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 subside. 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%.

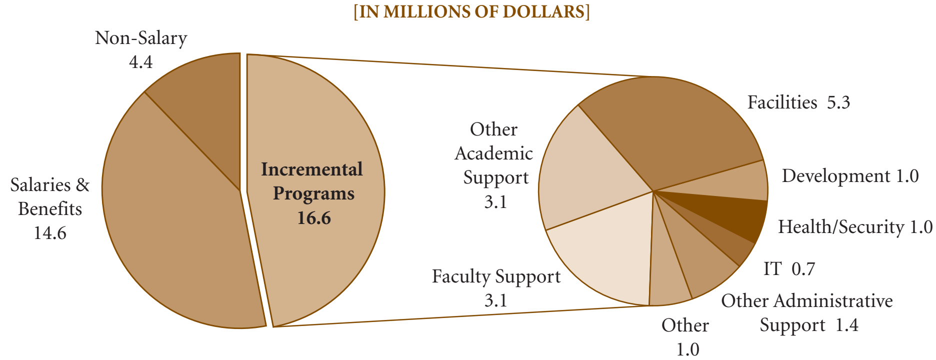
Other Operating Expenses – This line item is the amalgam of operations and maintenance (O&M) costs, utilities, capital equipment, materials and supplies, travel, library materials, subcontracts, and professional services. We are budgeting a growth of 6.9% for these expenses.

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.

2008/09 Incremental General Funds Allocations: $35.6 Million

[IN MILLIONS OF DOLLARS]



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.

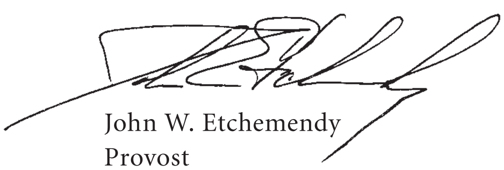
On the expense side, our main challenge stems from increased competition for faculty. In many disciplines, faculty salaries have seen unprecedented growth; in others, the competition is most visible in research startup and facility costs. Both drive expenditures much faster than inflation and, at least 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.

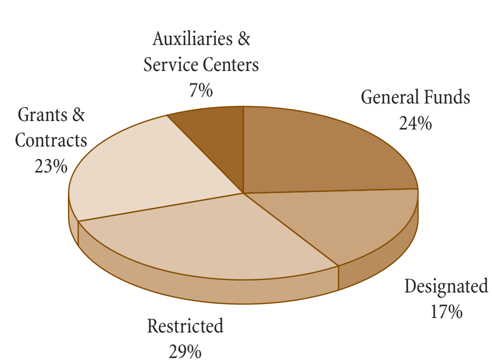
Fund Accounting

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.

2008/09 Consolidated Revenues by Fund Type



Budget Control

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

Because the majority of Stanford's funding is under the direct control of a faculty member, a department, or a school, these entities are able to support programs as long as they maintain a positive fund balance. This, however, does not mean that the programs must operate with a surplus during any particular fiscal year. In fact, a "deficit" is usually 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.