155)	(52)	(11)	(218)	(157)	(45)	(11)	(213)
(Natural Sciences & Math)	(114)	(33)	(5)	(152)	(116)	(33)	(5)	(154)	(117)	(30)	(4)	(151)
(Social Sciences)	(98)	(52)	(4)	(154)	(100)	(54)	(3)	(157)	(98)	(47)	(6)	(151)
Law	34	5	3	42	34	5	4	43	36	5	3	44
Other	3		15	18	4	1	13	18	5	1	13	19
Subtotal	618	203	66	887	632	211	66	909	638	197	63	898
Business	61	35	2	98	57	34	2	93	63	36	2	101
Medicine	241	62	427	730	239	65	442	746	238	58	443	739
SLAC	25	3	3	31	25	2	4	31	29	3	3	35
Total	945	303	498	1,746	953	312	514	1,779	968	294	511	1,773

[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] 1996 through 2005

Activity	1996	1997	1998	1999[3]	2000	2001	2002	2003	2004	2005
School of Medicine[2]	1,687	1,900	2,039	2,194	2,260	2,421	2,471	2,819	2,910	2,973
Other Schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law	1,272	1,328	1,353	1,350	1,375	1,493	1,506	1,576	1,641	1,705
Dept of Athletics, Physical Education and Recreation	100	101	110	117	131	128	123	127	130	141
Dean of Research	303	304	300	373	375	391	427	448	437	464
Stanford Linear Accelerator Center	1,310	1,300	1,271	1,287	1,286	1,385	1,415	1,432	1,496	1,456
Student Services: Student Affairs, Admissions & Financial Aid	226	225	240	249	237	257	248	266	261	265
Libraries[4]	326	342	374	372	377	456	466	515	515	528
Business Affairs Information Technology	369	391	407	409	436	518	498	457	430	394
Office of Development	138	126	129	136	147	156	153	155	170	196
University Lands and Buildings[5]	456	471	469	350	340	376	375	389	392	405
Housing and Dining	277	285	323	331	338	373	404	488	521	508
Stanford Alumni Association[6]			84	76	88	108	113	98	104	108
Stanford Management Company	46	48	49	53	54	63	69	62	62	66
Other Academic: Hoover[4], Learning Technology and Extended Education (through 2001/02), VPUE (1998/99-present)[7]	182	191	229	230	242	219	205	160	248	175
Administration: Business Affairs, President's Office, Provost's Office, General Counsel, Press (until 2003/04), VP for Public Affairs (2003/04-present)	522	549	595	685	699	716	698	642	698	757
TOTAL	7,214	7,561	7,972	8,212	8,385	9,060	9,171	9,634	10,015	10,141
Percent Change	2.6%	4.8%	5.4%	1.9%	2.1%	8.1%	1.2%	5.0%	4.0%	1.3%

Notes

1 Does not include students, or employees working less than 50% time. Over time, university functions may move from one organization to another.

2 The School of Medicine 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 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.

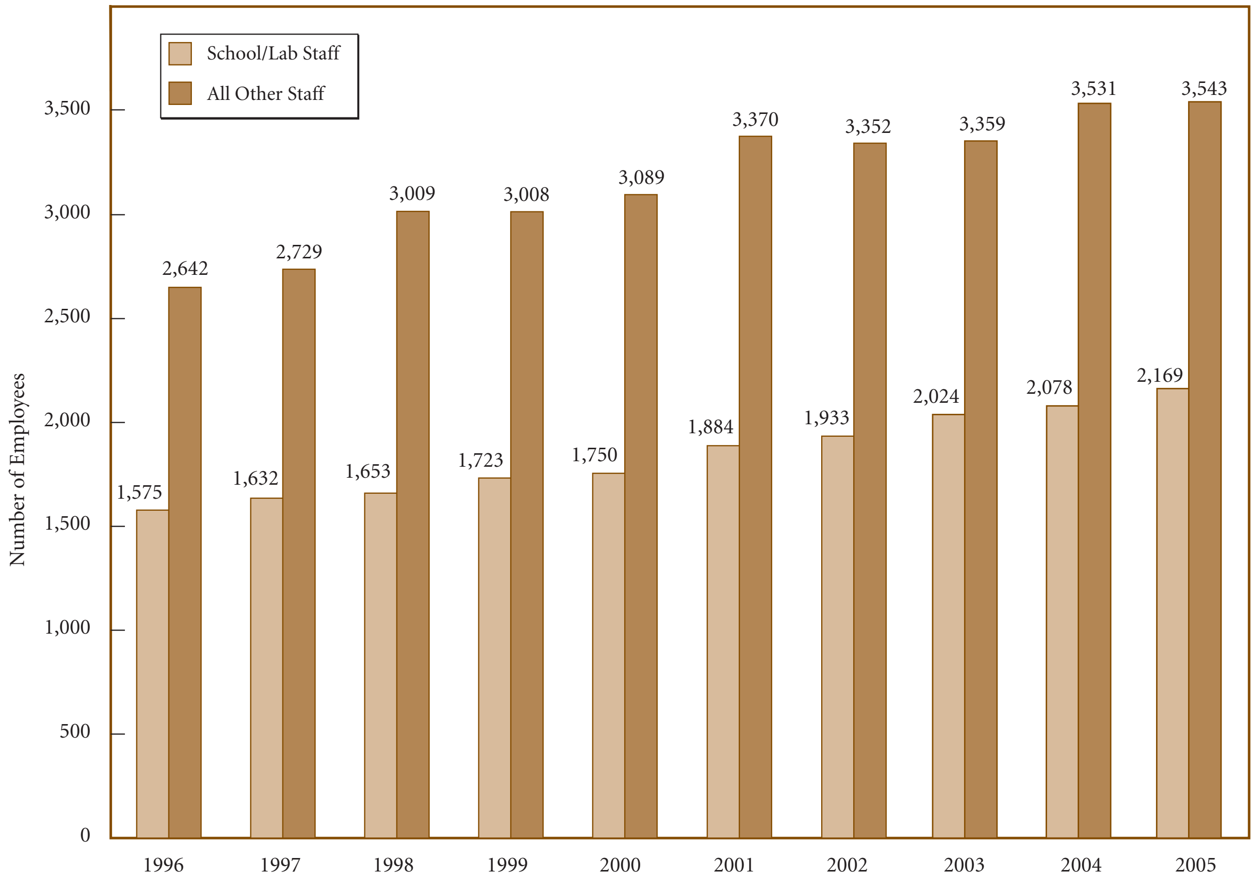
5 Lands and Buildings included Environmental Health and Safety, Public Safety and Procurement for 1994/95-1998/99 and Procurement again in 2001/02. Environmental Health and Safety moved to the Dean of Research, and Procurement and Public Safety moved to Business Affairs in 1999/00.

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

7 Prior to 1998/99, VPUE staff were counted as part of H&S.

SCHEDULE 12

Staff Employees in Units Other than Medicine or SLAC
1996 through 2005, as of December 15 of Each Year



SCHEDULE 13

2006/07 Projected Consolidated Budget Fringe Benefits Detail

[in thousands of dollars]

Fringe Benefits Program	2003/04 Actuals	2004/05 Actuals	2005/06 Negotiated Budget	2005/06 Projected	2006/07 Budget	2005/06 to 2006/07 Change Amount	2005/06 to 2006/07 Change Percentage
Pension Programs							
University Retirement	72,582	78,200	84,278	83,703	88,786	5,083	6.1%
Social Security	66,361	70,387	73,462	74,647	78,532	3,885	5.2%
Faculty Early Retirement	6,624	7,864	6,855	6,319	5,556	(763)	(12.1%)
Other	5,979	4,120	478	478	446	(32)	(6.7%)
Total Pension Programs	151,546	160,571	165,073	165,147	173,320	8,173	4.9%
Insurance Programs							
Medical Insurance	45,318	56,721	64,875	66,331	76,758	10,427	15.7%
Retirement Medical	18,732	16,747	20,371	17,217	14,316	(2,901)	(16.8%)
Worker's Comp/LTD/ Unemployment Insurance	15,620	11,253	16,139	15,604	18,826	3,222	20.6%
Dental Insurance	8,738	9,134	9,780	9,604	10,445	841	8.8%
Group Life Insurance/Other	8,997	9,523	10,666	11,248	12,282	1,034	9.2%
Total Insurance Programs	97,405	103,378	121,831	120,004	132,627	12,623	10.5%
Miscellaneous Programs							
Severance Pay	4,476	6,339	4,076	3,656	3,513	(143)	(3.9%)
Sabbatical Leave	10,625	12,551	11,538	13,217	12,216	(1,001)	(7.6%)
Other	10,091	10,977	11,893	12,363	12,209	(154)	(1.2%)
Total Miscellaneous Programs	25,192	29,867	27,507	29,236	27,938	(1,298)	(4.4%)
Total Fringe Benefits Programs	274,143	293,816	314,411	314,387	333,885	19,498	6.2%
Carry-forward/Adjustment from Prior Year(s)	6,620	13,606	15,577	15,577	6,300	(9,277)	(59.6%)
Total with Carryforward/Adjustments	280,763	307,422	329,988	329,964	340,185	10,221	3.1%
Budgeted Fringe Benefits Rate	26.6%	27.5%	27.7%	27.6%	27.0%		

Note:
The university has four rates for 2006/07, and the single rate shown just above is the weighted average of those rates. The four rates are 29.7% for regular employees, which includes all faculty and staff with continuing appointments of half-time or more, 20.2% for post-doctoral scholars, 8.5% for contingent (casual or temporary) employees, and 3.8% for graduate teaching and research assistants.

SCHEDULE 14

Sponsored Research Expense by Agency and Fund Source[1]
1998/99 through 2004/05
[in thousands of dollars]

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
US Government							
Subtotal for US Government Agencies	358,942	371,180	391,156	432,967	488,110	545,525	577,623
Agency[2]							
DoD	54,569	45,689	49,246	52,571	55,381	55,421	59,958
DoE (Not including SLAC)	13,176	18,483	21,760	22,391	24,496	20,957	25,591
NASA	67,492	63,194	54,767	67,069	87,311	97,727	94,606
DoEd	2,489	2,302	3,618	2,278	1,123	2,006	1,922
HHS	70,403	186,032	204,461	227,167	256,049	299,235	317,604
NSF	36,303	39,060	39,112	41,580	44,070	56,593	63,083
Other US Sponsors[3]	14,509	16,422	18,193	19,911	19,680	13,585	14,858
Direct Expense-US	268,547	275,853	287,865	319,559	364,036	405,342	427,900
Indirect Expense-US[4]	90,395	95,327	103,291	113,408	124,074	140,183	149,598
Non-US Government							
Subtotal for Non-US Government	58,095	73,094	73,012	84,390	87,352	96,001	105,143
Direct Expense-Non US	47,022	58,538	59,209	68,519	72,632	77,088	85,814
Indirect Expense-Non US	11,073	14,556	13,803	15,871	14,719	18,914	19,329
Grand Totals-US plus Non-US							
Grand Total	417,037	444,275	464,168	517,356	575,461	641,526	682,766
Grand Total Direct	315,569	334,392	347,074	388,077	436,668	482,430	513,714
Grand Total Indirect	101,468	109,883	117,093	129,279	138,793	159,097	168,928
% of Total from US Government	86.1%	83.5%	84.3%	83.7%	84.8%	85.0%	84.6%

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]
1997/98 through 2004/05
[in thousands of dollars]

Unit	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
GSB	9,499	14,400	11,644	1,173	2,993	161		129
Earth Sciences	3,703	250	1,321	511	941	132	204	227
Education	3,478	454	297	587	(50)	128		583
Engineering	44,076	40,801	12,221	2,696	15,541	7,361	1,258	2,873
H&S	34,023	22,409	14,006	32,934	17,927	39,412	16,830	16,774
Law	1,208	1,031	156	1,838	6,586	1,475	2,319	1,429
Medicine[2]	22,821	40,902	47,888	6,716	14,240	11,143	16,900	22,631
Libraries	16,216	17,823	8,937	3,267	6,483	11,485	3,809	332
Athletics	6,369	7,007	10,666	13,803	5,708	10,583	16,098	25,691
Residential & Dining Enterprises	20,023	30,317	57,206	29,195	40,255	35,434	14,144	10,308
All Other[3]	98,339	104,361	143,075	140,327	154,837	135,229	53,744	61,105
Total	259,755	279,754	307,418	233,048	265,460	252,541	125,305	142,080

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
1994/95 through 2004/05

Year	Market Value of the Endowment (in thousands)[1]	Annual Nominal Rate of Return	Annual Real Rate of Return[2]
1994/95	3,402,825	15.2%	13.5%
1995/96	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%
2004/05	12,205,035	19.5%	16.7%

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 Fund Balances at Year-End: 1994/95 through 2004/05

[in millions of dollars]

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Avg Annual % Change 1994/95-2004/05
Academic Units:												
Graduate School of Business	23.3	25.9	27.6	28.4	31.6	38.7	37.6	33.3	41.7	40.2	43.5	6.4%
School of Earth Sciences	11.2	12.4	13.9	14.1	14.4	18.9	21.3	22.8	23.7	26.1	26.0	8.8%
School of Education	5.1	5.6	4.7	4.8	7.1	8.6	9.3	10.1	10.6	15.7	18.3	13.6%
School of Engineering	59.0	67.7	76.4	93.8	104.7	109.0	112.3	114.3	122.4	130.0	149.0	9.7%
School of Humanities & Sciences	53.6	54.0	65.9	71.9	79.7	86.0	112.2	140.0	138.3	140.3	138.8	9.8%
School of Law	5.5	6.1	8.4	10.6	9.8	10.4	12.4	14.7	16.5	18.3	20.7	14.2%
School of Medicine	171.7	195.1	209.3	225.2	252.0	270.2	307.0	325.1	354.0	350.7	372.6	8.1%
VP for Undergraduate Education				3.3	5.4	7.4	9.2	9.2	11.1	10.6	15.0	
Dean of Research	27.7	40.9	42.7	47.9	51.1	40.5	51.2	62.0	65.3	72.2	84.3	11.8%
Hoover Institution	4.9	8.3	9.0	13.1	18.9	22.0	24.8	26.0	23.3	13.5	11.3	8.8%
University Libraries	3.8	4.2	4.4	3.9	4.6	4.8	7.4	8.0	6.5	9.5	4.0	0.6%
Total Academic Units	365.6	420.1	462.4	516.9	579.3	616.5	704.6	765.5	813.4	827.1	881.5	9.2%