STANFORD UNIVERSITY
BUDGET PLAN
2007/08

This Budget Plan was approved by the Stanford University Board of Trustees June 14, 2007. 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/plan08.html

EXECUTIVE SUMMARY

To The Board of Trustees:

I am pleased to submit Stanford University's 2007/08 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 $58.8 million on $3.5 billion of revenues, $3.3 billion in expenditures, and $125 million in transfers. The Consolidated Budget revenues are expected to grow by 3.4% over the 2006/07 projected actual results, driven principally by growth in investment income and health care services.
- The Consolidated Budget includes $861.8 million in general funds, of which $133.8 million flows 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 $721.8 million in general funds to be allocated directly by the Provost. This represents a 7% increase in the non-formula general funds component of the Consolidated Budget and includes a $10 million budgeted surplus that we are holding in reserve for future needs.
- The Capital Budget calls for $386.3 million in expenditures next year. These expenditures are in support of a three-year Capital Plan that, if fully completed, would require $2.4 billion in total project funding. Principal expenditures next year will be directed to the seven remaining buildings in the Science, Engineering, and Medical Campus (SEMC) ($121 million); the Munger Graduate Residences ($96.4 million); and the new Graduate School of Business campus ($20.9 million).
- This Budget Plan also presents the projected 2007/08 Statement of Activities 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 $110.8 million surplus.

Proposed Change in Endowment Policy

At the June, 2007, Board of Trustees meeting the administration will request an increase in the target endowment payout rate from 5% to 5.5% and a resetting of the actual rate to 5.5% in 2007/08. The numbers in this Budget Plan do not incorporate this policy change, as the details of implementation are yet to be completed. If the Trustees approve the proposed payout increase, we estimate it will generate approximately $160 million in additional payout. The amount of funds released due to the payout increase is between 80% and 85% of the increase. The released general funds would be sequestered in a special account to be allocated toward the completion of high priority capital projects. This increased flow of funds will allow us to keep the budgets of schools and programs whole while general funds are devoted to finishing new facilities. More detail on this proposal and its implications may be found on page 8.

[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.

STRATEGIC PRIORITIES

With the launch of the Stanford Challenge in October 2006, the university's strategic priorities are clear. We seek to leverage our unique capabilities to address some of the most crucial problems of our time. The response of the Stanford community in supporting this effort has been encouraging, but much work remains. As we developed the budget for next year, the role of the Stanford Challenge was central to our planning in several respects. First, we worked with the deans of each school to identify how their budget requests fit with the goals of the campaign. Second, as funds are raised we have looked to fill in the inevitable gaps with general funds, where appropriate. Third, we have sought to provide adequate support to the Office of Development to continue addressing our key fundraising priorities. 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 2007/08 budget are:

- **Faculty Compensation, Recruitment, and Retention –** Perhaps the most critical issue in the budget process this year is maintaining our market position for the best faculty. We face strong competition in attracting the best new faculty and in retaining our tenured faculty. In this highly competitive marketplace we have allocated almost $6 million in incremental funds for retention, for lab startup costs, and for related faculty support costs. This is in addition to a competitive overall faculty salary program and supplementary funds allocated to salaries in areas where we have fallen behind the prevailing market.

- **Infrastructure –** An annual priority in the budget process is ensuring that our physical and systems infrastructure continues to meet the needs of a dynamic institution. Almost $5 million in incremental general funds will support the debt service and maintenance costs on new buildings. In addition, we have allocated over $4 million in incremental funds for our administrative systems group.

- **Compliance Costs –** Stanford's compliance function must keep pace with the growth and changes in 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 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 implemented significant improvements to its financial aid program for middle income families. These enhancements will be covered by a combination of endowed scholarship funds plus an additional $5.5 million general funds allocation. The details are discussed on page 11.

- **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 will focus on renewal of its undergraduate programs, as well as continue to expand its connection to the Stanford Challenge Initiative on the Environment and Sustainability.

  - The Business School will begin construction of its new campus, implement its new curriculum with the entering MBA class, and expand collaboration with other faculty around the university in support of the Stanford Challenge graduate education initiatives.

- The Medical School will continue to expand its regenerative medicine programs and launch the construction of the Learning and Knowledge Center, a critical element in the school's strategic plan.
- The Law School will initiate several new interdisciplinary and cross-campus programs in 2007/08, expanding educational opportunities for both law students and graduate students from around the university. The most critical new initiative to be launched by the school will be planning for a new academic building.
- The School of Engineering will focus on the build-out of the Bioengineering Department, in addition to numerous capital projects. It will open the Environment and Energy Building and continue to enhance its initiative in the nanosciences.
- The School of Humanities and Sciences faces strong competition for faculty, while it continues to grow many of its key program areas and initiatives. These include the campus-wide Arts Initiative; the Division of International, Comparative, and Area Studies; the Institute for Research in the Social Sciences; the Institute for Theoretical Physics; and the Mathematics Research Center.
- The Office of the Vice Provost for Undergraduate Education will focus next year on continued improvement of the advising program, reviewing the Introduction to the Humanities program, strengthening the relationship with academic departments, and launching a new Overseas Studies program in Spain.
- The newly created Office of the Vice Provost for Graduate Education will expand programs in support of the Stanford Challenge graduate initiatives, including the Stanford Interdisciplinary Graduate Fellowships and a major graduate diversity fellowship program.

CONSOLIDATED BUDGET FOR OPERATIONS

The table on page vi shows the main revenue and expense line items for 2007/08 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 and is expected to grow by 4.8%. Tuition income is projected to grow 5% over the projected 2006/07 actuals, as the result of a 5.5% increase in the general undergraduate and graduate tuition, and increases between 4.5% and 5.9% in the professional schools, and no increase in terminal graduate registration fees. Room and board income is projected to increase 3.8%, due to a 4.25% increase in the standard undergraduate room and board rate and the phase out of university-funded subsidies for graduate students living off campus.

Sponsored Research – Overall sponsored research is budgeted to drop by 2.1% over the projected year-end actuals, due mainly to a 10.8% reduction at SLAC due to construction which was recently completed. Growth in non-SLAC direct research revenue is anticipated to be 2%, an increase below the expected inflation rate. Indirect cost recovery (ICR) is expected to grow by 4.6% in 2007/08, due primarily to an increase in the indirect cost rate from 56.5% to 58.0%.

Health Care Services Income – Revenue for health care services is projected to increase 6.4% in 2007/08, due to increases 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.

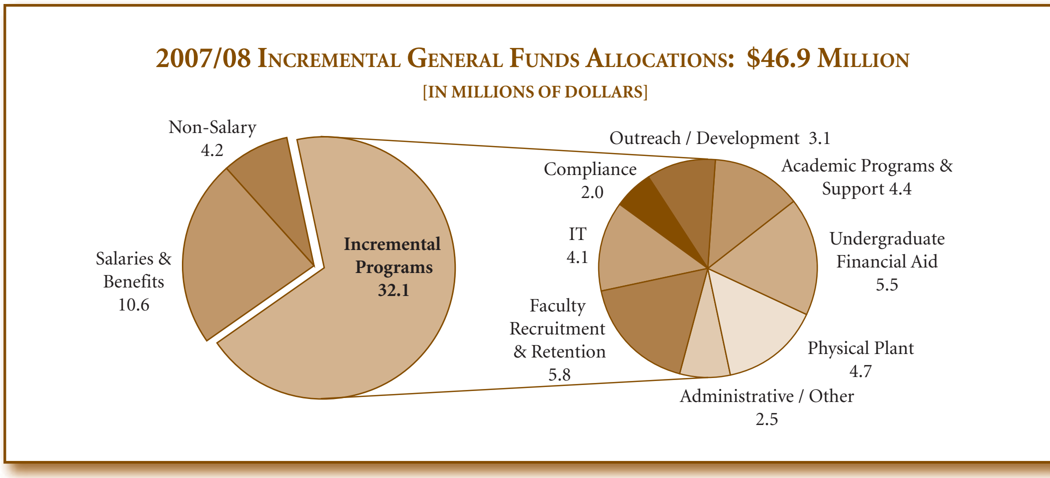
Consolidated Budget for Operations, 2007/08

[in millions of dollars]

2005/06 Actuals	2006/07 Projected Actuals		2007/08 Consolidated Budget	Percent Change
		Revenues and Other Additions		
519.2	547.5	Total Student Income	573.9	4.8%
		Sponsored Research Support:		
523.5	523.5	Direct Costs-University	534.0	2.0%
298.0	379.0	Direct Costs-SLAC	338.1	(10.8%)
172.4	177.7	Indirect Cost	185.9	4.6%
993.9	1,080.2	Total Sponsored Research Support	1,058.0	(2.1%)
367.4	377.9	Health Care Services	402.1	6.4%
167.7	170.0	Expendable Gifts in Support of Operations	175.0	2.9%
628.5	740.2	Investment Income	827.6	11.8%
313.6	325.0	Special Program Fees and Other Income	333.2	2.5%
92.5	95.0	Net Assets Released from Restrictions	80.0	(15.8%)
3,082.8	3,335.8	Total Revenues	3,449.8	3.4%
		Expenses		
1,498.2	1,611.3	Salaries and Benefits	1,742.3	8.1%
297.9	379.0	SLAC	338.1	(10.8%)
142.9	155.0	Financial Aid	169.4	9.3%
921.1	987.4	Other Operating Expenses	1,016.0	2.9%
2,860.1	3,132.7	Total Expenses	3,265.8	4.2%
222.7	203.1	Operating Results	184.0	
(52.8)	(126.5)	Transfers, Principally to Facilities & Endowment	(125.2)	
169.9	76.6	Revenues less Expenses and Transfers	58.8	

Expendable Gifts – The Office of Development anticipates that revenue from non-capital gifts available for current expenses will grow by $5 million in 2007/08 to $175 million. This does not include gifts to endowment or for capital projects, which do not appear in the Consolidated Budget for Operations. Net assets released from restrictions, which include the payments made on prior year pledges and prior year gifts released for current use, are expected to drop from $95 to $80 million.

Investment Income – This category consists of income paid out to operations from the endowment and from other investment income—mainly earnings on the Expendable Funds Pool (EFP). Overall, investment income is expected to increase by 11.8%. Income from the endowment itself is expected to increase next year by 14.2%, including payout on $400 million in projected new gifts to the endowment. The spending rates approved by the Board of Trustees in February 2007 yield a projected smoothed payout rate of 4.33% compared to our target rate of 5.0%. Other investment income is expected to be flat. We assume a 2% increase in the average balance of the EFP, but this increase will be offset by moderating money market rates, resulting in a lower payout from the EFP than in the current year.



Expense

Salaries and Benefits – We anticipate total compensation expense to increase 8.1% over the projected year-end actuals. Academic salary expense is expected to increase by 8.2%, driven by a competitive salary program, retention pressures, and a 1-2% increase in the number of faculty. Staff salary expense growth is budgeted to grow at 8.9% as a result of our merit program and an expected increase of 4% in staff headcount. The benefits rate will decrease from 29.7% to 28.1% for 2007/08. Total benefits expense is expected to increase by 5.8%.

Other Operating Expenses – This line item is composed principally of operations and maintenance (O&M) costs, utilities, capital equipment, materials and supplies, travel, library materials, subcontracts, and professional services. We are budgeting a growth of 2.9% for these items.

GENERAL FUNDS BUDGET

The General Funds budget 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 $46.9 million, or 7.1%, next year. $14.8 million of this is allocated for 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 $32.1 million is for incremental academic and administrative program expense. The pie chart above shows how the $32.1 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 2007/08 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, 2007/08, as well as projects that will be started during the three-year period from 2007/08 to 2009/10. Since some projects in the plan will not be completed by the end of 2009/10, the three-year plan actually provides a rolling window of approximately five to six years of construction projects at the university.

Capital Budget, 2007/08

The Capital Budget for 2007/08 represents capital expenditures for the upcoming year. We have budgeted $386.3 million in project expenditures. This reflects only a portion of the total costs of the capital projects underway, as most projects have a duration exceeding one year. We categorize the projects in the 2007/08 Capital Budget in two ways:

- By use: 48% is devoted to academic/research facilities; the remaining uses are student housing (25%), infrastructure (19%), academic support (5%), and athletics/student activities (3%).
- By type of space: 72% of the funding is for new projects (Munger Graduate Residences, and SEMC buildings); 8% for renovation projects (Panama Mall and Encina projects); and 20% for infrastructure projects.

Completion of the projects in the Capital Budget including the Energy & Environment building, will add $3.9 million to internal debt service, bringing the total to $135.2 million in the 2007/08 Consolidated Budget for Operations. This building will also require incremental O&M expenses of $3.2 million.

Capital Plan, 2007/08 – 2009/10

This year's Capital Plan forecasts $2.4 billion in construction and infrastructure projects that are currently underway or planned to begin over the next three years. The major initiatives included in last year's plan continue to be the principal components of this plan. They are 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, we do not expect all of the projects included in the Capital Plan 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 2009/10. Financing such an ambitious Capital Plan is challenging. The fundraising goals for individual projects total $1.124 billion, of which only $567.2 million in gifts are now in hand or pledged. We currently anticipate allocating $443.5 million in school reserves and central university funds toward the projects, supplemented by $364.3 million in debt and $50.4 million in other identified sources. This still leaves $387 million in resources yet to be identified. At plan completion, incremental annual debt service is expected to be $28.6 million and incremental O&M costs will total $27.1 million per year.

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 environmental studies, the biosciences and bioengineering, nanotechnology, and human health. Through the construction of the performing arts center and a new home for art and film studies, we will have achieved a long held goal of increasing the prominence of the arts on campus. Completing the Munger Residences and launching the new housing master plan will provide needed improvements to both graduate and undergraduate housing, and the new GSB and Law projects will yield facilities to support these schools' visionary curricular and interdisciplinary plans. Finally, the redevelopment of the Redwood City site allows for the centralization of important university services in modern facilities off campus, thereby freeing up space on the central campus for academic expansion.

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a university-level perspective on Stanford's programmatic and financial plans for 2007/08. 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 expenses against the budget. In addition, we will bring forward individual capital projects for approval under normal Board of Trustees guidelines.

This document is divided into four sections and two appendices. Section 1 describes the financial elements of the plan, including details of the Consolidated Budget for Operations and the projected Statement of Activities for 2007/08. Section 2 provides a budgetary and programmatic overview of the major academic units of the university, and Section 3 provides a similar view of the administrative and auxiliary units. The structure and format of these two sections have been significantly changed this year, in ways that we hope are helpful. Section 4 contains details on the Capital Budget for 2007/08 and on the Capital Plan for 2007/08-2009/10. As usual, the Appendices include budgets for the major academic units, as well as supplementary financial and institutional data.

CONCLUSION

Stanford University is in an enviable position, both financially and—more important—academically. We are blessed with the most loyal and supportive alumni in the nation, and benefit from a remarkable endowment management team that skillfully shepherds university resources in support of our academic mission. The wise choices of past academic leaders have left our research capacity and educational programs in positions of unprecedented strength across the entire university. At the core of this strength is an innovative and entrepreneurial faculty, who in turn attract the highest quality students.

The Stanford Challenge sets out a vision that will leverage these strengths toward an extremely ambitious goal: to address, through our research contributions and the education of future leaders, some of the most daunting challenges facing the world. This goal is reflected throughout this document—in the multitude of choices made in constructing the annual budget, in the individual academic plans described by the schools, and, most strikingly, in the Capital Plan required to support these high aspirations.

In preparing the budget and capital plans described in this document, I have benefited from the advice and support of 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 Patti Gumport, Stephen Hinton, Rosemary Knight, Randy Livingston, Maureen McNichols, Kären Nagy, Steve Olson, Channing Robertson, Bob Simoni, Buzz Thompson and Tim Warner, with Dana Shelley ably leading the charge. The Capital Planning Group consists of Megan Davis, Stephanie Kalfayan, Sandy Louie, Bob Reidy, Craig Tanaka, Bob Tatum, Tim Warner, and Mark Zoback,

with Margaret Dyer-Chamberlain orchestrating the affair. The university owes both groups a debt of gratitude for the many hours they put into the budget and capital planning process.

Finally, Stanford is fortunate to have an extraordinary set of Deans, whose leadership, cooperation and shared vision add immeasurably to the strength of both the individual schools and the university as a whole. It is a pleasure and privilege to propose a Budget and Capital Plan to support their vision.

John W. Etchemendy
Provost
June 2007

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INTRODUCTION: BUDGETING AT STANFORD

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

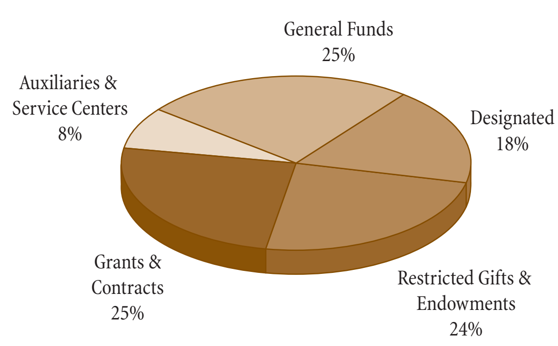
Fund Accounting

Stanford's budgets are developed and managed according to the principles of fund accounting. Revenue is segregated into a variety of fund types, and the use of the revenue is governed by the restrictions of the fund. For example, each expendable gift received is put into an individual fund, and the recipient must use the funds in accordance with the wishes of the donor. Gifts of endowment are also put into separate funds, but the corpus can never be spent. Only the payout on the endowment fund can be spent, but as with gift funds, only in accordance with the restrictions imposed by the donor. The segregation of each gift allows the university to ensure that the funds are spent appropriately and to report to the donors on the activities that their funds support. Monies received from government agencies, foundations, or other outside sponsors are also deposited in separate, individual funds to ensure strict adherence to the terms of the grants and/or contracts that govern the use of the funds. Non-gift and non-sponsored research revenue also reside in funds, but this type of revenue may be commingled in a single fund. Often, however, departments may choose to combine unrestricted monies into separate funds for a particular program, for a capital project, or to create a reserve. Stanford's 2007/08 recommended Consolidated Budget for Operations revenues by fund type is shown below.

Budget Management

So how does Stanford budget and manage its roughly 30,000 expendable and 6,000 endowment funds? It goes without saying that the university uses a sophisticated financial accounting system to set up the individual funds, to record each financial transaction, and to track fund balances. But nearly all of the decision-making for the use of Stanford's funds is made at the local level, consistent with the decentralized and entrepreneurial spirit of the university. Unlike a corporation, Stanford is closer to a collection of disparate, autonomous businesses with widely varying cost structures and resources. As such, each principal investigator is accountable for the responsible use of his/her grant funding, each gift recipient must ensure that the gift funds are used in accord with the donor's wishes, and each school must fulfill the expectations for teaching and scholarship within its available resources.

2007/08 Consolidated Revenues by Fund Type



Budget Control

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

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

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

Development of the Consolidated Budget & the Role of General Funds

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

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

SECTION 1

CONSOLIDATED BUDGET FOR OPERATIONS

In this section we review the details of the 2007/08 Consolidated Budget for Operations, describe the general funds allocation process and results, and present a forecasted Statement of Activities.

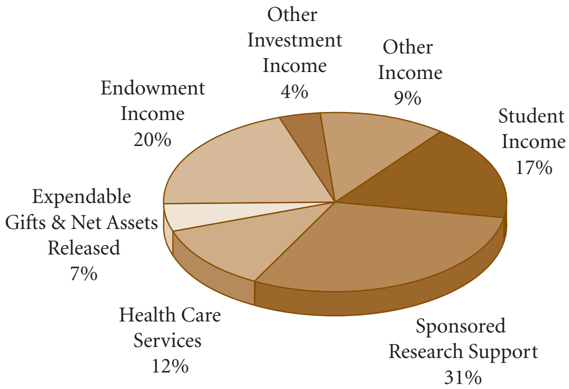
CONSOLIDATED BUDGET FOR OPERATIONS

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

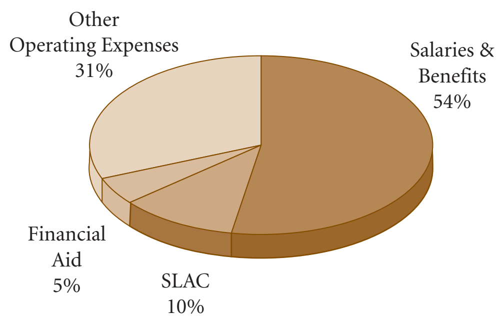
The 2007/08 Consolidated Budget for Operations shows total revenues of $3,449.8 million and expenses of $3,265.8 million, resulting in net operating results of $184.0 million. However, after estimated transfers, primarily to plant funds but also converting expendable funds to funds functioning as endowment, the Consolidated Budget shows a surplus of $58.8 million.

Total revenues in 2007/08 are projected to increase 3.4% over the expected 2006/07 levels, an increase that is moderated by continued slow growth in sponsored research and an expected decrease in the SLAC budget. Total expenses are expected to grow by 4.2% over the estimated year-end results for 2006/07. The table on the next page shows the projected consolidated revenues and expenses for 2007/08. For comparison purposes, it also shows the actual revenues and expenses for 2005/06 and both the budget and the year-end projections for the current fiscal year, 2006/07. In addition, definitions of key terms are provided on page 5.

2007/08 Consolidated Revenues: $3,449.8M [1]



2007/08 Consolidated Expenses: $3,265.8M



[1] Net Revenues after Transfers: $3,324.6M

Consolidated Budget for Operations, 2007/08

[in millions of dollars]

2005/06 Actuals	2006/07 Budget June 2006	2006/07 Projected Actuals		General Funds	Designated	Restricted	Grants and Contracts	Auxiliary & Service Center Activities	Total
			Revenues and Other Additions						
			Student Income:						
213.4	224.9	225.4	Undergraduate Programs	237.8					237.8
210.4	220.1	222.7	Graduate Programs	232.9					232.9
95.4	98.8	99.4	Room and Board					103.2	103.2
519.2	543.8	547.5	Total Student Income	470.7				103.2	573.9
			Sponsored Research Support:						
523.5	541.3	523.5	Direct Costs–University				534.0		534.0
298.0	345.4	379.0	Direct Costs–SLAC				338.1		338.1
172.4	175.6	177.7	Indirect Costs	185.9					185.9
993.9	1,062.3	1,080.2	Total Sponsored Research Support	185.9			872.1		1,058.0
367.4	354.0	377.9	Health Care Services	15.8	328.4	6.9	0.2	50.8	402.1
167.7	152.0	170.0	Gifts In Support of Operations	2.0		173.0			175.0
92.5	75.0	95.0	Net Assets Released from Restrictions			80.0			80.0
			Investment Income:						
536.8	585.8	612.6	Endowment Income	126.4		573.3			699.7
91.7	120.7	127.6	Other Investment Income	54.1	64.2	9.3	0.3		127.9
628.5	706.5	740.2	Total Investment Income	180.5	64.2	582.6	0.3	0.0	827.6
313.6	297.5	325.0	Special Program Fees and Other Income	6.9	215.6	0.7	0.8	109.2	333.2
3,082.8	**3,191.1**	**3,335.8**	**Total Revenues**	**861.8**	**608.2**	**843.2**	**873.4**	**263.2**	**3,449.8**
			Expenses						
1,498.2	1,608.7	1,611.3	Salaries and Benefits	538.4	406.8	299.2	306.0	191.9	1,742.3
297.9	345.4	379.0	SLAC				338.1		338.1
142.9	152.7	155.0	Financial Aid	21.5	1.9	130.1	15.9		169.4
921.1	959.6	987.4	Other Operating Expenses	200.7	178.2	195.3	189.6	252.2	1,016.0
2,860.1	**3,066.4**	**3,132.7**	**Total Expenses**	**760.6**	**586.9**	**624.6**	**849.6**	**444.1**	**3,265.8**
222.7	**124.7**	**203.1**	**Operating Results**	**101.2**	**21.3**	**218.6**	**23.8**	**(180.9)**	**184.0**
			Transfers						
(65.5)	(85.6)	(150.4)	Transfers to Assets (Plant, Endowment, etc.)	(21.2)	(103.7)	(13.7)		0.5	(138.1)
25.2	15.0	23.9	Net Internal Revenue / Expense	(61.0)	(13.6)	(38.6)	(22.8)	148.9	12.9
(12.5)	8.8	0.0	Operating Transfers	(9.0)	63.1	(79.6)	(1.0)	26.5	0.0
(52.8)	**(61.8)**	**(126.5)**	**Total Transfers**	**(91.2)**	**(54.2)**	**(131.9)**	**(23.8)**	**175.9**	**(125.2)**
169.9	**62.9**	**76.6**	**Operating Results and Transfers**	**10.0**	**(32.9)**	**86.7**	**(0.0)**	**(5.0)**	**58.8**
			Beginning Fund Balances	68.0	728.7	654.5	(3.2)	5.0	1,453.0
			Ending Fund Balances	78.0	695.8	741.2	(3.2)	(0.0)	1,511.8

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 4.8% in 2007/08.

Tuition – The general tuition rate increase for 2007/08, which was approved by the Trustees in February, is 5.5%. Stanford expects to receive $470.7 million in tuition in 2007/08, and while this amount represents only about 14% of Stanford's total revenue, it accounts for nearly 55% of general funds. In addition to supporting faculty and staff salaries and other direct academic program needs, tuition plays a significant role in funding infrastructure, support services, and other operational activities. The increase approved for 2007/08 is roughly 1.5% above the inflationary increase in our costs and is intended to contribute to the investments being made in both undergraduate and graduate financial aid. With the exception of the 2006/07 increase, Stanford has raised 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 on Financing Higher Education (COFHE). The tuition rate increased by 5.75% in 2006/07. It had a limited impact on Stanford's place among the seventeen COFHE institutions, causing our tuition rank to increase only one spot from 17th to 16th. We do not anticipate that the 2007/08 tuition rate increase will substantially alter our overall position relative to the other COFHE schools, and we are confident that we will remain below the median for this group. The 5.5% 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 4.5%, and the Graduate School of Business (GSB) will increase the rate for entering MBA students by 5.9%, continuing its practice of holding second year MBA tuition constant.

Tuition revenue from undergraduate programs is expected to grow 5.5%, consistent with the tuition rate increase. Graduate program revenue is expected to increase by 4.6%, which reflects the lower increase adopted for the School of Medicine and no increase for terminal graduate registration fees.

KEY TERMS

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

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

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

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

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

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

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

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

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

Room and Board – In February, the Trustees approved a combined room and board rate increase of 4.25% for 2007/08. The room rate will increase by 5.25% and the board rate by 3.1%. The 2007/08 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 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 reduce the occupancy base in undergraduate housing by 1.4% in recognition of the increased number of undergraduate students attending fall and spring Overseas Studies programs; to reduce projected income from guest rooms and lower commissions from vending in the residences; 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 3.8%, 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. The combined room and board rate of $10,808 supports compensation increases of union staff, anticipated cost increases in food, energy, and maintenance, and debt service to support a number of renovation and deferred maintenance projects.

Sponsored Research Support and Indirect Cost Recovery

The budget for sponsored research support is projected to be $1,058.0 million in 2007/08. This figure includes the direct costs of externally supported grants and contracts ($534.0 million for university research and $338.1 million for SLAC), as well as reimbursement for indirect costs ($185.9 million) incurred by the university in support of sponsored activities. Sponsored research currently generates 31% of the university's consolidated revenues, down from 36% five years ago. While other university revenue sources have increased dramatically over the past three years, sponsored research has been flat. As discussed in last year's budget plan, after enjoying a long stretch of very strong research growth, Stanford is feeling the impact of recent flattening or declining budgets for federal agencies that fund research on campus.

The 2008 federal research funding outlook is not promising. While the National Science Foundation and the Department of Energy's Office of Science are planning significant funding increases as part of the administration's American Competitiveness Initiative, the National Institutes of Health and many other funding agencies are facing funding decreases. It appears that the recent government trend of funding development at the expense of research will continue into 2008.

It is unclear how directly the stagnation in available federal research dollars correlates to the volume of funding received by Stanford's world-class researchers. What is clear is that over the second half of 2004/05 through the first half of 2006/07, research at Stanford has grown at the slowest rate in recent memory. However, as Stanford's research agenda moves into new areas, new opportunities arise. For example, the School of Medicine is expecting relatively strong research growth in 2007/08, driven primarily from funding from the California Institute for Regenerative Medicine, as discussed in Section 2.

We project that direct research activity outside of SLAC and the School of Medicine will be flat in 2007/08. Anticipated growth in the School of Engineering is offset by projected declines in Humanities & Sciences and the Dean of Research (DoR). While new research opportunities will continue to arise for the independent labs under the DoR, the Hansen Experimental Physics Laboratory will continue to phase down or complete several very large subcontracted projects in 2007/08. This change was discussed in detail in last year's budget plan.

Overall, we project a modest 2.0% increase in non-SLAC direct research volume in 2007/08. Indirect cost recovery is expected to grow somewhat faster as the indirect cost rate increases from 56.5% in 2006/07 to 58.0% in 2007/08.

The Department of Energy continues to provide most of the funding for SLAC. Total direct costs for SLAC are expected to increase by about $81 million in 2006/07, but then to decline by about $50 million to $338.1 million in 2007/08 as the construction of the $105 million Linac Coherent Light Source facility is completed in early 2008, and the project progresses to the phase of installing technical components. SLAC research activity is discussed in more detail in Section 2.

Health Care Services

Health Care Services income is budgeted to be $402.1 million in 2007/08, a 6.4% increase over the projection for 2006/07. The majority of this income ($347.3 million) is in the School of Medicine, including $302.8 million paid by Stanford Hospital and Clinics and Lucile Packard Children's Hospital related to the clinical practices of the faculty, and $11.0 million from external healthcare entities like the Palo Alto Veteran's Administration and the Santa Clara Valley Medical Center. Another $28.0 million is generated by the Blood Center. Also included is $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 $13.0 million to Business Affairs IT primarily for communications services, $5.4 million to the Office of the General Counsel for legal services, $12.5 million to Land, Buildings and Real Estate for operations and maintenance and utilities, and $16.5 million to the central administration for items such as debt service and general overhead payments.

Expendable Gifts

Expendable gift income in support of operations is expected to total $175.0 million in 2007/08, about a 3% increase over the anticipated level for 2006/07. 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 continues to raise funds as part of the Stanford Challenge, 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.

Net Assets Released from Restrictions

This category represents funds previously classified as temporarily restricted that will become available for spending as specific donor restrictions are satisfied. These include cash payments on pledges made in prior years and pending gifts whose designation has been determined. In 2007/08, we anticipate that schools and departments will be able to use $80.0 million of gifts and pledges received in previous years that had been classified as temporarily restricted.

Investment Income

Endowment Income – Endowment payout to operations in 2007/08 is expected to be $699.7 million, a 14.2% increase over 2006/07. 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 (MEP) 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 2007/08 is 4.33%.

Total endowment income includes payout from funds invested in the MEP 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 $400 million in the current year and in 2007/08.

Of the total endowment income, $126.4 million, or 18.1%, 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 9.0% over the 2006/07 amount, somewhat slower than the growth expected in total endowment income due to the expectation of flat 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 (SHAC) portfolio, and investment income supporting the Stanford Management Company and the real estate division of Land, Buildings and Real Estate. The largest of these sources is the EFP, the investment pool

Proposed Change in Endowment Policy

Stanford senior administration and the Board of Trustees have engaged in discussions regarding increasing Stanford's target endowment payout rate from 5.0% to 5.5% and resetting the actual payout rate in 2007/08 to 5.5%. The Stanford Management Company's ability to achieve an expected 10% annual return while minimizing volatility through the diversity of its investments, combined with average institutional inflation of 4.0% to 4.5%, support the reasonableness of increasing the target rate to 5.5%. Stanford's annual MEP investment returns have averaged over 15% for the past 25 years, and inflation has been moderate. Moreover, when investment returns are high, the smoothing rule has the effect of dropping the actual payout rate significantly below the target rate. The actual rate in 2006/07 is 4.04%. The combination of rapidly rising MEP balances and low payout rates has raised the question of intergenerational equity, in particular whether our present policy disadvantages the current generation of Stanford students in favor of future generations.

Not only does an increase in the payout rate seem reasonable from the standpoint of intergenerational equity, it would permit the completion of Stanford's ambitious capital plan without impacting the quality of our existing programs and faculty. As is explained elsewhere, the fundraising assumptions included in the capital plan exceed $1 billion, and there is no guarantee that this challenging target will be reached. Furthermore, even if all fundraising goals are achieved, the plan requires an additional $1.2 billion in combined reserves, debt and other resources yet to be identified. Since we believe the facilities in the capital plan are required to support 21st century research and teaching, funding them will inevitably retard the support that can be given current programs.

If the Trustees approve the proposed payout increase, we estimate that it will generate approximately $160 million in additional MEP payout. Of this total, about $120 million will be in the non-formula areas. This increased flow of funds will allow us to protect schools and programs, keeping them whole while general funds are devoted to the completion of needed capital projects. We estimate that the amount of general funds that will be released due to the payout increase is between 80% and 85% of the increase. The released general funds would be sequestered in a special fund to be allocated toward the completion of capital projects and other infrastructure needs. An additional $42 million would be generated in the formula schools and auxiliaries. These units, particularly the School of Medicine and the GSB, will also use the released general funds for their facility and infrastructure projects.

for most 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. For the majority of the funds held in the EFP, the payout that is available for operations is set at 5.5%. The remaining funds receive a money fund rate. Investment returns above this payout are invested in the merged endowment pool as funds functioning as endowment and are controlled by the President. EFP payout in 2007/08 is expected to be $76.2 million, virtually unchanged from 2006/07.

The EIFP is approximately $200 million and is invested entirely in money market instruments. Income from this source is budgeted at $8.4 million, down from $9.6 million in 2006/07. Other investment income, including SHAC and the Stanford Management Company is expected to add $43.4 million in 2007/08.

Total other investment income is expected to be flat between 2006/07 and 2007/08 at $127.9 million. While we assume a 2.0% increase in the average balance of the EFP, this slight increase is expected to be offset by moderating money market rates.

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 $333.2 million in 2007/08, an increase of 2.5% over the expected level in 2006/07.

Expenses

Salaries and Benefits

The salary and benefits line in the Consolidated Budget for Operations corresponds to total compensation, which includes 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. Total compensation is budgeted to be $1,742.3 million in 2007/08, an 8.1% increase over the year end projection for 2007/06. Total salary expense is expected to grow by 8.7% as a result of the approved merit programs for faculty and staff, additional salary adjustments for equity and retention, as well as projected headcount growth of 2% for faculty and 4% for staff. Total compensation will grow at a slower rate than salary expense, because the fringe rate in 2007/08 will decrease substantially from 29.7% to 28.1%. The salaries and benefits line does not include $183.1 million of salaries and benefits that are included in the total for the Stanford Linear Accelerator Center (SLAC), which is discussed on the next page.

Salaries – The 2007/08 Budget Plan includes a competitive merit salary program for faculty and staff. The program also provides additional funding so that adjustments can be made for those faculty and staff salaries that lag their respective markets, for equity adjustments among similar positions, and for retaining our best faculty and staff. The annual salary program is guided by the university's compensation philosophy. 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 each job category to the competitive marketplace average in 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 2007/08 for faculty salaries is 4.5%. Added to this will be targeted increases to address discipline-specific faculty salaries that lag the competition, particularly in the schools of Humanities & Sciences, Law, Medicine, and the Graduate School of Business. Total academic salary expenditures, which include faculty, clinical educators, lecturers, graduate research and teaching assistants, and other academic salaries, are projected to grow by 8.2% in 2007/08, driven by the base faculty salary program, the special market and retention funding, and expected headcount growth of approximately 2%.

Total staff salary expenditures are expected to increase by 8.9% as a result of the approved salary program and larger than usual headcount growth. 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 2007/08 is expected to allow the university to maintain its competitive position in the local market, which is somewhat stronger than in the recent past. 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 2007/08 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. We expect substantial headcount growth in 2007/08 in a variety of areas. Staff will be added in the Office of Development and in other units in support of The Stanford Challenge. Permanent staff will be hired in several areas within Business Affairs to fill currently vacant positions and to replace contractors and other part time workers. Overall, we expect that headcount will grow by approximately 4%.

Fringe Benefits – The benefits rate for regular benefits-eligible employees, which covers most university employees and comprises most of Stanford's benefits costs, will go down for the second year in a row, from 29.7% in 2006/07 to 28.1% in 2007/08. The rates for post-doctoral affiliates and graduate research and teaching assistants will increase, while the rate for contingent employees will decrease.

The reduction in the regular benefits-eligible (RBE) rate for 2007/08 is the result of a significant change in the carry-forward from prior years. The carry-forward is the under- or over-recovery that occurs when the fringe rate charged during the year either is insufficient to recover the actual costs or causes an over-recovery of the actual costs. The carry-forward is added to (or subtracted from) a future rate, usually two years forward. The drop in the RBE rate in 2007/08 is due primarily to a substantial swing in the carry-forward, which will be a credit of $5.8 million, compared to a charge of $6.3 million in 2006/07. The effect of this $12.1 million dollar reduction in the total benefits pool on the RBE rate is 1.1 points.

The underlying rate, without the carry-forward, is projected to decrease by 0.5 points, because the total overall fringe benefits costs are not expected to increase as fast as the salary and wage base. Nonetheless, the university's expenses for employee health insurance continue to rise at double-digit rates. The cost of health insurance for active regular employees is projected to increase by 15.4% in 2007/08 and add 0.3 points on the RBE rate. This increase is offset by a 0.4 point decrease in the cost of funding Stanford's retiree medical plan, even though the cost of health insurance for this group is increasing at a rate similar to that for active employees. The decrease is due to the actuarial assumptions used in calculating the 2007/08 costs, driven primarily by a reduction in the portion of the liability that Stanford has yet to fund.

All other insurance programs together will contribute a decrease of 0.4 points on the rate, led by a 0.2 point drop for workers' compensation. Retirement programs, which make up 52.3% of the total costs in the fringe benefits pool, are expected to increase commensurate with the increase in the salary and wage base, and therefore not contribute to any change in the RBE rate. There are some noteworthy changes for specific retirement programs: the faculty retirement incentive program is forecast to increase by 0.2 points, due to an expected increase in participation, and Social Security is expected to increase by 0.3 points. These increases are offset by a reduction of 0.5 points in the Stanford contributory retirement plan resulting from the reduction in the basic contribution for new employees, implemented January 1, 2006. No other program in the RBE rate will change by 0.1 point or more. The total net decrease in the RBE rate from 2006/07 to 2007/08 is 1.6 points.

The benefits rate for post-doctoral research affiliates will increase substantially in the coming year, from 20.1% to 20.9%. 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 decline to 7.7%, due mainly to an over-recovery carry-forward from 2005/06.

The rate for graduate teaching and research assistants will increase from 3.8% to 4.0%. 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 is projected to increase in the coming year by about 5%. Other student salaries, such as pay for part-time clerical work during the school year, are not charged for benefits, nor are the students holding those jobs eligible for the university contribution toward their Cardinal Care.

The negotiated 2006/07 and the recommended 2007/08 fringe benefits rates are as follows:

Fringe Benefits Rates

	2006/07 Negotiated Budget	2007/08 Proposed Rates
Regular Benefits-Eligible Employees	29.7%	28.1%
Post-Doctoral Research Affiliates	20.1%	20.9%
Casual/Temporary Employees	8.5%	7.7%
Graduate RAs and TAs	3.8%	4.0%
Other Students	0.0%	0.0%
Average Blended Rate	26.9%	25.7%
Tuition Grant Program Recovery Rate	1.75%	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.

SLAC

Total SLAC costs in 2007/08 are expected to be $338.1 million, about $40 million lower than the projection for 2006/07, due to the completion during the year of the Linac Coherent Light Source (LCLS) construction project. This is made up of $181.6 million in salaries and benefits (a slight increase from $180.3 million projected for 2006/07) and of $156.5 million in other operating expense (for a 19.1% decrease from $198.7 million in 2006/07).

Financial Aid

Stanford expects to spend a total of $169.4 million on student financial aid for undergraduate and graduate students on tuition and room and board (not including stipends), $21.5 million of which will come from general funds. Designated and restricted funds ($132.0 million) and grants and contracts ($15.9 million) will

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

Source of Aid	2002/03 Actuals	2003/04 Actuals	2004/05 Actuals	2005/06 Actuals	2006/07 Projected	2007/08 Budget
Department Funds and Expendable Gifts	1.0	1.2	1.9	1.1	0.9	0.9
Endowment Income	28.2	29.4	32.7	37.2	45.0	51.7
Stanford Fund	9.5	10.9	9.5	9.8	10.3	11.1
General Funds	13.6	13.8	14.3	12.7	10.2	12.9
Subtotal Stanford Funded Scholarship Aid	52.2	55.3	58.4	60.8	66.4	76.5
Govt. and Outside Awards	12.4	14.0	13.8	12.0	12.1	12.8
Total Undergraduate Scholarship Aid	64.5	69.3	72.2	72.9	78.5	89.3
General Funds as a Share of Total Aid	21%	20%	20%	17%	13%	14%
General Funds and Stanford Fund as a Share of Total Aid	36%	36%	33%	31%	26%	27%
Endowment funds as a Share of Total Aid	44%	42%	45%	51%	57%	58%
Number of Students	2,803	2,896	2,870	2,789	2,769	2,787

support the remainder. The total financial aid numbers are 9.3% above the projected total for 2006/07. This increase is driven by the approved increases in tuition rates for both undergraduate and graduate students and the approved enhancements to the undergraduate scholarship program intended to improve affordability for students from middle-income families.

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 2007/08, Stanford students will receive $89.3 million in need-based scholarships, of which $76.5 million will be from Stanford resources, an increase of 15.2%. The remaining $12.8 million will come from government and outside awards, which have remained essentially unchanged for the past five years.

The sizable increase in the undergraduate scholarship program is the result of three major policy changes aimed at reducing the proportion of total costs that middle-income families are asked to cover from parent and student contributions as well as student borrowing. These changes follow the significant enhancements in the financial aid program made last year that improved accessibility for families with annual incomes below $60,000. The first policy change reduces the standard self-help expectation for students from $5,500 to $4,000, bringing Stanford's self-help policy to a level comparable to its peers. This change will directly increase scholarship funds by $1,500 for individual students and, thereby, reduce student borrowing. The second change lowers the amount of home equity assessed in the calculation of parental contribution from the current cap of 2.0 times family income to 1.5 times family income. This policy change will affect roughly thirty percent of the financial aid population. We will also implement a renter's allowance that will have a similar impact on parent contributions for families in the middle-income range that do not own homes. The third change lowers the expected student contributions from assets held in the student's name from the current 35% to 25%. These three significant policy enhancements will add $5.5 million to the cost of the undergraduate scholarship program in 2007/08 and result in slightly more students on aid. An additional $4.6 million will be needed to cover the increased costs of our current scholarship program.

The following sources support Stanford's overall $76.5 million commitment:

- General funds will cover $12.9 million, a 26.5% increase over 2006/07 due to the policy changes described above.
- Restricted income will provide $52.6 million, a 15.0% increase over 2006/07 due to another sizable increase in endowment income.

2007/08 Financial Aid and Other Graduate Student Support from Stanford Resources

[in millions of dollars]

Projected 2006/07 Year-End		General Funds	Designated and Restricted	Grants & Contracts	Total
	Student Financial Aid				
70.7	Undergraduate	12.9	63.6	4.3	80.9
15.5	UG Athletic		16.3		16.3
68.8	Graduate	8.6	52.1	11.6	72.2
155.0	Total	21.5	132.0	15.9	169.4
	Other Graduate Support				
65.0	Stipends	9.7	38.0	19.9	67.6
55.4	Tuition Allowance	30.3	10.0	17.9	58.1
71.8	RA/TA S&B	8.2	30.5	36.3	75.0
192.2	Total	48.2	78.4	74.1	200.8
68.1	Postdoc Support	0.3	20.6	49.9	70.8
	Total Student Support	70.0	231.0	140.0	441.0

- The Stanford Fund will provide $11.1 million, a 7.8% increase over 2006/07.

Athletic scholarships, which are not need-based, will be awarded to undergraduate students in the amount of $16.3 million, an increase that reflects the cost of tuition.

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

Graduate Aid – Stanford provides several kinds of financial support to graduate students which is expected to total $273.0 million in 2007/08. As the table above indicates, this includes the tuition component of fellowships in the amount of $72.2 million, which is reflected in the Financial Aid line of the Consolidated Budget. Financial aid for graduate students is expected to increase by 5.0%, consistent with the planned increases in tuition in the various graduate programs. It also includes funding, not shown in the Financial Aid line of the budget, for stipends, tuition allowance, and RA and TA salaries of $200.8 million. Consistent with the presentation of Stanford's financial statements, tuition allowance (tuition benefits for RAs and TAs) and RA and TA salary expenses are in the Salaries and Benefits line, and the stipend amount is in the Other Operating Expenses line of the Consolidated Budget for Operations on page 2. The minimum rate for RA and TA salaries and stipends will increase by 4.4% in 2006/07; tuition allowance expense is expected to increase by 5.0%.

Graduate student support is funded by all of Stanford's various fund types, with the exception of auxiliary funds. In aggregate, unrestricted funds (general funds and designated funds) contribute a little less than 30.0%, restricted funds support about 40.0%, and grants and contracts supply the remaining 30%. However, the patterns of funding vary substantially within the schools. Not surprisingly, grants and contracts provide a significantly higher proportion of graduate student funding in the research intensive schools like Medicine and Engineering. The professional schools rely almost exclusively on restricted funds. Schedule 4 in Appendix B shows graduate student support by school and by source of funds.

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 about 31% of the total expenditures in the Consolidated Budget and is projected to increase by 2.9% to just over $1 billion in 2007/08. The principal components include materials and supplies ($181 million, of which about one-third is laboratory supplies); professional services ($125 million); other services ($74 million); maintenance and utilities for campus buildings ($155 million); internal debt service ($112 million); research subcontracts ($40 million); capital equipment purchases ($75 million); student stipends ($78 million); and food, entertainment and travel ($76 million).

Utilities and Maintenance – The total cost of utilities is expected to increase from $66.9 million in 2006/07 to $69.1 million in 2007/08. The majority of the cost increase is due to the purchase price of natural gas, which is used in the production of chilled water and steam and is projected to increase almost 17% in 2007/08. Increased debt service for the $10.7 million replacement of Chillers 3 and 4 also contributed to the increase. Due to the experience last summer with the unexpected heat wave, costs have been budgeted for a temporary chiller plant in the summer as a contingency measure. These expense increases were offset by savings in overhead expenses charged to utilities service centers due to a revised methodology of allocating these expenses across facilities operations.

Maintenance and repair costs are budgeted at $86 million in 2007/08. The facilities operations group within the Land, Buildings and Real Estate 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, while Residential & Dining Services provides the services internally.

An incremental $3.2 million was allocated in general funds for maintenance and utilities for new buildings and renovations. The majority ($2.2 million) is related to the new Environment and Energy Building, which is projected to be completed in November, 2007. Other new buildings funded include Parking Structure 6, the East Campus Childcare building, and the Public Safety building.

Internal Debt Service – The 2007/08 internal debt service is projected to be $135.2 million, a $3.9 million increase over 2006/07. The year-over-year increase is due primarily to two large projects completing in 2007/08. The first is the Environment and Energy building, which is located in the new science and engineering quad and is one of eight new buildings planned as part of the Science, Engineering, and Medical Campus. The second is the renovation of the Old Union complex.

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 2007/08 is 5.7%, which is a four basis point decrease from the current year's rate.

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 endowment principal as funds functioning as endowment (FFE), to plant funds, and to student loan funds. Total transfers of $108.0 million are planned in 2007/08. Of this total, $61.4 million will be transferred to (or withdrawn) from FFE, led by the Provost's intention to transfer $40.0 million from his designated reserves to FFE in the School of Humanities and Sciences and the School of Medicine's plan to transfer $21.7 million. Collectively, the schools will transfer $38.5 million to plant funds to be used to help build the Sciences, Engineering, and Medicine Campus, and the remainder of the university will transfer an additional $35.4 million to plant funds for a variety of capital projects. We expect an additional $2.7 million will move to student loan 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 Management (the group that manages construction projects on campus) allocates to capital projects that use their services. These charges contribute to the revenue and expense of individual departments and fund types but, ultimately, are netted against each other in the presentation of the Consolidated Budget to avoid double counting. There is, however, a net $12.7 million of internal revenue flowing into the Consolidated Budget, primarily from capital plant funds, which are outside the Consolidated Budget,

into service centers and other funds within the Consolidated Budget.

- Other Transfers: These are transfers between fund types within the Consolidated Budget for Operations and generally net to zero.

GENERAL FUNDS

The general funds budget is an important element of the Consolidated Budget because general funds can be used for any university purpose. The main sources of these funds are student tuition, indirect cost recovery from sponsored activity, unrestricted endowment income, and income from the expendable funds pool. Every university unit receives general funds, which support both academic and administrative functions. Total general funds revenue in 2007/08 is projected to be $861.8 million, of which $133.8 million flows to the formula schools per the negotiated formula arrangements.

The 2007/08 budget process began with a projected general funds surplus. As was the case last year, this strong positive outlook is due in large part to the continued strong performance of the university endowment. It is also bolstered by the new infrastructure charge policy, which will be in its third year in 2007/08, and by the growth in tuition revenue due to the 5.5% tuition rate increase. Offsetting these positive trends somewhat is a flat indirect cost recovery forecast.

Strong endowment returns are also providing additional revenue for the schools and other units that control significant endowments of their own. Thus, many new or expanded academic activities can be funded with local resources rather than with incremental general funds. The Provost therefore directed all budget units to incorporate internal reallocations and other coinvestments into their funding plans for new programs and initiatives. In addition, schools were asked to discuss the role of the $4.3 billion Stanford Challenge in their short-term and long-term funding models. General funds were allocated only after fund raising opportunities were considered.

For the third consecutive year, the Provost set aside funds as an unallocated base surplus to serve as a buffer against any unfavorable economic developments and also to be used to support one-time demands on general funds. For 2007/08 the budgeted unallocated surplus is $10.0 million.

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. This year there was particular focus on local resources. In total, the units requested $40 million in incremental base general funds.

As always, the Budget Group was challenged to balance the desire to fund compelling academic initiatives with the need to fund necessary compliance, systems, and facilities costs. The need of the administrative units in comparison to that of the academic units has grown in recent years. While the schools are able to leverage endowment payout to grow their operations, administrative units typically rely entirely on general funds. In addition, the growth of the academic programs puts added pressure on the administrative side as the volume of support activities increases.

The budgeting process has resulted in the Provost funding about two-thirds of the $40 million requested, in addition to $6 million of prior-year incremental commitments and $14.8 million of inflation cost rise. In total, non-formula general funds allocations will increase $46.9 million (7.1%) in 2007/08.

Significant funds are being directed to several areas of focus in 2007/08.

Faculty Recruitment, Retention, and Salary Support: Beyond the 4.5% competitive faculty salary program, nearly $6.0 million of incremental general funds has been allocated in 2007/08 to address the rapidly intensifying competition to recruit and retain Stanford's world-class faculty. About half of this total will augment faculty salaries in targeted fields. The remainder will be used to structure competitive recruitment and retention packages. In recent years, some schools have had to use a significant portion of their faculty salary funds just to retain a relatively small fraction of their faculty. These incremental general funds will help Stanford's schools to retain faculty without compromising their overall faculty salary structure. The Provost has also funded a new child care subsidy program for junior faculty.

Compliance: Last year, the Provost allocated about $2.5 million for a variety of compliance needs across campus. This year, another $2 million has been allocated. As Stanford continues to move into new fields such as stem cell research, the need to expand compliance-related support functions will be ongoing.

Summary of 2007/08 Base General Funds Additions (Excludes Formula Units)

[in thousands of dollars]

	2006/07 Base GF Allocation	Price & Salary Inflation	Additions	2007/08 Base GF Allocation	2006/07 to 2007/08 Increase
School of Earth Sciences	4,527	53	100	4,680	3.4%
School of Education	11,289	380	614	12,283	8.8%
School of Engineering	48,921	1,611		50,532	3.3%
School of Humanities & Sciences	126,911	3,711	4,685	135,307	6.6%
School of Law	15,334	391	546	16,271	6.1%
Dean of Research	29,780	916	1,802	32,498	9.1%
Undergraduate Education	17,872	457	132	18,461	3.3%
Graduate Education			750	750	
Stanford University Libraries	42,224	1,265	1,343	44,832	6.2%
Total - Academic	296,858	8,784	9,972	315,614	6.3%
Office of Admission and Financial Aid	8,392	271	640	9,303	10.9%
Student Affairs	19,615	690	346	20,651	5.3%
Office of the President & Provost	13,796	440	180	14,416	4.5%
Office of Public Affairs	5,719	182	568	6,469	13.1%
Business Affairs[1]	47,356	1,496	1,465	50,317	6.3%
Business Affairs - Information Technology	51,935	1,612	3,390	57,487	10.7%
Development and Alumni Association	36,402	1,165	1,862	39,429	8.3%
Land & Buildings[2]	45,203	1,440	419	47,062	4.1%
Other Administrative Units[3]	11,503	364	867	12,734	10.7%
Total - Administrative	239,921	7,660	10,287	257,868	7.5%
Undergraduate Scholarship Aid	10,648	(3,137)	5,475	12,986	22.0%
Incremental O&M and Utilities			3,188	3,188	
Debt Service	28,192		1,547	29,739	5.5%
Central Obligations[4]	89,304	1,533	1,597	92,434	3.5%
Total - Other	128,144	(1,604)	11,807	138,347	8.0%
Total Non-Formula Units	664,923	14,840	32,066	711,829	7.1%
Unallocated Surplus	9,917			10,000	
Total Non-Formula General Funds	674,840			721,829	

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. In addition, for this table, utilities, insurance, and fire contract allocations have been included in this line.

Systems: For 2007/08, systems-related activities have been allocated $4.1 million of incremental funds. Of this amount, $3.0 million completes a multiyear process to fund adequately the administrative systems group. In addition, $550,000 will fund proposal development and proposal tracking for the Stanford Electronic Research Administration project, and a commitment management system.

Outreach: About $3.1 million has been allocated for outreach activities, including over $1.5 million for base buildup of the Office of Development in anticipation of the Stanford Challenge fund-raising campaign. Other outreach funding includes $640,000 for admissions outreach programs, about $600,000 for the Office of Public Affairs (mostly to provide additional base support of Lively Arts), and $300,000 for the Alumni Association to expand its marketing efforts.

Undergraduate Financial Aid: As discussed in detail under Financial Aid, enhancements to the financial aid program for middle-income students will require incremental general funds of $5.5 million.

Other: Approximately $4.4 million is being allocated to a variety of academic and student support activities. Highlights include $1.3 million to Stanford University Libraries & Academic Information Resources (SULAIR) for library materials, e-books, digitalization, and staffing; $800,000 for graduate aid funding in support of the new Vice Provost for Graduate Education; and a block allocation to be used, in part, to fund activities in the independent labs.

As always, general funds have been committed to cover the incremental debt service, O&M, and utilities on new buildings. For 2007/08, this amount totals $4.7 million.

PROJECTED STATEMENT OF ACTIVITIES

In addition to its requirement to manage funds in accordance with donor imposed restrictions, Stanford also presents a Statement of Activities, prepared in accordance with Generally Accepted Accounting Principles (GAAP), to comply with external reporting requirements. The Statement of Activities summarizes all changes in net assets during the year (both operating and non-operating)and is similar to a corporate income statement. The table on the facing page compares the Consolidated Budget for Operations with the projected operating results section of the Statement of Activities.

Stanford University, as a not-for-profit institution and a recipient of restricted donations, manages itself internally according to the principles of fund accounting. 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

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

Comparison of Consolidated Budget and Statement of Activities, 2007/08
Unrestricted Net Assets
[in millions of dollars]

Statement of Activities 2005/06 Actual	2006/07 June 2006 Budget	2006/07 Projected Year-End		Fiscal Year 2007/08 Projected Consolidated Budget	Adjustments	Projected Statement of Activities
			Revenues and Other Additions			
			Student Income:			
213.4	224.9	225.4	Undergraduate Programs	237.8		237.8
210.4	220.1	222.7	Graduate Programs	232.9		232.9
95.3	98.8	99.4	Room and Board	103.2		103.2
(142.9)	(152.7)	(155.0)	Student Financial Aid[e]		(169.4)	(169.4)
376.2	391.1	392.5	Total Student Income	573.9	(169.4)	404.5
			Sponsored Research Support:			
523.9	541.3	523.5	Direct Costs–University	534.0		534.0
298.0	345.4	379.0	Direct Costs–SLAC	338.1		338.1
172.2	175.6	177.7	Indirect Costs	185.9		185.9
994.1	1,062.3	1,080.2	Total Sponsored Research Support	1,058.0		1,058.0
316.3	327.2	349.6	Health Care Services[f]	402.1	(29.6)	372.5
167.7	152.0	170.0	Expendable Gifts In Support of Operations	175.0		175.0
94.1	75.0	95.0	Net Assets Released from Restrictions	80.0		80.0
			Investment Income:			
534.7	585.8	612.6	Endowment Income	699.7		699.7
74.1	94.8	97.5	Other Investment Income[g]	127.9	(32.5)	95.4
608.9	680.6	710.1	Total Investment Income	827.6	(32.5)	795.1
318.5	302.6	329.4	Special Program Fees and Other Income[j]	333.2	5.0	338.2
2,875.7	**2,990.8**	**3,126.8**	**Total Revenues**	**3,449.8**	**(226.5)**	**3,223.3**
			Expenses			
1,472.5	1,594.1	1,602.8	Salaries and Benefits[d,g,j]	1,742.3	(16.0)	1,726.3
298.0	345.4	379.0	SLAC	338.1		338.1
			Capital Equipment Expense[b]	74.6	(74.6)	
198.0	203.0	209.0	Depreciation[c]		222.1	222.1
			Financial Aid[e]	169.4	(169.4)	
765.5	803.6	805.7	Other Operating Expenses[f,g,h,j]	941.4	(115.4)	826.0
2,735.0	**2,946.1**	**2,996.5**	**Total Expenses**	**3,265.8**	**(153.3)**	**3,112.5**
140.7	**44.7**	**130.3**	**Operating Results**	**184.0**	**(73.2)**	**110.8**
			Transfers			
			Additions to Assets[a]	(138.1)	138.1	
			Net Internal Revenue/Expense[i]	12.9	(12.9)	
			Total Transfers	**(125.2)**	**125.2**	
140.7	**44.7**	**130.3**	**Operating Results After Transfers**	**58.8**	**52.0**	**110.8**

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 $138.1 million of current funds to other fund groups, including plant, student loans, and funds functioning as endowment.

b) Remove Capital Equipment purchases. The Consolidated Budget includes the projected current year's purchases of capital equipment as expense. For GAAP purposes, the cost of capital equipment is recorded as an asset on the Statement of Financial Position. As a result, $74.6 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 $222.1 million of expense.

d) Adjust Fringe Benefit expenses. The Consolidated Budget reports the fringe benefits cost based on the fringe benefit rate charged on all salaries. The 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 2007/08, GAAP expenses are expected to be higher than budgeted expenses by $5.8 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, $169.4 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 $29.6 million from Other Operating Expenses to Health Care Services revenues.

g) Adjust for Internal Investment Management Expenses. Included in the Consolidated Budget revenues and expenses are $32.5 million of internal expenses of the Stanford Management Company, Real Estate Operations and the Investment Accounting department. For GAAP purposes, these expenses incurred as part of the generation of investment returns are netted against investment earnings. This adjustment reduces Other Investment Income, as well as $24.3 million from compensation and $8.2 million from non-compensation expenses, with no net change in the bottom line.

h) Adjust Other Operating Expenses. The Consolidated Budget includes all debt service. It reflects as Other Operating Expenses the use of funds to cover repayment of the principal component of indebtedness. On a GAAP basis repayments of debt are reported as reductions in Notes and Bonds Payable in the Statement of Financial Position. Therefore, Other Operating Expenses must be reduced by the amount of debt principal amortization. In addition, adjustments must be made to account for the difference between internal and external interest payments. These adjustments reduce expense by $80.1 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 $12.9 million from plant funds into the Consolidated Budget for purchases of internal services must be eliminated.

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

In summary, the impact of these adjustments increases the Consolidated Budget's projected $58.8 million surplus by $52.0 million, resulting in a projected surplus of $110.8 million in the Statement of Activities.

SECTION 2

ACADEMIC UNITS

OVERVIEW OF ACADEMIC UNITS

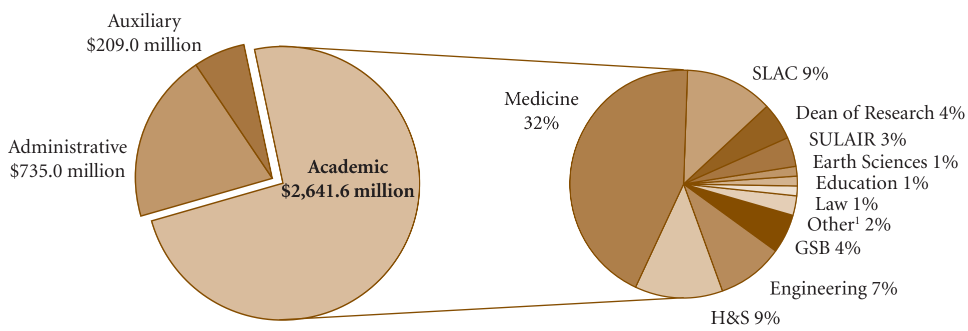
This section summarizes programmatic and financial activity for each academic unit. It also describes the relationship between the unit's capital plan and its programmatic plans. This format is a change from past years, and we hope it will provide a useful summary overview.

Academic Units Consolidated Budget for Operations, 2007/08

[in millions of dollars]

	Total Revenues and Transfers	Total Expenses	Result of Current Operations	Transfers (to)/from Assets	Change in Expendable Fund Balance
Graduate School of Business	137.0	139.9	(2.9)	1.3	(1.6)
School of Earth Sciences	47.5	45.4	2.1	(2.9)	(0.8)
School of Education	35.9	34.9	1.0	(0.5)	0.5
School of Engineering	265.6	257.2	8.4	(5.0)	3.4
Hoover Institution	43.3	39.7	3.6		3.6
School of Humanities and Sciences	356.4	338.1	18.3	(6.6)	11.7
School of Law	56.5	52.7	3.8	(4.2)	(0.4)
School of Medicine	1,137.2	1,096. 9	40.3	(47.0)	(6.7)
Dean of Research	157.7	160.3	(2.6)	0.8	(1.8)
Vice Provost for Undergraduate Education	37.2	38.4	(1.2)		(1.2)
Vice Provost for Graduate Education	1.7	4.3	(2.6)		(2.6)
SLAC	338.1	338.1			
Stanford University Libraries	92.6	95.7	(3.1)	0.5	(2.6)
Total Academic Units	2,706.7	2,641.6	65.1	(63.6)	1.5

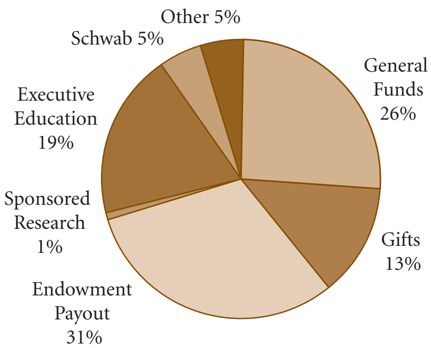
2007/08 Consolidated Expenses by Academic Unit



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

GRADUATE SCHOOL OF BUSINESS

2007/08 Consolidated Revenues
$137.0 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	128.5	129.8	137.0
Expenses			
Salaries and Benefits	70.8	79.5	85.9
Non-Salary	45.2	49.8	54.0
Total Expenses	116.0	129.3	139.9
Operating Results	12.4	0.5	(2.8)
Transfers From (to) Endowment & Other Assets	3.7	(1.9)	1.3
Transfers to Plant	0.1	(4.0)	
Surplus / (Deficit)	16.3	(5.4)	(1.5)
Beginning Fund Balances	46.5	62.8	57.3
Ending Fund Balances	62.8	57.3	55.8

Initiatives and Priorities

The Graduate School of Business (GSB) has three strategic priorities that influence its budget for 2007/08. The school refers to them as the "three Cs": new curriculum, new collaborations, and new campus. The first two provide strong rationales for the third. All three are well under way. In 2006, the faculty adopted its new MBA curriculum, it made progress in its cross-campus collaborations, and the Board approved the concept and site of its new campus. In 2007/08, the school expects to reach significant milestones for all three priorities.

New Curriculum

The new MBA curriculum, adopted by the faculty in May 2006 and to be put in place for the autumn 2007 entering class, was proposed by an 11-member task force of faculty, students, and alumni. The curriculum will ensure that all students are engaged in a more effective way than in the past. A critical analytical thinking course of 20 or fewer students per section will allow students to work closely with a faculty member who will help them plot the rest of their academic program. The course also will help students understand issues that cut across general management and how their other courses fit together. It will be one of eight general management perspectives courses in the first year. A strategic leadership course will encourage students to begin thinking early about their own leadership style and skills.

Expanded global content and a global context course will be a hallmark of the new curriculum. MBA students will be required to participate in an international experience during their two years—an internship, study trip, student exchange, or service learning trip. This requirement is a result of our successful collaboration on the new program; the task force listened carefully to alumni who are operating in an intensely competitive and interconnected global environment.

The GSB works hard every year to recruit a student body that is as diverse as possible in background and experience. Some students have spent years on Wall Street; others have spent years in AmeriCorps. Some are military officers, marketing specialists, or operations managers. Following the general management perspectives courses, students will take 11 general management foundation courses. In each required subject, there will be base-level offerings, but students with more experience and preparation in a particular area will take a more challenging version of the class.

New Collaborations

The GSB agrees with John Hennessy's vision of the Business School's role as "combining academic rigor and practical application" by focusing on "how to get things done through the management of people and resources" and across different fields. The university's graduate-level course called Biodesign Innovation is an example of this approach. Faculty and students from engineering, medicine, and business work together to develop devices for unmet medical needs. Both the university and the school envision more collaboration.

In this spirit of interdisciplinary cooperation, the GSB piloted a Summer Institute for Entrepreneurship for non-business graduate students in summer 2006. Seventy students, including 7 from Earth Sciences, 14 from Medicine, 37 from Engineering, and 9 from Humanities & Sciences, attended the four-week program. A typical day had three or four one-hour classes. Subjects covered were economics, finance, accounting, operations, teams, negotiations, strategy, marketing, entrepreneurship, growth, and design. There were also sessions on presentation skills and venture formation. The aim is to give non-business graduate students an understanding of general management and entrepreneurship to help them envision how their work might be transferred to the market, where it can meet crucial needs. The school hopes to double the number of students participating this upcoming summer, based on this success.

New Campus

Our goal with the design of the new campus is to create an environment that accommodates curricular changes and increased cross-campus interaction. The new campus—to be known as the Knight Management Center—is expected to include eight buildings around three quadrangles that will provide flexible space for varied class sizes. The campus is a key element in the success of the new curriculum, the new collaborations, and the continued excellence of existing teaching and research programs in the school. It will be built across the street from the Schwab Residential Center. Plans call for a 600-seat auditorium, spaces for dining and socializing, faculty and staff offices, and a parking facility. The school secured Board approval for the concept and site in June 2006 and chose an architect (Bohlin Cywinski Jackson) in December 2007. While a final design is not yet ready, the facilities will be equipped with state-of-the-art instructional technology and are expected to be approximately 85,000 square feet larger than the existing campus.

Consolidated Budget Overview

The GSB expects a decrease in its expendable funds in 2007/08 by $1.5M. GSB expenses are projected to grow 9% versus the 2006/07 budget plan to $139.9 million. Costs related to the new curriculum are expected to be $2 million in operational costs in 2007/08 plus the cost of increased faculty. The new curriculum plans include increasing faculty to 110 tenure-line positions as quickly as possible; this represents a 10% increase. The school hopes to add net five faculty in 2007/08. Continuing pressure on faculty salaries is expected as the hiring market for faculty remains competitive.

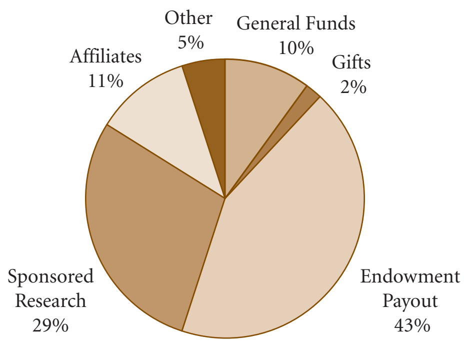
The 2007/08 Graduate School of Business revenues are expected to grow 7% over the budget plan for 2006/07. The school expects tuition revenue to increase 3%. While tuition rates have increased, the school will be admitting 3% fewer students than in prior years. This decreased number of students is only for Fall 2007 and is to accommodate the first year of the new curriculum. The tuition for first year MBA students will increase by 6%, second year students' tuition will be flat and Sloan students' tuition will increase by 6%. The school forecasts Executive Education revenues to increase 7% year-over-year which is in line with prior years' growth. Endowment income and interest is expected to grow 17% while the school expects a decrease of 8% in gifts as the school focuses on gifts for the new campus.

Infrastructure/Capital Plan

Completion of the Knight Management Center is an integral part of the school's plans for continued leadership. In addition to its central role in supporting the initiatives described above, the new campus will enhance the school's ability to continue attracting the best students, staff, and faculty and foster future innovation. Design of the campus is well under way. Groundbreaking is expected in 2008 and completion in 2010/11. The school expects the project to cost $275 million. The GSB will also make limited improvements to its existing campus over the next three years, some of them are required to support the new curriculum. Capital spending on these is expected to be less than $5 million.

SCHOOL OF EARTH SCIENCES

2007/08 Consolidated Revenues
$47.5 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	57.0	48.2	47.5
Expenses			
Salaries and Benefits	22.2	23.0	25.1
Non-Salary	31.9	22.2	20.3
Total Expenses	54.0	45.2	45.4
Operating Results	3.0	3.0	2.1
Transfers From (to) Endowment & Other Assets	(4.7)	(2.2)	(2.1)
Transfers to Plant	(0.2)		(0.8)
Surplus / (Deficit)	(1.9)	0.8	(0.7)
Beginning Fund Balances	26.0	24.1	24.9
Ending Fund Balances	24.1	24.9	24.2

Initiatives and Priorities

In 2007/08 the School of Earth Sciences will focus on completing the implementation of goals set forth in its 2005 strategic plan, and on furthering its mission and connection to the Stanford Challenge Initiative on the Environment and Sustainability.

Earth Systems Science

Earth Sciences has significant emerging strengths in Earth and environmental systems dynamics (the broad interdisciplinary field that studies interactions among biological, chemical, and physical processes in the Earth system, especially in interaction with human systems, with a focus on global change in the atmosphere, ocean, land, and climate systems). The school hopes to add several critical faculty positions in this area in conjunction with the Stanford Challenge's environmental initiative.

Hazards, Energy, and Water

Earth Sciences will play a role in research and education in three areas: Earth hazards, energy resources, and water resources. These are established as schoolwide initiatives. The last two are closely related to foci of the university's environmental initiative, and work has begun on them in interdisciplinary efforts across campus. In 2007/08 the school will also invest in the hazards initiative, perhaps in collaboration with the Freeman Spogli Institute for International Studies and the Stanford Challenge's international initiative.

Faculty Recruitment and Retention

Earth Sciences anticipates the retirement of at least 10% of its faculty over the next several years, so investment in faculty retention and recruitment is a priority. A competitive salary program is critical for retaining current faculty, whose salaries lag many competing universities, and for recruiting new faculty, who may have multiple offers from other universities. Therefore, developing competitive recruitment packages (salary, start-up, and laboratory renovations) will be a focus of school resources.

Undergraduate Programs

- Renewal of Undergraduate Programs—Earth Sciences has ambitious plans for renewal of its undergraduate programs. This activity comes in conjunction with recent changes within the school, such as the re-visioning of the Petroleum Engineering Department to now be the Department of Energy Resources Engineering.

- Hiring a schoolwide undergraduate coordinator—This position will allow for more effective student recruitment; better integration of course offerings, field experiences, and research opportunities; and tighter linkages with other undergraduate programs.

- Building the Comprehensive Earth Sciences Field Program—A vibrant field program is the key to vibrant teaching and research programs in Earth and environmental sciences. This program will develop a framework for all field opportunities, develop and support field courses, and coordinate and oversee resources used in the field.

- Starting I-Earth—This innovative Earth Sciences–initiated, campus-wide effort seeks to integrate an understanding of planet Earth, particularly the intersections between natural and human systems, into more of the undergraduate and graduate curriculum, bringing exposure to Earth sciences to all Stanford students.

Graduate Programs

In 2006/07 Earth Sciences began a new interdisciplinary graduate program called Earth, Energy, and Environmental Sciences that reflects its emerging expertise in Earth and environmental systems dynamics. While the program will bring in a few incremental students, its primary impact is anticipated to be a rebalancing of graduate student enrollment across the school. The school is also exploring adding a master's program in Energy and the Environment, geared towards professionals in the energy industry who seek additional education.

Communications and Outreach

Earth Sciences will continue to develop communication and outreach programs and strategies aimed at increasing its influence and reach. To educate a wide community about issues confronting the planet and the environment, the school plans to continue its successful public lecture series (which in 2006/07 focused on growth in China) and to explore other innovative communication opportunities.

Consolidated Budget Overview

The School of Earth Sciences projects a 2006/07 year-end surplus of $760,000 for a total expendable fund balance of $24.9 million across all fund types. This increase is due principally to income earned through the Petroleum Investments Funds. Very modest growth in designated funds is due primarily to the infrastructure charge on restricted transfers, expenses, and affiliate income. The school is also projecting a decrease in gift balances, attributed to the spending down of particular faculty-held funds.

In 2007/08, Earth Sciences is projecting a year-end fund balance of $24.2 million across all expendable fund types. This represents a decrease of $735,000. In 2007/08 the school anticipates a $2 million decrease in endowment income fund balances due to the projected investments in capital improvements and faculty start-up costs. This decrease will be offset in overall school balances by an expected increase in funds from interdisciplinary activities, fund-raising and gift revenue, and a lower-than-anticipated ramp-up in staffing for shared analytical facilities.

In 2007/08, Earth Sciences is projecting growth in operating expenses of approximately $1.9 million over 2006/07, with gifts keeping pace. This growth can be attributed primarily to several new positions, including faculty positions, in support of the programmatic priorities described above. Other drivers are investments in new research directions, undergraduate programs, diversity programs, outreach activities, and networking. The school has carefully analyzed how opportunities identified through the Stanford Challenge dovetail with its own plans and is investing school funds and partnering with interdisciplinary research programs where possible.

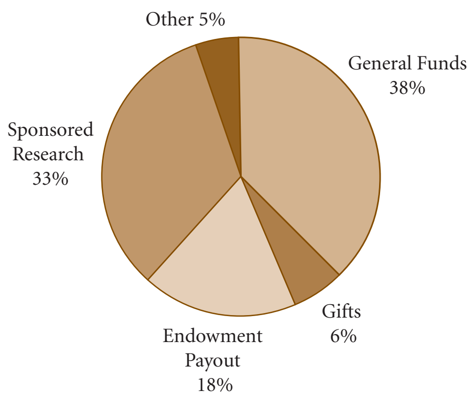
Infrastructure/Capital Plan

New and enhanced capital facilities are vital for the success of the initiatives mentioned above and for the continued effective leadership of the school. The Environment and Energy Building, scheduled for completion at the end of 2007, will increase the school's role in pioneering interdisciplinary research to solve critical problems. The School of Earth Sciences also expects to invest heavily in lab renovations and infrastructure over the next several years. The drivers for these investments are multiple, but the primary one is new faculty recruitment. Additionally, the school needs improved computing infrastructure to respond to scientific and research demand for high-performance computing. While the school's Center for Computational Earth and Environmental Science provides the ability to solve computationally complex problems, the networking infrastructure is inadequate to manage the movement and storage of large data sets.

Earth Sciences is continuing efforts to improve space utilization schoolwide. In 2007/08, it will complete improvements in Geology Corner and begin to bring office sizes in the Mitchell and Green buildings closer to new university guidelines. Earth Sciences is also exploring ways to recapture some courtyard spaces to create gathering and meeting places that encourage interaction among faculty, students, and staff across the school.

SCHOOL OF EDUCATION

2007/08 Consolidated Revenues
$35.9 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	33.0	34.7	35.9
Expenses			
Salaries and Benefits	20.6	20.8	22.8
Non-Salary	11.2	11.5	12.1
Total Expenses	31.8	32.3	34.9
Operating Results	1.3	2.4	1.0
Transfers From (to) Endowment & Other Assets	0.5	(0.9)	(0.9)
Transfers to Plant	(0.9)	0.4	0.4
Surplus / (Deficit)	0.9	1.9	0.5
Beginning Fund Balances	17.2	18.1	20.0
Ending Fund Balances	18.1	20.0	20.5

Initiatives and Priorities

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 practical and policy issues helps the school contribute to improvements in pre-K–12 education and 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 organizations; the community context surrounding schools; and the larger state and federal policy environment.

The school is involved in a number of initiatives that focus on improving schools and community contexts for youth. In addition to the charter elementary and high schools in East Palo Alto, major programs include the School Redesign Network, the Stanford Education Leadership Institute, the Institute for Research in Education Policy and Practice (IREPP), and the John W. Gardner Center for Youth and Their Communities. Although the primary purpose of such initiatives is to promote more effective practice, they all involve faculty research and graduate training, and are thus at the core of the mission of the school.

Last year the school's most ambitious initiative, the management of two charter schools in East Palo Alto, focused on reform at the classroom and school levels. The goals are to provide high-quality education for students living in a disadvantaged community, to serve as a resource for other schools in similar communities, and to supply models of successful strategies. To these ends the schools serve as resources for education R&D and for training and professional development for local school leaders and teachers. They also serve as training sites for many Stanford Teacher Education Program (STEP) students. The expectation is that this training will help draw STEP graduates into schools in underserved communities, including the Ravenswood school system.

There is another School of Education initiative to watch in the future. The School Redesign Network provides support for districts and schools endeavoring to create small, personalized high schools that meet the education needs of underserved students.

The rapidly expanding Institute for Research on Education Policy and Practice (IREPP), launched in 2006/07, addresses educational problems at a broader level. IREPP involves faculty from the Schools of Education and Humanities & Sciences, as well as the Hoover Institution, in studies of education policy issues such as efficiency and adequacy in educational finance, teacher preparation and retention, testing and accountability, access to quality preschool, and the transition from high school to college. IREPP also plans to collaborate with states, districts, and charter school management organizations to develop longitudinal data sets that include information on teachers, schools, student characteristics, and student learning.

By far the most ambitious initiative going forward is "Improving K–12 Education." This interdisciplinary Stanford Challenge initiative will focus on three sets of education issues. The first involves how best to develop highly effective teachers who remain committed to a career in education, as well as curricula that support effective teaching. The second part of this initiative concerns school leadership and governance, and the third concerns educational policies that affect educational practice and student learning. In all of these domains the goal is to strengthen connections between research and practice.

A $20 million loan forgiveness program for STEP students goes into effect for the class of 2007/08. The program will significantly reduce debt for these students and hopefully will give new teachers an incentive to stay in the profession. After a student teaches for two years, half of his or her loan will be forgiven; after four years, the remainder will be forgiven.

Recruiting faculty is an ongoing priority. Retirements and continuing searches will result in another heavy recruitment year in 2007/08. The school strives to hire excellent scholars who have genuine interests and experience in education practice. Current searches include positions in secondary math education, environmental science, technology and instruction, higher education, science education, school reform, and teaching and teacher education.

Consolidated Budget Overview

The School expects to end 2006/07 with a $1.8 million increase in current funds. Revenues and transfers are projected to be $1 million over budget, largely due to an increase in the payout amount in endowment funds and new gifts and endowments received in support of the charter schools and the loan forgiveness program. Expenses are expected to be lower than projected, resulting from unfilled positions in research centers, faculty recruiting costs which will carry over to 2007/08, a decrease in workshop expenses related to professional development programs, and lower than projected expenses related to restricted endowment funds.

In 2007/08 the school anticipates a modest surplus of $600,000. Revenue is expected to grow by 3.5% whereas expenses are expected to grow by 7.9%. The discrepancy between growth in revenues and expenses results from large gifts received in the past two years which will support program expenses for the next several years. Gift revenue and expenses are expected to relate primarily to research centers in the school: the John W. Gardner Center for Youth and Their Communities, the Center for Adolescence, the Stanford Education Leadership Institute, and the Institute for Education Policy and Practice. A new $20 million endowment in support of the new Avery Loan Forgiveness Program for students entering the teaching profession will contribute to endowment income growth. The combined growth in revenues and expenses is a projected year end increase of approximately $600,000 in current funds.

The school's goal is to raise a total of $71 million in 2007/08. Of this, $38 million represents sustaining current levels of funds raised from individuals, foundations, and corporations. Fundraising efforts will focus on new endowed chairs, student aid funds, support for the teacher education programs, and unrestricted funding for faculty research. The school expects to raise a minimum of two endowed chairs, one to provide support for the John W. Gardner Center and one to support the academic program. The goal is to become less dependent on the base budget. In addition, the university aims to raise $54 million in association with the K–12 initiative. These funds will enhance the work of the School of Education.

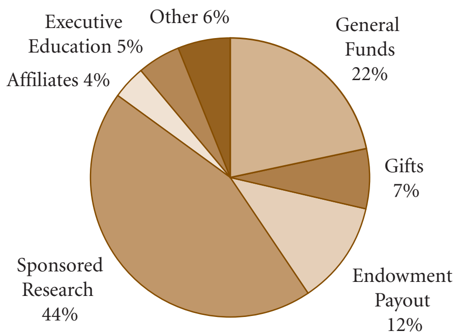
Infrastructure/Capital Plan

The recently completed Barnum Family Center provides critically needed space to support the initiatives described above. However, continued leadership in existing programs and success in recruiting the best students, staff, and faculty will require upgrading and improved utilization of the school's existing space. The new space guidelines will also require modification of space configurations in CERAS and the School of Education.

Structural engineers have identified the School of Education building as needing seismic upgrades. The 96,000-square-foot, four-story, unreinforced masonry building was built in 1937. A seismic feasibility study was completed in December 2006, but decisions regarding the scope of work have not been finalized.

SCHOOL OF ENGINEERING

2007/08 Consolidated Revenues
$265.6 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	264.2	252.0	265.6
Expenses			
Salaries and Benefits	140.0	148.2	156.8
Non-Salary	101.3	98.7	100.4
Total Expenses	241.4	246.8	257.2
Operating Results	22.8	5.2	8.4
Transfers From (to) Endowment & Other Assets	(15.5)	(3.3)	
Transfers to Plant	(0.1)	(8.6)	(5.0)
Surplus / (Deficit)	7.3	(6.7)	3.4
Beginning Fund Balances	146.6	153.9	147.2
Ending Fund Balances	153.9	147.2	150.6

Initiatives and Priorities

The university has defined a number of key strategic goals as part of the Stanford Challenge, and the School of Engineering's strategic plan matches up well with these.

Information technology has been the school's strength for decades, and its contributions to Silicon Valley are well known. The school has very strong programs in optics, semiconductors, integrated circuits, computers, software, and Internet-based systems. It continues to hire new faculty in emerging areas, to refresh research and teaching laboratories to address rapidly changing fields, and to take on highly visible "grand challenge" problems, which bring students' problem-solving skills to bear on a grand scale.

The Materials Science and Engineering Department is reinventing itself around a focus on nanoscience. It has redirected billets to hire new faculty in this area, as have Electrical Engineering and Mechanical Engineering. Nanoscience remains a largely experimental area and requires very expensive laboratories and equipment. The school has taken the lead for the university in defining, building, and equipping a series of highly flexible, fully shared laboratories to enable all Stanford faculty and students to work in these areas. Two are in operation: the Stanford Nanofabrication Laboratory and the new Stanford Nanocharacterization Laboratory. The new Science and Engineering Quad II (SEQ II) will house at least two more such shared facilities: the Stanford Advanced Materials Synthesis Laboratory and the Stanford Soft and Hybrid Materials Laboratory.

In line with the university's environmental initiative, the Civil and Environmental Engineering (CEE) Department is well along in the process of reinventing itself around a focus on sustainable engineering. The department is reallocating faculty billets, reorganizing, and developing deep connections with university initiatives such as the Woods Institute. The Environment and Energy Building is a key element for the success of this initiative. The CEE Department provided the initial vision for the university's Green Dorm and will manage this undergraduate dorm once it is built.

Biology has transitioned recently into a quantitative science that engineers can use to synthesize, model, and create new systems, just as they have done for a century with physics, chemistry, and mathematics. There is probably no more important opportunity for engineering in this century than to become intimately connected with biology as a new science base. The school's response has been to become deeply involved in the Clark Center, to create the new Bioengineering Department jointly with the School of Medicine, and to infuse biology into its other departments through new classes and research programs. Many departments have reallocated faculty billets into areas touching biology. The school has built state-of-the-art labs for these new hires and is committed to a new building for the Bioengineering Department in SEQ II.

Engineering is engaged in fundamentally changing how students are educated. The school has built the leading university program in entrepreneurship over the past 10 years, offering courses, seminars, summer internships, and even assistance in starting companies. Two years ago, the school established the Hasso Plattner Institute of Design, which provides project-based learning experiences to interdisciplinary student teams. Many faculty from other schools teach in these programs.

The Institute for Computational and Mathematical Engineering (ICME) is another relatively new interdisciplinary program. Its research mission is to develop sophisticated algorithmic and mathematical tools relevant to applied disciplines in engineering, earth sciences, medicine, and applied science. The institute awards graduate degrees, and its core service courses have attracted a large number of students in the past two years, many from outside Engineering.

Consolidated Budget Overview

The School of Engineering projects a consolidated operating surplus of $5.2 million in 2006/07, leading to a $6.7 million consolidated budget deficit after $11.9 million in transfers to assets. In 2006/07, the school began serious expenditures from reserves to support the capital plan described below, projecting $8.6 million in transfers to plant from current funds and an additional $10.5 million in transfers from its Venture Capital II Fund (functioning as endowment).

For 2007/08, the school forecasts a consolidated operating surplus of $8.4 million before transfers to plant of $5 million from current funds for a net surplus of $3.4 million. Revenues are forecast to increase 5.3% over projected 2006/07 results to $265.6 million, led by strong growth in income on the school's funds invested in the Merged Endowment Pool (13.5%) and continued steady growth in research (3.3%) and gifts (3%). Research continues to be a major contributor to the school's budget, representing approximately 44% of revenues in 2007/08.

Expenditures are budgeted to rise 4.2%, driven substantially by compensation expense (up 6%). In particular, academic salaries are budgeted to rise 5% as a result of the university's salary program for 2007/08 and the addition of 11 faculty during 2006/07 whose full-year salaries are now captured in the 2007/08 budget. The school also plans a significant expansion of the tuition assistant program, raising TA salaries 7% and the tuition allowance 13% over previous-year levels. Noncompensation expenditures are budgeted to rise only 1.7%.

The school expects to transfer about $36 million to plant accounts in 2007/08 from school current fund reserves ($5 million), the Venture Capital II Fund ($13 million), and new gifts explicitly raised for capital projects ($18 million).

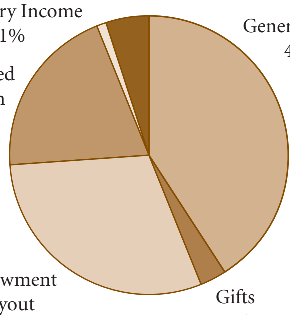
Infrastructure/Capital Plan

The School of Engineering has an ambitious strategic objective of housing all of its departments in "21st-century" facilities within the next five years. This is a critical element in the success of the initiatives described above and the continued leadership of Stanford Engineering. Four of the new buildings in the Science, Engineering, and Medicine campus are major elements in meeting this objective. The school is helping to construct these new buildings with the specific intent of promoting collaborations across traditional boundaries and encouraging interdisciplinary innovation.

Further essential actions to provide 21st-century facilities include renovating and building space along Panama Mall to create a home for the Hasso Plattner Institute of Design. Another major initiative is the construction of a Green Dorm, intended to pilot a new model for residential education in which students' living quarters also serve as a "living laboratory" for learning about sustainable building technologies. The newest project is an Advanced Vehicle Research Facility to accommodate the expanding program in this area. Stanford's winning entry in the 2005 DARPA Grand Challenge for autonomously operated vehicles is the most visible evidence of the school's excellence in this field. Finally, having added 11 assistant professors in 2006/07, the school is undergoing substantial renovation and renewal to outfit appropriate laboratory space. The school plans to contribute over $100 million from reserves over the next several years to accomplish these capital plan objectives.

SCHOOL OF HUMANITIES & SCIENCES

2007/08 Consolidated Revenues
$356.4 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	326.8	329.6	356.4
Expenses			
Salaries and Benefits	189.6	200.1	216.5
Non-Salary	125.5	116.8	121.6
Total Expenses	315.0	316.8	338.1
Operating Results	11.8	12.8	18.2
Transfers From (to) Endowment & Other Assets	0.7	0.7	0.8
Transfers to Plant	(2.1)	(7.4)	(7.4)
Surplus / (Deficit)	10.3	6.0	11.6
Beginning Fund Balances	132.1	142.4	148.4
Ending Fund Balances	142.4	148.4	159.9

Initiatives and Priorities

Strategic Directions

The School of Humanities & Sciences (H&S) has entered a period of leadership transition, with Dean Richard Saller arriving from the University of Chicago in April. Under his leadership, H&S plans to conduct a detailed update of its academic and strategic plan over the summer and the remainder of the calendar year, incorporating multiyear departmental plans into school priorities.

The school will continue to focus on achieving financial equilibrium during 2007/08. Significant progress has been made through base and one-time funding additions from the president and provost, and the dean's office has instituted policies and processes to stabilize the budget and increase rigor in resource management and decision making. During the past two years, H&S has reestablished an annual faculty search authorization process restricting rates for newly hired employees and emphasizing junior-level hiring. Last year's reformulation of the graduate aid program successfully moved incentives and management of resources back to department control. This year's faculty salary-setting process has begun to educate departments about the trade-offs between faculty raises and increased hiring and retention expenditures.

H&S continues to experience major financial challenges due to increased costs, especially for faculty retention. Newly tenured faculty are attractive targets for top-tier institutions with large endowment growth, as well as second-tier institutions focusing resources on a few key academic areas. Faculty recruitment costs also continue to grow as the school contends with the Bay Area's cost of living. To deal with these problems over the long term, H&S has begun to align high-growth resource streams with fast-growing costs (primarily for recruitment and retention). As a first step, the school will create the Hewlett Endowment for Faculty Recruitment, using $25 million of accumulated market growth from the 2001 Hewlett gift to H&S. This endowment will provide a long-term hedge against continued cost growth in these areas.

Programmatic Plans and Interdisciplinary Activities

H&S continues to focus on growing key programmatic areas to enhance its core strengths, increase interdisciplinary work, and support Stanford's four major initiatives: human health areas, environmental topics, international areas, and the arts. The school has committed significant resources to the start-up and growth of these initiatives. The Division of International, Comparative, and Area Studies (ICA) will strengthen the school's depth in Asian studies, Eastern European studies, and Islamic studies. The Institute for Research in the Social Sciences (IRiSS) has begun to provide support for emerging quantitative research across social science disciplines. The new Film Studies major will grant diplomas to 15 undergraduate students in 2007. Significant school resources continue to be committed to the Institute for Theoretical Physics and the Mathematics Research Center. Each of these supports university initiatives at a foundational level, providing basic science and core scholarship strength, while also expanding knowledge and exploring connections between disciplines.

Impact of the Stanford Challenge

Initial planning for the Stanford Challenge within the School of Humanities & Sciences was completed during 2006/07. H&S will focus on raising $174 million of programmatic support (primarily for the growth initiatives mentioned above), $121 million in capital funding for the new biology and art buildings, $84 million for 21 new endowed chairs, and $133 million for other commitments and priorities to be set by Dean Saller. This year's fund-raising projections have been reduced to reflect transitions in academic leadership and the development team. Projections are $1.3 million less for 2008/09 and will be $3.5 million less in 2009/10.

Consolidated Budget Overview

H&S projects an $11.6 million consolidated budget surplus for 2007/08 after transferring $7.4 million to plant. Some $3 million of plant expenditures will be used to build out space for new faculty hires and $3 million to fund building fit-ups for large capital projects.

For 2007/08, H&S projects a year-end consolidated fund balance of $160 million. Designated fund balances are projected to grow by $5 million as faculty funding packages are transferred in advance of spending. Expendable unspent and endowment income fund balances are projected to increase by $6 million as balances accumulate in highly restricted funds and spending plans lag endowment growth. The use of $3 million of dean's office reserves to support academic initiatives and cost growth in retention and recruitment will leave this reserve balance at $7 million at year-end.

Endowment revenues are projected to grow 18% over 2006/07 levels as pledge payments are made on gifts related to the $400 million Hewlett gift and as Stanford Challenge fund-raising activity increases. This new income will provide support for new academic initiatives, additional school infrastructure, and existing base operations. Partial support for new academic initiatives will continue to come from general funds and one-time sources until endowment fund-raising is complete.

H&S will use $5.3 million of incremental base and one-time funding from the Provost to stabilize its finances and fund small key growth areas. It will use $2 million to provide a competitive salary raise pool, boost salaries of early-career faculty, and provide special increases in departments lagging significantly behind market. An additional $2 million will provide base support for growing recruitment and retention costs. Finally, $1.2 million will provide broader support for undergraduate education and increase the number of graduate students in key departments.

Following an 8% decrease in federal grant volume in 2005/06, H&S projects a 5% decrease in 2006/07 and an additional 6% decrease in 2007/08. On a consolidated basis, growth in nonfederal grants offsets federal decreases somewhat, resulting in an overall decrease of 4%. Grant volume changes are increasing the need for bridging funds to support students and faculty research when grants are discontinued.

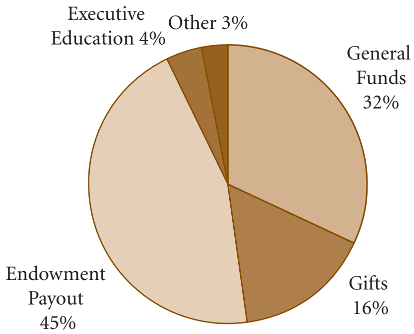
Infrastructure/Capital Plan

The new biology and art buildings mentioned above are key elements of continued leadership in these fields. The location and design of both buildings will enhance interdisciplinary collaboration and excellence, and the art building will also raise the visibility of arts programs at Stanford. Major facilities planning is under way for the biology building, which will replace the Herren Labs building, and for relocating Art, Film, and Media Studies to the site of the old anatomy building adjacent to the Cantor Arts Center. Planning for a new concert hall that will be part of a performing arts center is in early stages and will continue through 2008/09.

H&S completed a comprehensive survey of space utilization during 2006/07. The resulting information will guide reconfiguration efforts as the school begins projects to deal with pressing facilities goals and meet university space guidelines. The formation of the Department of Anthropology, combining the Departments of Cultural and Social Anthropology and Anthropological Sciences, has created the need for a new, contiguous space on the Main Quad. As part of the ensuing sequence of moves, several ICA programs will be relocated to Encina West, creating a more unified campus presence for this division. Additional moves on the Main Quad will provide additional space for IRiSS and resolve other long-standing space issues.

LAW SCHOOL

2007/08 Consolidated Revenues
$56.5 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	52.7	51.4	56.5
Expenses			
Salaries and Benefits	27.6	34.2	37.3
Non-Salary	14.5	13.7	15.5
Total Expenses	42.1	47.9	52.7
Operating Results	10.6	3.5	3.8
Transfers From (to) Endowment & Other Assets	(9.8)	(4.9)	(4.2)
Transfers to Plant	(0.2)		
Surplus / (Deficit)	0.6	(1.4)	(0.4)
Beginning Fund Balances	20.6	21.1	19.8
Ending Fund Balances	21.1	19.8	19.4

Initiatives and Priorities

The Law School's rapid growth of the past three years will begin to slow in 2007/08. Its building efforts will continue, but at a more modest pace. The school will divert a substantial share of new resources to design, preparation, and debt service of a new academic building to support the school's initiatives, as further described in the capital plan section.

Four areas of the school's budget will continue to show strong growth. The first and most important is faculty salaries. The race for faculty has not slowed, and the school must continue raising salaries to remain competitive. Harvard and Yale, as well as Chicago, Columbia, and NYU, have matched or exceeded past increases and continue to offer significantly greater compensation packages.

Secondly, it is crucial to continue expanding clinical programs. While peer law schools were building such programs in the 1980s and 1990s, Stanford focused on other topics of legal education. One result was that some of the best students chose to attend rival schools with better developed clinical curricula. More important, by ignoring clinical education, the Law School was failing to fulfill its responsibilities to students. It is now well on the way to correcting this deficiency and will soon be in a position of having one of the best clinical programs in the country. The school will add two more clinics in 2007/08, one in international human rights and development and one in transactional law. The school will have grown from 2 clinical offerings in 1999 to 11 in 2008.

The third area of continued growth is academic programs and centers. The school is continuing to build its empirical research. One of the most interesting and significant developments in recent legal scholarship has been the emergence of empirical legal studies, including analysis of complex databases, using sophisticated statistical and econometric models. The Rock Center for Corporate Governance has an exciting and far-reaching project to establish an Open Source Corporate Governance Reporting System (OSCGRS). Designed by a committee of experts drawn from business, the academy, and government, OSCGRS would select variables in governance structure perceived as legally significant, and make the resulting data available for research and analysis.

The school is continuing to grow an Intellectual Property (IP) Clearinghouse, started in 2006/07, which will address the critical need for a comprehensive, online resource for scholars, policymakers, industry, and lawyers. The goal of the IP Clearinghouse is to collect detailed information about every IP case filed in the federal courts. The clearinghouse will then track the lawsuits and add information about court opinions, judgments, and settlements where available.

The school will also expand its new Fair Use program, which seeks to clarify and extend certain boundaries in order to enhance creative freedom. The program had a great success in its first case, representing Stanford lecturer Carol Schloss in her action against the estate of James Joyce, the results of which now allow the sharing of certain documents.

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 fourth area of growth is financial aid. The school's financial aid is almost entirely supported by endowment funds. The success of the endowment over the past few years will enable the school to significantly increase financial aid to students by reducing reliance on home equity when packaging aid offers. This increase is critical to compete with Harvard and Yale, which have also enjoyed strong endowment returns and have significantly increased their financial aid packages.

Consolidated Budget Overview

In 2007/08, the school projects a $400,000 deficit. It projects a steady increase of about 4% in both gifts and external income, the latter generated mostly from the executive education program. In addition to the standard expenditures, the Law School has an annual commitment to its Loan Repayment Assistance Program of $1.5 million. The school will transfer $1.5 million to capital as it embarks on the design and construction of a new academic building. The school has made a conservative estimate of $500,000 for faculty housing loans. This amount could increase significantly, depending on the success of its hiring. It also hopes to continue raising gifts that can be moved to FFE for future needs, and plans on moving $1 million for this purpose.

Although 2007/08 will be a year of slower growth, estimated expenditures represent a 10% increase over 2006/07, with growth led by the categories listed above. The high percentage increase is a bit misleading, as the revenue for many of the programs, particularly the revenue generated by endowment, was received in 2006/07.

The school is projecting expendable reserves to remain constant at about $19 million during 2007/08. However, it plans on working with faculty who oversee funds restricted to various academic centers to look for ways to spend the more highly restricted funds, possibly allowing the school to free up unrestricted funds for use on its new academic building.

Infrastructure/Capital Plan

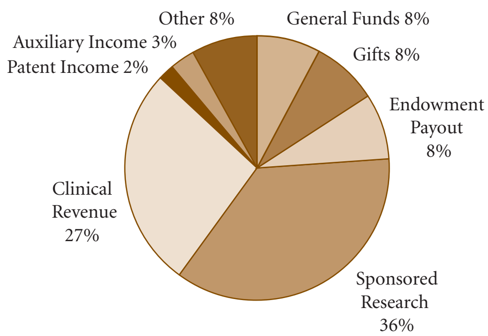
The school's capital plan, begun in 2001, continues to evolve. It has three essential components. The first is building a student residence in proximity to the Law School. The Munger Residence will house 600 students and include a dining hall that seats 250 people, a full kitchen to support the dining hall, a café, a store, and several meeting rooms for both student use and executive education programs. Planned to open in fall 2009, the Munger Residence will foster a law student community that supports recruiting the best students and enhances their academic, service, and social experiences at Stanford. It will also contribute to meeting Stanford's commitments regarding housing under the General Use Permit.

Second, the school is continuing to renovate Crown Quadrangle to upgrade the facilities and make maximally efficient use of the space. It is remodeling the second floor of the Law Library, removing the stacks that presently fill much of the space and placing the books along the walls or shifting them to long-term storage and compact shelving. The space can then be transformed into a modern, light-filled study environment resembling the Law Library's current first-floor reading room. This will increase seating capacity on the second floor by 77%, from 79 to 140 seats, and increase the options available to students and student groups for productive learning space.

Third, the Law School seeks to construct an academic building capable of accommodating its growing faculty and academic programs. Continued success and expansion of the clinical and academic programs described above depends on development of highly functional space that facilitates effective use of advanced information technology. The school's faculty count, including clinical faculty and senior lecturers, has risen from 45 in 2005 to 55 this academic year; the total body count at the Law School (faculty, staff, and other teaching personnel) has grown from 249 as of December 2005 to 272 as of September 2006. When Crown Quadrangle opened in 1975, that count was 143. It is projected to exceed 300 by 2010. At this rate the school's space needs will shortly reach critical proportions, and it is therefore moving forward as quickly as possible with the new building.

SCHOOL OF MEDICINE

2007/08 Consolidated Revenues
$1,137.2 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	999.1	1,075.3	1,137.2
Expenses			
Salaries and Benefits	556.2	588.0	641.1
Non-Salary	393.5	443.1	455.8
Total Expenses	949.7	1,031.1	1,096.9
Operating Results	49.4	44.2	40.3
Transfers From (to) Endowment & Other Assets	(6.2)	(22.4)	(21.7)
Transfers to Plant	11.5	(31.8)	(25.4)
Surplus / (Deficit)	54.6	(1.0)	(6.7)
Beginning Fund Balances	372.7	427.3	417.4
Ending Fund Balances	427.3	417.4	410.7

Initiatives and Priorities

Educating and training future leaders is an essential and defining aspect of the School of Medicine's capacity to translate discovery and foster innovation, thus improving health through research and its application to patient care. Changes in education and training programs also affect the disciplinary alignments and workforce supply needed to assure the continued success of the school and the biomedical research enterprise.

A new curriculum, the first phase of which was introduced in fall 2003, will educate future leaders in innovation, discovery, and scholarship. Other educational initiatives take advantage of the broad opportunities available at Stanford for interdisciplinary education to offer enhanced joint degree programs, including expanded MD/PhD programs in science and other disciplines. The recently created Master's of Science in Medicine program will enable PhD students to become more knowledgeable about clinical medicine and the opportunities for translating discoveries. This program, entering its second-year class, is supported by the school and the Howard Hughes Medical Institute. The school has also launched the new Advanced Residency Training at Stanford (ARTS) program, the goal of which is to foster development of physicians with comprehensive scientific training. ARTS will enroll its first two students in 2007/08. ARTS students are clinical residents or fellows who will pursue their PhDs in science while completing their residency or fellowship training.

Promoting translational and interdisciplinary research and pursuing translational medicine continue to be central to the school's overarching mission. In 2006/07, two major gifts helped to solidify the development of the infrastructure for translational research. The first gift, from the Ludwig Foundation, will support development of the Ludwig Cancer Center. The second gift, from Jill and John Freidenrich, will support development of a new Center for Translational Medicine.

The California Institute for Regenerative Medicine (CIRM) will provide $3.0 billion of funding for stem cell research over 10 years. In early 2007, the CIRM announced its second and third rounds of awards. To date, Stanford has received 20 of the 119 awards for a total of $28.9 million, the highest amount received by any school or university in California. This achievement—made more remarkable by Stanford's small faculty size in comparison to its peers—is a terrific success and signifies the high quality of the school's faculty. But it is also a beginning, a recognition that the hard work of advancing knowledge in stem cell research and regenerative medicine is truly under way.

Consolidated Budget Overview

In 2007/08, the School of Medicine projects a surplus from operations of $40.3 million and a transfer to plant and endowment of $47.1 million, netting a $6.7 million deficit. Expenses are projected to increase 6.4% and revenues 5.8% over projected 2006/07 results. Of the school's total revenue and transfers, sponsored research accounts for 36.3%; healthcare services and tuition contribute 30.5% and 2.7%, respectively; and expendable gifts, endowment income, and other designated income, such as patent and investment income, generate the majority of the remainder.

Revenue Growth

Revenues are projected to increase 5.8% for 2007/08. Key drivers of this growth are:

- Endowment income, which is projected to increase 11.6%, reflecting the University Budget Office's projections for growth.
- Expendable gift revenue, which is expected to increase 2.9% as a result of development efforts focused on interdisciplinary initiatives.
- Investment income, including income from the expendable and endowment income funds pools, which is projected to decline about 2.0% because of lower average fund balances for the year.
- Sponsored research revenue, which is expected to grow 4.9% based on current-year trends as well as the expectation of new awards from the CIRM.
- Clinical professional service agreement and service payment revenues, which are projected to grow 8.5%, primarily as a result of growth in clinical faculty and expansion of clinical programs. However, net departmental income from clinical operations is projected to decrease 22.5% as compensation expenditures for new and existing faculty and clinician educators grow faster than clinical revenues.

Expense Growth

The school's 2007/08 budget plan includes recruitment of approximately 34 incremental faculty and related expenses, including program support and staff. These faculty will be recruited for the interdisciplinary institutes and the growing clinical practices.

Overall expenses are projected to increase 6.4%, or $65.8 million, in 2007/08. The major components of this increase are:

- A $24.8 million increase in academic salaries. This includes a projected average merit increase of 4.5%, plus the increases in compensation related to recruitment of incremental faculty.
- An $18.7 million increase in benefits for academic and staff employees.
- A $12.7 million increase in noncompensation expenditures, primarily associated with the increase in sponsored projects.

Transfers to Plant, Endowment, and Other Entities

The projected transfers to plant of $25.4 million include $9.4 million for the commencement of Learning and Knowledge Center (LKC) Connective Elements construction, $10.0 million for tenant improvements to leased laboratory space, $1.5 million for strategic capital projects, and $4.5 million for department capital projects. The projected transfers to endowment include $10.0 million from the dean's office, $4.7 million from the Blood Center, and $7.0 million from departments.

Infrastructure/Capital Plan

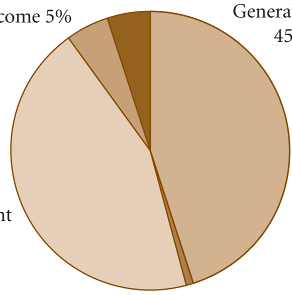
The new facilities identified above are critical for the success of the initiatives and programs and for continued leadership of the school in medical research and education. In 2007/08, the major construction projects will be launched, namely, the Learning and Knowledge Center (LKC) building and the LKC Connective Elements utilities and below-grade loading dock and extended tunnels. Concurrently, programming and schematic design for the Stanford Institutes of Medicine (SIM) #1 building will begin. December 2008 will see the completion of Stanford Hospitals and Clinics' Redwood City Outpatient Center.

Expanded off-campus space at 1050 Arastradero Road, the temporary home of Stem Cell Biology and Regenerative Medicine and the Neuroscience Institute, will be ready for occupancy by faculty members in September 2007. Additionally, the School of Medicine will move approximately 200 administrative staff to leased space in Menlo Park by the beginning of 2007/08.

In March 2007, the School of Medicine, as part of the $4.3 billion Stanford Challenge campaign launched in October 2006, received a $5.0 million contribution from Akiko Yamazaki and Jerry Yang for the LKC. One of Stanford's most esteemed faculty members, Dr. Paul Berg, contributed $4 million to the LKC. Also, the school received a $33.0 million gift from Lorry Lokey for SIM #1, which will focus on stem cell biology and regenerative medicine. These contributions are critical to helping Stanford School of Medicine become the transformational leader of the 21st century that we believe it is destined to become.

VICE PROVOST FOR UNDERGRADUATE EDUCATION

2007/08 Consolidated Revenues
$37.1 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	24.4	35.5	37.1
Expenses			
Salaries and Benefits	16.1	22.9	23.9
Non-Salary	4.4	13.4	14.4
Total Expenses	20.5	36.2	38.4
Operating Results	3.9	(0.7)	(1.2)
Transfers From (to) Endowment & Other Assets	0.1	(0.1)	
Transfers to Plant			
Surplus / (Deficit)	4.0	(0.8)	(1.2)
Beginning Fund Balances	15.0	19.1	18.3
Ending Fund Balances	19.1	18.3	17.1

Initiatives and Priorities

In 2007/08, the Vice Provost for Undergraduate Education (VPUE) will continue evolving into a unified central resource for undergraduates that both promotes student-faculty partnerships and provides informed and individualized educational guidance.

The budget plan for 2007/08 builds on the efforts made to date as VPUE continues to adjust and refine the structure and quality of academic advising and enhance opportunities for students' intellectual engagement both in and outside the classroom. VPUE is moving forward in two distinct but interrelated directions:

- Creating a compelling presence on the undergraduate landscape for programs and resources.
- Building a system of comprehensive advising that meets the needs of all undergraduate students and complements the efforts of other offices across campus.

Part of the mission is to counter the possibility that undergraduates are not fully availing themselves of professional advising at the right moments or in adequate numbers, or taking full advantage of the resources available. VPUE is therefore working to provide one place—via the Internet and on campus—where students can discover the wealth of opportunities available at Stanford, and have their questions and concerns addressed. A new communications manager will lead efforts to improve print and online communications, and a complete reorganization of the space in Sweet Hall will transform the building into the nexus of resources and support for undergraduate academic lives.

The system of advising that VPUE has been building provides students with a broad understanding of the curriculum across schools, academic policies and regulations, resources for academic support, and extracurricular academic and intellectual opportunities. VPUE continues to believe that the combination of faculty advisors and Academic Directors (ADs) in residences gives students that broad understanding, providing the complementary resources of advising and intellectual mentoring. VPUE will therefore augment university presidential funding to continue the three existing AD positions for at least another two years.

Other efforts to improve advising in 2007/08 include:

- increasing the number of faculty advisors,
- increasing programming funds available to ADs,
- providing funds to faculty advisors to host Faculty Club meals with their students,
- focusing on the advising needs of sophomores by assessing these needs and designating an existing professional advisor as "AD for the Row" at 50 percent time, and

- redefining and upgrading an existing position in the Freshman Dean's Office to include more academic advising and outreach functions.

To complement its advising efforts, VPUE plans to increase interrelationships with departments and schools throughout the university. A new senior associate vice provost will be added in 2007/08 to work closely with such VPUE curricular programs as Introduction to the Humanities, the Program in Writing and Rhetoric, the Introductory Seminars, and the Bing Overseas Studies Program. This position will communicate with academic units throughout the university on matters related to undergraduate education.

VPUE will begin managing the academic standing process in 2007/08. To smoothly guide students through the administrative processes related to academic standing and petitions for academic exceptions, VPUE will create a new Student Services Officer position. To address data management needs related to academic standing—and unmet needs across many VPUE organizations—a new data analyst will also be hired. A smooth process will benefit students, but more important will be an improved undergraduate advising system, which can help students choose their best path when faced with issues concerning their academic standing.

VPUE continues to be extremely enthusiastic about the renaissance of undergraduate education at Stanford. For a number of years, that renaissance focused on expanding opportunities for students. While VPUE continues this expansion, the renaissance demands a corresponding expansion of assistance to students in making sense of the various options available to them.

Consolidated Budget Overview

VPUE's recent history of consolidated deficits will continue in 20007/08; fund balances will decline by $1.2 million. Revenues will be $2.7 million over budget due to higher than expected endowment payout returns from accelerated pledge payments from the Campaign for Undergraduate Education (CUE) campaign. Net transfers, though, will decrease, as anticipated one-time funding to support the Bing Overseas Studies program has expired and VPUE support given to other budget units has increased. The consolidated deficit in the 2007/08 budget plan will be $400,000 more than the 2006/07 year end projection.

The unit's consolidated deficit would improve in 2007/08, except that $1 million of local reserves (captured as a non-salary expense for the short term as planning is refined) will be used to renovate Sweet Hall to unite all VPUE staff under one roof. Including this $1 million change, fund balances will decline by $1.2 million. Revenues will continue to grow significantly – by nearly $3 million, or 13% – including nearly $2.6 million of endowment payout growth. Expenses and transfers to other budget units will also grow, though, by $2.5 million, or 6%, as VPUE continues to use accumulated reserves to fund programmatic growth.

To the extent possible, VPUE will reallocate existing resources to pay for that programmatic growth. This is especially true of several of the new positions that will be added for 2007/08. Additional improvements, such as those to be made in the advising area, are so important that VPUE is willing to deficit-spend to implement them. These include VPUE's contribution to the Academic Directors (AD) program, increasing programming funds for ADs, and increasing faculty advisors. Further, the Bing Overseas Studies Program hopes to aggressively increase opportunities available to students, spending up to $1.2 million of reserves to do so. Unfortunately, those plans may need to be tempered as the increasingly weak U.S. dollar makes it increasingly difficult to pay for even existing overseas programs.

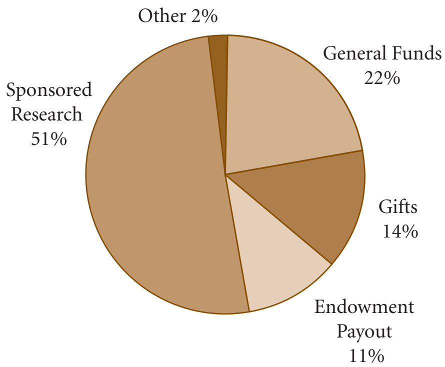
Assuming the university's endowment achieves the excellent returns projected by the University Budget Office and donors continue to fulfill their pledges from the CUE campaign, VPUE's finances will be near equilibrium in 2008/09.

Infrastructure/Capital Plan

The university's tightening space situation is the impetus for the Sweet Hall space reorganization mentioned above. Not only will the building and its exterior spaces be renovated to provide a more inviting and engaging physical presence for students, but more than 60 VPUE employees currently occupying space in the Main Quad and in Meyer Library will move to the building. With these additional staff and increased student traffic due to the transfer of the academic standing function, Sweet Hall will be a vivacious center where undergraduate students can discover all that Stanford has to offer.

VICE PROVOST AND DEAN OF RESEARCH

2007/08 Consolidated Revenues
$157.7 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	179.3	167.8	157.7
Expenses			
Salaries and Benefits	66.8	72.7	81.0
Non-Salary	94.1	91.9	79.4
Total Expenses	160.8	164.6	160.3
Operating Results	18.5	3.2	(2.6)
Transfers From (to) Endowment & Other Assets	2.4	(25.3)	1.1
Transfers to Plant	(1.1)	(4.9)	(0.3)
Surplus / (Deficit)	19.8	(27.0)	(1.9)
Beginning Fund Balances	402.6	422.4	377.7
Ending Fund Balances	422.4	395.4	375.8

Initiatives and Priorities

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

The intellectual excitement associated with Stanford's independent laboratories, institutes, and centers continues to influence research and scholarship at Stanford. Remarkable research opportunities for faculty are emerging from new partnerships with SLAC. Taking advantage of these opportunities for large-scale, federally funded research in physics, applied physics, chemistry, biological sciences, and materials sciences requires investment in the Stanford-based operations of the Kavli Institute for Particle Astrophysics and Cosmology, Photon Ultrafast Laser Science and Engineering (PULSE), and the newest independent lab, X-Ray Laboratory for Advanced Materials (XLAM). PULSE and XLAM were created at the behest of the Department of Energy.

Historically, the independent labs, institutes, and centers have played a central role in enhancing multidisciplinary research at Stanford. For example, several of them provide valuable seed grants for collaborations among faculty from different disciplines and schools. The importance of their contributions is increasingly apparent as the university implements the international, environmental, and human health initiatives of the Stanford Challenge. Three of the independent labs, the Freeman Spogli Institute, the Woods Institute, and Bio-X, are foci of many activities related to these initiatives and are involved in recruiting faculty whose interests bridge disciplines, in keeping with the goals of the Stanford Challenge.

The full impact of the Stanford Challenge on the infrastructure of the DoR and its constituent units is not yet known. However, the infrastructure will need to be organized to support multidisciplinary research. The DoR is looking at ways to share facilities, administrative, and other resources to support all the activities related to the initiatives. The infrastructure of the administrative units that support faculty research and scholarship will remain lean even as research expands with the initiatives, new facilities, and new faculty.

The most active teams in the upcoming year include the Research Compliance Office, which has achieved full accreditation by the Association for the Accreditation of Human Research Protection Programs. It received high marks for institutional commitment, a university-wide culture of concern about human subjects in research, effective procedures for managing conflict of interest, and the quality of undergraduate research protocols. In addition, Stanford University received high marks in the American Association for Accreditation of Laboratory Animal Care review earlier this year; the program for routine inspections of research labs where animals are studied was praised in particular.

Also, the Research Compliance Office is adding a Stem Cell Research Oversight Panel to review protocols for human embryonic stem cell (hESC) and adult stem cell research consistent with the requirements of the National Academies of Science and the California Institute of Regenerative Medicine (CIRM). Stanford has received approximately $28.9 million from CIRM for hESC research, more than any other institution in California.

Next, the Environmental Health and Safety (EH&S) office is responsible for risk reduction and compliance related to laboratory biosafety, health physics, and hazardous materials. In addition, EH&S has broader responsibilities for fire and life safety protection, occupational health, and emergency management and preparedness. EH&S is preparing to address new guidelines on biosecurity, which are expected to be released in summer 2007.

And finally, since its inception in May 2003, the Office of Science Outreach (OSO) has assisted Stanford faculty in obtaining approximately $25 million in NSF research grants and contracts. OSO services have provided the "science outreach" components of these proposals. Two new NSF Centers have been funded, and 90% of faculty who used OSO services to develop their NSF Career Award proposals, received awards. OSO has been able to offer ideas, partnerships, and programs in which faculty could participate.

Consolidated Budget Overview

The Office of the Vice Provost and Dean of Research (DoR) expects to have a $1.9 million planned deficit in fiscal year 2007/08. The deficit is due to the continued investment in growth of the independent laboratories, institutes and centers using prior year funds to support the programs.

2007/08 revenues are projected to decrease by 6.4% or $10.1 million as compared to 2006/07. This is primarily due to a projected decrease in research volume and the transition of the Stanford Graduate Fellowship Program from the DoR to the Office of the Vice Provost for Graduate Education (VPGE).

Research volume within the DoR is expected to decrease 13% or $12 million in 2007/08 primarily due to the phase down or completion of several large NASA mission projects with significant subcontracts and SLAC participation. These projects are administered through the Hansen Experimental Physics Laboratory (HEPL). Gravity Probe-B is expected to come to a close in 2007/08, the Gamma Large Area Space Telescope is expected to launch in late 2007, and the Helioseismic and Magnetic Imager for Solar Dynamics Observatory has a target launch date in 2008. It is not expected that these projects will be replaced with sponsored project activity on a similar scale in fiscal year 2007/08, which is due in part to changes of research priorities and budget constraints at NASA and other federal sponsors. It is important to note that while this represents a significant decrease in overall research volume, nearly all of this decrease will occur in the off-campus subcontracts components of these projects. The on-campus impact is expected to be minimal.

Several of the newer independent laboratories, institutes and centers are ramping up and establishing core staff and programs. This growth can be seen in the projected 11% increase in compensation expenses. Non-compensation expenses are projected to decrease by 13% primarily due to the phase down of HEPL's large subcontracts. Excluding HEPL, compensation expenses are projected to increase by 14% and non-compensation expenses are projected to increase by 15%.

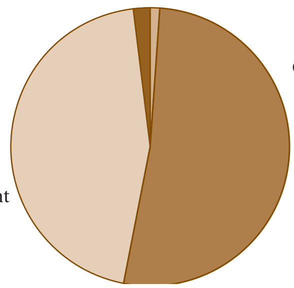
Infrastructure/Capital Plan

Capital facilities play a key role in the DoR's support of Stanford's research goals. The office is currently responsible for the facilities operation of 15 independent laboratories and six administrative offices covering more than 778,000 square feet. This responsibility will increase substantially over the next several years with the construction within SEQ II of four new buildings, which are expected to add approximately 360,000 square feet. The DoR has spent $4.3 million in 2005/06 and 2006/07 on facilities, which includes work on renovations, moves, build-outs, and fittings), and has additional facilities commitments of about $2 million in 2007/08.

In response to the space charge, the DoR will work with the units to find ways to utilize space more efficiently. Since a number of the independent labs, centers, programs, and administrative units have recently moved or will soon move into new locations and/or buildings (e.g., SEQ II), the DoR will work to optimize space utilization over the next few years.

HOOVER INSTITUTION

2007/08 Consolidated Revenues
$43.3 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	39.5	39.6	43.3
Expenses			
Salaries and Benefits	21.4	21.8	23.8
Non-Salary	13.3	15.3	15.9
Total Expenses	34.7	37.1	39.7
Operating Results	4.8	2.5	3.6
Transfers From (to) Endowment & Other Assets	0.7		
Transfers to Plant	(0.7)		
Surplus / (Deficit)	4.8	2.5	3.6
Beginning Fund Balances	11.3	16.1	18.6
Ending Fund Balances	16.1	18.6	22.2

Initiatives and Priorities

The Hoover Institution is a center for scholarship, public policy research, and archival activities. It is committed to examining, generating, and disseminating ideas that define a free society. Hoover fellows focus on how society approaches collective concerns while balancing the demands of freedom and order. The library and archives strive to create an accessible historical record of this balance.

The institution's research program is organized around seven initiatives that are consistent with its missions to improve the human condition, secure and safeguard peace, and seek representative yet limited government. They are:

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

As part of the Challenge, the Hoover Institution is seeking funds to launch various task forces that support the above seven initiatives. These task forces allow collaboration by fellows across the disciplines of economics, history, law, and political science. These multiyear efforts create an environment of deep analysis and vigorous dialogue. They strive to generate, publish, and disseminate ideas that encourage the formation of policies that support our vision.

The new task forces will follow the successful model of Hoover's Koret Task Force on K–12 Education, now entering its ninth year. The Koret Task Force deepens research in the American Educational Institutions and Academic Performance initiative. Recently, it has begun to prepare analyses of educational systems at a state level.

The task forces made possible by the Stanford Challenge will similarly be aligned with the institution's initiatives. To date, the institution has secured seed funding and identified scholars for the following five task forces:

- Middle East Ideologies, Fundamentalism, and Terrorism
- National Security and the Rule of Law
- Health Care Reform
- Individualism, Collective Interests, and Common Values
- Property Rights, Freedom, and Prosperity

Challenge funds will also be used to endow new chairs, attracting scholars who will help expand the institution's research capabilities.

Hoover fellows and scholars are encouraged to base their research and publications on material found in the library and archives. Hoover's Radio Free Europe / Radio Liberty archives have sparked extraordinary interest, leading scholars to research effective means of cross-cultural cross-boundary communication. Indeed, research in these archives has led to a project on communicating with the Islamic world and underlies the plans for the Middle East Ideologies, Fundamentalism, and Terrorism Task Force. Additionally, the growing archive of materials from post–World War II China and Taiwan is the basis for the formative Modern China research project.

The institution's communications and outreach functions look to promote the ideas and scholarship of Hoover fellows within the increasingly competitive landscape of audiences seeking easy access to information. Communications activities focus on the Internet, periodical publications, radio, and engagements with print and broadcast journalists. They include:

- Hoover Studies in Politics, Economics, and Society, a series of short books copublished with Rowman and Littlefield
- Books, essays, and articles written by Hoover scholars appearing in the popular press, newspapers, and scholarly journals, and on the Hoover website
- Opinion articles (and supporting documents) by Hoover fellows appearing on the op-ed pages of major newspapers, magazines, 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*
- Media Fellows program, which enables working media to interact with resident Hoover fellows on site at the Hoover Institution
- News releases and daily reports detailing the intellectual product of the institution via Hoover's quarterly newsletter and its website

The institution plans to augment its communication efforts in the future by reengineering its website, developing new Web-based programs, and producing a radio program.

Consolidated Budget Overview

The Hoover Institution expects to end 2006/07 in solid financial position. Expenses are projected to be under budget by greater than $1 million, largely due to unanticipated delays in hiring new scholar and staff positions. Revenues are forecast to be more than $2 million above budget because of an increase in the payout amount in the Hoover endowment funds, and expected Challenge and special project gifts to be received by year-end. The net result is a projected year-end increase in current funds of approximately $2.5 million.

The budget outlook for the institution is similarly very strong, with a balanced budget projected for 2007/08 and beyond. This positive outlook results from budgeted revenue growth of 9% over the 2006/07 year-end projection. The increase is driven by a 13.5% growth in endowment payout. That growth reflects the recent strong performance of the institution's endowment, which is managed by the Stanford Management Company. The expendable gift target has been increased by 8% over the prior year's base budget. Special project gifts have also been budgeted to grow at rates consistent with historical averages. This growth includes anticipated gifts associated with Hoover's participation in the Stanford Challenge.

On the expense side, the institution's budget for 2007/08 calls for growth of 7% over the 2006/07 year-end projection. The growth includes new programmatic expenses in the communications arena, new preservation staff in the library and archives, and preliminary expenses of several of the task forces planned around the Stanford Challenge. To accommodate the Challenge, development expenses are scheduled to increase, including new staff positions and a modified event schedule. Targeted recruitment of new scholars and staff will continue in 2007/08, allowing the institution to pursue its programmatic objectives. The net result of the revenue and expense growth is a projected year-end increase in current funds of approximately $3.5 million.

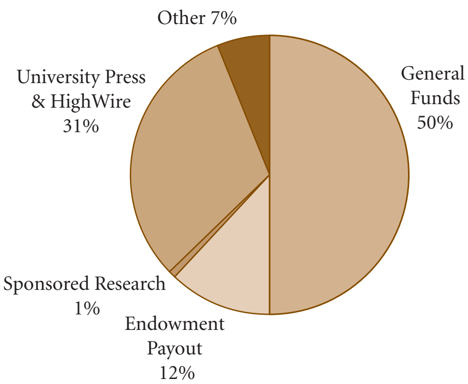
Infrastructure/Capital Plan

Hoover has expanded and improved the archives' preservation capabilities by building a state-of-the-art preservation lab. Construction of the lab and purchases of capital equipment have been completed.

The final component of the Hoover Institution's participation in the Stanford Challenge includes raising funds for capital projects, specifically, a new building. Fund-raising plans are still in their preliminary phases on this project, and no significant capital expenses are expected in 2007/08.

STANFORD UNIVERSITY LIBRARIES & ACADEMIC INFORMATION RESOURCES

2007/08 Consolidated Revenues
$92.6 Million



[in millions of dollars]

	2005/06 Actuals	2006/07 Projection	2007/08 Plan
Total Revenues	84.5	90.1	92.6
Expenses			
Salaries and Benefits	49.5	54.5	56.7
Non-Salary	34.1	37.2	39
Total Expenses	83.5	91.7	95.7
Operating Results	1.0	(1.5)	(3.1)
Transfers From (to) Endowment & Other Assets	0.6	0.6	0.5
Transfers to Plant	(0.1)		
Surplus / (Deficit)	1.5	(1.0)	(2.6)
Beginning Fund Balances	8.5	10.0	9.0
Ending Fund Balances	10.0	9.0	6.4

Initiatives and Priorities

SULAIR's 2007/08 budget includes a significant, and much needed, investment in the library materials budget, meaningfully improving SULAIR's ability to provide both traditional and electronic versions of the books, journals, and other materials Stanford students and faculty require for teaching, learning, and research. Two main factors drive this need. First, prices for commercially published journals have risen dramatically over the past 20 years, and price increases in the publishing industry overall have significantly exceeded inflation during this period. Thus, the library materials budget has been losing purchasing power over the past few years. Also, recent expansions in the research interests of Stanford faculty have necessitated unexpected collection building, as well as ongoing acquisitions. Examples include Korean Studies and Byzantine Art Studies. Support from the Provost's budget process, along with modest additions for topics new to Stanford, has helped bolster the library materials budget.

Strategic Directions

For many years, SULAIR has been a leader in the exploitation of digital information resources and network-based information services. SULAIR's diverse projects include HighWire Press, CourseWork (Stanford's primary course management and research collaboration system), numerous digitization projects (including the Google Book Search program), and a host of necessary infrastructure developments. Nevertheless, trends toward digital modes of scholarly communication indicate that SULAIR must accelerate its move to a digital environment. With incremental support in this year's budget, SULAIR is extending its digital library infrastructure and will continue to build out the Stanford Digital Repository.

SULAIR is increasing the flow of e-books, e-articles, e-maps, and other digital formats, which will affect planning for new SULAIR facilities. For scientific disciplines, SULAIR is engaged in defining and developing "bookless" libraries, redefining the roles and methods of librarians and academic computing professionals, and supporting the rapid conversion to digital means and methods in teaching and research. For other disciplines, SULAIR must exploit the possibilities of increased digital publishing and mass digitization, and tune its academic computing services and facilities to the increasingly digital expectations of students and faculty.

Programmatic Plans

SULAIR has strengthened its organization by establishing an Associate University Librarian for Science and Engineering Libraries and hiring a new head of the Engineering Library. These appointments coincide with planning for a new Engineering Library. Working closely with the School of Engineering's executive committee and other faculty, SULAIR staff developed the program statement and specifications now being developed by the architects. SULAIR is also adding two professional staff in the Engineering Library, meeting the redefined roles of staff in this new, digitized world.

Interdisciplinary Activities

A university-based research library is interdisciplinary at its core, and SULAIR excels in this environment, in part because it has over time incorporated Academic Computing, HighWire Press, and the Stanford University Press. SULAIR supports a wide breadth of subject, language, and regional coverage in collecting and reference programs, as well as a productive mix of functional specialties that collaborate on opportunities and challenges, driven by faculty interests and needs.

Impact of the Stanford Challenge

New research programs arising from the Stanford Challenge will inevitably mean new requirements for information services from SULAIR, which has an important role in the planning for such programs. SULAIR must ensure that fund-raising plans incorporate a holistic view of resource needs.

The Provost has approved fund-raising for several curatorial endowments under the Stanford Challenge. If SULAIR finds donors for those chairs, it will be able to reallocate base budget salaries to other areas of need and develop specialists internally. For example, should endowment funding support the University Archivist position, SULAIR will appoint an Assistant University Archivist as apprentice and successor to incumbent Maggie Kimball, to assure continuity and deep knowledge transfer.

Consolidated Budget Overview

SULAIR projects an operating deficit of $2.6 million across all funds in 2007/08 and will cover that deficit with existing fund balances. SULAIR's operating budget will be balanced at $57.4 million; HighWire Press, SU Press, and SULAIR's auxiliaries, project a combined deficit of $2.0 million; expenses in restricted and university research funds are expected to exceed revenue by $1.1 million.

SULAIR's consolidated revenue of $92.6 million include $46.5 million in general funds, $10.9 million in restricted funds, and Endowment income of $10.9 million. Designated revenue is expected to decrease by $400,000 to a level of $2.3 million, gifts are expected to remain stable at $300,000, and SULAIR projects $600,000 in grant funding. SULAIR's auxiliaries project combined revenues of $29.8 million, a 7% increase over 2006/07.

SULAIR's operating budget includes $33.9 million for compensation expenses, $15.8 million for library materials, and $7.7 million in other operating expenses. The auxiliaries project combined expenses of $31.8 million, which includes the cost of four major HighWire Press initiatives. Restricted funds expenses include $4.5 million for library materials and $400,000 in other expenses. University research expenses are estimated to be $700,000 and serve as matching funds for the projected grant funding.

Infrastructure/Capital Plan

The new Engineering Library, currently in design as a major component of SEQ II, is SULAIR's single approved project in the 2008 three-year capital plan. Decisions on a number of proposed projects await the outcomes of Meyer and Cubberley seismic retrofit studies. At present, demolition of Meyer Library appears likely, with numerous consequences:

- The transfer rate of materials to Stanford Auxiliary Library 3 (SAL3) must double or triple to handle loss of underground stacks. This increase will accelerate the need for SAL3 expansion.
- The East Asia Library will need accommodation elsewhere, likely Green, with numerous displacement effects, including on SAL3.
- Processing staff must be accommodated at North Campus or elsewhere, with major operational impacts.
- Academic Computing will need new space, presumably a building just south of Meyer.

SAL3 expansion remains a very high SULAIR priority, particularly as SULAIR develops plans to reverse growth of on-campus stacks, even as new acquisitions continue. Meyer's closure, the potential Cubberley Library surge, and off-campus relocation of the bulk of the Engineering Library print collections will all accelerate the rate at which SAL3 will reach saturation, currently projected within the next three years.

STANFORD LINEAR ACCELERATOR CENTER

Initiatives and Priorities

As a National User Facility of the Department of Energy (DOE), Stanford Linear Accelerator (SLAC) each year continues to provide world-class experimental facilities to about 3,000 scientists from all over the world. We have two main research programs, Photon Science and Particle Astrophysics. The accelerator facilities at SLAC deliver electron and positron beam characteristics unmatched anywhere in the world.

The construction of Linac Coherent Light Source (LCLS) 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. A suite of four instruments specifically designed for LCLS ultrafast science research will be built. The initial LCLS scientific experiments are expected to begin in 2009.

Also, 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. Completion of new beam lines will provide access to more users at the state-of-the-art facility. In 2008, a new beam line for nanoscale research will begin operation at midyear, and one for macromolecular crystallography will begin installation in the summer.

Photon Science will see growth in the interdisciplinary research areas driven by the capabilities of SPEAR3 and LCLS. Several interdisciplinary research areas, including PULSE, XLAM, and the environmental molecular sciences and structural biology, are growing at SLAC.

Currently 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 research is being carried out by 600 physicists from 11 countries. The focus for the year will be on maximizing data collection prior to the planned conclusion of experimental operations in September 2008. The future accelerator-based particle physics initiative is called the International Linear Collider (ILC). In 2007/08, the coordinated international R&D program of the ILC will continue and a detailed design study will proceed on the critical elements necessary to build a linear collider at minimum cost.

The Kavli Institute for Particle Astrophysics and Cosmology, which is a department within the Dean of Research, is involved with the telescope for the Gamma Ray Large Area Telescope (GLAST) mission. It also helps with R&D for a proposed Dark Energy experiment, the ground-based Large Synoptic Survey Telescope. GLAST is a space-based gamma ray telescope, built at SLAC by an international collaboration led by the Stanford team (SLAC, Physics Department, and HEPL), to be launched in early 2008. GLAST research will explore how cosmic accelerators work, including active galactic nuclei and gamma ray bursters, as well as search for dark matter in our galaxy. SLAC is the Instrument Science Operations Center for the GLAST mission.

SLAC sees significant opportunities to leverage the considerable federal investment through third-party gifts or donations. Such resources will enable sufficient funding for endowed faculty chairs to attract prominent scientists and for fellowships to attract the most talented graduate students and post-doctoral students. In the infrastructure area, new buildings, optimally configured to support the expanding Photon Science agenda and replacing old and inadequate space, will help greatly to accommodate the expanding programs in ultrafast science (the PULSE Center) and advanced materials research (the XLAM Center). They will also enable planned initiatives in Energy and the Environment and Biocomplexity. The Stanford Challenge provides a valuable framework for raising funds for these initiatives, most of which have direct coupling to main campus activities through joint faculty appointments and faculty research programs.

Consolidated Budget Overview

The DOE Office of Science provides 98% of the funding for SLAC, primarily from the Offices of Basic Energy Sciences (DOE-BES) and High Energy Physics (DOE-HEP).

Total SLAC costs in 2007/08 are expected to be $340 million, about $40 million lower than these costs projected in 2006/07 due to the LCLS construction project. Conventional facilities for LCLS are expected to be completed in early 2008, and the project will progress to installing technical components to be ready for the first phase of operations in 2009. DOE-BES is funding the construction of LCLS and the fabrication of the LCLS Ultrafast Science Instruments (LUSI). The total funding for the construction of LCLS is $315 million, including $101 million in 2006/07 and $51 million in 2007/08. 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 associated with funding passed through to ANL and LLNL.

Since the inception of SLAC, funding for the operation of the SLAC linear accelerator (linac), which is currently being used primarily as an injector for the PEP-II B Factory, has been the responsibility of DOE-HEP. The B Factory experimental operation is expected to conclude in 2008. In preparation for operation of LCLS in 2009, the DOE has been transitioning the funding support for the linac from DOE-HEP to DOE-BES, with 2007/08 marking the third and final year of split funding: $190 million from DOE-BES (58% of the DOE funding) and $125 million from DOE-HEP (38% of the DOE funding).

Infrastructure/Capital Plan

SLAC will be continuing with the $15.6 million infrastructure upgrade project, funded by DOE, to replace a portion of the aging underground mechanical utilities and to improve the seismic safety of several important facilities for research, experimental operations, and computing. The construction work is phased to coordinate with the accelerator operations schedule and will be completed in 2009.

In 2007/08, SLAC will initiate an $11 million renovation of the two-story wing of the Central Laboratory Building, funded by DOE, to house offices and laser laboratories for the PULSE Center. The renovation will be completed in 2009.

VICE PROVOST FOR GRADUATE EDUCATION

The emergence as a new budget unit of the Office of the Vice Provost for Graduate Education (VPGE) is an intense time of planning. With the initiatives being driven by the President and Provost, there is a great opportunity to enhance graduate education at Stanford. In order to establish the office and plan programs to address the initiatives, VPGE expects to spend $1.5 million in salaries and another $2.8 million in non-salary funds to accomplish its goals. One initial goal is to expand the interdisciplinary opportunities for graduate students. These include courses and workshops open to graduate students across Stanford’s seven schools. Another goal is to increase diversity within the student body. This will be accomplished through several university-wide recruiting activities as well as funding to students and student groups.

The recent creation of the Office of the Vice Provost for Graduate Education signals the university’s commitment to enhancing the quality of graduate education—master’s, doctoral, and professional—across Stanford’s seven schools. The impetus for this office came from extensive institutional self-study in conjunction with the realization that Stanford is uniquely positioned to “reinvent graduate education,” as the Stanford Challenge fund-raising campaign sets forth.

In the early 1990s, most administrative functions and oversight of graduate education were decentralized to the schools, departments, and graduate programs. Over the following several years, the responsibility for setting and interpreting university-wide policies for graduate education was relocated within the Dean of Research and implemented by the Office of the Registrar and the seven schools.

In September 2004, President Hennessy convened the Commission on Graduate Education to articulate a vision of how graduate education at Stanford could be enhanced in light of emerging opportunities and challenges. The commission’s yearlong work culminated in a 2005 report. In addition to advocating for continued intellectual innovation and academic excellence in a broad range of fields, the commission set forth a bold vision to foster interdisciplinary learning, recruit a more diverse graduate student population, and prepare students for new kinds of leadership roles in light of vexing societal problems.

While the commission did not recommend reestablishing a centralized administrative structure to oversee graduate education, it identified several university-wide needs, including greater organizational flexibility to facilitate cross-school cooperation and improvement in key dimensions of graduate students’ educational experiences to optimize their learning within and beyond their degree programs. A major recommendation was to create a new vice provost position and office to provide academic leadership in enhancing the quality of graduate education across the university.

With the appointment of Professor Patricia Gumport as Vice Provost for Graduate Education, the office opened in January 2007. VPGE has the opportunity to articulate a long-term vision while addressing short-term priorities and continuing to fulfill responsibilities inherited from the DoR.

Professor Gumport has identified three key parameters: (1) build on Stanford's institutional legacies and track record of academic excellence and intellectual innovation across a wide range of fields; (2) work collaboratively with faculty, staff, and students across the schools on diagnosing and addressing existing policy issues; and (3) adopt a spirit of exploration and experimentation in devising initiatives to facilitate cross-school interactions for graduate students, expand learning opportunities to cultivate multidisciplinary understanding and leadership skills, and advance diversity in the graduate student population. Four priorities were then identified, for which VPGE will provide leadership and resources.

Advancing Graduate Student Diversity

There is considerable variation in the diversity—by gender, ethnicity, and citizenship—of the graduate student population across schools and programs, yet many challenges for student recruitment and retention remain. VPGE is convening diversity officers from the schools so that successful practices can be shared and recruitment opportunities expanded. VPGE supports university-wide graduate student recruitment activities, such as the GRADD weekend in February 2007. The Graduate Diversity Steering Committee, comprising students, faculty, and staff, has been established to advise the office on prioritizing and designing new initiatives. The university has also committed general funds for VPGE to allocate as direct student support aimed at recruiting and retaining a more diverse graduate student population.

Expanding Graduate Fellowship Programs

Providing funding directly to doctoral students allows them to pursue their intellectual passions and work with mentors in more than one department. For the last 10 years, Stanford Graduate Fellowships have provided generous financial support to hundreds of PhD students in the sciences and engineering. It has supported approximately 1,150 students in 40 departments, and more than 430 PhDs have been granted to SGF fellows. VPGE inherited the endowment for Stanford Graduate Fellowships. It is a strong endowment with a surplus of funds from 2006/07 of $16 million. In addition to the surplus, VPGE expects [plural here] to have an income of about $19.6 million. With the combined amount, VPGE expects [plural here] expect to expend about $22.2 million on fellowships for graduate students. At the end of 2007/08, VPGE plans to have a surplus of about $13 million.

Plans are under way for a new program, Stanford Interdisciplinary Graduate Fellowships (SIGF), to begin in 2007.

Promoting Cross-School Learning Opportunities

Expanding interdisciplinary learning opportunities is a cornerstone of the vision to reinvent graduate education. Courses and workshops are valuable settings in which graduate students can be exposed to intellectual foundations and analytical approaches across disciplines. Facilitating enrollment in courses outside of students' home departments and schools is one organizational requirement. Another is enabling faculty to team teach and create courses drawing from expertise in multiple disciplines. The Stanford Graduate Summer Institute (SGSI) began offering interdisciplinary short courses in summer 2006, and more courses are being developed. Enthusiastic feedback from faculty and students suggests that SGSI is an effective model for facilitating dialogue and networking across the university.

A related objective is to expand opportunities that cultivate leadership skills—another form of cross-school learning—in pedagogy, communication, and entrepreneurship. VPGE collaborates with offices across the university, such as the Center for Teaching and Learning, the Graduate Life Office, and the Writing Center, to help raise the visibility and expand the breadth of these offerings.

Strengthening the Quality of Graduate Education in Degree Programs

Stanford's long-standing reputation for academic excellence across graduate degree programs is one of the university's most distinctive features. Continued investment in students, faculty, and academic departments is essential to maintain and extend these strengths in light of increased competitiveness, new global challenges, and new opportunities for disciplinary expertise to inform multidisciplinary and interdisciplinary problem solving.

Responsibility for graduate education resides both organizationally and intellectually within the schools and academic departments, where faculty have a high degree of local control over such key activities as admissions decisions, curriculum requirements, mentoring, and advising, as well as teaching and research training. Nevertheless, graduate students may work in a wide range of settings on projects that advance disciplinary specialization as well as cross-disciplinary inquiry in collaborative projects, centers, and institutes. At Stanford, this evolving landscape creates much intellectual vitality along with organizational challenges in allocation of space, time, and financial support, as well as the oversight of quality in graduate students' educational experiences.

Against this backdrop, VPGE supports active reflection and dialogue about the quality of graduate students' educational experiences in their degree programs. Topics ripe for discussion and experimentation include ensuring adequate student funding; clarifying expectations for thesis development; monitoring student progress to degree; and preparing students for academic and nonacademic careers. By convening groups and distributing small amounts of incentive funding, VPGE works with faculty, staff, and students to explore promising practices and evidence of their effectiveness.

SECTION 3

ADMINISTRATIVE & AUXILIARY UNITS

ADMINISTRATIVE UNITS

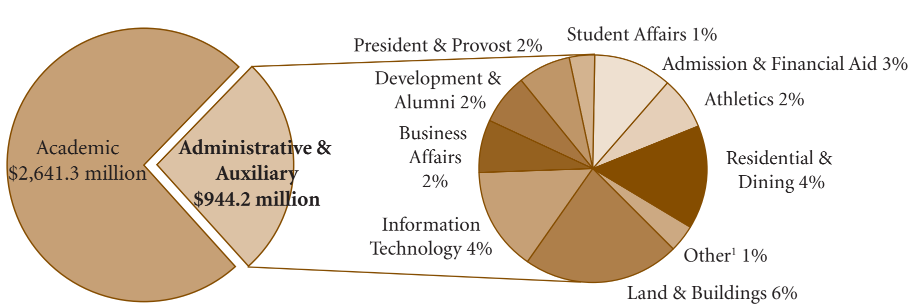
This section focuses on initiatives and priorities in the administrative and auxiliary units of the university. These units provide the needed administrative and academic and student support that allow faculty and students to do their best work.

ADMINISTRATIVE & AUXILIARY UNITS ACTIVITIES, 2007/08

[IN MILLIONS OF DOLLARS]

	Revenues and Transfers	Expenses	Results of Current Operations	Transfers (to)/from Assets	Change in Fund Balance
Administrative Units					
Business Affairs	79.8	87.5	(7.7)		(7.7)
Business Affairs - Information Technology	126.8	127.2	(0.4)		(0.4)
Development	37.4	37.4			
General Counsel	9.4	9.9	(0.5)		(0.5)
Land & Buildings	211.9	204.7	7.2	(10.5)	(3.3)
President & Provost Office	61.4	61.0	0.4		0.4
Public Affairs	13.0	13.0			
Stanford Alumni Association	38.1	38.7	(0.6)	1.2	0.6
Stanford Management Company	24.4	24.4			
Student Affairs	37.6	37.0	0.6	(0.9)	(0.3)
Undergraduate Admission & Financial Aid	107.6	94.3	13.3		13.3
Auxiliary Units					
Athletics	77.9	77.9		1.1	1.1
Residential & Dining Enterprises	130.6	131.2	(0.6)	(0.9)	(1.5)
Total	955.9	944.2	11.7	(10.0)	1.7

2007/08 CONSOLIDATED EXPENSES BY ADMINISTRATIVE & AUXILIARY UNIT



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

BUSINESS AFFAIRS (EXCLUDING INFORMATION TECHNOLOGY)

Business Affairs projects a $7.7 million deficit in the consolidated budget for 2007/08, which is due almost entirely to the liability and property insurance activities in the designated funds. Total annual insurance costs, net of claim performance and insurance reserve balance adjustments, are allocated to all income producing operations and general funds. The insurance programs have experienced a few years of favorable claim performance and external 3rd party premium cost reductions resulting in the long term reserves having invested balances in excess of the actuarial requirements.

Long term self insurance reserve balances are used to fund an accumulation of many years of claims estimates net of settlements. The excess balances are returned to the funding business units over time by reductions in the aggregate annual premiums paid. These reductions cause the revenues for the insurance programs to be less than the expenses, which results in a current year fund deficit. That deficit in turn reduces the long term reserves over time to the actuarially recommended reserve balances. If the reserve balances were less than the actuarially required balances the charges would exceed expenses, thus restoring balances over time. Long term reserve balances as of 2005/06 totaled $42.2 million, which increases by approximately $5 million in 2006/07. Projected actuarial required balances as of 2006/07 are $31 million. Therefore the projected $7.1 million deficit in the 2008 current year insurance funds does not excessively deplete the Long Term Insurance Reserves.

The main operations of Business Affairs will have a balanced budget in 2007/08, expecting to generate $67.3 million in revenues with an equal amount of expense. The other operations within Business Affairs will generate $12.5 million in revenues, for a total of $79.8 million in revenues. The pace of planned hiring (and related expenditures) in 2006/07 was slower than expected, so a small surplus is likely.

Business Affairs received a $1.5 million increase in base general funds in 2007/08 primarily to address compliance pressure which is being generated from three primary sources:

- The Federal Government has dramatically stepped up its research compliance monitoring and enforcement efforts.
- A new auditing standard, Statement on Auditing Standards No. 112 (“SAS 112”) was issued by the AICPA and is effective for the university in 2007. This standard is similar to the Sarbanes-Oxley “404” requirement that has been so costly for corporations. SAS 112 requires Stanford management to document and verify the financial controls that could have a material impact on university financial statements. In addition, the regulation requires that the university’s auditors identify and test these controls and report any deficiencies to the Board of Trustees. While SAS 112 is not quite as onerous as publicly-traded company auditing standards, it will nonetheless impose significant additional work on our accounting and internal audit organizations beginning in 2007.
- Legislators at the federal and state level, attorney generals and the IRS have been focusing intense scrutiny on compensation and expenditures in non-profit organizations. This has generated a need for increased compensation analysis, expenditure reviews and policy training across the university.

These additional funds will be allocated to Internal Audit, Human Resources, Office of Research Administration and the Controllers Office to support their efforts to increase resources focused on compliance activities. In addition, human embryonic stem cell (hESC) research at Stanford is expected to expand significantly in 2007 and 2008 and the support for compliance of that effort will also require additional resources from the 2007/08 budget allocation.

BUSINESS AFFAIRS – INFORMATION TECHNOLOGY

In total, Business Affairs – Information Technology (BA-IT) forecasts consolidated revenue and transfers of $127 million for 2007/08, base and one-time general funds of $64 million and service center revenues of $63 million, a combined 6% increase from the prior year. The organization is projecting a balanced budget this year.

Business Affairs – IT contains three primary areas:

(1) IT Services delivers enterprise-wide infrastructure services and support (e.g., networking & communications, desktop applications, data center, help desk) and represents $83 million in operating budget and service center activities or 65% of the total 2007/08 consolidated budget.

(2) Administrative Systems develops, enhances, and supports, enterprise applications and reporting. It accounts for just under $31 million in base operating budget support; or 24% of the consolidated 2007/08 budget.

(3) IT Project Funds include a base budget of $8 million and $5 million in one-time support for a total of 10% of the consolidated budget in 2007/08. The IT Project Fund activities span fiscal year boundaries and therefore tend to carry fund balances between years. 2005/06 ending fund balance was $2.6 million. Several large projects will begin in late 2006/07 and in early 2007/08, including a Commitment Management System, a Research Administration System, and a significant upgrade to the existing PeopleSoft system. As a result, fund balances are projected to grow to $4 million by the end of 2006/07. These funds balances will be used through 2008/09 in completion of these projects.

The organizations work collaboratively to provide seamless solutions and support campus-wide.

Priorities for 2007/08

IT Services

IT Services (ITS) is developing strategic plans meant to improve support of the university's academic and research mission through a robust, reliable, and resilient technical infrastructure. ITS is integrating planning efforts with offices responsible for front-line, direct support such as SULAIR (including Residential Computing) and the Office of the Vice Provost for Undergraduate Education. ITS is also collaborating with the Dean of Research, SLAC, the seven schools, C-ACIS and others to respond to the shift in research to include complex computational methods. This includes efforts to design and build a new state-of-the-art Data Center to meet longer-term needs for Research, Academic and Administrative Computing Support.

IT Services specific strategic and operations plans include:

1. Deliver robust and reliable infrastructure systems and services to support Stanford's research, academic and administrative needs.
2. Support the changing profile of research computing by implementing updated data center architecture.
3. Provide solutions to store, share, backup, and retrieve research and institutional data.
4. Increase protection of data and information on personal computers.
5. Improve the user experience for basic systems.

Administrative Systems

Administrative Systems (AS) is continuing a restructuring effort that began at the end of 2005/06. The leadership is seeing significant productivity gains and cost reductions in the project work in 2007. AS is incurring a significant amount of non-recurring costs to stabilize and construct the new organization. These costs are projected to offset salary savings generated by open positions in the fiscal year. AS has deferred some planned project work to 2007/08. Upgrades will be done on PeopleSoft, Oracle and Business Objects. AS will also work on Information Access, the Commitment Management System, and SeRA.

IT and Research Systems Project Funds

The IT Project Fund of $8 million in base funds in 2007/08 provides funding for projects necessary to maintain and improve the existing IT Services and Administrative Systems. These projects include required version upgrades of vendor packages, upgrades to core IT infrastructure, addressing mandatory compliance requirements and minor application enhancements. Projects are prioritized by the Systems Governance Group that includes representation from both schools and central offices. In 2007/08 additional one-time funding for the Research Administration and Commitment Management System projects of $5 million has been allocated. Major projects underway for 2007/08 include:

- Financial reporting enhancements.
- Automated degree audit system.
- Middleware – Event Services replacement & organization and workgroup directory upgrades.
- Guest authentication self-service system.
- Self-help web-based knowledgebase.
- HR Applications for employee assistance programs & payroll records imaging system.
- Network firewall service.

In 2006/07 there was a $2.5 million carry forward of project funds. As noted above, BA-IT has projected a carry forward for project work that crosses years again in 2007/08.

OFFICE OF DEVELOPMENT

The Office of Development projects a balanced budget for 2007/08. Development activity will focus on the second year of The Stanford Challenge campaign and the launch of its international outreach events which begin in early 2008. In addition to campaign activity, Development will continue its efforts to centralize stewardship which began in 2006/07.

General funds continue to account for the majority of income to the department. Of the $37 million budget, general funds account for nearly $30 million or 79% of the budget. Given the heightened activity and increased costs associated with The Stanford Challenge, the Office of Development will also receive significant one-time non-general funds as part of its 2007/08 allocation. Funding and expenses for year two of the campaign are expected to be $6.7 million or roughly 18% of the department's total budget. Other than general funds and campaign one-time funds, additional funding sources include internal revenue, event income, expendable gifts, and endowment income; these revenues account for a very small percentage of the overall budget.

Development's 2007/08 budget plan ref ects considerable growth (about 10%) as compared to its 2006/07 year end projection. The two main reasons are increased campaign spending and staff expansion. The Stanford Challenge launched in October 2006, and few expenses were incurred for outreach and events in 2006/07. The 2007/08 budget ref ects greater spending for the campaign as Development begins its multi-year international outreach program in various regions. Development also received additional base funds to increase its staff where needed most. Exactly where the staff growth will occur is yet to be determined, but the organization needs to grow both its fundraising staff as well as its support staff to keep up with increasing demands driven by the multi-billion dollar campaign.

New for 2007/08 is the first year of a base build up for the duration of the campaign which will allow Development to receive additional base funds at the end of the campaign. The base general funds will be used to bring many positions and publications added with one-time campaign funding onto the base budget, and therefore secure funding for those expenses post-campaign.

A few expenses should decrease in 2007/08 as compared to 2006/07 – mainly net vacation and facilities-related costs. The net vacation cost was unusually high in 2006/07. Development used its year end surplus from 2005/06 to fund the majority of the department's accrued vacation liability from August 31, 2003. The outstanding balance reached nearly $1 million in 2006/07, but the prior year surplus allowed the bulk of the liability to be funded. For facilities, costs were quite high during the last two fiscal years as Development moved nearly 25% of its employees off campus and renovated areas within the Arrillaga Alumni Center to accommodate staff growth. No major moves are planned for 2007/08, so facilities costs are projected to decline and become more stable.

OFFICE OF GENERAL COUNSEL

The Office of General Counsel (OGC) projects an $500,000 surplus for 2007/08. OGC does not anticipate any significant changes in operational costs other than increased rates for outside counsel. The proposed level of general funds along with anticipated client retainers is expected to cover operating expenses and return a surplus to the university absent any unanticipated extraordinary matters.

OGC will continue to focus on its main strategic priorities: proactively try to constrain costs by increasing efficiency; identify risk; and implement mitigation strategies, including preventative counseling and more comprehensive client training. OGC will continue its effort to maintain an optimal balance between inside and outside counsel to provide efficient, high-quality service. Internal operating costs are already lean, and there is not much opportunity for further cost reduction.

To avoid creating undue risk for the university, OGC anticipates providing legal services at the required level, and further anticipates it has adequate reserves to backstop a shortfall should it occur.

LAND, BUILDINGS AND REAL ESTATE

Effective fiscal year 2006/07, the university established the new organization of Land, Buildings and Real Estate (LBRE). This new organization incorporated both the previous Land and Buildings responsibilities along with expanded roles and now has the following areas within its purview:

- Stewardship of Stanford's 8,180 acres, including land use and entitlements for the Stanford University

Medical Center (Stanford Hospital's and Clinics, Lucile Salter Packard Children's Hospital and the School of Medicine).

- Management of over 8 million square feet of facilities.
- Oversight of utilities, grounds, roads and other campus infrastructure.
- Planning and construction of the university's $2.4 billion Capital Plan.
- Management of commercial real estate on endowed lands.

For 2007/08, the LBRE organization is projecting $204.7 million in expenditures against revenues and transfers of $211.9 million (before elimination of internal transfers), resulting in a $7.2 million surplus. This surplus, along with $4.2 million in reserves, will fund $10.5 million in anticipated capital maintenance projects.

Projected 2007/08 expenditures are anticipated to be 5%, or $9.7 million higher than the 2006/07 year end projections of $194.9 million. This increase is mostly attributable to the following:

- $2.9 million increase in staff compensation for over 400 employees.
- $2.2 million increase in utility costs (due to increases in natural gas and debt service related to the Capital Utilities Program).
- $3.2 million in incremental costs for new buildings ($2.2 million of which is related to the Jerry Yang and Akiko Yamazaki Environment and Energy Building, scheduled to complete in November 2007).

OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs (OPA) is a group of organizations that includes Government and Community Relations, Stanford Events, University Communications (News Service, Stanford Report, Stanford Video, Stanford on iTunes, www.stanford.edu, etc.), and Stanford Lively Arts. It is also the home for two popular lecture series – the Aurora Forum, and the Stanford Breakfast Briefings.

OPA projects a balanced budget in 2007/08. Total expenditures are expected to increase almost 8% to $13 million in 2007/08. Of this amount, 65%, or $8.4 million, is for compensation, an increase of 13% from 2006/07. Base general funds and one-time funds are increasing 2% to $6.6 million and will cover approximately 50% of the budget. The rest will be covered with earned income ($2.7 million), gifts ($1.3 million), carryforward funds ($600,000), and other transfers ($2.4 million).

Within the framework of its mission and the priorities described below for each unit, OPA is investing additional resources in program staffing to accomplish the following goals and priorities:

- Advancing and defending the university's reputation in a fast-changing media landscape.
- Working with complex federal, state, and local legislation and regulation.
- Managing multi-constituency, high-profile university events, such as Commencement and Parents' Weekend.
- Building a world-class arts performance program that engages the community, the faculty, and the students in innovative and profound ways and advances the university's academic mission.
- Acting as a key member of the supporting cast for many important university initiatives, the largest and most current being the Stanford Challenge.
- Ensuring that the surrounding community thinks of the university as a good neighbor.

OPA will also continue its prominent role in the Stanford Challenge. All units will experience a surge in programs and services to meet the needs of the Challenge and its core initiatives.

Stanford Lively Arts

As the role of Stanford Lively Arts (SLA) in the Stanford Challenge's Arts Initiative grows, SLA will be investing its resources heavily to:

- Establish and sustain a robust campus engagement program that aligns artistic programming with key campus priorities and the arts initiative;
- Build a distinctive external profile that supports reputational goals identified by the university;
- Become a leading partner and national producer of innovative work in the arts, in keeping with Stanford's trademark spirit of creativity and innovation; and
- Build organizational capacity and visibility in anticipation of moving into the forthcoming performing arts center.

Government and Community Relations

Government and Community Relations (GCR) continues to handle the usual regulatory challenges, federal budget issues, and political changes at all governmental levels. In addition, for the next several years it will face enormous challenges regarding the renewal and rebuilding of Stanford's two hospitals and the provision of support for Stanford's initiatives.

University Communications/News Service

University Communications is in the final stages of a strategic review slated for implementation in late 2006/07 or early 2007/08. It will spend considerable resources in 2007/08 to further develop the Stanford on iTunes project and the university's website by adding full-time staffing to these departments.

Stanford Events

Stanford Events and the Stanford Ticket Office plan to focus on enhancing their current Big Five events: Commencement, Parents' Weekend, Community Day, Founders' Day, and Community Partners' Day. They will also work to enhance ticketing processes and application systems where appropriate.

STANFORD ALUMNI ASSOCIATION

Stanford Alumni Association (SAA) is projecting a surplus of approximately $556,000 for 2007/08, due mainly to an accounting convention related to the final advance royalty payment on its affinity credit card agreement. SAA anticipates its current revenue and expenses from operations to be balanced, although SAA plans a significant investment in technology infrastructure that will be funded from outside operations.

In 2007/08, SAA will continue to focus on its Governing Objective: to maximize alumni satisfaction and active support over time. In so doing, SAA will renew its commitment to leverage the university's various alumni relations efforts across campus, with the goal of creating a more cohesive and seamless approach to alumni relations. Key initiatives in 2007/08 include developing new technology solutions that can be shared across campus, and leveraging SAA's in-house marketing staff and expertise to help the schools and other offices across campus that engage with alumni. Both of these initiatives seek to increase the effectiveness of the various alumni communications and marketing programs.

SAA will focus its technology initiative on completely redesigning and reconstructing its website infrastructure. The effort will take into consideration the specific needs of schools and will strive to build f exible solutions to meet university-wide requirements. This work will ref ect a complete change in the orientation and approach to our Web presence, transitioning the site from mainly a passive provider of information to a dynamic, community-driven environment driven by alumni preferences and interests. SAA plans to use existing reserves to fund this project.

VICE PROVOST FOR STUDENT AFFAIRS

In 2007/08, the Vice Provost for Student Affairs (VPSA) projects a modest deficit of $264,000 due to increased activity in gift-funded public service internship and education programs in the Haas Center for Public Service and the Office of Accessible Education's Schwab Learning Center. Funding for Schwab Learning Center operations has now been secured through establishment of an endowment fund.

Student Affairs' highest priority remains providing high-quality and timely "safety net" services to meet the increasingly complex needs of the student population. It has three key operating priorities for 2007/08:

- Evaluation and restructuring of its administrative infrastructure, with initial focus on IT infrastructure and related resources.
- Assessment of student service programs in the Dean of Students office.
- Development of a long-range strategic plan.

Student Affairs leads or plays a significant role in several other initiatives that will greatly affect its strategic plan. These include the following:

- Evaluation of student mental health issues, services, and resources.
- Evaluation of the residential education program and implementation of task force recommendations.
- Planning for implementation of the undergraduate housing master plan.
- Reopening of the Old Union complex.
- Evaluation of the Tresidder Union programming and operations models.
- Planning of the bigger Black Community Services Center and new Stanford Daily building projects.

The Old Union will reopen in fall 2007 after a complete renovation. This is the first step of a major renewal of the central campus that will better integrate this facility's program with those of Tresidder Union and White Plaza. Student Affairs anticipates many opportunities in developing operational and programmatic plans for the new Unions complex and the surrounding revitalized exterior spaces. There will also be challenges, particularly in developing and implementing a new operational model for the Old Union, and assessing the impact of the new facility on the Tresidder Union program.

For 2007/08, incremental general funds will support administrative staffing in the central VPSA office, classroom technology maintenance, and compliance training for staff in the Bechtel International Center and the Office of Accessible Education. Vaden Health Center will also receive incremental base funds to help address recent cost rises for technology and contracted laboratory services. Vaden has received added support in the last several years but faces further increases in costs for contracted health services, including costs for medical staff, a ref ection of trends in the health care industry.

Student Affairs will also receive one-time funding to begin evaluating and restructuring its IT infrastructure and technical support program, and to implement changes to the university's J-1 visa record-keeping processes and system.

AUXILIARY UNITS

Auxiliary units are self-contained business units which operate based on the revenue charged to their customers. They cover their own costs, and pay the central university an overhead charge.

ATHLETICS

The Department of Athletics, PE, and Recreation (DAPER) projects a deficit of approximately $1.4 million in 2007/08. The key revenue drivers will be the success of football ticket sales in the second year of the new Stanford Stadium and the success of newly centralized annual fund-raising efforts. Important incremental expenses include approximately $400,000 to Stadium sales/marketing efforts and additional money to hire and/or promote staff to improve the department's organizational structure. DAPER would like to be able to fund other initiatives, including an annual accrual to address coaching transitions, additional funding for asset renewal and maintenance, staff training and development programs, staff and assistant coach bonus programs, and repayment of the existing debt to the university. These initiatives are all on hold until additional funding can be found.

Financial Aid

Financial aid endowment and annual giving are very strong. Soon, probably in 2007/08, annual endowment payouts will cover all of DAPER's financial aid needs, enabling more annual giving dollars to go to operating needs. For 2007/08, projected financial aid revenues and expenses balanced at $16.4 million. In upcoming years, possibly including 2007/08, DAPER may need to create additional scholarships in women's sports to continue its compliance with Title IX.

Camps

DAPER's summer camps continue to provide enjoyable, affordable ways for kids to work with Stanford coaches to learn about, and improve in, a wide variety of sports. In addition, the camps continue to be a good source of revenue. For 2007/08, summer camp revenues are projected to be $5.6 million and expenses $5.4 million, for a surplus of approximately $200,000.

RESIDENTIAL & DINING ENTERPRISES

The Residential & Dining Enterprises (R&DE) budget plan for 2007/08 projects a planned operating deficit of $1.5 million on revenues and transfers of $129.7 million. This deficit includes anticipated revenue growth for Stanford Conference Services and Stanford Catering along with expense reductions aimed at minimizing the recommended room and board rate increase. These expense reductions encompass savings from labor optimization efforts, aggressive purchasing goals, and reserves generated from energy and water conservation initiatives.

The effort to align budgeted room and board income with actual occupancy rates continues. A trend of increased undergraduate enrollment in the Overseas Studies program has lowered undergraduate housing occupancy rates by 1.4% (from 98.5% to 97.1%) for the spring and fall quarters. The 2007/08 budget factors in a $545,000 planned reduction in room and board income to address this decrease. In addition, to finalize the reduction in occupancy (from 98.5% to 92%) for graduate housing, this budget includes a decrease of $300,000 in room and board income.

Initiatives in 2007/08 will provide incremental funding for the daily operation of R&DE's 4.2 million square feet of residential student living and dining space to ensure these environments remain comfortable, attractive, and conducive to learning. External increases in the cost of petroleum-based products will be aggressively managed through purchasing consolidation, operating efficiencies, and revenue increases from Stanford Conference Services and Stanford Dining.

Additional 2007/08 funding initiatives include:

- Supporting the Graduate Life Office and undergraduate Residential Education programs.
- Funding the continuous improvement of computer clusters in the residences to upgrade network wiring and extend the wireless access points into common and dining areas.
- Funding the Building Renewal Program to reduce deferred maintenance and continue addressing seismic retrofit needs, Americans with Disabilities Act (ADA) upgrades, and subsystem replacements. The following capital projects are scheduled for 2007/08:
  - Renovation and seismic improvement of the Xanadu Row house.
  - Installation of a fire sprinkler system and an addressable fire alarm system at Wilbur Hall.
  - Bathroom upgrades in Stern and Wilbur Halls to replace end-of-life and failing assets.
  - Kitchen replacements in several Row houses.
  - Replacement of failing slab heat systems in the Escondido Village low-rise apartments.
  - Replacement of grease containment systems to meet new code requirements for all Row house kitchen sewage systems.

HIGHWIRE PRESS

For 2007/08 HighWire Press is projecting a $1.2 million operating deficit. This deficit, along with the annual $0.5 million transfer to SULAIR, will be funded out of the existing fund balance. The 2007/08 deficit is expected to be a one-time event, with a return in 2008/09 to a steady state in which revenues balance with expenses.

HighWire increased its fund balance with operating surpluses in 2004/05 and 2005/06 through expense control and increased revenue through the acquisition of new customers. The build-up in fund balance anticipated the need to self-fund major upcoming initiatives in response to the competitive landscape. That day has now arrived.

Work has begun in 2006/07 on these initiatives, but the current fiscal year projection is that HighWire revenue will approximately equal expense for 2006/07. In 2006/07, only the $0.5 million transfer to SULAIR will be funded by a depletion of existing reserves. The major work will occur in 2007/08.

HighWire's mission is to provide independent scholarly and scientific publishers with the intellectual community and technological expertise needed to thrive in the ever-changing landscape of electronic publishing. HighWire and its publishers work together to identify current and future needs, ensuring innovative, sustainable solutions for advancing research communication throughout the world.

Four major initiatives which further that mission have begun and activity levels will be peaking in 2007/08:

- A major technology initiative to innovate the way scholarly content is processed on the worldwide web, and the way readers and researchers access that content.
- A business initiative to expand the reach of HighWire's publishers and the availability of scholarly content in China and other developing markets.
- A business initiative to expand HighWire's market presence in an industry which is increasingly competitive.
- A business and technology initiative to provide enhanced disaster recovery/ business continuity services due to increased demand from HighWire's publisher-customers in response to world events.

It is crucial that HighWire Press remain a viable and competitive online option for responsible scholarly publishers in a publishing industry environment which has shown increasing tendencies toward consolidation and loss of competition. These four initiatives enhance HighWire's ability to maintain and solidify its leadership position in high-quality online scholarly publishing.

STANFORD UNIVERSITY PRESS

The Press publishing program will continue to grow in 2007/08, to 160 books from 145 in the two previous years. Unit sales per title are expected to continue the upward trend established in the past few years, turning the 10% growth in title output into 14% growth in revenue. The humanities will, as usual, account for the bulk of the Press's expected output (about 55%), with titles in the social sciences, law and policy, and business and economics accounting for the remaining 45%.

Production costs will be held to the same growth rate as that for income, using an appropriate mix of in-house and full-service editing and manufacturing. Consequently, current rates of marginal profitability will be maintained.

Net of distribution costs, which are a fixed percentage of sales revenue, direct overheads will grow by only 5.8%. And with the exception of the addition of one FTE in database management, the Press will maintain current levels of establishment, and no major investment will be required in new programs, infrastructure, or systems.

With the addition of income from rights and other sources to the marginal profitability generated by book sales, the Press will again produce a balanced budget.

SECTION 4

CAPITAL BUDGET AND 3-YEAR CAPITAL PLAN

This section outlines Stanford's 2007/08 Capital Budget and 2007/08–2009/10 Capital Plan. The Capital Budget represents $386.3 million of cash outlays and associated funding of the Capital Plan for the next year. The Capital Plan forecasts $2.4 billion in construction and infrastructure projects and programs that are currently underway or planned to begin over the next three years.

THE CAPITAL BUDGET, 2007/08

At $386.3 million, the 2007/08 Capital Budget represents forecasted expenditures for the upcoming fiscal year. This amount reflects the University's significant capital initiatives, including expenditures for 6 of the 8 SEMC buildings (Astrophysics is complete and Bioengineering/Chemical Engineering is scheduled to commence in 2008/2009), the Munger Graduate Residences, the new GSB campus, Panama Mall renovations, the new SIEPR building, and various Infrastructure projects and programs.

These projected capital budget expenditures reflect only a portion of the total costs of the capital projects, as most projects have a duration exceeding one year. To demonstrate these multi-year cash flows, at the 2007/2008 fiscal year end, the following significant projects are estimated to be fully or partially complete as shown above.

The Capital Budget is based on the assumption that funding availability and project schedule align. This budget includes projects that are not fully funded (i.e. that include "Gifts to be Raised" and/or "Resources to be Identified" as funding sources). It is the policy of the University to only start construction on projects when all funds are identified. As a result, the Capital Budget has historically been higher than actual spending, which generally reflects the deferral of projects with funding gaps.

Capital Projects – Percent of Completion 2007/08

[in millions of dollars]

	Estimated Project Cost	Capital Budget 2007/08	Estimated Percent Complete 2007/08
Environment and Energy	122.3	26.3	100%
Munger Graduate Residents	227.0	96.4	73%
Panama Mall Renovations	61.4	24.9	52%
SIEPR	26.6	10.0	44%
LKC* & Connective Elements	141.7	47.0	40%
Biology	69.8	20.0	33%
Nano Center	57.8	10.0	22%
School of Engineering Center	75.9	12.3	21%
Mechanical Engineering	14.0	2.5	13%
New GSB Campus	275.0	20.9	10%

* Learning and Knowledge Center

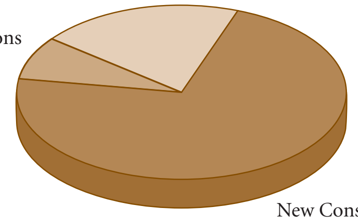
Sources and Uses

Sources of funds are anticipated to be a combination of current funds (existing reserves and fund balances), gifts in hand, pledged and to be raised, short-term and medium-term and permanent debt. The university typically uses debt on projects as the last source of funds. The mix of funds for the Capital Budget will be impacted by the timing of gift receipts.

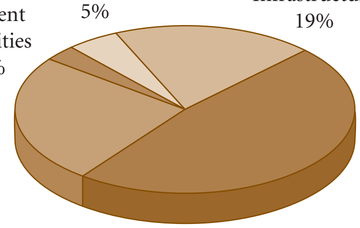
Of the $386.3 million, 48% will be spent on Academic/Research projects. Housing, Infrastructure, Academic Support, and Athletics/Student Activities will represent 25%, 19%, 5%, and 3%, respectively. An estimated 72% of the budget will be spent on new construction projects. The majority of these expenditures are to fund the SEMC buildings and the Munger Graduate Residences. Another 8% will be spent on renovation projects such as the Panama Mall and Encina projects. The remaining 20% will be spent on infrastructure projects and programs, including the Investment in Plant – Maintenance and the Capital Utilities Program (CUP).

The Capital Budget 2007/08: $386.3 Million

Uses of Funds by Project Type



Uses of Funds by Program Category



Capital Budget Impact on 2007/08 Operations

The 2007/08 Projected Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2007/08. Additionally, this budget includes an incremental increase in debt and O&M expenses for projects completing in 2006/07 that were operational for less than twelve months in 2006/07.

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 costs, and administrative costs, and is reset annually. The projected blended rate for 2007/08 is 5.70%.

The projected incremental internal debt service funded by unrestricted funds, including formula units, in 2007/08 is $3.0 million. This amount includes the additional debt service on the Environment and Energy and Old Union complex buildings among other smaller capital projects and programs. It excludes debt service on debt backstopping gift receipts. This additional debt service brings the total annual internal debt service borne by the unrestricted university budget to $42.9 million, 2.9% of unrestricted revenues, general funds and designated funds.

Total internal debt service, including that borne by auxiliaries and service centers, will increase from $131.3 million to $135.2 million.

General funds will cover additional O&M costs of approximately $2.5 million, mainly due to the completion of both the new Environment and Energy building and Parking Structure 6 (as part of the Munger Graduate Residences), and smaller infrastructure maintenance costs.

CAPITAL PLANNING OVERVIEW

Capital Planning at Stanford

Stanford's Capital Plan is a three-year rolling plan with budget commitments made for the first year, and then only for projects with fully identified and approved funding. Cash flow expenditure forecasts for these projects extend 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 tend to change over time as some projects prove more feasible than others given evolving funding realities and academic priorities.

A major issue affecting the Capital Plan is cost escalation in the construction market. Escalation over the last few years has proven to be a significant risk to project budgets, particularly in the area of subcontractor labor. To mitigate this risk, many of the Capital Plan's large project budgets carry a specific line for near-term escalation. This could increase the project cost per square foot for many projects compared to historical trends.

At $2.4 billion, this year's Capital Plan is slightly higher than the prior year's $2.2 billion plan. 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 their timeframes could change. "Resources to be Identified" includes funds yet to be fully identified, with the expectation they will come from a combination of gifts, school, department and university reserves.

STRATEGIC INITIATIVES

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

Projects

- Science, Engineering, and Medical Campus (SEMC)
- Redwood City Campus Redevelopment
- Stanford University Medical Center (SUMC)

Programs

- Sustainability at Stanford
- Space Charge and Space Utilization Studies

Projects

Science, Engineering, and Medical Campus

As mentioned in prior years, the Science, Engineering, and Medical Campus (SEMC) initiative consists of eight new buildings to be designed and constructed over the next decade. The buildings include Astrophysics (which was 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) currently under construction; the School of Engineering Center (SOE Center); the Nano Center (previously known as 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 line items for escalation and contingency risks. SEMC costs included in this plan are $795.8 million, or 34% of the total plan expenditures.

The following chart summarizes the entire SEMC initiative, excluding Astrophysics. The SEMC initiative continues to be dependent upon a successful fundraising campaign designed to meet the overall needs of the projects. This funding plan will be modified to reflect actual fundraising results. The permanent debt budgeted for the SEMC initiative, excluding Astrophysics, is $108.4 million; current funds, fundraising, and other funds will support the remainder of the initiative. Depending on the results of the fundraising efforts and schedule of pledge payments, short-term and medium-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

SEMC Project Summary

[in millions of dollars]

Project[1]	Completion	Cost
Stanford Institutes of Medicine #1	2011	166.0
Environment and Energy	2008	122.3
Bioengineering/ Chemical Engineering	2012	114.7
Learning and Knowledge Center	2010	90.2
School of Engineering Center	2010	64.6
Biology	2010	64.2
Nano Center	2010	56.7
Subtotal		678.7
Connective Elements & Utilities		
School of Medicine/Biology	2010	55.7
Science and Engineering Quad 2	2011	19.0
Subtotal		74.7
Demolitions	2010	7.9
Escalation Risk		13.3
Contingency Risk		21.2
Total		**795.8**

[1] Astrophysics was completed in 2006

and overall campus consistency will be achieved in this important new campus quadrangle. The priorities for the SEQ 2 master plan were established by an ad hoc committee of the Board of Trustees.

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.

Redwood City Campus Redevelopment

Due to GUP limitations on core campus development, the university studied options for relocating administrative programs to off-campus sites, thus reserving core campus space for Stanford's highest academic priorities and objectives.

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. The university is currently in the early phases of campus and site planning, program scoping, and conversations with Redwood City. There are 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. Early planning for the new campus, as well as early program development, is underway. The $302 million redevelopment cost estimate for the university portion of the site (13% of the Capital Plan) is based on an early estimate for a first phase of development which is anticipated to include approximately 540,000 gsf of office space, a parking garage, a community center building, and connective elements.

Stanford University Medical Center

To assure their combined ability to effectively serve the community and Stanford, the School of Medicine, Stanford Hospital and Clinics and Lucile Packard Children's Hospital are currently engaged in an entitlement process with the City of Palo Alto for renewal and replacement of existing Medical Center facilities.

The entitlement process involves requesting rezoning to create a new hospital zone in Palo Alto which would allow the development of approximately 1.3 million square feet of net new hospital, clinic and medical office space. As part of this development, 248 net new hospital beds would be added. In addition, the revised zoning would allow for an increase in the height limit of buildings from 50 feet up to 130 feet. Since last fall, representatives of the two hospitals, the School of Medicine and the University, including Land, Buildings and Real Estate (LBRE); Public Affairs and the Legal Office have been working together to manage the entitlement process. The target date for the formal project application is July 2007 and the target date for the City Council hearing on the final environmental impact report (EIR) and approval of the Development Agreement is July 2008.

Programs

Sustainability at Stanford

Stanford aspires to be a leader in sustainable education and practice, and there are many initiatives underway at the University to address this important issue.

Stanford's Sustainability Working Group, organized in 2006, is advisory to the President and Provost, and is charged with the preparation of policy and program recommendations designed to:

- Further learning, knowledge, and community service in the context of sustainability,
- Encourage faculty, staff, and students to be active examples of good stewards, and provide their expertise to the university, and
- Continuously improve Stanford's leadership and practice of sustainability.

The group includes representatives from LBRE, Environmental Health and Safety, Residential and Dining Enterprises, Budget and Auxiliaries Management, the Woods Institute for the Environment, the Stanford Hospitals, the Haas Center, the Stanford Law School, the Graduate School of Business, the School of Medicine, the School of Engineering, Associated Students of Stanford University (ASSU), ASSU Graduate Student Council, Public Affairs/Government and Community Relations, the Stanford Alumni Association, the Development Office, the Legal Office, the Athletic Department, and University Communications.

The Sustainability Working Group members represent many important environmental initiatives including:

- The Initiative on the Environment and Sustainability. This education and research initiative has been established to create a sustainable world in which human needs are met at the same time that Earth's life systems are protected and restored for people today and generations yet to come.
- Land, Buildings and Real Estate (LBRE) balances the many needs of the university, by planning sites for new buildings to support advancements in education and research, planning housing for students and faculty, working to conserve natural resources, and facilitating land uses that support the university's academic mission. While the focus of attention is often on new buildings, LBRE also pursues opportunities to improve energy and space efficiency in existing campus buildings. This year the university is rolling out a multi-phased Sustainability in Existing Buildings Program that includes retrofits and energy efficiency improvements for Stanford's twelve most energy-intensive facilities.
- Residential & Dining Enterprises uses its close connection with students to promote sustainable behaviors, including sponsoring the Energy Bowl and Water Derby competitions to conserve natural resources. In addition, students have opportunities to learn from farmers by participating in maintaining fresh, organic herb gardens on campus. All dining locations are designed for energy efficiency, recycling, and composting.
- Transportation Demand Management (TDM) Stanford's award winning TDM program (which includes recognition by the U.S. Environmental Protection Agency (EPA) as one of the "Best Workplaces for Commuters") has resulted in a steady decrease in the number of individuals who drive alone to work; down from 72% in 2002 to 55% in 2006.
- Stanford's Water Conservation, Reuse and Recycling Master Plan is based on new water saving technologies, including plumbing retrofits, replacement of once-through cooling systems in laboratories with recirculating systems and water reclamation for irrigation and flushing toilets. The success of Stanford's water conservation, reuse and recycling programs is demonstrated by a steady decrease in domestic water use from 2.7 million gallons daily (MGD) in 2000/01 to 2.2 MGD in 2005/06, despite a significant increase in campus population.
- CO2 Emissions. Like all research universities, Stanford is facing the challenge of growth in energy intensive science fields while reducing CO_2 emissions. In December 2006, Stanford joined the California Climate Action Registry and is currently undertaking an inventory of its greenhouse gas emissions. The university expects to publish the results of its greenhouse gas inventory in August 2007. Following the completion of this study, the Sustainability Working Group will be recommending targets and strategies to reduce carbon emissions.
- Stanford's Source Reduction and Recycling Program serves the entire university community, including all academic and athletic areas, student housing and dining, faculty/staff housing, the Stanford hospitals, the Stanford Linear Accelerator Center, and construction sites. Services include collecting, processing, and marketing recyclables; operating a community recycling center; and educating the campus on the "5Rs" (reduce, reuse, recycle, buy recycled, rot). Noted among its peers, the program received the National Recycling Coalition's "Outstanding School Program Award" in 2002. Stanford's program resulted in the diversion of 60% of its waste from landfill in 2006.
- Students for a Sustainable Stanford have worked with Procurement to increase Stanford's awareness of sustainable purchasing practices. While there is much progress to be made on this front, Stanford has implemented a number of recent initiatives.

Stanford is committed to excellence in providing for health, safety, and stewardship of the environment. This commitment is demonstrated through the university's institutional conduct and its contributions to teaching and research on environmental protection and management, as well as its Environmental Health and Safety programs.

Several student groups at Stanford are working to create a more sustainable Stanford and a more sustainable world. Among these:

- *Students for a Sustainable Stanford* is a coalition of students striving to ensure the sustainability of Stanford University.
- *The Stanford Climate Crew* is engaging the university in the fight against global warming and the reduction of its own carbon footprint.
- The *Stanford Community Farm* is a student-run organic garden located on the Stanford campus.
- The *Roosevelt Institution Center on the Environment and Energy* brings progressive environmental and energy-related ideas to all audiences, including those who work at all levels in American political institutions.
- *Engineers for a Sustainable World* strive to improve the quality of life in underserved communities by building partnerships with those who share this vision and by developing necessary perspectives and skill sets.
- The *Environmentally Sustainable Business Club's* goal is to inform students about the environmental concerns and opportunities that emerge in today's business world.

Space Charge and Utilization Studies

Beginning in 2007/08, Stanford's non-formula schools will pay a charge for the use of office space. The goal of this space charge is to establish an awareness that space is not a free good and to provide an incentive to use space as efficiently as possible. To offset the charge, schools will receive budget allocations based on how much office space they need according to the space guidelines that have been developed for the campus.

Stanford University has considered charging its schools for the use of space since the space planning guidelines for the university were developed in 2002. Work on the space charge began in earnest in 2005, with the formation of the "Space Cadets" team from the University Budget Office and LBRE. Charging for office space is the first phase in implementing a broader space charge.

In conjunction with the space charge, planning professionals in the Department of Capital Planning and Space Management have conducted detailed utilization studies for all of the schools. These studies provide a valuable tool for examining each school's use of space, diagnosing problems, and proposing corrective actions to better utilize existing space.

Few institutions of higher education have established charges for space. In subsequent budget reports, we will report on the results of this initiative. Initially, most of Stanford's schools will owe money for the space charge, as there appears to be a 10-15% under-utilization of office space on campus. The goal is that schools will commit themselves to better utilization, or lease space to others as a way to mitigate their charges.

THE CAPITAL PLAN, 2007/08 – 2009/10

Stanford's central campus, including the Medical School but excluding the hospitals, has more than 670 major buildings providing more than thirteen 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 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.

Projects listed in the Capital Plan meet the new criteria established for Board of Trustee level approvals. These are:

- Total project cost of $10 million and above, or
- New buildings of at least 5,000 square feet, or
- Projects that use 5,000 or more new square feet within the academic growth boundary, or
- Changes in land use, or
- Projects with major exterior design changes.

Expenditures in the three-year 2007/08–2009/10 Capital Plan, which include major construction projects in various stages of development and numerous infrastructure projects and programs, total $2.4 billion, a slight increase from last year's $2.2 billion Capital Plan. The table below provides a comparison of the last three Capital Plans.

Budget Plan Year

[in millions of dollars]

	2005/06	2006/07	2007/08
Design/ Construction	275.1	1,083.4	1,377.4
Forecasted	852.5	930.2	739.7
Infrastructure	87.4	211.1	252.1
Mid-Point Campus Acquisition	86.0		
Total	1,301.0	2,224.7	2,369.2

Projects in Design and Construction

Projects in Design and Construction represent $1.38 billion (58% of the plan). Some of these projects received Board of Trustee concept approval as recently as April 2007. Construction of these projects is contingent on securing funding; $351.9 million, or 26% of these project costs remain to be fundraised or are funds to be identified.

Project costs within this category have increased by $294 million since 2006/07. This increase is due to a number of factors. First, the costs of the Munger project have increased $67 million due to updated cost estimating and scope modifications. Second, new projects have been added to the plan (a total of $17.7 million, including the Visitor Information Center, the Ford Center and the Stanford Daily Building.) Third, a cohort of projects has moved from the Forecasted category into Design and Construction. These are significant, totaling $336.9 million, and include such projects as the GSB Campus, SIEPR Building, the first of the Panama Mall renovations in Durand, the Public Safety Building, and Childcare. Finally, a number of projects have cycled off the plan because they were completed or because plans changed. These total a decrease of $119.8 million and include the Old Union renovation, the 1050 Arastradero work, the Roble Hall renovation, and others.

Forecasted Projects

Forecasted projects include those that meet the new Board of Trustee criteria for concept approval in 2007/08. These projects total $739.7 million and represent 31% of the plan. Consistent with the projects in Design and Construction described above, these projects are contingent on funding. For this group of projects, a total of $591.9 million, or 80% remains to be fundraised or to be identified. Due to this funding challenge, many of these projects may not be completed for a number of years and may require medium-term debt to backstop unidentified funds.

Project costs within this category have decreased by $190.5 million since 2006/07 for a number of reasons. First and most significantly, as mentioned above, a large cohort of major initiatives have moved into the Design and Construction category (decreasing the "Forecasted" total by $336.9 million). This decrease has been offset somewhat by projects new to the plan. These total $128.2 million and include such projects as the Law School Academic Building, Encina renovation, 800 Welch Road, the Mechanical Engineering Building, the Advanced Vehicle Facility, and the Black Community Services Center. Other projects have changed somewhat in cost or scope, or have been removed due to planning changes. These amount to an increase of $18.2 million.

Infrastructure

Stanford's ongoing efforts to renew its infrastructure are reflected in a budget of $252.1 million (11% of total Capital Plan expenditures). Infrastructure programs include the Investment in Plant – Maintenance Program, the Capital Utilities Program (CUP), R&DE's Capital Improvement Program, GUP Mitigation, Building Energy Retrofit Program, Information Technology & Communications Systems, the Stanford Infrastructure Program (SIP), and the Storm Drain projects. GUP mitigation and SIP projects are funded through construction project surcharges.

Infrastructure costs have increased in this year's Capital Plan by $41 million. This increase is due mostly to the inclusion of the Replacement Boiler Plant ($26 million) and a $22.9 million increase year over year in R&DE's Capital Improvement Program.

Investment in Plant – Maintenance Program

This category represents the maintenance component of the Annual Investment in Plant Assets. This program includes deferred and planned maintenance for building subsystems. The planned costs and funding are detailed by area and total $79.7 million. This represents a three-year forecast of available funding to address maintenance needs.

Capital Utilities Program

The three year plan allocates a total of $75.6 million for CUP projects to improve electrical, steam, water, chilled water, and wastewater utility systems. 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. Additionally, a Replacement Boiler plant ($26 million) will allow decommissioning and removal of four existing boilers in the Central Energy Facility. The existing boilers cannot be permitted for continuous operation due to air emission limits.

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 total $46 million and are anticipated over the next three years. The plan includes continuation of the code compliance upgrades of various Row Houses and the Escondido Village slab heating system, as well as a range of bathroom renovations.

GUP Mitigation

The Capital Plan provides for $21.5 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, easements, and water conservation systems. Funding is generated by an internal fee levied on capital projects that increase school/department campus space allocations. Interim debt may be used to bridge timing differences between the collection of the fee and the scheduled expenditures.

Building Energy Retrofit Program

As mentioned previously, Stanford's twelve largest energy-intensive buildings have been selected for energy consumption reduction projects. These twelve laboratory buildings represent over $15 million of energy expenses 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 obsolete systems within 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.

Information Technology and Communication Systems

A total of $6.7 million has been allocated for upgrades to network 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 $5.7 million over the next three years. SIP projects include the construction of small increments of additional parking, campus transit improvements, parking lot infrastructure improvements, site improvements, bicycle and pedestrian paths, lighting, and outdoor art.

Storm Drains

The on-going storm drain program includes the installation of detention facilities that will mitigate increased peak flow runoff from development of the west campus and address minor drainage issues in the existing storm drain system. New storm water quality regulations require site design measures and treatment facilities to minimize contamination conveyed to natural water bodies from small storms.

Overall Summary

A summary table of the 2007/08-2009/10 three-year Capital Plan appears on the next page.

To differentiate between the projected value of the three-year capital plan and the forecasted spending to complete its projects and programs, an additional table, Capital Plan Cash Flows, is included along with the Capital Plan Summary. This table forecasts the expenditure outflow of the Capital Plan based on project and program schedules. Included are projects and programs in design or construction or anticipated to receive concept approval in the next three years. Related cash expenditures are anticipated to be spent over a period extending beyond 2012/13.

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

Summary of Three Year Capital Plan 2007/08-2009/010

[millions of dollars]

			Project Funding Source							Annual Continuing Costs	
				Gifts		University Debt					
	Estimated Project Cost	Capital Budget 2007/08	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Resources To Be Identified[3]	Debt Service	Operations, Maintenance & Utilities
Projects in Design & Construction	1,377.4	277.9	294.0	472.0	315.8	88.1	121.4	50.0	36.1	15.1	19.1
Forecasted Projects	739.7	34.8	42.6	95.2	241.0	10.0			350.9	0.7	8.0
Total Construction Plan	2,117.1	312.7	336.6	567.2	556.8	98.1	121.4	50.0	387.0	15.8	27.1
Infrastructure Programs	252.1	73.6	106.9			125.6	19.2	0.4		12.8	
Total Three-Year Capital Plan 2007/08-2009/10	2,369.2	386.3	443.5	567.2	556.8	223.7	140.6	50.4	387.0	28.6	27.1

[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]

	2006/07 & Prior	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Thereafter	Total
Projects in Design & Construction	211.7	277.9	383.3	320.2	154.1	30.2		1,377.4
Forecasted Projects	4.5	34.8	285.4	308.1	95.9	11.0		739.7
Total Construction Plan	216.2	312.7	668.7	628.3	250.0	41.2		2,117.1
Infrastructure Programs	10.2	73.6	82.8	57.1	4.4		24.0	252.1
Total Three-Year Capital Plan 2006/07-2008/09	226.4	386.3	751.5	685.4	254.4	41.2	24.0	2,369.2

Capital Plan Impact on Budget

[in millions of dollars]

	2007/08	2008/09	20009/10	2010/11	2011/12	2012/13 & Thereafter	Total
Debt Service							
General Funds	2.0	0.7	0.4	2.9	2.2		8.2
Formula	0.3	0.3	0.3	1.2	0.7		2.8
Auxiliary	1.3	1.3	7.7	0.7			11.0
Service Center	1.3	1.3	2.1			1.9	6.6
Total Debt Service	4.9	3.6	10.5	4.8	2.9	1.9	28.6
Operations and Maintenance							
General Funds	2.1	0.3	1.1	2.8	5.6	2.7	14.5
Formula				4.4	4.1		8.5
Auxiliary			2.9	1.2			4.1
Service Center							
Total Operations and Maintenance	2.1	0.3	4.0	8.4	9.7	2.7	27.1

excess of six years (beyond 2012/13). The Capital Plan Impact on Budget table 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.).

As mentioned previously, the Capital Plan schedule is dependent on the timing and success of fundraising and the identification of other resources. 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 the projects included in the Capital Plan. The Capital Plan tables do not include the capital projects of the Stanford Hospitals and Clinics (SHC), Lucile Packard Children's Hospital (LPCH), the Real Estate division, or SLAC. The text summarizes these projects in order to present a comprehensive view of all planned construction on Stanford lands.

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

Capital Plan Funding Sources

As the chart below shows, Stanford's Capital Plan relies on several funding sources: current funds, gifts, debt, and other (which represents funds from the California Institute of Regenerative Medicine and hospitals). 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. As illustrated in the chart, 24% of the plan is anticipated to be funded from gifts in hand or pledged and 24% is from gifts to be raised, for a total of 48%. This is consistent with last year's trend, where 50% of the Plan came from these fundraising categories.

Uses of Funds by Program Category

As the chart below shows, the Capital Plan is divided into the following program categories: Academic/Research, Housing, Athletics/Student Activities, Academic Support, and Infrastructure. The majority of this year's Capital Plan funds (57%) are allocated to academic/research programs. This is a consistent trend with last year's Capital Plan.

Uses of Funds by Project Type

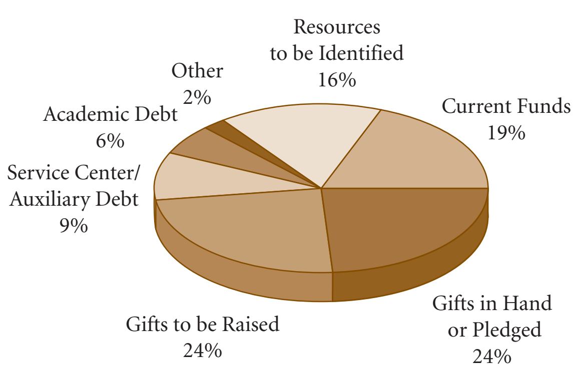
As the chart on the following page shows, projects also can be analyzed as follows: new construction, renovation, or infrastructure. The vast majority of the Capital Plan's projects fall into the new construction category (81%); this has increased from last year's percentage of 74%, reflecting several new large buildings cycling onto the plan.

Other Stanford Entities

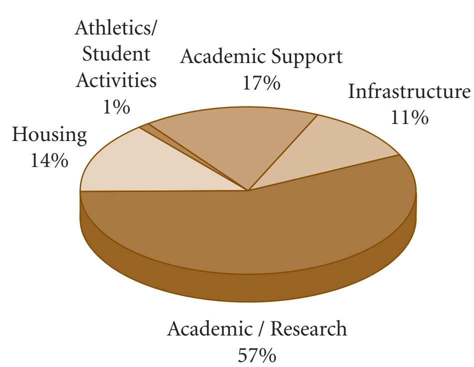
For the last several years, the Capital Planning process has included all Stanford entities. The dollar totals do not include projects managed by the Real Estate division, formerly part of the Stanford Management Company,

The Capital Plan 2007/08 – 2009/10: $2,369.2 Million

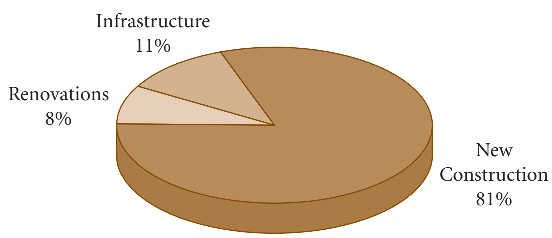
Sources of Funds



Uses of Funds by Program Category



2007/08 – 2009/10
Uses of Funds by Project Type: $2,224.7 Million



which now is part of LBRE. Stanford Hospital and Clinics (SHC), SLAC, and Lucile Packard Children's Hospital (LPCH) are similarly not included. Brief descriptions of these projects follow.

Real Estate Division

Faculty and Staff Housing – The Real Estate division continues to coordinate the planning and County approvals for new rental and for-sale housing units for faculty and staff of the university. Stanford Avenue Faculty/Staff housing is now being planned, which will add low-density, single family attached homes near El Camino Real. These units will help meet 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. New developments include a 460,000 square foot campus at the intersection of Foothill Expressway and Hillview Avenue that will be occupied by VMware this summer. Currently under construction, this project represents the largest office/R&D development to occur in the Silicon Valley since 2001. In addition, the Real Estate division is developing a new 75,000 square foot building for SAP, another important Research Park tenant which is expanding locally. Under a recently approved land use development agreement, known as the Mayfield Agreement, the Real Estate division will be master-planning the conversion of some commercial sites on the edges of the Research Park to residential sites by the year 2013, when the underlying ground leases expire.

Sand Hill Road Hotel/Office Building – Development is progressing well on this 21-acre project, with site and utility work currently underway. Construction on a University-funded, 120-room hotel is anticipated to begin late Spring 2007. The university continues to work with a hotel operator on pre-opening activities. Office leasing on the donor-funded 100,000 square foot office building has exceeded original expectations, with 75% of the office space in lease negotiations at attractive rates. The balance of the office space is also in high demand with several interested prospective tenants. Both the office and the hotel are expected to be completed by year-end 2008.

Stanford Hospitals and Clinics/Lucile Packard Children's Hospital

For information about the hospitals, please refer to the earlier section in this chapter under Strategic Initiatives, Stanford University Medical Center.

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 2007/08 to 2014/15) total $28.6 million annually (excluding debt service for debt backstopping the receipt of gifts). Of this amount, $8.2 million will be serviced by general funds, $17.6 million by auxiliary or service center operations, and $2.8 million by formula schools (the GSB and the SoM).

The additional operations, maintenance, and utilities (O&M) costs expected at the completion of all projects commencing in the three-year period total $27.1 million per year. Of this amount, $14.5 million will be serviced by general funds, $4.1 million by auxiliary and service center operations, and $8.5 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 2007, the university had approximately $227 million of capacity from existing debt programs to finance capital projects, including $97 million of tax-exempt commercial paper, and $130 million of taxable commercial paper. A bond offering currently underway will add $125 million of capacity. An additional $73 million will become available through fiscal year-end 2007/08 from internal amortization on debt-funded projects.

A total of $525 million of long-term debt will be required to finance:

- $252 million to complete projects already approved or under construction.
- $123 million for projects forecast to be approved in 2007/08.
- Up to $150 million to finance construction on the Sand Hill Road Hotel.
- In addition, medium-term debt will likely be required to bridge timing differences between the receipt of gifts and capital expenditures.

Additional debt funding will be required to finance the Faculty and Staff Housing program. The portfolio of debt subsidized mortgages increased $22 million in 2006 and $6 million year-to-date to $269 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 2007/08 will require an additional $73 million in permanent debt and medium-term debt to backstop the receipts of gift pledges. 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 and GUP limitations.

Total university debt outstanding at fiscal year end 2006 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 764,739 gsf of new GUP square feet currently in Design and Construction and 206,844 net new GUP square feet in Forecasted projects. The Cooling Tower project, listed in the infrastructure category, uses 7,027 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 1,024 net new graduate student beds since approval of the GUP. The Undergraduate Housing and Dining Master Plan Phase 1 is planned to add 240 net new beds, which includes 47 net new beds in the Green Dorm. The Stanford Avenue Faculty/Staff housing plan will add 40 net new units as well, for a total of 1,351 net new beds. This will enable the university to construct up to 1,499,999 gsf of new academic space.

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.

2007/08–2009/10 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 2007/08	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Resources to be Identified[3]	Debt Service	Operations, Maintenance & Utilities
Science, Engineering and Medical Campus (SEMC) Projects	SEMC	2005-12	795.8	121.8	110.0	285.4	242.0		108.4	50.0		7.8	13.2
Stanford Institutes of Medicine #1 ($166.0), completion 2010/11	SOM												
Environment and Energy Building ($122.3), completion 2007/08	SOE/SOM												
Bioengineering / Chemical Engineering ($114.7), completion 2011/12	DOR												
Learning and Knowledge Center ($90.2), completion 2009/10	SOM												
School of Engineering Center ($64.6), completion 2009/10	SOE												
Biology Building ($64.2), completion 2009/10	H&S												
Nano Center ($56.7), completion 2009/10	DOR												
SOM/Biology Connective Elements/Utilities ($55.7), completion 2009/10													
SEQ2 Connective Elements/Utilities ($19.0), completion 2010/11													
SEMC Demolition Projects ($7.9), completion 2009/10													
Escalation Risk ($13.3)													
Contingency ($21.2)													
Graduate School of Business - New Campus and Parking Structure	GSB	2006-10	275.0	20.9	104.0	114.0	47.0		10.0			0.7	2.3
Munger Graduate Residences (600 units) and Enabling Projects	SLS	2005-09	227.0	96.4	43.0	49.8	10.0	88.1			36.1	6.3	2.9
Graduate Housing ($170.5)													
Underground Garage (1227 spaces) ($35.0)													
Enabling Projects ($21.5)													
Stanford Institute for Economic Policy Research (SIEPR) New Building	DOR	2007-09	26.6	10.0		14.5	12.1						0.4
Panama Mall Renovations													
Durand Renovation Phases 1-4	SOE	2007-10	22.5	8.0	22.5								
Public Safety Building	PRES/PROV	2006-08	9.3	6.7	6.2	3.1							0.2
Visitor Information Center/Track Bleachers Expansion	PRES/PROV	2007-08	8.2	4.0	0.6	1.7	2.9		3.0			0.3	
Ford Center Expansion	DAPER	2007-08	5.7	4.5	4.2	1.5							
Stanford Daily Replacement Building	VPSA	2007-09	3.8	3.0		2.0	1.8						
East Campus Childcare Center	PRES/PROV	2007-08	3.5	2.6	3.5								
Subtotal - Projects in Design & Construction			1,377.4	277.9	294.0	472.0	315.8	88.1	121.4	50.0	36.1	15.1	19.1

1 Includes funds from university and school reserves and the GUP and SIP programs.
2 "Other" represents funding from California Institute for Regenerative Medicine.
3 Anticipated funding for this category is through a combination of gift raising and school, department and university reserves yet to be identified.

2007/08–2009/010 Capital Plan
Forecasted Construction Projects
(in millions of dollars)

					Project Funding Source							Annual Continuing Cost	
						Gifts		University Debt					
	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost1	Capital Budget 2007/08	Current Funds[1]	In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other[2]	Resources to be Identified[3]	Debt Service	Operations, Maintenance & Utilities
Redwood City Campus Master Plan Phase 1	PRES/PROV	2008-11	302.0	2.0							302.0		3.5
Undergraduate Housing and Dining Master Plan	R&DE	2008-10	98.9	1.0			40.0	10.0			48.9	0.7	1.1
Performing Arts Center Phase I	PRES/PROV	2008-11	74.3	3.7		50.0	24.3						1.1
Art to the Old Anatomy Building	H&S	2008-10	52.8	1.0			52.8						0.4
Law Academic Building	SLS	2008-11	45.7	3.5		20.0	25.7						1.0
Encina Renovation	DOR	2008-09	40.8	0.5			40.8						
Panama Mall Renovations	SOE	2007-11	38.9	14.9	23.9	15.0							
Peterson Renovation - Design Institute ($20.0)													
McCullough/Moore Renovations ($9.9)													
Buildings 02-520 and 02-524 Renovations ($8.0)													
Building 02-560 ($1.0)													
Cummings Replacement	HOOVER	2008-11	32.8	1.0			32.8						
800 Welch Road (Blood Center)	SOM	2009-12	22.3	1.0		8.0	14.3						
Mechanical Engineering (Building 630 Replacement)	SOE	2007-10	14.0	2.5	14.0								0.1
Golf Club House, Pro Shop, Cart Barn Renovation	DAPER	2009-10	7.8			1.0	6.8						0.1
White Plaza Landscape/Circulation Re-Design	VPSA	2008-09	4.0	2.0	4.0								
Advanced Vehicle Facility	SOE	2007-09	3.5	1.5			3.5						0.7
Black Community Services Center Addition and Renovation	VPSA	2008-09	1.9	0.2	0.7	1.2							
Subtotal - Forecasted Projects			739.7	34.8	42.6	95.2	241.0	10.0			350.9	0.7	8.0
SUBTOTAL - CONSTRUCTION PLAN			2,117.1	312.7	336.6	567.2	556.8	98.1	121.4	50.0	387.0	15.8	27.1

[1] Includes funds from university and school reserves and the GUP and SIP programs.
[2] "Other" represents funding from California Institute for Regenerative Medicine.
[3] Anticipated funding for this category is through a combination of gift raising and school, department and university reserves yet to be identified.

2007/08–2009/10 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 2007/08	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 (Planned Maintenance)[3]												
Non-Formula/Admin	LBRE	2008-10	48.0	16.0	48.0							
R&DE[4]	R&DE	2008-10	15.7	4.6	15.7							
Formula	SOM/GSB	2008-10	14.0	7.0	14.0							
DAPER	DAPER	2008-10										
Utilities[5]	LBRE	2008-10										
Roads[6]	LBRE	2008-10	2.0	0.7	2.0							
Subtotal-Investment in Plant (Planned Maintenance)			79.7	28.3	79.7							
Capital Utilities Program (CUP)												
System Expansion												
Cooling Tower 5	LBRE	2005-09	12.3	2.6				11.9		0.4	0.9	
Other System Expansion Projects	LBRE	2008-10	15.0	6.8				15.0			1.1	
Replacement Boiler Plant	LBRE	2010-15	26.0					26.0			1.9	
System Replacement	LBRE	2008-10	19.0	4.6				19.0			1.6	
Controls	LBRE	2008-10	1.8	0.6				1.8			0.2	
Regulatory	LBRE	2008-10	1.5	0.7				1.5			0.1	
Subtotal-CUP			75.6	15.3				75.2		0.4	5.8	
R&DE Capital Improvement Program[4]	R&DE	2008-10	46.0	15.5				46.0			4.0	
GUP Mitigation Costs												
Trails - S1	LBRE	2005-08	7.4	3.1	7.4							
Trails - C1	LBRE	2005-08	11.2	4.2	11.2							
Water Conservation Systems	LBRE	2008-10	2.9	0.6	2.9							
Subtotal-GUP Mitigation			21.5	7.9	21.5							
Building Energy Retrofit Program	Various	2006-10	15.0	1.5					15.0		1.6	
Information Technology & Communications Systems	ITS	2008-10	6.7	2.2				4.5	2.3		1.2	
Stanford Infrastructure Program (SIP)	LBRE	2008-10	5.7	2.0	5.7							
Storm Drains	LBRE	2008-10	1.9	0.9					1.9		0.2	
Subtotal - Infrastructure Projects & Programs			252.1	73.6	106.9			125.6	19.2	0.4	12.8	

[1] Includes funds from university and school reserves and the GUP and SIP programs.
[2] "Other" represents funding from SHC and LPCH.
[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" Planned Maintenance included in SIP Program below ($200K/year)

Appendix A
CONSOLIDATED BUDGETS FOR SELECTED UNITS

- Consolidated Budget for Operations by Unit, 2007/08
- 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 Graduate Education
- Vice Provost for Undergraduate Education
- Vice Provost and Dean of Research
- Stanford University Libraries and Academic Information Resources
- Athletics
- Residential & Dining Enterprises

Consolidated Budget for Operations by Unit, 2007/08

[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]	137.0	139.9	(2.9)	1.3	(1.6)
School of Earth Sciences	47.5	45.4	2.1	(2.9)	(0.8)
School of Education	35.9	34.9	1.0	(0.5)	0.5
School of Engineering	265.6	257.2	8.4	(5.0)	3.4
Hoover Institution	43.3	39.7	3.6		3.6
School of Humanities and Sciences[1]	356.4	338.1	18.3	(6.6)	11.7
School of Law	56.5	52.7	3.8	(4.2)	(0.4)
School of Medicine[1,2]	1,137.2	1,096.9	40.3	(47.0)	(6.7)
Dean of Research	157.7	160.3	(2.6)	0.8	(1.8)
Vice Provost for Undergraduate Education[1]	37.2	38.4	(1.2)		(1.2)
Vice Provost for Graduate Education	1.7	4.3	(2.6)		(2.6)
SLAC	338.1	338.1			
Stanford University Libraries[1]	92.6	95.7	(3.1)	0.5	(2.6)
Total Academic Units	2,706.7.9	2,641.6	65.1	(63.6)	1.5
Total Administrative & Auxiliary (details on page 46)	955.9	944.2	11.7	(10.0)	1.7
Internal Transaction Adjustment[3]	(256.9)	(244.2)	(12.7)	12.7	
Indirect Cost Adjustment[4]	(185.9)	(185.9)			
Grand Total from Units	3,219.7	3,155.7	64.1	(60.9)	3.3
Central Accounts[5]	190.0	110.1	79.9	(64.3)	15.6
Central Adjustment[6]	40.0		40.0		40.0
Total Consolidated Budget	3,449.8	3,265.8	184.0	(125.2)	58.8

Notes:

1 The budget lines for the School of Medicine, Graduate School of Business, Humanities and Sciences (H&S), VPUE and Libraries include auxiliary revenues and expenses. These auxiliary operations include Medical School, Blood Center, the Schwab Center of the GSB, HireWire Press and University Press in Libraries, Bing Overseas Studies in VPUE, and Stanford in Washington and Bing Nursery School in H&S. These items are separately identified in the Administrative & Auxiliary Activities table on page 46 and 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 $12.7 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 $185.9 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 $40.0 million of revenue is based on historical experience and reflects the expectation that the university will receive additional unrestricted and/or restricted income that cannot be specifically identified by unit at this time.

Graduate School of Business (Includes Schwab)
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues							
31,271	34,914	General Funds Allocation	35,869						35,869
91,005	90,706	Restricted Revenues		33,441	18,098	41,810	908	2,619	96,875
5,250	4,173	Internal Revenue						4,298	4,298
959		Operating Transfers	66,760	(13,013)	(20,640)	(32,726)		(381)	
128,484	129,793	Total Revenues	102,629	20,428	(2,542)	9,084	908	6,536	137,042
		Expenses							
28,608	31,688	Academic Salaries	30,337	4,394			54		34,785
23,992	27,995	Staff Salaries	25,618	3,395	81		110	601	29,804
18,240	19,857	Benefits & Other Compensation	18,704	2,348	24		51	181	21,309
29,892	35,190	Non-Salary Expenses	21,692	5,567	278	9,374	675	1,325	38,912
15,308	14,563	Internal Expenses	6,278	3,477	125	732	17	4,429	15,060
116,040	129,293	Total Expenses	102,629	19,182	508	10,107	907	6,536	139,870
12,444	500	Operating Results		1,246	(3,051)	(1,023)			(2,827)
		Transfers From (to) Endowment &							
3,719	(1,886)	Other Assets			1,282				1,282
106	(4,050)	Transfers From (to) Plant							
16,268	(5,936)	Surplus / (Deficit)		1,246	(1,769)	(1,023)			(1,545)
46,489	62,757	Beginning Fund Balances		34,252	20,617	2,451			57,321
62,757	57,321	Ending Fund Balances		35,498	18,849	1,429			55,776

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.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Earth Sciences
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues							
5,337	5,938	General Funds Allocation	4,707						4,707
49,705	41,114	Restricted Revenues		5,267	1,100	20,570	13,604		40,541
446	(92)	Internal Revenue		(137)		(45)		61	(122)
1,560	1,277	Operating Transfers	13,146	1,235	1,836	(13,868)			2,349
57,049	48,236	Total Revenues	17,853	6,365	2,936	6,657	13,604	61	47,475
		Expenses							
12,770	13,157	Academic Salaries	6,347	2,682	499	222	3,976	11	13,737
3,546	3,944	Staff Salaries	4,140	485	17	42	213	2	4,899
5,835	5,906	Benefits & Other Compensation	3,492	1,137	162	97	1,559	4	6,452
30,271	20,616	Non-Salary Expenses	3,115	1,632	459	5,617	7,752	36	18,612
1,583	1,612	Internal Expenses	1,078	208	138	111	104	22	1,660
54,005	45,236	Total Expenses	18,172	6,146	1,274	6,089	13,604	75	45,360
3,044	3,001	Operating Results	(320)	219	1,662	567		(14)	2,115
(4,747)	(2,210)	Transfers From (to) Endowment & Other Assets				(2,100)			(2,100)
(155)		Transfers From (to) Plant				(750)			(750)
(1,858)	791	Surplus / (Deficit)	(320)	219	1,662	(2,283)		(14)	(735)
25,993	24,135	Beginning Fund Balances	320	6,833	7,066	10,693		15	24,926
24,135	24,926	Ending Fund Balances		7,051	8,728	8,410		1	24,190

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 15.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Education
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2007/08 Total
		Revenues						
13,175	12,539	General Funds Allocation	13,601					13,601
18,859	20,183	Restricted Revenues		160	2,259	6,558	11,743	20,720
93	113	Internal Revenue		118				118
886	1,840	Operating Transfers	4,549	967	468	(4,526)		1,458
33,012	34,676	Total Revenues	18,151	1,245	2,727	2,032	11,743	35,897
		Expenses						
9,999	10,166	Academic Salaries	7,398	205	722	27	2,820	11,171
5,145	5,299	Staff Salaries	2,954	170	714	60	1,928	5,826
5,427	5,334	Benefits & Other Compensation	3,503	169	495	37	1,550	5,755
9,998	10,435	Non-Salary Expenses	3,420	452	1,745	226	5,194	11,037
1,189	1,072	Internal Expenses	463	62	297	8	251	1,080
31,759	32,306	Total Expenses	17,737	1,058	3,973	357	11,743	34,868
1,253	2,370	Operating Results	413	188	(1,246)	1,674		1,029
523	(924)	Transfers From (to) Endowment & Other Assets				(866)		(866)
(865)	400	Transfers From (to) Plant		400				400
911	1,846	Surplus / (Deficit)	413	588	(1,246)	808		563
17,206	18,117	Beginning Fund Balances	2,674	4,959	8,907	3,423		19,963
18,117	19,963	Ending Fund Balances	3,087	5,547	7,661	4,232		20,527

Notes:
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- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 15.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Engineering
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues							
53,262	56,000	General Funds Allocation	58,910						58,910
193,192	183,908	Restricted Revenues		26,503	17,510	30,685	118,437		193,135
3,995	2,597	Internal Revenue		2,397	638			1,030	4,065
13,758	9,490	Operating Transfers	19,724	(248)	56	(10,027)			9,505
264,207	251,995	Total Revenues	78,634	28,653	18,203	20,658	118,437	1,030	265,615
		Expenses							
77,503	82,069	Academic Salaries	33,357	7,341	5,761	1,625	38,512		86,596
23,325	24,111	Staff Salaries	12,128	6,286	852	337	5,021	500	25,124
39,186	41,982	Benefits & Other Compensation	19,331	4,472	2,778	643	17,753	150	45,127
89,643	87,951	Non-Salary Expenses	9,914	8,545	5,780	10,462	55,005	380	90,086
11,704	10,728	Internal Expenses	3,905	1,791	2,078	380	2,145		10,298
241,360	246,841	Total Expenses	78,634	28,434	17,248	13,448	118,437	1,030	257,231
22,847	5,154	Operating Results		218	955	7,210			8,383
(15,475)	(3,253)	Transfers From (to) Endowment & Other Assets			(25)				(25)
(97)	(8,604)	Transfers From (to) Plant		(5,000)					(5,000)
7,275	(6,703)	Surplus / (Deficit)		(4,782)	930	7,210			3,358
146,626	153,901	Beginning Fund Balances	463	58,459	44,608	43,683		(16)	147,197
153,901	147,197	Ending Fund Balances	463	53,677	45,538	50,893		(16)	150,556

Notes:

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- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 15.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Humanities and Sciences
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues							
126,738	137,862	General Funds Allocation	148,006						148,006
168,948	179,016	Restricted Revenues	12	2,643	9,616	107,896	69,822	3,493	193,482
9,147	6,423	Internal Revenue	28	466	17	(1)		6,095	6,605
21,972	6,282	Operating Transfers	69,581	26,198	(1,105)	(87,017)		638	8,295
326,805	329,583	Total Revenues	217,627	29,307	8,528	20,878	69,822	10,226	356,388
		Expenses							
105,583	112,505	Academic Salaries	87,578	10,146	2,096	4,005	18,762	411	122,999
33,358	33,781	Staff Salaries	27,892	973	732	510	3,379	3,185	36,670
50,620	53,781	Benefits & Other Compensation	41,423	3,094	1,364	2,188	7,638	1,124	56,833
110,306	98,383	Non-Salary Expenses	40,371	8,634	5,273	5,746	37,759	5,225	103,007
15,169	18,381	Internal Expenses	13,241	1,030	988	815	2,284	281	18,639
315,037	316,830	Total Expenses	210,506	23,878	10,453	13,264	69,822	10,226	338,148
11,768	12,753	Operating Results	7,121	5,430	(1,925)	7,614			18,240
713	659	Transfers From (to) Endowment & Other Assets				800			800
(2,148)	(7,449)	Transfers From (to) Plant	(7,449)						(7,449)
10,332	5,963	Surplus / (Deficit)	(5,909)	5,430	(1,925)	8,414			11,591
132,059	142,391	Beginning Fund Balances	4,970	47,115	35,100	61,169			148,354
142,391	148,354	Ending Fund Balances	4,643	52,544	33,175	69,583			159,945

Notes:
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- 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 15.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Law
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2007/08 Total
		Revenues						
15,748	17,354	General Funds Allocation	17,905					17,905
36,205	34,580	Restricted Revenues		3,916	9,152	25,349	150	38,567
(126)	(100)	Internal Revenue		(103)				(103)
888	(400)	Operating Transfers	32,150	(3,000)	(4,000)	(25,000)		150
52,715	51,434	Total Revenues	50,055	813	5,152	349	150	56,519
		Expenses						
12,906	15,950	Academic Salaries	16,832		852			17,684
7,712	9,500	Staff Salaries	10,332	10	31			10,374
6,988	8,770	Benefits & Other Compensation	8,817	55	328			9,200
13,350	12,400	Non-Salary Expenses	12,994	618	412			14,024
1,181	1,300	Internal Expenses	1,027	103	299	10		1,439
42,137	47,920	Total Expenses	50,001	786	1,922	10		52,720
10,578	3,514	Operating Results	54	27	3,230	338	150	3,798
(9,805)	(4,900)	Transfers From (to) Endowment & Other Assets				(4,200)		(4,200)
(198)		Transfers From (to) Plant						
575	(1,386)	Surplus / (Deficit)	54	27	3,230	(3,862)	150	(402)
20,571	21,146	Beginning Fund Balances	(48)	3,853	15,462	343	150	19,760
21,146	19,760	Ending Fund Balances	6	3,880	18,692	(3,519)	300	19,359

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 15.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

School of Medicine
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Designated Clinics	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues								
78,529	84,056	General Funds Allocation	87,959							87,959
876,442	945,262	Restricted Revenues	137	70,794	302,778	89,065	92,126	413,233	35,112	1,003,245
36,844	35,994	Internal Revenue		21,574					15,276	36,850
7,242	10,003	Operating Transfers	77,214	11,877	(21,262)	(20,468)	(38,470)		282	9,174
999,058	1,075,315	Total Revenues	165,310	104,245	281,516	68,597	53,656	413,233	50,670	1,137,228
		Expenses								
266,639	284,832	Academic Salaries	15,261	19,745	126,110	14,211	14,444	114,232	5,576	309,579
115,568	122,792	Staff Salaries	43,518	12,542	28,018	4,037	3,182	26,217	16,966	134,481
173,945	180,333	Benefits & Other Compensation	22,161	14,172	100,524	5,728	5,633	41,595	7,250	197,063
327,350	374,809	Non-Salary Expenses	55,349	42,455	10,460	23,249	17,046	215,909	19,368	383,837
66,163	68,318	Internal Expenses	29,021	3,670	16,403	4,032	1,986	15,280	1,528	71,920
949,666	1,031,084	Total Expenses	165,310	92,584	281,516	51,257	42,291	413,233	50,689	1,096,880
49,392	44,231	Operating Results		11,661		17,340	11,365		(19)	40,348
(6,234)	(22,419)	Transfers From (to) Endowment & Other Assets		(21,689)						(21,689)
11,456	(31,788)	Transfers From (to) Plant		(23,850)		(1,000)	(500)			(23,350)
54,614	(9,975)	Surplus / (Deficit)		(33,878)		16,340	10,865		(19)	(6,692)
372,730	427,344	Beginning Fund Balances	64	177,462	5,030	154,426	80,369		18	417,369
427,344	417,369	Ending Fund Balances	64	143,584	5,030	170,766	91,234		(1)	410,677

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.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

Vice Provost for Graduate Education
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues							
		General Funds Allocation	1,200						1,200
		Restricted Revenues				19,661			19,661
		Internal Revenue							
		Operating Transfers	3,081			(22,243)			(19,162)
		Total Revenues	4,281			(2,583)			1,699
		Expenses							
		Academic Salaries	707						707
		Staff Salaries	399						399
		Benefits & Other Compensation	430						430
		Non-Salary Expenses	2,724						2,724
		Internal Expenses	62						62
		Total Expenses	4,321						4,321
		Operating Results	(40)			(2,583)			(2,623)
		Transfers From (to) Endowment & Other Assets							
		Transfers From (to) Plant							
		Surplus / (Deficit)	(40)			(2,583)			(2,623)
		Beginning Fund Balances			57	16,399			16,456
		Ending Fund Balances	(40)		57	13,816			13,833

Notes:

- 2007/08 is the first year of Vice Provost for Graduate Education Operations.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 15.

Vice Provost for Undergraduate Education
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Auxiliary & Service Center	2007/08 Total
		Revenues						
11,924	20,374	General Funds Allocation	20,824					20,824
14,303	22,615	Restricted Revenues	390	1,778	523	20,346	2,540	25,576
(33)	(67)	Internal Revenue		(67)				(67)
(1,793)	(7,431)	Operating Transfers	14,581	(210)	(1,469)	(21,909)	(181)	(9,188)
24,401	35,491	Total Revenues	35,795	1,501	(946)	(1,563)	2,359	37,145
		Expenses						
5,637	6,861	Academic Salaries	7,284					7,284
6,375	10,183	Staff Salaries	10,891					10,891
4,069	5,814	Benefits & Other Compensation	5,772					5,772
2,998	12,089	Non-Salary Expenses	10,439	192	70	72	2,359	13,132
1,417	1,291	Internal Expenses	1,304		6	6		1,315
20,495	36,238	Total Expenses	35,691	192	75	78	2,359	38,395
3,906	(747)	Operating Results	104	1,309	(1,022)	(1,641)		(1,249)
112	(56)	Transfers From (to) Endowment & Other Assets						
15		Transfers From (to) Plant						
4,033	(802)	Surplus / (Deficit)	6,226	1,309	(1,022)	(1,641)		(1,249)
15,033	19,065	Beginning Fund Balances	3,137	4,739	1,810	8,570	7	18,263
19,065	18,263	Ending Fund Balances	3,240	6,048	788	6,930	7	17,014

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 15.

Vice Provost and Dean of Research
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues							
28,775	29,992	General Funds Allocation	34,454						34,454
151,638	150,030	Restricted Revenues	424	5,167	21,384	16,606	82,136		125,717
1,792	1,842	Internal Revenue	893	111				999	2,003
(2,899)	(14,099)	Operating Transfers	20,908	1,999	(7,086)	(9,941)	(10,375)	24	(4,471)
179,306	167,765	Total Revenues	56,678	7,278	14,298	6,665	71,761	1,023	157,703
		Expenses							
26,767	26,925	Academic Salaries	5,898	2,289	3,281	1,657	15,188	385	28,699
23,447	27,283	Staff Salaries	23,225	1,235	1,873	584	4,576	85	31,578
16,559	18,490	Benefits & Other Compensation	9,522	1,145	1,858	850	7,167	139	20,681
86,938	82,739	Non-Salary Expenses	15,442	2,695	8,194	2,465	41,330	393	70,519
7,125	9,116	Internal Expenses	2,989	367	1,489	530	3,490	5	8,870
160,836	164,554	Total Expenses	57,076	7,732	16,694	6,087	71,751	1,006	160,346
18,470	3,211	Operating Results	(397)	(454)	(2,397)	578	10	17	(2,642)
2,420	(25,257)	Transfers From (to) Endowment & Other Assets	(10)		440	692			1,122
(1,082)	(4,908)	Transfers From (to) Plant		(100)		(250)			(350)
19,809	(26,954)	Surplus / (Deficit)	(407)	(554)	(1,957)	1,021	10	17	(1,870)
402,567	422,376	Beginning Fund Balances	3,325	322,948	26,980	24,393		56	377,702*
422,376	395,422*	Ending Fund Balances	2,917	322,394	25,023	25,414	10	73	375,832

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 15.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

* The reduction of the 2006/07 year end projection as it applies to the 2007/08 beginning balance is due to the transfer of money to VP Graduate Education.

Hoover Institution
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	2007/08 Total
		Revenues					
722	780	General Funds Allocation	626				626
38,797	39,037	Restricted Revenues	208	499	22,515	19,437	42,660
21	7	Internal Revenue		7			7
(58)	(209)	Operating Transfers	38,841	(506)	(19,465)	(18,869)	
39,482	39,616	Total Revenues	39,675		3,050	568	43,293
		Expenses					
9,757	9,870	Academic Salaries	10,492				10,492
6,293	6,565	Staff Salaries	7,231				7,231
5,355	5,367	Benefits & Other Compensation	6,088				6,088
12,239	14,267	Non-Salary Expenses	14,785				14,785
1,050	1,037	Internal Expenses	1,079				1,079
34,693	37,106	Total Expenses	39,675				39,675
4,789	2,509	Operating Results			(3,050)	(568)	3,618
		Transfers From (to) Endowment &					
749		Other Assets					
(739)		Transfers From (to) Plant					
4,799	2,509	Surplus / (Deficit)			(3,050)	(568)	3,618
11,289	16,088	Beginning Fund Balances	532	700	16,193	1,171	18,597
16,088	18,597	Ending Fund Balances	532	700	19,243	1,739	22,215

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 15.

Stanford University Libraries and Academic Information Resources
2007/08 Consolidated Plan
[in thousands of dollars]

2005/06 Actuals	2006/07 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2007/08 Total
		Revenues							
42,822	45,023	General Funds Allocation	46,533						46,533
39,772	43,097	Restricted Revenues		2,300	300	10,924	601	29,121	43,246
32	(80)	Internal Revenue		(45)					(45)
1,888	2,100	Operating Transfers	10,863	(2,214)	(137)	(6,255)		637	2,894
84,515	90,141	Total Revenues	57,395	41	163	4,670	601	29,758	92,628
		Expenses							
6,659	6,102	Academic Salaries	5,910	116			93	3	6,122
30,960	35,001	Staff Salaries	19,893	332			225	16,727	37,176
11,786	13,383	Benefits & Other Compensation	8,084	135			92	5,083	13,395
28,879	33,671	Non-Salary Expenses	22,569	333	150	4,500	190	7,417	35,160
5,204	3,504	Internal Expenses	939		12	360		2,551	3,862
83,489	91,661	Total Expenses	57,395	916	162	4,860	601	31,781	95,715
1,026	(1,519)	Operating Results		(875)	1	(190)		(2,023)	(3,087)
571	553	Transfers From (to) Endowment & Other Assets						476	476
(100)		Transfers From (to) Plant							
1,496	(967)	Surplus / (Deficit)		(875)	1	(190)		(1,547)	(2,611)
8,514	10,011	Beginning Fund Balances		1,549	1,555	1,405		4,535	9,044
10,011	9,044	Ending Fund Balances		675	1,556	1,215		2,988	6,433

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 15.
- Grants and Contracts revenue includes Indirect Cost Recovery; this same amount is charged against Non-salary Expenses for infrastructure and general administrative costs of research.

Auxiliary Activities
2007/08 Consolidated Plan
[in thousands of dollars]

ATHLETICS

Operating	
Revenues	
Intercollegiate	20,183
Gifts/Endowments	13,696
University Funds	8,551
Auxiliaries	7,041
Other	4,983
Total Revenues	54,454
Expenses	
Compensation	28,264
Facilities/Maintenance	8,226
Travel/Entertainment	6,052
General Services	4,964
General Supplies	4,495
Other	2,100
Debt Service	978
Capital Expenditures	736
Total Expenses	55,816
Operating Gain/(Loss)	(1,361)
Financial Aid	
Revenues	16,360
Expenses	16,360
Financial Aid Gain/(Loss)	0
Camps	
Revenues	5,660
Expenses	5,440
Camps Gain/(Loss)	220

RESIDENTIAL & DINING ENTERPRISES

Revenues	
Student Payments	95,878
Student Payments: Off Campus	2,103
SLAC Guest House	2,120
Conferences Housing & Dining	10,804
Other Operating Income	13,266
Interest Income	1,122
Total Revenue	125,293
Transfers	
Grad Housing Subsidy: Off Campus	2,103
Rent Loss Reimbursement	
Debt Service Subsidy: Grad Housing	3,000
Miscellaneous Transfers	(705)
Transfer to VPSA	
Total Transfers	4,399
Total Revenue and Transfers	129,691
Expenses	
Salaries and Benefits	40,823
Food Costs	8,002
EM & S	9,284
Rentals & Leases: Off Campus	1,956
Utilities & Telephone	9,796
Repair & Maintenance	13,309
Debt Service	33,868
G & A/ Taxes / Insurance	14,172
Total Expenses	131,210
Operating Gain/(Loss)	(1,519)
Net Operating Gain/(Loss)	(1,519)

APPENDIX B

SUPPLEMENTARY INFORMATION

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

Schedule 1 – Student Enrollment

Male undergraduates outnumbered female undergraduates in 2006/07, as they have since 1998/99. 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. There was decrease of 48 TGRs in 2006/07, while the number of non-TGR graduate students increased in 2006/07 by 73 students.

Schedule 2 – Freshman Student Apply/Admit/ Matriculate Statistics

The number of applicants for the present freshman class increased by 10.6% to 22,333, the largest pool in Stanford's history. Only 11% of applicants were accepted, as Stanford has become increasingly selective over the past ten years. Stanford's yield rate is very strong and among the highest in the country, at just over 67%.

Schedule 3 – Graduate Student Apply/Admit/ Enroll Statistics

The number of applicants to Stanford's graduate and professional programs rose 4% to 31,583 in 2006/07. Stanford's graduate programs admitted only 13.7% of all applicants which is the lowest level in the past decade. The yield for graduate admits was around 52% from 1997 through 2003, but has averaged about 54.5% the past 3 years.

Schedule 4 – Graduate Student Support

Stanford supports its graduate students and post-doctoral fellows with a variety of funding sources.

Teaching assistants and research assistants earn salaries as part of their appointment and most also receive an allowance applied against their tuition charges as part of their compensation.

Graduate fellows receive grants that cover some or all of their tuition charges, and many receive stipends that help cover living expenses. Post-doctoral students, over two-thirds of whom reside in the School of Medicine, also receive salaries as part of their appointment. Many also receive living expense stipends.

Grants and contracts cover much of the research assistant expenses, while university and school unrestricted (or general use) funds and expendable and endowment funds restricted specifically to graduate student aid cover the remaining expenses.

Schedule 5 – Tuition And Room & Board Rates

The 2007/08 total cost of undergraduate tuition plus room & board increased by 5.2% over the previous year, ignoring inflation. Taking inflation into account and focusing only on tuition, over the past ten years, the average annual increase is 2.3%.

Schedule 6 – Tuition and Fee Income

Total tuition income is expected to increase by 5.0% in 2007/08. While undergraduate and general graduate tuition rate will increase by 5.5% next year, the TGR rate is being held flat and the School of Medicine is increasing its tuition by only 4.5%.

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

This schedule shows the total amount of financial aid from all sources (including non-need based scholarship aid for athletics) awarded to undergraduate students. The last row shows Stanford tuition plus room and board. The difference between the Grand Total and Tuition grew from 1999/2000 until 2004/05 and then decreased slightly in 2005/06. Total scholarships and grants increased by 0.4% in 2005/06, as a result of a 4.5% tuition increase and a continuing sluggish economy.

The Stanford unrestricted funds portion of scholarships and grants, which had been rapidly declining in the late 1990s, 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, with a decline from 2004/05 to 2005/06. Loan amounts have decreased for the last two years, while the work component of financial aid has increased, though student jobs are by far the smallest component of financial aid.

Schedule 8 – 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 number of students who receive need-based aid is expected to be up slightly from the current year but is roughly the same as the number in 2005/06. The significant changes in 2007/08 are in the mix of funding the overall need. Due to several enhancements to the financial aid program, targeted at middle-income families, total family contribution is expected to decrease 7.5%. This decrease, as well as the increases in financial aid costs due to higher tuition and room and board, will be met with sizable increases in endowment and general funds

Schedule 9 – Students Housed on Campus

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

Schedule 10 – Total Professorial Faculty

The total professoriate has increased by 34 (less than 2%) since last year. The number of tenure-line faculty has increased by 46 in the last five years (less than 4%), while the non-tenure line faculty (consisting mostly of Medical Center Line faculty) has increased by 48 (9%) over the same period.

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

This schedule provides a disaggregated view of the data in Schedule 9 over the last three years. Schedule 10 shows that the total number of tenured faculty in the formula schools has increased by only 17 in the past three years, and the number of non-tenure faculty has decreased by 9. The number of non-tenure line faculty has decreased by 3.

Schedule 12 – Number of Non-teaching Employees

This schedule shows the number of regular (defined in the first footnote in the Schedule) non-teaching employees by activity. To maintain consistency in these data over time despite reorganizations, the activity categories have been defined broadly, and the table contains footnotes explaining various shifts across the categories or other changes over the period. The School of Medicine has been particularly affected by organizational changes. The number of employees increased by 3.7% in 2006 for the whole university. The new employees are scattered fairly evenly throughout the university.

Schedule 13 – Staff Employees Outside Medicine and SLAC

This graph shows the relative numbers and growth of staff employees who work in primarily academic versus administrative areas. Over the period shown, the number of academic and administrative staff grew an average of 3.6%. The number of employees in administrative areas increased by 5.5% in 2006. Employment in the schools and independent labs has increased steadily each year, consistent with the steady growth in research.

Schedule 14 – Staff Benefits Detail

The fringe benefits rates provide a mechanism to support the various components of non-salary compensation provided to employees. Stanford has four distinct fringe benefits rates for (1) regular benefits-eligible employees, which includes most faculty and staff, (2) post-doctoral 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 15.4% in 2007/08.

Schedule 15 – Sponsored Research Expense By Agency and Fund Source

In 2005/06 direct expense from research sponsored by the federal government decreased for the first time in twelve years, by $31.6 million. Meanwhile, direct expense from research sponsored by non-federal sources increased slightly. Non-federal sponsored research typically makes up between 13%-17% of total sponsored research expense. This schedule does not include SLAC.

Schedule 16 – Plant Expenditures

This schedule shows expenses from plant or borrowed funds for building or infrastructure projects related to various units. General Plant Improvement expenses are included in the "All Other" category. To the extent possible, expenditures for equipment are excluded from these calculations. Plant expenditures increased by $152.5 million in 2005/06 due to some major projects such as the Stanford Stadium renovation and the acquisition of the Mid Point campus in Redwood City. The details behind these plant expenditures can be found in Section 3, Capital Plan and Budget.

Schedule 17 – Endowment Value and Rate of Return

The rate of return for the endowment in 2005/06 was 16.2%, substantially higher than the nominal long-term expected return. The nominal return on invested funds has been positive for all years in the table except for 2000/01 and 2001/02. The target payout rate is 5.00%.

Schedule 18 – Expendable Fund Balances at Year End

This schedule shows the expendable fund balances, designated and restricted, by academic unit over the past decade. We now show the Projection and the Plan as well. The large increase in Dean of Research is due to Google funds.

SCHEDULE 1

Student Enrollment for Autumn Quarter 1997/98 through 2006/07

	Undergraduate			Graduate				
Year	Women	Men	Total	Women	Men	Total	TGR	Total
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
2006/07	3,240	3,449	6,689	2,389	4,492	6,881	1,320	14,890

Source: Registrar's Office third week enrollment figures

SCHEDULE 2

Freshman Apply/Admit/Enroll Statistics
Fall 1996 through Fall 2006

Year	Total Applications: Number	Total Applications: Percent Change from Previous Year	Admissions: Number	Admissions: Percent of Applicants Admitted	Enrollment: Number	Enrollment: Percent of Admitted Applicants Enrolling
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%
Fall 2006	22,333	10.6%	2,444	10.9%	1,648	67.4%

SCHEDULE 3

New Graduate Student Apply/Admit/Enroll Statistics
Fall 1996 through Fall 2006

	Total Applications		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
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%
Fall 2006	31,583	4.0%	4,323	13.7%	2,337	54.1%

SCHEDULE 4

Graduate Student and Postdoc Support by School by Source of Funds

[in millions of dollars]

	2004/05				2005/06			
	Total Expense	Unrestricted Funds[1]	Restricted Funds	Grants & Contracts	Total Expense	Unrestricted Funds[1]	Restricted Funds	Grants & Contracts
Graduate Student Support								
School of Earth Sciences	$8.4	28.1%	46.5%	25.4%	$8.9	24.0%	55.2%	20.8%
School of Education	5.3	21.8%	49.0%	29.2%	6.0	25.5%	52.9%	21.6%
School of Engineering	52.7	23.5%	30.8%	45.7%	55.6	25.5%	31.1%	43.4%
School of Humanities & Sciences	58.5	54.5%	25.2%	20.3%	58.4	54.1%	25.0%	20.9%
School of Law	4.0	3.9%	95.2%	0.9%	3.9	0.3%	99.7%	
School of Medicine	31.9	11.4%	35.9%	52.7%	31.8	12.1%	32.3%	55.6%
Graduate School of Business	11.1	29.5%	68.2%	2.3%	10.8	25.9%	73.2%	0.9%
Dean of Research	12.8	11.3%	15.9%	72.8%	14.2	13.0%	23.4%	63.6%
SLAC	2.1			100.0%	2.1			100.0%
Central Accounts	13.4	100.0%			13.5	99.9%	0.1%	
Other	20.7	52.7%	1.7%	45.6%	23.3	52.0%	2.8%	45.1%
Total Graduate Student Support	$220.9	35.9%	28.9%	35.2%	$228.5	35.2%	30.3%	34.5%
Postdocs								
School of Earth Sciences	$1.0	8.0%	28.7%	63.4%	$1.0	9.1%	30.6%	60.3%
School of Education	0.2		17.4%	82.8%	0.3			100.0%
School of Engineering	4.6	7.7%	10.8%	81.6%	5.1	3.2%	16.5%	80.3%
School of Humanities & Sciences	9.3	11.4%	8.1%	80.5%	9.2	13.0%	7.7%	79.3%
School of Law								
School of Medicine	41.3	13.8%	16.3%	69.9%	45.5	15.1%	16.6%	68.3%
Graduate School of Business								
Dean of Research	2.8	15.3%	17.0%	67.7%	3.0	23.7%	10.5%	65.8%
SLAC	0.1			100.0%	0.1			100.0%
Central Accounts			100.0%		0.1	90.5%	9.5%	
Other	0.1	100.0%						
Total	$59.4	13.1%	14.8%	72.1%	$64.3	14.2%	15.1%	70.7%

[1] Unrestricted Funds are General Funds, Designated Funds, and some Gift and Endowed Funds that can be used for any purpose within the school.

SCHEDULE 5

Undergraduate Tuition and Room & Board Rates 1980/81 through 2007/08

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

Average Annual Tuition Increase, 1980/81-2006/07:	6.8%
Average Annual Tuition Increase, 1997/98-2006/07:	4.9%
Average Annual Tuition Real Increase[1], 1980/81-2006/07:	3.3%
Average Annual Tuition Real Increase[1], 1997/98-2006/07:	2.3%
Average Annual CPI Increase, 1980/81-2006/07:	3.5%
Average Annual CPI Increase, 1997/98-2006/07:	2.5%

[1] Real growth calculated using tuition adjusted to 2007 dollars using US Annual CPI-U values.

SCHEDULE 6

Breakdown of Tuition and Fee Income
Projected 2007/08 Budget
[in thousands of dollars]

	2006/07 Projected	2007/08 Budget	2006/07 to 2007/08 Change Amount	2006/07 to 2007/08 Change Percentage
Tuition:				
Undergraduate	216,284	228,191	11,907	5.5%
Graduate	182,783	191,156	8,373	4.6%
Other[1]	16,414	16,566	152	0.9%
Summer	26,511	28,250	1,740	6.6%
Total Tuition	441,992	464,164	22,172	5.0%
Total Fees	6,313	6,593	280	4.4%
Total Tuition and Fee Income	**448,305**	**470,757**	**22,452**	**5.0%**

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

SCHEDULE 7

Undergraduate Financial Aid by Source of Funds and Type of Aid[1]
1996/97 through 2005/06
[in thousands of dollars]

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Scholarships and Grants										
Stanford Unrestricted Funds	13,611	12,201	13,420	8,954	4,568	10,349	13,561	13,848	14,281	12,672
Gifts and Endowment Income: Non-Athletic[2]	20,027	22,526	23,235	26,871	35,660	35,711	38,317	41,357	43,749	47,983
Athletic Awards	7,471	8,232	8,614	8,874	9,842	10,627	11,331	11,809	12,687	13,393
Departmental Awards	1,372	1,743	2,016	2,238	3,263	3,766	3,853	4,712	4,783	4,937
Trademark Income									158	108
External Grants[3]	13,757	15,541	15,343	16,713	16,383	17,824	20,431	21,361	21,367	18,361
Subtotal for Scholarships and Grants	56,238	60,243	62,629	63,649	69,717	78,278	87,493	93,087	97,025	97,453
Loans										
University Funds	1,233	787	600	666	612	9		22		
External Funds	11,519	12,791	12,354	11,279	9,987	11,159	11,690	12,544	12,271	11,549
Subtotal for Loans	12,752	13,578	12,953	11,946	10,599	11,168	11,690	12,567	12,271	11,549
Jobs										
University Funds[4]	3,295	3,255	2,387	2,252	1,120	1,408	1,458	1,839	1,236	1,368
External Funds	457	691	859	476	736	686	871	1,724	2,014	2,417
Subtotal for Jobs	3,752	3,945	3,246	2,728	1,857	2,094	2,329	3,563	3,250	3,785
Grand Total	72,742	77,766	78,828	78,323	82,173	91,540	101,511	109,216	112,546	112,787
Stanford Tuition plus Room and Board	27,827	28,857	29,878	30,939	32,471	34,221	35,884	37,636	39,347	41,132

[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 8

Undergraduate Financial Aid
Projected 2007/08 Budget Needs and Sources, Including Parental and Student Contributions[1]

[in thousands of dollars]

	2005/06 Actuals	2006/07 Projected	2007/08 Budget	2006/07 to 2007/08 Change Amount	2006/07 to 2007/08 Change Percentage
Needs					
Tuition, Room & Board	112,165	117,156	123,385	6,229	5.3%
Books and Personal Expenses	9,458	9,651	9,953	302	3.1%
Travel	1,814	1,851	1,910	59	3.2%
Total Needs	123,436	128,658	135,248	6,590	5.1%
Sources					
Total Family Contribution (includes parent contribution for aided students, self-help, summer savings, assets, etc.)	50,574	50,133	46,359	(3,774)	(7.5%)
Endowment Income[2]	37,197	45,000	51,703	6,703	14.9%
Expendable Gifts	876	600	500	(100)	(16.7%)
Stanford Fund	9,836	10,340	11,064	724	7.0%
Federal Grants	3,458	4,320	4,348	28	0.7%
California State Scholarships	4,123	3,790	3,984	194	5.1%
Outside Awards	4,450	4,015	4,041	26	0.7%
Department Sources	255	250	350	100	40.0%
Unrestricted Funds	12,668	10,211	12,899	2,689	26.3%
Total Sources	123,436	128,658	135,248	6,590	5.1%
Number of Students on Need-Based Aid	2,789	2,769	2,787	18	0.7%

[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 9

Students Housed on Campus
1993/94 through 2006/2007

Year	Undergraduates Housed On-Campus	Percent of Undergraduates Housed On-Campus	Graduate Students Housed On-Campus	Graduate Students Housed in Off-Campus Subsidized Apartments	Percent of Graduate Students Housed by Stanford
1993/94	5,799	88%	3,069		41.3%
1994/95	5,734	87%	3,132		41.9%
1995/96	5,819	88%	3,090		41.4%
1996/97	5,749	88%	2,980		41.0%
1997/98	5,864	88%	3,320		44.6%
1998/99	5,917	90%	3,717	250	52.5%
1999/00	5,955	90%	3,408	584	52.4%
2000/01	5,969	91%	3,887	687	59.4%
2001/02	6,199	93%	3,748	932	62.1%
2002/03	6,138	91%	3,828	932	62.6%
2003/04	6,067	91%	4,013	632	59.6%
2004/05	6,046	90%	4,391	553	61.1%
2005/06	6,116	91%	4,218	430	58.8%
2006/07	6,050	90%	4,255	356	56.2%

SCHEDULE 10

Total Professorial Faculty[1]
1976/77 through 2006/07

	Professors	Associate Professors	Assistant Professors[2]	Tenure Line Total	Non-Tenure Line Professors	Grand Total
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
2006/07	807	210	261	1,278	529	1,807

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 11

Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty[1]
2004/05 through 2006/07

School Unit or Program	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	22006/07 Tenured	22006/07 Non-Tenured	22006/07 Non-Tenure Line	22006/07 Total
Earth Sciences	36	6	4	46	32	8	4	44	33	9	3	45
Education	35	8	3	46	35	8	3	46	34	8	4	46
Engineering	152	52	23	227	158	53	19	230	158	54	19	231
Humanities and Sciences	371	139	19	529	372	122	21	515	380	124	20	524
(Humanities)	(155)	(52)	(11)	(218)	(157)	(45)	(11)	(213)	(160)	(47)	(9)	(216)
(Natural Sciences & Math)	(116)	(33)	(5)	(154)	(117)	(30)	(4)	(151)	(122)	(28)	(6)	(156)
(Social Sciences)	(100)	(54)	(3)	(157)	(98)	(47)	(6)	(151)	(98)	(49)	(5)	(152)
Law	34	5	3	42	34	5	4	43	37	6	5	48
Other	3		15	18	4	1	13	18	7	1	12	20
Subtotal	618	203	66	887	632	211	66	909	649	202	63	914
Business	57	34	2	93	63	36	2	101	67	28	1	96
Medicine	239	65	442	746	238	58	443	739	244	60	462	766
SLAC	25	2	4	31	29	3	3	35	25	3	3	31
Total	953	312	514	1,779	968	294	511	1,773	985	293	528	1,807

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

SCHEDULE 12

Number of Non-Teaching Employees As of December 15 Each Year[1] 1997 through 2006

Activity	1997	1998	1999[2]	2000	2001	2002	2003	2004	2005	2006
School of Medicine[2]	1,900	2,039	2,194	2,260	2,421	2,471	2,819	2,910	2,973	3,020
Other Schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law	1,328	1,353	1,350	1,375	1,493	1,506	1,576	1,641	1,705	1,764
Dept of Athletics, Physical Education and Recreation	101	110	117	131	128	123	127	130	141	147
Dean of Research	304	300	373	375	391	427	448	437	464	480
Stanford Linear Accelerator Center	1,300	1,271	1,287	1,286	1,385	1,415	1,432	1,496	1,456	1,512
Student Services: Student Affairs, Admissions & Financial Aid	225	240	249	237	257	248	266	261	265	291
Libraries[3]	342	374	372	377	456	466	515	515	528	541
Business Affairs Information Technology	391	407	409	436	518	498	457	430	394	400
Office of Development	126	129	136	147	156	153	155	170	196	216
University Lands and Buildings[4]	471	469	350	340	376	375	389	392	405	422
Housing and Dining	285	323	331	338	373	404	488	521	508	531
Stanford Alumni Association[5]		84	76	88	108	113	98	104	108	114
Stanford Management Company	48	49	53	54	63	69	62	62	66	69
Other Academic Hoover[3], Learning Technology and Extended Education (through 2001/02), VPUE (1998/99-present)[6]	191	229	230	242	219	205	160	248	175	255
Administration Business Affairs, President's Office, Provost's Office, General Counsel, Press (until 2003/04), VP for Public Affairs (2003/04-present)	549	595	685	699	716	698	642	698	757	751
TOTAL	7,561	7,972	8,212	8,385	9,060	9,171	9,634	10,015	10,141	10,531
Percent Change	4.8%	5.4%	1.9%	2.1%	8.1%	1.2%	5.0%	4.0%	1.3%	3.7%

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

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

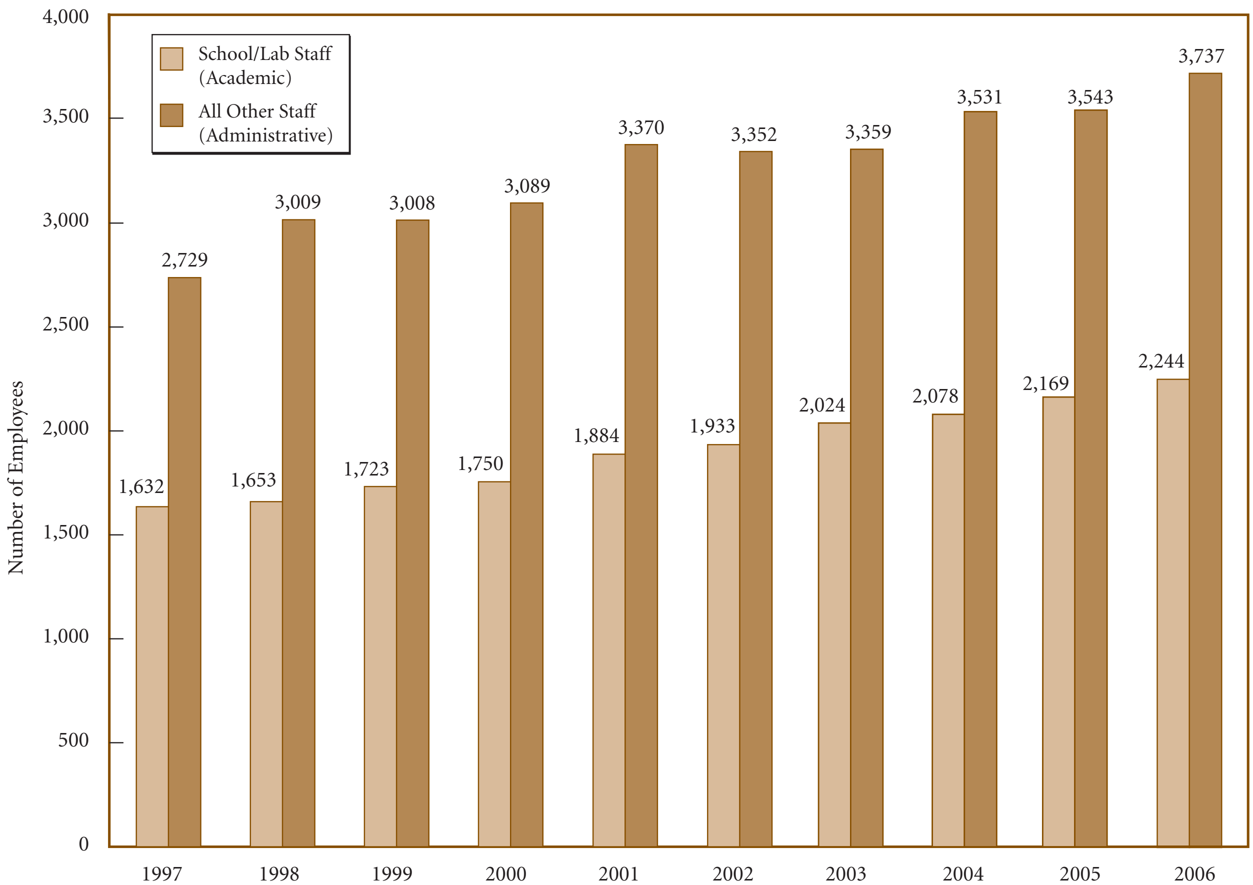
4 Lands and Buildings included Environmental Health and Safety, Public Safety and Procurement for 1994/95-1998/99 and Procurement again in 2001/02. Environmental Health and Safety moved to the Dean of Research, and Procurement and Public Safety moved to Business Affairs in 1999/00.

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

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

SCHEDULE 13

Staff Employees in Units Other than Medicine or SLAC
1997 through 2006, as of December 15 of Each Year



SCHEDULE 14

2007/08 Projected Consolidated Budget Fringe Benefits Detail

[in thousands of dollars]

Fringe Benefits Program	2004/05 Actuals	2005/06 Actuals	2006/07 Negotiated Budget	2006/07 Projected	2007/08 Budget	2006/07 to 2007/08 Change Amount	2006/07 to 2007/08 Change Percentage
Pension Programs							
University Retirement	78,200	83,084	87,985	87,039	88,484	1,445	1.7%
Social Security	70,387	72,420	78,885	81,951	87,123	5,172	6.3%
Faculty Early Retirement	7,864	6,108	5,556	8,141	7,877	(264)	(3.2%)
Other	4,120	528	446	673	672	(1)	(0.1%)
Total Pension Programs	160,571	162,140	172,872	177,804	184,156	6,352	3.6%
Insurance Programs							
Medical Insurance	56,721	71,774	73,758	74,402	85,896	11,494	15.4%
Retirement Medical	16,747	17,321	16,544	11,805	12,537	732	6.2%
Workers' Comp/LTD/ Unemployment Insurance	11,253	6,646	18,826	13,242	14,979	1,737	13.1%
Dental Insurance	9,134	9,874	10,445	10,696	11,701	1,005	9.4%
Group Life Insurance/Other	9,523	12,374	12,282	12,306	13,258	952	7.7%
Total Insurance Programs	103,378	117,989	134,855	122,451	138,371	15,920	13.0%
Miscellaneous Programs							
Severance Pay	6,339	3,595	3,513	4,095	3,467	(628)	(15.3%)
Sabbatical Leave	12,551	11,943	12,216	12,784	13,116	332	2.6%
Other	10,977	11,329	12,219	12,833	13,287	454	3.5%
Total Miscellaneous Programs	29,867	26,867	27,948	29,712	29,870	158	0.5%
Total Fringe Benefits Programs	293,816	306,996	335,675	329,967	352,397	22,430	6.8%
Carry-forward/Adjustment from Prior Year(s)	13,606	15,577	6,300	6,300	(5,818)	(12,118)	(192.3%)
Total with Carryforward/Adjustments	307,422	322,573	341,975	336,267	346,579	10,312	3.1%
Budgeted Fringe Benefits Rate	27.5%	27.2%	27.0%	26.5%	25.7%		

Note:
The university has four rates for 2007/08, and the single rate shown just above is the weighted average of those rates. The four rates are 28.1% for regular employees, which includes all faculty and staff with continuing appointments of half-time or more, 21.0% for post-doctoral scholars, 7.7% for contingent (casual or temporary) employees, and 4.0% for graduate teaching and research assistants.

SCHEDULE 15

Sponsored Research Expense by Agency and Fund Source[1]
1999/00 through 2005/06
[in thousands of dollars]

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
US Government							
Subtotal for US Government Agencies	371,180	391,156	432,967	488,110	545,525	577,623	542,316
Agency[2]							
DoD	45,689	49,246	52,571	55,381	55,421	59,958	60,037
DoE (Not including SLAC)	18,483	21,760	22,391	24,496	20,957	25,591	25,584
NASA	63,194	54,767	67,069	87,311	97,727	94,606	61,338
DoEd	2,302	3,618	2,278	1,123	2,006	1,922	1,280
HHS	186,032	204,461	227,167	256,049	299,235	317,604	322,937
NSF	39,060	39,112	41,580	44,070	56,593	63,083	58,544
Other US Sponsors[3]	16,422	18,193	19,911	19,680	13,585	14,858	12,596
Direct Expense-US	275,853	287,865	319,559	364,036	405,342	427,900	396,225
Indirect Expense-US[4]	95,327	103,291	113,408	124,074	140,183	149,598	146,091
Non-US Government							
Subtotal for Non-US Government	73,094	73,012	84,390	87,352	96,001	105,143	108,254
Direct Expense-Non US	58,538	59,209	68,519	72,632	77,088	85,814	89,086
Indirect Expense-Non US	14,556	13,803	15,871	14,719	18,914	19,329	19,168
Grand Totals-US plus Non-US							
Grand Total	444,275	464,168	517,356	575,461	641,526	682,766	650,570
Grand Total Direct	334,392	347,074	388,077	436,668	482,430	513,714	485,311
Grand Total Indirect	109,883	117,093	129,279	138,793	159,097	168,928	165,259
% of Total from US Government	83.5%	84.3%	83.7%	84.8%	85.0%	84.6%	83.4%

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

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

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

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

[4] DLAM indirects are included in this figure.

SCHEDULE 16

Plant Expenditures by Unit[1]
1998/99 through 2005/06
[in thousands of dollars]

Unit	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
GSB	14,400	11,644	1,173	2,993	161		129	309
Earth Sciences	250	1,321	511	941	132	204	227	647
Education	454	297	587	(50)	128		583	2,626
Engineering	40,801	12,221	2,696	15,541	7,361	1,258	2,873	1,838
H&S	22,409	14,006	32,934	17,927	39,412	16,830	16,774	10,763
Law	1,031	156	1,838	6,586	1,475	2,319	1,429	992
Medicine	40,902	47,888	6,716	14,240	11,143	16,900	22,631	13,769
Libraries	17,823	8,937	3,267	6,483	11,485	3,809	332	1,131
Athletics	7,007	10,666	13,803	5,708	10,583	16,098	25,691	83,362
Residential & Dining Enterprises	30,317	57,206	29,195	40,255	35,434	14,144	10,308	14,054
All Other[2]	104,361	143,075	140,327	154,837	135,229	53,744	61,105,	165,127
Total	279,754	307,418	233,048	265,460	252,541	125,305	142,080	294,618

Source: Schedule G-5, Capital Accounting

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

[2] Includes General Plant Improvements expense.

SCHEDULE 17

Endowment Market Value and Rate of Return 1995/96 through 2005/06

Year	Market Value of the Endowment (in thousands)[1] as of August 31	Merged Endowment Pool Annual Nominal Rate of Return	Annual Real Rate of Return[2]
1995/96[3]	3,779,420	20.2%	18.2%
1996/97	4,667,002	23.4%	21.2%
1997/98	4,774,888	1.3%	0.3%
1998/99	6,226,695	34.8%	33.3%
1999/00	8,885,905	39.8%	37.9%
2000/01	8,249,551	(7.3%)	(9.6%)
2001/02	7,612,769	(2.6%)	(3.7%)
2002/03	8,613,805	8.8%	7.2%
2003/04	9,922,041	18.0%	15.4%
2004/05	12,205,035	19.5%	17.0%
2005/06	14,084,676	19.5%	16.2%

Source: Stanford University Annual Financial Report

1 Includes endowment funds subject to living trust agreements through 2004/05.

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 18

Expendable Fund Balances at Year-End: 1997/98 through 2007/08
[in millions of dollars]

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	Projected 2006/07	Plan 2007/08	Avg Annual % Change 1997/98-2007/08
Academic Units:												
Graduate School of Business	28.4	31.6	38.7	37.6	33.3	41.7	40.2	43.5	62.8	57.3	55.8	7.0%
School of Earth Sciences	14.1	14.4	18.9	21.3	22.8	23.7	26.1	26.0	24.1	24.9	24.2	5.5%
School of Education	4.8	7.1	8.6	9.3	10.1	10.6	15.7	18.3	18.1	20.0	20.5	15.6%
School of Engineering	93.8	104.7	109.0	112.3	114.3	122.4	130.0	149.0	153.9	147.2	150.6	4.8%
School of Humanities & Sciences	71.9	79.7	86.0	112.2	140.0	138.3	140.3	138.8	142.4	148.4	159.9	8.3%
School of Law	10.6	9.8	10.4	12.4	14.7	16.5	18.3	20.7	21.1	19.8	19.4	6.2%
School of Medicine	225.2	252.0	270.2	307.0	325.1	354.0	350.7	372.6	427.3	417.4	410.7	6.2%
VP for Undergraduate Education	3.3	5.4	7.4	9.2	9.2	11.1	10.6	15.0	19.1	18.3	17.0	17.8%
Dean of Research	47.9	51.1	40.5	51.2	62.0	65.3	72.2	84.3	422.4*	377.7	375.8	22.9%
VP for Graduate Education										16.4	13.8	
Hoover Institution	13.1	18.9	22.0	24.8	26.0	23.3	13.5	11.3	16.1	18.6	22.2	5.5%
University Libraries	3.9	4.6	4.8	7.4	8.0	6.5	9.5	4.0	10.0	9.0	6.4	5.1%
Total Academic Units	516.9	579.3	616.5	704.6	765.5	813.4	827.1	881.5	1,317.3	1,274.9	1,276.4	9.5%

* Includes $336 million in proceeds from sale of Google Equity

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