an enduring promise

The Stanford Endowment

Although Stanford’s endowment does not cover the university’s entire budget, it makes amazing things possible, from one of the most generous financial aid programs in the United States to research that benefits the world.

7,000 promises

Since the university was established more than 125 years ago, generous donors have added to Jane and Leland Stanford’s Founding Grant by creating more than 7,000 endowed funds. Many of these funds are directed by donors to specific purposes, such as supporting first-generation college students or a particular field of study. Stanford carefully stewards each of these “7,000 promises.”

As part of this promise, the endowment is designed to last forever. In fact, endowment is defined as assets invested to provide a steady stream of funding over a long period of time. The payout may seem small compared with the endowment as a whole; however, it continues to provide support year after year. This is crucial for an institution intended to serve generations of students and pursue research on big questions—questions that cannot be answered in one lifetime.
What does the endowment support?
Stanford’s endowment touches virtually every part of university life, providing support for more than 16,400 students and 2,200 faculty members, seven schools, and two hospitals, plus dozens of centers, institutes, and programs. Endowed funds help advance groundbreaking discoveries in science, engineering, and medicine (an increasingly important role as federal funding has declined). The endowment also sustains the social sciences, which explore how humans organize themselves and how their actions influence economics, culture, and society. And it fuels the arts and humanities, which unravel and interpret the mysteries and marvels of the human experience.

How much can Stanford spend?
The university spends the maximum from the endowment that is sustainable over time. Like most peer institutions, Stanford’s annual payout is about 5 percent. This figure is precisely calibrated and adjusted annually based on market performance, inflation, and other factors.

Financial aid is another priority. In 2016–17, Stanford spent approximately $428 million on financial aid and graduate student support, of which about half came from the endowment. Today, almost half of all Stanford undergraduates receive need-based scholarship aid directly from the university. Families with annual incomes below $125,000 and typical assets receive scholarship aid that fully covers the cost of tuition. Those with incomes below $65,000 also receive aid to cover room, board, and other costs of attendance. In June 2017, 82 percent of Stanford undergrads graduated with zero student debt.

Increasing payout by even 1 percentage point can cause the endowment to decline over the long term, in which case the annual payout would inevitably fall, covering an even smaller portion of the budget.
Endowment vs. expenses

The endowments of Princeton, Harvard, and Yale on June 30, 2017 (the end of their fiscal years), were $23.8 billion, $36 billion, and $27.2 billion, respectively.

Those institutions’ endowments are significantly larger than Stanford’s relative to its expenses. Stanford’s $24.8 billion endowment covers 22 percent of its operating expenses. Stanford must fund the rest of its operating expenses from other sources, such as government grants and contracts, student tuition and fees, nongovernmental grants, health care income, and gifts from alumni, parents, and friends.

Percentage of Expenses Covered by Endowment

Source: Fiscal Year 2017 Financial Statements
Endowed and annual gifts

More than 75 percent of the university’s endowment is made up of funds that are restricted for certain purposes. Stanford has a legal and fiduciary obligation to use these funds as the donors intended. This means that funds given for research cannot be used for financial aid, for example, or be transferred from one school or department to another. Endowment often cannot be used to fund new initiatives.

Annual giving remains critical to the financial viability of the university. More than 76,000 donors made gifts to Stanford in 2016–17. Of these, more than 58,000 donors gave less than $1,000. These gifts added up to more than $10 million—equivalent to the payout from a $200 million endowed fund. Unlike the endowment, however, these gifts can be allocated to areas of greatest need and provide vital flexibility for Stanford’s budget.

Stanford is one of the few institutions in the world with the depth and breadth to address the most complex of global challenges. The partnership of endowed gifts and annual giving makes this possible.

For more about Stanford’s endowment and university finances, see annualreport.stanford.edu