

STANFORD UNIVERSITY
BUDGET PLAN
2008/09

This Budget Plan was approved by the Stanford University Board of Trustees June 12, 2008. 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/plan09.html>

EXECUTIVE SUMMARY

TO THE BOARD OF TRUSTEES:

I am pleased to submit Stanford University's 2008/09 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 highlights of the Plan:

- The Consolidated Budget for Operations reflects an anticipated surplus of \$130.1 million on \$3.8 billion of revenues, \$3.5 billion in expenditures, and \$174.9 million in transfers. Revenues are expected to grow by 2.6% over the 2007/08 projected actual results. This modest growth rate is due to continued slow growth in sponsored research revenue and a reduction in activity at SLAC.
- The Consolidated Budget includes \$930.9 million in general funds, of which \$135.9 million flow to the Graduate School of Business, the School of Medicine, and the Continuing Studies and Summer Session Programs in accordance with previously agreed-upon formulas. After other transfers and adjustments, there remains \$761.0 million in general funds to be allocated directly by the provost. This represents a 4.6% increase in the non-formula general funds component of the Consolidated Budget and includes a \$5.9 million budgeted surplus that we are holding in reserve for future needs.
- The Capital Budget calls for \$680.2 million in expenditures next year. These expenditures are in support of a three-year Capital Plan that, if fully completed, will require \$2.8 billion in total project expenditures. Principal expenditures in 2008/09 will be directed toward:
 - ◆ The Nanotechnology Center
 - ◆ The School of Engineering Center
 - ◆ The new Graduate School of Business campus
 - ◆ The first Stanford Institutes of Medicine building
 - ◆ The School of Medicine's Learning and Knowledge Center
 - ◆ The Munger Graduate Residences
- A critical element of this Budget Plan is the incremental endowment payout resulting from the Trustees decision last year to increase the target endowment payout rate from 5% to 5.5%. This had the effect in 2007/08 of generating \$180 million in additional payout. The policy called for a reduction in the allocation of general funds by an amount approximately equal to the unrestricted funding relieved by the payout increase, which in 2007/08 will be approximately \$130 million of the \$180 million. These funds have been placed in a Capital Facilities Fund and will be used to help fund our ambitious Capital Plan. In 2008/09 we expect another \$136 million to be generated in this fashion. Please see page 58 in the Capital Plan section for more detail.

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.

- This Budget Plan also presents the projected 2008/09 results in a format consistent with Generally Accepted Accounting Principles, as reported in the university's annual financial report. The projected Statement of Activities shows a \$202.2 million surplus.

STRATEGIC ISSUES

The continuing success of the Stanford Challenge allows the university both to strengthen traditional academic areas and to focus new resources on some of the most critical problems facing the nation and the world. We see this success in the continued development of the Science and Engineering Quad, the addition of a number of new endowed professorships this past year, enhanced support for undergraduate and graduate students, and increased program support in many areas across the university.

While Stanford has been very successful in raising and deploying restricted funds, we are feeling increasing pressure on our unrestricted funding sources to pay for the infrastructure and support costs required by restricted funds activities. For the next several years, we do not expect unrestricted funds to grow much faster than inflation. This tightened outlook for general funds means we must be very prudent in our allocations, and as efficient as possible in providing support services to any restricted funds activities. The first call on limited general funds must continue to be maintaining our competitive market position for faculty and providing the highest quality education for our students.

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 2008/09 budget are:

- **FACULTY SUPPORT** – All seven schools are facing unprecedented competition in recruiting or retaining top faculty. Accordingly, our most important priority in developing the 2008/09 budget is providing support for faculty across a number of dimensions. This includes addressing competitive shortfalls in faculty salaries, as well as providing funds for recruitment, retention, lab setup, and other facilities support.
- **IMPLEMENTING THE CAPITAL PLAN** – Stanford is in the midst of the most ambitious capital expansion and renewal program in its history. Incremental funding in 2008/09 will support debt service and operating costs on several major building projects, including the Yang and Yamazaki Environment and Energy Building, the Munger Graduate Residences, and the Munger (Wilbur Field) Garage. To complete the multi-year plan, we anticipate adding \$82.6 million in operations, maintenance, and debt service costs to the Consolidated Budget over the next five to seven years.
- **MAKING STANFORD MORE AFFORDABLE** – In February, we announced important enhancements to our financial aid program, designed to make the university more accessible to low- and middle-income families. These enhancements add \$15.5 million to the 2008/09 budget for undergraduate financial aid. On the graduate side we are expanding support for diversity fellowships and allocating funds to top up fellowship shortfalls created by NIH and NSF graduate funding caps. For the second straight year we have kept flat the fee for Terminal Graduate Registration (typically paid by graduate students who have completed their coursework).
- **STRENGTHENING THE ADMINISTRATION** – Stanford's strong growth in programs, facilities, and research has increased the need for adequate administrative support. The growth in administrative support has not, however, kept pace with the rest of the university. For example, over the past dozen years university headcount growth has averaged 3.9% per year. The largest

administrative group, Business Affairs, has grown about 1% annually, a growth rate typical of other administrative organizations on campus. This budget provides critical incremental support for financial administration, public safety, development, and administrative systems.

- **SCHOOL-BASED ACADEMIC INITIATIVES** – This budget includes funding for the expansion and enhancement of important academic priorities in many areas. Some examples include:
 - ◆ The Graduate School of Business has completed the first year of its new MBA curriculum with great success and will launch the second year in 2008/09. The faculty intensive nature of the new curriculum will require an expansion of the faculty, which will be a focus of the coming year. The school will also begin construction of its new campus, which provides an important foundation for the innovative MBA curriculum. We expect the campus to be completed in 2010/11.
 - ◆ The School of Earth Sciences continues its strategic shift from a focus on the solid earth and petroleum to a broader focus that encompasses oceans, atmosphere, climate, and land and water use. This shift has been reflected in the transformation of the former Petroleum Engineering department into a more broadly focused department of Energy Resources Engineering and the establishment of the new department of Environmental Earth System Sciences. Several joint appointments with the Woods Institute are aiding and accelerating this process.
 - ◆ The School of Education will expand the Stanford Teacher Education Program (STEP) in 2008/09, and will move into the second year of its loan forgiveness program for STEP students. The school is spearheading the university's initiative on improving K–12 education, while also expanding its efforts in the surrounding communities, most notably its charter schools in East Palo Alto.
 - ◆ The School of Engineering continues to expand interdisciplinary work across a range of areas, particularly in energy, environment, and bioengineering. Plans are underway to develop an undergraduate bioengineering curriculum. The new School of Engineering Center and the Nanotechnology Center are under construction, and the school hopes to begin design and construction of the Green Dorm in 2008/09.
 - ◆ The School of Humanities and Sciences will increase its strength in Asian studies by expanding programs in South Asian and Islamic studies. The school anticipates expanding its collaboration with SLAC as the new Linac Coherent Light Source comes online in 2009, and is playing a leading role in the university's Arts Initiative. Major facility planning is underway in Biology, Chemistry and, as part of the Arts Initiative, the new Bing Concert Hall.
 - ◆ The School of Law's highest priority is a new building to house both its faculty and clinics. Budget growth in 2008/09 will largely be directed toward debt payments on this new facility and toward meeting fierce market competition for faculty.
 - ◆ The School of Medicine foresees minimal growth in sponsored research in 2008/09, but anticipates continued growth in clinical revenues, in part due to expanded activities in Redwood City and at the Lucille Packard Children's Hospital. The Learning and Knowledge Center and the first Stanford Institutes of Medicine building will be under construction throughout the year, both vital contributions to the school's physical infrastructure.
 - ◆ The Stanford Linear Accelerator Center will pass two major milestones in 2008/09, with the launch of the Gamma-ray Large Area Space Telescope (GLAST), for which it acts as the instrument operations center, and the first experiments using the Linac Coherent Light Source (LCLS), the world's first x-ray free electron laser.

CONSOLIDATED BUDGET FOR OPERATIONS, 2008/09

[IN MILLIONS OF DOLLARS]

2006/07 Actuals	2007/08 Projected Actuals		2008/09 Consolidated Budget	Percent Change
		Revenues		
548.7	580.7	Total Student Income	602.3	3.7%
		Sponsored Research Support:		
548.7	552.0	Direct Costs-University	555.3	0.6%
345.7	358.0	Direct Costs-SLAC	318.4	(11.1%)
172.2	174.7	Indirect Cost	185.9	6.4%
1,066.6	1,084.7	Total Sponsored Research Support	1,059.6	(2.3%)
394.5	402.4	Health Care Services	418.3	4.0%
197.5	200.0	Expendable Gifts in Support of Operations	200.0	0.0%
726.8	1,040.5	Investment Income	1,113.1	7.0%
325.3	340.3	Special Program Fees and Other Income	350.7	3.1%
94.6	80.0	Net Assets Released from Restrictions	80.0	0.0%
3,354.0	3,728.6	Total Revenues	3,824.0	2.6%
		Expenses		
1,606.2	1,742.3	Salaries and Benefits	1,851.8	6.3%
345.6	358.0	SLAC	318.4	(11.1%)
156.0	177.1	Financial Aid	204.0	15.2%
991.4	1,070.9	Other Operating Expenses	1,144.8	6.9%
3,099.2	3,348.3	Total Expenses	3,519.0	5.1%
254.8	380.3	Operating Results	305.0	
(150.6)	(131.3)	Other Transfers	(39.2)	
	(130.1)	Transfers to Capital Facilities Fund	(135.7)	
104.2	118.9	Operating Results after Transfers	130.1	

CONSOLIDATED BUDGET FOR OPERATIONS

The table above shows the main revenue and expense line items for 2008/09 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 3.7%. Tuition is projected to grow 3.8% over the projected 2007/08 actuals, as the result of a 3.5% increase in the general undergraduate and graduate tuition rates, and increases between 3.5% and 6.25% in the professional schools. Room and board income is projected to increase 3.5%, due to the increase in the standard undergraduate room and board rate.

SPONSORED RESEARCH – Overall sponsored research is budgeted to drop by 2.3% over the projected year-end actuals, due principally to an 11.1% reduction at SLAC as major construction costs of the LCLS subsidy. Non-SLAC direct research revenue is anticipated to be essentially flat. Indirect cost recovery (ICR) is expected to grow by 6.4% in 2008/09, due principally to a projected increase in the indirect cost rate from 58.0% to 61.4%.

HEALTH CARE SERVICES INCOME – Revenue for health care services is projected to increase 4% in 2008/09, due primarily 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.

EXPENDABLE GIFTS – The Office of Development anticipates that revenue from non-capital gifts available for current expenses will be flat in 2008/09 at \$200 million. This does not include gifts to endowment or for capital projects, which do not appear in the Consolidated Budget for Operations. In addition, net assets released from restrictions—including payments made on prior year pledges and prior year gifts released for current use—are expected to be flat at \$80 million.

INVESTMENT INCOME – This category consists of income paid out to operations from the endowment and from other investment income, principally the expendable funds pool. Overall, investment income is expected to increase by 7.0%. Income from the endowment itself is expected to increase next year by 7.2%, including payout on \$300 million in projected new gifts to the endowment. The spending rates approved by the Board of Trustees in February 2008 yield a projected smoothed payout rate of 5.33% compared to our target rate of 5.5%. Other investment income is expected to be up by 5.1%, due to growth in the expendable funds pool of 5.0%.

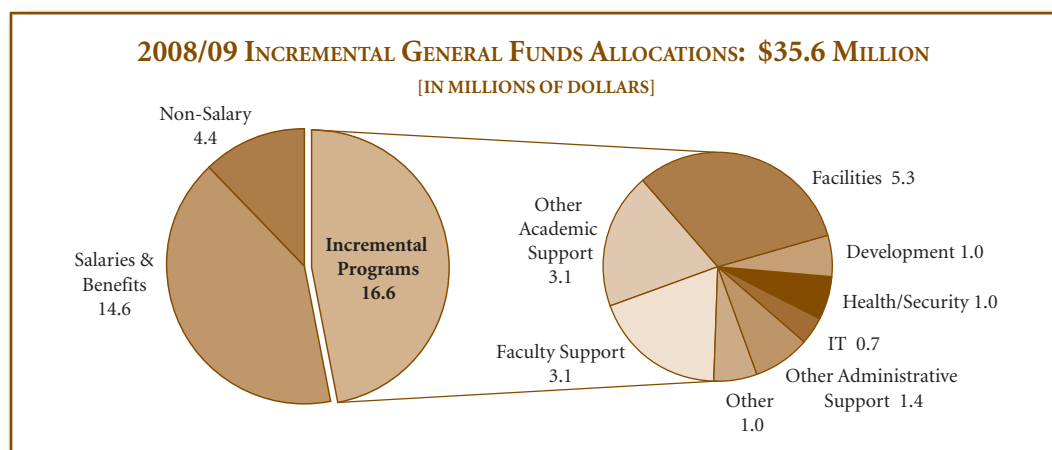
EXPENSE

SALARIES AND BENEFITS – We anticipate total salaries and benefits expense to increase 6.3% over the projected year-end actuals, driven by a competitive salary program, minimal growth in faculty, and a 2% projected increase in staff headcount. The benefits rate will increase from 27.9% to 28.0% for 2008/09. Total benefits expense is expected to increase by 6.6%.

OTHER OPERATING EXPENSES – This line item is the amalgam of operations and maintenance (O&M) costs, utilities, capital equipment, materials and supplies, travel, library materials, sub-contracts, and professional services. We are budgeting a growth of 6.9% for these expenses.

GENERAL FUNDS BUDGET

The General Funds budget, as noted above, is a critical component of the Consolidated Budget for Operations. The general funds allocations controlled directly by the provost are expected to grow by about \$35.6 million next year. Of this amount, \$19.0 million is for growth in faculty and staff compensation and price inflation on non-salary items. The remaining \$16.6 million is for incremental academic and administrative program expense. The pie chart below shows how the \$16.6 million will be distributed among the various institutional priorities and categories.



Because general funds support the bulk of Stanford's administrative, compliance, fundraising and facilities costs for the entire consolidated budget, it is to be expected that much of the budgeted increment must be devoted to these costs.

Looking ahead to the forecast for 2009/10 and subsequent years, we anticipate very modest growth in our principal general funds revenue sources. This will require a greater reliance on school and departmental initiative to fund new or expanded programs, while limited resources available for central allocation by the provost are devoted to maintaining competitive salaries and essential infrastructure.

CAPITAL BUDGET AND PLAN

The Capital Budget for 2008/09 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, 2008/09, as well as projects that will be started during the three-year period from 2008/09 to 2010/11. Since some projects in the plan will not be completed by the end of 2010/11, the three-year plan actually provides a rolling window of approximately five to six years of construction projects at the university. The Capital Budget consists of those capital expenditures that are expected to occur in 2008/09.

The Capital Budget for 2008/09 represents capital expenditures for the upcoming year and is expected to total \$680.2 million. This will be an unprecedented amount of capital construction on the campus in a single year. The major projects will include six of the remaining buildings in the Science, Engineering, and Medical Campus; the new Business School campus, the Munger Graduate Residences; and the Gunn Building for the Stanford Institute for Economic Policy Research (SIEPR). Most of these expenditures reflect only a portion of the total costs of the capital projects, as most projects have a duration exceeding one year. The 2008/09 Consolidated Budget for Operations includes internal debt service of \$142.7 million, which is an increase of \$9.5 million. In addition, it includes incremental O&M expenses of \$1.7 million.

This year's Capital Plan forecasts \$2.8 billion in construction and infrastructure projects and programs 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; the Bing Concert Hall; and Panama Mall renovations.

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 underway by the end of 2010/11. The three-year plan will be funded from \$549.1 million in current funds; \$1.26 billion in gifts (\$790.3 million is in hand or pledged, and \$468.1 million remains to be raised); \$279.5 million in auxiliary and service center debt; \$217.7 million in academic debt; and \$463.7 million from other sources. When complete, the plan will add \$39.3 million in annual debt service and \$43.4 million in incremental O&M costs to the Consolidated Budget.

This Capital Plan continues an extremely ambitious effort to expand and improve Stanford's physical facilities. It will provide facility support for all the major institutional initiatives described above and will leave Stanford with a revitalized capital infrastructure that is second to none. Upon completion, Stanford will have upgraded its capacity to make major advances in science and engineering. Through the construction of the Bing Concert Hall and the new Art building, we will have achieved a long held goal of improving our arts facilities. In addition, the redevelopment of the Redwood City site will allow us to consolidate important university services in modern facilities off campus, thereby freeing up space on the central campus for academic expansion. A central component of the Plan is its attention to sustainability: energy efficiency, a reduction in the use of non-renewal resources, and a minimization of the university's environmental impact.

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a university-level perspective on Stanford's programmatic and financial plans for 2008/09. We seek approval of the planning directions, the principal assumptions, and the high-level supporting budgets contained herein. As the year unfolds, we will provide periodic variance reports on the progress of actual expenses against the budget. In addition, we will bring forward individual capital projects for approval under normal Board of Trustees guidelines.

This document is divided into four sections and two appendices. Following the overview of budgeting at Stanford, Section 1 describes the financial elements of the plan, including details on the Consolidated Budget for Operations and the projected Statement of Activities for 2008/09. Section 2 addresses program issues in the academic areas of the university. Section 3 provides a similar view of the administrative and auxiliary units. Section 4 contains details on the Capital Budget for 2008/09 and the Capital Plan for 2008/09–2010/11. The appendices include budgets for the major academic units and supplementary financial information.

CONCLUSION

This is an exciting time to be at Stanford. The university has never been stronger, whether measured by academic reputation, program quality, student selectivity, alumni support, or financial resources. We have an extraordinary set of deans, who are continuing Stanford's tradition of programmatic innovation and academic excellence. Faculty, students, staff, and alumni all contribute in fundamental ways to the luster of the institution. The president and I feel privileged and humbled to serve such an extraordinary organization made up of such remarkable people.

The outlook is not, to be sure, without challenges. The 2008/09 budget reflects several challenges on both the revenue and expense sides of the equation. The erosion of federal support for research, for example, continues for the fourth year in a row. Just four years ago, sponsored research represented 36% of the Consolidated Budget; next year, we anticipate this revenue stream to be just 28% of the budget. This is certainly cause for concern, given that Stanford relies more heavily on research revenue than many of our peers. We do not foresee the federal research trend reversing any time soon. But there is a positive side to the picture, for the erosion has, at least so far, been offset by the extraordinary generosity of our alumni and the exceptional skill of our investment team. This is not to minimize the difficulties faced by individual faculty seeking grants in the present climate, but the situation would be far worse in the absence of increasing gift and endowment support for research, graduate students, and facilities.

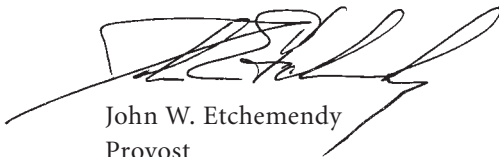
On the expense side, our main challenge stems from increased competition for faculty. In many disciplines, faculty salaries have seen unprecedented growth; in others, the competition is most visible in research startup and facility costs. Both drive expenditures much faster than inflation and, at least this coming year, much faster than overall revenue growth. But here too there is a positive side: we would not be experiencing these pressures—or not to an equal degree—were it not for the remarkable strength of our faculty. The intensity of the competition is a measure of the market demand for the quality of faculty attracted to Stanford. What is not apparent from the budget numbers themselves is that we win these competitions far more often than we lose.

We also face competition for the very best students, particularly those from middle-income households who struggle to afford the cost of a Stanford education. But in the coming year, Stanford students and their parents will benefit from substantially more generous financial aid packages. Indeed, for most families in the country, Stanford has effectively returned to its founding policy of being tuition free. This too puts pressure on the budget, but the obvious benefit to deserving students and their families far outweighs the cost.

These last two challenges—vigorous competition for the very best faculty and students—are the sort we hope never to be without. Not only is it a token of Stanford's current standing, it is both a sign of, and a driver of, the continued strength of higher education in the United States. Thanks to the people who make Stanford the institution it is, I remain confident our position in higher education will only get stronger.

ACKNOWLEDGEMENTS

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 outstanding staff of our central budget and capital planning offices. Two hard-working advisory groups 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 (who broke his leg in the process), Channing Robertson, Dana Shelley, Bob Simoni, Buzz Thompson and Tim Warner. The Capital Planning Group consists of Megan Davis, Margaret Dyer-Chamberlain, Stephanie Kalfayan, Sandy Louie, Bob Reidy, Craig Tanaka, Bob Tatum, Tim Warner, and Mark Zoback (none of whom, I am happy to report, broke any bones). The university, and I personally, owe both groups a debt of gratitude for the many hours they put into the budget and capital planning process.



John W. Etchemendy
Provost
June 2008

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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.

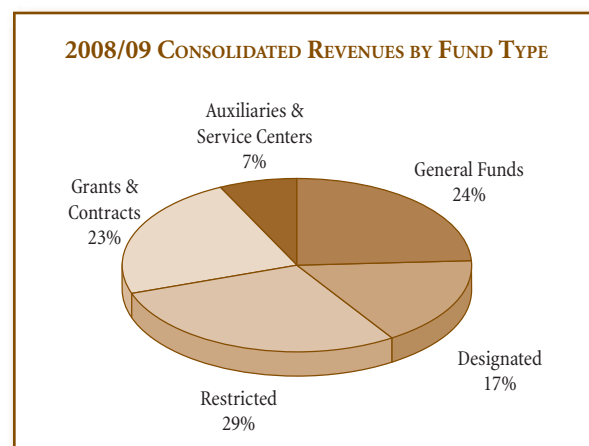
FUND ACCOUNTING

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 2008/09 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 7,000 endowment funds? It goes without saying that the university uses a sophisticated financial accounting system to set up the individual funds, to record each financial transaction, and to track fund balances. But nearly all of the decision-making for the use of Stanford's funds is made at the local level, consistent with the decentralized and entrepreneurial spirit of the university. Unlike a corporation, Stanford is closer to a collection of disparate, autonomous businesses with widely varying cost structures and resources. As such, each principal investigator is accountable for the responsible use of his/her grant funding, each gift recipient must ensure that the gift funds are used in accord with the donor's wishes, and each school must fulfill the expectations for teaching and scholarship within its available resources.



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 reflective of a planned use of prior year fund balances. A simple example of this is when a department receives a gift of \$5.0 million to be spent over five years. If the funds are spent evenly over the time period, the program will show a surplus of \$4.0 million in the first year and will generate an ending fund balance of \$4.0 million. In each of the next four years, this program will receive no revenue, will expend \$1.0 million dollars, and will thus generate an annual deficit of \$1.0 million while drawing down the fund balance of the gift.

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

the individual unit budgets that aggregate into the Consolidated Budget of the university.

DEVELOPMENT OF THE CONSOLIDATED BUDGET & THE ROLE OF GENERAL FUNDS

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

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

SECTION 1

CONSOLIDATED BUDGET FOR OPERATIONS

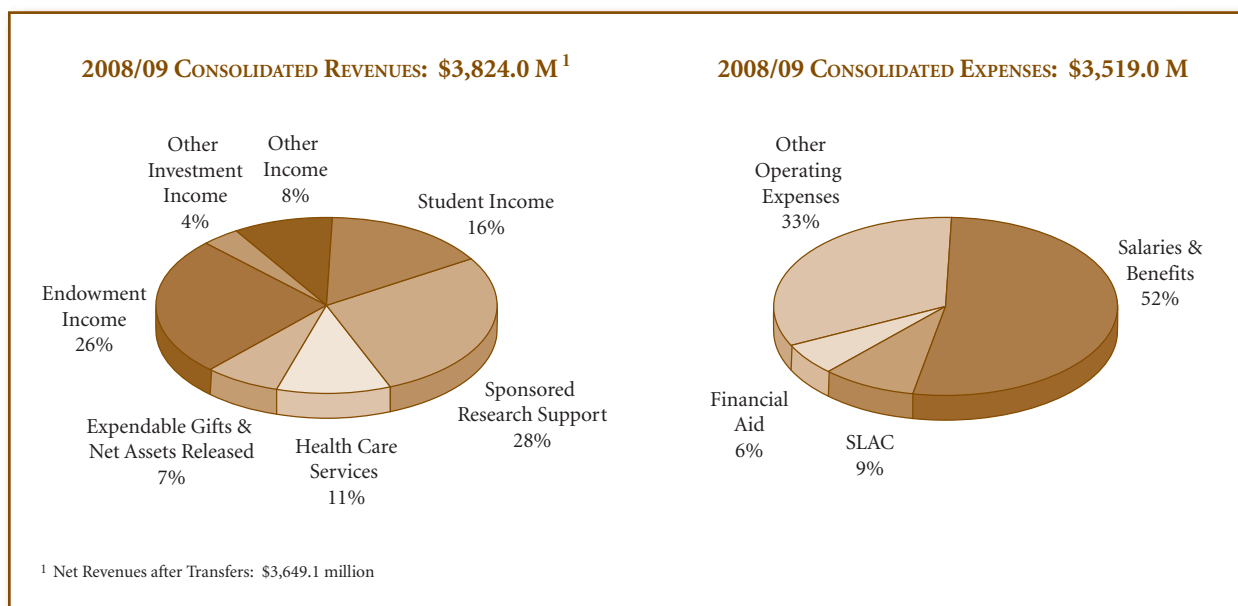
In this section we review the details of the 2008/09 Consolidated Budget for Operations, describe the general funds allocation process and results, and present a forecasted Statement of Activities.

CONSOLIDATED BUDGET FOR OPERATIONS

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

The 2008/09 Consolidated Budget for Operations shows total revenues of \$3,824 million and expenses of \$3,519 million, resulting in net operating results of \$305 million. However, after estimated transfers, primarily to plant funds, the Consolidated Budget shows a surplus of \$130.1 million.

Total revenues in 2008/09 are projected to increase 2.6% over the expected 2007/08 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 5.1% over the estimated year-end results for 2007/08. The table on the next page shows the projected consolidated revenues and expenses for 2008/09. For comparison purposes, it also shows the actual revenues and expenses for 2006/07 and both the budget and the year-end projections for the current fiscal year, 2007/08. In addition, definitions of key terms are provided on page 5.



CONSOLIDATED BUDGET FOR OPERATIONS, 2008/09

[IN MILLIONS OF DOLLARS]

	2007/08 Budget October 2007	2007/08 Projected Actuals	General Funds	Designated	Restricted	Grants and Contracts	Auxiliary & Service Center Activities	Total
Revenues								
<i>Student Income:</i>								
Undergraduate Programs	243.1	237.8	251.6					251.6
Graduate Programs	233.6	229.9	243.1					243.1
Room and Board	104.0	99.9					107.6	107.6
Total Student Income	580.7	548.7	494.7				107.6	602.3
<i>Sponsored Research Support:</i>								
Direct Costs--University	552.0	548.7				555.3		555.3
Direct Costs--SLAC	358.0	345.7				318.4		318.4
Indirect Costs	174.7	172.2	185.9					185.9
Total Sponsored Research Support	1,084.7	1,066.6	185.9			873.7		1,059.6
Health Care Services	402.4	394.5	14.9	339.0	6.7		57.7	418.3
Gifts In Support of Operations	200.0	197.5	2.0		198.0			200.0
Net Assets Released from Restrictions	80.0	94.6			80.0			80.0
<i>Investment Income:</i>								
Endowment Income	911.1	606.3	166.3		810.8			977.1
Other Investment Income	129.4	120.5	57.4	68.9	9.3	0.4		136.0
Total Investment Income	1,040.5	726.8	223.7	68.9	820.1	0.4		1,113.1
Special Program Fees and Other Income	340.3	325.3	9.7	228.9	1.9	1.5	108.7	350.7
Total Revenues	3,728.6	3,354.0	930.9	636.8	1,106.7	875.6	274.0	3,824.0
Expenses								
Salaries and Benefits	1,742.3	1,606.2	485.6	410.2	441.3	301.1	213.6	1,851.8
SLAC	358.0	345.6				318.4		318.4
Financial Aid	177.1	156.0	11.7	3.0	174.4	14.9		204.0
Other Operating Expenses	1,070.9	991.4	223.5	233.4	226.4	218.3	243.2	1,144.8
Total Expenses	3,348.3	3,099.2	720.8	646.6	842.1	852.7	456.8	3,519.0
Operating Results	380.3	254.8	210.1	(9.8)	264.6	22.9	(182.8)	305.0
Transfers								
Additions to Endowment Principal	(52.8)	(88.4)	(0.4)	(11.6)	5.1		0.5	(6.4)
Other Transfers to Assets	(106.9)	(82.1)	(20.0)	(11.2)	(27.0)			(58.2)
Transfers to Capital Facilities Fund	(130.1)	(129.7)	(85.3)	(29.4)	(21.0)			(135.7)
Net Internal Revenue & Expense	28.4	19.9	(98.5)	98.0	(132.3)	(22.9)	181.1	25.4
Total Transfers	(261.4)	(150.6)	(204.2)	45.8	(175.2)	(22.9)	181.6	(174.9)
Operating Results after Transfers	118.9	104.2	5.9	36.0	89.4		(1.2)	130.1
Beginning Fund Balances			49.6	846.4	764.3	3.7	4.6	1,668.6
Ending Fund Balances			55.5	882.4	853.7	3.7	3.4	1,798.7

¹ Restated to reflect increase in target payout rate.

THE CONSOLIDATED BUDGET BY PRINCIPAL REVENUE AND EXPENSE CATEGORIES

Revenues

Student Income

Student income is expected to increase by 3.7% in 2008/09. Increases in student charges are guided by a number of considerations. The most important are our programmatic needs, the effectiveness of our financial aid program, the comparison of our tuition to the competition, and the current political and public relations context in which the recommendation is shaped.

TUITION – The general tuition rate increase for 2008/09 is 3.5% to arrive at \$36,030 for an undergraduate. This action was approved by the Board of Trustees in February. This is the lowest tuition rate increase in more than thirty years. Stanford expects to generate \$494.7 million in tuition revenue in 2008/09. This amount represents only 13% of Stanford’s total revenue but 53% 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 2008/09, however, is not expected to keep pace with the increase in the cost of these services. Nonetheless,

we expect to provide both continuing and modest incremental support to academic and administrative areas by allocating a slightly higher proportion of other sources of general funds for these purposes. Over the past two years, Stanford has increased its tuition by slightly more than the median of the tuition rates of the highly selective private colleges and universities that comprise the Consortium on Financing Higher Education (COFHE). Stanford’s tuition currently ranks 14th among the 17 COFHE institutions. We do not anticipate that the 2008/09 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 3.5% 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 4.25%, and the Graduate School of Business (GSB) will increase the rate for entering MBA students by 6.5%, continuing its practice of holding second year MBA tuition constant. For the second consecutive year, terminal graduate registration (TGR) will not increase.

Tuition revenue from undergraduate programs is expected to grow 3.5%, consistent with the tuition rate increase. Graduate program revenue is expected to

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.

increase by 4.1%, which reflects the higher increases adopted for the School of Medicine and the Graduate School of Business.

ROOM AND BOARD—In February, the Trustees approved a combined room and board rate increase of 3.5% for 2008/09, bringing the undergraduate rate to \$11,182. The room rate will increase by 5.75% and the board rate by only 0.75%. We expect that these rates will sustain Stanford’s cost of housing ranking in the lower quartile of the COFHE institutions and will lower Stanford’s cost of dining ranking from the highest to closer to the median. The lower combined room and board rate will provide a greater perceived value to students and parents. The 2008/09 recommended increases in room and board rates were developed under the following Residential and Dining Enterprises (R&DE) guiding principles and operational goals: to sustain operations with a reserve-to-expense ratio of at least 2.0%; to continue life safety and seismic projects as part of the ongoing capital improvement program; to improve operational funding of the asset renewal and preservation program; to support annual building improvements and to lessen reliance on debt funding; to provide funding for the improvement of the security and access control system in the residential buildings; and to absorb the 37% living wage increase for casual labor. In order to maintain its high quality with the minimal rate increase, Stanford Dining is planning for

increased retail revenue, reduced purchasing costs, and expanded energy and water conservation initiatives. Overall room and board revenue will grow by 3.5%.

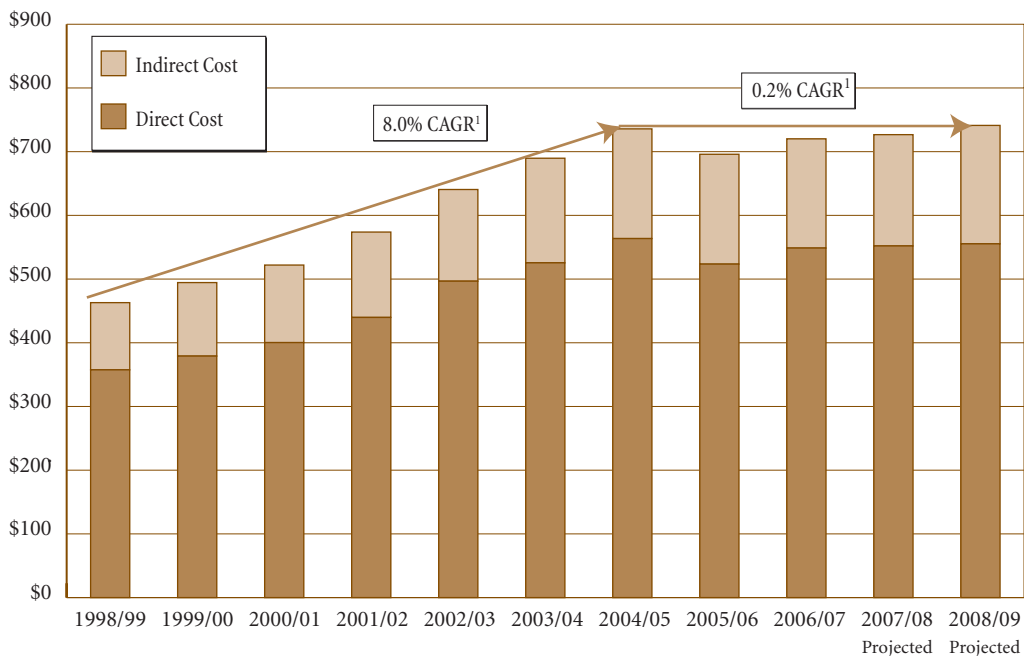
Sponsored Research Support and Indirect Cost Recovery

The budget for sponsored research support is projected to be \$1,059.6 million in 2008/09. This figure includes the direct costs of externally supported grants and contracts (\$555.3 million for university research and \$318.4 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 28% of the university’s consolidated revenues, down from 36% just five years ago. As shown in the chart below, non-SLAC sponsored research enjoyed strong growth in the years leading up to 2004/05, averaging 8.0% annual growth from 1998/99 through 2004/05. However, since then sponsored research volume has been flat, and we anticipate only slight growth in 2008/09.

On the longer-range horizon there may be slight improvement. The 2009 federal research funding outlook is more promising than it has been in recent years. The National Science Foundation (NSF) and the Department of Energy (DOE) Office of Science are expected to see significant funding increases due to the current administration’s focus on the American Competitiveness Initiative (ACI). A key goal of ACI is

UNIVERSITY SPONSORED RESEARCH ACTIVITY (EXCLUDING SLAC)

[IN MILLIONS OF DOLLARS]



¹ Compound Annual Growth Rate (CAGR)

to double the funding levels for NSF and DOE Office of Science over a ten year period ending 2016. The largest NSF increases are expected to be in Math, Physical Sciences, Engineering, and Computer & Information Sciences. Smaller increases are expected in funding levels for NASA, DOD, and the remainder of DOE.

The National Institutes of Health (NIH) expect next year's funding level to be flat, continuing the recent trend of flat or declining funding following a ten-year doubling effort that ended in 2004. Adjusted for inflation, bio-medical research has fallen 13% from the 2004 level. As NIH is the university's largest federal funding source (non-SLAC), this trend has a significant impact on our overall research volume.

The School of Medicine estimates that direct research activity will be flat in 2008/09. Non-Medicine direct research is expected to grow slightly (1.5%) due to moderate expected growth in Engineering and the independent labs within the Dean of Research.

Indirect cost recovery will grow somewhat faster due to a projected increase in the indirect cost rate from 58.0% in 2007/08 to 61.4% in 2008/09. The 2008/09 indirect cost rate will not be finalized until negotiations with the federal government conclude in summer 2008.

The Department of Energy continues to provide most of the funding for SLAC. Total direct costs for SLAC are expected to increase by about \$12 million in 2007/08, but then to decline by about \$40 million to \$318.4 million in 2008/09 as the construction of the \$105 million Linac Coherent Light Source facilities is completed 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 \$418.3 million in 2008/09, a 3.9% increase over the projection for 2007/08. The majority of this income (\$377.4 million) is in the School of Medicine, including \$323.0 million paid by Stanford Hospital and Clinics and Lucile Packard Children's Hospital related to the clinical practices of the faculty, \$6.7 million paid by Lucile Packard Children's Hospital for Children Health Initiative Gift and Match programs. Another \$35.1 million is generated by the Blood Center. Also included are \$3.6 million of hospital payments to the Medical School for rent and use of the library,

and \$9.0 million from non-clinical programs and services. The hospitals also pay the university for a number of university provided services, including \$13.4 million to Business Affairs IT primarily for communications services, \$5.5 million to the Office of the General Counsel for legal services, \$12.2 million to Land, Buildings and Real Estate for operations and maintenance and utilities, and \$9.8 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 \$200.0 million in both the current year and 2008/09, a level consistent with the actual gift revenue in 2006/07. The flat gift projection reflects the expectations of the Office of Development following the jumpstart of the Stanford Challenge and recognizes a slowing in the national economy. Expendable gifts are those 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 2008/09, 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 – In June 2007 the Board of Trustees approved an increase in the target endowment payout rate from 5.0% to 5.5%, to be reviewed in five years. This change resulted in incremental endowment income of approximately \$180 million in the current year and an overall increase of over 50% in endowment payout to operations in 2007/08 over 2006/07. Nearly 75% of the incremental payout is able

to support activities previously funded by unrestricted funds. The released general funds will be redirected to the Capital Facilities Fund, which is devoted to capital projects and infrastructure needs.

Endowment payout to operations in 2008/09 is expected to be \$977.1 million, a 7.2% increase over 2007/08. While this increase is somewhat less than those enjoyed over the past several years, actual investment returns are still above our long-term expectations of 10%. The estimate of endowment payout from the merged pool (MP) 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 it goes down when the market value increases. The target payout rate is 5.5%, and the smoothed payout rate projected for 2008/09 is 5.33%.

Total endowment income includes payout from funds invested in the MP 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 \$300 million in the current year and in 2008/09.

Of the total endowment income, \$166.3 million, or 17.0%, is unrestricted. The unrestricted endowment income includes payout from unrestricted merged endowment funds and most of the income generated from Stanford endowed lands. The unrestricted portion is expected to increase by 6.2% in 2008/09, somewhat slower than the growth expected in total endowment income, because we do not anticipate new unrestricted endowment gifts.

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 distributed to support 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 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 \$1.9 billion. The EFP is invested approximately 87.5% in the merged 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 pool as funds functioning as endowment and are controlled by the president. EFP payout in 2008/09 is expected to be \$91.3 million, a 5.0% increase over 2007/08.

The EIFP is approximately \$200 million and is invested entirely in money market instruments. Income from this source is budgeted at \$8.3 million, up from \$7.9 million in 2007/08. Other investment income, including SHAC and the Stanford Management Company is expected to add \$44.7 million in 2008/09.

Total other investment income is expected to increase by 5.1% to \$136.0 million in 2008/09.

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 \$353.5 million in 2008/09, an increase of 3.0% over the expected level in 2007/08.

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 in 2008/09 is budgeted to be \$1,851.8 million, a 6.3% increase over the year end projection of \$1,742.3 million. Total salary expense is also expected to grow by 6.3% as a result of the approved merit programs for faculty and staff, additional salary adjustments for equity and retention, as well as projected modest headcount growth for faculty and 2% headcount growth for staff. The fringe rate applied to regular staff and faculty is expected to increase only slightly, so the increase in benefits expense will grow with the growth in salary expense. The salaries and benefits line does not include \$175.3 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 2008/09 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. Overall, salary expense in 2008/09 is budgeted to be \$1,320.6 million, a 6.3% increase over the expected year-end projection for salary expense.

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 are publicly available, and consideration of available resources. Based on this analysis, the general salary program increase in 2008/09 for faculty salaries is 3.5%. Added to this will be a pool of salary dollars available to address individual equity and competitive issues. In addition, several schools presented requests

to the Budget Group for funds to address faculty salary issues beyond the planned increases. Incremental general funds were allocated for this purpose in the schools of Earth Sciences, Humanities and Sciences, and Law.

Total staff salary expenditures are expected to increase by 6.3% as a result of the approved salary program and roughly 2% 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 2008/09 is expected to allow the university to maintain its competitive position in the local market. The program authorizes base merit increases, an incremental allocation to address a combination of issues including equity with the local market and within Stanford, as well as retention. It also includes a provision for targeted funding for specific job groups that lag the market by 10% or more and non-base performance bonus/incentive programs. Taken together, the 2008/09 authorizations for central and local funding offer management substantial flexibility to reward top performers, to recognize differences in individual performance, and to address the documented cases where pay for specific jobs lags the overall market.

FRINGE BENEFITS – The benefits rate for regular benefits-eligible employees, which covers most university employees and comprises most of Stanford's benefits costs, will go up slightly, from 27.9% in 2007/08 to 28.0% in 2008/09. The rate for post-doctoral affiliates will decrease, while the rates for contingent employees and graduate research and teaching assistants will increase.

The increase in the regular-benefits-eligible rate (RBE) for 2008/09 is mainly due to the net impact of two factors: the continuing rise in health care costs and a large carry-forward from 2006/07. The carry-forward is the under- or over-recovery that occurs when the fringe rate charged during the year is either 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. In 2006/07, the RBE rate over-recovered costs by \$18.4 million. Ordinarily, these costs would be subtracted from the total costs included in the rate for 2008/09 and would have the impact of lowering the RBE rate by 1.4 points. However, in an effort to minimize the annual fluctuation in the fringe benefits rate, and in anticipation of an under-recovery of costs

in 2007/08, we propose applying 50% of the costs to the 2008/09 rate and the remaining 50% to the 2009/10 rate. The impact of the 2006/07 carry-forward on the 2008/09 rate is a reduction of 0.7 points to the underlying base rate, but it represents a decrease of only 0.2 points compared to the 2007/08 rate, which is also suppressed due to a negative carry-forward from a prior year.

The underlying rate, without carry-forward, is projected to increase by 0.3 points, mainly because the university’s expenses for health insurance continue to rise at double-digit rates. Health insurance costs for active employees are expected to increase by 10% and will add nearly 0.5% to the RBE rate in 2008/09. This increase is offset by a 0.2 point decrease in retirement programs.

The benefits rate for post-doctoral research affiliates will decrease slightly in the coming year, from 20.8% to 20.7%. This is primarily due to a carry-forward credit from 2006/07 offset by increased health insurance costs. The rate for contingent (casual or temporary) employees will increase from 7.6% to 7.7%.

The rate for graduate teaching and research assistants will increase significantly from 4.0% to 4.6%, due to the rising insurance costs. 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 by about 10.5% in the coming year. Other student salaries, such as pay for part-time clerical work during the school year, are not charged for benefits, nor are the students holding those jobs eligible for the university contribution toward their Cardinal Care.

The negotiated 2007/08 and the recommended 2008/09 fringe benefits rates are as follows:

FRINGE BENEFITS RATES

	2007/08 Negotiated Budget	2008/09 Proposed Rates
Regular Benefits-Eligible Employees	27.9%	28.0%
Post-Doctoral Research Affiliates	20.8%	20.7%
Casual/Temporary Employees	7.6%	7.7%
Graduate RAs and TAs	4.0%	4.6%
Other Students	0.0%	0.0%
Average Blended Rate	25.6%	25.8%
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 2008/09 are expected to be \$318.4 million, about \$40 million lower than the projection for 2007/08, due to the completion during the year of the Linac Coherent Light Source (LCLS) construction project. The total SLAC budget consists of \$175.3 million in salaries and benefits, virtually unchanged from the \$173.5 million projected for 2007/08, and of \$143.1 million in other operating expense, a 22.4% decrease from the current year’s level. The decrease in SLAC’s non-salary budget results from substantially lower construction costs.

Financial Aid

Stanford expects to spend a total of \$204.0 million on student financial aid for undergraduate and graduate students, \$11.7 million of which will come from general funds. Designated and restricted funds (\$177.4 million) and grants and contracts (\$14.9 million) will support the remainder. The total financial aid numbers are 15.2% above the projected total for 2007/08. This increase is driven by the increases in tuition rates for both undergraduate and graduate students and the 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 2008/09 Stanford students will receive \$109.3 million in need-based scholarships, of which \$97.2 million will be from Stanford resources, an increase of 28.9%. The remaining \$12.1 million will come from government and outside awards, a slight decrease over the current year.

The significant increase in the undergraduate scholarship program is the result of a dramatic change in the university’s undergraduate financial aid program aimed at further reducing the costs of a Stanford education to middle-income families. Under the new program, parents with incomes of less than \$100,000 will no longer pay tuition; parents with incomes of

FINANCIAL AID AWARDED TO UNDERGRADUATES WHO RECEIVE NEED-BASED SCHOLARSHIP AID

[IN MILLIONS OF DOLLARS]

Source of Aid	2003/04 Actuals	2004/05 Actuals	2005/06 Actuals	2006/07 Actuals	2007/08 Projected	2008/09 Budget
Department Funds and Expendable Gifts	1.2	1.9	1.1	0.9	1.2	1.2
Endowment Income	29.4	32.7	37.2	45.0	67.0	76.3
President's Funds	10.9	9.5	9.8	10.3	7.2	19.7
General Funds	13.8	14.3	12.7	10.2	0.0	0.0
Subtotal Stanford Funded Scholarship Aid	55.3	58.4	60.8	66.4	75.4	97.2
Government and Outside Awards	14.0	13.8	12.1	12.1	12.4	12.1
Total Undergraduate Scholarship Aid	69.3	72.2	72.9	78.5	87.8	109.3
General Funds as a Share of Total Aid	20%	20%	17%	13%	0%	0%
President's Funds as a Share of Total Aid	16%	13%	13%	13%	8%	18%
Endowment funds as a Share of Total Aid	42%	45%	51%	57%	76%	70%
Number of Students	2,896	2,870	2,789	2,769	2,800	2,957

less than \$60,000 will not be expected to pay tuition or contribute to the costs of room, board, or other student expenses. In addition, the program reduces the expected contribution from students on aid, thereby effectively eliminating the need for student loans. These changes greatly simplify the calculation of financial aid for low- and middle-income families and should allow Stanford to more easily communicate the improved affordability for these families. Unfortunately, these policy changes will most likely result in the loss of eligibility for Cal Grants for approximately 75 students. This loss adds to the total cost of the program. The new program will add \$15.5 million to the cost of the undergraduate scholarship program in 2008/09. The incremental costs will be covered by one-time endowment reserves and presidential funds until new endowments can be raised. An additional \$5.2 million will be needed to cover the increased costs of our existing scholarship program.

The following sources support Stanford's overall \$97.2 million commitment to undergraduate scholarship in 2008/09:

- Restricted income (endowment and gifts) will provide \$77.5 million, a 13.8% increase over 2007/08 due in large part to the one-time use of \$3.1 million in endowment reserves.
- Funds controlled by the president will provide \$19.7 million, up from \$7.2 million in 2007/08. The large

increase reflects the president's investment in the new program.

- General funds will not contribute to the cost of the undergraduate scholarship program this year. The increase in the target endowment payout rate from 5.0% to 5.5% in 2007/08 has eliminated the need for general funds at this time.

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

Athletic scholarships, which are not need-based, will be awarded to undergraduate students in the amount of \$17.5 million, an increase that reflects the cost of tuition.

GRADUATE AID – Stanford provides several kinds of financial support to graduate students which are expected to total \$276.6 million in 2008/09. As the table on the next page indicates, this includes the tuition component of fellowships in the amount of \$84.7 million, which is reflected in the Financial Aid line of the Consolidated Budget. Financial aid for graduate students is expected to increase by 6.0%, consistent with the planned increases in tuition in the various graduate programs. The table also includes funding, not shown in the Financial Aid line of the budget, for stipends, tuition allowance, and RA and TA salaries of \$191.9 million. Consistent with the

2008/09 FINANCIAL AID AND OTHER GRADUATE STUDENT SUPPORT FROM STANFORD RESOURCES

[IN MILLIONS OF DOLLARS]

Projected 2007/08 Year-End		General Funds	Designated and Restricted	Grants & Contracts	Total
	Student Financial Aid				
79.7	Undergraduate		97.2	4.6	101.8
16.7	UG Athletic		17.5		17.5
80.7	Graduate	11.7	62.7	10.3	84.7
177.0	Total	11.7	177.4	14.9	204.0
	Other Graduate Support				
57.0	Stipends	9.6	32.4	17.6	59.5
55.0	Tuition Allowance	32.7	7.2	17.0	57.0
71.3	RA/TA Salaries & Benefits	8.5	31.3	35.7	75.5
183.3	Total	50.7	70.9	70.3	191.9
70.3	Postdoc Support	0.6	22.1	50.4	73.1
430.7	Total Student Support	63.0	270.4	135.6	469.0

presentation of Stanford's financial statements, tuition allowance (tuition benefits for RAs and TAs) and RA and TA salary expenses are in the Salaries and Benefits line, and the stipend amount is in the Other Operating Expenses line of the Consolidated Budget for Operations on page 4. The minimum rate for TA and RA salaries and stipends will increase by 5.75% in 2007/08; tuition allowance expense is expected to increase by 3.6%.

Graduate student support is funded by all of Stanford's various fund types, with the exception of auxiliary funds. In aggregate, unrestricted funds (general funds and designated funds) contribute a little less than 29%, restricted funds support about 42%, and grants and contracts supply the remaining 29%. 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. Recent changes in the grant processes of the National Science Foundation and the National Institutes of Health have exacerbated, and in some cases, created gaps between the amount of graduate support the grants provide and the costs of funding those graduate students. These funding gaps have required schools and departments to use

their own sources of funds to provide full funding. The university is taking steps to identify other funding sources to fill these gaps (see sidebar discussion on graduate support on the next page.)

Schedule 4 in Appendix B shows graduate student support 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 one-third of the total expenditures in the Consolidated Budget and is projected to increase by 6.9% to over \$1.1 billion in 2008/09. The principal components include; materials and supplies (\$205 million, of which about one-third are laboratory supplies); professional services (\$141 million); other services (\$83 million); maintenance and utilities for campus buildings (\$161 million); internal debt service (\$142.7 million); research subcontracts (\$65 million); capital equipment purchases (\$71 million); student stipends (\$88 million); and food, entertainment and travel (\$86 million).

UTILITIES AND MAINTENANCE – The total cost of utilities is expected to increase from a projected \$64.2 million in 2007/08 to \$68.7 million in 2008/09.

GRADUATE STUDENT FUNDING

One of the immediate challenges of the Vice Provost for Graduate Education (VPGE) office is to determine how to adapt to changes in the types and levels of federal research support for graduate students at Stanford. Increased competition and constraints on the National Institutes of Health (NIH) and National Science Foundation (NSF) budgets are exacerbating existing gaps between the graduate student support provided by these federal agencies and the rising costs of doctoral student support at Stanford.

The university is presently working to address tuition shortfalls on two federally funded programs: NSF Graduate Fellowships and NIH Training Grants

The NSF Graduate Fellowships Program provides three years of funding to selected graduate students. These nationally competitive awards include a stipend and an annual “cost of education allowance.” For several years, the “cost of education allowance,” which Stanford uses for tuition, has been set at \$10,500. The gap between the cost of Stanford’s graduate tuition and this \$10,500 allocation has been increasing every year as tuition has increased. The cumulative gap is estimated to exceed \$30 million from 2007/08 through 2011/12.

Likewise, the NIH recently announced a \$16,000 tuition support cap on all new Training Grants awarded, and it caps annual stipend support at

\$20,722. The estimated cumulative gap at Stanford is \$15 million from 2007/2008 through 2011/12.

To address these gaps, several schools have identified additional funding sources for graduate student support and have made graduate student support a priority in fundraising. The Office of the Vice Provost for Graduate Education has devised strategies to more fully tap Stanford Graduate Fellowship funds in order to increase support for doctoral fellowships and to reduce some of the tuition gaps on NIH Training Grants and NSF Fellowships over this five-year period.

More generally, the university (through its operating budget and general funds) provides continuing support for graduate students. This includes funding most graduate student Teaching Assistants (TAs) with a package that includes a salary, tuition allowance, and an insurance payment. University general funds also subsidize the cost of tuition for Research Assistants (RAs), permitting restricted grant and contract funds to go further. Through the allocation of general funds to each school, additional student support is made possible, as those schools use their funds to support new and continuing graduate students through locally-managed programs.

Long-term problem solving to address graduate student funding challenges is needed, however, to ensure continued excellence in graduate education and research.

Much of the cost increase is due to increases in the purchase prices of natural gas and electricity. While the purchased electricity prices are relatively stable at present, the natural gas market remains somewhat volatile, with prices recently on the upswing.

Maintenance and repair costs are budgeted at \$92.3 million in 2008/09. 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 and Dining Services provides the services internally.

An incremental \$1.7 million was allocated in general funds for maintenance and utilities for new buildings and renovations. Included in this amount is the

remainder of the funding for the Environment and Engineering building and Parking Structure 6, plus funding for the SIEPR building, the Advanced Vehicle Facility, the Stanford Daily Replacement Building, and other facilities.

INTERNAL DEBT SERVICE – The 2008/09 internal debt service is projected to be \$142.7 million, a \$9.5 million increase over 2007/08. The year-over-year increase is due primarily to two large projects coming on line in 2008/09, which are the 21-acre hotel and office building complex on Sand Hill Road and the Munger Graduate Residences.

The university issues debt in the public markets to finance capital projects and programs. Internal loans are then applied to projects, which amortize the debt over the project life in equal installments (principal

and interest). The budgeted interest rate used to calculate internal debt service is a blended rate of all external interest expense, bond issuance costs, and administrative costs, and is reset annually. The projected blended rate for 2008/09 is 5.2%, which is a 0.5% decrease from the current year's rate.

Transfers

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

- **Additions to Endowed Principal:** This line includes transfers of expendable funds to endowment principal which creates funds functioning as endowment (FFE). Total transfers to FFE of \$6.4 million are planned in 2008/09.
- **Other Transfers to Assets:** The transfers in this category are primarily to plant for capital projects. Total transfers of \$58.2 million to Plant are planned for 2008/09.

The combination of these two types of transfers from current funds to other forms of assets in 2008/09 at \$64.8 million is down substantially from our projection of \$119.7 million in 2007/08. This is principally due to two large transfers totaling \$50.0 million to funds functioning as endowment (FFE) in 2007/08. Of this, \$40.0 million was transferred to FFE in Humanities & Sciences by the provost, and \$10.0 million was transferred from the Google proceeds to match funds raised as part of the Stanford Challenge. At this time we do not expect any transfers in 2008/09 of this magnitude.

- **Transfers to the Capital Facilities Fund:** \$135.7 million will be used to address many of the projects in the Capital Plan. These are funds that have been made available as a result of the incremental endowment payout that was generated by the increase in the target payout rate. Most of the funds are unrestricted and have been freed up through the higher payout rate. In some cases, such as the president's funds, the incremental endowment is being used directly to support the capital projects.
- **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 \$25.4 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.

GENERAL FUNDS

The general funds budget is an essential 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 2008/09 is projected to be \$931 million, of which \$136 million flows to the formula schools per the negotiated formula arrangements.

Last year, the provost allocated \$32 million of incremental general funds across the university while still maintaining a \$12.7 million budgeted surplus to buffer against a possible forecast downturn in future years. In retrospect, maintaining a reserve was highly prudent, as general funds are expected to grow only 4.3% in 2008/09, compared to an average annual growth of 7.2% in the previous five years. Due to our desire to slow the growth in the cost of attending Stanford, the general tuition growth rate for 2008/09 has been set at 3.5%, the lowest increase in recent memory and below the growth in university expenses. As the largest source of general funds, tuition growth has a meaningful impact on our ability to fund new programs and activities.

Because general funds provides the necessary administration and infrastructure for all core activities at the university, the rapid growth in programs funded by restricted funds creates a demand for ever-increasing general funds. An ongoing university challenge is finding effective ways to grow general funds to meet this demand. Over the past several years we were able

SUMMARY OF 2008/09 GENERAL FUNDS REDUCTIONS AND ADDITIONS (EXCLUDES FORMULA UNITS)

[IN THOUSANDS OF DOLLARS]

	2007/08 Base GF Allocation	Price & Salary Inflation	Additions	2008/09 Base GF Allocation	2007/08 to 2008/09 Increase
School of Earth Sciences	1,301	42	400	1,743	34.0%
School of Education	11,117	498	350	11,965	7.6%
School of Engineering	46,307	2,090	750	49,147	6.1%
School of Humanities & Sciences	111,483	4,680	2,000	118,163	6.0%
School of Law	11,995	440	348	12,783	6.6%
Vice Provost and Dean of Research	30,705	1,161	965	32,831	6.9%
Vice Provost for Undergraduate Education	15,033	534	125	15,692	4.4%
Vice Provost for Graduate Education	2,838	26	1,000	3,864	36.2%
Stanford University Libraries	41,752	1,462	600	43,814	4.9%
Total - Academic	272,531	11,079	6,538	290,148	6.5%
Office of Admission and Financial Aid	9,294	351	145	9,790	5.3%
Student Affairs	21,713	903	325	22,941	5.7%
Office of the President & Provost	14,747	576	830	16,153	9.5%
Office of Public Affairs	6,462	236	235	6,933	7.3%
Business Affairs ¹	49,278	1,919	955	52,152	5.8%
Business Affairs - Information Technology	57,451	2,046	423	59,920	4.3%
Development and Alumni Association	39,258	1,541	1,105	41,904	6.7%
Land, Buildings and Real Estate ²	49,624	1,899	650	52,173	5.1%
Other Administrative Units	12,875	404	275	13,554	5.3%
Total - Administrative	260,702	9,875	4,943	275,520	5.7%
Incremental O&M and Utilities			1,679	1,679	
Debt Service	29,739		2,700	32,439	9.1%
Central Obligations ⁴	90,817	(1,932)	745	89,630	(1.3%)
Total - Other	120,556	(1,932)	5,124	123,748	2.6%
Total Non-Formula Units	653,789	19,023	16,605	689,417	5.4%
Unallocated Surplus	12,752			5,900	
Capital Facilities Fund	81,746			85,320	
Total Non-Formula General Funds⁵	748,287			780,637	

Notes:

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

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

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

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

⁵ Includes \$20 million of internal revenue from the infrastructure charge.

to enhance general funds by revising the expendable funds pool policy and the infrastructure charge policy. Looking forward, we do not anticipate policy changes that will generate incremental general funds, resulting in the likelihood of increased reliance on reallocation within the general funds budget.

Compounding the challenges of slower general funds growth is the substantial demand for general funds to cover a large portion of the costs associated with the university's ambitious capital plan. O&M and utilities expenses serviced by general funds are projected to grow by \$25.7 million from 2008/09 to 2011/12, a 35% increase, and an additional \$5.0 million will be required for incremental debt service by the end of this time period.

Throughout the winter, budget units met individually with the Budget Group, which comprises representatives from both faculty and administration, to discuss strategic plans, fund balances, and financial reports. The provost directed all budget units to incorporate internal reallocations and other coinvestments into their funding plans for new programs and initiatives.

Limited base funds were available to be allocated due to four primary factors: limited growth in general funds revenue, the need to fund a competitive faculty and staff salary program, nearly \$8 million of existing incremental base commitments, and the desire to budget a small base reserve. The units collectively requested \$30 million of general funds. For those requests deemed most critical to the university's mission, \$8.7 million was granted. This amount represents only about 1% of the university's total non-formula general funds budget.

Faculty Support: \$3.1 million

Even with fairly generous overall faculty salary programs over the past several years, there remain in some fields significant gaps in faculty compensation in comparison with our key competitors. A priority this year was to address some of the most serious areas, including Law and Economics. In total, about \$1.7 million was allocated for incremental faculty compensation.

Nearly every school is concerned with the skyrocketing costs of faculty recruitment and retention. While schools have made efforts to address these costs from reserves and restricted funds, they have been unable to fully cover the costs of attracting and retaining

premier faculty. To help ameliorate this problem, \$1.4 million was allocated across several schools, with the lion's share going to H&S.

Other Academic Support: \$3.1 million

In addition to the direct support for faculty, \$3.1 million was allocated across the academic units for a wide array of programs and priorities. Of this, \$1.0 million went to Vice Provost for Graduate Education (VPGE) as part of a multi-year commitment to build its base budget. Currently, presidential discretionary funds provide most of the funding for VPGE. Other commitments include \$750,000 to Engineering for general operating support, \$600,000 for library support and \$500,000 to the Dean of Research to address, among other things, independent lab administrative support.

Facilities: \$5.3 million

\$4.4 million is required to service incremental O&M, utilities and debt service on new buildings coming on-line during 2008/09. In addition, \$650,000 was allocated to Land, Buildings, and Real Estate in support of a range of projects, and funds were allocated in support of SEQ 2, Old Union and the Ford Center expansion.

Other Allocations: \$5.1 million

A total of \$5.1 million was allocated for a wide range of activities across campus. Highlights include continued base buildup for the Office of Development, compliance funding for the Dean of Research, IT support, and over \$1 million for several health and security initiatives.

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.

COMPARISON OF CONSOLIDATED BUDGET AND STATEMENT OF ACTIVITIES, 2008/09
UNRESTRICTED NET ASSETS

[IN MILLIONS OF DOLLARS]

Statement of Activities			Fiscal Year 2008/09		
2006/07 Actual	2007/08 October 2007 Budget ¹	2007/08 Projected Year-End		Projected Consolidated Budget	Projected Statement of Adjustments Activities
			Revenues		
			<i>Student Income:</i>		
227.4	237.8	243.1	Undergraduate Programs	251.6	251.6
222.9	232.9	233.6	Graduate Programs	243.1	243.1
99.9	103.2	104.0	Room and Board	107.6	107.6
(156.1)	(169.4)	(177.1)	Student Financial Aid ^c		(204.0)
394.1	404.5	403.6	Total Student Income	602.3	(204.0)
			<i>Sponsored Research Support:</i>		
541.1	534.0	552.0	Direct Costs—University	555.3	555.3
345.7	338.1	358.0	Direct Costs—SLAC	318.4	318.4
171.4	185.9	174.7	Indirect Costs	185.9	185.9
1,058.2	1,058.0	1,084.7	Total Sponsored Research Support	1,059.6	1,059.6
366.5	372.5	374.1	Health Care Services ^f	418.3	(29.6)
198.5	175.0	200.0	Expendable Gifts In Support of Operations	200.0	200.0
95.7	80.0	80.0	Net Assets Released from Restrictions	80.0	80.0
			<i>Investment Income:</i>		
609.0	879.7	911.1	Endowment Income ^j	977.1	4.7
100.6	95.4	98.0	Other Investment Income ^g	136.0	(32.5)
709.6	975.1	1,009.1	Total Investment Income	1,113.1	(27.8)
332.7	338.2	345.3	Special Program Fees and Other Income ^j	350.7	8.7
3,155.3	3,403.3	3,496.8	Total Revenues	3,824.0	(252.7)
			Expenses		
1,535.4	1,728.7	1,767.3	Salaries and Benefits ^{d,g,j}	1,851.8	0.8
345.7	338.1	358.0	SLAC	318.4	318.4
			Capital Equipment Expense ^b	70.8	(70.8)
201.9	222.1	217.8	Depreciation ^c		224.0
			Financial Aid ^e	204.0	(204.0)
821.7	828.8	914.6	Other Operating Expenses ^{f,g,h,j}	1,074.0	(99.9)
2,904.7	3,117.7	3,257.7	Total Expenses	3,519.0	(149.9)
250.6	285.6	239.1	Operating Results	305.0	(102.8)
			Transfers		
			Additions to Assets ^a	(64.6)	64.6
			Capital Facilities Fund ^a	(135.7)	135.7
			Net Internal Revenue/Expense ⁱ	25.4	(25.4)
			Total Transfers	(174.9)	174.9
250.6	285.6	239.1	Operating Results after Transfers	130.1	72.1

¹ Restated to reflect increase in target payout rate.

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.

A difference between reporting operating results in the Consolidated Budget and in the Statement of Activities is that current funds that are set aside for non-operating purposes (such as to fund plant projects or to establish funds functioning as endowment) reduce the Consolidated Budget bottom-line, but have no impact on the Statement of Activities bottom-line (as their GAAP designation of restriction level has not changed). So, while the operating results of the

Consolidated Budget are decreased by the transfers of \$64.6 million to plant and FFE and \$135.7 million set aside for the Capital Facilities Fund, these “set-asides” have no impact on the Statement of Activities operating results.

CONVERTING THE CONSOLIDATED BUDGET INTO THE STATEMENT OF ACTIVITIES

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

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

- a) Eliminate Fund Transfers. The Consolidated Budget includes transfers of \$200.3 million of current funds to other fund groups, including plant, student loans, and funds functioning as endowment.
- b) Remove Capital Equipment purchases. The Consolidated Budget includes the projected current year’s purchases of capital equipment as expense. For GAAP purposes, the cost of capital equipment is recorded as an asset on the Statement of Financial Position. As a result, \$70.8 million is eliminated from Consolidated Budget expenses.
- c) Record Depreciation expense for the current year’s asset use. The Statement of Activities includes the current year’s depreciation expense related to capital assets being depreciated over their useful lives. Depreciation expense includes the depreciation of capital equipment and other capital assets, such as buildings and land improvements. This adjustment adds \$224.0 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 2008/09, GAAP expenses are expected to be lower than budgeted expenses by \$9.7 million.

- e) Reclassify Financial Aid. GAAP requires that the tuition portion of student financial aid be shown as a reduction of revenue. In the Consolidated Budget, financial aid is reported as an operating expense. Accordingly, \$204.0 million of student financial aid expense is reclassified as a reduction of revenues in the Statement of Activities.
- f) Adjust Health Care Services. For GAAP purposes, Health Care Services revenues received from the hospitals are reported net of expenses that the university charges the hospitals. The Consolidated Budget presents these revenues and expenses on a gross basis. This adjustment reclassifies \$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 reducing \$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 \$71.0 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 \$25.4 million from plant funds into the Consolidated Budget for purchases of internal services must be eliminated.
- j) Include Stanford Sierra Camp and Rosewood Sandhill Hotel. The Statement of Activities includes the revenues and expenses of the Sierra Camp that the Alumni Association runs as a separate limited liability corporation, as well as the operating revenue and costs of the new Rosewood Sandhill Hotel, also a separate limited liability corporation. \$13.4 million in revenues and \$13.4 million in expenses gets added (\$4.5 million in Salaries and Benefits and \$8.9 million in Other Operating Expenses).

In summary, the impact of these adjustments increases the Consolidated Budget's projected \$130.1 million surplus by \$72.1 million, resulting in a projected surplus of \$202.2 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. Overall, the academic units are projecting a surplus of \$93.1 million in 2008/09,

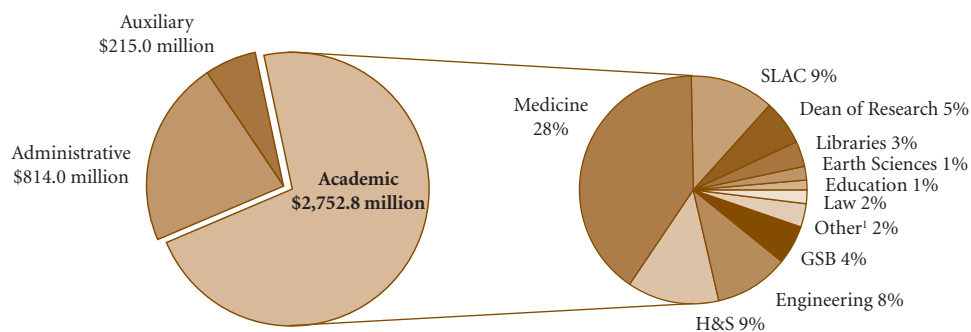
driven largely by strong endowment income in the School of Engineering, the School of Humanities and Sciences, and the School of Medicine. Together, these three schools expect their endowment income fund balances to increase by roughly \$60 million due to highly restrictive endowments and unfilled chairs.

CONSOLIDATED BUDGET FOR OPERATIONS, 2008/09: ACADEMIC UNITS

[IN MILLIONS OF DOLLARS]

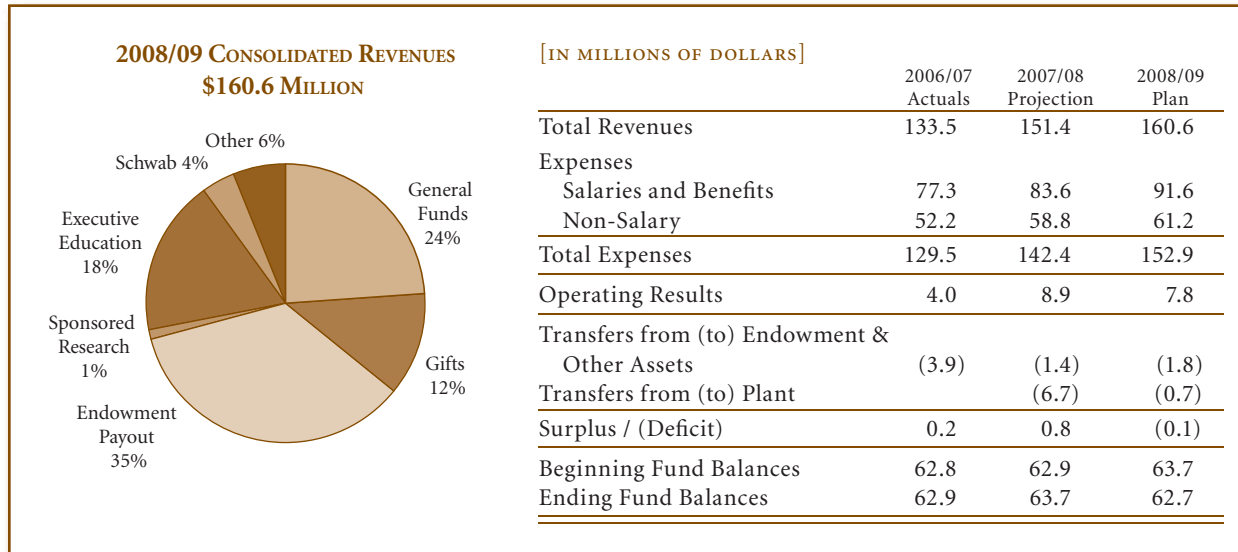
	Total Revenues and Transfers	Total Expenses	Result of Current Operations	Transfers (to)/from Assets	Change in Expendable Fund Balance
Graduate School of Business	160.6	152.9	7.7	(8.8)	(1.1)
School of Earth Sciences	51.5	51.5		(3.6)	(3.6)
School of Education	38.2	36.1	2.1	(0.9)	1.2
School of Engineering	317.1	291.2	25.9	(7.8)	18.1
School of Humanities and Sciences	403.7	356.2	47.5	(6.8)	40.7
School of Law	63.5	58.0	5.5	(5.5)	
School of Medicine	1,183.1	1,111.4	71.7	(40.6)	31.1
Vice Provost and Dean of Research	175.6	174.1	1.5	1.2	2.7
Vice Provost for Undergraduate Education	40.5	41.4	(0.9)	(1.0)	(1.9)
Vice Provost for Graduate Education	7.2	5.2	2.0		2.0
Hoover Institution	53.9	44.2	9.7	(4.3)	5.4
Stanford University Libraries	97.7	99.9	(2.2)	0.5	(1.7)
SLAC	330.9	330.7	0.2		0.2
Total Academic Units	2,923.5	2,752.8	170.7	(77.6)	93.1

2008/09 CONSOLIDATED EXPENSES BY ACADEMIC UNIT



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

GRADUATE SCHOOL OF BUSINESS



INITIATIVES AND PRIORITIES

The Graduate School of Business (GSB) continues to make progress on its new MBA curriculum, its collaborations across the university, and its new campus. These will continue to be its main areas of focus for the next few years.

New Curriculum

The GSB launched its new MBA curriculum this fall for incoming first-year students. The curriculum is designed to be more challenging and more personalized, with more leadership development and more global context.

The fall quarter was filled with Management Perspectives courses designed to expose incoming students to various issues faced by business leaders. The students also worked on developing competencies in several important areas. Constructing a well-reasoned argument and communicating it effectively was the focus of the 15-person Critical Analytical Thinking (CAT) seminar. Each student had support from both a tenure-line GSB faculty member and a writing coach to help improve business writing skills.

The Strategic Leadership course introduced students to strategy and general management issues in a case discussion format. Groups of six to eight students participated in labs designed to develop leadership skills. The course culminated in the Executive

Challenge, which brought the entire first-year class together with the second-year MBA leadership fellows and more than 150 alumni from around the world for an all-day “final exam.” The students and alumni played roles in a series of realistic situations requiring the exercise of interpersonal, influence, and leadership skills developed during the quarter. The alumni, all experienced high-level executives, critiqued and mentored the students.

The winter and spring quarters featured the Management Foundations courses, such as finance, operations, and marketing, that used to be at the heart of the MBA core curriculum. Each course offered several base-level sections, at least one accelerated section, and an advanced application section for students with extensive background and work experience in the area. CAT instructors guided students into the sections based on the students’ backgrounds, skills, and interests. The multiple versions of each course challenged each student at the most appropriate level.

The school also launched the global experience requirement, so all MBA students must take a global study trip or complete a global internship. One way students could complete this requirement was by participating in one of the 22 trips offered during the winter and spring breaks.

For 2008/09, several modifications to the first-year curriculum will be introduced based on feedback

from faculty, staff, and students. Completion of these modifications will require a significant amount of faculty time.

The GSB was able to deliver the curriculum this year by encouraging several senior faculty to postpone sabbaticals and teach more than their normal course load, and by recalling several emeriti. This is not a sustainable approach. Estimates are that 105–110 tenure-line faculty will be needed to deliver the new curriculum, to staff all of the electives expected of a top business school, and to satisfy demand for other graduate teaching across the university. Accordingly, aggressive recruitment efforts are taking place, with the goal of adding ten faculty this year.

Collaborations

The GSB continues to offer several joint degree programs, including one in environment and resources and one in public policy. The popular Summer Institute in Entrepreneurship (SIE) continues to be offered to graduate students outside of the GSB. Several popular courses bring together GSB and non-GSB graduate students, including Bio-design Innovation (Engineering and Medicine), Design for Extreme Affordability (Engineering and the Design Institute), and Evaluating Entrepreneurial Opportunities (all other schools).

New activities this year included a back-to-school course for alumni entitled “Reduce Your Ecological Footprint”, which featured a broad set of Stanford faculty, including several from the Woods Institute. Also new is an executive education course entitled “Business Strategies for Environmental Sustainability”. The Global Supply Chain Forum, a joint program of the GSB and the School of Engineering, is delivering a conference on responsible supply chains this spring and will continue to focus some of its research on environmental issues. The GSB will continue to develop new programs each year in support of the initiatives in the Stanford Challenge.

New Campus

The Knight Management Center is scheduled for groundbreaking this summer. The campus is being designed to promote collaboration within the GSB community and between the GSB and the rest of Stanford. It will integrate indoor and outdoor spaces to take advantage of the Bay Area’s favorable climate. The design of its academic space reflects the needs of

the new curriculum – providing much more seminar and team space – and accommodates the need for flexibility as programmatic needs evolve.

CONSOLIDATED BUDGET OVERVIEW

GSB expenses are projected to grow 7.3% versus the 2007/08 budget plan to \$151.4 million. This growth is somewhat more moderate than it has been in the last few years because expenses related to the new curriculum were included in the 2007/08 budget figures. The largest driver of the expense increase is teaching and research, particularly the plan to add ten net new faculty (an 11% increase). Continuing pressure on faculty salaries is expected as the hiring market for faculty remains extremely competitive.

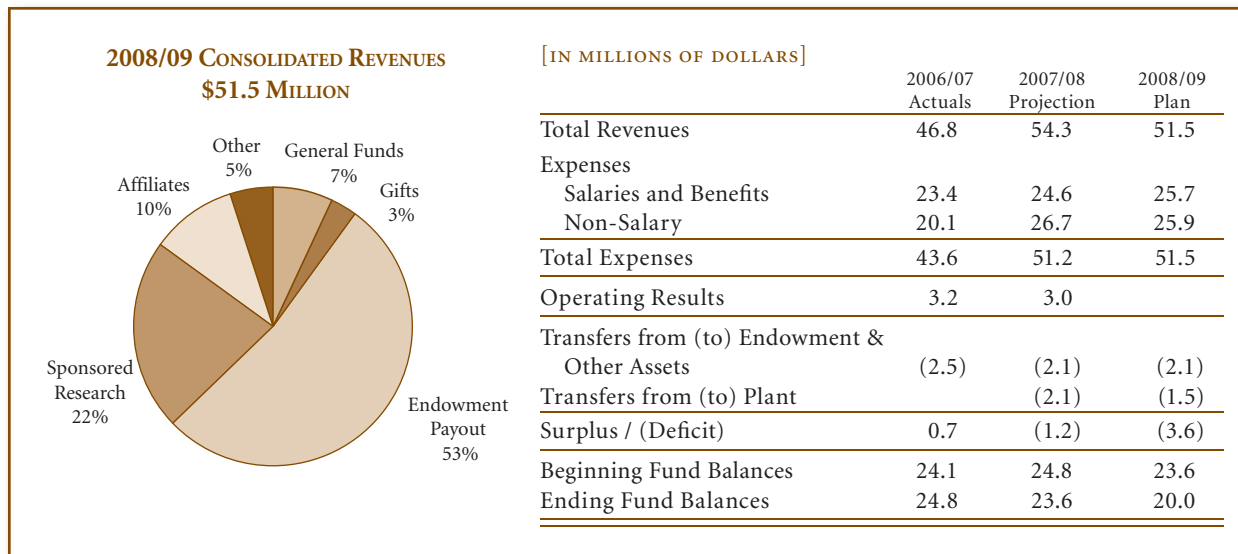
GSB revenues are projected to grow 6.1% over the budget plan for 2007/08. The school expects tuition revenue to increase 5%. First-year MBA students’ tuition will increase by 6.5%, second-year students’ tuition will be flat, and Sloan students’ tuition will increase by 9.1%. The school will have fewer students than in 2007/08 since the number of MBA students was decreased for autumn 2007 to accommodate the first year of the new curriculum. The school forecasts Executive Education revenues to increase 7% year over year, in line with prior years growth. Endowment income and interest are expected to grow 6.4%, while the school expects a decrease of 6.8% in expendable gifts as it focuses on gifts for the new campus and endowment.

CAPITAL PLAN

The Knight Management Center is integral to the school’s plans for leadership in business education. The new campus, including an underground parking structure, will be completed in 2010/11 at an estimated cost of \$370 million.

The Knight Management Center is being designed to earn a Platinum Certification under the U.S. Green Building Council’s LEED rating system. This is the highest rating a building can receive and represents a substantial commitment to sustainable design. The design will minimize energy and water demands while maximizing the potential of natural ventilation and daylighting strategies. The campus will also satisfy the university’s space planning guidelines, with some spaces being even more efficient than the guideline recommendations.

SCHOOL OF EARTH SCIENCES



INITIATIVES AND PRIORITIES

In 2008/09 the School of Earth Sciences will continue its transformation into a 21st-century school focused on the study of planet Earth: its mantle and crust; atmosphere, climate, oceans, and land and water systems as they are changing naturally and in interaction with human activities; and its energy resources. This transformation began with the 2005 strategic plan and has yielded a remarkable shift across the organization.

Strategic Directions

The school's top priority for 2008/09 is faculty recruitment and retention. It has welcomed eight new faculty since 2006 and expects an additional four this year. While some of this change is due to retirements, some is the result of joint appointments with the Woods Institute and new endowed chairs. Strategically, this means that the school's focus has shifted from solid earth and petroleum engineering, and has broadened to include areas of research and teaching completely new to the university and essential to the Initiative on the Environment and Sustainability. Such a dramatic change requires substantial investments in start-up packages, lab renovations, and expanded support services for faculty and research activities.

Earth Sciences has also experienced retention pressures. The school must be more aggressive in recruiting and retaining the best faculty and must invest more

in salary and research funds than ever before. This investment is critical to maintaining the school's top rankings and the ability to attract and keep the very best faculty and students.

Programmatic Plan

Environmental Earth System Science

In 2007/08 Earth Sciences received Board of Trustees approval to launch a new department: Environmental Earth System Science (EESS). Begun with a group of faculty from departments in the school (and joint appointments from elsewhere on campus), and some 25 existing graduate students, the department will be in full operation in 2008/09. EESS is expected to grow to twelve faculty (after current searches come to closure) and approximately 60 graduate students. Much activity during the year will be devoted to developing the department's identity, building community, and integrating EESS into the school's ongoing activities. The school is considering folding its popular undergraduate interdisciplinary program, Earth Systems, into EESS. During 2008/09 this question will be explored fully, and a decision will be made during the year.

Diversity

Efforts to increase the diversity of the student population through targeted outreach activities and partnerships with other schools on campus will ramp up in 2008/09. Additionally, the school will establish a comprehensive diversity fellowship program for

graduate students, to offer additional financial aid to under-represented students and others who would add diversity to the school. Earth Sciences also plans to develop programs that build diversity through activities such as university-to-university partnerships, faculty sabbatical programs with minority-serving institutions, and summer programs for diverse student populations.

Interdisciplinary Activities

Much of what Earth Sciences does is, by its nature, interdisciplinary. In 2008/09 the school intends to make at least two joint faculty appointments with the Woods Institute for the Environment: one focused on climate science, the other on land use and land cover change. Earth Sciences will also continue to support the Interdisciplinary Program on the Environment and Resources (IPER), with the hope that the program will become self-supporting through successful fundraising efforts. Finally, the Dean of Earth Sciences will continue to serve as one of Stanford's chief spokespersons for the university's Initiative on the Environment and Sustainability, an interdisciplinary effort encompassing activities across all seven Stanford schools.

CONSOLIDATED BUDGET OVERVIEW

The projection for 2007/08 shows a year-end balance of \$23.6 million, with an overall decrease of \$1.2 million across all fund types due to investments in lab renovations. Gift fund balances are projected to grow by \$600,000 due to transfers from school endowment into faculty start-up accounts, and designated funds will grow by a net \$660,000 due to uncommitted funding from the president to the Dean. Endowment balances are projected to decrease by \$2 million, primarily as a result of physical plant investments.

Looking ahead to 2008/09, Earth Sciences expects to continue making substantial investments in physical plant for lab renovations and other space improvements, as well as additional outlays for start-up packages and equipment purchases. The net result is a projected decline of \$3.6 million across all fund types, primarily endowed funds, with a year-end projected balance of \$20 million. Of this total, \$5 million will reside in central school reserves, and the remaining fund balances reside in either highly restricted or faculty-controlled funds.

For 2008/09, the school projects modest growth in expenses of \$300,000 over 2007/08, with consolidated expenses approaching \$52 million. While operating expenses will increase by over \$1 million due to faculty and staff hires, sponsored research funding and expenses will decrease substantially as a large federal grant (San Andreas Fault Observatory at Depth) comes to a close. Looking beyond 2008/09, investments in new faculty should decline and school reserves should begin to build up over the next several years.

CAPITAL PLAN

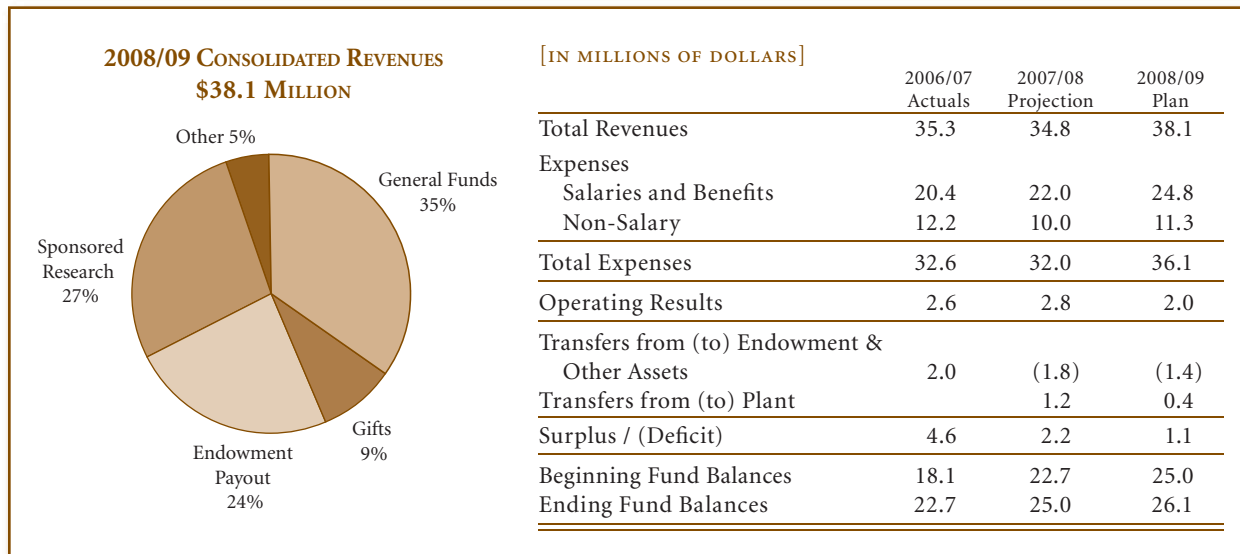
As mentioned above, Earth Sciences is at a crossroad and requires an investment in facilities. The school's capital plan for 2008/09 has four components: improved space utilization, gathering and conference spaces, Branner library improvements, and laboratory renovations.

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

Another part of the planning focuses on the Branner Earth Sciences Library, located in the Mitchell Earth Sciences building. The library was built in the 1970s and does not meet current research needs. During 2008/09, working closely with Stanford University Libraries and Branner staff, the school will develop a strategy to bring Branner into the 21st century, so that both its space and services support the school's teaching and research needs well into the future.

Finally, much of the school's capital investment in 2008/09 will be for laboratory renovations in support of new faculty. Many of these faculty are experimentalists with substantial wet lab needs that are unique, requiring alterations to existing facilities. In addition, faculty with significant computational research needs will put new demands on the school's computing infrastructure, forcing capital investment in this area as well.

SCHOOL OF EDUCATION



INITIATIVES AND PRIORITIES

The School of Education has multiple but integrated missions: to generate new knowledge; to train educational researchers and practitioners; 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. The school addresses issues of practice, policy, and research at multiple levels: classrooms; schools and the organizations supporting them, such as districts and charter school management organizations; the communities surrounding schools; and state and federal policy.

The school is involved in a number of initiatives to improve schools and community contexts for youth. The newest, Improving K–12 Education, is a Stanford Challenge initiative. Its main goal is to develop and study innovative strategies to improve K–12 education. This interdisciplinary initiative focuses on three sets of issues: (1) development of highly effective teachers who remain committed to careers in education, and of curricula that support effective teaching; (2) school leadership and governance; and (3) policies that affect educational practice and student learning. In all of these domains, the goal is to strengthen connections between research and practice.

Other major School of Education programs include the charter elementary and high schools in East Palo

Alto, the School Redesign Network, the Stanford Educational Leadership Institute (SELI), the Institute for Research on Education Policy and Practice (IREPP), and the John W. Gardner Center for Youth and Their Communities. Although the primary purpose of these programs 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 and the university.

The Stanford Teacher Education Program (STEP) will expand in 2008/09 by opening admissions to the Elementary Teacher Credential Program to non-Stanford students. The state now requires all students planning to teach in California to pass a state-approved teacher performance assessment in order to receive their preliminary credentials. The School of Education led the consortium of twelve institutions that designed the newly approved Performance Assessment for California Teachers.

The new loan forgiveness program for STEP students went into effect for the class of 2007/08. It will significantly reduce debt for these students and hopefully will provide an incentive for them to stay in the profession. In addition, the Woodrow Wilson National Fellowship Foundation has selected STEP as one of four U.S. graduate education programs to participate in a \$6 million national initiative to encourage student teachers to pursue careers in high-need schools. Over three years, this initiative will provide 21 fellowships

to STEP students, each including a \$30,000 stipend. The first set of fellowships will be awarded to students entering STEP in fall 2009.

An ongoing priority is recruiting faculty. Retirements and continuing searches will make 2008/09 another heavy recruitment year, and the school expects at least five new faculty members to join it in fall 2009. The school strives to hire excellent scholars who have genuine interests and experience in education practice. Three new joint faculty positions will further the school's interdisciplinary focus: one in environmental education (with the Woods Institute), one in international post-secondary education (with the Freeman Spogli Institute), and one in collaboration with the Center for Comparative Studies in Race and Ethnicity (CCSRE).

CONSOLIDATED BUDGET OVERVIEW

The school projects a consolidated budget surplus of \$2.2 million in 2007/08. Net transfers to assets will be \$600,000. This is the result of a return of \$1.2 million from plant, a \$1.7 million transfer out to the Avery Student Loan Fund, and a \$125,000 transfer out to endowment principal. Endowment balances are expected to increase due to new endowed chair funds, as well as student aid funds and unused restricted fellowship funds. Gift balances are expected to decrease, the result of spending down large gifts received in prior years for specific projects. Revenues and transfers are projected to decrease compared to 2006/07, the result of a decrease in non-federal research funding. Expenses are also expected to be lower than projected, resulting from decreased non-federal research funding and unfilled faculty positions.

In 2008/09 revenue is expected to grow by 9% and estimated expenses will increase by 13%. The surplus in 2008/09 is expected to be \$1.1 million. The increased expenses relate to new faculty joining the school, expenses related to the K-12 Initiative, and projected growth in non-federal funding. The discrepancy between growth in revenues and expense results from large gifts received in the past two years

which will support specific program expenses over the next several years. New gift revenue is expected to support the K-12 Education initiative and other 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 Research on Education Policy and Practice. A new \$8 million endowment in support of the John W. Gardner Center for Youth and Their Communities will contribute to endowment income growth, with payments spread over five years.

Of the \$1.4 million in transfers out for 2008/09, the School of Education expects to use \$1.2 million to support student loan assets and \$210,000 to support endowment. \$435,000 will be returned from plant.

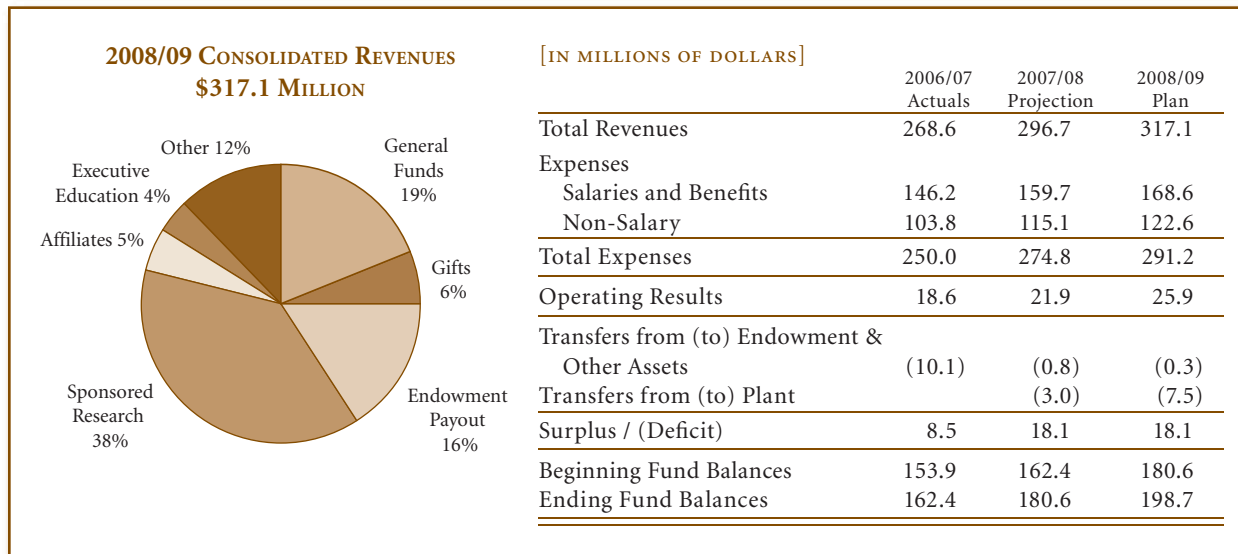
Fundraising efforts will focus on the K-12 initiative, new endowed chairs, student aid, support for the teacher education programs, and unrestricted funding for faculty research. The School of Education has been successful in fundraising for its academic programs: in the past year it received funds for three new endowed faculty chairs, several endowed student aid funds, and an endowment to support science education.

CAPITAL PLAN

To provide leadership in academic programs and to succeed in recruiting the best students, staff, and faculty, the School of Education will continue to upgrade and improve its existing spaces. The new Barnum Center has become an important new resource. In summer 2009, the School of Education building will be seismically retrofitted to address unreinforced masonry issues with the entrances and arcades. The Cubberley Library, on the second floor, will also be reconfigured.

The school is working with Capital Planning and Space Management to use office space in accordance with the university's space guidelines. A master planning study has begun. It will develop plans for improved space utilization and for necessary space modifications.

SCHOOL OF ENGINEERING



INITIATIVES AND PRIORITIES

With emphases on interdisciplinary research, innovative teaching, and maintaining core competencies, the School of Engineering's strategic plan supports the broader goals of the Stanford Challenge. The primary strategic initiatives are described below.

Information Technology (IT)

IT has been a strength for the School of Engineering for decades. IT will continue to play a critical role in the future. A plan to add one faculty member per year to the Computer Science Department over the next ten years will offer opportunities for continued leadership in this rapidly advancing field and enhance prospects for interdisciplinary research.

Nanoscience and Nanotechnology

The study of matter at the nano scale has the potential for huge impact in engineering. The school's plan to support this critical discipline includes partnering with other units to complete the new Nano Center building; making strategic faculty hires in Materials Science, Chemical Engineering, and Bioengineering; and establishing a new nano institute. Shared equipment facilities, patterned after the Stanford Nanofabrication Facility and the Stanford Nanocharacterization Lab, are critical infrastructure for this type of experimental research and are planned for the Nano Center and the new Bioengineering building.

Energy and Environment

Several engineering departments have substantial activity in the area of energy and the environment, including Mechanical Engineering, Materials Science and Engineering, and particularly Civil and Environmental Engineering (CEE), which has reinvented itself to focus on sustainable engineering. The new Y2E2 building, opened in March 2008, is already having a dramatic effect in promoting interdisciplinary research. Faculty associated with CEE and other schools and independent labs are housed in the building according to their area of study (climate and energy, oceans and estuaries, land use and conservation, fresh water) to promote interaction.

In 2008/09, the school hopes to begin construction of the Green Dorm, intended to generate more electricity than it uses and emit no net carbon dioxide. In addition to housing 47 students, it will provide a "living lab" for faculty and students to explore innovations in "green" technology.

Bioengineering

Now in its sixth year, the Bioengineering Department continues to attract top-notch faculty and students and substantial research awards. In addition, several other engineering departments have reallocated faculty billets into areas associated with the life sciences. The school has built state-of-the-art labs for these recent hires. The new Bioengineering and Chemical

Engineering building will provide a hub for these activities, shared facilities for experimental research, and space for the growth of an undergraduate bioengineering curriculum, which may be introduced as early as 2009/10. These developments are complemented by the research activity fostered by the Clark Center and Bio-X.

CONSOLIDATED BUDGET OVERVIEW

The School of Engineering projects a consolidated operating surplus of \$21.9 million in 2007/08, leading to an \$18.1 million surplus after \$3.8 million in transfers to assets.

In 2008/09, revenue is forecast to increase to \$317.1 million, 6.8% over the projected 2007/08 results. This includes an increase of 14.9% in forecast endowment income. Sponsored research continues to be a major contributor to the school's budget, and will represent approximately 40% of revenues in 2008/09. It is forecast to grow at 6.8% over 2007/08, with the addition of substantial new projects such as the Army High-Performance Computing Research Center and two individual researcher awards from the King Abdullah University of Science and Technology Global Research Partnership. Designated funds will benefit from projected increases in affiliate membership and new executive education programs offered by the Hasso Plattner Institute of Design. A surplus of \$18.1 million is expected in 2007/08.

Expenditures are forecast to rise 6% overall, with compensation growing by 5.6% over 2007/08 and noncompensation spending by 6.5%. Major drivers are the 16% increase in school-supported graduate aid resulting from the increased payout to endowment funds; a larger number of teaching assistantships, due to increased general fund allocations; and an anticipated 60% yield rate for sponsored project proposals, leading to substantial net new research activity.

Two years ago, the school began transferring assets to support the capital plan described below. In both 2007/08 and 2008/09, a substantial portion of the transfers to plant will be made from the Venture Capital II fund, which is not tracked in the consolidated budget

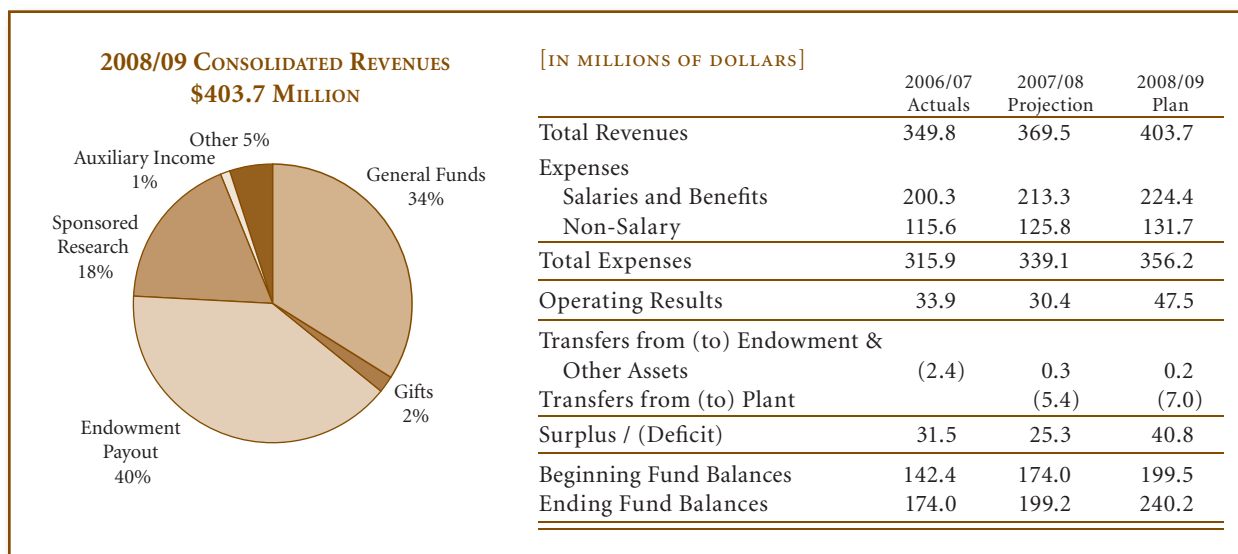
because it is a quasi-endowment. In 2007/08, transfers of \$45 million to plant accounts from reserves, gifts to plant and other sources are projected (some of this is via the quasi funds). In 2008/09, the School anticipates transfers of \$30 million to capital projects. In aggregate, the School is transferring nearly \$40 million during fiscal years 2007/08 and 2008/09 from reserves, including funds functioning as endowment.

CAPITAL PLAN

The School of Engineering has the ambitious strategic objective of housing all of its departments in "21st-century" facilities by 2012. This is a critical element for the success of the academic strategic initiatives described above. Four of the new buildings in the Science, Engineering, and Medicine campus (SEMC) are major elements in meeting this objective. Additional capital projects include the Green Dorm, the Automotive Innovation Facility, continued modernization of laboratory space across the school, and new and renovated spaces along Panama Mall to house significant academic programs, among them the Hasso Plattner Institute.

Sustainability is central to the SoE's approach to both new buildings and renovations. The early success of the Y2E2 building has prompted both the school and the university to strengthen their commitment to ambitious goals for efficient energy and water use. The university has approved budget increases to fund further sustainability features for additional buildings in the SEMC. A primary goal for the School of Engineering Center, reducing peak energy demand by 50% compared with a similar building of more traditional design, will be achieved by providing 85% of the building's light requirements through daylighting and by maximizing natural ventilation. This approach reduces the need for large mechanical rooftop HVAC equipment and will lead to long-term utility savings. Additional utility savings will result from the installation of appropriate infrastructure for future solar panels for on-site power generation. The school is also employing sustainable materials in both the interior and the exterior finishes of the building.

SCHOOL OF HUMANITIES & SCIENCES



INITIATIVES AND PRIORITIES

The school's primary challenge continues to be maintaining the extraordinary strength of its faculty, teaching and research programs while making enhancements in selected areas. During the past three years, significant progress has been made towards bringing the school's base budget into alignment with expenditures, through large investments of base funding from the provost and a multi-year focus on improving administrative systems and processes associated with the management of major expense streams. The Dean's Office is actively investing in systems and will continue to focus on carefully managing these expenditures.

H&S continues to face major challenges from cost increases in faculty recruitment and retentions. Costs in these areas continue to rise, reflecting competition from top and second-tier institutions and the high cost of living in the Bay Area. The school is directing endowment funding streams towards these areas in an effort to provide a long-term hedge against rising costs. Retention activity increased dramatically during 2006/07, but has slowed somewhat during 2007/08. Anecdotal evidence indicates that this decrease reflects the larger salary increase pool funded by the provost.

The school's development team is in transition as the Dean's Office searches for a director of development. This vacancy has slowed fundraising activity somewhat

over the past year, but is projected to be on track by the end of 2007/08, with \$39 million of new donor pledges. Academic plans developed during the past year indicate that a larger percentage of gifts will be for incremental expenditures than in prior years, but growth will be carefully matched to new income streams.

During 2008/09, investments will be made in the following areas:

- Robust graduate programs are essential to achieving the school's mission and maintaining faculty productivity but are undersized in some departments. H&S has established a multi-year goal to increase the total number of graduate fellowships by 125 (8%) in order to bring departments up to critical mass. Incremental fellowships will be funded in key departments for the 2008/09 admissions year, and a third year of support will be added to the existing diversity admissions program. Over the longer term, the school's goal is to identify additional funding sources to provide five-year fellowships for diversity students.
- The school is also focusing investments in key programmatic areas. As part of a major Pacific Rim university, H&S must have strength in Asian studies and is in the process of rebuilding the East Asian Studies program and building programs in South Asian and Islamic Studies. These programs are priorities in the school's current fundraising plan. In the natural sciences, H&S will work closely with SLAC to take advantage of the new Linac Coherent Light

Source. The school envisions H&S/SLAC shared faculty appointments across a number of science departments.

CONSOLIDATED BUDGET OVERVIEW

H&S projects a \$40.8 million consolidated budget surplus for 2008/09 after transferring \$7 million to plant. \$4 million of plant expenditures will be used to build out space for new faculty hires with an additional \$3 million used to fund building renovations for large capital projects.

Consolidated fund balances in H&S are projected to be \$240.2 million in 2008/09. Designated fund balances are projected to grow \$13.7 million as faculty funding (primarily recruitment and retention packages) is transferred in advance of actual spending. Expendable balances are projected to decrease by \$4.4 million, continuing the trend experienced during the previous couple of years. Endowment balances are projected to increase by \$31.4 million. A detailed analysis of each H&S endowment was made last year to determine if increased endowment payout (resulting from the higher payout rate) could be used to replace general funds, which would then be returned to the provost. 27% of endowment income growth was determined to be too restricted, or supported activities where there was no general fund support, resulting in large windfalls in particular areas. The Dean's Office and departments continue to analyze these funds to determine how windfalls might be used, but for the short-term, accumulated balances are projected to increase. Endowments that are aligned with current and new activities will provide an on-going funding source for base operations and will also support new academic initiatives while fundraising plans are implemented.

\$1 million of incremental base funding will be used for faculty recruitment and retention costs, which continue to grow at a rate greater than cost rise. \$750,000 of new base funding will be used for faculty salaries in key departments where salaries significantly lag market and to stabilize salaries in the Economics

Department. The Dean's Office will pool \$250,000 of incremental base funding with growth in School endowments to provide incremental graduate aid and diversity fellowships.

Rates of growth in federal and non-federal grants and contracts have slowed in each of the past four years and are projected to slow to less than 1% growth in 2008/09. This slowed growth, coupled with more frequent gaps in grant renewals has increased the need for bridging funds to support students and faculty research.

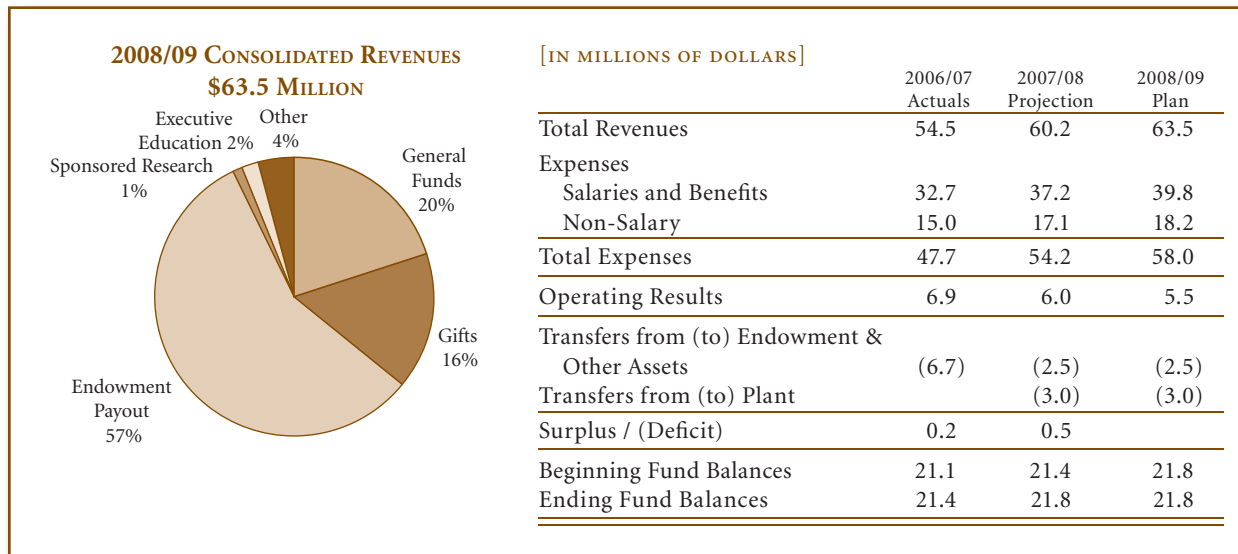
CAPITAL PLAN

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

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

Working with Facilities Operations, the school is also investigating options for better ventilation and temperature control in the Math Corner building, without adding air conditioning. This is an important sustainability project that could serve as a model for other areas of the campus and the Main Quad.

SCHOOL OF LAW



INITIATIVES AND PRIORITIES

The trend of slower growth in Stanford Law School expenditures that began in 2007/08 will continue this year. Program expansion continues, but at a reduced pace. Though projected base operating expenditures are still rising, this year's increase is smaller than last year's, which in turn was smaller than that of the previous year. More than two-thirds of projected 2008/09 growth is related to two priorities: (1) accounting for debt payments on a planned new clinic and faculty office building, and (2) meeting the continued market competition in faculty compensation.

Space remains the single biggest constraint on the Law School's ability to maintain academic excellence. There is presently no room to house new faculty, staff, or academic/clinical programs. In recent years, through efficient and creative space planning, the Law School has been able to accommodate considerable growth in academic staff without any incremental space allotment. For example, library and student activity space was renovated for academic staff use. At this point, almost all such solutions have been exhausted; hence, completing a new building as quickly as possible has become the school's top priority. Funding it has required diverting substantial financial resources to service a projected \$30 million in associated long-term debt.

The continued competition for top-echelon legal scholars has made efforts to retain and recruit these faculty increasingly challenging. Making matters worse, a number of peer law schools have announced aggressive faculty expansion programs (Harvard, Columbia, and NYU are increasing faculty billets by 20% or more), so this intense faculty compensation pressure is unlikely to abate in the near future. In response to these market conditions, the Law School intends to provide appropriate resources where necessary.

In recent years, building a first-rate legal clinical operation practically from scratch has been among the Law School's top priorities. Stanford's clinical faculty is the best in the country, and participation among law students has risen from 30% a few years ago to more than 75% this year. The goal is to achieve 100% participation and to require that students take a clinic to graduate, though first the school needs to ensure that the program is stable and settled. Several of the ten clinics are new and experimental (two were launched last year alone), and their long-term stability is not yet certain. Even so, what the clinical leadership has accomplished in a few short years is impressive, and the expectations for this year are matched with resources.

Among the most significant recent trends in legal scholarship has been the emergence of Empirical Legal Studies, including the analysis of complex databases using sophisticated statistical and econometric models. Largely by serendipity, Stanford Law School has become one of the nation's leading centers for this kind of research, with at least seven faculty members whose work is substantially or wholly empirical. Law schools do not have graduate students equipped to perform such research. In the past year, the Law School has therefore sought and hired postdoctoral students new to the legal academy to assist these faculty. The Law School also recently hired a grant writer to assist the faculty in finding and securing grants to cover the costs of their empirical research. To the school's knowledge, no other law school has such a resource.

CONSOLIDATED BUDGET OVERVIEW

The Law School is projecting a break-even budget in 2008/09. Consolidated revenue is projected to be \$63.5 million, up 5.5% over 2007/08 year-end projections. Consolidated expense is anticipated to be \$58 million, up 7% from 2007/08 year-end projections. The resulting consolidated operating surplus of \$5.5 million will be transferred out of current funds into the following asset categories: student loan (\$1.5 million), funds functioning as endowment (FFE) (\$1 million), and plant (\$3 million). The school's fund balances will remain unchanged at just less than \$22 million.

In an effort begun last year, the Law School is continuing to focus heavily on the short- and long-term financial resources required to fund the new clinic and faculty office building. Additionally, the Dean is working with faculty leaders of academic program centers to use available restricted funds first, thereby freeing unrestricted funds for the new building.

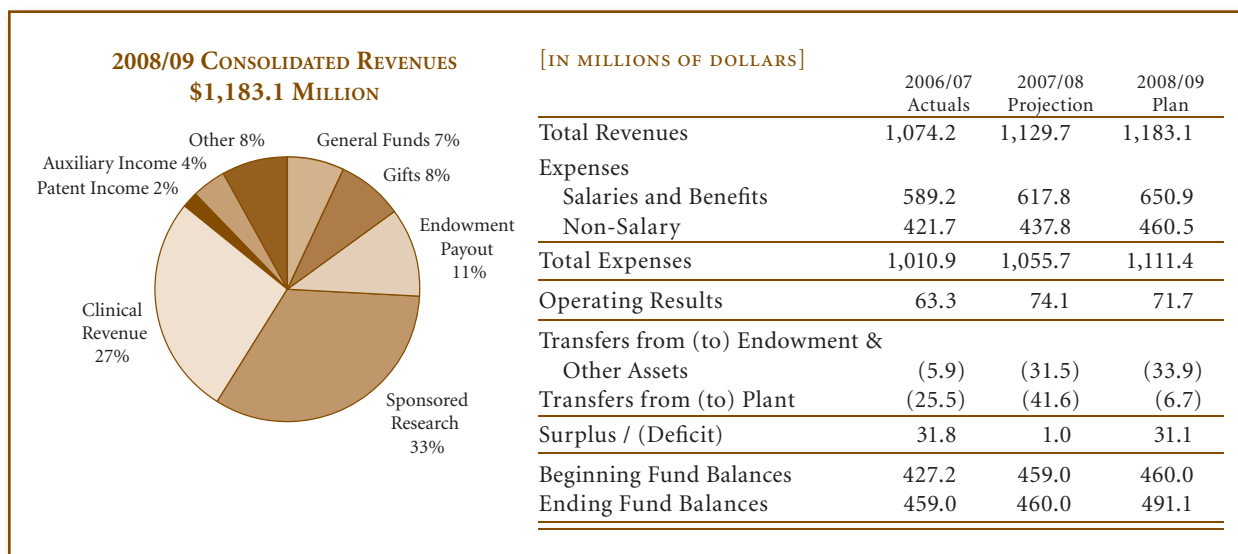
CAPITAL PLAN

The Law School's Munger Residence Hall is well under way. This facility, planned to open in 2009, will house 600 students and include a dining hall that seats 250, a full kitchen to support the dining hall, a café, a store, meeting rooms for both student use and executive education programs, and an underground parking garage. The Law School plans to break ground for its new clinic and faculty office building in 2009. This building will be approximately 63,000 gross square feet and will cost just over \$71 million. In addition, the school continues to renovate Crown Quadrangle to upgrade its facilities and make maximally efficient use of its space.

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

The design team is evaluating sustainability options for the new clinic and faculty office building during the schematic design phase. The building design incorporates natural light and exterior views along with exterior courtyards to maximize daylighting. Lighting studies, thermal comfort, water conservation, and sun-shading options are being explored. The design team's objective is to meet or exceed the university goal of bettering American Society of Heating, Refrigerating, and Air-Conditioning Engineers requirements, which aim for a 30% reduction in energy demand.

SCHOOL OF MEDICINE



INITIATIVES AND PRIORITIES

The School of Medicine seeks to translate discovery and foster innovation, thereby improving health through research and its application to patient care. Educating and training future leaders is essential to these missions. Changes in education and training programs are contributing to the disciplinary alignments and workforce needed to assure the future success of the school and the biomedical research enterprise. These changes have included a new curriculum, the first phase of which was introduced in Fall 2003, to educate future leaders in innovation, discovery, and scholarship. Other changes take advantage of the broad opportunities available at Stanford for interdisciplinary education and offer enhanced joint degree programs, including expanded MD/PhD programs in science and other disciplines.

Further education initiatives include the Master of Science in Medicine, which will admit its third class in 2008/09. This program enables PhD students to acquire more intensive knowledge of clinical medicine and promotes the next generation of researchers who will translate discoveries into patient therapies and cures. This program is supported by the school and the Howard Hughes Medical Institute. In addition, the new Advanced Residency Training at Stanford (ARTS) program, whose goal is to foster development of physicians with comprehensive research training, will enroll its second class in 2008/09. ARTS students pursue their PhDs in science while completing their

clinical residency or fellowship training. The school plans to further increase joint degree opportunities and programs in the years ahead.

Promoting translational and interdisciplinary research and pursuing translational medicine continue to be central to the school's overarching mission. The school, through Dr. Harry Greenberg, has resubmitted an application to the National Institutes of Health for the Clinical and Translational Science Award. If approved and funded, this award will have a transforming impact. This will be enhanced by Stanford's next review by the National Cancer Institute in 2009 as a designated Cancer Center.

CONSOLIDATED BUDGET OVERVIEW

In 2008/09, the School of Medicine is projecting an overall surplus of \$31.1 million based on a projected surplus from operations of \$71.7 million and transfers of \$40.6 million to plant and endowment. Expenses are projected to increase 5.3% and revenues 4.7% over projected 2007/08 results. Of the total revenues, sponsored research comprises 32.2% and healthcare services and tuition 31.9% and 3.3%, respectively. Expendable gifts, endowment income, and other designated income, such as patent income and investment income, constitute the majority of the remainder. The school plans to transfer \$22.4 million to the Capital Facilities Fund, \$400,000 for the Foundation in Medicine (FIM) #1 building, and \$1.5 million to fund strategic capital projects.

Revenue Growth

Revenues will increase from a projected \$1,129.7 million in 2007/08 to \$1,183.1 million in 2008/09. Endowment income is projected to increase 7.5% due to higher projected endowment market value and new gifts. Gift revenue is expected to increase 15.0% as a result of development efforts focused on interdisciplinary and program initiatives. Growth of 1.5% in federal and nonfederal sponsored research revenue reflects stronger growth in the latter than in the former, due primarily to new awards from the California Institute of Regenerative Medicine.

Clinical professional service agreement and service payment revenues are projected to grow 5.0%, primarily as a result of expansion in clinical programs, including the opening of the Stanford Medicine Outpatient Center in Redwood City, expansion of operating room capacity at Lucile Packard Children's Hospital, and expansion of imaging capacity at the Palo Alto Imaging Center and in Redwood City. Based on current-year trends, the net contributions to academic resources from clinical operations are projected to grow 10.8%, from \$43.2 million in 2007/08 to \$47.8 million in 2008/09.

Expense Growth

The school's 2008/09 budget plan includes the net recruitment of 21 Medical Center-line and nine university tenure-line faculty and related expenses, including program and staff support. The faculty will be recruited for the interdisciplinary institutes, the comprehensive cancer center, and the growing clinical practices.

Expenses are projected to increase by \$49.7 million in 2008/09. An \$18.8 million increase in academic and staff salaries includes the average merit increase and the increases related to the recruitment of incremental faculty. Academic and staff employees will receive an \$8.2 million increase in benefits. A \$22.7 million increase in noncompensation expenditures will be driven primarily by a net payment to the hospitals for the school's use of their leased space, incremental litigation expenses, and increases in operations and maintenance expenses.

Transfers to Plant, Endowment, and Other Assets

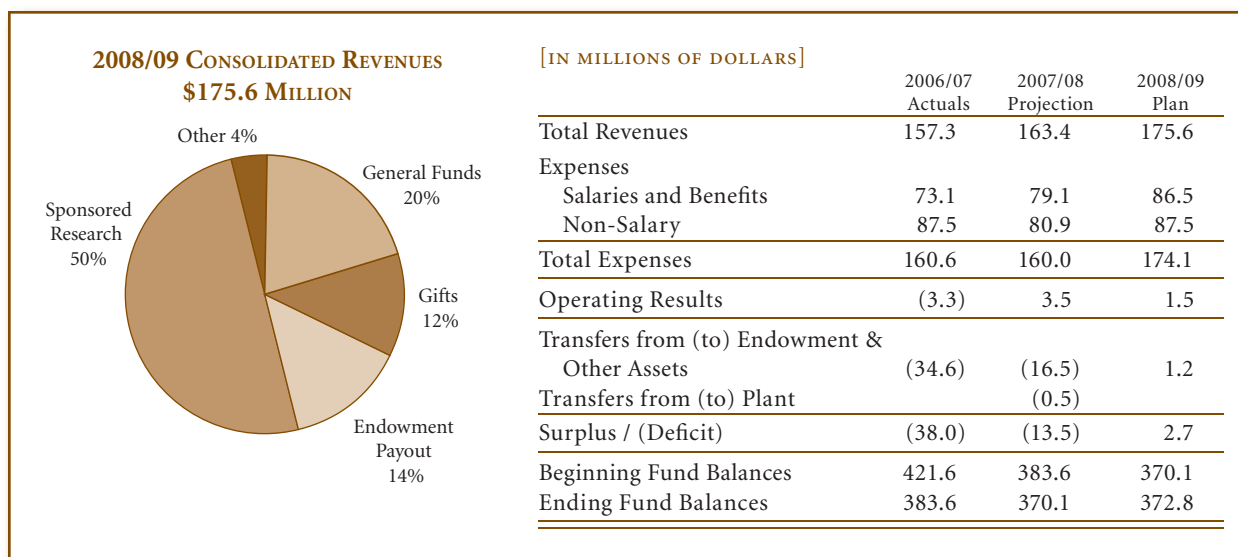
The projected transfers to plant of \$6.7 million comprise \$400,000 for FIM #1, \$300,000 for tenant improvements to leased off-campus space, \$1.5 million for strategic capital projects, and \$4.5 million for department capital projects. The projected transfer to other assets is a transfer of \$22.4 million to the Capital Facilities Fund. Transfers to endowment include investments in quasi endowment of \$3.6 million from the Dean's Office and \$9.0 million from departments.

CAPITAL PLAN

The Learning and Knowledge Center (LKC) building is in construction, together with the LKC connective elements utilities project, a below-grade loading dock, and an extended tunnel. Occupancy is projected for winter 2010. Sustainability features of the LKC include the use of chilled beams for cooling and displacement ventilation in the classrooms, reducing the need for mechanical ventilation. The project also incorporates dual-supply water piping to employ recycled water safely. The majority of construction waste from the demolition of Fairchild Auditorium was recycled.

The school's new loading dock will be completed in December 2008, enabling deliveries to be centralized to one below-grade location. Distribution of supplies will be handled through an expanded network of tunnels connecting the majority of school buildings with the new loading dock. In addition, construction of the new Stanford Institutes of Medicine (SIM) #1 building will begin in summer 2008. The new building, which will provide new laboratory and vivarium space for 24 investigators plus additional lab benches for 60 collaborating researchers, will be devoted to research primarily in stem cells, including cancer stem cells. Other current capital projects include completion of the build-out of leased space at 1050 Arastradero Road, tenant improvements to office and dry research leased space at 1070 Arastradero, and programming and design of new construction at 800 Welch and FIM #1.

VICE PROVOST AND DEAN OF RESEARCH



INITIATIVES AND PRIORITIES

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

Along with the usual programs and responsibilities, DoR and its colleagues from the Schools of Engineering, Humanities & Sciences, and Earth Sciences are immersed in activities related to Science and Engineering Quad II. The Woods Institute for the Environment, the Precourt Institute for Energy Efficiency, and the Global Climate and Energy Project moved into the Yang and Yamazaki Environment and Energy (Y2E2) building in January 2008. The main Hansen Experimental Physics Laboratory (HEPL) building was demolished. The site is being excavated for the SoE Center and the Center for Nanoscale Science and Technology (Nano Center). Detailed programming for the Ginzton faculty laboratories and for new shared nanosciences facilities in the Nano Center is under way.

With the addition of the Center for Advanced Studies in the Behavioral Sciences (CASBS) in January 2008, DoR supports the operations of sixteen independent laboratories, institutes, and centers. These play a central role in enhancing multidisciplinary research at Stanford. In 2007/08 and 2008/09, the interdisciplinary

research programs being developed through the Photon Ultrafast Laser Science and Engineering Center, the Stanford Institute for Materials and Energy Science, and the Kavli Institute for Particle Astrophysics and Cosmology, in partnership with related Stanford Linear Accelerator Center programs, will be expanded. These are also important years for newer independent labs, including the Woods and Precourt Institutes.

DoR is helping to implement the goals of the Stanford Challenge through the international, environment, and human health initiatives. Bio-X, the Woods Institute, and the Freeman Spogli Institute for International Studies are the foci of many activities related to the Stanford Campaign and are involved in recruiting faculty whose interests bridge disciplines. The role of the independent laboratories in the sciences is increasingly important as faculty seek to sustain their extramural research funding in the face of declining federal investment in science and science education.

DoR is leading an initiative to develop a model to update current, and create new, shared laboratory research facilities, which are an essential resource for faculty from Engineering, H&S, Earth Sciences, and Medicine. These core laboratories give individual investigators and their trainees access to broad scientific expertise and expensive instrumentation unavailable in their own laboratories or through most departmental shared facilities. Stanford's new science buildings will dedicate substantially more space to shared facilities

that must be programmed and equipped optimally for use by faculty and students from several schools. Federal grants for shared instrumentation are not sufficient for most equipment, however, and funding levels are less than 10%.

DoR administrative units also support faculty research and scholarship. The Research Compliance Office has added a Stem Cell Research Oversight (SCRO) panel to review protocols for human embryonic stem cell (hESC) and adult stem cell research consistent with state and federal requirements. Stanford has received awards of approximately \$41 million from the California Institute for Regenerative Medicine for hESC research, more than any other institution in California.

The Environmental Health and Safety (EH&S) office is responsible for risk reduction and compliance related to laboratory biosafety, health physics, hazardous materials, and occupational health. These responsibilities have expanded because of increased faculty research activities and new regulations related to security concerns. EH&S is significantly involved in the university-wide emergency preparedness program, which includes business continuity planning.

CONSOLIDATED BUDGET OVERVIEW

DoR projects operating surpluses of \$3.5 million in 2007/08 and \$1.5 million in 2008/09, due primarily to new restricted expendable gifts and endowment income for the independent programs. These funds are projected to be spent over the next several years. After transfers to and from endowment, other assets, and plant, DoR projects a consolidated budget deficit of \$13.5 million in 2007/08 and a surplus of \$2.7 million in 2008/09.

Total revenue is projected to increase 7%, or \$12 million, in 2008/09 as compared to 2007/08, mainly due to increased research volume and endowment income payout.

DoR research volume is projected to increase 12%, or \$9 million, in 2008/09, largely due to new, nonfederal awards projected for the Global Climate Energy Project and the Geballe Laboratory for Advanced Materials, including a King Abdullah University of Science and Technology Center award of \$25 million over five years. No growth is projected for federal grants and contracts in 2008/09.

CASBS adds a projected \$3.8 million in revenue, mostly endowment income, and \$3.6 million in consolidated expenses to the budget for 2007/08. Compensation is \$1.5 million, 41% of the CASBS budget. For 2008/09, total revenue and expenses are both projected to be \$4.6 million, of which compensation will be 50%.

Total DoR compensation expenses are projected to increase 9%, or \$7 million, in 2008/09. This is due to growth in the administrative units, such as RCO and EH&S. In addition, several of the newer independent laboratories, institutes, and centers are ramping up. As of 2007/08, the DoR budget includes compensation expenses for the SCRO panel and SEQ II staff. Noncompensation expenses are projected to increase 8%, or \$6.6 million, in 2008/09.

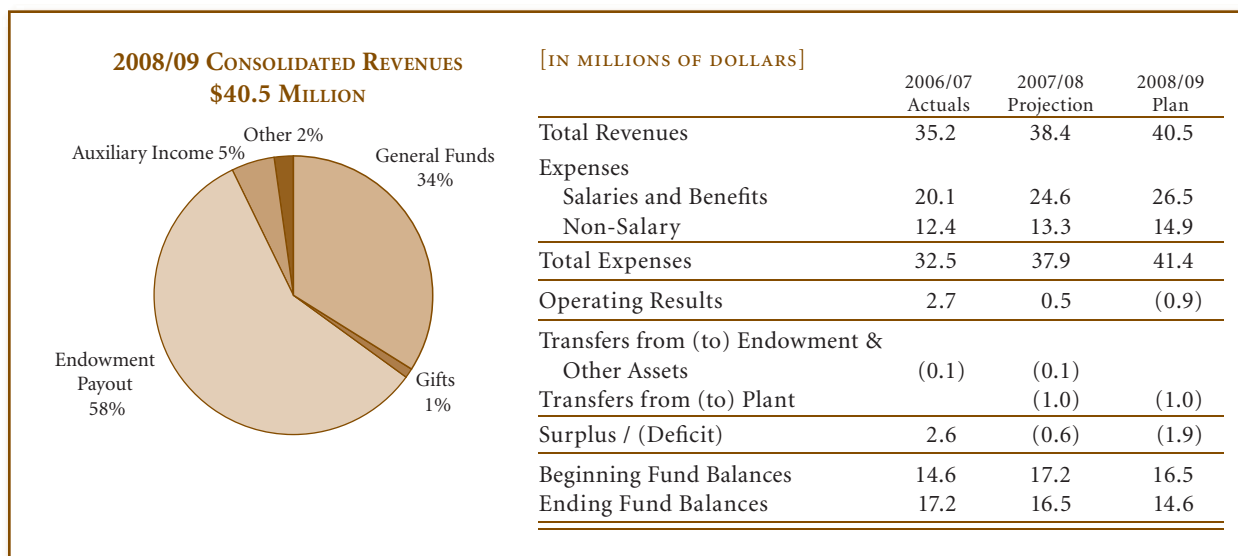
CAPITAL PLAN

Capital facilities play a key role in DoR's support of Stanford's research goals. In addition to being integrally involved in the development of SEQ II, DoR is working on a new building for the Stanford Institute for Economic Policy Research (due to begin construction in summer 2008), a Stanford in China Center (due to open in 2009), a renovation of Encina Commons for the International Initiative, and a range of laboratory and academic space renovations for new and expanding independent laboratories and research programs.

Sustainability efforts within DoR include working with the units to find ways to use space more efficiently over time. Since a number of independent labs, institutes, centers, and administrative units have recently moved or will soon move into new locations and/or buildings (e.g., SEQ II), DoR will work to optimize space utilization over the next few years.

In addition, sustainability goals have been key design criteria for SEQ II. For example, the Nano Center is designed to reduce peak energy demand by 37%. Like the SoE Center, the Nano Center will rely upon natural ventilation to reduce the size of mechanical ventilation units. Utility systems will be right-sized to reduce energy consumption in the laboratories, and potable water consumption will be reduced by 90% by using lake water for irrigation and blowdown water from the university's Central Energy Facility for toilet fixtures.

VICE PROVOST FOR UNDERGRADUATE EDUCATION



INITIATIVES AND PRIORITIES

The Office of the Vice Provost for Undergraduate Education (VPUE) continues to build upon the re-organization and strategic planning in which it has engaged in recent years. Three main initiatives inform the 2008/09 budget plan and will continue to influence future planning: completion of the academic advising infrastructure, program evaluation and assessment, and access and equity in undergraduate education.

Completion of the Academic Advising Infrastructure

Effective June 2007, VPUE assumed academic standing functions from the Registrar's Office, including academic review of students at risk for probation/suspension and processing of the hundreds of petitions students submit each quarter (e.g., requests to enroll in more than 20 units or to withdraw from a course after the deadline). With the launch of the Undergraduate Academic Life website this past August (undergrad.stanford.edu), VPUE created a comprehensive resource to assist students in making thoughtful choices about their academic courses of study – an online advising tool, as it were. For 2008/09, VPUE plans to increase its support of academic advising by adding three new Academic Directors (ADs) and a data analyst.

ADs are academic advisors dedicated to the students of, and located (when space is available) in, a particular dorm complex. Data from surveys and focus groups

suggest that the addition of ADs to the constellation of available academic advice has enhanced the quality of intellectual exchange that undergraduates experience in planning their academics, provided students with consistently accurate and coordinated information, and improved outreach to those undergraduates who struggle most with their academics, particularly those at odds with university policies governing academic standing and progress.

The data analyst will be responsible for maintaining databases that track academic standing cases and petitions, as well as supporting evaluation and assessment of the effectiveness of academic advising and other programs within VPUE.

Program Evaluation and Assessment

VPUE is committed to ongoing evaluation of the programs under its purview. This is an appropriate time to strengthen expertise in this area, given that assessment and evaluation of undergraduate education are central to the university's accreditation process, which is currently under way. VPUE plans to coordinate with the Provost's Office to hire a program assessment and evaluation professional to assess the extent to which current educational objectives are being met.

Access and Equity in Undergraduate Education

In 2008/09, VPUE will make investments to increase the availability and consistency of existing academic and academic support resources other than advising.

For example, the Center for Teaching and Learning will increase the number of resident tutors in dorms where demand has not been met and will provide funding for tutoring in languages with increasing enrollments, such as Arabic.

Also, with funding support from the provost, VPUE will increase the number of postdoctoral fellows in the Introduction to the Humanities (IHUM) program and enhance the compensation of IHUM fellows and lecturers in the Structured Liberal Education program. These enhancements are intended to improve VPUE's competitive position for humanities postdocs and to increase the disciplinary breadth of those hired. These educators are among the most personal and consistent "faces of Stanford" for freshmen.

Thanks to generous support from the president, VPUE will pilot several new programs for three years starting in 2008/09. Rigorous assessment will inform decisions on continuing them thereafter. These new programs are the Stanford Summer Academy, the Arts Intensive, and a new Bing Overseas Studies campus in South Africa.

The Stanford Summer Academy will help selected freshmen with their transition to Stanford. Targeting those whom Admissions identifies as being from under-resourced high schools, it will provide them with a more solid preparation for Stanford and acclimatize them to what they can expect and what will be expected of them in college.

The Arts Intensive session (starting in September 2010) will be modeled on the very successful Sophomore College and should mesh well with the arts initiative of the Stanford Challenge. Students will work under the close supervision of a leading scholar/practitioner in a two- to three-week course in arts practice.

Funds from the president will allow the new South Africa campus to begin operations while ongoing funds are being raised. This program will be developed with the support and input of the African Studies Program and is expected to attract involvement from a variety of other programs and departments, including Center for Comparative Studies in Race and Ethnicity (CCSRE), International Relations, and Anthropology.

Lastly, the impending Sweet Hall renovation represents a challenging transition for VPUE employees: VPUE's

Sweet Hall population will increase by two-thirds, its space by only one-third.

CONSOLIDATED BUDGET OVERVIEW

VPUE projects a consolidated deficit of \$1.9 million in 2008/09. It is spending \$2 million from reserves to support the renovation of Sweet Hall; \$1 million of that will be allocated in 2008/09. Also, the increasing weakness of the U.S. dollar will increase the cost of operations at Bing Overseas Studies campuses by \$1.1 million (on an expense base of \$10 million). VPUE would have a balanced budget for 2008/09, if not for the weakness of the dollar and the renovations to Sweet Hall mentioned above. Factors that help the bottom line include a \$2.2 million increase in endowment payout as CUE campaign pledges are fulfilled, and \$125,000 of new general funds and \$470,000 of new funds from the president.

Expenditures will grow by \$3.5 million, or 9%. In addition to the cost of currency fluctuations and growth supported by the president and provost (\$1.6 million total), VPUE will fund the investments in advising (\$350,000), assessment and evaluation (\$130,000), and equity and access (\$370,000) mentioned above. The remaining expenditure growth is due to inflation.

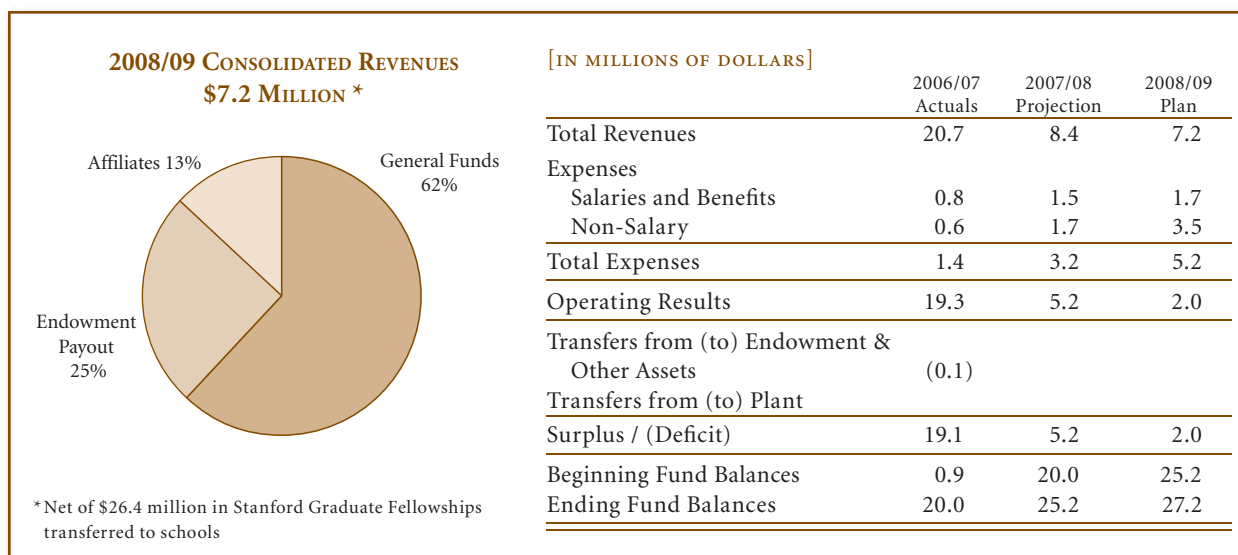
While reserves are healthy and the budget is near equilibrium, VPUE will continue to carefully monitor currency fluctuations and will rigorously assess the academic and financial feasibility of continuing new programs beyond their pilot phase.

CAPITAL PLAN

The university's tightening space situation motivates the Sweet Hall renovation, which will be complete by December 2008. Not only will the renovation provide a more inviting and engaging physical presence for students, occupants, and visitors, but more than 70 VPUE employees currently housed in the Main Quad will move to the building.

This will be an important demonstration project for Stanford, as models drawn from it will be used across the campus to test ideas about building systems efficiency, application of space guidelines, sustainability, and functional use of space. For example, only 12% of spaces in Sweet Hall will be private offices, 88% will be shared offices or cubicles, a much higher percentage than currently seen on campus.

VICE PROVOST FOR GRADUATE EDUCATION



INITIATIVES AND PRIORITIES

The Office of the Vice Provost for Graduate Education (VPGE) works across all seven schools at Stanford to enhance the quality of graduate education. Having completed its first year, the VPGE is in a developmental period of expanding initiatives and pilot programs. The emergence of a new budget unit is a time of intense planning. There are many ways to attain VPGE's goals and, as it moves forward, those programs will be refined.

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

Graduate Diversity

VPGE develops programs and events to support university-wide recruiting, enhance the educational experience of current students, and promote academic careers. It supports a variety of recruitment activities to make Stanford graduate programs more attractive to a broadly defined, diverse population. Graduate Recruitment and Diversity Day (GRADD), Stanford Diversity Outreach for Doctoral Education (STANDOUT), and funds to help applicants travel to departments allow students to visit the campus and meet faculty in their areas of interest.

To better prepare graduate students from diverse backgrounds for academic careers, VPGE has developed a

\$4.5 million pilot program to provide two-year fellowships, faculty mentors, and seminars on the academic profession to 36 doctoral candidates over the next four years. This new Diversifying Academia, Recruiting Excellence (DARE) program will also require \$1 million to support four fellows serving in one-year acting assistant professor appointments after they complete the program and their PhDs.

Cross-school Learning Opportunities

VPGE is creating activities that promote graduate students' exploration beyond their disciplines. These programs and activities encourage students to move across school lines, engaging in cross-disciplinary dialogues and networks.

The Stanford Graduate Summer Institute (SGSI), now in its third year, provides courses for graduate students at no cost to them. These weeklong sessions further collaboration within groups of twenty students, who learn about such things as global warming, managing teams, and design.

Also in its third year, the Summer Institute in Entrepreneurship (SIE) provides an intensive monthlong course for 66 graduate students, with tuition supplemented by VPGE. The SIE is offered by the GSB for graduate students in non-business fields. It combines team projects and workshops with guest speakers and visits to Silicon Valley companies.

Innovation in Graduate Education

To maintain the excellence of graduate education at Stanford, core graduate degree-granting programs must be supported to pursue new educational possibilities. VPGE provides resources to faculty and students for innovation and improvement in educational practices. Two pilot programs allocate these funds on a competitive basis.

The Strengthening the Core (SCORE) Innovation Fund offers financial resources to academic departments to respond to challenges facing disciplines and departments. Faculty propose one- or two-year projects to scrutinize long-existing departmental practices and explore new approaches to accomplishing educational goals. In the first year, up to six SCORE grants will be awarded.

Student Projects for Intellectual Community Enhancement (SPICE) allows graduate students to propose one- or two-year projects. Funds support them in creating and implementing innovative activities to expand and sustain the intellectual community of their department or program.

Graduate Fellowship Programs

The Stanford Graduate Fellowship (SGF) Program in Science and Engineering annually awards more than 115 three-year fellowships providing tuition support and stipends to outstanding students pursuing doctoral degrees in the sciences and engineering. To illustrate our future by looking at last year, in 2007/08, these fellowships supported 434 students for a total of \$21.7 million. This focus will continue.

VPGE also administers the Stanford Interdisciplinary Graduate Fellowships (SIGF) Program, a new, competitive, university-wide program awarding three-year fellowships to outstanding doctoral students conducting research that crosses traditional disciplinary boundaries. The fundraising goal to establish this program is \$100 million in endowed funds. The first fellowships will be awarded in spring 2008 and will commence 2008/09.

The three-year Comparative Studies in Race and Ethnicity Graduate Fellowships (CSRE-GFs) are for newly admitted doctoral students interested in the

study of the meanings, processes, and consequences of race, ethnicity, and culture. CSRE-GF finalists are selected from nominations submitted by faculty affiliated with CCSRE.

Problem Solving in Graduate Student Funding

VPGE supports university efforts to address challenges in graduate student funding. Its immediate goal is twofold: to identify funding sources to replace general funds, and to facilitate problem solving to alleviate the tuition gaps felt most acutely by schools, departments, and faculty under federally funded programs. VPGE is also exploring how to best use additional funds from the SGF endowment payout for graduate student support in the sciences and engineering.

Interpreting Policy and Data

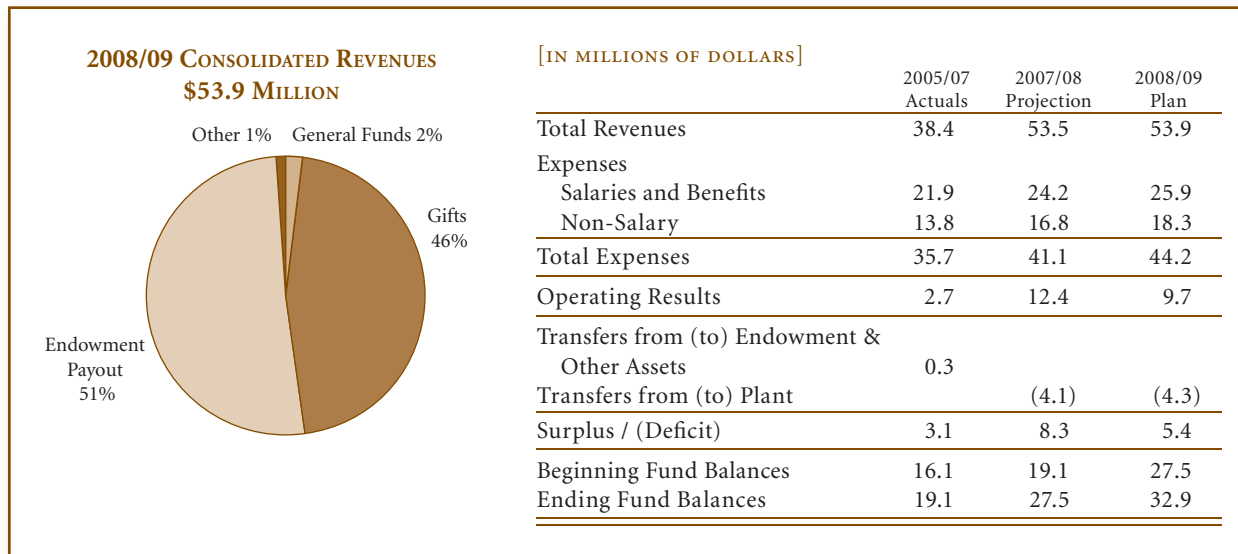
VPGE is responsible for setting university-wide administrative and financial policies for graduate education, such as recommending minimum salaries for research assistants and teaching assistants. It also serves as a resource for interpreting academic policies on topics such as dissertation committee membership and oral examinations.

There is an abundance of longitudinal and comparative data on graduate students and programs, such as admissions data, student demographic and degree progress data, and data collected for the National Research Council Assessment of Research-Doctoral Programs. VPGE serves as a resource to facilitate the use of these data by the university, schools, and departments.

CONSOLIDATED BUDGET OVERVIEW

VPGE is projecting a surplus of \$2.0 million in 2008/09. This surplus is derived largely from endowment income for the SGF program, which is greater than current program needs, due to the change in endowment payout rate. The university does not intend to increase the number of SGF recipients at the present time and is working with donors to use the available funds for other graduate support. Total net revenue, after transfers to graduate fellowship support to the schools, is expected to be \$7.2 million, and total expense is budgeted at \$5.2 million.

HOOVER INSTITUTION



INITIATIVES AND PRIORITIES

The Hoover Institution is a public policy research center, library, and archive devoted to advanced study of politics, economics, and political economy, as well as international affairs. With its world-renowned group of scholars, extensive archival collection, and ongoing programs of policy-oriented research, the Hoover Institution puts its accumulated knowledge to work as a prominent contributor to the world marketplace of ideas defining 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.

In 1919, the Library and Archives began collecting firsthand accounts of historical events and political transformations. Today they continue the mission envisioned by Herbert Hoover of gathering, preserving, and serving as a repository for rare and unique archival materials and collections. As part of the Hoover Institution's participation in the Stanford Challenge, new fundraising efforts will allow the Library and Archives to capitalize on important collecting opportunities. For example, the institution is augmenting the already superb collection of Soviet-era materials by microfilming strategic portions of the Lithuanian KGB archives. Further, it has recently obtained a valuable collection of Iraqi Ba'ath party archives consisting of 11 million original and copied

documents. The institution expects these archives to be the centerpiece of accelerated collecting and research activity on Saddam's Iraq, as the Chiang Kai-Shek diaries were for the modern China collection.

The Library and Archives are more than a repository of history; they strive to provide unique research material for the generation of knowledge and ideas to improve the human condition. For example, the Hoover Soviet Archives Workshop has resulted in more than 40 articles, ten books (three of which have won international awards), and two documentary collections. The institution's Radio Free Europe / Radio Liberty archives have sparked extraordinary interest, leading scholars to research effective means of cross-cultural cross-boundary communication.

As an enterprise steeped in academic tradition, the Hoover Institution is continually evaluating how to effectively provide input to society by gathering pertinent information, analyzing prevailing policy circumstances, and advising on matters of public policy. By using its existing intellectual assets and recruiting extraordinary new talent, the institution has developed an ability to convene scholars willing to contribute their efforts to task forces with specific research and dissemination objectives. These task forces represent a new way to organize the research conducted at the institution with a view toward synthesizing current thinking, offering new perspectives, and conveying results to a broad constituency.

The institution launched the Koret Task Force on K–12 Education in 1999 as a five-year pilot effort. This task force sought to identify and convey information about the state of American education, as well as generate ideas that would enhance educational opportunities for children. Due to its success, it was reauthorized for five additional years.

Nine more task forces are in various stages of development and operation. Four were rolled out in 2007/08: National Security and Law; Virtues of a Free Society; Property Rights, Freedom, and Prosperity; and Energy Policy. In 2008/09, three more will be launched: Ideology and Terror; Tax and Budget Policy; and Health Care Reform. The final two, Procedural Reform of Government and Economic Development, are planned for rollout by 2009/10.

A very important ancillary activity of the task forces is to introduce exceptional scholars from outside Stanford to the rewarding academic life of the campus. This creates a potentially rich pool for recruitment. Three outstanding scholars who were charter members of the K–12 Education task force have now taken up full- or part-year residence at Stanford. The institution will set aside funds for opportunistic recruitment of task force members.

Communications and outreach efforts are being enhanced to leverage the output of the task forces. Plans are in place to develop a new journal, tentatively titled *Defining Ideas*, to disseminate task force research. This journal will expand the line of periodicals published by Hoover, which currently includes the *Hoover Digest*, *Education Next*, *China Leadership Monitor*, and *Policy Review*. Short books arising out of the task forces will complement the book series *Hoover Studies in Politics, Economics and Society*, copublished with Rowman and Littlefield.

The institution's presence in traditional media covers the gamut: op-eds in influential newspapers, articles and essays in leading academic journals, monographs, and full book treatments. The institution is also developing a suite of Web products. The *Daily Report* provides regular updates on the thoughts and writings

of Hoover fellows. *Facts on Policy* highlights facts relevant to current issues of public interest, providing context for opinion, commentary, and policy dialogue. *Focus on Issues* seeks to link current events and contemporary issues with the research and writings of Hoover fellows. *Uncommon Knowledge*, devoted to interviews with leading public intellectuals and figures, has been recast from a television program appearing on PBS to a webcast hosted by National Review Online.

CONSOLIDATED BUDGET OVERVIEW

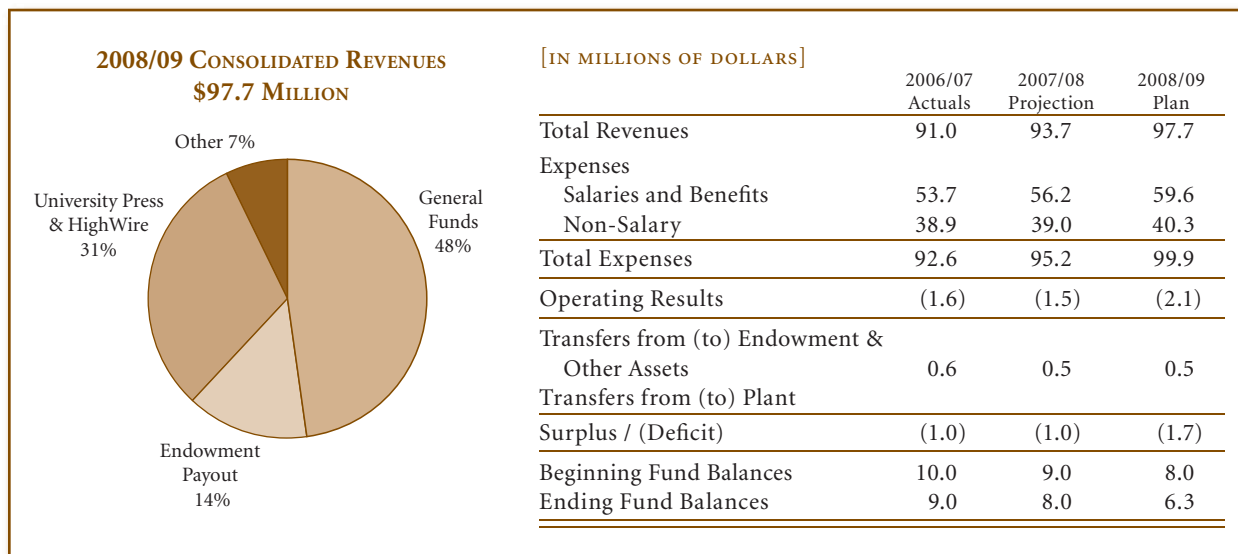
The Hoover Institution is projected to end 2007/08 in a strong position, with solid growth in revenue, continued discipline on the expense side, and an increase in current fund balances of approximately \$8.4 million. Revenues will be approximately \$3 million greater than budget, thanks to successful fundraising. Expenses are expected to fall \$1.3 million short of budget, due largely to the timing of task force expenses. The schedule for task force rollouts has been extended to allow careful planning and preparation for each one.

The institution's budget outlook is also healthy. Revenues are composed primarily of endowment payout and expendable gifts. Payout is projected to grow due to outstanding investment performance and pledged gifts. Expendable gifts in 2008/09 may show a slight decline from 2007/08 due to the timing of pledge payments, not a change in long-term gift growth. The institution's expense budget for 2008/09 calls for growth of 8% over the 2007/08 year-end projection. Much of this growth will be associated with the rollout of task forces. The net result is a projected increase in current funds of greater than \$5 million by the end of 2008/09. Many of these funds represent revenue earmarked for multi-year projects, so the balances will be drawn down over the next few years.

CAPITAL PLAN

The Hoover Institution will complete modest renovation and remodeling of the first floor of the Lou Henry Hoover building in 2009. The Cummings replacement building, projected to begin construction in 2012, will provide office space and technology-enhanced conference and meeting spaces.

STANFORD UNIVERSITY LIBRARIES & ACADEMIC INFORMATION RESOURCES



INITIATIVES AND PRIORITIES

SULAIR's 2008/09 budget reflects the limited availability of incremental general funds for allocation to base budget needs. The library materials budget enjoyed a much-needed increase in the last budget cycle, but for the coming year it will decrease in purchasing power, due primarily to price increases in the publishing industry and exchange rate impacts on European purchases. SULAIR will address this decrease by moderating the scope of collection development programs to match the budget.

Maintaining the rate of development of the digital library is also a concern, particularly in light of decisions to reduce stack space on campus. SULAIR will therefore seek internal allocations that will provide the funding to maintain an appropriate level of development. The budget also includes modest increases to improve services from the remote Stanford Auxiliary Library storage facilities, which will also become more heavily used as stack space on campus is reduced.

Strategic Directions

SULAIR needs to continue to develop and operate an advanced digital library, both to address campus space constraints and to support user needs. However, the transition to the pure digital library will take years. SULAIR is acquiring more digital resources than ever, often under better terms than in the past, but many of the books, journals, and other materials

that Stanford scholars require are not yet available in digital form. Also, while some disciplines are fully comfortable with digital libraries, others are less so, and a significant percentage of users continue to prefer, even demand, print materials. Thus, while SULAIR is accelerating acquisition of electronic materials and developing the required supporting services, it must continue to collect traditionally published materials. This "both/and" approach is the only way to ensure that users have full access to the resources they need for teaching, learning, and research.

A subcommittee of the Academic Senate Committee on the Libraries is currently assessing faculty requirements for the digital library, particularly in light of space constraints for print materials. The libraries will be attentive to the findings, recommendations, and especially conclusions of this report, which are likely to be the source of some debate. In the meantime, SULAIR is educating the Stanford community about the possibilities of the digital environment. There is a dynamic balance here, and the university is engaging in the discussion with its usual gusto.

Programmatic Plans

Last year brought new leadership for the science and engineering libraries, and this year brings additional new staff to the Engineering Library, following some unexpected departures. SULAIR is beginning to analyze the possibilities for a "bookless" library for Math, Physics, Chemistry, and Biology, which would

consolidate collections, services, and staff, and is discussing redevelopment of the Earth Sciences library. As it redevelops its facilities, it is also refining and redefining librarians' roles, developing new tools for serving faculty and students, and even developing user tools in coordination with interested faculty.

SULAIR continues to build out the Stanford Digital Repository, which will support the institution's needs for a digital archive, facilitate the development of the digital library, and allow development of a number of much-needed services. Academic Computing continues to develop the CourseWork course management system, which is based on the open-source Sakai software, and SULAIR is also seeking to implement a Sakai-based prototype research collaboration environment. Dozens of faculty have expressed interest in this possible new service.

Interdisciplinary Activities

A university-based research library is interdisciplinary at its core, and SULAIR is particularly so, in part because it has over time incorporated Academic Computing, HighWire Press, and Stanford University Press. SULAIR supports wide 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, if sometimes overlooked, role in the planning for these new programs. It is critical that fundraising plans incorporate a holistic view of these resource needs. Fundraising for several curatorial endowments under the Stanford Challenge is under way.

CONSOLIDATED BUDGET OVERVIEW

SULAIR projects an operating results deficit of \$2.1 million across all funds in 2008/09 and will cover

that deficit with existing fund balances. SULAIR's operating budget will be balanced at \$60.3 million; its auxiliaries, HighWire Press and Stanford University Press, project a combined operating results deficit of \$1.6 million, and expenses in restricted funds are expected to exceed revenue by \$500,000.

SULAIR's operating budget of \$60.3 million includes \$45.9 million in general funds and \$14.4 million in restricted funds. Endowment income is projected to be \$13.7 million, an increase of 6.2% over 2007/08. Designated revenue is expected to be \$2.3 million, and gifts are expected to remain stable at \$300,000. SULAIR's auxiliaries anticipate combined revenue of \$31.1 million, a 4% increase over 2007/08.

SULAIR's operating budget includes \$35.9 million for compensation expenses, \$16.4 million for library materials, and \$7.2 million in other operating expenses. The auxiliaries anticipate combined expenses of \$32.7 million (detailed in Auxiliary section of this book). Restricted funds expenses include \$4.9 million for library materials and \$1.2 million in other expenses.

SULAIR expects to draw down its fund balances in 2008/09 from \$8.0 million to \$6.3 million. Restricted funds balances are expected to decrease by \$500,000; HighWire's reserves will decrease by \$1.2 million, from \$4.8 million to \$3.6 million; and Stanford University Press will balance its operations with an annual withdrawal of \$500,000 from the Press Sustaining Fund.

CAPITAL PLAN

Design for the new Engineering Library, a component of the SEQ II School of Engineering Center, has been completed and approved. The capital plan for the libraries includes potential demolition of Meyer Library, with timing and replacement plans to be determined. The Stanford Auxiliary Library (SAL3) in Livermore will be expanded, with construction of additional storage space scheduled to begin in 2011. In addition, approximately 350 staff of SULAIR from various divisions may move to Redwood City when the North Campus redevelopment is complete.

STANFORD LINEAR ACCELERATOR CENTER (SLAC)

INITIATIVES AND PRIORITIES

As a National User Facility of the Department of Energy (DOE), SLAC continues to provide world-class state-of-the-art electron accelerators and related experimental facilities to about 3,000 scientists from all over the world under two main research programs: Photon Science, and Particle Physics and Astrophysics.

The Linac Coherent Light Source (LCLS), to be completed in 2010, will add a unique user facility by providing 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, and will 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.

The ultra-high intensity x-ray synchrotron radiation at SPEAR3 of the Stanford Synchrotron Radiation Laboratory (SSRL) serves many areas of science, including materials sciences, structural biology, and chemistry. Completion of new beam lines will provide access to more users at the state-of-the-art facility. In 2009, a new beam line for nanoscale research and another for macromolecular crystallography will begin operation. Routine high-current operation at 500 mA in 2009 will provide new capabilities for users.

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

Due to the 2007/08 budget shortfall, in early April SLAC concluded the operation of the on-site experimental particle physics facility, 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 intense data analysis program being carried out by a collaboration

of 600 physicists from eleven countries will continue for several years.

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

The future accelerator-based particle physics initiative is the International Linear Collider (ILC) at very high energy. In 2008/09, SLAC's involvement with the coordinated international ILC R&D program will resume, after being put on hold because of the large budget cut in 2007/08. A detailed design study will proceed, as part of the Global Design Effort, on the critical elements necessary to build a linear collider at minimum cost.

Kavli Institute for Particle Astrophysics and Cosmology (KIPAC) is involved with the Large Area Telescope for the GLAST mission and the R&D for a proposed Dark Energy experiment, the ground-based Large Synoptic Survey Telescope (LSST). 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 2008. The GLAST research program will explore how cosmic accelerators work, including active galactic nuclei and gamma ray bursters, and will 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 the funding of endowed faculty chairs to attract prominent scientists, and fellowships to attract the most talented graduate students and postdocs. New buildings, optimally configured to support the expanding Photon Science agenda and in part replacing old and inadequate space, would significantly help to accommodate the expanding science programs in ultrafast science (PULSE Center) and in advanced materials research and energy

science (SIMES). The Stanford Challenge provides a valuable framework for enabling fundraising for these initiatives, most of which are directly coupled 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). Unexpectedly low funding for the Office of Science under the 2007/08 Omnibus Appropriations Bill led to major budget reductions for almost all SLAC programs in 2007/08 and contributed to the laying off of almost 200 staff. Some of the layoffs were under a voluntary program to help adjust the skills of the SLAC workforce as needed to prepare for the transition to LCLS operations.

The U.S. government's 2008/09 budget provides a reasonable proposal for the SLAC programs. However, there remains a great deal of uncertainty prior to passage of the Energy and Water Development Appropriations Bill. Based on the budgetary assumptions in the President's Budget, SLAC costs on federal grants and contracts in 2008/09 is expected to be \$326 million, about \$40 million lower than the projected costs in 2007/08. This is primarily due to the expenditure profile of the LCLS construction project as it progresses towards completion in 2010. The overall cost expenses for SLAC (including funds outside of federal grants) is expected to be \$330 million.

Since the inception of SLAC, DOE-HEP has been responsible for funding the operation of the SLAC linear

accelerator (Linac), which has been used primarily for high-energy physics experiments. In preparation for the operation of the LCLS in 2009, the DOE has been transitioning Linac funding support from DOE-HEP to DOE-BES. In 2008/09, DOE-BES is expected to provide \$215 million (67% of the DOE funding) and DOE-HEP \$96 million (29%). These programs represent 96% of the SLAC federal grants and contracts.

CAPITAL PLAN

Linac Coherent Light Source

The DOE-funded LCLS project is well under way and will be completed in 2010. The total estimate for its construction is \$352 million, with funding of \$51 million in 2007/08 and \$37 million in 2008/09. The project includes experimental halls, beam line tunnels and facilities, service buildings, utilities, and technical components.

Safety and Operational Reliability Improvements

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. The construction work is phased to coordinate with the accelerator operations schedule and will be completed in 2009.

PULSE Building Renovation of Central Lab

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

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

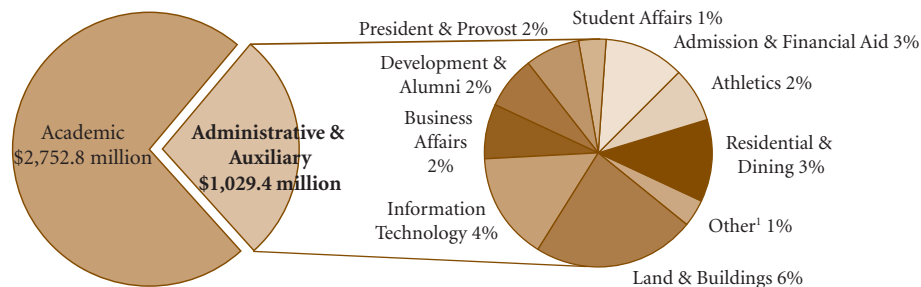
academic and student support that allow faculty and students to do their best work.

CONSOLIDATED BUDGET FOR OPERATIONS, 2008/09: ADMINISTRATIVE & AUXILIARY UNITS

[IN MILLIONS OF DOLLARS]

	Revenues and Transfers	Expenses	Results of Current Operations	Transfers (to)/from Assets	Change in Fund Balance
Administrative Units					
Business Affairs	90.0	90.4	(0.4)		(0.4)
Business Affairs - Information Technology	129.4	133.1	(3.7)		(3.7)
Development	49.5	49.5			
General Counsel	10.0	10.0			
Land, Buildings and Real Estate	232.7	222.5	10.2	(12.0)	(1.8)
President & Provost Office	66.5	65.5	1.0		1.0
Public Affairs	8.9	9.3	(0.4)		(0.4)
Stanford Alumni Association	41.3	43.6	(2.3)	1.7	(0.6)
Stanford Management Company	24.5	24.5			
Student Affairs	39.9	40.3	(0.4)	(0.4)	(0.8)
Undergraduate Admission & Financial Aid	128.4	125.3	3.1		3.1
Auxiliary Units					
Athletics (Operations and Financial Aid)	87.0	85.5	1.5		1.5
Residential & Dining Enterprises	129.9	129.9			
Total	1,038.0	1,029.4	8.6	(10.7)	(2.1)

2008/09 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 \$600,000 surplus from operations in 2007/08. Consolidated revenues have increased by 9% this year due to a 6% increase in hospital audit services revenue; an increase in revenue from the expanded eCommerce services; and an increase in base general funds of \$1.5 million for compliance initiatives in the Controller's Office, Internal Audit and Institutional Compliance, Human Resources, and the Office of Research Administration. The pace of hiring has been slower than anticipated, and related expenditures have accordingly been lower. For 2008/09, Business Affairs expects to generate a small deficit as it fills budgeted positions. Operating reserves will cover this shortfall.

General funds account for over 70% of all Business Affairs funding. External and internal revenues include property and liability insurance allocations; Parking and Transportation and SLAC contributions to police and fire services; and Will Call, eCommerce, and hospital income.

The first phase of Business Affairs' move off the main campus will occur this summer to facilitate development of the new GSB campus. All told, 270 employees from the Controller's office and Administrative Systems will move to Stanford@Porter Drive. In addition, 260 employees from Human Resources, the Office of Research Administration, IT Services, Internal Audit, and Risk Management will move to other locations on the main campus. Departments forecast using some facilities reserves in 2007/08 and 2008/09 to supplement the funding provided for improved infrastructure, training, support, and operational modifications.

While the 2008/09 general funds allocation is nearly flat year over year, the mix of what it supports has changed. Total annual insurance costs have been reduced by \$2.2 million due to continued favorable claim performance. Offsetting the insurance savings is an increase in base funding for Human Resources, the Department of Public Safety, and the Controller's Office.

BUSINESS AFFAIRS – INFORMATION TECHNOLOGY

Business Affairs – Information Technology (BA-IT) forecasts a \$4.0 million consolidated deficit for 2007/08,

offsetting a \$5.1 million surplus from the prior year. The deficit will originate from service center (\$3.4 million) and BA-IT project activities. Departmental operating budgets are projected to break even. Systems projects will use reserve funds set aside in 2006/07 in the next two years; the net result will be a \$3.7 million deficit in 2008/09.

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

IT Services (ITS) delivers core IT infrastructure services and support and represents \$87 million in operating budget and service center activities, 68% of the 2007/08 consolidated budget.

AS provides development, support, and enhancement for enterprise applications and middleware services. Its 2007/08 operating budget of \$31 million in base general funds is 24% of the consolidated budget.

IT and Research Systems Project Funds has a base budget of \$8 million and close to \$3 million in one-time support, for a total of 8% of the consolidated budget for 2007/08. Project activities span fiscal years and carry forward fund balances between years. Using fund balances from 2006/07 and the 2007/08 general fund allocation, \$9.7 million of major systems projects were approved. These include the Peoplesoft v9 upgrade, Zimbra email and calendar implementation, upgrades to Business Objects and Remedy, replacement of event services, workgroup provisioning, configuration management, and financial reporting projects.

Of the 2008/09 incremental general fund allocation of \$400,000 base and \$1.2 million in one-time support, 88% is for implementation and support of the Stanford Electronic Research Administration System. Implementation is planned to start in late 2007/08 and continue for two years. In addition, both ITS and AS are streamlining infrastructure operations and collaborating on deployment of more efficient storage technology solutions.

The 2006/07 reorganization of AS created increased operational efficiencies as well as a stable, technically competent staff. These improvements will enable AS to take on new strategic business system initiatives in 2008/09, such as:

- Providing useful and timely information for faculty and researchers to allow improved decision making on budgets and research projects.

- Implementing an eSourcing solution to streamline procurement and enable strategic sourcing relationships.
- Implementing enterprise content management for best-practice collaboration; this encompasses management of documents, images, records, and content.
- Upgrading Oracle Financials to the latest release.

ITS's 2008–2010 strategic plan aims to improve its support of the university's academic and research mission through delivery of robust and resilient technical infrastructure services. Near-term strategies include a focus on converged network solutions to support data and voice services needs; delivery of collaboration solutions; increased capacity for computing services and data center support through investments at Forsythe Hall and business continuity/disaster recovery facilities at remote locations; and infrastructure solutions to support Work Anywhere. ITS continues to work with DoR, SLAC, the schools, the Faculty Senate Committee on Academic Computing and Information Systems, and others to respond to the evolving requirements for scientific research computing. These efforts include designing and building computing facilities that meet longer-term needs and incorporate recent advances in energy efficiency and environmental sustainability.

OFFICE OF DEVELOPMENT

The Office of Development (OOD) projects a balanced budget for 2008/09. General funds account for the majority of income, though campaign one-time funds continue to cover a significant portion of additional expenses during the Stanford Challenge. Campaign costs are estimated to be 33% of the total budget in 2008/09. Other modest funding sources include internal revenue from the Stanford Fund's Student Calling Program, income from a number of events, and endowment payout.

The budget for 2008/09 is quite similar to the 2007/08 year-end projection. A slight decrease in campaign costs should offset slightly higher noncampaign expenses. OOD will direct the modest amount of incremental general funds received for 2008/09 to one or two additional staff positions and organizational changes. OOD expects its reserves to remain constant in the coming year, and income from events will increase slightly due to an increase in the number of campaign events.

Development activity in 2008/09 will focus on year three of the Stanford Challenge – a \$4.3 billion campaign launched in October 2006. Although more than \$3.5 billion has been raised, many needs remain unfunded and are high priorities for the year ahead. These include a number of building projects, Stanford Interdisciplinary Graduate Fellowships, and undergraduate financial aid, for which the campaign goal was recently increased from \$100 million to \$200 million. To support campaign efforts, major gift committees are forming in multiple cities to engage volunteers across the country and internationally. Campaign outreach events (Leading Matters) occurred in three cities in 2007/08 and will reach four more in 2008/09. Attendance at these events has far exceeded goals, and the events have been well received by alumni and others. OOD also plans to engage a consulting firm to audit its gift-processing practices in the year ahead to ensure efficiency and make sure it is employing best practices where possible.

OFFICE OF GENERAL COUNSEL

The Office of General Counsel (OGC) projects a \$300,000 surplus for 2008/09, which will be returned to the provost. Attorney salary market adjustments for 2007/08 will increase operational costs and will thus reduce the projected surplus for 2008/09. Rates for outside counsel will increase as well. OGC does not anticipate any other significant changes in operational costs. 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 believes it has adequate reserves to backstop a shortfall, however, should one occur.

To avoid creating undue risk for the university, OGC anticipates providing legal services at the required level. It will continue to focus on its main strategic priorities: proactively trying to constrain costs by increasing efficiency; identifying risk; and implementing mitigation strategies, including preventative counseling 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.

LAND, BUILDINGS, AND REAL ESTATE

Land, Buildings, and Real Estate (LBRE) is responsible for implementing the university's \$2.8 billion capital plan; managing commercial real estate on endowed lands; managing campus utilities, grounds, parking, and transportation; and providing operations and maintenance for over 8 million square feet of campus buildings.

Of LBRE's 2008/09 operating budget, 49% goes to utilities, 24% to building maintenance, 7% to parking and transportation services, 6% to grounds maintenance, and 4% to event and labor services. Project management, the university architect/campus planning office, land use and environmental planning, and the Office of the Vice President account for the remaining 10%. The real estate division is included under the investment income discussion in the Consolidated Budget for Operations section of this plan.

In addition to ongoing operations, LBRE is presently responsible for sustainability at Stanford, development entitlements for both the Stanford University Medical Center and the Redwood City campus, space utilization and the related space charge, the Habitat Conservation Plan, and the largest construction program in Stanford's history. For 2008/09, LBRE projects total expenditures of \$211 million and revenues and transfers of \$221 million (before elimination of internal transfers). The resulting \$10 million balance will be used for anticipated capital maintenance projects and additions to the transportation reserve for future Marguerite shuttle replacements.

Projected 2008/09 expenditures are anticipated to be 6%, or \$11 million, higher than the 2007/08 year-end projection of \$199 million. The increase is mostly attributable to a \$2.1 million increase in compensation for over 400 staff; a \$4.4 million increase in utilities, including purchased commodities, debt service, and incremental energy supplied to new and renovated facilities; a \$1.3 million expenditure on operations and maintenance of new buildings; and a \$1.8 million investment in plant maintenance, improvements to grounds and outdoor structures (including firebreaks and insect and weed abatement), and the new sustainability program.

OFFICE OF PUBLIC AFFAIRS (OPA)

The Office of Public Affairs includes Government and Community Relations (GCR); Stanford Events; and University Communications which oversees the News Service, Stanford Report, Stanford Video, Stanford on iTunes, and www.Stanford.edu. It is also the home for two popular lecture series – the Aurora Forum and the Stanford Breakfast Briefings. Stanford Lively Arts was part of OPA until April 1, 2008, but will no longer be reflected in OPA financial reports or budget planning, now moving to be reflected in the School of Humanities and Sciences.

OPA is projecting a net drop in funds of \$400,000 in 2008/09 with an expected ending balance of approximately \$340,000 due to carryforwards from 2007/2008. About \$43,000 is projected in the operating budget as a reserve, \$66,000 in auxiliary, \$33,000 in designated, and \$100,000 in endowment.

Total expenditures are expected to decrease 1.5% to \$9.1 million in 2008/09. This decrease is due to some one time expenditures last year which are not expected to repeat. Of this amount, \$6.8 million is for compensation expenses, up 8.1% from 2007/08 and representing 75% of OPA's budget. Nonsalary expenditures are decreasing 22.1% to \$2.3 million because several projects, such as the Stanford website redesign and research surveys, will be completed in 2007/08. University funds are decreasing 20% to \$6.0 million and will cover approximately 67% of the budget. Earned income (\$1.7 million), carryforward (\$600,000), and other transfers (\$1 million) will cover the rest.

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

- Advancing and defending the university's reputation in the fast-changing media landscape,
- Working with complex federal, state, and local legislation and regulation,
- Managing multi-constituency, high-profile events such as Commencement and Parents' Weekend,
- Supporting important university initiatives, the largest and most current being the Stanford Challenge, and

- Ensuring that the surrounding community thinks of the university as a good neighbor.

The Stanford Challenge and its initiatives will result in a surge in demand for new or expanded programs and services from all OPA units. OPA is collaborating with the Office of Development and the Stanford Alumni Association on communications and public relations involving the Challenge.

In addition to the usual regulatory challenges, federal budget issues, and political changes affecting the university's mission, for the next several years Government and Community Relations faces enormous challenges regarding the renewal and rebuilding of Stanford's two hospitals and providing support for Stanford's initiatives.

University Communications has completed its strategic review, which is slated for implementation in 2008/09. The team will adopt a phased approach to this implementation, in light of funding challenges.

Stanford Events and the Stanford Ticket office plan to focus on enhancing the Big 5 events they produce (Commencement, Parents' Weekend, Community Day, Founders Day, and Community Partners' Day), as well as other special events, ceremonies, and tickets where appropriate.

STANFORD ALUMNI ASSOCIATION

The consolidated fund balance for the Stanford Alumni Association (SAA) is expected to decrease \$625,000, mainly due to a reduction in the affinity credit card reserve. SAA launched its Web 2.0 web redesign project in 2007/08 and expects to complete it in 2010, funding it mainly through withdrawal from the life membership endowment fund.

SAA's forecast is built on continuing alumni outreach efforts, One University Alumni efforts, and support for the Stanford Challenge. SAA envisions increasing costs for travel programs and reunion events, and reductions in affinity programs and other business revenues. SAA expects to balance the operating budget with higher registration and conference room rental fees, as well as selected program cuts. Although these changes will be sustainable this year, SAA expects increasing deficits in coming years, due mainly to higher program costs and further decreases in affinity credit card revenues.

VICE PROVOST FOR STUDENT AFFAIRS

Initiatives and Priorities

Student Affairs' highest priority remains the "safety net": high-quality and timely services to meet the increasingly complex needs of the student population. In 2008/09, Student Affairs will focus on defining its strategic objectives for the next five years and better aligning its resources to meet those goals. Creation of a solid IT infrastructure through continued restructuring of IT resources and support models will also remain a focus. Student Affairs received \$276,000 in base and one-time general funds for 2008/09 to help address this need.

Other divisional priorities for 2008/09 include:

- Staffing and continuing to evaluate services and resources and to restructure them to meet student mental health needs,
- Continuing to assess and realign programs under the Associate Vice Provosts for Student Life and Educational Resources,
- Implementing new initiatives in residential education,
- Developing program goals and objectives and financial baselines for Old Union,
- Continuing to evaluate Tresidder Union programming and operational models, and
- Preparing for emergencies, focusing on communications protocols and business recovery planning.

Finally, with planned upgrades to White Plaza scheduled for summer 2008, Student Affairs will oversee development of a comprehensive programming and management plan for the Tresidder Union/Old Union/White Plaza sector which includes after-hours and weekend security.

For 2008/09, total fund balances for Student Affairs are expected to decrease by \$820,000, primarily due to drawdown of operating budget beginning balances and to higher levels of activity in gift-funded programs in the Haas Center for Public Service. Student Affairs also plans to inaugurate new student services programs (to be funded through new endowment) for the campus lesbian, gay, bisexual, and transgender (LGBT) community. Student Affairs units will continue to pursue

expansion of existing endowment-funded programs. Designated and auxiliary funds balances will remain relatively stable.

In the operating budget, \$220,000 in incremental base general funds will support a staff position that will consolidate and centrally administer servers owned and/or operated by Student Affairs units, and will add administrative support in the Bechtel International Center to work with J-1 visa applications and related records. Base funds have also been provided to help defray operating costs for Old Union, which reopened in fall 2007. Student Affairs will continue to support the balance of operating costs for Old Union using local funds.

Vaden Health Center will use supplemental base funds and one-time funds to continue to assess, restructure, and enhance student health resources and programs. Even with the added support provided in the last several years, Vaden continues to face industry-wide cost pressures for contracted services, such as medical staff.

UNDERGRADUATE ADMISSION, FINANCIAL AID, AND VISITOR INFORMATION SERVICES

Undergraduate Admission, Financial Aid, and Visitor Information Services will continue to focus on its two-to-three-year strategic plan to improve national outreach efforts and increase yield in order to proactively shape the quality of the pool of future applicants to Stanford. It will focus on two areas of enhancement for 2008/09. The first is undertaking new admission and financial aid initiatives to continue to expand access to a Stanford education. The second is enhancing the presence of Stanford nationally and internationally by adding a network of alumni volunteers.

To address concerns about affordability expressed by parents of current as well as prospective students, significant enhancements are being made to the financial aid program. Building upon efforts made in the last two years, these create a generous need-based program for both low- and middle-income families. Families with income of less than \$100,000 annually will not be expected to pay tuition. Parents with income of less than \$60,000 will not be expected to contribute at all to the cost of their child's education, including room and board. Students will no longer be expected to borrow to meet educational costs. In addition, the formula

used to calculate expected parent contributions at all income levels has been adjusted to reduce the amount of family assets considered and to recognize regional cost-of-living variances. These changes will allow very competitive financial aid packages for students from families with income below \$150,000. They appropriately implement Stanford's priorities and send a strong message about affordability and access.

In light of recent financial aid program enhancements announced by peer institutions, however, the Admission Office will also need to be more assertive with all yield efforts, especially the annual spring admit receptions in key cities. Yield initiatives are important in converting admitted applicants to matriculants.

The Admission Office premiered its revitalized alumni volunteer organization, Outreach Volunteer Alumni Link (OVAL) in 2007/08. This new organization will be the office's volunteer arm, helping Stanford to recruit the most promising candidates for admission worldwide. The intent is to establish chapters/committees across the globe; their alumni will assist the Admission Office with college fair representation, congratulatory phone calls, and receptions for admitted applicants. A primary objective will be to have alumni interview candidates for admission. For 2008/09 a pilot interview program will be conducted in six cities with in-depth follow-up evaluations. Training for OVAL will be conducted on campus as well as via in-person sessions throughout the world, a training manual available in print and on the Web, and an interactive Web-based training module.

Initial funds to establish OVAL were provided by the Stanford Associates alumni organization. These monies were used to conduct nationwide research on the well-established alumni/admission volunteer organizations of Ivy League and peer institutions. They also funded the creation of promotional materials to advertise and recruit for OVAL, and the creation and support of an advisory committee of alumni leaders to guide the Admission Office in developing this organization.

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.

DEPARTMENT OF ATHLETICS, PE, AND RECREATION (DAPER)

Projected revenues and transfers are \$63.6 million and projected expenses are \$62.1 million, for a surplus of \$1.5 million. The surplus will be used toward repaying the \$8.7 million operating deficit to the university. The goal is to pay it off within five years.

The key revenue drivers will be football ticket sales, broadcast revenues, and annual fundraising efforts in the second year of a centralized fundraising model. Key areas to which DAPER hopes to provide additional support in 2008/09 include expansion of the BeWell program in the PE, Recreation, and Wellness area; asset renewal and maintenance; a staff bonus program; continued salary adjustments for the lowest-paid coaches and staff; operating support for several key capital projects (including the Olmstead housing project and the Ford Center expansion); and several initiatives to provide additional support for students who are also varsity athletes.

DAPER's financial aid endowment remains strong. As a result of the change in the payout rate in 2007/08, the payout significantly overfunds financial aid needs. DAPER is working with donors to loosen restrictions on some of these funds to allow more dollars to be devoted to operating needs. For 2008/09, projected financial aid revenues and expenses are both \$17.5 million, up from \$16.7 million in 2007/08. Beginning in 2008/09, DAPER will identify strategic areas for increased scholarships in women's sports and minimal increases to scholarships in men's sports, with the ultimate goal of an even number of women's and men's scholarships.

DAPER's summer camps continue to provide an enjoyable, affordable option for kids to work with Stanford coaches to learn about and improve in a wide variety of sports. In addition, they continue to be a good source of revenue. For 2008/09, summer camps will contribute approximately \$400,000 to the operating budget.

HIGHWIRE PRESS

The mission of HighWire Press is to ensure the continuing success of independent, society-based and other scientific and scholarly publishers in their efforts to disseminate high-quality content worldwide. HighWire builds both the community and the technological

environment that such publishers require to thrive within the challenging business of electronic publishing. With its publishing partners, HighWire develops and explores new ideas and emerging technologies to innovate sustainable solutions that meet the ongoing challenges of research communication.

Due to stronger-than-anticipated revenue, careful resource management, and deferral of expense for technological initiatives, the deficit projected for 2007/08 was not realized. HighWire's reserve position remains adequate to self-fund its strategic efforts in 2008/09 and beyond.

HighWire's investment in a new technology platform (HighWire 2.0, aka H2O) has made an impact in the community of online scholarly publishers, and has reinvigorated HighWire's customer base in spite of continuing competitive pressures in technology and cost. A beta version of the online Proceedings of the National Academy of Sciences on the H2O platform was made public in March 2008 to great acclaim.

Throughout the balance of calendar 2008 and 2009, HighWire will continue implementing the H2O platform, migrating its approximately 140 publishing customers and more than 1,100 sites to the new functionality. Other initiatives begun in 2007/08 are continuing as well: a business initiative to expand HighWire's market presence, and a business and technology initiative to provide enhanced disaster recovery/business continuity services.

HighWire projects that these investments will result in a \$1.2 million operating deficit for 2008/09, which will be funded from existing reserves. Investments will continue through 2009/10, but HighWire expects to return to a steady state and begin rebuilding its reserve position the following year.

In spite of continuing competitive pressures, HighWire won dozens of new customers for its online hosting service in 2007/08, either directly or through partnerships with full-service publishers. Two new relationships of note are with the Royal Society, founded in London in 1660, and the Cleveland Clinic. In addition, existing long-term relationships with Oxford University Press and the American Medical Association were recommitted.

RESIDENTIAL & DINING ENTERPRISES (R&DE)

R&DE projects a break-even budget for 2008/09, with operating revenues and transfers of \$129.9 million.

Initiatives in 2008/09 will provide incremental funding for R&DE's continued stewardship of 4.2 million square feet of student living and dining space to keep these environments comfortable, safe, attractive, and conducive to learning, recreation, and personal development. External increases, including the escalating costs of construction/renovation, expendable materials and supplies, and natural gas, will be offset by revenue growth and expense reductions in R&DE's business optimization plan.

Stanford Dining Retail and Stanford Conference Services revenue enhancements encompass a strategy to expand the number of Stanford Dining meal plan holders. Savings are expected from continued labor optimization efforts, sustainability initiatives, strategic management of long-term purchasing contracts, and improved technological business solutions.

Despite the substantial challenge presented by the modest combined room and board rate increase of 3.5%, R&DE's business optimization strategies will yield a balanced budget that achieves the following:

- Absorbs the 37% living-wage increase for temporary and casual labor,
- Provides incremental support for the new integrated building access control system in the residences,
- Reduces the spring-quarter revenue shortfall attributable to Overseas Studies,
- Sustains operations and maintains reserves of at least 2% of revenues,
- Continues funding for Residential Education programs, the Graduate Life Office, and Residential Computing,
- Funds debt service of \$11.3 million for 2007/08 capital improvement projects, and
- Improves operational funding of asset renewal/preservation to reduce deferred maintenance and continue addressing seismic retrofit needs, Americans with Disabilities Act (ADA) upgrades, and subsystem replacements. Capital projects scheduled for 2008/09 are:
 - ◆ Wilbur Hall port-per-pillow,

- ◆ Wilbur bathroom upgrades to replace end-of-life, failing assets,
- ◆ Wilbur fire sprinkler and fire alarm upgrades,
- ◆ Phase II of Stern bathroom upgrades,
- ◆ Renovation and seismic improvement of BOB and La Casa Italiana,
- ◆ Kitchen replacements in several Row Houses,
- ◆ Replacement of failing slab heat systems in Escondido Village low-rises,
- ◆ Escondido Village utilities study and infrastructure improvements,
- ◆ Renovation, repurposing, and managing crowding within Crothers Hall and Crothers Memorial Hall, to house undergraduates in support of the Undergraduate Housing Master Plan, and
- ◆ Implementation of a card-based door access system.

STANFORD UNIVERSITY PRESS

With the economic slowdown expected to affect both bookstores and libraries, the Press will hold its publishing output to the 2007/08 level of around 165 books. This will maximize marketing expenditure per title and should keep returns from bookstores at their current percentage. The discipline mix will also remain fairly constant, with the only change being a slight increase in output from the newer lists, such as organizational studies, security studies, and sociology and anthropology. A slight decline in the sales of monographs is expected to be offset by an increase in sales of textbooks and higher-profile academic-trade titles. Overall, therefore, unit sales are expected to remain fairly flat and price increases negligible.

Production costs will be held to 2007/08 levels, with anticipated increases in the costs of paper and manufacturing offset by a drop in stock write-off owing from ongoing reductions in print runs and resultant lowered inventory levels. This, plus yet another 10% year-on-year increase in income from rights sales, will push gross margin to 65%.

With a flat revenue line and only limited growth in gross margin dollars, overheads will be tightly controlled, and total costs will be slightly below the 2007/08 level. No major investment will be made in infrastructure or systems.

SECTION 4

CAPITAL BUDGET AND 3-YEAR CAPITAL PLAN

This section outlines Stanford's 2008/09 Capital Budget and 2008/09–2010/11 Capital Plan. The Capital Budget represents \$680.2 million of cash outlays and associated funding of the Capital Plan for the next year. The Capital Plan forecasts \$2.8 billion in construction and infrastructure projects and programs that are currently under way or planned to begin over the next three years.

THE CAPITAL BUDGET, 2008/09

The 2008/09 capital budget, at \$680.2 million, is the largest the university has ever undertaken, and it represents a 76% increase over the 2007/08 capital budget. It reflects the university's significant capital initiatives, including expenditures for six of the eight SEMC buildings, the new Graduate School of Business (GSB) campus, the Munger Graduate Residences, the new John A. and Cynthia Fry Gunn Building (SIEPR), and various infrastructure projects and programs. The projected 2008/09 expenditures reflect only a portion of the total costs of the capital projects, as most projects span more than one year. The table below highlights the major capital projects in the plan, the project costs that will be incurred in the 2008/09 capital budget, as well as the fraction of the project that is expected to be completed by the end of 2008/09.

The magnitude of the capital budget is based the assumption that funding availability will align with approved project schedules. However, it is the policy of the university to have the funding identified before beginning construction. As a result, the capital budget has historically been substantially higher than actual spending. In fact, actual expenditures have averaged only 63% of the budget over the past seven years. These lower than planned expenditures are mostly due to project deferrals due to funding gaps. Many of the projects in the 2008/09 capital budget have funding identified, staff assigned, and have received preliminary Board of Trustees approval. Therefore,

MAJOR CAPITAL PROJECTS – PERCENT OF COMPLETION 2008/09*

[IN MILLIONS OF DOLLARS]

	Capital Budget 2008/09	Estimated Project Cost	Estimated Percent Complete 2008/09
School of Engineering and Nano Centers	100.8	192.7	70%
Graduate School of Business - New Campus and Parking Structure	99.9	370.0	55%
Stanford Institutes of Medicine #1	85.0	201.5	58%
Munger Graduate Residences	72.7	227.0	100%
Learning and Knowledge Center	53.0	144.2	80%
John and Cynthia Fry Gunn (SIEPR) Building	21.0	32.0	100%
Maples Parking Structure	19.3	38.6	100%
Law School Clinics and Faculty Office Building	15.0	71.2	35%
Olmstead Road Staff Rental Housing	13.6	14.3	83%
Stanford Athletics Practice Gymnasium	12.6	14.8	100%
Mechanical Engineering Building	10.6	14.9	59%
Stanford Avenue Faculty Homes	10.5	33.4	14%

* Includes Projects in Design and Construction with construction start date and forecasted expenditures greater than \$10 million in 2008/09.

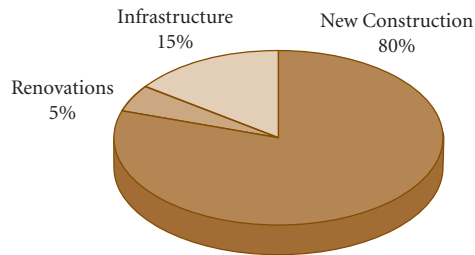
we expect that the actual expenditures in 2008/09 will be much closer to the budget than in the past.

SOURCES AND USES

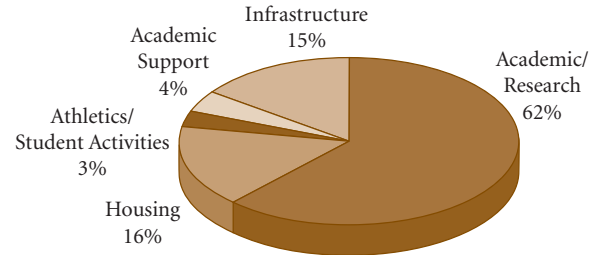
Sources of funds are anticipated to be a combination of current funds (existing reserves and fund balances), gifts in hand, pledged and to be raised, short-term, medium-term, and permanent debt. The university typically uses debt on projects as the last source of funds. The mix of funds for the Capital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

THE CAPITAL BUDGET 2008/09: \$680.2 MILLION

USES OF FUNDS BY PROJECT TYPE



USES OF FUNDS BY PROGRAM CATEGORY



Of the \$680.2 million in the overall capital budget, 62% will be spent on Academic/Research projects. Housing, Infrastructure, Academic Support, and Athletics/Student Activities will represent 16%, 15%, 4%, and 3%, respectively. An estimated 80% of the budget will be spent on new construction projects. The majority of these expenditures are for the SEMC buildings, the GSB New Campus and Parking Structure and the Munger Graduate Residences. Another 5% will be spent on renovation projects such as Panama Mall, Crothers/Crothers Memorial and the Visitor Information Center. The remaining 15% will be spent on infrastructure projects and programs, including the Investment in Plant – Maintenance, R&DE's Capital Improvement Program, and the Capital Utilities Program (CUP).

Capital Facilities Fund

A crucial new source of funds for capital projects is the Capital Facilities Fund (CFF). In June 2007, the Board of Trustees approved an increase in the target endowment payout rate from 5.0% to 5.5%. The increased payout is planned for a minimum 5-year period with a rolling 3-year window. The additional payout frees up unrestricted funds, which we have sequestered in the CFF to support major facilities projects.

Transfers to the CFF will average \$140 million per year across the university, generating approximately \$700 million over the next five years for major capital projects and infrastructure. To date, approximately \$173 million of CFF funding has been committed to projects, of which \$151 million will be spent in 2007/08 and 2008/09 as shown in the table.

CAPITAL FACILITIES FUND (CFF)

Funding Sources and Committed Uses of Funding [IN MILLIONS OF DOLLARS]

	2007/08	2008/09
Sources of Funding		
Formula Units		
School of Medicine	21.5	22.4
Graduate School of Business	6.7	7.0
Hoover Institution	4.1	4.3
Presidential Funds	16.0	16.7
Non-formula	81.8	85.3
Total Funding	130.1	135.7
Committed Uses of Funding		
Learning and Knowledge Center	0.9	7.7
Stanford Institutes of Medicine #1	6.9	
Redwood City Campus	15.3	6.9
Y2E2 Building	2.4	4.5
Porter Drive Expenses	6.7	7.0
Nano Center	12.4	
School of Engineering Center	5.0	
Munger Graduate Residences	36.5	2.9
Visitor Information Center	4.9	
Biology		5.0
East Campus Childcare Facility		5.4
Cubberley Seismic Renovation		5.4
Other Projects	12.2	3.1
Total Commitments	103.2	47.9
Annual Uncommitted Balance	26.9	87.8
Cummulative Uncommitted Balance	26.9	114.7

Central CFF funds are allocated for purposes difficult to support through restricted sources, and thus reduce the call for general funds serviced debt. Among other uses, the CFF is funding the enhanced sustainability features of several of the SEMC buildings, and will be a principal source of funds for the Redwood City Campus project.

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

CAPITAL BUDGET IMPACT ON 2008/09 OPERATIONS

The 2008/09 Projected Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2008/09. Additionally, this budget includes an incremental increase in debt and O&M expenses for projects completing in 2007/08 that were operational for less than 12 months in 2007/08.

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, and amortized 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 2008/09 is 5.2%.

The projected incremental internal debt service funded by unrestricted funds, including formula units, in 2008/09 is \$3.6 million. This amount includes the additional debt service on the energy retrofits of Gates and Gilbert, the Forsythe Power Upgrade, the Emergency Generators & Fueling project and other smaller capital projects and programs, offset by a reduction of 0.5% in the budgeted interest rate. It excludes interest charges on debt backstopping gift receipts and annual lease payments. This additional debt service brings the total annual internal debt service borne by the unrestricted university budget to \$43.7 million, 2.8% of unrestricted revenues, general funds, and designated funds.

Total internal debt service, including that borne by auxiliaries and service centers, will increase from \$133.2 million to \$142.7 million.

The university will incur additional O&M and utilities costs of approximately \$1.7 million. This is mostly due to the completion of the Jerry Yang and Akiko

Yamazaki Environment and Energy Building (Y2E2), the John A. and Cynthia Fry Gunn Building (SIEPR), Forsythe Renovation, the Lorry Lokey Stanford Daily Building, 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 longer-term capital forecast for the University. The details of this longer-term forecast, particularly funding sources and schedules, are less clear than those of the three-year plan, as 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 item for near-term escalation. If such escalation is realized, this could increase the project cost compared to historical trends.

At \$2.8 billion, this year's Capital Plan is 17% higher than the prior year's \$2.4 billion plan. Consistent with prior years, several projects show large percentages of their funding sources as Gifts to Be Raised. The Office of Development has determined that these are feasible fundraising plans, although their time frames could change. "Resources to be Identified" includes funds yet to be fully identified, with the expectation they will come from a combination of gifts, the schools, and 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
- Stanford University Medical Center (SUMC)

PROGRAMS

- Sustainability at Stanford
- Space Charge and Space Utilization Studies
- Furniture and Workplace Program

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 2006); the Jerry Yang and Akiko Yamazaki Environment and Energy Building (Y2E2) (which was completed in 2007); Biology; the School of Medicine Learning and Knowledge Center (LKC); the Stanford Institutes of Medicine #1 (SIM 1); and three additional buildings to be located in the new Science and Engineering Quad (SEQ 2): the School of Engineering Center (SOE Center), the Nano Center, and Bioengineering/Chemical Engineering.

This year's Capital Plan includes the costs of six of the eight SEMC buildings, together with associated connective elements, utilities and demolition projects. It also includes a line item for contingency risk. SEMC costs included in this plan are \$794.9 million, or 29% of the total plan expenditures.

The following are descriptions of the SEMC buildings that have recently been completed or are currently under way:

Stanford Institutes of Medicine

The School of Medicine (SoM) long-range plan calls for the development of new research facilities that will focus on institutes. The SoM has developed five Institutes of Medicine as follows: the Cancer Center, the Institute for Stem Cell Biology and Regeneration

SEMC PROJECT SUMMARY¹

[IN MILLIONS OF DOLLARS]

Project	Completion	Cost
Stanford Institutes of Medicine #1	2010	201.5
School of Engineering and Nano Centers	2010	192.7
Learning and Knowledge Center	2010	144.2
Bioengineering/ Chemical Engineering	2013	136.9
Biology	2011	114.6
Contingency		5.0
Total		794.9

¹ Excludes Astrophysics and Y2E2 which were completed in 2006 and 2007, respectively.

Medicine Institute, the Cardiovascular Institute, the Neurosciences Institute, and the Immunity Transplantation and Infection Institute. The Stanford Institutes of Medicine (SIM 1) building, the first of three institute-based buildings planned by the school, will house the Stem Cell Biology and Regenerative Medicine Institute (SCBRM) and the Cancer Center. Researchers from other SoM institutes will occupy the building as well. SIM 1 is part of the SEMC initiative and establishes a critical direction for the development of the campus over the next 20 years.

The SIM 1 building will be 200,000 gross square feet, built south of the CCSR building along Campus Drive, with a basement and three above grade floors of research labs and other support facilities. This building will be connected to other nearby research facilities via a tunnel. The design for SIM1 builds on the 'architectural kit of parts' for the School of Medicine that was established in the Clark Center design, which serves as a transition between the design guidelines for the main campus and the design guidelines for the Medical Center. The three-story building has a primary structural framework of stone, precast columns, an aluminum window system, and a cardinal red metal overhang element similar to the Clark Center and the LKC. A pattern of stone and glass openings is similar to the main campus. Like the LKC and other buildings in the SEMC, SIM 1 has extensive sustainability features.

School of Engineering Center (SOE Center)

The SOE Center, at the heart of the new SEQ 2, will be the headquarters for the School of Engineering and a

major destination for the West Campus. The project began construction in 2008 and is anticipated to be complete in 2010. The Center will be an inspiring, vibrant environment, embodying the School of Engineering's values of entrepreneurship and innovation, depicting the School's rich history and connections to Silicon Valley, and serving as a living example of the future of engineering.

The SOE Center is located on the southern portion of the former HEPL building site. The 140,000 gsf building will house the Dean's office, the Management Science and Engineering department, the Institute for Computational and Mathematical Engineering, classrooms for the Stanford Center for Professional Development including a 300-seat auditorium, the Engineering Library, a student-friendly café, a conference center and a group of communal and collaborative spaces called "the Commons." The new building will be three stories above grade with a basement. Prompted by the success of Y2E2, the SOE Center will also include aggressive sustainability goals which are described in the School of Engineering section of chapter two.

Nano Technology Center (Nano Center)

The Nano Center is located on the northern portion of the former HEPL building site. The project began construction in 2008 and is anticipated to be complete in 2010. The 105,000 gsf building will house a broad spectrum of laboratories including a Nano patterning lab, optical facilities, optical materials lab, a flexible cleanroom, electronics lab, crystal shop, and biological research labs. The building will also support the Ginzton Laboratory and the proposed Institute for Nanoscience and Technology. The new building will be three stories above grade with a basement and sub-basement housing low vibration laboratories. Natural ventilation and daylighting strategies will be employed throughout the Nano Center, as in the Y2E2 building.

The Nano Center will feature the most advanced equipment available to explore matter at the nanoscale, such as an e-beam lithography tool and an atomic force microscope. Much of this equipment will be located underground to provide the stringent control of vibration, light, and cleanliness that is essential for nanoscale research. The Nano Center will make these labs available to approximately 70 researchers from all over campus, including leaders in the natural and physical sciences, engineering, and

medicine who are exploring nanoscale properties and devices with potential applications as diverse as water purification, energy conservation, transportation, and national security. The Nano Center will complement the nearby Stanford Nanocharacterization Lab and Stanford Nanofabrication Facility. Sustainability goals for the building are covered in the Dean of Research section of this book.

Learning and Knowledge Center (LKC)

The LKC is currently under construction on the site cleared by the Fairchild Auditorium demolition. The project began construction in 2008 and is anticipated to complete in 2010. The 118,000 gsf LKC building will house a conference center, classrooms, student study and social areas, and medical simulation and virtual reality environments on four floors above grade and a basement level. The LKC will be an active hub for the School, providing supportive environments for learning, knowledge development, and public assembly with an emphasis on access to information resources throughout.

A cornerstone of the new education space will be the flagship facility of the Center for Immersive and Simulation-based Learning, located in the basement of the LKC. This center is expected to accomplish the following:

- Provide an integrated environment for hands-on learning of clinical, procedural, cognitive and interpersonal skills using models, standardized patients, and mannequin simulators as well as virtual and haptically intervened simulations and settings,
- Simulate a range of medical environments such as clinic, patient room, intensive/critical care unit, delivery room, neonatal intensive care unit, emergency department, and operating room,
- Facilitate the integrated experience of patient care as well as enabling the development of discrete skills,
- Focus on medical students while supporting interns, residents, Continued Medical Education/Continued Education Units, and allied health professionals,
- Enable learning along a continuum of training, beginning in the early years of medical school and continuing to the seasoned practitioner,
- Encompass evaluation as well as education and training, and

- Support research on pedagogy, new technologies, and human performance.

Sustainability features of LKC are covered in the Medical School section of chapter two.

Redwood City Campus

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

In 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 eight buildings (with 536,569 gsf) on 29.4 acres. In addition, the Stanford Hospital and Clinics (SHC) acquired an adjacent parcel with four buildings (with 360,000 gsf) on eleven acres, currently being developed for outpatient clinics. In March 2008, the University acquired an adjacent 5 acre parcel of land. This parcel will be incorporated into the overall campus plan.

Redevelopment of this site will be required, and Phase I construction will commence over the next 2-5 years, with Phase I occupancy targeted by 2012. The University is currently in the early phases of campus and site planning, program scoping, and conversations with Redwood City, with a formal application expected to be submitted in 2008. 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. Concept and Site Approval was granted by the Board of Trustees in October 2007 in the amount of \$379 million. This approval is based on an early estimate for a first phase of development which is anticipated to include the demolition of the existing buildings and approximately 558,000 gsf of new office and amenity space as well as parking and connective elements.

Stanford University Medical Center

To assure their combined ability to serve the community and Stanford effectively, the School of Medicine, Stanford Hospital and Clinics and Lucile Packard Children's Hospital are currently engaged in an entitle-

ment 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 have been working together to manage the entitlement process. The formal project application was submitted in August 2007 and the target date for the City Council hearing on the final environmental impact report (EIR) and approval of the Development Agreement is the first quarter of 2009.

PROGRAMS

Sustainability at Stanford

Stanford is committed to advancing sustainability in the design, construction, and operation of campus facilities. Increases in the efficiency of new buildings, existing buildings, and utility supply programs are being pursued to reduce Stanford's use of non-renewable resources and minimize our environmental impact.

Effective February 2008, the sustainability standards for new buildings were increased to reduce energy demand by 30% below the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) standard 90.1 (2004 edition), and reduce water usage to 25% below that of comparable existing buildings on campus.

Successful programs to reduce energy and water use in our existing buildings through minor capital and operational improvements will continue. Examples include the Energy Retrofit Program (ERP) that is funded through reinvested utility cost savings and the Energy Conservation Incentive Program (ECIP) which provides financial incentives for building occupants to conserve energy. Additional efforts include major capital retrofit projects in buildings with significant energy consumption to reduce energy waste and the associated greenhouse gas (GHG) emissions.

Work to increase efficiency and reduce the environmental impact of campus utility supply systems continues. A major effort to identify and prioritize options for

a long-term reduction of campus GHG is expected to be completed this year. This GHG reduction plan will incorporate the advanced efficiency standards for new buildings and improvements to existing buildings noted above, plus potential changes to campus energy supply strategies over the long term.

Work to advance sustainability also includes the use of the recently focused and empowered Sustainability Working Teams. These teams bring together campus operations leaders, those with specialized knowledge in these areas of sustainability, and key stakeholders to systematically examine and improve sustainability at all levels of Stanford campus operations. These teams work in close concert with Stanford's Sustainability Working Group, founded in 2006, and are identifying and implementing other improvements to campus green building practices, including examining energy supply and GHG programs, water use, green purchasing, food service, recycling, and transportation, amongst others.

The recently completed Y2E2 building, which is the first building in the SEQ2 Quad, exemplifies Stanford's sustainability commitments. The building is projected to use 56% less energy and 90% less potable water for fixtures than comparable buildings. The building also used fly ash as a construction material, incorporated the use of recycled steel and renewable wood, included uncarpeted floors in many areas, and employed photovoltaic panels on portions of the roof.

Space Charge and Space Utilization Studies

Beginning in 2007/08, Stanford's non-formula schools pay a charge for the use of office space. The goal of the space charge is to establish awareness that space is not a free good and to provide an incentive and guidelines 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.

Since the inception of the efficiency program, several schools have begun actively pursuing options to reduce their space charge:

- The School of Earth Sciences is in the process of completing a master space plan study. The study will identify and address underutilized office space, plan strategies to accommodate growth, and address space problems in the common areas of each building.

The net result will be a reduced space charge and an achievable plan for aligning the School's facilities with its long-term strategic goals.

- The Vice Provost for Undergraduate Education (VPUE) is embarking on a project to renovate Sweet Hall. Once completed, VPUE will significantly reduce its space usage by housing an additional 70 employees in spaces designed to support students, lecturers, and staff. Sweet Hall plans currently reflect that 12% of the office spaces will be private offices and 88% will be shared offices or cubicles. The spaces will be sized according to the space guidelines. This is a much higher percentage of shared space than the average on campus, and is a model for future campus spaces.
- The School of Humanities and Sciences completed a 're-stack' in the Main Quad during the summer of 2007. In this project, a series of departmental moves organized where programs were housed and brought many departments into alignment with the space guidelines.
- The School of Education will begin a space study of the Cubberley Building in spring 2008. The goal will be to better use space, reduce the space charge, and determine if any of the physical changes needed can coincide with the seismic retrofit of the building planned for summer 2009.

In addition to the space charge initiatives above, detailed utilization studies have been conducted for all of the schools and several administrative units. These studies provide a valuable tool for examining each school's use of space, diagnosing problems, and proposing corrective actions to better use existing space.

Furniture and Workplace Program

The Furniture and Workplace Program at Stanford is a holistic approach to furniture and workplace planning at the university. The program emphasizes furniture and workplace practices that will accomplish the following objectives:

- Support the university space guidelines,
- Promote ergonomic and healthy work environments,
- Maximize sustainability in furniture choices,
- Create high quality, durable, and long-term furniture solutions,

- Enable flexibility in design so that furniture can be reused, moved, and changed to meet changing program needs, and
- Leverage Stanford's overall buying power in furniture purchasing in order to achieve better service and more competitive pricing.

This new approach is particularly important for Stanford at this time because of the unprecedented scope of furniture and workplace project volume represented in the current \$2.8 billion Capital Plan.

The program was based on a comprehensive review that resulted in the selection of two preferred vendors. The vendors were chosen for their broad product portfolio, multiple services, commitment to sustainability, array of resources, adherence to the initiatives of the university, and competitive pricing.

Finally, in support of the university's sustainability initiative, the furniture program is reviewing four levels of sustainable practices: materials used to manufacture furniture products, certifications of end-products, recycled content from a post and pre-consumer perspective, and best practices of the furniture providers.

These concepts, together with the space guidelines, will become the platform from which we initiate our workplace planning in the coming years.

THE CAPITAL PLAN, 2008/09 – 2010/11

Stanford's central campus, including the Medical School but excluding the hospitals, has more than 670 major buildings providing more than 13 million gsf of physical space. The physical plant has a historical cost of \$4.9 billion and an estimated replacement cost in excess of \$6 billion.

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

Projects listed in the Capital Plan meet any one of the criteria established for Board of Trustees level approval as follows:

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

Expenditures in the 2008/09–2010/11 Capital Plan, which includes major construction projects in various stages of development and numerous infrastructure projects and programs, total \$2.8 billion. The table below provides a comparison of the last three Capital Plans.

BUDGET PLAN YEAR

[IN MILLIONS OF DOLLARS]

	2006/07	2007/08	2008/09
Design/			
Construction	1,083.4	1,377.4	2,068.3
Forecasted Projects	930.2	739.7	420.0
Infrastructure	211.1	252.1	280.0
Total	2,224.7	2,369.2	2,768.3

Projects in Design and Construction

Projects in Design and Construction represent \$2.1 billion (75% of the plan). These projects are under the purview of the Board of Trustees. Construction of these projects is contingent on securing funding; \$651.2 million, or 31% of these project costs remain to be fundraised or are funds to be identified.

Project costs in Design and Construction have increased by \$690.9 million from 2007/08. The Redwood City Campus has moved into this category (\$379 million). In addition, the GSB campus has increased in cost by \$95 million as a result of more detailed planning. Major new projects added to this category include the Law School Clinics and Faculty Office Building (\$71.2 million), Maples Parking Structure (\$38.6 million), Stanford Avenue Faculty Homes (\$33.4 million), Mechanical Engineering Building (\$14.9 million), Stanford Athletics Practice Gymnasium (\$14.8 million), Olmsted Road Staff Rental Housing (\$14.3 million), the Golf Club House (\$8.7 million), and the East Campus Child Care Facility 2 (\$5.4 million).

Forecasted Projects

Forecasted projects are those anticipated to receive Board of Trustees approval over the next three years. These projects total \$420 million and represent 15% of the plan. As with the projects in Design and Construction described above, these projects are contingent on funding. For this group of projects, a total of \$240.5 million, or 57% 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.

Project costs within this category have decreased by \$319.7 million from 2007/08 for a number of reasons. First and most significantly, as mentioned above, a large cohort of major initiatives moved into the Design and Construction category or were completed. At the same time, new projects have been added to the plan. These include the New Undergraduate Dining Hall (\$22 million), the Crothers/ Crothers Memorial renovation (\$20 million), Stanford Auxiliary Library (SAL) 3 Phase 2 (\$14 million), and the Green Dorm (\$12.7 million). Some of the other projects in this category also include adjusted cost estimates.

Infrastructure

Stanford's ongoing efforts to renew its infrastructure are reflected in a budget of \$280 million (10% of total Capital Plan expenditures). Infrastructure programs include the Investment in Plant – Maintenance Program, the Capital Utilities Programs and Projects (CUP), R&DE's Capital Improvement Program, Building Energy Retrofit Program, the Stanford Infrastructure Program (SIP), GUP Mitigation, Information Technology & Communications Systems, 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 \$27.9 million. This increase is mostly due to the inclusion of the Searsville Substation (\$23 million) and a \$10.9 million increase year-over-year in the Investment in Plant – Maintenance Program.

Investment in Plant – Maintenance Program

This program includes deferred and planned maintenance for building subsystems. The planned costs and funding are detailed by area and total \$90.6 million. This represents a three-year forecast of available funding to address maintenance needs.

Capital Utilities Program and Projects

The three-year plan allocates a total of \$43 million to the CUP program to improve electrical, steam, water, chilled water, and wastewater utility systems. Capital Utilities projects of \$49 million include a Replacement Boiler plant (\$26 million) that will allow decommissioning and removal of four existing boilers in the Central Energy Facility. Additionally, the new Searsville Substation (\$23 million) will address the projected electrical demand growth requirements for the university for the next 50 years.

R&DE Capital Improvement Program

The Residential & Dining Enterprises Capital Improvement Program (CIP) is intended to address life and health safety, seismic upgrades, code compliance, energy conservation and sustainability measures, and major programmatic improvements in the student housing and dining physical plant. CIP projects anticipated over the next three years total \$50.9 million. The plan includes continuation of the code compliance upgrades of various Row Houses, repairs to the Escondido Village slab heating system and utilities infrastructure, as well as a range of bathroom renovations. The Crothers/Crothers Memorial project is additional to these CIP totals, and is listed in the Forecasted projects page.

Building Energy Retrofit Program

In the first phase of a comprehensive energy reduction program, 12 of Stanford's largest energy-intensive buildings were studied with the goal of energy consumption reductions. The buildings studied represent \$13 million of energy expenses per year, or nearly 26% of the total campus energy expense. The studies resulted in energy retrofit projects that are in varying stages of implementation.

The table on the next page summarizes the status of these projects and early results.

As these projects are completed or underway, the next group of buildings is being selected for the energy retrofit studies and implementation program. This will entail an additional review of 13 buildings, which together consume \$7.6 million in energy each year, or an additional 15% of Stanford's total energy usage.

Stanford Infrastructure Program (SIP)

The SIP consists of planning and transportation projects and programs for the improvement and general support of the university's academic community,

BUILDING ENERGY RETROFIT PROGRAM

Project	Retrofit Status	Estimated Annual Consumption Savings
Stauffer I – Chemistry	Complete	35%-40%
Gordon & Betty Moore Materials Research	Complete	11%
Paul Allen Center for Integrated Systems (CIS)	Complete	11%
Forsythe (George) Hall	Complete	To Be Determined
Stauffer II - Physical Chemistry	Under construction	To Be Determined
Gates Computer Science	Under construction	To Be Determined
Beckman Center for Molecular and Genetic Medicine	Planning (50% construction documents)	To Be Determined
Gilbert Biological Sciences	Planning	To Be Determined
Center for Clinical Sciences Research (CCSR)	Under Study	To Be Determined
Lucas Center	Under Study	To Be Determined
Cantor Center for Visual Arts	Under Study	To Be Determined
Herrin Hall – Biology	Cancelled – Planned Demolition	

hospitals, and physical plant. SIP expenditures are expected to total \$12.3 million over the next three years. SIP projects include the construction parking structures, campus transit improvements, parking lot infrastructure improvements, site improvements, landscape design and enhancements, bicycle, cart and pedestrian paths, lighting, signage, and outdoor art. Medium-term debt may be used to bridge timing differences between the collection of the fee and the scheduled expenditures.

GUP Mitigation

The Capital Plan provides for \$10 million in capital expenditures for mitigation measures required by the GUP and Community Plan approved by Santa Clara County in December 2000. Funding is generated by an internal fee levied on capital projects that increase school/department campus space allocations.

Information Technology and Communication Systems

A total of \$9.7 million has been allocated for upgrades to network and communication systems.

Storm Drains

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

facilities to minimize contamination conveyed to natural water bodies from small storms.

Other Stanford Entities

In an effort to present a comprehensive view of all planned construction on campus, the capital planning process has included LBRE's Real Estate division, Stanford Hospitals and Clinics (SHC), Lucile Packard Children's Hospital (LPCH), and the Stanford Linear Accelerator Center (SLAC). Although the Capital Plan tables at the end of this section do not include these other entities (with the exception of Stanford Avenue Faculty/Staff housing), we have included brief descriptions of their capital programs below:

Real Estate Division

FACULTY AND STAFF HOUSING – The Real Estate division continues to coordinate the planning and jurisdictional 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 which is now fully occupied by VMware. In addition, the Real Estate division is nearing completion

of a new 75,000 square foot building for SAP, another important Research Park tenant. 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 on this 21-acre project, with building construction well underway. Construction on a university-funded, 120-room hotel began late spring 2007. The university continues to work with Rosewood, the 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 newly leased 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 spring 2009.

SHC and LPCH

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

SLAC

For SLAC, the capital planning focus is on the construction of the Linac Coherent Light Source, an extensive project totaling \$315 million, funded by the Department of Energy. The project is well underway, and will be completed in 2009. The project includes experimental halls, beam line and undulator facilities, and service buildings.

Overall Summary

A summary table of the 2008/09-2010/11 three-year Capital Plan appears on the next page.

To differentiate between the estimated costs of the three-year Capital Plan and the forecasted spending to complete its projects and programs, an additional table, Capital Plan Cash Flows, is included along with the Capital Plan Summary. This table forecasts the expenditure outflow of the Capital Plan based on project and program schedules. Included are projects and programs in Design or Construction or anticipated to receive Board of Trustees approval in the next three years. Related cash expenditures are anticipated to be spent over a period extending beyond 2013/14.

Operating (including utilities), maintenance, and debt service costs will impact the budget once the construction is substantially complete. Although the Capital Plan Summary shows the full budget impact of all completed projects, it is important to note that this impact aligns with the project completion schedule and will be absorbed by the budget over a period in excess of six years (beyond 2013/14). 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.).

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 (with the exception of Stanford Avenue Faculty/Staff housing), 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 on the following page shows, Stanford's Capital Plan relies on several funding sources: current funds (which include the Capital Facilities Fund), gifts, debt, and other (which represent anticipated funds from the California Institute of Regenerative Medicine). Depending upon fundraising realities and time frames, 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, 29% of the plan is anticipated to be funded from gifts in hand or pledged and 17% is from gifts to be raised, for a total of 46%. This is consistent with last year's trend, where 48% of the plan came from these fundraising categories.

USES OF FUNDS BY PROGRAM CATEGORY

As the chart on the following page shows, the Capital Plan is divided into the following program categories: Academic/Research, Housing, Athletics/Student

SUMMARY OF THREE YEAR CAPITAL PLAN 2008/09–2010/11

[IN MILLIONS OF DOLLARS]

	Project Funding Source										Annual Continuing Costs	
	Estimated Project Cost	Capital Budget 2007/08	Current Funds ¹	Gifts		University Debt			Other ²	Resources To Be Identified ³	Debt Service	Operations, Maintenance & Utilities
				In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt					
Projects in Design & Construction	2,068.3	562.0	361.2	699.2	263.7	118.6	198.0	40.0	387.5	23.7	38.0	
Forecasted Projects	420.0	35.9	75.0	91.0	204.3	13.5			36.2	0.9	5.3	
Total Construction Plan	2,488.3	597.9	436.2	790.3	468.1	132.1	198.0	40.0	423.7	24.6	43.3	
Infrastructure Programs	280.0	82.2	112.9			147.4	19.7			14.7		
Total Three-Year Capital Plan 2008/09–2010/11	2,768.3	680.2	549.1	790.3	468.1	279.5	217.7	40.0	423.7	39.3	43.3	

¹ Includes funds from university and school reserves, and the GUP and SIP programs.² "Other" funds represent government and grants.**CAPITAL PLAN CASH FLOWS**

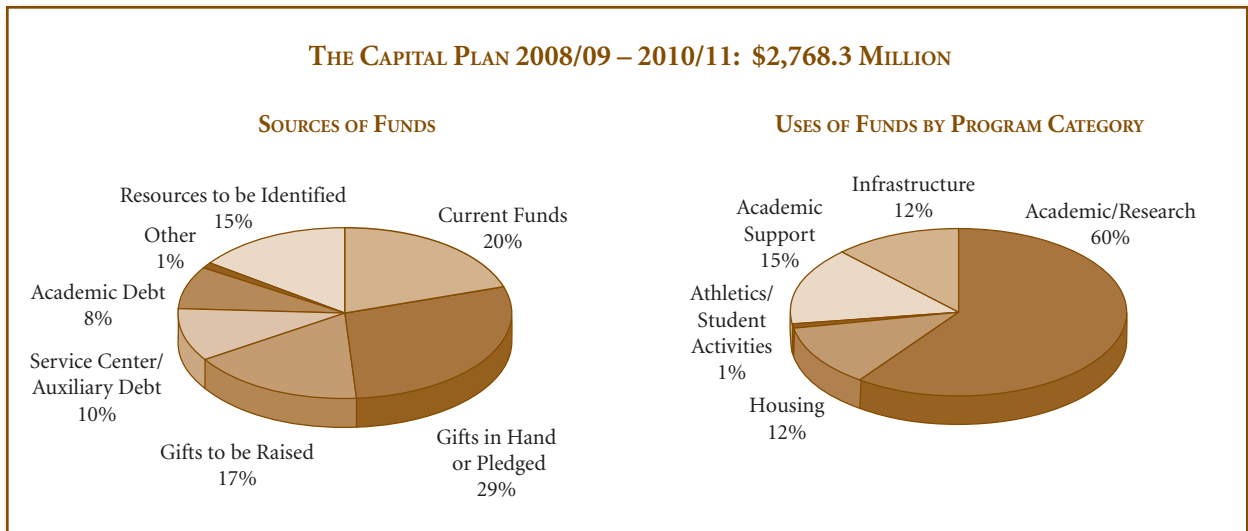
[IN MILLIONS OF DOLLARS]

	2007/08 & Prior	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 & Thereafter	Total
Projects in Design & Construction	415.3	562.0	507.8	210.3	270.3	97.1	5.5	2,068.3
Forecasted Projects	9.7	35.9	110.3	200.9	59.9	3.3		420.0
Total Construction Plan	424.9	597.9	618.1	411.2	330.2	100.4	5.5	2,488.3
Infrastructure Programs		82.2	74.3	76.0	7.4	26.5	13.6	280.0
Total Three-Year Capital Plan 2008/09 - 2010/11	424.9	680.2	692.4	487.2	337.6	126.9	19.1	2,768.3

CAPITAL PLAN IMPACT ON BUDGET

[IN MILLIONS OF DOLLARS]

	2009/10	2010/11	2011/12	2012/13	2013/14 & Thereafter	Total
Debt Service						
General Funds		0.2	2.0	3.4		7.7
Formula and Other Schools		1.3	1.9	5.7		8.9
Auxiliary		12.0	1.6	1.7		15.3
Service Center		1.3	1.4	1.5	3.2	7.4
Total Debt Service		14.9	6.9	12.3	5.3	39.3
Operations and Maintenance						
General Funds		1.2	5.8	4.7	12.2	28.1
Formula and Other Schools			6.7	4.6		11.3
Auxiliary		3.2	0.6		0.1	3.9
Service Center						
Total Operations and Maintenance		4.4	13.0	9.3	12.2	43.3



Activities, Academic Support, and Infrastructure. The majority of this year's Capital Plan funds are allocated to academic/research programs at 60%, comparable to last year's Capital Plan at 57%.

USES OF FUNDS BY PROJECT TYPE

As the following chart 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 (80% consistent with last year's plan at 81%).

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) totals \$39.3 million annually (excluding

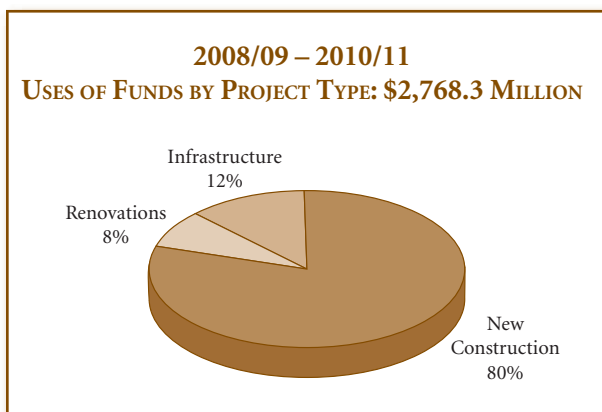
debt service for debt backstopping the receipt of gifts). Of this amount, \$7.7 million will be serviced by general funds, \$22.7 million by auxiliary or service center operations, and \$8.9 million by formula schools (the GSB and the SoM).

The additional operations, maintenance, and utilities (O&M) costs expected at the completion of all projects commencing in the three-year period total \$43.3 million per year. Of this amount, \$28.1 million will be serviced by general funds, \$3.9 million by auxiliary and service center operations, and \$11.3 million by the formula schools.

General funds pay a portion of the debt service on capital projects, as well as paying 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 February 2008, the university had approximately \$387 million of debt available to support capital projects, including \$241 million of taxable commercial paper, \$92 million of tax-exempt commercial paper and \$54 million of unexpended bond proceeds. The university increased the taxable commercial paper program to \$350 million in February 2008 and is in the process of increasing the tax-exempt commercial paper program by \$150 million to \$300 million. An additional \$82 million will become available through fiscal year-end 2008/09 from internal amortization on debt-funded projects.



A total of \$605 million of permanent debt will be required to finance:

- \$409 million to complete projects already approved or under construction,
- \$90 million for projects forecast to be approved in 2008/09, and
- Up to \$106 million remains to finance construction on the Sand Hill Road Hotel and office buildings.

Additional debt funding will be required to finance the Faculty and Staff Housing program. The portfolio of debt-subsidized mortgages increased \$28 million in 2007 and \$10 million year-to-date to \$301 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 2008/09 will require an additional \$141 million in permanent debt and \$500 million to bridge timing differences between gift receipts and capital expenditures. 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 2007 was \$1.4 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 (GUP) 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 15 years at an average rate of approximately 135,000 gsf per year. Funding constraints have slowed this projection. The Capital Plan includes 706,857 gsf of new GUP square feet currently in Design and Construction and 105,610 net new GUP square feet in forecasted projects. In addition 21,000 new GUP square feet is shown in the Infrastructure category, for the replacement boiler plant. These square footage amounts, along with gsf previously allocated, bring the total GUP 2000 gsf expended or committed to approximately 833,000. 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 and with the other housing projects listed in the Capital Plan, Stanford will add a total of 1,210 net new graduate student beds since approval of the GUP. This will enable the University to construct up to 1,499,999 gsf of new academic space, consistent with the GUP requirements.

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.

2008/09–2010/11 CAPITAL PLAN
PROJECTS IN DESIGN & CONSTRUCTION
 [IN MILLIONS OF DOLLARS]

	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2008/09	Current Funds ¹	Project Funding Source				Annual Continuing Cost			
						In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other ²	Resources to be Identified ³	Debt Service & Utilities	Operations, Maintenance & Utilities
Science, Engineering and Medical Campus (SEMC) Projects ⁽⁴⁾													
	SOM	2008-10	201.5	85.0	26.8	80.5	49.2						
	SOE	2005-10	192.7	100.8	39.4	103.4	25.0		5.0			0.3	4.3
	SOM	2006-10	144.2	53.0	72.4	24.4	29.4		25.0			1.7	4.4
	SOE	2005-13	136.9	1.0	5.0	49.5	52.4		18.0			1.2	2.4
	H&S	2009-11	114.6	8.0	5.0	56.5	38.0		30.0			2.0	2.6
			5.0	1.0					15.0			1.0	3.1
	PRES/PROV	2008-12	379.0	11.4		5.0							8.9
	GSB	2006-11	370.0	99.9	45.0	226.6	23.5		75.0			5.1	4.6
	R&DE	2005-09	227.0	72.7	96.5	50.5		80.0				5.3	3.1
Graduate Housing (\$170.5)													
Underground Garage (1,227 spaces) (\$35.0)													
Enabling Projects (\$21.5)													
Law School Clinics and Faculty Office Building													
	SLS	2008-11	71.2	15.0		23.0	18.2					2.0	1.6
Maples Parking Structure													
	LBRE	2008-09	38.6	19.3				38.6				5.0	0.2
Stanford Avenue Faculty Homes (39 units)													
	LBRE-RE	2008-11	33.4	10.5	33.4								
John and Cynthia Fry Gunn (SIEPR) Building													
	DOR	2007-09	32.0	21.0	0.5	29.5	2.1						0.7
Panama Mall Renovations													
Durand Renovation Phases 1-4													
	SOE	2007-10	22.5	5.1	22.5								
Peterson Renovation - Design Institute													
	SOE	2008-10	17.9	3.8	2.9	15.0							
Mechanical Engineering (Building 630 Replacement)													
	SOE	2007-10	14.9	10.6			14.9						0.3
Stanford Athletics Practice Gymnasium													
	DAPER	2008-09	14.8	12.6		14.8							0.1
Olmsted Road Staff Rental Housing (22 units)													
	DAPER	2008-09	14.3	13.6		14.3							0.2
Public Safety Building													
	PRES/PROV	2006-10	9.3	4.7	0.8								0.2
Golf Club House, Pro Shop, Cart Barn													
	DAPER	2003-10	8.7	4.4		0.1	8.6						0.1
Visitor Information Center/Track Bleachers Expansion													
	PRES/PROV	2007-09	6.7	3.3	5.6		1.1						0.8
East Campus Childcare Facility 2													
	PRES/PROV	2008-10	5.4	4.7	5.4								0.1
Automotive Innovation Facility													
	SOE	2008-09	4.0	0.5		2.5	1.5						0.1
Lorry Lokey Stanford Daily Building													
	VPSA	2007-09	3.8	0.3	3.8								0.1
Subtotal – Projects in Design & Construction			2,068.3	562.0	361.2	699.2	263.7	118.6	198.0	40.0	387.5	23.7	38.0

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.
⁴ Associated connective elements, utilities and demolitions are included in each project budget. Excludes the completed Astrophysics and Y2E2 (Environment & Energy) buildings.

**2008/09–2010/011 CAPITAL PLAN
FORECASTED CONSTRUCTION PROJECTS**

[IN MILLIONS OF DOLLARS]

	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2008/09	Current Funds ¹	Project Funding Source				Annual Continuing Cost		
						In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt	Other ²	Resources to be Identified ³	Debt Service
Performing Arts Center Phase 1 — Concert Hall	PRES/PROV	2009-12	163.0	11.4	50.0	63.0						1.9
Art to the Old Anatomy Building	H&S	2009-12	70.9	5.0	30.0	40.9						1.4
Encina Renovation	DOR	2009-11	47.5	1.4		47.5						
Cummings Replacement	HOOVER	2009-13	38.0	1.1		38.0						1.1
800 Welch Road (Blood Center)	SOM	2009-13	23.0	0.5	8.0	15.0						0.3
New Undergraduate Dining Hall	R&DE	2009-10	22.0	4.6			3.5				18.5	0.2
Crothers / Crothers Memorial Renovation	R&DE	2008-10	20.0	4.2	10.0		10.0					0.7
Stanford Auxiliary Library 3 - Phase 2	SUL	2010-13	14.0		14.0							0.5
Green Dorm (47 beds)	SOE	2009-13	12.7	0.3	3.0						9.7	0.1
Panama Mall Renovations	SOE	2009-12	9.0	7.5	1.0						8.0	
Buildings 02-520 and 02-524 Renovations (\$8.0)												
Building 02-560 (\$1.0)												
Subtotal – Forecasted Projects			420.0	35.9	75.0	204.3	13.5	198.0	40.0	36.2	0.9	5.3
SUBTOTAL – CONSTRUCTION PLAN			2,488.3	597.9	436.2	468.1	132.1	198.0	40.0	423.7	24.6	43.3

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.

2008/09–2010/11 CAPITAL PLAN
INFRASTRUCTURE PROJECTS & PROGRAMS

[IN MILLIONS OF DOLLARS]

	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2008/09	Current Funds ¹	Project Funding Source				Resources to be Identified ⁶	Annual Continuing Cost	
						Gifts		University Debt			Debt Service	Operations, Maintenance & Utilities
						In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt			
Investment in Plant (Planned Maintenance) ²												
Non-Formula/Admin	LBRE	2009-11	52.3	17.4	52.3							
R&DE ³	R&DE	2009-11	17.6	5.2	17.6							
Formula	SOM/GSB	2009-11	14.6	6.2	14.6							
DAPER	DAPER	2009-11	6.1	1.8	6.1							
Utilities ⁴	LBRE	2009-11										
Roads ⁵	LBRE	2009-11										
Subtotal-Investment in Plant (Planned Maintenance)			90.6	30.7	90.6							
Capital Utilities Program (CUP)												
System Expansion	LBRE	2009-11	20.0	6.1		20.0					1.9	
System Replacement	LBRE	2009-11	16.9	4.5		16.9					1.6	
Controls	LBRE	2009-11	2.4	0.7		2.4					0.2	
Regulatory	LBRE	2009-11	3.9	2.4		3.9					0.4	
Subtotal-CUP			43.0	13.5		43.0					4.1	
Capital Utilities Projects												
Replacement Boiler Plant	LBRE	2010-15	26.0			26.0					1.7	
Searsville Substation	LBRE	2011-13	23.0			23.0					1.5	
Subtotal-Capital Utilities Projects			49.0			49.0					3.2	
R&DE Capital Improvement Program ³	R&DE	2009-11	50.9	21.9		50.9					4.2	
Building Energy Retrofit Program	Various	2006-11	13.0	9.4				13.0			1.7	
Stanford Infrastructure Program (SIP)	LBRE	2009-11	12.3	4.0	12.3							
GUP Mitigation Costs - CI Trails	LBRE	2005-11	10.0		10.0							
Information Technology & Communications Systems	ITS	2009-11	9.7	2.3		4.5		5.2			1.3	
Storm Drains	LBRE	2009-11	1.5	0.5				1.5			0.1	
Subtotal – Infrastructure Projects & Programs			280.0	82.2	112.9	147.4		19.7			14.7	
Total Capital Plan			2,768.3	680.1	549.1	790.3	468.1	217.7	40.0	423.7	39.3	43.3

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

² Investment in Plant represents funding available by area.

³ R&DE Capital Improvement Program generally includes program and code upgrades vs. Maintenance which includes subsystem replacement.

⁴ Included under CUP - System Replacement below.

⁵ Additional "Roads" Planned Maintenance included in SIP Program below (\$200K/year).

⁶ Anticipated funding for this category is through a combination of gift raising and school, department and university reserves yet to be identified.

APPENDIX A

CONSOLIDATED BUDGETS FOR SELECTED UNITS

CONSOLIDATED BUDGET FOR OPERATIONS BY UNIT, 2008/09

ACADEMIC UNITS

- GRADUATE SCHOOL OF BUSINESS
- SCHOOL OF EARTH SCIENCES
- SCHOOL OF EDUCATION
- SCHOOL OF ENGINEERING
- SCHOOL OF HUMANITIES AND SCIENCES
- SCHOOL OF LAW
- SCHOOL OF MEDICINE
- VICE PROVOST AND DEAN OF RESEARCH
- VICE PROVOST FOR UNDERGRADUATE EDUCATION
- VICE PROVOST FOR GRADUATE EDUCATION
- HOOVER
- STANFORD UNIVERSITY LIBRARIES AND
ACADEMIC INFORMATION RESOURCES

AUXILIARY UNITS

- ATHLETICS
- RESIDENTIAL & DINING ENTERPRISES

CONSOLIDATED BUDGET FOR OPERATIONS BY UNIT, 2008/09

[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}	160.6	152.9	7.7	(8.8)	(1.1)
School of Earth Sciences	51.5	51.5		(3.6)	(3.6)
School of Education	38.2	36.1	2.1	(0.9)	1.2
School of Engineering	317.1	291.2	25.9	(7.8)	18.1
School of Humanities and Sciences ¹	403.7	356.2	47.5	(6.8)	40.7
School of Law	63.5	58.0	5.5	(5.5)	
School of Medicine ^{1,2}	1,183.1	1,111.4	71.7	(40.6)	31.1
Vice Provost Dean of Research	175.6	174.1	1.5	1.2	2.7
Vice Provost for Undergraduate Education ¹	40.5	41.4	(0.9)	(1.0)	(1.9)
Vice Provost for Graduate Education	7.2	5.2	2.0		2.0
Hoover Institution	53.9	44.2	9.7	(4.3)	5.4
Stanford University Libraries ¹	97.7	99.9	(2.2)	0.5	(1.7)
SLAC	330.9	330.7	0.2		0.2
Total Academic Units	2,923.5	2,752.8	170.7	(77.6)	93.1
Total Administrative & Auxiliary Units (details on page 48)	1,038.0	1,029.4	8.6	(10.7)	(2.1)
Internal Transaction Adjustment ³	(297.2)	(272.0)	(25.2)	25.2	
Indirect Cost Adjustment ⁴	(184.1)	(184.1)			
Grand Total from Units	3,480.2	3,326.1	154.1	(63.1)	91.0
Central Accounts ⁵	274.8	192.9	81.9	(111.8)	(29.9)
Central Adjustment ⁶	69.0		69.0		69.0
Total Consolidated Budget	3,824.0	3,519.0	305.0	(174.9)	130.1

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 49 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 \$25.2 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 \$184.1 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 \$69.0 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)
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues								
34,455	36,166	38,581						38,581
			38,040	19,100	56,971	908	2,558	117,578
93,083	110,849						4,470	4,470
5445	4340	72,490	(9,803)	(18,791)	(43,719)		(177)	
544								
133,527	151,355	11,1071	28,237	309	13,252	908	6,852	160,629
Expenses								
			4,322					35,884
31,338	31,807	31,562					612	33825
26,934	31,798	29,898	3,315					
19,032	20,026	19,340	2,272	124			182	21,918
36,048	43,899	24,218	6,082		13,252	908	1,407	45,867
16,141	14,884	6,053	4,470	185			4,651	15,359
129,493	142,414	11,1071	20,461	309	13,252	908	6,852	152,852
4,035	8,941		7,777					7,777
(3,854)	(1,435)				(1,800)			(1,800)
	(6,700)		(7,000)					(7,000)
180	805		777		(1,800)			(1,023)
62,757	6,2937	55	37,556	23,005	3,125		1	63,742
62,937	6,3742	55	38,333	23,005	1,325		1	62,719

Notes:

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

SCHOOL OF EARTH SCIENCES
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues								
5,938	3,343	3,670						3,670
General Funds Allocation								
39,220	46,713		5,124	1,520	27,465	11,133		45,242
(52)	(110)		(153)		12		28	(113)
Internal Revenue								
1,653	4,312	17,973	1,176	2,742	(19,889)	750		2,751
Operating Transfers								
46,758	54,258	21,643	6,147	4,262	7,587	11,883	28	51,550
Total Revenues								
Expenses								
13,646	14,160	7,276	2,982	640	185	3,726		14,809
Academic Salaries								
3,675	4,117	3,544	553	38	3	152		4,290
Staff Salaries								
6,114	6,273	3,792	1,139	243	45	1,352		6,571
Benefits & Other Compensation								
18,437	25,181	6,283	1,867	2,984	6,637	6,520	23	24,315
Non-Salary Expenses								
1,688	1,502	978	134	173	128	132	5	1,549
Internal Expenses								
43,560	51,234	21,873	6,675	4,077	6,998	11,883	28	51,534
Total Expenses								
3,198	3,024	(231)	(528)	185	589			15
Operating Results								
(2,541)	(2,110)							
Transfers from (to) Endowment & Other Assets					(21,00)			(2,100)
Transfers from (to) Plant					(1,500)			(1,500)
658	(1,186)	(231)	(528)	185	(3,011)			(3,585)
Surplus / (Deficit)								
24,131	24,788	231	7,585	7,607	8,179		1	23,603
Beginning Fund Balances								
24,788	23,603		7,057	7,792	5,168			20,018
Ending Fund Balances								

Notes:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 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
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2008/09 Total
Revenues							
12,543	12,192	13,272					13,272
General Funds Allocation							
20,358	21,337		643	3,311	9,237	10,384	23,575
Restricted Revenues							
67	78		80				80
Internal Revenue							
2,299	1,239	7,335	1,107	(568)	(6,654)		1,221
Operating Transfers							
35,266	34,846	20,608	1,831	2,743	2,583	10,384	38,149
Total Revenues							
Expenses							
9,659	10,544	8,492	223	643	276	2,622	12,255
Academic Salaries							
5,524	5,968	3,073	209	547	279	2,117	6,225
Staff Salaries							
5,237	5,508	3,875	134	405	266	1,671	6,351
Benefits & Other Compensation							
11,319	9,131	4,277	658	1,361	213	3,912	10,422
Non-Salary Expenses							
882	868	408	55	290	53	62	867
Internal Expenses							
32,621	32,020	20,125	1,278	3,246	1,087	10,384	36,120
Total Expenses							
2,645	2,825	483	553	(503)	1,496		2,029
Operating Results							
1,981	(1,835)						
Transfers from (to) Endowment & Other Assets							
			(3)	(450)	(910)		(1,363)
1,218			435				435
Transfers from (to) Plant							
4,626	2,208	483	985	(953)	586		1,101
Surplus / (Deficit)							
18,117	22,742	3,979	8,077	7,978	4,917		24,950
Beginning Fund Balances							
22,742	24,950	4,462	9,062	7,025	5,503		26,051
Ending Fund Balances							

NOTES:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 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
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues								
57,507	56,151	60,304						60,304
195,381	211,000		35,000	18,025	50,472	122,065		225,562
4,099	4,263		3,075				1,336	4,411
11,624	25,322	36,303	730	2,650	(19,004)	6,154		26,833
268,611	296,736	96,607	38,805	20,675	31,468	128,219	1,336	317,110
Expenses								
80,897	89,126	37,289	7,864	5,312	1,923	41,764		94,153
24,667	26,361	14,033	6,000	848	893	5,285	866	27,924
40,677	44,179	21,110	4,737	2,387	958	17,068	252	46,512
91,977	102,732	19,823	10,537	6,041	12,277	61,021	167	109,865
11,779	12,389	4,173	2,778	2,039	683	3,081	19	12,773
249,998	274,787	96,427	31,916	16,627	16,734	128,219	1,304	291,227
18,613	21,948	180	6,889	4,048	14,734		32	25,883
(10,081)	(815)		(35)	(239)				(274)
	(3,000)		(5,000)	(2,500)				(7,500)
8,531	18,133	180	1,854	1,548	14,495		32	18,109
153,901	162,432	424	70,475	54,193	55,450		24	180,566
162,432	180,566	604	72,329	55,741	69,945		56	198,675

NOTES:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 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
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues								
137,887	129,591	131,592						131,592
General Funds Allocation								
180,230	227,473	136	4,444	9,363	153,981	71,139	3,723	242,785
6,477	6,186	14	230	17			6,044	6,305
25,237	6,291	101,217	34,272	(3,774)	(110,278)	880	673	22,989
349,831	369,542	232,959	38,946	5,606	43,702	72,018	10,439	403,671
Expenses								
113,105	118,446	86,549	10,775	2,108	4,273	19,941	352	123,997
34,141	39,582	32,869	1,226	927	400	3,573	3,475	42,470
53,034	55,294	41,876	3,977	1,511	1,338	8,117	1,149	57,967
99,067	105,515	48,521	8,529	4,419	5,121	38,441	5,221	110,253
16,557	20,263	15,736	722	1,689	1,131	1,947	242	21,466
315,904	339,100	225,550	25,229	10,655	12,262	72,018	10,439	356,154
33,927	30,442	7,409	13,717	(5,048)	31,440			47,517
Transfers from (to) Endowment & Other Assets								
(2,383)	266	(409)	(4)	654				241
	(5,449)	(7,000)						(7,000)
31,544	25,259		13,712	(4,394)	31,440			40,758
142,438	173,982	14,018	61,825	36,990	86,619			199,452
173,982	199,241	14,018	75,537	32,596	118,059			240,210

NOTES:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 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
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2008/09 Total
Revenues								
17,354	13,800	General Funds Allocation	12,783					12,783
37,136	47,164	Restricted Revenues		4,300	10,120	36,220	410	51,050
(138)	(200)	Internal Revenue		(200)				(200)
182	(578)	Operating Transfers	40,217	(1,917)	(5,400)	(33,000)		(100)
54,533	60,185	Total Revenues	53,000	2,183	4,720	3,220	410	63,533
Expenses								
15,162	16,910	Academic Salaries	17,658	52	131	152	94	18,087
9,269	11,047	Staff Salaries	10,680	53	686	322	22	11,762
8,243	9,223	Benefits & Other Compensation	9,400	79	288	137	36	9,940
13,762	15,441	Non-Salary Expenses	14,062	1,241	709	289	210	16,511
1,217	1,612	Internal Expenses	1,200	169	237	113	8	1,728
47,653	54,233	Total Expenses	53,000	1,594	2,050	1,013	370	58,027
6,881	5,952	Operating Results		589	2,670	2,207	40	5,506
(6,658)	(2,500)	Transfers from (to) Endowment & Other Assets			(500)	(2,000)		(2,500)
	(3,000)	Transfers from (to) Plant		(500)	(2,500)			(3,000)
223	452	Surplus / (Deficit)		89	(330)	207	40	6
21,146	21,368	Beginning Fund Balances	540	3,009	14,782	3,489		21,820
21,368	21,820	Ending Fund Balances	540	3,098	14,451	3,696	40	21,825

NOTES:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 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
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Designated Clinics	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues									
78,721	81,452	87,473	General Funds Allocation						87,473
943,889	1,001,659	142	Restricted Revenues	323,221	94,806	135,541	380,423	41,610	1,047,690
43,271	44,253		Internal Revenue	1,800				18,713	45,920
8,294	2,345	99,413	Operating Transfers	(47,841)	(30,366)	(52,819)		(2,792)	2,043
1,074,175	1,129,708	187,028	Total Revenues	277,180	64,440	82,722	380,423	57,531	1,183,127
Expenses									
281,494	301,379	16,747	Academic Salaries	128,128	14,066	17,216	109,222	6,159	314,134
125,395	134,190	49,111	Staff Salaries	24,529	3,917	3,649	24,099	20,220	140,714
182,286	182,264	25,089	Benefits & Other Compensation	97,904	5,332	6,552	37,872	8,403	196,034
352,015	375,149	70,353	Non-Salary Expenses	11,519	26,925	16,160	195,611	20,930	391,148
69,723	62,673	25,729	Internal Expenses	15,099	7,465	2,221	13,620	1,635	69,369
1,010,913	1,055,655	187,028	Total Expenses	277,180	57,704	45,797	380,423	57,347	1,111,400
63,262	74,053		Operating Results	27,882	6,735	36,925		184	71,727
Transfers from (to) Endowment & Other Assets									
(5,950)	(31,459)		Transfers from (to) Endowment & Other Assets	(11,554)	(1,000)	(21,371)			(33,925)
(25,513)	(41,624)		Transfers from (to) Plant	(5,152)	(1,000)	(500)			(6,652)
31,799	970		Surplus / (Deficit)	11,176	4,735	15,054		184	31,149
427,243	459,030	1,772	Beginning Fund Balances	5,647	160,367	90,104	3,713	(124)	460,000
459,042	460,000	1,772	Ending Fund Balances	5,647	165,102	105,157	3,713	60	491,149

NOTES:

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

VICE PROVOST AND DEAN OF RESEARCH AND GRADUATE POLICY
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues								
31,032	33,145	34,280						34,280
General Funds Allocation								
145,763	128,930	501	5,174	21,691	23,811	87,408		138,584
2,393	2,422	1,202	84				1,320	2,606
(21,931)	(1,050)	23,850	3,809	(4,724)	(15,242)	(7,544)		149
157,258	163,448	59,832	9,067	16,967	8,569	79,863	1,320	175,619
Expenses								
27,788	29,836	5,923	2,199	3,835	1,876	17,392	589	31,815
27,104	30,165	25,624	1,372	2,319	433	3,807	133	33,689
18,209	19,100	9,721	1,067	1,886	716	7,428	202	21,019
79,340	72,081	15,659	4,255	7,035	2,971	49,338	465	79,721
8,165	8,782	3,276	483	1,590	554	1,899	26	7,827
160,607	159,963	60,204	9,376	16,665	6,550	79,863	1,414	174,071
(3,349)	3,484	(371)	(309)	303	2,018		(93)	1,547
(34,609)	(16,538)							
Transfers from (to) Endowment & Other Assets		3		415	748			1,166
(450)								
(37,958)	(13,504)	(368)	(309)	718	2,766		(93)	2,713
421,593	383,635	1,957	306,550	34,384	27,262		(22)	370,131
383,635	370,131	1,589	306,241	35,102	30,028		(115)	372,844

Notes:

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

VICE PROVOST FOR UNDERGRADUATE EDUCATION
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection		Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Auxiliary & Service Center	2008/09 Total
Revenues								
19,310	16,871	General Funds Allocation	17,314					17,314
21,722	31,894	Restricted Revenues	426	857	582	28,695	2,779	33,340
(46)	(89)	Internal Revenue		(48)				(48)
(5,798)	(10,243)	Operating Transfers	21,505	13	(737)	(30,945)	49	(10,116)
35,188	38,433	Total Revenues	39,244	822	(155)	(2,250)	2,828	40,490
Expenses								
5,972	7,548	Academic Salaries	7,850					7,850
9,039	11,075	Staff Salaries	12,360					12,360
5,120	6,016	Benefits & Other Compensation	6,271					6,271
10,762	11,487	Non-Salary Expenses	9,919	198	72	86	2,828	13,103
1,611	1,790	Internal Expenses	1,831		6	7		1,844
32,504	37,916	Total Expenses	38,230	198	78	93	2,828	41,427
2,683	517	Operating Results	1,014	624	(232)	(2,343)		(938)
(107)	(150)	Transfers from (to) Endowment & Other Assets						
	(1,000)	Transfers from (to) Plant	(1,000)					(1,000)
2,577	(633)	Surplus / (Deficit)	14	624	(232)	(2,343)		(1,938)
14,580	17,157	Beginning Fund Balances	3,148	7,271	2,529	3,576		16,524
17,157	16,524	Ending Fund Balances	3,162	7,895	2,297	1,232		14,586

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 FOR GRADUATE EDUCATION
2008/09 CONSOLIDATED BUDGET PLAN**

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues								
	4,033	5,164						5,164
	26,812				28,470			28,470
	(22,431)	(1,143)	1,105		(26,436)			(26,474)
19,961	8,414	4,021	1,105		2,034			7,159
Expenses								
149	235	252	67					319
410	871	890	49	16				955
197	355	378	36	5				419
582	1,608	1,935	986		428			3,349
37	131	134		1				135
1,375	3,200	3,588	1,139	22	428			5,177
19,276	5,214	433	(34)	22	1,605			1,982
(146)								
Transfers from (to) Endowment & Other Assets								
Transfers from (to) Plant								
19,130	5,214	433	(34)	22	1,605			1,982
879	20,009	964	2,308	747	21,203			25,223
20,009	25,223	1,397	2,274	725	22,808			27,205

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.

HOOVER INSTITUTION
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	2008/09 Total
Revenues							
780	802	837					837
37,221	52,660		721	24,708	27,132	500	53,061
18	16		16				16
427		42,903	(737)	(15,034)	(27,132)		
38,447	53,478	43,740		9,674		500	53,914
Expenses							
9,987	10,954	11,576				122	11,698
6,577	7,630	8,174				61	8,235
5,318	5,628	6,010				40	6,050
12,649	15,652	16,763				275	17,038
1,176	1,190	1,217					1,217
35,706	41,054	43,740				498	44,238
2,740	12,424			9,674		2	9,676
315							
	(4,090)			(4,275)			(4,275)
3,056	8,334			5,399		2	5,401
16,088	19,143	(536)	1,109	24,120	2,784		27,477
19,143	27,477	(536)	1,109	29,519	2,784	2	32,879

NOTES:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 15.

STANFORD UNIVERSITY LIBRARIES AND ACADEMIC INFORMATION RESOURCES
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

2006/07 Actuals	2007/08 Projection	Operating Budget	Designated Funds	Restricted Expendable	Restricted Endowment	Grants & Contracts	Auxiliary & Service Center	2008/09 Total
Revenues								
45,023	43,609	45,868					560	46,428
43,216	46,857	800	2,300	300	13,677	246	30,208	47,531
128	(20)		(37)				25	(12)
2,681	3,259	13,666	(1,609)	(142)	(8,466)		345	3,794
91,048	93,705	60,333	654	158	5,211	246	31,138	97,741
Expenses								
7,022	6,313	6,270				150	2	6,421
33,825	36,696	21,142	617				17,437	39,196
12,832	13,164	8,521	183			44	5,225	13,973
33,992	35,291	23,515	275	150	4,900	53	7,450	36,343
4,933	3,744	885		12	392		2,657	3,946
92,606	95,209	60,333	1,075	162	5,292	246	32,770	99,879
(1,557)	(1,504)		(421)	(4)	(81)		(1,632)	(2,138)
576	466						459	459
Transfers from (to) Plant								
(981)	(1,038)		(421)	(4)	(81)		(1,173)	(1,679)
10,011	9,029		822	945	1,461		4,764	7,992
9,029	7,992		401	942	1,380		3,591	6,313

NOTES:

- This schedule does not reflect an allocation of tuition revenue or central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.
- This schedule does not include endowment principal, student loan funds, and plant funds.
- The general funds allocation shown in this schedule includes one-time allocations (including tuition allowance) and therefore will not match the base figure shown in the table on page 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
2008/09 CONSOLIDATED BUDGET PLAN

[IN THOUSANDS OF DOLLARS]

ATHLETICS

Operating	
Revenues	
Intercollegiate	20,254
Gifts/Endowments	16,618
University Funds	10,481
Auxiliaries	7,440
Transfer from Scholarship Endowments	4,400
Other	3,506
Camps	869
Total Revenues	63,568
Expenses	
Compensation	31,304
Facilities/Maintenance	7,787
Travel/Entertainment	8,150
General Services	4,851
General Supplies	4,121
Other	4,214
Debt Service	1,062
Capital Expenditures	559
Total Expenses	62,049
Operating Gain/(Loss)	1,519
Financial Aid	
Revenues	
	17,470
Expenses	
	17,470
Financial Aid Gain/(Loss)	0

RESIDENTIAL & DINING ENTERPRISES

Revenues	
Student Payments	100,254
Student Payments: Off Campus	1,329
SLAC Guest House	2,600
Conferences Housing & Dining	11,008
Other Operating Income	16,561
Interest Income	949
Total Revenue	132,700
Transfers	
Grad Housing Subsidy: Off Campus	774
Rent Loss Reimbursement	0
Debt Service Subsidy: Grad Housing	3,000
Miscellaneous Transfers	0
Transfer to Residential Education	(6,572)
Total Transfers	(2,798)
Total Revenue and Transfers	129,903
Expenses	
Salaries and Benefits	42,743
Food Costs	8,923
EM & S	16,644
Rentals & Leases: Off Campus	1,998
Utilities & Telephone	9,302
Repair & Maintenance	11,203
Debt Service	31,792
Distribution of G & A Expenses	7,298
Total Expenses	129,903
Operating Gain/(Loss)	0

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

Bolstered by a large freshman class, undergraduate enrollment in 2007/08 was the largest in the past decade. The number of TGRs (Terminal Graduate Registration) increased markedly in the late 1990s, primarily because changes in Federal policy requiring payment of the tuition of Research Assistants directly from research contracts and grants provided a strong incentive for eligible graduate students to register as TGRs. There was an increase of 45 TGRs in 2007/08, while the number of non-TGR graduate students decreased in 2007/08 by 60 students.

SCHEDULE 2 – FRESHMAN STUDENT APPLY/ADMIT/MATRICULATE STATISTICS

The number of applicants for the present freshman class increased again to 23,958, the largest pool in Stanford's history. Only 10.3% 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 nearly 70%.

SCHEDULE 3 – GRADUATE STUDENT APPLY/ADMIT/ENROLL STATISTICS

The number of applicants to Stanford's graduate and professional programs rose 6.5%, from 31,583 in 2006/07 to 33,623 in 2007/08. Stanford's graduate programs admitted only 12.9% of all applicants, the lowest rate in the past decade. The yield for graduate admits jumped significantly in 2004 and has averaged just under 55% since then.

SCHEDULE 4 – GRADUATE STUDENT SUPPORT

Stanford supports its graduate students and postdoctoral fellows with a variety of fund sources. Teaching assistants and research assistants earn salaries as part of their appointment and most also receive an allowance applied against their tuition charges as part of their compensation.

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

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

SCHEDULE 5 – TUITION AND ROOM & BOARD RATES

The 2008/09 total cost of Undergraduate Tuition plus Room & Board is projected to increase by 3.5%. In real terms, the average annual increase over the past decade has been 2.3%. These results are due to the university committing (in the early 1990s) to restraining tuition growth, which continues today, despite marginally increased budget pressure.

SCHEDULE 6 – TUITION AND FEE INCOME

Total tuition income is expected to increase by 3.9% in 2008/09. While the undergraduate tuition rate will increase by 3.5% next year, the TGR rate is being held flat and the School of Medicine is increasing its tuition by 4.25%.

SCHEDULE 7 – UNDERGRADUATE FINANCIAL AID BY SOURCE OF FUNDS AND TYPE OF AID

This schedule shows the total amount of financial aid from all sources (including non-need based scholarship

aid for athletics) awarded to undergraduate students. The last row shows Stanford tuition plus room and board. Total scholarships and grants increased by almost 9% in 2006/07, due mainly to a 27% increase in gifts and endowment income. The Stanford unrestricted funds portion of scholarships and grants has dropped to its lowest level since 2000/01. Loan amounts have decreased for the last three years, while the work component, by far the smallest component of financial aid, has also decreased from 2005/06 to 2006/07.

SCHEDULE 8 – UNDERGRADUATE FINANCIAL AID: NEEDS AND SOURCES, INCLUDING PARENTAL AND STUDENT CONTRIBUTIONS

This schedule shows the total needs and sources of support for undergraduate students who receive need-based financial aid. The total needs are driven by the growth in the student budget and by the number of students on aid. The total student budget will increase 4.2% in 2008/09, but total needs will increase by 9.5% due to 152 more students expected to receive need-based aid. Significant enhancements in the financial aid program, aimed at helping middle-income families, will result in more students qualifying for aid and a considerable drop in average family contribution. The substantially higher costs of the program will be met with increases in endowment income and president's 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 (over several years) begun to eliminate the off-campus subsidized housing program and the gradual results (dropping to 130 graduate student accommodations being subsidized) are evident in 2007/08, largely because local rents have eased and more graduate housing has been built on-campus.

SCHEDULE 10 – TOTAL PROFESSORIAL FACULTY

The total professoriate has increased by 22 (less than 1.2%) since last year. The number of tenure-line faculty has increased by 46 in the last five years (slightly more than 3%), while the non-tenure line faculty (consisting mostly of Medical Center Line faculty) has increased by 40 (7.4%) over the same period.

SCHEDULE 11 – DISTRIBUTION OF TENURED, NON-TENURED, AND NON-TENURE LINE PROFESSORIAL FACULTY

This schedule provides a disaggregated view of the data in Schedule 10 over the last three years. Schedule 11 shows that the total number of tenured faculty in the formula schools has increased by only 19 in the past three years, and the number of non-tenure faculty has increased by 4. The number of non-tenure line faculty has increased by 2.

SCHEDULE 12 – NUMBER OF NON-TEACHING EMPLOYEES

This schedule shows the number of regular (defined in the first footnote in the Schedule) non-teaching employees by activity. To maintain consistency in this data over time despite reorganizations, the activity categories have been defined broadly, and the table contains footnotes explaining various shifts across the categories or other changes over the period. The number of employees increased by 4.6% in 2007. Ignoring Medicine and SLAC, the new employees are fairly evenly scattered throughout the university, with the schools hiring 77 people (16% of the university new hires) and Land and Buildings hiring 45 people (9% of the university new hires).

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 3.9%. The number of employees in administrative areas increased by 4.6% in 2007. 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) postdoctoral research affiliates, (3) casual/temporary employees, and (4) graduate research and teaching assistants. Schedule 14 shows the programs and costs that contribute to the weighted average of the four individual benefits rates. Retirement programs and health insurance costs are the primary drivers of the benefits rates. Medical insurance costs have increased

dramatically in the past few years, and are expected to increase by about 3.0% in 2008/09, while reductions are led by Retirement Medical (budgeted to decrease by 15.1%) and Worker's Comp/LTD/Unemployment Insurance (budgeted to decrease by 18.1%).

SCHEDULE 15 – SPONSORED RESEARCH EXPENSE BY AGENCY AND FUND SOURCE

After peaking in 2004/05, direct expense from research sponsored by the federal government decreased again in 2006/07, this time by about 1%. Meanwhile, direct expense from research sponsored by non-federal sources increased 8.7% in 2006/07 over the previous year. 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 decreased by \$35.1 million in 2006/07 after some major projects

reached completion (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 4, Capital Budget 3-Year Capital Plan".

SCHEDULE 17 – ENDOWMENT VALUE AND RATE OF RETURN

The rate of return for the endowment in 2006/07 was 20.7%. The nominal return on invested funds has been positive for all years in the table except for 2000/01 and 2001/02. The target payout rate is 5.5%.

SCHEDULE 18 – EXPENDABLE FUND BALANCES AT YEAR END

This schedule shows total fund balances (excluding sponsored research) by academic unit over the past decade. The large increase in Dean of Research a few years ago is due to Google funds, which leads with 22% average annual percent change, with the next largest percentage change in School of Education at 13.8%. When ignoring the Google funds, the School of Medicine shows the largest dollar growth over the decade, with Ending Fund Balance expected to grow \$235.4 million between 1998/99 and 2008/09.

SCHEDULE 1**STUDENT ENROLLMENT FOR AUTUMN QUARTER
1998/99 THROUGH 2007/08**

Year	Undergraduate			Graduate			TGR	Total
	Women	Men	Total	Women	Men	Total		
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
2007/08	3,313	3,446	6,759	2,382	4,439	6,821	1,365	14,945

Source: Registrar's Office third week enrollment figures

SCHEDULE 2

FRESHMAN APPLY/ADMIT/ENROLL STATISTICS

FALL 1997 THROUGH FALL 2007

Year	Total Applications		Admissions		Enrollment	
	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
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%
Fall 2007	23,958	7.3%	2,464	10.3%	1,723	68.9%

SCHEDULE 3**NEW GRADUATE STUDENT APPLY/ADMIT/ENROLL STATISTICS
FALL 1996 THROUGH FALL 2007**

Year	Total Applications		Admissions		Enrollment	
	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%
Fall 2007	33,623	6.5%	4,352	12.9%	2,400	55.1%

SCHEDULE 4

GRADUATE STUDENT AND POSTDOC SUPPORT

[IN MILLIONS OF DOLLARS]

	2005/06				2006/07					
	General/School Fungible Funds ¹	Designated Funds	Restricted Student Aid Funds	Grants & Contracts	Total	General/School Fungible Funds ¹	Designated Funds	Restricted Student Aid Funds	Grants & Contracts	Total
Graduate Student Support										
Salaries										
Teaching Assistants	13.8	0.3	1.3	0.2	15.6	14.6	0.2	1.1	0.1	16.0
Research Assistants	5.8	4.4	7.5	33.1	50.8	4.6	6.1	8.8	32.2	51.6
Other Salaries	0.3	0.9	0.2	0.7	2.1	0.2	0.8	0.2	0.4	1.6
Benefits	0.6	(0.2)	0.5	1.2	2.1	0.4	0.0	0.7	1.2	2.3
Total Salaries & Benefits	20.5	5.5	9.4	35.2	70.6	19.8	7.1	10.7	33.9	71.5
Tuition Allowance	28.6	2.4	3.3	17.5	51.8	29.9	4.1	2.9	16.5	53.3
Fellowship Tuition	11.3	1.6	36.3	10.3	59.5	10.4	2.3	40.8	10.2	63.7
Stipends	6.1	1.3	18.1	14.6	40.1	7.0	1.7	19.0	14.9	42.6
Fees	1.3	1.9	2.1	1.3	6.5	1.1	1.9	3.0	1.1	7.2
Total Graduate Student Support	67.7	12.6	69.2	78.9	228.5	68.1	17.1	76.5	76.6	238.3
Percent of Total	29.6%	5.5%	30.3%	34.5%	100.0%	28.6%	7.2%	32.1%	32.2%	100.0%
Postdocs										
Salaries	0.4	5.4	4.9	28.7	39.3	0.3	6.0	5.6	28.9	40.7
Benefits	0.1	0.9	0.9	5.1	7.0	0.1	1.1	1.1	5.6	7.9
Tuition	0.3	0.2	0.3	0.0	0.7	0.2	0.1	0.4	0.0	0.6
Stipends	0.0	1.9	3.6	11.7	17.3	0.1	1.5	4.7	12.2	18.4
Total Postdoc Support	0.8	8.4	9.7	45.5	64.3	0.5	8.7	11.7	46.6	67.6
Percent of Total	1.2%	13.0%	15.1%	70.7%	100.0%	0.8%	12.9%	17.4%	68.9%	100.0%

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

SCHEDULE 5

**UNDERGRADUATE TUITION AND ROOM & BOARD RATES
1980/81 THROUGH 2008/09**

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

Average Annual Tuition Increase, 1980/81-2006/07: 6.8%

Average Annual Tuition Increase, 1997/98-2006/07: 5.0%

Average Annual Tuition Real Increase¹, 1980/81-2006/07: 3.2%

Average Annual Tuition Real Increase¹, 1997/98-2006/07: 2.3%

Average Annual CPI Increase, 1980/81-2006/07: 3.4%

Average Annual CPI Increase, 1997/98-2006/07: 2.6%

¹ Real growth calculated using tuition adjusted to 2008 dollars using US Annual CPI-U values.

SCHEDULE 6

BREAKDOWN OF TUITION AND FEE INCOME**PROJECTED 2008/09 BUDGET**

[IN THOUSANDS OF DOLLARS]

	2007/08 Projected	2008/09 Budget	2007/08 to 2008/09 Change	
			Amount	Percentage
Tuition:				
Undergraduate	230,557	238,600	8,043	3.5%
Graduate	189,943	198,650	8,707	4.6%
Other ¹	16,708	16,859	151	0.9%
Summer	27,523	28,518	995	3.6%
Total Tuition	464,731	482,627	17,896	3.9%
Total Fees	9,825	10,267	442	4.5%
Total Tuition and Fee Income	474,556	492,894	18,338	3.9%

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 AID¹

1996/97 THROUGH 2005/06

[IN THOUSANDS OF DOLLARS]

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Scholarships and Grants										
Stanford Unrestricted Funds	12,201	13,420	8,954	4,568	10,349	13,561	13,848	14,281	12,672	4,982
Gifts and Endowment Income: Non-Athletic ²	22,526	23,235	26,871	35,660	35,711	38,317	41,357	43,749	47,983	61,026
Athletic Awards	8,232	8,614	8,874	9,842	10,627	11,331	11,809	12,687	13,393	14,999
Departmental Awards	1,743	2,016	2,238	3,263	3,766	3,853	4,712	4,783	4,937	5,823
Trademark Income								158	108	240
External Grants ³	15,541	15,343	16,713	16,383	17,824	20,431	21,361	21,367	18,361	19,102
Subtotal for Scholarships and Grants	60,243	62,629	63,649	69,717	78,278	87,493	93,087	97,025	97,453	106,174
Loans										
University Funds	787	600	666	612	9		22			
External Funds	12,791	12,354	11,279	9,987	11,159	11,690	12,544	12,271	11,549	10,761
Subtotal for Loans	13,578	12,953	11,946	10,599	11,168	11,690	12,567	12,271	11,549	10,761
Jobs										
University Funds ⁴	3,255	2,387	2,252	1,120	1,408	1,458	1,839	1,236	1,368	1,503
External Funds	691	859	476	736	686	871	1,724	2,014	2,417	2,172
Subtotal for Jobs	3,945	3,246	2,728	1,857	2,094	2,329	3,563	3,250	3,785	3,675
Grand Total	77,766	78,828	78,323	82,173	91,540	101,511	109,216	112,546	112,787	120,610
Stanford Tuition plus Room and Board	28,857	29,878	30,939	32,471	34,221	35,884	37,636	39,347	41,132	43,361

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 2008/09 NEEDS AND SOURCES,
INCLUDING PARENTAL AND STUDENT CONTRIBUTIONS¹
 [IN THOUSANDS OF DOLLARS]

	2006/07 Actuals	2007/08 Projected	2008/09 Budget	2007/08 to 2008/09 Change	
				Amount	Percentage
Needs					
Tuition, Room & Board	118,009	125,464	136,530	11,066	8.8%
Books and Personal Expenses	9,721	10,145	11,995	1,849	18.2%
Travel	1,864	1,942	2,103	161	8.3%
Total Needs	129,595	137,551	150,627	13,076	9.5%
Sources					
Total Family Contribution (includes parent contribution for aided students, self-help, summer savings, assets, etc.)	50,824	50,041	41,294	(8,747)	(17.5%)
Endowment Income ²	49,679	67,001	76,379	9,378	14.0%
Expendable Gifts	1,230	600	600		
Stanford Fund/President's Funds	10,040	6,929	19,657	12,728	183.7%
Federal Grants	4,233	4,350	4,594	244	5.6%
California State Scholarships	3,683	3,955	3,200	(755)	(19.1%)
Outside Awards	4,366	4,100	4,330	230	5.6%
Department Sources	557	575	575		
Unrestricted Funds	4,982				
Total Sources	129,595	137,551	150,627	13,076	9.5%
Number of Students on Need-Based Aid	2,775	2,805	2,957	152	5.4%

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

² Endowment income includes reserve funds and specifically invested funds.

SCHEDULE 9**STUDENTS HOUSED ON CAMPUS****1993/94 THROUGH 2007/08**

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%
2007/08	6,087	90%	4,421	130	55.6%

SCHEDULE 10

TOTAL PROFESSORIAL FACULTY¹**1977/78 THROUGH 2007/08**

	Professors	Associate Professors	Assistant Professors ²	Tenure Line Total	Non-Tenure Line Professors	Grand Total
1977/78	586	199	287	1,072	86	1,158 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 ³
1992/93	740	209	245	1,194	214	1,408
1993/94	729	203	241	1,173	225	1,398
1994/95	724	198	252	1,174	256	1,430
1995/96	723	205	241	1,169	287	1,456
1996/97	731	205	239	1,175	313	1,488
1997/98	750	213	231	1,194	341	1,535
1998/99	758	217	237	1,212	383	1,595
1999/00	771	204	255	1,230	411	1,641
2000/01	764	198	268	1,230	440	1,670
2001/02	768	204	274	1,246	455	1,701
2002/03	771	202	259	1,232	481	1,713
2003/04	783	196	269	1,248	498	1,746
2004/05	792	193	280	1,265	514	1,779
2005/06	789	210	263	1,262	511	1,773
2006/07	807	210	261	1,278	529	1,807
2007/08	813	217	261	1,291	538	1,829

DATA SOURCE: PROVOST'S OFFICE

¹ Some appointments are coterminous with the availability of funds.² Assistant Professors subject to Ph.D. are included.³ Beginning in 1991/92, Medical Center Line and Senior Fellows in policy centers and institutes are included.

SCHEDULE 11

DISTRIBUTION OF TENURED, NON-TENURED, AND NON-TENURE LINE PROFESSORIAL FACULTY¹
2005/06 THROUGH 2007/08

School Unit or Program	2005/06				2006/07				2007/08			
	Tenured	Non- Tenured	Non- Tenure Line	Total	Tenured	Non- Tenured	Non- Tenure Line	Total	Tenured	Non- Tenured	Non- Tenure Line	Total
Earth Sciences	32	8	4	44	33	9	3	45	33	8	4	45
Education	35	8	3	46	34	8	4	46	36	6	4	46
Engineering	158	53	19	230	158	54	19	231	162	57	20	239
Humanities and Sciences	372	122	21	515	380	124	20	524	380	124	18	522
(Humanities)	(157)	(45)	(11)	(213)	(160)	(47)	(9)	(216)	(158)	(51)	(9)	(218)
(Natural Sciences & Math)	(117)	(30)	(4)	(151)	(122)	(28)	(6)	(156)	(122)	(28)	(5)	(155)
(Social Sciences)	(98)	(47)	(6)	(151)	(98)	(49)	(5)	(152)	(100)	(45)	(4)	(149)
Law	36	5	13	44	37	6	5	48	37	5	5	47
Other	5	1	13	19	7	1	12	20	9	1	14	24
Subtotal	638	197	63	898	649	202	63	914	657	201	65	923
Business	63	36	2	101	67	28	1	96	64	27	2	93
Medicine	238	58	443	739	244	60	462	766	251	62	468	781
SLAC	29	3	3	35	25	3	3	31	25	4	3	32
Total	968	294	511	1,773	985	293	529	1,807	997	294	538	1,829

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 YEAR¹
1998 THROUGH 2007**

Activity	1998	1999 ²	2000	2001	2002	2003	2004	2005	2006	2007
School of Medicine ²	2,039	2,194	2,260	2,421	2,471	2,819	2,910	2,973	3,020	3,146
Other Schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law	1,353	1,350	1,375	1,493	1,506	1,576	1,641	1,705	1,764	1,841
Dept of Athletics, Physical Education and Recreation	110	117	131	128	123	127	130	141	147	151
Dean of Research	300	373	375	391	427	448	437	464	480	497
Stanford Linear Accelerator Center	1,271	1,287	1,286	1,385	1,415	1,432	1,496	1,456	1,512	1,604
Student Services: Student Affairs, Admissions & Financial Aid	240	249	237	257	248	266	261	265	291	294
Libraries ³	374	372	377	456	466	515	515	528	541	562
Administrative Systems/Information Technology	407	409	436	518	498	457	430	394	400	432
Office of Development	129	136	147	156	153	155	170	196	216	242
University Lands and Buildings ⁴	469	350	340	376	375	389	392	405	422	467
Residential and Dining Enterprises	323	331	338	373	404	488	521	508	531	534
Stanford Alumni Association ⁵	84	76	88	108	113	98	104	108	114	116
Stanford Management Company	49	53	54	63	69	62	62	66	69	58
Other Academic Hoover ³ , Learning Technology and Extended Education (through 2001/02), VPUE (1998/99-present) ⁶ VPGE (starting in 2006)	229	230	242	219	205	160	248	175	255	277
Administration Business Affairs, President's Office, Provost's Office, General Counsel, Press (until 2003/04), VP for Public Affairs (2003/04-present)	595	685	699	716	698	642	698	757	751	775
TOTAL	7,972	8,212	8,385	9,060	9,171	9,634	10,015	10,141	10,513	10,996
Percent Change	5.4%	1.9%	2.1%	8.1%	1.2%	5.0%	4.0%	1.3%	3.7%	4.6%

NOTES

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

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

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

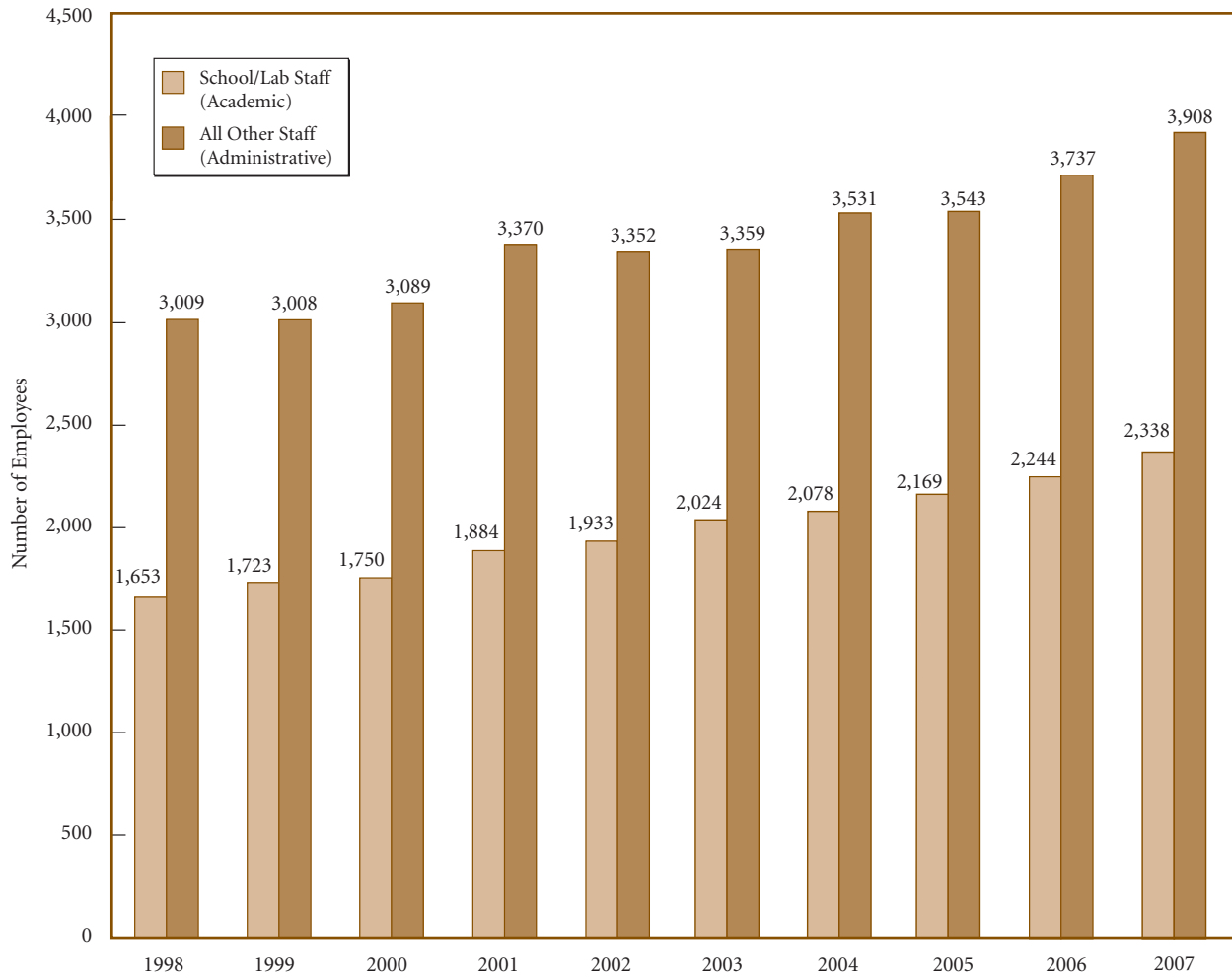
⁴ Lands and Buildings included Environmental Health and Safety, Public Safety and Procurement for 1994/95-1998/99 and Procurement again in 2001/02. Environmental Health and Safety moved to the Dean of Research, and Procurement and Public Safety moved to Business Affairs in 1999/00.

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
1998 THROUGH 2007, AS OF DECEMBER 15 OF EACH YEAR**



SCHEDULE 14

2008/09 PROJECTED CONSOLIDATED BUDGET FRINGE BENEFITS DETAIL

[IN THOUSANDS OF DOLLARS]

Fringe Benefits Program	2005/06	2006/07	2007/08	2007/08	2008/09	2007/08 to 2008/09 Change	
	Actual Expenditures	Actual Expenditures	Negotiated Budget	Projected Year-End	Projected Budget	Amount	Percentage
Pension Programs							
University Retirement	83,084	89,418	88,483	89,123	94,661	5,538	6.2%
Social Security	72,420	82,794	87,140	88,328	93,793	5,465	6.2%
Faculty Early Retirement	6,108	8,787	7,877	7,776	8,126	350	4.5%
Other	528	558	672	802	653	(149)	(18.6%)
Total Pension Programs	162,140	181,557	184,172	186,029	197,233	11,204	6.0%
Insurance Programs							
Medical Insurance	71,774	71,473	86,356	90,736	99,810	9,074	10.0%
Retirement Medical	17,321	11,602	12,537	18,077	15,342	(2,735)	(15.1%)
Workers' Comp/LTD/ Unemployment Insurance	6,646	5,743	13,855	16,048	13,149	(2,899)	(18.1%)
Dental Insurance	9,874	10,674	11,647	11,341	12,380	1,039	9.2%
Group Life Insurance/Other	12,374	12,343	12,880	13,233	14,125	892	6.7%
Total Insurance Programs	117,989	111,835	137,275	149,435	154,806	5,371	3.6%
Miscellaneous Programs							
Severance Pay	3,595	3,818	3,467	13,533	4,030	(9,503)	(70.2%)
Sabbatical Leave	11,943	13,287	13,125	14,302	14,477	175	1.2%
Other	11,329	11,596	13,287	12,565	13,839	1,274	10.1%
Total Miscellaneous Programs	26,867	28,701	29,879	40,400	32,346	(8,054)	(19.9%)
Total Fringe Benefits Programs	306,996	322,093	351,326	375,864	384,385	8,521	2.3%
Carry-forward/Adjustment from Prior Year(s)	15,577	6,300	(6,702)	(6,702)	(9,699)	(2,997)	44.7%
Total with Carryforward/Adjustments	322,573	328,393	344,624	369,162	374,686	5,524	1.5%
Blended Fringe Benefits Rate	27.2%	25.7%	25.6%	27.0%	25.8%		

NOTE:

The university has four rates for 2008/09, and the single rate shown just above is the weighted average of those rates. The four rates are 28.0% for regular employees, which includes all faculty and staff with continuing appointments of half-time or more, 20.7% for post-doctoral scholars, 7.7% for contingent (casual or temporary) employees, and 4.6% for graduate teaching and research assistants.

SCHEDULE 15**SPONSORED RESEARCH EXPENSE BY AGENCY AND FUND SOURCE¹****2000/01 THROUGH 2006/07**

[IN THOUSANDS OF DOLLARS]

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
US Government							
Subtotal for US Government Agencies	391,156	432,967	488,110	545,525	577,623	542,316	537,232
Agency²							
DoD	49,246	52,571	55,381	55,421	59,958	60,037	58,600
DoE (Not including SLAC)	21,760	22,391	24,496	20,957	25,591	25,584	28,102
NASA	54,767	67,069	87,311	97,727	94,606	61,338	47,704
DoEd	3,618	2,278	1,123	2,006	1,922	1,280	1,246
HHS	204,461	227,167	256,049	299,235	317,604	322,937	331,206
NSF	39,112	41,580	44,070	56,593	63,083	58,544	60,874
Other US Sponsors ³	18,193	19,911	19,680	13,585	14,858	12,596	9,499
Direct Expense-US	287,865	319,559	364,036	405,342	427,900	396,225	392,153
Indirect Expense-US ⁴	103,291	113,408	124,074	140,183	149,598	146,091	145,089
Non-US Government							
Subtotal for Non-US Government	73,012	84,390	87,352	96,001	105,143	108,254	117,438
Direct Expense-Non US	59,209	68,519	72,632	77,088	85,814	89,086	96,799
Indirect Expense-Non US	13,803	15,871	14,719	18,914	19,329	19,168	20,638
Grand Totals-US plus Non-US							
Grand Total	464,168	517,356	575,461	641,526	682,766	650,570	654,669
Grand Total Direct	347,074	388,077	436,668	482,430	513,714	485,311	488,953
Grand Total Indirect	117,093	129,279	138,793	159,097	168,928	165,259	165,727
% of Total from US Government	84.3%	83.7%	84.8%	85.0%	84.6%	83.4%	82.1%

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 UNIT¹

1999/00 THROUGH 2006/07

[IN THOUSANDS OF DOLLARS]

Unit	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
GSB	11,644	1,173	2,993	161		129	309	2,023
Earth Sciences	1,321	511	941	132	204	227	647	458
Education	297	587	(50)	128		583	2,626	1,934
Engineering	12,221	2,696	15,541	7,361	1,258	2,873	1,838	6,273
H&S	14,006	32,934	17,927	39,412	16,830	16,774	10,763	7,802
Law	156	1,838	6,586	1,475	2,319	1,429	992	19,595
Medicine	47,888	6,716	14,240	11,143	16,900	22,631	13,769	31,908
Libraries	8,937	3,267	6,483	11,485	3,809	332	1,131	219
Athletics	10,666	13,803	5,708	10,583	16,098	25,691	83,362	28,875
Residential & Dining Enterprises	57,206	29,195	40,255	35,434	14,144	10,308	14,054	17,568
All Other ²	143,075	140,327	154,837	135,229	53,744	61,105	165,127	142,782
Total	307,418	233,048	265,460	252,541	125,305	142,080	294,618	259,436

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
1996/97 THROUGH 2006/07**

Year	Market Value of the Endowment (in thousands) ¹	Annual Nominal Rate of Return	Annual Real Rate of Return
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 ²	14,084,676	19.5%	16.2%
2006/07	17,164,836	23.4%	20.7%

SOURCE: STANFORD UNIVERSITY ANNUAL FINANCIAL REPORT

¹ The real rate of return is the nominal rate less the rate of price increases, as measured by the Gross Domestic Product price deflator² Beginning in 2005/06, living trusts are no longer included in the reported value of the endowment. The effect is to lower the market value for 2005/06 and beyond. For comparison, the restated value for 2005/06 would have been about \$14.7 million.

SCHEDULE 18

**EXPENDABLE FUND BALANCES AT YEAR-END:
1998/99 THROUGH 2008/09**

[IN MILLIONS OF DOLLARS]

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	Projected 2007/08	Plan 2008/09	Avg Annual % Change 1998/99-2008/09
Academic Units:												
Graduate School of Business	31.6	38.7	37.6	33.3	41.7	40.2	43.5	62.8	62.9	63.7	62.7	7.1%
School of Earth Sciences	14.4	18.9	21.3	22.8	23.7	26.1	26.0	24.1	24.8	23.6	20.0	3.3%
School of Education	7.1	8.6	9.3	10.1	10.6	15.7	18.3	18.1	22.7	25.0	26.1	13.8%
School of Engineering	104.7	109.0	112.3	114.3	122.4	130.0	149.0	153.9	162.4	180.6	198.7	6.6%
School of Humanities & Sciences	79.7	86.0	112.2	140.0	138.3	140.3	138.8	142.4	174.0	199.2	240.2	11.7%
School of Law	9.8	10.4	12.4	14.7	16.5	18.3	20.7	21.1	21.4	21.8	21.8	8.3%
School of Medicine	252.0	270.2	307.0	325.1	354.0	350.7	372.6	427.3	459.0	456.3	487.4	6.8%
VP for Undergraduate Education	5.4	7.4	9.2	9.2	11.1	10.6	15.0	19.1	17.2	16.5	14.6	10.5%
Dean of Research	51.1	40.5	51.2	62.0	65.3	72.2	84.3	422.4*	383.6	370.1	372.8	22.0%
VP for Graduate Education									20.0	25.2	27.2	
Hoover Institution	18.9	22.0	24.8	26.0	23.3	13.5	11.3	16.1	19.1	27.5	32.9	5.7%
University Libraries	4.6	4.8	7.4	8.0	6.5	9.5	4.0	10.0	9.0	8.0	6.3	3.2%
Total Academic Units	579.3	616.5	704.6	765.5	813.4	827.1	881.5	1,317.3	1,376.1	1,417.5	1,510.7	10.1%

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



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