REPORT OF THE PRIORITIES COMMITTEE TO THE PRESIDENT

Recommendations Concerning the Operating Budget

for 2008-2009

January 15, 2008
January 15, 2008

President Shirley M. Tilghman
One Nassau Hall
Princeton University
Princeton, NJ 08544

Dear President Tilghman:

The accompanying annual report of the Priorities Committee presents our recommendations for the University's operating budget for fiscal year 2008–2009 (FY09). In light of the University's excellent financial health, it should come as no surprise that the Committee is proposing a balanced operating budget for FY09.

For the second consecutive year, the Priorities Committee benefited from favorable budgetary circumstances. Most notable among these were the superb performance of the University endowment under the stewardship of Andrew Golden and PRINCO, and the record-setting Annual Giving numbers made possible by the sustained generosity of Princeton's alumni. Not all the news was positive, however: slow growth rates for federal research funding again had an impact on Princeton's budget, as sponsored research revenues failed to keep pace with inflation.

The expense side of the ledger reflected an unusually complex set of changes. The University is now fully engaged in the expansion of its undergraduate student body and with it the first full year of operation of the four-year college system. As envisioned by the Wythes Committee report, the budgets of many university units have increased in order to support the expanded class. In addition, last year's spending-rule change and the University's ambitious capital program contributed multiple effects to the shape of the operating budget.

Against this background, the Committee recommended additions to the operating budget that focused on four areas of the University's operations: information management, health and well-being, campus safety, and attracting and retaining the best students, faculty, and staff. In addition, we have been able to recommend an increase of the overall fee package of 3.9%, continuing a downward trend from 4.2% in FY08 and 4.9% in FY07. The Committee hopes and expects that, as a result of this change, the University's fees will grow no faster than the incomes of most tuition-paying families.

In closing, I would like to convey my appreciation to the Committee's members, who once again worked long hours to produce this report. Their thoughtful and public-
spirited contributions again demonstrate why the Priorities Committee process is so valuable to this University. As in years past, I would also like to convey special thanks to Budget Director Steven Gill and his staff, who this year had to work doubly hard to incorporate and then explain to the Committee a heavy tide of budgetary changes, and to Vice Provost Katherine T. Rohrer, the Secretary of the Committee, whose wisdom, energy, and experience once again enabled the Committee to do its work efficiently and well.

Finally, I would like to extend special thanks to University Treasurer and Vice President for Finance Christopher McCrudden, who provided the Committee with wise counsel and unsurpassed institutional knowledge about a wide variety of issues and topics. For the last three decades, Chris has not only helped to guide individual committees through difficult budgetary problems, but has played a critical and valuable role in shaping the priorities process itself. When he takes up his new assignment next year, he will no longer be a formal member of the Committee, but I hope and expect that I and the University will continue to benefit from his insights as we put together budgets in the future.

For the Committee,

Christopher L. Eisgruber, Provost
REPORT OF THE PRIORITIES COMMITTEE
TO THE PRESIDENT

Recommendations Concerning the Operating Budget
for 2008 – 2009

January 15, 2008
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MEETING WITH THE COMMITTEE
Steven Gill, Budget Director and Associate Provost
Katherine T. Rohrer, Vice Provost for Academic Programs (secretary)
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I. Introduction

The Priorities Committee, established in 1969 as a charter committee of the Council of the Princeton University Community, is a deliberative body that recommends the University’s operating budget for the next fiscal year to the president and Board of Trustees of the University. The provost chairs the Committee, whose members include tenured and non-tenured faculty members, graduate and undergraduate students, and staff.

The Priorities Committee typically convenes in the months of October through January. It structures its work in four parts: a set of orientation meetings during which budgetary basics are reviewed, a series of presentations from senior officers, deliberative meetings to determine the Committee’s recommendations, and a final set of meetings for the production of this report. During the presentations phase, senior officers of the University present their highest priority needs to the Committee, which evaluates them in the context of the full range of competing claims on the University’s available resources. All presentations to the Committee are preceded by detailed written reports from the senior officers. (Copies of these reports are available to members of the University community on the website of the Office of the Provost at http://www.princeton.edu/~provost/Pricomm.htm). The Committee also holds an open meeting to hear from any interested members of the University community who wish to comment on the priorities for future budgeting. In December, the Committee formulates its tentative recommendations, which are expected to result in a balanced budget, and discusses them with the Finance Committee of the Board of Trustees. Reconvening in early January, the Committee finalizes its recommendations and submits them to the president for her approval and transmission to the board later in the month. The recommendations for the 2008-2009 operating budget are discussed in detail below.
II. Budgetary Background

For the second consecutive year, the Priorities Committee benefited from favorable budgetary circumstances. Foremost among these circumstances was the robust performance of the University’s investments under the stewardship of Andrew Golden and PRINCO. The endowment’s remarkable returns over the past four years led the University Trustees to approve successive increases to the University’s rate of spending on its endowment in 2006 and 2007. They approved the first adjustment in June 2006. The second increase occurred in two phases during the 2006–07 academic year, with one set of allocations taking place in November 2006 and a second set in June 2007. These changes generated a budgetary tailwind that enabled this year’s Priorities Committee to accomplish more than would otherwise have been possible.

As explained in the report of last year’s Priorities Committee, the trustees’ goal for the June 2006 spending rule change was to “true up” the operating budget by transferring many continuing charges that had been supported on term funds or capital reserves to their rightful place within the operating budget. As part of this change, the trustees provided permanent support for a number of term-funded staff positions that might otherwise have been brought to the Priorities Committee in subsequent years. In November 2006, the trustees authorized major investments in four critical areas of the University’s operation: undergraduate education, graduate education, faculty research, and alumni affairs. Finally, in June 2007, the trustees identified some expenses supported at that time on non-endowed general funds that could appropriately be shifted to the increased endowment income generated by the change in the spending rule. The trustees then reallocated the freed-up general funds to increase support for capital and related expenditures such as the University’s major maintenance and renovation programs.

These enhancements to the University’s capital budget were designed to provide a firm foundation for the University’s ambitious construction program over the next decade and beyond. Recognizing that this program will require some flexibility in the University’s operating budget, the trustees also allocated unrestricted funds to be used either to help
finance additional debt or to provide direct funding of capital investments. This allocation was designed to enable the University either to alleviate the demands that its construction projects would place on the capital reserves or else, in appropriate circumstances, to redeploy the funds to meet other pressures on the operating budget.

The wisdom of this last allocation quickly became apparent. During the summer of 2007, in preparation for the launch of the University’s fundraising campaign and the formulation of its long-range capital plan, the trustees and the administration reviewed the assumptions underlying the University’s operating and capital budgets. The review highlighted the likelihood that the University would face competitive pressures requiring it to increase its faculty and staff salary pools more rapidly than had been expected when it developed its budget projections in January 2007. The trustees and the administration also discussed the possibility that the University might reduce the growth rate of its fee package this year in light of its favorable investment returns, and they noted that the University might have to build into its budget various infrastructure investments and other collateral costs of its capital plan. It was agreed that the University should construct a preliminary budget plan for 2008–2009 that addressed these pressures by redeploying some of the unrestricted endowment income that had earlier been earmarked as flexible capital funds. This decision increased the Priorities Committee’s capacity to reduce the rate of increase in the fee package and to respond to rising pressures on salaries while also granting some of the urgent programmatic requests that were brought before it.

While the strong performance of Princeton’s investments had the largest impact on the University’s overall budgetary picture, the Priorities Committee also heard good news on other fronts. In general, University managers continued to perform effectively and meet budgetary targets. Some departments produced positive budgetary variances; the most significant of these were in the Department of Facilities. The single most impressive piece of positive news, however, once again came from the University’s Annual Giving campaign. As a result of the exceptional generosity of Princeton’s alumni and the extraordinary work of alumni volunteers and the staff of the University’s Development Office, Annual Giving reported a record total of more than $49 million. This result was superb even by the high
standards of the Annual Giving campaign, and it substantially surpassed the estimates that had been incorporated into the University’s budgetary plans. The strong support of Princeton’s alumni in 2007 enabled the University to strengthen academic departments and improve the quality of student life by seizing opportunities that might otherwise have had to await fundraising or other budgetary changes.

The Committee received news of some negative variances as well. Some of these were one-time events offset by the positive factors mentioned earlier. Federal funding for scientific research was a more durable area of concern. Constrained budgets for the National Science Foundation, the National Institutes of Health, and other agencies have not kept up with the increasing cost of research, and, despite the competitive excellence of Princeton’s researchers, they are finding it more difficult to obtain grants. The Committee learned that the University’s sponsored research dollars had once again increased more slowly than the relatively modest 2% growth rate that had been incorporated into the University’s budgetary plans. The declining external support for research is unlikely to improve going forward, judging from recent negative outcomes for research funding in the federal budget. The Committee accordingly decided to project only 1% growth in indirect cost recoveries for the immediate future.
III. Recommendations

In addition to the salary pool proposals, the Committee considered a set of requests that totaled over $2.6 million, roughly $1 million in excess of the amount that the Committee was able to recommend for allocation. As always, the Committee sought to identify the most critical needs that had been presented to it. The needs that it funded clustered in four thematic areas affecting the University as a whole:

- **Information management, with special emphasis on information technology.** The Committee seeks to improve Princeton’s ability to reach audiences ranging from prospective students, to alumni, to the research community. The role of these technologies in internal institutional communication is no less vital. Since our counterparts are investing heavily in this domain, we favored support of departmental website development and maintenance. The Committee also judged that staff should be added to data analysis and to new technology that enhances administrative efficiency through the digitization and management of paper records.

- **Health and well-being, with special emphasis on the undergraduate experience.** The University must support the well-being of our students by providing activities and services that reduce stress and promote healthy living. Because some students are drawn to competitive activities, others to events that are simply enjoyable, the Committee chose to support recreational opportunities of several kinds. The Committee also recognized the importance of substance abuse counseling and improvements to students’ daily living needs such as improved laundry facilities.

- **Campus safety.** Concern about campus safety is a fact of life on all university campuses today. While we have come a long way in this area, various units proposed adding strength to Environmental Health and Safety,
creating a consolidated Safety and Security team within Facilities, and adding professional supervisory presence in the Frist Campus Center during weekend and evening hours currently staffed only by students. We endorse this development and have supported it through specific allocations.

- **Attracting and retaining the best people, with special emphasis on academic competitiveness.** Of all the elements that combine to make Princeton a great university, none is more vital to its flourishing than the students, faculty, staff, and alumni who together constitute Princeton's community. To ensure that the most talented, accomplished, and enthusiastic students, faculty, and staff continue to choose Princeton, we have recommended additions to the salary pools, increased stipends for graduate students, additional research funds for humanities and social science faculty members, and expansion of employee relations services within the Office of Human Resources.

Each of the proposals submitted to the Priorities Committee for consideration is reviewed briefly below in alphabetical order of the cabinet office that presented the request. All the requests submitted to the Committee are accessible to members of the University community at http://www.princeton.edu/~provost/Pricomm.htm.

**Campus Life**

The Vice President for Campus Life is responsible for five administrative units that have a significant impact on the quality of life for undergraduates, graduate students, and other members of the University community: University Health Services, Athletics, the Office of the Dean of Undergraduate Students, the Office of Religious Life, and the Pace Center. The vice president requested additional resources for the first three of these five units.

During each of the last three years, the Committee has seen, and supported, compelling requests from University Health Services (UHS). These requests were formulated in response to an outside review of UHS completed by the President’s Task Force on Health and Well-
Being in the 2004–05 academic year. This year, University Health Services made additional requests based on that plan, and the Committee was once again receptive to them. It recommended funding for three different priorities put forward by the office. The first requested 1.24 FTEs (full-time equivalent positions) for medical assistants, whose deployment would relieve some safety concerns created by staffing the clinic with only a single practitioner during weekend hours, and would also create efficiencies for the medical staff during heavy weekday periods. The second proposal supported the University’s initiative to enhance the international aspects of Princeton’s education by adding staff time devoted to the medical demands of travel and immunization. The third touched an area to which the Priorities Committees has shown a commitment over many years: the psychological health of our students. UHS asked for an additional member of the counseling staff who would bring particular expertise in the treatment of substance abuse. UHS will be able to combine the Priorities Committee’s recommended level of funding with a current partial vacancy to bring this position on line next year. While the Committee’s ability to allocate funds did not stretch to the end of UHS’s list of requests (which also included additional programming dollars for SHARE—Sexual Harassment/Assault Advising, Resources, and Education—and for health promotion), the Committee was happy to be able to make significant additional progress on undergirding the University’s commitment to the health and well-being of its students.

The Committee was also able to support this goal by endorsing a major part of the request of the Department of Athletics for new funding for recreational activities on campus. Last year’s Priorities Committee had asked Athletics to bring a revised proposal in this area back to the Committee once the new Associate Director of Athletics for Campus Recreation was in place long enough to assess the needs and priorities in this area. The resulting proposal requested support for sport clubs (the student-run athletic clubs that compete against other college and universities), intramural events, and towel service for Dillon Gym.

The wide-ranging proposal to support the sport clubs addressed transportation costs, on-site medical assistance at home meets for high-contact sports, additional duty time and upgrade for a key staff member, funds for logistical support (e.g., league dues, team entry
fees, officiating costs, uniforms), and funds to support post-season play. The proposal to support intramural events (some of which, such as the venerable Cane Spree and the more recently founded Dillon Dodgeball Tournament, attract thousands of students), would increase the general-funds budget for this type of activity by about half. The Committee felt that budgetary enhancements in both of these areas would improve student well-being by encouraging easy-access physical activity as a healthy way to relieve stress, and suggested that additional program expansion in campus recreation, along with the requisite budgetary support, might be indicated in the future.

The Committee concluded that the towel request for Dillon Gym did not reach the priority level required for central funding, noting that many institutions charge fees for such services. The Committee was also unable to accommodate the request for a dedicated human resources assistant in the Department of Athletics within the budgetary plan for 2008–2009.

The Office of the Dean of Undergraduate Students requested support to bring the duty times of the office assistants at the LGBT Center and the Women’s Center up to full time over all twelve months of the year. (A similar increase in duty time is becoming available to the Davis International Center and the Pace Center through endowed funding.) The Priorities Committee has bolstered the staffing of both the LGBT Center and the Women’s Center in recent years. While the Committee recognized the efficiency of leveraging professional time through the use of office assistants, the members also noted that endowed funding for each of the Centers is currently being sought through the University’s fundraising campaign and expressed optimism that the proposed staffing plan might be achievable through that means.

Executive Vice President (Administrative and Support Services)

The Executive Vice President brings to the Committee the priority needs of the University’s many administrative units. Leaders of those units work with the Executive Vice President’s office throughout the year and, in particular, in advance of each Priorities Committee season to review their budgetary needs and identify ways to meet them. This year, proposals from six offices came to the Priorities Committee for consideration.
The Office of Career Services, which currently comprises nine administrative staff members and two and a half office support positions, asked for two additional support staff positions in order to free up its professionals for more counseling hours. The Committee acknowledged the critical function of Career Services on campus and believes that a carefully designed investment in this area is warranted. The Committee strongly recommended that a detailed strategic plan for funding an enhanced Career Services operation, based on benchmarking with peer institutions and proposing ways to measure the office’s effectiveness, be brought forward in a future year. The Committee hoped that the plan would also investigate how Career Services could best provide information and services related to the broad spectrum of post-graduation opportunities available to our students.

The Office of Communications proposed adding “new media” capacity—that is, video and related technologies that can disseminate information about the University—in the form of a full-time video producer along with an annual budget for equipment and supporting services. The producer would create video material that could be accessed from the University’s main website as well as disseminated by external news media and other non-university internet sites. While the Committee was not able to fund this item for next year’s operating budget, it recognized the desirability of adding capacity of this type in a period when so many visitors encounter Princeton first through its web presence and when the University is reaching out to its alumni and friends in a capital campaign. For this reason, the provost committed term funds to this project for the next five years.

For the second year in a row, the Office of Environmental Health and Safety requested an additional full-time health and safety program manager who would help the office address increased demands created by growth in the University’s physical plant, by the increasing complexity of research, and by changes in the regulatory environment. Heeding the recommendation of last year’s Committee that this request be brought forward and considered again, and stressing the current year’s emphasis on campus safety, the Priorities Committee recommended full funding for this item.
Following a thorough self-study and outside organizational review, the Graduate School asked the Committee for an additional position for a data analyst. This position would enable the office to create a data team that would improve communications and streamline the processing of information relating to graduate students and their status (e.g., details of progress toward degree, appointments to teaching or research assistantships, support on internal or external fellowship funds), thus enhancing the level of service that the office is able to provide to graduate students, faculty, and staff. The Dean of the Graduate School placed a very high priority on this organizational change to his office, and the Committee was pleased to be able to respond by including this position among its recommended additions to the operating budget.

The Vice President for Human Resources and the Vice Provost for Institutional Equity and Diversity presented a joint request designed to address issues of workplace climate and to improve the University’s ability to recruit and retain an excellent and diverse staff. Their proposal called for an additional member of Human Resources’ team of employee relations specialists (a group whose much-appreciated services are significantly oversubscribed) as well as funds to expand the training given to newly hired employees. The Committee was able to encompass the additional position within its recommendations for next year’s operating budget, and the provost added his own support by committing term funds to support the enhanced training.

A proposal for an Assistant Director for the Frist Campus Center bridged the thematic categories of campus safety and health and well-being. Frist, a magnet for student activity, is currently staffed during some high-use periods only by students. The new assistant director would manage the center during evening and weekend hours of operation that currently are staffed only by students, providing supervision for the student workers and professional response for emergency situations. The Priorities Committee recommended that this proposal be funded.
Facilities

As a result of an internal review of the University’s safety and security administration and infrastructure, Facilities requested funds to create a centralized Safety and Security function within its office, to handle facilities issues beyond the scope of the Office of Public Safety. A new Program Manager for Safety and Security would lead a team constituted from existing or repurposed positions in order to increase the effectiveness with which the University manages its safety and security systems (including card access control to physical spaces and various alarm systems). The current decentralized and difficult-to-access system of management would be replaced by an accountable and easily identifiable office. The Committee recommended full funding of this new position along with a partial grant of the accompanying operating funds, which the Vice President for Facilities pledged to complete through reallocation of resources within his own budget.

A second request from Facilities sought to improve conditions in laundry rooms in the undergraduate dormitories, thus achieving standards that are now common in other institutions of higher education. The proposal would generally accelerate and fine-tune the replacement cycle for individual washers and dryers; would install a web-based monitoring system that would track machine usage, report outages, and notify students when laundry loads were ready for removal (thus facilitating more efficient use of the machines); and would provide an additional day of on-site service each week for the laundry machines. After consultation with Facilities, the Committee agreed to recommend the first two of these improvements for funding and to postpone the third until the results of the other changes were better understood.

A third request—for weekend cleaning of social spaces in the Graduate College, a concern brought to Facilities by the Dean of the Graduate School—could not be accommodated within the budget recommendations for next year.

Faculty and Staff Salaries

The Dean of the Faculty and the Vice President for Human Resources each brought to the Committee information indicating that, in light of market data, last year’s salary pools
should be increased in the coming year. The Committee agreed with this recommendation. Recognizing the critical importance of competitive compensation to attracting and retaining the very best faculty and staff members, the Committee recommended full funding for the requested increases both to the base pool and to the promotion and adjustment pools.

The Dean of the Faculty provided data regarding the salaries offered to Princeton’s faculty members, professional technical and research staff members, and professional librarians, including available comparisons to the salaries offered at peer institutions. While Princeton’s salaries continue to be competitive, only vigilant attention can maintain the University’s position relative to its peers. Particular areas of concern for the Dean include salary compression for long-serving Princeton faculty members (the so-called “Tiger Penalty”), the need to respond forcefully to retain faculty members who receive offers of appointment from other universities, and the cost of living in the Princeton area.

The Vice President for Human Resources described Princeton’s compensation philosophy as seeking to attract a qualified, diverse workforce and to retain and motivate employees by rewarding achievement and excellence. She updated the Committee on the competitiveness of the salaries for bi-weekly and administrative staffs and flagged areas that need special attention. She noted that Princeton increasingly found itself recruiting in a highly competitive national pool on the staff side, as it long has done on the faculty side, and she indicated that these efforts were placing some stress on the University’s reclassification and salary pools.

Faculty Staffing

The Dean of the Faculty brought forward two proposals in support of the University’s faculty and instructional programs. The first sought to establish individual discretionary research funds of at least $5,000 per year for faculty members in the professorial ranks in the humanities and social sciences, where opportunities for external funding are much more limited than in the natural sciences and engineering. This program would guarantee each faculty member in these divisions a minimum level of unrestricted research funds to support conferences, books, supplies, travel, research assistance, etc. It would free faculty members
from struggling to find small amounts of funding, the lack of which might hinder their research. It also relieves departments of the burden of responding to multiple minor requests for funding. The Committee recommended a level of funding for this initiative which, when combined with endowment income and other funding available for this purpose both centrally and within the academic departments, is expected to achieve the desired goal. This allocation will enable Princeton to match a program recently launched at Stanford University for humanities faculty members.

The second proposal requested funding for up to 16 sections of two non-credit graduate half-term courses on writing in science and engineering. Several such sections are already being supported on term funds by the Dean of the Graduate School and the Dean of the School of Engineering and Applied Science, and walk-in tutorial help with writing is available to graduate students, as to undergraduates, through the Writing Center. The Priorities Committee was unable to work this substantial request into the operating budget for 2008–2009, but several members of the Committee expressed their hope that the Dean of the Faculty would bring the request back for consideration by next year’s Committee and that term funds would continue in the meantime to support the program at its current level.

Graduate School

The Dean of the Graduate School brought forward two proposals to the Committee for the benefit of graduate students. He placed the higher priority on a request to increase fellowship stipends for graduate students in the Humanities and Social Sciences by 4.16%, or 1.16% above the 3.0% increase already incorporated into the University’s operating budget for 2008–2009. This action would bring 12-month fellowship stipends next year to $25,000. In support of the University’s goal to attract the very best graduate students, the Priorities Committee heartily endorsed this request.

The Dean’s second request focused on financial support for scholarly travel for graduate students. The Dean placed a lower priority on this request because he believes that the system of funding graduate student travel from various departmental and central sources could benefit from better coordination. The Priorities Committee judged support for this activity to
be highly desirable, but agreed that the Graduate School should investigate the overall funding picture further before bringing the request back to a future Committee.

Information Technology

The Vice President for Information Technology put forward to the Committee two proposals for improvements in the University’s management of information. The first would add three positions to assist academic and administrative departments in developing websites using the Roxen content management system purchased by the University in 2004–2005. Under the current staffing levels, the backlog of requests for such assistance has grown each year; the waiting period now exceeds twelve months. The Committee recognized the critical need for departments to have the capacity to develop usable websites, but, in consultation with the vice president, the Committee endorsed a revised staffing and funding model. The Committee recommended that two positions be added permanently and that one-third of each position be supported through a graduated schedule of fees to be paid by the units that benefit from the service. Standard website development would be available free of charge, while more complex and ambitious projects would rely on partial support from the departments themselves. In addition, the provost agreed to allocate funds to support two term positions to help reduce the current backlog of website development requests.

The second proposal asked for staff support for the OnBase document management system, a software package that transforms paper documents into easily organized and retrievable electronic images. OnBase is already in use in the Treasurer’s Office, the Development Office, and the Library, and is expected to be adopted by numerous additional central offices in addition to some academic departments. The two staff positions envisioned by the Office of Information Technology would be a technical administrator to manage the software itself and a functional administrator to guide departments in their use of the new tool. The Committee viewed the proliferation of paper documents, their storage, and the difficulty of retrieving the information held therein as a costly problem for the University, and recommended that this proposal be fully funded. The Committee believes that widespread use of OnBase across the campus will help avoid costs that the University would otherwise be forced to incur.
Library

The University Librarian proposed three additions to her staff: a Records Manager, a project assistant for the Library’s collection of Latin American Ephemera, and a Librarian for Scholarly Publishing. The professional Records Manager—a position recommended by the General Manager for Safety and Administration in response to a best-practices review—would be housed in the Library but would serve all offices of the University, implementing the University’s new and comprehensive records management guidelines and helping departments to assess their records and plan for their organization and for their storage or disposal in a manner consistent with those guidelines and with applicable state and federal laws. The function of this manager would be separate from but related to the new positions supporting the OnBase document management system: before employing the OnBase software, units must first determine which documents they need to preserve in order to comply with the University’s policies on the retention of records. The Committee recommended full funding for the position of Records Manager.

The Latin American Ephemera collection is a unique scholarly resource, and the Library requested a project assistant to help sort and maintain the materials and to assist researchers. The Priorities Committee was unable to recommend funding for this position within next year’s operating budget, but expressed the hope that relevant sources of endowment income (for example, from the Program in Latin American Studies) might be made available to support the collection.

The Librarian for Scholarly Publishing would work with faculty members who serve on the boards of scholarly journals to advance the cause of fair pricing and open access to scholarly products, and would educate and advise faculty members about retaining rights to their own published research. The Committee concluded that, while changes in the area of scholarly publishing are very important issues for the University’s faculty, the situation is evolving so rapidly and is so different from one field to the next that a single individual might be unable to accomplish the desired objectives. The Committee therefore did not include this proposal among its recommendations for funding. A future Priorities Committee
may well find support of creative initiatives in this area sufficiently compelling to justify permanent funding within the operating budget.

**Tuition, Room, and Board**

Like its predecessors, this year’s Committee considered the University’s tuition and fee package in light of the University’s commitment to the accessibility of higher education to all qualified students. While the Committee agreed that the University’s exceptional financial aid program was the most important vehicle for ensuring that a Princeton education is affordable to all the University’s students, the Committee also recognized that the cost of a Princeton education puts substantial burdens on families that do not qualify for aid, especially those only slightly above the aid threshold. In light of the University’s fortunate economic position and the recent success of its investments, the Committee aimed to limit the rate of increase of the fee package this year to be consistent with the expected general increase in the incomes of tuition-paying families.

Last year, in the wake of the first spending-rule change, the Committee was able to recommend a reduction in the rate of increase of tuition and fees from 4.9% in 2006–2007 to 4.2% in 2007–2008. The continued favorable budgetary situation described in Section II of this report enabled the Committee to reduce the rate of increase once more for 2008–2009, to 3.9%. After reviewing projections for national labor markets, the Committee concluded that this increase was likely to be less than or equal to the average rate of increase in the incomes of tuition-paying families at Princeton.

The increase in the fee package approved by the trustees in January 2007 for the 2007–2008 academic year, while totaling 4.2% overall, recalibrated room and board prices to reflect peer comparisons and actual costs more closely, while maintaining tuition at the same level as the previous year. Because the room and board prices—which had been well below prices at peer institutions—were normalized last year, the individual components in this year’s increase can be increased more evenly. The marginally higher increase in board rates reflects actual costs. The Committee recommended the following increases in the undergraduate fee package for 2008–2009:
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<thead>
<tr>
<th></th>
<th>2007-2008</th>
<th>2008-2009</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$33,000</td>
<td>$34,290</td>
<td>3.91%</td>
</tr>
<tr>
<td>Room</td>
<td>$5,980</td>
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<td>3.76%</td>
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<td>Total</td>
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The Committee’s recommendations also include a 3.91% ($1,290) increase in the rate of regular graduate tuition, from $33,000 to $34,290, the same as undergraduate tuition; a 3.6% ($90) increase in the rate of DCE (Dissertation Completion Enrollment) graduate tuition, from $2,500 to $2,590; average increases in room and board rates at the Graduate College of 3.76% and 4.0% respectively; and an increase in renewal rental rates for most faculty and staff housing and for most graduate student apartments at 3.0% (Butler units will increase 4.0% on average because they are currently farther below market value than other units). The University also expects to increase the premiums for the Student Health Plan from $1,050 to $1,150 for 2008–2009.

IV. The Outlook for the Future

At the end of each Priorities Committee process, the Committee reviews projections for an additional three budget years beyond the upcoming one. Typically, these projections both test whether recommendations for the upcoming budget year are sustainable and establish a starting point for the discussions of the following year’s Committee. In general, we construct these projections by extending the growth rates recommended for the budget year’s fee package, salary pools, rents, inflation allowances, and other variables for another three years. Estimates for items not under the University’s direct control—such as funding for sponsored research, Annual Giving and other fundraising, real estate taxes, and the like—are based on our assessment of likely average growth rates.

We also estimate the impact of new buildings coming on line and other planned changes over the next four years. For example, this set of projections includes the continued growth in
the undergraduate student body, as accommodated by the new dorms being built in Butler College that are scheduled to open in FY2009–2010.

In keeping with recent practice, we added a programmatic contingency of $500,000 in each year from FY2009–2010 forward. This contingency recognizes the University’s need continuously to improve its instructional, research, and campus life programs in order to remain a vibrant and evolving institution.

As described earlier in the report, the projections for the University’s operating budget show a substantially more stable financial picture than a few years ago, before the large increases in investment returns that allowed for a series of upward spending rule adjustments authorized by the trustees.

Our projections extrapolate forward the policy recommendations being made for the budget year into the subsequent three years. Major assumptions in this year’s projection include salary packages similar to those built into the budget year and fee increases continuing at the 3.91% level. Inflation for typical office expenses is projected at 2%, but higher inflation assumptions are applied to a number of facilities costs, such as energy and real estate taxes, and for library acquisitions. On the income side, Annual Giving is expected to increase slightly more than inflation in line with campaign expectations, while government and other outside sponsored research is expected to grow at only about 1%, reflecting the uncertain funding climate described earlier in the report.

Other things being equal, assumptions like the ones mentioned above result in expenses growing at a slightly faster rate than income, a pattern that, if left unadjusted, would produce a series of compounding deficits. As mentioned in the budgetary background section on pages 2 to 4 of the report, the projections made last summer indicated that the combination of somewhat higher salary pools and somewhat lower fees would produce such deficits, and it was agreed that they could be accommodated by taking advantage of the flexibility incorporated into the budget as part of the last spending rule changes. Under this plan, unrestricted funds temporarily assigned to supplement our regular capital programs could be
transferred over time as needed to support ongoing operational costs. Although for a number of reasons the rate at which these transfers might have to be made now looks somewhat greater than envisioned last summer, the budget appears to have sufficient capacity both to maintain our core commitment to supporting the capital program and to transfer funds from supplemental capital to operating purposes, while still remaining solidly in balance over the next four years. Therefore, based on this set of financial projections, we see no reason to modify any of the recommendations being made for the upcoming budget year.
## PRIORITIES COMMITTEE SCHEDULE
### 2007 – 2008

Unless otherwise noted, all meetings are scheduled for 4:30 p.m. to 6:15 p.m. in Prospect House, Room C.

<table>
<thead>
<tr>
<th>Day</th>
<th>Date</th>
<th>Time</th>
<th>Topic</th>
<th>Presenter/Invited Guest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday</td>
<td>October 16</td>
<td>4:30 p.m.</td>
<td>Orientation</td>
<td>Introduction to Priorities Committee, Operating Budget</td>
</tr>
<tr>
<td>Wednesday</td>
<td>October 17</td>
<td>4:30 p.m.</td>
<td>Orientation</td>
<td>Sponsored Research; Capital Budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:15 p.m.</td>
<td>Orientation</td>
<td>Q&amp;A for new members</td>
</tr>
<tr>
<td>Tuesday</td>
<td>October 23</td>
<td>4:30 p.m.</td>
<td>Tuition and Fees</td>
<td>Chad Klaus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>General Manager, Services</td>
</tr>
<tr>
<td>Wednesday</td>
<td>October 24</td>
<td>4:30 p.m.</td>
<td>Library</td>
<td>Karin Trainer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>University Librarian</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:15 p.m.</td>
<td>Graduate School</td>
<td>William Russel</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dean of the Graduate School</td>
</tr>
<tr>
<td>[Fall Recess October 27 – November 4]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:15 p.m.</td>
<td>Administrative Initiatives I</td>
<td>Mark Burstein</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Wednesday</td>
<td>November 7</td>
<td>4:30 p.m.</td>
<td>Information Technology</td>
<td>Betty Leydon</td>
</tr>
<tr>
<td></td>
<td>Room E</td>
<td></td>
<td></td>
<td>VP for Information Technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:15 p.m.</td>
<td>Faculty Staffing</td>
<td>David Dobkin</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dean of the Faculty</td>
</tr>
<tr>
<td>Friday</td>
<td>November 9</td>
<td>8:00 a.m.</td>
<td>Meeting of Priorities Committee with the Finance Committee of the Board of Trustees for a General Discussion of the Budget</td>
<td></td>
</tr>
<tr>
<td>Monday</td>
<td>November 12</td>
<td>7:30 p.m.</td>
<td>Priorities Committee PUBLIC MEETING (All members should attend)</td>
<td>McCosh 28</td>
</tr>
<tr>
<td>Tuesday</td>
<td>November 13</td>
<td>4:30 p.m.</td>
<td>Salary Pools</td>
<td>Lianne Sullivan-Crowley</td>
</tr>
<tr>
<td></td>
<td>Room E</td>
<td></td>
<td></td>
<td>VP for Human Resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:15 p.m.</td>
<td>Salary Pools</td>
<td>David Dobkin</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dean of the Faculty</td>
</tr>
<tr>
<td>Wednesday</td>
<td>November 14</td>
<td>4:30 p.m.</td>
<td>Facilities</td>
<td>Mike McKay</td>
</tr>
<tr>
<td></td>
<td>Room E</td>
<td></td>
<td></td>
<td>VP for Facilities</td>
</tr>
</tbody>
</table>
5:15 p.m. Administrative Initiatives II
If needed
Mark Burstein
Executive Vice President

Tuesday
Room E
November 20
4:30 p.m.
Undergraduate Financial Aid
Nancy Malkiel
Dean of the College
Janet Rapelye
Dean of Admission
Robin Moscato
Director of Undergraduate Financial Aid

5:15 p.m. Campus Life
Janet Dickerson
VP for Campus Life

[Thanksgiving Recess—November 21 – 25]

Tuesday
November 27
4:30 p.m. **Budget Update/Development of Tentative Recommendations

Wednesday
November 28
4:30 p.m. **Tentative Recommendations (continued)

Tuesday
December 4
4:30 p.m. **Tentative Recommendations (continued)

Wednesday
December 5
4:30 p.m. **Tentative Recommendations (continued)

Room E

Monday
December 10
4:30 p.m. CPUC Discussion of Priorities Committee Recommendations and Report
Location TBA

Tuesday
December 11
4:30 p.m. Final Recommendations /Projections

Wednesday
December 12
4:30 p.m. Final Recommendations /Projections

Friday
December 14
2:00pm Meeting of Priorities Committee Members with the Full Finance Committee for Presentations of Tentative Recommendations

[Winter Recess December 15 – January 6]

Tuesday
January 8
3:00 p.m. Final Recommendations/Projections/Final Report

Wednesday
January 9
3:15 p.m. Final Recommendations/Projections/Final Report

Thursday
January 10
3:00 p.m. Final Recommendations/Projections/Final Report

Friday
January 25
[FYI: President and Provost Present Final Budget Recommendations to Finance Committee and Board of Trustees; Committee members do not attend]

**It may be necessary to extend these meetings until 7:00 p.m.
## Appendix B

### PRINCETON UNIVERSITY
Operating Budget: Income
(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2006-07 Actual</th>
<th>2007-08 Estimate</th>
<th>2008-09 Projection</th>
<th>Difference (3)-(2)</th>
<th>Diff %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Investment Income</td>
<td>419,869</td>
<td>534,608</td>
<td>568,456</td>
<td>33,848</td>
<td>6.3%</td>
</tr>
<tr>
<td>2. Student Fees:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Undergraduate Tuition</td>
<td>154,576</td>
<td>156,198</td>
<td>164,515</td>
<td>8,317</td>
<td>5.3%</td>
</tr>
<tr>
<td>b. Graduate Tuition</td>
<td>65,948</td>
<td>67,193</td>
<td>71,364</td>
<td>4,171</td>
<td>6.2%</td>
</tr>
<tr>
<td>c. Other</td>
<td>6,798</td>
<td>8,223</td>
<td>8,834</td>
<td>611</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>227,322</td>
<td>231,614</td>
<td>244,713</td>
<td>13,099</td>
<td>5.7%</td>
</tr>
<tr>
<td>3. Gifts &amp; Grants (non-government):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Sponsored Projects</td>
<td>26,264</td>
<td>26,393</td>
<td>26,657</td>
<td>264</td>
<td>1.0%</td>
</tr>
<tr>
<td>b. Other</td>
<td>89,132</td>
<td>101,371</td>
<td>105,460</td>
<td>4,089</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>115,396</td>
<td>127,764</td>
<td>132,117</td>
<td>4,353</td>
<td>3.4%</td>
</tr>
<tr>
<td>4. Federal &amp; State Government:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Sponsored Projects</td>
<td>183,382</td>
<td>191,737</td>
<td>192,840</td>
<td>1,103</td>
<td>0.6%</td>
</tr>
<tr>
<td>b. Other</td>
<td>12,085</td>
<td>12,740</td>
<td>12,811</td>
<td>71</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>195,467</td>
<td>204,477</td>
<td>205,651</td>
<td>1,174</td>
<td>0.6%</td>
</tr>
<tr>
<td>5. Auxiliary Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Athletics</td>
<td>2,016</td>
<td>2,052</td>
<td>2,081</td>
<td>29</td>
<td>1.4%</td>
</tr>
<tr>
<td>b. Dorm &amp; Dining Services</td>
<td>46,910</td>
<td>55,671</td>
<td>58,004</td>
<td>2,333</td>
<td>4.2%</td>
</tr>
<tr>
<td>c. Rental Housing</td>
<td>16,964</td>
<td>17,740</td>
<td>18,304</td>
<td>564</td>
<td>3.2%</td>
</tr>
<tr>
<td>d. Other Income</td>
<td>18,497</td>
<td>17,981</td>
<td>18,672</td>
<td>691</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>84,387</td>
<td>93,444</td>
<td>97,061</td>
<td>3,617</td>
<td>3.9%</td>
</tr>
<tr>
<td>6. Service Departments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Office of Information Technology</td>
<td>1,493</td>
<td>1,417</td>
<td>1,482</td>
<td>65</td>
<td>4.6%</td>
</tr>
<tr>
<td>b. Other</td>
<td>3,318</td>
<td>3,246</td>
<td>3,401</td>
<td>155</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>4,811</td>
<td>4,663</td>
<td>4,883</td>
<td>220</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,047,252</td>
<td>1,196,570</td>
<td>1,252,881</td>
<td>56,311</td>
<td>4.7%</td>
</tr>
<tr>
<td>Less Interdepartmental Transactions</td>
<td>12,221</td>
<td>12,772</td>
<td>13,200</td>
<td>428</td>
<td>3.4%</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>1,035,031</td>
<td>1,183,798</td>
<td>1,239,681</td>
<td>55,883</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Summary of Sponsored Projects:
(a) Direct Costs | 171,494 | 178,588 | 179,590 | 1,002 | 0.6% |
(b) Indirect Cost Reimbursements | 38,152 | 39,542 | 39,907 | 365 | 0.9% |

**Total** | 209,646 | 218,130 | 219,497 | 1,367 | 0.6% |
## PRINCETON UNIVERSITY
### Operating Budget: Expense
dollars in thousands

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>Difference</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Estimate</td>
<td>Projection</td>
<td>(3)-(2)</td>
</tr>
<tr>
<td>1. Academic Departments &amp; Programs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Instructional Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Faculty, academic year</td>
<td>137,390</td>
<td>147,862</td>
<td>157,716</td>
<td>9,854</td>
</tr>
<tr>
<td>2. Assistants in Instruction</td>
<td>17,826</td>
<td>17,806</td>
<td>18,164</td>
<td>358</td>
</tr>
<tr>
<td>b. Other salaries and expenses</td>
<td>221,615</td>
<td>239,646</td>
<td>251,532</td>
<td>11,886</td>
</tr>
<tr>
<td>Subtotal</td>
<td>376,831</td>
<td>405,314</td>
<td>427,412</td>
<td>22,098</td>
</tr>
<tr>
<td>2. Plasma Physics Laboratory</td>
<td>71,215</td>
<td>76,000</td>
<td>76,000</td>
<td>0</td>
</tr>
<tr>
<td>3. Undergraduate Scholarships</td>
<td>71,393</td>
<td>81,083</td>
<td>86,659</td>
<td>5,576</td>
</tr>
<tr>
<td>4. Graduate Fellowships</td>
<td>73,007</td>
<td>75,712</td>
<td>81,345</td>
<td>5,633</td>
</tr>
<tr>
<td>5. Other Student Aid and Miscellaneous Fellowships</td>
<td>5,782</td>
<td>6,250</td>
<td>6,442</td>
<td>192</td>
</tr>
<tr>
<td>6. Central University Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Library</td>
<td>46,060</td>
<td>50,483</td>
<td>53,721</td>
<td>3,238</td>
</tr>
<tr>
<td>b. Office of Information Technology</td>
<td>27,615</td>
<td>33,262</td>
<td>35,393</td>
<td>2,131</td>
</tr>
<tr>
<td>c. Public Safety</td>
<td>6,487</td>
<td>6,596</td>
<td>6,961</td>
<td>365</td>
</tr>
<tr>
<td>d. Other</td>
<td>2,983</td>
<td>3,072</td>
<td>3,319</td>
<td>247</td>
</tr>
<tr>
<td>Subtotal</td>
<td>83,145</td>
<td>93,413</td>
<td>99,394</td>
<td>5,981</td>
</tr>
<tr>
<td>7. Administration:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Academic Administration and Student Services</td>
<td>50,767</td>
<td>63,348</td>
<td>67,969</td>
<td>4,621</td>
</tr>
<tr>
<td>b. General Administration and Expenses</td>
<td>58,416</td>
<td>66,669</td>
<td>70,813</td>
<td>4,414</td>
</tr>
<tr>
<td>Subtotal</td>
<td>109,183</td>
<td>130,017</td>
<td>138,782</td>
<td>8,765</td>
</tr>
<tr>
<td>8. Athletics</td>
<td>18,877</td>
<td>20,454</td>
<td>21,550</td>
<td>1,096</td>
</tr>
<tr>
<td>9. Physical Facilities</td>
<td>135,349</td>
<td>148,670</td>
<td>157,091</td>
<td>8,421</td>
</tr>
<tr>
<td>10. Transfer for Renewal/Replacement/Debt</td>
<td>102,470</td>
<td>161,632</td>
<td>159,606</td>
<td>-2,026</td>
</tr>
<tr>
<td>11. Allowance for Contingencies:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Provision for expenses</td>
<td>0</td>
<td>675</td>
<td>1,350</td>
<td>675</td>
</tr>
<tr>
<td>b. Anticipated vacancies</td>
<td>0</td>
<td>-2,650</td>
<td>-2,750</td>
<td>-100</td>
</tr>
<tr>
<td>Subtotal</td>
<td>0</td>
<td>-1,975</td>
<td>-1,400</td>
<td>575</td>
</tr>
<tr>
<td>Total Expense</td>
<td>1,047,252</td>
<td>1,196,570</td>
<td>1,252,881</td>
<td>56,311</td>
</tr>
<tr>
<td>Less Interdepartmental Transactions</td>
<td>12,221</td>
<td>12,772</td>
<td>13,200</td>
<td>428</td>
</tr>
<tr>
<td>Grand Total</td>
<td>1,035,031</td>
<td>1,183,798</td>
<td>1,239,681</td>
<td>55,883</td>
</tr>
<tr>
<td>12. Estimated Income</td>
<td>1,035,031</td>
<td>1,083,798</td>
<td>1,239,681</td>
<td>55,883</td>
</tr>
<tr>
<td>13. Surplus or (deficit)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
NOTES TO SUMMARY TABLES

Income

1. **Investment Income.** This line includes income earned from investments, mainly the University's endowment. Most of the increase shown here is governed by the endowment income spending rule.

2. **Student Fees.** The increases in tuition revenues result from the higher tuition rates being recommended, from the planned expansion of the undergraduate student body, and from a slight projected increase in the total number of graduate students. The growth in Other Student Fees primarily reflects an increase in the Student Health Plan fee from $1,050 to $1,150.

3. **Gifts and Grants (non-government).** There is a projected increase of about 1% in support for sponsored projects. The "Other" line includes Annual Giving and other gift support.

4. **Federal and State Government.** The direct expenses of main-campus sponsored research are expected to increase at a rate of roughly 1% overall. Funding levels at the Princeton Plasma Physics Laboratory are not expected to change significantly at this time. The increase in “Other” government income reflects increased support for student aid.

5. **Auxiliary Activities.** The slight increase in Athletics income reflects normal inflationary adjustments in the rates for facilities rentals and similar items. The increases for Dormitory and Dining Services and Rental Housing are the result of the recommended rate increases, plus increases from the expansion of the student body. The growth in "Other" income reflects increases in a number of areas, such as Conference and Events Services and commercial rental income.

6. **Service Departments.** The increases reflect revenue expectations for other service departments, some of which are offset by higher expenses.

7. **Interdepartmental Income.** The increase reflects inflationary adjustments in the rates of various sale-of-service units.
**Expenditures**

1. **Academic Departments and Programs.** The increase in faculty costs is primarily linked to planned changes in staffing levels, including new faculty positions supported by gift and endowment income. The increase in Assistants in Instruction (AI) costs reflects the tuition component of support packages rising in line with the proposed tuition increase, less a reversal of some current-year transfers between AI and faculty appointments. Both the faculty and AI lines reflect increases authorized to accommodate the undergraduate expansion. The increase in “other salaries and expenses” results mainly from inflationary adjustments to various components of academic departmental budgets, including higher projected expenditures in departmentally restricted and sponsored research accounts. The recommended increase in research funds for faculty appears on this line. There is also a modest projected increase in AR (Assistants in Research) tuition support based on enrollment projections. An appropriate share of the salary pool as recommended by the Committee appears on each of the three lines shown.

2. **Princeton Plasma Physics Laboratory.** We project essentially no changes in funding.

3. **Undergraduate Scholarships.** Increases are provided to cover the higher fees recommended and to fund some projected additional awards, reflecting both the expansion of the student body and our assumption that next year’s entering class will have a higher fraction of its students qualifying for aid than this year’s graduating senior class, consistent with our experience in recent years.

4. **Graduate Fellowships.** Increases are provided to cover the higher tuition rate being recommended, the higher student health plan fee, the base inflationary adjustments to average stipend levels, and the recommended increases in funding for stipends in the humanities and social sciences. A modest increase in the number of fellowships, including some supported on departmental and outside awards, is also projected, based on expected growth in the total number of graduate students.

5. **Other Student Aid and Miscellaneous Fellowships.** This line includes a variety of student aid programs, most of which are fully supported by funds restricted to these purposes, including the majority of the Federal Work Study Program, postdoctoral fellowships, and the like.

6. **Central University Services.** All lines reflect normal inflationary adjustments, and one-time FY08 costs are removed. The amounts recommended for the library, the Office of Information Technology (OIT), and Environmental Health and Safety are included. The totals for the library and OIT also include amounts authorized to accommodate the undergraduate expansion. An appropriate share of the recommended salary pool appears on each line.

7. **Administration.** Normal inflationary adjustments are included, and one-time FY08 costs are removed. The amounts recommended for the Graduate School, Health Services, and Human Resources are included. Line 7.a. also includes amounts authorized in University Health Services to accommodate the
undergraduate expansion. An appropriate share of the recommended salary pool appears on each line.

8. **Athletics.** The increase reflects routine inflationary adjustments plus expected growth in departmental restricted funds. The amounts recommended for sport clubs and intramurals are included, along with an appropriate share of the recommended salary pool.

9. **Physical Facilities.** This line includes inflationary adjustments in property taxes, water and sewer charges, insurance, and energy costs, along with increases to support the costs of the Lewis Library and the new engineering building. Various one-time adjustments are removed. The recommended increases for the safety and security program, for the Frist Campus Center, and for undergraduate laundry facilities are reflected. An appropriate share of the recommended salary pool is also included.

10. **Transfer for Renewal/Replacement/Debt.** This line reflects the costs of major maintenance and renovation projects and of capital equipment purchases. A fund has been established to pay for these expenditures, and contributions from the operating budget to replenish that fund appear here. The increase reflects normal inflationary growth.

11. **Allowance for Contingencies.** Line 11.a. reflects the restoration of our contingency to its normal full-year level. Line 11.b. reflects a slight adjustment in our faculty vacancy expectation.

**Salary Pool (Distributed Above).** Funds to provide salary increases for continuing faculty and staff supported by general funds (including the recommended increase to the promotion and adjustment pool), plus amounts for recommended increases in AI stipends and in hourly student wages, are included within the appropriate expense categories shown above. The benefits rate for non-academic departments is projected to increase from 26.2% to 28.0%, and the comparable rate for academic departments will increase from 32.5% to 34.5%.