THE STANFORD UNIVERSITY BUDGET PLAN

♦

1997/98

Submitted for action to the
Board of Trustees
June 12–13, 1997

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http://www.stanford.edu/dept/pres-provost/budget/book98.html

Executive Summary

I am pleased to submit for your approval the 1997/98 Stanford University Budget Plan.

This Budget Plan 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 in the context of our major program priorities and initiatives. The second is the Capital Budget and Five Year Capital Plan, which includes the capital expenditures planned for next year. These projects are presented as part of a multi-year plan which forecasts capital activity through the year 2002. Together, the Consolidated Budget for Operations and the Capital Budget reflect a university-level perspective on our programmatic plans and the supporting financial strategy for 1997/98. Budgets for Stanford Health Services and UCSF/Stanford Health Care are not included in this Plan.

THE CONTEXT FOR BUDGETING

Implementing Multi-year Initiatives: Over the past several years, Stanford's budget planning has focused on several long term goals and initiatives, as well as on the specific challenges of preparing a single year's budget. At the most fundamental level, our central goals have been to build budgets that sustain Stanford's academic excellence while providing the capacity for innovation. On a more specific level, we are pursuing these goals with several university-wide multi-year strategic priorities—notably, the Stanford Introductory Studies Program, the Stanford Graduate Fellowships, the development of the Science and Engineering Quad, the seismic restoration program, and a number of technology-based initiatives.

Challenges Specific to 1997/98: In addition to the multi-year issues, we have been faced with other challenges specific to 1997/98. They include:

- Tuition Remission – Due to changes in the federal government's OMB Circular A-21, which regulates recovery of indirect costs on grants and contracts, Stanford will no longer be able to charge tuition remission for research assistants and teaching assistants through the staff benefits pool. The result is that these costs will be redistributed among various sources of funds and the share paid previously by the federal government will be reduced. The incremental cost to the University's general funds budget, estimated to be $7.1 million, has been incorporated into this Budget Plan.

- Salary Issues – After several years of modest salary programs, we are facing increased pressure on salaries, particularly in light of the strong local economy. Our faculty salary levels are generally very competitive at the top of the national faculty marketplace. However, there are some areas of weakness scattered across the University. Staff salaries, which we target at the middle of the local market, are under some pressure, particularly for technical positions. We have responded to the overall salary issue by budgeting a 3.5% program for faculty and staff, with some special increments for jobs below market. While this program will not alter our overall market position, it should generally allow us to hold steady against the market and correct the most significant imbalances.

- Sustaining a University Reserve Against Income Shortfalls – One of our priorities over the past four years has been to build budgets that provide some measure of stability in what will continue to be uncertain times for higher education. As was the case last year, the 1997/98 Budget Plan establishes a base budget general funds University Reserve. The reserve for 1997/98 is $11.6 million. I am pleased it can remain at this level in light of other pressures on the budget. This reserve should provide an adequate buffer against fluctuations in income and allow additional flexibility in developing budgets for future years.

- Uncertainties in Sponsored Research Funding – For the past several years, Stanford researchers have operated in a very uncertain federal research funding environment. We see no indication that funding for federal research in the future will be any more predictable than in the recent past. Although 1996/97 research volume has been stronger than budgeted, our view is that the long term trend in research funding will be flat in real terms.

Addressing the Challenges: We have been able to meet these budgetary challenges through a combination of strong management across the institution, buoyant financial markets, and the unparalleled support of our donors.

In particular:

- Cost Control – We have eliminated the practice of allowing projected expense growth to drive the allocation of general funds. Funds are now allocated to the deans and administrative units 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. As a result, we have been able to constrain expense growth, particularly in non-salary areas.

- Endowment Growth – The endowment has registered strong gains in recent years. We project endowment income in the 1997/98 Budget Plan to increase by 14.6% over the projected 1996/97 actuals. This increase is after the endowment payout smoothing rule is applied, a formula which dampens the effects of major swings in the market. (It also reflects a continuation of the 0.5% supplement to the endowment payout rate, described below.)

In summary, in developing the 1997/98 Budget Plan we have incorporated support for the central initiatives in teaching, research, and facilities support. We have also addressed several issues that are specific to next year. The result is a Budget Plan which allows Stanford to advance programmatically in the short run while ensuring a stable base from which to plan for the future.

FINANCIAL OVERVIEW AND PLANNING ASSUMPTIONS

The Bottom Line: The Budget Plan projects revenues and transfers of $1.43 billion and expense of $1.40 billion in the Consolidated Budget for Operations. The resulting surplus of approximately 2% ($30.0 million) results from the general funds surplus of $11.6 million, noted above, and an anticipated excess of restricted revenue over expense.

Incremental Investments in University-wide Programs: This Budget Plan contains a number of programmatic investments, supported both by general funds and by restricted funds. One of the most significant is the Stanford Introductory Studies Program, a set of initiatives focusing on the first two undergraduate years. One-time and continuing expense for this program will increase by $2.2 million in 1997/98. This program will be funded from a variety of sources supporting expansion of the various initiatives, particularly the Freshman Seminars, the Sophomore Programs, the General

Education Requirements, and the redesigned Area One requirement (currently fulfilled by courses in CIV). Another important initiative is the Stanford Graduate Fellowship Program, which will enroll its first class in the Fall.

Supplemental Endowment Payout for Infrastructure: The Plan includes a 0.5% supplement to the standard endowment target payout rate of 4.75% to pay the costs of earthquake repair, seismic strengthening, deferred maintenance, and information systems. To preserve the long term purchasing power of the endowment while incorporating this 0.5% supplement into the budget, the Trustees stipulated that increases in continuing costs supported by the general funds component of the Consolidated Budget be held at 1% over anticipated inflation. This Plan operates within that constraint.

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

Tuition Rate Increase	4.0%
Academic Salary Growth	3.5%
Staff Salary Growth	3.5%
Benefits Rates:	
Faculty/Staff/Other Teaching	26.1%
Post Doctoral Fellows	15.1%
Casual/Temporary	8.5%
Students	0.0%

1997/98 CAPITAL BUDGET AND FIVE YEAR CAPITAL PLAN

The 1997/98 Capital Budget and the updated Five Year Capital Plan continue the ambitious efforts in which Stanford has been engaged for the past four years to renovate the campus and provide new facilities for teaching and research. By the year 2000 we will have accomplished the major objectives set out in our first multi-year Capital Plan in 1993: to complete the seismic repair and strengthening resulting from the 1989 Loma Prieta earthquake; to address the major deferred maintenance needs; to improve and expand the student housing stock; and to add to our research facilities in the sciences and engineering. When these projects are completed, the physical renewal of Stanford's infrastructure will be complete.

Through the Capital Budget in 1997/98, we will be making $285.0 million of investments in new and renovated facilities and in systems. The maintenance costs and utilities on those new buildings and the debt service on deferred maintenance and seismic strengthening will add $3.6 million to the Consolidated Budget for Operations. We will also be supporting the physical plant with an incremental $2.0 million in new funding added to the existing $8.0 million base to build a planned maintenance budget. By the end of the decade we expect construction activity to return to annual expenditure levels of $100-$140 million.

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a university-level perspective on Stanford's program and financial plans for 1997/98. We seek approval of 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 budget. In addition, we will bring forward individually, for more detailed consideration, specific capital projects under normal Board guidelines.

This document is divided into four sections and three appendices. Section One describes the financial elements of the Budget Plan, including the budgets themselves and a projected Statement of Activities. Section Two addresses selected programmatic issues in the academic and support areas of the University. Section Three contains the Capital Budget and Plan, and Section Four provides brief commentary on future planning issues. The appendices contain the following information: the detailed budgets of the major academic units, the specific projects comprising the Capital Plan, and supplementary historical information.

CONCLUSION

The process of developing the budget is, by definition, a collaborative one. I would like to thank the deans, my faculty colleagues, and the many staff members who have contributed to the development of this Budget Plan. Their efforts are most appreciated, and I look forward to their continued positive involvement as we implement this Plan in 1997/98.

Condoleezza Rice
Provost
June, 1997

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Section 1
Financial Overview

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 components of:

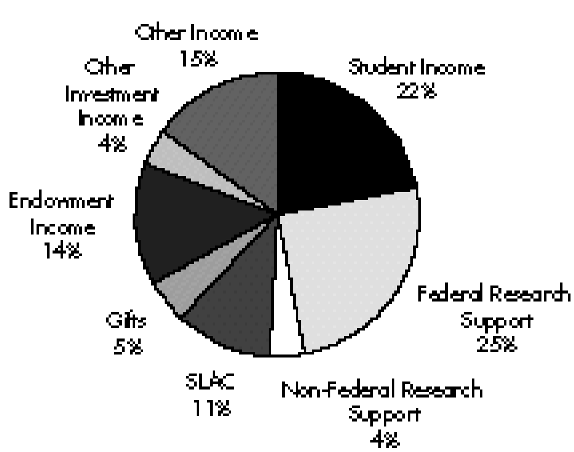
- The Consolidated Budget for Operations
- The Capital Plan and Budget
- The Projected Statement of Activities

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 general funds 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 1997/98 as well as the actuals for 1995/96 and the estimated year-end projections for the current fiscal year, 1996/97. In addition, definitions of key terms are provided.

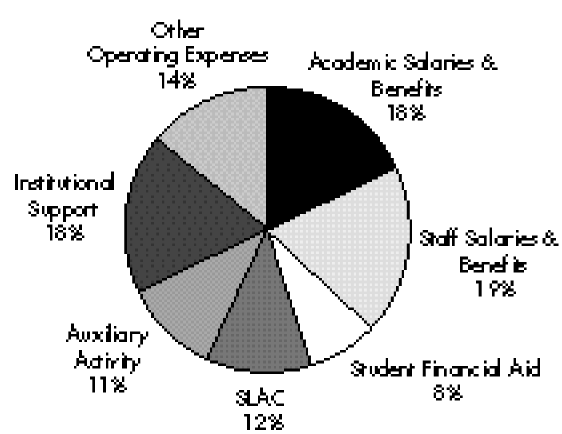
It is important to note that the Consolidated Budget for Operations is presented essentially in a "cash format." In other words, it only shows those revenues and expenditures available for current operations. It does not include plant funds, student loan funds, and endowment funds (although endowment income is reflected in this budget). Later in this section, we make a series of adjustments to the Consolidated Budget, essentially converting from a cash basis to an accrual basis, and produce a projected Statement of Activities. This Statement of Activities is consistent with how Stanford's audited financial statements are developed and displayed in the Annual Financial Report.

1997/98 Consolidated Revenues: $1,489M*



*After accounting for transfers, the Total Revenues and Transfers is $1,430M

1997/98 Consolidated Expenditures: $1,400M



Projected Consolidated Budget for Operations, 1997/98
(in millions of dollars)

1995/96 Actuals	1996/97 Forecast		General Funds	Designated	Restricted	Grants and Contracts	Auxiliaries/ Other	Total Current Funds
		Revenues and Other Additions						
		Student Income:						
130.6	133.6	Undergraduate Programs	140.2					140.2
128.2	132.2	Graduate Programs	138.8					138.8
50.0	52.0	Room and Board					54.5	54.5
308.8	317.8	Total Student Income	279.0				54.5	333.5
		Sponsored Research Support:						
295.3	324.8	Direct Costs–University				335.1		335.1
188.5	193.0	Direct Costs–SLAC				171.0		171.0
93.9	91.8	Indirect Costs	90.5					90.5
577.7	609.6	Total Sponsored Research Support	90.5			506.1		596.6
93.2	73.0	Expendable Gifts in Support of Operations	6.7		66.3			73.0
		Investment Income:						
161.3	180.0	Endowment Income	49.4		156.8			206.2
56.7	60.3	Other Investment Income	39.9	4.9	7.1	0.6		52.5
218.0	240.3	Total Investment Income	89.3	4.9	163.9	0.6		258.7
		Other Income:						
106.4	109.6	Special Programs Fees		112.6	0.3			112.9
94.5	94.5	Auxiliaries (excl. Room & Board)					94.1	94.1
24.2	21.3	Miscellaneous	12.0	8.1				20.1
225.1	225.4	Total Other Income	12.0	120.7	0.3		94.1	227.1
1,422.8	**1,466.1**	**Total Revenues**	**477.5**	**125.6**	**230.5**	**506.7**	**148.6**	**1,488.9**
		Transfers and Other Adjustments						
		Transfers to Unrestricted University Reserves	(11.6)	11.6				
(28.1)	(20.0)	Additions to Endowed Equity		(10.0)	(15.0)			(25.0)
(25.8)	(21.6)	Transfer to Plant	(15.0)	(15.5)	(8.5)			(39.0)
(9.1)	(6.0)	Other Adjustments			(5.0)			(5.0)
18.0	10.0	Net Assets Released from Restrictions			10.0			10.0
1,377.8	**1,428.5**	**Total Revenues and Transfers**	**450.9**	**111.7**	**212.0**	**506.7**	**148.6**	**1,429.9**
		Expenditures						
235.4	252.2	Academic Salaries and Benefits	94.2	26.4	53.3	78.7		252.6
256.3	274.2	Staff Salaries and Benefits	151.6	21.8	27.2	74.8		275.4
65.2	68.1	Student Financial Aid	38.9	5.4	46.8	19.8		110.9
188.5	193.0	SLAC				171.0		171.0
150.6	146.5	Auxiliary Activity					148.6	148.6
227.3	241.4	Institutional Support	123.0	18.9	18.8	90.2		250.9
171.6	188.3	Other Operation Expenses	43.2	29.0	46.1	72.2		190.5
1,294.9	**1,363.7**	**Total Expenditures**	**450.9**	**101.5**	**192.2**	**506.7**	**148.6**	**1,399.9**
82.9	**64.8**	**Surplus/(Deficit)**		**10.2**	**19.8**			**30.0**

The 1997/98 Consolidated Budget for Operations projection shows revenues and transfers of $1.43 billion and expenditures of $1.40 billion. In this section we will review the Consolidated Budget from three perspectives: through an analysis of revenues and expenditures; by type of funding source (e.g. general funds, restricted funds, etc.); and by organizational unit.

The Consolidated Budget for Operations projects a bottom line surplus of $30.0 million, or 2.1% of total expenditures. This is largely due to the $11.6 million University Reserve and to an excess of restricted income over expense. Grants and contracts and auxiliary enterprises are expected to be in balance. Total revenues and transfers in 1997/98 will increase only slightly over projected 1996/97 levels. This is due principally to a reduction in revenues and expense in the SLAC budget, as several large fabrication projects funded in 1996/97 will not be part of the 1997/98 SLAC budget. Adjusting for SLAC, revenues and transfers are expected to grow at 1.9% over projected actuals.

Total expenditures are expected to grow by 2.7% over the estimated year-end results for 1996/97. Adjusting for SLAC, expenditures are expected to grow at 5.0%. Since expenditures are expected to increase at a rate somewhat faster than revenues, the total surplus anticipated in 1997/98 is projected to be smaller than in the two previous years.

I. The Consolidated Budget by Principal Income and Expenditure Categories

Income (refer to table on page 2)

Student Income

Tuition: The general tuition rate increase for 1997/98, which was approved by the Trustees in February, is 4.0%. This increase is intended to constrain the growth in Stanford's tuition rate to within the growth of median family income, thereby 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. Tuition income in 1997/98 is projected to grow by 5.0% over the

Key Terms

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

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 and pay the University for any central services provided.

Net Assets Released from Restrictions: Under the new financial reporting standards, gifts and pledges that contain specific donor restrictions preventing their spending in the current fiscal year are classified as "temporarily restricted" and are not included in the Projected Consolidated Budget for Operations. When the restrictions are satisfied, these funds do become available for spending. At that time they are "released from restrictions" and are included in the Consolidated Budget in the line Net Assets Released from Restrictions.

Financial Aid: Includes expenses for undergraduate and graduate student aid and the tuition allowance (formerly called tuition remission) for teaching assistants and research assistants. Student stipends, which were included in financial aid in previous years, are included in Other Expenses according to the new University financial statements format.

Formula Unit: Budget units whose unrestricted revenues are determined by a formula agreed to by the Provost and the unit and, in most cases, are tied to tuition and indirect cost recovery generated by the unit. The formula units include the Graduate School of Business, the School of Medicine, the research program of the Hoover Institution, and Continuing Studies/Summer Session.

current year's expected tuition, a faster rate of growth than the tuition rate increase. The reason for this is that graduate enrollments in the current year are below budget and, therefore, so is the expected total income. For 1997/98 we expect enrollment to return to the 1995/96 level.

Room and Board: In February the Trustees approved a combined room and board rate increase of 3.0%. This increase represents a new policy direction wherein the current operations, as well as the Capital Improvement Plan of Housing and Dining Services, can be maintained with an increase in rates limited to the growth in inflation.

Sponsored Research Support and Indirect Cost Recovery

The total budget for Sponsored Research Support is expected to be $596.6 million in 1997/98, or 40% of the total revenues projected in the Consolidated Budget for Operations. Included in this total are the direct costs of externally supported grants and contracts, including SLAC, as well as reimbursement for the indirect costs incurred by the University in support of sponsored activities.

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. There are no major changes in OMB Circular A-21 that would substantially affect the rate calculation. Until Stanford concludes its negotiations with the government, we are assuming that indirect cost recovery will be approximately comparable to the level anticipated for 1996/97.

Investment Income

Endowment 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 smoothed payout rate. Stanford uses a smoothing rule to dampen the impact on the budget of large annual fluctuations in the market value, thereby providing stability to budget planning. The smoothing rule sets the coming year's payout rate as a weighted average of the target rate and the actual rate in the current year. The projection 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. The smoothed payout rate for 1997/98 is 5.0%, which includes the supplemental component for infrastructure support described below.

Endowment income in 1997/98 is expected to total $206.2 million, an increase of 14.6% over 1996/97. This includes income from the merged pools, specifically invested endowment, and rental income from the Stanford Research Park and other endowed lands. It is interesting to note that over the past several years, the Stanford Management Company has put considerable effort into generating income from the Research Park, and this budget reflects the results of that effort. The total net rental income from Stanford lands is expected to be $8.7 million in 1997/98, up from the 1996/97 projected income of $5.5 million. One-half of the net income from Stanford endowed lands is used for current operations; the other half is reinvested in the endowment.

Supplemental Payout Increase: In 1995/96 and 1996/97, the Board of Trustees approved a supplemental 0.5% increase in the endowment payout rate to help pay for the increased infrastructure related expenses such as debt service on seismic restoration projects, deferred maintenance, and administrative systems. Over the past two years we have used these funds to offset the continuing costs of debt service and the one time costs that were expensed. As shown in the table on the following page, the additional revenue generated by the supplemental payout helps to offset these costs, but it does not cover them.

Other Investment Income: Other investment income consists primarily of payout from the Expendable Funds Pool (EFP), the investment

Supplemental Payout Summary
(in millions)

	1995/96	1996/97	1997/98
Debt Service on Deferred Maintenance	$ 0.7	$ 1.7	$ 2.7
Seismic Repair Program Debt Service		0.2	1.0
Expensed Deferred Maintenance	5.0	2.0	1.5
Administrative Information Systems	17.5	22.8	28.0
Total Expense	$23.2	$26.7	$33.2
Supplemental Payout (unrestricted only)	7.0	7.7	8.7
Excess/(Shortfall)	($16.2)	($19.0)	($24.5)

pool for non-endowment funds. The investments of the EFP are allocated 35% to the endowment and 65% to fixed income and money market instruments. By Trustee policy, 4% of the EFP shall be paid out annually. If actual earnings exceed 4%, an additional amount up to 2% may be taken into the budget. This budget assumes the full 6% return will be achieved. (If total return on the EFP is less than 4%, then a buffer reserve will be used to supplement the actual earnings of the EFP so that the 4% can be paid out. If total return exceeds 6%, the excess returns are used to replenish the buffer reserve.) Total income from this source is expected to be $52.5 million.

Gifts

Non-capital gift income is expected to total $73 million in 1997/98. This amount does not include gifts to endowment principal, gifts for capital projects, or gifts that are temporarily restricted. Gift receipts vary somewhat from year to year, and we have made the conservative assumption that gift income will remain at the level anticipated in 1996/97.

Other Income

Other Income includes three components: (1) *Special Program Fees*; (2) *Auxiliary Income*, excluding Room and Board income which is shown separately in the Student Income section; and (3) *Miscellaneous Income*.

The largest component of special program fees is patent and royalty income, which is projected to be about $20 million, and reflects a decrease in revenue from the Cohen Boyer patent. This revenue category also includes $8 million from the affiliates program and $7 million from the Stanford Center for Professional Development, both in the school of Engineering; and $10.4 million from the executive education programs in the Graduate School of Business. Overall, special program fees are projected to be $112.9 million in 1997/98, an inflationary growth over the expected amount for the current year.

Auxiliary income is projected to be $94.1 million. It includes anticipated payments by UCSF/Stanford Health Care to cover faculty and staff services provided by the Medical School for clinical care, and other auxiliary receipts such as conference fees, athletic event ticket sales, and television income.

Miscellaneous income is projected to be $20.1 million. The largest component of this category is reimbursements for central support services provided to auxiliary organizations ($11.2 million). Also included is the income generated by the infrastructure charge ($3.7 million).

Transfers and Other Adjustments

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

Transfers to University Reserves: This is a general funds reserve of $11.6 million set aside to cushion Stanford against potential income shortfalls.

Additions to Endowed Equity: This line reflects our assumption that individual budget units will continue the practice of transferring some excess of revenue over expense in designated and restricted funds to Funds Functioning as Endowment (FFE) and that $25 million will be transferred to FFE.

Transfer to Plant: These funds will move to the Plant division to be used for capital projects. In particular, we are budgeting $7.8 million for academic facilities renovation, and the Graduate School of Business is anticipating a $12 million transfer to plant funds, mainly to fund the GSB Link Addition.

Other Adjustments: This negative number represents a transfer of investment income to auxiliary enterprises and outside agencies, such as SHS, equal to the amount earned by funds they invested in Stanford's investment pools.

Net Assets Released from Restriction: Under the new financial reporting standards recently adopted by the University, gifts and pledges that contain specific donor-imposed restrictions preventing their spending in the current fiscal year are classified as temporarily restricted, and are not included in the Projected Consolidated Budget for Operations. Each year, a portion of funds previously classified as temporarily restricted will become available for spending as specific restrictions are satisfied. In 1997/98, we anticipate that schools and departments will be able to use approximately $10 million of gifts received in previous years that had been classified as temporarily restricted.

Expenditures (refer to table on page 2)

Academic Salaries

The recommendation for faculty salary increases is based on a 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 in 1997/98 for faculty salaries is 3.5%. We believe that this average increase, when applied appropriately by deans, will be sufficient to maintain Stanford's current competitive position. However, the University has also made special allocations to address specific retention and competitive compensation issues.

Staff Salaries

The recommendation for the staff salary program for 1997/98 is 3.5%. This percentage increase is determined largely by consideration of external market conditions, internal salary relationships, and the University's financial resources. Our objective is to maintain a mid-market position balanced with available resources.

Schools and VP areas are responsible for the delivery and communication of next year's program and will administer it in a way that most appropriately meets their business needs while staying within the 3.5% control. Each budget unit may withhold some percentage of the total salary program authorization to address mid-year increases, salary compression problems, and any salary inequities. As a result, there will be variation in program announcements by schools and VP areas.

Benefits

Two significant changes will occur in the University's benefits in 1997/98: the move from a single benefits rate to multiple rates and the removal of tuition remission (hereafter referred to as tuition allowance) from the benefits pool. Tuition allowance is described in the Financial Aid section below.

Instead of a single staff benefits rate incorporating all employee groups (including students), we propose to separate non-student employees into three groups, each with a different rate, and assume that student salaries (graduate research assistants, teaching assistants, and casual-part-time student labor) will have no benefits charge assessed. The elimination of the benefits charge against student salaries results from the removal of graduate student tuition allowance from the benefits pool. Because tuition allowance has been the only staff benefit received by student employees, all student salaries will be removed from the salary bases against which benefits are charged.

The three categories for non-student employees are: (1) faculty, other teaching, and regular staff; (2) post-doctoral research affiliates; and (3) casual and temporary employees.

The shift to multiple benefit rates stems from a requirement in OMB Circular A-21 that different benefit rates be used if the benefits of different employee groups differ substantially from each other in relation to their salary bases. The employee categories that Stanford will use have received different sets of benefits for some time, but as long as tuition allowance remained a part of the benefits pool, the use of a single rate resulted in significant savings to federal sponsors in comparison to multiple rates. This enabled Stanford to continue using a single benefit rate. When graduate tuition is removed from the pool, multiple benefits rates result in savings to federal sponsors, in comparison with a single rate. It is this reversal which has prompted the change for 1997/98.

The recommended 1997/98 staff benefits rates are as follows:

Faculty/Other Teaching/Regular Staff	26.1%
Post-Doctoral Research Affiliates	15.6%
Casual/Temporary Employees	8.7%
Students	0.0%
Average Blended Rate	25.6%

The average rate is 4 points below the 29.7% provisional rate for 1996/97. Most of that reduction is due to the exclusion of graduate student tuition allowance, but the effect is partially offset by the removal of student salaries from the salary base. The only substantial increase in current year benefits costs is expected in the Stanford Contributory Retirement Plan, as nonexempt employees who began receiving contributions as of January 1, 1997 will be participating in the program for the full year in 1997/98. Another factor working to increase the rate in 1997/98 is that the liquidation of excess self-insurance reserves, which has served to reduce the benefit rate in the last several years, should be complete as of the end of 1996/97.

Financial Aid

Stanford expects to spend a total of $110.9 million in financial aid for both undergraduate and graduate students, $38.9 million of which will come from general funds. The remainder will be supported by designated and restricted funds ($52.2 million) and grants and contracts ($19.8 million). The total financial aid numbers in 1997/98 are substantially higher than the expected total for the current year because they include, for the first time, the direct expense for tuition allowance.

Financial Aid Detail, 1997/98
(in millions)

UG Financial Aid	$46.7
Graduate Financial Aid	24.9
Tuition Allowance - TAs	9.3
Tuition Allowance - RAs	30.0*
Total	$110.9

* Does not include $0.6 million in SLAC RA tuition allowance.

Undergraduate Aid: Stanford remains committed to meeting the demonstrated financial need of its undergraduate students. We estimate that in 1997/98, Stanford resources will provide $38.1 million in scholarship support for undergraduates and that $16.8 million will come from general funds. Appendix C includes additional information on undergraduate financial aid.

The table on the following page indicates that the number of undergraduate students receiving some type of grant aid from Stanford has not varied significantly for several years. However, the share of undergraduate aid supported by general funds has dropped from 46% to 36%

Financial Aid Awarded to Undergraduates Who Receive Need-Based Aid
(in millions)

Source of Aid	1993/94 Actual	1994/95 Actual	1995/96 Actual	1996/97 Projection	1997/98 Budget
Restricted	$12,745	$14,012	$13,271	$15,778	$17,783
Stanford Fund	0	1,250	3,278	4,250	3,500
General Funds	17,736	16,593	17,452	15,786	16,832
Subtotal Stanford Funded Financial Aid	**$30,481**	**$31,855**	**$34,001**	**$35,814**	**$38,115**
Government and Outside Awards	8,399	8,666	8,267	8,042	8,599
Total Undergraduate Financial Aid	**$38,880**	**$40,521**	**$42,268**	**$43,856**	**$46,714**
Number of Students	2,654	2,698	2,705	2,650	2,700
General Funds as a Share of Total Aid	46%	41%	41%	36%	36%
General Funds and Stanford Fund as a Share of Total Aid	46%	44%	49%	46%	44%

over the past four years. This is due primarily to the growth of restricted funds (gifts and endowment income) and to support from the Stanford Fund. The combination of these two funding sources has offset the slow growth of government aid and reduced the burden on general funds. By contrast, most of our principal competitors have seen increases in general funds expenditures for undergraduate financial aid. Together, all of these funding sources have combined to keep pace with the growth in student and family demonstrated need for undergraduate grant aid.

Graduate Aid: Stanford offers financial support to many graduate students in the form of teaching assistantships, research assistantships, and fellowships. In contrast to undergraduate financial aid, academic merit is the chief consideration in awarding graduate fellowships and assistantships. Restricted funds are used to provide the bulk of graduate student support. Teaching assistantships are funded both from general and department funds; research assistantships are funded primarily from sponsored agreements. Fellowships are supported primarily by unrestricted funds and by endowment income.

Tuition Allowance (Tuition Remission): For many years the tuition benefit, received by students with research and teaching assistant appointments, has been charged to the staff benefits pool. The various payers of staff benefits include University general funds, restricted and designated funds, auxiliaries, and the federal government through grants and contracts. The total cost of tuition allowance in 1996/97 will be $38 million; $9 million for teaching assistants and $29 million for research assistants. This expense is expected to increase to $39.9 million in 1997/98.

In 1997/98, changes in OMB Circular A-21 will no longer allow Stanford to charge tuition to the staff benefits pool. However, graduate students who are employed as research and teaching assistants will continue to receive the tuition benefit from a combination of University resources and through direct charges to research grants and contracts. These costs will be redistributed among the various sources of funds, substantially increasing the share paid by University general funds and somewhat reducing the share paid previously by the federal government (including SLAC).

- Teaching Assistants: The total cost of tuition allowance for teaching assistants in 1997/98

Impact of Removing Tuition Allowance from the Staff Benefits Pool by Fund Source
(in millions)

	1997/98 Estimated Costs						
	Tuition in Benefits Pool	All Other Benefits	Total	Tuition Charged Directly	All Other Benefits	Total	Variance
General Funds	$13.5	$50.0	$63.5	$ 19.6	$51.1	$70.6	$ 7.1
Designated-Restricted	8.1	29.9	38.0	6.2	29.4	35.6	(2.3)
Grants and Contracts	8.3	31.1	39.4	13.5	27.5	41.0	1.6
SLAC	5.2	19.3	24.5	0.6	20.9	21.5	(3.0)
Auxiliaries	4.8	17.7	22.5	-	19.1	19.1	(3.4)
Total	$39.9	$148.0	$187.9	$39.9	$148.0	$187.9	($0.0)

will be $9.3 million and will be paid by the general funds budget. Tuition for teaching assistants in the Graduate School of Business and the School of Medicine will be each school's responsibility and is expected to total about $0.4 million of the $9.3 million.

- Research Assistants: For research assistants in the non-formula schools, roughly two-thirds of the tuition benefit will be charged directly to the source of funds providing the assistantship. University general funds will cover the other third of the tuition allowance. The Medical School and the Graduate School of Business will be responsible for the difference between the total tuition benefit and the amount charged directly. The total tuition allowance for research assistants in 1997/98 is expected to be approximately $30.6 million. The portion to be paid by the general funds budget is $10.3 million. The remaining $20.3 million will be paid by other sources of funds (restricted funds and direct charges to grants and contracts).

- Funding Sources: The total cost to the general funds budget for tuition allowance for research and teaching assistants in 1997/98 is expected to be $19.6 million ($9.3 million for teaching assistants and $10.3 million for research assistants). A major portion of this cost was previously embedded in the budget as part of the staff benefits rate. Specifically, if tuition allowance were still in the benefits rate, general funds would pay $13.5 million through a higher staff benefits rate. When these differences are taken into account, we can see the net cost of tuition allowance by fund source, as shown in the table above.

  The net cost to the general funds budget of removing tuition from the staff benefits pool is $7.1 million. Auxiliaries and SLAC will realize a net decrease in expense, because they will not incur any significant tuition allowance expenses in the future. Generally, grants and contracts are expected to incur slightly more costs after we begin charging directly for tuition allowance. Grants with minimal staff salaries that support several research assistants will likely incur higher costs once we begin charging directly for tuition allowance, because the savings from the lower staff benefits rate will be insufficient to offset the tuition cost.

Institutional Support and Other Operating Expenses

Together these two major cost categories comprise about one-third of the expense of the Consolidated Budget for Operations. Some of the principal components include: repairs and maintenance and utilities for campus buildings ($54 million), equipment ($70 million), materials and supplies ($64 million), administrative and professional services ($59 million), and subcontracts ($55 million). Several of these areas warrant comment here.

- Due to previous investments in conservation and energy efficient equipment, as well as substantial decreases in tariffs for electricity and natural gas, the expense for the utilities and maintenance of the existing plant is expected to remain constant. Increases are expected, however, due to the costs of providing services to an expanding campus. Specifically, we will incur incremental expenses of $0.9 million for the utilities and maintenance of new buildings and $2.7 million for debt service on academic buildings.

- Three years ago we began to ramp up total expense for planned maintenance in academic buildings to maximize the useful life of our facilities and systems. We will add another $2.0 million increment in general funds to this category in 1997/98 bringing our total annual spending on planned maintenance to $10.0 million.

- 1997/98 will mark the fourth year of a plan to address a variety of systems issues across the campus, including administrative systems, a major upgrade to the campus network and network security, new distributed computing services, and other enhancements. This Budget Plan includes $28 million in costs for new systems and infrastructure next year. Of this amount, about 40% is for administrative systems (principally the Core Financial Systems) and the remainder is for networking and infrastructure supporting both academic and administrative computing. About one fourth of the $28 million in expense is reflected in the Consolidated Budget for Operations. The rest is in the Capital Budget.

II. The Consolidated Budget by Fund Type

General Funds Budget

The general funds budget is an important subset of the Consolidated Budget because these funds can be used for any University purpose. The main sources of general funds 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 general funds budget includes a University Reserve of $11.6 million in 1997/98. Our ability to budget a reserve at this level is due, in part, to the following factors:

- The proposed general funds 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. In agreeing to the supplement, and in order to maintain the purchasing power of the endowment, the Trustees required that the overall cost increases in the continuing expense items of the general funds budget not exceed 1% in real terms. The Budget for 1997/98 will not exceed that threshold.

- The proposed general funds budget includes $10.3 million in additional expendable funds pool income over the budgeted amount in 1996/97. This significant increase is generated as a result of full implementation of the change in restricted funds policy approved by the Trustees in June 1995. While the policy is in effect in the current year, its full impact is budgeted for the first time in 1997/98. 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.

1997/98 General Funds Allocations

This year's budget process resulted in an allocation of general funds to each non-formula unit sufficient to cover the salary program planned for 1997/98. In addition, incremental

Summary of 1997/98 Non-Formula General Fund Allocations
(in thousands)

	Base	Additions
School of Earth Sciences	$2,429	$0
School of Education	6,825	90
School of Engineering	28,333	346
School of Humanities & Sciences	75,426	589
School of Law	9,593	375
Dean of Research	6,848	280
Hoover Institution	3,997	0
Academic Subtotal	$133,451	$1,680
Libraries	$26,145	$315
Student Affairs	33,913	271
President-Provost	10,273	465
Academic Support Subtotal	$70,331	$1,051
Development	$10,984	$415
Facilities Operations	54,399	3,163
CFO-ITSS*	46,009	5,793
Other Administrative Units*	28,294	(3,863)
Debt Service for Academic Plant	9,265	2,703
Administrative Subtotal	$148,951	$8,211

*$3,863,000 has been reallocated from Other Administrative Units to ITSS

general funds were allocated selectively where programmatic plans were pressing within the constraints of available resources. Moreover, additional general funds were allocated to cover new University obligations such as incremental debt service on academic buildings and the costs of tuition allowance. The general funds allocations for each unit are detailed in the table above, and some of the incremental allocations are highlighted in the description that follows.

- Nearly $600,000 has been allocated for faculty salary support in the schools of Education, Engineering, Humanities and Sciences, and Law to address market and retention issues. Another $200,000 has been allocated in the School of Engineering for faculty billets.
- $675,000 has been allocated to the schools to help mitigate the effect on the departments of directly charging tuition benefits for research assistants. An additional $600,000 in general funds has been allocated to cover the University's share of the Stanford Graduate Fellowships. Since the endowment funds being raised cover only two-thirds of the tuition costs for each fellowship, University general funds will be used to cover the other one-third, in a manner comparable to research assistant tuition allowance.
- $305,000 has been allocated for Health and Safety costs. Most of this allocation supports the Office of Environmental Health and Safety to ensure that it can function at the levels recommended by last year's compliance audit. The remainder will provide support in the School of Engineering and in the Office of Dean of Research.
- $3.9 million has been reallocated to ITSS for on-going costs of modernizing Stanford's technology infrastructure. This upgrade is necessary to support the new marketplace applications being purchased and implemented to support business processes.

- As noted earlier, $2.0 million has been added to the planned maintenance program, the fourth such annual increase in as many years. New and renovated buildings expected to come on-line in 1997/98 require incremental allocations of $930,000 for utilities and maintenance and $2.7 million for debt service.

- A significant investment in Finance will allow us to address two compliance areas. $500,000 has been allocated to the general insurance reserve in recognition of increased claims. Another $500,000 has been allocated to reorganize and upgrade grants and contracts accounting and to enhance staffing and analysis in a variety of areas in the Controller's Office.

Designated and Restricted Funds Budget

Funds in these budgets are controlled for management purposes primarily by the schools, departments and programs, and individual faculty members. Of the total combined revenue of $356.1 million, $156.8 million is endowment income and $112.9 million is special program fees, such as patent and royalty income, clinical surpluses, and executive education programs. The budgeted expenses reflect the combined forecasts of the schools. A large portion, $52.2 million, is for financial aid. In addition, these budgets support faculty research programs, equipment purchases, and a variety of other costs.

Grants and Contracts Budget

The budgets of $506.7 million in this category are primarily the sponsored grants and contracts ($335.1 million) under the direction of individual faculty principal investigators. Direct costs of $171.0 million for SLAC are also included.

Auxiliaries/Other Budget (refer to Total Auxiliary Activity table below)

The principal auxiliaries are Housing and Dining Services (H&DS), Athletics, and Stanford University Press. In addition, the professional services arrangements of the Medical School are included in this group of budgets. Each of these operations is essentially a self-contained business entity, charging both internal and external clients/customers for its services and programs and paying the University for central services provided.

Housing and Dining Services: H&DS projects a balanced position in 1997/98. H&DS will face key challenges in achieving its targets, as it will need to match expenses, including the Capital Improvement Program, against a 3% increase in room and board charges.

Athletics: Athletics anticipates a balanced operating position on the strength of a favorable home football schedule and continued strong management of the Golf Course. The financial aid budget will show a slight deficit ($238,000 on a total of $8.5 million), due to increases in tuition and room and board rates as well as the addition of a few new scholarships. In the upcoming year, a plan will be developed to balance this component of the Athletics budget.

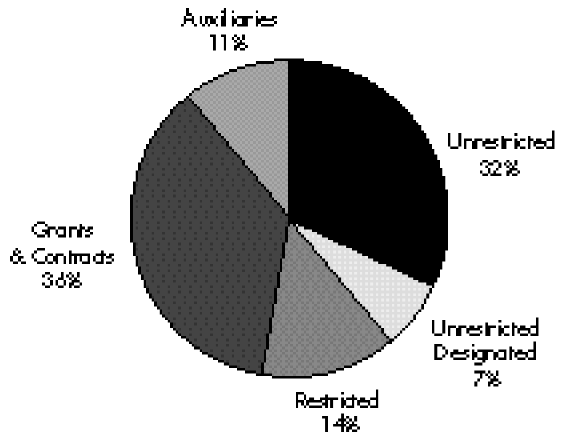
Stanford Press: The Press will begin the first

Total Auxiliary Activity, 1997/98
(in millions of dollars)

	Housing & Dining Services	Athletics	Medical School Svcs.	Press	Other	Total
Revenues & Transfers	66.8	25.2	80.6	3.1	4.5	180.2
Expenditures	66.8	25.2	80.6	3.1	4.5	180.2
Net Change in Reserves	-	-	-	-	-	-

This table represents gross expenditures and revenues; when incorporated into the consolidated budget, interdepartmental transactions of $31.6 million have to be netted out, resulting in lower total expenditures and revenues of $148.6 million.

1997/98 Consolidated Expenditures by Fund Type



Does not include SHS

full year under its new outsourced arrangements with Cambridge Press, which will provide all order fulfillment, distribution, and warehousing services. This cost saving arrangement, combined with a projected increase in titles and prices, should move the Press to a more solid financial footing. The closing of the Press warehouse will open space in the central campus for redeployment.

Medical School Professional Services: This category includes the cost of purchased services of physicians and staff by UCSF/Stanford Health Care ($61.3 million, with $7.9 million for Pediatrics), and $11.4 million for the Blood Center. 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 other budget categories within the School. Nearly 70% of the expenses and income are for faculty salaries and benefits; another 14% is for staff support.

III. The Consolidated Budget by Organizational Unit

The table on the following page shows the Consolidated Budget for Operations displayed by organizational unit. Four areas are projecting the use of reserves in 1997/98 to balance their budgets:

Graduate School of Business (GSB): The consolidated forecast for the GSB shows a bottom line deficit of $2.2 million due to a significant one-time investment in classroom upgrades and technology of roughly $3.0 million.

The School of Education: The $0.5 million deficit shown in the table reflects a transfer to plant of the same amount to cover expenses associated with the renovation of the School of Education building and a major capital project in the CERAS building.

Research and Graduate Policy: This area shows an overall deficit of $1.4 million, which is the result of two specific plans. First, the Office of the Vice Provost and Dean of Research and Graduate Policy plans to draw down funds previously provided by the President's Program Fund to back-stop the Stanford Graduate Fellowship program until its endowment is sufficient to support it fully. Second, in the Independent Laboratories, Centers, and Institutes, the Institute for International Studies plans to use reserves to support on-going programs while its fundraising efforts are directed temporarily towards accumulating funding for the reconstruction of Encina East.

School of Medicine: The 1997/98 Consolidated Plan for the School of Medicine projects revenues and transfers of $397.7 million (including professional services), use of reserves of $5.9 million, and total expenses of $403.6 million. The Plan is based on a 7.2% increase in revenues and transfers and a 10.6% increase in expenses over the 1996/97 budget. The planned use of fund balances will go to support capital projects as well as investments in specific programs. The increases in expenses are related to substantial growth in sponsored research activities as well as increased investment in programs and new faculty.

Incremental investments in programs include approximately $1.4 million to support graduate students, $1.0 million in anticipated subsidy of the Veterinary Service Center and $1.1 million related to the administrative infrastructure

Projected Consolidated Budget for Operations, 1997/98 by Unit
(in millions)

	Total Revenues and All Transfers	Total Expenditures	Excess of Revenue over Expenditures
Academic Units:			
School of Earth Sciences	$22.5	$22.4	$0.1
School of Education	19.7	20.2	(0.5)
School of Engineering	145.6	144.7	0.9
School of Humanities & Sciences	162.3	160.4	1.9
School of Law	22.8	22.8	
Dean of Research and Graduate Policy	107.5	108.9	(1.4)
Graduate School of Business	49.9	52.1	(2.2)
School of Medicine*	317.1	323.0	(5.9)
Hoover Institution	21.1	21.1	
Total Academic Units	$868.5	$875.6	($7.1)
Academic Support Units:			
Stanford University Libraries & Academic Computing	$34.6	$34.6	
Student Affairs	83.6	82.8	0.8
Total Academic Support Units	$118.2	$117.4	$0.8
Total Administrative**	$191.1	$177.8	$13.3
Auxiliaries	$148.6	$148.6	
SLAC	171.0	171.0	
Indirect Cost Adjustment	(90.5)	(90.5)	
Grand Total from Units	**$1,406.9**	**$1,399.9**	**$7.0**
Other Anticipated Income***	23.0		23.0
Total Consolidated Budget	**$1,429.9**	**$1,399.9**	**$30.0**

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

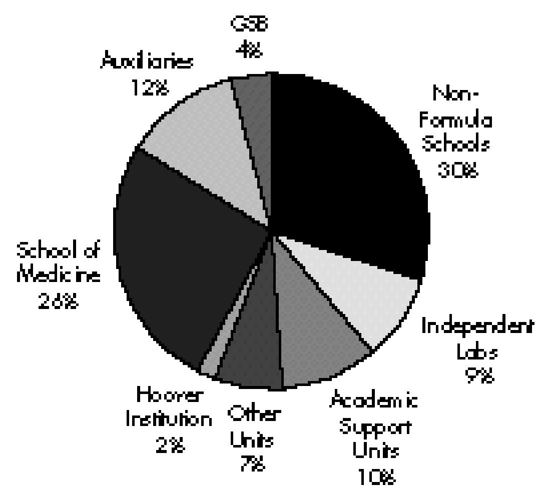
The academic unit budgets include both direct and indirect sponsored income and expenditures. Indirect cost funding passes through the schools and is transferred to the University as expenditures occur. At that point, indirect cost recovery becomes part of unrestricted income for the University. In order not to double count, indirect cost recovery of $90.5 million received by schools is netted out in the bottom section.

*The budget line for the School of Medicine does not include $80.6 million in budgets for Medical School professional services. These are shown in the Auxiliaries/Other line. When the Medical School professional services are added to the School's budget, the total anticipated expense of the School of Medicine is $403.6 million.

** The surplus of $13.3 million in Administrative Units consists mainly of the $11.6 million transfer to Unrestricted University Reserves.

***It is also important to note the $23 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 by unit at this time.

1997/98 Consolidated Expenditures by Unit
(not including SLAC)



redesign efforts in the School. The commitments made to newly appointed or soon to be appointed department leaders account for almost $10.3 million in expense, an increase of nearly $2.5 million over the 1996/97 budget amount. The School also expects to recruit approximately 16 new tenure line faculty during 1997/98, and the related expenses are included in the Consolidated Plan.

While the total revenues and transfers have also increased, they are not expected to cover expenses without the planned use of some fund balances which the School has previously retained for these purposes. Several factors account for this situation:

- While endowment income is expected to be greater than in previous years, gifts and designated fund balances are expected to decrease since the majority of these funds will no longer earn interest.
- Patent and Royalty income on the Cohen Boyer patent will drop from $9 million in 1996/97 to $3 million in 1997/98.
- In 1995/96 there was a significant increase in designated fund balances held by the departments. It was largely due to clinical surpluses and SHS incentive payments. Given current projections of the 1996/97 clinical profitability we expect the surpluses to contribute substantially less. As a result of this combination of current investments in planned programs and slower growth in revenues, the School anticipates using approximately $5.9 million, or approximately 3%, of the $192 million in fund balances currently held by the School.

CAPITAL PLAN AND BUDGET

The Capital Budget for 1997/98 is presented in the context of a multi-year capital plan intended to address a variety of programmatic needs. Central to these efforts is seismic strengthening, elimination of the bulk of Stanford's deferred maintenance backlog, enhanced student housing, and new construction to support research and teaching in the sciences and engineering.

Next year's Capital Budget calls for $285.0 million in construction activity, the largest single year of construction work in Stanford's history. Of the $285.0 million, $181.5 million has already been identified through fundraising, university reserves, and other sources. About $81.6 million will be supported with debt, which will be serviced by the general funds budget, Housing & Dining Services budget, and several other budgets within the Consolidated Budget for Operations. We anticipate raising the $21.9 million through gifts.

A more complete discussion of the 1997/98 Capital Budget and Five Year Capital Plan may be found in Section Three of this document and

1997/98 Capital Budget
(in millions)

		Sources of Funds		
Project Type	Budget	Identified	Gifts to be Raised	Debt
Earthquake Repair & Seismic Risk Mitigation	$48.3	$37.2		$11.0
Academic Program Development	148.1	107.1	16.4	24.6
Deferred Maintenance	37.0	9.7		27.4
Infrastructure	40.6	26.4	5.5	8.7
Compliance	2.7	1.1		1.6
Financial Contingencies	8.3			8.3
Total	$285.0	$181.5	$21.9	$81.6

in Appendix B. The table on page 15 shows projected expenditures and funding sources for 1997/98.

PROJECTED STATEMENT OF ACTIVITIES

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 1997/98 Statement of Activities for Unrestricted Net Assets, shown on the next page. The Annual Statement of Activities is found in the audited financial report. It is important to note that the format of Stanford's financial reports has changed as of the end of 1995/96, when the University adopted Statement of Financial Accounting Standards (SFAS) 116 and 117. Under the provisions of SFAS 116 and 117, net assets, revenues, expenses, gains, and losses are classified into one of three categories: Unrestricted, Temporarily Restricted, and Permanently Restricted.

- Unrestricted Net Assets are expendable resources used to support the University's core activities of teaching and research. Although these net assets are classified as "Unrestricted" under the new accounting standards, they may be designated by the University for specific purposes or be subject to contractual agreements with external parties or to donors' restrictions.
- Temporarily Restricted Net Assets contain donor-imposed restrictions that cannot be met during the fiscal year in which they are received.
- Permanently Restricted Net Assets are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity. Note that funds invested in the endowment because of a University decision, which are often referred to as funds functioning as endowment, are included in Unrestricted Net Assets, and not in Permanently Restricted Net Assets like the pure endowment funds.

Temporarily and Permanently Restricted Net Assets are not reflected in the budget, since they cannot be used for the current year operations. Therefore, the table on page 17 only represents the revenues and expenses in the Statement of Activities for Unrestricted Net Assets.

The following key points provide the explanation of the connections between the Consolidated Budget for Operations and the Statement of Activities for Unrestricted Net Assets. There are two main differences between the Statement of Activities and the Consolidated Budget for Operations. First, the Consolidated Budget for Operations reflects only funds used for current operations while the Statement of Activities is a summary of all unrestricted net assets, including plant, student loans, and funds functioning as endowment. Second, the Consolidated Budget for Operations is essentially built on a cash basis, while the Statement of Activities is built on an accrual basis. Therefore, moving from one to the other necessitates the following adjustments:

a) Other Investment Income: This $2.2 million represents interest earned by the Plant and Student Loan funds and is added to the Projected Consolidated Budget investment income.

b) Additions to Endowed Equity: $25.0 million is expected to be transferred to the endowment pool, as funds functioning as endowment, which, as explained above, are part of the Unrestricted Net Assets included in the Statement of Activities.

c) Transfer to Plant: $39.0 million moves to plant funds, as part of Unrestricted Net Assets.

d) Expenditures for Equipment vs. Depreciation: $69.5 million of expenses for equipment purchased by the University are included in

Comparison of Consolidated Budget and Projected Statement of Activities for Unrestricted Net Assets, 1997/98
(in millions of dollars)

1995/96 Actuals	1996/97 Forecast			Projected Consolidated Budget	Adjustments	Projected Statement of Activities
		Revenues and Other Additions				
		Student Income:				
130.6	133.6	Undergraduate Programs		140.2		140.2
128.2	132.2	Graduate Programs		138.8		138.8
50.0	52.0	Room and Board		54.5		54.5
308.8	317.8	Total Student Income		333.5		333.5
		Sponsored Research Support:				
295.3	324.8	Direct Costs–University		335.1		335.1
188.5	193.0	Direct Costs–SLAC		171.0		171.0
93.9	91.8	Indirect Costs		90.5		90.5
577.7	609.6	Total Sponsored Research Support		596.6		596.6
93.2	73.0	Expendable Gifts in Support of Operations		73.0		73.0
		Investment Income:				
161.3	180.0	Endowment Income		206.2		206.2
59.5	61.7	Other Investment Income	(a)	52.5	2.2	54.7
220.8	241.7	Total Investment Income		258.7	2.2	260.9
		Other Income:				
106.5	109.6	Special Programs Fees		112.9		112.9
94.5	94.5	Auxiliaries (excl. Room & Board)		94.1		94.1
23.3	21.3	Miscellaneous		20.1		20.1
224.3	225.4	Total Other Income		227.1		227.1
1,424.8	**1,467.5**	**Total Revenues**		**1,488.9**	**2.2**	**1,491.1**
		Transfers				
		Additions to Endowed Equity	(b)	(25.0)	25.0	
		Transfer to Plant/Student Loan	(c)	(39.0)	39.0	
(9.1)	(6.0)	Other Adjustments		(5.0)		(5.0)
18.0	10.0	Net Assets Released from Restrictions		10.0		10.0
1,433.7	**1,471.5**	**Total Revenues and Transfers**		**1,429.9**	**66.2**	**1,496.1**
		Expenditures				
235.4	252.2	Academic Salaries and Benefits		252.6		252.6
256.2	274.2	Staff Salaries and Benefits		275.4		275.4
65.2	68.1	Student Financial Aid		110.9		110.9
92.3	96.6	Depreciation	(d)		101.2	101.2
188.5	193.0	SLAC		171.0		171.0
150.6	146.5	Auxiliary Activity		148.6		148.6
227.3	241.4	Institutional Support		250.9		250.9
135.1	120.8	Other Operation Expenses	(d)	190.5	(69.5)	121.0
1,350.6	**1,392.8**	**Total Expenditures**		**1,399.9**	**31.7**	**1,431.6**
83.1	**78.7**	**Surplus/(Deficit)**		**30.0**	**34.5**	**64.5**

Other Operating Expenses in the Consolidated Budget for Operations. In the Statement of Activities, this amount is included in depreciation. Total depreciation is projected at $101.2 million.

Summary: The impact of capitalization and the flow of funds for plant purposes described above result in a change in the bottom-line of $34.5 million, from a $30.0 million surplus in the Consolidated Budget projection to a $64.5 million surplus in the Statement of Activities projection.

Section 2
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

Undergraduate Education

The reformulation of goals for undergraduate education by the Commission on Undergraduate Education and the subsequent development of new programs, initiatives, and requirements will produce important changes in undergraduate education for 1997/98.

Most dramatic among these changes is the growth in the number of faculty teaching first and second year students in small-class settings. As recently as 1994/95, only 30 faculty taught in the pilot Sophomore Seminar program; for 1997/98 approximately 185 faculty will teach small-group courses through Stanford Introductory Studies.

The reforms enacted by the Faculty Senate also have transformed the curriculum and provided new opportunities for juniors and seniors. Minors are now offered in 53 fields, writing-intensive courses have been developed for every major, and the Undergraduate Majors Enhancements Program provides resources to departments for innovative mentoring programs.

The Stanford Introductory Studies initiative prepares students in their freshman and sophomore years for participation in independent research and honors when they are juniors and seniors. Highlights of the 1997/98 plan include Freshman Seminars; Sophomore College; Sophomore Dialogues and Seminars; and the Science, Mathematics, and Engineering Core. Next year, more than 75 Freshman Seminars will be taught across the curriculum, in topics ranging from classics to medicine. These seminars will enroll a maximum of 16 students and engage them in active critical inquiry.

Sophomore Dialogues and Seminars, offered for the past four years, have been very successful and will now be offered to almost two-thirds of the members of the class of 2000. The Science, Mathematics, and Engineering Core (or Science Core) will expand in 1997/98 after its pilot year in which about 100 students enrolled. Seventeen prominent science faculty teaching in interdisciplinary teams are offering courses developed around the themes of light, the human heart, and earth resources. By using new approaches, they make complex material accessible to non-scientists without sacrificing the rigor of hands-on laboratory experience.

Complementing these SIS programs are initiatives in advising and mentoring. For new students, access to information and guidance before matriculation and during the first year has been improved by providing a wealth of information on the Web. The Majors Advising Enhancements Programs provides new opportunities for faculty/student interaction through field trips and symposia.

Research and honors programs provide special opportunities for undergraduates to work individually with faculty on research projects. Undergraduate research grants continue to grow steadily, with support expected for more than

350 projects in 1997/98. The Undergraduate Research Opportunities (URO) office provides advice to more than 1000 students annually on the planning and implementation of research and honors projects.

The Summer Science Fellowships and the residential Honors College continue their steady growth in 1997/98. These programs make creative use of the summer term, when students and faculty have the opportunity to concentrate on research projects, without the competing demands of other classes.

Stanford Graduate Fellowships

The Stanford Graduate Fellowship program will welcome its first class in September, 1997. The purpose of the program is to help attract outstanding graduate students who can pursue their work at Stanford with solid research support. This program also reduces the University's dependency on federal funding for graduate students.

Applicants to Stanford Ph.D. programs were nominated by departments and reviewed by a faculty steering committee. Of 145 applicants to science and engineering doctoral programs who were offered Stanford Graduate Fellowships in the initial round, 81 accepted, including 32 who also received National Science Foundation fellowships. A second round of nominations will bring the total number of Fellows to more than 100.

The goal of the program is to provide at least 300 Stanford Graduate Fellowships (100 three-year Fellowships). Initially the program is supported by $10 million from the President's Program Fund which will provide funding for the first two years. Endowment and gift funding is required for the third and subsequent years, and over half of the necessary funds have been raised.

SCHOOL-BASED PLANS AND INITIATIVES

School of Earth Sciences

The School plans to add three new faculty under its Ocean Margins Initiative, two in soil sciences/environmental science, and one in high-resolution geochronology. These new faculty appointments will create many opportunities for links between Earth Sciences and organizations inside and outside Stanford. Within Stanford, they complement research in Anthropology, Biological Sciences, Civil and Environmental Engineering, and the Institute for International Studies. Externally, they will strengthen and expand connections with the U.S. Geological Survey and the Monterey Bay Aquarium Research Institute.

The Earth Systems Program has been very successful in attracting undergraduates to the School and in providing them with a strong and meaningful education. The recent addition of an energy track broadens the choices for specialization. The program has been supported by external grant funds to date. The School and the Provost have committed to fund a portion of the continued operating costs, and long-range financial support of the program is the School's top fundraising priority.

The High Resolution Ion Microprobe, now being fabricated in Australia, is expected to arrive in the fall of 1997. This new instrument will give Stanford a technological edge over other institutions worldwide in the area of geochronology (the measurement of the age of mineral samples). The purchase and operation of the instrument is a joint venture with the U.S. Geological Survey.

Education

Important progress has been made in each of the areas identified last year in the School's budget plan.

The Learning, Design, and Technology (LDT) master's program, which will begin this summer, will train students to develop and evaluate learning environments that use emerging information technologies. A guiding assumption of the LDT program is that issues related to the use of technology in learning environments are most effectively addressed by collaborative teams with a wide range of expertise. The program has close links with the activities of the University's Commission on Technology in Teaching and Learning by focusing on the design of technology-intensive learning environments based on the latest developments in cognitive science and related areas.

The 1996/97 pilot that integrated evaluation into the Policy Analysis master's program was successfully completed, and the redesigned program will continue in 1997/98. The master's program in higher education is also being redesigned in conjunction with the School's new federally funded research center, the National Center for Post-Secondary Improvements in Higher Education.

This summer, the School will begin a two year evaluation of the Summer Teaching School, a key component of the Stanford University Teacher Education Program (STEP). This evaluation is integral to current rethinking of STEP, which addresses possible curricular and structural changes within the program as well as changes in certification requirements in California.

Basic infrastructure improvements and modest design enhancements of the Cubberly School of Education building will also begin this summer. Upgrades for the CERAS building will include a video lab to support the LDT master's program and augment doctoral research, a computer classroom, and additional research offices. A staffing reorganization has been successfully completed and the School will continue training and process improvements to enable the staff to adapt to changes in the work environment.

A new initiative in 1997/98 is the Spencer Research Training Program. The preparation of world-class educational researchers is a critical goal for the School, and this proposal calls for a significant reformation of the School's curriculum related to research methodology.

School of Engineering

The School of Engineering engaged in a rigorous academic and financial planning effort this past fall. All nine departments developed five year academic plans to capitalize on strengths, shore up weaknesses, and plan for anticipated retirements. The resulting five year plan for the School focuses on critical academic appointments, strategic development of several small departments, and continued renovation and development of modern, flexible laboratory facilities. Some initiatives resulting from this planning process are discussed below.

The School currently has several high quality research efforts in bioengineering and biomedical engineering, most of which involve collaborations with departments in the Medical School or with the Chemistry Department in Humanities and Sciences. These efforts include medical imaging in Electrical Engineering, biomechanics in Mechanical Engineering, and biotechnology in Chemical Engineering. The School intends to strengthen its presence in these areas through the use of incremental billets in Electrical Engineering, Mechanical Engineering, Chemical Engineering, Materials Science, and Computer Science, as well as by developing curricula and an integrated vision for its bioengineering and biomedical engineering activities.

The Materials Science and Engineering department is at a critical juncture. Changes in faculty demographics have seriously affected the depth, breadth and strength of this small department and additional faculty billets are needed to improve the department's National Research Council rankings. After a thorough review by an external visiting committee, the School expects to begin building the strength and stature of this department over the coming year.

Computer Science is a field of growing importance, and student demand for its courses is extremely high. The field is developing many new facets that deserve attention if the department is to retain its premier ranking. To develop these new areas, the department will need three incremental billets over the next five years.

The Department of Industrial Engineering and Engineering Management (IEEM) has shaped a major initiative in the area of Work, Technology, and Organization that focuses on the changing nature of work, especially in engineering, and the role of technology in changing the workplace. This effort could form the basis for a major new research thrust as well as significantly increased visibility and stature for the department.

Laboratory and equipment requirements are significant for fields in which the School plans to develop future strength. Start-up packages of the size once reserved for the most senior faculty appointments are now needed to support the research needs of new junior faculty. One-of-a-kind fabricated equipment and expensive laboratory renovations are often required to support the work of experimentalists. The School is working to develop a model for sharing start-up expenses with departments, for redirection of restricted faculty support dollars to newly hired faculty, and for intensified fund-raising efforts to solicit funds from its corporate friends for start-up costs.

The School recently completed a survey of space policies and utilization across its departments and across the University. This study will lead to a comprehensive plan to reallocate existing Engineering space, free up some of the most populated facilities, bring together synergistic groups, and possibly make space available for reallocation by the Provost.

Graduate School of Business (GSB)

The Graduate School of Business strives to be the leading academic school of management in the world in terms of its impact on management theory, thinking, practice, and performance. The GSB's strategy to achieve this goal is to pursue significance, managerial relevance, excellence, and scholarly rigor in its research and teaching programs. The School's long-standing commitment to fundamental research has been supplemented in recent years by an emphasis on intensive dissemination of new research to managers, to continuing executive education, and to educating both potential young managers and young scholars.

Looking ahead to the next several years, the School plans to increase its Executive Education capacity by developing new public and custom programs to fill sixty rooms in the Schwab Center during the academic year and 280 rooms during the summer. Subject to final approval by the Provost, the School's plans call for an increase in the number of faculty to 95-100 over several years and a small increase in the number of doctoral students in each entering class. The MBA and Sloan programs will stay at approximately the current levels of 360 and 47 students per class, respectively.

The 1997/98 budget reflects the following priorities:

- Implementation of the new MBA core curriculum, adding an associate dean to manage this implementation, and providing resources for course development, including case writing.
- Completion of the Link Addition which extends Littlefield Management Center and integrates the GSB's two buildings. Plans are pending to complete fundraising for this project, backstopped temporarily by use of School reserves.
- Completion of the review of the doctoral program which began in Fall 1996.
- Implementation of a school-wide intranet that includes communication with alumni and applicants.

- Development of 3-4 additional weeks of Executive Education programs per year, building on areas of faculty research and interest among practitioners, including alumni. This will require additional faculty, a program development that draws on faculty interests, and a faculty development strategy that prepares and encourages faculty to participate in executive teaching.
- Improvement in the teaching and learning environment of the GSB Building and investment in technology, space utilization, and physical appearance.
- Consideration of a major capital campaign to raise funds for faculty support, research and teaching initiatives, and a proposed major remodel of the existing GSB Building. Key competitors, including Harvard, Wharton and Chicago, are believed to be developing campaigns ranging from $100-$400 million or more for faculty support and new facilities. The School faces more competitive challenges in hiring, retaining, and supporting faculty, particularly from Harvard which expects many faculty retirements in the near future and which is moving toward a research model that may be very attractive to GSB faculty. These competitors are also expected to make major investments in facilities, which will further exacerbate the contrast between the aging GSB Building and their new facilities.

Humanities and Sciences (H&S)

The School of Humanities and Sciences will continue to build on several new initiatives launched in recent years. One is the teaching program for freshmen. After two years of deliberations, recommendations by the Cultures, Ideas, and Values Design and Review Committee are expected to result in a new program, Introduction to the Humanities. H&S faculty will continue to play a major role in the innovative Science Core program which was successfully introduced last year. Beginning in winter quarter, undergraduates will be able to pursue course work and research projects through the new Overseas Studies campus in Cholula, Mexico. After two years of planning, students can major in the new interdisciplinary Program in Comparative Studies in Race and Ethnicity. In addition, H&S faculty will be well represented in teaching the inaugural slate of freshman seminars, a key component of the Stanford Introductory Studies program.

Faculty recruitment and development has been a priority for the School. During the last two years, H&S has reemphasized its commitment to faculty renewal by authorizing most searches at the junior level. While this trend is expected to continue, some strategic senior hiring will be needed to address changes in departmental demographics caused by retirements and resignations.

This year, the School will continue to explore programs to offer more assistance to faculty at all stages of their careers. Several fundraising efforts are underway for funds to provide more resources to junior and recently tenured faculty. For full professors approaching retirement and emeriti faculty, the School is discussing options to retain their contributions to teaching and research.

The School continues to seek perspectives from outside Stanford to assess its programs. Recommendations from 1996/97 departmental reviews of Psychology, English, History, and Biological Sciences will be studied and implemented, and in the coming year, external visiting committees will review the Departments of Classics, Linguistics, Mathematics, and Communication. The H&S Curriculum Committee, which serves as the overseer for reviews of interdisciplinary degree programs, will examine African and Afro-American Studies, Jewish Studies, Latin American Studies, and Math and Computational Science.

Finally, drawing on the intellectual commitment of scholars from Economics, Political Science, Sociology, History, and Classics, the School will launch a new research center, the Social

Science History Institute (SSHI). The goal of the Institute is to establish Stanford as a national leader in the reintegration of studies in history and social science disciplines that rely on historical data and analysis to frame and test hypotheses.

School of Law

With the success of the Campaign for the Stanford Law School and a supplemental allocation from the Provost, the Law School ended a six year period of downsizing the faculty and began participating actively in the market for new faculty appointments. The School will have three new faculty members next year, two senior appointments, and one entry-level appointment, all in business law. Several offers are outstanding for the following year.

Hand in hand with the faculty hiring initiative is an effort to bring Stanford's faculty salaries into line with those at peer institutions. Somewhat past the half-way mark, the Campaign has achieved its initial target of $50 million and is heading toward a new goal of $75 million. Ideally, $20 million would be in the form of endowment, with the remaining $5 million to be expendable, primarily to support a Faculty Momentum Fund for new faculty appointments and the rationalization of salaries. If the School meets this goal, its faculty salaries will be competitive with Harvard and Columbia, but still substantially below Yale and Chicago.

At present, the School has at least four ongoing academic initiatives of particular importance:

- The Stanford Program in International Legal Studies appears to be succeeding in providing graduate students from other countries with opportunities to undertake significant research projects and in infusing the JD program with diverse national perspectives. The dual JD/International Policy Studies degree remains a work in progress.
- The School has committed to teach legal ethics and professional responsibility through what is called the "pervasive method" by including at least 15 course hours of ethics in selected second- and third-year courses. In the 1997/98 academic year, there will be enough such courses to require that every student take at least one as a requirement for graduation.
- A third curricular initiative concerns the roles of lawyers as counselors, problem-solvers, and negotiators which involve applying technical legal expertise to real-world problems of clients. Next year, the School will offer courses in counseling, negotiation, and mediation to more than one hundred students. This area of the curriculum is fundamentally interdisciplinary, and has benefited from the Law School's participation in the Stanford Center on Conflict and Negotiation, a joint venture with the Graduate School of Business and the Psychology and Economics Departments.
- A new program aims to attract applicants who are seriously contemplating academic careers and to strengthen the School's overall intellectual atmosphere. Without some encouragement and guidance, many talented students might not consider and prepare for careers in teaching. The program includes career counseling and guidance in writing articles for publication.

The expansion of programs in counseling and negotiation, business, high technology, and environmental and natural resources law, as well as new opportunities for clinical legal education, have increased the number of adjunct faculty playing roles in the Law School's curriculum. Together with the School's continuing effort to provide offices for emeritus faculty, these programs have increased the need for office space. The Law School currently occupies the Owen House and is in the process of restoring Huston House for occupancy in the fall of 1997.

School of Medicine

The School of Medicine has made significant progress on several major initiatives undertaken in recent years. Restatement of the School's mission to continue to be a world class center for education, biomedical research, and innovative clinical care has had widespread discussion and is now being translated into a range of activities that support this mission in the context of a challenging economic environment.

The School's goal of attracting and retaining the highest quality faculty requires investment in faculty leadership and development of competitive compensation structures. In 1996/97, the School completed the recruitment and appointment of chairs in the Departments of Developmental Biology, Medicine, and Molecular Pharmacology. Next year, the School expects to recruit new chairs for the Departments of Surgery, Pathology, and Neurology and Neurological Sciences. The School has also been successful in recruiting outstanding faculty in child psychiatry and structural nuclear magnetic resonance spectroscopy who will act as focal points in building those programs.

The goals of exploring fundamental discoveries in biology and the biological sciences and focusing on translating discoveries into diagnostic and therapeutic applications have led the School to encourage clinical research and collaborative research activities and to invest in facilities to provide much needed space. The planning for the Center for Clinical Sciences Research (CCSR) building is on schedule, with occupancy projected for the fall of 1999.

The School's performance in the research arena has been strong in 1996/97. Faculty members have been successful in obtaining more grant support than in recent years, which leads to expectations for strong research expenditures in 1997/98. Interdisciplinary research programs are being developed in cancer studies, applied human genetics, immunology, and translational medicine, which are the themes for the CCSR. The School is now recruiting faculty with the expectation that they will be able to build out their programs in the CCSR.

Preparing medical students, graduate students, and postdoctoral trainees for leadership careers is a key goal for the School. Changing government regulations have had a significant impact on the ability of departments to fund graduate student stipends and tuition. The School has estimated almost $2.4 million in shortfall related to changes in funding approaches that will be implemented next year, and the 1997/98 budget plan commits approximately $1.4 million to support graduate students.

Support for the use of animals in research continues to be a challenge that must be met to facilitate basic and translational research activities. Many of the developing programs in applied human genetics and clinical immunology require the use of substantial numbers of animals over long periods of time. Government rules regulating the funding of service centers that house and care for research animals are complex and changing. The School is currently studying the costs of providing this crucial resource and the 1997/98 budget plan allocates funds for increased subsidies to maintain a competitive pricing structure.

The School is aggressively working to streamline its administrative infrastructure and to provide high quality services to faculty and students. Redesigned research management processes were piloted last year and additional processes will be redesigned in the next four years. This investment will require approximately $1 million per year for several years, but the School expects to recover the investment within the next five years.

A strong clinical program is required to meet the School's goals in education and research. The development of an integrated health system with the University of California, San Francisco was a major initiative. The plan was approved in the autumn of 1996. UCSF/Stanford Health Care was formed in March 1997. The anticipated implementation date of the new non-profit corporation is late summer 1997. With the merger essentially assured, relationships are developing between the schools and faculty on many levels.

Children's health services have emerged as an important area for integration with UCSF, and the Lucile Salter Packard Children's Hospital (LPCH) plays a key role in the development of those services. In January, 1997, LPCH joined the Stanford Health Services. LPCH will continue to function and be recognized as a separate hospital, but it will be managed by UCSF/Stanford Health Care. Concurrently, LPCH is implementing a physician-hospital integration plan that will allow the development of fully integrated children's health services with pediatric subspecialists from many departments, faculty from the Department of Pediatrics, and both inpatient and outpatient clinical services.

Hoover Institution

After more than a decade of chronic budget deficits, the Hoover Institution will complete its second consecutive year with a balanced budget. This accomplishment was realized through significant revenue enhancement and expense reduction without compromising the Institution's research programs or library and archives acquisitions.

The Institution enters 1997/98 with a plan for modest growth. From 1989/90 to 1995/96, expenditures at Hoover grew by less than one-half percent per year, while gift giving grew by more than 15 percent per year. While this trend cannot continue, the Institution projects moderate growth in expenditures in 1997/98 that will be matched by increases in fundraising. Expenditure growth will be in three areas: research programs, communications and outreach, and library and archives acquisitions.

The Hoover Institution research programs will be enhanced by a newly established series of books and panels. The panels bring together small groups of specialists, Hoover scholars, and Stanford faculty to vet their theories, discuss data, and report on preliminary findings. The results of these symposia are published in a series of small books aimed at informed, yet not expert, citizenry. Topics from Hoover's major programs (American Institutions and Economic Performance, International Rivalries and Global Cooperation, and Democracy and Free Markets) are all represented in this book series and they include such topics as the aging of the U.S. population, American federalism, Congressional elections, economic growth, the environment, and security in Europe.

The Hoover Institution is constantly working on new initiatives to elevate the level of dialog on public policy issues. In the last two years, the Institution embarked on two ambitious endeavors: a quarterly journal, the *Hoover Digest: Research and Opinion on Public Policy*, and a weekly television program, *Uncommon Knowledge*, which is broadcast over public television.

The *Hoover Digest* consists primarily of published articles by Hoover scholars, ranging from reprinted short articles to excerpts from longer essays and books. Also included are regular features developed and written exclusively for the *Hoover Digest*, transcripts of interviews from *Uncommon Knowledge* telecasts, and articles about the Hoover Institution Archives.

Uncommon Knowledge will enter its third season of production in 1997/98. The series features Hoover fellows, Stanford faculty, and other policy experts in informed discussion aimed at a knowledgeable audience. It will be distributed nationally by the American Program Service, the second largest distributor of programs to public television in the United States. National distribution demands a higher quality and more costly product as well as additional marketing costs. Hoover is committed to investing in this television series, which is viewed as a vehicle for information dissemination, and is exploring development and underwriting opportunities.

The Hoover Library and Archives will accelerate its collecting activities in three areas: China, the Middle East, and humanitarian relief. Funded with a restricted gift from an anonymous donor, these special targets of opportunity will add considerable depth to Hoover's already significant holdings in these areas. The archives will continue to develop relationships with archival facilities in Russia, with leading government and political figures from the era of Russia's transition from Communism, and with the current Russian government. Additions in this area build on Hoover's Russian Archives Project, which has resulted in the collection of more than 8 million articles from the archives of the Communist Party of the Soviet Union since 1991.

Vice Provost and Dean of Research and Graduate Policy

The most exciting development overseen by this Office is the establishment of the Stanford Graduate Fellowship Fund. As announced by President Casper, "Our decision to seek a $200 million endowment to fund 300 science and engineering fellowships is the single most tangible commitment to graduate education that Stanford has made in 25 years. This bold step will relieve the University's dependence on federal funding for Ph.D. training." The first Stanford Graduate Fellows will enroll in 1997/98.

Several research units are in transition. In 1997/98, the W. W. Hansen Experimental Laboratory and the Edward L. Ginzton Laboratory will begin to implement plans for faculty and program renewal after several years of stability. The McCullough Building, home of the Center for Materials Research, will undergo renovation in 1997/98, and several new faculty members will have laboratories in the new Annex building to be constructed beside McCullough. The Institute for Research on Women and Gender will have a new director and looks forward to enlarging its program on women's health policy.

The Institute for International Studies (IIS) is now a mature organization with well-established programs. Three new initiatives demonstrate its vitality: a Center for Global Transformation, Stanford's Pacific Initiative, and a new honors program in international security. Plans are underway to make Encina Hall East and parts of Encina Hall Central a new home for all of IIS, which is currently in seven different campus locations.

The Center for Economic Policy Research (CEPR) has been given authority to make senior fellow appointments. These appointments, much like tenure-line faculty appointments, will provide CEPR with a larger group of senior scholars who will participate in new centers within CEPR or in CEPR's primary research programs. In 1996/97, the Center for Research on Economic Development and Policy Reform was created and the establishment of a parallel center on economic growth is under consideration.

The Center for the Study of Language and Information (CSLI) has expanded its activities to make use of its core program, basic interdisciplinary research in cognitive science, for applications and pre-competitive strategies that are valued by industry. Through its considerable outreach efforts in publications, consulting, licensing of Stanford-owned inventions and software, and interactions with industry, the CSLI has begun to influence the development of commercial products in a variety of areas, from software for children to Chinese-language Internet news services.

Finally, the Stanford Humanities Center (SHC) continues its vibrant growth. The demand for SHC's external fellowships has expanded markedly, and the new Graduate Research Workshops have been very successful. The Center hopes that new endowment funding will support the introduction of a modest post-doctoral fellowship program.

MAJOR ACADEMIC SUPPORT AREAS

Information Technology Initiatives

In June 1994, the Trustees approved the strategic directions for and an expected investment of $60 million for the Administrative Information System (AIS) Plan. During the Fall of 1996, the major components of the Administrative Information Systems plan were combined with other key campus-wide information technology projects to form a strategic plan for Information Technology Initiatives. This four year plan and its combined budget of $78 million for fiscal years 1995-98 encompasses sixteen new administrative systems, a major upgrade to the campus network, significant investment in network security, new distributed computing services, migration to relational database technologies, academic building rewiring, and improvements to academic computing services. The information technology four year budget is summarized as follows:

Information Technology Initiatives 1995-1998
(in millions)

Administrative Information Systems Projects	$ 38.0
Information Systems Infrastructure Projects	13.0
Academic Computing Infrastructure Projects	13.0
Incremental Base Budget Operating Support	6.0
New Technology Initiatives Delivery and Support Activities	5.0
Contingency for FY 97 & 98 projects	3.0
Total Four Year Budget	$ 78.0

This budget is funded entirely from general funds from four sources: reallocations of staff and budgeted funds of business sponsors, reallocation of budgeted funds from Information Technology Systems & Services (ITSS), centrally allocated general funds, and capital budget funds.

Administrative Information Systems Projects: At the conclusion of 1996/97, nine of the sixteen administrative information systems projects will have been completed. In 1995/96, the Consolidated Budget, Financial Aid, Identification Card, Indirect Cost, Investment Accounting, and Vacancy-to-hire systems were completed. During 1996/97, newly implemented information systems and business processes will include Capital Asset Management, Development Office Fundraising and Gift Records, and Departmental Expenditures Management.

The major administrative information systems scheduled for completion in 1997/98 include the Core Financial Systems, Environmental Health & Safety, Research Administration, and Desktop 2000 Phase I. The Core Financial Systems are the largest and most complex of the administrative information systems initiatives. The Core Financial Systems include General Ledger, Purchasing/Accounts Payable, Project Accounting, Revenue/Accounts Receivable, and the recently completed Capital Asset Management System. This integrated suite of applications accounts for $23 million (67%) of the $37 million budgeted for new administrative information systems in the four year plan.

Stanford is implementing these financial applications from Oracle Corporation to support the redesign of its accounting system. The specific project scope and implementation plan timeline are being finalized and will determine which Core Financial Systems modules will be completed during 1997/98 and which to defer until 1998/99. We must strike a balance between the need to close 1997/98 on the new general ledger and the risks of moving forward with additional system and process changes.

Redesigned business processes combined with new information systems will enable more timely, complete, and accessible financial information. By improving chart of accounts capabilities and replacing our general ledger, a financial foundation will be built to support future flexibility, enabling the University and its operating units to respond more quickly to internal and external reporting requirements as well as to organizational and technological changes. In addition, replacement of legacy financial systems will resolve most Year 2000 issues by moving to application software designed to handle date related processing.

The Capital Asset Management System (CAMS) project has replaced the legacy Equipment Inventory System and provides the University with an integrated property management and asset accounting system fully compliant with both internal and external requirements.

Information Systems Infrastructure Projects: A budget of $13 million has been developed in the four year plan to modernize Stanford's technology infrastructure. This upgrade is necessary to support new marketplace applications being purchased and implemented to support business processes. These projects include developing common application services such as work flow and authority; migrating from a proprietary hierarchical database environment to a set of relational database products and services; establishing a highly reliable UNIX-based production server operations; defining and implementing a new information architecture and standards; and deploying tool sets and techniques for developing and assembling new applications.

Academic Computing Infrastructure Projects: The top information technology priority continues to be support of academic programs through strategic, University-wide technology infrastructure services. Key academic computing related projects include upgrading Stanford's high speed network, enhancing Internet and intranet services, expanding e-mail support services, increasing distributed computing and file services, upgrading student computing clusters, strengthening network security, rewiring mission critical buildings, and providing video services for the university community. The investment of $13 million in academic computing infrastructure combined with $13 million for information systems infrastructure will provide an advanced technology foundation for key computing activities in Stanford's academic departments and research centers.

New Technology Initiatives Delivery and Support Activities: With new technology project expenditures exceeding $78 million over a four-year period, there are important support activities which help ensure successful project planning and implementation. Change management support, information technology staff training, strategic planning, legal services, and quality assurance activities are all integral to the work of applications and infrastructure project teams.

Stanford University Libraries and Academic Information Resources

In 1997/98, the Libraries will expand upon several initiatives in the following areas: print collections, physical space, processing efficiency, research services and instructional support.

The most critical element of the Library program is the acquisition of materials that support Stanford's research and teaching programs. Many university libraries around the country are experiencing difficulty in funding their collections budget even at a maintenance level in the face of severe price pressures in the publishing industry. With a general fund increase of $315,000 (3%) in the 1997/98 budget, Stanford is making an effort to maintain a strong collection, but is falling well short of serials price increases of 14% and will suffer a loss of buying power.

The 1997/98 budget will require the Library and the faculty to work together to find ways to reduce costs in order to maintain the depth and breadth of the collection. This could include more effective cooperation with other institutions, elimination of duplicate holdings, greater reliance on document delivery, and serials cancellations.

The Library continues to search for new sources of revenue to support the collection. In 1997/98, the Library expects to expand its efforts to increase the $22 million endowment currently supporting the collections, with the ultimate goal of doubling the endowment in real terms.

Construction continues on Green Library West, with completion scheduled for 1998/99. The Library Technical Services Building, a $9 million processing facility, will be completed in 1998/99 and will be located next to the Auxiliary Library. The Library Technical Services Building will house Acquisitions, Cataloguing, Conservation, and Preservation and will release central campus space for collection and public service uses. When both facilities are occupied, the released space will enable a series of relocations within the Library resulting in the evacuation of temporary structures built following the Loma Prieta earthquake.

The technical services division of the Library is entering a new phase of re-engineering with the installation of Unicorn software from the Sirsi Corporation. This is a new generation of software that permits great flexibility in interface and work flow design not only within the Library but also between the Library and its suppliers through electronic data interchange. The technology of the new system, which enables every access-related function from materials ordering through a web-based catalog, will be fully functional in 1997/98.

The Sirsi system will cost approximately $6 million over the next five years. Half of the cost will be supported from existing Library budgets and one-fourth of the cost will be paid through the ITSS. One time general funds of $281,000 in 1997/98 will also support the program.

The Provost authorized a one-time allocation of $350,000 for upgrading the information delivery infrastructure of the Residential Computing program, for which the Library may assume responsibility in 1997/98. Residential Computing provides students with access to computing services in or near student residences on campus. The reassignment of this program to the Library is based in part upon the close relationship to the instructional support program offered by the Academic Technology Support Services (ATSS).

ATSS has created on-line course templates and tools which allow faculty to prepare web-based course materials and enable distance learning. Faculty can prepare their own web pages with class syllabi and assignments, class news groups and distribution lists, and links to class materials in text or video. Students can share work-in-progress and final projects, including multi-media documents.

The Provost also authorized a one-year extension of funding at the level of $400,000 for the Information Resource Specialist (IRS) program, which places highly-trained information professionals in academic departments to aid in the use of advanced information technology. The IRS program could be expanded to cover many more departments in a multi-year program.

Section 3
1997/98 Capital Budget and the Projected Five Year Capital Plan

INTRODUCTION AND PROGRAM GOALS

The 1997/98 Capital Budget and the projected five-year Capital Plan represent the continuation of an ambitious program of renovation and new construction begun several years ago. By the year 2000, Stanford will have completed the cycle of seismic repair and strengthening that began after the 1989 Loma Prieta earthquake; attended to its most critical deferred maintenance needs; dramatically improved and enlarged the stock of student housing; and added much-needed modern research facilities in the sciences.

The years from 1996 through 2002 represent the most intense period of construction in the history of the University, with the peak years being 1995/96, 1996/97, and 1997/98. During this three year period we will spend approximately $607 million on construction activity. Roughly 60 percent of this amount represents investments in the renewal and strengthening of existing facilities; 40 percent is for the addition of new space.

As President Casper said in his most recent State of the University address, the capital plan is directed toward a clear purpose: the physical renewal of Stanford's infrastructure for the future. By the end of the century, our goal is to assure that the campus is second to none not only in its beauty, but also in its functionality.

THE 1997/98 CAPITAL BUDGET

The one-year Capital Budget represents both a financial plan and an operational plan. From a financial standpoint, the Budget gives substantial detail on the proposed sources and uses of funds for capital investment. Funds for facilities come from several sources, including gifts, project-generated revenue (as in the case of housing projects), and reserves set aside from operating income. University debt provides long-term financing for projects that are not fully funded by gifts or reserves.

As an operating plan, the Capital Budget shows an expected level of activity for the Facilities Department and related University departments for both ongoing and new projects. The goal of the Facilities Department is to manage the entire body of work represented in the Capital Plan as effectively as possible, and to assure that maximum value is received for each dollar of capital investment.

Among the many challenges of managing such an ambitious capital plan, Stanford finds itself in the midst of one of the busiest local construction markets in the country. Non-residential construction in the Bay Area is at an all-time high, and the pressure on costs for labor and materials is expected to continue to be intense. For projects estimated before the Spring of 1997, we anticipate as much as 10 percent in increased costs due to market conditions. We have attempted to counter this trend by managing the design process as carefully as possible, looking for ways to pre-purchase or bundle the purchase of materials and services, and by reducing the scope of some projects. We have also increased contingencies in selected project estimates and against the capital plan as a whole. We have added $10 million in estimating contingencies across the entire Five Year Plan to offset the effects of adverse market conditions, particularly for projects in which the budget is based only on conceptual plans.

Of the $285.0 million anticipated expenditures in 1997/98, $196.4 million will be for renovation and new construction of academic facilities; $80.3 million for deferred maintenance, infrastructure and compliance; and $8.3 million will provide for financial contingencies such as estimating contingencies and construction financing. This year will mark the peak of the intense period of construction, with several multi-year projects underway simultaneously during the year. Some major examples include:

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 69 faculty representing 6 different departments and 4 inter-departmental research themes. The CCSR themes include cancer research, clinical immunology, applied human genetics, and translational medicine. Organized in this way, the faculty in the CCSR will be uniquely positioned to function at the boundaries between basic scientific research and clinical research in order to provide fundamental new insights into the nature of disease and to assist in the development of new techniques of treatment.

Completion of the CCSR will also enable the School of Medicine to address seismic deficiencies in the Edwards Building in a cost-effective manner. The CCSR will permit the Edwards Building laboratories to be vacated and reused as offices and lower-intensity research space. 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.

The CCSR is budgeted at a total project cost of $88.7 million, the largest single building project in Stanford history. The project is funded from a combination of gifts ($77.1 million) school reserves ($6.6 million) and university funds ($5.0 million). Construction will begin in the summer of 1997.

Science and Engineering Quad (SEQ)

Construction of the Science and Engineering Quad, scheduled for completion in late 1998, is well underway. The project is funded in part by a generous gift of $76.8 million from William Hewlett and David Packard. Portions of the project, including Varian, the demolition of existing structures, and utilities work, have been completed.

The capital plan for 1997/98 contains most of the remaining construction for SEQ: Electrical Engineering, the McCullough Annex, and the creation of the central quadrangle and connective elements. The Regional Teaching Facility, which will replace Bloch Hall as the center for undergraduate instruction in the sciences and engineering, will be open for classes by the start of the 1997/98 school year. Sequoia Hall, housing the Statistics Department, will be completed at the same time. Together, these projects total $95.2 million. An additional $17 million is included in the capital plan for the renovation of McCullough Hall which, in conjunction with the McCullough Annex, will provide new offices and laboratories for advanced materials sciences. All SEQ projects will be completed by the end of calendar year 1998.

Green Library West

The West Wing of Green Library has been closed since the 1989 Loma Prieta earthquake. Reconstruction began in 1996 and is scheduled for completion in 1998/99. The restored building will house the Library's Special Collections, extensive reader 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. The total project cost will be $44.5 million, supported by a combination of gifts ($26.2 million), funds from the Federal Emergency Management Agency (FEMA) ($15.8 million), and University reserves ($2.5 million). The Green Library Interlink project will con-

1997/98 Capital Budget
(in millions of dollars)

		Sources of Funds		
Project Name	Annual Budget	Identified	Gifts to be Raised	Debt
Earthquake Repair & Seismic Risk Mitigation				
Green Library	16.0	16.0		
Green Library Interlink	1.5	1.5		
Hanna House	0.7	0.7		
Museum of Art	17.5	17.5		
1-160 Political Science	1.2	1.2		
1-250 Asian Languages	2.3			2.3
1-360 Environmental Geology	0.3			0.3
2-500 Mech Engr Office	2.7			2.7
2-510 Mechanical Engineering Back Labs	0.6			0.6
2-570 HTGL	0.4			0.4
4 Escondido Village Midrises (H&DS)	0.9			0.9
4-156 Mitchell Earth Sciences	2.1	0.4		1.7
Durand Building	0.7			0.7
Edwards (seismic)	0.5			0.5
Lagunita (H&DS)	1.0			1.0
Total Earthquake Repair and Seismic Risk Mitigation	**48.3**	**37.2**		**11.0**
Academic Program Development				
Electrical Engineering	14.8	14.8		
McCullough Annex	13.7	13.7		
Regional Teaching Facility	3.8	3.2		0.6
SEQ Connective Elements	6.7	6.7		0.0
SEQ Site Prep & Utilities	2.9			2.9
South Service Road	0.3			0.3
Statistics	3.8	1.3		2.5
CCSR	38.0	38.0		
Encina Central Wing	3.5		3.5	
Encina East Wing	9.6		1.8	7.8
GSB Link Addition	8.3		8.3	
Library Technical Services Bldg	6.7			6.7
McCullough Remodel	12.0	9.2		2.8
Aquatics Facilities – Phase 1	1.0	1.0		
Artificial Turf Field	1.8		1.8	
Cobb Track Bleachers	1.7	1.2	0.5	
DAPER Stadium Improvements	1.2	1.2		
Alway-3	1.2	1.2		
Edwards 2	1.4	1.4		
Engineering Lab Renovations	1.0	1.0		
Grant 2	0.7	0.7		
H&S Lab Renovations	5.0	5.0		
Libraries and ITSS	0.8	0.8		
Lucas Center Expansion	1.2	1.2		
Margaret Jacks Hall	2.5	2.5		
Med School Renovations	1.4	1.4		
Memorial Hall Upgrades	1.0			1.0
Other Renovations	1.8	1.8		
School of Education	0.5		0.5	
Total Academic Program Development	**148.1**	**107.1**	**16.4**	**24.6**
Deferred Maintenance				
Medicine Deferred Maintenance	0.4	0.4		
Medicine Facil Renewal	1.1	1.1		
University Deferred Maintenance	7.3	1.8		5.4
University Facil Renewal	6.4	6.4		
H&DS Deferred Maintenance	21.9			21.9
Total Deferred Maintenance	**37.0**	**9.7**		**27.4**
Infrastructure				
Applications	11.7	11.7		
Infrastructure	9.6	9.6		
Networking & Comm Services	1.1			1.1
Utilities Expansion	2.6			2.6
Utilities System Control Impr.	1.0			1.0
Utilities Wear-Out	3.4			3.4
Develop Serra Street as Bike/Ped Mall	2.0		2.0	
Redevelop SUMC Entry	4.1		3.5	0.6
Transportation Programs	5.1	5.1		
Total Infrastructure	**40.6**	**26.4**	**5.5**	**8.7**
Compliance				
H&DS Asbestos & ADA	0.8			0.8
Placeholder for ADA Compliance	0.7			0.7
Fire and Life Safety Medical School	0.1	0.1		
Fire and Life Safety University	1.0	1.0		
Utilities Regulatory Compliance	0.1			0.1
Total Compliance	**2.7**	**1.1**		**1.6**
Financial Contingencies				
Estimating Contingencies	3.4			3.4
Construction Financing	4.9			4.9
Total Financial Contingencies	**8.3**			**8.3**
Total 1997/98 Capital Budget	**285.0**	**181.5**	**21.9**	**81.6**

nect Green Library West, Green Library East, and the Meyer Library with an east-west corridor on the second level of the Green complex. This will allow the three libraries to function as a single facility, and facilitate access to users.

Encina Hall

The East Wing of Encina Hall, built in 1891 as the first men's dormitory, has been closed since suffering damage in a fire in 1972. Further damage occurred during the 1989 earthquake. The East Wing is now being restored as a home for several research centers within the Institute for International Studies (IIS), which also currently occupies part of the central wing of Encina. The restoration of the East Wing will cost approximately $14 million, funded by a combination of gifts to IIS and debt.

Further plans for Encina include the creation of additional IIS offices and a conference center on the first floor of the central wing. Design has begun on this project, with construction anticipated to be completed by the end of calendar 1998. It is also anticipated that the South Wing, which has been closed since 1989, will be repaired within the next few years, thus fully restoring Encina Hall to use.

Seismic

In 1990, Stanford undertook an agreement with Santa Clara County to strengthen all unreinforced masonry (URM) buildings on campus by the year 2000 or to discontinue occupying them. This includes all of the buildings and arcades on the main quadrangle, plus most of the other buildings built during the University's first years.

By the end of 1996/97, work will be completed on Buildings 10, 40, 50 and 240, leaving just three buildings to be completed on the main Quad: Buildings 160, 250, and 360. Programming will be underway for each of these facilities in 1997/98. We will also finalize plans for buildings 500, 510, Edwards, and the Art Gallery and will begin work on Lagunita Residence Hall. During the coming year we will also evaluate the remaining major campus buildings covered by the agreement with the County: the Bakewell and Brown buildings (formerly the Athletics administration building and Encina Gym), and Old Chemistry.

Given the progress on the URM program, the University has turned its attention to selected buildings of other construction types for which seismic strengthening is recommended. Seismic strengthening will be completed in the coming year on the Mitchell Earth Sciences Building and will continue in the five Escondido Village mid-rise buildings.

Deferred Maintenance

In 1994 a study of Stanford's deferred maintenance backlog was conducted by outside consultants. They identified about $100 million in maintenance needs across most of the University, of which approximately $40 million was located on the central campus. The backlog consisted of three categories of projects: those which will enhance safety and prevent property loss, those which respond to code requirements, and those which would correct 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 three years, Stanford has made good progress in reducing the deferred maintenance backlog. Projects affecting safety and the preservation of property value have been completed, and code upgrades are underway in several facilities. In all, approximately $32.5 million of the critical $40.0 million in projects will be completed by the end of 1997/98.

Outside of the central campus, about $77.0 million in deferred maintenance work has been identified in the five-year Capital plan. The bulk of this work is in Housing and Dining Services buildings and will be addressed as part of their Capital Improvement Plan.

Systems

Systems are an important part of our investment in infrastructure. We plan to spend $6.3 million to upgrade the networks and communications systems vital to new technologies in the next five years. In addition, we will spend $28.0 million in 1997/98 on information technology initiatives, as described in the previous section of this document. Of this $28.0 million, $21.3 million for Applications and Infrastructure are included in the Capital Budget and the remaining $6.7 million is included in the Consolidated Budget for Operations.

Capital Utility Program (CUP)

The Capital Utility Program contains projects that will improve and enhance electrical, steam, water, and sewage systems. Projects identified each year are intended to meet one of four criteria: system wear out, regulatory issues and code compliance, system expansion, and system controls. The budget for the CUP program in 1997/98 is $7.1 million. The largest portion of this, approximately $3.4 million, will be used to repair and replace aging components of the central steam and electrical distribution systems. Another $2.6 million will be used to expand the system to accommodate growth in the campus and increased demand for electricity.

Stanford Infrastructure Program (SIP)

The Stanford Infrastructure Program 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 1997/98 for the SIP campus program is $3.3 million and includes: roads, paths, storm sewers, landscape, lighting, outdoor art, and signs as well as the advance planning efforts that support each of these. A major component of SIP is the Transportation Program which includes improvements for the parking and bicycles systems, campus transit system improvements, and pedestrian zone safety improvements.

THE FIVE YEAR CAPITAL PLAN

The five year Capital Plan represents a combination of academic, financial, and physical planning. The five year outlook allows us to anticipate and plan for needed resources. Since 1993/94, the multi-year Capital Plan has been guided by three fundamental objectives: 1) to provide appropriate facilities for promising academic programs where they are most critically needed; 2) to complete the seismic strengthening program begun after 1989; and 3) to address any deferred maintenance issues while providing adequate annual funding for planned maintenance.

The five year Capital Plan includes projects that have already been approved as well as projects yet to be approved and anticipated over the five year period 1998 to 2002. Budgets for anticipated projects are estimates that require further study before they are presented to the Board. Inclusion of a project in the Capital Plan does not replace the standard approval process through the Board of Trustees. While projects expected to cost less than $3 million will no longer be individually reviewed by the Board's Committee on Land and Buildings during the year, we will continue to report on projects over $1 million in the one year Capital Budget and in the Five Year Capital Plan.

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. Of the $717.8 million total planned expenditures, $127.1 million will be completed by the end of the

Chart 1

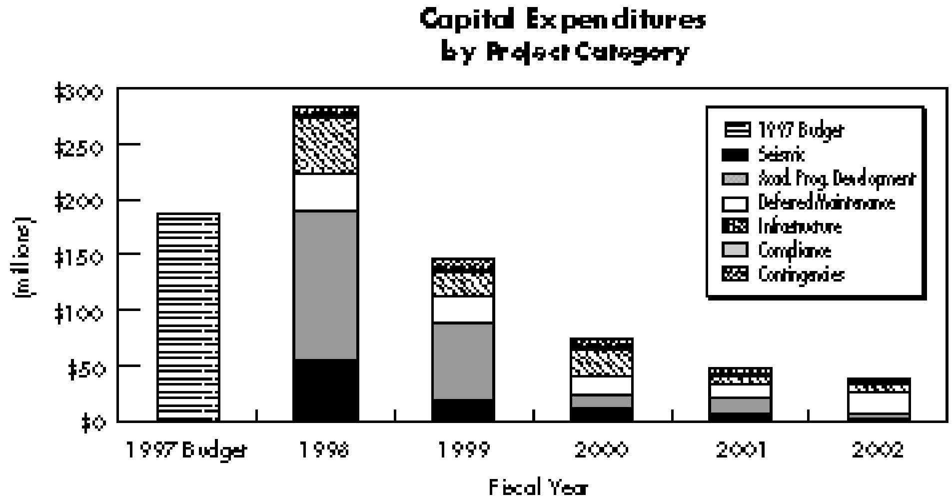
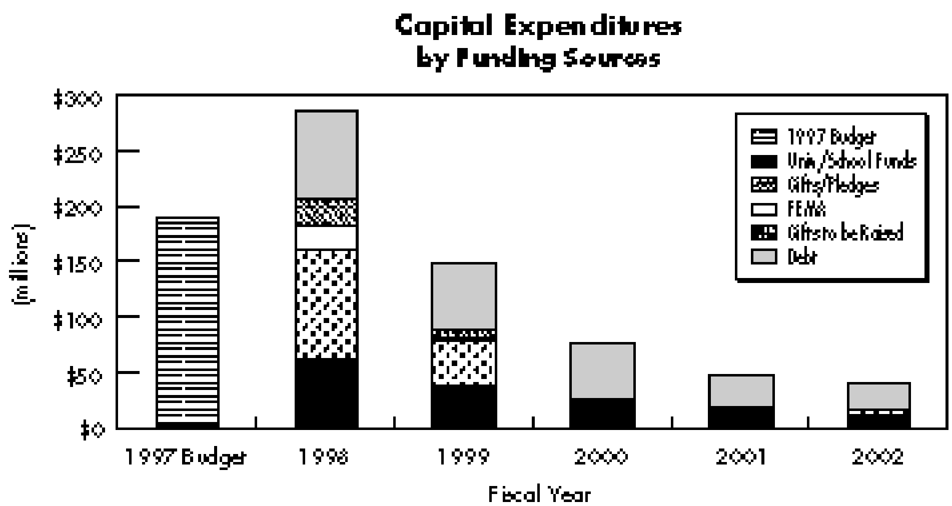


Chart 2



fiscal year, 1996/97. This leaves $590.7 million of work to be done over the five year period, 1998/2002. We have identified about $418.6 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 $36.5 million in gifts to be raised and $262.6 million in debt.

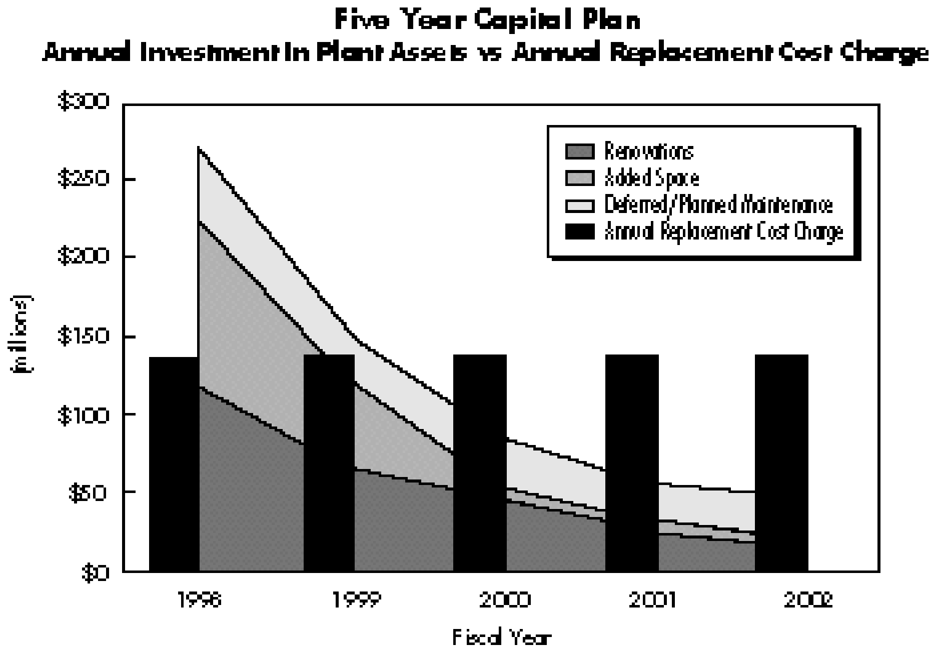
As shown on Charts 1 and 2, capital expenditures will be concentrated in 1997/98 with work ramping up on CCSR and peaking on the Electrical Engineering Building, McCullough Annex and McCullough remodel.

Total Investment in Plant (Chart 3)

We are often asked how much we are investing in the Plant relative to how much would be required on a replacement cost basis. Depreciation charges in our Financial Statements are based on the historical cost of the asset and use the average life of a broad class of assets. We have developed a proxy for the Annual Replacement Charge based on the market value of the assets and an accelerated depreciation schedule to reflect the useful life of each type of facility.

Chart 3 shows the relationship between the Annual Replacement Cost Charge and the Annual Investment in Plant, which includes

Chart 3

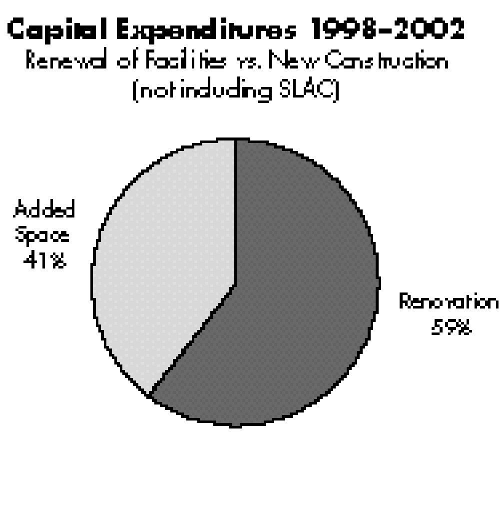


three components: Renovations, Added Space, and Deferred and Planned Maintenance. The Annual Replacement Charge has risen by 15% in the past year, given the conditions in the construction market. The Annual Investment in Plant exceeds the Annual Replacement Cost Charge in fiscal years 1997/98 and 1998/99 with the completion of the SEQ and the Museum of Art, and the construction of the Center for Clinical Sciences Research. The sharp decline in the Annual Investment in Plant for fiscal years 2000 to 2002 is explained in part by the uncertainty of forecasting capital projects five years out. We should note however, that the Annual Investment in Plant has exceeded the Annual Replacement Charge by a wide margin between 1996 and 1998.

Type of Space (Chart 4)

As Chart 4 indicates, renovation accounts for a large majority of the construction activity on campus today; 59% of the construction expenditures will be spent for the renovation, remodeling, or replacement of current space and 41% on new construction over the period of the five year Capital Plan.

Chart 4



Projected Funding 1998-2002

Identified Funds

Over half of the $717.8 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

We have had most generous support from our friends to accomplish this ambitious Capital Plan: 34% of the projected expenditures have already been raised, and a remaining 6% needs to be raised.

Debt

Over one-third of the projected expenditures will be funded by debt. Of the $262.6 million in projected debt, $136.5 million will be serviced by the budgets of auxiliaries and service centers, principally Housing and Dining Services and Utilities. Approximately $116.5 million will be supported by the general funds budget. The remaining $9.6 million will be supported by School funds. We have included $21.3 million in financial contingencies for construction financing costs incurred on projects that are debt funded. Construction financing costs have not been reflected in the Capital Plan in the past since these costs have been carried outside the project budgets. Construction financing costs are capitalized upon completion of the project and charged to the entity financing the facility.

Debt requirements: We have used approximately $144.0 million of the proceeds from the $150.0 million 30 year bond issued in March of 1994, and still have $50.0 million of the proceeds from the Medium Term Note issued under the April 1996 $150.0 million Board authorization. We will require $81.6 million in debt to fund the 1997/98 capital budget. Depending on market conditions, we will likely be issuing more debt under the $150 million authorization in the coming year.

Debt Ratings: As discussed on page 16 the format of Stanford's financial reports has changed as of the end of 1995/96, when the University adopted Statement of Financial Accounting Standards 116 and 117. Moody's has recently developed median ratios used in assigning debt ratings to private colleges and universities to reflect the new accounting standards. Stanford falls within the "Aaa" range for most of the median ratios, even when the total debt authorized is considered outstanding.

THE PLANNING PROCESS

Stanford's approach to planning is grounded in the objectives of the academic programs themselves and their supporting programs such as those at the medical center. From these programs, component elements (e.g., academic facilities, residential facilities, utility infrastructure, transportation, and the general environmental character) are defined to form the bases for all of our physical plans and related planning processes. We tend often to focus our attention on the academic buildings themselves. However, much effort is spent in setting the appropriate groundwork in these broader component areas so that the necessary governmental approvals can be obtained as needed, so that the facilities will operate economically and efficiently throughout their life cycle, and so that the campus will retain its cohesion and aesthetic character. The Capital Utility Plan and the Stanford Infrastructure Program are examples of the kind of long-term infrastructure planning that supports the growth and development of the campus.

In a continuing effort to improve the processes by which we manage individual capital projects, we have introduced a new step in the early stages of planning. Prior to the development of detailed programs, we have begun a Project Formulation Process managed within the Office of the Provost. During this phase, the goals and constraints on each project are clearly established in a process involving the project client, the Planning Office, Facilities Project Management, and outside consultants as needed. The intention is to clarify the project so that risks are minimized to the greatest extent possible, and so that decision-making during the programming and design phases is guided by better information and better communication.

The programmatic goals which were first

articulated in 1993/94 will be largely met within the next three years. Thus, the level of expenditure anticipated in the final two years of the Capital Plan drops sharply. While it is certain that new projects will emerge in the coming years, we do expect that the total level of capital spending will return to more normal levels—roughly half the annual rate of expenditure seen during this peak period.

We will, in the coming year, reexamine the strategic goals which will guide capital planning in the early years of the next century. A number of factors will shape our long-term planning. For example, we must prepare for still more stringent seismic building codes and the increased regulation of facilities containing hazardous materials. We must consider the limits of the existing County general use permit which will begin to constrain the number of square feet on campus until it is revised. We must constantly plan for the upgrades in networking systems, telecommunications and utilities necessary to the increasing demand for more technology in teaching and research. We will also need to reexamine our methods of financing new construction in light of the University's overall debt capacity and other financial constraints. Above all, we must continue to plan for a campus that meets the changing needs of the faculty and students who depend upon our facilities for their work. New approaches to teaching, the application of new technology in academic work, and new frontiers of research all require that our campus infrastructure be continuously modified and renewed. In this sense, campus and facilities planning is and must be closely aligned with academic planning. We are working to improve this alignment.

Section 4
Looking Ahead

The Budget Plan for 1997/98 reflects a significant improvement in our financial position over the last seven years. This has given us the opportunity to build support for key initiatives such as Stanford Introductory Studies and the restoration and expansion of the physical facilities.

The budget reduction efforts which we undertook were successful not only in streamlining many of our administrative operations but allowed us to build a modest general funds reserve to protect against future income shortfalls.

The greatest uncertainty on the income side continues to be the potential for reductions in federal funding. 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 government to universities.

We also face the uncertainty of the financial markets, where the impressive returns of recent years are unlikely to continue. While our endowment payout formula provides some measure of protection for the budget against major market swings in the market, it does not provide complete immunity.

There are other budgetary challenges ahead:

- We must continue to support investments in technology that will enhance the teaching, learning, and research capabilities of our students and faculty. Stanford has been a leader in this area, but the possibilities and opportunities are exploding. We need to identify the most promising new opportunities in academic information technology.
- On the administrative computing side, our goal is to implement cost effective systems that will improve our administrative efficiency and support for university operations.
- We must continue to keep our cost structure under control. Specifically, we need to keep continuing general funds expense below 1% in real terms in order to make the case for a supplemental 1/2% increase in the endowment payout rate.
- We face a strong local economy and expanding opportunities outside of Stanford for some of our best staff. We need to develop more flexible compensation alternatives, while retaining an appropriate level of equity across the University.
- Significant price increases in the local housing market add to the difficulty of recruiting the best faculty to Stanford. We need to use our existing housing programs to their full extent and provide additional ways to support faculty moving to this area.
- Over the last four years Stanford has built its budgets by thoroughly reviewing with the deans all sources of funds to be included in the budget. We must continue to be vigilant in building restricted funds into budget plans at the School and Departmental level and to developing reasonable and appropriate reserving strategies.
- Tuition increases in the past two years have been low when compared to the 80s and early 90s. Over the past 20 years, however, tuition increases have significantly exceeded the rate of growth of family income in the

economy at large. Our goal must be to keep a Stanford education affordable by maintaining a strong financial aid program and insuring that future tuition increases do not exceed the growth in family income.

In conclusion, this Budget Plan supports the goals identified at the outset of this report: namely, that we sustain the strength of our programs and provide capacity for innovation. The budget reflects the strength of the economy, the willingness of many at Stanford to work harder and more effectively, and the generosity of our donors. As we look ahead, we cannot necessarily count on a strong economy to support our purposes. But we can work hard to manage Stanford's resources effectively and to provide the highest quality environment possible for faculty and students to do their best work. Only through such actions can we convince our friends and benefactors that Stanford deserves their sustained support.

Appendix A
Consolidated Budgets for Schools, Academic Support Areas, and Auxiliaries

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 Information Resources
- Vice Provost for Student Affairs

Auxiliary Enterprises

- Housing and Dining Services
- Athletics
- Stanford University Press

School of Earth Sciences, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	2,833			**2,833**
Restricted Revenues and Transfers b	3,991	9,367	7,161	**20,519**
Transfers (to)/from Endowment		(600)		**(600)**
Transfers (to)/from Plant		(300)		**(300)**
Transfers (to)/from Student Loan				
Total Revenues and Transfers	6,824	8,467	7,161	**22,452**
Expenditures				
Total Salaries	4,267	2,808	2,547	**9,622**
Total Benefits	1,021	443	408	**1,872**
Total Non-Salary Expenditures	1,536	5,140	4,206	**10,882**
Total Expenditures	6,824	8,391	7,161	**22,376**
Excess of Revenue over Expenditures		**76**		**76**
Beginning Operating Equity		**13,300**		**13,300**
Ending Operating Equity		**13,376**		**13,376**

Notes:

- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. C and, therefore, not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's polic

School of Education, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	7,401			**7,401**
Restricted Revenues and Transfers b	184	1,210	9,693	**11,087**
Transfers (to)/from Endowment	1,527	210		**1,737**
Transfers (to)/from Plant		(500)		**(500)**
Transfers (to)/from Student Loan				
Total Revenues and Transfers	9,112	920	9,693	**19,725**
Expenditures				
Total Salaries	5,803	558	3,035	**9,396**
Total Benefits	1,420	123	620	**2,163**
Total Non-Salary Expenditures	1,889	692	6,039	**8,620**
Total Expenditures	9,112	1,373	9,693	**20,179**
Excess of Revenue over Expenditures		**(454)**		**(454)**
Beginning Operating Equity		**4,299**		**4,299**
Ending Operating Equity		**3,845**		**3,845**

Notes:

· Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. C
are specifically invested and, therefore, not available for expenditure in the current period.

· This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's polic

School of Engineering, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	31,969			**31,969**
Restricted Revenues and Transfers t	8,693	27,218		**35,911**
Sponsored Income			78,777	**78,777**
Transfers (to)/from Endowment				
Transfers (to)/from Plant		(1,100)		**(1,100)**
Transfers (to)/from Student Loan				
Total Revenues and Transfers	40,662	26,118	78,777	**145,557**
Expenditures				
Total Salaries	27,280	7,983	28,092	**63,355**
Total Benefits	6,357	1,440	3,795	**11,592**
Total Non-Salary Expenditures	7,025	15,830	46,890	**69,745**
Total Expenditures	40,662	25,253	78,777	**144,692**
Excess of Revenue over Expenditures		**865**		**865**
Beginning Operating Equity		**65,998**		**65,998**
Ending Operating Equity		**66,863**		**66,863**

Notes:

- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. Operating equity may include funds that are specifically invested and, therefore, not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's polic

School of Humanities and Sciences, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted Funds	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	81,981			**81,981**
Restricted Revenues and Transfers b	17,885	21,487	45,039	**84,411**
Transfers (to)/from Endowment		(3,738)		**(3,738)**
Transfers (to)/from Plant		(297)		**(297)**
Transfers (to)/from Student Loan		(20)		**(20)**
Total Revenues and Transfers	99,866	17,432	45,039	**162,337**
Expenditures				
Total Salaries	59,702	4,287	14,599	**78,588**
Total Benefits	13,454	884	2,634	**16,971**
Total Non-Salary Expenditures	26,710	10,342	27,806	**64,859**
Total Expenditures	99,866	15,513	45,039	**160,417**
Excess of Revenue over Expenditures		1,919		**1,919**
Beginning Operating Equity		50,302		**50,302**
Ending Operating Equity		52,222		**52,222**

Notes:

- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. C
  that are specifically invested and, therefore, not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's polic

School of Law, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	10,218			**10,218**
Restricted Revenues and Transfers b	2,082	3,000	1,000	**6,082**
Transfers (to)/from Endowment	7,400	300		**7,700**
Transfers (to)/from Plant		(750)		**(750)**
Transfers (to)/from Student Loan		(450)		**(450)**
Total Revenues and Transfers	19,700	2,100	1,000	**22,800**
Expenditures				
Total Salaries	10,202	1,200	300	**11,702**
Total Benefits	2,663	313	78	**3,054**
Total Non-Salary Expenditures	6,835	587	622	**8,044**
Total Expenditures	19,700	2,100	1,000	**22,800**
Excess of Revenue over Expenditures				
Beginning Operating Equity		**8,000**		**8,000**
Ending Operating Equity		**8,000**		**8,000**

Notes:

- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. C
  and, therefore, not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's polic

Office of the Dean of Research and Graduate Policy, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Restricted and signated Funds	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	7,129			**7,129**
Restricted Revenues and Transfers b	4,499	12,565	83,322	**100,386**
Transfers (to)/from Endowment				
Transfers (to)/from Plant				
Transfers (to)/from Student Loan				
Total Revenues and Transfers	11,628	12,565	83,322	**107,515**
Expenditures				
Total Salaries	6,964	5,863	13,674	**26,501**
Total Benefits	1,812	1,522	3,556	**6,889**
Total Non-Salary Expenditures	2,852	6,551	66,092	**75,495**
Total Expenditures	11,628	13,936	83,322	**108,885**
Excess of Revenue over Expenditures		(1,371)		**(1,371)**
Beginning Operating Equity		45,441		**45,441**
Ending Operating Equity		44,071		**44,071**

Notes:

· Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. C
and, therefore, not available for expenditure in the current period.

· This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's polic

Graduate School of Business, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	21,437			**21,437**
Restricted Revenues and Transfers b	23,483	16,309	700	**40,492**
Transfers (to)/from Endowment				
Transfers (to)/from Plant		(12,000)		**(12,000)**
Transfers (to)/from Student Loan				
Total Revenues and Transfers	44,920	4,309	700	**49,929**
Expenditures				
Total Salaries	23,391	1,955	106	**25,452**
Total Benefits	5,757	511	28	**6,296**
Total Non-Salary Expenditures	15,772	4,062	566	**20,400**
Total Expenditures	44,920	6,528	700	**52,148**
Excess of Revenue over Expenditures		**(2,219)**		**(2,219)**
Beginning Operating Equity		**25,300**		**25,300**
Ending Operating Equity		**23,081**		**23,081**

Notes:

· Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. Operating equity may include funds that are specifically invested and, therefore, not available for expenditure in the current period.

School of Medicine, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted Other	Other Inst.	Grants & Contracts	Subtotal	Auxiliaries	Total
Revenues and Transfers							
Unrestricted Funds Allocation	59,670				**59,670**		**59,670**
Restricted Revenues and Transfers	13,016	64,182	18,065	170,320	**265,583**	80,607	**346,190**
Transfers (to)/from Endowment		(1,500)			**(1,500)**		**(1,500)**
Transfers (to)/from Plant		(6,556)			**(6,556)**		**(6,556)**
Transfers (to)/from Student Loan		(48)			**(48)**		**(48)**
Total Revenues and Transfers	72,686	56,078	18,065	170,320	**317,149**	80,607	**397,756**
Expenditures							
Faculty Salaries	9,323	7,832	7,843	12,484	**37,482**	34,059	**71,541**
Staff Salaries	16,683	11,761	4,718	44,784	**77,946**	24,289	**102,235**
Total Salaries	26,006	19,593	12,561	57,268	**115,428**	58,348	**173,776**
Total Benefits	6,788	5,114	3,278	14,947	**30,127**	15,229	**45,356**
Infrastructure/Indirect Costs		1,367		45,271	**46,638**		**46,638**
Total Non-Salary Expenditures	39,892	35,894	2,226	52,834	**130,846**	7,030	**137,876**
Total Expenditures	72,686	61,968	18,065	170,320	**323,039**	80,607	**403,646**
Excess of Revenue over Expenditures		**(5,890)**			**(5,890)**		**(5,890)**
Beginning Operating Equity		**192,616**			**192,616**		**192,616**
Ending Operating Equity		**186,726**			**186,726**		**186,726**

Notes:

· Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. Operating equi
and, therefore, not available for expenditure in the current period.

Hoover Institution, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted Fundds	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	3,997			**3,997**
Restricted Revenues and Transfers t	16,578	125	400	**17,103**
Transfers (to)/from Endowment				
Transfers (to)/from Plant				
Transfers (to)/from Student Loan				
Total Revenues and Transfers	20,575	125	400	**21,100**
Expenditures				
Total Salaries	12,537		78	**12,615**
Total Benefits	2,781		22	**2,803**
Total Non-Salary Expenditures	5,257	125	300	**5,682**
Total Expenditures	20,575	125	400	**21,100**
Excess of Revenue over Expenditures				
Beginning Operating Equity		4,461		**4,461**
Ending Operating Equity		4,461		**4,461**

Notes:

· Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes.
Operating equity may include funds that are specifically invested and, therefore, not available for expenditure in the current period.

Stanford University Libraries/Academic Information Resources, 1997/98 Consolidatec
(dollars in thousands)

	Operating Budget	Designated and Restricted	Grants & Contracts	Total
Revenues and Transfers				
Unrestricted Funds Allocation	27,491			**27,491**
Restricted Revenues and Transfers k	3,630	3,343	166	**7,139**
Transfers (to)/from Endowment				
Transfers (to)/from Plant				
Transfers (to)/from Student Loan				
Total Revenues and Transfers	31,121	3,343	166	**34,630**
Expenditures				
Total Salaries	14,183	714	132	**15,029**
Total Benefits	3,702	186	34	**3,922**
Total Non-Salary Expenditures	13,236	2,443		**15,679**
Total Expenditures	31,121	3,343	166	**34,630**
Excess of Revenue over Expenditures				
Beginning Operating Equity		**3,820**		**3,820**
Ending Operating Equity		**3,820**		**3,820**

Notes:

- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. Operating equity may include funds that are specifically invested and, therefore, not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with Stanford's policy

Vice Provost for Student Affairs, 1997/98 Consolidated Forecast

(dollars in thousands)

	Operating Budget	Designated and Restricted	Grants & Contracts	Total
Revenues and Transfers				
General Funds Allocation	35,259			**35,259**
Restricted Revenues and Transfers b	1,376	32,027	15,157	**48,561**
Transfers (to)/from Endowment				
Transfers (to)/from Plant				
Transfers (to)/from Student Loan		(170)		**(170)**
Total Revenues and Transfers	36,635	31,857	15,157	**83,650**
Expenditures				
Total Salaries	8,770	294	67	**9,132**
Total Benefits	2,224	77	18	**2,318**
Total Non-Salary Expenditures	25,641	30,672	15,072	**71,385**
Total Expenditures	36,635	31,043	15,157	**82,835**
Excess of Revenue over Expenditures		**815**		**815**
Beginning Operating Equity		**6,386**		**6,386**
Ending Operating Equity		**7,200**		**7,200**

Notes:

- Operating equity represents reserves available for future uses, along with projects and fund balances restricted for special purposes. C
  and, therefore, not available for expenditure in the current period.
- This budget does not reflect an allocation of tuition revenue or of central administrative costs. This is consistent with S
- The Grants and Contracts numbers for this unit consist primarily of financial aid sponsored by the government.

Auxiliary Enterprises Projected Budgets, 1997/98

(dollars in thousands)

Housing and Dining Services	
Income	
Student Housing	43,231
Dining Services	19,494
Conference Services	2,929
Interest Income	625
Transfer to Plant Re:	524
Sub-Total Income	66,803
Expenses	
Student Housing	43,805
Dining Services	18,594
Conference Services	2,412
Facilities Expenses	1,992
Sub-Total Expenses	66,803
Operating Gain/(Loss)	**0**

Athletics	
Income	
Intercollegiate	12,474
Unrestricted	4,008
Golf Course	4,194
Faculty-Staff Recreation	836
Restricted Funds	3,533
Summer Camps	180
Sub-Total Income	25,225
Expense	
Compensation and Benef	12,209
Travel, Meals, Lodging	2,062
Utilities, Repairs and Mair	2,797
University Overhead	1,109
Golf Course	
Other Non-Salary	7,049
Sub-Total Expenses	25,225
Operating Gain/(Loss)	**0**
Financial Aid	
Income	8,267
Expense	8,505
Net Financial Aid Gain (Loss)	(238)

Stanford University Press	
Income	
Net Sales	5,350
Cost of Sales	(2,750)
Other Income	348
University Subsidy	199
Sub-Total Income	3,147
Expense	
Editorial	635
Production & Desig	297
Marketing	833
Order	3
Warehouse	715
Accounting	173
Office & general	490
Sub-Total Expense:	3,147
Operating Gain/(L	**0**

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 project budgets and anticipated sources of funding. Several points may assist the reader in understanding this detailed forecast:

- Summary Page: the column "University Debt" indicates the amount of long term debt needed for the project if other sources cannot be identified. University Debt is supported by the general funds budget.
- The column "Work Completed FY97" indicates costs that will have been incurred on the project by the end of the 1996/97 fiscal year.
- Section I: The subgroup "Other Seismic Risk Mitigation" includes preliminary estimates for the cost of strengthening buildings beyond 1999. More detailed estimates will be available later in the year.
- Section IV: This category comprises physical infrastructure projects necessary for the academic mission. We have added a section for systems to the Capital Utilities Plan (CUP) and the Stanford Infrastructure Programs (SIP) for campus and transportation systems. Funding for SIP projects is already included in project budgets, and to prevent double counting, is not included in subtotals or totals.
- Section VI: We have added a provision for estimating and construction financing contingencies in the project portfolio, to be funded by long term debt.

Stanford University Capital Plan -- 1997/98-2001/2002

(In millions)	Project Schedule FY(S)	Project Budget	Work Completed FY97	Sources of Funding: Identified: Current Funds & University Reserves on Hand	Identified: School Reserves on Hand	Identified: Gifts In Hand/ Pledges	Identified: Govnt	Identified: Unrestr. Revenue	To be Raised: Gifts To Be Raised	To be Raised: Debt: Schools	To be Raised: Debt: Auxiliaries/ Service Ctrs.	To be Raised: Debt: 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		$88.2	$41.5	$8.8	$2.5	$49.7	$22.6	$0.7	$2.6			$1.3
Unreinforced Masonry		$30.1	$9.0	$2.7	$0.5	$2.0				$1.8		$23.2
Other Seismic Risk Mitigation		$27.0	$2.3		$1.0					$3.5	$6.0	$16.5
Fundraising Goal						$5.0						($5.0)
Sub-Total		**$145.3**	**$52.8**	**$11.5**	**$3.9**	**$56.7**	**$22.6**	**$0.7**	**$2.6**	**$5.3**	**$6.0**	**$36.0**
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		$95.2	$40.2	$0.3		$81.4		$0.3				$13.2
School of Medicine		$88.7	$10.4	$5.0	$6.6	$77.1						
Other Building Projects		$56.0	$8.2	$1.0		$8.6	$2.0		$21.6			$22.8
Athletics Projects		$21.6	$5.7	$1.6		$15.2			$4.8			
Facilities Renovation		$75.2	$9.1		$39.7	$2.8		$26.1	$1.0	$3.6		$2.1
Sub-Total		**$336.7**	**$73.6**	**$7.9**	**$46.3**	**$185.1**	**$2.0**	**$26.3**	**$27.4**	**$3.6**		**$38.1**
III. DEFERRED MAINTENANCE												
Planning Goal: To address costs associated with the deferred maintenance problem.												
Deferred Maintenance		$34.7			$7.5			$16.3				$10.9
Student Housing		$75.2									$75.2	
Sub-Total		**$109.9**			**$7.5**			**$16.3**			**$75.2**	**$10.9**
IV. PHYSICAL INFRASTRUCTURE												
Planning Goal: To develop and maintain the physical infrastructure necessary for the academic mission.												
Systems		$27.6		$21.3							$3.6	$2.7
Utilities		$36.7									$36.7	
Campus Infrastructure		$16.3	$0.1		$5.1				$6.5			$4.7
Sub-Total		**$80.6**	**$0.1**	**$21.3**	**$5.1**				**$6.5**		**$40.3**	**$7.4**
V. COMPLIANCE												
Planning Goal: To address required code compliance work.												
Americans with Disabilities Act		$8.0	$0.5								$4.0	$4.0
Fire & Life Safety		$5.4			$0.4			$5.0				
Utilities Regulatory Compliance		$0.6									$0.6	
Sub-Total		**$14.0**	**$0.5**		**$0.4**			**$5.0**			**$4.6**	**$4.0**
VI. FINANCIAL CONTINGENCIES												
Planning Goal: To provision for contingencies in the project portfolio												
Estimating Contingencies		$10.0										$10.0
Construction Financing		$21.3								$0.7	$10.4	$10.2
Sub-Total		**$31.3**								**$0.7**	**$10.4**	**$20.2**
GRAND TOTAL		**$717.8**	**$127.1**	**$40.7**	**$63.2**	**$241.8**	**$24.6**	**$48.3**	**$36.5**	**$9.6**	**$136.5**	**$116.5**

Total Debt:	**$262.6**

Stanford University Capital Plan -- 1997/98-2001/2002

(In millions)	Project Schedule FY(S)	Project Budget	Work Completed FY97	Sources of Funding: Identified: Current Funds & University Reserves on Hand	Identified: School Reserves on Hand	Identified: Gifts In Hand/ Pledges	Identified: Govnt	Identified: Unrestr. Revenue	To be Raised: Gifts To Be Raised	To be Raised: Debt: Schools	To be Raised: Debt: Auxiliaries/ Service Ctrs.	To be Raised: Debt: 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 West	1994-99	$44.5	$22.2	$2.5		$23.6	$15.8		$2.6			$0.0
Green Library Sunk Costs		$4.1	$4.1	$2.8								$1.3
Green Library Interlink	1999	$1.5			$0.8			$0.7				
Museum of Art	1994-98	$35.4	$14.1	$3.5		$25.5	$6.4					($0.0)
Anatomy/HRP Storage	2002	$1.0			$1.0							
Hanna House	1996-98	$1.7	$1.1		$0.7	$0.7	$0.4					$0.0
Sub-Total		$88.2	$41.5	$8.8	$2.5	$49.7	$22.6	$0.7	$2.6			$1.3
Unreinforced Masonry												
Main Quad												
1-160 Political Science	1998-00	$12.3		$2.7		$2.0						$7.6
1-250 Asian Languages	1997-98	$2.5	$0.2									$2.5
1-360 Environmental Geology	1998-01	$2.1										$2.1
Sub-Total Main Quad		$16.9	$0.2	$2.7		$2.0						$12.2
Engineering Quad												
2-500 Mechanical Engineering Office	1997-99	$3.0	$0.3							$1.3		$1.7
2-510 Mechanical Engineering Back Lab	1997-99	$1.3								$0.5		$0.8
2-570 HTGL	1995-98	$8.9 *	$8.5		$0.5							$8.4
Sub-Total Engineering Quad		$13.2	$8.8		$0.5					$1.8		$10.9
Other Seismic Risk Mitigation												
4 Escondido Village Midrises (H&DS)	1995-01	$3.9									$3.9	
4-540 Durand Building	1997-01	$6.2										$6.2
4-516 Mitchell Earth Sciences	1997-98	$2.7	$0.6		$1.0							$1.7
Lagunita (H&DS)	1996-99	$1.0 **	$1.5								$1.0	
Branner (H&DS)	1999-01	$1.1 ***									$1.1	
2-630 Press Building	2000	$3.0										$3.0
Knoll	2000	$1.9										$1.9
CPPC	2000	$1.1										$1.1
Art Gallery	1999	$2.5										$2.5
Edwards	2000-01	$3.5	$0.1							$3.5		
Subtotal Other Seismic Risk Mitigation		$27.0	$2.3		$1.0					$3.5	$6.0	$16.5
Fund Raising Goal						$5.0						($5.0)
TOTAL EQ REPAIR & SEISMIC RISK MITIGATION		**$145.3**	**$52.8**	**$11.5**	**$3.9**	**$56.7**	**$22.6**	**$0.7**	**$2.6**	**$5.3**	**$6.0**	**$36.0**

*** Project on hold pending further review***

***** Plus $11.1 million Deferred Maintenance Compliance and ADA included in H&DS plan.***

****** Plus $4.9 million Deferred Maintenance Compliance and ADA included in H&DS plan.***

Stanford University Capital Plan -- 1997/98-2001/2002

(In millions)	Project Schedule FY(S)	Project Budget	Work Completed FY97	Sources of Funding: Identified: Current Funds & University Reserves on Hand	School Reserves on Hand	Gifts In Hand/ Pledges	Govnt	Unrestr. Revenue	To be Raised: Gifts To Be Raised	Debt: Schools	Debt: Auxiliaries/ Service Ctrs.	Debt: University
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												
Electrical Engineering	1996-99	$29.3	$8.5			$28.9						$0.4
McCullough Annex	1996-99	$22.1	$5.3			$21.0						$1.1
Statistics	1996-98	$8.7	$4.9			$6.2						$2.5
Regional Teaching Facility	1996-98	$11.9	$8.1			$11.3						$0.6
SEQ Connective Elements	1996-99	$10.4	$3.6			$10.3						$0.1
South Service Road	1996-98	$3.1	$3.0									$3.1
Site Preparation & Utilities	1996-99	$9.7	$6.7	$0.3		$3.8		$0.3				$5.3
Sub-Total Science & Engineering		$95.2 *	$40.2	$0.3		$81.4		$0.3				$13.2
School of Medicine												
Center for Clinical Sciences Research	1996-00	$88.7	$10.4	$5.0	$6.6	$77.1						
Sub-Total Medical Center		$88.7	$10.4	$5.0	$6.6	$77.1						
Other Building Projects												
Library Technical Services Building	1997-98	$9.0	$0.5									$9.0
GSB Link Addition	1997-98	$10.6	$1.0						$10.6			
McCullough Remodel	1996-99	$17.0	$2.4	$1.0		$8.6	$2.0					$5.4
Encina Center Wing	1997-99	$5.0							$5.0			
Encina East Wing	1996-99	$14.4	$4.2						$6.0			$8.4
Sub-Total New Building Projects		$56.0	$8.2	$1.0		$8.6	$2.0		$21.6			$22.8
Athletics Projects												
Cobb Track Bleachers	1997-98	$1.7				$1.2			$0.5			
Artificial Turf Field	1997-98	$1.8							$1.8			
Aquatics Facilities - Phase 1	1998-00	$7.5				$5.0			$2.5			
DAPER Stadium Improvement	1995-00	$10.6	$5.7	$1.6		$9.0						
Sub-Total Athletics Projects		$21.6	$5.7	$1.6		$15.2			$4.8			
Facilities Renovation												
Engineering Lab Renovations	1998-02	$5.0			$2.6			$2.4				
H&S Lab Renovations	1998-02	$13.9			$2.0			$11.9				
Margaret Jacks Hall	1997-98	$2.8	$0.3		$0.5			$2.3				
School of Education	1997-98	$3.0 **	$2.5					$2.0	$1.0			
Libraries & ITSS	1998-02	$3.8			$1.3			$2.5				$0.0
Alway 3	1996-98	$3.8	$2.6		$3.8							
Lucas Center Expansion	1997-99	$3.2	$2.0		$1.2	$2.0						
Grant 2	1996-98	$1.3	$0.6		$1.3							
Edwards 2	1996-98	$5.2	$0.1		$0.8	$0.8				$3.6		
Edwards (Programmatic Improvements)	2000-01	$15.7			$15.7							
Minor Renovations Medical School	1998-02	$6.8			$6.8							
Memorial Hall Upgrades	1998	$2.0 ***	$1.0									$2.0
Other Renovations	1998-02	$8.8			$3.8			$5.0				
Sub-Total Facilities Renovations		$75.2	$9.1		$39.7	$2.8		$26.1	$1.0	$3.6		$2.1
TOTAL ACADEMIC PROGRAM DEVELOPMENT		**$336.7**	**$73.6**	**$7.9**	**$46.3**	**$185.1**	**$2.0**	**$26.3**	**$27.4**	**$3.6**		**$38.1**

***An additional $3.5 million is included in the Capital Utilities Plan**
**** Plus $1 million Deferred Maintenance**
***** Plus $1 million Deferred Maintenance**

Stanford University Capital Plan -- 1997/98-2001/2002

(In millions)	Project Schedule FY(S)	Project Budget	Work Completed FY97	Sources of Funding								
				Identified					To be Raised			
										Debt		
				Current Funds & University Reserves on Hand	*School Reserves on Hand*	*Gifts In Hand/ Pledges*	*Govnt*	*Unrestr. Revenue*	*Gifts To Be Raised*	*Schools*	*Auxiliaries/ Service Ctrs.*	*University*
III. DEFERRED MAINTENANCE												
Planning Goal: To address costs associated with the deferred maintenance problem.												
Deferred Maintenance												
University *	1998-99	$14.5						$3.6				$10.9
Medical School	1998-02	$1.8			$1.8							
Facilities Renewal-University **	1998-99	$12.7						$12.7				
Facilities Renewal-Medical School	1998-02	$5.7			$5.7							
Sub-Total		$34.7			$7.5			$16.3				$10.9
Student Housing												
H&DS Deferred Maintenance	1998-02	$75.2									$75.2	
Sub-Total		$75.2									$75.2	
TOTAL DEFERRED MAINTENANCE		**$109.9**			**$7.5**			**$16.3**			**$75.2**	**$10.9**
*** 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.												
Systems												
Networking & Comm Svcs Conduit & Cable	1998-02	$6.3									$3.6	$2.7
Applications	1998	$11.7		$11.7								
Infrastructure	1998	$9.6		$9.6								
Sub-Total Systems		$27.6		$21.3							$3.6	$2.7
Utilities												
Utilities System Control Improvements	1998-02	$3.5									$3.5	
Utilities Wearout	1998-02	$14.3									$14.3	
Utilities Expansion	1998-02	$18.9									$18.9	
Sub-Total Utilities		$36.7									$36.7	
Campus Infrastructure												
Stanford Infrastructure Program: Campus Systems	1998-02	$9.5										
Stanford Infrastructure Program: Transportation	1998-02	$14.0			$5.1							
Redevelop SUMC Entry	1997-99	$4.1	$0.1						$3.5			$0.6
Restore Main Quad Historic Features	1999-00	$3.1							$1.0			$2.1
Develop Serra Street as a Bike/Ped Mall	1996-99	$4.0							$2.0			$2.0
Sub-Total Infrastructure		$34.7	$0.1		$5.1				$6.5			$4.7
Offset SIP-C and SIP-T expenses with SIP income		($18.4)										
TOTAL INFRASTRUCTURE		**$80.6**	**$0.1**	**$21.3**	**$5.1**				**$6.5**		**$40.3**	**$7.4**

Stanford University Capital Plan -- 1997/98-2001/2002

				Sources of Funding								
				Identified					To be Raised			
										Debt		
(In millions)	Project Schedule FY(S)	Project Budget	Work Completed FY97	*Current Funds & University Reserves on Hand*	*School Reserves on Hand*	*Gifts In Hand/ Pledges*	*Govnt*	*Unrestr. Revenue*	*Gifts To Be Raised*	*Schools*	*Auxiliaries/ Service Ctrs.*	*University*
V. COMPLIANCE												
Planning Goal: To address required code compliance work.												
Americans With Disabilities Act (ADA)												
Placeholder for ADA Compliance	1998-02	$4.0	$0.5									$4.0
H&DS Compliance & ADA	1998-02	$4.0									$4.0	
Sub-total		$8.0	$0.5								$4.0	$4.0
Fire & Life Safety												
University	1998-02	$5.0						$5.0				
Medical School	1998-02	$0.4			$0.4							
Sub-total		$5.4			$0.4			$5.0				
Utilities Regulatory Compliance	1998-02	$0.6									$0.6	
TOTAL COMPLIANCE		**$14.0**	**$0.5**		**$0.4**			**$5.0**			**$4.6**	**$4.0**
VI. FINANCIAL CONTINGENCIES												
Planning Goal: To provision for contingencies in the project portfolio												
Estimating Contingencies	1998-02	$10.0										$10.0
Construction Financing	1998-02	$21.3								$0.7	$10.4	$10.2
TOTAL CONTIGENCIES		**$31.3**								**$0.7**	**$10.4**	**$20.2**
GRAND TOTAL		**$717.8**	**$127.1**	**$40.7**	**$63.2**	**$241.8**	**$24.6**	**$48.3**	**$36.5**	**$9.6**	**$136.5**	**$116.5**

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 and note some interesting trends or historical occurrences relative to the data.

Schedule 1 - Student Enrollment

The most striking item in this table is that in 1996/97 women undergraduates outnumbered men for the first time in Stanford's history. The number of men also continued to decline, a trend seen in seven of the last eight periods. The total number of non-TGR graduate students dropped fairly substantially this year to about the level we had in 1991/92. This was not the result of any policy changes, and we are investigating the reasons for the decline. Undergraduate students also declined slightly. We expect both totals to increase next year.

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 increased by over 25 percent since that time. The marked increase in the yield rate for the current year is a result of our new early decision program. Because of that program the yield rate this year is not directly comparable with previous periods.

Schedule 3 - Tuition and Fee Income

Total income is expected to rise at a greater rate (5.0%) than our tuition increase (4.0%) because we expect to enroll more students in both the undergraduate and graduate/professional areas. Application fees, the primary source of fee income, is expected to remain essentially flat because we do not expect much increase in numbers of applicants at either that undergraduate or graduate levels.

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 non-need based scholarship aid for athletics) that was awarded to undergraduate students in each of the last eight years. The last row shows Stanford tuition plus room and board, which has increased by 50% over the period. However, all Stanford funds in support of scholarship and grant aid have increased almost 67% over this period. Loans have increased by about 62%. 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. Our modest tuition increases of four percent for 1996/97 and 1997/98 should mitigate these trends.

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. The last row shows the number of students who receive need-based aid. The number of aided students declined in 1996/97 partly because of the enrollment decline noted in Schedule 1, although we expect it to increase in 1997/98 because enrollment is expected to grow. If one nets out family contribution, we are expecting aid per (aided) student to increase at about

4.5% between 1996/97 and 1997/98, just slightly more than the 4% tuition increase.

Schedule 6 - Total Professorial Faculty

The total professoriate has increased by about 20% since the early 1980s, but almost all of the growth is in the non-tenure line faculty. The number of tenure line faculty has declined by about 50 from its peak in 1991/92. In numerical terms this decline is shared equally by full and assistant professors, although the latter has declined by a larger percentage. In part, the result for full professors is due to some changes in the incentives offered for faculty early retirement.

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 substantial faculty in the last few years, but all of that growth is in non-tenure line individuals. In fact, the number of tenure line faculty has actually declined there over the four year period.

Schedule 8 - Number of Non-Teaching Employees

This schedule shows the number of regular (defined in the first footnote in the Schedule) non-teaching employees by activity for the last seven 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 the table has five footnotes indicating shifts across the categories or other changes over the period.

The number of non-teaching employees increased by about 180 in 1996/97. Factoring out SLAC and the School of Medicine, and the decline in Tresidder and the Faculty Club, the net increase in other units was about 100. This is the largest increase we have had since the repositioning and budget adjustment processes began in 1990.

Schedule 9 - Staff Employees Outside Medicine and SLAC

This graph shows the relation between two series of numbers of employees for the period 1983-1996. The first is staff employees in the schools (except Medicine) and independent laboratories—the sum of employees in the categories labeled “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 Dining Service, Tresidder, and the Faculty Club).

After peaking in 1989, the number of core staff trended down and declined by about 16% between 1989 and 1995 until increasing 2% in 1996. Employment in the schools and independent labs peaked somewhat earlier and did not decline nearly as much. After factoring in an estimate of the effect of the movement of SSRL to SLAC, the decline in this category from its 1987 peak to its nadir was about 3.5%, but it has jumped almost 7% since 1994 and is now above the 1987 peak.

Schedule 10 - Staff Benefits Detail

To support the various components of non-salary benefits provided to employees, a benefits rate is assessed to all salary and wage transactions. For 1997/98 the University has three different benefit rates. The note at the bottom of the table shows these rates. The most obvious change in benefits expense for 1997/98 is that tuition for research and teaching assistants will no longer be charged to staff benefits. This reduces expense by about $40 million. An increase of note is that contributions to the retirement plans of active employees are projected to increase over $4 million. The key factor here is the cost associated with the change to a contributory retirement plan for all non-union employees. Two large percentage decreases are for faculty early retirement expense and for "other" pension expense. The latter is also due to the change to a contributory retirement plan for all. The former is the result of moving to a more stable long-run cost after some special incentives offered for faculty early retirement a few years ago.

Schedule 11 - Sponsored Research Expense by Agency and Fund Source

We changed this Schedule this year to show only sponsored research grant and contract expense rather than total sponsored activity. Note also the that research at SLAC is not included in the Schedule. Direct expense from research sponsored by the Federal government increased each year except 1992/93, a year impacted by the movement of SSRL to SLAC. However, there was a substantial decline in our recovery of indirect costs in 1990-91 for well-known reasons, and this recovery has not reached the level we had in 1989-90. Non-US Government sponsored research has consistently been 12 to 13% of the total research expense. The largest suppliers of non-US research 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. General plant improvement expenses such as the Capital Utility Program (CUP) and Stanford Infrastructure Program (SIP) are included in the "All Other" category. To the extent possible, expenditures for equipment are excluded in these calculations. Expenses within each unit fluctuate year to year depending on the construction activity. The large increase in plant expenditures in Engineering in 1994/95 is primarily due to the construction of the Gates Computer Sciences Building. Expenditures remain high in 1995/96 with the construction of the Center for Integrated Systems (CIS) and building projects related to the Science and Engineering Quad (SEQ). Plant expenditures in Humanities and Sciences increase from 1994 to 1996 with the restoration of Language Corner and Geology Corner and the seismic repair program in the main quad. The drop in expenditures at the School of Medicine in 1994/95 can be attributed to the shift of the Faculty Practice Program (FPP) and the related plant expenditures to Stanford Health Services (SHS).

Schedule 13 - Endowment Value and Rate of Return

Note that the market value of endowment funds in this Schedule includes funds subject to living trust agreements. The nominal return on invested funds has been negative only once in the eleven years shown and has generally exceeded 10% per annum. Historically, this period has produced exceptional market returns for both stock and bond investments, and our endowment has obviously benefited. The target for annual real return on endowment funds is 6.25%, net of management fees. The average annual return has clearly exceeded that figure, and the figure itself has been met in all but three years in the Schedule.

SCHEDULE 1

Student Enrollment Autumn Quarter 1987/88 Through 1996/97

	Undergraduate			Graduate				
Year	Women	Men	Total	Women	Men	Total	TGR	Total
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
1996/97	3,283	3,267	6,550	2,094	4,279	6,373	888	13,811

Source: Registrar's Office third week enrollment figures

SCHEDULE 2

Freshman Apply/Admit/Enroll Statistics
Fall 1986 through Fall 1996

	Total Applications		Actionable Applications[1]		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent Change from Previous Year	Number	Percent of Actionable Applicant Admitted	Number	Percent of Admitted Applicants Enrolling
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
Fall 1996	16,478	6	15,608	6	2,634	17	1,610	61

1 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.

SCHEDULE 3

Breakdown of Tuition and Fee Income
Projected 1997/98 Budget
(In thousands)

	1996/97 Budget	Proposed 1997/98 Budget	$ Change 1996/97 to 1997/98	% Change 1996/97 to 1997/98
Tuition:				
Undergraduate	$129,996	$135,999	$6,003	4.6%
Graduate	106,736	112,148	5,412	5.1%
Other	9,475	10,200	725	7.7%
Summer	15,913	16,849	936	5.9%
Total Tuition	$262,120	$275,196	$13,076	5.0%
Miscellaneous Fees:				
Application Fees	$2,605	$2,627	$22	0.8%
Other Fees	1,100	1,200	100	9.1%
Total Fees	$3,705	$3,827	$122	3.3%
Total Tuition	$265,825	$279,023	$13,198	5.0%

SCHEDULE 4

Undergraduate Financial Aid by Source of Funds and Type of Aid [1]

	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Scholarships and Grants								
Stanford General Funds	$11,832	$12,078	$14,443	$15,834	$16,420	$17,736	$16,593	$17,453
Gifts and Endowment Income: Non Athletic[2]	5,924	6,699	7,468	6,868	10,936	12,355	14,762	15,999
Athletic Awards	4,947	5,142	5,141	5,252	5,603	5,639	6,328	6,626
Departmental Awards	160	125	123	98	782	566	455	415
External Grants[3]	8,863	8,605	8,516	8,884	8,983	9,448	10,407	11,477
Sub-Total for Scholarship and Grants	$31,726	$32,649	$35,691	$36,936	$42,724	$45,744	$48,545	$51,970
Loans								
University Funds	$1,576	$2,360	$2,112	$1,529	$1,333	$1,382	$1,157	$1,290
External Funds	6,307	6,173	7,318	8,181	9,234	9,763	11,389	11,453
Sub-Total for Loans	$7,883	$8,533	$9,430	$9,710	$10,567	$11,145	$12,546	$12,743
Jobs								
University Funds[4]	$1,451	$1,327	$1,764	$1,473	$1,869	$3,897	$4,175	$3,602
External Funds	191	214	224	110	128	396	367	438
Sub-Total for Jobs	$1,642	$1,541	$1,988	$1,583	$1,997	$4,293	$4,542	$4,040
Grand Total	$41,251	$42,723	$47,109	$48,229	$55,288	$61,182	$65,633	$68,753
Stanford Tuition	$17,821	$19,164	$20,210	$21,262	$22,850	$24,310	$25,465	$26,749

1 Figures are actuals and are in thousands of dollars. The data include all funds awarded to undergraduate students administered through the Financial Aid Office, including aid that is not need-based.

2 Includes support from the Stanford Fund.

3 All grants from Federal, state, or private sources.

4 Includes University match of funds from outside sources.

SCHEDULE 5

Undergraduate Financial Aid
Projected 1997/98 Budget
Needs and Sources, Including Parental and Student Contributions
(Thousands of dollars)

	1995/96 Actual	1996/97 Year End Projection	Increment from 1996/97 to1997/98	1997/98 Proposed Budget
Needs				
Tuition, Room & Board	$69,605	$71,241	$3,946	$75,187
Books and Personal Expense	6,784	6,860	331	7,191
Other	1,384	1,414	62	1,475
Total Needs	**$77,773**	**$79,515**	**$4,339**	**$83,853**
Sources				
Total Family Contribution (Includes parent contribution for aided students, self-help, summer savings, assets, etc.)	$35,505	$35,659	$1,480	$37,139
Endowment Income	12,022	14,658	2,105	16,763
Expendable Gifts	699	615	(100)	515
Stanford Fund	3,278	4,250	(750)	3,500
Federal Grants	2,715	2,642	151	2,793
California State Scholarships	3,446	3,400	306	3,706
Outside Awards	2,106	2,000	100	2,100
Department Sources	550	505	0	505
Unrestricted Funds	17,452	15,786	1,047	16,832
Total Sources	**$77,773**	**$79,515**	**$4,339**	**$83,853**
Number of Students on Need-Based Aid	2,705	2,650	50	2,700

Note: Sources other than the family contribution include only aid awarded to students who receive scholarship aid from Stanford. Thus, the sum of the amounts for scholarships and grants will not equal the figures in Schedule 4.

SCHEDULE 6

**Total Professional Faculty[1]
1972/73 Through 1996/97**

	Professors	Associate Professors	Assistant Professors[2]	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 [3]
1978/79	600	211	292	1,103	91	1,194
1979/80	620	210	286	1,116	94	1,210
1980/81	642	205	279	1,126	104	1,230
1981/82	661	200	294	1,155	103	1,258
1982/83	672	195	284	1,151	116	1,267
1983/84	682	195	286	1,163	129	1,292
1984/85	691	194	272	1,157	135	1,292
1985/86	708	191	261	1,160	135	1,295
1986/87	711	192	262	1,165	150	1,315
1987/88	719	193	274	1,186	149	1,335
1988/89	709	200	268	1,177	147	1,324
1989/90	715	198	265	1,178	146	1,324
1990/91	742	195	278	1,215	161	1,376
1991/92	756	205	263	1,224	182	1,406 [4]
1992/93	740	209	245	1,194	214	1,408
1993/94	729	203	241	1,173	225	1,398
1994/95	724	198	252	1,174	256	1,430
1995/96	723	205	241	1,169	287	1,456
1996/97	731	205	239	1,175	313	1,488

Data Source: Provost's Office

1 Some appointments are coterminous with the availability of funds.

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

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

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

SCHEDULE 7

Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professional Faculty[1]
1993/94 Through 1996/97

School Unit or Program	1993/94 Tenured	1993/94 Non-Tenured	1993/94 Non-Tenure Line	1993/94 Total	1994/95 Tenured	1994/95 Non-Tenured	1994/95 Non-Tenure Line	1994/95 Total	1995/96 Tenured	1995/96 Non-Tenured	1995/96 Non-Tenure Line	1995/96 Total	1996/97 Tenured	1996/97 Non-Tenured	1996/97 Non-Tenure Line	1996/97 Total
Earth Sciences	29	3	3	35	28	4	4	36	28	4	4	36	28	5	4	37
Education	35	4		39	34	4		38	34		3	37	34	5		39
Engineering	142	27	24	193	139	36	25	200	143	31	26	200	146	29	28	203
Humanities and Sciences	350	106	24	480	349	112	22	483	352	116	18	486	354	119	17	490
(Humanities)	(149)	(43)	(10)	(202)	(144)	(47)	(7)	(198)	(147)	(52)	(7)	(206)	(149)	(58)	(7)	(214)
(Sciences & Math)	(96)	(33)	(9)	(138)	(99)	(33)	(9)	(141)	(100)	(34)	(9)	(143)	(104)	(30)	(8)	(142)
(Social Sciences)	(105)	(30)	(5)	(140)	(106)	(32)	(6)	(144)	(105)	(30)	(2)	(137)	(101)	(31)	(2)	(134)
Law	36	8	1	45	36	6	1	43	35	6	1	42	33	5	1	39
Other			5	5			5	5			6	6			8	8
Subtotal	592	148	57	797	586	162	57	805	592	160	55	807	595	163	58	816
Business	57	21	1	79	58	21	1	80	54	23	1	78	56	28	1	85
Medicine	232	103	159	494	225	99	190	514	226	91	225	542	232	78	248	558
SLAC	10	10	8	28	21	2	8	31	21	2	6	29	21	2	6	29
Total	891	282	225	1,398	890	284	256	1,430	893	276	287	1,456	904	271	313	1,488

Data Source: Provost's Office
1 Population includes some appointments made part-time, "subject to Ph.D.," and coterminous with the availability of funds.

SCHEDULE 8

Number of Non-Teaching Employees As of December 31 of Each Year[1]

Activity	1990	1991	1992	1993	1994	1995	1996
School of Medicine[2]	1,803	1,867	1,950	2,073	1,614	1,563	1,670
Other Academic: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law	1,006	1,006	1,024	1,040	1,042	1,115	1,119
Physical Education and Athletics	80	90	82	83	84	98	104
Institutes and Research Labs[3]	460	467	365	369	364	358	384
Stanford Linear Accelerator Center [3]	1,195	1,160	1,301	1,240	1,355	1,311	1,310
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	237
Libraries: Includes personnel from all Libraries, Art Galleries, and Museums	587	583	574	558	569	567	573
Central Information Services[4] Information Resources, Data Center, Networking and Communication Systems	276	234	245	264	274	359	366
Development Office	205	196	197	175	134	136	135
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	470
Housing and Food Service	252	259	271	255	272	271	284
Tresidder and Faculty Club[5]	33	36	32	31	21	21	1
Administration[4, 6] Finance, President's Office, Provost's Office, Faculty/Staff Services, Public Affairs, University Counsel, Press, Events & Services	678	649	665	672	634	557	563
TOTAL	**7,384**	**7,300**	**7,437**	**7,467**	**7,045**	**7,034**	**7,216**

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 some clinics into Stanford Health Services (SHS).

3 SSRL shifted from Institutes and Research Labs into SLAC in 1992.

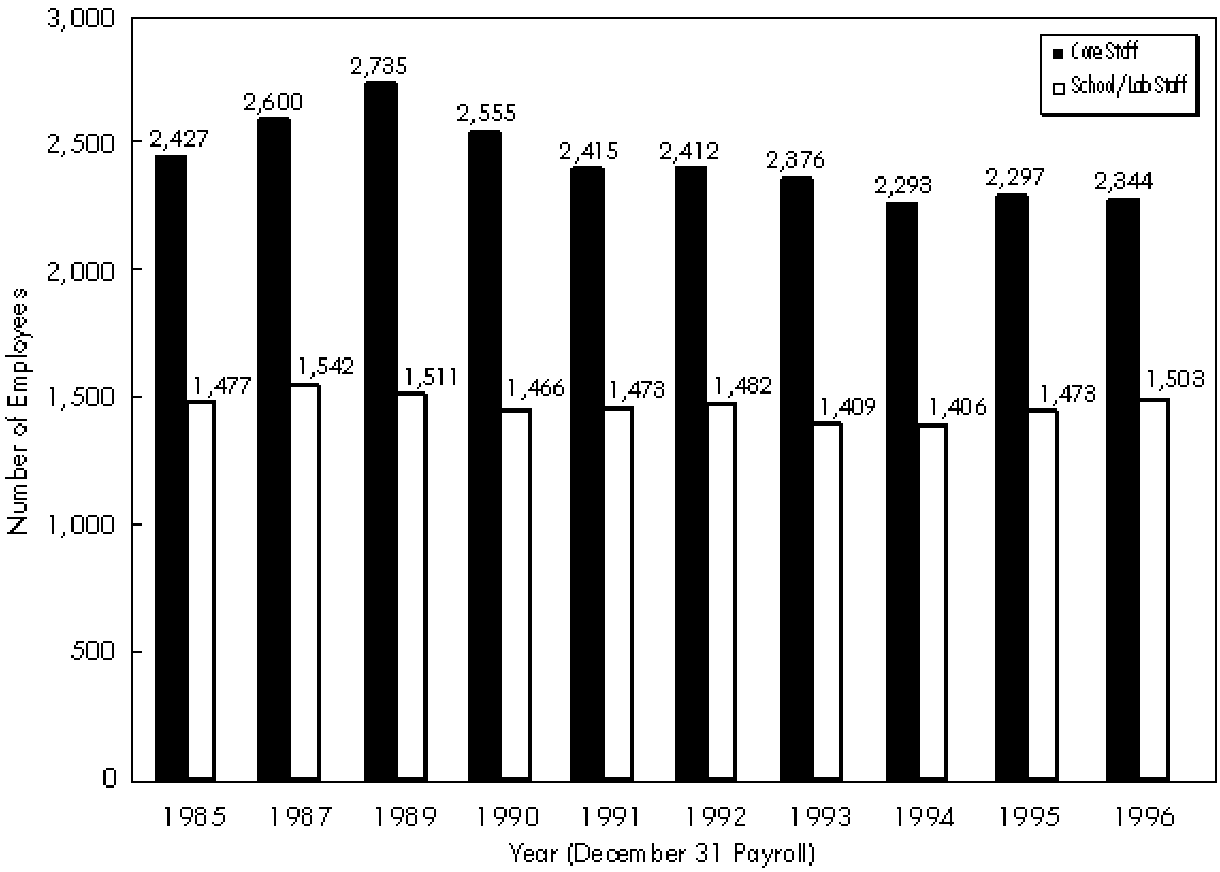
4 The staff members in BISA were counted in Administration prior to 1995. That function is now in Information Services.

5 Faculty Club and Tresidder services have been contracted to outside companies.

6 Administration includes the University Press and Events and Services in all years.

SCHEDULE 9

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.

SCHEDULE 10

1997/98 Projected Consolidated Budget Staff Benefits Detail
(Thousands of dollars)

Staff Benefits Program	1994/95 Actual Expenditures	1995/96 Actual Expenditures	1996/97 Negotiated Budget	1997/98 Projected Budget	Increase (Decrease) 1996/97 to1997/98	
Pension Programs:						
University Retirement	$31,626	$33,187	$36,924	$41,110	$4,186	11.3%
Social Security	33,514	35,779	37,638	38,848	1,210	3.2%
Faculty Early Retirement	7,698	10,491	5,760	4,930	(830)	-14.4%
Other	4,720	2,938	1,361	1,146	(215)	-15.8%
Total Pension Programs	$77,558	$82,395	$81,683	$86,034	$4,351	5.3%
Tuition Waiver Programs:						
Faculty/Staff Tuition Grant Program	$4,687	$4,597	$4,820	$5,473	$653	13.5%
Research Assistants and Postdocs	26,935	28,486	30,263	0	(30,263)	-100.0%
Teaching Assistants	8,512	8,533	8,792	0	(8,792)	-100.0%
Total Tuition Waiver Programs	$40,134	$41,616	$43,875	$5,473	($38,402)	-87.5%
Insurance Programs:						
Medical Insurance	$19,432	$19,016	$18,453	$18,804	$351	1.9%
Retirement Medical	6,881	6,026	6,005	5,905	(100)	-1.7%
Worker's Comp/LTD/ Unemployment Insurance	4,741	4,990	7,085	7,129	44	0.6%
Dental Insurance	4,555	4,861	4,835	5,200	365	7.5%
Group Life Insurance/Other	2,952	2,956	3,182	3,296	114	3.6%
Total Insurance Programs	$38,561	$37,849	$39,560	$40,334	$774	2.0%
Miscellaneous Programs:						
Severance Pay	$2,880	$4,410	$4,110	$4,254	$144	3.5%
Sabbatical Leave	6,741	7,503	7,723	7,257	(466)	-6.0%
Other	3,746	3,688	4,434	4,566	132	3.0%
Total Miscellaneous Programs	$13,367	$15,601	$16,267	$16,077	($190)	-1.2%
Total Staff Benefits Programs Expense	$169,620	$177,461	$181,385	$147,918	($33,467)	-18.5%
Carryforward/Adjustment from Prior Year(s)	(5,048)	(23,159)	(6,576)	(15)	6,561	-99.8%
Total Expense with Carryforward/Adjustments	$164,572	$154,302	$174,809	$147,903	($26,906)	-15.4%
Budgeted Staff Benefits Rate	28.2%	26.2%	28.6%	25.6%		

Note: The University has three fringe benefit rates for 1997/98, and the single rate shown just above is the weighted average of the three rates. The three rates are 26.1% for regular employees, which includes all faculty and staff with continuing appointments, 15.6% for post-doctoral scholars, and 8.7% for contingent (casual or temporary) employees.

SCHEDULE 11

Sponsored Research Expense by Agency and Fund Source[1]

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
US Government							
Sub-Total for US Gov.	$260,250	$245,244	$267,449	$256,713	$271,326	$275,580	$298,149
Agency[2]							
DoD	$40,002	$35,054	$36,133	$41,972	$40,384	$44,390	$48,185
DoE (Except SLAC)[3]	27,237	20,265	24,558	10,328	9,216	9,049	7,958
NASA	44,589	53,903	62,925	53,892	57,394	58,728	66,626
DoEd	1,208	886	819	172	0	0	301
HHS	116,751	107,162	111,180	117,077	129,306	125,440	132,754
NSF	25,203	21,805	23,840	24,539	25,436	28,230	29,969
Other US Sponsors	5,260	6,169	7,994	8,733	9,590	9,743	12,356
Direct Expense-US	175,877	182,072	201,742	185,314	192,758	201,589	217,602
Indirect Expense-US	84,373	63,172	65,707	71,399	78,568	73,991	80,547
Non-US Government							
Subtotal for Non-US Gov.	$35,465	$34,936	$35,946	$35,982	$40,566	$41,245	$44,307
Direct Expense-Non US	27,780	28,590	29,083	28,791	32,640	33,280	35,804
Indirect Expense-Non US	7,685	6,346	6,863	7,191	7,926	7,965	8,503
Grand Totals-US plus Non-US							
Grand Total	$295,715	$280,180	$303,395	$292,695	$311,892	$316,825	$342,456
Grand Total Direct	$203,657	$210,662	$230,825	$214,105	$225,398	$234,869	$253,406
Grand Total Indirect	$92,058	$69,518	$72,570	$78,590	$86,494	$81,956	$89,050

1 Figures are only for sponsored research and are in thousands of dollars. SLAC expense is not included in this table.

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

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

3 The decline in 1992/93 in research sponsored by DoE is primarily due to the migration of SSRL to SLAC.

SCHEDULE 12

Plant Expenses by Units[1,2]

Unit	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
GSB	$2,413	$3,386	$1,834	$437	$90	$116	$1,124
Earth Science	1,311	317	6,325	12,792	3,288	793	284
Education	170	1	0	0	0	161	187
Engineering	1,721	1,042	593	2,253	9,293	32,839	40,626
H & S	13,093	15,720	5,776	12,676	15,488	22,445	26,448
Law	15	0	0	0	129	7	34
Medicine[3]	12,765	21,077	22,760	21,408	12,479	3,160	2,346
Libraries	(7)	1,319	2,505	6,544	413	1,852	5,783
DAPER	5,134	1,696	521	4,502	18,542	2,399	3,968
Housing	6,304	13,917	10,012	11,562	11,944	26,567	21,424
All Other[4]	19,992	25,163	25,007	28,634	20,300	14,864	21,664
TOTAL	$62,911	$83,638	$75,333	$100,808	$91,966	$105,203	$123,888

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 Stanford Infrastructure Program expense.

SCHEDULE 13

Endowment Market Value and Rate of Return

Year	Market Value of the Endowment (in thousands)[1]	Annual Nominal Rate of Return	Annual Real Rate of 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%
1995/96	3,779,420	20.2%	18.2%

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.