

**THE
STANFORD UNIVERSITY
BUDGET PLAN**



1996/97

**Submitted for action to the
Board of Trustees
June 13–14, 1996**

This publication can also be found on the World Wide Web at:
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EXECUTIVE SUMMARY

I am pleased to submit for your approval the 1996/97 Stanford University Budget Plan.

This is my third Budget Plan as Provost, and, like its predecessors, it is presented in two parts. The first is the Consolidated Budget for Operations, which reflects all of Stanford's anticipated non-capital revenues and expenditures. The second is the Capital Budget and Five Year Plan. The Capital Budget shows those capital projects anticipated to come forward for Board approval next year as well as the estimated total capital expenditures for the year. The capital projects are presented in the context of a Five Year Capital Plan, which provides our best forecast of capital activity through the year 2001. Together, these budgets reflect a university-level perspective on our programmatic plans and the supporting financial strategy for 1996/97. It is important to note that the budget for Stanford Health Services, a separate corporation, is not included in this Plan.

Budget discussions with the deans over the past three years have focused on two central goals: first, to preserve and enhance Stanford's academic preeminence; and second, to provide capacity for the innovation which is the lifeblood of a great university. This Plan, and those that have preceded it, are faithful to those goals. The academic plans and budgets for 1996/97 will advance Stanford in several important respects. In particular: we are expanding programs supporting undergraduate education; we have made major investments in new research and teaching facilities; and sufficient investments have been made in the faculty salary program to keep Stanford highly competitive.

In light of the University's recent financial history, one of my principal objectives has been to build budgets that provide a measure of stability in what are very uncertain times for higher education. Developing a strong financial base after several years of deficits and budget reductions gives us the opportunity to focus on our mission of teaching and research and to launch some new initiatives. I am pleased to report that we have been able to make good progress in this respect, as this Budget Plan provides for a \$12.7 million reserve in unrestricted funds. This reserve should give us an adequate buffer against unforeseen fluctuations in income and provide the stability that has been lacking in our budgets for some years. Although this surplus is welcome news, there is considerable uncertainty on the financial horizon of higher education. Consequently, we must be vigilant in keeping our costs under control and in finding new ways to be efficient and more productive.

In the remainder of this letter I would like to highlight some of the key elements of this Plan.

THE CONTEXT FOR BUDGETING

Over the past three years Stanford has made significant changes in its budgeting practices in order to operate effectively in a cost conscious and uncertain environment. Several important reforms have now been fully implemented, the most significant of which are:

- **Budget Reductions** — Three years ago we set a target to cut the unrestricted budget by \$18 million. With this Budget Plan, we have trimmed, over that period, \$16.8 million from the budgets of academic and administrative units. Of the \$16.8 million, \$2.8 million was reallocated to a central university reserve. While this level of reduction falls slightly short of the goal, it is adequate to create an appropriate central

reserve. Over the past six years we have removed about \$53 million from Stanford's unrestricted budget base, a reduction of approximately 16%.

- **Consolidated Budget** — We have fully integrated the concept of consolidated budgeting into our planning efforts. Under a consolidated budget model, all sources of funds—both unrestricted and restricted—are brought into review.
- **Allocations of Unrestricted Funds** — Over the past several years we have eliminated the practice of allowing projected expense growth to drive the allocation of unrestricted funds. We are now allocating on the basis of projected revenue. This change has eliminated the concept of “cost rise,” under which every unit was guaranteed that its budget would increase at least by inflation.
- **Changes in Restricted Funds Policies** — The Trustees decided last year to implement an infrastructure charge on restricted funds expenditures and to no longer pay interest on most restricted funds balances.

These reforms have improved Stanford's budgetary situation considerably and have provided the measure of stability noted above. While these changes certainly represent progress, we cannot become complacent. It would be naive to expect the external financial constraints or the pressures brought on by a rapidly changing environment to abate. If anything, these pressures will increase. A projection of how our major sources of income are likely to grow over the next several years underscores this point quite clearly:

- Tuition growth is unlikely to continue at the rates of the past when it exceeded family income and inflation by 3-4 percentage points. Over the long term tuition cannot continue to grow significantly faster than family income.
- Endowment income has seen strong growth, but the cyclical nature of the financial markets makes us very cautious about expecting such strong returns in the future.
- Research support will be under pressure as the government looks for ways to cut budgets.
- Gift receipts reached a record figure in 1994/95. But we can only anticipate continued strong support from donors if we maintain budget discipline and manage our resources prudently.

While these income prospects may be somewhat less robust than in the past, Stanford's future is bright. Our programs are very strong, the most recent evidence of which came from the National Research Council's rankings of graduate programs. The budget reductions and efficiencies gained over the past several years have strengthened our financial position. And when the capital improvements and upgrades on the University's physical plant are completed over the next few years, our academic and research facilities will be second to none.

FINANCIAL OVERVIEW AND PLANNING ASSUMPTIONS

The Bottom Line: The Budget Plan projects a surplus of \$21.4 million in the Consolidated Budget for Operations. This results principally from the unrestricted surplus of \$12.7 million, noted above, and an anticipated excess of restricted revenue over expense.

Expenditure Reductions: The Budget Plan for 1996/97 calls for \$3.2 million in cuts in the unrestricted Budget, split evenly between academic and administrative areas. These reductions will complete the program begun in 1993/94.

Investments: This Plan recommends investments of unrestricted funds to support several strategic initiatives. One area is supplemental funding for faculty salaries in those areas where we have slipped

against the market or face significant competition. Another area of investment is in the physical plant. An incremental \$2 million will be added to the existing \$6 million base as part of a longer term plan to build our planned maintenance budget. In addition, \$4.4 million will be added to the budget for maintenance costs and utilities on new buildings and for debt service on deferred maintenance and seismic strengthening projects.

Supplemental Endowment Payout for Infrastructure: The Plan includes a 0.5% supplement to the standard endowment payout rate of 4.75% to pay the costs of earthquake repair, seismic strengthening, deferred maintenance, and systems. To preserve the long term purchasing power of the endowment, the Trustees stipulated that cost increases in the unrestricted budget be held at 1% over inflation. This Plan operates within that constraint.

Principal Assumptions: The following are the principal assumptions used in the development of the Budget Plan:

Tuition Rate Increase	4.0%
Research Volume Growth (MTDC)	1.6%
Academic Salary Growth	3.0%
Staff Salary Growth	2.5%
Benefits Rate	29.7%

ACADEMIC INITIATIVES AND PLANS

This Budget Plan reflects Stanford's programmatic plans and the financial requirements to support them. A central priority in any such plan is to maintain and improve upon the best of what we do now. This means funding a competitive faculty salary program, providing high quality facilities, and recruiting the best students. School level initiatives are described in the body of the document. The following are two important university-wide programmatic initiatives included in our plans for 1996/97:

- **Stanford Introductory Studies** — In May, President Casper announced a series of initiatives to bolster the first two years of the undergraduate curriculum, to be called the "Stanford Introductory Studies." These programs will include a new Freshman Seminar sequence, the recently approved Science Core, a series of programs for sophomores, and the Cultures, Ideas, and Values program. This ambitious new program will require additional faculty who will be supported by a generous new gift over five years. These billets will expand the teaching capacity of the faculty and provide the opportunity to make strategic appointments in a number of program areas.
- **Stanford Graduate Fellowships** — The President also announced the creation of a new program of Stanford Ph.D. Fellowships. In a period of tightened federal funding the purpose of this program will be to reduce our dependency on such funds, particularly in science and engineering, where most students are supported by sponsored research. There will be 100 such Fellowships, beginning in 1997/98. The program would expand to 200 Fellowships in 1998/99. The ultimate goal is to have 300 fellowships (100 three-year fellowships awarded each year). They will be funded initially by \$10 million from unrestricted gifts, with permanent support to be sought through fundraising.

ADMINISTRATIVE AREAS AND AUXILIARY ENTERPRISES

Stanford is continuing its effort to deliver administrative services in a cost-effective manner even in the face of increasing costs for regulatory compliance. While these types of costs are not new to Stanford, they

continue to grow due to changes in financial reporting and accounting, building codes, materials handling requirements, and regulation of workplace behavior. In the Consolidated Budget for Operations we anticipate adding approximately \$900,000 to the unrestricted continuing budget base for these purposes. In the Capital Budget, the non-seismic regulatory compliance costs are anticipated to be about \$2.5 million.

On the other hand, we hope to tap new technologies to overhaul our management information systems in order to gain efficiencies. Over the past year we have already completed or are in the process of installing several new systems, notably the ID Card System, the Indirect Cost Allocation system, the Financial Aid system, the Budget System, and the Departmental Expenditure Management System. Completion of these projects by the end of the year will represent an important milestone in the achievement of the Administrative Information Systems (AIS) plan, approved by the Trustees in June, 1994. In 1996/97 we will address: the Core Financials, which includes the general ledger, capital asset management, and purchasing/payables; the Research Administration System; and the Development System. These systems represent a major investment that will have important payoffs in better management information, increased accountability, and administrative efficiencies.

1996/97 CAPITAL BUDGET AND FIVE YEAR CAPITAL PLAN

The Capital Budget for 1996/97 has been developed in the context of a five year capital plan and reflects three major priorities: 1) support for the most promising academic programs; 2) seismic strengthening and recovery from the Loma Prieta earthquake; and 3) the reduction of the deferred maintenance backlog. The most significant projects in the capital plan are: the Science and Engineering Quad, Earthquake Repair and Seismic Risk Mitigation, Deferred Maintenance, and Student Housing.

The Capital Budget for 1996/97 calls for a second year of significant construction activity with approximately \$186.7 million anticipated to be spent on capital projects. (Approximately \$130 million of construction work will be completed in the current fiscal year, 1995/96.) We expect to bring about \$81.5 million of projects to the Board for concept approval, including the following buildings: Durand; Mitchell; Buildings 510, 160, 240 and 250; Housing and Dining Services Capital Improvement Plan Year Five projects; and Library Technical Services.

Although the Capital Plan forecasts activity over the next five years, it is important to view it in the context of the past three years. During that time major work has been underway in each of the program areas noted above. By the time work is completed on these projects at the end of the decade, the campus will have been significantly renovated.

ORGANIZATION OF THIS DOCUMENT AND REQUESTED APPROVAL

This Budget Plan provides a university-level perspective on Stanford's program and financial plans for the upcoming year. We seek approval on the planning directions, the underlying assumptions, and the high level supporting budgets contained here. As the year proceeds, we will make periodic reports, as necessary, on the progress of actual expenditures against the budget. In addition, we will bring forward individually, for more detailed consideration, those capital projects identified for approval in this Plan.

This document is divided into six sections and three appendices. Section One describes a broad set of university-wide budgeting issues. Section Two details the financial components of the Plan, while Sections Three and Four address the programmatic issues in the academic, administrative, and auxiliary

areas of the University. Section Five contains the Capital Budget and Plan, and Section Six comments briefly on future planning issues. The appendices show the following information: the detailed budgets of the major academic units, the specific projects comprising the Five Year Capital Plan, and supplementary historical information.

IN CONCLUSION

We have accomplished a good deal with the 1996/97 Budget Plan and with the three year planning cycle that has just ended. After several years of deficits and cost cutting, we now have some flexibility and the capacity to absorb unexpected shortfalls. We have a capital plan in place that will provide the highest quality physical environment for students and faculty. And we have made some strategic investments in new programs and support services that will maintain Stanford's leadership role. That said, it will be important to continue our efforts to find ways to reduce costs and to free up funds for strategic reallocation, because fiscal constraints are unlikely to ease.

Many people from across Stanford have contributed to our success over the past several years and have made important contributions to the development of this Budget Plan. I am most appreciative of their efforts and look forward to their sustained involvement as we work at the process of continually improving the University.

Condoleezza Rice
Provost
June, 1996

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SECTION 1

BUDGET AND PLANNING CONTEXT

For the past several years Stanford has conducted its budget planning in the same cost conscious and uncertain environment facing most large organizations in the United States. While there is still a great deal the University needs to do to operate more effectively, we have made progress and, in fact, prospered under a new set of financial constraints and societal demands. Our academic programs are very strong, as evidenced this year by the rankings of the National Research Council. In particular, 31 of our departments were ranked in the top ten, with 15 in the top five. We continue to attract the best faculty and students. This past year has seen a significant increase in applications and in the percentage of admitted students accepting our offer to attend Stanford. Through the generous contributions of our friends we are able to invest in new programs and facilities. Last year was a record breaking one in fundraising, with \$240 million in new donations.

In developing our plans for 1996/97 we expect little change in the tight financial realities which have characterized the first half of the 90s. Indeed, there is likely to be increased pressure on all sources of funding for the foreseeable future. The budget reductions made over the past six years have improved efficiencies and strengthened our financial position. If we sustain the efforts to reduce the University's cost structure and make strategic investments in programs with the highest potential, Stanford's future is bright. But, even if the financial constraints tighten, our ability to manage more effectively has improved and will continue in 1997. In that context, as we have constructed the 1996/97 Budget Plan, several themes stand out:

I. Reforms in Budgeting — Several efforts have been underway in recent years to reform key elements of the budgeting process.

The first was the development, three years ago, of a multi-year plan by each principal academic unit. The plan was embedded in a consolidated budget, reflecting all sources of funds. This budget for 1996/97 is the third such consolidated budget presented to the Trustees. And with the implementation of the Hyperion Pillar budget system, we now have the tools to budget on a consolidated basis at all levels of the University.

We have also changed the method by which unrestricted funds are allocated to academic and administrative units. Instead of allocating on an expense-driven basis, we are now allocating based on our best projections of revenue. This change has meant the elimination of the concept of "cost rise," under which every unit was guaranteed that its unrestricted budget would automatically be granted an inflationary increase.

Finally, this Budget Plan includes a \$12.7 million unrestricted reserve, which will provide a cushion against income fluctuation, particularly federal research funding. This level of budgeted reserve is unprecedented at Stanford and represents an important milestone in strengthening the University's financial condition. In addition, deans and department chairs are developing reserving strategies specific to their own situation, particularly to provide adequate support for graduate students. It will be the decision of each school to determine any other contingencies against which reserves should be established.

II. Restructuring — Good progress continues on a number of fronts in reshaping and restructuring Stanford's academic programs and administrative operations. The following areas are most notable:

Academic Restructuring: This Budget Plan contains several significant restructurings in Stanford's academic profile. The Food Research Institute will close as part of this Plan, freeing up resources over the next several years for reallocation within the School of Humanities and Sciences (H&S). Elsewhere in H&S, the administrative restructuring of the Division of Literatures, Cultures, and Languages is almost complete. The new structure provides a single staff member for each department to handle academic program administration and faculty support, specific to each department. For those functions common across all departments (finance, student services, and information resources) a central support team will be created. While there will be some savings, the principal result will be an improvement in efficiency and better service to the faculty. In the School of Engineering, the departments of Operations Research and Engineering/Economic Systems have merged, resulting in a more streamlined operation and providing funds for reinvestment.

AIS Plan/Financial Systems Implementation: An important component of the 1996/97 Budget Plan is an investment in new administrative systems. In 1994 the Trustees approved a multi-year plan to replace most of Stanford's administrative systems. In 1996/97 the focus will be on implementing a new set of core financial systems. In addition to replacing the general ledger, a major component of the Core Financials is a new purchasing and payables system. Savings are anticipated over time by merging the purchasing and accounts payable departments and through a series of campus-wide agreements with vendors which will lower the cost of many commodities used throughout the University.

Restructuring the Research Administration Process: Several initiatives have been completed or are underway to change the way research

administration is conducted within the Schools of the University. The most significant effort to date has been in the School of Engineering, where, over the past two years, the several disparate research administration groups were consolidated into a single operation. This resulted in considerable efficiencies and savings of 38%.

The Medical School has recently completed a pilot project testing the concept of a process-based approach to the delivery of research administration services. The research administration pilot provided pre and post award research administration services to about 30% of the faculty through a specialized team of Research Process Managers (RPMs). Each faculty member was assigned to an RPM who ensured that the administrative needs of the faculty's research programs were fully met. The cost of providing services in the process-based fashion were about 10% less than in the traditional organization. Furthermore, when projected from the pilot experience to a fully reengineered process, administrative reductions of approximately 25% are estimated.

Humanities and Sciences has begun a similar effort to reshape its research administration function and hopes to achieve significant savings and to improve service.



In conclusion, while we have made good progress in reforming budgeting practices and in reshaping some of our organizational structures, there can be no "end point" to the effort to find better and more efficient ways to operate. The reality facing Stanford and the rest of higher education is that we must make choices, and we must do more with less. We are determined to follow these strategies toward the fundamental goal of keeping our teaching and research programs among the very best in the world.

SECTION 2

FINANCIAL OVERVIEW AND PLANNING ASSUMPTIONS

INTRODUCTION

The purpose of this section is to review the principal *financial components* of the Budget Plan. (The *programmatic elements* are addressed in the next section.) Specifically, we will discuss the numbers and the results of:

- The Consolidated Budget for Operations
- The Capital Plan and Budget
- The Projected Statement of Operations

CONSOLIDATED BUDGET FOR OPERATIONS

The Consolidated Budget for Operations includes all non-capital revenues and expenditures. It is based on forecasts from the schools and the administrative areas. These forecasts are then merged with the unrestricted budget forecast and adjusted by the University Budget Office for consistency. The table on the next page shows the projected consolidated revenues and expenditures for 1996/97 as well as the actuals for 1994/95 and

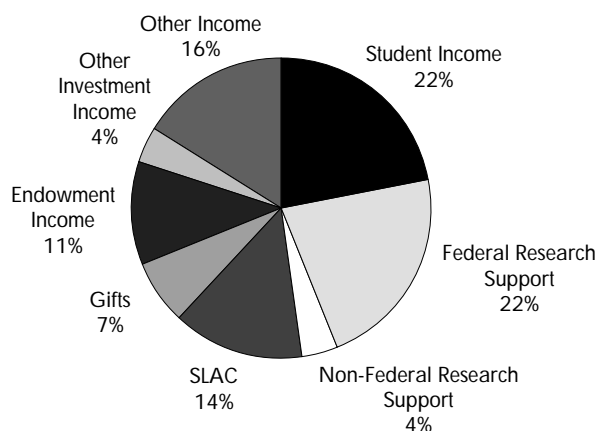
the estimated year-end projections for the current fiscal year, 1995/96. In addition, definitions of the sources of funds are provided to help the reader understand some key budgetary terms.

The 1996/97 Consolidated Budget for Operations projection shows Revenues and Transfers of \$1.408 billion and Expenditures of \$1.386 billion. As indicated, the Consolidated Budget for Operations is comprised of different types of revenues and expenditures. It can also be viewed in the context of organizational units—schools and administrative offices as described later in this section—as well as by fund type. In the following analysis we will discuss results from both perspectives.

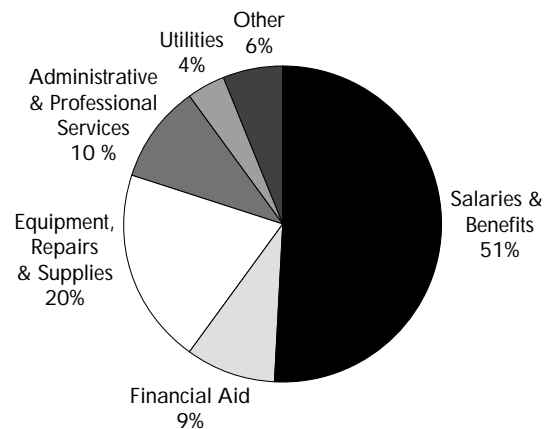
University-wide Overview

The Consolidated Budget for Operations projects a bottom line surplus of \$21.4 million, or 1.5% of total expenditures. This is largely due to the \$12.7 million unrestricted university reserve, with the remainder projected in restricted funds. Grants

1996/97 Consolidated Revenues: \$1,450M*



1996/97 Consolidated Expenditures: \$1,386M



*After subtracting the transfers to plant and endowment, the Total Revenues and Transfers amount is \$1,408M

Projected Consolidated Budget for Operations, 1996/97
(in millions of dollars)

1994/95 Actuals	1995/96 Forecast	Unrestricted	Unrestricted Designated	Restricted	Grants and Contracts	Auxiliaries	Total Current Funds
Revenues							
Student Income:							
123.9	129.8	135.7					135.7
121.9	129.5	135.6					135.6
47.9	49.9					52.0	52.0
293.7	309.2	271.3				52.0	323.3
Sponsored Research Support:							
276.5	286.0				293.8		293.8
87.2	89.1	91.8					91.8
175.8	200.0				205.0		205.0
539.5	575.1	91.8			498.8		590.6
100.3	98.3	6.7		91.6			98.3
Investment Income:							
155.0	144.5	34.7		121.1			155.8
41.2	42.1	25.9	24.6	4.5			55.0
19.8							
216.0	186.6	60.6	24.6	125.6			210.8
Other Income:							
90.9	96.8		102.4				102.4
95.3	98.2					101.2	101.2
16.0	16.8	20.6	3.2				23.8
202.2	211.8	20.6	105.6			101.2	227.4
1,351.7	1,381.0	451.0	130.2	217.2	498.8	153.2	1,450.4
Transfers							
Transfer to Unrestricted University Reserves (12.7)							
(34.0)	(15.0)		12.7	(20.0)			(20.0)
(28.4)	(25.0)	(7.8)		(15.0)			(22.8)
1,289.3	1,341.0	430.5	142.9	182.2	498.8	153.2	1,407.6
Expenditures							
260.0	272.2	98.6	25.3	51.5	55.7	53.4	284.5
302.5	310.0	160.8	27.1	27.5	60.2	42.2	317.8
104.0	112.0	30.7	6.7	43.4	39.2		120.0
417.1	438.1	140.4	68.7	53.3	138.7	57.8	458.9
175.8	200.0				205.0		205.0
1,259.4	1,332.3	430.5	127.8	175.7	498.8	153.4	1,386.2
29.9	8.7		15.1	6.5		(0.2)	21.4
516.3	546.2	3.2	194.3	303.7	16.2	37.5	554.9
546.2	554.9	3.2	209.4	310.2	16.2	37.3	576.3

NOTE: The Consolidated Budget for Operations does not include plant and student loan activities. These are added in to create the Statement of Operations shown on page 15.

Definition of Columns

Unrestricted Funds: Funds which can be used for any university purpose, the largest sources of which are tuition, unrestricted endowment income, and indirect cost recovery.

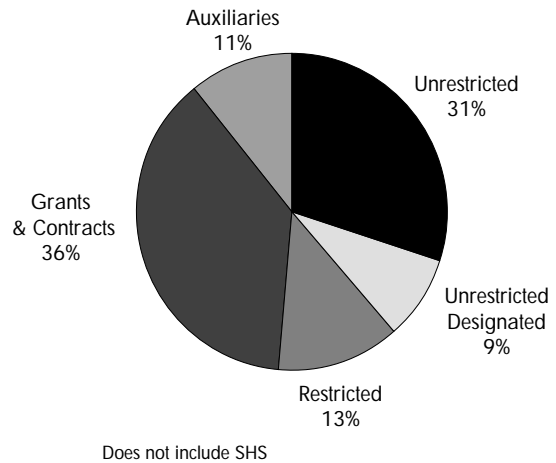
Unrestricted Designated Funds: Funds which come to the university as unrestricted but are dedicated to specific purposes by the Trustees or the administration.

Restricted Funds: Includes expendable and endowed funds which can only be spent in accordance with donor restrictions.

Grants and Contracts: The direct cost of sponsored research, both federal and non-federal.

Auxiliaries/Other: Self-contained entities, such as Housing and Dining Services or the Athletics Department, that charge directly for their services.

1996/97 Consolidated Expenditures by Fund Type



and contracts are expected to be in balance, and the auxiliaries anticipate a slight deficit and use of operating equity. The 1996/97 projections represent a 5.0% growth in total revenues and transfers, and a 4.0% growth in expenditures over the estimated year-end results for 1995/96.

It is important to note that the past several years have seen the increased practice of transferring surpluses in designated and restricted funds to funds functioning as endowment (FFE). We have assumed that this practice will continue and that \$20 million will be transferred to FFE.

Unrestricted Budget

The Unrestricted Budget is an important subset of the Consolidated Budget because its funds can be used for any university purpose. The main sources of unrestricted revenues are Tuition and Fees, Indirect Cost Recovery, Unrestricted Endowment Income, Other Investment Income, and Unrestricted Gifts. As shown in the Consolidated Budget for Operations, the Unrestricted Budget is expected to realize a base surplus of \$12.7 million in 1996/97. Our ability to produce a surplus of this magnitude is, in part, dependent upon the following points:

- The proposed Unrestricted Budget assumes the Trustees again will approve an additional 0.5% in the endowment payout rate to help defray infrastructure costs, including the costs of earthquake repair, deferred maintenance, and administrative systems. The increase in the payout rate in 1996/97 will generate approximately \$7.5 million in unrestricted funds relief. In agreeing to the supplement, and in order to maintain the purchasing power of the endowment, the Board required that the overall cost increases in the Unrestricted Budget not exceed 1% in real terms. The Budget for 1996/97 will not exceed that threshold.
- We have achieved a \$3.2 million expense reduction, explained in more detail below.
- Endowment income is projected to increase substantially, adding an additional \$5 million to the budget. This is due to two factors. The first is that endowment income was projected to be flat in 1995/96, a projection that was significantly off. The actual market value was nearly 14% higher than projected for the year. The second is that the first six months of the current year, on which we base next year's forecast,

**Summary of General Funds
Reductions and Additions**
(in thousands)

	Reductions		Additions	
School of Earth Sciences	(\$52)	1.8%	\$0	0.0%
School of Education	(76)	1.1%	61	0.9%
School of Engineering	(320)	1.1%	257	0.9%
School of Humanities & Sciences	(574)	0.8%	268	0.4%
School of Law	(246)	2.4%	0	0.0%
Dean of Research	(189)	2.8%	70	1.0%
Hoover Institution	(163)	4.0%	0	0.0%
Academic Subtotal	(\$1,620)	1.2%	\$656	0.5%
Development	(\$132)	1.3%	\$230	2.2%
Faculty/Staff Services	(29)	0.4%	0	0.0%
Environmental Health & Safety	0	0.0%	500	9.7%
Facilities	(531)	1.4%	0	0.0%
Finance	(128)	1.0%	240	1.8%
ITSS	(156)	0.7%	0	0.0%
Libraries	(104)	0.4%	0	0.0%
Student Affairs	(226)	0.6%	228	0.6%
Infrastructure	0	0.0%	6,422	
Other Administrative Units	(274)	0.7%	83	0.2%
Administrative Subtotal	(\$1,580)	0.8%	\$7,703	3.9%
Total	(\$3,200)	1.0%	\$8,359	2.5%

resulted again in much higher growth in the endowment than originally anticipated.

- The proposed Unrestricted Budget includes \$6 million in additional expendable funds pool income generated as a result of the change in restricted funds policy approved by the Trustees last June. Under the new policy, expendable funds pool interest will no longer be paid to designated funds nor to most restricted funds, thereby increasing the amount available for use by the Unrestricted Budget. Endowment income funds will receive the total return earned on unspent balances.
- The budget process and the resulting allocation of unrestricted funds to academic and administrative units has been based on available revenue.

1996/97 Budget Reductions and Additions

In 1993/94 the Provost announced a plan to

reduce the unrestricted budget by \$18 million over three years. In the 1996/97 budget we will complete the plan with reductions of \$3.2 million.

The table above shows specifically where the budget reductions and additions are occurring. The impact of these changes for some units is highlighted below.

Reductions: The \$3.2 million in reductions were assigned to the units after determining how large a reserve to create and how much revenue would be available to allocate to the units. The Provost discussed the feasibility of the proposed reductions with each unit and made adjustments to the final numbers accordingly. Detailed plans for reducing general funds have not been finalized in all areas and, as is often the case, will vary significantly from one unit to another.

- In Engineering, the reductions will be passed along to the departments as part of the School's

allocation process. Each department will evaluate the impact and plan accordingly. It is likely that funds generated from the Stanford Instructional Television Network (SITN) will be substituted for the lost general funds in many cases. Dean's Office support for graduate aid and precollegiate community programs is likely to be reduced.

- While the School of Humanities and Sciences will sustain a reduction of just under \$600,000, the Provost has committed to a one-time allocation of \$500,000 in 1996/97, thereby providing the School more time to evaluate the best way to close their gap. As part of that process, the School plans to develop a strategic policy on the appropriate amount and use of reserves at the School, department, and faculty levels.
- The Law School plans to meet its reduction in general funds by substituting funds generated from the successful executive education program. In addition, some savings will be realized by the elimination of the Aspiring Law Teachers Program.
- The Office of Development continues to look for opportunities to make cuts or streamline its operation. The facilities manager position was recently eliminated, and responsibilities for space management were transferred to another staff member. In a more strategic move, H&S Development will be consolidated with University Development. There will still be an Associate Dean for Development for H&S, but that person and the H&S stewardship positions will work more closely with staff in Encina. The two field staff positions in H&S will be eliminated and those resources redirected to better serve H&S.
- Reductions in Facilities will be achieved primarily in operations and maintenance due to a slowing in the growth of contract services. In addition, many of the expenses in this budget will be held to the 1995/96 levels.
- Student Affairs will meet the majority of its budget cut by withholding all or a portion of the inflationary increases from most non-salary line

items. In addition, University support for Tresidder Union is again being reduced and will be offset primarily by increased rents from new retail operations in the building.

Additions: As has been the case over the years, we will make allocations of incremental funds even when budgets are being reduced. The University needs to recognize and support important opportunities as well as specific deficiencies. The proposed 1996/97 Unrestricted Budget includes \$8.4 million in incremental funds for a variety of purposes as highlighted below.

- The School of Engineering will receive incremental funds for local health and safety costs and to fund two faculty billets, one in Systems Engineering and one in Computational Prototyping.
- An allocation of \$70,000 is being made to the office of the Dean of Research to hire an additional administrator to staff a second Human Subjects panel. This need is due to the significant increase in required reviews for the federal Food and Drug Administration.
- The Office of Development will receive the first of two base allocations to cover the University's share of the cost of the Reunion Program. The remainder of the cost is funded by the Alumni Association. A second allocation is being made to Development for half the cost of a new optical imaging system that will allow for electronic storage of critical Development documents.
- Environmental Health & Safety will receive a sizable allocation for a combination of programs. The first is the conversion of the radioactive waste cost center to a general funded activity due both to the importance of the activity and the liabilities associated with recovering the costs directly from program users. The second portion is to cover existing programs such as asbestos abatement and chemical waste compliance assistants which previously were not fully funded.
- Our largest investment continues to be in physical infrastructure. \$2 million has been

allocated for planned maintenance, the third of a three year plan to bring base funding for this purpose to \$8 million. \$1 million has been allocated for incremental utilities and operations and maintenance for CIS Extension, Gates Computer Science, Museum renovations, and a variety of landscape and vegetation projects. \$3.4 million has been added to the budget for incremental debt service in support of deferred maintenance, seismic strengthening, and a portion of new buildings.

Principal Income and Expenditure Categories

The following table summarizes the principal income and expenditure assumptions behind the 1996/97 Consolidated Budget for Operations. A discussion of these items follows.

Principal Income and Expenditure Assumptions for 1996/97

Income Assumptions	
- Tuition Rate Increase	4.0%
- Room & Board Rate Increase	4.0%
- Research Volume Growth (MTDC)	1.6%
- Base Endowment Payout Rate	4.75%
- Supplemental Endowment Payout Rate	0.5%
Expenditure Assumptions	
- Faculty Salary Growth	3.0%
- Staff Salary Growth	2.5%
- Benefits Rate	29.7%
Inflation Rate:	3.0%

Income (refer to table on page 4)

Student Income

Tuition: The general tuition rate increase for 1996/97, which was approved by the Trustees in February, is 4.0%. This rate is the smallest percentage increase in tuition in more than thirty years. With few exceptions, our tuition increases, particularly in the past 10-15 years, have exceeded the average growth in family income in the United States. While Stanford's financial aid program has succeeded in meeting demonstrated need, continued increases in the amount of aid

required cannot be sustained indefinitely. Tuition increases in excess of growth in family income are of great concern to students and families who find themselves borrowing more each year to fund higher education costs. The increase approved for 1996/97 is predicated on keeping a Stanford education affordable to the best students. Based on historical trends, we also expect that it will improve our competitive pricing position relative to other high quality private institutions.

Room and Board: In February the Trustees approved a combined room and board rate increase of 4.0%. While the basic board rate increase is only 3.1%, approximately the expected rate of inflation, the basic room rate increase is 5.0%. This is because the financing of the Capital Improvements Plan in Housing and Dining Services is pushing up the room charges. Additionally, operating funds to support growing maintenance and repair needs and increases in funding for Residence Deans, the professional staff responsible for responding to various student life emergencies, are generated by these increases.

Sponsored Research Support and Indirect Cost Recovery

The University's recovery of indirect costs associated with sponsored activities depends on the indirect cost rate and the direct research volume on which the rate is applied. The University will not be negotiating the 1996/97 indirect cost rate with the Office of Naval Research, the government agency with which Stanford negotiates its indirect cost rate, until sometime this summer. Therefore, we do not have a specific rate to use in the forecast of reimbursed indirect costs. Instead, we have made an estimate based on a modest expectation of growth in the costs for which we are reimbursed.

Investment Income

The largest part of investment income is endowment income. The estimate of endowment income is a function of a forecast of the endowment market value at the beginning of the coming budget year and the approved payout rate. The estimate of the coming year's market value is based on the long-term assumption that total return on the endowment will be 6.25% above inflation. How-

ever, due to the strong performance of the market in the first half of the year, we are projecting the market value of the endowment in September 1996 to be more than 13% over the September 1995 level.

Endowment income in 1996/97 is expected to total \$155.8 million. This includes income from the merged pools, specifically invested endowment, and rental income from the Stanford Research Park and other endowed lands. The Stanford Management Company has put considerable effort into the generation of income from the Research Park, and this budget reflects the results of that effort. Over the next three to four years, we expect that rental income will nearly double to \$7 million, one half of which will be reinvested in endowment principal.

In each of the last two years the Trustees approved a standard payout rate of 4.75% plus a 0.5% supplemental increase in the rate for one year. The budget for 1996/97 is built on the assumption that the Trustees will once again support a supplemental payout rate of 0.5%. The supplemental increase is needed to pay the debt service and expenses associated with infrastructure costs embedded in the budget. The total of these costs in the Unrestricted Budget is significantly greater than the amount of incremental endowment available to the Unrestricted Budget. The supplemental increase in the payout rate in 1996/97 will generate approximately \$7.5 million in unrestricted funds relief.

Other investment income consists primarily of payout from the Expendable Funds Pool.

Gifts

Non-capital gift income is expected to total \$98.3 million. The average annual growth in gift income since 1990 has been 3.8%. There is considerable variation from year to year, however, and we have made the conservative assumption that gift income would remain the same as the 1995/96 expected level.

Other Income

Other Income includes three components:

Special Program Fees consist mainly of patent and royalty income, fees from the Stanford Executive Program and the Sloan Program, and various reimbursements from the Children's Hospital and the Santa Clara Valley Hospital. Special program fees are projected to grow at 3% above inflation, based on historical data. Overall, special program fees are projected at \$102.4 million.

Auxiliary Income excludes Room and Board income shown separately in the Student Income section. This category includes \$68.0 million of anticipated payments by Stanford Health Services to cover faculty and staff services provided by the Medical School for clinical care, \$11.9 million representing Blood Bank income, and \$21.3 million of other auxiliary receipts such as conference fees and athletic event ticket sales or television income.

Miscellaneous Other Income is projected at \$23.8 million. The largest component of miscellaneous other income consists of reimbursements for central support services provided to several ancillary organizations, including enterprises such as the Howard Hughes Medical Institute and the Research Libraries Group.

Expenditures (refer to table on page 4)

Academic Salaries

The recommendation for faculty salary increases is based on a combination of the review of data supporting particular recommendations from each school, internal (to Stanford) comparisons, comparisons with peer universities using data that are publicly available, and consideration of available resources. The goal is to set faculty salaries at a level that will maintain Stanford's competitive position both nationally and internationally for the very best faculty.

The expected increase for 1996/97 for faculty salaries is 3%. We believe that this average increase, when applied appropriately by deans, will generally be sufficient to maintain Stanford's current competitive position. However, the University has also made special allocations to each school to address specific retention and competitive compensation issues.

Staff Salaries

The staff salary program recommended is 2.5%, plus a special adjustment authorization to help alleviate selected internal equity and external market problems, and to provide some additional flexibility in recognizing extraordinary merit. The recommendation for staff salary increases is based on our objective to maintain a mid-market position balanced with available resources. We believe this allocation meets our goal. Despite annual budget reductions, Stanford has consistently allocated incremental funds for staff salary increases. The planned program for 1996/97 continues that policy.

Benefits

The recommended 1996/97 staff benefits rate is 29.7% of salaries and wages. This rate is 3.5 points higher than the 26.2% rate negotiated for 1995/96. While this increase appears large, it actually returns the benefits rate to the underlying base level of roughly 30%. The rates in 1994/95 and 1995/96 were artificially low due to large negative carry-forwards and one-time adjustments in self-insurance reserves. (Stanford negotiates its benefits rates with the federal government on a 'fixed with carry-forward' basis. This means that we estimate the benefits costs at the start of the year, determine the actual costs at the end of the year, and apply any difference to future benefits rates. In the early 1990's, Stanford over-contributed to its self insurance reserves. This caused an artificially high rate that needed to be corrected in subsequent rates, thereby causing the lower rates in 1994/95 and 1995/96.)

The staff benefits rate in any particular year consists of two distinct components. The first is the base rate, which represents the ratio of current year benefits costs to the salary and wage base benefiting from the costs. The second is the carry-forward, an adjustment to the current rate for changes in the base rate from a prior year, as described above. The base rate, which is the measure of the ongoing cost of staff benefits at the University, is projected to decrease 0.2 points from 1995/96 to 1996/97; there is no carry-forward into 1996/97.

While the overall base rate for 1996/97 is projected to decrease slightly, there are components of the benefits budget that are expected to increase. The most significant increase for 1996/97 is expected to be in the cost of retirement plans. In an effort to make Stanford's retirement plans more attractive to nonexempt staff, the Stanford Contributory Retirement Plan (SCRCP), the University's defined-contribution retirement plan, will be made available to existing nonexempt staff and will become the only plan for all new staff as of January 1, 1997. Currently, all nonexempt and bargaining unit employees participate in the Stanford Retirement Annuity Plan (SRAP), a defined-benefit plan. The net impact of the change will be a slight increase in the rate.

The budget anticipates decreases in the Faculty Retirement Incentive Program, whose introductory phase has expired, and in health insurance costs, due to competition and cost-cutting among health care providers. Despite moderate increases in other health and welfare insurance programs, such as workers compensation and dental insurance, the total cost of insurance programs is expected to decline in 1996/97.

As in previous years, the proposed rate assumes that a single rate will be applied to all University salaries and that the cost pool will continue to include tuition remission for teaching assistants and research assistants through 1996/97, the last year allowed by OMB Circular A-21.

These projections may be affected by negotiations with the Office of Naval Research. More details on benefits may be found in Appendix C, Schedule 10.

Financial Aid

As described in the table on the following page, another large component of non-salary expense is financial aid. We expect to spend a total of \$120 million in financial aid for both undergraduate and graduate students, \$30.7 million of which will come from unrestricted funds. The remainder will be supported by designated and restricted funds (\$50.1 million) and grants and contracts (\$39.2 million).

Projected Budget for Financial Aid, 1996/97

(in millions)

	Unrestricted	Unrestricted Designated	Restricted	Grants & Contracts	Total
Undergraduate Financial Aid	\$20.2	\$0.0	\$19.0	\$19.9	\$59.1
Graduate Financial Aid	10.5	6.7	24.4	19.3	60.9
Total	\$30.7	\$6.7	\$43.4	\$39.2	\$120.0

Stanford remains committed to meeting the computed financial need of all its undergraduate students. Based on this policy, we estimate that in 1996/97 Stanford resources will provide nearly \$37 million in scholarship support for undergraduates and that more than \$20 million will come from unrestricted funds. Appendix C includes detailed information on undergraduate financial aid.

While Stanford offers financial support to many graduate students, funds are limited and rarely cover all of the costs. In contrast to undergraduate financial aid, academic merit is the chief consideration, with financial need secondary in the awarding of graduate fellowships and assistantships. Restricted funds are used to provide the bulk of graduate student support, particularly in the schools of Business, Engineering, and Medicine. Research assistantships are funded primarily from sponsored agreements; teaching assistantships are funded both from unrestricted and department funds. Fellowships are supported primarily by unrestricted funds and by a small amount of endowment income. A significant component of graduate support, roughly \$37 million in 1995/96, is tuition remission for research and teaching assistants paid from the staff benefits pool. This amount is not included in the \$120 million for financial aid; rather, it is included in the salary and benefits lines. Effective 1997/98, we will no longer be able to charge tuition remission to the staff benefits pool. Planning efforts are well underway to accommodate this dramatic change with as little impact on graduate students and the budget as possible.

Non-Salary Expenditures

Non-Salary Expenditures is comprised of operation and maintenance and utilities for campus buildings, debt service, library materials, administrative

computing costs, plant and general insurance, and a variety of supplies and materials costs. Several of these areas warrant comment here.

The utilities and operations and maintenance of the University's buildings and grounds are a major expense of the Unrestricted Budget. In 1996/97 we will be able to reap significant savings in utilities costs due to substantial decreases in tariffs for electricity and natural gas in the current year. These reductions, together with modest changes in consumption, are expected to save us about \$1.8 million annually. Other reductions will be achieved in operations and maintenance due to a slowing in the growth of contract services.

Two years ago we began the process of ramping up total expense for planned maintenance in academic buildings in order to maximize the useful life of our facilities and systems. We will add another \$2 million increment in unrestricted funds to this category in 1996/97, bringing our total annual spending on planned maintenance to \$8 million.

Analysis of Schools and Other Area Results

The table on the next page shows the Consolidated Budget for Operations displayed by organizational unit. Several areas are predicting decreases in fund balances in 1996/97.

Engineering: The School of Engineering has built reserves over the past several years in anticipation of capital construction costs for new buildings. In 1996/97 the School plans to spend \$2.5 million primarily for construction costs related to the Gates Computer Science building. This figure also includes the costs of furnishings for CIS Extension that are in addition to the project costs. The School expects to have similar costs in each of the

Projected Consolidated Budget for Operations, 1996/97 by Unit

(in millions of dollars)

	Total Revenues and All Transfers	Total Expenditures	Excess of Revenue over Expenditures	Beginning Operating Equity	Ending Operating Equity
Academic Units:					
School of Earth Sciences	\$20.5	\$20.8	(\$0.3)	\$11.8	\$11.5
School of Education	19.7	20.0	(0.3)	3.8	3.5
School of Engineering	131.5	133.3	(1.8)	55.5	53.7
School of Humanities & Sciences	157.2	157.0	0.2	63.6	63.8
School of Law	20.8	20.8		6.0	6.0
Dean of Research and Graduate Policy	107.1	106.6	0.5	28.5	29.0
Graduate School of Business	45.6	47.1	(1.5)	22.1	20.6
School of Medicine*	288.4	285.4	3.0	171.9	174.9
Hoover Institution	19.7	21.5	(1.8)	6.3	4.5
Total Academic Units	\$810.5	\$812.5	(\$2.0)	\$369.5	\$367.5
Academic Support Units:					
Stanford University Libraries & Academic Computing	\$31.3	\$31.3		\$2.5	\$2.5
Student Affairs	87.6	87.2	\$0.4	5.4	5.8
Information Technology Systems & Services	24.9	26.5	(1.6)	6.3	4.7
Total Academic Support Units	\$143.8	\$145.0	(\$1.2)	\$14.2	\$13.0
Other Units	\$164.9	\$162.1	\$2.8	\$133.3	\$136.1
Other:					
Auxiliaries	\$153.2	\$153.4	(\$0.2)	\$37.5	\$37.3
SLAC	205.0	205.0		0.4	0.4
Indirect Cost Adjustment	(91.8)	(91.8)			
Other Anticipated Income**	22.0		22.0		22.0
Total Consolidated Budget	\$1,407.6	\$1,386.2	\$21.4	\$554.9	\$576.3

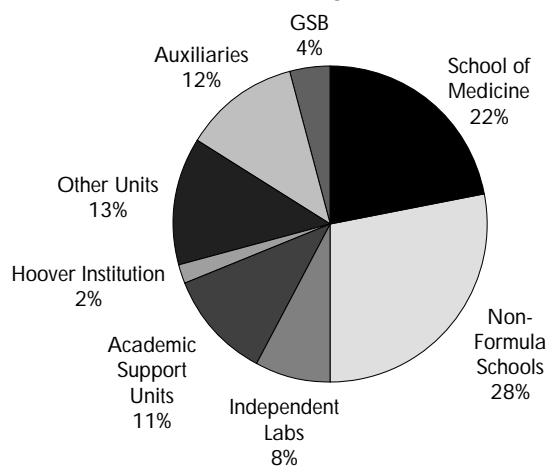
NOTES:

This budget does not reflect a direct allocation of tuition revenue in those units not operating under a formula funding arrangement.

The academic unit budgets include both direct and indirect sponsored income and expenditures. Indirect cost funding passes through the schools and is transferred to the University as expenditures occur. At that point, indirect cost recovery becomes part of unrestricted income for the University. In order not to double count, indirect cost recovery of \$91.8 million received by schools is netted out in the bottom section.

*The budget line for the School of Medicine does not include \$79.9 million in budgets for the auxiliary organizations within the School. These are shown in the Auxiliaries line. When the medical auxiliaries are added to the School's budget, the total anticipated expense of the School of Medicine is \$365.3 million.

**It is also important to note the \$22.0 million shown in Other Anticipated Income. This figure is based on historical experience and reflects our belief that the University will receive additional unrestricted and/or restricted income that we cannot specifically identify at this time.

**1996/97 Consolidated Expenditures by Unit
(not including SLAC)**

next couple of years. The planned use of reserves will result in a decrease in the School's fund balances in 1996/97 of \$1.8 million.

Graduate School of Business (GSB): The GSB is projecting an excess of expenditures over revenue in 1996/97 of \$1.5 million. Several factors work together to create this deficit. The first is the addition of eight new faculty allowing the School to be fully staffed for the first time in many years. The remainder of the deficit is caused by one-time factors. The School plans to make a significant investment in technology upgrades for both the network and desktops. The budget includes the incremental expense associated with the new Schwab building in 1996/97, but the School does not have plans to increase the fees to Executive Education Program participants until 1997/98.

Hoover: In recent years, Hoover has deliberately increased its reserve balance in anticipation of several multi-year projects. In particular, three sources have contributed to past increases in fund balances: designated expendable gifts earmarked for budgeted, multi-year projects; library income accumulated for capital projects; and funds withdrawn from funds functioning as endowment to support research efforts of some scholars who participated in Stanford's Faculty Retirement Incentive Program. Hoover's bottom line in 1996/97 reflects a balanced budget that includes as a source of funds the planned use of reserves for on-going, multi-year projects that were fully funded prior to 1996/97.

Information Technology Systems and Services (ITSS): ITSS plans to draw down its reserves and designated funds in 1996/97 to support the migration from mainframe applications to a client/server environment. The Data Center will incur duplicate costs until full migration has taken place. This planned use of reserves is reflected in the \$1.6 million deficit in designated funds.

Auxiliaries/Other

The largest auxiliaries are Housing and Dining Services and the Athletics Department (DAPER). Housing and Dining Services is projecting a net use of \$0.3 million in reserves as part of the

planned Capital Improvements Program. DAPER and the other auxiliary enterprises are projecting balanced budgets, or slight surpluses.

CAPITAL PLAN AND BUDGET

The Five Year Capital Plan includes \$81.5 million in projects to be presented to the Board for concept approval in 1996/97. The Capital Budget for 1996/97 is comprised of \$186.7 million in anticipated expenditures for projects already in design, approved, or currently underway. (It also includes expenditures on projects anticipated for concepts approval.)

A capital plan for the remainder of the decade has been developed, establishing the following priorities:

- To support laboratory and office renovation, principally for faculty recruitment and retention; and build necessary new facilities to support the highest priority program initiatives, principally through reliance on fundraising.
- To complete the seismic repair and upgrade work in accordance with academic needs.
- To recognize, budget for, and reduce significantly the deferred maintenance backlog.

To achieve these ambitious goals, approximately \$708.3 million in capital expenditures are projected from 1996/97 through 2000/01. A large portion of these projects is subject to completion of fundraising goals. Through the generous support of Stanford's friends, the recent agreements with the Federal Emergency Management Agency (FEMA), and the prudent use of debt, we believe this ambitious program for Stanford's future can be realized.

A full discussion of the 1996/97 Capital Budget and the Five Year Capital Plan, complete with itemized projects and funding sources, is contained in Section Five of this document and in Appendix B. The tables on the following page show projects to be presented for concept approval, projected expenditures for 1996/97, and sources of funding.

1996/97 Capital Plan: Projects to be Presented for Concept Approval

(in millions)

Project	Cost	Sources of Funds		
		Identified	Gifts to be Raised	Debt
EQ Repair & Seismic Risk Mitigation	\$27.3	\$4.1		\$23.2
Academic Program Development	37.8	1.4	\$5.6	30.8
Infrastructure	16.4			16.4
Total	\$81.5	\$5.5	\$5.6	\$70.4

1996/97 Capital Budget: Projected Expenditures

(in millions)

Project	Cost	Sources of Funds		
		Identified	Gifts to be Raised	Debt
EQ Repair & Seismic Risk Mitigation	\$43.5	\$29.4	\$1.4	\$12.7
Academic Program Development	95.0	43.2	10.9	40.9
Deferred Maintenance	21.5	11.9		9.6
Infrastructure	24.5	0.1	5.4	19.0
Compliance	2.2	1.0		1.2
Total	\$186.7	\$85.6	\$17.7	\$83.4

STATEMENT OF OPERATIONS

In order to provide a consistent and clear linkage between the Consolidated Budget for Operations and the various annual financial documents presented to the Stanford Community, we are including a projected 1996/97 Statement of Operations, shown on the next page. The Statement of Operations is found in the audited financial report. The following key points provide the explanation of the connections between the Consolidated Budget for Operations and the Statement of Operations.

The two main differences between the Statement of Operations and the Consolidated Budget for Operations are the following. First, the Consolidated Budget for Operations reflects only current funds while the Statement of Operations is a summary of current, plant, and student loan funds. (Endowment funds are reported separately on the Statement of Endowment and Changes in Endowed Equity.) Second, the Consolidated Budget for Operations is essentially built on a cash basis, while the Statement of Operations is built on an accrual basis. Therefore, moving from one to the other necessitates the following adjustments:

- a) Interest Income: This \$2.6 million earned by the Plant and Student Loan funds is added to the current funds investment income.
- b) Expenditures for Equipment vs. Depreciation: Total equipment purchases are budgeted as direct expenditures of \$72.5 million in the Consolidated Budget for Operations. In the Statement of Operations, expenses related to the \$63.8 million of equipment owned by Stanford are included in depreciation. Total depreciation is projected at \$93.8 million.
- c) Transfer to Plant: The \$22.8 million moves to the Operating Equity balance as a part of plant funds.
- d) Capital Gifts for Facilities: This \$30 million reflects the anticipated gifts for facilities. This revenue is not shown on the Consolidated Budget for Operations, which does not include plant funds.
- e) Operating Equity: The \$879.2 million adjustment adds plant and student loan fund balances and investment in plant to the Consolidated Budget for Operations' current fund balances.

Comparison of Consolidated Budget and Projected Statement of Operations, 1996/97

(in millions of dollars)

1994/95 Actuals	1995/96 Forecast		Projected Consolidated Budget	Adjustments	Projected Statement of Operations
Revenues					
<i>Student Income:</i>					
123.9	129.8	Undergraduate Programs	135.7		135.7
121.9	129.5	Graduate Programs	135.6		135.6
47.9	49.9	Room and Board	52.0		52.0
293.7	309.2	Total Student Income	323.3		323.3
<i>Sponsored Research Support:</i>					
276.5	286.0	Direct Costs	293.8		293.8
87.2	89.1	Indirect Costs	91.8		91.8
175.8	200.0	SLAC	205.0		205.0
539.5	575.1	Total Sponsored Research Support	590.6		590.6
100.3	98.3	Gifts	98.3		98.3
<i>Investment Income:</i>					
155.0	144.5	Endowment Income	155.8		155.8
43.6	42.1	Other Investment Income	55.0	2.6 ^{a)}	57.6
21.0		Unrealized Gain			
219.6	186.6	Total Investment Income	210.8	2.6	213.4
<i>Other Income:</i>					
90.9	96.8	Special Programs Fees	102.4		102.4
95.4	98.2	Auxiliaries (excl. Room & Board)	101.2		101.2
18.0	16.8	Other Income	23.8		23.8
204.3	211.8	Total Other Income	227.4		227.4
1,357.4	1,381.0	Total Revenues	1,450.4	2.6	1,453.0
Expenses					
260.4	272.2	Academic Salaries and Benefits	284.5		284.5
302.2	310.2	Staff Salaries and Benefits	317.8		317.8
562.6	582.4	Total Salaries and Benefits	602.3		602.3
69.4	76.5	Student Financial Aid	82.0		82.0
34.6	35.5	Student Stipends	38.0		38.0
113.3	112.6	Administrative and Professional Services	127.6		127.6
6.0	6.0	Equipment	72.5	(63.8) ^{b)}	8.7
94.8	94.3	Depreciation		93.8 ^{b)}	93.8
83.2	82.7	Materials and Supplies	104.3		104.3
30.7	30.5	Utilities	46.6		46.6
25.9	25.7	Repairs and Maintenance	34.8		34.8
175.8	200.0	SLAC	205.0		205.0
86.8	86.3	Other	73.1		73.1
1,283.1	1,332.5	Total Expenses	1,386.2	30.0	1,416.2
(34.0)	(15.0)	Additions to Endowed Equity	(20.0)		(20.0)
		Transfer to Plant/Student Loan	(22.8)	22.8 ^{c)}	
(5.6)		Transfer of Net Assets to SHS			
34.7	33.5	Excess of Revenues over Expenses	21.4	(4.6)	16.8
Other Changes in Operating Equity					
67.4	30.0	Capital Gifts for Facilities		30.0 ^{d)}	30.0
102.1	63.5	Net Change in Operating Equity	21.4	25.4	46.8
1,268.5	1,370.6	Beginning Operating Equity	554.9	879.2^{e)}	1,434.1
1,370.6	1,434.1	Ending Operating Equity	576.3	904.6	1,480.9

NOTES: In the Statement of Operations published in the Annual Financial Report, auxiliary expenditures are shown as a separate line item instead of being distributed among the specific line items as shown above.

These numbers do not include Stanford Health Services.

Summary: The impact of capitalization and the flow of funds for plant purposes described above result in a change in the bottom-line of \$25.4 million, from a \$23.2 million surplus in the Consolidated Budget projection to a \$48.6 million surplus in the Statement of Operations projection.

This Statement of Operations projection does not reflect changes in accounting rules recently issued by the Financial Accounting Standards Board. These will be incorporated in the University's 1995/96 audited financial statements.

SECTION 3

ACADEMIC INITIATIVES AND PLANS

This Budget Plan is an expression of Stanford's programmatic directions and the financial requirements to support them. In this section we review some of the important academic plans and initiatives reflected in the budget.

UNIVERSITY-WIDE ACADEMIC INITIATIVES

Stanford Introductory Studies

Stanford is many things to many people—a research institution, a graduate school, a professional school, and a provider of health care—but it is, first and foremost, an undergraduate institution. This is how President Casper characterized Stanford in May when he announced a new initiative designed to bolster the first two years of the undergraduate curriculum and to ensure that the required study during this period is sensible and compelling. This initiative, and the first two years of undergraduate programs in general, will be called “Stanford Introductory Studies.”

The initiative combines several existing programs—Sophomore Seminars, Sophomore Dialogues, and Sophomore College—that already provide close interaction between faculty members and students with new programs intended to offer that experience to students in their first year, and by expanding the number and variety of programs for sophomores. In particular, the creation of Freshman Seminars, within three years, will provide every entering student the opportunity to work with a faculty member in a small class setting. Seminars will draw from a wide variety of disciplines on almost any topic. The introduction of Freshman Seminars is not meant to add to the first year course load. Rather, they must be integrated into other freshman requirements such

as CIV, Writing and Critical Thinking, Science Core, or other existing distribution requirements.

We will require additional faculty to absorb fully the additional effort required to sustain the Stanford Introductory Studies. A generous gift from Peter Bing will support up to 20 incremental billets for five years. These billets will expand the teaching capacity of the faculty and provide the opportunity to make strategic appointments in a number of areas.

Stanford Graduate Fellowships

The President also announced the creation of a new program of Stanford Ph.D. Fellowships. The purpose of the Stanford Graduate Fellowships will be to continue to attract the finest graduate students possible and to give those students full freedom to pursue their work at Stanford without worrying about the vagaries of sponsored research support or other traditional sources of support. In addition, this program will reduce our dependency on federal funding for graduate students and may allow us to reduce the number of federally funded research assistantships by one-half once the program is fully established.

The program will be nationally advertised as a Stanford initiative but will be organized as an internal competition, thus assuring that the dollars go to provide support to the best graduate students, regardless of discipline. A steering committee has been established to finalize the details of this program and oversee the initial round of awards. We hope to attract the first class of Stanford Graduate Fellows in the fall of 1997.

The goal is to provide for 300 Fellowships (100 three-year Fellowships awarded each year). Initially, the program will be supported by \$10

million from unrestricted gifts. This amount will provide funding for the first two years, with endowment and gift funding required for the third and subsequent years. Once established, the program will have an annual cost of \$8.4 million.

SCHOOL BASED PLANS AND ISSUES

School of Earth Sciences

In 1995/96, the School of Earth Sciences has worked to implement a new academic plan developed last year. This plan maintains strength in certain Earth science disciplines in which Stanford has been a leader, broadens the School's intellectual reach, and keeps it in the first rank of academic programs in the science of the Earth. It is designed to appeal to undergraduates in new ways, to strengthen work in environmental sciences, and to leverage resources within the School by relationships inside and outside Stanford.

The most significant new program in the School is the Ocean Margins Initiative. It represents a major expansion of the scope of the School and it connects to current strengths of the School in five areas: environmental Earth sciences, geochemistry and geochronology, fluid flow in the Earth's crust, sedimentary systems basin structure and evolution, and continental dynamics. Three new faculty billets have been allocated to establish a research and teaching program in the physical, chemical, and biological processes along ocean margins. At least two positions will be at the junior level, and all are expected to be filled within the next two years.

The Ocean Margins Initiative will create opportunities for links between the School and organizations inside and outside Stanford. It will complement research in the Department of Civil Engineering on degradation pathways of organic contaminants, adsorption at mineral surfaces, and fluid mechanics applicable to the coastal zone. It will strengthen interactions with the Department of Biological Sciences and the Hopkins Marine Station. Environmental aspects of the Ocean Margins Initiative will contribute the full spectrum of environmental science and engineering to work

on environmental policy at the Institute for International Studies. The initiative will also strengthen and expand connections externally: with the U.S. Geological Survey and through the University's new formal relationship with the Monterey Bay Aquarium Research Institute. The leveraging of these links makes it possible to build a program that can lead its field, with only modest incremental resources.

The School is continuing a review of its undergraduate and graduate teaching programs to insure wise use of resources, to improve evaluation of teaching performance, and to make more courses accessible to students inside and outside the School. A group of Earth Sciences faculty are participating in the University's new Science Core for non-science and engineering majors by developing a new three-quarter sequence called *Planet Earth: A Survival Guide* which will be taught next year. The School has established undergraduate minors in each department in response to another CUE recommendation. Finally, several new sophomore seminars provide an opportunity for undergraduates to work closely with senior faculty in small group settings.

School of Education

The academic mission of the School of Education is to provide leadership in ground-breaking, cross-disciplinary research that reshapes educational ideas, policies, and practices; and to advance students' knowledge, imagination, and wisdom to enable them to lead in improving the quality of education.

Economic, social, political, and demographic trends continue to impact youth, families, and education, especially in the current policy environment. To fulfill its mission within this context, the School of Education has developed an academic plan that responds to a changing environment. The academic plan provides a solid foundation for the School to strengthen its operations, focus its programs, and build on its existing expertise.

The School of Education has been working on several new initiatives. An innovative master's program in Learning, Design and Technology will

prepare students to develop and evaluate learning environments that use emerging information technologies. Principles of learning and cognition will guide the application of these technologies in classrooms, work settings, homes, museums, and other learning environments. A new program in evaluation will be integrated into the policy analysis master's program, with the objective of increasing the capacity to evaluate the myriad of school reforms sweeping the country. A longitudinal evaluation of the Summer Teaching School, a key component of the Stanford Teacher Education Program (STEP), will seek models for the preparation of teachers in cutting-edge reform ideas and teaching skills that address changing demographics.

New research activities result from three major awards from the U.S. Department of Education: a \$12.5 million grant for the National Center for Postsecondary Improvement to be based at Stanford; a \$2 million subcontract from the Center for Policy Research in Education; and a \$1.5 million subcontract from the Center for Research on Evaluation, Standards, and Student Testing. A major research initiative will focus on communities as the center for school reform and collaborative efforts to improve conditions and offer opportunities for children and youth.

A master space plan for the School of Education includes renovation of the 60 year-old Cubberley building to provide improved teaching, research, and student spaces, as well as administrative and physical resources that support the academic and research mission. Working collaboratively with ITSS and the Libraries, a Technology Committee will undertake a study to determine future needs in information technology for the support of research and teaching throughout the School.

The School is working toward balancing centralization and decentralization of operations in order to reduce redundancy and cost while retaining program identity. A staff study has surveyed key processes and functions within the School to identify problems and recommend restructuring of administrative processes.

School of Engineering

Under the leadership of Dean James Gibbons, the School has been very successful in creating and maintaining teaching and research programs of the highest quality for graduate and undergraduate students. In recent rankings of engineering departments across the country, Stanford was tied with MIT for first in undergraduate education. In graduate education, all of the School's departments were ranked 7th or better; the three largest departments (Electrical Engineering, Computer Science and Mechanical Engineering) were ranked first in their fields, and Aeronautics and Astronautics and Civil Engineering were ranked third. These rankings result, in large part, from a decade-long effort to establish a systematic academic planning process, a rigorous faculty appointment and promotion process, and a major fundraising campaign for the support of faculty.

Implementation of the School's 1994/95 comprehensive three year budget plan included the merger of two departments, streamlining of research administration, and allocation of resources to a series of "grand challenges" identified by the faculty.

Through the strategic use of billets and careful academic planning, the School addressed a number of new areas of anticipated growth, with special attention devoted to computer prototyping and systems integration. To promote continued innovation and excellence, the faculty has been rejuvenated by the appointment over the past three years of 26 new faculty members, nearly all of whom are assistant professors.

Considerable investments have been made in facilities designed to carry the School of Engineering successfully into the next century. By the end of 1997/98, approximately \$55 million will have been invested by the School and its benefactors in research and teaching facilities. The most notable projects include the Thornton, Gates, and CIS Extension buildings as well as programmatic improvements in the Building 500 series. This investment does not include the Science and Engineering Quad nor the investment by the University primarily for seismic upgrades.

The School's consolidation of research administration has reduced the overall cost in this area by approximately 38%, and these savings have been reallocated to departments to support their rising research-related expenses in the current constrained, uncertain, and highly regulated research environment.

As the current three year plan ends, a number of new initiatives are underway in the School. Computational prototyping is being used throughout the School's teaching and research programs. Major hardware aspects of this effort have been launched with the support of Hewlett Packard and Intel. Computer simulation methods will be introduced into existing courses and a new course will be developed on this topic. The development of an undergraduate prototyping lab is a School priority. Another computational prototyping effort is the creation of a Project Centered Learning Environment within the Department of Civil Engineering. This facility will have flexible configurations for use as a classroom and as a studio where students can gather to work in teams.

The School is also in the formative stages of establishing a major new initiative called the Biomedical Engineering Program, which is centered in the Department of Mechanical Engineering. A new division has been formed with existing faculty, and billets have been committed for new faculty who will be hired in this area. This program will be developed over several years and is expected to have major interactions with the Medical School and with other engineering departments, especially Electrical Engineering.

Graduate School of Business

The School's 1994/95 budget plan included among its goals the completion of reviews of the MBA and doctoral programs in preparation for renewal of accreditation, continued development of faculty research initiatives in areas of importance to managers, a major faculty recruiting effort, and continued collaboration with the School of Engineering and other areas of the University. The accreditation review was successfully completed last year; initiatives have been launched in

entrepreneurship and information technology; and this year's recruitment season will result in a net increase of several faculty. Collaboration with the School of Engineering remains a high priority, and the GSB's initiative in information technology is closely tied to the multi-department Stanford Computer Industry Project in which several GSB faculty have been involved.

The review of the school's academic programs reaffirmed the goals and underlying structure of the three degree programs (MBA, MS, and Ph.D.). The academic content of each program will continue to evolve as the knowledge and capabilities of students change, but the School remains committed to full-time, classroom-based education of a highly qualified and diverse student body drawn from an international applicant pool.

The School's faculty development strategy has been consistent for the last several decades: hire talented young scholars as assistant professors and support them in their research and transition into teaching MBA students. This year the 17 searches authorized for new faculty are expected to result in 10-12 new faculty hires in the GSB, a net increase of 5-6 when retirements and departures are taken into account. Almost all new faculty are assistant professors, and they will be mentored carefully to assure opportunities for them to succeed in both research and teaching.

Executive Education provides nearly 20% of the GSB's annual revenue and contributes significantly to the net funding of the School. It is also a key avenue for influencing the practice of management by offering the opportunity to disseminate the School's research to several hundred top-level executives each year. For the first time in a number of years, applications to the flagship Stanford Executive Program appear to be increasing as a result of an improved marketing effort and redesign of the curriculum.

Enrollments in new executive programs developed in the last several years are also increasing. Three new short programs that began in 1995/96 build on faculty research in negotiation and conflict management and on strategic uses of information

technology. A long-time relationship with the National University of Singapore (NUS) resulted in a new joint program with NUS in Hong Kong. Over the last two years, the School's investment in course development for executive programs has provided the opportunity for faculty to experiment with new materials that may be developed into new MBA courses.

The Schwab Residential Center for Management Education is expected to open in time to house Executive Education program participants in the summer of 1997, and MBA and other graduate students in Autumn 1997. Throughout each year, graduate students and Executive Education participants will live in the new residential center which will be integrated into the School's academic and community life. Another building project over the next two years will be the expansion of the Littlefield Management Center and better integration between the two GSB buildings.

School of Humanities and Sciences

The School of Humanities and Sciences continues to change and foster new innovations in teaching and research, building on its traditions of academic excellence as well as undertaking important new academic initiatives. The School's faculty have been deeply involved in developing and implementing recommendations emerging from the Commission on Undergraduate Education, such as language and writing requirements and the Science Core. The School has formed a strong institutional base for innovation in the undergraduate agenda by developing and expanding programs such as the Summer Honors College, Sophomore Seminars and Dialogues, and Sophomore College.

The innovative interdisciplinary program in Comparative Studies in Race and Ethnicity will emphasize contemporary social issues and will involve faculty from the humanities and the social sciences. During the past year, the School took the difficult step of recommending the closure of the Food Research Institute, which will be restructured as an interdisciplinary research center within the Institute for International Studies.

Aided by the generosity of donors, newly established programs will provide substantial incremental resources to outstanding junior faculty in the humanities, natural sciences, and social sciences.

While H&S has for many years enjoyed preeminence among major research universities, the high quality of its departments received further confirmation with the release of the National Research Council's comprehensive evaluation of research doctorate programs. Half of the School's departments placed in the top ten nationally. Psychology, Statistics, and Biology (ecology, evolution and behavior) placed at the top of their fields, closely followed by Linguistics, Chemistry, Economics, English, French, German Studies, Political Science, History, Philosophy and Anthropology. To supplement the School's academic planning efforts, chairs of NRC-ranked departments have provided the Dean's Office with a self-evaluation, along with a description of how rankings might be improved given existing resources. A top priority is to maintain the excellence of very strong departments while at the same time selectively supporting areas that can achieve strength with limited new investments of resources.

The School is accelerating the pace of departmental reviews by internal or external visiting committees. In 1995/96, external visiting committees reviewed the Departments of Chemistry and Anthropology. Next year, the English Department will be reviewed, along with one department from the natural sciences and another from the social sciences. Reviews of the School's interdisciplinary programs are conducted by the H&S Curriculum Committee to assure the high quality of programs which serve 20% of H&S undergraduates who pursue interdepartmental majors.

Goals for 1996/97 include recruiting and retaining faculty who are at or near the top of their fields, enhancing the excellence of existing programs through revitalized academic planning and fundraising efforts, and implementation of newly launched initiatives, several of which are described below.

Across the School

- The School's commitment to faculty renewal will continue primarily through authorization of searches at the junior level, but also with selected senior appointments that meet particular demographic and academic needs of departments.
- Each H&S department and program that offers a major will also offer a minor, allowing students to pursue two academic disciplines in depth without pursuing a double major.
- The School will continue its participation in the Asia Pacific Initiative. H&S has already made an excellent start toward strengthening Asian studies through recent appointments in History, Sociology, Political Science and Asian Languages.
- Following an internal review of Stanford's Overseas Studies Programs in 1995/96, a preliminary investigation will be made into establishing a new program in Mexico.
- With the arrival of a new Associate Dean for Development, the Dean's Office will design and begin to implement a master fundraising plan to support the School's academic and infrastructure needs.

In the Humanities

- In early Autumn Quarter, the language departments will return to the Quad and the new Language Center will open.
- The staff restructuring plan for the Division of Literatures, Cultures and Languages will become fully operational. This plan, which features centralized services to support six departments and the Language Center, is expected to become a model for future staff reorganizations throughout the School.

In the Natural Sciences

- The cluster of science departments and programs will be led by a new associate dean who will build on the strong foundation of excellence maintained for the past three years by David Siegmund, who will return to the Statistics Department.

- Recommendations from the January 1996 review of the Chemistry Department will be studied and implemented.
- In the summer of 1997, construction of the new Tuna Research facility at Hopkins Marine Station will be completed. This project is a collaborative effort with the Monterey Bay Aquarium Research Institute.

In the Social Sciences

- Recommendations from the April 1996 review of the Anthropology Department will be studied and implemented; the Political Science Department, which was reviewed two years ago, will implement a plan to achieve balance within sub-fields.
- Led by Professor of Economics Anne Krueger, social science faculty will plan the new interdisciplinary Center for Development Economics, which will, among other initiatives, continue some of the research activities previously conducted by the Food Research Institute.

School of Law

Although comprehensive figures are not yet available, it appears that the salary gap between Stanford's Law School and its peer institutions has ceased growing and possibly has begun narrowing. A supplemental allocation from the Provost, transfers to funds functioning as endowment from internal cost savings, and Campaign revenues have improved the School's ability to recruit and retain outstanding faculty members.

A smaller faculty size caused by departures and retirements has created both problems and opportunities. On the problem side, the number of permanent faculty now teaching at the Law School has fallen below the number necessary to staff basic courses with Academic Council faculty and to maintain reasonable section size. Another problem is a decline in the racial and ethnic diversity of the faculty. On the opportunity side, the School may add as many as six faculty members during the next couple of years. Faculty hiring objectives include the recruitment of stars and rising stars regardless of field, and pursuing opportunities to hire outstanding minority faculty.

While the Law School is strong overall, its reputation is especially good in constitutional law, the legal profession and legal ethics, and legal theory and history. The School has been working to establish strength in several practice-focused areas: business, with a high tech/intellectual property and an international dimension; decision making and negotiation; and environmental law. Several potential new hires and visiting faculty appointments could result in a strengthening of the curriculum in business. In the decision making/negotiation area, an excellent lecturer has been hired to meet all or most of the increasing demand for negotiation training; the search continues for a faculty appointment of someone with a significant research interest in the field. The School has not been as successful in identifying strong faculty candidates for environmental law, although an interesting new interdisciplinary environmental project has been started in East Palo Alto.

The Law School's connections with other parts of the University have continued to increase, a trend the School considers important for its future. Particularly promising areas of collaboration include appointments shared with IIS, with the Ethics and Society Program and the Economics Department in H&S, and with the Graduate School of Business.

In its inaugural year, the JSM Stanford Program in International Legal Studies has been a success while development of the JS/IPS dual degree is proceeding slowly.

The School has progressed in its efforts to rationalize the clinical practice opportunities offered to its students. There are three types of these opportunities: (a) classes in which clinical simulations are an important, if not dominant, aspect of the course; (b) classes in which all students enrolled in the class are placed in practice settings with live clients; (c) substantive courses in which some students may choose to be placed in practice setting under the supervision of an attorney other than the professor teaching the course. The proper mix of these offerings should lead to a wide range

of clinical options that permit students to blend academic and practical interests in ways that enrich their theoretical understanding and their ability to be effective lawyers; that involve more full-time faculty members in clinical education; that meet student demand for experiences in which they receive extensive feedback on their written work; and that insure high quality service to the relevant client communities.

For the past several years, the School has experimented with the integration of ethics into all required first-year courses. This approach has not been successful for a number of reasons. However, in addition to several elective courses that focus specifically on legal ethics and the legal profession, the School plans to integrate ethics into a variety of advanced courses on tax, corporations, and criminal procedure. The advantage of this approach is that students will learn ethics as an integral part of substantive law and practice. Their confrontation and attempts to resolve real-world problems should be motivating and educationally advantageous.

The growth in international, negotiation, clinical, and other academic programs has resulted in overcrowding in existing facilities. With the Provost's approval, the School has acquired Huston House on the corner of Campus Drive and Salvatierra and an architect has been retained to prepare plans for repairing the building's earthquake damage and bringing it to code. Funding for renovation of the building has not yet been determined.

Rising student debt and the lack of affordable and reliable student loan sources are major issues for the School. The School is trying to establish relationships with lending institutions that would offer its students favorable loan programs; starting in 1996/97, Citibank and the Stanford Federal Credit Union have agreed to implement special loan programs for the Law School which will only charge students five points as an administrative and insurance fee (half the cost of other private loans).

School of Medicine

Over the past year, the School of Medicine has undertaken an extensive internal planning and review process involving faculty groups that are systematically studying fundamental issues for the School's continued success. The restatement of the School's mission—to continue to be a world-class center for education, biomedical research, and innovative clinical care—requires discussion in the context of a rapidly changing environment. The challenge is to refocus and reconfigure the School in ways that will preserve core academic functions and provide an appropriate measure of financial stability.

A dramatically changing health care economy, combined with constrained government research funding, demands creative responses. The School will continue to foster the climate for fundamental discovery, but it will also focus on translating those discoveries into diagnostic and therapeutic applications. New policies and structures will be established to encourage productive collaborations across departments, disciplines, and specialties. Such new approaches will be designed to encourage innovative associations with both biotechnology and pharmaceutical industries as well as with health care providers.

Within the clinical arena, one of the new associations being explored in earnest is a merger of the clinical businesses of UCSF and Stanford. The two schools would remain separate, and the assets of Stanford's School of Medicine would remain discrete and protected. Additionally, work is being done to define the relationship of Packard Children's Hospital to both the School and the SHS, and potentially to UCSF as well.

The School's responses to market changes will not dominate its core mission; rather, the responses to the health care environment must be designed to sustain and enhance the multiple missions of the School.

Interdisciplinary research programs in cancer, gene therapy, and clinical immunology are among those which form the conceptual core for planning the Center for Clinical Sciences Research (CCSR).

Other programs, such as the neurosciences, will also be grouped to allow collaborative efforts in contiguous space. Ideally, these new arrangements should produce new research opportunities and associations that can provide a more diverse economic foundation.

The School's success in meeting its goals depends on its ability to attract and retain the highest quality faculty. The challenge of supporting innovation through reallocation and substitution as opposed to growth requires that the School examine the structure of its professoriate and resource allocation methods to see if alternative approaches might be more appropriate. Strategic planning must closely tie faculty positions to the financial resources and physical facilities that support them.

The training of medical students, graduate students, fellows, and house staff physicians must continue to prepare them for leadership careers both within and outside academia. These groups are also affected by the changing economies. Increasing pressures on funding for education and relatively fewer career opportunities in academia and medical specialties are forcing the School to consider carefully the size and composition of its student body.

Translating the School's mission, the resulting vision, and the tumultuous environment within which they exist into a budget plan for 1996/97 results in an essentially steady-state picture. The rising clinical income and federal research funds which fueled significant growth in the mid-80's have been replaced by pressured resources that may decline in the future. Over the next five years, the School envisions targeted investment in new faculty who will concentrate on the developing bench-to-bedside programs that will enhance the quality of academic and educational programs and promote productive use of facilities and resources. The new Center for Clinical Sciences Research will provide effective space to meet the new opportunities.

The Development Office is undertaking fundraising initiatives to secure support for new endowed professorships to guarantee more financial

stability for renowned senior faculty. It will also seek gifts designated to augment tuition and to provide research opportunities for student training programs. A new flexible admissions program for biomedical graduate study allows individuals to rotate through several departments and choose any laboratory for their dissertation research, regardless of the program they enter initially. Such freedom of choice encourages interdisciplinary approaches in their training and fosters collaboration among their mentors. Finally, the School continues to work with the University to reengineer major administrative support processes and systems to enhance service and streamline expenses.

Hoover Institution

Over the past two years the Hoover Institution has successfully achieved significant revenue enhancement and expense reduction, resulting in a balanced budget for 1996/97, one year ahead of the schedule originally approved by the Hoover Board of Overseers in 1992. This milestone will end Hoover's situation of chronic deficits that have prevailed for more than a decade.

The budget successes over the past few years have changed the outlook of the Institution from one of net shrinkage to one of modest growth and consideration of new initiatives. Many of these initiatives involve making the intellectual and archival resources of the Institution available to a wider audience, as well as facilitating effective exchange of ideas between the disparate disciplines involved in the public policy process.

The first initiative involves expanded forums for producing and disseminating scholarly dialogue. These dialogues between scholars will result in a number of books on important public policy issues. Topics will include: tax reform, federal budget policy, the size of government, national economic growth, environmentalism, federalism, welfare reform, quality of education, affirmative action, immigration, demographic issues, statecraft, international trade and competitiveness, terrorism, and the political economy and security of Russia, Bosnia, China, etc.

Two significant new vehicles for information dissemination are being developed. The first is a quarterly publication, the *Hoover Digest*. The intended audience for this subscription-based publication is an informed citizenry interested in public policy, including policy makers, the media, and other policy researchers. The *Digest* will consist primarily of the published work of Hoover scholars, ranging from reprinted short articles to excerpts/summaries from longer essays and books. Regular features developed and written exclusively for the *Digest*, panel discussions, and interviews dealing with important public policy matters will also be incorporated.

The second vehicle is a pilot series of television programs addressing public policy concerns. The Institution has entered into an agreement with KTEH-TV (San Jose's PBS affiliate) to produce twenty-six programs, the first thirteen aired during the spring of 1996 with the remainder in the fall. The aim of the series is to generate informed and in-depth discussions of public policy issues drawing on experts from the Stanford community as well as notable researchers from around the US. This program is neither an interview show nor a debate; it is informed conversation on a level respectful of an informed audience. The program is about ideas. It seeks to enlighten public policy issues by rescuing them from journalists, politicians, and Washington "insiders." The desirability of producing a program for a national audience sometime in the future will be evaluated.

A number of infrastructure and special collecting projects for the Institution's Library and Archives will continue. With the support of a generous gift, several multi-year special collecting and micro-filming projects are underway. The computer capabilities of the Library and Archives continue to be upgraded as well, with a view to increasing access to the Institution's archival and library materials. The infrastructure of the Library is being improved through a retrospective conversion project, funded by a grant from the President's Fund.

A balanced budget is anticipated for 1996/97 and is predicated upon a relatively small (7.7%)

increase in expendable gifts, following two years when expendable gifts increased by more than 15% per year. With current on-going activities of the Institution adequately funded, a fundraising drive is in the offing, with the goal of providing resources for programmatic and intellectual growth. The successful launch and completion of this drive is a major objective.

A number of small capital projects have been planned for 1996/97. In order to better support the burgeoning conference schedule the Institution's meeting facilities will be upgraded. A renovation of the library spaces in the Hoover Tower is planned. These two projects have been funded by designated gifts. The continued growth of the Archives has necessitated the conversion of the standard stacks to compact shelving in the archival storage areas. This project will be funded out of reserves accumulated for capital projects.

Vice Provost and Dean of Research and Graduate Policy

The Office of the Vice Provost and Dean of Research and Graduate Policy has four major functions: supporting Stanford's research enterprise through development, promulgation, and interpretation of research policy, and by managing the Sponsored Projects Office and the Office of Technology Licensing; serving as the cognizant Dean's Office for ten Independent Laboratories, Centers, and Institutes; supporting Stanford's graduate education program through development, promulgation, and interpretation of policy; and advising the President and Provost by participation in regular and ad hoc processes on matters ranging from indirect cost and budget issues through environmental health and safety concerns.

In the area of research policy, Vice Provost Charles Kruger and Associate Dean of Research H. Craig Heller worked with the Faculty Senate's Committee on Research to develop and implement a new "Policy on Research Participation Agreements" which will encourage and support university-industry partnerships. In 1996/97, they will be looking at innovative ways to support graduate student research assistantships, to respond to

changes in federal policies affecting research, and to streamline the University's research administration processes.

The ten independent laboratories, centers, and institutes reporting to the Dean of Research encourage and support Stanford's openness to interdisciplinary research and scholarship. They currently account for about 38% of the total non-Medical School research volume. 1996/97 is the final year of a three-year program planning cycle; the plans developed by each unit demonstrate the strength of their programs which both complement and supplement departmentally-based research and scholarship.

The Institute for International Studies (IIS) is at the center of the Pacific Initiative which places global issues at the top of the University's intellectual and institutional agenda. Existing and prospective strengths on Asia within IIS and the seven schools offer cost-effective and focused means to contribute to the research, teaching, and outreach missions of the University. As currently envisioned, the Pacific Initiative will be comprised of four key elements: the Asia Pacific Scholars Program to bring outstanding students from Asia to Stanford; a core faculty, comprised of new and current faculty members with expertise specific to Asia and the Pacific; a restructured master's degree program in International Policy Studies; and structured faculty and student exchanges with several of Asia's best research universities.

Another excellent example of inter-school collaboration is the Center for Materials Research where faculty and staff are working with colleagues in the Schools of Earth Sciences, Engineering, and Humanities and Sciences to develop facilities suitable for members of Stanford's materials community who study a broad range of very advanced materials, their synthesis, characterization, and processing, and related devices. Phase I of the renovation of the McCullough Building is scheduled to start in late 1996, and an annex to house "wet lab" activities will be constructed in 1997/98 as part of the Science and Engineering Quad.

Associate Dean of Graduate Policy George Dekker served a highly successful three-year term from Spring Quarter 1993 through Winter Quarter 1996. Issues to be addressed by his successor include: changes to university policies and procedures as tuition remission becomes an unallowable charge through the staff benefits rate to Government-funded projects as of 10/1/97; review of the status of postdoctoral fellows; review of course assistant and teaching assistant job descriptions; review of Advanced Graduate Registration (AGR) and Terminal Graduate Registration (TGR); review of residency and full time enrollment status; and the potential initiation of a Graduate Student Council.

Undergraduate Education

In 1996/97, the Office of the Vice Provost for Undergraduate Education will continue to implement recommendations and policy changes from the Commission on Undergraduate Education and other faculty bodies as well as other initiatives designed to improve the undergraduate academic program throughout the University.

Programs for sophomores assist students in the transition from a highly-structured freshman year to declaration of a major. The Sophomore Seminars and Dialogues program will provide 75 small-group seminars taught by regular faculty that will reach one-third to one-half of the class. In its second year, Sophomore College is an intensive program in September for 80 sophomores who work with faculty in small groups to explore a particular academic area.

Upper class students engaged in honors work will find three enhancements to the curriculum. An Honors College, also in September, will offer seniors the opportunity to begin their honors thesis work under faculty supervision. In the science departments, selected students will receive fellowship stipends to work with faculty in their labs. The new Honors in the Residences program offers seminars and other activities that promote collegial exchange of research work among students doing honors projects. Finally, departments will be designing and implementing writing

courses to prepare students to effectively communicating the results of their honors work.

The new Foreign Language Requirement for undergraduates is expected to result in the need for Stanford language instruction for one-third of all freshmen. The Language Center within the Division of Literatures, Cultures, and Languages will provide an exciting state-of-the-art setting for language instruction offered to meet a variety of needs and interests.

One of the CUE recommendations called for substantial improvement of undergraduate advising programs. The Undergraduate Advising Center now reports to the Vice Provost for Undergraduate Education who will oversee several new initiatives. The UAC will increase the number of its advisors, create a Web site and an e-mail hotline; upgrade the role of student peer advisors; and produce a training video for freshman and sophomore advisors.

The new Science Core, a three-quarter interdisciplinary course, will be offered to students not intending to major in science or engineering fields. Three tracks will be offered in the first year for 150 students; as many as 600 students per year may participate as the program expands. A key component of the Science Core is integration of experimental lab work with lecture material. Other initiatives include the introduction of the minor, new writing courses in all undergraduate programs, promotion and outreach to attract majors in the humanities, a faculty retreat to develop courses with a public service component, and redesign of the H&S teaching evaluation form.

Major expenses for undergraduate initiatives include the Science Core, Sophomore Seminars, Sophomore College, Honors College, the new Foreign Language Requirement, and the restructured undergraduate advising effort. Substantial funding will come from the Bing Teaching Initiative fund (a 5-year gift), from allocations from the President and Provost, and from fundraising efforts coordinated through the Office of Development.

SECTION 4

ADMINISTRATIVE AREAS AND AUXILIARY ENTERPRISES

ADMINISTRATION

Administrative units continue to face major change in the way work is conducted as well as in what work needs to be done. Currently, two areas pose the greatest potential for change—regulatory compliance issues and the replacement of administrative computer systems.

Overview

Stanford, like many other institutions, must keep pace with regulations issued by a variety of outside agencies. New ways of financial accounting and reporting, building code changes, alternative methods for safely conducting research, and new policies regarding acceptable behavior in the workplace are examples of some of the ways in which Stanford is complying with changing expectations. While many of these changes are mandated, we welcome the opportunity to make Stanford a safer, more accessible place for all. However, these changes are not without significant cost.

Coming on the heels of six years of administrative cost reductions, new administrative systems are an investment necessary to provide the tools needed to work smarter and more efficiently. Moreover, new systems will enable us to comply with a host of requirements imposed on the University by outside entities, including local, state, and federal agencies. New administrative computer systems promise more flexibility and accountability. They, together with responsibilities necessary to comply with new regulations, however, call for a higher level of technical expertise in our work force. Those who will use these new systems will require significant training in order to effectively incorporate their use into the daily work flow. With as many as eight major new systems ready for use in

the next several years, the impact on staff is not to be underestimated. Equally important is the financial impact of compliance and the systems overhaul on the University Unrestricted Budget.

Regulatory Compliance

Here are some of the areas in which Stanford is involved in meeting changing requirements and expectations.

Government Cost and Rate Studies: The Office of Government Cost and Rate Studies (GCRS) assists university management in assuring compliance with federal regulations regarding indirect cost allocation and recovery, staff benefits, service center rates and property (equipment) administration.

Stanford and the federal government are finally close to agreeing on many of Stanford's indirect cost recovery methodologies. Stanford's property administration procedures, however, remain a significant issue to resolve. Under prior agreements with the government, we were not required to perform equipment inventories or otherwise track dispositions and movement of equipment subsequent to purchase. Therefore, we did not have adequate systems in place to allow us easily to perform these functions. After the prior agreements were cancelled, the University committed to an aggressive timetable for completing the following three projects: a complete equipment inventory (of more than 80,000 assets), the development and implementation of a capital asset management system (CAMS), and the reconciliation of the inventory results to the financial records. Stanford has dedicated eleven staff members and consultants to the physical inventory project alone and has engaged external consultants to assist university staff in the system development and financial

reconciliation projects. The physical inventory project will be completed in 1995/96. The CAMS project and the financial reconciliation will be completed in fiscal year 1996/97.

Changes and expansions in the federal regulations governing cost recovery at educational institutions also impact the workload in GCRS. A particularly onerous example is the imposition of federal Cost Accounting Standards (CAS) on the university community, which requires universities to submit a Disclosure Statement describing their cost accounting practices. The process of preparing and issuing the Disclosure Statement, participating in the monitoring of compliance with the disclosed practices, and responding to the DCAA audits requires a significant effort on the part of GCRS staff.

OMB is expected to Circular A-21 (the federal rule book governing recovery of indirect costs) in the very near future. One of the potential revisions would eliminate special cost analysis studies, a methodology commonly used to develop Library, Utility, and Student Services allocation bases. Not only would this change result in the need for GCRS to review and develop new costing methodologies, but it is very likely to reduce the University's total recovery of indirect costs.

The total base budget for GCRS in 1996/97 is expected to be \$3.7 million. An additional \$2.2 million in one-time funding is also needed, bringing the total budget to \$5.9 million. We expect to reduce the need for one-time funding substantially over the next few years.

Environmental Health and Safety (EH&S):

Another area of the University whose activity is largely driven by external forces is environmental health and safety. Over the last five years, the introduction and implementation of new environmental health and safety regulatory requirements has significantly affected the amount of resources needed to support regulatory compliance at Stanford. In addition, new interpretations of existing regulations and their applicability within the research and academic laboratories has increased the cost of compliance management at

Stanford. There are more than twenty different federal, state, and county regulatory agencies involved in the development and implementation of environmental health and safety regulations that directly affect Stanford's facilities and operations. Over 95% of the Environmental Health and Safety program (a budget of nearly \$6 million) is driven by external regulatory requirements.

One of the greatest challenges in compliance management at Stanford is attempting to apply regulations developed for control and oversight of industrial use of hazardous materials to the research and academic environment. While the research and academic areas of investigation at the University are often not dissimilar to those conducted in industry, they are usually on a much smaller and more limited scale. The existing regulations, however, do not recognize and, to date, have not accommodated this significant difference in the application of regulations regarding the use of hazardous materials. Many of the regulations are industry or material specific and, therefore, have limited impact on any one specific industry. Because Stanford's research activities span a broad cross-section of endeavors, regulations that are often restricted to a specialized industry are applied in their entirety to the campus. The results are substantially higher unit costs for compliance at the University.

University environmental health and safety program areas that are most significantly impacted by new or revised compliance requirements include: hazardous chemical waste management, the asbestos materials program, the lead-containing paint program, low-level radioactive waste management, revised building and fire codes, hazardous materials storage, acutely hazardous materials use, and toxic gas use and storage.

The total base budget for EH&S in 1996/97 is expected to be \$5.9 million, including an incremental \$500,000 to convert the radioactive waste cost center to base funding and to increase support for existing programs.

Maintenance and Capital Costs: New or revised regulations also have a significant impact on

maintenance and capital costs. This is particularly true in the areas of asbestos and lead-containing paint regulations, changes in the state and county fire and building codes, and the Santa Clara County Toxic Gas Ordinance. Each of these requirements substantially increases the costs for repair, maintenance, and renovation of existing facilities. And in many cases the University must make expensive renovations to existing buildings simply to meet these new code requirements. One example of this impact is the cost to upgrade Building 570 to meet the new fire codes and toxic gas ordinance—\$4.6 million for this building alone.

Another way in which our capital program is affected by compliance with state and federal laws is The Americans with Disabilities Act of 1990 (ADA)—federal legislation that gives civil rights protection to individuals with disabilities. The University is committed to providing equal access to its programs and facilities for all individuals. All major facility renovations undergo an analysis of the facility to determine whether it is appropriate to address ADA issues at the same time the renovation is done, regardless of the type of renovation planned. The Housing and Dining Services capital program, currently underway, includes a significant component to make campus residences and dining facilities accessible to all students. Another major project that addresses ADA issues is the upgrade planned for Memorial Auditorium.

Compliance with external agencies is also a concern for the administration of Stanford's research programs. A specific problem has arisen in the requirements for the administration of Human Subjects protocols. Due to the significant increase in required reviews for the Federal Food and Drug Administration, it is necessary to hire an additional administrator to staff a second Human Subjects panel, with incremental annual cost of \$70,000.

As described in the preceding paragraphs, Stanford's efforts to comply with a host of federal, state, and local regulations is necessary, and generally beneficial to the University community,

but not without significant cost. The following table lists incremental continuing non-capital costs of compliance planned for 1996/97.

Engineering—Local Health & Safety	\$75,000
Disability Resource Center	\$136,000
Sexual Harassment Coordinating Advisor's Office	\$116,000
Human Subjects Administrator	\$70,000
Environmental Health & Safety Office	\$500,000
Total Non-Capital Costs of Compliance	\$897,000

In addition, we expect the following compliance costs on capital projects:

ADA Compliance on Capital Projects	\$1,400,000
Fire and Life Safety Code (Non-Seismic)	\$1,000,000
Utilities Regulatory Compliance	\$50,000
Total Capital Costs of Compliance	\$2,450,000

Administrative Systems

In June 1994, the Trustees approved the strategic directions and expected investment of \$60 million for the Administrative Information System (AIS) Plan to be completed over five years. The first phase of this plan was estimated to cost \$40 million over three years and to incorporate the development of nearly a dozen major applications projects as well as the support infrastructure.

Completed Applications: Three projects are complete: the ID Card system, the Indirect Cost Allocation Software project, and the PORTIA investment system. Each of these projects was completed in less than a year and under \$500,000 and has resulted in significant benefits through cost savings, increased accuracy and efficiencies.

More than 28,000 students, faculty, and staff now carry the Stanford Card as identification with optional connections to local banking, purchases at various on-campus sites such as the Bookstore and Tresidder, and dining services in the residences. The income generation capabilities (increase in

university float, concession sales, and sales commissions) of the card are expected to more than offset the investment in the system over the next three years.

The new indirect cost software provides to GCRS significant reduction in the manual effort required as well as improved accuracy in the analysis and preparation of audit trail documentation in support of indirect cost proposals, incurred cost studies, and reports.

The PORTIA investment system benefits both the Stanford Management Company and the Controller's Office by offering a cost-effective solution to Stanford's investment portfolio and accounting needs. This client/server system is a real-time portfolio management system that can handle a wide array of investment vehicles, enabling Stanford to maintain a complete portfolio on-line in a single system, thereby eliminating the need for and risk of maintaining data in multiple spreadsheets. The ongoing costs of maintaining the system are expected to be roughly \$115,000 lower than the previous system.

Applications in Process: The Financial Aid Project is breaking new ground for Stanford by being the first major systems project to implement a client/server transaction processing system. It is the first project in the AIS Plan to implement a three-tiered architecture and integrate a client/server package with Stanford's legacy SPIRES systems using "open systems" strategies and technologies. As a result, the total project cost is higher than initially expected (\$2.4 million vs. \$1.5 million), but many of the benefits from this investment will accrue to the other client/server projects that follow. Major benefits include easy access to data necessary for needs analysis and packaging review, less data entry, and faster delivery of financial aid packages. Moreover, annual updates of the system by an outside company will improve compliance with the rapidly changing external rules that govern the delivery of aid. The processing of aid for newly admitted freshmen has been implemented on this system.

In order to maintain the momentum in the Consolidated Budget initiative, the University Budget Office purchased a system called Hyperion Pillar for use in the budgeting process. It is a proven desk-top application that will provide immediate benefit to 300-400 people by offering them a dynamic tool to formulate, consolidate, and revise their budgets. The project is expected to be completed by the end of the current fiscal year, thereby allowing users to input their 1996/97 Consolidated Budget in the Hyperion Pillar budget system.

Another client/server project fully underway is the Development System replacement. The primary functions of the system are gift processing and acknowledgment, trust administration, database maintenance, and reporting and analysis. The new system will substantially improve our customer service to donors and volunteers, provide timely and useful management reports, and reduce or eliminate manual effort. The project will be completed during 1996/97.

The Research Administration System project includes significant reengineering of the process by which pre and post award research administration services are delivered. The current phase of the project is dedicated to the construction of a budget tool for grants and contracts and the development of a prototype business process engine. Full implementation of a three-tiered, rule-based system has been delayed pending further development of the Core Financials Project and the University's infrastructure capabilities.

The Departmental Expenditure Management System (DEMS) is the first enterprise-wide deployment of an ITSS supported client/server administrative application in schools and departments. This system provides to users a tool for streamlining business processes in financial administration and management. It allows users to enter one-time and recurring commitments, budget funds, and set individual reporting periods. It also tracks daily commitments from the current purchasing system and provides a means for automatic reconciliation of monthly expenditure statements. While much of

the functionality of DEMS will later be replaced by Oracle Financials, DEMS provides a much needed bridge to future financial systems at a reasonable cost to the institution.

The Capital Asset Management System (CAMS) project will replace the existing Equipment Inventory System and provide the University with a completely integrated, relational asset management system fully compliant with both internal and external requirements. It will ensure the performance of all asset management transactions for departmental as well as central administration use. It will be the system of record and subsidiary ledger for capital assets for the University, but may be used by departments to record non-capital assets as well. The system will include all functionality associated with the entire life cycle of an asset, addressing useful life and depreciation of assets, financed equipment, and buildings and land improvements. The project will be completed in 1996/97.

Stanford is redesigning its accounting system to provide more timely, complete, and accessible financial information. By replacing the Chart of Accounts and General Ledger, a financial foundation will be built to support future flexibility, enabling the University to respond quickly to internal and external reporting requirements, as well as organizational and technological changes. Oracle Corporation has been selected as our vendor partner, and several of their system modules are expected to be installed by September 1997.

A major component of the planned new Core Financials systems is a new purchasing and payables system (Buy/Pay) based on completely redesigned purchasing processes. The redesign includes Campus Wide Agreements, which partner Stanford with suppliers to obtain greater purchasing flexibility; Electronic Data Interchange, a computer-to-computer exchange of information that directly links Stanford with selected suppliers of goods and services; changes to the SNAP Check Certification process which will allow faster reimbursements for out of pocket expenses;

eventual replacement of SNAP with the new BuyPay Information System (BIS); and the creation of a new team-based organization called Stanford Acquisition Support which represents a merger and reorganization of the current Accounts Payable, Travel, and Procurement functions.

The Environmental Health & Safety Initiative is the outgrowth of a comprehensive evaluation that identified numerous environmental health and safety issues for which information management systems could create efficiencies and facilitate compliance and safety. The goal of the EH&S Initiative is to develop information systems solutions for the highest priority environmental health and safety issues. There are currently four projects underway. The first is to develop and install a small system to track institutional environmental health and safety compliance obligations. The second is to install an interim system solution for managing chemical inventories. The third is to design a way to make the greatest number of Material Safety Data Sheets accessible to the widest distribution for the lowest cost in the shortest time. The fourth project is to document an improved process for entering and retrieving data for managing hazardous materials inventories and to determine high level systems requirements for a future hazardous material management system.

In addition to the major applications, the University is investing heavily in the infrastructure necessary to support these projects. This includes development of a campus wide distributed file system, security, network services, database administration, work flow, and others. In addition to the infrastructure projects, other projects related to the AIS plan are necessary to coordinate their implementation. These include the Change Support Team, legal and audit costs, and training facility upgrades.

The AIS Plan is funded entirely from unrestricted funds, broken into three sources: 1) reallocations of staff effort by project sponsors in support of the projects; 2) reallocation of budgeted funds in ITSS; and 3) central unrestricted funds.

AUXILIARY ENTERPRISES**Housing and Dining Services (H&DS)**

The largest auxiliary is Housing and Dining Services which is comprised of Housing Facilities and Services (including Residential Education and Graduate Residences), Housing Assignment Services, University Dining Services, and Conference Services. The combined bottom line for these units is a net decrease of \$269,000 in fund balances.

Included in the budget is an increase in funding for maintenance and repairs, specifically to be used to address long-standing problems of under funding in Escondido Village. In addition, the budget includes an increase in support for Residential Deans, the staff in Residential Education and Graduate Residences who are responsible for responding to incidents of student misconduct and to students experiencing personal crisis.

This budget provides debt service associated with the fifth year of the Capital Improvements Program. Projects will include refurbishing apartments in Escondido Village (\$4.2 million), Phase I of seismic strengthening in the five eight story apartment buildings in Escondido Village (\$3.8 million), renovations to three Row Houses (\$2.7 million), and wiring buildings throughout the system for computer network connectivity (\$500,000). Financing will be accomplished using short-term and long-term debt.

Department of Athletics, Physical Education, and Recreation (DAPER)

For 1996/97, DAPER is expecting a balanced operating budget. Income gains are expected through DAPER's contracts with Nike and Sports Channel, through improved management and services at the Golf Course, and through a redirection of licensing fees formerly used in support of student financial aid.

Budgeted expenses for 1996/97 will increase over 1995/96 to cover the cost of salaries and staff benefits, utilities, insurance, and to correct the under budgeting of certain cost items within the overall operating budget.

Housing & Dining Services

(in thousands)	Proposed	
	Projected 1995/96	Budget 1996/97
Operating Activity		
Student Housing		
Operating Income	\$38,858	\$40,813
Operating Expense	38,404	41,221
Transfer to Facilities Reserve	1,353	334
Net Gain (Loss)	(\$899)	(\$742)
Dining Services		
Operating Income	\$16,931	\$17,435
Operating Expense	16,080	16,906
Transfer to Facilities Reserve	167	172
Net Gain (Loss)	\$684	\$357
Conference Services		
Operating Income	\$2,735	\$2,886
Operating Expense	1,955	2,120
Net Gain (Loss)	\$780	\$766
Total Operating Income	\$58,524	\$61,134
Total Operating Expense	56,439	60,247
Total Transfer to Facilities Reserve	1,520	506
Total Gain (Loss) from Operations	\$565	\$381
Facilities Reserve Summary:		
Balance September 1	\$6,163	\$6,567
Transfer from Operating Budget	1,520	506
Net Gain from Operating Budget	565	381
Interest Earnings	354	512
Funds Used	(2,035)	(1,668)
Net Bottom Line	\$404	(\$269)
Balance August 31	\$6,567	\$6,298

DAPER is expecting a surplus in the financial aid budget for 1995/96. In 1996/97 a deficit is forecast. This is due to increases in tuition and room and board rates as well as the addition of approximately 10 new scholarships. The deficit will continue for two to four years, at which time it will be eliminated by growth in the financial aid endowment, which has been bolstered in the past three years by Campaign 2000 gift commitments of \$15.5 million.

Athletics		
(in thousands)	Projected	Proposed Budget
	1995/96	1996/97
Income		
Intercollegiate	\$9,875	\$9,879
Unrestricted	4,015	3,735
Golf Course	4,033	3,908
Fac/Staff Recreation	811	836
Restricted Funds	3,993	3,531
Summer Camps	200	180
Contingency	(100)	(100)
Total Income	\$22,827	\$21,968
Expense		
Sports	\$9,965	\$9,306
PE & Rec Activity	1,402	1,471
Administration	6,865	6,371
O&M	2,517	2,581
Golf Course	2,032	2,210
Summer Camps	28	29
Contingency		
Total Expense	\$22,809	\$21,968
Operating Gain (Loss)	\$18	\$0
Reserves Summary:		
Operating		
Balance September 1	(\$1,575)	(\$1,557)
Operating Gain (Loss)	18	0
Balance August 31	(\$1,557)	(\$1,557)
Financial Aid		
Balance September 1	\$1,521	\$1,858
Interest	80	80
Income	\$7,275	\$7,714
Expense	(7,135)	(8,038)
Financial Aid Variance	140	(324)
Balance August 31	\$1,740	\$1,614

Stanford University Press		
(in thousands)	Projected	Proposed Budget
	1995/96	1996/97
Income		
Net sales	\$4,031	\$4,372
Cost of sales	(1,935)	(2,077)
Subsidized Prod Cost	(150)	(140)
External Subsidies	70	65
Internal Subsidies	80	75
Margin on Rights	299	307
Other operating income	21	22
Total Income	\$2,416	\$2,624
Expenses		
Editorial	\$520	\$577
Production & design	227	242
Marketing	653	680
Order	207	218
Warehouse	461	458
Accounting	186	198
Office & general	440	453
Total Expense	\$2,694	\$2,826
Operating Gain (Loss)	(\$278)	(\$202)
Non-operating Income/Expense		
Publishing subsidy	\$432	\$432
Administrative assessment	(182)	(186)
External warehouse subsidy	57	0
Total Non-operating Income	\$307	\$246
Total Net Gain (Loss)	\$29	\$44
Operating Reserve		
Balance September 1	(\$21)	\$68
Net Gain (Loss)	29	44
Balance August 31	\$8	\$52

Stanford University Press

For 1995/96 the Press projects a growth in sales income of almost 9%, the combined result of an increase in the number of titles it publishes, a very salable forthcoming list, and modest price increases. (The predicted rise in the cost of goods sold is the result of booming paperback sales and a shift in the Press's sales base away from the library

market toward the book trade and bookstores.) The Press's near-term goal is to reduce the size of its net operating subsidy, which it plans to do by solving its warehousing problem, by making increased use of new technologies for increased productivity and cost-savings, and by adopting more aggressive pricing policies.

Total Auxiliary Activity, 1996/97

(in millions)

	Housing & Dining Services	Athletics	Medical Center Aux.	Press	Other	Total
Revenues & Transfers	\$61.6	\$22.0	\$79.9	\$2.9	\$4.5	\$170.9
Expenditures	\$61.9	\$22.0	\$79.9	\$2.8	4.5	\$171.1
Net Change in Reserves	(\$0.3)	\$0.0	\$0.0	\$0.1	\$0.0	(0.2)

NOTE:

This table represents gross expenditures and revenues; when incorporated into the consolidated budget, interdepartmental transactions have to be netted out, resulting in lower total expenditures and revenues.

Medical School Auxiliaries/Other

Of the \$79.9 million in this category, \$56.6 million consists of anticipated payments to the School of Medicine from SHS, \$11.4 million for Pediatrics. The remaining \$11.9 million represents the Blood Center activity. Unlike other auxiliaries, these programs are fully integrated in the educational and research programs of the School. Faculty who provide clinical services are at the same time involved in both research and educational arenas.

All academic plans and initiatives are intertwined with the finances of this and the other budget categories within the School. Nearly 70% of the expenses and income are for faculty salaries and benefits; another 14% is for staff who work in support of faculty in this and other research and educational programs. A full description of the School's plans is contained in Section Three of this document.

SECTION 5

1996/97 CAPITAL PLAN AND BUDGET AND THE PROJECTED FIVE YEAR CAPITAL PLAN

INTRODUCTION AND PROGRAM GOALS

The 1996/97 Capital Budget is proposed in the context of a Five Year Capital Plan anticipated to support Stanford's programmatic requirements and future directions, while preserving our physical assets. This section describes the key elements of the Five Year Capital Plan, identifies the projects expected to come forward for concept approval in 1996/97, and specifies the amount of capital expenditure planned for next year. The full detail of the Five Year Capital Plan is shown in Appendix B.

Although capital planning and budgeting have been going on at Stanford for most of its history, it has only been in the last three years that the University has produced a multi-year comprehensive Capital Plan and Budget. The first such plan was developed in 1993/94 and grew out of the effort to address three fundamental university-wide planning goals: 1) to support the facilities needs of the most promising academic program directions; 2) to complete the seismic strengthening program begun after the Loma Prieta earthquake in 1989; and 3) to address the University's deferred maintenance backlog while building adequate funds for planned maintenance into the facilities budget.

Having established these goals—and having verified our commitment to them for each of the last three years—it is important to acknowledge that there are not major changes to the plan each year. There are several important actions, however, taken annually in updating the plan. First, there is a careful review of each project in the plan. Any additional project must undergo an extensive review by the Provost's Office and the relevant school or department. Second, a "new" fifth year is added to the plan, incorporating appropriate and affordable projects. Third, there

is a detailed review of the funding structure for the plan. Because the projects are supported by gifts, university reserves, and debt, a careful analysis balancing fundraising strategies and the judicious use of debt needs to be developed for each new project.

Before the first comprehensive plan was developed in 1993/94, there were several programs underway aimed at addressing some aspects of these goals. However, the full scope of the effort had not been planned at that time. With the 1993/94 Plan and subsequent additions and deletions, we are well on our way to achieving the three broad goals.

Looking back on the current year, the capital planning effort achieved several important milestones. In Science and Engineering, it saw the opening of the Gates Computer Science Building and the completion of the CIS Extension. Major progress was made in earthquake repair and seismic strengthening with the completion of Geology and Language Corner buildings and other smaller unreinforced masonry buildings in the Main Quad. In the deferred maintenance area we continued to reduce the backlog of work, while adding funding to the facilities budget to support a larger planned maintenance program.

For 1996/97, we anticipate a continuation of the high level of construction activity seen in 1995/96. Much of the work in the Science and Engineering Quad (SEQ) will peak next year with construction of the Regional Teaching Facility, the Statistics Building, and considerable infrastructure. In addition, work will continue on the unreinforced masonry buildings and in the deferred maintenance areas. Housing and Dining Services' multi-year Capital Improvement Plan will move into its fifth year with a renovation effort of a major dormitory—Lagunita Court.

Looking beyond 1996/97 and toward the end of the decade, the outcome of this comprehensive effort will be a largely rebuilt campus. Although a good deal of work remains, once completed, this will be a major achievement at a time when Stanford has been pressed financially on a number of fronts. The three goals set forth at the start of the decade will have been achieved and this plan will have addressed, as we must, those code compliance issues related to access for disabled persons, the use of hazardous materials, and fire and life safety.

FIVE YEAR CAPITAL PLAN - A LOOK AT THE NUMBERS

The following charts provide a financial overview of the Five Year Capital Plan.

Overview (Charts 1 and 2)

Charts 1 and 2 show the anticipated capital activity over the next five years by project category

and funding source. We anticipate that \$708.3 million of construction will be done over five years. We have identified about \$388.8 million in the form of gifts in hand, pledges, university reserves, unrestricted budget support and government support to finance the construction. We expect to pay for the remainder with gifts to be raised and debt.

As shown on Chart 1 and 2, capital expenditures will be concentrated in 1996/97 and 1997/98. A major portion of the construction in 1996/97 will be in the Academic Program Development area, with work peaking on the SEQ. In addition, the Schwab Center for Management Education and new student housing in Governor's Corner will be completed.

Type of Space (Chart 3)

As Chart 3 indicates, the work is split approximately two-thirds on renovation and one-third on

CHART 1

CAPITAL EXPENDITURES by Project Category

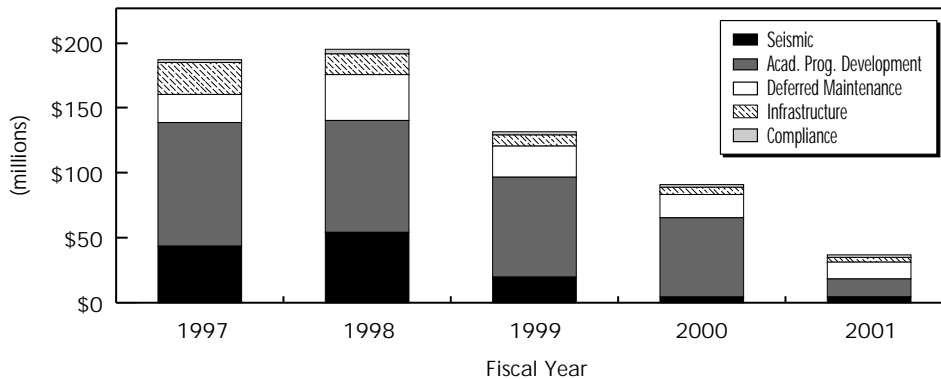
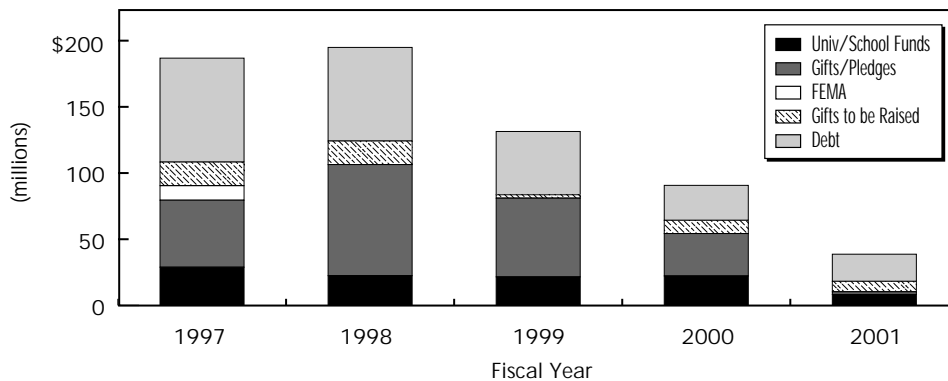


CHART 2

CAPITAL EXPENDITURES by Funding Sources



new construction over the period of the Five Year Capital Plan. We expect to add approximately 700,000 square feet of new space to the campus over the next five years, including those projects currently underway. Of the total activity, about half will be for the renovation of existing academic buildings or the development of new academic space; the remaining activity will be in non-academic space.

Total Investment in Plant (Chart 4)

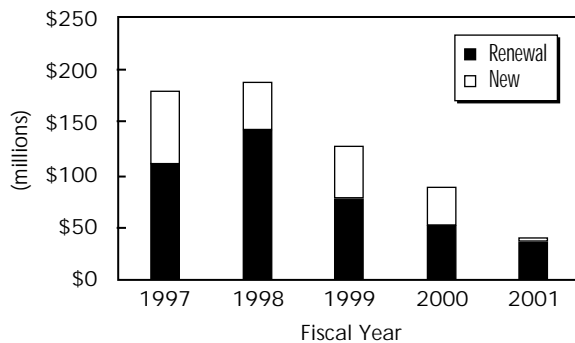
The adequacy of investment in the plant has been an important capital planning issue in higher education. Accounting rules only require that the provision for depreciation be based on the historic cost of plant assets rather than replacement cost.

We are often asked how investment in existing plant assets compares to the depreciation charge adjusted to reflect replacement cost (Replacement Cost Annual Charge).

Chart 4 shows the relationship between the Replacement Cost Annual Charge, and Total Investment in Plant, which includes two components: Investment in Existing Plant Assets and Additions to Plant. On average, Investment in Existing Plant Assets exceeds the Replacement Cost Annual Charge for the first three years of the Five Year Capital Plan. Investment in Existing Plant Assets peaks in 1998/99 with the completion of several large seismic projects and phasing in of three new SEQ buildings which replace three

CHART 3

CAPITAL EXPENDITURES
Renewal of Facilities vs. New Construction



CAPITAL EXPENDITURES
Academic vs. Non-academic Facilities

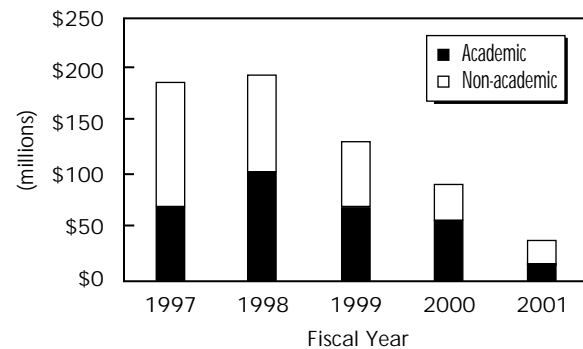


CHART 4

FIVE YEAR CAPITAL PLAN
Total Investment in Plant Assets vs Replacement Cost

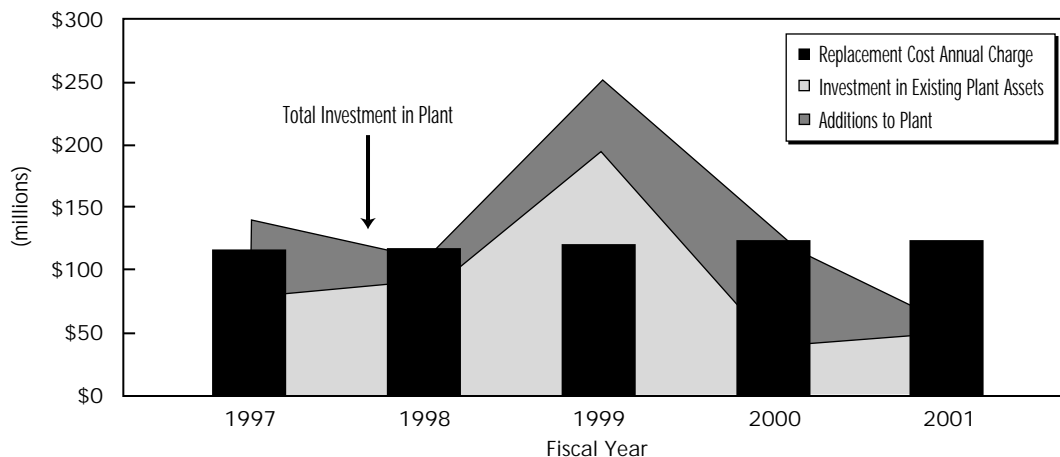
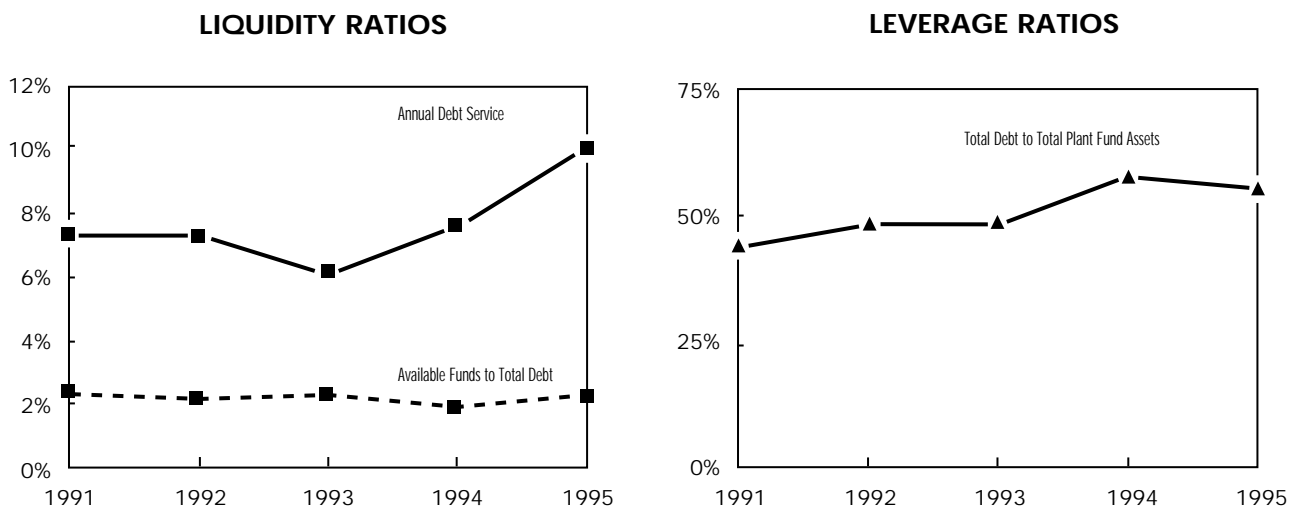


CHART 5

demolished buildings. In 1999/2000 Additions to Plant comprise a larger share of the Total Investment in Plant with the opening of the Center for Clinical Sciences Research (CCSR). The sharp drop in Total Investment in the last year of the Capital Plan 2000/01 is explained in part by the uncertainty of forecasting capital projects five years out.

Key Debt Ratios (Chart 5)

Some of the key financial ratios monitored by the rating agencies when assigning bond ratings are shown on Chart 5.

- Annual Debt Service is a short term liquidity ratio measuring annual debt service expense to unrestricted revenues.
- Available Funds to Total Debt is a long term liquidity ratio comparing available unrestricted funds—unrestricted fund balances, the market value of quasi-endowment (FFE) fund balances and unrestricted plant fund balances—to outstanding debt.
- Total Debt to Plant Fund Assets measures leverage against plant assets.

These financial ratios remain within the range of AAA rated institutions. It should be noted that most private colleges and universities, including

Stanford, will adopt new accounting standards for 1995/96 that will significantly impact the format of financial reporting. The new rules require that promises of future gifts be recorded in financial statements and that capital gains on endowment be reported in the operating statement. In response to this change, the rating agencies will replace the key financial ratios they use in assigning ratings.

FIVE YEAR CAPITAL PLAN - PROGRAMMATIC INITIATIVES

In this section we describe several of the most significant initiatives of the Capital Plan: the Center for Clinical Sciences Research, Green Library West, the Regional Teaching Facility in the Science and Engineering Quad, Encina Hall and the Institute for International Studies, Seismic Projects, the Schwab Center for Management Education, Student Housing, and Deferred Maintenance projects. These are projects that either have just been approved and are significant in Stanford's capital plan, or they will be coming forward for Trustee approval in 1996/97.

Center for Clinical Sciences Research

The School of Medicine's Center for Clinical Sciences Research (CCSR) building will include about 215,000 gross square feet, housing a total of

83 faculty representing 11 different departments in 3 inter-departmental research centers. The CCSR centers include a Cancer Research Center, the Center for Clinical Immunology at Stanford, and a Center for Applied Human Gene Therapy. Organized in this way, the faculty in the CCSR will be uniquely positioned to function at the boundaries between the basic scientists in the Beckman Center for Molecular and Genetic Medicine and the faculty clinicians providing innovative clinical interventions in the planned SHS Cancer Treatment Center.

The CCSR is budgeted at a total project cost of \$88.7 million, the largest single building project in Stanford history. The project will be funded from a combination of gifts (\$76.1 million) and university funds (\$12.6 million).

The CCSR faculty program will also enable the School of Medicine to address the seismic deficiencies of the Edwards Building in a cost-effective manner. The CCSR will permit the Edwards Building laboratories to be vacated and reused as “dry” academic space for new and relocated programs. The code-related costs of the building’s seismic work will be reduced considerably in this way. In addition, the office space to be created will enable the School to vacate rented space both on Welch Road and in SHS.

In these ways, the CCSR represents a significant advance in the School of Medicine’s academic, capital, and financial plans.

Green Library West

The West Wing of Green Library has been closed since the 1989 Loma Prieta earthquake. Reconstruction was to have begun during the 1995 calendar year, but has been delayed due to the bankruptcy of the original project architect. Preliminary interior demolition has uncovered greater earthquake damage than previously believed, and the University has adopted more stringent structural standards in the aftermath of the Kobe and Northridge earthquakes. These factors have contributed to a budget increase of \$4 million for a total project cost of \$44.5 million. The restored building will house Special Collections,

extensive patron services such as the Humanities Resource Center, and stacks. In addition to traditional printed resource materials, the building will support the delivery of state-of-the-art digital resources for research and instruction.

Regional Teaching Facility in the Science and Engineering Quad

Construction of the Science and Engineering Quad, scheduled for completion in late 1998, has begun with the installation of utilities for the new buildings and the relocation of the occupants of Sequoia Hall, scheduled for demolition in July, 1996. The Regional Teaching Facility, one of the hallmarks of the Science and Engineering Quad, will be completed in time for the first classes to be held in Fall Quarter, 1997. The new teaching building replaces Bloch Hall, home to instruction primarily in the Physics Department. The new building is geared towards instruction in all the sciences and engineering, and is designed to support sophisticated classroom demonstrations and instructional technologies.

Encina Hall and the Institute for International Studies

The Institute for International Studies (IIS) provides an institutional base for innovative, policy-relevant research that is international in character. The 1995/96 Capital Plan discussed plans by IIS to raise funds for new space to house this rapidly growing program. At that time it was anticipated that IIS would renovate the Bakewell Building and construct a new building over a five year period. In the past year these plans have changed, and a revised plan for IIS is under design.

The East Wing of Encina Hall, built in 1891 as the first men’s dormitory, was heavily damaged by fire in 1972, suffered further damage in the 1989 earthquake, and has been closed ever since. The East Wing will be restored for IIS, which will occupy it and two floors of the center wing. Although not included in this project, it is anticipated that the South Wing, also closed in 1989, will be repaired in the period covered by the 1997 - 2001 Capital Plan.

Seismic Projects

During 1995/96 construction will be completed on the Language Corner and on Geology Corner, with the generous assistance from the Pigott and Braun families. The restoration of Building 30 (the new Language Center) is well underway, with completion scheduled in 1995/96. With the completion of these three restoration projects, all Main Quad buildings closed by the 1989 Loma Prieta earthquake will have been reopened.

Work continues apace on the Unreinforced Masonry (URM) Seismic Strengthening Program. During 1995/96 construction will be completed on Buildings 70, 90, 100 and 110 on the Main Quad, along with the arcades that form Memorial Court. The program for 1996/97 includes Buildings 10, 40, 50, and 240 on the Main Quad, and Building 500 on the Engineering row. The University remains on track to complete the URM program by 1999. Of the major campus buildings covered by this program, only the Bakewell and Brown buildings (formerly the Athletics administration building and Encina Gym) are intended to be closed in the year 2000, and Old Chemistry will remain closed.

Given the progress on the URM program, the University is now able to turn attention to selected buildings of other construction types that may be at risk in an earthquake. Seismic strengthening is planned in 1996/97 for the Mitchell Earth Sciences Building and the first of five Escondido Village mid-rise apartments.

The Schwab Center for Management Education

Executive education is a significant component of the Business School's program. During recent years competition for participants in executive programs has intensified, with many institutions offering dedicated hotel-like living facilities. The Schwab center will improve the competitiveness of the GSB in this regard as it will be the principal living facility for these programs in the summer. It will then be used by graduate students during the regular academic year. The cost of the project will be \$28.5 million, to be funded with gifts and debt.

Student Housing

Housing and Dining Services is in the fourth year of a twelve year Capital Improvement Program (CIP) intended to address deferred maintenance, code compliance, and major programmatic improvements in all areas of the student housing system. The CIP has been developed within a planning constraint that the combined room and board rate cannot increase more than 1% over projected inflation for each of the years of the program. Over the next five years, the CIP will focus on several major program areas. The most significant single project is the construction of a new graduate residence near Governor's Corner. This facility will add 100 graduate beds and is the last increment of new housing affordable in the CIP. In the seismic area, there will be major work in the Escondido Village high rises and in several of the smaller units. Over the next five years the CIP will continue to renovate major undergraduate residences. To date, Florence Moore, Stern, and Wilbur have been renovated. Plans are underway to address Lagunita, Branner, and Crothers over the next several years.

Deferred Maintenance Projects

In 1994 a study of Stanford's deferred maintenance backlog was conducted by outside consultants. They identified about \$100 million in backlog across the University, of which about \$40 million was confined to the central campus. The backlog was focused on three categories of projects: safety and property loss prevention, code requirements, and advanced deterioration. In addition, the consultants recommended expansion of the University's planned maintenance program to address life cycle maintenance and anticipated deficiencies.

Over the past two years Stanford has made good progress on reducing the deferred maintenance backlog. About half of the \$40 million backlog on the central campus has been eliminated. The other half will be addressed in the 1997 and 1998 capital budgets. Planned maintenance budgets have been increased steadily over the past three years, although it will likely be several years before the planned maintenance budget is fully

funded at the level recommended by the outside consultants.

Outside of the central campus, about \$65 million in deferred maintenance work has been identified in the Five Year Capital Plan. The bulk of this is in Housing and Dining Services and will be addressed as part of their Capital Improvements Plan.

CAMPUS INFRASTRUCTURE

The Campus Infrastructure System is composed of two entities: the Stanford Infrastructure Program (SIP), which includes the Transportation Program, and the Capital Utilities Program (CUP), which includes the Networking and Communications Program. All of these programs work to address the need for new and restored infrastructure that is generated by new buildings and their related populations, as well as the continued renewal of the campus facility base. The Five Year Capital Plan includes \$85.5 million for infrastructure support of the academic program needs or 12% of the projected \$708.3 million expenditures. Although there are varying funding sources for these programs, the responsible managers work together to ensure systematic coordination and integration among programs and projects.

Consistent with existing procedures, all infrastructure programs and their capital projects greater than \$750,000 will be forwarded annually to the Board of Trustees separately.

Stanford Infrastructure Program (SIP) for the Campus and Transportation Program:

The Stanford Infrastructure Program (SIP) consists of projects and programs proposed and developed for the betterment and general support of the University's academic community and its physical plant. The infrastructure system is in direct support of the academic missions of teaching and research and the overall vitality of the institution.

SIP is supported by a 9% charge on most building projects. The amount to be spent in 1996/97 for

the SIP program is \$6.2 million and includes: roads, paths, storm sewers, improvements to public indoor spaces, landscape, lighting, outdoor art, and signs, as well as the advance planning efforts that support each of these. Within SIP, the Transportation Program includes: improvements for the parking and bicycle systems, campus transit system improvements and pedestrian zone safety improvements.

Capital Utility Program (CUP) and Networking and Communications Program:

The Capital Utility Program contains projects that will improve and enhance the campus utility systems. Projects included in this category construct and improve the components of the main distribution systems. The program is driven by four conditions: system wear out, regulatory compliance codes, system expansion, and system controls. The budget for the 1996/97 CUP program is \$16.4 million. On the horizon for the next five years is to complete the Utility Master Plan and address facility growth projections and their demand requirements on the Central Plant Facility.

Over the next five years, networking and communications projects will upgrade the data backbone and complete SUNet service to all campus buildings. Communication services—voice, data and video—will need to be extended to all new buildings, especially those in the new Science and Engineering Quad, where a new Electronic Communications Hub will be located. New applications in telephony will allow Stanford to further leverage its existing investment in its telephone switch which currently provides a seamless interface to the entire campus, medical center, student residences, and off-site clinics and departments.

PROJECTED FUNDING, 1997-2001

Appendix B details the sources and uses of funding for the Five Year Capital Plan as described above. Several points of explanation are in order about the various sources of funds:

Identified Funds

Over half of the \$708.3 million in projected capital expenditures have already been identified. The majority of the funds identified are gifts received or pledged, to be supplemented by future unrestricted budget allocations, current fund balances, and recoveries from FEMA.

Gifts to be Raised

8% of the projected expenditures will be funded from gifts to be raised. We have had most generous support from our friends to accomplish this ambitious plan. Successful fundraising continues to be essential to the completion of the Five Year Capital Plan, and we believe we can achieve our gift targets by the end of the decade.

Debt

Approximately one-third of the projected expenditures will be funded by debt. Of the \$262.3 million in projected debt, \$138.9 million will be serviced by the budgets of auxiliaries and service centers, principally Housing and Dining Services and Utilities. \$100.2 million will be supported by the Unrestricted Budget. The remaining \$23.3 million will be supported by Schools.

Debt requirements: We have used approximately \$115 million of the proceeds from the \$150 million 30 year bond issued in March of 1994. \$50 million of the proceeds were used to refinance outstanding debt for projects already on the books. In April the Board authorized borrowing of up to \$150 million to meet the requirements of the Plan. Depending on market conditions, we will likely be borrowing in the next several months. We are confident that we can retain our AAA bond rating with the incremental borrowings.

1996/97 CAPITAL PLAN AND BUDGET

As described previously, the Five Year Capital Plan includes projects that have already been approved and are in process as well as projects yet to be approved and anticipated over the five year

period, 1997 to 2001. Inclusion of a project in the Capital Plan does not obviate the standard approval process through the Board of Trustees. The same is true of the Capital Budget for any given fiscal year. The following descriptions refer to the tables on the next three pages.

Projects to be Presented for Concept Approval in 1996/97

The Capital Plan for 1996/97 consists of \$81.5 million in projects anticipated to be presented to the Board for concept approval in 1996/97. The table on the next page lists the specific projects to be presented in 1996/97.

Projected Expenditures Anticipated in 1996/97

The Capital Budget for 1996/97 is composed of \$186.7 million of anticipated expenditures for projects already in design, approved, or currently underway. (It also includes expenditures on projects anticipated for concept approval.) The table on page 46 lists the major projects on which funds will be expended in 1996/97.

Projects Completed in 1995/96

We made major progress in 1995/96 in meeting our long range capital planning goals with the completion of \$113.3 million of projects. Two-thirds of the amount was invested in academic buildings, the Gates Computer Science Building and the CIS Extension, the remainder was invested in earthquake repair and the seismic strengthening program.

1996/97 Capital Plan: Projects to be Presented for Concept Approval

(in millions)

Project	Cost	Sources of Funds		
		Identified	Gifts to be Raised	Debt
EQ Repair & Seismic Risk Mitigation				
1-160 Political Sciences	\$12.3	\$3.9		\$8.4
1-240 German Studies	2.9	0.2		2.7
1-250 Asian Languages	2.6			2.6
2-510 Mechanical Engineering Back Lab	1.3			1.3
Durand	6.2			6.2
Mitchell Earth Sciences	2.0			2.0
Subtotal	\$27.3	\$4.1		\$23.2
Academic Program Development				
Library Technical Services Building	\$9.0		\$3.0	\$6.0
Daper Women's Softball Field	1.0	\$0.4	0.6	
Daper Astro Turf Field	1.0		1.0	
Lucas Center Expansion	2.0	1.0	1.0	
Memorial Auditorium Upgrades	2.0			2.0
Housing and Dining CIP	22.8			22.8
Subtotal	\$37.8	\$1.4	\$5.6	\$30.8
Infrastructure				
Capital Utilities Program	\$16.4			\$16.4
Stanford Infrastructure Program	3.3*			
Transportation Program	2.9*			
Subtotal	\$16.4			\$16.4
Total	\$81.5*	\$5.5	\$5.6	\$70.4

*Funding for Stanford Infrastructure Projects (SIP) and Transportation Program Projects is already included in the target costs of other projects and, to prevent double counting, is not included in subtotals or totals.

1996/97 Capital Budget: Projected Expenditures

(in millions)

Project	Cost	Sources of Funds		
		Identified	Gifts to be Raised	Debt
EQ Repair & Seismic Risk Mitigation				
Green Library	\$14.5	\$14.5		
Hanna House	2.0	0.6	\$1.4	
Museum	5.5	5.5		
Museum	3.5	3.5		
1-010 President/Provost	1.5	1.2		\$0.3
1-040 English	1.0	1.0		
1-050 English	1.2			1.2
1-160 Political Sciences	2.8	2.8		
1-240 German Studies	0.8	0.3		0.5
1-250 Asian Languages	1.0			1.0
2-500 Mechanical Engineering Office	0.5			0.5
2-510 Mechanical Engineering Back Labs	0.3			0.3
2-570 HTGL	2.9			2.9
5 Escondido Village Bldgs	0.9			0.9
Durand Building	3.1			3.1
Lagunita	1.0			1.0
Mitchell Earth Sciences	1.0			1.0
Subtotal	\$43.5	\$29.4	\$1.4	\$12.7
Academic Program Development				
Electrical Engineering	\$3.5	\$3.5		
McCullough Annex	2.4	2.4		
McCullough	2.8	2.8		
Statistics	3.0	3.0		
Regional Teaching Facility	4.3	4.3		
S. Service Road	2.3			\$2.3
SEQ Courtyard	0.5	0.5		
SEQ Site Pres & Utilities	8.5	1.4	\$2.0	5.1
Varian	3.9	2.1		1.8
CCSR	2.1	2.1		
Lucas Center Epansion	2.0	1.0	1.0	
Governor's Corner	12.2			12.2
Schwab Center for Management	17.5			17.5
GSB Expansion	2.0		2.0	
Library Technical Services Bldg	2.0		2.0	
Encina East	2.0		2.0	
DAPER Astroturf Field	1.0		1.0	
DAPER Tennis Stadium Expansion	3.2	3.2		
DAPER Stadium Improvements	3.0	3.0		
Engineering Lab Renovations	0.9	0.9		
H&S Lab Renovations	3.9	3.9		
Memorial Auditorium Upgrades	2.0			2.0
Libraries and ITSS	1.3	1.3		
Other Renovations	1.8	1.8		
Alway-3	1.5	1.3	0.2	
Urology Phase III	1.0	0.3	0.7	
Neurosurgery: Long Term Office	1.5	1.5		
Med School Renovations	3.1	3.1		
Subtotal	\$95.0	\$43.2	\$10.9	\$40.9
Deferred Maintenance				
University Deferred Maintenance	\$6.7	\$1.7		\$5.0
Medicine Deferred Maintenance	0.5	0.5		
University Facil Renewal	8.9	8.9		
Medicine Facil Renewal	0.9	0.9		
H&DS Deferred Maintenance	4.6			4.6
Subtotal	\$21.5	\$11.9		\$9.6
Infrastructure				
Networking & Comm Services	\$1.5			\$1.5
Utilities Expansion	11.5			11.5
Utilities System Control Impr.	0.7			0.7
Utilities Wear-Out	2.6			2.6
Develop Serra Axes	1.0		\$1.0	
Redevelop SUMC Entry	4.1	0.1	3.4	0.6
Restore Quad Features	3.1		1.0	2.1
Subtotal	\$24.5	\$0.1	\$5.4	\$19.0
Compliance				
Placeholder for ADA	\$1.1			\$1.1
H&DS Asbestos & ADA	0.1			0.1
Health & Safety	1.0	\$1.0		
Utilities Regulatory Compliance	0.1			0.1
Subtotal	\$2.2	\$1.0		\$1.2
Total	\$186.7	\$85.6	\$17.7	\$83.4

1995/96 Capital Plan: Projects Completed

(in millions)

Project	Cost
EQ Repair & Seismic Risk Mitigation	
Language Corner	\$13.2
Geology Corner	11.0
1-110 Anthropology	4.1
2-540 Civil Engineering	3.3
1-090 Philosophy	3.3
1-100 Linguistics/Anthropology	2.8
1-070 Humanities	1.8
Language Center (1-30)	1.6
Subtotal	\$41.1
Academic Program Development	
Gates & Computer Sciences	\$38.5
CIS Extension	18.3
Stauffers	10.9
DAPER Stadium Parking Lot Improvement	1.7
Museum Site Clearance	1.6
DAPER Ford Center Landscaping	1.2
Subtotal	\$72.2
Total	\$113.3

SECTION 6

LOOKING AHEAD

Over the past several years Stanford has made good progress in improving its financial and budgetary condition. We have moved from an unrestricted deficit position of \$40 million in 1992/93 to a surplus of \$14.5 million planned for 1996/97. At the same time our endowment has grown from \$2.4 to \$3.4 billion in market value and our cost structure, particularly on the administrative side, has been reduced. While these achievements have not come easily, they are important because they provide a measure of stability and allow us to focus more comprehensively on academic priorities.

CHALLENGES

As we look ahead, however, we cannot allow our improved budgetary position to lull us into complacency. As Stanford begins a new planning cycle for the next three years and as we seek to build upon the exciting new initiatives of the Stanford Introductory Studies and increased support for graduate fellowships, there are several key budgetary challenges before us:

- We must continue our efforts to keep expense growth in check. In particular, we cannot allow unrestricted expense to increase faster than 1% in real terms. Keeping expense growth below this threshold will allow us to make the case to the Trustees for a supplemental 1/2% increase in the endowment payout rate.
- Although the last two years have seen strong growth in investment and gift income, we must recognize that those income sources will likely fluctuate in the future. Increased uncertainty implies greater variability, particularly in research funding, investment income, and gifts. We must also recognize that in some years our

income will not keep pace with inflation. This means that academic and administrative units may have to manage their salary programs and other expense issues without supplementary revenues.

- A more constrained future revenue picture means that continued attention be paid to less than fully effective academic programs. Those programs not highly rated or not performing strongly in teaching undergraduates need to be examined. In addition, we must look for redundancies in the academic programs and determine whether they are essential or could be consolidated.

GOALS

In light of these challenges, our goals are clear. First, we must work hard to maintain the \$14.5 million unrestricted reserve in order to protect the budget against income shortfalls. Perhaps the greatest concern on the income side is the potential for change in federal funding. With the removal of graduate student tuition remission from the staff benefits pool in 1997/98, there will likely be an impact on the Unrestricted Budget of several million dollars. In addition, as changes in the rules governing federal support for research are reviewed by OMB, attempts may be made to shift some of these costs from the federal government to universities.

A second important goal is the need to continue to keep a Stanford education affordable. This obviously means maintaining our strong financial aid program. But this also means making efforts to insure that future tuition increases do not exceed the growth of family income.

Third, Stanford must seek ways to make important strategic investments in programmatic initiatives. While we will likely be able to make some investments with incremental funds, we will have to expand into new areas through reallocation and through the additional use of restricted funds. The three year planning process we will launch in the fall will focus on these issues. While the planning for school-specific initiatives will need to wait until the fall, there are two university-wide initiatives underway now that will merit close attention. One is the implementation of new administrative computer systems, described in detail in Section Four. The other is the need to make major upgrades to the backbone SUNet network that links the many computers around the campus and provides our access to the Internet.

Finally, even though Stanford has made major reductions in its budget in recent years, we cannot accept the status quo with respect to our cost structure. While it will clearly be harder to achieve cost savings in the future, we need to move to greater reliance on process changes and to selective outsourcing.

In conclusion, there is a great deal about which to be optimistic. But in order to move Stanford in the most promising and productive ways, we cannot relax. Rather, we must continue to improve what we do across the University, manage our resources tightly, and protect ourselves adequately for the inevitable periodic downturns.

APPENDIX A
CONSOLIDATED BUDGETS BY SCHOOL AND
ACADEMIC SUPPORT AREAS FISCAL YEAR 1996/97

Schedules are shown for:

Academic Units

- School of Earth Sciences
- School of Education
- School of Engineering
- School of Humanities & Sciences
- School of Law
- Vice Provost and Dean of Research and Graduate Policy
- Graduate School of Business
- School of Medicine
- Hoover Institution

Academic Support Units

- Stanford University Libraries & Academic Computing
- Vice Provost for Student Affairs
- Information Technology Systems and Services

School of Earth Sciences
1996/97 Consolidated Forecast
(dollars in thousands)

Revenues and Transfers	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Unrestricted Funds Allocation	2,938			2,938
Restricted Revenues and Transfers betw	3,124			18,224
Transfers (to)/from Endowment		7,300	7,800	(200)
Transfers (to)/from Plant		(200)		(500)
Transfers (to)/from Student Loan		(500)		
Total Revenues and Transfers	6,062	6,600	7,800	20,462
Expenditures				
Total Salaries and Benefits	5,636	2,100	3,500	11,236
Total Non-Salary Expenditures	425	4,800	4,300	9,525
Total Expenditures	6,062	6,900	7,800	20,762
Excess of Revenue over Expenditures		(300)		(300)
Beginning Operating Equity		11,800		11,800
Ending Operating Equity		11,500		11,500
(Less Specific Investments)		(800)		(800)
Balance not Specifically Invested		10,700		10,700

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

School of Education
1996/97 Consolidated Forecast
(dollars in thousands)

Revenues and Transfers	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Unrestricted Funds Allocation	7,140			7,140
Restricted Revenues and Transfers betw	1,350	1,466	10,000	12,816
Transfers (to)/from Endowment				
Transfers (to)/from Plant		(200)		(200)
Transfers (to)/from Student Loan				
Total Revenues and Transfers	8,489	1,266	10,000	19,755
Expenditures				
Total Salaries and Benefits	6,862	790	4,139	11,791
Total Non-Salary Expenditures	1,627	749	5,861	8,237
Total Expenditures	8,489	1,539	10,000	20,028
Excess of Revenue over Expenditures		(273)		(273)
Beginning Operating Equity		3,797		3,797
Ending Operating Equity		3,524		3,524
(Less Specific Investments)				
Balance not Specifically Invested		3,524		3,524

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

School of Engineering
1996/97 Consolidated Forecast
(dollars in thousands)

Revenues and Transfers	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Unrestricted Funds Allocation	29,362			29,362
Restricted Revenues and Transfers betw	7,613	22,576	74,424	104,613
Transfers (to)/from Endowment				
Transfers (to)/from Plant		(2,465)		(2,465)
Transfers (to)/from Student Loan				
Total Revenues and Transfers	36,975	20,111	74,424	131,510
Expenditures				
Total Salaries and Benefits	32,611	9,961	35,909	78,481
Total Non-Salary Expenditures	4,364	11,963	38,515	54,842
Total Expenditures	36,975	21,924	74,424	133,323
Excess of Revenue over Expenditures		(1,813)		(1,813)
Beginning Operating Equity		55,504		55,504
Ending Operating Equity		53,691		53,691
(Less Specific Investments)		(472)		(472)
Balance not Specifically Invested		53,219		53,219

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

School of Humanities and Sciences
1996/97 Consolidated Forecast
(dollars in thousands)

Revenues and Transfers	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Unrestricted Funds Allocation	78,605			78,605
Restricted Revenues and Transfers betw	17,541	16,138	45,414	79,093
Transfers (to)/from Endowment		(500)		(500)
Transfers (to)/from Plant				
Transfers (to)/from Student Loan				
Total Revenues and Transfers	96,146	15,638	45,414	157,198
Expenditures				
Total Salaries and Benefits	81,241	4,357	18,904	104,502
Total Non-Salary Expenditures	14,905	11,106	26,510	52,521
Total Expenditures	96,146	15,463	45,414	157,023
Excess of Revenue over Expenditures		175		175
Beginning Operating Equity		63,600		63,600
Ending Operating Equity		63,775		63,775
(Less Specific Investments)		(3,371)		(3,371)
Balance not Specifically Invested		60,404		60,404

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

School of Law
1996/97 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	10,770			10,770
Restricted Revenues and Transfers betw	5,200	6,200	400	11,800
Transfers (to)/from Endowment		(700)		(700)
Transfers (to)/from Plant		(750)		(750)
Transfers (to)/from Student Loan		(350)		(350)
Total Revenues and Transfers	15,970	4,400	400	20,770
Expenditures				
Total Salaries and Benefits	12,400	600	200	13,200
Total Non-Salary Expenditures	3,570	3,800	200	7,570
Total Expenditures	15,970	4,400	400	20,770
Excess of Revenue over Expenditures				
Beginning Operating Equity		5,986		5,986
Ending Operating Equity		5,986		5,986
(Less Specific Investments)				
Balance not Specifically Invested		5,986		5,986

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

Vice Provost and Dean of Research and Graduate Policy
1996/97 Consolidated Forecast
(dollars in thousands)

Revenues and Transfers	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Unrestricted Funds Allocation	8,925			8,925
Restricted Revenues and Transfers betw	1,765	15,225	81,208	98,197
Transfers (to)/from Endowment				
Transfers (to)/from Plant		(25)		(25)
Transfers (to)/from Student Loan				
Total Revenues and Transfers	10,690	15,200	81,208	107,097
Expenditures				
Total Salaries and Benefits	7,533	7,575	16,752	31,861
Total Non-Salary Expenditures	1,748	7,094	64,456	73,298
Carryforward	1,409			1,409
Total Expenditures	10,690	14,670	81,208	106,567
Excess of Revenue over Expenditures		530		530
Beginning Operating Equity		28,474		28,474
Ending Operating Equity		29,004		29,004
(Less Specific Investments)		(219)		(219)
Balance not Specifically Invested		28,785		28,785

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

Graduate School of Business
1996/97 Consolidated Forecast
(dollars in thousands)

Revenues and Transfers	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Unrestricted Funds	20,451			20,451
Restricted Revenues and Transfers betw	17,351	8,149	484	25,984
Transfers (to)/from Endowment				
Transfers (to)/from Plant		(850)		(850)
Transfers (to)/from Student Loan				
Total Revenues and Transfers	37,803	7,299	484	45,585
Expenditures				
Total Salaries and Benefits	28,478	1,801	363	30,641
Total Non-Salary Expenditures	9,325	7,039	121	16,485
Total Expenditures	37,803	8,840	484	47,126
Excess of Revenue over Expenditures		(1,541)		(1,541)
Beginning Operating Equity		22,129		22,129
Ending Operating Equity		20,588		20,588
(Less Specific Investments)		(67)		(67)
Balance not Specifically Invested		20,521		20,521

School of Medicine
1996/97 Consolidated Forecast
(dollars in thousands)

	<u>Designated and Restricted Funds</u>					Auxiliary/ Service Centers	Total
	Operating Budget	Other	SHS/SUH	Grants & Contracts	Sub-Total		
Revenues and Transfers							
Unrestricted Funds	53,960				53,960		53,960
Restricted Revenues and Transfers belw	14,805	51,860	19,186	152,385	238,236	79,881	318,117
Transfers (to)/from Endowment							
Transfers (to)/from Plant		(3,808)			(3,808)		(3,808)
Transfers (to)/from Student Loan							
Total Revenues and Transfers	68,765	48,052	19,186	152,385	288,388	79,881	368,269
Expenditures							
Staff Salaries and Benefits	11,334	9,865	7,067	13,992	42,258	53,373	95,631
Faculty Salaries and Benefits	20,655	13,388	4,724	47,372	86,139	10,723	96,862
Indirect Costs/Infrastructure Charge		1,500		42,240	43,740	-	43,740
Other Non-Salary Expenditures	36,776	20,343	7,395	48,781	113,295	15,785	129,080
Total Expenditures	68,765	45,096	19,186	152,385	285,432	79,881	365,313
Excess of Revenue over Expenditures		2,956			2,956		2,956
Beginning Operating Equity		171,939			171,939		171,939
Ending Operating Equity		174,895			174,895		174,895
(Less Specific Investments)		(1,380)			(1,380)		(1,380)
Balance not Specifically Invested		173,515			173,515		173,515

Hoover Institution
1996/97 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	4,210			4,210
Restricted Revenues and Transfers betw	14,479	320	635	15,434
Planned Use of Reserves	1,984	(1,984)		
Transfers (to)/from Endowment				
Transfers (to)/from Plant				
Transfers (to)/from Student Loan				
Total Revenues and Transfers	20,674	(1,664)	635	19,645
Expenditures				
Total Salaries and Benefits	13,108		119	13,228
Total Non-Salary Expenditures	7,566	145	516	8,226
Total Expenditures	20,674	145	635	21,454
Excess of Revenue over Expenditures				
		(1,809)		(1,809)
Beginning Operating Equity		6,270		6,270
Ending Operating Equity		4,461		4,461
(Less Specific Investments)		(97)		(97)
Balance not Specifically Invested		4,364		4,364

Stanford University Libraries and Academic Computing
1996/97 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	26,415			26,415
Restricted Revenues and Transfers below	2,569	2,362		4,931
Use of Reserves to Cover O.B. Deficit	104	(104)		
Transfers (to)/from Endowment				
Transfers (to)/from Plant				
Transfers (to)/from Student Loan				
Total Revenues and Transfers	29,088	2,259		31,346
Expenditures				
Total Salaries and Benefits	16,746	296		17,042
Total Non-Salary Expenditures	12,342	1,963		14,305
Total Expenditures	29,088	2,259		31,346
Excess of Revenue over Expenditures				
Beginning Operating Equity		2,524		2,524
Ending Operating Equity		2,524		2,524
(Less Specific Investments)		(220)		(220)
Balance not Specifically Invested		2,304		2,304

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

**Vice Provost for Student Affairs
1996/97 Consolidated Forecast
(dollars in thousands)**

	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Sub-Total	Housing and Dining Services		Total
					Base	Reserves	
Revenues and Transfers							
Unrestricted Funds Allocation	37,014			37,014			37,014
Restricted Revenues and Transfers belw	6,857	20,146	23,784	50,787	55,410	1,055	107,252
Transfers (to)/from Endowment							
Transfers (to)/from Plant							
Transfers (to)/from Student Loan		(170)		(170)			(170)
Total Revenues and Transfers	43,871	19,976	23,784	87,631	55,410	1,055	144,096
Expenditures							
Total Salaries and Benefits	12,593	465	284	13,341	10,812		24,153
Total Non-Salary Expenditures	31,279	19,090	23,500	73,868	44,217	1,705	119,791
Total Expenditures	43,871	19,554	23,784	87,210	55,029	1,705	143,944
Excess of Revenue over Expenditures		421		421	381	(650)	152
Beginning Operating Equity				5,361			11,928
Ending Operating Equity				5,782	381	5,917	12,080
(Less Specific Investments)							
Balance not Specifically Invested				5,782	381	5,917	12,080

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

Information Technology Systems and Services
1996/97 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Sub-Total	Service Centers	Total
Revenues and Transfers						
Unrestricted Funds Allocation	24,249			24,249		24,249
Restricted Revenues and Transfers between Units		649		649	47,341	47,990
Transfers (to)/from Endowment						
Transfers (to)/from Plant						
Transfers (to)/from Student Loan						
Total Revenues and Transfers	24,249	649		24,898	47,341	72,239
Expenditures						
Total Salaries and Benefits	7,269	287		7,556	21,445	29,001
Total Non-Salary Expenditures	16,980	1,967		18,947	25,896	44,843
Total Expenditures	24,249	2,254		26,503	47,341	73,844
Excess of Revenue over Expenditures		(1,605)		(1,605)		(1,605)
Beginning Operating Equity		6,262		6,262		6,262
Ending Operating Equity		4,657		4,657		4,657
(Less Specific Investments)		(581)		(581)		(581)
Balance not Specifically Invested		4,076		4,076		4,076

Note: This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy for those units not operating under a formula arrangement.

APPENDIX B

FIVE YEAR CAPITAL PLAN DETAIL

This appendix shows those capital projects anticipated over the next five years. The projects are divided into five major categories and show target project costs and anticipated sources of funding. Several points may assist the reader in understanding these detailed charts:

- **Summary Page:** The column “University Debt” indicates the amount of long-term debt needed for the project if additional other sources cannot be identified.
- **Section I:** The subgroup “Other Seismic Risk Mitigation” includes only preliminary estimates of the costs of strengthening these buildings. More detailed estimates will be available later in the year.
- **Section IV:** This category comprises physical infrastructure projects of the Capital Utilities Plan (CUP) (including Networking and Communications Services), the Stanford Infrastructure Program (SIP), and the Transportation Program (TP). Funding for Stanford Infrastructure Projects is already included in the target costs of other projects, and to prevent double counting, is not included in subtotals or totals.
- **The column “Amount of Work In Progress as of FY96”** indicates how much of the total target project costs will have been incurred by the end of the 1995/96 fiscal year.

Stanford University Capital Plan -- 1996/97-2000/2001

(In millions)	Project Schedule FY(S)	Target Project Cost	Amount of Work in Progress as of FY96	Sources of Funding							To be Raised		
				University Reserves on Hand	School Reserves on Hand	Identified Gifts In Hand/ Pledges	Govt Revenue	Unestr. Revenue	Gifts To Be Raised	Debt		University	
										Schools	Auxiliaries/ Service Ctrs.		
L. EARTHQUAKE REPAIR AND SEISMIC RISK MITIGATION													
Planning Goal: To complete earthquake damage repair and to strengthen buildings identified as possible risks in future earthquakes.													
Loma Prieta Recovery		\$83.6	\$13.0	\$4.1	\$1.0	\$48.9	\$22.9		\$4.0	\$1.8	\$15.5	\$2.8	
Unreinforced Masonry		\$44.2	\$9.0	\$5.2	\$0.5	\$7.0	\$0.2		\$0.6	\$3.5	\$15.5	\$29.0	
Other Seismic Risk Mitigation		\$35.8	\$2.8			\$5.0			\$3.1		\$16.8	\$16.8	
Fundraising Goal						\$5.0			\$3.1		\$16.8	(\$8.1)	
Sub-Total		\$163.6	\$24.8	\$9.3	\$1.5	\$60.9	\$22.9	\$0.2	\$7.7	\$5.3	\$15.5	\$40.4	
II. ACADEMIC PROGRAM DEVELOPMENT													
Planning Goal: To support the highest priority initiatives across the University through the construction of new buildings or major renovations.													
Science and Engineering		\$117.2	\$9.4	\$2.8		\$85.9	\$2.0	\$1.3	\$5.1		\$20.1	\$20.1	
School of Medicine		\$90.7	\$0.4	\$12.6		\$77.1			\$1.0		\$17.2	\$10.5	
Other New Building Projects		\$71.7	\$12.6	\$0.5		\$10.5			\$15.0	\$18.0	\$17.2	\$10.5	
Athletics Projects		\$19.7	\$4.4			\$15.5			\$4.1		\$2.0	\$2.0	
Facilities Renovation		\$62.1				\$2.7		\$21.5	\$17.8		\$2.0	\$2.0	
Sub-Total		\$361.4	\$26.8	\$15.9	\$18.2	\$191.7	\$2.0	\$22.8	\$43.0	\$18.0	\$17.2	\$32.7	
III. DEFERRED MAINTENANCE													
Planning Goal: To address costs associated with the deferred maintenance problem.													
Deferred Maintenance		\$53.7	\$0.3			\$7.1		\$31.6			\$57.9	\$15.0	
Student Housing		\$57.9				\$7.1		\$31.6			\$57.9	\$15.0	
Sub-Total		\$111.6	\$0.3			\$7.1		\$31.6			\$57.9	\$15.0	
IV. PHYSICAL INFRASTRUCTURE													
Planning Goal: To develop and maintain the physical infrastructure necessary for the academic mission.													
Utilities		\$48.3							\$6.5		\$44.9	\$3.4	
Campus Infrastructure		\$11.2							\$6.5		\$44.9	\$4.7	
Sub-Total		\$59.5							\$6.5		\$44.9	\$8.1	
V. COMPLIANCE													
Planning Goal: To address required code compliance work.													
Americans with Disabilities Act		\$7.0						\$5.0			\$3.0	\$4.0	
Fire & Life Safety		\$5.0						\$5.0			\$3.0	\$4.0	
Utilities Regulatory Compliance		\$0.4									\$0.4	\$4.0	
Sub-Total		\$12.4						\$5.0			\$3.4	\$4.0	
GRAND TOTAL		\$708.3	\$51.9	\$25.2	\$26.7	\$252.5	\$24.9	\$59.5	\$57.2	\$23.3	\$138.9	\$100.2	

Total Debt: \$262.3

Stanford University Capital Plan -- 1996/97-2000/2001

(In millions)	Project Schedule FY(9)	Target Project Cost	Amount of Work In Progress as of FY96	Sources of Funding							To be Raised		
				University Reserves on Hand	School Reserves on Hand	Identified Gifts In Hand/ Pledges	Govt Revenue	Unrestr. Revenue	Gifts To Be Raised	Debt	University		
				on Hand	on Hand	Pledges	Govt	Revenue	Raised	Schools	Auxiliaries/ Service Ctrs.	University	
I. EARTHQUAKE REPAIR AND SEISMIC RISK MITIGATION													
Planning Goal: To complete earthquake damage repair and to strengthen buildings identified as possible risks in future earthquakes.													
Loma Prieta Recovery													
Green Library	1994-99	\$44.5	\$7.7			\$23.3	\$15.9			\$2.6		\$2.8	
Green Library Sunk Costs		\$4.1		\$4.1									
Museum	1994-99	\$32.0	\$5.0		\$1.0	\$25.5	\$6.5						
Anatomy/HRP Storage	2000	\$1.0				\$0.1	\$0.5			\$1.4			
Hanna House	1996-97	\$2.0	\$0.3			\$0.1	\$0.5			\$4.0		\$2.8	
Sub-Total		\$83.6	\$13.0	\$4.1	\$1.0	\$48.9	\$22.9						
Unreinforced Masonry													
Main Quad													
1-010 President/Provost's Office	1996-97	\$3.0	\$0.2	\$0.7		\$2.0						\$0.3	
1-040 English	1996-98	\$2.0	\$0.5			\$2.0						\$2.0	
1-050 English	1995-97	\$3.0	\$0.5			\$1.0						\$2.0	
1-160 Political Science	1997-99	\$12.3	*	\$2.0		\$2.0						\$8.4	
1-240 German Studies	1997-98	\$2.9	\$0.2					\$0.2				\$2.7	
1-250 Asian Languages	1997-98	\$2.6	*									\$2.6	
1-360 Environmental Geology	1998-99	\$2.1										\$2.1	
Sub-Total Main Quad		\$27.9	\$1.4	\$2.7		\$7.0		\$0.2				\$18.0	
Engineering Quad													
2-500 Mechanical Engineering Office	1996-98	\$3.0										\$1.7	
2-510 Mechanical Engineering Back Lab	1996-98	\$1.3	*	\$2.5						\$0.6		\$0.8	
2-520/524 Hydraulics/EHML	1996-97	\$3.1	**	\$1.5		\$0.5				\$0.6		\$0.0	
2-570 HTGL	1995-97	\$8.9	**	\$6.1		\$0.5				\$0.6		\$8.4	
Sub-Total Engineering Quad		\$16.3	\$7.6	\$2.5	\$0.5					\$0.6		\$11.0	
Other Seismic Risk Mitigation													
5 Escorridido Village Buildings	1995-01	\$8.6	\$2.8									\$8.6	
Branner Hall	1999-00	\$4.8										\$4.8	
Durand Building	1996-98	\$6.2										\$6.2	
Mitchell Earth Sciences	1995-97	\$2.0										\$2.0	
Lagunita (H&DS)	1996-98	\$2.1										\$2.1	
02-630 Press Building	1999	\$3.0										\$3.0	
Knoll	1999	\$1.9										\$1.9	
CPPC	1999	\$1.1										\$1.1	
Art Gallery	1999	\$2.5										\$2.5	
Edwards	2000-01	\$3.5										\$3.5	
Subtotal Other Seismic Risk Mitigation		\$35.8	\$2.8			\$5.0				\$3.1		\$15.5	
Fund Raising Goal												\$16.8	
TOTAL EQ REPAIR & SEISMIC RISK MITIGATION		\$163.6	\$24.8	\$9.3	\$1.5	\$60.9	***	\$22.9	\$0.2	\$7.7	\$5.3	\$15.5	\$40.4

* Plus Deferred Maintenance: \$0.160M for 1-010 - \$0.115M for 1-040 - \$0.090M for 1-050 - \$0.020M for 1-240 - \$0.400 for 02-520/524
 ** Includes both seismic work and Toxic Gas Ordinance (TGMO) work-- Project In redesign--Cost likely to increase
 *** The distribution of gifts and government funds on earthquake repairs and seismic risk mitigation is preliminary and may be revised

Stanford University Capital Plan -- 1996/97-2000/2001

(In millions)	Project Schedule FY(S)	Target Project Cost	Amount of Work In Progress as of FY96	Sources of Funding							To be Raised		University
				University Reserves on Hand	School Reserves on Hand	Identified Gifts In Hand/ Pledges	Govt	Unrestr. Revenue	Gifts To Be Raised	Debt			
										Schools	Auxiliaries/ Service Ctrs.		
II. ACADEMIC PROGRAM DEVELOPMENT													
Planning Goal: To support the highest priority initiatives across the University through the construction of new buildings or major renovations.													
Science & Engineering													
Science & Engineering Quad	1996-99	\$31.0	\$1.8										
Electrical Engineering	1996-99	\$22.6				\$28.9							\$2.1
McCullough Annex	1996-98	\$8.1	\$1.7			\$20.6							\$1.6
Statistics	1996-98	\$11.5	\$2.0			\$10.7							\$1.9
Regional Teaching Facility	1996-99	\$10.6				\$9.5							\$0.2
SFC Courtyard	1996-99	\$11.6	\$0.8			\$8.6		\$2.0					\$0.3
McCullough	1996-97	\$4.3	\$1.9										\$1.8
Varian	1996-98	\$4.2	\$0.5										\$4.2
South Service Road	1996-99	\$13.3	\$0.7										\$7.9
NWC Site Preparation & Utilities	1996-99	\$117.2	\$9.4			\$1.4		\$85.9	\$2.0	\$0.3	\$3.4	\$5.1	\$20.1
Sub-Total Science & Engineering						\$2.8		\$12.6		\$1.3	\$1.0	\$1.0	
School of Medicine	1996-00	\$88.7	\$0.4					\$76.1					
Center for Clinical Sciences Research	1996-97	\$2.0						\$1.0					
Lucas Center Expansion	1996-97	\$90.7	\$0.4					\$77.1					
Sub-Total Medical Center						\$12.6		\$10.5					
Other New Building Projects	1997-99	\$9.0											\$6.0
Library Technical Services Building	1996-97	\$28.5	\$8.0					\$10.5					
Schwab Center for Management Education	1996-98	\$4.0											
GSB Expansion	1996-97	\$17.2	\$4.0										\$17.2
Governor's Corner	1996-99	\$13.0	\$0.6										\$4.5
Encha East	1996-99	\$71.7	\$12.6			\$0.5		\$10.5					\$10.5
Sub-Total New Building Projects						\$0.5		\$10.5					\$17.2
Athletics Projects	1995-00	\$12.5	\$2.0					\$10.0					\$2.5
DAPER Stadium Improvement	1996-98	\$1.0	\$0.4			\$0.1		\$0.3					\$0.6
DAPER Women's Softball Field	1996-97	\$1.0											\$1.0
DAPER AstroTurf Field	1995-97	\$5.2	\$2.0					\$5.2					
DAPER Tennis Stadium Expansion	1995-97	\$19.7	\$4.4			\$0.1		\$15.5					\$4.1
Sub-Total Athletics Projects						\$0.1		\$15.5					\$4.1
Facilities Renovation	1997-01	\$4.4				\$2.5		\$1.9					\$1.9
Engineering Lab Renovations	1997-01	\$12.1				\$2.5		\$9.6					\$9.6
H&S Lab Renovations	1997-01	\$6.3				\$1.3		\$5.0					\$5.0
Libraries & ITSS	1996-98	\$3.5											
Always-3	1996-97	\$1.0				\$0.3		\$1.8					\$1.7
Urology: Phase III	1996-97	\$1.5				\$0.8		\$0.8					\$0.7
Neurosurgery: Long-term Office	2000-01	\$15.0				\$7.0		\$0.1					\$15.0
Edwards (Programmatic Improvement)	1997-01	\$7.5											\$0.4
Minor Renovations Medical School	1997	\$2.0	**										\$2.0
Memorial Auditorium Upgrades	1997-01	\$8.8				\$3.8		\$5.0					\$5.0
Other Renovations	1997-01	\$62.1				\$18.1		\$2.7					\$21.5
Sub-Total Academic & Administrative Facilities		\$361.4	\$26.8			\$15.9	\$18.2	\$191.7	\$2.0	\$22.8	\$43.0	\$18.0	\$17.2
TOTAL ACADEMIC PROGRAM DEVELOPMENT													\$2.0

** Plus \$1M Deferred Maintenance

Stanford University Capital Plan -- 1996/97-2000/2001

(In millions)	Project Schedule FY(S)	Target Project Cost	Amount of Work In Progress as of FY96	Sources of Funding					To be Raised		University
				University Reserves on Hand	School Reserves on Hand	Identified Gifts In Hand/ Pledges	Govt Revenue	Unestr. Revenue	Gifts To Be Raised	Debt Auxiliaries/ Service Ctrs.	
				\$	\$	\$	\$	\$	\$	\$	
III. DEFERRED MAINTENANCE Planning Goal: To address costs associated with the deferred maintenance problem.											
Deferred Maintenance University (Non-Medical School) *											
	1997-99	\$20.0									\$15.0
	1996-01	\$2.5			\$2.5						
	1997-99	\$26.6						\$26.6			
	1997-01	\$4.6	\$0.3		\$4.6						\$15.0
	1996-01	\$53.7	\$0.3		\$7.1			\$31.6			
Student Housing H & DS Deferred Maintenance											
	1996-01	\$57.9									\$57.9
	Sub-Total	\$57.9									\$57.9
TOTAL DEFERRED MAINTENANCE											
		\$111.6	\$0.3		\$7.1			\$31.6			\$57.9
* Original five year program approved in 1995: \$40 million ** Original five year program approved in 1995: \$32 million											
IV. PHYSICAL INFRASTRUCTURE Planning Goal: To develop and maintain the physical infrastructure necessary for the academic mission.											
Utilities Networking & Comm Svcs Conduit & Cable											
	1996-01	\$7.0									\$3.5
	1996-01	\$4.6									\$4.6
	1996-01	\$14.0									\$14.0
	1996-01	\$22.8									\$22.8
	Sub-Total	\$48.3									\$44.9
Campus Infrastructure Stanford Infrastructure Program (SIP) *											
	1997-01	\$16.4 *									\$3.5
	1997-01	\$9.6 *									\$1.0
	1997	\$4.1									\$2.0
	1997	\$3.1									\$2.0
	1996-99	\$4.0									\$6.5
	Sub-Total	\$37.2									\$4.7
	Back out SIP & TP*	(\$26.0) *									
TOTAL INFRASTRUCTURE											
			\$59.5							\$6.5	\$44.9
											\$8.1

* \$9.3 million funding for SIP program and \$7.5 million funding for TP program are derived from SHS and SMC projects not included in this capital plan.

Stanford University Capital Plan -- 1996/97-2000/2001

(In millions)	Project Schedule FY(S)	Target Project Cost	Amount of Work In Progress as of FY96	Sources of Funding							To be Raised						
				University Reserves on Hand		School Reserves on Hand		Identified Gifts In Hand/ Pledges		Govt Revenue		Unrestr. Revenue		Gifts To Be Raised		Debt	University
				Univ	Sch	Identified	Govt	Unrestr.	Gifts To Be Raised	Schools	Auxiliaries/ Service Ctrs.	Debt	University				
Planning Goal: To address required code compliance work. Americans With Disabilities Act (ADA) Placeholder for ADA Compliance H&DS Compliance & ADA Sub-total Fire & Life Safety Utilities Regulatory Compliance																	
	1997-01	\$4.0															
	1997-01	\$3.0															
	1997-01	\$7.0															
	1997-01	\$5.0								\$5.0							
	1997-01	\$0.4														\$0.4	
TOTAL COMPLIANCE		\$12.4								\$5.0					\$3.4		\$4.0
GRAND TOTAL		\$708.3		\$51.9	\$25.2	\$26.7	\$252.5	\$24.9	\$59.5	\$57.2	\$23.3	\$138.9	\$100.2				

Stanford University Capital Plan -- 1996/97-2000/2001

(In millions)	Project Schedule FY(S)	Target Project Cost	Amount of Work In Progress as of FY96	Sources of Funding					To be Raised		University	
				University Reserves on Hand	School Reserves on Hand	Identified Gifts In Hand/ Pledges	Govt Revenue	Unestr. Revenue	Gifts To Be Raised	Debt		
										Auxiliaries/ Service Ctrs.		University
DEFERRED PROJECTS Planning Goal: To identify potential future projects.												
I. EARTHQUAKE REPAIR AND SEISMIC RISK MITIGATION												
Unreinforced Masonry (URM)												
Other												
Old Chemistry												
Encha East & South												
Brown (Encha Gym)												
Demolish Anatomy												
Sub-Total Other URM												
Other Seismic Risk Mitigation												
Old Union												
Herrin Hall												
Agassiz												
Huston House												
Tower House												
loeb												
Sub-Total Other Seismic Risk Mitigation												
Sub-Total EQ Repair and Seismic Risk Mitigation												
II. ACADEMIC PROGRAM DEVELOPMENT												
Ginzton Lab Renovation												
Optics Lab												
Meyer/Green Connection												
Art Studios												
Utilities Development												
Sub-Total Academic Program Development												
III. DEFERRED MAINTENANCE												
Deferred Maintenance												
Facilities Renewal												
Sub-Total Deferred Maintenance												
IV. CAMPUS INFRASTRUCTURE												
Additional Utilities Rehabilitation												
Additional Campus Restoration Projects												
Sub-Total Campus Infrastructure												

APPENDIX C

SUPPLEMENTARY INFORMATION

The tables and graphs in this Appendix include data that are useful in providing a general picture of where Stanford is, and in some instances, how it got here. The short annotations below serve as an introduction to the schedules by defining the information that they contain, and in a number of cases, noting some interesting trends in them.

Schedule 1 - Student Enrollment

This schedule shows total enrollment by sex and student level for the past ten years. The number of undergraduate men has fallen every year but one over this period, while total enrollment has been relatively constant. The total number of graduate students dropped this year after increasing since 1987/88. Although the number of graduate students who are women is nowhere near the number of men, the proportion of students who are women has increased substantially over the last ten years.

Schedule 2 - Freshman Student Apply/Admit/Matriculate Statistics

After falling rather precipitously in 1990 (subsequent to the Loma Prieta earthquake), the number of actionable applicants has now increased to the second highest figure in the last decade. In addition, our yield rate stabilized this year after its decline following the earthquake, and all indications are that yield will increase for next year's class as a result of our new early decision program.

Schedule 3 - Tuition and Fee Income

Undergraduate and graduate tuition income are expected to rise at a slightly greater rate than our tuition increase (4.0%), primarily because we expect more students at the undergraduate level and in a few graduate/professional areas. Fee income is expected to increase substantially because the numbers of applicants are expected to increase in several graduate/professional areas and because it appears that we will recover significantly more than we budgeted from several miscellaneous fees in 1995/96.

Schedule 4 - Undergraduate Financial Aid by Source of Funds and Type of Aid

This schedule shows the total amount of financial aid from all sources (including a small amount of non-need based scholarship aid) that was awarded to undergraduate students in the last seven years. The last row shows Stanford tuition plus room and board, which has increased by 42.9% over the period. However, all sources of aid have increased at a faster rate than these expenses. Of particular interest is the fact that all Stanford funds in support of scholarship and grant aid have increased almost 67% over this period. Loans have increased by 59.1%, the same as the increase in the grand total of all support. These results suggest that the growth in family support, including parental contributions and student savings, has not kept pace with the growth in student expenses.

Schedule 5 - Needs and Sources, Including Parental and Student Contributions

This schedule shows the total expense and sources of support for undergraduate students who receive need-based financial aid in terms of the actual figures for 1994/95, latest estimate for 1995/96, and our projections for next year. Because of declines or very modest increases in most other sources of support (including family contributions), unrestricted support is expected to increase over 17% this year. For next year we expect better growth in some sources, particularly endowment income, which implies a much more modest growth in the support from unrestricted funds. Note, though, that the expected family contribution increases at a slower rate than needs, even though our percentage tuition increase 1996/97 is the smallest we have had in thirty years.

Schedule 6 - Total Professorial Faculty

This schedule shows the total number of professorial faculty, by rank for tenure line faculty and in total for non-tenure line faculty, since the early

1970's. The total professorate has increased modestly in the last ten years or so, but all of the growth is in the non-tenure line faculty. The number of tenure line faculty has declined by 55 from its peak in 1991/92. In numerical terms the biggest piece of this decline is in the number of full professors. In part, the result for full professors is due to some changes in the incentives offered for faculty early retirement. The number of assistant professors has actually declined by a larger percentage, although not by a larger number. Almost all of the decline in this category is in Medicine (see Schedule 7).

Schedule 7 - Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty

This schedule provides a disaggregated view of the data in Schedule 6 over the last four years. Medicine is clearly the only area that has added faculty in the last few years, and all of that growth is in non-tenure line individuals.

Schedule 8 - Number of Non-Teaching Employees

This schedule shows the number of regular (defined in the schedule) non-teaching employees by activity for the last six years. The activity categories do not track well to the current reporting relationships among administrative units, but to keep any semblance of consistency in these data over time in the face of reorganizations, the activity categories have to be defined broadly. Even with these broad categories you will note four footnotes indicating shifts across the activity categories over the period.

Factoring in an estimate of the effect of the shift of the Faculty Practice Program from Medicine to SHS, the number of employees has changed very little since 1990. This seems very surprising given the repositioning and budget adjustment processes we have gone through since 1990 until one notes the growth in Medicine and SLAC. If these units are excluded, the number of employees has declined steadily, although it went up slightly in the current year.

Schedule 9 - Staff Employees Outside Medicine and SLAC

This graph shows the relation between two series of numbers of employees for the period 1983-1995. The first is staff employees in the schools (except Medicine) and independent laboratories—the sum of employees in the categories entitled “Other Academic” and “Institutes and Research Labs” in Schedule 8. The second is a measure of “core” administrative staff who are paid almost entirely from general funds. This category excludes those employed in the schools and labs, SLAC, and the auxiliary activities in Schedule 8 (DAPER, Housing and Food Service, and Tresidder and the Faculty Club).

The number of core staff peaked in 1989 and has declined by over 440, or over 16%, since then, and was essentially unchanged between 1994 and 1995. Employment in the schools and independent labs peaked somewhat earlier. The decline in this category from its peak until 1994 is about 3.5%, factoring in an estimate of the effect of the movement of SSRL to SLAC, but it jumped substantially in 1995.

Schedule 10 - Staff Benefits Detail

Schedule 10 shows the detail of the components of the staff benefits provided to all employees. To support these benefits a uniform charge, the staff benefits rate, is assessed to all salary and wage transactions. As shown in the last line of the schedule this rate is projected to be 29.7% in 1996/97 as compared to 26.2% in the current year, 28.2% last year and 30.7% in 1993/94. The substantial rate increase for next year is due to the extremely large carry-forward adjustment that artificially decreased the rate for 1995/96. If you look at the expense before the carry-forward adjustment, you will see a much more modest change. The most pronounced decreases projected for 1996/97 are in medical insurance, where expenses have dropped through a combination of cost-cutting by insurers and our negotiations of lower rates, and faculty early retirement, where special incentives offered in 1994/95 and 1995/96

attracted exceptional interest. On the other side of the coin, University contributions to the retirement plans of active employees are projected to increase over \$5 million. This is because of the change from a defined benefit to a defined contribution retirement plan for all non-union employees.

Schedule 11 - Grants and Contract Expense by Agency and Fund Source

This schedule shows grant and contract expense by agency for research and all other activities sponsored by the US Government and a total for all activity sponsored by non-US Government organizations. In addition, the schedule breaks out direct and indirect expense for the US Government grants and contracts. The effects of indirect cost rate changes and other indirect cost negotiations over this decade are particularly evident from this separation. You can see that direct expense has increased each year, although at varying rates, while there has been a substantial decline in our recovery of indirect costs.

The other point of interest is that non-US Government activity has consistently been about 10% of the total expense. The largest suppliers of non-US funds are charitable foundations and corporations, each with about one-third of the total for non-US agencies.

Schedule 12 - Plant Expenditures

This schedule shows expenses from plant or borrowed funds for building or infrastructure projects related to various units. Stanford Infrastructure Program expenses are included in the "All Other" category. To the extent possible expenditures for equipment are excluded from these calculations. Naturally enough, expenses within each unit tend to vary over time with the construction of new buildings or with things like earthquake repair. Thus, it is not unusual to see large year-to-year changes in expenditures within a unit. For example, the big jump in Engineering in 1994/95 is due to the Gates Building. Part of the decline in Medicine in 1994/95 is due to the shift of the FPP to SHS; most of the rest resulted from the completion of the Psychiatry Building and the Pediatrics & OB/GYN renovation project.

Schedule 13 - Endowment Value and Rate of Return

The last schedule in this appendix shows the market value of all endowment funds, including funds subject to living trust agreements, and the total real and nominal rates of return (asset price change plus income earned) on the invested funds. Over the last decade the University's target for annual real return has been 6.25%, net of management fees. The average annual return has clearly exceeded that figure, and the figure itself has been met in seven of the ten periods in the schedule.

**STUDENT ENROLLMENT
AUTUMN QUARTER 1986-87 THROUGH 1995-96**

Year	Undergraduate			Graduate			TGR	Total
	Women	Men	Total	Women	Men	Total		
1986-87	2,840	3,732	6,572	1,698	4,238	5,936	764	13,272
1987-88	2,849	3,722	6,571	1,705	4,248	5,953	768	13,292
1988-89	2,811	3,646	6,457	1,725	4,335	6,060	707	13,224
1989-90	2,830	3,675	6,505	1,791	4,375	6,166	683	13,354
1990-91	2,917	3,638	6,555	1,791	4,407	6,198	688	13,441
1991-92	2,947	3,580	6,527	1,884	4,436	6,320	702	13,549
1992-93	3,020	3,544	6,564	1,994	4,555	6,549	780	13,893
1993-94	3,073	3,500	6,573	2,030	4,571	6,601	828	14,002
1994-95	3,133	3,428	6,561	2,117	4,509	6,626	844	14,031
1995-96	3,267	3,310	6,577	2,186	4,424	6,610	857	14,044

Source: Registrar's Office third week enrollment figures

FRESHMAN APPLY/ADMIT/ENROLL STATISTICS
FALL 1985 THROUGH FALL 1995

Year	Total Applications		Actionable Applications§		Admissions		Enrollment	
	Number	Percent Change from Previous Year	Number	Percent Change from Previous Year	Number	Percent of Actionable Applicants Admitted	Number	Percent of Applicants Enrolling
Fall 1985	17,652	13	14,750	14	2,507	17	1,530	61
Fall 1986	16,138	-9	13,856	-6	2,522	18	1,575	63
Fall 1987	16,884	5	14,631	6	2,565	18	1,529	60
Fall 1988	15,828	-6	14,577	0	2,524	17	1,602	63
Fall 1989	14,912	-6	14,041	-4	2,626	19	1,567	60
Fall 1990	12,953	-13	12,173	-13	2,874	24	1,600	56
Fall 1991	13,530	4	12,717	4	2,715	21	1,526	56
Fall 1992	13,209	-2	12,508	-2	2,912	23	1,595	55
Fall 1993	13,604	3	12,975	4	2,926	23	1,607	55
Fall 1994	14,707	8	13,957	8	2,942	21	1,590	54
Fall 1995	15,485	5	14,662	5	2,908	20	1,597	55

§ An application is not actionable until all of the materials needed to make an admission or rejection decision have been received by the Admissions Office.

**BREAKDOWN OF TUITION AND FEE INCOME
PROJECTED FY97 BUDGET(In thousands)**

	<u>FY96 Budget</u>	<u>Proposed FY97 Budget</u>	<u>Change FY96 to FY97</u>	<u>Percentage Change FY95 to FY96</u>
Tuition:				
Undergraduate	\$125,166	\$130,872	\$5,706	4.6%
Graduate	\$106,478	\$111,150	\$4,672	4.4%
Other	\$8,608	\$9,018	\$410	4.8%
Summer	\$15,913	\$16,604	\$691	4.3%
Total Tuition	<u>\$256,165</u>	<u>\$267,644</u>	<u>\$11,479</u>	4.5%
Miscellaneous Fees:				
Application Fees	\$2,213	\$2,553	\$340	15.4%
Other Fees	\$975	\$1,100	\$125	12.8%
Total Fees	<u>\$3,188</u>	<u>\$3,653</u>	<u>\$465</u>	14.6%
Total Tuition and Fee Income	<u>\$259,353</u>	<u>\$271,297</u>	<u>\$11,944</u>	4.6%

UNDERGRADUATE FINANCIAL AID BY SOURCE OF FUNDS AND TYPE OF AID[1]

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
<u>Scholarships and Grants</u>							
Stanford Unrestricted Funds	\$11,832	\$12,078	\$14,443	\$15,834	\$16,420	\$17,736	\$16,5 93
Gifts and Endowment Income: Non-Athletic	\$5,924	\$6,699	\$7,468	\$6,868	\$10,936	\$12,355	\$14,762
Athletic Awards	\$4,947	\$5,142	\$5,141	\$5,252	\$5,603	\$5,639	\$6,3 28
Departmental Awards	\$160	\$125	\$123	\$98	\$782	\$566	\$455
External Grants[2]	\$8,863	\$8,605	\$8,516	\$8,884	\$8,983	\$9,448	\$10,4 07
Sub-Total for Scholarships and Grants	\$31,726	\$32,649	\$35,691	\$36,936	\$42,724	\$45,744	\$48,545
<u>Loans</u>							
University Funds	\$1,576	\$2,360	\$2,112	\$1,529	\$1,333	\$1,382	\$1,1 57
External Funds	\$6,307	\$6,173	\$7,318	\$8,181	\$9,234	\$9,763	\$11,389
Sub-Total for Loans	\$7,883	\$8,533	\$9,430	\$9,710	\$10,567	\$11,145	\$12,546
<u>Jobs</u>							
University Funds[3]	\$1,451	\$1,327	\$1,764	\$1,473	\$1,869	\$3,897	\$4,1 75
External Funds	\$191	\$214	\$224	\$110	\$128	\$396	\$367
Sub-Total for Jobs	\$1,642	\$1,541	\$1,988	\$1,583	\$1,997	\$4,293	\$4,542
Grand Total	\$41,251	\$42,723	\$47,109	\$48,229	\$55,288	\$61,182	\$65,633
Stanford Tuition plus Room and Board	\$17,821	\$19,164	\$20,210	\$21,262	\$22,850	\$24,310	\$25,465

[1] Figures are actuals and are in thousands of dollars. The calculations include all funds administered through the Financial Aid Office.

[2] All Federal, state, and private grants.

[3] Includes University match of funds from outside sources.

**UNDERGRADUATE FINANCIAL AID
PROJECTED 1996-97 BUDGET
NEEDS AND SOURCES, INCLUDING
PARENTAL AND STUDENT CONTRIBUTIONS
(Thousands of Dollars)**

	1994/95 Actual	1995/96 Year End Projection	Increment from 1995/96 to 1996/97	1996/97 Proposed Budget	Percentage Change from 1995/96 to 1996/97
NEEDS					
Tuition, Room & Board	\$66,514	\$69,911	\$3,095	\$73,006	4.4%
Books and Personal Expense	\$6,566	\$6,814	\$216	\$7,030	3.2%
Other	\$1,389	\$1,395	\$58	\$1,453	4.2%
TOTAL NEEDS	\$74,469	\$78,120	\$3,369	\$81,489	4.3%
SOURCES					
Total Family Contribution (Includes parent contribution for aided students, self-help, summer savings, assets, etc.)	\$33,948	\$35,360	\$1,107	\$36,467	3.1%
Endowment Income	\$12,431	\$12,609	\$1,497	\$14,106	11.9%
Expendable Gifts	\$2,331	\$2,106	(\$91)	\$2,015	-4.3%
Federal Grants	\$3,041	\$2,542	\$66	\$2,608	2.6%
California State Scholarships	\$3,575	\$3,551	(\$43)	\$3,508	-1.2%
Outside Awards	\$2,050	\$1,981	\$119	\$2,100	6.0%
Department Sources	\$500	\$490	\$15	\$505	3.1%
Unrestricted Funds	\$16,593	\$19,481	\$699	\$20,180	3.6%
TOTAL SOURCES	\$74,469	\$78,120	\$3,369	\$81,489	4.3%
Number of Students on Need- Based Aid	2,698	2,700	10	2,710	0.4%

Note: Athletic awards are not included in these calculations.

TOTAL PROFESSORIAL FACULTY*
1972-73 THROUGH 1995-96

	Professors	Associate Professors	Assistant Professors **	Tenure Line Total	Non-Tenure Line Professors	Grand Total	
1972-73	538	198	299	1,035		1,035	
1973-74	547	194	299	1,040		1,040	
1974-75	556	193	284	1,033		1,033	
1975-76	565	186	295	1,046		1,046	
1976-77	571	194	304	1,069		1,069	
1977-78	586	199	287	1,072	86	1,158	***
1978-79	600	211	292	1,103	91	1,194	
1979-80	620	210	286	1,116	94	1,210	
1980-81	642	205	279	1,126	104	1,230	
1981-82	661	200	294	1,155	103	1,258	
1982-83	672	195	284	1,151	116	1,267	
1983-84	682	195	286	1,163	129	1,292	
1984-85	691	194	272	1,157	135	1,292	
1985-86	708	191	261	1,160	135	1,295	
1986-87	711	192	262	1,165	150	1,315	
1987-88	719	193	274	1,186	149	1,335	
1988-89	709	200	268	1,177	147	1,324	
1989-90	715	198	265	1,178	146	1,324	
1990-91	742	195	278	1,215	161	1,376	
1991-92	756	205	263	1,224	182	1,406	****
1992-93	740	209	245	1,194	214	1,408	
1993-94	729	203	241	1,173	225	1,398	
1994-95	724	198	252	1,174	256	1,430	
1995-96	723	205	241	1,169	287	1,456	

Data Source: Provost's Office

* Some appointments are coterminous with the availability of funds.

** Assistant Professors subject to Ph.D. are included.

*** Beginning in 1977-78, non-tenure line Professors are included.

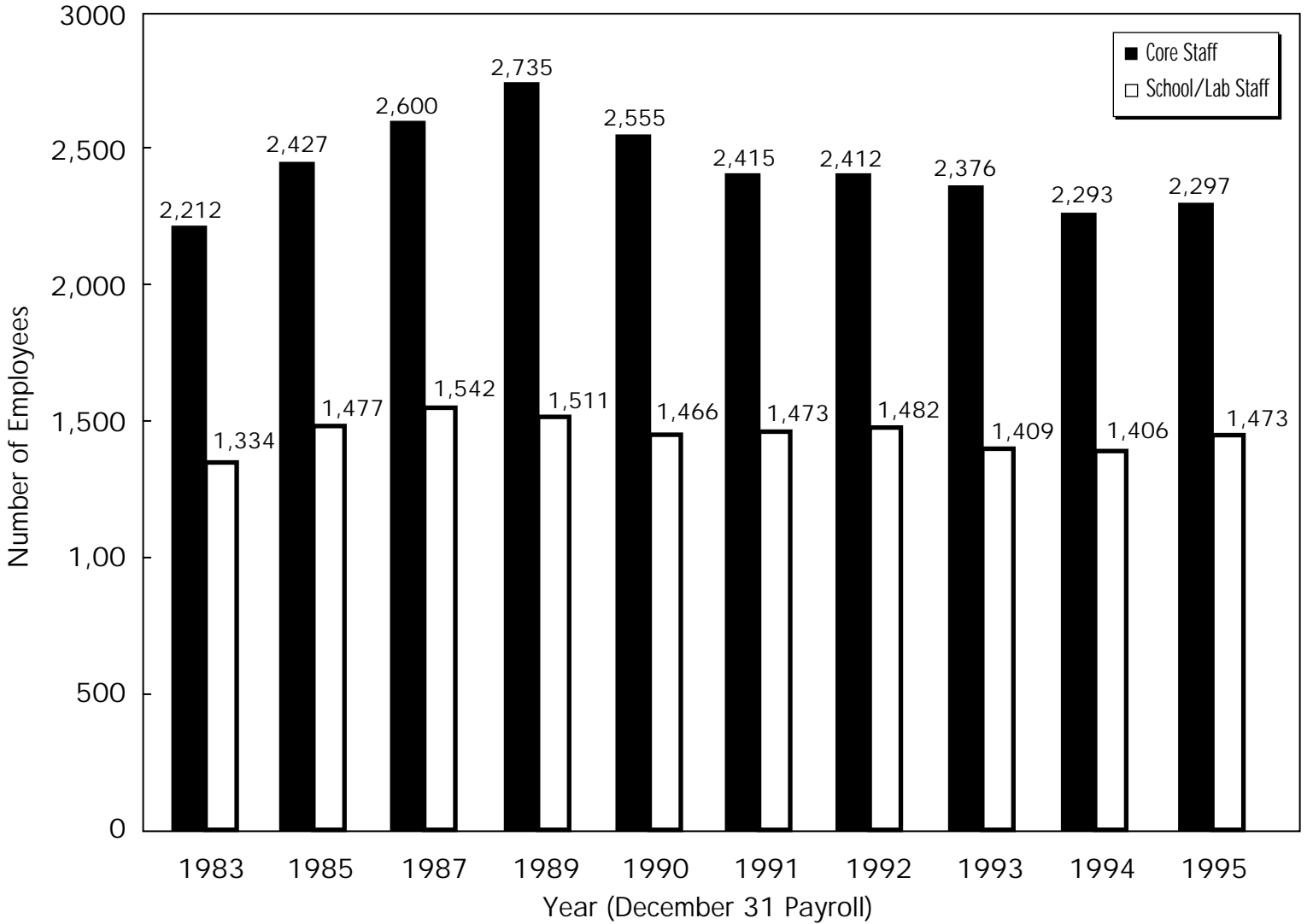
**** Beginning in 1991-92, Medical Center Line and Senior Fellows in policy centers and institutes are included.

**NUMBER OF NON-TEACHING EMPLOYEES
AS OF DECEMBER 31 OF EACH YEAR[1]**

<u>Activity</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
School of Medicine[2]	1,803	1,867	1,950	2,073	1,614	1,563
Other Academic: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law	1,006	1,006	1,024	1,040	1,042	1,115
Physical Education and Athletics	80	90	82	83	84	98
Institutes and Research Labs [3]	460	467	365	369	364	358
Stanford Linear Accelerator Center [3]	1,195	1,160	1,301	1,240	1,355	1,311
Student Services: Admissions, ASSU, Bechtel International Center, Dean of Student Affairs, Financial Aids, Graduate Division, Memorial Church, Overseas Studies, Placement Center, Haas Center for Public Service, Registrar, Residential Education, Student Health, NSI	314	291	258	252	233	232
Libraries: Includes personnel from all Libraries, Art Galleries, and Museums	587	583	574	558	569	567
Central Information Services[5]: Information Resources, Data Center, Networking and Communication Systems	276	234	245	264	274	359
Development Office	205	196	197	175	134	136
Plant Construction, Protection, and Maintenance: Facilities Project Management, Health and Safety, Health Physics, O & M, Planning, Procurement, Public Safety, Risk Management	495	462	473	455	449	446
Housing and Food Service	252	259	271	255	272	271
Tresidder and Faculty Club	33	36	32	31	21	21
Administration[4,5]: Finance, President's Office, Provost's Office, Faculty/Staff Services, Public Affairs, University Counsel, Press, Events & Services	678	649	665	672	634	557
TOTAL	7,384	7,300	7,437	7,467	7,045	7,034

- [1] Does not include students or employees working less than 50% time. Does include all other employees (i.e., Deans, Administrators, Secretaries, etc.) attached to that unit.
- [2] The School of Medicine decline in 1994 primarily reflects the integration of the Faculty Practice Plan and and some clinics into Stanford Health Services (SHS).
- [3] SSRL shifted from Institutes and Research Labs into SLAC in 1992.
- [4] Administration includes the University Press and Events and Services in all years.
- [5] The staff members in BISA were counted in Administration prior to 1995. That function is now in Information Services.

STAFF EMPLOYEES IN UNITS OTHER THAN MEDICINE OR SLAC*



*SSRL was removed from the Labs in 1993 in this graph. This change reduced Lab staff by about 85.

**1996/97 PROJECTED CONSOLIDATED BUDGET
STAFF BENEFITS DETAIL
(Thousands Of Dollars)**

	1993-94 Actual Expenditures	1994-95 Actual Expenditures	1995-96 Negotiated Budget	1996-97 Projected Budget	Increase (Decrease) 1995-96 to 1996-97
STAFF BENEFITS PROGRAM					
Pension Programs:					
University Retirement	\$30,702	\$31,626	\$30,325	\$35,430	\$5,105
Social Security	33,764	33,514	35,994	37,072	\$1,078
Faculty Early Retirement	3,257	7,698	9,035	5,267	(\$3,768)
Other	<u>1,057</u>	<u>4,720</u>	<u>3,222</u>	<u>1,493</u>	<u>(\$1,729)</u>
Total Pension Programs	\$68,780	\$77,558	\$78,576	\$79,262	\$686
Tuition Waiver Programs:					
Faculty/Staff Tuition Grant Program	\$3,938	\$4,687	\$5,047	\$5,227	\$180
Research Assistants and Posdocs	25,994	26,935	29,126	29,560	\$434
Teaching Assistants	<u>7,597</u>	<u>8,512</u>	<u>8,878</u>	<u>8,851</u>	<u>(\$27)</u>
Total Tuition Waiver Programs	\$37,529	\$40,134	\$43,051	\$43,638	\$587
Insurance Programs:					
Medical Insurance	\$18,572	\$19,432	\$20,286	\$17,633	(\$2,653)
Retirement Medical	8,406	6,881	6,760	6,719	(\$41)
Worker's Comp/LTD/Unemployment Ins	2,036	4,741	5,389	6,076	\$687
Dental Insurance	4,760	4,555	4,905	5,240	\$335
Group Life Insurance/Other	<u>4,467</u>	<u>2,952</u>	<u>2,753</u>	<u>3,112</u>	<u>359</u>
Total Insurance Programs	\$38,241	\$38,561	\$40,093	\$38,780	(\$1,313)
Miscellaneous Programs:					
Severance Pay	\$2,840	\$2,880	\$1,501	\$2,598	\$1,097
Sabbatical Leave	5,084	6,741	6,345	7,102	\$757
Other	<u>3,475</u>	<u>3,746</u>	<u>4,044</u>	<u>4,853</u>	<u>809</u>
Total Miscellaneous Programs	\$11,399	\$13,367	\$11,890	\$14,553	\$2,663
TOTAL STAFF BENEFITS PROGRAMS EXPENSE	\$155,949	\$169,620	\$173,610	\$176,233	\$2,623
Carryforward/Adjustment from Prior Year(s)	0	(\$5,048)	(\$21,851)	(\$155)	21,696
TOTAL EXPENSE WITH CARRYFORWARD/ADJ	\$155,949	\$164,572	\$151,759	\$176,078	\$24,319
Budgeted Staff Benefits Rate	30.7%	28.2%	26.2%	29.7%	-99.3%
					16.0%

GRANTS AND CONTRACTS EXPENSE BY AGENCY AND FUND SOURCE[1]

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
<u>US Government</u>							
DoD[2]	\$39,988	\$40,434	\$35,401	\$36,661	\$42,526	\$40,693	\$44,717
DoE (Except SLAC)	\$25,433	\$27,328	\$14,774	\$24,691	\$10,383	\$9,341	\$9,373
NASA	\$37,216	\$45,379	\$54,735	\$63,866	\$54,875	\$58,498	\$60,136
DoEd	\$6,036	\$6,796	\$6,702	\$7,297	\$6,722	\$6,951	\$6,956
HHS	\$118,744	\$127,307	\$117,700	\$122,519	\$128,840	\$141,903	\$138,086
NSF	\$28,029	\$29,033	\$26,564	\$30,649	\$29,954	\$30,209	\$32,298
DoE (SLAC)	\$133,559	\$138,115	\$134,854	\$140,116	\$164,534	\$173,747	\$180,606
Other US Sponsors	\$5,076	\$7,057	\$13,546	\$14,417	\$10,775	\$14,182	\$24,582
Sub-Total for US Government Agencies[3]	\$394,081	\$421,449	\$404,276	\$440,216	\$448,609	\$475,524	\$496,754
Direct Expense[4]	\$309,984	\$330,434	\$335,898	\$372,447	\$374,719	\$393,603	\$417,970
Indirect Expense[4]	\$84,097	\$91,015	\$68,378	\$67,769	\$73,890	\$81,921	\$78,784
<u>Non-US Government</u>	\$44,227	\$44,439	\$44,891	\$47,942	\$50,617	\$55,308	\$56,638
Grand Total[5]	\$438,308	\$465,888	\$449,167	\$488,158	\$499,226	\$530,832	\$553,392

[1] Figures are in thousands of dollars.

[2] DoD=Department of Defense

DoE=Department of Energy

NASA=National Aeronautics and Space Administration

DoEd=Department of Education

HHS=Department of Health and Human Services

NSF=National Science Foundation

[3] Figures include both direct and indirect expense.

[4] These figures are only for US grants and contracts.

[5] These figures include construction contracts.

PLANT EXPENDITURES BY UNIT[1,2]

<u>Unit</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
G&B	\$1,616	\$2,413	\$3,386	\$1,834	\$437	\$90	\$116
Earth Science	\$867	\$1,311	\$317	\$6,325	\$12,792	\$3,288	\$793
Education	\$241	\$170	\$1	\$0	\$0	\$0	\$161
Engineering	\$693	\$1,721	\$1,042	\$593	\$2,253	\$9,293	\$32,839
H & S	\$7,368	\$13,093	\$15,720	\$5,776	\$12,676	\$15,488	\$22,445
Law	\$7	\$15	\$0	\$0	\$0	\$129	\$7
Medicine[3]	\$31,944	\$12,765	\$21,077	\$22,760	\$21,408	\$12,479	\$3,160
Libraries	\$1,260	(\$7)	\$1,319	\$2,505	\$6,544	\$413	\$1,852
DAPER	\$5,250	\$5,134	\$1,696	\$521	\$4,502	\$18,542	\$2,399
Housing	\$8,568	\$6,304	\$13,917	\$10,012	\$11,562	\$11,944	\$26,567
All Other[4]	\$33,166	\$19,992	\$25,163	\$25,007	\$28,634	\$20,300	\$14,864
TOTAL	\$90,980	\$62,911	\$83,638	\$75,333	\$100,808	\$91,966	\$105,203

[1] Figures are in thousands of dollars.

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

[3] Includes the Faculty Practice Program when separately identified.

[4] Includes General Plant Improvements expense.

ENDOWMENT MARKET VALUE AND RATE OF RETURN

Year	Market Value of Endowment (in thousands)[1]	Annual Nominal of Return	Annual Real Rat Return[2]
1985-86	\$1,502,583	31.1%	28.6%
1986-87	\$1,839,490	29.7%	26.9%
1987-88	\$1,710,198	-5.2%	-8.9%
1988-89	\$2,083,916	23.5%	19.0%
1989-90	\$2,060,305	0.3%	-3.8%
1990-91	\$2,299,483	17.3%	13.3%
1991-92	\$2,428,491	7.8%	5.2%
1992-93	\$2,853,366	19.0%	16.4%
1993-94	\$3,034,533	8.5%	6.5%
1994-95	\$3,402,825	15.2%	13.5%

Source: Stanford University Annual Financial Report

[1] Includes endowment funds subject to living trust agreements.

[2] The real rate of return is the nominal rate less the rate of price increases.
The latter is measured by the Gross Domestic Product price deflator.