The Stanford University Budget Plan 1998/99

Submitted for Action to the
Board of Trustees
June 11–12, 1998

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http://www.stanford.edu/dept/pres-provost/budget/plans/plan99.html

Executive Summary

I am pleased to submit the 1998/99 Stanford University Budget Plan for your approval.

This Budget Plan is presented in two parts. The first is the Consolidated Budget for Operations, which includes all of Stanford's anticipated revenues and expenditures for current operations. The second is the Capital Budget, which shows the capital expenditures planned for next year. Together, these budgets reflect a University-level perspective on our programmatic plans and the supporting financial strategy for 1998/99.

For the last five years we have worked to establish a sound financial basis to support excellence in our core academic programs as well as innovation and experimentation. This Budget Plan is intended to put in place firm budgetary support for the programmatic directions that have emerged in the last few years. As such it moves a number of our most important initiatives, treated heretofore as experimental, to permanent funding.

No set of innovations is more important to Stanford's future than those that emerged from the Commission on Undergraduate Education, appointed by President Gerhard Casper in 1993. The total expenditure for these initiatives in undergraduate education is budgeted at $13.5 million, an increase of $4.3 million over last year. $3.4 million of that increase is to support the reform of the first two years of the college curriculum, known as Stanford Introductory Studies. Through long-term gift support and base funding, we will assure each member of next year's freshman class the opportunity to participate in a freshman seminar. The incremental funding allows next year's Sophomore college enrollment to double. In addition, the new Area One requirement, Introduction to the Humanities, is supported in this budget.

Incremental base budget commitments have also been made to the yield enhancement and alumni involvement activities of the Office of the Dean of Admissions, to undergraduate advising and residential education, and to the financial aid improvements approved by the Board of Trustees in February 1998.

The Stanford Graduate Fellowship program enters its second year in 1998/99 with the admission of another superb group of students. In 1998/99 the program will be supported by presidential discretionary funds but will ultimately be funded by endowment funds. This program, coupled with base commitments to supplement graduate stipends throughout the University, represents a renewed commitment to excellence in our graduate programs.

The last few years have also been devoted to improving our academic and administrative computing systems and the infrastructure to support them. Our efforts to keep pace with the increased demands for information technology are reflected in this budget. We have made a multi-year commitment to re-wire our academic buildings, plus base allocations of $1.1 million to support the network, a multi-year commitment of $400,000 to improve and maintain classroom technology, and $400,000 to the Academic Technology Specialists program. In addition, this budget funds the second phase of the replacement of our core financial accounting systems.

Even as we begin to consolidate funding for our core academic priorities, we are cognizant of the significant uncertainties that we face. We have been the beneficiary of a far more stable sponsored research environment than we dared hope for several years ago. We have benefited too from sustained strength in the financial markets and the generosity of our donors. Nonetheless, the potential for market volatility and changes in federal indirect cost recovery rules remain. Consequently, we have maintained the modest unrestricted budget base reserve, established in the 1996/97 budget, to provide a buffer against future income shortfalls. For 1998/99, this reserve is projected to be $12.2 million – less than 1% of the Consolidated Budget for Operations.

We have also worked closely with the deans over the past two years to identify funds in the schools and departments that could cover any unexpected shortfalls in research funding supporting graduate students or other short term disruptions in research activity. In general, the schools are now adequately reserved for these purposes.

Finally, we should note that Stanford has contributed to and benefited from the growth of Silicon Valley and the extraordinarily robust economy in which we operate. Yet the downside of that prosperity is more evident each day: there is increased pressure on salaries, particularly for some categories of staff; housing costs are extremely high for new faculty and staff; graduate students find it difficult to afford and, in many cases, to find housing in the area; and the cost of purchased goods and services is high. These cost pressures have been reflected in a higher inflation rate locally (4.2% in 1997) compared to the national rate (1.7% in 1997).

We have attempted to manage these pressures in several ways:

- We are targeting supplemental salary increases to those employee groups that are significantly below market, particularly in the information technology areas, where the local market for professionals is very intense.
- As the local housing market has grown tighter and more expensive for faculty and staff, we have had to supplement the Housing Assistance Program (HAP). HAP is budgeted at $3.6 million. Special assistance programs beyond HAP include relocation loans, one time supplemental payments, and other departmental support. The cost of these supplemental programs has increased from $1 million in 1991 to over $7 million in 1997.
- We are working closely and aggressively with vendors to keep increases in the cost of purchased goods and services to a minimum.
- While recognizing the effects of local inflation, we have held fast to revenue constrained budgeting for general funds. “Cost-rise,” which assured units an increment for inflation, has not been reinstated. General funds allocations for all non-salary budgets remain flat in nominal terms, with each unit expected to reallocate expenses or use restricted funds to address any cost increases. This permits us to make targeted interventions rather than across the board allocations.
- We have taken steps to reconfigure and increase on-campus student housing. Because of the extremely tight graduate housing situation, we have budgeted an 8.0% increase in stipends, which will help off-campus students address rent increases. Supplemental grant and loan programs have also been established to assist the neediest students. In addition, we are beginning to plan for new graduate student housing, although, realistically, we cannot expect to open new facilities for the next two years.

CAPITAL BUDGET

The Capital Budget included in this plan is for one year, concluding the ambitious $700 million, 5-year plan that will result in the completion of earthquake repairs and seismic strengthening, the Science and Engineering Quad, the Museum, Green Library West, and virtually all of the Center for Clinical Sciences Research (CCSR). Next year's Capital Budget includes $217.8 million in projected expenditures on capital projects.

The following are the key elements of the 1998/99 Capital Budget:

- Construction Expenditures on Approved Projects – In addition to the $11.7 million for Green Library West and the $31.2 million for CCSR, projects totaling $53.3 million were previously approved, bringing the total budget for approved projects to $96.2 million.
- Infrastructure – The Capital Budget contains $49.4 million in infrastructure projects. These include renovations to the student housing system, enhancements and renovations of our utilities systems, deferred maintenance costs, information systems costs, and the Stanford Infrastructure Program, which includes landscaping, transportation, and parking projects. Infrastructure projects are funded by fees on projects, parking fees, debt, and by general funds supporting the deferred maintenance program.
- Projects in Planning – Several projects are also in the formulation stage, including the Alumni Center, approved in concept by the Board of Trustees in April 1998. These projects add $72.3 million to the 1998/99 Capital Budget.

The Capital Budget affects the Operations Budget in two direct ways: the several new facilities coming on-line next year will require $3.0 million for incremental operations, maintenance, and utility costs. We are also adding $5.1 million in incremental debt service over the projected 1997/98 actuals.

FINANCIAL OVERVIEW AND PLANNING ASSUMPTIONS

THE BOTTOM LINE – The Budget Plan projects revenues and transfers of $1.428 billion and expenses of $1.411 billion in the Consolidated Budget for Operations. The resulting surplus of approximately 1% ($16.8 million) results from the general funds surplus of $12.2 million, noted above, and an anticipated excess of restricted revenue over expense. For the fifth consecutive year, the Consolidated Budget for Operations projects a modest surplus.

SUPPLEMENTAL ENDOWMENT PAYOUT FOR INFRASTRUCTURE – The Plan assumes a 0.5% supplement to the traditional endowment target payout rate of 4.75% to help defray infrastructure costs related to 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 non-formula general funds component of the Consolidated Budget be held at 1% over inflation. As noted earlier, national inflation has been running at approximately 2%; locally, however, inflation is slightly higher than 4%. We have split the difference between the two numbers and used 3% as our assumption for inflation. Our continuing general funds costs are budgeted next year to increase at 4%. Consequently, we believe this Plan operates within the Trustees' guidelines.

PRINCIPAL ASSUMPTIONS – The following are the principal assumptions used in the development of the Budget Plan:

Tuition Rate Increase	3.8%
Room and Board Rate Increase	2.8%
Staff Salary Growth	3.0%
Faculty Salary Growth	3.0%
` Benefits Rates:	
Regular Benefits-Eligible Employees	25.4%
Post-Doctoral Research Affiliates	14.6%
Casual/Temporary Employees	8.4%

REQUESTED APPROVAL AND ORGANIZATION OF THIS DOCUMENT

This Budget Plan provides a University-level perspective on Stanford's programmatic and financial plans for 1998/99. We seek approval of the planning directions, the principal 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 1 describes the principal financial elements of the Plan, including the Consolidated Budget for Operations and the projected Statement of Activities for 1998/99. Section 2 addresses a number of programmatic issues in the academic and support areas of the University. Section 3 contains detail on the Capital Budget, and Section 4 provides a brief commentary on future budget issues. The appendices contain the individual budgets of the major academic units, detail on the Capital Budget, and supplementary financial information.

CONCLUSION

This budget is the result of a collaborative effort with the deans, other principal administrative officers, my faculty advisory colleagues, and the staff of the Budget Office. Their good work has been essential in developing our plans and the supporting materials. I look forward to their continued involvement as we implement this budget in 1998/99.

Condoleezza Rice
Provost
June, 1998

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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:

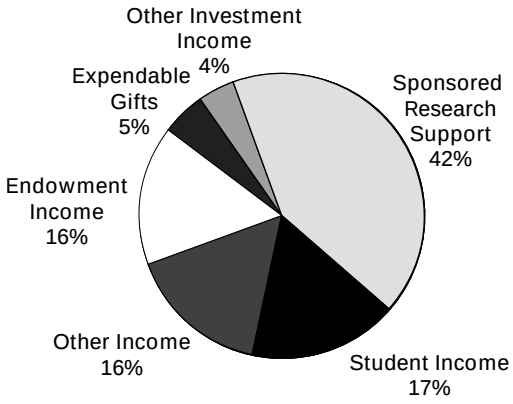
- The Consolidated Budget for Operations
- The Capital Budget
- The Projected Statement of Activities

CONSOLIDATED BUDGET FOR OPERATIONS

The Consolidated Budget for Operations includes all revenues and expenditures for current operations. 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 actuals for 1996/97, the budget for the current fiscal year, 1997/98, the estimated year-end projections for 1997/98, and the projected consolidated revenues and expenditures for 1998/99. Definitions of key terms are provided. 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.

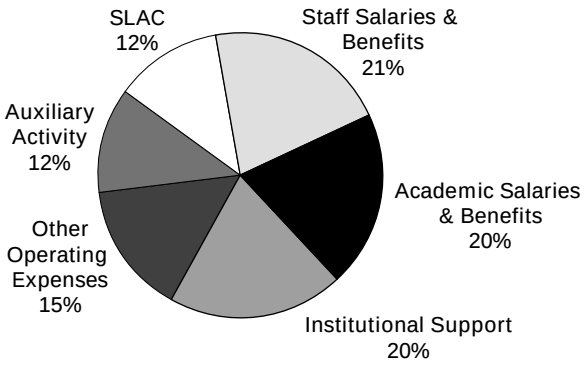
It is important to note that the Consolidated Budget for Operations is presented essentially in a "cash format." In other words, it only shows those revenues and expenditures available for current operations. It does not include plant funds, student loan funds, and endowment principal funds, although endowment income is reflected in this budget. Later in this section, we make a series of adjustments to

1998/99 Consolidated Revenues: $1,484M[1]



1 After accounting for transfers, the total of Revenues and Transfers is $1,428M

1998/99 Consolidated Expenditures: $1,411M



Projected Consolidated Budget for Operations, 1998/99

(in millions of dollars)

1996/97 Actuals	1997/98 Budget June, 1997	1997/98 Projected Yr-End Actuals		General Funds	Designated	Restricted	Grants and Contracts	Auxiliaries/ Other	1998/99 Total Current Funds
			Revenues and Other Additions						
			Student Income:						
135.3	140.2	137.9	Undergraduate Programs	143.3					143.3
129.3	138.8	141.1	Graduate Programs	146.6					146.6
52.3	54.5	54.6	Room and Board					57.3	57.3
(66.4)	(95.4)	(93.6)	Student Financial Aid	(40.0)	(4.0)	(47.2)	(9.5)		(100.7)
250.5	238.1	240.0	Total Student Income	249.9	(4.0)	(47.2)	(9.5)	57.3	246.5
			Sponsored Research Support:						
335.1	335.1	349.3	Direct Costs—University				357.8		357.8
192.8	171.0	176.4	Direct Costs—SLAC				171.8		171.8
96.9	90.5	96.2	Indirect Costs	98.5					98.5
624.9	596.6	621.8	Total Sponsored Research Support	98.5			529.6		628.1
81.9	73.0	80.0	Expendable Gifts In Support of Operations	5.0		75.0			80.0
			Investment Income:						
191.7	206.2	218.2	Endowment Income	65.1		172.7			237.8
63.6	45.7	53.6	Other Investment Income	21.4	17.0	16.3	0.2		54.9
5.2			Unrealized Gain						
260.5	251.9	271.8	Total Investment Income	86.5	17.0	189.0	0.2		292.7
			Other Income:						
94.0	100.3	112.7	Special Programs Fees		87.7				87.7
90.2	94.1	103.8	Auxiliaries (excl. Room & Board)					105.8	105.8
42.1	34.5	42.7	Other Income	16.5	33.0	(6.7)	0.1		42.9
226.3	228.9	259.2	Total Other Income	16.5	120.7	(6.7)	0.1	105.8	236.4
1,444.1	**1,388.5**	**1,472.9**	**Total Revenues**	**456.4**	**133.7**	**210.1**	**520.5**	**163.1**	**1,483.7**
			Transfers and Other Adjustments						
16.5	10.0	15.0	Net Assets Released from Restrictions			15.0			15.0
			Transfers to Unrestricted University Reserves	(12.2)	12.2				
			Transfers to Designated Funds	(24.3)	24.3				
(13.8)	(25.0)	(11.5)	Additions to Endowed Equity		(5.5)	(10.6)			(16.0)
(60.2)	(39.0)	(59.4)	Transfer to Plant/Student Loan	(11.8)	(32.9)	(9.8)			(54.5)
1,386.5	**1,334.5**	**1,417.0**	**Total Revenues and Transfers**	**408.1**	**131.8**	**204.7**	**520.5**	**163.1**	**1,428.2**
			Expenditures						
256.0	252.6	261.6	Academic Salaries and Benefits	97.6	31.2	74.6	84.4		287.8
284.7	275.4	287.5	Staff Salaries and Benefits	149.8	41.0	51.1	54.1		296.0
192.8	171.0	176.4	SLAC				171.8		171.8
157.9	148.6	158.4	Auxiliary Activity					163.7	163.7
271.3	250.9	281.4	Institutional Support	107.7	28.8	35.4	116.3		288.2
190.6	206.0	200.6	Other Operating Expenses	53.0	24.2	32.8	93.9		203.9
1,353.3	**1,304.5**	**1,365.9**	**Total Expenditures**	**408.1**	**125.2**	**193.9**	**520.5**	**163.7**	**1,411.4**
33.2	**30.0**	**51.1**	**Surplus/(Deficit)**	**0.0**	**6.6**	**10.8**	**0.0**	**(0.6)**	**16.8**

the Consolidated Budget, in order to convert it 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 Report.

The 1998/99 Consolidated Budget for Operations projection, as displayed on page 2, shows revenues and transfers of $1.428 billion and expenditures of $1.411 billion, resulting in a bottom line surplus of $16.8 million, approximately 1% of total expenditures. The projected surplus is driven by three factors. The first is a $12.2 million unrestricted University Reserve, which, as noted in the Executive Summary, is a buffer against the possibility of shortfalls in investment and research income. The second is the expectation of additional transfers to designated funds that reflect a multi-year pattern of actual actions by schools and departments as they build local contingencies and save for future projects and programs. Finally, we anticipate that strong endowment performance will result in a net excess of restricted income over expense. Grants and contracts are projected to be in balance.

An analysis of budget growth must be viewed from two perspectives. The first is the variance between the 1997/98 budget and the projected year-end actuals. Our projected year-end actuals are higher than the budget on both revenue and expense. On the revenue side, research volume is significantly higher than originally forecasted. Our 1996/97 research volume actuals, from which we forecast the 1997/98 year-end results, were higher than expected, thus increasing our projection for 1997/98. Investment income has increased because market performance and gifts to endowment for both 1996/97 and 1997/98 are stronger than planned. We are also seeing an increase in other income due to unexpected

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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 directed 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 Financial Accounting Standards Board 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.

Student Financial Aid: Includes expenses for undergraduate and graduate student aid and the tuition allowance for teaching assistants and research assistants not charged to grants and contracts. In accordance with the University financial statements format, these expenditures are shown as an offset to student income. Student stipends are not considered to be financial aid and are included in Other Expenses.

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.

one-time patent income and under-estimation of auxiliary activity. On the expense side, salaries are higher than budget due to the increase in research volume, the hiring of faculty into existing billets, particularly in the Medical Center line in the Medical School, and additional staff positions. The projected actual expense for institutional support is up considerably compared to budget due principally to an increase in subcontracts on sponsored research projects.

The second perspective on budget growth is an analysis of the forecast over year-end projected actuals. Total revenues and transfers in 1998/99 are projected to increase at about 1% over the expected 1997/98 levels. Adjusting for SLAC, revenues and transfers are expected to grow at 1.3% over projected actuals. This rather slow growth is a result of several factors: a modest increase in net tuition income; cautious assumptions in research and gifts; and a drop in other income due to the expiration of the Cohen-Boyer patent. These negative factors are offset by strong investment growth. Total expenditures are expected to grow by 3.3% over the estimated year-end results for 1997/98; adjusting for SLAC, expenditures are expected to grow at 4.2%. Since expenditures are expected to increase at a rate somewhat faster than revenues, the total surplus in 1998/99 is expected to be smaller than that projected for the current year.

The Consolidated Budget by Principal Income and Expenditure Categories

INCOME (REFER TO TABLE ON PAGE 2)

Student Income

Increases in student charges for both tuition and room and board are guided by our estimates of the growth in family income, our market position, and the general price inflation, particularly in the Bay Area.

TUITION – The general tuition rate increase for 1998/99, which was approved by the Trustees in February, is 3.8%. This increase is consistent with our continuing goal 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. The approved increase, together with a substantially lower increase in the room and board rate, will yield a total increase in student charges of 3.5%, a figure we expect will be slightly below the growth in family income. We expect that our tuition increase will be comparable to – or slightly lower than – the increases of our competition. And, given that local inflation is projected within the 3% range, our price increase is as close to inflation as it has been in several years. Total tuition and fee income in 1998/99 is projected to grow by 3.9% over the current year's budgeted tuition income due to the rate increase and increases in fee income.

ROOM AND BOARD – In February the Trustees approved a combined room and board rate increase of 2.8%. This increase is in keeping with the goal, established a year ago, of holding room and board rate increases close to the projected rate of inflation. In fact, it represents the first year in recent memory when our price increase was less than projected inflation. This policy is intended to constrain rate increases while providing the ability to make progress on the renovation of student residences through the multi-year Capital Improvements Plan. While this plan remains unchanged, it has been made more affordable by lengthening it from 12 to 15 years, with completion now scheduled for 2006/07.

STUDENT FINANCIAL AID[1] – Stanford expects to spend a total of $100.7 million in financial aid for both undergraduate and graduate students, $40.0 million of which will come from general funds. The remainder will be supported by designated and restricted funds ($51.2 million) and grants and contracts ($9.5 million). The total financial aid numbers in 1998/99 are 7.6% higher than the projected total in the current year due principally to an expansion of the undergraduate financial aid program.

1 In accordance with University financial statements format, student financial aid is shown as an offset to student income.

1998/99 Student Financial Aid and Other Graduate Student Support from Stanford Resources
(in millions)

	General Funds	Designated and Restricted	Grants and Contracts	Total
Student Financial Aid				
Undergraduate Need-Based	$14.2	$23.1	$2.8	$40.1
Undergraduate Athletic		9.1		9.1
Graduate	6.0	14.3	4.9	25.2
Tuition Allowance	19.8	4.7	1.7	26.3
Total	40.0	51.2	9.5	100.7
Other Graduate Student Support[1]				
Stipends	11.4	14.4	19.1	45.0
Other Tuition Allowance	0.5	3.1	13.7	17.3
RA and TA Salaries	11.1	14.0	37.5	62.6
Total	23.1	31.5	70.3	124.9
Total Student Support	**$63.1**	**$82.7**	**$79.8**	**$225.6**

1 Neither Stanford's audited financial statements, nor the Consolidated Budget for Operations on page 2, include the "Other Graduate Student Support" items in the line called Student Financial Aid. These expenditures are included in the Other Operating Expenses line.

Undergraduate aid – Stanford remains committed to meeting the demonstrated financial need of its undergraduate students. We estimate that, in 1998/99, Stanford resources will provide $40.1 million in need-based scholarship support for undergraduates, an increase of 17.2% over 1997/98 projected actuals. Of this amount, $14.2 million will come from general funds.

The principal reasons for this growth in undergraduate aid are two financial aid policy changes approved by the Trustees in February. The first change is to limit the impact of home equity when calculating financial aid eligibility. Home value will be capped at three times annual household income before the amount of home equity is determined for the eligibility calculation. This change, which results in an addition of $1.8 million to the general funds budget for undergraduate financial aid, will assist those with home values that have risen much faster than their family incomes. The second change reduces, and in many cases eliminates, students' required contributions from academic-year jobs and loans by changing how the University considers outside scholarships when determining undergraduate financial aid packages. Under the new policy, outside scholarships won by students will directly offset students' required contributions in contrast to the existing policy that only gives partial credit for these outside awards. The incremental cost of this new policy is $2.0 million and will be supported by Presidential funds in the next three budget years, after which time it will be supported by general funds.

The table on the following page shows that the number of undergraduate students receiving some type of grant aid from Stanford declined in 1996/97. However, the total number is expected to increase slowly this year and next, but not return to the previous high of 2,705 students. The share of undergraduate aid supported by general funds has dropped from 46% to 29% over the past four years. This is due primarily to the growth of restricted funds (gifts and endowment income) and to support

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

Source of Aid	1993/94 Actual	1994/95 Actual	1995/96 Actual	1996/97 Actual	1997/98 Projected	1998/99 Budget
Restricted	$12,745	$14,012	$13,271	$15,883	$18,130	$19,618
Stanford Fund/Presidential Funds[1]		1,250	3,278	4,492	4,300	6,300
General Funds	17,736	16,593	17,452	13,737	11,803	14,187
Subtotal Stanford Funded Financial Aid	30,481	31,855	34,001	34,112	34,233	40,105
Govt. and Outside Awards	8,399	8,666	8,267	8,042	8,340	8,529
Total Undergraduate Financial Aid	**$38,880**	**$40,521**	**$42,268**	**$42,154**	**$42,573**	**$48,634**
Number of Students	2,654	2,698	2,705	2,584	2,600	2,625
General Funds as a Share of Total Aid	46%	41%	41%	33%	28%	29%
General Funds and Stanford Fund as a Share of Total Aid	46%	44%	49%	43%	38%	42%

1 This line is only the Stanford Fund through 1997/98. In 1998/99, Presidential Funds will contribute $2.0 million to support the change in the treatment of outside awards.

from the Stanford Fund and Presidential funds. The combination of these two funding sources has offset the slow growth of government aid and reduced the burden on general funds. Together, all of these funding sources have combined to keep pace with the growth in student and family demonstrated need for undergraduate grant aid. Appendix C includes additional information on undergraduate financial aid.

Graduate aid - Stanford offers financial support to graduate students in the form of fellowships, research assistantships, and teaching assistantships. Included in a teaching or research assistantship is tuition allowance that covers a student's 9-unit tuition bill during his or her appointment. Consistent with Stanford's financial statement format, teaching and research assistantship salaries are not included in the financial aid line. Moreover, stipends and tuition allowance that are charged to either the instruction budget or to grants and contracts also are not included in the line for financial aid. As displayed in the table on page 5, these other sources of graduate student support are significant, amounting to $124.9 million in 1998/99.

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. Research assistantships are funded primarily from sponsored agreements; teaching assistantships are funded both from general and department funds. Fellowships are supported primarily by unrestricted funds and by endowment income.

Of particular note, the Stanford Graduate Fellowship program enters its second year in 1998/99. The program will support roughly 110 new Stanford Graduate Fellows in addition to the 122 students who are Fellows in the current year. The total cost of this program in 1998/99 is budgeted at $6.5 million and will be supported principally by funds from a presidential reserve. When the program reaches its full complement of students in 1999/00, we anticipate 350 students at a cost of approximately $10 million, to be funded primarily by restricted endowment income.

Sponsored Research Support and Indirect Cost Recovery

The total budget for Sponsored Research Support is expected to be $628.1 million in 1998/99, or 42% of the total revenues projected in the Consolidated Budget for Operations. Included in this total are both 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 several proposed changes to OMB Circular A-21 that may affect the rate calculations for 1998/99. Until the pending regulations are finalized and Stanford concludes its negotiations with the government, we are assuming that indirect cost recovery will be just slightly higher than the level anticipated for 1997/98.

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 1998/99 is 4.95%, which includes the supplemental component for infrastructure support described below. This rate is below the target payout rate of 5.25%, including the supplemental 0.5%, because the endowment market value has grown significantly faster than our long-term assumption of 6.25% above inflation.

Endowment income in 1998/99 is expected to total $237.8 million, an increase of 9.0% over 1997/98 projected actuals. This includes income from the merged pools, specifically invested endowment, and rental income from the Stanford Research Park and other endowed lands. Of the total endowment income, $65.1 million, or 27.4%, is projected to support the unrestricted budget. This amount includes the income generated from Stanford endowed lands. 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 $13.9 million in 1998/99, up significantly from the actual rental income of $7.7 million in 1996/97. By Board policy, one-half of the net income from Stanford endowed lands is reinvested in endowment principal. This is accounted for by netting out half of the total expected rental income in the Other Investment Income line in the Consolidated Budget, to conform with the audited financial statements.

Supplemental Payout Increase – Beginning in 1995/96, the Board of Trustees approved a supplemental 0.5% increase in the endowment payout rate to help pay for increased infrastructure related expenses such as debt service on seismic restoration projects, deferred maintenance, and administrative systems. We have used these funds to offset such expenses and will continue that approach in 1998/99.

Other Investment Income – Other investment income consists primarily of payout from the Expendable Funds Pool (EFP), the investment 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, 4.0% of the EFP balance is paid out annually. If actual earnings exceed 4.0%, an additional amount up to 2.0% may be used to support the unrestricted budget. The Consolidated Budget assumes the full 6.0% return will be achieved.

(If total return on the EFP is less than 4.0%, then a buffer reserve will be used to supplement the actual earnings of the EFP so that the 4.0% can be paid out. If total return exceeds 6.0%, the excess returns are used to replenish the buffer reserve.) Total income from this source is expected to be $54.9 million.

Expendable Gifts
Non-capital gift income is expected to total $80.0 million in 1998/99. 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 we anticipate in 1997/98.

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) Other Income.

Special Program Fees – These fees are comprised of a wide range of income sources generated by a variety of programs across the University. One of the largest components is patent and royalty income, which is projected to be about $15 million. This is down from approximately $25 million in 1996/97, reflecting the first year in which we will receive no income from the Cohen Boyer patent. Special program fees also includes $8.6 million from the affiliates program and $7.6 million from the Stanford Center for Professional Development, both in the School of Engineering; and $10.2 million from the executive education programs in the Graduate School of Business. Overall, special program fees are projected to be $87.7 million in 1998/99.

Auxiliary Income – Auxiliary income, excluding room and board fees, is projected to be $105.8 million. It includes anticipated payments by UCSF/Stanford Health Care to cover faculty and staff services provided by the Medical School for clinical care, the income for the Schwab Center, and other revenue from the auxiliary operations including conference fees, athletic event ticket sales, television income, and the sale of Stanford Press books.

Other Income – Other income is projected at $42.9 million. The largest component of this category is reimbursements for central support services provided to auxiliary organizations ($13.0 million). Also included are medical direction fees received by the School of Medicine from the Lucille S. Packard Children's Hospital ($13.0 million) and the income generated by the infrastructure charge ($3.5 million).

Transfers and Other Adjustments

Several adjustments and transfers need to be made to reflect accurately the net income available for operations expenses. They are explained below.

Transfers to University Reserves – This is a general funds reserve of $12.2 million set aside to cushion Stanford against potential income shortfalls, particularly in research and investment income.

Transfers to Designated Funds – $24.3 million of unrestricted funds are transferred into schools' and departments' reserves by those units for future new initiatives or for contingency.

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 restricted funds to Funds Functioning as Endowment (FFE). We expect a total of $16.0 million will be transferred to FFE.

Transfer to Plant – These funds will move to the Plant division to be used for capital projects. The larger items in this amount are $8.2 million for academic facilities renovation in the non-formula schools, $24.8 million for Medical School renovations which are described on page 32, and $5.0 million for an addition to the Littlefield Management Center of the Graduate School of Business.

NET ASSETS RELEASED FROM RESTRICTIONS – Under the financial reporting standards recently required of 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 1998/99, we anticipate that schools and departments will be able to use approximately $15 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, measurement against 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 average salary program in 1998/99 for faculty salaries is 3.0%. We believe that this increase, when applied appropriately by deans, will be sufficient to maintain Stanford's current competitive position. In addition to the base faculty salary program, additional general funds of approximately 0.5% will be available to address specific retention and competitive compensation issues.

While the nominal increase in faculty salaries is planned to be 3.0%, total expenses for academic salaries and benefits are expected to rise approximately 10% in 1998/99. This is due primarily to increases in the number of faculty in several schools. The Law School will add six new faculty in 1998/99 into existing, but previously unfilled, billets. Four new billets will be added to support expansion of undergraduate education initiatives. Instructors have been added for Freshman Seminars, and Research Assistants have been added to the Large Introductory Course project. The Medical School is planning the addition of 16 new tenure-line faculty into existing, but unfilled, billets. Other factors contributing to the high rate of growth in academic salary expenses include faculty recruiting and retention efforts such as housing supplements, salary supplements, and increased summer support.

Staff Salaries

The recommendation for the staff salary program for 1998/99 is 3.0%. 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.

In addition to the 3.0%, the University has allocated 0.5% (in aggregate) in partial support of special market adjustments for jobs that significantly lag the market. The 0.5% allocation will be variably apportioned, depending on each business unit's need to make market adjustments to base salaries. Because the University-allocated special market adjustment is not expected to address the full extent of the market lag in most instances, business units are authorized to fund the remaining adjustments from local sources of funding, if they are available.

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 3.0% allocation. 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

In contrast to the substantial changes which took place in the fringe benefits program during 1997/98 (when tuition remission was removed from the benefits pool, student salaries were removed from the salary base, and the remaining salaries and benefits were grouped into three employee categories), the changes taking place during the 1998/99 year are primarily minor ones, representing year-to-year changes in the costs of ongoing programs. Overall, benefits programs and costs are relatively stable. As a result, the rates charged against University salaries show little change.

Fringe Benefit Rates

	1997/98 Negotiated Rates	1998/99 Proposed Rates
Regular Benefits-Eligible Employees	25.3%	25.4%
Post-Doctoral Research Affiliates	15.6%	14.6%
Casual/Temporary Employees	8.4%	8.4%
Students	0.0%	0.0%
Average Blended Rate	24.5%	24.7%

Overall, the rate for regular benefits-eligible employees, which comprises most of the total cost and salaries, will increase by only 0.1 rate points in 1998/99 over the rate negotiated with the Office of Naval Research for 1997/98. (The 1997/98 negotiated rate was 0.9 points below Stanford's proposed and budgeted rate of 26.2%, due in large part to the self-insurance reserve investment performance described below.) The change in the blended average rate from 1997/98 to 1998/99 is an increase of 0.2 points.

Although the change in the benefits rate is minimal, several increases in program costs should be noted. After several years of low medical inflation, medical insurance costs are projected to increase by 10% next year in the Kaiser program, on which the University contribution to health insurance is based. The resulting effect on the regular benefits-eligible employee rate is 0.2 points. An increase in dental insurance costs is forecast due to industry trend projections. Additionally, changes in the computer system supporting the flexible benefits program will cause increased health and welfare consulting expenditures next year over the current year.

Stanford's required contributions to its self-insured long-term disability, workers' compensation, and unemployment insurance programs show a substantial increase in 1998/99. However, those increases are from an artificially low base, because earnings from these programs' self-insurance reserves have been unusually strong over the past several years. This has allowed the University to pay for ongoing costs of disability payments and unemployment compensation from reserve earnings rather than from contributions from the fringe benefits pool.

These increased insurance costs are partially offset by a projected reduction in faculty early retirement costs. This is due to reduced participation in Faculty Early Retirement Program (FERP), which was closed to new participants after 1993/94, and year-to-year fluctuation in the number of faculty members expected to participate in the Faculty Retirement Incentive Program (FRIP). (More detail on benefits may be found in Appendix C.)

Institutional Support and Other Operating Expenses

Together these two major cost categories total $492.1 million and comprise about one-third of the expenses of the Consolidated Budget for Operations. The principal components include: maintenance and utilities for campus buildings ($55 million), library materials ($15 million), student stipends ($45 million), administrative computing costs ($14 million), travel ($20 million), materials and supplies ($80 million), and administrative and professional services ($145 million). Incorporated into this line are two key expense categories that warrant further comment:

Utilities and Maintenance for New Facilities – We plan to allocate $3.0 million for utilities and maintenance costs for new and renovated on-campus facilities. The most significant allocations will be for the new Electrical Engineering building, the McCullough Annex, the Library Technical Services Building, and the Museum. In addition, the Medical School plans to spend an incremental $341,000 for utilities and maintenance of an off-campus rental facility which will house lab research space for the Genome Project.

Administrative Systems Development – 1998/99 will mark the fifth 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 $14.3 million in costs for new systems and infrastructure next year, down from the projected 1997/98 expense of $26.5 million. Of this amount, about 55% is for administrative systems (principally Release 2 of the Core Financial Systems project, which will address the University's purchasing and payables functions), and the remainder is for networking and infrastructure supporting both academic and administrative computing. About a third of the $14.3 million in expense is reflected in the Consolidated Budget for Operations. The rest is in the Capital Budget.

Capital Debt Service

The 1998/99 Debt Service is projected to be $68.1 million. This number reflects the total University principal and interest payments on notes and bonds (exclusive of commercial paper). For internal purposes, however, the University charges its internal units for the use of debt, according to a new debt policy approved by the Board in December 1997. This policy redefined limits on the University's overall debt ratios and revised internal accounting procedures for debt-funded projects. These projects are now funded from a central pool of available debt and make payments amortized over the useful life of the project based on a single, blended interest rate. In the past, projects were charged based on the terms of the particular bond used to fund the project.

The table below details the different components of debt service. $18.3 million will be used

Sources of Funds for Debt Service
(in millions)

	1996/97 Actuals	1997/98 Forecast	1998/99 Budget
Annual Debt Service Cost			
Excluding Commercial Paper	**$48.6**	**$62.5**[1]	**$68.1**[2]
Sources of Funds Used to Service Debt			
Academic Projects (Completed)	$11.2	$13.2	$18.3
Auxiliaries	13.1	14.1	17.1
Service Centers (Utilities/ITSS)	10.6	11.2	13.3
Other[3]	13.7	24.0	19.4
Total	**$48.6**	**$62.5**	**$68.1**

1 The difference between the $62.5 million in this table and the $92.5 million projected in the 1997 Annual Report is $30 million Commercial Paper refinancing of SHAC debt.

2 The difference between the $68.1 million in this table and the $58.2 million projected in the 1997 Annual Report results from interest payments due on the CEFA N bonds issued after August 31, 1997.

3 Includes investment earnings on unused debt, refinancing to cover principal payments, and reimbursements by miscellaneous small projects.

Summary of 1998/99 General Funds Allocations (excluding Formula units)
(in thousands)

	Base[1]	Incremental Programmatic Additions[2]
School of Earth Sciences	$2,409	$0
School of Education	7,069	60
School of Engineering	29,637	233
School of Humanities & Sciences	73,070	855
Undergraduate Education	5,722	600
School of Law	9,901	150
Dean of Research	7,426	458
Hoover Institution	4,038	
Academic Subtotal	139,272	2,356
Stanford University Libraries	27,109	150
Student Affairs	31,969	453
Academic Support Subtotal	59,069	603
President/Provost	11,312	333
Development	11,363	100
Facilities	19,924	100
Utilities and O&M	40,241	2,995
Business Affairs	28,574	740
ITSS	24,453	1,600
Other Administrative Units[3]	6,837	160
Other [4]	48,135	1,084
Administrative Subtotal	$190,839	$7,112

1 Base general funds allocations support the continuation of ongoing academic and administrative programs.

2 Incremental Programmatic Additions are funds allocated for implementation of new academic or administrative programs which are anticipated to be ongoing, starting in 1998/99.

3 Other Administrative Units includes General Counsel, and the general funds allocation to Athletics, Press, and SLAC.

4 Other includes debt service obligations in the non-formula units, research support mitigation, the housing allowance program, and tuition allowance.

to support capital projects to be completed before September 1, 1999. The remaining debt service is carried in Auxiliaries, principally in Housing and Dining Services where the Capital Improvement Plan (CIP) is debt-financed, and in Service Centers, mainly in Utilities and Networking. Finally, interest earnings on unused debt are used to pay debt service.

The $68.1 million is included in the Consolidated Budget for Operations in several categories, depending on the specific uses of debt and consistent with the University annual financial statements format. Principal payments for capital projects are budgeted in the Transfer to Plant line and interest payments are budgeted in the Other Operating Expenses line. Debt service for Auxiliaries projects is budgeted in the Auxiliary Activity line. Debt service for projects associated with Service Centers, such as Utilities or Networking, is included in the Institutional Support line.

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 principal 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 $12.2 million in 1998/99. This base reserve is a continuation of the reserve we established in the budget in 1996/97. The reserve is the first guard against potential shortfalls in indirect cost recovery or investment income.

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.

1998/99 General Funds Allocations - The budget process and the resulting allocation of unrestricted funds to academic and administrative units have been based on available revenue. 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 1998/99, as well as increases in graduate student aid. Also, incremental general funds were allocated selectively where programmatic plans were pressing within the constraints of available resources. Additional general funds were allocated to cover new University obligations such as incremental debt service, maintenance and utilities on new facilities, and investments in technology. The general funds allocations for each unit are detailed in the table on the previous page, and some of the incremental allocations are highlighted in the description that follows.

- $660,000 has been allocated for supplemental faculty salary support in the schools of Education, Engineering, and Humanities and Sciences to address recruiting and retention issues. Another $139,000 has been allocated in the School of Engineering for faculty billets.
- $350,000 has been allocated to the School of Humanities and Sciences for lecturers and instructional materials in support of language competency, academic governance and administration, and program support in Psychology.
- $600,000 has been allocated to the Vice Provost for Undergraduate Education, primarily to support the implementation of the new Introduction to Humanities course options as part of the new Area One requirement.
- $308,000 has been allocated to the Office of the Dean of Research to complete the funding necessary to support the new Center for Research on Economic Development and Policy Reform.
- The Vice Provost of Student Affairs will spend $650,000 to support undergraduate admissions yield enhancement. This will be funded in part through a base increase of $150,000 which is offset by an increase in the application fee. In addition, the Provost reallocated the remaining funding from Cowell Student Health Center savings. These savings resulted from restructuring health services in accordance with a commitment made several years ago to reduce Cowell's reliance on General Funds.
- $1.1 million has been reallocated from a base systems reserve to ITSS to support the upgrade of the Stanford network (SUNet). This upgrade is necessary to increase the capacity on the network to accommodate multi-media documents, video-on-demand, and on-line courseware. An incremental $500,000 will be used for on-going support of administrative infrastructure services that are being developed for the new systems applications. Additional base budget technology investments have been made for

Academic Technology Specialists (ATS) in the Libraries ($150,000) and for classroom technology improvements ($150,000). The ATS funding is supplemented with $250,000 in one-time funds.

- New and renovated buildings expected to come on-line in 1998/99 require incremental allocations of $3.0 million for utilities and maintenance and $1.1 million for debt service. The incremental allocation of $1.1 million for 1998/99 is in relation to the prior year's budget, which is significantly higher than the year-end projected actuals due to the recent change in the debt policy.
- $500,000 has been allocated to the general insurance reserve in recognition of increased claims. This is the second year in a three year plan to fully fund the reserve.

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 $343.8 million, $172.7 million is endowment income, $75.0 million is restricted gifts, and $87.7 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. These budgets support faculty research programs, equipment purchases, and a variety of other costs.

Grants and Contracts Budget

The grants and contracts budget of $520.5 million represents the sum of the direct sponsored activity under the direction of individual faculty principal investigators ($357.8 million, net of student aid) and the direct costs for SLAC ($171.8 million). The total for University direct costs builds upon a higher than budgeted amount for the current year due to strong research volume growth in both 1996/97 and 1997/98, led by the Medical School. Total University research volume is expected to grow below the rate of growth in inflation in 1998/99.

Auxiliaries/Other Budgets

The principal Auxiliary Operations are Housing and Dining Services (H&DS), Stanford University Press, and Athletics. 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 entity supporting broad University purposes. As such, these operations charge both internal and external clients/customers for their services and programs. They also pay the University for central services provided.

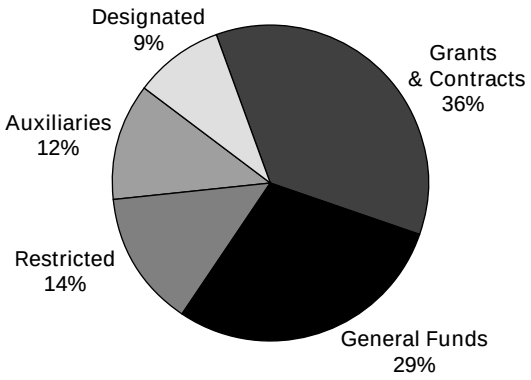
Housing and Dining Services – Housing and Dining is budgeting a deficit of $592,000 for 1998/99, as part of its long-term plan for financing the renovations of Stanford's student residences. In the early years of the 15-year Capital Improvements Program, H&DS was able to run surpluses in its operations budget, which were

Total Auxiliary Activity, 1998/99
(in millions of dollars)

	Housing & Dining Services	Athletics	Medical Center	Press	Other	Total
Revenues & Transfers	68.5	27.3	87.0	3.1	8.3	194.2
Expenditures	69.1	27.3	87.0	3.1	8.3	194.8
Net Change in Reserves	(0.6)	0.0	0.0	0.0	0.0	(0.6)

NOTE: This table represents gross expenditures and revenues. When incorporated into the consolidated budget, interdepartmental transactions of $31.1 million have to be netted out, resulting in net total expenditures of $163.7 million and revenues of $163.1 million.

1998/99 Consolidated Expenditures by Fund Type[1]



1 Excluding UCSF/Stanford Health Care

reserved to cover the cost of debt service in future years. 1998/99, the seventh year of the program, is the first of five consecutive years in which H&DS plans to draw down those reserves. Also included in the budget are reductions in planned operating costs resulting from the Trustee decision in February to hold the growth rate of room and board to 2.8%.

ATHLETICS – Athletics is projecting a balanced operating budget for 1998/99 after projecting a $350,000 surplus in 1997/98. The 1998/99 budget anticipates a drop in football revenue, due to a less desirable home schedule than last year. This is offset somewhat by an anticipated increase in basketball income and by planned increases in revenue sharing from the National Collegiate Athletic Association. The financial aid budget for Athletics is projected to be in deficit by $500,000. A fund-raising effort to eliminate that shortfall over the next several years is underway. This portion of the Athletics budget is not included in the Auxiliary/Other column of the Consolidated Budget. Rather, it is included in the Student Financial Aid amount in the restricted funds column.

STANFORD UNIVERSITY PRESS – The Press plans a balanced financial position in 1998/99, which includes the long-standing University subsidy of $195,000, with 123 books anticipated for publication. The Press is projected to end the current year in balance (net of the subsidy), as a result of a strong list, continued editorial and design improvements, and a newly-implemented cost-effective outsourcing arrangement with Cambridge Press for warehousing and distribution.

MEDICAL SCHOOL PROFESSIONAL SERVICES – This category includes the cost of the services of Stanford physician faculty and staff purchased by UCSF/Stanford Health Care of $74.0 million, including Pediatrics and other Children's Services, and $13.0 million for the Blood Center. Faculty who provide clinical services are at the same time involved in both research and education. All academic plans and initiatives are intertwined with the finances of this and other budget categories within the School. Nearly 71% of the expenses and income are for faculty salaries and benefits; another 18.5% is for staff support.

The Consolidated Budget by Organizational Unit

The table on the next page shows the Consolidated Budget for Operations displayed by organizational unit. A brief discussion of selected areas follows.

SCHOOL OF ENGINEERING – The School recently implemented reserve guidelines to help provide for the following: continuity of research programs and student support during funding gaps, support for non-allowable administrative expenses, protection for disallowed expenses on past grants and contracts, funds for laboratory upgrades and new equipment, matching funds for federal programs, and new funding for innovative ideas. The 1998/99 consolidated plan projects a $10.5 million surplus, $7.8 million of which represents increases in faculty reserves in both designated and expendable funds. The remaining $2.7 million surplus is in restricted endowment funds whose expenditures are not planned to match the income generated through strong market performance.

Projected Consolidated Budget for Operations, 1998/99 by Unit

(in millions)

	Total Revenues and All Transfers	Total Expenditures	Excess of Revenue Over Expenditures
Academic Units:			
School of Earth Sciences	$24.2	$22.9	$1.2
School of Education	21.8	21.2	0.6
School of Engineering	165.2	154.7	10.5
School of Humanities & Sciences (includes VPUE)	188.7	177.5	11.1
School of Law	26.4	26.4	
Dean of Research	104.1	111.7	(7.6)
Graduate School of Business	51.8	56.8	(5.0)
School of Medicine[1]	356.8	372.2	(15.4)
Hoover Institution	23.0	23.0	
Total Academic Units	961.9	966.4	(4.5)
Academic Support Units:			
Stanford University Libraries	34.3	34.3	
Student Affairs	84.5	84.0	0.5
Total Academic Support Units	118.8	118.3	0.5
Total Administrative[2]	201.8	190.3	11.5
Auxiliaries	163.1	163.7	(0.6)
SLAC	171.8	171.8	
Indirect Cost Adjustment[3]	(98.5)	(98.5)	
Student Financial Aid Adjustment[4]	(100.7)	(100.7)	
Grand Total from Units	**1,418.2**	**1,411.4**	**6.8**
Other Anticipated Income[5]	10.0		10.0
Total Consolidated Budget	**$1,428.2**	**$1,411.4**	**$16.8**

NOTES:

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

1 The budget line for the School of Medicine does not include $87.0 million for Medical School professional services. These are shown in the auxiliaries line. When the Medical School professional services are added to the School's budget, the total anticipated expense of the School of Medicine is $459.2 million.

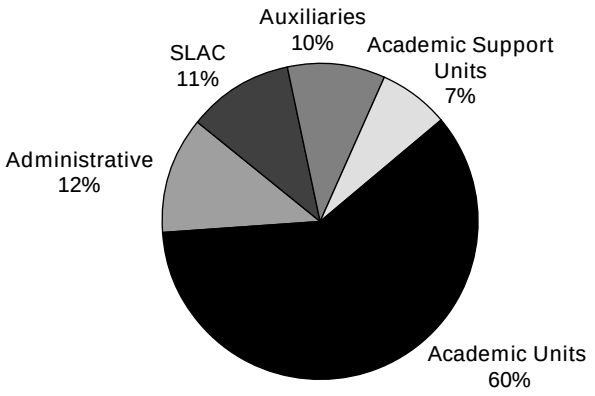
2 The surplus of $11.5 million in Administrative Units consists mainly of the $12.2 million transfer to Unrestricted University Reserves.

3 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 $98.5 million received by the schools is netted out in the "Indirect Cost Adjustment" line.

4 In accordance with the University financial statement format, student financial aid is netted against student income in the Consolidated Budget. Because it is in the revenue and expense of the academic units, it is netted out in the "Student Financial Aid Adjustment" line.

5 The $10.0 million shown in Other Anticipated Income 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.

1998/99 Consolidated Expenditures by Unit



School of Humanities and Sciences – The 1998/99 consolidated plan for the School of Humanities and Sciences (H&S) projects an excess of revenue over expense of $11.1 million. Over $9 million of the expected surplus is due to restricted endowment income exceeding planned expenditures. There are no plans at this time to add expense. Rather, the School intends to reserve the surplus against the possibility of future declines in endowment performance.

Dean of Research and Graduate Policy – This area shows an overall deficit of $7.6 million, which results primarily from the planned use of reserves to finance the second year of the Stanford Graduate Fellowship program. While the long term goal is to support the program from endowment income, and significant funds have been raised toward this end, the first two years of the program are being funded by $10.0 million previously provided by presidential funds. The third year of the program, 1999/2000, should be supported fully by endowment income. The remaining decrease in fund balances, approximately $1.5 million, is due to planned use of reserves in the Institute for International Studies and the Center for the Study of Language and Information.

Graduate School of Business (GSB) – The Graduate School of Business consolidated forecast shows a deficit of $5.0 million, reflecting a planned draw down of reserves, due primarily to investment in the addition to Littlefield Management Center, as well as a proposed initial phase of renovations to the GSB Building. The Littlefield project will be funded by gifts, payment of which is expected over three years. In the interim, the GSB will provide the funding from budget savings and other reserves, which will be repaid as the gift funds are received. Assuming that the initial phase of the GSB renovation is approved, support will be provided by a combination of gifts and facilities reserves, using budget savings reserves as necessary before pledges are paid.

School of Medicine – The 1998/99 consolidated plan for the School of Medicine projects revenues and transfers of $443.8 million (including professional services reflected in the Auxiliaries line in the table on page 14), use of reserves of $15.4 million, and total expenses of $459.2 million. The 1998/99 Plan is based on a 11.6% increase in revenues and transfers and a 13.8% increase in expenses over the 1997/98 plan. The increases in revenues and transfers are related to more refined approaches to forecasting income in the designated and restricted funds, as well as substantial growth in sponsored research activities. The increase in expense is related to the growth in sponsored research activities in addition to increased investment in programs and new faculty. Some of the growth in research income and expenses is the result of increases in activity in the last half of 1996/97, after development of the 1997/98 plan, and greater than expected increases thus far in 1997/98. The School's 1998/99 plan also anticipates an increase in research activities of almost 7% over the expected 1997/98 year end. The planned use of fund balances will go to support capital projects as well as investments in specific programs.

Incremental investments in programs include nearly $9 million to satisfy commitments made to newly appointed or soon to be appointed department leaders, almost $1 million to address issues related to the new faculty compensation plan, and approximately $1 million to complete the rollout of the Research Management Group support and to begin the ACCESS program for clinical trials. The School expects to recruit approximately 16 new tenure line faculty during 1998/99, and the related expenses, including incremental support and research staff, are included in the consolidated plan.

While total revenues and transfers have increased significantly, the School expects to use some of its fund balances which have previously been retained for these purposes. This is largely due to the changed approach that the School has taken to capital planning and the initiation of a

number of capital projects on a similar timeframe. Planning for capital expenditures has been integrated into the consolidated plan, and they are projected to require a transfer to plant of $24.8 million in 1998/99. This includes improvements to student labs and classrooms at $4.3 million, seismic stabilization of the Edwards building at $2.8 million, commitments to chairs at $2.9 million, projects related to Center for Clinical Sciences Research (CCSR) relocations of $1.9 million, a project to upgrade the computer networks within School buildings to meet recently defined University standards at $2.4 million, and departmentally initiated and funded projects at approximately $4 million. In order to cover both current expense and the transfer of $24.8 million to plant, the School anticipates using approximately $15.4 million, or approximately 7%, of the $209.5 million in fund balances currently held by the School.

CAPITAL BUDGET

The Capital Budget for 1998/99 marks the successful conclusion of several important projects begun more than five years ago. The Science and Engineering Quad, the Museum, and the restoration of Green Library West will be completed. In addition, the Center for Clinical Sciences Research will be virtually complete by the end of the upcoming fiscal year.

Next year's Capital Budget calls for $217.8 million in projected expenditures on capital projects. The impact on the Consolidated Budget for Operations is shown in two places. The first is $5.1 million in incremental debt service for those projects that will be coming on-line in 1998/99. The second is $3.0 million for the incremental operations, maintenance, and utilities costs required to run those facilities. Both of these cost categories are incorporated into the Institutional Support line of the Consolidated Budget.

The details of the Capital Budget for 1998/99 are included in Section Three of this document.

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 1998/99 Statement of Activities for Unrestricted Net Assets, shown on page 19. The Annual Statement of Activities is found in the audited financial report. In 1996, 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 2 only represents

Comparison of Consolidated Budget and Projected Statement of Activities, 1998/99 for Unrestricted Net Assets
(in millions of dollars)

1996/97 Actuals	1997/98 Budget		Projected Consolidated Budget	Adjustments	Projected Statement of Activities
		Revenues and Other Additions			
		Student Income:			
135.3	140.2	Undergraduate Programs	143.3		143.3
129.3	138.8	Graduate Programs	146.6		146.6
52.3	54.5	Room and Board	57.3		57.3
(66.4)	(110.9)	Student Financial Aid	(100.7)		(100.7)
250.5	222.6	Total Student Income	246.5		246.5
		Sponsored Research Support:			
335.1	335.1	Direct Costs—University	357.8		357.8
192.8	171.0	Direct Costs—SLAC	171.8		171.8
96.9	90.5	Indirect Costs	98.5		98.5
624.9	596.6	Total Sponsored Research Support	628.1		628.1
81.9	73.0	Expendable Gifts In Support of Operations	80.0		80.0
		Investment Income:			
191.7	206.2	Endowment Income	237.8		237.8
81.9	54.7	Other Investment Income[a]	54.9	5.0	59.9
273.6	260.9	Total Investment Income	292.7	5.0	297.7
		Other Income:			
94.0	112.9	Special Programs Fees	87.7		87.7
90.2	94.1	Auxiliaries (excl. Room & Board)	105.8		105.8
42.4	20.1	Other	42.9		42.9
226.6	227.1	Total Other Income	236.4		236.4
1,457.4	**1,380.2**	**Total Revenues**	**1,483.7**	**5.0**	**1,488.7**
		Transfers			
16.5	10.0	Net Assets Released from Restrictions	15.0		15.0
		Additions to Endowed Equity[b]	(16.0)	16.0	
		Transfer to Plant/Student Loan[c]	(54.5)	54.5	
	(5.0)	Other Adjustments	0.0		
1,473.9	**1,385.2**	**Total Revenues and Transfers**	**1,428.2**	**75.5**	**1,503.7**
		Expenditures			
256.0	252.6	Academic Salaries and Benefits	287.8		287.8
284.7	275.4	Staff Salaries and Benefits	296.0		296.0
75.4	101.2	Depreciation[d]		92.6	92.6
192.8	171.0	SLAC	171.8		171.8
157.9	148.6	Auxiliary Activity	163.7		163.7
271.3	250.9	Institutional Support	288.2		288.1
127.4	121.0	Other Operating Expenses[d]	203.9	(67.3)	136.5
1,365.6	**1,320.7**	**Total Expenditures**	**1,411.4**	**25.2**	**1,436.5**
108.3	**64.5**	**Surplus/(Deficit)**	**16.8**	**50.3**	**67.2**

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 $5.0 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: $16.0 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/Student Loan: $54.5 million moves to plant funds, as part of Unrestricted Net Assets.

d) Expenditures for Equipment vs. Depreciation: $67.3 million of expenses for equipment purchased by the University are included in Other Operating Expenses in the Consolidated Budget for Operations. In the Statement of Activity, this amount is depreciated. Total depreciation is projected at $92.6 million.

The impact of capitalization and the flow of funds for plant purposes described above result in a change in the bottom-line of $50.3 million, from a $16.8 million surplus in the Consolidated Budget projection to a $67.2 million surplus in the Statement of Activities projection. The comparable adjustment in 1996/97 was $75.1 million between the $33.2 million bottom-line for Operations and the $108.3 million bottom-line in the Statement of Activities. The adjustment was larger in 1996/97 for two main reasons: first, depreciation is expected to increase from $75.4 million in 1996/97 to $92.6 million in 1998/99, due to the increased level of capital expenses; and we expect the 1998/99 Transfer to Plant to be approximately $6 million lower than in 1996/97.

SECTION 2
ACADEMIC INITIATIVES AND PLANS

In this section we focus on the programmatic elements of the Budget Plan by describing important University-wide initiatives in undergraduate education and information technology, and by reviewing some of the principal planning issues in each of the major academic units.

UNIVERSITY-WIDE ACADEMIC INITIATIVES

Undergraduate Education

In 1997/98 the accelerated pace of curricular reform has resulted in substantial improvements in personalizing education for Stanford undergraduates. The benefits of education at a research university are now fully complemented by a fine college education at Stanford, with faculty involved in mentoring individual students in freshman seminars through senior year honors projects and research seminars. The 1998/99 plan calls for institutionalizing of these successful initiatives and for embarking on new activities to link residential and academic support.

Evidence for the acceleration of successful initiatives for the first and second years can be seen in the programs of Stanford Introductory Studies (SIS) — Stanford Introductory Seminars, Introduction to the Humanities, Sophomore College, the SME Core, and the Large Introductory Course Project.

STANFORD INTRODUCTORY SEMINARS – SIS enrolled 1200 freshmen and sophomores in over 75 seminars in 1997/98. More than 100 seminars will be offered in 1998/99, all taught by Academic Council faculty.

INTRODUCTION TO THE HUMANITIES – These new course options enrolled over 500 students in this first year of the three-year phased-in implementation for the new Area One requirement. Extraordinary energy and leadership from senior faculty teams have led to new courses that will double the capacity for enrollment, serving over 1000 of the 1600 freshmen in 1998/99. Investments in Web technology to improve the student assignment process have accompanied the faculty effort for curricular reform.

SOPHOMORE COLLEGE – This late-summer program doubled in 1997 to 144 students, and will double again for 1998 with 24 seminars enrolling 288 students. Plans to divide the College into two residence sites will enable the program to continue the personalized scale of peer interaction and academic support in the residences that has proven so successful.

SCIENCE, MATH, AND ENGINEERING CORE (SME) – SME expanded its enrollments, with Earth Resources and the Sustainability of Life track doubling in size in 1997/98. An expansion plan features investment in student outreach through new publications. Facilities are also an important issue, as the program must relocate its laboratory and project space to a permanent site in 1999/00.

LARGE INTRODUCTORY COURSE PROJECT – This project is an example of the responsiveness of Stanford Introductory Studies programs to individual faculty initiatives. The popular Economics 1 course, under the direction of Professor John Taylor, has reduced section size, improved selection and training of teaching assistants, and created a postdoctoral course

coordinator position to oversee and manage the pedagogy and logistics for the course, which enrolls over 1000 students each year. For 1998/99, this project will be extended to large introductory courses in chemistry, under the direction of Professor Daniel Stack.

Improvements and investments in the first two years of freshman and sophomore undergraduate education are matched by programs targeted at juniors and seniors who have declared majors. Initiatives at this level are organized through the major departments and interdisciplinary programs while the resources are allocated and managed centrally by the Office of the Vice Provost for Undergraduate Education which coordinates, oversees, and monitors the quality of departmental activities.

Two very different programs illustrate approaches to increasing the amount of personalized attention given to junior and senior students – Writing in the Major and the Majors Enhancements Program.

Writing in the Major – This program constitutes the second half of the University writing requirement. Directors of Undergraduate Studies in each major designate writing-intensive courses, and then work with faculty teaching them and with a writing pedagogy consultant to set up appropriate services to students in support of writing papers. Resources enable faculty and specially trained graduate student assistants to meet individually with students to provide feedback on their writing. Over 50 writing-intensive courses in all undergraduate majors, including those in the Schools of Engineering and Earth Sciences, were approved by the Writing Advisory Board for 1997/98.

Majors Enhancements Program – This program relies on the initiative of faculty in departments and programs to organize activities that bring faculty and students together in settings outside the classroom. One successful example is in the Department of Physics where the Society of Physics Students sponsors faculty/student gatherings, workshops for seniors applying to graduate school, and field trips, e.g. to the Lick Observatory. The program also supports peer advising programs in over twenty different majors as well as popular student/faculty colloquia and dinners. The goal is to provide an opportunity for faculty and students to extend their connections beyond the confines of the classroom, thus further personalizing undergraduate education.

New for 1998/99 is a program to encourage juniors to work closely with faculty in independent study. This new initiative, tentatively called Incentives for Independent Study, builds on faculty/student relationships established in the SIS seminars for freshmen and sophomores, serving as a bridge to senior honors projects for some students and/or as a one-time research experience. The goal is to increase the number of students participating in mentored scholarship and research beyond the 25% who currently complete bachelor's degrees with honors. Mechanical Engineering, Chemistry, Political Science, and English will participate in the pilot year.

In 1998/99, implementation of the recommendations of the Task Force on Residential Programs and Student Housing for Undergraduates will emphasize the complementarity of academic and residential programs. Two initiatives are in the planning stages. Two hundred additional freshmen will be assigned to two new all-freshman dorms where advising groups will be organized around enrollments in certain first year courses. Each group will have a freshman adviser, a graduate student mentor, and an upperclass advising associate to coordinate such activities as study groups and study-skills workshops.

Another residential initiative is a pilot program that will extend the activities and academic support provided by the Sophomore College and Honors College to students throughout the academic year. The sophomore program will be tried in a new dorm reserved for sophomores,

and will include workshops, orientation sessions, and peer advising that have been so successful during the intensive September Sophomore College. The extension of the Honors College will emphasize peer support among seniors working on honors projects, and presentations of work in progress for all students in the residence, thus encouraging sophomores and juniors to consider the benefits of undertaking a senior thesis.

Information Technology Initiatives

Major information technology initiatives are underway to support new paradigms in research, instruction, and learning. Stanford continues to be a leader in the innovative use of information technology in both academic and administrative applications. Over the past three years we have made significant investments in renewing our information technology infrastructure. In addition, key business systems have been migrated from proprietary systems based on old technology to current generation marketplace based systems. A brief description of key information systems initiatives follows.

Support for New Paradigms in Research and Education

In 1994, President Casper appointed a Commission on Technology in Teaching and Learning (CTTL). Recommendations of CTTL have resulted in creation of innovative programs such as the Stanford Learning Lab (SLL), the Academic Technology Specialist (ATS) program, and the expansion of the mission of the Stanford Center for Professional Development. SLL develops and deploys pedagogically informed learning technologies such as the freshman course, *Introduction to the Humanities: The Word and the World*. ATS originated as an experimental initiative to assist faculty in the use of technology in teaching, learning, and research. Because of the success of this program, it is being expanded to twice its current size with shared funding between Stanford University Libraries and Academic Information Resources (SUL/AIR) and the participating schools and departments. These programs are resulting in increased use of technology in classroom and curriculum development and systematic evaluation of effectiveness of new forms of teaching and learning.

All of Stanford's approximately 9200 housed undergraduate and graduate students have a Stanford network connection in their dorm room. This year, 4800 of the possible 9200 students have subscribed to Residential Computing for access to the network and technical support. In addition, Residential Computing supports 72 computer clusters in the dorms, providing over 350 computers for dorm residents. The transfer of Residential Computing to SUL/AIR in 1997 provided the opportunity for academic-related organizational goals in addition to the technology and service goals of the organization. This has promoted better knowledge and support of library instructional programs and smoother linkage between classroom delivery of technology and the dorm computing environment. In addition, new projects, such as the teleconferencing reference pilot, are underway.

The success of these initiatives is dependent on the availability of a reliable, high-speed information network on campus and a high-speed Internet connection. Stanford has already replaced the campus backbone with a new backbone that provides a high degree of fault-tolerance. In addition, the Provost initiated a program to upgrade wiring in academic buildings to ensure that these academic initiatives have the required networking resources in the classroom, in the office, and in the residences when and where they are needed. Stanford has also initiated a pilot program to connect international centers to the main campus. Stanford centers in Berlin and Kyoto are participating in this program.

Stanford's participation in CalREN2, the California portion of the nationwide Internet2 project, will provide researchers with inter-institutional network capacity two orders

of magnitude greater than current technologies. Greatly improved collaborations with colleagues at other institutions through video conferencing and high-speed transmission of large data-sets, high-resolution images and multi-media interactions, high-speed access to distributed digital libraries and better utilization of super computer centers are just a few of the ways in which the project will benefit the research activities of the faculty.

Migrate Administrative Systems to Current Generation, Marketplace Technologies

This marks the fifth year of a multi-year initiative to replace Stanford's proprietary software with marketplace information systems and to improve the information technology infrastructure required to support the instruction, research, and business activities of the University.

Originally estimated to be completed in five years at a total cost of approximately $60 million, experience to date has shown that the work necessary to accomplish this migration from proprietary to marketplace information systems is much more extensive than projected five years ago. Stanford has included upgrades of the business information systems in the long-term capital plan.

Significant progress has been made against this plan including implementing systems for identification cards, indirect costs, investment accounting, financial aid, consolidated budget, student access, department expenditure management, capital asset management, and development. By the end of 1998/99 Core Financials I (chart of accounts, general ledger), Core Financials II (purchasing/payables/receivables), and Environmental Health & Safety systems are slated to be implemented.

Beyond this timeframe, projects will be initiated for student information systems, human resources, research administration, and spatial information. Upon completion of this final set of projects and migration of a number of departmental information systems, the University will have successfully migrated Stanford's business information systems from a proprietary, home-grown mainframe environment to an open, marketplace, client/server environment. Our objective is to build the capacity into the budget for an annual increment of $5.0 million in systems work. Depending upon funding and availability of marketplace solutions, the process of converting the existing proprietary systems could take as long as 10 years.

Build Common Infrastructure to Support Instruction, Research and Business Activities

The information systems initiatives which support the academic and administrative activities of the University all require common infrastructure services such as network namespace services, database services, file services, web services, email services, authentication services, and security services. Business applications need common application services for workflow, authority, common reporting, data integration, and desktop integration.

Initiatives are underway in many of these critical service areas. Oracle Corporation is providing our common database service. Authentication and single system sign-on is being provided by Kerberos and extended to desktops through the PC Leland/Mac Leland and the WebAuth projects. The Person Registry project will provide the base of reliable demographic information on people currently provided by WhoIS and will extend access to this information to other information systems.

Provide Location Independent, Secure Access to Information Resources

People at Stanford are very mobile in their work, moving from office to classroom to conference room to residences to clinics. And, they want to take their computing with them as they move from location to location. This is difficult in the current networking environment as computers must be reconfigured to work with a different

network address at each new location. Implementing Dynamic Host Configuration Protocol will allow faculty to prepare network dependent course materials on a laptop in their office then plug the laptop into the network in the classroom without needed reconfiguration. Administrators will be able to prepare and present materials easily, regardless of location. This will remove one of the barriers to creating and sharing information across the University.

SCHOOL-BASED PLANS AND INITIATIVES

School of Earth Sciences

Significant faculty development is underway in the School of Earth Sciences. New hires include a senior expert in ocean processes recruited as part of the Ocean Margins Initiative; a senior expert in biogeochemical cycling in forest and agricultural ecosystems; a young specialist in chemical and isotopic analyses; and a specialist in mathematical simulation of fluid flow in oil and gas reservoirs. Searches are underway for a soil scientist and a geostatistician for the Ocean Margins Initiative.

New faculty appointments enhance the undergraduate program in Geological and Environmental Sciences through courses that link geological processes with environmental science and add coverage of oceans and environment to the Earth Systems Program. These appointments will help attract top-quality graduate students and will also create opportunities for links with the Biological Sciences, Civil Engineering, and the Institute for International Studies as well as with the U.S. Geological Survey and the Monterey Bay Aquarium Research Institute.

The Earth Systems Program, which is very successful in attracting undergraduates to the School, has added an energy track. Most of the funding for the program has come from an external grant, which was recently renewed for three years. The School and the Provost have committed to fund a portion of operating costs, and endowment support of the program is a fundraising priority.

The School is now working to provide high-quality laboratory space for new faculty. The President's Fund provided funding for renovation of lab space in Green Earth Sciences for faculty joining the School this year. Space for new faculty next year will come from reorganization and refurbishment of space in the Mitchell Building.

A major new scientific capability is the Sensitive High-Resolution Ion Microprobe (SHRIMP) which will give Stanford a technological edge 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. The USGS has also relocated a thermal ionization mass spectrometer at Stanford, which will be operated as part of the new ion probe facility. Along with light isotope analytical capability developed for a new faculty member, the School has a significantly improved capacity for isotope analysis in the science of the Earth.

The School continues to maintain a healthy financial position. External support comes from federal grants and contracts (primarily DOE and NSF), 50%; industry (mostly through the many companies that participate in affiliates programs), 30%; and gifts and other grants, 20%. Although the School is as vulnerable as any to potential reductions in federal support, the outlook is good for stable funding from its principal sources. There is also evidence for substantially improved job markets in industry for Earth Sciences graduates.

The School of Education

Anticipating that 40% of the School's faculty will be replaced over the next five years, an aggressive recruitment effort is underway. The School's recruitment plan addresses the academic needs of the school and balances theory and practice as well as discipline-trained and professional-school trained scholarship. Fields

for searches include higher education, education leadership, mathematics education, English education, organizational theory, and a "cluster" search in social diversity and common values, calling upon historians, philosophers, or sociologists.

The School launched the Program in Learning, Design & Technology in 1997/98 in recognition that information technology can revolutionize education. This program will maximize the benefits of new information technologies in teaching and the creation of new learning environments.

The new Center on Adolescence promotes interdisciplinary research, provides training of young investigators, and advises government institutions on policy related to adolescents. Its goal is to promote the competence, character, and well-being of today's adolescents through systematic scholarship on youth development and guidance for improved educational practice in schools and other community settings. The Center brings together researchers from throughout the University and from affiliated organizations outside of Stanford.

In 1998/99 the School will embark on a Focus on Communities and Youth initiative to study how to create teaching-learning environments that maximize educational benefits for culturally, ethnically, linguistically, and economically diverse students. Involving urban and rural communities across the country, the center will offer programs in community leadership, support community research partnerships, and serve as a national resource in higher education for policy makers, researchers, and other practitioners who work with and on behalf of children and youth.

Redesign of the Stanford Teacher Education Program will include possible curricular and structural changes as well as reflect changes in California teacher certification requirements. The program will also incorporate a network of professional development schools into teacher preparation. These schools will serve as the primary training site for students in the Stanford Teacher Education Program and for professional development of other teachers, especially those involved in local reform initiatives.

The School will attempt to maintain basic infrastructure needs while upgrading its two buildings to create technology-intensive classrooms and laboratories for academic programs and research. In the summer of 1997 the School embarked on a modest renovation of the School of Education building and in the coming year a technology classroom and video lab facilities will be created in the CERAS building.

School of Engineering

A year ago, as part of Dean Hennessey's first year as dean, the School's academic planning exercise resulted in a comprehensive plan for all nine departments that became the framework for the School's activities this past year.

Objectives include insuring the continued strength of its strongest programs in the face of anticipated major retirements, carefully studying its smaller departments to determine their most promising strategies, and reallocating faculty and program resources to reflect changing disciplines and developing student interests. Critical to the success of these endeavors is the School's ability to attract and retain the very best faculty, to provide them with functional and safe laboratory facilities, and to maintain a supportive academic and administrative environment.

Over the next several years, nearly thirty retirements will affect many of the school's strongest programs. Increased rates of hiring will result in both opportunities and challenges. Many of the key challenges will be financial ones, and the School is preparing for them in a variety of ways. Current and recent searches are in the areas of wireless communications, microfabrication technology, cryptography, artificial intelligence, biomechanical engineering, micromechanics, analytical methods of design, environmental biotechnology, and high performance computing.

There are several new program areas under analysis. A committee of faculty is developing plans for the School's program that will create greater opportunities for interdisciplinary courses and research, increase the external visibility of teaching and research in this area, and enable pursuit of unique funding opportunities. In addition, the School views the area of biotechnology as offering significant opportunities for expansion of both teaching and research programs at the undergraduate and graduate levels.

During each of the past two years, incremental base budget money has supplemented the University's salary program to strengthen the School's competitive salary position in relation to other schools. However, the School continues to be concerned about its relative position and the degree to which its academic strength can be challenged by competitive offers. The realities of escalating housing prices in the Bay Area are a major issue for the successful recruitment and retention of faculty. The School has been able to meet individual retention challenges, but must remain diligent in exploring ways to provide support to faculty for housing.

During the 1993-1997 period, the School contributed $52 million toward the improvement of its laboratory facilities. Other than short-term debt to support two outstanding pledges, the commitments to these building and renovations have been met. After raising nearly $40 million toward these projects, School reserves were left to support the last $9.5 million. The last of these transfers took place in Fall 1997.

State-of-the-art research facilities are a critical element in the recruitment and retention of the very best faculty and students. Engineering has made large investments over the past decade to insure the quality of its research facilities. New construction, additions, and seismic strengthening projects have created nine new or renovated facilities. However, major laboratory issues with major programmatic implications are still being addressed.

School of Humanities and Sciences

1998/99 will be a year of transition as the School of Humanities and Sciences welcomes a new Dean and an Associate Dean for the Social Sciences. A newly created staff position of Chief Administrative Officer will oversee the School's finance, facilities, and human resource functions.

H&S will continue to seek perspectives from outside Stanford to assess the quality of its faculty, students and curriculum. External visiting committees will come to campus to review the departments of Applied Physics, Art, Classics, Philosophy, Physics, and Sociology. The H&S Curriculum Committee, which serves as the overseer for all reviews of interdisciplinary degree programs, will examine African and Afro-American Studies, East Asian Studies, Human Biology, and Individually Designed Majors.

Over the last two years, H&S has been successful in recruiting a number of internationally renowned scholars, which is particularly impressive given the keen competition for these top academicians and the local housing market. An anticipated 25-30% of the searches in 1998/99 will be authorized at the senior level. In addition, the School's strong commitment to faculty renewal will continue as departments seek out the nation's top junior faculty who represent the next generation of distinguished researchers and teachers. Appointment and promotion efforts will be aided significantly through the major revision and wide distribution of the School's most important policy document, now called the "H&S Faculty Handbook," which will assist departments in navigating the appointments and promotions processes.

A survey conducted by H&S last year revealed that while Stanford's sabbatical plan is competitive at the associate and full professor ranks, it was not competitive at the junior level. To remedy this situation, beginning in 1998/99, H&S will supplement the University sabbatical plan by providing additional replacement

teaching funds to departments so as to release fifth or sixth year assistant professors of half of their teaching responsibilities for one year. By combining this with accumulated sabbatical, each faculty member will be provided with a full year of research time prior to tenure review.

In the autumn of 1997, President Casper established a $12.0 million endowment to add four incremental professorships in the humanities and arts. One of the primary goals in 1998/99 is the successful recruitment of a group of outstanding scholars to fill these prestigious professorships. Several other complementary efforts to strengthen the humanities will continue, including targeted fundraising for graduate fellowships and a writers- and artists-in-residence program.

Finally, H&S will celebrate its 50th anniversary through a series of academic conferences that will each have at least one event that is accessible to a public audience. Activities will range from a conference on the history of Congress organized by the Social Science History Institute to a production of "The Threepenny Opera," co-sponsored by the Departments of Music and Drama to a symposium on "Museums, Universities, and Biodiversity in the 21st Century," co-sponsored by the Center for Evolutionary Studies and the California Academy of Sciences.

School of Law

As of April 1998, with one and a half years remaining, the School has secured gifts and pledges of $65 million toward its upwardly revised Campaign goal of $75 million.

Thanks to expendable as well as endowment gifts, the Law School is back in the market for new faculty and has begun to close the gap in faculty salaries. The School appointed three new faculty members in 1997 and will appoint at least three more in 1998. Barring an extraordinary increase in faculty compensation at peer institutions, and assuming that the School achieves its Campaign goal, Stanford faculty salaries should be fairly competitive.

Inspired by alumni support and the success of the Campaign to date, the Law School has begun an ambitious planning process based on two premises: first that the legal profession is in trouble, both internally and in the public's perception, and that Stanford Law School has an obligation to improve the profession; second, that many graduates pursue careers that go beyond law practice to encompass a range of activities in business, government, and other forms of public service. Accordingly, a Task Force on the Mission of Stanford Law School has begun to ask two questions: What can Stanford do to help restore the legal profession's traditions of ethics, civility, and public service? And how can the School better prepare students for careers they are likely to pursue?

A gift by Joseph Gould has enabled the School to repair the former Huston House, which was damaged in the Loma Prieta earthquake, and use it as a center for dispute resolution programs. A grant from the Wayne and Gladys Valley Foundation will enable to School to convert the Law Library's bibliographic area to an electronic information center and upgrade a large classroom for multimedia uses.

Stanford Law School offers an innovative executive education program that builds on the School's academic excellence and the University's multidisciplinary resources. Stanford's unique executive education centers on the intersection of law, business, and policy and includes Directors' College, General Counsel Institute, and the Technology and Business Strategy Summit.

Vice Provost and Dean of Research and Graduate Policy

The Office of the Vice Provost and Dean of Research and Graduate Policy supports Stanford's research and graduate education programs through policy development and interpretation, manages the Office of Technology Licensing which directly supports researchers, and is the cognizant Dean's Office for eight Independent Laboratories, Centers, and Institutes.

A key focus of the Office has been the establishment of the Stanford Graduate Fellowship Program. Over 120 outstanding graduate students in science, engineering, and the social sciences began their fellowships in the 1997/98 academic year. In addition, the program raises the stipend of students who come to Stanford with three-year National Science Foundation or similar grants. Of the students chosen as Stanford Graduate Fellows, 24 also earned national grants and are honored as joint fellows. During the current nomination cycle for students entering graduate work in 1998/99, the quality of students is equally extraordinary. The Office of Development is enthusiastically raising endowment funds in support of the program, in the hope that it will be fully funded by September 1, 1999.

With the success of the Graduate Fellowship program already evident, we turn our attention to fostering opportunities for undergraduate involvement in research. In Spring 1998, a small experimental program will support four departments to provide incentives for faculty and undergraduate students to work together. Each department has different needs ranging from support of safety training to minor room remodeling. In 1998/99, other departments interested in this program will be invited to propose their plans to involve undergraduates in research. The program will be evaluated towards the end of the year, and if it has been successful, we will undertake fund-raising efforts to provide long-term permanent support for the program.

In the principal science and engineering independent labs there will be several important programmatic changes in 1998/99. The Center for Materials Research (CMR) will move back into a newly renovated McCullough Building. That building, along with the new laboratory Annex beside it, will house the faculty, staff, students, and facilities of the Laboratory for Advanced Materials. Faculty from two schools and seven departments will create a multidisciplinary center to make novel materials, characterize them, and study their properties or applications repeatedly until their scientific secrets are revealed or their utility successfully demonstrated. The current CMR program, a NSF Materials Research Science and Engineering Center, will be a part of the new center and will provide essential facilities support and research funding for the broader materials community as well. The W. W. Hansen Experimental Physics Laboratory (HEPL) and the E. L. Ginzton Laboratory each have new directors energetically working with the faculty to ensure continued programmatic strength.

The humanities and social sciences centers and institutes continue to provide a vital role, both internal and external to Stanford. The Stanford Humanities Center (SHC) is a recent recipient of a challenge grant from the National Endowment for the Humanities, and the Office of Development is working to find required matching funds. The Mellon Foundation is continuing its strong support of the workshop program, and we are working actively to find long-term funding for this popular program. Applications to SHC's external fellowship program have increased 70% for the second year in a row, a sure sign of the Center's excellent national reputation for scholarship and innovation. We hope to be able to introduce a modest post-doctoral fellowship program to enhance the fellowship mix at the Center with funds related to the NEH Challenge Grant.

The Institute for International Studies (IIS) is now a mature organization with a well-established program. The success of three new initiatives in 1997/98 and the addition of two new initiatives in 1998/99 demonstrate its vitality. The new Health Policy Center will be administered in an imaginative cooperative arrangement with the School of Medicine. The Bechtel Initiative on Global Growth and Change will ensure a continuing stream of new research ideas into IIS, to facilitate new faculty collaborations, and to build new partnerships outside the University in both the business and policy-making communities. Construction is

underway to make Encina Hall East, plus parts of Encina Hall Central, a new home for all of IIS, which is currently located in seven different campus locations.

The Center for Economic Policy Research (CEPR) has been given authority to make senior fellow appointments. These appointments to the Academic Council will provide CEPR with a larger group of senior scholars with diverse interests to be part of new centers within CEPR or as part of the larger CEPR research program as a whole.

The Center for the Study of Language and Information (CSLI) is in a transition period, examining the integration of its traditional focus on cognitive science with new roles in media issues related to human-computer interaction. In the course of building up its Industrial Affiliates program, CSLI is investing in areas which are attractive to both the Stanford faculty and to industry. The Education Program for Gifted Youth and the English Resource Grammar On-line program as part of the Cognitive Science Center, are very strong, and there are several new ventures underway.

The Institute for Research on Women and Gender also has a new director, who is pursuing new initiatives to stimulate faculty involvement in the Institute as well as interdisciplinary research and curriculum development. Her first efforts center around a collaborative effort with the Center for Comparative Studies in Race and Ethnicity and the Feminist Studies Program which has resulted in a proposal submitted to the Ford Foundation.

Graduate School of Business

The goal of the Graduate School of Business is to be the leading academic school of management in the world in its impact on management theory, thinking, practice, and performance. The School's strategy to achieve this goal is to pursue significance, managerial relevance, excellence, and scholarly rigor in its research and teaching programs. In recent years, the GSB has supplemented its long-standing commitment to fundamental research with a renewed commitment to influencing the practice of management through intensive dissemination of new research to managers and through executive education and the education of both potential young managers and young scholars who will lead management education in the future.

Over the next few years, the School's research and educational agenda must deal with the globalization of markets and organizations, which will require faculty development and collaboration with other parts of the University, with companies, and with other schools of business in the U.S. and abroad. The School contributes to the University community through joint ventures with the School of Engineering, the Computer Industry Project, and the Stanford Center for Conflict and Negotiation, involvement in joint degree programs, joint faculty appointments, and service teaching.

Looking ahead, the School plans to increase Executive Education capacity by developing new public and custom programs. Subject to final approval of the Provost, the School's plans call for an increase in the number of faculty to 95-100 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 budget for 1998/99 reflects the following priorities:

- Complete the Littlefield Management Center addition, which will add offices for faculty, the Dean's office, and emeritus faculty and integrate the two GSB buildings.
- Complete the implementation of a school-wide "intranet" that includes communication with such constituencies as alumni/ae and applicants.
- Continue to develop 2-3 additional weeks of Executive Education programs per year,

building on areas of faculty research of interest to practitioners. This requires additional faculty, a program development strategy drawing on the interests of a wide range of faculty, and preparation and encouragement of faculty to participate in executive teaching.

- Continue investments in classroom technology, equipping most classrooms with network connections, computer projection, and related infrastructure by 1998/99. Space available for student use of technology will increase with relocation of the behavioral research laboratory to the basement of Littlefield.
- Implement a plan to improve the appearance and efficiency of public and office areas to keep the building attractive and useful for at least the next 5-10 years, pending decisions about the future of existing and new facilities.
- Undertake a fundraising effort to prepare for the School's 75th anniversary in 2000, raising funds for faculty support, research and teaching initiatives, and technology.

The current estimate is that 1998/99 operations (before providing for facilities reserves and investment in major facilities projects) will approximately break even, which is accounted for by the net addition of faculty and the investment in the intranet. The second installment of gift funding for the Littlefield addition is expected in 1998/99; general gifts and reserves will be provided temporarily to complete the project in 1998/99. Funds will be sought to renovate the GSB building, with the expectation that pledges will be paid over five years and project funds advanced by general gifts and reserves.

School of Medicine

The School of Medicine has undertaken a number of major initiatives in recent years to maintain world class excellence in education, biomedical research and innovative clinical care, and to respond to the opportunities and challenges of the changing scientific and economic environment.

Recruiting and retaining high quality faculty is critical to the School's ability to realize its goals. This year, the School recruited chairs in the departments of Ophthalmology and Neurology and Neurological Sciences. In the coming year, the School plans to complete recruitment of new chairs to lead the departments of Surgery, Pathology, and Anesthesia. Investments in these departments will continue for several years as the new chairs recruit faculty and build programs. Housing costs are a serious problem in recruiting high quality faculty, but the School worked successfully with the Faculty and Staff Housing Office to develop attractive housing assistance packages.

The School's research performance was strong in 1996/97 with 14% growth in direct research expenditures, and projected direct research expenditures for 1997/98 are an additional 10% higher. The numbers and amounts of faculty grant awards continue to increase and research expenditures are expected to remain strong for 1998/99. Space to accommodate growing research activities is a major planning focus. The Center for Clinical Sciences Research (CCSR) should be occupied by the beginning of 1999/00. The School has leased additional laboratory space near the Palo Alto Veterans' Administration Medical Center for expansion of the Human Genome Project and to accommodate faculty in several departments. The financial costs of leasing off campus space are high as are the intellectual costs of the lack of proximity of faculty and research space to other School activities.

Early in this fiscal year, the Accreditation Team of the Liaison Committee on Medical Education visited the School as part of the national accreditation review. The School's accreditation was renewed for seven years but the Team made recommendations regarding facilities, including the quality and amount of library space, study

space for students, and the quality of classroom space and equipment.

The Veterinary Service Center was also reviewed this year by the Association for Assessment and Accreditation of Laboratory Animal Care and accreditation was renewed. A faculty task force is studying the costs of providing care for laboratory animals essential for research activities. The School expects to increase its subsidy for animal care and reduce charges to investigators.

This year the School has attempted to integrate capital expenditure planning with the annual Consolidated Plan and to carry both the Consolidated Plan and the Capital Plan out several years into the future. The result will be a more comprehensive picture of potential expenditures and a better base for prioritizing projects. For 1998/99, the School projects capital expenditures, shown as transfers to Plant, of approximately $24.8 million. This includes improvements to student labs and classrooms at $4.3 million, seismic stabilization of the Edwards building at $2.8 million, commitments to chairs at $2.9 million, and projects related to CCSR relocations of $1.9 million. Departmental investments in plant projects will total approximately $4 million. The School also projects a cost of $2.4 million to upgrade networks to meet new University standards and $2.0 million for planned maintenance projects.

The merger of UCSF clinical activities and Stanford Health Services to form UCSF/Stanford Health Care was finalized on November 1, 1997. The School and its clinical departments are committed to the new venture's success and are working to resolve issues related to merging two very different clinical practices in ways that protect and enhance the mission of each. In 1998/99 the flows of funds among UCSF/Stanford Health Care, clinical departments, and the School will remain largely unchanged, however the development of new financial plans must take into account the School's goals for education and expansion of clinical knowledge. While each entity has an obligation for fiscal responsibility, decisions regarding services that have been shared and benefited the enterprise as a whole should not be made unilaterally or without understanding the impact of potential changes on each institution.

The School has pressing needs to develop and enhance existing programs and to satisfy commitments to departments. While fortunate to have a growing research enterprise and appropriate reserves, the School will need to spend some accumulated reserves over the next several years to meet such needs as upgrading its aging facilities. The School's leadership has initiated several programs to develop and evaluate its plans and priorities.

Hoover Institution

Due to successful fund raising and continued cost containment, the Hoover Institution finished 1996/97 with a budgetary surplus of $2.7 million; the Institution projects a balanced position in 1998/99. The 1998/99 budget reflects significant real growth for the first time in this decade.

The Institution's five-year $75 million fund raising campaign, which runs through the year 2000, has produced early positive results assuring that the 1998/99 budget will be in balance. In the five years ending with 1996/97, gifts raised for expendable purposes grew, on average, by 35% annually, while expenditures grew by only 3% annually.

The University's annual contribution of approximately $4 million is used to support the Hoover Library and Archives. Nearly 20% of the proceeds for new initiatives from the Campaign is for new Library and Archives projects.

The Hoover Library and Archives maintains an active collecting program on political, economic, and social change. Several initiatives will strengthen the collecting program, enhance access for users, and contribute to the preservation of the collections. Collecting initiatives are focused on three themes:

- Transition to Democracy and Economic Freedom in former communist countries, in evolving communist countries, and in countries throughout Latin America and Africa
- Soviet Union in the Twentieth Century: From Revolution to the End of the Cold War
- Middle East in Transition: Documenting the Clash of Civilizations

Access to the collections will be enhanced by cataloging the flood of newly acquired materials, using new technologies to deliver information to a wider audience, and encouraging their use through research and publication grants.

The strength of the Library and Archives is its special collections of archives, manuscripts, pamphlets, and other materials. They come from the back alleys of revolutionary change and the streets of political action in far corners of the world. The Library and Archives are focusing their energies and resources on these special collections.

The Institution's research programs will be expanded with the appointment of the first two of six new resident fellows in the coming year. With additional campaign funding, the Institution plans to complement existing resident fellows with affiliated part-year fellows in residence, augment the support of resident fellows to undertake institutional projects, and enhance dissemination of the scholars' research via symposia, seminars, and publications.

Under the umbrella of the Institution's three major programs (American Institutions and Economic Performance, Democracy and Free Markets, and International Rivalries and Global Cooperation), Hoover resident and affiliated fellows will participate in a number of institutional projects on topics such as economic growth and capital formation, education reform, environmental policy, intellectual property and intellectual capital, Latin American economics and politics, peace and security in Europe, and the threat of biological and chemical weapons.

The Hoover Institution plans to expand marketing of its two successful outreach activities, the *Hoover Digest: Research and Opinion on Public Policy* (the Institution's quarterly journal) and *Uncommon Knowledge* (its weekly half-hour public affairs program). The 1998/99 marketing goals for the *Hoover Digest* are to increase its paid subscription base and to expand circulation among politicians, the media, and researchers at other universities and research centers. *Uncommon Knowledge*, a series of half-hour discussions of policy formation featuring Hoover fellows, Stanford faculty, and other policy experts, is carried by more than eighty public television stations. In 1998/99, efforts will be made to expand distribution further and to find additional sponsors to underwrite production costs.

Stanford University Libraries and Academic Information Resources

The most significant development in the Libraries during 1998/99 will likely be the reoccupation of the Green Library West building, which was severely damaged and evacuated following the Loma Prieta earthquake in 1989. The 10-year anniversary of the worst quake to hit Northern California since 1906 will see the completion of a remodeled, redecorated, and greatly strengthened main library facility for research services and collections.

The completion of the Green Library West reconstruction project will enable the Library to implement a new program of subject-area based research services with supporting collections shelved nearby. Unfortunately, the seismic strengthening of the building structure has reduced its shelving capacity. New life safety sprinkler code requirements in the Green Library East building will reduce its shelving capacity as well.

At the same time, Stanford will continue its tradition of collection building with an increase of 4% to the base general fund collection budget. Such an increase falls well short of the rate of inflation in the publishing industry, which will exceed 10% in 1998/99. The

scholarly community at Stanford will need to make some hard decisions about collection development, especially the continuation of expensive serial titles.

A continued strong dollar will aid the purchase of non-US materials and help counter the high rate of inflation in publishing, so that Stanford may once again add about 120,000 volume equivalents to its collection. At the rate of 10 volume equivalents per linear foot of shelving, this means the Library will require about 12,000 linear feet of new shelving in 1998/99, or about 2 miles. This is a fairly typical annual requirement. Combined with the loss of capacity in Green Library (both East and West), and given the crowded conditions in the existing stacks, this means that Stanford will need to acquire, lease or build a new storage facility for library collections in three years or less.

The digitization of print collections is sometimes mentioned as a solution to the problem of collections space. This might be true in the event that the Libraries purchased most or all of the materials from the publisher in digital format. But only a tiny fraction of the published output of interest to the Stanford community is now available in electronic format. The rest is available only in hard copy, and is prohibitively expensive to convert to electronic format, as compared with simply building a new facility to house the printed material.

Work continues on the development of the Library's Technical Processing system, purchased from Sirsi Corporation in 1996/97. The system will cost approximately $6 million, amortized over a five year period.

The Academic Technology Specialist program will continue into 1998/99 with the same level of general fund support as in 1997/98 ($400,000). However, of that amount, the Provost has authorized the conversion of $150,000 to base funds and has also authorized an expansion of the program using 50/50 cost sharing with the schools.

SLAC

SLAC projects a budget of $171.8 million, based on the FY98 President's Budget submitted to Congress.

1997/98 is the last year of the construction of the PEP-II B Factory project of the high energy physics program. Construction activities will be completed in the late spring of 1998 and commissioning will begin in July 1998. The associated B-meson particle detector (BaBar detector) project, a collaboration of 70 institutions in nine countries, will complete the fabrication in early 1999. The BaBar detector will then be installed on the PEP-II beam line and be ready to begin the B physics program three to six months later.

Another important element in the high energy physics program is an extensive effort aimed at the eventual construction of a large electron-positron linear collider which will allow unique experimental investigations at the TeV energy scale. Given the 1998/99 President's Budget as submitted to Congress, there will be a substantial growth in the large electron-positron linear collider research and development program which is carried out in close collaboration with SLAC's sister lab KEK, Japan's National Laboratory for High Energy Physics.

A relatively new direction for SLAC's high energy physics program is a move into space research, in conjunction with the Physics Department and HEPL and in cooperation with NASA and several foreign laboratories. A proposal has been submitted to DOE for the GAMMA-ray Large Area Space Telescope (GLAST) experiment. In 1998/99, the SLAC effort will focus on the research and development for a state-of-the-art high energy gamma-ray detector for space.

Operations of SLAC Positron-Electron Asynchronous Ring (SPEAR) for users is planned for about nine months, similar to 1997/98. Various new experimental stations at SPEAR are currently under fabrication. A new beam line, the molecular environmental science beam line, is

scheduled to be commissioned in 1999 with a new side station for protein crystallography. An existing experimental station is being modified for deep etch lithography for micromechanical systems.

Incremental funding has been requested from DOE for two major initiatives of the Stanford Synchrotron radiation Lab (SSRL). The first is for a significant effort in 1998/99 associated with a major upgrade of the SPEAR facility called “SPEAR 3”, a $45 million project proposed to begin in 1999/00. The SPEAR3 upgrade will increase the brightness of the synchrotron radiation beam for the experimenters at SSRL.

The second major initiative of SSRL is the research and development program for an x-ray free-electron laser called the Linear Acceleration Coherent Light Source (LCLS) which utilizes a part of the linear accelerator. A substantial increase in funding for the R&D program is being sought in 1998/99 and 1999/00 to support the U.S.-based collaborating institutions which include SLAC, Lawrence Livermore National Laboratory, Los Alamos National Laboratory, and the University of California at Los Angeles.

SECTION 3
1998/99 CAPITAL BUDGET

INTRODUCTION

The 1998/99 Capital Budget represents our on-going efforts to restore, maintain and improve campus facilities for teaching, research, and related activities. The Stanford campus is a unique resource which helps shape and define much of University life. Our principal goals in capital planning are to protect and extend the useful life of existing facilities, create appropriate new facilities where necessary to support the work of the faculty, students, and staff, and integrate facilities and support systems into a coherent, effective, and attractive campus.

Several major capital programs will be completed in the coming year marking the successful conclusion of a major effort begun more than five years ago. The Science and Engineering Quadrangle will be completed, as will the Museum (now known as the Cantor Arts Center at Stanford) and the seismic renovation of Green Library West. The Center for Clinical Sciences Research will be virtually complete by the end of the fiscal year. These are the primary projects which have contributed to unprecedented levels of construction on campus during the past several years. These projects, and several others specified in the table below that have been approved for construction, total $319.0 million, with $96.2 million to be expended in 1998/99.

Even as these programs come to closure, new needs emerge. The effects of aging buildings, restrictive codes, and growth in program have been the impetus to assessing comprehensively the needs for facilities upgrades in the Humanities and Sciences, Engineering, and Medical Schools. In addition, projects are being formulated to meet on-going student housing needs.

Generous donations have given rise to two new opportunities. The first is a new aquatics facility that will supplement the overcrowded aquatic facilities for the Department of Athletics. The second is a new Alumni Center that will be the "home away from home" for current and future generations of Stanford alumni. These projects, plus a host of smaller renovations for programmatic change and growth, constitute $72.2 million anticipated to be spent in 1998/99.

In addition to specific building projects, the Capital Plan includes on-going programs of maintenance, renewal, and expansion of the campus infrastructure. These programs include annual investments in utilities systems, student housing, transportation and parking facilities, and the campus landscape. The capital plan also includes investments in technology infrastructure as well as major administrative computing applications. A total of $49.4 million will be expended in 1998/99 toward infrastructure development.

FINANCING

The one-year 1998/99 Capital Budget totals $217.8 million. Its impact on the Consolidated Budget for Operations appears in two places: $5.1 million in incremental debt service for those projects completed by September 1, 1998 whose debt service for the full year was not incorporated into the FY98 budget; debt service for those projected coming on-line by September 1, 1999, and $3.0 million in incremental operations, maintenance, and utilities costs for facilities coming on-line.

1998/99 Capital Budget Projected Expenditures
(in millions)

	Project Schedule	Total Project Cost	Percent Complete 9/1/98	Projected 1998/99 Expenditures
Projects in Design and Construction				
Center for Clinical Science Research	1996-00	$88.7	58%	$31.2
Cowell Cluster	1998-99	8.9	61%	3.5
Encina Hall East Wing	1996-99	14.4	99%	0.4
Encina South and Central Wings	1997-99	10.0	99%	0.5
Green Library Connectivity	1999	1.5	7%	1.4
Green Library West Seismic	1994-99	48.6	76%	11.7
GSB Link Addition	1997-00	10.9	48%	5.7
Hanna House	1996-99	2.3	78%	0.5
Lagunita	1998-99	18.5	90%	2.0
Margaret Jacks Hall	1997-99	4.4	90%	0.4
SEQ Connective Elements	1996-99	10.4	76%	2.5
SEQ Electrical Engineering	1996-99	29.3	78%	6.5
SEQ McCullough Annex	1996-99	22.1	75%	5.5
SEQ McCullough Renovation	1996-99	19.5	74%	5.0
Serra Mall Development	1996-00	5.4	57%	1.5
SUMC Entry Redevelopment	1997-01	6.6	9%	0.4
Construction Financing[1]	1999	6.5		6.5
Portfolio Contingency		11.0		11.0
Subtotal-Approved Projects		319.0		96.2
Infrastructure Programs (See Table on Facing Page)	1999-03	185.5		49.4
Projects in Concept and Formulation (See Table on Page 40)	1999-03	301.3		72.2
Total Capital Budget		**$805.8**		**$217.8**

1 Represents construction financing on approved projects funded by debt.

1998/99 Capital Budget Projected Expenditures/Infrastructure Programs Detail
(in millions)

	Project Schedule	Total Project Cost	Projected 1998/99 Expenditures
Infrastructure Programs			
Capital Utilities Program			
Wear-Out	1999-03	$20.4	$2.7
Controls	1999-03	3.7	0.9
System Expansion	1999-03	7.3	3.0
Regulatory	1999-03	9.1	6.4
Subtotal		40.5	12.9
Capital Improvements Plan			
Year 6 (H&DS)	1999	10.9	10.9
Year 7 (H&DS)	2000	11.5	
Year 8 (H&DS)	2001	12.0	
Year 9 (H&DS)	2002	8.8	
Year 10 (H&DS)	2003	9.2	
Subtotal		52.4	10.9
Systems			
Applications	1999	8.2	8.2
Infrastructure	1998-99	2.0	2.0
Communications Facilities	1999-03	8.1	2.0
Subtotal		18.3	12.1
University Deferred Maintenance	1995-99	40.0	5.0
Stanford Infrastructure Program			
Campus Landscaping and Planning Projects	1999-03	16.2	4.1
Transportation Parking and Programs	1999-03	18.1	4.3
Subtotal		34.3	8.4
Total Infrastructure Programs		**$185.5**	**$49.4**

1998/99 Capital Budget Projected Expenditures/Projects in Concept and Formulation Detail
(in millions)

	Project Schedule	Total Project Cost	Projected 1998/99 Expenditures
Projects in Concept and Formulation[1]			
Alumni Center	1999-01	$30.0	$5.0
Always-2-Fleischman Labs Renewal	1998-00	3.5	2.8
Always/Grant-2 Pathology Lab Renewal	1999-00	3.5	2.8
Aquatics Center	1999-00	12.0	9.0
Boathouse	1999	5.0	5.0
Building 360 Main Quad/Westgate Seismic	1999-00	4.5	2.0
Cobb/Maloney Bleachers	1998-99	3.0	1.5
Compliance Reserves	1999-03	13.5	2.7
Edwards Seismic	1998-00	3.5	2.8
Edwards-3 Surgery Offices Renewal	1999-00	6.8	0.1
Encina Central	1999-00	5.0	3.0
Graduate Student Housing	1999-01	15.0	2.5
Grant-0 Rad Office Renovation	1998-99	3.5	3.1
Lane-0/1 Library Expansion and Renewal	1999-01	15.0	0.8
Lane-3 Surgery Labs Renewal	1999-00	5.8	0.5
Library Technical Services	1999-00	9.0	3.0
Science & Engineering Project I	1999-01	45.0	5.0
Science & Engineering Project II	1999-01	32.0	5.0
Small Projects[2]	1999-03	120.0	24.0
Less: Stanford Infrastructure Program Surcharge[3]		(34.3)	(8.4)
Total Projects in Concept and Formulation		**$301.3**	**$72.2**

1 These projects are in various stages of formulation. Scope, schedule and estimates may be revised. These projects are all subject to funding approval.

2 Represents projects less than $3 million, many of which are lab renovations.

3 Represents 9% surcharge on capital projects. See Infrastructure Programs for project expenditures.

The table of the facing page details all projects and programs discussed above, along with their total project costs, project schedule, percent complete, and projected 1998/99 expenditures.

The table to the right details the sources of funds for these projects and programs and the amount of debt financing ($45.4 million) needed to fund the balance. Construction financing is used to cover the debt portion until the project is complete. At that point, permanent long-term debt financing is put in place. More detail on sources of funds by project is included in Appendix B.

The table below shows an analysis of debt service for capital projects for 1997/98 and 1998/99. We are anticipating an increment of $5.1 million in debt service for 1998/99 over the 1997/98 projected level. This increment supports three sets of projects. The first are those projects completed in 1997/98, where the debt service was budgeted for only part of that year. The second set consists of those projects expected to come on-line in 1998/99. And the third set contains infrastructure projects planned for 1998/99. The total projected debt service for capital projects completed by September 1, 1999, ($18.3 million) is included in the University's Projected Consolidated Budget for Operations, 1998/99.

1998/99 Capital Budget Funding Summary
(in millions)

Uses of Funds	
Projects in Design and Construction	$96.2
Infrastructure Programs	49.4
Projects in Concept and Formulation	72.2
Total	**217.8**
Sources of Funds	
Gifts	78.2
Current Funds and Reserves	57.8
Government	7.1
Debt	
Auxiliaries/Service Centers	23.9
University	50.8
Total	**$217.8**

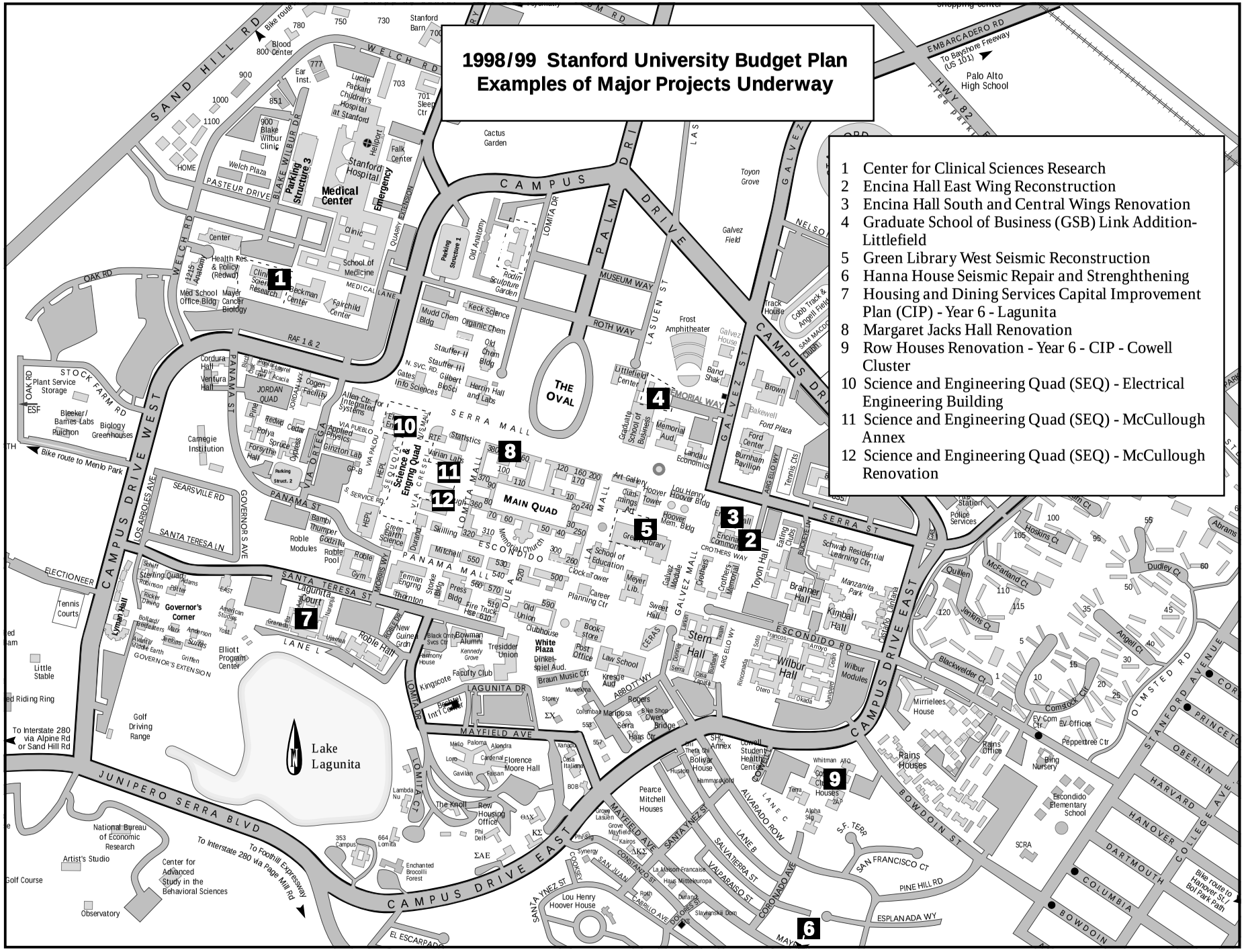
We are often asked how much we are investing in the Plant relative to how much would be required on a replacement cost basis. Depreciation charges in our financial statements are based on the historical cost of the asset and use the average life of a broad class of assets. We have developed a proxy for 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. In 1998/99, the estimated annual replacement cost is $199.2 million compared to an annual

Debt Service for Projects Completed by September 1, 1999[1]
(in millions)

Projects	1997/98	Incremental Addition	1998/99
Non-Formula Schools			
Projects Completed by September 1, 1998	$8.0	$2.0	$10.0
Projects Completed by September 1, 1999		2.4	2.4
Capitalized Deferred Maintenance		0.6	0.6
Total Non-Formula Schools	8.0	5.0	13.0
Formula Schools	5.2	0.1	5.3
Total Debt Service	**$13.2**	**$5.1**	**$18.3**

1 Excluding service centers.

1998/99 Stanford University Budget Plan
Examples of Major Projects Underway



1. Center for Clinical Sciences Research
2. Encina Hall East Wing Reconstruction
3. Encina Hall South and Central Wings Renovation
4. Graduate School of Business (GSB) Link Addition-Littlefield
5. Green Library West Seismic Reconstruction
6. Hanna House Seismic Repair and Strenghthening
7. Housing and Dining Services Capital Improvement Plan (CIP) - Year 6 - Lagunita
8. Margaret Jacks Hall Renovation
9. Row Houses Renovation - Year 6 - CIP - Cowell Cluster
10. Science and Engineering Quad (SEQ) - Electrical Engineering Building
11. Science and Engineering Quad (SEQ) - McCullough Annex
12. Science and Engineering Quad (SEQ) - McCullough Renovation

investment in plant of $243.3 million. This investment in plant includes the work funded through the Capital Budget, as well as the ongoing and planned maintenance costs in the Consolidated Budget for Operations.

PROJECTS IN DESIGN AND CONSTRUCTION

Many of this year's projects are culminating a multi-year effort. Following are descriptions of these. Please refer to the map on the previous page for their site locations.

Center for Clinical Sciences Research

The proposed Center for Clinical Sciences Research (CCSR) will provide critically needed academic space for the School of Medicine's teaching and research programs in Cancer, Immunology, Human Gene Therapy, Human Anatomy and other related programs.

The CCSR is planned to encompass 129,100 net assignable square feet within a building envelope of 214,000 gross square feet. 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) schools reserves ($6.6 million) and University funds ($5.0 million). Construction began in the summer of 1997 and is scheduled for completion in September of 1999.

Encina Hall-East Wing and South/Central Wings

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. The east wing is now being restored as a home for several research centers within the Institute for International Studies (IIS), which currently occupies part of the central wing of Encina. The south and central sections will also be repaired. The restoration of Encina Hall will cost $24.4 million and will be funded by a combination of gifts to IIS and debt. Construction is anticipated to be completed by September of 1998.

Littlefield Addition

This building is an addition to the Littlefield Center, which will provide approximately 14,250 gross square feet of office and conference space plus an unfinished basement space to be used for future program needs. The space will house all of the Dean's Office, critical academic support services, faculty, and emeriti. Ground breaking took place in April of 1998, and construction is estimated to be complete by February 2000. The project cost is $10.9 million and is supported totally by gifts.

Green Library West Seismic Reconstruction

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 October of 1998. The restored building will house the Library's Special Collections, extensive reader services such as the Humanities Resource Center, and stacks. The total project cost will be $48.6 million, supported by a combination of gifts ($26.2 million), funds from the Federal Emergency Management Agency (FEMA) ($15.8 million), University reserves ($5.3 million), and University debt ($1.3 million).

Hanna House Seismic Repair and Strengthening

The Hanna House was designed by Frank Lloyd Wright with Paul and Jean Hanna in 1935. The entire complex was bequeathed to Stanford University by the Hannas in 1974, with the intent that the buildings be preserved as a living example of the philosophy and the design principles of Frank Lloyd Wright. The Hanna House served as the residence for the University Provost until the Loma Prieta earthquake, when it suffered damage. The proposed project is intended to repair the damage and improve the seismic performance of the structure. The total project cost will be $2.3 million, supported by a combination of gifts ($1.4 million), funds from the Federal Emergency Management Agency (FEMA) ($0.4 million), and University reserves ($0.5 million). Construction began in May of 1998.

Margaret Jacks Hall Renovation

Margaret Jacks Hall (Building 460) is a four-story building with full basement and is located on the front portion of the outer Main Quad. It was built in 1900 from a design by Charles Coolidge, modified by Clinton Day. Major renovations to the building were completed in 1978. The building has been seismically upgraded. This tenant renovation will provide a single location for the English and the Linguistics departments, two of the larger departments within the School of Humanities and Sciences.

This project is scheduled to be complete in September of 1998. The total project cost will be approximately $4.4 million, supported by a combination of University funds ($3.1 million) and deferred maintenance reserves ($1.3 million).

Science and Engineering Quad

The Science and Engineering Quad (SEQ) projects are funded in part by a generous gift of $76.8 million from William Hewlett and David Packard. The Regional Teaching Facility, which will replace Bloch Hall as the center for undergraduate instruction in the sciences and engineering, and Sequoia Hall, housing the Statistics department, both opened in Spring of 1998.

The new 122,400 gross square foot home of the Electrical Engineering Department is comprised of computer-based research labs. These labs will be comprised of Information Systems Lab (ISL), Computer Systems Lab (CSL), Integrated Circuits Lab (ICL), Solid State Lab (SSL), Space, Telecommunications, and Radioscience (STAR), and Ginzton Lab.

The McCullough Annex will be a 57,000 gross square foot laboratory building housing most of the wet laboratories that currently reside in the existing McCullough Building. The Annex will be dedicated to research in the synthesis, understanding, and applications of advanced materials, and to the education of graduate students from various science and engineering disciplines engaged in advanced materials research.

The McCullough building is being converted to an office and dry lab building which will connect to the new Annex. Significant modifications to the mechanical, plumbing, process piping, and electrical systems are required, because the building systems are at the end of their useful life. The fire alarm protection, lighting, and communications systems will be brought up to code and University standards. In addition, the building will be brought up to Americans with Disabilities Act (ADA) standards for rest rooms and public areas. This renovation will encompass the entire 78,380 gross square feet of the building.

The total project costs of the Electrical Engineering building will be $29.3 million, the McCullough Annex will be $22.1 million, and the McCullough Renovation will be $19.5 million. All of these projects are scheduled for completion in December of 1998.

INFRASTRUCTURE PROGRAMS

Stanford's ongoing effort to renew its infrastructure is managed through the programs described below.

Capital Utility Program

The Capital Utility Program (CUP) contains projects that will improve and enhance electrical, chilled water, steam, water, and sewage systems. Projects 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 1998/99 is $12.9 million. The largest portion of this, approximately $6.4 million, will be used for regulator upgrades. Another $3.0 million will be used to expand the system to accommodate growth in the campus and increased demand for utilities.

Capital Improvements Plan in Housing and Dining Services

In 1998/99, year seven of the fifteen-year Capital Improvements Plan (CIP), renovations will

occur in a number of Row Houses (Enchanted Broccoli Forest, 353 Campus Drive, Kappa Alpha, and Lambda Nu). Additionally, as in previous CIP years, 170 Escondido Village apartments are planned for renovation. These projects are anticipated to total $10.9 million. The projects in any given year are selected to benefit both undergraduate and graduate students, as well as to consider all types of housing and meet the financial exigencies of the overall renovation program on the H&DS budget.

The CIP renovation plan is intended to reduce the differences in quality between older residences and those built in the past eight to ten years. This is accomplished by replacing finishes and furnishing, attending to critical code compliance and deferred maintenance issues, providing aesthetic and landscape improvements where possible and providing functional improvements such as in-room access to SUNet and dining services upgrades as applicable.

Systems

As new buildings and major renovations come on-line, new utilities are needed to service those buildings. In addition to traditional utilities such as electricity and chilled water, an increasingly important utility is the Communications Facilities which bring all voice, data, and video communications to the building. This portion of the capital budget includes $2.0 million to cover the costs for both conduit and interbuilding cabling for all communications, both within and outside of Stanford. The budget for systems infrastructure programs also includes $10.2 million for information systems application and infrastructure development.

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 related to critical needs 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. The critical $40 million in projects will be completed by the end of 1998/99.

Stanford Infrastructure Program

The Stanford Infrastructure Program (SIP) consists of projects and programs proposed and developed for the improvement and general support of the University's academic community and its physical plan. 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 which is subdivided into 5% for the SIP-Campus Program and 4% for SIP-Transportation programs.

SIP-Campus proposes to spend up to $4.1 million in fiscal year 1998/99, which will be spent on improvements to roads, paths, storm drains, outdoor art, outdoor landscaping and signs, as well as the advance planning efforts that support each of these.

SIP-Transportation proposes to spend up to $4.3 million during the same period for the implementation of a revised transportation plan which provides for the construction of additional parking, including planning for at least one parking structure, and enhancements to support bicycle use.

PROJECTS IN CONCEPT AND FORMULATION

The capital planning process complements academic and institutional planning. The overriding goal of all capital planning is to provide facilities which will enable Stanford faculty, students and staff to excel in their work.

Proposals for new capital projects come into the planning process in a variety of ways. Many are developed as part of ongoing maintenance and enhancement programs. Other projects arise because of issues relating to new building codes or changes of use. Still other projects develop out of new programmatic initiatives of the faculty and, occasionally, the interest of donors.

In whatever way a project begins, it enters a formulation process which is meant to identify the most appropriate solution to the problem or issue at hand. This may involve a comparison of the cost of renovation versus new construction or may involve reprogramming existing space to accommodate new needs. The formulation process results in a review of all feasible options and a description of realistic alternatives. From this process a decision is made to continue a project, reassess the programmatic needs which underlie it, or to defer or terminate it.

The annual budget is derived in a context of a multi-year plan. Our goal in developing the multi-year plan is to track projects that would clearly enhance teaching, research and University life, realizing that not all such projects will be possible during this period. Each project must be justified on its own terms and in relationship to competing demands for resources.

CAPITAL NEEDS

Stanford is completing an important period during which several major capital programs are coming to completion. Among the issues that will dominate capital needs and capital planning in the forthcoming years are:

Compliance Issues – Building codes pertaining to the storage and use of hazardous material have become increasingly restrictive. While we believe that many of these code requirements are neither necessary nor appropriate for research and teaching facilities (as opposed to manufacturing facilities), we are nonetheless required to meet many of them. In addition, the requirements of the Americans with Disabilities Act (ADA) have made renovations necessary in many facilities in order to improve access.

Housing – The high cost of housing in the Bay Area has created substantial problems for the University in its recruitment of graduate students, post-doctoral students, medical residents, and faculty members. Within the capital budget, we have anticipated the need for student housing. Planning has begun to assess the best sites and configurations for such new housing.

New and Improved Academic Space – As academic programs change and evolve, so often must the spaces in which they are housed. Stanford's academic excellence stems in part from the ease with which research and teaching programs can originate and flourish, particularly across department and school boundaries. Such collaborations are often made richer by new and specialized facilities. While not all new needs can be accommodated, it is imperative that campus facilities be made to respond to new faculty initiatives.

Projects in the 1998/99 Capital Budget, listed under Concept and Formulation, represent these needs and projects made possible by gift funding. To address compliance issues, Science & Engineering projects are being developed to create facilities where Chemistry and Mechanical Engineering departments can conduct research in the class H facilities they require. In an effort to improve existing facilities, projects include lab renewals at the School of Medicine and one of the last seismic renovations in the Main Quad. New facilities such as the Alumni Center and Aquatics Center, made possible through generous donations, contribute to enriching the physical resources of the University community.

CONSTRAINTS

As we look ahead, several constraining factors will play an increasingly important role in determining the feasibility of capital projects.

Among these are:

ENTITLEMENTS – A General Use Permit (GUP) granted by Santa Clara County governs the extent to which Stanford is entitled to new development on campus land. The GUP establishes limits on the growth of the campus (as measured by square feet) and on population (faculty, staff, students, visitors, contractors, patients, etc.) Within the next five years, a new or extended GUP will be necessary to allow for additional facilities. Preliminary work is underway which will lead to the application for a new GUP within the next year.

DEBT POLICY – In December 1997, the Board of Trustees approved a new debt policy that set limits on the University's overall debt level. The debt policy limits the debt to the lesser of: 1) an overall debt level that is 20% of the Unrestricted and Temporarily Restricted Net Assets or 2) interest payments that are less than 5% of Total Revenue. In addition to the overall debt limits, the debt policy imposes an internal constraint, for management purposes, on the level of internal debt service repayments on capital projects (exclusive of SLAC, auxiliaries, and service centers) to 5.0% of unrestricted funds (i.e., general funds plus designated funds). In 1998/99, these internal repayments for debt service will be $19.8 million including payment on commercial paper, or 3.4% of unrestricted funds. The impact of this policy is that the University has roughly $115 million in remaining debt capacity for projects supported by central funds.

BUDGET CONSTRAINTS – The debt service on projects financed by debt and the operations and maintenance costs on capital projects are expenditures paid for by the general funds of the University. Capital-related costs compete directly for this limited resource against academic program initiatives. An assessment of the financial impact of all capital projects is performed to ensure the affordability of the project in relation to the operating budget of the University.

The challenge of the coming years will be to balance the need for new and more functional facilities with the need to constrain growth and preserve financial flexibility. Accomplishing these, sometimes contradictory goals, will require good planning and creativity.

SECTION 4
CHALLENGES BEYOND 1998/99

With this last budget of the decade, Stanford is on very sound footing.

- Our endowment has grown from $1.6 to $4.5 billion over the decade. It is important to note, however, that our endowment support per student is low when compared to our principal competition. We continue to rely more heavily on sources of income that must be raised each year in order to support our operating needs.
- Our academic and research programs are generally extremely strong and continue to improve.
- A large fraction of our facilities has been re-built since the 1989 earthquake, so that we will enter the new decade with virtually a renovated campus, minimal deferred maintenance, and critical new science and engineering facilities.
- Our administrative structures and processes have been trimmed.
- We have instituted budgeting processes that call for adequate reserving against income shortfalls on the part of both the central administration and the schools.

Yet, challenges remain. Stanford's commitment to excellence at the frontiers of research and teaching is expensive. From the costs of state of the art laboratory equipment and buildings to the demand for small group instruction across the curriculum to the very "hot" market for the very best faculty, the financial pressures on the University are immense. The soaring costs of the information age, an unending appetite for regulation at all levels of government, and our enviable, but expensive, geographic location are also matters of concern. Our goal must remain to be as effective and efficient in the use of resources as possible. This is particularly true given our commitment to need-blind admissions and our desire to moderate tuition increases in the future. Only through very careful use of our resources can we hope to support core programs while continuing to innovate so that Stanford can be even stronger in the 21st century than it has been in its remarkable past.

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
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	2,776				2,776
Restricted Revenues and Transfers between Units	4,527	5,660	4,213	7,150	21,550
Transfers (to)/from Endowment			(150)		(150)
Transfers (to)/from Plant					
Transfers (to)/from Student Loan					
Total Revenues and Transfers	7,303	5,660	4,063	7,150	24,176
Expenditures					
Academic Salaries	3,682	1,406	243	1,843	7,174
Staff Salaries	960	461	169	1,132	2,722
Total Benefits	1,114	262	83	415	1,874
Total Non-Salary Expenditures	1,547	2,925	2,926	3,760	11,158
Total Expenditures	7,303	5,054	3,421	7,150	22,928
Excess of Revenue over Expenditures		606	642		1,248
Beginning Operating Equity		4,300	9,200		13,500
Ending Operating Equity		4,906	9,842		14,748

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 for those units not operating under a formula arrangement.

School of Education
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	7,565				7,565
Restricted Revenues and Transfers between Units	1,746	800	688	11,006	14,240
Transfers (to)/from Endowment					
Transfers (to)/from Plant					
Transfers (to)/from Student Loan					
Total Revenues and Transfers	9,311	800	688	11,006	21,805
Expenditures					
Academic Salaries	4,301	97	80	1,767	6,245
Staff Salaries	1,506	79	80	1,886	3,552
Total Benefits	1,420	43	24	728	2,215
Total Non-Salary Expenditures	2,084	212	289	6,625	9,210
Total Expenditures	9,311	432	473	11,006	21,222
Excess of Revenue over Expenditures		368	215		584
Beginning Operating Equity		2,086	2,663		4,749
Ending Operating Equity		2,454	2,879		5,333

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 for those units not operating under a formula arrangement.

School of Engineering
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	33,229				33,229
Restricted Revenues and Transfers between Units	9,198	18,232	22,717	81,836	131,983
Transfers (to)/from Endowment					
Transfers (to)/from Plant					
Transfers (to)/from Student Loan					
Total Revenues and Transfers	42,427	18,232	22,717	81,836	165,212
Expenditures					
Academic Salaries	22,892	1,623	3,697	19,102	47,313
Staff Salaries	6,581	3,569	529	8,258	18,936
Total Benefits	6,766	1,151	396	3,485	11,799
Total Non-Salary Expenditures	6,189	6,518	12,955	50,992	76,653
Total Expenditures	42,427	12,861	17,577	81,836	154,700
Excess of Revenue over Expenditures		5,371	5,141		10,512
Beginning Operating Equity		35,536	39,539		75,074
Ending Operating Equity		40,907	44,680		85,586

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 for those units not operating under a formula arrangement.

School of Humanities and Sciences
1998/99 Consolidated Budget Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	85,561				85,561
Restricted Revenue and Transfers between units	31,284	5,694	26,337	43,530	106,844
Transfers (to)/from Endowment		(300)	(2,750)		(3,050)
Transfers (to)/from Student Loan					
Transfers (to)/from Plant			(700)		(700)
Total Revenues and Transfers	116,845	5,394	22,887	43,530	188,655
Expenditures					
Academic Salaries	56,559	1,702	$2,895	14,273	75,429
Staff Salaries	13,698	139	$782	1,770	16,389
Benefits	14,635	357	$620	2,017	17,629
Total Non-Salary Expenditures	31,954	1,509	$9,130	25,469	68,062
Total Expenditures	116,845	3,708	13,426	43,530	177,509
Excess of Revenue over Expenditures		1,686	9,461		11,147
Beginning Operating Equity		19,299	46,577		65,876
Ending Operating Equity		20,985	56,038		77,023

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 for those units not operating under a formula arrangement.

School of Law
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenue and Transfers					
Unrestricted Funds Allocation	10,425				10,425
Restricted revenues and transfers	13,850	600	2,350	400	17,200
Transfers (to)/from Endowment					
Transfers (to/from Housing loans			(400)		(400)
Transfers (to)/from Plant			(350)		(350)
Transfers (to)/from Student loans			(500)		(500)
Total Revenue and Transfers	24,275	600	1,100	400	26,375
Expenditures					
Total Salaries	13,075	225	500	235	14,035
Total Benefits	3,400	59	129	61	3,649
Total Non-Salary Expenditures	7,800	380	407	104	8,691
Total Expenditures	24,275	664	1,036	400	26,375
Excess Revenues over Expenditures		(64)	64		
Beginning Operating Equity		1,000	7,000		8,000
Ending Operating Equity		936	7,064		8,000

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 for those units not operating under a formula arrangement.

Vice Provost and Dean of Research and Graduate Policy
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	7,566				7,566
Restricted Revenues and Transfers between Units	5,430	(2,484)	10,883	85,891	99,720
Transfers (to)/from Endowment			(3,174)		(3,174)
Transfers (to)/from Plant					
Transfers (to)/from Student Loan					
Total Revenues and Transfers	12,996	(2,484)	7,709	85,891	104,112
Expenditures					
Academic Salaries	2,076	481	2,298	8,495	13,350
Staff Salaries	5,976	909	1,296	6,389	14,570
Total Benefits	2,090	341	653	3,050	6,134
Total Non-Salary Expenditures	2,854	2,138	4,743	67,957	77,692
Total Expenditures	12,996	3,869	8,990	85,891	111,746
Excess of Revenue over Expenditures		(6,353)	(1,281)		(7,634)
Beginning Operating Equity		27,761	13,610		41,371
Ending Operating Equity		21,408	12,329		33,737

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 for those units not operating under a formula arrangement.

Graduate School of Business
1998/99 Consolidated Budget
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues & Transfers					
General Funds Allocation	22,027				22,027
Restricted Revenues and Transfers between Units	26,623	7,454		700	34,777
Transfers (to)/from Endowment					
Transfers (to)/from Plant		(5,000)			(5,000)
Transfers (to)/from Student Loan					
Total Revenues & Transfers	48,650	2,454		700	51,804
Expenditures					
Academic Salaries	15,738	1,326		395	17,459
Staff Salaries	8,894	741			9,635
Total Benefits	6,173	551		105	6,829
Total Non-Salary Expenditures	17,845	4,788		200	22,833
Total Expenditures	48,650	7,406		700	56,756
Excess of Revenue over Expenditures		(4,952)			(4,952)
Beginning Operating Equity		18,624	10,535	428	29,587
Ending Operating Equity		13,672	10,535	428	24,635

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
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Auxiliaries	Total
Revenues and Transfers						
General Funds Allocation	59,622					59,622
Restricted Revenues and Transfers between Units	21,949	58,460	46,999	197,079	86,980	411,468
Transfers (to)/from Endowment		(1,063)	450			(613)
Transfers (to)/from Plant		(20,454)	(3,772)			(24,226)
Transfers (to)/from Student Loan			(2,487)			(2,487)
Total Revenues and Transfers	81,571	36,944	41,190	197,079	86,980	443,764
Expenditures						
Academic Salaries	9,396	16,902	5,507	26,137	48,870	106,812
Staff Salaries	18,950	7,783	5,077	37,038	12,795	81,642
Total Benefits	6,893	2,779	2,549	14,567	15,852	42,641
Non-Salary Expenditures	19,465	31,326	16,952	66,084	8,240	142,067
Library Acquisitions	581		1,351			1,932
Utilities	8,823	359	318	630	426	10,555
O&M	13,828	391	206	909	284	15,617
Debt Service	3,635	964	2	10	225	4,836
Indirect Costs		272	807	51,705	288	53,072
Total Expenditures	81,571	60,776	32,768	197,079	86,980	459,175
Excess of Revenue over Expenditures		(23,833)	8,422			(15,411)
Beginning Operating Equity		90,118	132,670			222,788
Ending Operating Equity		66,285	141,092			207,377

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.

Hoover Institution
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	4,038				4,038
Restricted Revenues and Transfers between Units	18,556	200		200	18,956
Transfers (to)/from Endowment					
Transfers (to)/from Plant					
Transfers (to)/from Student Loan					
Total Revenues and Transfers	22,594	200		200	22,994
Expenditures					
Academic Salaries	4,319				4,319
Staff Salaries	7,020				7,020
Total Benefits	2,948				2,948
Non-Salary Expenditures	6,450	200		200	6,850
Library Acquisitions	1,857				1,857
Total Expenditures	22,594	200		200	22,994
Excess of Revenue over Expenditures					
Beginning Operating Equity			12,148		12,148
Ending Operating Equity			12,148		12,148

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
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	27,813				27,813
Restricted Revenues and Transfers between Units	2,154		4,193	165	6,512
Transfers (to)/from Endowment					
Transfers (to)/from Plant					
Transfers (to)/from Student Loan					
Total Revenues and Transfers	29,967		4,193	165	34,325
Expenditures					
Academic Salaries					
Staff Salaries	14,300		850	40	15,190
Total Benefits	3,718		221	10	3,949
Non-Salary Expenditures	3,809				3,809
Library Acquisitions	8,140		3,122	115	11,377
Total Expenditures	29,967		4,193	165	34,325
Excess of Revenue over Expenditures					
Beginning Operating Equity		100	3,900		4,000
Ending Operating Equity		100	3,900		4,000

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 for those units not operating under a formula arrangement.

Vice Provost for Student Affairs
1998/99 Consolidated Forecast
(dollars in thousands)

	Operating Budget	Designated	Restricted	Grants & Contracts	Total
Revenues and Transfers					
General Funds Allocation	32,860				32,860
Restricted Revenues and Transfers between Units	1,407	10,862	24,098	15,469	51,836
Transfers (to)/from Endowment					
Transfers (to)/from Plant					
Transfers (to)/from Student Loan			(200)		(200)
Total Revenues and Transfers	34,267	10,862	23,898	15,469	84,496
Expenditures					
Academic Salaries	24				24
Staff Salaries	9,263	170	77	277	9,787
Total Benefits	2,283	37	19	60	2,399
Graduate Aid	209	7,045	232	8,840	16,326
Undergraduate Aid	16,834	1,926	23,418	6,129	48,307
Non-Salary Expenditures	5,654	1,000	360	163	7,177
Total Expenditures	34,267	10,178	24,106	15,469	84,020
Excess of Revenue over Expenditures		684	(208)		476
Beginning Operating Equity		4,226	3,844		8,070
Ending Operating Equity		4,910	3,636		8,546

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 for those units not operating under a formula arrangement.
- The Grants and Contracts numbers for this unit consist primarily of financial aid sponsored by the government.

Auxiliary Enterprises Projected Budgets, 1998/99
(dollars in thousands)

Housing and Dining Services	
Income	
Student Housing	45,690
Dining Services	19,662
Conference Services	2,959
Interest Income	227
Transfer to Plant Reserves	
Sub-Total Income	68,538
Expenses	
Student Housing	42,004
Dining Services	19,213
Conference Services	2,420
Facilities Expenses	5,493
Sub-Total Expenses	69,130
Operating Gain/(Loss)	(592)

Athletics	
Income	
Intercollegiate	11,517
Unrestricted	5,888
Golf Course	4,510
Faculty-Staff Recreation	885
Restricted Funds	4,236
Summer Camps	225
Sub-Total Income	27,261
Expense	
Compensation and Benefits	13,430
Sport Programs and Athlete Support	4,809
Home Game Management	992
External Relations and Marketing	2,188
Golf Course	1,072
Operations and Maintenance	2,025
University Overhead	1,142
Other Non-Salary	1,603
Sub-Total Expenses	27,261
Operating Gain/(Loss)	0
Financial Aid	
Income	8.5
Expense	9.0
Net Financial Aid Gain (Loss)	(0.5)

Stanford University Press	
Income	
Net Sales	5,128
Cost of Sales	(2,615)
Other Income	425
University Subsidy	458
Sub-Total Income	3,396
Expense	
Editorial	652
Production & Design	232
Marketing	840
Sales Services	4
Distribution (CUP)	692
Accounting	197
Office & General	516
University Overhead	263
Sub-Total Expenses	3,396
Operating Gain/(Loss)	0

Appendix B
Capital Budget Detail

The table in this Appendix, titled “1998/99 Capital Budget Projected Expenditures and Funding Sources” details all projects and programs in progress along with their total project costs, project schedule, percent complete, projected 1998/99 expenditures, and expected funding source.

1998/99 Capital Budget Expenditures and Funding Sources
(in millions)

	Expenditures				Funding Source				
	Project Schedule	Estimated Project Cost	Percent Complete 9/1/98	Projected FY 99 Expenditures	Current Funds	Gifts	Gov't	Debt Financed	Serv Ctr/ Aux
Projects in Design and Construction									
Center for Clinical Science Research	1996-00	$88.7	58%	$31.2	$5.9	$25.3			
Cowell Cluster	1998-99	8.9	61%	3.5				3.5	
Encina Hall East Wing	1996-99	14.4	99%	0.4				0.4	
Encina South and Central Wings	1997-99	10.0	99%	0.5				0.5	
Green Library Connectivity	1999	1.5	7%	1.4	0.8	0.6			
Green Library West Seismic	1994-99	48.6	76%	11.7		3.3	7.1	1.3	
GSB Link Addition	1997-00	10.9	48%	5.7		5.7			
Hanna House	1996-99	2.3	78%	0.5				0.5	
Lagunita	1998-99	18.5	90%	2.0				2.0	
Margaret Jacks Hall	1997-99	4.4	90%	0.4				0.4	
SEQ Connective Elements	1996-99	10.4	76%	2.5		2.4		0.1	
SEQ Electrical Engineering	1996-99	29.3	78%	6.5		6.1		0.4	
SEQ McCullough Annex	1996-99	22.1	75%	5.5		4.4		1.1	
SEQ McCullough Renovation	1996-99	19.5	74%	5.0		5.0			
Serra Mall Development	1996-00	5.4	57%	1.5		1.5			
SUMC Entry Redevelopment	1997-01	6.6	9%	0.4		0.4			
Construction Financing[1]	1999	6.5		6.5				6.5	
Portfolio Contingency		11.0		11.0				11.0	
Subtotal-Approved Projects		319.0		96.2	6.7	54.7	7.1	27.7	
Infrastructure Programs	1999-03	185.5		49.4	21.2			4.3	23.9
Projects in Concept and Formulation	1999-03	301.3		72.2	30.1	23.4		18.7	
Total Capital Budget		**$805.8**		**$217.8**	**$57.8**	**$78.1**	**$7.1**	**$50.8**	**$23.9**

1 Represents construction financing on approved projects funded by debt.

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 in them.

Schedule 1 - Student Enrollment

Women undergraduates outnumbered men in the last two years. The total number of undergraduates increased by almost 90 this year, primarily because more students returned than we expected. After dropping fairly substantially last year, the total number of non-TGR graduate students increased this year. The number of TGRs also increased markedly, mostly because changes in policy require a fraction of the tuition of Research Assistants to be paid directly by sponsored research grants and contracts. This is a strong incentive for encouraging graduate students eligible for TGR status to register that way.

Schedule 2 - Freshman Apply/Admit/Enroll Statistics

After falling rather precipitously in 1990 right after the Loma Prieta earthquake, the number of applicants has marched pretty steadily upward since then. The marked increases in the yield rate the last two years are the result of our early decision program. Because of that program the yield rates this year and last year are not directly comparable with previous periods.

Schedule 3 - Undergraduate Tuition and Room & Board Rates

In the late 1970's and early 1980's tuition at Stanford rose by at least 9% each year. The rates of increase slowed after that, and in the last four years the rates of increase in total expense (tuition plus room and board) have been the lowest in the entire period of the table. In fact, the four percent increases in tuition the last two years have been the lowest since the late 1960's, a time in which Stanford increased tuition every other year rather than annually.

Schedule 4 - Tuition and Fee Income

Undergraduate tuition income is expected to increase at a rate slightly below the tuition increase rate because we expect slightly fewer undergraduate students. Graduate tuition income is expected to rise at a rate well below the rate of tuition increase, primarily because of the incentive discussed under Schedule 1 for students to register as TGR. In turn, the increased number of TGRs is the big reason for the increase in the "Other" Tuition category. Application fees, the primary source of fee income, are expected to grow substantially relative to last year's budget because our actual application fees last year were well above the budget figure.

Schedule 5 - Undergraduate Financial Aid by Source of Funds and Type of Aid

This schedule shows the total amount of financial aid from all sources (including non-need based scholarship aid for athletics) awarded to undergraduate students. The last row shows Stanford tuition plus room and board. The latter has increased by 56% over the period of the table while total support for scholarships and grants has increased by 77%. 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. Note, though, that the loan total has been essentially flat over the past three years, a period that coincides with minimal tuition and fee increases.

Schedule 6 - Undergraduate Financial Aid 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. There are some substantial changes in the "Sources" for 1998/99, starting with a 5.9% decline in expected family contribution and going through some large increases in endowment support, the Stanford Fund, and unrestricted funds. These changes are all related to our decisions to reduce self-help expectations for lower income families and students and to limit the expected family contribution from home equity for middle class families.

Schedule 7 - Total Professorial Faculty

The total professorate has increased by about one-third over the last twenty years, but most of that growth has been in the non-tenure line faculty. The number of tenure line faculty is still below its peak in 1991/92, although there was a big jump this year. The decline in tenure line faculty between 1991/92 and 1996/97 was primarily caused by some special early retirement incentives.

Schedule 8 - 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. The School of Medicine has added substantial faculty in the last few years, but the number of tenure line faculty has actually declined there over the four year period. The Humanities area is the only place with a noticeable increase in tenured and tenure line faculty over this period.

Schedule 9 - 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 since 1990. 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 six footnotes indicating shifts across the categories or other changes over the period. Medicine is particularly affected by reorganizational changes.

However, if we factor out SLAC and the School of Medicine, and Tresidder and the Faculty Club, the net increases in other units were about 100 in 1996 and 200 in 1997. These are the largest increases we have had since the repositioning and budget adjustment processes began in 1990.

Schedule 10 - Staff Employees Outside Medicine and SLAC

This graph shows the relation between two series of numbers of employees in various years since 1983. 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 9. 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 9 (Athletics, Housing and Food Service, and Tresidder and the Faculty Club).

The number of core staff trended down and declined by about 16% between 1989 and 1995 until increasing 2% in 1996 and 4% in 1997. This number is still well below its 1989 peak. 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 13% since 1994 and is now well above the 1987 peak.

Schedule 11 - Fringe 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. After momentous changes in 1997/98 (multiple benefit rates introduced, tuition remission disappearance, change to a contributory retirement plan for all non-union employees), the changes for 1998/99 are minor ones. The changes in Insurance Programs categories, as well as any other noticeable increases and decreases, are due to rate changes or more employees utilizing particular existing benefits.

Schedule 12 - Sponsored Research Expense by Agency and Fund Source

Note that research at SLAC is not included in this 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. The increase last year, at nearly 17%, was by far the largest in the period of the table. As for indirect costs, there was a substantial decline in our recovery here in 1990/91 for well-known reasons, and this recovery is just now approaching 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 13 - Plant Expenditures

This schedule shows expenses from plant or borrowed funds for building or infrastructure projects related to various units. General Plant Improvement expenses are included in the "All Other" category. To the extent possible, expenditures for equipment are excluded from these calculations. Naturally enough, expenses within each unit tend to vary over time with the construction of new buildings or with things like earthquake repair. Thus, it is not unusual to see large year-to-year changes in expenditures within a unit. For example, the big jump in Engineering in 1994/95 is primarily the Gates Building. Engineering remained high in 1995/96 because of Gates, CIS, and projects related to the Science and Engineering Quad. Part of the decline in Medicine in 1994/95 is due to the shift of the FPP to SHS; most of the rest resulted from the completion of the Psychiatry Building and the Pediatrics & OB/GYN renovation project. The large increase in Housing in 1996/97 is related to graduate student housing, including the Schwab Center.

Schedule 14 - Endowment Value and Rate of Return

Note that the market value of endowment funds includes funds subject to living trust agreements. The nominal return on invested funds has been negative only once in the 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 table.

SCHEDULE 1

Student Enrollment for Autumn Quarter 1988/89 through 1997/98

	Undergraduate			Graduate				
Year	Women	Men	Total	Women	Men	Total	TGR	Total
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
1997/98	3,332	3,307	6,639	2,204	4,254	6,458	987	14,084

Source: Registrar's Office third week enrollment figures

SCHEDULE 2

Freshman Apply/Admit/Enroll Statistics
Fall 1987 through Fall 1997

	Total Applications		Admissions		Enrollment	
Year	Number	Percent Change from Previous Year	Number	Percent of Applicants Admitted	Number	Percent of Admitted Applicants Enrolling
Fall 1987	16,884	4.6%	2,565	15.2%	1,529	59.6%
Fall 1988	15,828	-6.3%	2,524	15.9%	1,602	63.5%
Fall 1989	14,912	-5.8%	2,626	17.6%	1,567	59.7%
Fall 1990	12,954	-13.1%	2,874	22.2%	1,600	55.7%
Fall 1991	13,528	4.4%	2,715	20.1%	1,526	56.2%
Fall 1992	13,209	-2.4%	2,912	22.0%	1,595	54.8%
Fall 1993	13,604	3.0%	2,926	21.5%	1,607	54.9%
Fall 1994	14,707	8.1%	2,942	20.0%	1,590	54.0%
Fall 1995	15,485	5.3%	2,908	18.8%	1,597	54.9%
Fall 1996	16,478	6.4%	2,634	16.0%	1,610	61.1%
Fall 1997	16,842	2.2%	2,596	15.4%	1,648	63.5%

SCHEDULE 3

Undergraduate Tuition and Room & Board Rates 1978/79 through 1997/98

Year	Undergraduate Tuition	Percent Change from Previous Year	Room & Board	Percent Change from Previous Year	Total Cost	Percent Change from Previous Year
1978/79	$5,130	9.3%	$2,169	10.1%	$7,299	9.5%
1979/80	5,595	9.1%	2,354	8.5%	7,949	8.9%
1980/81	6,285	12.3%	2,636	12.0%	8,921	12.2%
1981/82	7,140	13.6%	2,965	12.5%	10,105	13.3%
1982/83	8,220	15.1%	3,423	15.4%	11,643	15.2%
1983/84	9,027	9.8%	3,812	11.4%	12,839	10.3%
1984/85	9,705	7.5%	4,146	8.8%	13,851	7.9%
1985/86	10,476	7.9%	4,417	6.5%	14,893	7.5%
1986/87	11,208	7.0%	4,700	6.4%	15,908	6.8%
1987/88	11,880	6.0%	4,955	5.4%	16,835	5.8%
1988/89	12,564	5.8%	5,257	6.1%	17,821	5.9%
1989/90	13,569	8.0%	5,595	6.4%	19,164	7.5%
1990/91	14,280	5.2%	5,930	6.0%	20,210	5.5%
1991/92	15,102	5.8%	6,160	3.9%	21,262	5.2%
1992/93	16,536	9.5%	6,314	2.5%	22,850	7.5%
1993/94	17,775	7.5%	6,535	3.5%	24,310	6.4%
1994/95	18,669	5.0%	6,796	4.0%	25,465	4.8%
1995/96	19,695	5.5%	7,054	3.8%	26,749	5.0%
1996/97	20,490	4.0%	7,337	4.0%	27,827	4.0%
1997/98	21,300	4.0%	7,557	3.0%	28,857	3.7%

SCHEDULE 4

Breakdown of Tuition and Fee Income
Projected FY99 Budget
(In thousands)

	FY98 Budget	Proposed FY99 Budget	Change FY98 to FY99	Percentage Change FY98 to FY99
Tuition:				
Undergraduate	$135,999	$141,287	$5,288	3.9%
Graduate	112,148	115,639	3,491	3.1%
Other	10,200	11,571	1,371	13.4%
Summer	16,849	17,410	561	3.3%
Total Tuition	$275,196	$285,907	$10,711	3.9%
Miscellaneous Fees:				
Application Fees	$2,627	$2,912	$285	10.8%
Other Fees	1,200	1,100	(100)	-8.3%
Total Fees	$3,827	$4,012	$185	4.8%
Total Tuition and Fee Income	**$279,023**	**$289,919**	**$10,896**	**3.9%**

SCHEDULE 5

Undergraduate Financial Aid by Source of Funds and Type of Aid[1] 1989/90 through 1996/97

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Scholarships and Grants								
Stanford Unrestricted Funds	$12,078	$14,443	$15,834	$16,420	$17,736	$16,593	$17,513	$13,611
Gifts and Endowment Income:								
Non-Athletic[2]	6,699	7,468	6,868	10,936	12,355	14,762	15,692	20,027
Athletic Awards	5,142	5,141	5,252	5,603	5,639	6,328	6,626	7,471
Departmental Awards	125	123	98	782	566	455	415	1,372
External Grants[3]	8,605	8,516	8,884	8,983	9,448	10,407	11,477	13,757
Sub-Total for Scholarships and Grants	$32,649	$35,691	$36,936	$42,724	$45,744	$48,545	$51,723	$56,238
Loans								
University Funds	$2,360	$2,112	$1,529	$1,333	$1,382	$1,157	$1,290	$1,233
External Funds	6,173	7,318	8,181	9,234	9,763	11,389	11,453	11,519
Sub-Total for Loans	$8,533	$9,430	$9,710	$10,567	$11,145	$12,546	$12,743	$12,752
Jobs								
University Funds[4]	$1,327	$1,764	$1,473	$1,869	$3,897	$4,175	$3,602	$3,295
External Funds	214	224	110	128	396	367	438	457
Sub-Total for Jobs	$1,541	$1,988	$1,583	$1,997	$4,293	$4,542	$4,040	$3,752
Grand Total	**$42,723**	**$47,109**	**$48,229**	**$55,288**	**$61,182**	**$65,633**	**$68,506**	**$72,742**
Stanford Tuition plus Room and Board	$19,164	$20,210	$21,262	$22,850	$24,310	$25,465	$26,749	$27,827

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 6

Undergraduate Financial Aid
Projected 1998/99 Budget Needs and Sources, Including Parental and Student Contributions[1]

(in thousands)

	1996/97 Actual	1997/98 Year End Projection	Increment from 1997/98 to 1998/99	1998/99 Proposed Budget	Percent Change from 1997/98 to 1998/99
Needs					
Tuition, Room & Board	$68,801	$71,802	$3,488	$75,290	4.9%
Books and Personal Expense	6,625	6,867	300	7,167	4.4%
Other	1,366	1,408	59	1,467	4.2%
Total Needs	**$76,792**	**$80,077**	**$3,847**	**$83,924**	**4.8%**
Sources					
Total Family Contribution (Includes parent contribution for aided students, self-help, summer savings, assets, etc.)	$34,638	$37,504	($2,214)	$35,290	(5.9%)
Endowment Income[2]	14,908	17,130	1,488	18,618	8.7%
Expendable Gifts	494	500		500	0.0%
Stanford Fund[3]	4,492	4,300	2,000	6,300	46.5%
Federal Grants	2,660	2,700	189	2,889	7.0%
California State Scholarships	3,249	3,240		3,240	0.0%
Outside Awards	2,133	2,400		2,400	0.0%
Department Sources	481	500		500	0.0%
Unrestricted Funds	13,737	11,803	2,384	14,187	20.2%
Total Sources	**$76,792**	**$80,077**	**$3,847**	**$83,924**	**4.8%**
Number of Students on Need-Based Aid	2,584	2,600	25	2,625	1.0%

1 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 5.

2 Endowment income includes reserve funds and specifically invested funds.

3 Stanford Fund includes the President's Fund in 1998/99.

SCHEDULE 7

Total Professorial Faculty[1] 1973/74 through 1997/98

	Professors	Associate Professors	Assistant Professors[2]	Tenure Line Total	Non-Tenure Line Professors	Grand Total
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
1997/98	750	213	231	1,194	341	1,535

Data Source: Provost's Office

1 Some appointments are coterminous with the availablity 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.

Distribution of Tenured, Non-Tenured, and Non-Tenure Line Professorial Faculty[1] 1994/95 through 1997/98

School Unit or Program	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	1997/98 Tenured	1997/98 Non-Tenured	1997/98 Non-Tenure Line	1997/98 Total
Earth Sciences	28	4	4	36	28	4	4	36	28	5	4	37	31	4	4	39
Education	34	4		38	34	3		37	34	5		39	34	4		38
Engineering	139	36	25	200	143	31	26	200	146	29	28	203	150	31	28	209
Humanities and Sciences	349	112	22	483	352	116	18	486	354	119	17	490	360	120	17	497
(Humanities)	(144)	(47)	(7)	(198)	(147)	(52)	(7)	(206)	(149)	(58)	(7)	(214)	(154)	(55)	(8)	(217)
(Sciences & Math)	(99)	(33)	(9)	(141)	(100)	(34)	(9)	(143)	(104)	(30)	(8)	(142)	(105)	(33)	(7)	(145)
(Social Sciences)	(106)	(32)	(6)	(144)	(105)	(30)	(2)	(137)	(101)	(31)	(2)	(134)	(101)	(32)	(2)	(135)
Law	36	6	1	43	35	6	1	42	33	5	1	39	35	5	1	41
Other			5	5			6	6			8	8	1		9	10
Subtotal	586	162	57	805	592	160	55	807	595	163	58	816	611	164	59	834
Business	58	21	1	80	54	23	1	78	56	28	1	85	55	29	1	85
Medicine	225	99	190	514	226	91	225	542	232	78	248	558	244	65	277	586
SLAC	21	2	8	31	21	2	6	29	21	2	6	29	21	5	4	30
Total	**890**	**284**	**256**	**1,430**	**893**	**276**	**287**	**1,456**	**904**	**271**	**313**	**1,488**	**931**	**263**	**341**	**1,535**

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 9

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

Activity	1990	1991	1992	1993	1994	1995	1996	1997
School of Medicine[2]	1,803	1,867	1,950	2,073	1,614	1,563	1,670	1,880
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	1,194
Physical Education and Athletics	80	90	82	83	84	98	104	110
Institutes and Research Labs[3]	460	467	365	369	364	358	384	388
Stanford Linear Accelerator Center[3]	1,195	1,160	1,301	1,240	1,355	1,311	1,310	1,300
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	226
Libraries: Includes personnel from all Libraries, Art Galleries, and Museums	587	583	574	558	569	567	573	604
Central Information Services[4]: Information Resources, Data Center, Networking and Communication Systems	276	234	245	264	274	359	366	386
Development Office	205	196	197	175	134	136	135	126
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	504
Housing and Food Service	252	259	271	255	272	271	284	301
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	590
TOTAL	**7,384**	**7,300**	**7,437**	**7,467**	**7,045**	**7,034**	**7,216**	**7,609**

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). The Increase in 1997 is in part due to the shifting of some staff back into SofMed as part of the UCSF merger.

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

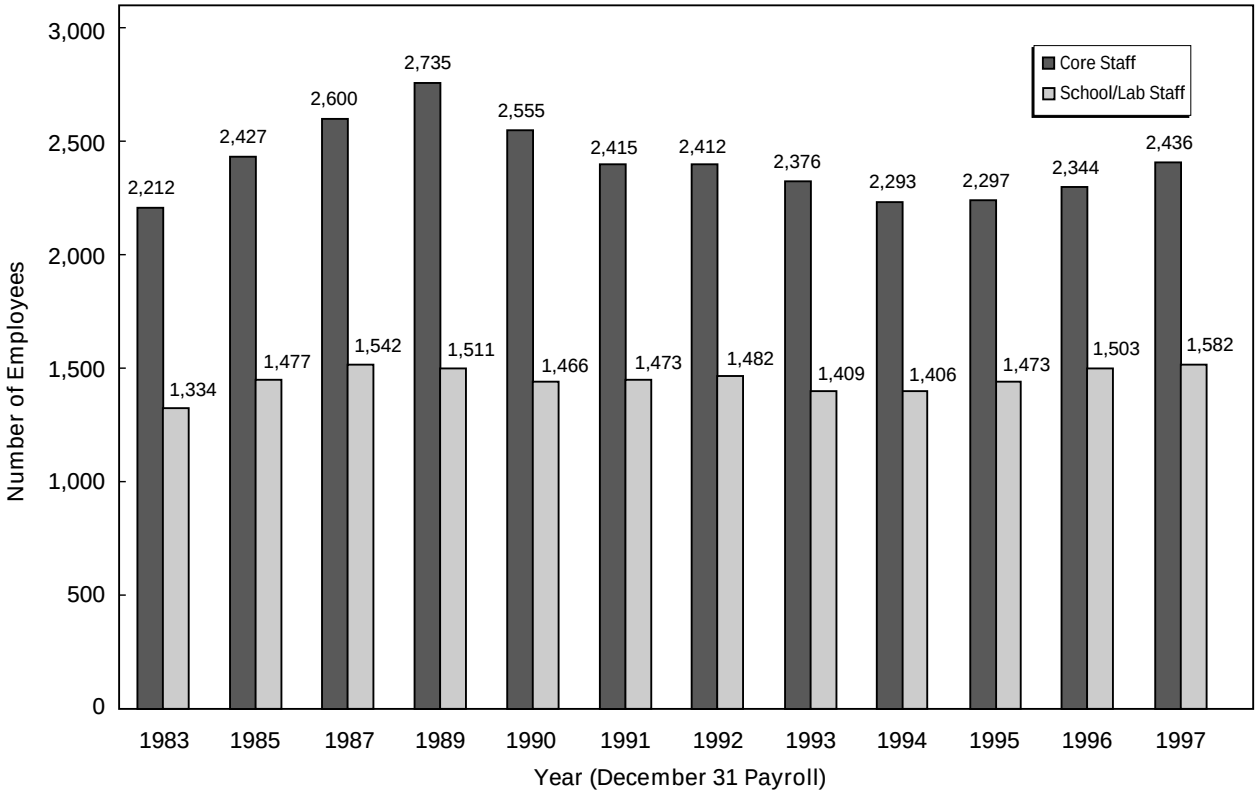
4 The staff members in BISA were counted in Administration prior to 1995. That function is now in Information Services.

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 10

Staff Employees in Units Other than Medicine or SLAC[1]



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

SCHEDULE 11

1998/99 Projected Consolidated Budget Staff Benefits Detail

(in thousands)

Staff Benefits Program	1995/96 Actual Expenditures	1996/97 Actual Expenditures	1997/98 Negotiated Budget	1998/99 Projected Budget	Increase/ Decrease 1997/98 to 1998/99	% Change 1997/98 to 1998/99
Pension Programs:						
University Retirement	$33,187	$37,852	$42,080	$43,532	$1,452	3.4%
Social Security	35,779	37,732	41,691	44,357	2,666	6.4%
Faculty Early Retirement	10,491	6,067	6,676	5,179	(1,497)	-22.4%
Other	2,938	1,366	1,099	1,216	117	10.7%
Total Pension Programs	$82,395	$83,017	$91,546	$94,284	$2,738	3.0%
Tuition Waiver Programs:						
Faculty/Staff Tuition Grant Program	$4,597	$5,203	$5,265	$5,602	$337	6.4%
Research Assistants and Postdocs	28,486	29,981				N/A
Teaching Assistants	8,533	8,861				N/A
Total Tuition Waiver Programs	$41,616	$44,045	$5,265	$5,602	$337	6.4%
Insurance Programs:						
Medical Insurance	$19,016	$16,913	$19,214	$21,479	$2,265	11.8%
Retirement Medical	6,026	7,013	5,336	5,067	(269)	-5.0%
Worker's Comp/LTD/ Unemployment Ins	4,990	4,810	4,353	6,368	2,015	46.3%
Dental Insurance	4,861	4,832	4,830	5,370	540	11.2%
Group Life Insurance/Other	2,956	3,130	3,947	4,287	340	8.6%
Total Insurance Programs	$37,849	$36,698	$37,680	$42,571	$4,891	13.0%
Miscellaneous Programs:						
Severance Pay	$4,410	$4,142	$4,078	$4,342	$264	6.5%
Sabbatical Leave	7,503	7,917	8,275	7,739	(536)	-6.5%
Other	3,688	4,447	5,040	5,044	4	0.1%
Total Miscellaneous Programs	$15,601	$16,506	$17,393	$17,125	($268)	-1.5%
Total Staff Benefits Programs Expense	**$177,461**	**$180,266**	**$151,885**	**$159,582**	**$7,697**	**5.1%**
Carry-forward/Adjustment from Prior Year(s)	(23,159)	(7,180)	(1,571)	(858)	713	-45.4%
Total Expense with Carry-forward/Adjustments	**$154,302**	**$173,086**	**$150,314**	**$158,724**	**$8,410**	**5.6%**
Average Blended Rate	26.2%	28.6%	24.5%	24.7%		

Note: The University moved to a system with three separate benefit rates in 1997/98. The single rate shown just above for 1998/99 is the weighted average of the three rates, which are 25.4% for regular employees (all faculty and staff with continuing appointments of half-time or more), 14.6% for post-doctoral scholars, and 8.4% for contingent (casual or temporary) employees.

SCHEDULE 12

Sponsored Research Expense by Agency and Fund Source[1] 1990/91 through 1996/97

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
US Government							
Sub-Total for US Government Agencies	$245,244	$267,449	$256,713	$271,326	$275,580	$298,149	$336,661
Agency[2]							
DoD	$35,054	$36,133	$41,972	$40,384	$44,390	$48,185	$53,984
DoE (Except SLAC)[3]	20,265	24,558	10,328	9,216	9,049	7,958	8,309
NASA	53,903	62,925	53,892	57,394	58,728	66,626	84,449
DoEd	886	819	172			301	2,173
HHS	107,162	111,180	117,077	129,306	125,440	132,754	141,897
NSF	21,805	23,840	24,539	25,436	28,230	29,969	32,730
Other US Sponsors	6,169	7,994	8,733	9,590	9,743	12,356	13,119
Direct Expense-US	182,072	201,742	185,314	192,758	199,909	215,825	252,806
Indirect Expense-US	63,172	65,707	71,399	78,568	75,671	82,324	83,855
Non-US Government							
Subtotal for Non-US Government	$34,936	$35,946	$35,982	$40,566	$41,245	$44,307	$48,836
Direct Expense-Non US	28,590	29,083	28,791	32,640	33,257	35,804	39,430
Indirect Expense-Non US	6,346	6,863	7,191	7,926	7,988	8,503	9,406
Grand Totals-US plus Non-US Government							
Grand Total	$280,180	$303,395	$292,695	$311,892	$316,825	$342,456	$385,497
Grand Total Direct	$210,662	$230,825	$214,105	$225,398	$233,166	$251,629	$292,236
Grand Total Indirect	$69,518	$72,570	$78,590	$86,494	$83,659	$90,827	$93,261
% US Government (Total)	87.5%	88.2%	87.7%	87.0%	87.0%	87.1%	87.3%

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 folows:
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 13

Plant Expenditures by Unit[1] 1990/91 through 1996/97

Unit	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
GSB	$3,386	$1,834	$437	$90	$116	$1,124	$2,767
Earth Science	317	6,325	12,792	3,288	793	284	1,754
Education	1				161	187	1,127
Engineering	1,042	593	2,253	9,293	32,839	40,626	26,509
H & S	15,720	5,776	12,676	15,488	22,445	26,448	28,576
Law				129	7	34	391
Medicine[2]	21,077	22,760	21,408	12,479	3,160	2,346	10,908
Libraries	1,319	2,505	6,544	413	1,852	5,783	10,000
DAPER	1,696	521	4,502	18,542	2,399	3,968	7,856
Housing	13,917	10,012	11,562	11,944	26,567	21,424	43,398
All Other[3]	25,163	25,007	28,634	20,300	14,864	21,664	54,004
TOTAL	**$83,638**	**$75,333**	**$100,808**	**$91,966**	**$105,203**	**$123,888**	**$187,290**

Source: Schedule G-5 in the Annual Financial Report

1 Expenditures are in thousands of dollars, are from either Plant or borrowed funds, and are for building construction or improvements, or infrastructure.

2 Includes the Faculty Practice Program when separately identified.

3 Includes General Plant Improvements expense.

SCHEDULE 14

Endowment Market Value and Rate of Return 1986/87 through 1996/97

Year	Market Value of the Endowment (in thousands)[1]	Annual Nominal Rate of Return	Annual Real Rate of Return[2]
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%
1996/97	4,667,002	23.4%	21.2%

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.