# SECTION 2

# ACADEMIC UNITS

## OVERVIEW OF ACADEMIC UNITS

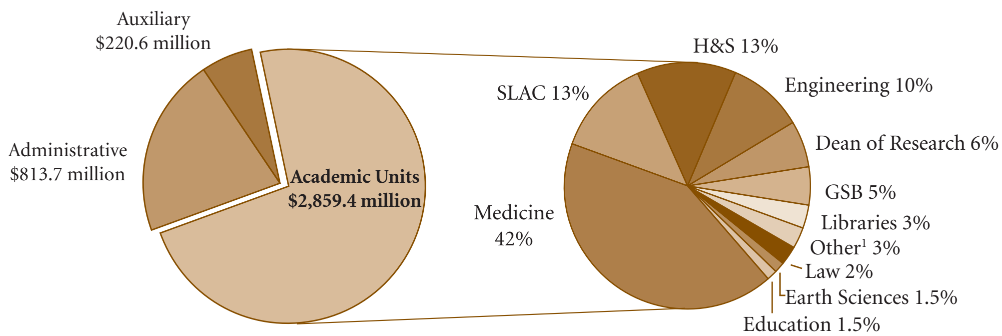
This section summarizes programmatic and financial activity for each academic unit. It offers a particular focus on the impacts of the economic downturn in each unit. Overall, the academic units are projecting an operating surplus of $65 million. However, after transfers to facilities and endowment, the units will draw down expendable fund balances and run a deficit of $5.7 million.

### Consolidated Budget for Operations, 2009/10: Academic Units

[in millions of dollars]

| Academic Units: | Total Revenues and Transfers | Total Expenses | Result of Current Operations | Transfers (to)/from Assets | Change in Expendable Fund Balance |
|---|---|---|---|---|---|
| Graduate School of Business | 148.0 | 142.4 | 5.6 | (7.5) | (1.9) |
| School of Earth Sciences | 45.8 | 42.7 | 3.1 | (2.5) | 0.6 |
| School of Education | 33.8 | 33.5 | 0.3 | (1.0) | (0.7) |
| School of Engineering | 292.1 | 282.7 | 9.4 | (7.3) | 2.1 |
| School of Humanities and Sciences | 378.8 | 366.6 | 12.2 | (5.4) | 6.8 |
| School of Law | 61.1 | 56.5 | 4.7 | (4.5) | 0.2 |
| School of Medicine | 1,245.4 | 1,207.5 | 38.0 | (35.1) | 2.8 |
| Vice Provost Dean of Research | 156.3 | 166.4 | (10.0) | (4.0) | (14.0) |
| Vice Provost for Undergraduate Education | 39.3 | 37.6 | 1.7 | | 1.7 |
| Vice Provost for Graduate Education | 4.2 | 5.9 | (1.6) | | (1.6) |
| Hoover Institution | 44.1 | 42.1 | 2.0 | (4.3) | (2.2) |
| Stanford University Libraries | 95.7 | 95.4 | 0.2 | 0.8 | 1.0 |
| SLAC National Accelerator Laboratory | 379.8 | 380.2 | (0.5) | | (0.5) |
| Total Academic Units | 2,924.4 | 2,859.4 | 65.0 | (70.7) | (5.7) |

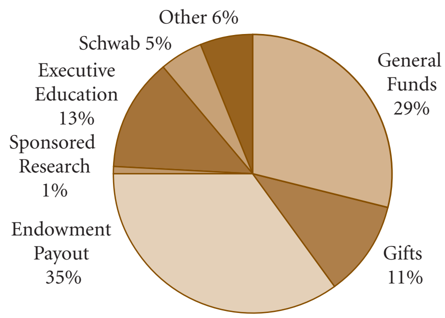
### 2009/10 Consolidated Expenses by Academic Units




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

# GRADUATE SCHOOL OF BUSINESS

**2009/10 CONSOLIDATED REVENUES**
**$148.0 MILLION**




[IN MILLIONS OF DOLLARS]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 153.3 | 153.4 | 148.0 |
| Expenses | | | |
| Salaries and Benefits | 84.0 | 93.1 | 94.1 |
| Non-Salary | 59.2 | 53.1 | 48.4 |
| Total Expenses | 143.2 | 146.3 | 142.4 |
| Operating Results | 10.1 | 7.1 | 5.6 |
| Transfers From (to) Endowment & Other Assets | (9.1) | | |
| Transfers From (to) Plant | 0.0 | (7.5) | (7.5) |
| Surplus / (Deficit) | 1.1 | (0.4) | (1.9) |
| Beginning Fund Balances | 62.9 | 64.0 | 63.6 |
| Ending Fund Balances | 64.0 | 63.6 | 61.7 |

The Graduate School of Business (GSB) continues to focus on refining the new MBA curriculum, expanding and deepening collaborations with the rest of Stanford, and completing the new Knight Management Center (KMC) campus, scheduled to open for the 2010/11 academic year. While the GSB is committed to all three of these areas, the challenging economic situation has forced the reevaluation of certain goals.

## IMPACT OF ECONOMIC DOWNTURN

The economic downturn that began in the fall of 2008 has had an impact on finances at the GSB. It is expected to reduce total revenues approximately $5 million for 2009/10. The major sources of revenue affected—the endowment, expendable giving, and executive education—make up approximately two-thirds of all GSB revenues. These revenue impacts are expected to continue over several years. In response, a process was established to reduce the operating budget for 2008/09 to bring expenses into alignment with projected revenues.

The GSB decided to focus its financial resources on its core programs: faculty teaching and research, the new MBA curriculum (now in its second year), and maintenance of the quality of the student experience in all four academic programs (MBA, PhD, the Sloan Masters Program, and executive education).

The GSB believes that 110 tenure-line faculty (up from 102 during 2008/09) are needed to sustainably and successfully offer the new MBA curriculum. Another goal is to have the PhD program be about the same size (110 students). Plans have been modified to reach these numbers more gradually than originally intended. Certain elements of the new curriculum are being reevaluated. Work has been done, for example, to make the Global Experience Requirement less costly in 2009/10 than in 2008/09. There will be a faculty review of the new curriculum during the summer, and the plan is to implement any major changes recommended for the 2010/11 academic year.

The size of the MBA class has slightly increased for fall 2009/10 and is expected to grow a bit more, along with the Sloan Masters Program, once the new campus is complete. Applications for the MBA program continue to increase, in part because of demographics and in part because of the innovative new curriculum offered. Investments are being made in student and alumni career services to help GSB graduates find jobs in a very difficult environment. Expenses associated with executive education have been reduced substantially to mirror the drop in participants and revenues.

Senior leadership of the school conducted a thorough and thoughtful evaluation of operating budget reductions. Due to the magnitude of the revenue shortfall, reductions will be needed in both program expenses and headcount. Although the budget reductions impact the entire school, they are not across the board. Budget managers identified the savings that could result from both programmatic and headcount reductions. Senior management of the school evaluated these potential savings. A midyear staff reduction was decided upon, and a layoff reduced overall staffing levels about 12% in January. Headcount was reduced another 7% by eliminating unfilled positions as well as most contract and fixed-term positions.

The plans put into place during 2008/09 are intended not only to help with the current budget shortfall, but also to preserve the long-term financial stability of the school. This is important not only for operations but also for the funding plan of the new campus, which requires the school to obtain both short-term and long-term debt financing.

Construction of the KMC will continue as planned, as it is critical for the future success of the GSB and is financed with dedicated funds. Fundraising continues, although much of it was completed prior to project approval in June 2008. The KMC is tracking well on both cost targets and schedule. The underground parking garage is under construction, and a great deal of site work for utilities and grading is under way in preparation for the first building construction to begin in late spring. Favorable bids from subcontractors have been obtained due to the economic slowdown. This has resulted in project cost reductions and improvements in the quality of materials and subcontractors.

## Consolidated Budget Overview

GSB expenses are projected to decrease about 3% from the 2008/09 year-end projection to $142.4 million in 2009/10. This decrease is primarily due to the full-year impact of the staffing reductions and programmatic cuts implemented in 2008/09. The largest driver of expenses is faculty and staff salaries. The provost decided that there would be no salary program for 2009/10, which helps to limit expense growth. Another factor driving overall expense levels is that few net new faculty will be added, which helps keep salary and other faculty related expenses flat.

The GSB expects its 2009/10 revenues to decrease 4% from the revised budget plan for 2008/09. It expects tuition revenue for degreed programs to increase 8.7%. While tuition rates have increased about 5%, the school will have more students than in 2008/09. Tuition for first-year MBA students will increase 4.9%, second-year students' tuition will be flat, and Sloan students' tuition will increase 5.0%. The school forecasts executive education revenues to decrease 5% year over year due to the continued economic downturn.

Endowment income is expected to decrease 10%. Last year, the endowment provided 35% of overall funding for the school, particularly in the areas of teaching, research, and fellowships. In addition, the school expects a decrease of 15% in expendable gifts due to the economic climate.

The school expects 2009/10 reserves to be flat relative to the projected balance for 2008/09. Although a modest operating surplus is planned, the school continues to fund surge space for the former Serra Street occupants at a cost of about $5 million per year. This impact is to reserves rather than to the operating budget. In addition, there are plans to set aside $15 million in capital toward the new campus over two years as a continuation of the Capital Facilities Fund (CFF) started last year.

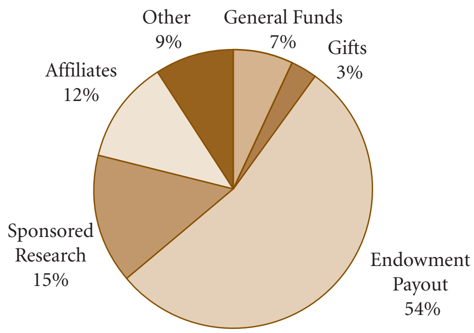
## Capital Plan

The KMC is integral to the school's plans for leadership in business education. The new campus will be completed in 2011 at a board-approved budget of $374.3 million.

The KMC is 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 campus will also satisfy and, in some cases, exceed the university's space planning guidelines.

# SCHOOL OF EARTH SCIENCES

**2009/10 Consolidated Revenues**
**$45.8 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 58.3 | 51.3 | 45.8 |
| Expenses | | | |
| Salaries and Benefits | 23.8 | 27.6 | 28.0 |
| Non-Salary | 25.7 | 16.1 | 14.7 |
| Total Expenses | 49.5 | 43.7 | 42.7 |
| Operating Results | 8.8 | 7.6 | 3.1 |
| Transfers From (to) Endowment & Other Assets | (3.2) | (3.8) | (2.5) |
| Transfers From (to) Plant | | | |
| Surplus / (Deficit) | 5.7 | 3.8 | 0.6 |
| Beginning Fund Balances | 24.8 | 30.5 | 34.3 |
| Ending Fund Balances | 30.5 | 34.3 | 34.9 |

## Impact of Economic Downturn

### Planning Directions

The current economic downturn has come in the midst of Earth Sciences' efforts to transform itself into a twenty-first-century school focused on the study of planet Earth: its mantle and crust, atmosphere, climate, oceans, land and water systems, and energy resources. This transformation began with the strategic plan of 2005 and has yielded a remarkable shift across the organization, including ten new faculty hires in the last few years. The challenge for the school now is how to continue working toward its vision and goals with substantially fewer resources during this turbulent time.

Overall, Earth Sciences is committed to completing its transformation, albeit more slowly than desired. Several key principles will guide the school's decisions over the next few years: focus resources on junior faculty; support successful shared facilities; continue efforts to diversify our student, faculty, and staff population; continue efforts to improve use of school space; and finally, protect the school's ability to return to faculty hiring within the next three years.

### Budget Reductions

Earth Sciences' budget reduction plans have been formulated with the above principles in mind. Efforts are being made to keep budget cuts away from junior faculty and shared analytical facilities that provide critical infrastructure to research and graduate student activities. And while aggressive plans for increasing diversity are on hold, activities are still planned to make headway in this area despite limited resources.

Reductions in the operating budget will be spread across the school in a variety of ways. A number of planned faculty searches have been put on hold indefinitely, including two searches that were unsuccessful in 2008. There will be spending cuts on all discretionary activities (travel, food, nonessential equipment) and modest staff reductions in administrative support in each department. Additionally, it is likely that several positions in the school's central office will be eliminated. One planned faculty retirement will also provide one-time savings, as the billet will be held open for several years.

Additional savings will come from reductions in faculty annual allocations, and discretionary funding to department chairs. These are seen as one time savings to help with a large total of outstanding commitments, primarily stemming from faculty start-up expenses for recent hires. The school will also change the way it pays out start-up packages, establishing a four year declining schedule that will allow a slower draw of school resources.

### Endowment Shortfall Implications

Earth Sciences relies heavily on endowment income as the primary source of revenue for both its operating budget (86%) and its graduate student aid budget. The anticipated decline in endowment income in 2009/10 and 2010/11 is having a substantially negative effect on faculty hiring and graduate student admissions. The school anticipates overall losses of $2.4 million in endowment income in 2009/10 and an additional $3.2 million in 2010/11. With fewer resources it will be difficult to maintain graduate student enrollment at current levels without a significant change in the school's student funding model. Options are being explored to see what other sources of funding can be brought to bear to mitigate this situation, since the school's application numbers are at a high. Just as demand is increasing for graduate training, internal resources to support these students will decline precipitously.

### Long-Term Outlook

The long-term outlook for the school is still strong, assuming a reasonable economic recovery. While the full transformation of Earth Sciences into a true twenty-first-century school will not be realized as quickly as had been hoped, it is well on its way. The infusion of new faculty over the last several years has substantially reinvigorated the school already. The slowdown in hiring will not prove disastrous, so long as hiring can be resumed within a few years. If, however, endowment income continues to decline beyond current projections, the impact on the school will be more serious and will force significant backsliding in areas where many gains have been made since 2004/05.

## Consolidated Budget Overview

The year-end projection for 2008/09 shows a year-end balance of $34.3 million, with an overall increase of $3.8 million across all fund types. Gift fund balances are projected to grow by $1.2 million due to a number of graduate fellowship gifts received midyear (and not spent) and increased revenue from PIF transferred from endowment to gift. Endowment balances are projected to grow by $1.6 million, reflecting the planned 2008/09 growth in endowment income (6.2%), the shift from endowment support to gift support for a number of graduate aid packages, and support for 2008/09 faculty hires that were not made. Finally, $500,000 in designated balances is due to increases in corporate affiliate income, and $500,000 in operating funds is due to unspent graduate incidental expenses.

Looking ahead to 2009/10, Earth Sciences will welcome five new faculty members, three of whom were hired before the economic downturn. Because of the planned and irreversible nature of these budget increases, the school's operating budget will decline less dramatically than it otherwise would. In 2009/10 Earth Sciences is projecting consolidated expenses of $42.7 million, a net decline of $1 million from the 2008/09 year-end estimate. The net result is a projected modest increase of $600,000 in fund balances, due primarily to increases in faculty start-up balances. Across all fund types, the school is projecting a balance of $34.9 million.

## Capital Plan

As mentioned above, Earth Sciences is at a crossroad and requires an investment in facilities. The school's capital plan funded from the facilities reserve for 2009/10 has three components: improved space utilization, gathering and conference spaces, and laboratory renovations.

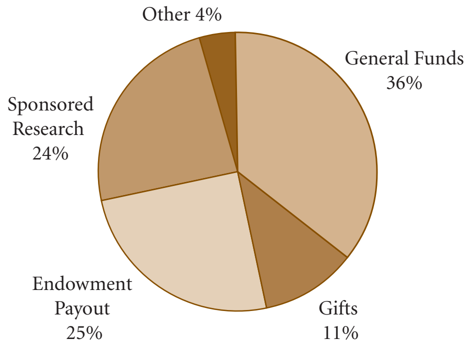
The school's need to accommodate program growth within its current footprint is an important factor driving the need for improved space utilization. As a result, the school developed a master plan in the spring of 2008 intended to bring its office spaces into alignment with the university's space guidelines. A particular focus of the plan is to provide student and faculty offices that will 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.

The school's planning also focused on the Branner Earth Sciences Library, located in the Mitchell 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 Library staff, the school developed a strategy to bring Branner into the twenty-first century, so that its space and services support the school's teaching and research needs well into the future. A Branner Library study also addressed size and relocation options. Further study is required before actual implementation.

Finally, the school's 2009/10 capital investment will include laboratory renovations in support of new faculty through consolidation of senior faculty space. Many new faculty are experimentalists with substantial wet lab needs that are unique and thus require alterations to existing facilities. In addition, faculty with significant computational research needs will put new demands on the school's computing infrastructure, requiring capital investment in this area as well.

# SCHOOL OF EDUCATION

**2009/10 Consolidated Revenues**
**$33.8 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 34.9 | 36.6 | 33.8 |
| Expenses | | | |
| Salaries and Benefits | 21.8 | 22.8 | 23.3 |
| Non-Salary | 9.8 | 11.0 | 10.2 |
| Total Expenses | 31.6 | 33.8 | 33.5 |
| Operating Results | 3.3 | 2.8 | 0.3 |
| Transfers From (to) Endowment & Other Assets | (0.9) | (1.0) | (1.0) |
| Transfers From (to) Plant | | 0.3 | |
| Surplus / (Deficit) | 2.3 | 2.0 | (0.7) |
| Beginning Fund Balances | 22.7 | 25.1 | 27.1 |
| Ending Fund Balances | 25.1 | 27.1 | 26.4 |

## Impact of Economic Downturn

The recent economic downturn has impacted the School of Education on many levels. The school's general funds allocation, endowment payout, gift revenue, and research activity will all be adversely affected.

For the past several years, the school has engaged in a number of initiatives to improve schools and community contexts for youth. These include the K–12 charter school in East Palo Alto, the Stanford Education Leadership Institute, and the John W. Gardner Center for Youth and Their Communities. The K–12 initiative has spawned the Center for the Support of Excellence in Teaching, the Center for Research on Education Policy, and an executive education program for principals. Another exciting initiative is the "open access" project, whereby faculty will broaden access to research and scholarship by making their scholarly articles available for free to the public.

The challenge for the School of Education is to keep these important programs moving forward in the face of diminishing resources. While the school has developed a plan to address much of the shortfall in revenue that supports the operating budget, programs that rely almost entirely on restricted funds have planned layoffs and will need to reduce their scope of work until new sources of funding are secured.

### General Funds

For 2009/10, the school will absorb a 13% cut to its allocation of general funds, which constitutes 36% of its consolidated budget. This has put significant strain on the budget and forced the school to make difficult decisions. It has focused on two directly related priorities: (1) maintaining the prominence of the faculty and the quality of graduate programs, and (2) sustaining an appropriate level of service and support to faculty.

The full School of Education faculty had input into the budget reduction plan following a presentation of all budget-cutting options. The presentation and ensuing discussion helped the faculty understand the trade-offs necessary in this budgetary climate and yielded a clear understanding of their priorities. The plan includes a combination of items, including giving up two faculty positions, reducing staff through attrition, and shifting resources planned for other purposes to cover ongoing operational needs. School units are also required to significantly reduce all discretionary spending. Elimination of the two faculty billets means abandoning plans to expand into critical new areas of research, such as cognitive neuroscience. However, the alternative was to further stretch an already lean staff, which has grown only modestly over the past decade despite strong growth in faculty over that period.

### Endowment

Endowment payout represents roughly one-quarter of the school's consolidated budget. About half of this $9 million supports faculty salaries, programs, and general school operations, while the other half supports graduate students. A 25% decline in endowment payout over the next two years will significantly strain the school's ability to support its graduate students at the current level. Just this year, in response to several years of very strong endowment growth, the school elected to increase graduate aid allocations for its masters programs in an effort to expend accumulated fund balances. It will retreat to historic funding levels for these students beginning in 2009/10.

With the precipitous drop in endowment market value, the school now has over a dozen "underwater" endowed funds with a cumulative shortfall of nearly $1 million. This figure would have been much higher if not for quick work to change the language on one very large fund that supports student loans. Though it hopes to have similar success in loosening payout restrictions on other underwater funds, the school is budgeting conservatively to reflect the full shortfall from these endowments. It plans to reduce expenditures supported by underwater funds but also to bridge the shortfall with use of accumulated balances until those funds yield full payout.

### Sponsored Research

The School of Education is unique in that about two-thirds of its grants and contracts income comes from nongovernment sources. As foundations have seen their endowments decline dramatically, the school anticipates less funding for its principal investigators, at least for the next several years. However, the school is increasingly looking to access federal funds; in particular, NSF or NIH.

### Gifts

The School of Education has benefited greatly in recent years from many generous gifts not just in support of new initiatives, which are essential, but also for faculty chair and graduate aid endowments that have relieved pressure on unrestricted school funds. Without these new sources of revenue, the school would be in a much worse position to address the operating shortfall. Though fundraising may be more challenging in the coming years, the school remains committed to finding new sources to support operations.

## Consolidated Budget Overview

The school projects a consolidated budget surplus of $2 million in 2008/09 after net transfers to assets. About half of this surplus will occur in the operating budget, where the school enjoyed significant salary savings due to several vacant faculty and staff positions. The remaining surplus is primarily unspent endowment payout (unusable this year due to restrictions) and growth in faculty expendable funds, which include start-up packages that are expended over a number of years.

In 2009/10, revenue is expected to decrease 9.5% and expenditures to drop slightly. This combination results in a planned consolidated budget deficit of close to $700,000, a $2.7 million decline from the strong 2008/09 surplus. Through both conservative fiscal management and very successful fundraising, the school managed to build up a sizable reserve over the past few years, and it is prepared to leverage those balances during this difficult period while still maintaining appropriate reserve levels.

On the expense side, reductions in discretionary spending and savings from staff attrition will be offset by fewer vacant faculty positions due to recent hires. The school will continue to assess staffing levels, graduate student funding, and academic priorities.

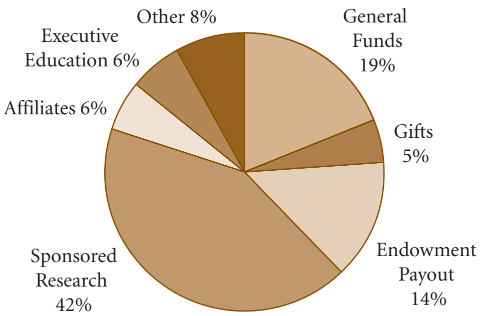
## Capital Plan

To provide leadership in academic programs and to attract outstanding students, staff, and faculty, the School of Education hopes to continue to upgrade and improve its existing spaces, but funds that were expected to be available for facilities improvements are being repurposed to cover budgetary shortfalls. In summer 2009, the School of Education building will undergo the first phase of a planned seismic retrofit. This phase will address unreinforced masonry issues with the entrances and arcades as well as the Cubberley Library. The library mezzanine will be demolished, and the library will undergo upgrades and reconfiguration to allow more efficient space use and conformity with current library standards.

The school is working to reconfigure its office space to comply with university space guidelines. A master planning study completed in 2008 includes plans for improved space utilization for faculty, administration, and students, which the school will be pursuing in 2009/10.

## SCHOOL OF ENGINEERING

**2009/10 Consolidated Revenues**
**$292.1 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 303.3 | 302.3 | 292.1 |
| Expenses | | | |
| Salaries and Benefits | 154.7 | 167.0 | 164.1 |
| Non-Salary | 117.2 | 120.1 | 118.5 |
| Total Expenses | 271.9 | 287.1 | 282.7 |
| Operating Results | 31.4 | 15.2 | 9.4 |
| Transfers From (to) Endowment & Other Assets | (9.2) | (0.2) | (0.3) |
| Transfers From (to) Plant | | (4.5) | (7.0) |
| Surplus / (Deficit) | 22.2 | 10.5 | 2.1 |
| Beginning Fund Balances | 162.4 | 184.6 | 195.1 |
| Ending Fund Balances | 184.6 | 195.1 | 197.2 |

### Impact of Economic Downturn

The School of Engineering has maintained a consistent strategic focus for the last several years, emphasizing interdisciplinary research, innovative teaching and maintaining core competencies. Its initiatives in information technology, nanoscience and nanotechnology, energy and the environment, bioengineering and curriculum innovations have progressed well this year. Several important developments are worthy of particular mention. The school is in collaboration with other units on campus in the pursuit of equipment grants for shared facilities in the Nano Center building, currently under construction and planned to open in fall 2010. The Bioengineering department will begin offering an undergraduate major in 2009-10. Both the Hasso Plattner Institute for Design and the Stanford Technology Ventures Program continue to receive prestigious awards and recognition for their innovative approach to teaching and helping students acquire a mix of skills (from "design thinking" to securing funding for entrepreneurial ventures) needed to round out traditional academic study and prepare them for leadership roles.

While the current economic situation has not affected the school's strategic focus, it is significantly constraining the resources available to pursue it. The combined effects of a cut to the school's general funds allocation and accelerated declines in endowment income payout in 2009/10 and 2010/11 amount to nearly a 10% reduction in the school's operating budget compared with 2008/09 and a nearly 21% reduction in those operating budget expenditures which may feasibly be cut. In response, the school has made some very difficult choices for 2009/10. The school's faculty will see significantly reduced administrative services and support in the Dean's Office and departments. Teaching assistantships will be reduced. Some of the school's vacant billets may also be "frozen" until new funds can be raised to support the associated salary. Many new programs, such as initiatives to renew the teaching curriculum or assist faculty with transitioning into new areas of research, have been eliminated. Development efforts and alumni relations activity will be substantially scaled back. Additional endowment income will be directed to the operating budget, reducing the school's available funds for faculty start-up packages and new initiatives.

The endowment shortfall for the School of Engineering in 2008/09 is forecast to be approximately $5.1 million, of which $1.8 million will affect the operating budget. Budget cuts to reduce the 2009/10 operating budget will be taken in the latter part of 2008/09 and will help to address this issue, along with one-time reserves and efforts by the Office of Development to explore with donors the possibility of using more of the fund principal to meet payout.

It is fortunate that the School of Engineering entered this unforeseen economic crisis in very sound financial condition and with a strong fundraising track record. Sustaining core operations will be extremely challenging in the near-term, with fewer resources and more constraints on innovation, but in the long run, the school expects to rebuild or extend its programs through fundraising and a return to stronger levels of endowment payout.

## Consolidated Budget Overview

The School of Engineering projects a consolidated operating surplus of $15.2 million in 2008/09, leading to a $10.5 million surplus after $4.7 million in transfers to assets. This is down 37% over the budgeted $24.2 million surplus, due primarily to the drop in endowment income. Sponsored research continues to be a major contributor to the School's budget, representing 39% of revenues in 2008/09. Federal grants and contracts are projected to have a lower success rate than expected but non-federal research will likely post stronger gains, with overall research results falling short of the 2008/09 budget by 2.9% but still up 3.4% from 2007/08.

In 2009/10, revenues and transfers are forecast to decrease from a projected $302.3 million in 2008/09 to $292.1 million, down 3.4%, due primarily to reductions relative to 2008/09 in general funds (-15%), loss of endowment income (-11%) and reduced expendable gift receipts, as a result of the more challenging fundraising climate (-25%). However, sponsored research is expected to increase by 2.6% and federal stimulus package awards represent a potential upside beyond this. Designated income is expected to stay roughly flat, with slight declines in revenue from the Stanford Center for Professional Development's programs offset by new contributions from affiliate programs.

Expenditures are forecast to decrease from a projected $287.1 million in 2008/09 to $282.7 million in 2009/10, down 1.5%. This is comprised of a decrease of 2.7% attributable to non-sponsored sources of funds relative to projected 2008/09 results (down from $162.5 million to $154.8 million) and an increase of 1.2% attributable to sponsored project revenue and offsetting expenditure (up from $124.6 million to $127.9 million). As a result of these combined effects in revenue and expenditure for 2009/10, operating results are forecast at $9.4 million, down 38% from the projected $15.4 million 2008/09 operating results.

The school anticipates a $2.1 million surplus in 2009/10, leading to forecast ending fund balances of $197 million. About 60% of balances fall within the school's definition of reserves, with about 20% controlled at the school level. Approximately 65% of endowment income fund balances are controlled at the school level and a large percentage of these are for endowed Chairs, faculty and student support. Plans have already been made to direct some accrued endowment income balances to capital projects in an attempt to offset the loss in the Stanford Engineering Venture Fund quasi-endowment principal, which had been the intended source for these expenditures. 48% of designated fund balances are controlled by faculty and divisions or laboratories within departments, and 71% of expendable fund balances are controlled by faculty or divisions and laboratories. A substantial percentage of expendable and designated funds are earmarked for research.

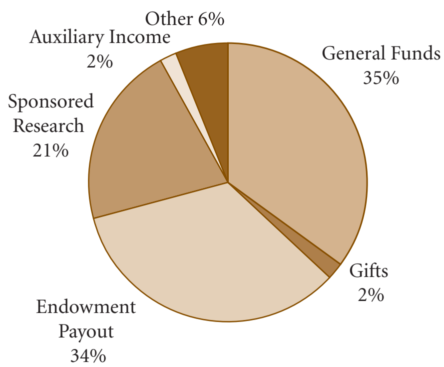
## Capital Plan

The School of Engineering has an ambitious strategic objective of housing all of its departments in "21st-century" facilities by 2012. Four of the new buildings in the Science, Engineering and Medicine campus (SEMC) are major elements in meeting this objective and are proceeding well, with the Jen-Hsun Huang Engineering Center (HEC) expected to open by fall 2010. The Automotive Innovation Facility and renovation of the Peterson building to house the Hasso Plattner Institute of Design will be complete by fall 2009. Regretfully, the school has had to suspend a number of capital projects due to the loss in market value of reserve funds intended to finance construction. The Green Dorm, the new Mechanical Engineering building (on the site of Building 630) and Panama Mall renovation projects in Buildings 02-520, 02-524, 02-560 and Durand, all previously identified as forecasted construction projects in the 2008/09-2010/11 Capital Plan, have been placed on hold and appear in the Suspended Projects table in Section 4.

Sustainability is central to the School of Engineering's approach to both new buildings and renovations. The early success of the Yang and Yamazaki Environment and Energy Building has led to more ambitious goals for increased efficiency of energy and water use for the additional buildings in the SEMC. The Jen-Hsun Huang Engineering Center is being designed to reduce peak energy demand by 37% (including plug loads) compared with a similar building of more traditional design. The installation of infrastructure for solar panels to enable on-site power generation may enable further utility savings in the future. The school is also employing sustainable materials for the interior and exterior finishes of the HEC.

## SCHOOL OF HUMANITIES & SCIENCES

**2009/10 Consolidated Revenues**
**$378.8 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 388.0 | 396.1 | 378.8 |
| Expenses | | | |
| Salaries and Benefits | 211.1 | 224.5 | 224.7 |
| Non-Salary | 131.3 | 140.3 | 141.9 |
| Total Expenses | 342.4 | 364.9 | 366.6 |
| Operating Results | 45.7 | 31.3 | 12.2 |
| Transfers From (to) Endowment & Other Assets | (13.2) | 0.7 | (0.3) |
| Transfers From (to) Plant | | (6.9) | (5.0) |
| Surplus / (Deficit) | 32.4 | 25.0 | 6.8 |
| Beginning Fund Balances | 174.0 | 206.4 | 231.4 |
| Ending Fund Balances | 206.4 | 231.4 | 238.2 |

### Impact of Economic Downturn

The current economic downturn presents opportunities to continue the prioritization and optimization processes that have improved the school's position during the past two years. 2009/10 base general funds were reduced by $16.4 million. Endowment payout will decrease by 10%, reducing funding by an additional $14.2 million. A portion of the endowment payout decrease will be funded by additional general funds from the provost, offsetting $8.5 million of this endowment decrease. The total impact of these changes is a $22.1 million decrease in H&S funding streams – 6.1% of the school's consolidated total.

In addition, endowments with market values that are less than book value are projected to create payout shortfalls of $22.9 million. $18.5 million of the projected shortfall is in Dean's Office-controlled endowments: primarily Hewlett, endowed chairs, and graduate aid funds. The majority of the $4.4 million department and program shortfalls are localized in a few programs that are almost entirely supported by endowment. Budgets in these programs are under evaluation to balance support of an adequate level of activity with long-term conservation of endowment principal. 2008/09 and 2009/10 projections assume full use of payout where donors have adopted the new prudent payout rule and assume that 80% of remaining donors will also adopt the new language, leaving unfunded shortfalls of $2.5 million.

Endowment payout is projected to decrease an additional $19.9 million (15%) in 2010/11. While some portion of this decrease will be mitigated by additional general funds, H&S is already beginning the planning process for dealing with a significant additional decrease.

The school is embarking on a number of immediate and longer-term budget reduction plans. Staff salary and EM&S funding to H&S departments will be reduced by 10% while interdepartmental programs will take larger cuts. Overall the school projects a reduction of 25 staff positions through layoffs and attrition. The Dean's Office will reduce expenditures through staff reductions and funding decreases to functional areas, facilities projects, and other support programs. Longer term, the school will evaluate the consolidation of several interdisciplinary programs, achieving some savings by moving administrative responsibilities to departments. These changes will be difficult but should serve the school well over the long run. During the short term, the school has also put a moratorium on faculty hiring. The resulting net decrease in H&S faculty will achieve significant savings in salaries and one-time startup costs. The school has also frozen graduate aid funding in order to achieve a balanced budget, shifting $3 million of costs to department-controlled endowment flows and accumulated balances. Both of these areas are strategic priorities for the school and reductions are neither in the school's long-term interest nor are they sustainable. These actions will be reevaluated as the school develops additional reduction plans responding to the most recent downturn in endowment payout.

## Consolidated Budget Overview

H&S projects a $6.8 million consolidated budget surplus for 2009/10 after transferring $5 million to plant. Consolidated expenses are projected to rise marginally over 2008/09 forecast levels while salary expenses decrease $2.4 million as a result of faculty searches put on hold and staff layoffs. Consolidated fund balances are projected to total $238.2 million at year-end. Designated fund balances are projected to grow $1.9 million, slowing significantly from 2008/09 rates. Transfers of recruitment and retention packages to faculty support accounts have been adjusted downward to more closely match actual spending rates. For several years, transfers were made at a predetermined rate, which exceeded actual spending patterns. This change conserves Dean's Office resources and halts the growth of support account balances that has been experienced for the past four years. An additional $2 million of designated reserves will provide operating budget support, replacing funding from endowments with payout shortfalls.

Endowment balances are projected to increase by $2.3 million. In previous years much of the school's consolidated fund balance growth has been in endowments – primarily department and program-controlled funds and smaller amounts in restricted endowed chairs in the Dean's Office. Endowment balances grew by $4.9 million in 2007/08, but reflected capitalization of $13 million of accumulated balances. 2009/10 growth is projected to decrease because of reduced payout amounts, underwater funds with payout shortfalls, and increased use of flows and balances to support continuing operating budget expenses. Departments and programs are projected to increase use of endowment payout by $2 million to continue operating activities that were previously supported by Dean's Office endowments and general funds. Operating budget support from Dean's Office endowments is projected to decrease by 10% since useable endowments are being fully used.

## Capital Plan

The school has initiated a significant facilities planning effort 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) is planned to move 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. 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.

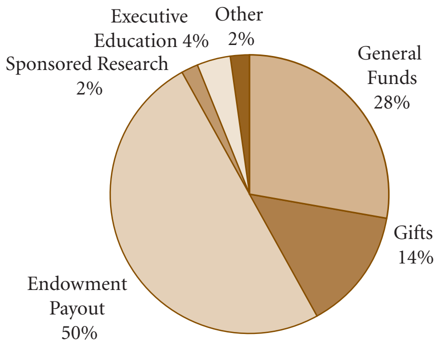
Recently, H&S completed an extensive reallocation and reconfiguration of academic space in many areas of the Main Quad. This project helped the school accomplish pressing programmatic goals and better meet the University space guidelines. Additional moves on the Main Quad will continue to pursue the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

The school has begun a project to renovate space within Jordan Hall for the Psychology Department to house the new Cognitive and Neurobiological Imaging Center (CNI). The construction of the center will include installation of a MRI scanner, associated equipment and support spaces. The center will provide resources for researchers and students concerning imaging principles and methods used in cognitive and neurobiological sciences.

The impact of the economic downturn on funding and budget constraints has resulted in a delay of the new Biology (SEMC) building and Art building (Old Anatomy Renovation). These projects are included on the Suspended Projects table, found in Section 4, Capital Budget and three-year Capital Plan.

# SCHOOL OF LAW

**2009/10 Consolidated Revenues**
**$61.1 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 59.6 | 62.0 | 61.1 |
| Expenses | | | |
| Salaries and Benefits | 36.2 | 38.5 | 37.3 |
| Non-Salary | 16.8 | 19.8 | 19.2 |
| Total Expenses | 53.0 | 58.3 | 56.5 |
| Operating Results | 6.6 | 3.6 | 4.7 |
| Transfers From (to) Endowment & Other Assets | (2.7) | (1.5) | (1.5) |
| Transfers From (to) Plant | | (4.5) | (3.0) |
| Surplus / (Deficit) | 3.9 | (2.4) | 0.2 |
| Beginning Fund Balances | 21.4 | 25.3 | 22.9 |
| Ending Fund Balances | 25.3 | 22.9 | 23.1 |

## Impact of Economic Downturn

Economic disruptions are never welcome. They are especially challenging when an organization is in the midst of a sweeping programmatic transformation, as the Stanford Law School (SLS) is. With that in mind, three overarching principles were diligently applied to the 2009/10 SLS budget process, striking a delicate balance between continuing program evolution and the extreme budget ramifications of the severe global economic downturn.

For four straight years, Stanford Law School has been making unprecedented, rapid, and dramatic changes to its program. While steadily growing, the school has been careful to reduce unnecessary expenditures and to make operations more efficient. Hence, recent years' budgets have incorporated savings from the elimination or reallocation of resources. One consequence is that ineffective SLS programs no longer exist. As a result, creativity and flexibility are needed to reduce the school's budget while maintaining the momentum generated by successful new programs.

The first principle guiding the 2009/10 budget process is minimization of change in interdisciplinary, clinical, and public service programs. Without question, these are the most important new developments in the SLS curriculum, and the school has reaped substantial benefits from inaugurating or enhancing them; it would be a serious mistake to sacrifice these now. This is particularly true in 2009/10, the year SLS makes the long-awaited full transition to the quarter system. Many of the advantages this system offers students, faculty, and alumni are connected to these three programs, and failure to deliver would be devastating—particularly as the economic downturn is already exacerbating the greatest risk associated with changing to quarters, namely, limitation of opportunities in the summer job market.

The second guiding principle is that budget reductions need to be achieved without slowing the efforts to increase the school's faculty. Peer law schools are not changing their faculty hiring plans or practices, and SLS cannot deviate in this respect. A hiring freeze or even a significant slowdown of faculty recruitment would, among other things, make SLS more vulnerable to lateral losses.

Third, budget reductions should be spread throughout the school, so all faculty and staff share the hardships.

These three guiding principles explain much of what SLS has done—and not done—in the 2009/10 Consolidated Budget Plan. While it has reduced expenses in the law clinic and public service program, for instance, it has kept these cuts to a minimum. Similarly, the curriculum advising project and funding for joint degree and graduate students have not been impacted. SLS has, moreover, proposed income enhancements in addition to budget reductions to ensure adequate funding for faculty hiring. Also, some of the smaller reductions, such as modest cuts in faculty research accounts, were incorporated into the budget to ensure that everyone shares the burden of resource constraints. In other words, there is an overarching budget plan, one designed to meet the university's requirements while enabling SLS to continue to flourish in the years to come.

Finally, Stanford Law School is continuing to devote significant financial and staffing resources to the new Academic and Clinic Building, both by transferring assets to plant and by focusing considerable new effort on fundraising for the building. Additionally, the dean is endeavoring to work with faculty leaders of academic program centers to use associated available restricted funds first, thereby unburdening unrestricted funds for direction toward the building.

## Consolidated Budget Overview

The enormity of the global economic downturn has negatively impacted SLS's 2009/10 Consolidated Budget, which in many ways is a continuation of the measures the school commenced in 2008/09 to ensure long-term financial prosperity. The economic situation has permeated both revenue and expense in a devastating manner that seemed unfathomable only months ago.

Without question, the most unpredictable component of the budget plan is endowment income. Endowment market value has declined approximately 30%, which will reduce payout 10% to approximately $31 million. However, these figures are still tenuous given the uncertain state of the global markets, and are further complicated by the classification of newer endowment funds as underwater due to the precipitous decline of the endowment. The exact amount of the endowment reduction is still unknown, but its impact on the school's budget is crucial.

SLS is projecting a slight surplus in 2009/10. Consolidated revenues are $61.1 million, down $821,000 from 2008/09 projected year-end revenue. Consolidated expenses have declined to $56.5 million, down $1.8 million from 2008/09 anticipated year-end expense. After accounting for transfers to plant ($3 million) and transfers to student loan ($1.5 million), SLS projects a surplus of about $183,000. This leaves the school's fund balances relatively constant at $23 million. Nevertheless, it is quite possible that prolonged economic uncertainty, especially pertaining to revenue, along with unforeseen capital expenditures, would require continuation of the erosion of SLS fund balances that began in 2008/09.

## Capital Plan

The Munger Residence Hall is near completion. This facility, planned to open in 2009/10, will house 600 students and include a Great Hall that seats 250, a full catering kitchen to support the Great Hall and Café, a convenience store, and meeting rooms for both student use and executive education programs.

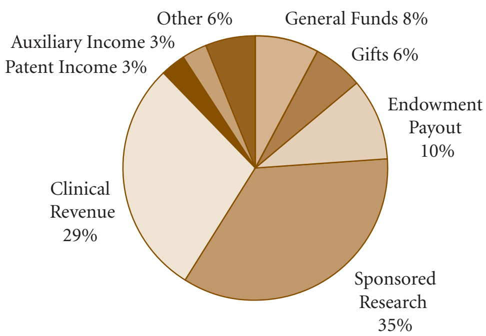
Sustainability features in the Munger project include water conservation technologies, a high level of natural lighting, and drought-tolerant landscaping. The most significant sustainability strategy has been efficient land use planning involving higher-density development. The project also will bring 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.

SLS plans to break ground on a new Academic and Clinic Building in summer 2009. This facility will provide specialized space needed for planned expansion of clinical activities and for work in empirical legal studies. This three-story building will cost approximately $71 million, including both the demolition of Kresge Auditorium and the construction of a connective quad and site elements. In addition, the school is developing a phased strategy for the renovation of Crown Quadrangle to repurpose its facilities and maximize space efficiencies.

The design for the new building incorporates natural light and exterior views along with exterior courtyards to maximize daylighting. Energy conservation features, including operable windows, lighting and HVAC controls, and sun-shading options, are integral parts of the project design, as are water conservation measures. The design team's objective is to meet or exceed the university goals for a 30% reduction in energy demand.

# SCHOOL OF MEDICINE

**2009/10 Consolidated Revenues**
**$1,245.4 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 1,137.2 | 1,188.0 | 1,245.4 |
| Expenses | | | |
| Salaries and Benefits | 634.3 | 677.2 | 710.7 |
| Non-Salary | 442.8 | 459.2 | 496.7 |
| Total Expenses | 1,077.1 | 1,136.4 | 1,207.5 |
| Operating Results | 60.1 | 51.6 | 38.0 |
| Transfers From (to) Endowment & Other Assets | (20.8) | (32.3) | (18.0) |
| Transfers From (to) Plant | (53.9) | (13.4) | (17.1) |
| Surplus / (Deficit) | (14.7) | 5.8 | 2.8 |
| Beginning Fund Balances | 458.3 | 443.7 | 449.5 |
| Ending Fund Balances | 443.7 | 449.5 | 452.3 |

## Impact of Economic Downturn

The global events and worsening recession since the fall of 2008 have had unprecedented negative impacts on the school's endowment, interest income, and financial reserves. Several not-for-profit foundations that provide research support have reduced or delayed grant funds. However, with the passage of the federal stimulus act, our faculty are applying for NIH "stimulus" grants, which will expand research activities over the next two years.

Academic medical centers serve as the wellspring of discovery and innovation. They educate and train physicians and healthcare professionals for the future. These difficult times present challenges and require hard choices. The school has joined the university in eliminating salary increases for faculty and staff in 2009/10, although promotions will continue in select cases. The school will implement 10% program reductions in selected areas by scaling back non-compensation expenses and by reducing a limited number of staff The school will continue to focus on its strategic goals, set by faculty, students, and staff over the past eight years. These goals have redefined the school and established an institutional agenda to preserve and advance interdisciplinary and translational research and education, and to advance excellence in patient care.

In education, the various changes include the following highlights:

- ongoing implementation of a new curriculum (introduced in the fall of 2003)
- improved support for graduate student tuition and education
- the Masters of Science in Medicine program for PhD students, which is a training ground for the next generation of researchers focusing on translating discoveries into patient therapies and cures
- the Advanced Residency at Stanford program, which allows clinical fellows to help develop physicians with comprehensive research training

In research, the school recently received the "Clinical and Translational Science Award" from the National Institutes of Health (NIH), and during the same year became a National Cancer Institute–designated Cancer Center. It continues to promote translational and interdisciplinary research and to pursue translational medicine through the Stanford Institutes of Medicine and Strategic Centers, and the growth and development of Bio-X and the Department of Bioengineering.

## Consolidated Budget Overview

In 2009/10, the school is projecting an overall surplus of $2.8 million based on a surplus from operations of $38.0 million and a transfer of $35.1 million to plant and endowment. The school is fortunate in that its research and clinical missions are continuing to grow. Key components of the 2009/10 plan include the following:

- Expenses are projected to increase 6.3% over the projected 2008/09 results, while revenues and transfers are projected to increase 4.8%.
- Of the school's total revenue and transfers, sponsored research generates 34.7%; revenues from clinical operations and tuition contribute 25.4% and 3.4%, respectively. Expendable gifts, endowment income, and other designated income, such as patent income, constitute the majority of the remainder.
- The school plans to set aside $10.0 million in the Capital Facilities Fund (CFF) for future capital projects, including the Foundations in Medicine (FIM) #1 Building and the Freidenrich Center for Translational Research.

**Revenue Growth**

Revenue and transfers are projected to increase 4.8% for 2009/10 over the projected 2008/09 results, from $1,188.0 million to $1,245.4 million. Key drivers of the revenue growth are the following:

- Federal and nonfederal sponsored research revenue is projected to grow 13.6%, reflecting the effect of ARRA incremental funding to the NIH, a higher indirect cost rate on NIH grants, incremental faculty, and new awards from the California Institute of Regenerative Medicine.
- Clinical professional service agreement and service payment revenues are projected to grow 2.5%, primarily as a result of clinical programs expansion, including the opening of the Stanford Medicine Outpatient Center in Redwood City in February 2009 and increases in the payments from Lucile Packard Children's Hospital.
- These increases are offset by substantial declines in both endowment income and investment income. Endowment income is projected to decrease 7.6%, reflecting a 10% payout decrease on existing assets offset by a modest influx of new gifts. Due to the anticipated change in the Board of Trustees policy on expendable funds pool income, the school is projecting no income from zero-interest fund balances, resulting in a $17.4 million, or 93.5%, drop in income, from $18.6 million in 2008/09 to $1.2 million in 2009/10.
- Gift revenue is expected to remain flat at the 2008/09 level, which was substantially lower than the level in 2007/08.

**Expense Growth**

The school's 2009/10 budget plan includes the projected net recruitment of 43 incremental faculty –25 from the Medical Center line and 20 from the university tenure line – and their associated program and staff support. The incremental faculty will be recruited primarily for the interdisciplinary institutes, bioengineering, genetics/genomics, and the cancer center, and to support growth in the clinical practices.

Expenses are projected to increase 6.3%, or $71.1 million, compared to projected 2008/09 results. The major components of this increase are:

- A $17.8 million increase in annual compensation for academic and staff salaries and net vacation is primarily from the associated compensation related to the recruitment of incremental faculty
- A $15.7 million increase in employee benefits and other compensation for academic and staff employees reflecting primarily the benefit rate increase
- A $37.7 million increase in non-compensation expenditures, primarily driven by a net payment to the hospitals for the school's usage of hospital space for academic and research purposes, incremental sponsored research expenses, and increases in operations and maintenance project expenses

**Transfers to Plant, Endowment, and Other Assets**

The projected transfers to plant of $17.1 million include $4.3 million for FIM #1 Building design, $3.0 million for Freidenrich Center planning and design, $2.0 million for Academic Walk, and $2.7 million to fund strategic capital projects. The remaining portion ($5.1M) will be spent on various smaller projects. The projected transfer totals $18.0 million, with $10.0 million going to the Capital Facilities Fund. Transfers to endowment are the balance, and include investments in quasi endowment totaling $8.0 million.

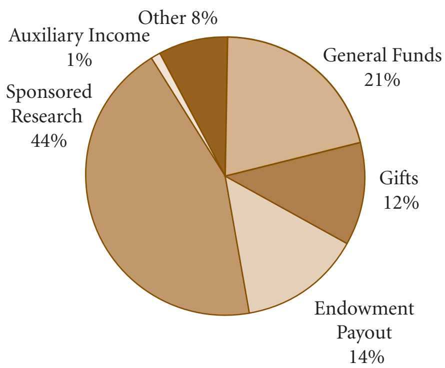
## Capital Plan

The Li Ka Shing Center for Learning and Knowledge (LKSC) is planned to open in winter 2010. This facility will provide space to satisfy critical program requirements related to medical and graduate education, including simulation-based classrooms and conference facilities.

In addition, the Lorry I. Lokey Stem Cell Research Building (formerly the Stanford Institutes of Medicine #1 building) will be completed by summer 2010.

# VICE PROVOST AND DEAN OF RESEARCH

**2009/10 Consolidated Revenues**
**$156.3 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 231.6 | 165.4 | 156.3 |
| Expenses | | | |
| Salaries and Benefits | 78.7 | 86.4 | 88.4 |
| Non-Salary | 82.5 | 88.4 | 78.0 |
| Total Expenses | 161.2 | 174.8 | 166.4 |
| Operating Results | 70.4 | (9.4) | (10.0) |
| Transfers From (to) Endowment & Other Assets | (75.5) | (19.7) | 0.5 |
| Transfers From (to) Plant | | (2.5) | (4.5) |
| Surplus / (Deficit) | (5.1) | (31.5) | (14.0) |
| Beginning Fund Balances | 383.6 | 378.5 | 347.0 |
| Ending Fund Balances | 378.5 | 347.0 | 333.0 |

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

## Impact of Economic Downturn

DoR's laboratories, institutes and centers are striving to minimize the impact of the economic downturn. They are typically funded by a combination of sponsored research, gifts, endowments, base and one-time general funds, and are impacted by the decline in all funding sources. Some units with diverse sources of income will be able to shift expenses to alternative funding sources to support programs and operations while others will need to reduce staff and programs. Core programs will be maintained although some elements, such as workshops and symposia will be reduced in scope and frequency; reductions will limit research fellowships that are a major activity of several centers, e.g. the Stanford Humanities Center (SHC) and the Center for Advanced Study in the Behavioral Sciences (CASBS). All of the independent labs and centers will have to reduce the seed funding they are able to provide for pilot research projects. The Dean's office will offer increased services to its units to make up for anticipated shortfalls in staff for human resources, finance and research administration, which will have an impact on central DoR activities. In addition, the independent laboratories are continuing efforts to share staff between laboratories to increase efficiencies and to take advantage of expertise within the laboratories.

The DoR general funds allocation for fiscal year 2009/10 is reduced by $3.8 million. As a result, the independent laboratories will reduce expenses and staff, shift expenses to alternative fund sources or will spend prior year funds, including reserves. Because the administrative units are primarily funded by general funds, they have limited opportunities to use alternative funds and will therefore reduce expenses and staff. Operations will be curtailed and they will focus on life safety, laboratory safety, and regulatory compliance.

The reduced endowment payout and projected shortfall will limit the ability of units to shift expenses previously funded by general funds to endowments. There are also centers that rely solely on endowment and gifts. The independent institutes and centers most affected are the Freeman Spogli Institute for International Studies (FSI), the Stanford Institute for Economic Policy Research (SIEPR), CASBS, SHC, and the Woods Institute. These units will need to reduce expenses and spend reserves while attempting to maintain their core missions.

The short term outlook for sponsored research is potentially favorable in some fields due to stimulus funding opportunities. Even though faculty are in a strong position to submit proposals as the agencies announce requests for proposals, it is unclear how much funding will be available for new research proposals. Some of the agencies are funding proposals previously submitted but not funded. It is expected that a limited number of laboratories will be successful in obtaining stimulus funding specifically for facilities and instrumentation grants due to the limit of proposals that can be submitted from each institution. Although the long-term outlook is unclear, DoR anticipates that the independent laboratories, institutes, centers and administrative units will emerge strong and focused on their core missions. Stanford's research programs reflect expertise, creativity and initiative of the faculty who set the research agenda, and who have a long tradition of engaging with their colleagues and students to work across disciplines. New initiatives continue to break down the academic boundaries and bring together collaborative teams of experts to address major societal issues, such as those related to human health, environmental sustainability and international peace and security.

## Consolidated Budget Overview

DoR units are projecting a planned deficit of $14 million in 2009/10. Some independent laboratories receive gifts for multiple years in advance. These gifts are spent over several years. Adding to the planned deficit is the Dean's contribution towards building fit-up and equipment for shared facilities. In addition, due to the $3.8 million reduction in general funds, some units will spend more gift and endowment fund balances than usual.

Total revenue is projected to decrease approximately 5% ($9 million), from $165 million in 2008/09 to $156 million in 2009/10. This is mainly due to projected decreases in externally sponsored research activity, including funding received and distributed for internal research awards, and endowment revenue. Gift revenue is projected to remain approximately the same.

DoR total expenses are projected to decrease approximately 5% ($8 million), from $175 million in 2008/09 to $166 million in 2009/10. Operating budget expenses are projected to decrease while gift and endowment expenses are projected to increase. Externally funded research expenses are projected to decrease 2%, from $70.5 million in 2008/09 to $69 million in 2009/10. This includes federal research expenses which are projected to remain approximately the same at $39 million and non-federal research expenses which are projected to decrease 4% from $31 million to $30 million. Compensation expenses are projected to increase 2% ($2 million), from $86 million in 2008/09 to $88 million in 2009/10, primarily for academic salaries. Non-compensation expenses are projected to decrease approximately 12% ($10.4 million). Adjusting for two large equipment purchases for shared facilities in 2008/09, the decrease in non-compensation expenses is projected to be approximately 3% ($2.7 million).

## Capital Plan

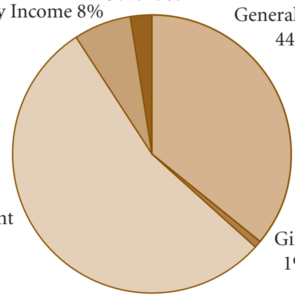
Capital facilities play a key role in DoR's support of Stanford's research goals. In addition to being integrally involved in the development of SEQ II, DoR is working on a new building for SIEPR, the John and Cynthia Fry Gunn Building (due to be completed in fall 2009), a Stanford in China Center (due to open in 2010), 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. The Center for Nanoscale Science and Technology building will house the Ginzton laboratory and shared facilities to support multidisciplinary research teams using the most advanced equipment available for investigations at the nanoscale level. The Gunn Building will provide specialized research laboratories along with conference facilities.

Sustainability goals have been key design criteria for SEQ II. For example, the Center for Nanoscale Science and Technology is designed to reduce peak energy demand by a minimum of 18% dependent upon the extent of equipment plug loads. Like the Jen-Hsun Huang Engineering Center, the Center for Nanoscale Science and Technology will rely upon natural ventilation to reduce the size of mechanical ventilation units for non-laboratory spaces. Utility systems will be right-sized to reduce energy consumption in the laboratories, and potable water consumption will be reduced by 65% by using lake water for irrigation and blowdown water from the university's Central Energy Facility for plumbing fixtures.

The impact of the economic downturn on funding and budget constraints has resulted in an anticipated delay of the renovation of Encina Hall complex as an objective of the International Initiative. The Encina Renovation, previously identified as a Forecasted Construction Project in the 2008/09-2010/11 Capital Plan, is included in the Suspended Projects table, found in Section 4 - Capital Budget and three-year Capital Plan.

# VICE PROVOST FOR UNDERGRADUATE EDUCATION

**2009/10 Consolidated Revenues $39.3 Million***




*Revenue excludes $9.0 million transferred to schools in support of undergraduate education, primarily for undergraduate research and introductory seminars.

[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 38.8 | 35.9 | 39.3 |
| Expenses | | | |
| Salaries and Benefits | 22.3 | 25.8 | 23.4 |
| Non-Salary | 14.4 | 13.7 | 14.1 |
| Total Expenses | 36.7 | 39.5 | 37.6 |
| Operating Results | 2.2 | (3.6) | 1.7 |
| Transfers From (to) Endowment & Other Assets | (2.1) | | |
| Transfers From (to) Plant | | | |
| Surplus / (Deficit) | 0.1 | (3.6) | 1.7 |
| Beginning Fund Balances | 17.2 | 17.3 | 13.7 |
| Ending Fund Balances | 17.3 | 13.7 | 15.4 |

The Office of the Vice Provost for Undergraduate Education (VPUE) continues to build upon the strategic goals of the past few years while adjusting current and future spending plans to cope with the economic downturn. VPUE is developing a leaner organization that will protect the flagship programs that have been the hallmark of Stanford's renaissance in undergraduate education and will extend the hard-fought gains in undergraduate advising. Where possible VPUE will also continue to innovate and develop new or enhanced programs that further enrich our students' experiences.

## Impact of Economic Downturn

### Planning Directions

As VPUE began the normal budgeting cycle in the fall of 2008 it became aware that many of its financial assumptions would change significantly from those of recent years. VPUE modeled extensively the three broad areas of revenue reductions it would confront: (1) a reduced allocation of general funds, (2) declining endowment income due to sharply reduced portfolio values, and (3) near-elimination of income from "underwater" endowment funds. VPUE also modeled the effects of various valuations of the dollar against foreign currencies, given their powerful role in the budget of the Bing Overseas Studies Program (BOSP).

In a series of cabinet meetings, VPUE identified the core missions and program elements established over the past decade. Later in the process VPUE consulted with its internal advisory board, the Undergraduate Advisory Council, to validate its decisions. VPUE also began an extensive planning exercise designed to identify all possible administrative efficiencies and cost savings. Approximately fifteen VPUE directors and managers participated in these intensive and broad-based efforts.

### Budget Reductions

All VPUE programs were scrutinized for possible reconfiguration, reduction, or elimination. VPUE concluded that the following programs would be spared from budget–based reductions: (1) Freshman Seminars; (2) the Large-Course Enhancement Program, a partnership with Mathematics, Chemistry, Economics, and Psychology; and (3) the academic-quarter-length overseas campus programs offered through BOSP. VPUE projects no material reductions in the scale of these programs during 2009/10.

VPUE has reduced the funds available to several "scalable" programs, including Sophomore Seminars, Overseas Seminars, Sophomore College, Undergraduate Research, and a variety of curriculum development and enhancement grants. Reductions of 10% to 20% are typical. VPUE believes that it will continue to offer some of the largest and best programs in education despite these reductions.

Consistent with the founding of an extended professional advising team, VPUE has de-emphasized peer advising and moved to eliminate several tiers of paid student workers. VPUE has also notified the continuing volunteer advising core, comprising faculty and academic staff, that it will no longer provide the small honoraria of the past few years.

Staff reductions have been an unfortunate but required outcome of this work. Eight positions have been attrited and another 16 eliminated by layoff. At the same time, the extensive administrative and programmatic consolidation and reorganization has created six new positions. Thus VPUE plans a net reduction of 18 staff, from a base of approximately 110 (exclusive of some 70 lecturers in the Program in Writing and Rhetoric and Introduction to the Humanities).

#### Endowment Shortfall Implications

Driven by its heavy reliance on endowment income, VPUE has successfully sought to establish a reasonable level of reserves, opening the year with an aggregate balance of more than $17 million on a consolidated budget of $51 million. VPUE will prudently deploy these reserves, but of course deployment will deplete them. Facing the possibility of a $10.5 million reduction in endowment income in 2008/09 (due to underwater funds) and a similar projection for 2009/10, VPUE recognized quite early the need for significant expenditure reductions despite its reserves. The need to maintain a prudent level of reserves, coupled with its best estimates of income, drives the level of expense reductions VPUE will seek.

VPUE is working closely with the Office of Development to investigate the possibility of relief from underwater endowments. Thankfully, after a thorough review of VPUE fund authorizations, Development has identified funds that, although technically underwater, may nevertheless provide full payout, totaling nearly $3 million of relief. VPUE's modeling assumes that its remaining funds will see 25% relief at the end of 2008/09 and 75% relief in subsequent years. The combination of these factors will decrease VPUE's 2008/09 endowment income shortfall to $5.8 million.

#### Long-Term Outlook

VPUE does not expect to see an inflation-adjusted return to the buying power of its 2007/08 budget for six to ten years. VPUE has been aggressive in seeking administrative efficiencies and has sought to protect as much as possible those experiences that help define Stanford's unique undergraduate experience.

## Consolidated Budget Overview

#### 2009/10 Bottom-Line Projection

VPUE projects a consolidated surplus of $1.7 million in 2009/10, enabled by two main drivers. The first is VPUE's implementation of significant budget reductions through administrative efficiencies, reductions in scalable programs, and staff layoffs. These actions will decrease total expenditures $4 million from the prior year, although with inflation expenditures will only decrease $2 million. The other main driver is the projected 75% relief from underwater endowments.

#### 2009/10 Budget versus 2008/09 Projection

In 2008/09, VPUE benefited from $800,000 in term funding from the president and provost for academic enhancements, such as interdisciplinary course development, increased undergraduate research, enhanced residence programs, additional academic directors, and writing and rhetoric course work. Funding for these items ended in 2008/09 and has been assumed by VPUE's operating budget. New funding of $300,000 for a September "Arts Intensive" program and $380,000 for creation of the BOSP South Africa program will come from the president in 2009/10.

Expense control will be paramount in 2009/10. VPUE's plans encompass very specific actions, some of which are already under way. The 2009/10 plan will deliver the same high-quality, unique, and enriching undergraduate experience, but in a much more focused manner through a much leaner organization.

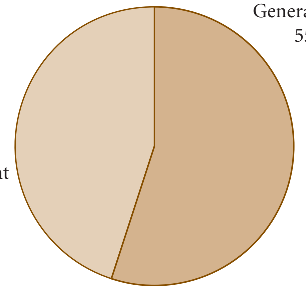
## Capital Plan

The university's tightly constrained space situation motivated a significant internal renovation of Sweet Hall, completed in December 2008. This renovation provided a more inviting and engaging physical presence for students, VPUE staff, and visitors, while permitting more than 70 VPUE employees housed in the Main Quad to vacate their spaces for redeployment to the School of Humanities and Sciences.

This is an important demonstration project for Stanford, as models drawn from it will be used across the campus to test ideas about efficiency of building systems, application of space guidelines, sustainability, and functional use of space. For example, only 20% of individual spaces in Sweet Hall are private offices, while 80% are within shared offices or cubicles.

# VICE PROVOST FOR GRADUATE EDUCATION

**2009/10 Consolidated Revenues**
**$4.2 Million***




*Revenue excludes $29.1 million in Stanford Graduate Fellowships transferred to schools but includes $3.7 million of presidential endowment funding not reflected in table at right.

[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 10.9 | 10.6 | 4.2 |
| Expenses | | | |
| Salaries and Benefits | 1.3 | 2.0 | 1.8 |
| Non-Salary | 1.0 | 3.4 | 4.1 |
| Total Expenses | 2.3 | 5.3 | 5.9 |
| Operating Results | 8.6 | 5.3 | (1.6) |
| Transfers From (to) Endowment & Other Assets | (0.2) | | |
| Transfers From (to) Plant | | | |
| Surplus / (Deficit) | 8.4 | 5.3 | (1.6) |
| Beginning Fund Balances | 20.0 | 28.4 | 33.7 |
| Ending Fund Balances | 28.4 | 33.7 | 32.1 |

## Initiatives and Priorities

The Office of the Vice Provost for Graduate Education (VPGE) works across all seven schools at Stanford University to enhance the quality of graduate education, so that Stanford remains at the forefront of innovation and excellence in graduate education around the world. The VPGE Office also helps address systemic challenges in graduate education through collaborative problem-solving across the university.

Having completed its second year, the VPGE Office has focused on intensive planning, expanding pilot programs that address critical university priorities in graduate education, and—where possible—increasing direct funding to graduate students. As a new unit with a broad mandate and a lean staff, VPGE has inherent flexibility to be responsive to needs around the university. In order to make the requested budget reductions, VPGE has selectively reduced funds to current programs, placed "on hold" the roll out of new programs, and identified efficiencies across all programs and operations.

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

### Graduate Diversity

VPGE develops programs and events targeted for university-wide recruiting, enhancing the educational experience of current students, and promoting academic careers. VPGE supports a variety of recruitment activities to increase the attractiveness of Stanford graduate programs to a broadly defined diverse population.

In order to better prepare graduate students from diverse backgrounds for academic careers, the VPGE has developed a $4.5 million four-year pilot program to provide two-year fellowships, faculty mentors and seminars on the academic profession to 36 advanced doctoral students. The new program, known as the DARE—Diversifying Academia, Recruiting Excellence—Fellowship Program, will also require $1 million to support four fellows serving in one-year acting assistant professor appointments after completing the program and their PhDs. DARE was launched this year with 104 applications competing for the first cohort of 12 fellowships.

### Cross-school Learning Opportunities

VPGE is creating activities that promote students' exploration beyond their disciplines. These programs encourage students to engage in cross-disciplinary dialogues and networks.

The Stanford Graduate Summer Institute (SGSI) provides courses for matriculated graduate students to attend at no cost to them. These week-long sessions create collaboration among students who learn about topics such as Global Warming, Green Buildings, Managing Teams, and Design. The Stanford Institute for Entrepreneurship (SIE), offered by the GSB for graduate students in non-business fields, provides a month long course for graduate students and tuition is supplemented by VPGE. Focus group interviews reveal many benefits, ranging from networking and learning about new fields to individual gains in motivation and productivity. Over 220 students have participated in SGSI and SIE each summer.

**Innovation in Graduate Education**

To maintain excellence in graduate education at Stanford, core graduate degree-granting programs are supported to develop new educational practices. VPGE provides resources in two pilot programs with funds allocated on a competitive basis.

The Strengthening the Core (SCORE) Innovation Fund offers funding to academic departments to respond to challenges facing disciplines and departments. Student Projects for Intellectual Community Enhancement (SPICE) funds give students the opportunity to initiate projects that enhance the intellectual community of their department or their interdisciplinary area.

**Graduate Fellowship Programs**

The Stanford Graduate Fellowships (SGF) Program in Science and Engineering annually awards more than 115 three-year fellowships providing tuition support and stipend to outstanding students pursuing a doctoral degree in the sciences and engineering. In 2008/09, 495 students are supported for a total of $23 million.

The Stanford Interdisciplinary Graduate Fellowships (SIGF) Program is a new university-wide program to award three-year fellowships to outstanding doctoral students engaged in interdisciplinary research.

**Problem Solving in Graduate Student Funding**

VPGE supports university efforts to address challenges, primary among them graduate student funding. The immediate goal is twofold: to identify funding sources to replace general funds; and to provide short-term tuition supplements for students funded by two federally-funded programs, National Science Foundation Graduate Fellowships and National Institutes of Health Training Grants. The impact is substantial. VPGE's graduate student funding commitments more than doubled in two ways: from a total of $14 million supporting about 430 students in 2006/07, to $29 million supporting about 900 students in 2008/09.

**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.

## Consolidated Budget Overview

VPGE is projecting a surplus of $5.3 million in 2008/09. This surplus is derived from budget reductions as well as endowment income for the SGF program, which is greater than current program needs, due to the change in endowment payout rate. Total net revenue, after transfers to graduate fellowship support to the schools, is expected to be $10.6 million, and total expense is budgeted at $5.3 million.

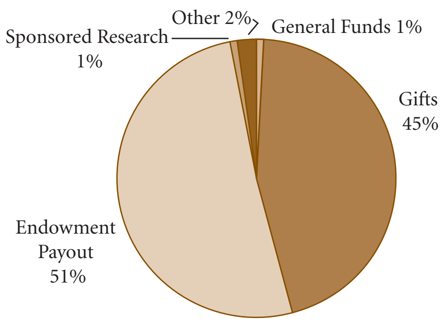
Of the $5.3 million, there will be a $1.9 million surplus in the VPGE operating budget and $113,000 in designated funds. The surplus reflects planned reductions in the operating budget and increases in direct graduate student funding, VPGE has selectively reduced funds to current program such as SGSI, SCORE, SPICE and mentoring programs and placed on hold the roll out of new programs for leadership and diversity. Designated funds held by VPGE are committed for direct graduate student support and will be used in 2009/10 and beyond to support programs like DARE. VPGE will increase the direct support to graduate students from $985,000 to $1.8 million in 2009/10. The cohorts for CSRE and DARE are doubling in 2009/10. The surplus will assist in covering the increase in direct graduate student funding. Since graduate student support is a multi-year commitment of $200,000 for each fellow, the funds provide needed reserves for future years.

The $2.3 million surplus in endowed funds is restricted to fellowship programs. VPGE increased the direct support provided to fellowship recipients over the last two years. Given the projection for reduced income, the surplus will be used in the next few years for current multi-year commitments. VPGE continually reviews the number of fellowship recipients to keep the expenses in line with endowment income while maintaining adequate reserves.

The $915,000 surplus in expendable funds projected for 2009/10 include President's funds that will be used to support the SIGF program. The remaining expendable funds provide support for leadership programming that will be slowly rolling out in 2009/10.

# HOOVER INSTITUTION

**2009/10 Consolidated Revenues**
**$44.1 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 55.7 | 46.9 | 44.1 |
| Expenses | | | |
| Salaries and Benefits | 24.4 | 27.2 | 26.5 |
| Non-Salary | 16.1 | 16.6 | 15.6 |
| Total Expenses | 40.5 | 43.8 | 42.1 |
| Operating Results | 15.2 | 3.1 | 2.0 |
| Transfers From (to) Endowment & Other Assets | 1.1 | (7.2) | (4.3) |
| Transfers From (to) Plant | | (1.4) | |
| Surplus / (Deficit) | 16.3 | (5.6) | (2.2) |
| Beginning Fund Balances | 19.1 | 35.5 | 29.9 |
| Ending Fund Balances | 35.5 | 29.9 | 27.7 |

## Impact of Economic Downturn

The Hoover Institution is a public policy research center, library and archives devoted to advanced study of politics, economics, political economy and international affairs. The Institution houses a notable fellowship and an extensive archival collection in order to promote ongoing programs of policy-oriented research, that place the Institution as a prominent contributor to the world marketplace of ideas defining a free society. Hoover fellows focus on society's approach to collective concerns while balancing the demands of freedom and order. The Library and Archives strive to create an accessible historical record of this balance.

The Institution is funded primarily through two sources of revenue that are sensitive to the economic climate: endowment payout and expendable gifts. Payout on most funds is assumed to decline by 10% in 2009/10 and decline a further 15% in 2010/11. However, projecting aggregate payout for the Institution is complicated by uncertainty surrounding the ultimate outcome of reviews being undertaken by the Office of Development (OOD) and discussions with our donors on Pool A funds and underwater accounts. Assuming a 25% decline in endowment market value during 2008/09, the Institution's exposure on payout from underwater accounts is $1.2 million in 2009/2010. Further, the Institution is foregoing payout on Pool A funds of $1 million per year. The maintained projection for payout in 2009/10 is $22.6 million and does not assume any positive impact from the OOD reviews. This would represent a $5 million decline in payout from 2008/09. The current projection for payout in 2010/11 is $20.9 million.

The Institution projects a decline in expendable giving which approximates the decline in financial markets of 25% to 30% in 2008/09. Further, the Institution does not anticipate a quick return to previous levels of giving. The maintained perspective is that the collapse of the markets over the last year is likely to have a one-time wealth effect on supporters to the Institution. In essence, this year may define a new lower base for giving from which only modest growth is expected going forward. The Institution projects a drop in expendable giving for the base budget of over $4 million from the 2008/09 budget.

Budget projections made in the summer of 2008 included funds for programmatic growth and budget surpluses of roughly 5%. The revised revenue outlook implies that deficits in 2010/11 and 2011/12 could well reach $8 million per year if no action was taken to reduce expenses. In response to the changed revenue outlook the Institution is undertaking a plan to reduce expenses by $8 million from the projection last summer over the next two years, or almost 20% of the budget. The total planned reductions are designed to bring the Institution's budget into balance by 2009/10, notwithstanding idiosyncrasies in the timing of revenue and expenses. Three-quarters of these reductions will be achieved in 2008/09 and 2009/10.

The budget reductions will be strategic rather than across the board. The Institution will look to achieve efficiencies in operations, but certainly reductions of this magnitude cannot be achieved through efficiency alone. The Institution is examining functions and programs to see how each fits into the core mission and operations of the Institution. It is anticipated that some programs and functions will be pared back or eliminated. However, as personnel costs account for 70% of the Institution's expenses a reduction in headcount will be necessary. Reductions in the Institution's headcount will make up approximately 50% of the $8 million cost reduction. One-time costs associated with the reduction in headcount will lead to a draw on reserves, largely in 2009/10. The reserve position of the Institution is sufficient to cover these costs.

The balance of the cost reductions will be achieved by the Institution through program cuts and cancellation of programmatic and personnel growth previously planned. The Institution aims to balance the core operations budget in 2009/10 and then to keep it in balance in future years. Acting immediately to move the budget towards balance and maintain a comfortable reserve will provide some degree of protection should the revenue outlook continue to degenerate.

## Consolidated Budget Overview

Given the current climate, the Institution is currently projected to end 2008/09 in a relatively strong position. The Institution began the year with more than $35 million in fund balances. And, although revenue declines have been significant, particularly for expendable giving in the current year, discipline on the expense side has minimized the need for a substantial draw on reserves.

The Institution's original budget projection called for an $8.6 million increase in reserves for 2008/09. This increase was related to two factors: $3.9 million in operating surplus and $4.7 million resulting from augmented endowment payout earmarked for facilities purposes. Since the budget was originally submitted, revenue projections have declined by $6 million and expenses have been reduced by $1 million. The result is that the Institution is now planning a draw on reserves of approximately $1 million to cover operating expenses in the current year. A total of $1.4 million in augmented payout was transferred to plant to cover current capital projects. The remaining augmented payout was invested as funds functioning as endowment for use in future years. An additional $4.5 million remaining from augmented payout in 2007/08 was also transferred to the endowment in the current fiscal year. Thus, current fund balances are projected to decline by more than $5.5 million at year-end, consisting of the $1 million needed to cover operating expenses and the $4.5 million in augmented payout remaining from 2007/08.

Overall revenues to the Institution are expected to decline 5% in 2009/10 relative to the current year-end projection, or 16% relative to the 2008/09 budget. Expenses are expected to decline by more than 10% relative to the 2008/09 budget, net of one-time costs associated with reductions in headcount. Fund balances in 2009/10 are expected to decline by more than $2 million. The expected change in fund balances is accounted for by two factors: costs associated with the aforementioned reductions in headcount and project expenses for several multi-year programmatic projects. Multi-year programmatic project budgets are balanced over the life of the project and proceed only after sufficient funding commitments have been secured. Therefore, deficits in 2009/10 are compensated by surpluses on restricted reserves achieved in prior years. Additional budget reductions are scheduled for 2010/11 to offset anticipated decreases in revenue and to keep the Institution's ongoing operations in balance.

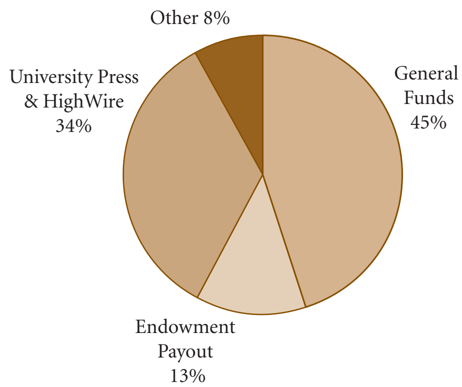
## Capital Plan

Due to the significant impact of the economic downturn on funding and budget constraints, the Cummings replacement building has been delayed. This project, previously identified as a Forecasted Construction Project in the 2008/09-2010/11 Capital Plan, is listed on the Suspended Projects table, found in Section 4, Capital Budget and three-year Capital Plan.

The Cummings replacement building, currently projected to begin construction in 2014, will provide office space and technology-enhanced conference and meeting spaces.

## STANFORD UNIVERSITY LIBRARIES & ACADEMIC INFORMATION RESOURCES

**2009/10 Consolidated Revenues $95.7 Million**




[in millions of dollars]

| | 2007/08 Actuals | 2008/09 Projection | 2009/10 Plan |
|---|---|---|---|
| Total Revenues | 98.3 | 102.0 | 95.7 |
| Expenses | | | |
| Salaries and Benefits | 56.8 | 62.4 | 58.1 |
| Non-Salary | 40.8 | 40.8 | 37.3 |
| Total Expenses | 97.6 | 103.2 | 95.4 |
| Operating Results | 0.7 | (1.2) | 0.2 |
| Transfers From (to) Endowment & Other Assets | 0.8 | 0.8 | 0.8 |
| Transfers From (to) Plant | | | |
| Surplus / (Deficit) | 1.5 | (0.4) | 1.0 |
| Beginning Fund Balances | 9.0 | 10.5 | 10.2 |
| Ending Fund Balances | 10.5 | 10.2 | 11.1 |

### Impact of Economic Downturn

**Collections and Support of Teaching, Learning, and Research**

For 2009/10, SULAIR will experience another reduction in the purchasing power of the library materials budget. It will also see an absolute reduction in both general fund and endowment income allocations. The combination will result in a reduction of approximately 20% in purchases for Stanford library collections. Having more or less continuously weeded our serial subscriptions over the past decade or more, serials in particular are not targeted for cuts in spending. SULAIR will continue selective weeding of serial subscriptions. Spending on monographs will be reduced, particularly in the sciences and engineering, where spending was already limited. Virtually no large sets of monographs will be added in the coming years in any discipline absent an expressed requirement from a specific faculty program. In addition, purchasing on certain regions of the world will be eliminated where our current collections support only the most basic inquiries. For instance, no spending will occur on South Asian books in 2009/10 and beyond. In general, collection development programs in the humanities and social sciences will be highly tuned to the immediate needs of Stanford's faculty and students.

To compensate for these reductions, SULAIR is engaging in a very aggressive analysis with our colleagues in the General Library of the University of California at Berkeley. Together we will identify areas in which one of the two institutions will develop research-level collections and the other will maintain collections that support only basic inquiry. Redundant purchasing of certain titles of use to advanced researchers will be reduced. Faculty (and perhaps graduate students) at the two institutions will easily query both online catalogs and order books from the distant collection for delivery within 48 hours. Once the analysis is complete, the faculty advisory committees will verify our conclusions before the implementation of this aggressive collaborative collection development program.

**Strategic Directions**

Work will continue, although at a slower pace, on the development of a well-functioning digital library prototype, with particular attention to features identified by Stanford's Academic Senate Committee on Libraries as essential. Efforts will focus on the use of open-source technologies that are robust and characterized by a growing list of possibilities; among the technologies of interest are Blacklight and Fedora. The size and operations of the Stanford Digital Repository will continue, as will the Google Book Program. Availability for keyword searching on the Google site of a collection of more than seven million volumes has increasingly visible benefits for both the

Stanford community. Our technical infrastructure will be refreshed at longer intervals, and its growth will slow considerably.

Planning for new and renovated library facilities will continue as well, but given the need for dedicated funding in advance of design and construction, the time horizons are now moved into the future by at least five years. SAL3 will reach capacity in late 2010 but work on alternatives continues. The quandary of relocating the East Asia Library, which has experienced a renaissance in its offerings since its realignment from the Hoover Institution, remains. Until tactical decisions on existing strategic directions are made on such matters as additional modules of SAL3, the demolition of Meyer Library, the construction of an academic computing building, and the assembling of a combined science library, SULAIR will engage in a series of short-term steps to deal with immediate needs and problems. All of this will of course be done with faculty input on policies and action items.

Staff reductions will lead to a number of programmatic changes that will bring ever more self-sufficiency to our clients (both students and faculty). Perhaps the most visible is the incorporation of the Physics Library into the new Engineering Library. The former Physics Library will be repurposed by the Physics Department. The reorganization of SULAIR staff across all divisions will involve staff transfers, alterations of services offered, and reduced levels of support for academic programs. We will continue our programs of instruction for freshman and sophomore required courses.

**Programmatic Plans**

SULAIR will reduce its staff count by over 70 positions, mostly in specialist positions. As a result, some of our professionals will lose the support they have had in the past. Fewer specialists will mean less service. In addition, there will be reduced funding for hiring students as part-time workers. Opening hours during academic terms as well as breaks and holiday periods will be shortened. SULAIR's staff will do much less traveling. Outreach to our donors, our clients, and the community at large will be smaller. The digitization program will be cut back. Customization for specific clients and their programs will be reduced, and instead common solutions will be sought.

## Consolidated Budget Overview

SULAIR projects an operating surplus of $1.0 million across all funds in 2009/10, comprising $493,000 in endowment income that will be held in reserve to offset the projected 15% decrease in payout in 2010/11, and a $460,000 surplus for HighWire Press. This will increase SULAIR's fund balances from $10.2 million to $11.1 million. SULAIR's operating budget will be balanced at $56.6 million; its auxiliaries, HighWire Press, Stanford University Press, and LOCKSS (Lots of Copies Keep Stuff Safe), project combined revenue of $32.9 million, a slight increase over 2008/2009.

SULAIR reduced its structural deficit 90% in 2008/09 by freezing vacant positions and by reducing spending on equipment, maintenance, and services. Continued pursuit of such methods in 2009/10 will reduce the remaining minor structural deficit to zero.

SULAIR's operating budget of $56.6 million comprises $42.4 million in general funds, reflecting a $5.6 million base cut from 2008/09, and $14.2 million in restricted funds. The base cut consists of $2.9 million in salaries and benefits, $1.4 million in operational expenses, and $1.3 million in library materials acquisitions. Endowment income is projected to be $12.8 million, down 10% from 2008/09 levels. Designated revenue is expected to be $2.0 million, and gifts are expected to remain stable at $300,000.

SULAIR's operating budget includes $34.3 million for compensation expenses, $15.1 million for library materials, and $7.2 million for other operating expenses. The auxiliaries project combined expenses of $33.2 million. Restricted funds expenses include $4.4 million for library materials and $600,000 for other expenses.

# SLAC NATIONAL ACCELERATOR LABORATORY

## Impact of Economic Downturn

Under the federal stimulus package, SLAC will receive $68 million in funding from the allocation to the Office of Science of the Department of Energy (DOE). The funding will enable SLAC to accelerate the schedule for the Linac Coherent Light Source (LCLS) Scientific Instruments project and deliver LCLS sooner. Also, an accelerator research project called the Facility for Accelerator Science and Experimental Test Beams (FACET), which uses the first two-thirds of the linac to study plasma wakefield acceleration, will move forward. These two projects are of tremendous strategic importance to the laboratory. Other stimulus funds will be targeted towards seismic upgrades and utilities infrastructure modernization that have been long in the planning, thereby enhancing site infrastructure and safety.

### Program Initiatives

As a National User Facility and a multipurpose laboratory of 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 in the research programs of photon science, astrophysics, particle physics, and accelerator science.

SLAC will be operating two major DOE Basic Energy Sciences (BES) user facilities, LCLS and the Stanford Synchrotron Radiation Lightsource (SSRL). SSRL provides x-rays from the SPEAR3 storage ring and associated beam lines with advanced instrumentation that serve research needs in many areas of science, engineering, and technology. Applications range from energy storage and environmental remediation to drug discovery and magnetism in thin films. In 2010, SPEAR will operate with improved performance with high current, up to 500 mA. The new Beam Line 14 with two branch lines will become available for users.

LCLS, the world's first x-ray free electron laser, is expected to begin experimental operations in summer 2009. A suite of four instruments specifically designed for LCLS ultrafast science is being built. The 2009 stimulus funding will accelerate the completion of the instruments. The LCLS science program is complementary to that of SSRL and will open completely new frontiers of scientific discovery in areas that include atomic physics, imaging of non-periodic nanoscale materials, ultrafast structural and electron dynamics, and matter under extreme conditions. Novel techniques using LCLS x-ray laser beams will for the first time enable the simultaneous investigation of the electronic and structural properties of matter on the size (subnanometer) and time (femtosecond) scales that determine function and properties of nanostructured materials.

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

Stimulus funding also provides for the construction of FACET, which uses the SLAC linac to provide unique high-energy high-peak current electron and positron beams. These ultra-intense beams will enable an experimental effort to study the beam-plasma interactions with both electrons and positrons as well as studies of beam instrumentation for ultra-bright beams and studies of THz radiation resulting from the extremely high beam fields. The experiments with plasma acceleration are expected to begin in 2011.

SLAC is also a leading contributor to R&D on the accelerator and detector for the International Linear Collider, a planned future facility for colliding electrons and positrons at TeV energies as a precision instrument for elucidating properties of physics at the high-energy frontier. SLAC performs this R&D in close collaboration with other laboratories and universities as a partner in major international scientific ventures.

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. First physics data are expected in fall 2009. 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 also serve as a Tier 2 ATLAS Physics Analysis Center in the western United States.

The Kavli Institute for Particle Astrophysics and Cosmology is involved with the Fermi Gamma-ray Space Telescope (FGST) and the R&D efforts for proposed Dark Energy experiments, the ground-based Large Synoptic Survey Telescope (LSST) and the Joint Dark Energy Mission (JDEM). The FGST has embarked on a decade-long program of space-based gamma-ray observations, which will transform our understanding of the high-energy universe. SLAC hosts the Instrument Science Operations Center for the FGST-Large Area Telescope. LSST and JDEM have been designed to probe the properties of dark matter and dark energy, allowing us to better understand the "dark" universe and its dominant components.

## Consolidated Budget Overview

The DOE Office of Science provides 97% of the funding for SLAC, primarily from the Offices of BES and High Energy Physics.

From the 2009 Omnibus Appropriations Bill, SLAC is expected to receive funding of about $320 million, close to what was proposed for 2008/09. ARRA provides an additional $68 million. All of the stimulus funding is going towards research equipment, research facilities, and infrastructure upgrades.

SLAC has not received the details of its budget within the U.S. government's proposed budget for 2009/10. The expectation is that it will be about $310 million. The reduction is a result of lower funding for LCLS in 2010 as the project completes its construction phase. However, a great deal of uncertainty always remains prior to the passage of the Energy and Water Development Appropriations Bill. Based on the budgetary assumptions, total SLAC costs in federal grants and contracts in 2009/10 are expected to be $375 million, about $45 million higher than the projected costs in 2008/09, primarily due to the expected expenditure profile of the ARRA-funded capital projects as they progress towards completion in 2011. The overall costs for SLAC (including funds outside of federal grants and contracts) are expected to be $380 million.

## Capital Plan

### Linac Coherent Light Source

The DOE-funded construction of the world's first x-ray electron laser will be completed in 2010. The total estimate for the construction is $352 million, with funding of $37 million in 2008/09 and $15 million in 2009/10. The project includes experimental halls, beam line tunnels and facilities, service buildings, utilities, and the technical components.

### 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 2010.

### Research Support Building and Infrastructure Modernization (RSB)

As part of the DOE's Office of Science goal to modernize the infrastructure of its labs, SLAC is expected to receive funding in 2009/10 to begin the design of a new 58,000-square-foot modern office building and the renovation of ~60,000 square feet of existing space in three major buildings. Approximately 35 trailers and substandard buildings will be demolished. The RSB project is estimated to cost $96 million and will be completed in 2013.