
SECTION 4

LOOKING AHEAD

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

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

The greatest uncertainty on the income side continues to be the potential for reductions in federal funding. As changes in the rules governing federal support for research are reviewed by OMB, attempts may be made to shift some of these costs from the government to universities.

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

There are other budgetary challenges ahead:

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

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

In conclusion, this Budget Plan supports the goals identified at the outset of this report: namely, that we sustain the strength of our programs and provide capacity for innovation. The budget reflects the strength of the economy, the willingness of many at Stanford to work

harder and more effectively, and the generosity of our donors. As we look ahead, we cannot necessarily count on a strong economy to support our purposes. But we can work hard to manage Stanford's resources effectively and to provide the highest quality environment possible for faculty and students to do their best work. Only through such actions can we convince our friends and benefactors that Stanford deserves their sustained support.